

# UK Cities DNA



*Meet the new boss,  
same as the old boss?*

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The fourth of twelve insight papers in our UK Cities DNA initiative – putting real estate supply and demand in the context of the economic direction of travel.

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# A new government agenda to address geographical inequality?

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- The “levelling up” moniker may have been consigned to history, but the new Labour Government continues to recognise the need to address regional disparities.

- Labour’s approach emphasises empowering local authorities, decentralising power, and integrating environmental sustainability into planning and development.

- Investment in regional initiatives and infrastructure could be a major driver of real estate activity.

- Fiscal constraints pose a major stumbling block.

“We will go back to basics. No more government by gimmick. No more stunts and spin. Our department should do what it says on the tin. When they announced levelling up, the last government may not have had the right solutions but they were right about the problem. Because our country is too unequal, and it holds us all back. This government has a mission to tackle that.”

ANGELA RAYNER, DEPUTY PRIME MINISTER AND SECRETARY OF STATE FOR HOUSING, COMMUNITIES AND LOCAL GOVERNMENT

A primary political goal, and indeed a ‘political tool’ of recent years has been policy pledges that promote geographical equality in terms of growth, opportunity and investment. The proposals have often been bold and broad, with boosting the economy, addressing housing needs, infrastructure improvement, education and climate change among the principal targets. Opinion differs as to the measure of success or failure in each ambition. However, the beginning of a new parliament offers the opportunity to review past performance and consider what to expect going forward.

## THE CONSERVATIVE’S “LEVELLING UP” AGENDA

The Conservative Party’s discontinued “levelling up” agenda sought to drive regional economic growth by investing heavily in infrastructure, encouraging private sector participation, and enhancing local governance. However, significant delays in key infrastructure

projects like HS2 and slow progress in establishing initiatives such as Freeports only dampened the expected economic benefits. Additionally, only a small portion of the allocated funds were effectively utilised, with estimates of just over 10% of the promised investments making a real impact. The process has been criticised for its lack of transparency and inefficiencies, leading to claims of failure to deliver meaningful improvements in the targeted areas.

**Implications for Commercial Real Estate:** Initially promising in at least ambition, the Conservative strategy produced mixed results. Expected to be the backbone of regional economic stimulus, the main problems related to infrastructure projects that ultimately undermined confidence and integrity in the wider programme. Consequently, many regional cities failed to realise the expected rise in commercial activity, although Birmingham is an example of an increase in new development related to HS2.

The introduction of Freeports similarly met challenges. The concept aimed to transform regional development through attractive tax incentives and customs advantages. The slow pace of establishing zones and lingering uncertainty about their long-term viability meant the necessary investment failed to materialise. Consequently, commercial activity did not meet the forecast level.

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**“Labour’s strategy emphasises increasing fiscal autonomy for local governments, enabling them to generate and manage their revenues more effectively, allowing for more tailored and responsive local economic policies.”**

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#### **LABOUR’S APPROACH: EMPOWERING LOCAL AUTHORITIES**

Since taking power in July 2024, Labour has reoriented the government’s focus from the “levelling up” agenda to a strategy centred on empowering local authorities. This shift reflects a broader commitment to devolving power and responsibility, aiming to create a more balanced and equitable distribution of resources across the country. Labour’s strategy emphasises increasing fiscal autonomy for local governments, enabling them to generate and manage their revenues more effectively, allowing for more tailored and responsive local economic policies. By standardising devolution, Labour promises to ensure that all regions have similar powers and opportunities, thus reducing regional disparities.

**Implications for Commercial Real Estate:** Labour’s emphasis on decentralisation could positively impact commercial real estate in regional cities by encouraging more tailored local development strategies. However, the success of these initiatives partly depends on whether

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**“The success of these initiatives partly depends on whether local councils can overcome financial constraints and manage conflicting objectives and responsibility effectively.”**

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local councils can overcome financial constraints and manage conflicting objectives and responsibility effectively. If successful, like the previous government plan, Labour’s approach could increase demand for commercial real estate as regional economies grow and development schemes are supported.

#### **RELOCATION OF CIVIL SERVICE JOBS**

The Conservative and Labour parties have included relocating civil service jobs as a key component of strategies to address regional inequality. The Conservatives’ “Places for Growth” strategy targeted relocating 22,000 civil service jobs out of London by the end of 2027. Labour’s approach, outlined in the report “A New Britain: Renewing our Democracy and Rebuilding our Economy”, recommended relocating as many as 50,000 civil service jobs out of London.

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# 50k

civil service jobs recommended to be relocated out of London

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**Implications for Commercial Real Estate:** The relocation of civil service jobs could drive demand for commercial real estate in regional cities as government departments establish new offices and facilities outside London. Proposals have been approved for a 108,000 sq ft

government office development in Darlington and a six-storey 195,000 sq ft government office in York, demonstrating the significant impact the programme could have. However, the success of relocations depends on ensuring that they contribute to meaningful regional development rather than simply shifting jobs. The loss of experienced staff, as encountered in the relocation of the Office for National Statistics (ONS) to Newport, also raises concerns about the operational effectiveness of such moves.

#### **INFRASTRUCTURE DEVELOPMENT**

Infrastructure development is a critical area for the future growth of regional cities. The Conservative Party’s “levelling up” program committed to significant investments in road and rail projects, such as HS2. However, these projects have faced numerous challenges, including technical difficulties, rising costs, and logistical delays.

Labour has pledged a comprehensive 10-year infrastructure strategy focused on revitalising the UK’s transport system, including nationalising railways. The plan also involves significant investments in public transport, such as expanding bus networks, light rail systems, and cycling infrastructure. Additionally, Labour aims to address regional disparities by ensuring infrastructure development benefits underfunded areas like the North of England and Wales.

**Implications for Commercial Real Estate:** Infrastructure improvements are essential for stimulating economic growth and, by extension, the demand for commercial real estate. The Elizabeth Line, for example, is estimated to add £42 billion to the UK economy and support the creation of thousands of jobs in London. The delays and scaling back of projects like HS2 are likely to have hindered the growth potential or at least the pace of growth of some regional cities.

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**“Labour’s infrastructure strategy could boost commercial real estate by improving connectivity and making regional cities more attractive to businesses. However, the viability of these ambitious plans is questionable.”**

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If successfully implemented, Labour’s infrastructure strategy could boost commercial real estate by improving connectivity and making regional cities more attractive to businesses. However, the viability of these ambitious plans is questionable. Establishing Great British Railways (GBR) and bringing the rail network into public ownership will require substantial investment. Securing funding for these initiatives will be challenging, particularly when the public purse is under pressure, and cuts are being made to other departmental budgets.

#### **DIGITAL INFRASTRUCTURE**

Digital infrastructure is increasingly recognised as a vital component of modern economies. The Conservative Party focused on leveraging private sector investment to achieve full gigabit broadband and 5G coverage, with Birmingham, Manchester, Cardiff and Belfast as part of the initial rollout. However, progress has been slower than planned, partly due to a substantial investment gap estimated to be £25bn.

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# 2030

Labour committed to achieving full UK 5G coverage by 2030

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Labour has committed to achieving full gigabit broadband and national 5G coverage across the UK by 2030, recognising the importance of advanced digital infrastructure for economic growth and social inclusion. The plan includes updating national planning policies to streamline the deployment of essential infrastructure, such as data centres and 5G networks, particularly in underserved areas. Labour aims to address the digital divide by ensuring all regions have equal access to high-speed connectivity.

**Implications for Commercial Real Estate:** The expansion of digital infrastructure could drive demand for commercial real estate, particularly in the tech sector. Data centres, laboratories, and other tech-related facilities require specialised commercial properties, creating new commercial real estate market opportunities. Recognising the importance of digital infrastructure, Data Centres have now been classified as ‘Critical National Infrastructure’.

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**“Labour’s plans to accelerate digital infrastructure development could offer some remedy, but success depends on effectively addressing cost, regulatory and planning barriers.”**

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The slow rollout of 5G and other digital infrastructure however, is likely to have delayed some potential opportunities. Labour’s plans to accelerate digital infrastructure development could offer some remedy, but success depends on effectively addressing cost, regulatory and planning barriers. One area that Labour has already scaled back was the proposed £1.3bn investment in AI and Super Computing. This included

scrapping projects such as the £800m supercomputer at the University of Edinburgh.

#### **PLANNING REFORM AND ENVIRONMENTAL SUSTAINABILITY**

Labour’s planning reforms focus on decentralising power to local authorities, enhancing environmental sustainability, and addressing housing shortages. The party plans to give local councils more control over planning decisions, making the process more responsive to community needs. Labour also emphasises integrating high environmental standards into planning, aligning to achieve net-zero carbon emissions by 2030.

However, a key feature of this reform is the introduction of ministerial determination, which allows ministers to intervene directly in planning decisions under specific circumstances. This is intended to streamline the approval process for significant projects, particularly when local authorities fail to meet their obligations, or delays could hinder progress on national priorities, such as housing targets.

An example of this in action has been intervention in two appeals for large data centres, previously rejected by councils in Hertfordshire and Buckinghamshire. At the time of writing, the proposals for a 65,000 sq m data centre in Iver, Buckinghamshire, and an 84,000 sq m facility in Abbots Langley, Hertfordshire, have been recovered by the newly renamed Ministry of Housing, Communities and Local Government.

**Implications for Commercial Real Estate:** Labour’s planning reforms could lead to more localised and sustainable development, potentially benefiting the commercial real estate market. By prioritising Brownfield and Grey Belt sites for development, Labour aims to protect Green Belt areas while facilitating necessary growth.

However, the emphasis on environmental standards could

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“Decentralising planning power could lead to inconsistencies in decision-making across regions, while the inclusion of ministerial determination could also be considered as undermining local authorities.”

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increase the complexity and cost of commercial development, potentially slowing down the pace of new projects. Additionally, decentralising planning power could lead to inconsistencies in decision-making across regions, while the inclusion of ministerial determination could also be considered as undermining local authorities.

#### ADDRESSING CLIMATE CHANGE

Labour and the Conservative party have distinct approaches to addressing climate change. Labour’s strategy is ambitious, aiming for net-zero carbon emissions by 2030. The Conservative Party’s approach was incremental, targeting net zero by 2050 and focusing on a balanced mix of energy sources, including nuclear and hydrogen. Labour has proposed creating over a million green jobs through initiatives like retrofitting homes for energy efficiency, expanding public transport, and supporting renewable energy projects. For instance, Labour plans to invest heavily in solar and wind energy, and have announced the creation of Great British Energy which is to be headquartered in Aberdeen. Other principal hubs for offshore wind and the associated manufacturing and supply chains, Hull, Grimsby and the major Scottish cities could receive a significant boost from this pledge.

**Implications for Commercial Real Estate:** Labour’s ambitious climate goals could reshape the

market by driving demand for energy-efficient buildings and green infrastructure. Properties that meet the ‘standard’ could see higher values, although this would also create greater polarisation in the marketplace. The transition to a greener economy, mainly driven by advancements in renewable energy and green technology, is expected to generate new opportunities in regional cities. This shift could stimulate economic growth and increase the demand for commercial spaces as businesses specialising in sustainable practices, clean energy production, and eco-friendly technologies acquire operational centres.

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#### SKILLS DEVELOPMENT AND GRADUATE RETENTION

Education and skills development are critical components of both parties’ ambitions to enhance the appeal of the regional cities. The Conservative Party had focused on apprenticeships and vocational education, while Labour emphasises free education and lifelong learning. A significant challenge for regional

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48%

Bristol graduate retention rate

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43%

Manchester graduate retention rate

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cities is retaining university graduates, often drawn to London for job opportunities. In 2022, Bristol saw a graduate retention rate of 48%, up from 40% the previous year, while Manchester had a retention rate of 43%. These improvements are partly driven by increased economic opportunities in these cities and the development of vibrant urban environments that appeal to young professionals.

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“If regional cities can retain more graduates, this could stimulate economic growth and increase the demand for commercial real estate.”

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**Implications for Commercial Real Estate:** The success of skills development initiatives could impact the demand for commercial real estate in regional cities. A well-educated workforce is essential for attracting businesses, which drives demand for office space, retail outlets, and other commercial properties. If regional cities can retain more graduates, this could stimulate economic growth and increase the demand for commercial real estate. However, if these efforts fail to retain talent, regional cities may struggle to attract the businesses needed to support the growth of commercial centres.

## CONCLUSION

In summary, the ongoing efforts to address geographical inequality in the UK highlight the complexities and challenges of implementing ambitious policies to foster growth and reduce disparities between regions. While bold in its intentions, the Conservative Party's "levelling up" agenda faced significant obstacles in execution, leading to challenges about its efficiencies, effectiveness and sustainability. Labour's approach, which emphasises greater local empowerment offers a different path forward. However, Labour's success will hinge on overcoming fiscal constraints and managing local resistance. Local councils are already struggling financially, with eight UK councils already having issued a section 118 notice, meaning they cannot balance budgets. Without solving this financial conundrum, local authorities will struggle to effectively implement and manage the responsibilities and powers they are granted.

Both parties acknowledge the need for targeted investment and infrastructure development outside London and the South East. Still, the pace and impact of these efforts will depend on the ability of the government to deliver on its promises. The balance between empowering local communities, protecting the environment, and fostering economic growth will be critical in determining whether the new agenda can address perceived inequalities. Will the new parliament provide an opportunity to learn from the past?

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**“Success will require concerted effort, innovation, and significant financial commitment to bring these initiatives to fruition.”**

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## EIGHT KEY AREAS OF REGIONAL FOCUS



1

“Back to Basics” vs  
“Levelling Up”



2

Empowering Local  
Authorities



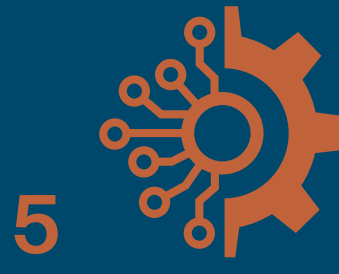
3

Relocation of Civil  
Service Jobs



4

Infrastructure Development



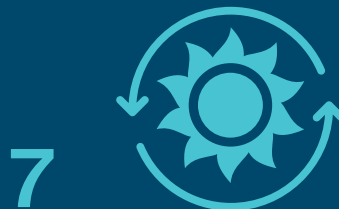
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Digital Infrastructure



6

Planning Reform and  
Environmental Sustainability



7

Addressing Climate Change



8

Skills Development and  
Graduate Retention

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We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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