

# 3 Economic competitiveness

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- 3.1 This chapter examines the evidence that the natural environment can enhance the economic competitiveness of a particular region. Economic competitiveness refers to the ability of a particular region to attract businesses and investment, and therefore encourage economic activity.
- 3.2 There are several ways this could occur. On a very local scale, the natural environment in an area may increase employee productivity. Consumers in greener areas may spend more locally. Tourists may be drawn to the area and spend money on accommodation and other activities.
- 3.3 If households or businesses would prefer to be located in greener areas, this is likely to show up in the amounts they pay to purchase or rent in the area. This chapter therefore includes a section on house prices, and also on regional investment (which includes investment in office buildings).

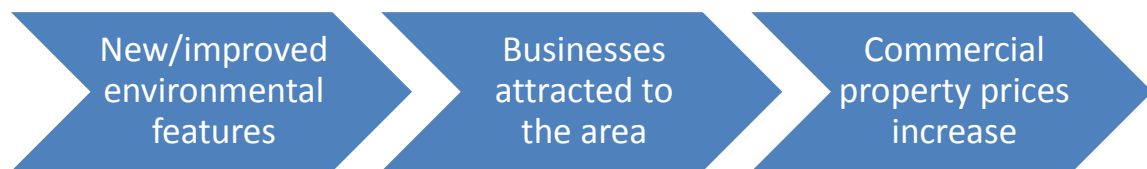
## 3d Regional investment

*Businesses are influenced by a range of factors when determining where to invest. There is some case study evidence that the quality of the natural environment, although not a key driver, may influence where businesses choose to locate and invest.*

### Introduction

- 3.18 There are several reasons why businesses might choose to invest in a region with a higher quality environment. The first is because a more pleasant workplace may help to attract and retain employees. The second is because employees may be more productive in a more pleasant workplace with natural views and greenspace access [evidence for this is discussed in Section 3c [Labour productivity](#)]. A third reason is that customers may be more likely to visit the area and spend there [evidence for this is discussed under Section 3a [Consumer spending](#)].
- 3.19 If businesses believe these benefits exist, demand for commercial and retail properties in greener areas is likely to be higher. This would then be reflected in the price of those properties. Additionally, if businesses are attracted to the area, increased business investment may lead to increased flow on impacts and overall economic activity in the region. If this comes at the expense of economic activity in other areas of the UK, the net economic IMPACT at the UK level may be negligible<sup>14</sup>. If however, the result is an increase in investment from overseas, total net economic activity within the UK will increase.
- 3.20 In order to understand the evidence in this section properly, and why increasing commercial property prices is **not** an economic benefit, please read the introduction to Section 3b [House prices](#). These arguments apply equally to commercial property prices.

### Theory of change



### Can the benefit be quantified?

- 3.21 The relationships between proposed cause (views of and access to greenspace) and effect (increased property and rental values) could in principle be quantified although there are great challenges due to the number of contextual factors that would need to be controlled for. In practice the evidence is in the form of qualitative case studies.

### How strong is the evidence?

- 3.22 The evidence in Section 3c [Labour productivity](#) and Section 4f [Mental health](#) makes it reasonable to suppose that employees may prefer work environments with views of and/or proximity to nature, and that it may contribute to making them healthier and more productive. There is additional evidence in Section 3a [Consumer spending](#) to suggest that there may be

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<sup>14</sup> A transfer of economic activity between regions has occurred, rather than a net increase in economic activity.

positive impacts on consumer spending. Case study evidence presented below suggests that a greener natural environment can indeed be attractive to business.

## Evidence

### UK/Europe

- A survey of real estate developers and consultants across Europe found that 95% of respondents believe that open space adds value to commercial property and would be willing to pay at least 3% more to be in close proximity to open space. Respondents rated access to open space the 5<sup>th</sup> most important criterion when selecting commercial property, after location, cost, public transport links, amenities but *before* prestige of address and building aesthetics (Gensler and Urban Land Institute 2011)<sup>15</sup>. It is also possible that it is not the open space in itself that is important, but rather the signal it sends about the status of the business in society.
- By contrast, Henneberry, Rowley et al. (2004) found that neither occupiers, nor developers nor property valuers expected improved landscape to affect property and rental values. However this was a scoping study undertaken in areas with low land value, and suggests that landscaping expectations are higher in higher value areas.
- On an economy-wide scale, Waltert and Schlapfer (2010)<sup>16</sup> reviewed a number of regional economic and migration studies and found that regions with more landscape amenities (for example, forests, open spaces) tended to grow faster in terms of population than those with less. However, not enough evidence existed to draw conclusions about the link between those amenities and employment or incomes.

### UK sub-national

- Canary Wharf chose to build Jubilee Park in the middle of its office development at a cost of £6 million. Businesses used the park to sell relocation to the wharf to their staff, and Canary Wharf Group are confident they will recoup their investment (CABE Space 2005).
- Arlington Business Parks has built an £800 million property portfolio offering offices in high quality greenspaces. These out of town parks command at least city centre retail values. Businesses using the office space consider the greenspace an important benefit (CABE Space 2005)<sup>17</sup>.
- A broadly mixed regeneration investment which included an element of landscaping, tree planting and rubbish clearance at Winsfield Industrial Estate in Cheshire was followed by a 13% increase in employment against a small decrease in employment in the local area (Centre for Local Economic Strategies and Groundwork UK 2007)<sup>18</sup>.
- A broadly mixed regeneration investment which included an element of landscape, tree planting and rubbish clearance in Portland Basin, Tameside, was followed by a 25% increase in employment against a background increase of 8.3% in the local area (Centre for Local Economic Strategies and Groundwork UK 2007)<sup>19</sup>.

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<sup>15</sup> A figure of 93% of respondents willing to pay an extra 3% is given for London. Case studies of New York Hamburg and London are also offered in this document.

<sup>16</sup> The majority of studies examined in this review were from the USA, however it is reasonable to think that similar effects would be observed in the UK. Note that this assumes that all other factors affecting growth are reasonably similar between the regions, therefore results would not be relevant for a comparison between London and Cornwall, for instance.

<sup>17</sup> Note that this is also at the expensive end of the commercial market for office space.

<sup>18</sup> It seems likely that this study is evidence of an alternative theory of change, which is more about social signals and perceptions than about the benefit of greenspace per se.

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- Investment in Glasgow Green coincided with a rate of local new business formation that was much faster than that for Glasgow as a whole. Business located next to the regeneration of Glasgow Green felt that the location was attractive to customers and increased improved staff morale and retention (GEN Consulting 2006)<sup>20</sup>.

## References

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<sup>20</sup> The edge of the city centre location was also central, but the regeneration may have contributed to making the area feel like a viable investment proposition.