

South Hampshire Sub-regional Strategy

Background Document 1

Employment

Partnership for Urban South Hampshire

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Foreword

The South East England Regional Assembly (SEERA) has commissioned Hampshire County Council, Portsmouth City Council and Southampton City Council to jointly formulate sub-regional policies for South Hampshire for inclusion in the South East Plan. These three authorities have opted to undertake that work through the aegis of the Partnership for Urban South Hampshire (PUSH) which includes all eleven councils comprising the strategy area: East Hampshire District Council, Eastleigh Borough Council, Fareham Borough Council, Gosport Borough Council, Hampshire County Council, Havant Borough Council, New Forest District Council, Portsmouth City Council, Southampton City Council, Test Valley Borough Council and Winchester City Council.

The Assembly has asked for advice on housing, the amount and broad location of employment generating development, and the critical infrastructure which is needed. This report deals with the advice relating to employment.

The preparation of that advice has been undertaken through the planning and economic development sub-groups of PUSH. In particular, three workshops were held to which representatives of the Assembly's economic, environmental and social partners (Hampshire Economic Partnership) were invited. The Hampshire Economic Partnership's (HEP) Infrastructure, Investment and Property Task Group was also consulted on the key elements of this report.

This report sets out the results of the considerable technical work undertaken and the proposals and policies which emerged from it. The latter are encapsulated in the proposals in Section 5, which are recommended for inclusion in the South East Plan.

1. Context

- 1.1 Over the last two decades, South Hampshire's economic growth rate has been below the South East Region average. However, within South Hampshire there were marked differences. The outermost parts of the sub-region drove the overall growth, with rates in those areas of above the regional average while within the two cities, the growth rate was below the South Hampshire average which itself was below that of the South East Region.
- 1.2 A central aim of the South Hampshire strategy is to achieve higher rates of economic growth within the sub-region over the next twenty years and reduce the gap in performance compared to the region as whole.
- 1.3 PUSH has set a target of achieving 3.5% per annum economic growth (GVA) by the final five years of the plan period but recognises that achieving this target will require new policy interventions and public initiatives by various regional and local agencies:-
- Improvements to transport infrastructure including to achieve some modal shift towards public transport
 - Upgraded information and communications (ICT) infrastructure – essential if the sub-region is to attract higher value added industries
 - Training to up-skill the sub-region's workforce, especially with qualifications at NVQ level 4 and above
 - Provision of research, conference and hospitality facilities
 - Making suitable land and premises available – to rectify the low amount of employment land currently available and its generally low quality.
- 1.4 Those actions/initiatives will take some time to have an impact. It will be difficult, for example, to increase employment land, skills and infrastructure over the coming five years, so economic growth 2006 – 11 is likely to be about 2.75% - i.e. remain at around its current level. Steadily rising growth is the aspiration thereafter with average growth rates as follows: an average of 3.0% during 2011 – 2016; 3.25% during 2016 – 2021; 3.5% during 2021 – 26. Productivity increases in line with the 2.3% per annum SEERA / Experian forecast for the South East Region and higher rates of economic activity are also sought.

- 1.5 The South Hampshire economy can generally be regarded as well balanced with an industrial structure similar to the national one. There is a strong specialism in advanced manufacturing in some South Hampshire towns which represents a key driver of future growth. On the other hand, South Hampshire lags behind the South East Region in the development of high value-added Advanced Business Services.
- 1.6 Around half of the 59,000 additional jobs which are forecast to result from the rising economic growth will be in finance and business services. The remainder will be split largely between distribution (including retailing, hotels, restaurants, tourism and warehousing) and public services (particularly education, social care and health). Although employment in manufacturing is forecast to decline overall, this masks an increase in jobs in advanced manufacturing which will be an important driver of the South Hampshire economy.
- 1.7 In spatial terms, the strategy is to focus on the potential of Portsmouth and Southampton to support social needs, tackle deprivation, and secure social and economic inclusion. Both cities have achieved substantial regeneration successes in recent years and there is an outstanding portfolio of major projects in the pipeline. The dual city-focus will be complemented by regeneration and development within the other urban areas.
- 1.8 Although the focus and priority will be on urban regeneration, brownfield sites within the cities and towns alone cannot accommodate all the necessary development. Many of those brownfield sites identified will require substantial investment in order to bring forward within the required timescales. Some greenfield sites will be needed for the new businesses on which future economic prosperity depends.

2. Employment Floorspace Demand

Introduction

- 2.1 Forecasting the long term demand for employment floorspace is not an exact science. However, despite the uncertainties, producing the best possible estimates of future employment floorspace requirements in South Hampshire is a worthwhile and necessary component of spatial strategy development. The process of forecasting helps to develop a keener understanding of key relationships and of the forces at work in the market. And the quantitative and qualitative outcomes provide an essential guideline for policy formulation and a benchmark for future monitoring and review.
- 2.2 The synthesis model developed for South Hampshire consists of a combination of different approaches which addresses some of the uncertainties, adds depth to the understanding of the issues and processes at work, and strengthens the robustness of the final results. This synthesis model consists of four key elements, rather than relying on one single methodology entirely:
- Development trends monitoring
 - Business development needs study
 - Economic forecasting
 - Property market analysis

Development trends monitoring

- 2.3 The development trend data for South Hampshire, produced through effective partnership between all the Local Authorities involved in the sub-region, covers the 16 year period from 1988 to 2003 and is updated annually. Although not a complete indicator of market demand for industrial and office floorspace (it cannot measure unmet demand), this high quality monitoring data is a rare and highly valuable resource.
- 2.4 Analysis of the development trend data for industrial and office floorspace completions in South Hampshire shows that after a more volatile period between 1988 and 1995 a more stable trend emerged between 1996 and 2003. Average completions for the whole of the 1988 to 2003 period amounted to 113,000 m² per annum whilst the average for the 1996 to 2003 period reduced to 95,000 m² per annum. More detailed analysis by use class of the employment land development between 1988 to 2003 is shown in Table 1 below. Since the data reflects the original planning permissions, rather than the

distribution of completed development, it is not possible to differentiate within the broad B1 to B8 category of development which accounted for 31% of total completions over the period.

Table 1 Employment floorspace development in South Hampshire 1988 - 2003

Use Class	Average floorspace completions, 1988 to 2003 (m ² per annum)	Per cent
B1	50,900	45%
B2	12,400	11%
B8	14,700	13%
B1 – B8	35,000	31%
Total	113,000	100%

Note : B1 development consists mainly of offices, although research and development facilities are also included. B2 consists of general industrial development and B8 consists of warehousing and storage.

- 2.5 Although past rates of development cannot, by themselves, be assumed to represent an accurate pointer towards future demand, this analysis would suggest that a future rate of development around 95,000 to 113,000 m² per annum would not be inconsistent with monitoring data established over a 16 year period.

Hampshire Business Development Needs Study, 2002

- 2.6 The Hampshire Business Development Needs Study consisted of a questionnaire survey sent to 2,000 Hampshire businesses, three business focus groups – two of which took place in South Hampshire – and a stakeholder workshop. The survey results were analysed and reported by King Sturge and the focus groups were facilitated and reported by MORI.
- 2.7 The key message to emerge from the study was that Hampshire is a nice place to live, but a difficult place to do business. The study found a strong loyalty amongst businesses to the Hampshire “brand”, but that the costs of prosperity were beginning to bite. The particular difficulties facing business included:
- The high cost of housing, leading to a shortage of labour
 - Skills shortages
 - Transport congestion
 - A shortage of space to grow

- 2.8 Property was found to be the key to business development. With the Hampshire economy set to grow faster than the UK average over the next decade the availability of business property was found to be a key resource and the lack of it a key constraint. Approximately 39% of the businesses surveyed needed more space within the next five years and, of those, more than 90% wanted to develop locally. The 39% average for businesses needing more space applied almost equally across all sectors i.e. business services 36%, manufacturing 40%, and other sectors 40%. The simple availability of sites and premises was found to be the most significant factor influencing businesses' choice of location, followed by property costs and appropriate quality of sites and premises.
- 2.9 The study report, drawing on all three elements of the study, arrived at the following conclusions:
- There is a shortage of space for Hampshire businesses to grow, amongst other business difficulties
 - A range of different sizes and types of sites is needed to meet business demand in all parts of the county
 - A long term plan is needed urgently to provide vision and clarity for business development in Hampshire
 - Business is prepared to become actively involved in a simplified policy development process.
- 2.10 The Business Development Needs Study shows that there is evidence of business demand for employment floorspace and premises in South Hampshire and how that demand fits into a wider business perspective that includes housing, skills and transport particularly. Provision of employment floorspace is clearly critical to future business development but that provision needs to be considered alongside the full range of business needs within a wider economic and spatial strategy. In terms of employment floorspace alone the study adds to the development trends monitoring by looking forward rather than backward and finding evidence of demand from businesses themselves. However it cannot put a figure onto what that demand might amount to over the next twenty years.

Economic forecasting

- 2.11 The Partnership for Urban South Hampshire (PUSH) has been working with DTZ Pinda Consulting since Autumn 2004 to develop a clear understanding of the key drivers of change in the South Hampshire economy, the means of achieving economic success in the future, and the implications of a range of growth scenarios.

- Phase 1 of the commission researched the economic drivers of growth and the barriers to growth in the sub-region. A number of alternative growth scenarios were developed and tested, based on GVA growth assumptions set by PUSH. And the implications of these scenarios on the labour market, future housing requirements and commercial and industrial land requirements were also discussed.
- Phase 2 revisited the original work and remodelled the growth scenarios on a refined geographical definition of the sub-region. This research also considered the public sector response required in order to facilitate growth over and above that expected in a “policy neutral” context.
- Phase 3 built on the earlier phases of the work and considered a series of variants to the Phase 2 scenarios with a particular focus on whether higher levels of productivity could be achieved. This work drew on research commissioned by SEEDA into productivity growth in the South East region which was carried out by Deloitte. The Phase 3 report developed the PUSH preferred growth scenario for the sub-region, set out the implications of this identified level of growth on the sub-regional economy, and assessed the necessary actions required by the public sector partners to support and encourage growth.

PUSH Preferred Scenario

- 2.12 The PUSH preferred economic scenario for the 2006 to 2026 period is based upon the notion of steady rising growth. The underlying assumptions for this scenario, which is consistent with a housing requirement of around 80,000 dwellings over the forecast period, are as follows:
- Initial Gross Value Added (GVA) growth, at 2006, is set at 2.75% per annum in line with historic trends
 - Annual GVA growth gradually increases over time until it approaches 3.5% per annum in the year 2026, averaging 3.1% over the scenario period
 - Annual labour productivity growth also increases over time, from 1.7% per annum to 2.7% per annum, with an average of 2.4% per annum, over the scenario period.
- 2.13 The results of DTZ's modelling of this scenario show that GVA in South Hampshire increases by 82% over the forecast period, from £15.5 billion to £28.3 billion, driven largely by improved productivity, which increases by 61%, with employment growth of 13% accounting for the

remainder. This employment increase, which amounts to 59,000 between 2006 and 2026, is in turn driven by growth in business services and distribution which includes retail and tourism. The manufacturing sector is forecast to continue to decline in aggregate employment terms but this decline disguises the important contribution of this sector to sub-regional output particularly by the advanced manufacturing sector.

- 2.14 Demand for industrial and commercial floorspace and land, according to DTZ, is not simple to calculate. There are issues around quality, location and the requirements of occupiers which cannot easily be captured within a quantitative model. For these reasons the DTZ analysis is indicative only, presented with the proviso that a more detailed assessment would be required to understand the detailed floorspace and land implications arising from the forecast scenario. With this proviso in mind, the DTZ results for employment floorspace demand are shown in Table 2 below:

Table 2 Indicative employment floorspace requirements in South Hampshire 2006 to 2026 (under the PUSH preferred scenario)

Sector	Employment change	Use Class	Employment density (m ² per worker)	Gross external floorspace (m ²)
Distribution	4,700	B8	80	379,000
Retail & Leisure	14,200		30	427,000
Transport & Communications	1,300	B8	80	107,000
Business Services	42,800	B1a	25	1,069,000
Public Administration	1,900	B1a	19	37,000
Other Services	4,100		25	102,000
Total				2,121,000

- 2.15 There is no demand for industrial floorspace shown in the table above because the DTZ methodology considers the potential increase in floorspace arising as a result of employment growth in each sector only. Employment in manufacturing is not forecast to grow, so the modelling yields no requirement for new floorspace. In reality, however, it is recognised that the growth of advanced manufacturing – in which South Hampshire has a strength – will require new floorspace, albeit resulting in no net increase in manufacturing employment.
- 2.16 In addition, the floorspace and land demand arising from forecast employment growth in the retail & leisure and other services sectors would tend to be located in town centres and other sites which are not normally the subject of employment policies in spatial strategy. PUSH has engaged DTZ Pidea to undertake research to ascertain the likely

demand and supply within the two cities and town centres for these other activities.

- 2.17 Taking the latter of these two points into account, the remaining demand for B1 and B8 space over the 2006 to 2026 period indicated by DTZ amounts to 1,592,000 m². And then, taking the first point into account, and adding a manufacturing supplement to this sum, equivalent to the 11% of total floorspace developed for B2 uses over the 1988 to 2003 period (shown in Table 1), the aggregate result amounts to 1,789,000 m² or approximately 89,000 m² per annum. The addition of a manufacturing supplement is also supported first by the DTZ finding, referred to in paragraph 2.13 above, that the manufacturing sector, particularly advanced manufacturing, makes an important contribution to sub-regional output and second by the Business Development Needs Study finding, referred to in paragraph 2.8 above, that as many manufacturing business required more space.
- 2.18 The outcomes from the DTZ economic modelling, taken together with the results from the development trend monitoring and the business needs survey, suggest an overall requirement for employment floorspace in South Hampshire over the 2006 to 2026 period of the order of 1,789,000 m² or approximately 89,000 m² per annum. An indicative analysis of this aggregate total by Use Class is shown in Table 3 below.

Table 3 Indicative employment floorspace requirements in South Hampshire 2006 to 2026

Use Class	Total floorspace requirements, 2006 to 2026 (m ²)	Average floorspace requirements, 2006 to 2026 (m ² per annum)	Per cent
B1	1,106,000	55,000	62%
B2	197,000	10,000	11%
B8	486,000	24,000	27%
Total	1,789,000	89,000	100%

Property market analysis

- 2.19 Property market analysis helps to refine these raw indicative results and to add an important qualitative dimension. Three pieces of work are particularly relevant.
- 2.20 PUSH has commissioned a study of town centre uses across the sub-region, also from DTZ, to examine, among other things, the retail and leisure market and the office market. The retail and leisure element

draws on the scenario forecasting described above and refines the indicative outcomes for floorspace requirements. The outcome of the more detailed examination of the office market is discussed further under paragraph 2.23 below.

2.21 A qualitative study of the employment land supply in Hampshire, carried out jointly by Hampshire County Council and Hampshire Economic Partnership, also revealed some interesting perspectives on employment land demand. Whilst this study found that 4% of the large employment sites were assessed as low quality in market terms, it was also made very clear by the private sector that there was a demand for these sites from lower value-added activities which made a vital contribution to the sub-regional economy. There was a strong emphasis, which reflected the findings of the Business Development Needs Study, on the need to provide a range of types and sizes of sites to meet business demand across all sectors. However such sites are unlikely to be economically viable to develop, given the likelihood of ownership and access or contamination problems as lower value-added activities would not generate the necessary value without substantial external investment.

Deleted: y that such sites would be

2.22 Lastly, one of the clear outcomes from all this work is the need for a closer examination of site coverage ratios which are vital to the understanding of how employment floorspace requirements translate into the demand for employment land. The DTZ assumption of a 35% site coverage ratio across the board is acknowledged to be a crude tool necessary to reach the indicative results. Further work is about to be undertaken by Hampshire County Council which will examine the site coverage ratios achieved in recently developed employment sites, of different sizes and types and in different locations, as well as other quantitative and qualitative factors such as the growing demand for service facilities particularly on business park type developments.

2.23 These types of property market analysis reinforce the need to avoid treating employment land and floorspace, both demand and supply, as a single homogenous entity. As well as market segmentation, quality and location factors are equally important to understand if the employment land strategy is to meet current and predicted business needs and therefore contribute positively to the economic success of the sub-region.

Office Employment Forecasting

2.24 A key part of the PUSH strategy is to secure the regeneration and renaissance of Southampton and Portsmouth and the older urban areas. Table 2 showed that 72% of all new jobs will be in the business services sector. PUSH has engaged DTZ Piedad to look at the

prospects within the two cities and main towns to attract and accommodate a significant proportion of these new jobs.

- 2.25 The DTZ study has shown that, although office related employment in South Hampshire rose by 4% between 1998 and 2002, the town and city centres saw an 8% loss of this type of employment over the same period. The consultants believe that these losses are due to pressures for out of town locations from businesses, coupled with growing retail and residential pressures on employment land in city and town centres.
- 2.26 The conclusions of the DTZ study is that the prime areas of the South Hampshire office market are Southampton town centre followed by a number of out-of-town locations, notably Solent Business Park. The town centres other than Southampton currently do not have any significant level of activity, or value (rental levels) or, most significantly, development activity. There is little prospect of development here as things stand.
- 2.27 In Southampton the city centre office market is constrained by a lack of sites that can compete with the business parks, Solent in particular. Recently this is attributable to competition for sites from residential developers able to outbid those promoting office schemes, in turn related to the general rise in residential values in the last decade, and in particular to the establishment of a 'city living' market for apartments in the city centre.
- 2.28 At the same time it is thought that sites could be made available if there was more impetus to develop the obsolescent space that could provide attractive sites. The obstacles to this include the current vigour of the residential market and other competing uses, notably retailing
- 2.29 DTZ have developed five scenarios for 2006 – 2026 to model potential impacts on the seven town and city centres¹:
- No town centre growth – based on the analysis of recent trends the sub-region faces a challenge just to hold onto the levels of employment currently within the city and town centres. This scenario – no additional employment growth within town centre office activities 2006-26 is the baseline scenario.
 - Moderate town centre growth – this scenario takes some account of recent trends and links this to policy seeking to focus activity within town centres.
 - Existing shares of sub-regional activity – this scenario assumes that the recent trend towards a decline in town centre based office

¹ Southampton, Portsmouth and Southsea Eastleigh, Fareham, Gosport and Havant

employment is reversed. Policy aimed at focusing growth on town centre locations coupled with appropriate development leads to increasing employment within offices in each centre according to the current (2002) share of activity.

- Town Centres “First” – this scenario reflects the policy set out in PPS6 that all new development should be directed to town centres first, followed by edge-of centre sites, unless there are no suitable, viable and available opportunities for new development and investment. This reflects a significant step change from recent market trends and assumes that some 90% of all office development will take place in South Hampshire’s city and town centres
- Town Centres “First” (Phased Growth) – this scenario builds on the previous scenario with additional assumptions about the rate at which the city and town centres will become the principal location for office developments. Over the next 20 years some 50 to 60% of all office floorspace would be built in city and town centres.

2.30 The modelling exercise for the scenarios has led to net employment change within offices as indicated in Table 4 below.

Table 4 Net employment change in offices 2006 - 26

Area	No town centre growth	Moderate town centre growth	Existing shares of sub-regional activity	Town Centres First	Phased Town Centres First
South Hampshire city and town centres	0	7,700	15,300	38,300	26,300
Other locations	42,600	34,900	27,300	4,300	16,300
South Hampshire sub-region Total	42,600	42,600	42,600	42,600	42,600

2.31 DTZ then converted these employment outputs to calculate estimates of office floorspace between the range of 20m² - 25m² per employee. The results of this analysis are contained within Table 5 below.

2.32 With the exception of the first scenario, the employment forecasts for town centres are challenging in the light of recent past rates of growth in office floorspace. The South Hampshire authorities have decided to adopt the scenario based on Phased Town Centres First as this most closely reflects their aspirations to concentrate new office employment in the main centres. It also recognises that it will take time to create the

right conditions for this to occur. It is nonetheless an ambitious target and local authorities will need to be highly proactive to deliver it – working with landowners, developers and potential occupiers to assemble sites and deliver premises that are attractive to, and meet the needs of businesses.

Table 5 Analysis of office growth 2006 - 26

Area	No town centre growth ('000's m ²)	Moderate town centre growth ('000's m ²)	Existing shares of sub-regional activity ('000's m ²)	Town Centres First ('000's m ²)	Phased Town Centres First ('000's m ²)
South Hampshire city and town centres	0	154 – 192	308 – 385	766 - 856	526 – 658
Other locations	851-1,064	697 - 872	543 - 679	85 - 208	325 – 406
South Hampshire sub-region Total	851 – 1,064	851 – 1,064	851 – 1,064	851 – 1,064	851 – 1,064

A bi-polar approach to employment land provision

- 2.33 The DTZ phase 3 commission relates to the South Hampshire sub-region as a whole. For the purposes of meeting the brief from the Regional Assembly it became necessary to produce estimates of business space requirements first for the South West and South East sub-areas of South Hampshire (approximating to the Southampton and Portsmouth city regions²) and second for the two Strategic Development Areas which form part of the core spatial strategy for South Hampshire. These estimates were produced by Hampshire County Council.
- 2.34 The DTZ based estimates of employment floorspace demand for South Hampshire were divided between the South West and South East sub-areas using outputs from the Local Economy Forecasting Model (LEFM). Developed by Cambridge Econometrics in collaboration with the Institute for Employment Research at the University of Warwick, LEFM has been commercially available and continually developed since the early 1990s. A Hampshire version of the LEFM software package is held in-house by the County Council and updated annually.

² The former includes Eastleigh district and part of New Forest and Test Valley districts, whilst the latter includes Fareham, Gosport and Havant districts and part of Winchester and East Hampshire districts.

2.35 The LEFM outputs enabled employment floorspace demand estimates to be produced that were based on growth forecasts, rather than a fixed point in time, and differentiated by development type. The estimates for B1 and B8 business space were produced using employment forecasts for the sectors that generate demand for office and warehousing space respectively. And the estimates for B2 space were produced similarly but based on GVA forecasts, rather than employment, in the manufacturing sector (GVA in manufacturing is forecast to continue to grow, although employment in the manufacturing sector is forecast to continue to decline.) The results of this analysis are shown in Table 6 below.

Table 6 Distribution of growth in business space sectors between South-west and South-east sub-areas, 2006 to 2026

Sector	South-west sub-area	South-east sub-area	LEFM
Offices (B1)	56%	44%	based on employment growth
Manufacturing (B2)	43%	57%	based on GVA growth
Warehousing (B8)	55%	45%	based on employment growth

2.36 Applying these distributions to the indicative employment floorspace requirements for South Hampshire as a whole produces the guideline estimates for the South-west and South-east sub-areas shown in Table 7.

Table 7 Guideline estimates of employment floorspace requirements in South-west and South-east sub-areas, 2006 to 2026

	South-west sub-area	South-east sub-area
	Floorspace (m ²)	Floorspace (m ²)
Offices (B1)	619,000	487,000
Manufacturing (B2)	85,000	112,000
Warehousing (B8)	267,000	219,000
Total	971,000	818,000

2.37 Overall the sub-division of employment floorspace requirements results in 54% arising in the South-west sub-area and 46% arising in the South-east sub-area.

Strategic Development Areas

2.38 Two Strategic Development Areas (SDAs) are proposed in the South Hampshire sub-regional strategy. An SDA is a new sustainable community of between 5,000 and 10,000 new homes together with a full range of services and facilities such as schools, health and community facilities, shops and recreational space, and with sufficient employment land to be potentially self-contained. One SDA, comprising up to 10,000 new homes, is proposed to the north of Fareham with the other, comprising 6,000 new homes, proposed to the north and north-east of Hedge End.

2.39 Again the estimates of employment floorspace required were based on growth forecasts, DTZ Phase 3, rather than a fixed point in time such as 2001 Census. Using the DTZ results for South Hampshire as a whole, first the total number of jobs in each SDA was derived from the total number of dwellings, assuming a potential 100% self-containment ratio (or net commuting equal to zero). And second the requirement for employment floorspace and land take were derived from the number of jobs expected in employment land sectors. All of the factors used were taken from the DTZ work except for the 11% supplement for manufacturing floorspace which was derived from local authority monitoring (analogous to the methodology adopted for the sub-region as a whole – see paragraphs 2.14 to 2.18). The results of this analysis are shown in Table 8.

Table 8 Guideline estimates of employment floorspace requirements in the Eastleigh and Fareham SDAs (100% self containment)

	Hedge End SDA³	Fareham SDA⁴
	Floorspace (m ²)	Floorspace (m ²)
Offices (B1)	90,600	151,000
Manufacturing (B2)	16,200	27,000
Warehousing (B8)	38,400	64,000
Total	145,200	242,000

³ Based on 6,000 dwellings

⁴ Based on 10,000 dwellings

2.40 It should be remembered that changes in the size of the SDA or the degree of 'self containment' could have a significant impact on the floorspace figures given in Table 8. More detailed work would also be required to ensure that the mix of floorspace is appropriate to the proposed locations.

3. Existing Employment Land Supply 2006 to 2026

- 3.1 The PUSH economy working group has reviewed the supply of employment land to bring it right up to date in the light of current local information. The review has involved estimating a new 2006 (April) base situation for land available through committed planning decisions, making an assessment of the allowance for non-implementation of some of these committed sites during the plan period, and assessing the urban capacity potential within the existing urban areas to contribute towards the future supply of employment floorspace. The review of land supply has involved full consultation with officers in the ten local planning authorities.

Supply of Commercial Land 2006

- 3.2 The County Council's annual monitoring statement on land supply is based on a site survey carried out every April. It includes all employment land commitments over a certain threshold size - sites where the gross gain in floorspace is more than 200 m². The survey monitors schemes already under construction, and includes those employment sites held by existing companies for their own future expansion needs. It also records sites permitted on appeal and allocations made in deposit or adopted Local Plans.
- 3.3 The most recent full site survey was carried out in April 2005. However, many PUSH officers expressed their concerns about relying on the April 2005 employment land information, which was, in effect, already at least six months out-of-date. In order to move the sub-regional base date up to 2006, to be compatible with the associated household / housing projections, it was necessary to make working assumptions about the quantum of development that is expected to be completed over the 12 month period ending April 2006.
- 3.4 The main working assumption was that in order to achieve 'completion' of the building programme by April 2006 the development scheme would have had to be under construction at the time of the April 2005 Survey. Evidence from construction programmes in past years suggested that this would give a sound basis for estimating potential completions between April 2005 and April 2006. It would be robust enough to estimate that most, if not all, completions expected at the main industrial estates and major commercial sites in South Hampshire. Furthermore, although some large sites might commence construction shortly after the April 2005, it is extremely unlikely that any could be completed and fitted out within the 12 months up to April 2006.

- 3.5 Calculating the new 2006 base position involved subtraction of those schemes already under construction at April 2005 from the land supply available in April 2005. This method gave an estimate of the committed employment land outstanding at April 2006.
- 3.6 It should also be noted that the new 2006 base situation employs the same definition as has been adopted by SEERA for long term commercial land monitoring purposes: this means that 'vacant' newly completed premises are no longer recorded as an 'available' part of the land supply. The effect of updating the base situation and altering the definition to match that used by SEERA is to provide a much more realistic assessment of land available in the property market. The April 2006 base information is presented in Table 9. This shows that 54% of available land falls within the South East, compared to 46% in the South West.

Table 9 Employment Land Supply available at 2006 base

Local Authority	Available land (hectares)	Land held by existing firms (hectares)	Effective supply of available land (hectares)
East Hampshire (Part)	3	0	3
Winchester (Part)	65	2	63
Havant	49	4	45
Fareham	21	1	20
Gosport	32	0	32
Portsmouth City	54	6	48
South East total	224	13	211
New Forest (Part)	20	2	18
Test Valley (Part)	48	8	40
Eastleigh	89	19 ⁵	70
Southampton City	33	4	29
South West total	190	33	157
South Hampshire Sub-Region	414	46	368

- 3.7 This table presents the land information in two distinct categories : column one presents total identified land by area; column two shows that part of the land supply which is already held by existing local companies for their own expansion, or land reserved for relocation of local firms. About 11% of all identified land is relocation of expansion land – of which 70% falls within the South West area, mostly within Eastleigh and southern Test Valley.

⁵ includes 6 ha. in April 2005 classified as Pirelli expansion land.

3.8 For strategic planning purposes, the actual availability of many of the sites in the expansion and relocation category is debatable. They are normally owned by local firms, against possible longer term expansion requirements, and it is difficult to predict when or whether they will be implemented. Taken in the round it is considered preferable to discount these sites *altogether* in judging the effective future land supply. In cases where a company's investment decisions change over the long term (for example, due to mergers or acquisitions), some of this land could reappear back on the market many years down the line. Careful monitoring of such decisions will enable the local planning authorities re-instate the land into the generally available land supply at some future date once the company has decided to place the land back on the open market.

Site density (plot ratios)

3.9 The Hampshire County Council monitoring information gives an incomplete picture about the floorspace that will/ could result from physical development of each and every site. For example, larger sites generally comprise allocations in deposit Local Plans, not yet subject to detailed consents, and therefore an estimate must be made of the floorspace that could be built. These types of site, where no floorspace information at all exists, account for approximately 45% of the 414ha. identified in Table 9 above.

3.10 An assumption therefore has to be made about the average plot ratio for such sites to enable them to be converted into an equivalent floorspace figure. For this report the assumption has been based on the average plot ratio for each part of South Hampshire – the actual ratio is assumed to mirror the development densities of all available sites for which accurate floorspace information is present. The respective average plot ratios assumed are summarised below:

South East sub-area	:	plot ratio	3220 m ² per ha.
South West sub-area	:	plot ratio	2960 m ² per ha.
South Hampshire	:	plot ratio	3100 m ² per ha.

3.11 Using these plot ratios, in addition to actual floorspace estimates (where known), the committed floorspace is calculated for the sub-region in Table 10, below.

Table 10 Estimated floorspace (square metres) available at 2006 base year

Sub-area	Effective supply available	Available (site-specific floorspace data)	Available (estimated floorspace using plot ratios)
South East	660,100	295,500	364,600
South West	472,500	275,000	197,500
South Hampshire	1,132,600	570,500	562,000

3.12 Within the broad supply position in each half of the sub-region (see Table 10) it is especially important to consider the quality and scale of some of the existing sites already identified as “committed development” sites for commercial and industrial use over the next 10 years. An analysis of the larger types of sites (including deposit allocations in Local Plans) is set out below, and demonstrates how many significant opportunities currently exist within each sub-area. The sites shown in Table 11 below make up a total of around 180 hectares for development over the next 10 – 15 years.

Table 11 Larger sites available in South Hampshire

South east sub-area	Ha
Waterlooville Business Area (part of West of Waterlooville Major Development Area)	30
Whiteley Business Parks	27
Dunsbury Hill Farm, Havant	13 ⁶
Former Hilsea Gasworks, Portsmouth	10
East of IBM headquarters, Portsmouth	10

South west sub-area	Ha
Adanac Park, Nursling (available for major company/high-tech user)	30
Eastleigh Northern Business Park and adjacent land formerly occupied by Alstom engineering works	28
Former VT shipbuilders site, Woolston (mixed uses)	12
Chalcroft Distribution Park, Eastleigh Borough	7
Test Lane south, edge of Southampton.	6
Chilworth Research Park, near Southampton	6
Nursling Distribution Estate	4

⁶ Based on current local plan allocation site. Further land could be identified in the future, if required.

Urban Potential

- 3.13 In addition to sites that are already committed there are other sites on previously developed land which can be expected to become available within the period of the Plan. Based on current assessments some 193,000 m² of additional (net) floorspace could come forward on sites in the South-west area (in Southampton or Eastleigh) and a further 85,000 m² in the South-east area (mainly in Gosport).

4. Reconciling Demand and Supply

- 4.1 This chapter seeks to reconcile demand for and supply of employment land. It identifies shortfalls in provision and puts forward proposals on how this shortfall can be met. This task requires a judgement to be made on a number of key assumptions. These are:
- i. Employment land in South Hampshire should be provided for and released on the basis of the South-east and South-west sub-areas as described in paragraph 2.33.
 - ii. To plan for 10% more floorspace that is required to provide flexibility and choice.
 - iii. To manage employment land supply to ensure that sufficient land is available to deliver strategy targets.
 - iv. To give a high priority in the first five years of the strategy to enhancing the attractiveness of poor quality sites through investment and the removal of barriers (such as site assembly, contamination and access and servicing difficulties). Local planning authorities, working with the Hampshire Economic Partnership should review the status of these sites and those which may never be attractive to the market should be re-allocated to other uses. An element (10%) of existing land provision should not be included as part of the effective supply on this basis. It should be noted that significant external investment will be required to bring these sites forward.
 - v. The strategy should apply plot ratios for office related employment higher than the 30% that has been achieved in recent years to reflect the emphasis being placed on city and town centre developments and to make the best use of finite land resources.
 - vi. Brownfield land can be expected to make an important contribution to future employment land provision. Potential supply should be kept under regular review.
 - vii. No allowance should be made for vacant floorspace in the assessment of current supply in recognition that a functioning market always contains some vacancies.
 - viii. The strategy should seek to minimise losses of existing floorspace to other uses by adopting a strong policy presumption in favour of their retention, supported by intervention to improve their attractiveness where required. However the loss of small employment sites is expected to continue particularly in the inner

cities as traditional industries close and infill residential developments take place.

- ix. The improvement of existing older business locations should be supported and is likely to result in a net loss of floorspace as more land will be given over to landscaping, parking and servicing. Losses in a sub-regional context can be expected to be small and should not require alternative provision over and above that already planned for in the strategy.
- x. Part of the PUSH approach is help create more sustainable communities by minimising the need to travel. However, new greenfield communities should complement rather than compete with the urban focus of the overall strategy. Analysis has shown that if the Strategic Development Areas were planned to be 100% self contained they could undermine urban regeneration initiatives. It is also recognised that this level of self containment is an unrealistic goal – some people will inevitably choose not to live and work in the same area. Taken together, it is proposed that the SDAs should provide sufficient floorspace to be 50% self contained (with good transport links to job opportunities in the city and town centres).
- xi. There is also merit in applying the SDA approach on employment floorspace provision to the larger urban extensions proposed for South Hampshire. In deciding precisely how much and the type of provision to make in their Local Development Frameworks, local planning authorities will have to be mindful of the location of the new extensions and whether there are other employment sites in close proximity which reduce the need to make additional provision.
- xii. In addition to greenfield releases in Strategic Development Areas and larger urban extensions there may also be a need to identify additional greenfield land either because there is still a gap in overall provision or because of a need to ensure that the sub-region has a good portfolio of sites available both in locational and site characteristics, to meet the needs of the businesses the area is intending to attract and retain.
- xiii. The PUSH strategy is concerned with the provision of sufficient employment land to meet the needs of the sub-region as a whole, a key element of which will be the identification of large strategic sites. In addition, it may be necessary for some additional small scale provision to address local needs. These would be identified in Local Development Documents following an appropriate assessment. This small scale provision would be additional to the amount and location of land for employment identified in the sub-region through the South East Plan.

4.2 Chapter 2 showed that the estimate of employment land demand 2006 –2026 was around 1,800,000 m² , comprising:-

- B1 1,106,000 square metres
- B2 197,000 square metres
- B8 486,000 square metres

4.3 The existing supply of land for employment was considered in Chapter 3. The effective supply totalled some 1,130,000 m², with a further 278,000 m² identified in the form of urban potential. The ‘Phased Town Centres First’ scenario anticipates that a substantial amount of additional floorspace will be brought forward within city and town centres. The shortfall between the requirement and supply will be made good by development on greenfield sites – primarily those already identified in local plans together with land at the two proposed SDA’s and larger urban extensions.

4.4 Taking into account the above produces a requirement for the south-eastern and south-western parts of the sub-region, as set out below.

South West (thousands of square metres)

Requirement +10%		Supply
Use Class	Floorspace	Location:
B1	680	• Previously developed land ⁷ – 700
B2	93	• North/North-east of Hedge End SDA – 74 ⁸
B8	294	• Other greenfields - 293 ⁹
Total	1,067	1,067

South East (thousands of square metres)

Requirement +10%		Supply
Use Class	Floorspace	Location:
B1	535	• Previously developed land ¹⁰ – 480
B2	123	• Fareham SDA – 121 ¹¹
B8	240	• Other greenfields - 297 ¹²
Total	898	898

Phasing

⁷ Between 40 to 50% within Southampton and Eastleigh town centres

⁸ Indicative figure based on a population of 6,000

⁹ Most of this to be accommodated on land that is already identified in local plans

¹⁰ Between 50% to 60% within Portsmouth, Fareham, Gosport and Havant town centres

¹¹ Indicative figure based on a population of 10,000

¹² Most of this to be accommodated on land that is already identified in local plans

4.5 As with the approach to housing supply, different sources of employment land will be required at different stages in the strategy:

- 2006 –2011 – largely dependent upon land that has already been identified for employment use as it is unlikely that many new sites (especially greenfield) will be able to make a contribution during this period.
- 2011 – 2016 – met from a variety of sources: existing supply, new brownfield sites and land coming forward as part of the development of larger urban extensions. The city and town centres are expected to make an increasingly important contribution in the provision of business floorspace.
- 2016 to 2026 – main focus will be city and town centres for office development. Main greenfield releases will be within the two SDAs. There may also be a need for additional land to meet the needs of particular types of businesses which may otherwise not be met. The next review of the strategy can examine this issue in more detail.

4.6 The South Hampshire authorities will be developing their approach to phasing employment land during the first part of 2006. As has already been noted, this will require large scale external resources to realise development, coupled with strong planning policies to protect and improve employment land, particularly where mixed use developments are proposed. Experience in the past has shown that the original proportion of employment land has often been reduced to increase the residential element in order to provide sufficient value.

5. Proposals

- 5.1 Chapter 4 set out a basis for reconciling the demand for employment land with the existing sources of supply. The existing sources of supply are insufficient to meet the overall demand and need to be augmented. This will be achieved through the assembly of new sites in the main city and town centres together with additional greenfield land – largely as part of the SDA's and larger urban extensions. The release of greenfield sites will be through monitoring and managing the land supply having regard to a basket of economic indicators and the availability of land within the urban areas or on sites that already have planning permission. It is anticipated that greenfield land will be released at different phases during the period of the plan for different reasons, for example, in the period 2011-16 releases may be made in support of the larger urban extensions, whilst in the period 2016-26 as part of SDA implementation.
- 5.2 The following text provides an outline of the respective roles which different parts of the sub-region are expected to play to deliver the new strategy. In all districts the type of employment provided should have regard to the skills available within the local workforce to provide opportunities for them to reduce commuting distances. Similarly, older employment areas are expected to be retained and enhanced unless they are likely to remain unattractive to the market, in which case other uses should be identified.

Southampton and Portsmouth

- 5.3 The two cities will be the main providers of employment (but not necessarily land) in the sub-region. Opportunities for business services must be maximised within the city centres and other locations which have, or could have good accessibility following transport investment. In these locations plot densities should be maximised. Many schemes are likely to be of a mixed nature, comprising employment, commercial and residential uses. The cities are also expected to maintain their roles in the regional shopping and leisure hierarchy (being developed as a separate strand of work). Land use allocations must be accompanied by more proactive marketing activity to alter the perception of Portsmouth as an office location.

Strategic Development Areas

- 5.4 The strategy has put forward two 'SDAs' – one to the north of Fareham and one to the North/north-east of Hedge End. The intention is that they will offer more sustainable lifestyles, including a high degree of employment 'self containment'. This means that employment opportunities within the SDA will need to be diverse and cater for a

wide range of employment sectors and workers (including shop floor, professional, technical and managers). Further work is required to ensure that employment land delivers the right mix. As with other activities within the SDA, plot ratios and densities should be maximised to reduce the land take and support sustainable travel patterns.

Eastleigh Borough (excluding the SDA)

- 5.5 Employment provision is expected to be focused on Eastleigh town centre, the former railway works and the airport and its environs. Locations with good accessibility should command high plot ratios and be used predominately for business services. Much of the surplus railway land will be suitable for a much wider range of employment types, including warehousing and distribution. Land in close proximity to the airport should be reserved for airport related activities.

Fareham Borough (excluding the SDA)

- 5.6 There are still some employment sites available for development within the Borough and the strategy is unlikely to propose any additional greenfield provision other than that required for the SDA or to meet local needs.

Gosport

- 5.7 Gosport has a need for additional employment to offer local alternatives to commuters who currently travel to Fareham and further afield. The main source of new employment land will be that which has been declared surplus by the Ministry of Defence. There is a strong expectation that more land will be released during the period of the plan but the amount and precise locations are less certain.

Havant

- 5.8 Future employment land in the Havant will be provided on Dunsbury Hill Farm (a current allocation which could be extended) and other sites required to meet local needs. It is also expected that the new employment opportunities created as part of the urban extension west of Waterlooville will help meet the need for local employment.

Southern Test Valley

- 5.9 The southern part of Test Valley already contains some important employment sites, including Adanac Park. More land will probably be required in association with the identification of urban extensions. The dominant type of employment is likely to be business services with some advance manufacturing and storage and distribution.

Winchester

- 5.10 The southern part of Winchester district already contains some important employment sites, including Whiteley and that associated with the major development currently planned to the west of Waterlooville. More land should be provided in association with the proposed of urban extensions to both of these settlements. The dominant type of employment should be business services with some advanced manufacturing and storage and distribution

East Hampshire and New Forest (those parts within sub-region)

- 5.11 The proposed level of new housing within these areas do not generally merit additional employment land allocations to support the sub-regional strategy, although there may be opportunities to cater for particular uses (e.g. storage and distribution), taking advantage of the primary route network. Apart from this any new provision is likely to be to address local needs.

Proposed policy

- 5.12 Rather than produce figures for employment land, as requested by the Assembly, PUSH has sought to quantify its requirement in terms of floorspace to align it with the economic analysis already undertaken. The largest floorspace requirement is for office uses and amount of land required is heavily dependent upon assumptions on floorspace density. The form of development (e.g. an office block or single storey building) can significantly affect the land requirement. PUSH is planning to concentrate office developments in city and town centres where high floorspace densities can be achieved with a relatively low land take. Therefore it would be misleading to express the policy requirement in hectares.
- 5.13 However, further work is required to quantify the scope for city and town centres offices which in turn will inform the need for floorspace elsewhere (particularly new greenfield development). PUSH intends to continue to develop its approach during 2006.
- 5.14 The following policy is proposed for inclusion in the South East Plan for South Hampshire.

POLICY SH5: SCALE, LOCATION AND TYPE OF EMPLOYMENT DEVELOPMENT

Land will be provided to accommodate 2 million square metres of new business floorspace as follows:-

South West area:

B1	Offices – 680,000 m ²
B2	Manufacturing – 93,000 m ²
B8	Warehousing – 294,000 m ²

located on:-

- previously developed land within the cities and towns, particularly their centres – 700,000 m²
- greenfield land in the North East of Hedge End Strategic Development Area – 74,000 m²
- greenfield land in the larger urban extensions and other sites with high accessibility allocated for that purpose in Local Development Documents – 293,000 m²

South East area:

B1	Offices – 535,000 m ²
B2	Manufacturing – 123,000 m ²
B8	Warehousing – 240,000 m ²

located on:-

- previously developed land within the cities and towns, particularly their centres – 480,000 m²
- greenfield land in the Fareham Strategic Development Area – 121,000 m²
- greenfield land in the larger urban extensions and other sites with high accessibility allocated for that purpose in Local Development Documents – 297,000 m²

The allocation of suitable land for employment in locations which are attractive to firms is crucial to achieving economic growth: local planning authorities should audit their current employment allocations to ensure that they meet the needs of modern firms especially those which will generate economic growth, and can be economically developed within the necessary timescale. Local Development Documents need to ensure that sites confirmed through this review process as being suitable for employment development, are protected for that use.

The selection of new sites for employment development will need to be made in conjunction with the location of housing development to enable people to live near their place of work thus reducing traffic congestion and environmental damage. For the same reasons, maintaining a mix of uses within existing built-up areas is equally important, pointing to the re-use of redundant industrial/business land for new employment uses unless this would create unacceptable traffic or environmental problems.

A phasing regime will be developed in line with policy SH4 to set out the sequence of release of sites. It will giving priority to releasing sites which will contribute to achieving

5.15 There is much work still to be done to refine the provision and development of land for employment. It should be recognised from the outset that this strategy is very ambitious and the level of new floorspace required in the city and town centres is considerably higher than that which has been achieved in recent years. A number of key elements must therefore be put in place for the strategy to succeed. These are:

- i. The step change in the supply of office floorspace will require, in the early years, a concerted effort to deliver sites within the current list of commitments as neither the SDAs, urban extensions or new sites assembled in urban areas can be expected to come forward in the near future. Simply allocating sufficient land will not achieve this. This issue is particularly acute for the first 5 years of the strategy and requires a concerted effort to bring to the market sites which are already identified for employment uses, ie addressing the issues that investors and developers raise as barriers to development in the cities.
- ii. The city and town centres must become more attractive to the market. To this end local authorities need to be pro-active in site assembly and marketing. It is likely to require substantial intervention, including the use of compulsory purchase powers as well as external investment, to bring sufficient sites forward
- iii. The creation of a delivery vehicle with a specific remit to work with SEEDA, landowners and developers may be necessary to bring sites to the market and identify potential occupiers. A rolling funding programme would give momentum to this vehicle.
- iv. Greater co-operation will be required between local authorities to encourage the relocation of low density, low employment uses from prime sites to enable their redevelopment for more appropriate uses.
- v. A recognition that appropriate uses are likely to involve a degree of mixed development (housing, retail and leisure together with offices) to improve the viability of schemes and create the mix to support sustainable communities.
- vi. The density of office development may have to increase in city and town centres (i.e. more floors) to provide more floorspace. This will be especially important in locations with high accessibility to public transport.

- vii. A strong policy line supporting a sequential approach to the release of employment land (urban centres, other urban areas, new greenfield sites) will be required to encourage businesses towards urban areas and away from greenfield locations.