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HAVANT BOROUGH

ADDENDUM to
Business Needs, Site Assessment and Employment Land Study - Oct 2016

FEBRUARY 2021

Prepared for:
Havant Borough Council

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Appendices

1.0 ADDENDUM BRIEF

1.1 Lambert Smith Hampton (LSH) was commissioned by Havant Borough Council (HBC) in 2016 to prepare an Employment Land Study to determine the quality and suitability of existing and potential new employment sites and to identify if there are any gaps in the provision.

1.2 As part of that work we considered the (then) recently emerging evidence from the Partnership for Urban South Hampshire (PUSH) including an economic forecast that had been prepared by GL Hearn for PUSH.

1.3 In our assessment we chose to set aside this forecast because its outlook did not reflect the local Havant evidence. Instead, we advised the Council to use an alternative forecast that LSH had prepared, using our detailed market knowledge of the area. The Council have used this forecast to inform the emerging development plan.

1.4 However, as part of a review of the Council's evidence base, a query emerged over some of the components of our forecast method, and there is a need to provide full transparency in terms of the method and assumptions used to arrive at the recommended 55,000 sqm of B2/B8 floorspace, and 27,780 sqm for Class B1a uses. Because this forecast has been used in preparing the Submitted plan, we have prepared this short note to provide further technical detail of the approach and assumptions taken.

2.0 EMPLOYMENT GROWTH PREDICTIONS

2.1 In order to support our findings in the original report, this Addendum clarifies the reasons why we departed from the GL Hearn analysis, and explains our rationale in forecasting net employment growth, the output of which was much lower B1 a/b need figure (some 50% less) and a significantly higher projection for B2/B8 floor space.

2.2 The GL Hearn findings were based to a large degree on a ‘macro’ top down analysis of forecasting need across the PfSH region and applying broadly the same labour demand and past take up trends to the individual Authorities.

2.3 The sequence of the forecasting within their report was in our view, problematic and gave rise to a number of implausible outcomes. There appeared no concession or investigation of local market dynamics or how local planning policies may influence the land use allocations. Indeed they did acknowledge that further work was required to determine the actual level of growth in employment floor space through Local Plans.

2.4 Our approach was to assess and forecast labour demand and supply and to reflect on past take up rates – each has its own merits and disadvantages as they assume that the employment drivers and property market will behave as they have done in the past. We focused on the prevailing market conditions (scale and composition of occupier demand) in the context of local and national economic policy and growth scenarios, and drawing on our local knowledge of the labour market in Havant and those sectors likely to expand or decline in the future.

2.5 We projected job gains and losses sector by sector, applied the appropriate B class use to each sector and translated the new jobs into B1a/B1b or B2/B8 floor space requirements. This would enable the floor space estimates to be converted into the supply of employment land which would be required to be delivered through the Plan period.

2.6 From our research we inferred that the growth forecast for the Solent region was generally positive, broadly in line with the national average and marginally behind the South East (Havant Borough matched the GVA projected rise of 2.7% from 2014 – 2030). Notably to forecast an additional 31,000 jobs above the baseline from 2013 to 2020 though productivity remained a constraint[1]. The sectors recognised as key areas for growth were 'Information and Communication' and 'Professional Scientific and Technical' and frontline services such as Health. Public Administration employment was likely to fall and a general widespread decline in manufacturing, however bearing in mind Havant's traditional strength in this sector and resident labour supply, we considered a reversal of this trend in the Borough to be prescient.

2.7 The GL Hearn job growth forecasts were predicated on 2014 and 2015 studies by changes in both broad industrial groups and business counts (BRE Survey 2009 – 2013 and ONS data 2010 - 2015) which were notably gathered during a recessionary period and reveal inconsistent trends. Our analysis was broadly in agreement in terms of Manufacturing, Transport/Storage, Information and Communications, in growth and Public Administration in decline. However, we considered employment in Construction, Water Supply, Financial and Insurance, Professional Scientific & Technical, and Health would all be growth sectors (consistent with Solent LEP estimates) and we projected job losses in Education, Arts & Recreation. The Business Administration and Support category we viewed as very wide ranging and difficult to distinguish from most business activity, and accordingly formed the view any growth would be 'swept up' in the other specific categories.

2.8 Further reasoning was applied in sections 5.10 and 5.11 of our original report to support our assessment of strong future employment growth (subject to a hesitant start over the next 5 years see 5.15) and at 5.18 we identified those sectors we considered could display job gains and losses over the Plan period. One key issue we recognised was the poor skills/qualification levels in the Borough by comparison to other LEP authorities (only the Isle of Wight had lower achievement) and

[1] source for this is OE data in the Solent LEP Economic Outlook report

with the revitalised FE provision, Havant and Southdown College's merger, we anticipated a significant improvement in the labour market profile to employers.

2.9 This judgement was based on our direct experience of occupier requirements in the market who had consulted with our agency surveyors. Although a 'snapshot' it did indicate a wide range of industrial interest. A full schedule is included at Appendix 2.

2.10 We extracted the relevant demographic and labour profile for the Borough from the published source (Nomis ONS Data 2016) and compared this to the Solent LEP and South East UK corresponding rates. We then assessed the potential growth and decrease in employment numbers from the publish data baseline for these job categories, based on our market knowledge of current property requirements and from our research of which industry sectors were expanding.

2.11 The table below identifies the 2016 baseline job numbers, the range of change - up to +/-20% for each of the job categories and the resulting job number change, which are totalled by land use in the final row. The range of change is based on our professional judgement that comes from over 35 years working in the Havant market.

Table Forecasting Labour Growth and Decline by Industry Sector
Havant Borough to 2016-2036

Job Category by Industry		Employees 2016	Change (per cent) B1a/b / B1c/B2/B8	Job change B1a/b	Job change B1c/B2/B8
B	Mining & Quarrying		0	0	0
C	Manufacturing	4,500	+2.5 /+7.5	115	340
D	Electricity/Gas		0	0	0
E	Water Supply/Waste	450	+20	90	
F	Construction	2,500	+5 / +7.5	125	190
G	Wholesale/Retail/Trade/Motor	8,000	+2.5		200
H	Transport/Storage	1,250	+10 /+20	125	250
I	Accommodation/Food	3,000	+2.5	75	

J	Information/Communications	2,000	+15	300	
K	Financial & Insurance	500	+20	100	
L	Real Estate Activities	500	+20	100	
M	Professional/Scientific/Tech	2,500	+20	500	
N	Administration & Support	6,000	0	0	0
O	Public Admin & Defence	1,250	- 15	- 190	
P	Education	6,000	-10	-60	
Q	Human Health & Social Work	4,500	+10	450	
R	Arts/Entertainment/Recreation	900	-10	-90	
S	Other Service Activities	800	0	0	0
	Net Additional Job Totals			**+1640**	**+980**

Source: for job category and jobs in 2016 - Nomis Official Labour Market Statistics (2016)

2.12 These projections produce an additional 1640 jobs in B1a/b offices/R&D classes and 980 jobs in B2/B8 over the Plan period.

2.13 We translate these job estimates to floor space by applying average land use densities sourced from the HCA Employment Density Guide (3rd Edition Nov 2015). For offices/R&D we use 17 jobs per sq m and for the B1c/B2/B8 categories 56 jobs per sq m.

2.14 The office job density is an average of the various densities for office and R&D use as follows: B1a Offices General Office Corporate 13 jobs per sq m. Professional Services 12 jobs per sq m. Public Sector 12 jobs per sq m. TMT 11 jobs per sq m. Finance & Insurance 10 jobs per sq m. Call Centres 8 jobs per sq m. B1b R&D Space 50 jobs per sq m. We calculated the industrial job density as firstly the average of B1c use 47 jobs per sq m and B2 36 jobs per sq m, giving 42 jobs per sq m. This density averaged with B8 use of 70 jobs per sq m (local / final mile distribution) gives 56 jobs per sq m.

2.15 The resultant additional floor space requirements during the Plan period (2016 – 2036) for B1a/b uses are 27,880 sq m and for the industrial uses 55 000 sq m.

2.16 To ‘sense check’ the findings we also considered past take-up rates and historic new developments in the Borough to discern the drivers in prompting such activity – our analysis was that a combination of limited/low quality existing stock, rental growth and a positive economic outlook were vital, but the principle factor was the availability of employment land which could viably be delivered within a certain timescale.

2.17 However we viewed the past take-up and historic trends with caution, partly due to their reliability but also as these are linear projections and may ignore the potential for neither labour nor housing growth nor the economic vision of the Authority.

2.18 The conclusion we drew on the projected net need for B1a offices and B1b research and development activity may appear ambitious against the historic lack of new build and take-up over the last 20 years or so. This is due to inadequate demand and negative viability. However we considered at some point there will be a transition and the employment growth and labour profile, and the Borough will attract new occupiers.

Appendix 1 - LSH Credentials

Our intention was to provide a realistic, market orientated study on the projected level of occupier demand and to compare the existing and future supply of employment land (predominantly those with B class availability) based on our extensive market knowledge and research across the Solent region.

LSH is the UK and Ireland's largest commercial property consultancy - we have a national network of 28 offices and over 1,100 employees. On the South Coast we have two offices at Fareham and Southampton with agency and valuation departments. We have a long standing appreciation of the Solent market dynamics and for the 14th consecutive year, now been awarded by the national Estates Gazette, the Most Active Agent in Hampshire, and during 2015 LSH's South Coast team had transacted over 2 million sq ft of business space.

The principal author of this report, Robin Dickens has over the past 35 years, built up a comprehensive knowledge of the industrial and commercial property market in South Hampshire, particularly in an agency and development advisory capacity. He has participated directly in the local business community and been instructed to market by private clients / institutional landlords, many surplus industrial and office premises and also advised local and corporate companies seeking new accommodation. We have gained first-hand insight into the mind set of prospective occupiers and the specific criteria they are looking for when selecting a new building or site. We have in-depth knowledge of the local market dynamics and projects have included Kenwood Business Park, Langstone Technology Park, new developments at Harts Farm Way, Solent Road Trade & Retail Park, Langstone Gate offices, Dunsbury Park on behalf of Portsmouth City Council, Southmoor Lane, Hayward Business Centre etc in Havant and Stratfield Park, The Parkwood Centre, The Briars, the former BAe site in Elettra Avenue, Wellington Gate, Hussar Court, Brambles Farm in Waterlooville, amongst others.

Appendix 2 – Occupier requirements

For data protection purposes we have identified the occupier interest by the nature of their use and size of property they were seeking:

- Global Parcel Delivery Company up to 25 000 sq m
- Food Manufacturer 9290 sq m
- Automotive Body Parts Production (2 Companies looking) 18 580 and 9290 sq m
- Precision Engineering and R&D Activity 7896 sq m
- Trade Warehouse 4645 sq m
- Third Party Logistics Operation 3716 sq m
- Specialist Product Distribution 6976 sq m
- Food Distribution 3716 sq m
- Commercial Laundry 5574 sq m
- Diesel Engine Test and Servicing 4645 sq m
- National Home Furniture Distribution 5574 sq m
- Medical Products Development and Manufacture 4645 sq m
- Home Parcel Delivery – National Operator 5574 sq m
- Commercial Vehicle Service Centre 1393 sq m
- National Defence Contractor (B1a category) 4645 sq m