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Economic and Employment Land Evidence Base Paper

Partnership for Urban South Hampshire

May 2016

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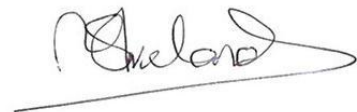
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Limitations

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1 INTRODUCTION

- 1.1 The purpose of this report is to draw together evidence regarding economic and commercial property market dynamics in South Hampshire and the Isle of Wight. It forms part of the evidence base for the development of the PUSH Spatial Strategy.
- 1.2 PUSH is in the process of developing a draft Spatial Strategy. This will outline the expected distribution of development across the sub-region and will draw on the subsequent Distribution of Employment Growth Paper as well as a number of other papers including an assessment of objectively assessed housing need.
- 1.3 This report is prepared to provide a background evidence base in support of policies for employment land/ floorspace. It considers economic and property market dynamics within the South Hampshire area, and includes forecasts for future employment land needs over the period to 2036.
- 1.4 The remainder of the report is structured to consider:
 - Section 2: Policy Context;
 - Section 3: Economic Dynamics within the PUSH Area;
 - Section 4: Commercial Property Market Dynamics;
 - Section 5: Future Need for Employment Land;
 - Section 6: Waterfront Sites;
 - Section 7: Wider Key Employment Sites.
- 1.5 This paper is a provides a 'policy-off' assessment of employment forecasting need. In developing a 'policy-on' as set out the Employment Land Distribution paper we take into account a broader range of factors such as committed supply and land availability. However that paper in itself is only a high level assessment of where growth could be accommodated and further work would be required to determine the actual level and location of growth in employment floorspace through the development of Local Plans.

2 POLICY CONTEXT

- 2.1 The Solent Local Enterprise Partnership (LEP) was established in 2010 and is responsible for driving forward economic development in South Hampshire and the Isle of Wight. The LEP geography is consistent with that of the PUSH Area.

Solent LEP Strategic Economic Plan

- 2.2 In December 2012 the LEP set out *A Strategy for Growth* which defines its vision and strategic priorities. The vision set out was:

“to create an environment that will bring about sustainable economic growth and private sector investment in the Solent. It will assist this globally-competitive area to reach its full potential, enabling existing businesses to grow, become more profitable and to be greener; enabling the creation of new businesses and attracting new businesses to the region.”

- 2.3 Structured by the LEP's *Strategic Economic Plan* (SEP), six priority areas of work have been defined which together will drive forward the Solent's economy. These are:

- Enterprise;
- Infrastructure Priorities;
- Inward Investment;
- Skills for Growth;
- Strategic Sectors; and
- Innovation.

- 2.4 The Plan is based on maximising the economic assets of the area, and sectors with growth potential – with a particular focus on driving growth in the marine/ maritime sector in which the sub-region has a particular competitive advantage. The sector accounts from 20.5% of the sub-region's GVA and provides, supports more than 3,000 businesses and provides 40,000 jobs locally. Over the period to 2025 it is expected to grow by 5%.

- 2.5 A number of wider strategic sectors and clusters are identified, comprising:

- aerospace and defence;
- advanced manufacturing and engineering;
- transport and logistics;
- low carbon;
- digital and creative; and
- the visitor economy.

- 2.6 The SEP points to an economic under-performance in the cities and to over-dependence on larger employers and the public sector; to a need for regeneration in Gosport; and a strong case for promoting innovation, developing the skills base, enhancing the connectivity of the two cities as international gateways. It also provides some spatial analysis of sector growth potential – of

potential to foster creative/ digital activities in the Cities; the visitor economy in the cities, Isle of Wight, New Forest, Winchester; of a greater focus on defence, aerospace and manufacturing in the Portsmouth HMA; and of office-related activities in Southampton.

- 2.7 A clear specific and quantified set of growth targets are set out in the SEP, which are summarised in the box below. The targets set out were informed by econometric modelling undertaken with Oxford Economics.

Solent LEP: Key Growth Targets to 2020

- Create an additional 15,500 new jobs;
- Achieve GVA growth of 3% pa;
- Increase GVA per job by an additional £6,879;
- Improve productivity (GDP per head) closer to the South East average;
- Increase employment rates from 78% to 80%;
- Improve economic activity rates from 80% to 81%;
- Enable the delivery of 24,000 homes;
- Raise the business birth rate from 3.6% to 4.1% and create 1,000 new businesses;
- Improve 3 year business survival rates from 61.4% to 62.5%;
- Raise the proportion of Level 4+ skills from 32% to 36% of the working-age population;
- Support raising educational attainment to above the UK average;
- Increase inward investment attracting at least 5% of FDI projects entering the UK.

- 2.8 This LEP is ambitious, with its target of 3.0% pa growth in GVA being higher than the baseline forecasts (2.8% pa growth in GVA for the period 2012-2020) with the aim of matching projected economic growth across the South East.
- 2.9 The SEP identifies the economic growth potential of the two cities as hubs for knowledge-intensive growth, as key gateways. It also emphasises the universities as hubs for innovation. To drive economic growth it however strongly sets out the need for investment in a range of areas – from improving the skills base to addressing congestion and improving infrastructure to support investment and housing growth.

Transforming Solent: Marine & Maritime Supplement

- 2.10 The Marine and Maritime Supplement was prepared alongside the Strategic Economic Plan, led by Rear Admiral Rob Stevens. This outlines the strategic significance of the Marine and Maritime Sector to the Solent area, contributing 20.5% of GVA and 5% of private sector jobs. It outlines the sub-region's world-class marine and maritime assets, and opportunities for growth in the sector to position the Solent as a globally recognised marine and maritime centre of excellence.

- 2.11 It sets out a number of recommendations to support improved performance, structured around six key themes. The report makes the case for improved leadership to unlock the sector's potential, including through reducing planning timeframes and ensuring that commitments are delivered.
- 2.12 The reports identifies the scope to grow the Solent's ports, taking account of rapid growth in the cruise industry, and the potential for growing related to recent strong performance of the car industry – recognising Southampton's role as a key port for exporting cars build in Britain. To do so, it identifies the need to address the lack of space at the ports; and improve access to them. It emphasises the need for the release of Marchwood Military Port for commercial use; and for the opportunity for growth in port-centred logistics. It promotes a Southampton Strategic Transport Review; and improved maritime access to the Isle of Wight.
- 2.13 To develop marine manufacturing, the report proposes development of a new marine incubation centre in Portsmouth; creation of a marine enterprise zone on the Isle of Wight; improvements to the marine supply chain; and support for businesses in breaking into markets abroad. It also commits to work to review waterfront sites – work which has since taken place.
- 2.14 The Solent area has particular assets underpinning competitive advantage in the marine and maritime sector. This includes the Southampton Marine and Maritime Institute (SMMI), the National Oceanography Centre (NOC), three universities, the Maritime Coastguard Agency and Lloyds Register; together with a range of key firms. The report highlights potential for high-tech growth – particularly in composites, marine greening and marine autonomous systems. It emphasises potential for a cluster in Marine Autonomous Systems (MAS) in Southampton.
- 2.15 The report also emphasises the need to improve skills, including addressing replacement demand issues to ensure a continued supply of skills as people retire; as well as the need for improved STEM skills. It also promotes the development of "Brand Solent" as a globally recognised centre of excellence in marine and maritime activities.

Skills

- 2.16 The LEP is responsible for driving forward the skills agenda, and has developed a Skills Strategy which sets out a range of priorities for improving skills. Headline ambitions include raising educational attainment to the UK average; raising the proportion of the working-age population with Level 4+ skills from 32% to 36% by 2020 (as well as improving numbers with Level 2 and 3 skills), and developing STEM skills.
- 2.17 An initial evaluation of the Skills Strategy emphasises the importance of improving skills to drive productivity and growth performance; and a continuing lag (and indeed falling participation) for higher level skills. It recommends a particular emphasis is placed on:

- Driving higher level skills, and building participation in higher education;
- Continuing to place an emphasis on building STEM skills;
- Seeking the devolution of skills budgets to maximise flexibility/ targeting.

3 ECONOMIC DYNAMICS WITHIN THE PUSH AREA

- 3.1 This section provides an analysis of South Hampshire's economy, considering economic dynamics, the business base and labour market.

Macro-Economic Outlook

- 3.2 Oxford Economics (OE) provided updated econometric forecasts to the Solent LEP in June 2015. We have sought to recount key conclusions regarding economic performance and growth potential, drawing on the OE forecasts. These forecasts have been used to inform this report as they reflect the most up to date analysis. However, It is prudent to note that at the time of writing this Strategy, the LEP advised that they were still in the process of reviewing the Solent Strategic Economic Plan (SEP) and therefore the forecasts may change in the future.
- 3.3 The world economic outlook has improved significantly since 2009, with global economic growth strengthening. 2.6% economic growth was achieved in 2014. Economic growth rates in China are slowing. Russia continues to face sanctions and falling oil prices; and the BRIC economies are not growing as strongly as they once were. However oil prices have fallen substantially, and this has influenced inflation and provided a stimulus to consumer demand. The US economy is performing strongly.
- 3.4 The UK economy has been performing well in recent years, within particularly strong performance of the labour market. OE set out that key drivers of their June 2015 forecasts include stronger household spending power (influenced by the falling oil price and pick-up in wage growth), growing business investment, housing market confidence and an improved export outlook (influenced by performance of the US and Eurozone economies); albeit offset in part by planned cuts to public spending. OE however note that recent improvements in productivity have been weak, and with a prolonged period of slow productivity growth, demand for labour is now expected to be stronger. As such, forecasts for jobs growth are now stronger than was forecast in 2013.
- 3.5 At the UK level, employment growth is expected to be strongest in professional, scientific and technical activities and administrative and support services. More broadly, a continuing shift of employment towards service-sector activities is expected – with a net reduction in jobs in manufacturing, agriculture and other primary activities. Positive growth is forecast in construction.
- 3.6 OE forecast employment growth in South East England of 0.7% pa over the 2014-30 period. This compares to a growth rate of 1.1% pa over the pre-recession decade (1998-2008); and is consistent to forecast employment growth nationally over the 2014-30 period (also 0.7% pa). The strongest absolute growth in jobs in the region is expected to come from (in order):
- Professional, scientific and technical activities;

- Administrative and support services;
- Wholesale and retail trade;
- Construction.

- 3.7 Collectively these sectors will support 340,000 additional jobs to 2030, accounting for over 60% of total employment growth. Consumer-led sectors like retail, accommodation and food, arts, entertainment and recreation are also expected to grow, providing 162,000 more jobs, contributing a further 30%. Employment in manufacturing, as well as agriculture, mining and quarrying and public administration is expected to fall. Manufacturing employment is expected to fall by 50,000 persons across the region; whilst public administration will shed around 18,000 jobs.
- 3.8 The OE forecasts recognise that the South East's labour market is tight. Their forecasts expect resident employment rates (as a % of the population aged 16+) to increase to 87.1% in 2030. Unemployment is forecast to fall to 0.7%.

Solent's Economy

- 3.9 Oxford Economics updated baseline forecasts indicate that total employment in the Solent area will grow by 10% over the period from 2014-30. GVA was estimated at £25.8bn in 2014, and is expected to grow by an average of 2.8% pa from 2014 to 2030.
- 3.10 Taking account of age structure changes, they expect employment growth to support some net in-migration to the area; but employment growth will also be supported by higher economic participation, with Oxford Economics forecasting that employment rates (16+) will rise to reach 83.7% by 2030. Unemployment is expected to fall relatively quickly over the next couple of years and stabilise around 1%.
- 3.11 As is expected at the national and regional levels, employment growth is expected to be particularly driven by:
- Professional, scientific and technical activities:
 - Information and communications:
 - Administrative and support services:
- 3.12 Growth is however expected across a range of economic sectors, from professional services, tourism, recreation and leisure-based activities, construction, logistics, health and social care.
- 3.13 Productivity is expected to grow less strongly than in the 2013 forecasts, at a rate of 2% per annum (2014-30) compared to 2.4%.

Dynamics within the Solent Area

Employment Base

- 3.14 There is no single comprehensive source which detail employment (job) numbers in the UK. The Business Register and Employment Survey records employee jobs and details of working-proprietors, but does not include full details of those who are self-employed and is does not provide full coverage of employment in agricultural activities. Other sources provide information on self-employment, including the Annual Population Survey – but data at a local authority level can be subject to reasonable large error margins. Care must also be taken with BRES data as it draws on records from PAYE returns, and can record employment on the basis of where people are paid from, rather than necessarily where they work. Statistics at a local authority level (and particularly short-term trends affecting individual sectors) should be treated with a degree of caution in recognition of these issues.
- 3.15 Reflecting these issues, it is also not appropriate (or particularly feasible) to seek to disaggregate detailed economic data below a local authority level. In this report we have therefore sought to assess performance at a local authority level. It should be recognised upfront that for East Hampshire, Test Valley and Winchester, the balance of the District's population and economic base does not fall within the PUSH Area. For New Forest, much of the District also falls outside of the PUSH boundary.
- 3.16 Table 1 profiles the distribution of employee jobs by local authority district in 2013. The two cities contain the strongest concentration of employment – they are hubs for employment within the sub-region, each supporting over 100,000 employee jobs. Outside of the cities, the concentration of employment in Eastleigh is notable; whilst employee job numbers in Gosport, at 20,600, are modest.

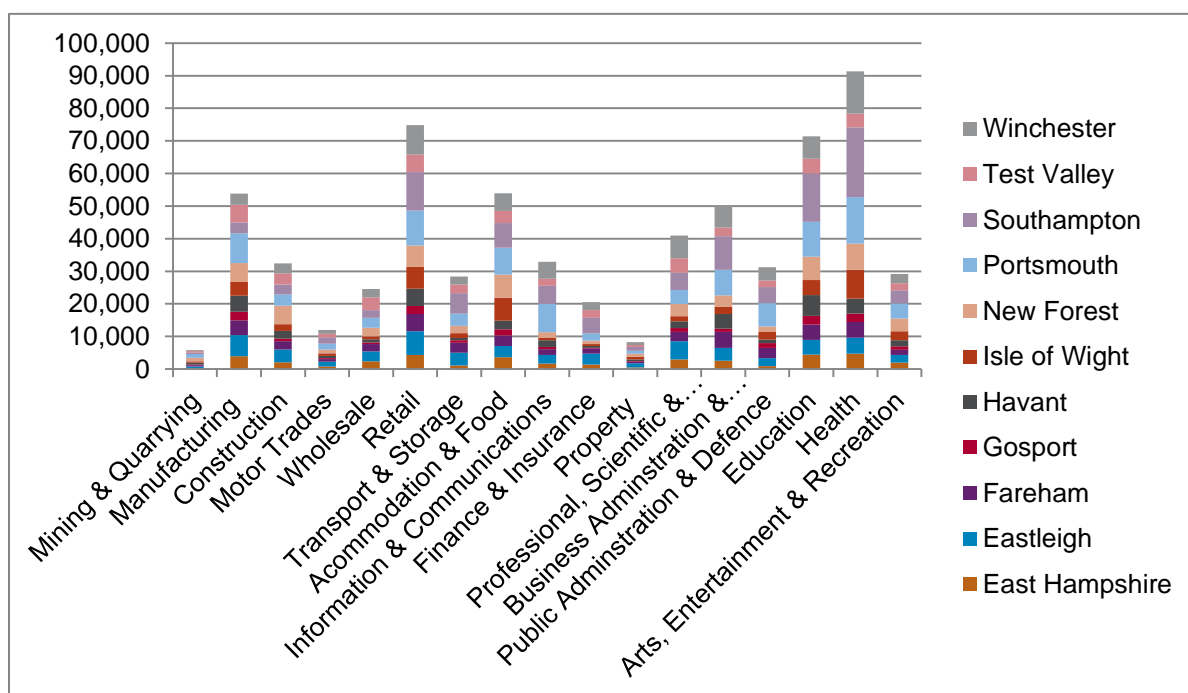
Table 1: Employee Jobs, 2013

	Employee Jobs, 2013	% Solent Local Authorities
East Hampshire	39,800	6.0%
Eastleigh	60,700	9.2%
Fareham	48,200	7.3%
Gosport	20,600	3.1%
Havant	41,600	6.3%
Isle of Wight	48,000	7.3%
New Forest	64,500	9.7%
Portsmouth	101,800	15.4%
Southampton	109,300	16.5%
Test Valley	51,200	7.7%
Winchester	76,700	11.6%
Solent LEP Authorities	662,400	100.0%

Source: BRES, 2013

- 3.17 The largest sectors in 2013 (in terms of employee jobs) are health, education and retail. Across the eleven local authorities, there are more than 90,000 jobs in healthcare; and over 70,000 in retail and in education. These are the largest sectors in many areas.

Figure 1: Profile of Employee Jobs by Sector, 2013



Source: BRES, 2013

- 3.18 Across the eleven local authorities, the proportion of employee jobs in manufacturing, at 8.1%, is broadly similar to the national average. We however see a stronger concentration of manufacturing employment in the eastern authorities, around Portsmouth, at 10.0%; than we do in the western authorities (6.8%).
- 3.19 The cities themselves see a lower proportion of manufacturing employment than surrounding areas, no doubt influenced by the land use mix – with a particularly low concentration of manufacturing employment in Southampton (3.1%) even compared to Portsmouth (8.9%). The highest concentration of manufacturing jobs is in Gosport (12.8%) and Havant (11.8%). A contracting manufacturing sector will thus affect local employment opportunities more strongly in these authorities than other areas.
- 3.20 Retail supports significant levels of employment across the area (11.3% across the local authorities), with the distribution of jobs influenced by the that of population as well as the hierarchy of centres. The strongest absolute level of retail-based employment is in the two cities – with the sector

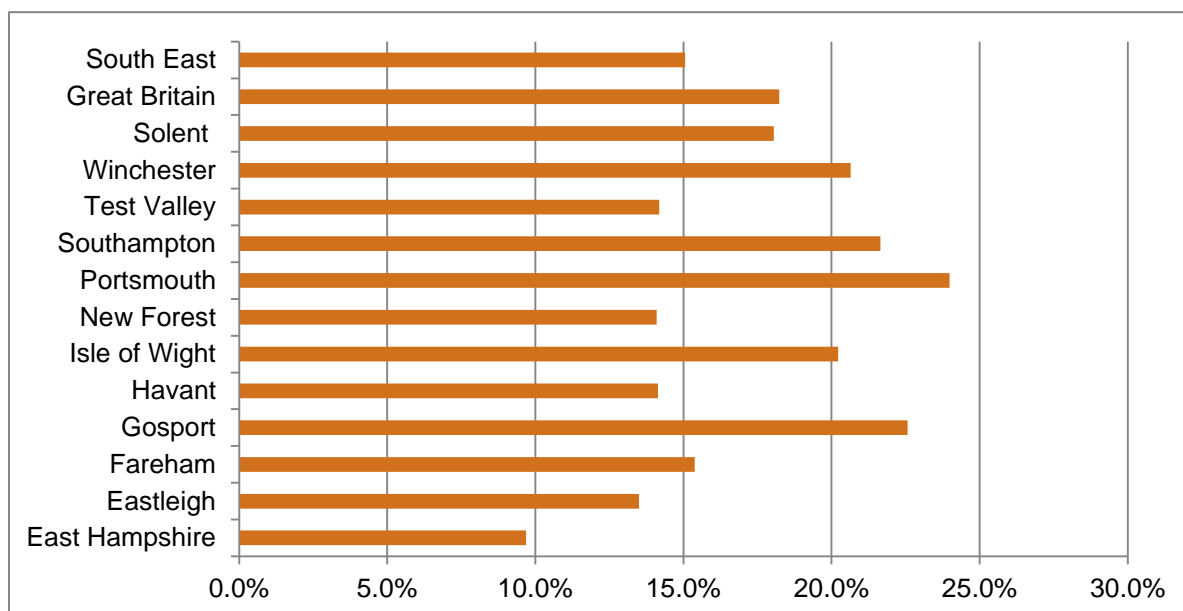
supporting 10,700 employee jobs in Portsmouth and 11,700 in Southampton. However relative to other sectors, there is a stronger proportional representation of employee jobs in the Isle of Wight (13.9%) and in Eastleigh (12.0%) relative to other areas. The latter is likely to reflect the presence of HQs of major retailers B&Q and Wickes in Eastleigh.

- 3.21 Employment in the accommodation and food sector is influenced by a range of factors, with demand arising both from the local population base and visitors. In absolute terms, the highest numbers of jobs in this sector are in the two cities (8,300 Portsmouth, 7,600 Southampton) followed by the Isle of Wight and New Forest (both 7,100 employee jobs), influenced by the importance of these areas as tourism destinations. On the Isle of Wight a substantial 15% of employee jobs are in this sector (compared to 8.1% across the 11 authorities).
- 3.22 Employment in Arts, Entertainment and Recreation follows a similar pattern, with the strongest relative concentration of jobs in the New Forest and Isle of Wight; but with the highest absolute job numbers in the two cities.
- 3.23 Transport and storage accommodates 4.3% of employee jobs. The highest number is in Southampton (with 6,300 employee jobs), no doubt influenced by employment at the Docks. We similarly see a concentration in Portsmouth (3,700), Eastleigh (3,900, most likely influenced by employment at Southampton Airport) and Fareham (3,100).
- 3.24 Information and communications is currently a relatively small sector, which supports 5.0% of employee jobs, but is one which in proportional terms is expected to grow relatively strongly. There is a particular relative strength in this sector in Portsmouth where it accounts for 8.5% of employee jobs (8,700 total). This is notably above numbers in Southampton (5,500). Outside of the Cities, the next largest concentration is in Winchester District (5,200/ 6.8%).
- 3.25 Future needs for office floorspace will be influenced in particular by growth in the following sectors:
- Finance and Insurance;
 - Property;
 - Professional, scientific and technical;
 - Business administration and support services.
- 3.26 If we look at these sectors collectively, they accommodate 18.1% of employee jobs across the 11 local authorities. The strongest absolute concentration is in the two cities – but Southampton supports 40% more employment in these sectors than Portsmouth does, with the next highest levels of jobs in Eastleigh. The evidence thus points to a stronger base of office occupiers in the Southampton area than in/around Portsmouth. Indeed there is a similar level of employment in

these sectors in Southampton and Eastleigh together as there are in Portsmouth, Fareham, Gosport and Havant collectively.

- 3.27 Employment in finance and insurance in the sub-region is relatively modest, with the strongest concentration in Eastleigh and Southampton.
- 3.28 In the Professional, Scientific and Technical sector there is a particular concentration of employment in Winchester District (6,900 jobs, 9.1%) and Eastleigh (5,500 jobs, 9.1%). The evidence points to a strength in this sector in the Southampton HMA / M3 Corridor, albeit that Portsmouth also shows some strengths. Business services employment is strongest in the cities, and particularly Southampton.
- 3.29 Public sector employment principally spans public administration and elements of employment in education and health. The chart below uses BRES data to profile the proportion of employee jobs in 2014 in the public sector. Nationally the public sector accommodates 18.2% of employee jobs. The level is lower in the South East at 15.1%. At the Solent LEP level, the concentration of public sector employment is broadly similar to that found nationally (18.1%).
- 3.30 Concentrations of public sector employment can reflect either the relative strength of different places as administrative centres, or the relative weakness of the private sector business base. Winchester has a stronger relative concentration of public sector employment, reflecting its status as County Town. The public sector also supports more than 20% of employee jobs in:
- Portsmouth (24.0%);
 - Gosport (22.6%); and
 - Southampton (21.6%).
- 3.31 In respect of absolute numbers of employee jobs, the strongest numbers are in Portsmouth and Southampton – reflecting both the concentration of infrastructure (including the universities) but also of people.

Figure 2: Public Sector Employment, 2014

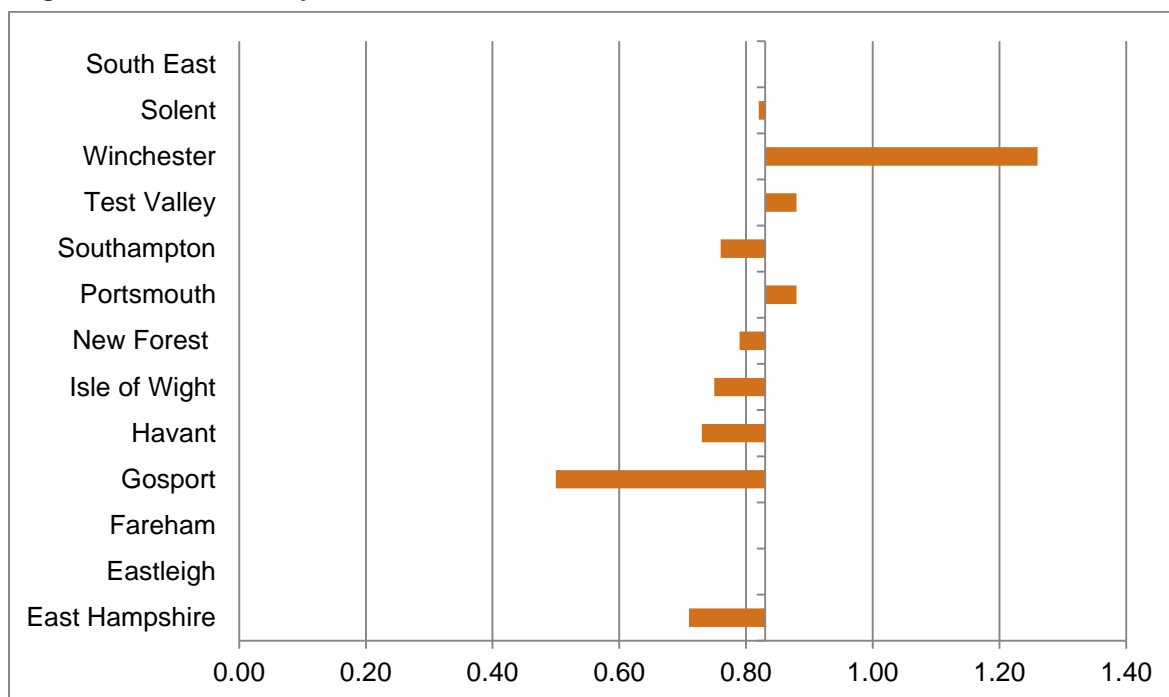


Source: BRES, 2014

Jobs Density

- 3.32 Figure 3 considers the relationship between job numbers and the resident workforce, using the ONS “jobs density” measure. Jobs density describes the relationship of jobs to people of working age (16-64).
- 3.33 Overall the South East Region has a jobs density of 0.83. Typically cities have concentrations of employment, and support net in-commuting from surrounding areas to work – and thus an above average jobs density. This is true for Portsmouth (which has a jobs density of 0.88), however Southampton has a lower jobs density of 0.76.
- 3.34 What however particularly stands out from the analysis is the very high jobs density in Winchester (1.26); and the low jobs density figure for Gosport (0.50). The evidence clearly suggests that there is a lack of employment opportunities in Gosport.

Figure 3: Jobs Density, 2013



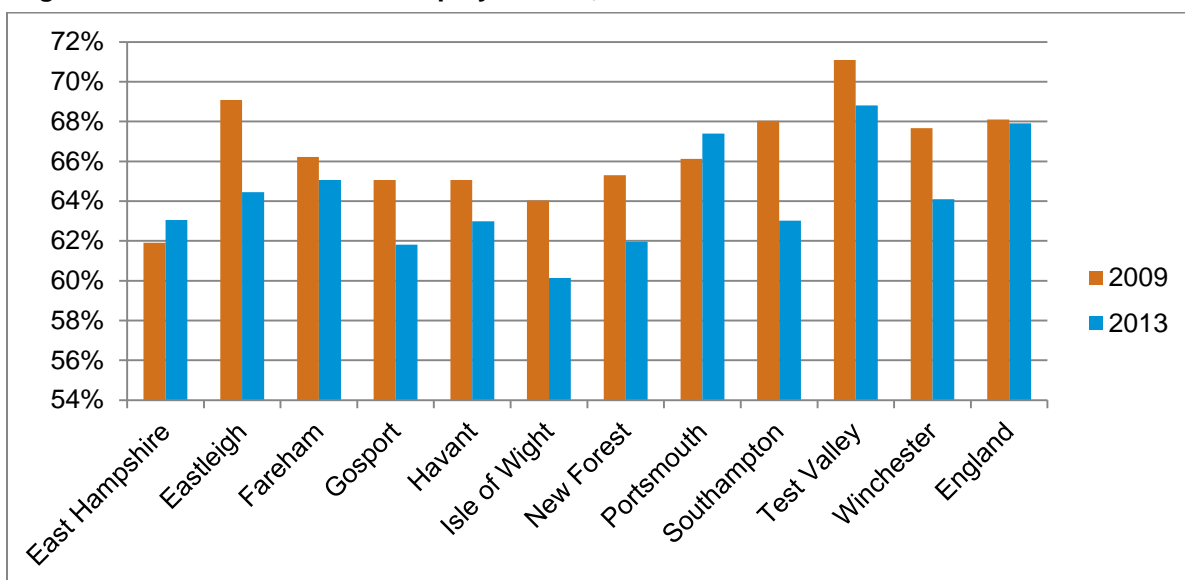
Source: NOMIS

Full- and Part-Time Work

- 3.35 Across the 11 authorities, the proportion of employee jobs which are full-time has fallen over the period since the recession. In 2009 it stood at 66.6% of employee jobs – but full-time employment has since fallen to 64.2% in 2013, with a commensurate rise in part-time employment opportunities. This shift towards part-time employment has contributed to the relatively weak growth in productivity.
- 3.36 As Figure 4 shows, the highest proportions of part-time jobs are in the Isle of Wight, New Forest and Gosport. In the first two this is likely to be influenced by high employment in sectors which typically have higher part-time/ seasonal employment, including accommodation and food, recreation and retail. The concentration of full-time jobs is highest in Test Valley and Portsmouth.
- 3.37 Over the 2009-13 period, the proportion of full-time employee jobs increased in Portsmouth, but fell in all other areas – with the strongest falls in the proportion of full-time roles in Southampton (5 pp), Eastleigh (4.6 pp), Isle of Wight, New Forest and Gosport.
- 3.38 It seems likely that a growing number of part-time workers may reflect a combination of:
- Recessionary impacts where businesses reduced employee hours;
 - More women in the workforce; and
 - More older people in the workforce.

- 3.39 Whilst the first of these may be a temporary phenomenon and be reversible, the second and third and likely to be longer-running influences, and may mean that this balance shifts further towards part-time roles in the future – taking account of demographic changes

Figure 4: Full- and Part-Time Employee Jobs, 2009 and 2013



Source: BRES

Relative Sectoral Performance

- 3.40 We have sought to assess employment changes over both long- and short-term. The Oxford Economics forecast data includes trends in employment by sector over the period since 2000.
- 3.41 Looking over the period since 2000, the strongest absolute growth in employment has been in health, IT and education; followed by warehousing.
- 3.42 Education has seen the strongest growth in employment in the shorter-term, since 2009, in education and food/ beverage.

Table 2: Strongest Growing Employment Sectors

	2000-13		2009-13	
	000s	% Change	000s	% Change
Human health activities	13.26	41%	-0.86	-2%
Computer programming, consultancy	11.01	138%	3.17	20%
Education	10.92	23%	6.35	12%
Warehousing and support activities	5.98	111%	1.88	20%
Social work activities	5.41	47%	-0.78	-4%
Activities of head offices	5.27	132%	1.28	16%
Residential care activities	5.27	62%	2.97	28%
Food and beverage service activities	4.82	18%	5.67	22%
Activities auxiliary to financial services	4.48	194%	1.46	27%
Employment activities	3.91	28%	3.52	24%
Publishing activities	3.35	130%	0.31	6%
Architectural and engineering	3.25	44%	-0.78	-7%
Real estate activities	3.16	91%	0.43	7%
Sports activities and amusement	2.31	27%	1.01	10%
Telecommunications	2.02	111%	1.08	40%

Source: GLH Analysis of Oxford Economics 2015 Data

- 3.43 Employment growth across the Solent LEP area has varied significantly during the period 2009-2013. Using BRES data for whole local authority areas, Winchester experienced the largest level of absolute employment growth during the period, total employment increased by 8,700 jobs. Meanwhile, East Hampshire suffered the largest decline in employment across the Solent LEP area, losing 4,300 jobs.

Table 3: Employment by Broad Industrial Groups, Absolute Change 2009-2013

Employment by Broad Industrial Groups: Absolute Change 2009-2013	East Hampshire	Eastleigh	Fareham	Gosport	Havant	Isle of Wight	New Forest	Portsmouth	Southampton	Test Valley	Winchester	Solent LEP	England and Wales	Great Britain
Agriculture, forestry & fishing	-100	-100	0	0	0	0	-200	-100	0	0	-100	-700	-24,800	-28,200
Mining, quarrying & utilities	0	300	100	100	-1,300	-100	-100	-100	-800	200	0	-1,700	25,400	26,600
Manufacturing	-300	100	0	200	300	-300	-500	900	-1,500	-700	100	-1,700	-75,000	-89,900
Construction	-300	-500	-700	100	-500	-600	-100	-500	-500	-100	-100	-3,900	-162,400	-171,400
Motor trades	100	100	0	0	0	100	0	100	100	-300	100	0	18,800	22,100
Wholesale	200	-400	-500	-300	0	100	100	400	400	600	400	1,100	9,600	3,200
Retail	0	-1,300	400	-100	-300	-200	-300	100	0	200	3,700	2,100	-72,600	-83,000
Transport & storage (inc postal)	0	400	0	300	100	-300	-100	0	0	500	300	1,100	-23,600	-31,500
Accommodation & food services	800	400	800	600	200	1,700	800	1,300	1,900	600	1,300	10,300	98,000	107,000
Information & communication	0	800	600	300	400	200	300	1,200	100	400	900	5,200	73,900	70,600
Financial & insurance	-100	-100	-100	-100	-100	0	0	0	-900	-100	0	-1,400	-27,100	-35,600
Property	-300	600	-100	0	200	100	-1,900	-100	-200	0	-500	-2,300	47,500	50,100
Professional, scientific & technical	-200	300	-900	300	-100	-300	-500	1,000	-1,500	1,300	500	-200	218,300	225,200
Business administration & support services	-3,900	-900	300	0	1,600	500	200	-1,800	400	-100	3,000	-700	209,100	209,200
Public administration & defence	-200	300	-100	-300	-100	-600	-300	-1,800	0	200	-1,000	-3,900	-162,500	-171,900
Education	-100	300	0	-100	1,600	200	600	1,100	1,800	500	1,300	7,200	88,100	80,000
Health	300	-600	800	-200	0	100	-600	-2,600	2,900	200	-1,200	-1,000	241,800	237,500
Arts, entertainment, recreation & other services	-200	100	0	200	300	200	600	300	-400	200	0	1,300	9,400	19,500
Total Employment	-4,300	-200	600	1,000	2,300	800	-2,000	-600	1,800	3,600	8,700	10,800	491,900	439,500
Source: Business Register and Employment Survey, 2014														

Table 4: Employment by Broad Industrial Groups, % Change 2009-2013

Employment by Broad Industrial Groups: % Change 2009-2013	East Hampshire	Eastleigh	Fareham	Gosport	Havant	Isle of Wight	New Forest	Portsmouth	Southampton	Test Valley	Winchester	Solent LEP	England and Wales	Great Britain
Agriculture, forestry & fishing	-33.3%	-100.0%	0.0%	0.0%	0.0%	0.0%	-50.0%	-50.0%	0.0%	0.0%	-50.0%	-46.7%	-6.2%	-5.8%
Mining, quarrying & utilities	0.0%	100.0%	25.0%	100.0%	-68.4%	-20.0%	-8.3%	-7.7%	-61.5%	66.7%	0.0%	-22.1%	9.7%	8.2%
Manufacturing	-6.8%	1.6%	0.0%	8.0%	6.4%	-6.7%	-7.8%	10.8%	-30.6%	-11.3%	2.9%	-3.0%	-3.4%	-3.7%
Construction	-11.1%	-10.4%	-20.0%	12.5%	-16.1%	-20.7%	-1.6%	-12.2%	-13.2%	-2.6%	-2.9%	-9.9%	-12.3%	-11.7%
Motor trades	12.5%	7.1%	0.0%	0.0%	0.0%	12.5%	0.0%	5.6%	5.0%	-21.4%	8.3%	0.0%	4.2%	4.5%
Wholesale	8.7%	-11.4%	-17.9%	-37.5%	0.0%	10.0%	3.7%	14.8%	20.0%	17.6%	18.2%	4.5%	0.9%	0.3%
Retail	0.0%	-14.9%	8.0%	-3.7%	-5.2%	-2.7%	-4.1%	0.9%	0.0%	3.7%	67.3%	2.8%	-2.7%	-2.8%
Transport & storage (inc postal)	0.0%	11.4%	0.0%	60.0%	16.7%	-15.8%	-4.0%	0.0%	0.0%	22.7%	13.6%	3.9%	-2.0%	-2.5%
Accommodation & food services	26.7%	12.1%	32.0%	42.9%	7.7%	27.9%	11.9%	17.8%	32.2%	18.2%	29.5%	22.2%	5.8%	5.7%
Information & communication	0.0%	44.4%	46.2%	75.0%	25.0%	28.6%	18.8%	16.0%	1.8%	21.1%	20.9%	18.4%	7.6%	6.8%
Financial & insurance	-6.7%	-2.9%	-5.9%	-50.0%	-14.3%	0.0%	0.0%	0.0%	-15.8%	-4.2%	0.0%	-6.4%	-2.8%	-3.4%
Property	-33.3%	85.7%	-16.7%	0.0%	50.0%	11.1%	-59.4%	-9.1%	-13.3%	0.0%	-33.3%	-19.7%	10.7%	10.6%
Professional, scientific & technical	-5.7%	5.5%	-23.1%	30.0%	-4.3%	-15.0%	-11.1%	27.8%	-20.5%	38.2%	7.5%	-0.5%	11.6%	11.0%
Business administration & support services	-60.0%	-18.4%	6.4%	0.0%	55.2%	27.8%	5.9%	-18.6%	4.0%	-3.6%	76.9%	-1.4%	10.9%	10.0%
Public administration & defence	-18.2%	13.6%	-3.0%	-16.7%	-9.1%	-20.0%	-15.0%	-20.2%	0.0%	10.5%	-20.0%	-11.1%	-12.2%	-11.6%
Education	-2.2%	7.0%	0.0%	-3.6%	34.0%	4.4%	9.1%	11.5%	13.7%	12.2%	23.2%	11.2%	3.8%	3.2%
Health	6.5%	-10.9%	19.5%	-6.9%	0.0%	1.1%	-6.8%	-15.3%	15.5%	4.9%	-8.4%	-1.1%	7.8%	6.8%
Arts, entertainment, recreation & other services	-8.7%	4.3%	0.0%	20.0%	17.6%	6.9%	16.7%	6.7%	-8.5%	9.5%	0.0%	4.3%	0.8%	1.5%
Total Employment	-9.3%	-0.3%	1.2%	4.9%	5.7%	1.6%	-2.9%	-0.6%	1.6%	7.3%	12.4%	1.6%	1.9%	1.6%

Source: Business Register and Employment Survey, 2014

- 3.44 In general terms, the accommodation & food services sector saw the highest level of employment growth across the Solent LEP area during the period 2009-2013; it experienced employment growth of 10,300 (22.2%)- Southampton and the Isle of Wight accounted for a significant proportion of this growth. The Education sector also experienced strong growth (7,200 additional jobs) across the area, notably in Southampton, Havant, Winchester and Portsmouth. Furthermore, the Information & Communication sector experienced the third highest level of the employment growth (5,200 additional jobs).
- 3.45 The construction and public administration & defence sectors both experienced decreases in employment of 3,900 jobs. The loss of public administration & defence employment was most concentrated in Portsmouth, which experienced a decline of 1,800 (20.2%) jobs in the sector.
- 3.46 During the period 2010-2015, the number of businesses in the Solent LEP area increased by 5,290 (8.4%) which was lower than the national UK growth of 12.9%. Again analysing data at a local authority level for authorities within or part in the Solent area, Winchester experienced the largest level of absolute business growth during the period, the total number of businesses increased by 1,055 (15.1%). The Isle of Wight experienced the lowest level of business growth across the Solent LEP area, the number of business increased by 25 (0.4%).

Table 5: Businesses by Broad Industrial Groups, Absolute Change 2010-2015

Businesses by Broad Industrial Groups: Absolute Change 2010-2015	East Hampshire	Eastleigh	Fareham	Gosport	Havant	Isle of Wight	New Forest	Portsmouth	Southampton	Test Valley	Winchester	Solent LEP	England and Wales	United Kingdom
Agriculture, forestry & fishing	20	10	-10	0	0	25	50	0	5	15	55	170	8,550	10,080
Mining, quarrying & utilities	15	5	0	0	0	0	10	5	10	15	5	70	3,645	4,280
Manufacturing	-20	50	-15	35	20	-20	5	5	65	-30	-10	90	1,060	1,375
Construction	5	65	-5	15	70	-80	-30	60	105	0	50	260	12,470	10,245
Motor trades	-10	0	-5	0	25	10	15	-15	10	5	-5	20	5,255	5,540
Wholesale	-15	0	-30	-5	-10	-20	15	-15	15	-25	-30	-115	-50	-195
Retail	-5	60	15	0	0	-20	-25	10	-25	10	140	155	4,945	3,635
Transport & storage (inc postal)	5	20	20	30	5	-25	30	5	90	45	20	240	15,585	15,790
Accommodation & food services	-20	15	20	15	-5	10	10	95	60	-25	10	190	14,615	15,510
Information & communication	60	85	55	25	35	55	85	70	90	105	100	770	44,585	47,320
Financial & insurance	-10	10	-15	-5	15	5	0	0	-25	5	25	0	3,435	3,530
Property	20	15	-5	-5	10	15	20	0	10	45	60	195	11,450	11,965
Professional, scientific & technical	225	185	165	50	140	80	235	165	145	300	365	2,060	101,620	112,315
Business administration & support services	50	80	-5	15	45	-25	90	50	70	45	185	590	45,165	47,815
Public administration & defence	15	5	5	0	0	0	5	-10	-10	15	-40	-30	-320	-1,035
Education	5	10	5	-10	5	-10	20	5	5	25	20	80	4,925	4,935
Health	55	50	30	-5	35	20	75	50	50	90	90	540	24,990	26,325
Arts, entertainment, recreation & other services	-50	0	20	-5	15	5	-5	40	0	-20	10	5	12,080	13,895
Total Businesses	335	680	260	145	400	25	610	500	675	615	1,055	5,290	314,000	333,335

Source: ONS UK Business Counts, 2015

Table 6: Businesses by Broad Industrial Groups, % Change 2010-2015

Businesses by Broad Industrial Groups: % Change 2010-2015	East Hampshire	Eastleigh	Fareham	Gosport	Havant	Isle of Wight	New Forest	Portsmouth	Southampton	Test Valley	Winchester	Solent LEP	England and Wales	United Kingdom
Agriculture, forestry & fishing	6.8%	22.2%	-16.7%	0.0%	0.0%	8.6%	14.5%	0.0%	50.0%	5.1%	13.6%	9.4%	8.0%	7.2%
Mining, quarrying & utilities	75.0%	25.0%	0.0%	0.0%	0.0%	0.0%	22.2%	16.7%	50.0%	60.0%	20.0%	26.9%	32.4%	32.2%
Manufacturing	-5.1%	16.1%	-4.9%	25.0%	7.3%	-6.7%	1.1%	1.4%	19.1%	-7.4%	-3.2%	2.5%	0.8%	1.0%
Construction	0.6%	8.1%	-0.7%	5.6%	9.7%	-12.4%	-2.6%	7.0%	12.4%	0.0%	7.4%	3.2%	4.9%	3.6%
Motor trades	-4.9%	0.0%	-3.3%	0.0%	20.8%	7.7%	5.2%	-6.3%	3.5%	2.3%	-2.6%	1.0%	7.6%	7.3%
Wholesale	-4.7%	0.0%	-12.2%	-6.7%	-6.3%	-9.8%	4.4%	-5.5%	5.0%	-7.0%	-10.3%	-4.1%	0.0%	-0.2%
Retail	-1.0%	12.6%	3.7%	0.0%	0.0%	-2.7%	-2.9%	1.1%	-2.7%	2.2%	17.3%	2.3%	2.0%	1.3%
Transport & storage (inc postal)	3.6%	8.5%	15.4%	54.5%	4.5%	-14.3%	10.9%	2.8%	30.5%	23.1%	17.4%	12.6%	20.9%	18.8%
Accommodation & food services	-6.9%	5.5%	8.9%	8.1%	-1.9%	1.5%	1.9%	15.4%	10.5%	-7.7%	2.9%	4.5%	9.7%	9.1%
Information & communication	10.5%	23.3%	16.9%	25.0%	12.5%	34.4%	18.7%	21.2%	26.5%	24.4%	17.7%	19.6%	30.8%	30.8%
Financial & insurance	-8.3%	7.7%	-10.3%	-16.7%	16.7%	5.9%	0.0%	0.0%	-11.6%	2.9%	17.9%	0.0%	5.8%	5.4%
Property	9.1%	10.0%	-2.8%	-6.3%	8.0%	7.7%	5.5%	0.0%	3.8%	23.1%	24.0%	8.8%	13.9%	13.3%
Professional, scientific & technical	19.6%	24.8%	24.4%	21.3%	25.7%	15.7%	20.4%	26.4%	16.9%	35.7%	28.6%	23.9%	32.3%	32.7%
Business administration & support services	10.3%	19.3%	-1.3%	9.7%	14.5%	-5.4%	16.1%	8.9%	12.8%	10.3%	37.4%	12.2%	26.7%	25.9%
Public administration & defence	42.9%	16.7%	33.3%	0.0%	0.0%	0.0%	8.3%	-15.4%	-15.4%	50.0%	-29.6%	-5.4%	-1.5%	-4.0%
Education	2.9%	7.7%	3.6%	-13.3%	4.2%	-6.9%	9.3%	2.9%	2.6%	17.9%	11.1%	4.8%	8.5%	7.4%
Health	20.8%	18.9%	12.5%	-3.0%	14.0%	5.9%	19.7%	11.9%	9.2%	43.9%	28.1%	15.9%	20.1%	18.7%
Arts, entertainment, recreation & other services	-10.4%	0.0%	6.8%	-2.6%	5.1%	1.1%	-0.8%	7.8%	0.0%	-4.5%	2.1%	0.1%	7.3%	7.5%
Total Businesses	5.2%	13.1%	5.6%	6.9%	9.5%	0.4%	7.4%	7.8%	9.4%	10.4%	15.1%	8.4%	13.7%	12.9%

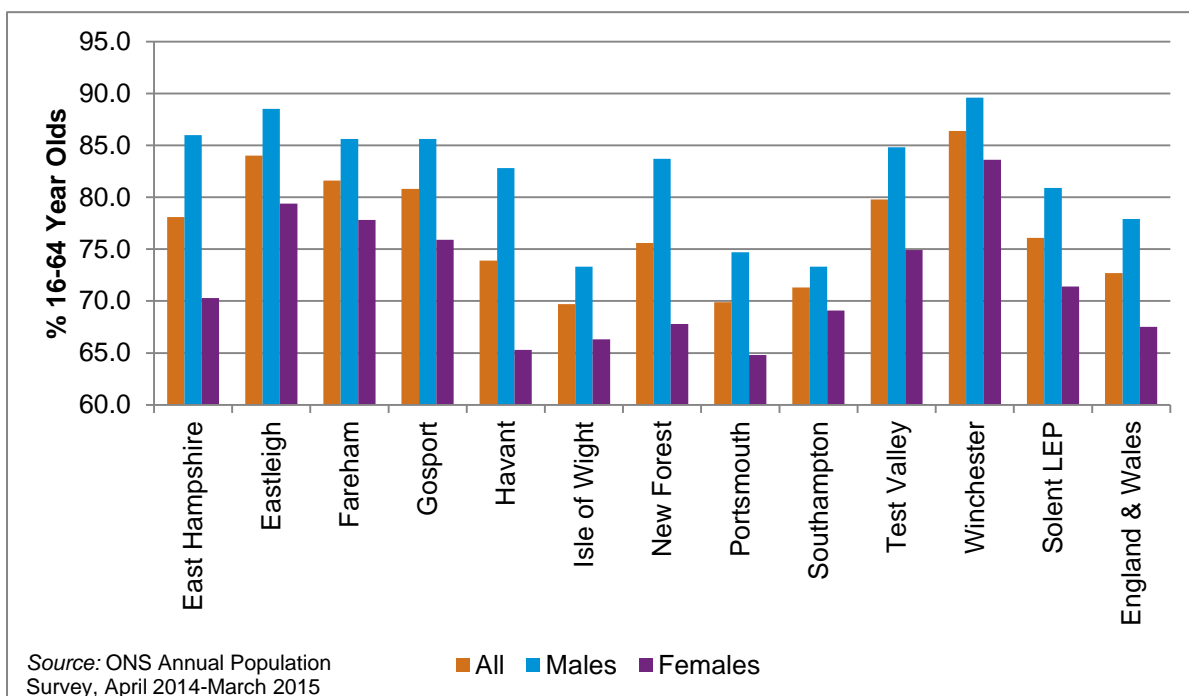
Source: ONS UK Business Counts, 2015

- 3.47 In broad terms, businesses operating in the professional, scientific & technical sector experienced the greatest absolute growth across the Solent LEP area during the period 2010-2015. The number of businesses trading in this sector increased from 8,610 in 2010 to 10,670 in 2015; this represents an increase of 2,060 (23.9%) businesses. The majority of this growth occurred in Winchester, Test Valley, New Forest and East Hampshire. There was also significant business growth in the information & communication sector, the number of businesses operating in this sector increased from 3,920 in 2010 to 4,690 in 2015; this represents an increase of 770 (19.6%) businesses. This growth was fairly evenly distributed across the Solent LEP area; however Test Valley, Winchester and Southampton respectively experienced a large proportion of this growth.
- 3.48 Meanwhile, the wholesale sector experienced the greatest level of absolute decline in the number of operating businesses. The number of wholesale businesses in the Solent LEP area declined from 2,820 in 2010 to 2,705 in 2015; this represents a decrease of 115 (4.1%) businesses.

Labour Market

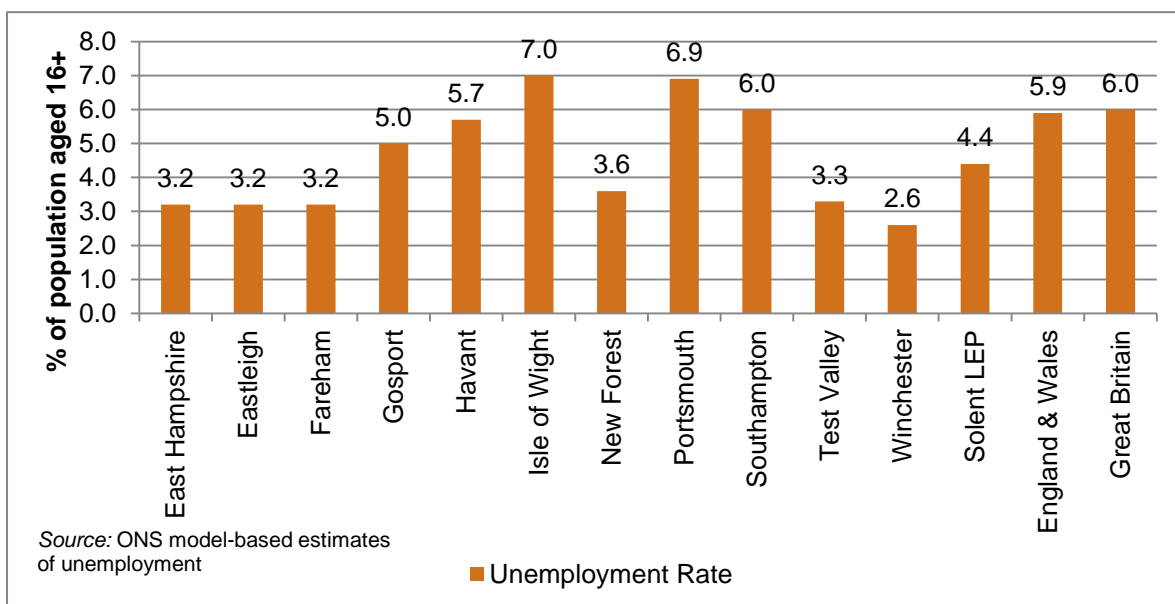
- 3.49 We have next sought to assess labour market performance.
- 3.50 The employment rate describes the proportion of residents aged 16-64 who are in work. Across the Solent LEP the employment rate in 2014/15 stood at 76.1%. Across all areas, the employment rate is higher for men than women.
- 3.51 The employment rate in the Solent LEP area is 3.4 percentage points (pp) above the national average. It is above 80% in Winchester, Eastleigh, Fareham and Gosport. However in some authorities it is below the national average – in the Isle of Wight (69.7%), Portsmouth (69.9%) and Southampton (71.3%). It is also slightly below average in Havant.
- 3.52 We would expect lower relative employment rates in the cities to reflect in part the number of students, together with their younger relative population structure.

Figure 5: Employment Rate



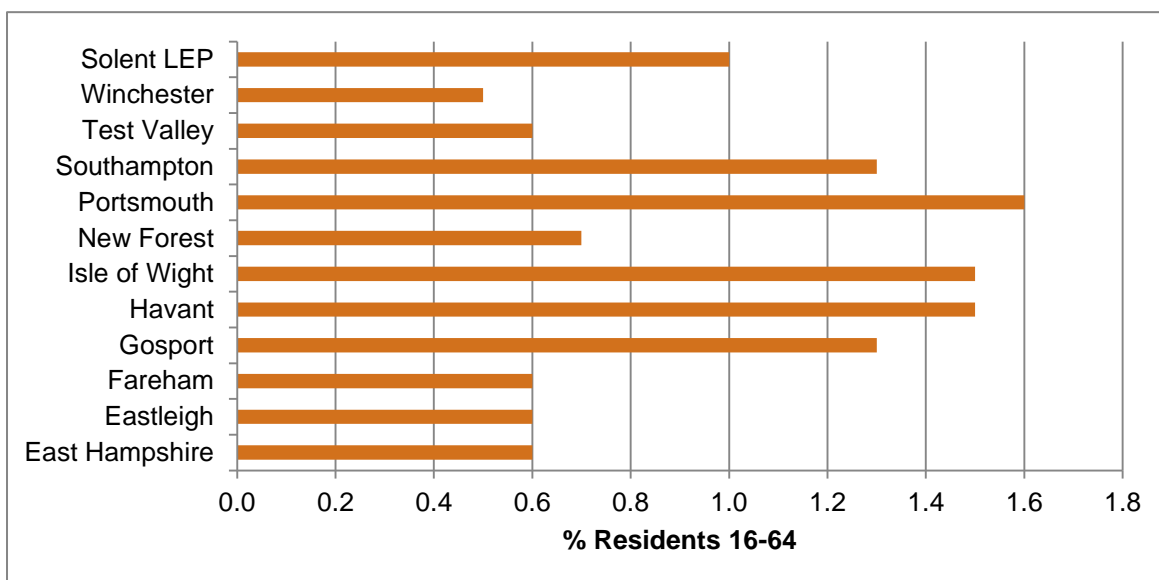
- 3.53 ONS estimates of unemployment suggest that unemployment overall stands at 4.4% across the Solent LEP area. This is 1.5 pp below the national average.
- 3.54 Within the PUSH area, unemployment is highest on the Isle of Wight and in the Cities, with an unemployment rate of 7.0% on the Island, 6.9% in Portsmouth, and 6.0% in Southampton. It is also above the LEP average in Havant and Gosport. It is in these areas that there is the greatest potential to support employment growth by bringing people back into work.

Figure 6: Unemployment, 2014/15



3.55 Jobseekers Allowance Claimants are a sub-set of overall unemployment. The JSA Claimant Rate is below 0.8% (as a proportion of residents 16-64) in Winchester, Test Valley, New Forest, Fareham, Eastleigh and East Hampshire.

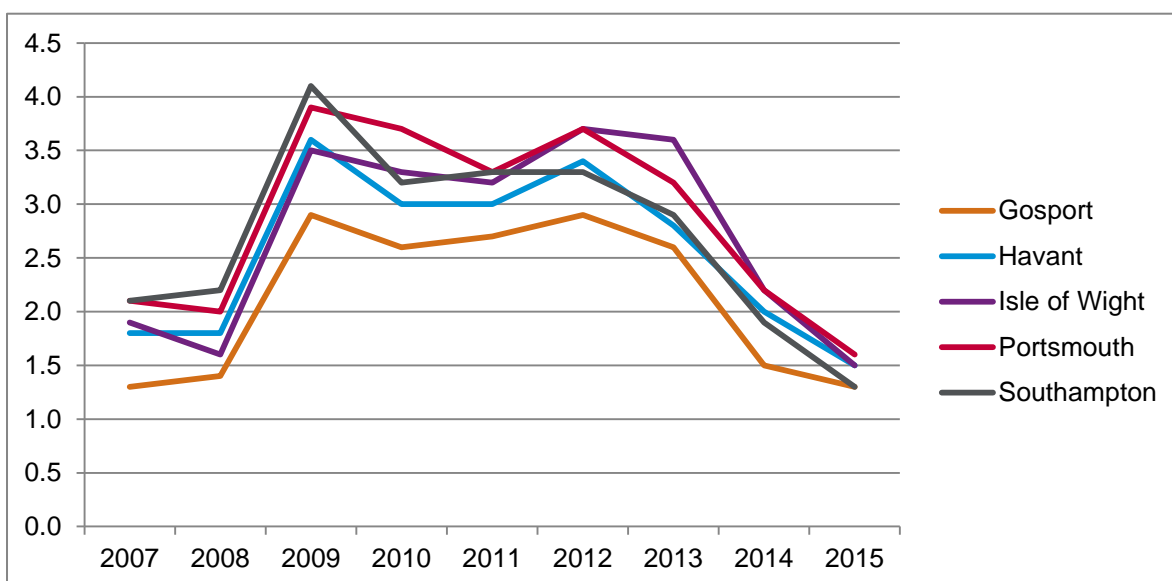
Figure 7: JSA Unemployment, June 2015



Source: NOMIS

- 3.56 JSA Claimants are concentrated particularly in Portsmouth, Isle of Wight Havant, Southampton and Gosport. Looking specifically at these areas, whilst they have higher JSA Claimant levels, the rate has fallen notably in each over the last three years, as Figure 8 shows.

Figure 8: JSA Unemployment Trend in Selected Authorities, 2007-15



Source: NOMIS

- 3.57 Department for Work & Pension (DWP) data can be used to provide a wider assessment of dependency on out-of-work benefits. Across the Solent area there are just under 72,000 persons on out-of-work benefits as at November 2014. The breakdown of these is shown below.
- 3.58 What the analysis also shows is that the numbers of people on out-of-work benefits has fallen since 2007, with the exception of numbers in Gosport.
- 3.59 There is a particular concentration of people on out-of-work benefits in the two cities, followed by the Isle of Wight.

Table 7: People on Out-of-Work Benefits, Nov 2014

	Job Seekers	ESA & Incapacity Benefits	All Out-of-Work Benefits	Change 2007-14
East Hampshire	450	2,300	3,210	-300
Eastleigh	610	2,850	4,100	-420
Fareham	470	2,180	3,080	-180
Gosport	720	2,920	4,470	190
Havant	1,230	4,310	6,770	-580
Isle of Wight	1,880	5,920	9,030	-860
New Forest	770	4,350	6,050	-690
Portsmouth	2,640	7,990	13,130	-1,110
Southampton	2,390	10,150	15,280	-1,600
Test Valley	440	2,570	3,630	-150
Winchester	390	2,300	3,140	-270
Solent LEP	11,990	47,850	71,890	-5,960
England & Wales	683,930	2,242,550	3,458,190	-380,030

Source: DWP

- 3.60 Turning to look at skills, the proportion with Level 4 or above skills (equivalent to degree level qualifications) stands at 36.5% of the working-age population (16-64). This is modestly above the national average, but below some of the best-performing sub –regional economies in the South East region.

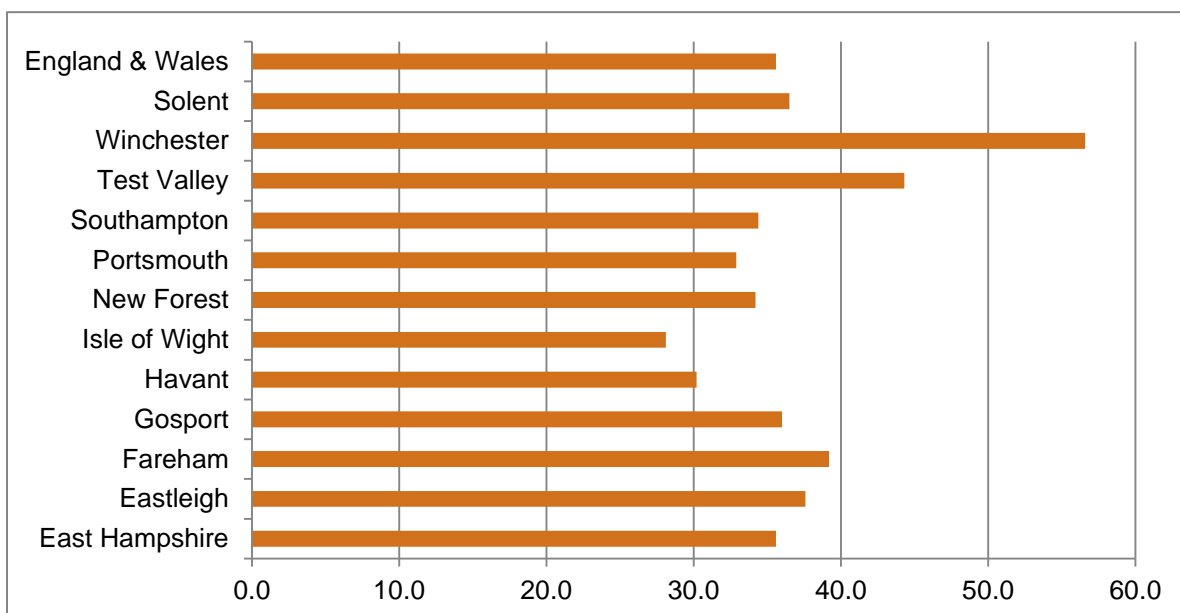
Table 8: Qualifications, 2014

% Aged 16-64	NVW4+	NVQ 3+	NVQ2+	NVQ1+	Other Qualifications	No Qualifications
East Hampshire	35.6	57.3	77.4	92.5	2.1	5.4
Eastleigh	37.6	63.9	80.5	93.3	4.7	2.0
Fareham	39.2	63.5	81.5	94.0	2.1	3.9
Gosport	36.0	58.5	67.8	88.1	3.1	8.7
Havant	30.2	54.0	73.7	86.8	3.4	9.8
Isle of Wight	28.1	54.2	72.7	87.4	5.7	6.9
New Forest	34.2	58.1	76.5	89.8	6.0	4.2
Portsmouth	32.9	59.2	75.1	87.3	6.2	6.5
Southampton	34.4	59.0	75.0	85.4	8.1	6.5
Test Valley	44.3	64.0	81.1	92.4	3.9	3.7
Winchester	56.6	73.3	85.9	93.1	3.2	3.7
Solent LEP	36.5	60.2	76.9	89.4	5.0	5.6
England & Wales	35.6	56.4	73.1	85.1	6.2	8.7

Source: Annual Population Survey

- 3.61 The skills profile of residents is relatively stronger in the western part of the PUSH area than the east.
- 3.62 The proportion of those with NVQ 4+ qualifications is highest in Winchester and Test Valley, followed by Fareham and Eastleigh. It is lowest in the Isle of Wight; and could be stronger in a range of areas across PUSH.

Figure 9: Skills Profile - % 16-64 with NVQ Level 4+ Skills



Source: Annual Population Survey, Jan-Dec 2014

- 3.63 Improving the skills profile will be important in driving productivity growth, and attracting/ creating higher value-added jobs. There have however been some notable improvements in skills seen over the last decade – with a 9.2 pp increase in those of working-age with Level 4+ skills seen since 2004/5. Test Valley has seen the greatest improvement, followed by Winchester and Gosport.

Figure 10: Improvement in Level 4+ Skills – 2004/5 to 2013/14

	2004/5	2013/14	PP Change
East Hampshire	34.4%	35.6%	1.2%
Eastleigh	25.5%	37.1%	11.6%
Fareham	27.3%	37.2%	9.9%
Gosport	17.3%	29.9%	12.6%
Havant	20.3%	27.9%	7.5%
Isle of Wight	21.2%	28.9%	7.7%
New Forest	21.9%	34.1%	12.1%
Portsmouth	24.2%	31.7%	7.5%
Southampton	26.1%	32.3%	6.1%
Test Valley	27.9%	45.2%	17.3%
Winchester	42.3%	55.0%	12.6%
Solent LEP	26.1%	35.3%	9.2%
England & Wales	26.0%	35.1%	9.2%

Source: ONS Annual Population Survey

- 3.64 The occupational profile of those in employment is influenced by skills. Across the LEP area, 46% of residents are employed in managerial and professional occupations; 12% in skilled trades; and 41% in lower skilled occupations.
- 3.65 The proportion of residents in higher-skilled roles tends to be higher in more rural and suburban areas, reflecting in part the greater choice which higher paid people have within the housing market. On this basis it is not surprising that we find the highest proportions of those employed in managerial and professional occupation in:
- Winchester;
 - Test Valley;
 - Eastleigh;
 - East Hampshire;
 - Fareham.

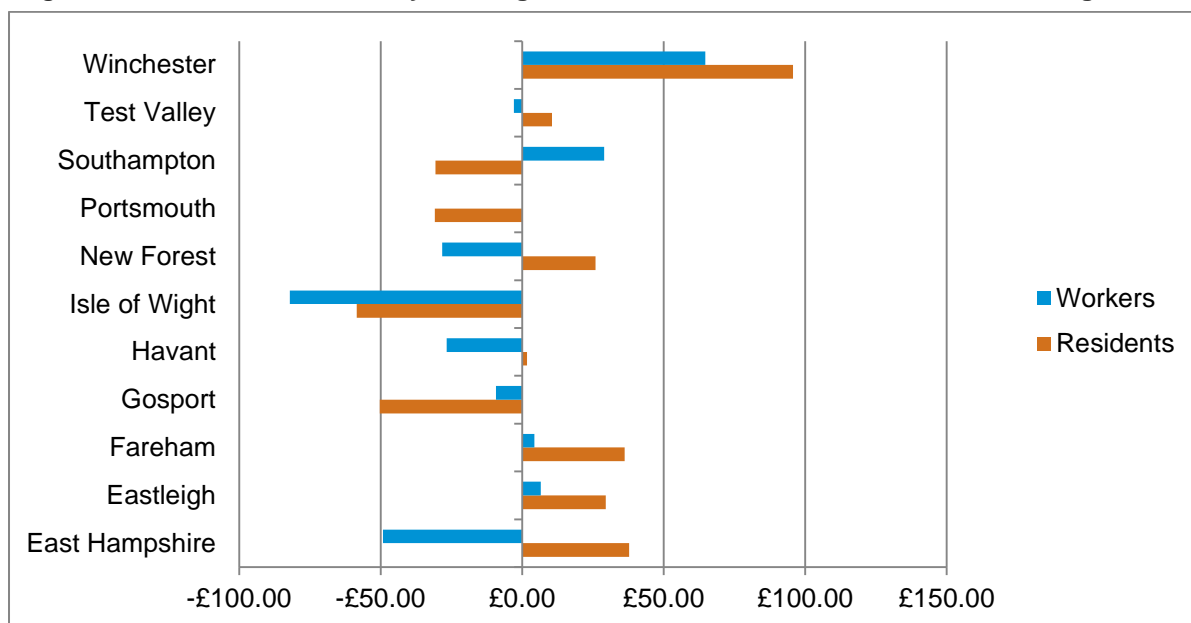
Figure 11: Occupational Profile

% of all in employment	Managers & Professional Occupations	Skilled Trades Occupations	Low-skilled Occupations
East Hampshire	47.7	12.1	37.5
Eastleigh	51.3	10.9	37.8
Fareham	46.4	13.7	37.6
Gosport	47.3	12.7	39
Havant	45.5	11	43.6
Isle of Wight	35.5	14.8	48.8
New Forest	46.6	15.3	37.7
Portsmouth	41.1	12.1	45.5
Southampton	38.5	10.5	50.3
Test Valley	52.0	14.9	33
Winchester	57.2	9.4	32.8
Solent LEP	45.6	12.4	41.2
England & Wales	44.3	10.6	44.5

Source: ONS Annual Population Survey, April 2014-March 2015

- 3.66 The types of jobs and skill levels influence earnings. The chart below compares earnings by local authority with the national average, and considers how earnings differ between full-time workers living in an area, and those working within it.
- 3.67 Winchester District sees the highest earnings of the 11 authorities, with workplace earnings on average £65 per week above the national average. Average earnings (on a workplace basis) are also notably above average in Southampton. They are modestly above average in Fareham and Eastleigh; but in other parts of the PUSH Area, local wages are on average below the national average. East Hampshire and the Isle of Wight particularly stand out as having particularly low earnings.

Figure 12: Median Gross Weekly Earnings of Full-Time Workers relative to UK Average, 2014



Source: ASHE 2014 (Portsmouth workplace median earnings equal that of UK)

- 3.68 Comparisons between residence and workplace-based earnings data shows that residents are considerably more wealthy in East Hampshire, Eastleigh, Fareham, New Forest and Isle of Wight (and to a lesser extent Test Valley). This will typically reflect the attractiveness of these areas as residential locations (affecting their ability to attract higher earning residents who are more willing to travel further to work).
- 3.69 In contrast in the cities with concentrations of employment, residents earnings are lower than those of people working in the City. We see similar dynamics across many locations in the UK.
- 3.70 Table 9 analyses changes in earnings over the 2009-14 period. Earnings (of those in full-time work) have fallen over this period in Portsmouth, and seen virtually no change on the Isle of Wight. In contrast, Southampton has fared better – and there has been relatively strong earnings growth in Eastleigh, Fareham, Gosport and Winchester.
- 3.71 Whilst there is a low concentration of employment in Gosport, the evidence would suggest some of the jobs are reasonable high-value.

Table 9: Growth in Workplace Earnings of Full-Time Workers, 2009-14

	Change, 2009-14	% Change
East Hampshire	£16.70	3.7%
Eastleigh	£79.20	17.8%
Fareham	£74.60	16.7%
Gosport	£63.00	14.1%
Havant	£24.90	5.3%
Isle of Wight	£2.20	0.5%
New Forest	£32.40	7.1%
Portsmouth	-£16.40	-3.1%
Southampton	£55.00	11.2%
Test Valley	£12.50	2.5%
Winchester	£61.80	11.9%
England and Wales	£28.40	5.8%

Source: ASHE

- 3.72 The final labour market dataset which we have considered relates to commuting dynamics. The PUSH area as a whole is a net exporter of labour, to the tune of 26,600 persons daily. This increased by c. 9,000 between 2001-11.

Table 10: Commuting Dynamics, 2011

	Homeworking	% Residents Live and Work	% Workers Live and Work	In-Commuters	Out-Commuters	Net Commuting (-ve = out)
Isle of Wight	14.1%	91.6%	91.6%	960	2726	-1766
Portsmouth	7.0%	68.1%	68.1%	40425	22480	17945
Southampton	7.5%	59.8%	59.8%	45750	32917	12833
Eastleigh	10.5%	43.8%	43.8%	27580	31143	-3563
Fareham	12.0%	42.5%	42.5%	20750	28148	-7398
Gosport	12.4%	43.8%	43.8%	7182	16992	-9810
Havant	12.0%	47.3%	47.3%	15213	26114	-10901
Solent	10.3%	89.7%	91.6%	50926	77532	-26606

Source: 2011 Census/ Solent Transport

- 3.73 Around one in ten people in work are homeworkers. Numbers of homeworkers increased by 8,600 between 2001-11, increasing from 8.5% of residents to 10.3%. With improvements in technology it is entirely reasonable to assume a further growth in homeworking (at least part of the week) moving forwards.
- 3.74 Looking at commuting dynamics, the evidence indicates:
- Net in-commuting to the two cities;
 - A net outflow from other areas.

- 3.75 The Isle of Wight unsurprisingly sees the highest self-containment of commuting flows, and functions effectively as a somewhat distinct local economy and labour market. Portsmouth also has a relatively high level of commuting self-containment (reflecting the peninsula geography).
- 3.76 Further information on Commuting patterns can be found in the identifying the HMA section (Chapter 3) of the PUSH Strategic Housing Market Assessment (January 2014).

4 COMMERCIAL PROPERTY MARKET DYNAMICS

- 4.1 In this section we have reviewed commercial property market dynamics, considering macro-economic dynamics and then the industrial and office markets.

National Economic Conditions

- 4.2 Nationally, economic growth has been above trend over the last year and a half supported by growth across a range of different parts of the economy. The Office for Budget Responsibility (OBR) published its Economic and Fiscal Outlook in July 2015. GDP growth was revised downwards to 2.4% for 2015, having been previously forecast at 2.5%. This was due to a weaker than expected start to the year – ONS has also estimated that GDP growth in the first quarter of 2015 was 0.4%, 0.3% below forecast.
- 4.3 While the economic growth in 2015 has continued in line with the OBR's projected growth rate, the OBR recognises significant uncertainty in its economic forecast due to the recent Greek debt crisis and a number of policy measures.
- 4.4 There was a small drag from the in-year public spending cuts announced in June. There also remain considerable risks in the Euro zone.
- 4.5 The OBR reports that employment growth has remained relatively strong in early 2015, while productivity has continued to disappoint. Its forecasts that employment will increase by 1.1 million over the next six years. Such an increase is more than explained by population growth.
- 4.6 OBR have made small upward revisions to unemployment and downward revisions to hours worked in the final years of the forecast. That reflects higher labour costs from the introduction of the National Living Wage.
- 4.7 The introduction of the National Living Wage on top of the National Minimum Wage for over 25s is expected to impact on the labour market. However at present the likely response of firms is unknown creating significant uncertainty. The OBR assumes that increased labour costs will lead to a reduction in total hours worked of around 0.4%. This impacts equally on average amount of hours worked and employment levels – the OBR estimates it leading to around 60,000 fewer people in employment. However, since the reduction in hours worked will be concentrated among people earning lower wages the OBR assumes a smaller reduction in total economic output of around 0.1 per cent.

- 4.8 In August 2015 the Bank of England voted to maintain the base rate at its historic low of 0.5%. This is well below the Monetary Policy Committee's 2% inflation target and largely reflects unusually low contributions from energy, food, and other imported goods prices.
- 4.9 CPI inflation returned to zero in June. In August 2015 the Bank of England's stated approach was that, with some underutilised resources remaining in the economy and with inflation below the target, the Committee intends to set monetary policy in order to ensure that growth is sufficient to absorb the remaining economic slack so as to return inflation to the target within two years.
- 4.10 The Committee projects UK-weighted world demand to expand at a moderate pace. Private domestic demand growth in the United Kingdom is expected to remain robust. Household spending has been supported by the boost to real incomes from lower food and energy prices. Wage growth has picked up as the labour market has tightened and productivity has strengthened. As a result business and consumer spending has increased, helped by improving credit conditions. Robust private domestic demand is expected to produce sufficient momentum to eliminate the margin of spare capacity over the next year or so.

Industrial Market

National Market Dynamics

- 4.11 Nationally, the industrial market continues to perform well with year on year increases in industrial land take-up. The latest full year figures for the UK show that total take-up in 2014 was up 5% on 2013 figures.
- 4.12 The industrial sector continues to be dominated by warehouse and distribution uses. There is a growing demand for large scale logistics / distribution warehouses. This is, in part, driven by the continuing growth of the on-line retail sector and increasing customer expectations for same- or next-day delivery.
- 4.13 At a national level, JLL's research points to a current supply of larger warehousing units (9290 sq.m+) of 12 million sq.ft at the end of 2014 – a low level equivalent to just under a years' worth of stock. This represented a vacancy rate of 5%. This is partly a reflection of a lack of development over recent years, related to wider economic conditions. It in effect relates to the current position within the 'market cycle.'
- 4.14 The supply of available space, particularly Grade A / good quality space in prime distribution locations, has gradually eroded. The latest full year figures for 2014 shows that supply of industrial space is 15% down on 2013 figures. Whilst 'design and build' represents the predominant form of

new supply (accounting for 50% of take-up during the 1st half of 2014 based on GVA's statistics), the lack of available space together with growing market confidence, has driven a return to speculative development in prime locations within the Midlands and South East England.

- 4.15 The return to speculative development is resulting in a growing level of space coming forward. JLL's UK Logistics Big Box Key Indicators data indicates a total of 1.6 million sq.ft of speculative space under construction across the UK.

South Coast Industrial Market

- 4.16 The industrial market has improved significantly since 2013 with growing take-up and investment activity and a decline in availability. The market has become more polarised between refurbished and non-refurbished stock, with better quality stock unsurprisingly let more quickly.
- 4.17 As Lambert Smith Hampton's South Coast Industrial Market Briefing 2015 sets out, an increase in occupier demand coupled with a lack of supply is highlighted by evidence that just one modern unit over 30,000 sq.ft remained available along the M27 Corridor. Their report additionally highlights an acute shortage of open storage sites close to the motorway and Southampton Docks. Reflecting the shortage of supply, rental costs have been increasing.
- 4.18 Key transactions over the last 18 months include:
- Letting of 68,431 sq.ft of space at Strategic Park, Southampton to Amazon. The rent as not been disclosed;
 - Letting of 39,481 sq.ft at the Former Truvox Building, Southampton to the Boutique Village on a short-term let;
 - Letting of 41,800 sq.ft at Fareham Reach, Gosport to Tomorrowtop, Capstone Turbine and SES, with a headline rent of £8.50 psf;
 - Letting of 35,592 sq.ft at Oriana Way, Southampton to Electricity Supply Nomiees;
 - Selcon Trade Centres took a 39,286 sq.ft unit at Endeavour Park, Southampton on a 15 year lease at £7.75 psf;
 - UTI Worldwide (UK) Ltd took a 30,557 sq.ft unit at Airways Distribution Park, Eastleigh on a 10 year lease at £7.00 psf; and
 - Truvox International Limited took a 18,600 sq.ft unit at Hamilton Business Park, Hedge End on a 15 year lease for £7.65 psf.
- 4.19 LSH quote headline rents £8.00 per square foot (psf) in Southampton and Eastleigh, and £7.50 - £7.75 psf in Portsmouth and Havant. Reflecting the lack of Grade A stock, rents for modern second hand units have increased to £7.50 psf. The exact extent of these areas and how they relate on local authority boundaries is unclear.

Table 11: Rental Levels, 2015

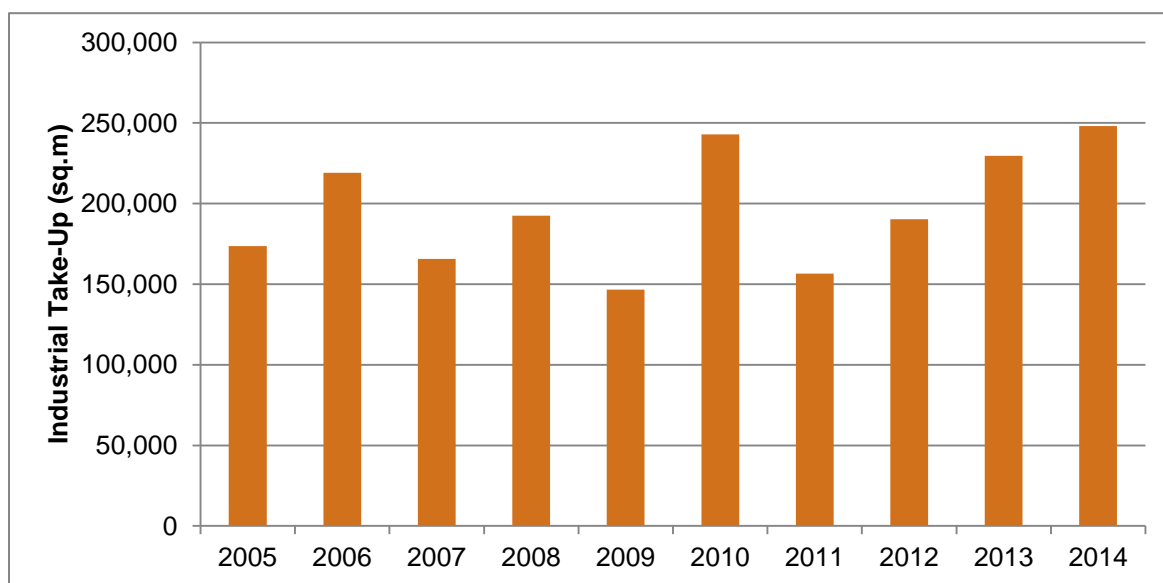
	Under 5,000 sq.ft	5,000 - 20,000 sq.ft	20,000 sq.ft +
Prime			
Portsmouth & Havant	£8.50	£7.75	£7.50
Southampton & Eastleigh	£9.00	£8.25	£8.25
Secondary			
Portsmouth & Havant	£7.25	£6.75	£6.50
Southampton & Eastleigh	£7.25	£7.00	£7.00

Source: Lambert Smith Hampton South Coast Industrial Market Briefing 2015

- 4.20 According to LSH, the lack of available space is hindering take-up – with a 26% fall in take-up in the second quarter of 2015 in the South Coast Market, down 26% on the same quarter the previous year. They attribute this to a shortage of good quality stock along the M27 Corridor. LSH quotes availability of prime space at 67,000 sq.ft in Q2 2015.
- 4.21 Limited availability, coupled with improved rents, is supporting a return to speculative development in good quality industrial locations. There is potential for development at a range of levels within the market, including for multi-let industrial estates.
- 4.22 With limited availability, LSH also expect rents to increase – with a forecast that units of over 20,000 sq.ft will achieve up to £8.50 psf. Second hand units are also expected to see rental growth.
- 4.23 For freehold stock, LSH envisage Grade A space will now command between £120-140 psf for space in excess of 10,000 sq.ft, with potentially £150 psf on smaller units.
- 4.24 The first speculative development is taking place at Kites Croft, Segensworth, where Aviva and Marrick are to deliver two speculative units which will be available for occupation shortly.
- 4.25 Key industrial/ warehouse projects in the pipeline include:
- Evander Properties South Central Scheme, offering build-to-suit opportunities for up to 226,000 sq.ft, adjoining the M271;
 - Proposals for development of 3.4 hectares at the Chandlers Ford Industrial Estate to provide three industrial units, from 19,400 – 84,300 sq.ft.
 - Delivery of the 50 acre Dunsbury Hill Farm employment site, owned by Portsmouth City Council, to provide 650,000 sq.ft employment space
 - Pioneer Park, a £9 million project, set to deliver 70,000 square feet of warehouse and distribution capacity. A three-acre site on Portfield Road at Voyager Park, Portsmouth. It will deliver units available to rent or buy in the summer of 2016. The choice of properties will range from 5,000 to 47,500 square feet (Vail Williams).
- 4.26 GL Hearn has used data from Estates Gazette Interactive (EGi) to profile industrial take-up across South Hampshire. We estimate average annual take-up of 215,000 sq.m over the last five years (which is above the 10 year average of 200,000 sq.m). As Figure 13 shows, there has been an

upward trend in take-up year on year since 2011. However, as identified a lack of supply will potentially limit delivery in 2015.

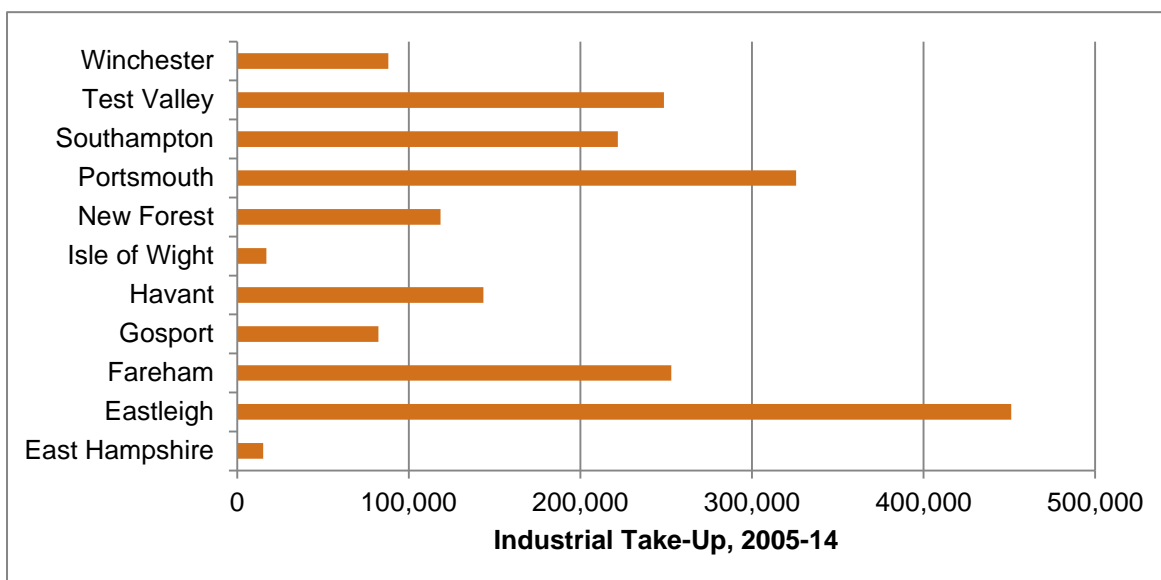
Figure 13: Industrial Take-Up, 2005-2014



Source: EGi

- 4.27 The chart below profiles take-up by area. Industrial take-up has been strongest in Eastleigh (45,000 sq.m per annum over the last 10 years). Other local authorities which see take-up of over 20,000 sq.m per annum include Portsmouth, Test Valley, Fareham and Southampton.

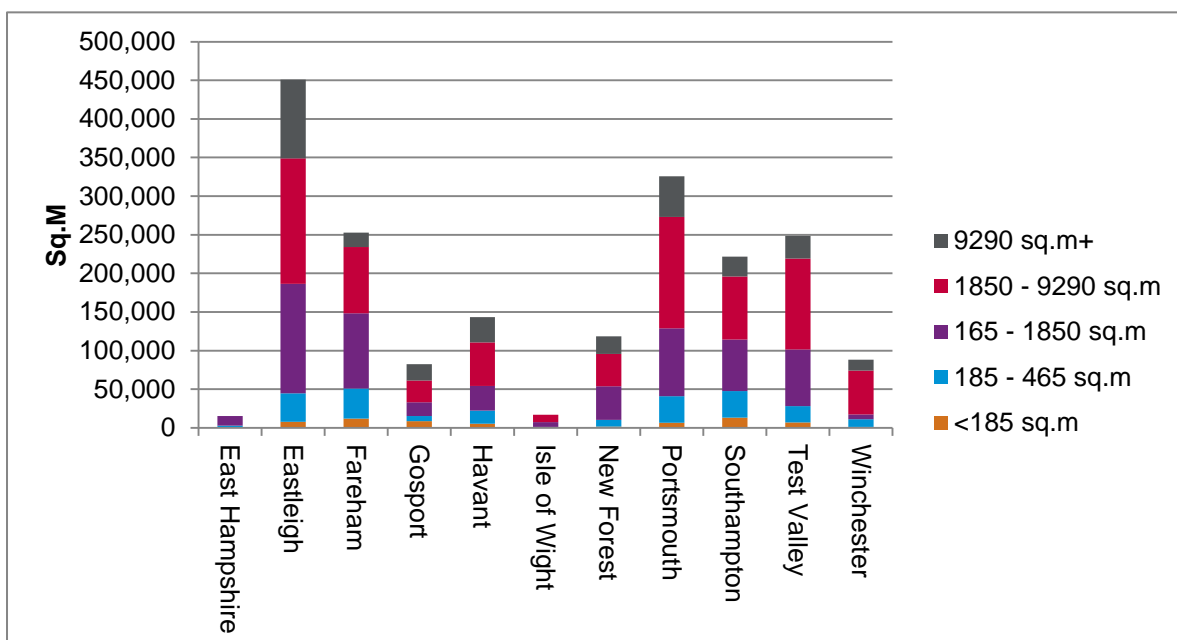
Figure 14: Industrial Take-Up by Area



Source: EGi

4.28 Industrial floorspace take-up by size band in each local authority is shown in Figure 15.

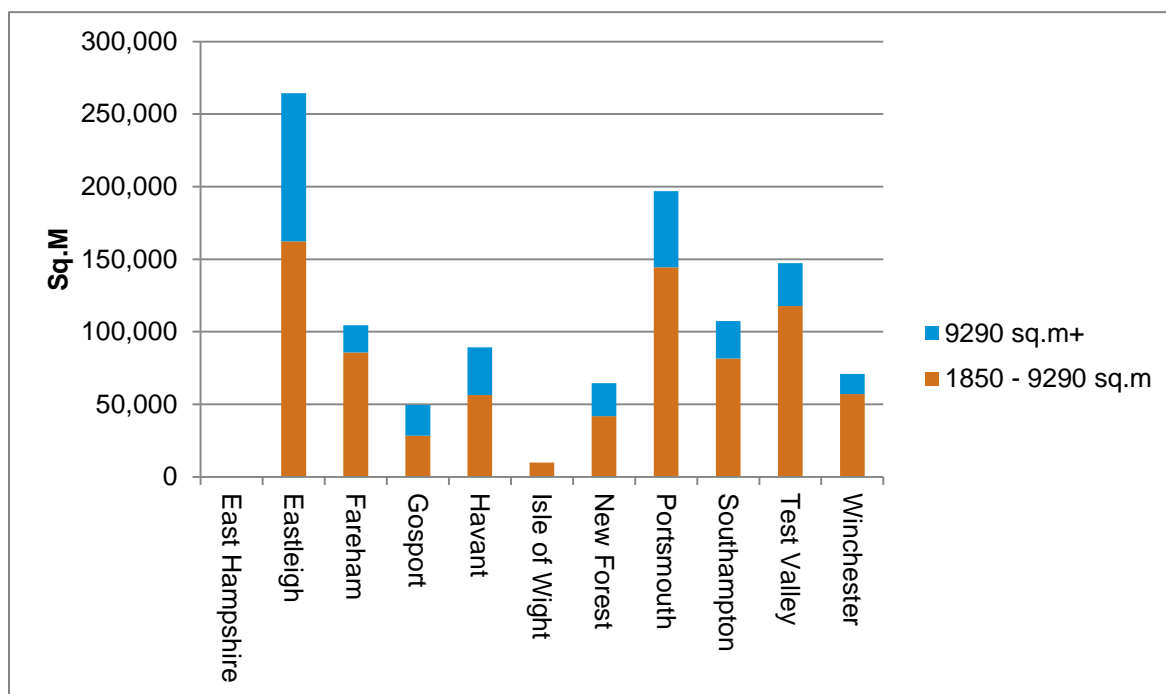
Figure 15: Industrial Take-Up by Size Band, 2005-2014



Source: EGi

4.29 Overall take-up figures are particularly influenced by deals for larger space. The chart below profiles the take-up of units of over 1,850 sq.m. The strongest take-up within these categories has been in Eastleigh, followed by Portsmouth and Test Valley.

Figure 16: Take-Up of Units of over 1,850 sq.m



Source: EGi

- 4.30 Data on available space being marketed has been drawn from EGi. This principally includes built floorspace, both new-build and second hand, but can include design and build opportunities which are being marketed.
- 4.31 Table 12 sets out available industrial space, and compares this with average annual take-up over the last 10 years (2005-2014) to provide a notional assessment of the scale of supply.
- 4.32 The analysis points to an average of 2.2 years of industrial supply, which is relatively tight. Supply varies from 0.4 years in Test Valley to 5.6 years supply on the Isle of Wight and 6.9 years in the New Forest. In the more attractive commercial markets, industrial supply is now relatively tight.

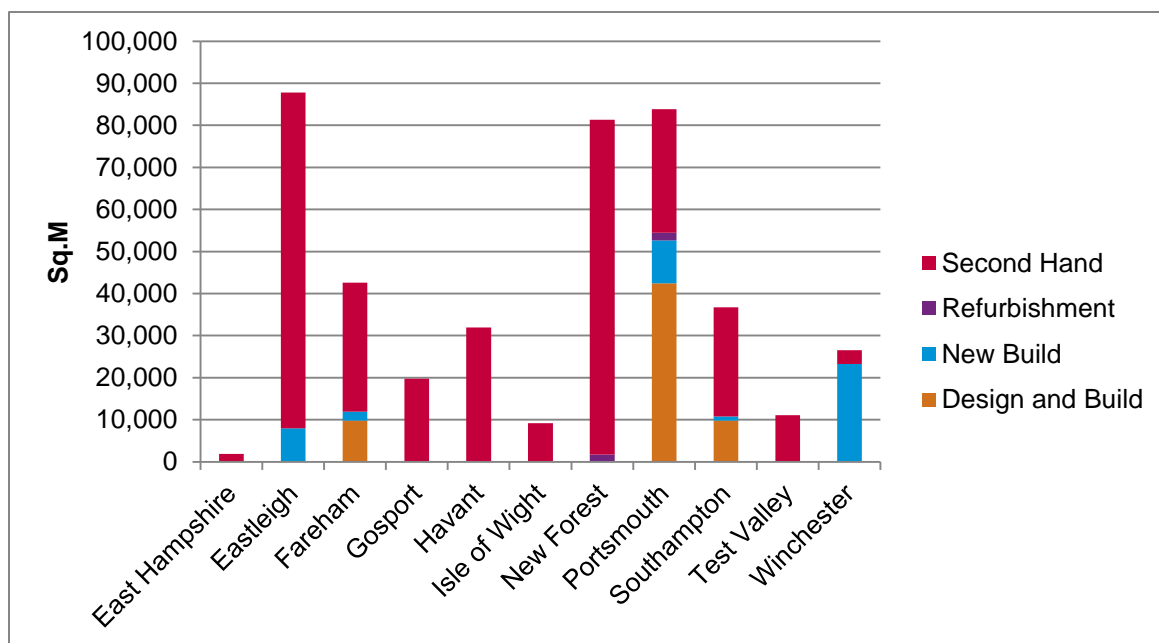
Table 12: Available Industrial Space, Sept 2015

	Available Space, Sept 2015 (sq.m)	10 Year Take-Up	Notional Years Supply
East Hampshire	1,897	1,514	1.3
Eastleigh	88,616	45,099	2.0
Fareham	42,552	25,292	1.7
Gosport	20,718	8,235	2.5
Havant	37,752	14,351	2.6
Isle of Wight	9,481	1,707	5.6
New Forest	81,348	11,848	6.9
Portsmouth	84,103	32,574	2.6
Southampton	37,214	22,176	1.7
Test Valley	11,076	24,875	0.4
Winchester	26,560	8,817	3.0
PUSH	441,317	196,488	2.2

Source: EGi

- 4.33 The chart below profiles the quality and nature of available space. Design and build opportunities are focused in Portsmouth, Southampton and Fareham. The highest levels of built new-build stock are in Winchester, followed by Portsmouth and Eastleigh. Overall however, availability is dominated by Grade B (second hand) space.

Figure 17: Availability by Type of Space, Sept 2015



Source: EGi

Office Market Review

National Market Dynamics

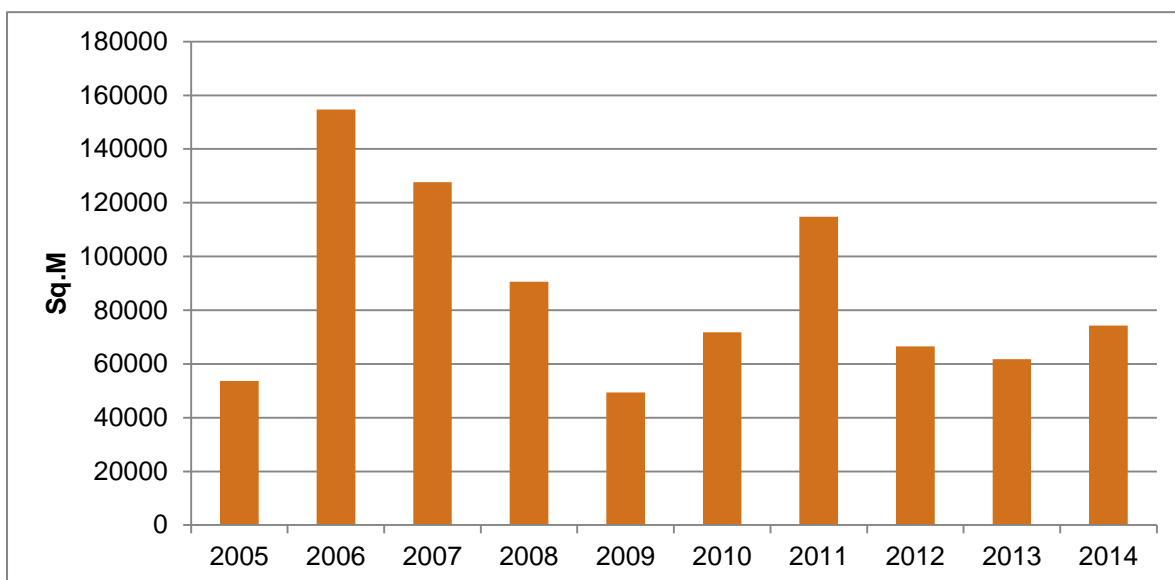
- 4.34 At a national level the office market performed strongly in 2014, reflecting increased confidence and economic growth spreading beyond the top performing centres to all UK regional markets. As business sentiment has improved, occupiers have expanded headcount and upgraded their accommodation. The total size of the UK workforce increased by 2% during 2014, while business investment hit a record £175.5bn – a 7% increase since the previous year.
- 4.35 This has driven an increase in office take-up nationally. Across the UK, 2014 saw the highest level of office take-up since 2001 with deals for 27.5 million sq ft of office floorspace – an increase of 8% on 2013 figures. This was driven by increased activity not only in London but also in the regional markets – trends in office take-up in the regional markets increased by 22% in the last year.
- 4.36 Renewed economic optimism has fuelled the meaningful return of speculative development outside of London, which had been limited since the economic downturn in 2008. Lambert Smith Hampton report that the amount of space under construction in the regional centres has doubled since the end of 2013.
- 4.37 Across the UK, take-up of grade A office space has increased by 5% year-on-year, resulting in an ever diminishing supply of existing grade A space. Lambert Smith Hamptons report that UK-wide availability fell by a further 4% during 2014 to stand at 51.1m sq ft. This is despite a 19% rise in speculative development. This has also impacted on the take-up of B/C grade office space which has seen a 9% increase nationally since the previous year.
- 4.38 The diminishing supply of office space is not only driven by increasing take-up rates but also from change of use to alternative uses – particularly residential. In 2013 the Government announced a change in permitted development rights to allow the change of use of office floorspace to residential uses without the need for planning permission. This has resulted in considerable losses of office floorspace nationwide, adding to the pressures of an increasing absorption rate. In 2014 Lambert Smith Hampton estimate a loss of with 6.8m sq ft of office space nationally.

South Coast Office Market

- 4.39 The office market has continued to steadily recover since 2012 with increased take-up and a long-term decline in availability according to Lambert Smith Hampton's Office Market Pulse South Coast Q2 2015. The market has seen an increase in enquiries and there is a forecast increase in take-up for the second half of 2015.

- 4.40 Furthermore, Lambert Smith Hampton (LSH) suggest that this long-term increasing demand alongside a lack of planned new development, it is possible that some occupiers may seek other locations as a result.
- 4.41 However, LSH state that Office supply rose by 5.6% to 1.374 million sq ft in Q2 2015; although they anticipate a return to the longer term trend of contraction by the end of the year. They suggest that office supply increased as a result of a number of buildings returning to the market in Southampton city centre: including Nelson Gate where HSBC has moved outside of the city centre and Mountbatten House, which Lloyds Register vacated to move to a purpose built office.
- 4.42 It is envisaged that if current economic conditions continue, and office supply continues to be constrained over the next couple of year, a rise in prime rents beyond £20 per sq ft may occur (Rents of £19.00 per sq ft have been achieved both in the city centre and out of town markets for the best office space). LSH explain that this will stimulate the next wave of office development for the region in locations such as Southampton Science Park, Lakeside North Harbour and Royal Pier Waterfront.
- 4.43 Key transactions over the last 18 months include:
- Letting of 9,495 sq.ft of space at Oceana House, Southampton by Bond Dickenson to PWC (as the sub-tenant) on a 18 month lease. The rent has not been disclosed;
 - Letting of 8,570 sq.ft , Spinnaker House, Fareham to Mercator on a ten year lease. The rent has not been disclosed;
 - Letting of 5,631 sq.ft at Second Floor, Port House, Port Solent to Liquid Friday. The rent has not been disclosed;
 - Freehold sale of 11 Queensway, Southampton (13,110 sq.ft.), no other details have been disclosed;
 - Freehold sale of 45 Castle Way, Southampton (7,879 sq.ft.) by Forester, no other details have been disclosed.
- 4.44 According to Vail Williams, the University of Southampton Science Park has commenced a new construction project to build Grade A accommodation in Chilworth on Benham Campus. Benham 5 will comprise 30,600 sq ft of office accommodation. The Science Park is currently full and has a waiting list of potential tenants looking to relocate their business operations to the site.
- 4.45 GL Hearn has used deals recorded by EGi to profile office floorspace take-up in South Hampshire over the last ten years. Annual take-up (including both new and second hand stock) over the decade has averaged 87,000 sq.m, with a slightly lower figure of 78,000 sq.m recorded over the last five years – reflecting the impact of the economic recession.

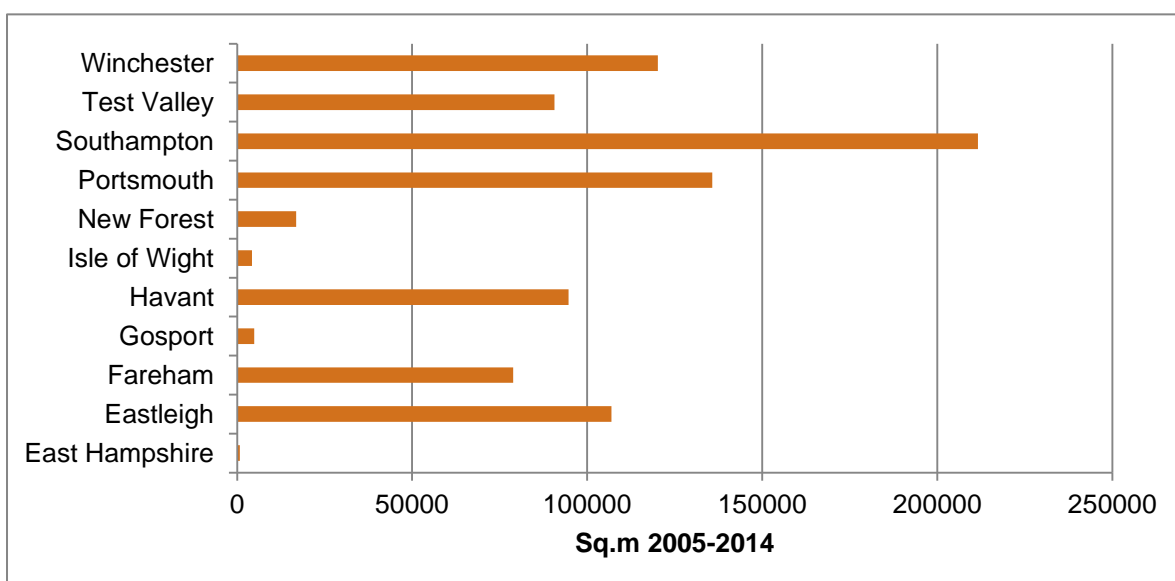
Figure 18: Office Take-Up



Source: EGi

- 4.46 The chart below profiles take-up by area. Southampton has the strongest office market, recording average annual take-up of 22,000 sq.m. This is notably stronger than the 14,000 sq.m per annum in Portsmouth. Take-up of over 10,000 sq.m per annum has also been recorded in Eastleigh and Winchester Districts.

Figure 19: Office Take-Up by Area, 2005-2014

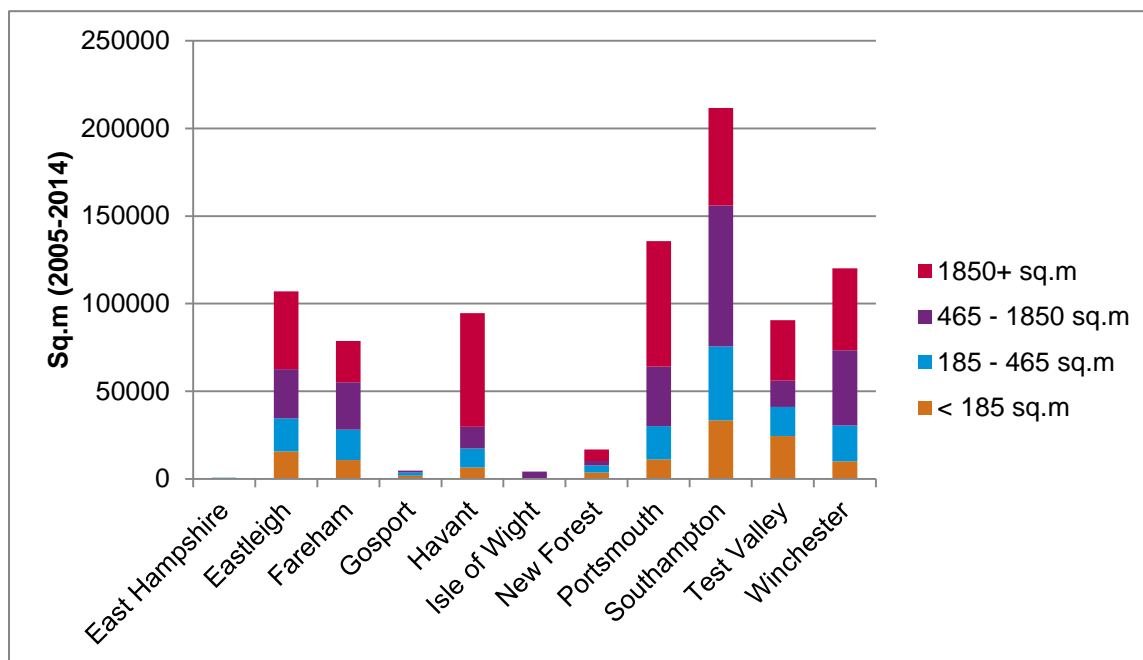


Source: EGi

- 4.47 The analysis shows low office floorspace take-up in Gosport, Isle of Wight and New Forest.

4.48 The profile of deals by size band is shown in Figure 20.

Figure 20: Office Take-Up by Size Band, 2005-2014



Source: EGi

- 4.49 Data on available space being marketed has been drawn from EGi. This principally includes built floorspace, both new-build and second hand, but can include design and build opportunities which are being marketed.
- 4.50 Table 13 sets out available office space, and compares this with average annual take-up over the last 10 years (2005-2014) to provide a notional assessment of the scale of supply.
- 4.51 The analysis points to an average of 2.8 years of office supply. Supply varies from 0.2 years in New Forest to 17.3 years supply on the Isle of Wight. In the more attractive commercial markets, industrial supply is now relatively tight (e.g. Eastleigh 0.7 years supply; Southampton 1.7 years supply; Portsmouth 1.3 years supply).

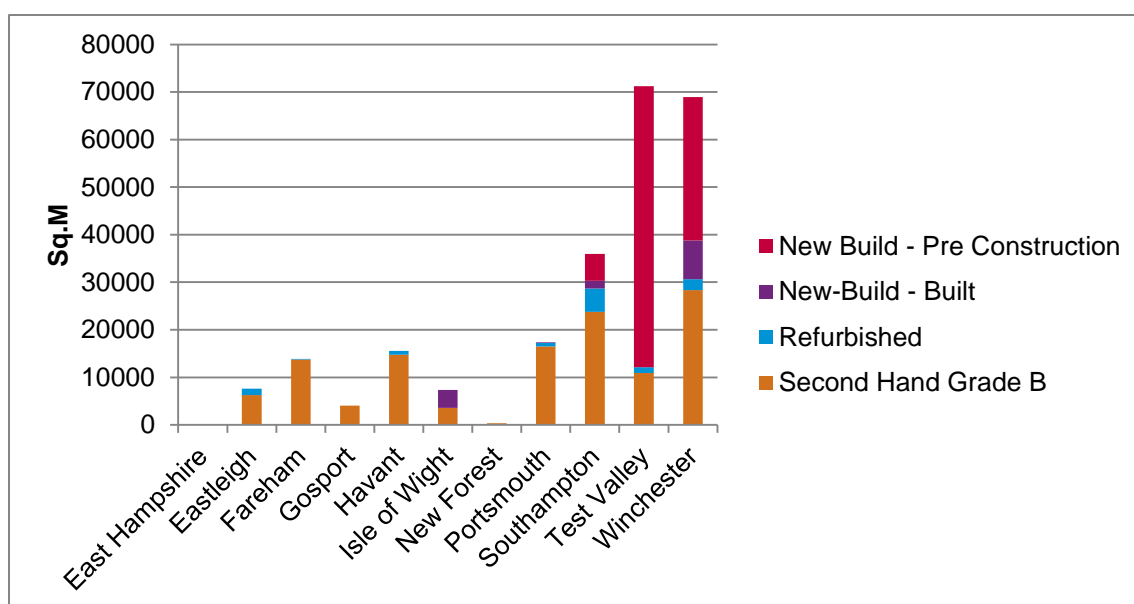
Table 13: Office Floorspace Availability and Notional Supply, Sept 2015

	Available Space, Sept 2015 (sq.m)	10 Year Take-Up	Notional Years Supply
East Hampshire	125	73	1.7
Eastleigh	7,593	10,694	0.7
Fareham	13,860	7,882	1.8
Gosport	4,017	487	8.2
Havant	15,539	9,465	1.6
Isle of Wight	7,356	425	17.3
New Forest	374	1,682	0.2
Portsmouth	17,395	13,573	1.3
Southampton	35,959	21,165	1.7
Test Valley	71,247	9,064	7.9
Winchester	68,954	12,022	5.7
PUSH	242,419	86,533	2.8

Source: GLH Analysis of EGi Data

- 4.52 The quality / type of available space is shown in Figure 21. This highlights that the strong availability in Test Valley and Winchester reflects available plots for development at Nursling Street (close to Southampton) and Parkway (Fareham).

Figure 21: Quality and Type of Available / Marketed Office Floorspace, Sept 2015



Source: GLH Analysis of EGi Data

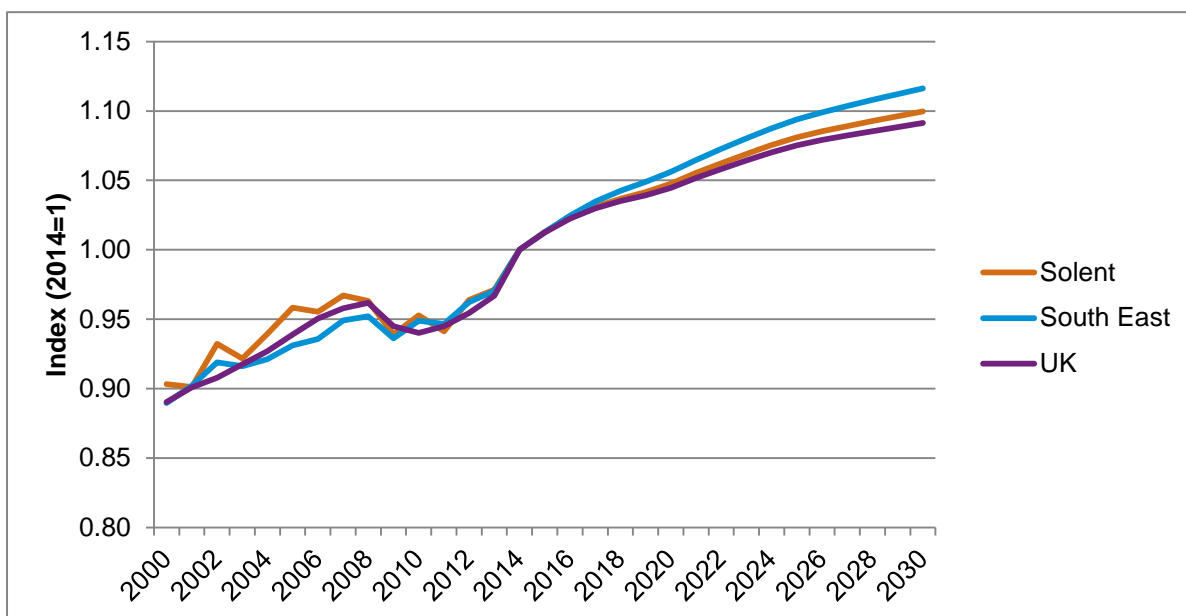
5 FUTURE NEED FOR EMPLOYMENT LAND

- 5.1 In this section we consider demand for employment land and floorspace over the 2011-36 period. The section considers requirements for employment land in the B1, B2 and B8 use classes. The quantitative analysis is of 'demand' for employment land and therefore does not take account of any supply-side factors such as existing employment land allocations or commitments – these are considered in the next section.
- 5.2 When considering the scale of future needs the Planning Practice Guidance (PPG, 2014) requires consideration of quantitative and qualitative need. This entails estimating the scale of future needs broken down by different market segments, such as different B use classes. The PPG recommends the use of a number of different techniques to estimate future employment land requirements, namely assessments based on :
- Labour Demand;
 - Labour Supply; and
 - Past Take-Up.
- 5.3 A labour demand scenario has been developed based on econometric forecasts supplied by the Local Enterprise Partnership and dated Summer 2015. These are baseline forecasts from Oxford Economics. The OAN Report considers the interaction between labour supply and demand.
- 5.4 Projections of past take-up have been based on data on past completions of B-class employment floorspace/ land supplied by Hampshire County Council.
- 5.5 There are relative benefits of each approach. Econometric forecasts take account of differences in expected economic performance moving forward relative to the past, overall in regard to the sectoral composition of growth. However a detailed model is required to relate net forecasts to use classes and to estimate gross floorspace and land requirements.
- 5.6 In contrast, past take-up is based on actual delivery of employment development; but does not take account of the implications of growth in labour supply associated with housing growth nor any differences in economic performance relative to the past. It is also potentially influenced by past land supply policies.
- 5.7 The quantitative evidence (based on the above three scenarios) is supplemented by the wider analysis of market and economic dynamics in this report.

Labour Demand Scenario

- 5.8 The starting point for considering employment land requirements are Oxford Econometrics (OE) forecasts, dated Summer 2015. These have been supplied to GL Hearn by the Solent LEP. The OE forecasts include outputs for employment broken down across 84 industrial sectors.
- 5.9 These OE forecasts have been drawn upon to inform the Solent LEP Productivity and Growth Supplement published in January 2016. This publication set the framework for the forthcoming year and provided an interim up-date to the Solent Strategic Economic Plan. The LEP are continuing to work on the evidence base to support the Strategic Economic Plan which is due for publication later this year, potentially with revised forecasts. However we have taken these at a point in time and also extended them to 2036 on a trend basis.
- 5.10 Econometric forecasts are volatile, particularly at a local authority level. The forecasts assume that 'historical relationships hold true' between past relative performance of industries at a local level and wider geographies. They do not take account of land supply or policy intervention in so far as the impact of this may differ from that in the past. The forecasts should thus be interpreted as "trend-based" with greater weight placed on outputs at a sub-regional level, than for individual local authorities.
- 5.11 The forecasts run to 2030. GL Hearn has extended these to 2036, based on the compound annual growth rates by sector set out in the latter years of the forecast period.
- 5.12 Oxford Economics project total employment (including both B and non-B class uses) growth of 97,700 between 2011 and 2030 across the LEP area. This is a growth of 16.8% and an average annual growth rate (for total employment) of 0.8%.
- 5.13 To set the forecasts for the LEP area in context, Oxford Economics forecast a growth in total employment of 0.9% per annum for the South East Region over the 2011-30 period; with GVA expected to grow by an average of 2.8% per annum. Employment growth in the Solent LEP is projected however to be consistent to that seen nationally (0.8% pa), with weaker relative growth in GVA – Oxford Economics project 2.6% pa growth in GVA over the 2011-30 period and 2.7% pa across the UK.
- 5.14 Figure 22 shows the forecast growth in employment relative to the South East and UK.

Figure 22: Forecast Growth in Employment to 2030



Source: GLH Analysis of OE 2015 Forecasts

- 5.15 The strongest employment growth within the forecasts is expected to be in professional services, media and IT and business services. This can be expected to support growth in demand for office space.
- 5.16 Growth is also expected in the construction sector; however the manufacturing sector is expected to contract. This drives the expected reduction in demand for industrial land.
- 5.17 Demand for warehouse space can also be expected to arise from growth in warehousing and postal activities, coupled with growth in the wholesale/ retail sector, recognising that many retailers require warehouse/ distribution floorspace.

Table 14: Forecast Change in Employment, Solent Area 2011-30

	2011	Change 2011-30	% Change 2011-30
Agriculture, Forestry & Fishing	4.45	-0.35	-7.8%
Mining & Quarrying	0.19	-0.10	-51.2%
Manufacturing	43.56	-10.78	-24.7%
Utilities	11.78	-3.17	-26.9%
Construction	37.11	13.57	36.6%
Wholesale & Retail	91.69	10.39	11.3%
Transport	13.15	2.18	16.6%
Warehousing & Postal	16.40	3.43	20.9%
Accommodation & Food	40.58	10.82	26.7%
IT & Communications	24.41	15.43	63.2%
Finance & Insurance	16.70	1.55	9.3%
Professional Services	41.22	17.17	41.6%
Other Business Services	45.05	16.79	37.3%
Public Administration & Defence	37.23	-5.85	-15.7%
Education	54.09	6.39	11.8%
Health	44.38	5.91	13.3%
Care & Social Work	30.88	3.49	11.3%
Cultural & Recreation	19.00	8.03	42.2%
Other Services	8.95	2.80	31.2%

Source: GLH Analysis of Oxford Economics Data

5.18 The top 15 sectors in terms of expected absolute growth in jobs are shown in Table 15 below.

Table 15: Top 15 Growing Sectors, Solent LEP Area 2011-30

	2011	Change 2011-30	% Change 2011-30
Specialised construction activities	21.7	9.9	46%
Computer programming, consultancy	16.4	9.0	55%
Retail trade, except of motor vehicles	61.2	8.5	14%
Food and beverage service activities	32.4	7.9	24%
Education	54.1	6.4	12%
Sports activities and amusement	8.9	6.3	72%
Employment activities	16.1	6.0	38%
Human health activities	44.4	5.9	13%
Services to buildings and landscape	12.7	5.8	46%
Activities of head offices	8.6	4.5	52%
Architectural and engineering	10.5	4.2	40%
Civil engineering	3.1	3.8	122%
Warehousing and support activities	10.6	3.7	35%
Real estate activities	5.8	3.5	60%
Publishing activities	4.3	3.1	74%
Office administrative, office support	7.5	3.0	40%

Source: GLH Analysis of Oxford Economics Data

Translating Sectors to Use Classes

- 5.19 GLH has considered the proportion of employment in each of these sectors which is likely to take place in office or R&D floorspace (Use Classes B1a and B1b), light industrial floorspace (Use Classes B1c), general industrial floorspace (Use Class B2), and warehouse / distribution floorspace (Use Class B8). We have calibrated our standard model which relates sectors and use classes for the Solent economy through interrogation of the composition of employment in key sectors at 4-digit Standard Industrial Classification (SIC) level.
- 5.20 We have next adjusted the forecast growth in jobs to estimate the proportion that would require employment land, taking account of the proportion of jobs by sector expected to be principally home-based. This is based on 2011 Census data on homeworking.
- 5.21 Through this process we have derive the following forecasts of net growth in FTE employment by use class over the period to 2036:

Table 16: Forecast FTE Employment Growth by B-Class Use, 2011-36

	B1a/b: Office	B1c: Light Industrial	B2: Industrial	B8: Warehouse
Eastleigh	5511	-447	-907	1050
Fareham	2684	47	-469	702
Gosport	1855	30	-349	557
Havant	3608	-459	-838	497
IOW	1484	-151	-562	59
Portsmouth	5480	-469	-1681	-82
Southampton	5490	263	-794	1637
East Hants (part)	-30	-1	-40	58
New Forest (part)	830	27	-575	282
Test Valley (part)	1860	-14	-183	601
Winchester (part)	4826	146	-65	1099
PUSH	33598	-1029	-6463	6461

Source: GLH Employment Land Modelling

- 5.22 To these figures we have applied standard employment densities taking account of the *HCA Employment Densities Guide: 2nd Edition* (Drivers Jonas Deloitte, 2010). We have converted figures to provide employment densities for gross external floor areas on the following basis:
- Office (B1a, B1b): an average of 14.4 sq m GEA per employee based on a blend between business park, serviced office and general office floorspace to take into account the characteristics of the area. We have assumed that on average, the gross external area of buildings is on average 20% higher than the net internal area;
 - Light Industry (B1c): an average of 49.4 sq m GEA per employee based on manufacturing and specialised construction activities;

- Industrial (B2): an average of 37.8 sq m GEA per employee based on specialised manufacturing and repair services;
- Warehouse/ Distribution (B8): an average of 70 sq m GEA per employee. This is towards the middle of the range of B8 activities reflecting evidence of some demand for strategic distribution development in the sub-region, particularly port-related logistics, alongside smaller B8 units elsewhere in the sub-region.

5.23 Applying these employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace. This forecasts a net requirement for an additional 641,000 sq.m of floorspace in B-class uses over the 2011-36 period. This comprises:

- A net requirement for an additional 484,000 sq.m of office and R&D (B1a and B1b) floorspace;
- An expected net reduction of 295,000 sq.m of industrial floorspace (B1c and B2); and
- A net requirement for an additional 452,000 sq.m of warehouse / distribution (B8) floorspace.

5.24 The forecasts suggest a requirement for additional land for office floorspace, reflecting the growth in office-based sectors such as media/ IT, and professional services. For industrial land, they point to recycling with a loss of industrial floorspace but projected growth in warehouse/ distribution floorspace.

Table 17: Net Forecasts for Future Employment Floorspace, PUSH Area 2011-36

	PUSH Total (sq.m GEA)
B1a/b: Office, R&D	483,808
B1c: Light Industrial	-50,809
B2: Industrial	-244,316
B8: Warehouse/ Distribution	452,249
Total B Class	640,932

Source: GLH Modelling

5.25 Forecasts for net floorspace changes to 2036 by local authority are shown below. Figures at a local authority level should be treated with a degree of caution, in that they will have been influenced to a greater degree by past investment policies and land supply.

Table 18: Net Forecasts for Future Employment Floorspace, Local Authorities 2011-36

	B1a/b	B1c	B2	B8	Total B Class
Eastleigh	79,357	-22,072	-34,270	73,504	96,520
Fareham	38,648	2,298	-17,743	49,131	72,334
Gosport	26,711	1,461	-13,193	38,994	53,971
Havant	51,958	-22,670	-31,688	34,809	32,409
IOW	21,363	-7,454	-21,262	4,118	-3,235
Portsmouth	78,910	-23,147	-63,533	-5,770	-13,540
Southampton	79,062	12,969	-29,996	114,595	176,630
East Hants	-425	-58	-1,514	4,070	2,074
New Forest	11,951	1,348	-21,724	19,757	11,331
Test Valley	26,778	-680	-6,926	42,101	61,274
Winchester	69,494	7,197	-2,467	76,939	151,164

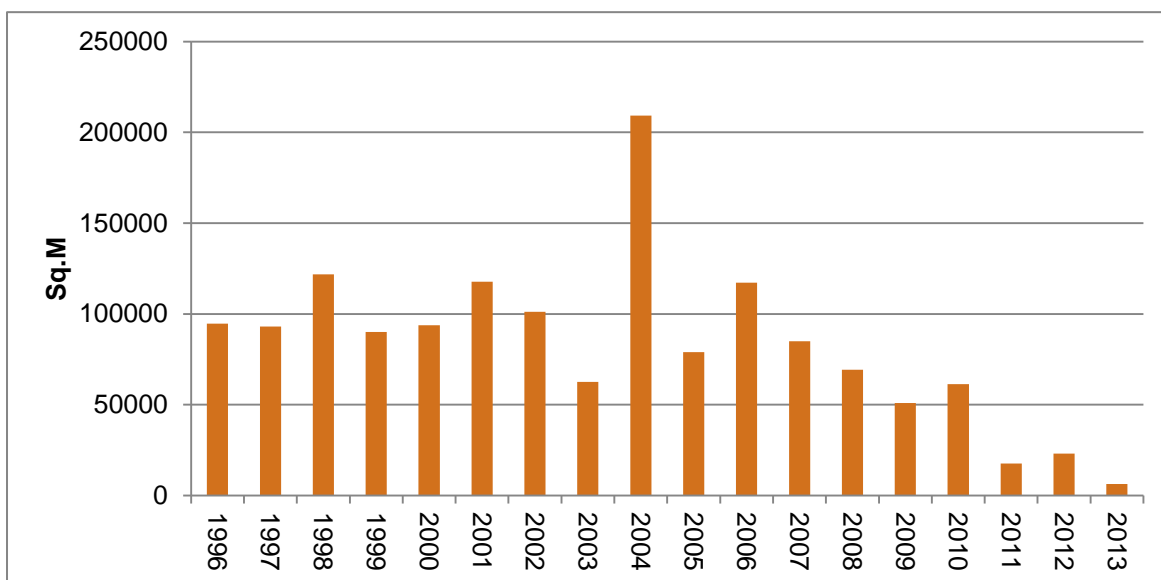
Source: GLH Employment Land Modelling

- 5.26 These are net changes and do not take account of replacement demand, such as from existing companies requiring upgraded floorspace.
- 5.27 In identifying what additional land may be needed for B-class use, there are a number of potential further considerations:
- Expected losses of land/ floorspace, particularly on poorer quality sites or through office to residential conversions (which is now permitted development);
 - Qualitative considerations, including the specific locational or land requirements of specific sectors (the marine and logistics sectors particularly come to mind);
 - The case for providing some form of contingency to provide a choice of sites or flexibility to ensure supply is not unduly restricted.
- 5.28 Market based factors, land availability, transport connections and investment, and viability of development of existing sites/ allocations will all be relevant considerations in ultimately informing the spatial distribution of employment floorspace.

Past Take-Up

- 5.29 The second core forecasting approach is based on projecting forward past trends in take-up, based on completions data recorded by Hampshire County Council.
- 5.30 Figure 23 shows completions of B-class floorspace in the PUSH area over the period since 1996. Completions have averaged 32,000 over the last five years, but the longer-term trend is significantly stronger reflecting the influence of recessionary conditions in the recent past.
- 5.31 Over the pre-recession decade an average of 102,500 sq.m of employment floorspace was completed per annum. We would consider this to be more reflective of the longer-term trend.

Figure 23: Development of B-Class Floorspace, 1996-2013



Source: Hampshire County Council

- 5.32 Using the completions data, we have developed two projections for future take-up, the first based on the trend over the 2004-14 period; and the second based on the pre-recession decade, 1998-2008. The projections are based on net completions.

Table 19: Floorspace Need for the period 2011-2036 Based on Pre-Recession Trends (1998-2008) of Net Completions

	B1/B1a/ B1b	B1c/B2/ B2 - B7	B8	Mixed B-Class	Total
EAST HAMPSHIRE	-1527	-6325	-3326	-1221	-12,399
EASTLEIGH	170609	-274972	12455	133455	41,547
FAREHAM	60165	-939	33235	233333	325,793
GOSPORT	5798	702	300	69977	76,776
HAVANT	62752	-3740	25513	41844	126,374
NEW FOREST	26177	9699	11878	118508	166,271
PORTSMOUTH	4858	44433	58767	71757	179,815
SOUTHAMPTON	-94200	-21113	15593	61557	-38,163
TEST VALLEY	54522	-22618	27265	22240	81,409
WINCHESTER	317566	27218	2534	181722	529,041
PUSH	606719	-247656	184215	933172	1,476,465

Source: GLH Analysis of Hampshire County Council Data

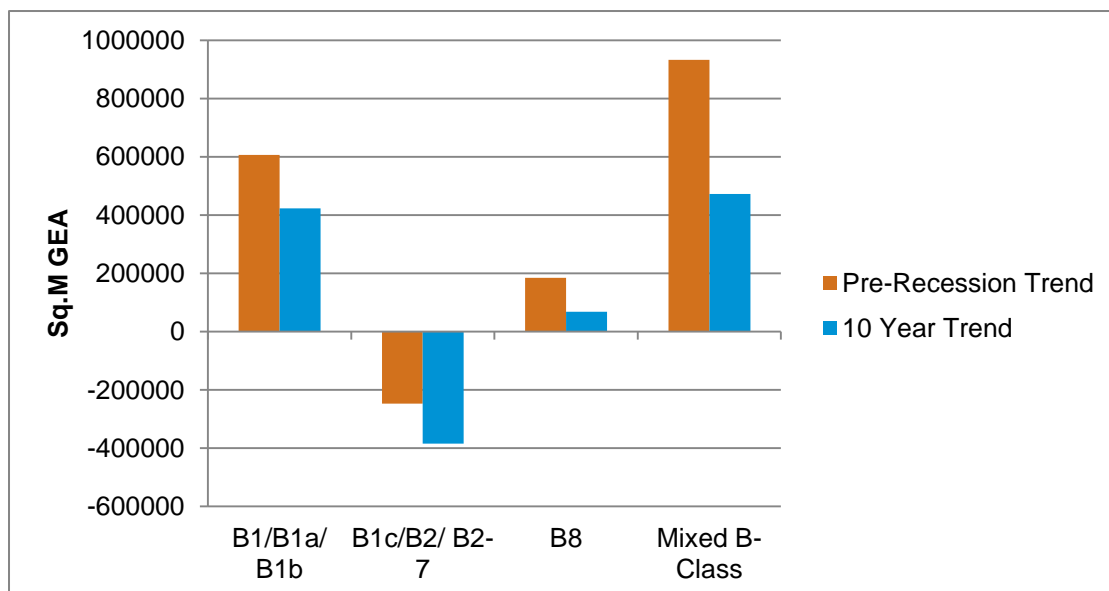
Table 20: Floorspace Need for the period 2011-2036 Based on Trends (2004-2014) of Net Completions

	B1/B1a/ B1b	B1c/B2/ B2-7	B8	Mixed B-Class	Total
EAST HAMPSHIRE	-2427	-7935	5512	-1221	-6,071
EASTLEIGH	144996	-274072	-2637	58335	-73,378
FAREHAM	19653	-5302	15	171598	185,963
GOSPORT	8363	-938	300	46282	54,006
HAVANT	53825	-11723	25865	27499	95,466
NEW FOREST	6312	-831	7000	17203	29,684
PORTSMOUTH	8355	1716	37105	2107	49,283
SOUTHAMPTON	-115465	-80781	-11874	42259	-165,860
TEST VALLEY	76547	-24198	-855	9150	60,644
WINCHESTER	222913	19995	7837	99670	350,416
PUSH	423072	-384068	68267	472882	580,153

Source: GLH Analysis of Hampshire County Council Data

5.33 Figure 24 charts the difference between the two projection scenarios.

Figure 24: Projections of Employment Floorspace Completions, 201-36



Source: GLH Analysis of Hampshire County Council Data

Considering Future Need

5.34 Although we have considered employment land need based on both a trend based forecasts and one based on Economic Forecasts we consider the latter are a more appropriate basis of future planning. This is on the basis that all the major forecasting houses are showing a slower rate of

growth than what has been achieved historically. This is based on a number of macro-economic factors including: slowing growth in China; slower than anticipated economic recovery; the national austerity agenda and continuing uncertainty around European recovery and the UK's involvement within it.

- 5.35 Although the forecasts are as sound a basis for understanding the net changes in floorspace based in the area GL Hearn consider that it would be prudent to plan for higher levels of growth in employment floorspace/ land recognising:

1. Need to Provide a Choice of Sites & Flexibility in Supply

- 5.36 There is a need to take a different approach in considering supply than when looking at housing provision, recognising that the nature of business requirements varies – in terms of location, site size/ floorspace and cost/ quality. There is a need to provide a sufficient supply of land to cater for a range of different requirements, and to facilitate choice and competition in the market, if the area is not to lose out on investments.

2. Additional Potential Economic Drivers

- 5.37 The econometric modelling is trend based. There are a number of potential drivers which could support demand for stronger demand for employment land than shown in the modelling, in particular port growth (and potential for port-related logistics), which will impact the western part of the Solent area (around Southampton); and the potential of the QE Class carriers to support economic growth as a demand (particularly in terms of the supply chain) driver in/around Portsmouth.

3. Churn within the Local Market

- 5.38 Some demand within a functioning property market arises from 'churn' such as from existing occupiers seeking to move to new floorspace; or because of lease events. Typically there is some empty property within a functioning market which is important to support this.

4. Non B-Class Uses

- 5.39 In addition it is appropriate to recognise that there are some non-B class uses which typically locate on employment sites. This includes waste/ recycling activities, trade counter and car showrooms.

- 5.40 It is therefore appropriate to make contingency provision for these factors to ensure that land supply for employment is not unduly restricted. GL Hearn consider that an appropriate approach would to include a 5 year margin based on past long-term (past 15 years) take-up trends (gross). Each authority's 5 year margin is calculated by taking the average annual completions figure in the

authority over this period and multiplying this by five. This is then added to the net floorspace growth forecasts. The five year margin for each local authority is shown in the table below.

Table 21: 5 Year Margin per Local Authority

Sq.m	Office	Mixed B-Class	Total B-Class
EASTLEIGH	36,348	29,372	65,720
FAREHAM	8,520	43,108	51,628
GOSPORT	2,668	12,266	14,934
HAVANT	12,800	20,253	33,053
PORTSMOUTH	18,069	37,282	55,350
SOUTHAMPTON	36,371	22,406	58,777
EAST HAMPSHIRE	120	1,525	1,645
NEW FOREST	2,790	21,721	24,511
TEST VALLEY	15,147	7,810	22,956
WINCHESTER	38,779	27,576	66,354
PUSH MAINLAND	171,612	223,318	394,929

- 5.41 Our analysis identifies an expected negative net requirement for new employment floorspace on the Isle of Wight (see Table 18) as industrial floorspace demand is expected to be negative, with a greater reduction in demand forecast relative to growth in office and distribution floorspace.
- 5.42 The Isle of Wight Council does not have data on employment floorspace completions to allow an appropriate margin to be identified on a like-for-like basis; or to benchmark the demand forecasts. The Isle of Wight Employment Land Review 2015 considered what an appropriate margin would be based on 5 year take-up of office accommodation, concluding that a margin of around 22,000 sq.m would be appropriate (to 2036) with loss of around 5,000 sqm of industrial floorspace. Including the appropriate provision to support a choice of sites and flexibility in supply, a net need for around 17,000 sq.m of employment floorspace on the Island was shown.
- 5.43 In addition, based on the potential impact of the QE carriers, as a demand driver for industrial space in/around Portsmouth, we have adjusted the forecast for industrial land in Portsmouth to show more stable net industrial floorspace levels overall.
- 5.44 This results in on overall net need for employment floorspace in each of the PUSH authorities as set out in the table below.

Table 22: Overall Net Need for Employment Floorspace, 2011-36

Sq.m	Office	Mixed B-Class	Total B-Class
EASTLEIGH	115,706	46,534	162,240
FAREHAM	47,168	76,793	123,961
GOSPORT	29,379	39,527	68,906
HAVANT	65,126	337	65,463
PORTSMOUTH	96,979	8,365	105,344
IOW	22,000	-5000	17,000
SOUTHAMPTON	115,433	119,974	235,407
EAST HAMPSHIRE	-305	4,024	3,719
NEW FOREST	15,009	20,833	35,842
TEST VALLEY	41,925	42,305	84,230
WINCHESTER	108,273	109,245	217,518
PUSH AREA	656,693	462,937	1,119,630

Proposed Employment Distribution

5.45 In translating these needs calculations into a distribution policy within the Spatial Strategy there are a number of other considerations which will need to be made. These could include increasing local supply above the level of need linking this to the location of planned growth and opportunities along major strategic transport locations. Conversely the local numbers could be lowered based on market deliverability being below historic levels and/or limited employment land availability. Therefore the total in the spatial strategy could differ from the overall needs as set out above. On this basis, taking account of the factors below, our advice is that the total PUSH office need to 2036 should be reduced slightly to 598,400 sq m. A brief summary of the considerations for certain authorities is set out below:

- Eastleigh –There is considerable planned supply within the local authority which could increase mixed B-Class floorspace to support residential growth and in recognition of strong strategic transport links.
- Fareham –There could be increased office floorspace to support residential growth and in recognition of strong office market as well as the substantial planned supply.
- Gosport –Gosport could provide additional employment floorspace to reflect the development potential at Daedalus.
- Havant – The local authority is home to specialist clusters in advanced manufacturing sector which could support additional net growth in industrial uses and there is also considerable planned supply which could support further growth.
- Portsmouth –As a key location for office growth support a large quantum of office floorspace delivery could be achieved. In addition the city could also support smaller level of growth in industrial sectors.
- Southampton – Supply within the City is limited and and therefore meeting its overall need may be challenging. As a key office location, meeting the office need in full should been prioritised.
- Test Valley –the local authority has a significant planned supply which could help met the sub regional level of need..
- Winchester –The significant floorspace forecast for Winchester has been influenced by the past delivery of major strategic employment sites such as Solent Business Park in Whiteley. Such high levels of historic delivery are unlikely to repeated given macro and global economic factors.

6 WATERFRONT SITES

- 6.1 The marine and maritime sector (including defence and advanced manufacturing) is a key sector within the Solent area, and of strategic significance. It has long been recognised that waterfront sites are of importance to the marine and maritime cluster in the sub-region.
- 6.2 A recent report has been prepared by AECOM entitled *Maritime Futures: Solent Waterfront Sites (Final Report, Sept 2015)* and published by the Solent LEP. The report recognises that the marine and maritime sector is growing and the loss of land at strategic waterfront locations reduces the area's ability to cater for demand. It provides a comparative review of waterfront sites across the PUSH area, and recommendations for planning policy.
- 6.3 The marine and maritime sector encompasses a range of activities, including component manufacturing, ports, defence, leisure, ship and boat building and research. Not all activities in the sector require waterfront locations, but waterfront sites are critical to some activities – and once lost to non B-class uses it is likely that they would be lost forever/ difficult to replace.
- 6.4 Across the Solent area the AECOM Study identifies 1,730 ha of waterfront employment land across 97 sites. It identified that these supported c. 11,000 jobs.
- 6.5 Six sites are currently occupied by the MOD, three by utilities operators and eight are operated as commercial or ferry ports. These sites (listed below) have a highly significant role to play in supporting the sector.

Table 23: Key Waterfront Sites

KEY WATERFRONT EMPLOYMENT SITES	
Portsmouth Ferry Terminal	Port of Southampton – East Docks
HMNB Portsmouth	Port of Southampton – West Docks
Port of Portsmouth	Southampton Passenger Ferry Terminal
Fort Blockhouse 3	Southampton Ferry Terminal
Fort Blockhouse 1	Marchwood Military Port
Horsea Island	Fawley Oil Refinery
Hamble Oil Terminal	Former Fawley Power Station
MOD Munitions Site	East Cowes Ferry Terminal
	West Cowes Ferry Terminal

- 6.6 A further 11 marina sites are identified. These however primarily provide a leisure and recreation function and were thus not considered further on this Study, which was focused on considering employment land.
- 6.7 The remaining 69 sites, collectively providing 443 ha of land, is used by other marine and maritime uses, general industry or other land uses. The Maritime Study focused on assessing the quality of these sites.

6.8 These sites were grouped in the Study into a number of typologies, which were then attributed to different grouping on the basis of the potential policy approach. In addition the relative importance of sites was assessed to supporting the marine and maritime economy.

Table 24: Categorisation of Waterfront Sites

	Support On-going MM Use	Invest and Grow for MM Use, if Suitable	Support Transition to MM Use, if Suitable
Tier 1 (Prime Importance)	Town Quay - BAR Racing	Royal Clarence Yeard (Retained)	Tipner West
	Port Solent Marina	Daedalus - Enterprise Zone (Waterfront Sites)	Spitfire Quay/ Vancouver Wharf / Marlin Wharf / Smiths Quay
	Trafalgar Wharf	Centenary Quay	Lower William Street Industrial Estate
	Swanwick Marina	Marchwood Industrial Park	Vestas Technology UK - Manufacturing Site
	Universal Marina	Venture Quays	
	Port Hamble Marina	Medina Yard	
	Hamble Point Marina		
	Drivers Wharf		
	Saxon Wharf Boatyard & Marina		
	Shamrock Quay		
	Ocean Quay		
	National Oceanographic Centre		
	Hythe Marine Park		
	Calshot Activities Centre		
Tier 2	Northney Marine	Priddy's Hard	Princes Wharf
	Haslar Marine Technology Park	Dibbles Wharf	Leamouth Wharf
	Hamble River Boatyard	Kingston Wharf	Burnley Wharf
	Stone Pier Yard	Land South of Medina Yard	Chapel Riverside
	Riverside Boatyard		Eling Wharf
	Deacon's Boat Yard		GLN Aerospace Services
	Mercury Yacht Harbour		Kingston Marine Park
	America Wharf		Vestas Technology UK - R&D Facility
	Trinity Wharf		
Tier 3	Sparkes Marine	Land South of Smiths Quay	Bedhampton Wharf
	Wilson's Boatyard	Clarence Boatyard	Kendall's Wharf
	Mill Rythe Boatyard	Island Harbour Marina	Upper Quay
	Southsea Marine	Newport Harbour	Vector Aerospace
	Wicor Marina	Blackhouse Quay	Fareham Reach Industrial Park
	Lower Quay		Quay Lane Industrial Estate
	Gosport Boat Yard		Willment Industrial Estate
	Elephant Boat Yard		Barkers Wharf
			Millbank Wharf
			PD Port Services

- 6.9 The typology of sites shown reflected the quality of marine access, presence of marine and maritime activities and development potential. Sites in Column 2 and 3 are those with an established marine and maritime use. Those in Column 3 are identified as having development potential. Sites in the third Column 3 are principally established industrial sites, but with a less strong role currently in supporting the marine and maritime cluster. The three tiers (on the LHS) show the relative importance of sites to the marine and maritime industry in the area.
- 6.10 The Maritime Study was in effect unable to draw firm conclusions on the future role of sites, as a detailed assessment of demand for waterfront sites was not undertaken. The Study does however provide some commentary, identifying the key assets which the sub-region has and identifying areas with growth potential.
- 6.11 Assets include:
- Royal Naval presence at Portsmouth – underpinning high-tech defence and advanced manufacturing activities across the sub-region;
 - Ports of Southampton and Portsmouth -providing gateways for trade, as well as cruise activities;
 - Yachting – the cluster of yachting facilities/ infrastructure in the sub-region, including boat building activities. Ben Ainslie Racing (BAR) is also establishing an Americas Cup Team based in Portsmouth;
 - World Class Research facilities and Intuitions – including the National Oceanographic Centre (NOC) Southampton, the two Universities, and other infrastructure including the new Centre for Engineering, Manufacturing and Advanced Skills Training at Daedulus; and the Warsash Maritime Academy; and the development of a Centre for Excellence for Composites and Advanced Manufacturing on the Isle of Wight.
- 6.12 The report identifies growth potential associated with the arrival of the new QE Class aircraft carriers to Portsmouth in 2017; and through the sale by MOD of Marchwood Military Port. It also touches on the trend of commercial ports accommodating increasingly large commercial shipping vessels, and the resultant increased demand on land requirements for port activities. Research into Marine Autonomous Systems, and the potential growth in this sector, is also identified as a key strength.
- 6.13 Local authorities in developing Local Plans may also seek to or continue to ensure use of existing smaller waterfront sites with some employment uses and also those which are focused on Leisure and recreational Marine uses. These have not been reviewed in this Maritime Study.