
Campaigns for change

# West of England Joint Spatial Plan to 2036

## Employment Land Requirements in the West of England:

## A Review of the West of England Economic Development Needs Assessment

# Executive Summary

1. This report reviews the West of England Development Needs Assessment (EDNA) published in November 2015 by the four West of England authorities. Specifically, the report examines whether the report provides a robust assessment of the overall need for employment land in the West of England up to 2036, including the need for employment land for different uses and locations.

2. While the EDNA adopts a conventional approach to the assessment of the overall need for employment land in the West of England, Wessex Economics identifies seven major issues that are not fully addressed in the EDNA, and which need to be addressed in greater depth in subsequent work; or which need to be explained in more detail than is the case in the EDNA.

3. First, the EDNA does not address the qualitative requirements of occupiers in sufficient depth. The requirements for B1a office, B1b R&D and B1c light industrial uses need to be given separate consideration in terms of the need for these activities to be located in the specific sub-markets, where these occupiers need to be located. Consideration should also be given to the property and location requirements of the priority sectors and clusters identified by the West of England LEP.

4. Wessex Economics view it as being particularly important to assess the demand for B1a office occupiers and B1b R&D uses separately since a significant proportion of the B1a office occupiers will wish to be located in city centres or business parks with good accessibility and significant representation of similar types of occupier. R&D occupiers may have specific requirements such as proximity to HEIs, industry research centres, or other R&D intensive businesses.

5. Second, the EDNA identifies the net floorspace/land requirements for B class uses. This approach assumes that, if there is an increased requirement for office floorspace, but a reduced the requirement for industrial floorspace, the overall requirement can be calculated as the additional requirement for offices, less the reduction in the need for industrial floorspace. This approach assumes that land released from industrial use can be re-used for office development.

6. This assumption is unsafe. It cannot be assumed that B1c/B2 and B8 land will necessarily be suitable to redevelopment for B1a/b uses. To establish the extent to which land in one employment use in a particular location can be used for another employment use, requires a detailed site analysis. This assessment has not been undertaken in the EDNA – and is therefore a key task that needs to be addressed in the more detailed studies to be undertaken by the unitary authorities.

7. Third, the EDNA leaves unanswered important questions about the deliverability of key elements of the future supply of employment land supply. Specifically, the EDNA identifies that over half (58%) of all the employment land supply in the West of England is in the Avonmouth/Severnside Employment Area. This area is therefore critical to the overall strategy for employment provision in the West of England.

8. However, the EDNA indicates that to realise the potential at Avonmouth/Severnside for employment uses 'requires significant infrastructure investment', and that this Employment Area is deemed unlikely to be appropriate for B1 uses. Much greater clarity is required about the nature and cost of the infrastructure investment required, how this might be funded and the timetable for delivery, before it can be said all of this area contributes to the forward employment land supply in the West of England.

9. There are also questions that are not answered in the EDNA about whether proposed office developments in South Bristol and Weston-Super-Mare can be delivered. In both locations there is uncertainty about the willingness of office occupiers to take up space in those locations; about the viability of development; and whether there is a need for significant infrastructure in order to make these locations attractive to occupiers; and the cost and timing of delivery of such infrastructure.

10. Fourth, the EDNA is very focused on analysing the current market and supply of employment floorspace. In a strategic study looking ahead to 2036, one would expect some consideration of how the type and usage of commercial floorspace might change over the next 20 years. More in depth engagement with developers and commercial property advisers would assist with this futures perspective.

11. Fifth, the EDNA assesses the demand for employment floorspace/land primarily by examining employment forecasts; the approach taken is to identify the additional employment that will arise over the period 2016-2036 in sectors that generate demand for employment floorspace. This approach does not appear to take into account any requirement for 'replacement demand'; that is, the demand for employment floorspace associated with existing jobs, arising from redevelopment of employment floorspace for other uses.

12. his is a particularly important issue because Government policy is supportive of redevelopment of brownfield land and redundant commercial floorspace for residential development; and because the value of sites for residential use in many locations exceeds that for commercial uses. The EDNA should therefore consider if there is a requirement for employment floorspace arising from replacement demand, as older or poor quality stock is removed from employment use.

13. Sixth, the work on the EDNA was completed before the HCA published new guidance on Employment Densities. Use of the most recent employment density figures would change the requirements as set out in the EDNA, increasing the requirements for warehouse space, but probably leaving the requirement for B1c/B2 floorspace largely unchanged. The impact on the requirement for office and R&D uses is uncertain. As part of further work to be undertaken by the local authorities, the conclusions of the EDNA should be tested using the new guidance.

14. Lastly, developers and occupiers of commercial property, and commercial property agents (and their research teams) should be able to contribute to understanding better the issues identified in this report. It is recommended that the local authorities undertake further engagement with those active in the commercial property market, alongside research into patterns of how the property market is expected to change over the next 20 years.

15. It is the responsibility of the local authorities in the West of England to prepare robust, evidence-based plans that will ensure the future prosperity of the West of England. This report sets out a clear agenda for the local authorities regarding the further research and analysis required on employment land issues to ensure that the emerging strategy is robust and fully future-proofed. The LEP, given its sub-regional responsibility for economic development, should also take on an element of responsibility in ensuring the work undertaken by the local authorities is robust.

# A review of the West of England Economic Development Needs Assessment

1. This report has been prepared by Wessex Economics on behalf of Business West, one of the principal business representative organisations in the West of England. The document comments on the West of England Economic Development Needs Assessment (EDNA), published in November 2015 by the four West of England authorities (Bath and North East Somerset, Bristol City, North Somerset and South Gloucestershire Councils).

2. In particular this document highlights where, in Wessex Economics' professional judgement, further work is required with respect to planning for B class business property, comprising:

    - Office, R&D and light industrial floorspace (B1a/b/c Use Classes)
    - Industrial floorspace (B2 Use Class); and,
    - Warehousing floorspace (B8 Use Class)

3. In preparing our comments Wessex Economics has drawn upon our own experience of preparing economic development strategies and employment land reviews; and our experience in the related field of planning for housing. Expertise in housing development is relevant because development land is sometimes suited to both commercial and residential use. There can be direct competition between housebuilders and commercial developers for the same sites, so an appreciation of the development market in both sectors is of value.

4. This report will inform the representations to be made to the local authorities in the West of England in terms of both the West of England Joint Spatial Plan 2016-2036 and the work to be undertaken by the four Local Authorities on their Local Plans. Business West expects that the issues identified in this report will help the respective planning authorities to prepare robust Development Plans that take full account of the requirement businesses and other occupiers have for buildings well-suited to their requirements in terms of location, scale, type and cost.

5. It should be emphasised that Wessex Economics believes it is the responsibility of the local authorities in the West of England to prepare robust, evidence-based plans that will ensure the future prosperity of the West of England. This report sets out a clear agenda for the local authorities of the further research and analysis that is required on employment land issues to ensure that the emerging strategy is robust and fully future-proofed. Wessex Economics would expect that the LEP, given its sub-regional responsibility for economic development, will also take on an element of responsibility in ensuring the work undertaken by the local authorities is robust.

## Key Issues

6. The EDNA uses a conventional approach to an Employment Land Review. However, Wessex Economics believes that there are seven major issues that are not fully addressed in the EDNA. These issues need either to be addressed in greater depth in subsequent work; or explained in more detail than is the case in the EDNA, if the data exists but the analysis has not been fully set out in the EDNA. Key Issues

7. These issues are addressed under seven headings:
   - The qualitative requirements of occupiers in terms of location and floorspace
   - The importance of distinguishing gross and net employment floorspace requirements
   - The deliverability of some key elements of the identified forward employment land supply
   - How the type and usage of commercial floorspace might change over a 20 year time-frame
   - Whether sufficient consideration has been given to replacement demand for employment floorspace
   - The implications for employment floorspace requirements of up-to-date guidance on employment densities
   - The nature and scale of engagement with developers and commercial property agents

## The Qualitative Requirements of Occupiers in terms of Location and Floorspace

8. The EDNA is much stronger in terms of the quantitative analysis of future requirements for business land, than in the assessment of the future qualitative requirements of occupiers in terms of locations and types of property, and hence the depth of demand in particular locations, and whether there is sufficient land in those locations to provide for particular types of property that will be in demand in the future.

9. The EDNA identifies six sub-areas within the West of England Functional Economic Area (FEA) which correspond to principal concentrations of B class floorspace in the FEA. The nature of the demand for commercial (B1-B2-B8) floorspace in each of these areas is likely to differ significantly. For example in Bristol and Bath city centres the predominant demand for B class floorspace is likely to be associated with B1a office floorspace.

10. In contrast, the floorspace demand in the Avonmouth/Severnside area and much of the M5/ Weston-Super-Mare area is likely to be dominated by B8 and B2 floorspace. In Avonmouth/Severnside it is likely to be challenging to secure significant office development because of the nature of the location and the character of the area, which is dominated by large industrial users, even if sites were to be allocated for such purposes.

11. To be assured that there is sufficient employment land to meet the demand from employers, there is a requirement to analyse the composition of employer requirements in more depth than currently undertaken in the EDNA. Specifically, it is important to distinguish between the requirements for B1a office, B1b R&D and B1c light industrial uses and the locations, in terms of specific sub-markets, where these occupiers will want to be located.

12. Wessex Economics view it as being particularly important to assess the demand for B1a office occupiers and B1b R&D uses separately. A significant proportion of the B1a office occupiers will wish to be located in city centres or business parks with good accessibility and significant representation of similar types of occupier. The absence, or high cost, of such space in the preferred locations will deter expansion by existing occupiers, make it harder to retain current occupiers, and result in potential inward investors looking elsewhere outside of the West of England.

13. Similarly, B1b occupiers may have specific requirements such as proximity to HEIs, industry research centres and other R&D intensive businesses. This may lead them to seek out specific locations in terms of the type of business environment and proximity to particular other organisations. An economic strategy should seek to ensure that there is a good fit between anticipated and desired patterns of occupier growth and the supply of land suited to particular functions.

14. There are other occupiers, for example those in the creative and digital sector, where the businesses associated with this sector wish to co-locate, but their requirements may be for a wide mix of different types of employment floorspace in one building (for example some office space, some warehouse space, some studio space); and different businesses require different amounts of different types of space; but many would prefer to be geographically close to other similar businesses.

15. The West of England LEP has identified the priority sectors which are anticipated to drive growth in the West of England area in the future. It would clearly make sense to assess the locational and property requirements of the current and anticipated occupiers that make up these five priority sectors, and assess whether the existing portfolio of sites meets their requirements in quantitative and qualitative terms.

16. Some high-level alignment between the priority sectors and the six key areas of employment land concentration is set out in the West of England LEP Strategic Economic Plan; but it seems probable that there is a need to drill down further into the specific location requirements of each sector and the businesses that comprise those priority sectors in order to determine their precise locational requirements, the types of business space they require, the terms of which space is offered (eg the degree of lease flexibility or ownership options) and infrastructure provision (in terms of utilities planning as well as transport).

17. Consideration should also be given to current planning restrictions on some of the key strategic sites that would prevent certain uses from locating on those sites even though those locations and sites would be deemed in general planning policy to be an appropriate location for that development (be that a B1a office, B2 industrial or B8 warehouse use).

18. Thus, what are known as the 'Gateway Policies' limit use of the Emerson Green Science Park to science, technology or research based occupiers; and it is anticipated that the Filton Airfield Employment Zone will be subject to restrictions that limit occupation to Aerospace and Hi-Tech engineering activities. These policies may be appropriate, but they do reduce the range of locations that general B1a, B2 and B8 users can choose from in considering alternative locations in the West of England. This needs to be taken into account in assessing the choice available to these 'general' B space occupiers.

## The Importance of Gross or Net Employment Floorspace Requirements

19. Linked to the discussion presented above, an issue of critical importance for all ELRs is whether the assessment of employment land requirements is made on a gross or net basis. Throughout Section 8 of the ELR the requirement for employment land is presented on a net basis; that is, it is assumed that employment land is broadly interchangeable between land in different types of employment use (B1, B2 and BC use classes). This is a very important assumption – but it should not be accepted without challenge.

20. It is easiest to illustrate the issue by reference to an example. Figure 6-13 in the EDNA (p 102) suggests that Bristol City needs 156,000 sqm less employment floorspace than it currently has, this being the product of an increased requirement for B1a/b floorspace of 187,000 sqm, and a reduction in the requirement for B1c/B2 floorspace of 284,000 sqm, and a reduction in the requirement for B8 floorspace of 59,000 sqm (see Figure 1, below).

### Figure 1: Bristol B-use Class Floorspace Need (square metres) – Scenario 3

| Use class | 2016 | 2036 | Change 2016 - 2036 |
|---|---|---|---|
| B1a/b | 1,371,000 | 1,558,000 | +187,000 |
| B1c/B2 | 321,000 | 37,000 | -284,000 |
| B8 | 1,526,000 | 1,467,000 | -59,000 |
| **Total B use Class** | **3,218,000** | **3,062,000** | **-156,000** |

21. It is only appropriate to accept that Bristol needs 156,000 sqm less employment floorspace than in 2016, if it is possible to recycle by means of redevelopment the 284,000 sqm of B1c/B2 floorspace and the 59,000 sqm of B8 floorspace for B1a/b floorspace for office and R&D uses. If none of the sites which become redundant for B1c/B2 and B8 floorspace can be recycled for B1a/b floorspace, then the true requirement for employment floorspace is an additional 187,000 sqm – the full amount of new floorspace needed for B1a/b floorspace. The reduced requirement for B1c and B2 floorspace, can instead be redeveloped for non-B class uses.

22. It cannot be assumed that B1c/B2 and B8 land will necessarily be suitable to redevelopment for B1a/b uses. For example, the sites becoming redundant may not be in a location where office development would be attractive to potential occupiers because it has poor public transport accessibility. It may be that the redundant sites that are no longer needed for B1c/B2/B8 uses are a patchwork of sites still partly in use; in which case the only way redundant sites might be made suitable for B1a/b uses is through a complex process of CPO and redevelopment.

23. This issue of whether the existing employment land can be recycled for other employment use is absolutely critical in determining whether there is an adequate supply of employment land to meet future employment requirements. This assessment has not been undertaken in the EDNA – and is therefore a key task that needs to be addressed in the more detailed studies that need to be undertaken by the unitary authorities.

## The Deliverability of some Key Elements of Forward Employment Land Supply

24. There are two aspects to the issue of deliverability of some of the identified employment sites in the EDNA. The first of these relate to the extent to which a large proportion of identified employment land is only genuinely available if there is significant additional investment in infrastructure, and lack of clarity about the availability of such funding and when infrastructure may be delivered. The second issue of concern is whether there is sufficient demand for land in certain locations and whether development is viable in these locations.

25. The EDNA identifies that 58% (based on Table 5-7) of the identified employment land in the West of England is accounted for by the Avonmouth and Severnside Employment Area. This particular Employment Area therefore plays a very important part in the overall strategy for employment land provision in the whole of the West of England FEA.

26. Yet the EDNA indicates that to realise the potential at Avonmouth and Severnside for employment uses 'requires significant infrastructure investment', and this Employment Area is deemed unlikely to be appropriate for uses other than warehousing (B8) and industrial uses (B2) (para 10.5 Executive Summary, EDNA, 2015).

27. These statements raise a number of key issues not fully answered in the EDNA. What is the scale of the infrastructure investment required? Who will fund this investment? When might the funding actually come forward? When will the necessary infrastructure works be completed? – bearing in mind that until contracts are let, it is very hard to be certain of any delivery date. What is the overall timescale for delivery of essential infrastructure? And which sites does each element of infrastructure unlock?

28. Linked to these questions, it has to be asked 'what are the key inter-dependencies between different elements of the infrastructure necessary to unlock sites, and how does this affect when sites could be made development-ready?' And what is the scale of demand for the sorts of uses which would consider locating in the Avonmouth and Severnside Employment Area?

29. There may be answers to some of these questions, but given that the EDNA does not answer them, it may well be that these questions are not currently known. If this is the case, then it would be wise to test whether the West of England has a robust employment land supply if the Avonmouth and Severnside Employment Area is excluded from the assessment; or if only those sites which could secure planning consent with existing infrastructure are included in the current assessment.

30. The second aspect of the deliverability of development on the sites set out in the EDNA relates to whether there is sufficient depth of demand to support new development in certain identified locations.

31. The EDNA identifies the policy aspiration to promote 60,000 sqm of B1 office floorspace in South Bristol, along with up to 10 ha of industrial and warehousing land. Wessex Economics also notes the ambitions of North Somerset Council for significant growth in Weston-Super-Mare, particularly focused around Junction 21.

32. Wessex Economics has made no study of the depth of demand for business floorspace in either of these two locations, but note the desire to attract professional service employment to both areas as well as B2 and B8 uses. At Weston-Super-Mare, the EDNA also identifies the intention to attract B1b R&D activities, particularly in the food sector.

33. Whatever the desirability of attracting professional service employment to South Bristol and Weston-Super-Mare, the employment assessment should at least address the question of whether these sites can compete effectively on any substantial scale with the city centres (Bristol and Bath) and genuine business parks rather than mixed use business parks.

34. In the case of South Bristol, it seems probable that a necessary condition of making employment land an attractive development proposition is the completion of the South Bristol ring road. It is understood that this is being considered as part of the wider transport strategy for the region. However, this then throws up the question of when the funds for such an investment will become available and when in fact the necessary improvement will be completed. It is also important to bear in mind that while the ring road may be deemed to be necessary to make the area attractive to developers and occupiers, it may not be a sufficient condition.

35. It should not be assumed that if there is a constraint on business space for B1a and B1b users in the city centres and principal business parks, that it will necessarily be diverted to South Bristol and Weston-Super-Mare. Moreover, if the only way that B1a users can be attracted to South Bristol or Weston-Super-Mare (or similar locations), is by cheap rents, then this may render development unviable.

36. The question then arises whether the public sector is willing to subsidise such developments to help establish a new office and R&D location within the FEA, though there will be attendant risks that even relatively low rents may not be sufficient to attract occupiers from their preferred locations in city centres or well-established business and R&D parks.

37. These issues again reinforces the need for a more in-depth understanding of the locational and property requirements of occupiers in the West of England; and introduces the need to establish whether in principle B1a/b development in less-favoured locations such South Bristol and Weston-Super-Mare would be viable.

38. Wessex Economics would recommend, therefore, that the overall supply position as set out in the EDNA be tested in terms of the scale of investment required, how this is to be funded, the timescales required to achieve the necessary infrastructure improvements and what types of uses will be attracted to these locations.

39. The overall strategy should also be tested in terms of whether all of the sites are attractive to occupiers and viable to develop. The certainty of investment needs to be realistically assessed in the light of the depth and nature of demand for property in different locations. The emerging employment land strategy should be stress-tested by examining the implications of these sites which are dependent on major infrastructure investment or in areas of current low demand not being available or attractive.

### How the Type and Usage of Commercial Floorspace might Change over a 20 year time-frame

40. Given that the EDNA is intended to inform plans over the period 2016-2036, one might have expected some element of futures analysis for the commercial property market. Over the past 20 years (1996-2016), there have been a number of significant changes in property markets across the UK.

41. Most notable has been the resurgence and renewal of city centre office markets across the UK, with significant new commercial office developments, often around key transport hubs and in regeneration zones close to city centres. The out-of-town business park phenomenon of the 1980s and 1990s is no longer as dominant, though such business parks still appeal to many occupiers.

42. 42. Similarly over the past 20 years, there has been a large loss of industrial floorspace in many cities, often to residential use; but there has been a significant volume of new development in the warehousing sector, with the development of large warehousing complexes at key locations typically near motorway junctions. The development of large warehouse units, often on distribution parks, has been encouraged by the growth of online shopping.

43. So how might the commercial property market change over the next 20 years? For example what would be the implications for quantum of warehouse space required if warehouse operations increasingly rely on robots rather than humans? Some commentators suggest that this may allow warehouses to be smaller than they would be if staffed by humans. Similarly what will the office of 2036 look like if many routine administrative functions are performed by computers?

44. Whilst these type of questions are outside the scope of a normal Employment Land Review, they are the sort of issue that ought to be discussed in the preparation of strategic plans, be that by the LEP or the local authorities. They are the sort of questions that effective engagement with the commercial property sector – in terms of both developers and commercial agents (including their research teams) – should help to answer.

### Has Sufficient Consideration been given to Replacement and Sui Generis Demand?

45. Another key issue is whether the EDNA effectively captures all aspects of demand for B class land uses. There are two specific issues that, while not covered in guidance on the conduct of ELRs, merit consideration and quantification, to ensure that all aspects of demand have been considered.

46. The EDNA assesses the demand for employment floorspace/land primarily by examining employment forecasts; the approach taken is to identify the additional employment that will arise over the period 2016-2036 in sectors that generate demand for employment floorspace; and translating forecast employment growth in these sectors into floorspace requirements by means of employment densities; and/or estimating employment land requirements (in hectares) by use of plot ratios.

47. The approach taken in the EDNA does not appear to take into account any requirement for 'replacement demand'; that is, the demand for employment floorspace associated with existing jobs, arising from redevelopment of employment floorspace for other uses. In the past this may not have been a significant issue, but with pressure to increase housing provision, and the value premium of residential land compared to land in industrial use, significant amounts of employment land are being lost to residential development.

48. Government policy is broadly supportive of redevelopment of brownfield land and redundant commercial floorspace for residential development; and at the same time significant amounts of redundant office floorspace has been converted to residential accommodation by means of Permitted Development Rights (PDRs). Recently PDRs for office to residential conversions have been made permanent and extended to permit conversion of B1c floorspace to residential use.

49. It is understood that the local authorities have not secured legal controls over the exercise of permitted development rights for office to residential conversions (known as an Article 4 Direction). Therefore the trend of conversion of offices to residential use is likely to continue. In October 2015 the Government also announced that to support further the delivery of new homes, permitted development rights will in future allow the demolition of office buildings and new building for residential use. Whilst this change has yet to take place, the Government's continued drive to increase housing delivery, means that loss of commercial floor space to residential use should be taken into account in the overall assessment of employment floor space.

50. In view of these developments, Wessex Economics takes the view that ELRs should consider if there is a requirement to assess the additional requirements for employment floorspace arising from replacement demand, as older or poor quality stock is removed from employment use. It is pertinent to note the Minimum Energy Efficiency Regulations which come into force in April 2018 may lead to a significant amount of commercial property being rendered redundant because owners and tenants are not willing to make the investment needed to meet the new standards.

51. It is also important that ELRs consider the scale of demand for employment land arising from Sui Generis uses. A variety of non-B class uses are often developed on B class land including trade counters, car dealerships, training centres etc; and gyms, nurseries, and doctors' surgeries are often built on business parks as part of providing local amenities in an accessible location.

52. In Bristol, the University has recently announced plans to build a second campus in the Enterprise Zone. While this may be viewed as an appropriate use of land in the Enterprise Zone, the development will entail use of an employment site, yet this sort of non-B class use has not been factored into the forecasts of demand for employment land.

53. It is worth noting that significant use of PDRs have been made to provide student accommodation, which is generally regarded as a Sui Generis use. Further work based on analysis of historic data would help determine the scale of such demand for non-employment floorspace on designated employment sites.

54. In the light of the recent widening of Permitted Development Rights and possible extension to allow demolition of offices, the strategy for employment land needs to consider both the scale of possible loss of employment floorspace and sites; and the implications for particular types of business.

55. Given that residential development often delivers higher returns than development of commercial space and that older, cheaper B class floorspace commercial space may perform a particularly valuable role in sustaining and growing, for example, the creative industries sector, or in tech business incubation, there are risks of substantive harm to the local economy arising from the exercise of PDRs; and policies may be needed to be developed to protect these areas of business space.

### The Implications Up-to-Date Guidance on Employment Densities

56. Since the work on the EDNA was completed the HCA have published new Guidance on Employment Densities (see Annex 1). These would change the assessed requirements as set out in the EDNA, increasing the requirements for warehouse space, but probably leaving the requirement for B1c/B2 floorspace largely unchanged. The impact on the requirement for office and R&D uses is uncertain since the new Guidance provides separate employment density figures for B1a office and B1b R&D floorspace – and these differ significantly from each other; which means that the floorspace requirements in the B1a/b use classes is sensitive to the split between offices and R&D floorspace.

57. Wessex Economics would recommend that the West of England authorities ask Atkins, the author of the EDNA to apply the new employment densities to the same employment forecasts and report on the difference this makes to the assessed requirement in the FEA, broken down by use class.

### The Nature and Scale of Engagement with Developers, Occupiers and Commercial Property Agents

58. The EDNA states that consultation was undertaken with a wide range of informants involved in the commercial property market. It is hard to assess the depth of this consultation process from the report, but it does not seem to have drawn forth as much insights from those active in the market as Wessex Economics would have expected.

59. More in-depth engagement with commercial property providers and their advisors would be expected to give greater depth of understanding of the nuances of demand and supply across different sectors/clusters, and their specific preferences/requirements in terms of location, business environment and buildings.

60. Developers and occupiers of commercial property, and commercial property agents (and their research teams) should be able to contribute to understanding better the issues identified in this document. It is recommended that further engagement with those active in the commercial property market is undertaken, alongside research into patterns of how the property market is expected to change over the next 20 years.

# Annex 1: HCA Employment Densities Guide, November 2015

1. It should be noted that HCA published a new Employment Densities Guide in November 2015, the same date as the publication of the EDNA. The new Employment Densities Guide has a more detailed schedule of Employment Densities (see Figure 2 below) which should be used in future Employment Land Studies.

2. Brief comments comparing the new guidance with the employment densities used in the EDNA are set out below.

    - EDNA assumed 14 sqm per job in B1a floorspace. The new HCA Guide indicates employment densities in B1a floorspace are in the range 10-12 sqm per FTE job (excluding call centres) so, on this basis, more jobs could be accommodated per 1,000 sqm than assumed in the EDNA.
    - EDNA assumes 14 sqm per job in B1b floorspace. The new HCA Guide indicates employment densities in B1b floorspace are in the range 40-60 sqm per FTE job so, on this basis, significantly fewer jobs could be accommodated per 1,000 sqm than assumed in the EDNA.
    - EDNA assumes 42 sqm per job in B1c/B2 floorspace. The new HCA Guide indicates employment densities for B1c floorspace are 47 sqm per FTE job and for B2 floorspace 36 sqm per FTE job; so if there are equal quantities of B1c and B2 floorspace the EDNA estimate will be in line with what would be expected if the most up-to-date guidance on employment densities are used.
    - EDNA assumes 70 sqm per job in B8 floorspace. The new HCA Guide indicates employment densities in B8 floorspace are in the range 70-77-95 sqm per FTE job, so on this basis significantly fewer jobs could be accommodated per 1,000 sqm of warehouse space than assumed in the EDNA.

3. It is hard to judge what the overall implications of the changes in employment densities would mean for overall employment floorspace requirements as set out in the EDNA other than it would imply a need to increase the amount of floorspace and land required for warehousing.

Figure 2: HCA Employment Densities Guide, November 2015

| Use Class | Sub-Category | Sub-Sector | Density (sqm) | Notes |
|---|---|---|---|---|
| B1a Offices | General Office | Corporate | 13 | NIA |
| | | Proffesional Services | 12 | NIA |
| | | Public Sector | 12 | NIA |
| | | TMT | 11 | NIA |
| | | Finance & Insurance | 10 | NIA |
| | Call Centres | | 8 | NIA |
| B1b | R&D Space | | 40-60 | NIA lower densities will be achieved in units with higher provision of shared or communal spaces. |
| B1c | Light Industrial | | 47 | NIA |
| B2 | Industrial & Manufacturing | | 36 | GIA |
| B8 | Storage & Distribution | National Distribution Centre | 95 | GEA |
| | | Regional Distribution Centre | 77 | GEA |
| | | 'Final Mile' Distribution Centre | 70 | GEA |
| Mixed B Class | Small Business Work-space | Incubator | 30-60 | B1a, B1b - the density will relate to balance between spaces, as the share of B1a increases so too will employment densities. |
| | | Maker Spaces | 15-40 | B1c, B2, B8 - Difference between 'planned space' density and utilisation due to membership model. |
| | | Studio | 20-40 | B1c, B8 |
| | | Co-Working | 10-15 | B1a - Difference between 'planned space' density and utilisation due to membership model. |
| | | Managed Workspace | 12-47 | B1a, b, c |
| B8 / Sui Generis | Data Centres | Wholesale | 200-950 | |
| | | Wholesale Dark Site | 440-1,400 | |
| | | Co-location Facility | 180-540 | |
| A1 | Retail | High Street | 15-20 | NIA |
| | | Foodstore | 15-20 | NIA |
| | | Retail Warehouse | 90 | NIA |
| A2 | Finance and Professional Services | | 16 | NIA |
| A3 | Restaurants & Cafes | | 15-20 | NIA |
| C1 | Hotels | Limited Service / Budget | 1 per 5 Beds | FTE per bed |
| | | Mid-scale | 1 per 3 beds | FTE per bed |
| | | Upscale | 1 per 2 beds | FTE per bed |
| | | Luxury | 1 per 1 bed | FTE per bed |
| D2 | Fitness Centres | Budget | 100 | GIA |
| | | Mid Market | 65 | GIA - both types tend to generate between 40-50 jobs per gym. |
| | | Family | | |
| | Cinema | | 200 | GIA |
| | Visitor and Cultural Attractions | | 30-300 | The diversity of the cultural attraction sector means a very wide range exists. |
| | Amusement & Entertainment Centres | | 70 | Potential range of 20-100sqm. |

# Annex 2: Additional Comments

1. Wessex Economics notes that the Employment Forecasts on which the EDNA are based date from 2013; and are therefore now somewhat dated. However, given that the forecasts present various scenarios and forecasting employment growth over a 20 year period is a far from exact science, it seems reasonable to continue to use these forecasts, but the forecasts should be reviewed at roughly 5 year intervals in conjunction with a review of the employment land strategy.

2. Wessex Economics would comment that the employment floorspace market in the West of England is relatively tight, with vacancy rates of 12%, compared to an assumed requirement of 10% of stock vacancy for optimal function of the property market. If poor condition properties account for a large proportion of vacant stock (which is quite probable), then the property market may be considerable tighter than implied by the 12% vacancy rate. A better reflection of the health of the property market might be reports from property agents about how easy it is for employers with active property requirements to find appropriate space in their preferred location. Evidence of rental growth for good quality property would be another indicator of the relative balance of supply and demand.

3. The ELR assumes that all of the anticipated employment growth in those sectors deemed to be associated with properties classified to the B use class, gives rise to a need for additional employment floorspace. In practice around 12.3% of all those in work who lived in the West of England in 2011 worked from home[1]; and 22% of all those in work who lived in the West of England in 2011 either worked from home or no fixed place of work (with small numbers working offshore and overseas). Potentially therefore the overall requirement for employment floorspace may be around 20% less than implied by the forecast estimated increase in employment associated with B class uses. To properly address how much less floorspace is required, one would need to know how many homeworkers work in sectors deemed to give rise to a requirement for B class floorspace; this level of information is not readily available from the Census, but could be obtained as a special table.

4. It is important to note that there is a very substantial difference in anticipated employment growth between the Medium High Scenario used in the EDNA and the High Scenario. The High Scenario (1,521,000 job growth 2016-36) is 62% higher than the Medium High Scenario (939,000 job growth 2016-36). This emphasises the very wide divergence of possible forecasts of employment growth. The forecasts are some three years old, and predate the outcome of the Brexit vote; though what Brexit means for employment growth in the UK and the West of England is unknowable. Analysis of past employment growth over the course of the business cycle would give an alternative perspective on how reasonable the employment forecasts look in the light of the scale of historic patterns of employment growth.

5. The EDNA states the West of England is most likely to face competition for inward investment from the Oxford – Science Vale area and the Northern Powerhouse. With commitments in the recent Autumn Statement to the development of an Oxford to Cambridge Expressway that could cut journey times by up to 40%, and continuing progress with re-opening the Oxford to Cambridge railway route, it seems more likely that competition for the West of England will come from the Oxford-Cambridge axis and Birmingham than the Northern Powerhouse (being the northern cities of Manchester, Leeds, Liverpool, Newcastle, Sheffield etc). High Speed 2 is critical to the success of the Northern Powerhouse, and will not be completed on the current timetable until 2033, almost the end of the time frame for the EDNA.

6. t is therefore much more likely that Birmingham will become a significant competitor for the West of England in the period to 2036, with the benefit of a 49 minute journey time from/to London, with a current target date for the start of this service in 2026. This compares with the likely journey time between Bristol and London of 78 minutes once the Great Western Mainline improvements are completed in 2017.

[1] Source: 2011 Census of Population


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