

IT'S ALL IN THE DETAIL

NEW FOREST DISTRICT COUNCIL  
NEW FOREST NATIONAL PARK AUTHORITY

Business Needs and Commercial Property  
Market Assessment

April 2017

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# 1. INTRODUCTION

## Overview

- 1.1 **Chilmark Consulting Ltd.** (CCL) was commissioned in February 2017 by New Forest District Council (NFDC) and the New Forest National Park Authority (NFNPA) to prepare a Business Needs and Commercial Property Market Assessment.

## Purpose and Scope

- 1.2 The aim of the commission is to review and evaluate the likely future need for business land and premises in the NFDC and NFNPA areas to inform Local Plan reviews, support potential site allocations and inform local economic strategies.
- 1.3 Employment uses that are the focus of the Study include the B1 to B8 Use Classes: offices, research and development, light industry, general industry and storage and distribution.
- 1.4 Other commercial, tourism, leisure and health related uses (non-B Use Class) are also significant to the local economy and employment opportunities, and the Study is to identify and consider any significant demands for these non-B uses.
- 1.5 The Study will examine the demand for and supply of employment land regarding current and historic trends, as well as consider future employment land needs.
- 1.6 In undertaking the work, the Study Brief is clear that existing information, data sources and evidence should be utilised as far as possible to ensure that the conclusions and any recommendations are founded on robust, objective evidence.
- 1.7 In greater detail, the objectives of the Study include:
- current and future employment land demand and needs for the District and the National Park area based on past employment land trends;
  - examine the supply of existing B Use Class employment land and floorspace drawing on survey work already undertaken by NFDC and NFNPA;
  - consideration of occupier and business sector requirements and expectations locally;
  - undertaking a commercial market review to identify and examine market trends for B Use Class employment land and floorspace; and
  - draw conclusions and policy recommendations on the demand and supply of employment land for B Use Classes as well as comment on significant needs for non-B Use Class floorspace.

## The Study Area

- 1.8 The geographical scope of the Study Area encompasses the New Forest District Council area and the New Forest National Park. Figure 1.1 shows the Study Area. The shaded area is the planning area for NFDC and the remainder is the NFNPA planning area.
- 1.9 The National Park boundaries are broadly similar with the District's but include a small area of Wiltshire Council and Test Valley Borough's administrative areas. The National Park excludes the western side of the District (including Fordingbridge, Ringwood and Bransgore) and also excludes the southern edges of the District (New Milton and Lymington areas) together with the eastern edge where Totton, Hythe and Fawley are also outside the Park boundaries.

**Figure 1.1: The New Forest District and New Forest National Park Study Area**



Source: New Forest District Council and New Forest National Park Authority, 2017

- 1.10 The Totton, Hythe and Fawley (known as the Waterside area) at the eastern edge of the Study Area lie within the Partnership for Urban South Hampshire (PUSH) area. This area has been subject to a separate employment land study<sup>1</sup> prepared by PUSH in 2016.
- 1.11 While the focus of the Study is on the areas defined above, it is also necessary to consider wider and more strategic economic and employment land and market factors as appropriate. To this end, the Study looks at wider areas

<sup>1</sup> Economic and Employment Land Evidence Base Paper, PUSH (May 2016)

within the Enterprise M3, Solent and Swindon & Wiltshire Local Enterprise Partnerships (LEP) as necessary.

## Assumptions and Limitations

### Data Sources

- 1.12 This Report makes best use of available information and data as far as possible and as appropriate. Data sources and the use of existing information is identified in each of the relevant sections of the Report.

### Assumptions and Limitations

- 1.13 The analysis and findings of this Report must be read in the context of a series of assumptions and limitations concerning available information and data, and the level of analysis possible at various geographic scales.
- 1.14 The future employment demand analysis undertaken herein is based on analysis of past employment land / floorspace trends in accordance with the Study Brief and does not include synthesis with econometric projections or future labour supply.
- 1.15 The Report's principal assumptions and limitations are recorded in more detail in each of the relevant sections.

## Structure of Report

- 1.16 Following this introductory section, the Report is set out as follows:
- **Section 2:** sets out a summary of the relevant planning policy and economic strategy context;
  - **Section 3:** offers an overview of emerging future workspace trends for B Use Class and employment generating non-B Use Class activities;
  - **Section 4:** provides an analysis of the current commercial property market and considers trends in the market in the District and the National Park areas;
  - **Section 5:** is concerned with the supply of existing employment land sites;
  - **Section 6:** establishes the employment land demand and needs for the District and the National Park area through an analysis of past trends, together with economic performance scenarios and sensitivities;
  - **Section 7:** draws the work together into relevant conclusions and policy recommendations.

## 2. POLICY AND STRATEGY CONTEXT

### Introduction

- 2.1 The existing and emerging planning policy and economic strategy context is an important component in understanding the employment land and business/market requirements for commercial floorspace.
- 2.2 This section sets out, in summary, the relevant planning policy and economic strategy context. It considers three levels: national, sub-regional (within the relevant LEP areas) and local, within the District and National Park areas.

### National

#### National Planning Policy Framework

- 2.3 The NPPF has placed economic growth at the heart of its definition of sustainable development.
- 2.4 Paragraph 7 identifies the three dimensions to sustainable development: economic, social and environmental. This establishes the need for:

*“an economic role - contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and co-ordinating development requirements, including the provision of infrastructure”.*

- 2.5 Paragraph 9 confirms that sustainable development involves seeking positive improvements in the quality of the built, natural and historic environment, including:

*“making it easier for jobs to be created in cities, towns and villages”.*

- 2.6 Paragraph 14, 1<sup>st</sup> bullet point, describes what the presumption in favour of sustainable development means. For plan-making, it establishes a positive approach:

*“Local planning authorities should positively seek opportunities to meet the development needs of their area”.*

- 2.7 Further clarification is provided through the core planning principles set out at Paragraph 17 of the NPPF. At the 3<sup>rd</sup> bullet point it includes the following important requirement that planning should:

*“Proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other*

*development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities”.*

- 2.8 The main economic development and business requirements of the NPPF are set out in paragraphs 20, 21, 28 and 160. They can be summarised as:
- Planning proactively to meet the development needs of business and support an economy fit for the 21st Century;
  - Setting out a clear economic vision and strategy for the area which positively and proactively encourages sustainable growth;
  - Include the whole economy and up-to-date market demand/supply intelligence and evidence as the basis for the strategy;
  - Include neighbouring areas through the Duty to Co-operate. Economic issues straddle and affect adjacent districts/boroughs and need to include other authorities and the relevant LEP;
  - Engage with the business community to understand their changing needs and identify / address barriers to investment;
  - Identify strategic sites for local and inward investment to match the strategy and meet anticipated needs in the plan period;
  - Consider the role of land for economic development purposes and review land availability for economic purposes as well as its ability to meet other functions;
  - Support economic growth in rural areas in order to create jobs and prosperity, including: the sustainable growth and expansion of all types of business and enterprise through conversion of existing buildings and well-designed new buildings; promote the development and diversification of agricultural and other land-based rural businesses; support sustainable rural tourism and leisure developments; promote the retention and development of local services and community facilities; and
  - Ensure that there is an emphasis on the viability of plans that must be deliverable.
- 2.9 The NPPF is concerned with far more than simply the supply of property, land and sites to support economic growth. It supports proposals that address the whole economy in a positive and proactive manner that encourages economic prosperity as part of sustainable development.
- 2.10 The emphasis of the Framework is on creating and securing jobs through the best use of land and sites that are most appropriate to foster economic development. The Framework recognises the importance of mixed use-development and the re-use, for other activities, of former employment land/sites that are no longer able to meet economic development needs.
- 2.11 The NPPF does not include a prescriptive approach with respect to the provision of B Use Class employment floorspace. Paragraph 38 for example

encourages a mix of uses for larger residential schemes including opportunities to work on-site with the emphasis on offering a range of employment opportunities.

2.12 The NPPF identifies that supporting growing economic sectors includes removing barriers to sustainable growth including the quality of labour force, access to skills and education/training, accessibility to markets and the quality and choice of housing provision.

2.13 With respect to the New Forest National Park area, the NPPF confirms at paragraph 115 that National Parks:

*“...have the highest status of protection in relation to landscape and scenic beauty...and that great weight should be given to conserving the landscape, wildlife and cultural heritage of National Parks”.*

2.14 The NPPF’s general presumption in favour of sustainable development at paragraph 14 also recognises that in some specific areas, including National Parks, development should be restricted (footnote 9).

2.15 The NPPF confirms at paragraph 116 that planning permission should be refused for major development in a National Park except in exceptional circumstances and only where it can be demonstrated to be in the public interest.

2.16 At paragraph 119, the NPPF confirms that the presumption in favour of sustainable development (paragraph 14) does not apply where development requiring appropriate assessment under the Birds or Habitats Directives is being considered, planned or determined. More than half of the National Park is covered by the Habitats Directive.

### National Planning Practice Guidance

2.17 Following the NPPF, the *National Planning Practice Guidance* was published in March 2014 as an online resource offering advice and guidance on a range of planning and development matters.

2.18 Section 2a of the NPPG is concerned with housing and economic development needs assessments. Several sub-sections and paragraphs are relevant to the consideration of potential employment land allocations and development, as follows.

2.19 Paragraph 004 identifies that the assessment of development needs is an objective assessment based on facts and unbiased evidence. It establishes that Plan makers should not apply constraints to the overall assessment of need, but that constraints can be addressed when bringing evidence bases together to identify specific policies within development plans.

2.20 Paragraph 008 recognises that there are economic market segments and that not all types of economic development will have the same appeal for different occupants. Effectively the NPPG is indicating the need to ensure that there is market choice.

2.21 In paragraph 030 of Section 2a, the Guidance notes that plan-makers should consider:

- recent patterns of employment land supply and loss to other uses;
  - market intelligence and market signals; the existing stock of employment land indicating the demand for and supply of employment land and recognising that existing stock may not reflect the future needs of business; and
  - take-up of sites and other data on availability and vacancies is to be used to understand the spatial implications of 'revealed' demand for employment land.
- 2.22 Paragraph 030 continues, advising that the location and premises requirements of different types of business will be important. The Guidance also highlights the need to identify over-supply or evidence of market failure (where physical or ownership constraints prevent employment sites from being used effectively).
- 2.23 Paragraphs 031 – 033 establish how employment land requirements should be considered based on historic, current and forecast future trends. The Guidance anticipates that the available stock of land should be compared with the requirements of the area to reflect the increasing diversity of employment generating uses. The Guidance emphasises the importance of mixed-use development and the provision of a variety of employment sites.
- 2.24 Paragraph 033 is concerned with forecasting future economic trends with the key output being an estimate of the scale of future needs broken down by economic sectors. The available stock of employment land should be compared with the requirements of the area so that any gaps in provision can be identified.
- 2.25 Employment land requirements are to be considered through four key relationships according to paragraph 034, namely:
- Standard Industrial Classification (SIC) sectors to Use Classes;
  - SIC to types of property;
  - employment to floorspace (employment density); and
  - floorspace to site area (plot ratio based on industry proxies).
- 2.26 Section 3 of the NPPG deals with housing and economic land availability assessments. Paragraph 001 highlights the importance of identifying a future supply of land that is suitable, available and achievable for housing and economic development uses over the plan period. The approach advocated includes assessing site suitability for employment development and the likelihood of development coming forward.

### Building Our Industrial Strategy

- 2.27 The Building our Industrial Strategy Green Paper was published on 23<sup>rd</sup> January 2017. It marks a clear shift towards more prominence and emphasis placed on industrial strategy. There is however also a significant degree of continuity with previous policies although much detail is still to be determined. The consultation closes on 17<sup>th</sup> April 2017.
- 2.28 The Government's stated objective at Page 9 of the Strategy is:

*“to improve living standards and economic growth by increasing productivity and driving growth across the whole country.”*

2.29 Key goals are:

- build on UK strengths and extend excellence into the future;
- close the gap between the UK’s most productive companies, industries, places and people and the rest; and
- make the UK one of the most competitive places in the world to start or grow a business.

2.30 The Green Paper identifies ten pillars to drive growth:

1. Investing in science, research and innovation;
2. Developing skills;
3. Upgrading infrastructure;
4. Supporting businesses to start and grow;
5. Improving procurement;
6. Encouraging trade and inward investment;
7. Delivering affordable energy and clean growth;
8. Cultivating world-leading sectors;
9. Driving growth across the whole country; and
10. Creating the right institutions to bring together sectors and places.

2.31 Much of the Industrial Strategy proposes policy interventions, such as investments in skills, research and infrastructure, facilitating access to finance and keeping costs down for businesses. The eighth pillar is explicitly sectoral however with the idea of individual ‘sector deals’.

2.32 A departure from the previous Government’s approach is a greater focus on place. The new Strategy aspires to do more regionally across the UK, building on the Northern Powerhouse and Midlands Engine approach.

2.33 Some of the new commitments are about consulting the public to further develop existing plans, funding and programmes. The Green Paper also consults on the priority challenges for the ‘Industrial Strategy Challenge Fund, a cross-sectoral mission-based fund first announced in the HMT Autumn Statement, November 2016.

2.34 Other commitments in the Green Paper express or restate the Government’s intention to carry out reviews. Examples include a review of the opportunities to reduce the cost of decarbonisation, a review of the Government’s procurement policies, and reviews of the roles and priorities of the Department for International Trade and Local Enterprise Partnerships (LEPs).

2.35 The Government also commits to new sector deals in the Green Paper and identifies following five industries:

- life sciences;
- ultra-low emission vehicles;

- industrial digitalisation;
  - nuclear; and
  - creative industries.
- 2.36 The Green Paper also describes specific projects, such as £170m of capital funding for the creation of Institutes of Technology to deliver higher technical education in STEM subjects (science, technology, engineering and mathematics).

### National Park Legal and Policy Framework

- 2.37 *The Environment Act, 1995* establishes the purposes of the New Forest National Park. These are:
- to conserve and enhance the natural beauty, wildlife and cultural heritage of the Park; and
  - to promote opportunities for the understanding and enjoyment of the Park's special qualities by the public.
- 2.38 In relation to the local economy the Act also outlines that the National Park Authority, in pursuing these two purposes, has a duty to:
- “seek to foster the social and economic well-being of local communities”.*
- 2.39 The English National Parks and the Broads: *UK Government Vision and Circular* (DEFRA, 2010) confirms that the planning system is a key instrument in the achievement of the Park purposes through its role in guiding the form and location of development; managing the impacts of development on the landscape and biodiversity; and conserving and enhancing the built heritage in Park settlements.
- 2.40 The Circular confirms that the National Park Authorities' primary responsibility is to deliver their statutory purposes. In doing so, they should ensure they are exemplars in achieving sustainable development, helping rural communities in particular to thrive. It highlights that within the National Parks, conserving and enhancing the landscape, biodiversity, cultural heritage, dark skies and natural resources, and promoting public understanding and enjoyment of these should lie at the very heart of developing a strong economy and sustaining thriving local communities.
- 2.41 The Government's *Eight Point Plan for National Parks* (March 2016) recognises that the special qualities in these areas underpin the economic activities that thrive in National Parks, including traditional farming, tourism, food and other businesses. The plan identifies three key drivers for the rural economy as supporting international tourism, developing new apprenticeships, and promoting local produce.

### Regional/Sub Regional

- 2.42 The New Forest District is covered by the Solent Local Enterprise Partnership (LEP). Both the District and the National Park Authority are covered by the Enterprise M3 LEP. The National Park Authority area is not included within

the Solent LEP area, but a small portion of the National Park area is covered by the Swindon and Wiltshire LEP.

- 2.43 Various strategies and economic plans have been prepared by each of the LEP's and these are summarised briefly in the following sub-sections.

#### Transforming Solent: Solent Strategic Economic Plan, 2014-2020

- 2.44 *Transforming Solent* is the Strategic Economic Plan for the Solent LEP area covering the period 2014-2020. The Solent LEP does not cover the National Park Authority area. At the heart of the SEP strategy is a vision:

- 2.45 “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 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”.

- 2.46 The SEP objectives are:

- maximise the economic impact of our (marine and maritime) assets in the area and sectors with the potential for growth. Promoting the area as the UK's leading growth hub for advanced manufacturing, marine and aerospace both at home and, more importantly, in the global marketplace. Developing the advanced engineering and manufacturing sector through a business-led approach and supporting the visitor economy (towards which New Forest district contributes);
- unlock critical employment sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy, to expand;
- provide new housing to support our growing workforce;
- ensure people have the right skills to access employment and support growing sectors;
- provide effective support to our small and medium-sized enterprises (SMEs) to enable them to grow – including marine and maritime SMEs; and
- unlock innovation led growth to engage more businesses in knowledge transfer and innovation, develop links to wider Higher Education Institutions (HEIs), and demonstrate the benefits of working with knowledge-based partners.

- 2.47 The SEP notes that the marine and maritime sector accounts for **20.5%** of the Solent's GVA, supports more than **3,000** businesses and provides **40,000** jobs locally. It is expected to grow by **5%** by 2025<sup>2</sup>.

- 2.48 Locally within this sector, the Port of Southampton is one of the UK's largest, busiest and most diverse ports, which provides, directly and indirectly, **15,000**

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<sup>2</sup> Making Waves – Solent's Marine and Maritime Sector, September 2015, Solent Local Enterprise Partnership

jobs in the Solent, contributes over **£1.2bn** of output per annum, and is a global import and export hub for the UK motor industry.

- 2.49 Due to their reliance on the strategic transport networks, significant infrastructure improvement will be needed to enable the ports within this area (which also include Port of Portsmouth and Portsmouth Naval Base) to expand.
- 2.50 The SEP provides a spatial analysis of economic sector growth potential including the potential of the two cities in the LEP area (Southampton and Portsmouth) as hubs for knowledge-intensive growth.
- 2.51 To drive economic growth across the Solent, the SEP sets out the need for investment in a range of areas from promoting innovation and developing the skills base, to improving infrastructure to support investment and housing growth.

#### Enterprise M3 Strategic Economic Plan, 2014 - 2020

- 2.52 Enterprise M3 LEP covers an area stretching from the M25 and the outskirts of London some 80 miles south west through Surrey and Hampshire to the New Forest and the south coast. The area includes, either in part or in their entirety, 14 Local Planning Authorities including the New Forest District and New Forest National Park.
- 2.53 The Strategic Economic Plan of the LEP (31<sup>st</sup> March 2014) identifies the vision and objectives for economic growth across the whole LEP area.
- 2.54 The SEP details the Local Growth Deal proposals and Delivery Plan to be agreed with Government, including proposals for **£340m** of funding backed by **£392m** of local funding.
- 2.55 The Plan offers information on the nature, scope and extent of investment sought for new economic infrastructure (including the supply of employment land sites); the development of the labour force and for tackling issues such as transport congestion, green infrastructure provision, housing supply and quality of life.
- 2.56 The LEP's Strategic Economic Plan vision is set out at paragraph 1.8 on page 4:  

*“the premier location in the country for enterprise and economic growth, balanced with an excellent environment and quality of life”.*
- 2.57 The National Park's role in relation to the SEP's stated vision is more focused on providing the excellent environment and quality of life elements of the vision.
- 2.58 The SEP highlights that the M3 LEP area performs well in terms of business and job growth and retention and has a relatively high concentration and clustering of knowledge-based industries, supported by global research capabilities. This is strengthened by the area's exceptional connectivity.
- 2.59 Approximately one in three businesses in the M3 LEP area is in a rural area and there is considerable availability of space for different types of commercial business.

- 2.60 The SEP strategy aims to create:
- an economically competitive area driven by innovation in science and technology;
  - a region of complementary Growth Towns combined with a vibrant rural economy – with the collective economic significance of a City Region;
  - a region supported by strong infrastructure offering unparalleled accessibility, attractive to national and international businesses; and
  - an exceptionally attractive place to live and work for all.
- 2.61 At paragraph 1.10 the SEP confirms that the Plan will be delivered through:
- “a series of multiple interlocking interventions around enterprise, innovation and sector interventions, skills development, housing, transport and the visitor economy”.*
- 2.62 The Plan continues at paragraph 1.11 establishing that the interventions proposed have been put together into Growth Packages to offer targeted solutions at three broad spatial levels.
- 2.63 Interventions for Growth are established in Section 2 of the SEP. There are five themes including innovation and enterprise, skills, housing, transport and infrastructure; and visitor economy and major events.
- 2.64 In the Innovation and Enterprise theme, paragraph 2.5 identifies that the SEP aims to support the creation of **200** new high growth companies, **8,000** additional jobs and **£2bn** of new export markets from businesses in the LEP area.
- 2.65 The diagram on page 13 clearly establishes the fundamental ‘input’ role of commercial property in order to support business and inward investment. The diagram includes the need to align infrastructure, housing and commercial property to the needs of business. It shows a clear inter-linkage between economic growth and prosperity with the provision of a suitable supply of commercial employment floorspace and property across the Enterprise M3 LEP area.
- 2.66 Paragraph 2.9 then explains the importance of sector specific business incubation; effectively ensuring that business sectors and occupiers are adequately catered for across the LEP area including the supply of incubation space and facilities for high growth firms in priority sectors.
- 2.67 A series of freedoms and flexibilities are sought by the Strategic Economic Plan. At paragraph 4.3, the Plan specifically identifies the importance of the need for Business Rates retention to support provision for premises and other space for small businesses and start-ups which are a critical component in the LEP’s overall strategy.
- 2.68 The SEP’s major interventions, in terms of Growth Towns and the proposed High Technology Corridor are focused in the north of the LEP area, while the emphasis of the strategy for the New Forest is more towards increasing productivity through business support, skills and training capacity building.

### Enterprise M3 Commercial Property Market Study

- 2.69 In April 2013, the Enterprise M3 LEP published a *Commercial Property Market Study*. It analyses the demand and supply for employment land across the LEP area, which covers the New Forest in the south to Surrey boroughs adjoining London in the north.
- 2.70 The M3 LEP boundary covers most of New Forest District and the National Park (excluding Totton and the Waterside area which falls within the Solent LEP and PUSH areas and the part of Wiltshire in the National Park). It divides the M3 LEP commercial property market into defined market areas and identifies the New Forest (including both the National Park and the District) as a distinct commercial property market.
- 2.71 An updated *Commercial Property Market Study* for the Enterprise M3 LEP was published in July 2016 and assessed the following:
- whether the market areas set out in the 2013 report are still valid?
  - the availability, type and demand for commercial property in each market area and across the Enterprise M3 area;
  - to identify the key opportunities and challenges in each market area and across the Enterprise M3 area;
  - how the LEP and its partners can address the opportunities and challenges identified in each market area and across the Enterprise M3 area.
- 2.72 The 2016 *Updated Commercial Property Market Study* highlights that the demand for B1 office space in the M3 LEP area has grown over the last few years, with nearly all of this being driven by the development of large sites in towns in the northern part of the M3 LEP area.
- 2.73 The spatial pattern of B1 office demand is also reflected in their rental values. There has been a recovery from the significant fall in rental values during the last recession, with rents rising predominantly in the most northerly part of the M3 LEP area.
- 2.74 Rental values in the New Forest remain lower than those in the northern part of the M3 LEP area, but have seen a small increase in some areas around the southern coastal towns.
- 2.75 The supply of vacant office space in the New Forest is reported to be low. This may reflect the low turnover of businesses in the area, with the *New Forest Business Needs Survey* showing that almost half of all businesses have operated from the same location for more than 10 years.
- 2.76 In contrast, the *Updated Property Market Report* shows that the New Forest has the largest percentage increase of office space in the pipeline with current planning permission of any of the market areas in the M3 LEP.
- 2.77 Moreover, whilst the loss of B1 office space appears to be an issue in the rest of the M3 LEP area, the New Forest was one of only 3 out of 14 market areas in the M3 LEP area to show a net gain in office space between 2012 and 2015. This is despite the recent losses in office space that have resulted from the introduction of permitted development rights, some of which involved high quality office space.

- 2.78 The Study also considers the demand and supply of industrial space. In the last few years the take up of industrial space has increased, but it is thought that the data is likely to give a misleading account of demand as agents report that take up has been constrained by an overall shortage of supply.
- 2.79 The New Forest is identified as having a low level of vacant industrial space. Like the position for B1 offices, this may reflect the lack of turnover in current site users. The Report also highlights, however, that the future pipeline of industrial space is very limited in most of the market areas except for the New Forest and Basingstoke/Andover. Overall, it appears that there has been a growth in demand for industrial space since 2013, but unlike other market areas, there is ample supply in the pipeline in the New Forest for commercial market purposes.
- 2.80 The *Updated Commercial Property Market Study* concludes with overall recommendations. It identified an increasing deficit in land for B2 and B8 industrial and storage/distribution uses for most market areas within the M3 LEP and advocates that this needs to be addressed. The Report shows that the New Forest District is one of only a few market areas in the M3 LEP to have a strong future pipeline for industrial space.
- 2.81 In terms of offices, the Report concludes that the New Forest is an area of lower current demand, where the market is working efficiently, but there is simply very low demand for office space. It suggests that there may be a case for M3 LEP intervention based not on market failure, but more on social equity to avoid a deterioration of the local economy.
- 2.82 As set out in Section 4 of this Business Needs and Market Assessment Report an analysis of current revealed demand and local market characteristics in the District and National Park Authority areas suggests that the Enterprise M3 *Updated Commercial Property Market Study* may be somewhat pessimistic in its outlook and underplays evidence of local demand for good quality office and light/general industrial floorspace, for which there is a limited evident supply. Evidence identifies very limited levels of available floorspace/units and rising rental values.

### Swindon and Wiltshire LEP

- 2.83 The Swindon and Wiltshire LEP covers a small portion of the northern area of the New Forest National Park. While most of the LEP area is well outside the Park and extends northwards to Swindon, the M4 and west to Trowbridge and the edges of Bristol and Bath, it is important to understand the main economic growth objectives of the LEP.
- 2.84 Swindon and Wiltshire LEP published an Updated Strategic Economic Plan in January 2016. This refined and updated the previous SEP published in March 2014 and reaffirmed the vision, key objectives and programme of growth.
- 2.85 The Updated SEP is based on a vision to:

*“Use our pivotal location in southern England to create wealth, jobs and new business opportunities set within a spectacular landscape that provides an exceptional quality of life. We will focus on our existing strengths and our base of established business sectors to build an*

*outstanding, sustainable business environment in which our economy will thrive”.*

- 2.86 Five Strategic Objectives underpin the vision:
- **Skills and talent** – an appropriately skilled and competitive workforce;
  - **Transport Infrastructure Improvements** – well connected, reliable and resilient transport system to support economic growth and planned developments;
  - **Digital Capability** – excellence in digital capability and cyber transformation;
  - **Place Shaping** – deliver the infrastructure required to deliver our planned growth and regenerate our City and Town Centres;
  - **Business Development** – strengthen the competitiveness of small and medium sized businesses and attract a greater share of foreign and domestic investment to the area.
- 2.87 The Strategic Objective identified as needing an appropriately skilled and competitive workforce to achieve the growth ambitions is to be achieved by making the education and skills system more effective and responsive to the needs of employers and learners; by helping businesses develop skilled workforces that will support long term sustained growth and improved productivity; and by supporting the development of an inclusive economy, helping people to overcome barriers to employment, to enter and stay in the workforce.
- 2.88 The Digital Capability Strategic Objective is aimed at delivering excellence in digital connectivity and cyber transformation to achieve business growth, innovative public services and influence societal change. One of the key priority actions is to deliver 100% high-speed broadband and mobile coverage and prepare for the delivery of ultrafast broadband.
- 2.89 A part of the Place Shaping Strategic Objective is to develop a strong visitor economy resulting in new investment as well as increased trade, visitor spend and national and international staying visitors.
- 2.90 The Business Development Strategic Objective is to strengthen the competitiveness of SMEs and attract a greater share of foreign and domestic investment into the area. One of the ways that this will be achieved is through a new business support service - a ‘Gateway for Growth’ pilot, a Growth Hub which is part of the national Regional Growth Fund (RGF) programme. This consists of a web-based portal that signposts national/local business support schemes, and an intensive support programme to help businesses with the costs of investing in growth that creates jobs and improves their productivity and competitiveness.
- 2.91 Priority economic sectors are identified (page 18) to include:
- **Advanced engineering and high value manufacturing;**
  - **Health and life sciences;**
  - **Financial and professional services;**

- Digital and information and communication technology; and
  - Land-based industries.
- 2.92 Additionally, sectors ‘to watch’ are confirmed as:
- Visitor economy;
  - Adult health and social care;
  - Low carbon economy; and
  - Construction.
- 2.93 The LEP’s functional economic geography has resulted in three Growth Zones being identified. These are centred on:
- Swindon and the M4;
  - The A350 (Warminster, Westbury, Trowbridge);
  - Salisbury A303.
- 2.94 Of the three Growth Zones, the Salisbury A303 is most relevant to the New Forest National Park area. Although the Growth Zone does not extend specifically to include the National Park area (see Figure 1 of the SEP), it does reach close to the National Park and is therefore of interest in terms of the future economic growth and objectives for this sub-area.
- 2.95 Key activities and interventions in the Salisbury A303 Growth Zone are set out at page 21. These include:
- Enhancing the further and higher education offer;
  - Investing in transport and infrastructure packages to support housing and employment growth planned in Salisbury;
  - Working with the Highways Authority to ensure the A36 can fulfil its strategic role and support significant economic growth around Salisbury;
  - Maximise opportunities to accelerate the delivery of strategic housing sites across the City of Salisbury through investment in infrastructure and enabling works;
  - Accelerate opportunities to improve the resilience of urban centres to allow them to compete;
  - Invest in the diversification of the visitor economy, complementing existing assets and maximising visitor spend.

#### **Transforming Dorset Local Enterprise Partnership– Strategic Economic Plan 2014**

- 2.96 The Dorset LEP published its Strategic Economic Plan in March 2014. While the LEP area does not directly cover the New Forest District or the National Park specifically, there is likely to be an indirect effect arising from the Dorset SEP on the New Forest District and National Park area.
- 2.97 In particular, proposals for a large employment site (59 hectares) at Bournemouth Airport, close to the western boundary of New Forest District, will provide employment opportunities for residents living in the District and

National Park. The SEP also identifies the need to improve the quality and capacity of transport links in the area including the A31 and A338.

### Partnership for Urban South Hampshire: Spatial Position Statement

- 2.98 The PUSH *Spatial Position Statement*, published in July 2016, provides targets for housing and employment provision within the PUSH area (i.e. covering the Totton and the Waterside area of New Forest District<sup>3</sup>).
- 2.99 The proposed future floorspace requirements for the PUSH part of the New Forest District envisages that land for **32,000** sq.m of net business floor space (equating to around **8-10** hectares of land) be provided in the PUSH part of New Forest District (Totton and the Waterside) by 2034 divided as follows:
- Office: **14,000** sq.m
  - Mixed-Use B Class: **18,000** sq.m
- 2.100 The assessment of need for the PUSH area starts from Oxford Economics forecasts (extended to 2036) to which an extra five year margin is added for flexibility. The forecasts are then reduced with the need for offices decreased by **9%**, reflecting the PUSH consultant's judgement based on market signals that the high levels of past office development in the Whiteley / Segensworth area of Winchester are unlikely to be repeated given macro and global economic factors.
- 2.101 A pro-rata reduction of this need is then made from 2036 to 2034 (Employment needs from 2011 – 2036 have been reduced by 2/25ths to identify the need for the entire PUSH area to 2034).
- 2.102 The requirement figures are indicative and reflect the potential net growth in floorspace. Much of the identified need could be met through current employment land allocations and commitments (in terms of sites with planning consent).
- 2.103 In relation to local employment sites, the *Spatial Position Statement* includes a policy (at page 42) to protect Hythe Marine Park as a waterfront site of sub-regional significance, for ongoing marine and maritime uses.

### Partnership for Urban South Hampshire – Economic and Employment Land Evidence Paper

- 2.104 The *Economic and Employment Land Evidence Paper* was prepared for PUSH and published in May 2016 to support the PUSH *Spatial Position Statement*.
- 2.105 It provides economic statistics on all districts in the PUSH area using occupational, skills and other data. These include a breakdown of employee jobs by sector (based on 2013 BRES data), and a profile of businesses by broad industrial groups (sourced from 2015 ONS data).
- 2.106 The profile of jobs shows that the New Forest District has the highest relative concentration of jobs in the Arts, Entertainment and Recreation sector out of

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<sup>3</sup> Note that this only includes a small part of the overall New Forest District

all districts in the PUSH area. The New Forest also ranked joint third highest, with the Isle of Wight, after Portsmouth and Southampton, for absolute number of employee jobs in the accommodation and food sectors.

- 2.107 These statistics are noted to reflect the District's importance as a tourism destination. Part-time jobs are relatively high in the District – 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.
- 2.108 The *Economic and Employment Land Evidence Paper* provides figures for available employment floorspace (premises being marketed). Future supply of industrial space in the New Forest is highest out of all the districts in the PUSH area, at **6.9** years (see table below). As is the case for most of the PUSH area, most this space is identified to be Grade B stock (second hand relet space).

**Table 2.1: Available Industrial Floorspace and Estimated Supply, PUSH Area**

	Available Industrial 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
<b>New Forest</b>	<b>81,348</b>	<b>11,848</b>	<b>6.9</b>
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: *Economic and Employment Land Evidence Base, PUSH, 2016*

- 2.109 The availability and take-up of B1 office floorspace in the New Forest were both concluded to be low as Table 2.2 below, reproduced from the *Economic and Employment Land Evidence* report shows.

**Table 2.2: Available Office Floorspace and Estimated Supply, PUSH Area**

	Available Office 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
<b>New Forest</b>	<b>374</b>	<b>1,682</b>	<b>0.2</b>
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
<b>PUSH</b>	<b>242,419</b>	<b>86,533</b>	<b>2.8</b>

Source: *Economic and Employment Land Evidence Base, PUSH, 2016*

2.110 Considering forecast FTE growth (and decline) in B-class employment uses, and allowing for a five-year margin of additional supply (to take account of other factors such as churn and use of allocated employment sites for non-B Use Class employment uses), the *Economic and Employment Land Evidence Paper's* modelling showed the following net need for employment floorspace for the PUSH area of the New Forest District (effectively the eastern side of the District bordering the Solent), from 2011 to 2036:

- Office B1 Use Class: **15,009** sq.m
- Mixed B Use Class: **20,833** sq.m
- Total B Use Class: **35,842** sq.m

## Local Policy and Strategy Context

2.111 New Forest District's Development Plan includes:

- *Local Plan Part 1: Core Strategy (2009); and*
- *Local Plan Part 2: Sites and Development Management (14<sup>th</sup> April 2014)*

2.112 In addition, the District Council is currently undertaking a Local Plan Review for the period 2016 – 2036.

2.113 The New Forest National Park Authority area has its own, separate planning policy from that of the District Council and is the sole planning authority of its administrative area. The NFNPA Development Plan comprises:

- *New Forest National Park Core Strategy and Development Management Policies Development Plan Document (December 2010)*

2.114 In 2015, the NFNPA began to review the adopted Core Strategy working towards preparing a submission draft of the Park-wide Local Plan in 2017. A *Consultation Draft Local Plan* was published for consultation in October 2016.

- 2.115 The following sub-sections briefly summarise the relevant employment and economic planning policies for both the District and the National Park areas.

#### **New Forest District – Local Plan Part 1: Core Strategy**

- 2.116 The New Forest District Core Strategy was adopted on 26<sup>th</sup> October 2009. The Core Strategy provides the planning strategy in the period to 2026.
- 2.117 The Plan’s Vision is set out in Section 5. It includes providing for the social and economic and community needs of all residents. Paragraph 5.4 confirms the Vision to offer a high quality of life that will attract high value-added businesses that are lacking at present. It also articulates that there will be opportunities for small businesses to thrive and new businesses to set-up to provide better paid jobs for local residents.
- 2.118 The Vision indicates that this will be achieved in a way that complements the special qualities and attractions of the Plan area and the National Park without promoting employment growth that would put unacceptable pressures on the local housing market. The rural economy is also identified, with diversity seen as the key requirement to support strong and sustainable rural communities.
- 2.119 The Vision is translated into ten Strategic Objectives. The most relevant to economic development and employment are:
- SO4 (Economy) – which seeks to foster the well-being of the local economy without fuelling wider development pressures in the area. Support will be available for economic growth that reflects and complements the District’s specific qualities and advantages in tourism, low impact, higher paid knowledge-based enterprise and marine industries. SO4 also seeks to promote measures to enable the local workforce to have the necessary skills and ancillary facilities to participate fully in local employment. The Strategic Objective supports the delivery of the (former) South East Plan Regional Spatial Strategy for regeneration and improved economic performance in South Hampshire sub-region.
  - SO5 (Travel) – includes accessibility improvements to services and employment opportunities.
  - SO6 (Towns, Villages and Built Environment Quality) – encourages mixed and balanced communities in towns and villages with a range and choice of job opportunities.
  - SO7 (The Countryside) – promotes a positive future for rural areas, securing their economic prosperity as well as environmental and social well-being).
- 2.120 Relevant economic and employment land policies are set out in the Core Strategy and the Key Diagrams (Figure 16, 17 and 18 – representing the three sub-areas of the Plan) identify strategic employment locations.
- 2.121 Policy CS17 (Employment and Economic Development) highlights the Plan’s strategy to encourage a greater presence of high value and knowledge-based businesses in the Plan area; encourage small-scale and start-up businesses including the provision of managed workspaces; support redevelopment and intensification of existing employment sites; and keep all existing employment

sites and allocations expect for a few, small sites identified for release. The policy also includes provision for office development in town centres; support for the visitor-based service economy and local tourism industry and the need to identify and protect suitable marine-related business opportunities. Flexible working and workforce skills improvements are also identified.

- 2.122 Policy CS18 (New Provision for Industrial and Office Development and Related Uses) makes provision for new industrial and office development including new employment sites for the 2006 – 2026 period at Totton (5 hectares); New Milton (5 hectares); Ringwood (5 hectares). In addition, the policy seeks to provide an additional **16,000** sq.m of office floorspace in Totton and the Waterside to meet PUSH requirements; and provide **10,000** sq.m of warehousing floorspace on existing employment sites through redevelopment and intensification at Totton and Marchwood. Suitable sites for managed workspace will be identified in Lymington and Ringwood; and suitable sites for marine industries are also to be identified.
- 2.123 Policy CS21 (Rural Economy) establishes that the strategy for the rural economy will encourage diversification projects for agriculture, horticulture, farm and forestry enterprises. Existing employment sites are to be kept with encouragement given to improvement and re-development. Small-scale new built-development for employment uses in rural settlements is supported by the policy; and support is also given to local business development through the conversion of existing buildings.

### **New Forest District - Local Plan Part 2: Sites and Development Management**

- 2.124 The *Local Plan Part 2: Sites and Development Management* sets out the detailed proposals and policies required to implement the planning strategy for the area agreed through the Core Strategy.
- 2.125 The Plan includes the allocation of a limited amount of greenfield land for new development required to meet the local need for additional housing, affordable housing and employment land. It allocates specific sites for new employment provision at Totton, New Milton and Ringwood. It also provides additional development management policies to assist the implementation of the Core Strategy.
- 2.126 Policy DM11 (Sites for Marine Related Businesses and Access to the Water) supports the use of identified wharves and boat launching facilities as particularly suitable locations for marine related businesses. New development of these sites should be designed to ensure the retention of existing wharves, launching facilities and vehicular access.
- 2.127 Policy DM22 (Employment Development in the Countryside) permits rural employment and business development subject to a series of criteria that are intended to help sustain the rural economy but not to harm the countryside. This includes farm diversification projects, the re-use of existing permanent buildings and redevelopment opportunities for established rural enterprises.
- 2.128 Policy DM24 (Loss of Rural Employment Sites) seeks to protect against the loss of rural employment sites shops, community facilities and pubs subject to criteria aimed at ensuring there is other equivalent provision secured in the

re-development proposals or that the new use would be of greater community benefit or there is a recognised local need.

### New Forest District Local Plan Part One: Planning Strategy Review 2016 - 2036

- 2.129 *When adopted the Local Plan Review Part One: Planning Strategy* will set out the planning strategy and strategic policies for key development sites for the period 2016 – 2036 covering the area of the District outside the New Forest National Park.
- 2.130 The Local Plan Review *Initial Proposals for Public Consultation* (July 2016) was subject to public consultation from July to September 2016. The Draft Plan is anticipated to be subject to further consultation from autumn 2017.
- 2.131 The focus of the document was mainly on potential locations and distribution options for new housing, the role and potential of development in the designated Green Belt.
- 2.132 The Local Plan Review *Initial Proposals for Public Consultation* does consider economic development and employment land matters.
- 2.133 At Section 3, paragraphs 3.33 – 3.36 the Local Plan Review *Initial Proposals for Public Consultation* confirms that the main business sectors in the District are manufacturing, construction, retail, health, education, accommodation and food services. Other sectors such as ICT, finance and professional and business services are noted to be under-represented.
- 2.134 Paragraph 3.35 identifies that the District has a high proportion of micro-businesses, typically employing fewer than 10 employees. There was also a high level of local ownership and of home-based business activity.
- 2.135 The lack of supply of smaller employment floorspace, typically under 100 sq.m was identified in paragraph 3.36 and there was a need therefore to ensure the ongoing supply of employment land and premises to provide opportunities for company expansion.
- 2.136 In Section 5, the Local Plan Review *Initial Proposals for Public Consultation* considers policy directions and opportunities for business and employment development.
- 2.137 Paragraph 5.106 concludes, from work undertaken by Enterprise M3 LEP that there is not an identified strategic need for significant economic development to be in the District area. It highlights that the District has a relatively low demand for strategic employment development but that there needs to be smaller and flexible premises for local businesses to expand into.
- 2.138 The Local Plan Review *Initial Proposals for Public Consultation* proposes to:
- Develop a criteria-based policy to guide any future interest for larger business developments;
  - Consider the following small employment land allocations for the provision of small business and starter units in particular:

- around 5 hectares as part of the proposed North Totton urban extension, to address the requirement identified for the Waterside area in the *Push Spatial Position Statement*.
  - around 5 hectares at Walkford Farm west of the Stem Lane Industrial Park, west of New Milton
  - around 5 hectares as part of the proposed East Ringwood urban extension near the A31 slip road
  - Identify any other potential employment development opportunities within our site-specific policies, for example on sites with mixed use potential. This could include part of the land at the former Fawley Power Station.
- 2.139 The Otter Nurseries site at Efford near Lymington (referenced as Site W) is highlighted at paragraph 5.110 (and in Appendix A) and the consultation reviewed the potential to transform the Otter Nurseries site into a parkland business campus providing offices, flexible start-up units, training and conference event facilities.
- 2.140 Port-related activities are also examined in the Local Plan Review *Initial Proposals for Public Consultation* in Section 5. Sites at Marchwood Military Port and Dibden Bay are identified.
- 2.141 Paragraphs 5.1119 – 5.120 confirm that the operational Marchwood Port (approximately 100 hectares in size) is proposed to be identified in the Local Plan as an established port suitable for port-related business uses. The area is being transferred to commercial operators who will manage the port under a 35 year lease.
- 2.142 With respect to Dibden Bay, the Local Plan Review *Initial Proposals for Public Consultation* sets out the history and position now at paragraphs 5.121 – 5.126. It is noted to be the only major area of land on the western shores of Southampton Water that would be physically able to accommodate a significant expansion of the Port of Southampton. The environmental protected areas that cover the site are recorded in paragraph 5.122 and at 5.123 the Local Plan Review *Initial Proposals for Public Consultation* notes that the Secretary of State rejected previous proposals for port development principally due to environmental harm outweighing the economic benefits at the time.
- 2.143 Any future application for port use at Dibden Bay is expected to be via the Nationally Significant Infrastructure Project planning route and would therefore be considered by the Planning Inspectorate rather than the District Council.

#### **New Forest National Park: Core Strategy and Development Management Policies DPD**

- 2.144 The New Forest National Park Core Strategy and Development Management Policies Development Plan Document was adopted in December 2010.
- 2.145 The Plan's Vision is set out in Section 3 together with the Strategic Objectives. The Vision includes the need to support people to live and work sustainably and to focus on the socio-economic needs of local people rather than meeting

external demand. The Vision notes that the rural economy has been supported by small scale employment development that does not conflict with the special qualities of the National Park.

- 2.146 Nine Strategic Objectives are established for the Plan. The most relevant to economic development and employment land are:
- SO6 – develop a diverse and sustainable economy that contributes to the wellbeing of local communities throughout the Park; and
  - SO8 – support development which encourages sustainable tourism and recreation and provides opportunities for enjoying the Park’s special qualities.
- 2.147 Relevant employment and economic development policies are contained in the Plan.
- 2.148 Policy CP14 (Business and Employment Development) states that small-scale employment development will be permitted in the villages of Ashurst, Brockenhurst, Lyndhurst and Sway. Outside the villages, small scale employment development that helps the well-being of local communities is permitted through redevelopment of existing employment sites, re-use or extension of existing buildings and farm diversification as well as home working. Support is offered to land based economy businesses and those that support the cultural heritage of the National Park.
- 2.149 Policy CP15 (Existing Employment Sites) – confirms that existing employment sites will be retained throughout the National Park to contribute to the sustainability of local communities.
- 2.150 Policy DP16 (Redevelopment of Existing Employment Sites) allows for the re-development of established employment sites for industrial office, business and low key storage uses subject to development criteria that include not materially increasing the existing floorspace of displaced buildings or increasing the level of impact of the activity generated in terms of employment, visitors or traffic.
- 2.151 Policy CP17 (The Land Based Economy) includes an emphasis on the provision of agricultural and forestry buildings and support for farm diversification where this would help to sustain the existing farm business. Agricultural diversification (and non-agricultural use diversification) is also supported through the re-use of redundant farm buildings where the new use would have a low environmental impact.

### **New Forest National Park Local Plan – Consultation Draft**

- 2.152 The Local Plan Consultation Draft was published in October 2016. The Plan is a review of the existing Core Strategy from 2010 and when adopted it will supersede the policies of the existing Plan. An initial public consultation has been held and the final Draft Local Plan is due to be published in 2017 and then submitted for independent examination.
- 2.153 The Local Plan considers the period up to 2036. The draft Vision is set out on page 13 of Section 2. The Vision includes reference to people living and working sustainably and that limited development has been focused on

catering for the socio-economic needs of local people rather than meeting external demand.

2.154 Nine Strategic Objectives are established and these are primarily the same as those set out in the NFNPA adopted Core Strategy. SO6 deals with establishing and maintaining a diverse and sustainable economy; and SO8 supports development that encourages sustainable tourism and recreation.

2.155 Strategic policies relating to the economy are set out in Section 8. The policies are essentially the same as those in the existing, adopted NFNPA Core Strategy and are not therefore reiterated here as the essence of each was discussed earlier in this Section of the report:

- [Policy 41 \(Business and Employment Development\);](#)
- [Policy 42 \(Existing Employment Sites\);](#)
- [Policy 43 \(Redevelopment of Existing Employment Sites\).](#)

## 3. FUTURE WORKSPACE TRENDS

### Introduction

- 3.1 The nature of employment has changed over the last decade and continues to change, as does the working environment. Indeed, the scale of change, even over recent years, has been significant. Driven by technological advancement and innovation, and social and cultural trends, these dual factors have supported a growing demand for and shift towards flexibility and more sustainable workplaces.
- 3.2 Such trends will only continue, evolving further. It is fundamental to understand the current and emerging trends impacting on the working environment and workspace in the New Forest District and National Park areas as these will have important influences on the commercial market and for the provision of workspace facilities and floorspace proposed.
- 3.3 While many of the trends do not generally impact on the workplace directly, they affect the way that work is undertaken. In this regard understanding future trends for how people may work and are organised, the technologies that enable work, and the organisational structure for a workforce are fundamental considerations for shaping the end provision of workspace and the commercial market response.
- 3.4 This section provides an overview of the key trends and factors reshaping the workplace (with respect to offices) and which are anticipated to drive future workspace requirements locally in the New Forest as well as more widely in the UK.
- 3.5 While much of the commentary herein is relevant to employment trends in general, attention is primarily focused on B1 (office) and B8 (storage and distribution) uses where organisational and technological trends have been most pronounced. This will help provide an understanding of the implications of these trends for the future provision of workspace.
- 3.6 Other non-B Class employment generating uses (for example retail and other main town centre uses) have and will also witness significant changes affecting working practices and commercial market demand and these are also discussed briefly in this section of the Report.

### General Trends

- 3.7 A significant amount of literature explores the changing trends impacting on employment, the future of work and the implications for the future of the workplace and workspace. This Report does not seek to replicate that research, but draws out, at a high level, the central trends that are dramatically changing work and workplaces. These can be summarised as follows:

- more diverse workforces;

- people working for longer;
  - disruptive innovations, particularly the availability of technology; and
  - new business models and industries.
- 3.8 The general dynamics of the population and social change are well known and characterised by an aging population, living more independently and for longer, these underlying social, cultural and demographic shifts effectively translate into people extending their working careers later into life, and for some even, the end of retirement.
- 3.9 When combined with the role of disruptive innovations, focused primarily on new technology, data analytics and social networks, this has resulted in a fundamental impact on how people communicate, collaborate and work.
- 3.10 Collectively, whilst these combined trends were initially most pronounced in the technology sector (which has historically led the way in the adoption of new technologies and associated workstyles), technology has become more integral to generic business operations, and is a theme which has permeated into the mainstream work environment.
- 3.11 However, there is one consistent trend; the future of work is changing, and the pace of change to 2030 and beyond will mean the working life for many people will look quite different to the current time.
- 3.12 The following sub-sections provide a brief overview of key changing trends which are impacting on, and shaping the future of work.

### The Role of Technology

- 3.13 The pace of technological change and advancement alongside data analysis is unprecedented, and can be best illustrated by former Google CEO, Eric Schmidt, who commented that *“every two days, we create as much information as we did from the dawn of civilisation to 2003”*.
- 3.14 Supported by the internet, mobile devices and the enhanced accessibility for users of each, the rate of change can be measured in years rather than decades.
- 3.15 For example, Twitter and the iPhone were launched in 2006 and 2007 respectively, but even in their short history, they have dramatically shaped social and working trends. It is therefore difficult to predict where technology innovations will take the working environment over the short, medium and long term.
- 3.16 It is, however, clear that the impact of technology has had many implications for the workplace, and will continue to shape the following key factors moving forward:
- business models and operational structure;
  - location;
  - workspace provision; and
  - complementary uses.

### Business Models and Operational Structure

- 3.17 Technology empowers a low impact, high technology business model. A key requirement of the application of technology relates to connectivity, which unsurprisingly remains a fundamental driver of locational choices for business. However, these technological disruptors have created uncertainty for many businesses alongside a recognition of the need for a far more agile, flexible organisational structure, which is reflected in workspace trends.
- 3.18 Research by PWC *The Future of Work: A Journey to 2022* has identified the existence of three worlds of work for the future, based on organisational structures ranging from the corporate world (blue); ethical/corporate care (green); and small (orange), in which the focus is on a collaborative network of small organisations and specialisms.
- 3.19 Whilst a theoretical exercise, each has implications for the future of workspace although the 'orange' world is considered of greatest relevance to future workspace provision in the New Forest area, drawing on the core drivers of flexibility, networking and a low impact, high technology business model.
- 3.20 The growth in small and medium enterprises (SME's) is a major indicator of the growth of the low impact, high tech economy, and has supported the development of a more collaborative and flexible working environment, particularly for offices. This growth in SME's has driven a need for flexibility which is a fundamental basis of office workspace provision for such organisations. This is reflected in the different types of workspace typically available to meet the needs of new and evolving business models. Furthermore, the growth in the importance of SME's, which has been supported and accelerated by technology, has key implications for the location of offices together with their design, facilities and local environment.
- 3.21 The combination of cultural and social shifts, and technology is driving and shaping organisational change. Consequently, the historic 'three stage life cycle' (study, work, retirement) has increasingly evolving into a less structured way of life. Technology supports this transition and allows for a better integration of working lives with lifestyle. This 'job with life' trend has major implications for the future type and provision of workspace but is also recognised by employers as central to locational decision making, operational structure, and recruitment/retention of employees.

### Location

- 3.22 The impact of technology on the workplace has radically changed the concept of location, to the extent that 'digital dependence' and the growth of the digital ecosystem over the next 15 years, is considered the main driver of the change of the approach to location.
- 3.23 It has provided a degree of flexibility not previously associated with the location of workspace, and facilitated increased collaboration through improved levels of communication. This flexibility in communication allows continued contact wherever individuals may be, and provides employers with the ability, depending on their organisational structure, to adopt a 'spoke and hub' approach to their organisational estate. In its 2015 report *The Big Eight for UK Real Estate*, JLL consider that by 2025, the combination of a changing workforce and greater connectivity will enable the shift to real estate portfolios

built around core hubs, made up of fewer locations. Around these hubs will be networks of flexible space for staff to work from and to host the growing contingent workforce.

- 3.24 Increasingly this **spoke and hub** location for workspace is driven by the opportunity to generate contact between a head office or 'clusters' of similar type industries, with either its associated sub office network, or other independent offices working within the same sector. This helps to encourage the cross-fertilisation of ideas and innovation. Indeed, many large corporate business models no longer consider the SME's as direct competition but are increasingly keen to work alongside, and/or work in collaboration to develop ideas together.
- 3.25 This approach has good opportunities for developing **collaboration hubs** which allow workers to meet in different spaces and environments. It also provides for flexible types of workspace provision and helps to support a range of complementary facilities e.g. cafes, leisure facilities.
- 3.26 In the New Forest area especially, the role of business clusters is important and has become the focus for strengths in arts, entertainment and recreation, business services, accommodation and food sectors for example. Such sectors offer significant opportunities for growth and investment, particularly where this is linked to the quality and size of the education provision and overall quality of life in the local area.
- 3.27 Regardless of the business structure, employers will increasingly need to target and retain talent in a competitive marketplace. On this basis, the location of workspace, primarily offices and their built environment, is considered crucial.
- 3.28 Other relevant factors to help differentiate workspace in attraction terms for employees will be the proximity to supporting facilities and services (including the provision of on-site facilities in larger-scale employment sites and those areas outwith existing town and urban centre hierarchies). These include local convenience retail, complementary leisure and health services, realistic and accessible public transport options, pedestrian and cycle friendly environments, and a high-quality landscape and approach to managing the local built and natural environment.
- 3.29 The role of office development in shaping their local environment has been explored in detail by the British Council of Offices (BCO) in its report, *Placemaking: The Role of Offices in Creating Better Places* (November 2016). This explores the scope for modern offices to better blend the public realm of retail and leisure outlets with private offices.
- 3.30 The report recognises that, from a developer perspective, good quality spaces help to maximise rental return, minimise vacancy and support footfall. Equally for occupiers, the environment and facilities are considered central to the work experience, its role in the health/well-being of employees, and the recruitment and retention of staff. In the wider community context, the study recognises that mixed use development further helps to encourage economic interest and wider investment into an area, alongside enhanced footfall and vibrancy.

### Workspace Provision

- 3.31 The ways in which workspace is used and what occupiers demand of such space, is changing rapidly and fundamentally. The sectors which are driving the increase in demand for office space are very different from the traditional services driven sectors. Indeed, the 'war for talent' is driving many location decisions, which includes a need to ensure the expectations of a new generation of employees is catered for in terms of a high quality of life and attractive housing, urban centres and living spaces.
- 3.32 These multiple trends driving change not only have implications for the type of workspace provision, but also its design and the local environment. Within the B1 office sector, a range of flexible types of workspace types exist, including hot desking, co-working, co-share, serviced accommodation. The commercial environment is changing as landlords and developers begin to embrace flexibility, reflecting the move towards short term leases, reductions in space standards, occupier pressure for innovative 'trendy' workspace, and emerging entry into the commercial market of specialist workspace providers.
- 3.33 The term 'co-working' is relatively new. Broadly speaking, it refers to a working practice, which involves a shared office environment for workers from different organisations. Driven in part by the growth in the contingent workforce and start-ups, co-working has become a flexible alternative to taking conventional office space. In many co-working spaces, there often operates forms of open collaboration between individuals from different organisations but with complementary skill sets. In the UK, workspace operators are also using co-working to describe more conventional private office space with breakout areas for occupiers to meet, and work more flexibly if they choose.
- 3.34 The demands and expectations of the millennial generation (those born after 2000) is recognised as an important factor for future workspace, although equally it is acknowledged that workspace will need to accommodate workers of different generations with different needs, preferences and expectations.
- 3.35 It is not uncommon for different types of workspace to be provided within the same building on different floors and is likely to become an increasing trend to maximise the flexibility and appeal of commercial office workspace. Flexible space, such as co-working offices, will be used tactically as the structure of the workforce moves to a higher number of freelancers. Furthermore, the larger organisations are embracing workspace types, such as co-working, previously associated with SME's. The overall conclusion is one of **flexibility**. One constant however is that as technology drives this shift, connectivity is becoming the fourth utility.
- 3.36 The flexibility of workspace offer is also necessary to provide for the different stages of business growth, that can provide for the start-up, grow-on space and mature business, which are supporting the growth of SME's but also reflecting the increasing role of workspace providers scaling their space commitments more dynamically.

### Support for Complementary Uses

- 3.37 It is recognised that office space will become increasingly defined by the people who occupy it. This is reflected by the younger workers who do not want to drive to their office workspace, but equally expect facilities, amenities and social activity near their place of employment.
- 3.38 The changing types of workspace generate the need for complementary workspace and employment associated with mixed uses. For offices, cafes and other food/drink venues are of relevance and provide meeting spaces but also supports the growth in freelancers who typically work on the go.
- 3.39 An increasingly important trend is the work/life balance, and the focus on health and well-being. This has implications for the location and design of workspace but equally the provision of facilities and the local environment in supporting the linkage between work and leisure.

### **Implications of Emerging Technology for Working**

- 3.40 In many ways, the overall role of technology could be considered limitless, such is the speed of change. However, the disruptive influence of technology has, and will be responsible for, the creation of new types of work, new jobs, and a changing world of work. Taken together, this will have further implications for the future provision of workspace and will be of direct relevance to the next generation of ‘digital dependent’ workers; the millennials, who have grown up with, and expect technology.
- 3.41 Sub-themes driven by technological innovations can be identified, which are anticipated to have major implications for the nature of work and the requirements for future workspace across all B Use Class and non-B Class employment generating activities. These are summarised below:
- **Artificial Intelligence** - much debate has focused on the role of artificial intelligence and the increasing prevalence of automation. If widespread predictions are correct, automation in the workplace is set to increase at an unprecedented rate, with some expecting the implications on work to be more far reaching than the internet. Whilst it has impacted on many areas of manual work, the implications for office work is also wide ranging with the ability to address routine and repetitive tasks. Not all jobs will be affected although its influence will only increase.
  - **Human Cloud** - another theme associated with technology is the growth of the ‘human cloud’ – a global pool of freelancers with the ability on demand to work from remote locations but also able to access highly accessible office locations such as the proposed HOR9 employment site. The last five years have seen major growth in websites matching employers to freelancers, with the market potential of the human cloud evolving so fast that management consultant McKinsey estimated that by 2025, some 540 million people will have used such website platforms to find work. The benefits focus on the instant pool of competitive, talent labour without the associated fixed costs of workspace and employee benefits. For those in the cloud, it provides flexibility, both in terms of hours and location.

- **Workplace monitoring** - a less obvious but important influence of technology in the workspace, has been a growth in the adoption of existing and evolving technologies that are used by employers to monitor the location and performance of staff. The use of workplace tracking technology varies, although it is typically utilised to measure operational performance and efficiency through to employee health and well-being. Overall, the modern workplace has experienced a complete shift in how we spend our time, to the extent that the level of expectation of clients and co-workers has also changed because of technology in the workplace, based on constant connection.
- **SMART Buildings** - related in part to monitoring of health and performance of employees, technology forms an integral element in the operation of, and the composition of a SMART building. This relates to buildings/structures that use automated processes to automatically control a building's operations, and include heating, ventilation, air conditioning, lighting, security and other systems. It is acknowledged this is a matter of design detail but one which will need to be fully considered in the overall provision of a range, choice and mix of future workspace that meets occupier and business expectations in the New Forest area.

## Implications of changing trends for Other Potential Employment Floorspace

- 3.42 Whilst the focus of much of this section of the Report has been on B1 office uses which are at the forefront of changing trends that are transforming the workplace, many of the same generic trends are impacting on the working practices and workspace requirements of other B Use Class activities.
- 3.43 In this context, it is useful to consider the trends emerging for other sectors, particularly for Class B8 (storage and distribution) and the Class A1 (retail) and other main town centre type uses, which form part of the overall market demand and employment offer in the New Forest District and in the National Park area.

### Storage and Distribution – Use Class B8

- 3.44 The B8 storage and distribution sector is fast moving, and has recovered significantly since the recession, to the extent that high demand is driving healthy levels of speculative development for new workspace in many parts of the south-east, east and west midlands and well-connected areas of the south-west.
- 3.45 The sector is subject to emerging trends that have implications for workspace provision, as outlined below:
- **Technology, automation and robotics:** the increased investment in material handling systems, system design and robotics is leading to increased cubic capacity of many developments. These more automated goods retrieval systems will have increased flexibility, modularity and agility, and have implications for building design. Increased automation,

however, has implications for employment generation, in a sector which is characterised by low levels of employment density. However, technological innovations are driving a need for more highly skilled employees, particularly those skilled in engineering, IT and analytics

- **Parcel hubs:** linked to the exponential growth of online retailing is the expansion of the market for parcel operators (e.g. Hermes, Yodel and Geopost), and their development of parcel hubs, which can vary greatly in size from circa **2,750** sq.m to **28,000** sq.m.
- **Logistics suppliers:** the increasing use of logistics service providers is expected to continue to grow as many companies review their capacity and decide that some or all their warehousing functions should be outsourced.
- **Omni channel:** major shifts in purchase profiles are bringing more flexible methods of delivering a wide range of goods, through on line orders, click and collect and dealing with returns. With over 40% of online goods returned, specific returns handling facilities either must be integrated into the logistics hub or separate buildings acquired.
- **Combined retail and distribution:** there are likely to be increased opportunities to create shared user space with retailers as e-commerce and 'click and collect' formats continue to increase (e.g. the eBay and Argos click and collect partnership), to consolidate deliveries and reduce traffic congestion.
- **Building design:** the drive for greater capacity and efficiency means that many operators include mezzanine floors, together with cross decking and cross loading facilities. This has implications for building size and land take. The importance of flexibility to adapt to the use of different technologies will be crucial. The scope for driverless vehicles for deliveries remains a very real potential for the sector, which have implications for building design/configuration.
- **Multi user facilities:** whilst not currently established in the UK, the move towards multi user occupancy facilities is increasing with facilities providing solutions for numerous contracts.

### Retail – Use Class A1

- 3.46 The impact of changing shopping trends on the high street has become a political issue, and as a sector has been impacted significantly by digital innovation, particularly the impact of e-tailing.
- 3.47 Coupled with changing socio-economic trends relating to shopping habits and preferences, and operational changes by the retail industry, the retail sector has changing greatly over recent years in both the food and non-food sectors. Such has been the extent of change that the traditional role and function of the retail centre has meant such centres are increasingly no longer the first choice for retail, leisure and other activities. A summary of key trends is outlined below:
- **Growth of non-store sales and e-tailing:** latest estimates from Experian indicate that non-store sales (primarily via the internet) account for a

circa **15%** market share of all retail sales, particularly for certain goods such as books, music, and increasingly clothing. The growth of convenience (food) online sales is also increasingly popular, which is reflected in the growing number of operators entering the market.

- **Convenience Store formats:** the retail industry has changed its format and type of stores to accommodate changing socio-economic trends (including the growth of online ordering, click and collect and remote warehousing delivery), as customers move towards day to day food shopping, and a resultant focus on smaller convenience and discount orientated stores. Bulk food shopping is increasingly focused on online sales.
- **Mixed uses:** the vibrancy of retail centres in general is increasingly moving beyond retail, to accommodate a wider range of services, such as community centres, healthcare, childcare and food and drink uses. This is essential to meeting local needs and maximising footfall in an area.
- **Click and collect:** the growth of e-tailing coupled with the distribution network has led to a growth in collection hubs for online orders. This facility, available at many established retailers, is increasingly popular with retailers and customers alike, and importantly acts as an important attractor of customers to a centre and resultant spin off expenditure. The ongoing changes in the distribution sector will likely result in continued evolution of the click n collect model.
- **Independent retailers:** there is increasing support for local produce and independent retailers, particularly for convenience products, as an increasingly health, well-being and quality produce approach is adopted by customers. This focus on small scale producers has implications for tenant mix and unit size.
- **Shopping environment and public realm:** the retail, and wider centre environment is central to helping provide a visitor experience and to differentiate the centre as an attractive destination. Coupled with the mix of uses, the quality of the public realm and local environment is vitally important in supporting a successful retail offer.

3.48 Such has been change in the retail sector and its associated implications for other Class A uses (such as A2/A3 and A5), which all provide employment opportunities and commercial workspace, the trends outlined in respect of A1 Use Class shopping uses are equally relevant to other A Class uses.

## Conclusions

3.49 Whilst there is an extensive subject matter on the changing trends of work and the implications of technology for the workplace, the multiple trends, have and are fundamentally altering how and where people work. The increasing use and access to a wide variety of networked devices, supported by enhancements in the speed and reliability of internet connections, has meant that many ways of working have evolved. This has changed the traditional

nature and offer of workspace available but equally is shaping how workers use their workspace, and what they demand from their workspace.

3.50 In summary, there are several core trends associated with these changing workspace and lifestyle dynamics that are and will affect commercial market characteristics in the New Forest area over time:

- the working world, organisational structures and the workforce is changing and must be embraced. The pace of change - driven by technology and associated cultural and social trends - has the potential to change significantly by the time commercial employment development is delivered at the proposed site. Such has been the scale of change in the last 5-10 years, it is inevitable this pace of change will only continue. This applies across office, storage/distribution and retail/main town centre uses.
- the need for flexibility and a focus on user experience to reflect changing business structures and workspace needs. This is already well established within the offices sector, which reflects changing work trends in the types of workspace provision increasingly available, location and supporting facilities. Worker experience will be important in design and functionality of workspace, and a recognition that different types of workspace will likely be provided within a scheme, including within the same building (e.g. co-working, hot desking, serviced accommodation). The same flexibility is required in considering Class B8 and any wider town centre uses.
- the needs of the millennials generation differ to older generations but will likely determine the type of demand, and importantly will influence the core requirements for that workspace. Key drivers of demand will focus on proximity to public transport options, pedestrian and cycle friendly environments, access to leisure facilities and a range of local amenities, all of which are vital to attracting future employees and occupiers. The Local Plan Review processes for both the District and the National Park Authority offer an excellent opportunity to provide such core requirements within new site selection/allocations, within criteria-based policies; and in determining employment-related planning applications.
- connectivity is crucial and the provision of modern, ICT infrastructure is a prerequisite for business and residents. Internet provision will need to be integral to infrastructure and subject to rollout, embrace the 5G network. Connectivity is the fourth utility. Embracing technology in the workplace, including smart systems in the fabric of buildings is critical.
- office location, the organisation of workspace and the built/local environment is essential to help differentiate workspace locations. This is related to the attraction of occupiers and employees alike.
- health and well-being is an increasingly important trend, both within the workplace and the local environment. Workspace provision will need to be fully integrated into the vision and character of development, including the development of intelligent buildings.

## 4. COMMERCIAL PROPERTY MARKET REVIEW

### Introduction

- 4.1 This section examines commercial market trends and signals in the NFDC and NFNPA areas. It includes a review of the current, active commercial property market and considers historic trends.
- 4.2 The District and National Park areas are reviewed separately to help isolate and highlight the characteristics of each market, albeit that both areas overlap to a significant degree and will of course reflect a strong property market commonality.
- 4.3 This section draws on published information from a variety of sources including commercial market data from CoStar and the Valuation Office Agency (VOA).

### Current Active Market: New Forest District (Outside of the National Park)

- 4.4 In this sub-section, the commercial property market across the New Forest District (outside of the National Park) is considered.

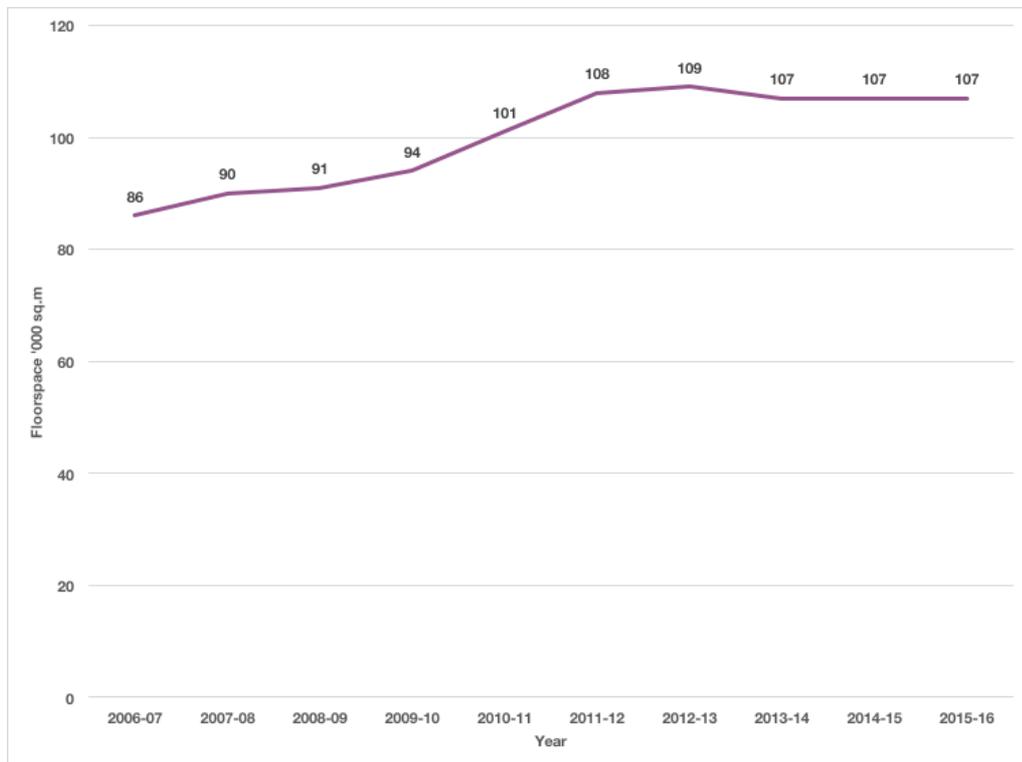
### Overall Change in Employment Floorspace

- 4.5 VOA Non-Domestic Rates data identifies the overall quantum of office and industrial floorspace in New Forest District and allows an exploration of the trends in total provision over time.

### B1 Office Stock

- 4.6 Figure 4.1 below shows the total office floorspace stock using VOA non-domestic rates business floorspace data. The Figure identifies the trend over the past decade showing an overall rise in the level of office floorspace from **86,000** sq.m to **107,000** sq.m. The peak level of floorspace was recorded in 2012/13 at **109,000** sq.m indicating a subsequent decrease in the most recent period.
- 4.7 Overall growth in the total stock from 2006 to 2016 was some **21,000** sq.m (equating to **24%** growth). This level and pace of change reflects an underlying element of increased demand for office space in the District and is likely to represent the renewal of existing stock, but also the provision of some new space over time into the market.

**Figure 4.1: Total Office Floorspace, Trend 2006 – 2016, New Forest District (Outside of the National Park)**

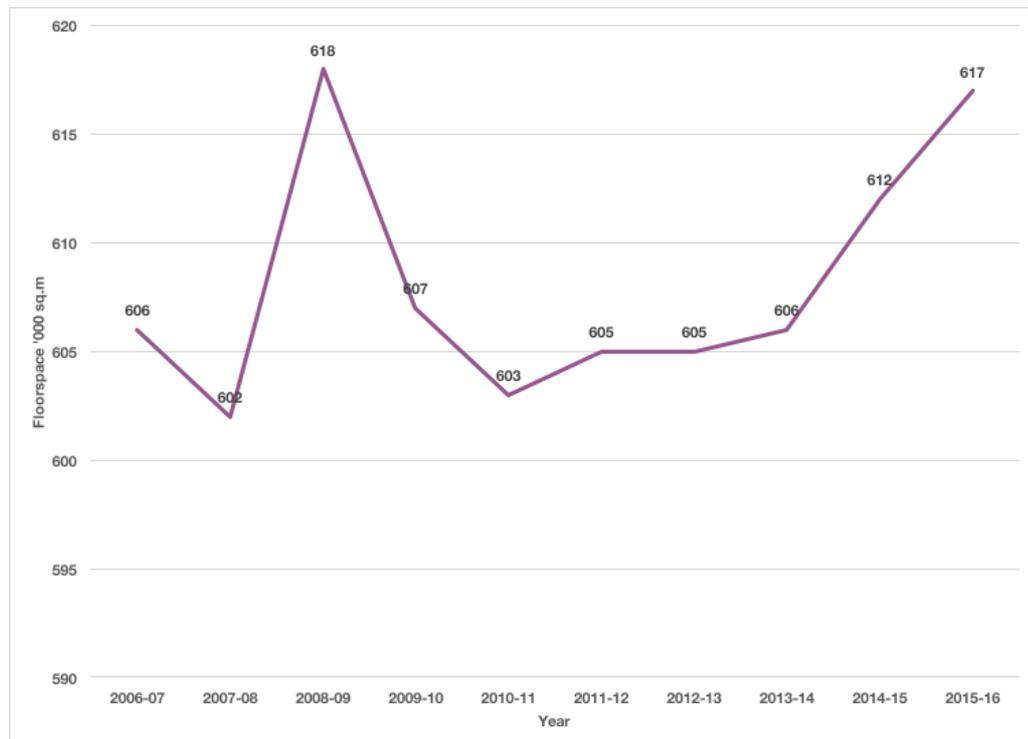


Source: Valuation Office Agency, *Non-Domestic Rates Business Floorspace Statistics, December 2016*

#### B1c, B2 and B8 Industrial Stock

- 4.8 The VOA data does not distinguish between different types of light/general industrial floorspace or storage and distribution unfortunately. An aggregate total floorspace is therefore the best information available from the VOA.
- 4.9 Figure 4.2 highlights the total industrial floorspace trend over the past decade, illustrating a significant increase in floorspace from 2007/8 to 2008/9 (**618,000** sq.m) followed by a substantial decrease (to **603,000** sq.m in 2010/11) and then a slow but increasing pace of upward growth in total provision to **617,000** sq.m in 2015/16.
- 4.10 Total industrial floorspace change over the decade was some **11,000** sq.m, representing a **2%** overall increase in the stock.

**Figure 4.2: Total Industrial Floorspace, Trend 2006 – 2016, New Forest District (Outside of the National Park)**



Source: Valuation Office Agency, Non-Domestic Rates Business Floorspace Statistics, December 2016

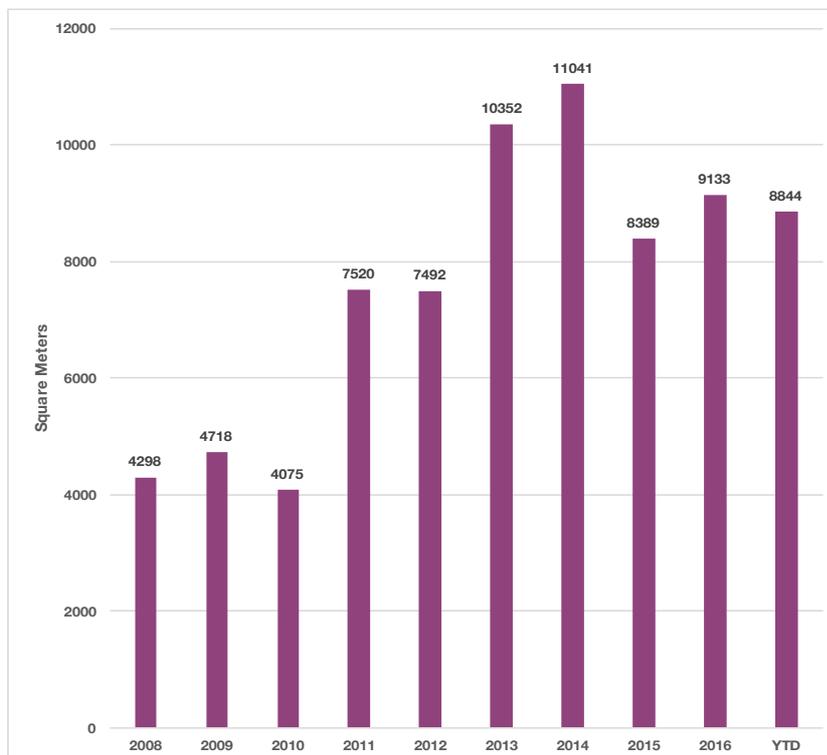
### Take-up Activity, Availability, Vacancy and Rental Values

- 4.11 The change in total stock, while showing the **net** change in floorspace does not illustrate the structural changes of property over time, new floorspace development and obsolescence.
- 4.12 While this process is taking place, there will also be a loss of existing floorspace due to obsolescence such as through the ageing of properties (technological obsolescence), lack of demand for a specific type of property (functional obsolescence) or poor location (locational obsolescence). These factors are all evident in the New Forest District and National Park market.
- 4.13 Analysis of the availability, take-up and market characteristics of B Use Class commercial floorspace in the New Forest District area over the past ten years (2006 – 2016) has been carried out. This looks at the rate at which ‘completed’ property is occupied, along with the rate of occupation of available or ‘second hand’ property – the revealed demand.
- 4.14 It should be noted that the analysis cannot fully reflect all activity as smaller deals may not have been recorded or reported to the commercial property databases such as CoStar. Nevertheless, the data is considered to cover some 75%-80% of all market activity.

### B1 Office

- 4.15 Of the total **71,784** sq.m<sup>4</sup> of office floorspace recorded by CoStar, some **5,224** sq.m is listed by CoStar as currently available (February 2017). This compares to a five year average of **7,828** sq.m available floorspace (**7.2%** availability rate). Figure 4.3 shows the trend in B1 office availability over time. The average availability rate over the last five years was **11.2%**, confirming a marked decline in office availability.

**Figure 4.3: B1 Office Stock Availability, New Forest District (Outside of the National Park)**



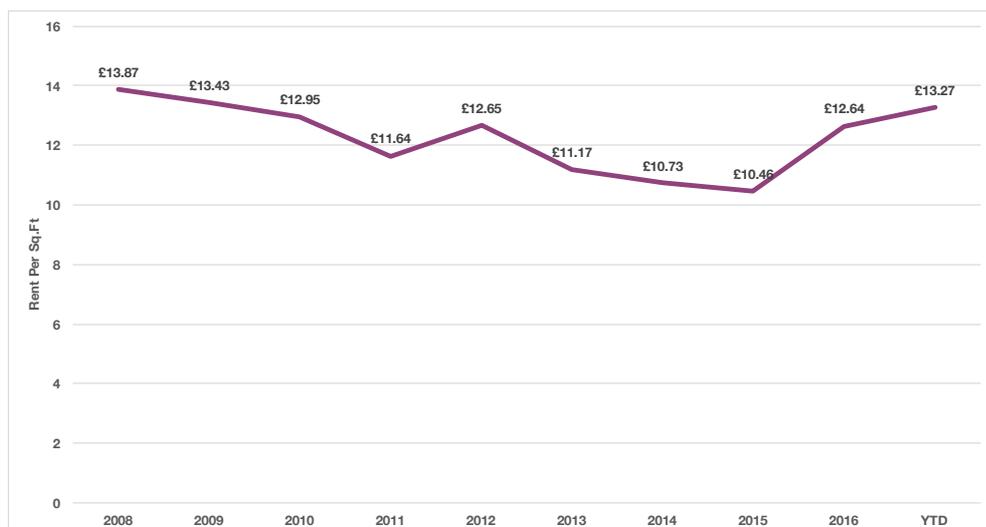
Source: CoStar, 2017

- 4.16 Take-up, measured in the time taken for available stock on the market to be let sits at **7.7** months compared to the five year average of **13.2** months. This is reflected in the overall vacancy rate for offices of **4.7%** which is below the five year average rate of **5.8%**. Vacancy rates peaked at more than **10%** in the period from 2008 – 2011 and only fell substantially below this from 2013 onwards.
- 4.17 The average floorspace size of available B1 office stock is **234** sq.m although this hides the fact that there are a number of larger floorspace units available, up to **1,079** sq.m (former Police offices).

<sup>4</sup> Note there are differences between VOA and CoStar in terms of total floorspace due to the different definitions and methodologies for data collation. The two figures are not therefore comparable

- 4.18 Analysis of CoStar data for the age of B1 offices provides a useful proxy indicator for stock quality. The data available for the District area shows approximately a quarter of properties were constructed since 2000. However, some 45% of B1 properties were constructed prior to 1980:
- **26%** of the stock was constructed after 2000;
  - **9%** was constructed from 1990 – 1999;
  - **19%** was constructed from 1989 – 1989; and
  - **45%** was constructed pre-1980, with a significant number of properties dating to pre-1939.
- 4.19 New office floorspace construction is also monitored by CoStar which records **462** sq.m of new floorspace (Fryern Court Road, Fordingbridge) as under construction as at February 2017; a total that is very similar to the five year average construction level of **440** sq.m. The small level of new office floorspace constructed and available means that the greater majority of available floorspace and take-up is in reletting of second hand stock.
- 4.20 CoStar data on rental activity for office floorspace in the District is shown in Figure 4.4 below. This identifies a marginal rise in rental values over recent years. The data indicates that asking rents have risen to **£13.27/sq.ft** currently from the five year average of **£11.40/sq.ft**. Current rental values have not yet returned to the position in 2006 where asking rents averaged **£15.00/sq.ft**. Indeed, it is not surprising that average office rental values decreased significantly during the recession and reached a low in 2015 at just over **£10.00** per/sq.ft before recovering as floorspace demand returned, and market supply has been constricted.

**Figure 4.4: B1 Office Rental Values Trends, New Forest District (Outside of the National Park)**



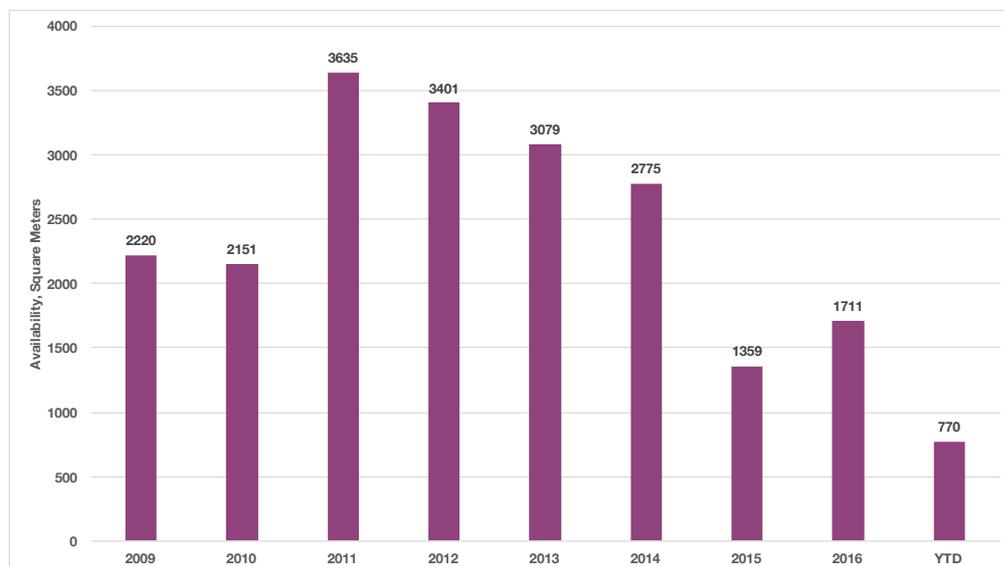
Source: CoStar, 2017

- 4.21 With respect to office investment sales activity, CoStar records a five year average yield of **7.7%**. There have been insufficient investment sales in the past year to allow an accurate yield figure to be derived.
- 4.22 All the active market demand measures highlight a relative dearth in supply to meet revealed demand with reducing availability, an increasing pace of take-up measured in terms of months on the market and the reduced vacancy rate of stock. Overall however, the B1 office market revealed demand characteristics are representative of a market that is broadly working normally and efficiently.

#### B1c Light Industrial

- 4.23 CoStar records a total of **24,863** sq.m of B1c Use Class light industrial floorspace in the District. The available levels of such floorspace are low and current availability amounts to **769** sq.m, well below the five year average availability of **1,084** sq.m.
- 4.24 The pattern of availability over the last decade set out in Figure 4.5 below shows a marked increase in available floorspace from 2010 onwards (no doubt due to the effects of the economic recession at that time) with a subsequent reduction in available space year-on-year since that period. Current available floorspace is now at its lowest level for the last decade.
- 4.25 The average floorspace size of available stock is **256** sq.m although one unit of 400 sq.m is available (at the New Forest Enterprise Centre).

**Figure 4.5: B1c Light Industrial Availability, New Forest District (Outside of the National Park)**



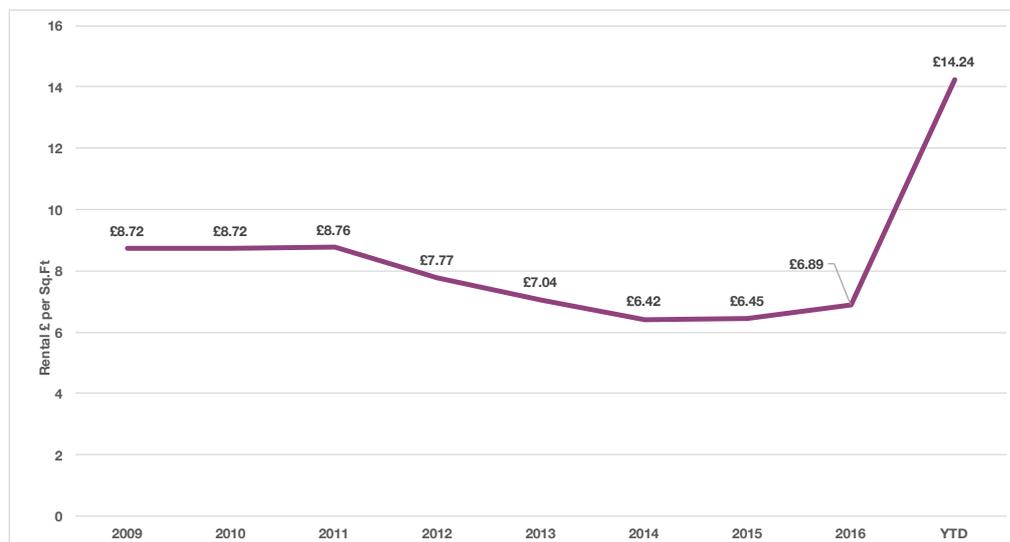
Source: CoStar, 2017

- 4.26 The broad age of existing floorspace is a helpful indicator of the overall likely quality of the space available. Analysis of CoStar data for light industrial properties shows that a large proportion of the stock was constructed after 2000 (**41%**) and combined with properties constructed from 1990 – 1999 (**18%**), represents some **59%** of the total B1c light industrial floorspace:

- **41%** of the stock was constructed after 2000;
- **18%** was constructed from 1990 – 1999;
- **9%** was constructed from 1989 – 1989; and
- **32%** was constructed pre-1980, with a significant number of properties dating to pre-1960.

- 4.27 Demand for light industrial units is often for freehold purchase of individual units rather than leasehold. This means that as new stock is constructed and as existing stock comes up for sale it is often purchased by the owner occupier rather than leased. This is reflected in the current vacancy rate of **0.3%** (compared to the five year average of **5.3%**) and an availability rate of just **3.1%** of the total light industrial stock; again far lower than the five year average of **8.6%**.
- 4.28 Take-up measured by months advertised for floorspace on the market has decreased in the past year to **4.1** months from the five year average position of **9.9** months.
- 4.29 Average rental values shown in Figure 4.6 below paint a similar picture with a current average of **£14.24/sq.ft** compared to **£7.33** average for the past five years. The longer term rental value picture indicates relatively stable pricing for light industrial units at circa **£8 - £9/sq.ft** in the period back to 2006/7. No investment deals are recorded in either the last year or over the five year period and therefore no current or historic yield information is held by CoStar.

**Figure 4.6: B1c Light Industrial Average Rental Values, New Forest District (Outside of the National Park)**



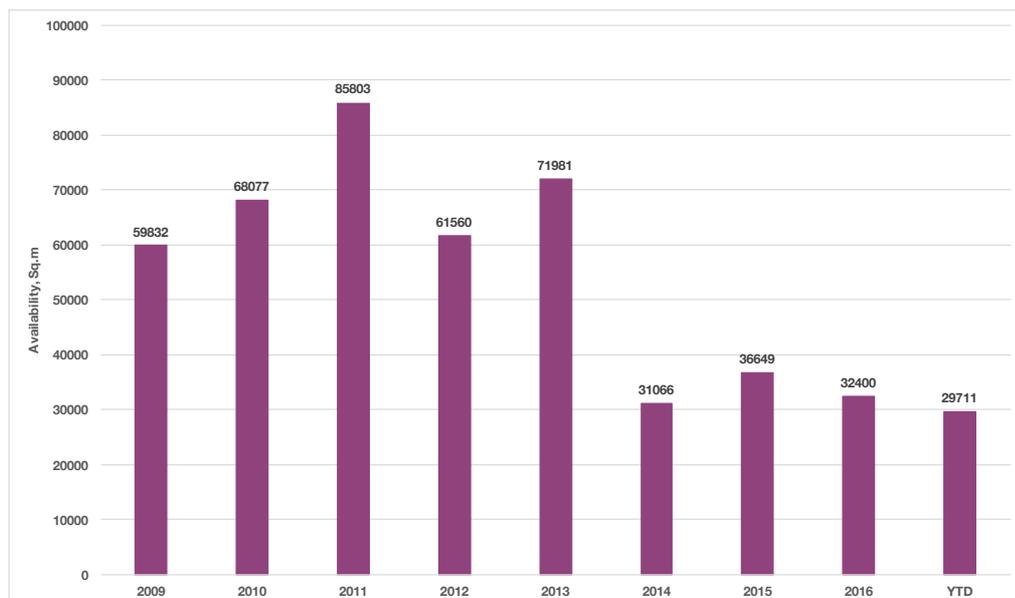
Source: CoStar, 2017

- 4.30 CoStar does not record any new B1c light industrial stock as under construction and with strong levels of stock absorption leading to rising rental values and an accelerated pace of take-up it is clear that the demand for light industrial floorspace in the District is substantially out-stripping the available stock to the point that there is effectively no vacant space.

### B2 and B8 General Industrial and Storage and Distribution

- 4.31 CoStar data does not readily distinguish between B2 (general industrial) and B8 (Storage and distribution) floorspace. It records a current total of **405,556** sq.m industrial and distribution floorspace across the District area.
- 4.32 Figure 4.7 identifies that the available stock floorspace totals **30,729** sq.m (a reduction from the **52,393** sq.m) average availability over the past five years. This equates to a decreasing availability rate of **7.6%** (**12.9%** over the past five years). Looking at the change in available stock over time, the level of space reduced considerably from 2013 onwards which coincided with a significant in stock absorption and lettings activity.
- 4.33 The average floorspace size of available stock is **995** sq.m although this mask several larger footprint spaces available, ranging up to some **11,595** sq.m space at the Hounslow Business Park.

**Figure 4.7: B2 and B8 Industrial Availability, New Forest District (Outside of the National Park)**

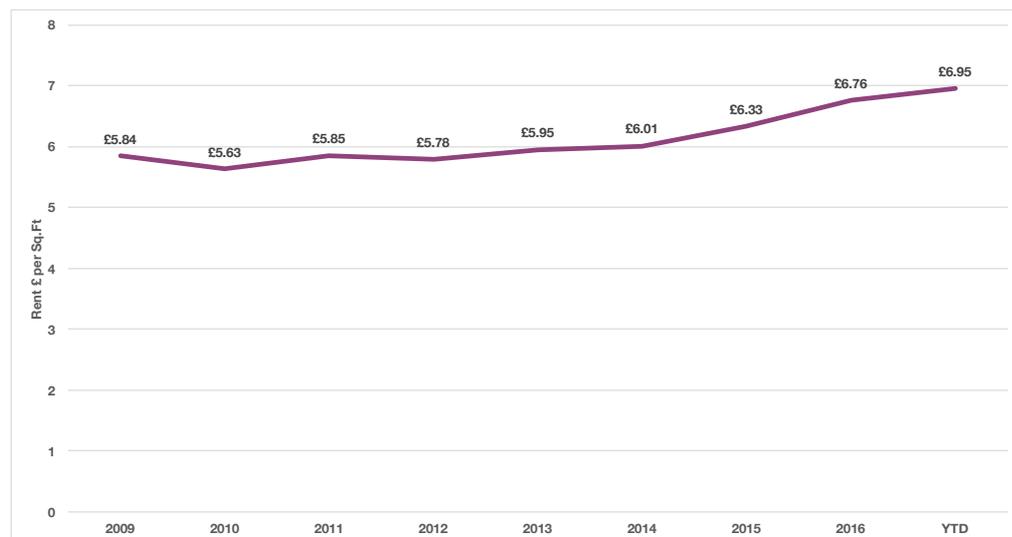


Source: CoStar, 2017

- 4.34 The broad age of existing floorspace is a helpful indicator of the overall likely quality of the space available. Analysis of CoStar data for industrial and storage & distribution stock (where the age of the property has been recorded) shows:
- **26%** of the stock was constructed after 2000;
  - **15%** was constructed from 1990 – 1999;
  - **29%** was constructed from 1989 – 1989; and
  - **29%** was constructed pre-1980, with a significant number of properties dating to pre-1960.

- 4.35 New industrial and storage & distribution floorspace construction is monitored by CoStar. This indicates no current industrial floorspace under construction, although it highlights that **1,495** sq.m was completed within the past year. The five year average level of new industrial floorspace construction is **341** sq.m.
- 4.36 Stock take-up has increased with a current average advertising period for available floorspace of **7.9** months on the market against a five year average of **14.0** months.
- 4.37 Increasing levels of take-up are reflected in strong overall net absorption of stock and a decreasing vacancy rate (**2.7%**) compared to the five year average of **5.7%**. Indeed, stock vacancy rates have reduced very significantly from a peak of **15%** in 2011/12 to the current rate of **2.7%**.
- 4.38 Over the period from 2010 onwards, rental rates have increased year-on-year from **£5.50/sq.ft** to the current **£6.91/sq.ft**, above the five year average asking rental of **£6.07/sq.ft**. Figure 4.8 shows the trends in headline rental levels.

**Figure 4.8: B2 and B8 Average Rental Values, New Forest District (Outside of the National Park)**



Source: CoStar, 2017

- 4.39 Investment sales yields show a current and hardening **6.1%** yield against a five year average position of **7.7%**.
- 4.40 While there is available, vacant industrial and storage & distribution floorspace in the District it is evident that increasing take-up rates, rising rental values and strong stock absorption coupled with a limited range of new constructed space represent the key characteristics of this type of B Use Class floorspace. A 2% vacancy rate is particularly critical. This reflects a very limited level of availability in the market and is at such a low level as to hinder the usual operation of the commercial market, reducing the ability of existing or new firms to find adequate industrial or storage and distribution floorspace, and allow for effective market churn.

### Summary CoStar Data Findings

4.41 The B Use Class commercial market in New Forest District (outside of the National Park) is characterised by rising take-up, reducing availability and low levels of vacancy. Rental values have increased while marketing periods for all B class stock have reduced in the past five years as the effects of the economic recession recede. Limited supply of new floorspace across all B Use Classes, coupled with the age (and therefore likely quality) of existing stock has, and will, affect the ability to satisfy revealed market demands. Headline findings for each of the B Use Classes in the District area show:

- decline in available B1 office supply with increased take-up and declining vacancy rates. Accelerated take-up times indicate that available B1 office stock is only available to the market for an average **7.7** months. Rental values have increased to **£13.27/sq.ft.**, above the five year average but not yet returned to the 2006 position (**£15/sq.ft.**).
- current, available B1 office supply is characterised by smaller footprint spaces (suitable for smaller and micro-businesses which characterise much of the evident occupier demand). Approximately a quarter of office space was constructed after 2000 and most of the available supply is second hand relets rather than new floorspace coming to the market.
- B1c light industrial floorspace has seen an increase in available stock since 2010 (no doubt due to recessionary effects) followed by a reduction in available space with high rates of take-up in the period after 2010. Current available B1c floorspace is at its lowest level for the last decade.
- most B1c stock is smaller size, with an average available level of space at circa **256** sq.m. The stock base is relatively new, with over **40%** constructed since 2000. There is however a rump of older floorspace (**32%**) constructed before 1980 and a significant portion of this dating from pre-1960.
- demand for B1c floorspace has been strong with very little vacant and available space. Take-up rates have increased and this is reflected in increasing rental values (up to **£14.24/sq.ft** average, from an average **£7.33/sq.ft** over the past five years).
- for B2 and B8 industrial and distribution space, there is a large existing level of floorspace (some **405,000** sq.m) and a trend towards reducing availability due to increased take-up (measured by the current **7.9** months marketing period) and stock absorption especially from 2013 onwards. Vacancy rates show a low level of empty stock with a current rate of circa **2.7%**.
- B2 and B8 rental values have reflected increasing revealed demand and a relative lack of available floorspace. Values have increased up to **£6.90/sq.ft** average, above the five year position of **£5.50/sq.ft.**
- approximately **26%** of B2 and B8 stock dates from after 2000 with a further **30%** constructed pre-1980. The stock is relatively new in many areas of the District although there is still a significant proportion that is more than 25 years old.

## Current Active Market: New Forest National Park Area

- 4.42 The property market evidence in this sub-section refers specifically to the New Forest National Park area.

### Overall Change in Employment Floorspace

- 4.43 The VOA do not provide data on the total employment floorspace stock for the New Forest National Park Authority area. The data that the VOA offer that covers the NFDC area is however considered to be broadly reflective of the total levels of stock.

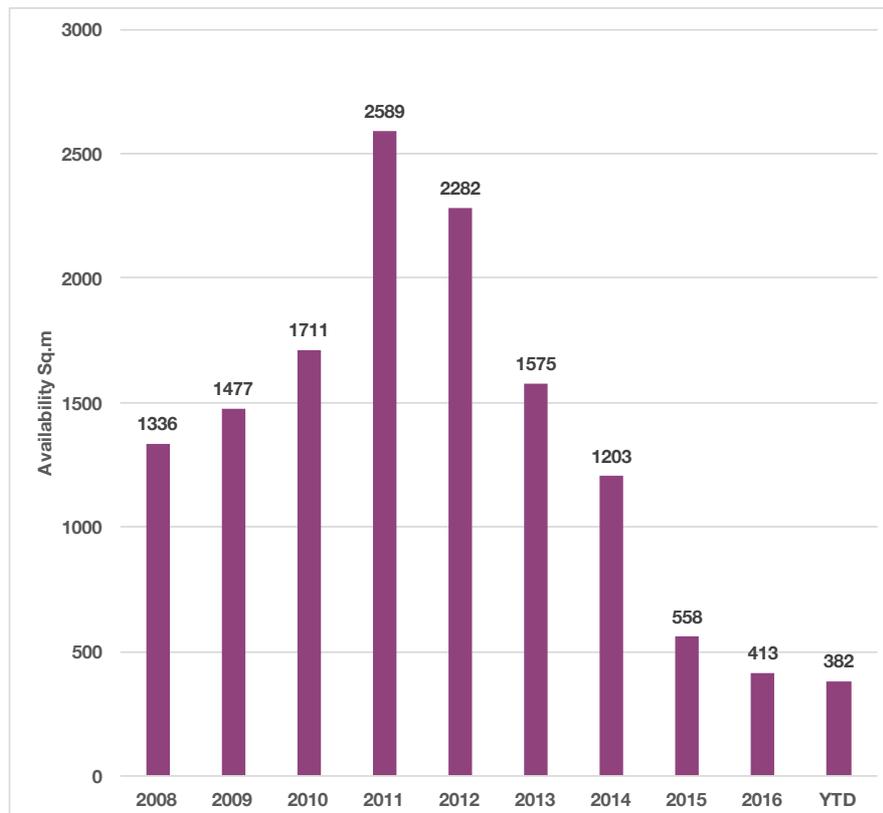
### Take-up Activity, Availability, Vacancy and Rental Values

- 4.44 As noted earlier in this section, the change in total stock, while showing the net change in floorspace does not illustrate the structural changes of property over time, new floorspace development and obsolescence.
- 4.45 Analysis of the take-up of B Use Class commercial floorspace in the New Forest National Park area over the past ten years (2006 – 2016) has been carried out.

### B1 Offices

- 4.46 B1 office accommodation in the National Park area is reported to be **12,316** sq.m according to CoStar data from February 2017. This level is slightly higher than the five year average of **11,782** sq.m representing an increase in the total stock of office floorspace during recent years.
- 4.47 Figure 4.9 below shows the available floorspace (for immediate occupation). The current total is **381** sq.m against a five year average of **1,848** sq.m and the trend over the past five year period shows a marked decrease in the amount of available floorspace from some **2,300** sq.m in 2012.

**Figure 4.9: B1 Office Availability, New Forest National Park Area**



Source: CoStar, 2017

- 4.48 The trend in take-up is reflected in the underlying availability rate of **4.3%** of total stock (a decrease from the five year average position of **15.5%**) and leads to a headline vacancy rate of just **2.2%** (against a five year average of **12.8%**). Put simply, the take-up of B1 office stock in the National Park has been significant with high levels of stock absorption for both new and second hand floorspace in 2015 and 2016 particularly.
- 4.49 The length of time during which available office space is marketed has decreased from an average of **18.2** months (in the five year period) to just **8.1** months as at February 2017. Again, this is symptomatic of an office market in the Park area that has shown underlying demand that is clearly reducing the available vacant floorspace supply and against a backdrop of limited new floorspace for lease/rental coming forwards.
- 4.50 Rental values for B1 office space in the Park area are similar to those of the New Forest District as Figure 4.10 highlights, with a current average asking rent of **£13.85/sq.ft** (against a five year average of **£14.14**). The Rental rate has remained broadly static over the past five years with average values at or around **£14.00/sq.ft** over that period.

**Figure 4.10: B1 Average Office Rental Values, New Forest National Park Area**



Source: CoStar, 2017

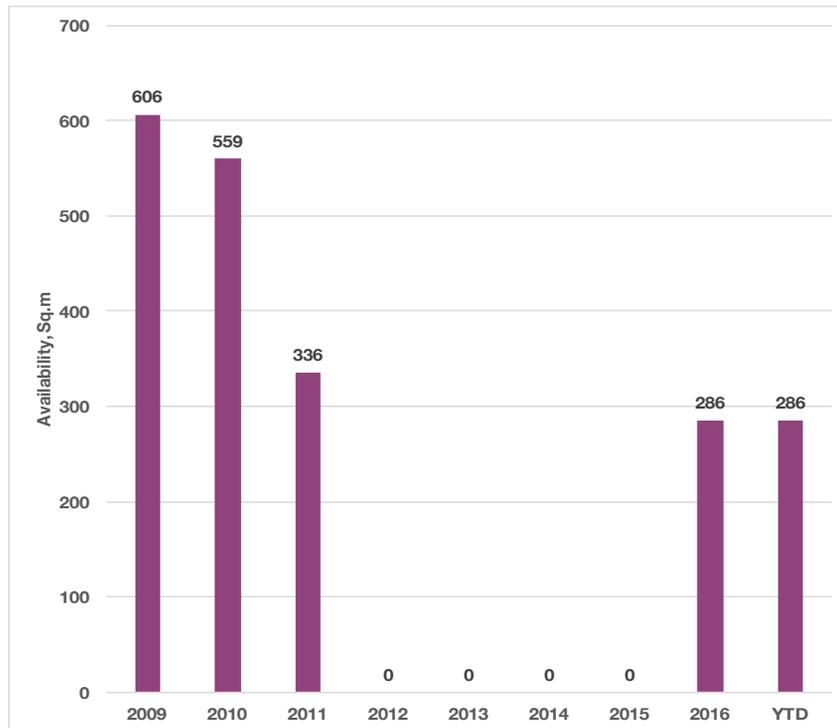
- 4.51 With very few investment sales deals completed, there is not sufficient data to project a yield value for the current year, although CoStar identifies a headline yield of **10.3%** for office investment sales transactions over the five year period.
- 4.52 The current, revealed demand characteristics for B1 offices in the National Park illustrate a picture of ongoing demand, albeit at a small overall level, with take-up rates, increasing rental values and reduced time on the market all highlighting that the office market is operating effectively. The recent levels of increased rental take-up and an apparent limited level of new floorspace supply for lease/rental (see Section 5 for more details on the future supply pipeline) mean that available stock and take-up is driven by conversion and refurbishment of existing provision rather than new build. Even the modest absolute levels of demand for office space may be unmet in future.

#### B1c Light Industrial

- 4.53 CoStar records very little floorspace as B1c Light Industrial within the National Park area. Four properties are currently recorded specifically as B1c representing a total of **1,337** sq.m.
- 4.54 Some caution needs to be attributed to the data on B1c light industrial availability and vacancy given the small number of individual units that constitute recorded stock.
- 4.55 Figure 4.11 sets out an analysis of the trends in available B1c light industrial floorspace in the National Park area. Available floorspace is confined to one unit of **286** sq.m that is currently marketed (Pound Lane, Ringwood).
- 4.56 The level of available space is higher than the five year average of **90** sq.m, representing a tightly drawn and limited supply of such space for lease within the Park area, although there will undoubtedly be B1c light industrial space that is developed and owned freehold and not recorded through the CoStar or EGi commercial lease data sets, or which forms part of a mixed B Use Class development. There is no B1c floorspace recorded as currently under-

construction by CoStar. B1c floorspace in the National Park area tends to have been developed through conversion or re-use of existing buildings and often undertaken by the freehold owners for their own occupation and use rather than lease or rental.

**Figure 4.11: B1c Availability, New Forest National Park Authority Area**



Source: CoStar, 2017

- 4.57 The availability rate of **21%**, is higher than the five year average of **6.8%** (reflecting the single unit currently available). By contrast, the headline vacancy rate is **0%** (The same as the five year average), effectively indicating that there is a very tight market and with no significant floorspace available for lease/rental it suggests that when new B1c accommodation is created it is bought freehold or pre-let.
- 4.58 With a lack of available supply for rental purposes, there is no evidence held by CoStar as to the marketing period for floorspace coming to the market. Again, this is symptomatic of a dearth of such supply, very limited churn in the market and reflects a market dominated by freehold, owner occupation dynamics.
- 4.59 Rental values for B1c are not recorded by CoStar due to the lack of letting deals in either the current period or over the past five years. However, it is reasonable to assume that the B1c rental values in the National Park will be equivalent to those for the District area (see above at circa **£14.24/sq.ft**). Similarly, a lack of market sales activity precludes a meaningful yield analysis for investment deals.

### B2 and B8 General Industrial and Storage and Distribution

- 4.60 As previously noted, CoStar data does not distinguish between B2 (general industrial) and B8 (Storage and distribution) floorspace. It records a current total of **8,104** sq.m industrial and distribution floorspace across the National Park area; a stable position when compared with the five year average.
- 4.61 The supply of available floorspace is limited. There is some **257** sq.m recorded as currently available for immediate occupation, with some **1,739** sq.m in 2015 and **80** sq.m recorded in 2014.
- 4.62 The current position when synthesised with the trend in vacancy rates (currently **0.8%** compared to a five year average of **12.5%**) indicates a significant level of take-up. Net absorption of available stock data identifies that there was a particularly large take-up of stock floorspace in 2014, possibly resulting from a single sizeable letting.
- 4.63 Market activity shows that there is currently a **12.8** month time period from initial marketing to letting (slightly reduced from the five year average position of **16.4** months).
- 4.64 The lack of available floorspace does not allow the calculation of an average available size. There is no B2 or B8 floorspace recorded as currently under construction.
- 4.65 Review of the rentable building areas for all existing B2 and B8 stock in the National Park shows an average rentable area of **748** sq.m, although as noted virtually none of the floorspace is currently marketed for rent.
- 4.66 Age analysis of floorspace highlights that all the current stock (where a year of construction is recorded) dates from post-1970. **67%** of all floorspace was constructed from 2000 onwards and a further **33%** during the period from 1980 – 1999.
- 4.67 With stock availability and vacancy rates at a low point, the headline rental asking price has increased to an average of **£7.64/sq.ft** presently, as Figure 4.12 highlights. This is an increase of over **£2.00/sq.ft** from the value in 2009/10 and is higher than the five year average of **£5.57/sq.ft**. The CoStar data identifies that the rental rate increase has been marked from 2015 onwards and is evidently tied to the lack of available rental floorspace in the National Park area.

**Figure 4.12: B2 and B8 Industrial Rental Values, New Forest National Park Area**



Source: CoStar, 2017

- 4.68 Like other B Use Class floorspace, there has been insufficient investment activity to establish a headline yield figure for the area.
- 4.69 Similar to other B Use Class activities in the National Park area the nature of ownership of the existing stock for B2 and B8 floorspace tends to be freehold, owner occupation rather than units constructed for letting or rental. Stock provision occurs more through conversion from other uses and refurbishment of premises rather than significant speculative new builds.

#### Summary CoStar Data Findings

- 4.70 Isolating the commercial property market dynamics in the New Forest National Park Authority area from the New Forest District Council area needs to be treated with some caution. The levels of total floorspace and that available across all B Use Classes in the National Park area is limited (for obvious reasons) given the function and purpose of the National Park and the national and international conservation designations.
- 4.71 There are a number of notable trends and findings (and a strong degree of similarity with the NFDC area findings) for the commercial property market in the National Park area.
- 4.72 The National Park area is characterised by limited lease/rental stock in total, little availability (especially for B1c, B2 and B8 floorspace) and rising rental values as demand has recently outpaced supply. The nature and extent of freehold owner-occupation means that there is little stock constructed for speculative letting or lease/rental on the open market. Effectively occupiers develop (through change of use, refurbishment and some new-build) their own accommodation for their use rather than to support the letting market in the National Park.

- 4.73 Supply is also limited by significant development restrictions within the National Park arising from the role, function and purpose of the Park as set out in legislation and with respect to the international and national environmental and landscape protections placed on much of the Park's area. Existing and future supply is therefore restricted and is unlikely to significantly change given these characteristics.
- 4.74 The size and characteristics of available stock suggest there is relatively modern B2 and B8 industrial space but little in the future supply pipeline:
- B1 offices are constrained in terms of immediate availability, with just **381** sq.m listed by CoStar as currently on the market for rent. The five year average trend is somewhat higher with an average of **1,848** sq.m available. Underlying availability rates and headline vacancy rate of **2.2%** reflect the lack of available office floorspace.
  - B1 office rental values of **£13.85/sq.ft** are similar (although very slightly higher) in the National Park than for the District Council area. Rental values have remained relatively stable over the past five years, although a small reduction (circa **£1.00/sq.ft**) has been recorded. With a small stock sample size, it is likely that such variations are affected by the individual characteristics of B1 office stock available to rent in the National Park area.
  - there is very little B1c light industrial stock recorded within the CoStar data set for the National Park area (just four units). It is concluded that B1c floorspace is either not recorded as such (for example because it is part of a wider mixed B Use Class development) or that such floorspace is rarely developed or available for rental due to demand for the construction of freehold ownership units or the conversion of non-B Use stock (such as agricultural barns) to B1c use for pre-let or owner occupation rather than rental on the open market. Only one B1c unit (**286** sq.m) is registered as available at present.
  - for B2 and B8 industrial and distribution floorspace there has been a relatively stable total level of provision over the past five years recorded by CoStar.
  - available floorspace is highly restricted with the vacancy rate of **0.8%** indicating that revealed demand outstrips available supply and this is also reflected in rising rental levels (up to **£7.64/sq.ft**) following a significant level of stock absorption particularly in 2014.

## Wider Commercial Market Commentary

- 4.75 Discussions with a variety of local commercial agents and economic development stakeholders active in the local New Forest market (and surrounding areas) have been undertaken, to supplement the quantitative analysis derived from the CoStar data, as outlined earlier in this Section.
- 4.76 At the fundamental level, the commercial market in the study area can be summarised by a limited office market, and a more buoyant market for industrial uses, focused established businesses in the Totton - Fawley

corridor. Furthermore, due to accessibility factors, there are clear geographical differences across the New Forest area which have implications for the strength and performance of the commercial market.

### Office Market

- 4.77 The B1 office market is acknowledged to be relatively small and limited in the area. This is confirmed by the CoStar data which indicates a low level of office availability, particularly within the National Park Authority area. Local commercial agents noted that this is partly a reflection of limited requirements for office floorspace, although where such demand exists, this is typically focused on small offices of circa **185** sq.m and less (up to **2,000** sq.ft). As a consequence, there is not considered to be significant demand for larger office footprint floorspaces.
- 4.78 The drivers for office accommodation locally are considered to focus on established professional services active in the main centres which are typically located in accommodation located above shops or in small purpose built offices. This has implications for the quality of offices (and their potential loss through PDR conversions to C3 residential use), with many reported to be of older, dated stock that do not meet modern needs. As a consequence of the limited demand for offices, rental levels have remained relatively stable over time, as evidenced by CoStar.
- 4.79 Of all the centres, the office market in Ringwood is considered relatively healthy in demand terms when compared to the others in the study area. The proximity to the A31 strategic road is considered a key driver for this.
- 4.80 Despite the reported limited levels of demand, the absence of new, quality office floorspace is highlighted as an issue for the area by local agents, particularly if it is to attract future new occupiers. However, a common concern is that the conditions for speculative development do not currently exist, with rentals levels of circa **£24 - £25/sq.ft** considered necessary for achieving new development. The current headline rate is reported to be **£20.50/sq.ft** in a few isolated lettings. In view of this, the refurbishment of existing B1 office floorspace is the dominant activity in the office market.
- 4.81 The New Forest Enterprise Centre at Totton is reported by several stakeholders to be a good example of the type of office floorspace which is appropriate for the local office market. This provides 'easy in, easy out' accommodation on short term licences, and has been designed specifically for new and small businesses. In total, it provides **36** office suites (together with light industrial/workshop units), with high levels of occupancy. A main reception, café, meetings rooms, showers and business support services are available to occupiers. This need for flexible, serviced and managed offices elsewhere in the District and National Park area, is considered a key resource for supporting small businesses which dominate the economic profile locally and was strongly supported by local commercial agents.

### Industrial Market

- 4.82 Activity in the B1c, B2 and B8 industrial market can be differentiated between the industrial floorspace focused at Totton and the Waterside area (to Fawley),

which are closely aligned to the larger Southampton market; and the rest of the New Forest area (primarily Lyndhurst, New Milton, Lymington, together with Ringwood and Fordingbridge).

- 4.83 Overall, the industrial market is considered by agents to be strong, particularly for B8 storage and distribution uses, driven by a requirement for proximity to the road network and Southampton Port.
- 4.84 This reflects the main focus for large industrial premises in the study area centred around Totton, which benefits from its close proximity to the M27 (junction 2) and the A36, that supports significant levels of floorspace.
- 4.85 The Calmore industrial estate at Totton acts as the main estate in the area, and supports other facilities such as South Hants Industrial Park. The strong level of demand in the area is reflected in the healthy levels of occupancy, together with the rise in industrial rental levels, which are reported to be similar to Southampton (at circa £7/sq.ft). The improvement in rental values is clearly evidenced by CoStar as set out earlier in this Section. Another large site at Eling Wharf provides secure and open storage facilities, again primarily for the Port. Further south, along the A326 towards Fawley, the distance from the motorway junction is considered more of a barrier issue for occupiers.
- 4.86 By contrast, to the south of the study area, the nature of industrial activity in Lymington and New Milton is reported to support strong levels of demand but focused on smaller footprint requirements, although the Queensway industrial estate (New Milton) has had evidence of recent, larger unit availability (of up to **2,787** sq.m).
- 4.87 The quality of the larger industrial stock at Queensway, and at many other locations across the area is considered limited (largely grade B and C), with good scope for refurbishment. In contrast, local agents confirmed that Ampress Park in Lymington has proved popular and has helped to deliver good quality stock, including a number of larger footprint units. This has helped to support higher rental levels at Ampress Park, reported to be £9/sq. ft. Agents further stated that demand for these newer units has been primarily focused on freehold sales rather than leasehold units.
- 4.88 To the west at Ringwood, the industrial market is considered more limited, and is characterised by a healthier market for B1 offices. Notwithstanding this, rental levels, whilst lower than Totton, are reported as £6/sq. ft. The influence of the Bournemouth/Poole market is considered important in this location as the focus for accommodating larger industrial requirements.
- 4.89 A common theme reported by commercial agents across the New Forest area is the strong demand for freehold industrial units. This is particularly healthy for smaller units. Consequently, this has contributed to a lack of availability of freehold stock (particularly relevant to B1c light industrial units), and is confirmed by CoStar data. In addition, the Council's *Business Survey Needs Survey* (2014) confirms the clear preference for freehold ownership of industrial (B1c light and B2 general industrial) business premises.
- 4.90 Another key characteristic reported by local agents is the desire for established occupiers to remain within the New Forest area, although such enquiries are primarily small scale, typically in the range **93 – 279** sq. m (**1,000**

- **3,000** sq.ft), reflecting the family run nature of business or a relatively new business.
- 4.91 The general lack of new industrial stock across all floorspace size is considered a constraint to higher levels of take up in the local market although equally this is considered a long term issue for the wider area, including the M27 and M3 corridors. Agents reported a general absence of smaller scale units in the range **93 – 465** sq.m (**1,000 – 5,000** sq.ft) although the situation for large requirements is changing to address future supply.
- 4.92 The delivery of a number of larger, speculative developments is underway, primarily for class B8 storage and distribution uses. This includes South Central adjacent to junction 3, M27 (just outside of the NFDC area), which will deliver grade A floorspace totalling over **19,000** sq.m (**206,000** sq.ft) by the end of 2017; and Mountpark near junction 5 of the M27.
- 4.93 Both these schemes will significantly contribute to future supply in the short term but equally are intended to serve the largest of storage/distribution requirements in the M27 corridor. Although commercial conditions support such speculative development, there is a recognised need amongst local commercial agents for more speculative development of smaller B1c light industrial floorspace (although this is currently focused on trade counter uses, which tend secure higher rental returns).

#### Key Qualitative Considerations

- 4.94 Discussions with relevant stakeholders confirmed that the local commercial market is effectively differentiated between the distribution, logistics and road haulage related uses, located to the east (and primarily driven by activities associated with the port at Southampton); and the remainder of the New Forest area, which is influenced by the established business profile comprising high level of SME's, including relatively high levels of home working. The latter is acknowledged by commercial agents to be both a positive and negative characteristic, which confirms a business ethos driven by opportunity but equally one which requires an availability of suitable 'grow on' space to help facilitate expansion and growth.
- 4.95 A challenge noted by many stakeholders is the need for flexible workspace, based on a similar model to that provided at the New Forest Enterprise Centre, which provides both office and light industrial/workshop units on flexible terms. There is currently no other comparable incubator type provision available locally and, as evidenced elsewhere in this Report, the small scale, home orientated nature of much local business, necessitates the opportunity for grow on space which is accessible. There is a reported concern that the absence of this provision supports relocation to suitable premises located in the larger business centres of Southampton and Bournemouth/Poole.
- 4.96 Access to the waterfront is reported to be an issue, particularly in the general inability to support requirements and demand from geographic specific sectors, such as marine related businesses. Despite its coastal location, accessibility to Southampton Water is considered limited, with the main existing access focused at the MOD port facilities at Marchwood, which is restricted. Agents noted that the future possible redevelopment of the former Fawley power station, may offer in part, some access to the waterfront in the

medium/longer term, subject to the nature of final development, although the situation in the short term is considered a constraint.

- 4.97 The improvement of broadband access across the New Forest area is considered crucial by local commercial agents in order to support local businesses, particularly given the rural geography of the National Park area and given the high level of small scale, home based businesses.
- 4.98 Notwithstanding a County Council target for 96% broadband coverage across the County by 2018, stakeholders considered it is imperative that the rural areas fall within this coverage target. This position is supported by the aforementioned 2014 *Business Needs Survey* which indicates the number of home workers could potentially be higher, if broadband speeds were better and the infrastructure more reliable; with one third of businesses in the New Forest indicating they have lost business owing to insufficient broadband speeds. In wider infrastructure terms, delays have been reported in the siting of mobile phone masts to improve signal reception, whilst the local road network, and associated public transport service/frequency in the rural areas, are all considered important factors which impact on the demand for employment floorspace in the area.

## 5. SUPPLY OF EMPLOYMENT FLOORSPACE

### Introduction

- 5.1 This section considers the existing and future employment land supply of sites and floorspace. The analysis firstly looks at existing sites drawing on a site survey assessment prepared by NFDC and NFNPA. The section then continues by examining the future potential supply of employment land with an analysis of the current commitments and floorspace under construction (the pipeline).

### Range and Nature of Existing Sites/Floorspace

- 5.2 NFDC and NFNPA have prepared a detailed survey and assessment of the existing B Use Class employment land supply. The survey work was carried out in late 2016 and has used a scored criteria-based approach to assess multiple characteristics and variables for each identified site.
- 5.3 The survey was carried out in accordance with the requirements of the NPPG at Section 3.
- 5.4 In this sub-section a summary review of the overall findings of the survey assessment is set out. The full survey methodology, findings for both the NFDC and NFNPA areas and the pro-forma assessments for each site are available from the two authorities.

### New Forest District (Outside of the National Park)

- 5.5 A total of **102** existing employment sites were surveyed and included in the Employment Sites Quality Assessment conducted by NFDC.
- 5.6 Table 5.1 explains the overall use classification of different sites within the Employment Sites Quality Assessment. This table is extracted from the *Employment Sites Quality Assessment Report*.

**Table 5.1: Overall Classification of Employment Sites**

<b>Established or Potential Office Locations</b>	Site and premises in or on the edge of town centres, capable of supporting pure office uses.
<b>High Quality Business Parks</b>	Large sites already occupied by or likely to attract national or multi-national firms. Likely to have significant office and R&D presence. Sites usually have high quality buildings, environment and access to strategic transport networks.
<b>Research and Technology Parks</b>	Usually office-based developments associated with academic and research institutions consisting of incubator units in urban locations or more extensive edge / out of town locations.
<b>Warehouse / Distribution Parks</b>	Large edge / out of town sites at transport interchanges.
<b>General Industrial / Business Areas</b>	Often older, more established premises which in terms of location, access and operating conditions are well suited for retention in industrial use.
<b>Heavy / Specialist industrial Sites</b>	Generally large sites close to manufacturing and processing industries. Often concentrated around ports, riversides and docks.
<b>Incubator / SME Cluster Sites</b>	Usually modern purpose built, serviced units.
<b>Specialised Freight Terminals</b>	Distribution sites for aggregates or road, rail, air and wharves.
<b>Sites for Specific Occupiers</b>	Sites adjoining existing established employers which are identified for their use.
<b>Recycling / Environmental Industries</b>	Recycling plants and other uses may require significant areas for external storage. If located in modern premises and plant sites may be suitable for light industry and offices, but because of perceptions and environment may not be marketable.

Source: New Forest District Council, *Employment Sites Quality Assessment Extract, 2017*

- 5.7 Table 5.2 shows how the sites are divided by their overall use. The Survey did not record sites in terms of their B (or Non-B) Use Class but the various descriptions of site use/activity give a clear indication of the principal activities and characteristics taking place.
- 5.8 Some **84%** of the total existing site supply is described as a General Industrial/Business Area (**86** sites) and this represents the majority of all existing sites. Six sites (**6%**) were characterised as Established or Potential Office Locations.

**Table 5.2: Breakdown of Existing Supply by Use, New Forest District (Outside of the National Park)**

	No.	%
Established or Potential Office Locations	6	6%
General Industrial/Business Areas	86	84%
Heavy / Specialised Industrial Sites	8	8%
Recycling / Environmental Industries	2	2%
<b>Total</b>	<b>102</b>	<b>100%</b>

Source: New Forest District Council, *Employment Sites Quality Assessment, 2017*, CCL calculation

- 5.9 Quality of the existing sites is a key issue and concern affecting their future use, lettability and fit to market requirements. Each site was scored (between 1 and 5, with 5 representing the highest quality) with respect to the overall quality of the site. Table 5.3, extracted from the *Employment Sites Survey Assessment Report* explains the relevant scoring.

**Table 5.3: Existing Site Quality Scores, New Forest District**

Quality of Site (Existing Sites)		
Score		Indicator
5	High	Visually attractive with ample parking, excellent landscaping and services
4	Above average	Visually attractive with good parking provision, landscaping and services
3	Average	Unremarkable with adequate levels of parking, limited landscaping and services
2	Below average	Untidy site with limited levels of parking, little landscaping
1	Low	Scruffy site with inadequate levels of parking, poor quality or no landscaping

Source: New Forest District Council, *Employment Sites Quality Assessment Extract, 2017*

- 5.10 Table 5.4 summarises the spread of quality scores overall. The majority of sites were scored at 3/5 (**38%**) representing **39** sites. **17%** were considered as grade 5 and a further **28%** at grade 4. The overall position is that **83%** of all existing sites surveyed were scored at grade 3 or higher, with very few sites scoring **1/5** or **2/5**. Six sites were not graded (identified in Table 5.4 as 'Not Applicable'. This was due to the fact that the sites in question are unimplemented adopted Local Plan Part 2 allocations). The analysis reflects a 'pool' of existing employment sites where the overall site credentials and characteristics are generally good.

**Table 5.4: Existing Site Quality Scores, New Forest District (Outside of the National Park)**

Site Quality	No.	%
Grade 5	17	17%
Grade 4	29	28%
Grade 3	39	38%
Grade 2	11	11%
Grade 1	0	0%
Not Applicable	6	6%
<b>Total</b>	<b>102</b>	<b>100%</b>

Source: New Forest District Council, *Employment Sites Quality Assessment, 2017*, CCL calculation

- 5.11 The quality of buildings within each site was also surveyed and assessed (scored between 1 and 5, with 5 representing the highest quality). Table 5.5 below highlights the building quality scoring overall.
- 5.12 This Table shows a balance towards higher graded buildings, with those graded 4 or 5 forming some **23%** of the total existing supply. The largest proportion of sites were graded 3 (**44%**) or 2 (**22%**). A small number of sites (**6** in total) were graded as 1 out of 5. Like Table 5.4, six sites were not graded (identified in Table 5.5 as 'Not Applicable'). This was due to the fact that the sites in question are unimplemented adopted Local Plan Part 2 allocations.

**Table 5.5: Existing Building Quality Scores, New Forest District (Outside of the National Park)**

	No.	%
Grade 5	5	5%
Grade 4	18	18%
Grade 3	45	44%
Grade 2	22	22%
Grade 1	6	6%
Not Applicable	6	6%
<b>Total</b>	<b>102</b>	<b>100%</b>

Source: New Forest District Council, *Employment Sites Quality Assessment, 2017*, CCL calculation

- 5.13 Turning to the overall scoring, it is possible to summarise the spread of site scores from a maximum total of **65** points. The spread of scores ranged from **56** points (TOT15 - Bartram Road; and TOT07 - Newmans Copse Road sites) representing new office and industrial premises; downwards to **21** points (OWER01 – Lark Farm storage sheds) with the mean average score of **41.3** points.
- 5.14 Sites scoring 30 points and below were assessed for potential release from B Use Class employment in future. This represents **8** sites from a total existing, surveyed supply of **102**.
- 5.15 A series of release criteria were designed to incorporate further planning considerations which are important for meeting the employment objectives of the District's Local Plan. As the *Employment Sites Quality Assessment Report* document records, the release criteria take into account local demand and supply considerations, whether sites are 'fit for purpose', and the scope for making alternative provision within the area to meet local needs.
- 5.16 Unlike the quality assessment the release criteria are not scored. Instead, an assessment was made as a result of a series of judgements against the stated criteria.
- 5.17 Following the assessment against release criteria, two potential sites were identified as candidates for release subject to relocation of existing businesses:
- **MIL02** - 4, Keyhaven Road, Milford-on-Sea (General Industrial/Business Area); and
  - **ASH03** - Ashford Works, Fordingbridge (General Industrial/Business Area).
- 5.18 Other candidate sites assessed for potential release were ultimately concluded to be necessary and appropriate to retain as B Use Class sites in future.

#### **New Forest National Park Authority**

- 5.19 A total of **40** existing employment sites were surveyed and included in the Employment Sites Quality Assessment conducted by New Forest National Park Authority.
- 5.20 Table 5.6 below sets out the overall division of employment activities and uses across the 40 sites, identifying that **29** sites (**72%**) of the total were categorised as General Industrial / Business Areas.

**Table 5.6: Breakdown of Existing Supply by Use, New Forest National Park**

Use	No.	%
Established or Potential Office Locations	6	15.0%
General Industrial / Business Areas	29	72.5%
General Industrial / Offices /Business Areas	1	2.5%
Light Industry / Craft Use	1	2.5%
Light Industry	1	2.5%
Storage	1	2.5%
Timber Storage	1	2.5%
<b>Total</b>	<b>40</b>	<b>100.0%</b>

Source: New Forest National Park Authority, Employment Sites Quality Assessment, 2017, CCL calculation

- 5.21 Quality of the existing sites is a key issue and concern affecting their future use, lettability and fit to market requirements. Each site was scored (between 1 and 5, with 5 representing the highest quality) with respect to the overall quality of the site.
- 5.22 Table 5.7 identifies no sites were graded 5, but **17.5%** as grade 4 (above average) and a further **45%** as grade 3 sites. Three sites (**7.5%**) were grade 1 (low quality). The balance of overall site quality is therefore considered to be average or above average.

**Table 5.7: Existing Site Quality Scores, New Forest National Park**

Site Quality	No.	%
Grade 4	7	17.5%
Grade 3	18	45.0%
Grade 2	12	30.0%
Grade 1	3	7.5%
<b>Total</b>	<b>40</b>	<b>100.0%</b>

Source: New Forest National Park Authority, Employment Sites Quality Assessment, 2017, CCL calculation

- 5.23 Turning to the scoring evaluation for the quality of individual buildings, the assessment at Table 5.8 shows the majority of sites contain buildings of grade 3 (average) quality. The balance of building quality is average or below average overall (**90%** of surveyed buildings on existing sites). Only one site was judged to have a building of grade 5 quality (Hawklease, Chapel Lane, Lyndhurst – offices).

**Table 5.8: Existing Building Quality Scores, New Forest National Park**

Site Quality	No.	%
Grade 5	1	2.5%
Grade 4	3	7.5%
Grade 3	23	57.5%
Grade 2	7	17.5%
Grade 1	6	15.0%
<b>Total</b>	<b>40</b>	<b>100.0%</b>

*Source: New Forest National Park Authority, Employment Sites Quality Assessment, 2017, CCL calculation*

- 5.24 Turning to the overall scoring of existing employment sites in the National Park, the survey analysis (from a total of 65 points) shows that the highest performing site scored **47/65** (Ocknell House, Beechen Lane, Clayhill Lyndhurst – an existing 1980s office site). The lowest scoring site was the Rear of Bungalow, Bull Hill Boldre with **18/65**. The overall average score across all sites was **33/65**.
- 5.25 Like the assessment conducted for the New Forest District area, the lowest scoring sites were further assessed in terms of whether they should be released from B Use Class activity in future. A total of **15** sites were considered as potential candidates for release, with the remaining **25** considered to be sufficiently good quality (by virtue of higher overall scores) to continue to be protected for B Use Class activity. None of the sites assessed were ultimately recommended for release from B Use to another activity.

### **Future Employment Land Supply**

- 5.26 While assessing the characteristics of the commercial property market it is important to consider employment floorspace and land provision that is anticipated to be delivered in the future.
- 5.27 This sub-section examines future employment floorspace regarding the current pipeline (committed sites, floorspace under construction and extant employment land allocations)
- 5.28 Both NFDC and NFNPA retain planning monitoring records of employment land and premises that are committed (i.e. with planning permission but as yet un-built) and under construction. This data offers a clear picture of the committed employment land supply that will (or is highly likely) to be available in the immediate and short-term period.
- 5.29 The following sub-sections set out a snapshot of the current position using the latest available plan monitoring information.

### New Forest District Area (Outside of the National Park)

- 5.30 In the monitoring year 1<sup>st</sup> April 2015 – 31<sup>st</sup> March 2016 a gross total of 5,798sqm of B1-B8 employment floorspace was completed, broken-down as follows:
- B1a offices: **0** sq.m
  - B1b/B1c research and development and light industrial: **909** sq.m
  - B1-B8 open B Class use: **4,482** sq.m
  - B2 general industrial: **407** sq.m
  - B8 storage and distribution: **0** sq.m
- 5.31 In the 2015/2016 monitoring year there was a loss of **7,500** sq.m of B1-B8 floorspace at the former Unit 8 on the Hardley Industrial Estate. This loss, however, was due to a site clearance relating to a likely future replacement employment development.
- 5.32 Table 5.10 shows that as of 1<sup>st</sup> April 2016 there is a total of **15.9** Ha of undeveloped land allocated specifically for employment development in the adopted Local Plan that does not currently have an extant planning permission (this includes a **2.32** Ha vacant area of employment land in the north east section of Hardley Industrial Estate, which although is not a formal adopted Local Plan allocation, is available for general employment use. The former commercial unit has been cleared ready for future commercial development and, as at March 2017, the site is subject to a current planning application).
- 5.33 To calculate the floorspace (sq.m) capacity of these remaining undeveloped, unconsented allocations an assumption that 40% of each site area would generate the commercial use with the remainder rest given over to car-parking, access areas, landscaping, etc. has been made. This may be a cautious approach but is intended to give a reasonable estimate of the possible capacity arising. The total estimated, assumed, floorspace capacity of these unimplemented allocation sites is calculated to be circa **63,800** sq.m.

**Table 5. 9: Available, Undeveloped Employment Land Allocations, New Forest District (Outside the National Park) at 1<sup>st</sup> April 2016**

Address	Settlement	Hectares
Land at Harrier Way	Hardley	0.94
Land West of Caird Avenue	New Milton	1.62
Vacant Plots J1 & J2 Ampress Park	Lymington	0.57
Little Testwood Farm	Totton	1.30
Land East of Caird Avenue	New Milton	4.20
Land East of Caird Avenue	New Milton	5.00
Former Unit 8, Hardley Industrial Estate	Hardley	2.32
<b>Total</b>		<b>15.95</b>

Source: New Forest District Council Monitoring Data for April 2016

- 5.34 In addition to the undeveloped employment land allocations set out in Table 5.9 there is also:
- approximately **30** hectares of land at Fawley Oil Refinery available for petro-chemical industry related uses. This is not included within the overall supply as it is reserved for petro-chemical industry related uses only and is not available to general commercial occupiers; and
  - Eling Wharf is a site of around **15** hectares currently allocated for employment-led mixed use development in the adopted Local Plan (Policy TOT11).
- 5.35 The District Council's current monitoring information provides further evidence of the future committed supply of employment floorspace. As at 1<sup>st</sup> April 2016, the data shows a total of **27,103** sq.m of unimplemented B Use Class planning permissions (excluding **43,459** sq.m B1-B8 development at Marchwood Industrial Park – see below) and a further **31,107** sq.m of floorspace remaining on planning permissions that are under construction or partially completed.
- 5.36 Much of the unimplemented, permitted floorspace is for mixed B Use Class activities related to sites in or near Marchwood (**43,459** sq.m on two sites at Marchwood and Cracknore Industrial Estate, Normandy Way, and at East Road, Marchwood Industrial Estate). These unimplemented consents have been excluded from the calculation due to the potential that they may not be available to general commercial occupiers given that these sites are controlled by Associated British Ports (ABP).
- 5.37 It is understood that ABP's intention is to seek to develop, redevelop and intensify the use of these two sites as opportunities arise, including for marine related business. Work is currently underway by ABP and prospective tenants in bringing forward potential development for employment purposes at Plots L4 and L5, infilled pond site, East Road (pursuant to planning permissions 12/99450 and 12/99485). With regard to the Normandy Way site (pursuant to outline permission 11/96665) it is understood from ABP that this site could offer potential future employment development but currently supports a number of existing, established, employment uses.

- 5.38 Table 5.10 below sets out the overall future employment land supply made up of unimplemented planning permissions, planning permissions under construction and the remaining undeveloped employment land allocations that do not yet have a planning permission. This totals some **122,010** sq.m.
- 5.39 Table 5.11 provides a breakdown by Use Class for the unimplemented permissions and floorspace under construction. It is notable that there is a significant level of unimplemented B1a office floorspace (**3,534** sq.m) as well as mixed B1-B8 floorspace which totals some **21,839** sq.m (excluding Marchwood Industrial Estate consents).
- 5.40 The largest unimplemented permissions at Marchwood Industrial Estate (**14,376** sq.m for mixed B1-B8 space); and a further, separate consent at Marchwood (**29,083** sq.m for mixed B1b/c, B2 and B8 with open storage). As noted above these have been excluded from Tables 5.10 and 5.11 due to uncertainty as to whether the floorspace would be available to the open commercial market.

**Table 5.10: Future Employment Supply – Permissions and Allocations, New Forest District, as at April 2016 (Outside of the National Park)**

Type of Supply	Floorspace (sq.m)
Unimplemented planning consents	27,103
Planning consents under construction	31,107
Undeveloped employment allocations	63,800
<b>Total</b>	<b>122,010</b>

Source: New Forest District Council monitoring and calculation

**Table 5.11: Future Permitted Employment Land by Use Class, New Forest District (Outside of the National Park), as at April 2016**

	Unimplemented (Sq.m)	Under Construction (Sq.m)
B1a	3,534	983
B1c	403	337
B2	1,011	-
B8	316	390
B1-B8	21,839	29,397
<b>Total Sq.m</b>	<b>27,103</b>	<b>31,107</b>

Source: New Forest District Council monitoring, CCL calculation

- 5.41 The District's latest monitoring data (covering the period to 31<sup>st</sup> April 2016) also reviews the effects of changes to Permitted Development Rights (PDR) including the permitted change of use from B1a office buildings to C3 Use Class residential dwellings. The data together (as yet unpublished) confirms that there has been a total loss of **3,915** sq.m of B1a office floorspace since May 2013, of which **490** sq.m was lost in the latest monitoring period to April 2016. Losses were from a mix of locations including sites in Lymington, New

Milton, Hythe, Fordingbridge and Totton. The monitoring data indicates that the majority of B1 space was vacant in the period prior to its conversion.

### New Forest National Park Authority Area

- 5.42 The New Forest Park Authority *Local Development Framework Monitoring Report* (December 2016) covers the period to 31<sup>st</sup> March 2016.
- 5.43 At page 21, the Monitoring Report confirms that there was no new B1 office or B1c/B2 or B8 industrial floorspace constructed during the period April 2015 to March 2016.
- 5.44 For comparison, in the previous year, April 2014 to March 2015 the relevant *Monitoring Report* (December 2015) indicates that there was a net gain of **2,947** sq.m of B1-B8 floorspace, of which over **75%** was change of use of existing buildings to B8 storage.
- 5.45 Turning to unimplemented planning permissions, the 2016 Monitoring Report identifies outstanding unimplemented planning permissions as at 31<sup>st</sup> March 2016 totalling **+3,520** sq.m:
- B1a offices: **996** sq.m;
  - B1b and B1c: **575** sq.m
  - B8 storage and distribution: **1,011** sq.m; and
  - B2 general industrial: **-127** sq.m.
- 5.46 The NFNPA Core Strategy does not include allocated employment land or sites and the strategy has been to rely on windfall developments within the Park area.
- 5.47 The Monitoring Report also reviews the effects of changes to Permitted Development Rights including the permitted change of use from B1 office buildings to C3 Use Class residential dwellings. In the April 2015 to March 2016 monitoring period, a total of three sites were subject to the implementation of PDR rights representing a loss of **532** sq.m of B1 office floorspace.

## Conclusions

- 5.48 Analysis of the supply of existing employment land and the future committed employment pipeline shows the following key conclusions:
- NFDC and NFNPA's survey of employment sites identified 102 and 40 existing sites across each authority's planning area.
  - The majority of existing sites in NFDC and in the NFNPA area are characterised as General Industrial/Business Areas, with fewer Established or Potential Office Locations surveyed.
  - Quality of existing sites and individual buildings were considered to be of average or higher grade quality in NFDC and a similar position was found through the sites' assessment in the NFNPA area, although the scoring for individual buildings was generally lower in the latter.

- While site and building quality scores for existing accommodation tended to be rated as average or above this masks a number of low grade sites and facilities (particularly in the NFNPA area) and also the lack overall of very high quality employment sites and buildings.
- Considering the overall spread of site quality scores and with regard to the individual grading/scoring of each criterion, the existing stock in both NFDC and within the NFNPA appears to be lettable and in demand (with reference to the findings of the Commercial Market Review) but there is a need to focus on securing high grade accommodation and improving the poorest quality sites/buildings.
- The poorest quality sites were reviewed in terms of their potential release from the existing employment land supply. The analysis resulted in the identification of two candidate release sites in NFDC area from the existing supply. Release needs to be balanced against the ongoing demand for employment floorspace (of the right type and quality) as well as the continuing effects of change of use through the implementation of Permitted Development Rights.
- Turning to future employment land and floorspace supply, recent monitoring data for NFDC shows that there is a level of undeveloped, allocated employment land and there is a substantial potential supply of consented, yet undeveloped employment floorspace:
  - from the adopted Local Plan allocation sites, there is a total of **15.9** Ha of undeveloped, available allocated land remaining. In addition, there is some **30** Ha of land allocated for petro-chemical industry uses at Fawley Oil Refinery and **15** hectares at Eling Wharf which is allocated for mixed use development;
  - the latest monitoring data (as yet unpublished) confirms that there has been a total loss through PDR conversions (from B1 office to C3 residential use) of **3,915** sq.m of B1 office floorspace since May 2013, of which **490** sq.m was lost in the monitoring period April 2015 to March 2016;
  - a total of **27,103** sq.m of unimplemented B Use Class planning permissions exist. Unimplemented, permitted floorspace sites in Marchwood Industrial Estate totalling **43,459** sq.m are excluded from the pipeline as the Estate is owned by ABP and the unimplemented floorspace may not be available for general market occupation once completed; and
  - **31,107** sq.m of floorspace is under construction or partially completed.
- The future employment land and floorspace supply pipeline for NFNPA shows a constrained position with limited supply due to the significant constraints to development throughout the National Park area:
  - there was no new B1 office or B1c/B2 or B8 industrial floorspace constructed during the period April 2015 to March 2016;
  - there were outstanding unimplemented planning permissions as at 31<sup>st</sup> March 2016 totalling **+3,520** sq.m, of which **996** sq.m was

B1a offices; **575** sq.m was B1b/B1c research and development and light industrial; **1,011** sq.m was B8 storage. Implementation would also result in a net loss of **-127** sq.m of B2 general industrial space;

- there are no allocated employment land sites in the National Park area;
- three sites were subject to the implementation of PDR rights representing a loss of **532** sq.m of B1 office floorspace between April 2015 and March 2016;
- supply constraints are unlikely to change significantly in the future due to the restrictions on new development arising from the National Park's statutory role and function and the extent of protected environmental, landscape and conservation designated areas.

## 6. EMPLOYMENT DEMAND AND NEEDS

### Introduction

- 6.1 This Section provides an assessment of employment land demand for the New Forest District Council (NFDC) and New Forest National Park Authority (NFNPA) areas. The results for each of these planning authorities are separated as far as possible, with a composite set of results also provided.
- 6.2 There are two key components to developing the employment land demand assessment:
- a broad overview of the underlying economic characteristics in the New Forest District area; and
  - an assessment of future employment land demand, based primarily on past-trends data given the characteristics of the two planning areas.
- 6.3 The findings from these analyses are presented in this Section, along with a consideration of sensitivity testing and implications for the employment land demand assessment. A set of conclusions and recommendations are also provided.

### Economic Overview

#### Employment Change

- 6.4 According to the Census of Population<sup>5</sup>, the **economically active** population in the New Forest District grew from **79,531** to **86,776** between 2001 and 2011. This is an increase of **7,245**, or approximately **725** per annum, and is an increase of just over **9%**. This compares with an increase of **12%** in the South East as a whole. In other words, the South East employment growth rate was approximately a third higher than that seen in the New Forest District over this period
- 6.5 The nature of employment growth in the New Forest District over 2001 to 2011 has also differed from the average for the South East. The main drivers of employment growth in the New Forest District have been in part-time employment and self-employed individuals. Meanwhile, the number of full-time employees in the New Forest District fell slightly between 2001 and 2011, in contrast to an increase in the South East as a whole.
- 6.6 However, the proportionate increase in unemployment in the New Forest District between 2001 and 2011 was appreciably lower than the average for the South East. This may reflect a fairly tight employment market,

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<sup>5</sup> ONS. *Neighbourhood Statistics. Economic Activity, 2001 (Table UV28), 2011 (Table QS601EW)*

notwithstanding the below-average employment growth rate that the New Forest District appears to have seen between 2001 and 2011.

- 6.7 Support for this comes from an analysis of the number of **economically inactive** residents in the New Forest District between 2001 and 2011. The number of economically inactive people in the New Forest District fell by just over **1,500** over this period, or a reduction of **4%** on the 2001 total economically inactive base figure. In contrast, there was an increase in the number of economically inactive people in the South East as a whole over the same period.
- 6.8 The reduction in economically inactive residents in the New Forest District was primarily driven by more people entering the job market after looking after the home, family or someone with a long-term sickness. This reduction in the number of economically inactive residents occurred despite an above average increase in retired people in the New Forest District compared to the South East average for 2001 to 2011.
- 6.9 Despite more economically inactive people entering the job market, it appears that the overall employment growth rate in the New Forest District was below the South East average. However, this does not take account of the fact that the total increase in the 16-74 aged population group in the New Forest District - the age group (as reported in the Census) to assess economically active and economically inactive residents - was approximately half that of the South East average (**4.8%** increase in the New Forest District compared to **8.8%** in the South East).
- 6.10 If the employment growth rate in the New Forest District was adjusted to reflect the lower overall growth in population in the 16-74 age group category, then employment growth in the New Forest District was above the South East average. The New Forest District has, therefore, secured significant employment growth in relative terms, despite a lower overall population growth. This has mainly been driven by more people entering the job market from the 'economically inactive' category, and more part-time and self-employed work, reflecting the characteristics of the local economy, which has a strong focus on the tourism and leisure sectors.

### Employment Sectoral Breakdown

- 6.11 The economic composition of the New Forest District economy is summarised in Table 6.1. This shows a reasonably balanced economy relative to the South East average. This will have helped in maintaining a relatively resilient economic picture, despite elements of re-structuring in the local economic base and the consequences of the global recession in 2007-8.
- 6.12 There is above average employment in the New Forest District in the manufacturing, construction, accommodation & food services, and health and social work sectors relative to the South East average, as Table 6.1 demonstrates. In fact, these sectors make up approximately **37%** of the employment base in the New Forest District. This compares to **32%** for the same sectors in the South of England reporting region.

- 6.13 In contrast, the New Forest District has relatively low coverage in the transport & storage, information & communication, finance & insurance and public administration sectors.
- 6.14 A relevant factor is the employment breakdown in terms of potential B Use Class and Non B Use Class uses. Whilst a direct mapping between Use Classes and employment categorisations is not straightforward, a broad indication can be obtained.
- 6.15 Using the 2011 ONS based data summarised in Table 6.1, then approximately **36%** of employment in the New Forest District is estimated to be in the B Use Class related sectors. Conversely, **64%** is in Non B Use Class activities, such as education, health, retail and leisure. This indicates that the B Use Class demand focus is less than Non B Uses, and reflects the focus of the local economy on the tourism and leisure sectors.

**Table 6.1: Economic Composition of New Forest District (2011)**

	New Forest District		South East England		England	
A Agriculture, Forestry and Fishing	863	1.0%	28,582	0.7%	203,789	0.8%
B Mining and Quarrying	130	0.2%	5,832	0.1%	43,302	0.2%
C Manufacturing	7,424	8.9%	306,391	7.2%	2,226,247	8.8%
D Electricity, Gas, Steam and Air Conditioning Supply	524	0.6%	24,500	0.6%	140,148	0.6%
E Water Supply; Sewerage, etc.	627	0.8%	29,749	0.7%	175,214	0.7%
F Construction	7,409	8.9%	339,761	8.0%	1,931,936	7.7%
G Wholesale and Retail Trade; etc.	12,666	15.3%	662,860	15.6%	4,007,570	15.9%
H Transport and Storage	3,990	4.8%	222,795	5.2%	1,260,094	5.0%
I Accommodation & Food Service Activities	5,243	6.3%	214,329	5.0%	1,399,931	5.6%
J Information & Communication	2,613	3.1%	235,081	5.5%	1,024,352	4.1%
K Financial & Insurance Activities	3,015	3.6%	191,566	4.5%	1,103,858	4.4%
L Real Estate Activities	1,402	1.7%	61,133	1.4%	367,459	1.5%
M Professional, Scientific & Technical Activities	5,688	6.9%	317,787	7.5%	1,687,127	6.7%
N Administrative & Support Services	3,871	4.7%	219,830	5.2%	1,239,422	4.9%
O Public Administration and Defence	4,437	5.3%	255,674	6.0%	1,483,450	5.9%
P Education	7,760	9.4%	432,119	10.1%	2,490,199	9.9%
Q Human Health and Social Work Activities	10,870	13.1%	495,212	11.6%	3,121,238	12.4%
R, S, T, U and Other	4,461	5.4%	217,522	5.1%	1,257,385	5.0%
<b>All Usual Residents Aged 16 to 74 in Employment</b>	<b>82,993</b>	<b>100.0%</b>	<b>4,260,723</b>	<b>100.0%</b>	<b>25,162,721</b>	<b>100.0%</b>

Source: ONS (2011). Based on 2007 Standard Industrial Classification. Table QS605EW

## Past-Trends in Demand - Overview

- 6.16 Past trends in employment land development provide an empirical evidence-base on actual demand levels. If long-term data is available covering a range of economic cycles, this can provide a realistic platform from which to interpolate future potential demand levels. This is subject to no major transformational economic developments in the local economy, such as occur through major infrastructure projects.
- 6.17 Employment land completion data exists for the New Forest District Council (NFDC) and New Forest National Park Authority (NFNPA) areas going back to 1988/89. This captures the completion of individual sites with planning permission, and so reflects actual delivery rates. This data series covers a number of economic cycles, and so is likely to be indicative of underlying future demand levels.
- 6.18 Table 6.2 provides a summary analysis of average annual completions of B Use Class land development. This is in the form of net floorspace completions for the NFDC and NFNPA areas over the period 1988/89 to 2015/16<sup>6</sup>. The completions data has been separated into broad B Use Class categories as appropriate.
- 6.19 From Table 6.2 it will be seen that the total average level of completions across all B Use Classes has been approximately **10,570** sq.m per annum. This is made-up of approximately **9,670** sq.m per annum completions in the NFDC area and approximately **900** sq.m per annum in the NFNPA.
- 6.20 There is broadly even demand across the B1a/b-B1c and Mixed B Use development types in the NFDC area as a whole (**4,230** sq.m per annum and **4,789** sq.m per annum respectively). The NFNPA, meanwhile, has the majority of demand arising from the B1a/b Use Class category (**445** sq.m per annum).
- 6.21 There are limited levels of B2 and B8 completions across both areas. The most noticeable levels of B2 and B8 completions are in the Totton & the Waterside sub-area of NFDC. The overall average level of completions in the B2 and B8 Use Classes across both areas is **141** sq.m per annum and **774** sq.m per annum respectively, or less than **9%** of total expressed demand.

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<sup>6</sup> The NFNPA data runs from 1988/89 to 2014/15

**Table 6.2: Average Annual Completions in NFDC and New Forest NPA – 1988/89-2015/16**

Sq.m	Totton & the Waterside	South Coastal Towns & Villages	Avon Valley and Downlands	NFDC (exc NFNPA)	New Forest NPA	Overall Average NFDC & NFNPA
B1a/b	273	283	318	873	445	1,318
B1c	1,680	1,075	603	3,357	62	3,419
B2	114	-129	74	59	82	141
B8	304	121	162	588	186	774
Mixed B	1,769	1,553	1,467	4,789	126	4,915
<b>Total</b>	<b>4,140</b>	<b>2,901</b>	<b>2,624</b>	<b>9,666</b>	<b>902</b>	<b>10,568</b>

Source: Hampshire County Council Monitoring Data

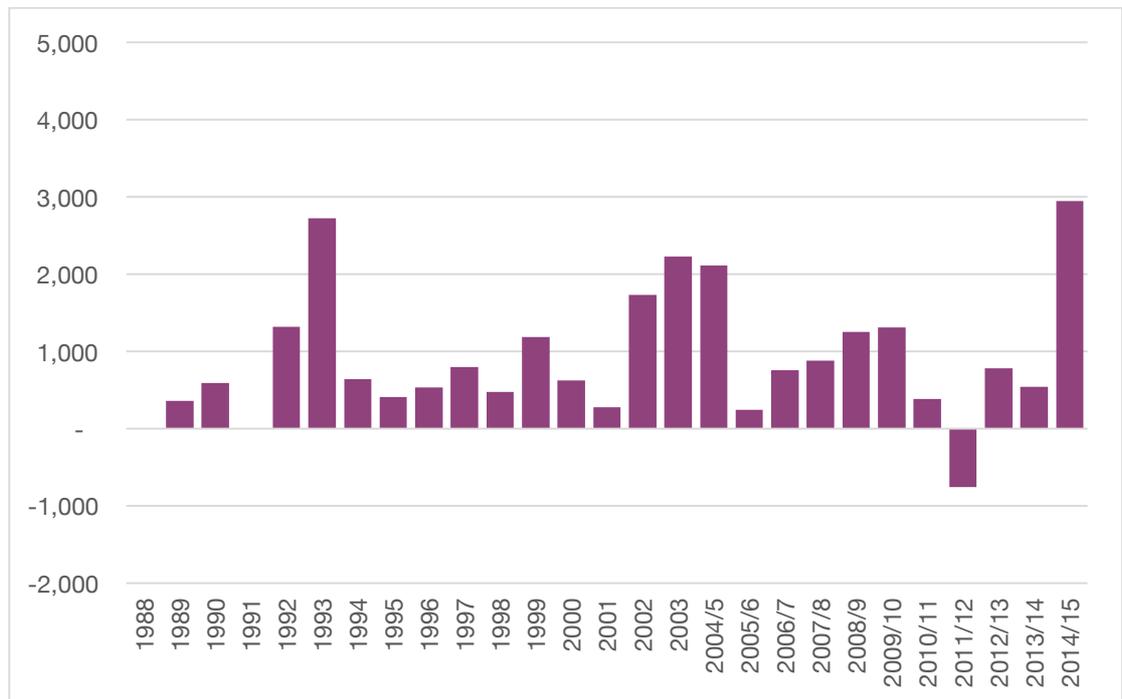
## Past-Trends in Demand – New Forest National Park Authority

- 6.22 An analysis of past trends in completions rates has been undertaken by NFNPA<sup>7</sup> covering the National Park area. This notes that much of the development that has occurred has been through change of use of existing developments, rather than new development. The Paper also notes that there is no allocated employment land in the National Park, in accordance with the planning policies of the National Park<sup>8</sup>.
- 6.23 Figure 6.1 illustrates the pattern of completions across NFNPA between 1988/89-2014/15. This has a relatively mild cyclical pattern, with peaks of completion in 1992-93, 2002-2004/05, and in 2014/15.

<sup>7</sup> New Forest National Park Authority (October 2016). *Interim Topic Paper: Economy and Employment. Consultation Draft.*

<sup>8</sup> New Forest National Park Authority (October 2016). *Interim Topic Paper: Economy and Employment. Consultation Draft. Paragraph 2.24, page 13, and paragraph 2.29, page 15.*

**Figure 6.1: Total B Use Class Completions in NFNPA 1988/89-2014/15**



Source: New Forest National Park Authority

- 6.24 A breakdown of the completion data for 1988/89-2014/15 is summarised in Table 6.3. This is separated into the main economic cycles effecting the UK economy over this period covering the periods 1988/89 to 1992/93 (4 years), 1993/94-2006/07 (13 years), and 2007/08- 2014/15 (7 years).
- 6.25 Data for NFNPA provides a breakdown of the completion data into B1a/b and B1c, and this is illustrated in Table 6.3. There was also a major redevelopment of Tatchbury Mount Hospital in 2003, which supplied **5,357** sq.m of office floorspace. This is however viewed as an exceptional development scheme which is not reflective of the underlying pattern of activity in the NFNPA. As such it was excluded from the analysis.
- 6.26 From Table 6.3 it can be seen that overall completion levels have been relatively stable over time; averaging between **830** sq.m per annum to **925** sq.m per annum. The average for the 1988/89-2014/15 period is approximately **900** sq.m per annum.
- 6.27 The main focus of activity is on the B1a/b Office sector, which, at approximately **445** sq.m per annum, makes up almost **50%** of completions by floorspace. The level of demand for B1a/b floorspace has been lower over the 2007/08-2014/15 period compared to the 1993/94-2006/07 period. However, there has been an increase in the level of Mixed B Use Class completions over the 2007/08-2014/15 period, which is likely to contain a significant element of office-type space.

**Table 6.3: Annual Average Completions by Time Period – New Forest National Park Authority Area**

Sq.m	88/89- 92/93	93/94- 06/07	07/08- 14/15	Overall Average
B1a/b	430	623	235	445
B1c	-	-	167	62
B2	256	43	12	82
B8	147	224	124	186
Mixed B	-	34	296	126
<b>Total</b>	<b>832</b>	<b>925</b>	<b>834</b>	<b>902</b>

Source: Hampshire County Council Monitoring Data and NFNPA

### Sensitivity Assessment

- 6.28 As a sensitivity, assessment on the employment land past-trends development rate, a demographic assessment was undertaken by NFNPA<sup>9</sup>. This examined how population numbers and characteristics changed in the New Forest National Park Authority area over the period 2001 to 2011, and what population forecasts for the National Park area between 2015 and 2022 indicated.
- 6.29 The analysis noted that the population within the National Park increased by **2.6%** between 2001 and 2011. This compares to an increase of **4.2%** in the whole of the New Forest District Council area over the same period, and an increase of **7.9%** in the South East as a whole. The analysis also notes a large increase in the older age population groups over this period, and a decline in the 30-59 age group population.
- 6.30 The inference drawn is that there is a trend for a reduction in the working age population in the National Park area. This appears to be supported by the population forecasts carried out for Hampshire County Council. This indicated a **1.2%** increase in population over the period 2015-2022, which is a relative slow-down in population growth compared to the period 2001-2011 (**0.17%** pa for 2015-2022, and **0.26%** pa for 2001-2011). In addition, there is a forecast fall of **802** people in the 16-64 age group category over the period 2015-2022.
- 6.31 It was suggested that this reduction in working age population residents may lead to a decrease in the number of people seeking employment over this period. An adjustment was made to reflect that only a proportion of the **802** population decline would be economically active and would work in the National Park area, and not all would be associated with B Use Class activities. This identified a relevant working age population reduction of **120** for the period 2015-2022.

<sup>9</sup> *New Forest National Park Authority (October 2016). Interim Topic Paper: Economy and Employment. Consultation Draft. Paragraph 2.30-2.32, pages 15-16.*

- 6.32 The potential distribution of this economically active population decline across B Use Class categories was made, based on past-trends in employment land completions in the authority. The B8 use was adjusted downwards to reflect likely lower levels of B8 requirement in the area. Standard employment density ratios were applied to this data to identify the potential reduction in floorspace demand required over the period 2015-2022. A further modification was made to reflect the fact that there would be people working from home who would not require new floorspace.
- 6.33 The result of this analysis was the identification of a potential reduction in B Use Class floorspace of **2,460** sq.m over the period 2015-2022 in the NFNPA. This equates to a potential reduction in B Use Class floorspace demand of approximately **300** sq.m per annum. Applying this to the past-trend demand figure of **900** sq.m per annum would indicate a future employment floorspace demand potential of approximately **600** sq.m per annum.
- 6.34 However, the analysis of new working methods and workspace trends discussed earlier in this Report highlighted the drive for a greater variety of different types of space to meet changing employment needs. It is difficult to assess the extent to which employment density standards may change, but the pressure to provide a range of employment spaces is likely to require more floorspace provision to provide realistic choice.
- 6.35 The commercial property market review in Section 4 also identified a relatively tight market. The B1 office market has seen strong take-up over the past few years, with a very low headline vacancy rate. A similar pattern exists for the wider industrial sector, although there are difficulties in un-picking the variations between sub-sectors of this sector. The implication, however, is that there is latent pressure for more commercial floorspace in the NFNPA.
- 6.36 As a further sensitivity assessment, the impact of including the Tatchbury Mount Hospital redevelopment in the past-trend figures has been carried out. Over the period 1988/89-2015/16 the result is that the past-trend completion rate increases from **902** sq.m per annum to **1,100** sq.m per annum, or an increase of just over **20%**. Whilst this was recognised as an exceptional redevelopment scheme, it does reflect employment floorspace supply that has been absorbed into the market and hence met a need.
- 6.37 The above factors suggest the pressure for reduced floorspace provision as a result of a decline in the size of the working age population, will be counter-acted by changing workspace trends and an increasing relative shortage of space to meet current demands. As such, the past-trend demand figure of approximately **900** sq.m per annum may be a more appropriate provision level for the future.

## Future Demand – New Forest National Park Authority

- 6.38 Given the relative stability of completion levels across the various economic cycles, the overall past-trend average completion rate of **900** sq.m per annum is likely to be a reasonable indicator of future potential demand levels for the NFNPA area. This is based on the underlying economic and demographic characteristics of the area remaining broadly constant.

- 6.39 This level of potential demand is also reinforced by analysis contained in the *Interim Topic Paper: Economy and Employment (October 2016)*<sup>10</sup>. This examined completion rates over the period the National Park has been in place (since 2005 – a ten year analysis period), and over the period the National Park’s Core Strategy has been in place (since 2010 – a 5 year analysis period). This identified completion rates of **834** sq.m per annum and **779** sq.m per annum respectively for these periods. As such, the **900** sq.m per annum employment land development rate may be best viewed as a likely maximum figure.
- 6.40 Evidence in support of a lower future completion rate arises from analysis of future demographic projections, as illustrated in the sensitivity analysis above. This provides reasoned evidence in support of a reduced future demand figure in the National Park Authority area. The lower forecast population growth is indicative of a likely reduction in demand levels.
- 6.41 However, balanced against this trend are the conclusions on workspace and working method changes, which may lead to the need for more floorspace to meet differing needs, and the potential latent demand expressed through a relatively tight commercial property market. As such, provision for a future average completion rate of between **600- 900** sq.m per annum in the New Forest National Park Authority may be a prudent forecast of future employment floorspace demand.

## Past-Trends in Demand – New Forest District Council (Outside of the National Park)

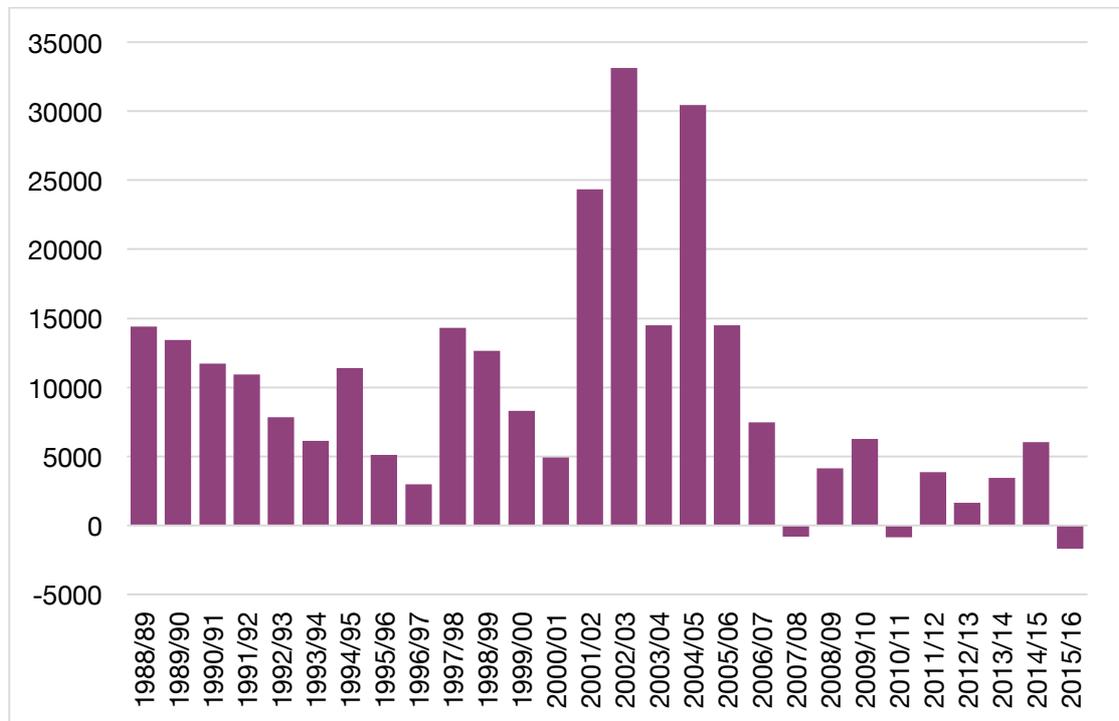
### Overview

- 6.42 A similar analysis of completion trends has been carried out for NFDC area, divided into the sub-areas of:
- Totton & the Waterside;
  - South Coastal Towns & Villages; and
  - Avon Valley & Downlands.
- 6.43 The analysis excludes the data for the National Park Authority area.
- 6.44 Figure 6.2 illustrates the pattern of completions across NFDC between 1988/89-2015/16. There is variation in completion rates between and across the various economic cycles. A relatively active completion period between 2001/02 - 2006/07 has been followed by a more subdued level of activity post 2006/07. Completion rates have varied from **30,450** sq.m in 2004/05, to a loss of **1,702** sq.m of floorspace in 2015/16.

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<sup>10</sup> *New Forest National Park Authority (October 2016). Interim Topic Paper: Economy and Employment. Consultation Draft. Paragraph 2.27, page 14.*

**Figure 6.2: Total B Use Class Completions in NFDC 1988/89-2015/16 (Outside of the National Park)**



Source: New Forest District Council

- 6.45 The breakdown of the completion data for 1988/89 - 2015/16 is summarised in Table 6.4 for the whole of NFDC. This is separated into the main economic cycles affecting the UK economy over this period, namely 1988/89 to 1992/93 (4 years), 1993/94-2006/07 (13 years), and 2007/08- 2015/16 (8 years).
- 6.46 The data excludes two developments which were for open storage B8 use. This was a **62,400** sq.m open storage scheme in 2004/5, and a **1,846** sq.m open storage scheme in 2005/6, both of which are in the Totton & the Waterside sub-area. These were excluded based on guidance from the former SEERA, reflecting the fact that they did not cover built development.
- 6.47 Table 6.4 indicates that the overall average level of completion for all B Use Classes was **9,666** sq.m per annum for the 1988/89-2015/16 period. There are, however, notable differences in completion rates between the most recent economic cycle post the 2007-08 global recession and previous economic cycles.
- 6.48 Over the period 1993/94-2006/07 the average completion rate for all B Use Class floorspace was **13,592** sq.m per annum in the NFDC area. Over the period 2007/08 - 2015/16 this completion rate had reduced to **2,445** sq.m per annum. This reduction in activity was spread across all B Use Class sectors. As such, it means care is needed in using these trends to assess future employment land demand requirements, without first understanding the geographical variation and drivers of change.

**Table 6.4: Annual Average Completions by Time Period – New Forest District Council (Outside of the National Park)**

Sq.m	88/89- 92/93	93/94- 06/07	07/08- 15/16	Overall Average
B1a/b	813	997	716	873
B1c	8,596	3,257	602	3,357
B2	500	422	-751	59
B8	1,163	582	277	588
Mixed B	599	8,334	1,602	4,789
<b>Total</b>	<b>11,671</b>	<b>13,592</b>	<b>2,445</b>	<b>9,666</b>

Source: Hampshire County Council Monitoring Data and NFDC

### Totton & the Waterside

- 6.49 Table 6.5 indicates that the overall average level of completion for all B Use Classes in the Totton & the Waterside sub-area was **4,140** sq.m per annum for the 1988/89 - 2015/16 period. This represents just over **40%** of all completions in the NFDC area (excluding NFNPA).
- 6.50 There is also marked variation between the various economic cycles in terms of completion rates. The period 1993/94-2006/07, for instance, saw an average completion rates for all B Use Class floorspace of **6,184** sq.m per annum. For the period 2007/08 - 2015/16 this completion rate had reduced to **241** sq.m per annum.
- 6.51 Part of the reason for the reduction were major losses in 2007/08 (**2,186** sq.m), 2010/11 (**2,220** sq.m) and 2015/15 (**7,500** sq.m) from the Mixed B Use category. Without these losses the average completion rate for 2007/08-2015/16 would have been approximately **1,500** sq.m per annum, although this is still appreciably lower than the **6,180** sq.m per annum for 1993/94 - 2006/07.

**Table 6.5: Annual Average Completions by Time Period – Totton & the Waterside**

Sq.m	88/89-92/93	93/94-06/07	07/08-15/16	Overall Average
B1a/b	410	244	241	273
B1c	3,800	1,648	553	1,680
B2	500	85	-56	114
B8	726	303	72	304
Mixed B	-	3,904	-569	1,769
<b>Total</b>	<b>5,436</b>	<b>6,184</b>	<b>241</b>	<b>4,140</b>

Source: Hampshire County Council Monitoring Data and NFDC

### South Coast Towns & Villages

- 6.52 Table 6.6 indicates that the overall average level of completion for all B Use Classes in the South Coastal Towns & Villages sub-area was **2,901** sq.m per annum for the 1988/89 - 2015/16 period. There were also marked variation between the various economic cycles in terms of completion rates, with **4,648** sq.m per annum for the period 1993/94 - 2006/07 reducing to **314** sq.m per annum for the period 2007/08 - 2015/16.
- 6.53 Loss of employment floorspace during the 2007/08 recession was part of the reason for the reduction. In 2007/08 there was a loss of **7,904** sq.m Mixed B Use floorspace in the South Coastal Towns & Villages sub-area. Without these losses the average completion rate for 2007/08 - 2015/16 would have been approximately **1,200** sq.m per annum.

**Table 6.6: Annual Average Completions by Time Period – South Coastal Towns & Villages**

Sq.m	88/89-92/93	93/94-06/07	07/08-15/16	Overall Average
B1a/b	219	294	300	283
B1c	2,156	1,377	0	1,074
B2	-	307	-878	-129
B8	-	129	177	121
Mixed B	294	2,541	715	1,553
<b>Total</b>	<b>2,669</b>	<b>4,648</b>	<b>314</b>	<b>2,901</b>

Source: Hampshire County Council Monitoring Data and NFDC

### Avon Valley & Downlands

- 6.54 Table 6.7 indicates that the overall average level of completion for all B Use Classes in the Avon Valley & Downlands sub-area was **2,624** sq.m per annum

for the 1988/89 - 2015/16 period. There were also variations between the various economic cycles in terms of completion rates, although not as pronounced as the other sub-areas. For the period 1993/94 - 2006/07 the average completion rate was **2,760** sq.m per annum, which reduced to **1,890** sq.m per annum for the period 2007/08-2015/16.

**Table 6.7: Annual Average Completions by Time Period – Avon Valley & Downlands**

Sq.m	88/87- 92/93	93/94- 06/07	07/08- 15/16	Overall Average
B1a/b	183	459	174	318
B1c	2,641	232	49	603
B2	-	30	183	74
B8	436	150	28	162
Mixed B	305	1,890	1,456	1,467
<b>Total</b>	<b>3,566</b>	<b>2,760</b>	<b>1,890</b>	<b>2,624</b>

Source: Hampshire County Council Monitoring Data and NFDC

### Summary

- 6.55 Employment land completion data for the NFDC area for the period 1988/89 - 2015/16 translates into an average floorspace figure of **9,660** sq.m per annum. The completion data has shown an overall downward trend in activity in the NFDC area over this period. This pattern is evident across all B Use Classes and sub-areas, although the Avon Valley & Downlands sub-area has witnessed a much less pronounced overall level of variation.
- 6.56 Overall, completion rates averaged **9,550** sq.m between 1988/89 - 2000/01, then rose appreciably to **20,470** sq.m per annum between 2001/02 - 2006/07. There has been a much more muted level of completions post the 2007/08 global recession, averaging approximately **2,450** sq.m per annum between 2007/08 - 2015/16.

### Sensitivity Assessment

- 6.57 The post-recession period since 2007/08 reflects recovery from a major economic recession. As such, growth levels are likely to be more muted than usual, with economic growth increasing into the future.
- 6.58 In order to gauge how the economic recession may have influenced underlying development activity, the losses of employment floorspace over the 2007/08 - 2015/16 period have been excluded from the sensitivity analysis. This results in the following adjustments to completion rates over the period 2007/08-2015/16:
- **Totton & the Waterside** sub-area: increase from **241** sq.m to **1,500** sq.m per annum.

- **South Coastal Towns & Villages** sub-area: increase from **314** sq.m to **1,200** sq.m per annum.
  - **Avon Valley & Downlands** sub-area: no change on **1,890** sq.m per annum.
- 6.59 The post-recession adjustment means that the average completion rate for the period 2007/08 - 2015/16 in NFDC increases from **2,445** sq.m per annum to **4,590** sq.m per annum. This is approximately half the completion rate seen over the full 1988/89 - 2015/16 period.

### Future Demand Potential – New Forest District (Outside the National Park)

- 6.60 The past-trends employment floorspace completions data provides an empirical basis for examining future demand potential in the New Forest District Council area. The National Park Authority area is excluded from this analysis, as it has been dealt with separately above.
- 6.61 Given that we are moving through a post-recessionary stage in the economy, as well as in a post-Brexit stage of development, it is unlikely to be appropriate to use the long-term 1988/89 - 2015/16 development rate as a basis for forecasting future employment floorspace needs. A more appropriate timeframe is the 2007/08 - 2015/16 period, although recognising that this is likely to represent the recovery phase of economic growth, with more significant growth occurring in the future.
- 6.62 This is supported by national economic growth trends and forecasts. In the first instance, how the national economic picture has changed over the pre and post 2007/08 recession has been examined.
- 6.63 This shows that the national economic growth rate in the UK economy between 1993 and 2007 (comparable to the 1993/94 - 2006/07 period economic growth period) was **2.95%** per annum. Between 2008 and 2016 the economic growth rate average **0.95%** per annum<sup>11</sup>, or just under a third of the 1993-2007 economic growth rate.
- 6.64 In other words, there was a marked slowdown in economic growth, reflecting the effects of economic recovery. This national pattern of economic change is reflected in the completion rates in NFDC, which show the unadjusted completions between 2007/08-2015/16 to be approximately **20%** of those between 1993/94-2006/07.
- 6.65 Forecasts from the Bank of England<sup>12</sup> indicate economic growth of **1.75%** per annum for the period 2017-2020. This is just under twice the growth rate for the period 2008-2016. Assuming this growth rate continues beyond 2020, then it may be reasonable to assume that the employment floorspace demand

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<sup>11</sup> ONS (February 2017) *Gross Domestic Product: q-on-q4 growth rate CVM SA %*. Dataset source PN2

<sup>12</sup> Bank of England (February 2017) *Inflation Report. Numerical Parameters of Inflation Report. Distribution Probability Distributions – GDP Growth*

may be at least twice that seen over the 2007/08 - 2015/16 period in order to cater for suppressed demand, all other matters being equal.

- 6.66 Support for increased levels of employment floorspace demand into the future is provided from the commercial property market review. This identified an overall shortage of floorspace to meet identified demand levels and occupier expectations, with reducing levels of availability. This was particularly so in the B1c light industrial market and wider B2-B8 industrial market. There appears to be a more effective operation of the B1 office market, but still with shortage of supply to meet demand and a need to raise stock quality.
- 6.67 Changes in workspace trends and working patterns are also likely to drive the need for a greater variety of different types of space to meet changing employment needs. Whilst this may not lead to an increase in floorspace provision per worker – although this is still uncertain at this stage – the need to provide a suitable range of employment spaces will likely necessitate an overall increase in floorspace to produce such variety.
- 6.68 The above points reinforce the likelihood of increased employment floorspace requirements in the future in NFDC. In broad terms, this may be twice the rate of completion levels witnessed over the period 2007/08 - 2015/16.
- 6.69 Analysis for the Partnership for Urban South Hampshire (PUSH) has however provided guidance on the overall need for employment floorspace in the Totton & the Waterside sub-area in particular. This sub-area falls within the PUSH area and is covered by economic analysis and forecasts carried out for that wider area.
- 6.70 The *Economic and Employment Land Evidence Base Paper* (May 2016) prepared for PUSH provides an assessment of employment floorspace need in the Totton & the Waterside sub-area for the period 2001-2036. This considers future FTE growth in B Use Class employment, and provides a 5-year additional supply margin.
- 6.71 The summary details are presented in Table 6.8 with a breakdown of floorspace need on a per annum basis. It also includes an adjustment to reflect employment floorspace completions in the Totton & the Waterside sub-area over the period 2011-2016.
- 6.72 There was, in fact, a loss of **2,330** sq.m of employment floorspace over this period, which would need to be ‘replaced’ in order to meet the overall floorspace requirements over the 2011-2036 period. This replacement was made on a pro-rata basis between the office and mixed B-Use Class categories, and over a 20 year period (2016-2036) in order to ensure provision was delivered.
- 6.73 Table 6.8 establishes that **the overall employment floorspace need figure for Totton & the Waterside equates to 1,909 sq.m per annum**. This is split between **799** sq.m of office provision and **1,109** sq.m Mixed B-Use Class provision in broad terms.

**Table 6.8: Overall Net Employment Floorspace Need in Totton & the Waterside – 2011-2036**

Sq.m	Office Floorspace (sq.m)	Mixed B-Use Class Floorspace (sq.m)	Total B-Use Class Floorspace (sq.m)
Overall Total*	15,009	20,883	35,842
Per Annum Basis	600	835	1,434
Overall Total Adjusted for Completions Loss	15,985	22,187	38,172
Per Annum Basis	<b>799</b>	<b>1,109</b>	<b>1,909</b>

\* Forecast future demand projected by the PUSH Economic and Employment Land Evidence Base Paper (GL Hearn)

Source: Economic and Employment Land Evidence Base Paper (May 2016), Hampshire County Council Monitoring Data and NFDC, Chilmark Consulting

- 6.74 For the Avon Valley & Downlands sub-area, the completions data indicates more muted activity in the 2007/08 - 2015/16 period (**1,890** sq.m per annum compared to **2,760** sq.m per annum for 1993/94 - 2006/07), but not of the same scale as the other sub-areas. There was also no net loss of floorspace over the 2007/08 - 2015/16 period.
- 6.75 The overall trend of completions across 1988/89 - 2015/16 has been a gradual reduction however. As such, and given the potential improvement in economic conditions generally, it may be **reasonable to assume a future demand level closer to 2,000 sq.m per annum for the Avon Valley & Downlands sub-area.**
- 6.76 The South Coastal Towns & Villages sub-area has shown wider variation in completions data over time, from **4,646** sq.m per annum in 1993/94 - 2006/07 to **314** per annum in 2007/08 - 2015/16. As noted earlier if the loss of employment floorspace across the 2007/08 - 2015/16 period is adjusted for, then the completions data is closer to **1,200** sq.m per annum.
- 6.77 Based on national-trend economic forecasts, it may be the case that future demand levels in the South Coastal Towns & Villages sub-area are closer to twice that seen over the 2007/08-2015/16 economic recovery phase. This would suggest that a **future demand level closer to 2,400 sq.m per annum for the South Coastal Towns & Villages sub-area** may be reasonable to plan for.
- 6.78 In total, therefore, the future employment floorspace provision for NFDC may be as follows:
- **Totton & the Waterside** sub-area: **1,900** sq.m per annum.
  - **South Coastal Towns & Villages** sub-area: **2,400** sq.m per annum.
  - **Avon Valley & Downlands** sub-area: **2,000** sq.m per annum.

- **Total NFDC: 6,300 sq.m per annum.**

## Sectoral Influences

- 6.79 There are a number of external factors that may impact of employment floorspace requirements in both the NFDC and NFNPA areas. Of particular relevance are those associated with the potential expansion of port facilities associated with the Port of Southampton, and expansion of Bournemouth Airport. A broad assessment of their potential influence on employment floorspace provision in NFDC and NFNPA is set out below.

### Port of Southampton

- 6.80 In the case of the Port of Southampton, key issues are the potential development of areas of the existing Marchwood Military Port and potential development at Dibden Bay. These proposals could have particular impacts on the Totton & the Waterfront sub-area and, to a lesser extent, the National Park Authority area.
- 6.81 The Marchwood Military Port lies to the east of Marchwood and north of Hythe, and covers approximately **100** hectares. There are significant areas of land that are open or un-developed/under-developed. It could be managed by commercial operators, supporting the wider port functions of the Port of Southampton.
- 6.82 As such, there could be future commercial development of parts of the site. This is likely to have impacts of the job market within the NFDC and NFNPA areas, potentially providing employment opportunities for residents in these areas.
- 6.83 The consequence of this may be a reduction in overall employment floorspace needs in the NFDC and NFNPA areas. However, this may be more limited given the anticipated focus of such commercial development, which is likely to be for port-related and distribution functions.
- 6.84 Equally, however, depending upon the scale and nature of development at the Port, there may be demand for support functions that require employment floorspace within the wider Totton & the Waterside sub-area, although these may not be substantial relative to the scale of development at Marchwood Military Port itself.
- 6.85 A similar broad conclusion applies to Dibden Bay, which lies on the west side of the River Test between Marchwood and Hythe. This is a strategic land reserve of approximately **325** hectares owned by port operators and owners Associated British Ports (ABP). They are considering plans for future port expansion into this area, subject to appropriate approvals.
- 6.86 The land at Dibden Bay is a Site of Special Scientific Interest (SSSI) and adjoins the New Forest National Park. The foreshore is of international importance, being designated as a Special Protection Area (SPA) and RAMSAR site, as well as an SSSI.
- 6.87 In 2004 the Secretary of State rejected previous proposals for port development at Dibden Bay principally because its environmental harm

outweighed the economic benefits at that time. The previous examination considered three main issues:

- the extent to which any proposals are in the public interest taking into account the need for additional port capacity;
- alternatives solutions in southern England to provide the capacity needed; and
- the impact of the proposed development.

6.88 Any future application for port use would likely be of a scale that would qualify as a Nationally Significant Infrastructure Project. It would fall to the Planning Inspectorate rather than NFDC to consider and to make a recommendation to the Secretary of State whether a Development Consent Order should be issued. The Secretary of State would make the final decision.

6.89 The scale of this development could have appreciable impacts upon requirements for workers in the local and sub-region. However, as there could be a substantial provision of port-related and regional/national distribution functions on site, as well as supporting functions, this suggest the impact on the demand for employment floorspace in the wider NFDC and NFNPA is likely to be more limited.

6.90 Nevertheless, given the potential scale of the proposal, then there is also the potential for more general employment floorspace provision. The extent to which this would be contained within the port-area itself or in the surrounding areas, particularly Totton & the Waterside, is more difficult to judge at this stage.

6.91 It should be acknowledged as a potential driver for additional employment floorspace demand in NFDC, particularly the Totton & the Waterfront sub-area. Equally, however, it needs to be recognised that there is no certainty that the scheme would come forward and may be a decade or more away from delivery if it was to be approved, which means impacts upon the NFDC and NFNPA property markets would be some time away and fall within the later part of the relevant Local Plan periods.

### Bournemouth Airport

6.92 Bournemouth Airport set out their plans for growth in a 2007 Masterplan<sup>13</sup>, which focussed on expansion of the direct operations of the Airport and supporting services.

6.93 More recently, the Dorset LEP<sup>14</sup> has identified proposals for a large employment site (Aviation Business Park: **59** hectares) associated with the Airport, near the western borders of NFDC and directly related to the Avon Valley & Downlands sub-area of NFDC. Along with related infrastructure improvements, this is expected to generate **16,000** new jobs at the Airport over the next decade.

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<sup>13</sup> Bournemouth Airport. *The Master Plan (May 2007)*

<sup>14</sup> Dorset LEP (March 2014). *Transforming Dorset: Strategic Economic Plan. Page 59*

- 6.94 This scale of development is likely to have impacts on the Avon Valley & Downlands sub-area of NFDC, as well as the wider NFNPA. It is likely to be a source of employment for residents in these areas as the plans develop. This may reduce the potential for employment floorspace in these areas, although the Airport's proximity to Bournemouth means this is likely to be a key source for workforce, and much will depend upon the nature of employment opportunities that arise.
- 6.95 In terms of the Aviation Business Park, the ultimate sectoral focus of this development will influence the nature and extent of potential impacts on employment floorspace requirements in the NFDC and NFNPA areas. A combination of an aviation-related business focus and corporate emphasis of Aviation Business Park may minimise the potential level of impact on employment floorspace requirements in NFDC and NFNPA, which are likely to be primarily more local in focus.

### Implications

- 6.96 The above sectoral developments could have significant implications for NFDC and NFNPA. Purely in terms of economic consequences, they would be major sources of employment, should they be developed. This is likely to be orientated towards specific economic sectors which may not materially impact upon local employment floorspace requirements in the NFDC or NFNPA areas, apart from a potential reduction in demand for distribution floorspace.
- 6.97 This suggests that the future employment floorspace demand figures of **900** sq.m per annum for NFNPA and **6,300** sq.m per annum for NFDC may be realistic maximums. There is the possibility that demand levels may be higher than this, but this appears a lower probability than more muted levels of demand.

### Conclusions

- 6.98 The key conclusions that emerge from the analysis of employment demand potential in the New Forest District Council (NFDC) and New Forest National Park Authority (NFNPA) areas are as follows:
- Long-term trends in employment floorspace completion rates have been examined in the NFNPA and the NFDC sub-areas of Totton & the Waterside, South Coastal Towns & Villages, and Avon Valley & Downlands.
  - The results of this analysis have been used as the key guide to future development potential in each area, given the characteristics of the two planning authorities. This has been supplemented by demographic analysis in the NFNPA area, and by economic forecast data for the Totton & Waterside sub-area of NFDC.
  - The analysis indicated a realistic potential net demand for between **600 - 900** sq.m per annum of employment floorspace in NFNPA.

- There is a realistic potential net demand for approximately **6,300** sq.m per annum employment floorspace in NFDC. This is likely to be split as follows:
  - **1,900** sq.m per annum in the Totton & the Waterside sub-area;
  - **2,400** sq.m per annum in the South Coastal Towns & Villages sub-area; and
  - **2,000** sq.m per annum in the Avon Valley & Downlands sub-area.
- Two potentially significant sectoral influences that may impact on employment demand in the NFDC and NFNPA areas are expansion plans associated with the Port of Southampton and Bournemouth Airport.
- These developments offer significant employment potential across the sub-region, although they are at various stages of progress and certainty. They are likely to be a draw for residents in NFDC and NFNPA as a source of employment if they progress, but may have a limited dampening impact on employment floorspace requirements in these two areas given the nature of their activities.

## 7. CONCLUSIONS

### Introduction

- 7.1 This section provides a summary of the main analysis arising from the Business Needs and Market Assessment. It sets out overall conclusions for the future provision of employment land in both the New Forest District and the National Park areas.

### Policy and Economic Strategy Drivers

- 7.2 Section 2 of the Report provided a summary review of relevant economic and planning policies and strategies.
- 7.3 The overarching emphasis of national planning policy and economic policy set out in the NPPF and NPPG as well as the *Building Our Industrial Strategy* Green Paper is to support long term growth, sustainability and prosperity through new economic development, the expansion of existing businesses and new inward investment.
- 7.4 The District, National Park, Local Enterprise Partnerships and PUSH strategies clearly highlight the importance of providing suitable infrastructure, homes and commercial employment development sites and floorspace in order to drive economic growth. In the National Park Authority area the drive for economic growth is however particularly tempered with wider environmental protections and social well-being objectives that are specific to the designated Park area.
- 7.5 Overall the strategies are unambiguous in respect of supporting economic growth and are closely interlinked in terms of how public sector and private partners will work together to deliver economic infrastructure including new (and improved) B Use Class employment floorspace.
- 7.6 One of the critical matters that arises from the various economic strategies and existing planning policies is the need to ensure that there is a supply of appropriate employment land and floorspace and to address areas of shortage or where the existing provision is mis-matched to commercial market and occupier requirements.
- 7.7 Existing planning policy mechanisms to achieve this include the identification and allocation of employment land (within the District area but not in the National Park Authority area) as well as criteria-based policies to protect, manage and promote appropriate new employment development in urban and rural areas (including smaller towns and villages) within the District and within the National Park area.
- 7.8 The adopted and emerging planning and economic policy approach is therefore reflective of the Government's national economic and planning policy objectives. There is however, still a need to ensure that future

employment floorspace and sites are matched to revealed current demand and projected future growth; and critically that provision is made for a choice and mix of spaces.

## Changing Working Practices

7.9 Section 3 of the Report considered changing trends of work and the implications of technology for the workplace have and are fundamentally altering how and where people work.

7.10 The increasing use and access to a wide variety of networked devices, supported by enhancements in the speed and reliability of internet connections, has meant that many ways of working have evolved. This has changed the traditional nature and offer of workspace available but equally is shaping how workers use their workspace, and what they demand from their workspace.

7.11 Core trends associated with these changing workspace and lifestyle dynamics that are and will affect commercial market characteristics in the New Forest area over time. In summary:

- **The pace of change** - driven by technology and associated cultural and social trends - has the potential to change significantly by the time commercial employment development is delivered at the proposed site. Such has been the scale of change in the last 5-10 years, it is inevitable this pace of change will only continue. This applies across office, storage/distribution and retail/main town centre uses.
- **The need for flexibility** and a focus on user experience to reflect changing business structures and workspace needs. This is already well established within the B1 offices sector, which reflects changing work trends in the types of workspace provision increasingly available, location and supporting facilities. Worker experience will be important in design and functionality of workspace and this is particularly important in an area such as the New Forest where there is an evident underlying small business and flexibility driver, and a recognition that different types of workspace will likely be provided within a scheme, including within the same building (e.g. co-working, hot desking, serviced accommodation). The same flexibility is required in considering Class B8 and any wider town centre uses.
- **Key drivers of demand** will focus on proximity to public transport options, pedestrian and cycle friendly environments, access to leisure facilities and a range of local amenities, all of which are vital to attracting future employees and occupiers.
- **Connectivity is crucial** and the provision of modern, ICT infrastructure is a prerequisite for business and residents. Internet provision will need to be integral to infrastructure and subject to rollout, embrace the 5G network.
- **Employment space location, the organisation of workspace and the built/local environment** is essential to help differentiate workspace

locations. This is related to the attraction of occupiers and employees alike. Workspace provision will need to be fully integrated into the vision and character of development, including the development of intelligent buildings to support employee health and well-being.

## Commercial Market Review

- 7.12 Section 4 examined commercial market trends and signals in the NFDC and NFNPA areas. It includes a review of the current, active commercial property market and considers historic trends.
- 7.13 The District and National Park areas were reviewed separately to isolate and highlight the characteristics of each area, albeit that both areas overlap to a significant degree and will of course reflect a strong property market commonality.

### New Forest District (Outside of the National Park)

- 7.14 The B Use Class commercial market in New Forest District (outside of the National Park) is characterised by rising take-up, reducing availability and low levels of vacancy.
- 7.15 Rental values have increased while marketing periods for all B class stock have reduced in the past five years as the effects of the economic recession recede.
- 7.16 There is limited supply of new floorspace (albeit that there is a significant level of unimplemented planning permission) across all B Use Classes, coupled with the age (and therefore likely quality) of existing stock has, and will, affect the ability to satisfy revealed market demands. Headline findings for each of the B Use Classes in the District area show:
- decline in available B1 office supply with increased take-up and declining vacancy rates. Accelerated take-up times indicate that available B1 office stock is only available to the market for an average **7.7** months.
  - rental values have increased above the five year average but not yet returned to the 2006 position.
  - current, available B1 office supply is characterised by smaller footprint spaces (suitable for smaller and micro-businesses which characterise much of the evident occupier demand). Approximately a quarter of office space was constructed after 2000 and most of the available supply is second hand relets rather than new floorspace coming to the market.
  - B1c light industrial floorpace has seen an increase in available stock since 2010 (no doubt due to recessionary effects) followed by a reduction in available space with high rates of take-up in the period after 2010. Current available B1c floorpace is at its lowest level for the last decade.
  - most B1c stock is smaller size, with an average available level of space at circa **256** sq.m. The stock base is relatively new, with over **40%** constructed since 2000. There is however a rump of older floorspace

(32%) constructed before 1980 and a significant portion of this dating from pre-1960.

- demand for B1c floorspace has been strong with very little vacant and available space. Take-up rates have increased and this is reflected in increasing rental values.
- for B2 and B8 industrial and distribution space, there is a large existing level of floorspace (some **405,000** sq.m) and a trend towards reducing availability due to increased take-up (measured by the current **7.9** months marketing period) and stock absorption especially from 2013 onwards. Vacancy rates show a low level of empty stock.
- B2 and B8 rental values have reflected increasing revealed demand and a relative lack of available floorspace. Values have increased above the five year position.
- approximately a quarter of B2 and B8 stock dates from after 2000 with a further third constructed pre-1980. The stock is relatively new in many areas of the District although there is still a significant proportion that is more than 25 years old.

#### New Forest National Park Authority Area

- 7.17 As Section 4 identified, isolating the commercial property market dynamics in the New Forest National Park Authority area from the New Forest District Council area needs to be treated with some caution. The levels of total floorspace and that available across all B Use Classes in the National Park area is limited given the rural and protected environment nature of the designated Park area. The constrained supply position is significantly restricted by the availability of employment land opportunities and sites due to role, function and legal purposes of the National Park and with respect to the international and national nature conservation and landscape protections placed on much of the Park's area.
- 7.18 The National Park area is characterised by limited employment stock in total, little lease/rental availability (especially for B1c, B2 and B8 floorspace) and rising rental values as demand has recently outpaced supply:
- B1 offices are constrained in terms of immediate availability, with just **381** sq.m listed as currently on the market for lease/rent. The five year average trend is somewhat higher with an average of **1,848** sq.m available. Underlying availability rates and headline vacancy rates reflect the lack of available office floorspace.
  - B1 office rental values are similar (although very slightly higher) in the National Park than for the District Council area. Rental values have remained relatively stable over the past five years. With a small stock sample size, it is likely that such variations are affected by the individual characteristics of B1 office stock available to rent in the National Park area.
  - there is very little specific B1c light industrial stock for lease/rent recorded for the National Park area. It is concluded that B1c floorspace is either not recorded as such (for example because it is part of a wider

mixed B Use Class development) or that such floorspace is rarely developed or available for rental due to demand for the construction of freehold ownership units or the conversion of non-B Use stock (such as agricultural barns) to B1c use for pre-let or owner occupation rather than rental on the open market.

- for B2 and B8 industrial and distribution floorspace there has been a relatively stable total level of provision over the past five years. Available floorspace is highly restricted. The vacancy rate of **0.8%** indicates revealed demand outstripping available supply and this is also reflected in rising rental levels following a significant level of stock absorption particularly in 2014. This needs to be set against the longer term evidence of demand for B8 that averages **186 sq.m** per year (over the past 27 years) and **124 sq.m** from 2007 (as shown in Table 6.3).

## Existing and Future Supply of Employment Land Sites

- 7.19 National policies and practice set out in the NPPF and NPPG include the need to assess the existing and potential supply of B Use Class employment land and sites.
- 7.20 Section 5 examined existing employment land supply and the future pipeline.

### Existing Supply

- 7.21 The *Existing Sites Quality Assessment Report* work set out in this Report provides a key element of that assessment and it has been based on an extensive process of identification and assessment of **102** existing sites in NFDC and a further **40** sites in the NFNPA area.
- 7.22 A detailed report of the method, approach and site-by-site analysis is available separately to this study. In summary, each identified existing site was subject to an assessment of its suitability for continued employment use through an examination of quality in terms of meeting market attractiveness and sustainability criteria.
- 7.23 Poorly scoring sites (i.e. the weakest and poorest performing sites/buildings that were assessed) were then subject to an additional set of tests to determine whether they were candidates for release from forming part of the B Use Class employment land portfolio.
- 7.24 Two sites in NFDC were identified as candidates for release as a result, however it is important to note that the site conclusions and recommendations do not constitute any formal status or indication of future allocation, release or use of land and sites.
- 7.25 Analysis of the supply of existing employment land shows the following key conclusions:
- Many existing sites in NFDC and in the NFNPA area are characterised as General Industrial/Business Areas, with fewer Established or Potential Office Locations surveyed.

- Quality of existing sites and individual buildings were of average or higher grade quality in NFDC and a similar position was found through the sites' assessment in the NFNPA area, although the scoring for individual buildings was generally lower in the latter.
- Site and building quality scores for existing masks a number of low grade sites and facilities (particularly in the NFNPA area) and also the lack, overall, of very high quality employment sites and buildings that will effectively drive future economic growth and attract business occupiers and inward investment.
- The existing stock in both NFDC and within the NFNPA appears to be lettable and in demand (regarding the findings of the Commercial Market Review set out in Section 4) but there is a need to focus on securing high grade accommodation and improving the poorest quality sites/buildings.

### Committed Future Supply

7.26 For future employment land and floorspace supply in the pipeline (committed unimplemented consents and developments under construction), recent monitoring data for NFDC shows that there is a level of undeveloped, allocated employment land and there is a substantial potential supply of consented, yet undeveloped employment floorspace.

- from the adopted Local Plan allocation sites, there is a total of **15.9** Ha of undeveloped, available allocated land remaining;
- the latest monitoring data confirms that there has been a total loss through PDR conversions of B1 office space to C3 residential use of **3,915** sq.m of B1 office floorspace since May 2013, of which **490** sq.m was lost in the monitoring period April 2015 to March 2016;
- a total of **27,103** sq.m of unimplemented B Use Class planning permissions exist and a further **31,107** sq.m of floorspace is under construction or partially completed. Excluded from the unimplemented supply total are sites in Marchwood Industrial Estate totalling some **43,459** sq.m which are controlled by ABP and may not therefore become available for general commercial market occupiers when completed.

7.27 The future employment land and floorspace supply pipeline for NFNPA shows:

- there was no new B1 office or B1c/B2 or B8 industrial floorspace constructed during the period April 2015 to March 2016;
- there were outstanding unimplemented planning permissions as at 31<sup>st</sup> March 2016 totalling **3,520** sq.m, of which **996** sq.m was B1a offices; **575** sq.m was B1b/B1c research and development and light industrial; **1,011** sq.m was B8 storage. Implementation would also result in a net loss of **-127** sq.m of B2 general industrial space;
- there are no allocated employment land sites in the National Park area;
- three sites were subject to the implementation of PDR rights representing a loss of **532** sq.m of B1 office floorspace between April 2015 and March 2016; and

- supply constraints are unlikely to change significantly in the future due to the restrictions on new development arising from the National Park's statutory role and function and the extent of protected environmental, landscape and conservation designated areas covering parts of the area, with over 50% of the National Park's planning area covered by international nature and conservation sites.

### Employment Land Supply Risks

7.28 The delivery of employment land, either through redevelopment, intensification or extension of existing sites or through the development of new sites, is affected by a range of risks and barriers. The Commercial Market review, stakeholder engagement, the employment land monitoring data and the existing sites assessment survey proformas highlight risks for employment land development in the District and the National Park areas, including:

- **Access to sites, services and strategic location** – the ability to adequately access employment land and sites is a critical factor to future development and a matter that is recorded in the Existing Sites Quality Assessment work. While many of the existing sites are well located in proximity to the strategic road network as well as to supporting services/facilities found in the main towns/, there are equally existing employment sites that are restricted by access and lack of prominence particularly in the National Park. The Site Survey Assessment has identified these and scored sites accordingly. In other situations, employment land development applications or future allocations through the NFDC or NFNPA Local Plan Reviews will need to find effective solutions to location and access issues, and such remedies will need to reflect the type, size and nature of the B Use Class intended.
- **The function of Permitted Development Rights for Change of Use from B Use Class to Residential** – the effects of change of use through the Permitted Development Rights (PDR) prior approval process has already had a significant effect in the District, but less so in the National Park (no doubt due at least in part to the removal of PDR rights for conversion of agricultural to residential uses in such a designated and protected area). The Government has confirmed (March 2016) that PDR rights for conversion of B1 offices to C3 residential use is to be made permanent (previously these were available as for a temporary period) from April 2016 and this applies to both the NFDC and the NFNPA areas. There are also temporary PDR rights to convert B1c (light industrial) floorspace for residential purposes (subject to a prescribed 500 sq.m size limit). With the confirmation that these PDR rights are to be made permanent, there is a risk that existing employment floorspace (particularly B1 offices) will be increasingly subject to loss during the plan period. While such losses are not indicative of a lack of commercial demand, they are often a reflection of the relative values attached to residential dwellings over and above B Use Class values. This is the case in the District and the National Park as it is elsewhere in much of the wider south of England.

- **Protected environments and landscapes** – much of New Forest is identified and protected either as a National Park or Green Belt area or for international or nationally designated sensitive environments and landscapes. There are a number of international and national level environmental designations covering parts of the area. The supply and delivery of employment land is more constrained within these designated areas (and especially so within the National Park given the role and function ascribed to this area), and often more widely, given the capacity of the landscape outside defined settlement boundaries to accommodate new development. While this does not preclude employment development from occurring, it can place an additional cost on the design and layout of new sites and premises as well as reduce the potential developable area of some sites that are covered by, or near designated environmental or landscape areas. There are a number of sites examined in the Site Survey Assessment that have highlighted suitability and achievability issues due to the presence of protected environments and landscapes. In some instances, the protected areas cover locations with good levels of strategic access, available land or particularly prominent / highly visible sites.

## Employment Demand

- 7.29 Section 6 considered employment demand and future needs for both the District and the National Park Authority areas.
- 7.30 The assessment included two key components to developing the employment land demand analysis:
- a broad overview of the underlying economic characteristics in the New Forest District area; and
  - an assessment of future employment land demand, based primarily on past-trends data given the characteristics of the two planning areas.

## Employment Sectors

- 7.31 The economic composition of the New Forest District economy shows a reasonably balanced economy relative to the South East average. This will have helped in maintaining a relatively resilient economic picture, despite elements of re-structuring in the local economic base and the consequences of the global recession in 2007-8.
- 7.32 There is above average employment in the New Forest District in the manufacturing, construction, accommodation & food services, and health and social work sectors relative to the South East average.
- 7.33 Using the 2011 ONS based data summarised in Table 6.1, then approximately **36%** of employment in the New Forest District is estimated to be in the B Use Class related sectors. Conversely, **64%** is in Non B Use Class activities, such as education, health, retail and leisure.

### Past Trends

- 7.34 Past trends in employment land development provide an empirical evidence-base on actual demand levels. If long-term data is available covering a range of economic cycles, this can provide a realistic platform from which to interpolate future potential demand levels.

#### Overall

- 7.35 Long-term trends in employment floorspace completion rates have been examined in the NFNPA and the NFDC including the sub-areas of Totton & the Waterside, South Coastal Towns & Villages, and Avon Valley & Downlands.
- 7.36 The total average level of completions across all B Use Classes has been approximately **10,570** sq.m per annum. This is made-up of approximately **9,670** sq.m per annum completions in the NFDC area and approximately **900** sq.m per annum in the NFNPA.
- 7.37 There is broadly even demand across the B1 and Mixed B Use development types in the NFDC area as a whole (**4,230** sq.m per annum and **4,789** sq.m per annum respectively). The NFNPA area has the majority of demand arising from the B1 Use Class category (**507** sq.m per annum).
- 7.38 There are limited levels of B2 and B8 completions across both areas. The most noticeable levels of B2 and B8 completions are in the Totton & the Waterside sub-area of NFDC.

#### New Forest District (Outside the National Park)

- 7.39 Employment land completion data for the NFDC area for the period 1988/89 - 2015/16 translates into an average floorspace figure of **9,660** sq.m per annum. The completion data has shown an overall downward trend in activity in the NFDC area over this period. This pattern is evident across all B Use Classes and sub-areas, although the Avon Valley & Downlands sub-area has witnessed a much less pronounced overall level of variation.
- 7.40 Overall, completion rates averaged **9,550** sq.m between 1988/89 - 2000/01, then rose appreciably to **20,470** sq.m per annum between 2001/02 - 2006/07. There has been a much more muted level of completions post the 2007/08 global recession, averaging approximately **2,450** sq.m per annum between 2007/08 - 2015/16.

#### New Forest National Park Authority

- 7.41 In the NFNPA area overall completion levels have been relatively stable over time; averaging between **830** sq.m per annum to **925** sq.m per annum. The average for the 1988/89-2014/15 period is approximately **900** sq.m per annum.
- 7.42 The main focus of activity is on the B1a Office sector, which, at approximately **445** sq.m per annum, makes up almost **50%** of completions by floorspace. The level of demand for B1a floorspace has been lower over the 2007/08-2014/15 period compared to the 1993/94-2006/07 period.

## Future Demand

### New Forest District (Outside the National Park)

- 7.43 The future employment floorspace provision for the New Forest District area (excluding the National Park Authority area) may be as follows:
- **Totton & the Waterside** sub-area: **1,900** sq.m per annum.
  - **South Coastal Towns & Villages** sub-area: **2,400** sq.m per annum.
  - **Avon Valley & Downlands** sub-area: **2,000** sq.m per annum.
  - **Total NFDC: 6,300** sq.m per annum.

### New Forest National Park Authority

- 7.44 For the NFNPA area, Section 6 concluded that with the relative stability of completion levels across the various economic cycles, the overall past-trend average completion rate of **900** sq.m per annum is likely to be a reasonable indicator of future potential demand levels. This is based on the underlying economic and demographic characteristics of the area remaining broadly constant.
- 7.45 Evidence in support of a lower future completion rate arose from analysis of future demographic projections, as illustrated in the sensitivity analysis set out in Section 6. This provided reasoned evidence in support of a reduced future demand figure in the National Park Authority area.
- 7.46 In drawing this conclusion it is important to consider the balance given trends in workspace use and changes to working practices which may lead to the need for more floorspace to meet differing needs, and the potential latent demand expressed through a relatively tight commercial property market.

## Wider Considerations and Factors

- 7.47 In addition to examining future demand and need for employment land, Section 6 also considered some wider factors that may influence demand and employment patterns within the District and the National Park Authority area. In this respect, the Report has considered the potential future expansion of Bournemouth Airport; and growth of port and related activities at Marchwood Military Port and for Dibden Bay.
- 7.48 Such developments could have significant implications for NFDC and NFNPA but are hard to gauge or measure meaningfully at present time. Purely in terms of economic consequences, they would be major sources of employment, but orientated towards specific economic sectors which may not materially impact upon local employment floorspace requirements in the NFDC or NFNPA areas.

### Bournemouth Airport Expansion

- 7.49 Key implications arising from this development for the New Forest District and National Park may include:

- potential for the Airport to draw workers from the New Forest area; and conversely for the District/National Park area to attract future residents because of its proximity to the expanding Airport;
- potential to generate and drive an additional supply chain in the wider area, although the scale of Airport expansion and the potential for aviation-related businesses/occupiers to be located within the immediate Airport area and good strategic access from the Airport into Bournemouth and Christchurch environs may minimise the potential level of impact on employment floorspace in NFDC and the NFNPA areas.

### Port of Southampton Expansion

#### 7.50 Impacts may include:

- increasing pressure for development on significant areas of land that are currently open or un-developed/under-developed at Marchwood Military Port. As such, there could be future commercial development of parts of the site and indeed there are currently unimplemented employment land planning permissions in and surrounding the Marchwood Port area. This is likely to have impacts of the job market within the NFDC and NFNPA areas, potentially providing employment opportunities for residents in these areas.
- potential for a reduction in overall employment floorspace needs in the NFDC and NFNPA areas with the creation of significant new employment space in Marchwood. However, this may be more limited given the anticipated focus of such commercial development which is likely to be specifically for marine port-related and distribution functions.

#### 7.51 For Dibden Bay, possible effects may include:

- impacts upon the NFDC and NFNPA property markets in terms of floorspace availability, choice and supply are likely to be longer term and fall within the later part of the relevant Local Plan periods for the NFDC and NFNPA Local Plan Reviews;
- there may be appreciable impacts upon requirements for new employees in the local and sub-region area as any future significant expansion is confirmed as construction and operations commence. Key employment impacts are likely to be focused in locations that are easily accessible to the Dibden Bay site and the immediate strategic road network;
- limited impact on the demand for employment floorspace in the wider NFDC and NFNPA given there is likely to be a substantial provision of port-related and regional/national distribution functions and supporting facilities/supply chain operations within the site area itself.

7.52 Overall, it is concluded based on the above that the possibility of future consents for Port of Southampton expansion and development around Marchwood does not require alteration to the approach currently being taken forward through the two authority's Local Plan Reviews and the overall conclusions drawn elsewhere in this concluding section of the Report.

## Overall Balance

- 7.53 Drawing the supply, revealed and projected demand analyses together with evidence of changing working practices and requirements the following overall conclusions on employment land and floorspace can be made.

### New Forest District (Outside the National Park)

- 7.54 There is a realistic demand for some **6,300** sq.m of new B Use Class employment floorspace per annum. Existing unimplemented permissions total **27,103** sq.m (excluding two consents in Marchwood Industrial Estate) with a further **31,107** sq.m considered to be under construction. There is a considerable level of unimplemented supply potential within the existing allocated employment sites (some **63,800** sq.m as shown in Table 5.10).
- 7.55 Revealed commercial market demand indicates a rising demand for B Use Class space with increasing take-up and reducing availability particularly in the most recent years. Rental values and vacancy rates have decreased.
- 7.56 There is however still an overall level of B Use Class employment floorspace available or within the future pipeline compared to revealed market demand and considering future projected requirements based on past trends. Indeed, unimplemented consents and floorspace currently under construction together offer some **9.23** years supply of B Class employment floorspace provided those commitments are delivered in full.
- 7.57 Occupier requirements as noted from stakeholder engagement with local agents includes demand for smaller and more flexible floorspace, including for B1a offices, B1c light industrial and B8 storage and distribution.
- 7.58 There is therefore a need to ensure that employment floorspace (whether new-build or refurbishment/improvement to the existing stock) is capable of being more flexible and adaptable. This is critical for smaller businesses who often have rapidly changing requirements, but also in terms of future-proofing the available supply to meet changing occupier expectations.
- 7.59 The protection of existing employment sites remains essential as the Existing Sites Quality Assessment has shown as it is clear from the commercial market review that demand and available supply are increasingly tight. Even lower grade (and value) stock and floorspace has a role and function within the overall choice and mix of employment land/floorspace offer.
- 7.60 Protection of existing sites and support for new floorspace (and improvements to the existing stock) to meet evidenced future demand is important in the context of ongoing stock losses due to the implementation of PDR changes of use from B1a offices to C3 residential (and the potential for this trend to emerge in relation to other B Use Class floorspace as PDR rights are extended by the Government).
- 7.61 There is also however a need to ensure that new employment floorspace is delivered and that a choice and mix is offered. In this respect, it is appropriate to support mixed use development schemes that propose both B Use Class and non-B Class activities which offer employment opportunities. Mixed use schemes (including sites where B Uses are mixed with C3 residential uses)

could be delivered as part of new employment land allocations for the Local Plan 2016 – 2036. In allocating such land and sites it will of course be essential to ensure that there is an effective use of the site in question, that there is a balance between the mix of uses to secure the employment floorspace provision and that the types of end uses / occupiers envisaged are compatible with each other.

### New Forest National Park Authority Area

- 7.62 There is more limited revealed demand and indeed supply in the National Park Authority area than for the District.
- 7.63 There is a realistic demand projected for some **600 - 900** sq.m of new B Use Class employment floorspace per annum in future.
- 7.64 The National Park area is characterised by limited employment stock in total, with little availability (especially for B1c, B2 and B8 floorspace) and rising rental values as demand has outpaced supply overall.
- 7.65 Unimplemented planning permissions total around **3,520** sq.m (of which **996** sq.m is for B1 offices) and there has been limited PDR conversion losses. Construction levels are low and the Park's monitoring data confirmed that no new floorspace was constructed between April 2015 and March 2016.
- 7.66 There are no allocated employment sites in the Park area so new employment floorspace and sites has come forward only through windfall developments and the change of use of existing buildings to form part of the B Use Class supply over time.
- 7.67 The revealed market demand characteristics and supply position indicate a short supply of available floorspace (and particularly in relation to revealed demand from smaller business occupiers looking for B1a and B1c floorspace) and there are limited opportunities for new development of supply. Stock quality is noted to be generally average overall, although this masks a number of poorer and isolated employment sites and accommodation which ideally should be addressed in future.
- 7.68 It is reasonable, in the context of the National Park's wider environmental and social objectives that future employment land and floorspace is delivered through a continuation of the windfall development approach influenced and shaped through the Local Plan's criteria-based planning policies.
- 7.69 There is however an opportunity for the Park Authority to take a more proactive position and seek to identify, evaluate and allocate new employment sites/floorspace within the overall spatial pattern of development and protection set out through the current (and emerging) Local Plan preparation process. The benefit of doing this is to actively direct and shape the location and choice/mix of employment land needed and to help restrain windfall developments outside of established settlement development boundaries.
- 7.70 Unimplemented consents account for some **3.9** years supply of B Class employment floorspace provided those commitments are delivered. Losses through PDR conversions have been relatively limited to date, but remain an ongoing risk and threat to existing B1a office supply.



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