Development Management Plan (Regulation 18)

Local Economic Needs Assessment Update

June 2016

Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

1. Introduction

1.1 This evidence summary has been prepared to support preparation of the Development Management Plan Regulation 18 consultation document.

1.2 The primary purpose of the paper is to provide an up-to-date assessment of future local needs for additional employment accommodation to support economic growth in Reigate & Banstead, including both the quantitative and qualitative requirements for land and floorspace.

1.3 In line with the NPPF, the paper provides the evidence to inform the policy approach to existing sites and/or allocation of new sites for employment uses within the emerging Development Management Plan.

1.4 This paper builds upon evidence previously carried out by the Council – notably the 2011 Update to the Economic Evidence Base – recognising that in the intervening years since the original study was produced, the economic landscape both nationally and locally has changed significantly. National policy and guidance has also moved on with the publication of the National Planning Policy Framework (NPPF) and planning practice guidance.

1.5 It should be read in conjunction with the DMP Evidence paper Strategic Employment Provision Opportunity Study, which considers the potential for larger scale new employment provision in the southern part of Reigate & Banstead.

Policy Context

Reigate and Banstead Local Plan Core Strategy (adopted July 2014)

1.6 The Core Strategy[1] forms the principal spatial planning document for the Council covering a wide range of planning issues. It sets out the scale and broad location of new development over the next 15 years, up to 2027.

1.7 The Core Strategy recognises the economic role of the borough, particularly in relation to its strategic relationships with London and the Gatwick Diamond area and seeks to promote continued sustainable economic growth and prosperity in the borough. Policy CS5 sets out the Council's strategic approach, both in respect of regeneration but also in terms of providing for the needs of current and future businesses.

[1] www.reigate-banstead.gov.uk/corestrategy

1.8 Policy CS5 establishes a commitment to plan for the delivery of additional floorspace to meet growth needs, focussed on retaining and making the best use of existing employment land, particularly within both town centres and industrial areas. The Core Strategy seeks to deliver approximately 46,000 sqm of additional employment floorspace, but recognises that this should be subject to regular monitoring of demand levels given the changing economic landscape.

1.9 The Core Strategy also sets out that the Council will plan for a range of employment premises to cater for the needs of business, taking a flexible approach to meet their changing needs as well as supporting the provision of affordable business units to support small businesses and start-ups.

National Planning Policy Framework and Practice Guidance

1.10 The National Planning Policy Framework[2] clearly sets out that planning should "proactively drive and support sustainable economic development to deliver the homes, business and industrial units…that the country needs".

1.11 Chapter 1 of the NPPF specifically sets out the commitment to securing economic growth and, in particular, paragraph 20 makes clear that planning should proactively help to meet the development needs of business.

1.12 Both the NPPF and Planning Practice Guidance[3] direct authorities, through the evidence base for their Local Plans, to assess the need for land and floorspace for economic development for all foreseeable types of economic activity over the plan period. This should cover both quantitative and qualitative needs, and provide an indication in terms of the quality, location and type of space. The evidence should also provide an understanding of both existing business needs, and likely changes in the market.

1.13 The Planning Practice Guidance advises that needs should be assessed in relation to the relevant functional economic area and provides guidance as to how this may be defined.

Existing Evidence

Economic Market Assessment 2008

1.14 The 2008 Economic Market Assessment combined both examination of the economic priorities and challenges of the borough with an assessment of the balance of employment land needs.

[2] http://planningguidance.communities.gov.uk/
[3] http://planningguidance.communities.gov.uk/

1.15 The study identified that, over the period from 2006 to 2026, there was an oversupply of 2ha of employment land, driven – at the time – by forecasts of a particularly steep decline in the need for industrial space (5ha reduction). However, it should be noted that the projections and forecasts which underpin the study fall within the early recessionary period.

1.16 The assessment identified a number of overall objectives for the borough's economy and specific sub-markets within it, including maintaining Reigate's position as a location for corporate HQs, expanding office provision in Redhill alongside the town's regeneration and developing Horley as a hub for start-ups and entrepreneurial activity.

Updating the Economic Evidence Base 2011

1.17 The adopted Core Strategy, and the employment floorspace requirements contained within it, was informed by the policy direction and recommendations identified in the Council's 2011 Update to the Economic Evidence Base study[4].

1.18 This study analysed the economic profile of the borough using information from a range of sources including existing evidence studies from across the borough and wider Gatwick Diamond, and engagement with the local business community. The study also set out an appraisal of the local property market, including a review of existing employment sites and locations in the borough.

1.19 To inform the growth requirements of the Core Strategy, an updated assessment of future employment floorspace requirements, derived from analysis of Experian proprietary local economic forecasts base dated in August 2010, was also prepared. This identified increasing demand for additional office and warehouse accommodation over the plan period but a declining need for industrial space. Overall, the assessment identified a need for just over 37,000 sqm of additional employment floorspace between 2011 and 2026.

Economic Development Framework (2015-2020)

1.20 To help support and influence the future attractiveness of the borough, the performance of our businesses and the achievements of residents, the Economic Development Framework (2015-2020) [5] sets out a number of actions and interventions. Several of these focus on ensuring businesses are

[4] Available at: http://www.reigate-banstead.gov.uk/info/20088/planning_policy/22/evidence_and_research_for_planning_policies/3
[5] Available at: http://www.reigate-banstead.gov.uk/downloads/file/2328/economic_development_framework_final

attracted to the borough, and the right space is available to accommodate them, by:

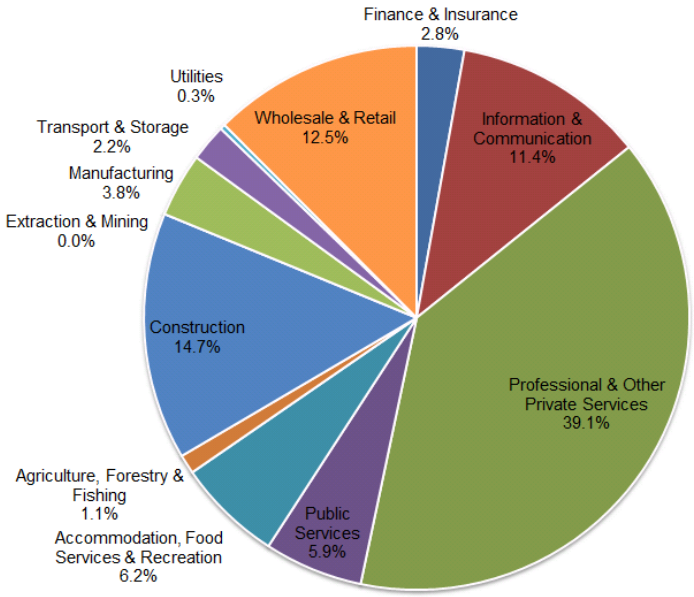
- Protecting, regenerating and developing existing business areas to ensure they remain responsive to business needs
- Improving our town centre commercial locations
- Exploring and promoting further locations for employment, including a strategic employment site around Horley/Gatwick

Summary of Local Economic Characteristics

1.21 Reigate & Banstead occupies a strong strategic location for business. It is central to the Gatwick Diamond economic area and at the heart of the Coast to Capital Local Enterprise Partnership. The borough has excellent transport links to Central London, the wider South East and national and international destinations via the M23/A23 corridor, London to Brighton railway line, M25 and Gatwick Airport.

1.22 The borough is home to around 6,600 enterprises, with the Professional/Private Services sector very strongly represented and accounting for almost 40% of all businesses in the borough.

Figure 1: Breakdown of Enterprises by Broad Sector - 2014



Source: ONS UK Business Counts, 2014 (NOMIS)

1.23 Since 2011, the borough has seen a 17% increase in the number of VAT and/or PAYE registered businesses (from 5,605 to 6,750)[6]. This percentage increase is in line with the Surrey average. Over the same time period, there

[6] ONS Business Demography (2014), available at: http://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2014

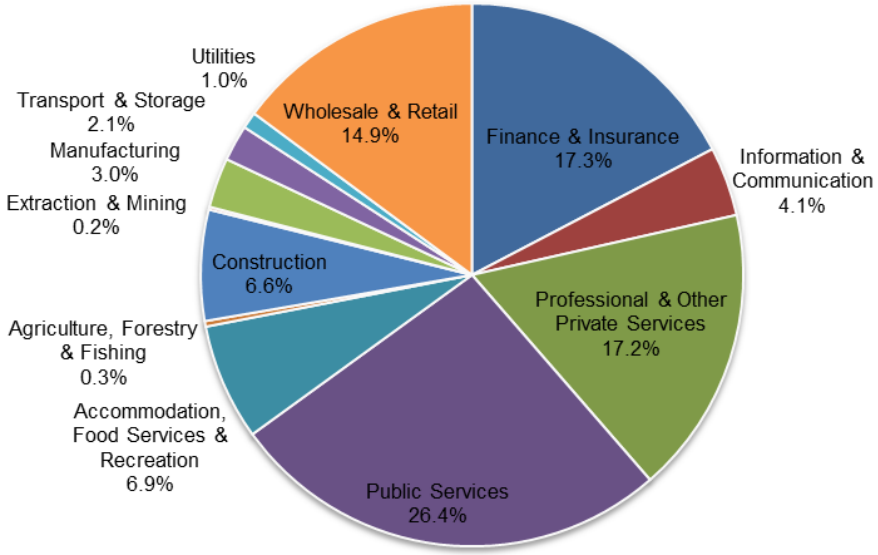
has been a slight fall in the number of business births (685 to 680); again this is in line with the corresponding Surrey average.

1.24 The borough's locational advantages have attracted a number of national and international companies to the borough, including Canon, Kimberley Clark, Santander and AXA Insurance. Despite this, the local economy is dominated by small (10-49 employees) or micro (0-9 employees) businesses which account for 99% of businesses in the borough[7].

1.25 Businesses in the borough provide a total of 78,100 workforce jobs (full and part time), equivalent to 60,600 full time equivalent (FTE) jobs. The most strongly represented sectors in terms of local employment are Public Services (inc. health and education), Finance & Insurance, Professional/Private Services and Wholesale & Retail. Almost two thirds of the jobs available locally are in highly-skilled, knowledge based industries.

[7] ONS UK Business – Activity, Size and Location (2015), available at: https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation

Figure 2: Breakdown of FTE jobs by Broad Sector - 2015



Source: Experian UK Local Market Forecasts (September 2015)

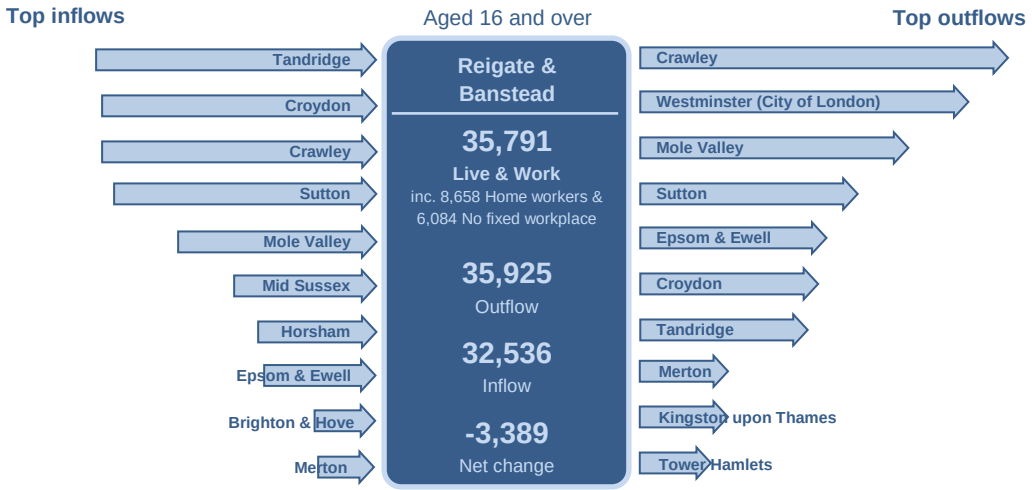
1.26 Self employment accounts for 10,800 jobs locally, with particularly strong representation in the Professional/Private Services and Construction sectors which combined account for half of all self-employment in the borough (28% and 22%) respectively). Levels of self-employment have increased by 36% since 2000, with particularly rapid growth during the recession (i.e. between 2008 and 2011), a not uncommon trend amongst a highly skilled population.[8]

1.27 The value of the local economy has grown steadily over the past decade, with high levels of productivity compared to surrounding areas. There has been a 52% increase in Gross Value Added (GVA) since 2000 (£3,569 to £5,428million) and there is expected to be a further 50% increase by 2030 (to £8,145million).[9]

1.28 Good transportation links, the polycentric nature of the inner South East and the borough's proximity to the country's main centre of employment (London) result in a complex pattern of commuting from and two the borough. Of the borough's 71,500 working age residents, approximately 29,700 (40%) work in the borough (including 12% who work from home). The remainder (41,900 - 60%) commute out on a daily basis or have no fixed place of work. Of those commuting out of the borough, around 45% travel into London for employment and almost 55% work in higher level roles (e.g. managerial, professional or technical occupations). In addition, 32,560 people commute into the borough every day for employment.[10]

[8] Experian UK Local Market Forecasts (September 2015)
[9] Experian UK Local Market Forecasts (September 2015)
[10] ONS Census 2011 Travel to work data – sourced from UK Data Service (https://census.ukdataservice.ac.uk/); RBBC analysis

Figure 3: Commuting patterns and flows - 2011



Source: ONS Census 2011 (data)

2. Forecasting Employment Needs

Methodology

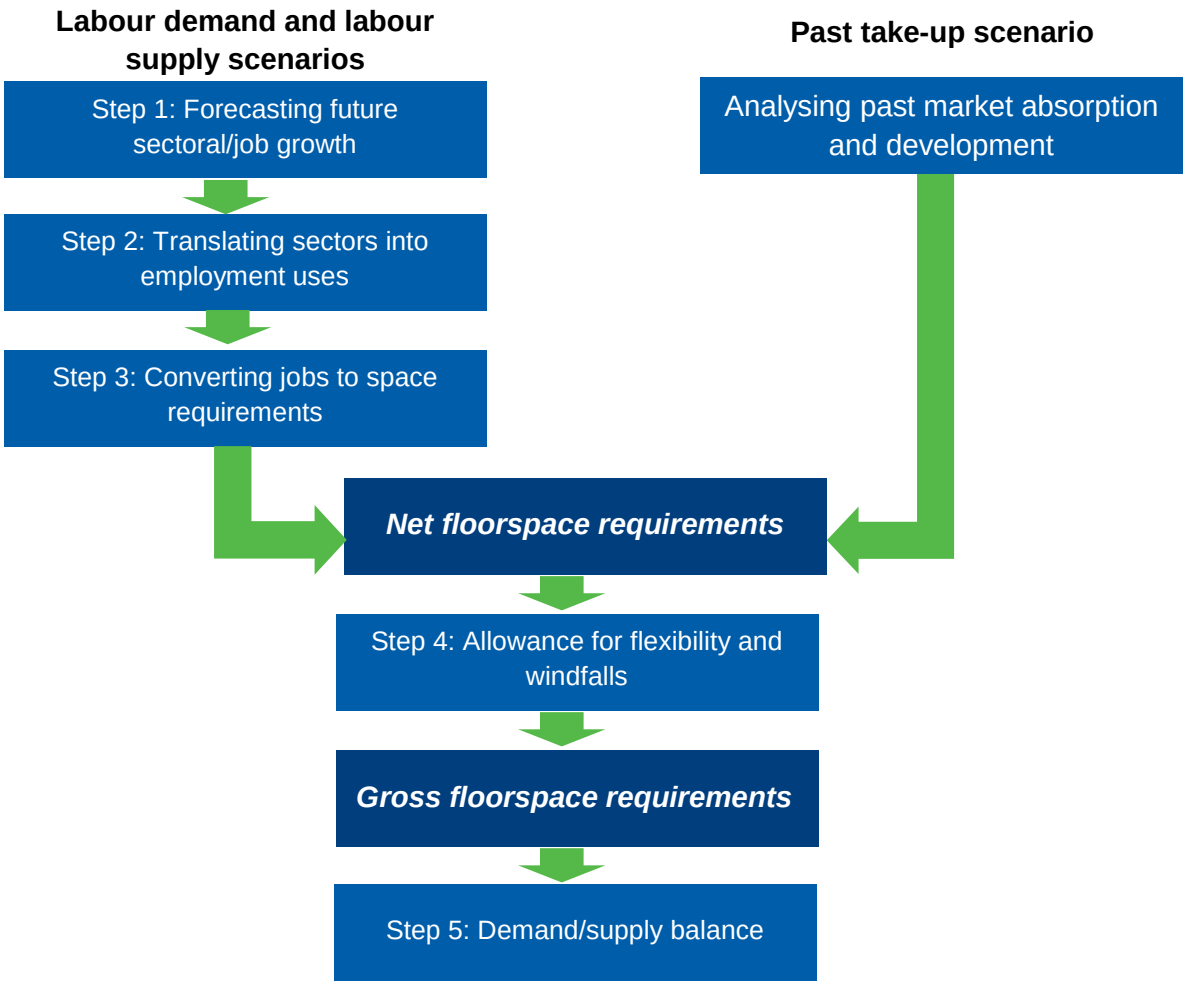
2.1 The economic growth potential and likely demand for employment space in the borough needs to be assessed under different future scenarios. This recognises that different approaches may reveal different level of future demand and reflects the fact that no single approach is without limitations.

2.2 In line with the Planning Practice Guidance, the study therefore assesses likely future needs based on:

- A *labour demand scenario* based on forecasts of job growth
- A *Past take-up scenario* based on historic demand for space in the local market
- A *labour supply scenario* based on planned housing growth and resultant resident labour supply

2.3 The process for establishing needs under each scenario can be summarised as follows:

Figure 4: Methodology



2.4 The steps and outputs for each scenario are discussed in further detail below.

2.5 As set out above, the Planning Practice Guidance advises the economic needs should be assessed in relation to the relevant functional economic area (FEA). The borough's economic market and its economic links and relationships with surrounding areas were examined through the preparation of the Core Strategy, including through the Economic Market Assessment (2008) and Update to the Economic Evidence Base (2011)[11] and within the context of the Duty to Cooperate (examination document RBBC3: Duty to Co-operate Additional Statement).

2.6 The work carried out for the Core Strategy determined that the borough's FEA was primarily the Gatwick Diamond area (i.e. incorporating Mole Valley, Tandridge, Epsom & Ewell, Crawley, Horsham and Mid Sussex), reflecting the influence of Gatwick airport. However, analysis of the borough's FEA also recognised the strong influence of London on the borough's economy generally (particularly in terms of commuting), but also more localised relationships with Sutton and Croydon.

[11] Both available from: http://www.reigate-banstead.gov.uk/info/20088/planning_policy/22/evidence_and_research_for_planning_policies/3

2.7 The focus of this study is to review floorspace needs to ensure that the DMP – and any site allocations within it – are capable of delivering the overall economic strategy already set out in the adopted Core Strategy.

2.8 As such, the definition of the borough's Functional Economic Area – which was considered through the development of the Council's Core Strategy – has not been revisited as part of this study.

Step 1: Forecasting future sectoral/job growth

Labour demand scenario

2.9 For this scenario, the latest Local Market Forecasts for Reigate & Banstead were obtained from Experian UK, taken from the September 2015 quarterly release, which take into account the latest national and regional macroeconomic trends.

2.10 It is important to note that there are some inherent limitations associated with the baseline forecasts at such a localised level. The forecasts are based on a particular set of assumptions around population (ONS baseline population projections) which impact can upon local job creation and do not necessarily take account of local policy (e.g. local plan housing targets) or business initiatives which may influence growth. Nonetheless, these forecasts are industry recognised, represent the most up to date and robust demand projections available and are a valuable input to indicate the scale and direction of economic needs in broad terms.

2.11 The forecasts of job growth by sector within the "baseline" forecasts reflect trends in the relative performance of different sectors in the borough against the regional average. For example, where a particular sector in the borough has outperformed the regional average, the forecasts generally assume that this will continue into the future.

2.12 The projections indicate an overall growth of **6,530 FTE jobs** in the borough over the remainder of the plan period (i.e. between 2015 and 2027), equivalent to 544 jobs per year. This growth continues in the period to 2035, with a further 4,730 jobs added in that period, equivalent to 590 per annum. Growth in the Gross Value Added derived from the local economy over the period from 2015 to 2027 averages 2.75% per annum. Table 1 below shows the performance of key growing (or contracting) sectors under the baseline forecasts for the plan period.

Table 1: Main sectors of growth and contraction – Labour supply scenario

Sector	Change in FTE (2004-2014)	Change (%)	Change in FTE (2015-2027)	Change (%)
Residential Care & Social Work	1,990	71.1%	1,520	32.3%
Construction, Specialised Construction and Civil Engineering	700	24.7%	1,350	33.6%
Finance	1,510	39.7%	1,260	22.1%
Wholesale	180	7.7%	920	17.6%
Insurance & Pensions	1,600	55.9%	770	16.1%
Health	610	23.9%	720	15.7%
Professional Services	1,060	26.1%	500	9.8%
Accommodation & Food Services	380	14.1%	420	12.7%
Computer & Electronic Products (manufacture of)	200	62.5%	230	42.6%
Real Estate	270	36.0%	140	14.1%
Retail	-160	-4.3%	-100	-2.7%
Computing & Information Services	560	54.4%	-100	-6.2%
Land Transport, Storage & Post	-660	-34.4%	-150	-12.1%
Public Administration & Defence	280	16.5%	-180	-6.8%
Administrative & Support Services	-2,170	-39.0%	-700	-20.6%

Source: Experian©/RBBC

2.13 The forecasts show continued growth of Finance and Insurance & Pensions Sectors in the period to 2027, albeit at a slower rate than the previous decade. These sectors are strongly represented in the local area (particularly in and around Redhill and Reigate). The strong growth in both Health and Residential Care industries is derived – in part - from a growing and ageing population, which both increase demand for such services; however, these both generate only a relatively minor call on B-use space.

2.14 The contraction of employment in the Public Administration & Defence sector reflects on-going tightening of central government funding for public services and the inevitable drive for efficiency which results. This applies to local government, fire services and police services all of which are represented in the borough. The scale of future jobs losses in administrative and support services is also high representing a continuation of trends over the past 10 years during which sector shed 2,170 jobs, with particularly significant falls during the recessionary period, presumably impacted by firms seeking efficiencies by cutting non-essential costs.

Labour supply scenario

2.15 Housing supply can influence the size of the pool of labour available locally and therefore, potentially the demand for businesses to locate in the borough. This relationship is, however, not straightforward, particularly in an area such as Reigate & Banstead where commuting flows are complex – because of the borough's proximity to the country's main centre of employment (London), the polycentric nature of the inner South East, and relatively good transport links across the area.

2.16 The labour supply scenario – and specifically the availability of resident labour – is underpinned by housing growth planned in the Core Strategy: that is, the 5,600 (at least) additional homes remain to be delivered between 2015 and 2027. The scenario effectively seeks to establish the number of jobs needed to align with the amount of additional labour arising from new housing.

2.17 Translating this housing growth into a "jobs requirement" requires a number of assumptions to be made about future demographic trends, household composition and commuting. These are discussed below.

2.18 This simplest expression of the relationship between local labour supply and jobs in the economy is represented by the ratio of FTE employment in the borough with the resident working age population – commonly known as job density. Based on 2014 data, this currently stands at 0.66 FTE jobs per working age resident.

2.19 The labour supply scenario assumes that this ratio – and therefore existing patterns of in and out commuting – remains constant over the plan period. In this regard, data from the 2011 Census shows that approximately 29,700 residents (42% of working residents) both live and work in the borough – including home workers – with the remainder commuting out of the borough (35,925) or having no fixed place of work (6,084). In addition, in-commuting also supports the local economy, with a further 32,540 non-residents are employed in jobs in the borough.

2.20 Consideration then needs to be given to the likely working age labour supply which will be "yielded" by remaining planned housing growth. Analysis of household and demographic information from the 2011 Census suggests an average of 1.55 working age residents per household in the borough.

2.21 However, national population projections indicate that the proportion of the population which is of working age will fall over the period to 2027 (from 62% in 2014 to 59% in 2027), driven by an ageing population. Applying this ratio, it can therefore be anticipated that, by 2027, the average number of working age residents per household will fall to 1.48 – this is applied to the projected number of households in the borough in 2027 based on housing growth planned in the Core Strategy.

2.22 Using these assumptions, Table 2 shows the forecast change in households, resident labour supply and the local FTE jobs which would potentially be supported if existing commuting patterns remain. This shows a total growth in of **2,600 FTE jobs** in the period 2015 to 2027.

Table 2: Anticipated FTE job requirement – Labour supply scenario

	Total (2015)	Total (2027)	Change (2015-2027)
Households	57,270	62,870	5,600
Resident working age population	89,110	93,050	3,940
Local FTE jobs	58,810	61,410	2,600

Source: ONS 2014 Mid-Year Estimates, 2011 Census/RBBC analysis

2.23 This "local" labour supply led job requirement is then used to constrain the overall growth indicated by the baseline Experian forecasts, but maintaining the same sectoral profile in 2027. Table 3 below shows the main sectors of growth and contraction under the labour supply constrained scenario.

Table 3: Main sectors of growth and contraction – Labour supply scenario

Sector	% of local jobs (2027 – Experian Baseline)	Change in FTE (2015-2027)
Residential Care & Social Work	9.27%	1,160
Construction, Specialised Construction and Civil Engineering	8.00%	1,030
Finance	10.38%	860
Wholesale	9.16%	560
Insurance & Pensions	8.27%	450
Health	7.93%	410
Professional Services	8.34%	170
Accommodation & Food Services	5.57%	200
Computer & Electronic Products (manufacture of)	2.26%	180
Real Estate	1.68%	70
Retail	5.42%	-310
Computing & Information Services	2.26%	-190
Land Transport, Storage & Post	1.62%	-210
Public Administration & Defence	3.67%	-320
Administrative & Support Services	4.01%	-860

Source: Experian©/RBBC

Step 2: Translating sectors into employment

2.24 In order to establish how the growth in jobs and employment will drive demand for new B-use accommodation for both the labour demand and labour supply scenarios, it is first necessary to identify the type and nature of employment space which different economic sectors are likely to occupy.

2.25 Translating economic sectors (normally classified according to Standard Industrial Classification "SIC") to planning use classes is an inexact science and there is no standardised set of assumptions.

2.26 Estimates of the type of space that various economic operations occupy must be made through observation of the sectors themselves, both generally and at the local level. Manufacturing type sectors and operations are fairly easy to

categorise since they will primarily occupy light industrial B1(C) or general industrial (B2) uses. However, sectors such as “Administrative and Support Services” and “Construction” are far more difficult to classify in terms of use of space due to the diversity of operations that fall within these categories, some of which will be of no fixed workplace (e.g. on-site construction and cleaning).

2.27 Various studies have taken different approaches over the years, reflecting the fact that the type of space occupied by different sectors in different locations will vary in different locations. This includes Economic Needs Assessments from across the country as well as the established South East England Partnership Board (SEEPB) Supplementary Guidance on Employment and Economic Land Assessments (March 2010), drawn from a survey of businesses in the South East. Analysis of these comparable studies has been combined with local knowledge of businesses and business activities to derive the conversion factors set out in Annex 1 which are used for this study. Explanation for the approach taken in each case is also provided in Annex 1.

2.28 These conversion factors can then be applied to the full-time equivalent (FTE) employee numbers for each sector to establish the expected job growth in the main B class sectors, i.e. those that typically use industrial, office or warehouse space. The outputs are shown in Tables 4 and 5.

Table 4: Change in B-use FTE jobs (2015-2027) – Labour Demand Scenario

	Number of jobs		Change 2015-2027
	2015	2027	
Industrial: B1(B)/(C)/B2	2,412	2,676	+264
Storage and Distribution: B8	4,551	5,071	+520
Office: B1(A)	23,587	26,077	+2,489
Total: B use jobs	**30,550**	**33,823**	**+3,273**
Total: All jobs	**60,590**	**67,120**	**+6,530**

Source: Experian©/RBBC

Table 5: Change in B-use FTE jobs (2015-2027) – Labour Supply Scenario

	Number of jobs		Change 2015-2027
	2015	2027	
Industrial: B1(B)/(C)/B2	2,412	2,516	+104
Storage and Distribution: B8	4,551	4,774	+223
Office: B1(A)	23,587	24,555	+968
Total: B use jobs	**30,550**	**32,726**	**+1,295**
Total: All jobs	**60,590**	**63,190**	**+2,600**

Source: RBBC

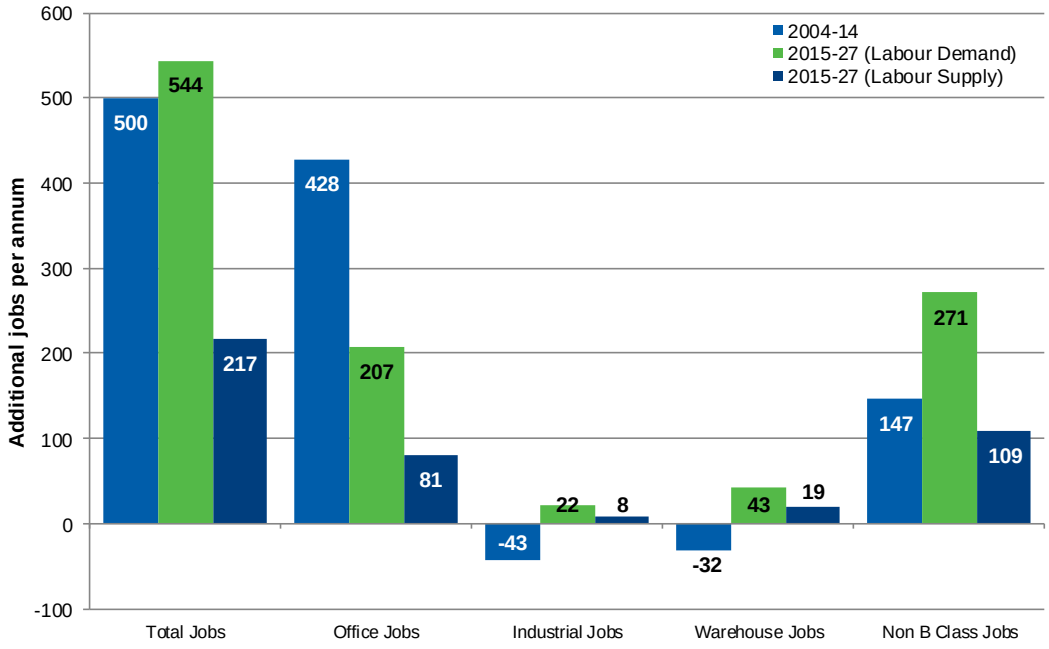
2.29 The labour demand scenario indicates relatively healthy jobs gains in the B use class sectors, equivalent to almost 11% over the 12 year period and equivalent to just over 270 additional jobs each year. This is underpinned by particularly strong growth in office-based industries which alone are forecast to generate almost 210 new jobs each year over the period to 2027. More moderate job growth is anticipated in industrial and distribution sectors, with

the former driven by more “high tech” manufacturing activities. This B use class growth represents just over half of total projected job growth, the remainder of which is driven significantly by health, residential care and non-B construction and engineering activities.

2.30 Growth in B-class jobs under the labour supply scenario is more modest, representing approximately 40% of the growth anticipated under the labour demand scenario.

2.31 Growth in total jobs over the remainder of the plan period is expected to slightly outpace the level of growth experienced over the past decade. However, this is particularly driven by a rapid acceleration in non-B class jobs, whilst future growth in the B class sector is expected to be slightly behind past trends, particularly in the office sector.

Figure 5: Comparison of past and future annual job growth



Source: Experian©/RBBC

Step 3: Converting jobs to space requirements

2.32 Having established the anticipated level of job growth within B use sectors, the next stage is to translate this into need for additional employment space.

2.33 The key factor here is the density at which different types of employment space are occupied by workers. This will vary according to type of space, quality of space, location and will even vary within business sectors.

2.34 Various studies of employment densities have been carried out over the past two decades, the most recent full study being conducted by Drivers Jonas Deloitte and published by the Homes and Communities Agency (HCA)/OffPAT in 2010[12]. Other sector (e.g. offices) or location specific studies have also been carried out, including the British Council of Offices Occupier (BCO) Density Study 2013[13]. The employment densities identified in these studies are summarised in Table 6 below:

Table 6: Employment densities – Summary of findings from other research

	B1(A) (sqm/FTE)	B1(C)/B2 (sqm/FTE)	B8 (sqm/FTE)
Tym (1997)	22 NIA	34 GIA	40 GIA
English Partnerships (2001)	13-20 NIA	34 GIA	50 GIA
DTZ (2004) (South East)	18 NIA	-	-
HCA/OffPAT (2010)	10-12 NIA	36-47 GIA (range 18-60)	70 GEA (range 25-115)
BCO (2013)	11 (range 8-13 NIA)	-	-
London Employment Sites Database (2013)	12-15 NIA	33-44 GIA	33-44 GIA

Source: Various – as identified in column 1

2.35 In addition to these studies, local estimates of employment densities have been derived by comparing Experian job numbers for 2015 with the latest employment stock data (based on individual property data drawn from the VOA database in October 2015). This shows the following:

Table 7: Analysis of local employment densities (2015)

	VOA Stock	Vacant	FTE Jobs	Sqm/FTE
Industrial: B1(B)/(C)/B2	108,700	6,825*	2,412	42.2
Storage and Distribution: B8	209,995	10,730**	4,551	43.8
Office: B1(A)	276,333	24,220	23,587	10.7

* 35% of combined total of vacant warehouse/industrial space

** 65% of combined total of vacant warehouse/industrial space

Source: Experian©/Valuation Office Agency/RBBC

2.36 The locally derived density for offices, at approximately 11sqm GIA per FTE (c.10sqm NIA per FTE) employee sits at the lower end of data from recent studies and suggests quite highly efficient use of space in the borough. The density for industrial provision at just over 42sqm GIA per employee is comfortably within the range suggested in the HCA/OffPAT study and in London studies. The local warehouse occupancy density at 44sqm GIA per employee (46sqm GEA per employee) is less well matched with the central assumption suggested by the HCA/OffPAT study; however, it does fall comfortably within the 25-115sqm range and the range identified in London data. This would indicate that warehouse businesses in this borough operate

[12] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378203/employ-den.pdf

[13] http://www.architectsjournal.co.uk/Journals/2013/09/10/c/y/n/BCO-Occupier-Density-Study---Final-report-2013.pdf

at a higher labour intensity, perhaps reflecting the smaller scale premises and less automated nature of the activities.

2.37 The local data helps to refine where within the ranges suggested by other studies our assumption should sit. Taking account of the local data and information from wider studies, the following assumptions are therefore adopted:

- Office: B1(A) – 12sqm GIA per FTE
- Manufacturing: B1(B)/(C)/B" – 40sqm GIA per FTE
- Storage and Distribution: B8 – 45sqm GIA per FTE

2.38 The recent BCO study particularly indicates that, within the office sector, increases in employment density have slowed, with density stabilising at around 10sqm per employee over the period from 2010 to 2012. The report suggests that "the rate of increase in occupation densities has begun to slow as the market reaches a 'level' beyond which perhaps the benefits of increased efficiency diminish". On this basis, the forecasts in this study assume that occupancy densities remain static over the remainder of the plan period and beyond.

2.39 Applying these densities to the forecast jobs growth in B-use classes identified above indicates the following need for employment floorspace (see Tables 8 and 9). An allowance of 7% is made for vacancy, reflecting the level of vacancy commonly considered necessary to enable churn and ensure smooth operation within the property market[14]. It should be noted that this is also broadly consistent with the borough's current level of vacancy across the B-use classes.

Table 8: Net floorspace requirements – Labour demand scenario

	Additional FTE (2015-2027)	Sqm/FTE	Net floorspace requirements (sqm)	Plus 7% vacancy allowance (sqm)
Industrial: B1(B)/(C)/B2	264	40	10,540	11,278
Storage and Distribution: B8	520	45	23,400	25,038
Office: B1(A)	2,489	12	29,874	31,965

Source: RBBC

Table 9: Net floorspace requirements – Labour supply scenario

	Additional FTE (2015-2027)	Sqm/FTE	Net floorspace requirements (sqm)	Plus 7% vacancy allowance (sqm)
Industrial: B1(B)/(C)/B2	104	40	4,140	4,430
Storage and Distribution: B8	223	45	10,058	10,762

[14] For example the 2014 London Office Floorspace Projections by PBA added an 8% vacancy allowance and pre-recession studies (King Sturge, 2005) indicated a 7% figure

Office: B1(A)	968	12	11,616	12,429

Source: RBBC

2.40 The scale of floorspace need for industrial space indicated through the labour demand approach in particular should be treated with an element of caution since it is driven almost entirely by a forecast growth of over 40% in the computer and electronic manufacturing sector (from 540 jobs in 2015 to around 770 in 2027). Whilst this sector has seen relatively strong growth over the past decade, local knowledge suggests this has been driven by a small number of existing organisations (e.g. Rapiscan) rather than widespread growth across the sector as a whole.

Past take-up scenario

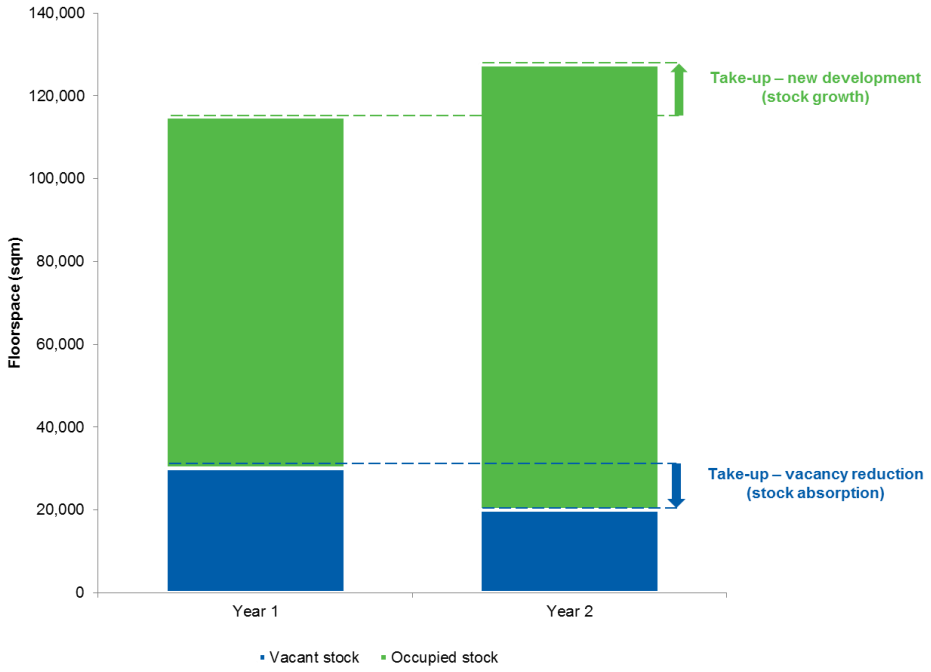
2.41 In assessing future economic needs, the Planning Practice Guidance advises that plan makers should consider analyses of past trends in the take-up of employment land and property in their area.

2.42 Past take-up is effectively illustrated by the change in the amount of occupied employment stock in any area over a particular period. As the diagram below demonstrates, this comprises two elements:

- Change in the level of vacancy within the existing stock from one year to the next **– stock absorption**
- The net change in the total overall stock from one year to the next resulting from development (addition or subtraction) – **stock growth (or decline)**

2.43 Combined, these two factors represent the net level of employment space taken-up by the market over a particular period (normally expressed annually) in order to satisfy demand from new businesses moving into an area or the growth of existing businesses. By its nature, this approach is backward looking; however, it can provide a useful comparator and sensitivity test for forecast based assessments.

Figure 6: Illustration of elements of past-take up

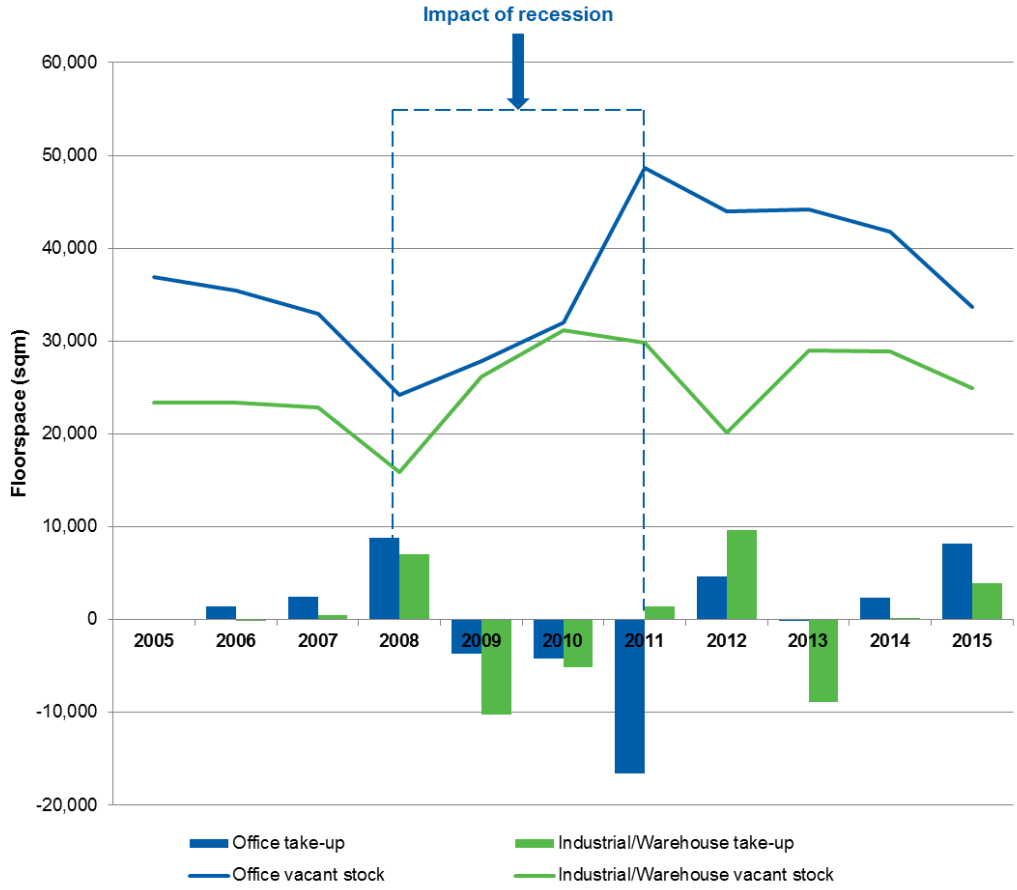


Source: RBBC

Stock absorption

2.44 The chart below plots the change in vacant stock in the office and industrial/warehouse sectors in the borough over the past decade. Particularly noticeable is the impact of the recession between 2008 and 2011, illustrated by the significant increase in vacant stock across both sectors.

Figure 7: Commercial property vacancy and market take-up: past trends (2005-2015)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Office											
Vacant (sqm)	36,900	35,486	32,990	24,227	27,856	32,028	48,642	44,000	44,135	41,780	33,633
Take-up (sqm)	-	1,414	2,496	8,763	-3,629	-4,172	-16,614	4,642	-135	2,355	8,147
Industrial/Warehouse											
Vacant (sqm)	23,389	23,416	22,892	15,864	26,130	31,219	29,770	20,150	29,000	28,848	24,957
Take-up (sqm)	-	-27	524	7,028	-10,266	-5089	1,449	9620	-8,850	152	3,891

Source: RBBC Monitoring data

2.45 Average annual stock absorption in the borough across the past decade as a whole has been very low. For the office sector, the net reduction in vacant stock over the past decade was 327sqm per annum, whilst in the industrial/warehouse sector, vacant stock increased at a rate of 157sqm per annum.

2.46 However, these figures cover a period of significant recession – and significant release of commercial stock as a result – and in doing so, do not reflect normal economic or property market conditions.

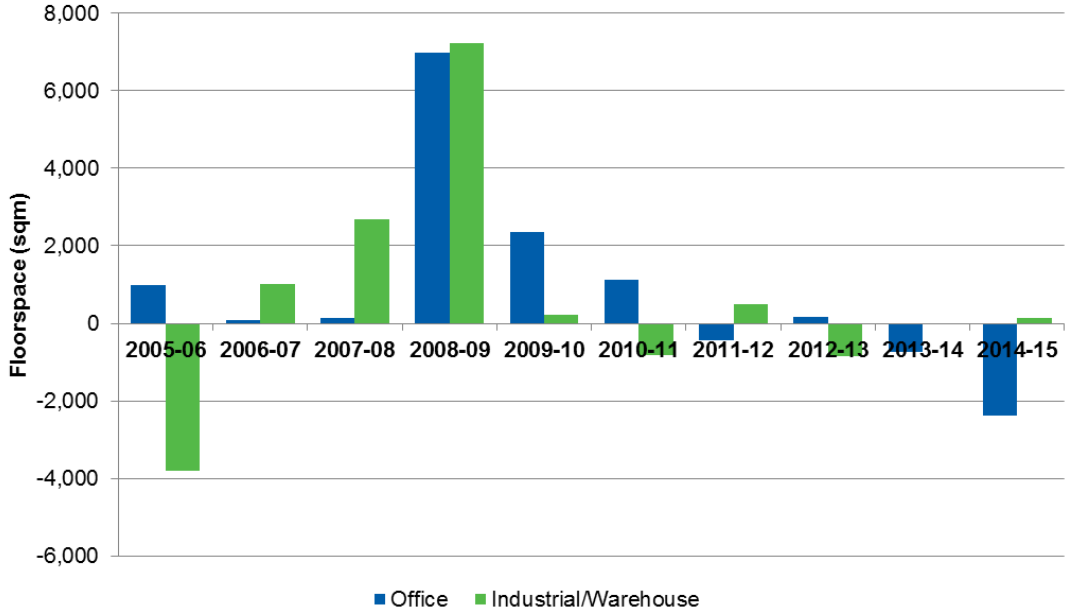
2.47 Take-up which occurred during those periods outside of the recession is therefore arguably a more robust representation of the normal level of business demand for accommodation and therefore a better comparator for the other projection methods. Planning on the basis of these periods is also more consistent with the ambition for planning to encourage, rather than impede economic growth.

2.48 During these periods (2005-2008 and 2012-2015), the average annual reduction in vacant stock was 3,954sqm per annum in the office sector and 1,763sqm per annum in the industrial sector.

Development - stock growth

2.49 The second element of take-up is the amount of additional stock created (or lost) as a result of new development.

Figure 8: B-use development: past trends (2005-2015)



	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Office	979	86	133	6994	2360	1118	-438	162	-733	-2372
Industrial/Warehouse	-3806	1027	2698	7218	215	-828	495	-843	0	131

Source: RBBC Monitoring

2.50 The chart and table above shows the net change in the stock of employment floorspace in the borough each year over the past decade as a result of developments. With the exception of 2008-09, development has generated relatively modest amounts of additional stock annually in both the office and industrial/warehouse sectors.

2.51 The peak in 2008-09 is notable. This illustrates the lag between development and economic cycles and reflects developments which were conceived and

commenced with the intention of serving the boom in demand pre-recession, but which were completed after the collapse of the economy and local property market.

2.52 Since 2010, both the office and industrial/warehouse sectors have experienced average annual losses in stock as a result of development. This is partly due to the glut of existing stock on the market yet to be absorbed following the recession (which in turn affects appetite for speculative development) but, within the office sector particularly, is also driven by changes in permitted development rights which have enabled easy conversion to residential uses.

Past take-up – overall

2.53 One approach to future employment development in the borough would be to assume that the past "normal market" development rates seen over the past decade (excluding the period 2009-2011) carry on into the future.

2.54 The analysis of market absorption and development set out above indicates the historic levels of take-up for both office and industrial/warehouse accommodation in the borough. This is summarised into a net take-up in Table 10 below.

Table 10: Overall past take up (2005-2015)

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Office (Market Absorption)	1,414	2,496	8,763	-3,629	-4,172	-16,614	4,642	-135	2,355	8,147
Office (Development)	979	86	133	6994	2360	1118	-438	162	-733	-2372
Net Office Take-Up	**2,393**	**2,582**	**8,896**	**3,365**	**-1,812**	**-15,496**	**4,204**	**27**	**1,622**	**5,775**
Industrial (Market Absorption)	-27	524	7,028	-10,266	-5089	1,449	9620	-8,850	152	3,891
Industrial (Development)	-3806	1027	2698	7218	215	-828	495	-843	0	131
Net Industrial Take-Up	**-3,833**	**1,551**	**9,726**	**-3,048**	**-4,874**	**621**	**10,115**	**-9,693**	**152**	**4,022**

Highlight shows excluded recessionary period

Source: RBBC Monitoring

2.55 However, as discussed above, the period which these take-up figures cover includes a period of significant recession, which, as indicated by the data above, had a particular impact on the local property market during 08/09 to 10/11. It is not considered that planning on the basis of these conditions would be sound in the context of the NPPF which seeks to secure sustainable economic growth.

2.56 As a result, it is necessary to consider further the period pre and post recession (i.e. 2005-2008 and 2011-2015). The Planning Practice Guidance advises plan makers to take account of business and economic cycles and these timeframes reflect a more positive period in the economic cycle and more closely align with the likely trajectory of the local economy moving

forward. During these periods, annual net take-up was **3,643sqm** in the office sector and **1,720sqm** in the industrial/warehouse sector.

2.57 There are challenges in disaggregating property market and development data within the industrial/warehouse sector to specific use classes, (for example consents for new industrial developments have commonly been secured with an open B1/B2/B8 use) hence why they are presented as a combined need in the table above. However, analysis of the occupancy of recent developments granted with an "open"[15] industrial/warehouse consent suggests that approximately 65% of the space which has been occupied has been taken by B8 uses, whilst 35% has been taken by B1/B2 industrial uses. Projecting forward the past take up figures and applying the ratios above suggests the following future needs.

Table 11: Net floorspace requirements – Past take-up scenario

	Past net take-up	Plan period (2015-2027 – 12 years)
Office	3,643sqm	43,716sqm
Industrial	602sqm	7,224sqm
Warehouse	1,118sqm	13,416sqm

Source: RBBC

2.58 Using typical ratios of jobs to floorspace for the different B uses (as discussed above), it is estimated that a past take-up led floorspace requirement could accommodate around 4,560 additional B-class jobs (equivalent to 380 per annum), with around 4,050 in office sectors and 510 across the industrial and warehouse sectors.

2.59 As explained above, these figures assume that past trends in the take-up of, and demand for, employment accommodation continue moving forward. Whilst they represent a useful sensitivity test for projections based on economic/employment forecasts, the following should be noted:

- This take-up trend reflects a period when the total number jobs in the borough increased by 4,700 (59,800 in 2005 to 64,500 in 2014 drawn from ABI/BRES data)
- The take-up trend reflects a period during which annual average housing growth was around 550 units per annum
- The way in which businesses occupy employment premises have over this period, and will continue to, change and this will affect future demand

Net employment space requirements

[15] Includes IO Centre (Salfords), Redhill 23 (Holmethorpe), Praetorian Place (Holmethorpe) – as at March 2015

2.60 Drawing together the results from the two scenarios above, Table 12 summarises the net additional B-class employment floorspace requirements over the plan period.

Table 12: Net floorspace requirements – All scenarios

	Past take-up	Labour demand (Experian baseline)	Labour supply (Housing led)
	(sqm)	(sqm)	(sqm)
Industrial: B1(B)/(C)/B2	7,224	11,278	4,430
Storage and Distribution: B8	13,416	25,038	10,762
Office: B1(A)	43,716	31,965	12,429
Total B-use	**64,356**	**68,281**	**27,621**

Source: RBBC

2.61 The past take up and labour demand forecasts present a fairly consistent range of total requirements for B-class space, at around **64-68,000sqm.** The labour supply scenario, which is constrained by future housing growth at 460 homes per annum, indicates significantly lower requirements for B-class space.

2.62 However, the split between office accommodation and industrial/warehouse accommodation varies greatly: the past-take up scenario indicates a far higher demand for office accommodation, whilst the labour demand approach shows a greater future need for industrial/warehouse space. As discussed above, forecast growth in the industrial sector is perhaps most unanticipated, and is driven particularly by continued growth being projected in computer and electronic manufacturing.

Step 4: Allowance for flexibility and windfall losses

2.63 The figures identified above indicate the net additional requirements for employment space to meet future economic growth needs and effectively represent the “monitoring” target for delivery.

2.64 To estimate the overall amount of employment space which should be planned for in allocating sites, and to give some flexibility of provision, it is normal to add allowances to account for possible delays in bringing forward sites and to recognise that some existing employment space may be lost to other, non B Class uses.

Flexibility margin

2.65 The former SEEPB guidance on employment land assessments recommends an allowance that is equivalent to the average time for a site to gain permission and begin development, typically about 2 years. An allowance is

therefore made equivalent to two years of the total net annual take-up (market and development) identified above (i.e. 3,640sqm for office and 1,720sqm for industrial/warehouse). This reflects the fact that it is this total demand, rather than simply just demand for developed space, which would be suppressed or displaced, if the availability of space in the local market is constrained.

Table 13: Calculation of flexibility margin (sqm)

	Past net take-up	Flexibility margin (2 years)
Industrial: B1(B)/(C)/B2	602	1,204
Storage and Distribution: B8	1,118	2,236
Office: B1(A)	3,643	7,286

* 35% of combined total of vacant warehouse/industrial space

** 65% of combined total of vacant warehouse/industrial space

Source: RBBC

Windfall loss replacement

2.66 Analysis of historic development trends suggests that, over the past decade, windfall losses of employment space to non B-class uses have averaged 481sqm and 177sqm per annum respectively for offices and industrial/warehouse. Within the office sector, this has particularly accelerated over the past 3-4 years with the introduction of the NPPF and subsequent changes topermitted development rights.

2.67 A judgement needs to be made on the proportion of this loss which needs to be replaced. For example, some losses will be attributable to stock which is long-term redundant, functionally obsolescent and therefore underutilised/under-occupied by modern standards [16]. In these cases, a smaller amount of more modern stock may still be able to support the same number of jobs. The Employment Area Review carried out to inform the DMP identifies the quality/grade of existing employment areas in the borough. This indicated that approximately 70% of stock is “Primary” or “Good Secondary” (good quality, functional stock) whilst around 30% is “Secondary” or “Tertiary” (i.e. older likely to experience greater obsolescence). This is considered to provide a reasonable benchmark for the proportion of stock which it may not be necessary to replace.

2.68 Recognising that any losses over the next couple of years are likely to result from existing permissions rather than new windfall losses, windfall losses are only applied over a 10 year period. Based on this, the following additional allowances are made.

Table 14: Calculation of windfall allowance

[16] The HCA/OffPAT research clearly identified the impact which age of premises in the office sector can have on potential employment density.

	Past annual windfall losses (sqm p.a.)	Allowance made (2015-2027) (sqm)
Industrial: B1(B)/(C)/B2	62	434
Storage and Distribution: B8	115*	805
Office: B1(A)	481**	3,367

* 35% of combined total of vacant warehouse/industrial space

** 65% of combined total of vacant warehouse/industrial space

Source: RBBC

Gross employment space requirements

2.69 The resultant gross B-class employment space requirements incorporating the allowances for flexibility and loss replacement is set out in Table 15 below.

Table 15: Gross floorspace requirements – All scenarios

	Past take-up	Labour demand (Experian baseline)	Labour supply (Housing led)
	(sqm)	(sqm)	(sqm)
Industrial: B1(B)/(C)/B2	8,862	12,916	6,068
Storage and Distribution: B8	16,457	28,079	13,803
Office: B1(A)	54,369	42,618	23,082
Total B-use	**79,688**	**83,613**	**42,953**

Source: RBBC

Demand/supply balance

2.70 An element of existing supply – in the form of "excess" vacant stock and existing planning consents for employment development – will play a role in meeting some of the gross employment space requirements identified above. This will in turn affect the amount of "new" land and sites which need to be planned for.

Vacant stock

2.71 As discussed above, the level of vacant stock in the market currently (as evidenced by properties to let) across the B-class uses as a whole is currently at the 7% optimal vacancy rate.

Table 16: Potential supply – surplus vacant stock

	VOA Stock (sqm)	Vacant (sqm) (Oct 2015)	Vacant (%)
Industrial: B1(B)/(C)/B2	108,700	6,825*	6.3%
Storage and Distribution: B8	209,995	10,730**	5.1%
Office: B1(A)	276,333	24,220	8.8%
All B-Class	**595,028**	**41,775**	**7.0%**

Source: RBBC Monitoring

2.72 This varies across the different use classes. Within the industrial/warehouse sector, vacancies are slightly below the 7% optimal vacancy and, as such,

there is no “slack” for vacancies to absorb some of the future requirements. Within the office sector, current vacancy rate is just under 9%, leaving an excess of approximately **4,970 sqm** over and above the optimal 7% rate which could absorb some of the gross demand.

Existing planning permissions

2.73 Existing planning permission will potentially increase or decrease the amount of new land which needs to be found in order to meet the gross floorspace requirements.

2.74 Information from the Council’s monitoring databases indicates that outstanding, unimplemented planning consents will lead to a potential net loss of B-use class space totalling over 5,780sqm. This is driven particularly by significant net losses of B1(A) Office space, much of which is as a result of schemes brought forward through permitted development rights – both large and small scale. Table 17 sets out the potential impact of outstanding planning consents:

Table 17: Extant planning consents for B-uses

	Gain (sqm)	Loss (sqm)	Net (sqm)
Industrial: B1(B)/(C)/B2	4,473	-5,041	-568
Storage and Distribution: B8	6,103	-1,535	4,568
Office: B1(A)	6,668	-16,451	-9,783
All B-Class	**17,244**	**23,027**	**-5,783**

Source: RBBC Monitoring

2.75 Not all of these schemes will necessarily be built out. Monitoring of previous employment development in the borough indicates the following delivery rates:

- 75% of applications for new office accommodation are built out (although in reality, the realisation of permissions involving losses of office space to residential are higher)
- 60% of applications for industrial and warehouse space are built out

2.76 Applying theses factors gives the following potential “supply” from outstanding planning consents:

Table 18: Total potential supply

	Supply from planning consents (sqm)
Industrial: B1(B)/(C)/B2	-341
Storage and Distribution: B8	2,740
Office: B1(A)	-7,337
All B-Class	**-4,938**

Source: RBBC

Overall balance

Table 19: Total anticipated supply

	Combined "supply" (sqm)	Overall net requirement (past take up – sqm)	Overall net requirement (labour demand - sqm)	Overall net requirement (labour supply – sqm)
Industrial: B1(B)/(C)/B2	-341	9,203	13,257	6,409
Storage and Distribution: B8	2,740	13,717	25,339	11,063
Office: B1(A)	-2,367	56,736	44,986	25,449
All B-Class	**32**	**79,656**	**83,582**	**42,921**

Source: RBBC

2.77 The limitations around the labour supply scenario should be reiterated at this point. It is also worth drawing comparison between the past take-up and labour supply scenarios. The past take-up scenario represents the level employment land growth which was achieved in the borough during a period in which average housing growth was 550 homes per annum. This level of housing growth is only 20% above that which underpins the labour supply scenario (460 homes per annum), yet the employment space needs which it suggests are 85% greater. This could indicate that the labour supply approach may be understating the potential economic needs.

Estimating land requirements

2.78 The final step, for all scenarios, is to translate floorspace into land requirements for both office and industrial/warehouse uses.

2.79 Clearly, plot ratios will be heavily influenced by where and in what form the employment needs are delivered – this will be driven by a combination of land availability and the type of space best matched to the needs of individual sectors. For example, office provision in town centre locations will enable higher density, more efficient use of land and lower overall land requirements whereas office provision in a business park environment will achieve less efficient land use. Given this, the land requirements below can only ever represent a broad indication of land requirements rather than providing a specific target for the amount of land which should be allocated.

2.80 Based on existing modern/new build industrial estates in the borough, a plot ratio of 0.55 is adopted for industrial/warehouse space. This is slightly above the range identified in previous (2004) ODPM guidance[17] but reflects local circumstances and the type of space delivered locally.

2.81 For office floorspace, two separate plot ratios are adopted at 1.3 and 0.5. The former is the density likely to be achieved if office growth can be located in

[17] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7722/147540.pdf

and around town centres and reflects the borough's existing office locations. The latter plot ratio reflects the land which would be required if some, or all, of the business needs were delivered as part of a business park type environment. The balance between these two will ultimately be determined by land availability and the Council's policy response to meeting qualitative (as well as quantitative) business needs.

2.82 The resultant range of land requirements is set out below:

Table 20: Estimated land requirements (2015-2027)

	Industrial: B1(B)/(C)/B2	Storage and Distribution: B8	Office: B1(A)
Past take-up	9,203 sqm	13,717 sqm	56,736 sqm
	1.7ha	2.5ha	4.4ha to 11.3ha
Labour demand (Experian baseline)	13,257 sqm	25,339 sqm	44,986 sqm
	2.4ha	4.6ha	3.5ha to 9.0ha
Labour supply (Housing led)	6,409 sqm	11,063 sqm	25,449 sqm
	1.2ha	2.0ha	2.0ha to 5.1ha

Source: RBBC

Qualitative requirements

2.83 In addition to identifying the broad quantum of space required to support business growth over the plan period, consideration needs to be given to ensuring that the type of space provided matches the needs and requirements of businesses, particularly those in high growth sectors.

2.84 Particularly within the industrial/warehouse sector, a variety of types of premises exist, each with different characteristics and more suited to different businesses, for example:

- *Flexible industrial/business units:* typically capable of supporting a range of light industrial, R&D and even small warehouse activities within a single unit. Often incorporate a relatively high office component and favoured by smaller businesses
- *Factory/production units:* larger scale industrial facilities designed to house extensive equipment, plant and machinery associated with manufacturing activities
- *Advanced manufacturing/R&D facilities:* similar to flexible business units supporting a hybrid of offices and lighter manufacturing space supported in a single location. Campus-like locations often preferred.
- *Warehousing and logistics hubs:* large, commonly single storey units with high ceiling heights to accommodate racking and storage systems and including loading docks/bays and surface parking areas. Often limited office component.
- *Trade counters:* combine large areas of on-site storage and warehousing – both internal and external (e.g. timber yard) often with a smaller component of retail/showroom space for the display of goods to trade and the public.

2.85 Over the plan period, the Experian forecasts indicate that growth in the industrial sector in the borough is likely to be driven significantly by computer/electronic product manufacturing, which will generate 230 of the 260 net additional industrial jobs by 2027 (labour demand scenario). Based on local knowledge of the type of space occupied by existing businesses of this nature in the borough, future demand within the industrial sector is likely to be focussed on advanced manufacturing/R&D type accommodation. Property market studies elsewhere in the Gatwick Diamond sub-region have similarly identified continued growth in demand for “high end” manufacturing space[18].

2.86 The local economy is also expected to experience further significant growth in wholesaling, with a further 920 jobs over the plan period (labour demand scenario). Recent industrial developments in the borough are known to have

[18] https://www.horsham.gov.uk/__data/assets/pdf_file/0018/9315/CD_ED_03_-Market-Appraisal-on-the-Current-and-Potential-Future-Demand-for-Business-Space-in-Horsham-Distict-.pdf

attracted strong demand from commercial trade counters, particularly focussed on the construction supplies sector, and it seems likely that demand for this type of provision will continue. The borough has also experienced growth in wholesaling activities in a range of sectors, including food distribution, across both niche and mass market. Continuation of this trend is likely to see further demand over the plan period for well-located, accessible distribution and warehousing facilities, both small and large scale.

2.87 Demand within the office sector will predominantly be driven by financial, insurance and professional services industries which will generate a combined 2,500 jobs over the plan period (labour demand scenario). Recent business surveys at a sub-regional level have shown demand for conventional office accommodation in both town centre and business park/campus environments across the Gatwick Diamond and have also identified a lack of high quality office provision as a key constraint to business expansion/relocation[19]. This view has been consistently expressed since the Council's 2008 Economic Market Assessment[20] which similarly identified the need for a greater mix of modern high quality office stock and a particular appetite within the market for out of town business park provision. This factor is being compounded by office to residential conversions under permitted development rights which are further eroding available stock. Regional property reports also identified growing demand for larger office accommodation resulting from "strategic dispersal" of businesses from London to take advantage of cheaper rents.

[19] See Gatwick Diamond Business Barometer Spring 2014: https://www.google.co.uk/search?hl=en&q=Gatwick+Diamond:+Business+Barometer+Survey+Findings+(Spring+2014)&gws_rd=cr,ssl&ei=4eNJVraAFMGta9H0pcgF#hl=en&q=Gatwick+Diamond:+Business+Barometer+2014

[20] Available at: http://www.reigate-banstead.gov.uk/info/20088/planning_policy/22/evidence_and_research_for_planning_policies/3 (see Executive Summary and Section 5)

3. Conclusions and Recommendations

3.1 The assessment above provides an indication of the projected local needs for additional employment space in the borough over the remainder of the plan period.

3.2 Taken together, the three scenarios represent the likely range of requirements which could arise over the plan period. Given the complexities of commuting flows, economic relationships and the uncertainties regarding long-term economic or demographic projections, they should collectively be regarded as illustrations of the growth potential of the local economy rather than any particular output being used as fixed target for economic strategy. This is particularly important for the labour supply (housing led) scenario given the housing target on which it is based (i.e. the 6,900 in the Core Strategy) is a minimum and not a ceiling.

Table 21: Illustrative employment land/floorspace requirements (ha) (2015-2027)

	Industrial: B1(B)/(C)/B2	Storage and Distribution: B8	Office: B1(A)
Past take-up	9,203 sqm	13,717 sqm	56,736 sqm
	1.7ha	2.5ha	4.4ha to 11.3ha
Labour demand (Experian baseline)	13,257 sqm	25,339 sqm	44,986 sqm
	2.4ha	4.6ha	3.5ha to 9.0ha
Labour supply (Housing led)	6,409 sqm	11,063 sqm	25,449 sqm
	1.2ha	2.0ha	2.0ha to 5.1ha

Source: RBBC

3.3 The Core Strategy identifies the need to deliver approximately 46,000sqm of additional employment land in the borough over the plan period. This is broadly consistent – as an overall level of growth – with the need indicated by the labour supply scenario; however, for the reasons above, this would suggest that the figure in the Core Strategy should actually be treated as a minimum.

3.4 Over the plan period, to meet local economic needs, it is therefore recommended that – as a minimum - the following additional floorspace should be provided:

- 6,500 sqm of additional industrial space
- 11,000 sqm of additional storage and distribution space
- 25,500 sqm of office space

3.5 Within the industrial/distribution sectors, the DMP Evidence Paper 'Employment Area Review' identifies opportunities for the redevelopment and intensification of a number of sites within existing designated employment

areas. Whilst it is not possible to be specific about the exact likely mix of B-uses, it is estimated that there is potential for at least 18,000sqm of additional employment floorspace to be met through better use of existing designated employment sites. This broadly meets the identified need above.

3.6 Within the office sector, opportunities for new office development exist within the borough's town centres, particularly Redhill, including at Gloucester Road Car Park, Redhill, the Royal Mail depot, Redhill, and Reading Arch Road, Redhill. These sites are considered to have potential for approximately 8,000sqm of additional office space. However, there is a case for identifying allocations capable of delivering considerably more than the minimum figures above, in recognition of the significantly higher need identified by both alternative scenarios (45,000 and 57,000sqm) but also to ensure there is scope (and land available) to address the qualitative shortages discussed above (paragraph 2.86). Current evidence therefore suggests that opportunities for this scale of new provision are unlikely to be available in existing employment areas or town centres, and would be likely to require new greenfield provision.

3.7 It should be noted that this study - and therefore the figures above - consider locally generated employment needs. Assessment of needs and opportunities for strategic employment provision is provided in the separate DMP evidence paper.

Annex 1: Translation of economic sectors to use classes

	B1(A)	B1(B)	B1(C)/B2	B8	Non-B	Comments
Accommodation & Food Services	0%	0%	0%	0%	100%	Wholly non-B space, predominantly in A class or C class uses
Administrative & Supportive Services	40%	0%	0%	5%	55%	Office based activities in administration/support with small proportion of warehouse type space for storage. Remainder non-B space – either no fixed place of work (e.g. cleaning) or A class uses.
Agriculture, Forestry & Fishing	0%	0%	0%	5%	95%	Largely outdoor/no fixed place of work. Small proportion of warehouse type space for storage.
Air & Water Transport	10%	0%	0%	15%	75%	Largely no fixed place of work (operatives/drivers). Small proportion of warehouse type space for depots and office based administration activities.
Chemicals (manufacture of)	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.
Civil Engineering	20%	0%	5%	5%	70%	Largely no fixed place of work (site based) consistent with Census information for construction industry. Some office based activities in relation to design/planning of engineering projects. Small proportion of light industrial/warehouse type space for support services.
Computer & Electronic Products (manufacture of)	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.
Computing & Information Services	90%	0%	0%	10%	0%	Largely office based activities; however, a small proportion of warehouse type facilities for data storage (which is known to exist in borough)
Construction of Buildings	20%	0%	5%	5%	70%	Largely no fixed place of work (site based) consistent with Census information for construction industry. Some office based activities in relation to design/planning of construction. Small proportion of light industrial/warehouse type space for support services.
Education	5%	0%	0%	0%	95%	Predominantly D-uses (schools/colleges) or no fixed place of work (e.g. driving instruction). Small amount of office based activities in administration.
Extraction & Mining	5%	0%	5%	5%	85%	Largely outdoor/site based (e.g. sand extraction). Small proportion of office, light industrial/warehouse type space for support services.
Finance	85%	0%	0%	0%	15%	Largely office based activities. Some A class uses in the form of high street retail banks.
Food, Drink & Tobacco (manufacture of)	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.
Fuel Refining	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.
Health	10%	0%	0%	0%	90%	Predominantly D-uses (hospitals/GPs) or no fixed place of work. Small amount of office based activities in administration.
Insurance & Pensions	100%	0%	0%	0%	0%	Wholly office based activities

Land Transport, Storage & Post	10%	0%	0%	40%	50%	Warehouse based activities (postal and courier services) with small proportion of office based administration activities. Remainder no fixed place of work (e.g. taxi drivers/transport drivers)
Machinery & Equipment (manufacture of)	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.
Media Activities	40%	50%	0%	0%	10%	Split between office based activities in digital media/publishing and recording studios (B1(B)). Small proportion of non B/no fixed place of work activities.
Metal Products (manufacture of)	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.
Non-Metallic Products (manufacture of)	0%	0%	85%	5%	10%	Largely factory/industrial plant with small proportion of warehouse type space and some activities no fixed place of work (e.g. repair and installation of machinery)
Other Manufacturing	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.
Other Private Services	10%	0%	20%	0%	70%	Variety of non-B class space (including retail and no fixed place of work). Some light industrial type operations (repairs) and office based activities in administration/membership organisations.
Pharmaceuticals (manufacture of)	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.
Printing and Recorded Media (manufacture of)	10%	0%	90%	0%	0%	Largely factory/industrial plant with small proportion of office based activity in reproduction of digital media.
Professional Services	95%	0%	0%	0%	5%	Largely office based. Small proportion of A or D class uses (e.g. vets)
Public Administration & Defence	75%	0%	0%	0%	25%	Largely office based services to the public. Some non-B space in fire & rescue/police services.
Real Estate	80%	0%	0%	0%	20%	Predominantly office based. Some A class uses in estate/commercial agency.
Recreation	10%	0%	0%	0%	90%	Largely no fixed place or work or D class uses. Small proportion of office based administration activity.
Residential Care & Social Work	10%	0%	0%	0%	90%	Largely no fixed place or work or C class uses. Small proportion of office based administration activity.
Retail	0%	0%	0%	5%	95%	Largely factory/industrial plant with small proportion of warehouse type space.
Specialised Construction Activities	20%	0%	5%	5%	70%	Largely no fixed place of work (site based) consistent with Census information for construction industry. Some office based activities in relation to design/planning of construction. Small proportion of light industrial/warehouse type space for support services.
Telecoms	65%	0%	0%	10%	25%	Office based activities in administration/support and development with small proportion of warehouse type space for storage. Remainder non-B space – either no fixed place of work (e.g. installations and repairs).
Textiles & Clothing (manufacture of)	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.

Transport Equipment (manufacture of)	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.
Utilities	55%	0%	0%	10%	35%	Office based activities in administration/support (e.g. SESW) with small proportion of warehouse type space for storage. Remainder non-B space – either no fixed place of work (e.g. installations and repairs).
Wholesale	10%	0%	0%	60%	30%	Largely warehouse type space. Some sui generis/A use activities, particularly vehicle sales. Small proportion of office based activities in agency/sales.
Wood & Paper (manufacture of)	0%	0%	95%	5%	0%	Largely factory/industrial plant with small proportion of warehouse type space.

Annex 2: Comparison with Updating the Economic Evidence Base (2010)

This study has provides an assessment of future economic development needs in the borough based on the latest available information and in doing so, updates the Updating the Economic Evidence Base study which was prepared in 2010 to inform the Core Strategy.

Since the original study – when the UK was just emerging from recession – the national economy has strengthened and returned to a more secure, stable pattern of growth. The current assessment therefore reflects likely growth based on the latest economic circumstances and also seeks to refine assumptions using local knowledge to ensure the outputs reflect as closely as possible the borough's local economy. It is important however to be able to explain differences between this assessment and the previous study.

The first is the variation in future job growth. This derives from both the baseline forecasts themselves as well as the approach to translating sectors to B-use classes. The forecasts underlying the current assessment show faster growth in the number of office based jobs than the previous study. This is perhaps unsurprising, many of the sectors which underpin the office sector in the borough (finance, insurance, professional services, administrative services) were – at the time of the last assessment – badly affected by the recession and this will have dampened future anticipated growth.

	2010 Assessment	Current Assessment
Future jobs change: Office B1(A) (per annum)	151 FTE	207 FTE
Future jobs change: Industrial B1(B/C), B2 (per annum)	-21 FTE	22 FTE
Future jobs change: Warehouse B8 (per annum)	21 FTE	43 FTE
Total jobs (per annum)		
Ratio of additional B Class jobs to Non B Class jobs	59:41	50:50

There is some variation in the worker-floorspace ratios adopted across the two assessments. Even once the differences in bases of measurement are adjusted for, the latest assessment assumes a more efficient use of space within the office sector; however, this may reflect continued changes in working practices driven both by cultural change and the need for financial efficiency. Within the industrial and warehouse sectors, the latest study assumes a slightly less efficient occupation of space, reflecting the latest local evidence but also in line with wider studies.

Metric	2010 Assessment	Current Assessment
Employment Data	FTEs	FTEs

Office worker : floorspace ratio	14sqm per FTE (NIA)	12sqm per FTE (GIA)
Industrial worker : floorspace ratio	34sqm per FTE (NIA)	40sqm per FTE (GIA)
Warehousing worker : floorspace ratio	34.8sqm per FTE (GEA)	45sqm per FTE (GIA)

The 2010 study covered the period from 2010 to 2026 (compared to 2015-2027) in the current assessment) and, as such, represents four years of additional growth compared to the latest assessment. Even adjusting the results in the previous study by a factor of 75% to account for this time difference:

- The gross requirements for office space in the 2010 study compare well with the existing assessment, falling comfortably within the range identified by past trends and the latest labour demand scenario
- The 2010 study identified a significantly higher future need for storage and distribution space, 35% above the current labour demand scenario and more than double past trends
- The latest study shows a continued demand for additional industrial space; however, the 2010 study anticipated reducing need for such space.

	2010 Assessment	**Current Assessment**	
		Past trend	**Experian**
Industrial: B1(B)/(C)/B2	-4,800 *(-6,400)*	8,862	12,916
Storage and Distribution: B8	37,950 *(50,600)*	16,457	28,079
Office: B1(A)	50,325 *(67,100)*	54,369	42,618
Total B-use	**111,300**	**79,688**	**83,613**

The figures shown in brackets represent the needs identified in the original study over the longer time period of 16 years.

The variation between the net requirements identified in the 2010 and current assessments is more significant. However, this is driven by the fact that, at the point of the 2010 study, there was significant potential supply of both vacant space on the market as well as permissions yielding a net additional growth across all B use classes. Together, these sources provided approximately 88,500sqm of potential supply to meet the gross needs.

The current situation in relation to potential supply is vastly different, with much more limited available space (only a theoretical 5,000sqm in the office sector) and potential net losses in both industrial and particularly office space arising from outstanding permissions, the latter driven by office to residential permitted development rights. “Supply” in the current assessment therefore only modestly reduces needs, and in some B class sectors actually increases them.