

# REIGATE & BANSTEAD BOROUGH COUNCIL

## HOR9 Strategic Employment Site: Economic Assessment

### Task 1: Supply and Demand Evidence

September 2017



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# 1. INTRODUCTION

## Overview

- 1.1 Chilmark Consulting Ltd. (CCL) was commissioned in December 2016 by Reigate & Banstead Borough Council (RBBC) to prepare a Strategic Employment Site Economic Assessment (SESA) for a potential large-scale employment site to the south of Horley.
- 1.2 The subject site is identified as **HOR9: Land West of Balcombe Road** in the emerging RBBC Regulation 18 Development Management Plan: Potential Development Sites (DMP) and has already been subject to previous work to consider the scope for a Strategic Employment Site and potential options for its location around Horley.
- 1.3 The aim of this commission is to review, update and evaluate the evidence to support the proposed strategic employment site allocation. It is necessary and timely to assess in more detail the potential of the site and the economic impacts of the proposed development to ensure that the Development Management Plan, including its proposed land use allocations, are founded on robust, objective evidence.

## The Strategic Employment Site

### Location and Boundaries

- 1.4 The proposed HOR9 Strategic Employment Site on Land West of Balcombe Road is located at the southern edge of RBBC's administrative boundary and to the north of Crawley Borough a short distance from Horley town centre and from Gatwick Airport.
- 1.5 The site's proposed allocation boundaries are set out in the RBBC *Development Management Plan: Potential Development Sites – Area 3*.
- 1.6 To the west, the site is bounded by the main Brighton, Croydon, London railway line which runs north-south along the boundary. To the south, the site area is bounded by the M23/A23 running east-west and including Junction 9a of the M23. To the east, the boundary is partially along the B2036 Balcombe Road and is then formed of the rear of residential properties on Meadow Croft Close, Warltersville Way, Bayhorne Lane, Apperlie Drive and Limes Avenue.

### Size

- 1.7 The site is some 83 hectares in size and formed of a largely triangular shape parcel of land.

### Current Uses

- 1.8 Much of the site is comprised of open fields used for grazing and equestrian activities. The land has a public footpath running east – west across the site and along the south western corner, but no other public access. There is an existing office facility at Meadowcroft House set within extensive grounds towards the south-eastern corner of the site.

### Planning Policy Status

- 1.9 RBBC adopted its *Core Strategy* in July 2014. This sets the overall scale and location of growth in the period to 2027. The *Core Strategy* recognises the need to make the best use of existing, designated employment sites and areas as well as recognising that new strategic employment land proposals may come forward.
- 1.10 The site is proposed for allocation as a strategic employment location through the emerging RBBC *Development Management Plan*. The Regulation 18 Consultation document includes the site referenced as HOR9 and confirms that the Strategic Employment Site Opportunity Study has identified the site as being potentially suitable for employment provision.
- 1.11 The Regulation 18 DMP indicates (page 184) that the site could be developed for business space, predominantly for offices (B1 Use Class). It also highlights that a range of commercial and leisure facilities could be appropriate to serve and complement the business use of the site. In addition, the emerging DMP suggests 5 hectares of new high quality public open space, including parkland and outdoor sports facilities should be provided. A new, direct access spur to the strategic road network is also proposed.
- 1.12 A more detailed review of relevant, site specific planning policies is set out in Section 2 of this Report.

### Future Development Proposals

- 1.13 At the time of writing RBBC's Property Team is in the process of preparing a masterplan scheme for the future development of the site. This is understood to include up to **200,000** sq.m of B1 floorspace (predominantly office) as well as appropriate ancillary and supporting uses and public open space.

### Purpose and Scope

- 1.14 The purpose and scope of the commission is in two parts:
- **Task 1: Review of Supply and Demand Evidence; and**
  - **Task 2: Assessment of the Potential Economic Impact.**
- 1.15 Both Tasks 1 and 2 need to address a range of strategic, local and site-specific issues: reviewing the relevant policy context and evidence base; a strategic supply and demand analysis; assessment of cross-boundary employment land and market demand factors; inward investment and sectoral position/opportunities; and then to draw conclusions and recommendations on the potential for the strategic employment allocation in light of a clearly

established understanding of the economic, labour force, planning/land use and market impacts arising.

- 1.16 While the focus of the Task 1 Report is on the proposed strategic site within the local RBBC context it is also necessary to consider wider and more strategic economic, land and market factors principally encompassing neighbouring authorities within the Gatwick Diamond area of Surrey and West Sussex and the neighbouring London Boroughs of Croydon and Sutton. Task 2 covers these aspects in more details and is subject to a separate report.
- 1.17 In greater detail, the objectives of the Task 1 study include:
- current and future employment projections for the Borough and analysis of any unmet employment land needs arising;
  - an examination of the potential for the strategic site allocation to support business sectors and inward investment opportunities;
  - consideration of occupier and business requirements and expectations locally and more widely in the Gatwick Diamond area;
  - undertaking a commercial market review to examine market trends for B Use Class employment land and floorspace;
  - drawing conclusions on potential demand and employment land supply in relation to the proposed strategic employment site.
- 1.18 All the work is to be undertaken in accordance with the requirements of the *National Planning Policy Framework* (NPPF) (March 2012) and the *National Planning Practice* Guidance (March 2014 and as updated).
- 1.19 The Task 1 Report builds upon previous evidence, studies and analyses undertaken for the RBBC Core Strategy and DMP and for the HOR9 site itself as far as possible. This is supplemented by updated and new research as necessary to ensure that the proposed strategic employment allocation is robust and based on up-to-date information.

## Data Sources, Assumptions and Limitations

### Data Sources

- 1.20 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

- 1.21 The analysis and findings of this Task 1 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.
- 1.22 Emerging planning policies, targets and allocations of local authorities adjacent to Reigate & Banstead Borough are assumed to be effective, justified and soundly based for the purposes of this assessment report.

1.23 The Report's principal assumptions and limitations are recorded in more detail in each of the relevant sections.

## Structure of Report

1.24 Following this Introductory Section, the Task 1 Report is structured as follows:

- **Section 2** – sets out a summary of the relevant planning policy context;
- **Section 3** – is concerned with establishing the employment land demand and needs through analysis of current economic projections and the consideration of a series of economic scenario sensitivities;
- **Section 4** – sets out an analysis of the current commercial property market;
- **Section 5** – looks at broader influences and trends for workspace provision that are likely to have implications for the commercial property market in Reigate & Banstead and more widely; and
- **Section 6** – draws the Task 1 Report work together through a gap analysis, summarises the principal conclusions arising. The section also confirms the next steps and scope for Task 2 work.



## 2. PLANNING POLICY CONTEXT

### Introduction

- 2.1 The planning policy context is an important component in assessing the potential and effects/implications of the proposed HOR9 employment allocation.
- 2.2 This section sets out in summary, the relevant planning policy context. It considers three levels of policy: national, sub-regional within the Gatwick Diamond and local, within Reigate & Banstead Borough. National Planning Policy Framework

### National Planning Policy

#### National Planning Policy Framework (NPPF)

- 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 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 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; 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.

### National Planning Practice Guidance

- 2.13 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.
- 2.14 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.
- 2.15 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.
- 2.16 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.
- 2.17 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).
- 2.18 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.
- 2.19 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.
- 2.20 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).
- 2.21 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.

## Reigate & Banstead Borough

### Local Plan Core Strategy

- 2.22 The Borough's Core Strategy was adopted in July 2014 and forms the overarching spatial planning document for the Borough in the fifteen-year period to 2027.
- 2.23 One of the relevant Core Strategy objectives, SO19 is:
- "To ensure the right amount, range, size and type of commercial areas are available and that the necessary infrastructure and facilities are provided to support a level of economic growth compatible with protecting the environment"<sup>1</sup>.*
- 2.24 The **Core Strategy Key Diagram** (Figure 4) shows the area of the proposed HOR9 site as forming part of the 'Countryside Beyond the Green Belt'. Horley, to the north is identified as an Urban Area and a Priority Area for Regeneration and employment sites in the north of Horley are identified as a Strategic employment Location.
- 2.25 **Policy CS2: Valued Landscapes and the Natural Environment** identifies that the Council and developers will be required to protect and enhance the Borough's green fabric when considering the allocation of land and / or proposals for significant development. The policy includes potential of designated areas such as the Surrey Hills AONB and Areas of Great Landscape Value as well as all areas of countryside which have their own distinctive landscape characters. The landscape character of the countryside will be protected and enhanced through criteria-based policies in the DMP.
- 2.26 **Policy CS5: Values People and Economic Development** confirms that the Council will promote and support continued sustainable economic prosperity through a range of actions, including: identifying and targeting priority Regeneration Areas, sustaining those areas that are already prospering, recognising the distinctive economic roles of different parts of the Borough, planning for a range of types and sizes of employment premises to cater for the needs of businesses, planning for the delivery of new employment

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<sup>1</sup> Reigate and Banstead Local Plan: Core Strategy (July 2014) Core Strategy Objective SO19. Page 17

floorspace to meet forecast growth (keeping the best sites and ensuring new development outside employment areas is sustainable, reflecting policy priorities) and supporting entrepreneurship by facilitating the provision of start-up and incubator units.

- 2.27 The Local Plan Core Strategy also acknowledges that as development opportunities within the urban area become more limited, some development on land outside the current urban area will be required<sup>2</sup>.
- 2.28 Further to this, the Core Strategy recognises the influence upon the Borough's economy of its location within the Gatwick Diamond and its proximity to Gatwick Airport, with the airport being a key driver of the sub-regional and national economy. The Plan goes on to state that:

*"The Council will work closely with partners across the Gatwick Diamond to deliver the vision of the area as an internationally recognised business location with a global future in a sustainable way, including through the exploration of options for strategic employment development opportunities".<sup>3</sup>*

- 2.29 At paragraph 5.5.11 the Core Strategy considers the potential and approach to strategic employment provision and takes a positive approach to the identification and assessment of such sites:

*"The regeneration focus of the Council, and environmental and policy constraints, mean that it is essential to secure the best use of land, including employment land. In the majority of cases, redundant industrial space is likely to be appropriate for re-use or redevelopment for alternative employment generating uses. However, it is recognised that over the course of the Core Strategy period, unanticipated strategic proposals may come forward that would result in a major gain or loss of employment provision. This may include the identification of strategic employment development through joint working with Gatwick Diamond authorities and/or other adjoining authorities".*

- 2.30 **Policy CS6: Allocation for Land for Development** confirms that development sites will be allocated in the DMP taking account of sustainability considerations including environmental and amenity value, localised constraints and opportunities, the need to secure appropriate infrastructure/service provision, and the policies within the Core Strategy.
- 2.31 The policy also gives priority to the allocation of land for development in sustainable locations in the urban area as well as the allocation of land beyond the current urban area for sustainable urban extensions including the Countryside beyond the Green Belt adjoining the urban area of Horley.

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<sup>2</sup> Reigate and Banstead Local Plan: Core Strategy (July 2014) Paragraph 5.1.13. Page 21

<sup>3</sup> Reigate and Banstead Local Plan: Core Strategy (July 2014) Paragraph 5.5.8. Page 32-33

- 2.32 Policy CS6 confirms that sites beyond the current urban area will be released for development in accordance with policy CS13 and detailed phasing policies within the DMP.

### Reigate & Banstead Borough Local Plan 2005

- 2.33 The *Reigate & Banstead Borough Local Plan* was adopted in April 2005 and a number of policies have been saved following a Direction from the Secretary of State in September 2007.
- 2.34 Relevant policies covering the proposed strategic employment allocation site include the following.
- 2.35 **Policy Hr33 (Public Open Space)** allocated sites for the provision of public open space to meet the needs of Horley residents.
- 2.36 **Policy Hr36 (Rural Surrounds of Horley)**. Land is allocated around Horley as the 'Rural Surrounds of Horley'. Within this area, development is not permitted unless it is for a use related to the essential needs of agriculture, forestry, outdoor sports and recreation. Criteria allow for permission to be granted if the activity is reasonably necessary, there is no harm to the open character of the rural surrounds, it is appropriate in scale, design and siting, and it does not adversely affect the nature conservation value of the area.
- 2.37 **Policy Hr37: Gatwick Airport Open Setting**. The policy contains a strong presumption against proposals which would contribute to the coalescence of Horley with Gatwick Airport and result in the loss of the open setting of the Airport as shown on the Proposals Map. The designation covers much of the proposed HOR9 Strategic Employment Site allocation area.

### Draft Development Management Plan

- 2.38 The Reigate & Banstead Borough *Development Management Plan: Regulation 18 Consultation* document was published in August 2016.
- 2.39 The purpose of the DMP will be to set out policies to guide decision making on planning applications and to identify sites for certain types of new development. It explores in greater detail how the development principles, targets and strategic policies in the Core Strategy are to be delivered.
- 2.40 The DMP is at an early stage in its preparation and as a consultation draft document does not represent settled policies or plans, including any final decision on individual development site allocations.
- 2.41 The DMP proposes a suite of employment policies that seek to safeguard and protect existing employment land and premises and to provide flexibility for local businesses to start up and grow. The policies also seek to help new developments to deliver jobs and skills benefits for local people.
- 2.42 **Proposed Policy EMP1: Principal Employment Areas** sets out that for Principal Employment Areas planning permission will be granted for changes of use to industrial and distributions uses and for the development of new, upgraded or extended industrial and distribution floorspace.



- 2.43 **Proposed Policy EMP2: Local Employment Areas** seeks to support development of new or extended employment accommodation in Local Employment Areas.
- 2.44 **Proposed Policy EMP3: Employment Development Outside of Employment Areas** confirms that permission will be granted for employment uses (excluding A Use Classes other than A2) outside of designated Employment Areas and Town Centres, provided there is no harm to the character of the building or surrounding area; no harm to neighbouring amenity; the type and scale and intensity of the proposed business activity is appropriate to the locality and accessibility of the site; and there is sufficient parking available.
- 2.45 **Proposed Policy NHE1: Landscape Protection** includes policy that proposals for development between Horley and Gatwick Airport (where the HOR9 proposed site is situated) must ensure that a clear visual break is retained to protect against the coalescence of Horley with Gatwick Airport and have regard to the open setting of the Airport.
- 2.46 The proposed strategic employment provision on Land West of Balcombe Road is detailed in Section 3D: Area 3 – The Low Weald (from page 183 onwards) at draft proposed allocation **HOR9**.
- 2.47 The proposed allocation is indicated as a mix of business (office) use with a range of commercial and leisure facilities to serve and complement the business use; and at least 5 hectares of new, high quality public open space including parkland and outdoor sports facilities.
- 2.48 The proposed allocation also indicates the need for a new, dedicate and direct access to the Strategic Road Network (M23 spur) and improvements to manage traffic impacts on Balcombe Road and Chequers Roundabout. Improvements would also be sought to the bus infrastructure, pedestrian and cycle routes and measure to deal with flooding and water management.

## Other Relevant Policies

- 2.49 While the HOR9 Strategic Employment Site is located within Reigate and Banstead Borough, the proposed site's proximity to Crawley Borough means that it is appropriate to set out, in short summary, the relevant policies of the Crawley Borough Local Plan.
- 2.50 The *Crawley 2030 Local Plan* was adopted in December 2015 and forms the Council's development plan for the period 2015 - 2030.
- 2.51 **Policy EC1 (Sustainable Economic Growth)** establishes the Borough's economic approach as a key driver for the Gatwick Diamond and confirms that this role will be protected and enhanced. Manor Royal is identified as a key business location and Crawley Town's Main Employment Areas are to be the focus for sustainable economic growth. The policy confirms that there is opportunity for some 23 Ha of employment land in the Borough but that an additional 35 Ha of land for business uses is needed in order to secure future economic growth of Crawley. The majority of the land required will necessitate the identification of new, strategic employment locations within the Plan

period. Preferred locations are to the north of Manor Royal to the south and east of Gatwick Airport which is identified as the Area of Search in the Plan's Key Diagram. The policy and supporting justification notes that the work to identify an appropriate site(s) for further business development will take place after Government issued a final decision on additional runway capacity in the UK.

- 2.52 Paragraphs 5.16 – 5.27 provide additional justification and support for policy EC1. Paragraph 5.23 identifies a hierarchy for securing additional employment land. It states that if employment needs cannot be accommodated within Crawley then the Council will work alongside Gatwick Diamond authorities (which includes Reigate and Banstead Borough) to investigate the scope and implications of additional employment land coming forward during the Plan period in the areas adjoining Crawley/Gatwick. The paragraph also confirms that if land is not available within Crawley or at the periphery with Gatwick then the Council will work to investigate the most appropriate locations further afield.
- 2.53 **Policy GAT2 (Safeguarded Land)** identifies the extent of land to be safeguarded from development which would be incompatible with expansion of Gatwick Airport to accommodate construction of an additional wide spaced runway if required by national policy. The safeguarded land area covers a substantial area of land between the northern edge of Manor Royal and the current Airport perimeter. The safeguarded area also extends eastwards to a boundary with the M23 motorway.
- 2.54 Paragraphs 1.36 et seq. establish the basis for monitoring and review of the Plan. Paragraph 1.37 notes that the Local Plan has been prepared on the basis of supporting the growth of Gatwick Airport to a throughput of 45m passengers per annum within its current single runway configuration. The paragraphs provide triggers for a review of the Gatwick Airport safeguarded area and a Local Plan review subject to Government decisions on the location of new runway capacity.

## Conclusions

- 2.55 The following summary conclusions can be drawn:
- the National Planning Policy Framework provides a clear and unambiguous position reflecting the Government's economic growth and delivery agenda;
  - NPPF paragraph 21 highlights the importance of planning to support existing business sectors and identifying and planning for new or emerging sectors that are likely to locate in the area. The thrust is to ensure that new development proposals offer a choice and mix of commercial B Class employment land and floorspace supply to support economic development;
  - where development of strategic employment land, such as at the HOR9 West of Balcombe Road site are proposed and seek to deliver high quality floorspace, it is important that they do so in a manner that is aligned with the NPPF;



- the adopted Reigate & Banstead Core Strategy policies have full, material weight. Policy CS5 confirms that the Council will promote and support sustainable economic prosperity and that this will be delivered through a range of actions, including planning for a range of types and sizes of employment premises, planning for the delivery of new floorspace to meet forecast growth and ensuring that development outside employment areas is sustainable. In this respect, the Core Strategy acknowledges that while it is essential to secure the best use of land including employment land, over the course of the plan period, unanticipated strategic employment proposals may come forward. Policy CS6 supports this approach and confirms that development sites will be allocated through the *Development Management Plan*.
- Reigate & Banstead Borough is working on its *Development Management Plan* and this has reached its Draft Regulation 18 stage. The Plan includes policies to support employment development including the protection of existing land supply. Draft policy NHE1 allows for development in the area between Horley and Gatwick Airport (where the proposed Strategic Employment Site HOR9 is located) subject to retaining space to protect against coalescence of the urban area with Gatwick Airport. Proposed Site Allocation HOR9 then reflects this spatial approach and positively identifies the land West of Balcombe Road for a mix of business (office) and complementary retail, commercial and leisure activities together with open space and access improvements;
- while at an early stage, the draft DMP policies give more detailed expression to the overall Core Strategy policies to support economic growth and employment land supply and, critically, recognise the need to allow economic development to come forward in sustainable locations as existing provision and land supply is already well utilised.

## 3. EMPLOYMENT DEMAND AND NEEDS

### Introduction

- 3.1 This section provides an assessment of the scope and rationale for strategic employment growth in Reigate & Banstead Borough. It offers a review of relevant supply and demand evidence, including an outline of the strategic economic policy context, an assessment of key economic drivers of relevance, and a review of economic projections. A strategic assessment of the potential impacts that may arise from different Gatwick Airport related development scenarios is also provided, primarily as sensitivity analysis to the main assessment.
- 3.2 The main outputs from this section include an assessment of the potential scale of demand for strategic employment space associated with Reigate & Banstead Borough, and the key sectors likely to drive this demand. This is intended to help inform decision-making regarding the HOR9 strategic employment site allocation.

### Strategic Economic Policy Context

#### Overall Economic Policy Position

- 3.3 Reigate & Banstead Borough lies at the centre of both the Gatwick Diamond economic area and the Coast to Capital Local Enterprise Area (C2C LEP). As such, the economic policy ambitions and initiatives of these organisations have an important influence upon the economic role of Reigate and Banstead. An overview on this is summarised in the *Strategic Employment Provision Opportunity Study* (June 2016), and it is helpful to review and re-consider this role here.

#### South East Region Strategy

- 3.4 As a wider context-setting reference point, however, the role of strategic employment development in the region was recognised by the *South East Regional Economic Strategy 2006-2012* (May 2009). Whilst this was revoked in 2012 along with other Regional Plans in England, the key findings and policy emphasis are still of relevance. This proposed several areas of policy emphasis still relevant to the current study, including:
  - a focus on supporting nationally and regionally important sectors and clusters;
  - the development of a dynamic knowledge-based economy;
  - a focus on maintaining and enhancing the competitiveness of the most economically successful parts of the region, which includes Reigate and

Banstead, through encouraging ‘smart growth’ which requires maximising the productive value of the sub-regions’ resources; and

- the promotion of the economic potential of the international transport hubs at Heathrow and Gatwick, and to be guided by sustainable development principles in facilitating business development in the surrounding area.

3.5 The Plan splits the wider South East region into sub-regions, with Reigate and Banstead falling across both the ‘London Fringe’ and ‘Gatwick’ sub-regions. In the case of Gatwick sub-region, the focus was on sustaining and enhancing the pivotal role played by Crawley-Gatwick in the sub-regional and wider economy, and recognising and sustaining the sub-region’s inter-relationships with London and the South Coast and the international gateway role of Gatwick Airport.

3.6 Other work in support of the Plan also examined the geographical role of sub-regions within the wider South East economy, with Reigate and Banstead falling within the ‘Inner South East’ area. This was identified as:

*“a relatively wealthy core around London, where a strong relationship with a Global City sits alongside centres of economic vitality as strong as any in Europe, delivering much of the region’s ‘world class’ performance”<sup>4</sup>.*

3.7 According to the SEEDA *Review of Regional Economic Strategy for the South East 2006-2016* (2005) at page 6, this position has been reinforced over the early 2000s, with the area seen as being characterised by:

- high productivity;
- high economic activity and near full employment;
- high concentration of world class companies, clusters and high-tech sectors;
- high skills profile of working age population;
- low proportion of economically inactive population;
- high proportion of employment in knowledge-based sectors;
- low dependency on public sector employment;
- significant pockets of deprivation coexisting alongside general prosperity;
- relatively young population and favourable demographics; and
- relatively good infrastructure and connectivity, but with substantial congestion on existing networks.

3.8 Overall, the work in support of the former South East Region Economic Strategy highlights that Reigate & Banstead Borough is an area that can develop its economy from a position of relative strength and has a strong underlying economic base.

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<sup>4</sup> SEEDA (2005) *Review of Regional Economic Strategy for the South East 2006-2016*, page 6

- 3.9 There are many factors already in place to develop success, as well as constraints to address, such as congestion. The focus on promoting a dynamic knowledge- based economy, with an emphasis on national and regionally significant sectors, is of particular relevance in terms of developing a strategic employment land supply.

## Gatwick Diamond

- 3.10 Emerging alongside, but separate, to the South East Regional Economic Strategy was the creation of the Gatwick Diamond Initiative in 2003. This aimed to transform the region into a world-class place to live, work, and do business, and is a business-led partnership made-up of the business community, local authorities, government agencies, and universities and colleges.
- 3.11 The previous *Gatwick Diamond Future Plan (2008)* had similar ambitions to the South East Regional Strategy, with an emphasis on supporting ‘smart growth’, along with a commitment to investigate the creation of a business and innovation district.
- 3.12 The more recent *Gatwick Diamond Local Strategic Statement (2012)* (which is currently being refreshed) re-affirms this<sup>5</sup>, with continued emphasis on ‘smart’ growth, alongside opportunities for strategic development at various sustainable locations in the Gatwick Diamond. This includes the potential for a new strategic business location to attract businesses which cannot reasonably be accommodated within the existing business areas, as well the need for local authorities to be responsive and flexible in their approach to the opportunities which are available.
- 3.13 The current *Gatwick Diamond Strategic Plan 2013-2016* (June 2014) provides a more vision-based approach to promoting and growing the sub-region. There is a focus in terms of strategy towards selecting, prioritising and focusing on high growth, knowledge driven economic growth activity<sup>6</sup>. The underlying emphasis is therefore aligned with the ambitions of the earlier *Gatwick Diamond Local Strategic Statement (2012)* and *Gatwick Diamond Future Plan (2008)*.
- 3.14 In summary, the Gatwick Diamond Initiative continues many of the objectives of the South East Regional Economic Strategy for the sub-region, although with a particular focus on areas of existing strength and stressing flexibility by local authorities in pursuing opportunities.
- 3.15 The emphasis on high growth, knowledge-based economy and ‘smart growth’, is particularly relevant for Reigate and Banstead in terms of the provision of suitable quality and scale of employment space. This is a point the Coast to Capital Local Enterprise Partnership consider in greater detail.

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<sup>5</sup> Gatwick Diamond (2012) *Gatwick Diamond Local Strategic Statement*. Paragraph 9.3 pages 13-14

<sup>6</sup> Gatwick Diamond (2014) *Gatwick Diamond Strategic Business Plan 2013-2016* (Update June 2014). Page 2

### Coast to Capital Local Enterprise Partnership

- 3.16 The Coast to Capital Local Enterprise Partnership encompasses Brighton & Hove, Croydon, the Gatwick Diamond, East Surrey, Lewes and West Sussex. The area includes over 1.9m people and more than 85,000 businesses with 776,000 jobs.
- 3.17 The *Coast to Capital Growth Deal* was published on 7th July 2014 with the aim of encouraging growth across the C2C LEP region through targeted investment in infrastructure and innovation.
- 3.18 The Growth Deal totals £202 million from the Government's Local Growth Fund to deliver the Strategic Economic Plan. The Government investment is identified to stimulate a further £240 million of additional investment from local partners and the private sector.
- 3.19 Under the Growth Deal the investments will create at least 14,000 new jobs and allow 5,000 new homes to be completed contributing towards the 100,000 new homes over a 25 year target.
- 3.20 The C2C LEP *Strategic Economic Plan* (SEP) was published in March 2014 and fully integrates with the *Greater Brighton City Deal* agreed with Government. The SEP sets out the vision and objectives for the C2C LEP. The vision is that Coast to Capital will deliver exceptional growth and productivity gains to deliver economic performance to rival the best in Europe and the rest of the World.
- 3.21 Over a six-year investment programme, the SEP identifies that 60,000 new jobs, 27,000 homes and 970,000 sq.m of new employment floorspace will be delivered across the area.
- 3.22 The SEP establishes six strategic priorities:
1. Successful growth locations, including transport investment;
  2. Successful businesses;
  3. Building competitive advantage;
  4. Skills and workforce;
  5. Growth is digital; and
  6. Housing and infrastructure.
- 3.23 In relation to the Gatwick Diamond, the SEP identified the area as “*the beating heart of the Coast to Capital economy*”<sup>7</sup>. It is a strategic growth location that should be a focal point for future growth, but the SEP also recognises that there is a lack of employment land for new development and inward investment and that there is considerable poor quality commercial and industrial stock which is no longer fit for modern business use<sup>8</sup>.
- 3.24 The SEP also notes objectives to:

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<sup>7</sup> C2C LEP (March 2014). The Coast to Capital Strategic Economic Plan. Page 56

<sup>8</sup> C2C LEP (March 2014). The Coast to Capital Strategic Economic Plan. Page 56

- identify areas where growth should be delivered, which includes the ‘Heart of the Diamond’ area, which covers the southern part of Reigate & Banstead Borough;
  - supporting business investment in growth and create the conditions for enterprise to flourish, including improving the range and quality of business premises; and
  - focusing on those sectors where there are competitive advantages - creative digital and IT; advanced engineering (including marine and automotive); environmental technologies (low carbon and renewables); business and financial services; and healthcare and life sciences.
- 3.25 The overall tenor of the C2C LEP strategy and plans reinforces many of the themes developed in the former South East Regional Economic Strategy and by the Gatwick Diamond Initiative as they relate to Reigate & Banstead Borough. This highlights the need for good quality employment floorspace, in the right location, and at the right scale.

## Reigate and Banstead

- 3.26 The strategic context outlined above has informed the development of the Reigate & Banstead Borough economic and policy position, culminating in the current *Reigate and Banstead Local Plan: Core Strategy* (July 2014).
- 3.27 The *Reigate and Banstead Core Strategy: Updating the Economic Evidence Base* (July 2011) was an important input to the Core Strategy, following on from the withdrawal of the earlier *Reigate and Banstead Core Strategy* (March 2010).
- 3.28 Whilst the *Reigate and Banstead Core Strategy* (March 2010) had support from the Local Plan Planning Inspector in terms of the identified scale of employment development and its broad distribution, there were concerns<sup>9</sup> over:
- the clarity of the overall spatial strategy for commercial development;
  - the need to set out a clear framework to manage economic change;
  - the need for greater clarity about the scale of change needed to meet demand for employment land; and
  - the opportunity for more explicit links to aspirations for the Gatwick Diamond sub-region.
- 3.29 The *Reigate and Banstead Core Strategy: Updating the Economic Evidence Base* (July 2011) provided the findings to help address these concerns. This included an updated set of economic and employment projections, identifying a potential increase of **6,810** FTE jobs in the Borough between 2011 and 2026,

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<sup>9</sup> Reigate and Banstead Core Strategy: Updating the Economic Evidence Base (July 2011). Paragraph 1.2, Page 4

or approximately **454** jobs per annum, and the need for an additional minimum of **37,274** sq.m employment floorspace.

- 3.30 These findings, along with risk management recommendations, helped inform the *Reigate and Banstead Core Strategy* (July 2014), the current Local Plan (along with saved policies from the 2005 Borough Local Plan). The employment land requirement position arising from the Local Plan is considered later in this section of the Report.
- 3.31 The *Reigate and Banstead Economic Development Framework Report 2015-2020* (June 2015) highlights priorities shared with Gatwick Diamond, and how they relate to Reigate and Banstead's Corporate Objectives and Activities. This includes a recognition that the potential for new strategic employment locations in the Gatwick Diamond is vital to driving economic prosperity and new jobs, and that:

*“Strategic employment locations need to capitalise on the sectors that are traditionally strong in the Gatwick Diamond as well as to foster new and emerging ones related to the knowledge economy that is a priority of the Coast to Capital LEP. It will be important for strategic employment locations to be well-related to Gatwick Airport, to existing business locations and to housing to ensure complementary business to business growth, cross-fertilisation and access to skilled workers”<sup>10</sup>*

- 3.32 The Economic Development Framework also identifies corporate and spatial planning objectives for Reigate and Banstead based on national economic and planning policy; an analysis of the economic opportunities and threats faced locally; and evidence about existing and future business needs and demands. Those of relevance include<sup>11</sup>:

- ensuring the right amount, range, size and type of commercial areas are available and that the necessary infrastructure and facilities are provided to support a level of economic growth compatible with protecting the environment;
- planning for a range of types and sizes of employment premises to cater for the needs of established, growing and start-up businesses, and ensure sufficient flexibility to meet their changing needs and to attract new business; and
- planning for the delivery of additional employment floorspace by (a) focusing on retaining and making the best use of existing employment land; and (b) ensuring that new employment development outside these areas reflects wider sustainability principles.

- 3.33 The Reigate and Banstead economic and policy position builds upon a wide range of previous work and studies, and reinforces the aspirations of the Gatwick Diamond and C2C LEP.

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<sup>10</sup> Reigate and Banstead Economic Development Framework Report 2015-2020 (June 2015) Page 29

<sup>11</sup> Reigate and Banstead Economic Development Framework Report 2015-2020 (June 2015) Page 17



- 3.34 The overall direction of policy is towards building upon existing strengths, particularly high-value, knowledge-based sectors, and enabling the growth potential of identified growth sectors. There is no more recent evidence to suggest that these priorities are not still appropriate.

## The Existing Employment Land and Demand Evidence

### Existing Employment Land Position

- 3.35 The *Reigate and Banstead Core Strategy* is the formal source for translating economic and broader social factors into a policy position, including the levels of employment land to be allocated. It identifies a requirement for approximately **46,000** sq.m of employment floorspace across the borough up to 2027, broadly split as follows<sup>12</sup>:
- Area 1: North Downs - **2,000** sq.m
  - Area 2: Wealden Greensand Ridge – **20,000** sq.m
  - Area 3: The Low Weald - **24,000** sq.m
- 3.36 These proposed allocations partly reflect the findings of the *Reigate and Banstead Core Strategy: Updating the Economic Evidence Base* (July 2011) and are based on an underlying job growth forecast of approximately **6,800** jobs between 2011 and 2026<sup>13</sup>.
- 3.37 It should be noted that these job forecasts are based on Experian data from August 2010, so still reflect the immediate effects of the recession from 2008 onwards.
- 3.38 More recent economic and employment forecast analysis from Experian was used by Reigate & Banstead Borough Council in updating the potential demand for employment floorspace, based on September 2015 data. The results of this work are summarised below.

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- 3.39 The *Reigate and Banstead Core Strategy: Updating the Economic Evidence Base* (July 2011) provided a background analysis of economic conditions in the Borough. This has much congruence with the analysis provided as part of the strategic economic policy context discussed earlier, with the Updated Economic Evidence Base characterising Reigate and Banstead as having:
- high productivity, outperforming the rest of Surrey and the South East;
  - a high presence of financial and business services, with the public sector being the second largest sector;
  - steady growth in the numbers of businesses in recent years, but business start-up rates below the Surrey and South East average;

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<sup>12</sup> Reigate and Banstead Local Plan: Core Strategy (July 2014). Figure 7. Page 23

<sup>13</sup> Reigate and Banstead Local Plan: Core Strategy (July 2014). Paragraph 5.5.9. Page 33



- a high number of small businesses;
  - a large number of residents with high level qualifications and occupations, and strong resident earnings;
  - employment activity rates of around 80% (slightly lower than the regional average), but increased unemployment in recent years; and
  - fairly balanced commuting patterns and a flexible labour market.
- 3.40 The *Reigate and Banstead Core Strategy: Updating the Economic Evidence Base* (July 2011) also provided an analysis of key economic sectors<sup>14</sup>. This identified the following as key current and future areas of growth:
- Financial and Business sectors;
  - Non-market/public sector; and
  - Distribution/hotel/catering sector.
- 3.41 In addition, policy analysis has noted the following additional areas of growth opportunity across the Reigate and Banstead area:
- Advanced engineering;
  - Aerospace;
  - Pharmaceuticals and health technologies;
  - Environmental and energy technologies; and
  - Developing the 'knowledge economy'.
- 3.42 These patterns are re-affirmed in the *Local Economic Needs Assessment Update* (2016). That report noted increased employment forecast in the Health and Residential Care sectors, and in parts of the Information technology sector. The report does highlight the fact that approximately two-thirds of current jobs locally are characterised by being in highly-skilled, knowledge based industries. These factors are therefore likely to be key drivers of employment floorspace requirements.
- 3.43 The *Local Economic Needs Assessment Update* (2016) was primarily prepared to provide an up-to-date assessment of future local needs for additional employment floorspace in Reigate and Banstead. This builds upon the work carried out in the 2011 *Update to the Economic Evidence Base* and the findings incorporated into the Core Strategy, but recognises that economic conditions have changed since the production of these reports. It effectively provides a more current assessment of employment land demand than that captured in the Reigate and Banstead Core Strategy.
- 3.44 The *Local Economic Needs Assessment Update* (2016) described the three approaches used to update employment floorspace demand in the Borough. These are consistent with recommendations from the NPPG and consisted of:
- **Labour Demand Scenario** (based on forecasts of job numbers);

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<sup>14</sup> Reigate and Banstead Core Strategy: Updating the Economic Evidence Base (July 2011). Figure 2. Page 10

- **Labour Supply Scenario** (based on planned housing growth and resultant resident labour supply); and
- **Past Take-Up Scenario** (based on historic demand for space).

#### Labour-Based Scenarios

3.45 In terms of the Labour Demand and Labour Supply Scenarios, updated employment and economic forecasts were used, based on Experian September 2015 data. The results in terms of FTE job change are summarised in Tables 3.1 and 3.2 below.

**Table 3.1: Change in B-Use Class FTE Jobs in Reigate and Banstead (2015-27) – Labour Demand Scenario**

	Number of Jobs		Change 2015-2027
	2015	2027	
Industrial B1(b)/(c)/B2	2,412	2,676	+264
Storage & Distribution B8	4,551	5,071	+520
Office B1(a)	23,587	26,077	+2,489
<b>Total B Use Jobs</b>	<b>30,550</b>	<b>33,823</b>	<b>+3,273</b>
<b>Total All Jobs</b>	<b>60,590</b>	<b>67,120</b>	<b>+6,530</b>

Source: *Reigate and Banstead Local Economic Needs Assessment Update (June 2016). Table 4, Page 13*

**Table 3.2: Change in B-Use Class FTE Jobs in Reigate and Banstead (2015-27) – Labour Supply Scenario**

	Number of Jobs		Change 2015-2027
	2015	2027	
Industrial B1(b)/(c)/B2	2,412	2,516	+104
Storage & Distribution B8	4,551	4,774	+223
Office B1(a)	23,587	24,555	+968
<b>Total B Use Jobs</b>	<b>30,550</b>	<b>32,726</b>	<b>+1,295</b>
<b>Total All Jobs</b>	<b>60,590</b>	<b>63,190</b>	<b>+2,600</b>

Source: *Reigate and Banstead Local Economic Needs Assessment Update (June 2016). Table 5, Page 13*

- 3.46 Table 3.1 illustrates that there is an increase of **6,530** FTE jobs in total between 2015 and 2027 in Reigate and Banstead, or approximately **544** jobs per annum. The increase in all B-Use Class related jobs over the same period is estimated to be approximately **3,270**, or approximately **273** jobs per annum.
- 3.47 It should be noted that the Experian 2010 employment forecasts reported in the *Reigate and Banstead Core Strategy: Updating the Economic Evidence*

Base (July 2011) produced an FTE job increase in Reigate and Banstead of **6,810** over the period 2011 to 2026, or **454** jobs per annum. In other words, the 2015 Experian employment forecasts indicate an employment growth rate approximately **20%** higher than the early post-recession 2010 Experian employment forecasts.

- 3.48 Table 3.2 illustrates that there is an increase of **2,600** FTE jobs in total between 2015 and 2027 in Reigate and Banstead. The increase in all B-Use Class related jobs over the same period is estimated to be approximately **1,295**.
- 3.49 It is important to recognise that the Labour Supply Scenario is effectively a ‘constrained’ growth approach, as employment growth is constrained by the level of new housing supply developed in Reigate and Banstead. This is based upon commuting patterns remaining broadly constant, with an appreciable out-flow of commuters. In practice, there are likely to be changes to commuting flows if a major strategic development was to occur in the borough, which could result in the employment growth potential under a Labour Supply Scenario increasing above that summarised in Table 3.2.
- 3.50 The employment growth figures were translated into employment floorspace based on assumed average employment densities for each B Use Class derived from reviewing published sources and an analysis of local businesses. As a result, the following average employment densities were applied:
- Industrial (Classed as ‘Manufacturing’) – B1(b and c) and B2: **40 sq.m GIA per FTE;**
  - Storage and Distribution – B8: **45 sq.m GIA per FTE;**
  - Office – B1(a): **12 sq.m GIA per FTE.**
- 3.51 In addition, a vacancy rate allowance of 7% was also adopted. This was based on assumptions about the vacancy rate required for the effective operation of the property market based on normal market conditions. The results of applying these employment density and vacancy rate allowances to the labour scenarios are summarised in Tables 3.3 and 3.4 below.

**Table 3.3: Net Floorspace Requirement in Reigate and Banstead – Labour Demand Scenario**

	<b>Additional FTE (2015-27)</b>	<b>Sq.m GIA/FTE</b>	<b>Net Floorspace Requirement (sq.m)</b>	<b>Plus 7% vacancy allowance (sq.m)</b>
Industrial: B1(b)/(c)/B2	264	40	10,540	11,278
Storage & Distribution: B8	520	45	23,400	25,038
Office: B1(a)	2,489	12	29,874	31,965
<b>Total B-Use</b>	<b>3,273</b>	<b>-</b>	<b>63,814</b>	<b>68,281</b>

Source: Reigate and Banstead Local Economic Needs Assessment Update (June 2016). Table 8, Page 16

**Table 3.4: Net Floorspace Requirement in Reigate and Banstead – Labour Supply Scenario**

	<b>Additional FTE (2015-27)</b>	<b>Sq.m GIA/FTE</b>	<b>Net Floorspace Requirement (sq.m)</b>	<b>Plus 7% vacancy allowance (sq.m)</b>
Industrial: B1(b)/(c)/B2	104	40	4,140	4,430
Storage & Distribution: B8	223	45	10,085	10,762
Office: B1(a)	968	12	11,616	12,429
<b>Total B-Use</b>	<b>1,295</b>	<b>-</b>	<b>25,841</b>	<b>27,621</b>

Source: *Reigate and Banstead Local Economic Needs Assessment Update (June 2016). Table 9, Page 16*

- 3.52 Table 3.3 identifies a potential need for an additional **68,281** sq.m employment floorspace in Reigate and Banstead over the period 2015 to 2027, based on the Labour Demand Scenario. Table 3.4 suggests a much lower level of additional employment floorspace need over the same period, at **27,621** sq.m, but recognising that this is based on the more constrained Labour Supply Scenario.
- 3.53 An important parameter in the assessment set out above are the employment density assumptions used. An update to the standard Homes and Communities Agency Employment Density Guide noted in the Local Needs Assessment report is available. This is the *Employment Density Guide 3<sup>rd</sup> edition (November 2015)*. This has been reviewed to assess potential impacts on the results summarised in Tables 3.3 and 3.4.
- 3.54 The *Employment Density Guide (November 2015)* provides some refinement to ‘industrial’ average employment density levels. The Employment Density Matrix<sup>15</sup> in the guide suggests figures of **55** sq.m GIA for light industrial B1(c) (assuming a net/gross ratio of 85%) and **36** sq.m GIA for industrial and manufacturing B2. The average between these employment density figures would be **46** sq.m GIA. There are other components of industrial/manufacturing activities identified in the Guide, which range from **10** to **60** sq.m per FTE, although with a core range between **20** to **40** sq.m.
- 3.55 In broad terms, the latest *Employment Density Guide* is supportive of the industrial employment density figure of **40** sq.m GIA adopted in the Local Needs Assessment. However, it may be best to treat this as a ‘minimum’. In other words, the average employment density figure could be closer to **46** sq.m, suggesting that the overall industrial floorspace demand figure in Reigate and Banstead could be approximately **15%** higher than indicated in Tables 3.3 and 3.4.

<sup>15</sup> Homes and Community Agency (November 2015), *Employment Density Guide (3<sup>rd</sup> edition)* page 29

- 3.56 In this context, it is important to note the point drawn out in the Local Needs Assessment concerning the driver of employment demand in the industrial sector. The Assessment report indicates that a significant proportion of future employment growth in this sector is associated with growth in the computing and electronic manufacturing sector<sup>16</sup>. Past growth in this sector appears to have been based on growth in a relatively small number of organisations rather than across the sector, so the extent to which this may continue is less certain.
- 3.57 In terms of storage and distribution B8, the *Employment Density Guide* reinforces the wide variation that exists in this sector in terms of employment density levels. In a practical sense, therefore, the more locally-based employment density figure of **45** sq.m GIA used in the *Local Needs Assessment* analysis may still be a more appropriate basis for assessing potential employment floorspace demand. It is likely to reflect the generally smaller scale of storage and distribution property in use in the area, and the less automated and more just-in-time delivery function of storage and distribution activities in this area.
- 3.58 In terms of office B1(a), the *Employment Density Guide* provides support for the **12** sq.m GIA employment density figure adopted in the Local Needs Assessment. The *Employment Density Guide* indicates an employment density figure of **10** sq.m NIA for finance and insurance activities, which falls within a standard 15-20% net/gross floorspace difference.

#### Past Take-Up Rates Based Scenario

- 3.59 The *Local Needs Assessment* report also provides an updated analysis on past-take up rates in the commercial property analysis, and uses this to project potential demand levels into the future.
- 3.60 The analysis adjusts for the influence of the 2008-09 recession on local market conditions and provides further interrogation of the split of activity within the open B1/B2/B8 market between storage and distribution (B8) and office/manufacturing (B1/B2) activities.
- 3.61 The results of the analysis are summarised in Table 3.5 below. This indicates a potential employment floorspace demand of **64,356** sq.m over the period 2015-2027. The *Local Needs Assessment* report also examines this in terms of job generation levels, using the same employment density ratios referred to above.
- 3.62 The report concludes that a total of approximately **4,560** additional B-Use Class jobs (equivalent to **380** per annum over the period 2015-2027) could be accommodated in this floorspace, with most (**4,050** sq.m or almost **90%**) in the office (B1(a)) sector.

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<sup>16</sup> Reigate and Banstead Local Needs Assessment (June 2016) Paragraph 2.40. Page 16

**Table 3.5: Net Floorspace Requirement in Reigate and Banstead – Past Take-Up Scenario**

	Past Net Take-up	Projected Floorspace Requirements (2015-2027 – 12 years)
	Sq.m	Sq.m
Industrial: B1(b)/(c)/B2	602	7,224
Storage & Distribution: B8	1,118	13,416
Office: B1(a)	3,643	43,716
<b>Total</b>	<b>5,363</b>	<b>64,356</b>

Source: *Reigate and Banstead Local Economic Needs Assessment Update (June 2016). Table 11, Page 21.*

#### Summary of Employment Floorspace Demand Scenarios

- 3.63 The *Local Needs Assessment* report provides a summary of the results for the three employment floorspace demand assessment scenarios. This covers the net employment floorspace requirement figures summarised in Tables 3.3, 3.4 and 3.5, but also provides for a flexibility margin and windfall loss replacement.
- 3.64 In addition, an assessment of the potential from ‘excess’ vacant stock and existing planning consents was carried out. The results of this would enable an appropriate gross employment floorspace requirement figure to be identified.
- 3.65 In terms of the baseline net employment floorspace requirement figures, these are summarised in Table 3.6. This illustrates that the range of potential demand for employment floorspace in Reigate and Banstead is from approximately **27,620** sq.m to approximately **68,280** sq.m. There is broad similarity between the Labour Demand and Past Take-Up Scenarios in terms of demand levels.

**Table 3.6: Net Floorspace Requirement in Reigate and Banstead 2015-27  
– All Scenarios**

	<b>Past Take-up</b>	<b>Labour Demand (Experian Baseline)</b>	<b>Labour Supply (Housing Led)</b>
	<b>Sq.m</b>	<b>Sq.m</b>	<b>Sq.m</b>
Industrial: B1(b)/(c)/B2	7,224	11,278	4,430
Storage & Distribution: B8	13,416	25,038	10,762
Office: B1(a)	43,716	31,965	12,429
<b>Total</b>	<b>64,356</b>	<b>68,281</b>	<b>27,621</b>

Source: CCL summary from tables above

- 3.66 To provide a gross employment floorspace requirement figure, further adjustments were made for flexibility, windfall replacement and planning consent/vacant stock supply. The details of this analysis are summarised in Table 3.7.
- 3.67 In terms of the 'planning consent & vacant supply' column, a figure with a negative sign indicates that there has been a 'loss' of this category of space from the supply. As such, this amount of space needs to be added to the flexibility margin and windfall allowance figures to produce the appropriate floorspace adjustment figure. Conversely, if there is a positive figure in this column then it needs to be removed from the overall total as there has been an increase in supply of this type of space.

**Table 3.7: Flexibility Margin and Windfall Replacement Allowance in Reigate and Banstead by Property Sector**

	<b>Flexibility Margin (2 years)</b>	<b>Windfall Allowance (2015-27)</b>	<b>Planning Consent &amp; Vacant Stock Supply<sup>17</sup></b>	<b>Total</b>
	<b>Sq.m</b>	<b>Sq.m</b>	<b>Sq.m</b>	<b>Sq.m</b>
Industrial: B1(b)/(c)/B2	1,204	434	-341	1,979
Storage & Distribution: B8	2,236	805	2,740	301
Office: B1(a)	7,286	3,367	-2,367	13,020
<b>Total</b>	<b>10,726</b>	<b>4,606</b>	<b>32</b>	<b>15,300</b>

*Source: Reigate and Banstead Local Economic Needs Assessment Update (June 2016). Tables 13, 16, 18, 19 and Paragraph 2.72. Pages 22-23, 24-25.*

- 3.68 The results of the floorspace adjustments identified in Table 3.7 are applied to the net floorspace requirement figures outlined in Table 3.6. This produces the gross floorspace requirement figure for Reigate and Banstead for the period 2015 to 2027 as shown in Table 3.8.
- 3.69 The Past Take-Up and Labour Demand Scenarios indicate a similar level of employment floorspace requirement, at approximately **79,660** sq.m and **83,580** sq.m respectively. The Labour Supply Scenario identifies a potential employment floorspace requirement of **42,921** sq.m.

<sup>17</sup> Based on October 2015 analysis and 2015/16 planning permission analysis



**Table 3.8: Gross Floorspace Requirement in Reigate and Banstead 2015-27 – All Scenarios**

	<b>Past Take-up</b>	<b>Labour Demand (Experian Baseline)</b>	<b>Labour Supply (Housing Led)</b>
	<b>Sq.m</b>	<b>Sq.m</b>	<b>Sq.m</b>
Industrial: B1(b)/(c)/B2	9,203	13,257	6,409
Storage & Distribution: B8	13,717	25,339	11,063
Office: B1(a)	56,736	44,985	25,449
<b>Total</b>	<b>79,656</b>	<b>83,581</b>	<b>42,921</b>

Source: Reigate and Banstead Local Economic Needs Assessment Update (June 2016). Table 21. Page 29.

3.70 The *Local Needs Assessment* report draws out several key conclusions from the data analysis. These can be summarised as follows:

- the Labour Supply Scenario employment floorspace requirement at **42,921** sq.m in total is broadly consistent with the Core Strategy 2014 policy figure of **46,000** sq.m. However, given the considerably higher total employment floorspace requirement ranges identified from the alternative demand scenarios, the Report suggests that the **46,000** sq.m employment floorspace requirement should be considered as a **minimum** figure.
- the potential exists to meet approximately **18,000** sq.m of the industrial and distribution sector employment floorspace demand through redevelopment and intensification of existing designated employment sites<sup>18</sup>. This would meet most of the industrial and distribution employment floorspace requirements, except under the Labour Demand Scenario.
- the potential exists to meet approximately **8,000** sq.m of office sector employment floorspace demand through town centre development<sup>19</sup>. This still leaves a shortfall in office employment floorspace requirements under the Labour Demand and Past Take-up Scenarios of approximately **36,990** sq.m and **48,740** sq.m respectively. In addition, under the Labour Demand Scenario there would be shortfall in industrial/distribution employment floorspace requirements of approximately **20,600** sq.m.
- the Report also recognises that there is a lack of high-quality office floorspace in the Gatwick Diamond area, which is acting as a constraint

<sup>18</sup> Reigate and Banstead Employment Area Review (June 2016). Appendix 1

<sup>19</sup> Reigate and Banstead Employment Area Review (June 2016). Appendix 1

to business expansion and relocation<sup>20</sup>. As such it indicates that there is likely to be a need to pursue new greenfield development to meet the significantly higher office employment floorspace requirements identified from the Past Take-up and Labour Demand Scenarios.

- 3.71 The position for Reigate and Banstead in terms of gross floorspace requirements is summarised in Table 3.9. This adjusts the figures in Table 3.8 to account for the re-development potential outlined above.
- 3.72 In terms of industrial and distribution, the **18,000** sq.m redevelopment/intensification potential has been split on a *pro rata* basis between the Industrial and Storage & Distribution sectors based upon their respective scales of demand. In the case of the Labour Supply Scenario the industrial floorspace requirements have been fixed at zero rather than a negative requirement figure.
- 3.73 From Table 3.9 it is evident that there may be between approximately **53,660** sq.m and **57,580** sq.m of employment floorspace requirement under the Past Take-Up and Labour Demand Scenarios, whilst the Labour Supply Scenario indicates a requirement for approximately **17,450** sq.m. The office (B1(a)) requirement is the dominant driver of requirements, being approximately **36,990** sq.m to **48,740** sq.m under the Labour Demand and Past Take-Up Scenarios respectively.

**Table 3.9: Gross Floorspace Requirement in Reigate and Banstead 2015-27 – All Scenarios Adjusted for Redevelopment Potential**

	Past Take-up	Labour Demand (Experian Baseline)	Labour Supply (Housing Led)
	Sq.m	Sq.m	Sq.m
Industrial: B1(b)/(c)/B2	1,976	7,074	0
Storage & Distribution: B8	2,944	13,522	0
Office: B1(a)	48,736	36,985	17,449
<b>Total</b>	<b>53,656</b>	<b>57,581</b>	<b>17,449</b>

Source: CCL calculation

### 2016 Employment Land Update – Strategic

- 3.74 The analysis set out previously deals primarily with local employment floorspace requirements. A more strategic picture is provided in the *Reigate and Banstead Strategic Employment Provision Opportunity Study* (June 2016). This study provides analysis to inform the identification of potential site

<sup>20</sup> Reigate and Banstead Local Economic Needs Assessment Update (June 2016). Paragraph 2.87. Page 28

options for delivering a new strategic site for employment provision within the Reigate & Banstead Borough.

- 3.75 The Study builds on the work of the *Advice on Scope for a Strategic Employment Site within Reigate and Banstead* (December 2014) by NLP (reported as Annex 1 to the Strategic Employment Provision Opportunity Study), but also follows-on from the policy direction in the Reigate and Banstead Local Plan<sup>21</sup>.
- 3.76 The *Reigate and Banstead Strategic Employment Provision Opportunity Study* (June 2016) covers some of the background analysis prepared as part of the *Local Economic Needs Assessment Update* work, but also considers unmet need from surrounding authorities.
- 3.77 In terms of unmet need from surrounding local authorities, the report focuses on local authorities with new Local Plans (as at June 2016). Crawley is identified as one of the surrounding local authorities with a clear shortfall of land available to meet forecast employment requirements, with details summarised in Table 3.10.

**Table 3.10: Unmet Employment Floorspace Need in Crawley**

	<b>B1a/b</b>	<b>B1c/B2/B8</b>	<b>Total</b>
Employment Land Requirements (EGA 2015, sq.m)	139,220	147,970	287,190
Identified Sites (Trajectory 2015, sq.m)	78,536	66,311	144,847
<b>Surplus/Deficit (sq.m)</b>	<b>60,684</b>	<b>81,659</b>	<b>142,343</b>

Source: *Reigate and Banstead Strategic Employment Provision Opportunity Study* (June 2016). Table 1. Page 6

- 3.78 The Report draws on this evidence to provide an estimate of the amount of floorspace that may need to be accommodated on a strategic employment site. This is identified as:

*“at least 160,000 sq.m of employment space (including almost 80,000 sq.m of B1a/B1b) may need to be accommodated on a strategic site. If the evidence of potential stronger office demand locally is considered, this increases to just over 190,000 sq.m (including 110,000 sq.m of offices)”.*<sup>22</sup>

- 3.79 The process by which this range is derived appears to be assuming all the unmet need at Crawley would be accommodated on a new strategic site, as

<sup>21</sup> Reigate and Banstead Local Plan: Core Strategy (July 2014) Paragraph 5.5.8. Page 32-33

<sup>22</sup> Reigate and Banstead Strategic Employment Provision Opportunity Study (June 2016). Paragraph 2.30. Page 7

well as all the local employment needs. This is illustrated in Table 3.11 that shows that the Labour Supply Scenario could provide approximately **160,000** sq.m of employment floorspace, with just over **78,000** sq.m of office (B1(a)/(b)) floorspace.

- 3.80 The Past Take-up Scenario is used to estimate the higher employment floorspace requirement figure of **190,000** sq.m referred to above in the *Reigate and Banstead Strategic Employment Provision Opportunity Study* (June 2016). The Strategic Employment Provision Opportunity Study effectively assumes that there would be no industrial or storage & distribution floorspace requirement (rows 1 and 2 in Table 3.11). This would reduce the total employment floorspace requirement figure from **195,999** sq.m to approximately **191,000** sq.m. The office (B1(a)/(b)) floorspace requirement equates to approximately **109,000** sq.m under this scenario.

**Table 3.11: Gross Floorspace Requirement in Reigate and Banstead 2015-27 – All Scenarios Adjusted for Redevelopment Potential and Crawley Unmet Need**

		Past Take-up	Labour Demand (Experian Baseline)	Labour Supply (Housing Led)
		Sq.m	Sq.m	Sq.m
<b>Reigate and Banstead - Local Employment Need</b>				
1	Industrial: B1(b)/(c)/B2	1,976	7,074	0
2	Storage & Distribution: B8	2,944	13,522	0
3	Office: B1(a)	48,736	36,985	17,449
4	<b>Local Total</b>	<b>53,656</b>	<b>57,581</b>	<b>17,449</b>
<b>Crawley Unmet Need</b>				
5	B1c/B2/B8	81,659	81,659	81,659
6	B1a/b	60,684	60,684	60,684
7	<b>Unmet Need Total</b>	<b>142,343</b>	<b>142,343</b>	<b>142,343</b>
<b>Combined Employment Need</b>				
8	'Industrial, storage, distribution' (1+2+5)	86,579	102,255	81,659
9	'Office' (3+6)	109,420	97,669	78,133
10	<b>Overall Total (4+7)</b>	<b>195,999</b>	<b>199,924</b>	<b>159,792</b>

Source: CCL calculation

- 3.81 Based on the figures in Table 3.11 then the total office (B1(a)/(b)) floorspace requirement between 2015-2027 that could be associated with Reigate and Banstead may be between approximately **78,130** sq.m to **109,420** sq.m. The total employment floorspace requirement for the same period may be between **159,790** sq.m and **199,920** sq.m.

## Updated Economic Assessment

### Introduction

- 3.82 This sub-section provides an updated analysis on employment floorspace requirements associated with Reigate & Banstead Borough. It includes using a commercial market perspective to assess demand, as well as reviewing and testing assumptions used in the above analysis. It also includes an assessment of the impacts of Gatwick Airport under various scenarios on potential employment floorspace requirements in the Reigate and Banstead area.
- 3.83 The analysis set out in the previous sub-section considered employment floorspace requirements within the Reigate and Banstead current Local Plan period, which runs up to 2027. However, the development of a major strategic employment site could extend considerably beyond the current Local Plan timeframe of 2027. From a market perspective, a development timeframe of at least 20 years for a site of this size would be expected.
- 3.84 As such, the Experian September 2015 employment forecasts have been analysed over an extended period, running from 2015-2035. This is a 20 year timeframe, which is likely to be the minimum realistic time it would take to develop out a major strategic employment site. The employment floorspace requirements associated with this analysis should therefore be taken as minimum figures.
- 3.85 Given that the updated analysis is based on examining the Experian employment forecasts over a longer period, then the updating can only be applied consistently to the Labour Demand Scenario. There is, however, a broad similarity between the Labour Demand Scenario and Past Take-Up Scenario results. Therefore, any increases under the Labour Demand Scenario because of extending the timeframe of the analysis are likely to result in a corresponding increase in the Past Take-Up Scenario employment floorspace requirement. It should be noted, however, that the Labour Demand Scenario under-records demand levels for office floorspace relative to the Past Take-Up Scenario.
- 3.86 It is also important to recognise the focus on 'strategic' employment floorspace requirements. A consistent and comprehensive definition of what constitutes strategic employment floorspace and land is difficult to derive. In practical terms, however, it is expected to be space that is suitable for larger businesses or collections of business, or which is aligned to the needs of growth or strategically important business sectors.
- 3.87 Given this perspective, it is unlikely that all the identified employment floorspace requirements discussed in the previous sections would be classed

as strategic employment demand. There is expected to be a variety of different local or 'non-strategic' floorspace demands which need to be catered for.

- 3.88 A cautious approach has therefore been taken in assessing the potential strategic employment floorspace requirements associated with Reigate and Banstead. Unless specified separately, it is estimated that approximately **75%** of employment growth related floorspace demand is likely to be of a strategic nature<sup>23</sup>.

### Demand Assessment Approach

- 3.89 The updated demand assessment has examined a number of factors to derive a refined assessment of strategic employment floorspace requirements that may be associated with the Reigate and Banstead area. The key elements of the approach are as follows:

- extending the timeframe of the employment forecasts to 2035;
- modifications to average employment densities;
- modifications to the proportion of Non-B Use Class business activities that may use B Use Class space;
- assessment of the capture of wider strategic unmet need;
- potential capture of FDI/ National expansions and relocations; and
- impacts of Gatwick Airport under different scenario.

- 3.90 The approach focuses on providing a cautious but robust assessment of strategic employment floorspace requirements that may realistically be associated with the Reigate and Banstead area. It also includes sensitivity tests to help inform the risk profile associated with the demand assessments.

#### Extending the Timeframe of the Employment Forecasts to 2035

- 3.91 Table 3.12 provides details of employment floorspace requirements in Reigate and Banstead between 2015 and 2035. This covers a 20 year time period, which is closer to the minimum timeframe over which a strategic employment site would be developed. The analysis keeps all other variables constant, such as average employment density, to show the potential impact.
- 3.92 From this it can be seen that, overall, employment increases by approximately **59%** compared to the 2015 to 2027 period. The B Use Class employment total increased by approximately **43%**, with the office (B1(a)) sector seeing an increase of **48%**.

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<sup>23</sup> The 75% 'strategic' assumption was based on evidence of commercial floorspace take-up over the period 2011 to 2016 in the M25 South West market area, Reigate and Banstead Borough, and within a two mile radius of the HOR9 Strategic Employment Site. The proportion of take-up in units of more than 5,000 sq.ft was identified and used as a guide as to the potential level of strategic floorspace demand, as determined by scale of floorspace.

**Table 3.12: Employment Change in Reigate and Banstead 2015-2035**

	<b>Employment Change 2015-27 (sq.m)</b>	<b>Employment Change 2015-35 (sq.m)</b>
Industrial: B1(b)/(c)/B2	264	382
Storage & Distribution: B8	520	744
Office: B1(a)	2,490	3,673
<b>B Use Class Total</b>	<b>3,274</b>	<b>4,798</b>
Non B Use Class Total	3,257	5,572
<b>Overall Total</b>	<b>6,530</b>	<b>10,370</b>

Source: CCL calculation using Experian (Sept 2015)

- 3.93 Table 3.13 translates the 2015 to 2035 employment changes into floorspace requirements. The same adjustments to the base employment data as applied in the *Local Needs Assessment* report have been used, in line with those adopted for the gross floorspace requirements scenarios in Table 3.6 above. This includes a modification for redevelopment potential of 18,000 sq.m in the industrial and storage & distribution sectors and 8,000 sq.m in the office sector, and adjustments for a land flexibility margin, windfall allowance and planning consents and vacant stock supply.
- 3.94 From this analysis overall employment floorspace requirements increase from **57,581** sq.m to **88,589** sq.m. This is an increase of approximately **54%**. In the office (B1(a)) sector the level of increase is just over **40%**. However, as noted above in relation to the Past Take-Up Scenario, office-related demand could be **30%** higher if trends are closer to this scenario.
- 3.95 As noted above, it assumed that approximately **75%** of this potential demand may be of a strategic nature. This results in a floorspace demand potential of approximately **66,440** sq.m.



**Table 3.13: Gross Strategic Floorspace Requirement in Reigate and Banstead 2015-35 – Adjusted for Redevelopment Potential**

	Labour Demand (Experian Baseline 2015-27)	Labour Demand (Experian Projection to 2035)	Labour Demand (Experian Projection to 2035 – 75% Strategic)
	Sq.m	Sq.m	Sq.m
<b>Reigate and Banstead Strategic Need</b>			
Industrial: B1(b)/(c)/B2	7,074	12,125	9,093
Storage & Distribution: B8	13,522	24,283	18,212
Office: B1(a)	36,985	52,181	39,136
<b>Local Total</b>	<b>57,581</b>	<b>88,589</b>	<b>66,442</b>

Source: CCL calculation

Modifications to Average Employment Densities and Non-B Use Class Business Split

- 3.96 The strategic employment floorspace requirements summarised in Table 3.13 above have been tested to see what impact there may be through modifications to the average employment densities used. In addition, the mapping of B and Non-B Use Classes to different business activities has been reviewed and modified to test the robustness of the results.
- 3.97 In terms of the employment density modifications, the key variations were as follows:
- Industrial (B1(b)/(c)/B2) – from 40 sq.m GIA to 45.5 sq.m GIA;
  - Office (B1(a)) – from 12 sq.m GIA to 14 sq.m GIA.
- 3.98 In terms of the B Use mapping of business activities, the key variations revolved around increasing the proportion of business employment in a specific sector into one of the B Use Classes from Non-B Use. These modifications are based on CCL’s extensive professional experience and judgement.
- 3.99 A focus was upon business sectors where there may be the potential for increased office-related use given the changing nature of business activity in this sector or the characteristics of Reigate and Banstead as a corporate location. The key modifications were as follows:
- Accommodation and food services: B1a from 0% to 10%
  - Civil engineering: B1a from 20% to 30%
  - Education: B1a from 5% to 15%



- Finance: B1a from 85% to 90%
- Health: B1a from 10% to 25%
- Specialised construction activities: B1a from 20% to 30%
- Wholesale: B1a from 10% to 20%

3.100 Table 3.14 summarises the results. This indicates that overall strategic employment floorspace requirements increase from approximately **88,590 sq.m to 107,850 sq.m**, or just over **20%**. The office-related sector increases by almost a third, from **52,180 sq.m to 69,190 sq.m**. In terms of the strategic element of this potential demand, this is estimated to be approximately **80,885 sq.m** in total.

**Table 3.14: Gross Strategic Floorspace Requirement in Reigate and Banstead 2015-35 – Adjusted for Redevelopment Potential, and Employment Density and B Use Class Mapping Modifications**

	Labour Demand (Experian Projection to 2035)	Labour Demand (Experian Projection to 2035 – 75% Strategic)
	Sq.m	Sq.m
<b>Reigate and Banstead Strategic Need</b>		
Industrial: B1(b)/(c)/B2	14,370	10,777
Storage & Distribution: B8	24,283	18,212
Office: B1(a)	69,194	51,896
<b>Local Total</b>	<b>107,847</b>	<b>80,885</b>

Source: CCL calculation

#### Assessment of Wider Strategic Unmet Need

3.101 The *Reigate and Banstead Strategic Employment Provision Opportunity Study (June 2016)* provided an overall assessment of unmet employment floorspace need from surrounding local authorities, with Crawley Borough being the primary source of such unmet need. The total unmet employment floorspace need from Crawley was identified as approximately **142,340 sq.m**.

3.102 The *Reigate and Banstead Strategic Employment Provision Opportunity Study (June 2016)* assumed that all this floorspace requirement could be accommodated on a strategic employment site. Whilst an argument could be made that almost all this demand could be captured by a suitable strategic employment site, in practical terms this may be unlikely. Not all this demand is likely to be of a strategic nature, and some demand may be captured by other local authorities beyond the functional economic area, despite the inefficiencies this may create.

3.103 It seems more reasonable to assume that approximately 75% of this unmet employment floorspace need from Crawley could be accommodated on a

strategic employment site in Reigate and Banstead. This is based upon the level of strategic demand identified in surrounding relevant geographies over the period 2011-2016, and discussed earlier at paragraph 3.88. This assumption has been applied to the data, and the results summarised in Table 3.15. This indicates that approximately **106,760** sq.m of strategic employment floorspace requirement from Crawley could be available, of which approximately **45,510** sq.m would be in the office-related sector.

**Table 3.15: Unmet Employment Floorspace Requirement in Crawley – All Space and Strategic Space**

	<b>All Unmet Employment Floorspace Requirement</b>	<b>Strategic Unmet Employment Floorspace Requirement</b>
	<b>Sq.m</b>	<b>Sq.m</b>
<b>Crawley Unmet Need</b>		
B1c/B2/B8	81,659	61,244
B1a/b	60,684	45,513
<b>Unmet Need Total</b>	<b>142,343</b>	<b>106,757</b>

Source: CCL calculation

#### Potential capture of FDI/ National Expansions and Relocations

- 3.104 A major, new, strategic employment site close to Gatwick Airport is likely to be a very attractive location for major UK and regional strategic company relocations and expansions, as well as for foreign direct investment (FDI) opportunities. It is difficult, however, to provide reliable forecasts as to the number and scale of such potential demand opportunities.
- 3.105 Typical FDI expansion opportunities can be 500-2,000 sq.m, depending upon sector and the nature of the investment. Equally, a UK-based strategic relocation or expansion can be highly variable, ranging from circa **1,000** sq.m upwards to **10,000** sq.m. The nature of both FDI and UK relocation/expansion opportunities is that they can be 'lumpy' in terms of occurrence, and are highly sought after.
- 3.106 As a guide estimate, however, it may be reasonable to assume that a minimum of approximately **10,000** sq.m of demand for employment floorspace<sup>24</sup> at a major strategic employment site near Gatwick Airport could arise from a combination of FDI and UK relocation/expansion potential. This is particularly so if it is considered over a 20 year development timeframe.

<sup>24</sup> This assumes potentially 15 smaller scale FDI projects of approximately 700 sq.m each, based on notional project size from analysis of Department of Industry (2014) Inward Investment Report. An alternative assumption is for two larger FDI projects of 5,000 sq.m each.

- 3.107 Analysis of Department of Industry *Inward Investment Report*<sup>25</sup> data reinforces the above analysis. Data covering the period 2010/11 to 2013/14 has been examined and indicates an average of approximately **1,540** projects were secured in the UK per annum, of which an estimated 610 were based in the South East region. Using a cautious interpretation, approximately **50%** of these projects were associated with office-related activities.
- 3.108 Based on average job generation levels per project and an assumed employment density figure of 12 sq.m per person, this pattern of FDI in the South East indicates an average office demand of **130,400** sq.m per annum. Based on the Reigate and Banstead share of the office market in the South East (approximately **2%** of total stock), then this would equate to approximately **2,600** sq.m.
- 3.109 FDI projects would only likely be delivered once a strategic site was up and running. Taking a cautious interpretation, it has been assumed that this may be for a ten year period in the case of a strategic site in Reigate and Banstead. This would be equivalent to **26,000** sq.m over a ten year period.
- 3.110 Table 3.16 incorporates this FDI/Relocation demand into summary of overall potential strategic employment floorspace requirements that could be associated with a major new strategic employment site in Reigate and Banstead. It should be noted that the FDI/Relocation demand is assumed to be for office-related floorspace.
- 3.111 In total, there could be between **183,200** sq.m and **213,640** sq.m of strategic employment floorspace requirements available to support a strategic employment site in Reigate and Banstead.
- 3.112 If the focus was to be on high-value economic activities, then the likely emphasis of a strategic employment site would be B1 use office-related. On this basis, then there may be between **94,650** sq.m and **123,410** sq.m of strategic employment floorspace requirements available.
- 3.113 The existing strong representation in the public services, finance & insurance, professional/private services, and wholesale and retail sectors is likely to continue to underpin growth prospects in Reigate and Banstead, particularly in relation to the high-skills, knowledge based sectors.
- 3.114 The Experian employment forecasts for 2015-35 reaffirm the growth potential for the finance, insurance & pensions, professional services, computer & electronic products, and real estate sectors. These sectors are, cumulatively, expected to add **4,120** jobs between 2015-35, and are expected to be key drivers of demand for a strategic employment site in Reigate and Banstead.
- 3.115 There may also be growth opportunities associated with economic sectors that are not exclusively B Use Class occupiers. This includes the aerospace, pharmaceuticals and health technologies, environment and energy technologies, and advanced engineering sectors. There is strong competition for occupiers in these sectors, and so locational competitive advantage is important, such as labour force skill sets, strategic site availability, and transport connectivity (including international airport access).

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<sup>25</sup> Department of Industry (2014) *Inward Investment Report*

**Table 3.16: Gross Strategic Floorspace Requirement in Reigate and Banstead 2015-27 – Adjusted for Redevelopment Potential, Crawley Unmet Need, FDI/Relocation Potential**

		Labour Demand Scenario
		<b>Floorspace Requirements Sq.m</b>
	<b>Reigate and Banstead Strategic Need</b>	
1	Industrial: B1(b)/(c)/B2	9,093 -10,777
2	Storage & Distribution: B8	18,212 -18,212
3	Office: B1(a)	39,136 - 51,896
4	<b>Local Total</b>	<b>66,442 - 80,885</b>
	<b>Crawley Unmet Need</b>	
5	B1c/B2/B8	61,244
6	B1a/b	45,513
7	<b>Unmet Need Total</b>	<b>106,757</b>
8	<b>FDI/UK Relocation Potential</b>	<b>10,000 - 26,000</b>
	<b>Combined Employment Need</b>	
9	'Industrial, storage, distribution' (1+2+5)	88,549 - 90,233
10	'Office' (3+6+8)	94,649 - 123,409
11	<b>Overall Total (4+7+8)</b>	<b>183,199 – 213,642</b>

Source: CCL calculation

## Impacts Arising from Gatwick Airport

3.116 An area of additional potential demand may be associated with Gatwick Airport under two different development scenarios:

- **Demand Increase** scenario considers the impact of expansion in Gatwick Airport, primarily in terms of 'natural' growth given the Government's view on Heathrow being the preferred location for airport expansion.
- **Supply Increase** scenario considers the impact of the release of Airport safeguarded expansion land for other uses, and how this might influence the demand potential for a strategic employment site in Reigate and Banstead.

### Gatwick Airport Development – Demand Increase Scenario

- 3.117 Table 3.17 provides a summary assessment of the potential employment impacts of an expansion of Gatwick Airport on a strategic employment site in Reigate and Banstead.
- 3.118 This analysis is based on the assessment carried out for The Coastal West Sussex Partnership by Nairne Ltd. (September 2014)<sup>26</sup>, and is developed from the base data in the Airports Commission analysis<sup>27</sup>.
- 3.119 The assessment for The Coastal West Sussex Partnership examined the current levels of employment at Gatwick Airport and then compared that with various growth options for the Airport. This included an expansion option without a second runway, and the two ranges associated with a second runway (Option 1 and 3) proposed by Gatwick Airport.
- 3.120 There are uncertainties over the assessment of employment impacts. Whilst the Government has indicated it is supportive of a Heathrow Airport expansion to meet air traffic growth, this has not provided a definitive refusal to further expansion at Gatwick Airport. In addition, translating such potential employment impacts to a Reigate and Banstead context requires interpretation and reasoned assumptions.
- 3.121 The key assumptions that have been used in judging the potential impact of an expanded Gatwick Airport on Reigate and Banstead include the following:
- the employment impacts identified for Gatwick Airport are expressed as total jobs rather than full-time equivalent. This may over-state potential demand for employment land;
  - the allocation of employment growth from Gatwick Airport to Reigate and Banstead is based on the current disposition of employment associated with the Airport across the sub-region. The Reigate and Banstead share is identified as **9.4%** current market share. There is no guarantee that future employment growth resulting from Gatwick Airport will be dispersed across the sub-region on this basis, but it is a reasonable interpretation in the case of Reigate and Banstead;
  - given the nature of the type of potential employment demand related to the Airport, it has been assumed that **80%** would be B Use Class related;
  - the split of B Use Class employment is assumed to be **40%** office (B1a/b) and **60%** to industrial (B1c, B2, B8). This is indicative of the current split of the stock of office and industrial floorspace in the Reigate and Banstead area, and is likely to be reflective of the type of space required to support the Airport's activities; and
  - standard employment density ratios are used.

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<sup>26</sup> Source: Understanding the Economic and Employment Impact of Having or Not Having a 2<sup>nd</sup> Runway at London Gatwick Airport for Coastal West Sussex (September 2014). Nairne Ltd

<sup>27</sup> Source: Airports Commission. Gatwick Second Airport Runway Business Case and Sustainability Assessment (November 2014)

- 3.122 Based on the above assumptions, Table 3.17 translates the employment impacts for Reigate and Banstead into an employment floorspace demand potential. The Labour Demand Scenario figures from Table 3.16 are included in Table 3.17 for reference, as it is to these figures that any additional employment floorspace demand potential arising from an expanded Gatwick Airport would be added.
- 3.123 The 'No Runway' scenario (effectively 'natural' expansion) could add an additional **15,780** sq.m of employment floorspace demand to Reigate and Banstead by 2030, primarily for industrial and storage floorspace. The office-related demand potential is estimated as under **2,500** sq.m.
- 3.124 The Second Runway options range from an additional **28,460** sq.m to **68,390** sq.m and does not include consideration of land that would be displaced by a second runway. These options however seem much less realistic given the current Government direction on expansion at Heathrow Airport rather than Gatwick Airport.
- 3.125 It should be noted that there are more pessimistic forecasts for employment numbers associated Gatwick Airport under a 'No Second Runway' Option. Berkeley Hanover Consulting<sup>28</sup> suggest there could be a loss of **6,000** jobs without a Second Runway.
- 3.126 For the purposes of this Task 1 Report however it is prudent to work based on the 'No Runway' scenario, as this presents a realistic minimum demand picture. Under this scenario there is a realistic minimum level of addition demand arising from Gatwick Airport's 'natural growth' of **15,780** sq.m of employment floorspace in Reigate and Banstead by 2030.

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<sup>28</sup> Source: Aviation Capacity and the Surrey Economy (2013), Berkeley Hanover Consulting

**Table 3.17: Employment Impacts of Expanded Gatwick Airport on Reigate and Banstead by 2030**

Gatwick Airport Growth	Airport Related Jobs	Increase on Current	Reigate & Banstead Share	Assume 80% B Use	Floorspace B1 (sq.m)	Floorspace B2/8 (sq.m)	Total Floorspace (sq.m)
Reigate & Banstead Baseline Employment Floorspace - 2015-35					94,649 – 123,409	88,549 - 90,233	183,199 – 213,642
Current (2014) Position	31,100	-	-	-	Additional Potential Floorspace Demand		
No Runway Growth	37,700	6,600	620	496	2,382	13,401	15,783
Second Runway Option 1	43,000	11,900	1,119	895	4,295	24,162	28,457
Second Runway Option 3	59,700	28,600	2,688	2,151	10,323	58,069	68,393

Source: *Understanding the Economic and Employment Impact of Having or Not Having a 2<sup>nd</sup> Runway at London Gatwick Airport for Coastal West Sussex (September 2014). Nairne Ltd; Airports Commission. Gatwick Second Airport Runway Business Case and Sustainability Assessment (November 2014); CCL calculations*

#### Gatwick Airport Development – Supply Increase Scenario

3.127 An area of potential risk to the success of a major development in Horley is the removal of safeguarding measures at land surrounding Gatwick Airport. This amounts to 523 hectares of land categorised as an Area of Search for future employment growth<sup>29</sup>. However, the Local Plan Examination identified 139 hectares of land in the safeguarded area that has been actively promoted or identified by land owners and developers for development<sup>30</sup>, and is therefore likely to be the realistic potential of employment land that could come forward if the safeguarding measures were lifted. This is primarily adjacent to the Manor Royal industrial estate.

3.128 Based on a standard plot ratio of **40%** for new commercial development and standard employment density rates, this would amount to approximately **556,000** sq.m of floorspace. Potentially **80%** of this space may be developed for B Use Class activities, as there will be demand for retail, hotels, leisure,

<sup>29</sup> Crawley Borough Council (February 2015) Crawley Borough Local Plan Examination. Matter 4: Economy, Employment and Retail. Issue 2: Employment Land Supply. Paragraphs 4.6.5 - 4.6.6. Page 11

<sup>30</sup> Crawley Borough Council (February 2015) Crawley Borough Local Plan Examination. Matter 4: Economy, Employment and Retail. Issue 2: Employment Land Supply. Paragraph 4.6.6. Page 11



etc. facilities in a development area of this size. This indicates a B Use Class floorspace figure of **444,800** sq.m.

- 3.129 Based on a B Use Class floorspace demand potential of 40% B1a/b and 60% B1c, B2, B8 floorspace, as used in the ‘Gatwick Airport Development – Demand Increase Scenario’, then **177,920** sq.m would be associated with the B1a/b category and **266,880** sq.m with the B1c, B2, B8 category.
- 3.130 However, it is unlikely that this floorspace split would be appropriate to this area, given its likely connectivity to the Manor Royal estate and Crawley Town Centre. A 20% B1a/b and 80% B1c, B2, B8 floorspace split may be more reflective of demand potential and planning policy requirements. This would produce a potential supply of **88,960** sq.m B1a/b floorspace and **355,840** sq.m of B1c, B2, B8 floorspace. Details are summarised in Table 3.18 below.

**Table 3.18: Commercial Floorspace Potential of Gatwick Airport Safeguarded Land Release**

Analysis Components	Potential Commercial Floorspace	
Realistic Potential ‘Safeguarded’ Employment Land	556,000 sq.m	
B Use Class Potential	444,800 sq.m	
B Use Class Split Based on ‘Upside Scenario’ Assumptions	B1a/b – 40%	B1c, B2, B8 – 60%
	177,920 sq.m	266,880 sq.m
B Use Class Split Based on Market Demand and Planning Policy Assumptions	B1a/b – 20%	B1c, B2, B8 – 80%
	88,960 sq.m	355,840 sq.m

Source: CCL calculation

- 3.131 It does need to be recognised that not all the **444,800** sq.m of potential B Use Class floorspace may be developed for commercial uses. There are significant pressures on delivering residential development in this area, especially given the unmet housing needs arising in Crawley Borough, so there is the potential for a proportion of this potential commercial floorspace to be developed for housing. However, it has been assumed that all this floorspace would be developed for B Use Class activity if it was released from safeguarding measure and was developed out.
- 3.132 It is also assumed that all of this supply would be developed over the same timeframe as the analysis relating to the HOR9 Strategic Employment Site; in other words, over the next 20 years. This is likely to be optimistic, and so the realistic potential supply of employment floorspace that may come forward under this scenario may be appreciably less than the indicative 444,800 sq.m figure.
- 3.133 As Table 3.15 indicated, the potential strategic unmet B1a/d need of Crawley amounted to **60,684** sq.m, whilst the potential unmet B1c, B2, B8 need was



**81,659** sq.m. In the event of the removal of safeguarding measures and the consequential commercial development along the lines outlined above, then all of Crawley's currently identified B Use Class floorspace needs would be catered for, as illustrated in Table 3.19.

**Table 3.19: Comparison of Crawley Unmet Need and Gatwick Airport Safeguarded Land Release Potential**

Analysis Components	Potential Commercial Floorspace	
	B1a/b	B1c, B2, B8
Total Potential Unmet Need at Crawley		
	60,684 sq.m	81,659 sq.m
Realistic Safeguarded Land Release Supply Potential		
	88,960 sq.m	355,840 sq.m
Amount of Land Surplus to Crawley Unmet Need	28,276 sq.m	274,181 sq.m

Source: CCL calculation

- 3.134 Table 3.19 indicates that there could be a potential 'land surplus' of approximately **28,280** sq.m of office floorspace and **274,180** sq.m industrial floorspace when compared against the identified unmet need at Crawley.
- 3.135 In terms of the office sector (B1a/b), the **28,280** sq.m could pose a risk to a strategic site in Reigate and Banstead. However, there may also be a need to cater for natural market activity in the office sector in Crawley, not least to deal with displaced office demand from office-to-residential conversions. This may absorb a proportion of the **28,280** sq.m 'surplus' office floorspace arising from a release of safeguarded land.
- 3.136 The industrial sector (B1c, B2, B8) 'land surplus' of **274,180** sq.m would be a significant increase in supply in the sub-region. Some of this floorspace could be absorbed because of natural growth in Gatwick Airport (see Table 3.17), as well as the on-going demands associated with the airport. There is also a significant element of latent B8-related demand in the sub-region which could be catered for from this 'land surplus', depending upon the market orientation of any release of safeguarded land.
- 3.137 In broad terms, however, if there was a release of safeguarded land associated with Gatwick Airport then it could potentially provide a substantial additional supply of industrial floorspace, which could detract from demand for such space that might be associated with a strategic site in Reigate and Banstead.

## Conclusions

3.138 The following summary conclusions on employment floorspace demand can be drawn:

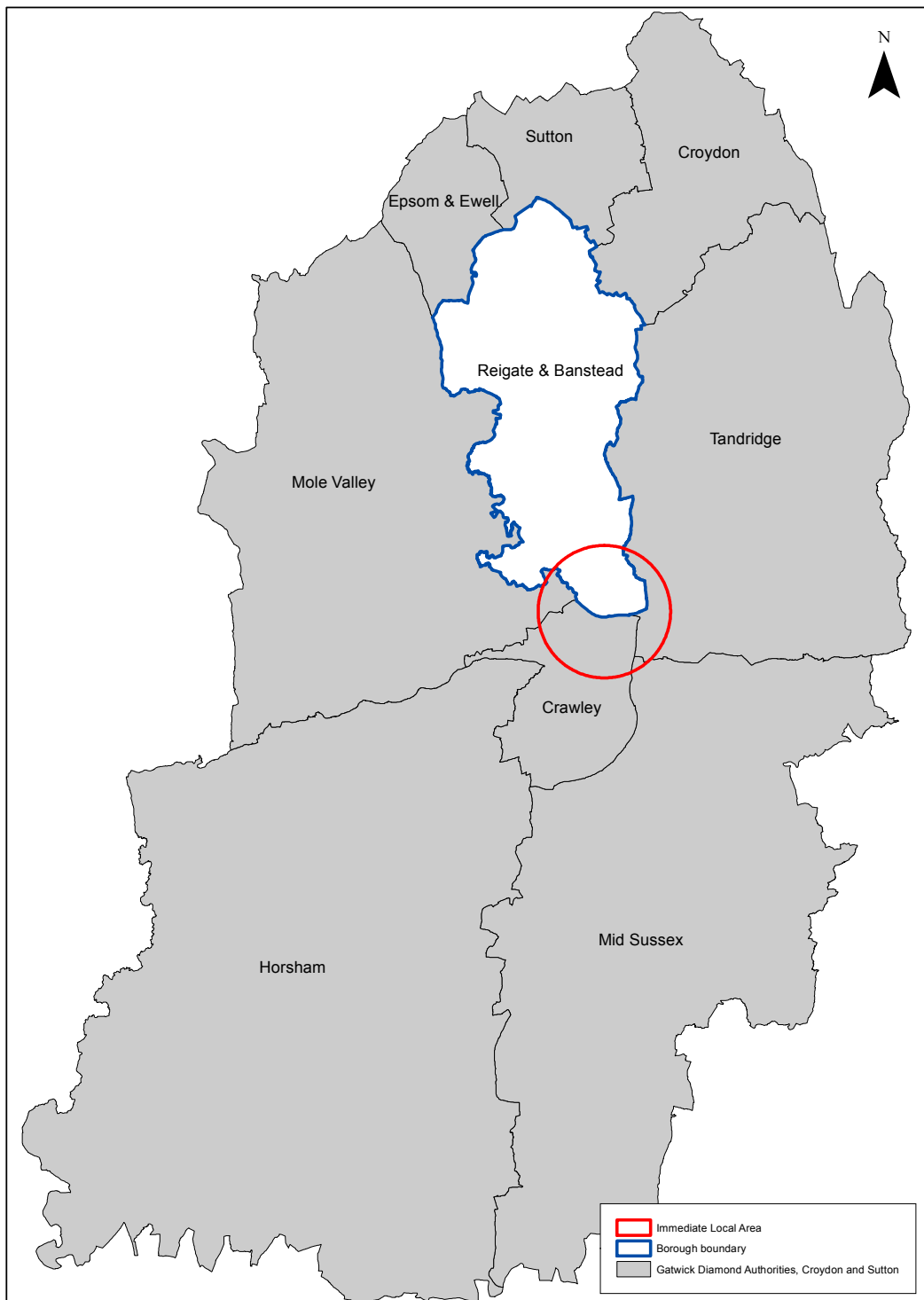
- Overall, there is strategic demand potential in Reigate and Banstead for between **183,200** to **213,640** sq.m of B Use Class floorspace up to 2035. This consists of:
  - **66,442 – 80,885** sq.m strategic local need;
  - **106,757** sq.m unmet need from Crawley; and
  - **10,000 – 26,000** sq.m FDI/Relocation demand potential.
- the main sectors likely to lead demand include the finance, insurance & pensions, professional services, computer & electronic products, and real estate sectors.
- growth opportunities may be possible in the aerospace, pharmaceuticals and health technologies, environment and energy technologies, and advanced engineering sectors. However, this will require the right kind of offer in the Reigate and Banstead area, including strategic employment land, and is likely to be a highly competitive market.
- a sensitivity analysis has been carried out to the demand assessment. This included a ‘Demand Increase Scenario’, based on an expanded Gatwick Airport, and a ‘Supply Increase Scenario’, based on a release of safeguarded land surrounding Gatwick Airport. This analysis showed:
  - the ‘Demand Increase Scenario’, could increase demand in the Reigate and Banstead area by at least **15,780** sq.m up to 2030.
  - the ‘Supply Increase Scenario’, could result in the potential supply of **88,960** sq.m of B1a/b floorspace, and **355,840** sq.m B1c, B2, B8 floorspace.

## 4. COMMERCIAL MARKET REVIEW

### Introduction

- 4.1 This section examines changes in the total stock of commercial floorspace, supply and market trends including a review of the current active commercial property market in Reigate and Banstead and more widely. It considers historic trends and then looks at future employment floorspace provision.
- 4.2 The geography used is based on examining change in the immediate area (within two miles of the HOR9 proposed Strategic Employment Land site); within the **Reigate & Banstead Borough** area; and a wider **Property Market Study Area** that includes the Gatwick Diamond authorities together with the London Boroughs of Sutton and Croydon to the north of Reigate and Banstead. The wider Property Market Study Area accords with the Borough's Functional Economic Market Area (FEMA).
- 4.3 The analysis undertaken also identified the strong influence of London on the Borough's economy generally, with strong local relationships with the London Boroughs of Sutton and Croydon.
- 4.4 The analysis draws on published data, as collated by CoStar, together with discussions with relevant economic development organisations and local commercial agents active in the local market and wider market. This information has been supplemented by other published evidence to draw out relevant trends.
- 4.5 Figure 4.1 overleaf shows the extent of the study area.

**Figure 4.1: Commercial Market Review Search Area**



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## Current Active Market: Immediate Local Area

- 4.6 To ensure a comprehensive overview of the local commercial market, a micro level review has been undertaken of the immediate local market, based on a two mile distance radius of the proposed allocation at Land West of Balcombe Road, Horley. This catchment area extends into Crawley Borough and provides an understanding of the most immediate trends.

### Offices (Use Class B1a and b)

- 4.7 A total of over **155,524** sq.m of office floorspace exists within the local catchment area, as measured by CoStar although much of this is associated with offices at, and associated with Gatwick Airport.
- 4.8 Of this total, a small proportion (**3.5%**) of office floorspace, totalling just over **5,500** sq.m was identified to be available in Q4 2016. Analysis of the average availability rate for office floorspace over the last five years confirms a marked decline in office availability from **8.5%** (equating to **12,540** sq.m).
- 4.9 Consequently, the level of vacancy rate is low, accounting for **2%** of total stock (**3,050** sq.m) at Q4 2016. Indeed, the pattern of office vacancy over the average for the last five years has fallen from **6.6%** (**10,325** sq.m) to its current low level. CoStar data confirms that the length of time on the market has fallen significantly over the last five years, from an average of **28** months, to **10.4** months in Q4 2016.
- 4.10 Rental activity for office floorspace in the local area has marginally risen over recent years. CoStar data indicate that asking rents have risen from a five year average of **£20.36/sq.ft** to its current level of **£21.60/sq.ft**.
- 4.11 New office construction activity in the local area has been limited. CoStar monitoring confirms no new office schemes have come forward or are recorded as under construction in the catchment area over the last five years.

### Light Industrial (Use Class B1c)

- 4.12 A total of over **41,280** sq. m of light industrial floorspace is identified within the two mile radius of the site.
- 4.13 As with existing office floorspace, the levels of floorspace availability are low, and identified by CoStar to account for **2%** of total stock (circa **820** sq. m). The current level of availability is well below the five year average of **6.9%** (**2,840** sq. m).
- 4.14 The low levels of stock availability are confirmed by the resultant low vacancy rate. At Q4 2016, the vacancy rate was **1.2%**, totalling just over **500** sq. m of vacant light industrial floorspace. The vacancy rate is over four times lower than the five year average of **5.6%**, which supported an average vacant floorspace quantum of over **2,300** sq. m in that period. The decline in levels of vacant floorspace are further confirmed by CoStar data which shows that the time on the market for light industrial stock has fallen from a five year average of **10** months to the current **5.4** months.

- 4.15 Rental data reflects the vacancy and availability trends, showing a current average of **£11.54/sq.ft** for light industrial floorspace. This represents an increase over the five year average of **£7.75/sq.ft**.
- 4.16 CoStar data confirms no light industrial floorspace was recorded as delivered over the last five years in the two mile catchment area.

### **Industrial and Storage & Distribution (Use Class B2 and B8)**

- 4.17 CoStar data identifies a total of over 332,278 sq. m of Class B2 and B8 floorspace within two miles of the proposed HOR9 Strategic Employment Land site West of Balcombe Road. This includes floorspace in sites at Gatwick International Distribution Centre, Gatwick Gate Industrial Estate, Charlwood Road, Bonehurst Road (Salfords) and Gatwick Metro Centre at Balcombe Road, Horley.
- 4.18 The availability rate for B2 industrial and B8 storage/distribution floorspace has fallen sharply over recent years, from a five year average of circa **39,470 sq. m (12.3%)**, to a current level of **7,700 sq. m (2.4%)**.
- 4.19 The current vacancy rate in the local area is low at **2.3%** (Q4 2016) with the quantum of vacant floorspace recorded to be approximately **7,400 sq. m**. This has fallen from a five year average of **12.3%** equating to **24,469 sq.m**. Evidence of the level of time vacant stock has remained on the market highlights a marked fall over the last five years, from an average of **18.6 months**, to a current level of **4 months**.
- 4.20 Rental data confirm a marked rise from a five year average of **£7.42/sq.ft**, to a current level of **£10.46/ sq.ft**.
- 4.21 In contrast to offices and light industrial uses, CoStar trends indicate that new floorspace has been delivered over the last five years, with over **4,900 sq. m** identified as currently under construction.

## **Current Active Market: Reigate & Banstead Borough**

### **Existing Commercial Stock and Change Over Time**

- 4.22 Information collated by the Valuation Office Agency (VOA) provides a Borough-wide summary of existing all office and industrial stock together with a summary of change over time. Table 4.1 below provides a summary of stock levels and change over the decade from 2006 – 2016.

**Table 4.1: Office and Industrial Floorspace, Reigate & Banstead Borough 2006 - 2016**

Floorspace Type	2006 (sq. m)	2011 (sq. m)	2016 (sq. m)	Change since 2006 (sq. m)
Offices	312,000	309,000	284,000	-28,000
Industrial	318,000	298,000	293,000	-25,000
<b>Total</b>	<b>630,000</b>	<b>607,000</b>	<b>577,000</b>	<b>-53,000</b>

Source: VOA (2016)

- 4.23 Evidence in Table 4.1 suggests that the total level of commercial floorspace in the Borough has fallen over the period 2006 – 2016, both for offices and industrial stock. Overall, trends show that the current level of commercial stock (at 31 March 2016) has reduced from some **630,000** sq.m (2006), to **577,000** sq.m; a fall of **8.4%** (**53,000** sq.m) over ten years.

### The B1 Office Market

#### Existing Stock and Change Over Time

- 4.24 In office floorspace terms, Table 4.1, above, confirms the overall quantum in Reigate and Banstead in 2016 to be **284,000** sq.m.
- 4.25 Over the period 2006 – 2016, VOA data indicates a reduction of circa **28,000** sq.m of office floorspace – a change of **8.9%** in the Borough. During this period, the greatest level of reduction has occurred in the most recent five year period 2011 – 2016, which resulted in a reduction of some **25,000** sq.m.

#### Take Up and Availability

- 4.26 The change in total stock, while showing the net change in floorspace, does not illustrate the structural changes of property over the years, new floorspace development and obsolescence.
- 4.27 New development happens partially as a result of demand from start-up enterprises and expanding businesses, but also from the need to offer more suitable locations and floorspace (i.e. geographic location and specification/quality of floorspace) for businesses.
- 4.28 In addition, while this process is taking place there will also be a loss of existing floorspace due to factors such as obsolescence such as ageing of properties (technological obsolescence), lack of demand for a specific type/form of property (functional obsolescence) or poor location (locational obsolescence). In addition, changes to national planning policies and regulations to allow a greater range of permitted changes of use from B Class employment stock to other land uses (principally residential) will influence structural changes. All these factors are evident in Reigate and Banstead (and more widely across the Gatwick Diamond authorities' area).
- 4.29 Council take up data for the Borough provides a summary of stock absorption and stock growth (or decline). Taken together, these factors provide the net level of office space taken up in Reigate and Banstead on an annual basis. Table 4.2 provides a summary of take up over the period 2011 – 2015.

**Table 4.2: Overall Office Take Up – Stock Absorption and Stock Growth, 2011 - 2015**

<b>B1 Office</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Take Up: Market Absorption sq.m	-16,614	4,642	-135	2,355	8,147
Take Up: Development sq.m	1,118	-438	162	-733	-2,372
Net Office Take Up sq.m	-15,496	4,204	27	1,622	5,775

Source: Reigate & Banstead Borough Council (2016)

- 4.30 Table 4.2 confirms that except for 2011, the average annual reduction in the vacant office stock has averaged circa **3,700** sq. m per annum to 2015, with healthy levels of vacant take up in 2015. In contrast, the general absence of new office stock in the office sector, has resulted in an average annual loss of stock as a result of development, especially over recent years (due mainly to permitted development rights conversions from offices to residential). In net terms, since 2012, take up per annum has averaged over **2,900** sq. m, and risen to over **5,700** sq. m in 2015.
- 4.31 Total B1 office availability in the Borough can also be examined regarding data available from CoStar. This identifies a total of over **31,160** sq. m. This represents an availability rate of **9.3%**. This current level of availability is lower than the five year average of **10.5%**, which equated to a floorspace quantum of circa **35,070** sq. m.
- 4.32 The headline trends identified by CoStar are confirmed by RBBC's own monitoring data relating to the level of office availability in the Borough. A summary for the period 2012 - 2016 is provided in Table 4.3.

**Table 4.3: Summary of Available Office Floorspace sq.m, 2012 – 2016**

<b>Year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Available Floorspace sq.m	44,000	44,135	43,780	33,633	26,144

Source: Reigate & Banstead Borough Council (2012 - 2016)

- 4.33 Table 4.3 shows a marked reduction of available B1 office space of over **40%** (**17,856** sq. m) in the period 2012 – 2016, with a significant increase in the level of availability from 2014 onwards.

#### Vacancy

- 4.34 The vacancy rates for B1 offices in the Borough is identified by CoStar to be **7.2%**. This broadly equates to the five year average for Reigate and Banstead in this period of **7.1%**. The level of vacant floorspace at Q4 2016, is identified to be **24,180** sq.m.
- 4.35 Information collated in RBBC's *Local Economic Needs Assessment Update* (June 2016) provides a summary of the long term trend of vacant office



floorspace in the Borough. This identifies a falling level of vacant accommodation in the five year period 2011 – 2015, which equates to a reduction of over 30% (15,009 sq. m). This summarised in Table 4.4.

**Table 4.4: Vacant Office Floorspace in the Borough 2011 – 2016**

Year	2011	2012	2013	2014	2015	2016*
Vacant Floorspace sq. m	48,642	44,000	44,135	41,780	33,633	24,180

Source: Reigate & Banstead Borough Council (2016) and \* CoStar (2017)

#### Rents and Yields

- 4.36 Information from CoStar confirm rents for B1 office stock across the Borough average **£18.87/sq. ft.** This is marginally higher than the five year average of **£18.40/sq. ft.**
- 4.37 Data from CoStar indicate a yield of **5.6%** for office sales in the Borough. This represents a strengthening in yields over the five year average of **7.8%** and is symptomatic of rising rental values and decreasing stock availability.

#### Historic Development Activity

- 4.38 RBBC's *Commercial Commitments Monitor* (March 2016) confirms a significant decline in historic office completions, particularly since the introduction of the PDR rights for office to residential conversion from 2013.
- 4.39 The level of new office floorspace has been minimal over recent years set against a significant loss of office floorspace, especially in 2016. Table 4.5 summarises the level of floorspace gains/completions in the Borough over the last five years. The future B1 office pipeline (commitments and floorspace under construction) is considered in more detail later in this section of the Report.

**Table 4.5: Trends in Office Floorspace Completions and Losses, 2012 – 2016**

Year	2012	2013	2014	2015	2016
Gain sq.m	515	162	0	0	98
Loss sq.m	953	0	733	2,372	9,623
<b>Net sq.m</b>	<b>-438</b>	<b>162</b>	<b>-733</b>	<b>-2,372</b>	<b>-9,525</b>

Source: Reigate & Banstead Borough Council (2016)

#### Industrial Stock and Change Over Time

- 4.40 The level of B1c, B2 and B8 industrial floorspace in the Borough, at 31 March 2016, is identified by the VOA to be some **293,000 sq. m.**
- 4.41 Table 4.6 shows that the loss of industrial floorspace between 2006 and 2016 totals circa **25,000 sq. m (7.8%)**. In contrast to the loss of B1 office stock, the majority of floorspace reduction occurred in the earlier 2006-2011 period and

is more likely to have been a result of re-development activity and loss during the recession.

4.42 The Council's latest *Industrial Estates Monitor* (March 2016) provides an overview of use trends and market activity relevant to the Borough's nine main industrial estates (as opposed to overall industrial stock). This relates to the following sites:

- Banstead – Pitwood Park Industrial Estate (including Epsom Downs Metro Centre);
- Reigate - Albert Road North Industrial Estate;
- Redhill - Holmethorpe Industrial Estate; Wells Place Industrial Estate; Kingsfield Business Centre and Reading Arch Road Industrial Estate;
- Horley – Perrywood Business Park; Salfords Industrial Estate (IO Centre, Orchard Business Centre, Astra Business Centre and Redhill Distribution Centre); Balcombe Road Industrial Area (Gatwick Metro Centre & Bridge Industrial Estate).

4.43 In total, the nine industrial estates support over **400** business premises and provide over **264,340** sq. m of industrial floorspace.

#### Take Up and Availability

4.44 As adopted for offices, Borough Council wide take up data provides a summary of stock absorption and stock growth. This position is summarised in Table 4.6 for the period 2011 – 2015.

**Table 4.6: Overall Industrial Take Up – Stock Absorption and Stock Growth, 2011 - 2015**

Industrial/Warehouse	2011	2012	2013	2014	2015
Take Up: Market Absorption sq. m	1,449	9,620	-8,850	152	3,981
Take Up: Development sq. m	-828	495	-843	0	131
Net Industrial Take up sq. m	621	10,115	-9,693	152	4,022

Source: Reigate & Banstead Borough Council (2016)

4.45 The Council's recent take up data highlights that, with the exception of 2013, a number of years of modest take up alongside healthy take up has occurred. The latest data for 2015 confirms over **4,000** sq. m of net take up although this is largely attributed to re-letting and use of formerly vacant floorspace as opposed to new development.

4.46 RBBC data also confirms that take up at the level of the main industrial estates of Reigate and Banstead, has been relatively consistent over recent years. Table 4.7 provides a summary of absolute take up since 2012 at the main estates.

- 4.47 Except for 2013, levels of take up have averaged over **16,000** sq. m per annum, with the highest level of take up at the main industrial estates achieved in 2016 (**17,454** sq. m).

**Table 4.7: Take up at the Borough's Main Industrial Estates 2012 – 2016**

Year	2012	2013	2014	2015	2016
Main Industrial Estate Take Up Sq.m	16,495	10,133	14,290	16,810	17,454

Source: Reigate & Banstead Borough Council (2012 - 2016)

- 4.48 The level of industrial and distribution availability in the Borough is summarised for the period 2012 -2016 in Table 4.8 below.

**Table 4.8: Availability of Industrial and Distribution Floorspace in Borough 2012 - 2016**

Year	2012	2013	2014	2015	2016
Available Floorspace Sq. m	20,150	29,000	28,848	24,957	13,908

Source: Reigate & Banstead Borough Council (2012 - 2016)

- 4.49 Table 4.7 confirms that the overall level of industrial and distribution floorspace in the Borough has fallen since 2013, and equates to less than half of the Borough-wide availability at 31 March 2016 (**13,908** sq. m), compared to the same period in 2013 (**29,000** sq. m).
- 4.50 CoStar data re-affirms RBBC's own monitoring data. It identifies the reduction in the availability of industrial floorspace, for B1c (light industrial), B2 (general industrial) and B8 (storage and distribution) uses.
- 4.51 The Latest data for 2016 (Q4) identifies availability rates of less than **1%** for light industrial floorspace which is well below the five year average of **8.3%**. The level of interest in B1c light industrial floorspace in the Borough, confirmed by local agent commentary, is reflected in CoStar data which identifies that available light industrial floorspace remains on the market for less than two months.
- 4.52 In relation to general industrial and storage/distribution floorspace, CoStar data identifies an availability rate of **3%** of total existing stock at 2016 (Q4). This is approximately half that of the five year average (**6.7%**). Furthermore, the level of interest in such floorspace confirmed by local agents, is marked by the significant reduction in the number of months such accommodation is available on the market before letting (circa five months compared to 14 months based on the last five year average).

#### Vacancy

- 4.53 Information from CoStar provides vacancy rates across for floorspace across the Borough, as set out in Table 4.9 below.

**Table 4.9: Vacancy Rate for Industrial Floorspace**

<b>Industrial</b>	<b>Vacancy Rate % (Q4, 2016)</b>	<b>Five Year Vacancy Average %</b>
Light Industrial (Use Class B1c)	0.4	7.9
Industrial and Storage/Distribution (Class B2/B8)	1.4	3.8

Source: CoStar (2017)

- 4.54 There is a very low level of vacancy for industrial stock in the Borough, particularly for light industrial floorspace as Table 4.9 shows. A clear, evident trend over recent years has been reductions in the vacancy rate for both B1c and B2 industrial floorspace, but particularly for B1c light industrial floorspace, which has fallen from a five year average of **7.9%** to **0.4%**.
- 4.55 The most recent CoStar data identifies the current level of vacant light industrial floorspace to be less than **100** sq. m, which is well below the 5 year average level of **1,330** sq. m (this is recognised to be low and practically fully stock utilisation). Furthermore, the recent trends affecting the level of vacant industrial and storage/distribution floorspace, identify circa **2,620** sq.m at the end of 2016, which is substantially less than the five year average vacant quantum of circa **6,900** sq. m.
- 4.56 Analysis of vacant premises across the Council's defined main industrial estates confirm a similar downward trend in vacancy, which has decreased significantly over the last year from **15.6%** to **10.4%**. Whilst it is recognised this relates to premises at specific industrial estates as opposed to all industrial stock, RBBC's monitoring data charts a falling long term vacancy trend in unit terms at the main estates in the Borough (see Table 4.10).
- 4.57 It is important to note that the distribution of vacancy rates varies amongst the main industrial estates, ranging from nil vacancy at Reading Arch Road (Redhill), to Pitwood Park (Banstead) and Perrywood (Horley) showing a **14%** vacancy (as at March 2016). The focus for vacant industrial floorspace is concentrated at Holmethorpe in Redhill.
- 4.58 RBBC monitoring data shows that there has been a fall over the year to 31 March 2016 in vacant floorspace at the nine defined industrial estates, from **27,505** sq. m to **21,455** sq. m. This accounts for **8.1%** of the total floorspace in the main industrial estates of the Borough, and represents the lowest level of vacant floorspace recorded by the Council since 2012. Table 4.10 confirms the trend in reduction in the long term levels of vacant floorspace over the period 2012-16.

**Table 4.10: Borough Main Industrial Estates Long Term Vacancy Trends (Units and Floorspace), 2012 - 2016**

Year	2012	2013	2014	2015	2016
Vacant Units %	14	17	18	15.6	10.4
Vacant Floorspace %	10.3	12.1	14	10	8.1
Vacant Floorspace Sq. m	26,915	31,795	37,015	27,505	21,455

Source: Reigate & Banstead Borough Council (2016)

#### Rents and Yields

- 4.59 CoStar data shows that rents for B1c light industrial stock across the Borough average circa **£19/sq.ft.** This is significantly higher than the five year average of **£11.40/sq.ft.** The significant growth in rental values is confirmed by local commercial agents and is noted to have been driven by an increasing lack of floorspace supply and rising absorption rates. With regard to B2 and B8 general industrial and storage/distribution stock, CoStar identify an average rent of **£9.50/sq.ft** at end 2016. Similar to B1c rental values this is higher than the five year average of **£8.34/sq.ft.**

#### Development Activity

- 4.60 Whilst the total commercial stock measured by VOA at Table 4.1 confirms an overall reduction in industrial stock levels over recent years, Council monitoring of industrial and distribution floorspace in the Borough confirm the trend of low levels of new floorspace completions over recent years. The future supply pipeline (including commitments and floorspace under construction is considered later in this section). Table 4.11 provides a summary of completions/gains of industrial floorspace.

**Table 4.11: Industrial and Distribution Floorspace Completions/Loss, 2012 – 2016**

Year	2012	2013	2014	2015	2016
Gain Sq. m	1,069	1,977	0	246	0
Loss sq. m	574	2,820	0	115	292
<b>Net sq. m</b>	<b>495</b>	<b>-581</b>	<b>0</b>	<b>131</b>	<b>-292</b>

Source: Reigate & Banstead Borough Council (2012 - 2016)

### **Current Active Market: Gatwick Diamond + Wider Area**

- 4.61 This sub-section provides an overview, albeit at a headline level of the main commercial trends, relevant to the wider commercial market across a wider area of the south-east.
- 4.62 The area relates to the authorities comprising the Gatwick Diamond together with the London Boroughs of Sutton and Croydon.

## The B1 Office Market

### Existing Stock and Change Over Time

- 4.63 Data from the VOA identifies an overall quantum of office floorspace of over **2 million** sq.m at March 2016.
- 4.64 There is a substantial variation in the distribution of office floorspace across the nine authorities which comprise this wider study area. The largest office stock is concentrated at LB Croydon which accounts for over **25%** of this total. In the context of the Gatwick Diamond, Crawley, and to a lesser extent, Reigate and Banstead and Mole Valley, support healthy levels of existing office floorspace. Table 4.12 provides a summary of provision across the wider area.

**Table 4.12: Total Office Floorspace Across Study Area 2006 - 2016**

Office Floorspace sq. m	2006 (sq.m)	2011 (sq.m)	2016 (sq.m)	Change since 2006 (sq.m)
Reigate & Banstead	312,000	309,000	284,000	-28,000
Crawley	410,000	380,000	349,000	-61,000
Horsham	163,000	165,000	158,000	-5,000
Mid Sussex	177,000	180,000	175,000	-2,000
Tandridge	60,000	60,000	55,000	-5,000
Mole Valley	228,000	249,000	245,000	17,000
Epsom & Ewell	100,000	95,000	89,000	-11,000
LB Croydon	688,000	618,000	542,000	-146,000
LB Sutton	176,000	148,000	121,000	-55,000
<b>Total</b>	<b>2,314,000</b>	<b>2,204,000</b>	<b>2,018,000</b>	<b>-296,000</b>

Source: VOA, 2016

- 4.65 Table 4.12 confirms a **12%** reduction in office floorspace across the area in the period 2006 – 2016 totalling **296,000** sq.m, with a significant reduction in Sutton (**31%**), Croydon (**21%**), and Crawley (**15%**). Mole Valley represents the only authority which has seen an increase in overall office floorspace in this period. A more limited reduction has occurred in Horsham, Mid Sussex and Tandridge.

### Availability and Take Up

- 4.66 Information from CoStar identifies an availability rate of **7.5%** for office floorspace across the area. In floorspace terms, this equates to a total of **190,149** sq.m at Q4 2016. This is lower than the five year average for the area of **281,811** sq.m and availability rate of **11.1%**. The data confirms a reduction in the availability rate for office floorspace over recent years.
- 4.67 In take up terms, CoStar data confirms a healthy level of absorption on an annual basis. The latest data for end 2016, identifies a total absorption of over **35,470** sq.m. This exceeds the five year average of 22,400 sq.m. In leasing terms, CoStar identifies a total take up of over **106,600** sq.m over the

last year. This is a similar trend to stock absorption in that it is higher than the five year average of over **76,000** sq.m.

- 4.68 This improvement in take up activity for office floorspace is confirmed by the reduction in the time of offices on the market, which has reduced from a five year average of **19** months to **10** months.

#### Vacancy

- 4.69 CoStar data confirms an office vacancy rate of **6%** across the authorities. This is lower than the five year average of **8.2%**.
- 4.70 In floorspace terms, total vacant office accommodation accounts for over **151,000** sq. m (Q4 2016), which is over **50,000** sq.m lower than the five year average of **207,350** sq. m.

#### Rents and Yields

- 4.71 Rental activity in the study area confirms significant levels of rental growth. CoStar data identifies an average office rent of **£20.78/sq. ft.** This represents a **20%** increase over the five year average of **£17.06/sq. ft.**
- 4.72 Similarly, yield evidence confirms a strengthening of yields over recent years. The latest CoStar data (Q4 2016) confirms an average yield of **6.7%** compared to a five year average of **8.1%**.

### **The Industrial Market**

#### Existing Stock and Change Over Time

- 4.73 VOA data identifies an overall quantum of total industrial floorspace of over **3.59 million** sq.m, as at March 2016.
- 4.74 Table 4.13 confirms that the majority of industrial stock across the nine authorities is focused in Crawley and Croydon, together with Horsham, Mid Sussex, and Sutton. The single largest market is Croydon, followed by Crawley which account for **20%** and **18%** respectively of total industrial floorspace.



**Table 4.13: Total Industrial Floorspace Across Study Area 2006 - 2016**

<b>Industrial Floorspace sq. m</b>	<b>2006 (sq. m)</b>	<b>2011 (sq. m)</b>	<b>2016 (sq. m)</b>	<b>Change since 2006 (sq. m)</b>
Reigate & Banstead	318,000	298,000	293,000	-25,000
Crawley	698,000	702,000	655,000	-43,000
Horsham	476,000	527,000	544,000	-68,000
Mid Sussex	403,000	429,000	444,000	41,000
Tandridge	214,000	214,000	198,000	-16,000
Mole Valley	232,000	207,000	206,000	-26,000
Epsom & Ewell	95,000	83,000	79,000	-16,000
LB Croydon	840,000	782,000	738,000	-102,000
LB Sutton	437,000	446,000	402,000	-35,000
<b>Total</b>	<b>3,713,000</b>	<b>3,688,000</b>	<b>3,559,000</b>	<b>-154,000</b>

Source: VOA, 2016

- 4.75 Table 4.13 identifies a **4%** reduction in total industrial floorspace across the study area, over 2006 – 2016. This equates to a reduction of **154,000** sq.m.
- 4.76 The greatest reduction in the overall proportion of industrial floorspace has occurred in Epsom & Ewell (**17%**) and Horsham (**14%**). By contrast, Mid Sussex represents the only area which has secured an increase in industrial floorspace over the last 10 years, totalling **41,000** sq.m (a **10%** increase).

#### Availability and Take Up

- 4.77 Information from CoStar provides a market overview of availability for light industrial, and industrial/storage & distribution floorspace.
- 4.78 For B1c light industrial floorspace, data identifies an availability rate across the area of **2.0%** at Q4 2016. In floorspace terms, this represents **10,790** sq.m. For comparison purposes, the five year average for availability rate was **6.9%** and an available floorspace average of **36,730** sq.m. Like B1 office availability, CoStar information confirms trend of reducing availability for light industrial floorspace in the study area.
- 4.79 A similar trend exists for industrial, and storage/distribution floorspace. This identifies the latest floorspace availability rate to be **4.4%** which is **approximately half** that of the five year average (**9.4%**). This significant reduction in availability is further confirmed by the quantum of available floorspace for such uses, which at Q4 2016 totalled circa **77,000** sq.m. This is well below the five year average of **162,960** sq.m.
- 4.80 Analysis of CoStar data trends for take up of light industrial floorspace, identifies the level of market absorption over the last 12 months has been negative at **-7,200** sq.m. This compares to a five year average absorption of **1,700** sq.m. Leasing take up over the last year to end 2016 was **11,400** sq.m. This is marginally lower than the five year average of **12,200** sq.m.



- 4.81 The situation for industrial/storage & distribution floorspace, confirms that the latest take up data (absorption and leasing over the last 12 months) **exceeded** the five year average.
- 4.82 The healthy levels of take up for both categories of industrial floorspace are confirmed by the major reduction in the time that such stock remains on the market.
- 4.83 For light industrial uses, the latest data for end 2016 confirms a period of **2 months** which is well below the five year average of circa **11 months**. The period of time for industrial/storage & distribution stock has halved from a five year average of **12 months**, to **6 months** (Q4 2016).

#### Vacancy

- 4.84 CoStar vacancy data identifies a very low rate of 1.3% for light industrial floorspace at Q4 2016. This is lower than the five year average of 2.8% across the study area.
- 4.85 In floorspace terms, the level of available vacant floorspace has fallen from approximately 15,000 sq. m (five year average) to **7,110** sq. m at end 2016.
- 4.86 The vacancy rate for industrial/storage floorspace mirrors a falling trend to that of light industrial floorspace. At end 2016, the vacancy rate was **3%**, down from a five year average of **5.4%**. In floorspace terms, the quantum of current vacant floorspace is identified to be over **51,000** sq.m. This is a marked reduction compared to the five year average in the study area of over **93,490** sq.m.

#### Rents and Yields

- 4.87 CoStar rental data confirms a current level of **£9.88/sq.ft** for light industrial uses. This represents rental growth in the wider area set against a five year average of **£7.79/sq. ft**.
- 4.88 Available evidence for yields identify a five year average of **7.3%**.
- 4.89 A similar message exists for general industrial, and storage/distribution stock. CoStar evidence identifies an average rent of **£9.32/sq.ft** (Q4 2016) which compares against a five year average of **£7.82/sq.ft**.
- 4.90 In respect of yield evidence, this confirms an improvement over recent years across the nine authorities, from a five year average of **7.1%**, to a current yield of **5.1%**.

## **Future Market Provision**

- 4.91 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.
- 4.92 This sub-section examines future employment floorspace regarding the current pipeline (committed sites, floorspace under construction and extant employment land allocations) as well as briefly considering emerging sites identified through RBBC's recent Call for Sites process (January 2017).

### Existing Employment Land Sites

- 4.93 Existing employment land sites and allocations were established through the *Reigate & Banstead Local Plan (2005)*. The Plan identified Employment Areas, Areas for Small Business (ASBs) and Town Centre Areas. Policy EM1a of the Local Plan was set out to prevent the loss of employment floorspace and sites.
- 4.94 While the Core Strategy set out the quantum of future employment land requirements and the overall spatial strategy for its broad distribution it did not make specific employment site allocations; a task left to the now emerging Development Management Plan.
- 4.95 The RBBC *Strategic Employment Provision Opportunity Study (June 2016)* summarises the more recent position with respect to the existing employment land supply allocations and sites in the Borough. Paragraph 2.18 of that report identified:
- “growing pressure on existing employment land provision in the borough (and more widely)”.*
- 4.96 It continues, concluding that:
- “the strategy of focusing on existing employment areas and town centres in order to meet growth needs – as envisaged by the Core Strategy – is increasingly challenging”.*
- 4.97 The Study report identifies an unmet local need (i.e. within RBBC) for at least **17,500** sq.m of office space and potentially as much as **50,000** sq.m based on various economic scenarios. Paragraph 2.17 highlights qualitative shortages in the office sector in terms of quality, range and mix of stock. Pressure on the existing provision is seen to be arising from losses to stock and sites from permitted development rights and changes to residential use.
- 4.98 The Borough Council’s latest *Industrial Estates Monitor (March 2016)* and the *Commercial Commitments Monitor (March 2016)* support the analysis of the *Strategic Employment Opportunity Study*, highlighting a strong reduction in existing commercial/industrial site and floorspace availability.
- 4.99 It is therefore evident that the existing supply of sites and employment land allocations from the Local Plan is likely to be insufficient to meet the Core Strategy’s identified requirements or to provide a sufficient ‘reservoir’ of land for new employment floorspace over the plan period.
- 4.100 RBBC has recently commenced a *Housing and Economic Land Availability Assessment (HELAA)* which includes a Call for Sites process.
- 4.101 At the time of writing the full results of the Call for Sites are not available, however an initial analysis indicates that there have not been a significant number of new large scale employment land sites proposed to RBBC. There are several smaller sites proposed, including those that are suggested for mixed uses or which might offer support for non-B Use Class employment (such as health care, leisure, retail, etc.).

### Reigate & Banstead Borough Employment Land Pipeline

- 4.102 Monitoring data from RBBC can be used to assess the current pipeline of employment floorspace. This comprises both extant unimplemented employment floorspace permissions and floorspace now under construction but not yet completed.
- 4.103 Table 4.14 below sets out a summary of the total pipeline change in the Borough for offices, light industrial, general industrial and storage/distribution space. The table shows the current position, as at 31<sup>st</sup> January 2017 in terms of new floorspace gains as well as losses arising from new developments.
- 4.104 Assuming all unimplemented permissions and all floorspace under construction is completed, there is a total gross gain of **8,722** sq.m of all B Use Class floorspace, with the majority comprising B8 (storage and distribution) at **4,850** sq.m. B1a office floorspace total gain amounts to **2,414** sq.m, with a further **330** sq.m of new B1b (research and development offices). Small levels of new B1c (light industrial) and B2 (general industrial) floorspace are also evident.
- 4.105 There is however a significant level of floorspace losses arising. The total level of B Use Class floorspace that is anticipated to be lost through the implementation of changes of use and re-development consents is recorded as **-47,624** sq.m.
- 4.106 Of these total losses to the employment stock, much is due to the change of use of existing B1a office stock **-36,538** sq.m (of which **27,535** sq.m is currently undergoing such change now). The reasons for the losses to B1a floorspace are through a combination of change of use arising from the implementation of various Permitted Development Rights and also the loss of **12,600** sq.m of B1a floorspace in a single re-development of the Sainsbury's site (32, London Road, Redhill) through a planning permission for redevelopment of that site.
- 4.107 Smaller total losses are also recorded for B1c, B2 and B8 floorspace by change of use and re-development permissions.
- 4.108 Table 4.14 also summarises the overall net floorspace position (gains minus losses) arising through the current pipeline. In total the pipeline indicates an overall net loss of **-38,902** sq.m across all B Use Class floorspace. It highlights a net loss of some **34,124** sq.m of B1a office floorspace, **1,930** sq.m of B1c light industry and **3,292** sq.m of B2 industrial space. B1b research and development and B8 storage and distribution floorspace is expected to have a net increase of **330** and **114** sq.m respectively.

**Table 4.14: Employment Floorspace Pipeline, Reigate & Banstead Borough, 2016**

		Floorspace (sq.m)					Total
		B1a Office	B1b R & D	B1c Light Industry	B2 General Industry	B8 Storage & Distribution	
Gain	Unimplemented Permissions	1,957	330	261	462	2,585	5,595
	Under Construction	457	-	45	360	2,265	3,127
	<b>Total Gain</b>	<b>2,414</b>	<b>330</b>	<b>306</b>	<b>822</b>	<b>4,850</b>	<b>8,722</b>
Loss	Unimplemented Permissions	9,004	-	1,296	3,154	3,021	16,475
	Under Construction	27,534	-	940	960	1,715	31,149
	<b>Total Loss</b>	<b>36,538</b>	<b>-</b>	<b>2,236</b>	<b>4,114</b>	<b>4,736</b>	<b>47,624</b>
<b>Net Gain/Loss</b>	Total Net Gain (Loss)	<b>(34,124)</b>	<b>330</b>	<b>(1,930)</b>	<b>(3,292)</b>	<b>114</b>	<b>(38,902)</b>

Source: RBBC Monitoring data and CCL calculation

- 4.109 While the employment floorspace pipeline position is negative with some significant net losses (a position that accords with evidence from previous years set out in Figure 8 of the RBBC *Local Economic Needs Assessment Update*, June 2016) there is also evidence of new employment floorspace being permitted and constructed.
- 4.110 The Local Economic Needs Assessment Update indicates at paragraph 2.75 that the experience of the Borough is that not all schemes are built-out and completed. The delivery rates are suggested to be circa 75% for new B1 office accommodation (although implementation rates for change of use from offices to residential are higher) and 60% delivery rate for industrial and warehouse space. While these delivery rates may temper the net gains and losses to B Use Class floorspace in the current pipeline, there will be overall net losses from the B Class stock that are not replaced by the current new development pipeline.
- 4.111 Setting aside the wider benefits of the creation of new non-commercial floorspace including residential dwellings, there are direct benefits for the local commercial market in terms of the overall quality and age of commercial stock that will be available as older space is reused for other purposes while new floorspace is brought forward.
- 4.112 This dynamic is particularly important for B1a office and B8 floorspace where there have been (and are) significant pressures arising from changing work practices and new technologies to encourage new, fit-for-purpose floorspace and stock to come forward, weeding out older and poor quality provision.
- 4.113 The fact that new employment floorspace is permitted and under construction (even though a relatively small quantum of development) also represents a positive market signal of demand across the B Class uses.

### Wider Area Employment Floorspace Pipeline

- 4.114 While the proposed HOR9 Strategic Employment Land site is situated in Reigate & Banstead Borough, the site's location immediately adjacent to the northern boundary of Crawley Borough means that it is also appropriate to review the future pipeline provision in that Borough as well others that are neighbours and share localised commercial market characteristics.

### Crawley Borough

4.115 Data provided by Crawley Borough Council from their planning monitoring systems highlight the following:

- current anticipated net losses of existing B1a office floorspace totalling **51,013** sq.m arising from changes of use to residential through permitted development rights. Of this total, some **6,256** sq.m of loss is expected in the Manor Royal area; **19,961** sq.m in Main Employment Areas; **21,687** sq.m in Crawley Town Centre; and 1,598 sq.m from other locations in the Borough;
- current B Use Class permissions and development under construction totalling **191,749** sq.m, of which **107,236** sq.m is permitted for B1a/b offices and **84,513** sq.m for B1c, B2 and B8 floorspace;
- most of the new floorspace in the pipeline is located in Manor Royal (**76,258** sq.m of B1a offices; and **79,984** sq.m of B1c, B2 and B8 floorspace).

4.116 Review of the individual planning permissions that comprise the extant and future pipeline highlights several, substantial, B1a office developments, including:

- 11,362 sq.m offices at Astral Towers, Betts Way (the Nova Site);
- 2,954 sq.m offices (and 32,822 sq.m of B8 storage and distribution) at the Former GSK Site;
- 17,016 sq.m offices at the former Thales site;
- 16,173 sq.m offices in two units at Segro West, Manor Royal;
- 11,525 sq.m offices in the Crawley Business Quarter;
- 10,960 sq.m offices at Northwood House;
- 4,630 sq.m offices at the Tilgate Forest Business Centre; and
- 5,500 sq.m offices at Gatwick 55, Rutherford Way.

4.117 Crawley Borough shows a substantial, permitted employment floorspace pipeline and particularly for B1a office supply. In planning terms, while these permissions and sites are necessary to help meet the economic growth needs of that Borough (and to ensure Crawley's unmet employment land needs are not exacerbated from the position set out in their Local Plan), there is likely to be a significant increase in the provision of new office and industrial floorspace in Manor Royal, the Main Employment Areas and the Town Centre which may then affect the commercial market more widely by:

- generating positive effects in terms of strengthening the Manor Royal and Town Centre areas of Crawley within the Gatwick Diamond as a strong office and business cluster locations with modern available floorspace;
- creating negative market perception effects for Reigate and Banstead by diverting or diluting the market attractiveness of commercial business sites in the Borough unless new, high quality floorspace and strategically well located employment sites are brought forwards.

### Horsham District

- 4.118 Monitoring data from Horsham, as set out in Table 4.15 provides a summary of the floorspace gains together with losses arising from employment floorspace in the District, as at 31<sup>st</sup> December 2016.
- 4.119 The District has a total of **57,259** sq.m of Class B floorspace which is either under construction or subject to unimplemented permissions. Within this total, development has commenced on **17,733** sq.m of employment floorspace, with the majority comprised of new Class B8 storage and distribution floorspace (**9,887** sq.m), with new supply of B1c light industrial (**3,500** sq.m) and B2 general industrial (**2,442** sq.m) floorspace identified. The level of B1a and B1b floorspace is more limited, totalling **1,814** sq.m.
- 4.120 The level of unimplemented consents is more extensive, and accounts for **39,526** sq.m. This pipeline supply is distributed across all the Class B employment uses although is dominated by **14,347** sq.m of new B1b research and development floorspace, alongside **10,909** sq.m of B8 storage and distribution, and **10,830** sq.m of new B2 general industrial floorspace. In comparison, the levels of new B1a office and B1c light industrial floorspace is more limited, at **1,526** sq.m and **1,914** sq.m respectively.
- 4.121 However, there are employment floorspace losses, with monitoring data identifying the loss of **4,592** sq.m through change of use and re-development, which is focused on existing B2 and B8 floorspace, and to a lesser extent, B1c employment stock. By contrast, no loss of B1a or B1b floorspace was recorded as underway. An additional **10,559** sq.m has the potential for employment floorspace losses arising from unimplemented permissions, particularly from existing B2 general industrial (**4,582** sq.m) and B8 storage and distribution (**4,076** sq.m) floorspace. In total, these losses of employment stock account for **-15,151** sq.m which is dominated by loss from primarily B2 floorspace, alongside B8 and B1c provision.
- 4.122 Overall, the overall net employment land position indicates a gain of **42,108** sq.m in Horsham District, with a net floorspace gain recorded for each of the B Use Classes. The greatest gain is in B8 floorspace (**16,621** sq.m) together with B1b stock (**15,279** sq.m), but a more limited gain of B1a (**1,888** sq.m) and B1c (**1,691** sq.m) floorspace.

**Table 4.15: Employment Floorspace Pipeline, Horsham District Council, 2016**

		Floorspace (sq.m)					
		B1a Office	B1b R&D	B1c Light Industry	B2 General Industry	B8 Storage & Distribution	Total
<b>Gain</b>	Unimplemented Permissions	1,526	14,347	1,914	10,830	10,909	39,526
	Development started	882	932	-3,590	2,442	9,887	17,733
	<b>Total Gain</b>	<b>2,408</b>	<b>15,279</b>	<b>5,504</b>	<b>13,272</b>	<b>20,796</b>	<b>57,259</b>
<b>Loss</b>	Unimplemented Permissions	520	-	1,381	4,582	4,076	10,559
	Development started	-	-	2,432	2,061	99	4,592
	<b>Total Loss</b>	<b>520</b>	<b>-</b>	<b>3,813</b>	<b>6,643</b>	<b>4,175</b>	<b>15,151</b>
	<b>Total Net Gain (Loss)</b>	<b>1,888</b>	<b>15,279</b>	<b>1,691</b>	<b>6,629</b>	<b>16,621</b>	<b>42,108</b>

Source: HDC Monitoring data (based on WSCC CILLA 2016)

#### Mid Sussex District

4.123 Information for Mid Sussex District, as published in the West Sussex County Council *Commercial and Leisure Development Survey 2015/16* provides a summary of the employment floorspace pipeline, as at 31<sup>st</sup> March 2016.

4.124 Table 4.16 confirms the total pipeline in the District, comprising unimplemented employment permissions, and schemes under construction, totalling **63,242** sq.m. No information is available in relation to losses of employment floorspace.



**Table 4.16: Employment Floorspace Pipeline, Mid Sussex District, 2016**

		Floorspace (sq.m)					
		B1a Office	B1b R&D	B1c Light Industry	B2 General Industry	B8 Storage & Distribution	Total
Gain	Unimplemented Permissions	1,009	5,000	5,702	20,735	20,340	52,786
	Development Started	2,930	-	4,336	-	3,190	10,456
	<b>Total Gain</b>	<b>3,939</b>	<b>5,000</b>	<b>10,038</b>	<b>20,735</b>	<b>23,530</b>	<b>63,242</b>

Source: MSDC Monitoring data, extracted from WSCC CILLA, 2016

- 4.125 Table 4.16 provides details of net gains in employment supply. This identifies a total of **10,456** sq.m of new employment floorspace as under construction in the district, which is concentrated on B1c light industrial floorspace (**4,336** sq.m), alongside B8 (**3,190** sq.m) and B1a (**2,930** sq.m) supply.
- 4.126 With regard to B Use Class unimplemented permissions, a large pipeline of **52,786** sq.m is identified. The majority is permitted for B2 general industry floorspace (**20,735** sq.m) and B8 floorspace (**20,340** sq.m). Furthermore, pipeline supply also exists for B1c (**5,702** sq.m) and also B1b (**5,000** sq.m) floorspace. A more limited level of B1a office floorspace is subject to unimplemented commitments (**1,009** sq.m).
- 4.127 The overall number of extant employment floorspace permissions is relatively limited, although Council data indicates one large extant scheme in the District on land to the south of the A2300 at Burgess Hill. This consented scheme allows for **20,000** sq.m of Class B2 and B8 uses respectively, together with **5,000** sq.m for Class B1b research and development floorspace and the same quantum for Class B1c light industrial uses.

#### Mole Valley District

- 4.128 Data published in the Council's *Outstanding Commercial Permissions and Advertised/Vacant Premises* provides a summary of the current pipeline of employment floorspace at 31<sup>st</sup> March 2016. Table 4.17 shows the position for both extant unimplemented employment permissions, and schemes under construction.



**Table 4.17: Employment Floorspace Pipeline, Mole Valley District, 2016**

		Floorspace (sq. m)					
		B1a Office	B1b R&D	B1c Light Industry	B2 General Industry	B8 Storage & Distribution	Total
Gain	Unimplemented Permissions	6,248	-	309	2,683	1,323	10,563
	Development started	-	-	-	-	-	-
	<b>Total Gain</b>	<b>6,248</b>	<b>-</b>	<b>309</b>	<b>2,683</b>	<b>1,323</b>	<b>10,563</b>

Source: MVDC Monitoring data

- 4.129 Whilst Table 4.17 shows no details of employment floorspace losses, the analysis of new gains in employment supply is focused on extant unimplemented commitments. The Council's monitoring data identifies that no employment floorspace was under construction in the year to 31<sup>st</sup> March 2016.
- 4.130 Of the current B Use Class permissions totalling **10,563** sq.m, the majority is permitted for B1a offices (**6,248** sq.m), followed by B2 general industry floorspace (**2,683** sq.m) and B8 floorspace (**1,323** sq.m). Surprisingly, of this pipeline supply, only a very limited level of B1c floorspace existed (**309** sq.m) at end March 2016.
- 4.131 In locational terms, Council data confirms that B1a office pipeline supply is focused at Leatherhead (**4,721** sq.m) whilst Dorking acts as the focus for the new pipeline B2 supply. By contrast, the rural area is the main location for the extant pipeline for B8 floorspace.
- 4.132 The overall number of extant employment floorspace permissions is relatively limited, although Council data indicates the following larger extant schemes:
- 4,221 sq. m offices at Kelvin House, Springfield Drive Leatherhead;
  - 1,500 sq.m of B2 general industrial at land west of Curtis Road, Dorking
  - 1,183 sq. m of B2 floorspace at Parsonage Mills, Station Road, Dorking.

#### Epsom and Ewell Borough

- 4.133 No recent data relating to emerging and potential employment land supply is currently available from Epsom and Ewell Borough Council. However, information from the Council's last published *Local Plan Annual Monitoring Report 2014-2015* identifies that the Borough has experienced a major loss of B1a office floorspace because of changes to Permitted Development Rights.
- 4.134 In 2014/15, an overall loss of **11,285** sq.m of B1 floorspace was recorded, primarily lost to C3 residential use and largely focused on Epsom town centre. Furthermore, discussions with Council planning policy officers indicate that little change in trends is anticipated, with little, if any employment pipeline

supply under construction or subject to unimplemented consents in the Borough.

#### Tandridge District

- 4.135 Information on employment pipeline supply is limited for Tandridge District and the Council does not provide data relating to floorspace that is under construction or unimplemented commitments.
- 4.136 The latest available *Tandridge Local Plan, Authority Monitoring Report*, for the period to 31<sup>st</sup> March 2015, states there were few employment land completions over the monitoring year, and all were small scale (**less than 50** sq.m). A similar, common, trend is the loss of B1 office floorspace to residential use because of Permitted Development changes of use, with over **4,285** sq.m identified to be subject to granting of prior approval, and over **5,225** sq.m awaiting a prior approval decision, at the end of March 2015 in the District.

#### London Borough of Sutton

- 4.137 Monitoring data for the London Borough of Sutton, as at 31 December 2016 confirms a significant level of activity across the Borough.
- 4.138 Table 4.18 summarises floorspace gains totalling **45,433** sq.m, comprising **26,479** sq.m identified as under construction and **18,954** sq.m subject to unimplemented permissions.
- 4.139 Within this total, a healthy level of B1a office and B2 general industrial floorspace is under construction (comprising **13,325** sq.m and **12,457** sq.m respectively) whilst no floorspace is recorded as under construction for B1b or B8 purposes. In unimplemented consent terms, there is potential for net gains in floorspace across all of the Class B uses, especially B1b research and development uses (**10,341** sq.m). Overall, the greatest employment floorspace gains in the Borough relate to B1a offices (**15,836** sq.m), together with B1b and B2 uses.
- 4.140 In comparison, the level of employment floorspace losses is significant across the Borough, with **152,783** sq.m identified as subject to unimplemented permissions or where development is underway for non B Use Class activities. Much of the floorspace loss is identified to be underway on **106,177** sq.m and is focused on B2 and B1a floorspace. In respect of floorspace losses associated with unimplemented consents, this is primarily concentrated on B1a office floorspace which accounts for **40,854** sq.m.
- 4.141 The Borough is subject to a substantial net loss of employment floorspace totalling **107,420** sq.m. according to the most recent monitoring data. This is concentrated on B1a office floorspace net losses of **68,462** sq.m and **51,994** sq.m of B2 general industrial floorspace loss. Monitoring data identifies that the impact of Permitted Development Rights on B1a office floorspace has contributed to the significant loss of B1a floorspace with the prior approval process accounting for the change of use of the majority of floorspace, alongside redevelopment schemes.

**Table 4.18: Employment Floorspace Pipeline, London Borough of Sutton, 2016**

		Floorspace (sq.m)					
		B1a Office	B1b R&D	B1c Light Industry	B2 General Industry	B8 Storage & Distribution	Total
Gain	Unimplemented Permissions	2,511	10,341	2,157	1,071	2,874	18,954
	Development started	13,325	-	697	12,457	-	26,479
	<b>Total Gain</b>	<b>15,836</b>	<b>10,341</b>	<b>2,854</b>	<b>13,528</b>	<b>2,874</b>	<b>45,433</b>
Loss	Unimplemented Permissions	40,854	576	697	3,092	1,457	46,676
	Development started	43,444	-	1,003	61,730	-	106,177
	<b>Total Loss</b>	<b>84,298</b>	<b>576</b>	<b>1,700</b>	<b>64,822</b>	<b>1,457</b>	<b>152,853</b>
	<b>Total Net Gain (Loss)</b>	<b>(68,462)</b>	<b>9,765</b>	<b>1,154</b>	<b>(51,994)</b>	<b>1,417</b>	<b>(107,420)</b>

Source: London Borough of Sutton, CCL calculation 2016

#### London Borough of Croydon

4.142 Of the available data for the London Borough of Croydon, the latest *Croydon Metropolitan Centre Office Data* identifies the following gains for B1a office employment floorspace over the period from 2011-2015 in the Croydon Metropolitan Centre (CMC) only:

- A total B1a office floorspace gain in this period of **147,353 sq.m**, comprising **72,297 sq.m** under construction and **75,056 sq.m** of unimplemented permissions.
- Over this period, the overall net employment position is identified to be a loss of **5,931 sq.m** in B1a office floorspace levels.

4.143 Regarding all other B Use Class activities (B1b, B1c, B2 and B8 uses), the latest available monitoring data in the Council's *Industry Floorspace 2015* publication, provides data for the period 2010 – 2015.

4.144 This data confirms a wider trend of an overall decline of **5%** in the total overall stock of Class B1b/B1c/B2 and B8 floorspace across the four employment hierarchy tiers in the Borough.

4.145 At the individual tier level, the stock of Tier 3 floorspace has declined by **18%** (**7,442 sq.m**) although in actual floorspace loss terms, the most significant

employment losses of **25,159** sq.m has occurred for Tier 1 sites (which equates to a **6%** decline over this period, the same proportional decline as for Tier 2 sites). The lowest level of decline was for Tier 4 sites (**2%**), although analysis of data over the most recent available period (2014 - 2015) confirms a marginal fall in industrial employment floorspace across Tiers 1-3; for Tier 4 sites, this has remained static. A total of **6,609** sq.m of floorspace was lost in Tier 1 sites in this period, with lower levels of losses for the Tier 2 (**3,077** sq.m) and Tier 3 (**867** sq.m).

- 4.146 In the Task 2 Report (Assessment of Economic Impacts), that follows on from this Task 1 Report, the wider strategic supply and potential competitor/comparator sites and locations to HOR9 across the Reigate and Banstead functional economic market area and beyond will be considered in greater detail.

### Qualitative Considerations - Local Market Commentary

- 4.147 Discussions with local commercial agents active in the local and sub-regional Gatwick Diamond market confirm the overall pattern of trends identified for the immediate HOR9 site and for the Borough as a whole. A list of agents engaged is set out in Appendix 1.
- 4.148 Both within the Reigate and Banstead, and Crawley market context, local agents report a common theme of a limited supply of office floorspace, particularly for high quality, Grade A stock but also mid-level stock (serving the market between Grade A and secondary floorspace).
- 4.149 The impact of the Permitted Development Rights are specifically noted as a factor in the reduction of local levels of office floorspace in both areas. Furthermore, agents report that until recently, the provision of new office floorspace has been limited, particularly in the Crawley market, although activity has improved locally following the delivery of St John's House (circa **2,415** sq.m) – the first speculative office development in the town over the last 10 years, and subsequent lettings to Broadsoft (circa **929** sq.m/rental of **£24.50** per sq.ft) in 2015. Typical office rents are confirmed to be in the range **£24.50 - £26** per sq.ft.
- 4.150 Other notable recent office developments include the Leonardo building (circa **10,200** sq.m) at Manor Royal, Crawley, which has been let to Virgin Atlantic, and the occupation of **13,935** sq.m by Elekta at Manor Royal. Indeed, agents confirm the importance of 2015 which resulted in a significant level of office take up when compared to previous years.
- 4.151 Whilst there is a recognition of a gradual improvement in office availability as new office floorspace is beginning to come forward locally (e.g. Nexus at Manor Royal, refurbishment of Churchill Court), there remains an underlying concern of the need for a suitable, available supply to ensure against the relocation of existing companies in view of unmet floorspace expansion requirements.
- 4.152 It is reported that the combination of increased demand, rising floorspace rental values and a shortage of suitable supply is expected to help generate further speculative B1 office development (subject to land availability).

- 4.153 The industrial market is considered equally buoyant, if not stronger than the office market at the local level, and a common message is reported of an insufficient supply of B8 storage warehouses and for B1c light industrial units in the local market of Reigate, and particularly Crawley and Gatwick. This reflects extremely high levels of demand (for lease and freehold sale) and evidence of a healthy market.
- 4.154 Local agents report that vacant units are pre-let or sold quickly with an overall shortage of suitable properties, particularly for those in the range **929** sq.m - **1,858** sq.m, (10,000 – 20,000 sq.ft), and up to **3,716** sq.m (40,000 sq.ft). Recent commercial deals reported by agents include the full letting of Oakwood Trade Park (Crawley), and letting of **5,100** sq.m at Gatwick 55 (Crawley).
- 4.155 Overall there is a recognition that there is a need for substantial new floorspace to come into the market in order meet occupier needs (for both tenants and freehold investment purchasers) which continue to be unmet. In rental terms, recent trade park deals confirm a rental range of **£12.50** - **£12.75** per sq.ft.
- 4.156 For B8 storage and distribution floorspace, agents report that Crawley represents an important distribution hub for the South East which drives demand, with reported significant interest and competition for Class B8 units of **1,858** sq.m upwards. Balanced alongside high levels of demand, commercial agents confirm that there remain a significant number of unmet requirements for space in the area although the availability of suitable units/floorspace remains very low. Typical rents of **£10.50**/sq.ft are reported for older storage/distribution units.
- 4.157 The extent of this unmet need is confirmed by one local agent who confirmed requirements for warehouse and light industrial requirements totalling over **80,360** sq.m in the Crawley/Gatwick area (which extends into the Borough). Such is the level of market interest, agents report healthy scope for speculative development, with developers typically seeking sites of circa 0.8 hectares for land units of over **4,645** sq.m. The high levels of demand have also helped to drive and substantially increase land values.
- 4.158 Across both the office and commercial market, there remains continued demand for floorspace set within the context of a limited availability of stock. When considered in the Gatwick Diamond area context, market sentiment is that the wider commercial property sector is constrained by a shortage of commercial land supply which has implications for development supply and continued increasing costs for available property.
- 4.159 Local agents were agreed that the decision in November 2016 of the expansion of Heathrow airport as opposed to Gatwick Airport, has now provided greater commercial certainty for the development industry (landlords, tenants and developers) at the local level. Up until this decision, a number of property decisions had been placed on hold and the expectation is that the decision will help promote renewed activity in the local commercial property market. Indeed, many agents recognise that the ongoing transformation of Gatwick Airport (including the promotion of long haul flights) will help promote the wider area and further drive the strong level of demand for office and industrial floorspace that exist locally.

- 4.160 It is further confirmed by local commercial agents that the strength of the local property market is not dependent on the air related businesses which are attracted to the local area. The role of the Gatwick Express rail service is recognised as important although an overall theme is its proximity to London and the buoyant market across the South East.
- 4.161 Discussions with other economic development stakeholders and organisations active in the local market confirm a similar message to the commercial agents, particularly the shortage of suitable provision for both office and industrial uses. At the local level, there is a recognition of a limited available stock that is frustrating demand. In office terms, the availability of small scale office stock is very limited (identified in the range 92 – 185 sq.m) whilst space up to 929 sq.m is also considered difficult to secure.
- 4.162 The absence of a bespoke dedicated office park in the Gatwick Diamond was noted by many respondents, with an emphasis on the importance of a high quality environment.
- 4.163 Equally, the needs of industrial occupiers are considered fundamentally important, and a consensus that the demand for industrial stock is as pressing as that for office space.
- 4.164 For both office and industrial floorspace, the consistent message is of the need for high quality, new accommodation which is considered necessary for meeting unmet requirements, balanced alongside the need for flexibility to provide for the changing needs of occupiers.

## Conclusions

- 4.165 The overview of the commercial property market has identified a number of trends, which can be summarised below:
- The commercial market at the micro-level within two miles of the proposed HOR9 strategic employment site is characterised by an overall shortage of available office and industrial floorspace. This is confirmed by very low levels of vacancy rate, rental growth and a general absence of new supply over recent years;
  - At the Borough-wide level, there has been a marked reduction in the level of available office floorspace. Recent levels of net take up exceed new supply whilst the continued general absence of new accommodation has been compounded by the increased loss of office space since the introduction of the PDR from office to residential;
  - The industrial market in the Borough has experienced a reduction in available supply over the last ten years although market trends confirm a healthy level of take up, an exceptionally low level of vacancy – especially for light industrial uses, and a significant increase in rental values driven by a lack of suitable supply;
  - At the wider Gatwick Diamond + LB Sutton and LB Croydon level, the majority of the authorities have experienced a reduction in the level and availability of office and industrial floorspace. Vacancy rates continue to fall whilst availability, take up and rental growth evidence across the



office and industrial sectors confirm a general picture of limited supply and healthy levels of demand;

- Local commercial agents active in the local and sub regional Gatwick Diamond property market confirm an overall theme of a tight, limited supply of office and industrial floorspace. This has helped to secure an element of speculative office development, particularly in the Crawley area although there remains a significant level of demand and unmet requirements, with major competition for available and emerging supply on a lease and sale basis;
- Demand for office accommodation in the Reigate/Crawley market is focused on a range of requirements, ranging from the very small scale (92 – 185 sq.m) whilst stock up to 929 sq.m is considered tight. Larger options do exist although these are limited. There is a consensus that the general lack of an available and flexible supply is frustrating demand;
- The need for new industrial floorspace is considered as important as that for offices in the Reigate/Crawley area. Rental growth, rising land values and continued high demand and unmet needs are compounded by a shortage of land. Major demand is reported for industrial units in the range 929 – 1,858 sq.m, and up to 3,716 sq.m;
- At the wider Gatwick Diamond + LB Sutton and LB Croydon level, there is a recognition of the current absence of a bespoke, dedicated high quality office park in the Gatwick Diamond. Equally, the unmet needs of industrial occupiers are fully recognised given the continued high demand for such floorspace, and require suitable future land supply;
- Future pipeline supply of employment floorspace (existing commitments and floorspace under construction) in Reigate and Banstead is negative with some significant net losses anticipated from the existing B1 office stock (due mainly to PDR conversions to residential use) and from the B1c and B2 stock due to re-development for alternative purposes. The Borough's planning monitoring records as well as the commercial and industrial monitor datasets both record the effects and likely future position.
- The pipeline position in Crawley Borough is markedly different from RBBC with some significant new B1 office and B1c/B2 and B8 floorspace consented and under construction now, or anticipated to come forward in due course. Such floorspace is both a replacement for existing stock as well as site intensification and is in part off-set by significant losses to existing office floorspace in Crawley town centre (again due to PDR stock conversions to residential use). Future employment floorspace in Crawley Borough is however needed to ensure delivery of sufficient space to meet that Borough's requirements (as well as address the un-met employment land need arising in that Borough).
- The pipeline position in other neighbouring boroughs and district areas shows a mixed picture of net gains and net losses with significant impacts evidenced or anticipated through PDR stock conversions of B1 office floorspace for residential use). Structural changes have become apparent in office stock losses in Sutton and Croydon but there have



also been net floorspace gains in Horsham and evidence of extensive unimplemented or committed floorspace in the pipeline elsewhere in the area.

## 5. WIDER COMMERCIAL MARKET INFLUENCES AND TRENDS

### Introduction

- 5.1 The nature of employment has, 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.
- 5.2 Such trends will only continue and evolve further, and given the likely delivery timescale for the development of the proposed HOR9 Land West of Balcombe Road Strategic Employment site over the next 20 years, it is fundamental to understand the current and emerging trends impacting on the working environment and workspace that will have important influences on the commercial market and for the provision of workspace facilities and floorspace proposed.
- 5.3 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.
- 5.4 This section provides an overview of the key trends and factors reshaping the workplace and which are anticipated to drive future workspace requirements locally in Reigate and Banstead as well as more widely in the UK.
- 5.5 While much of the commentary herein is relevant to employment trends in general, attention in this Report is primarily focused on Class B1 uses, particularly B1(a) offices, which are considered of most relevance to the proposed HOR9 allocation. This will help provide an understanding of the implications of these trends for the future provision of workspace.
- 5.6 It is also clear that other non-B Class employment generating uses (for example small-scale retail and other main town centre uses that are ancillary to offices), may be necessary and compatible with the development of a large-scale office employment site to support the overall attractiveness of the offer and the image/perceptions of the site in a strategic context.

### General Trends

- 5.7 A significant amount of literature exists which 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.

- 5.8 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.
- 5.9 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.
- 5.10 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.
- 5.11 However, there is one consistent trend; the future of work is changing, and the pace of change to 2035 and beyond will mean the working life for many people will look quite different to the current time.
- 5.12 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

- 5.13 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”*.
- 5.14 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.
- 5.15 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.
- 5.16 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

- 5.17 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.
- 5.18 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.
- 5.19 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 at the HOR9 Strategic Employment Site, drawing on the core drivers of flexibility, networking and a low impact, high technology business model.
- 5.20 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. In RBBC, some 82.1% of businesses are formed of 0-4 persons and a further 9.6% of 5-9 persons (ONS, 2016). This growth in SME's has driven a need for flexibility which is 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.
- 5.21 The combination of cultural and social shifts, and technology is driving and shaping organisational change. As a consequence, 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

- 5.22 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.

- 5.23 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.
- 5.24 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.
- 5.25 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.
- 5.26 In the Gatwick Diamond area and within Reigate and Banstead especially, the role of business clusters is important and has become the focus for clusters in financial and business services, health, environmental and aerospace/aviation. Such high technology sectors offer significant opportunities for growth and investment, particularly where this is linked to the quality and size of the education provision in the local area.
- 5.27 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.
- 5.28 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 large-scale employment sites such as the proposed HOR9 allocation). 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.
- 5.29 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.

- 5.30 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.

#### Workspace Provision

- 5.31 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.
- 5.32 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.
- 5.33 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.
- 5.34 The demands and expectations of the millennial generation 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.
- 5.35 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.
- 5.36 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

- 5.37 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 in close proximity to their employment.
- 5.38 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.
- 5.39 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.
- 5.40 The impact of changing 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.
- 5.41 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, 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 is available at a number of 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.
- 5.42 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 in their own right, the trends outlined in respect of Class A1 uses are equally relevant to these other related uses.
- 5.43 Equally, there are other uses that could provide employment in the proposed HOR9 Strategic Employment Site, given the overall scale of development anticipated.
- 5.44 These uses include leisure/fitness uses, community uses, and health. However, the focus on the core workspace potential of Class B1(a), helps to establish the context and the ‘direction of travel’ that future workspace provision could be expected to provide for as part of the future employment offer.

## Implications of Emerging Technology for Working

- 5.45 In many ways, the overall role of technology could be considered limitless, such is the speed of change. However it is clear that 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.
- 5.46 A number of 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. 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 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 as a result 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 workspace at the proposed Strategic Employment Land site.

## Conclusions

- 5.47 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.
- 5.48 While the commentary herein is focused on the implications for office workspace, there are equally important trends impacting on retail and wider town centre uses, which all have the potential to contribute towards employment provision and complementary uses in the proposed Strategic Employment Land allocation.
- 5.49 In summary, there are lessons associated with these changing trends which will affect commercial market characteristics in Reigate and Banstead as well as the Gatwick Diamond more widely and should be factored into more detailed planning for development of the Proposed HOR9 Strategic Employment Site on Land West of Balcombe Road:
- 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;
  - 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 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 scale of the proposed employment allocation does offer an excellent opportunity to provide such core requirements;
  - 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;

- 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 wellbeing 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;
- embrace technology in the workplace, including smart systems in the fabric of buildings. This is applicable to all uses.

## 6. GAP ANALYSIS AND CONCLUSIONS

### Introduction

- 6.1 This section draws together the analysis and findings from the previous sections of the Report. It concludes the position with respect to demand for, supply and market conditions for a Strategic Employment Land Site allocation at the HOR9 Land West of Balcombe Road site.
- 6.2 Overall, it is concluded that the proposed Strategic Employment Land allocation is appropriate and necessary in commercial market, demand and supply terms, to help Reigate & Banstead Borough to meet its economic growth objectives, support existing businesses and encourage inward investment within the Borough and the Gatwick Diamond more widely.

### Policy and Economic Strategy Drivers

- 6.3 The overarching emphasis of national planning and economic policy set out in the NPPF and NPPG is to support long term growth, sustainability and prosperity through new economic development, the expansion of existing businesses and new inward investment.
- 6.4 The Borough, Gatwick Diamond and Coast to Capital Local Enterprise Partnership strategies clearly highlight the importance of providing suitable infrastructure, homes and commercial employment development sites in order to drive economic growth. The strategies are unambiguous in this respect and are closely interlinked in terms of how public sector and private partners will work together to deliver economic infrastructure including land and floorspace.
- 6.5 One of the critical matters that each of the strategies identifies is tackling the shortage of suitable employment floorspace and particularly doing so in order to unlock the growth potential of the Gatwick Diamond.
- 6.6 The adopted RBBC *Core Strategy* confirms that the Council will promote and support sustainable economic prosperity and that this will be delivered through a range of actions, including planning for a range of types and sizes of employment premises, planning for the delivery of new floorspace to meet forecast growth and ensuring that development outside employment areas is sustainable.
- 6.7 The emerging draft RBBC *Development Management Plan* includes policies to support employment development including the protection of existing land supply. Proposed policies allow for development in the area between Horley and Gatwick Airport (where the proposed Strategic Employment Site HOR9 is located) subject to retaining space to protect against coalescence of the urban area with Gatwick Airport. Proposed Site Allocation HOR9 then reflects this spatial approach and positively identifies the land West of Balcombe Road for

a mix of business (office) and complementary retail, commercial and leisure activities together with open space and access improvements.

- 6.8 The current *Gatwick Diamond Strategic Plan: 2013-2016* provides a more vision-based approach to promoting and growing the sub-region. There is a focus in terms of strategy towards selecting, prioritising and focusing on high growth, knowledge driven economic growth activity. The emphasis on high growth, knowledge-based and 'smart growth', is concluded to be particularly relevant for Reigate and Banstead in terms of the provision of suitable quality and scale of employment space.
- 6.9 The Coast to Capital LEP *Strategic Economic Plan* (SEP) identifies the Gatwick Diamond area at the heart of the LEP's economy (and within which the HOR9 proposed strategic employment site allocation is located) and clearly supports it as a strategic growth location for future growth. The SEP also highlights the challenge raised by a lack of employment land for new development and inward investment (and this conclusion is supported by the findings of this Task 1 Report on supply demand) and that there is considerable poor quality commercial and industrial stock which is no longer fit for modern business use.
- 6.10 The adopted and emerging local policy approach is therefore reflective of the Government's national economic and planning policy objectives as well as according with the economic strategies of the C2C LEP and the Gatwick Diamond in seeking to create new, fit-for-purpose employment floorspace in the Borough and sustainable locations.

## Demand and Supply of Employment Land

### Demand

- 6.11 The *Updating the Economic Evidence Base* (July 2011) identified a potential increase of **6,810** FTE jobs in the Borough between 2011 and 2026, or approximately **454** jobs per annum, and the need for an additional minimum of **37,274** sq.m employment floorspace. The Core Strategy then set a requirement for approximately **46,000** sq.m of employment floorspace across the Borough up to 2027, with some **24,000** sq.m apportioned to the Low Weald (Area 3) within which the proposed HOR9 strategic employment site is situated.
- 6.12 The more recent *Local Economic Needs Assessment Update* from 2016 provides an up-to-date assessment of future local needs for additional employment floorspace in Reigate and Banstead using Experian data from 2015. It offers a more current assessment of employment land demand than that captured in the RBBC Core Strategy which was based on 2010 data.
- 6.13 The *Local Economic Needs Assessment Update* illustrates that there is projected to be an increase of **6,530** FTE jobs in total between 2015 and 2027 in Reigate and Banstead, or approximately **544** jobs per annum (approximately a 20% higher level of job growth than that established in the Core Strategy). The increase in all B-Use Class related jobs over the same period is estimated to be approximately **3,270**, or approximately **273** jobs per annum.

- 6.14 Section 3 of this Task 1 Report prepared an updated projection of employment floorspace demand potential for the Borough with the Experian September 2015 employment forecasts extended over the period to 2035 (a realistic period for the development of a major, strategic employment land site).
- 6.15 The key elements of the updated projection included:
- extending the timeframe of the employment forecasts to 2035;
  - modifications to average employment densities;
  - modifications to the proportion of Non-B Use Class business activities that may use B Use Class space;
  - assessment of the capture of wider strategic unmet need;
  - potential capture of FDI/ National expansions and relocations; and
  - impacts of Gatwick Airport under different scenario.
- 6.16 Overall, the updated projections concluded in Table 3.16 that there is 'strategic employment' demand potential in Reigate and Banstead for between **183,200** to **213,640** sq.m of B Use Class floorspace from 2015 to 2035. This consists of:
- **66,442 – 80,885** sq.m strategic local need (of which **39,136 – 51,896** sq.m is B1 offices);
  - **106,757** sq.m unmet need from Crawley (of which **45,513** sq.m is B1 offices); and
  - **10,000 – 26,000** sq.m FDI/Relocation demand potential.
- 6.17 The analysis identified the main sectors likely to lead demand include the finance, insurance & pensions, professional services, computer & electronic products, and real estate sectors. It also considered that there were growth opportunities in the aerospace, pharmaceuticals and health technologies, environment and energy technologies, and advanced engineering sectors.
- 6.18 Section 3 also considered a sensitivity analysis for Gatwick Airport to the demand assessment. This included a 'Demand Increase Scenario, based on an expanded Gatwick Airport, and a 'Supply Increase Scenario, based on a release of safeguarded land surrounding Gatwick Airport. It found:
- the 'Demand Increase Scenario, could increase demand in the Reigate and Banstead area by at least **15,780** sq.m up to 2030.
  - the 'Supply Increase Scenario', could result in the potential supply of **88,960** sq.m of B1a/b floorspace, and **355,840** sq.m B1c, B2, B8 floorspace.



### Commercial Market Revealed Demand and Land Supply

- 6.19 The review of commercial market demand and supply evidence in Section 4 establishes a clear picture of strong take-up of B1 office and B1c, B2 and B8 industrial and storage distribution floorspace.
- 6.20 The immediate area around the proposed HOR9 Strategic Employment Site is characterised by a shortage in supply of office and industrial floorspace and a marked absence of new supply in recent years coupled with little net growth (indeed net losses to B1 office stock) in the future pipeline (outside of Manor Royal in Crawley Borough).
- 6.21 At the Borough-wide level recent levels of net take-up have exceeded available office and industrial supply resulting in rising stock absorption rates and reflected in increasing per sq.ft rental values for all B Use Class floorspace. The Borough-wide picture is similarly reflected at the wider Gatwick Diamond + LB Sutton and LB Croydon level with significant reductions in available stock, increasing take-up and rental growth for both office and industrial floorspace.
- 6.22 As Section 4 identified, the future pipeline supply of employment floorspace (existing commitments and floorspace under construction) in Reigate and Banstead is negative with some significant net losses anticipated from the existing B1 office stock (due mainly to PDR conversions to residential use) and from the B1c and B2 stock due to re-development for alternative purposes. The Borough's planning monitoring records as well as the commercial and industrial monitor datasets both record the effects and likely future position.
- 6.23 The pipeline position in Crawley Borough is markedly different from RBBC with some significant new B1 office and B1c/B2 and B8 floorspace consented and under construction now, or anticipated to come forward in due course. Future employment floorspace in Crawley Borough is however needed to ensure delivery of sufficient space to meet that Borough's requirements (as well as address the un-met employment land need arising in that Borough).
- 6.24 More widely, the pipeline position in other Gatwick Diamond authority areas and in London Boroughs of Croydon and Sutton shows a varied and mixed picture with some areas witnessing significant net losses (due to PDR conversions (such as Epsom and Ewell and in LB Sutton) and for other re-development reasons) as well as new floorspace supply coming forwards (for example in Horsham)
- 6.25 Tight supply and availability coupled with strong revealed demand (absorption rates and overall take-up) and limited new floorspace coming forward to date has helped to support the re-emergence of a speculative office development market, particularly in the Crawley area, albeit not much more widely spread at present.
- 6.26 Overall, however there does remain a significant level of un-met demand and occupier requirements for expansion or relocation that are struggling to identify and secure appropriate floorspace accommodation at present. There is therefore significant competition for available and emerging supply (whether on a lease/rental basis or as investment freehold purchase).

- 6.27 The qualitative market discussions held with local commercial agents and economic development organisation representative stakeholders has affirmed the principal data-based results and overall conclusions on the state of the commercial market locally, for Reigate & Banstead Borough and across a wider Gatwick Diamond area.

## Gap Analysis

- 6.28 The employment land demand and supply characteristics for Reigate and Banstead and the economic position of the Borough within the wider Gatwick Diamond + LB Sutton and LB Croydon context show that there is a significant level of current and projected employment land demand for which there is a relatively small level of new supply (either committed or under construction) in the Borough.
- 6.29 Section 4, which examined the commercial market, identified the availability of employment floorspace (for all B Class uses) has reduced significantly within increasing take-up and a rising stock absorption rate, whether measured in the immediate area to the HOR9 proposed allocation, or more widely across the Borough or the Gatwick Diamond, and rental values have increased as the shortage of available supply has impacted on the occupier market.
- 6.30 Revealed demand trends are corroborated by RBBC's own commercial and industrial estate development monitors. These documents concur with the wider commercial market assessment, revealing that for existing employment areas and industrial sites there has been a substantial reduction in available, vacant floorspace; albeit varying geographically across the individual industrial and commercial estates.
- 6.31 Analysis of RBBC's planning monitoring information set out in Section 4 found that there are substantial reductions in the development pipeline to the net available employment floorspace due to the loss of existing stock (particularly via permitted development right conversions to residential use and via individual redevelopment proposals). The overall position is one characterised by net losses to B1a (office); B1c (light industrial) and B2 (general industrial) floorspace, with a very modest net increase in B8 (storage and distribution) floorspace.
- 6.32 As Section 4 noted, this does have the positive effect of removing older and perhaps poorer quality employment floorspace from the supply (albeit in an often *ad hoc* manner through the implementation of PDR rights), but also reinforces the market imbalance between revealed and projected demand with available and pipeline supply.
- 6.33 While there is a significant quantum of new employment floorspace anticipated in the future pipeline in Crawley Borough to the south of Reigate and Banstead (particularly in Manor Royal and other established employment areas) this provision is largely necessary to meet the economic growth and employment land needs arising in that Borough.
- 6.34 Local agents and economic development stakeholders reported that there is rising interest in speculative office and industrial development in the Borough

(and more widely) based on revealed market demand and rising rental values and that such speculative interest is dampened by a perceived (and actual) lack of available, allocated employment land.

- 6.35 There is therefore a clear requirement and gap to provide new employment land sites capable of supporting the delivery of high quality B Use Class floorspace in Reigate & Banstead Borough. The expansion of existing commercial and industrial sites can provide for some of that requirement but, as highlighted, that source of supply is increasingly taken up by existing and expanding occupiers and there is a need to allocate additional land and sites (including strategic sites) capable of meeting employment needs.

### **Sector and Business Offer**

- 6.36 In terms of the sectoral and business offer that a strategic employment land allocation at HOR9 could address, there are a number of broad conclusions that can be drawn from the demand and supply analysis.
- 6.37 There are a number of important 'ingredients' that the proposed Strategic Employment Site satisfies from a business and market perspective which were highlighted by local agents and economic development stakeholders as well as in analysis of the revealed commercial market demand. This includes the potential for direct access to the motorway and strategic road network, sufficient site size to offer a scale and visibility/presence in the wider market and a location that could avoid inappropriate traffic generation or routing through an existing residential or urban centre.
- 6.38 The greenfield nature of the proposed site allocation would also enable a high-quality and flexible business environment to be designed and developed, dealing effectively with landscaping, parking and supporting facilities that result in the creation of high grade floorspace and good quality business environments. This accords with the findings of Section 4 on market demand and from Section 5 that looked at wider market influences and workspace trends.
- 6.39 Demand could potentially come from a breadth of B Use Class floorspace occupiers across a range of sectors including those previously described (finance, insurance & pensions, professional services, computer & electronic products, and real estate sectors, aerospace, pharmaceuticals and health technologies, environment and energy technologies, and advanced engineering sectors).
- 6.40 Specific demand related to high quality, modern B1a (office), B1c small and medium sized light industrial and from B8 (storage and distribution) uses as well as for hybrid mixed-uses were highlighted from the stakeholder discussions.
- 6.41 There is also a long-standing market demand for freehold owner occupier floorspace (particularly for B1c and B2 industrial) within the local area and more widely across the Gatwick Diamond. This includes design and build opportunities as well as serviced accommodation. Local agent and stakeholder discussions also concluded that there was a need and

opportunity for a business park environment that would support supply chain activities and offer additional locational value-added benefits to occupiers.

- 6.42 While the proposed employment site may suit larger storage and distribution functions (and there is a revealed market demand for such B8 floorspace, coupled with shortages in supply elsewhere in the wider Gatwick Diamond market) the use of the proposed HOR9 Strategic Employment Land allocation for B8 activities would not necessarily represent the most appropriate or effective use of such a site when considered in relation to evident need to create new high-grade B1a offices and replace net office stock losses elsewhere in Reigate & Banstead Borough.

## Next Steps

- 6.43 Following on from this Task 1 Report which has reviewed evidence of demand and supply of employment floorspace, Task 2 is focused on assessing the potential economic impacts of the proposed HOR9 Strategic Employment Site allocation and consider the effects on Horley and Crawley town centres.
- 6.44 In greater detail, the Task 2 Report will examine:
- local economic impacts arising during the construction and operational phases and the outcomes (positive and negative) for the local and wider economy of developing the Strategic Employment Site;
  - assess the implications for local labour and market dynamics;
  - assess effects on the local commercial property supply and demand position;
  - offer a comparative analysis of demand and overall deliverability with other sites; and
  - draw overall policy conclusions and recommendations.

## **APPENDIX 1**

### **List of Stakeholders**

<b>Economic Development and Public Organisations</b>
Reigate and Banstead Borough Council – Economic Development
Crawley Borough Council – Economic Development
Manor Royal Business Improvement District
Gatwick Diamond Initiative
Coast to Capital LEP
<b>Commercial Property Market Agents</b>
Cushman and Wakefield
JLL
Stiles Harold Williams
Savills
Vail Williams