

Employment Land Technical Paper Update 2019

Surrey Heath Borough Council

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Surrey Heath Borough Council

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DATE
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EXECUTIVE SUMMARY

Context

This Employment Land Technical Paper (ELTP) Update considers the supply of and demand for employment land and premises in Surrey Heath Borough and has regard to the wider Functional Economic Area (FEA) which includes Hart District and Rushmoor Borough. Prepared jointly by GL Hearn and Surrey Heath Borough Council, it is intended to provide evidence to inform and support policies for employment land in the forthcoming Surrey Heath Local Plan. The previous Employment Land Review (ELR) 2015 was produced by Hart, Rushmoor and Surrey Heath and considered future floorspace needs and land requirements for B class employment uses in the Functional Economic Area. The Study was subsequently updated by Wessex Economics, to take account of revised labour supply projections aligned to the 2016 Strategic Housing Market Assessment, and was republished in 2016.

The 2019 ELTP Update provides current information on existing employment sites and premises in Surrey Heath, and assesses future floorspace needs and land requirements for employment uses (offices, industry and warehousing) associated with the level of anticipated employment growth in the borough over the period 2019-2040. The study also considers the current and future balance of demand and supply for employment land in the borough, and potential approaches in relation to employment land in the emerging Local Plan.

The National Planning Policy Framework (NPPF) is clear that emerging Local Plans should strive to meet the economic needs of their areas by supporting existing business sectors, taking account of whether they are expanding or contracting and, wherever possible, identifying and planning for new or emerging sectors likely to locate in the area.

The study has been prepared from a base date of 2019 and therefore the forecasts used to determine future jobs growth and the required amount of employment land to support this are based on projections that were produced prior to the global COVID-19 pandemic. Future updates to the employment evidence base for Surrey Heath will need to take account of the impacts of COVID-19 on the local economy, including any revisions to future jobs growth forecasts arising from this.

Characteristics of Local Economy and Employment Base

Surrey Heath has a successful economy that has generated over 6,000 additional jobs between 2009 and 2018, whilst over 13,000 were generated in the FEA as a whole. The local economy was relatively resilient throughout the 2008 economic downturn, which is attributable to the broad range of businesses across a wide range of sectors to be found in the FEA. Economic activity is high in both Surrey Heath and the FEA with

82.1% and 83.4% of the population aged 16-64 in employment respectively. This is above regional and national averages, whilst rates of unemployment are well below national and regional averages. Self-containment within Surrey Heath is 38% and within the FEA it is 53%, which is not surprising given the dense pattern of urban settlements in the wider area and opportunities for residents in the three local authority areas to commute into London and other economic centres.

Surrey Heath has a higher proportion of industrial business floorspace relative to office floorspace, although there is enough variation in floorspace type to support a range of sectors. The supply of office stock in Surrey Heath is relatively modern, with 80% built between 1980 and 2009. There is a limited supply of both office and industrial floorspace available for occupation, with only 632 sqm office and 1,622 sqm industrial floorspace being marketed in November 2019. Correspondingly, the borough has low vacancy rates for both office and industrial accommodation at just 2% and 1% respectively.

There are nearby authorities which are likely to compete with the offer in Surrey Heath and the FEA for future employment development. For example, according to the Guildford Employment Land Needs Assessment (2017) the borough of Guildford is forecast to experience notable demand for employment land up to 2034. In addition, Longcross Park, a designated Enterprise Zone is located in Runnymede borough directly adjoining Surrey Heath, and has consent for 79,000 sqm of office floorspace.

Supply of Employment Land

There is a reasonable pipeline supply of employment land in Surrey Heath. This consists of one existing Local Plan allocation that has not been built out and extant planning permissions. The maximum available land supply as of March 2019 that could be delivered to meet the needs of the borough's economy is around 9.9 ha of land in gross terms, or -0.2 ha in net terms.

The Local Commercial Property Market

Commercial agents have advised that there remain two distinct tiers to the office market within the FEA including Surrey Heath which are as follows:

- Modern Grade A stock in prominent, accessible business park environments is in strong demand and has a decreasing trend of available supply.
- Lower grade office accommodation which since the 2016 ELR update has largely been converted to residential use through Permitted Development Rights, resulting in much lower availability of this type of office stock.

Consultations with agents revealed that offices are in demand, but often that rival town centres such as Bracknell and Basingstoke have the supply, thus offering a competitive edge in capturing new businesses, whilst the loss of business floorspace in town centres through permitted development rights in Surrey Heath and the wider FEA exacerbates the current floorspace constraints. The reduction of lower grade office floorspace is contracting choice for businesses particularly SMEs and those seeking lower rent accommodation, limiting their opportunities for growth and thus creating some mismatch in the demand supply balance.

Both Surrey Heath and the FEA have a strong industrial market, with concentrations of industrial land in and around the A331 Blackwater Valley Road. Consultations with agents confirmed that there were several key manufacturing industries in Surrey Heath including trade and building supplies, the audio-visual industry, electric and renewable transport product industries. Over the period 2012-19, Surrey Heath has seen a total take-up of 91,000 sqm of industrial floorspace – equivalent to an annual average take-up of 13,000 sqm per annum.

As part of this ELTP update, 19 employment sites of 0.25 ha or more in size, totalling over 130 ha of employment land were assessed within Surrey Heath. The detailed site assessments examine a number of factors that will help inform future decisions about the allocation status of these sites through the emerging Local Plan, including information on the type and role of each site, its accessibility, environment and parking. In addition, the surveys provide information on a selection of planning constraints and any vacant premises at the site. The site appraisals are published as a separate freestanding Appendix to this report (Appendix B).

Future Demand for Employment Land

Three different scenarios of future employment floorspace and land requirements are considered for Surrey Heath over the period to 2040. The first scenario is based on labour demand, which uses job growth forecasts with locational adjustments that take account of key strengths in the local economy, and converts them into floorspace requirements. A projected 5,619 jobs are forecasted based on Oxford Economics forecasts and 3,018 jobs based on the Cambridge Econometrics forecasts. The forecasts are then projected over the period 2019-2037 to enable the supply-demand balance comparison to be aligned with the indicative period for the emerging Local Plan.

Over the period 2019-2037 the Oxford Economics forecast for labour demand is converted to a requirement for 4.3 ha employment land and the Cambridge Econometrics forecast is converted to a requirement for 0.4 ha employment land in Surrey Heath. Without applying the locational adjustments, the baseline employment land requirements are for -2.8 ha (Oxford Economics) and -4.3 ha (Cambridge Econometrics) over the same period.

The second scenario is based on labour supply aligned with the local housing need figure for Surrey Heath derived from the standard methodology. This would provide an economically active population equivalent to 224 jobs per annum or 4,704 employee jobs over the period 2019-2040. The labour supply scenario falls almost at the mid-point between the baseline labour demand forecasts.

The third scenario is based on the assumption that the pattern of past employment floorspace development delivery continues into the future, generating a requirement for 15.9 ha employment land in Surrey Heath by 2037.

Supply-Demand Balance

Forecast floorspace requirements amount to a need for between -4.3 ha and 15.9 ha employment land in Surrey Heath over the period 2019-2037. Following the application of adjustments to take account of vacant office floorspace, the possibility of some unimplemented planning permissions not being delivered, and the introduction of an allowance for windfall development, a supply of 3.7 ha employment land in Surrey Heath is generated over the period 2019-2037. The study establishes a demand supply balance ranging from -6.5 ha to 0.6 ha in labour demand and supply scenarios, suggesting that generally a small surplus of employment land is available to meet requirements. The third scenario based on past development rates demonstrates an unmet need of 12.2 ha.

For the labour demand and supply scenarios (the latter as an approximate midpoint between the two labour demand forecasts) it is suggested that the aggregate employment needs can be met through existing supply, subject to suitability of sites. The past development rates (gross) scenario points to an undersupply of land, however patterns of use and economic structure are expected to change in the future and some sites will allow for recycling of land as indicated by net completions trends.

Surrey Heath is expected to see the strongest growth in Office and Research and Development (R&D) based sectors up until 2037-2040. Meanwhile, despite key local strengths in the area, there is a long-term decline forecasted in manufacturing. Accordingly, the monitoring of industrial sites should be undertaken and consideration be given where appropriate to them being redeveloped for alternate employment uses including certain office developments, storage and distribution, and small cluster/incubator units for developing micro businesses.

Whilst labour demand forecasts indicate a small decline for storage and distribution uses, both gross and net completions suggest there is a need for warehousing in the borough. It is considered that this can be delivered through renewals on existing industrial areas, or sites of manufacturing decline.

Policy Recommendations

It is concluded that policy approaches for employment land in the emerging Local Plan for Surrey Heath should:

- a) Identify and allocate Strategic and Locally Important employment sites, providing appropriate protection for employment land required to meet identified needs
- b) Review the boundaries of some established employment areas
- c) Provide a framework that enables the intensification, upgrading and refurbishment of employment sites for more efficient use of land and meet the requirements for higher grade office stock
- d) Seek to resist the loss of premises that provide suitable accommodation for SMEs whilst seeking to increase choice for smaller or start up businesses requiring cheaper accommodation
- e) Enable the redevelopment of surplus industrial land for alternate employment uses, where appropriate, to meet identified needs
- f) Maintain a supply of employment land to enable economic growth within Surrey Heath and the FEA up to 2037-40.

Surrey Heath Borough Council will need to continue to monitor the amount of new employment floorspace being delivered as well as the amount of employment floorspace being lost to alternative uses, including through conversions from employment to residential use through the prior approvals process. This is important, given the marginal supply demand position for employment land in the borough over the period 2019 to 2037-40, particularly in respect of office accommodation.

1 INTRODUCTION

- 1.1 The purpose of the Surrey Heath Employment Technical Paper 2019 Update (referred to as ‘the study’) is to provide a technical base to support the development of the new Local Plan.
- 1.2 The document does not set the employment land target for the local authority but provides the evidence to inform its starting position.
- 1.3 In 2015, Rushmoor, Hart and Surrey and Heath (HRSH) local authorities produced the Employment Land Review for the Functional Economic Area (FEA) which considered relevant national policy and planning practice guidance at the time. Together the areas of the three authorities comprise a single Functional Economic Area (FEA). The FEA forms part of the Blackwater Valley, which is widely perceived to be a relatively self-contained commercial property market.
- 1.4 The Employment Land Review (ELR) (2015) was later updated in 2016, by Wessex Economics, to reflect the updated Strategic Housing Market Assessment for the study area and to accord with the authorities’ updated plan periods. The ELR (2016) has been used to inform plan making for the local authorities, however this document is now three years out of date and Surrey Heath Borough Council are seeking to update the evidence for the commercial market, employment and floorspace trends. This update focuses on Surrey Heath and provides more limited information for the other FEA authorities of Hart and Rushmoor who have subsequently adopted Local Plans.
- 1.5 The study provides an updated evidence base document for Surrey Heath. It gives a review of the current and future economic context for the wider FEA and updates the evidence for employment land requirements in Surrey Heath up to 2040. This will assist Surrey Heath with its plan making for the provision of employment land within the Borough, through the production of the emerging Surrey Heath Local Plan.
- 1.6 The focus of the study is the economic issues and employment land requirements in Surrey Heath Borough, taking account of supply and demand factors. However, strategic issues across the Functional Economic Area and the economic forecasts for the FEA as a whole are also considered to provide contextual information for the local economy, as part of the study. Specific outputs required from this study are:

Stage 1

- the planning policy and economic context of Surrey Heath, the Hart Rushmoor Surrey Heath FEA, and the wider strategic area

- a review of existing employment stock in the FEA and Surrey Heath specifically, providing a baseline for land in employment uses
- an overview of the recent pattern of employment land supply and loss including losses from conversions through permitted development
- an assessment of trends in demand including market conditions, economic data, price signals and needs of different types of economic development
- a review of labour market statistics.

Stage 2

- an understanding of the market based on projected growth and demographic changes
- an analysis of market demand including type and location of premises for specific business sectors and types, sourced from market intelligence data, engagement with developers, property agents, and business and economic forums
- presentation of employment forecasts on which to base projected future needs
- employment land/floorspace requirements in the FEA and Surrey Heath specifically, broken down into typologies of use and/or market segments reflecting changes in working practices
- assessment of the employment land supply position in Surrey Heath, compared against the employment land requirement scenarios presented.

Stage 3

- a qualitative appraisal of sites
- an indication of which sites should be retained and the level of protection to be afforded
- which sites could be released to other uses
- a clear indication of any gaps in the portfolio broken down into typologies of use and/or market segments
- an indication of whether individual sites can accommodate future employment needs.

1.7 This study has been prepared from a base date of 2019 and therefore the forecasts used to determine future jobs growth and the required amount of employment land to support this are based on projections that were produced before the global COVID-19 pandemic. Future updates to the employment evidence base for Surrey Heath will need to take account of the impacts of the COVID-19 pandemic on the local economy, including any revisions to future jobs growth forecasts.

1.8 From 1st September 2020 The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020¹ took effect. The Regulations introduced three new use classes:

- Class E (Commercial, business and service)
- Class F.1 (Learning and non-residential institutions)
- Class F.2 (Local community)

1.9 Use Class B1 has been subsumed into new Use Class E, whilst Use Classes B2 and B8 remain separate, as prior to the changes taking effect. The impacts of the changes on B Class uses are summarised in Figure 2.1 below.

¹ 2020 No. 757 The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020: <https://www.legislation.gov.uk/uksi/2020/757/made>

Figure 2.1: Impact of The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020 on B Class Uses

Use	Use Class up to 31 st August 2020	Use Class from 1 st September 2020
Office other than a use within Class A2	B1a	E
Research and development of products or processes	B1b	E
For any industrial process (which can be carried out in any residential area without causing detriment to the amenity of the area)	B1c	E
Industrial	B2	B2
Storage or distribution	B8	B8

- 1.10 The base date of the supply position assessed in this report is 31st March 2019, and therefore, the use classes referred to throughout the study are retained as B1, B2 and B8, for consistency, and to avoid any confusion of the scope of the uses considered in the study. It should however, be recognised that references to uses with Use Class B1a-c will now be considered as part of Use Class E, and accordingly, future evidence base or policy documents for employment uses will refer to development within previous Use Class B1a-c as Use Class E.
- 1.11 Buildings in Use Classes E, F.1 and F.2 continue to benefit from any permitted development rights that were in place on or before 31st August 2020. The transitional provisions will remain in place until 31st July 2021 when it is intended that new, revised permitted development rights will be introduced.
- 1.12 The study's approach follows the Government Guidance on undertaking Economic Need Assessments contained within the [National Planning Practice Guidance \(PPG\)](#). It focuses on the employment space needs for the group of B Use Classes which were in place on or before 31st August 2020 i.e. B1 (business), B2 (industry) and B8 (warehousing/distribution). It does not assess the future land needs of other employment generating uses such as retail, tourism, healthcare and education.
- 1.13 The study draws on earlier Employment Land studies prepared for the Hart Rushmoor Surrey Heath FEA as well as other relevant documents including the EM3 LEP's Strategic Economic Plan, the National Planning Policy Framework (NPPF) and PPG, property market information, planning policy documents, economic sector studies and published economic statistics.

Aims

- 1.14 The key aims of the Employment Land Technical Paper are to:

- establish how the economic situation in Surrey Heath Borough and the wider HRSH FEA has changed since the previous ELR was undertaken in 2015-16 and to update the 2016 study to a 2019 position;
- analyse recent and current commercial property market trends in Surrey Heath and the HRSH Functional Economic Area
- undertake a review of current employment floorspace provision and supply in Surrey Heath over the new plan period, in the context of the wider HRSH Functional Economic Area.

1.15 A Housing Needs Assessment (HNA) for Surrey Heath has been updated at the same time as this Employment Land technical Paper and is presented as a separate report. The housing need figure for Surrey Heath has been calculated using the government's standard method. This provides an annual housing need figure for Surrey Heath that is applied over the plan period. It is the purpose of the HNA to determine the different types of housing that comprise the overall housing figure, according to the needs of the local population. Where applicable, information such as the local housing need figure are used in both the Employment Land Technical Paper and the HNA. This ensures that both studies are using the same datasets as far as possible.

Scope of Study

1.16 The focus of this report is on the employment space needs for the group of B class sectors outlined below:

- B1 Business (offices, research & development, light industry)²;
- B2 General Industrial; and,
- B8 Storage or Distribution (wholesale warehouses, distribution centres).

1.17 Demand for B-class employment land and floorspace is considered in this report. Industrial space includes light industrial (B1c), industrial (B2) and storage and distribution uses (B8).

1.18 The purpose of the study is to provide evidence to support the development of the Surrey Heath Local Plan. It is not a policy or strategy document, but provides the evidence base required to inform specific planning or economic development policies being developed for the Local Plan.

² From 1st September 2020, Use Class E (Commercial, business and service)

- 1.19 An important consideration for any work of this nature is that it is inevitably a point-in-time assessment. It cannot entirely reflect very recent changes in circumstances. This study has incorporated the latest data and other evidence available at the time of preparation. The accuracy and sources of data derived from third party sources has not been checked or verified by Surrey Heath Borough Council (SHBC).

Duty to Cooperate and Stakeholder Engagement

- 1.20 The PPG advises that Functional Economic Areas can overlap administrative boundaries for plan making authorities, which is the case for the HRSH FEA authorities. It therefore suggests undertaking Employment Needs Assessments on a cross-boundary basis with neighbouring authorities within their FEA. The 2016 Employment Land Review was undertaken jointly for Hart Rushmoor and Surrey Heath, which is representative of the geographical area of the wider FEA. Rushmoor Borough and Hart District have since both adopted Local Plans and as such, neither of the two authorities is in a position where they are required to update their employment evidence base at this time.
- 1.21 The Employment Technical Paper has been prepared for Surrey Heath Borough, but also considers economic forecasts and growth over the entire FEA area for the same period. The assessment of the balance of employment land supply against demand is specific to Surrey Heath. In addition, policy recommendations are made specifically for Surrey Heath, but are based on the recommendations made for all of the HRSH FEA authorities in the previous joint ELR undertaken in 2016. This will help ensure consistency in economic policy across the wider FEA.
- 1.22 Surrey Heath recognise the need for wider engagement and joint working with its partner authorities in the HRSH FEA, as well as other adjacent local authorities.

Report Structure

- 1.23 Following this introductory section, the remainder of the report is structured as follows:
- **Policy Context (Section 2)** – provides an overview of current policy that is influencing the commercial property market in Surrey Heath and the HRSH FEA, and overall Local Planning Authority functions.
 - **Economic Context (Section 3)** – a review of current economic conditions and recent trends in Surrey Heath and the HRSH FEA, and a summary of the economic strengths and weaknesses that may affect future needs for employment space

- **Overview of Employment Uses and Stock (Section 4)** - analysis of the current stock in the HRSH FEA and trends of employment space in terms of mix of uses, development rates (gains and losses), age of premises and provision in neighbouring local authority areas
- **Supply of Employment Land (Section 5)** – provides a summary of the supply of land available for employment uses in Surrey Heath based on data up to 31st March 2019
- **Commercial Market Review (Section 6)** – a review of the Surrey Heath ~~and wider HRSH~~ commercial property market, including the supply of and demand for different types of premises and the needs of different market segments
- **Future Requirements for B Class Employment Land (Section 7)** – estimates of future employment space requirements for B Class sectors in quantitative terms in Surrey Heath and the HRSH FEA, drawing on three types of forecasts and other factors; the selection of a scenario for further testing is then justified
- **Balancing Supply and Demand (Section 8)** – assesses the balance between current land supply and future needs, in both quantitative and qualitative terms, by comparing the selected forecast requirements with availability of employment land in Surrey Heath
- **Review of Current Employment Sites Portfolio (Section 9)** – provides a brief summary of each of the employment sites that have been assessed as part of the study
- **Overall Conclusions and Policy Options (Section 10)** – considers policy and other measures that could be implemented to maintain a portfolio of sites in Surrey Heath to deliver sustainable economic growth within the FEA

Employment Land Technical Paper Disclaimer

1.24 In relation to the information contained within this report and any other report relating to the Surrey Heath Employment Land Technical Paper Update, the following disclaimer is made:

- The identification of land with potential for employment uses in the study does not imply that Surrey Heath Borough Council will necessarily grant planning permission for employment development on that land or allocate land for employment development through its emerging development plan. All planning applications will continue to be determined against the development plan and material planning considerations.
- The inclusion of land for employment development in the study does not preclude it being developed for uses other than employment. Proposals will be considered against the development plan and other material planning considerations.

- The site boundaries included in the study are based on the best information reasonably available at the time. The study does not limit an expansion or contraction of these boundaries for the purpose of a planning application or future allocation through an emerging Development Plan.
- The exclusion of sites from the study (either because they were discounted or not identified) does not preclude the possibility of planning permission being granted on them for employment uses. SHBC acknowledge that sites may come forward through the planning system, which have not been identified in this study. Proposals will be considered against the development plan and other material considerations.
- SHBC do not accept liability for any factual inaccuracies or omissions in the study. The information within the Employment Land Technical Paper Update represents the information that was reasonably available to the project team and consultants at the time of writing. Users of the study should acknowledge that there may be additional constraints on sites that are not included within the Employment Land Technical Paper Update document and that planning applications will continue to be determined on their own merits rather than on the information contained within this document. Issues may arise during the planning application process that could not be and were not foreseen at the time of publication of the study. Applicants are therefore advised to carry out their own analysis of site constraints for the purpose of the planning application and should not rely on the information contained within the study.
- The Employment Land Technical Paper represents a snapshot of information held at the time of publication. SHBC will monitor employment land supply through the Authority Monitoring Report and it is anticipated that the evidence base for employment land will be reviewed at least every five years.
- A variety of sources have been used in the preparation of this study and the base dates for some of the information may vary. However, the most up to date information has been used wherever possible.

2 POLICY CONTEXT

National Planning Policy

- 2.1 The revised National Planning Policy Framework (NPPF) was published in July 2018 and updated in February 2019. The NPPF remains focused on the delivery of sustainable development through the presumption in favour of sustainable development.
- 2.2 An economic objective is included at paragraph 8 of the NPPF: *“To help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure.”* This is one of the three overarching objectives of the planning system for achieving sustainable development and the Framework sets out this should be delivered through the preparation and implementation of plans.
- 2.3 In plan making, the NPPF requires strategic policies in a Local Plan to make sufficient provision for employment and commercial development. Paragraph 23 of the NPPF states, *“Strategic policies should provide a clear strategy for bringing sufficient land forward, and at a sufficient rate, to address objectively assessed needs over the plan period, in line with the presumption of sustainable development.”* Paragraph 23 also confirms this should include planning for and allocating sufficient sites to deliver the strategic priorities of the area, except where needs can be met more appropriately through alternative mechanisms.
- 2.4 Paragraph 31 of the NPPF emphasises the importance of an up-to-date evidence base in plan making, stating, *“The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take account relevant market signals.”*
- 2.5 Paragraph 80 of the NPPF is clear that economic growth and productivity should be supported through Local Plan policies. The evidence base for the Local Plan will play a key role in supporting the policy approach. Paragraph 80 states, *“Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future.”*
- 2.6 Paragraph 81 of the NPPF states that planning policies should (emphasis added):

- a) set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;
- b) set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;
- c) seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and
- d) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.

2.7 The NPPF also requires planning policies to recognise and address the specific locational requirements of different employment sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for storage and distribution operations at a variety of scales and in suitably accessible locations.

2.8 This Employment Land Technical Paper Update provides evidence to support the Local Plan being produced for Surrey Heath by identifying employment land requirements in the local authority area to meet anticipated needs over the plan period.

Planning Practice Guidance

2.9 The Government's national Planning Practice Guidance (PPG) is a web-based resource which brings together planning guidance into one place. The PPG provides a range of guidance on different topics including the production of economic evidence to support local planning policies.

2.10 The following provides a summary of the key aspects of the PPG that apply to the assessment of economic needs and employment land requirements.

PPG para	Statement
026, Reference ID: 2a-025-20190220	<p>Provides guidance on how plan-making authorities can prepare and maintain evidence about business needs, which includes assessment of:</p> <ul style="list-style-type: none"> • the best fit functional economic market area; • the existing stock of land for employment uses within the area; • the recent pattern of employment land supply and loss; • evidence of market demand sourced from local data and market intelligence, such as recent surveys of business needs, discussions

	<p>with developers and property agents and engagement with business and economic forums;</p> <ul style="list-style-type: none"> • wider market signals relating to economic growth, diversification and innovation; and • any evidence of market failure – such as physical or ownership constraints that prevent the employment site being used effectively.
027, Reference ID: 2a-027-20190220	<p>Provides guidance on forecasting employment land requirements and states that local authorities should develop an idea of future needs based on a range of data which is current and robust, such as:</p> <ul style="list-style-type: none"> • sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand); • demographically derived assessments of current and future local labour supply (labour supply techniques); • analysis based on the past take-up of employment land and property and/or future property market requirements; • consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.
030, Reference ID: 2a-030-20190220	<p>Provides guidance on calculating employment land requirements and identifies four key relationships that need to be quantified:</p> <ul style="list-style-type: none"> • Standard Industrial Classification sectors to use classes; • Standard Industrial Classification sectors to type of property; • employment to floorspace (employment density); and • floorspace to site area (plot ratios based on industry proxies).

Enterprise M3 Local Enterprise Partnership

- 2.11 Hart, Rushmoor and Surrey Heath are located within the Enterprise M3 Local Enterprise Partnership area that stretches for approximately seventy-five miles through Hampshire and Surrey from the New Forest in the south to the perimeter of Heathrow Airport in the north.
- 2.12 Research carried out by Enterprise M3³ shows that the area as a whole has an advanced knowledge-based economy with high levels of innovation and productivity. Some of the main findings of the research into the Economic Profile of the Enterprise M3 economy are summarised below:
- Enterprise M3 has 4.5 businesses per 100 residents (21% higher than the national average)
 - The area has the fourth highest GVA per capita nationally, and is one of the four fastest growing LEPs in England

³ Strategic Economic Plan Annex A – Economic Profile

- Job growth in the Enterprise M3 area was 4.5% between 2010 and 2015
- Strengths include the following sectors: ICT and digital media; professional and business services; pharmaceuticals and healthcare; and aerospace and defence.
- Enterprise M3 is one of the key workforce arteries supporting the London economy, with nearly 60,000 people per day from the Enterprise M3 area travelling to London to work.

Enterprise M3 LEP Strategic Economic Plan

- 2.13 The Strategic Economic Plan (SEP)⁴ identifies that the EM3 area has:
- around 1.5 million residents, of which 47.1% are qualified to Level 4 and above, compared to a UK average of 38.6%⁵
 - 76,040 businesses
 - 752,000 jobs
- 2.14 The SEP sets out the LEP's vision and target for growth for the Enterprise M3 area up to 2030 of 4% GVA growth per annum. This is equivalent to a GVA average growth of £39.4bn per annum.
- 2.15 In order to meet the LEP's growth ambition, the SEP includes the following LEP wide priorities for growth:
- Encouraging high value sectors for a globally facing economy
 - Scaling up high productivity SMEs through enterprise and innovation
 - Developing skills for a high value, high growth economy
 - Addressing challenges facing the LEP area through developing connectivity for an advanced digital and low carbon economy, and delivering infrastructure to drive digitally enabled clean growth
 - Develop sustainable growth corridors which are underpinned by investments in clean growth.
- 2.16 The SEP identifies that the LEP area has world-class sectors in ICT and digital media, pharmaceuticals, aerospace and defence and professional and business services, which are supported by knowledge-based businesses, traditional and high value manufacturing and services, and world-class higher-level skills. These four sectors are also identified as priority sectors by the LEP.
- 2.17 In addition to the four priority sectors, the LEP identifies eight niche sectors in which the area has established strengths and which it will aim to support:
- Satellite Technologies
 - 5G Mobile Communication Technologies
 - Cyber Security
 - Advanced Material and Nano-technology
 - Photonics

⁴ Strategic Economic Plan, 2018

⁵ ONS Data 2017

- Advanced Aerospace / Automotive Manufacturing
- Animal Health
- Computer Games and Entertainment Technologies

2.18 The SEP establishes the foundations from which the LEP will develop a Local Industrial Strategy.

Enterprise M3 Emerging Local Industrial Strategy

2.19 The Enterprise M3 LEP is currently developing a Local Industrial Strategy (LIS). The LIS will outline how the Enterprise M3 region can contribute even more to the UK economy, through an approach that benefits communities and residents across the area.

2.20 The LIS will act as the SEP's investment and action plan. It outlines the region's strengths including high productivity by UK standards, an international focus, significant locational advantages, a highly skilled workforce and excellent universities. The Strategy will aim to make best use of these assets and secure them for the future.

2.21 Priorities of the LIS will include establishing Enterprise M3 as one of the UK's first regions for cutting-edge digital connectivity which will provide more opportunities for hi-tech, high-value industries as important enablers of economic growth in the region. It will also seek to provide the benefits of this to residents and public services. The LIS will encourage clean growth including making better use of energy and natural resources.

2.22 The LIS will include an analysis of the performance of towns across the EM3 LEP area. Towns within the LEP area will be a major priority for infrastructure and other investment and for many of the interventions being promoted through the LIS. Their performance is considered by the LEP to be amongst the most significant expressions of economic growth and productivity in the EM3 area. Through the emerging LIS, the LEP has identified Camberley as a Step-Up town and Frimley as a town that has a role in supporting future growth. The emerging LIS will provide further details of the LEP's ambitions for these designated towns, and how they can help contribute to, and grow the local economy.

Local Corporate Strategies

Surrey Heath Economic Development Strategy - 2020

2.23 The Surrey Heath Economic Development Strategy 2020 recognises that Surrey Heath has an active business community with several prestigious and global firms located in the Borough. The Strategy contains three principal economic objectives, which aim to maintain the Borough's competitive and entrepreneurial performance, enhancing the quality of place that makes Surrey Heath a desirable location for businesses, residents and visitors. The economic objectives of the Strategy are to work with stakeholders to create:

- 1 A sustainable place to live, work, shop and play, creating the conditions for growth through transformational actions in its town centres and significant employment sites;
- 2 A great place for business to flourish, that is open for businesses, large and small; and
- 3 A great place for people to succeed by ensuring the local economy trains, recruits and retains the right talent required for continued growth.

Surrey Heath Corporate Plan – Five Year Strategy

2.24 Surrey Heath's Five Year Strategy spans the period 2016-2021. One of the strategy's 4 key themes is 'Prosperity', for which it sets out the aim, to sustain and promote Surrey Heath's local economy so people can work and do business across the Borough, promoting an 'open for business' approach that attracts investment and complements the 'place'.

2.25 The Council's principal objective in relation to 'Prosperity' is to sustain and promote the local economy so that Surrey Heath's people can work and do business across the Borough. This is underpinned by 4 priorities:

- To work with partners to support the urban and rural economy through strategic development planning and economic growth;
- To support local businesses by encouraging economic development and improvements to local transport and other infrastructure;
- To encourage inward investment by promoting Surrey Heath as a great place to live and work;
- To deliver new development within the borough to strengthen the local economy.

2.26 The Council's policies and strategies have been designed to support economic growth, to employ more people locally, to improve transportation links for commuters, to refresh existing employment sites, to provide extra provision where required, to promote the Borough, promote business and to ensure that local business land is used to the fullest advantage.

Local Planning Policy

2.27 Surrey Heath is preparing an updated Local Plan, for which this Employment Land Technical Paper will inform part of the evidence. The current adopted Local Plan for Surrey Heath includes the Core Strategy and Development Management Policies DPD 2011-2028, the saved Policies in the Surrey Heath Local Plan 2000, and the Camberley Town Centre Area Action Plan DPD. A brief overview of the local planning policies in the adopted Local Plan DPDs relating to employment land and economic development that currently apply is outlined below.

2.28 The following table details the core Development Plan policies that relate to employment uses in Surrey Heath and is not a complete list of policies relating to employment uses:

Document	Policy	Policy Purpose
Core Strategy and Development Management Policies DPD (2012)	CP1: Spatial Strategy	The policy states that new development will come through largely through redevelopment of previously developed land. Employment growth will be largely focussed on Camberley Town Centre, Core Employment Areas and other existing large employment sites in Frimley. Other settlements have limited capacity for employment growth through redevelopment of existing sites.
	CP8: Employment	Will seek to make provision for 7,500 new jobs in the period to 2027 through utilising existing employment areas and promoting more intense use of these sites. Core Employment Areas will be retained for employment use (with no overall loss of industrial floorspace) and along with Camberley Town Centre will be the focus for economic regeneration and inward investment. In Camberley Town Centre, mixed-use development making a positive contribution to the economic role of the town centre will be encouraged. Redevelopment of other employment sites to provide small flexible B1 units will be promoted.
	CP10: Camberley Town Centre	The policy states that regeneration of the town centre to sustain vitality and viability and in particular address the high level of office vacancies within the town will be promoted. Up to 200 homes and 41,000 square metres of gross retail floorspace is anticipated to 2028.
	DM12: District and Local Centres and Neighbourhood Parades	The Borough Council will encourage development that offers environmental improvements and supports and enhances the viability, vitality and retail function of District and Local centres and Neighbourhood Parades. Resists loss of retail units below specified levels. Non A use classes not normally permitted at ground floor level and development at first floor level should first consider residential accommodation although community or B1a office uses may be acceptable.

Document	Policy	Policy Purpose
	DM13: Employment Development Outside Core Employment Areas and Camberley Town Centre	Outside Core Employment Areas and Camberley Town Centre, development for B class uses will generally be restricted to existing buildings/operations in employment use (extension, alteration, addition, redevelopment) and sites allocated for employment use in a Site Allocations DPD. The loss of employment sites may be permitted if that loss fulfils certain criteria.
Camberley Town Centre Area Action Plan (2014)	TC5: Employment	The Council will permit development proposals that improve the quality and range of office and business accommodation. Development resulting in loss of B use floorspace not permitted within Knoll Road commercial area but may be acceptable elsewhere in Town Centre if it achieves other plan objectives
	TC14: London Road block	Proposed for redevelopment, site expected to deliver up to 41,000 sqm (gross) retail floorspace comprising a mix of sizes of retail units to be anchored by a major comparison goods store. Sets out additional uses, which may be acceptable to support delivery of main scheme. Sets out a number of redevelopment criteria.
	TC17: Pembroke Broadway (north)	Council will work with relevant parties to provide, among other things, retail improvements, housing, offices, improved parking facilities and environmental improvements.
	TC20: The Granary	Proposed for redevelopment for one or more commercial town centre uses comprising offices, leisure or community facilities on ground floor and housing or one or more commercial town centre uses on the upper floors.
Local Plan (2000) Saved Policies	Policy E6: Employment Revitalisation Areas	Policy states that in Employment Revitalisation Areas the Council will encourage development for B1, A2 and A1 floorspace or other appropriate uses.
	Policy E8: Land at Half Moon Street, Bagshot	On the land between London Road and Half Moon Street, Bagshot, the Council will encourage redevelopment to include uses such as B1 (both office based and light industrial), A2 and C3.

Revised Permitted Development Rights

- 2.29 The Town and Country Planning (General Permitted Development) (Amendment) (England) Order 2013 introduced new 'permitted development rights' which allow for the change of use from an office building (Class B1a) to (Class C3) residential without requiring planning permission. Approval is subject to a prior notification process, covering significant transport and highway impacts, development in safety hazard zones, areas of high flood risk and land contamination. The rights were initially intended to be temporary and expire at the end of May 2016, but were made permanent in April 2016.
- 2.30 The Government also introduced temporary permitted development rights which allow for light-industrial buildings (Class B1(c)) of less than 500 square meters to change use to C3 (residential) without the need for planning permission, which came into effect in October 2017. This permitted development right is only applicable to applications received on or after 1 October 2017, for which prior approval is granted before 1 October 2020.
- 2.31 A further time-limited permitted development right for change of use from storage or distribution (Class B8) to C3 (residential) was introduced in 2015 for a period of three years. The right was amended in April 2018 to extend it for one year. The amended right enabled applicants to secure prior approval on or before 10th June 2019, and provided those with prior approval three years to change use from the date of prior approval. This permitted development right ceased on 10th June 2019 and no further applications for this type of prior approval will be considered.
- 2.32 As stated in paragraph 1.11 of the study, buildings that are within the revised use classes that took effect on 1st September 2020 will still benefit from any permitted development rights that were in place prior to this change, under transitional arrangements until 31st July 2021. It is then intended that new revised permitted development rights will be introduced. Accordingly, office to residential conversions of buildings in Use Class E that were previously in Use Class B1a will continue to be allowed under Class O of the General Permitted Development Order 2015.

Article 4 Directions in Hart and Rushmoor

- 2.33 Within the Hart Rushmoor Surrey Heath Functional Economic Area, Hart and Rushmoor Councils have introduced Article 4 Directions which remove permitted development rights that allow developers to change the use of offices, storage or distribution units, or light industrial units to homes without planning permission within designated employment areas in their respective local authority areas. These are applied to the Strategic and Locally Important Employment Sites allocated in the

Rushmoor Local Plan 2014-2032 and the Hart Local Plan 2016-2032. The Article 4 Direction came into effect in February 2018 in Rushmoor Borough and May 2019 in Hart District. Surrey Heath Borough does not have such an Article 4 Direction in place at the time of this Paper's publication.

Summary

- 2.34 The NPPF is clear that the emerging Development Plans should strive to meet the economic needs of their areas by supporting existing business sectors, taking account of whether they are expanding or contracting and, wherever possible, identify and plan for new or emerging sectors likely to locate in the area. This study identifies the likely needs of the local economy over the period 2019-2040.
- 2.35 The Enterprise M3 Local Enterprise Partnership (LEP) identifies four priority sectors and eight niche sectors that are well represented in Surrey Heath and the FEA and should continue to be supported. The LEP's draft Local Industrial Strategy's identification of Camberley as a 'Step-Up Town' and Frimley as a town that has a role in supporting future growth highlights the importance of Surrey Heath for providing employment land to meet economic needs within the Hart Rushmoor Surrey Heath FEA and delivering economic growth across the wider LEP area.
- 2.36 The Surrey Heath Corporate Plan and Economic Development Strategy set out high level visions for how economic development will be supported in the Borough, and planning policies set out the delivery mechanisms for achieving this, for example by allocating land for traditional employment uses.
- 2.37 It is important that the economic policies in the emerging Local Plan are clear and concise, and that sites allocated for employment are not protected for employment uses where there is no reasonable prospect of a site being used for that purpose over the plan period. However, the potential for loss of buildings in employment use classes through permitted development rights also needs to be considered.

3 ECONOMIC CONTEXT

- 3.1 This section establishes the economic context for the study by reviewing recent economic conditions and trends within Surrey Heath and the Hart, Rushmoor and Surrey Heath FEA, relative to the wider sub region and the national economy. This is important in identifying the existing strengths and weaknesses of the local economy, and the factors likely to influence the nature and level of future demand for employment land within the FEA and Surrey Heath.

Overview of the Hart Rushmoor Surrey Heath Functional Economic Area

- 3.2 The HRSH FEA is bounded by the Hampshire districts of East Hants and Basingstoke & Deane; by the Surrey districts of Guildford, Waverley, Runnymede and Woking; and by the unitary authorities in the former county of Berkshire of Wokingham, Bracknell Forest and the Royal Borough of Windsor and Maidenhead.
- 3.3 The Hart, Rushmoor and Surrey Heath FEA does not exist in isolation from neighbouring authority areas or other FEAs. There is not only economic movement between local authority areas in terms of commuting across the borders for employment, but people frequently cross local authority borders for services (such as health services). Residents of the HRSH FEA are also, in some cases, reliant upon neighbouring areas for access to higher order retail and leisure services, highlighting the complex cross-boundary issues that exist.
- 3.4 Around 44% of Surrey Heath is designated Metropolitan Green Belt. The Borough also contains areas of Countryside beyond the Green Belt and both Hart and Rushmoor contain open countryside. All three FEA authorities have landscape and nature conservation designations, including protected heathland which is internationally and nationally designated. The area also contains a number of military bases, particularly within Rushmoor; and is generally regarded as an attractive area to live.
- 3.5 In terms of accessibility, the HRSH FEA sits astride the M3 motorway, which links it to London, the M25 and the south coast. Aldershot, Farnborough and Fleet have direct train connections to London Waterloo with frequent services and a journey time of between 35 and 55 minutes. There are also a number of stations within the sub-region on the Ascot to Guildford line, including Camberley, which provides indirect connections to London and the South coast. In addition, the North Downs Line connects Blackwater, Farnborough North and North Camp to Gatwick Airport, Guildford and Reading.

- 3.6 The nearest airport with scheduled flights is London Heathrow, some 25 km to the north east via the M3 and M25. However, business aviation services are well catered for in the local area by Farnborough Airport. In addition, Fairoaks Airport and Blackbushe Airport are location within the FEA.
- 3.7 There are no universities within the HRSB FEA, although just outside this area are the University of Surrey at Guildford, Royal Holloway London University in Runnymede, the Brunel University campus in Runnymede and the University for Creative Arts at Farnham, specialising in art, design, media and communications. There are several further highly regarded education colleges in and around this area, including Farnborough College of Technology that provide a range of vocational courses as well as applied science, technology and engineering courses.

Population

- 3.8 Census data from 2011 identifies that the overall population of the HRSB FEA was 273,000 residents. Figure 3.1 compares the 2011 Census findings with those of the 2001 Census. The population of the FEA increased by 6.3% between 2001 and 2011, which is below both regional (7.9%) and national (7.9%) averages. Surrey Heath's population saw a slightly higher percentage increase than the FEA of 7.2% between 2001 and 2011, although this was still below regional and national averages.

Figure 3.1: Total Population Change 2001 – 2011

Geographic Area	2001	2011	change 2001-2011	change 2001-2011 (%)
Hart	83,500	91,000	7,500	9.0%
Rushmoor	91,000	93,800	2,800	3.1%
Surrey Heath	80,300	86,100	5,800	7.2%
FEA	256,800	273,000	16,200	6.3%
South East	8,000,600	8,634,800	634,100	7.9%
Great Britain	49,138,800	53,012,500	3,873,600	7.9%

Source: Census (Note: data includes service personnel living in communal establishments)

- 3.9 More up to date datasets on population are available from the Office for National Statistics (ONS) mid-year population estimates (MYE). The mid-year population estimates for 2019 are shown in Figure 3.2. These estimates indicate that between 2011 and 2019 the total population of the FEA has increased by 7,977, of which 3,205 occurred in Surrey Heath.

Figure 3.2: Population and Economic Activity Data, 2019

Geographic Area	Population	Population aged 16-64
Hart	97,073	58,403
Rushmoor	94,599	61,496
Surrey Heath	89,305	54,576
FEA	280,977	174,475

Source: ONS 2019 mid-year population estimates, ONS accessed 23/07/2020 – <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates>

Employment

- 3.10 The level of job growth that has occurred in the recent past in Surrey Heath and across the FEA provides useful context to demonstrate how the local economy has performed. Figure 3.3 summarises how the number of employee jobs in the FEA have changed between 2009 and 2018 and also compares them to national and regional averages.

Figure 3.3: Employment (Number of Employee Jobs) and Change Over Time (2009-2015 and 2015-2018)

Geographic Area	2009	2015	Change 2009-2015	% change
Hart	33,600	38,000	4,400	13%
Rushmoor	45,500	48,000	2,500	5%
Surrey Heath	49,800	54,000	4,200	8%
FEA	128,900	140,000	11,100	9%
South East	3,727,200	4,047,000	319,800	9%
England	23,064,700	24,867,000	1,802,300	8%

Source: BRES (2009-2015) accessed from NOMIS 31/10/2019. Note discontinuities in the ABI and BRES methodology so the two periods cannot be directly compared.

Geographic Area	2015	2018	Change 2015-2018	% change
Hart	39,000	38,000	-1,000	-3%
Rushmoor	49,000	50,000	1,000	2%
Surrey Heath	54,000	56,000	2,000	4%
FEA	142,000	144,000	2,000	1%
South East	4,073,000	4,151,000	78,000	2%
England	25,044,000	25,976,900	932,000	4%

BRES (2015-2018) accessed from NOMIS 31/10/2019. Note the two periods cannot be directly compared due to changes in the BRES methodology introduced in 2015 to include businesses registered for PAYE only but not for VAT, which previously were excluded from the data

- 3.11 Figure 3.3 shows the change in the number of employee jobs over a nine-year period across Surrey Heath and the wider FEA. The data demonstrates that between 2009-2015 both Surrey Heath and the HRSHEA FEA experienced significant job growth of 8% and 9% respectively. During the period

2015-2018 Surrey Heath and the HRSH FEA experienced more moderate increases in job growth of 4% and 1% respectively. This data has been separated into the two periods of 2009-2015 and 2015-2018 because of discontinuities in the methodology utilised by the Office for National Statistics (ONS) in relation to the businesses included. It should also be noted the data excludes those in self-employment.

- 3.12 The two periods are characterised by different economic circumstances. The UK economy experienced a recession in 2008-2009 followed by turbulent economic conditions (including a prolonged period of low economic growth) up until 2012; then moderate economic growth from 2012-2015. Over the period 2015-2018, the UK continued to experience moderate economic growth at the national level which accelerated up to 2016-2017. Since 2017 economic growth continued to increase, but at a slower pace.
- 3.13 It is important to understand the breakdown of employee jobs by sector within Surrey Heath and the wider FEA. Figure 3.4 demonstrates the level of employment (by sector) for Surrey Heath and the HRSH FEA.

Figure 3.4: Number of employee jobs by industry sectors (2018)

Number of employee jobs by industry sections: HRSH FEA Business Register Employment Survey (BRES)	Hart	Rushmoor	Surrey Heath		FEA	
			Number	%	Number	%
A : Agriculture, forestry & fishing (A)	0	0	0	0%	0	0%
B : Mining and quarrying	25	0	0	0%	25	0%
C : Manufacturing	1,500	3,500	3,500	6.2%	8,500	5.9%
D : Electricity, gas, steam and air conditioning supply	15	200	0	0%	215	0.2%
E : Water supply; sewerage, waste management and remediation activities	250	450	225	0.4%	925	0.6%
F : Construction	2,500	2,000	3,500	6.2%	8,000	5.6%
G : Wholesale and retail trade; repair of motor vehicles and motorcycles	5,000	7,000	9,000	16%	21,000	14.7%
H : Transportation and storage	600	1,750	900	1.6%	3,250	2.3%
I : Accommodation and food service activities	5,000	3,000	3,500	6.2%	11,500	8%
J : Information and communication	3,500	6,000	1,750	3.1%	11,250	7.9%
K : Financial and insurance activities	700	2,250	1,250	2.2%	4,200	2.9%
L : Real estate activities	500	800	450	0.8%	1,750	1.2%
M : Professional, scientific and technical activities	4,000	7,000	8,000	14.3%	19,000	13.3%
N : Administrative and support service activities	5,000	6,000	8,000	14.3%	19,000	13.3%
O : Public administration and defence; compulsory social security	400	1,250	800	1.4%	2,450	1.7%
P : Education	3,000	3,500	3,000	5.4%	9,500	6.6%
Q : Human health and social work activities	3,000	3,500	10,000	17.8%	16,500	11.5%
R : Arts, entertainment and recreation	800	900	1,250	2.2%	2,950	2.1%
S : Other service activities	1,250	900	1,000	1.8%	3,150	2.2%
Total Employee Jobs	37,040	50,000	56,125	100%	143,165	100%

Source: BRES 2018– Accessed from NOMIS 31/10/2019

3.14 In employment terms, both Surrey Heath and the HRSH FEA as a whole had similar alignment in terms of their largest sectors in 2018, which is the most up-to-date information available at the time of this study's production. Business administration and support services accounted for 14.3% of jobs

in Surrey Heath and 13.3% of jobs in the wider HRSH FEA; professional, scientific and technical services also accounted for 14.3% of jobs in Surrey Heath and 13.3% of jobs in the wider HRSH FEA; human health and social work activities was the largest sector in Surrey Heath, accounting for 17.8% of jobs in the Borough, and the third largest sector in the wider HRSH FEA with a lower proportion of jobs at 11.5%. Employment in manufacturing based businesses is relatively low within Surrey Heath and the wider FEA at 6.2% and 5.9% respectively. Wholesale, retail and repair of vehicles formed 16% of Surrey Heath's and 14.7% of the FEA's employment, with the three of these subcategories forming distinctive sectors in their own right.

Labour Market

- 3.15 Within the FEA, it is estimated that there are 174,500 people aged between 16 and 64 – a common measure of the size of the work force. However, it is important to note that a significant number of 16-18 year olds will be in full time education (though some will have jobs as well). Some people aged over 64 work and due to a number of economic and social factors the number of people in this age group who work is increasing. Figure 3.5 displays data on levels of economic activity for Surrey Heath, the wider HRSH FEA, with national and regional comparisons.

Figure 3.5: Economic Activity and Employment, July 2018-June 2019

	Hart	Rushmoor	Surrey Heath	FEA	South East	England
Population aged 16-64	58,100	62,300	54,500	174,900	5,616,600	35,049,500
of which, economically active	91.4%	84.9%	84.9%	87.1%	81.9%	79.4%
<i>in employment</i>	85.6%	82.4%	82.1%	83.4%	79.2%	76.3%
<i>unemployed</i>	2.3%	2.6%	2.5%	2.5%	3.1%	3.9%
of which, economically inactive	8.6%	15.1%	15.1%	12.9%	18.4%	20.9%
<i>would like a job</i>	*	*	*	*	22.6%	20.7%
<i>not seeking work</i>	83%	79.4%	94.5%	85.6%	77.4%	79.3%
Occupations						
1: managers, directors and senior officials	21.2%	14.5%	*	*	12.59%	11%
2: professional occupations	24.5%	16.6%	20.9%	20.7%	22.7%	21%
3: associate prof & tech occupations	17.1%	16.6%	19.7%	17.8%	16.1%	14.7%

	Hart	Rushmoor	Surrey Heath	FEA	South East	England
4: administrative and secretarial occupations	7%	14.3%	8.1%	9.8%	10.2%	9.9%
5: skilled trades occupations	3.5%	10.6%	12.3%	8.8%	9.2%	10.1%
6: caring, leisure and other service occupations	8.1%	7.7%	11.1%	9%	8.5%	9%
7: sales and customer service occupations	5.5%	8.3%	11%	8.3%	6.9%	7.4%
8: process, plant and machine operatives	*	5.3	*	*	4.7%	6.3%
9: elementary occupations	11.6%	6.1%	8.7%	8.8%	8.9%	10.3%

Source: ONS Annual Population Survey (Jul 2018-Jun 2019) – Accessed from NOMIS 31/10/19;

* Data is subject to disclosure constraints and not available

- 3.16 Both Surrey Heath and the wider HRSH FEA's economic activity rates (the proportion of working age residents in or seeking employment), at 84.9% and 87.1% respectively, are higher than the South East (81.9%) and national (79.4%) figures.
- 3.17 Local unemployment rates are below national and regional averages at 2.5% for both Surrey Heath and the wider HRSH FEA compared to 3.1% for the South East and 3.9% for England (see Figure 3.5).
- 3.18 The analysis above indicates that the labour market within both Surrey Heath and the HRSH FEA functions well, with above average levels of economic activity and below average unemployment. As housing developments continue to be completed, the labour pool within Surrey Heath and the HRSH FEA will increase, but future change in the workforce also needs to take into account the demographic profile of the population, which, other things being equal, is ageing.
- 3.19 Figure 3.5 shows the proportions of occupations and skills within Surrey Heath and the HRSH FEA are broadly similar to those for the South East region and England. There is notably a higher proportion of the workforce in Soc classification 3: associate prof & tech occupations than there is in England and the South East region.
- 3.20 Figure 3.6 sets out the earnings of those living and those working in each of the local authority areas and the FEA. Those who live in the FEA (earning on average £742 per week) earn 6.5% and 16.6% higher than the South East and national averages respectively. This will reflect the presence of high value employment in the FEA and surrounding areas, including London.

- 3.21 However, those people who work in the FEA (regardless of where they live) earn less than those who live in the FEA, (with workplace wages on average £725 per week). However this is still 10.5% and 14.0% higher than the South East and national averages respectively. Residents of Rushmoor have the lowest mean gross earnings of the three authorities within the FEA. In contrast earnings by workplace in Rushmoor are the highest out of three local authority areas. This shows that residents in Rushmoor are on average less well paid than those who work in Rushmoor.

Figure 3.6: Mean Gross Weekly Earnings 2019

Geographic Area	Earnings by place of Residence (£)	Earning by Workplace (£)
Hart	908.8	779.2
Rushmoor	726.0	894.7
Surrey Heath	912.5	828.8
FEA⁶	847.2	840.31
South East	774.3	727.5
Great Britain	705.9	705.6

Source: Annual Survey of Hours and Earning 2019

- 3.22 Unemployment, as measured by the out-of-work benefit claimant count, is not high by historic levels or compared to the regional or national average. However, it is also important to note that the employment data shows some expansion in part-time employment in recent years, both in Surrey Heath and the wider HRSH FEA. It is likely that there are significant numbers of people who have jobs and so do not feature in the unemployment figures, but may not have as many hours or work as they would like or need.

Business Demography

- 3.23 As shown in Figure 3.7, the overall business survival rates of both Surrey Heath and the HRSH FEA are higher than the South East and England averages, where measured over a 5 year period using the most recently available data.

Figure 3.7: Business Formation and Closure

Geographic Area	Births of New Enterprises (2018)	Deaths of Enterprises (2018)	Business Survival rate (5 year survival from 2013-2018)
Hart	520	495	49.6%
Rushmoor	400	335	43.3%
Surrey Heath	540	530	48.4%
HRSH FEA	1,460	1,360	47.1%
South East	52,795	44,785	44.6%
England	340,045	297,895	42.5%

Source: ONS Business Demography, 2018 –

<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyreferencetable> accessed 23/07/2020

⁶ The mean for the FEA has been calculated based on the number of jobs and earnings or number of residences and earnings in each local authority and therefore reflects a weighted mean.

Commuting Flows

3.24 Figure 3.8 shows where those who live in Surrey Heath and the wider HRSH FEA work, both for each of the individual authorities and for the HRSH area as a whole. Around 53% of all those who live in the HRSH area (including all those who work at or from home) also work in the HRSH area.

Figure 3.8: Where those that live Surrey Heath and the HRSH FEA Work, 2011

Place of work	Usual place of residence		
	Hart	Rushmoor	Surrey Heath
Hart	11,468	3,226	1,247
Rushmoor	4,679	16,752	2,804
Surrey Heath	2,971	4,711	11,044
Mainly work at or from home	6,969	4,575	6,284
No fixed place	3,762	4,165	3,715
Other (including London)	18,749	18,312	20,133

Source: ONS Census 2011

3.25 Not surprisingly, a high proportion of those people in work within each of the authorities in the HRSH FEA also live in that authority, but the areas are far from being self-contained. Thus:

- 38%⁷ of those who live in Hart work in Hart, and 62% commute out to work in other areas
- 41% of those who live in Rushmoor work in Rushmoor, and 59% commute out to work in other areas
- 38% of those who live in Surrey Heath work in Surrey Heath, and 62% commute out to work in other areas.

3.26 It is worth noting that a significant proportion of those in work within each of the HRSH FEA authorities (c.8%) have no fixed place of work. These are likely to be contractors and self-employed people who are mobile workers working at different sites for different clients.

3.27 The Office for National Statistics mapped the 2011 Census data to show significant net commuting flows between local authority areas. The significant net commuting flows for Surrey Heath and the other local authority areas that make up the HRSH FEA are detailed in Figure 3.9.

Figure 3.9: Census 2011 – Significant Commuter Flows between Surrey Heath and the wider HRSH FEA Local Authority Areas

Local Authority	Significant Commuter Flows (net)
Hart	<ul style="list-style-type: none"> • Bracknell Forest • Surrey Heath Borough

⁷ 11,468 + 6,969 home workers

	<ul style="list-style-type: none"> • Guildford Borough • Rushmoor Borough 	<ul style="list-style-type: none"> • Westminster / City of London
Rushmoor	<ul style="list-style-type: none"> • Guildford Borough • Hart District Borough 	<ul style="list-style-type: none"> • Surrey Heath Borough • Waverley Borough
Surrey Heath	<ul style="list-style-type: none"> • Bracknell Forest • Guildford Borough • Hart District • Hillingdon • Hounslow 	<ul style="list-style-type: none"> • Rushmoor Borough • Woking Borough • Westminster / City of London • Windsor and Maidenhead

Source: ONS Census 2011

3.28 Figure 3.9 demonstrates that in 2011 there were significant net commuter flows between local authority areas. The Figure demonstrates the strong linkages between the authorities within the FEA, whilst also demonstrating that both Hart and Surrey Heath have significant commuter flows between Bracknell Forest and Westminster and the City of London. Surrey Heath also has notable commuter flows with other Surrey authorities, some west London authorities, and The Royal Borough of Windsor and Maidenhead. All three authorities within the FEA have significant commuter flows between Guildford. It is anticipated that national commuter flows data will next be updated as part of the 2021 Census.

Conclusions

3.29 This section provides a brief overview of Surrey Heath and the wider Hart, Rushmoor and Surrey Heath FEA which both recorded relatively strong job growth between 2009 and 2015 (+4,200 jobs in Surrey Heath and +11,100 jobs in the wider FEA), with the local economy demonstrating resilience through the 2008 economic downturn. Between 2015 - 2018 further growth of +2,000 jobs was recorded in Surrey Heath which was the highest level of growth in the FEA which also experienced overall growth of +2,000 jobs.

3.30 An above average proportion of residents within Surrey Heath and the HRSH FEA are economically active when compared to the South East and national averages. Unemployment rates in both geographic areas are low compared to the national average. Average resident earnings are higher than workplace earnings, which is not unexpected given the level of out-commuting to other commercial centres (specifically London). Both average resident earnings and workplace earnings in Surrey Heath and the HRSH FEA are higher than national and regional averages.

3.31 Taking account of the information presented and analysed in this section of the Report, Surrey Heath’s economic strengths and weaknesses, together with potential opportunities and threats, are summarised in Figure 3.10. These considerations will influence future demand for employment space.

Figure 3.10: SWOT Analysis of Surrey Heath

Current Strengths / Opportunities	Current Weaknesses / Threats
<ul style="list-style-type: none"> • Relatively strong employment growth • Resilient economy • Economic activity above and unemployment below national and regional averages • Relatively diverse business base • Scope to expand the labour supply • Good access to the M3 and London via mainline links in areas neighbouring the borough 	<ul style="list-style-type: none"> • High house prices • Competition from other centres • Local pockets of deprivation • Relatively high out commuting of higher skilled / higher paid residents. • Localised traffic congestion • Minimal direct rail services to London within the borough and no mainline services

4 OVERVIEW OF EMPLOYMENT FLOORSPACE

4.1 This section provides an overview of the commercial property market for B1-B8 floorspace in Surrey Heath and the wider HRSB FEA, and recent trends and changes to the supply of employment floorspace space. Both the amount of employment land and the quantity of built employment floorspace are considered across the types of employment uses:

- Offices (use class B1(a/b))⁸
- Warehousing/distribution (use class B8)
- Manufacturing industry (use class B1(c)⁹ / B2).

4.2 This analysis is based on data from the following sources:

- Commercial floorspace data from the ONS and Valuation Office Agency (VOA)
- Surrey Heath Borough Council and Hampshire County Council monitoring data on commercial space
- Employment Land Review Stakeholder Group
- Estates Gazette
- CoStar

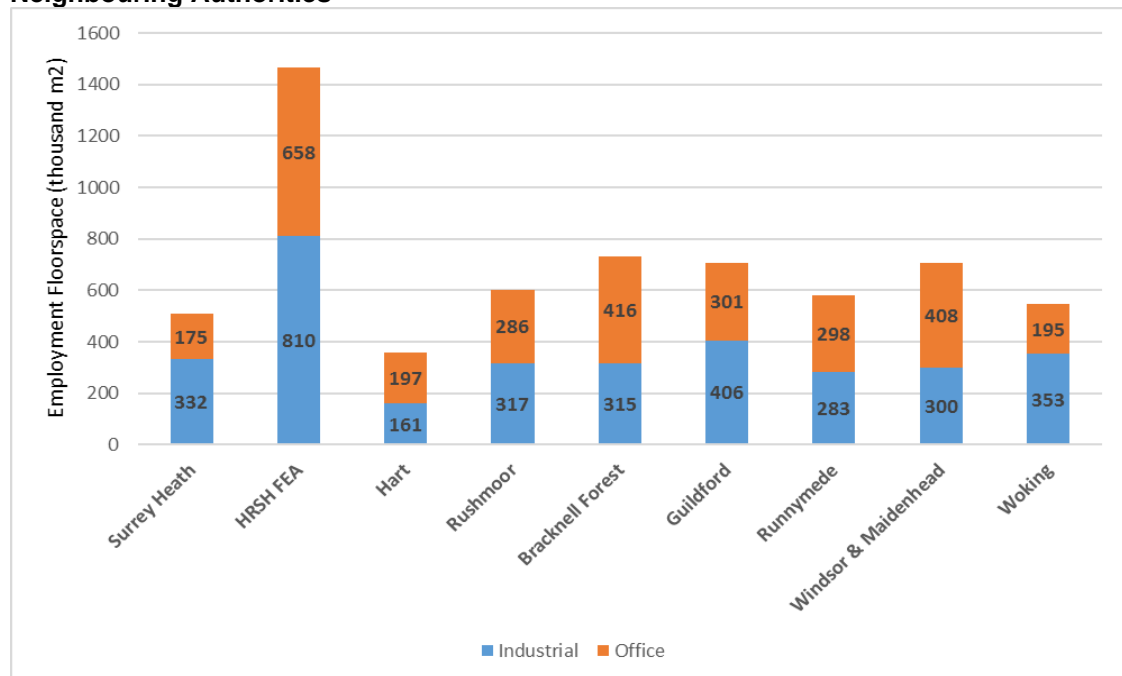
Stock of Employment Space

4.3 In 2019, Surrey Heath contained some 507,000 square metres of B class floorspace whilst the wider HRSB FEA contained some 1,468,000 square metres of B class floorspace. Figure 4.1 displays the totals for Surrey Heath, the cumulative totals for the FEA and totals for authorities adjoining Surrey Heath.

⁸ Use Class E (Commercial, business and service) from 1st September 2020

⁹ Use Class E (Commercial, business and service) from 1st September 2020

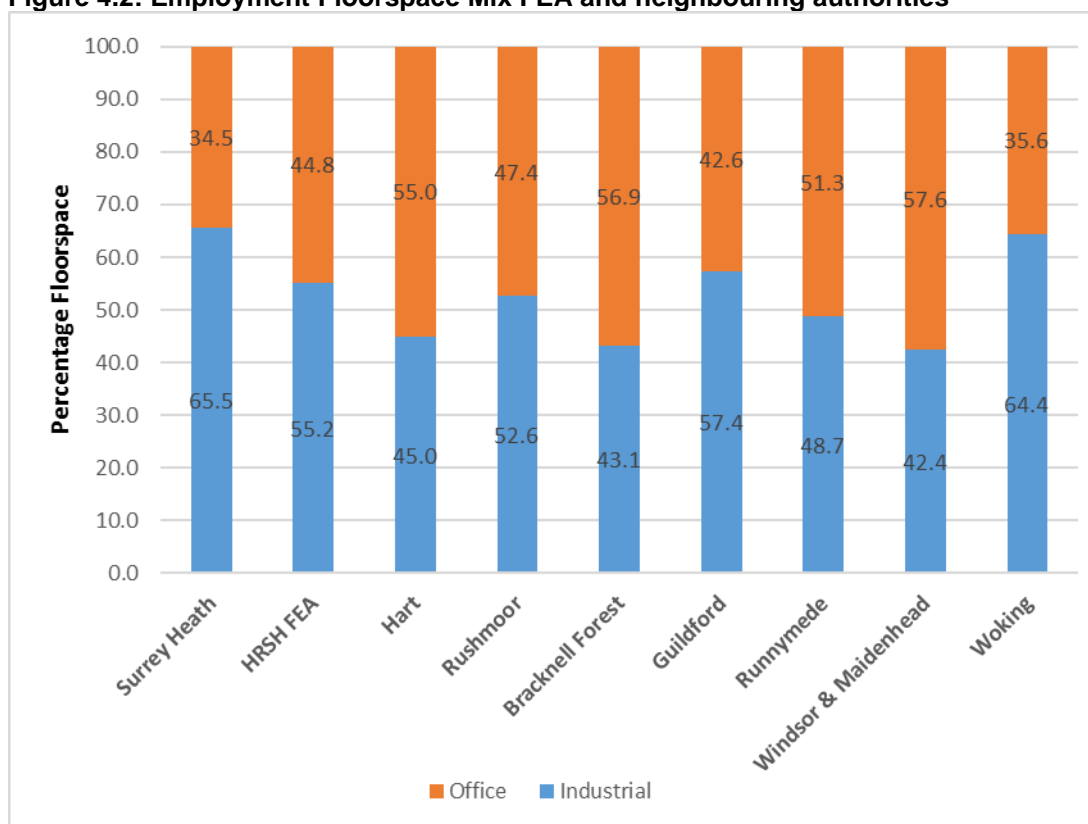
Figure 4.1: Employment Floorspace (thousand m2) in Surrey Heath, the HRSH FEA and Neighbouring Authorities



Source: Business Floorspace - Valuation Office Agency, 2019 (based on the 2017 Rating List)

4.4 Figure 4.2 shows the proportion of floorspace by using the classification of employment floorspace used by the VOA (offices and industrial sector categories) for Surrey Heath, adjoining local authorities and the wider HRSH FEA. The data demonstrates that within the HRSH FEA there are significant variations in the proportions of floorspace types. The data shows that Surrey Heath has the highest proportion of industrial business floorspace and lowest proportion of office floorspace of any of the local authority areas compared, consisting of 65.5% industrial floorspace and 34.5% office floorspace. However, the HRSH FEA had a relatively balanced portfolio of employment floorspace consisting of 55.2% industrial floorspace and 44.8% office floorspace. This demonstrates that the HRSH FEA has a relatively balanced mix of employment floorspace to support both office and industry sectors, whilst Surrey Heath is more weighted to industry sectors.

Figure 4.2: Employment Floorspace Mix FEA and neighbouring authorities



Source: Business Floorspace - Valuation Office Agency, 2019 (based on the 2017 Rating List) – SHBC analysis

4.5 An indication of the scale of change in employment floorspace in Surrey Heath and the HRSH FEA over a ten-year period (2009-2019) is provided in Figure 4.3.

Figure 4.3: Change in Stock of Employment Floorspace (2009-2019)

Geographic Area	Offices		Industrial		Total	
	'000 m ²	%	'000 m ²	%	'000 m ²	%
Hart	-1	-0.5	25	18.4	24	7.2
Rushmoor	12	4.4	3	1.0	15	2.6
Surrey Heath	-11	-5.9	7	2.2	-4	-0.8
FEA	0	0	35	4.5	35	2.4
South East	-229	-1.7	397	1.1	168	0.3

Source: Business Floorspace - Valuation Office Agency, 2019 – SHBC analysis

4.6 Figure 4.3 indicates that Surrey Heath had a net loss of around 4,000 sqm of employment floorspace between 2009 and 2019. The HRSH FEA had a net gain of some 35,000 sqm employment space, equivalent to 2.4% of its stock. In comparison, the South East region's employment floorspace

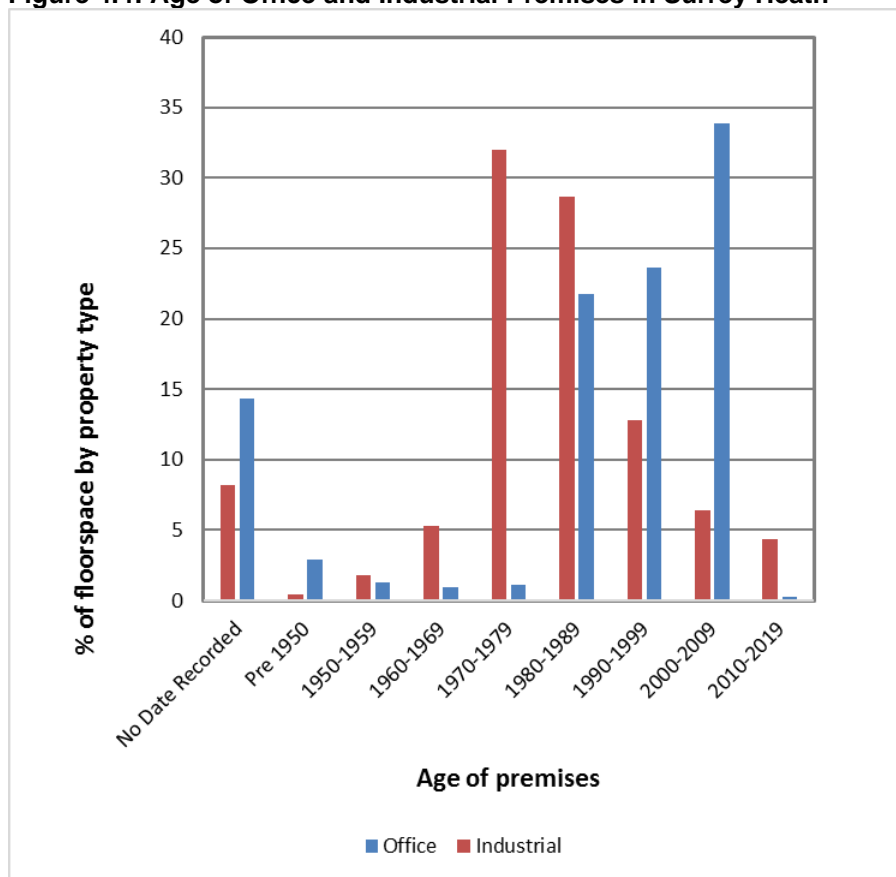
remained fairly consistent over the same period with a minimal increase of 0.3% in its stock. Surrey Heath had a net loss of 11,000sqm office floorspace over the period 2009-2019, equivalent to 5.9% of its office stock and made a net gain of 7,000sqm industrial floorspace, equivalent to 2.2% of its industrial stock. Meanwhile the HRSH FEA retained a consistent amount of office floorspace over the period 2009-2019 at 658,000sqm, and made a net gain of some 35,000sqm industrial floorspace, a 4.5% increase in industrial stock.

- 4.7 It is important to note that the FEA's overall increase in employment space over the ten year period up until 2019 was higher than the growth rate in the South East region, whilst Surrey Heath's was lower with a -0.8% decline. Both Surrey Heath and the HRSH FEA has stronger industrial floorspace growth relative to the regional average. Surrey Heath experienced a greater decline in office floorspace than the regional decline of -1.1%, whilst the FEA retained a consistent level of office floorspace, with no losses or gains.
- 4.8 Surrey Heath's office and industrial stock is predominantly concentrated within business parks and industrial estates located in the settlements of Camberley and Frimley. The more rural areas of the Borough have smaller scale office and light industrial businesses including bespoke single site occupiers as well as some flexible employment space providing for a wide range of Small and Medium sized Enterprises (SMEs) requiring or seeking a rural location.

Age of Premises

- 4.9 Data provided by Costar in Figure 4.4 demonstrates the age of commercial and industrial premises in Surrey Heath Borough. The evidence suggests the vast majority of office stock in the Borough dates from between 1980 to 2009, with 80% of office floorspace constructed during this period. No significant office floorspace has been built since 2009.
- 4.10 The greatest proportion of industrial floorspace was constructed during 1970 to 1989, with 61% of industrial floorspace constructed during this period. Around 10% of industrial stock has been constructed since the year 2000. 4.8 It should be noted that around 14% of office floorspace and 8% of industrial floorspace in the Borough has no information available on the property built date.

Figure 4.4: Age of Office and Industrial Premises in Surrey Heath



Source: CoStar data – accessed 11/11/2019

Vacancy levels

4.11 Data on vacancy rates and the stock of vacant space has been sourced from CoStar¹⁰. Vacancy levels within the HRSH FEA vary considerably by the two core typologies of commercial property, notably business floorspace (office and R&D) and industrial floorspace (light industrial, industrial and warehousing). The following sections provide a brief overview of vacancy levels for these two distinct markets.

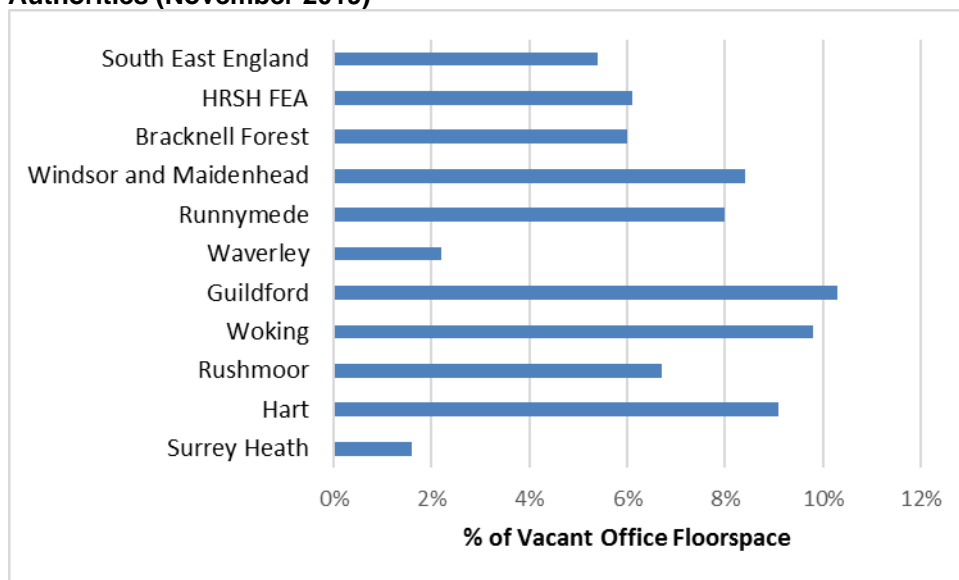
Offices

4.12 Figure 4.5 shows office vacancy rates in Surrey Heath, the HRSH FEA, and surrounding authorities at November 2019. Where compared to the South East England region which has an office vacancy rate of around 5%, the HRSH FEA has a slightly higher office vacancy rate of around 6%. However,

¹⁰CoStar definition of vacancy rate: The amount of New/Relet/Sublet space that is vacant divided by the existing overall floorspace. Expressed as a percentage.

the vacancy rate is lower than surrounding authority areas such as Guildford and Woking. Surrey Heath has a low office vacancy rate of only 2%.

Figure 4.5: Office Vacancy Rates Surrey Heath, the HRSH FEA and Surrounding Local Authorities (November 2019)



Source: CoStar data – accessed 11/11/2019

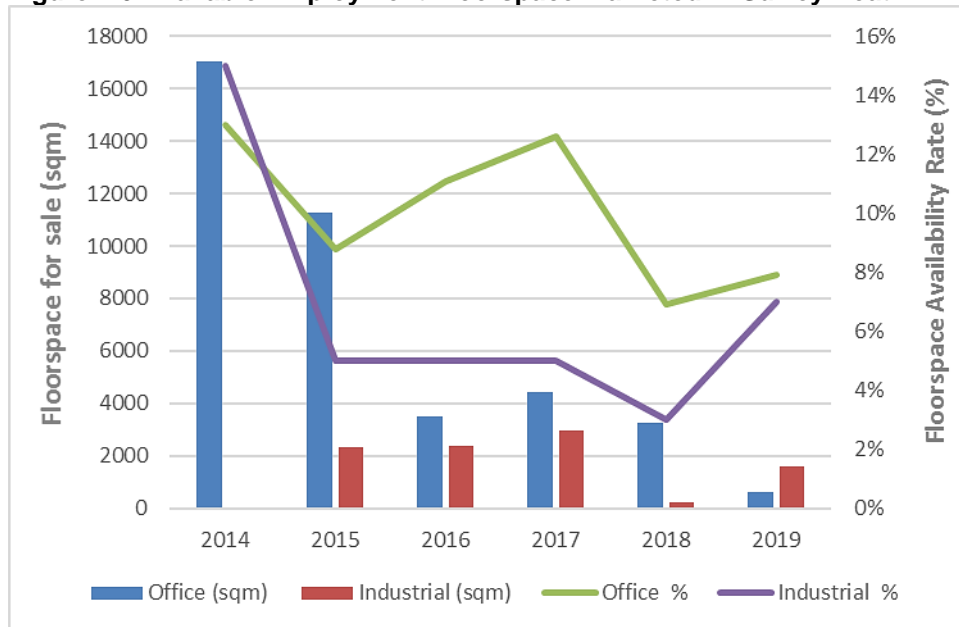
4.13 Further data from CoStar shown in Figure 4.6 demonstrates the amount of available floorspace for sale¹¹ as well as the available floorspace rate¹² over the last five years for both office and industrial properties in Surrey Heath. The amount of office floorspace for sale in Surrey Heath has shown a significant decrease from around 17,000 sqm in 2014 to 632 sqm in 2019. The availability rate of office floorspace in Surrey Heath has decreased from 13% to 8% of total stock over the same period. Over the five year period measured, the availability rate of office floorspace was at its lowest in 2018, where it represented 7% of total stock in Surrey Heath.

4.14 Figures 4.7 demonstrates the amount of available floorspace for sale as well as the available floorspace rate over the last five years for both office and industrial properties in the HRSH FEA. Office floorspace for sale in the HRSH FEA has decreased from 45,190 sqm in 2014 to 17,652 sqm in 2019, although the lowest amount for sale was in 2018, at 15,332 sqm. As a percentage of total office floorspace in the HRSH FEA, there was an 11% availability rate in 2014 which increased slightly to 13% in 2019.

¹¹ CoStar definition of Total floorspace for sale: The total amount of floorspace (sqm) that was being marketed as available for lease or for sale over the given period. This includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

¹² CoStar definition of availability rate: The total floorspace available on the last day of each quarter divided by the total overall floorspace. Expressed as a percentage.

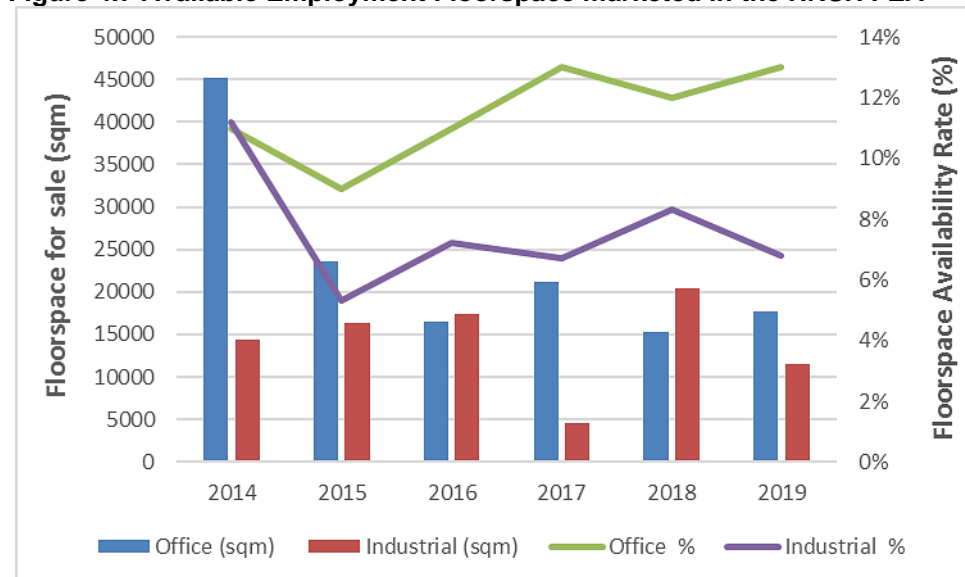
Figure 4.6 Available Employment Floorspace marketed in Surrey Heath



Source: CoStar, November 2019

*No figure has been provided for amount of industrial floorspace for sale in Surrey Heath in 2014, as this data was unavailable.

Figure 4.7 Available Employment Floorspace marketed in the HRSH FEA

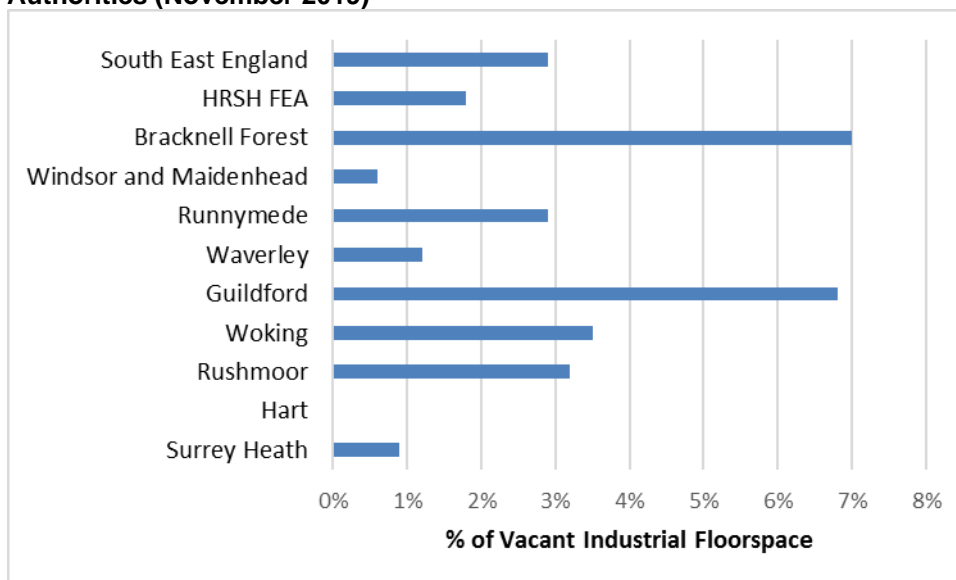


Source: CoStar, November 2019

Industrial

4.15 Figure 4.8 shows industrial vacancy rates in Surrey Heath, the wider HRSH FEA and surrounding authorities in November 2019. Vacancy rates for industrial accommodation are low in both Surrey Heath and the HRSH FEA at 1% and 2% respectively. This is lower than the South East regional average of 3%. The surrounding local authority areas of Guildford and Bracknell Forest in particular, also within the EM3 LEP area have substantially higher industrial vacancy rates, both at around 7%. Industrial vacancy rates are therefore comparatively low within both Surrey Heath and its wider functional economic area.

Figure 4.8: Industrial Vacancy Rates Surrey Heath, the HRSH FEA and Surrounding Local Authorities (November 2019)



Source: Costar data – accessed 11/11/2019

4.16 Data from CoStar has also been used to determine the levels of available floorspace being marketed in Surrey Heath and the HRSH FEA. The CoStar data shown in Figure 4.6 indicates that 1,622 sqm of industrial floorspace is currently¹³ being marketed in Surrey Heath, representing an availability rate of 7%, which has decreased slightly from 2,309 sqm and an availability rate of 9% in 2015. Data was not available for the amount of Surrey Heath's industrial floorspace marketed in 2014.

4.17 Data shown in Figure 4.6 shows available employment floorspace marketed in the HRSH FEA. The availability rate for industrial floorspace in the HRSH FEA is comparable to Surrey Heath, with 11,532

¹³ CoStar database accessed November 2019

sqm industrial floorspace being marketed in 2019 representing an availability rate of around 7%. The availability rates of industrial accommodation in both Surrey Heath and the HRSF FEA are higher than the vacancy rates identified through CoStar data. This is because CoStar's vacancy data only takes account of new, relet and sublet space that is vacant, whereas CoStar's availability data includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

Development Rates

- 4.18 Past development rates provide a useful indication of the actual amount of new employment floorspace that has been completed in the HRSF FEA over recent years and demand for new employment floorspace within the area. Section 7 provides a more in depth analysis of past development rates specifically in Surrey Heath Borough, which is used to inform one of the scenarios for projecting future employment land needs in the borough. The data presented in Figures 4.9 and 4.10 are based on annual monitoring data collected by Hampshire County Council¹⁴ and Surrey Heath Borough Council. The Hampshire County Council time series does not go back further than the monitoring year 2005/06 due to changes in the methodology that took place prior to the 2005 data being collected.
- 4.19 Figure 4.9 shows gross employment floorspace completed between the years 2004/05 and 2018/19. The data reveals that almost 350,000 sqm employment floorspace was completed over this period in the HRSF FEA, an average annual completion rate of around 23,330 sqm.

Figure 4.9: Completed Employment Floorspace (gross) in the HRSF FEA April 2004 – March 2019

Floor-space type	Floorspace Completions (gross sq m)	
	HRSF FEA	
Business (B1a/B1b)	164,870	47.9%
Industrial (B1c / B2)	13,020	3.8%
Storage & Distribution (B8)	40,683	11.7%
Flexible (B1-B8)	125,923	36.6%
Total	344,496	

Source: HCC / SHBC Monitoring data

¹⁴ Hampshire County Council undertakes the monitoring of the implementation of planning permissions across the County on behalf of the Hampshire districts. Surrey Heath Borough Council conducts monitoring internally.

- 4.20 Figure 4.9 also shows the proportion of gross floorspace completions by type of floorspace. This demonstrates that 47.9% of the employment floorspace completions in the FEA were for business floorspace (office or R&D facilities) over the fifteen-year period.
- 4.21 Flexible employment floorspace completions (B1, B2 and B8 uses) make up 36.6% of the completions in the FEA, whilst Storage, Distribution (warehousing), and industrial floorspace makes up the remaining 15.5% of completions. The data demonstrates that within the FEA there has been notable investment to deliver new office floorspace provision.

Losses of Employment Floorspace

- 4.22 Monitoring data collected by Hampshire County Council¹⁵ and Surrey Heath Borough Council shows historic losses of employment floorspace in the FEA between 2004/05 and 2018/19. The data presented in Figure 4.10 data indicates that approximately 150,000 sqm employment floorspace was lost over this period in the HRSF FEA. This approximates to 10,000 sqm of employment floorspace lost per annum over the 15-year period 2004-2019.

Figure 4.10: Losses of Employment Floorspace (sqm) to Non-Employment Uses in the HRSF FEA by Type April 2004 – March 2019

Floorspace type	Floorspace Losses (sqm)	
	HRSH FEA	
Business (B1a/B1b)	105,826	72.4%
Industrial (B1c/B2)	10,592	7.2%
Storage & Distribution (B8)	13,086	9.0%
Flexible (B1-B8)	16,685	11.4%
Total	146,189	

Source: HCC / SHBC Monitoring data

- 4.23 The EM3 Commercial Property Market Study (2016) noted that a 'substantial proportion of recent losses of office space have been as a result of the introduction of permitted development rights'. Although data on the impact of permitted development rights is not consistently available across the EM3 area, the study reported that between 2012 and 2015 use of permitted development rights has accounted for a loss of 3,300 sqm of office floorspace in the Blackwater Valley market area, with a further loss of 12,800 sqm in outstanding planning consents. According to the study, all of this was poor quality/dated stock and is helping to reduce the over-supply in office floorspace. Since this study was produced, losses of employment floorspace to residential through from permitted development rights have continued in Surrey Heath, although there is now evidence to suggest that the amount of

¹⁵ Hampshire County Council undertakes the monitoring of the implementation of planning permissions across the County on behalf of the Hampshire districts. Surrey Heath Borough Council conducts monitoring internally.

floorspace lost is beginning to reduce as the conversion of lower grade office floorspace reaches the point of saturation, as reported in Section 7 of the study.

- 4.24 To summarise, the FEA has recorded a loss of 150,000 sqm of employment floorspace to non-employment uses over the 15-year monitoring period, with 72.4% of losses being from B1a/b office uses, 7% from B1c/B2 factory uses, 9% from B8 warehousing space and the remainder of losses being from a flexible employment use. The majority of the office floorspace that was lost over this period could be described as low grade / poor quality stock that did not meet market needs, as referenced by commercial agents in Section 6 of the study. The majority of industrial floorspace (including warehousing) that has been lost was either converted or redeveloped to retail or sui generis uses, including trade counters.

Employment Land in Adjoining Areas

- 4.25 It is important to understand the availability of employment land in neighbouring local authority areas to Surrey Heath, including the other authorities within the HRSH FEA. In addition, it is useful to establish any major employment developments that are likely to come forward in these areas and compete with the planned provision in Surrey Heath for future demand.

Bracknell Forest

- 4.26 Bracknell Forest is a small but relatively populated local authority area containing the principal town of Bracknell and some smaller settlements including Crowthorne and Sandhurst to the south of the Borough. The commercial property market in the local authority area is dominated by office accommodation, with a number of large occupiers located in purpose-built accommodation within, or on the edge of Bracknell town centre. In addition, there are a number of older industrial areas, primarily located within Bracknell's suburbs.
- 4.27 The now dated Bracknell Forest (2009) Employment Land Review concluded that in the short to medium term, there appeared to be no requirement for new office sites in the local authority area, either on quantitative or qualitative grounds. In contrast, the 2009 report identified that the Borough needs to supply additional land for industry/warehousing. The estimated requirement in 2009 for the period to 2026 was 53,000 sqm of net additional space, which at the standard plot ratio would take up some 13 hectares of land.
- 4.28 Bracknell Forest Council are currently updating their evidence base for employment land and at the time of this report have produced a Draft Bracknell Forest Borough Council Employment Land Needs

Study. This Study updates the employment floorspace requirements for office and industrial accommodation in the Borough, concluding that there is a minimal oversupply of office floorspace over the new plan period up to 2036 for Bracknell Forest. The study therefore concludes that the assessment shows that the currently available supply matches the gross demand, and thus there is no quantitative additional floorspace/land requirement.

- 4.29 In respect of industrial floorspace, the study concludes there is a net requirement for just over 75,000 sq m in Bracknell Forest up to the year 2036. The study therefore concludes that industrial supply does not match the gross demand, and almost 20 ha should be provided for industrial uses over the Plan period.

Guildford

- 4.30 Guildford Borough lies to the south east of Surrey Heath and largely comprises the town of Guildford, its rural hinterland and the urban area of Ash Vale, Ash and Tongham, which adjoins Rushmoor Borough. Guildford town itself has a number of large office occupiers including Vodafone, Philips, Electronic Arts, and Colgate-Palmolive. There are also a number of manufacturing firms including the fire engine and bus manufacturers Dennis. The University of Surrey is also a major employer and the main employment areas are the Guildford Business Park (a mixed office and industrial park) and the Surrey Research Park (a 29 ha science park developed by the University). Both of these areas are fully developed. Slyfield Industrial Estate is the Borough's premier industrial location.
- 4.31 The Guildford Borough Employment Land Needs Assessment (2017) identifies that an additional 36,100-43,700 sqm of office floorspace and an additional 3.7 ha to 4.1 ha of industrial land is required to meet the Borough's identified employment needs for the Plan Period 2016-2034. The study suggests a large proportion of the net additional land requirement for industrial/storage could be met through the permissions which have been consented, but which have yet to be implemented.
- 4.32 In the context of a net additional demand for employment land / floorspace, the study recommends that the Council should act to identify, retain and intensify those existing employment sites that are suitable and will help to meet the identified need. This could be through a criteria-based policy. It is anticipated that strategic sites are retained and, where suitable, supported for further provision, given their relative importance over non-strategic sites in providing employment land in the borough.

Hart

- 4.33 Hart is a largely rural District located to the west of Surrey Heath, between the Blackwater Valley and Basingstoke. Its main centre is Fleet, but there are a number of other settlements including Yateley,

Blackwater and Hawley, and Hook. Hart's main office centres are Fleet and Hook, with a range of town centre and edge of centre business parks developed due to the District's good motorway and rail links to London and access to a large pool of skilled labour.

- 4.34 The majority of office floorspace in Hart is concentrated around Fleet with modern stock such as at Waterfront Business Park performing well due to its quality stock and prominent location adjacent to the town's railway station. However, there is also a concentration of larger footprint, lower grade stock to the north of the town centre, specifically at Ancells Business Park where there have been a number of office to residential prior approvals permitted in recent years.
- 4.35 The main office site in Hook is the modern Bartley Wood Business Park on the town's southern edge, where occupiers include Virgin Media, Hewlett Packard, Serco and Lenovo Technology in a range of modern buildings.
- 4.36 Historically, there has been demand from small businesses, rural enterprises and some smaller office occupiers not requiring a town centre location. The types of premises available to such occupiers vary significantly from basic converted agricultural barns providing storage/workshop space, to purpose-built office buildings. Occupancy rates at such accommodation are generally high demonstrating that they meet a market need.
- 4.37 Hart also provides a range of industrial accommodation with the bulk of the District's provision being located in the main settlements as follows:
- Fleet provides limited industrial accommodation, although outside of the settlement there is some industrial accommodation at Cody Technology Park (part in Hart District, part in Rushmoor Borough). Cody Park provides a secure site for datacentre occupiers.
 - Church Crookham, in the south of Fleet provides industrial accommodation at four sites, two of which are small scale and meet the needs of SMEs (Fleet Business Park and Potters Industrial Estate); whilst one of the remaining sites has been developed as a bespoke manufacturing facility for a single occupier (Vertu). Redfield's Lane provides larger footprint industrial accommodation
 - Hook provides good quality industrial floorspace in close proximity to public transport infrastructure and the strategic highway network (M3 Junction 5) at Osborne Way, an established industrial area providing a mix of unit types and sizes. Bartley Point is a recently completed warehouse / industrial development.
- 4.38 There are also a number of small flexible businesses / light industrial premises supporting rural enterprises and SMEs. The types of premises vary significantly from basic converted agricultural

barns providing storage/workshop space, to purpose-built light industrial / storage units. Occupancy rates at such accommodation are high demonstrating that there is demand for such accommodation.

Runnymede

- 4.39 Runnymede covers an area to the north east of Surrey Heath and has some developed areas as well as large quantities of land designated as Green Belt. Runnymede contains the town centres of Addlestone, Chertsey and Egham and the smaller local centres of Virginia Water, New Haw, Woodham, Englefield Green, Thorpe and Ottershaw.
- 4.40 The Runnymede Strategic Housing Market Assessment (SHMA) Update 2018 includes a section relating to the Borough's employment land requirement. The study concludes that there is a net employment land need for between 8.2 and 12.0 hectares of office floorspace and between 4.6 and 8.4ha of industrial floorspace over the period to 2036.
- 4.41 Although it is a less current document, the Runnymede ELR 2016 discusses employment land requirements and existing supply in greater detail than the 2018 SHMA Update. The study recommends that the Borough take a cautious approach to releasing employment sites to non-B Class uses. It should however be noted that the Employment Land Review does not include reference to Longcross Park, located at Chertsey, which will provide up to 78,500 sqm of high quality office floorspace together with ancillary retail and leisure facilities. Longcross Park was designated as an Enterprise Zone in autumn 2015, along with Basing View in Basingstoke and employment land at Borden-Whitehill (East Hants); and is located on the north eastern border of Runnymede, adjoining Surrey Heath.

Rushmoor

- 4.42 Rushmoor Borough is located directly to the west of Surrey Heath. It is a relatively small highly urbanised and densely populated Borough, with a well-defined built-up area comprising the two settlements of Farnborough and Aldershot whose boundaries adjoin one another. Farnborough is known internationally for British aerospace research, predominantly at Farnborough Airport. The Airport lies to the south of Farnborough and has been developed into a business aviation centre. Aldershot has a strong association with the British Army and is an important military base.
- 4.43 Rushmoor has a large office market, dominated by provision in Farnborough, which is seen as an attractive office centre primarily due to its direct mainline rail connection to London, the prestige of Farnborough Airport and a number of high quality office developments with established business

clusters. The ongoing development of Farnborough Business Park is likely to further enhance the town's position as a premier office location.

- 4.44 A proportion of Farnborough's office stock, including Farnborough Business Park, is located close to the town centre, but much of the floorspace is located in edge-of-centre / out-of-centre business parks. There are also a number of office buildings close to the town's railway station, with the more modern units proving to be attractive to the market, but the older 1960s stock struggling to attract occupiers.
- 4.45 Aldershot is not regarded as a significant office centre, in part reflecting a perception that it is an 'army town', and less direct rail connections to London. As a result of lower demand, new development has been limited and so the existing supply of office space in the town centre is old and generally of poorer quality.
- 4.46 Due to low demand for floorspace in Aldershot, rent levels are low; this can benefit businesses seeking low cost accommodation in a town centre environment. The Grade A office campus at the Royal Pavilion is an exception to the generally secondary character of office floorspace in Aldershot. Overall the town's proximity to more established office centres such as Farnborough and Fleet suggests that the demand for office accommodation in Aldershot is likely to be limited in the foreseeable future.
- 4.47 Rushmoor also provides a good range of industrial estates of varying sizes with provision being provided in the main settlements of Farnborough and Aldershot as detailed below:
- Aldershot contains a number of small industrial estates located in close proximity to the town centre that meet the needs of SMEs. These industrial estates include the Rotunda Estate, Redan Road Industrial Estate and Wyndham Street. In contrast, the East Aldershot Industrial Cluster located to the east of the town, adjacent to the A331, is a strategic employment location providing industrial accommodation of various types and sizes in a highly accessible location.
 - Farnborough contains a mix of industrial floorspace located at five core locations. The town's industrial locations collectively provide a mix of unit types and sizes to meet the needs of the market.

Woking

- 4.48 The Borough of Woking lies to the southeast of Surrey Heath. The Financial & Business Services sector is the largest sector of Woking's economy and includes considerable representation from the ICT and telecoms sectors as well as financial services. The single most significant employment location is Woking town centre, both in terms of overall size and floorspace. There are existing industrial estates in Sheerwater and Byfleet, which are fully developed and a number of smaller

industrial and trading estates throughout the Borough. However, unlike some other parts of Surrey, there is little modern out of town business park accommodation.

- 4.49 The Woking Employment Land Review (2010) identifies that residual requirements for the period 2009-2026, would be approximately 28,000 sqm for B1 office, 31,000 sqm for B2 Industrial and 20,000 sqm for B8 warehousing and storage. In the longer term, there will need to be an adequate supply of land for new office development in order that suitable space is available to occupiers. Support will be given to enable the comprehensive refurbishment or redevelopment of a large number of the older buildings. The updated position in the Woking Employment Floorspace Topic Paper 2018 indicated an outstanding floorspace requirement for 109,496sqm net additional B1 floorspace, - 1,906sqm industrial floorspace and 36,250sqm storage and distribution floorspace.
- 4.50 In respect of B2 Industrial use, there is no outstanding amount to be delivered (a negative figure, meaning there has been higher delivery than the development requirement in Woking's adopted Core Strategy). This is due to the development of a new production centre at the McLaren site. The 2018 Topic Paper suggests that this should not mask a perceived need for industrial premises by a variety of other business within the Borough and in the wider area.

Windsor & Maidenhead

- 4.51 The Royal Borough of Windsor & Maidenhead contains two main towns, a number of other smaller settlements and extensive areas of Green Belt. The main employment areas are in Maidenhead and comprise a number of industrial estates (such as Vanwall Estate (14 ha), Reform Road Industrial Area (12 ha), and Cordwallis Industrial Estate (9 ha)) and a large number of office premises in the town centre. There is a smaller amount of office space in Windsor town centre serving a more niche market. Maidenhead is a popular location for a number of large office occupiers with a high concentration of headquarter-type buildings for IT, telecoms and pharmaceutical firms.
- 4.52 The now dated Employment Land Review (2009) states that the overall space requirements related to these different futures scenarios range from 53,000 sqm to just over 70,000 sqm of all types of employment space, and between 75,000 sqm and 104,000 sqm of office space. The report concludes that due to the anticipated large losses of industrial space, this implies a need for between +1ha or - 1 ha of employment land in net terms, although this would assume all surplus industrial land can be redeveloped for office uses. Otherwise, the needs for employment land would be up to 9 ha.

- 4.53 Demand for office space may rise with the commencement of Crossrail services in 2021, which will provide high frequency rail services from/to London; the opening of the Heathrow West Rail Access, planned for 2024, could provide another boost to the office market.

Conclusions

- 4.54 Valuation Office Agency data (2019)¹⁶ indicates that Surrey Heath has a higher proportion of industrial business floorspace relative to office floorspace, at a proportion of 65.5% industrial floorspace and 34.5% office floorspace compared to surrounding authorities. However, the HRSH FEA as a whole has a relatively balanced mix of employment floorspace that can support a wide range of sectors, with a noticeably higher proportion of office stock in the FEA when compared to Woking and a lower proportion of office stock in the FEA when compared to Guildford.
- 4.55 Within the HRSH FEA, there are variations between the local authority areas, with Surrey Heath having the greatest concentration of industrial floorspace and lowest concentration of office floorspace.
- 4.56 Costar data (2019) suggests that the vast majority of Surrey Heath's supply of office premises is relatively modern, with 80% built between 1980 and 2009. Meanwhile, the vast majority of industrial premises is slightly older, with 74% built between 1970 and 1999.
- 4.57 Within Surrey Heath there is very little vacant office floorspace that is available for occupation, with only 632 sqm being marketed in November 2019. The industrial market also had low availability of vacant floorspace, with 1,622 sqm of floorspace available.
- 4.58 In the HRSH FEA, between 2004 and 2019 344,496 sqm of additional employment floorspace was completed, with a significant proportion of this (47.9%) being business (B1a/b) floorspace. Over the same time period 146,189 sqm of floorspace has been lost to non-employment uses, with 72.4% of this consisting of office floorspace, although much of this has been lower quality office floorspace. Similar trends were demonstrated in Surrey Heath borough, in respect of B1a/b office floorspace, which are analysed in greater detail in section 7 of the study.
- 4.59 This section also provided a brief overview of the findings of Employment Land Reviews in authorities that adjoin Surrey Heath and it is evident that in some areas, such as Bracknell Forest, there is a relative oversupply of office floorspace, whilst industrial supply remains more balanced.

¹⁶ Business Floorspace - Valuation Office Agency, 2019 (based on the 2017 Rating List):
<https://www.gov.uk/government/statistics/non-domestic-rating-stock-of-properties-including-business-floorspace-2019>

- 4.60 In contrast, Guildford is forecast to experience notable demand for employment land and is set to meet this need through existing permissions and intensification of existing employment sites.
- 4.61 It is important to note that there are likely to be development proposals in adjoining local authorities that will compete with the offer in Surrey Heath for future employment development over the plan period. This includes sites with planning consent such as the former DERA site in Longcross, which now has the benefit of Enterprise Zone status.

5 AVAILABLE SUPPLY OF EMPLOYMENT LAND

5.1 The supply of employment space in Surrey Heath’s development pipeline comes from the following sources:

- Development Plan Allocations: sites allocated for employment development within Surrey Heath’s Local Development Plan Documents that have not been built out yet
- Existing permissions: sites with planning permission (at March 2019)

5.2 It is important to note that the allocated site, does not have an unimplemented planning permission. This provides assurance that there is no double counting of available employment floorspace.

Local Plan Allocations

5.3 Surrey Heath’s adopted Local Plan allocates sites for a range of uses. However, there is a single allocation that relates to employment uses. Figure 5.1 below identifies the supply of land available at allocated sites to meet future employment needs.

Figure 5.1 Development Plan Allocations in Surrey Heath

Settlement	Site Name	Site Area (Ha)	Use Class
Bagshot	Land at Half Moon Street	2.6*	B1-8
Total		2.6	

*This is a larger mixed use allocation and for the purposes of this study it is assumed that 30% of the total site area of 8.6ha will be available for employment uses

Source: SHBC monitoring data

5.4 The single allocation site above therefore has the potential to provide 2.58 ha of employment land to meet future economic needs in Surrey Heath.

Sites with Planning Permission

5.5 Monitoring data held by Surrey Heath Borough Council records the amount of employment floorspace that has been granted planning permission and remains valid. For the purposes of this study, this source of supply has been identified as being available to meet future need for employment land. Figure 5.2 identifies that in total, these permissions amount to 9.9ha of development land in gross terms and -2.8 hectares of development land in net terms.

Figure 5.2: B Use Class Planning Permissions in Surrey Heath (March 2019)

B Use Class Sector	Planning Permissions (gross figures)		Planning Permissions (net figures)	
	Land Area (Ha)	Sqm	Land Area (Ha)	Sqm
Business	7.2	36,154	-2.6	-13,006
Manufacturing	1.0	4,105	-1.5	-6,042
Warehousing	0.4	1,510	0.2	1,056
Flexible	1.3	6,360	1.1	5,334
Total	9.9	48,129	-2.8	-12,658

Source: SHBC monitoring data

5.6 The planning permissions detailed in Figure 5.2 above demonstrate that there is a significant supply of employment land available in gross terms that could be delivered to meet future economic needs in Surrey Heath. However, there is a net loss of -2.8 hectares of employment land. In net terms, these permissions would result in a loss of -2.6 hectares of business employment land, a loss of -1.5 hectares of manufacturing employment land, and gains of 0.2 hectares warehousing employment land and 1.1 hectares flexible employment land.

5.7 It should be noted that there is no guarantee that the supply of permissions detailed above will all be implemented and brought forward in the future. A legacy of the 2008 economic downturn that has remained is reduced availability of finance available to developers to invest in commercial property. This, combined with changing working practices, has reduced the cumulative demand for office floorspace. However, there is evidence that speculative development of Grade A office stock is returning as noted in Section 6 of the Report (the Commercial Property Market), with local agents citing this as an employment floorspace type that is in demand, but for which there is no available stock.

Conclusions

5.8 Within Surrey Heath there is a pipeline supply of employment land, consisting of one Local Plan allocation that has not been built out in addition to un-implemented and not fully implemented planning permissions. The maximum available land supply as of March 2019 is 12.5 hectares (gross) of land that could be delivered to meet the needs of Surrey Heath and the FEA's economy. However, in net terms, the unimplemented permissions reduce the potential supply of employment land to **-0.2 hectares net**. This is assessed in greater detail in Section 8 of this Report (Balancing Supply and Demand).

5.9 Consideration should also be given to the impact of Longcross Park on the demand for employment floorspace in the FEA. The scheme has consent for 79,000 sqm of B1 floorspace and has been

designated an Enterprise Zone. This development lies just in Runnymede Borough, but immediately adjacent to the boundary with Surrey Heath.

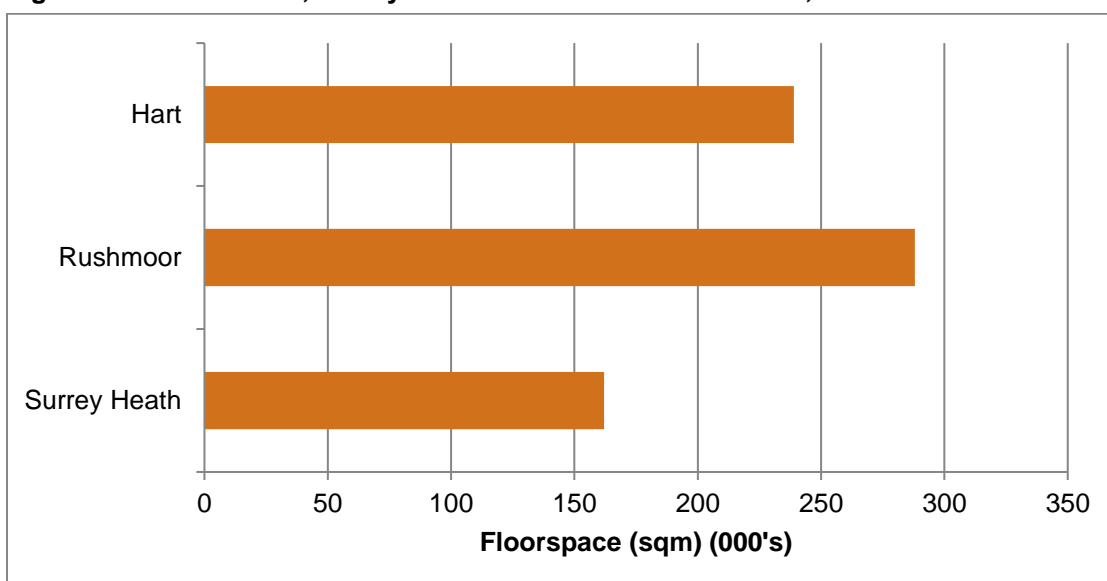
6 THE COMMERCIAL PROPERTY MARKET

6.1 This section provides an update to the 2016 ELR commercial market commentary. It describes current property market conditions in the Hart, Rushmoor and Surrey Heath FEA with an emphasis on Surrey Heath. It provides a summary of the core employment locations in Surrey Heath within the context of the FEA, including information on recent trends in the demand for a supply of office and industrial premises. The findings are based on discussions with a number of commercial property agents and other economic development and business organisations; and draws upon the EM3 Commercial Property Market Study (2016) as did the 2016 update. In addition, third party commercial property market data (CoStar) has been accessed to provide an up to date picture of the commercial property market in the FEA as of July 2019.

Office

6.2 The latest data from the Valuation Office Agency (VOA) show that Surrey Heath has 162,000 sqm of office floorspace. This represents a lower quantum of office stock when compared to areas such as Rushmoor and Hart.

Figure 6.1 Office Stock, Surrey Heath Rushmoor and Hart LA's, 2015-16

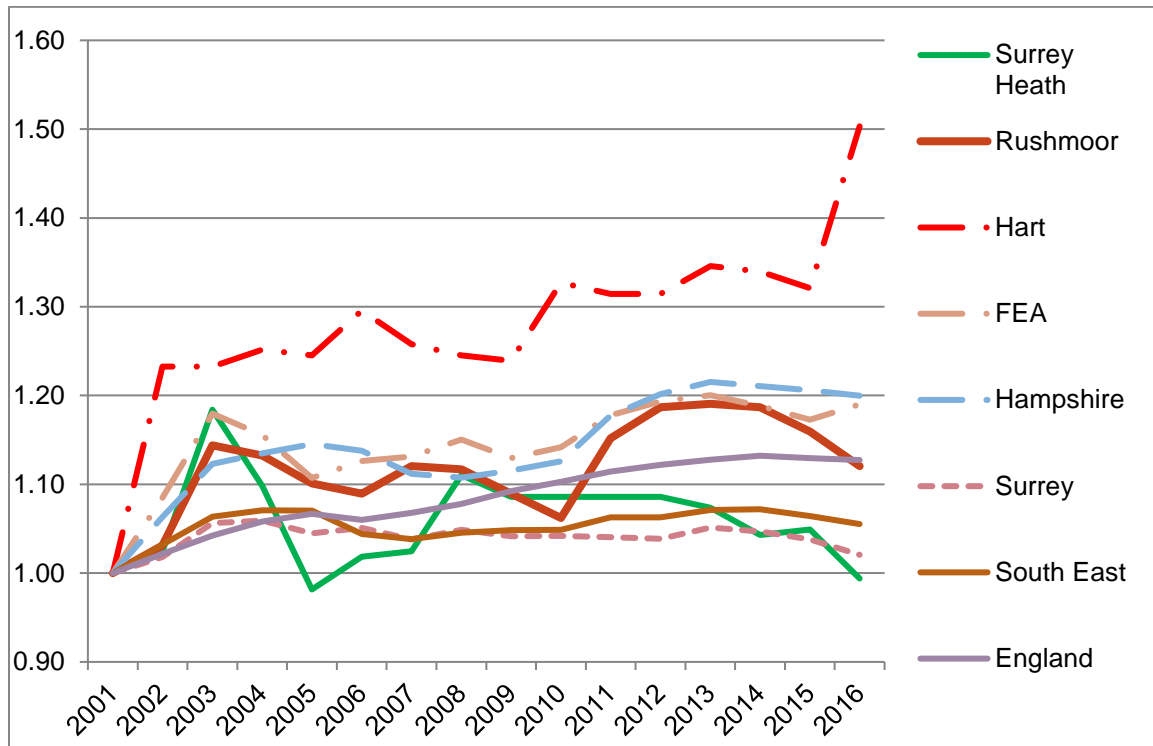


Source: GLH analysis of VOA data

6.3 Over the past 15 years, Surrey Heath's office stock has not seen significant growth, and even declined by 1,000 square metres in 2015/16. By contrast, Rushmoor added 31,000 sqm and Hart added 80,000 sqm since 2001. The figure below shows the relative growth of the office stock in Surrey Heath, Rushmoor and Hart compared to wider geographical areas.

6.4 Surrey Heath saw an overall decline in stock compared to the other local authorities since 2001. In the same period, Hart’s office stock increased by 50%. Surrey County expanded its office floorspace by 2% and in the same period Hampshire, the Southeast and England have expanded by 20%, 6% and 13% respectively.

Figure 6.2: Office Stock Trend, Surrey Heath, Rushmoor and Hart LA’s, 2000-16



Source: GLH analysis of VOA data

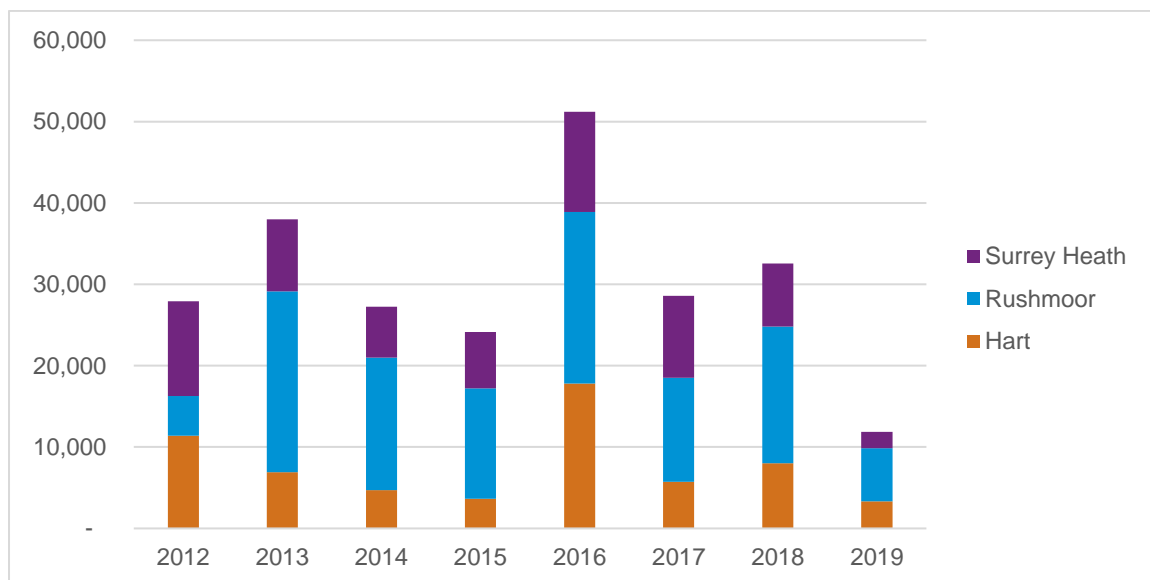
6.5 Across the wider FEA Camberley (Surrey Heath), Farnborough (Rushmoor), Fleet and Hook (Hart), are all regarded as office centres. All have a number of edge-of-centre and out-of-centre business parks constructed in the 1980/90s such as Ancells Business Park in Fleet, Watchmoor Business Park in Camberley and Southwood Business Park in Farnborough.

6.6 A significant quantity of large footprint office space has been developed across the Blackwater Valley over the past two decades. The 2016 update noted that strategically, the M3 corridor has generally proved less successful in attracting a consistent level of major corporate relocations when compared to the M4. While this is still true for the FEA and Surrey Heath, demand for office floorspace has been increasing and supply has been decreasing, which generates issues of supply being suitable for future tenants.

6.7 The 2016 Update noted that commercial agents highlight two distinct tiers of the office market within the FEA and Surrey Heath: Grade A and lower grade office accommodation. In 2019 this is still true and confirmed again in consultations, however a notable development is that much of the lower grade supply has been converted to residential space through Permitted Development Rights.

6.8 The figure below shows the take-up of office space in Surrey Heath and the other local authorities in the FEA since 2012. Take up typically ranges from around 25,000 sqm to 50,000 sqm per annum, averaging at around 32,000 sqm per annum. Surrey Heath’s office take-up averages at around 9,000 sqm per annum. FEA take-up peaked at 51,000 sqm in 2016, but Surrey Heath only had 12,000 sqm transacted at this time, also its highest recorded year for floorspace take-up.

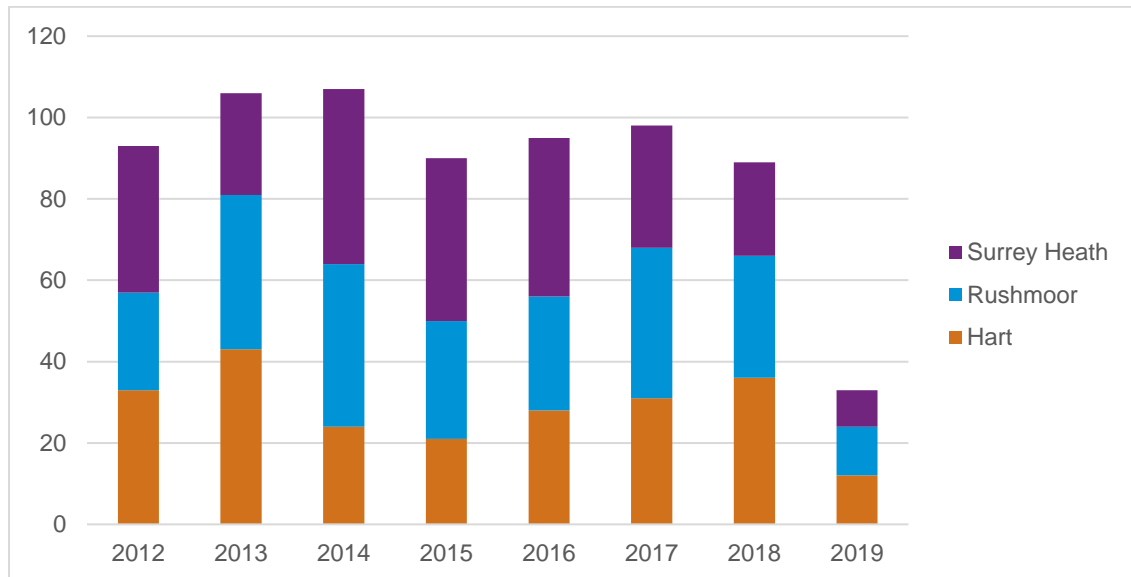
Figure 6.3 Office Take-Up, Surrey Heath, Rushmoor and Hart, 2012-19



Source: GLH analysis of CoStar data (NB 2019 data Q1 only)

6.9 The data below shows the same data sorted by number of individual deals. This shows the number of deals ranges between 85 to 105 per annum – and an annual average of 95 deals per annum. The 2019 Q1 year data suggests that total deals for 2019 are likely to be within this range. Surrey Heath represents 27% of all floorspace transacted whereas Rushmoor represented 47%.

Figure 6.4: Office Take-Up by Number of Deals, Surrey Heath, Rushmoor and Hart LA's, 2012-19



Source: GLH analysis of CoStar data (NB 2019 data Q1 only)

- 6.10 The 2016 Update noted that there was an oversupply of larger office buildings due to surplus MOD land in the 1980's onwards and a changing economy (such as the rationalisation of the ICT and telecoms industries), resulting in reduced demand for large-floorplate offices.
- 6.11 However recent consultations reveal that there is now further demand for Grade-A office floorspace and that many interested occupiers are unable to find a suitable amount of space for. These observations are confirmed by analysis on CoStar of recent availability rates, which have gone from 9.7% in Q2 2016 to 7.3% in Q2 2019. These occupiers will typically have a requirement across the wider FEA rather than Surrey Heath specific.
- 6.12 The figure below helps to indicate typical occupier take-up historically and their relative size bands. Consultations reveal that the majority of occupiers are looking for property between 5,000-10,000 sqft (roughly 500-1,000 sqm).

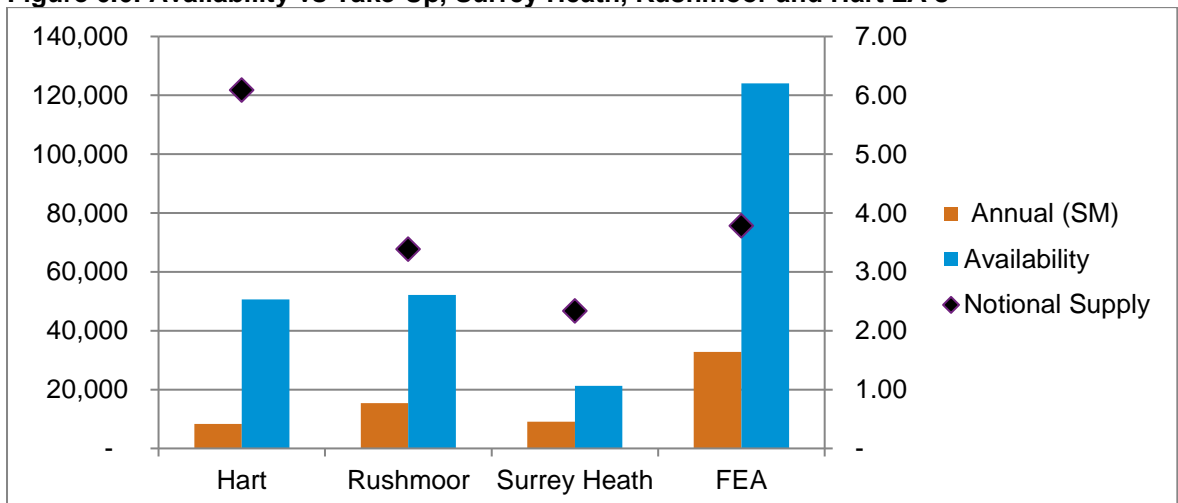
Figure 6.5 Office Take-Up by Size Band, 2012-19

Size Band	Hart	Rushmoor	Surrey Heath
0-185 sqm	68%	56%	70%
185-500 sqm	21%	20%	19%
500-1,000 sqm	6%	11%	5%
1,000-5,000 sqm	6%	12%	5%
5,000-10,000 sqm	0%	0%	0%
10,000+ sqm	0%	0%	0%

Source: GLH analysis of CoStar data

- 6.13 The take-up calculations also include the average annual take-up figure for each authority. By combining these we can estimate an indicative notional supply which shows the number of years' worth of available supply in each local authority area and the FEA.

Figure 6.6: Availability vs Take-Up, Surrey Heath, Rushmoor and Hart LA's



Source: GLH analysis of CoStar data

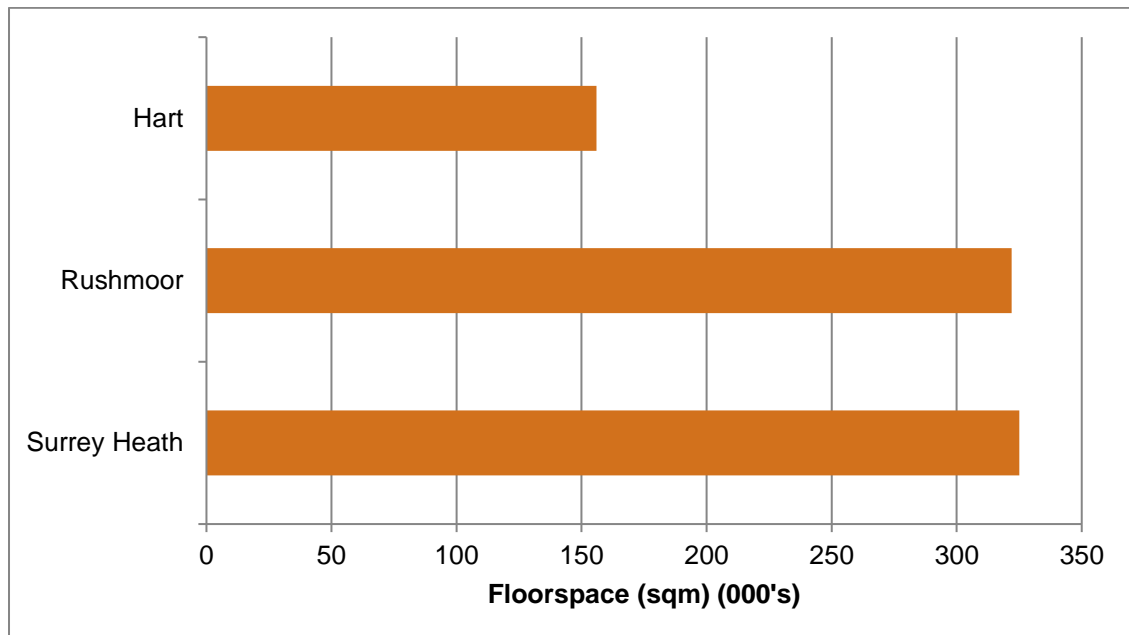
- 6.14 Surrey Heath has the lowest notional supply of the other local authorities in the FEA, with just 2.3 years' supply, or 21,310 sqm of availability compared to 9,110 sqm on average being taken up in a year. This suggests that the supply of offices is moderate. However, more consideration must be given to the type of supply available and if it is currently suitable for occupiers.
- 6.15 Consultations with agents revealed that offices are in demand, but often that rival town centres such as Bracknell and Basingstoke have the supply, thus offering a competitive edge in capturing new businesses. As previously mentioned, permitted development is causing a loss of business floorspace in town centres, which exacerbates the current floorspace constraints.

- 6.16 A proportion of lost space would have been viable for occupation. Losses are therefore reducing choice for businesses particularly SMEs and those seeking lower rent accommodation. Start-up and smaller growing businesses are limited in opportunities for growth by a lack of local cheaper business space which is eroded through changes of use notably in town centres, creating some mismatch in the demand supply balance. This reportedly has a further impact on town centre viability with a reduction of day time footfall whereby retailing would benefit from additional office activity.
- 6.17 Siemens has recently vacated floorspace at Brunel House within Sir William Siemens Square (approximately 54,000 sqft or 5,000 sqm) that may help to address short term requirements. However, other consultations reveal that often occupier needs are centred around existing businesses looking for the flexibility to expand but floorspace is limited.
- 6.18 Premium office parks, according to consultations, do not have enough space and are mostly at capacity such as Watchmoor Park and Frimely Business Park. Some industrial parks often feature office space, as companies with an element of manufacturing such as Krispy Kreme, Unibake, Safran Seats, and Amazon Fresh having some component of office space. Agents noted that the office component adjacent to industrial was hard to market due to sterilisation of use.

Industrial

- 6.19 The total industrial (including manufacturing and warehouse) floorspace in Surrey Heath and the surrounding authorities is shown in the figure below. The most recent VOA data shows that there is approximately 325,000 sqm of industrial floorspace in Surrey Heath. Compared to its office floorspace, the authority has a greater number of industrial floorspace in absolute terms. This represents a relatively high quantum of industrial stock when compared to neighbouring areas such as Hart (with 156,000 sqm of floorspace) and is on par with Rushmoor.

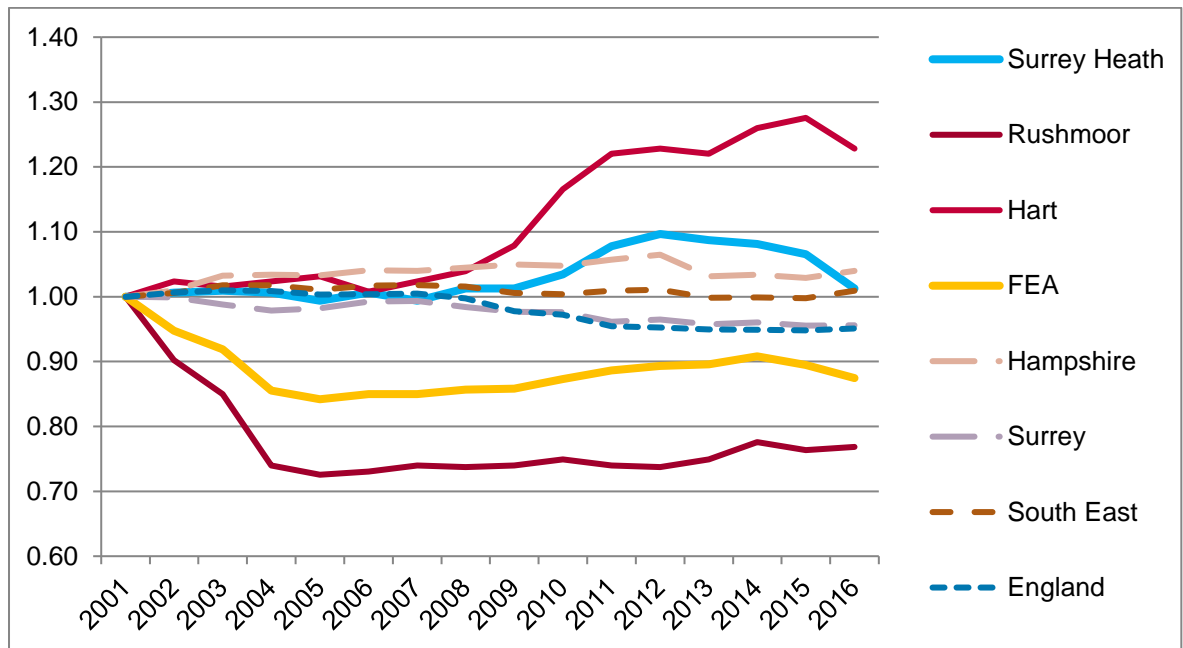
Figure 6.7: Industrial Stock, Surrey Heath, Rushmoor and Hart LA's, 2015-16



Source: GLH analysis of VOA data

- 6.20 The figure below shows the relative growth of industrial stock in Surrey Heath and the surrounding authorities since 2000. In Surrey Heath, industrial floorspace has grown from 321,000 sqm in 2000/01 to 325,000 sqm by 2015/16. This represents a growth of 1.0% over this period and an average annual growth rate of 0.1% per annum. Over the same period of time in the FEA, industrial stock actually declined more significantly by 13%, with an average annual decline of 0.8%. This overall decline is due to 23% of Rushmoor's industrial floorspace being lost in the same period.
- 6.21 As shown in the figure below, the relative growth in industrial stock in Surrey Heath is shown relative to its wider comparators. Hart lost 115,000 sqm in industrial stock to 2005, or 27% at the time, but has since increased its stock by 18,000 sqm. By 2016, Hart's industrial stock increased by 23%. Surrey Heath's increase was the same as the South East (1%) and below Hampshire County (4%), but above Surrey County's decline by 4% and England's loss of 5%.

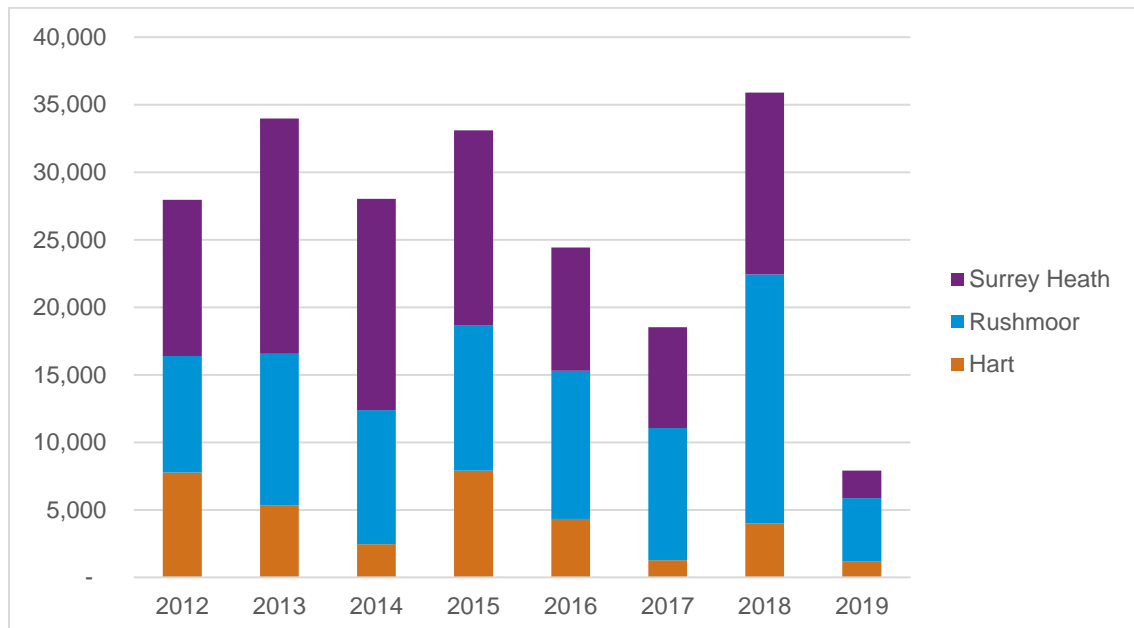
Figure 6.8: Industrial Stock, Surrey Heath, Rushmoor and Hart LA's, 2000-16



Source: GLH analysis of VOA data

6.22 The figure below shows the take-up of office space in Surrey Heath, Rushmoor and Hart since 2012. Take-up in the FEA typically ranges from 18,000 sqm to 38,000 sqm, averaging around 29,000 sqm of floorspace transacted per annum. Surrey Heath transacted roughly 43% of all floorspace in the FEA over that period. There has not been a trend of growth, with peaks in 2015 and 2018 and troughs in 2013 and 2017. Deals in 2018 were notably the highest, with specific transactions from Rushmoor driving the growth.

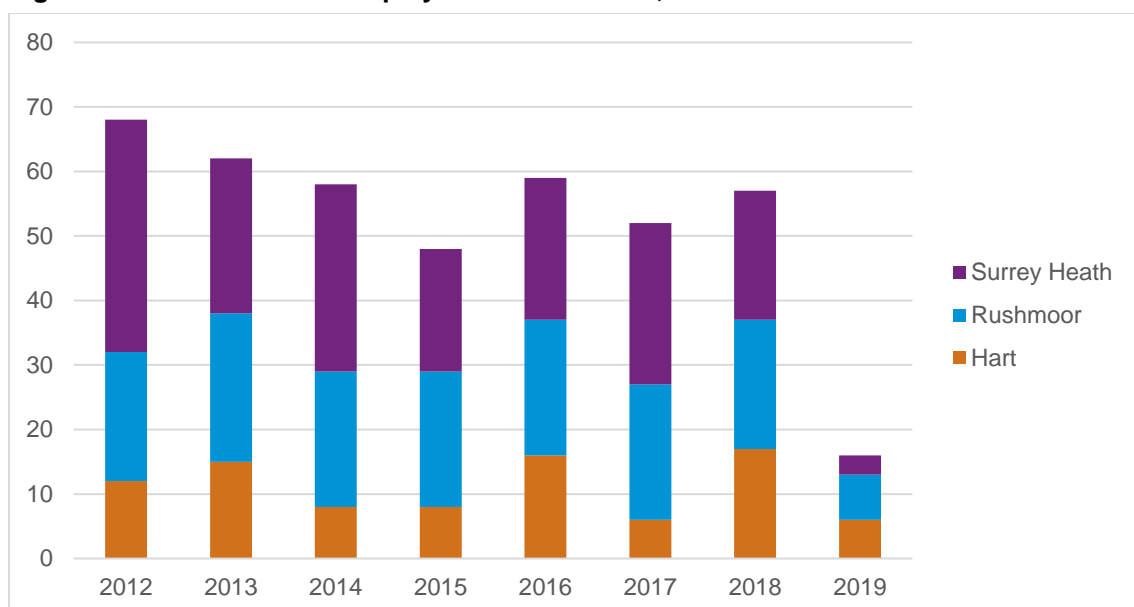
Figure 6.9: Industrial Take-Up, Surrey Heath, Rushmoor and Hart LA's, 2012-19



Source: GLH analysis of CoStar data (NB 2019 data Q1 only)

6.23 The data below shows the same data sorted by number of individual deals. This shows the number of deals ranges between 45 and 70 per annum – and an annual average of 58 deals per annum. The Q1 2019 data suggests that total deals for 2019 are likely to be within this range.

Figure 6.10: Industrial Take-Up by Number of Deals, 2012-19

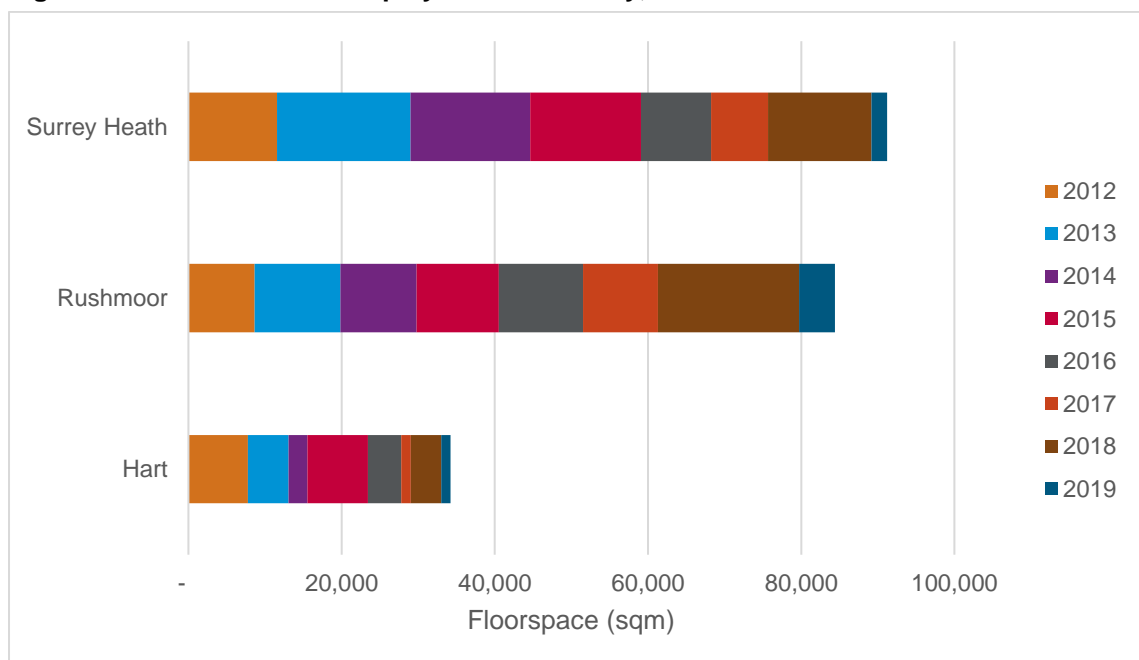


Source: GLH analysis of CoStar data (NB 2019 data Q1 only)

6.24 The figure below shows the take-up data in Surrey Heath, Rushmoor and Hart by year. Surrey Heath has seen the greatest quantum of take-up, with Rushmoor close in scale and Hart much smaller. Surrey Heath is also more dominant in terms of industrial take-up than for office uses.

6.25 Over the 2012-19 period, Surrey Heath has seen a total take-up of 91,000 sqm of industrial floorspace – equivalent to an annual average take-up of 13,000 sqm per annum.

Figure 6.11: Industrial Take-Up by Local Authority, 2012-19

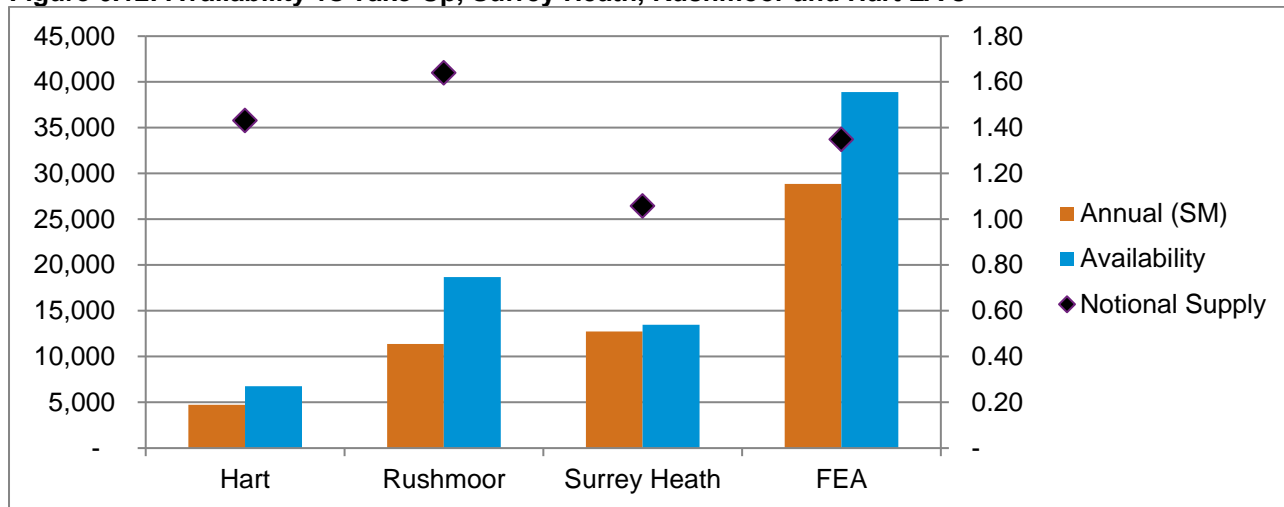


Source: GLH analysis of CoStar data (NB 2019 data Q1 only)

6.26 The most recent high-profile industrial deals in Surrey Heath occurred in 2013, when Amazon Filters signed a 10-year lease for 53,680 sqm. Other key large deals occurred primarily in industrial estates such as Lyon Way in Frimley. 135,766 sqft (12,613 sqm) was transacted for various buildings in 2018 at Lyon Way by owners including Surrey Heath Borough Council, who purchased the logistics buildings as investments. Agents noted that recently rents range from £11 psf for 1980's refurbished stock to up to £13 psf for higher grade, which is relatively low compared to the surrounding area.

6.27 The take-up calculations also include the average annual take-up figure for each authority. By combining these we can estimate an indicative notional supply which shows the number of years' worth of available supply in each local authority area and the FEA.

Figure 6.12: Availability vs Take-Up, Surrey Heath, Rushmoor and Hart LA's



Source: GLH analysis of CoStar data

- 6.28 Surrey Heath has the lowest notional supply of the other local authorities in the FEA, with just 1.06 years' supply, or 13,468 sqm of availability compared to 12,737 sqm on average being taken up in a year.
- 6.29 Agent commentary has confirmed that manufacturing had several key industries. Particularly of note is that the distribution offer is not as strong along Surrey Heath due to less competitive transport options and higher success for distribution along the M4 as compared to the M3. However, demand for electric vehicles to service the West London distribution market has created many opportunities for industries around electric and renewable transport products. Agents noted that this interest has occurred only in the past few years as logistics pressures in London have increased.
- 6.30 Other industrial occupiers noted in the consultations included building supplies and trades companies, along with those working in audio-visual. The film and television industry views Surrey Heath, according to agents, as an attractive area due to lower rents and ample floorspace supply.

7 FUTURE REQUIREMENTS FOR B CLASS EMPLOYMENT LAND

7.1 This section assesses the B Class employment space requirements that are likely to be required up until 2040. There are three different approaches that are widely used in estimating future employment space requirements. These are:

a) Labour demand projections – based on projections of employment growth, derived from independent forecasting houses, in the main B class sectors;

b) Labour supply - estimating future growth of local labour supply based on the housing requirement or based on forecast population growth and the amount of jobs and employment space that this can support; and

c) Past trends - consideration of past trends in employment floorspace completions based on monitoring data supplied.

7.2 Surrey Heath Borough Council are currently preparing a local plan that will cover the period 2019 to 2037. The Council will work to prepare its Local Plan with the anticipation of adopting it in 2022. This ELR update has been undertaken in parallel to the 2019 Surrey Heath Housing Needs Assessment (HNA) which draws on the Government's standard methodology for calculating housing needs.

7.3 The alignment of the ELR and HNA processes means that both the labour demand and labour supply approaches are aligned.

Labour Demand Forecasts

Scenario 1: Labour Demand (Baseline)

7.4 Forecasts of job growth in the three districts that make up the HRSH FEA have been obtained for the period (2019-2040) from two economic forecasting houses: Oxford Economics and Cambridge Econometrics. These have been used to derive the labour demand. The HNA analysis of future labour force has been used to derive labour supply. The HNA indicates that that a reasonable basis for forward planning is that jobs supported in Surrey Heath will be 4,704 additional economically active persons including an allowance for net commuting and double jobbing.

7.5 Job growth will be assessed in relation to Surrey Heath as well as Hart and Rushmoor but floorspace calculations are only applied to Surrey Heath as it will inform the emerging Local Plan. This process is as follows:

- The OE and CE set of forecasts have been used to obtain a 2017 base year for total workforce jobs broken down by sector, 85 sectors of employment categories in OE and 45 in in CE.
- The OE and CE set of forecasts have been used to provide a sectoral breakdown at 2019 and 2040.
- The OE and CE set of forecasts have been used to provide a conversion ratio of total workforce jobs to Full Time Equivalents (FTEs) for each of the sectors at 2019 and 2040 drawing on Business Register and Employee Survey (BRES) data. This is an important step in allowing employment densities to be applied in order to convert employment numbers to floorspace requirements.
- The 85 sectors of employment categories in OE and 45 in in CE have been allocated to B use classes based on the assumptions set out in Appendix A. These assumptions have been adjusted in some instances from the previous ELR (2016) to align with Cambridge Econometrics and Oxford Economics sectors which differ from the sectors used in the 2016 data derived from Experian.

7.6 Job forecasts from the period of 2019-2040 were analysed. A projected 5,619 jobs are projected based on Oxford Economics forecasts and 3,018 jobs based on the Cambridge Economics forecasts.

Figure 7.1: Forecast Employment (Employees) – Surrey Heath

Sector (Use Class)	Change in FTE employment – Surrey Heath (2019-2040)	
	OE	CE
Jobs in all sectors	5,619	3,018

Source: Oxford Economics / Cambridge Econometrics

7.7 The resulting employment change between 2019 and 2040 as forecast is displayed in the figure below along with expected job growth in three core employment floorspace uses after converting to full time equivalent (FTE) drawing on the current BRES ratio as follows:

Figure 7.2: Forecast Employment Change in the HRSHA FEA (FTEs)

Sector (Use Class)	Change in FTE employment – Rushmoor (2019-2040)		Change in FTE employment – Hart (2019-2040)		Change in FTE employment – Surrey Heath (2019-2040)		Change in FTE employment – FEA (2019-2040)	
	OE	CE	OE	CE	OE	CE	OE	CE
Office (B1a/b)	3,654	1,713	2,680	1,402	3,847	1,328	10,181	4,419
Manufacturing (B1c/B2)	-1,093	-805	-368	-354	-1,457	-936	-2,917	-2,083
Distribution (B8)	144	-21	257	-22	-9	-24	395	-69
Total B Class jobs	2,705	887	2,568	1,026	2,381	368	7,660	2,267
Jobs in all sectors	4,442	2,216	4,691	3,516	4,375	2,239	13,505	7,953

Source: Oxford Economics / Cambridge Econometrics / GLH Economics Analysis, FTEs

7.8 The level of growth proposed within the B use classes in the FEA up until 2040 is dominated by a strong growth in office sectors with moderate losses in employment in the manufacturing sectors. This is within the context of overall job growth of over 4,375 jobs in the Surrey Heath (OE) or 2,239 (CE), which outside the B class sectors are made up of sectors including strong growth in health, education and retail.

7.9 The jobs forecasts set out above can be converted into future employment floorspace requirements by applying typical ratio of jobs to floorspace for each of the different B uses. The 2015 HCA Employment Densities Guidance¹⁷ densities relevant to this study are set out in the figure below.

Figure 7.3: Employment Densities

Use	Type	Sqm/FTE	NIA/GEA
Offices	Corporate	13	NIA
	Professional Services	12	NIA
	Public Sector	12	NIA
	Finance & Insurance	10	NIA
Industrial	Light Industrial	49 ¹⁸	GIA
	Industrial & Manufacturing	36	GIA
Warehousing	National Distribution Centre ¹⁹	95	GEA
	Regional Distribution Centre	77	GEA
	Final Mile Distribution Centre	70	GEA

Source: HCA 2015 Employment Densities Guide

7.10 GL Hearn have calculated the average employment density across each of the broad use classes based on the data in the figure above and on this basis the following average employment densities have been applied for the different employment floorspace sectors:

- Offices: 1 FTE job per 15 sqm (including an allowance for lower density B1b space)
- Industry: 1 FTE job per 45 sqm
- Warehousing: 1 FTE job per 73 sqm

7.11 The conversion of FTE and subsequent conversion into floorspace results in projections as noted in the table below:

¹⁷ Homes and Communities Agency, Employment Density Guide, 3rd Edition, November 2015

¹⁸ The NIA figure presented in the Employment Densities Guide has been converted from NIA to GIA using a ratio of 1.05

¹⁹ It is not anticipated that there will be distribution centres of national scale within the Study area and this figure has therefore been excluded from any further analysis

Figure 7.4: Surrey Heath Floorspace Growth by B-Class Use – Baseline Labour Demand 2019-40 (sqm)

	OE	CE
B1a/b	57,702	19,923
B1c/B2	-65,575	-42,112
B8	-640	-1,788
Total B Class	-8,514	-23,976

Source: GL Hearn based on Oxford Economics data

- 7.12 Due to differences in their respective methodologies for calculating future employment growth, OE and CE data project different floorspace demands, but both are negative overall, driven by anticipation of a declining manufacturing base. Office based activities are positive in both forecasts and particularly so by OE, albeit manufacturing losses are also increased.
- 7.13 The final step is to translate the floorspace requirement into land requirements for office and industrial uses. This has been calculated by applying appropriate plot ratio assumptions to the floorspace estimates using the following assumptions and local adjustment factors to reflect the pattern of development in Surrey Heath.
- 7.14 For office developments a plot ratio of 0.5 has been assumed. This reflects feedback from the 2016 ELR stakeholder event and reflects the fact that the majority of land supply in the FEA is provided in the form of low density business park environments.
- 7.15 Industrial developments are more space hungry than offices since they tend to be single storey (sometimes with mezzanines) and are more likely to need external areas for storage and freight vehicle movements. A plot ratio of 0.4 has been applied so that a 1 ha site (10,000 sqm) would be needed to accommodate 4,000 sqm of employment floorspace.
- 7.16 All alternate scenarios use the same plot ratios and employment densities assumptions when calculating floorspace and employment land requirements. The baseline employment land need requirement is detailed below:

Figure 7.5: Surrey Heath: Gross Employment Land Need – Baseline Labour Demand 2019-2040 (Ha)

	OE	CE
B1a/b	11.5	4.0
B1c/B2	-16.4	-10.5
B8	-0.2	-0.5
Total B Class	-5.0	-7.0

Source: GL Hearn based on Oxford Economics data

Scenario 1 Labour Demand: Local Adjusted

- 7.17 While the baseline forecast provides a good indication of the direction of growth, it does not necessarily reflect the progression of some specific sectors locally. We have considered the baseline forecast for specific sectors and reviewed the historic and future trends whilst comparing this to regional trends in particular. We have also undertaken discussion with economic development officers at the local authorities in order to identify business closures, investments or programmes that may influence the local economic performance.
- 7.18 For Surrey Heath, key matters for consideration include strengths in:
- Medical technology sector;
 - Aerospace manufacturing sector; and
 - Food and related manufacturing sector.
- 7.19 The long term outlook for manufacturing employment in the UK in the round as well as the historic performance since the 90s suggests a pattern of long-term decline in employment. Taking into account the above, some limited adjustments are considered appropriate.
- 7.20 Employment losses from 1991-2014 were high as the manufacturing industry lost nearly 4,000 jobs. However, there has been a levelling off and minor growth across manufacturing from 2015-2019, where the industry has added 700 jobs in Surrey Heath.
- 7.21 In the local scenario, forecast manufacturing losses are reduced in Surrey Heath to 2040 taking into account of recent levelling off of and in light of expert opinions from consultations that key industries such as food and beverage, medical manufacturing and aerospace have a strong presence and performance in the area.
- 7.22 The Compound Annual Growth Rate (CAGR) represents the average rate of change over the full period for each sector from the initial employment value to the final value. Adjustments have been made to the baseline CAGR forecasts for individual sectors reflecting the points above for the CE and OE corresponding sectors. This is set out in the table below with a narrative.

Figure 7.6: Compound Annual Growth Rate Change – OE and CE Data

CE Industry	OE Industry	Baseline CAGR - OE	Baseline CAGR - CE	Adjusted CAGR	Justification
Food, drink & tobacco	Manufacture of food products	-0.7%	-0.8%	1%	Strong presence and recent growth –
	Manufacture of beverages	-1.6%			

	Manufacture of tobacco products	0%			adjustment to half of the recent historic trend of 2% growth
Other transport equipment	Manufacture of other transport equipment	-1.6%	0.6%	1.8%	Local business investment known – adjustment to mid-point of historic and forecast rates
Other manufacturing & repair	Manufacture of furniture	-2.6%			Reduced losses based on specialisation firms - adjusted for aerospace & med manuf' ind
	Other manufacturing	-1.9%	-1.9%	-0.5%	
	Repair and installation of machinery	-1.9%			

Source: GLH Analysis

7.23 The uplift has resulted in job changes in the broader manufacturing sector, as demonstrated in the table below.

Figure 7.7: Jobs Growth by Sector, Baseline and Local Scenario, 2019-2040 (OE)

Sector	Baseline Scenario	Local Scenario
A : Agriculture, forestry and fishing	-9	-9
B : Mining and quarrying	0	0
C : Manufacturing	-1,462	-780
D : Electricity, gas, steam and air conditioning supply	-1	-1
E : Water supply; sewerage, waste management and remediation activities	-59	-59
F : Construction	342	342
G : Wholesale and retail trade; repair of motor vehicles and motorcycles	-46	-46
H : Transportation and storage	-84	-84
I : Accommodation and food service activities	198	198
J : Information and communication	-258	-258
K : Financial and insurance activities	-92	-92
L : Real estate activities	121	121
M : Professional, scientific and technical activities	2,368	2,368
N : Administrative and support service activities	2,465	2,465
O : Public administration and defence; compulsory social security	-128	-128

P : Education	20	20
Q : Human health and social work activities	1,517	1,517
R : Arts, entertainment and recreation	528	528
S : Other service activities	200	200
Total	5,619	6,301

Source: Oxford Economics and GL Hearn (numbers may not sum due to rounding)

7.24 As evidenced in the table above, there is an estimated uplift of 682 manufacturing jobs to the baseline OE forecast by 2040 after taking into account local trends. CE employment projections in the Local Scenario also change. There is an estimated uplift of 544 jobs when applying the CAGR uplift to their respective employment projections.

7.25 The employment changes are converted to FTE for the period of 2019-2040.

Figure 7.8: FTE Employment Change 2019-2040, Comparison of Baseline and Local Scenarios, Surrey Heath

	Baseline		Local	
	OE	CE	OE	CE
Office (B1a/b)	3,847	1,328	3,847	1,347
Manufacturing (B1c/B2)	-1,457	-936	-807	-440
Distribution (B8)	-9	-24	-9	-23
Total B Class jobs	2,381	368	3,031	883
Jobs in all sectors	4,375	2,239	5,025	2,734

Source: Oxford Economics, Cambridge Economics w. GLH Analysis

7.26 Considering the above factors as a whole, the range of labour demand employment outcomes modelled as floorspace needs for Surrey Heath are set out below. The locally adjusted scenarios see around a 50% reduction in forecast manufacturing floorspace losses resulting in a higher aggregate need in employment floorspace.

Figure 7.9: Adjusted Floorspace Projections (sqm) from 2019-2040, Surrey Heath

Use Class	Baseline OE	Local OE	Baseline CE	Local CE
B1a/b	57,702	57,702	19,923	20,206
B1c/B2	-65,575	-32,315	-42,112	-19,817
B8	-640	-640	-1,788	-1,700
Total	-8,514	24,747	-23,976	-1,312

Source: OE/CE with GLH Analysis

Labour Supply Scenario

7.27 Labour supply scenarios consider the effects of an increased labour supply on the generation of employment and employment land needs.

Scenario 2: Labour Supply

- 7.28 The labour supply scenario considered is derived from the standard methodology housing requirements for Surrey Heath which creates an economically active population equivalent to 224 jobs per annum or 4,704 employee jobs over the Plan period.
- 7.29 These jobs growth figures fit broadly in the mid point of the two econometric forecasts by CE and OE for employees. This suggests that the detailed analysis being undertaken for the range of labour demand scenarios can suitably report a mid point of floorspace needs equivalent to a labour supply scenario, or that the labour supply is within the range of the two baseline forecasts.

Figure 7.10: Forecast Employment Change (Employees) – Surrey Heath

Forecast method	OE	Labour Supply	CE
2019-2040 jobs change	5,619	4,704	3,018

Source: Oxford Economics / Cambridge Econometrics / GLH Economics Analysis

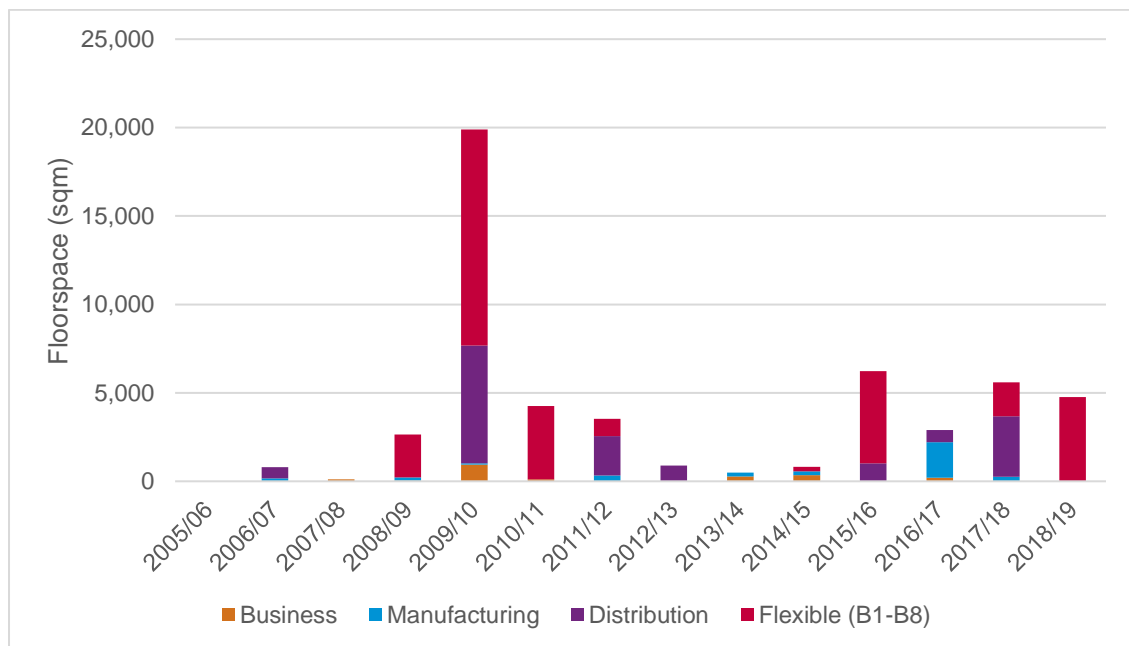
Past Development Rates

- 7.30 Historic development (completion) rates of commercial floorspace provide a reasonable basis for informing future land needs, particularly where land supply or demand has not been unduly constrained historically. However, it is important to note that the future demand picture may not reflect past trends in light of the restructuring of the economy since the onset of the economic downturn in 2007/08. Local planning and environmental policies can also affect development rates.

Scenario 3: Past Development Rates

- 7.31 Data on past completions by B class sector has been provided by Surrey Heath Borough Council. Completions for the period 2005/06 - 2018/19 have been analysed. This is a reasonably long period that reflects different market conditions including a phase of strong economic growth, recession and economic recovery.
- 7.32 The figure below displays how gross completions have fluctuated on an annual basis over this 13-year period in the local authority area. Gross completions report only floorspace gains without losses. This is important to understand in the local market as it represents the additional floorspace needed by business to grow and function. This differs from net completions which includes floorspaces losses, including through change of use and Permitted Development, which may not be desirable to roll forward in trends.

Figure 7.11: Annual Gross Completion Rates in the Surrey Heath Area, 2005-2019 (adjusted)



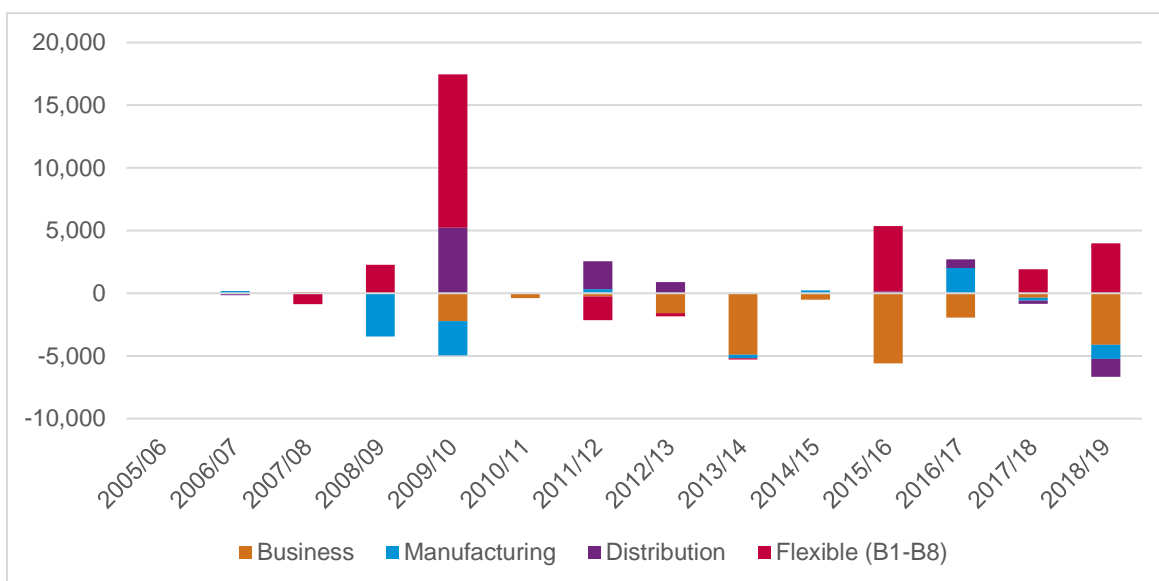
Source: Surrey Heath Borough Council w. GLH Analysis

7.33 Limited adjustments have been made to the chart above from the raw data. This accounts for direct replacement of existing floorspace. The first occurred when 9,475 sqm was “completed”, however, when changes of units from Classes B1(b)/B1(c) and B2 with ancillary offices to any use within Class B1. In addition, another two-storey office building was constructed after the demolition of another office building. Thus, both of these completions have been taken out of the gross figures to help give a more realistic representation of actual completions, rather than replacement of existing floorspace.

7.34 In the 2005/06 to 20018/19 period, 52,926 sqm in gross floorspace was completed, which translated to a per annum figure of 3,780 sqm.

7.35 In addition, net completion rates were also provided by the Council, and analysed further in the provided chart below:

Figure 7.12: Annual Net Completion Rates in the Surrey Heath Area, 2005-2019



Source: Surrey Heath Borough Council w. GLH Analysis

- 7.36 The above chart highlights significant losses most notably in B1 business space. Much of this relates to conversion to other uses particularly residential partly facilitated by Permitted Development Rights leading to town centre office floorspace losses. There are more limited losses of manufacturing space.
- 7.37 The amount of net floorspace delivered is significantly lower at 210 sqm average per annum compared to the gross per annum figure of 3,780 sqm. This past trend is summarised below. The lower rate is driven down by office floorspace losses.

Figure 7.13: Completion Rates in Surrey Heath, 2005/06-2018/19

Sector (use class)	Gross Completions (sqm)		Net Completions (sqm)	
	Gross Completions	Gross Annual Completions	Net Completions	Net Annual Completions
Business	2,016	144	-21,734	-1,552
Manufacturing	3,464	247	-5,096	-364
Distribution	15,549	1,111	7,366	526
Other (Mixed/Flexible)	31,897	2,278	22,405	1,600
Total	52,926	3,780	2,941	210

GLH Economic analysis of Surrey Heath Borough Council Data

- 7.38 One view of future growth in Surrey Heath is to assume that future development rates carry on at the long-term average observed in the past. For gross completions, a per annum completions rate of 3,780 sqm would result in a gross completions rate of 68,048 sqm by 2037 and 79,389 sqm by 2040.

- 7.39 The flexible margin assumes that floorspace classified as “Flexible B1-B8” in the historic completions data be prorated as half Business (B1a/b) and half Manufacturing (B1c/B2) for the future floorspace and land projections. This assumption is the continuation of the 2016 ELR Update, where it was assumed that mixed floorspace would be split evenly between Offices and Industrial uses.
- 7.40 If it is assumed that the average annual net completion rate over the past fourteen years continues during the overall period 2019-2037 and 2040, there would be a requirement to plan for around 3,781 sqm and 4,412 sqm of employment floorspace respectively.
- 7.41 Given the commercial market commentary on the adverse affects of losses of business floorspace on the local economy it is considered that gross completions are used to predict future needs under this scenario. Discussion on potential additional replacement floorspace is considered later in this section.

Figure 7.14: Gross & Net Employment floorspace completions trends, 2019-37/40

Sector (use class)	Gross Completions			Net Completions		
	Gross p.a. Completions rate (sqm)	Trend to 2037	Trend to 2040	Net p.a. Completions rate (sqm)	Trend to 2037	Trend to 2040
Business	144	2,592	3,024	-1,552	-27,944	-32,601
Manufacturing	247	4,454	5,196	-364	-6,552	-7,644
Distribution	1,111	19,992	23,324	526	9,471	11,049
Flexible (B1-B8)	2,278	41,010	47,846	1,600	28,806	33,608
Total Completions	3,780	68,048	79,389	210	3,781	4,412

Source: GLH analysis of SHBC data

Summary of Scenarios

- 7.42 It is necessary to consider the range of scenarios analysed to come to a balanced view on the need for employment land.

Flexible margin

- 7.43 Prior to finalising the labour demand floorspace needs it is considered good practice to apply a flexible margin. A 2-year margin has therefore been added to the labour forecasting requirements. This is derived from the annual gross completions trend (adjusted) and allows some flexibility of provision to compensate for factors such as delays in some sites coming forward for development, vacancy and market choice. This margin is a contingency factor, providing a modest additional buffer so that supply is not too tightly matched to estimated demand. The South East England Planning Partnership Board

(SEEPB) guidance on employment land assessments recommends an allowance that is equivalent to the average time for a site to gain planning permission and be developed, typically about two years.

Figure 7.15: 2019-2040 Floorspace Requirements: Baseline Labour Demand with 2-year margin

Sector (use class)	Floorspace (sqm) (OE)	+2yr Gross Flex Margin	Floorspace (sqm) (CE)	+2yr Gross flex margin
Office (B1a/b)	57,702	60,268	19,923	22,489
Manufacturing (B1c/B2)	-65,575	-62,802	-42,112	-39,339
Distribution (B8)	-640	1,581	-1,788	433
Total	-8,514	-953	-23,976	-16,415

Source: OE and CE forecasts / GLH Economic Analysis

Scenarios summary

- 7.44 The table below draws together the scenario outputs in floorspace (including margin for labour demand). The labour supply scenario falls between the baseline labour demand forecasts.
- 7.45 The tables present the 2019-2037 period requirements to have greater alignment with the possible Local Plan period.
- 7.46 For office space completions trends have been low whilst the labour demand ranges from c20,000 sqm to 50,000 sqm. Conversely manufacturing is forecast to lose floorspace through labour demand however past completions suggest a growth requirement. Distribution needs are flat for the labour demand scenarios but completion trends show demand. Completions (gross) indicate the greatest future floorspace needs. Whilst not reported here, the net position on completions is negative for industrial and office space.

Figure 7.16: 2019-2037 Floorspace Requirements – all scenarios

Sector (use class)	Baseline (sqm) (OE) (inc margin)	Baseline (sqm) (CE) (inc margin)	Local (sqm) (OE) (inc margin)	Local (sqm) (CE) (inc margin)	Grs Completions
Office (B1a/b)	51,658	19,276	51,658	19,519	23,097
Manufacturing (B1c/B2)	-53,830	-33,719	-25,322	-14,609	24,959
Distribution (B8)	1,355	371	1,355	447	19,992
Total	-817	-14,070	27,693	5,356	68,048

Source: OE and CE forecasts / GLH Economic Analysis

- 7.47 Subsequently, the floorspace was converted to required land over the period of 2019-2037.

Figure 7.17: Employment land requirements for scenarios, 2019-37 (Ha)

Use Class	Baseline OE	Baseline CE	Adjusted OE	Adjusted CE	Grs Completions
B1a/b	10.3	3.9	10.3	3.9	4.6
B1c/B2	-13.5	-8.4	-6.3	-3.7	6.2
B8	0.3	0.1	0.3	0.1	5.0
Total	-2.8	-4.5	4.3	0.4	15.9

Source: OE/CE w. GLH Analysis

Sensitivity Tests

- 7.48 It is also important to test how reasonable each scenario appears against other factors and how sensitive they are to different assumptions.

Comparing Scenario 1 to Historic Rates of Job Growth in Surrey Heath

- 7.49 It is useful to compare the employment growth implied by Scenario 1 to the levels of job growth that have actually been achieved in Surrey Heath over recent years according to historical data. Note that future forecasts take account of macroeconomic adjustments and regional performance, and that local areas can only take a share of regional growth which needs to be shared across all local areas. Longer term weaker forecasts both nationally and regionally are driving down growth as report in the table below. The adverse forecast for manufacturing has a clear effect on floorspace needs.

Figure 7.18: Historic vs. Future Compound Annual Growth Rates (CAGRs) – Surrey Heath

Industry	Historic CAGR (1998-2008)	Last 5 Years CAGR	Next 5 Years	Long Term CAGR (2019-2040)
Agriculture & forestry	-10.0%	-3.6%	0%	-0.7%
Mining	0.0%	0.0%	0.0%	0.0%
Manufacturing	-2.6%	0.9%	-2%	-1.9%
Utilities	0.0%	0.0%	-1%	-1.1%
Water & waste	-0.1%	-0.9%	-1%	-1.3%
Construction	4.0%	11.3%	2%	0.3%
Wholesale & retail	-0.3%	0.6%	1%	0.0%
Transport & storage	2.2%	2.6%	0%	-0.4%
Hospitality	1.1%	3.1%	1%	0.2%
Info and comms	-4.6%	-9.9%	0%	-0.6%
Finance & insurance	1.0%	-0.3%	0%	-0.3%
Real estate	3.9%	7.7%	2%	0.7%
Prof, sci and tech	5.2%	8.0%	2%	0.9%
Admin & support	2.1%	-0.5%	2%	1.2%
Public admin & defence	-1.5%	-2.0%	0%	-0.3%
Education	1.3%	1.5%	0%	0.0%
Healthcare	4.2%	3.3%	1%	0.6%
Arts & recreation	2.7%	3.6%	2%	1.3%
Other services	1.3%	3.8%	1%	0.6%
Total	1.2%	2.3%	1.1%	0.4%

Source: Oxford Economics with GLH Analysis

7.50 To make some adjustment for the slower growth Scenario 1 includes a custom position taking into account both recent job growth in specific industries and expert consultations with key stakeholders and agents. This reduces forecast losses in floorspace.

7.51 There are also changes in manufacturing industry which are delinking jobs and floorspace with productivity gains meaning greater use of technology. Declining employment therefore still requires floorspace both in B2 and B1b space. The completions trend data shows a relatively small level of change on an annual basis for manufacturing floorspace over the last 10 years. This provides a useful balance to the labour demand forecast figures.

Replacement and reuse of floorspace

7.52 The labour demand forecasts assume that the vast majority of the employment floorspace lost in B-class uses will be for B1c/B2 being up to c55,000 sqm. The aggregation of floorspace needs assumes that lost floorspace can be recycled into new ie closures of industrial space can be reused as office.

7.53 Permitted Development Rights enabling conversion of B1a floorspace to residential has, according to local consultations, had an adverse impact on the market. The limited gross completions trends suggest that new floorspace is not coming forward to replace lost floorspace. There may be a more limited demand for Grade A floorspace or viability is marginal or potentially there are limited sites. For Secondary stock this is difficult to generate naturally in the market and typically takes more of a form of managed workspace for small businesses. Given the scale of losses in office space consideration should be given to additional replacement floorspace over and above that identified. Seeking to replace 25% of lost office space would amount to an additional c5,000 sqm over and above existing needs. This may be more suited be a specific market intervention such as a managed workspace offer.

Floorspace Ratios

7.54 The various assumptions on job/floorspace ratios and plot ratios adopted in the study are based on HCA Guidance²⁰. The sectors that are forecast to grow over the plan period predominantly require business floorspace. It is important to note that office floorspace to worker ratios have reduced substantially over recent years, in part due to increased flexible working (including home working); and as businesses seek to reduce their operating costs.

7.55 Some upwards adjustment has been made to the office floorspace requirements in terms of density to compensate for the amalgamation of the B1a/B1b Use Classes as traditionally B1b has a much lower density (c45sqm per employee). Given the type of employment strengths in the area including manufacturing this is considered appropriate.

7.56 If the job/floorspace ratios were to continue to decline this would further reduce the need for office accommodation and therefore the amount of employment land required. However the highest density offices are best suited to larger town and city centres and therefore a more balanced approach is considered suitable.

Plot Ratios

7.57 The land requirement estimates assume that new office space would be delivered at a floorspace to plot ratio of 0.5. If however, all new office space were built at a lower density plot ratio of 0.4, the maximum land requirement for office in scenario 1 would increase. Conversely, if all the office demand were met in higher density developments (for example with a plot ratio of 0.6) the maximum land requirement for office uses would reduce.

7.58 However, the land to floorspace ratio for office developments was discussed with local commercial property agents as part of the 2015 ELR process. The assumed plot ratio of 0.5 ha was agreed to be

²⁰ Homes and Communities Agency, Employment Densities Guidance, 3rd Edition, November 2015

an appropriate figure given the available land supply and the pattern of past B1 space development. The 2019 study notes that this methodology is still relevant. However, over a 21-year period, new patterns of development could emerge within Surrey Heath, that might start to change this historic relationship between floorspace and land required for particular developments. The most likely outcome would be an increase in the density (and reduction in land need) as buildings become taller to maximise land efficiency or parking is reduced as more sustainable travel is prioritised.

Flexible margin

- 7.59 A two year flexible margin has been determined as appropriate. In some instances a greater margin of up to 5 years can be used to increase flexibility in provision. The margin is used to deal with a range of outcomes such as redundant stock, delays in sites coming to the market, forecasting errors and market choice. On balance the 2 year margin is considered appropriate for Surrey Heath.

Vacant floorspace

- 7.60 Vacancy is around 13,000 sqm for industrial and 25,000 sqm for office, equivalent to 4% for industrial and 13% for offices. The industrial vacancy rate is below a preferred market position of 5-10% which suggests a lack of stock in some requirement areas and limited ability for existing stock to meet future needs, albeit that these are considered to be limited with new completions balanced by floorspace losses and forecast employment decline.
- 7.61 The office vacancy position is on the higher side indicating that there is still some surplus in the market. Given agent feedback on a tightening environment for both secondary space in town centres and Grade A space out of town, there may some surplus older stock which is still unsuitable for occupation that is not meeting market needs particular edge of centre and out of town. It is considered reasonable to assume that up to 50% of vacant floorspace or 12,500 sqm (c2.5ha) might contribute to meeting future needs for offices. However this needs to be balanced with commitments in terms of unimplemented permissions.

Net and gross completions

- 7.62 Net completions in Surrey Heath are considerably lower than gross which is particularly driven down by office floorspace losses to other uses. There are more limited losses of manufacturing floorspace. The positive gross position for manufacturing indicates that floorspace is still needed to meet business needs but that there is potential to recycle existing industrial floorspace where losses occur. Both the net and gross indicators are useful in this regard particularly in the context of further forecast job losses. The net losses of office floorspace are not considered appropriate to roll forward as a representation of market needs given known adverse effects on business requirements. This is not

to say that all lost floorspace would have been useful but rather that there is a need for additional office floorspace.

Compared to 2016 ELR

7.63 The forecast employment and floorspace needs have fallen in comparison to the last ELR. This reflects most notably a reduced economic outlook with lower jobs growth in B Class sectors and greater losses in manufacturing. The current forecasts have been taken from two different sources providing greater reliability and taking into account that the labour supply sits in the middle of these two. This suggests that the forecasts are reasonably stable in terms of labour supply assuming that the HNA dwellings are delivered.

Conclusions

7.64 Several different scenarios of future employment space requirements have been considered in this chapter. The outputs in terms of land need are set out below.

Figure 7.19: Employment land requirements for scenarios, 2019-37 (Ha)

Use Class	Baseline OE	Baseline CE	Adjusted OE	Adjusted CE	Grs Completions
B1a/b	10.3	3.9	10.3	3.9	4.6
B1c/B2	-13.5	-8.4	-6.3	-3.7	6.2
B8	0.3	0.1	0.3	0.1	5.0
Total	-2.8	-4.5	4.3	0.4	15.9

Source: OE/CE w. GLH Analysis

7.65 Recommendations for each Use class are as follows:

- B1a/b: the range is 3.9 ha to 10.3 ha. Given that the labour supply scenario is approximately between the baseline labour demand positions, as is the completions trend, this range seems appropriate and a midpoint of 6-7 ha may be suitable to meet needs.
- B1c/B2: the range is -13.5 ha to 6.2 ha, the higher figure being gross completions. It is acknowledged that net completions are negative. This suggests that whilst there is a need for new industrial floorspace, this should be able to be accommodated on existing sites. Over time there may be some managed decline of industrial floorspace.
- B8: the range is 0.1 ha to 5.0 ha. This indicates that there is some need for warehousing floorspace in the borough. Planning for a mid point of around 3ha may be appropriate.
- Total: the range is -2.8 ha to 15.9 ha. Taking into account the narrative on individual floorspace types presented here planning for around 10ha is considered appropriate.

7.66 This analysis is developed further in the following section on demand supply balance.

8 BALANCING SUPPLY AND DEMAND

8.1 This section brings together the scenarios of forecast demand and the land supply available in Surrey Heath.

Quantitative Balance

8.2 The previous section identified the future need for between -14,070 sqm and 68,050 sqm of B use class employment floorspace to meet the economic needs in Surrey Heath in the period 2019 to 2037. To meet these levels of floorspace requirements implies the need for between -2.1 ha and 16.9 ha of employment land with a mid point of around 10ha emerging as appropriate, which is revisited below.

8.3 The supply position is understood to be as follows²¹:

- Allocated sites: 2.6ha (Saved Policy E8: Land at Half Moon Street, Bagshot, a larger mixed use allocation assumed that 30% of the total site area of 8.6ha is for employment)
- Extant planning permissions (ha assumed from previous plot ratios):
 - B1a: -21,250sqm (-4.3ha)
 - B1b: 4,255sqm (0.9ha)
 - B1c: -4,086sqm (-1.0ha)
 - B2: -1,190sqm (-0.3ha)
 - B8: 1,273sqm (0.3ha)
 - Other B Class undefined: -526sqm (-0.1ha)
 - **Total: -21,522 sqm or -4.5 ha**
- Planning permissions under construction (ha assumed from previous plot ratios):
 - B1a: -4,816sqm (-1.0ha)
 - B1b: 8,805sqm (1.8ha)
 - B1c: -766sqm (-0.2ha)
 - B2: 0 (0ha)
 - B8: -217sqm (-0.1ha)
 - Other B Class undefined: 5,860sqm (1.2ha)
 - **Total: 8,866 sqm or 1.7 ha**
- **Aggregate supply -12,658 sqm²² or -2.8ha**

8.4 As reported there is little floorspace coming forward and further significant potential losses to office floorspace much of which would be through conversion of offices to residential. The allocated site provides some additional employment floorspace. These supply side issues are considered in relation to the demand position below.

²¹ Surrey Heath BC, Spring 2019

²² Numbers may not add up exactly due to rounding

Figure 8.1: Employment demand supply balance 2019-37 (ha)

Use Class	Baseline OE	Baseline CE	Adjusted OE	Adjusted CE	Grs Completions
Demand	-2.8	-4.5	4.3	0.4	15.9
Supply (allocated)	2.6				
Supply (allocated inc commitments)	(2.6-2.8) = -0.2				
Overall Balance	-2.6	-4.3	4.5	0.6	16.1

Source: OE/CE/SHBC w. GLH Analysis

- 8.5 The above suggests that the different scenarios indicate a variation in the demand / supply position. The previous section highlights that there is a reliance on office needs to be met by losses in manufacturing and industrial floorspace in particular to achieve the balance. More detailed analysis below is undertaken on the needs of different sectors.

Needs of Different Employment Uses

- 8.6 The potential supply of employment space for office, and separately for industrial land, needs to be compared to forecast demand as land can infrequently be used interchangeably.
- 8.7 For the purposes of this analysis it is assumed that the allocated site would come forward as 50% B1a/b and 50% B1c/B2. It also assumes that current commitments would be implemented.

Figure 8.2: Employment demand supply balance 2019-37 (ha)²³

Use Class		Baseline OE	Baseline CE	Adjusted OE	Adjusted CE	Grs Completions
B1a/b	Demand	10.3	3.9	10.3	3.9	4.6
	Supply	-0.8				
	Balance	11.1	4.7	11.1	4.7	5.4
B1c/B2	Demand	-13.5	-8.4	-6.3	-3.7	6.2
	Supply	0.3				
	Balance	-13.8	-8.7	-6.6	-4	5.9
B8	Demand	0.3	0.1	0.3	0.1	5
	Supply	0.2				
	Balance	0.1	-0.1	0.1	-0.1	4.8
Total	Demand	-2.8	-4.5	4.3	0.4	15.9
	Supply	-0.2				
	Balance	-2.6	-4.3	4.5	0.6	16.1

Source: OE/CE/SHBC w. GLH Analysis

NB Mixed B supply split between B1a/b and B1c/B2

- 8.8 The above indicates that under all scenarios there is a shortfall in office floorspace. An oversupply in industrial floorspace is indicated for all scenarios with the exception of the gross completions trends. A broad balance is reported for warehousing again with the exceptions of the completions trend. Further analysis is considered later in this section.

²³ Totals may not sum exactly due to rounding

- 8.9 Overall the baseline scenarios in aggregate point to a limited oversupply whereas the adjusted scenarios identify unmet needs driven by office requirements.

Alternative Supply Position: Vacant Floorspace

- 8.10 Commentary on vacant floorspace is provided in chapter 7. In particular this highlights vacancy of c25,000 sqm for offices where undersupply is identified. Commercial engagement indicates that there is broadly a shortage of office floorspace in town centres for SMEs and for higher quality floorspace at business parks. This suggests that some of the vacant floorspace is unlikely to be suited for re-use and an assumption of 50% being taken up or refurbished to meet future needs is considered reasonable. This would increase supply equivalent to 2.5ha additionally.

Alternative Supply Position: Allowance for Windfall Development

- 8.11 The 2016 ELR suggested a 10% roll forward of past trends to account for windfall development. This is considered as a suitable position going forward. However this now draws on gross rather than net trends which have been adversely affected most notably by permitted development and it would exacerbate losses to report a net position. The annual gross position would be 128 sqm business space, 139 sqm industrial and 111 sqm distribution, assuming a split of mixed use class 50% between business and industrial.

Unimplemented Planning Permissions

- 8.12 The unimplemented permissions reduce the potential supply of employment land particularly for offices. Not all permissions will be implemented and it is particularly common for prior approvals to go unimplemented. On balance it is considered be reasonable to assume that 50% of permissions do get implemented. Given that the majority of permissions lead to office floorspace losses, a reduction in assumed implementation leads to an increase in the supply position.

Revised balance and discussion

- 8.13 Taking into account the above commentary, the table below establishes a revised demand supply position.

Figure 8.3: Revised employment demand supply balance 2019-37 (ha)

Use Class		Baseline OE	Baseline CE	Adjusted OE	Adjusted CE	Completions
B1a/b	Demand	10.3	3.9	10.3	3.9	4.6
	Supply	2.2 [Allocation (1.3) + Windfalls (0.5) + Vacancy (2.5) + Permissions (-2.1)]				
	Balance	8.1	1.7	8.1	1.7	2.4
B1c/B2	Demand	-13.5	-8.4	-6.3	-3.7	6.2
	Supply	0.8 [Allocation (1.3) + Windfalls (0.5) + Vacancy (0) + Permissions (-1.0)]				
	Balance	-14.3	-9.2	-7.1	-4.5	5.4
B8	Demand	0.3	0.1	0.3	0.1	5.0
	Supply	0.7 [Allocation (0) + Windfalls (0.4) + Vacancy (0) + Permissions (0.3)]				
	Balance	-0.3	-0.6	-0.3	-0.6	4.3
Total	Demand	-2.8	-4.5	4.3	0.4	15.9
	Supply	3.7 [Allocation (2.6) + Windfalls (1.4) + Vacancy (2.5) + Permissions (-2.8)]				
	Balance	-6.5	-8.2	0.6	-3.3	12.2

Source: OE/CE/SHBC w. GLH Analysis

8.14 In aggregate terms the labour demand scenarios suggest a surplus of land, although a small need is identified under OE adjusted scenario. Gross needs indicate an unmet need. Commentary on the quantitative position for each Use Class is provided:

- Offices: as noted in chapter 7, a balanced need is considered to be between the OE and CE forecast, which aligns with the labour supply and broadly with the gross completions. This resulting need of around 6-7 ha would not be fully met by the current supply side as reported above.
- Industrial: whilst total floorspace has declined in the last 5 years there is still a need for new floorspace to meet business needs. It is likely that new industrial floorspace can be delivered as replacement on existing industrial areas. Given that a long term decline is forecast in manufacturing, the monitoring of industrial sites should be undertaken and consideration be given where appropriate to them being retained and redeveloped for alternate employment uses including storage and distribution (often requiring larger land take), certain office developments, and small cluster/incubator units for developing micro businesses.
- Warehousing: whilst labour demand forecasts indicate a decline, both gross and net completions suggest there is a need for warehousing in the borough. It is considered that this can be delivered through renewals on existing industrial areas and potentially on sites of manufacturing decline as noted above.

Qualitative Factors

8.15 The above sections have reviewed the quantitative need for employment floorspace and supporting land in Surrey Heath to meet future needs. However, it is important to consider whether additional land or intervention is required to take account of qualitative factors. This may be to

- Improve the choice of provision for established businesses;
- Improve or modernise the quality of current provision and so help attract inward investment;
- Meet gaps in the supply of particular types of premises;
- Provide a spatial distribution of employment sites so that sites are located close to a labour supply.

Offices

- 8.16 The office market is concentrated in Camberley and some local business parks such as Watchmoor Park and Frimley Business Park. There is considered to be a limited availability of quality office stock in these locations of higher demand. Development of new Grade A stock speculatively is unlikely to come forward as viability remains marginal albeit there have been some rental increases as older stock dwindles through permitted development. There is also some remaining oversupply of older stock which does not meet market requirements or stock not in desirable locations reducing incentives for refurbishment.
- 8.17 The effect of permitted development on town centre locations has increased to the point where supply of secondary stock is overly constrained. This has reduced choice in particular for smaller or start up businesses seeking cheaper accommodation. There is a secondary effect on town centres where reduced day time footfall undermines vitality. Further prior approvals in the pipeline may exacerbate the issue.
- 8.18 Retention of existing accommodation or specific flexible provision of office and workspace to support smaller businesses and start ups should be considered to enhance the local economy.

Industrial

- 8.19 Demand remains for a range of industrial stock with availability low across the market place. New sites are being brought forward to meet demand and replace dilapidated premises. Demand is both for local businesses growing and some inward investment. Whilst there is a regional and national backdrop of decline in manufacturing there are some specific local businesses and sector strengths including supply chain which may stem forecast losses of floorspace. Ongoing protection, monitoring and management or regeneration of existing areas is appropriate.

Conclusions

- 8.20 Drawing on the labour demand and supply scenarios (the latter as an approximate midpoint between the two labour demand forecasts) it is suggested that the aggregate employment needs can be met through existing supply, subject to suitability of sites. This largely remains the case when taking into account the reuse of some vacant stock, windfalls and existing allocations, with a small surplus emerging. Such a surplus acts as a positive buffer and allows for economic growth as set out in the Borough's Economic Strategy, The completions trend (gross) points to an undersupply of land however patterns of use and economic structure are expected to change in the future and some sites

will allow for a recycling of land as indicated by net completions trends – for general industrial and warehousing in particular.

- 8.21 The aggregate needs are considered to mask the requirements of individual Use Classes. In terms of office floorspace in particular the OE forecasts suggest a shortfall of c8ha. Assuming a mid point between the forecasts, which broadly correlates with the labour supply position, the shortfall is c5ha or 25,000 sqm. In qualitative terms there is some surplus market stock which is older and has poorer accessibility and amenity proximity. However there is some shortfall in prime locations but more particularly in cheaper and smaller flexible accommodation to meet small and growing business needs. The effects of permitted development in urban areas have depleted stock that would otherwise have met this need and some market intervention may be appropriate.
- 8.22 For industrial stock there is considered to be an oversupply for the Plan period, more so for general industrial rather than warehousing. However this assumes that forecast job losses in manufacturing will lead to a corresponding floorspace decline. Total stock in Surrey Heath has seen little overall change in the last 15 years with an increase from 2008 now reversing whilst jobs have followed a similar trend. Despite a forecast for a small long term surplus, the current industrial market is tight with low vacancy and requirements across a range of units for local businesses. Renewals are taking place on existing industrial areas which suggests that protecting and managing estates would be an appropriate response including redevelopment for alternate employment uses such as storage and distribution, certain office developments, and small cluster/incubator units for developing micro businesses.

9 REVIEW OF THE CURRENT EMPLOYMENT SITES PORTFOLIO

- 9.1 This section summarises the characteristics of existing employment sites in Surrey Heath. This assessment is based on sites identified by the Council, which were then inspected and assessed by planning officers. It is important to note that some sites straddle two local authority areas; these include Frimley Business Park, which is partially located within Rushmoor Borough and Longcross which is partially located within Runnymede Borough. In such cases, only the area of these sites within Surrey Heath has been assessed or included as part of the land supply.
- 9.2 In total, 19 employment sites in Surrey Heath of more than 0.25 ha were identified and assessed, in accordance with the national Planning Practice Guidance. The majority of these sites form part of Surrey Heath's and the wider HRSF FEA's established employment areas and are allocated as such through existing local planning policies. Detailed site appraisals are contained in Appendix B.
- 9.3 As was agreed between the HRSF FEA authorities in the previous 2015 and 2016 ELRs, the Council has not used a scoring process as part of the appraisal process²⁴. Feedback from the consultation on methodology for the 2015 ELR pointed to the fact that scoring sites can be very subjective and does not in itself provide a complete picture of a site's role within the local economy. For example, if a scoring approach were to be used, a site that is important to meeting rural or local needs, or providing a location for bad neighbour uses, could receive a low qualitative score despite it being important to retain that site for these reasons.

Site Allocation Options

- 9.4 Using the evidence contained in this study, as part of the plan making process, Surrey Heath Borough Council may decide to select one of the following allocation options for each of the employment sites assessed in this study through its emerging Local Plan:
- 1. Allocate the site as a Strategic Employment Site through the emerging Local Plan.**
These are sites that are considered to fulfil a strategic function with the FEA and that have greatest alignment to the Enterprise M3 priority sectors. In addition, sites that support, or could support, the FEA's core sectors such as business services and industrial and distribution sectors located along the A331 / M3 corridor, would be included in this category.
 - 2. Allocate the site as a Locally Important Employment Site through the emerging Local Plan.**
These are sites that are not considered to fulfil the function of a Strategic Employment Site, but are recognised for the important role they play in servicing the local economy. Such sites

²⁴ A scoring approach was used in the 2009 ELR so the decision to not score sites is a change in methodology compared to that previously undertaken.

are generally smaller sites that provide locations to support local businesses or valuable ‘bad neighbour’ activities.

3. Allocate the site as either a Strategic or Locally Important Employment Site, but revise the site boundary through the emerging Local Plan.

In some instances (particularly on larger sites) the majority of the site fulfils a valuable role and is considered to fulfil the role as a either a Strategic or Locally Important Employment Site. However, part(s) of these larger sites may no longer meet the needs of the market; for example, the premises may have reached the end of their functional economic life, or non-employment uses may have established themselves in clusters on part(s) of the site. It could be concluded that some employment sites (in part or in full) are unlikely to continue to meet the needs of businesses and therefore the wider site boundaries may be revised to exclude these areas. Alternatively, the site may have expanded or there may be an adjoining area of land that would provide a suitable area for future employment use to meet economic development needs. In such cases, it could be necessary to revise site boundaries to include these areas.

4. Do not allocate the site through the emerging Local Plan.

Some sites that have been assessed are unlikely to continue to meet the needs of businesses and should therefore either be de-allocated as employment sites or not formally allocated through the emerging Local Plan. In addition, some sites may be so small in scale (given the 0.25 ha threshold) or fulfil such a distinct purpose (for example, being occupied by a single small business), that they may not have the appropriate characteristics to be considered as Employment Sites through emerging Local Plan.

9.5 Figure 9.1 provides a detailed list of the sites that have been assessed in this Study.

Figure 9.1 – Employment Sites Assessed

Site ref	Site Name	Site Size (ha)	Core Use
SH1	Admiralty Park	5.2	Light Industrial and warehousing
SH2	Albany Park	6.6	Light Industrial and warehousing
SH3	Bridge Trade & Industrial Park	2.1	Light Industrial
SH4	Camberley Town Centre	1.8	Offices / R&D
SH5	DERA, Longcross	8.6	Offices and warehousing
SH6	Eli Lilly	8.8	Offices / R&D
SH7	Fairoaks Airport	7.1	Light Industrial / Aviation
SH8	Former British Oxygen Company Site, Chertsey Road, Windlesham	8.4	Offices /R&D
SH9	Mytchett Place, Mytchett	2.0	Offices /R&D
SH10	Frimley Business Park*	5.5	Office Park / R&D
SH11	Linsford Business Centre	1.0	Offices and light Industrial
SH12	Lyon Way	10.4	Office Park, R&D, light industrial and warehousing

Site ref	Site Name	Site Size (ha)	Core Use
SH13	SC Johnson	8.3	Office and manufacturing – partially vacant
SH14	Sir William Siemens Square	3.1	Offices / R&D
SH15	St George’s Industrial Estate & Helix Business Park	3.0	Light Industrial and warehousing
SH16	Tanners Yard	0.32	Small-scale Office Park
SH17	The Deans & Queen Anne House	0.42	Offices – partially vacant
SH18	Watchmoor Business Park	11.4	Office Park
SH19	York Town Industrial Estate	37.0	Light industrial, industrial, offices and warehousing
		131.04	

***Frimley Business Park is located in both Rushmoor and Surrey Heath Boroughs. The area included in the table above is the part of the site within Surrey Heath Borough.**

Existing Employment Land

9.6 Figure 9.1 indicates that approximately **131.04 ha** of employment land exists in total across the 19 sites assessed as part of this study, although it is important to note that the amount of available or developable land remaining is considerably less with the majority of the sites being fully developed. This is reflected by the findings of Chapter 5, which indicates that -0.2 ha of employment land was recorded as being available for development in Surrey Heath in March 2019.

Conclusions

9.7 Overall, the assessments of existing sites indicate that Surrey Heath contains a broad range of employment sites of differing quality and type. The Borough contains a range of business park environments and well-established industrial estates in close proximity to the strategic highway network mostly in the Camberley and Frimley area, as well as more bespoke sites in rural locations, particularly in the east of the Borough.

9.8 Of the 19 sites assessed, 6 comprised industrial estates housing predominantly light industrial and warehousing uses, 4 were business parks housing predominantly office and research and development uses, and a further 6 were bespoke single occupier sites mostly containing offices and research and development uses. The remaining three sites included an cluster of office and research and development uses at Knoll Road in Camberley town centre, a small collection of office buildings at the edge of Bagshot District Centre, and a small rural business park near Mytchett containing a mix of office and light industrial uses.

- 9.9 The site assessments demonstrate that 12 (around 63%) of the sites assessed contain relatively high quality office or industrial stock, are located within a strategic position on the road and rail network, and/or are generally considered to be relatively high demand, attractive environments for businesses seeking to locate in the area. These sites either already support or are able to support the FEA's core sectors.
- 9.10 Findings from the site assessments also demonstrate that 6 (around 32%) of the sites assessed are smaller in size, situated in locations with less of a prominent frontage, and provide accommodation for smaller local businesses who do not require a large amount of floorspace at a prominent location. The remaining one site of the 19 assessed (around 5% of total sites assessed) is relatively small and dispersed, containing mostly offices, with a number that are vacant.

10 OVERALL CONCLUSIONS AND POLICY OPTIONS

10.1 This section draws together overall conclusions and considers appropriate policy approaches in relation to employment land for the emerging Local Plan in Surrey Heath, as well as other measures which may be required to support economic growth in the Borough and the wider HRSH Functional Economic Area.

Overview of the HRSH Functional Economic Area

10.2 The HRSH FEA has a successful economy that proved to be relatively resilient through the 2008-09 recession and the subsequent period of economic uncertainty. The FEA has a diverse business base in sectors requiring office, industrial and storage & distribution floorspace. Businesses range from SMEs (specifically in the rural parts of Hart District and Surrey Heath Borough) to headquarters of global companies. The FEA continues to attract inward investment, and speculative development of commercial floorspace has returned (albeit at a reduced scale in comparison to what was delivered prior to the economic downturn).

10.3 The FEA's distributed portfolio of employment land is not dominated by any particular sector, and this could reflect why the FEA proved relatively resilient during the economic downturn. The FEA has seen moderate levels of gross employment floorspace development over recent years, although this has been driven largely by completions of office space. The town of Farnborough in Rushmoor accommodates a substantial amount of office employment floorspace through a range of established business parks located adjacent, or in close proximity to, Farnborough Airport.

10.4 As the agricultural sector has continued to diversify, rural business space has become increasingly popular and in the past has delivered new employment floorspace in Hart and Surrey Heath, either in terms of conversion or new build. Such developments have been counted as windfall development, since the sites associated with these schemes have not been previously identified in Local Plans.

10.5 Demand for office accommodation in the FEA remains predominantly for quality Grade A stock in prominent, multi-occupancy, business park locations. The previous over-supply of lower grade office stock with relatively high vacancy rates has reduced, with an overall office vacancy rate of 5.9% in November 2019²⁵. This can principally be attributed to the conversion of such premises to residential accommodation, through the prior approvals process, as demonstrated in the employment commitments and completions information monitored by the local planning authorities²⁶.

²⁵ Information provided from Costar database

²⁶ Employment commitments and completions figures are available in the Authority Monitoring Report: <https://www.surreyheath.gov.uk/residents/planning/planning-policy/other-planning-documents/authority-monitoring-report>

- 10.6 The industrial property market experiences relatively low vacancy levels (between 2% and 5% of stock²⁷). However, the relatively high occupancy rates might limit natural churn in the local industrial property market and discourage the refurbishment of existing stock.

Overview of Surrey Heath

- 10.7 The scenarios considered in Sections 7 and 8 indicate the likely scale and type of growth arising from three different approaches to modelling Surrey Heath's future employment floorspace and land needs. The labour demand scenarios applying the Oxford Economics and Cambridge Econometrics jobs growth forecasts with local adjustment factors to reflect the pattern of development in Surrey Heath, the labour supply scenario at a mid-point of the Oxford and Cambridge forecasts, and past development rates scenario have been tested through the study against the level of supply. The previous sections have highlighted that in order to ensure a flexible and responsive policy framework, it will be necessary to not just focus on meeting forecast quantitative requirements, but also to consider the opportunities to meet the qualitative needs of both established businesses and inward investors.
- 10.8 Surrey Heath is expected to see relatively strong job growth in sectors requiring office floorspace up until 2037-40. The Borough has a small deficit of land to meet the needs of office occupiers based on extant permissions, land allocations, windfall sites and the assumption that some vacant office floorspace will come back into economic use. It is considered that there is limited availability of quality office stock in locations of higher demand such as Watchmoor Park, Frimley business Park and Camberley Town Centre. Accordingly, the focus of future policy for office uses should be on addressing a range of qualitative issues, such as protecting employment sites that provide office accommodation commensurate with their 'function', increasing the delivery of Grade A office stock at prominent and accessible office park locations, and supporting town centre regeneration proposals in Camberley.
- 10.9 The protection of existing office uses is likely to become increasingly important as the impact of permitted development rights becomes more apparent. Surrey Heath's employment monitoring data²⁸ demonstrates the loss of office floorspace as a direct result of permitted development rights. Whilst this has predominantly been limited to poorer quality stock, the monitoring data demonstrates there has more recently been prior approvals granted for the conversion of office to residential accommodation at business park sites including Watchmoor Park and Lyon Way. There is further concern that as permitted development rights have been made permanent this will substantially

²⁷ Costar database, November 2019

²⁸ Employment monitoring data is reported in the Authority Monitoring Report which is published annually:
<https://www.surreyheath.gov.uk/residents/planning/planning-policy/other-planning-documents/authority-monitoring-report>

reduce the stock of office space, in which case the balance between supply and demand will become more vulnerable. This situation should be monitored closely and on an ongoing basis.

- 10.10 In addition, as a result of permitted development in town centre locations decreasing the supply of secondary stock, the supply and choice of floorspace for smaller and start up businesses has been reduced. It is therefore necessary to encourage the retention of existing office accommodation and seek provision of flexible office and workspace development to enhance the local economy.
- 10.11 Surrey Heath contains a good supply of industrial floorspace concentrated in the borough's two largest settlements, Camberley and Frimley. However, there is a limited supply of vacant land and premises that in turn could be limiting the natural churn within the industrial property market and constrain the scope for land and property owners to refurbish stock to maintain market competitiveness and the appeal of the stock of industrial property.
- 10.12 Currently, demand remains for a range of industrial stock with availability low across the market place. Despite a decline in manufacturing at regional and national levels, there are some specific local businesses and sector strengths including supply chain which may stem forecast losses of floorspace. With limited availability of industrial stock in Surrey Heath, it is considered that the ongoing protection, monitoring and management or regeneration of existing areas is appropriate to support existing business sectors and provide flexibility for industrial needs up to 2037-40.
- 10.13 There are a number of potential options for how the supply of employment land in Surrey Heath could be maintained to meet identified needs and provide a degree of contingency supply. These include:
- providing appropriate protection for employment land through emerging Local Plan policies;
 - providing a policy framework that enables the intensification, upgrading and refurbishment of employment sites for more efficient use or to better meet the needs of the economy;
 - encouraging the development of vacant land at established employment sites to meet the identified local employment needs.
- 10.14 It is also important that the Council provides a range of affordable floorspace for small high growth start-up businesses, by:
- Seeking to resist the loss of premises that provide suitable accommodation for SMEs

- Seeking to provide smaller units within larger employment sites or mixed-use schemes that come forward
- Continuing to encourage farm diversification to provide a relatively small, but valuable, supply of employment floorspace to support SMEs and the wider rural economy

10.15 Surrey Heath Borough Council will need to continue to monitor the amount of new employment floorspace being delivered as well as the amount of employment floorspace being lost to alternative uses, including through conversions from employment to residential use through the prior approvals process.

Policy Options for the Emerging Local Plan

10.16 The scenarios considered in the previous sections indicate the broad scale and type of growth arising from different approaches and methods to forecasting Surrey Heath's future employment floorspace and land requirements up until 2037-40.

10.17 In the context of the National Planning Policy Framework, it is considered that emerging Local Plan policies should enable the employment land needs identified in section 7 of this study to be met over the plan period to ensure both Surrey Heath's and the FEA's economy is not constrained.

10.18 To ensure a flexible and responsive policy framework, it will be necessary not just to focus on meeting forecast quantitative requirements (which will vary over time), but to also consider the opportunities and risks that will result from particular policies.

10.19 The emerging Local Plan for Surrey Heath will need to determine which sites:

- to allocate or protect for employment development;
- to allocate or protect for employment development, with revisions to the boundary of the site, to take account of any areas not considered to contribute to the site's employment function;
- not to allocate for employment development either because the site does not fulfil a strategic or local function; and/or to balance the need for housing delivery against retaining allocations that do not meet a market need.

10.20 In making such decisions, regard should be had to:

- the local benefits of B-class sectors and the need to maintain a diversified and resilient economy that is open to growth and new economic opportunities as they arise (as envisaged by the NPPF);

- the economic and other outcomes if some sectors become constrained from expanding within Surrey Heath and the wider FEA;
- maintaining a supply of employment land to enable economic growth within Surrey Heath and the FEA up to 2037-40.

10.21 The emerging Local Plan will need to provide a framework that will deliver a choice of sites and locations to meet the needs of particular sectors and occupier needs in Surrey Heath.

10.22 Some further commentary is provided below on the approach and potential options for the different B-class uses.

General conclusions

10.23 The following are general conclusions concerning the policy approaches that could be followed by Surrey Heath Borough Council in developing the emerging Local Plan using the evidence contained in this study.

Conclusions relating to Office Uses

- **Upgrade existing office supply**

10.24 The upgrading and renewal of some of the existing office stock located at core office locations primarily in the west of Surrey Heath will provide an important contribution to meeting identified needs for office uses in the Borough. It will not only ensure that this space remains attractive to the market, but will also improve the overall quality of supply. This may comprise redevelopment, but qualitative improvements can be delivered through the refurbishment of existing buildings to a better standard.

- **Encourage the redevelopment and intensification of land at employment sites to meet the requirement for quality office stock:**

10.25 There are some modern business locations in Camberley and Frimley that are relatively attractive to the market. At some of these sites there is vacant or underutilised development land that could meet identified future needs for quality office floorspace in Surrey Heath, for example, land at Frimley Business Park and Lyon Way in Frimley.

- **Increase choice for smaller or start up businesses seeking cheaper accommodation:**

10.26 A shortfall in cheaper and smaller flexible accommodation to meet small and growing business needs has been identified. This has been exacerbated by the effects of permitted development in urban

areas, which has depleted stock that would otherwise have met this need. Provision of office and workspace to support smaller businesses and start ups is required through the retention of existing accommodation and provision of specific flexible office and workspace units either through redevelopment or intensification of development at existing employment sites.

Conclusions relating to Industrial uses

- **Ensure that core industrial areas are protected**

10.27 This Study has highlighted that there is demand for a range of industrial stock in Surrey Heath, with availability low across the market place. The importance of the FEA's industrial sectors is recognised at both the local level and sub-regional level (Enterprise M3 Local Enterprise Partnership). Specific local businesses and sector strengths in manufacturing have been identified in Surrey Heath, including supply chain which may stem forecast losses of floorspace. Accordingly, ongoing protection, monitoring and management of established industrial accommodation is appropriate through emerging Local Plan policies, to prevent them being lost to non-employment uses.

- **Encourage the refurbishment and redevelopment of industrial floorspace at established industrial employment areas**

10.28 The ongoing refurbishment and redevelopment of established industrial accommodation should be encouraged at employment sites in Surrey Heath, to meet demand and replace dilapidated premises where these exist. Better utilisation of the existing industrial stock could be achieved through gradual redevelopment and intensification of individual plots. Emerging Local Plan policies should therefore support the delivery of new industrial floorspace as replacement accommodation at existing industrial areas. Further qualitative improvements may also be delivered through the refurbishment of existing buildings and improvements to the surrounding environment, security and traffic management at larger sites.

10.29 Barriers to the refurbishment and redevelopment of industrial premises in Surrey Heath and the FEA include high occupancy and low vacancy rates making redevelopment opportunities rare, and viability considerations in the current market.

- **Enable the redevelopment of surplus industrial land for alternate employment uses, where appropriate, to meet identified needs**

Given that a long term decline is forecast in manufacturing, consideration should be given where appropriate to industrial sites being redeveloped for alternate employment uses. Such uses could

include storage and distribution warehousing, office development, and small cluster/incubator units for developing micro businesses.

Appendix A: FTE Equivalent Conversion Assumptions

CE Industry	OE Industry	B1a/b	B1c	B2	B8	NON-B
Agriculture , forestry & fishing	Crop and animal production, hunting					100%
	Forestry and logging					100%
	Fishing and aquaculture					100%
Mining & quarrying	Mining of coal and lignite					100%
	Extraction of crude petroleum					100%
	Mining of metal ores					100%
	Other mining and quarrying					100%
	Mining support service activities					100%
Food, drink & tobacco	Manufacture of food products			100%		
	Manufacture of beverages			100%		
	Manufacture of tobacco products			100%		
Textiles etc	Manufacture of textiles			100%		
	Manufacture of wearing apparel			100%		
	Manufacture of leather and related			100%		
Wood & paper	Manufacture of wood and of products			100%		
	Manufacture of paper and paper products			100%		
Printing & recording	Printing and reproduction of records			100%		
Coke & petroleum	Manufacture of coke and refined petrol			100%		
Chemicals	Manufacture of chemicals and chemicals			100%		
Pharmaceuticals	Manufacture of basic pharmaceutical			100%		
Non-metallic mineral products	Manufacture of rubber and plastic products			100%		
	Manufacture of other non-metallic minerals			100%		
Metals & metal products	Manufacture of basic metals			100%		
	Manufacture of fabricated metal products			100%		
Electronics	Manufacture of computer, electronic			100%		
Electrical equipment	Manufacture of electrical equipment			100%		
Machinery	Manufacture of machinery and equipment			100%		
Motor vehicles	Manufacture of motor vehicles, trailers			100%		
Other transport equipment	Manufacture of other transport equipment			100%		
Other manufacturing & repair	Manufacture of furniture			100%		
	Other manufacturing			100%		
	Repair and installation of machinery			100%		
Electricity & gas	Electricity, gas, steam and air conditioning	30%				70%
Water, sewerage & waste	Water collection, treatment and supply	30%				70%
	Sewerage	30%				70%
	Waste collection, treatment a	30%		70%		
	Remediation activities and other waste activities	30%		70%		
Construction	Construction of buildings	20%			5%	75%
	Civil engineering	20%			5%	75%
	Specialised construction activities	20%			5%	75%
Motor vehicles trade	Wholesale and retail trade and repairs			45%	10%	45%
Wholesale trade	Wholesale trade, except of motor vehicles			5%	90%	
Retail trade	Retail trade, except of motor vehicles					100%

Land transport	Land transport and transport via pipe	5%			30%	65%
Water transport	Water transport	5%			30%	65%
Air transport	Air transport	5%			30%	65%
Warehousing & postal	Warehousing and support activities	5%			90%	5%
	Postal and courier activities	5%			90%	5%
Accommodation	Accommodation					100%
Food & beverage services	Food and beverage service activities					100%
Media	Publishing activities	70%	20%	5%	5%	
	Motion picture, video and television	70%	20%	5%	5%	
	Programming and broadcasting activities	70%	20%	5%	5%	
IT services	Telecommunications	100%				
	Computer programming, consultancy	100%				
	Information service activities	100%				
Financial & insurance	Financial service activities	90%				10%
	Insurance, reinsurance and pension funds	90%				10%
	Activities auxiliary to financial services	90%				10%
Real estate	Real estate activities	80%				20%
Legal & accounting	Legal and accounting activities	100%				
Head offices & management consultancies	Activities of head offices	100%				
Architectural & engineering services	Architectural and engineering activities	100%				
Other professional services	Scientific research and development	100%				
	Advertising and market research	100%				
	Other professional, scientific	100%				
	Veterinary activities	100%				
Business support services	Rental and leasing activities	90%				10%
	Employment activities	90%				10%
	Travel agency, tour operator and other	90%				10%
	Security and investigation activities	90%				10%
	Services to buildings and landscape	90%				10%
	Office administrative, office support	90%				10%
Public Administration & Defence	Public administration and defence	50%				50%
Education	Education	10%				90%
Health	Human health activities	10%				90%
	Residential care activities	10%				90%
Residential & social	Residential care activities	10%				90%
	Social work activities	10%				90%
Arts	Creative, arts and entertainment activities	5%				95%
	Libraries, archives, museums and other	5%				95%
Recreational services	Gambling and betting activities	5%				95%
	Sports activities and amusement	5%				95%
Other services	Activities of membership organisation	15%				85%
	Repair of computers and personal	15%				85%
	Other personal service activities	15%				85%

Appendix B: Employment Site Assessments

Published as a separate document

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