

A Bilfinger Real Estate  
company



## Report

GVA  
10 Stratton Street  
London  
W1J 8JR

# Eastbourne Borough Council

## Employment Land Supplementary Evidence Report

November 2014

## Contents

- 1. INTRODUCTION.....3
- 2. THE PROVISION OF OFFICE FLOORSPACE.....6
- 3. THE PROTECTION OF INDUSTRIAL FLOORSPACE .....21
- 4. ALIGNMENT WITH NATIONAL PLANNING POLICY.....30
- 5. B CLASS ALLOCATION AT SOVEREIGN HARBOUR .....36

## 1. Introduction

- 1.1 Following publication of the draft Employment Land Local Plan (ELLP) and its supporting evidence base a number of representations have been received by the Council that seek to challenge the proposed policy position and/or seek further clarity as to the justification for and appropriateness of assumptions and analysis within the evidence base.
- 1.2 To enable the Council to positively respond to these representations GVA have been appointed to provide further analysis of the key issues raised and ensure the supporting evidence base is clearly articulated and robust in order to support the ELLP.
- 1.3 The supplementary advice and evidence is comprised of two components. Firstly this report considers the specific issues raised through the representations, providing additional data analysis and supporting information. Secondly, an updated version of the 2013 Employment Land Review (ELR) has been prepared, which corrects factual and numerical errors within the final report. It should be noted that none of the data or analysis in the ELR has been altered.
- 1.4 Representations have raised a number of issues which relate primarily to the two core markets within the borough, with issues relating to the existing and future provision of office and industrial floorspace. A third set of issues have been raised which related specifically to the allocation of employment land at Sovereign Harbour.
- 1.5 This report is structured to address each group of issues in turn, addressing the office market first, followed by industrial and finally considering Sovereign Harbour. Each section sets out the strategic and local market context then provides analysis of key data and trends before drawing conclusions.

### **The Appropriateness of Continuing to Protect Employment Land**

- 1.6 The over-arching purpose of this report is to provide further support for the ongoing protection of employment land through the ELLP, providing supplementary evidence to clarify and provide additional justification for the chosen approach to land identification and protection.
  - 1.7 Eastbourne Borough is a strategically important hub within East Sussex, acting as the southern anchor of an economic corridor that connects the key commercial locations within Eastbourne itself, Polegate and Hailsham. The corridor has been the
-

- 
- focus of economic and commercial development activity and provides strong connectivity in the East Sussex context.
- 1.8 As the major urban area within the corridor Eastbourne will remain a focal point for the corridor's economy, suggesting a range of spaces and locations will be required within the Borough to accommodate growth. The key to the corridor is the labour market access, therefore for Eastbourne to play a leading role new capacity will be required in existing locations and new places that can offer connections to centres of population.
- 1.9 The starting point for this report is the existing ELR which established that there was an evidenced requirement to both protect the existing employment land provision within the borough alongside the protection and promotion of B class employment within Eastbourne town centre and at the allocated, but undeveloped land, at Sovereign Harbour.
- 1.10 The ELR recognised that the unique context of the borough meant that employment land in Eastbourne is an extremely finite resource. A combination of a tight geographic boundary, large areas at high risk of flooding, considerable areas of landscape and open space designation and the relationship to the South Downs National Park limit the opportunity to allocate or develop new land.
- 1.11 As such, whilst it is recognised that some existing employment sites faces issues in terms of their stock quality the re-use of these sites through redevelopment and intensification in the future for B class employment will be vital for continued economic success.
- 1.12 Employment land capacity is already being challenged through a loss to higher value uses in out of town locations and increasing pressure for change of use through the extension of permitted development rights. While some change has been considered acceptable this erosion of capacity is unlikely to be sustainable over the plan period.
- 1.13 The ELR assessed the economic growth potential of the borough over the plan period to 2027, identifying that there will be an increased demand for employment land for B class uses resulting in a requirement of **39,572sqm** of additional employment floorspace.
- 1.14 Further confidence in this requirement can be drawn from the wider market performance in East Sussex which has demonstrated an established demand and private sector delivery of new space in similar contexts. A number of developments both in Eastbourne and more widely within neighbouring local authority areas such as Wealden and Hastings have been delivered by the private sector and attracted occupiers.
-

- 1.15 The analysis of existing supply also demonstrated a lack of choice within the property portfolio for all anticipated needs in the future. This lack of choice was identified to affect both the scale and nature of floorspace provided but also in terms of locations for particular activities.

---

## 2. The Provision of Office Floorspace

- 2.1 The representations to the ELLP consultation raise two core issues relating to the future plans for office provision within the borough. Firstly questions have been raised relating to the balance of provision for future office development within the Borough between the town centre and outside of town centre locations.
- 2.2 Secondly, the appropriateness of occupier density assumptions used within the ELR have been questioned, with representation feeling that space could be more efficiently used and employment could be accommodated within a smaller quantum of floorspace.
- 2.3 Within this section we address these issues. We start by providing a brief overview of the office market, which sets the context for providing new floorspace within the borough over the plan period.

### Office Market Context

- 2.4 In general, following a number of years of stagnation, the South East office market has shown signs of recovery and growth over the past 6-12 months, with increasing levels of demand and take up felt across the region.
- 2.5 Research published by BNP Paribas (Q2, 2014) suggests that rental values in the south M25 market have increased by 9% since 2012, reaching a level which exceeds peak rents achieved in 2008. Over the same period Knight Frank estimate that investment activity has reached a seven year high as yields have also improved.
- 2.6 In part this increase in value has been driven by a lack of supply as take up has remained consistently below trend. However, the three months to July 2014 have shown transaction levels increasing with quarter on quarter levels 12% higher in Q2 2014 (Colliers, 2014).
- 2.7 A restricted development pipeline and growing demand for space is leading to a fall in vacancy levels across the South East. The constrained supply in core market areas such as the Thames Valley has driven improvements in take up of space across the wider south east with a number of 'secondary' locations experiencing their highest levels of take up for two years.
- 2.8 Perception surveys undertaken by Deloitte suggest that business confidence growing with a much lower perception of economic uncertainty being reported and an increased appetite for risk and investment. This suggests that, following a period of cautiousness for occupiers, demand and take up will continue to rise primarily in the

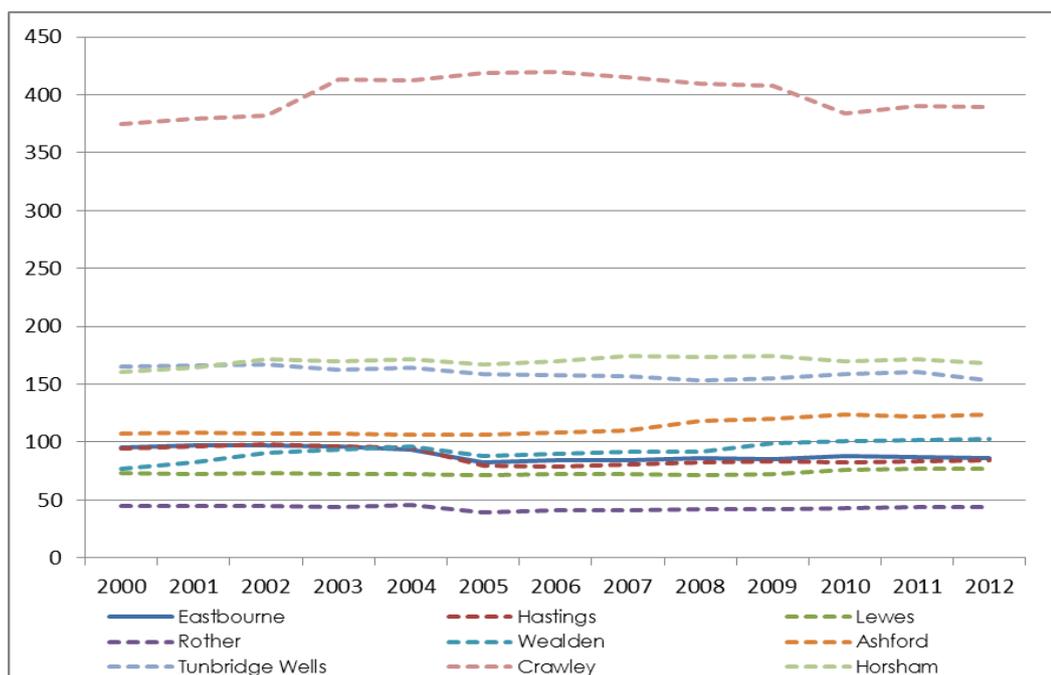
core locations but also creating a 'ripple effect' across the wider regions (Savills, 2014).

- 2.9 Research undertaken for the East Sussex Local Economic Assessment (LEA) highlights the competitive advantages and opportunities for the county within the commercial property market. It recognises the cost effectiveness of space when compared to the south east region alongside the presence of a number of sectors that will be important to the economic growth of the UK.
- 2.10 It suggests that these assets alongside improving infrastructure and a good quality of life provide a good basis for the County to improve its economic performance in the future. Eastbourne, within the Eastbourne-Polegate-Hailsham corridor, provides the combination of environment, labour force and market presence to continue to be the core focus for office activity in the future.

### Eastbourne Floorspace Trends

- 2.11 Looking more closely at provision within Eastbourne we see that the stock office floorspace has been relatively consistent since 2000 both in absolute and relative terms.
- 2.12 Drawing on data provided by the Valuation Office Agency (VOA) it is evident the Eastbourne has a relatively modest scale office market when considered alongside neighbouring or nearby local authority areas.

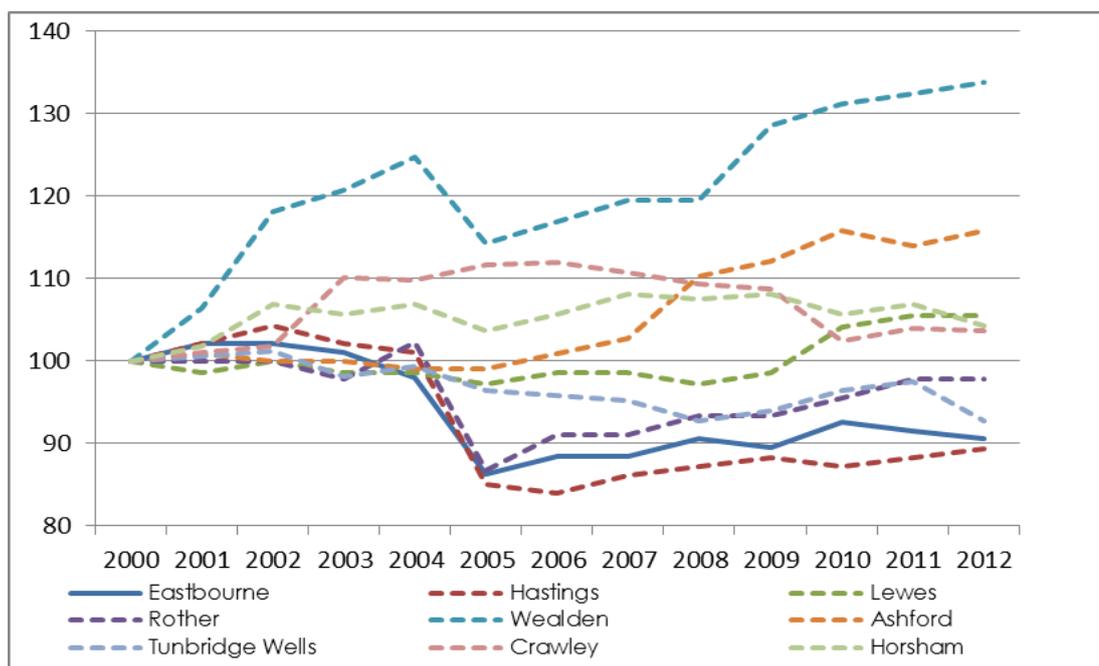
Figure 1 - Office Floorspace Stock



Source: VOA, 2014

- 2.13 As shown in Figure 1 the borough accommodated c. 86,000sqm of office floorspace in 2012 with only Rother, Lewes and Hastings providing less stock. By contrast, Wealden, Ashford and Tunbridge Wells all accommodate over 100,000sqm of floorspace.
- 2.14 There has been relatively little net change in floorspace over the period between 2000 and 2012, with stock decreasing by approximately 9% in total. However this long term change masks smaller fluctuations in which saw stock increase in the period to 2003 before falling to its lowest level (82,000sqm) in 2005. Since 2005 stock has grown albeit with a more recent loss of space (c.2,000sqm) between 2010 and 2012.
- 2.15 Eastbourne is one of only 4 local authority areas to have had a net loss of space over the period, the others being Hastings, Rother and Tunbridge Wells. Of these Hastings recorded the highest scale of loss at 11% of stock.
- 2.16 Analysis of the relative performance of the office stock suggests that whilst losses within Eastbourne have had a significant effect generally the market has performed in line with wider sub-regional market trends.

Figure 2 - Office Floorspace Relative Performance



- 2.17 Proportionally the losses of stock within Eastbourne have been more significant than in neighbouring areas, changing the relative position of Eastbourne within the market. However, as with a number of areas who experienced losses in the mid-2000's the market has shown signs of recovery with floorspace gains in the period to 2010.
- 2.18 Changes to the planning system introduced by the Government in May 2013 extended general permitted development rights to allow for the conversion of existing office premises into residential units. The purpose of the approach was to remove the need for planning permission and therefore reduce the overall cost of conversion, increasing delivery rates of new housing.
- 2.19 Whilst planning permission is not required developers are required to submit a Prior Approval Notice to the planning authority, enabling them to 'track' changes that are occurring. Almost 18 months after the legislation came into effect we are now seeing the first indicators of the impact of the change, with the Prior Approvals now providing some data to estimate the scale of the trend.
- 2.20 Since May 2013 there have been 12 Prior Approval Notifications submitted to the Council which, if delivered would see the loss of almost 5,500sqm of floorspace, over half the total loss of office floorspace recorded by the VOA between 2000 and 2012. The Annual Monitoring Report for the 2012-13 identifies a gross commitment of c.700sqm of B1a floorspace, suggesting that with the losses to other uses office supply in the borough will contract.

- 2.21 However, it is worth exercising a note of caution in extrapolating this data given it only reflects a short period of time and therefore a long term trend cannot be established. The permitted development rights are currently only extended for a 3 year period (assuming they do not become permanent following government consultation on the issue) as such a number of land owners may be seeking to establish the development principle before the deadline to protect their future options. If this is the case then the stock may not actually be converted and the capacity not lost.
- 2.22 The current data suggests this could be a factor in Eastbourne, with only 3 of the twelve notifications currently under-construction or completed, representing just under half the total floorspace 'at risk'.
- 2.23 Therefore, whilst there is a need to monitor the impact of conversion as more time passes and data becomes available the short run trend could suggest that a large replacement of stock (on an equal basis to losses) may not be required.
- 2.24 It is important to note that the approach taken within the ELR seeks to make allowances for losses of capacity through the redevelopment of stock through both extended permitted development rights and more traditional approaches to change of use.
- 2.25 By making allowances to offset 'windfall losses' and also provide some 'headroom' capacity within the demand forecast the ELR increases the overall requirement for office floorspace beyond that resulting from the employment growth forecasts.
- 2.26 This allowance has been based on the data available at the time of preparing the ELR, using the figures within the Annual Monitoring Reports prepared by EBC to establish a trend-based average stock loss per annum which was then aggregated for the plan period. The headroom allowance has then been made on top of this based on our estimation of what level of flexibility may be required and also deliverable to compensate for some future losses.
- 2.27 These allowances are made on the basis of ensuring there is sufficient capacity for economic growth in the future irrespective of location. As will be discussed in more detail in the following sections how this capacity is then distributed within the Borough is determined by our understanding of market requirements rather than solely seeking to redistribute space based on land availability.

## Providing a Choice of Office Locations

- 2.28 Clearly as a key town centre use there needs to be sufficient provision made within the town centre to maintain this function. However, in order to provide occupier

- 
- choice and broaden the range and type of stock available provision will also be required in out of town locations.
- 2.29 It would be undesirable to direct all future Grade A office development to the town centre as this is unlikely to provide the necessary choice or flexibility to respond to the market and accommodate any future development or occupier interest. Likewise a solely town centre approach would mean occupiers that do not rely on the wider benefits of a town centre location could also be 'lost'.
- 2.30 It is important to note that location decisions by investors and developers are unlikely to be 'sequential'. Those developers which are interested in developing outside of the town centre are unlikely to shift their focus towards the town centre purely on the grounds that sites are not allocated out of town.
- 2.31 The two locations are likely to attract different types of development and therefore different occupier interests. Rather than simply transfer investment towards the town centre, an out of centre occupier is more likely to consider opportunities in other local authority areas which meet their needs if land/space is not available within the town centre.
- 2.32 Occupiers are increasingly seeking to occupy space that reflects and enhances their image and brand and acts as a key component in attracting new employees. Hence there has been an increased focus on the look, feel, design and functioning of property and a subsequent increased requirement for new 'bespoke' space. As such, they will seek spaces that best reflect their operational and client needs.
- 2.33 A number of sectors for which the borough has growth potential will be attracted to the town centre, particularly activities such as professional/business services (legal and accounting activities for example) which require a 'front door' that is easily accessible for clients.
- 2.34 Similarly some 'creative' based sectors will also seek town centre locations to benefit from the wider amenity/leisure provision, which will appeal to staff, and ability to network with other similar businesses.
- 2.35 For these businesses, which will be more reliant on high quality broadband provision, the town centre will provide a further benefit as a location where high speed internet access is most likely to be provided (given the density of users). As such some will move to the town purely to benefit from these connections.
- 2.36 For Eastbourne town centre a further occupier driver will be the presence of core public transport services. Some businesses will seek rail access to London in particular and also other economic hubs in the area to access clients, staff or suppliers. These
-

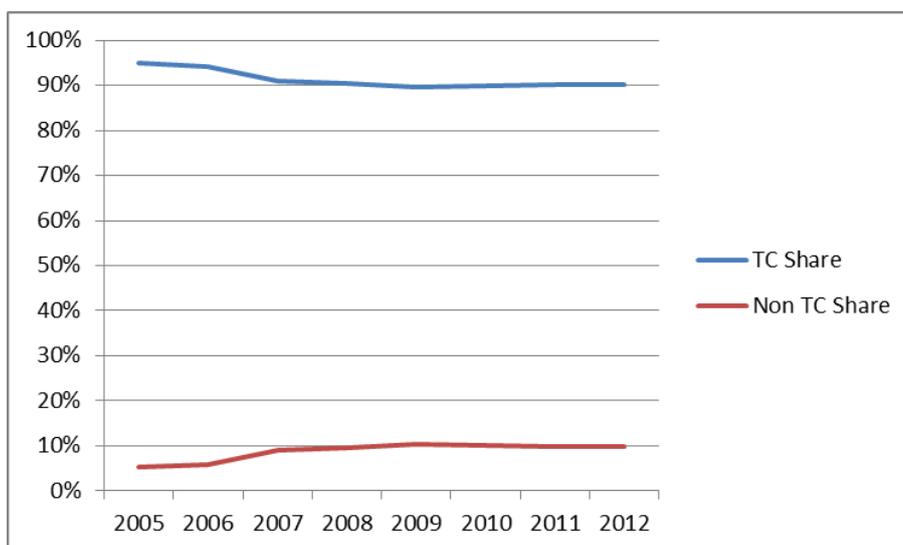
- 
- will be drawn to the town given it combines floorspace with direct access to the Station.
- 2.37 On the other hand some occupiers will not wish to be 'in town' on the grounds that it is perceived to be a more expensive option and they may suffer from wider challenges created by higher traffic levels, restricted parking regimes or lower security of premises outside of office hours.
- 2.38 For some business activities these factors are less critical and strategic road access for staff, parking, larger, self-contained floorplates and security will be a much more significant set of location drivers. This will be exacerbated for business activities, such as call centres, that do not require access to / from clients or other businesses.
- 2.39 Therefore it is important to ensure a balance can be struck, which maintains the vibrancy and vitality of the town centre but also provides stock choices.
- 2.40 This need to provide a range and choice of locations is supported by the NPPF which, whilst recognising office activity to be a key town centre use, does not limit future provision to within the town centre boundary. In Eastbourne's case the lack of any significant out of town office stock would suggest the 'sequential approach' can be over-ridden by a need to provide a different type of offer to meet the needs of identified future demand.
- 2.41 Indeed NPPF Paragraph 21 sets the direction for LPAs to identify strategic sites (or set criteria to identify them) for local and inward investment to meet "anticipated needs over the plan period". LPAs must also plan positively for the location and expansion of creative or high tech industries, and facilitate flexible working practices. The work undertaken to prepare the ELLP identified a lack of choice in the market, underlined by anecdotal reports of businesses already within the borough being unable to identify suitable new premises.
- 2.42 Paragraphs 7 and 17 of the NPPF establish that sufficient land of the right type must be available at the right time and in the right places in order to support growth and innovation. Accordingly, plans must take account of market signals, such as land prices, to ensure land is allocated which is suitable for development and meets the needs to businesses. Therefore, based on the evidence, it can be demonstrated that the 'right type' of land is not currently available through the town centre-orientated office supply and there is a need to diversify the portfolio.
- 2.43 This is further supported by the NPPG, which accepts that through the sequential approach, out-of-town locations can be appropriate where clearly justified on the basis of suitability, viability and availability of locations for main town centre use. It is our view that the NPPG approach is entirely consistent with the need to continue to provide capacity for office development outside of the town centre.
-

- 
- 2.44 More widely, there has been recognition in planning policy terms that unwavering protection of retail, and other town centre uses such as offices will not necessarily reverse the decline of town centres. A broader, market-driven approach has therefore been encouraged through amendments to permitted development rights enabling conversion to residential, and through policies advocating against long-term protection of employment sites without reasonable prospect of employment use (paragraph 22 of the NPPF).

## The Nature of the Eastbourne Office Market

- 2.45 The NPPF and NPPG are clear that the provision of out of town office floorspace is acceptable, particularly where it can be demonstrated that the existing portfolio of stock does not provide the range of spaces the market may require. This lack of choice relates to both the stock typologies available and the locations themselves.
- 2.46 The ELR and ELLP identified, through a site survey process, a need to 're-balance' the local office portfolio, encouraging the delivery of out of town office space to fill a key gap in the local offer.
- 2.47 The ELR was based on a qualitative assessment of stock provision and stopped short of identifying the 'share' of floorspace between town centre and out of centre provision within the borough. To fully understand the balance of space between the two areas in more detail we have reviewed floorspace data relating to office delivery.
- 2.48 As a starting point we have identified the share of office floorspace recorded by the VOA within the borough and how this is 'shared' between locations. The historic VOA data is available at the mid-layer super output area (MSOA) level, enabling headline stock data to be disaggregated to the sub-area level. The town centre is represented by the 5 MSOA's that best reflect the core town centre. Whilst these MSOAs cover an area slightly larger than the town centre boundary established within the Town Centre Local Plan (TCLP) they provide a 'best fit' which is appropriate for this analysis to capture the town centre office market.
- 2.49 The challenge with this data is that it only runs until 2008 and a similar dataset is not readily available for the remaining years. Therefore to provide a 'best estimate' of the stock profile since this change we have used data from the Council's planning application database (summarised within the AMRs) to establish how much office space has been delivered and lost each year, adding this to the total stock established through VOA to create an updated time series. Given the differing sources of data total stock may not align between the 'headline' VOA data presented above and the analysis below. This, in part, will also reflect changes to any individual rating assessments, which may deflate the VOA figures.

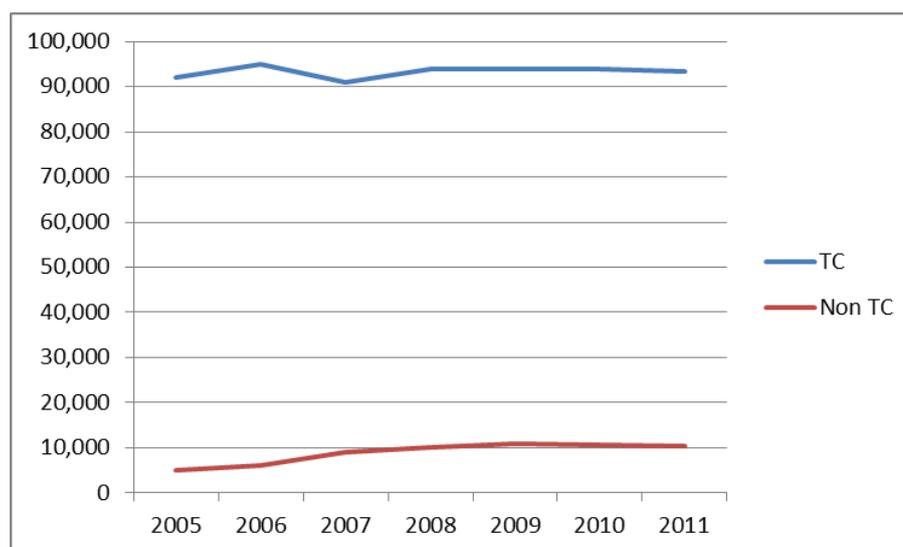
**Figure 3 – Proportional Share of Office Floorspace Provision**



2.50 As shown in Figure 2 the vast majority of office floorspace lies within the town centre, with an estimated 90% of total provision located within the 5 MSOAs that represented the town centre. It is noticeable that, over time there has been a slight shift in the balance between town and out of town provision, suggesting that there is a demand for space outside the town centre.

2.51 Over the period since 2005 the share of provision out of town has doubled, from 5% of total stock in 2005 to 10% in 2012. Importantly, as shown in Figure 4, this increasing share has not been driven by a loss of town centre capacity, but an increase in the amount of stock being delivered outside of the town.

**Figure 4 – Quantum of Office Floorspace Provision**



- 2.52 As commented above there has been a modest loss of space within the town centre, however this has been offset by almost 5,000sqm of new space being delivered outside of the town centre. It is this new stock delivery that has begun to 're-balance' the Eastbourne office market rather than major losses.
- 2.53 Whilst this data should be considered indicative it does highlight an important trend locally. There would appear to be demand for space outside of the town centre when it is delivered, however at present this may be being frustrated due to a lack of supply in the market. A ratio of floorspace of almost 9:1 between the town centre and out of town suggests that the borough has an unusual concentration of activity, which does not fully reflect or respond to market signals.
- 2.54 The impact of the Prior Approval Notifications on the balance of in and out of town provision is likely to be modest. Analysis of the data suggests that the changes of use may impact both locations, albeit the impact will be greater within the town centre.

**Table 1 - In and Out of Town Change of Use**

	Number of Notices	Office Floorspace lost (sqm)
Town Centre	7	4,715
Non Town Centre	5	768
Total	12	5,483

- 2.55 Given a lack of readily available and directly comparable data it is difficult to provide accurate comparators of stock share between locations in other local authority areas. However, in 2009 GVA did prepare an Employment Land Review Update for Maidstone Borough Council that considered the same issue. At the time the study estimated that approximately 70% of floorspace was within the town centre, and 30% out of town. Recommendations in that Study suggested that the 70:30 ratio be maintained to meet market requirements and provide the necessary choice within the market.
- 2.56 Clearly this provides a single, dated, example of alternative market shares and as such is of contextual interest but ultimately of limited value for making decisions for Eastbourne. Therefore to understand better market dynamics and whether the local market is 'unusual' we have compared actual market activity (drawn from the CoStar Focus database) across a range of towns within the wider market area to identify the shares of space transacted in and out of town centres.

- 2.57 Each town centre has been identified using Local Plan boundaries, with the non-town centre area drawn to reflect activity on the periphery of the urban area at a distance reflecting the relationship between Eastbourne town centre and the rest of the borough to ensure unequal geographic comparisons are not used.
- 2.58 As shown in Table 2 Eastbourne demonstrates the most significant concentration of activity within the town centre, with 78% of deals and 95% of all floorspace take up lying within the town centre.

**Table 2 - In and Out of Town Market Activity**

		No. Deals	Floorspace	Av. Rent	% Deals in TC	% Floorspace in TC
Eastbourne	TC	18	6,086	£67	78%	95%
	Non-TC	5	350	£159		
Ashford	TC	42	7,828	£163	48%	48%
	Non-TC	45	8,423	£135		
Lewes	TC	16	1,638	£176	46%	24%
	Non-TC	19	5,262	£103		
Crawley	TC	35	13,852	£136	32%	14%
	Non-TC	75	82,057	£165		
Hastings	TC	27	12,285	£50	69%	85%
	Non-TC	12	2,140	£172		
Hailsham	TC	8	1,186	£116	73%	73%
	Non-TC	3	438	£64		

- 2.59 It is noticeable that the 'larger' towns considered in the analysis tend to have a larger proportion of market activity outside of the town centre. This tends to reflect the relative scale of the town centre and out of town centre provision with towns like Crawley (Manor Royal), Ashford (Eureka Park) and Lewes (Brooks Road) all offering large edge or (or out of town) business park environments.
- 2.60 It is noticeable that in locations such as Eastbourne and Hastings, where there is less out of town space, the value difference between the two locations is considerable, again indicating that demand may be stronger than the current supply position.
- 2.61 The data also reinforces the relative scale of the Eastbourne office market within the Eastbourne-Polegate-Hailsham corridor, with significantly less office transactional activity within Hailsham and none recorded within Polegate.

## Future Changes

- 2.62 To understand whether the approach taken within the ELLP is appropriate in terms of the share of space delivered within and outside of the town centre and the ultimate 'portfolio' balance it would create we need to bring a number of the components considered above together.
- 2.63 By considering the current stock estimate and pending losses from Prior Approval Notifications alongside the demand forecast and site 'allocations' within the ELR it is possible to estimate the future balance between the town centre and out of centre locations.

**Table 3 – Future Provision Estimate**

	Town Centre	Non-Town Centre	Total
Stock Estimate	92,926	10,158	103,084
Prior Approval Losses	-4,715	-768	-5,483
ELR 'Allocations'	3,000	20,000	23,000
Total	91,211	29,390	120,601
Share	76%	24%	

- 2.64 As shown in Table 3 taking these factors into account the future share of provision would result in approximately three quarters of office floorspace being provided within the town centre. This would maintain the town centre as the core focus of the office market, but also create a greater level of choice for potential occupiers.
- 2.65 Clearly this analysis represents a 'static' analysis of a dynamic market and therefore the losses (in particular) are likely to fluctuate over time. However, given the long term trends in the Eastbourne office market and their impact on the in/out of town balance to date we would not expect these to considerably impact the predominant focus on the town centre in the future.

## Conclusions

- 2.66 Given our analysis of the office market and supply positions within Eastbourne it has become clear that provision is highly concentrated within the town centre, and this is markedly different from 'market norms' across the wider sub-region.
- 2.67 It is our experience, evidenced by market activity, that there is a need to provide choice within a market in order to capture economic interest and potential. This is critical given location decisions by investors and developers are unlikely to be 'sequential' given a number of key factors including:

- Developer and occupier audience different
- Provision of different stock typologies
- Seek different locational attributes
- Car parking
- Security
- Accessibility
- Cost
- Quality/nature of place

2.68 As noted, rather than simply shifting demand from out of centre to town centre locations occupiers and developers are more likely to move their activity to another location that is able to provide the sites or environment they require.

## An Appropriate Occupier Density

2.69 In assessing the amount of floorspace required to accommodate the forecast scale of employment growth within the Borough over the plan period the ELR used an office employment density of 12sqm per employee (NIA) to convert jobs into floorspace need. The ELR justified this on the grounds that the nature of growth within the Borough would not necessarily support greater space efficiencies (such as increased flexible working) which would result in a lower overall density.

2.70 The NPPF, NPPG and HCA Density Guide (2010) all recognise that employment densities vary by activity type and location, therefore a single density figure is not provided for each use class, allowing densities to be adjusted to reflect local circumstances.

2.71 The HCA Density Guide provides the core reference point for employment land calculations and this identifies a range of occupancy density for B1a accommodation of between 8sqm for a call centre and 47sqm for a data centre. The general office density is identified as 12sqm, which includes headquarters, administrative and client facing activities.

2.72 Despite the ELR using a density that aligns with government density guidance representations were made to the ELLP consultation challenging the use of 12sqm as an appropriate density, arguing that it did not reflect the ongoing space efficiency being achieved by a number of occupiers and suggesting that more efficient use of land could be used by planning future office stock at 10sqm per employee.

2.73 In order to understand whether this level of density would actually be achieved if policy were to be formulated based on an assumption of greater density we have

---

drawn on research undertaken by the British Council for Offices (BCO) and IPD in 2013 which looked specifically at office occupancy trends.

- 2.74 The BCO's 2013 Occupier Density Study surveyed the BCO membership to identify the relationship between floorspace provision and occupancy (in terms of employee numbers), this survey drew on occupiers themselves, building architects and building owners. Overall the sample consisted of 2.5mn sqm of floorspace across 381 properties, providing a base dataset that covered a wide range of stock types, ages and locations.
- 2.75 To supplement this sample-based approach the study also drew on data held by IPD, which again draws on information provided by occupiers. This comprised circa 8.5mn sqm of office floorspace shared almost equally between public and private sector occupiers. An additional perception survey was also completed to identify future trends.
- 2.76 Once the data had been collated it was analysed to identify trends by sector and geography. At the headline level the Study found that across the UK the mean density per workplace was 10.9sqm (NIA) with 38% of the sample properties being occupied at density below 10sqm and 58% occupied at a density between 10sqm and 12sqm.
- 2.77 For the South East region the average occupier density was calculated to be 12.7sqm (NIA), a lower density than achieved within Greater London which itself had an average of 11.3sqm (NIA). It appears from the data, and our wider experience in advising on office development, that higher densities (between 8 and 10 sqm) tend to mainly be achieved within Central London where the cost of floorspace and nature of business activity drives occupiers to increase efficiency.
- 2.78 The BCO also identified general occupier density by broad economic sector, breaking down the general trends to understand how certain activities utilise space.
- 2.79 The ELR identified a range of potential growth sectors within Eastbourne, highlighting the likely opportunity for office-based growth across primarily locally orientated professional services, technology and media and potentially smaller scale corporates. Whilst the public sector has contracted in recent years this was also seen as a long term opportunity.
- 2.80 Data from the BCO survey suggests that these sectors would operate at a range of densities:
- Corporate activity 13.1sqm;
  - Professional services 12.3sqm;

- 
- Public sector 12.1sqm; and
  - Technology, media and telecommunications 10.5sqm.
- 2.81 Based on these sectors (which most closely align to the ELR forecast) the average density for the borough would be 12sqm per employee, reflecting the average density achieved across the South East office market.
- 2.82 The study also suggests that whilst there have been recent trends of increasing density, principally driven by the need to reduce costs through the recession, occupier density has begun to plateau suggesting that for many occupiers there are no further opportunities for using space more efficiently.
- 2.83 However, the study recognises that this trend is not uniform across all actors and that individual circumstances will drive future changes of density. What is clear from the BCO study is that any 'general' trend such as this cannot be relied upon solely to provide a definitive indication of how occupiers may act in the future.
- 2.84 Overall, given this data we would suggest that the original ELR assumption of 12sqm per employee is an appropriate occupier density for planning purposes.
- 2.85 Within the local context it is also important to recognise that the ELR is tasked with forecasting demand based on an average occupier density across the whole Borough. This is likely to incorporate a range of office typologies from the higher density Innovation Mall through to lower density offices for professional service firms.
- 2.86 The potential development at Sovereign Harbour encapsulates this potential range of stock. Whilst the first phase of development will deliver the high density Innovation Mall (with an estimated job density of c.8sqm per employee) the remainder of the site is likely to be used for more generalised office stock, which will achieve a lower occupier density.
- 2.87 In any event it is likely that the actual occupier density of the Innovation Mall will be lower than the calculated from the gross job numbers. A key target of the Innovation Mall is to be a catalyst for jobs growth across the Borough, supporting business start-ups even if they do not permanently occupy space within the building. Some of these businesses will use co-working and hot-desking spaces within the Mall, whilst others may not access the Mall at all. Therefore the jobs within the building may be less than the total job impact, reducing occupier density below job density.
- 2.88 Given this unique dynamic of the Innovation Mall it would be inappropriate to base the Borough-wide forecast on such a specific density based on a 'non-typical' building typology.
-

---

## 3. The Protection of Industrial Floorspace

- 3.1 The second key issue raised in representations to the ELLP and also becoming manifest through planning applications, is the relevance and need for policies that protect existing industrial land exclusively for B Class uses.
- 3.2 As noted in the ELR there is a finite resource of developable land within the borough and therefore the retention and improvement of existing industrial estates and sites is vital to accommodate future employment growth. Whilst some losses have been permitted in the past capacity is now at a critical point and future losses could significantly harm the borough's future potential.

### Strategic Market Trends

- 3.3 The market for industrial property has shown signs of improvement in the last year with an improving economic outlook having a significant impact on occupier demand for industrial premises. This has created competition within the market and is driving a number of occupiers (particularly third party logistics operators) to acquire any available good quality stock to ensure they have the necessary operational capacity in the future.
- 3.4 This increased demand and known requirements within the market are outstripping the availability of good quality space, particularly in London and South East, where occupiers are reliant upon design and build opportunities. The knock on effect has been increased demand for development land in well located areas, with land prices increasing by an average of 3.5% over the first 6 months of 2014 (Source: GVA Industrial Intelligence Report, Autumn 2014).
- 3.5 Speculative development has therefore resumed, albeit on a relatively small scale, as site owners seek to capture some of the existing requirements within the market. This demand tends to be driven by distribution activity at a range of scales, including from online retailers and food retailer 'dark stores'.
- 3.6 Demand pressures are also impacting rental levels. The South East saw rental growth at 2.1% for the year to with forecasts suggesting this trend will continue next year, with rents expected to increase by a further 1.9% expected.

---

## The East Sussex Market

- 3.7 Whilst not considered a 'prime' location for these distribution activities the industrial market within East Sussex has shown considerable resilience during the recession and has, and continues, to deliver new floorspace in a number of locations.
- 3.8 The large industrial areas across the County have continued to perform relatively well, retaining occupiers and also delivering new or refurbished space. However, even smaller industrial estates or 'new' locations have accommodated new development. Particular strength and resilience has been demonstrated within the Eastbourne-Polegate-Hailsham corridor where vacancies have remained low and new development has been delivered.
- 3.9 The development of the Chaucer Business Park at Polegate demonstrates the nature of provision is being delivered by the private sector. The development is providing a range of Grade A industrial and warehouse units ranging in size from 200sqm to 1,500sqm.
- 3.10 The first phase of development has been completed and attracted a number of occupiers and achieving a rent of approximately £120/sqm. The site benefits from good access to the A22/A27 and is a redevelopment of a former industrial site, albeit some space is delivered on previously undeveloped sites.



- 3.11 Similarly a new industrial park has been developed on the outskirts of Hastings, with Northridge Industrial Estate forming redeveloping existing industrial land to provide

new, high quality floorspace. The estate forms part of the Ivyhouse Lane industrial area which provides a number of older industrial premises.

- 3.12 The new estate provides terraced industrial and warehouse units between 175 and 1,100sqm. These are of a lower specification than the space provided at Chaucer Business Park and are currently advertised at approximately £80/sqm.



- 3.13 These two examples alongside others such as the Atlas Industrial Park in Rye demonstrate that a market for light industrial premises exists across the County and that development can be delivered by the private sector through the re-use of brownfield sites.
- 3.14 These examples also highlight that development occurs in a range of locations, that those sites that are best connected to the main road network are not the only ones that can be delivered. Chaucer Business Park clearly benefits from its location at the junction of the A22 and A27 and this is reflected in the higher rents achieved here than other locations.
- 3.15 However, neither the Rye Harbour area nor the north east of Hastings are particularly strongly connected to the main trunk road network yet are proving relatively successful developments. What appears to be key is that the scale and specification of units is tailored to the needs of the local market. Both Atlas and Northridge offer lower specification units than Chaucer (for example) but have attracted occupiers.

- 3.16 It is this fine tuning of provision to the market it serves that is ensuring development 'viability', with values and specifications clearly inter-relating to attract occupiers. This successful approach adopted in these locations has been to provide new floorspace with a similar character to the wider existing provisions but upgrading the quality and attractiveness of the sites through redevelopment.

## The Eastbourne Market

- 3.17 As recognised within the ELR generally the industrial market within Eastbourne has been resilient with relatively low levels of vacancy and consistent levels of demand activity even through the recession.
- 3.18 Recent market performance suggests that where an appropriate offer is brought to market in the 'right' location and at a locally relevant price point then space is being let and that there is frustrated demand within the area.
- 3.19 Where good quality space has been provided in the borough it has tended to attract occupiers and has demonstrated the local markets ability to deliver, and occupy, new/refurbished floorspace. Despite there being relatively little new or refurbished space within Eastbourne take up between January 2008 and September 2014 has been relatively evenly split between new/refurbished space and second hand space.

**Table 4 - Take Up by Quality**

Industrial Floorspace Quality	Total Floorspace	Average Achieved Rent (£/sqm)
New or Refurbished	11,956	75
Second Hand	12,110	72

Source: CoStar Focus, 2014

- 3.20 As shown above data sourced from CoStar suggests that just under 12,000sqm of new floorspace has been demanded over the period since 2008 and just over 12,000sqm of second hand floorspace has been taken up.
- 3.21 Achieved rents for the new stock also appear to be higher, although the difference is relatively small. However, what is noticeable is that achieved rents for new space within Eastbourne are above those recorded for Northridge Industrial Estate in Hastings and Apex Industrial Park in Rye, suggesting that new development could be viable here. More detailed analysis of the viability of new industrial floorspace within Eastbourne has been provided in a separate report.
- 3.22 The recent development of, and demand for, refurbished/new employment floorspace on previously vacant sites or underutilised industrial sites has highlighted

- the opportunity that exists to re-use land within the borough for B class employment purposes.
- 3.23 The development of Southbourne Business Park within the Courtlands Road industrial area has delivered new, small light industrial units intensifying the employment use of a former Llewellyn's depot and storage yard. The development provides a type of space that complements the wider Courtlands Road offer in terms of light industrial floorspace and has attracted a number of engineering, storage and other industrial occupiers.
- 3.24 Since the first units were completed in 2006 the area has attracted a good occupancy rate and achieved rents in excess of £65/sqm.
- 3.25 More recently the Hammonds Drive Industrial Estate has seen new development proposals for the former White Knight Laundry site, which was previous in single occupation. The planning application for the site (approved in August 2013) provided for alterations to Units 1-3 Hammonds Drive (the existing White Knight Laundry) and erection of 9 new Class B1/B8 units approved ranging from 175sqm to 235sqm.
- 3.26 The site is still to be fully delivered however it has secured one 'pre-let' on a unit alongside the retention of some laundry activities. The site is being promoted as a 'fully managed' business park and space is currently being marketed as a pre-let opportunity at around £85/sqm, we understand secured rents are marginally below this quoting rent.



- 3.27 The ELR forecasts that the Eastbourne industrial market forecast is likely to continue to grow over plan period, requiring additional space to be provided. The ELR identified

- gap in the existing portfolio for flexible floorspace for advanced manufacturing/creative & tech based sectors and for good quality, managed SME workspace. This was identified as a key opportunity for securing the re-use and redevelopment of currently vacant or under-utilised sites over the plan period.
- 3.28 Confidence in the future demand for industrial floorspace has been underlined by inward investment enquiries received by Locate in East Sussex. This information indicates that they have been approached by five separate companies who are actively looking for space within the borough but currently are not able to secure the space they need.
- 3.29 These requirements would appear to be in addition to the requirements raised through the ELR process for a number of key local businesses were seeking to relocate within the Borough. Whilst these requirements were very much anecdotal, it would appear that there has been little movement of businesses since the ELR was completed and would suggest these requirements would still exist.

## Market View

- 3.30 In preparing this Report we have undertaken consultation with a small number of 'sub-regional' agents who are active within the Borough and have an 'up to date' understanding of demand and supply dynamics.
- 3.31 Overall the impression was that the industrial market is starting to improve, with a clear preference being shown for smaller units resulting in a decrease in the amount of industrial stock available. This demand was further evidenced by the speculative developments occurring within the Eastbourne and Polegate area at the former White Knight site and Chaucer Business Park.
- 3.32 It was recognised that Eastbourne operates within a market that includes Polegate, where demand was viewed to be particularly strong. Of the 80,000 sqft of floorspace permitted at Chaucer 16,000 sq ft has been delivered of which c.80% occupied, and phase 2 is about to commence (due to complete in Q1 2015). Occupiers at Chaucer tend to be local businesses looking for light industrial/warehouse type space, and include a mix of owner occupiers and tenants.
- 3.33 Interest in the new build stock is linked to the flexibility of the stock, as well as low maintenance costs, quality, amenities and availability of parking. Good transport links were also important, suggesting a focus on the Eastbourne-Polegate-Halisham corridor, which whilst having poor connectivity compared to the wider south east well connected compared to other local areas.

- 3.34 There are also some noticeable 'inward investment' trends driven by locational strengths which have led to some businesses moving from locations such as Brighton to take advantage of the road links, they were also attracted by the availability of freehold units (which are limited in other parts of E. Sussex).
- 3.35 New stock has proved to be more resilient during recession, with demand for the 1970s/80s units which makes up the majority of stock in Eastbourne, falling further. Rents and capital values for this type of stock are now back at pre-recession levels, and are considerably higher than older second hand stock. Indicative values are set out below:

**Table 5 – Indicative Market Rents by Stock age**

	White Knight (new)	5-10 Years Old	30 Years Old
Rent (£psf)	£8.5	7.5	5.5
Capital value (psf)	£125	100	70
Cap Rate	14.7	13.3	12.7
Yield (%)	6.8	7.5	7.9

- 3.36 Future prospects were also felt to be good, based on the presence of some unique economic activities. For example it was felt the established pump industry sector in the area, which operates on a national scale, including advising NASA –was a key source of demand and growth in the future.

## The Former Cosmetica Site

- 3.37 Specific representations have been made to the ELLP relating to the future use of the former Cosmetica industrial unit and site on Faraday Close, within the Hampden Park area of the borough. Following the ELLP consultation a planning application has been submitted for the site seeking to deliver a new Aldi foodstore.
- 3.38 The planning application and ELLP representations have focussed on the fact that the current site and building has been vacant for approximately 5 years since the previous occupied went out of business. The planning statement argues that there has been little demonstrable appetite shown by the market for its re-use as a B class employment site given the current building is outmoded, unsuitable for future economic use and uneconomic to adapt to modern standards. The applicant highlights that permission was granted in 2009 for the unit to be sub-divided into smaller units, but this was not taken forward.
- 3.39 As such, despite "continued marketing" the applicant argues that no viable B class use can be found for the site and therefore an alternative form of employment

- 
- generating use (i.e. a foodstore) is the “only genuine and deliverable scheme for the site”.
- 3.40 It is not contested that the current building occupying the site is of a defunct typology, nor that it is unlikely to meet the needs of future business activity. Indeed, the ELR recognises the need for the site to be redeveloped and the opportunity this presents to intensify employment activity within the Hampden Park area.
- 3.41 Having considered the former Cosmetics site in the light of the successful industrial developments elsewhere in Eastbourne and the East Sussex market more widely it would appear to offer a number of the same attributes to sites that have been redeveloped to provide more modern business accommodation.
- 3.42 Whilst each site will clearly have its own considerations broadly the site offers a number of characteristics that, over the plan period, would be likely to support the re-use as a B class employment location, including:
- The established commercial nature of the surrounding area;
  - The relative strength of the surrounding commercial proposition;
  - The ability to deliver a new access directly to Lottbridge Drive;
  - The visibility of the site from the main access to Eastbourne; and
  - Its proximity to Hampden Park Station.
- 3.43 The evidence provided within the planning application outlines the marketing approach to the site this suggests that, in the main the site has been promoted as part of a wider portfolio of sites acquired by the current owner. The proactive marketing techniques appear to have been employed when the site first became vacant (2008/09) at the height of the recession.
- 3.44 Tingley Commercial, as retained agents for the site, and Thorneycroft undertook some direct marketing via promotion of the portfolio to businesses within the areas sites were located. For Eastbourne this entailed ‘cold-calling’ businesses that employed between one and fifteen people over a period of 6 months. The site was also promoted via the Thorneycroft website and Tingley’s introduced it to companies in their database who had a known interest in properties in Eastbourne.
- 3.45 The property details were also circulated to all ‘local’ and West End agents via a ‘clearing house’ service, this advertised the leasehold and freehold availability of the existing and/or refurbished units. There appears to have been no formal or structure approach to marketing the site at the regional or national level and no clear evidence of ‘advertising’ its availability through the usual industry outlets such as Estates Gazette and Property Week or online commercial property sites such as CoStar.
-

- 3.46 Since 2009 it appears little marketing activity has taken place despite new owners purchasing the site in 2012, a sign board has remained in place on Faraday. Since the new owners took control of the site both JLL and Strutt and Parker have been involved in discussions regarding the future demand for the site, however no guide to the outputs from these discussions have been forthcoming.
- 3.47 The major challenge with the marketing approach outlined within the planning application is whether it fully explored the full range of options for future use of the site for B class activity, as stated in the Planning Statement itself. The approach appears to have focussed on either letting the building in its current form, which the applicant themselves admit is not appropriate. Or by undertaking a sub-division and refurbishment approach, which is likely to create lower quality space than other developments in the area.
- 3.48 From the details provided the site has never been fully promoted as a wholesale development opportunity nor has the potential for a purpose built light industrial scheme been actively explored. This would appear to be a missed opportunity given the delivery of other, former single occupier sites, within the East Sussex market.

---

## 4. Alignment with National Planning Policy

- 4.1 The production of the NPPF in 2011 was intended to set economic growth at the heart of future planning decisions, ensuring that the country had the capacity and opportunity to accommodate future business requirements.
- 4.2 Paragraphs 7 & 17 of the NPPF state that the distribution of development land for business should have the right types of land available in the right places at the right time to meet occupier requirements suggesting that a portfolio of sites and premises is needed over the longer term. This is taken forward within paragraph 21 which instructs LPAs to identify strategic sites (or set criteria to identify them) for local and inward investment to meet “anticipated needs over the plan period”.
- 4.3 However Para. 22 advocates the release of allocated employment sites where there is no reasonable prospect of them being used for employment purposes and that applications for alternative uses of land or buildings should be treated on their merits having regard to market signals and the relative need for different land uses.
- 4.4 Whilst in the strictest sense paragraph 22 should be only be viewed in context that it is written (i.e. to inform plan-making and creation of policy) in reality the ability to demonstrate a reasonable prospect (or otherwise) of being used for employment purposes has become a key test for planning applications.
- 4.5 Therefore, the retention of employment land designations for B class uses should be considered in the context of evidenced “anticipated needs” over the full plan period rather than as a reactive to short term or immediate market conditions.
- 4.6 This is an important distinction in planning terms given that employment land is always likely to generate a land value that is below other potential uses and will therefore always be under pressure for redevelopment. It is not the purpose of the plan making process to maximise the value of all sites and land within an area. Instead, as the NPPF establishes, it is the purpose of the plan making process to ensure there is sufficient capacity for all anticipated needs.
- 4.7 Given the demand forecast within the ELR establish a likely quantitative and qualitative future requirement for additional B class floorspace it is reasonable to conclude, given a lack of alternate land resource, that existing sites will play a significant role in meeting this future need.
- 4.8 Provided wider growth needs can be met using other land resources there is no over-riding rationale in planning policy terms to surrender employment land when it can be demonstrated, both in market terms and through forecasting the scale and nature of growth, that the capacity will be needed for economic purposes.

- 
- 4.9 As stated previously it is accepted within the ELR that a number of buildings within the borough were unlikely to be suitable to meet all future needs, however this does not mean that the employment land and sites themselves are redundant over the life of the plan. Indeed, the majority of the sites within the borough provide the attributes necessary for them to continue to be attractive locations for businesses in the future in the local context.
- 4.10 With identified needs, demonstrated market delivery locally and within the market more widely, a lack of additional room for growth and strong locational attributes of existing employment land, it seems appropriate to consider there is more than a “reasonable prospect” of the sites being utilised over the full plan period.

### The Robustness of the ELR Approach

- 4.11 Representations to the ELLP have raised a number of procedural points relating to the nature ELR process and its alignment with national guidance. It is worth noting that the ELR was completed before the publication of the NPPG, therefore the overarching guidance for the ELR came from the 2004 DCLG publication and the strategic direction set by the NPPF.
- 4.12 Despite being published prior to the NPPG the approach and methods used to complete the ELR can be seen to be broadly in line with the recommended approach to assessing future requirements through the use of locally relevant forecasts and in terms of the site assessment process.
- 4.13 In terms of assessing the ‘needs’ for “economic development” the NPPG outlines the following recommended (albeit not compulsory) factors should be considered:
- **Recent pattern of employment land losses** – which the ELR considers through the site assessments both in terms of parts of designated sites no longer in B class use and those sites that have been removed from the portfolio and therefore not included in the assessment. The scale of losses forms the basis of the analysis of the need for churn and windfall losses using data from the Council’s AMR;
  - **Market intelligence** – which has been incorporated through a review of transaction and vacancy data held by CoStar and Focus, as well as consulting local property agents, land owners and economic development professionals;
  - **Market signals** – which have been reviewed through the tracking of market data over time, the review of existing sites and analysis of planning permissions and new development;
  - **Other relevant information** – which has been included through use of wider market data, research and engagement with local stakeholders;

- 
- **The existing stock** – which has been reviewed by onsite survey;
  - **The locational and premises requirements of particular types of businesses** – the business types have been identified via a locally relevant sector based forecast, and the land/premises/locational needs of these established drawing on our professional experience; and
  - **Identification of oversupply/market failure** – demand forecasts have been compared to the supply of land and floorspace and appropriate allocations made to meet this need in order to avoid any oversupply over the plan period.
- 4.14 The NPPG provides little direction as the scope and nature of engagement and consultation required to undertake an assessment of employment land requirements however it is clearly desirable to work with local stakeholders to ensure the ELR is grounded in the local economy and market and relevant to future local economic potential.
- 4.15 The ELR sought to engage with key local stakeholders in the form of relevant public sector bodies (including the Borough Council planning and economic development teams, SeaChange Sussex, Locate in East Sussex, East Sussex County Council), business representatives (through the local Chamber of Commerce and the LEP), and also with commercial property agents. Land owners and their representatives were also engaged.
- 4.16 Engagement was undertaken through three methods:
- Face to face meetings with local authority officers and two landowners;
  - Telephone meetings with property agents and SeaChange; and
  - An employment land workshop held at the Town Hall on 5th June to which all identified stakeholders were invited.
- 4.17 Invites to the workshop were sent by post and email to the organisations listed below, those who attended the session are highlighted:

**Table 6 - ELR Workshop Invitees**

Alfa Laval	National Westminster
Barclays	Newey & Eyre
Be Powerplay	Peugeot
Birchwood Motor Group	Picross Precision Engineering Ltd
BOC Edwards	Reid & Dean
Brewers	Richard Maile
Caffyns	Ross & Co
Clarke Roofing Southern Ltd	Royal Bank of Scotland
Colbran & Wingrove	Secret Garden
Compton Estate	Smith & Ouzman Ltd
DB Auto Repairs Ltd	Carillion (for Sovereign Harbour Ltd)
Eastbourne & District Chamber	Spitfire Architectural
Eastbourne Car Auctions Ltd	Stephen Lloyd
Ellis Building Contractors Ltd	Stile Harold Williams
Federation of Small Businesses	Sussex Downs College
Gardners Books Ltd	Sussex Police
GPS Direct	Teale Planning
HMD Seal/Less Pumps	TEVA UK Ltd
Hobbs Recovery Services Ltd	Tingley Commercial
Hotchkiss Ltd	University of Brighton
HSBC	Veritek
John D Clarke	West End Studios
Lloyds Bank	White Knight Laundry
Manor Creative	Yeomans Toyota
Mercedes Benz	RGP Ltd

- 4.18 Where requested individual meetings were arranged and held with stakeholders. Following the workshop presentation slides and an attendance list were circulated to all attendees given their stated desire to continue a dialogue relating to employment matters.

## Assessing Town Centre Opportunities

- 4.19 A further critique of the ELR approach has been the assessment undertaken to support the provision of 3,000sqm of office floorspace within the town centre. In part this issue was raised in relation to the balance of in/out of town provision and whether the ELLP and ELR approach was out of conformity within the NPPF. Consideration of this issue is contained within Section 2 of this report.
- 4.20 The second part of the criticism was whether the ELR approach provided a sufficient consideration of the capacity for office development within the town centre given it focussed on the assessment of Development Opportunity Areas within the draft TCLP.

- 4.21 It is worth recognising that the approach to employment land studies is not the same as the more extensive land availability assessments undertaken for housing provision. Despite the NPPG bringing together housing and employment land assessments it is recognised that such comprehensive 'trawls' or site searches are not required for employment land given the more fixed occupier and businesses requirement.
- 4.22 As an accepted 'town centre' use there is a different purpose for an employment land review in assessing office provision than in identifying land outside of the town centre. The purpose of an employment land review in a town centre situation is more focussed on the appropriate balance and range within the whole portfolio rather than identifying sites per se. It is assumed, in general, that office activity would be acceptable in any location within the town centre therefore allocating and defining sites is less necessary.
- 4.23 Given the complex relationship between different uses within a town centre site identification in an employment land review is likely to be a fruitless task if areas of change are not identified. Given established town centre uses it is not appropriate to earmark sites for change if they are active or have not demonstrated a market demand for change. This is unlike 'out of town' employment land where, if new sites are required, there is a clear rationale for identifying sites based on both the quantum of space and the site attributes.
- 4.24 Therefore, in assessing Eastbourne town centre the focus has been on understanding where office space is understood to potentially come forward and how these best meet the needs of office actors. It is accepted that this is not an exact science but, based on our experience of advising commercial occupiers and developers we believe it is appropriate to consider sites against certain criteria. As identified within the ELR for Eastbourne, as we have in other locations, these sites have been considered in terms of:
- Site area and shape – both the size and shape influence the attractiveness of the site to developers. Size is clearly important to enable a suitable scale of building to be accommodated alongside associated servicing, parking and landscaping space. Shape is also important (particularly on smaller sites) as irregular shaped plots reduce the ability to deliver the 'regular' floorplates that businesses seek or that are easily sub-divided to make smaller suites. The development of regular shaped buildings also helps to reduce development complexity and hence cost;
  - Neighbouring uses – influence the attractiveness of sites for office use positively and negatively. Provision of 'amenity' uses in close proximity will support development, however if an area has a single, dominant land use it may deter office development. In these areas the office will struggle to establish a presence and may be impacted by neighbouring uses through noise and other 'bad neighbour' activity;

- Access to public transport – as a key consideration for occupiers to both access clients and markets (particularly London) and to provide travel choice for staff; and
  - Parking provision – will be important as part of the offer to employees. With limited public transport penetration to some of Eastbourne’s workforces car accessibility will continue to be an influential consideration, particularly if alternative provision is made out of town with parking on site. This may not necessarily need to be made on site in the town centre but, where it is off-site, office stock should be closely aligned to existing public car park provision. Potentially, the Council could seek to ‘incentivise’ parking charges within their car parks to encourage office occupiers.
- 4.25 The review of Development Opportunity Sites within the ELR is intended to identify the ‘hierarchy’ of potential sites in the town centre for office use based on a market orientated view of their attractiveness. We do not rule out any of the sites per se, but suggest those that are likely to be most appropriate and attractive to the market. In line with the direction of the NPPF, office proposals, should they come forward on any site, will be assessed in the usual development control manner for acceptable town centre uses. The identification of the DOS 2 and 3 is intended to provide a strategic direction for promotion of town centre opportunities.
- 4.26 Given the qualitative need for Eastbourne to diversify its office stock and market (as discussed in Section 2) the ability for the town centre to accommodate more stock does not automatically lead to a lowering of the need to deliver space in other places. As set out in the NPPG and NPPF future supply should meet both a quantitative and qualitative need and, as established through this report and the ELR, there is a clear qualitative need for the Borough to provide out of town space to meet local economic needs.

---

## 5. B Class Allocation at Sovereign Harbour

- 5.1 The representations to the ELLP questioned the appropriateness of the continued allocation of B class land at Sovereign Harbour. Despite the reduction in the scale of the allocation from 30,000sqm to 20,000sqm of B1 activity representations argued that development of B class employment space was not viable in and of itself and that the delivery of a publicly funded Innovation Mall on part of the site would mean commercial development was not achievable.
- 5.2 We consider each of these issues in turn.

### The Viability of Development at Sovereign Harbour

- 5.3 In order to test the potential viability of commercial development at Sovereign Harbour, we have appraised the development outputs and assumptions explained below using a development appraisal approach. This effectively follows the residual valuation method, whereby:

#### **Gross Development Value - Gross Costs incl. Profit = Residual Value**

- 5.4 This is a relatively 'simple' appraisal model, but provides a sufficiently robust understanding of high level viability for planning policy purposes. It should be recognised that under the guidance of the NPPF and NPPG it is the purpose of planning policy to be based on a scheme that is likely to be viable over the plan period and therefore demonstrates a 'reasonable prospect' of delivery. It is not the purpose of the planning system to maximise the value of each site, but ensure that all property and land requirements can be met and delivered over the plan period.
- 5.5 The model is based on a number of assumptions relating to the costs and values of the proposed development. At present the model is based on a number of industry standard sources and also the market assessment and business plan that has underpinned the Innovation Mall Growing Places Fund Bid, which has been considered sound by both East Sussex County Council and DCLG.
- 5.6 Development cost levels have been drawn from the Building Cost Information Service (BCIS), which is produced by RICS and 'localises' standard construction costs for different project types to reflect local circumstance. For this assessment we have a base construction cost of £1,400/sqm (£130/sqft), in line with BCIS assumptions for Grade A space in the Eastbourne market.
- 5.7 Clearly costs may vary depending on the quality and level of building fit out, however using this 'upper level' value provides a strong basis for understanding development

viability and may provide some contingency for dealing with any abnormal costs. However, this would need further detailed testing once details of the scale and nature of abnormal costs are known.

- 5.8 Alongside the construction costs we have included the following 'industry standard' variable costs:

**Table 7 - Development Costs Assumptions**

	Assumption	Base
Contingency	5%	on build cost
Professional Fees	8%	on build cost
Sales, marketing and legal fees	4%	on development value
Profit	20%	on build cost
Finance	8%	of build costs

- 5.9 Drawing on the successful Innovation Mall GPF bid, and the accompanying marketing report, we have assumed that the market would support an achieved rent of £183/sqm (£17/sqft). To assess the residual value of the scheme we have assumed a yield of 7.5%, again consistent with the assessment of the Innovation Mall.
- 5.10 Using these cost and value assumptions we have tested the headline relationship between them in delivering the 20,000sqm (NIA) office space allocation proposed within the ELLP.

**Table 8 - Development Costs Assumptions**

		Value	Cost
Development Value	Rent	£183/sqm	
	Yield	7.5%	
	<b>Capital Value</b>	<b>£48,796,800</b>	
Development Cost	Construction Cost		£35,263,724
	Contingency		£1,763,186
	Professional Fees		£2,821,098
	Sales, marketing and legal fees		£1,951,872
	Profit		£7,052,745
	Finance		£2,821,098
	<b>Total Costs</b>		<b>£51,673,723</b>
<b>Residual Value</b>		<b>-£2,876,923</b>	

- 5.11 At present, there is a negative residual value, representing 5.6% of development costs and 6% of development value. This would suggest that immediate delivery of commercial floorspace may be challenged. However we believe that, based on our understanding and experience of the catalytic effect small business workspace and innovation centres can have on the property market, this relationship could be greatly enhanced.
- 5.12 We have undertaken a sensitivity analysis to understand the impacts of differences in the core construction costs and rent levels on the viability of development at Sovereign Harbour. This shows, a percentage, the residual value achieved by each combination of build and rent levels.

**Table 9 – Sensitivity Analysis**

Rent £psf	Build Costs (£psf)				
	110.00	120.00	130.00	140.00	150.00
12.50	-4.82%	-12.61%	-19.25%	-24.97%	-29.95%
14.00	6.27%	-2.34%	-9.70%	-16.06%	-21.60%
15.50	17.27%	7.80%	-0.25%	-7.22%	-13.30%
17.00	20.00%	17.88%	9.10%	1.54%	-5.07%
18.50	20.00%	20.00%	18.39%	10.21%	3.08%
20.00	20.00%	20.00%	20.00%	18.83%	11.17%
21.50	20.00%	20.00%	20.00%	20.00%	19.22%

- 5.13 Whilst the above analysis is strategic it does suggest that a 'viable' development could be achieved as a result of higher rents or reduced construction costs. The ability to achieve a positive value even at higher construction cost levels (albeit requiring higher rents) indicates that there is an opportunity for higher 'abnormal' costs to be overcome.

## Innovation Centres and Market Delivery

- 5.14 The second issue relating to the achievability of employment floorspace development at Sovereign Harbour has been the current development of an Innovation Mall by SeaChange Sussex, funded by the public sector through the Growing Places Fund.
- 5.15 In summary the representations contend that the provision of 'subsidised' workspace will make it more difficult to deliver space on commercial terms at Sovereign Harbour as significant constraints will still need to be overcome as a cost to the development. Therefore rents will necessarily need to be high, and at a premium compared to the Innovation Mall, making it even more challenging to attract occupiers.

- 
- 5.16 It would appear that whilst there is clearly a benefit to the first phase of development being publicly funded there is a flaw in ascertaining that this will necessarily lead to commercial floorspace being uncompetitive. There is a significant weight of evidence that the contrary is true, that the presence of publicly funded innovation centres can help to establish new commercial locations and offer, particularly where locations don't have an established market presence or where new economic sectors are being encouraged.
- 5.17 It is worth noting that, despite the public subsidy for the construction of the building there is no indication in the available information to suggest that the Innovation Mall would be let on subsidised terms. The business plan underpinning the proposal has been based on achieving a rent of 17/sqft (circa £180/sqm) excluding service charge.
- 5.18 This is significantly above the average achieved rent within the borough, which our analysis of deal data indicates is approximately £11/sqft (£118/sqm). Clearly this value reflects the predominant second character and nature of the office stock supply within Eastbourne and therefore does not accurately reflect the potential rents that could be achieved for new, high quality stock. The ELR noted rents in the region of £14.50/sqft (£156/sqm) had been achieved in the town centre for good quality refurbished stock (Ivy House); this suggests a higher rent level for new space is not likely to be unachievable.
- 5.19 Whilst the Growing Places Fund money is provided by the public sector unlike previous funding programmes it has been set up as a revolving fund, essentially providing a loan to SeaChange which will have to be repaid. The GPF funding bid for the Mall is intended to overcome the issue of weak mainstream commercial lending to bring the development forward and, whilst they accept a lower return on investment, SeaChange's business model for the Mall is consistent with any other property developer.

#### Publicly Funded Innovation Centres are Catalyst for Growth

- 5.20 In many locations across the UK it has become established practice for public funded SME space to 'lead' or support new commercial districts and offers. These are often used to 'pump prime' locations in advance of future deliver on commercial market terms. They act as a 'proof of concept' in many cases, attracting and growing SMEs that creates a level of interest and activity that, over time, can secure further business activity.
- 5.21 The major mixed use development of the Old Vinyl Factory in Hayes presents a similar model to the one proposed for Sovereign Harbour. Cathedral Group has secured significant funding through the London LEP to deliver a "Central Research Lab"

- 
- effectively a shared workspace for start-up modern manufacturing businesses. The Lab will provide a mixture of individual workspaces and shared machinery to support small batch production and prototyping to support a new generation of business activity in this isolated part of London.
- 5.22 The vision proposed by Cathedral Group is that the Lab will provide an early phase of a much more significant commercial district within the development, the rest of which will be delivered and let on market terms. The Lab is seen as critical to kick starting demand for commercial space in the area given there has been no major economic activity locally since the cessation of manufacturing by HMV.
- 5.23 Other examples include the LDA funded Sustainable Industries Park, which in its early phases saw infrastructure provision, site remediation and floorspace supported by public sector grants and loans. This has established a base for green technology businesses (principally within waste and energy) with space now delivered by private sector investors and developers.
- 5.24 Outside of London publicly funded and supported innovation centres play a similar role to the examples highlighted above but are also utilised to broaden the economic impact of existing sectors, economic assets and major actors.
- 5.25 SEEDA and Medway Council funded the delivery of the Medway Innovation Centre at Rochester Airfield, seeking to enhance the level of advanced manufacturing activity within the area building on the skills and knowledge provided by BAE Systems research capabilities. The Innovation Centre is now seen as a catalyst for further commercial development at the airfield as the Council develops a wider masterplan to support the delivery of 'mainstream' commercial floorspace.
- 5.26 Similarly the Innovation Centre allied to Silverstone Circuit has been a critical first stage in growing a cluster of High Performance Engineering and Elite Motorsport activities in South Northamptonshire. The Centre provides bespoke workspace for HPE businesses and has demonstrated the scale of the potential market in this sector.
- 5.27 Following the adoption of a Masterplan for the circuit site by South Northants Council which set out the vision for a larger cluster the site has been acquired by MEPC who have permission to deliver over 200,000sqm of commercial floorspace principally for engineering businesses.
- 5.28 Clearly these two sites in particular benefit from existing economic assets that do not exist at Sovereign Harbour however, similar to Sovereign Harbour, neither had significant profile as commercial business locations with their character defined by the non-market activities they accommodated. It is the presence of publicly funded innovation centres that have 'opened up' the area to further, commercially led, development
-

### Publicly Funded Workspace Complements Commercial Development

- 5.29 Even in areas where there is a long established commercial track record in delivering business floorspace the presence of publicly funded small business and start up space is seen as complementary and co-exist as part of a single commercial district.
- 5.30 These offers can vary significantly, from the types of specialised innovation centres discussed above through to more general serviced and shared office spaces. The London and the South East has seen a number of these centres delivered, largely within established commercial districts, as shown in the summary table below.

Table 10 - Publicly Funded Workspace

Public Sector led Innovation Centre	Location	Type	Other Information
<b>Sustainable Industries Park</b>	Choats Road, Barking, Dagenham	Cleantech business park	75,000sqm of land with infrastructure to support BREEAM Excellent business space. £10.3 million was committed by the Mayor for the works programme
<b>Basepoint Evesham</b>	Vale Park, Evesham	Mix of office and business incubator units	Located within Vale Park Business Centre (aka Vale Park West), which is a 40 acre business park providing new production, distribution and office buildings
<b>Hastings Innovation Centre</b>	St Leonards-On-Sea, East Sussex	Office and workshop units for up to 70 companies	Located on Churchfields Industrial Estate, which is North-West edge of Hastings
<b>Basepoint Business Centre</b>	Folkestone	Open plan modern offices	Located within Shearway Business Park - 25 acre business park adjacent to Junction 13 of M20 - includes mix of offic, warehouse and industrial units as well as National Fitness Centre Operator
<b>Hatfield Incubation Centre</b>	Maclaurin Buidling, Hatfield Business Park	Mixed commercial	Located within Hatfield Business Park, Hatfield, Hertfordshire - 3.5million sq ft bespoke business space
<b>Basepoint Winchester</b>	Winnall Valley Road, Winchester, Hampshire	Flexible office space - 65 self contained units	City location on Winnall Valley Road, which has a number of B class uses in close proximity to the site
<b>Basepoint Southampton</b>	Andersons Road, Southampton	Range of office, workshop and studio units (affordable business units)	Located in a 'progressive new commercial area' close to the city centre

- 5.31 The delivery of new workspace in Hastings using a range of public funding has been seen as a key mechanism for driving economic recovery and growth within the town. There are a number of developments which have both established new markets in the area as well as attracting activity to existing estates.
- 5.32 Within the town centre the delivery of Priory Square utilised public funding to deliver a new office quarter, however the units themselves are let at market rates within the town and are now setting the 'peak' rents within the market. This indicates that far from creating challenges in letting space at market rents publicly funded space can help to support and improve the rental profile of an area, improving the viability position in areas with a weak market.
- 5.33 Elsewhere the funding of small managed workspaces complements the wider offer and aims of more comprehensive business districts, working in tandem to provide a

type of space that is not always commercially viable given the likely fluctuation in occupancy. However they are generally seen as valuable given they can support the 'next generation' of occupiers within locations, increasing demand and stabilising (or increasing) rents over time.

## Conclusions

- 5.34 The residual value of commercial development at Sovereign Harbour today suggests that delivery would be challenged, with current values and costs leading to a negative residual value.
- 5.35 However, it is likely that this represents a worst case scenario as currently there is no proven track record of commercial activity at Sovereign Harbour or high quality commercial B1 delivery within Eastbourne more widely, therefore values are likely to be suppressed.
- 5.36 However, as has been experienced in a number of locations, the delivery of the Innovation Mall can begin to address some of these weaknesses, creating a catalyst for economic activity in the area and driving up demand and hence prices. This will have the potential to both increase achieved rents but also reduce the risk of investment, allowing yields to tighten, delivering an improved capital value of development.
- 5.37 Our review of the headline viability suggests that increasing rents by 7% (a rise from the assumed £183/sqm to £195/sqm) would shift the value to cost relationship sufficiently to create a positive residual value.
- 5.38 Similarly, by proving the market in this area and reducing yields to 7% from the assumed 7.5% would also shift the balance to a positive residual value.