Nathaniel Lichfield & Partners
Planning. Design. Economics.

Lewes Employment Land Review

Update 2012

Lewes District Council

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FINAL REPORT

Nathaniel Lichfield & Partners
14 Regent's Wharf
All Saints Street
London N1 9RL

nlpplanning.com

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Registered Office:
14 Regent's Wharf
All Saints Street
London N1 9RL

1.0 Introduction

1.1 This brief report summarises the key findings from a partial update, carried out in 2012 by Nathaniel Lichfield & Partners (NLP), of the Lewes District Employment Land Review (ELR), which was also prepared by NLP and published in 2010 and covered the period up to 2026.

1.2 The need to update the previous ELR partly reflects a much weaker and more fragile recovery from recession in the UK and a poorer economic outlook than was anticipated in 2010. In addition, revised occupation densities for employment space were published by HCA/OffPAT in late 2010 and these could affect the amounts of employment space required in Lewes District in future. Lastly, for the Local Plan process, employment space requirements are now required up to 2031.

1.3 The sections of the ELR which have been updated are:

a forecasts of future requirements

b the demand/supply Balance and the amounts/types of employment sites required to meet future requirements.

1.4 No update was undertaken on the quality of existing employment sites but the latest amount of available employment land supply has been updated to reflect the Council's 2010-11 Annual Monitoring Report. No new estimates have been made for future requirements for Non B Class uses. In addition, in estimating future land requirements, account has been taken in broad terms of any major development proposals or allocations in adjoining districts.

2.0 Future Requirements

2.1 Two broad approaches were used to update future employment land needs:

a using forecasts of employment growth in the main B class and other employment generating sectors provided by Experian in spring 2012;

b projecting forward past trends in completions of employment space, with adjustments to reflect these rates changing in future.

Employment growth

2.2 The Experian forecasts of employment growth by sector used here reflect projections at regional level, and how economic sectors in Lewes District have fared relative to the region's growth in the past.

Baseline Job Growth Estimate

2.3 The projected job change in the B Class sectors up to 2031 is shown on Table 2.1 below and indicates a reduction of 28 jobs over the next 19 years,

significantly lower than the 2010 ELR forecast of a 574 job increase in an 18 year period to 2026. This reflects significant job losses forecast in manufacturing and minor losses in warehousing being only partly offset by job gains in office based jobs. The current forecast also indicates total job growth of 2,830 jobs across the local economy as a whole, again lower than the figure of almost 3,700 jobs in the 2010 ELR (Table 2.2).

Table 2.1: Forecast Employment Change in Lewes District 2012-2031

	of Jobs		Change
	2012	2031	2012 2031
Manufacturing (B1c/B2)*	4,367	3,674	-693
Distribution (B8)**	1,865	1,835	-30
Offices (B1a/b)***	4,618	5,313	695
Total B-class Jobs	**10,850**	**10,822**	**-28**
Jobs in All Sectors	**35,600**	**38,432**	**2,832**

Source: Experian / NLP analysis

Table 2.2: Projected Employment Change in Lewes District (2010 ELR and 2012 Update)

	ob Change	
	2010 ELR (2008 26)	2012 forecasts (2012 31)
Total B-class Jobs	**574**	**-28**
Jobs in All Sectors	**3,699**	**2,832**

Source: NLP analysis

Higher Job Growth in Offices

2.4 The baseline employment growth forecast above represent a conservative outlook for financial and business services taking into account the current very weak growth since the recession. It is possible that recovery will be stronger in the longer term, and that these types of services will grow more significantly than anticipated within the forecasts. An alternative scenario therefore uses the same forecasts for industrial space as the baseline forecast but assumes office job growth will be 20% higher.

Conversion to Space Requirement

2.5 Both these updated job growth scenarios for Lewes District were then converted to future employment space requirements assuming typical ratios of jobs to floorspace for the different B uses. The most recent ratios provided by HCA/OffPAT in December 2010 were used but adjusted to reflect gross external floorspace. These ratios were:

a 1 job per 43 m^2 gross for manufacturing space.

b 1 job per 65 m^2 for general, smaller scale warehousing, with large scale, strategic units assumed to be unlikely in Lewes.

c a general office space ratio of 1 job per 12.5 m^2 applied to business and financial services jobs.

2.6 These new ratios are much higher for offices and lower for industrial uses than those used in the 2010 ELR.

2.7 In addition, where job change is forecast to be negative, the floorspace loss associated with this is reduced by half. This is to reflect the fact that, in many cases, a firm can shed workers while continuing to operate in exactly the same building. Lastly, 10% is added to all positive floorspace requirements to reflect a normal level of vacancy in this new employment space. This results in the following estimates of B Class space required by 2031.

Table 2.3: Job Forecast based Net Employment Space Requirements, 2012-2031

	2031	
	Baseline Job Growth Estimate (m^2)	**Higher Job Growth in Offices (m^2)**
Manufacturing (B1c/B2)	-14,900	-14,900
Distribution (B8)	-980	-980
Offices (B1a/b)	9,560	11,470
Total B-class Space	**-6,320**	**-4,410**

Source: NLP Analysis * figures rounded

Safety margin

2.8 To estimate the overall requirement of employment space that should be planned for in allocating sites, and to give some flexibility of provision, it is normal to add an allowance as a safety margin for factors such as delays in some sites coming forward for development.

2.9 Based on earlier guidance on employment land assessments, an allowance equivalent to the average time for a site to gain planning permission and be developed, typically about two years, has been used. For industrial space, this is based on past annual net take-up of 3,600 m^2. For offices, recent net completions between 2007-11 were negative so that an average of the two strongest years of completions (2007/08 and 2009-10) has been used instead; this was equivalent to 400 m^2 per annum. Note that no safety margin is added when a negative requirement is initially estimated.

Replacement of losses

2.10 To convert the net requirement of employment space into a gross requirement (the amount of employment space or land to be allocated), an allowance is also

typically made for some replacement of losses of existing employment space that may be developed for other, non B Class uses. This is important also to ensure the current stock is modernised and firms have premises to move to during this process.

2.11 Whilst recorded losses of employment space in Lewes District in recent years has been relatively high at approximately 6,600 m^2 p.a., not all losses need to be replaced as some will be part of restructuring in the economy. It appears appropriate to allow for a fairly modest replacement allowance amounting to 1,000 m^2 p.a., equating to 19,000 m^2 over the study period, 10% of which would be office space to reflect past patterns of losses. This is the same level of allowance made in the 2010 ELR.

2.12 Taking account of these additional allowances, the resulting gross employment space requirements over the next 19 years to 2031 are summarised in Table 2.4 below. Floorspace requirements were converted into an indicative land requirement by applying these plot ratios – 0.4 for industrial uses, 0.8 for business park offices and 2.0 for town centre offices - with 80% of office space assumed to be located within business parks.

Table 2.4: Job Forecast based Gross Employment Space and Land Requirements, 2012-2031

	2012 2031			
	Baseline Job Growth Estimate (m^2)	Enhanced Demand for Offices (m^2)	Baseline Job Growth Estimate (ha)	Enhanced Demand for Offices (ha)
Industrial space (B1c/B2/B8)	1,220	1,220	0.3	0.3
Offices (B1a/b)	12,260	14,170	1.3	1.6
Total B-class Space/land	**13,480**	**15,390**	**1.6**	**1.9**

* Figures rounded

Past Take-up Based Estimates

2.13 The other main approach to estimating future requirements assumes that future development rates carry on at a rate similar to the long term average achieved in the past, with adjustments to reflect a different future outlook if necessary.

Continuing Past Trends

2.14 Based on Council monitoring data, past completion rates for B Class space in Lewes District between 2007-11 averaged 3,600 m^2 p.a. for industrial space and -360 m^2 p.a. for office space in net terms. These figures differ significantly from those used in the 2010 ELR in which, because data on completions was not available for more than two years, VOA data on changes in employment floorspace over the period 2000-08 were used.

2.15 Nevertheless, if it were to be assumed that the past completion rates achieved in Lewes District between 2007-11 simply continued at a similar rate in the period 2012 - 2031, this would equate to a requirement for 68,400 m^2 of industrial space and a reduction of 6,840 m^2 in office space.

2.16 Because this estimate is based on only the four year period of completions for which detailed completions data is available and much of it covered a period of recession or a stalled property market, it may be regarded as unduly pessimistic as the basis for future planning.

Longer Trend Growth

2.17 To provide a more optimistic, and potentially more realistic, scenario in terms of office space, past completion rates used in the 2010 ELR (1998-2008) were considered as an alternative estimate of future employment space requirements. These figures covered a longer and slightly different economic period with higher levels of office development/take-up, recording positive net completions of 670 m^2 p.a. for B1a offices. However, this was a relatively buoyant economic period which may also not necessarily reflect the impacts of the current economic downturn or longer term trends towards higher occupancy that could reduce future demand for office space. For this update, therefore, the 2010 ELR annual take-up figure for office space was reduced from 670 to 500 m^2 to reflect the changed economic outlook.

2.18 For industrial space, the net completion rate from the 2010 ELR (1,900 m^2 p.a.) was also used although this was much lower than that achieved between 2007-11. The results of projecting forward these completion rates to 2031 are set out in Table 2.5.

Table 2.5: Past Take-Up based Net Employment Space Requirements, 2012-2031

	ends Continue		Longer Trend Growth	
	Assumed Take up p.a. (m^2)	Requirement to 2031 (m^2)	Assumed Take up p.a. (m^2)	Requirement to 2031 (m^2)
Industrial (B1c/B2/B8)	3,600	68,400	1,900	36,100
Offices (B1a/b)	-360	-6,840	500	9,500
Total B-class Space	**3,240**	**61,560**	**2,400**	**45,600**

Source: NLP Analysis

2.19 As with the employment growth approach, a safety margin has been added equivalent to two years of net completions to allow for factors such as delays in sites coming forward for development. An allowance is also made for replacement of losses of B class employment space amounting to 1,000 m^2 p.a., 10% of which would be for office space.

2.20 For the two estimates based on past development trends, the resulting gross employment space requirements over the next 19 years to 2031 are summarised below (Table 2.6).

Table 2.6: Gross Employment Space and Land Requirements, 2012-2031 based on Past Take-Up

	2012 2031			
	Past Trends Continue (m^2)	Longer Trend Growth (m^2)	Recent Trends Continue (ha)	Longer Trend Growth (ha)
Industrial space (B1c/B2/B8)	92,700	60,400	23.2	15.1
Offices (B1a/b)	-4,940	12,200	-0.5	1.3
Total B-class Space	**87,760**	**72,600**	**22.7**	**16.4**

2.21 The estimate based on past trends continuing indicates a need for approximately 88,000 m^2 of employment space by 2031, a figure more than six times higher than that estimated using the baseline job forecasts. This is predominantly for industrial space with a negative office space requirement.

2.22 The above trend growth estimate indicates a need for nearly 73,000 m^2 of employment space by 2031, some 17% lower than the past trends continuing figure, but in contrast includes a significant positive requirement for office space (12,200 m^2).

Range of Requirements

2.23 Drawing together all the estimates from different approaches/growth scenarios, the range of future requirements is summarised in Table 2.7 below.

Table 2.7: Gross Employment Space Requirements: All Scenarios, 2012-2031

	1. Baseline Job Growth Estimate (m^2)	2. Enhanced Demand for Offices (m^2)	3. Recent Trends Continue (m^2)	4. Longer Trend Completions (m^2)
Industrial (B1c/B2/B8)	1,220	1,220	92,700	60,400
Offices (B1a/b)	12,260	14,170	-4,940	12,200
Total B-class Floorspace	**13,480**	**15,390**	**87,760**	**72,600**

2.24 Table 2.8 below summarises the position in terms of requirements for land, rather than floorspace.

Table 2.8: Gross Employment Land Requirements: All Scenarios, 2012-2031

	1. Baseline Job Growth Estimate (ha)	2. Enhanced Demand for Offices (ha)	3. Past Trends Continue (ha)	4. Longer Trend Completions (ha)
Industrial (B1c/B2/B8)	0.3	0.3	23.2	15.1
Offices (B1a/b)	1.3	1.6	-0.5	1.3
Total B-class Land	**1.6**	**1.9**	**22.7**	**16.4**

2.25 The range of estimates is quite wide. It could be argued that estimate 3, based on recent take-up rates during a period of property slump, underestimates future potential in the District, particularly for office space, and is less suitable as the basis for future planning.

2.26 These estimates are also significantly different from the 2010 ELR estimates although it is difficult to compare them directly since they cover different time periods and use different assumptions. One of the scenarios (no. 4) was also developed on a different basis. Table 2.9 and Figure 2.1 allow a broad comparison between the current estimates and those in 2010, while Table 2.10 provides an annual average requirement.

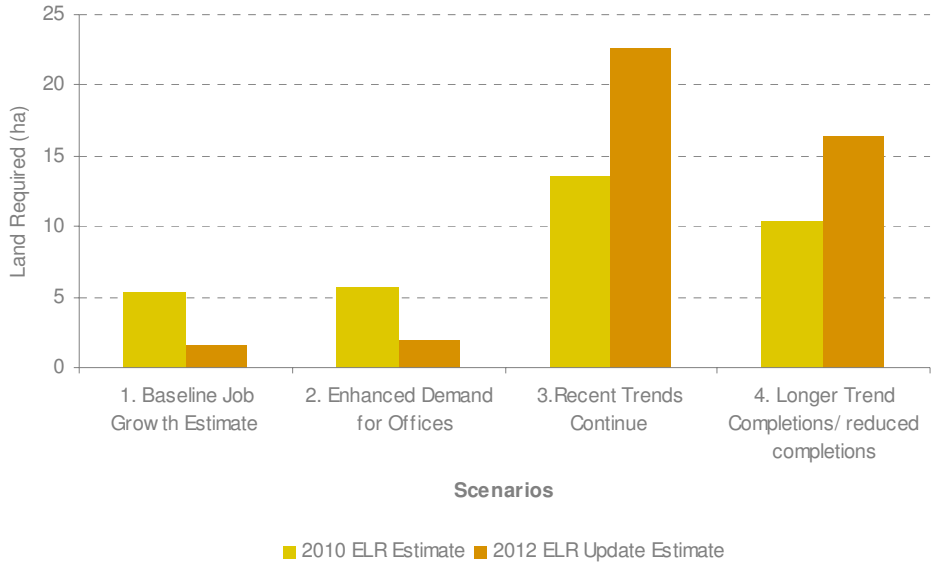
Table 2.9: Comparison between 2010 and 2012 Employment Space Requirement Estimates

	1. Baseline Job Growth Estimate	2. Enhanced Demand for Offices		4. Longer Trend Completions/ reduced completions
2010 Total floorspace (m^2) (for 2010-26 period)	32,700	36,200	62,000	47,800
2012 Total floorspace (m^2) (for 2012-31 period)	13,480	15,390	87,760	72,600
2010 Land Required (ha) (for 2010 26 period)	5.3	5.7	13.6	10.4
2012 Land Required (ha) (for 2012 31 period)	1.6	1.9	22.7	16.4

Table 2.10: Comparison of Employment Space Requirements for 2010 and 2012 studies (annual figures)

	1. Baseline Job Growth Estimate	2. Enhanced Demand for Offices		4. Longer Trend Completions/ reduced completions
2010 Total floorspace (m^2) (for 2010-26 period)	2,040	2,260	3,870	2,990
2012 Total floorspace (m^2) (for 2012-31 period)	710	810	4,620	3,820
2010 Land Required (ha) (for 2010 26 period)	0.33	0.36	0.85	0.65
2012 Land Required (ha) (for 2012 31 period)	0.08	0.10	1.19	0.86

Figure 2.1 Comparison between 2010 and 2012 Employment Land Requirement Estimates



Source: NLP analysis

2.27 For office space, excluding scenario No. 3, under the 2012 estimates there is reasonable consistency for an office space requirement in the 12,000- 14,200 m^2 range. This is lower than in the 2010 ELR in which the range was 11,400 – 23,700 m^2 for a slightly shorter period. This is not surprising as much denser office occupancy rates are assumed than in 2010 (12.5 as opposed to 20 m^2 per job). The 2010 ELR suggested planning towards the higher end of the forecast range, in the order of 20,000 m^2, to realise the District's potential. On that basis, in the order of 14,000 m^2 of office space may now be an appropriate level.

2.28 For industrial space, the range of requirements is 1,220 – 92,700 m^2. This is wider than the 2010 ELR estimate in which the range was 12,500 – 48,500 m^2 for a slightly shorter period. The higher figures may again partly reflect the less dense occupancy figures now used for industrial space. Given that employment forecasts are less reliable for small rural economies, and that past completions reflect actual development trends on the ground to a greater extent, the Scenario No. 4 estimate's requirement of around 60,000 m^2 might offer a more appropriate basis for future planning to 2031.

Provision in Adjoining districts

2.29 A brief review was undertaken of any major proposals for employment space in adjoining districts which might influence future requirements in Lewes District. There has been relatively little change since 2010, probably reflecting the subdued economic picture and property market since then.

2.30 In Brighton, there has been progress on a large mixed used scheme beside Brighton station – the New England Quarter - which includes some 3,000 m^2 of office space. This forms part of the Core Strategy's strategic allocation of

20,000 m^2 of offices in this general location while 33,200 m^2 of office space is also sought for the Eastern Road/Edward Street area over the plan period. This space is likely to serve a different market sector from Lewes District.

2.31 In Mid Sussex, there is a proposal for a major allocation of 20-30 ha at Burgess Hill aimed at accommodating a science park/high technology industry but this is still at an early stage and no specific uses are identified.

2.32 In Wealden, outline permission was granted in March 2012 for 22,300 m^2 of office/industrial space at Ashdown Business Park near Uckfield. This is also at a very early stage.

2.33 These developments indicate significant amounts of new office and industrial space could be developed in nearby districts, although some in sectors in which Lewes is not particularly strong. However, some of these developments were known in 2010 and it is not clear that all will necessarily affect the property market which Lewes operates within or significantly change the amounts of space it should aim for to meet its own needs.

3.0 Demand/Supply Balance

3.1 The above forecasts of future employment requirements need to be compared with the estimate of land available on the District's existing and allocated employment sites to identify any need for more provision of employment space.

3.2 Committed employment space in the District that is not yet started and available to help meet this future need is identified by the Council's Annual Monitoring Report, 2011. This is estimated at a net 2.96 ha.

3.3 This excludes land available for primarily mixed employment development, which may include some non B uses. In floorspace terms, with assumptions on the proportion of B1 space available for B1a office or B1c uses based on past completion patterns, the current supply identified by the Council comprises almost 30,000 m^2 of B class floorspace in net terms, with the breakdown by use class shown in Table 3.1. This is slightly lower than the 31,000 m^2 noted as available in the 2010 ELR.

Table 3.1 Current Supply of B Class Floorspace, 2011

	B1a offices	B1c/B2/B8 industrial	Total Supply
Net Floorspace available (m^2)	16,100	13,900	30,000

Source: Lewes District Council Monitoring

3.4 In 2010, current vacancy levels in Lewes were around normal market levels, with no great oversupply, so that no allowance was made for this factor in the current supply estimate. From review commercial property market websites,

vacant office levels in mid 2012 were about 8%, much of this in a few large vacant buildings. Industrial vacancy levels are now lower than in 2010, perhaps reflecting limited new development since then, and at only 3-4% are indicating a shortfall of space relative to demand. As there is clearly no large oversupply of vacant space, no allowance has been made for this in the supply able to contribute to future needs.

3.5 In addition, in the 2010 ELR, an estimated potential additional 2,400 m^2 of office space and 142,000 m^2 of industrial space was identified on other allocated/identified sites. That previous estimate of supply has not been reviewed as part of this update but it is understood that, in early June 2012, Lewes District Council granted outline permission for a mainly retail scheme on the Eastside site, which is the district's largest outstanding employment site. This permission allows for only 1,860 m^2 of B1 employment space, assumed here to be predominantly B1c, whereas the 2010 ELR had allowed for 71,600 m^2 of industrial space coming from this site. This effectively reduces the current supply by almost 70,000 m^2. In addition, planning permissions mean that two other sites need to be excluded to avoid double counting.[1] The estimate of current and potential supply is now updated to approximately 75,000 m^2 of industrial space and 18,500 m^2 of office space.

3.6 Table 3.2 compares the demand and supply situations for industrial and offices uses separately. This indicates that there should be more than enough supply available, in purely quantitative terms, to meet future industrial and office needs arising under most demand estimates. The exception is if recent industrial development rates continue in future, in which case a modest shortfall of industrial space is possible. This differs from the situation under the 2010 ELR, which indicated a sizeable surplus of industrial land across all estimates. For offices, the surplus is much tighter than in 2010.

Table 3.2: Demand/Supply for office and industrial space to 2031

	1. Baseline Job Growth Estimate (m^2)	2. Enhanced Demand for Offices (m^2)	3. Recent Trends Continue (m^2)	4. Longer Trend Completions (m^2)
Industrial				
Industrial Space Requirement	1,220	1,220	92,700	60,400
Potential supply of industrial space	75,000			
Surplus (+)/ Shortfall (-)	**+73,780**	**+73,780**	**- 17,700**	**+14,600**
Offices				
Office Space Requirement	12,260	14,170	-4,940	12,200
Potential supply of office space	18,500			
Surplus (+)/ Shortfall (-)	**+6,240**	**+4,330**	**+23,440**	**+6,300**

Source: NLP analysis

[1] Land at Mallings Brook East, Lewes (7,040 m^2) and former Woodgate Dairies, Sheffield Park (4,140 m^2)

3.7 As in the 2010 ELR, the supply figures used in this comparison reflect the 'maximum' possible case, assuming that all identified employment land comes forward for development during the plan period. If, as in 2010, the supply was discounted by excluding sites (Lewes bus station, Hamsey Brickworks, Balcombe Pit and Land South of Pinwell Road) which had significant constraints on development for employment uses, this would reduce office supply by 1,600 m^2 and industrial supply by 5,500 m^2 (although this is not to imply that such constraints could not be overcome). If this approach were applied again now, it would slightly reduce the large surplus of industrial space and make a moderate reduction to the office space surplus (Table 3.3). This does not greatly alter the overall picture for industrial space but starts to make the margin for office space relatively tight under some estimates, a surplus of only 2,700 m^2 in the worst case.

Table 3.3: Demand/Supply for office and industrial space to 2031 (Worst Case Supply)

	1. Baseline Job Growth Estimate (m^2)	2. Enhanced Demand for Offices (m^2)	3. Recent Trends Continue (m^2)	4. Longer Trend Completions (m^2)
Industrial				
Industrial Space Requirement	1,220	1,220	92,700	60,400
Potential supply of industrial space	69,500			
Surplus (+)/ Shortfall (-)	**+68,280**	**+68,280**	**- 23,200**	**+9,100**
Offices				
Office Space Requirement	12,260	14,170	-4,940	12,200
Potential supply of office space	16,900			
Surplus (+)/ Shortfall (-)	**+4,640**	**+2,730**	**+21,840**	**+4,700**

Source: NLP analysis

3.8 Qualitative factors also need to be considered, as in the 2010 ELR. This suggested allocating an additional office site of 1.0 - 1.25 ha and a further industrial site of 1.0 -1.5 ha, even though a quantitative surplus of employment land was indicated.

3.9 This was because one of the main problems facing Lewes District's industrial market at that time was a lack of good quality premises and deliverability rather than a lack of development land. The ELR noted that, if a new, good site without significant constraints could be provided, this may stimulate development and attract occupiers able to design and build premises. The ELR also suggested an additional industrial development site in or beside Lewes town would improve choice and could provide some good quality, immediately available industrial development land to meet future needs. Although the predicted surplus remains large under most situations, there is potential for a shortfall if past development trends were to continue so that this remains a reasonable way forward.

3.10 For office space, a shortfall now appears less likely unless future office growth is much greater than in the past and some sites also fail to come forward for

development although the position may still be quite tight. While redeveloping some industrial sites for office use offers a potential solution, in practice, very few sites were identified where this could realistically occur and only in Lewes town. The choice of office sites also remains limited and, as suggested by the 2010 ELR, there may still be a need for a new site in or near Lewes town for office development for qualitative reasons.

3.11 As in 2010, based on past demand and current provision, no need is identified for new employment land allocations elsewhere in the District, although provision of small scale, flexible business units remains appropriate in the other larger towns.

3.12 Overall, in comparison with the 2010 ELR, the current estimates indicate lower quantitative requirements based on predicted employment growth and higher quantitative requirements based on actual development trends in Lewes District in the last few years. However, in terms of needs to allocate additional employment land, NLP's judgment is that the position is broadly unchanged from the 2010 ELR.