



**Lambert
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Hampton**

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Employment Land Study Addendum Report

covering

Eastleigh

on behalf of

Eastleigh Borough Council

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1.0 INTRODUCTION

1.1 Purpose of the report

- 1.1.1 In the autumn of 2015 Lambert Smith Hampton was commissioned by Eastleigh Borough Council, on behalf of Eastleigh Borough Council, Test Valley Borough Council, Southampton City Council and Winchester District Council to undertake an Employment Land Study to inform development of policies within their respective Local Plans. The Employment Land Study (2016) was to provide the local authorities with a realistic, market oriented study on the projected level of occupier demand and to compare the existing and future supply of employment land (predominately those within 'B' class availability).
- 1.1.2 The study of existing employment sites within these areas was to determine the quality and suitability of the sites in the context of current and future business requirements.
- 1.1.3 The sites were graded A to E to reflect their current status in terms of their market demand and appeal, their quality and suitability for purpose and their current and future availability to the market.
- 1.1.4 This February 2018 report updates key elements of the Employment Land Study undertaken by Lambert Smith Hampton in June 2016. This addendum report provides an update on market changes on the South Coast, providing updated market statistics, as well as updated assessments of some employment sites where there has been significant change within this time period.
- 1.1.5 To enable comparative assessment the same scoring criteria has been used when reassessing the sites.
- 1.1.6 The structure of the report is as follows:
- Section 2 Hampshire Employment Market Update
 - Section 3 Eastleigh Borough Sites Update
- 1.1.7 It should be noted that this report is an addendum and update rather than a full Employment Market Appraisal; as such it should be read in conjunction with the full Employment Market Appraisal produced in June 2016.



1.2 LSH Credentials

- 1.2.1 LSH is the UK and Ireland's largest commercial property consultancy (a subsidiary of Countrywide Plc). We are a national network with our headquarters based in London and 34 other regional offices, employing more than 1,500 staff.
- 1.2.2 Along the South Coast, we have the strongest and largest transactional team, operating from two offices in Fareham and Southampton with 19 surveyors/agents, including eight directors. We have been established in the region for over 25 years, servicing office/industrial, retail and commercial property requirements on the South Coast, between Chichester and Poole.
- 1.2.3 With agency and valuation departments offering a comprehensive range of skills and knowledge, we have a strong track record and for the 11th consecutive year, have been awarded Most Active Agent in Hampshire by the national publication, Estate Gazette.
- 1.2.4 During 2017 LSH's South Coast team transacted approximately 1.76 million sq ft of business space in the region.



2.0 SOUTH COAST MARKET UPDATE

2.1 General

2.1.1 The South Coast market continues to enjoy strong performance, despite some uncertainty across the UK market in general, with an encouraging level of activity in the past 18 months.

2.1.2 This section of the report gives an update on the latest industrial and office markets' availability; take up, rent and capital values, and key deals. Commentary on changes in the rural and marine market is also included.

NB the South Coast market commentary includes statistics on the following areas; Southampton, Romsey, Eastleigh, Chandlers Ford, Eastleigh, Winchester, Fareham, Gosport, Portsmouth, Havant and Waterlooville.

2.2 Industrial Market Update

2.2.1 The last quarter of 2017 remained consistent with the end of 2016 and 2015, with strong demand from occupiers taking up prime stock from the market and continuing to push up rents.

2.2.2 With an increase in availability, due to completion of various speculative developments, we see 2018 being a key year for occupiers to take advantage of the new stock available in the market.

2.2.3 Availability

2.2.3.1 As a direct result of new speculative developments coming out of the ground, availability for the year increased, when compared with the four-year average. Total stock in the region at the end of Q4 2017 was 2,293,412 sq ft, denoting a small increase of 93,328 sq ft (4%) on the previous quarter, or an increase of 225,073 sq ft (12%) against Q4 2016 and 6% against Q4 2015.

2.2.3.2 Supply of prime stock increased during Q4 2017 to 709,904 sq ft, an uplift of 257,177 sq ft (56%) on the previous quarter and 300,290 sq ft (73%) against Q4 2016 and 399,403 sq ft against Q4 2015.

2.2.3.3 In contrast, supply of secondary stock decreased in Q4, by 163,849 sq ft (9%) on the previous quarter and 45,217 sq ft (2%) against Q4 2016 and 14% against Q4 2015.

2.2.3.4 In 2018, we expect to see the supply of prime stock continue to increase as the current pipeline of development schemes such as Merlin Park, Portsmouth (91,030 sq ft), come out of



the ground. As for secondary stock, we expect to continue to see a gradual decline in availability as tenants remain in their current premises.

2.2.4 Take-up

2.2.4.1 Annually take-up has reduced from 1,904,616 in 2015 to 1,888,705 sq ft in 2016 and to 1,750,576 sq ft (-7.31%) in 2017. Prime take-up in 2017 has increased from 2016 to 551,981 sq ft (65%). 2017 secondary take-up decreased from 2016 to 1,198,586 sq ft (-22%).

2.2.4.2 Total take-up in Q4 amounted to 394,005 sq ft, reflecting a decrease of 110,354 sq ft (-21%) from Q3. However, the uptake in Q3 can be accounted for by two significant transactions at Mountpark, Southampton totalling 160,660 sq ft. In comparison with Q4 2016, there was a minor decrease in total take-up of 45,485 sq ft (-10%), and only 1,171 (-0.3%) when compared with Q4 2015.

2.2.4.3 Prime take-up decreased by 84,560 sq ft from Q3, to 143,514 sq ft (-158%). Although, this again, is attributed to the significant transactions at Mountpark, Southampton in Q3. In contrast, however, prime take-up for the quarter was at 143,514 sq ft, 114,726 sq ft (498%) above that of Q4 2016, underlining the lack of supply in previous years. We expect to see this trend continue well into 2018.

2.2.4.4 Prime take-up steadily increasing over the past 5 years, aligns with the clear availability of new speculative developments along the South Coast.

2.2.4.5 When comparing secondary take-up in Q4 2017 to Q4 2016, it has fallen slightly by 160,211 sq ft (-39%), with a 25,794 sq ft (-9%) reduction on Q3 2017. In our opinion, this is due to an increase in prime take-up and tenants renewing their leases on existing premises.

2.2.5 Rent and Capital Values

2.2.5.1 During 2017 rental levels continually increased and are getting ever closer to the double digit number. We are continuing to see the gap between Prime and Secondary stock marginalised due to the lack of secondary stock available, you can see this illustrated in the table.

2.2.5.2 Freehold properties remain in hot demand and we and we anticipate that capital values will continue to increase across all size ranges and locations in 2018, as owner-occupiers, in particular, search for their own properties, rather than paying increasing rents.

2.2.5.3 In 2018 we also expect to see a continued rental growth especially in secondary stock across the region.



Under 5,000 sq ft	Prime capital value per sq ft	Prime headline rent per sq ft	Secondary capital value per sq ft	Secondary headline rent per sq ft
Eastleigh	£120.00 - £140.00	£10.00	£90.00 - £100.00	£9.50
Southampton	£120.00 - £140.00	£10.00	£90.00 - £100.00	£9.50
Winchester	£115.00 - £140.00	£11.00	£90.00 - £100.00	£8.00
Test Valley	£120.00 - £140.00	£9.50	£85.00 - £90.00	£8.50

5,000 – 20,000 sq ft	Prime capital value per sq ft	Prime headline rent per sq ft	Secondary capital value per sq ft	Secondary headline rent per sq ft
Eastleigh	£120.00 - £140.00	£9.50	£80.00 - £95.00	£8.75
Southampton	£120.00 - £140.00	£9.50	£80.00 - £95.00	£8.50
Winchester	£120.00 - £140.00	£8.75	£75.00 - £95.00	£7.75
Test Valley	£110.00 - £130.00	£8.50	£65.00 - £75.00	£8.00

Over 20,000 sq ft	Prime capital value per sq ft	Prime headline rent per sq ft	Secondary capital value per sq ft	Secondary headline rent per sq ft
Eastleigh	£115.00 - £140.00	£9.50	£55.00 - £65.00	£8.50
Southampton	£115.00 - £140.00	£9.50	£70.00 - £85.00	£8.50
Winchester	£120.00 - £140.00	£8.75	£75.00 - £95.00	£7.50
Test Valley	£110.00 - £130.00	£8.00	£60.00 - £70.00	£7.50

Table 1 – Industrial Headline rents and capital values across the region (Source: LSH February 2018)

2.2.6 Key industrial transactions across the region during last 18 months

Address	Occupier/Purchaser	Landlord/Vendor	Size (sq ft)	Tenure	Rent (per sq ft)
Unit 3 Boyatt Wood Industrial Estate, Eastleigh	Wolseley	Aviva	21,322	10 years, 18 months at 50% rent	£8.00
Stoke Park, Tower Lane, Eastleigh SO50 6NZ	Freightroute Ltd	Hudsons Associates	27,166	10 years, 5 yearly reviews	£7.91
Unit 1 Alpha Park, Chandlers Ford, Eastleigh	DX Network Services Ltd	Blackrock Real Estates	19,414	10 years, 5 yearly reviews	£9.50
Easystands, Chandlers Ford Industrial Estate, Chandlers Ford	Seymour Global Ltd	Store Property Investments Ltd	9,947	Confidential	Stepped to £8.00
Unit 9 Barton Park Industrial Estate, Eastleigh	JPI Warehousing	IPIF	90,000	Confidential	Confidential
Tower Lane, Eastleigh	Biffa Waste Services Ltd	H Young (Properties) Ltd	52,613	Confidential	£5.70

Table 2 Key Industrial Deals across the region (Source: LSH)



2.2.7 Industrial developments currently being completed include:

- Canmoor's speculative development of Merlin Park in Portsmouth is out of the ground and will provide 91,030 sq ft of prime industrial and logistics space across seven units. Construction of the scheme is due to complete in mid-2018.
- Fareham Borough Council has constructed six new business hangars on its scheme at Solent Airport, Daedalus, Lee-on-the-Solent. Three of the five club hangars are under offer.
- Construction of Bericote Properties' speculative scheme, Alpha Park at Chandlers Ford, funded by Blackrock, has completed. Unit 1 has been successfully pre-let to DX Network Services and there is significant interest in the remaining two units of 45,000 and 84,000 sq ft, respectively.
- At Peel Logistics' new development, South Central in Nursling, financed by Rockspring, John Lewis has taken a pre-let of Unit 3, with two units of 39,000 sq ft and 117,000 sq ft remaining. Completion is due for May 2018.
- Following the success of Phase 1, at Mountpark Logistics' scheme on the former Ford site at Wide Lane, Southampton, Mountpark has acquired 9.7 acres on the adjacent site. Phase 2 will comprise four units, ranging from 67,500 to 106,930 sq ft, and is due to complete in October 2018.
- The last remaining site at the highly successful Hamilton Business Park in Hedge End, Southampton, has been speculatively developed by Hargreaves Properties, resulting in a detached 24,760 sq ft high spec industrial/warehouse unit, available to rent.
- Salmon Developments has purchased the final plot at Harts Farm Way, Havant and will speculatively build four units, available freehold or leasehold.

2.2.8 Industrial Market Summary

- South Coast industrial overall market activity in 2017 has been consistent with 2016.
- Take up in 2017 was slightly down when compared to 2016 however this was primarily attributable to the lack of supply rather than enquiry levels.
- Prime stock take up for 2017 was 114,726 sq ft above 2016.
- There has been an increase in available stock on the South Coast due to new speculative developments under construction or that have completed.



2.2.8.1 The industrial sector along the South Coast continues to be 'hot property' with consistent levels of competition seen for all product types. Prime yields now stand at approximately 4.5%. With opportunities in the region being few and far between and investors attracted to the strong occupational market dynamics, the outlook over 2018 continues to look positive.

2.3 Office Market Update

2.3.1 Total Take-up for the South Coast office market in Q4 2017 was 101,063 sq ft. Total take-up for 2017 finished at 295,577 sq ft, which was 14% below the 10 year average take-up figure. The out of town market (M27/A27 corridor) saw the greatest take-up. The most active sectors were Technology, Media & Telecoms (47%) and Finance, Banking & Insurance (37%).

2.3.2 Enquiry levels were 36% higher than those received in Q3 2017. 83% of all Q4 enquiries were for space less than 10,000 sq ft.

2.3.3 Availability

2.3.3.1 Supply continued its downward trend and fell below 1,000,000 sq ft (988,344 sq ft) for the first time in over a decade. A contributing factor to the falling supply has been driven by conversion of secondary stock to alternative uses including residential, student and hotel accommodation. The PRS / Build to Rent sectors are growing on the South Coast as office conversions to student accommodation are slowing.

2.3.3.2 The lack of Grade A stock along the South Coast continues which is maintaining the trend of rising rents and reducing incentives as previously reported. Overall availability at the end of 2017 was 24% down when compared to the end of 2016 and down 25% when compared to the end of 2015. The greatest decline in availability is in Southampton city centre which has seen a 30% fall with out of town stock falling 19% by comparison. Grade A supply at the end of 2017 stands at 275,545 sq ft (28%). This compares to 181,090 sq ft (14%) at the end of 2016. This increase is exclusively as a result of refurbishments of existing office stock. There were no new offices built throughout the whole of 2017 (there will be 20,850 sq ft completed at Chilcomb Park, Winchester in 2018).

2.3.4 Take up

2.3.4.1 Overall 2017 take-up for the South Coast office market recovered following positive figures for Q4, in which 101,063 sq ft was transacted across 16 deals. This represented a 42% increase from Q3 2017 and an increase of 11% from Q4 2016.

2.3.4.2 The out of town market (M27/A27 corridor) saw the greatest take-up (67%) with the main hotspot being around J9 M27 accounting for six out of the sixteen transactions in Q4. The



most active sectors were Technology, Media & Telecoms (47%) and Finance, Banking & Insurance (37%).

2.3.4.3 Total take-up for 2017 finished at 295,577 sq ft. Despite the strong finish to the year, this represented a 14% fall below the 10 year average take-up figure (2008-2017) of 337,801 sq ft and was down 10% on the 329,389 sq ft transacted in 2016, and down 42% on the 507,610 sq ft transacted in 2015.

2.3.4.4 Technology and agile working is encouraging a reduction in take-up volumes and occupiers are increasingly embracing agile working and occupying space more efficiently. In turn, this is translating into a reduction in the “staff:space” ratio as employees take advantage of improved technology to adopt mobile working practices.

2.3.5 Rents and capital values

2.3.5.1 New headline rents were achieved in a number of markets across the South Coast region during 2017. The highest achieved rent in Southampton city centre was £22 per sq ft at White Building. For the out of town office market 1000 Lakeside, Portsmouth achieved £21.50 per sq ft. Southampton Science Park achieved £25 per sq ft at its new build office on the Benham Campus. Trafalgar House in Winchester city centre set a new headline rent for the city achieving £29.25 per sq ft, subject to a comprehensive refurbishment including Cat B works.

Under 5,000 sq ft	Prime capital value per sq ft	Prime headline rent per sq ft	Secondary capital value per sq ft	Secondary headline rent per sq ft
Eastleigh	£250.00	£21.00	£140.00- £190.00	£12.00-16.00
Southampton	£250.00	£22.00	£140.00-£190.00	£14.00-16.00
Winchester	£375.00	£25.00	£200.00- £250.00	£12.00-£19.00
Test Valley	£325.00	£25.00	£130.00	£12.00

Table 3 –Office Headline rents and capital values across the region (Source: LSH February 2018)

2.3.6 Key office transactions across the region during last 18 months

Address	Occupier/Purchaser	Landlord/Vendor	Size (sq ft)	Tenure	Rent (per sq ft)
Stoneham Gate, Eastleigh	Business Choice	Mott MacDonald	7,500	5 years	£15.00
Templars House, Chandlers Ford	Navico	Private	5,566	10 years	£17.50
Tollbar House, Hedge End	Jewson	Horatio Properties	8,256	10 years	£18.50
Vanbrugh House, Hedge End, Eastleigh	Gleeds	Northwood Investors	3,446	10 years	£19.00

Table 4 - Key Office Deals across the region (Source: LSH)



2.3.7 Office Market Summary

- South Coast office availability is at its lowest level in over a decade with permitted development being a significant contributor.
- Demand for office space is primarily at the smaller end of the market with new agile working practices being one of the driving forces.
- Dwindling supply coupled with almost no new development on the South Coast (with the exception of Southampton Science Park) has seen a wave of high spec office refurbishments taking place and new headline rents being achieved.
- Investment activity saw around £25m of office assets transacted on the South Coast in Q4 2017, with continued activity from Local Authorities. The sector (and particularly 'out of town'), is being viewed more cautiously and carefully than others sectors, although there remains robust interest for assets providing long and secure income.

2.4 Marine Market Update

2.4.1 The UK has the largest marine sector in Europe and its associated industries are a valuable asset to the country employing more than 360,000 people and contributing £19 billion gross value added, (according to Invest in Hampshire).

2.4.2 The South Coast remains one of the leading marine clusters in the UK with its coastal location, business base and educational strengths. The marine sector continues to be one of the largest and most productive sectors in the region providing 40,000 jobs locally and supporting more than 3,000 businesses (According to Solent LEP). With sustained strength in this sector it will be important to protect and retain sites that have the special features and characteristics that are unique and particularly important to occupiers in this sector.

2.5 Rural Market Update

2.5.1 These sites still play an important role in the hierarchy of available employment accommodation in the region; whether that is for locational or economic reasons. They often provide appropriate space for non-conforming and unneighbourly uses in rural locations away from residential areas or space at a more affordable level for small local businesses or start-ups.

2.5.2 It is clear that sites that fall within this category are an important part of the property supply in the region and provide appropriate accommodation, which is suitably priced on flexible terms for many businesses.



3.0 EASTLEIGH BOROUGH SITES

In reviewing the site assessments two sites in Eastleigh were considered to have significant change to justify updating in this report:

- Chandler's Ford Industrial Estate (E1)
- Leigh Road Offices (Site E23)

3.1 Chandler's Ford Industrial Estate

- 3.1.1 This is an urban industrial estate in Chandler's Ford, on the periphery of Eastleigh. The site is an allocated employment site and provides excellent employment accommodation in a highly accessible area. The estate is in multiple ownerships and is unlikely to come forward for comprehensive redevelopment.
- 3.1.2 In 2015 Bericote properties planning application (F/15/75988) was approved for the Erection of three detached industrial/distribution units (B1(c)/B2/B8) including access and servicing arrangements, car parking, landscaping and associated works.
- 3.1.3 In 2017 Bericote Properties implemented their consent for the B1, B2 and B8 scheme at Alpha Park. Unit 1 (19, 431 sq ft) in the scheme has been let to DX Network Services and 2 further units are currently being marketed. The two larger units in the scheme are available Unit 2, 44, 868 sq ft and Unit 3 at 84, 382 sq ft.
- 3.1.4 The construction of new units further emphasises the importance of this employment site for industrial and logistics, and its strategic location near J12 of the M3.
- 3.1.5 The scoring of this site remains unchanged; B – above average.

3.2 Leigh Road Offices

- 3.2.1 The Leigh Road offices site includes the former police station site which is located on one of the main routes into Eastleigh town centre. The site of 0.6ha has recently been marketed for sale by Hampshire Constabulary.
- 3.2.2 This site has been fully marketed and will be brought forward for development once the sale has been agreed. Interest has been expressed for a number of uses on the site including health, are retirement and residential.
- 3.2.3 The scoring of this site remains unchanged; D – below average.



APPENDIX 1

Updated Site Assessments



Site Name: Chandler's Ford Industrial Estate			
Site Ref:	E1		
Borough:	Eastleigh	Size (ha)	46.5
Description of Site and Location:	Urban Industrial Estate in Chandler's Ford.		
Market Attractiveness Criteria:			
1.1: Has the site been formally identified for employment for at least 10 years?	Yes		
1.2: Has there been any recent development activity, within the last 5 years?	No		
1.3: Is the site being actively marketed as an employment site?	Yes		
1.4: Is the site owned by a developer or another agency known to undertake employment development?	Yes		
1.5: Is the site in multiple ownership/occupation, or owned by an organisation unlikely to bring it forward for development?	Yes, but unlikely to come forward for comprehensive redevelopment.		
1.6: Would employment development on this site be viable, without public funding to resolve infrastructure or other on-site constraints?	Yes		
1.7: Is the site immediately available?	Not applicable		
Market Appraisal	<p>Chandlers Ford Industrial Estate is a popular estate on the periphery of Eastleigh. It comprises a mix of B1, B2 and B8 properties, which range in size and age, from small start-up units to much larger ones. Older properties are generally refurbished and upgraded as they become vacant.</p> <p>Whilst there has not been any significant new development in the last 20 years, Bericote Properties has built a new B1, B2 and B8 scheme at Alpha Park comprising Unit 1 let to DX Network Services and two further units, which are currently being marketed totalling 44,868 sq ft and 84,382 sq ft.</p>		
Adjacent land use and conflicts	Some complaints from residential occupiers on the estate's periphery to 24 hour working.		
Known constraints and infrastructure requirements	None, so far as aware.		
Strategic Planning Factors			
2.1: Is the site within an area identified as of strategic importance?	Allocated as Existing Employment Land under policy DM12		
2.2: Is the site identified or likely to be required for a specific user or specialist use?	No specific user or specialist use		

<p>2.3: Is the site part of a comprehensive or long term development or regeneration proposal?</p>	<p>No – long established employment use. Highly unlikely to come forward for comprehensive redevelopment, other than for individual units/sites within the overall employment area.</p>
<p>2.4: Is there public funding committed (or likely to be provided) sufficient to overcome infrastructure or on-site constraints to make employment development viable?</p>	<p>N/A</p>
<p>Strategic Planning and Access</p>	<p>Strategically located on junction 13 of the M3 and less than 10 miles from the A34, Chandlers Ford, on the outskirts of Southampton, provides excellent road access to all parts of the country.</p>
<p>Recommendation</p>	<p>Site score: B – above average</p> <p>The site provides excellent employment accommodation in a highly accessible area. It should be protected for continuing employment use.</p>

Site Name: Leigh Road Offices			
Site Ref:	E23		
Borough:	Eastleigh	Size (ha)	2.6
Description of Site and Location:	<p>Leigh Road is one of the main routes into Eastleigh town centre, occupying a prominent position a short distance from the High Street and Eastleigh Railway Station. Eastleigh is situated in close proximity of the M3/M27 intersection, enjoying good access to both motorways at J12 & 13 of the M3 and J5 of the M27.</p> <p>The site currently provides edge of centre offices in Eastleigh.</p> <p>Virtually all of the buildings are formerly residential houses that have been converted to mainly office use and therefore have limited on-site car parking but many enjoy either forecourt parking or rear vehicular access.</p>		
Market Attractiveness Criteria:			
1.1: Has the site been formally identified for employment for at least 10 years?		Yes	
1.2: Has there been any recent development activity, within the last 5 years?		No	
1.3: Is the site being actively marketed as an employment site?		Yes	
1.4: Is the site owned by a developer or another agency known to undertake employment development?		No	
1.5: Is the site in multiple ownership/occupation, or owned by an organisation unlikely to bring it forward for development?		Yes	
1.6: Would employment development on this site be viable, without public funding to resolve infrastructure or other on-site constraints?		Yes	
1.7: Is the site immediately available?		No	
Market Appraisal	<p>The police station has been marketed with bids due in January 2018.</p> <p>The Police Station is due to close in the next 12 months or so and this is a sui generis use, which seems likely to move to residential/care/retirement use in the future. There is an expectation that there will be an element of mixed use.</p>		
Adjacent land use and conflicts	<p>The site is bounded by residential style properties which have, in the main, been converted to office use.</p>		
Known constraints and infrastructure requirements	<p>None, that we are aware of.</p>		
Strategic Planning Factors			
2.1: Is the site within an area identified as of strategic importance?		No	
2.2: Is the site identified or likely to be required for a specific user or specialist use?		No	
2.3: Is the site part of a comprehensive or long term development or regeneration proposal?		No	
2.4: Is there public funding committed (or likely to be provided) sufficient to overcome infrastructure or on-site constraints to make employment development viable?		N/A	

Strategic Planning and Access	Site lies within an area identified as suitable for office redevelopment.
Recommendation	Site score: D – below average The site should be retained where appropriate for its existing employment uses. The Police Station site is likely to be the subject of a planning application for a mixed use scheme led principally by residential or care uses.