GL Hearn
Part of Capita Real Estate

Employment Needs Assessment: Update Report

Eastleigh Borough Council

July 2018

Prepared by

GL Hearn

280 High Holborn
London WC1V 7EE

T +44 (0)20 7851 4900
glhearn.com

Contents

Quality Standards Control

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it is has been signed by the Originators and approved by a Business or Associate Director.

DATE	ORIGINATORS	APPROVED
July 2018	Aled Barcroft, Senior Planner Nena Pavlidou, Senior Planner	Matt Kinghan Planning Director

Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 INTRODUCTION

1.1 GL Hearn was commissioned by Eastleigh Borough Council to prepare an updated assessment of the Borough's employment floorspace needs to 2036.

1.2 The most recent assessment of employment need is that set out in the Economic and Employment Land Evidence Base Paper (May 2016) prepared for the Partnership for Urban South Hampshire (PUSH) by GL Hearn. The report draws together evidence regarding economic and commercial property market dynamics in South Hampshire (and the Isle of Wight) and provides a 'policy-off' assessment of employment needs.

1.3 That report was produced to help inform the preparation of the PUSH Spatial Position Statement 2016 which sets employment land supply targets for the PUSH local authorities for the period covered by the Position Statement (2011-34). This included a 'policy-on' employment target which was based on the 2016 study but also takes into account factors such as committed supply and land availability.

1.4 The PUSH Position Statement sets out an employment floorspace target for Eastleigh Borough of 114,000 sq m for the period 2011-2034 which equates to an annualised figure of 4,957 sq m. If extended on a *pro rata* basis in order to cover the plan period of the Eastleigh Local Plan: 2011-36 this would equate to a requirement of 123,914 sq m (rounded to 124,000 sq m).

1.5 The PUSH Economic and Employment Land Evidence Base Paper considered an econometric forecast from Oxford Economics dating from Summer 2015. This forecast a jobs growth in Eastleigh of 13,000 jobs over the period 2011-34 and 13,500 jobs over the period 2011-36. Floorspace needs were modelled using this.

1.6 However, since the preparation of the PUSH Economic and Employment Land Evidence Base Paper, a number of factors, which are set out below, raised the need to consider more recent growth forecasts and their potential implications on future jobs growth and employment floorspace needs in Eastleigh.

1.7 Firstly, and most notably, the UK has voted to leave the European Union, which has had a major impact on the macro-economic climate, and is likely to impact on future economic growth in Eastleigh, as well as the majority of local authorities across the country. Oxford Economics (OE), as part of their ongoing programme of updating their econometric forecasts, has in their more recent forecasts taken account of the leave vote and the potential economic impacts of Brexit. It has for instance downgraded its forecasts for the Solent economy.[1]

[1] Oxford Economics (Jan 2017) Solent Local Enterprise Partnership – Baseline Forecasts and the Implications of Brexit

1.8 As part of Eastleigh's housing evidence, GL Hearn has undertaken an updated assessment of Eastleigh's objectively assessed housing need (April 2017). This considered the Borough's housing need based on the latest demographic and economic data, drawing upon new forecasts from Oxford Economics dated April 2017.

1.9 This Report therefore seeks to consider whether the employment floorspace need remains as set out in the 2016 Evidence Base Paper, or whether more recent evidence indicates it should be higher or lower. It seeks to provide an updated assessment of Eastleigh's employment floorspace evidence based on the latest evidence. This includes an updated assessment of the commercial property market drawing upon the latest available data; the 2017 Oxford Economics econometric forecasts used in the housing OAN update; and the most recent data regarding completions and losses of employment floorspace in the borough.

Structure

1.10 To accomplish this, we have structured the report as following:

- Chapter 2: Review of Evidence
- Chapter 3: Local Employment and business trends
- Chapter 4: Property market dynamics
- Chapter 5: Employment forecasts
- Chapter 6: Employment objectively assessed need

2 REVIEW OF EVIDENCE

2.1 This section summarises key evidence and wider strategic objectives which have a bearing on consideration of employment floorspace needs in Eastleigh Borough, recognising that it forms part of a wider sub-regional economy.

OE Baseline Forecasts and Implications of Brexit (January 2017)

2.2 According to the baseline scenario up to 2036, Solent's population will grow by an additional 110,000 people. Weaker rates of net inward migration into the area are expected as a result of the Brexit. OE expect the LEP area's population to grow at a slower pace than previously expected, and will lead to the working age population falling in absolute terms by the end of the forecast period.

2.3 This is expected to impact on employment growth across the LEP area which is expected to be flat up to 2020, reflecting regional and national trends, before accelerating from 2020 and growing in-line with the UK as a whole. A total of just under 50,000 additional jobs are expected by 2036. Administration and support services; professional, scientific and technical activities; and human health and social work activities collectively are forecasted to account for almost two thirds of Solent's growth.

2.4 The updated forecast draws upon similar current demographic inputs as the 2015 forecast used in the previous PUSH evidence, as these have not shown significant movement between the forecasts.

2.5 In terms of recent employment growth, this has been significantly weaker than was projected in the 2015 report. OE expected the Solent LEP area to generate over 30,000 additional jobs between 2012 and 2015, equivalent to job growth of just under 2 percent per annum. However, Solent has only been able grow at half that pace at just 0.8 percent, adding just over 14,000 jobs over the period. Solent was expected to grow in-line with the South East as a whole, but slower than the UK. While both regional and national employment growth has been weaker than expected in the last OE report, the scale of the shortfall is less than that of Solent.

2.6 The shortfall in job growth against the OE forecast was driven by underperformance in a few key sectors including:

- Accommodation and food services only generated half of the expected jobs, though it was still the LEP's strongest growing sector;
- Information and communication was expected to add just under 7,000 additional jobs, but actually grew by a quarter of this amount.
- Wholesale and retail trade had the second largest amount of job losses, having been forecast to see a growth in jobs.

2.7 The weaker than expected job creation in these sectors reflect the general underperformance of these sectors across the South East as a whole, but with the weakness in accommodation and food services having a larger relative bearing on Solent's job growth due to the sector accounting for a larger share of total employment.

2.8 The impact of Brexit on Solent will depend on Governmental deals with the EU and other countries, but also on the polices the government implements once separated from the EU. OE findings indicated that while the EU will continue to be an important market for UK exports, this has been in long term decline, and while tariffs will raise costs, non-tariff barriers are likely to be the biggest impediment to trade over the long-term. OE also suggested that reduced migration into the UK could damage the UK's growth prospects as inward migration tends to involve working age people offering above average skills and who are net contributors fiscally.

2.9 Assessing how these UK-wide issues might impact Solent, OE noted that while a significant proportion of Solent's sectoral specialisms are in manufacturing sub-sectors, UK trade patterns suggest they are likely to face limited risk. The impact of reduced migration is likely to be felt most in Portsmouth and Southampton.

Transforming the Solent Productivity and Growth Strategy Update Solent LEP, February 2017

2.10 The Solent LEP Board have established a revised growth strategy which is focused on six priority areas for investment. Of relevance to Eastleigh, these include:

- Development of infrastructure: addressing deficits in infrastructure, most pronounced in transport, also in flood defence and superfast broadband, and the infrastructure required to unlock new development opportunities.
- Develop the skills that the economy needs to succeed, with a continued focus on higher level skills, apprenticeships and STEM skills. Through the Solent Growth Deal, funding has been secured for investment in the new STEM (Science, Technology, Engineering and Maths) Centre at Eastleigh College.
- Science and innovation: ensuring that ideas and knowledge are at the forefront of the LEP's approach working with world class universities to support local businesses to innovate and grow.
- Inward investment and international trade: retaining and growing existing Solent businesses through supporting investment in the local area, including support to access new markets. Of particular interest is the Southampton Airport Economic Gateway (SAEG). The former Ford site together with what was known as Eastleigh Riverside, as well as Southampton Airport, is recognised by the LEP an important area for future employment growth. This has been identified as a significant growth hub for the Solent and will provide a prestigious, well-connected, and strategically located new gateway to the city of Southampton.
- Enterprise: through the Solent Growth Fund, support for high growth businesses, that are seeking to innovate and enter new markets, as well as support for those business that are experiencing challenging trading conditions. In addition, continued support for the development of the Solent Growth Hub, including the agreement of a self-financing investment model from March 2018.

- Strategic sectors: a focus on the growing sectors such as professional, scientific, and technical activities; human health and social work and providing a renewed focus on tourism and the visitor economy.

Eastleigh Local Economy 2016: A socio-economic overview of the local economy of Eastleigh and its sub-areas (January 2017)

2.11 This Study, prepared by Hampshire County Council, aims to provide an updated analysis of key socio-economic statistics for the borough of Eastleigh. Key points are summarised below. It should be noted that we provide herein an update for some of these indicators, particularly those relating to the sectoral composition of the economy.

2.12 This Study outlined that Eastleigh is a major contributor to economic growth in the Solent area, being the 5th largest economy across Solent based on 2014 GVA data (accounting for 14% of output).

2.13 Distribution, transport, accommodation and food sectors account for almost 20% of Eastleigh's economic output. Business services is the second largest sector (15% of total output) followed by manufacturing and information and communication sectors which are over-represented relative to the UK. Finance & insurance is another sector that is far more important to the economy of Eastleigh than to the wider Solent economy.

2.14 With GVA per head of around £26,800 (2014), Eastleigh was the 3rd most productive economy in the Solent Area. GVA per head in Eastleigh was about 17% above the Solent average and about 9% above the UK average.

2.15 The Study identified that labour productivity is the main driver of competitiveness and economic prosperity in the long run. Labour productivity per FTE employee in Eastleigh stood at around £70,300 in 2014, marginally above the national average and about 17.3% above the Solent average. Since 2010 labour productivity in Eastleigh has improved slightly relative to the national average. The profile suggests an economy more focused towards higher value-added activities.

2.16 In 2016 the Study found there were over 6,200 local business units in Eastleigh Borough or 13.1% of all businesses in the Solent Area. Approximately half of these businesses are situated in the Hedge End, West End and Botley sub-area and Eastleigh sub-area, with 1,765 and 1,570 local units respectively. The smallest number of businesses is found in the Bursledon, Hamble-le-Rice and Hound area with around 975 local units.

2.17 The total number of businesses in Eastleigh had increased by 1,100 since 2010 – a growth of 21.5%. An increase in the business stock of over 400 businesses occurred between 2015 and 2016. The business population in Eastleigh has grown faster than in the Solent Area and the UK.

2.18 The Study found that Eastleigh tends to have a healthy labour market with high participation and employment rates and low unemployment rates. There were an estimated 63,000 workplace based employees in the Borough. The Eastleigh town sub-area has the most employees with 26,000 employees.

2.19 Eastleigh Borough as a whole is a small net exporter of workers. Access to the M3 and M27 corridors, combined with good rail links, helps to facilitate commuter flows between Eastleigh and neighbouring areas. The main out-commuter destinations are southward to Southampton, and northward to Winchester. In-coming commuting flows are dominated by Southampton residents. The Eastleigh sub-area is the primary destination for in-commuters with over 17,000 workers entering the sub-area in 2011, while the Bishopstoke, Fair Oak and Horton Heath sub-area has significantly lower in-commuting.

3 LOCAL EMPLOYMENT AND BUSINESS TRENDS

3.1 This section provides an analysis of Eastleigh's economy, considering local employment overall and by sector in 2016, job densities and the number and distribution of businesses by sector. In addition it provides an assessment of growth in employment and businesses by sector in the current market cycle (i.e. since 2010), updating elements of the analysis in the Hampshire County Council Study described above.

Employment Growth

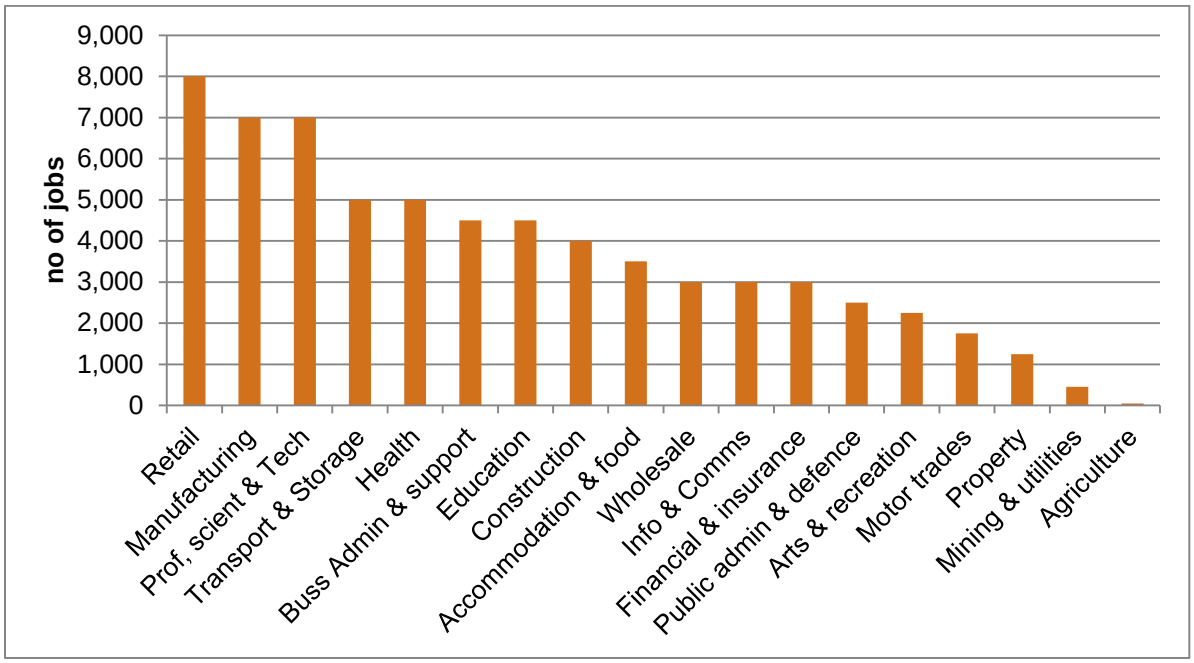
3.2 The Business Register and Employment Survey records employee and employment jobs and details of working-proprietors. We sought to analyse this employment data, which includes employees plus the number of working owners. BRES therefore includes self-employed workers as long as they are registered for VAT or Pay-As-You-Earn (PAYE) schemes. As such BRES records employment on the basis of where people are paid from, rather than necessarily where they work. Self-employed people not registered for PAYE, along with HM Forces and Government Supported trainees are excluded from the data. It thus provides a good, albeit not comprehensive, assessment of total employment.

3.3 Reflecting this definition of employment, it is not appropriate (or particularly feasible) to seek to disaggregate detailed economic data below a local authority level. Therefore herein we have sought to assess performance at a local authority level and compare it as appropriate against those authorities with strong economic links to the Borough (i.e. Southampton, Fareham, Winchester and Test Valley), together with wider comparators including Solent LEP, South East and England.

3.4 A total of 66,000 employment jobs[2] are recorded in Eastleigh Borough by BRES in 2016. This represents 9.2% of the LEP's jobs. **Figure 1** shows the sectoral distribution of the employment across the Borough.

[2] The 66,000 employment jobs figure is slightly higher than the 63,000 workplace based employees in the Borough. This is because some employees will work more than one job.

Figure 1: Sectoral Employment in Eastleigh, 2016



Source: BRES 2016

3.5 The largest sectors (which account for 41,000 jobs and 62% of employment) across the Borough, include:

- Retail (12%)
- Manufacturing (11%)
- Professional, scientific and technical (11%)
- Transport and Storage (8%)
- Health (8%)
- Business administration & support (7%)
- Education (7%)

3.6 Across the LEP authorities, there are c. 95,000 jobs in Health, 75,500 jobs in retail and 72,000 jobs in education. Other large sectors, with employment above 50,000 jobs, include: business administration (62,250 jobs); manufacturing (56,000 jobs); accommodation & food (53,250 jobs); and professional, scientific and technical (50,500 jobs).

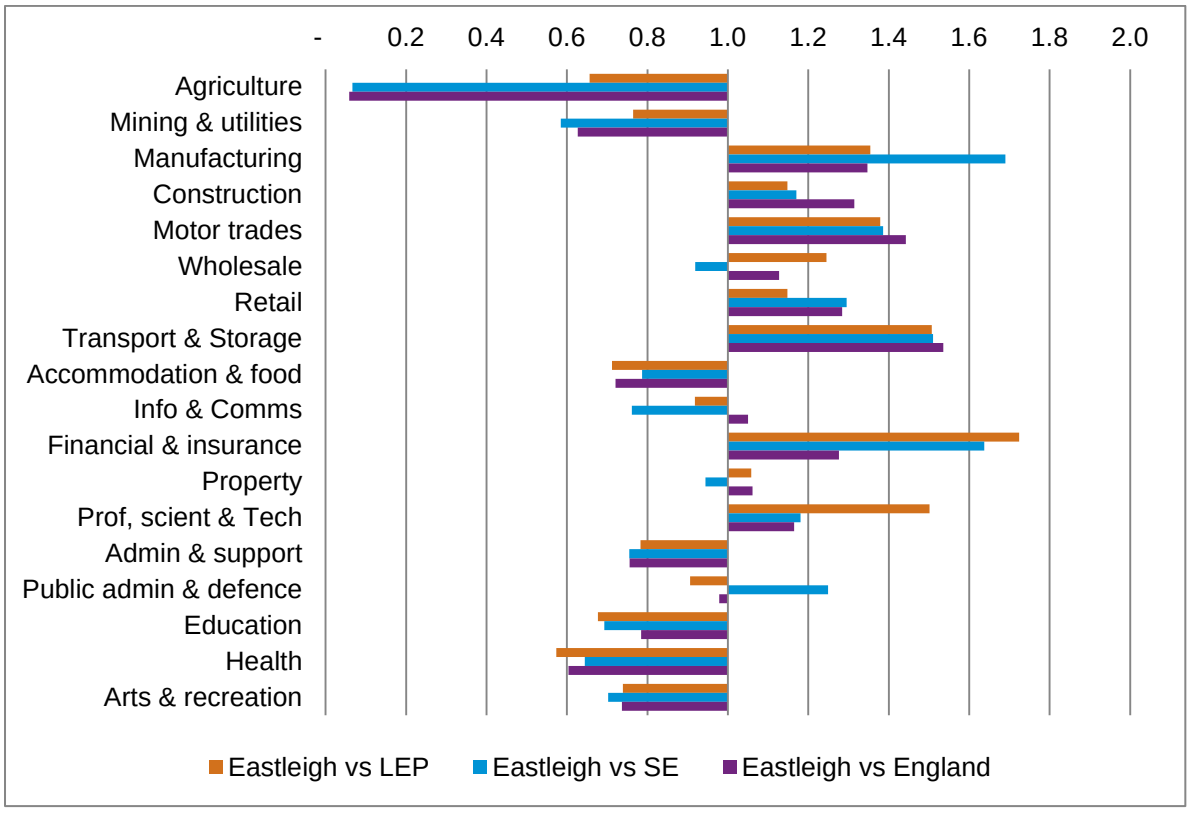
3.7 **Figure 2** shows the location quotient (LQ) analysis of Eastleigh Borough compared to the LEP, South East and England. The LQ analysis allows comparison of the proportion of jobs in each sector in one geographical area compared to another. In this way it is possible to compare the relative strength of a sector to an area's economy.

3.8 A sector with a LQ of 1.0 shows that the proportion of jobs in that sector in Eastleigh is similar to the proportion of sectoral jobs in the comparator area. A sector with a LQ greater than 1.0 indicates that Eastleigh has a greater proportion of jobs in that sector than the comparator area - hence these

jobs can be considered a relative strength of the Borough. Conversely, a sector with a LQ less than 1.0 indicates that there are fewer sectoral jobs in Eastleigh than in the comparator area, and hence the sector is relatively under-represented in the local economy.

3.9 The LQ analysis shows that Eastleigh has particularly high proportions of employment in Manufacturing, Motor trades, Transport and storage, and Financial and insurance services. Conversely, the Borough's economy has a lower proportion of jobs in the public sector jobs, Accommodation and food services, Administrative and support services, and Arts and recreation. It is notable that many of the sectors with a high location quotient have a high GVA per job while many of those with a low location quotient have lower GVA per job.

Figure 2: Location Quotient 2016



Source: BRES 2016

3.10 The analysis indicates that the Borough has a strong representation of employment in finance and insurance; transport & storage, professional, scientific and technical; motor trades; manufacturing; construction; and retail. Contrary there is comparatively weak representation in agriculture, mining and healthcare, followed by education, accommodation & food and business administration.

3.11 **Table 1** shows the employment growth recorded since 2010 (i.e. in this economic cycle) in the Borough together with those authorities with strong economic relationships and the wider comparators.

Table 1: Employment 2016 and employment change 2010-16

	Employment	Change	
	2016	2010-16	2010-16 %
Eastleigh	66,000	3,000	5%
Fareham	50,000	1,000	2%
Southampton	117,000	5,000	4%
Test Valley	59,000	7,000	13%
Winchester	83,000	10,000	14%
Solent LEP Authorities	715,000	27,000	4%
South East	4,286,000	351,000	9%
England	26,385,000	2,403,000	10%

Source: BRES 2016

3.12 Eastleigh has seen a growth in employment of 5% (equating to 3,000 additional jobs) since 2010. This level of growth is above that seen in Southampton, Fareham and Solent LEP, but below the national and regional comparators, while Winchester and Test Valley have both seen a significant employment growth of 13-14% over the 2010-16 period according to BRES.

3.13 The growth of 3,000 jobs in Eastleigh Borough since 2010 compares to a growth of 1,100 businesses in the Borough over this period (Hampshire County Council, see para 2.17) suggesting that the majority of business growth has been in micro-businesses. This is verified by the ONS Business Counts data which shows that 92% of the business growth in the Borough over this period had 0-4 employees. This is 5% higher than the national average of 87%. This has implications in terms of floorspace requirements as the Borough's recent growth will include a greater proportion of sole traders working from home or from less formal employment space, and will likely require smaller, more informal working space.

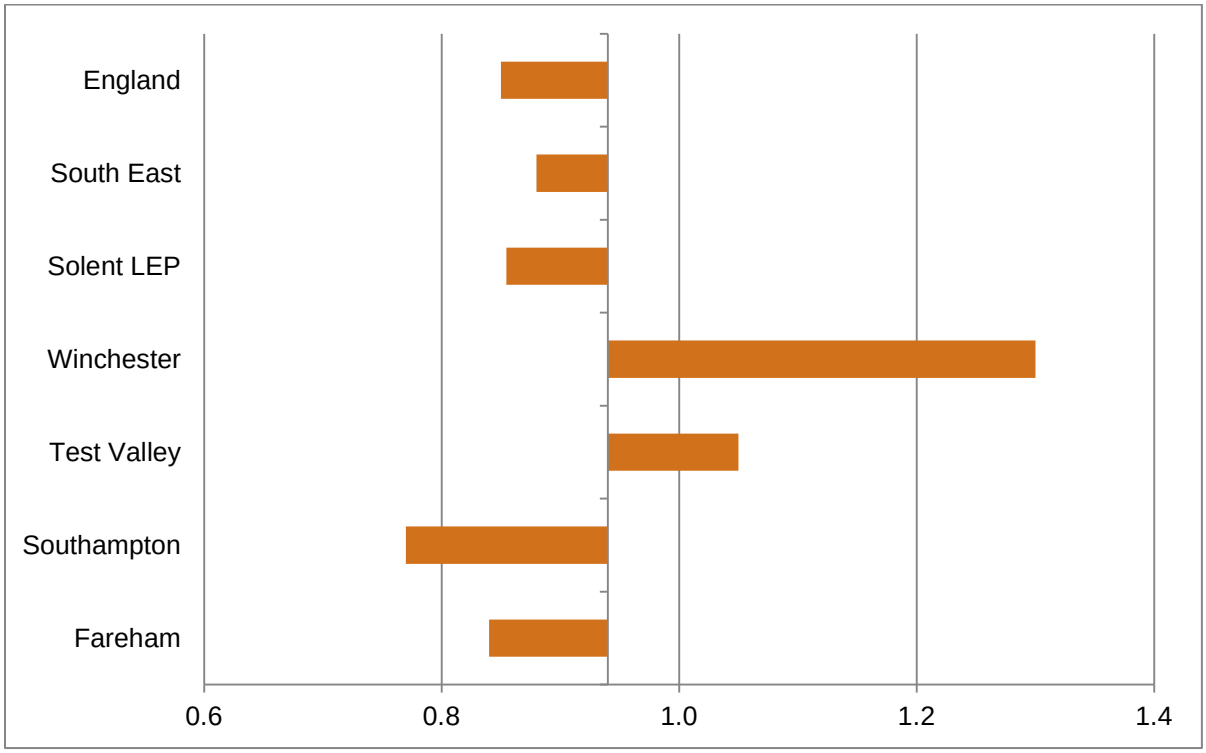
Jobs Density

3.14 **Figure 3** overleaf presents the relationship between job numbers and the resident workforce, using the ONS "jobs density" measure. Jobs density describes the relationship of jobs to people (residents) of working age (16-64).

3.15 Overall the South East Region has a jobs density of 0.88. Typically cities have concentrations of employment, and support net in-commuting from surrounding areas to work – and thus an above average jobs density, however Southampton has a jobs density of 0.77 which is below the regional average. This partly reflects the administrative geography and employment along the M27 Corridor.

3.16 Eastleigh has a jobs density of 0.94. What particularly stands out from the analysis is the very high jobs density in Winchester (1.30). Test Valley has also a job density higher than Eastleigh at 1.05. The other areas considered have a lower density indicating that there is a strong level of economic activity across the Borough compared to the wider LEP area.

Figure 3: Jobs Densities compared to Eastleigh 0.94



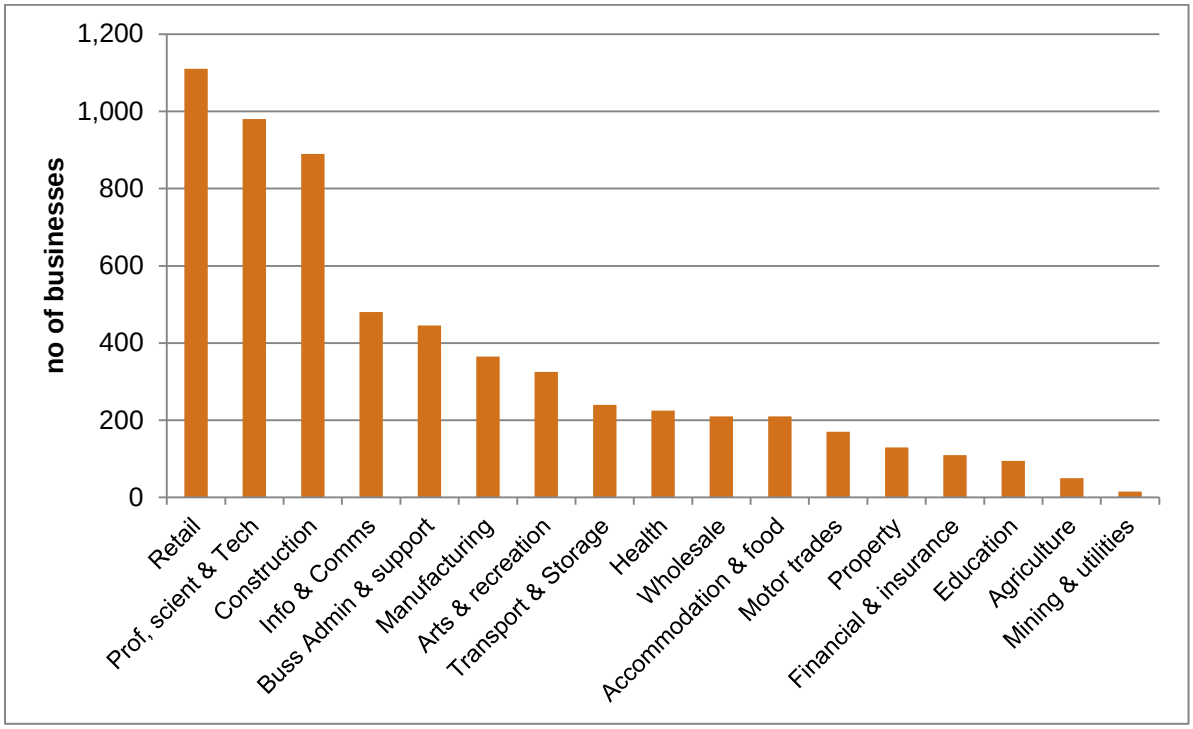
Source: ONS

Business Growth

3.17 A total of over 6,000 businesses[3] were recorded by ONS in Eastleigh in 2017. Around the half of all the businesses across the Borough are concentrated in three sectors: retail (1,100 businesses), professional, scientific and technical (980 businesses) and construction (890 businesses). **Figure 4** shows the distribution across all the sectors.

[3] This figure refers to enterprises. In terms of units there were 7,040 local units across the Borough in 2017.

Figure 4: Business counts by sector in Eastleigh, 2017



Source: ONS

3.18 In addition, there is a good level of business representation, of between 300-500 enterprises per sector, in a further four sectors: information & communication, business administration, manufacturing and arts & recreation sectors.

3.19 **Table 2** shows business growth in Eastleigh since 2010. A total of 1,900 enterprises have been added into the local economy since 2010. This equates to 45% growth or to an annual growth rate of 5%.

3.20 Retail has seen the highest growth, with a change of 820 new retail businesses over the period 2010-17. In addition, 280 additional businesses falling within the professional, scientific and technical sector have been created in net terms since 2010, followed by 130-140 enterprises in business administration, information & communication and construction sectors. Finally, it should be noted that healthcare has seen a growth of over 60% during this market cycle.

Table 2: Businesses Growth by sector, 2010-2017

Industry	Business Counts 2017	2010-17 Change		
		Change	% change	Annual %
Agriculture	50	10	25%	3%
Mining & utilities	15	5	50%	6%
Manufacturing	365	85	30%	4%
Construction	890	130	17%	2%
Motor trades	170	20	13%	2%
Wholesale	210	20	11%	1%
Retail	1,110	820	283%	21%
Transport & storage	240	45	23%	3%
Accommodation & food	210	30	17%	2%
Info & communication	480	135	39%	5%
Financial & insurance	110	15	16%	2%
Property	130	10	8%	1%
Prof, scientific & technical	980	280	40%	5%
Buss admin & support	445	140	46%	6%
Public admin & defence	15	5	50%	6%
Education	95	25	36%	4%
Health	225	85	61%	7%
Arts & recreation	325	15	5%	1%
Total	**6,070**	**1,885**	**45%**	**5%**

Source: ONS Business Counts

4 PROPERTY MARKET DYNAMICS

4.1 In this section we have reviewed commercial property market dynamics drawing together wider elements of the Plan's evidence base, specifically:

- Employment Land Study (2016) together with the Addendum Report in 2018, prepared by Lambert Smith Hampton (LSH);
- The Eastleigh Local Economy Review 2016 (January 2017), prepared by Hampshire County Council; and
- PUSH Economic and Employment Land Evidence Base Paper (2016), prepared by GL Hearn.

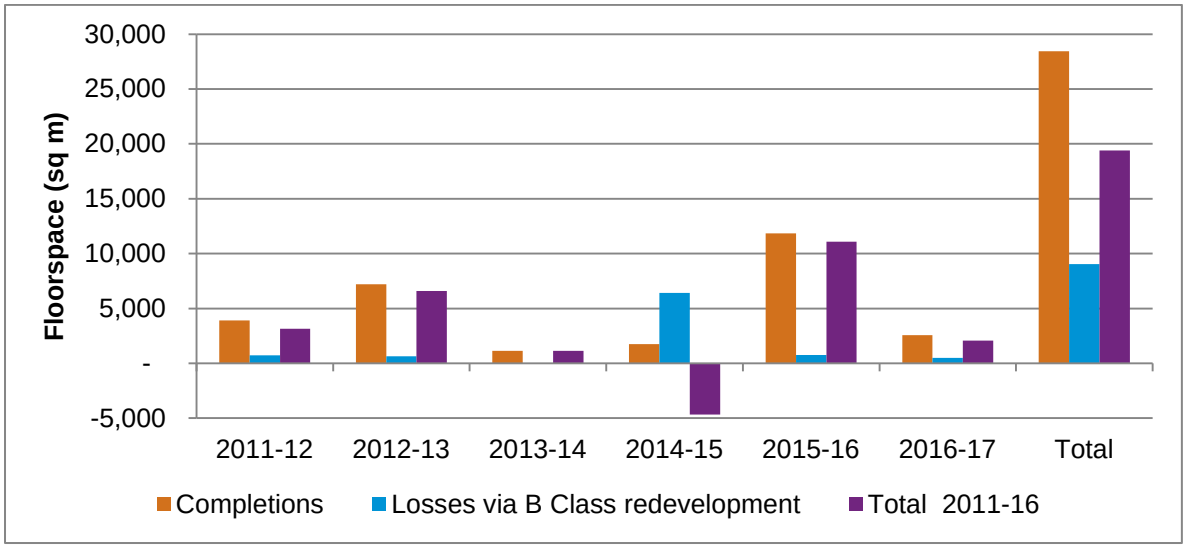
4.2 In addition we have undertaken an analysis to provide updated data with regards to recent availability and take up trends for Eastleigh and its wider property market area.

Commercial Completions

4.3 Over the 2011-17 period there has been a total of 28,450 sq m of employment space (B Class uses) developed in the Borough. This (gross) completions figure includes new development for employment uses and also intensification at existing employment sites.

4.4 In addition to this, there has been redevelopment of employment sites which has resulted in a loss in employment floorspace. 9,050 sq m of employment floorspace has lost over this period, either through the replacement of existing units creating a slightly smaller footprint or through change of use from one employment use to another employment use. In many cases the new use is counted among the completions data so to avoid double counting, the losses are counted at this stage also (losses to alternative (non B class) uses are considered below). This gives a total floorspace completions figure of 19,388 sq m over the 2011-17 period.

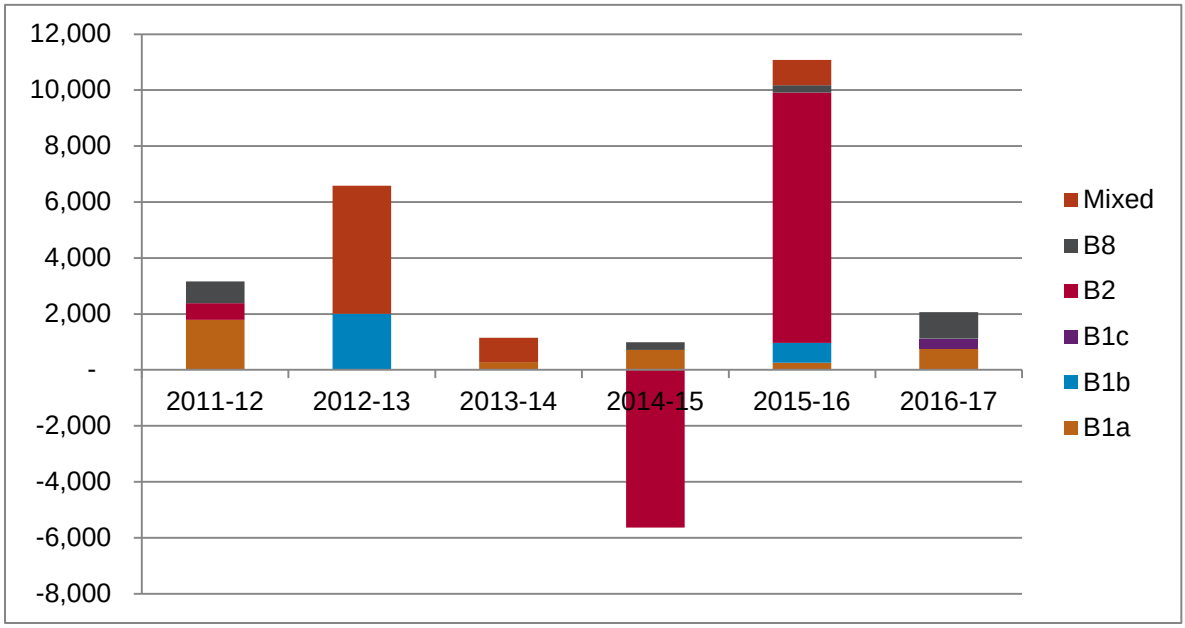
Figure 5: Employment Completions and Losses via B Class Redevelopment, 2011-17



Source: EBC

4.5 Completions per annum by employment use class are shown below:

Figure 6: Employment Completions and Losses via B Class Redevelopment, by Use Class, 2011-17



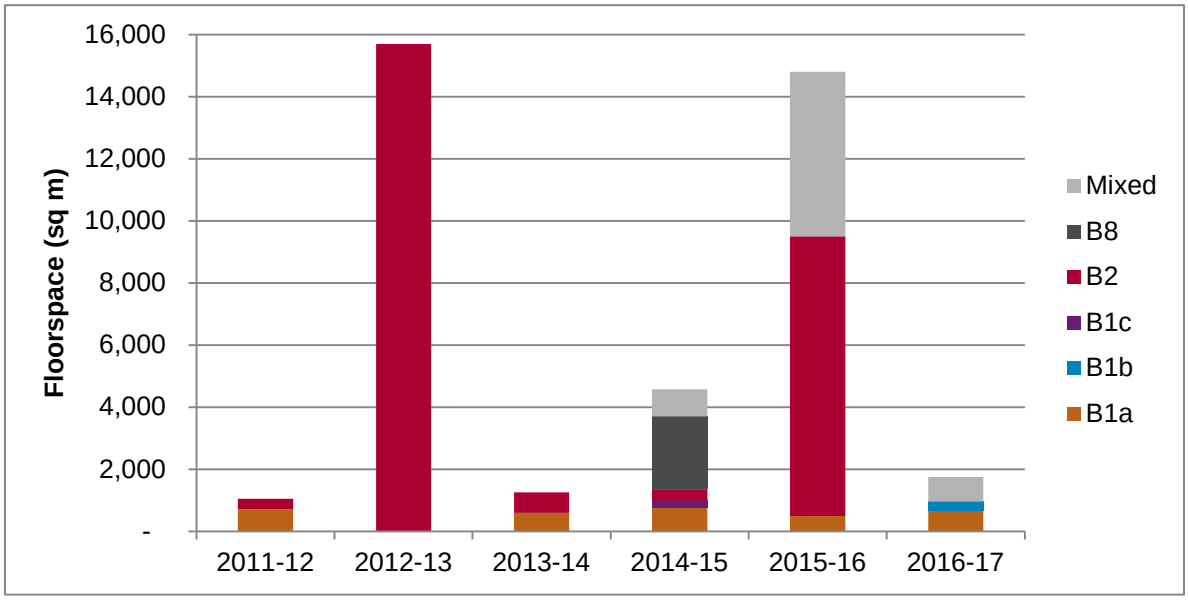
Source: EBC

4.6 The figures above include losses where these have been part of a redevelopment of an employment site for continued employment uses. However, they do not account for any losses to alternative employment uses.

4.7 **Figure 7** shows the losses of employment floorspace to alternative (non B class) uses in Eastleigh over the period 2011-17. Over this period the majority of losses have been for less than 1,000 sq m, although there have been three large sites lost for residential redevelopment:

- The former Pirelli factory site – 15,700 sq m of B2 space lost in 2012;
- The former Premier Foods bakery site – 9,000 sq m of B2 space lost in 2015;
- Travis Perkins, Mill Street – 5,300 sq m of mixed industrial space lost in 2015.

Figure 7: Employment Losses to Alternative Uses, 2011-17



Source: EBC

4.8 In total there has been 39,100 sq m of employment space lost over this period – an average of 6,500 sq m per annum.

Industrial Market

4.9 There is currently strong demand from occupiers for prime industrial stock according to LSH's South Coast Market Update for 2017 as recorded in the Employment Land Study Addendum Report for Eastleigh. Take up in 2017 was slightly down when compared to 2016, however this was primarily due to the lack of supply rather than lower enquiries levels. Overall an increase in occupier demand, coupled with a lack of supply, is highlighted by the evidence.

4.10 The report suggests that over the next year, the supply of prime stock will be increased as the current pipeline of development schemes, including Merlin Park in Portsmouth (90,000+ sqft), is completed. In contrast the secondary stock availability will continue to decrease as tenants remain in their current premises. Rents were predicted to continue their increasing trend across the sub-region.

4.11 **Table 3** presents rental and sales values as recorded by LSH. Compared against Southampton, Winchester and Test Valley, rental and sales values are higher in Eastleigh. The marginal difference between prime and secondary stock values is mainly due to the lack of secondary stock available.

Table 3: Rental Levels for Industrial Properties in Eastleigh, 2017

Band size (sq ft)	Prime capital value psf	Prime headline rent psf	Secondary capital value psf	Secondary headline psf
Under 5,000	£120-£140	£10	£90-£100	£9.5
5,000—20,000	£120-£140	£9.5	£80-£95	£8.75
Over 20,000	£115-£140	£9.5	£55-£85	£8.5

Source: Lambert Smith Hampton South Coast Industrial Market Briefing 2017 – Table 1

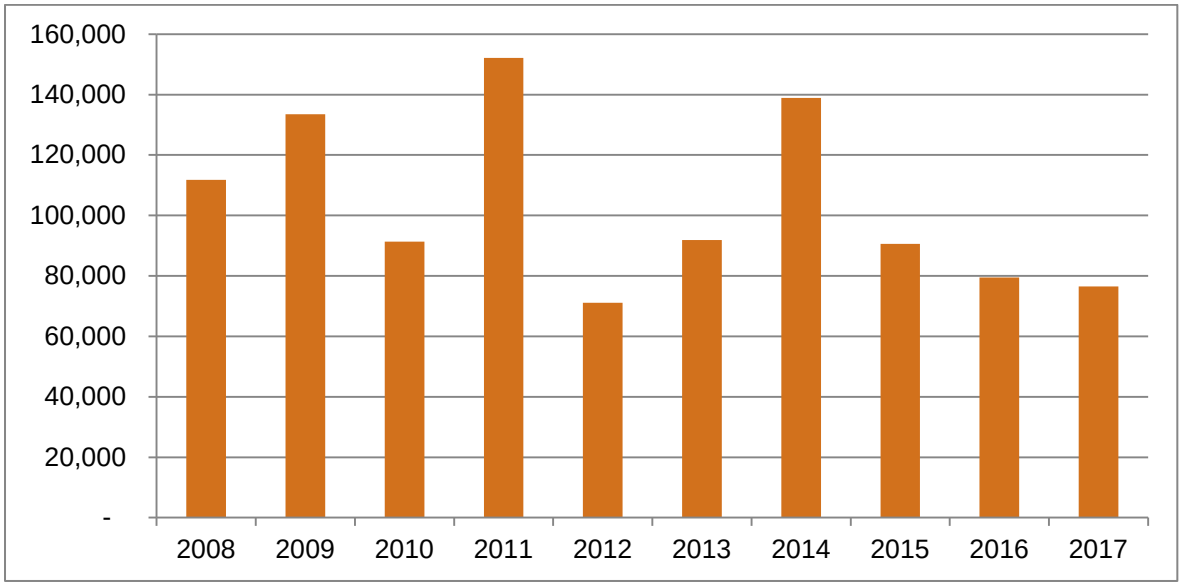
4.12 Key transactions over the last 18 months in Eastleigh (according to LSH) include:

- Letting of 21,322 sq.ft of space at Boyatt Wood Industrial Estate on a 10 year lease at £8psf;
- Letting of 27,166 sq.ft of space at Stoke Park, Tower Lane on a 10 year lease at £7.91psf;
- Letting of 19,414 sq.ft of space at Alpha Park, Chandlers Ford on a 10 year lease at £9.5psf;
- Letting of 9,947 sq.ft of space at School Lane, Chandlers Ford at £8psf. Tenure details are not disclosed;
- Letting of 90,000 sq.ft of space at Barton Park Industrial Estate. The rent and tenure details are not disclosed;
- Letting of 52,613 sq.ft of space at Tower Lane at £5.7psf. Tenure details are not disclosed;

4.13 LSH reported that the construction of Bericote Properties' speculative scheme, Alpha Park at Chandlers Ford in Eastleigh, has been completed. Unit 1 has been successfully pre-let and there is significant interest in the remaining two units of 45,000 and 84,000 sq ft, respectively.

4.14 GL Hearn has used data from CoStar to profile industrial take-up across Eastleigh and the wider property market including Southampton, Fareham, Winchester and Test Valley. We estimate average annual take up of 104,000 sq m over the last ten years across this market area, of which Eastleigh's contribution is of 35,000 sq m per annum (34%). As **Figure 8** shows there has been a downward trend in industrial take-up since 2014.

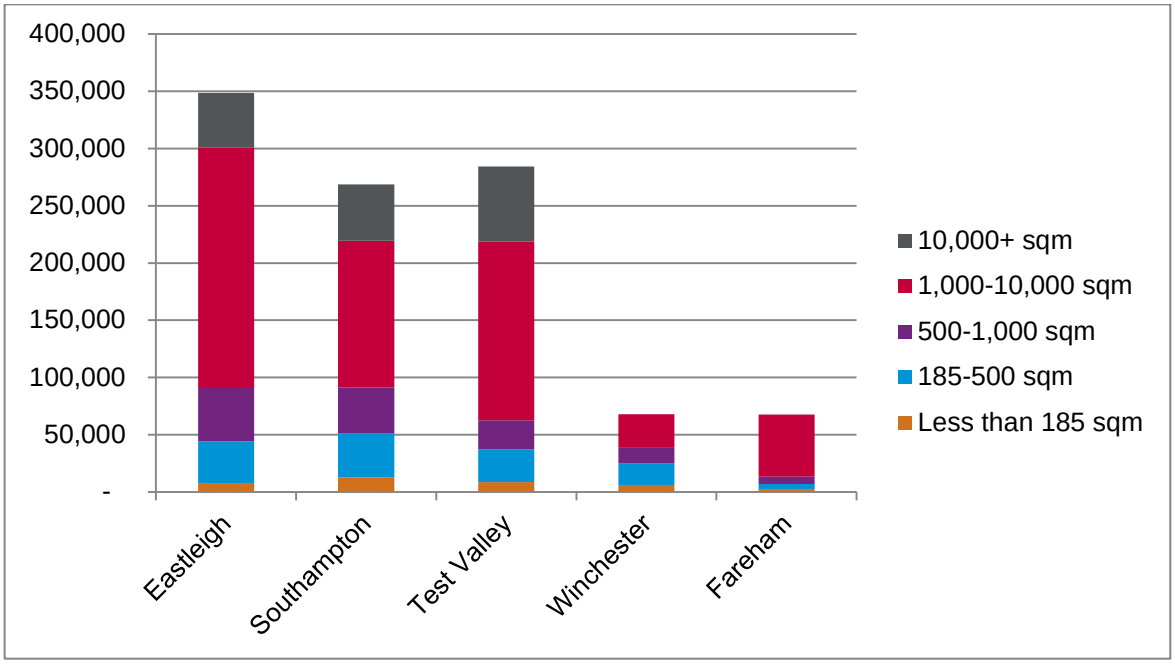
Figure 8: Industrial Take-Up Across the Property Market Area (Eastleigh, Southampton, Test Valley, Winchester and Fareham) (sq m)



Source: CoStar

4.15 **Figure 9** profiles take-up of industrial floorspace by area over the last 10 years. A total of 1.03million sq m of industrial floorspace has been transacted in the market as a whole. Industrial take-up has been strongest in Eastleigh (349,000 sq m or 35,000 sq m pa). Test Valley and Southampton have also seen a significant take up of 28,400 sq m pa and 26,900 sq m pa. Take-up in Eastleigh has been dominated by units of 1,000 – 10,000 sq m.

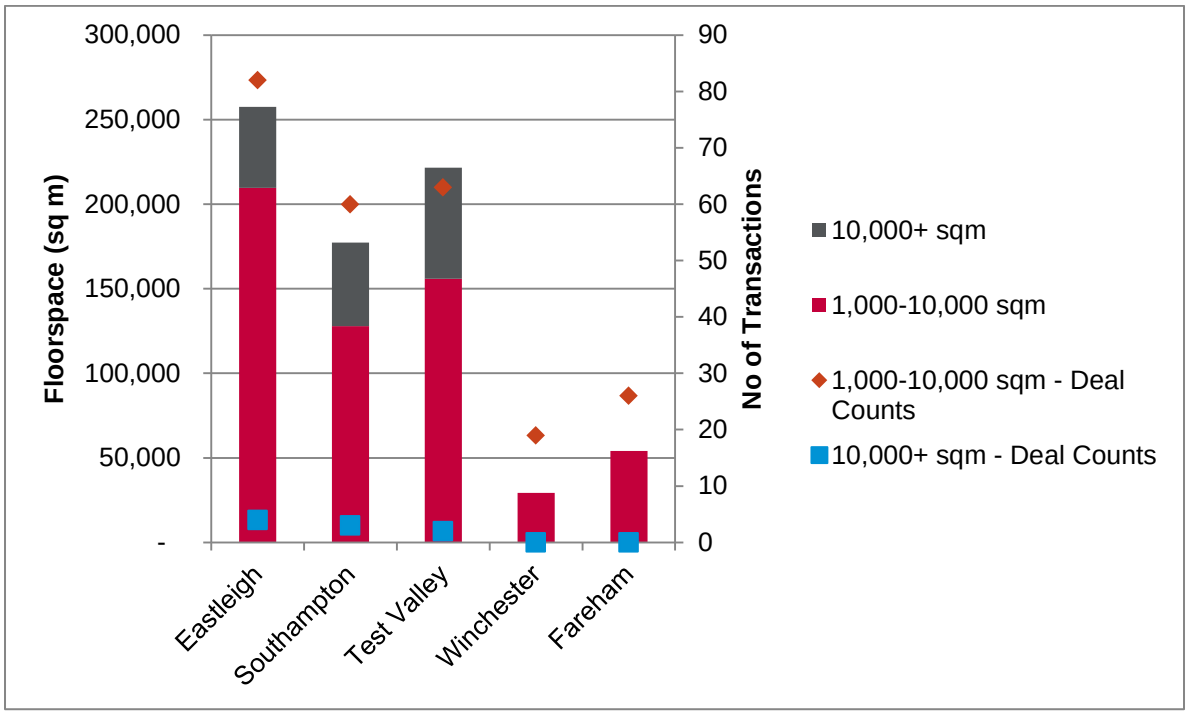
Figure 9: Industrial take up by area and size band, 2008-17 (sq m)



Source: CoStar

4.16 Overall take up figures are particularly influenced by deals for larger space. **Figure 10** profiles the take-up of units of over 1,000 sq m in size. The strongest take-up within these categories has been in Eastleigh, followed by Test Valley and Southampton.

Figure 10: Industrial take up of large transactions (1,000+sq m), 2008-17



Source: CoStar

4.17 Data on industrial availability (space being advertised) has been drawn from CoStar. This principally includes built floorspace, proposed developments (design & build opportunities) together with under construction schemes which are being marketed.

4.18 **Table 4** sets out available industrial space, and compares this with average annual take-up over the last 10 years (2008-2017) to provide a notional assessment of the level of supply.

Table 4: Notional Supply: available industrial space Vs 10 year take up, April 2018

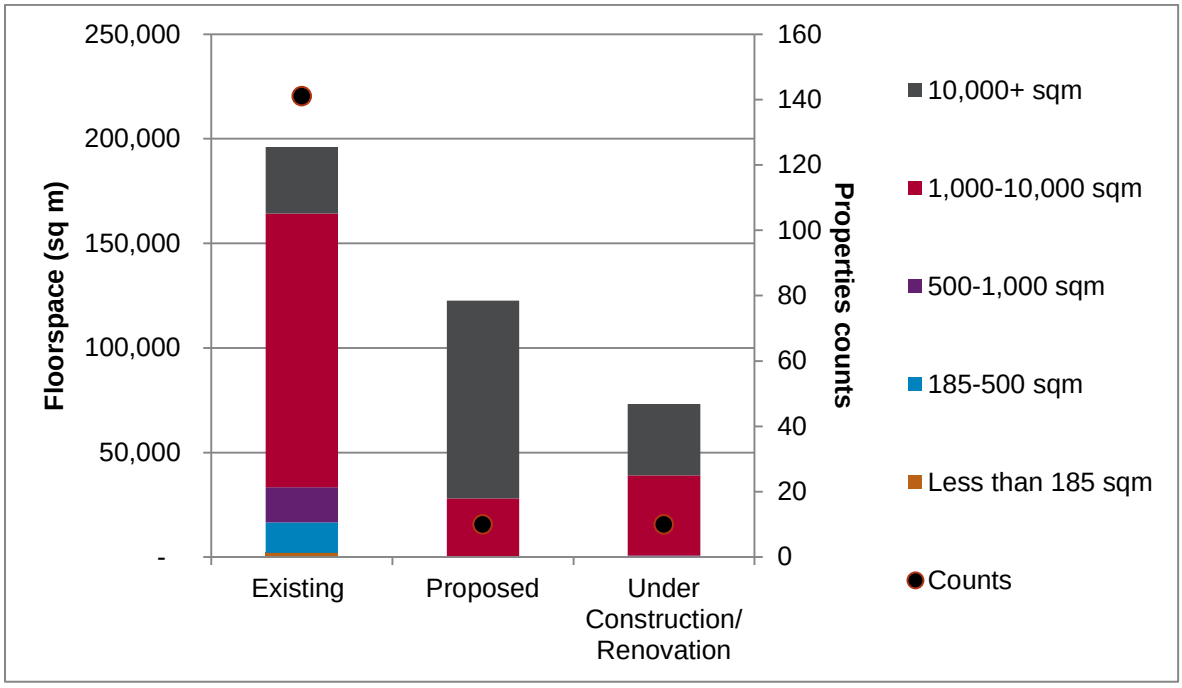
Local Authority	Available Space, April 2018 (sq m)	Annual Average Take-Up (2008-17)	Notional years supply
Fareham	64,170	6,760	9.5
Eastleigh	44,180	34,860	1.3
Southampton	83,430	26,870	3.1
Test Valley*	185,640	28,440	6.5
Winchester	14,310	6,800	2.1
Property Market	391,720	103,720	3.8
Property Market – Direct Availability	253,220	103,720	2.4

*Over 110,000 sq m in Test Valley relates to "proposed" availability – c75,000 sq m direct availability
Source: CoStar – edited by GL Hearn

4.19 The analysis points to a notional supply of 1.3 years in Eastleigh which is the smallest across the study area. The average of 3.8 years supply is shown across the market. However this includes 138,500 sq m of proposed supply. Therefore the level of available space now (including schemes currently under construction) across the market equates to 2.4 years of supply.

4.20 **Figure 11** below profiles the quality and size of the available floorspace. Available industrial space is particularly concentrated in Test Valley with 111,250sq m being currently advertised followed by Fareham (14,500sq m) and Eastleigh (7,000 sq m). The latter relates mainly to one proposed scheme in Reliant Close, Chandlers Ford Industrial Estate[4].

Figure 11: Available space by size and status, property market – April 2018



Source: CoStar, April 2018

4.21 There are currently 73,000 sq m of new industrial floorspace under construction stock are located in Southampton (46,000 sq m~) followed by Fareham (27,000 sq m). Overall however, availability is dominated by Grade B (second hand) space.

[4] A property of 4,600 sq m floorspace that property will comprise an industrial unit of steel construction arranged over ground and first floors.

Office Market

4.22 Office take-up has slowed down recently according to LSH's South Coast Market Update for 2017, as recorded in the Employment Land Study Addendum Report for Eastleigh. The total office take up in South Coast Market for 2017 recovered from a comparatively slow start earlier that year finishing at 295,600 sqft. However this is still 14% below the 10 year average take up figure (2008-17) of 337,800 sqft, 10% below the 2016 equivalent and 42% below the take up in 2015.

4.23 LSH's analysis suggested that the most active sectors relating to last year's take up were Technology, media & telecoms (47%) and Finance, banking and insurance (37%). The greatest take up has been seen in the M27/A27 corridor.

4.24 Office supply across the South Coast continued its downward trend, falling below 1 million sqft in 2017 for first time over a decade. According to LSH that was due to the change of use of secondary stock to other uses including residential and student accommodation. Overall availability was 24% below the equivalent in 2016 and 25% the one in 2015.

4.25 The lack of premium (grade A) office stock has been driving rental growth. **Table 5** below presents rental and sales values as recorded by LSH. Compared against Southampton, Winchester and Test Valley, rental and sales values for office space in Eastleigh Borough are among the lowest, particularly for prime space, but remain quite reasonable for secondary space relative to some other locations across the wider region.

Table 5: Office Rents in South Coast for units under 5,000sqft

	Prime capital value psf	Prime headline rent psf	Secondary capital value psf	Secondary headline psf
Eastleigh	£250	£21	£140-£190	£12-£16
Southampton	£250	£22	£140-£190	£14-£16
Winchester	£375	£25	£200-£250	£12-£19
Test Valley	£325	£25	£130	£12

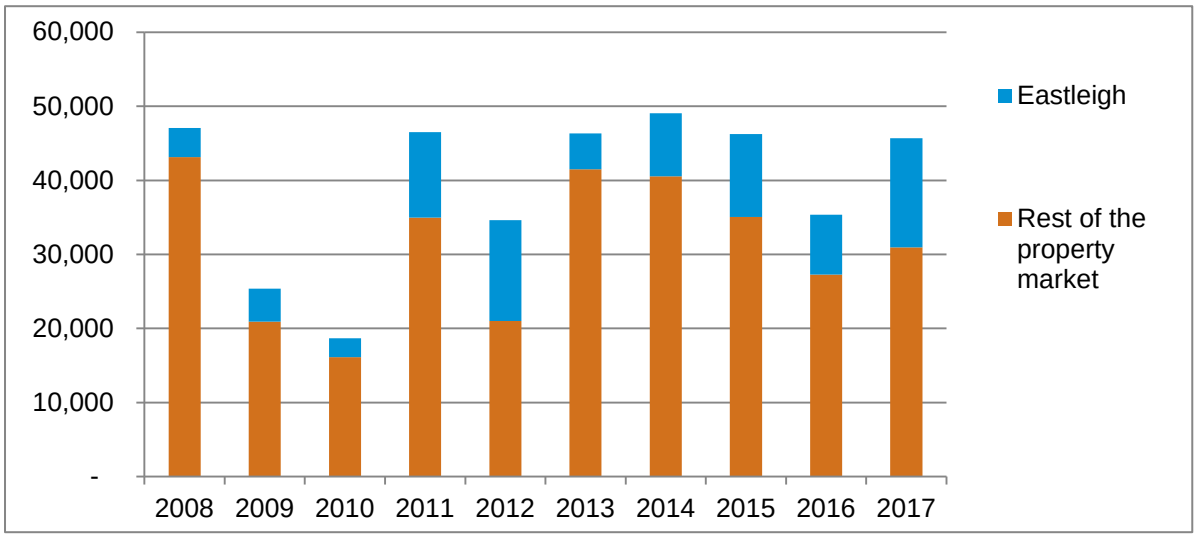
Source: Lambert Smith Hampton South Coast Industrial Market Briefing 2017 – Table 3

4.26 Key transactions over the last 18 months in Eastleigh (according to LSH) include:

- Letting of 7,500 sq.ft of space at Stoneham Gate on a 5 year lease at £15 psf;
- Letting of 5,600 sq.ft of space at Templars House, Chandlers Ford on a 10 year lease at £17.5 psf;
- Letting of 8,300 sq.ft of space at Tolbar House, Hedge End on a 10 year lease at £18.5 psf;
- Letting of 3,500 sq.ft of space at Vanbrugh House, Hedge End on a 10 year lease at £19 psf.

4.27 GL Hearn has used deals recorded by CoStar to profile office floorspace take-up in Eastleigh Borough and its wider property market (see paragraph 4.14) over the ten years to 2017. Annual take-up (including both new and second hand stock) over the decade has averaged 39,500 sq m, with a higher figure of 44,500 sq m recorded over the last five years reflecting a level of recovery in the office market following the economic recession.

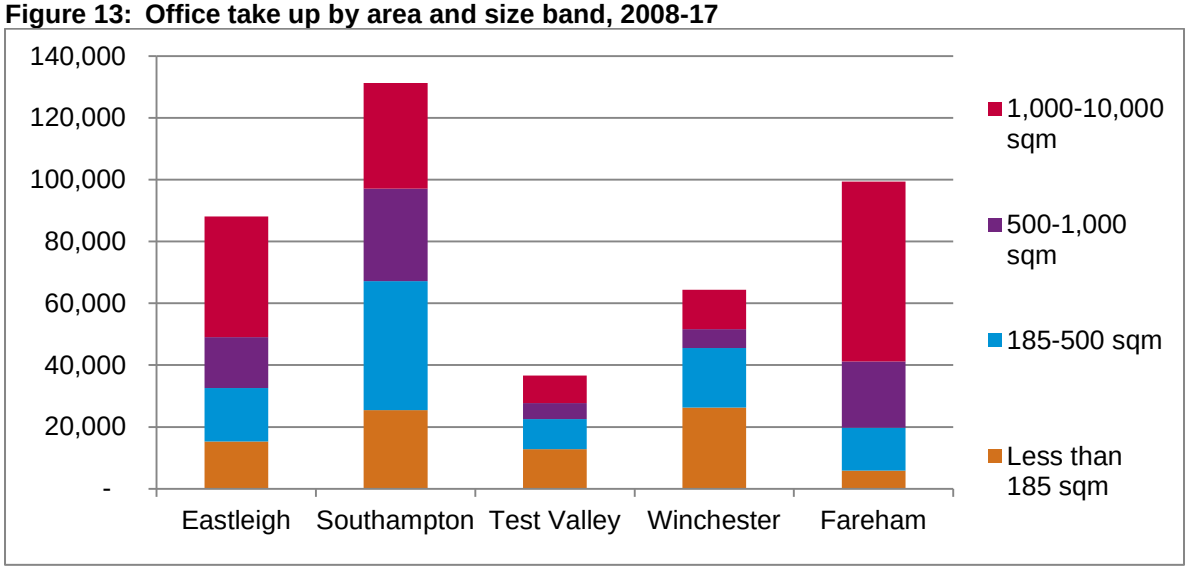
Figure 12: Office take up, Eastleigh and its wider property market



Source: CoStar

4.28 The chart below profiles take-up by area and size band. Southampton has the strongest office market, recording average annual take-up of 12,400 sq m. Take-up of around 9,300 sq m per annum has also been recorded in Fareham. Eastleigh has seen an average take up of 8,350 sq m.

Figure 13: Office take up by area and size band, 2008-17



Source: CoStar

4.29 Data on office availability being advertised has been drawn from CoStar. **Table 6** sets out available industrial space, and compares this with average annual take-up over the last 10 years (2008-2017) to provide a notional assessment of the scale of supply.

Table 6: Notional Supply: available office space Vs 10 year take up, April 2018

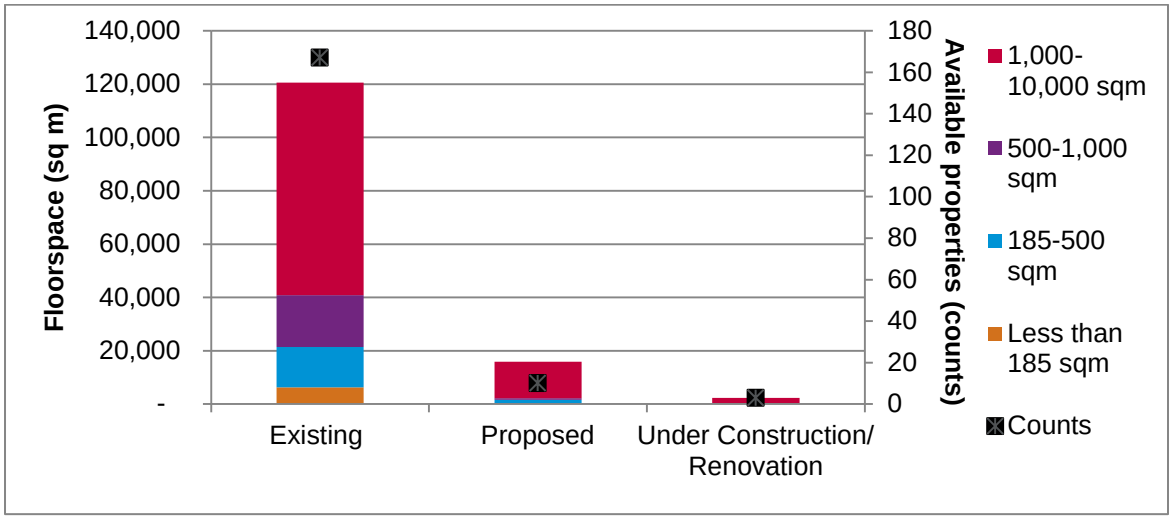
Local Authority	Available Space, April 2018 (sq m)	10 year take up, 2008-17	Notional years supply
Fareham	45,500	9,229	4.9
Eastleigh	10,031	8,350	1.2
Southampton	58,666	12,409	4.7
Test Valley	9,856	3,351	2.9
Winchester	14,765	6,165	2.4
Property Market	138,818	39,504	3.5
Property Market – Direct Availability	122,899	39,504	3.1

* "proposed" availability: over 8,000sq m in Fareham; 4,600 in Winchester and 2,300 in Eastleigh
Source: CoStar – edited by GL Hearn

4.30 There is a notional supply of 1.2 years in Eastleigh which is the smallest across the study area. Across the property market area there is a notional supply of 3.5 years. By excluding the proposed supply there is a notional direct supply of 3.1 years.

4.31 **Figure 14** profiles the quality and status of the available office floorspace across the wider property market area. There is clearly a shortage of premium office stock across the market. The vast majority of the stock is second hand. There is 2,400sq m is currently under construction, whilst just 16,000 sq m of office space is proposed.

Figure 14: Office availability by size and status, Property Market Area, April 2018

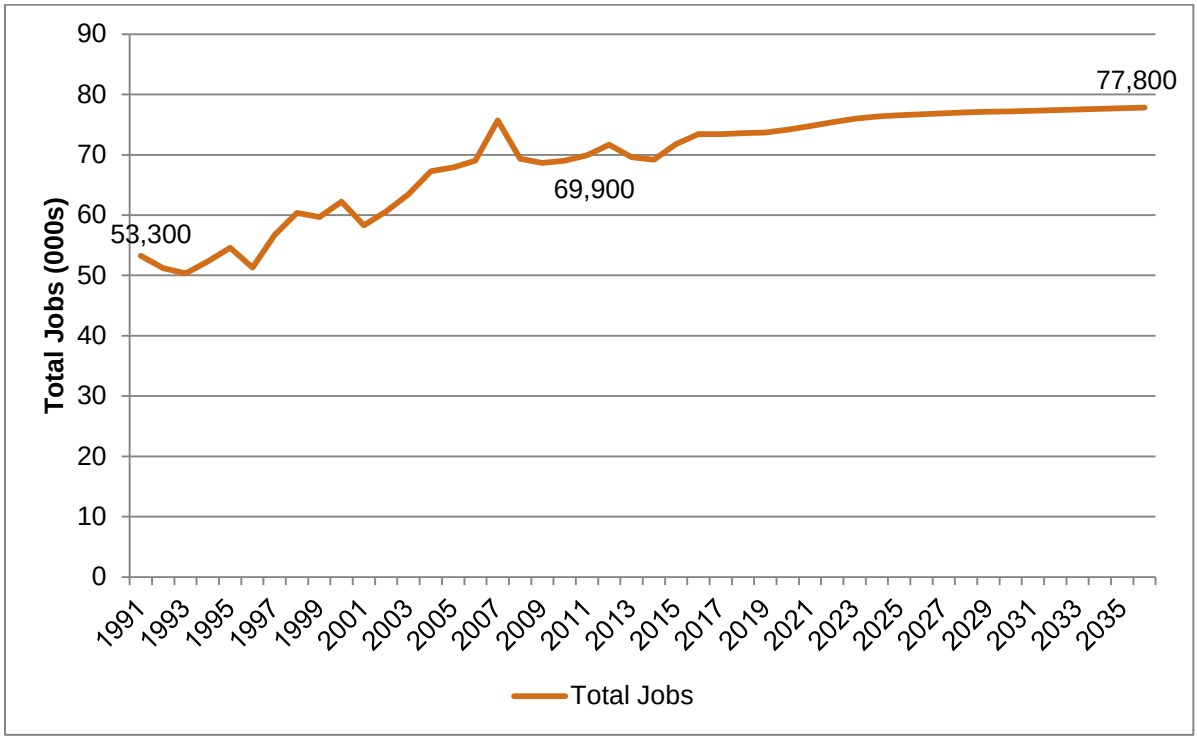


Source: CoStar, April 2018

5 EMPLOYMENT FORECASTING

5.1 This section considers forecasts from Oxford Economics dated April 2017 which take account of factors relating to Brexit. The forecasts show the total number of jobs in Eastleigh growing from just under 70,000 in 2011 to 77,800 in 2036. This is a total growth of 7,900 jobs over the 25 year period – equivalent to an annual growth rate of 0.4%. There are an estimated 73,400 jobs in 2016, which is higher than that recorded by BRES due to the inclusion of self-employed, forces personnel and government trainees.

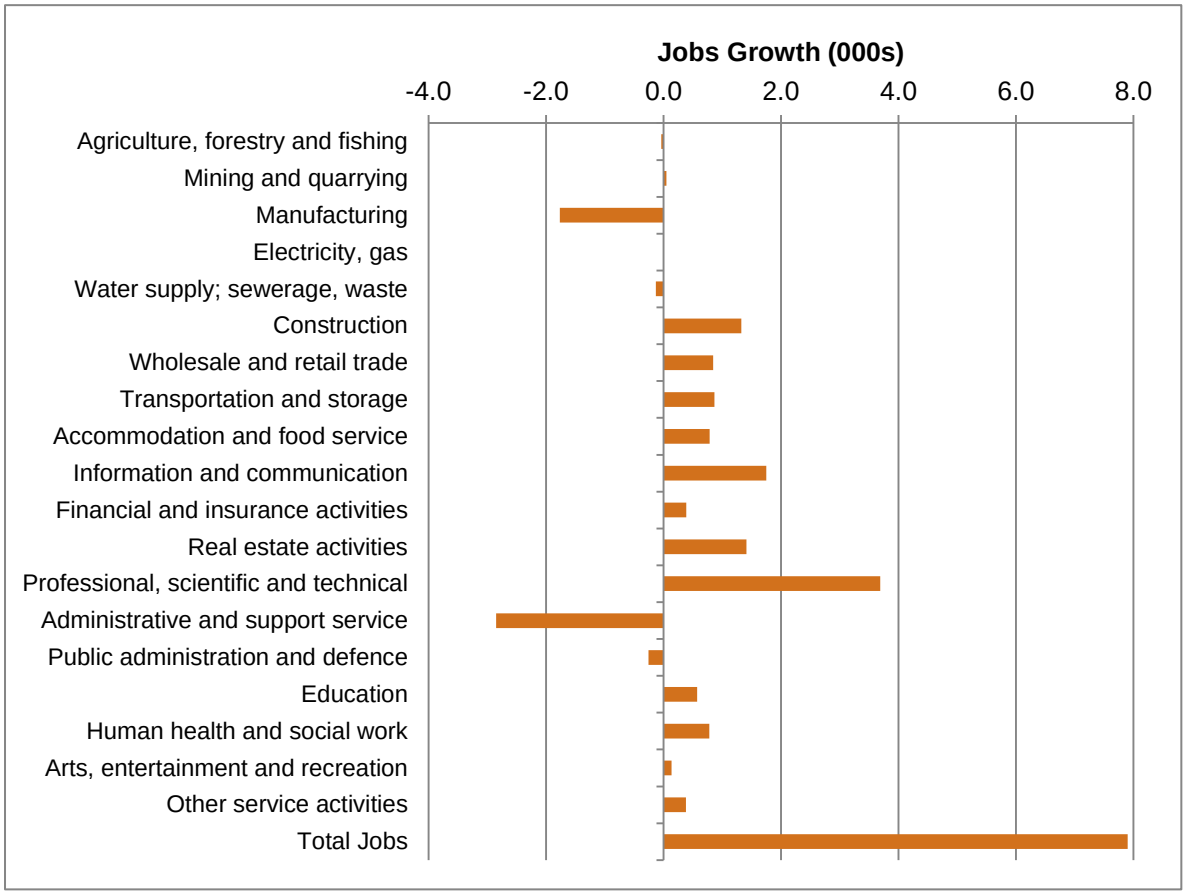
Figure 15: Eastleigh – Total Employment, 1991-2036



Source: Oxford Economics, 2017

5.2 **Figure 16** shows the breakdown of jobs growth in Eastleigh by broad sector. This shows the largest growth is expected in the Professional, scientific and technical services sector (a growth of 3,700 jobs). The Construction, ICT, and Real estate sectors are all forecast to increase by over 1,000 jobs. Conversely, the Manufacturing and Administrative and support service sectors are forecast net job losses of 1,800 and 2,800 jobs respectively. Wholesale and retail also shows positive growth.

Figure 16: Jobs Growth by Sector, 2011-36



Source: Oxford Economics, 2017

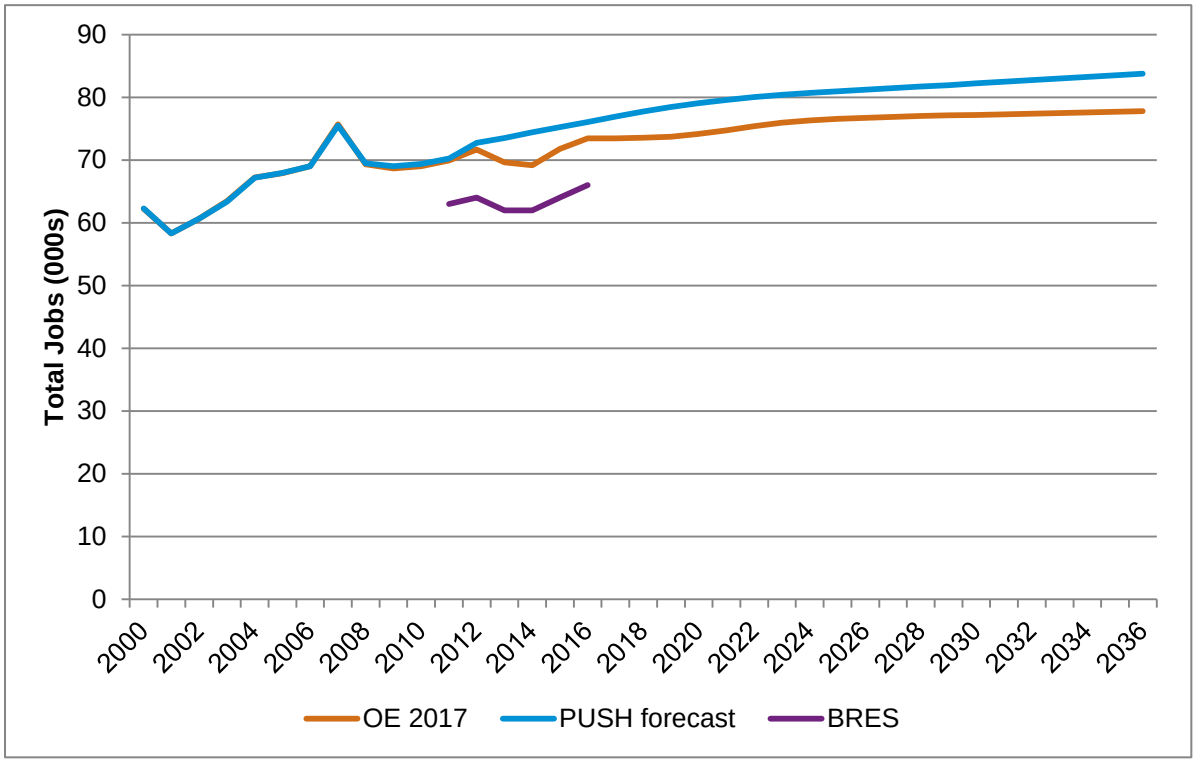
5.3 **Figure 17** compares the 2017 OE forecast and the 2015 OE forecast used in the PUSH Study. Over the 2011-34 period, the 2015 forecast shows a jobs growth of 13,500 which is 5,500 more jobs than shown in the more recent forecast.

5.4 The jobs growth over this period can be split into two parts:

- the growth that has already happened from 2011 to the base date of the latest forecast in 2016;
- the growth which is forecast to occur from 2016 to the end of the period in 2036.

5.5 Evidently, the growth from 2011-16 has already occurred, however there is a discrepancy between the forecasts over this period, as shown in **Figure 17**. While both forecasts start at a similar level in 2011, the 2017 Oxford Economics forecast shows an increase of 3,500 jobs by 2016 whereas the 2015 forecast shown in the PUSH evidence shows a jobs growth 5,800 jobs by 2016. The 2017 forecast will take account of more recent data.

Figure 17: Eastleigh, Total Jobs – Comparison of Forecasts, 2000-2036



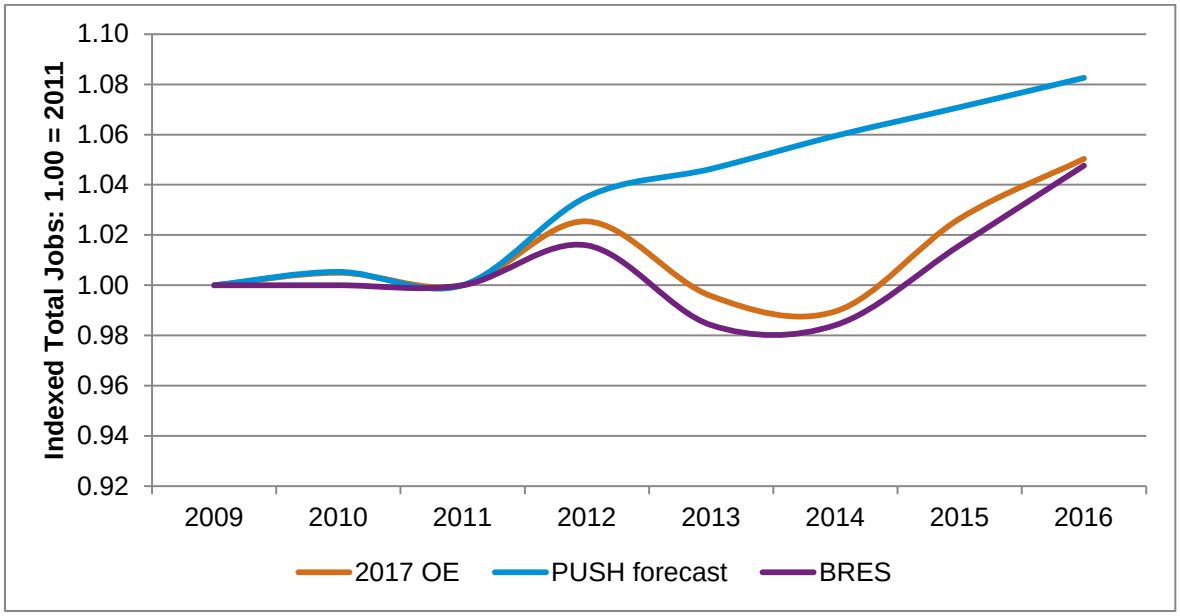
Source: OE, BRES

5.6 Also shown in **Figure 17** is the employment data from the Business Register and Employment Survey (BRES). This survey data is available for the period from 2009-16 and provides a record of jobs growth over this period. It should be noted that the BRES data is survey based meaning the total jobs figures are extrapolated from survey samples; and as discussed will not fully capture self-employment, government trainees and forces' personnel.

5.7 The BRES data is one of two key sources for the employee jobs data which feeds into the OE forecasts, the other being ONS Workforce Jobs (WFJ).

5.8 Over the period from 2009-16, there appears to be a strong correlation between the 2017 OE forecast and the BRES data, albeit with the OE forecasts starting at a higher point due to the inclusion of self-employment estimates. In order to better compare the OE forecasts to the BRES data, **Figure 18** shows all 3 sources indexed to 2011. This emphasises the strong correlation between the 2017 OE forecast and the BRES data which both show a decline in total employment from 2012 to 2013 and a plateauing from 2013 to 2014 before recovering. This is not shown in the OE PUSH forecast (dated 2015) which forecasts steady growth over this period. The more recent evidence indicates that the 2015 PUSH forecast is an over-estimate.

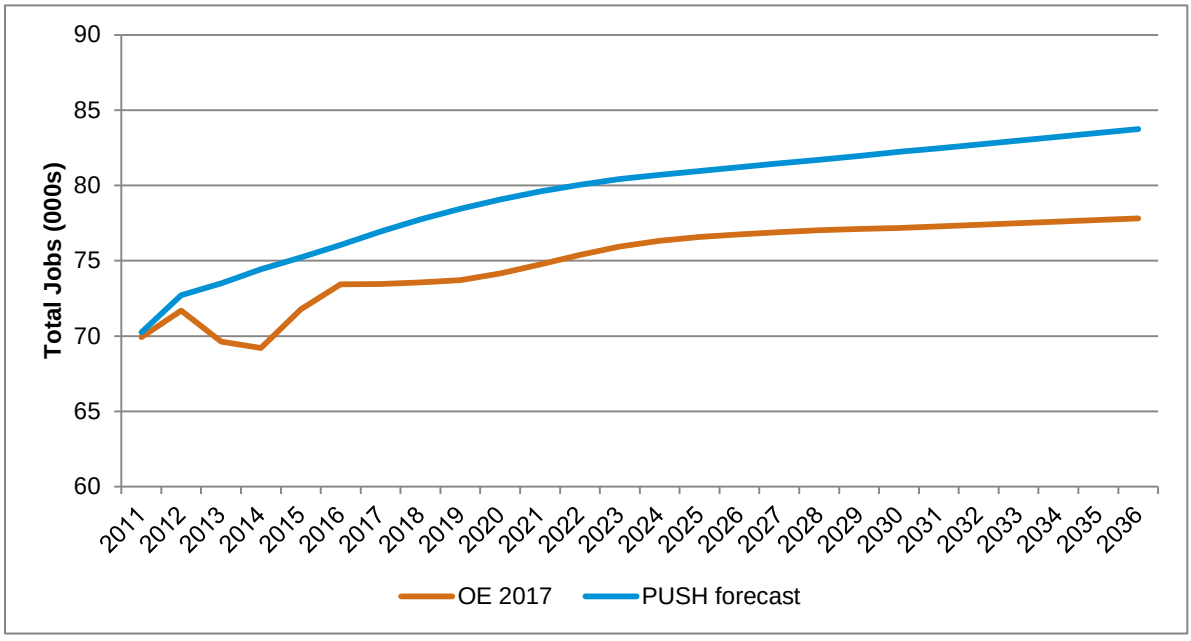
Figure 18: Indexed Jobs Growth, 2011-16



Source: OE and BRES

5.9 The analysis shows that for the period from 2011-16 the OE PUSH forecast showed a growth in employment in Eastleigh which is not supported by the more recent BRES data. The 2017 OE data clearly takes this latest data into account, and this explains why the 2017 OE forecast is considerably lower for this period. The forecast jobs growth identified in the two OE forecasts is shown in **Figure 19** over the 2011-36 period.

Figure 19: Eastleigh, Total Jobs – Comparison of Forecasts, 2011-2036



Source: GL Hearn analysis of OE data

5.10 Over the period from 2016-36 the 2017 OE forecast shows a total growth of 4,400 jobs in Eastleigh, representing an annual growth rate of 0.3%. This compares to the PUSH forecast which shows a growth of 7,700 jobs (0.5% per annum) over this period. In each forecast, the recent (2011-16) performance clearly influences the forecast trend over the next five year period. The PUSH forecast shows a consistently strong growth rate from 2012-2021, after which the growth rate reduces slightly. By comparison the 2017 forecast shows a more muted growth rate following the reduction in jobs from 2012-14 and the return to trend from 2014-16: the growth rate from 2016-19 reflecting the Borough's more mixed recent performance. From 2019 onwards, the 2017 Oxford Economics forecast shows a growth rate of 0.44% per annum – only slightly lower than the 0.52% shown in the 2015 PUSH forecast – reflecting OE's expected reduction in economic growth across the Solent (as set out in Section 2 (paras 2.2-2.9).

5.11 Overall, the analysis and comparison of the two OE forecasts suggests that the more recent 2017 forecasts more realistically capture the actual jobs growth in Eastleigh over the period 2011-16 – due principally to being produced at a later date when more data was available – and performance over this period has influenced the future forecast. The analysis suggests that the previous OE forecast used in the PUSH study has over-estimated economic growth and suggests that this has resulted in over-estimated growth in the future forecast to 2036.

5.12 The 2017 OE forecasts show the total number of jobs in Eastleigh growing by 7,900 jobs over the period from 2011-36 – equivalent to an annual growth rate of 0.4%. The above analysis suggests that this is a suitable level of growth to plan for over this period.

6 EMPLOYMENT OBJECTIVELY ASSESSED NEED

6.1 In this section we consider demand for employment floorspace over the period from 2011-36. The section considers requirements for employment floorspace in the B1, B2 and B8 use classes. The analysis considers future employment floorspace needs using the labour demand scenarios set out in the previous section and compares these against past completions trend data. The analysis is of 'demand' for employment floorspace and therefore does not take account of any supply-side factors such as existing employment allocations or commitments.

6.2 There are relative benefits of each approach. Econometric forecasts take account of differences in expected economic performance moving forward relative to the past, overall in regard to the sectoral composition of growth. However a detailed model is required to relate net forecasts to use classes and to estimate gross floorspace requirements.

6.3 In contrast, past take-up is based on actual delivery of employment development; but does not take account of the implications of growth in labour supply associated with housing growth nor any differences in economic performance relative to the past. It is also potentially influenced by past land supply policies.

6.4 The quantitative evidence is supplemented by the wider analysis of market and economic dynamics.

Labour Demand Scenarios

6.5 This section takes forward the econometric forecasting set out in the previous section, based on the Oxford Economics 2017 forecasts. GLH has converted the forecasts for total employment by sector into forecasts for Full-Time Equivalent (FTE) employment by sector through analysis of the proportion of full- and part-time jobs in Eastleigh on a sector by sector basis, based on the latest data from BRES.

6.6 **Table 7** shows the FTE percentage for each sector in the district. This is used in relating the forecasts for total employment to expected growth in Full-Time Equivalent (FTE) employment which is used in calculating employment floorspace requirements.

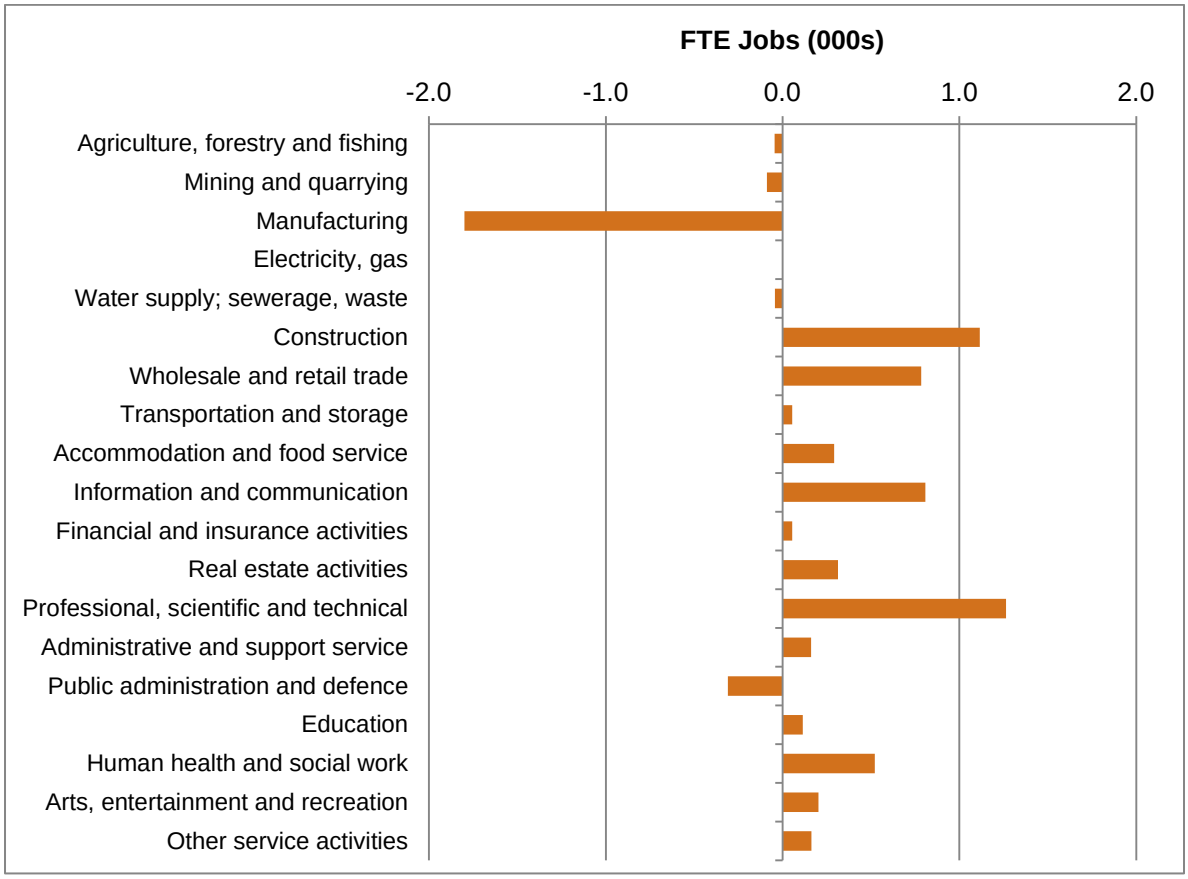
Table 7: Percentage of FTE jobs per sector

Industrial Sector	% of Full Time Workers
Agriculture, forestry and fishing	90%
Mining and quarrying	100%
Manufacturing	96%
Electricity, gas	100%
Water supply; sewerage, waste	97%
Construction	93%
Wholesale and retail trade	79%
Transportation and storage	88%
Accommodation and food service	71%
Information and communication	95%
Financial and insurance activities	93%
Real estate activities	90%
Professional, scientific and technical	93%
Administrative and support service	86%
Public administration and defence	84%
Education	72%
Human health and social work	75%
Arts, entertainment and recreation	72%
Other service activities	80%

Source: GLH analysis of BRES data

6.7 This provides a figure for net change in the number of FTE jobs in each sector over the plan period. The adjusted OE forecasts show a net jobs growth of 6,830 FTE jobs over the period 2011-36.

Figure 20: Net change in FTE jobs, 2011-2036



Translating Sectors to Use Classes

6.8 GLH has considered the proportion of employment in each of these sectors which is likely to take place in office or R&D floorspace (Use Classes B1a and B1b), light industrial floorspace (Use Classes B1c), general industrial floorspace (Use Class B2), and warehouse / distribution floorspace (Use Class B8). The modelling uses the same assumptions as the PUSH Economic and Employment Land Evidence Base Paper (GL Hearn, 2016).

6.9 This is used to derive the following forecasts of net growth in FTE employment by use class over the plan period:

Table 8: FTE Job Growth by B-Class Sector, 2011-36

	2011-36
B1a/b	5,860
B1c/B2	-1,160
B8	480
Total B-Class jobs	5,180
Non B-Class jobs	1,650

6.10 To these figures we have applied employment densities taking account of the *HCA Employment Densities Guide: 3rd Edition* (HCA, 2015). This represents an updated figure on the 2016 PUSH Economic and Employment Land Evidence Base Paper which used the 2nd Edition of the Guide. We have converted figures to provide employment densities for gross external floor areas on a consistent basis to the 2016 report:

- Office (B1a and B1b): a range of between 10-13 sq m GEA per employee based on a blend of B1a office types and an average of 60 sq m GEA per employee for B1b uses. Assumes that the gross external area of buildings is on average 20% higher than the net internal area;
- Light Industrial (B1c): an average of 49 sq m GEA per employee, assuming that the gross external area of buildings is on average 5% higher than the net internal area;
- General Industrial (B2): an average of 38 sq m GEA per employee, assuming that the gross external area of buildings is on average 5% higher than the gross internal area;
- Warehouse/ Distribution (B8): an average of 70 sq m GEA per employee. This is within the middle of the range of B8 activities reflecting evidence of some demand for strategic distribution development in the Borough, particularly port-related logistics, alongside smaller B8 units elsewhere in the sub-region.

6.11 Applying these employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace. This forecasts a net requirement for additional B-Class floorspace of 63,700 sq m (2011-36). The breakdown by use class is shown below.

Table 9: Labour Demand Floorspace Change, 2011-36

	Floorspace Change (sq m)
B1a/b	76,400
B1c/B2	- 46,300
B8	33,600
Total B Class	63,700

6.12 These are net changes and do not take account of replacement demand, such as from existing companies requiring upgraded floorspace. In considering employment floorspace need, it is therefore appropriate to include a margin to provide some flexibility within the supply.

6.13 To calculate an appropriate margin of flexibility we have used 5 years' worth of gross completions in the Borough. The past completions data (set out in **Table 10**) shows an annual average delivery of 3,200 sq m of floorspace. Five years' worth of completions is equivalent to 16,200 sq m and this has been included as a buffer in the labour demand forecast.

Table 10: Labour Demand Forecast, 2011-36

	Floorspace Change (sq m)
B1a/b	83,700
B1c/B2	- 40,500
B8	36,700
Total B Class*	79,800

* Totals may not sum due to rounding

6.14 For comparison, the PUSH Economic and Employment Land Evidence Base Paper showed a need for 96,500 sq m. This included a similar quantum of demand for office (B1a/b) floorspace (79,400 sq m), but with a greater forecast loss of 56,300 sq m of B1c/B2 floorspace and a much larger need for B8 floorspace (73,500 sq m).

Past Completions

6.15 Next we have considered historic completions of employment floorspace in Eastleigh Borough. We have considered data for completions of B class floorspace in the District over the period from 2011 to 2017 based on the Council's monitoring data. A detailed analysis is provided in Chapter 4 above.

6.16 **Table 11** shows the total gross completions (including losses via B class redevelopment) for the period 2011-17 by use class[5] and shows the employment floorspace requirement if this is projected forward to 2036. This shows a total need for 80,800 sq m of employment floorspace by 2036.

6.17 Comparing **Tables 10 and 11**, the gross completions data points to a lower need for office floorspace and warehouse space, and higher need for industrial space.

Table 11: Gross Employment Completions Projection, 2011-36

Use Class	Total 2011-17	Annual Average	Projection 2011-36
B1a/b	8,800	1,500	36,500
B2/B1c	6,900	1,200	28,800
B8	3,700	600	15,500
Total*	19,400	3,200	80,800

* Totals may not sum due to rounding

Table 12: Employment Losses Projection, 2011-36

Use Class	Total 2011-17	Annual Average	Projection 2011-36
B1a/b	4,300	700	17,900
B2/B1c	32,000	5,300	133,300
B8	2,800	500	11,800
Total*	39,100	6,500	163,000

* Totals may not sum due to rounding

[5] The mixed industrial floorspace figures have been disaggregated among the employment uses classes on a pro rata basis.

6.18 Combining the completions data (**Table 11**) and the losses data (**Table 12**) we can identify the net employment completions projection for employment floorspace to 2036. This is shown in **Table 13**. This shows a growth in B1a/b and B8 floorspace but this is more than off-set by the losses in B2/B1c. Overall, this shows a net loss of 82,300 sq m of employment floorspace by 2036.

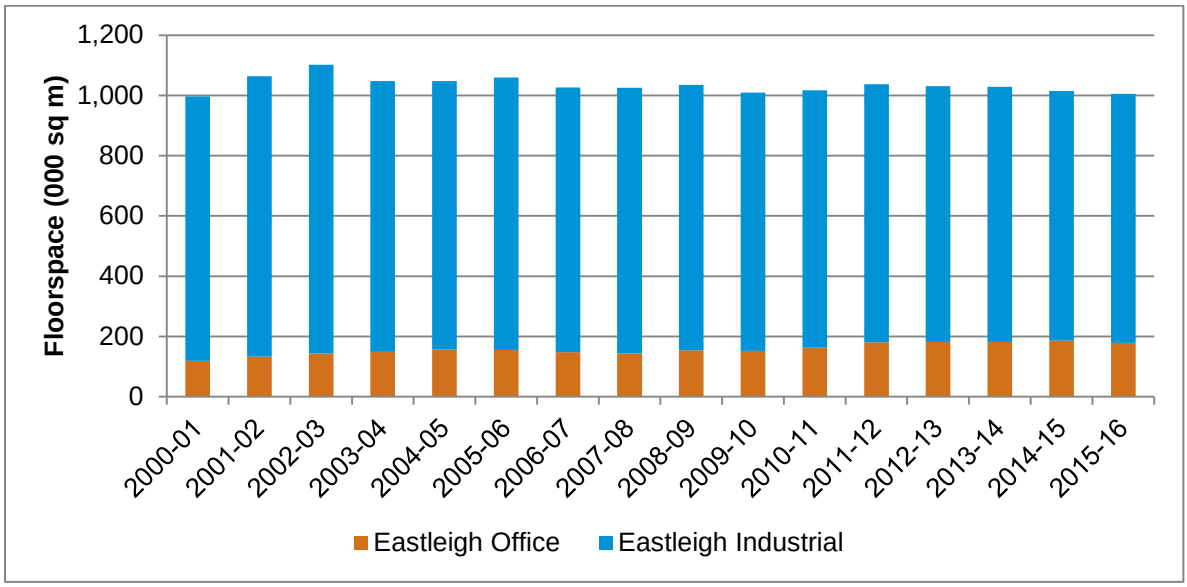
Table 13: Net Employment Completions Projection, 2011-36

Use Class	Total 2011-17	Annual Average	Projection 2011-36
B1a/b	4,500	700	18,600
B2/B1c	-25,100	-4,200	-104,500
B8	900	100	3,700
Total	-19,700	-3,300	-82,300

Floorspace Trends

6.19 In assessing employment completions it is useful to consider the implications on the overall employment floorspace in the Borough. Set out below is the employment floorspace for office and industrial (including both B2 and B8) floorspace trends from VOA. This shows the total employment floorspace in Eastleigh is around one million sq m; the majority of this (82% as of 2015-16) is industrial floorspace. Over this period, the total employment floorspace in Eastleigh has remained constant – the 2015-16 figure is within 1% of the 2000-01 figure.

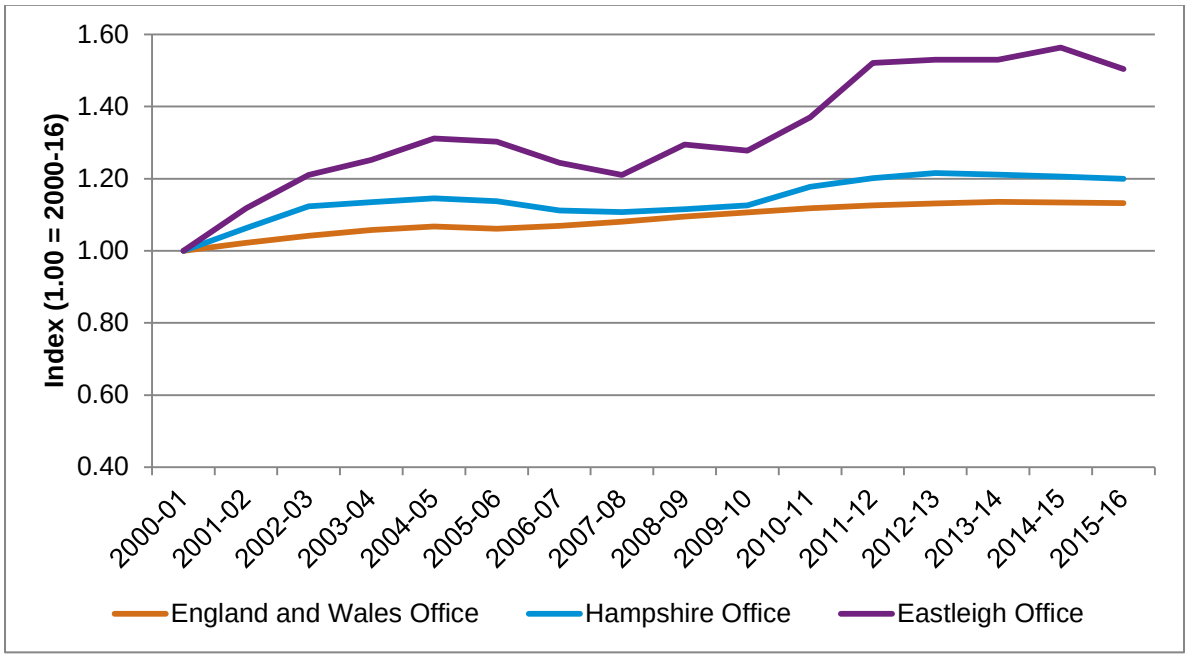
Figure 21: Eastleigh Employment Floorspace, 2000-16



Source: VOA

6.20 However, the data shows that while overall employment floorspace in Eastleigh has remained constant over this period, the proportions of office space and industrial space have seen considerable change. Since 2000 Eastleigh's office floorspace has seen a 50% increase, growing from 119,000 sq m in 2000-01 to 179,000 sq m by 2015-16. This represents an average annual growth rate of 2.8% – a very strong rate of growth and is considerably above the growth rate of 1.2% per annum seen across Hampshire and 0.8% per annum across England and Wales.

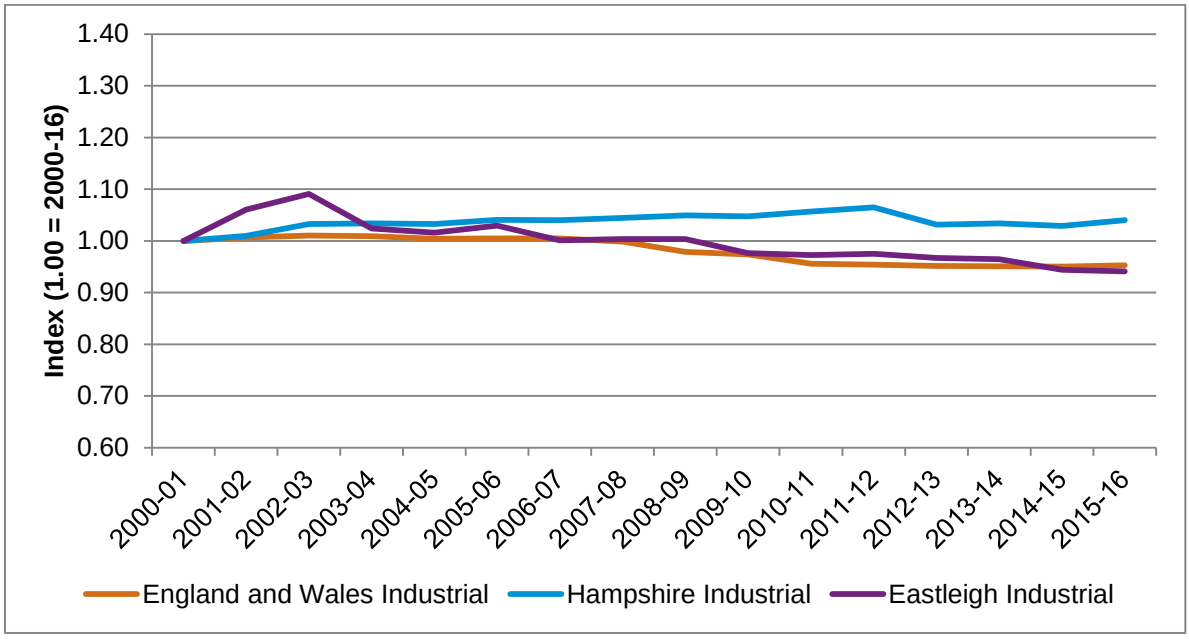
Figure 22: Office Floorspace Trend, 2000-16



Source: VOA

6.21 Conversely, the industrial floorspace trend since 2000 shows a steady decrease in stock. In Eastleigh the total industrial floorspace has decreased from 878,000 sq m in 2000-01 to 826,000 sq m in 2015-16 – this is equivalent to an average annual growth rate of -0.4% per annum. Eastleigh's trend is broadly in-line with that of England and Wales which has seen a growth rate of -0.3% per annum over this period. This contrasts to the trend seen across Hampshire which has seen a positive growth rate of 0.3% per annum over this period.

Figure 23: Industrial Floorspace Trend, 2000-16



Source: VOA

Implications

6.22 This section considers a range of approaches in estimating future employment floorspace need in Eastleigh Borough. The outputs of these are summarised in **Table 14** – these are taken from **Tables 13, 11 and 10**. The labour demand forecast and the gross completions trend projection both show a need for around 80,000 sq m of employment floorspace to 2036. The net completions show an overall loss of 82,300 sq m over this period.

Table 14: Comparisons of Projections, 2011-36

Use Class	Labour Demand	Gross Completions	Net Completions
B1a/b	83,700	36,500	18,600
B2/B1c	- 40,500	28,800	-104,500
B8	36,700	15,500	3,700
Total	79,800	80,800	-82,300

6.23 **Table 15** shows the average annual growth rates of each of the projections, as well as the historic growth rates for office and industrial uses (over the period 2000-16). This shows that all three projections show a slower growth rate for office floorspace than has been seen since 2000. Conversely, for industrial floorspace the projections show a range from negative growth (Net completions), 0% growth (Labour demand), and small growth (Gross completions). These compare to a small loss seen in the historic trend.

Table 15: Employment Stock Growth Rates Under the Projections, 2011-36

Use Class	Stock Trend (2000-16)	Labour Demand	Gross Completions	Net Completions
Office	2.8%	2.0%	0.9%	0.5%
Industrial	-0.4%	0.0%	0.3%	-0.6%

6.24 While the above analysis suggests that future growth in Eastleigh will be focussed in the office sectors, the commercial market data shows that Eastleigh's industrial market is performing strongly and has in recent years seen industrial take-up outpacing neighbouring areas. Over the past ten years Eastleigh has seen an average annual take-up of 35,000 sq m of industrial floorspace per annum (34% of the sub-regional total).

6.25 The gross completions trend shows that there has been a demand for new employment floorspace in Eastleigh in recent years. On the other hand, the net completions trend based projection shows that there have been considerable losses of industrial floorspace in recent years which has been redeveloped for residential uses. While this does not provide a reasonable basis for projecting future employment needs, it does highlight that there is a considerable quantum of industrial stock in the Borough which is being lost to residential redevelopment. This has significantly reduced the Borough's industrial supply and there is now a notional supply equivalent to 1.1 years' worth of take-up – this represents a low existing industrial supply which is lower than neighbouring areas.

6.26 However, analysis of the losses data shows that in total there has been 39,100 sq m of lost employment space in Eastleigh since 2011-17 – an average of 6,500 sq m per annum. Of this total, there was 15,700 sq m lost at the former Pirelli factory in 2012 and 9,000 sq m lost at the former Premier Foods bakery site in 2015. These two schemes represent 40% and 23% of Eastleigh's total losses respectively, together accounting for 63% of total losses over this period. This highlights how sensitive the completions trends figures are to a small number of particularly large developments.

6.27 The labour demand scenario shows a net loss of 40,500 sq m of industrial floorspace due to the OE forecast showing a considerable loss of manufacturing jobs by 2036. This appears to be based on forecasting forward long term trends of jobs losses in the sector throughout the 1990s and 2000s. However, the more recent trend shows this decline abating and sectoral jobs have stayed constant between 2009 and 2017. Conversely, the OE forecast shows productivity (GVA) increasing by an average of 0.6% per annum to 2036. This reflects changing industry practices where increased automation weakening the link between jobs numbers and floorspace in the industrial sector.

6.28 Finally, the commercial market analysis suggests that Eastleigh is a major industrial location within the sub-region and has seen a high level of industrial take-up over recent years. The market evidence shows that there is a clear current demand for industrial floorspace in the Borough.

6.29 Comparison of the various projections suggests that it would be reasonable to plan for a level of employment floorspace which is higher than that shown in the labour demand forecasts. Conversely, the gross completions trends suggest there is demand for new space, but this is tempered by the losses which have more than offset completions. All things considered, it looks reasonable to plan for a quantum of employment floorspace which is the mid-point between the labour demand and gross completions scenarios.

6.30 In terms of demand for office floorspace, the market indicators show that the take-up of office space in Eastleigh has slowed down recently with the most recent year's (2017) data showing a 14% below the 10 year average take up figure. This performance reflects the general pattern seen in the office sector across the South Coast.

6.31 Eastleigh's office market remains slightly less buoyant that neighbouring areas with more established office centres. Take-up of office space in Eastleigh is lower than that seen in Southampton or Fareham but remains above Test Valley and Winchester. Rental and sales values for office space in Eastleigh are among the lowest in the sub-region compared to Southampton, Winchester and Test Valley. As with industrial premises, the notional supply of office space in Eastleigh is more limited than elsewhere in the sub-region and represents only 1.2 years' worth of take-up.

6.32 The labour demand scenario shows a much higher need for office space than the completions trends. This is due to the OE jobs growth forecast showing very strong growth in sectors such as Professional, technical and scientific services and ICT, which are principally office based. Conversely, the completions data shows a figure much lower than this. This disparity is due in part to the nature of the forecasts which show a considerable growth in these sectors at a UK and South East level and this is disaggregated to Borough level. However, it also reflects the predicted stronger future growth in these sectors than has been seen historically, and as such would not be reflected in the past completions data.

6.33 Overall, the analysis suggests that the overall need for employment floorspace in Eastleigh over the period 2011-36 is around 80,000 sq m. The future need for both the office and the industrial sectors will likely lie between the Labour demand and Gross completions trend projections. The commercial market analysis suggests that the industrial market is currently performing better than has been seen in recent years and therefore the projections based on past trends will not capture this. Conversely the office market has seen a recent slowing. Nonetheless, there is a clear demand for both types of employment floorspace to address the level of take-up relative to available space in the Borough. We therefore recommend planning for a level of floorspace which is a mid-point of the Labour demand and Gross completions projections.

6.34 The Council should ensure sufficient re-provision of industrial space is provided within the plan period so that the Borough's industrial supply does not drastically reduce further. The Council should look to re-provision the industrial land lost already since 2011 which should be added to the requirement.

Overall Need for Employment Floorspace

6.35 Overall, the requirement suggests a need for around 80,000 sq m of employment floorspace in Eastleigh Borough for the period 2011-36. In terms of the breakdown between use classes, the evidence suggests that this should lie between the Labour demand and the Gross completions scenarios.

6.36 Since 2011 there have been losses totalling 39,100 sq m (2011-2017) and this should be added to the Borough's requirement. This process should also consider completions during this period which total 19,388 sq m.

Table 16: Completions by Use Class, Eastleigh 2011-17

Use Class	Gains 2011-17	Losses 2011-17	Net Gain 2011-17
B1a/b	8,760	4,304	4,456
B2/B1c	6,909	31,988	-25,079
B8	3,719	2,838	881
Total	19,388	39,130	-19,742

Source: EBC

6.37 **Table 17** provides residual employment floorspace need figures for 2017-36. This is based on combining the forecast need figures for 2011-36 from **Table 14** and the actual completions figures since 2011-17 shown in **Table 16** above. Overall this suggests a need for around 100,000 sq m of employment floorspace in the Borough to 2036.

Table 17: Comparisons of Projections, 2017-36

Use Class	Net Gain 2011-2017	Residual (Labour Demand) 2017-36	Residual (Gross Completions) 2017-36	Mid-Point 2017-36
B1a/b	4,456	79,244	32,044	55,644
B2/B1c	-25,079	-15,421	53,879	19,229
B8	881	35,819	14,619	25,219
Total	-19,742	99,542	100,542	100,042