

**EMPLOYMENT LAND REPORT
IN RESPECT OF LAND AT
NEAL'S YARD REMEDIES, GILLINGHAM**

PREPARED BY SIMON WARD BSc MRICS
HEAD OF RESEARCH, VAIL WILLIAMS LLP

sward@vailwilliams.com

07810 655976

CONTENTS

- 1.0 INTRODUCTION AND METHODOLOGY
- 2.0 ECONOMIC ISSUES AND PRIORITIES
- 3.0 SUPPLY-LED VERSUS DEMAND-LED APPROACH
- 4.0 PRODUCTIVITY
- 5.0 CHANGING WORKING PRACTICES AND MARKET CAPACITY
- 6.0 EMPLOYMENT LAND BALANCE
- 7.0 SECTORAL CHANGE AND HOME WORKING
- 8.0 RELIANCE ON OTHER DEMAND FACTORS
- 9.0 SUMMARY AND CONCLUSIONS

1.0 INTRODUCTION AND METHODOLOGY

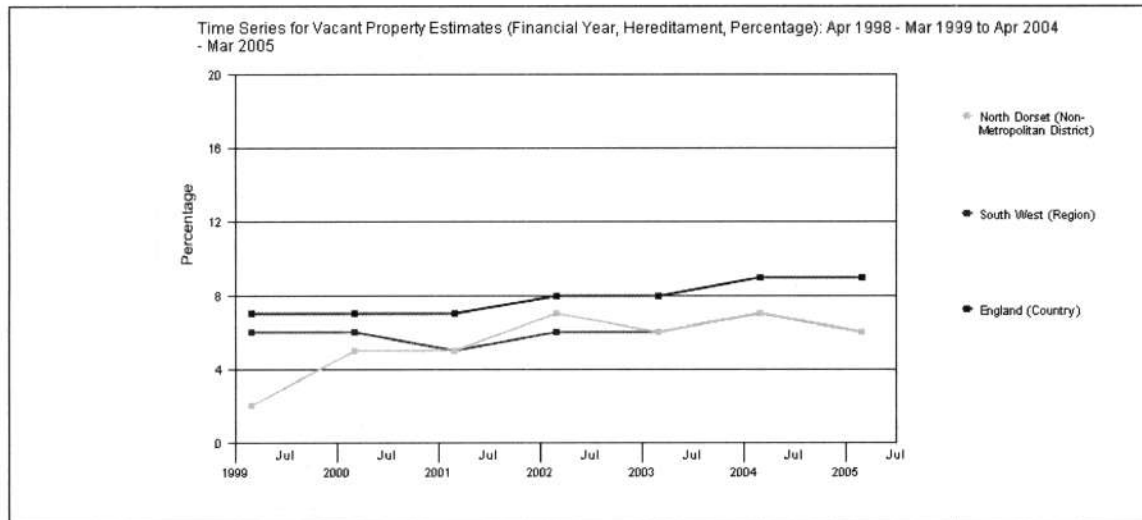
- 1.1 The Research Department of Vail Williams LLP has been instructed to comment on the "employment land" position of North Dorset District and how this may affect the future development of land owned by Neal's Yard Remedies at Gillingham, Dorset.
- 1.2 We understand that this report will be used to inform Town Planning representations in respect of the Neal's Yard Remedies land.
- 1.3 Issues that we address include whether there is sufficient choice in the property market of premises and land for B-class use and whether development for an alternative use would be harmful to the local economy.
- 1.4 "The New Plan for North Dorset" (draft Core Strategy) was published by North Dorset District Council in March 2010. Set out below is our review of the employment aspects of this document.
- 1.5 We also refer to a selection of other documents within the council's evidence base.

2.0 ECONOMIC ISSUES AND PRIORITIES

- 2.1 Draft Core Policy 6 refers to the economy of the sub-region and priority issues. Paragraph 2.4.31 seeks to stimulate growth "especially in the Bournemouth and Poole conurbation".
- 2.2 Bournemouth and Poole are major settlements that are better able to support commercial development compared to North Dorset due to their critical mass and established markets. We would not expect the land at Neal's Yard Remedies to have a part to play in meeting this priority.
- 2.3 Paragraph 2.4.31 also refers to a desire to maintain low unemployment and high economic activity rates. It should be noted that according to our research into data published by the Office for National Statistics (ONS) on North Dorset's labour market profile, the district's unemployment rate (3.9%) is lower than other benchmarks (South West 5.4% and GB 6.9%).
- 2.4 Furthermore, North Dorset's economic activity rate (81.7%) is comparable to the SW (81.8%) and better than GB (78.9%). By these measures, North Dorset's baseline position is not problematic.

3.0 SUPPLY-LED VERSUS DEMAND-LED APPROACH

- 3.1 Paragraph 2.4.35 advocates a "supply-led approach to economic development". However, this is inconsistent with a market based approach which requires that there is demand before supply can be delivered.
- 3.2 The North Dorset District Council Employment Land Review notes (paragraph 4.1) that North Dorset is "a predominantly rural district, with a relatively sparsely located population, based around a number of market towns and smaller local service centres". This means that demand for commercial floorspace, at rents that are viable for construction, is weak.
- 3.3 Paragraph 4.2 of the Employment Land Review makes the point that "North Dorset is not a well-established office location and does not have a significant office market".
- 3.4 The Employment Land Review reports that the industrial and warehouse property market is more significant than the office market. However, the combination of office and industrial space on the market is on a rising trend. According to government rating data, vacancy rates have risen from 2% in 1998/99 to 6% by 2004/05 (latest neighbourhood data available). This trend is illustrated by the following graph.
- 3.5 It is clear that the rising trend in the availability of premises on the market is steeper for North Dorset than the South West Region and England. This is a symptom of a decline in demand for industrial space and is indicative of improving choice of built space within the marketplace.



- 3.6 Our analysis of premises currently on the market (registered by agents) demonstrates the significant choice available in addition to the supply of employment land. The availability of vacant office space in Dorset is estimated to be in the order of 29,903 sq m of accommodation, sufficient for 1,570 jobs. The industrial vacancies of circa 86,348 sq m could accommodate 2,540 jobs (considerably more if some is redeveloped as office space in future).
- 3.7 Paragraph 5.111 of the Atkins report ("Assessing the growth potential of Gillingham") states that, "There needs to be a step-change in the quality of employment land and premises available to secure a change in the quality of employment in Gillingham. This means the availability of a choice of sites for different sectors rather than more of the same".
- 3.8 The Atkins report therefore recommends creation of a new business park at Wyke (see also paragraph 2.4.41). A new business park would have the advantage of a fresh identity, critical mass and modern infrastructure which existing employment areas lack. The Neal's Yard Remedies site is not of this scale or character and does not offer this opportunity.

- 3.9 Whilst a supply-led approach has some attraction, it cannot be relied upon as a method of attracting demand and it is a demand-led approach that is required to assess true viability and deliverability.
- 3.10 Although the Employment Land Review refers to demand in terms of enquiries logged on the Bournemouth Dorset and Poole "Evolutive" database, these enquiries do not indicate the true nature of demand or the level of rent at which companies are prepared to commit to space. With this in mind, a separate paper prepared by Vail Williams examines the financial viability of B-class development specifically on the Neal's Yard Remedies expansion land and finds that delivery of this type of use is not viable there.
- 3.11 We also note that section 11.0 of the Atkins report on growth at Gillingham deals with financial viability across a range of sites and highlights the need for public sector subsidy. This is also reflected in the Core Strategy Economy Topic Paper which says that "delivery of sites is also a major issue" and calls for "intervention" where sites are not coming forward. This intervention could be in the form of subsidy (unlikely in the current economic climate) or changes of use which would help to harness market forces to bring about development.
- 3.12 Paragraph 11.36, referring to Station Road in Gillingham, also indicates that delivery of development can be aided by changing "the scale of development or mix of uses". We would agree that changes of use can be a critical factor in determining the viability of development sites and this is the case with the Neal's Yard Remedies land.

4.0 PRODUCTIVITY

- 4.1 There is an important difference between achievement of business growth and demand for employment land. The draft Core Strategy notes (para 2.4.38) a "shift of emphasis in the Regional Spatial Strategy (RSS) away from growth in employment to growth in productivity".
- 4.2 Whilst the draft Core Strategy then explains that investment will need to be guided to particular locations it does not explain that this trend, also known as "spaceless growth", will moderate the land requirements seen in the past.

5.0 CHANGING WORKING PRACTICES AND MARKET CAPACITY

- 5.1 Another important trend is an increase in the density of office occupation (reducing the amount of office space required). Larger organisations in particular have achieved significant space savings through more efficient use of space and modern working practices.
- 5.2 Examples include Hewlett Packard which reduced its space requirements in the Bracknell area by 63%, with a headcount reduction of only 5.6%. (Source: Investment Property Databank/Confederation of British Industry conference case study). Similarly, Hampshire County Council has published a 30% improvement in office space utilisation resulting from refurbishment of its offices in Winchester and introduction of modernised working practices/use of space.
- 5.3 These trends are increasing the existing capacity of the property market and represent a structural change in demand for office space generally. They may also exert a downward pressure on inward investment prospects meaning that North Dorset's role is to satisfy

more local demand. This changing reality of demand does not appear to be reflected in the draft Core Strategy or the Atkins report.

- 5.4 In addition to this in-built capacity within the SE office market, we note that the A303 corridor also has unused development capacity. For example, there is a significant supply of undeveloped employment land (for a range of B-class uses) available at Solstice Park, Amesbury. The website for this development describes it as a 160 acre (65 ha) site which "will become one of the largest mixed-use business parks in central southern England". Arguably it is a competing location to North Dorset, especially for inward investment from the east.

6.0 EMPLOYMENT LAND BALANCE

- 6.1 The draft Core Strategy suggests (at paragraph 2.4.39) that there is a need for 25.3 hectares of employment land by 2026. However this should be seen in the context of "at least 40 hectares of identified employment land for B1, B2, B8 uses across the District" (paragraph 2.4.40). On this basis there is an oversupply of employment land.
- 6.2 This same point is echoed in the council's Economy Topic Paper (paragraph 5.8) which states that the Annual Monitoring Report shows that the need for employment land can be met from the existing supply of sites.
- 6.3 Furthermore, paragraph 2.4.42 recognises that the "District is well supplied with land that can be developed for employment purposes". Indeed, this may be a factor in the council's suggestion (paragraph 2.4.44) that some employment sites may be suitable for mixed use redevelopment.
- 6.4 With regard to Gillingham specifically (Draft Core Policy 16), paragraphs 2.8.39 to 40 also indicate an excess of employment land supply over demand. We note that this section of the strategy also relies upon supply-led demand as well as diversification of the economy and enhancement of skills, infrastructure, the town centre and transport links. Even assuming that the council and its stakeholders are able to deliver these factors of production, the strategy notes that the land supply and the proposed business park to the west of Wyke are "likely to meet employment land needs well beyond 2026".
- 6.5 The strategy also seeks (paragraph 2.8.48) to focus Gillingham's growth further to the south of the town than the Neal's Yard Remedies site, near the railway station and retail centre.

7.0 SECTORAL CHANGE AND HOME WORKING

- 7.1 The draft Core Strategy and the Atkins report, "Assessing the growth potential of Gillingham", make several references to declining demand for industrial land. What is not made clear is the effect of industrial land being redeveloped at a higher jobs density (e.g. for office use).
- 7.2 The Atkins report (paragraph 5.82) quotes research published by English Partnerships and uses employment densities (offices at 19 sq m per worker, general industrial at 34 sq m and warehouses at 40 sq m) to estimate future floorspace requirements. However, it should be noted that in the event of former industrial land being redeveloped as offices then hidden capacity for 44% more jobs would be released.
- 7.3 Paragraph 2.4.52 of the draft Core Strategy notes that about 40% of the employed population have jobs in non-B class use sectors. This highlights the importance of retail, leisure and tourism uses as sources of jobs and illustrates that the burden of accommodating future employment should not fall to B-class employment land alone.
- 7.4 The strategy aims to facilitate enhancements to the town centre and seeks to encourage (paragraph 2.8.43) "a better range of shops, services and facilities". These land uses are an important source of employment in the local economy and should be factored in to any consideration of the town's employment capacity when evaluating the need for any future development of employment land at the Neal's Yard Remedies site.
- 7.5 The report continues with reference to home working as another important source of employment and we note that the council intends to encourage this. Our experience is that other local authorities are also keen to see more home-based employment capacity within Major

Development Areas and other large housing schemes. This will provide further hidden employment capacity.

8.0 RELIANCE ON OTHER DEMAND FACTORS

- 8.1 Other demand factors relied upon in the draft Core Strategy include skills. Paragraphs 2.4.57 and 2.4.58 refer to the fact that the area's skills base needs to change in order to attract inward investment. The Atkins study also calls for business support and other interventions. Whilst these may be important demand factors, they rely on public sector intervention and are not within the gift of landowners.
- 8.2 Only the largest of sites or mixed use developments may be able to offer some element of cross-subsidy between land uses to support these factors of production. Even then, the link with property demand is weak and developers will not build commercial property in the expectation of skills improving at some point in future.
- 8.3 It should also be noted that the Atkins report includes (paragraph 5.57) the reminder that "forecasts based upon what is a relatively small scale economy can be unreliable and should not be taken as a definitive assessment on the likely level of employment growth". A degree of flexibility is therefore required to reflect the reality of market circumstances.

9.0 SUMMARY AND CONCLUSIONS

- 9.1 The draft Core Strategy recognises that sub-regional growth priorities need to be focused especially on the Bournemouth and Poole conurbation. There are also growth plans for Gillingham and these include significant job creating capacity within the town centre and at a new business park at Wyke. The Neal's Yard Remedies site is not required to meet these priorities.
- 9.2 Data on the district's economy shows that unemployment is lower than other benchmarks and the economic activity rate is comparable with the region and better than GB, so North Dorset's baseline position is not especially problematic.
- 9.3 A market based approach, orientated to actual delivery of development, requires that there is effective demand before supply can be delivered. North Dorset is a predominantly rural district and this is naturally limiting upon demand. The council's evidence also indicates that the area's skills base needs to change in order to attract inward investment.
- 9.4 The council recognises that North Dorset is not a well-established office location, the industrial market is shrinking and vacancy rates are on a rising trend. At standard worker density rates, the premises on the market already have spare capacity for over 4,000 jobs.
- 9.5 The Atkins report ("Assessing the growth potential of Gillingham") suggests that there should be a "step-change" in the nature and quality of supply to stimulate demand, "rather than more of the same". The report therefore recommends creation of a new business park to help create a new market. The Neal's Yard Remedies site is not of an appropriate scale or character to achieve this and our detailed analysis shows that it is not financially viable to develop it for a B-class use.

- 9.6 The council's evidence recognises the need to subsidise sites if development is to occur. Given the difficulty of securing public sector subsidy it is necessary to contemplate changes of use to bring forward development. Changes of use can be a critical factor in determining the viability of development sites and this is the case with the Neal's Yard Remedies land.
- 9.7 Downward pressure on demand has reduced commercial rents and inward investment activity, partly due to recession of the economy, but also due to structural change. Factors driving this change include growth in productivity ("spaceless growth"), reduction in the density of office occupation due to modern working practices and a fall in demand for UK manufacturing. Areas of growth include warehousing close to transport corridors and a steady increase in homeworking.
- 9.8 The council's evidence reveals an oversupply of employment land and indicates that future needs "well beyond 2026" can already be met from the existing supply of sites. Non B-class uses are also an important source of jobs.
- 9.9 Overall, we conclude that there is excess floorspace and jobs capacity in the local property market on account of premises already available and sites within the long term supply of employment land; this represents ample supply for the operation of the local economy; and a change of use to the Neal's Yard Remedies site is necessary to achieve viable development and productive use of this land.

NEAL'S YARD REMEDIES EMPLOYMENT REPORT

Draft list of appendices (subject to a decision on what to include with this report)

1. "The New Plan for North Dorset" (draft Core Strategy)
2. "Employment Land Review: Review of Existing Sites" (ELR Stage 1) – North Dorset District Council, April 2007
3. "Assessing the Growth Potential of Gillingham" – Atkins, December 2009
4. "Topic Paper – Economy" – North Dorset District Council, August 2009
5. Hewlett Packard case study - Investment Property Databank (IPD)/ Confederation of British Industry (CBI) conference case study
6. Hampshire County Council case study – refurbishment of Elizabeth II Court, Winchester
7. Masterplan for Solstice Park, Amesbury