

Brighton & Hove City Council EMPLOYMENT LAND STUDY



ROGER TYM & PARTNERS
Planners and Development Economists



Executive Summary
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STUDY BRIEF

- 1 Brighton & Hove Council commissioned the team of Roger Tym & Partners, University of Brighton and Cluttons to undertake an employment land assessment of Brighton & Hove. The work consisted of four stages:
 - A detailed audit of the existing employment estates listed under Policy EM1 and EM2 of the Brighton & Hove Local Plan.
 - An assessment of the demand for and supply of employment land by market segments over the next ten years.
 - An appraisal of market conditions and the quality of existing sites and allocations to identify the gaps in local employment land provision, both in terms of quality and quantity.
 - Advice on how to take forward the findings in terms of policy, existing sites and the likely requirements (by segment and location) for new sites.
- 2 Our approach draws on the Employment Land Guidance note published by ODPM in 2004 and our own experience of undertaking numerous similar land assessments.

POLICY

- 3 There is a coherent story that runs through national to local policy setting out the role for Brighton & Hove as a south coast city region. Brighton & Hove is a small city in the second most prosperous region in the UK. Its role is to act as a regional centre for higher order functions. National policy to accommodate, or at least not restrict growth in the South East, and the growing emphasis given to city regions, would suggest Brighton & Hove should be planning for employment growth and for a qualitatively different order of growth.
- 4 This national policy impetus is reinforced in the regional planning documents that form the core spatial policy framework to which the Brighton & Hove Local Development Framework (LDF), and hence employment land policy, must conform. Brighton & Hove's defined role in the draft Regional Spatial Strategy (RSS) is as one of the '*diamonds for growth*' which should '*act as a catalyst to stimulate prosperity*' not only for itself but also for its surrounding area. This point is reinforced by the draft Regional Economic Strategy (RES) and the Sussex Coastal sub-regional strategy.
- 5 The draft RSS provides the spatial framework for the LDF. Whilst it provides a set dwellings target for the city it only provides broad jobs guidance for the south coast sub-region. There is no given target of jobs for the city and neither is there quantified guidance in local policy as to the desired balance between jobs and workers in the city.
- 6 The Brighton & Hove Economic Strategy recognises that Brighton & Hove should raise its economic performance. The city needs to attract more higher-value business services as workplace earnings and GVA in the city are still low in comparison to resident earnings.

LOCAL ECONOMY

- 7 Brighton & Hove is a small city with a population of 250,000 and a population of 400,000 in its wider travel to work area. It is a successful city in that it is popular and people want to live there. Though population growth has been slightly below the South East average for the period 1994-2004, this is more a factor of supply constraint placing strong upward pressure on house prices.
- 8 As a successful city it is providing an attractive quality of life which is an important competitive asset for cities that need to attract skilled workers. *"As urban success depends on attracting and retaining skilled residents, it may be important for cities to provide quality of place or amenities and public services that attract the skilled*

*workers*¹. Brighton & Hove has a large pool of highly skilled workers. It has a high proportion of workforce with degree equivalent qualifications compared to similar South East towns. This provides a good foundation for its future economic development.

- 9 Brighton & Hove has also been a relatively successful economy that has grown rapidly in employment terms in recent years. In 2004 there were 117,000 jobs in the city of which 25% were in the financial and business services sector and 30% were in public services. During the period 1995-2004 the number of employee jobs grew by 23,000. But in value terms Brighton & Hove still lags some way behind what might be expected of a city of its size and assets. In 2002 it had a GVA per head of £14,879 compared to the regional average of £16,758. It is only by shifting to a higher value composition of activities that Brighton can fulfil the policy role set out in the previous chapter as a catalyst for its city region.
- 10 Projecting ahead Experian Business Strategies have produced two employment forecasts for Brighton & Hove. The low scenario saw growth of just 1,400 jobs between 2006-16. The higher scenario saw growth of 11,300 jobs over the same period. If Brighton & Hove is to fulfill its role as one of the '*diamonds for growth*' which should '*act as a catalyst to stimulate prosperity*', then the latter scenario should be what is planned for. Even the higher growth figure is lower than the rate of growth achieved in the recent past (1995-2004). The low growth scenario would represent unfulfilled potential that would impact not just on the city but on its wider hinterland.

PROPERTY MARKET

- 11 Brighton & Hove has an office stock of around 487,000 sq.m. This is predominantly in the city centre, with smaller clusters centred on main arterial routes into the city. Gross office take-up has averaged just over 15,000 sq m per annum since 2000, but there has been little speculative office development in this time. Headline rents for grade A offices have averaged £19 per sq ft, compared with £23.50 per sq ft in Crawley.
- 12 Based on average take up rates since 2000, there is less than two years supply of offices available in Brighton & Hove, although much of this is relatively poor quality space. Continuing pressure from competing uses such as residential and leisure is likely to eat away at the existing office stock in the future as older buildings no longer satisfy modern occupier requirements and become less viable for continued office use.
- 13 The stock of industrial and warehousing space in Brighton & Hove is 466,000 sq m, which is relatively dispersed across the city. Gross take-up since 2000 has averaged around 12,000 sq m per annum, but gross new completions has been offset by losses to stock in recent years. The majority of the existing industrial estates offer few opportunities for wholesale redevelopment and therefore the situation is unlikely to improve in the foreseeable future.
- 14 Industrial vacancy rates are low at just over 3%. Rentals for new modern stock are at £8.25 per sq ft higher than most neighbouring locations but still significantly below Crawley at £9.75 per sq ft
- 15 Rental levels for both office and industrial space are not high enough to stimulate significant new commercial development. This again reflects on the relatively low value of economic activity in the city described in the previous chapter. The relatively low rents make Brighton a less attractive prospect for the development market than competing locations such as Crawley.

¹ Devolving decision making: 3 - Meeting the regional economic challenge: The importance of cities to regional growth - HM Treasury, DTI, ODPM (March 2006)

QUANTITATIVE BALANCE OF EMPLOYMENT LAND

- 16 We have translated employment projections prepared by Experian Business Strategies into demand for office, industrial and warehousing floorspace. These projections of demand for additional floorspace are then compared to the pipeline supply for existing commitments and allocations. The results are set out in the table below.

	Offices		Ind & whsg	
	2006-16	2006-26	2006-2016	2006-2026
Jobs forecast	3,500	4,700	-800	-900
Floorspace Demand sq m	63,200	84,100	-24,700	-27,700
Demand plus margin sq m	75,200	96,100	-6,300	-9,300
Supply pipeline* sq m	69,600	69,600	-19,700	-19,700
Over (Under) Supply	6,500	-14,600	5,000	8,000
Over (Under) Supply with margin	-5,700	-26,600	-13,400	-10,400

** includes MDA allocations*

- 17 The forecast is based on the higher (3.2% GVA Growth rate) scenario that is consistent with the regional role seen for Brighton & Hove. On this basis the city has just about enough office employment land allocated to meet its needs in the plan period to 2016, but only if development is delivered on all the allocated Major Development Areas (MDAs). If employment space is not delivered on these sites, and it is by no means certain, then alternative sites will have to be found or the city is likely to have its economic potential constrained. In addition, the city cannot afford a net loss of employment floorspace from its existing employment sites without additional space being found elsewhere.
- 18 Looking beyond the current plan for the period 2006-2026, Brighton & Hove will need to find additional employment sites capable of generating an additional 26,000 sq m of office floorspace. Industrial and warehousing employment land is roughly in balance for both the period to 2016 and beyond to 2026, especially if more land extensive needs are met from outside the city's boundaries.

QUALITY OF EMPLOYMENT LAND

- 19 The supply of employment land in Brighton & Hove is constrained by its natural barriers of the Channel and the South Downs. The City does not have any single dominant employment land location, but instead has a wide range of relatively small areas and estates spread across the City. Many are in central locations, and are the subject of fragmented ownerships, which will act as a constraint upon future redevelopment. Transport access is also poor for many sites
- 20 The City has a large number of small space and local businesses, for which the current areas are generally adequate, and whilst many buildings are secondary, they are nevertheless acceptable to smaller businesses seeking economical accommodation. These established areas often remain popular, and there are very few of those areas outlined above which can be said to be entirely unsuitable for their current purposes, as demonstrated by the fact that vacancies are generally low.

CONCLUSIONS AND RECOMMENDATIONS

Existing Sites

- 21 Most of the existing locations, are suitable for their current use by local businesses. They fulfil a function, particularly for small businesses seeking economical space.

Many of these small businesses would be unlikely to be able to afford new premises arising out of redevelopment. In addition they draw upon the local populace for the workforce. A reasonable amount of floorspace is relatively modern, and perfectly adequate for the use to which it is put, and much of it should have in excess of 20 years future use.

- 22 With the exception of the estates owned by the Council, the vast majority have fragmented ownership, which will make comprehensive redevelopment well nigh impossible to achieve, although individual properties and sites on estates will, as a function of the market, be redeveloped over time.

Sites to Release

- 23 All of the currently designated employment sites function well and serve their purpose. They are all in reasonable condition and vacancy rates are low. The forecasts do not suggest there is any significant excess of employment land that needs to be released.
- 24 We would suggest there is no need for wholesale release or de-designation of any existing employment site. This does not mean that all existing employment floorspace and activity on these sites should be automatically nor indefinitely protected.

Sites for Redevelopment

- 25 Whilst the existing employment sites function at least adequately there is a need to invest in these sites if they are to serve the productive needs of the future Brighton & Hove economy. Yet rental levels are too low for this to occur on any significant scale.
- 26 We would therefore suggest a policy that signals investment in new modern employment floorspace is sought on the existing EM1 sites. The city council would be prepared to consider favourably enabling development that achieved this end provided there was no net loss of employment floorspace on the site and the employment floorspace (or at least a proportion of it) was delivered first.

New Sites

- 27 For the plan period up to 2016 Brighton & Hove probably has a sufficient quantity of employment land identified to meet its needs, but only if it delivers on its identified sites. The city ideally needs a higher quality of offer than it currently possesses in order to attract high quality inward investment. But to put together a product of this quality takes time. Post 2016 the city does need to identify a location for quality offices to serve occupier needs into the second quarter of the 21st century. In total Brighton & Hove is estimated to require a net addition of at least 20,000 sq m of office space over the period 2016-26². This needs to be planned for now.
- 28 We would suggest there are two alternative approaches that Brighton & Hove might follow in order to provide an additional 20,000 sq m of office space for the period 2016-26. One approach is to develop a City Centre Office Quarter, the other is an Out of Town Business Park
- 29 The two are not mutually exclusive. There will be some segmentation of market demand. But there will also be some competition and given the relatively fragile nature of the office market for the past ten years we believe the city should send a clear message to the market and focus its attention on one product. We believe that the city centre office quarter is the option that is most likely to help Brighton & Hove develop its identified role as a 21st Century city region.

² Of course gross new development will be significantly higher and will include some redevelopment of existing offices.