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## **Burgess Hill Employment Site Study**

**Prepared on behalf of  
Mid Sussex District Council**

**by**

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## **1. Introduction**

- 1.1 Mid Sussex District Council is in the process of preparing a District Plan to replace the adopted Mid Sussex Local Plan (2004). At the time of writing it has been subject to public consultation (Regulation 18 stage).
- 1.2 The Consultation Draft District Plan proposes to allocate up to 40ha of employment land at Burgess Hill along the A2300 strategic transport corridor as a “high quality campus style business park (“the business park”). This is based on the Burgess Hill Town Wide Strategy adopted by Burgess Hill Town Council and the North West Sussex Employment Land Review Part 2 (2010).
- 1.3 This Study considers the deliverability of this proposed employment allocation. The Study forms part of the evidence base that will inform the preparation of the final District Plan.

## **2. The Planning Context**

- 2.1 In June 2010, Mid Sussex District Council (MSDC) took the decision to cease work on the Core Strategy intended to replace the 2004 Local Plan. The newly elected coalition government had signalled its intention to revoke the various regional planning documents now enacted as part of the 2012 Localism Act.
- 2.2 MSDC commenced work on a District Plan which recognises the new planning regime and in particular the opportunity for local decisions to be made in respect of strategic level of housing and employment land and for Neighbourhood Plans to be put forward by communities within the District.
- 2.3 The District Plan will replace the 2004 Local Plan and cover the period up to 2031. A Consultation Draft (Regulation 18) was published in October 2011.



2.4 The vision of the District Plan is:-

*“A thriving and attractive District, a desirable place to live, work and visit. Our aim is to maintain, and where possible, improve the social, economic and environmental well being of our District and the quality of life for all, now and in the future.”*

2.5 The District Plan aims to achieve the vision through 14 strategic objectives set within 4 priority themes which are:

- Protecting and enhancing the environment;
- Promoting economic vitality;
- Ensuring cohesive and safe communities; and
- Supporting healthy lifestyles

2.6 The following strategic objectives look to promote economic vitality;

*6 - To promote a place which is attractive to business, and where local enterprise thrives;*

*7 - To provide opportunities for people to live and work within their communities, reducing the need for commuting;*

*8 - To create and maintain town and village centres that are vibrant, attractive and successful and that meet the needs of the community;*

*9 - To support a healthy rural economy in the villages and the countryside; and*

*10 – To support and enhance the attractiveness of Mid Sussex as a visitor destination*

2.7 The district's housing requirement is 530 homes per annum (10,600 homes from 2011 to 2031) and 380 jobs per year to support economic growth of 3% GVA per year. This is achieved through existing housing commitments (4,300), strategic housing and employment development at Burgess Hill (3,500 – 4,000 homes and up to 40ha of employment land along the A2300 strategic transport corridor) and housing and employment development elsewhere in the district allocated through Neighbourhood Plans.



- 2.8 The intention of the business park is to provide local employment to make the Burgess Hill area more self-sufficient and therefore sustainable. The requirement for a business park is a District Council aspiration (using the Burgess Hill Town-wide Strategy for support) and is a key element for growth. The District Plan is based on sustainable economic growth in accordance with the Strategic Objectives set out in Section 2 of the District Plan.
- 2.9 The Burgess Hill Town Wide Strategy (*Burgess Hill – A Town Wide Strategy for the next 20 years*) prepared by Burgess Hill Town Council aims to produce a realistic, deliverable strategy to “prevent the town from standing still and potentially going into decline.” The objectives of the Town Wide Strategy are proposed to be funded primarily by the strategic housing developments.
- 2.10 The Town Wide Strategy indicated the preferred location of the proposed business park along the A2300 corridor located on the western side of the town. The strategy sets out that the proposed business park would be “self financing”. The proposed area indicated as a broad location is a section to the south of the A2300 (approximately 15ha) and a smaller section to the north of the A2300 (approximately 10 ha in size). In the consultation draft of the District Plan published in October last year, the preferred location of the business park did not include the 10ha of land now known to be available to the north of the A2300 lying west of the Waste Water Treatment Works. In addition, through representations on the consultation document further extensive areas (over 100 ha) to the west of Cuckfield Road were identified by agents acting for the principal landowner.

### **3. The Evidence Base**

- 3.1 The brief for this report calls for advice on the deliverability of up to 40ha of employment land to support the creation of 380 jobs per annum over the plan period. In preparing our report we have reviewed background reports to help establish to what degree the Council’s existing evidence base supports these numbers.



- 3.2 We know from the “Northern West Sussex Economic Appraisal/Part I Employment Land Review” (September 2009) that a possible requirement for 5 to 8ha for B1c, B2, B8 uses for the period to 2026 was identified for Burgess Hill. In addition, the report recommended that local authorities should work together to deliver serviced offices and small workshop units across the sub-region to support growth in small businesses.
- 3.3 So it is clear that in 2009 the Employment Land Review took a more modest view of employment land requirements for Burgess Hill. The emphasis was on providing some additional industrial and warehouse accommodation to meet the market’s needs (5 ha to 8 ha was judged to be sufficient) and to ensure that across the sub-region there was an adequate choice of small business units.
- 3.4 This evidence was updated the following year with the “Northern West Sussex Economic Appraisal/ Part II Employment Land Review (dated October 2010). The Executive Summary of this report notes at paragraph 6.12: *“Should strategic development north-west of Burgess Hill be brought forward the relationship of any employment development within this and the Victoria Business Park will need to be considered in further detail however, potential is identified for allocation of 4 hectares for higher value-added employment with good access to the A2300.”*
- 3.5 This suggests that by 2010, there was a slight shift of emphasis within the Council’s evidence base towards the notion of higher value employment at Burgess Hill within an allocation of 4 ha. Furthermore, at the time of writing (2012) there has been a further shift in aspirations favouring additional employment growth at Burgess Hill to provide more local employment opportunities.
- 3.6 The same employment land report sounded a note of caution in respect of office demand. It was advised that in East Grinstead and Burgess Hill there was “potential for selective redevelopment or conversion of office space where there is an identified local oversupply”. We consider the current state of the market and the viability of office development in more detail later in this report.



- 3.7 The Council's Draft Local Housing Assessment, June 2011 (updated October 2011), models 5 different demographic scenarios and 6 economic scenarios to estimate housing requirements. The report draws upon the Employment Land Review as a source of information for its 6 economic scenarios. It notes (paragraph 4.18) that the Employment Land Review "*outlined two aspirational levels of economic growth – Baseline and 3% Increase in GVA per Annum. Baseline can be considered as an aspirational target as it is more favourable than economic decline, which may occur as a result of some of the demographic Scenarios*". The Employment Land Review itself explains (paragraph 5.3) that the target of 3% is from the former Regional Economic Strategy, which was published by the South East England Development Agency (SEEDA). The District Plan sets its housing requirement from the evidence contained in the Local Housing Assessment based on meeting aspirational growth of 3% GVA per year as outlined in paragraph 2.7. Although overall housing targets for the district may be lower than suggested by the South East Plan, the focus of employment at Burgess Hill, is at a greater scale than was envisaged at the time of the Employment Land Review.
- 3.8 Another key document is the "Burgess Hill Town Wide Strategy for the Next 20 Years" (August 2011). The strategy sets out a vision for town centre public realm improvements, transport enhancements plus community facilities including a sports centre and an arts centre.
- 3.9 The projects that underpin the vision are priced at circa £40m. It was estimated that to fund this expenditure would require 4,000 homes to be built. This would be in addition to existing commitments identified at the time for creation of 1,500 homes. Burgess Hill Town Council considered that a strategic allocation to the east of Burgess Hill at Kings Way could yield 500 dwellings and to the north and northwest of Burgess Hill could accommodate 3,500 homes and other uses including a local centre.
- 3.10 The strategy also states that, "The Town Council considers that the best location for a new employment park would be on the A2300 west of the town. This location would have good communication links."



- 3.11 The strategy envisages that 4,000 new homes could result in over £23m of additional expenditure being made available for the town centre shops and businesses. The construction of these homes is estimated to give rise to the equivalent of 380 full time jobs for 3 years.
- 3.12 The Mid Sussex District Plan Consultation Draft (October 2011) includes general policies for economic development (DP1) and for the creation of a strategic allocation including employment to the north and northwest of Burgess Hill (DP6).
- 3.13 Policy DP1 encourages the use of Neighbourhood Plans to identify the needs of local businesses and places to allocate land for this purpose. We understand that this work has yet to be done so it is not yet possible to quantify the effect of this process on the district's overall employment land position. In addition, Policy DP1 refers specifically to the proposal for up to 40 ha of land for a "high quality campus style business park" and this is echoed in Policy DP6.
- 3.14 Policy DP6 promotes mixed use development to the north and northwest of Burgess Hill to include 3,000 to 3,500 homes and other uses. Policy DP6 also proposes a neighbourhood centre which we assume would include a range of local support services with both B-class and non B-class employment.
- 3.15 Although the Consultation Draft District Plan states that up to 40 ha of employment land may be required and is quite specific about the style of development to be created, the underlying evidence is more cautious about the quantity of space that is necessary. However, the Burgess Hill Town Wide Strategy is clear that to achieve its vision, the town's objectives should include "additional high quality and suitably located business park development". This raises a question as to whether this aspiration is driven by a perceived need for accommodation of a more modern standard rather than for a greater quantity of floor-space.

### **Section Summary:**

- The Council's evidence base includes an Employment Land Review in two parts, dating from 2009 and 2010. The recommended amount of employment land is



fairly modest in the range of 4 ha to 8 ha. However, the Council has since advocated additional growth to meet aspirations for further employment and focused on Burgess Hill.

- There were suggestions that the district may benefit from a qualitative improvement in supply and particular attention to the growth of small businesses, although it was suggested that office space could be lost where there is an oversupply.
- The Council's Draft Local Housing Assessment models demographic and economic scenarios to estimate housing requirements. It draws on the Employment Land Review and notes that the baseline scenario and the 3% GVA growth per annum scenario were more aspirational than the demographic modelling. It also notes that the 3% growth target is from the former Regional Economic Strategy.
- The "Burgess Hill Town Wide Strategy" takes a bold and visionary approach to town centre public realm improvements, transport enhancements and provision of new community facilities funded by the proceeds of housing development. It also promotes the notion of an out-of-town business park and this is echoed in policies DP1 and DP6 of the District Plan (consultation draft).
- Policy DP1 encourages the use of Neighbourhood Plans and this may help determine the district's overall employment land position. Policy DP6 includes a neighbourhood centre which may include B-class and non B-class employment.

#### **4. The Demographic Case**

- 4.1 A key issue for the Council to consider is the balance to be struck between the number of new homes and the number of new jobs that are proposed. Burgess Hill is situated within a relatively rural county but there are other larger centres of employment within easy commuting distance. For this reason it is not possible and may not be desirable to require residents to work locally if they can secure the types of employment or levels of pay that they seek elsewhere. Nonetheless, the

Council would like to maintain a degree of choice in the property market so that people can work locally if they choose to do so and the current balance of in/out commuting is at least maintained or possibly improved in favour of self-containment.

- 4.2 The Consultation Draft District Plan sets a housing target for the district of 10,600 new houses (over 20 years) with a target of 7,600 jobs (380 per annum). This equates to about 0.72 jobs per home as shown in the following table.

<b>Table 1</b>		
<b>District housing and employment target</b>	<b>Total</b>	<b>Per annum (over 20 yrs)</b>
Housing target	10,600	530
Employment target	7,600	380
Jobs per home	0.72	0.72

- 4.3 For corroboration of this figure, another way of looking at this calculation is to multiply the number of new houses proposed (10,600) by the average household size (say 2.4 based on paragraph 2.12 in the Council's Draft Local Housing Assessment), times 54.53% of people that are considered economically active (based on paragraph 2.16 and Table 1 of the same document), times the percentage of people that are expected to work locally (about 55% based on paragraphs 2.20 to 2.21). In summary:  $10,600 \times 2.4 (= 25,440) \times 0.5453 \times 0.55 = 7,630 = 0.72$  jobs per new home.
- 4.4 A business park of 40 ha could potentially yield 160,000 sq m of accommodation (if developed at say 4,000 sq m per hectare) and this would represent an increase of about 25% to the district's stock of B-class floorspace, based on Valuation Office stock data for the district. This scale of increase is significant and hard to contemplate without a step change in economic conditions and net growth of the market. It could be argued that a new allocation of this size would help introduce more choice in the market and help facilitate the development of more modern space. However, there is a risk of deterring investment in the older estates or new development land lying idle. The financial analysis shown later in this report



examines the key question of viability. Compared to the district, the increase to Burgess Hill’s stock would be much greater in percentage terms because it is only a part of the district, although further research would be required to be precise about the figure.

4.5 The Council will need to decide the extent to which the proposed employment land is to play a sub-regional, district wide, or local role. Our brief explains that, “The primary purpose of the business park is to provide local employment to make the Burgess Hill area more self-sufficient, and therefore sustainable. It is not intended that the business park will function as a strategic site for the Gatwick Diamond as a whole.”

4.6 This indicates that the business park’s role is mainly a local one, counterbalancing the new houses proposed. With this in mind it is instructive to ask what would be the number of jobs required to match the number of houses to be provided at Burgess Hill alone. The Consultation Draft District Plan proposes strategic development at Burgess Hill of between 3,500 – 4,000 homes. The resultant calculation is shown in the following table:

<b>Table 2</b>				
<b>Employment at Burgess Hill if applying the district rate of jobs per home of 0.72 (in accordance with Table 1)</b>				
	From	To	Average	Per annum (over 20 yrs)
Housing proposed	3,500	4,000	3,750	188
Employment	2,520	2,880	2,700	135

4.7 This table uses the simple measure of jobs per homes shown in the previous table and generates an average employment figure of circa 2,680 jobs (135 per annum over 20 years) as a lower scenario. However, this is not a forecast so the Council may wish to test this scenario in a more sophisticated way against other elements of their evidence base, plus new census data when it is released as well as the number of houses and jobs expected to arise from Neighbourhood Plans once known. The mix of house types in the proposed development and the employment content of the neighbourhood centre will also have a bearing on the number of



jobs required. Nonetheless, on the face of it, 380 jobs per annum appears to be a very high figure if applied to Burgess Hill alone, representing just over 2 jobs per new home. If on the other hand, Mid Sussex District Council takes the view that employment land at Burgess Hill does have a sub-regional role or a wider role within the District, then the target for hosting jobs here might be higher than under the lower scenario.

4.8 The next question that flows from this analysis is how much B-class floorspace would be required to host the number of jobs. The Council's Employment Land Review sets out a range of employment density assumptions for different B-class uses ranging from 18.3 sq m (net internal area) per person for B1a employment to 72 sq m (gross internal area) per person for B8 employment. Critical factors in the choice of density to assume are:

- Types of space – offices accommodate significantly more employees for a given amount of floorspace than say warehouses.
- The basis of measurement – conventions (as defined by the Royal Institution of Chartered Surveyors) for the measurement of buildings vary between different property types. For example, B1a offices tend to be measured on a net internal basis (to arrive at net lettable floor area excluding columns etc) whereas industrial and warehouse property is usually measured on a gross internal/external basis. The difference between net internal area, gross internal area and gross external area can be significant. The Employment Land Review cites a difference of 17.5% between net and gross internal measurements. The difference is especially important for the valuation of properties but is not always accorded the same significance for planning policy purposes.
- Changing working practices – there is strong anecdotal evidence and a growing body of public and private sector case studies that demonstrates that offices are being used to host more office jobs than in the past (through more efficient use of space and an increase in remote or flexible working). This

means that there may be a downside risk to former estimates of demand for office floorspace.

- 4.9 Commonly used guidance on employment densities is that published by Arup/English Partnerships (2001) and by OffPAT/HCA/Drivers Jonas Deloitte (2010). We have used these two sets of guidance to present a range of floor areas appropriate to a given number of jobs. The following table shows the assumed rates:

Use description	Use Class	Worker density rate (sq m per worker)		
		From	To	Basis
General offices	B1a	12	15	NIA
Light industry	B1c	26	47	NIA
General warehousing	B8	50	70	GEA

This table demonstrates the extreme sensitivity of the employment capacity of a site to the intended use. So, for example, if the Council aimed to accommodate 380 jobs pa (7,600 jobs over 20 years) within offices (as might befit a “high quality campus style business park”) then this would require about 23 ha to 29 ha (based on 4,000 sq m of floorspace per ha). Alternatively, the same number of jobs of an industrial nature would require 49 ha to 89 ha or in excess of 100 ha for warehousing. This is summarised in the following table:

<b>Table 4</b>					
<b>Floorspace and site area required to provide 7,600 jobs from a particular land use</b>					
Use description	Use Class	Floorspace pa (sq m)		Site area required (based on 4,000 sq m/ha)	
		From	To	From	To
General offices	B1a	91,200	114,000	22.80	28.50
Light industry	B1c	197,600	357,200	49.40	89.30
General Warehousing	B8	380,000	532,000	95.00	133.00

- 4.10 However, in practice, it is much more probable that a blend of uses, reflective of Burgess Hill's role in the market, would be required. This blend has been discussed in conjunction with members of Cluttons' agency team to arrive at a

percentage split that is likely to be supported by the market (without pre-judging the quantity of space or the outcome of the financial appraisal). The purpose of this is to help construct a scenario for modelling the financial viability of a notional, phased development with a mix of B-class uses. The results can be seen below in the section 9 of this report dealing with development appraisals. This mix is set out in Table 5 below:-

Proposed mix of uses for modelling purposes	Use Class	Percentage split	
		By job type	By floorspace
General offices	B1a	25%	10%
Light industry	B1c	60%	64%
General warehousing	B8	15%	26%

4.11 As already explained, we are concerned that a target of 7,600 new jobs would be greater than Burgess Hill alone would require and 2,680 may be more appropriate unless the Council foresee a sub-regional role or a wider role within the District for the site and are confident that there would be sufficient demand for it across a much wider study area. For this reason we have calculated the floor areas required to accommodate about 135 jobs pa when applying the mix of uses and worker density rates set out above.

Use description	Jobs pa	Floorspace pa (sq m)			Times 20 years	
		From	To	Average	Sq m	Hectares (at 4,000 sq m/ha)
General offices	34	405	506	456	9,113	2.28
Light industry	81	2,106	3,807	2,957	59,130	14.78
General warehousing	20	1,013	1,418	1,215	24,300	6.08
<b>TOTAL</b>	<b>135</b>	<b>3,524</b>	<b>5,731</b>	<b>4,627</b>	<b>92,543</b>	<b>23.14</b>



4.12 As the above table shows, the product of about 135 jobs pa and the stated assumptions is about 92,000 sq m of accommodation arranged over 23 ha of land. The following table shows how this breaks down into a notional 5 year phasing pattern:

<b>Table 7</b>				
<b>Potential phasing plan used for development appraisals</b>				
Use description	Floorspace per annum		Floorspace per 5 year phase	
	sq m	sq ft	sq m	sq ft
General offices	456	4,904	2,278	24,522
Light industry	2,957	31,825	14,783	159,123
General warehousing	1,215	13,079	6,075	65,393
<b>TOTAL</b>	<b>4,627</b>	<b>49,808</b>	<b>23,136</b>	<b>249,038</b>

4.13 The floorspace per 5 year phase has been rounded for the purposes of the financial development appraisals shown later in this report. In practice it is important to remember that the pace at which land is developed will depend upon the market's response. Deliverability will be especially influenced by market demand and the availability of development finance; a policy-led approach (e.g. to create capacity for positive growth) will have little force in the absence of market requirements.

### Section Summary

- Burgess Hill has its own critical mass and identity but with other large centres of employment within easy commuting distance people can and will commute to take advantage of the wider labour market. The Council seeks to at least maintain the established balance of in/out commuting but development of new housing areas brings with it the opportunity to improve self-containment.
- Theoretically a business park of 40 ha could increase the district's stock of B-class floorspace by about 25% - a significant change, especially for Burgess Hill. The Council will need to decide the extent to which the proposed employment land is to play a sub-regional/district/local role. At present our



brief is that the role is more of a local one, in which case we believe that the jobs target and employment area should be smaller in size.

- The potential employment capacity is very sensitive to assumptions about the intended use – office development can accommodate more than 2 or 3 times the number of workers than industry; warehousing is especially “land hungry”.
- To test viability, we have modelled the floorspace arising from an assumed mix of uses (informed by local market experience) and an assumed ratio of jobs per dwelling (based on district-wide targets). If Burgess Hill were to be assigned a greater role in hosting employment for the district or sub-region then the amount of floorspace to test would be greater. However, poor viability is unlikely to be improved by increasing the scale of development, which would in any event be phased according to demand. The resulting floorspace has been translated into a five yearly phasing plan for testing through a financial development appraisal.
- In practice the pace of development will be determined by the market. A policy-led approach of providing employment capacity in case it is required could chime with aspirations for growth but, given the scale of the proposed change, is highly dependent on the test of financial viability (set out in section 9 of the report).

## **5. Property Supply**

### **District Overview**

- 5.1 The area covered by Mid Sussex District Council stretches westwards from East Grinstead in the north east of the district to the M23 bordering Crawley, and west of the A23 south to Fulking, Poynings and Pyecombe, just to the north of Brighton. The district eastern boundary runs to the eastern edge of Burgess Hill, and northwards up to East Grinstead.
- 5.2 The District has three main towns, Burgess Hill, East Grinstead, and Haywards Heath along with larger villages including Hurstpierpoint and Keymer / Hassocks. The District is generally well served with transport



communications, with a fast rail service from all three major towns to the centre of London, and is well served by the A23/M23 providing fast road access from Brighton to the south to Gatwick Airport and the M25.

- 5.3 Employment locations in the District tend to be centred upon the major towns, but this is supplemented by smaller employment centres in village, semi rural or rural locations some of which have arisen as a result of farm building diversification and conversion to supply small employment units.
- 5.4 Employment uses are spread across the three major towns, each of which differs slightly in terms of product. Burgess Hill is considered to be the main location in the District for light industrial and warehousing uses whilst Haywards Heath has become the main office location east of the A23/M23. East Grinstead contains a mix of both industrial and office premises and tends to feed off the M25 towns to the north and Crawley/Gatwick as the subsidiary location to both.
- 5.5 The total employment property stock within the district is as follows:-

<b>Table 8 Use</b>	<b>Square metres</b>	<b>Square feet</b>
Offices	213,000	2,293,000
Industrial	246,000	2,648,000
Warehousing	178,000	1,916,000
<b>Total</b>	<b>637,000</b>	<b>6,857,000</b>

The office stock includes approximately 32,000 sq m (345,000 sq ft) occupied by the public sector. By way of contrast, Crawley has some 980,000 sq m (10.5 million sq ft) of offices and 850,000 sq m (9.1 million sq ft) of industrial and warehousing space and Horsham district 380,000 sq m (4.1 million sq ft) of offices and 565,000 sq m (6.1 million sq ft) of industrial and warehouse accommodation.

- 5.6 Recent employment use development within the district has been sporadic over the last decade, and particularly so following the financial crisis of 2008. Nevertheless, there has been some development in the form of small schemes, including the Albourne Business Park just off the A23 at Albourne



and the Mid Sussex Business Park just outside the district to the east of Burgess Hill.

5.7 The vast majority of the stock tends to be between ten and thirty years old, and whilst much of the industrial stock remains fit for purpose, if ageing, there are nevertheless areas where occupied buildings are now becoming dated, as being evident, for example, along parts of the northern section of Victoria Road in Burgess Hill.

5.8 Save for small rural conversion schemes, and the occasional small business unit scheme, such as at Albourne office development across the district has been limited although a number of buildings in the main Haywards Heath office location of Perrymount Road have been refurbished over the last few years to provide space to the level of specification required by occupiers.

5.9 The stock available across the district at the present time is estimated as follows:-

<b>Location</b>	<b>Offices (Sq m)</b>	<b>Offices (sq ft)</b>	<b>Industrial (sq m)</b>	<b>Industrial (sq ft)</b>
Burgess Hill	6,300	68,000	18,100	195,000
Haywards Heath	12,700	137,000	750	8,000
East Grinstead	4,200	45,000	14,500	156,000
<b>Total</b>	<b>23,200</b>	<b>250,000</b>	<b>33,350</b>	<b>359,000</b>

These statistics are provided on a general assessment based on web based research and our own registers but exclude any premises not being openly marketed, including small rural diversification schemes and individual conversions outside the main district employment locations.

5.10 Based on the estimated total employment within the district, the available stock amounts to 11% of the office sector, and just under 8% of the industrial and warehouse sector. These are broadly in line with average UK vacancy rates of 8% for industrial premises and 12.6% for offices.



- 5.11 In terms of development land for employment, there is perceived to be a shortage across the district, albeit that market conditions are not conducive to achieving viability at present, particularly for offices, although industrial development prospects are slightly better.
- 5.12 Business park development has been a feature of employment generation over the past twenty years. However there has been no such development of any magnitude in the district, although the spate of business space development which took place in Burgess Hill following the construction of Jane Murray Way forming the western boundary of the town did provide a semi business park environment.

### **Burgess Hill Overview**

- 5.13 Burgess Hill is the main centre for industrial and warehouse uses in Mid Sussex, although secondary to the major employment centres at Crawley and around Gatwick Airport.
- 5.14 As a centre, the town has benefited from the change in focus in Brighton away from industrial and manufacturing employment towards the new media and cultural sector with industrial businesses relocating, many moving northwards towards Burgess Hill.
- 5.15 There are two industrial estates within the town, namely the Victoria Business Park to the south west of the town centre, and the Sheddingdean Industrial Estate which is found on the northern boundary. Further industrial locations within the vicinity include the Ditchling Common Industrial Estate, technically just outside the Mid Sussex district, and the Bolney Grange Business Park which is found close to the A23 just north of the A2300 link road.
- 5.16 The town is secondary to both Haywards Heath and East Grinstead as an office location, although Roche Diagnostic's Head Office is located on Charles Avenue, providing around 80,000 sq ft of refurbished and upgraded office space and American Express occupies around 96,000 sq ft in the town centre.



### **Victoria Business Park**

- 5.17 The largest concentration of industrial uses has been traditionally been found centred around Victoria Road to the south west of the town centre. The Victoria Business Park covers a substantial part of the south western quadrant of the town, from London Road across to Jane Murray Way which in effect forms the western boundary of the town. The Park comprises a range of industrial estates with older premises being found more towards the town centre, along Victoria Road and Consort Way.
- 5.18 The Victoria Business Park expanded westwards following the completion of the Jane Murray Way which gave improved access to the Victoria Business Park as well as opening up land for business development, resulting in the building of new space for large employers including CAE Aviation and Roche Diagnostics.
- 5.19 Whilst this area could have developed into a modern business park setting over the last few years' employment development has been over shadowed by alternative forms of development. There are various reasons for this relating principally to the higher values generated by other uses, particularly in the retail and leisure sectors, arising as a result of falling demand for business space premises as a result of the 2008 recession. These alternative employment uses include a Premier Inns budget hotel on Charles Avenue, a DVLA Driver Centre off William Way, a Porsche Dealership and a trade counter outlet for Park Cameras on York Road. Furthermore, the Gateway site, comprising 1.72 hectares looks set to be redeveloped for retail warehouse premises.
- 5.20 This leaves the Maltings as the only other major site on the Park available for employment use development. Part of the site has been redeveloped to provide a headquarters industrial building of around 30,000 sq ft for Alexander Rose, leaving the remainder available for employment development in units of up to 60,000 sq ft in total.



### **Sheddingdean Business Park**

- 5.21 Located to the north of the town centre off Marchants Way, this small estate marks the northern boundary of the town. Built some 25 years ago, it comprises, in the main small industrial premises let to a variety of local businesses. Fairbridge Way is found immediately to the north and comprises the old Southern Water Waste Water treatment works. This land, comprising some 12 hectares, was originally allocated for employment uses, but now has planning permission for residential development.

### **Miscellaneous Industrial Areas**

- 5.22 There are two further employment use locations in close proximity to Burgess Hill. First at Ditchling Common (outside of the District boundaries), where there are a number of estates, including the Tidy Industrial Estate containing some 120,000 sq ft of industrial space of mainly older vintage. A small part of the estate has been redeveloped as the Mid Sussex Business Park comprising 30 modern units the majority of which are less than 5,000 sq ft in size.
- 5.23 To the west of the town, off the A2300 link road close to the junction with the A23 lies Bolney Grange, which comprises a small estate mainly given over to smaller local businesses and dating from around the 1980's.

### **Current Availability**

- 5.24 At the present time there are some 40 industrial units available in Burgess Hill with Ditchling Common and Bolney providing a total of 195,000 sq.ft of accommodation. 75% of these fall within the size bracket up to 5,000 sq.ft, with only one unit in excess of 10,000 sq.ft, and one older industrial unit, the former Honeywell premises, in excess of 50,000 sq ft.



The following table provides a breakdown of available industrial space.

Table 10 Size sq ft	Burgess Hill		Ditchling		Bolney		Total	
	Units	Floorspace	Units	Floorspace	Units	Floorspace	Units	Floorspace
0-999	1	743	1	800	0	0	2	1543
1,000-2,499	5	6540	6	13272	2	3513	13	23325
2,500-4,999	6	12953	6	23044	3	9519	15	45516
5,000 - 9,999	6	40725	2	12000	0	0	8	52725
10,000 - 19,999	1	12,100	0	0	0	0	1	12100
20,000 - 34,999	0	0	0	0	0	0	0	0
35,000 - 49,999	0	0	0	0	0	0	0	0
50,000 +	1	59954	0	0	0	0	1	59954
<b>TOTAL</b>	<b>20</b>	<b>133015</b>	<b>15</b>	<b>49116</b>	<b>5</b>	<b>13032</b>	<b>40</b>	<b>195163</b>

5.25 Whilst we do not have confirmation of the overall industrial stock supply for Burgess Hill itself, the local Burgess Hill Business Parks Association claims to represent some 200 to 300 companies on the towns business parks from which we conclude that the vacancy rate at around 20 units is not particularly high at present which was borne out by a visit to the various estates. Although this measure of vacancy rates is not precise, it is comparable with the district figures shown earlier.

5.26 Turning to the office market as confirmed above, Burgess Hill is secondary to Haywards Heath and East Grinstead. It does contain some major employers, such as Rockwell Collins, Roche Diagnostics and American Express, but otherwise has a relatively limited supply of purpose built offices.

5.27 There are currently 25 office units available on the market, with a total floor area of 76,000 sq ft, and the vast majority of these are in the town itself as opposed to Ditchling or Bolney. There are no pure offices premises in excess of 10,000 sq ft available but in terms of units, the spread across the size range 0 – 10,000 sq ft is relatively uniform.

5.28 The following table confirms current availability. The quality of the existing stock is in the main relatively mediocre, with there having been no significant development for a number of years following the large schemes off Jane Murray way. A small scheme of purpose built offices was built at Albert Drive



but apart from that save for the odd infill small building much of the accommodation is secondary.

Table 11 Size sq ft	Burgess Hill		Ditchling		Bolney		Totals	
	Units	Floorspace	Units	Floorspace	Units	Floorspace	Units	Floorspace
0-999	5	2511	0	0	1	838	6	3349
1,000-2,499	6	12953	3	4389	2	2567	11	19909
2,500-4,999	5	16518	0	0	0	0	5	16518
5,000 - 9,999	3	36320	0	0	0	0	3	36320
10,000 - 19,999	0	0	0	0	0	0	0	0
20,000 - 34,999	0	0	0	0	0	0	0	0
35,000 - 49,999	0	0	0	0	0	0	0	0
50,000 +	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>19</b>	<b>68302</b>	<b>3</b>	<b>4389</b>	<b>3</b>	<b>3405</b>	<b>25</b>	<b>76096</b>

5.29 The land supply for employment use development in the town is confined mainly to the following sites as set out in Table 11 below:-

Table 12 ADDRESS	UNIT	SIZE	TYPE
Jane Murray Way	The Gateway	4.25 acres	Planning consent for 60,000 sq ft of B1/B8.
Victoria Road	The Maltings	3 acres	Can accommodate up to 60,000 sq ft of B1/B8.
Malthouse Lane	East Lodge		Planning consent for 9,000 sq ft of B1

In addition there are a number of potential infill sites on the Victoria Business Park, particularly along Victoria Road.

5.30 Of the above sites, the Gateway is the subject of an outstanding planning application for a change of use to retail warehousing. There has been a pattern of changes in use for development in recent times in the town generally, with the BH23 site off Charles Avenue having been developed for a Premier Inn budget hotel and a DVLA Driving Centre, whilst the remaining part was acquired by CAE as a strategic buy for future expansion purposes. In the town centre, the former Schering office premises are being developed for retirement housing by McCarthy & Stone.



5.31 The other major site is the Maltings. Part of the site was developed before the banking crisis in 2008 to provide a new headquarters building for Alexander Rose, for the production of garden furniture. However, the remainder has remained undeveloped although the proposed link road through to Charles Avenue has yet to be constructed which would link the scheme to the more modern areas of the business park. Nevertheless the site is suitable for employment development and could provide up to 60,000 sq ft. However, the viability of any scheme may be adversely affected by the costs of building the road link which may explain the lack of progress.

### **Conclusions**

- Burgess Hill is the main centre for industrial employment, although secondary to Crawley
- Burgess Hill is not a recognised office location
- The stock in the town is generally ageing
- There has been very little recent employment space development in the last five years
- Employment land has been developed for other uses this leaving a low supply for employment premises development
- There is no modern business park to attract inward investment and larger modern businesses seeking prestige campus style premises
- There is a lack of modern industrial units of more than 10,000 sq ft.

## **6. Property Demand**

### **General Market Overview**

6.1 Following the financial crisis of 2008 the economy fell into recession, and whilst technically out of the slump, remains in a parlous state with very limited signs of economic growth and lingering fears of a return to recessionary times.



- 6.2 As a result of the economic climate, the commercial property market has suffered to a significant degree with declining occupier demand and increased voids as businesses contract or go into liquidation.
- 6.3 There has been very little employment land development over the last five years due to not only a lack of demand, but also restrictions on credit and funding arising out of the banking crisis. Finance has remained extremely difficult to obtain by businesses and for property investment and development partly as a result of irresponsible lending during the peak of the property market and this lack of liquidity is likely to remain prevalent for some considerable time.
- 6.4 Development has been halted not only by a lack of finance, but also due to viability. Lack of occupier demand has resulted in rental values having either remained static or fallen, and yields have moved out, resulting in falling capital values. Capital value is determined by the yield which is the rate of return required by an investor and increases in response to risk. The higher the yield, (investment return), the lower the capital value. As a result, even if a developer has funding, the gross development value of any scheme is likely to show very little, if any margin over costs of development and thus given the risks involved and lack of viability, development will not take place unless on a design and build or pre-sale basis, or pre-let basis if the rents and yields combine to provide a positive profit margin.
- 6.5 As to the future direction of the market, this is difficult to predict given the uncertainties in the current climate, although there are some signs of preliminary stirrings in the market which may lead to a gradual recovery.

### **District Overview**

- 6.6 Whilst not immune to the recession, Mid Sussex has fared reasonably well in comparison with some of its neighbours, retaining good levels of local employment and being identified in 2010 as being the most resilient local authority in the region, and as identified above, commercial property vacancy rates are in line with the UK average.

6.7 Demand can be measured both historically, in terms of take-up, and currently by the level of known enquiries in the market place. These can be difficult to determine, particularly in the smaller size ranges as they are often not widely advertised or agent led. Enquiries for larger premises are often on a region wide basis rather than town specific which also results in demand levels for a particular town being difficult to judge accurately.

6.8 We set out below take up figures across the district which can be used to assess potential demand levels based on historic evidence.

**Industrial take up & recent enquiries**

6.9 We have assessed industrial take-up across the district between 2007 and 2011 and set out the results in the tables below:-

**Total district industrial take-up**

Table 13 Size sq ft	Burgess Hill (area)		Haywards Heath		East Grinstead		District	
	Units	Total Area	Units	Total Area	Units	Total Area	Units	Total area
0-999	5	2980	0	0	2	900	7	3880
1,000-2,499	50	82938	7	11039	8	13807	65	107784
2,500-4,999	33	118945	3	11388	4	16458	40	146791
5,000 - 9,999	18	134058	0	0	5	31164	23	165222
10,000 - 19,999	10	137884	2	25352	2	32605	14	195841
20,000 - 34,999	1	28000	0	0	1	21632	2	49632
35,000 - 49,999	0	0	0	0	1	40935	1	40935
50,000 +	1	61371	0	0	0	0	1	61371
							0	0
<b>TOTAL</b>	<b>118</b>	<b>566176</b>	<b>12</b>	<b>47779</b>	<b>23</b>	<b>157501</b>	<b>153</b>	<b>771456</b>

**Burgess Hill area includes Albourne, Bolney, Ditchling**

6.10 The table demonstrates that the vast majority of the industrial take up is within the Burgess Hill area, which includes Albourne, Bolney and Ditchling Common, whilst Haywards Heath achieved far fewer transactions. East Grinstead, let just under 30% of the total space let at Burgess Hill.



## Annual district industrial take-up

Town	2007		2008		2009		2010		2011	
	Units	Sq ft	Units	Sq ft	Units	Sq ft	Units	Sq ft	Units	Sq ft
Burgess Hill	20	145116	13	43897	24	121820	28	132870	33	122473
Haywards Heath	2	3113	2	5293	3	16627	1	11195	4	11551
East Grinstead	1	40935	4	36420	4	11074	7	18135	7	50937
<b>Total</b>	<b>23</b>	<b>189164</b>	<b>19</b>	<b>85610</b>	<b>31</b>	<b>149521</b>	<b>36</b>	<b>162200</b>	<b>44</b>	<b>184961</b>

6.11 The total take up over the five years across the district amounts to approximately 770,000 sq ft covered by 153 transactions. Of these, the vast majority (about 93%) fall within the size range of 1,000 to 20,000 sq ft.

6.12 As a result, we conclude that take up over the last five years demonstrates that demand is centred round the size range of 1,000 to 20,000 sq ft. More than 70% of this in numbers of units (or 35% of the total square footage) is in the size range up to 5,000 sq ft. This would tend to suggest that demand is mostly locally based from small to medium sized enterprises. Demand for larger units in excess of those is difficult to gauge as the current supply is limited. However, larger space users enquiries tend to be region wide and there is no reason to suggest that if larger modern units were available in Burgess Hill they would not be taken up, particularly to the west with good roads to the A23/M23 network, providing there was a reasonable economic climate.

6.13 Enquiries come from two sources. Firstly, direct from business and secondly via agents. Direct enquiries from businesses seeking space within a particular town tend to be for smaller units and from local businesses looking to move into more modern premises or seeking to expand. In recent years enquiries from growing businesses have slackened off due to the economic climate but should pick up as and when the economy moves into an upward cycle.

6.14 The other source is via agents and these tend to be for larger space, and will often be less location specific. These enquiries might represent inward



investment opportunities. During the last twelve months our records show that there were a range of enquiries for the general area. These range from 3,000 sq ft upwards with the largest requirement being for 25,000 to 40,000 sq ft in the vicinity of the A23. More locally there was a requirement for 10,000 to 20,000 sq ft specifically for Burgess Hill.

6.15 Notwithstanding, these enquiry levels are slow, which reflects the economic climate, but are anticipated to pick up once the economy shows signs of sustained growth.

### District Offices take up and recent enquiries

The take up tables for the period 2007-2011 are set out below:-

#### **Total district office take-up**

Table 15 Size sq ft	Burgess Hill (area)		Haywards Heath		East Grinstead Total Area		Totals Total area	
	Units	Total Area	Units	Total Area	Units	Total Area	Units	Total area
0-999	26	14534	28	17439	5	3019	59	34992
1,000-2,499	22	35145	13	18795	4	4819	39	58759
2,500-4,999	4	13463	6	24695	8	30286	18	68444
5,000 - 9,999	3	20041	8	53472	4	27963	15	101476
10,000 - 19,999	1	11500	3	45234	0	0	4	56734
20,000 - 34,999	0	0	1	20000	0	0	1	20000
35,000 - 49,999	0	0	0	0	0	0	0	0
50,000 +	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>56</b>	<b>94683</b>	<b>59</b>	<b>179635</b>	<b>21</b>	<b>66087</b>	<b>136</b>	<b>340405</b>

Burgess Hill includes Albourne, Bolney and Ditchling

#### **Annual district office take-up**

Table 16 Town	2007		2008		2009		2010		2011	
	Units	Sq ft	Units	Sq ft						
Burgess Hill	18	40779	7	7843	6	3817	17	37391	8	4853
Haywards Heath	5	16314	14	39790	7	19859	19	80266	14	23406
East Grinstead	6	18889	5	13333	6	26439	2	1000	2	6426
<b>Total</b>	<b>29</b>	<b>75982</b>	<b>26</b>	<b>60966</b>	<b>19</b>	<b>50115</b>	<b>38</b>	<b>118657</b>	<b>24</b>	<b>34685</b>



- 6.16 These show that over the period approximately 340,000 sq ft was let in 136 transactions. These figures demonstrate that Haywards Heath is the area with greatest office take up, being almost double the amount of space let or sold within either Burgess Hill or East Grinstead.
- 6.17 As an indicator of demand it is noticeable that there were only five transactions involving office accommodation providing more than 10,000 sq ft. This tends to suggest that demand will emanate more from local businesses than inward investment. More than 70% of the total take up occurs in office suites of up to 2,500 sq ft.
- 6.18 Enquiry levels over the last year or so have been moderate. Again a number of these are district wide, but enquiries for Haywards Heath range from 3,000 sq ft up to 70,000 sq ft with several companies seeking more than 10,000 sq ft.

### **Burgess Hill Overview**

- 6.19 Burgess Hill is the main centre for industrial occupiers in the Mid Sussex District but is secondary to the regional centre which is Crawley and the Gatwick area. Nevertheless it retains a number of significant employers.
- 6.20 As an office location it is less important, being secondary to Haywards Heath.
- 6.21 Whilst the town experienced a reasonable degree of development in the first part of the last decade, resulting in a number of new buildings and occupiers around Charles Avenue, such as CAE Aviation, Alexander Rose and Roche the onset of the banking crisis in 2008 resulted in a halt to virtually all employment space development. This is as a result of a fall in occupier demand and falling values alongside funding restrictions.
- 6.22 However, local churn which describes day to day movement between premises, in the form of local business start ups and relocations has continued almost unabated, based upon take up figures over the past five



years as demonstrated above. The only noticeable drop off was in 2008, but recovery was underway by 2009.

- 6.23 In contrast, take up by larger firms has been very limited over the five year period, with only two transactions over 20,000 sq ft. This suggests that the town has not attracted any significant inward investment in recent years although it did have some success in the early part of the decade in attracting large space occupiers into new premises as outlined above. This was due to a number of factors including the better economic climate and improved road and transport links to the A23. As and when the economy sees a return to sustained growth the A2300 location should see sites well placed to capitalise on attracting new businesses.
- 6.24 Recent demand for large space users, particularly from out of town tends to be region specific rather than town specific. Over the last two years there have been a number of enquiries, and most recently a B2 manufacturing requirement for 70,000 – 80,000 sq ft within a 20 mile radius of Burgess Hill. However, at present the town does not have any vacant units in this size bracket.
- 6.25 In recent years the land allocated for employment use within the town has failed to attract any significant interest, and as a result has in many cases been redeveloped for other uses. Whilst this would tend to suggest that there is only limited demand from large space users, there is no reason to suspect that as the economic climate improves, demand from large space users will not pick up. The town is well located to attract interest from south coast businesses seeking new premises.
- 6.26 There remains a lack of modern employment space within the town and this will clearly have an effect upon take-up as requirements will not be able to be satisfied.



### **Burgess Hill Industrial Demand and Take Up**

- 6.27 As will be noted from the tables above, over the five year period, some 566,000 sq ft of industrial space was let in 118 transactions, and in line with the district analysis, the greatest concentration of deals is in the 1,000-20,000 sq ft bracket (with just over 9% of units being in the size range of 10,000-20,000 sq ft). However take up over 20,000 sq ft is negligible.
- 6.28 Over the five year period, take up, in terms of the number of transactions, has been relatively constant, with the exception 2008, the first year of the recession, with take up and unit numbers reduced. The figures for 2010 and 2011 reflect the success of the Mid Sussex Business Park Scheme at Ditchling Common, which saw some 22 deals, which supports the principle that new schemes are likely to be well received.
- 6.29 As to current enquiry levels, there are a limited number of requirements for larger premises which are spread across the region rather than specific to Burgess Hill. However there is generally a lack of new build modern industrial space in the region.
- 6.30 Given the uncertain economic outlook demand will be muted and is likely to remain so, and this partially explains the lack of activity on existing employment sites such as the Maltings. However, it will pick up once a sustained recovery is underway, and Burgess Hill could be ideally placed to capitalise on this given the lack of potential sites and opportunities to the south as far as Brighton, along with its good location and fast access to the A23/M23 road network and Gatwick. In addition development to the south is likely to be restricted as a result of the National Park status of the South Downs

### **Burgess Hill Office Demand and take-up**

- 6.31 As outlined above, Burgess Hill is not a recognised office centre. This is reflected in the take-up figures for the last five years. Whilst nearly 95,000 sq



ft has been let in 56 transactions, 86% (48 deals) have been for suites of 2,500 sq ft or less. There have only been 4 transactions for suites of more than 5,000 sq ft and the largest deal was for 11,500 sq ft. 41,000 sq ft (42% of the total space) was let in 2007 at the top of the market, thus leaving take up since the recession at an average of only 13,500 sq ft per year. If 2010 is considered an exceptional year with 37,000 sq ft let, the average for the other three years is only 5,000 sq ft.

6.32 Demand at the present time is limited to regional requirements, which are few in number. As to the future, demand will pick up as a sustained recovery from the recession gathers momentum. Burgess Hill is in the position of having potential employment land which could be made available for campus style office development, although Haywards Heath would be likely to remain the recognised office centre.

### **Conclusions**

- Burgess Hill has traditionally provided industrial and warehousing employment
- The town has stronger demand for industrial space than for offices
- The industrial stock in the town is ageing which can affect demand as there has been no significant new development (save for Mid Sussex Business Park at Ditchling Common) in the last five years.
- Take up statistics demonstrate demand is likely to be concentrated in units of 10,000 sq ft or less.
- Employment sites in the town have been redeveloped for other uses or remain bare reflecting a lack of demand rather than a lack of supply.
- Once the economy picks up Burgess Hill could be in a strong position to attract demand due to potential employment sites along the A2300



being in close proximity to the A23. In particular a dedicated modern business park could be an attractive draw to business.

## **7. Gap Analysis and Market Commentary**

- 7.1 The property market analysis undertaken in Sections 5 and 6 covering the District shows a distinct split between the three main towns as far as use is concerned.
- 7.2 The research demonstrates that Burgess Hill is the main district centre for industrial accommodation whilst Haywards Heath is traditionally the centre for offices. East Grinstead to the north provides both offices and industrial accommodation, but is in main ways secondary to both Burgess Hill and Haywards Heath, although well located to mop up the surplus demand from Crawley to the west in a stronger economic climate.
- 7.3 The district does not have a modern business park campus scheme or designated site to attract inward investment and larger companies.
- 7.4 Whilst Burgess Hill and Haywards Heath offer a different employment floor space product, both are secondary to Crawley which lies immediately to the west of the District boundaries. Crawley is the major regional employment location, partially as a result of its good locations, but also proximity to Gatwick Airport. Demand from larger space uses, be they office or industrial companies, is likely to be centred round Crawley and this is unlikely to significantly change although the district may be well placed to supply overflow space at slightly lower rental levels as well as satisfying the local market.

### **Market Commentary**

- 7.5 Burgess Hill is the largest industrial employment location in West Sussex, save for Crawley. Road infrastructure improvements over the last twenty years resulted in the release of employment land for development purposes leading to the expansion of the Victoria Business Park westwards to the new Jane Murray Way which formed a new fast western perimeter road, further



complimented by the completion of the A2300 link road offering fast access to the A23/M23.

- 7.6 As a result substantial employers were attracted to the town including CAE Aviation and Roche Diagnostics. However, development stalled as a result of the financial crisis in 2008 and most the remaining land has been redeveloped for other uses such as a budget hotel and a car dealership. The remaining significant site, the Gateway, is likely to be sold for retail warehouse development.
- 7.7 The recession has resulted in a failure to build upon the influx of new large employers as business space became unviable whilst other uses remained financially feasible. We set out below our findings in respect of Burgess Hill.

### **Demand**

- 7.8 Industrial take up over the last five years has averaged 113,000 sq ft per annum with an average of just under 24 transactions per annum. Of these the largest number, nearly 77% have been for units of under 5,000 sq ft , whilst there have been only two transactions over the five year period for more than 20,000 sq ft.
- 7.9 Accordingly, based on take up demand is greatest for small units which will predominantly be taken by local businesses.
- 7.10 Notwithstanding this, there are enquiries in the market for larger units although these are district wide rather than town specific.
- 7.11 Office take up over the last five years has averaged just under 20,000 sq ft per annum, with an average of just under 11 transactions. Nearly 86% of transactions have been for accommodation up to 2,500 sq ft with only 8 transactions for larger space over the last five years.



**Supply**

7.12 There are currently 40 industrial premises on the market in and around Burgess Hill providing a total of 195,000 sq ft. 30 units (75% of those on the market) are 5,000 sq ft or less in size. There are only 2 units of more than 10,000 sq ft of which one is just under 60,000 sq ft.

7.13 There are 19 offices suites on the market in the town at present which provide a total floorspace of 68,000 sq ft. Nearly 60% of these falls in the size range of up to 2,500 sq ft and there are no premises available offering more than 10,000 sq ft.

**Gap Analysis**

7.14 We have considered the gap between supply and demand for both industrial premises and offices in Burgess Hill, based on current supply and average take up on an annual basis over the last five years and set out the results as follows:-

**Industrial Sector**

Table 17 Size sq ft	Supply		Average take up pa	
	Units	Area	Units	Area
0-999	2	1543	1	592
1,000-2,499	13	23325	10	16787
2,500-4,999	15	45516	7	23789
5,000 - 9,999	8	52725	3	26812
10,000 - 19,999	1	12100	2	27577
20,000 - 34,999	0	0	0.2	5600
35,000 - 49,999	0	0	0	0
50,000 +	1	59954	0.2	12263
TOTAL	40	195163	23.4	113420

**Conclusions:**

- The available supply amounts to about 1 year and 9 months average take up. However, if the Honeywell unit of around 60,000 sq ft is



removed from the equation as being untypical of the towns supply, the supply amounts to less than 15 months of the average annual take up.

- Demand, based on transaction numbers, is mainly focussed on smaller units of up to 5,000 sq ft. This range provides the greatest supply, and the figures suggest a small excess of supply over average annual demand.
- In the event of an upturn when local companies may be looking to expand or move into more modern units supply will be restricted and possibly insufficient.
- The supply of larger units is very limited and most units in the town are ageing. Demand for larger units, particularly in excess of 10,000 sq ft cannot be met. Potential occupiers will be diverted to other locations such as Crawley.

**Office Sector**

Table 18 Size sq ft	Supply		Average take up pa	
	Units	Area	Units	Area
0-999	5	2511	5	3219
1,000-2,499	6	12953	4	6716
2,500-4,999	5	16518	1	3626
5,000 - 9,999	3	36320	0.6	4008
10,000 - 19,999	0	0	0.2	2300
20,000 - 34,999	0	0	0	0
35,000 - 49,999	0	0	0	0
50,000 +	0	0	0	0
TOTAL	19	68302	10.8	19869

**Conclusions**

- Burgess Hill is not considered an office location as demonstrated by the small level of average annual take up at just under 20,000 sq ft.
- Current supply covers more than three years average take up



- The market is concentrated in the small suite sector and thus local business based.
- The town has almost no significant office stock and cannot attract large scale occupiers without allocating development land
- Demand for large offices is unproven although pre 2008 new build was undertaken for large office occupiers

7.15 Based on our research we conclude that business space supply in Burgess Hill is limited, particularly having regard to the future expansion of the town. Further land will be required to accommodate business space development if jobs are to be retained within the town.

7.16 Notwithstanding the modern large scale buildings on the Victoria Business Park, the town traditionally caters for local businesses providing a range of service lines and products for the local area and also for the aviation sector due to the proximity of Gatwick Airport. The majority of businesses are relatively small and operate out of older premises in the town.

7.17 We have analysed supply and demand within the town, taking into account past take up to establish demand patterns. We have established that in respect of the industrial sector supply is almost in balance with demand, but is concentrated in the small unit bracket. In the office sector supply is sufficient to meet average demand.

7.18 We have also established that at present there is a lack of supply of larger units with which to attract inward investment or allow for business expansion within the town.

7.19 In theory this opens up a potential development scenario for a scheme of mid sized units of 10,000 sq ft to 20,000 sq ft. However despite this potential shortage there has been no recent development within or near the town, save for the Mid Sussex Business Park at Ditchling Common.



Employment land sites have instead been lost to alternative forms of development including trade counter, budget hotel and other miscellaneous users.

- 7.20 This is partially due to the fact that business space development is not viable in the current economic climate due to static rents and rising yields. However in the medium to long term development should become viable as the climate improves.
- 7.21 There remains a limited supply of employment land suitable for development, most noticeably at the Maltings in Victoria Business Park. Notwithstanding this, development is not taking place. Speculative development is considered high risk and very difficult to fund without at least 50% equity, and coupled with the requirement to pay rates, developers are unlikely to build speculatively in the present climate. However, many potential occupiers will only be prepared to sign up to new premises which are immediately available.
- 7.22 The study site is found along the A2300 corridor linking the town to the A23/M23 network. It is well located and provides land for further development as the Victoria Business Park begins to reach full capacity within the boundary marked by Jane Murray Way.
- 7.23 The proposed housing growth for the town will require further jobs and thus employment land over the next twenty years. In an increasingly technologically driven environment employment may become less focussed on manufacturing and light industrial processes and more geared towards clean technology production. Such industries are likely to seek a modern business park environment rather than infill buildings. As a result the regeneration of the existing areas and buildings may become less important allowing them to be redeveloped for alternative uses, or retained as smaller more economical employment buildings for local businesses. The town attracted large firms during the last development boom and is well placed to build upon that over the next twenty years.



## **Conclusions**

- Burgess Hill is traditionally a light industrial and manufacturing location catering for smaller businesses although in recent years there has been an increase in more technology based firms. As the market picks up there should be an opportunity to build upon these past successes.
- It is secondary to Haywards Heath as an office location
- Employment land in recent years has been developed for alternative uses. There is little land of any significant size remaining in the town
- There has been little traditional employment use development since the banking crisis. As a result there is a shortage of modern mid sized business premises particularly around the 10,000 sq ft mark
- The proposed site offers the opportunity to create a business park campus environment to attract inward investment and technologically based companies.

## **8. Market Pricing**

### **UK Commercial Market**

- 8.1 The commercial property markets were hit hard by the global economic recession, and capital and rental values were in freefall from mid 2008 for two years. Over the last two years there has been a gradual turn round in the very prime commercial property markets although the economic climate remains in the balance as economic growth struggles in the light of measures taken to reduce the public spending deficit, high commodity prices and inflationary pressures.
- 8.2 However, whilst there has been a recovery in the prime sectors, the secondary and tertiary markets remain depressed. Prime properties are those which are in the best locations, modern and let to strong companies, whilst the



secondary and tertiary markets comprise older properties in poorer locations which represent higher investment risk. Whilst the performance of the prime property sector is benchmarked by IPD (Investment Property Databank), there are no reliable indicators as to the performance of secondary and tertiary properties. Nevertheless, secondary markets are likely to remain depressed for the foreseeable future due to the higher risks attached in respect of voids, shorter lease terms, and weaker tenant covenants.

- 8.3 Demand for offices and industrial premises remain muted, although rental value decline has been less significant, particularly in the regions. However, incentives have come to the fore, with long rent free periods being negotiated, along with tenant break clauses, and lease lengths will not often be in excess of ten years without breaks, and for smaller buildings three and five year terms are common
- 8.4 Office stock is beginning to age, with little development activity over the last few years. However, the lack of debt finance availability, particularly for speculative development coupled with a lack of financial viability suggests that the commercial development land markets will remain depressed for the foreseeable future, particularly as far as offices are concerned.

### **Mid Sussex Commercial property market**

- 8.5 The market in Mid Sussex remains fairly sluggish with little significant activity over the last twelve months partially as a result of the faltering economy. Occupier demand in both the industrial and office sectors remains low, although small lot size deals have continued to take place. Development activity has been very light due to the lack of availability of finance and financial viability both as a result of the recessionary environment.
- 8.6 Incentives have become common place in the race to attract tenants and these include rent free periods, phased rents, tenant break clauses, service charge caps in multi let buildings and short lease terms. Typically, leases will now be for five years certain at best, so either for five years or if longer, with



tenant break clauses every fifth year. Small lot sizes will often be let on three year leases thus allowing tenants complete flexibility. Depending on lease lengths, rent free periods may range from 6 months up to two or more years.

- 8.7 The abolition of empty property rates relief in 2008 has had a significant effect on the commercial property market and has had an effect on values since owners now have to pay rates on vacant buildings and in a bad market will consider accepting terms below the market level in order to avoid rates. In addition it has become a barrier on speculative development and thus regeneration is less likely to occur without pre-lets or pre-sales.

### **Industrial market**

- 8.8 The industrial stock in the district is generally considered to be secondary in nature, due largely to the fact that it is ageing and therefore, in investment terms will not see rental or capital growth, unless it is redeveloped. Even then it will struggle to be considered prime unless it is let to a strong covenant on a good length lease, in excess of ten years as an absolute minimum. The district as a whole is not considered prime in commercial property terms. Rental levels have stagnated at best over the past few years as a result of limited demand. Crawley is the acknowledged regional centre for Sussex and prime industrial rents have not moved over the last twelve months and remain at £7.50 per sq ft.
- 8.9 As far as Burgess Hill is concerned, rental levels for industrial space will depend upon the size and quality of the accommodation. Headline quoting rents range from £4 per sq ft up to £9 per sq ft, but lettings will be agreed at significantly lower levels once rent free periods are accounted for in arriving at net effective rents (the average rent received over the period of the lease or until rent review).
- 8.10 There has been little in the way of lettings of new modern industrial units in the district, since there has been no significant development. The only recent scheme has been the Mid Sussex Business Park at Ditchling Common where



a number of lettings took place last year. The size range was generally less than 4,000 sq ft and the average headline rent during 2011 was £7.60 per sq ft. However the average rental rate for all transactions in Burgess Hill over the year was £6.23 per sq ft, reflecting size and quality differences. These rental levels would generally reflect rental rates across the district as a whole.

- 8.11 Vacant possession rates across the district are more difficult to establish due to a dearth of transactions caused by the economic climate and also the lack of bank finance available for debt funding. There have been a few sales over the last twelve months at rates ranging from £60 to £80 per sq ft for older premises but little recorded for new build. However we consider that sales rates would need to be in excess of £100 per sq ft for a scheme to be viable.
- 8.12 The industrial investment market across the whole region has been flat for a number of years. This is due to a combination of factors ranging from the difficulty in obtaining debt finance and the risks attached to income streams arising out of weak company strength and the fear of arrears, liquidations and ensuing voids, as well as short leases, ageing buildings and poor rental growth prospects.
- 8.13 As a result, yields have moved out, causing capital values to fall. There has been a lack of transactions across the whole district over the last two years. Our research shows that in the south east as a region prime yield for modern estates can be as low as 6.75% but for long leases let to strong covenants. However we would anticipate yields in Mid Sussex to drift outwards to around 8-10% for new build on an assumption that occupiers would be local or regional businesses taking leases of no more than ten years.
- 8.14 In summary we would anticipate, for new build industrial premises, rents to fall within the range of £6 to £9 per sq ft. Smaller units would be expected to achieve rents towards the higher level whilst larger units would show a discount for size. Yields assuming reasonable length leases for medium sized units let to good covenants could be expected to be in the region of 8% although for smaller units let on shorter leases would be in the region of 10%.



## **Office market**

- 8.15 The office market has struggled over the last few years with poor levels of demand, and this is reflected in rental levels being achieved. Crawley and Haywards Heath are the main Sussex centres, although there has been an element of small scale development in semi rural locations, such as Albourne Court at Albourne.
- 8.16 Rental levels are relatively consistent across the district, with semi rural space achieving £10 to £15 per sq ft at best. For example, an office suite at Albourne Court was let earlier this year at £13.50 per sq ft. However, purpose built offices in Haywards Heath are more likely to achieve slightly higher rents, although we have just concluded a letting of refurbished space in Perrymount Road at a headline rate of £13.50 per sq ft. Nevertheless rental decline over the last two years is demonstrated by with new build rental rates of £17.50 per sq ft in the town in 2008.
- 8.17 Higher levels are potentially achievable for new modern small business units on a business park. Buildings are being offered at the Maidenbower Business Park just off Junction 10a of the M23 at rents in excess of £18 per sq ft, but in our opinion the achievable headline rental values should be around £15 per sq ft.
- 8.18 As far as capital value rates are concerned, there is a lack of evidence for owner occupier acquisitions, although there have been one or two sales in Crawley over the last two years for older buildings at a range of rates from £95 to £190 per sq ft.
- 8.19 The office investment market has been very slow across the region. Our research covering the south east shows prime new offices are likely to achieve 6.75% to 7% on ten year terms and a large modern building at Reigate is currently under offer at 7.11%. Smaller buildings let to more local covenants will not achieve these rates and in our view will do no better than 8%.



- 8.20 In summary we would anticipate headline rents for new Grade A offices to fall, on average in the region of £14 to £17 per sq ft. Yields would be in the region of 7% to 9%.
- 8.21 At these levels development is unlikely to be financially viable, and this is proved by the fact that there has been no recent significant development of either offices or industrial units across the district since 2008. Furthermore, employment land has been sold for development for more viable uses, such as trade counter, car showroom and budget hotel. Retail use is proposed for the Gateway site off Jane Murray Way. These uses are currently more viable than employment uses, but as the market picks up, viability should improve, certainly for industrial and warehouse development.
- 8.22 Whilst employment land appraisals will produce negative land values developers and speculators will nevertheless acquire land for future development. Land values will vary considerably depending on potential schemes and densities of development but rates of around £300,000 to £350,000 per acre for industrial and up to £500,000 per acre for offices may be achievable albeit there is little recent evidence to support these levels, although Glaxo SmithKline did sell 29 acres of development land at Manor Royal in Crawley last autumn for redevelopment for £310,000 per acre.
- 8.23 At the present stage of the cycle, development for business use is generally likely to be unviable, and un-fundable. Alternative uses may help viability and be job creating, although given the relatively new Premier Inn at Charles Avenue it is doubtful whether there would be demand from a similar operator. Retail warehouse development should also prove more viable at the present time.
- 8.24 Notwithstanding these alternative forms of development, whilst the employment land market is at a low ebb, it will recover as the economy picks up and demand for new space increases.



## **9. Financial Development Appraisals**

- 9.1 Development will only be carried out if a scheme proves financially viable and returns the developer a suitable margin for risk.
- 9.2 Viability assessment is normally carried out by appraising a proposed scheme or schemes by way of a residual appraisal. In essence this estimates the gross development value of the completed scheme based on a number of assumptions, whilst calculating the costs of development, including building costs, planning and section 106 costs, professional fees during the construction period, and agency and legal fees, including promotion and marketing whilst the letting and sale process takes place. Finance costs are also taken into account, and a suitable developer's profit, currently around 20% of cost is allowed for.
- 9.3 The value of the land is derived by the simple formula of subtracting cost from the gross development value.
- 9.4 We have undertaken an indicative appraisal for the proposed site, which is attached as Appendix 3 along with the assumptions adopted. It is important to note that in the event of a change in any of the assumptions, or variables the outcome of the appraisal can significantly change.



The appraisal is based upon the following key assumptions:

<b>Scheme</b>	Offices, industrial and warehousing to be constructed in four phases over twenty years. Each phase to comprise 25,000 sq ft of offices plus car parking, 160,000 sq ft of light industrial and 65,000 sq ft of warehousing
<b>Revenue</b>	Office rents based on £16 per sq ft Industrial and warehousing rents based on £7 per sq ft  Office yields based on 8% Industrial and warehousing yields based on 9%
<b>Costs</b>	Office construction at £120 per sq ft Industrial construction at £60 per sq ft Warehouse construction at £55 per sq ft Planning & S106 costs estimated at £30,000 per phase  Finance at 6%
<b>Developers Profit</b>	20% of costs

- 9.5 These assumptions are based on prevailing market rates and reflect the current property market climate.
- 9.6 The size of the overall scheme is based upon an assumption that Burgess Hill will require the creation of 135 jobs per annum to meet with housing growth proposals.
- 9.7 We have not made any allowance for the proposed Community Infrastructure Levy as we understand that the District Council intends to set this at zero for commercial development.
- 9.8 It should be noted that appraisals do not build in changes to the assumptions to take into account market movements in respect of rents and yields, nor inflation in respect of costs. However sensitivity can be tested by varying the rates adopted.
- 9.9 The indicative scheme based on the listed assumptions produces a gross development value of £85 million over the development period of twenty



years. However, the costs amount to £110 million without any allowance for developers profit and accordingly there is a nil land value and a loss approaching £25 million.

- 9.10 The figures will be worsened by the fact that infrastructure costs for the site, such as estate roads and lighting are not allowed for in the appraisal. These are difficult to estimate without a specific scheme design and layout and can distort the outcome.
- 9.11 At this stage in the economic and property market cycle a negative land value is commonplace and demonstrates why development activity is rare.
- 9.12 We attach, as part of our appraisal calculations, a sensitivity analysis demonstrating the effect on viability of changes in the rent and yield assumptions. These demonstrate that for the site to achieve a margin of 20% on cost rents would need to be 20% higher, at £19.20 per sq ft for the offices, and £8.40 per sq ft for the industrial and warehousing space. Yields would need to move in to 6.8% for the offices and 7.65% for the industrial accommodation. If these rates were achievable a positive land value of £2.64 million arises. However, for rental growth of this magnitude to occur there would need to be a significant period of sustained economic growth to bring confidence back to the market.
- 9.13 At the present time the indicative scheme is not viable and would not be fundable, if taken as a whole. However it is not proposed that the whole scheme would be undertaken as a single development, but in reality would take place over a period of time.
- 9.14 We have assumed that the number of jobs created each year is about 135. Based upon our floor space assumptions for each type of job, we have concluded that an average floor space requirement per annum would be 5,000 sq ft of offices, 32,000 sq ft of light industrial and 13,000 sq ft of warehousing. Assuming a phase every five years, this results in a



requirement for 25,000 sq ft of offices per phase, 160,000 sq ft of light industry per phase and 65,000 sq ft of warehousing per phase.

- 9.15 Having regard to the current take up figures for the town, whereby average annual take up for industrial space is 113,000 sq ft, and offices are at an average of 20,000 sq ft, the additional space should not result in oversupply, and importantly should not negate the need for ongoing regeneration and redevelopment of the existing employment premises and sites within the town.
- 9.16 Notwithstanding this, the start of the first phase will be dependent upon an improvement in the economy. Rents will have to rise and yields fall to make any scheme viable. Therefore at present it is unlikely that the scheme will commence in the short term over the next two or three years as it would not be fundable, particularly for speculative development.
- 9.17 Based on take up and demand the latter averaging at 113,000 sq ft for light industrial, we anticipate that the scheme would let up fairly quickly, particularly given the shortages in larger units. However, smaller tenants in particular do not commit to pre-lets but will only consider built units and therein lies the development risk, which is exacerbated by the imposition of rates.
- 9.18 As an alternative to a dedicated scheme, individual plot sales might be considered. However as a precursor, site infrastructure works would need to be completed, including estate roads and services, and the land owner would need to obtain funding for these which in the current climate would prove difficult unless some form of regeneration grant was available.

## **10. Phasing of Development**

- 10.1 Development is challenging in the current market so, in the light of our research and the negative outcome of the viability appraisal, there is a significant risk that the five yearly phasing may not run to schedule.



- 10.2 There are also risks associated with forecasting and we cannot be certain of the extent or timing of economic recovery. The Council's evidence base includes an Employment Land Review undertaken in 2009/2010 which examined future economic projections and employment land requirements suggested fairly modest amounts of employment land in the range of 4 to 8ha (although employment growth aspirations for Burgess Hill are now higher).
- 10.3 Our market analysis has included an updated assessment of take-up rates. Whilst it may seem appropriate to compare annual take-up in the current market to the take-up that would be required to absorb the proposed development, it should be remembered that the new accommodation would be net additional space. This means that if average take-up is to persist within existing employment areas and be imitated simultaneously within the new employment area that the market needs to grow substantially, or more changes of use and losses from the existing supply permitted.
- 10.4 The new development should have an advantage in the market due to the modern specification of its buildings and its good road access. However, it may dampen demand in other places, including Victoria Business Park. If companies were to relocate from existing employment areas to the new one, then it could enable redevelopment of the older estates by freeing up plots but this of itself does not represent net growth of the market.
- 10.5 As the Council wishes to encourage growth of the market then allocating land for that purpose is one helpful ingredient. In addition, it would be necessary to ensure that demand is stimulated. A positive economic development strategy and a strong marketing campaign would need to be proactively implemented, together with enhancement of all "factors of production" (including finance and skills) to create the right conditions for growth. Such a strategy must be effective at encouraging the growth of indigenous businesses and attracting inward investment opportunities if growth of the market is to be achieved.
- 10.6 The Council's Draft Local Housing Assessment, June 2011 (updated October 2011) also notes (paragraph 4.17) that housing is not the sole driver of



employment growth and complementary policies to encourage business retention and growth will be required.

- 10.7 It is evident from our market analysis and commentary that a few successful and sizeable lettings or sales of B-class space would make a great difference to achievement of the phasing plan. If this can be achieved then the allocation of new employment land could look prudent. However, in the current market, pre-lets or pre-sales of buildings (i.e. with confirmed interest prior to construction) are essential if development proposals are to be deliverable.

## **11. Planning Issues and Policy Implications**

- 11.1 It is not intended that this report should consider general planning issues in relation to the allocation of an employment site at Burgess Hill. However, the policy as drafted indicates a “Strategic Allocation” to the north and north-west of Burgess Hill” as Policy DP6. The “area of search” for this policy, which includes sites for 3,000 – 3,500 new homes and schools as well as the employment site, is shown in yellow on the extract of the draft Proposals Maps in Appendix 1 – Plan ‘A’.
- 11.2 The location of the employment land is however defined as being along “the A2300 strategic transport corridor”. Appendix 2 – Plan ‘B’ shows in greater detail the area being considered lying to the south of the A2300, north of Gatehouse Lane and east of Cuckfield Road. This area corresponds with that identified in the Burgess Hill Town Council’s Preferred Town Wide Strategy.
- 11.3 This area appears not to have any significant constraints to employment development, but not all of the area may become available. The extreme eastern end is crossed by an HV overhead power line and may be required for public open space or playing fields, and a link road from the A273 to the A2300 and beyond. The area also contains an established residential institution which has approval for further extension and improvements.



- 11.4 Plan 'B' shows the areas in hectares of the three principal parcels of land in the preferred area. These total some 38.6 ha excluding 'The Dene' residential institution.
- 11.5 Between a third and a half of that total is a parcel of land at the western end of the preferred area which has been the subject of detailed representations to the Consultation Draft District Plan supporting an employment allocation on an area claimed to be 15 ha in extent. The representations do not include the current 'depot' site in the south-west corner. They include an indicative master-plan showing how that part of the site could be developed, and although it does not indicate any future link to the land further east, there appears to be no reason why such an opportunity could not be built into the layout if the western end were to be developed as a 'Phase II'. Conversely, a phased approach working from east and west could also be achieved respecting the continuance of existing uses which may choose to remain operational.
- 11.6 In summary, the land which may become available for employment development is likely to be between 23 ha and 30 ha. If 'The Dene' site were to be included this could rise to 35 ha. Only by including land to the north of the A2300, or land lying further west beyond Cuckfield Road submitted to the Council as a representation to the Consultation Draft District Plan does it appear that a site totalling 40 ha could be identified.
- 11.7 With regard to the 'Plan-making' part of the National Planning Policy Framework (NPPF) the advice relating to examination and adoption of what are now referred to as 'Local Plans' is contained in paras 150 – 182, PPS12 no longer being a statement of national policy. Paras 160 -161 relate to planning policies for business and employment.
- 11.8 The examination of the plan will still consider whether it has been prepared in accordance with technical and legal requirements of the legislation and secondly whether it is 'sound'. The tests for soundness are now set out in para.182 of the NPPF.



- 11.9 Deliverability is a key requirement of finding whether the plan is effective. In the case of Policy DP6 this study has concentrated on the potential allocation of 40 ha for employment development at Burgess Hill.
- 11.10 Whilst there appears to be no physical constraints on defining 40 ha in terms of land supply in the north western sector, it is clear that the preferred area cannot provide a site of the full 40 ha and that if the policy is to remain unchanged, it could be open to challenge on the issue of “deliverability”. Land north of the A2300 or further west (see 11.6) would have to be included to achieve 40 ha. Alternatively, land identified as part of the larger District Plan Policy DP6 strategic allocation to the north and northwest of Burgess Hill would be required.

## **12. Summary and Recommendations**

- 12.1 Mid Sussex District Council are in the process of preparing a District Plan to replace the adopted Mid Sussex Local Plan (2004). At the time of writing it has been subject to public consultation (Regulation 18 stage. The Consultation Draft District Plan proposes to allocate up to 40 ha of employment land at Burgess Hill along the A2300 strategic transport corridor as a “high quality campus style business park (“the business park”).
- 12.2 The Council’s evidence base includes an Employment Land Review in two parts, dating from 2009 and 2010. The recommended amount of employment land is in the range of 4 ha to 8 ha. It was suggested that the district may benefit from a qualitative improvement in supply and particular attention to the growth of small businesses, although older office space could potentially be lost where there is an oversupply.
- 12.3 The Council’s Draft Local Housing Assessment models demographic and economic scenarios to estimate housing requirements. It draws on the Employment Land Review and notes that the “baseline” scenario and the “3% GVA growth pa” scenario (based on the former Regional Economic Strategy) were more aspirational than implied by demographic modelling alone. The District Plan



sets its housing requirement from the evidence contained in the Local Housing Assessment, also based on meeting aspirational growth of 3% GVA per year. However, the distribution of employment at Burgess Hill is at a greater scale than was envisaged at the time of the Employment Land Review; so the Council aims to cater for higher (aspirational) levels of growth focused on Burgess Hill.

- 12.4 The “Burgess Hill Town Wide Strategy” takes a bold and visionary approach to town centre public realm improvements, transport enhancements and provision of new community facilities funded by the proceeds of housing development. It also promotes the notion of an out-of-town business park and this has helped to shape the District Council’s aspirations in policies DP1 and DP6 of the District Plan (consultation draft).
- 12.5 Policy DP1 encourages the use of Neighbourhood Plans and this may help determine the district’s overall employment land position. Policy DP6 includes a neighbourhood centre within the overall development area proposed, which may include B-class and non B-class employment.
- 12.6 Burgess Hill has its own critical mass and identity but with other large centres of employment within easy commuting distance people can and will commute to take advantage of the wider labour market. The Council seeks to at least maintain the established balance of in/out commuting but development of new housing areas with employment space brings with it the opportunity to improve self-containment.
- 12.7 Theoretically a business park of 40 ha could increase the district’s stock of B-class floorspace by about 25% - a significant change, especially for Burgess Hill. The Council will need to decide the extent to which the proposed employment land is to play a sub-regional/district/local role. At present our brief is that the role is more of a local one, in which case we believe that the jobs target and employment area could be smaller in size.
- 12.10 The potential employment capacity is very sensitive to assumptions about the intended use – office development can accommodate more than 2 or 3 times the number of workers than industry; warehousing is especially “land hungry”.



- 12.11 To test viability, we have modelled the floorspace arising from an assumed mix of uses informed by local market experience (in terms of floorspace, this mix is 10% offices, 64% light industry and 26% warehousing) and an assumed ratio of jobs per dwelling (based on district-wide targets of 7,600 jobs and 10,600 homes which equates to 0.72 jobs per home).
- 12.12 If Burgess Hill were to be assigned more jobs per home to fulfil a greater role in hosting employment for the district or sub-region, then the amount of floorspace to test would be greater. However, poor viability is unlikely to be improved by increasing the scale of development, which would in any event be phased according to demand. The resulting floorspace from our model has been translated into a five yearly phasing plan for testing through a financial development appraisal.
- 12.13 In practice the pace of development will be determined by the market. A policy-led approach of providing employment capacity in case it is required could chime with aspirations for growth but, given the scale of the proposed change, is highly dependent on the test of financial viability (set out in section 9 of the report).
- 12.14 Burgess Hill is the main centre for industrial employment, although secondary to Crawley and is not a recognised office location. The stock in the town is generally ageing, and there has been very little recent employment space development in the last five years. Employment land has been developed for other uses this leaving a low supply for employment premises development. There is no modern business park to attract inward investment and larger modern businesses seeking prestige campus style premises, and there is a lack of modern industrial units of more than 10,000 sq ft.
- 12.15 Burgess Hill has traditionally provided industrial and warehousing employment, and the town has stronger demand for industrial space than for offices. Demand is likely to be concentrated in units of 10,000 sq ft or less. Once the economy picks up Burgess Hill could be in a strong position to attract demand and in particular a dedicated modern business park could be an attractive draw to business.



- 12.16 Whilst development for employment purposes may be desirable in principle to cater for jobs growth, it will only be undertaken if it is financially viable and allows the developer a suitable profit margin. When this is demonstrably not the case it will not occur without pump priming in the form of grant aid or a scheme involving some form of enabling development.
- 12.17 Viability is principally affected by rents and yields. Our indicative development appraisal carried out for a phased scheme of employment units demonstrates that having regard to current market conditions a scheme carried out over a number of phases would not prove viable. This lack of viability is commonplace in the market at present which is why development has been very limited over the last five years. A period of sustained economic growth will be required for rental growth to return following which viability should improve and development take place.
- 12.18 The current state of the economy makes development challenging and contributes to the negative outcome of the viability appraisal. In these conditions there is a risk of non-delivery or delays to the five yearly phasing we have tested. This should be seen in the context of the Council's evidence base which includes a recommendation (in the Employment Land Review) for the allocation of 4 to 8 hectares of employment land; the economic scenarios in the Employment Land Review also had a bearing on the findings of the draft Local Housing Assessment.
- 12.19 A new allocation would demand net growth of the market, unless existing employment space is to be freed up for regeneration or lost to other uses. If average rates of take-up are to be maintained in both the existing and proposed employment areas then the market needs to grow substantially or Burgess Hill needs to assume a more dominant role in the sub-regional market. The new development should have an advantage in the market due to the modern specification of its buildings and its good road access.
- 12.20 To encourage growth of the market would require not only land but also a strong stimulus to occupier demand plus market awareness of the site and



confidence that business needs, including labour, skills and access to market opportunities can be met. Proactive promotion of Economic Development by the Council may help, although development itself will need to be business-led. The Council's Draft Local Housing Assessment also notes that housing is not the sole driver of employment growth and complementary policies to encourage business retention and growth will be required.

- 12.21 The success of a new land allocation could be accelerated by attracting large anchor tenants. In the current market, pre-lets or pre-sales of buildings with confirmed interest prior to construction are essential if development proposals are to be deliverable.
- 12.22 There is another issue relating to the feasibility of allocating the full 40ha of land. It would appear that an allocation of that size could not be accommodated entirely within the "preferred location" and that land to the north or west would be required, assuming that no other changes are planned for use of the eastern part of the preferred area, and that the residential institution wishes to continue to operate. Hence we recommend that the Council considers a smaller allocation, for phased growth up to, say, 25ha, based on further research into the extent of the land in the preferred area that is actually likely to become available, and with a 'reserve' allocation indicated for the latter part of the plan period depending on the eventual distribution of new housing within the district. However, this reserve site may still need to be located beyond the current preferred area, probably to the north of the A2300.
- 12.23 In the light of the conclusions set out above and the contents of the report as a whole, the principal recommendation is that the Council should seriously consider whether a 40ha allocation as currently proposed under policies DP1 and DP6 can be justified. Although we recognise the visionary and aspirational ambitions of the District Council and the economic importance of planning for growth, we question the scale and timing of the proposal. Firstly the Council's evidence base (principally the Employment Land Review) suggests a smaller allocation, despite the fact that it took on board a growth target of circa 3% GVA growth pa (partly from the Regional Economic



Strategy which was cast in more buoyant times). Secondly, our own analysis demonstrates a serious viability problem in the short to medium term and real uncertainty about the pace of recovery and how that might affect rents and yields in the longer term. These factors act against the proposed allocation and need to be balanced against the Council's aspirations for additional growth focused on Burgess Hill and its desire to cater for growth over the long term. We therefore recommend further work on defining the current employment capacity of the district and researching business requirements for more or better business accommodation.

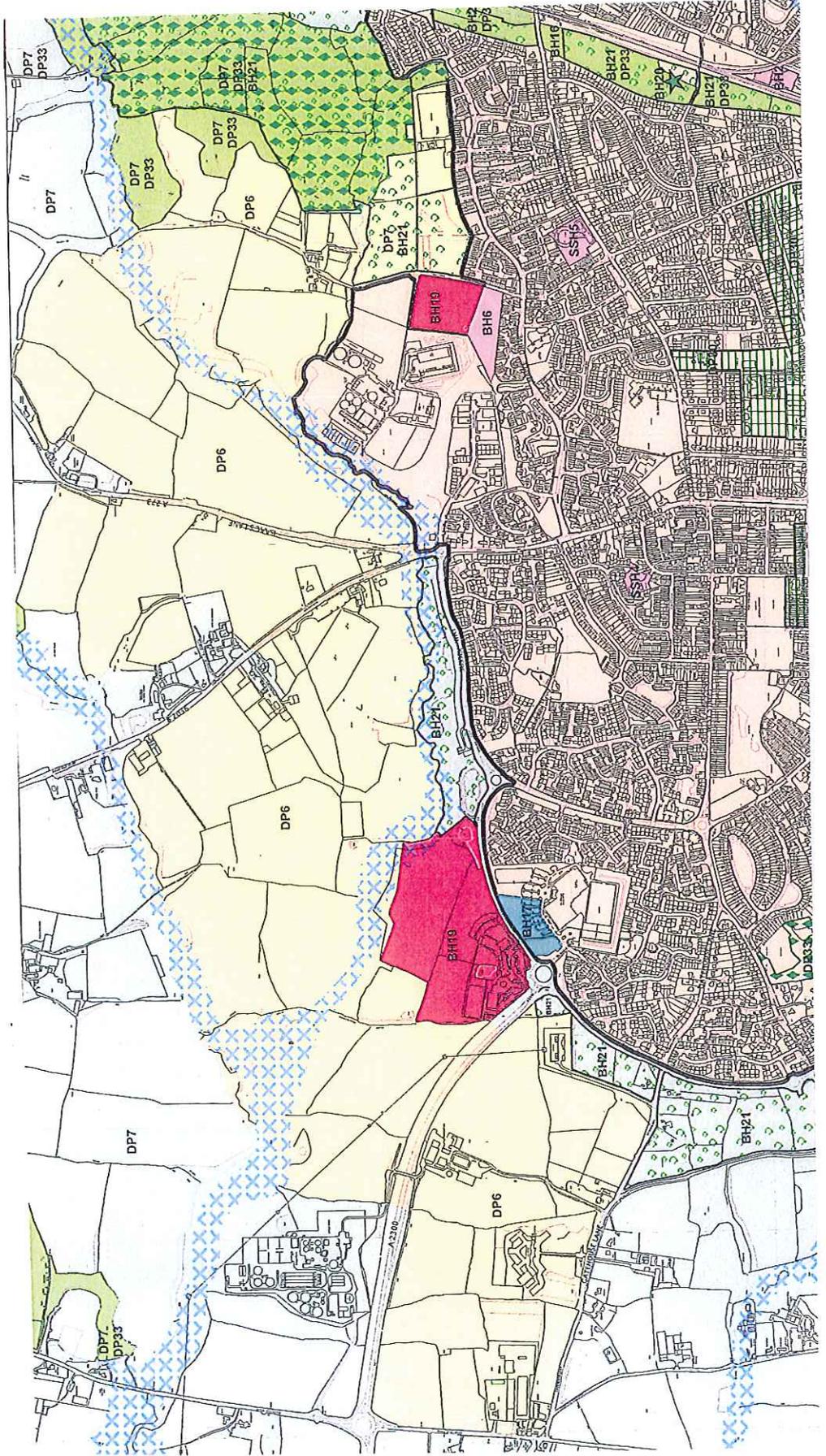
- 12.24 Given the conclusions with regard to phasing, the policy and any subsequent DPD that may be produced with regard to the implementation of DP6, should indicate how the total allocation would be developed in stages over the plan period, again having regard to the comment above regarding a reserve site.
- 12.25 The financial appraisal that we have carried out indicates that development would not be viable at the present time, but may become so as the general health of the economy improves. The plan period will cover a number of economic cycles, but at present the viability issue cannot be ignored.
- 12.26 We also recommend that the Council revisits its Employment Land Review evidence in the light of the disparity between the advice they have received and the ambitions of the District Plan, as well as the forthcoming Neighbourhood Plans. Further engagement with the business community, possibly involving commissioning a 'Business Needs Study' would lead to a clearer understanding about local demand and property preferences.
- 12.27 We recognise this site as being extremely well served by main roads between the south coast and the M25 so Burgess Hill may be better suited to a broader mix of uses and include high value engineering to help deliver better jobs. The excellent road access might help B8 demand, but the location would not compete with Gatwick/Crawley.



12.28 With regard to our recommendations on prioritising types of development we believe this should be determined by the market. Allocations for employment uses should be flexible in terms of scheme, phasing, and mix.

**CLUTTONS**

Plan A - Extract of Proposals Map showing extent of DP6 Policy area





**Appraisal Assumptions –Burgess Hill Employment Site, A2300 Link Road, Burgess Hill, West Sussex**

<b>Scheme Summary</b>	
Overall Development Timescale	20 years
Overall Scheme	Offices: 100,000 sq ft plus 288 car spaces Industrial: 640,000 sq ft B8 Warehousing & distribution: 260,000 sq ft
Phases	4 – 1 phase every 5 <sup>th</sup> year
Scheme (per phase)	Offices: 25,000 sq ft plus 72 car spaces (5,000 sq ft pa plus 15 car spaces) Light Industrial: 160,000 sq ft (32,000 sq ft pa) B8 warehousing: 65,000 sq ft (13,000 sq ft pa)
Site Infrastructure	Assumed in place
Site agents fee	1% of acquisition price
Site legal fees	0.5% of acquisition price
Stamp duty	4%
<b>Revenue Assumptions</b>	
Market Rental rates	Offices: £16 per sq ft Industrial: £7 per sq ft (average) B8 Warehousing: £7 per sq ft (average)
Capitalisation rates	Offices: 8% Industrial: 9% B8 Warehousing: 9%
Letting period	Fully let 24 months after practical completion of each phase
Investment Sale period	Sold upon completion of letting programme for each phase
Purchaser's costs for investment sales	5.8%
<b>Expenditure Assumptions</b>	
Planning costs	Outline Application £20,000 thereafter £20,000 per phase
Section 106 contributions	£10,000 per phase
Construction period	18 months per phase
Construction cost rates	Offices: £120 per sq ft Office car parking: £3,000 per space Industrial: £60 per sq ft B8 Warehousing: £55 per sq ft
Professional fees on construction	12.5% to cover architects, quantity Surveyors, project managers and engineers
Development Contingency	10% of costs
Investment sales fees	1% of sale price
Investment legal fees	0.5% of sale price
Letting agents fees	10% of market rent
Letting legal fees	5% of market rent
Promotion	£10,000 per phase
Finance	6%
Developers Profit Margin	20% on costs

<b>REVENUE</b>		File: Burgess Hill Viability 2012 V2	
Let Offices P1	25,000.00 sq-ft at 16.00 psf/pa	400,000	
Inv.Value-A (P1)	Net annual income	400,000	
	Capitalised at 8% Yield	5,000,000	
	Less Purchasers costs at 5.8%	274,102	4,725,898
Let Industrial P1	160,000.00 sq-ft at 7.00 psf/pa	1,120,000	
Let B8 P1	65,000.00 sq-ft at 7.00 psf/pa	455,000	
Inv.Value-B (P1)	Net annual income	1,575,000	
	Capitalised at 9% Yield	17,500,000	
	Less Purchasers costs at 5.8%	959,357	16,540,643
Let Offices P2	25,000.00 sq-ft at 16.00 psf/pa	400,000	
Inv.Value-C (P2)	Net annual income	400,000	
	Capitalised at 8% Yield	5,000,000	
	Less Purchasers costs at 5.8%	274,102	4,725,898
Let Industrial P2	160,000.00 sq-ft at 7.00 psf/pa	1,120,000	
Let B8 P2	65,000.00 sq-ft at 7.00 psf/pa	455,000	
Inv.Value-D (P2)	Net annual income	1,575,000	
	Capitalised at 9% Yield	17,500,000	
	Less Purchasers costs at 5.8%	959,357	16,540,643
Let Offices P3	25,000.00 sq-ft at 16.00 psf/pa	400,000	
Inv.Value-E (P3)	Net annual income	400,000	
	Capitalised at 8% Yield	5,000,000	
	Less Purchasers costs at 5.8%	274,102	4,725,898
Let Industrial P3	160,000.00 sq-ft at 7.00 psf/pa	1,120,000	
Let B8 P3	65,000.00 sq-ft at 7.00 psf/pa	455,000	
Inv.Value-F (P3)	Net annual income	1,575,000	
	Capitalised at 9% Yield	17,500,000	
	Less Purchasers costs at 5.8%	959,357	16,540,643
Let Offices P4	25,000.00 sq-ft at 16.00 psf/pa	400,000	
Inv.Value-G (P4)	Net annual income	400,000	
	Capitalised at 8% Yield	5,000,000	
	Less Purchasers costs at 5.8%	274,102	4,725,898
Let Industrial P4	160,000.00 sq-ft at 7.00 psf/pa	1,120,000	
Let B8 P4	65,000.00 sq-ft at 7.00 psf/pa	455,000	
Inv.Value-H (P4)	Net annual income	1,575,000	
	Capitalised at 9% Yield	17,500,000	
	Less Purchasers costs at 5.8%	959,357	16,540,643
(Net Income: 7,900,000)		<b>REVENUE</b>	85,066,163

**COSTS**

Site Value		1	
Site Stamp Duty	at 1.00%	0	
Site Legal Fees	at 0.50%	0	
Site Agency Fees	at 1.00%	0	
		Site Costs	1
Planning P1 (P1)		40,000	
Planning P2 (P2)		20,000	
Planning P3 (P3)		20,000	
Planning P4 (P4)		20,000	
S106 P1 (P1)		10,000	
S106 P2 (P2)		10,000	
S106 P3 (P3)		10,000	
S106 P4 (P4)		10,000	
		Initial Payments	140,000
Construct Offices P1 (P1)	28,750.00 sq-ft at 120.00 psf	3,450,000	

Promotion P1	Month 18 to 41 (Aug 13 - Jul 15)		
Promotion P2	Month 75 to 98 (May 18 - Apr 20)		
Promotion P3	Month 135 to 158 (May 23 - Apr 25)		
Promotion P4	Month 195 to 218 (May 28 - Apr 30)		
Inv.Value-A 8% (P1)	Phase 1: Month 48 (Feb 16)		
Inv.Value-B 9% (P1)	Phase 1: Month 48 (Feb 16)		
Inv.Value-C 8% (P2)	Phase 2: Month 102 (Aug 20)		
Inv.Value-D 9% (P2)	Phase 2: Month 102 (Aug 20)		
Inv.Value-E 8% (P3)	Phase 3: Month 162 (Aug 25)		
Inv.Value-F 9% (P3)	Phase 3: Month 162 (Aug 25)		
Inv.Value-G 8% (P4)	Phase 4: Month 222 (Aug 30)		
Inv.Value-H 9% (P4)	Phase 4: Month 222 (Aug 30)		
<b>PROFIT</b>	-24,788,035	<b>COSTS</b>	109,854,198
<b>PROFIT/SALE</b>	-29.14%	<b>PROFIT/COST</b>	-22.56%
<b>IRR</b>	N/A	<b>RENT COVER</b>	-3.1 years
<b>YIELD/COST</b>	7.19%		

4 development phases spread over 20 years based on:

5,000 sq ft of offices pa = 25,000 sq ft per phase. Total floorspace 100,000 sq ft over 20 yeras

32,000 sq ft of industrial pa = 160,000 sq ft per phase. Total floorspace 640,000 sq ft over 20 years

13,000 sq ft of B8 warehouse & distribution pa = 65,000 sq ft per phase. Total floorspace 260,000 sq ft over 20 years.

**Residual SENSITIVITY ANALYSIS**

Showing SITE VALUE and PROFIT/COST%

Y-Axis Variance as Percentage X-Axis Variance as Percentage

Applied to Items Listed Below

	80.00%	90.00%	100.00%	110.00%	120.00%
<b>85.00%</b>	0	0	0	0	2,648,000
	-28.87%	-15.49%	-0.51%	13.37%	20.00%
<b>90.00%</b>	0	0	0	0	0
	-34.42%	-22.43%	-9.14%	4.79%	17.88%
<b>95.00%</b>	0	0	0	0	0
	-39.16%	-28.31%	-16.39%	-3.21%	9.48%
<b>100.00%</b>	0	0	0	0	0
	-43.27%	-33.37%	-22.56%	-10.72%	1.99%
<b>105.00%</b>	0	0	0	0	0
	-46.86%	-37.76%	-27.89%	-17.14%	-5.38%
<b>110.00%</b>	0	0	0	0	0
	-50.02%	-41.61%	-32.53%	-22.70%	-12.02%
<b>115.00%</b>	0	0	0	0	0
	-52.82%	-45.01%	-36.61%	-27.56%	-17.78%

**Base Values for Y-Axis Items**

- 8.00000 YIELD-A RATE
- 9.00000 YIELD-B RATE
- 8.00000 YIELD-C RATE
- 9.00000 YIELD-D RATE
- 8.00000 YIELD-E RATE
- 9.00000 YIELD-F RATE
- 8.00000 YIELD-G RATE
- 9.00000 YIELD-H RATE

**Base Values for X-Axis Items**

- 16.00 Let Offices P1 Income /sqft-PA
- 7.00 Let Industrial P1 Income /sqft-PA
- 7.00 Let B8 P1 Income /sqft-PA
- 16.00 Let Offices P2 Income /sqft-PA
- 7.00 Let Industrial P2 Income /sqft-PA
- 7.00 Let B8 P2 Income /sqft-PA
- 16.00 Let Offices P3 Income /sqft-PA
- 7.00 Let Industrial P3 Income /sqft-PA
- 7.00 Let B8 P3 Income /sqft-PA
- 16.00 Let Offices P4 Income /sqft-PA
- 7.00 Let Industrial P4 Income /sqft-PA
- 7.00 Let B8 P4 Income /sqft-PA