

**Northern West Sussex  
Economic Appraisal / Part I  
Employment Land Review**

**Executive Summary**

**September 2009**

PREPARED BY

**GL Hearn**

Property Consultants

20 Soho Square  
London  
W1D 3QW

Tel: +44 (0)20 7851 4900  
Fax: +44 (0)20 7851 4910  
Email: [info@glhearn.com](mailto:info@glhearn.com)  
[www.glhearn.com](http://www.glhearn.com)

Date: September 2009

Ref: J:\Planning\Job Files\J021299 - Economic Appraisal of Gatwick Sub-Regional-  
Part 1 Employment Land Review\Reports

## Contents


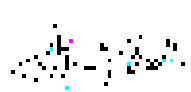
Section	Page No.
1 INTRODUCTION	3
2 POLICY CONTEXT	4
3 LABOUR MARKET	5
4 EMPLOYMENT BASE	6
5 BUSINESS BASE	7
6 PHYSICAL SETTING AND QUALITY OF LIFE	8
7 PROPERTY MARKET PERFORMANCE	9
8 STRENGTHS, WEAKNESSES, OPPORTUNITIES & THREATS	10
9 EMPLOYMENT SCENARIOS FOR NORTHERN WEST SUSSEX	14
10 CONCLUSIONS AND RECOMMENDATIONS	24

---

### Quality Standards Control

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

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

DATE	ORIGINATORS	APPROVED
	Nick Ireland Associate Director	Stuart Baillie Associate Director
	 .....	 .....

### Limitations

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

## 1 INTRODUCTION

- 1.1 Crawley Borough Council, Horsham District Council and Mid Sussex District Council have jointly commissioned GL Hearn and Regeneris Consulting to prepare an Economic Appraisal of Northern West Sussex. This will form part of an Employment Land Assessment to inform the local authorities' respective Local Development Frameworks.
- 1.2 The purpose of this Part I Assessment is to provide the necessary evidence and understanding to progress to a Part II detailed Employment Land Review. The Assessment will provide intelligence to Stages I and II of the approach to Employment Land Reviews advocated in the Government's Guidance (CLG, 2004) which address 'taking stock of the existing situation' and 'creating a picture of future requirements.'
- 1.3 The two stage process is intended to allow the three local authorities to take stock of the findings of this work before undertaking the detailed Employment Land Review. It is intended to provide a platform for consideration of future requirements.
- 1.4 The Economic Appraisal/ Part I Employment Land Review comprises the following elements:
- I. Baseline Economic Analysis – trend-based assessment and benchmarking of economic performance and market demand. Identification of future trends, the development pipeline and potential opportunities for the intensification and redevelopment of existing sites;
  - II. Key Issues – identification of the strengths, weaknesses, opportunities and threats for both the sub-region and three constituent local authorities over both long and short-term horizons; including identification of the potential future employment capacity at existing locations in the context of Smart Growth principles;
  - III. Scenario Forecasting – interrogation of an econometric forecast and development of scenarios to inform identification of future employment requirements at the sub-regional and local authority levels. Clarification of key issues, opportunities and risks and considering of the need for strategic employment development.
- 1.5 The work undertaken includes an indicative assessment of requirements for net additional employment land over the 2006-26 plan period.

## 2 POLICY CONTEXT

- 2.1 National policies set out in PPS1, PPG4 and draft PPS4 set a context for assessing requirements for employment land provision. They promote positive planning for sustainable economic development through provision of flexible policies which are able to respond to economic change and are co-ordinated with infrastructure and housing provision. This includes provision of sufficient land available and readily capable of development for employment, well-served by infrastructure.
- 2.2 Crawley-Gatwick is defined as a regional hub in the emerging South East Plan and intended to be a focus for development, including for employment, within the Gatwick sub-region. The South East Plan and Regional Economic Strategy promote an economic growth agenda, aiming to maximise growth potential in Gatwick Diamond.
- 2.3 There is a particular focus on diversifying the economic base, reducing reliance on airport-related employment, developing new clusters, for education-led regeneration and delivering higher-value growth.
- 2.4 Within the RES and RSS, there is an implicit expectation that new employment development should be delivered alongside housing within strategic developments and a need for sub-regional working to assess questions of strategic employment land provision.
- 2.5 A clear question arising relates to the potential to deliver a step-change in the employment base, particularly in terms of a shift towards a higher value-added business base and whether or not this could be achieved within existing employment locations in accordance with Smart Growth principles.
- 2.6 Local planning policies currently promote new employment development opportunities, but these are primarily of a local scale; and a key question is whether this framework is sufficient to maximise the potential for higher-level growth.

### 3 LABOUR MARKET

- 3.1 Northern West Sussex has experienced population growth above regional and national averages over the past twenty years. Within the study area, Horsham has experienced particularly high population growth.
- 5.1 The study area has high economic activity and employment rates in comparison with national averages. Over 84% of the working age population are economically active and rates are particularly high for Mid Sussex residents.
- 5.2 Whilst average levels of unemployment (according to ILO and Claimant Count definitions) across the study area are below average, the unemployment rate in Crawley is above regional average. The Claimant Count increased markedly across the whole of the study area during 2008 and the first half of 2009, especially so in Crawley where the rate has more than doubled since autumn 2007.
- 5.3 The average proportion of working age residents in Northern West Sussex with no qualifications is relatively low. Again, however, Horsham and Mid Sussex perform markedly better than Crawley. Horsham and Mid Sussex also perform better than Crawley in terms of school performance, with better than average results at Key Stage 3 and 4.
- 5.4 The occupation profile of Northern West Sussex residents also varies by local authority. Horsham and Mid Sussex both have a relatively high proportion of people employed as either Managers or Senior Officials and a relatively low proportion of residents working in manual and elementary occupations. The opposite is true in Crawley.
- 5.5 Average weekly earnings vary substantially according to area of residence and area of workplace in Northern West Sussex. On average, people *living* in Horsham earn more than those living in Crawley and Mid Sussex, whilst those *working* in Crawley earn on average more per week than those working in Horsham and Mid Sussex.
- 5.6 There is a daily net inflow of 9,000 people to Northern West Sussex. This overall figure comprises a daily net inflow of 31,000 to Crawley, whilst Mid Sussex and Horsham have daily net outflows of 11,000 and 10,000. Crawley is the main destination for those commuting out of Horsham and Mid Sussex. Meanwhile, a relatively high proportion of Horsham and Mid Sussex residents work from home.

- 5.7 There is a degree of mismatch between the housing-quality of place offer in Crawley, resulting in in-commuting of many of those in higher-paid occupation. Crawley however benefits from the wider sub-regional labour market and we do not consider that this constrains the economy.

## 4 EMPLOYMENT BASE

- 4.1 Employment in Northern West Sussex totals around 178,700, but the area has lost a net 2,500 jobs (1.4%) since 2003. Total employment was hence falling in the sub-region in advance of the current economic recession Crawley has been most affected by employment decline, with 3.59% of jobs lost since 2003 and 2007..
- 4.2 Northern West Sussex has a relatively high proportion of jobs in the Transport and Communications sector – largely due to the high levels of aviation related employment in Crawley. Northern West Sussex has a low proportion of jobs in Public Administration, Health and Education with levels of these particularly low in Crawley. This reflects the strength of the private sector business base. The concentration of Banking, Finance and Insurance employment in Northern West Sussex is slightly lower than regional and national averages.
- 4.3 The proportion of knowledge based employment is relatively low in Northern West Sussex, particularly so in Crawley (although there are above average knowledge-based businesses). The study area performs better in terms of employment in Creative Industries, with Mid Sussex being home to a relatively high concentration of these jobs. Retail employment has experienced a relatively high decline across Northern West Sussex in recent years. We would expect town centre regeneration programmes and planned population growth to support this section in the medium-term.
- 4.4 The distribution of employment by business size in Crawley is very different to that seen in Horsham and Mid Sussex. Crawley has a very low proportion of employment in micro and small businesses and a very high proportion of employment in large businesses (200+ employees). The aviation industry is partly responsible for the high proportion of employment in large industries – in Northern West Sussex, 88% of those employed in air transport are employed in large businesses. A more established commercial market has also allowed Crawley to attract larger occupiers. With a high proportion of employment in larger businesses however, the town is more vulnerable to the economic recession as larger companies reduce their workforce.

### **Hot-spots within Northern West Sussex**

- 4.5 Crawley contains strong concentrations of employment in the aviation, retail, professional and public, health and education sectors. However, employment growth in certain localities in recent years has been outweighed by job losses in other parts of the Borough. The town is home to a relatively high concentration of large businesses.
- 4.6 Like Crawley, Northern West Sussex's other urban areas all have employment strengths in the retail sector, professional and business services and the public sector, health and education. They also have strengths in concentrations of employment in creative and knowledge based industries.
- 4.7 Meanwhile, rural parts of Horsham and Mid Sussex have employment strengths in professional and businesses services, creative industries and knowledge based industries and have been relatively unaffected in recent years by employment change.

## **5 BUSINESS BASE**

- 5.1 There are approximately 17,700 businesses in Northern West Sussex, of which around 80% are located in the two local authorities Horsham and Mid Sussex. The Northern West Sussex business base has grown by 7.9% since 2003 although Crawley has lagged behind Horsham and Mid Sussex in this respect. Despite recent declines in employment, the total number of businesses in the sub-region has continued to grow.
- 5.8 Northern West Sussex has a high proportion of Transport and Communication businesses, mainly due to the concentration of aviation related businesses in Crawley. However, the strength of this sector in terms of business base is less marked than the strength of the sector in terms of employment. This can be explained by the fact that a high proportion of aviation businesses in Crawley employ more than 200 people.
- 5.9 The Banking, Finance and Insurance sector is relatively strong in the study area relative to regional and national averages, with Mid Sussex home to a particularly high concentration of businesses in this sector. When viewed in relation to the below average employment in this sector, it is evident that these businesses are typically small or medium in size, albeit that there are a number of larger companies in the sector represented in the sub-regions main towns.
- 5.10 Northern West Sussex has a high proportion of knowledge based and Creative businesses relative to Great Britain (9.6%). Mid Sussex has a particularly high proportion of businesses

deemed to be creative. Bordering this, there is a high concentration of creative industries in Brighton.

- 5.11 Business density across Northern West Sussex is relatively high compared to regional and national averages. Within the study area, Horsham and Mid Sussex both have high business densities whilst Crawley's is relatively low (partly reflecting a stronger degree of employment in larger companies). Whilst VAT Registrations rates across the whole of Northern West Sussex are fairly average, Horsham has particularly high levels of VAT registrations per 10,000 population and Crawley has a relatively low level.

## 6 PHYSICAL SETTING AND QUALITY OF LIFE

### Physical setting

- 6.1 Northern West Sussex benefits from an excellent strategic location, situated as it is between the two important economies of London and Brighton & Hove. The area benefits from good rail, road and air transport connections. There are however recognised problems with internal accessibility and localised congestion in the towns.
- 6.2 Property prices in Crawley are similar to average prices across England and Wales, and have increased at a slower rate than average nationally since 2002. Meanwhile, average property prices in Horsham and Mid Sussex are far higher than is average in Crawley and nationally and have increased at a rate similar to national average since 2002. Across all areas, prices have declined since 2007.
- 6.3 While the housing-quality of place offer is a major attraction of the sub-region, housing values may create local recruitment difficulties and result in longer distance commuting patterns of urban to rural travel to work patterns within certain skills groups.
- 6.4 In contrast to the trends seen for residential property, commercial property prices are higher in Crawley than in Horsham and Mid Sussex. However, the value of commercial property has fallen at a faster rate in Crawley than in Horsham and Mid Sussex in recent years.

### Quality of Life

- 5.12 Overall, levels of deprivation in Northern West Sussex are relatively low. However, geographically, within Northern West Sussex there are areas which contain relative concentrations of deprivation particularly in relation to certain deprivation domains.
- 5.13 Parts of the south of Crawley Borough contain the most severe concentrations of deprivation across Northern West Sussex, particularly in relation to income, education, crime and health.



The more rural parts of the sub-region have less strong access to services and housing, but represent attractive places to live and work.

## 7 PROPERTY MARKET PERFORMANCE

- 7.1 Crawley is the major economic and commercial centre in the sub-region reflecting the size and location of the town. The market analysis indicates that it has been successful at repositioning its commercial offer over the last 15 years and growing as a sub-regional office location, particularly through provision of out-of-centre office space. Its town centre office market is somewhat under-developed, which is reflective to some degree of the quality of place (particularly) together with weaker rail links compared to other stations in the Crawley-Gatwick area.
- 7.2 Crawley is also a major industrial centre, with substantial industrial floorspace particularly at Manor Royal. The industrial market has performed reasonably and is strongly linked to the Airport, however the town has seen an overall reduction in industrial floorspace over the last decade, as industrial sites at Manor Royal have been redeveloped for office provision.
- 7.3 Industrial floorspace overall is more evenly spread across the sub-region, and there is evidence that reductions in floorspace in Crawley and a lack of any new Grade A floorspace delivered since 2000 have benefited other locations in the sub-region with growth in industrial floorspace outside of Crawley (particularly in Horsham). Given its industrial base and available land, there have been low levels of new industrial development coming forward in Burgess Hill.
- 7.4 Northern West Sussex is not a major warehouse/distribution location with demand linked primarily to the aviation sector. The strongest concentration of distribution floorspace is located in Crawley, focus particularly close to the Airport. Elsewhere the market is for smaller space to cater for local requirements.
- 7.5 Outside of Crawley, Haywards Heath has a stronger office market than the other towns, supported by a number of major occupiers and its relative accessibility, particularly by rail. It however suffers from a lack of Grade A office space. Horsham has a number of larger office blocks, constructed primarily in the 1980s and 1990s, but is no longer able to attract the major occupiers to these. The market in Horsham, Burgess Hill and Haywards Heath is primarily for smaller office premises to cater for the business base which comprises primarily smaller businesses (with some role to provide secondary space at a lower value for larger businesses located there due to historical decisions).

- 7.6 The developing economic recession will have a particular impact on occupational demand for commercial floorspace. Significant reduction in output in the manufacturing; transport, storage and communications; and banking, finance and insurance sectors recorded in recent months can be expected to feed through to demand for office, industrial and distribution floorspace. The office market in the South East is particularly vulnerable due its dependency on financial and business services.
- 7.7 Levels of industrial and office floorspace development within the sub-region have been declining over time. The development pipeline is strongly biased towards office space in Crawley (albeit that it unlikely that it will all be delivered); and is relatively weak in Mid Sussex.

## **8 STRENGTHS, WEAKNESSES, OPPORTUNITIES & THREATS**

- 8.1 There are significant socio-economic variations within Northern West Sussex. Crawley is clearly a key economic driver in the sub-region. Although the district has experienced declines in employment in recent years, Crawley still accounts for 44% of jobs in the area. The impact of Gatwick Airport on the area is evident, with a high proportion of local employment tied into the aviation industry. Crawley also attracts a large net daily inflow of commuters and perhaps as a result average earnings for those working in the district are high. However, despite the Crawley's obvious economic strengths, the district also has a number of structural weaknesses relating to its labour market - especially in terms of levels of employment and skills of its resident population.
- 8.2 In contrast, the residential labour markets of Horsham and Mid Sussex both out-perform Crawley and regional averages according to a range of indicators. Both districts are home to populations with a high level of skills, working in typically high level occupations. Perhaps as a result, the districts also have strongly performing local economies, with high levels of employment in knowledge based and creative industries. Towns such as Horsham, Hayward's Heath and Burgess Hill have high levels of employment in financial and professional service sectors.
- 8.3 In recent years, the sub-region has experienced growth in its business base, especially in activities related to business services, finance and transport. However, at the same time employment growth has stabilised, which may to a certain extent constrain the future need for additional employment land. This trend is likely to be amplified by the current recession in the UK economy. Northern West Sussex is likely to find itself under increasing pressure, in its

attempts both regionally and internationally to retain and attract the right type of employment, business, and investment to the area.

- 8.4 Within the sub-region, Crawley has experienced a relatively large decline in employment in recent years and also has a relatively low level of new business start up. Meanwhile levels of entrepreneurial activity are higher in Horsham and Mid Sussex, which may suggest that there may be a specific demand for small flexible business incubation space.
- 8.5 The market has successfully brought forward new office space in Crawley, but no Grade A industrial space has been delivered since 2000. There has been very limited recent development of Grade A office floorspace outside of Crawley. In this context Crawley has reinforced its role as a sub-regional office location, while other areas have benefited from localised demand for industrial premises leading to a degree of redistribution of industrial floorspace.
- 8.6 Pressures on the residential housing market exist across the whole sub-region, especially in terms of cost. This is an issue which will need to be resolved in future years, especially in attempts to attract and retain a labour market which is conducive to future economic growth and prosperity.
- 8.7 Significant housing growth is planned which is likely to support growth in education, health and consumer-related services. With changing working patterns and potential for a flatter trend or continued decline in employment in financial and business services looking forward (and in market contrast to the past 25 years), coupled with a manufacturing sector which is likely to become increasingly lean and specialised, requirements for traditional employment land may be more limited. A wider approach to capturing economic potential may be required.
- 8.8 A SWOT analysis of the sub-regional economy is set out below.

## SWOT – NOTHERN WEST SUSSEX ECONOMY

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Location and accessibility: proximity to London, good road and rail links, international airport at the heart.</li> <li>• Labour Market Characteristics: High rates of economic participation and strong skills base (particularly outside of Crawley).</li> <li>• Strong private sector business base which has been growing, including strengths in a number of higher-value sectors including aerospace, pharmaceuticals, high-</li> </ul>	<ul style="list-style-type: none"> <li>• Below average degree level skills relative to other parts of the region, particularly influenced by the New Town.</li> <li>• Lack of higher education &amp; research base within the sub-region, although potential for improving links to Brighton &amp; Sussex Universities.</li> <li>• Decline in employment between 2003-7 before current recession against a strong macro-economic context.</li> </ul>

<p>precision engineering, medical devices and other business activities.</p> <ul style="list-style-type: none"> <li>• High proportion of knowledge-based businesses (albeit with low employment) and creative businesses.</li> <li>• Key towns within the sub-region play different and complimentary roles.</li> </ul>	<p>macro-economic context.</p> <ul style="list-style-type: none"> <li>• Identified lack of good quality and sizeable conference and exhibition facilities.</li> <li>• Outside of Crawley the main towns provide insufficient critical mass to attract larger businesses and speculative property investment.</li> <li>• Low knowledge-based employment.</li> <li>• Lack of capital investment in the property stock, particularly outside of Crawley and for industrial space in Crawley.</li> <li>• Internal connectivity between the towns, particularly east-west.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Supportive policy framework: identified as a Diamond for Growth, with policy support for University provision.</li> <li>• University could help to deliver appropriate skills to support local economy and attract investment in R&amp;D.</li> <li>• Strong housing growth planned which could support improvements to skills base and regeneration; and is likely to support growth in health and education.</li> <li>• Planned housing and population growth which will support labour market, and consumer-related and public services.</li> <li>• Planned regeneration schemes in the Mid Sussex towns and Crawley Town Centres which will improve image, offer and quality of place.</li> <li>• Potential for other public sector-led investment, including County Hall North in Horsham and secondary healthcare.</li> <li>• Potential to capture investment from a lack of sites available for employment and business development in Brighton.</li> <li>• Planned investment at Gatwick including extensions/ improvements to terminals and the rail hub.</li> <li>• Opportunities for growth in professional and consultancy activities in rural areas, including new business start-ups.</li> <li>• Opportunities for growth in low carbon and environmental technologies.</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertainty regarding the future direction of Gatwick Airport which may impact on investor and occupier confidence.</li> <li>• Degree of economic dependency and exposure to trends in transport / aviation and related activities (which are concentrated in Crawley but demonstrate sub-regional supply chains).</li> <li>• Risks that strong office development pipeline and growth aspirations of Croydon reduce investment and demand in Crawley.</li> <li>• Exposure to trends in the financial, insurance and professional services sector.</li> <li>• Rising unemployment in the short-term, particularly in Crawley.</li> <li>• Market and economic trends and finance requirements are likely to deter speculative development activity in the short-term.</li> <li>• Potential that Crossrail and identified Growth Areas in London and the South East deflect potential investment from the Gatwick Diamond.</li> <li>• Capacity of local transport infrastructure and congestion issues.</li> <li>• Market circumstances likely to speculative development activity in the short-term.</li> </ul>

## 9 EMPLOYMENT SCENARIOS FOR NORTHERN WEST SUSSEX

- 9.1 At the time of writing, in Spring 2009, the UK economy is in a recession. There is a considerable degree of uncertainty regarding not least the length, depth and impact of the recession, including how this will affect different places and sectors. The scenarios-based approach adopted recognises these uncertainties and attempts to explore the implications of a range of economic futures. It aims to explore cause and effect relationships including the implications of various policy options on employment growth in the sub-region and local authorities.
- 9.2 The scenarios use an econometric forecast prepared by Experian in February 2009. The scenario development process has however been informed by and builds upon the specific understanding of the local economy developed through the detailed baseline analysis of the local economy and discussions with key stakeholders.
- 9.3 The following scenarios have been developed:

### Strategic Scenarios

- Base Scenario – based on Experian’s forecast which provides an analysis of employment trends for 30 sectors dating back to 1982, and projected employment to 2026 using a shift-share approach. In policy terms, this represents a low growth option.
- Policy-On Scenario – which assesses the level of employment growth we would expect to arise over the 2006-26 plan period if GVA was to increase at an average of 3% per annum. This represents a high growth option.

### Alternative Scenarios

- Successful Repositioning of the Gatwick Diamond: to capture growth in specific higher value-added sectors;
- Housing Growth: The economic implications of strong planned housing growth across the three local authorities, as proposed in the South East Plan; and
- Moderate Growth of Gatwick Airport: The potential impact of changes at Gatwick Airport and wider vulnerability of the sub-region to changes in the transport/ aviation sector;
- Changing Working Patterns: Qualitative Scenario which considers changing working patterns, specifically the impact of potential growth in self-employment and home working.

- 9.4 While there remains a considerable degree of uncertainty at present, it is appropriate to plan in Local Development Frameworks for an 'aspirational' economic future which is both influenced by and consistent with regional policy. Significant housing growth is planned within the sub-region whilst there is also a focus on attraction investment and supporting growth in higher value-added sectors.
- 9.5 On this basis, a **Hybrid Growth Scenario** has been developed which assumes additional growth in both consumer-related sectors, driven by housing growth, and in higher value-added sectors, supported by the Gatwick Diamond Initiative. It is a policy-led scenario draws together the Successful Repositioning of the Diamond and Housing Growth Scenarios, identifying additional growth in each of the key sectors within the Gatwick Diamond. It achieves an average of over 3% annual growth in GVA across the sub-region over the 2006-26 plan period and is hence in accordance with regional policy.

### **BASE SCENARIO**

Employment is forecast to have increased by 15,700 between 2006 – 2026 across the sub-region in the Base Scenario. The rate of employment growth between 2006-26 is expected to be higher in Mid Sussex District (11%) and Crawley (7%) than in Horsham District (4%).

- 9.6 Total forecast employment growth of 7% is substantially below the 37% growth achieved between 1986-2006 and below the County average of 9%. The Baseline Scenario is hence of low growth and relative economic underperformance. Intervention will be required to improve economic performance to match its status as a Diamond for Growth within the wider region.
- 9.7 Under 'baseline' conditions, those sectors which are expected to see the most substantial increases in employment between 2006-26 are the transport sector and the health sector, in which over 15,000 additional jobs are expected to be created. In both cases employment growth between 2006-26 is expected to be stronger than over the previous 20 years. Other sectors which are expected to see some growth in employment are hotels and catering and education. However demands for employment land arising from growth in these sectors is limited.
- 9.8 Forecast employment growth of 1,000 between 2006-26 in the business services, banking and insurance and other financial and business service sectors combined falls significantly below the substantial growth of 25,100 achieved over the previous 20 years. These sectors have not grown since 2001. Coupled with very modest employment growth in public administration, demand for additional office space would be dramatically reduced although office development will continue to be important to address qualitative issues and replace outdated stock.

- 9.9 The strongest forecast growth in key office-related sectors, while still moderate, is in Mid Sussex District. Crawley is also expected to see modest growth, while in Horsham District employment is expected to decline.
- 9.10 Manufacturing is the mainstay of the industrial market. Employment is expected to contract between 2006-26, but at a much slower rate than over previous 20 years. Employment in the construction sector is also expected to contract. As a result, demand for industrial units can be expected to reduce over time. However there is not always a direct relationship between employment and demand for floorspace as companies can reduce their workforce as they become more productive while retaining the same volume of space, while again there can be qualitative issues regarding sites and premises.
- 9.11 While employment in transport and communications is expected to increase, it is expected that a significant proportion of this is 'airport-related.' There are some risks to this, as explored in the Low Gatwick Growth Scenario. Employment in wholesaling and distribution is expected to fall.
- 9.12 As there is currently net commuting of 9,000 persons daily into the sub-region to work, this scenario could potentially reduce commuting into the sub-region although this is dependent on delivery of the Housing Requirement identified in the South East Plan.

#### **POLICY-ON SCENARIO**

- 9.13 Delivery of the South East Plan ambition of 3% GVA per annum is estimated to require employment growth of 21,300 in Northern West Sussex over the 2006-26 plan period. This is 35% higher than forecast employment growth in the Base Scenario. It is however sensitive to assumptions on productivity growth.
- 9.14 The level of employment growth needs to be substantially higher than forecast in the Base Scenario in Horsham District to achieve 3% GVA growth per annum over the plan period. In contrast, just 3% additional employment over and above that forecast in the Base Scenario is required to deliver 3% GVA growth per annum in Mid Sussex; with 16% additional employment growth required in Crawley. In both cases this equates to less than 1,000 additional jobs.

## HOUSING GROWTH SCENARIO

- 9.15 Housing growth is an important economic driver in the sub-region. Successful delivery of 37,600 additional homes over the 2006-26 plan period, in accordance with the South East Plan, could result in population growth of 45,800 in Northern West Sussex. If economic activity rates remain consistent, this could result in growth in the labour force by 19,000 equating to 11.2% growth.
- 9.16 The most significant impact of housing growth is in Mid Sussex, where labour supply could increase by 16% over the plan period. 9% growth is expected in Horsham District and Crawley.
- 9.17 It is expected that housing growth could result in 20% higher job growth over the 2006-26 plan period than in the Base Scenario: with the creation of 3,200 additional jobs in consumer-related services. The impact is primarily in service-based sectors, with limited implications for employment land requirements. It particularly supports additional job creation in the health, education and leisure sectors.
- 9.18 The impact of housing growth on employment creation is however sensitive to changes in economic activity rates. If for instance economic activity in Crawley could be increased, additional employment could be supported. Commuting patterns is also a key variable. It is also important in this context that the skills mix is appropriate to that required by the business base.

## MODERATE GROWTH OF GATWICK AIRPORT

- 9.19 There is a degree of dependence in the sub-regional economy to changes in the transport/aviation sector which is strongly represented in the sub-region, and particularly in Crawley. This leaves the sub-region vulnerable to changes in macro-economic conditions and trends in the aviation industry globally. This is recognised locally, and 'diversification' of the economic base is already embedded within local policies.
- 9.20 There may be potential for the Airport to grow in the medium-term, including the prospect of delivery of a second runway at Gatwick, however there the future growth of the Airport is characterised by a considerable degree of uncertainty.
- 9.21 The Airport is currently up for sale and it is likely that a new operator would seek to improve the efficiency of its operation. BAA's Interim Masterplan for the Airport indicates that it passenger numbers could grow to 40 million pa (from a current base of 33 million) without



significant additional job creation, with forecast employment in this scenario remaining below 2001 levels.

- 9.22 We see a particular element of downside risk to delivery of growth in the transport sector as set out in the Base Scenario. A 'moderate growth' scenario for the Airport, whereby its relative position falls compared to other airports in the greater South East could have further implications, including for business and professional services, linked to a reduced attractiveness of the area to businesses.
- 9.23 If future growth at Gatwick Airport occurs at a more moderate rate than might be expected, employment in Northern West Sussex could total around 218,700 in 2026. This is an increase of only 3% from 2006.
- 9.24 Within Northern West Sussex, moderate growth at Gatwick Airport is likely to have the biggest impact on employment in Crawley - by 2026, total employment will stand at around 83,400 – 2,400 fewer jobs than in 2006. Moderate growth at Gatwick will have less impact on employment in Mid Sussex and Horsham, where employment will increase by around 11% and 4% respectively.
- 9.25 Even in this moderate growth scenario, transport employment in Crawley is forecast to increase by 910 jobs. In Horsham and Mid Sussex around 200 and 170 jobs, respectively, are predicted. This is a total of 1,280 jobs across Northern West Sussex in comparison to the 9,750 jobs predicted in the Base Experian Scenario.
- 9.26 The scenario would result in reduced levels of demand for floorspace from all B-class uses relative to the Base Scenario. Net demand for B2 and B8 floorspace would fall below levels today.
- 9.27 The scenario highlights a degree of risk or economic 'exposure' associated with a concentration of employment, particularly in Crawley, in transport and aviation-related activities which are vulnerable to global fluctuations, but also over the longer-term to policy decisions at a national level and the commercial decisions of a new Airport operator.

#### **SUCCESSFUL REPOSITIONING OF THE GATWICK DIAMOND**

- 9.28 If the Gatwick Diamond undergoes a successful repositioning through the attraction and retention of higher value employment, total employment could increase to around 231,000 by 2026. This is an increase of 18,900 jobs from 2006: 20% higher than in the Base Scenario.

- 9.29 Within Northern West Sussex, employment in Crawley will increase to around 91,800 by 2026, after a period of short-term decline. In Mid Sussex and Horsham, employment will increase to 74,600 and 64,700 respectively over the same period. In Mid Sussex, this represents an employment growth rate of 13% - considerably higher than the growth rates of 6% and 4% in Crawley and Horsham.
- 9.30 The Scenario envisages an increase in the number of jobs in the 'Business Services' and 'Other Financial and Business Services' sectors (albeit that this is partly offset by declining employment in Banking and Insurance). It is however considered unlikely that we will see the same level of net growth in financial and professional services over the next 20 years that we had seen up until the early 2000's. This has significant implications regarding demand for additional office space, albeit that modern floorspace to replace older supply will still be required.
- 9.31 There are a number of key sectors within the sub-region in which employment is expected to fall over the plan period. These include higher-value manufacturing sectors, such as chemicals, machinery and equipment, electrical and optical, and transport equipment. This Scenario assumes that provision of positive intervention and support to these sectors, working with existing companies, results in lower job losses than in the Base Scenario. Although these sectors are not expected to yield net employment growth, it will be important to support them both in terms of job retention and recognising their importance to wealth creation within the sub-region.
- 9.32 Despite evident trends in the business and professional service sectors in the sub-region, we however see some potential for a supply-led response which aims to capture the market opportunity provided by the location and accessibility of Crawley-Gatwick in a domestic and international context, an established market and existing infrastructure.

### **HYBRID GROWTH SCENARIO**

- 9.33 The Hybrid Scenario demonstrates the strongest level of employment growth between 2006-2026. Total employment is expected to increase by 234,100 equating to 10% growth in employment. The Scenario indicates the potential for additional employment in consumer-related sectors, driven by housing growth, but also stronger performance of a number of key higher value-added sectors in the sub-region. These are expected to result in 40% additional employment growth relative to the Base Scenario.

- 9.34 The Gatwick Diamond Initiative and housing growth are both important economic drivers within the sub-region, both of which will have to be driven forward aggressively if the sub-region is to achieve 3% or more growth in GVA per annum over the plan period.
- 9.35 Within the sub-region, Crawley is an important hub with a higher value-added economic base and potential to perform above average. In contrast, Horsham District is less well aligned for economic growth. Policy intervention is particularly required to deliver stronger employment growth in Horsham. The housing-led growth agenda in Mid Sussex is set to be a key driver for its local economy.
- 9.36 22,100 jobs are expected to be created in this scenario to 2026. This compares with estimated growth in the workforce by around 19,000. Delivery of over 3% growth in GVA per annum could therefore require (based on our assumption on productivity growth) some changes in commuting patterns (either a reduction in out-commuting or increase in in-commuting) or improvements in economic activity (the scope for which is greatest in Crawley) to enable the economy to achieve the level of employment growth set out.
- 9.37 The Hybrid Scenario remains however quite aspirational in nature: it assumes that the sub-region is able to successfully deliver the level of housing growth set out; which could be regarded as ambitious even before the downturn in the Housing Market. There are downside risks related both to market capacity and to potential delays in delivering key enabling infrastructure. There are also risks to achieving stronger performance in key higher-value added sectors as set out, including wider macro-economic trends, uncertainty regarding key projects in the sub-region including delivery (or delay to delivery) of Crawley Town Centre North and other Town Centre regeneration schemes, the intentions of a new owner at Gatwick Airport and future trends in key economic sectors (e.g. transport, business services).
- 9.38 The recommended Hybrid Scenario represents a Policy-ON approach led by current regional policy. While this is the consultants' recommendation, this policy approach may not be supported by the three authorities. A change of Government at the national level could also result in a change in this regional policy framework which could affect the appropriateness of this as a basis for determining employment land requirements in LDFs.

## **IMPACT OF CHANGING WORKING PATTERNS**

- 9.39 There is a UK-wide trend for changing working patterns, focusing primarily on home-working. This coupled with the high quality of life and skills levels in areas of Northern West Sussex, which is conducive to increased levels of self-employment, means that there is likely to be a

minor reduction in demand for workspaces and a subsequent knock-on effect on employment land requirements.

- 9.40 The main sectors likely to be implicated are primarily office based such as business and financial services though distribution, retail, public administration, education, training and health and manufacturing have also been identified in literature.
- 9.41 Changing working patterns over time may influence employment density assumptions, with the overall impact of reducing requirements for additional floorspace.

#### **SUMMARY OF EMPLOYMENT SCENARIOS BY DISTRICT**

- 9.42 According to all scenarios explored here, employment will decline in Crawley in the period to 2011. According to the Gatwick Low Growth Scenario, after 2011 levels will recover only very slightly. In contrast, each of the other scenarios predicts steady employment growth post 2011. The Hybrid Growth Scenario results in the highest employment levels in 2026 (8.5% employment growth over the plan period).
- 9.43 After a period of fast employment growth from 2006 to 2008, employment in Horsham District will decline once more across all scenarios in the period to 2011. There is likely to be a particularly sharp recovery in the immediate years post 2011, before the rate of employment growth steadies in the years up to 2026. Over the plan period, employment growth varies between 3.6% in the Gatwick Low Growth Scenario which is moderately below the Base Scenario position of 4.1%, through to 8.7% growth in the Hybrid Growth Scenario.
- 9.44 As in Horsham, employment growth in Mid Sussex in the period to 2008 will be tempered by employment decline from 2008 to 2010. Post 2010, employment will rise at a relatively high rate across all scenarios. As in Horsham, however, if the targeted 3% GVA growth rate per annum is to be achieved, employment will need to increase at a much higher rate than that projected in the Experian base scenario. Driven by the Base Scenario, each of the Scenarios developed shows quite strong employment growth over the plan period.

#### **PREFERRED POLICY APPROACH**

- 9.45 A positive planning framework which supports economic growth and allows the area to maximise its potential seems entirely appropriate. This is the rationale for the sub-region's status as a Diamond for Growth and Investment in the region. Local employment policies should support this.

- 9.46 A key risk in the current economic context is to underestimate future employment land requirements, driven in part by a somewhat cautious approach inherent within current economic forecasts. The South East of England Partnership Board have highlighted this risk. However on the other hand, there are clear risks to delivering more aspirational rates of growth.
- 9.47 Whilst recognising both upside and downside risks, it seems appropriate to adopt a 'policy-led' approach to planning for employment land provision which provides a sufficient quantity of employment land of the right quality to enable the sub-regional economy to prosper and achieve its potential as a Diamond for Growth.
- 9.48 Against this context, **we consider that the Hybrid Growth Scenario is the most appropriate basis from which to derive planning policies.** The Hybrid Scenario:
- Is the best aligned with policy, including the growth aspirations of the South East Plan and objectives of the Gatwick Diamond Initiative;
  - Takes account of delivery of planned housing growth, and economic potential associated with investment in infrastructure, skills development and local economic strategies which aim to deliver higher value-added growth;
  - Represents a positive planning framework for economic growth which accords with the approach put forward for positive contingency planning by the South East England Partnership Board.
- 9.49 This approach is supported by draft PPS4 which encourages local planning authorities to plan positively and proactively to encourage sustainable economic growth.
- 9.50 The Hybrid Scenario remains however quite aspirational in nature: it assumes that the sub-region is able to successfully deliver the level of housing growth set out; which could be regarded as ambitious even before the downturn in the Housing Market. There are downside risks related both to market capacity and to potential delays in delivering key enabling infrastructure.
- 9.51 There are also risks to achieving stronger performance in key higher-value added sectors as set out, including wider macro-economic trends, uncertainty regarding key projects in the sub-region including delivery (or delay to delivery) of Crawley Town Centre North and other Town Centre regeneration schemes, the intentions of a new owner at Gatwick Airport and future trends in key economic sectors (e.g. transport, business services).
- 9.52 The recommended Hybrid Scenario represents a Policy-ON approach led by current regional policy. While this is the consultants' recommendation, this policy approach may not be

supported by the three authorities. A change of Government at the national level could also result in a change in this regional policy framework.

## 10 LAND SUPPLY IMPLICATIONS

- 10.1 The land supply implications of the economic scenarios developed have been assessed, based on assumptions on employment densities and indicative assumptions regarding plot ratios. An allowance has also been made to take account of churn, reflecting a general level of turnover in property requirements, and to provide some flexibility, particularly to allow a choice of business locations. This however is offset to some extent by leakage, particularly in the office sector, whereby not all expected employment in activities which are traditionally associated with B-class uses actually takes place within recognised employment areas.
- 10.2 The assessment of employment land requirements is thus made, taking account of churn and leakage. This approach has been agreed in consultation with the three local authorities.
- 10.3 For an economy to be successful and to ensure that demand for property is met, a degree of flexibility in the supply of land and premises is required. This is essential to provide businesses with a choice of locations and given that there can be no guarantees that allocated sites will come forward as predicted. It is also necessary to account for the risk that some non B-class uses might be developed on employment land.
- 10.4 While employment growth will result in demand for additional floorspace, it is also true that an element of demand will arise from existing companies moving premises. This can occur for a range of reasons, including due to obsolescence of their existing property, desire for a higher or lower cost/ quality premises, for improved amenities or simply for strategic reasons. Improvements and redevelopment of existing employment areas (e.g. Manor Royal) may also give rise to business relocations which create further demand for employment land. This form of demand is called 'churn' and reflects the general turnover of business premises within the market. This can have a very significant effect on the amount of floorspace that is required in order to meet predicted demand.
- 10.5 Adjustments have been made for leakage to take account of a proportion of employment floorspace being located outside of recognised employment areas.
- 10.6 Taking into account the above factors, the total demand for employment floorspace over the plan period within the three authorities is calculated as follows:

**Forecast Net Employment Floorspace Demand, 2006-26**

	Sub-Total Floorspace (sq.m)		
	Office*	Industrial	Warehouse
Crawley	81418	-619	94434
Horsham	32978	18483	42817
Mid Sussex	44800	13348	27433
Northern West Sussex	159196	31212	164683

- 10.7 GL Hearn and Regeneris Consulting have undertaken herein a high level assessment of potential land requirements. The assumptions made regarding plot ratios reflect this. They however should be regarded as indicative, to be tested further as part of Stage II of the Employment Land Assessment. This will allow an informed assessment of potential plot ratios based on an understanding of the mix of potential development sites expected to be identified.
- 10.8 Calculation of the land requirement is based on the plot ratios set out and should be regarded as indicative, subject to further testing in the Part II Assessment.

**Forecast Land Requirements by Use Class, 2006-26**

	Land Requirement (ha)		
	Office	Industrial	Warehouse
Crawley	15.6	-0.2	21.0
Horsham	6.6	4.6	9.5
Mid Sussex	9.0	3.3	6.1
Northern West Sussex	31.2	7.8	36.6

- 10.9 **The figures presented on employment floorspace and land requirements represent net requirements over the plan period. They do not take account of the development pipeline, vacant or underutilised land at existing employment locations.** These factors are to be considered in the Part II Assessment to confirm requirements for additional employment sites.
- 10.10 **The figures presented are based upon a quantitative assessment of land requirements only.** They do not take account of the qualitative factors, linked to the location and quality of existing sites and premises. The Part II assessment will consider the fitness for purpose of existing employment locations. It will consider the quality of existing sites and premises, including their market attractiveness and sustainability. This assessment will reveal whether there is latent demand in particular locations (including separate parts of the three districts)

for allocation of additional employment land, extension or intensification of existing sites, or on the other hand where employment land could be released.

- 10.11 There may well be qualitative arguments for allocation of additional land to provide a supply of modern premises to meet local demand or to cater for particular market segments, where a quantitative need does not exist. Elsewhere it may be appropriate to allocate additional good quality sites, to compensate in quantitative terms for proposals for redevelopment or change of use of sites or buildings in employment use which do not meet the requirements of modern businesses.
- 10.12 It will be necessary to take into account a range of factors including land availability, the quality of existing sites and premises and commercial demand-side factors in determining an appropriate level and distribution of employment floorspace. These factors should be further considered within Part II Assessment.

## **11 CONCLUSIONS AND RECOMMENDATIONS**

- 11.1 This Part I Employment Land Review has explored trends in the performance of the sub-regional economy and commercial property market in Northern West Sussex. It has then developed scenarios which examine the implications of a range of different factors on demand for employment land. These include housing growth, changes at Gatwick Airport and implementation of an economic strategy for the area which aims to maximise its economic performance and deliver growth in higher value-added activities.
- 11.2 Despite its recent performance, we believe that the sub-region is quite well positioned. It has an international airport and large successful town at its heart, surrounded by a number of smaller towns and attractive rural areas which offer a high quality of life. The workforce skills base is strong and set to develop further through planned housing growth. The area is well connected into London and to the national motorway network. Few parts of the UK demonstrate this range of assets.
- 11.3 A positive planning framework which supports economic growth and allows the area to maximise its potential seems entirely appropriate. This is the rationale for its status as a Diamond for Growth and Investment within the region. Local employment policies should support this.
- 11.4 However we are in strange times. The 'credit crunch' and subsequent recession have affected economists views regarding future economic performance. Against this context it has been



necessary to review both past targets for growth and assumptions regarding what form this growth would take.

- 11.5 Growth in financial and business services has driven employment growth over the last 20 years and more than compensated for sustained losses in employment in manufacturing to other economies globally. Since the 'credit crunch' there is however a question as to whether this sector will recover and grow in the medium-to-long-term as it has in the past, or whether employment might be more stable. Some commentators have suggested that environmental industries and energy being the new key growth sectors, driven by objectives for energy and wider environmental sustainability. This could result in a different economic geography of growth. In both cases, requirements for employment land will differ.
- 11.6 A key risk in this context is to under-estimate future employment land requirements, driven in part by a somewhat cautious approach inherent within current economic forecasts. SEEDA and SEERA have highlighted this risk. However on the other hand, there are clear risks to achieving more aspirational rates of growth; and indeed we cannot be sure that the economic outlook will indeed deteriorate further relative to the base forecast used.
- 11.7 While there are therefore both upside and downside risks to the base (or any) employment forecast, it does seem appropriate to take a somewhat pragmatic view which seeks to provide a sufficient quantity of employment land of the right quality to enable the sub-regional economy to prosper and achieve its potential as a Diamond for Growth. A 'policy-led' approach is hence appropriate.
- 11.8 The Scenarios have explored the influence of a range of factors. It is however the Hybrid Scenario which best aligns with the objectives of the Gatwick Diamond Initiative and South East Plan. This takes account of delivery of planned housing growth, and economic potential associated with investment in infrastructure, skills development and local economic strategies which aim to deliver higher value-added growth.
- 11.9 It is estimated that this Scenario would require allocation of just over 75 ha of land for employment development over the plan period, particularly to support a growth in industrial and warehouse floorspace of 18%. This assessment aims to provide sufficient flexibility and choice in the market and ensure qualitative deficiencies don't arise. This is necessary to provide adequate choice of sites of different sizes, types and locations.
- 11.10 There are however a number of recognised risks to delivery of the Hybrid Scenario. The Scenario is aspirational in nature, and assumes successful delivery of housing growth targets.

This is relatively ambitious and will be influenced by market capacity and infrastructure delivery. There are also downside risks to achieving stronger performance in key higher-value added sectors as set out, including wider macro-economic trends, uncertainty regarding key projects in the sub-region including delivery (or delay to delivery) of Crawley Town Centre North and other Town Centre regeneration schemes, the intentions of a new owner at Gatwick Airport and the impacts of this on key economic sectors (e.g. transport, business services).

- 11.11 The recommended Hybrid Scenario represents a Policy-ON approach led by current regional policy. While this is the consultants' recommendation, this policy approach may not be supported by the three authorities. A change of Government at the national level could also result in a change in this regional policy framework.
- 11.12 Nonetheless, Draft PPS4 recognises that there is a limit to the extent local planning authorities can predict the future of their local economies and so a flexible approach to the supply and use of land will be important. It recommends that local planning authorities should **plan positively and proactively** to encourage sustainable economic growth.
- 11.13 The Stage II work will need to assess the potential of existing sites to cater for employment requirements, considering land supply in quantitative and qualitative terms, to meet identified demand. Assumptions on plot ratios and issues of quantitative capacity will need to be considered in further detail within this subsequent work.
- 11.14 Land requirements identified represent net requirements for employment land over the plan period. They do not take account of the development pipeline, vacant or underutilised land at existing employment locations. Nor do they take account of the quality of existing sites and premises. The Stage II Assessment will reveal whether there is latent demand for employment floorspace in particular locations (including separate parts of the three districts) for allocation of additional employment land, the potential for extension or intensification of existing sites, or on the other hand where employment land could be released.
- 11.15 In the remainder of this section, we set out specific recommendations regarding employment development in each of the local authorities and the main towns, to provide an initial steer to inform progression with LDF Core Strategies. **These conclusions should however be regarded as indicative, to be further 'tested' in the Part II Assessment.**

## CRAWLEY

- 11.16 Crawley has been relatively successful in recent years and developed particularly as a hub of private sector business activity. It has a well developed office and industrial markets, and has seen development of smaller warehousing, particularly linked to the Airport. Manor Royal is an established and successful industrial location, albeit that it is now showing its age. The town centre office market is however somewhat under-developed.
- 11.17 There is demand for Grade A office space in Crawley, this representing 43% of office take-up over the three years to Q1 2009. While current availability is high, it will be important to deliver a continuous supply of new, Grade A office space to meet local demand in Crawley and to support and potentially grow its status as important office centre within the region.
- 11.18 Within the industrial market (covering industrial and warehouse floorspace), there has been very limited recent development of new industrial space within the town. However we do not consider that this reflects a lack of demand for new industrial space. It particularly reflects market economics, whereby a number of developers have sought to redevelop (or at least achieve planning consent for redevelopment of) former industrial sites in Manor Royal for office use. The value which can be achieved for office development is higher than for industrial use. Against this context, virtually no new industrial development has been brought forward in the town since 2000. Just 7% of industrial floorspace take-up in Crawley over the three years to Q1 2009 was of Grade A space.
- 11.19 There is a need to invest in improving Crawley's commercial offer to support the sustainable development and growth of the town and its status at the heart of the Gatwick Diamond. The commercial offer and the image of the town need to be 'refreshed.'
- 11.20 We consider, subject to further testing within the Part II Assessment, that an appropriate 'strategy' for employment in Crawley would be to develop its town centre office offer, as an alternative to the out-of-town business space which currently predominates. Through appropriate planning policies, industrial sites on Manor Royal could be protected, and through investment in the Estate, further industrial development incentivised. This would help to attract but also retain higher-value manufacturing companies.
- 11.21 Within Manor Royal there are a number of key sites which could be brought to market over the next few years. These include the Thalix site, and those occupied by BSE and GlaxoSmithKline. These combined represent c. 16ha of land. In our view a significant proportion of this should be retained for industrial uses.

11.22 CBC is working with partners and consultants to prepare a Masterplan for the Manor Royal Industrial Estate. This will establish a spatial framework for investment in the estate, including improving access to services and the facilities and environment of the Estate. This will be important to ensure its continued success and attractiveness. It represents an opportunity to consider in further detail the potential configuration of uses on key development sites. This should however include potential for redevelopment to provide modern industrial floorspace to meet occupier demand.

***Recommendation 1: CBC should identify key sites within Manor Royal for redevelopment for B1c, B2 and B8 use within its LDF.***

11.23 The Part II Assessment needs to establish a clear spatial framework for office development in the Borough. This must consider and assess in detail the relative role of 'business park' style space as against town centre office development.

11.24 In our view, the town centre office offer in Crawley is somewhat under-developed. Compared to similar sized towns, it has a significant proportion of out-of-town office space but relatively limited provision within the Town Centre. There is an important distinction to be made between the two, in that some occupiers would prefer town centre space where there is access by public transport and to the rail network, and a range of retail, leisure and other services are available locally.

11.25 Currently however the attractiveness of the Town Centre to occupiers is inhibited by the quality of place and environment of the centre to some extent, together with its accessibility. Mixed-use development proposals at Town Centre North provides an opportunity to change this and deliver transformational change. There is potential for Town Centre North to improve quality of place within Crawley Town Centre, include the retail and leisure offer. It can improve provision of cafes, restaurants and quality comparison retailing which should make the town centre more attractive to office occupiers.

11.26 Some new office floorspace is expected to be delivered within Town Centre North. However it is understood that this is effectively replacement provision for that lost through redevelopment. It will not enhance the level of town centre office floorspace. We consider that there is potential for further town centre office development in addition to this. There may be potential for instance for delivery of an Office Quarter around Crawley Station, close to the bus and rail hubs. This would however require concerted investment to deliver a stronger gateway with a higher quality environment and sense of arrival. This could be taken forward by preparation of a Development Brief or Masterplan for this area.

- 11.27 Three Bridges benefits from stronger rail connections than Crawley, including both more and faster train services. There is some office development along Hazlewick Avenue, but floorspace is now somewhat dated. Redevelopment of office space in this location should be supported to provide modern floorspace. In our view the Council should also support delivery of office floorspace as part of a mixed-use gateway development scheme around Three Bridges Station.
- 11.28 Frequent and easy-to-use transport connections between Three Bridges and the Town Centre are important to supporting the office market at both locations. The availability of parking will also be important in attracting office occupiers, and suitable parking standards should be adopted.
- 11.29 The economic viability of any proposals for new office quarters or mixed-use developments should be carefully examined to inform planning policy.

***Recommendation 2: CBC should explore the potential to bring forward mixed-use regeneration schemes including new office floorspace around key transport hubs at Crawley and Three Bridges Stations and within the Three Bridges Corridor.***

- 11.30 There is however market pressure in Crawley to achieve a 'step change' in the office market through delivery of strategic office development in the Crawley area. This would inevitably enhance the supply of Grade A office accommodation, if permitted, and cement Crawley's role as a major office location in the region.
- 11.31 We can see a strong case for strategic office development based upon Crawley's locational advantages and transport connections, as well as its established status as an office centre. The rationale is as follows:
- Crawley is strategically well-located, adjacent to a major international airport with potential for growth;
  - Should the Airport increase the number of routes serving international destinations, particularly in North America, interest could arise from American companies looking for an accessible European or UK HQ;
  - It benefits from connectivity to the national motorway network, the M23 serving the town; and is in proximity to the M25;
  - The town also benefits from frequent and fast rail connections to London, both to Victoria serving Whitehall and the West End, and to London Bridge and the City;
  - Its location and transport connections provide access to a substantial and highly-skilled workforce, while the wider area of West Sussex provides a high quality of life offer;
  - The town is an established and successful office centre which has demonstrated its potential to attract footloose investment;

- There are few locations in the region with similar transport infrastructure which offer potential for successful delivery of a major business park.
- 11.32 The latter is perhaps a particularly important point. Crawley benefits from existing infrastructure which could support delivery of a major business park. There are relatively few other locations, particularly in Sussex, where this is the case.
- 11.33 Changes at the Airport could also have a significant impact. Should it see increased international business routes, particularly to North America, the area could attract new foreign office occupiers looking for an accessible south-east base for European operations. Crawley is connected to the London market but represents stronger value for money.
- 11.34 The only real downside (in market terms) is the social / skills mix of the existing town, but this is mitigated by the strong skills offered within the wider catchment area.
- 11.35 There are very few locations where there is the market interest to deliver strategic office development. A development such as this could be of major economic benefit to the Gatwick Diamond area as a whole: spanning Surrey and West Sussex.
- 11.36 In market terms it was also ensure that the area does not lose out to Croydon which has plans to develop its role as an office/ employment hub in Outer London.
- 11.37 Strategic office development must be sustainable in terms of achieving substantial additional growth in higher value employment within the sub-region, as opposed to simply a redistribution of office floorspace or employment with little additionality. This is critical. Without this, a major business park would have a negative impact on existing town centres and other employment locations within the sub-region.
- 11.38 There are a number of potential ways in which the impact on town centres and other business sites of a strategic business park could be minimised. This could include:
- Restrictions on use classes, unit / floorplate sizes and parking provision;
  - Limiting the scale/ nature of retail and service uses accommodated;
  - Agreeing a marketing strategy with the developer through legal agreement, which could for instance focus on specific sectors or types of businesses initially;
  - Identifying through LDFs an appropriate phasing strategy for delivery of town centre regeneration schemes, improvements to existing business / industrial sites, and delivery of a strategic business park.

- 11.39 The Part II Assessment will need to consider in further detail how development at Crawley Town Centre, Manor Royal and in the other main towns could potentially be brought forward alongside and in a complimentary way to delivery of a Strategic Employment Location.
- 11.40 Whilst there is strong market interest, the Scenario indicate that there can be no certainty that this can be achieved. To support strategic office development, employment in business and professional services particularly (business services, finance & insurance, and other business services) would need to perform much more strongly than currently projected. In effect the sector would need to perform in a similar way over the plan period to how it had performed over the previous 20 years. Experian's forecast does not support this (and this is reflected in all of the scenarios which are built on this base).
- 11.41 There is however a considerable current degree of uncertainty, and the Experian forecast probably represents a cautious assessment of future performance of office-based sectors. It is possible to argue that there is an opportunity to capture additional growth in these sectors for the reasons discussed, and not least the commercial opportunity which exists. This argument could be supported in policy terms.
- 11.42 This leaves us in a situation whereby a decision to accommodate strategic employment development would represent a policy choice.
- 11.43 We consider that the most appropriate way forward in this context would be for the local authorities to engage with SEEDA, the South East of England Partnership Board (SEEPB) and GOSE to examine the 'policy case' for strategic employment development.
- Recommendation 3: The local planning authorities should engage with SEEDA, SEEPB and GOSE to consider the appropriateness of Strategic Employment Development within the Crawley area.***
- 11.44 Should it be determined that the strategic employment development is necessary, it is next appropriate to assess where this should be located. We are clear that it should be located 'at Crawley' given its status as the main town and the existing market context.
- 11.45 Draft PPS4 promotes a town-centres first policy to town centre uses which include offices. It is hence appropriate for the Part II Employment Land Review to assess whether strategic office development could be successfully accommodated within the town centre.
- 11.46 We are of the initial view, subject to further testing, that the town centre will not offer the level of accessibility required to deliver significant new office development nor development opportunities of the necessary scale. However investment in the town centre will play an

important role in supporting the potential for strategic employment in improving the image of the town, quality of retailing and services.

- 11.47 A key challenge is the relatively lower intra-regional accessibility which Crawley Town Centre offers relative to other parts of the wider area. Gatwick Airport and Three Bridges both offer stronger rail connections. The potential for new strategic office development in these areas should be further assessed.
- 11.48 Having explored other possibilities, should the potential for development of a new business park be justified, we consider that this should offer good accessibility to Gatwick Airport – and provide the potential for rapid access to the Gatwick Rail Hub via Fastway. This may require improvements to bus-rail interchange facilities at the Airport, which we consider to be currently sub-standard. The implication is that any new business park should be located on the north side of the town.
- 11.49 We can also see some advantages from a commercial point-of-view for the location of a new business park at a 'visible' location from the M23. This will support the profile and visibility of the development. This is not however an essential feature. Green Park in Reading for instance is located adjacent to the M4, however MEPC's Chineham Park development near Basingstoke and Kings Hill Business Park at West Malling, Kent are not.
- 11.50 In our opinion, to maximise the benefits to Crawley a new business park should be located within or close to Crawley's existing urban area. This will ensure that the new development benefits the image and business profile of the town, and is not marketed simply as a Gatwick location. Ideally it would be linked to or adjacent to Manor Royal, helping to lift Crawley's existing location rather than draw market interest away from it.
- 11.51 We consider that a potential location for a major business park could be either the North East Sector (preferably) or alternatively the site West of Copthorne. Both sites could be considered suitable at a headline level.
- 11.52 Infrastructure capacity is however likely to be a key delivery challenge to be addressed in order to bring forward any strategic employment development. This includes critical issues regarding sewage treatment capacity at Crawley; as well as the impact on the transport network. Should it be determined to move forward with a proposal for a new business park, these will need to be carefully considered as part of the planning process.



- 11.53 Besides Manor Royal and the Town Centre, there are a number of other smaller employment locations within Crawley including at Tilgate Forest and Stephenson Way. We consider that these locations perform well and their existing uses should be protected.

## HORSHAM

- 11.54 The office market in Horsham has suffered from the downsizing and rationalisation of the main office occupier, RSA. Beyond the County Council deal, we consider that it is unlikely that Horsham will have much success in attracting major occupiers requiring significant office floorspace. Limited occupier demand particularly reflects the town's proximity to Crawley and its weaker rail connections. The office market is small-scale and localised and there is currently an oversupply of office accommodation. Against this context it is appropriate to seek to rationalise office floorspace in the short-term (over the next five years).

***Recommendation 4: HDC should consider the implementation of flexible policies which support the change of use of outdated office floorspace in Horsham Town Centre to rebalance supply to effective demand.***

***Recommendation 5: HDC should support the subdivision of existing large floorplate offices to meet the requirements of smaller businesses.***

- 11.55 In the longer-term it will be appropriate to support the phased delivery of modern office floorspace in Horsham Town and District particularly to ensure a supply of modern floorspace to cater for the needs of existing occupiers and growing small businesses.

11.56

- 11.57 Industrial estates in Horsham Town and elsewhere in the District are generally small in scale and well occupied. They lack major occupiers but cater well for local demand and there may be potential to enhance provision, particularly of B1c floorspace, to improve the sustainability of smaller settlements and the rural areas of the District.

***Recommendation 6: The Part II Assessment should consider the potential for extensions to industrial estates in the smaller towns in Horsham District or for provision of some employment land as part of larger residential-led development schemes. These should contain a mix of employment uses.***

- 11.58 We consider that small mixed-use development schemes which contain high quality modern industrial space, workshop and small-scale/ ancillary office space (e.g. hybrid units) could work well within some of the smaller settlements in Horsham and elsewhere in the sub-region.

## MID SUSSEX

### ***Haywards Heath***

- 11.59 Haywards Heath has a local office market with a number of loyal occupiers, particularly within the banking and insurance sectors. The strong rail connections are a key driver of demand, and proximity to Haywards Heath Station is essential. Other key attractions to office occupiers

include the cafes and restaurants in the town centre and a strong skills base within the local catchment.

- 11.60 No new Grade A office development has however been delivered for over 10 years, and we consider that there is a latent demand for new office floorspace from existing occupiers.
- 11.61 Haywards Heath is the only town in the sub-region outside Crawley where we see potential for the market to deliver new office floorspace. While rental levels are currently low, at below £20 psf, this is a reflection of the quality of available space. There is potential for new office development to move rents upwards.

***Recommendation 7: Sites suitable for office development close to Haywards Heath Station should be reserved for B1 or mixed-use development incorporating B1 office floorspace.***

- 11.62 The scale of office development in Haywards Heath should be informed by the availability of suitable sites, however we consider there is scope for identification of 1.7ha of land for B1a office development.
- 11.63 There is not a strong market for industrial/ warehouse floorspace in Haywards Heath, with the Burrell Road Industrial Estate being the main location. This caters well for Worcester Controls and other local occupiers (often freehold). It is well occupied, with limited churn or potential for redevelopment.

***Recommendation 8: Planning policies should seek to protect employment use at the Burrell Road Industrial Estate.***

### ***East Grinstead***

- 11.64 The office market in East Grinstead is very localised. The town's attractiveness as a location for office occupiers is limited by its poorer accessibility, location away from the M23 corridor, and proximity to Crawley. A number of occupiers have moved out of the town to Crawley. The quality of existing floorspace should be assessed within the Part II Review, however we understand that, in quantitative terms, there is sufficient floorspace availability: an overhang from those companies that have relocated from the town and released space onto the market. Given the sub-regional dynamics and current rental levels, we foresee limited demand for further office development although this should be assessed in detail through the Part II Review.
- 11.65 The industrial market in East Grinstead has performed much better. The Birches, Imberhorne and Charlwood Industrial Estates are all well occupied. Recent development of 350,000 sq.ft

of space at the Birches Industrial Estate has performed well with space let to both local occupiers, and companies relocated from elsewhere in West Sussex and Surrey. This demonstrates the potential of the industrial market. The town has benefited from delivery of high quality product, a lack of new competing floorspace being delivered elsewhere (including within a number of adjacent local authorities) and a cost incentive whereby industrial rents are lower than in Crawley. We see potential to further develop the industrial market moving forward.

***Recommendation 9: Around 4ha of land should be identified in East Grinstead suitable for B1c, B2 and B8 development.***

### ***Burgess Hill***

- 11.66 Burgess Hill has an established and successful industrial market with a particularly strong number of higher value manufacturing and engineering companies and skills base to match. The main locations within the town, particularly the Victoria Business Park, benefit from good access to the A23.
- 11.67 We consider that there is potential for growth in industrial floorspace (B1c/B2) in Burgess Hill, and for the town to accommodate additional B8 warehouse development, to develop its role as a sub-regional distribution hub.
- 11.68 Land allocated from industrial/ warehouse development in Burgess Hill should be on sites with strong accessibility to the strategic road network, a high quality environment and adequate parking provision in order to attract occupiers to the town. This could potentially include provision of employment development as part of mixed-use urban extensions.

***Recommendation 10: 5-8 ha of high quality land for industrial and warehouse development (B1c, B2 and B8) should be identified in Burgess Hill to meet demand over the 2006-26 plan period.***

### **SUPPORTING THE SMALL BUSINESS BASE**

- 11.69 We have highlighted the potential in this report for home and remote working, both through changing working practices and linked to the potential for growth in micro-businesses over the longer-term. It is important that the local authorities work provide support to the small business base in their areas. This includes appropriate policies and investment to ensure provision of broadband infrastructure, access to business support and access to shared services (e.g. printing, IT support etc.). Given the nature of the business base in the area, it would be appropriate to develop an enterprise-based strategy for supporting small businesses across the sub-region.

- 11.70 It is also though going to be important to ensure provision of suitable premises for expanding small businesses. There are now various bespoke providers of space for small businesses, including the Workspace Group and Basepoint. A number of local authorities and other public sector agencies have also delivered bespoke innovation or small business centres, providing managed workspace or incubation units.
- 11.71 There is some existing provision within the sub-region, including Basepoint at Manor Royal which provides small workshop and office units; and the Regus Business Centre in Crawley Town Centre. We consider that there is further potential to expand this network.

***Recommendation 11: The local authorities should work together and with private sector providers to deliver a network of serviced office space and small workshop units across the sub-region to support growth in small businesses.***