

**Northern West Sussex
Employment Land Review
Part II**

Executive Summary

PREPARED BY

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Date: October 2010

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

1 PURPOSE & PROCESS

- 1.1 Crawley Borough Council, Horsham District Council and Mid Sussex District Council are working jointly to address economic issues and commissioned GL Hearn and Regeneris Consulting to prepare an Employment Land Review to provide an evidence base for their respective Local Development Frameworks. The Employment Land Review has been undertaken in two parts, the first of which undertaken in 2009 developed an understanding of the dynamics of the Northern West Sussex sub-region's economy and commercial property market and forecasts for future performance. The second part of the review updated this and considered the current supply of employment land to draw recommendations on the portfolio of employment sites and potential new allocations. The approach adopted follows Government Guidance and recognises that the economy and property markets operate across local authority boundaries.

2 CHARACTERISTICS OF THE SUB-REGIONAL ECONOMY

- 2.1 A strong set of underlying assets underpin the sub-region's economic performance and potential. Its mix of towns and villages provide a good housing offer and high quality of place. It benefits from good rail and motorway links to London and other parts of the region, and has an international airport at its heart. Its economic strength is borne out in a strong private sector business base, high levels of economic participation and that despite its proximity to London it had almost 20,000 more jobs than residents in work in 2008.
- 2.2 In 2008 the sub-region contained 18,100 businesses with total employment of 180,700. It has however been slipping back compared to other parts of the South East region. There is a need for intervention to maximise its economic potential. Between 2003 – 2008, despite strong economic growth across the region, net employment in Northern West Sussex fell by – 0.3%. The skills base is not as strong as in the best performing parts of the South East region, with the proportion of residents with degree-level qualifications and the level of employment in knowledge-based activities below the regional average. There are a number of other recognised constraints to performance including high house prices and affordability pressures, the quality and offer of a number of the sub-region's town centres (although this partly affected by the size of the town's and their catchments), the quality of east-west transport links, a lack of higher education facilities and a lack of recent capital investment in parts of the commercial property stock and provision of modern, high quality business locations of a regional scale and presence.

- 2.3 Crawley is the largest economic centre in the sub-region. It contains 49% of B-class floorspace, 44% of employment but just 29% of the sub-regional labour force. As a result it has the highest jobs density in the region and experienced net in-commuting of 31,000 people daily in 2001. Linked to this, the scale of the commercial property market and demand for employment floorspace exceeds that elsewhere within the sub-region. The town has a concentration of employment in larger businesses, with a higher degree of exposure to macro-economic trends and particularly to the performance of the transport sector. The smaller towns and rural areas play a complimentary role to Crawley, helping to provide a more diverse economic offer with a greater proportion of smaller businesses, higher self-employment and home-based businesses, a more diverse sectoral mix as well as attractive places to live.
- 2.4 Economic sectors in which there is a strong specialism at the sub-regional level include transport/aviation, a number of manufacturing sub-sectors such as medical instruments, communications equipment, electrical machinery and chemicals, as well as service sectors including business and management consultancy, insurance and pension funding. There is a clear clustering of transport/aviation employment in Crawley but with evidence of wider supply chains stretching across the sub-region – this is the sector in which there is the strongest evident economic cluster linked to proximity to Gatwick Airport. More widely Crawley has a concentration of employment in professional services and legal firms, retail and leisure, and high-tech manufacturing. Horsham has a concentration of employment in higher value-added manufacturing, R&D, and in financial and professional services, with a clear concentration of employment in pharmaceuticals, insurance and pension funding linked to the presence of major employers. Southwater, Storrington and Billingshurst have a diverse economic structure which is fairly typical of local service sectors, as do the more rural parts of Mid Sussex and Horsham Districts. Of the Mid Sussex towns, Haywards Heath has a stronger representation in professional and financial/ business services, while Burgess Hill has a greater proportion of industrial floorspace and higher employment in higher value-added manufacturing as well as financial services. East Grinstead's employment profile is mixed, with a stronger leisure economy, employment in professional services and certain manufacturing sectors.
- 2.5 There are a range of economic opportunities to develop the sub-regional economy, both through interventions to support its success as a general business location through to actions to support specific sectors. Key opportunities exist to strengthen the local multipliers associated with the airport and aviation/ transport cluster and to develop local supply chains in this and other sectors, including in low carbon environmental goods and services which may well be an important growth sector in coming years. Continued investment in the manufacturing sector will be important in addressing completion in an international

marketplace. Supporting existing businesses of all sizes, including local start-up and home-based businesses, will be of equal if not more importance than attracting investment.

PERFORMANCE THROUGH THE RECESSION

- 2.6 The sub-region has not been immune from the impact of the economic recession but seems to have fared relatively well, and is on the road to recovery. Unemployment rose sharply from Spring 2008 as firms cut jobs, however the number of unemployment claimants in all three authorities has been falling since early 2010. The unemployment rate at 6.2%¹ is marginally below the regional average, although levels of economic participation remain below average in Crawley. Across the sub-region, the employment rate declined 0.4% to 81.3% in 2009 but also remains above the regional average.
- 2.7 Self-employment has continued to grow and stood at 14.6% in 2009, with levels of Horsham and Mid Sussex well above the regional average. These districts particularly have a vibrant base of small and home-based businesses. The recession has however impacted on business survival rates which have been falling.
- 2.8 Employment in public administration, education and health totalled 33,400 jobs in the sub-region in 2008 representing 18.5% of total employment. However relative to a number of other parts of the South East and the UK more widely, the level of public sector employment is below average, reflecting the strong private sector business base. This means that the area is less vulnerable in relative terms, although not immune, to impending reductions in public spending.

3 COMMERCIAL PROPERTY TRENDS

- 3.1 The credit crunch and subsequent recession have both impacted on commercial property markets. Occupier demand since 2008 has been subdued with below average levels of take-up in all sectors. Availability has increase and rents fallen. While economic performance has started to improve in 2010, there is expected to be some time-lag before this feeds through into demand for floorspace taking account of the degree of space capacity in the economy and the recent growth in part-time employment. Only over time a shortage of Grade A space will emerge and rents begin to recover, helping to stimulate development activity.
- 3.2 Over the last decade we have seen a reinforcing of Crawley's role as the main office centre within the sub-region. It now contains 53% of total office floorspace. However recent weak

¹ Year to March 2010 based on the Annual Population Survey

occupier demand has left a number of prominent Grade A office buildings vacant. Coupled with lower capital values and weak rental growth prospects in the short-term, this is expected to continue to impact on viability of new office development. In the medium-term and beyond, growth in the size of the market will be influenced by performance of the financial and business services sector, and by requirements of manufacturing and aviation-related businesses principally in Manor Royal.

- 3.3 Crawley's office market performance over the last decade contrasts with that in nearby East Grinstead and Horsham where a surplus of larger floorplate office space has emerged often in older blocks, and rental levels are insufficient to support new floorspace development. It will be necessary to consolidate floorspace in these towns, focusing around a more local market and smaller units.
- 3.4 While Burgess Hill is more industrial focused, Haywards Heath has developed a healthy local office market with a suite of loyal occupiers, particularly in the banking and professional service sectors. Supported by its rail connections and café culture, a shortage of Grade A office floorspace has emerged.
- 3.5 There has been some redistribution of industrial and warehouse floorspace in the sub-region over the last decade, with very limited development in Crawley (where total industrial floorspace has declined since the 1980s) and growth elsewhere. Industrial take-up in Crawley has edged forwards over the last year, but availability has increased by two thirds. However in the short-term, warehouse development is attractive reflecting the town's attractive location and transport links which make it attractive to a range of occupiers, together with low construction costs and short build period which limit finance costs and support development viability.
- 3.6 East Grinstead and Burgess Hill are also established industrial locations with a good existing level of floorspace. East Grinstead benefits from good quality existing stock, and while availability has increased it is still relatively tight. The market in Burgess Hill has benefitted from the delivery of the A2300 distributor road and has successfully attracted occupiers from Brighton. While availability is higher it has the potential to attract hub distributors given its accessibility and existing industrial base. In Horsham District, away from the A23, the industrial market is less well developed and serves a predominantly local market. A series of small industrial estates throughout the District however provide an important source of local employment.

4 DEMAND FORECAST

- 4.1 Long-term forecasting of economic and commercial property conditions is inherently uncertain, reflecting the range of factors at an international, national and local level which can affect performance. As the economy recovers, there is some uncertainty regarding how different sectors might perform. The Employment Land Review has sought to address this by drawing on a range of information sources and using a scenarios-based approach to assess potential future performance. Forecasts of land and floorspace requirements have been derived from three potential scenarios.
- 4.2 The 'base scenario' is informed by an econometric model purchased from Experian Business Strategies. This takes account of expected future economic performance at the national and regional levels, as well as the economic structure and past performance of individual sectors within each of the three local authorities. A second scenario has considered 'successful repositioning of the Gatwick Diamond:' a 'policy-on' scenario in which key higher value-added sectors perform more strongly than in the 'base scenario.' A third, 'revised hybrid' scenario, has also taken account of the strong inter-relationships between the housing market and economy, considering the impact of housing growth in supporting employment in consumer-related sectors. Whilst recognising the current weak housing market conditions, this scenario takes account of the underlying demand drivers linked to the accessibility of the sub-region, the structure and potential of its economy and the high quality of life offer which it provides.
- 4.3 Over the 20 year period between 2006-26, the base scenario would see total employment in the sub-region grow by 15,700 (7.4%), with 18,900 growth (8.9%) in the successful repositioning scenario and 22,100 (10.4%) in the revised hybrid scenario. In all cases this is well below the 37% growth experienced over the previous 20 year period, 1986-2006. This reflects the impact of the recession as well as wider structural factors including the ageing of the population.
- 4.4 Employment floorspace requirements have been calculated for each of these scenarios, taking account of the proportion of employment by sector which typically takes place in 'B' use classes, assumptions on the average floorspace per worker for these use classes, and adjustments for leakage to take account of floorspace outside of recognised employment areas and an allowance for flexibility to allow some frictional vacancy to provide a choice of premises and take account of general turnover of property. Net floorspace requirements are shown below.

Figure A: Forecast Net Employment Floorspace Demand, 2006-26

	Location	Sub-Total Floorspace (sq.m GIA)		
		Office	Industrial	Warehouse
Base	Crawley	109,763	-11,041	160,582
	Horsham	30,397	17,247	46,489
	Mid Sussex	44,957	17,103	34,214
	Northern West Sussex	185,117	23,309	241,286
Successful Repositioning	Crawley	117,611	-1,160	162,435
	Horsham	37,169	23,466	47,362
	Mid Sussex	51,594	21,726	34,883
	Northern West Sussex	206,373	44,032	244,679
Revised Hybrid	Crawley	122,838	-10,365	156,943
	Horsham	43,439	18,341	51,331
	Mid Sussex	58,899	17,197	38,223
	Northern West Sussex	225,176	25,173	246,497

Source: Regeneris Consulting & GL Hearn

5 EMPLOYMENT LAND SUPPLY

- 5.1 The Employment Land Review has involved a detailed review of the portfolio of employment sites across the sub-region, considering the quality of these sites, their commercial attractiveness, their suitability for continued employment use, and their future development potential. Potential opportunities for development or intensification of use have been identified and a high level assessment of their developability undertaken. The potential for employment development at possible strategic development locations across the sub-region has also been considered.
- 5.2 A total of 24 sites or clusters have been assessed in Crawley which include sites and floorspace in Manor Royal and County Oak, at Gatwick Airport, Lowfield Heath, within the Town Centre, the Three Bridges Corridor and around Pease Pottage Hill/ Brighton Road.
- 5.3 Crawley contains a significant volume of employment floorspace which is generally of a good quality and suitably located. Manor Royal plays an important role within the town and at a sub-regional level, and has been identified for renewal. The conclusions of the Manor Royal Masterplanning exercise have been taken into account; and its overall approach of rationalising land use, with targeted investment to improve amenity and environment seems entirely appropriate.

- 5.4 Sites within the Three Bridges Corridor will continue to play an important role in providing alternative accommodation to Manor Royal, including space for smaller businesses and opportunities for freehold site ownership. It will be important that these are protected for B1c and B2 uses.
- 5.5 Within Crawley Town Centre, improvements to the environment, the retail offer and leisure amenities are needed to support the market for office space. The Council's Town Centre North regeneration scheme will thus play an important role in supporting the office market, and delivering new Grade A floorspace.
- 5.6 In Horsham District, a total of 39 employment clusters have been assessed including quarters of Horsham Town Centre and the industrial estates within the town, as well as sites in Warnham, Broadbridge Heath, Billingshurst, Southwater, Pulborough and within and outside of smaller settlements elsewhere in the District.
- 5.7 Existing industrial sites in Horsham are generally well occupied and cater for a local market. The potential to intensify their use in line with smart growth principles will help to support the local economy.
- 5.8 Intervention will however be necessary to address the oversupply of larger floorplate office units through consolidation and selective mixed use redevelopment, guided by a Supplementary Planning Document (SPD) which the Council is to prepare.
- 5.9 Outside of Horsham Town, local industrial estates are generally well occupied and serve a local need. Some sites have though developed in an ad hoc way and are of a lower quality and it is felt that the Council should seek to direct investment towards those which are of a higher quality and better located. It would be appropriate to seek to improve the offer of good quality, well located employment to support the local economy in the south-east of the District, but also to consider the potential to rationalise and improve provision at Billingshurst should strategic development and a bypass to the town be brought forward.
- 5.10 In Mid Sussex District, a total of 40 employment clusters have been assessed including the town centres of the three main towns of Burgess Hill, East Grinstead and Haywards Heath, the industrial estates and business parks within these including the Victoria Business Park in Burgess Hill and Birches Industrial Estate in East Grinstead, as well as ten sites in the more rural parts of the District.
- 5.11 The Victoria Business Park in Burgess Hill (sometimes known as the Burgess Hill Business Park) is the second largest employment location in the sub-region after Manor Royal in

Crawley. It is an established and successful industrial location, but as with Manor Royal would benefit from a clear planning framework to support progressive redevelopment to provide modern floorspace, provide a clear and coherence land use framework (including to guide redevelopment of a number of key potential development sites), and support further investment in environmental quality and amenities. Burgess Hill Town Centre does not have a well developed employment offer, and the provision of modern office units as part of any mixed-use redevelopment scheme should be supported as part of a long-term programme to rationalise the centre's employment offer.

- 5.12 In East Grinstead, while intervention is recommended to address the oversupply of office space; the availability of industrial space is limited. The Birches Industrial Estate is a good quality site which performs well, and there is potential for extension of this. In contrast Haywards Heath has a stronger office market with potential to develop this through delivery of the Station Quarter regeneration scheme. Existing industrial sites are considered to adequately serve the local market.
- 5.13 The rural sites in Mid Sussex play an important role in supporting the local economy and should generally be protected. While there is some potential for ad hoc investment from existing occupiers or from locally-based companies, potentially on a freehold basis, they do not warrant further land allocations.

6 CONCLUSIONS & RECOMMENDATIONS

- 6.1 The recommendations seek to address key supply side issues to enable the sub-regional economy to achieve its potential. They recognise the sub-region's existing assets, seek to address key weaknesses and constraints identified to create the conditions to allow existing businesses within the sub-region to prosper and grow, and to attract investment against a context of increasing competition. They address skills and labour supply; the commercial property offer; wider infrastructure; business support measures; ICT infrastructure; and cluster and supply-chain development.
- 6.2 Improvements in the skills profile can be achieved in a number of ways, including by continuing to develop linkages between colleges, schools and local businesses with targeted courses and apprenticeship programmes to meet skills gaps and business needs; and by working with businesses and residents to support people to work later in life. There is a recognised ambition to deliver a university campus/ higher education opportunities and while public funding is likely to be constrained in the short-term this should remain a long-term ambition. Skills can also be influenced by the level and types of housing which is delivered

within the sub-region, and continued coordination and joint working between the three local authorities on strategic planning matters will be important.

- 6.3 Innovation is a key driver of productivity. Through the Gatwick Diamond Initiative it will continue to be important to develop and embed sub-regional supply chains, encourage knowledge sharing and collaboration between businesses, and provide appropriate support for those looking to invest. There are key opportunities in the sub-region in the private sector for higher value economic growth and further work is necessary, potentially through the Local Economic Partnership, to understand the performance and strength of key sectors, locational factors and the extent of supply chains, growth potential and how this could be supported.
- 6.4 It is also going to be necessary to continue to support business start-ups and the growth of small and home based businesses, despite funding pressures, to support sustainable private sector enterprise and business growth. There are a number of ways to do this through the planning system including through policies supporting appropriate conversion of residential or garage space, or farm and other buildings to meet the needs of new businesses. Other actions might also help including exploring the potential for dual use of community buildings and engaging and lobbying telecommunications providers to deliver high speed broadband infrastructure to all (including the more rural) areas. There is also a need to expand the network of property options, including potentially through carefully crafted planning policies to support delivery of small flexible B1 units as part of larger developments when market conditions improve in the longer-term subject to detailed feasibility testing.
- 6.5 Turning to look more specifically at the property offer, the Employment Land Review has considered the balance between supply and demand for employment floorspace in quantitative and qualitative terms. The quantitative balance for land and floorspace is shown below in each local authority is shown below, with 'high' and 'low' figures relating to the variation across the three economic scenarios.

Figure B: Quantitative Supply-Demand Balance – Floorspace

	Floorspace Demand				Floorspace Supply					Requirement (+)/ Surplus (-)
	Office B1a/b	Industrial B1c/B2	Warehouse B8	Total	Office B1a/b	Industrial B1c/B2	Warehouse B8	B Mixed	Total	
Crawley Low	100763	-11041	156943	246665						7335
Crawley High	122838	23309	162435	308582	124918	-5867	17874	102405	239330	69252
Horsham Low	30397	17247	46489	94133						-64727
Horsham High	43439	23466	51331	118236	33042	10671	32698	82449	158860	-40624
Mid Sussex Low	44957	17103	34214	96274						-2758
Mid Sussex High	58899	21726	38223	118848	43321	20313	23425	11973	99032	19816
NWS Low	176117	23309	237646	437072						-60150
NWS High	225176	68501	251989	545666	201281	25117	73997	196827	497222	48444

Source: GL Hearn

Figure C: Quantitative Supply-Demand Balance – Land (Ha)

	Demand				Supply					Shortfall/ Surplus
	Office	Industrial	Warehouse	Total	Completi ons	Committ ments	Allocations	Vacant Land	Total	
	B1a/b	B1c/B2	B8							
Crawley Low	19.3	-2.8	34.9	51.4						7.3
Crawley High	23.5	5.8	36.1	65.5	7.24	7.28	8.33	21.3	44.1	21.4
Horsham Low	6.1	4.3	10.3	20.7						-13.3
Horsham High	8.7	5.9	11.4	26.0	10.94	1.34	5.23	16.5	34.0	-8.1
Mid Sussex Low	9.0	4.3	7.6	20.9						0.1
Mid Sussex High	11.8	5.4	8.5	25.7	12.24	1.34	3.63	3.5419	20.75	5.0
NWS Low	34.4	5.8	52.8	93.0						-5.9
NWS High	44.0	17.1	56.0	117.1	30.4	10.0	17.2	41.3	98.9	18.3

Source: GL Hearn

- 6.6 The Employment Land Review identifies a need to allocate between 7 – 22 ha of employment land in Crawley Borough and up to 5.0 ha in Mid Sussex District to meet economic needs to 2026. When account is taken of vacant land in Horsham District, there is a notional surplus of between 8 – 13 hectares, but a need to restructure the land supply to better meet business needs. Across the sub-region, while there is a declining demand for industrial floorspace this is counteracted by an increased demand for warehouse floorspace.
- 6.7 In qualitative terms, the Employment Land Review identifies a need to improve the quality of existing town centres to support the office market, with the greatest potential in Crawley, linked to the delivery of the Town Centre North Regeneration Scheme, and in Haywards Heath. In Horsham and East Grinstead there is a need to consolidate office provision.
- 6.8 It is considered that there is a strategic gap in the portfolio of employment sites within the sub-region relating to high quality ‘campus’ business park locations. This type of property offer is currently somewhat under-developed relative to other parts of the sub-region, including the Thames Valley, Surrey and Kent.
- 6.9 In the industrial market, Manor Royal in Crawley, the Victoria Business Park in Burgess Hill and the Birches Industrial Estate in East Grinstead adequately meet strategic demand. There is potential for progressive redevelopment of the first two, and a small extension of the third to meet future demand. It will though continue to be important to invest in their environment and infrastructure.
- 6.10 The report sets out specific recommendations for the portfolio of sites in each of the three local authorities. In each it identifies key sites with employment development potential to be retained, and proposals for further land allocations.

- 6.11 In Horsham District, the report identifies the need to reduce the oversupply of office accommodation in Horsham itself through providing some flexibility in the sub-division and change of use in Horsham Town Centre, except on North Street and Chart Way. It supports mixed use redevelopment on key sites around Albion Way, Worthing Road and Springfield Road. It identifies the potential for an allocation of 6 hectares of land for B1 or B2 use within strategic development West of Southwater and/or North of Horsham to aid business retention and potentially to help develop a science/ innovation cluster linked to some of the R&D activities currently focused in the town. A need for additional employment land in the south of the District is identified to support the local economy, with a recommendation that an allocation of 2 hectares of land as an extension to Wiston Business Park on the A24 should be considered alongside intensification of existing sites. In Billingshurst it is recommended that if strategic development is brought forward, this should be used to restructure the town's employment offer with a potential allocation of 4 hectares of employment land and rationalisation of existing sites around the rail station.
- 6.12 In Mid Sussex District, the report promotes progressive redevelopment together with improvements to environment and infrastructure at the Victoria Business Park in Burgess Hill. 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. Consideration of an allocation of an additional 3 hectares of land for industrial and warehouse development at East Grinstead as an extension to the existing cluster around Imberhorne Lane is recommended. For office development, Haywards Heath has the strongest office market and the report supports delivery of additional office space as part of mixed-use development as part of the Station Quarter Regeneration Scheme. In East Grinstead and Burgess Hill it identifies potential for selective redevelopment or conversion of office space where there is an identified local oversupply.
- 6.13 The Employment Land Review identifies stronger net growth in the warehouse market in Crawley than in the office market over the period to 2026, although it is recommended that this is kept under review. It recognises that differences in the office market for town centre space from professional services as against that out-of-town which is focused towards aviation-related activities. Town Centre North will be important in improving the attractiveness of the town centre to office occupiers, and the report recommends that further development is focused on London Road, the Boulevard and Station Way. It supports mixed use redevelopment around the Station Gateway. In the Three Bridges Corridor, the Council's current policy supporting mixed use development is considered to remain appropriate. While a number of large sites are now or likely to become available shortly in Manor Royal, there is

likely to be a need for further employment development over the plan period to 2026. The most appropriate location will need to be considered as part of a linked strategy for housing and infrastructure provision.

- 6.14 The Report sets out that while there is not a quantitative argument for strategic employment land provision, such as a major new business park, there is qualitative case in order to improve the commercial property offer, capture investment and improve the sub-region's relative economic positioning. Strategic employment land provision would provide a recognised high quality business destination of regional significance, with access to key amenities and shared facilities. It would be of sufficient scale and profile to attract market interest, with a high value-added focus with scope for science and innovation.
- 6.15 The Report explores two potential locational options. Locating this at Crawley would provide access to the largest labour force and international markets, and benefit from the town's existing well developed commercial market, transport and business infrastructure. However this needs to be balanced against the high existing net in-commuting to the town, and key infrastructure constraints related particularly to highways infrastructure capacity taking account of planned residential growth. The alternative option would be a location further to the south, for instance at Burgess Hill or as part of a new settlement on the A23 Corridor. This might help to provide an alternative employment focus, but it would potentially be more difficult to attract investment and would represent a higher-risk option.
- 6.16 If strategic employment land provision is brought forward in the sub-region, the report make it clear that it must be sustainable in terms of achieving additional growth in higher-value added activities rather than attracting investment away from existing centres. It is envisaged that it would focus on addressing the gap in high quality B1a and B1b floorspace and be focused on corporate occupiers. It would be necessary to implement a number of controls to manage and control impact, including in defining a clear marketing strategy, phasing delivery vis-à-vis investment and development of other employment locations, and establishing controls on delivery phasing and the level of speculative development.