

Northern West Sussex Economic Growth Assessment Focused Update for Mid Sussex

Mid Sussex District Council

December 2021

LICHFIELDS



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1.0 Introduction

- 1.1 Mid Sussex District Council (“MSDC”) commissioned Lichfields to undertake a focused update to the 2020 Northern West Sussex Economic Growth Assessment (‘EGA’) for Mid Sussex.
- 1.2 The 2020 EGA, also prepared by Lichfields, provided a comprehensive evidence base for employment and economic development needs across the Northern West Sussex area¹ during the period to 2036, having regard to the National Planning Policy Framework (‘NPPF’) and Planning Practice Guidance (‘PPG’).
- 1.3 The purpose of this focused update is to provide supplementary and updated economic evidence specifically to inform the approach to economic growth and employment land policies within the emerging Mid Sussex Local Plan for the period between 2021 and 2038. This report partially updates the findings of the 2020 EGA study as they relate to Mid Sussex and should be read alongside it.

Scope of the Study

- 1.4 MSDC is in the process of producing a new Local Plan to 2038 and requires a focused update to the District’s economic evidence base to reflect the changing economic and policy landscape which has evolved significantly since the EGA was prepared in 2020.
- 1.5 In this context, the scope of this update study requires consideration of the following:
- 1 The impact of the Covid-19 pandemic on the District’s economy and how this may affect local growth prospects over the new Local Plan period;
 - 2 Implications of the new Class E and related Permitted Development Rights (PDR) in terms of planning for economic development and employment uses in the District;
 - 3 Updated economic growth scenarios and employment land requirements for the District over the new Local Plan period to 2038, drawing on the latest job forecasts, take-up monitoring data, and the Standard Method housing requirement; and
 - 4 Assessing the updated demand/supply balance position for employment land in the District over the new Local Plan period and providing policy recommendations for the new Local Plan arising from the above.
- 1.6 All other aspects of the 2020 EGA remain unchanged.
- 1.7 This focused EGA update has been prepared in line with the PPG and the methodology for determining future economic development needs, which at the time of drafting remains unchanged despite the introduction of the new Class E in September 2020. It includes consideration of economic development as defined by the NPPF, with a primary focus upon the typologies set out in the business Use Classes as outlined below:
- **B2 general industrial:** typically comprising factory and manufacturing space.
 - **B8 storage and distribution:** warehouses, wholesale and distribution.
 - The 2020 EGA report refers to “B1 uses”, which under the new Use Classes Order have changed as follows:
 - Former Class B1(a) to **E(g)(i)**;
 - Former Class B1(b) to **E(g)(ii)**; and
 - Former Class B1(c) to **E(g)(iii)**.

¹ Comprising the local authority areas of Crawley Borough, Horsham District and Mid Sussex District

- 1.8 References to ‘employment space’ refer to all B class (and former B class) elements noted above.
- 1.9 It should be noted that there are a variety of factors and drivers to consider when objectively assessing the business context and needs for a local economy. The study uses a combination of quantitative and qualitative analysis to examine these issues in the context of the District and synthesises this analysis to draw overall conclusions and policy implications for long-term planning across Mid Sussex.
- 1.10 An important consideration for any work of this type is that it is inevitably a point-in-time assessment. This study has incorporated the latest data and other evidence available at the time of preparation in October/November 2021. The accuracy and sources of data derived from third party sources has not been checked or verified by Lichfields.

Structure of the Report

- 1.11 This focused EGA update is structured under the following sections:
- **Economic Context and Trends (Section 2.0):** an update on the analysis of the economic context in Mid Sussex District presented in the 2020 EGA that considers recent economic conditions and trends.
 - **Commercial Property Market Signals and Intelligence (Section 3.0):** a review of recent trends in the local commercial property market, including the supply of, and demand for, different types of employment space within Mid Sussex District and the needs of different market segments.
 - **Growth Scenarios and Employment Land Requirements (Section 4.0):** an estimate of future employment space requirements in quantitative terms drawing upon the latest employment forecasts and other factors.
 - **Implications for Demand and Supply Balance (Section 5.0):** an assessment of the balance between existing land supply and future requirements in both quantitative and qualitative terms.
 - **Conclusions and Policy Considerations (Section 6.0):** a consideration of planning policy and other strategic measures that will be needed to support future growth and business needs within the District over the new Local Plan period.

2.0

Economic Context and Trends

2.1

This section summarises recent economic conditions and trends in Mid Sussex District, focusing on key changes that have occurred since the publication of the 2020 EGA.

Employment

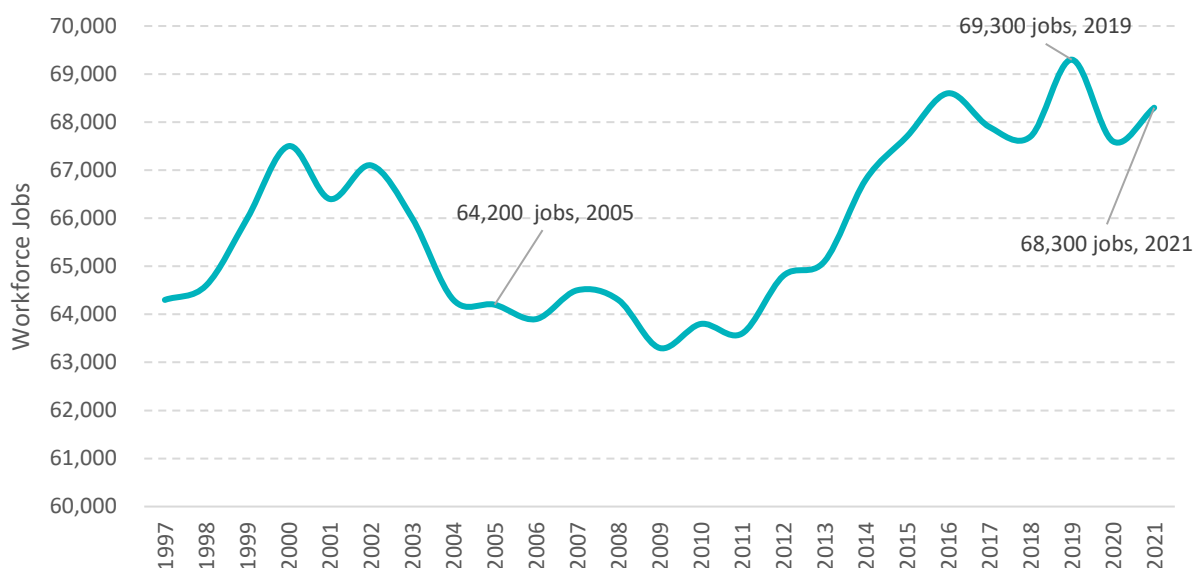
2.2

Based on the latest available Experian data, Mid Sussex District accommodated 68,300 workforce jobs in 2021, representing a small decline of 1.4% (-1,000 jobs) over the period from 2019 (i.e. the baseline year for the 2020 EGA²). This rate of job decline is lower than that recorded in the South East (-2.0%) and the UK (-2.4%) during the same period.

2.3

As shown in Figure 2.1 below, the District's employment base has declined over the last two years (-1.4%); however there has been an increase since 2020 of 1.0% showing that the labour market has started recovering following the Covid-19 pandemic.

Figure 2.1 Mid Sussex Workforce Jobs Experian, 1997 to 2021



Source: Experian (2021) / Lichfields analysis

2.4

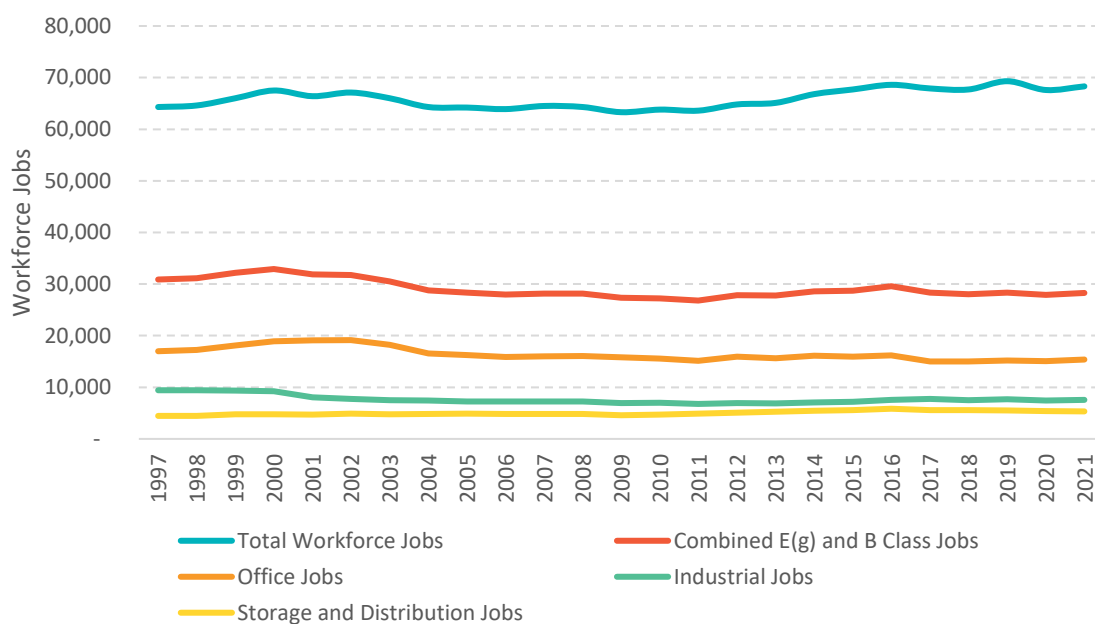
Since 2005, over the last 17-year period (i.e. equivalent to the length of the Plan period), there has been a small increase of 6.4% (+4,100 jobs) in Mid Sussex District. Equivalent analysis in the 2020 EGA also highlighted a long term trend of employment growth in the District over the last 17-year period.

2.5

Overall, total workforce jobs in Mid Sussex have remained relatively stable over the last 17 years and this has also been the case for office, industrial and storage and distribution jobs. Figure 2.2 overleaf shows that office-based sectors have seen a small decline (-5.2%), while industrial and storage and distribution sectors have seen increases in their representation of 3.9% and 9.5%, respectively. The proportion of E (g) and B Class jobs in the District over the last 17 years has remained relatively stable, with approximately 28,260 E(g) and B Class jobs recorded in 2021 (41.4% of the total).

² Of note, 2020 EGA was based on Oxford Economics (2018) forecast.

Figure 2.2 Total Workforce, Office, Industrial and Storage and Distribution Job Change, 1997 to 2021



Source: Experian (2021) / Lichfields analysis

Workforce Productivity

2.6 Mid Sussex District's economy is expected to generate £3.3 billion of gross value added (GVA) over the course of 2021 based on Experian data. This represents a decline of just 1.9% (-£630 million) over the last two years (i.e. since 2019, the base year for 2020 EGA).

2.7 Workforce productivity within Mid Sussex on a per worker basis is lower than the UK and South East averages (see Table 2.1). Compared to 2019, there has been a small decrease of 0.4% which is below the national average. However, productivity per worker in the South East increased by 0.8% across the last two years. In 2021 each workplace job in Mid Sussex is estimated to generate £48,662 GVA over the year.

Table 2.1 GVA per Worker by Location, 2019 to 2021

Location	GVA per Worker (p.a.)		2019-2021 Change
	2019	2021	
Mid Sussex	£48,869	£48,662	-0.4%
South East	£57,382	£57,867	0.8%
United Kingdom	£54,555	£54,237	-0.6%

Source: Experian (2021) / Lichfields analysis

2.8 Mid Sussex has experienced the greatest increase in GVA per worker over the last 17 years (12.5%), when compared to the South East (10.5%) and UK (6.8%).

Table 2.2 GVA per Worker by Location, 2005 to 2021

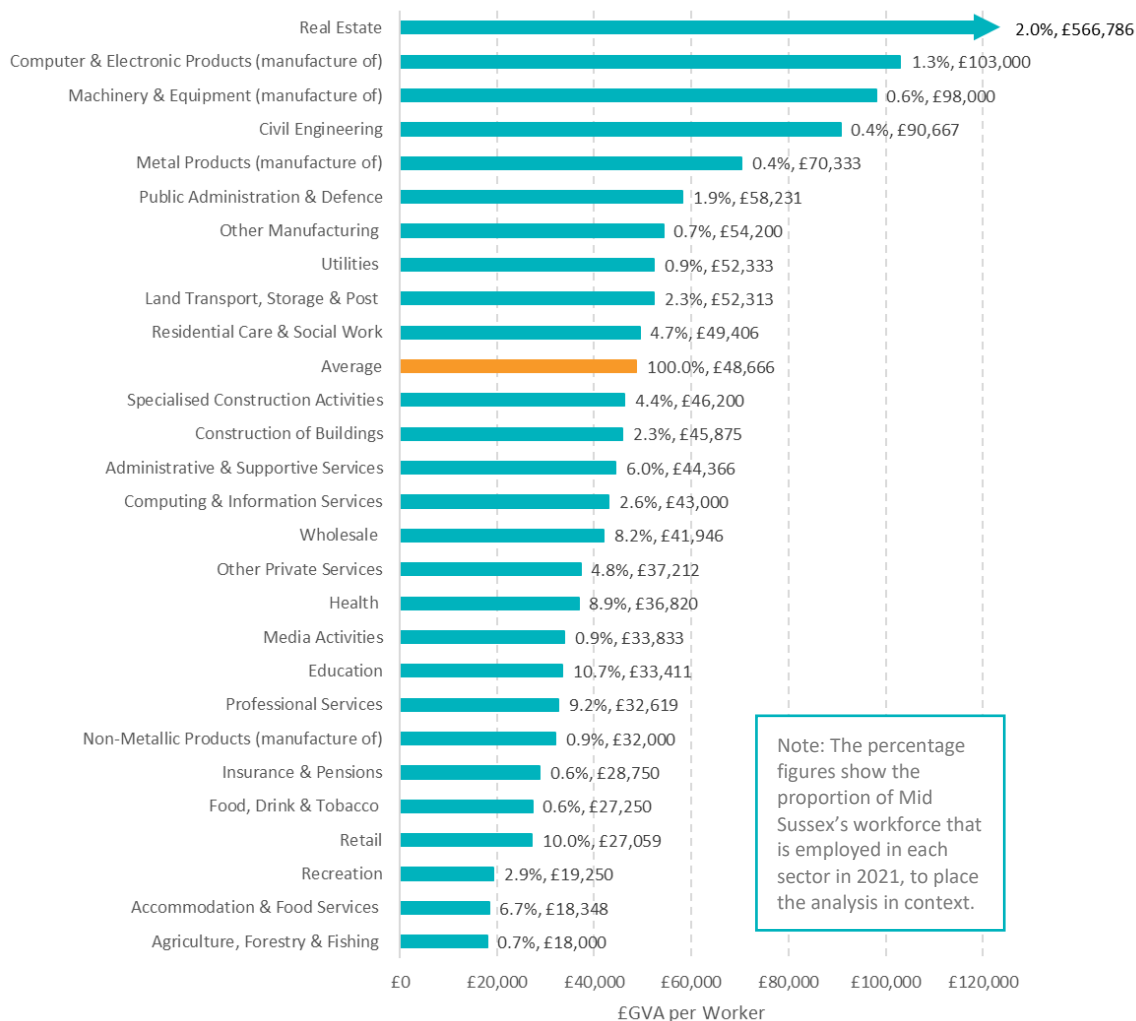
Location	GVA per Worker (p.a.)		2005-2021 Change
	2005	2021	
Mid Sussex	£43,251	£48,662	12.5%
South East	£52,347	£57,867	10.5%
United Kingdom	£50,793	£54,237	6.8%

Source: Experian (2021) / Lichfields analysis

2.9 Workforce productivity within Mid Sussex's economy inevitably varies by sector, with sectors such as real estate, manufacturing of computer and electronics and machinery generating the highest average levels of GVA per worker based on Experian (see Figure 2.3).

2.10 Comparatively the added economic value supported by sectors such as agriculture, accommodation and food and recreation is much less significant. However, the sectors with lower than the average added value such as human health and social work, education, retail and wholesale employ a significant proportion of the local workforce (each above 10%), which partly explains the below regional average levels of workforce productivity in Mid Sussex.

Figure 2.3 Mid Sussex Sector Productivity 2021



Source: Experian (2021) / Lichfields analysis

Labour Market

- 2.11 Table 2.3 summarises a range of labour market metrics for Mid Sussex, the South East and United Kingdom. This shows that the economic activity rate in Mid Sussex stands at 79.2%, which is slightly higher than the national average (78.2%), and 1.6% below the South East (80.8%). Compared to the 2020 EGA findings, the economic activity has decreased by 5.8% (as in 2018³).

Table 2.3 Key Labour Market Characteristics, 2021

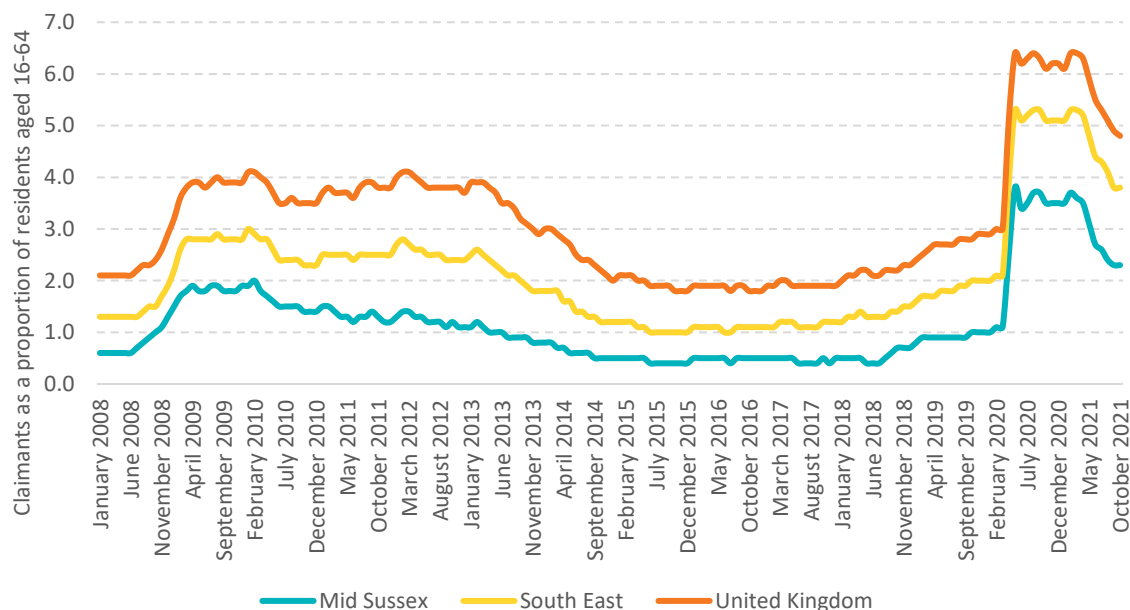
Metric		Mid Sussex	South East	United Kingdom
Economic activity rate age 16 to 64		79.2%	80.8%	78.2%
Out-of-work benefits claimants as a proportion of residents aged 16-64 (October 2021)		2.30%	3.80%	4.80%
Resident occupation group (2021)	SOC Major Group 1 - 3	64.3%	52.9%	49.7%
	SOC Major Group 4 - 5	16.6%	19.3%	19.2%
	SOC Major Group 6 - 7	14.5%	15.5%	16.1%
	SOC Major Group 8 - 9	7.4%	12.0%	14.7%
Median gross weekly earnings by resident		£674.3	£660.1	£610.7
Median gross weekly earnings by workplace		£581.7	£635.0	£610.7

Source: ONS (2021) / Lichfields analysis

- 2.12 The District supports a much lower level of out-of-work benefit claimants than other parts of the South East and the United Kingdom. Moreover, Mid Sussex resident occupations are also generally higher skilled, with a greater percentage of residents employed in SOC Major Group 1-3. Mid Sussex has 64.3% of resident occupations falling within the 3 highest SOC groups, which consist of managers and director jobs, compared to both the South East (50.7%) and the UK (45.6%). Compared to the 2020 EGA (i.e. 2018 data), this portion has increased by 11.9%.
- 2.13 In terms of average earnings in Mid Sussex, the resident weekly earnings are around £92 a week higher than workplace earnings, which suggests that many Mid Sussex residents leave the District to access higher paid employment elsewhere. Compared to 2020 EGA, the gap between resident and workplace earning has increased by £6.60 per week.
- 2.14 Claimants as a proportion of residents aged 16 to 64 stands at 2.3% (at October 2021), which is below the equivalents in the South East (3.8%) and the UK (4.8%). However, in March 2020, before the Covid-19 pandemic the claimants' portion of residents aged 16 to 64 was 1.1% (+109%), while the South East equivalent was 2.1% (+81%) and the UK's was 3.0% (+60%).
- 2.15 Longer terms trend since January 2008 are presented in Figure 2.4. Overall, the trend follows the same pattern across the three geographies however, Mid Sussex has always had a lower claimant unemployment rate.

³ 2020 EGA - Table 5.6, pg. 66

Figure 2.4 Claimants as a Proportion of Residents Aged 16 to 64

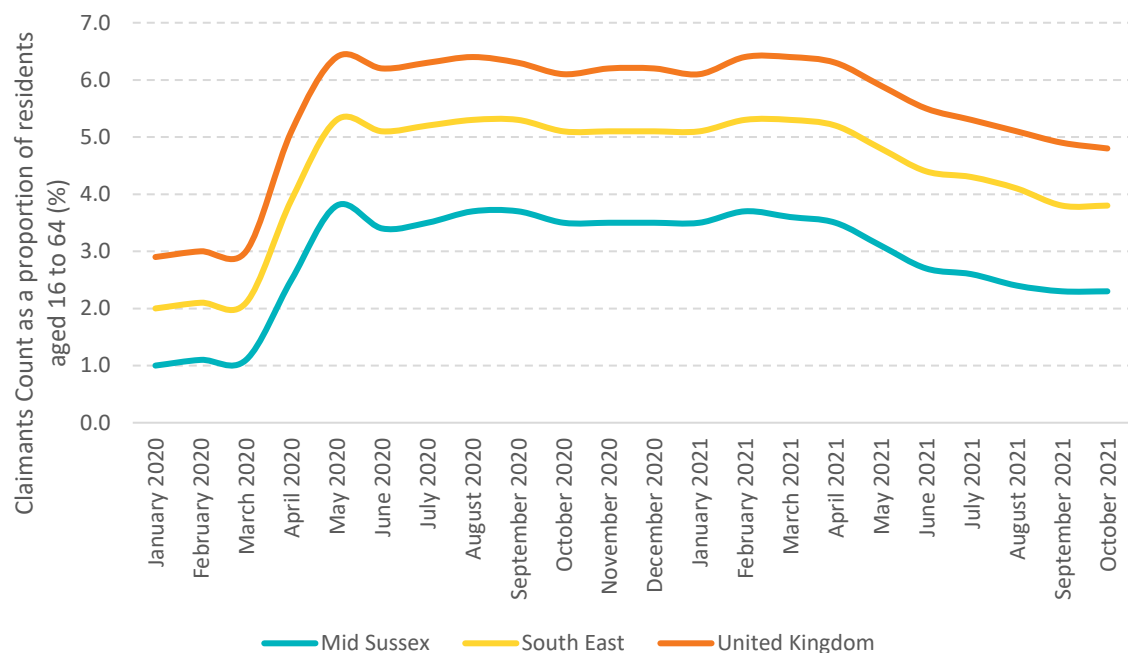


Source: ONS (2021) / Lichfields analysis

Covid-19 Impacts and Implications

- 2.16 The outbreak of Covid-19 and resulting pandemic developed rapidly in 2020 with far reaching impacts on the economy and business across the country. Lockdown measures led to unprecedented shut downs of large parts of the economy simultaneously, with effects being transmitted rapidly across most sectors. While restrictions have since been gradually lifted, at the time of drafting there remain some public health measures in place, and it is therefore difficult to assess the full extent of the economic impact. Various macro scenarios and forecasts continue to emerge to help understand the potential outcomes and impacts of Covid-19 on the UK economy, and the local implications of these for Mid Sussex District are considered as part of this EGA Update (see section 4.0).
- 2.17 Across the local economy, cumulatively 26,400 people have been furloughed since the Covid-19 outbreak according to [HMRC Coronavirus Job Retention Scheme Statistics](#) (as in November 2021). This represents 37.7% of the total residents aged 16 to 64, while the equivalent across the South East is 34.7% and the UK is 29.8%.
- 2.18 Latest ONS data (as in October 2021) shows that the Covid-19 pandemic has had an effect on the District's economy, with impacts easing over the last few months as presented in Figure 2.5. In particular, the claimant count increased throughout the pandemic and spiked in May 2020 when 3.8% of the District's residents aged 16-64 were claiming out-of-work benefits. However, the equivalents in the South East and UK were higher at 5.3% and 6.4%, respectively.
- 2.19 Since April 2021, there has been a decline on those claiming benefits across all the geographies. Mid Sussex has seen a decrease of 34.3% on claimants which is more significant than those recorded in the South East (-26.9%) and the UK (-23.8%). However, the claimant count still remains double that of pre-pandemic (January 2020) figures.

Figure 2.5 Claimant Counts, January 2020 onwards



Source: ONS (2021) / Lichfields analysis

2.20

With regards to planning for economic growth and employment space, it is arguably still too early to understand how the pandemic and resulting structural changes may affect how businesses operate and the resultant demand for employment land. Notwithstanding the ongoing uncertainty, it is likely that the Covid-19 pandemic will induce and accelerate some structural economic changes that will influence patterns of local economic growth and development, some of which are summarised below:

- **Growth of key sectors:** based on the economic response to Covid-19 over the last 18 months, there are a number of sectors (summarised in Table 2.4) that appear to face particular growth opportunities as the UK economy continues to recover and moves to a post-Covid-19 economy.
- **A shift from larger cities:** public transport represents one of the key barriers to a full return to the workplace. Allied with increased demands for public and private open space, together with more general issues relating to the affordability of housing, it is possible that an increasing number of people will look to relocate away from London and other large cities to locations that offer other quality of life factors. A shift towards greater levels of home-working may facilitate this. Areas such as Mid Sussex District which balance an attractive rural environment with strong transport links could be well placed to benefit from these economic drivers.
- **Increased home-working/reduced office demand:** in the short-term, social distancing requirements will mean that fewer people will be able to work from formal office spaces. In the medium to longer term, people might look to the success of home working as a justification to shift to new working arrangements on a more permanent basis. This may reduce the overall demand for office space and trigger a shift in occupier requirements for more flexible workspace that enables employees and partners to come together to collaborate and share ideas.

Table 2.4 Covid-19: Key sector growth opportunities

Sector	Rationale
Health / life sciences / medtech	Covid-19 has fundamentally been a health crisis. It has been fought by front-line health workers and its long-term resolution lies in a public health solution. Significant investment has been made in life-sciences to develop vaccines and it is likely that there will be a greater focus on this sector in future in terms of both public and private investment.
Logistics	The logistics sector has been instrumental in keeping the country and its economy operational through the pandemic and it is likely that this will also be given a greater emphasis in the future. This may particularly be the case if some decentralisation of population and economic activity does occur.
Energy / Environmental	Building back a green and resilient recovery lies at the heart of the government's Covid-19 policy response, recognising the opportunity the pandemic provides to shift to a greener economy and support wider Net Zero goals. Specific proposals include increased investment in low carbon innovation and industries; focusing on those sectors that can support the environment; and ensuring that companies receiving government support are operating in a manner consistent with climate goals.
IT/ Communications	Home working and social restrictions have required regular use of technology to a much greater degree. It is likely that online/teleconferencing platforms will continue to grow after Covid-19 passes. Similarly, increased home working and growth in key sectors such as life-sciences, green energy and logistics will all rely on continued advances in IT.
Tourism / Hospitality	Although this sector has faced some of the most substantial economic disruption so far, there is the potential that it will grow significantly, particularly if people remain cautious about international travel and/or some level of restrictions exist, and therefore choose to holiday in Britain instead.

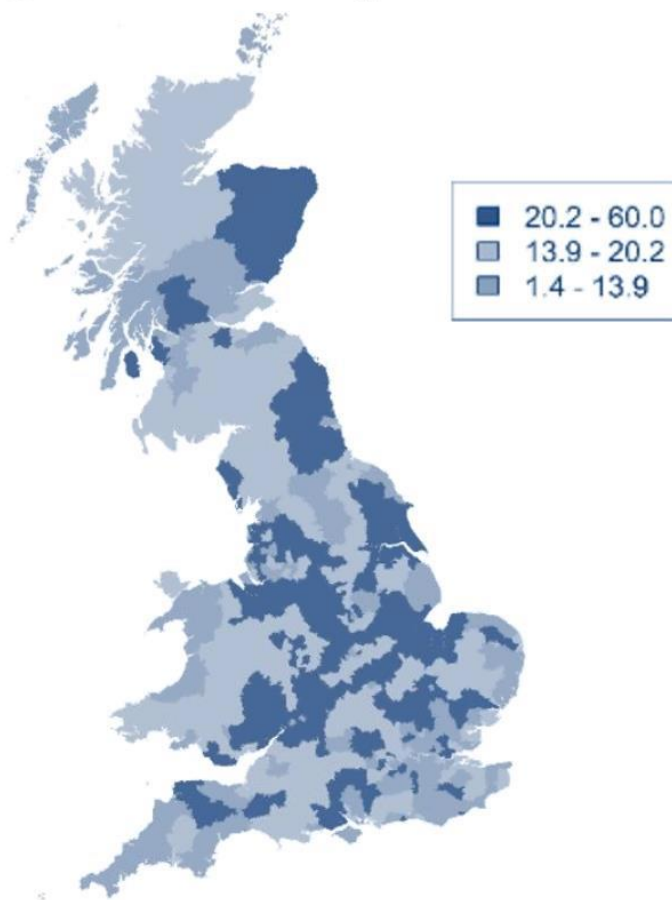
Source: Lichfields analysis

- 2.21 These ongoing structural changes present both challenges and opportunities for locations like Mid Sussex District which has traditionally accommodated a relatively secondary office and industrial market. The District stands to benefit from a shift towards more localised working patterns should home-working and agile working become more prominent. The recent market trends and commercial space developments for logistics means Mid Sussex District may capture future growth opportunities accelerated by the Covid-19 pandemic and the public health response.

Implications of Brexit

- 2.22 The Brexit deal agreed with the EU in December 2020 avoided further economic challenges associated with a 'no-deal' Brexit, however there is evidence of some ongoing friction in trade and travel with Europe as different sectors of the economy work through the practicalities of the new trading arrangements and restrictions. This could pose key challenges to any business that trades with or via Europe, regardless of their location within the country.
- 2.23 Areas with a large presence of 'high Brexit risk sectors' are likely to be most exposed to short term impacts, typically with strong local reliance on sectors such as manufacturing, wholesale, fuel refining, extraction and mining, insurance and air and water transport. Recent analysis by Experian suggests that more than 20% of the District's GVA (economic output) is concentrated within sectors considered to be at the highest Brexit risk (Figure 2.6).

Figure 2.6 Experian Local Area Brexit Risk

% of GVA concentrated in 'high risk' sectors

Source: Experian (2021)

Summary

2.24

Based upon the analysis presented above, the key findings can be summarised below:

- a The District has seen increased productivity rates over the last 17 years, combined with higher than average earnings (workplace and resident-based), and percentage of residents in higher paid occupations compared to the South East and UK averages;
- b Total workforce jobs in Mid Sussex have remained relatively stable over the last 17 years and this has also been the case for office, industrial and storage and distribution jobs. Office-based sectors have registered a small decline (-5.2%), while industrial and storage and distribution sectors have seen increases in their representation of 3.9% and 9.5%, respectively. The proportion of E (g) and B Class jobs in the District has remained relatively stable, with approximately 28,260 E(g) and B Class jobs recorded in 2021 (41.4% of the total);
- c There has been generally strong recovery following the immediate economic shock caused by the Covid-19 pandemic, with the District having a lower rate of out-of-work benefit claimants when compared to the South East and UK (although still above the pre-pandemic position);
- d Although it is expected that there will be business disruption caused by Brexit that could threaten short term productivity and growth within key sectors locally (such as

transport, wholesale, manufacturing etc), the impacts of Covid-19 in sectors such as transport and wholesale has increased their growth in terms of both employment and GVA (economic output). Whilst there remains some uncertainty in the short-term economic outlook, over time the District is likely to see structural changes resulting from the pandemic across a range of sectors.

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3.0

Commercial Property Market Signals and Intelligence

3.1

This section provides an update of recent trends and changes to the stock of employment space in Mid Sussex District, and an overview of the local commercial property market including recent trends in demand and supply. The analysis draws on data recorded by the Valuation Office Agency (VOA), the Council's monitoring database, the CoStar commercial property database, as well as latest published market reports and insights.

Stock of Employment Space

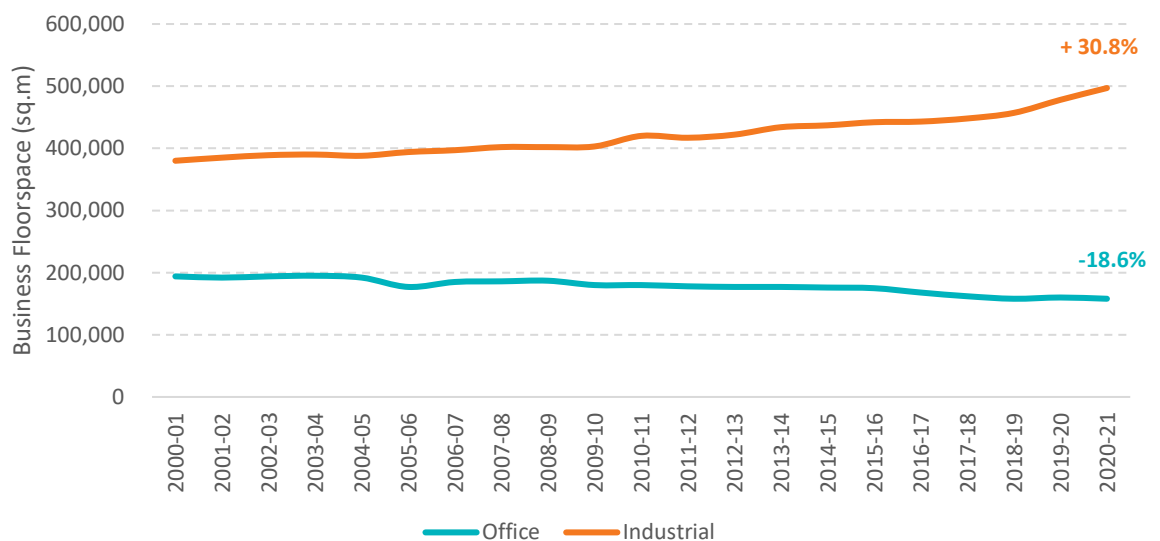
3.2

In 2021, Mid Sussex contained 655,000 sqm of business floorspace comprising 497,000 sq.m of industrial and 158,000 sq.m of office space. Since the 2020 EGA, there has been an increase of 8.3% in the industrial floorspace, while the office equivalent remained unchanged according to the VOA.

3.3

From 2000/01 to 2020/21, the office floorspace in Mid Sussex decreased by 36,000 sq.m (- 18.6%), while the industrial floorspace increased by 117,000 sq.m (+30.8%).

Figure 3.1 Change in Business Floorspace in Mid Sussex (2000/01 to 2020/21)



Source: VOA (2021) / Lichfields analysis

Historic Development Rates

3.4

Monitoring data provided by MSDC (via West Sussex County Council) has been used to analyse the nature of employment floorspace completions in the District between 2011 and 2020. This updates the equivalent 2020 EGA analysis by providing two additional years. Gains and losses refer to actual completions rather than planning permissions (which may or may not be implemented).

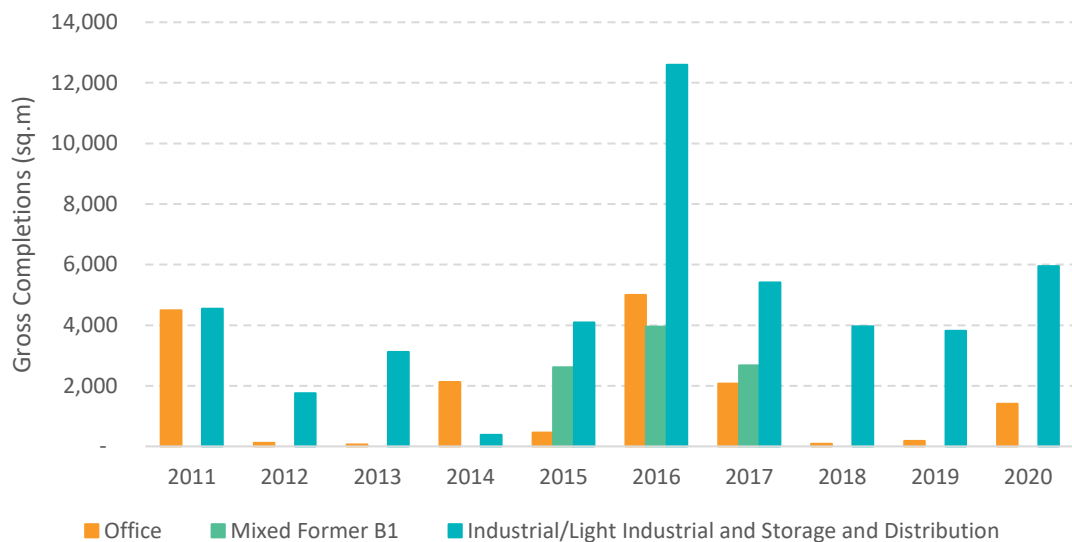
Gross Gains

3.5

In overall terms, gross gains of employment floorspace in Mid Sussex totalled 70,860 sq.m between 2011 and 2020, recording an additional 11,350 sq.m over the latest two years. As

presented in Figure 3.2, the main driver of recent development has been industrial, storage and distribution space across the District.

Figure 3.2 Gross Employment Space Completions in Mid Sussex, 2011 to 2020



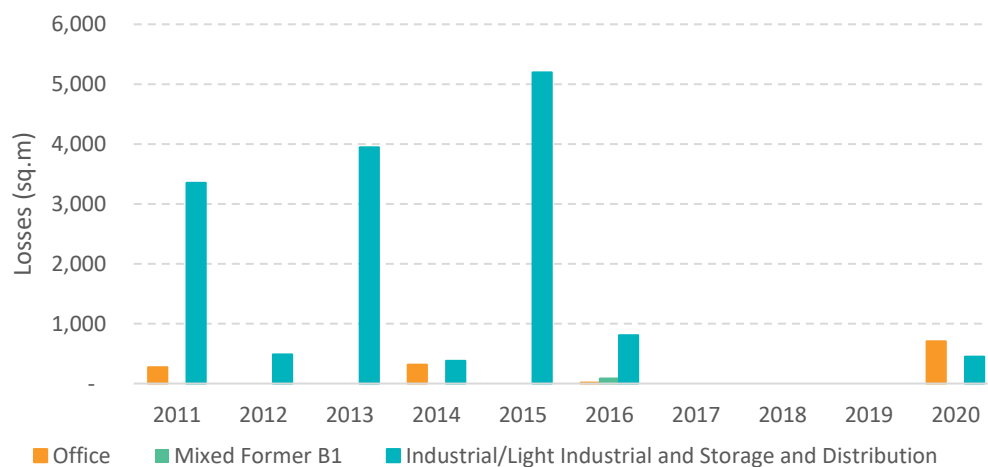
Source: West Sussex County Council 2020 / Lichfields analysis

- 3.6 As shown above, the greatest gains occurred in 2016, when over 21,000 sq.m of employment space was delivered, of which 58% related to industrial, storage and distribution uses.

Losses

- 3.7 Between 2011 and 2020, a total of 16,020 sq.m of employment space in the District was lost to other uses. Losses data for the 2019 monitoring year is not available. Data for 2017 and 2018 recorded as part of the EGA 2020 also did not record any floorspace loss. As presented in Figure 3.3 below, the majority of losses over this period related to industrial, storage and distribution uses and have been vary variable year-on-year.

Figure 3.3 Employment Space Losses in Mid Sussex, 2011 to 2020



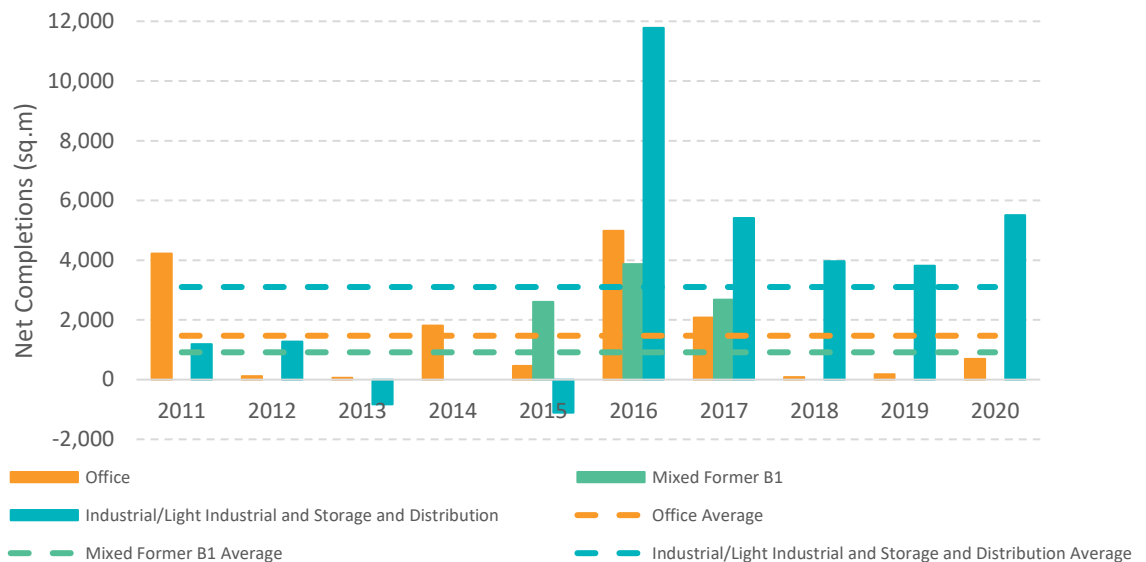
Source: West Sussex County Council 2020 / Lichfields analysis

Note: 2017 - 2019 data is not available

Net Floorspace Change

- 3.8 Across the monitoring period as a whole, net completions were positive during this period, equivalent to 54,840 sq.m in total, or 5,484 sq.m per annum on average. Some 57% of this net gain related to industrial, storage and distribution space.

Figure 3.4 Net Employment Space Completions in Mid Sussex, 2011 to 2020

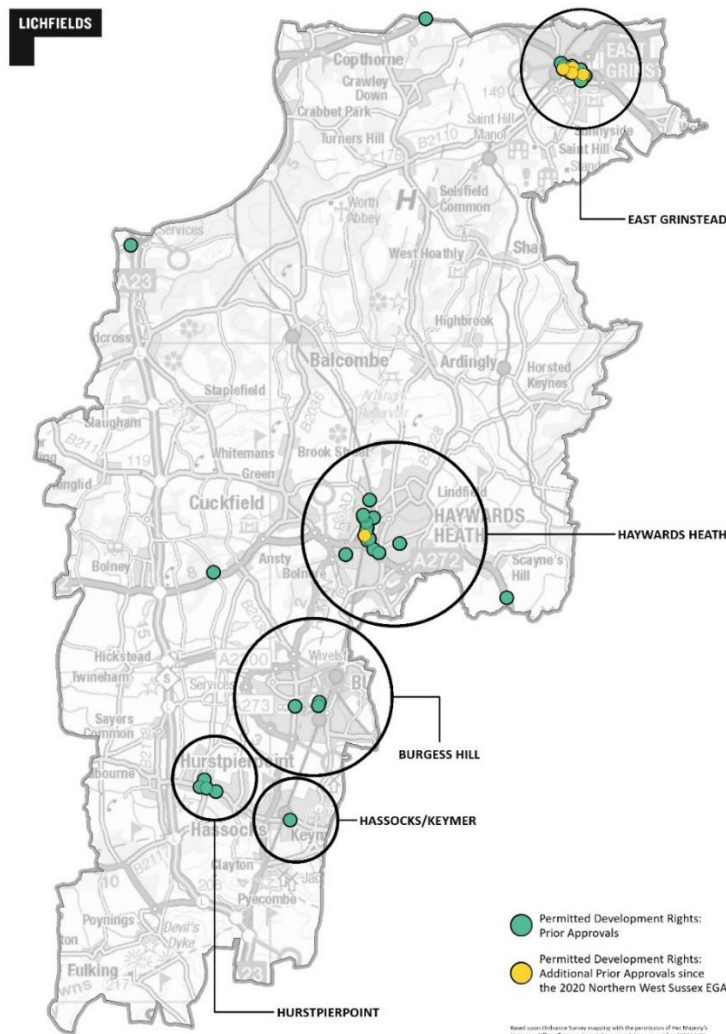


Source: West Sussex County Council 2020 / Lichfields analysis

- 3.9 It should be highlighted that the above net completions data is based on incomplete losses data for the 2017 to 2019 period as noted above. On this basis, potentially the net completions between 2017 to 2019 will be lower. However, the increase in the industrial stock predominantly relates to allocated and previously undeveloped land at Burgess Hill.

Permitted Development Rights

- 3.10 Analysis of monitoring data provided by Mid Sussex District Council indicates that 82 prior approval applications have been submitted since May 2013 for conversion of office space under the office to residential PDR. This represents 11 more than reported in the 2020 EGA.
- 3.11 The location of these prior approvals is shown below in Figure 3.5. The majority of prior approvals are located in the town of East Grinstead to the north of the District, and the town of Haywards Heath, the latter of which has historically operated as the main office location within the District. By comparison very few prior approvals have come forward in Burgess Hill and the smaller settlements of Hassocks/Hurstpierpoint.



Source: Mid Sussex District Council 2021 / Lichfields analysis

- 3.12 Information about the scale of office floorspace associated with these prior approvals and their current status is unavailable for most of the approvals, so it is not possible to quantify the total amount of office floorspace that has been, or could be, lost from the District's office supply portfolio if they were all to be implemented.

Office Market: National and Regional Trends

- 3.13 According to the latest RICS UK Commercial Property Survey⁴, the economic outlook has improved compared to previous quarters during the Covid-19 pandemic, due in part to the UK's successful rollout of the vaccination programme. The pandemic hit the office market especially hard across the country. The latest survey shows that the office market remains weak, with a rise in availability of leasable office space across the UK. Many businesses across the country are expected to scale back their office footprint to some extent over the next two years.
- 3.14 In Northern West Sussex, vacancy levels in the office market reached a two-year high in 2021 of 6.3%; with the pandemic having a marked impact on leasing activity and coupled with some

⁴ RICS (2021); UK Commercial Property Survey

recent supply additions, the region experienced the highest levels of vacancy over the past five years. Office space vacancy is forecast to continue to rise in the coming quarters.

- 3.15 Investment activity slowed markedly with only a few significant deals taking place in 2020 according to CoStar, with the most significant being the recent sale of one of the market's largest offices, The Office at Manor Royal (148,000 sq ft / 13,750 sq.m) in Crawley Business Quarter, which has been vacant since 2017 and is now understood to be converted for industrial use. This follows the conversion of First Choice House (57,000 sq ft / 5,300 sq.m) to residential use in 2018, following several notable departures such as Virgin Atlantic. These resulted in high vacancies in the Grade A segment of the office portfolio.
- 3.16 Asking rents for offices in Northern West Sussex followed the national trend of decline over the past year or so according to CoStar. Rents currently stand at around £19 per sq ft. At this level, the market is among the most affordable in the South East.

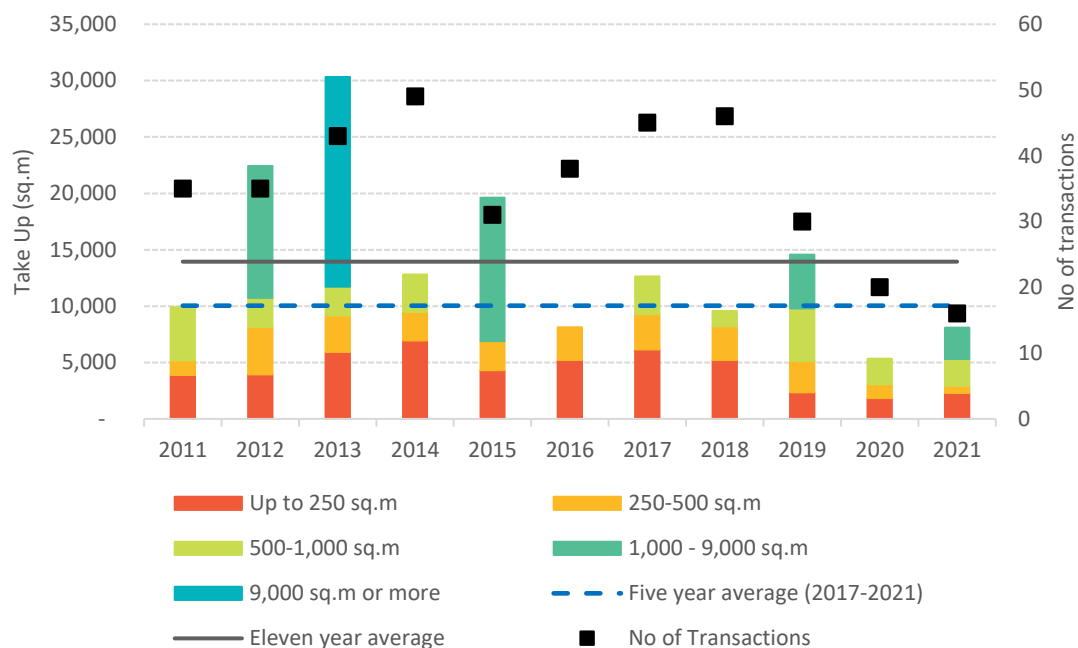
Local Office Market

- 3.17 The office market in Mid Sussex is generally weaker than its industrial market, with Haywards Heath traditionally attracting most demand and accommodating the largest clusters of office space. The 2020 EGA noted that demand did exist in 2020 for high quality Grade A offices and that a lot of the demand could not be satisfied by the existing stock on offer.
- 3.18 The local office market experienced rising vacancy rates over the past 12 months and currently stands at around 4% based on CoStar records. Office rents grew by 2.4% over the past 12 months. However, these currently average £16.8 per sq ft, which is below the sub-regional equivalent of £19.7 per sq ft. The office market in Mid Sussex has been more active in terms of office transactions in recent years, though that momentum has slowed in the past year. Covid-19 remains a major disrupter to the economy and continues to create uncertainty in the market.

Take-Up by Size

- 3.19 According to latest CoStar data, the total office space leased or sold in Mid Sussex District over the past 11 years (i.e. 2011-2021) amounted to 153,400 sq.m. Almost a third (31%) of this was attributed to small offices of up to 250 sq.m in size as shown in Figure 3.6 overleaf.
- 3.20 Take-up declined in 2020 with 5,337 sq.m of office floorspace taken up representing the lowest level of activity over the period. The activity in 2020, which reflects the impacts of Covid-19 across the market, relates to 17 leases of small-sized units and three sales of medium-sized units. Against the 11-year average (relating to an average of 29 leases and six sales), this suggests that although the pandemic has affected the market, there has been resilience in local office activity, and 2021 has so far has seen relatively strong activity.

Figure 3.6 Office Take-up by Size in Mid Sussex, 2011-2021



Source: CoStar (2021) / Lichfields analysis

Note: 2021 activity relates to Q1, Q2 and Q3

Stock Age and Quality

3.21

Across the District, there is a total of 233 office premises relating to a total of 232,825 sq.m of space based on the latest CoStar data. Table 3.1 summarises the age and quality of this existing office stock and shows that nearly half of the floorspace (48%) was built before the 1980's and 77% of the total floorspace was built before 2000. This suggests that the existing office stock in the District comprises mainly older premises compared to its newer post-2000s stock, which makes up just 12% of the total premises or 24% of total office floorspace.

Table 3.1 Age and Quality of Existing Office Space in Mid Sussex District (2021)

	Properties		Floorspace (sq.m)	
	#	% of Total	#	% of Total
Age of Stock				
Pre 1940s	72	31%	22,436	10%
1940s-1980s	73	31%	88,101	38%
1980s-2000s	59	25%	67,305	29%
Post 2000s	29	12%	54,983	24%
Total	233	100%	232,825	100%
CoStar Star Rating				
1-2 Stars	114	62%	57,491	25%
3 Stars	113	37%	145,927	63%
4-5 Stars	6	1%	29,407	13%
Total	233	100%	232,825	100%

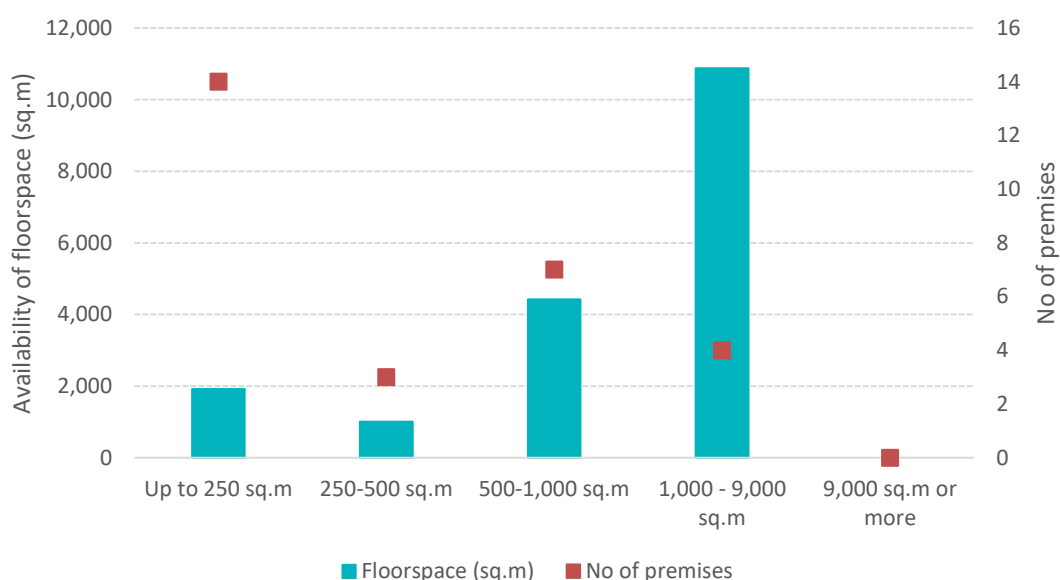
Source: CoStar (2021) / Lichfields analysis

- 3.22 In terms of quality, CoStar's star rating system uses market-tested criteria to analyse the quality of existing office and industrial stock. These account for architectural design, structures/systems, amenities, site/landscaping/exterior, and certifications. As shown above, the District's office stock generally falls within the lower categories, with just six properties (accommodating 13% of total office stock) characterised by 4-5-star rating.

Office Availability

- 3.23 CoStar data indicates that there are currently 28 office premises advertised as available (in November 2021). These relate to a total of 18,238 sq.m of office space or 7.8% of total office stock. Of this, one unit is currently under construction relating to 6,000 sq.m of office space in Perrymouth Road, Haywards Park. Half (50%) of the available premises are small offices of up to 250 sq.m and 25% are medium-sized offices of 500 to 1,000 sq.m. Figure 3.7 highlights the size bands of the available office floorspace in the District.

Figure 3.7 Availability of Office Floorspace by Size in Mid Sussex District (2021)



Source: CoStar (2021) / Lichfields analysis

- 3.24 Table 3.2 below shows available office supply set against 11-year and 5-year average take-up. Based on this, for office floorspace there is 1.31 years' supply taking into account the 11-year take-up average. Compared with the 5-year average take-up, this equates to 1.82 years' worth of office supply. Both of these figures demonstrate that there is limited supply of available office space across the District.

Table 3.2 Years of Available Office Supply in Mid Sussex District

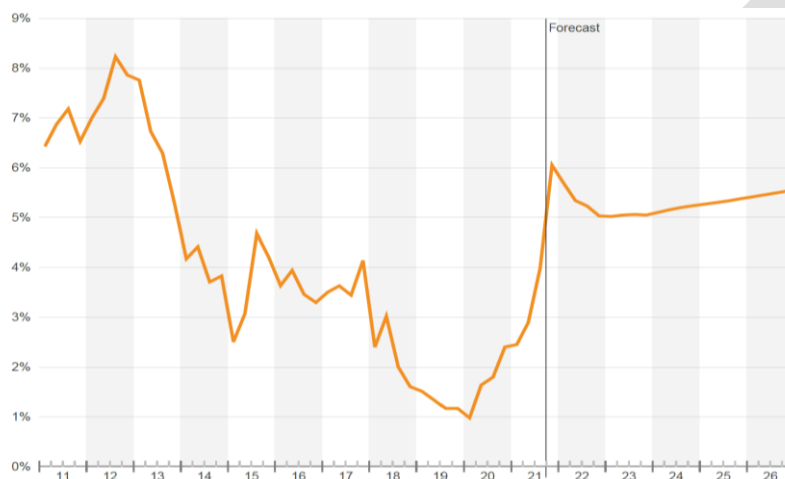
	Office
Annual Average Take-Up 2011-2021	13,945 sq.m
Available Supply	18,238 sq.m
Years of Available Supply	1.31
Annual Average Take-up 2017-2021	10,040 sq.m
Available Supply	18,238 sq.m
Years of Available Supply	1.82

Source: CoStar (2021) / Lichfields analysis

Vacancy Trends

- 3.25 Figure 3.8 below, provided by CoStar, shows the latest office vacancy trends in Mid Sussex District and a forecast for future vacancy levels to 2026. Overall, the trend shows the District as having low levels of vacancy over time. The highest vacancy level recorded in the last 11 years was in 2012 where vacancy levels reached over 8%. In 2021, the vacancy level stands at 5%, at a record high over the past five years, and underlines the impact that the Covid-19 pandemic has had on the District's existing office stock. The forecast expects that this level of vacancy will remain broadly constant over the next five years.

Figure 3.8 Office Vacancy Rates in Mid Sussex District



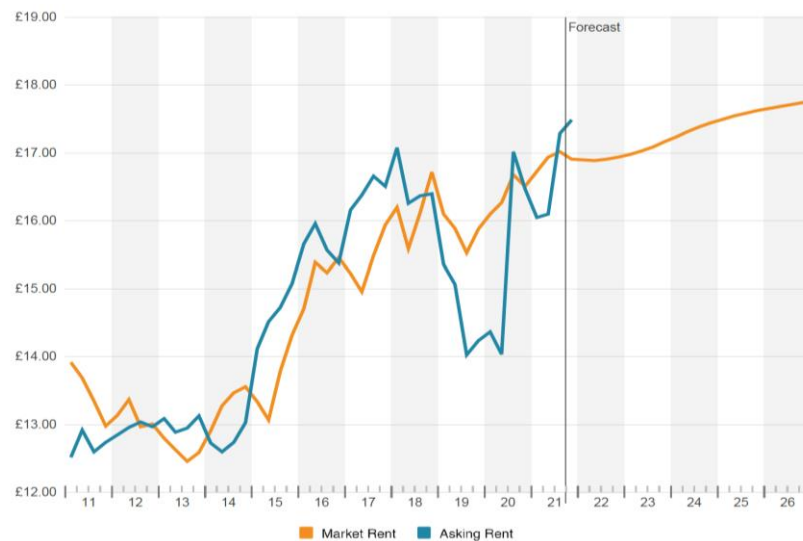
Source: CoStar (2021)

- 3.26 Of note, vacancy levels are lower compared to the availability, which also includes schemes that are under construction (see para 3.23) together with premises that are currently occupied.

Office Rents

- 3.27 Office rents in Mid Sussex District are relatively affordable within the South East context, and this is highlighted in Figure 3.9 which shows that in 2021, the average market rent for offices was £16.8 per sq ft, below the Northern West Sussex rent average of £19.7 per sq ft. The market rent is forecast by CoStar to increase up to £18 per sq ft by 2026.

Figure 3.9 Market Office Rent and Asking Rent Price in Mid Sussex District (per sqft)



Source: CoStar (2021)

- 3.28 The asking rent represents the monetary value the lessor is asking to lease their building/premises; Figure 3.9 shows that from 2015 to 2018, the asking rent was above the market rent value for offices. Then from 2019 onwards to 2021, the asking rent fell below the market rent value reaching £14 per sq ft in 2020.

Industrial Market: National and Regional Trends

- 3.29 The national outlook for the industrial and logistics sectors was positive in Q1 2021, according to the RICS Commercial Property Market Survey. Occupier and investor demand has begun to accelerate across the industrial sector, while activity remains subdued across the retail and office sectors. In the UK, the supply of industrial space continues to tighten with expectations of further industrial rental growth.
- 3.30 In Northern West Sussex, the industrial occupier market has performed strongly in recent years fuelled by robust occupier demand, primarily from third-party logistics operators, online retailers and supermarkets. Fuelled by strong demand for distribution and warehouse space, vacancies in the area's industrial inventory have been tight over the past five years or so, despite a new development pipeline. Average market vacancies have trended well below the national average for much of the past decade as a result, averaging around 3.2% at the time of writing.
- 3.31 Following Covid-19 lockdowns, travel restrictions and social distancing over the past year, leasing activity eased in the market. This slowdown in new leasing activity, coupled with notable departures from the market, meant net absorption⁵ fell strongly negative in 2020, which, combined with new deliveries, applied upward pressure on vacancies. Similarly, net absorption fell negative in early 2021; however, leasing activity has picked up in recent months, which has pulled vacancies down once again.
- 3.32 The most significant deals recently across the wider sub-region (as recorded by CoStar) include bathroom specialist Saneux, which took 31,000 sq ft at the Iain Stewart Centre on City Place in Horley in March 2021, the Wine Box Company's 34,000 sq ft letting at Centron on Crompton

⁵ Net Absorption, CoStar Definition: For existing buildings, the measure of total floorspace occupied (indicated as a Move-In) less the total space vacated (indicated as a Move-Out) over a given period of time. Lease renewals are not factored into net absorption. However, in a lease renewal that includes the leasing of additional space, that additional space is counted in net absorption. Pre-leasing of space in non-existing buildings (Planned, Under Construction or Under Renovation) is not counted in net absorption until actual move in, which by definition may not be any earlier than the delivery date.

Way in May 2021, and the 22,000 sq ft letting of HPC Unit on Consort Way in Burgess Hill in August 2021. A number of other notable deals such as Roche Diagnostics' 20,000 sq ft space in Hassocks in February 2021 and around 15,000 sq ft at Billingshurst Trade Park in May 2021 have also given net absorption a boost in recent months.

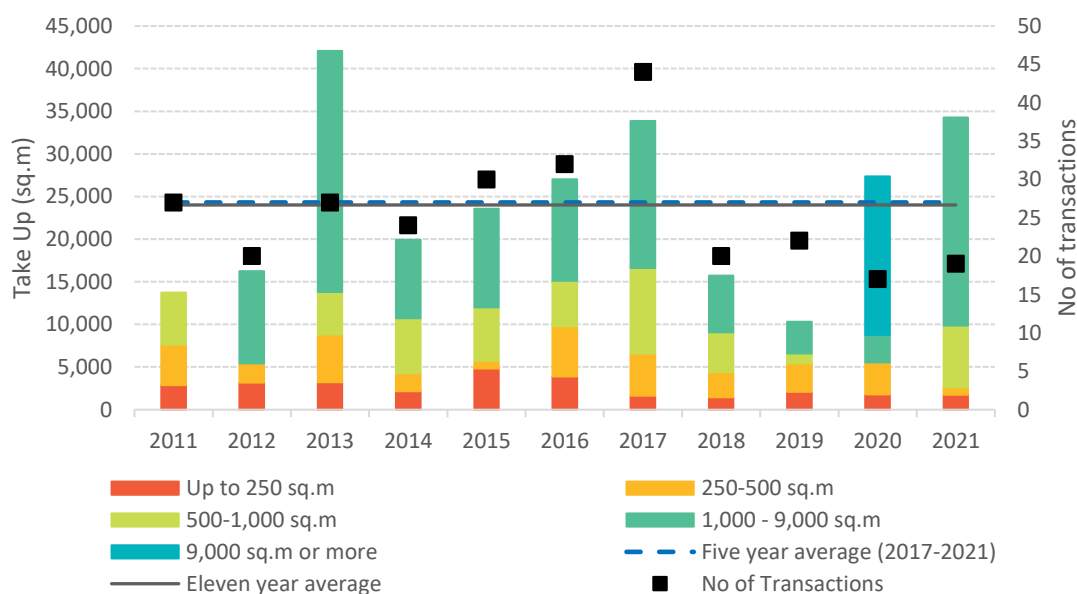
Local Industrial Market

- 3.33 Within the industrial, storage and distribution sectors, Mid Sussex is perceived as a strong location with mainly distribution uses driving market demand. The area has benefitted from new industrial developments in recent years including Link 23, which delivered 7,710 sq.m warehousing units located on the former Wyevale Garden Centre site on London Road. In 2020, industrial rents were around £10 per sq ft. The market in Mid Sussex, similar to Crawley and Gatwick, is largely leasehold-based, driven by institutional investment across a number of large industrial estates.
- 3.34 Recent economic uncertainty has had little impact on the District's industrial vacancy rate of 3.9%, which has remained largely unchanged from last year. Rents grew by 5.4% over the past 12 months, exceeding the 4.6% average annual change over the past decade. The District has seen a considerable amount of recent industrial construction. In particular, over the past three years, around 430,000 sq ft (i.e. 39,950 sq.m) of industrial space was delivered in Mid Sussex according to CoStar, representing a 13.2% cumulative expansion of the District's stock. This aligns with VOA records which indicate an increase of 40,000 sq.m across the last three monitoring years (see Figure 3.1).

Take Up by Size

- 3.35 Total industrial take-up in Mid Sussex over the past 11 years (2011-2021) amounted to 264,105 sq.m, according to latest CoStar data. Just under half (48%) was attributed to large industrial premises of 1,000-9,000 sq.m in size, with a further 20% falling in the medium size bracket (i.e. 500 sq.m to 1,000 sq.m), as shown in Figure 3.10. The total quantum of take-up has fluctuated in recent years following peaks in 2013, 2017 and most recently in 2021.

Figure 3.10 Industrial Take-Up by Size in Mid Sussex District, 2011-2021



Source: CoStar (2021) / Lichfields analysis
 Note: 2021 activity relates to Q1, Q2 and Q3

- 3.36 The above figure also shows the number of transactions by size of industrial premises; in total 218 leases and 64 sales were recorded over the 11-year monitoring period, an average of 26 transactions per annum.

Stock Age and Quality

- 3.37 There is a total of 339,150 sq.m of existing industrial, storage and distribution floorspace recorded by CoStar across 222 premises. Table 3.3 overleaf summarises the age and quality of these premises⁶. This shows that the District's stock of storage and distribution space is comparably newer (46% of floorspace built post 2000) than its industrial stock (28% of floorspace built post 2000).

Table 3.3 Age and Quality of Existing Industrial Space in Mid Sussex District (2021)

	Properties		Floorspace (sq.m)	
	#	% of Total	#	% of Total
Age of Stock- General & Light Industrial				
Pre 1940s	9	8%	2,923	2%
1940s-1980s	35	31%	25,727	18%
1980s-2000s	49	44%	77,020	53%
Post 2000s	19	17%	40,383	28%
Total	112	100%	146,054	100%
Age of Stock- Storage & Distribution				
Pre 1940s	1	1%	228	0%
1940s-1980s	19	22%	32,926	17%
1980s-2000s	41	47%	73,819	37%
Post 2000s	26	30%	92,045	46%
Total	87	100%	199,019	100%
CoStar Star Rating- General & Light Industrial				
1-2 Stars	62	55%	60,476	19%
3 Stars	49	44%	81,576	67%
4-5 Stars	1	1%	4,002	14%
Total	112	100%	146,054	100%
CoStar Rating- Storage & Distribution				
1-2 Stars	31	36%	53,626	27%
3 Stars	51	59%	98,493	49%
4-5 Stars	5	6%	46,900	24%
Total	87	100%	199,019	100%

Source: CoStar (2021) / Lichfields analysis

- 3.38 In terms of quality, the majority of the District's industrial, storage and distribution premises and space are rated by CoStar as average (3 stars), but with storage and distribution stock generally being of higher quality.

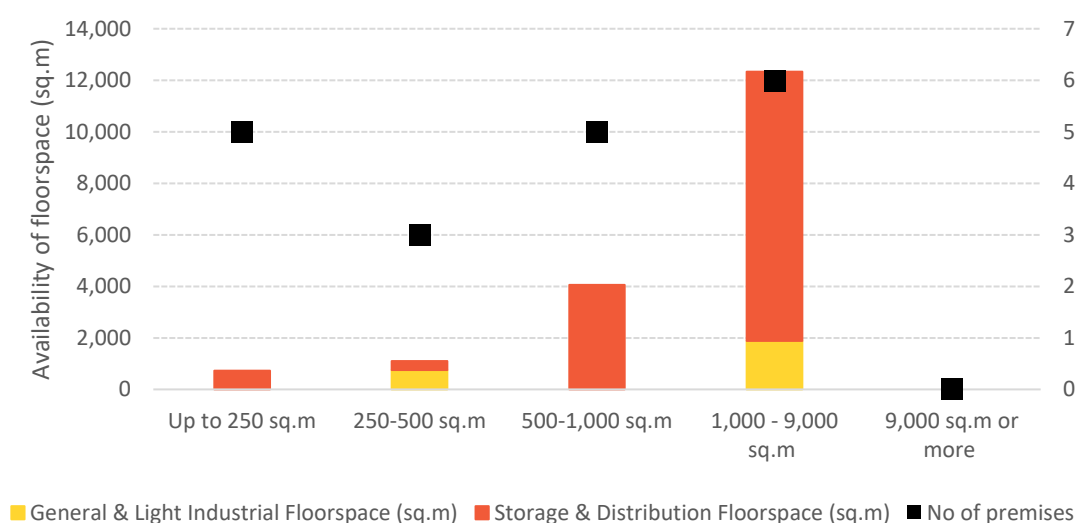
⁶ Of the 222 current industrial and distribution premises recorded by CoStar, 199 properties contain information on the age of the premises

Industrial Availability

3.39 CoStar data indicates that current availability of industrial floorspace equates to a total of 54,553 sq.m across 26 properties. However, seven of these properties, totalling 36,335 sq.m, are 'proposed', which effectively means that they have not been granted permission yet based on CoStar data. Therefore, the actual availability across Mid Sussex is more likely to amount to 18,218 sq.m (across 19 properties), representing 5.3% of the District's stock as recorded by CoStar.

3.40 Figure 3.11 below highlights the size bands of the available industrial floorspace in the District. Across 19 premises, 32% are premises between 1,000 sq.m and 9,000 sq.m in size, with the remainder falling below 1,000 sq.m in size. Of the 19 available industrial premises, three are industrial premises and 16 are for storage and distribution use.

Figure 3.11 Availability of Industrial, Storage and Distribution Floorspace in Mid Sussex District (2021)



Source: CoStar (2021) / Lichfields analysis

3.41 Table 3.4 shows available industrial, storage and distribution supply set against 11-year and 5-year average take-up in the District. Based on this, there is a very limited available supply, equivalent to 0.76 and 0.75 years of take-up, respectively.

Table 3.4 Years of Available Industrial, Storage and Distribution Supply in Mid Sussex District

	Industrial, Storage and Distribution
Annual Average Take-Up 2011-2021	24,009 sq.m
Available Supply	18,218 sq.m
Years of Available Supply	0.76
Annual Average Take-up 2017-2021	24,301 sq.m
Available Supply	18,218 sq.m
Years of Available Supply	0.75

Source: CoStar (2021) / Lichfields analysis

⁷ 'Proposed' refers to land considered for a particular future use or a building that has been announced for future development. The project is not expected to start construction in the next 12 months. Typically, these are subject to planning with permissions not yet granted.

Vacancy Trends

- 3.42 Figure 3.12 overleaf provided by CoStar shows the latest industrial vacancy trends in Mid Sussex District as well as a forecast for future vacancy levels to 2026. Overall, the trend shows the District as having low levels of industrial vacancy over time. This has reduced significantly following a peak in 2012. In 2021, the vacancy rate stood at 3.9% which is expected to drop over the next year to around 3.0% according to CoStar's forecast, reflecting the limited current availability.

Figure 3.12 Industrial Vacancy Rates in Mid Sussex District

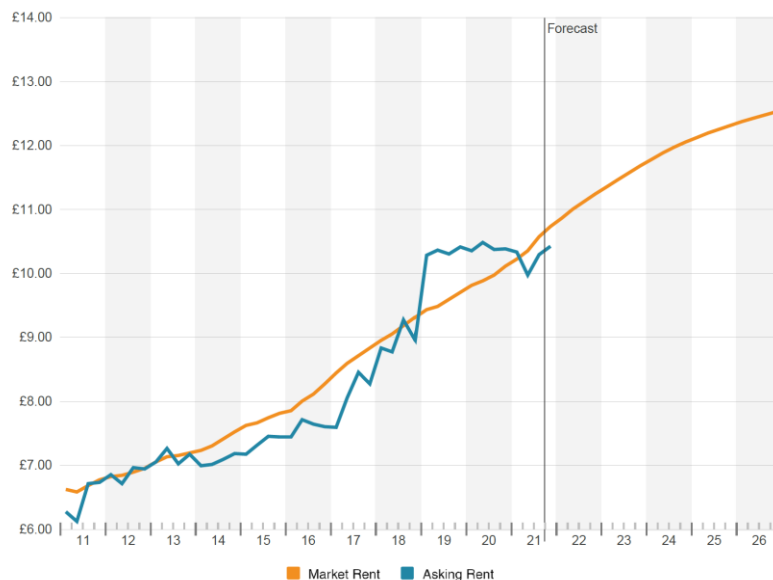


Source: CoStar (2021)

Industrial Rents

- 3.43 Industrial rents in Mid Sussex, currently averaging £10.6 per sq ft, are more affordable compared to Northern West Sussex's average of £11.95 per sq ft (driven mainly by higher values in Manor Royal and around Gatwick). As shown in Figure 3.13 below, these rents have been increasing over the last few years, with the forecast suggesting similar growth rates in future.
- 3.44 The asking rent represents the monetary value the lessor is asking to lease their building/premises. Figure 3.13 shows that the trend follows the market rent growth, but from 2018 to 2020, the asking rent was above the market rent value for industrial floorspace.

Figure 3.13 Market Industrial Rent and Asking Rent Price in Mid Sussex District (per sqft)



Source: CoStar (2021)

Summary

3.45

The key points from the above analysis of employment stock change and commercial property market signals and trends in Mid Sussex District can be summarised as follows:

- The office market in Mid Sussex is smaller in scale and remains weaker than the industrial market, with Haywards Heath representing the main office market with the most notable concentration of office stock. The key challenge in the current market is a reported lack of good quality office accommodation coupled with a lack of recent office development and subdued demand following the Covid-19 pandemic.
- The District is generally perceived as a good industrial location, and throughout the Covid-19 pandemic Mid Sussex continued to record high levels of take-up of industrial floorspace and relatively low vacancy levels. Nevertheless, much of the District's industrial stock is ageing and of an average quality.

4.0 Growth Scenarios and Employment Land Requirements

4.1 This section considers future employment space requirements in Mid Sussex across the new Local Plan period to 2038 drawing on the most up-to-date assumptions and data regarding future economic growth prospects for the District.

4.2 In accordance with Planning Practice Guidance and for consistency with the original EGA, a number of potential future economic growth scenarios have been developed to provide a framework for considering future economic growth needs and employment space requirements over the Local Plan period of 2021 to 2038. These scenarios draw on:

- 1 Projections of employment growth (**labour demand**) produced by Experian (using the latest available September 2021 release) to consider short and longer term effects of the Covid-19 pandemic upon economic growth prospects for the District over the new Local Plan period;
- 2 Consideration of **past development trends** in completion of employment space based on monitoring data provided by the Council; and
- 3 Estimates of future growth in local **labour supply** based on the District's updated housing target (Standard Method) of 1,093 dwellings per annum (dpa) and the estimated jobs supported by this, based on assumptions consistent with the 2021 Mid Sussex Strategic Housing Market Assessment (SHMA).

4.3 All these approaches reflect different factors and careful consideration needs to be given as to how appropriate each is to circumstances in the District. There are also a number of qualitative factors that will influence the future employment space requirements that need to be planned for including the assessment of recent market activity as presented in Section 2.0 above.

Scenario 1: Labour Demand

4.4 Employment growth forecasts for Mid Sussex District for the period to 2041 (i.e. a 20-year forecast) were obtained from Experian (September 2021 release), which is the latest available at the time of analysis. These take account of the latest Covid-19 position and revised macroeconomic assumptions more widely, including the Brexit agreement. They are used to consider impacts of the Covid-19 pandemic on the District's economy, both in the short term and the effect on its forecast growth over the longer-term Plan period.

4.5 Table 4.1 overleaf summarises employment change implied by these latest Experian forecasts by office, industrial and distribution uses as well as total employment change over the Local Plan period. A total of 5,500 workforce jobs are forecast to be generated in the District across the Plan period of which 678 (or 12% of the total workforce jobs) are expected to relate to office, industrial and distribution sectors. It is expected that jobs in light industrial and office-related sectors will drive employment growth, while jobs in 'traditional' manufacturing/industrial sectors are expected to decline.

Table 4.1 Forecast Employment Change in Mid Sussex District, 2021 to 2038

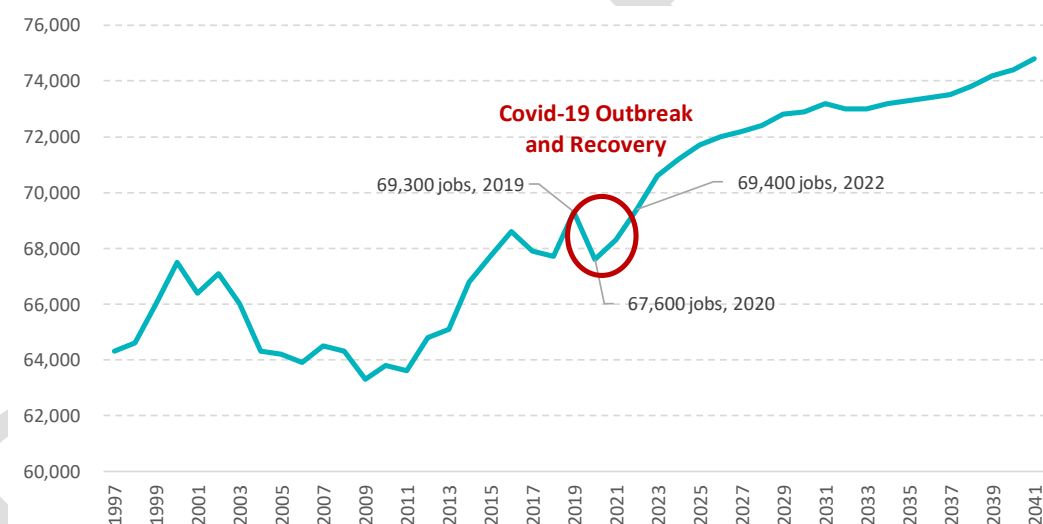
Type of Space/Use Class	Number of Workforce Jobs		Change (2021 – 2038)
	2021	2038	
Office E(g)(i)/(ii)	15,378	15,891	+514
Light Industrial E(g)(iii)	3,856	4,571	+715
General Industrial B2	3,683	3,103	-580
Storage and Distribution B8	5,344	5,374	+30
Total Office, Industrial and Distribution Jobs	28,261	28,939	+678
Total Workforce Jobs	68,300	73,800	+5,500

Source: Experian (September 2021) / Lichfields analysis

4.6

Figure 4.1 illustrates the trajectory of total job growth implied by the latest Experian forecasts for Mid Sussex. Under this scenario, local workforce jobs declined during the course of 2020 as the labour market effects of the Covid-19 pandemic were felt across the District, but had started to recover during the course of 2021. Experian expects that the local jobs base will reach pre-pandemic employment levels by 2022. Steady job growth is then forecast for the remaining years of the Local Plan period to 2038.

Figure 4.1 Historic and Forecast Employment Growth in Mid Sussex, 1997 to 2038



Source: Experian (September 2021) / Lichfields analysis

4.7

Table 4.2 overleaf identifies the fastest growing and declining sectors in the District in employment terms during this Plan period. Those sectors forecast to see the highest job growth include accommodation and food, education, health and recreation. However, there are also some office, industrial and distribution-related sectors such as construction and professional services that are expected to grow significantly across the Plan period.

Table 4.2 Fastest Growing and Declining Employment Sectors in Mid Sussex, 2021 to 2038

Sector	Forecast Change in Workforce Jobs 2021 to 2038	
	No.	%
Fastest Growing Employment Sectors		
Accommodation & Food Services	1,400	30%
Specialised Construction Activities	1,000	33%
Health	800	13%
Education	700	10%
Professional Services	600	10%
Recreation	600	30%
Fastest Declining Employment Sectors		
Computer & Electronic Products (manufacture of)	-300	-33%
Non-Metallic Products (manufacture of)	-200	-33%
Land Transport, Storage & Post	-200	-13%

Source: Experian (September 2021) / Lichfields analysis

- 4.8 Those sectors forecast to see the largest employment losses in the District over the period to 2038 include a number of manufacturing sectors and land transport, storage & post. However, these losses are comparatively minor in terms of scale of job change.

Converting Jobs to Employment Floorspace Requirements

- 4.9 The office, industrial and warehousing component of these employment growth forecasts are converted to future employment space and land requirements by applying latest density ratios based on the 2015 HCA guidance and recent development activity. This takes account of recent trends in terms of changing utilisation of employment space, including more efficient use of office floorspace due to a higher frequency of flexible working and hot-desking. Densities all relate to Gross External Area (GEA).

- 4.10 On this basis, the following job density and plot ratios have been applied:

- **Offices (E(g)(i)/(ii)):** 1 workforce job per 12.5 sq.m, and a plot ratio of 2.0 for 50% of future requirements reflecting high density town centre developments and 0.4 for the remaining 50% reflecting developments in lower density business parks;
- **Light industrial (E(g)(iii)):** 1 workforce job per 47 sq.m and an average plot ratio of 0.4;
- **General industrial (B2):** 1 workforce job per 36 sq.m and an average plot ratio of 0.4;
- **Warehousing (B8):** 1 workforce job per 65 sq.m for smaller scale warehousing (i.e. up to 6,500 sq.m, which according to VOA data accounts for 85% of the existing warehousing stock in the District) and 1 workforce job per 87.5 sq.m for large scale (over 9,000 sq.m), lower density units which account for 15% of the existing warehousing stock⁸. The plot ratio applied to estimate storage and distribution land requirements is 0.4.

- 4.11 An allowance of 8% is added to all positive floorspace requirements to reflect ideal levels of market vacancy in employment space. Where a reduction in jobs is forecast (i.e. for B2 industrial), the associated negative floorspace was halved. This reflects that while there may be ongoing manufacturing job losses (e.g. as firms use more efficient production approaches), it does not automatically follow that all of the existing employment floorspace will be lost.

⁸ According to latest VOA property records, there are no warehouse properties in the District of 'medium scale' (i.e. 6,500 sq.m to 9,000 sq.m)

- 4.12 Considering the above, Table 4.3 presents the net employment space requirements for the Local Plan period derived from the employment growth (labour demand) scenario.

Table 4.3 Net Employment Floorspace Requirements (2021 to 2038): Labour Demand Scenario

Type of Space/Use Class	Net Employment Floorspace Requirements 2021-2038 (GEA sq.m)	Net Employment Land Requirements 2021-2038 (ha)
Office E(g)(i)/(ii)	6,940	1.0
Light Industrial E(g)(iii)	36,300	9.1
General Industrial B2	-10,440	-2.6
Storage and Distribution B8	2,190	0.5
Total	34,980	8.1

Source: Experian (September 2021) / Lichfields analysis (rounded figures)

Scenario 2: Past Development Rates

- 4.13 Monitoring data on past completions of employment space between 2011/12 and 2020/21 has been provided by West Sussex County Council. This shows that during the last ten years, average annual net completions for employment uses in Mid Sussex District amounted to c. 5,480 sq.m, of which 57% related to light industrial, industrial and warehousing development (a more detailed split is not available within the monitoring data).
- 4.14 One view of future growth in Mid Sussex District could assume that these past development trends carry on in the future at this most recent 10-year average. Over the 17-year Local Plan period (2021-2038), this would equate to an overall increase of 93,230 sq.m of employment space, as summarised in
- 4.15 Table 4.4.

Table 4.4 Net Employment Floorspace Requirements (2021 to 2038): Past Development Rates Scenario

Type of Space/Use Class	Assumed Net Annual Floorspace Change (sq.m)	Net Employment Floorspace Requirements 2021-2038 (sq.m)	Net Employment Land Requirements* 2021-2038 (ha)
Office E(g)(i)/(ii)	1,470	24,960	3.7
Mixed B1 **	920	15,560	3.9
Light Industrial E(g)(iii)/General Industrial B2 /Distribution B8	3,100	52,710	13.2
Total	5,480	93,230	20.8

Source: West Sussex County Council (2021) / Lichfields analysis (rounded figures)

*The estimate of land requirements is based on plot ratio assumptions presented in paragraph 4.10

**The 'Mixed B1' category is assessed on a separate basis. The assumed plot ratio for 'Mixed B1' is 0.4

- 4.16 It is important to note a number of limitations associated with this past development rates approach, and in particular the monitoring data assumptions that feed into it. The monitoring data is provided as a combined figure for light industrial, general industrial and storage and distribution uses, so it is not possible to identify the specific contribution that individual industrial and distribution uses would make to the overall requirement. Some monitoring years include incomplete information on take-up and losses and there are records for a 'mixed B1' use for the 2015 to 2017 period, which is not broken down by office/R&D and light industrial uses. For these reasons, the past development rates scenario is not considered to be sufficiently robust

to inform future employment space requirements in the District. It is therefore presented for completeness in line with the PPG and considered as a scenario for sensitivity testing purposes.

Scenario 3: Labour Supply

- 4.17 A labour supply scenario has been considered based on population projections and other demographic assumptions that have been used to inform the 2021 Strategic Housing Market Assessment (SHMA) for Mid Sussex. The SHMA provides an assessment of the growth in resident workforce which might be supported by the local housing need in Mid Sussex and what this means for potential total labour supply, after taking account of commuting, unemployment rates and double jobbing.
- 4.18 It should be noted that this scenario assumes that local housing needs as identified by the SHMA are met in full over the Plan period; any deviation from this assumption may have a knock-on impact in terms of labour supply growth and associated employment space requirements under this scenario.
- 4.19 Based on the SHMA findings, the jobs supported by the demographic projections in relation to the housing need figure of 1,093 dwellings per annum (Standard Method) across the Plan period (2021 to 2038) is equivalent to 16,319 jobs⁹. This level of growth is almost three times higher than the growth implied by Experian forecasts for the same period.
- 4.20 Once this jobs growth is distributed proportionately to the various sectors (in line with the projected patterns of sector-based growth from the Experian forecast, see Scenario 1 above), this suggests that 2,010 of these jobs (12%) could relate to office, industrial and distribution sectors, as follows:
- Office-based sectors (1,520 jobs);
 - Light industrial sectors (2,120 jobs);
 - General industrial sectors (-1,720 jobs); and
 - Distribution-based sectors (90 jobs).
- 4.21 These are further translated to net employment floorspace requirements by applying the same assumptions as presented in paragraph 284.10 above.

Table 4.5 Net Employment Floorspace Requirements (2021 to 2038): Labour Supply Scenario

Type of Space/Use Class	Net Employment Floorspace Requirements 2021-2038 (GEA sq.m)	Net Employment Land Requirements 2021-2038 (ha)
Office E(g)(i)/(ii)	20,580	3.1
Light Industrial E(g)(iii)	107,690	26.9
General Industrial B2	-30,990	-7.7
Storage and Distribution B8	6,510	1.6
Total	103,790	23.9

Source: Icenl (2021) / Lichfields analysis (rounded figures)

Planning Requirements

- 4.22 It may be appropriate for the Council to make an allowance for the replacement of future losses of employment space that may be developed for other (non-office/industrial/storage) uses over the plan period. Where such an allowance is factored into future employment space needs, it

⁹ Icenl (2021) Mid Sussex Strategic Housing Market Assessment, Table 6.19, pg. 67

seeks to ensure that sufficient space is re-provided to account for employment space that could be lost moving forwards. It is intended, therefore, to provide some protection against the erosion of employment space over the plan period.

4.23 There are typically four approaches to calculate the level of this allowance, including:

- 1 Forecast the quantity of floorspace that will be lost in future and assume that a proportion of this space may need to be replaced. The issue here is that there is no robust or scientific way of forecasting how much space will be lost, and the future may be very different from the past. If this method is used, the authority needs to look carefully at past losses and use local knowledge to make a judgement on how the future might compare with the past.
- 2 Make an overall adjustment to the growth scenarios considered to give an allowance for some replacement. This is a simple approach but may be based on a fairly broad assumption.
- 3 Monitor the loss of employment space through regular reviews in the Local Plan. This would avoid the need to make assumptions about the future loss of employment space and base it on robust data. If these periodic reviews indicate losses of high quality, occupied floorspace and sustained low vacancy rates, the Council could take steps to replace this space by increasing the floorspace requirement accordingly. However, any Local Plan review reflecting the monitoring findings would take some years to come forward.
- 4 As part of the employment evidence the Council reviews through a qualitative assessment the existing employment sites and areas, to identify those which could be lost to non-employment uses, either because they are no longer suitable or viable for employment, or because they are judged as being needed for an alternative use, such as housing. Based on this assessment, the employment land calculation can develop different scenarios to illustrate possible futures, and plan for new sites accordingly.

4.24 The resulting 'gross' floorspace and land requirements (or 'planning requirements') for Mid Sussex District are set out in Table 4.6 and Table 4.7. These include a 10% 'buffer' allowance for such factors as delays in development sites coming forward, and replacement of some ongoing losses of employment space during the Local Plan period. This approach relates to point 2 in paragraph 4.23 and it is considered the most appropriate approach based on the availability of monitoring data. This is also in line with the approach adopted in the 2020 EGA.

Table 4.6 Gross Employment Floorspace Requirements (2021 to 2038) (sq.m)

Type of Space/Use Class	1. Labour Demand	2. Past Development Rates	3. Labour Supply
Office E(g)(i)/(ii)	7,630	27,450	22,630
Light Industrial E(g)(iii)	39,930	57,990	118,460
General Industrial B2	-10,440		-30,990
Storage and Distribution B8	2,410		7,160
Mixed B1	-	17,110	-
Total	39,520	102,550	117,270

Source: Lichfields analysis (rounded figures)

Table 4.7 Gross Employment Land Requirements (2021 to 2038) (ha)

Type of Space/Use Class	1. Labour Demand	2. Past Development Rates	3. Labour Supply
Office E(g)(i)/(ii)	1.1	4.1	3.4
Light Industrial E(g)(iii)	10.0	14.5	29.6
General Industrial B2	-2.6		-7.7
Storage and Distribution B8	0.6		1.8
Mixed B1	-	4.3	-
Total	9.1	22.9	27.1

Source: Lichfields analysis (rounded figures)

Summary

- 4.25 A range of updated scenarios to inform employment land provision within the new Local Plan to 2038 have been considered. On the basis of these, the District's gross employment space requirements over the period from 2021 to 2038 range between **39,520 sq.m and 117,270 sq.m** or between **9.1 ha and 27.1 ha** in land terms depending on the scenario.
- 4.26 In the context of historic employment growth and recent property market activity, it is important to consider the following:
- **Offices (E(g)(i) and E(g)(ii)):** the identified gross requirements for office space vary between 7,630 sq.m under Scenario 1 and 27,450 sq.m under Scenario 2 (not including Mixed B1). As outlined above, Scenario 2 draws on incomplete monitoring data and does not include office space losses in relation to PDR prior approvals since 2013, and is therefore not considered to be sufficiently robust. The Scenario 1 estimate appears conservative considering recent office property market activity, combined with the aspirations underpinning the Mid Sussex Economic Development Strategy 2018-31¹⁰ to increase the quality and supply of business premises of all scales.
 - **Light Industrial (E(g)(iii)), General Industrial (B2), Storage and Distribution (B8):** the identified gross requirements for the combined light industrial, general industrial and storage and distribution space vary between 31,900 sq.m under Scenario 1 and 94,630 sq.m under Scenario 3. Scenario 2 lies in between, implying a need for c.58,000 sq.m (excl. Mixed B1), but is not considered robust to inform future requirements.
- 4.27 The gap between the various scenarios is important, and the baseline job growth requirement (under Scenario 1) appears to be conservative considering the overall levels of employment space development activity that has occurred in recent years together with the findings of the property market assessment.
- 4.28 The scale of requirements implied by the past trends (Scenario 2) and the baseline labour supply (Scenario 3) scenarios (i.e. at 22.9 ha and 27.1 ha, respectively) represents a more aspirational scenario to plan for, and might be viewed as consistent with the Council's ambitions for development and regeneration over the coming years, including across some key regeneration and development sites such as the Northern Arc Business Park and the Hub. The past trends scenario is not considered a reliable basis upon which to base future requirements for the data availability reasons explained above.

¹⁰ Available at: <https://www.midsussex.gov.uk/media/1835/economic-development-strategy.pdf>

5.0

Implications for Demand/Supply Balance

5.1

The updated future employment land requirements considered in section 4.0 can be compared with the latest position in terms of identified employment land supply in Mid Sussex, to determine the level of need for employment land over the Plan period to 2038.

Employment Supply

5.2

The supply of employment space in the development pipeline comes from sites that have been allocated for office, light/general industrial and storage and distribution uses together with extant planning permissions and schemes under construction for these uses.

5.3

In terms of allocated land for employment uses, Table 5.1 summarises the latest position in Mid Sussex. There is a total of 36.42 ha of employment allocations set out in the District Plan 2014 and the Allocations DPD (Submitted Version 2020), of which 25.36ha have been subject to planning permissions, as presented below. Therefore, there is a remaining 11.1 ha of employment allocations that have not yet received planning permission.

Table 5.1 Status of Employment Allocations in Mid Sussex, 2021

Allocated Site	Source	Ha	Status
DP1: The Hub	District Plan 2014-31 Policy DP1 and Update in Allocations DPD (Submitted Version 2020), paras 2.7-2.8/ Mid Sussex Council	14.96	Planning Permission - 13/01618/OUT (incl. a series of Reserved Matters)
DP1: Northern Arc		4.00	Planning Permission - DM/18/5114
SA2: Burnside Centre	Allocations DPD (Submitted Version 2020), Table 2.1, pg.20 / Mid Sussex Council	0.96	Not yet permitted
SA3: KDG		1.10	Planning Permission - DM/19/0188, not commenced
SA4: North A264		2.70	Not yet permitted
SA5: Bolney Grange		7.00	Planning Permission in relation to 0.6ha - DM/20/0521 not yet commenced. The rest of the site (6.4ha) is not subject to any planning permission.
SA6: Marylands		2.40	Planning Permission - DM/20/2640, not commenced
SA7: Cedars		2.30	Planning Permission - DM/20/2332, not commenced
SA8: Pease Pottage Nursery		1.00	Not yet permitted
Sub-Total (Remaining Allocations)		11.06	Allocations with no permission attached
Total Allocated Land (ha)		36.42	Including allocated sites that have gained planning permission

Source: Mid Sussex District Council (2021)

5.4

Based on an average plot ratio of 0.4, the remaining 11.06ha could generate around 44,240 sq.m of office and industrial space. Based on the employment policies associated with these allocations, this is further split to c.17,200 sq.m of office space, 11,800 sq.m of industrial and 15,300 sq.m of storage and distribution.

5.5 Combined with extant permissions and schemes under construction, there is a total of 177,290 sq.m (or 44.3 ha) of employment space within the employment supply as presented in

5.6 Table 5.2 and Table 5.3. Most of the supply (i.e. 63%) comprises extant permissions, followed by 25% from the allocations without planning permission, and 12% supply under construction.

Table 5.2 Employment Space Supply by Type of Space in Mid Sussex (2021) – sq.m

Type of Space	Extant Permissions	Under Construction	Allocations without planning permission	Total
Office E(g)(i)/(ii)	3,810	-1,210	17,190	19,790
Light/General Industrial E(g)(iii)/B2	34,450	5,350	11,790	51,590
Storage and Distribution B8	48,355	12,040	15,270	75,660
Mixed B1	25,255	5,000	n/a	30,250
Total	111,880	21,180	44,240	177,290

Source: West Sussex County (2021), Mid Sussex District Council (2021) / Lichfields analysis (rounded figures)

Table 5.3 Employment Land Supply by Type of Space in Mid Sussex (2021) - ha

Type of Space	Extant Permissions	Under Construction	Allocations without planning permission*	Total
Office E(g)(i)/(ii)	1.0	-0.3	4.3	4.9
Light/General Industrial E(g)(iii)/B2	8.6	1.3	2.9	12.9
Storage and Distribution B8	12.1	3.0	3.8	18.9
Mixed B1	6.3	1.2	n/a	7.6
Total	28.0	5.3	11.1	44.3

Source: West Sussex County (2021), Mid Sussex District Council (2021) / Lichfields analysis (rounded figures)

*Based on a plot ratio of 0.4

5.7 There are four extant permissions totalling 69,815 sq.m (39% of the identified supply) that will lapse between 2022 and 2023 based on monitoring data. These relate mainly to the outline permissions in Burgess Hill Northern Arc (DM/18/5114 – 24,000 sq.m), the reserved matters permission for The Hub (DM/19/2641 – 35,695 sq.m) and permission at Land West of Copthorne (DM/19/2197 – 7,700 sq.m) and East Lodge Farm (DM/18/4419 - 2,420 sq.m).

Supply/Demand Balance

5.8 Once the forecasts of future employment need considered in section 4.0 **Error! Reference source not found.** are compared with the identified employment supply, there is a surplus varying between 60,020 sq.m and 137,770 sq.m or 17.2 ha and 35.2 ha, as summarised in Table 5.4 and Table 5.5.

Table 5.4 Demand/Supply Balance of Employment Space to 2038 (sq.m)

	Labour Demand	Past Development Rates	Labour Supply
Employment Space Required (sq.m)	39,520	102,550	117,270
Available Employment Space (sq.m)	177,290		
Surplus/Shortfall	+137,770	+74,740	+60,020

Source: Lichfields analysis (rounded figures)

Table 5.5 Demand/Supply Balance of Employment Land to 2038 (ha)

	Labour Demand	Past Development Rates	Labour Supply
Employment Land Required (ha)	9.1	22.9	27.1
Available Employment Land (ha)	44.3		
Surplus/Shortfall	+35.2	+21.4	+17.2

Source: Lichfields analysis (rounded figures)

5.9

This overall position masks a more nuanced position between the different use classes as presented in Table 5.6 and Table 5.7 below.

Table 5.6 Demand/Supply Balance of Employment Space to 2038 by Type of Space (sq.m)

	Labour Demand	Past Development Rates	Labour Supply
Office E(g)(i)/(ii)			
Employment Space Required (sq.m)	7,630	27,450	22,630
Available Employment Space (sq.m)	19,790		
Surplus/Shortfall	12,160	-7,660	-2,840
Light and General Industrial E(g)(iii)/B2			
Employment Space Required (sq.m)	29,490	n/a	87,470
Available Employment Space (sq.m)	51,590		
Surplus/Shortfall	22,100	n/a	-35,880
Storage and Distribution B8			
Employment Space Required (sq.m)	2,410	n/a	7,160
Available Employment Space (sq.m)	75,660		
Surplus/Shortfall	73,250	n/a	68,500
Mixed B1			
Employment Space Required (sq.m)	n/a	17,110	n/a
Available Employment Space (sq.m)	30,250		
Surplus/Shortfall	n/a	13,140	n/a
Combined Light/General Industrial and Storage and Distribution E(g)(iii)/B2/B8			
Employment Space Required (sq.m)	31,900	57,990	94,630
Available Employment Space (sq.m)	127,250		
Surplus/Shortfall	95,350	69,260	32,620

Source: Lichfields analysis (rounded figures)

Table 5.7 Demand/Supply Balance of Employment Land to 2038 by Type of Space (ha)

	Labour Demand	Past Development Rates	Labour Supply
Office E(g)(i)/(ii)			
Employment Land Required (ha)	1.1	4.1	3.4
Available Employment Land (ha)	4.9		
Surplus/Shortfall	3.8	0.8	1.5
Light and General Industrial E(g)(iii)/B2			
Employment Land Required (ha)	7.4	n/a	21.9
Available Employment Land (ha)	12.9		
Surplus/Shortfall	5.5	n/a	-9.0
Storage and Distribution B8			
Employment Land Required (ha)	0.6		1.8
Available Employment Land (ha)	18.9		
Surplus/Shortfall	18.3	n/a	17.1
Mixed B1			
Employment Land Required (ha)	n/a	4.3	n/a
Available Employment Land (ha)	7.6		
Surplus/Shortfall	n/a	3.3	n/a
Combined Light/General Industrial and Storage and Distribution E(g)(iii)/B2/B8			
Employment Land Required (ha)	8.0	14.5	23.7
Available Employment Land (ha)	31.8		
Surplus/Shortfall	23.8	17.3	8.1

Source: Lichfields analysis (rounded figures)

- 5.10 As presented above, there is sufficient capacity identified to accommodate future light and general industrial and storage and distribution needs against all scenarios apart from a shortfall identified for light and general industrial space (or land) against the labour supply scenario equating to 35,880 sq.m or 9.0 ha.
- 5.11 In terms of offices, there is a shortfall identified against the past development trends and labour supply scenarios of 7,660 sq.m and 2,840 sq.m, respectively. However, there is a surplus identified for mixed B1, which could help to accommodate some of the office and light industrial shortfall (subject to the location and the proposals of each Mix B1 developments¹¹).
- 5.12 In summary, the updated analysis presented above points to a surplus of between 60,020 sq.m and 137,770 sq.m or 17.2 ha and 35.2 ha.

¹¹ No detailed data is available.

6.0 Conclusions and Policy Considerations

- 6.1 This focused update of the Northern West Sussex EGA relating to Mid Sussex has been prepared to provide supplementary and updated economic evidence to inform the approach to economic growth and employment land policies within the new Local Plan to 2038. It partially updates the findings of the 2020 EGA study as they relate to Mid Sussex and should be read alongside it.
- 6.2 This final section summarises the key implications of the preceding analysis to inform the Council's emerging Local Plan strategy with regard to employment uses.

Economic Context

- 6.3 Over the last two years, the pandemic has impacted employment in Mid Sussex with an employment decline between 2019 and 2021 of 1,000 jobs. However, since 2020 there has been an increase (+700 jobs) and, based on Experian forecast, and total employment levels are forecast to recover to pre-pandemic levels by 2022.
- 6.4 Compared to other areas in the South East and the UK, Mid Sussex appears relatively resilient, for example with relatively lower levels of claimant unemployed since the Covid-19 outbreak. More importantly, there has been a significant decline in job support claims since April 2021, with claimant counts being reduced and currently represent 2.3% of the total population aged 16 to 64. This is much lower compared to the region and the UK; however, it still stands above the pre-pandemic levels for the District.
- 6.5 The overall analysis of recent economic trends within Mid Sussex shows that there has been moderate employment growth over the last 17 years. In addition, the productivity per worker is lower compared to other areas in the South East. At the same time, parts of the District's economy are resilient with a comparatively high portion of high-paid occupations.

Employment Stock and Market Signals

- 6.6 The pattern of employment space delivery identified in the 2020 EGA has remained largely unchanged over the last few years. This is mainly due to the increased provision of industrial and storage and distribution space associated with delivery of the District Plan's site allocations and the emerging Site Allocations DPD.
- 6.7 Based on the Council's available data, the stock of employment space has increased by 54,840 sq.m (net gain) over the last 10 years mainly due to growth of industrial/storage and distribution activity. In terms of office uses, completions of new space have been limited and, while the data is incomplete, it is known that there have been significant losses of office space associated with office to residential prior approvals developments due to data limitations.
- 6.8 From a broader commercial property market perspective, the pace of employment development has accelerated recently, driven in particular by industrial and storage and distribution sectors, with Mid Sussex District becoming increasingly popular with occupiers seeking locations close to the A23 and potentially that could not be accommodated in areas such as Manor Royal in Crawley and closer to Gatwick. As a result, throughout the Covid-19 pandemic, the District continued to see high levels of transacted industrial floorspace and relatively low vacancy levels. The available supply pipeline appears limited reflected recent levels of high take-up. Notwithstanding new stock that has been delivered, overall much of the District's industrial stock is ageing and only of average quality.
- 6.9 In terms of office market activity, Mid Sussex is considered a secondary, smaller market in scale. Haywards Heath now represents the main concentration of main office market activity, and

other locations such as East Grinstead have seen their office role diminish as stock has been converted to other uses. The key challenge in the current market is a reported lack of good quality office accommodation coupled with a lack of recent office development and the impact of PDRs. Vacancy levels have increased post pandemic with less offices remaining occupied in the District. However, a comparison between past take-up and current availability suggests that there is a limited supply adequate to cover the need in future years assuming the market gradually recovers.

Future Requirements for Employment Space

- 6.10 A range of updated scenarios have been considered to inform employment land provision within the new Local Plan. In doing so, these have regard to the latest post Covid-19 forecasts from Experian (September 2021 release); data on past development rates as recorded by West Sussex County and MSDC, and a labour supply scenario based on the updated housing target (Standard Method) of 1,093 dpa.
- 6.11 The September 2021 Experian forecast suggests growth of 5,500 workforce jobs in the District across the Plan period, of which 678 (or 12% of the total) will relate to office, industrial and distribution sectors. It is expected that jobs in light industrial and office-related sectors will drive employment growth, while jobs in 'traditional' manufacturing/industrial sectors will decline. These trends feed in the labour demand (Scenario 1), which after considering the appropriate density and plot ratios implies to a net employment requirement of 34,980 sq.m or 8.1 ha.
- 6.12 Monitoring data on past completions shows that during the last ten years the average annual net completions for employment uses in Mid Sussex District amounted to c. 5,480 sq.m, of which 57% related to a combined figure for light industrial, industrial and warehousing development. Apart from the fact that this data is provided in a combined figure, there are also some limitations relating to the office losses as a result of PDR since 2013. In addition, there are recorded completions for mixed B1 uses for the 2015 to 2017 period, which it is not possible to apportion between office, R&D and light industrial uses. For these reasons, the past development rates (Scenario 2) which implies to a net need of 93,230 sq.m or 20.8 ha, is not considered a robust basis upon which to inform future employment requirements.
- 6.13 The labour supply scenario aligns with the findings of the 2021 Strategic Housing Market Assessment regarding the jobs that could be supported by the demographic projections in relation to the housing need figure of 1,093 dpa to 2038. This implies a net need of 103,790 sq.m or 23.9 ha. The implied growth per type of space is distributed proportionately based on the sectoral representation included within the Experian forecast (i.e. in line with Scenario 1).
- 6.14 An allowance for flexibility and losses is also included to inform gross employment requirements, which is in line with the allowances applied in the 2020 EGA. Due to the availability of monitoring data, a more precise allowance for churn is not possible. In the context of the Council's policy position to retain all the adopted employment allocations, this has supported a combined allowance translated to a 10% buffer over and above the net requirements. This results in a gross employment requirement ranging between 39,520 sq.m and 117,270 sq.m, or 9.1 ha and 27.1 ha as presented below.

Table 6.1 Gross Employment Requirements (2021 to 2038) (sq.m/ha)

Type of Space/Use Class	Scenario 1: Labour Demand		Scenario 2: Past Development Rates		Scenario 3: Labour Supply	
	Space (sq.m)	Land (ha)	Space (sq.m)	Land (ha)	Space (sq.m)	Land (ha)
Office E(g)(i)/(ii)	7,630	1.1	27,450	4.1	22,630	3.4
Light Industrial E(g)(iii)	39,930	10.0	57,990	14.5	118,460	29.6
General Industrial B2	-10,440	-2.6			-30,990	-7.7
Storage and Distribution B8	2,410	0.6			7,160	1.8
Mixed B1	-	-	17,110	4.3	-	-
Total	39,520	9.1	102,550	22.9	117,270	27.1

Source: Lichfields analysis (rounded figures)

Implications for Demand/Supply Balance

- 6.15 These updated scenarios have been compared with the latest position in terms of identified employment land supply in Mid Sussex, to determine the level of need for employment land over the Plan period to 2038.
- 6.16 There is a total of 177,290 sq.m (or 44.3 ha) of employment space within the employment supply comprising mainly permitted developments (63%), while 12% relates to developments that are currently under construction and 25% comprises allocated sites not subject to an extant planning permission.
- 6.17 These levels of supply result in a surplus of 60,020 sq.m to 137,770 sq.m or 17.2 ha to 35.2 ha against the gross employment requirements identified above. Considering the different employment uses, the analysis suggest that there is adequate land to accommodate the need arising for all the different type of employment use across all scenarios apart from a shortfall of 9ha for industrial and light industrial need identified against the Labour Supply (Scenario 3), as presented in Table 6.2 below.
- 6.18 This analysis implies that there is no further land needs to be identified to accommodate the indigenous employment need requirements arising in Mid Sussex for the Local Plan period between 2021 and 2038.
- 6.19 However, it should be noted there is a total of 69,815 sq.m within the employment supply that will lapse in 2022 and 2023 based on the monitoring data. On this basis, the Council will need to monitor the supply position and revisit the supply assessment post 2023 to ensure that adequate pipeline supply is maintained.

Table 6.2 Demand/Supply Balance per type of Employment Space (ha)

	Scenario 1: Labour Demand	Scenario 2: Past Development Rates	Scenario 3: Labour Supply
Office E(g)(i)/(ii)			
Employment Land Required (ha)	1.1	4.1	3.4
Available Employment Land (ha)	4.9		
Surplus/Shortfall	3.8	0.8	1.5
Light and General Industrial E(g)(iii)/B2			
Employment Land Required (ha)	7.4	n/a	21.9
Available Employment Land (ha)	12.9		
Surplus/Shortfall	5.5	n/a	-9.0
Storage and Distribution B8			
Employment Land Required (ha)	0.6		1.8
Available Employment Land (ha)	18.9		
Surplus/Shortfall	18.3	n/a	17.1
Mixed B1			
Employment Land Required (ha)	n/a	4.3	n/a
Available Employment Land (ha)	7.6		
Surplus/Shortfall	n/a	3.3	n/a
Combined Light/General Industrial and Storage and Distribution E(g)(iii)/B2/B8			
Employment Land Required (ha)	8.0	14.5	23.7
Available Employment Land (ha)	31.8		
Surplus/Shortfall	23.8	17.3	8.1

Source: Lichfields analysis (rounded figures)

Implications of Changes to the Use Classes Order

- 6.20 From 1 September 2020, the former A1, A3, B1, D1 and D2 use classes are merged into a new Class E “Commercial, Business and Services” Use Class in England. B2 and B8 Use Classes remain unaffected, but changes affecting other classes have also been introduced¹².
- 6.21 The Government’s stated rationale for the change is to better reflect the diversity of uses found on high streets and within town centres, and to provide the flexibility for businesses to adapt and diversify. Notwithstanding this, the effect of the changes is not limited to town centre locations. This means that Class E affects any buildings within the relevant uses, including those within the former B1 Use Class in designated (including out-of-town) employment areas.
- 6.22 In December 2020, the Government consulted on a variety of further changes to permitted development rights, and a new Class MA business and commercial to residential permitted development right (PDR) has replaced and introduced certain commercial to residential PDRs from 1 August 2021. The new class MA is different to the previous office to residential PDR, with several different limitations and conditions. Delivering housing is the Government’s priority and the Class MA PDR emphasises this.
- 6.23 Former use Class B1 (business) will benefit from the Class MA PDR which effectively reduces the scope of office to residential permitted development and is subject to floorspace, vacancy and location limitations. It does not apply if more than 1,500 sq.m of cumulative floorspace is to be

¹² See summary of changes at https://lichfields.uk/media/6020/guide-to-changes-to-the-use-classes-order-in-england_july-2020.pdf

converted, so represents a significant new restriction for office to residential change of use via permitted development.

- 6.24 To benefit from Class MA, the use of the building must have fallen within Class E or one or more of the uses that it replaced for at least two years continuously prior to the date the prior approval application is made. The building must have been vacant for a continuous period of at least 3 months immediately prior to the date of the application for prior approval, but periods of closure as a result of Government Covid-19 restrictions will not count towards the vacancy period where the building continues to be occupied by the owner or tenant.
- 6.25 These changes will influence how the District plans for future employment needs and the appropriate policies that need to be put in place. Some of the potential implications are summarised below which will need further detailed consideration in due course:
- 1 Policies to protect employment space will need to reflect that there is no longer the same planning mechanism to control these from switching to other forms of retail, leisure, community and potentially residential use. Over time, this flexibility could potentially alter the composition of existing employment areas and reduce the supply of existing employment space, particularly in those locations within the District that face pressure from other Class E uses.
 - 2 Conversely, there is now greater flexibility for developers to accommodate supporting onsite facilities such as convenience retail, gyms and other supporting uses as part of industrial estates/business park developments given they are now all contained within the same use class – provided these uses are proportionate, that could be helpful in making these locations more attractive to the market and potential occupiers or supporting viability challenges where they exist.
 - 3 Alongside the changes to the Use Classes Order, the new Class MA permitted development right which came into force in August 2021 may exert further pressure on B1a/b/c for conversion and potential replacement of older buildings for residential where the criteria can be met. This may be particularly the case when combined with a weaker office market outlook in the near-term following the Covid-19 pandemic. The Council could still opt to introduce an Article 4 Direction to withdraw these rights across a defined area if they can demonstrate this is justified in line with the tests set out at para 53 of the NPPF.
 - 4 It may be advisable for the Council to prepare an up-to-date assessment of former B1 stock in the Borough to examine the nature, geographical distribution and occupancy levels of these uses. This could help inform a risk assessment of how much of the area's existing office, R&D and light industrial space portfolio could potentially be lost to other Class E uses through permitted changes of use, as well as the extent of PDR for conversion/replacement to C3 residential. This exercise would also help develop an understanding of the distinction between former B1c and B2 (i.e. light and general industrial), and whether in practice these represent different market segments locally. In turn, this analysis could also help to build an evidence base for conditioning future planning applications and policies in the Local Plan.
 - 5 Finally, the Council should consider how the changes might be used to positively contribute to the future supply of office, R&D and light industrial space. For example, the conversion of vacant retail warehousing space to light industrial uses could provide an alternative form of supply, and in particular within those areas of the District that do not currently benefit from any substantive employment land supply, subject to the extent to which such space is required to help meet identified retail and leisure needs.

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