



**Lambert
Smith
Hampton**

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HAVANT BOROUGH

Business Needs, Site Assessments and Employment Land Study

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**Prepared for:
Havant Borough Council**

Document Author:

Robin Dickens
Lambert Smith Hampton
3 Manor Court
Barnes Wallis Road
Segensworth
Hampshire
PO15 5TH

Tel: 01489 579579
Email: rdickens@lsh.co.uk
Ref: RCD/SM/cec

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1.0 STUDY BRIEF AND OBJECTIVES

- 1.1 Lambert Smith Hampton (LSH) have been commissioned by Havant Borough Council (HBC) to prepare an Employment Land Study to determine the quality and suitability of existing and potential new employment sites and to identify if there are any gaps in the provision.
- 1.2 The objective of this Employment Study is to deliver a rounded and reliable assessment of existing industrial and office employment sites in the Borough of Havant in terms of their market demand and appeal, ability to satisfy occupier's requirements and their current and future availability to the market.
- 1.3 The report aims to examine and validate the qualitative data we have supplied for each site, to provide a market based perspective and to give the analysis a 'commercial edge'. We have identified the sites that are well suited to meet the needs of modern business; sites that should be safeguarded against competing higher value uses; any sites that may be subject to market failure; and those sites most unlikely to be brought forward for future employment use.
- 1.4 In turn, this assessment will help to set targets for the identification of new sites and sites to be protected for employment use in the Local Spatial Plan to ensure that sufficient employment land is of the right type and in the right location to be preserved or released, to satisfy property requirements in the foreseeable future for both existing businesses, start-up enterprises and prospective inward employers.
- 1.5 This report contains the following:
- Details of the study methodology that has been used in appraising the employment sites, including the sources that have been consulted to form an understanding of the property market context;

- Commentary that demonstrates a critical understanding of the recent work undertaken by GL Hearn on behalf of the PUSH authorities, by Oxford Economics and AECOM on behalf of the Solent LEP and other research relevant to consider the implications for future employment land provision in Havant;
- An overview of the broad market context for the supply of and demand for office, industrial and warehouse floorspace within the study area over the past 20 years or so, leading to a current picture and a discussion of possible changes/trends in the market over the next 5 years and beyond;
- An overview of the future prospects for the local and sub-regional office and industrial property market and to provide indicative rental and capital values to comment on occupier affordability and viability of undertaking new development;
- Conclusions on the current suitability of the assessed employment sites for meeting existing and future demand, taking account of the potential for improvements through new investment;
- Identification of any gaps in the Borough's employment land provision, with particular regard to the economic sectors that are prioritised for investment and growth by the Solent LEP and associated economic strategies.

1.6 This Employment Land Review will form part of the evidence and rationale to inform the forthcoming Local Development Plan being prepared by HBC Planning Officers and is therefore providing a market perspective and is not making any formal recommendations nor decisions. We would also apply the following caveats to our report:

- Prevailing economic conditions on a local, national and global scale are clearly susceptible to short and longer term fluctuations which will impact on the employment land market and to be realistic, during the PUSH forecasting period, inevitably political influence will affect the outcomes;

- Where we have identified sites or buildings which may become available for redevelopment within a certain timescale, this is based on well informed market knowledge at the time of the study's preparation; however circumstances or assumptions are liable to change;
- The reference to existing or potential employment sites and buildings in the report does not preclude them from being developed for other purposes and any planning application would be judged on its own merits and whilst we have provided a comprehensive assessment, it is recognised that new and hitherto unrevealed employment site opportunities will continue to come forward.

2.0 LSH CREDENTIALS AND METHODOLOGY

- 2.1 Our intention is to provide a realistic, market orientated study on the projected level of occupier demand and compare the existing and future supply of employment land (predominantly those with B class availability) based on our extensive market knowledge and research across the Solent region.
- 2.2 LSH is the United Kingdom and Ireland's largest commercial property consultancy (a subsidiary of Countrywide Plc). We have a national network of 28 offices and over 1,100 employees. Along the South Coast we have two offices at Fareham and Southampton with agency and valuation departments. We have an intuitive appreciation of the market dynamics and recently for the ninth consecutive year, have been awarded by the national Estate Gazette publication, the Most Active Agent in Hampshire and Dorset and in 2015 were ranked first by EGi the Most Active National Agent in the Industrial and Logistics category. During 2015 LSH's South Coast team transacted over 2 million sq ft of business space in the region.
- 2.3 The principal author of this report, Robin Dickens has during the past 30 years, built up a comprehensive knowledge of the industrial and commercial property market in South Hampshire, particularly in an agency and development advisory capacity within the Havant conurbation and travel to work area. He has also participated directly in the local business community being an active member of the Shaping The Future Group (Development Committee), a Past President of Portsmouth and South East Hampshire Chamber of Commerce, a former contributor to the Land and Property Task Group of Hampshire Economic Partnership, former Governor at Highbury College (2003 – 2013) and is currently a Board member of the Land, Infrastructure and Property Panel of the Solent LEP.

- 2.4 Notably, the author has advised and been instructed to market by private clients / institutional landlords etc, many surplus industrial and office premises in Havant and South East Hampshire and has also acted on behalf of both local and corporate companies seeking new accommodation in the Solent region. This has informed from firsthand experience an insight into the mindset of a prospective occupier and the specific criteria they are looking for when selecting a new building or site. We have gained an in-depth knowledge of the dynamics of the local market and current and past projects have included the marketing of the Kenwood Business Park, Langstone Technology Park, Trident development in Harts Farm Way, Solent Road Trade Park, Langstone Gate offices, Dunsbury Hill Farm on behalf of Portsmouth City Council, Southmoor Lane, Hayward Business Centre etc in Havant and Stratfield Park, The Parkwood Centre, The Briars, former BAe site in Elettra Avenue, Aston Road Industrial Estate, Wellington Gate, Hussar Court on Brambles Farm etc in Waterlooville; and also recently handled the marketing of the former BAe Shipbuilding facility in HM Naval Base; and undertaken property acquisitions for companies such as EADS Airbus, Snecma Turbomeca, Lewmar Marine, Scania, Babcock International, Scottish and Southern Plc, PETA, Inchcape, Harwood's, Hendy Ford etc.
- 2.5 LSH is a multi-disciplinary practice, having expertise in industrial, offices, retail, roadside and leisure property. Our surveyors deal with day-to-day agency and disposals, development appraisals, company acquisition, investment and funding advice, property management, landlord and tenant matters, valuation, town planning and property market research. We have been strengthened further by the recent acquisition of the ES Group adding an additional 260 employees, enhancing our offer in rating, building consultancy and valuation.
- 2.6 In order to inform and prepare this study, we have consulted various relevant research documents, which have included the draft Economic and Employment Land Evidence Base Paper (PUSH/GL Hearn March 2016); Havant Borough Local Plan (Allocations) 2014; Havant Borough Core Strategy (HBC 2014); Maritime Futures: Solent Waterfront Sites Final Report

(Sept 2015); Solent LEP Economic Outlook (Oxford Economics March 2014); Delivering The Goods: Economic Impact of Logistics (BPF/Turley Dec 2015); South Hampshire Strategic Housing Market Assessment (PUSH/GL Hearn Jan 2014); the PUSH South Hampshire Strategy Framework to 2026 (Oct 2012); Solent LEP Strategic Plan 2014-20 (Jan 2014); Transport Investment Plan Solent Area (AECOM Dec 2015); Solent Strategic Transport Investment Plan (LEP May 2016).

- 2.7 We have purposefully spent time 'on the ground' revisiting industrial estates and office parks in the Borough environs, to ensure our intelligence is up to date and accurately represented and to better understand the status and activity levels of the occupier's business, the state of repair/ the calibre of the environment and the suitability of each building for continued occupation or redevelopment.
- 2.8 To enable a comparative assessment, we have provided a scoring and subsequent ranking system based on a list of criteria which can be used to assess the quality of existing floorspace on both, industrial estates and office accommodation and potential redevelopment opportunities.
- 2.9 To support this study, we have analysed the supply of industrial employment floorspace (both historically and at the present time), the future supply of employment development land, the floorspace take up data year by year and have also considered the growth and job targets adopted by PUSH, the Solent LEP and the Local Authority.
- 2.10 In forecasting employment growth and economic activity, the cyclical nature of the UK and world markets and the recovery following the economic downturn from 2008-2013, is of considerable relevance. Realistically of course, the existing building stock and land availability does not physically disappear, but the projection of demand and take-up will no doubt require re-assessment during the period of the Local Development Plan.

- 2.11 It is important to recognise that in order for Havant to realise its ambitions and accomplish the defined employment growth and housing targets, as outlined in the HBC Core Strategy (adopted January 2011) and identified in the 2014 Local Plan, there will be required by all stakeholders, a market focussed development strategy and adaptability in land use allocation (flexibility in planning is vital to respond to occupier needs).
- 2.12 There has been, and continues to be, a significant transition in land use re-allocation within and around both Havant and Waterlooville Town Centre's and where retail and housing development has superseded B class land use, an objective judgement will be required to recommend safeguarding employment sites in the future (existing, allocated or potential site opportunities).
- 2.13 The changing nature of occupier's property requirements and the dynamics of how Havant relates to its neighbouring sub-regional market place, is inevitably complex and will continue to be in a state of flux over the coming years due to the impact of major projected land releases and take up of development opportunities in the South Hampshire region. Nevertheless, it is important to consider the wider picture as to how the land supply and perceived demand will be influenced in a sub-regional context, especially in relation to the ambitions of the PUSH and LEP based strategic policies.
- 2.14 In practice, neither the commercial property market nor the occupier market has any respect for Borough administration boundaries and relocation decisions are likely to be based on road, rail and water borne access, local infrastructure capacity, workforce availability, telecoms/internet connectivity, and most importantly, the suitability, quality and availability of accommodation.
- 2.15 In the text of this report we may refer to the following Use Classes:
- A1 Shops including travel agents, dry cleaners, food consumed off the premises.

- A2 Financial and Professional Services including banks, offices to visiting members of the public
- A3 Restaurants & Cafes – sale of food for consumption on the premises
- A4 Drinking Establishments – public house, wine bar
- A5 Hot Food Takeaway – hot food consumption off the premises, e.g. Drive Thru
- B1 (a) Offices other than A2
- B1 (b) R&D – laboratories, studios etc.
- B1 (c) Light Industrial
- B2 General Industrial
- B8 Storage and distribution including warehouse and logistics, trade.
- C1 Hotel
- C3 Residential
- D1 Non-Residential Institutions
- D2 Assembly and Leisure – gyms, sports halls, cinemas etc.

2.16 We understand, that our advice and findings are provided for both internal and external purposes and do not necessarily reflect the views of HBC. This advice does not accord within minimum reporting requirements of the RICS Valuation Professional Standards January 2014 and consequently, does not constitute a formal valuation in accordance with these standards, although the basis of any valuation adopted accords with the RICS definition of Market Value.

3.0 SOUTH HAMPSHIRE MARKET OVERVIEW

General

- 3.1 The current global financial uncertainties such as the slowdown in China's growth, fluctuating oil prices and the pending European referendum, may prove to have a negative impact on the UK and regional economy in the near future. However despite this, recent data shows that there has been reducing unemployment levels and strong or business confidence in the Solent area during 2015 and into 2016.
- 3.2 We have seen sustained growth in occupier demand over the last three years. This economic resurgence has generated an increase in headline rents and falling tenant's incentives, which is facilitating the potential for new development. Institutions are becoming increasingly confident in the South Coast market and are taking the first preparatory steps towards the speculative development of industrial and logistics schemes, with several planning applications having been submitted and approved during the course of 2015, including Test Lane South at Nursling, Alpha Park in Chandlers Ford, Merlin Park and Pioneer Park in Portsmouth. Indeed at Kites Croft Titchfield, two new units of 10 000 and 30 000 sq ft are under construction by Aviva Investors and are destined to be let prior to practical completion.
- 3.3 In the industrial and logistics sector, e-tailers particularly in the non-food sectors, have been a major demand driver. This, combined with a lack of development, has seen availability reach an all-time low, and particularly in key motorway locations this shortage will increasingly frustrate business expansion and relocation.
- 3.4 In prime office locations along the M27 Corridor, new-build schemes are on the horizon and these include Lakeside at Northarbour, Portsmouth to the east, Royal Pier Waterfront and Station Quarter in Southampton, Solent Business Park at Whiteley and the Chilcomb Centre and Station Approach proposals in Winchester. Although at present, risk adverse pre-lets will

be required to stimulate development at these locations. At Southampton Science Park however, offices are being speculatively built owing to the vindication and confidence that full occupancy generates. In more secondary office locations (within Havant and Gosport for instance) there will continue to be resistance to attracting new B1a development as residual land values struggle to support such new build schemes.

- 3.5 This future office supply pipeline is driven by a number of factors and a reduction in the existing stock will encourage the promotion of new development. There is growth in sectors such as hotel and student accommodation in Southampton, Portsmouth and Winchester, along with permitted development conversions to residential and these will have a significant impact on the office supply – outside the Cities there are less constraints and sites are more readily available. However attracting office occupiers to new locations without an existing critical building mass and a deficiency of staff amenity, is difficult. The crucial factors to stimulate and access development funding are the supporting evidence that viable rental levels can be achieved and that there is a quantum and credible level of occupier demand to afford new office space.

South Hampshire Industrial Market

- 3.6 The South Coast is continuing to experience a heightened level of occupier and investor activity post recession. However, this impressive and steady demand is beginning to be hampered by the critical lack of the supply which is now impacting across all size ranges. This is resulting in the South Coast experiencing a shortage of good quality, modern, detached industrial and logistics units, as a negligible amount of development has taken place over the last 5 to 10 years.
- 3.7 We contend that demand has virtually outstripped the supply of both prime and modern secondary units in the region. This positive level of demand is prompting developers and institutions with the confidence to contemplate and action speculative development,

particularly for schemes aimed at the sub 5,000 sq ft market and larger units ranging from 20,000 sq ft to 100,000 sq ft.

- 3.8 Predicting the remainder of 2016, the churn in the market will continue to slow down as occupiers struggle to identify suitable premises to move to and this will continue until the construction of new development schemes are completed. As a result, the opportunity for new start-ups and businesses to expand will be restricted, particularly in terms of small freehold unit schemes in good, strategic locations. The expected take-up of pre-let opportunities by larger companies should release a stock of buildings into the market which will help soak up this latent demand but will not be adequate to satisfy the overall quantity of occupier requirements.
- 3.9 In certain locations (generally where there is a non-conforming use or in a mixed use area on the fringe of commercial activity) the existing older stock with established industrial use, will increasingly be under pressure to be redeveloped for residential or alternative employment uses, as higher land values will almost certainly be more attractive to the freehold owner/developer. This tension between delivery of housing growth in the Borough and safeguarding employment space must be carefully adjudicated and each individual site evaluated on its own merits.
- 3.10 A number of the multi-let industrial estates are fulfilling higher occupancy rates and accompanied rental growth. It is anticipated that the 'knock-on' effect of this will be, as stated that the region will see an increase in speculative development during the course of 2016.
- 3.11 Availability at the end of Q4 2015 was some 2.15m sq ft in the Portsmouth and Southampton conurbations (defined as the PO and SO postcodes excluding West Sussex so corresponds to the Solent LEP area) which we estimate represents around only 14 months' supply based on average annual take up over the last 5 years which reflects periods of high and low activity as the market emerged from the 2008 onwards recession. We consider only 310,000 sq ft

(14.5%) can be regarded as prime space in a local context and a large element of this would not conform to the property industry's definition of Grade A industrial space – plot densities up to 45/50% depending on the size and nature of use; environmentally compliant and energy efficient buildings; minimum eaves heights for units up to 20 000 sq ft of 6.5m, rising to 7.5m for buildings between 20 000 and 50 000 sq ft and higher (10 to 12m plus) for units over 50 000 sq ft; typical office content of 10/15% with raised floors and cooling; secure site; adequate dock and/or grade level loading with larger occupiers requiring separate office parking to yard and loading areas; attractive and modern design; defined service capacities inc sufficient kVa power supply; accessible location for staff and commercial vehicles etc. This acute lack of Grade A space is exacerbated in Havant Borough where apart from new build opportunities on development sites, such as FatFace's new distribution centre being built at Dunsbury Hill, there is virtually no standing stock of thus quality.

- 3.12 This lack of stock has been evident in the medium and larger unit categories for the last 18 to 24 months and this is not set to improve in the near future – without a steady market churn, occupier demand tails off with the recognition that a search for new premises will be frustrated. Additionally, smaller businesses are also struggling to identify suitable alternative premises as the shortage of supply is impacting across all size ranges, with most estates experiencing very low void rates.
- 3.13 During 2016, we expect there will be heightened activity for occupiers in terms of pre-lets, particularly at the eastern end of the M27 corridor, where there are at any one time, a limited if nonexistent, number of larger second hand units available plus fewer speculative developments coming on stream in the Portsmouth and Havant area.
- 3.14 The immediate question is will the level of stock being released into the market from development activity be sufficient to meet demand? In the short to medium term this appears unlikely and therefore we expect the occupational market to remain competitive for the next 5 years' subject to economic conditions. Take-up in 2015 was over 1.8m sq ft, comfortably

above the five and ten year quarterly average and this annual take-up figure will almost match 2014's record high of 2.1m sq ft.

- 3.15 The reduction in supply has enabled landlords to promote and achieve higher rents, particularly on good quality second hand units with self-contained yards and this will have a positive effect on prime and pre-let rental levels.
- 3.16 In some popular, more desirable locations we project that prime rents on modern industrial units below 5,000 sq ft will increase to circa £9.50 - £10.00 per sq ft during the early months of 2016 as supply tightens further.
- 3.17 In terms of incentives, over the last year or so these have reduced from an average of 12 months on a five year term, to three to six months. We have also witnessed an increase in the number of occupiers willing to sign up to leases in excess of ten years to secure space. Again, this has given developers and institutions the confidence to compete and commit to land acquisitions and purchase running investments on the South Coast.
- 3.18 It is worth noting that labour and build costs have markedly increased which has impacted on development appraisal viability and reflected in higher rents being required to support a profitable outcome. This factor has been mitigated to a degree by yield compression raising resultant capital values (i.e. a lower investment yield generates a higher multiplier of the rent to produce greater capital value) and we predict that owner-occupiers will now be expected to pay significantly higher property values than those seen post recession, particularly on smaller unit schemes.
- 3.19 As property owners (private and institutional) have generally no motive to dispose of assets and to retain rental income, transactions in the market have been predominantly lettings rather than freehold sales. We are aware that many small businesses, given the opportunity, would prefer to buy and invest in their own premises.

3.20 The investment market is unlikely to maintain the record level of transactions seen in 2015. However with ongoing low inflation and minimal interest rates, the current prime investment yields of circa 5.5% will continue to bolster capital values and underpin new development on either a pre-letting or speculative basis. In the past 12 months there has been unprecedented investment activity in the South East Hampshire industrial market with notable transactions being completed, for example, the sale of Voyager Park to Cornerstone, DTZi acquiring Railway Triangle, BAe Broadoak Works sale and leaseback to Columbia Threadneedle in Portsmouth, Lewmar Marine in Havant acquired by Mayfair Capital etc. We foresee some softening of industrial yields which arguably peaked in 2015 but will still drive sufficiently strong capital values to justify new build or refurbishment.

South Coast Office Market

3.21 The South Hampshire region benefitted from an improving occupational market during 2015. There was a notable increase in the number of larger enquiries for our region and this transferred into positive take-up figures and a falling supply. The reduction in supply is influenced by three main factors:

1. Permitted Development Rights – conversion of offices to residential (and also other uses);
2. Improving occupancy rates and demand for better quality space;
3. No meaningful, new speculative office developments for some 8 years.

3.22 With office availability along the M27 corridor standing at just over 1.3 million sq ft at the end of 2015, there is currently less than 3 years supply, based on the current rate of take-up. Grade A stock is under pressure, representing only 24% of the availability. We anticipate a similar level of take up in 2016, although this is likely to fall below the peak of 2015 as supply constraints will emerge at the western end of the Solent corridor.

3.23 The expectation is that the trend of falling supply is set to continue and that as a result, prime rents along the M27 corridor will continue to rise and incentives will fall further in the short to medium term.

3.24 Notable relocations into brand new office accommodation have historically been on a pre-let/forward funded basis and in the last decade with one exception, all the major office transactions have occurred west of Junction 9 of the M27. For example:

- Raymarine (now Pall Europe) in Cosham – 80,000 sq ft (7432 sq m) pre-let at £19.50, occupied in 2008;
- Carnival – 160,000 sq ft (14,864 sq m) pre-let, confidentiality agreement in place, however rent believed to be circa £19, occupied in 2009;
- Maritime & Coastguard Agency, Southampton City – 66,500 sq ft (6,178 sq m) pre-let at £19.20, occupied in 2007;
- B&Q at Chandlers Ford – 150,000 sq ft (13,935 sq m) owner occupied in 2011;
- Ordnance Survey at Nursling – 150,000 sq ft (13,935 sq m) pre-let, confidentiality agreement in place, rent unknown, occupied in 2011;
- Selex Galileo at Endeavour Park, Millbrook – 24,000 sq ft (2,229 sq m) on a 16 year lease at a rent equating to £18 per sq ft and 18 months' rent free (NB: industrial location) occupation June 2014;
- Phase II National Air Traffic Control Centre, Solent Business Park, Whiteley – 130,400 sq ft (12,114 sq m).

3.25 Moreover in Havant Borough, it is worth noting that over an extensive number of years, the incidence of new office development is very limited to schemes such as The Briars and Hussar Court, Waterlooville; Broadmarsh and Brambles Business Centres; Langstone Gate (in 1986), Wellington Gate and Endeavour Business Park in Southmoor Lane (both B1 two storey units not pure B1a) and arguably the call centre conversion by SSE in Southmoor

Lane. This excludes of course the refurbishment and re-occupation of Langstone Technology park post IBM's departure in 2000. We estimate that some 32,500 sq m of new B1(a & b) office space has been developed in the Borough over the last 30 years – will this trend dramatically change over the next 20?

- 3.26 There is a lack of office stock along the South Coast, in particular, Grade A accommodation. A number of development sites such as Mayflower Plaza in Southampton (116,000 sq ft), Aqua in Southampton (60,572 sq ft) and The Bond in Southampton (156,790 sq ft) that were allocated for offices have now either been converted to alternative uses or are subject to planning applications for change of use and this trend looks likely to continue.
- 3.27 With availability continuing to fall and with limited new development in the pipeline, the relocation options for businesses are narrowing. Rents are on the rise and incentives offered to tenants are reducing. These factors are leading towards a situation where the potential for development is once again, being stimulated in prime locations.
- 3.28 However, pre-lets where headline rents nearer to £25 per sq ft are currently required in order to justify development and make new builds viable. As mentioned earlier in this report, speculative development has commenced at Southampton Science Park, where demand is particularly strong.
- 3.29 During 2015, office take-up for the South Coast/M27 corridor was circa 507,600 sq ft - 17% higher than the 10 year average of some 429 000 sq ft. The take-up trend over the past 4 years has been one of steady improvement from a figure 251,400 sq ft in 2012; 337,500 sq ft in 2013 and 419,160 sq ft in 2014. The 2015 total has notably passed the 500,000 sq ft mark for the first time since 2007.
- 3.30 Much of the occupier demand, in particular from corporate occupiers, has been due to business expansion and a preference to upgrade to higher quality office space. Modern

working practices are changing with a more agile working environment required with open plan single floor plates, good breakout space and access to amenity in order to attract and retain the best staff.

- 3.31 Despite the improving economic conditions and growing business confidence, there has been a decline in enquiries during the second half of 2015 and in particular in Q4. This is likely to have been influenced in part by the fall in supply with opportunities for businesses to relocate being constrained prompting occupiers to renew leases within their current buildings, although current global economic factors may also be playing a part in business confidence. We anticipate the possibility of a fall in take-up in 2016 as a result.
- 3.32 Prime office rents along the M27 corridor have increased by circa 5-10% over the past 12 months, where supply is particularly constrained and where building fundamentals of good location, high quality specification, maximum parking ratios and access to amenities are evident.
- 3.33 Concurrently, tenant incentives for open market lettings have reduced over the same period. Where previously an 18 month rent-free period was typically required for a 5-year term certain this has now fallen to circa 6 to 12 months in the current market.
- 3.34 Prevailing conditions have seen quoting rents in prime locations increase with space now being marketed at headline rents of £19.50 per sq ft on buildings with excellent quality accommodation and best-in-class parking ratios of 1:200 per sq ft.
- 3.35 In the medium term and if the current economic conditions continue, we can expect to see a rise in prime rents beyond £20 per sq ft where the optimum supply and demand dynamics prevail. We anticipate this will stimulate the next wave of office development for the region in the prime locations which may be out of town/motorway accessible or in prime City Centre

destinations, close to public transport linkage or part of a mixed use scheme – this is evident with current developer and occupier interest in Southampton or at Whiteley.

4.0 HAVANT BOROUGH OVERVIEW

General

- 4.1 Havant is a busy, densely populated town in South East Hampshire, situated some five miles north east of Portsmouth and twelve miles west of Chichester having ready access to both the major South Coast trunk route the A27/M27 and two miles west of the Town Centre, to Junction 1 of the A3(M) route to Guildford, the M25 and London, with much improved journey times via the Hindhead Tunnel.
- 4.2 The resident population of Havant Borough is approximately 120,700 (2011 office for National Statistics) of which some 44,600 reside in the Havant and Leigh Park Wards and supplies 30% of the employment within the Borough, however the catchment is much greater drawing on nearby settlements such as Waterlooville, Hayling Island, Emsworth and Rowlands Castle. The Town has grown significantly during and since the 1960's, particularly the housing stock, largely acting as a dormitory town to the greater Portsmouth conurbation in addition to out-commuting to the wider South of England region. It provides a typical range of urban services (shopping, educational, leisure and recreational amenities) commensurate with a Town of its size and contains some 428,000 sq m of indigenous employment workspace.
- 4.3 With the decline in UK manufacturing since the 1980's, Havant has suffered disproportionately to other neighbouring Authorities however there are still a number of longstanding, traditional occupiers who remain (such as Colt International, Dunham Bush Eaton Aerospace and Lewmar Marine) as well as the influx of more IT/office based and advanced industries including Lockheed Martin, Seagate, SSE, Pfizer, Apollo Fire Detectors and office HQ/distribution hubs for major brand leaders such as FatFace and Kenwood Delonghi etc.

- 4.4 Geographically, the Borough of Havant is bisected by the A3(M) motorway which effectively divides the district into two distinct residential and commercial areas, with inherent and localised characteristics relating to each area. The major gateway employment opportunity at Dunsbury Hill Farm sits alongside the A3(M) between Leigh Park and Junction 3 of the motorway and is now poised to deliver new employment space. Comprising a 50 acre site (having outline planning consent for up to 62,000 sq m B1/B2 and B8) and is owned by Portsmouth City Council - currently the site is being brought to market and the highway access and infrastructure works are under construction. Waterlooville is designated as an MDA in its own right and will be a source of new housing and potential workspace within the Borough however the majority of the new development will be in the near vicinity (located within Winchester City Council boundary). There are some 3,500 new homes currently under construction in phases by a consortium of house builders.
- 4.5 There are principally two main employment areas in Havant, one located to the south of the A27 (Southmoor Lane/Penner Road and Langstone Technology Park) which has been the principal location for new industrial development over the last 10 to 15 years and the second concentration of predominantly industrial floorspace is to the north of the Town Centre, running up and down New Lane, which was mainly developed in the 1960's, to provide employment for the large Leigh Park residential estate. There has been isolated redevelopment here of the older stock and on balance accessibility wise, a location south of the Town Centre is preferred by many occupiers.
- 4.6 The other notable employment concentration lies to the west of the Town Centre where a good proportion of the Estate, built during the 1950's and 1960's, has been replaced with successful new developments along Solent Road, where LSH have been advising private investors/developers, Hargreaves, who have recently completed a retail park (Next, M&S, Sports Direct, Halfords, Mothercare etc) opposite the Tesco Superstore and a trade park/small unit scheme (Jewsons, Screwfix, HSS, Topps Tiles, Toolstation). The activity in Solent Road is close to the Town Centre and Havant mainline rail station (London Waterloo

85 minutes) and is within ½ mile of Southmoor Lane (north over the A27 road bridge) and Harts Farm Way industrial areas. The remaining stock such as The Tanneries offers secondary and lower grade accommodation and has proved difficult to attract occupiers. There is a busy and constant traffic flow along Solent Road throughout the day, which can become heavy and congested at peak times and so compromises the access to premises in Brockhampton Lane and The Tanneries behind.

- 4.7 It is evident that without the future development of the major proposed employment sites (as identified in the HBC Local Plan 2014) then the Borough will be largely dependent on the regeneration of employment sites that are already developed. Such sites are notoriously difficult to transform into modern business areas, unless the surrounding environments can be enhanced simultaneously and there is sufficient viability in redevelopment of the existing stock.
- 4.8 Observed over many years, the traditional nature of the Havant employment market has been a slow churn of predominantly indigenous demand in the mainly sub 250 sq m sized unit category, or larger units in excess of 2,000 sq m, interspersed with bouts of occupier activity prompted by the provision of new floorspace. Thus vacant property rates suffer above average void periods (in comparison to say, Portsmouth or Fareham) and in our agency capacity over many years, conducting marketing campaigns on industrial and warehouse properties in the Borough, have typically proved ineffectual in attracting new business occupiers from outside the local area. Clearly the positive impact of the economic recovery has stimulated occupier demand and predominantly it is a lease event (tenant's option to break, lease expiry or lease renewal negotiations with a current landlord) which prompts a property search and enquiry, though often results in the company staying in its existing building.
- 4.9 The advent of new greenfield site opportunities in and outside the Borough, such as Dunsbury Hill, the Grainger Berewood land at Waterlooville, the Taylor Wimpey site off Hambledon

Road, and brownfield land such as Site Four at Harts Farm Way, Velocity off New Lane and potentially the Brockhampton West site, will enable B1/B2 and B8 development to emerge outside and within the traditional and generally tired, older industrial estates.

- 4.10 This provision of new employment land at the present time draws comparison with the 2002 - 2007 period, when Southmoor Lane experienced a phase of significant development activity. These virgin sites and new estate infrastructure proved attractive to companies who could either move to new ready built accommodation or build to their own specific criteria, to satisfy their business space requirements and aspirations. The relevance and determining factor here was that, given the right economic circumstances, to encourage and facilitate companies to relocate, there needs to be a real availability of well accessed and serviced land for development, in a modern business-like environment.

Historical Context

- 4.11 In order to assess how industrial market demand/supply trends may perform in the future, it is important to analyse how the trends have developed historically in a regional context and then to draw comparisons within South East Hampshire and specifically the Havant marketplace.
- 4.12 Typically across South Hampshire, the industrial market (often defined as B2/B8 but including B1(c) light industrial uses) has over the last 3 years or so, experienced a rise in occupier demand and diminishing supply of employment floorspace. Within Havant Borough we estimate there has been a decrease in industrial stock availability from the beginning of 2013 to the present time of 34%. The Havant office market, by comparison, has remained relatively static with only a slight increase in stock, displaying moderate take-up and therefore surplus suites and buildings have been remaining available for relatively longer void periods. Therefore, the modest level of office market activity in Havant Borough is both a quality issue and one of unpredictable demand (activity generally confined to Langstone Technology Park and Langstone Gate).

- 4.13 The overall industrial stock in the Borough has marginally decreased in the past 5 years to some 323,000 sq m, split 238,000 sq m of B1c/B2 industrial space and 85,000 sq m of warehouse accommodation (due to the loss of BAe Systems facility at Elettra Avenue, Waterlooville, the former Pfizer warehouse in Stanbridge Road, older industrial stock along Solent Road/Brockhampton Lane etc.). At present, we calculate there is approximately 18,580 sq m of built industrial and warehouse stock currently available in the HBC district which in our experience is a record low. The distribution of the available built floorspace is evenly spread up to 2,000 sq m however there is a significant quantity of employment land available for new development, and the prospect of a number of vacant sites on the horizon to follow. There have been just two, new B2/B8 unit schemes developed in Havant Borough over the last decade, in response to market demand for owner occupation and SIPPS purchases (which subsequently fell away) at Dakota Business Park in Downley Road and Larchwood Business Centre at Bedhampton, where take-up was evidentially slow and we understand proved financially unprofitable to the developers. This demonstrates that at the 'wrong time' in the economic cycle, even when modern quality industrial stock is available, there can be inadequate demand to readily take-up the built floorspace.
- 4.14 During the past decade, the average take-up rate for built industrial space in Havant has been some 14,167 sq m per annum approx and thus with the current availability only standing at around 18,580 sq m, we calculate that there is less than 1½ year's standing secondhand supply. We have disregarded the potential floorspace resulting from the allocated employment land, which will be required to attain the estimated new floorspace requirements projected by PUSH and the targets within the previous Havant Borough Local Plan.

Key Industrial Estates:

- Southmoor Lane/Penner Road
- New Lane/Downley Road/Dakota Business Park
- Harts Farm Way/Broadmarsh Business Centre
- Marples Way/Kingscroft Court
- Dunsbury Hill Business Park
- Solent Trade Park
- The Tanneries/Brockhampton Lane
- Aston Road/Aysgarth Road/Arnside Road
- Brambles Business Park/Elletra Avenue
- Palmers Road Emsworth
- Northney Marina/Hayling Billy Industrial Centre, Hayling Island

The table below provides details of significant occupier transactions in the Havant industrial market during the course of the last 18 months.

ADDRESS	OCCUPIER	LANDLORD / VENDOR	SQ FT	TENURE	£ PER SQ FT
Plot 2 Dunsbury Hill Farm	Fat Face Ltd	Portsmouth City Council	80 000 with extension option 40 000	New 15 year lease	£8
Unit 4a Kenwood Business Park	Graftongate	Dunedin Management	8643	New 10 year lease	£6.25
Units 7/7a Arnside Rd Waterlooville	Screwfix	Beaver Tool Hire	9406	New lease	£6
Part of Buttericks New Lane	Hants Signs and Plastics	Private Investor	6831	New lease	£5.50
Solent Trade Park	Various inc Toolstation, HSS, Halfords, Topps	Hargreaves	26 300	New leases	£12.50
Unit 4 The Meadows	Cherrytech	Environment Agency	12 000	Sale of long ground lease	Undisclosed
Unit 10 Hayward Business Centre	Howdens	Industrial Property Inv Fund	4151	New 10 year lease	£7.75
Site at Fulflood Way	Mipa Paints	Dwyer Properties	32 614	Freehold land	Circa £400k per acre
Plot 3 Site 4 Harts Farm Way	P&I Generators	HCA	0.5 acre	Freehold land	£475k per acre
Luxor Ct Penner Rd	Southern Cross Packaging	Starbax Ltd	11 000	New 10 year lease, option to buy	£6.50

Key Office Locations:

- Langstone Technology Park
- Endeavour Business Park
- Langstone Gate
- London Road, Waterlooville
- The Briars/Hussar Court/Wellington Gate, Waterlooville
- The Plaza, Havant

The table below identifies relevant office transactions which have completed in Havant over the last 18 months.

ADDRESS	OCCUPIER	LANDLORD / VENDOR	SQ FT	£ PER SQ FT	COMMENT
Unit 100 Nest Business Park	SWI Consulting	Private Landlord	3947	£10.15	
Unit 11 The Briars Waterlooville	Fischer Connectors	Dunedin Asset Management	3267	£12	
Bldg 6000 Langstone Tech Park	Lockheed Martin	Angelo Gordon	10 270	£12	
Unit C Wellington Gate Waterlooville	Clock Audio	Overseas Investor	24 000	NDA	Freehold sale
Suite 200 Langstone Gate	BUPA	Seaward Properties	1400	£15	
Suite 310 Langstone Gate	Dynamite Recruitment	Seaward Properties	1640	£15	
64 West Street	Emsworth Medical Practice	Verisona	1755	£12	

Key investment and developer activity conducted in Havant during the last 18 months:

ADDRESS	INVESTOR	TENANT DESCRIPTION	SQ FT	PRICE	YIELD
Former BAE Systems Elettra Avenue	Hargreaves	Site under development for mixed retail/ roadside/ industrial use scheme	12.5 acres	Circa £7m	N/A
Bramble House Waterberry Drive	Columbia Threadneedle	Hampshire Aerosols	55 154	£3.435m	8.3%
Unit 1 Kingscroft Court	Helical Bar	Wartsilla	38 914	£3m	7.5%
Langstone Technology Park	Angelo Gordon/Trinity IM	Various corporate and local tenants	470 000	Part of portfolio disposal	N/A
Southmoor Lane Havant	Mayfair Capital	Lewmar Marine	35 904	£3.26m	6.7%

5.0 OCCUPIER NEEDS AND FUTURE PREDICTIONS

- 5.1 The Solent LEP Economic Outlook report published by Oxford Economics in March 2014, provides labour market forecasting for the region and we refer below to the summary findings which are relevant to and have assisted our study:
- 5.2 UK employment growth is forecast to be about 5.4% higher in 2024 than today, equivalent to an extra 1.8 million jobs (Working Futures 2014-2024 UKCES April 2016). For sustainable, balanced economic growth, the UK must undergo an export and investment led recovery. The report accordingly expects growth to be led by exportable service sector activity.
- 5.3 The forecasts for Solent LEP are on the whole positive. Average employment growth of 0.72% per annum is expected to create an addition of 31,000 jobs by 2020. Over the period 2013 to 2030 this rises to 44,000 – growing at an average rate of 0.42% per annum. GVA in the Solent LEP area will follow suit, with a positive year-on-year growth expected throughout the forecast period. The forecast is that GVA will rise at an annual average rate of 2.8% to 2030 (we suspect this figure may be downgraded to reflect current economic uncertainties).

GVA Growth 2013-2030

Area	GVA Change 2013-2030 (% per annum)
Eastleigh	3.0%
Fareham	2.8%
Gosport	2.5%
Havant	2.7%
Isle of Wight	2.6%
Portsmouth	2.6%
Southampton	2.8%
East Hampshire	3.0%
New Forest	2.4%
Test Valley	3.2%
Winchester	3.4%
Solent LEP	2.8%

- 5.4 Employment growth in the outlook period is forecast to be concentrated in the skilled services sectors (administrative, support and professional, scientific and technical sectors) whilst broadly speaking manufacturing continues in decline. Consequently the Solent LEP economy (like the rest of the UK) will demand a more highly skilled workforce as this trend continues.
- 5.5 At present the skills structure of Solent LEP lags behind the South East, with a significantly lower proportion of workers with NVQ4+ qualifications. A lower skilled workforce is a major contributor to the productivity gap that exists between Solent LEP and the South East. The skills gap with the South East must be addressed if the productivity gap is to be narrowed.
- 5.6 An analysis of sectoral employment shows that the South East is less reliant on:
- Manufacturing that continues to shed jobs
 - Public administration which has been constrained by austerity measures; and
 - Health which also faces a tight public spending environment.
- 5.7 On the other hand the South East is more reliant on “Information and communication” and “Professional, scientific and technical” sectors, both of which are key areas of growth for the wider community.
- 5.8 Oxford Economics forecasts a population rise of 53,000 in Solent LEP by 2020 and a further 55,000 by 2030. The rate of growth in the period to 2030 is estimated to be 0.51% per annum, only marginally trailing the growth rate in the South East of 0.52%.
- 5.9 Baseline employment growth in Solent LEP is forecast to be robust in the years ahead. Over the period 2013-2020, Oxford Economics forecasts predict average employment growth under this “policy-off” outlook to be 0.72% per annum, with the addition of 31,000 jobs. Over

the period 2020-23, employment growth is expected to slow to an average rate of 0.2% per annum with the creation of 12,800 jobs.

- 5.10 The global financial crisis and resulting downturn in the UK had a limited immediate impact on resident employment rates in Solent LEP. There was however a steep increase in employment rates from 2011 to 2013 founded not just on stronger employment growth, but also a series of longer term structural shifts, which include greater female participation, the staged increase in the state retirement age for women, older workers delaying their retirement and pensioners returning to part-time work. These longer term shifts continue to push employment rates up over the forecast period.
- 5.11 The strong growth in employment over the forecast period, coupled with flat growth in the working age population, will squeeze the labour market in the years ahead. The labour market tightening should push down unemployment rates from current levels, though additional demand for labour in Solent LEP will increasingly have to be satisfied by the inflow of migrants or a rise in the level of commuters into the area.
- 5.12 The Preferred Growth Scenario has a number of headline targets for the Solent economy by 2020:
- An additional 15,500 jobs above base by 2020
 - GVA growth to rise to 3.5% pa
 - An increase in productivity of £6,500 (including baseline growth)
 - Increase employment rate from 78% to 80%
 - Increase economic activity rate from 80% to 81%
 - Raise the business birth rate from 3.6% to 4.1%
 - Raise the share of the working age population with NVQ 4+ skills from 33% to 36% by 2020; and
 - Improve business survival rates.

- 5.13 Through the accompanying impact model to the report, the research was able to identify the majority of the growth scenario. They excluded the skills target and business survival rate target and found that the preferred growth scenario achieves the labour market targets. The 15,500 additional jobs push up resident employment rates and activity rates. However, the employee market is already tight and the creation of 15,500 jobs quickly exhausts the available pool of unemployed labour.
- 5.14 A general uplift of skills in the economy is likely to be much more successful in raising productivity levels given the strong positive relationships between skill levels and productivity / wage levels. Though it should be noted that the literature suggests notable improvements in skills levels, and hence productivity, take considerable periods of time to be achieved. Consequently dramatic improvements in skills and productivity are unlikely to be achieved before 2020.
- 5.15 Taking account of the foregoing research, Havant is destined to underperform in generating new jobs over the next 5 years or so. The outlook should improve during the following 5 to 10 year period and with an effective employment strategy and supportive GVA growth (allowing for market fluctuations which are bound to occur) the Borough will be well placed to accomplish the employment targets post 2025 or thereabouts. We consider the main drivers to attain the required job numbers will be, supplementing the housing provision and thus enlarged labour availability, raising skill levels and hence productivity, improving the range and quality of employment space. In turn this will help promote inward investment, encourage major new employers to relocate to Havant, producing home grown talent and reducing the start up business failure rate.
- 5.16 The Oxford Economics report highlights the labour market tightening and that flat growth projections in the working age population, will require a positive flow of commuters into the area so placing additional burden on the already overstretched transport system – recent

studies into the work/lifestyle aspirations of the 20+ age group indicate a shift towards urban living and home working, leisure activity close at hand, fast broadband etc and this may herald a resurgence in Havant and Waterlooville Town Centre's (reference to the publication, Tomorrow's Home: Emerging Social Trends & Impact on the Built Environment by Adam Urbanism).

"Millennials are far more likely to live in cities and flats and far less likely to own and travel by car than recent generations were at the same age".

"The combined rise of flexible employment trends, a resurgence in inner city living and change in transport behaviour reveal a shifting landscape, one where dwellings and workspaces are more closely interspersed".

Industrial Predictions

- 5.17 Typically, industrial and logistics activity in Havant is characterised by demand for small to mid-sized units, say up to 2,500 sq m with the occasional larger transaction to supplement the annual take up figures, which have averaged some 14,167 sq m over the last 10 years (in which year a significant transaction may take place is arbitrary, so annual statistics can be misleading and discerning a trend is more relevant). The market is principally driven by the churn of local indigenous businesses and our day to day agency interaction with occupiers provides a firsthand account of their property needs and the specific requirement criteria related to us. We have reviewed our applicant database which categorises the size, calibre and type of use commonly required and can summarise our findings below:

Current Number of Registered Applicants

• SIZE RANGE (SQ M)	B1c/B2	APPLICANTS
• 0-150	12	10
• 150-250	8	12
• 250-500	5	6
• 500-1,000	3	7
• 1,000-2,000	6	9
• 2,000-5,000	3	5
• 5,000 +	3	4
• TOTAL	40	53

5.18 In the foreseeable future, the employment sectors we consider will proliferate and wish to extend property requirements within the Havant conurbation will include, though not exclusively the following:

- E-Commerce/internet shopping/home deliveries/reverse logistics;
- Trade counter operators/materials suppliers;
- Advanced/niche engineering/R&D activity;
- Educational/University use;
- Professional services;
- Specialist research and production;
- Telecoms/recruitment/financial activities;
- IT/software design and consultancy.

5.19 One sector worth focusing on is advanced manufacturing which represents one of the most significant opportunities for the UK to rebalance and reinvigorate the economy. This sector has the potential to drive up levels of value added in the economy and contribute substantially to export growth and its global competitiveness is ultimately determined by the ingenuity and skills of its workforce. One of the most widely used definitions of advanced manufacturing is

the use of technology to improve products and/or processes to the highest degree of quality and in compliance with industry specific tolerances and certification. A company operating in the advanced manufacturing sector will display the following characteristics:

- Technically complex products with high levels of design;
- Customised and innovative products to create a competitive advantage in their market;
- Focused on highly skilled workers and supporting training;
- End products are reliable, affordable and often will have little waste due to the reuse of recyclable nature of the material;
- Extensive use of computer, high precision and information /CAD technologies to ensure conservative energy consumption;
- Capable of delivering a diverse range of products in small or large volumes with the efficiency of mass production and the flexibility of manufacturing to respond quickly to bespoke;
- Intensive use of capital and knowledge and requires long term investment decisions to develop processes and buy equipment;
- Competes in international and domestic markets.

5.20 Increasingly we have encountered demand for premises from the advanced manufacturing sector right across the building size range and from niche, prototype and full production businesses in principally the marine, defence, aviation, medical device, energy and pharmaceutical activities. There still remains a sizeable and important traditional manufacturing sector in the region that have ongoing property requirements, however, we consider the scale of building, the profile of the site and overhead required, will probably render Tipner West and Hilsea unsuitable for this type of occupier.

Office Predictions

- 5.21 In a general South East context, rising office type employment bodes well for market demand, although this needs to be considered alongside changing working practices. Driven by advanced communications technology, many large corporate are seeking to increase space efficiencies and encourage agile working. This trend will focus demand on the best quality space, but may lead to accelerating levels of poor quality space overhanging the market. The floorspace per head density of the typical office has increased significantly in recent years, as occupiers look to capitalise on agile working to save on property costs – in the short space of a decade, staff density levels have increased from circa 15m² per person to circa 10m². Our own research also shows that while the UK's overall stock of office space has barely changed since the recession, the number of people employed in office type work has increased. However, in seeking to achieve 'spaceless growth', businesses are placing increasing importance on the quality of space that they wish to occupy.
- 5.22 We define a Grade A office specification in a Solent market place context, as having open plan footplates to accommodate workplace density of 8 – 13 m² per person with a NIA (net) to GIA (gross) efficiency of 80/85%; floor to ceiling heights minimum of 2.6m; BREEAM Very Good or Excellent rating; raised floors, air conditioned space, prestigious reception/lobbies; prime location close to a motorway (or transport hub if City or Town Centre); a quality environment and design to reflect company image; superfast broadband; acceptable (as appropriate) parking ratios etc.
- 5.23 The most progressive workplaces are those which provide a multiplicity of work settings and have ample connectivity, with an increasing emphasis on informal spaces. This includes both collaborative and quiet areas which are suited to different types of work and can cater to different personality types. Also, beyond the immediate work environment, access to a range of amenities offering refreshment, exercise and relaxation are other important ways that a

building can support wellbeing. Businesses are increasingly using their workspace as a means to communicate the values and culture of the organisation.

5.24 In today's world, businesses have to work ever harder to differentiate themselves from their competitors, leading to careful consideration on fit-out design to give a sense of kudos to their staff and visiting clients. As working practices become more agile, the office is likely to serve increasingly as a focal point for the face to face interaction between staff and clients, intensifying this trend further still.

5.25 The modern office occupier seeks affordable, efficient space in a high quality environment and typically their property criteria includes:

- Large floor plates to enable occupation on a single floor;
- Ready access to on site amenities – retail, restaurant, leisure;
- Good local and regional connectivity – ideally road and rail;
- Adequate parking provision for staff and visitors;
- High speed broadband availability;
- Attractive and vibrant public realm;
- A sense of place and identity.

5.26 So whilst in demand assessment terms within the Solent LEP, the volume and positive interest of parties enquiring is robust and strengthening at the present time, the occupier profile of businesses that could be attracted to new office development sites will be confined to a select number of candidates, able and willing to accept a prime property cost. Subject to the economic cycle and revival continuing, the demand for employment space will invariably grow and without the provision of 'quality sites' capable of delivery with certainty, the larger, primary occupiers will gravitate to elsewhere in the region and UK.

5.27 In order to understand the property cost confronting a business in acquiring industrial and office accommodation in the Borough, we have tabled the range of rents and capital values applicable to the size range and quality which typically would be applicable at the present time (this excludes business rates, service charges etc). We estimate this element of the overhead will have increased by some 10/15% over the last 2 years which is clearly manageable to the majority of occupiers but may prove unsustainable in the event the economic climate falters.

Typical Industrial Rents and Capital Values

Location	Quality of Stock					
	New/Prime (£psf)		Secondary (£psf)		Tertiary (£psf)	
	Capital Value	Headline Rent	Capital Value	Headline Rent	Capital Value	Headline Rent
Under 5,000 sq ft						
Primary	130	10	100	8.50	75	7
Secondary	120	9	90	7.50	60	6.25
5,000 – 20,000 sq ft						
Primary	125	8.50	90	7	75	6.25
Secondary	115	8	80	6.50	65	5.25
Over 20,000 sq ft						
Primary	120	8	85	6.75	65	5.75
Secondary	110	7.50	70	6.25	50	5

Typical Office Rents and Capital Values

Location	Quality of Stock			
	New/Prime (£psf)		Secondary (£psf)	
	Capital Value	Headline	Capital Value	Headline
Under 5,000 sq ft				
Primary	250	19	175	15
Secondary	220	16	150	13
Over 5,000 sq ft				
Primary	220	18	160	14
Secondary	200	15	140	11

NB: New/Prime values are anticipated as there is little or no recent evidence of this category of office stock in the Havant market.

5.28 In our judgement, taking account of historic patterns of floorspace take up in both B1a and B2/B8 sectors, the employment modelling undertaken by PUSH and how this may be translated into Havant's future job prospects and the suitability of the employment land supply, we contend a realistic forecast for the net future employment space needed in the Borough 2016-2036 would be:

MEASURE	USE B1a	MIXED USE B2/B8
Annual Average Take Up (sq m)	3,825	14,167
Employment Land Supply (sq m) Deliverable	35,000	63,000
Viability and Marketability	Weak/May Improve	Strong
Residual Land Values	Negative	Positive
Projected Additional Annual Demand (sq m)	1,393	2,750
Overall Net Need (sq m)	27,870	55,000

Note: We calculate these overall net floor space forecasts could produce between 3,000 and 3,500 new jobs (applying the job densities referred to by PUSH and allowing for 20% office content within the B2/B8 category).

6.0 EMPLOYMENT LAND SUPPLY AND DEMAND

- 6.1 The demand characteristics looking ahead will predominantly require Grade A to B quality space, where units will offer modern, adaptable and efficient layouts, with most importantly good commercial vehicular access and parking, with compatible neighbouring uses, on well managed business estates. There will be, however, a distinction between larger occupiers seeking light and general industrial, or warehouse and distribution uses, where for the latter a motorway location orientated location will be important and it is therefore unlikely that estates where there is conflict with retail and urban traffic, will be acceptable in B8 logistics terms.
- 6.2 Turning to the forward supply of employment land within the Borough, there are three key issues to consider, which are firstly, the location criteria, secondly whether brownfield or new greenfield sites can be viably developed, and thirdly the predicated timing of the land coming forward for development. The sub-regional perspective of how the PUSH land policies will influence the availability and take-up of major new employment sites (potentially competing sites) in South Hampshire, such as Welborne off Junction 10 of the M27, is also very relevant in predicting the future take-up in Havant Borough.
- 6.3 To rationalise the overall net need for B Class floorspace from 2016 – 2036, we have considered (and balanced) a number of factors: historic take up in the Borough; land supply pipeline and the affordability/viability assessment by both occupiers and developers to deliver new space; the regional competition which will impact on ability to reach targets; economic cycles over the 20 year period; and the evolving nature of employment sectors and the type of floorspace likely to be required.
- 6.4 We accept that floorspace analysis is categorised by the Use Class Order to differentiate between B1a and B2/B8, however in practice many businesses combine office use and manufacturing/warehousing operations and therefore deriving floorspace quotas from job densities can be unreliable and inconsistent with occupiers' needs.

- 6.5 Our assessment indicates that the potential PUSH delivery figures required for the post- 2016 period, the Borough will have a significant excess land supply to accommodate the anticipated industrial employment land requirements up to 2036, assuming that sufficient floorspace on the larger and longer phased sites will come forward (which appears realistic). However the B1 office provision and projected pipeline required is problematic due to the fact that the Havant economy will continue to have a broadly B2/B8 bias and we foresee no significant reversal in this situation. Office demand is unpredictable at best and in South East Hampshire occupiers are drawn towards Lakeside or Solent Business Park and, moreover, under performance and inadequate rental levels do not support new development on a larger scale.
- 6.6 We have identified approximately 50 hectares of land for future development within the Borough, which notably excludes the MDA land west of Waterlooville (being outside HBC boundary) which could provide an additional 25 hectares (20 hectares on business parks/industrial estates with the remainder in mixed use schemes) and it is recognised as such that “this new supply will have a clear effect on market behaviour in Havant Borough”.
- 6.7 Similarly, the Site E2 employment land owned by Taylor Wimpey of 5.75 hectares, accessed off the B2150 Hambledon Road towards Denmead, sits within Winchester City Council administrative boundary but will directly service the Waterlooville market. This has remained available for 5 years and in a further attempt to secure a commercial buyer for the land, the agents have marketed the site for sale by tender. The major land supply allocation in the Borough is concentrated at Dunsbury Hill which will draw heavily on the nearby labour pool of Leigh Park and following the recent enabling infrastructure /highway and spine road works, the development is progressing and has secured the first pre letting (see reference 6.5).
- 6.8 As stated, the confidence in occupier activity and rental performance, will determine the rate of developer’s acquisition and funding of viable sites, however from a strategic perspective,

the important fact is that employment land is allocated for development in the first place and in the right locations. We regard optimal locations as:

- Motorway junctions/transport hubs – ready made infrastructure;
- Compatible and aesthetic environment – not conflicting neighbouring uses;
- Proximity to retail/financial/food & beverage/leisure and health amenities;
- Visibility and prominence to enhance company image and prestige.

6.9 The degree of competition in attracting new occupiers to the South Hampshire sub-region should not be underestimated and allocated sites within Havant Borough will be tested against other LA allocated sites such as Daedalus Solent Enterprise Zone, former Ford site at Eastleigh adjacent to Southampton Airport, the SDA north of Fareham etc.

6.10 Based on the current estimates of growth and the overall net need for employment floorspace required by 2036 (GL Hearn Evidence Base Paper PUSH May 2016) the potential outcome is that having identified 16 number of allocated additional sites to enhance the supply from 2016 onwards, we believe this could provide a surplus of 63,000 sq m of industrial floorspace over the suggested PUSH target for Havant Borough of only 337 sq m – this analysis does seem somewhat implausible and misconceived.

6.11 However in the office sector where significant employment growth is projected and encouraged by PUSH, the net need proves far less achievable in contrast to the B2/B8 targets (where a employing a lower skill base is seemingly being discouraged). In our opinion, the majority of the industrial sites represent serious and realistic opportunities (as proposed through the Havant Allocations Plan and Call for Sites public engagement process) and do not constitute windfall sites and can certainly deliver the required employment gains, when needed. Indeed some of the Call for Sites opportunities may have greater market appeal than those already allocated.

Dunsbury Hill Site Delivery

- 6.12 Havant Borough Council (HBC) have for many years promoted DHF as a major development opportunity within the strategic gap between Havant and Waterlooville to deliver a significant number of jobs next to Leigh Park, a priority area for regeneration. The Sub-Regional Strategy for South Hampshire formulated by PUSH and reinforced by the Solent LEP (Transferring Solent: Growth Strategy Oct 2014) identifies DHF as a key site to improve the sub-region's economic performance.
- 6.13 On 19th February 2014, HBC granted full planning permission for a new access link road with bus gate to Woolston Road (from Hulbert Road) and a comprehensive outline planning consent to PCC (APP/12/00338) relating to development for a total of 61,779 sq m employment uses and hotel with conference facilities, together with landscaping, infrastructure and associated works. The development shall commence no later than the expiration of 7 years from the date of the approval of the last of the reserved matters to be approved. The application for approval of reserved matters shall be submitted to HBC before the expiration of 10 years from the date of the grant of the planning permission. Approval of the defined Reserved Matters are to be obtained before each individual phase of development is commenced and adhere to the following principles:
1. Access (with exception of the access road for which full permission has been granted)
 2. Layout of the development
 3. Scale of the development
 4. Appearance of the development
 5. Detailed landscaping scheme (inc. open space provision, preserving ecology).
- 6.14 The justification referred to in the permission is to ensure that development can provide for a range of business and employment opportunities, including knowledge based businesses and

a quality hotel with conference facilities. Further qualification is directed under the Informatives (17) where Reserved Matters applications for B2, B2 and B8 uses should include a report explaining how each proposal would satisfy business needs and deliver employment in accordance with the Local Plan (especially Policy CS18) and National Planning policies. The inclusion of “small scale facilities” for food and drink, child care and possibly a complimentary retail outlet should be considered at an appropriate phase of development, to meet the immediate needs of the business park.

- 6.15 We understand that other conditions relating to ecological, drainage, access, landscaping and environmental issues have been, or are, capable of compliance and approval and furthermore that the required Section 106 agreement dated 19th February 2014 has now been completed shortly. The development will not be subject to CIL payment to HBC.
- 6.16 In order to most effectively attract an occupier or a developer partner/investor, the planning capability to enable and influence the development needs to be as flexible and market orientated as possible and adaptable towards a wider range of businesses within B1, B2 and B8 uses. The National Planning directives recognise that employment densities are not readily defined by Use Class and that the shift in manufacturing operatives can often result in lower job numbers than a warehousing and distribution use.
- 6.17 In master planning the development scheme, the primary consideration must be the profile of the likely occupier demand for the end product, otherwise the target market will be constrained, and the delivery timescales compromised and the economic benefit will be restricted. From a Use Class perspective, there is distinction between occupation for warehouse and logistics property (B8), light industrial space (B1c) and general industrial (B2). Whilst there is clear definition for certain operations, in practice, many businesses cross over the planning boundaries and occupy space for combined manufacturing and assembly, material and finished goods storage, distribution and very often will require a variable office content (high or low, typically between 10 and 20 % of the total footprint but could be higher).

- 6.18 A commonly held view in the past has been that by competing with other industrial land uses, logistics activity is denying the local economy out of jobs and stalling GVA growth. The perception that B8 occupiers do not provide enough quality jobs relative to land use and thus suppress beneficial economic impact, in our view, is misguided and the findings from our recent research undertaken with Hampshire based companies is intended to test the common perception against reality.
- 6.19 The ambition is to extensively promote Dunsbury Hill Farm to the national and regional marketplace to attract occupier requirements from all B Class sectors and to generate new jobs from companies wishing to relocate to Havant from outside the area – a limitation on B8 floorspace will be an impediment in marketing the site as predominantly, employment sites elsewhere will offer complete flexibility to accommodate either B1, B2 or B8 uses. It is considered unlikely that in view of Dunsbury Hill's 'coastal belt' location, that 'Super Big Box' occupiers will be attracted here, as logistically better placed in a central hub to service the whole UK.
- 6.20 We note that the logistics sector is growing strongly and that new premises are in demand, we can see that the skills requirements go across all grades of the work force from managerial and administrative to unskilled and we can see from our research that employment densities in B8 operations can be, or are in general as high than in mixed use or other B class categories.
- 6.21 These indicators suggest that securing B8 operations at the Dunsbury Hill Farm site would achieve the stated objective from the condition of providing for a range of employment opportunities. The purpose of a condition limiting B8 occupancy on the park is therefore unnecessary and could fetter or slow the take up of vacant space at this location. Freeing the site for a more flexible range of uses is likely to make it easier to let without reducing the propensity of the site to employ high numbers of local people. It will also enable B8 based

companies, with lower skills requirements, to take on the unskilled and long term unemployed from the local labour force whilst providing a range of opportunities for more skilled workers across the Borough.

- 6.22 The long term decline in B2 manufacturing activity in the UK is well documented (and Havant has suffered worst than other South East Local Authorities) and the need for large scale specialist industrial facilities has decreased substantially. However, such B2 requirements, between say 50,000 and 100,000 sq ft do exist, albeit with unpredictable timing and therefore employment land should be allocated for their use, but not exclusively. Our agency records reveal that the number of B8 occupier enquiries received, compared to B1c, B2 for larger units, is on average 30% higher and more relevantly, is the fact that over the last three years, the actual take up is 50% higher for specifically logistics use.

7.0 SITE ASSESSMENT ANALYSIS

7.1 By formulating a list of criteria and a method of assessing the market appeal of existing industrial estates, offices and employment sites, a more consistent and objective measurement of the quality as well as the quantity can be established. We have modelled a five category grading system to identify high to low quality ranking against eight categories of assessment criteria under the headings:

- Strategic Location/accessibility;
- Estate Layout/prominence;
- Character of area/neighbouring uses;
- Local amenities/public transport;
- Planning status;
- Occupier perception/property values;
- Age and suitability of built stock (fit for purpose);
- Redevelopment prospects and constraints.

We note there is an inherent simplicity in scoring sites and premises against a uniformed set of criteria but we have endeavoured to apply a consistent approach to identify those sites which are either 'fit for purpose' now, have longevity in providing employment space and will continue to meet the needs of businesses in the Borough or conversely those sites which, in the short to medium term, will become obsolete or should warrant redevelopment. Clearly there are specific factors to satisfy the individual company's requirements which are reflected in our judgement of the market's perception (Category 6 of the Assessment Criteria) such as car parking ratios, security, building image, affordability etc.

- 7.2 To streamline the analysis we have avoided weighting the criteria as in practice, an occupiers selection will consider all of these factors depending on the priority for their specific business needs however our experience is that location, building specification/state of repair and occupational cost are the principal determinants.
- 7.3 We do recognise that there are individual premises that may not, due to their disorderly or 'scruffy' nature, perform well in terms of quality and receive a low assessment, but are still fit for that purpose. From the ranking system it is clear that the older, tertiary estates such as those at The Tanneries score poorly as they have failings in several categories. They do have a rightful and important place in the market and unless the condition of the buildings have exceeded their economic life or a whole scale redevelopment is justified, they need to be allowed and protected to satisfy demand.
- 7.4 The most popular industrial locations are at Southmoor Lane and New Lane and these will continue to prevail with existing, out dated buildings coming forward sporadically to be redeveloped in timescales subject to lease events, owners' motives and the economic climate. A number of the estates, even those with average ratings, contain varying proportions of old style buildings in need of refurbishment and often suffer from a higher level of site coverage than would be proposed or desired now. We receive a good number of property requirements for units with secure yard space for the exclusive use of the occupier, particularly in the size range in excess of 2 000 sq m.
- 7.5 Based on our identification of potential site redevelopment opportunities, a thorough investigation should be undertaken by HBC or appointed consultants, to assemble the relevant site information (both physical and legal), apply a market appraisal and determine the planning options and if appropriate, approach the site owner to promote and attempt to unlock the opportunity.

Key Allocated/Potential New Employment Sites / Redevelopment Opportunities:

LOCATION	SIZE (Max Floorspace Sq M)	POSSIBLE TIMESCALE (year range)	USE	COMMENTS
Dunsbury Hill Farm	50 000	0 - 5	B1 B2 B8	Phases 1 and 2 infrastructure complete, development ready for delivery – Fat Face new 80 000 sq ft B8 unit under construction
Velocity	11 150	0 - 5	B2 B8	Cleared site available for pre let of 120 000 sq ft
Site 4	11 500	0 - 5	B2 B8	3 plots – Trident pre let of 70 000 sq ft. Chancerygate spec scheme and rear plot for owner occupier development
Brockhampton West	8500	5 - 10	B1a B2 B8	2012 feasibility study recommended Option 2 hence 8500 sq m – we consider 50% may be B1a
Kingscroft Court	12 000	0 – 10	B2 B8	Known dev constraints to overcome but market strong enough to achieve this
Former BAe Systems Elettra Park	4645	0 - 5	B1a B2 B8	Part of comprehensive masterplan for whole site
Land North of Solent Road	6600	0 – 10	B1a	Owned by Portsmouth Water, adjacent to recently built medical centre
Site A3M East	14 000	5 – 15	B1a B2 B8	Land to rear of B&Q DIY, landowner suggested mixed use inc housing
Leigh Park Gasometer	3500	0 – 5	B2 B8	Now disused, site will come to market shortly subject remediation works required
Blue Star, Maurepas Way	4500	5 – 10	B1a	Close to Waterloo Town Centre, owned by Grainger Trust, could suit mix B1a and residential
Interbridges West	2200	0 – 10	B1a B2 B8	Planning consent for small unit scheme, not commenced
Dunsbury Hill Phase 3	11 000	5 – 15	B2 B8	Additional land to north of site, potential to follow Phases 1 and 2 once completed
Bartons Rd/New Lane	6000	0 – 5	B2 B8	Likely to become available in 2017, suit mixed use development inc roadside, B class and possibly residential
Northney Marina	1000	0 - 5	B1a	Employment use proposed alongside extending the residential on site, subject flood risk assessment, Harbour side constraints etc

8.0 CONCLUSIONS

- 8.1 Our analysis demonstrates that the Havant employment market is in a state of flux and in serious danger of the built available stock being inadequate to satisfy the occupational needs of local, existing businesses and failing to capture inward companies' property aspirations. Whilst the supply pipeline of B2/B8 employment land is in healthy shape both in terms of quantum, quality and deliverability wise, the immediate availability is critical and suppressing the necessary churn in the market.
- 8.2 The B1a office scenario evokes a different rationale where typically occupier demand is less predictable and with the exception of Langstone Technology Park, the Borough has a poor track record of attracting larger office occupiers and whilst the ambition may exist to reverse this trend, in practice a radical solution is required. This predicament is compounded by the best office rents at present are inadequate to support viable new development appraisals. There is sufficient B1a employment land in the Borough, though the locational and amenity quality is variable.
- 8.3 In a regional context there are a significant number of competing employment sites available or on the horizon to attract occupiers who are not restrained by administrative boundaries. Havant does not benefit from the release of large tracts of MOD land and therefore relies on either smaller individual sites or the substantial potential being developed at the new Dunsbury Hill Business Park. The Borough does benefit from a large multi-skilled workforce in close proximity to the employment sites however the occupier catchment is somewhat restricted being principally the greater Portsmouth conurbation and to the west along the M27 corridor. Relocation of businesses traversing the A3 has not proved as meaningful as one might expect.

- 8.4 We contend that the PUSH forecasts for the Borough may in theory be logical however in reality the occupier profile and ability to significantly accelerate the office sector is untenable. Taking account of past performance and recognising that ambitious targets are required to enhance skill levels and attract a greater volume of office employment to the Borough, we have proposed a more balanced forecast of 27,870 sq m over the Plan period.
- 8.5 Similarly the traditional strength of the local economy is in manufacturing and whilst there will continue to be vulnerability and a marginal decline in this sector, there is evidence of reversing fortunes for niche businesses, so the intent to entice and encourage UK based production and advanced engineering activity is vital.
- 8.6 The rise and the impact of trade counter take up in recent years has removed some floor space from the market otherwise utilised by general B1c B2 and non trade B8 occupiers, who often are not able or willing to pay the higher rents which trade use will command – we observe that there are many ‘genuine’ trade operators occupying these units, who clearly do have a beneficial role to play in the local economy.
- 8.7 Our assessment of the Borough’s employment stock and how this relates to local business needs should not ignore or underestimate the property requirements of smaller, typically B2, or non conforming uses and whilst the quality of the premises and environment may fall short of institutional criteria, they still perform a customer function and are fit for purpose.
- 8.8 We note that the Borough relative to other Authorities has a higher proportion of ‘home grown’ SME businesses who will continue to require modern accommodation and accordingly the provision of a serviced Enterprise/Innovation Centre would be a positive addition to fulfil this demand.
- 8.9 We have identified in 7.5 and quantified the potential redevelopment site opportunities which may arise over the short to medium term, based on our market judgement and intelligence.

The most likely candidates could introduce some 63 000 Ha of new industrial/logistics floor space provision in the Borough against a robust forecast of 55 000 sq m we have proposed based on future demand predictions . The shift in headline rents and improved capital values will inspire confidence and validate new development activity or kick start refurbishment of existing stock.

- 8.10 The market conditions and vitality to support new B2/B8 speculative development are very compelling at the present moment and we understand Chancerygate are intending to build out a new scheme at Harts Farm Way with target delivery in Spring 2017. The turn key opportunities which are primed for development at Dunsbury Hill, Velocity in New Lane and Trident in Harts Farm Way are timely and will assist the release of secondhand stock into the market – there is a strong argument for speculative activity on these sites as often companies have short lead in times and so discount the design and build options.
- 8.11 The ascendancy and demand curve of e commerce logistics requires a greater recognition and understanding, as this sector will inevitably continue to grow. There is still a misconception in some quarters that B8 use supports a less equivalent number of jobs than manufacturing use – several studies and industry experts have qualified the fact that B8 in both employment and GVA terms, are significant, if not more so, than comparable sized B1c or B2 occupiers. The role of logistics in servicing the consumer and supply chain is vital to the local, regional and national economy (see reference British Property Federation: Delivering the Goods December 2015).
- 8.12 How the planning system can accommodate the needs of business is challenging and requires a balanced perspective to ensure the most appropriate use is entertained. Ultimately market forces will dictate demand, therefore flexibility is the key both in terms of the amount of land provided and the uses to which it is put. As different business sectors rise and fall, often cyclical or simply as a result of customer trends, technological advancement, contract wins or losses, it is clear that to anticipate the exact property needs of business in 5 years' time is not

easy and changeable, let alone over a longer timeframe, so one relies on past experience and should cater for a broadly similar pattern of take up (size and user category).

8.13 There appears a clear distribution between sites allocated or to be allocated purely for employment use and those sites suited to housing and thus no potential planning conflict should arise. One common development theme has been the advent and success of mixed use schemes where appropriate, to enable the higher land value element to support the lower residual value uses (such as B1a offices) and fund any significant infrastructure or site mitigation costs.

8.14 Finally, we believe that the Havant Borough economy and employment land supply is certainly capable of reaching the floorspace and job targets we have identified to deliver the required GVA and job growth, however the importance and promotion of B2/B8 activity should not be overlooked and a more realistic expectation of the future development performance of the B1a office market is merited.