

Test Valley Employment Land Update

Prepared on behalf of
Test Valley Borough Council
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1: Study Objectives and Context

- 1.1 DTZ was commissioned by Test Valley Borough Council in 2008 to prepare the Test Valley Employment Land Review and Andover Employment Floorspace Demand Study, which was duly published in July 2008. This report updates key information contained in the 2008 study, in the context of the economic circumstances now prevailing and the anticipated future course of both the UK and the local economy.
- 1.2 Specifically, fresh employment projections for the period 2011-31 have been prepared, and the resultant requirement for employment space has been calculated. An up to date assessment has been undertaken of market conditions including an assessment of deals and the stock of vacant property. An updated analysis has been undertaken of B class development over the past four years.
- 1.3 The work that has been undertaken is consistent in approach with the work undertaken by DTZ on behalf of the Partnership for Urban South Hampshire preparing the PUSH Economic Development Strategy, published in October 2010 and the parallel work for PUSH on Employment Sites & Premises Demand and Supply Analysis. However, wherever more up to date data have been available, these have been used in this study.
- 1.4 This report is structured as follows:
 - Section 2 presents up to date forecasts of employment growth in Test Valley for the period 2011-31, and translates these forecasts into a demand driven estimate of the requirement for employment (B1-B8) floorspace
 - Section 3 examines the supply of employment space, specifically the amount of vacant property, and the demand for commercial (B1-B8) space over the period of time since the 2008, and the take up of development land for B1-B8 uses.
 - Section 4 draws together the conclusions of this update to the 2008 Employment Land Review, focusing on whether outstanding permissions and allocated sites are sufficient to meet the overall demand for employment floorspace anticipated in the period 2011-31.

2: Forecast Employment and Floorspace Requirements to 2031

INTRODUCTION

- 2.1 This section presents forecasts of the likely scale of requirement for additional employment floorspace between 2011 and 2031, derived from employment forecasts for the Test Valley as a whole. The working paper presents current forecasts of employment, and explains the basis on which they have been derived; and how forecasts of employment growth are translated into estimates of the volume of required floorspace by use class.

EMPLOYMENT PROJECTIONS

- 2.2 In preparing employment projections for Test Valley Borough, DTZ has drawn upon the June 2012 employment forecasts prepared by Oxford Economics for the NUTS2 area of Hampshire and the Isle of Wight, which includes the unitary authorities of Southampton and Portsmouth. It is worth noting that the PUSH Economic Strategy published in November 2010, was also grounded in economic and employment forecasts prepared by Oxford Economics in Spring 2010.
- 2.3 In this study, a Borough level projection for Test Valley has been prepared by assuming that at the sectoral level employment grows at the same rate as at the Hampshire and Isle of Wight level. Differences in the level of job growth between Boroughs within Hampshire and the Isle of Wight in these projections therefore reflect existing sectoral specialisms of the different local authority areas within the area.
- 2.4 In reality, variations in employment growth will reflect a wider range of factors, including the performance of particular locally significant businesses, changes in the perceived desirability of different locations, and the location of new business space developments.
- 2.5 Thus the projections are not precise predictions. No forecasting model can perfectly forecast 20 years into the future. However these projections indicate the likely scale of employment growth in the Borough over the next 20 years. Regular monitoring of data through the plan period will indicate if employment change is following the anticipated pattern or diverging from it, and allow policy to adapt to the actual reality of employment growth and associated take up of employment land and space. Figure 1 presents employment projections for 2011-31 for Test Valley Borough broken down by sector.

Figure 1: Employment Projections to 2031

	Absolutes					Change 2011-31	% Change 2011-31
	2011	2016	2021	2026	2031		
Agriculture, forestry and fishing	49	48	44	39	36	-13	-26.9%
Mining, quarrying and utilities	381	371	356	338	322	-59	-15.5%
Manufacturing	6,621	6,426	5,975	5,489	5,068	-1,553	-23.5%
Construction	3,059	3,383	3,629	3,770	3,891	832	27.2%
Distribution & Retail	9,889	10,813	11,264	11,349	11,423	1,534	15.5%
Hotels & Catering	3,352	3,741	3,887	3,906	3,923	570	17.0%
Transport & Communications	4,581	5,078	5,327	5,394	5,455	873	19.1%
Financial services	2,262	2,371	2,438	2,471	2,499	237	10.5%
Business services	5,831	7,052	7,724	8,133	8,483	2,652	45.5%
Public administration	2,236	2,024	2,012	2,010	2,008	-228	-10.2%
Education	4,389	4,225	4,267	4,295	4,321	-68	-1.6%
Health	4,164	4,235	4,464	4,648	4,809	645	15.5%
Other services	2,048	2,308	2,475	2,539	2,596	547	26.7%
Total	48,863	52,074	53,861	54,381	54,832	5,969	12.2%

Source: Oxford Economics, DTZ

- 2.6 Overall employment is projected to growth by 6,000 jobs (12.2%) between 2011 and 2031, equivalent to an average annual growth rate of 300 jobs. The sectors that account for the largest share of growth are the business services sector which accounts for almost half of all job growth (+2,650 jobs) and the distribution and retail sector (+ 1,530 jobs). Manufacturing employment is projected to decline by 1,550 jobs.
- 2.7 Experian, another economic forecasting house, anticipate creation of some 7,200 net additional jobs in Test Valley Borough over the period 2011-31, a somewhat higher figure than DTZ projections (Source: Test Valley Long Term Economic Strategy – Update 2012 July 2012). The Experian forecasts suggest that employment growth will be some 20% higher than DTZ’s forecasts, an annual equivalent increase of 360 jobs pa over period 2011-31.
- 2.8 Figure 2 shows the breakdown of projected job change by sector broken down into each of the 5 year components of the plan period. This shows that projections show a particularly rapid growth in the business services sector and the distribution and retail sector in the period 2011-16. This reflects the way that Oxford Economics forecasts anticipate a period of recovery from the current difficult economic environment in the period to 2016, followed thereafter by a steadier pattern of growth.

Figure 2: Absolute Employment Change by 5 Year Period

	Change				
	2011-16	2016-21	2021-26	2026-31	2011-31
Agriculture, forestry and fishing	-1	-4	-4	-4	-13
Mining, quarrying and utilities	-10	-15	-18	-16	-59
Manufacturing	-195	-451	-486	-421	-1,553
Construction	325	246	140	121	832
Distribution & Retail	924	451	85	74	1,534
Hotels & Catering	388	146	19	17	570
Transport & Communications	497	249	67	61	873
Financial services	109	67	33	28	237
Business services	1,221	672	409	350	2,652
Public administration	-213	-12	-1	-2	-228
Education	-164	42	29	25	-68
Health	71	229	184	161	645
Other services	259	168	64	57	547
Total	3,212	1,787	520	451	5,969

Source: Oxford Economics, DTZ

- 2.9 In terms of the sectoral pattern of growth Experian anticipate the most significant growth (+3,450 jobs) in professional and other private services; this mirrors DTZ’s projections of the largest growth being in the business services sector. However there are some differences in anticipated growth of other sectors. DTZ’s projections anticipate more substantive growth in employment in the distribution and retail sector than Experian, and lower growth in public sector employment and financial services. Experian anticipate a more substantial decline in manufacturing (-2,060 jobs, 2011-31) than DTZ.
- 2.10 In DTZ’s view the divergences are within the bounds that can be expected from the projections prepared by different economic forecasters; and point to the need for policies on employment land provision to be sufficiently flexible to respond to changes in the economic environment and the demands of occupiers. Both sets of forecasts indicate the same broad magnitude of employment growth and there is much common ground in terms of the sectoral distribution of anticipated employment growth (especially when translated in employment space requirements by use class).

PROJECTIONS OF FLOORSPACE REQUIREMENTS

- 2.11 In order to estimate the scale of business space required arising from these projections of future growth it is necessary to identify the extent to which growth in each sector will give rise to demand for employment floorspace defined as B1, B2 and B8 space. For example job decline in the manufacturing sector is assumed largely to result in a reduced requirement for B2 space, while growth in the business services sector will created demand mainly for office space (B1a).
- 2.12 Figure 3 shows the matrix that DTZ has developed that show the relationship between sectors and use classes. DTZ has used this matrix in the preparation of a number of Employment Land Studies in the Hampshire area, notably Winchester and Havant.
- 2.13 The next stage in the process is to use employment density assumptions to calculate the additional floorspace required to accommodate the projected levels of employment change. Assumptions about employment densities are drawn from the report *Employment Densities: 2nd Edition, 2010* published by the Homes and Communities Agency. This provides a range of employment densities, expressed as sq m per worker – as shown in Figure 4.

2.14 While the analysis has focused on employment in 'B' use classes, in some cases there is a demand for non-traditional but complementary employment activities to be situated alongside traditional business uses. These are typically sui generis uses, with the most common example being motor vehicle showrooms occupying part of the site of vehicle repair workshops (B2). As such, an allowance has been made to enable a proportion of non-B Use Class activities to be accommodated on traditional employment sites. These are listed in Figure 5 (Indicative Floorspace Requirements) as 'Non-B Uses on B Use Sites'.

Figure 3: Sector to Use Class Assumptions

Sector	B1a	B2 (inc B1b, B8)	Non-B	% of Non B on B Land	Not Fixed to a Property
Agriculture, forestry and fishing	0%	10%	10%	0%	80%
Mining, quarrying and utilities	3%	3%	10%	0%	85%
Manufacturing	0%	90%	10%	0%	0%
Construction	5%	5%	10%	0%	80%
Retail & Distribution	0%	0%	20%	60%	20%
Hotels & Restaurants	0%	0%	0%	90%	10%
Transport & Communications	5%	10%	10%	20%	0%
Financial Services	60%	0%	0%	40%	0%
Business Services	80%	0%	0%	20%	0%
Public Admin & Defence	50%	0%	0%	0%	50%
Education	10%	0%	0%	85%	5%
Health	20%	0%	0%	75%	5%
Other Services	20%	0%	0%	10%	10%

Source: DTZ

Figure 4: Employment Densities

Use Class	Sq m
B1a	12
B2 (inc B1b/c)	36
B8	70
Non-B on B Sites	40

N.B. Based on floorspace per full time worker (sq m)

Source: Employment Densities: 2nd Edition, 2010, HCA

- 2.15 Figure 5 shows anticipated floorspace requirements by use class based on projected employment growth and the application of the assumptions contained in Figures 4 and 5. Overall, if one excludes reductions in floorspace, there is a need for almost 70,000 sq m of additional floorspace required to meet anticipated employment growth.
- 2.16 Figure 5 indicates the following:
- A strong initial requirement for office space driven primarily by growth in business services employment, this being associated with the bounce back from recession
 - A falling requirement for industrial /other business space, particularly after 2016, driven by a decline in the manufacturing sector
 - A requirement over the first few years for warehousing space, but switching to a negative requirement in 2021
 - A strong but declining requirement for non-B uses requiring traditional employment land (i.e. B use), driven by a declining requirement for Retail & Distribution and Hotels & Restaurants.

Figure 5: Indicative Floorspace Requirements by Use Class (sq m – rounded)

	2011-16	2016-21	2021-26	2026-31	2011-31	2011-31 Annualise
B1a	12,300	8,200	4,900	4,200	29,600	1,500
B2 (inc B1b/c)	-4,000	-13,300	-15,300	-13,200	-45,800	-2,300
B8	17,200	6,500	-900	-800	22,000	1,100
Non-B on B Sites	9,800	5,400	1,400	1,300	17,900	900
Total (exc. losses)	39,300	20,100	6,300	5,500	69,500	3,500
Total (inc. losses)	35,300	6,800	-9,900	-8,500	23,700	1,200

- 2.17 Figure 5 also shows the net requirement for additional employment floorspace; that is, the amount of floorspace that would be required if it were possible to re-use all of the floorspace/land released by declining sectors, principally manufacturing. In some circumstances it may be possible to reuse existing employment land for other employment uses, but, for a variety of reasons set out below, this cannot be automatically assumed to be the case.
- 2.18 First, it should be noted that, although it is projected that the overall requirement in the industrial and other business space use classes declines, this does not always directly translate to a decrease in occupied floorspace. The nature of occupation of buildings is lumpy; that is to say that, employment decreases are not necessarily followed by floorspace decreases in the same proportions. For example, a business scaling back its operations may reduce its workforce without altering its overall floorspace.
- 2.19 Only at the point when the entire site becomes unproductive or other more productive locations are found elsewhere, will the site close and the loss of floorspace be picked up in data for vacant accommodation or as demolitions. Moreover, the character of some industrial areas may not be attractive to office or warehouse occupiers; it may be better to redevelop some areas of previous employment use for non-employment uses. Land and property ownerships may in practice mean that redevelopment for new uses and occupiers is difficult to achieve.
- 2.20 However, it is clearly a desirable objective to encourage redevelopment of redundant business premises located on employment land, and Test Valley Borough Council is promoting such redevelopment at Walworth Business Park in Andover through a venture with Kier. Therefore it is likely that some element of future employment land demand can be accommodated on existing employment sites currently developed.

- 2.21 The true requirement for additional employment floorspace over the entire period 2011-31 and is therefore likely to be somewhere between the total requirement figure excluding losses presented in Figure 5 (69,500 sq m), and the total figure including losses (23,700 sq m). With a substantial decline in anticipated requirement for industrial floorspace, a key issue for policy makers will be the extent to which existing employment sites which are dominated by B2 and B1 b and c space can be redeveloped for office space. Detailed site by site assessment will be required to determine how much of future requirements can be provided for on previously developed land.
- 2.22 The space requirements set out in Figure 5 represent the total quantum of space needed to accommodate changes in employment. However, there is also a need for choice and flexibility within the market. This is the additional demand required to ensure there is enough choice in the market at all times to enable occupiers to move between premises. DTZ has incorporated into its estimates of projected to total floorspace requirements a 10% increase on the requirement set out in Figure 5 to take account of this.
- 2.23 Figure 6 shows the overall requirement for additional floorspace arising from projected employment growth once allowance is made for choice and flexibility. Figure 6 shows a total requirement across all employment types of 76,450 sq m to 2031 (excluding losses).

Figure 6: Indicative Floorspace Requirements 2011-2031 including Market Flexibility and Choice (sq m)

	2011-16	2016-21	2021-26	2026-31	2011-31	2011-31 Annualised
B1a	13,530	9,020	5,390	4,620	32,560	1,650
B2 (inc B1b/c)	-3,600	-11,970	-13,770	-11,880	-41,220	-2,530
B8	18,920	7,150	-810	-720	24,200	1,210
Non-B on B Sites	10,780	5,940	1,540	1,430	19,690	990
Total (exc. losses)	43,230	22,110	6,930	6,050	76,450	3,850
Total (inc. losses)	39,630	10,140	-7,650	-6,550	35,230	1,320

- 2.24 In terms of assessing whether existing allocations are employment land meet anticipated requirements for employment land it is useful to translate the projections of employment floorspace requirements into estimates of employment land requirements. DTZ do this by use of assumed plot ratios for different types of development, as shown in Figure 7.

Figure 7: Plot Ratios (Floorspace: Hectare)

	Plot Ratios
B1a	0.7
B2 (inc B1b/c)	0.4
B8	0.5
Non-B on B Sites	0.5

- 2.25 These plot ratios indicate the relationship between the amount of floorspace and the area of land required to accommodate that development. Thus for offices it is assumed that 7,000 sq m can be provided on a 1 ha plot (with 1 ha = 10,000 sq m); thus the plot ratio is 0.7. The plot ratio is lower for industrial space and warehousing, because the assumption is that these will be single storey buildings, while offices will typically be two storey in business park settings, and potentially higher in town centres.
- 2.26 Figure 8 shows that the analysis would indicate that the Council is likely to require a maximum allocation of around 28 ha of employment land to meet anticipated requirements for development of employment floorspace. There is scope to reduce this significantly if there is scope to promote development on existing B2

sites which will become redundant or under-occupied. Using the plot ratio for B2 uses, DTZ estimate that on the anticipated decline in manufacturing could release up to 10 hectares, some of which would be available for redevelopment.

Figure 8: Indicative Employment Land Requirements 2011-2031 including Market Flexibility and Choice (hectares)

	2011-16	2016-21	2021-26	2026-31	2011-31	2011-31 Total	2011-31 Annualised	Plot Ratios
B1a	2.76	1.29	0.77	0.66	4.65	10.13	0.24	0.7
B2 (inc B1b/c)	-0.90	-2.99	-3.44	-2.97	-10.31	-20.61	-0.63	0.4
B8	3.78	1.43	-0.16	-0.14	4.84	9.75	0.24	0.5
Non-B on B Sites	2.16	1.19	0.31	0.29	3.94	7.88	0.20	0.5
Total (exc. losses)	8.70	3.91	1.08	0.95	13.43	27.76	0.68	
Total (inc. losses)	7.80	0.91	-2.53	-2.17	3.12	7.15	0.04	

3: Test Valley Market Review

INTRODUCTION

- 3.1 This section reviews the current state of the market for offices, industrial and warehouse property in terms of demand, supply, and rents. The difference between the market in Andover, the Southern Test Valley and the rural areas is examined. An assessment is then made of overall patterns of take up, outstanding permissions and the supply of allocated employment land. The working paper draws on standard sources such as the Valuation Office, Estates Gazette, published market reports and discussions with local agents

THE STOCK OF BUSINESS FLOORSPACE

- 3.2 The most recent data available for the stock of business floorspace is for 2008. Over the period from 2005 to 2008 the stock of office accommodation in Test Valley has increased year by year, as has the stock of warehousing. In contrast the stock of industrial properties has stagnated and between 2007 and 2008 declined significantly. Very probably this marked reduction between 2007 and 2008 reflects the introduction of rates on empty commercial property.

Figure 9: Stock of Business Floorspace, 2005-2008 (000s sq m)

	2005	2006	2007	2008
Offices	161	165	170	172
Industrial	531	532	530	522
Warehouse	507	508	525	524

Source: Commercial and Industrial Rateable Value Floorspace Statistics

MARKET CONTEXT

- 3.3 The commercial property market had started to exhibit signs of the economic slowdown when the DTZ's Test Valley Employment Land Review was finalised in July 2008. However at this point in time the downturn was expected to be relatively mild and short lived. The collapse of Lehman Brothers in September 2008 heralded the real start of the global financial crisis. Four years on, the UK economy has not yet recovered to the level of 2007.
- 3.4 The commercial property market in the South East of England has been very subdued since autumn 2008, although it is more robust than in many parts of the UK. Development has been constrained by lack of demand as businesses have cut back on investment, and sought to reduce costs in the face of weak demand; and by the cost and availability of finance for development. Speculative development has for all practical purposes ceased.

THE OFFICE MARKET

- 3.5 In a climate of uncertainty, office occupiers in the South East of England have been cautious in committing to new space. Many occupiers have downsized and so their requirement, if they are looking for new space, is less than it would have been before the down turn. At the same time occupiers have been looking to secure efficiencies in the use of their office space in order to reduce costs. Therefore occupiers are generally accommodating more staff per sq m than before the downturn.

- 3.6 These general trends have been reflected in much reduced volumes of transactions, and lower values. Deals are also taking longer to complete. Many occupiers who might formerly have looked to move to accommodation better suited to their requirements are staying put. The decline in rentals reflects not only demand and supply factors, but also increased holding costs of empty properties.
- 3.7 The government began to charge rates on empty properties on 1 April 2008. At the same time, landlords face the costs of security and insuring empty property, and other costs associated with managing property as well as servicing existing bank debt. There has been an imperative to generate cash. In relatively marginal local markets where supply has outstripped demand, landlords have reduced rents to ensure occupation and maintain cash flow.
- 3.8 The impact of these trends on vacant office space is presented in Figure 10. Overall the supply of vacant office space in Test Valley has more than doubled since 2008. Much of the increase in vacant office space is located in Southern Test Valley, and is associated with the developments close to the M27 rather than in Romsey which has a more modest stock of offices.
- 3.9 Not surprisingly the bulk of vacant space (80%) is second hand space, and some of this may not have a future. However there is over 2,000 sq m of new and refurbished office space on the market, most in Southern Test Valley and the Rural Areas, and this will act as a drag on new development until it is taken up. The stock in rural area includes small, purpose built conversions.

Figure 10: Total Vacant Office Floorspace by Area

Sub Area	New & Refurbished	Second Hand	Total 2012	Total 2008	% change 2008 to 2012
Andover	163	3,813	3,976	3,161	26%
Southern Test Valley	1,173	4,961	6,134	1,462	320%
Rural Areas	932	410	1,342	665	102%
All Test Valley	2,268	9,184	11,452	5,288	117%

Source: EGI, DTZ and Test Valley Employment Land Review, DTZ, 2008

- 3.10 Since the start of 2008, some 21,000 sq m of office space has been taken up (see Figure 11), representing an annual average take up of office space across the Borough of around 4,660 sq m pa. This is higher than the average take up for 2000 to 2007 of around 2,750 sq m pa, though take up was particularly depressed in 2001-03. Therefore take up in Test Valley in the years since 2008 has been markedly higher than in the previous 7 years.
- 3.11 This may reflect increased demand for offices in Test Valley, but as explained below this may be atypical because of a number of particularly large deals, notably Ordnance Survey at Adanac Park of 10,000 sq m (107,600 sq ft), and the Simplyhealth deal for 2,926 sq m (31,500 sq ft) in Andover. It is also possible that some of this increase in take up may reflect higher levels of churn; that is occupiers moving more frequently, rather than any real increase in demand.

Figure 11: Office Take Up 2008 – mid 2012

Sub Area	No. of Deals	sq m	Average deal size in sq m	Average annual take up
Andover	9	4,209	468	935
Southern Test Valley	138	16,707	121	3,713
Rural Areas	1	55	55	12
All Test Valley	148	20,971	142	4,660

Source: EGI, DTZ

The Southern Test Valley Office Market

- 3.12 Figure 11 shows the high levels of take up are particular associated with the Southern Test Valley. This is associated particularly with the sites on the M27, notably the University of Southampton Science Park, Adanac Park and other sites in the Chilworth area located just off the M27. The completion of the new 10,000 sq m HQ for the Ordnance Survey at Adanac Park in 2011 accounts for almost half of all office take up in the Borough in the period 2008-mid 2012, and might be regarded as a one off event.
- 3.13 The appeal of the sites in the M27 corridor is attributed to the enhanced accessibility of a location on the M27 compared to a location in the centre of Southampton; and the availability of more modern open plan accommodation with higher parking ratios, both of which are difficult to deliver in the City Centre. Thus, agents have remarked that the M27 area is more characteristic of the overspill Southampton market than of the rest of the Test Valley market. Agents report that the office market in Southampton City Centre is characterised by an oversupply of late 1980s office stock. Landlords have struggled to let this accommodation and occupiers have taken advantage of the more modern accommodation close to the M27 at relatively affordable levels.
- 3.14 Rents at University of Southampton Science Park are typically £17-18 psf. Rents increased slightly to £18.00 - 18.50 in 2011. An added attraction of the Science Park accommodation are that most units are let on shorter term flexible leases of circa 3 years and many businesses located on the Science Park are associated with the University and science and research sector, or suppliers with a technology expertise.
- 3.15 Figure 12 below shows the number of deals in Southern Test Valley. They show that a high level of deals and take up over the period, with 2009 as the peak year for take up. Average deal size in the motorway corridor is 120 sq m.
- 3.16 The Romsey office market is similar to that for Andover catering essentially for occupiers with local connections. The nature of stock in Romsey is rather dated and agents have remarked that it does little to serve modern occupiers. Rent levels have fallen as the availability of stock has increased, and landlords have competed among themselves to secure a decreasing number of occupiers. Landlords have also offered potential tenants greater incentives.
- 3.17 The figures for office take up in Southern Test Valley are dominated by the M27 business and science parks. The average deal size in Romsey Town Centre since 2008 has been 133 sq m. Rents in Romsey town centre typically range from £9 – 12 psf, averaging at approximately £10.00 psf. This reflects the dated nature of office accommodation in the town. Agents have remarked that town centre rents have been maintained by higher rent-free incentives. For example, occupiers can command the equivalent of up to 1 year rent free on leases of 5 years.

- 3.18 Car parking is an issue in attracting occupiers to Romsey, with occupiers looking for provision of 1 space per 200 sq ft as a minimum requirement.

The Andover Office Market

- 3.19 There is a relatively limited office market in Andover and the view of commercial agents is that the town is unlikely to support a significant expansion of office accommodation beyond what already exists. The demand for offices in Test Valley is dominated by local occupiers with ties to the area, rather than significant occupiers which have chosen in recent times to locate in the town. There is limited occupier demand in the area for larger purpose built offices, with the result that there is a lack of Grade A space in the town and a dominance of poorly laid-out offices located above shop units.
- 3.20 The absence of demand is a consequence of perceptions of the town, which are shaped by its historically significant manufacturing base and, as a consequence, a population whose skills are associated with manufacturing and related activities. This deters office occupiers from locating in Andover. An additional consideration is that Andover is significantly overshadowed as an office location by Basingstoke and Newbury, which have greater critical mass, a wider choice of property, better rail links and a larger and more skilled labour catchment area.
- 3.21 Car parking is again an issue in attracting occupiers, with occupiers looking for provision of 1 space per 200 sq ft as a minimum requirement.
- 3.22 As a result the Andover town centre office market has seen little demand over the past few years for period offices and caters essentially for local occupiers. Providing that units can be refurbished or modernised with better layout presentation for the market, there could be a small increase in demand.
- 3.23 Figure 12 shows that there have been only 9 office transactions in Andover since the beginning of 2008. The most significant of these has been Simplyhealth taking 2,926 sq m (31,500 sq ft) at 47 Bridge Street in October 2010. It should be noted that the large average deal size in Andover is markedly higher than in the rest of Test Valley (see Figure 11), but this high figure is largely attributable to the Simplyhealth deal. If this one deal is excluded from the calculations then the average deal size is 160 sq m.
- 3.24 In terms of rental values, the lack of transactions make it difficult to assess the current market rent, although agents suggest that it would be somewhere in the region of £9-10 psf. This represents a drop since the time of the 2008 ELR from £12-13 psf.

Figure 12: Numbers and Size of Office Deals by Year

	Andover		Southern Test Valley	
	No. of deals	sq m	No. of deals	sq m
2008	1	497	33	3,684
2009	3	319	41	6,024
2010	3	3,226	35	3,086
2011	2	167	23	2,859
2012	0	0	6	1,054
Total	9	4,209	138	16,707

Source: EGI, DTZ

THE INDUSTRIAL AND WAREHOUSE MARKET

- 3.25 As with the office market there are marked differences between different parts of the Borough in terms of the market for industrial property and warehouses. Andover has a substantial stock of industrial properties, much of it now quite dated, and a reasonable supply of warehouse space, in part linked to its location on the A303.
- 3.26 However, large format warehousing in the Borough has historically been located largely in the southern end of the Borough, to the south of the M27. This area of warehousing is functionally part of the Southampton market and indeed the estates more or less abut the boundary of the City; a number of the occupiers of the relevant estates are occupied by businesses with linkages to the Port of Southampton.
- 3.27 The recession has particularly hit many small and medium sized manufacturing businesses; and this has led to growing volume of vacancies in industrial properties across the Borough. As in the office market, occupiers are looking to economise in the use of space and this had led to lower volumes of transactions reduced values, and increased vacancies.
- 3.28 The same pressures on landlords to secure an occupier exist in the industrial and warehouse market as in the office market. There is pressure to find tenants to help offset liabilities in terms of rates, insurance and management costs, and this means landlords will accept lower rents or deals that are more advantageous to the occupier. Low values eliminate any possibility of speculative development.
- 3.29 The impact of these trends on vacancies can be seen in Figure 13. In contrast to the office market, the volume of vacant industrial/warehouse space has fallen significantly since 2008. This probably reflects two factors.
- It is probable that in 2008 there was an overhang of newly built properties built with cheap finance towards the end of the market boom. With a stop on new development, this surplus stock of better properties has been absorbed.
 - On the other hand, this effect has probably gone hand in hand with demolition of older properties which have no prospect of finding an occupier, as owners seek to eliminate the liabilities associated with empty properties with no future
- 3.30 The net result of these effects is that the stock of vacant industrial and warehouse space in the Borough has fallen by 26% between 2008 and 2012, a fall of some 40,000 sq m of vacant space. However this still represents a vacancy rate of 11% of all industrial and warehousing space.

Figure 13: Total Vacant Industrial/Warehouse Floorspace by Area

Sub Area	New & Refurbished	Second Hand	Total 2012	Total 2008	% change 2008 to 2012
Andover	2,660	85,713	88,373	97,017	-9%
Southern Test Valley	10,955	11,589	22,544	54,455	-59%
Rural Areas	641	4,563	5,204	4,626	12%
All Test Valley	14,256	101,865	116,121	156,098	-26%

Source: EGI, DTZ and Test Valley Employment Land Review, DTZ, 2008

- 3.31 Since the start of 2008, some 190,000 sq m of industrial and warehouse space has been taken up, representing an annual average take up of industrial and warehouse space across the Borough of around 42,200 sq m pa. Analysis of take-up rates in the 2008 ELR on industrial deals since 2000 reveals that overall

there has been a fairly consistent level of take-up with an average of around 20,000 sq m a year from 2000-2005.

Figure 14: Industrial and Warehouse Take Up 2008 – mid 201

Sub Area	No. of Deals	sq m	Average deal size in sq m	Average annual take up
Andover	61	133,158	2,183	29,591
Southern Test Valley	60	54,246	904	12,055
Rural Areas	2	2,530	1,265	562
All Test Valley	123	189,934	1,544	42,208

Source: EGi, DTZ

3.32 The surprising indication is that take up of industrial and warehouse space has significantly increased since 2000-05. While the majority of deals have been for spaces under 500 sq m, there have been a number of particularly large deals in recent years in Andover (see below), most notably the two major pre-lets to Jewson and Cooperative respectively in Andover in October 2009. These are perhaps indicative of the growing appeal of Andover as a well connected but relatively cheap location in the South East for large format warehousing. It may also be that part of the increase in take up compared to the years 2000-2007 is illusory, in that it may reflect increasing number of short term lets, which is a possibility in the current market environment, and as landlord seek any occupier to help offset the rates on empty properties.

3.33 In terms of deals since the start of 2008 there have been a very similar number in Andover and the Southern Test Valley area, but, due to a clutch of large deals, take up of floorspace has been much greater in Andover than in Southern Test Valley. The number of deals and floorspace take up has been maintained at a high level since 2008. Feedback from agents indicates that there are a significant number of deals coming through in Andover that will boost the final number of deals in 2012.

Figure 15: Numbers and Size of Industrial Deals by Year

	Andover		Southern Test Valley		Rural	
	No. of deals	sq m	No. of deals	sq m	No. of deals	sq m
2008	7	18,900	18	19,917		
2009	13	54,089	11	12,170		
2010	10	34,426	14	6,803	1	416
2011	23	22,898	14	14,130	1	2114
2012	8	2,845	3	1,226		
Total	61	133,158	60	54,246	2	2,530

Source: EGi, DTZ

The Andover Market

3.34 The Andover market has been as active as the market in the Southern Test Valley area, both with similar levels of deals. This reflects the character of Andover with a historic legacy of significant manufacturing activity, and a large stock of industrial property compared to its office stock. It is also strategically located in terms of the national trunk road network, located on the A303 dual carriageway (which links into the M3) and close to the intersection of the A34 north-south route which is dualled for its entire length between the M3 and the M40 north of Oxford.

- 3.35 The relatively buoyant market for industrial and warehouse space in Andover is reflected in a number of large deals which have particularly boosted take up in Andover. These include:
- Plot 34, Walworth Business Park (April 2011) – 7,477 sq m of general industrial buildings sold for £620,000
 - Unit 4 East Portway Industrial Estate, Andover (Dec 2010) – 8,640 sq m let for 5 years at £4.25 psf
 - Crown Way, Andover (June 2010) – 15,000 sq m of general industrial buildings let to Indesit Company UK
 - West Portway Industrial Estate, Andover (Oct 2009) – 11,975 sq m let to Jewson for 25 years at £7.00 psf
 - Andover Business Park (Oct 2009) – 34,775 sq m pre-let to Co-Operative for 20 years at £7.00 psf.
- 3.36 Notwithstanding these large deals, the largest number of deals is for space of less than 500 sq m; and it is noticeable that the average amount of space per transaction has shrunk, which reflects the drive amongst small to medium occupiers to reduce their cost overheads. In 2011 for example, the average deal size in Andover was 933 sq m, whereas the average in 2009 and 2010 was 3,443 sq m and 4,161 sq m respectively. In 2012 thus far this has shrunk even further to an average of 422 sq m, which represents a significant drop in the volume of space taken up.
- 3.37 Rents range from £5.25 – 7.00 psf in Andover, averaging at £6.25 psf. This amounts to about a 10% drop in rents since 2008. Anecdotal evidence from local agents suggests that the majority of industrial unit rents are dictated by the proportion of ancillary office space, rather than the age or condition of the premises. A unit with 40% office space ancillary to the primary warehousing use would command up to 30% higher rent than a unit with only 10-15% ancillary office space.
- 3.38 Local agents have remarked that the majority of industrial space in and around Andover is on the market on a long leasehold basis. In the current environment this is less attractive to occupiers since it limits their flexibility, and ties them into a long terms commitment with the obligation to pay ground rents. However the evidence is that the industrial market in the Borough has been more resilient than the office market, with a greater proportion of lease lengths exceeding 5 years.

Southern Test Valley

- 3.39 In Southern Test Valley, while the number of deals since 2008 have been comparable to Andover, the amount of floorspace involved has been very much less.
- 3.40 The big floorplate warehouses are found in the M27 corridor and generally command rents of up to £6.50 psf. However, there has been a noticeable lack of take up along the M27 corridor since 2009, with only two significant transactions identified that were completed since the time of the last ELR in 2008. In terms of currently available good stock there are three large units on Nursling Estate on Oriana Way on the market.
- 3.41 The industrial and warehousing market in Romsey caters essentially for local occupiers, and is characterised by small and medium sized units. In Romsey, rents range from £6.00 – 10.00 psf, averaging at £7.00 psf.

NET COMPLETIONS OF NEW EMPLOYMENT FLOORSPACE

- 3.42 Information on the development of new employment floorspace is reported year by year in TVBC's Annual Monitoring Reports. Figure 16 shows the pattern of net employment floorspace developed over the past five years for which data is available and this is presented in graphic form in Figure 17.

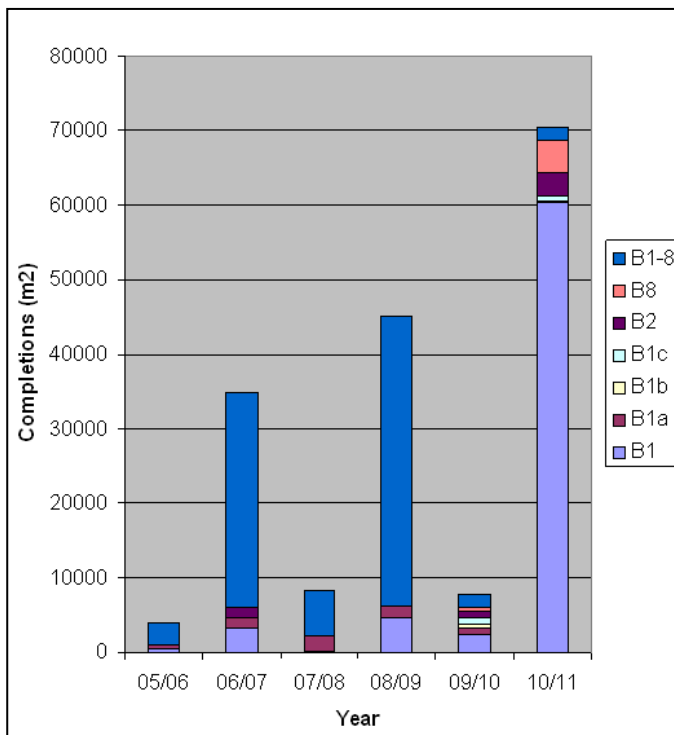
3.43 Figure 16 shows that over the five years to March 2012¹ around 170,000 sq m of employment floorspace has been developed, but 42% of this was developed in 2010/11. Over the period 2006/07 average annual completions of net additional employment floorspace have been around 28,300 sq m pa. But as is evident from Figure 17, the annual net additional employment floorspace developed in each year has been very variable. It is worth noting that net completions plummeted in 2011/12. Perhaps this is unsurprising after a year with the highest level of net floorspace completions.

Figure 16: Net Employment Floorspace Developed 2006/7 to 2010/12 (sq m)²

	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	Total	Average pa 06-12
B1	3,250	250	4,719	2,350	60,348	0	70,917	11,820
B1a	1,356	1,909	1,414	963	220	0	5,862	977
B2 (incl B1b/c)	1,400	0	0	2,132	3,719	0	7,251	1,209
B8	0	0	0	510	4370	0	4,880	813
B1-B8]	28,895	6,224	39,070	1,794	2,316	2,387	80,686	13,448
Total	34,901	8,383	45,203	7,749	70,973	2,387	169,596	28,266

Source: TVBC Annual Monitoring Reports, DTZ; Data for 2011/12 are provisional figures.

Figure 17: Net Employment Floorspace Developed 2006/7 to 2010/11 (sq m)



Source: TBVC Annual Monitoring Report 2010/11

3.44 Recent levels of development of new floorspace make it difficult to anticipate future demand for space in Test Valley Borough, since it is evident from recent developments that the Borough has the potential to

¹ Note that figures for 2011/12 are provisional and that the 2011-12 Annual Monitoring Report has not yet been published

attract large occupiers; but there are relatively few businesses with large occupational requirements, so they may materialise only at infrequent intervals. It is also challenging to determine whether they will be drawn to Test Valley because their area of search is likely to be within the M27 corridor or the M3 corridor and there are a range of competing sites available in each of these areas including those in Test Valley and those in other Boroughs.

OVERALL ASSESSMENT OF THE STOCK OF EMPLOYMENT LAND AND PREMISES

3.45 Figure 18 shows the overall quantitative assessment of supply of employment land and premises set out in the 2008 Employment Land Report. Figure 19 shows the updated figures based on the analysis contained in this report, and drawing upon Hampshire County Council data on outstanding planning permissions and allocations.

3.46 Key points to note from this analysis are:

- The significant rise in vacant office space in the Borough between 2008 and 2012 (+6,200 sq m) particularly associated with increased vacant office space in Southern Test Valley
- The reduction in vacant industrial/warehousing space (-17,700 sq m) particularly in Southern Test Valley, sufficient to offset increases in vacant space in Andover and Rural Test Valley
- The increase in outstanding allocations from 3.34 ha to 18.79 ha.
- The indication is that the overall scale of outstanding planning consents have increased from 150,000 sq m to 213,000 sq m
- The overall stock of outstanding land allocated for employment purposes has fall from 62 ha to around 19 ha, but this is partly compensated for by the rise in sites with planning permissions not yet implemented.

Figure 18: Summary of Supply of Employment Land and Floorspace at July 2008

Components of Supply	Andover	Southern Test Valley	Rural	Total
Available office space in sq m	3,161	1,426	665	5,252
Available industrial/warehousing space in sq m	74,748	54,455	4,626	133,829
Outstanding full planning permissions in sq m	80,196	54,981	15,104	150,281
Outline planning permissions	38.12	20.90	0.00	59.02
Outstanding allocations in ha	3.34	0	0	3.34
Total a) m2	158,105	110,862	20,395	289,362
Total b) ha	41.46	20.90	0.00	62.36

Source: Test Valley Employment Land Review, DTZ, July 2008

Figure 19: Summary of Supply of Employment Land and Floorspace at September 2012

Components of Supply	Andover	Southern Test Valley	Rural	Total
Available office space in sq m	3,976	6,134	1,342	11,452
Available industrial/warehousing space in sq m	88,373	22,544	5,204	116,121
Outstanding planning permissions in sq m	117,079	90,128	5,522	212,729
Outstanding allocations in ha	15.09	3.70	0.00	18.79
Total a) m2	209,428	118,806	12,068	340,302
Total b) ha	15.09	3.70	0.00	18.79

Source: HCC Commercial Floorspace Survey 2011, DTZ

3.47 It is worth noting that the increase in outstanding planning consents between 2008 and 2012 is largely attributable to the fact that since 2008 remaining undeveloped plots at Adanac Park and the Andover Commercial Park (Andover Airfield) are now covered by outline planning consents, which alone total around 190,000 sq m. This will also account for the significant reduction in land allocated for development but without consent

4: Conclusions and Policy Implications

INTRODUCTION

- 4.1 This section of the report draws upon the findings of the previous sections to present conclusions for TVBC policy on provision of employment land. The primary focus is on whether, overall, there is an adequate supply of employment land given anticipated future demand. The focus of this study is the overall quantum of employment land available, and seeks to answer the question whether new allocations need to be made.
- 4.2 This study has not looked in any detail at the qualitative aspects of employment land provision, specifically the suitability of available sites for different sorts of employment land development; that is whether sites are specifically suited for development only for one particular type of commercial development – offices, industrial floorspace, or warehousing (broadly the B1, B2 and B8 use class divisions).
- 4.3 Nor has the study examined in detail the suitability of sites in different parts of the Borough to meet anticipated demand. However this section does make observations on the likely patterns of demand in the different parts of Test Valley Borough in the light of the evidence presented. Specifically it considers the different patterns and drivers of demand in the Andover area and the Southern Test Valley area. These inform DTZ’s policy conclusions in terms of the requirement for additional allocations of employment land in terms of both suitability for different uses and location.

ANTICIPATED FUTURE DEMAND FOR EMPLOYMENT SPACE

- 4.4 The expectation is that employment in Test Valley will increase over the period 2011-31 by some 6,000 jobs, which averages out at around 300 jobs pa over the 20 year period. In part, this growth reflects recovery in the local economy which is estimated to have lost around 2,500 jobs since 2007³. An alternative employment forecast by Experian anticipates job growth of 7,000 jobs in the same period, some 20% higher than the DTZ projection, equivalent to an annual job growth of 350 jobs pa over the period to 2012.
- 4.5 The sectors that account for the largest share of growth are the business services sector which accounts for almost half of all job growth (+2,650 jobs) and the distribution and retail sector (+ 1,530 jobs). Manufacturing employment is projected to decline by 1,550 jobs. This pattern of sectoral change means that there will be a substantial requirement to re-provide business premises, with a growing requirement for offices (B1) and warehouses (B8), and a reduced requirement for traditional industrial buildings (B2).
- 4.6 Not all job growth generates demand for B1-B8 floorspace. Indeed only around one third (33%) of the net job growth (5,970 jobs) anticipated over the period 2011-31 is expected to be accommodated on B1-B8 sites (see Figure 20). However, this reflects the significant fall anticipated in manufacturing jobs. Some 3,230 additional jobs will need to be accommodated on B1-B8 land, mainly land suited to B1 and B8 uses, but some 1,270 jobs are expected to be lost in manufacturing reducing demand for B2 land.
- 4.7 This highlights a major policy issue; the extent to which land and premises currently in use for manufacturing can be redeveloped for employment that typically will require office (B1) and warehousing (B8) space. If a high proportion of space currently in use for B2 uses can be redeveloped for these other uses, then the requirement for additional employment land allocations is greatly reduced. But sites in B2 use are not always going to be well suited to new uses, and re-provision on existing industrial estates may be difficult to achieve.

³ Test Valley Long Term Economic Strategy: Update 2012 , Experian, July 2012

Figure 20: Summary of Employment Change, and Requirements for Employment Floorspace and Land

	Jobs	Floor space in sq m	Land in ha
B1a	2,470	32,560	10.13
B2 (inc B1b/c)	-1,270	-41,220	-20.61
B8	310	24,200	9.75
Non B on B Land	450	19,690	7.88
Non-B	2,710	na	na
Not Fixed to a Property	1,300	na	na
Total (exc. losses)	7,240	76,450	27.76
Total (inc. losses)	5,970	35,230	7.15

- 4.8 Figure 20 shows that to accommodate the anticipated level of job growth, there will be a requirement for between 35,250 and 76,400 sq m of additional floorspace development. The higher figure assumes that there is no recycling of employment land released by the reduced requirement for B2 land, while the lower figure would be associated with all employment land released by the falling requirement for B2 land is redeveloped.
- 4.9 The reality is that the requirement is likely to be somewhere in between these two figures. Not all B2 sites will be suited in terms of location or the nature of the business environment to office or warehouse development, but some reprovion on these sites is likely. This may however be difficult to achieve because of land ownership issues; but it is clearly a desirable policy objective to deliver regeneration of industrial estates and to promote redevelopment of previously developed employment land.
- 4.10 Figure 20 also presents DTZ's estimates of what the floorspace requirement to meet anticipated job growth implies for land allocations. The overall requirement for employment land for the period 2011-31 would be for around 28 ha of land if there was no scope for redevelopment or reprovion on existing B2 sites released as a result of falling manufacturing employment; while only 7 ha would be needed if all such land could be redeveloped. The reality is that the requirement for additional land is likely to be somewhat less than the 28 ha requirement but more than 7 ha.

CURRENT LAND AND FLOORSPACE SUPPLY

- 4.11 TVBC report that in the 2010/11 Annual Monitoring Report that 41.3 ha of employment land was available at the end of March 2011. Set against the maximum employment land requirement of 28 ha estimated on the basis of projected employment growth, there would appear to be an adequate provision of employment land in overall quantitative terms. The Council does need to assess, however, whether the land currently available is well suited to future business requirements in terms of location and the type of space that can be provided on that site.
- 4.12 The overall adequacy of employment land supply in straightforward quantitative terms is also indicated when demand and potential supply of employment space is examined in terms of floorspace with permission for development against prospective demand. Figure 20 highlights a maximum anticipated requirement over the period 2011-31 for 76,500 sq m of additional floorspace, assuming no redevelopment of B2 space as manufacturing declines. Figure 21 shows that there are outstanding planning consents for provision of 213,000 sq m of space, almost 3 times anticipated maximum requirements. In addition there is some 19 ha of allocated employment land on which planning consent has not yet been granted.

4.13 On top of development land without existing planning consents (19ha) and land with extant planning permissions for industrial and commercial development, there is a substantial stock of vacant office and industrial warehousing space in the Borough. The stock of vacant industrial and warehousing space is considerably greater than that of office floorspace (116,000 sq m, compared to 11,500 sq m). A significant element of both the office and industrial/warehousing space may not be well suited to modern requirements, but is another source of supply to meet requirements for employers in need of space.

Figure 21: Summary of Supply of Employment Land and Floorspace at September 2012

Components of Supply	Andover	Southern Test Valley	Rural	Total
Available office space in sq m	3,976	6,134	1,342	11,452
Available industrial/warehousing space in sq m	88,373	22,544	5,204	116,121
Outstanding planning permissions in sq m	117,079	90,128	5,522	212,729
Outstanding allocations in ha	15.09	3.70	0.00	18.79
Total a) m2	209,428	118,806	12,068	340,302
Total b) ha	15.09	3.70	0.00	18.79

4.14 Overall, on the basis of this analysis, DTZ would conclude that there is sufficient quantity of employment land to meet the anticipated requirements of employers. However, it is relevant to look at recent trends in take up of employment land and business space. As set out below, this suggests a more buoyant market than implied by the evidence of large volumes of vacant property and outstanding planning consents.

TAKE UP OF EMPLOYMENT LAND

4.15 As noted in Section 3 in the six years to March 2012 around 170,000 sq m of net additional employment floorspace has been developed, with 71,000 sq m of this in 2010/11. The average annual completions over the period 2006/7 to 2011/12 has been a little over 28,000 sq m pa of net additional floorspace. The total forecast requirement over the period 2011-31 for employment floorspace based on anticipated growth of employment is only 76,500 sq m, much less than the 167,000 sq m provided in the Borough in just the last six years.

4.16 Clearly if this pace of development of the last six years were to be maintained then TVBC would need to allocate additional employment land in order to accommodate demand at some stage within the next 20 years. However, as noted this level of development is significantly higher than experienced in the period 2000 to 2005. That such a high level of development has taken place in a period of economic weakness is seemingly counterintuitive, given the weakness of the commercial development market since 2008.

4.17 It is important therefore to evaluate whether the high levels of take up recorded in the period 2006/7 to 2011/12 will be maintained in future years, or will drop off. In undertaking this evaluation it is important to assess whether the high level of development is attributable to genuine 'one off' events, or if the high level of development of employment floorspace compared to 2000-05 represents a shift in the locational attributes of Test Valley as a whole, that might mean that a higher level of development, and linked to that, employment growth, can be sustained.

- 4.18 It is distinctly possible that the level of net employment floorspace completed in Test Valley over the period 2006/7 to 2011/12 is due in part to exceptional circumstances. DTZ note in particular the very high levels of completed development recorded in 2010/11, which represents well 42% of all floorspace developed in the five year period. A significant element of this is probably associated with the completion of floorspace at Andanac Park for the Ordnance Survey which might be regarded as a one off development opportunity.
- 4.19 It is also worth noting that the high level of employment floorspace completed in 2006/07 (35,000 sq m) is clearly linked to pre-downturn conditions. Even the large volume of completions delivered in 2008/09 (39,000 sq m) are very likely to have been associated with investment decisions committed before the major downturn in the UK economy, which was triggered by the collapse of Lehman Brothers in September 2008 and the ensuing credit crunch.
- 4.20 Preliminary data on completions for 2011/12 indicates that the volume of floorspace completed in this latest full year, has fallen dramatically to just 2,400 sq m.
- 4.21 However DTZ's discussions with commercial property agents also seem to indicate that Test Valley may be becoming more favoured as a location in two distinct respects.
- 4.22 First, Andanac Park and the University of Southampton Science Park appear to becoming favoured locations for office occupiers looking for space within the Southampton area, because of ease of access to the M27/M3; and the appeal of a business park location with functional modern office buildings set in an attractive environment. Demand may be being diverted to these locations in Test Valley from Southampton City Centre and other locations in the Southampton market area. The desirability or otherwise of this trend is a matter for debate, given the PUSH strategy to foster job growth within the cities (but it might be argued that Adanac Park and Chilworth are functionally part of Southampton).
- 4.23 Second, Andover may be becoming better recognised as a good location for warehousing and other relatively space intensive business activities. Andover is well located in terms of the strategic road network, with its location on the A303, which links to the M3; and close to the intersection of the A303 and A34. Generally the cost of land and property is lower than other locations in the M3 corridor, and this may mean increasing success in attracting businesses needing an accessible M3 location. The attraction of the Co-Op Distribution warehouse could be a sign of things to come.

CONCLUSIONS AND INDICATIVE STRATEGY

- 4.24 There is considerable uncertainty regarding the future course of the UK economy, and on the basis of the evidence examined in this report an unusual level of uncertainty associated with the future course of the Test Valley economy. This is because of evidence of possible repositioning of Test Valley in property market terms, which may mean that the level of development of employment floorspace might be maintained at the relative high level of the period since March 2006, rather than the relatively modest level of the period 2001-2005.
- 4.25 DTZ's view is that the average development of an additional 28,000 sq m pa on average between 2006/7 and 2011/12 is very unlikely to be maintained, because we regard it as improbable that the particularly high level of net employment floorspace completions in 2006/7, 2008/9 and 2010/11 will be repeated. This reflects our assessment that the decision to develop associated with the completions in 2006/7 and 2008/9 reflect pre-downturn economic and credit environment; and the 2010/11 figure has a significant element of one off, large completions that will only be repeated at irregular intervals.

- 4.26 However, in DTZ's view It would be prudent to plan for general day to day employment floorspace take up of 10,000 sq m pa for mainstream employment development, but to ensure that strategic sites are available for major investments on top of this base requirement. The 10,000 sq m pa planning target compares with a forecast based on anticipated employment growth of a maximum annual requirement in 2011-16 of 8,600 sq m pa, which declines in each five year period to the end of the plan date in 2031.
- 4.27 Assuming that take up averages out at 10,000 sq m pa, existing planning consents (212,000 sq m) would cover almost the full requirement in Test Valley for the plan period, before drawing on the 19 ha of allocated land without planning consent for development. This would indicate that there is no need to allocate additional land for the general baseline level of employment requirements. The potential for redevelopment of redundant B2 premises and use of vacant employment floorspace provides a further buffer to absorb demand.
- 4.28 However there is clearly the potential for Test Valley to attract large scale employers or businesses with large scale property requirements. DTZ would recommend that TVBC ensure that there are identified strategic sites capable of accommodating such businesses. The key requirements that should be catered for are:
- Business park space in the M27 Corridor: remaining development land at Adanac Park may fulfil this requirement
 - The requirements for science and technology based businesses linked to the University of Southampton or other businesses located at the Science Park
 - Warehousing requirements in the M27 corridor, to the south of Junction 3 on the M27, accessed via the M271
 - Warehousing requirements in Andover
 - Business Park office requirements in Andover
- 4.29 TVBC will also wish to attract town centre occupiers to Andover and Romsey. However in DTZ's assessment it will be challenging to attract larger occupiers to either town centre, and the market will be mainly made up of smaller occupiers. Providing an attractive environment for such businesses will important to the achievement of town centre policy objectives.
- 4.30 In determining how best to meet future employment land requirements, an assessment needs to be made of how far occupier requirements can realistically be met through redevelopment of existing industrial estates. It will clearly be desirable to encourage redevelopment and re-use of such estates where the buildings are becoming redundant, but equally a realistic assessment needs to be made as to the extent to which it is possible to re-position such estates in the market for employment floorspace.

Appendix 1: Hampshire County Council Commercial Floorspace Survey 2011

Figure A1: Employment Land Allocations in Test Valley 2011

SITE	GRID REF	AREA	ADDRESS	DESCRIPTION OF PROPOSAL	STATUS AT 01/04/11	APPLICANT/ OWNER	PLANNING STATUS	USE CLASS	EXPECTED GAIN (M2)	COMPLETED GAIN (M2)	AVAILABLE GAIN (M2)	EXPECTED AREA (HA)	COMPLETED AREA (HA)	AVAILABLE AREA (HA)	GREENFIELD/ BROWNFIELD
0001A	434328 146256	Andover	PLOT 20, WATT CLOSE, EAST PORTWAY ANDOVER	VACANT EXPANSION LAND	NOT STARTED	STANNAH LIFTS	ALLOCATION	B1	0	0	0	0.33	0.00	0.33	BROWNFIELD
0082	438453 146830	Andover	MERIDIAN PARK GREENWICH WAY ENHAM ARCH ANDOVER	B1/B2 INDUSTRIAL UNITS, B1A UNIT AND DEPOT/WORKS HOP	PART BUILT, PART NOT STARTED	MERIDIAN/ HOSTMEAD/TE STWAY HOUSING	ALLOCATION	B1	7785	7785	0	2.98	2.63	0.35	BROWNFIELD
0005	438382 146111	Andover	PLOT 79-82 LIVINGSTONE ROAD WALWORTH INDUSTRIAL ESTATE, ANDOVER	LIGHT INDUSTRY/ WAREHOUSE DEVELOPMENT	NOT STARTED	TEST VALLEY BOROUGH COUNCIL	ALLOCATION	B1-8	0	0	0	0.34	0.00	0.34	BROWNFIELD
0005GA	438728 146413	Andover	PLOT 89, SOUTH WAY WALWORTH INDUSTRIAL ESTATE, ANDOVER	VACANT SITE	NOT STARTED		ALLOCATION	B1-8	0	0	0	1.90	0.00	1.90	GREENFIELD
0005X	438148 146001	Andover	PLOT 72A WALWORTH INDUSTRIAL ESTATE, ANDOVER	VACANT SITE	NOT STARTED		ALLOCATION	B1-8	0	0	0	0.33	0.00	0.33	GREENFIELD
0005Y	438230 146069	Andover	PLOT 73, COLOMBUS WAY WALWORTH INDUSTRIAL ESTATE, ANDOVER	VACANT SITE	NOT STARTED		ALLOCATION	B1-8	0	0	0	0.69	0.00	0.69	GREENFIELD
0198	438685 146753	Andover	WALWORTH INDUSTRIAL ESTATE LAND AT WALWORTH ROAD PICKET PIECE ANDOVER	ALLOCATION FOR INDUSTRIAL/ WAREHOUSE USE	NOT STARTED		ALLOCATION	B1A	0	0	0	11.00	0.00	11.00	GREENFIELD
0003AE	433980 146635	Andover	PLOT 10C HOPKINSON WAY, WEST PORTWAY INDUSTRIAL ESTATE ANDOVER	VACANT SITE	NOT STARTED	SKELTOOLS LTD	ALLOCATION	B8	0	0	0	0.15	0.00	0.15	BROWNFIELD
0052P	436554 115763	Southern Test Valley	PHASE 2B SOUTHERN CROSS DISTRIBUTION PARK, MAURETANIA ROAD, NURSING INDUSTRIAL ESTATE, NURSING	ALLOCATION FOR STORAGE AND DISTRIBUTION	PART BUILT, PART NOT STARTED.		ALLOCATION	B8	15708	15708	0	8.11	4.41	3.70	GREENFIELD
Total Employment Land Allocations in Ha												25.83	7.04	18.79	

Figure A2: Outstanding Permissions for B1-B8 Floorspace in Andover 2011

SITE	GRID REF	AREA	ADDRESS	DESCRIPTION OF PROPOSAL	STATUS AT 01/04/11	APPLICANT/ OWNER	PLANNING STATUS	USE CLASS	EXPECTED GAIN (M2)	COMPLETED GAIN (M2)	AVAILABLE GAIN (M2)	EXPECTED AREA (HA)	COMPLETED AREA (HA)	AVAILABLE AREA (HA)	GREENFIELD/ BROWNFIELD
0105	433339 145688	Andover	ANDOVER BUSINESS PARK MONKTON ROAD ANDOVER	BUSINESS PARK DEVELOPMENT FOR B1/B2/B8 USES	CO-OP DISTRIBUTION WAREHOUSE COMPLETE, REMAINDER NOT STARTED	GOODMAN	PERMISSION	B1	139870	43494	96376	30.00	13.00	17.00	PART BROWNFIELD
0207	436310 140760	Andover	WESTOVER FARM GOODWORTH CLATFORD ANDOVER	CHANGE OF USE OF FARM BUILDINGS TO B1	PART COMPLETE, PART NOT STARTED	LIDDELL ENTERPRISES LTD	PERMISSION	B1	668	485	183	0.28	0.20	0.08	GREENFIELD
0249	437578 147469	Andover	LAND AT EAST ANTON SMANNELL ROAD SMANNELL	MIXED DEVELOPMENT INCLUDING EMPLOYMENT	NOT STARTED	GEORGE WIMPEY/TAYLOR OR WOODROW	PERMISSION	B1	0	0	0	3.86	0.00	3.86	GREENFIELD
0003P	433913 145997	Andover	PLOT 60 ANDOVER BUSINESS CENTRE, REITH WAY, WEST PORTWAY INDUSTRIAL ESTATE ANDOVER	B1 BUSINESS PARK AND B8 TRADE CENTRE DEVELOPMENT	PART COMPLETE, PART UNDER CONSTRUCTION	CENTRAL AND COUNTRY DEVELOPMENTS	PERMISSION	B1-8	3149	1233	1916	0.84	0.32	0.52	BROWNFIELD
0028	431413 146829	Andover	FAIRGROUND SITE FAIRVIEW ROAD WEYHILL	REDEVELOPMENT OF BUILDERS	PART BUILT, PART NOT STARTED	ASHFIELD LAND/ KYLEMAR	PERMISSION	B1-8	7905	7905	0	5.75	5.43	0.32	BROWNFIELD
0142	427416 142711	Andover	QUARLEY MANOR FARM GRATELEY ANDOVER	REPLACEMENT B8 UNIT, OFFICES AND EXTENSIONS	PART COMPLETE, PART NOT STARTED	WORLD OF FLOWERS LIMITED	PERMISSION	B1-8	1383	75	1308	2.72	0.00	2.72	BROWNFIELD
0187	433226 144770	Andover	LITTLE PARK FARM FARM ROAD ABBOTTS ANN ANDOVER	CHANGE OF USE OF BARNS TO LIGHT INDUSTRIAL & OFFICES	PART COMPLETE, PART NOT STARTED	ILCHESTER ESTATES	PERMISSION	B1-8	550	338	212	0.60	0.40	0.20	BROWNFIELD
0260	434094 145922	Andover	282-284 WEYHILL ROAD ANDOVER	CIU OF GO-KARTING TO B8 WAREHOUSING & ADDITIONAL IND. UNIT	NOT STARTED	THE OFFER GROUP	PERMISSION	B1-8	3052	0	3052	0.08	0.00	0.08	BROWNFIELD
0278	440969 136730	Andover	CHILBOLTON DOWN FARM CHILBOLTON	CONVERT BUILDINGS 3-6 TO USE CLASS B1 AND B8	PART COMPLETE, PART NOT STARTED		PERMISSION	B1-8	856	530	326	0.21	0.13	0.08	GREENFIELD
0291	434397 146417	Andover	UNIT 1 HUNSTRETE HOUSE STERLING PARK, EAST PORTWAY INDUSTRIAL ESTATE ANDOVER	EXTENSION TO EXISTING INDUSTRIAL UNIT	NOT STARTED		PERMISSION	B1-8	241	0	241	0.16	0.00	0.16	BROWNFIELD
0292	440251 146482	Andover	ANDOVER DOWN FARM LONDON ROAD ANDOVER	ERECTION OF AN INDUSTRIAL BUILDING	UNDER CONSTRUCTION		PERMISSION	B1-8	474	0	474	3.65	0.00	3.65	BROWNFIELD
0263	438857 145362	Andover	LAND AT PICKET TWENTY EASTERN AVENUE/LONDON ROAD ANDOVER	MIXED DEVELOPMENT INCLUDING EMPLOYMENT	NOT STARTED		PERMISSION	B1A	940	0	940	0.30	0.00	0.30	GREENFIELD
0268	436382 145928	Andover	ANTON LAUNDRY SITE, 24 MARLBOROUGH STREET ANDOVER	MIXED DEVELOPMENT INCLUDING TWO OFFICE UNITS	NOT STARTED	CAVENDISH AND GLOUCESTER	PERMISSION	B1A	390	0	390	0.33	0.00	0.33	BROWNFIELD
0282	436517 145142	Andover	THE WELLINGTON INN WINCHESTER ROAD ANDOVER	ERECT OF 2-STORY OFFICE BUILDING AND DAY CENTRE FOR MENCAP	UNDER CONSTRUCTION		PERMISSION	B1A	788	0	788	0.15	0.00	0.15	BROWNFIELD
0005Z	438056 146407	Andover	PLOT 48, SOUTH WAY WALWORTH INDUSTRIAL ESTATE, ANDOVER	PRODUCTION UNIT	UNDER CONSTRUCTION, WORK STOPPED.	YORKGATE LTD	PERMISSION	B2	823	0	823	0.23	0.00	0.23	BROWNFIELD
0003V	434248 146468	Andover	PLOTS 2 & 4 & LAND ADJACENT WEST PORTWAY IND. ESTATE ANDOVER	STORAGE BUILDING AND EXTENSIONS	PART BUILT, PART NOT STARTED	HOWARD TENENS ASSOCIATES	PERMISSION	B8	2580	1140	1440	0.56	0.25	0.31	BROWNFIELD
0005BD	438198 146367	Andover	PLOT 50, SOUTH WAY WALWORTH	WAREHOUSE AND ANCILLARY	NOT STARTED		PERMISSION	B8	1208	0	1208	0.78	0.00	0.78	BROWNFIELD
0005GB	438611 146415	Andover	PLOT 88, SOUTH WAY WALWORTH INDUSTRIAL ESTATE, ANDOVER	PH 1 WAREHOUSE/ ANCILLARY OFFICES & PH 2 WAREHOUSE EXTENSION	PHASE 1 BUILT, PHASE 2 NOT STARTED	HOSTMEAD DEVS LTD	PERMISSION	B8	9905	7323	2582	2.14	1.80	0.34	GREENFIELD
0273	430601 146628	Andover	NEW ABBEY HOUSE FYFELD ROAD WEYHILL	STORAGE BUILDING AND COVERED AREA	NOT STARTED		PERMISSION	B8	1210	0	1210	2.47	0.00	2.47	BROWNFIELD
0293	436482 146151	Andover	ANDOVER DATA CENTRE SHEPHERDS	EXTENSION TO EXISTING DATA CENTRE	NOT STARTED		PERMISSION	B8	3610	0	3610	1.53	0.00	1.53	BROWNFIELD
Outstanding Planning Permissions for B1-B8 floorspace in Andover in sq m											117,079				

Figure A3: Outstanding Permissions for B1-B8 Floorspace in Rural Test Valley and Southern Test Valley 2011

SITE	GRID REF	AREA	ADDRESS	DESCRIPTION OF PROPOSAL	STATUS AT 01/04/11	APPLICANT/ OWNER	PLANNING STATUS	USE CLASS	EXPECTED GAIN (M2)	COMPLETED GAIN (M2)	AVAILABLE GAIN (M2)	EXPECTED AREA (HA)	COMPLETED AREA (HA)	AVAILABLE AREA (HA)	GREENFIELD/ BROWNFIELD
0214	426859 135380	Rural Test Valley	BUNAS BUSINESS PARK	ERECT REPLACEMENT INDUSTRIAL UNITS 1 AND 2	NOT STARTED	FORTUNE CORPORATION LIMITED	PERMISSION	B1-8	620	0	620	0.06	0.00	0.06	BROWNFIELD
0255	428616 138284	Rural Test Valley	NORTHERN FARM STATION ROAD, OVER WALLOP	CHANGE OF USE OF FARM BUILDINGS TO COMMERCIAL	RESIDENTIAL COMMENCED	GLOVER BROTHERS	PERMISSION	B1A	260	0	260	0.51	0.00	0.51	GREENFIELD
0262	436813 129879	Rural Test Valley	BOURNE FARM FURZEDOWN ROAD KINGS SOMBORNE	OFFICE BUILDING	NOT STARTED	COMMERCIAL MARINE AND PILING LTD	PERMISSION	B1A	381	0	381	1.06	0.00	1.06	BROWNFIELD
0276	429195 125933	Rural Test Valley	CURLEWS FARM COOKS LANE LOCKERLEY	CHANGE OF USE TO B1 OFFICE USE	NOT STARTED		PERMISSION	B1A	616	0	616	0.24	0.00	0.24	GREENFIELD
0280	428240 142297	Rural Test Valley	POULTRY SHEDS, ADJ MONXTON GOLF CENTRE MONXTON ROAD GRATELEY	CONVERSION TO B1 OFFICE USE	NOT STARTED	ABBOTTS BROILERS PRODUCERS LTD	PERMISSION	B1A	1350	0	1350	0.83	0.00	0.83	GREENFIELD
0283	436387 131674	Rural Test Valley	SUNNYSIDE VIEW STOCKBRIDGE ROAD KINGS SOMBORNE	ERECTION OF THREE OFFICE BUILDINGS	NOT STARTED	CARLTON CIVIL ENGINEERING LTD	PERMISSION	B1A	386	0	386	0.42	0.00	0.42	BROWNFIELD
0294	427622 141969	Rural Test Valley	MANOR FARMHOUSE HIGH STREET	ERECTION OF B1 OFFICE BUILDING AND	NOT STARTED		PERMISSION	B1A	379	0	379	0.21	0.00	0.21	GREENFIELD
0286	438031 132866	Rural Test Valley	PARK FARM SOMBORNE PARK ROAD LITTLE SOMBORNE	CHANGE USE FARM BUILDINGS TO B8 STORAGE	NOT STARTED		PERMISSION	B8	1320	0	1320	1.41	0.00	1.41	GREENFIELD
0290	434848 124207	Rural Test Valley	UNIT 1 JOHN ROBINSON HOUSE PLANTS, STOCKBRIDGE ROAD TIMSBURY	ERECTION OF A NEW STORAGE BUILDING	NOT STARTED		PERMISSION	B8	210	0	210	0.91	0.00	0.91	BROWNFIELD
Outstanding Planning Permissions for B1-B8 floorspace in Rural Test Valley in sq m											5,522				
0056E	440090 118183	Southern Test Valley	LAND AT KENNELS FARM, SOUTHAMPTON SCIENCE PARK, MANOR ROAD CHILWORTH	B1 DEVELOPMENT, EXTENSION TO EXISTING RESEARCH PARK	PART COMPLETE, PART NOT STARTED	UNIVERSITY OF SOUTHAMPTON SCIENCE PARK	PERMISSION	B1	3516	2350	1166	5.54	1.37	4.17	GREENFIELD
0060	437300 115000	Southern Test Valley	ADAMAC PARK, ADEWAY DRIVE, NURSING	B1 DEVELOPMENT	ORDNANCE SURVEY OFFICES COMPLETE,	TRUSTEES BARKER MILL ESTATE/OS	PERMISSION	B1	17586	16409	6177	32.26	8.20	24.06	GREENFIELD
0224	436755 115338	Southern Test Valley	UPPER ASHFIELD FARM BUILDINGS ASHFIELD ROMSEY	CHANGE OF USE OF REDUNDANT FARM BUILDINGS TO B1 USE	PART COMPLETE, PART UNDER CONSTRUCTION	HIGHWOOD CONSTRUCTION	PERMISSION	B1	745	445	300	0.43	0.18	0.25	GREENFIELD
0266	436114 123383	Southern Test Valley	BELBINS BUSINESS PARK CUPPERHAM LANE ROMSEY	INDUSTRIAL/OFFICE UNITS	NOT STARTED	PGC SOUTHAMPTON LTD	PERMISSION	B1	1211	0	1211	0.33	0.00	0.33	BROWNFIELD
0245	441415 122733	Southern Test Valley	BROADGATE FARM HOOK ROAD AMPFIELD	REDEVELOPMENT FOR B1B2/B6 UNITS	NOT STARTED	RATLAKE FARM LEISURE LTD	PERMISSION	B1-8	3172	0	3172	3.16	0.00	3.16	BROWNFIELD
0254	430337 120323	Southern Test Valley	WELLOW MANOR STUJ, HACKLEYS LANE, EAST WELLOW	CONVERT FARM BUILDINGS TO OFFICE/STORAGE & NEW OFFICE	RESIDENTIAL PART OF SITE UNDERWAY, COMMERCIAL		PERMISSION	B1-8	833	0	833	0.43	0.00	0.43	BROWNFIELD
0253	433050 118412	Southern Test Valley	KINGFISHER HOUSE ROWNHAMS LANE NORTH BADDESLEY	PARTIAL REDEVELOPMENT & ADDITION OF 3 UNITS	COMMENCED, ACCESS IN PLACE	REGAL ENVIRONMENTAL SYSTEMS	PERMISSION	B1-8	1823	0	1823	0.63	0.00	0.63	BROWNFIELD
0285	442723 120414	Southern Test Valley	UNIT 23, SCHOOL CLOSE CHANDLERS FORD	ERECTION OF A B1B2 UNIT	NOT STARTED		PERMISSION	B1-8	315	0	315	0.09	0.00	0.09	BROWNFIELD
0281	437221 116326	Southern Test Valley	THE MILL YARD NURSING STREET NURSING	ERECTION OF AN OFFICE BUILDING	NOT STARTED		PERMISSION	B1A	554	0	554	0.21	0.00	0.21	GREENFIELD
0284	436185 123322	Southern Test Valley	BELBINS BUSINESS PARK CUPPERHAM LANE ROMSEY	ERECTION OF A 2-STORY OFFICE BUILDING	NOT STARTED	WESTLINK 2000 LTD	PERMISSION	B1A	232	0	232	0.03	0.00	0.03	BROWNFIELD
0287	437033 122855	Southern Test Valley	LAND AT ABBOTSWOOD CUPPERHAM LANE ROMSEY	OFFICE UNITS IN LOCAL CENTRE	NOT STARTED		PERMISSION	B1A	500	0	500	0.01	0.00	0.01	GREENFIELD
0056J	440538 118200	Southern Test Valley	ENGINEERING BUILDING, UNIVERSITY PARKWAY	REPLACEMENT ENGINEERING BUILDING	NOT STARTED	UNIVERSITY OF SOUTHAMPTON SCIENCE PARK	PERMISSION	B1B	3388	0	3388	0.78	0.00	0.78	BROWNFIELD
0056K	440679 118463	Southern Test Valley	INNOVATION CENTRE, UNIVERSITY PARKWAY, SOUTHAMPTON	ERECTION OF INNOVATION CENTRE RESEARCH	NOT STARTED	UNIVERSITY OF SOUTHAMPTON SCIENCE PARK	PERMISSION	B1B	2865	0	2865	0.60	0.00	0.60	BROWNFIELD
0274	433834 122337	Southern Test Valley	ROKE MANOR RESEARCH LIMITED ROKE MANOR OLD SALISBURY LANE AVERIDGE	REPLACEMENT OF LABORATORY, STORAGE AND SECURITY BUILDINGS	NOT STARTED	ROKE MANOR RESEARCH LTD	PERMISSION	B1B	635	0	635	0.10	0.00	0.10	BROWNFIELD
0227	440592 118664	Southern Test Valley	LAND AT TALISMAN, CASTLE LANE, NORTH BADDESLEY	ERECTION OF REPLACEMENT UNITS FOR B2 USE	NOT STARTED		PERMISSION	B2	224	0	224	0.15	0.00	0.15	BROWNFIELD
0052R	437018 11554	Southern Test Valley	UNIT 3 ORIANA WAY, NURSING INDUSTRIAL ESTATE, NURSING	REDEVELOPMENT OF EXISTING UNIT TO FORM TWO B8 UNITS	NOT STARTED	ELECTRICITY SUPPLY NOMINEES LTD	PERMISSION	B8	5667	0	5667	1.10	0.00	1.10	BROWNFIELD
Outstanding Planning Permissions for B1-B8 floorspace in Southern Test Valley in sq m											90,128				
Total Outstanding Planning Permissions for B1-B8 floorspace in Test Valley in sq m											212,729				114.56