



REIGATE & BANSTEAD BOROUGH COUNCIL

Horley Strategic Business Park Economic and Market Assessment

Market Demand and Supply and Economic Effects

February 2021

Project Version Control

Version	Issue Date	Contributors	Approved
1	23.10.20	DJ, JW, MT	MT
2	20.11.20	DJ, JW, MT	MT
3	18.12.20	DJ, JW, MT	MT
4	26.01.21	JW, MT	MT
Final	03.02.21	MT	MT

Chilmark Consulting Ltd

Bath: Cambridge House, Henry Street, Bath BA1 1BT
Wiltshire: Albany House, High Street, Hindon, Wiltshire SP3 6DP

| T: 0330 223 1510 | info@chilmarkconsulting.co.uk
www.chilmarkconsulting.co.uk

CONTENTS

1. INTRODUCTION	5
1.1 Overview	5
1.2 Horley Strategic Business Park	6
1.3 Data Sources, Assumptions and Limitations	8
1.4 Report Structure	9
2. POLICY CONTEXT	11
2.1 Introduction	11
2.2 Reigate & Banstead Development Plan	11
2.3 Strategic Economic Policy Context	12
3. CURRENT AND FUTURE MARKET	14
3.1 Introduction	14
3.2 Current Active Market: Reigate & Banstead Borough	14
3.3 Current Active Market: Gatwick Diamond and Wider Area	21
3.4 Committed and Future Pipeline Provision	25
3.5 Current Market: Property Agents Views	32
3.6 Future Market Demand	33
3.7 Summary	40
4. ECONOMIC EFFECTS	42
4.1 Introduction	42
4.2 Employment Generation from HSBP	42
4.3 Horley Town Centre Economic Impacts	54
5. WIDER EFFECTS IN OTHER AREAS	61
5.1 Introduction	61
5.2 Reigate & Banstead Borough Area	61
5.3 Other Authorities in the Gatwick Diamond and Beyond	64

6. OVERALL CONCLUSIONS	68
6.1 Introduction	68
6.2 Future Demand for Employment Floorspace	68
6.3 Revealed Market Demand and Gaps	69
6.4 Sector and Business Offer	70
6.5 Economic Effects	72
6.6 Wider Effects	73
6.7 Overall Conclusion	75

APPENDICIES

Appendix 1: Stakeholder Engagement Consultee List

Appendix 2: Current Market Demand Assessment

Appendix 3: Future Market Demand Assessment

Appendix 4: Wider Effects – Comparator and Competing Locations

1. Introduction

1.1 Overview

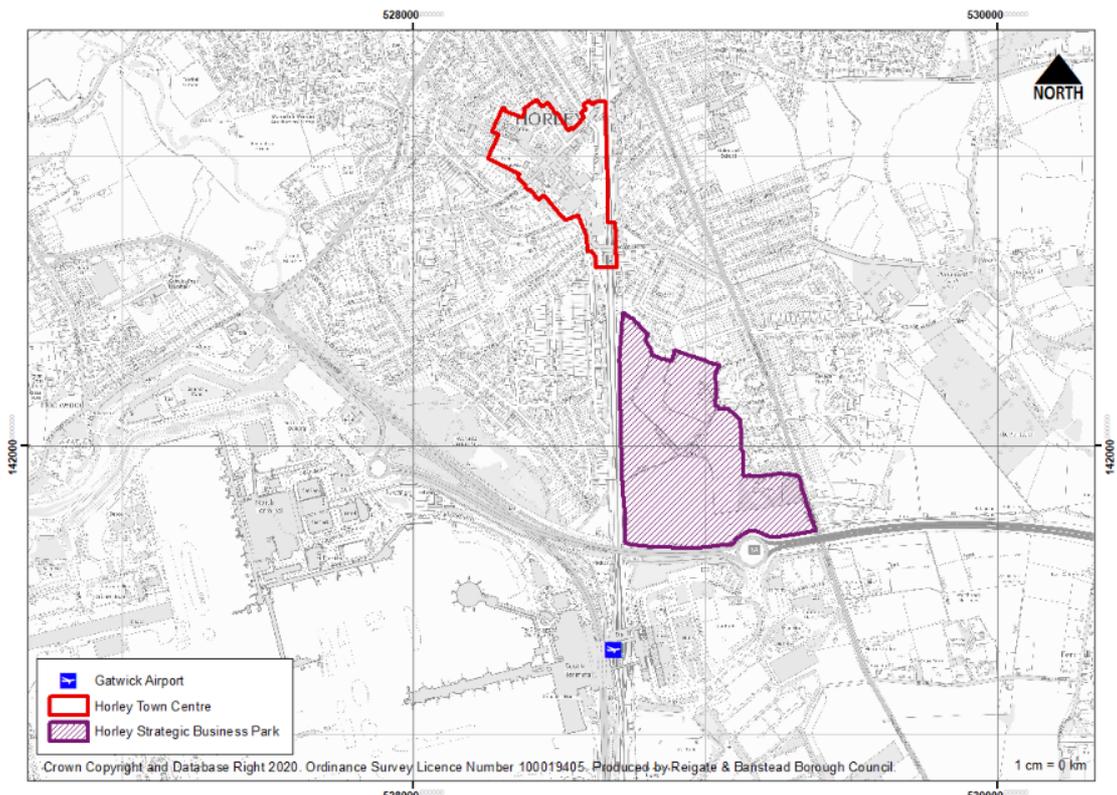
- 1.1.1 Chilmark Consulting Ltd (CCL) was instructed by Reigate & Banstead Borough Council (RBBC) in September 2020 to assess the market demand for the type and scale of accommodation envisaged in Paragraph 3.3.167 of the RBBC Local Plan: Development Management Plan (DMP) Explanatory Text on the Horley Strategic Business Park (HSBP) and to assess the economic impact on Horley and Crawley town centres; existing employment areas in neighbouring boroughs; and existing and committed business parks in the Borough and wider Gatwick Diamond area.
- 1.1.2 CCL previously prepared evidence base work concerned with identifying the market supply and demand for a potential strategic employment business park and potential economic effects arising for RBBC in 2017ⁱ (referred to herein as the '2017 report'). This earlier work supported the Council in its preparation of the Borough's Development Management Plan (DMP) to include the allocation of the HSBP site.
- 1.1.3 This assessment has been undertaken to provide an economic update of market trends for the scale of development envisaged taking into consideration changes in the market since the original piece of work was completed in 2017, the impact of emerging technology trends and impact of the Coronavirus.
- 1.1.4 The update is to support RBBC's preparation of a robust site-specific Supplementary Planning Document (SPD) that will establish the detailed parameters for development of the HSBP flowing from DMP policy HOR9 (Horley Strategic Business Park).

1.2 Horley Strategic Business Park

The Site

1.2.1 The HSBP is allocated for development in RBBC’s adopted DMP through policy HOR9. Figure 1.1 below establishes the location and extent of the HSBP. It is situated to the West of Balcombe Road at the southern edge of RBBC’s administrative boundary and to the north of Crawley Borough a short distance from Horley town centre to the north and Gatwick Airport to the south.

Figure 1.1: Horley Strategic Business Park Location Plan



Source: RBBC 2020

1.2.2 To the west, the HSBP site is bounded by the main Brighton, Croydon, London railway line which runs north-south along the boundary. To the south, the site area is bounded by the M23/A23 running east-west and including Junction 9a of the M23. To the east, the boundary is partially along the B2036 Balcombe Road and is then formed of the rear of

residential properties on Meadow Croft Close, Warltersville Way, Bayhorne Lane, Apperlie Drive and Limes Avenue.

- 1.2.3 The HSBP site is some 31 hectares in size and formed of a largely triangular shape parcel of land. Much of the site is comprised of open fields used for grazing and equestrian activities. The land has a public footpath running east – west across the site and along the south western corner, but no other existing public access. There is an existing office facility at Meadowcroft House set within extensive grounds towards the south-eastern corner of the site.

Proposed Development

- 1.2.4 The DMP policy HOR9 allocates the site for:
- a) a strategic business park of predominantly B1(a) use with limited B1(b), B1(c), B8 and non-B Use Classes including appropriate airport-related Sui Generis uses;
 - b) a complementary range of commercial, retail and leisure facilities to serve and facilitate the main business use of the site; and
 - c) at least 5 hectares of new high quality public open space, including parkland and outdoor sports facilities.
- 1.2.5 The DMP site allocation does not stipulate the quantum and mix of floorspace / uses but indications are set out in the DMP at paragraph 3.3.167 which draws on the previous 2017 report findings:
- a) up to 200,000 sq.m of predominantly B1(a) accommodation with limited B1b, B1c, B8 and non-B class uses including appropriate airport-related Sui Generis uses; and
 - b) up to 10,500 sq.m of complementary community facilities including A1 (predominantly convenience retail), A3, D1 and/or D2 uses.

1.3 Data Sources, Assumptions and Limitations

Data Sources

- 1.3.1 The work builds upon previous evidence, studies and analyses undertaken for the RBBC Core Strategy, the DMP and for the HSBP site itself. This is supplemented by reference to updated and new research to provide commentary on market demand for the type and scale of development envisaged taking into consideration changes since the 2017 report was published.
- 1.3.2 Data sources and the use of existing information is identified in each of the relevant sections of the Report.

Assumptions and Limitations

- 1.3.3 The analysis and findings must be read in the context of the assumptions and limitations concerning available information and the level of analysis possible at various geographic scales.
- 1.3.4 Emerging planning policies, targets and land allocations of local authorities adjacent to Reigate & Banstead Borough are included for the purposes of this assessment.
- 1.3.5 The principal assumptions and limitations are recorded in more detail in each of the relevant sections.
- 1.3.6 It should be noted that while most of the allocated Use Classes for the HSBP now fall within the new E Use Class (introduced in September 2020), it will be possible for RBBC to restrict the floorspace and land use activities within the E Use Class to reflect the site allocation policy and supporting evidence.
- 1.3.7 References to the now defunct Use Classes are still used in this report where appropriate because they are a shorthand and convenient way to describe the HSBP site allocation uses.

1.4 Report Structure

1.4.1 Following this Introductory Section, the Report is structured into two overall Parts, A and B, as follows.

Part A: Assessment of Market Demand and Supply

1.4.2 Part A contains an assessment of the market demand taking into consideration the supply of land for the type and scale of accommodation envisaged in Paragraph 3.3.167 of the DMP Explanatory Text for the HSBP:

- **Section 2** – sets out a brief summary of the current planning and economic policy context; and
- **Section 3** – sets out an analysis and commentary of the current and future commercial property market for the Borough and the wider Gatwick Diamond area together with the London Boroughs of Croydon and Sutton.

Part B: Assessment of Potential Economic Effects

1.4.3 Part B provides an assessment of the potential economic effects on Horley and Crawley town centres; existing employment areas in neighbouring boroughs; and existing and committed business parks in the Borough and wider Gatwick Diamond area.

- **Section 4** – sets out an analysis of likely economic effects arising from HSBP in terms of job creation, gross value added and also considers the local effects and impacts on Horley Town Centre;
- **Section 5** – examines the potential wider effects on the commercial market including for other local authority areas in the Gatwick Diamond and the London Boroughs of Croydon and Sutton. It also considers the potential synergies and differences between HSBP with other comparable strategic employment sites and schemes; and
- **Section 6** – draws overall conclusions for both Parts A and B of the report.

PART A

Market Demand and Supply

2. Policy Context

2.1 Introduction

- 2.1.1 CCL's previous economic effects and market assessment reportsⁱⁱ in the 2017 report set out in detail the relevant planning and economic policy / strategy background for the HSBP.
- 2.1.2 This section does not therefore repeat the previous review but does provide a short update in terms of new policies and strategies that have emerged since 2017 in order to set the current context for consideration of market demand and economic effects arising.

2.2 Reigate & Banstead Development Plan

- 2.2.1 Since CCL's previous 2017 report RBBC has completed the preparation, examination and adoption of the *Reigate & Banstead Local Plan: DMP*. The Plan was adopted in September 2019 and now forms part of the Borough's overall Development Plan together with the adopted *Reigate & Banstead Local Plan: Core Strategy* (July 2014; reviewed July 2019). The Plan period is for fifteen years from 2012 – 2027.
- 2.2.2 Relevant policy for the HSBP in the DMP is set out in policy HOR9. This is a site allocation policy which establishes the principal parameters for development of the HSBP including its location, scale and main purpose and economic functions. It requires, in summary:
- a) a strategic business park of predominantly B1(a) use with limited B1(b), B1(c), B8 and non-B use classes including appropriate airport-related Sui Generis uses;
 - b) a complementary range of commercial, retail and leisure facilities to serve and facilitate the main business use of the site; and

- c) at least 5 hectares of new high quality public open space, including parkland and outdoor sports facilities.

2.2.3 The DMP supporting text in paragraph 3.3.167 states that the HSBP should be:

- a) up to 200,000 sq.m of predominantly B1(a) accommodation with limited B1b, B1c, B8 and non-B class uses including appropriate airport-related Sui Generis uses; and
- b) up to 10,500 sq.m of complementary community facilities including A1 (predominantly convenience retail), A3, D1 and/or D2 uses.

2.3 Strategic Economic Policy Context

2.3.1 Relevant economic strategies and plans relevant to the HSBP development were reviewed in detail in the 2017 report.

Coast to Capital Local Enterprise Partnership

2.3.2 The Coast to Capital Local Enterprise Partnership (C2CLEP) encompasses Reigate & Banstead Borough as well as Brighton & Hove, Croydon, the other Gatwick Diamond area authorities, East Surrey, Lewes and West Sussex.

2.3.3 The LEP's *Strategic Economic Plan 2018 – 2030* (SEP) has eight economic priorities:

- Priority 1: Deliver prosperous urban centres;
- Priority 2: Develop business infrastructure and support;
- Priority 3: Invest in sustainable growth;
- Priority 4: Create skills for the future;
- Priority 5: Pioneer innovation in core strengths;
- Priority 6: Promote better transport and mobility;

- Priority 7: Improve digital network capability;
- Priority 8: Build a strong national and international identity.

2.3.4 The SEP notes in its analysis of the current business environment (Chapter 5, page 70) that wider business infrastructure has failed to keep pace with the growing expectations of investors and businesses, particularly those international businesses which might be looking to invest in the UK.

2.3.5 It states that no major new business parks have been built in the area since Manor Royal at Crawley in 1950. The SEP identifies that there are plans in place for similar developments in Horsham, Burgess Hill and in Horley but concludes that the area's business park capacity is significantly behind many other parts of the South-east.

2.3.6 Chapter 6 sets out an updated business sector analysis of the LEP area, confirming the importance of: the Advanced Manufacturing, Creative, Digital, and IT, Low Carbon, Professional and Financial Services, and Health and Life Science sectors to the local economy (as set out in the original 2014 SEP) with the additional increased importance for Horticulture and the Visitor economy. It also notes the importance of emerging sub-sectors where there are particular specialisms.

2.3.7 For Reigate & Banstead Borough these sub-sectors are identified in the SEP to include: Med-Tech, Data Processing and Data Hosting, Insurance and Financial Services, Visitor Economy and Support Services, Air Transport, Computer and Consumer Electronic Manufacturing.

3. Current and Future Market

3.1 Introduction

- 3.1.1 In order to assess the market demand for the type and scale of development envisaged this Section focuses on the current active property market and provides commentary on changes since the 2017 reportⁱⁱⁱ. It considers how the market has developed over the last five to ten years, current activity levels, and views on the market over the short-term (1-2 years). It provides an important snapshot of recent and current market demand issues.
- 3.1.2 This Section should be read in conjunction with Appendix 2 (Current Active Market) and Appendix 3 (Future Market Demand) which provide more detail and background to the summary set out here.
- 3.1.3 The evidence base and perspectives on the current commercial market position has been used to inform the assessment of likely longer-term demand patterns, as reported later in this section which looks at the future market demand.

3.2 Current Active Market: Reigate & Banstead Borough

Offices and R&D Space

Existing Stock and Change Over Time

- 3.2.1 Information collated by the Valuation Office Agency (VOA) provides a Borough-wide summary of commercial floorspace stock together with changes over time. Table A2.1 in Appendix 2 provides a summary of office stock levels and change over the period 2006 – 2019.
- 3.2.2 Approximately **274,000** sq.m of office space was identified in Reigate & Banstead in 2019. Over the period 2006 – 2019 the VOA data indicates a

reduction of circa **37,000** sq.m of office floorspace – a change of **11.9%** in the Borough. During this period, the most significant level of reduction has occurred in the five-year period 2011 – 2016, which resulted in a reduction of **24,000** sq.m.

Take Up

- 3.2.3 Council take-up data for the Borough provides a summary of stock absorption and stock growth (or decline)^{iv} (see Appendix 2, Table A2.2) Taken together, these factors provide the net level of office space taken up in Reigate & Banstead on an annual basis.
- 3.2.4 The average annual market absorption rate has been 3,640 sq.m. from 2012 onwards. There were particularly healthy levels of take-up in 2014/15 and 2015/16, and again in 2017/18 and 2018/19.
- 3.2.5 In contrast, the general absence of new stock in the office sector has resulted in an average annual loss of stock as a result of development, especially over recent years (due mainly to Permitted Development Right (PDR) conversions from offices to residential, with notable losses in 2015/16 and 2017/18). In net terms, since 2011/12, there has been an annual average loss of office floorspace of 3,272 sq.m or 26,179 sq.m in total. This reinforces the changing stock pattern reported in the VOA figures (Appendix 2, Table A2.1).
- 3.2.6 Appendix 2 at Figure A2.1 illustrates the pattern of office take-up for the borough of Reigate & Banstead over the period 2000-2019. This shows the cyclical nature of take-up across the Borough, but with a rising trend line for the period. Across 2000-2019 as a whole, the average annual office take-up rate has been approximately 7,760 sq.m. However, the last five-year period 2015 - 2019 has seen the average annual office take-up rate rise to approximately 8,717 sq.m.

Availability

- 3.2.7 Table A2.3 in Appendix 2 provides a summary of available office floorspace in Reigate & Banstead Borough over the period 2010/11 to 2018/19. This covers areas monitored by RBBC and shows a broadly constant reduction in the amount of available floorspace over time, from 48,462 sq.m in 2010/11 to 19,526 sq.m. This is a reduction in available floorspace of 28,936 sq.m or almost 60%.
- 3.2.8 Over the period 2011 to 2019 the availability rate has more than halved, resulting in a relatively tight office market, as highlighted from discussions with local property agents who report the impacts of a lack of new supply, particularly for Grade A floorspace and the loss of stock due to PDR, as contributing to the lower availability of office stock.
- 3.2.9 Table A2.5 in Appendix 2 summarises the results of analysis of total occupational take-up recorded by EGi. In the borough of Reigate & Banstead the current (September 2020) office availability is 32,048 sq.m. This demonstrates the increasingly tight office occupational market.
- 3.2.10 Commercial agents report that the local office market in the Borough, particularly in the principal commercial centres of Redhill, and to a lesser extent Reigate, has been driven by demand for small, high quality space, including from larger occupiers seeking to downsize and often with back office functions away from the main commercial centres including London.

Rents and Yields

- 3.2.11 Recorded information from EGi for the period 2019/20 indicates rents for office stock across the Borough average £23.50/sq.ft. This represents an increase in the Borough average from £18.87/sq.ft identified in the 2017 report.
- 3.2.12 Prime rents of over £30/sq.ft are reported in relation to Grade A stock in Redhill whilst there is increasing trends of refurbishments being undertaken which has lifted rents for many previously secondary space

into the mid £20s/sq.ft rental market. These positive rental trends reflect the local market characteristics of low office supply levels and qualitative deficiencies which have pushed up rental values where new and improved stock is available.

3.2.13 In contrast, lower quality office provision (e.g. at secondary commercial and industrial estates) is typically from £11 - £14/sq.ft.

3.2.14 Recent transactional data from EGi is limited and identifies two investment deals in the Borough for the period 2019 and 2020 at 5.68% and 9.19% respectively; the latter for secondary space. More historical analysis for the period 2017 - 2018 indicates a yield range of 5.5% to 7.5% which compares to the yield of 5.6% identified for office sales in the 2017 report. This suggests that office yields have strengthened since the completion of the 2017 study.

Historic Development Activity

3.2.15 Analysis of RBBC's *Commercial Commitments Monitor* (March 2019) shown in Table A2.6 of Appendix 2, confirms a significant decline in historic office completions, particularly since the introduction of PDR for office to residential conversion from 2013. This position is confirmed from local agent discussions.

3.2.16 The level of new office floorspace has been limited over the last decade, except for more pronounced activity in 2015/16. This indicates that between 2010/11 and 2018/19 there was a net loss of office floorspace of 30,923 sq.m.

3.2.17 The reduction in total stock of office floorspace in Reigate & Banstead Borough over the last 13 years has been strongly influenced by losses associated with PDR, with very low levels of new development evident. Despite this, the underlying occupational market take-up is relatively strong.

Light Industrial, Logistics, Storage and Distribution

Industrial Stock and Change Over Time

3.2.18 The level of industrial floorspace in the Borough, at 31st March 2019, is identified by the VOA to be **293,000** sq.m (Table A2.7). From Table A2.7 in Appendix 2, it can be seen that there was a loss of **24,000** sq.m (**7.6%**) of industrial floorspace between 2006 and 2019.

3.2.19 The Council's latest *Industrial Estates Monitors* provides an overview of use trends and market activity relevant to the Borough's main industrial estates (as opposed to overall industrial stock). In total, the main industrial estates support almost **370** business premises and provide over **247,000** sq.m of industrial floorspace.

Take Up

3.2.20 RBBC's take-up data provides a summary of industrial stock absorption and stock growth which is set out in Table A2.8 of Appendix 2.

3.2.21 Net industrial take-up over the period 2010/11 to 2018/19 has averaged **2,166** sq.m per annum, although with marked variations year on year reflecting the 'lumpy' nature of the industrial market relative to the office sector. This includes major net take-up in 2010/11 and 2015/16, and major net loss in 2012/13.

3.2.22 EGi analysis is shown in Figure A2.2 of Appendix 2 and illustrates the pattern of industrial take-up for Reigate & Banstead Borough over the period 2000 - 2019.

3.2.23 It highlights a steady increase in activity, particularly from 2012 onwards. From 2000 - 2019 as a whole, the average annual industrial take-up rate has been approximately 4,774 sq.m. However, the last five-year period 2015-19 has seen the average annual office take-up rate rise to approximately 8,262 sq.m.

Availability

- 3.2.24 The level of industrial and distribution availability in the Borough is summarised for the period 2011/12 - 2018/19 in Table A2.10 of Appendix 2, based on RBBCs Commercial Commitments Monitors^v. This illustrates the significant reduction in industrial and distribution floorspace availability over this period, from a peak of 29,000 sq.m in 2012/13 to 8,017 sq.m in 2018/19. It represents a reduction of almost 21,000 sq.m, or less than a quarter of availability levels in 2012/13.
- 3.2.25 Over the period the availability rate has dropped from an indicative 6.8% to 2.7%, a decrease of more than half. This is creating a very tight industrial market, which is confirmed and reinforced through discussions with local property agents who report the exceptionally strong driver of the warehousing and logistics market (as opposed to the light industrial market) as driving demand for storage and distribution space fuelled by last mile delivery associated with the significant rising in online retailing (both pre and during the Coronavirus pandemic). Notwithstanding this, market sentiment and occupier demand is reported to remain positive driven by improving confidence of greater Brexit certainty, the aforementioned strong demand for storage/distribution and an ongoing demand for light industrial and trade counter units to serve local markets.
- 3.2.26 The amount of available industrial floorspace and total occupational take-up rates are summarised in Table A2.12 of Appendix 2, based on EGi data.
- 3.2.27 The majority of available supply is of units of less than 500 sq.m, with the overall average unit size for all stock being 879 sq.m. The total availability figure is 11,429 sq.m. This is closer to the 8,017 sq.m availability figure recorded by RBBC for 2019 and reported in Appendix 2 at Table A2.11.
- 3.2.28 The majority (85%) of availability is of mixed employment space (office, industrial and storage & distribution), totalling 9,586 sq.m. There is a particularly limited supply of light industrial space (527 sq.m, or 5% of

total). There is 991 sq.m of storage and distribution space (9% of total) and 325 sq.m of general industrial space (3% of total).

3.2.29 The constraints of available supply, particularly for storage/distribution, is confirmed by local commercial agents and is recognised as a wider issue which is not restricted to the Borough.

3.2.30 Analysis of vacant premises across the Council's defined main industrial estates confirm a similar downward trend in vacancy, as illustrated in Table A2.13 of Appendix 2.

Rents and Yields

3.2.31 For established light industrial stock rents recorded by EGi can vary from £8.25 to £11.50/sq.ft although the new modern supply coming forward at Wells Point and North Gatwick Gateway is quoting £13.77 - £13.95/sq.ft respectively for flexible accommodation (suitable for industrial and warehousing). This provision of modern, quality stock is driving rental values, a position confirmed by local commercial agents in light of a constrained local supply and strong demand.

3.2.32 With regard to general industrial and storage/distribution stock, EGi data is often characterised as 'mixed industrial' although a range of £7 - £9.50/sq.ft is typically identified. Local agents confirm that rental values for storage and distribution have increased due to occupier demand with typical rents over £10/sq.ft and new stock now quoted above £13/sq.ft.

3.2.33 Yield evidence recorded by EGI is relatively limited. Two recent recorded deals from 2019 and 2020 indicate yields of 5.68% and 4.81% respectively, both for storage/distribution properties. These confirm a healthy investment market for such stock which is driven by growth in the logistics sector. Local agents confirm these yields are broadly reflective of the strong market commanded by storage and distribution floorspace.

Historic Development Activity

- 3.2.34 The total commercial stock measured by VOA at Table A2.7 of Appendix 2 identifies an overall reduction in industrial stock levels over recent years, Council monitoring of industrial and distribution floorspace in the Borough highlights the trend of low levels of new floorspace completions over recent years.
- 3.2.35 Table A2.14 of Appendix 2 covers gains and losses of industrial floorspace between 2011/12 and 2018/19, and illustrates the paucity of gains since 2013/14 with a reduction in overall industrial stock in Reigate & Banstead between 2006 and 2019, although primarily associated with the aftermath of the global financial crisis.
- 3.2.36 Take-up rates, in contrast, have been relatively healthy, particularly in the wider occupational market as opposed to development-related take-up. Lack of new supply has however driven availability rates to record low levels.

3.3 Current Active Market: Gatwick Diamond and Wider Area

- 3.3.1 This sub-section provides a headline-level overview of the main commercial trends relevant to the wider market area within which the borough of Reigate & Banstead sits. The area relates to the authorities comprising the Gatwick Diamond together with the London Boroughs of Croydon and Sutton.

Offices and R&D Space

Existing Stock and Change Over Time

- 3.3.2 Data from the VOA identifies almost 2 million sq.m of office floorspace in the Gatwick Diamond and wider market areas as at March 2019.

- 3.3.3 The largest office stock is concentrated at LB Croydon which accounts for over 27% of this total. In the context of the Gatwick Diamond, Crawley, and to a lesser extent, Reigate & Banstead and Mole Valley, support healthy levels of existing office floorspace.
- 3.3.4 Table A2.15 in Appendix 2 provides a summary of provision across the wider area. There has been a 15% reduction in office floorspace across the area in the period 2006 – 2019 totalling 347,000 sq. m.

Take Up

- 3.3.5 Data from EGi covers the office take-up patterns within the Gatwick Diamond and wider study area, with results summarised in Figure A2.3 of Appendix 2.
- 3.3.6 Across 2000 - 2019 as a whole, the average annual office take-up rate has been approximately 57,420 sq.m. However, the last five-year period 2015 - 2019 has seen the average annual office take-up rate rise to approximately 62,424 sq.m. This represents an increase of approximately 9% above the longer-term 2000 - 2019 take-up rate.

Availability

- 3.3.7 The amount of available office floorspace and total occupational take-up rates are summarised in Appendix 2 at Table A2.16, based on EGi data. It demonstrates that total office availability is 304,090 sq.m in the Gatwick Diamond and wider study area as at September 2020.
- 3.3.8 This is compared against average annual office take-up rates for different periods. It shows the increasingly tight office occupational market, although not to the same extent as in Reigate & Banstead, where the notional supply of office floorspace is 3.7 years based on the average take-up rates for the period 2015 - 2019.

3.3.9 While availability rates vary across the Gatwick Diamond area, many of the markets are considered broadly similar with vacancy rates reported of 3% to 4% which confirms the limited availability of office stock.

Rents and Yields

3.3.10 Rental activity in the study area confirms healthy levels of office rental growth from the average of £20.78/sq.ft identified in our 2017 report. At the local level, local agents for the Gatwick/Crawley market indicate the majority of lettings for Grade A accommodation has remained strong at circa £25 - £27.50/sq.ft although the growing shortage of Grade A supply has pushed the prime rental tone to circa £30/sq.ft.

3.3.11 There is evidence of strengthening yields over recent years. The 2017 report identified an average yield of 6.7% and whilst transactional activity has remained relatively modest, agent commentary has outlined a yield range of 5.5% to 7.75% depending on location and quality.

Light Industrial, Logistics, Storage and Distribution

Existing Stock and Change Over Time

3.3.12 There is approximately 3.6 million sq.m of industrial floorspace in the Gatwick Diamond and wider market areas as at March 2019 according to VOA data.

3.3.13 The largest industrial stock is concentrated in Crawley and in Croydon boroughs, which between them account for almost 40% of the total. Table A2.17 in Appendix 2 provides a summary of provision across the wider area and highlights that there has been a 3% reduction in industrial floorspace across the area in the period 2006 – 2019, totalling 125,000 sq.m.

3.3.14 The largest rates of industrial stock reduction have been in the boroughs of Epsom & Ewell, Croydon, Mole Valley and Tandridge. Reigate & Banstead

sits within the group of local authorities that have seen less significant levels of industrial stock reduction, which also includes Crawley and LB Sutton.

Take Up

3.3.15 Figure A2.4 in Appendix 2 shows the scale and pattern of industrial take-up patterns within the Gatwick Diamond and wider study area, based on EGi data. It covers the period 2000 - 2019 and highlights an uplift in take-up from 2007 to a peak in 2013. Since then take-up has been declining year on year but is still relatively healthy, apart from in 2018 and 2019. The reduced take-up in these two years may be associated with a reducing level of available industrial floorspace as well as the occupier uncertainties created by Brexit. Discussions with local agents confirm levels of occupier demand and confidence had improved following Brexit and political certainty at the end of 2019.

3.3.16 Across 2000 - 2019 as a whole, the average annual industrial take-up rate has been approximately 62,183 sq.m, whilst the last five-year period 2015 - 2019 has seen the average annual industrial take-up rate rise to approximately 69,036 sq.m. The post global financial period 2010 - 2019 has seen industrial take-up average 81,593 sq.m per annum, which reflects major take-up in 2013, 2014 and 2015 in particular.

Availability

3.3.17 The amount of available industrial floorspace and total occupational take-up rates are summarised in Appendix 2 at Table A2.18, based on EGi data. This analysis found that the total industrial availability is 378,067 sq.m in the Gatwick Diamond and wider study area as at September 2020.

3.3.18 The role of the logistics sector is considered the main driver of demand by local agents and has led to a number of speculative schemes coming

forward to service strong demand which is focused on the storage and distribution market.

Rents and Yields

- 3.3.19 Rental information presented at the time of the 2017 report confirmed an average rental of £9.88/sq.ft for light industrial uses. This represents rental growth in the wider area set against a five year average of £7.79/sq.ft.
- 3.3.20 The situation has improved with evidence of prime rents of £14/sq.ft identified for industrial space. While general industrial rents can vary, the strength of the distribution market has led to headline rents of £13.75/sq. ft and even pushing up to £15/sq.ft.
- 3.3.21 With regard to investment yields evidence shows a strengthening of yields with agents reporting a typical range of 4.5% - 6% for modern flexible industrial/warehouse stock.

3.4 Committed and Future Pipeline Provision

- 3.4.1 In order to assess the market demand for the type and scale of development envisaged it is important to consider employment floorspace and land provision that is planned or committed to be delivered in the future.
- 3.4.2 This sub-section summarises future employment floorspace provision based on the current pipeline (committed sites, floorspace under construction and extant employment land allocations) for RBBC and the wider Gatwick Diamond authorities area. More detailed analysis for each local authority area is included in Appendix 2.

Reigate & Banstead Borough

- 3.4.3 Monitoring data from the borough of Reigate & Banstead can be used to assess the current pipeline of employment floorspace. This comprises

both extant unimplemented employment floorspace permissions and floorspace now under construction but not yet completed.

- 3.4.4 The *Commercial Commitments Monitor* (September 2020) sets out information of B Use Class employment floorspace completed and committed in the period 2019/20 using data up to March 2020.
- 3.4.5 The Monitor identifies a total net loss of -4,918 sq.m of employment floorspace in the Borough in 2019/20 with the greatest loss arising from storage and distribution of -2,147 sq.m. Continued net losses are also recorded for office floorspace (-1,284 sq.m) and also for light and general industrial uses. Table A2.20 in Appendix 2 summarises the gains and losses.
- 3.4.6 Turning to the extant pipeline of employment floorspace, the Commercial Commitments Monitor confirms an overall net loss of 7,042 sq.m of employment floorspace. This overall loss masks a net gain of +12,948 sq.m of storage and distribution space; and a net loss of 14,617 sq.m of offices.
- 3.4.7 The Monitor highlights that the pipeline anticipated loss of office floorspace can, as with previous years, be largely attributed to PDR conversions to residential use. The Monitor finds that of all recorded losses, conversion of offices through permitted development accounts for some 85% of the total.

Crawley Borough

- 3.4.8 *Northern West Sussex Economic Growth Assessment* (NWEGA) provides a substantial update on the economic growth situation, characteristics and employment floorspace for Crawley Borough as well as for Horsham and Mid Sussex Districts (the other constituent local authorities in the Northern West Sussex functional economic market area).
- 3.4.9 Overall, the NWEGA concludes that when compared with pipeline supply, in quantitative terms Crawley has insufficient employment land supply to meet the spatial requirements emerging from the past take-up based

scenario over the period to 2036. It further finds that the emerging pipeline of available supply identified by the Council's Employment Land Trajectory would be sufficient to accommodate office needs identified, but a significant shortfall would arise for industrial uses, equivalent to over 25 hectares.

3.4.10 Crawley Borough has also commissioned a specific piece of work from consultants Lichfields for the Borough that includes identifying a net requirement for 21.4 hectares of B8 logistics and warehousing units. The Council proposes to meet through the allocation of Gatwick Green (a greenfield site east of Gatwick Airport) in the draft Crawley Borough Local Plan.

Epsom & Ewell Borough

3.4.11 Epsom & Ewell Borough has not published recent data on the emerging or potential employment land supply, however the latest available evidence is set out in the *Epsom & Ewell Annual Monitoring Report 2019/20* (January 2020) (AMR).

3.4.12 The 2019/20 AMR notes net losses of office floorspace through two applications for change of use from offices to residential use and to non-residential uses. The overall conclusion is that Epsom & Ewell Borough continues to see a net loss of employment floorspace, particularly for offices.

Horsham District

3.4.13 Completed and pipeline employment land/floorspace stock is examined in Horsham District's AMR. Additional information is also set out in the NWEGA.

3.4.14 The latest AMR identifies that, in total, the gross and net employment floorspace developed within the District for the 2018/19 monitoring period was 15,936.5 sq.m (the net figure is 15,246.5 square metres). It confirms

that some 84% of new employment floorspace developed in the monitoring year was for storage and distribution uses.

3.4.15 There were no net overall losses of floorspace for any of the employment uses in 2018/19 and the NWEGA confirms (paragraph 6.29) that as at January 2020 there was overall an employment floorspace gain in Horsham District in the period from 2011 – 2018 and that this growth was driven by increases to the District's light and general industrial and storage and distribution stock together with mixed office use floorspace. There was an overall slight loss on offices and R&D floorspace (-1,340 sq.m) over the same period.

3.4.16 The latest AMR highlights that the largest pipeline pool of land / sites for employment development is for office use. There is also significant land available for general industrial and storage and distribution uses. The details are set out in Table A2.21 of Appendix 2.

3.4.17 The NWEGA concludes there is some 35,920 sq.m of office floorspace that could be lost as a result of permitted development conversions to residential use equating to some 23% of the total office floorspace recorded in the District in 2014.

London Borough of Croydon

3.4.18 Much of the office stock of the Borough is focused within the designated Croydon Metropolitan Centre (CMC). The Local Plan seeks to enable the development of new and refurbished office floorspace and also to maintain the retail vitality and viability of the Centre. The Plan anticipated the development of up to 92,000 sq.m of new and refurbished space in CMC to 2031.

3.4.19 The Borough's latest AMR^{vi} identifies (page 16) that if all completed office space (circa -60,000 sq.m), committed and pipeline developments (circa - 62,000 sq.m net) were completed there would be a total net loss of 123,961 sq.m of office floorspace in the CMC from 2011.

3.4.20 The AMR concludes that most of the loss of office floorspace has arisen due to the use of PDR for conversion of office floorspace to residential.

3.4.21 For industrial and storage and distribution floorspace, the Local Plan targets no net loss of such space across all four tiers of employment land within the Borough^{vii}.

3.4.22 There does however remain a significant level of vacant employment floorspace which totalled 78,900 sq.m in 2016; 74,801 sq.m in 2017; and 71,334 sq.m in 2018.

London Borough of Sutton

3.4.23 The London Borough of Sutton's latest published monitoring data^{viii} sets out the most recent, published information on employment land and floorspace development in Section 5.

3.4.24 The AMR confirms that there were no net losses of employment land in any of the designated employment locations in 2018/19.

3.4.25 The AMR highlights a net increase of +30,710 sq.m of additional R&D, light and general industrial and storage and distribution floorspace between 2016 and 2019 with the largest increase (+15,691 sq.m) in 2018/19. The net increase comprised 19,566 sq.m gross new floorspace less -3,875 sq.m of floorspace lost (from the total employment floorspace stock).

3.4.26 Turning to office development, the AMR shows a very different picture with net losses of office floorspace in each year from 2016/17 to 2018/19 totalling some -44,101 sq.m (of which -9,878 sq.m was in Sutton Town Centre).

3.4.27 In the latest year, 2018/19 there was a gross loss of -6,168 sq.m of office floorspace with just +112 sq.m gross (through three very small separate schemes) being added to the supply; a net total loss of -6,056 sq.m.

Mid Sussex District

- 3.4.28 Information on employment land and floorspace for Mid Sussex District, is published in the latest West Sussex County Council *Commercial and Leisure Development Survey, 2019* (CILLA) which covers the period from April 2018 to March 2019.
- 3.4.29 Table A2.22 in Appendix 2 shows a substantial pipeline of office floorspace (8,013 sq.m recently completed and extant permitted). There is also a substantial pipeline of new light industrial space (11,441 sq.m recently completed and extant permitted) and of storage and distribution space (23,979 sq.m recently completed and permitted).
- 3.4.30 In paragraph 6.45 the NWEGA affirms that net floorspace change in Mid Sussex (in the period 2011 – 2018) highlights that new employment space gains significantly outweighed losses of existing floorspace with net gains of 13,800 sq.m (offices and research & development), 9,100 sq.m (mixed offices and other employment use) and 21,700 sq.m (light and general industrial and storage and distribution).
- 3.4.31 Future planned and allocated employment land is set out in the Mid Sussex *Submission Draft Site Allocations Development Plan Document* (SADPD) (August 2020). Key employment land allocations are in Burgess Hill, Copthorne, Bolney and at Pease Pottage and the SADPD proposes site allocations for some 17.45 hectares of employment floorspace.
- 3.4.32 A further 48.75 hectares (gross development site area) is allocated through SADPD policy SA9 at the proposed Burgess Hill Science Technology Park to support a minimum of 2,500 new jobs.

Mole Valley District

- 3.4.33 Table 19 of the most recent Mole Valley *AMR* (2018) covering the period 2017 – 2018 highlights the pipeline commitment gains and losses for commercial employment floorspace. The key changes are shown in Table A2.23 in Appendix 2 which extracts the pipeline as at March 2018 and shows a net loss of employment floorspace (the majority from loss of office

stock) totalling -18,217 sq.m in 2017/18. There were modest net changes in terms of light industrial, general industrial or storage and distribution floorspace

3.4.34 Turning to the effect of PDR some 16,218 sq.m of office floorspace had achieved prior approval although its conversion to residential had not yet commenced.

3.4.35 The consultation Regulation 18 Local Plan (*'Future Mole Valley: 2018 – 2033'*) at policy EC2 (Protection of Employment Land) identifies that the District's EDNA identifies **no** requirement for additional land allocations to meet the economic development needs of Mole Valley over the plan period. Intensification of existing employment land floorspace is supported to provide additional capacity as needed.

Tandridge District

3.4.36 Provision of employment floorspace in Tandridge District is therefore reviewed in the District Council's annual AMR. The latest report was published with data for the year April 2019 to March 2020 and offers a recent snapshot of employment floorspace completions and the extant pipeline.

3.4.37 Table 15 of the AMR (page 26) identifies the total employment floorspace stock. In 2018/19 the total industrial, storage and distribution floorspace was 194,000 sq.m. This had reduced by 2,000 sq.m to 192,000 sq.m in the latest 2019/20 year. The AMR also recorded the total stock of offices as 55,000 sq.m in 2018/19 falling to 54,000 sq.m in 2019/20.

3.4.38 The position outlined in the AMR emphasises the impact of PDR conversions which has clearly continued to adversely affect the available office stock in particular with net losses recorded each monitoring year.

3.4.39 The *Our Local Plan 2033 (Submission Local Plan)* (January 2019) indicates in policy TLP01 (Spatial Strategy) and in policy TLP20 (Supporting a Prosperous Economy) that at least 15.3 hectares of net new

employment land and sui generis uses will be supported in the period to 2033 with an emphasis on the delivery of office floorspace at sustainable locations such as town centres and those well served by public transport.

3.5 Current Market: Property Agents Views

- 3.5.1 The consistent message from data and from commercial property agents active in the local office market is the lack of suitable supply of good quality Grade A floorspace.
- 3.5.2 Demand for quality floorspace is reported to be strong from occupiers with increasing evidence of larger occupiers seeking to downsize to smaller, smarter workspace even before the current pandemic and its resultant impacts on office occupation in the short term.
- 3.5.3 This situation is expected to continue and whilst the implications of the surge in home and remote working is anticipated to remain a trend beyond the immediate period, the drivers of quality office stock linked to amenity considerations are identified as key market requirements.
- 3.5.4 The tight supply of quality office space is attributed by agents to a lack of development activity and a loss of office accommodation (often secondary/tertiary) to residential through PDR. This situation has encouraged some new supply with activity in Redhill (Prospero) identified as a good example of the type of quality sought by the market.
- 3.5.5 In turn this has supported healthy rental values with agents reporting that occupiers are prepared to pay for quality although the underlying concern remains that more Grade A floorspace is needed and is simply not there at present.
- 3.5.6 The upward pressure on office rental values and strengthening office yields is identified as evidence of robust demand set against limited quality supply with agents reporting headline rents achieved across much of the Gatwick Diamond area.

- 3.5.7 Local agents have highlighted pipeline activity, including Gatwick Park on the edge of Manor Royal which seeks to deliver approximately 15,400 sq.m of gross new high-quality office floorspace that promotes wellness for the workforce.
- 3.5.8 There is also evidence of an increasing number of existing office refurbishments underway that are intended to address quality and availability constraints although agents noted that this needs to be undertaken for the right stock in the right locations.
- 3.5.9 Regeneration initiatives in Crawley town centre are also identified as important for raising the quality and scale of the office offer. There is also a recognition of a current oversupply of large, vacant 'legacy' offices in Manor Royal which are not attractive to the occupier market and were highlighted by agents and public sector stakeholders as an example of how the market expectations and sentiment has been shifting towards higher quality, smaller footprint stock.
- 3.5.10 Similar messages are reported by commercial agents in respect of the industrial and warehousing / logistics market where supply has been very tight over recent years, particularly in the Crawley / Gatwick area.
- 3.5.11 Demand for storage and distribution space remains significant and is driven by the continued growth of the logistics sector which shows no sign of slowing with strong interest from occupiers, especially for units of over 2,000 sq.m. As a consequence of high demand and the limited availability, local agents identify an underlying frustration from prospective occupiers unable to secure suitable stock in the area.
- 3.5.12 Agents confirm that the logistics sector through 'last mile' distribution is driving demand rather than light industrial.

3.6 Future Market Demand

- 3.6.1 The purpose of this Section is to assess the market demand for the type and scale of accommodation envisaged in paragraph 3.3.167 of the DMP

Explanatory Text taking into consideration the following factors (more details of each are provided in Appendix 3):

- a) Covid-19 and underlying structural changes including changing work practices and the automation of work through increased use of artificial intelligence;
- b) Brexit;
- c) recent and current market activity;
- d) recent and proposed development and site allocations;
- e) the future of Gatwick Airport; and
- f) emerging policy.

3.6.2 In order to satisfactorily address this the work synthesises current and recent market activity findings with a qualitative interpretation on how relevant future trends are likely to influence market demand.

3.6.3 The current and recent market activity findings recognise that too much focus on the immediate current market may present an unduly pessimistic picture of longer-term demand for office accommodation. Nevertheless an up-to-date understanding of the current market demand for the type and scale of development envisaged is important.

3.6.4 In addition to current market activity, a measured, qualitative interpretation on how trends in factors such as employment densities and space design, remote and home working patterns, and work travel patterns may evolve has been developed. This provides an indication of the potential impact because of current market demand.

3.6.5 To provide consistency, the 2015 Experian Employment Projections have been used as the reference base. These projections assume the underlying fundamentals of the Reigate & Banstead Borough economy remain broadly constant. This is consistent with assessments in studies, such as the C2C Local enterprise Partnership commissioned *Coronavirus 19 (COVID 19) Economic Impact Assessment* (August 2020), which

indicate various levels of economic shock but less likelihood of major structural changes.

- 3.6.6 The underlying employment projection figures in the ‘Labour Demand’ scenario in the 2017 report were used, as these formed the key element of the Updated Economic Assessment work in that report.
- 3.6.7 Qualitative-based adjustments have been made to the employment projections reflecting assumed employment number impacts arising from Coronavirus and Brexit. This is translated into new floorspace demand requirements over the analysis periods.
- 3.6.8 A re-assessment of wider unmet need and Foreign Direct Investment (FDI) potential has been undertaken. This is translated into new floorspace market demand over the analysis periods. An updated commentary on the potential impacts of Gatwick Airport has also been provided.
- 3.6.9 In addition, qualitative-based adjustments have been made to reflect impacts that may arise through changing working practices established as a result of Coronavirus in particular, but also reflecting underlying long-term trends. This primarily relates to employment densities and commuting patterns and is translated into new floorspace requirements over the relevant time periods of analysis.
- 3.6.10 For further detail and an expanded discussion of the assumptions, calculations and analysis refer to Appendix 3. A summary set of results is provided below. This looks at overall market demand in Reigate & Banstead Borough first, and then the expected strategic demand potential.
- 3.6.11 The analysis set out below develops, on a cumulative basis, with the results of each factor (for example, extending the timeframe of employment forecasts) forming the basis for the analysis provided for the next factor. In other words, the floorspace figures provided at the end of each factor form the starting point for the analysis in the next factor, finishing with the Strategic Market Demand section.

Extending Timeframe of Employment Forecasts to 2040 and 2045

- 3.6.12 As part of this report the timeframe of the employment projections has been adjusted to reflect that work has not yet commenced on the development of the HSBP and that it is unlikely that the HSBP will be ready for occupation before 2025 at the earliest. The 2017 report used the period 2015 - 2035 for analysis purposes, which had more alignment with Local Plan timeframes. For the current exercise the employment projection timeframe has been run over two periods: 2020 - 2040 and 2020 - 2045.
- 3.6.13 The results of applying the different timeframes indicate that the potential floorspace change in the borough of Reigate & Banstead may change from 92,794 sq.m^x for 2015 - 2035 to between 93,076 sq.m for 2020 - 2040 and 118,254 sq.m for 2020 - 2045. The floorspace requirements for the period 2020 - 2045 are higher reflecting the longer assessment period. As such, the 2020 onward employment projections are not creating any undue skewing of trends compared with the analysis prepared previously in the 2017 report.

Economic Shock Adjustments – Brexit and Coronavirus

- 3.6.14 With agents reporting increasing evidence of occupier and business downsizing to smaller, smarter workspaces as a result of changing work practices arising from Coronavirus and possibly in response to Brexit (a trend that was evidenced previously) it is anticipated that this trend will remain in the longer term.
- 3.6.15 The latest Office for Budget Responsibility (OBR) forecasts^x indicate that the economic impact for the UK economy for 2020 may be -12.4% with a 'bounce-back' growth rate for 2021 of 8.7%. However, this analysis was produced in July 2020, since when the position will undoubtedly have changed further.
- 3.6.16 The OBR forecasts did provide an estimate of impacts on employment rates at the national level. This suggested under their 'central' scenario

that there may be a decline in employment of 1.3% between 2020 and 2021; and growth of 4.2% between 2021 and 2022. Within the 'downside' scenario there may be a decline in employment of 2.6% between 2020 and 2021; and growth of 4.2% between 2021 and 2022.

3.6.17 Given the on-going and uncertain nature of both Brexit and Coronavirus it is difficult to provide a fully robust set of impact assessments, which is complicated further because of how policy rescue packages and incentives are influencing matters. However, the results of the assessment undertaken in this report indicate that over the period 2020 - 2040 the floorspace demand levels may be approximately 5.0% lower than under the original 2015-based employment projections. Thus, floorspace market demand would reduce from 93,076 sq.m for 2015 - 2035 to 88,422 sq.m for the period 2020 – 2040.

Modifications to Working Practices and Employment Densities

3.6.18 The Coronavirus pandemic has had significant, immediate, impacts on the use of workspaces, notably office space. During the national lockdown from March 2020 and the Government guidance to work from home if possible from September 2020 there was very little use of office floorspace and employers and businesses have been instigating social-distance design arrangement for their workspaces where staff are working in offices.

3.6.19 In the case of workspace design this has, and is having, a major effect in terms of the amount of floorspace 'allocated' per employee, effectively increasing the amount of space provision per person significantly. This is assumed to be in place over the longer-term reinforced by existing structural trends. In addition, there have been increased levels of employee remote working, and this is expected to continue, but at a reduced scale into the future.

3.6.20 The impact of these assumptions indicate a reduction in floorspace demand of approximately 8.7% when compared against the unadjusted economic shock assessment. Thus, floorspace demand would reduce

from 88,422 sq.m to 80,738 sq.m for the period 2020 – 2040. For the period 2020 – 2045 floorspace demand would be 102,586 sq.m.

Market Adjustments

3.6.21 A series of market adjustments and allowances have been applied to the above floorspace figures. These follow the same process of adjustments as applied in the *Local Economic Needs Assessment* (June 2016), including as follows:

- a) vacancy rate of 7%;
- b) land flexibility margin (2 years based on past take-up rates);
- c) windfall loss replacement allowance; and
- d) adjustment for planning consents and vacant stock supply.

3.6.22 The results of the above set of adjustments and allowances indicate that floorspace demand may be 110,051 sq.m for the period 2020 – 2040 and 133,428 sq.m for the period 2020 – 2045.

Strategic Market Demand

3.6.23 As with the 2017 report, it has been assumed that potentially 75% of the demand may be categorised as of a strategic nature. The analysis results in the strategic demand profile of between 82,538 sq.m (2020 - 2040) and 100,071 sq.m (2040 - 2045). This compares against a floorspace demand figure of 66,442 - 80,885 sq.m for the period 2015 - 2035 from the 2017 report analysis.

Assessment of Wider Needs

3.6.24 It needs to be recognised that HSBP is a major long-term scheme with a strategic focus. The site is allocated in the Reigate & Banstead: DMP to meet the unmet strategic office needs in the Crawley Borough Council Local Plan: 2015 – 30, identified in the 2017 Report as 45,513 sq.m.

3.6.25 The HSBP is located close to major transport infrastructure in the form of Gatwick Airport, the M23 and mainline rail services, and will be designed and developed to meet corporate and strategic business and supporting needs. It is therefore expected to have a draw far beyond the immediate local authorities, covering London and the wider South East as well as national relocations and Foreign Direct Investment opportunities.

3.6.26 The rates of change seen in VOA floorspace stock levels in London and the South East over the past 20 years have been assumed to continue into the future. Assuming HSBP captures 2.5% - 5% of such increase in net floorspace, this would result in a strategic market demand potential of between 47,250 sq.m to 118,125 sq.m, leaving aside additional gross floorspace demand potential as set out in Appendix 3 including at Table A3.10.

Gatwick Airport

3.6.27 A high-level assessment has been prepared for the potential demand that may arise from Gatwick Airport (see Table A3.11 in Appendix 3), but recognising that HSBP has not been allocated to meet the needs arising from further development at Gatwick Airport.

3.6.28 Given the high degree of uncertainty associated with the aviation sector currently, this sub-section has only focused on the 'demand increase' scenario presented in the 2017 report. Even within this, caution is needed in interpreting the results given the on-going structural changes taking place within this sector.

3.6.29 The market demand assessment has also worked from the assumption of making best use of the existing main runway, as laid out in the *Gatwick Airport Masterplan (2019)*^{xi}. The potential use of the Northern Runway^{xii} / routine use of the Emergency Runway scenario in the *Gatwick Masterplan (2019)* has not been assessed. If this operational assumption was applied it is likely to increase the demand for commercial employment floorspace.

3.6.30 Fuller details on the update assessment are provided in Appendix 3, but the result indicate that there could be a minimum of an additional 19,059 sq.m of employment floorspace in the borough of Reigate & Banstead associated with this scenario at Gatwick Airport.

3.7 Summary

- 3.7.1 The above analysis indicates that the strategic floorspace demand arising from Reigate & Banstead Borough is broadly comparable with the 2017 analysis. Thus, the current analysis results indicate a strategic demand profile of between 82,538 sq.m (2020 - 2040) and 100,071 sq.m (2040 - 2045) from the Reigate & Banstead Borough. This compares against a floorspace demand figure of 66,422 - 80,885 sq.m for the period 2015 - 2035 from the 2017 analysis.
- 3.7.2 The HSBP has been allocated to meet the identified unmet strategic office needs in Crawley Borough's *Local Plan 2015 – 2030*, identified in the 2017 report as 45,513 sq.m.
- 3.7.3 In addition, an updated assessment of wider potential strategic need has indicated that within the strategic geography of London and the South East there could be a realistic minimum office demand figure of 47,250 sq.m to 118,125 sq.m associated with HSBP over the period 2020 - 2040/45.
- 3.7.4 The assessment results discussed above, with further detail in Appendix 3, have been based on updated data wherever possible, including current market evidence, and a review of developments since the 2017 report.

PART B

Economic and Wider Effects

4. Economic Effects

4.1 Introduction

4.1.1 This Section provides a high-level assessment of the possible economic impacts of the HSBP development in Reigate & Banstead Borough. The analysis examines:

- a) employment generation associated with HSBP covering direct construction jobs and when the strategic business park is in operation; and indirect employment and wider supply-chain effects; and
- b) the potential economic impact on the local Horley Town Centre.

4.1.2 Each of these aspects is examined in turn in the following sub-sections while wider effects for other local authorities and strategic employment sites are considered in Section 5.

4.1.3 Key assumptions have been used in order to estimate employment generation and local economic potential. These have been explicitly stated at appropriate points throughout the section.

4.2 Employment Generation from HSBP

Key Assumptions and Inputs

4.2.1 There are a number of high-level input assumptions that have been used as part of the employment generation assessment. These are outlined below, including the sources for these assumptions.

4.2.2 These assumptions have been based on available best practice or reasonable interpretations. It should be recognised that modifications to individual assumptions would be likely to change the overall results. As such, the results presented herein need to be treated with caution and are

best viewed as an indication of the potential scale of employment associated with HSBP.

- 4.2.3 An estimated floorspace figure for the development of the HSBP has been made based on the indicative quanta and mix of development in the DMP Explanatory Text based on the previous 2017 report. The core 200,000 sq.m mix was indicative in the 2017 report and remains so, but has been adjusted to reflect current market realities and findings from discussions with local property agents.
- 4.2.4 It must be stressed that these scenarios need to be viewed as indicative quanta and mixes of floorspace. The actual scale and nature of floorspace provision will be driven by a range of factors as set out in the DMP Explanatory Text.
- 4.2.5 Given that the complementary facilities floorspace mix will be dependent on the type and scale of development, two alternative impact assessment scenarios have been prepared to consider the possibilities arising:
- **Option A:** Planning Capacity – **High Retail Mix Scenario** derived from market demand evidence and discussions with property agents; and
 - **Option B:** Planning Capacity – **Mixed Community Floorspace Scenario.**
- 4.2.6 A breakdown of the component parts of the business floorspace and community mix scenarios floorspace is provided in Table 4.1 below. The breakdown shown helps provide an indication of the possible floorspace provision from which employment generation potential can then be assessed.

Table 4.1: Indicative Floorspace Breakdown of HSBP, Sq.m

Core Business Space	Floorspace (GIA sq.m)	
Office	160,000	
Research & Development	10,000	
Light Industrial	10,000	
Distribution	20,000	
Total Core Business Park	200,000	

Community Space	Floorspace GIA (sq.m) Option A – High Retail Mix	Floorspace GIA (sq.m) Option B – Mixed Community Space
Retail	8,000	1,000
Café/Restaurant	1,500	1,000
Mid-scale Hotel	-	3,500
Mid-scale Hotel Business Space	-	1,500
Gym (Mid-Market)	1,000	2,000
Crèche	-	1,500
Total Non-Core Business Park	10,500	10,500

Source: RBBC and CCL

Construction Job Potential

- 4.2.7 The number of construction jobs associated with the HSBP has been estimated. This is based on two approaches in order to provide a robust assessment and is related to a total scheme development of **210,500** sq.m GIA.
- 4.2.8 Using an indicative total unit build cost of **£2,775** per sq.m^{xiii} equates to an overall construction cost of approximately **£584** million for buildings. The indicative nature of this figure should be noted, as the scheme design and development may result in costs that are higher or lower than this.
- 4.2.9 It has been assumed that the scheme would be built-out over a 20-year period, with the type and timing of job generation depending upon the overall phasing programme of HSBP. In practice there is likely to be an

increased level of construction job generation during the first 5-10 years of the scheme.

4.2.10 Using the above size and value assumptions an estimate of construction jobs is summarised in Table 4.2 based on two approaches, the latter being used to cross and sense check the former:

- a) the first approach is based on identified relationships between construction spend and the number of direct construction jobs associated with this spend. This is derived from actual projects and related to national UK construction data, and indicates that approximately 8.5 Full Time Equivalent (FTE) construction jobs are created for each £1m of expenditure per annum. Based on this ratio then there could be approximately **4,965** FTE temporary construction jobs arising from the development of HSBP. This is greater than the level found in the 2017 report due to changes in the estimated build cost per sq.m for HSBP now; and
- b) the second approach is based on the average ratio of construction value per employee, as derived from the latest ONS data. This indicates that each person employed in the construction sector is associated with approximately £124,440 of construction value per annum. Based on this ratio then there could be approximately **4,693** FTE temporary construction jobs arising from HSBP.

Table 4.2: Potential Construction Jobs Associated with HSBP

Component	Average FTE Job per £1m construction spend = 8.5 ^{xiv}	Average Employee/Output Ratio (£124,437 ^{xv})
Total Project Construction Cost	£584,137,500	£584,137,500
Total Number FTE Jobs	4,965	4,693
Annual Construction Jobs ^{xvi}	248	235
Total Construction Jobs	4,965	4,693

Source: Forbes, El Haram, Horner, Lilley (2012), ONS Construction Statistics GB (2018), CCL calculation. Note figures rounded

Operational Job Potential

4.2.11 An estimate of the number of operational phase jobs that could be created at HSBP has also been made. This is based on the likely floorspace mix of the site and the adjusted employment density figures discussed in Appendix 3. A summary of the key assumptions and resulting job generation is provided in Table 4.3 below.

4.2.12 Table 4.3 shows that the core business park element of HSBP could generate approximately **10,671** FTE jobs. Many these jobs (**10,000**) would be associated with office floorspace.

4.2.13 The complementary community element could generate between **256** FTE jobs (Option B – Mixed Community Provision) and **490** FTE jobs (Option A – High Retail Mix).

4.2.14 In total, there could be approximately **10,927 – 11,161** FTE direct operational jobs generated at HSBP.

Table 4.3: Potential Operational Jobs Generated at HSBP

Core Business Park Space	Floorspace (GIA sq.m)	Employment Density (GIA sq.m per person) ^{xvii}	Total Employees (FTE)
Office	160,000	16	10,000
Research & Development	10,000	47	213
Light Industrial	10,000	58	172
Distribution	20,000	70	286
Total Core Business Park	200,000		10,671

Option A – Community Space: High Retail Mix	Floorspace (GIA sq.m)	Employment Density (GIA sq.m per person) ^{xviii}	Total Employees (FTE)
Retail	8,000	20	400
Café/Restaurant	1,500	20	75
Gym (Mid-Market)	1,000	65	15
Total Community Space	10,500		490

Option B – Community Space: Mixed Community Provision	Floorspace (GIA sq.m)	Employment Density (GIA sq.m per person) ^{xix}	Total Employees (FTE)
Retail	1,000	20	50
Café/Restaurant	1,000	20	50
Mid-scale Hotel (75 beds) ^{xx}	3,500	1 FTE per 3 Bed	25
Mid-scale Hotel Business Space	1,500	47	32
Gym (Mid-Market)	2,000	65	31
Crèche ^{xxi}	1,500	22	69
Total Community Space	10,500		256
Overall Total all Components	210,500		10,927-11,161

Source: CCL calculation

Direct Employment Potential

- 4.2.15 In summary, the construction and operational elements of HSBP could generate between **15,620 - 16,126** jobs.
- 4.2.16 The direct construction jobs would only be in place during the build-out of the site and are therefore a temporary, positive, beneficial effect. However, this temporary effect may run over a 20 year plus time-frame given the possible build-out rate, although this is likely to vary depending upon the actual development rate.

Indirect Employment Potential

- 4.2.17 In tandem with the direct jobs associated with the HSBP, both operational and during the construction phase, there will be the potential for indirect job creation in the wider supply chain as well as from wage spend by employees.
- 4.2.18 These indirect jobs, or multipliers, are employment opportunities generated by and in support of the direct commercial and complementary functions taking place on the HSBP site.
- 4.2.19 In order to develop job estimates that will be of value in estimating impacts on local centres, a set of geographically-based indirect employment multipliers have been used. These are based on multiplier rates used in the *HCA Additionality Guide (2014)*. In addition, an assessment of potential leakage and displacement effects has been made based on guidance in the *HCA Additionality Guide (2014)* in order to identify the net number of jobs associated with HSBP.
- 4.2.20 Table 4.4 summarises results of applying standard multiplier rates to the construction work associated with HSBP. This indicates that the estimated 4,693 - 4,965 construction jobs associated with building HSBP could result in an additional **1,174 - 1,241** jobs in the local area. On the basis of a 20-year build out this equates to 59 - 62 jobs per annum. The number of jobs are likely to vary depending upon the scale of the build and phasing. The

Table also identifies wider regional and national level indirect job creation and support in addition.

Table 4.4: Gross Direct and Indirect Construction Jobs from HSBP

Employment Category	Direct Jobs	Multiplier Rate ^{xxii}			Indirect Jobs		
		Local	Regional	National	Local	Regional	National
Construction	4,693	1.25	1.5	2.7	1,174	2,347	7,980
Construction	4,965	1.25	1.5	2.7	1,241	2,483	8,441
Total Jobs	4,693 - 4,965	-	-	-	1,174 - 1,241	2,347 - 2,483	7,980 - 8,441

Source: HCA Additionality Guide (2014), CCL calculation

4.2.21 Table 4.5 summarises the results of applying the multiplier rates to the operational aspect of HSBP. This is assessed on the basis of the Planning Capacity – High Retail Mix Scenario (Option A) and the Planning Capacity – Mixed Community Floorspace Scenario (Option B).

4.2.22 The Table identifies that the estimated 10,927 - 11,161 operational jobs associated with HSBP could result in an additional **3,175 - 3,200** jobs in the local area.

Table 4.5: Gross Direct and Indirect Operational Jobs from HSBP

Option A – Planning Capacity with High Retail Mix	Direct Jobs	Multiplier Rate ^{xxiii}			Indirect Jobs		
		Local	Regional	National	Local	Regional	National
Office	10,000	1.29	1.44	2.2	2,900	4,400	12,000
R&D	213	1.29	1.44	2.2	62	94	255
Light Industrial	172	1.29	1.44	2.2	50	76	207
Industrial and Distribution	286	1.29	1.44	2.2	83	126	343
Retail - Shop	400	1.21	1.38	2.2	84	152	480
Retail - Cafe	75	1.21	1.38	2.2	16	29	90
Recreation (Gym)	15	1.38	1.56	2.2	6	9	18
Total Jobs	11,161	-	-	-	3,200	4,884	13,394

Option B – Planning Capacity with Mixed Community Floorspace	Direct Jobs	Multiplier Rate ^{xxiv}			Indirect Jobs		
		Local	Regional	National	Local	Regional	National
Office	10,000	1.29	1.44	2.2	2,900	4,400	12,000
R&D	213	1.29	1.44	2.2	62	94	255
Light Industrial	172	1.29	1.44	2.2	50	76	207
Industrial and Distribution	286	1.29	1.44	2.2	83	126	343
Retail - Shop	50	1.21	1.38	2.2	11	19	60
Retail - Cafe	50	1.21	1.38	2.2	11	19	60
Recreation (Mid- Hotel)	25	1.38	1.56	2.2	10	14	30
Office (Hotel Business Space)	32	1.38	1.56	2.2	12	18	38
Recreation (Gym)	31	1.38	1.56	2.2	12	17	37
Recreation (Creche)	69	1.38	1.56	2.2	26	38	82
Total Jobs	10,927	-	-	-	3,175	4,821	13,113

Source: HCA Additionality Guide (2014), CCL calculation

4.2.23 In total, therefore, there could be approximately **24,040 - 24,555** direct and indirect jobs generated or supported during the operation of the HSBP.

Net Employment Potential

4.2.24 The likely net employment generation associated with the construction and operational aspects of HSBP in the local area is summarised in Table 4.6. This adjusts the gross employment figures summarised in Table 4.5 for 'leakage' (the proportion of employment that is secured by people outside of the target area) and 'displacement' (the proportion of employment that is achieved by reduced employment elsewhere in the target area). The output is an estimated net employment figure of **7,281 - 7,497 FTE** for the local area.

Table 4.6: Net Construction and Operational Job Generation in Reigate & Banstead from HSBP

Stage	Component	Reigate & Banstead Construction ^{xxv}	Reigate & Banstead Operational ^{xxvi}	Reigate & Banstead Total
A	Assumed Leakage Rate	60%	50%	
B	Assumed Displacement Rate	30%	20%	
1	Total Gross Direct Jobs (from Table 6.4 & 6.5)	4,693-4,965	10,927-11,161	15,620-16,126
2	Retained Employment after Leakage (A*1)	1,878-1,986	5,464-5,581	7,341-7,567
3	Estimated Job Displacement (B*2)	563-596	1,093-1,116	1,656-1,712
4	Net Direct Jobs (2-3)	1,314-1,390	4,371-4,465	5,685-5,855
5	Indirect Jobs (Based on Multipliers)	329-348	1,268-1,295	1,596-1,642
6	Total Net Jobs in Reigate & Banstead	1,643-1,738	5,638-5,759	7,281-7,497

Source: CCL calculation

GVA Potential

4.2.25 The potential Gross Value Added (GVA) contribution of HSBP is summarised in Table 4.7. It assesses the GVA that may arise from the operational aspect of HSBP, covering the core business activities and the complementary community activities, as well as the contribution arising from constructing the scheme.

4.2.26 The approach taken involves deriving an average GVA per employee by broad industrial sector for the South East region and applying this to the employment associated with corresponding land use activities on HSBP. This was based on the latest regional accounts from ONS (2019) and the latest employment data from Nomis (2020), with the values expressed as 2018 prices.

4.2.27 From Table 4.7 it can be seen that the overall potential GVA generated by HSBP may be of the order of **£905 - £908 million** per annum. Using the net job employment ratios from Table 4.6 suggests that the GVA for the local area may be approximately **£361 million** per annum.

Table 4.7: Potential GVA Generated by HSBP from Direct Employment

Core Business Space	Sector	GVA per Employee (£)	Employees	Total GVA (£p.a.)
Office	Information & communication; financial & insurance activities; professional, scientific and technical activities; admin and support services.	£84,212	10,000	£842,123,177
Research & Development	Professional, scientific and technical activities	£50,524	213	£10,749,793
Light Industrial	Manufacturing	£78,813	172	£13,588,474
Distribution	Manufacturing; wholesale and retail; transport & storage	£62,498	286	£17,856,584
Total Core Business Park			10,671	£884,318,027

Option A – Community Space: High Retail Mix	Sector	GVA per Employee (£)	Employees	Total GVA (£p.a.)
Retail Shop	Accommodation and food services	£23,147	400	£9,258,632
Café/ Restaurant	Accommodation and food services	£23,147	75	£1,735,993
Gym	Arts, entertainment and recreation	£29,700	15	£456,923
Total Community Space			490	£11,451,548

Option B – Community Space: Mixed Community Provision	Sector	GVA per Employee (£)	Employees	Total GVA (£p.a.)
Retail Shop	Accommodation and food services	£23,147	50	£1,157,738
Café/ Restaurant	Accommodation and food services	£23,147	50	£1,157,738
Mid-scale Hotel	Accommodation and food services	£23,147	25	£578,664
Mid-scale Hotel Business Space	Information & communication; financial & insurance activities; professional, scientific and technical activities; admin and support services.	£84,212	32	£2,683,962
Gym	Arts, entertainment and recreation	£29,700	31	£913,849
Crèche	Admin and support services; human health and social work activities; other services.	£33,706	69	£2,310,228
Total Community Space			256	£8,802,179

Construction^{xxvii}	Sector	GVA per Employee (£)	Employees	Total GVA (£p.a.)
Construction Work – Unit Build Cost	Construction	£50,831	4,965	£12,619,231
Construction Work – Employee Turnover Ratio	Construction	£50,831	4,694	£11,930,685
Overall Total All Components				£905,050,891 - £908,388,806

Source: CCL calculation

4.3 Horley Town Centre Economic Impacts

- 4.3.1 The analysis of potential job creation and of the GVA set out above indicates that HSBP is likely to have significant economic impacts during its construction and operational phases. This will include effects on local centres in the area of the scheme, such as Horley Town Centre which is the closest town centre area to the site.
- 4.3.2 In making this assessment, it is expected that HSBP will be appropriately linked and integrated into Horley Town Centre, based on a positive planned master-planning approach to the development of the strategic site with appropriate planning controls in place to minimise expenditure leakage outside of the area.
- 4.3.3 It is recognised that the development of HSBP will add a considerable workforce into the catchment area of Horley Town Centre. There is a workday population in Horley of 17,234 based on the 2011 Census, although this may have been reduced due to PDR conversions to residential and increased vacancy of office accommodation in the town centre.
- 4.3.4 The generation of 15,620 to 16,126 direct construction (albeit temporary in nature for the duration of the construction of the HSBP) and operational jobs from HSBP will almost double the workday population in Horley. As such, this is likely to have major economic impacts in Horley Town Centre.

- 4.3.5 In terms of the main type of economic impact on the Town Centre this is likely to be primarily increased spending on convenience goods. This includes pre-work expenditure, lunch and snacks during the day, general services during the day, after work activities, and post-work shopping.
- 4.3.6 An assessment of likely economic impacts arising for Horley Town Centre reflecting the above spending activities has been made. This has used official published data sources as far as possible, with assumptions specified as appropriate.
- 4.3.7 Table 4.8 summarises the results of the economic impact assessment for Horley Town Centre. This is based on the potential expenditure of the total direct workforce at HSBP (both operational and construction phases), derived from the ONS Family Spending survey. The focus has been on the core goods and services that are likely to be the main area of expenditure of workers at HSBP. As such it may under-report the overall expenditure that may be available to Horley Town Centre as a result of spending by HSBP workers.
- 4.3.8 Cautious assumptions have been used in order to develop an informed judgement of potential. It should also be noted that figures in Table 4.8 are rounded so may not add to the overall total.
- 4.3.9 In terms of the potential market draw to Horley Town Centre, these are based on reasoned assumptions as follows, reflecting the existing make-up of Horley and how it may evolve and react to the potential from HSBP:
- a) **Food and non-alcoholic drink:** this relates to the main goods shopping by households. There is the potential for workers to use Waitrose or other shops in the Town Centre to do this, either during the day or on the way home, although this may be in the context of another supermarket / location being the primary shopping destination for a worker. It is assumed that 10% of expenditure under this category could be captured by Horley Town Centre;

- b) **Alcoholic drink:** this covers drinking at home, pubs and elsewhere. In the context of Horley this may relate to drinking after work or social events during the day. It is assumed that Horley Town Centre has the potential to capture approximately 25% of such expenditure based on improving provision of facilities in the area;
- c) **Recreation and culture:** this only relates to a sub-section of this category of expenditure, specifically the recreational and culture services sub-category and the newspapers, books and stationery sub-category. These are goods and services that may be purchased by HSBP workers in Horley Town Centre, and 25% of expenditure in these sub-categories has been assumed;
- d) **Restaurants:** this relates to the catering aspect only and so excludes hotels and other accommodation expenditure. While there may be a greater relative emphasis of expenditure on this category at the weekend, there is likely to be the opportunity for Horley Town Centre and the immediate surrounding areas to capture a reasonably significant share of this expenditure, which is assumed to be 25%;
- e) **Miscellaneous goods:** this only relates to a sub-section of this category of expenditure, specifically the personal care and personal effects sub-categories. These are goods and services that may be purchased by HSBP workers in Horley Town Centre, and 25% of expenditure in these sub-categories has been assumed.

4.3.10 From Table 4.8 it can be seen that the overall estimated expenditure by HSBP workers on the identified goods and services is approximately £47.4 - £48.9 million per annum.

4.3.11 Of this total it is estimated that Horley Town Centre may capture between **£8.7 - £9.0 million per annum** supporting between 45 - 46 jobs in Horley centre^{xxviii}.

Table 4.8: Potential Economic Impacts on Horley Town Centre from HSBP

Goods	Average Weekly Spend per Person ^{xxix}	Annual Expenditure (@225 days) ^{xxx}	Total Spend (£m, based on 15,620-16,126)	Assumed Horley Town Centre Spend % Draw ^{xxxi}	Assumed Horley Town Centre Spend £m
Food & Non-Alcoholic Drink	£29.91	£1,346	£21.0 - £21.7	10%	£2.1 - £2.2
Alcoholic Drinks	£6.18	£199	£3.1 - £3.2	25%	£0.8 - £0.8
Recreation & Culture	£13.40	£431	£6.7 - £6.9	25%	£1.7 - £1.7
Restaurants	£24.28	£781	£12.2 - £12.6	25%	£3.1 - £3.2
Miscellaneous Goods	£8.62	£277	£4.3 - £4.5	25%	£1.1 - £1.1
Total	-	-	£47.4 - £48.9		£8.7 - £8.97

Source: CCL calculation

Qualitative Impacts on Horley Town Centre

- 4.3.12 As part of HSBP's mix of uses, indicative floorspace suggests that up to 10,500 sq. m of complementary community facilities and uses could be provided across a number of activities; Class A1 (predominantly convenience retail), A3, D1 and/or D2 uses (noting the recent changes to the Use Class Order categories in September 2020).
- 4.3.13 Many of these complementary community facility uses represent 'main town centre uses' (as defined in the NPPF) and in this context commentary is provided on the potential qualitative impact these uses could have on Horley town centre.
- 4.3.14 Any comment on this issue is caveated given that the precise nature and mix of uses is unknown although for the purposes of this assessment we have adopted two options, based on a retail (convenience) led mix and a mixed use option comprising retail, food and drink, hotel, gym and creche facility.

- 4.3.15 In all cases, the facilities are intended to provide services for employees of the HSBP but equally offer facilities for the wider community in Horley given its location to the south of the town centre.
- 4.3.16 In assessing qualitative impact, it is necessary to understand the offer available in Horley town centre and the analysis draws on RBBC's Town Centre Monitor (2019) supplemented by more recent data from the 2020 town centre survey.
- 4.3.17 Horley is identified in the second tier of the Borough as a Town Centre according to policy CS7 of the Core Strategy which details the borough's hierarchy of town centres.
- 4.3.18 The centre is primarily focused along two main streets: Victoria Road extending from Waitrose supermarket in the south (beyond which is Horley Railway Station) to Lidl in the north west, together with High Street, which is part pedestrianised. The main concentration of uses is centred around the junction of Victoria Road, High Street and Massetts Road.
- 4.3.19 The Council's latest 2020 town centre survey identifies a total of 115 units with the overall composition geared towards main and top up convenience retail provision (Waitrose, Lidl, Iceland, independent butcher), cafés and takeaways, retail and professional services, and community facilities (Post Office, library). The level of comparison uses (25 units) is more limited (some clothing and footwear, furniture, pets, jewellers with charity shops the most numerous) although the centre includes a department store (Collingwood Batchellor).
- 4.3.20 The main attractors in the town centre are convenience and service led with the key main convenience attractor Waitrose, and to a lesser extent Lidl and Iceland. Other local attractors include Collingwood Batchellor together Boots, Post Office, library, bank and pharmacies. Many other uses are orientated towards retail and professional services (45 units) whilst food and drink uses (café / takeaway / restaurant / public house) account for 26 units in the overall town centre.

- 4.3.21 The current composition of Horley Town Centre clearly performs a localised top up function which is convenience-led alongside a food / drink and retail / professional services role. The retail role of the Town Centre appears to have declined over recent years and instead has become increasingly focused on non-retail uses, with a notably narrow evening economy. This matter is identified in the Council's 2019 Monitoring Report which notes the high number of take-aways and charity / second-hand retailers in Horley.
- 4.3.22 Notwithstanding this, the latest measure of vacancy identifies 9 vacant units; a vacancy rate of 8%. This is lower than the 11 vacant units identified in 2019 and represents a stable centre given the challenges facing high streets.
- 4.3.23 From a qualitative perspective, Horley Town Centre offers a functional and varied range of offer. The overall shopping environment is heavily influenced by Victoria Road thoroughfare although the pedestrianised High Street (part) adds to the centre.
- 4.3.24 The overall quality of the public realm appears safe, clean and well maintained and has been subject to recently completed improvements within the pedestrian area. Other improvements to the public realm around Waitrose have also been completed in recent years.
- 4.3.25 The Town Centre is subject to a committed Council-led regeneration programme through 'Delivering change in Horley'. Focused on the revitalisation of the town centre, it seeks to deliver new homes in the current High Street car park together with public space improvements to the High Street together with refurbishment of the subway between the High Street and Station Approach.
- 4.3.26 Overall, it is considered the complementary community uses at the HSBP would be unlikely to adversely impact on Horley Town Centre, even under a convenience-led retail scenario, based on the assumption that any convenience retail at HSBP would be provided in small scale shops rather than a large supermarket. It is clear Horley Town Centre is well served by a

mix of main and top up convenience facilities and can be characterised as providing a localised retail and service offer.

- 4.3.27 With regard to a wider mix of community facility uses at the HSBP, there are currently no hotel, creche or gym facilities in the defined Horley Town Centre which would overlap with provision at the HSBP. There are however such facilities in the wider Horley area, including proximity to Oakwood Sports Centre on Balcombe Road and hotels in close proximity to Gatwick Airport. The wider mix of facilities at HSBP, if delivered, will therefore need to be carefully monitored.
- 4.3.28 Similarly, there is a healthy range, offer and choice of food and drink facilities in the town centre which provide options throughout the day. It is considered unlikely future food and drink uses proposed at the HSBP would realistically compete with town centre operators which are orientated towards town centre shoppers and those on dedicated visits. There is the potential for positive synergies between the two.
- 4.3.29 It is anticipated that the nature of future complementary community facilities which are ancillary uses at HSBP would help meet the on-site needs of employees. They would not directly compete with Horley Town Centre which provides a far greater range and choice to that which would most likely be available within HSBP.
- 4.3.30 In view of its close proximity to the Town Centre and easy walking / cycle distance, it is vitally important that integrated pedestrian and cycle linkages are created between HSBP and the town centre. These connections will be essential for providing HSBP employees with a direct and safe route to the town centre given the opportunities for enhanced footfall into the Town Centre, including Waitrose acting as a potential trip attractor in the after-work hours period and the associated spin off expenditure that should arise.
- 4.3.31 Overall it is concluded that HSBP should be viewed positively as a significant economic driver for expenditure in Horley Town Centre as the scheme is constructed and occupied.

5. Wider Effects in Other Areas

5.1 Introduction

- 5.1.1 Given the scale and nature of the HSBP, based on an office led scheme together with supporting community facilities and services, it is essential that the implications of this are considered with respect to other existing commercial centres and strategic employment sites in the wider Gatwick Diamond and LB Sutton and LB Croydon areas.
- 5.1.2 This section, together with Appendix 4 offers an overview of the anticipated effects of the HSBP on other employment locations in the Borough, including the designated employment areas, and then for comparable provision beyond the Borough.
- 5.1.3 It considers the effects and implications of a number of larger schemes in the wider sub-region which are possible comparators or competitors to HSBP.

5.2 Reigate & Banstead Borough Area

- 5.2.1 The current Borough wide commercial market is characterised by established industrial estates with office provision primarily concentrated at Redhill and to a lesser extent, Reigate.
- 5.2.2 At the local level, the area is dominated by a traditional industrial and storage / distribution offer, primarily at the Salfords Industrial Estate in and the smaller Balcombe Road Industrial Area; with Perrywood Business Park providing more office provision, albeit small units orientated towards the industrial and warehousing uses in the area.
- 5.2.3 Overall, Salfords, and to a lesser extent Balcombe Road, are orientated towards light industrial and storage / distribution uses, which benefit from their A23 corridor location and support for airport related uses related to

Gatwick airport location. An element of new industrial and warehouse supply has recently come forward in the local area to support the industrial market, namely at North Gatwick Gateway.

- 5.2.4 Elsewhere in the Borough, the northern area can be characterised by relatively limited employment provision, such as Pitwood Park Industrial Estate focused on local needs whilst the industrial provision serving the main centres of Redhill and Reigate are relatively small and dominated by local light industrial and some warehousing occupiers. The largest employment area at the Holmethorpe industrial estate in Redhill remains a traditional led industrial estate which supports good levels of local occupiers and continues to meet local market needs.
- 5.2.5 While HSBP is an office-led development proposal, the support for other employment uses, including appropriate airport-related sui generis uses, forms an integral part of its potential offer.
- 5.2.6 It is considered the nature of HSBP will serve to enhance the quantum and quality of new light industrial and storage / distribution provision in the local market which remains characterised by tight supply, unmet needs and high demand (as found previously in the 2017 report^{xxxii}). On this basis, the HSBP is still considered to complement existing supply and have an ability to co-exist alongside established industrial stock.
- 5.2.7 The main focus for office provision in the Borough is concentrated at Redhill and Reigate. There are also a number of standalone campus sites such as Fidelity at Lower Kingswood and Pfizer UK headquarters at Walton on the Hill. Elements of office space also exist throughout the aforementioned industrial estates although these are typically small scale and ancillary to the main industrial and storage function.
- 5.2.8 Both Reigate and Redhill represent established M25 office locations, which support HQ offices and a generally low vacancy rate. Both markets have been constrained by a limited availability of high-quality Grade A supply. This remains the case and whilst some new quality supply has come forward in Redhill (Prospero) alongside refurbishment activity, there remains

a general absence of new quality supply and neither location offers business parks that are more typically associated within other established office centres in the M25 corridor.

- 5.2.9 Our conclusions from the 2017 Report highlighted the possibility that HSBP could prove attractive to some existing office occupiers in Reigate (given the number of HQ office facilities) and Redhill, together with other prospective occupiers who may traditionally have been attracted to either town centre. We consider this would likely remain the case particularly if the available offer of both centres is unable to meet changing occupier requirements.
- 5.2.10 This is considered particularly relevant to the business and financial sectors which are established in both centres, and which represent the types of corporate sector occupier that could be attracted to the HSBP. The implications of changing workspace trends (accelerated by the Coronavirus restrictions and increased emphasis on remote / home working) are also expected to further drive office relocations and corporate restructuring from London and other large centres which could all benefit HSBP.
- 5.2.11 The delivery of the HSBP will generate some local market ‘churn’ therefore, as concluded in the 2017 report. This is considered inevitable given the scale, range and choice of office led supply expected to be delivered in time (ranging from larger units to smaller, affordable start-up/incubator space, and serviced accommodation). It is likely to prove attractive to the local market, and some potential commercial market impact should be anticipated. As previously reported, the phasing of delivery and the specific nature of future provision will ultimately determine the extent of and timing of impact.
- 5.2.12 Overall, the local commercial market for both office and industrial can be characterised by healthy levels of demand but equally one of limited new supply.
- 5.2.13 There is nothing comparable to the scale and nature offered by HSBP in the Borough, which as a predominantly office led business park, is considered a ‘game changer’ for the Borough by property market agents. The consistent

message of the revealed office market demand and supply position is of a constrained supply of high-quality office floorspace and properties which HSBP will seek to alleviate. It is also seen by agents as a regional business park which will help to strengthen the Borough as an office location both in terms of its offer but also its perception as a key business location in the south-east.

5.3 Other Authorities in the Gatwick Diamond and Beyond

- 5.3.1 There is a long-established policy aspiration for a strategic scale employment site to be developed in the Gatwick Diamond sub-region to support future economic growth. Future potential provision will be expected to help provide for commercial needs arising from across the Gatwick Diamond.
- 5.3.2 There are a number of large employment locations spread across the Gatwick Diamond area and in neighbouring LB Sutton and LB Croydon. Although few are considered to be 'strategic' in scale and nature and provide mostly for existing and projected local employment needs, there are a number which are considered more likely to be affected by the development of HSBP than others.
- 5.3.3 The wider commercial market effects and impacts of the HSBP proposals for 200,000 sq.m of office-led business park development with a further 10,500 sq.m of ancillary and community facilities in the Gatwick Diamond area and further afield remains difficult to distil in detail given the outline nature of what is proposed and the timescales for delivery.
- 5.3.4 Nevertheless, it is inevitable that the delivery of this scale of new office-led commercial floorspace provision will be expected to have an impact on the local and wider commercial market, including the displacement of some existing occupiers from existing employment sites, but also a positive benefit in terms of enhancing the market perception of the local area and the

Gatwick Diamond more widely as a good place for business investment and growth.

- 5.3.5 At the Reigate & Banstead Borough-wide level, commercial evidence (and the assessment of new job creation and economic effects) continues to indicate (as it did at the time of the HOR9 2017 report) that the HSBP will help meet evident demand for high quality office spaces in highly accessible locations to the benefit of the local Horley area and more widely for the Borough. It will align with the recent revealed market demand characteristics which have seen an increased demand for high quality space closer to Crawley and around Gatwick Airport (a shifting centre of gravity as the Northern West Sussex EGA notes in section 7) and as existing stock continues to be converted to residential use (via PDR) changing the nature of smaller town centres office floorspace offer (such as in East Grinstead, Haywards Heath, Horsham and Burgess Hill for example).
- 5.3.6 Analysis of the wider commercial market and existing supply of employment land sites in adjoining Gatwick Diamond authorities confirms a continued trend of a localised, relatively self-contained markets for offices and for industrial uses. The absence of a Strategic Employment Site serving this area is relevant to all the adjoining authorities, and in many ways, has helped to reinforce the creation of localised commercial markets.
- 5.3.7 Of all the existing strategic employment sites, the Manor Royal Business District is considered the site that could be most impacted by the HSBP. Manor Royal has successfully developed its office offer and has accommodated several large office schemes over recent years.
- 5.3.8 More recently however, the focus and vision for Manor Royal Business District has notably shifted towards supporting industrial and logistics / warehousing needs rather than the development of new office floorspace.
- 5.3.9 Coupled with new and refurbished office supply coming forward in Crawley Town Centre, there is potential now for HSBP, Manor Royal and Crawley commercial floorspace offers to reflect a complementary rather than competing offer with significant wider synergies arising in terms of the

perception of the area to support economic development and investment for both office and industrial / logistics-based businesses.

5.3.10 These areas and sites should therefore be considered as complementary to ensure that inward investment is secured and commercial needs are retained within the core of the Gatwick Diamond, for the benefit of the wider sub-region.

5.3.11 The opportunity to capitalise on changing structural demands from businesses / occupiers driven by the effects of Coronavirus (i.e. a tendency for occupiers to start re-considering their commitments to retaining floorspace situated in larger city centre areas) could support an emerging focus more on locations such as HSBP together with Manor Royal and town centres such as Crawley, Redhill and Reigate that are well connected, offer supporting amenities and can provide new, high quality office and industrial floorspace.

5.3.12 Turning to future strategic employment sites (not yet fully committed or consented) the analysis in this section (and with reference to Appendix 4) considers changes since the 2017 report was prepared.

5.3.13 The potential future sites identified which could contribute significantly to future supply are principally located in Horsham, Mid Sussex and LB Sutton (the Land North of Horsham and Horsham Enterprise Park in Horsham; The Hub, Northern Arc and Burgess Hill Science & Technology Park in Mid Sussex; and the London Cancer Hub in Sutton).

5.3.14 From the review it is evident that these sites will be essential to meet market demands (and lack of high quality supply) and primarily serve either their local market needs (offering a choice over an established supply of older, dated stock which is increasingly unsuited for modern requirements) or are sector / end user specific.

5.3.15 Similarly, the delivery of a Science and Technology Park at Burgess Hill is described in the adopted Mid Sussex District Plan as a specialist and unique employment offer, which is specifically orientated towards research and

development. The important issue at this site will be to maintain the high quality, science and technology focus to ensure its commercial appeal is not diluted.

- 5.3.16 The London Cancer Hub is notably focused on the cancer and life sciences research sector and seeks to consolidate the global expertise which exists at established research and medical facilities existing in Sutton. This is fundamentally different to an office-led business park scheme as proposed at HSBP and continues to raise no concerns in terms of commercial competition.
- 5.3.17 It is imperative that the wider community facilities and services proposed for HSBP through DMP Policy HOR9 are fully secured to ensure the site is sufficiently differentiated from existing local and Borough-wide market provision but equally to ensure that a quality brand and perception is promoted to the wider commercial market.
- 5.3.18 As noted in the 2017 report, ultimately the success of the HSBP is to find its role and function and ensure it is sufficiently differentiated from other supply in the market.
- 5.3.19 The need for flexibility and adaptability is also critical for the longer-term development timeframe envisaged for HSBP and this represents a major potential advantage and point of differentiation for the scheme compared to other existing and proposed sites.
- 5.3.20 The analysis of market demand, supply and potential economic effects in this report reaffirms this conclusion and support the approach taken by RBBC to prepare a Supplementary Planning Document to guide the HSBP's design and development allowing the scheme's detailed proposals to emerge and respond to market requirements and changing appetites over time.

6. Overall Conclusions

6.1 Introduction

- 6.1.1 This section draws together the analysis and findings for Parts A and B of the Report. It concludes the position with respect to the market demand and supply context and potential future conditions for the proposed Horley Strategic Business Park. It also summarises the possible economic impacts of HSBP and the wider effects arising from the development scheme.
- 6.1.2 The analyses set out in the preceding sections have reflected on the extent to which the commercial market situation for HSBP has changed since Chilmark Consulting's previous report in 2017.
- 6.1.3 The following sub-sections set out more detail as to the findings from different aspects of the analysis.

6.2 Future Demand for Employment Floorspace

- Section 3 and Appendices 2 and 3 considered current and future employment demand potential for the Borough with the Experian September 2015 employment forecasts extended over the period to 2040 and 2045 representing the realistic period for the build-out and completion of HSBP.
- The analysis indicate a strategic demand profile of between 82,538 sq.m (2020 - 2040) and 100,071 sq.m (2040 - 2045) from the Reigate & Banstead Borough.
- In addition, an updated assessment of wider potential strategic need has indicated that within the strategic geography of London and the South East there could be a realistic minimum office demand figure of 47,250 sq.m to 118,125 sq.m associated with HSBP over the period 2020 - 2040/45.

- This is considered to be broadly aligned with the assessment carried out previously in 2017.

6.3 Revealed Market Demand and Gaps

- There is a clear picture of strong take-up particularly of storage and distribution floorspace but also for offices and industrial space.
- The local market in the Crawley / Gatwick / Horley area over recent years has been characterised by a tight supply of quality office and industrial floorspace. The general absence of new quality supply has further compounded the issue together with Brexit uncertainties although some development activity has resulted more recently.
- The same situation exists for industrial and logistics, especially the distribution market. Constrained availability of supply has led to pent up demand and take up, but this has also spurred developers to now deliver high quality new industrial / warehousing and logistics space.
- At the Borough-wide level recent levels of net take-up have exceeded available office and industrial supply resulting in rising stock absorption rates and reflected in increasing per sq.ft rental values for all employment floorspace.
- The Borough-wide picture is similarly reflected at the wider Gatwick Diamond + LB Sutton and LB Croydon level with significant reductions in available stock, increasing take-up and rental growth for both office and industrial floorspace.
- The future pipeline supply of employment floorspace (existing commitments and floorspace under construction) in the borough of Reigate & Banstead is negative with some significant net losses anticipated from the existing office stock and from the light and general industrial stock due to re-development for alternative purposes.

- The pipeline position in other Gatwick Diamond authority areas and in the London Boroughs of Croydon and Sutton shows a similarly mixed picture. Some areas continue to experience significant net losses due largely to PDR office to residential conversions and for other re-development reasons as well as new floorspace supply coming forwards.
- Local property agents have continued to stress the underlying importance of new, high quality floorspace to meet occupier / business requirements.
- The changing nature of space needs was evident at the time of writing the 2017 report and which have accelerated recently with the rise of remote and home working driven by the Coronavirus pandemic.
- There is therefore a clear gap in market demand to provide new employment land and sites capable of supporting the delivery of high-quality employment floorspace in Reigate & Banstead Borough over the plan period and beyond. The expansion of existing commercial and industrial sites can provide for some of that demand but that source of supply is increasingly taken up by existing and expanding occupiers and there remains a demand and need to provide additional land and sites (including strategic sites) capable of meeting employment needs in both the shorter and longer term periods.

6.4 Sector and Business Offer

- In terms of the sectoral and business offer that the HSBP could address there are a number of important 'ingredients' that the development of the HSBP would satisfy from a business and market perspective.
- Stakeholder discussions with local agents and economic development organisations have now reaffirmed the importance of direct access to the motorway and strategic road network, sufficient site size to offer a scale and visibility / presence in the wider Gatwick Diamond market area and a location that could support sustainable transport and offer a working

environment that has supporting facilities and could be flexibly designed to meet occupier / business health and wellbeing requirements (even assuming that the Coronavirus pandemic has receded by the time that the first phases of the HSBP are constructed).

- The latest C2C LEP *Strategic Economic Plan* and of the short-term Coronavirus impact analyses highlights the underlying strength of demand and emphasis on economic growth driven by a range of business occupiers including sectors such as finance, insurance & pensions, professional services, computer & electronic products, and real estate sectors, pharmaceuticals and health technologies, environment and energy technologies, and advanced engineering sectors.
- The immediate and short term impacts of Coronavirus on aviation and aerospace sector are highlighted by stakeholders but there is still clear ambition and expectation for future recovery and growth in the longer term, allied in this case, to the expansion of capacity and facilities at Gatwick Airport and therefore into the business supply chain focused in Crawley, Reigate & Banstead and more widely in the Gatwick Diamond.
- Specific demand related to high quality, modern office, small and medium sized light industrial and from storage and distribution uses as well as for hybrid mixed-uses were highlighted in agent and stakeholder discussions which continues to reflect the position previously found in the 2017 report.
- Supporting complementary activities (as policy HOR9 identifies) are seen as important location and business value-added benefits for HSBP and would support a wider supply chain.

6.5 Economic Effects

Employment Potential of HSBP

- There could be between approximately **4,693** and **4,965** Full Time Equivalent (FTE) construction jobs arising from the development of HSBP.
- The core business park element of HSBP could generate approximately **10,671** FTE jobs in its operational phase. Many of these jobs (some **10,000**) would be associated with the office floorspace provision with further job creation arising from the complementary community facilities on site. In total, it is therefore concluded that there could be some **10,927 – 11,161** FTE direct operational jobs generated at HSBP.
- Bringing the construction and operational elements of HSBP together leads to a conclusion that the scheme could generate between **15,620 - 16,126** direct on-site jobs.
- Overall, therefore from direct and indirect jobs there is concluded potential for some **24,040 - 24,555** gross jobs generated or supported during the operation of the HSBP.
- The likely overall net employment generation associated with the construction and operational aspects of HSBP in the Reigate & Banstead Borough area adjusts the gross employment figures for 'leakage' and 'displacement' and results in an estimated net employment figure of **7,281 - 7,497** FTE for the borough of Reigate & Banstead.

Potential Gross Value Added

- The potential Gross Value Added (GVA) contribution of HSBP covers the core business activities and the complementary community activities, as well as the contribution arising from constructing the scheme.
- The overall potential GVA generated by HSBP may be of the order of **£905 - £908 million** per annum.

- Using the net job employment ratios suggests that the GVA for the borough of Reigate & Banstead may be approximately **£361 million** per annum.

Horley Town Centre

- HSBP is likely to have significant economic impacts during its construction and operational phases. This will include effects on local centres in the area of the scheme, such as Horley Town Centre which is the closest town centre area to the site.
- The development of HSBP will add a considerable workforce into the catchment area of Horley Town Centre.
- In terms of the main type of economic impact on the Town Centre this is likely to be primarily increased spending on convenience goods. This includes pre-work expenditure, lunch and snacks during the day, general services during the day, after work activities, and post-work shopping.
- It is estimated that Horley Town Centre may capture between **£8.7 - £9.0 million per annum**. This is estimated to support between **45 - 46** jobs in Horley Town Centre.

6.6 Wider Effects

- The wider commercial market effects and impacts of the HSBP in the Gatwick Diamond area remain difficult to distil in detail given the outline nature of what is proposed and the timescales for delivery.
- It is inevitable that the delivery of this scale of new office-led commercial floorspace provision will be expected to have an impact on the local and wider commercial market, including the displacement of some existing occupiers from existing employment sites

- There will also be a positive effect and benefit in terms of enhancing the market perception of the local area and the Gatwick Diamond more widely as a good place for business investment and growth.
- At the Borough-wide level, HSBP will help meet evident demand for high quality office spaces in highly accessible locations to the benefit of the local Horley area and more widely for the Borough.
- HSBP will align with the recent revealed market demand characteristics which have seen an increased demand for high quality space closer to Crawley and around Gatwick Airport.
- In adjoining Gatwick Diamond authorities, there is a continued trend of commercial development that supports a localised, relatively self-contained market for offices and for industrial uses.
- Of all the existing strategic employment sites, Manor Royal Business District is considered the location that could be most impacted by the HSBP. However, the focus for Manor Royal has shifted notably towards supporting industrial and logistics / warehousing needs rather than the development of new office floorspace.
- There is potential now for HSBP, Manor Royal and Crawley Town commercial floorspace to reflect a complementary rather than competing offer with wider synergies arising in terms of the perception of the area as a whole to support economic development and investment.
- The potential future strategic sites identified which could contribute significantly to commercial employment supply are the Land North of Horsham and Horsham Enterprise Park (former Novartis site) in Horsham; The Hub, Northern Arc and Burgess Hill Science & Technology Park in Mid Sussex; and the London Cancer Hub in Sutton.
- These sites are concluded to be essential to meet market demands and address the lack of high-quality supply. They are intended, primarily, to serve either their local market needs offering a choice over an established supply of older, dated stock which is increasingly unsuited for

modern requirements; or are sector / end user specific in the case of the London Cancer Hub.

- It is imperative that the wider community facilities and services proposed for HSBP through Policy HOR9 are fully secured to ensure the site is sufficiently differentiated from existing local and Borough-wide market provision. The differentiation is also important to ensure that a quality brand and perception is promoted to the wider commercial and investor market.
- The need for flexibility and adaptability is also critical for the longer-term development timeframe envisaged for HSBP and this represents a major potential advantage and point of differentiation for the scheme compared to other existing and proposed sites.

6.7 Overall Conclusion

- 6.7.1 Overall the fundamentals of market demand, supply of employment and related commercial floorspace and the underlying drivers of the local economy in the borough of Reigate & Banstead and more widely remain as set out in the previous 2017 report.
- 6.7.2 There are and will undoubtedly be impacts on market demand and developer confidence to invest in new commercial floorspace in the immediate period due to the uncertainties and economic shocks caused by both the Coronavirus pandemic and Brexit.
- 6.7.3 Nevertheless, the HSBP is a long term development project (with a 20+ year time frame) and extensive consideration has already been factored into the evolution of the HSBP concept and design leading to its formal allocation in the DMP of the long-term, systemic changes to working practices and business / occupier expectations.
- 6.7.4 The immediate and shorter-term uncertainties and concerns as to business and investment confidence do not alter the fundamental, identified needs for new, high quality and easily accessible business park floorspace.

6.7.5 In light of the long term market demand and supply fundamentals, it is considered that the HSBP remains an appropriate and necessary strategic employment-led development that will assist Reigate & Banstead Borough to meet its economic growth objectives, support existing businesses and encourage inward investment within the Borough and the Gatwick Diamond area more widely.

END NOTES

ⁱ HOR9 Horley Strategic Employment Site, Economic Assessment - Task 1: Supply and Demand Evidence, Chilmark Consulting Ltd (2017); and HOR9 Horley Strategic Employment Site, Economic Assessment – Task 2: Economic and Market Impact Analysis (2017)

ⁱⁱ HOR9 Horley Strategic Employment Site, Economic Assessment - Task 1: Supply and Demand Evidence, Chilmark Consulting Ltd (2017)

ⁱⁱⁱ HOR9 Strategic Employment Site Economic Assessment (Task 1: Supply & Demand Evidence), September 2017

^{iv} Market absorption is based on the change in the amount of available space between each year. This may be positive or negative. Thus, in 2011/12 available floorspace was 44,000 sq.m and in 2012/13 available floorspace was 44,135 sq.m. This means there an increase in available floorspace of 135 sq.m, so a negative market absorption rate. Development take-up refers to net completion rates – gains in floorspace in a year minus losses of floorspace in the year to produce a net take-up figure. This may be positive or negative

^v The data recorded in the RBBC Commercial Commitments Monitors in terms of **available** floorspace is not directly comparable with the data on **vacancy** recorded in the Industrial Estates Monitors. The Commercial Commitments Monitors lists the amount of floorspace identified on the market to rent or sell, whilst the Industrial Estates Monitors records vacant units and floorspace identified from an annual site visit. Therefore, the Commercial Commitments Monitor data does not necessarily capture space that is vacant but not being marketed, so may under-record total available space. Nevertheless, the overall trend is similar between the Commercial Commitments Monitors and the Industrial Estates Monitors

^{vi} The Croydon Monitoring Report (June 2019), LB Croydon

^{vii} The Borough has a 4 tier hierarchy of employment land: Tier 1 (Strategic and Separated Industrial Locations); Tier 2 (Integrated Industrial Locations); Tier 3 (Town Centre Industrial Locations); and Tier 4 (Scattered Employment Sites)

^{viii} Authority Monitoring Report 2018/19, London Borough of Sutton (December 2019)

^{ix} The 92,794 sq.m floorspace is the initial input figure in calculating space requirements for the period 2020-40 used in the 2017 analysis. This reflects the floorspace requirements associated with the employment changes forecast over the period 2020-40 and summarised in Table 3.12 in the 2017 report. This forecast

an increase in B Use Class employment of 4,798 FTEs. The 2017 analysis included a 7% vacancy allowance which increased the 92,794 sq.m to 99,289 sq.m. A flexibility, windfall and planning consent allowance of 15,300 sq.m was applied, increasing the 99,289 sq.m to 114,589 sq.m. An adjustment for redevelopment potential of 26,000 sq.m was subtracted from the 114,589 sq.m to leave a residual requirement figure of 88,589 sq.m. This is the figure summarised in Table 3.13 of the 2017 report

^x Fiscal Sustainability Report Table 1, Page 8, Office for Budget Responsibility (July 2020)

^{xi} Gatwick Airport Masterplan, Gatwick Airport (2019)

^{xii} Making Best Use of Gatwick. An Overview of Our Northern Runway Plans, Gatwick Airport (Autumn 2019)

^{xiii} Building – Cost Model (2016), updated from ONS New Work Output Prices (August 2020)

^{xiv} Forbes D; El-Haram M; Horner M and Lilley S (2012) *Forecasting the number of jobs created through construction* in: Smith, S.D (Ed) Procs 28th Annual ARCOM Conference, 3-5 September 2012, Edinburgh, UK, Association of Researchers in Construction Management, 317-326. This has been updated to reflect building cost inflation

^{xv} Based on ONS *Construction Statistics GB* (2018) data, using total employment from Table 3.3a and value of work done by trade of firm and type of work covering both new orders and repair and maintenance in Table 2.9

^{xvi} It has been assumed that there would be a 20-year build out period for the scheme. The development rate could be longer than this, however

^{xvii} Source: HCA (November 2015) *Employment Density Guide 2015* page 29. Employment density figures have been translated into a consistent GIA basis using industry standard conversion rates. The employment density figures used were those proposed in Part A as part of the adjustment to reflect changing work practices but use the standard employment densities in the *Employment Density Guide* as the reference figure. The density figures are rounded

^{xviii} Source: HCA (November 2015) *Employment Density Guide 2015* page 29. Employment density figures have been translated into a consistent GIA basis using industry standard conversion rates. The employment density figures used were those proposed in Part A as part of the adjustment to reflect changing work practices but use the standard employment densities in the *Employment Density Guide* as the reference figure. The density figures are rounded

^{xix} Source: HCA (November 2015) *Employment Density Guide 2015* page 29. Employment density figures have been translated into a consistent GIA basis using industry standard conversion rates. The employment density figures used were those proposed in Part A as part of the adjustment to reflect changing work practices but use the standard employment densities in the *Employment Density Guide* as the reference figure. The density figures are rounded

^{xx} Source: Marriot Design Standards Brochure (2014); Design Guide for Hotels (Scrib)

^{xxi} Source: *Statutory Framework for the Early Years Foundations Stage* (March 2017) DfE. Split by age based on DfE Provision for Children Under 5 years of Age statistics (2019)

^{xxii} Source: *HCA Additionality Guide (2014)*, based on Table 4.13 for local multiplier, Table 4.14 for regional multiplier, and Table 4.11 for national multiplier

^{xxiii} Source: *HCA Additionality Guide (2014)*, based on Table 4.12 for local and regional multipliers and Table 4.11 for national multiplier

^{xxiv} Source: *HCA Additionality Guide (2014)*, based on Table 4.12 for local and regional multipliers and Table 4.11 for national multiplier

^{xxv} Source: *HCA Additionality Guide (2014)*. Leakage rate based on 'high' leakage effect in Table 4.3 and adjusted upwards to reflect demands may put on local construction employment market. Displacement based on results in Table 4.5 and 4.8

^{xxvi} Source: *HCA Additionality Guide (2014)*. Leakage rate based on 'high' leakage effect in Table 4.3 given overall scale and nature of employment generation at HSBP. Displacement based on results in Table 4.7 and 4.8

^{xxvii} The construction GVA figures are based on the overall GVA from construction annualised over a 20 year period

^{xxviii} Based on the average amount of retail expenditure required to support a retail job. This is based on the total value purchase of retail and wholesale goods, materials and services in the South East (adjusted for on-line expenditure) divided by the total number of retail and wholesale jobs, equating to £194,365 per employee. Expenditure data derived from the Annual Business Survey 2018 Regional Results (May 2020) and employment data from Nomis Labour Market Profile: South East (June 2020)

^{xxix} Source: Family Spending (March 2020). Average weekly spending based on average of household expenditure by household reference persons (Table A22), covering large employers and senior managerial; higher professional; lower managerial and professional; intermediate; and small employers. Note that

recreation & culture based on recreational and culture services and newspapers, books and stationery sub-categories. Note that restaurant category only relates to the catering aspect of this expenditure, so excludes hotels. Note, miscellaneous goods only relate to personal care and personal effects sub-categories

^{xxx} Based on average weekly spend divided by 7 and then multiplied by assumed average number of working days per year (225). Exception is food and non-alcoholic drink which was based on average weekly spend multiplied by assumed average 45 working weeks

^{xxx}_i The market draw potential has been based on professional judgement of the potential for expenditure to be attracted to Horley. The emphasis has been on cautious assumptions, which may therefore under-record the full potential for Horley to attract expenditure and so may represent realistic minimum potential impacts. The food and non-alcoholic drink expenditure cover main food shopping, which may be related to where people live. As such, it is assumed that Waitrose and other stores in Horley may be able to attract 10% of such expenditure. Alcoholic drink expenditure will include evening/day socialising and related social events by workers at HSBP, with the potential for 25% of such expenditure potentially drawn to Horley with the right offer in place. A sub-sector of recreation & culture and miscellaneous goods expenditure has been used, which is more aligned with the potential for spending activity close to the place of work. It has been assumed that potentially 25% of such expenditure may be spent at Horley. The 25% expenditure on restaurants in Horley is slightly lower than the assumptions used in the Reigate & Banstead Retail Needs Assessment (2016) study reflecting potential draw from any such facilities within HSBP itself.

^{xxx}_{ii} HOR9 Strategic Employment Site Economic Assessment (Task 1 and Task 2 reports), September 2017

Appendix 1: List of Stakeholder Consultees

Public Sector Organisation	Position	Notes
Reigate and Banstead Borough Council – Economic Development	Economic Prosperity Manager	Telephone conversation.
Horley Chamber of Commerce	Chairman	Contact made by email and telephone with Chamber Chair.
Crawley Borough Council - Planning Policy and Economic Development	Senior Planning Policy Officer and Economic Development Manager	Contact made with planning policy and economic development. Telephone conversation held with senior planning policy officer.
Epsom & Ewell District Council - Planning Policy	Planning Policy Officer	Telephone conversation.
Horsham District Council – Planning Policy and Economic Development	Principal Planning Officer and Economic Development Manager	Contact made. No response received.
London Borough of Croydon Council	Planning Policy and Economic Development	Contact made. No response received.
London Borough of Sutton Council - Planning Policy	Senior Planning Officer	Telephone conversation.
Mid Sussex District Council - Planning Policy and Economic Development	Business Unit Leader – Planning Policy and Economic Development	Contact made with planning policy and economic development. Telephone conversation held with Business Unit Leader Planning Policy.
Mole Valley District Council -Planning Policy and Economic Development	Senior Planning Officer and Economic Development Manager	Telephone conversation with Economic Development Manager and Senior Planning Officer.

Tandridge District Council – Planning Policy and Economic Development	Planning Policy Manager and Economic Development Manager	Telephone conversation with planning policy manager.
Manor Royal Business Improvement District	Executive Director	Telephone conversation.
Coast to Capital Local Enterprise Partnership	Chief Operating Officer	Telephone conversation.
Gatwick Diamond Initiative	Executive Director	Telephone conversation.
Commercial Property Agents	Position	Notes
Stiles Harold Williams	Senior Partner	Declined to comment due to conflict of interest. Advises Horley Business Park LLP in relation to HSBP development.
Stiles Harold Williams	Partner (Head of Agency)	Telephone conversation.
Vail Williams	Partner	Declined to comment due to conflict of interest. Advises Surrey County Council in relation to the HSBP development.
Graves Jenkins	Director	Contact made. No response received.
Altus Group	Director (M25 South agency)	Telephone conversation.
Hurst Warne	Director	Telephone conversation.

Appendix 2: Current Active Market

1.1 Current Active Market

- 1.1.1 This Appendix focuses on the current active property market and provides commentary on changes since the 2017 report¹. It considers how the market has developed over the last five to ten years, current activity levels, and views on the market over the short-term (1-2 years). It provides an important snapshot of recent and current market demand issues.
- 1.1.2 The synthesis of current and recent market activity findings with a qualitative interpretation on how relevant future trends will influence market demand, enables a more nuanced and robust high-level consideration of the demand assessment outputs associated with the Horley Strategic Business Park (HSBP) in the context of changing economic circumstances.
- 1.1.3 Given the strategic nature of the HSBP the geographical scope of the assessment has been at a local authority-wide level. This includes Reigate & Banstead Borough and then a broader market area covering the Gatwick Diamond area (Crawley, Epsom and Ewell, Horsham, Mid Sussex, Mole Valley, Tandridge) and the London Boroughs of Croydon and Sutton. It is primarily at these geographical scales that HSBP will be meeting demand as it is developed and so understanding the current market dynamics in these areas is important.
- 1.1.4 A further assessment of the immediate local catchment area of HSBP (approximately 2 miles from the HSBP, covering Crawley and Horley Town Centres and Manor Royal in particular) has not therefore been carried out as this area provides a market offer with a different, more local focus. This immediate market catchment area has, however, been the subject of the economic effects and impact work undertaken

and considered in Part B of this report which examines the nature of potential impacts on the local centres and employment locations (positive or negative) that may result from HSBP.

1.2 Current Active Market: Reigate & Banstead Borough

Offices and R&D Space

Existing Stock and Change Over Time

- 1.2.1 Information collated by the VOA provides a Borough-wide summary of commercial floorspace stock together with changes over time. Table A2.1 below provides a summary of office stock levels and change over the period 2006 – 2019.
- 1.2.2 From Table A2.1 it can be seen that approximately **274,000** sq.m of office space was identified in the borough of Reigate & Banstead in 2019. Over the period 2006 – 2019 the VOA data indicates a reduction of circa **37,000** sq.m of office floorspace – a change of **11.9%** in the Borough. During this period, the most significant level of reduction has occurred in the five-year period 2011 – 2016, which resulted in a reduction of **24,000** sq.m.

Table A2.1: Stock of Office Floorspace Sq.m, Reigate & Banstead Borough 2006 - 2019

Type	2006	2011	2016	2019	Change 2006 - 2019
Office	311,000	308,000	284,000	274,000	-37,000 (-2,846 pa)

Source: VOA, 2019

Take Up

1.2.3 Council take-up data for the Borough provides a summary of stock absorption and stock growth (or decline)ⁱⁱ. Taken together, these factors provide the net level of office space taken up in Reigate & Banstead on an annual basis. Table A2.2 provides a summary of take up over the period 2010/11 – 2018/19.

Table A2.2: Overall Office Take Up, Sq.m – Stock Absorption & Stock Growth, 2010/11 - 2018/19

Office	2010/ 11	2011/ 12	2012/ 13	2013/ 14
Take Up: Market Absorption	-16,614	4,642	-135	355
Take Up: Development	1,118	-438	-2,165	-733
Net Office Take Up	-15,496	4,204	-2,300	-378

Office	2014/ 15	2015/ 16	2016/ 17	2017 /18	2018/ 19
Take Up: Market Absorption	10,147	7,489	-2,506	5,692	3,432
Take Up: Development	-2,372	-9,525	-2,088	-13,009	-593
Net Office Take Up	7,775	-2,036	-4,594	-7,317	2,839

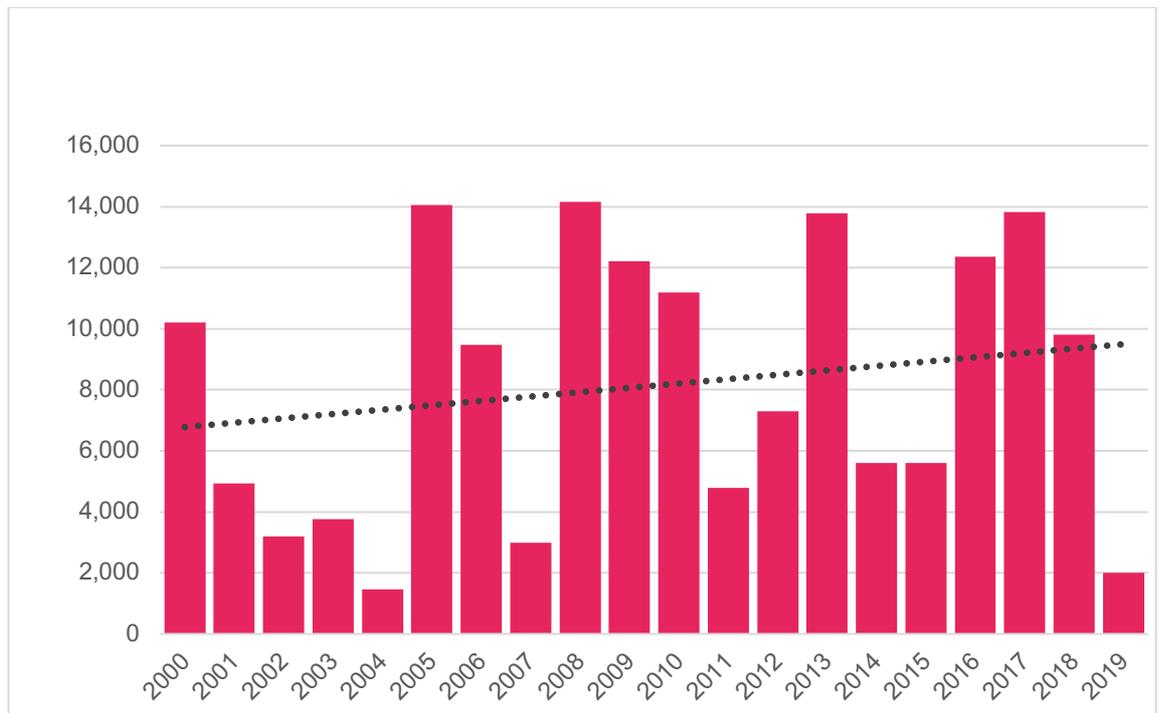
Source: Commercial Commitments Monitors (2019) RBBC

1.2.4 The market absorption rate for 2010/11 in Table A2.2 includes the impacts of the global financial crisis, and so reflects abnormal market conditions. If this is excluded then the average annual market absorption rate has been 3,640 sq.m. There were particularly healthy levels of take-up in 2014/15 and 2015/16, and again in 2017/18 and 2018/19.

1.2.5 The negative market absorption figure for 2016/17 does however partially reflect the impacts of PDR on the office sector. Excluding this from the analysis indicates an underlying market absorption rate of 4,517 sq.m per annum.

- 1.2.6 In contrast, the general absence of new stock in the office sector has resulted in an average annual loss of stock as a result of development, especially over recent years (due mainly to PDR conversions from offices to residential, with notable losses in 2015/16 and 2017/18). In net terms, since 2011/12, there has been an annual average loss of office floorspace of 3,272 sq.m or 26,179 sq.m in total. This reinforces the changing stock pattern reported in the VOA figures in Table 2A.1.
- 1.2.7 Alongside market absorption take-up, which primarily covers development related take-up, there is the wider occupational take-up as reported by EGi. This covers pre-lets, newly developed space and occupation of existing stock of space, whether marketed or not. While not covering all the occupational market (some smaller deals and off-book transactions may not be captured) it is estimated to capture over 80% of market transactions, including secondary market areas. This is generally a higher figure than local authority monitoring data and is always a positive figure as it is only dealing with occupation of space (i.e. not loss of space to other uses).
- 1.2.8 Figure A2.1 below illustrates the pattern of office take-up for Reigate & Banstead over the period 2000-2019. The Figure shows the cyclical nature of take-up across the Borough, but with a rising trend line for the period. Across 2000-2019 as a whole, the average annual office take-up rate has been approximately 7,760 sq.m. However, the last five-year period 2015 - 2019 has seen the average annual office take-up rate rise to approximately 8,717 sq.m. This includes a much more muted level of take-up in 2019, which partial reflect continued uncertainties over Brexit but also an increasing shortage of office floorspace supply to meet need.

Figure A2.1: Office Floorspace Take-up, sq.m, Reigate & Banstead 2000 - 2019



Source: EGi, September 2020

1.2.9 The relative increase in office take-up in the borough of Reigate & Banstead since 2011/12, excluding the PDR impact years of 2015/16-2017/18, compared to the take-up analysis rates used in the RBBC *Local Economic Needs Assessment Update (2016)* report has been used to substantiate the future market demand. This is considered in the next sub-section.

Availability

1.2.10 Table A2.3 provides a summary of available office floorspace in Reigate & Banstead over the period 2010/11 to 2018/19. This covers areas monitored by RBBC. This shows a broadly constant reduction in the amount of available floorspace over time, from 48,462 sq.m in 2010/11 to 19,526 sq.m. This is a reduction in available floorspace of 28,936 sq.m or almost 60%.

Table A2.3: Available Office Floorspace, Sq.m, Reigate & Banstead Borough 2010/11 – 2018/19

Office	2010/ 11	2011/ 12	2012/ 13	2013/ 14
Available Floorspace	48,642	44,000	44,135	41,780

Office	2014/ 15	2015/ 16	2016/ 17	2017 /18	2018/ 19
Available Floorspace	33,633	26,144	28,650	22,958	19,526

Source: Commercial Commitments Monitors (2019), RBBC and RBBC Local Economic Needs Assessment Update (June 2016)

1.2.11 This is a significant level of reduction in available office floorspace demonstrated by comparing the amount of available floorspace with the total stock of office floorspace as identified by the VOA. While the data sets are not identical, being developed for different purposes and with different definitions and assumptions, they are helpful in demonstrating patterns of change.

1.2.12 The results are summarised in Table A2.4, and shows available floorspace as a proportion of total stock. Over the period 2011 to 2019 the availability rate has more than halved, resulting in a relatively tight office market, as highlighted from discussions with local property agents who report the impacts of a lack of new supply, particularly for Grade A floorspace and the loss of stock due to PDR as contributing to the lower availability of office stock.

Table A2.4: Office Availability as Proportion of Stock – Change Over Time in Reigate & Banstead

Office	2011	2016	2019
Total Office Stock	308,000	284,000	274,000
Office Availability	48,642	26,144	19,526
Availability % Stock	15.8%	9.2%	7.1%

Source: VOA, 2019 and RBBC, 2019

1.2.13 Further insight can be gained by looking at the amount of available office floorspace identified by EGi and relating this to total occupational take-up recorded by EGi. This can provide a notional years supply figure, which is a guide as to how healthy the occupational market is. It should be noted that the available floorspace figure recorded by EGi is higher than that recorded by RBBC, which reflects differences in coverage.

1.2.14 Table A2.5 summarises the results. In Reigate & Banstead the current (September 2020) office availability is 32,048 sq.m. This is compared against average annual office take-up rates for different periods and demonstrates the increasingly tight office occupational market.

Table A2.5: Notional Years Supply of Office Floorspace, Sq.m in Reigate & Banstead

Office	2000 - 2019	2015 - 2019
Annual Average Take-up	7,760	8,717
Office Availability	32,048	32,048
Notional Years Supply	4.1	3.7

Source: EGi, September 2020

1.2.15 Commercial agents report that the local office market in the Borough, particularly in the principal commercial centres of Redhill, and to a lesser extent Reigate, has been driven by demand for small, high quality space, including from larger occupiers seeking to downsize and often with back office functions away from the main commercial centres including London. This trend has however been constrained by a lack of office supply, which has dipped to one of its lowest levels over

recent years, particularly over 2017 and 2018, due to the general absence of new development activity and the consequences of losses to PDR.

1.2.16 Discussions with local agents confirm that occupier demand has remained strong for quality, both in terms of floorspace and amenity considerations, which together represent key local drivers of demand for new or refurbished space. The combination of demand and limited supply has encouraged some new high-quality development to come forward such as Prospero in Redhill whilst the role of refurbished offices (e.g. Regents House in Redhill) has proved attractive in helping to address the constraints of qualitative supply and raised availability (primarily in Redhill). This has helped to secure higher rental values for landlords although there still exists a lack of new quality supply and availability of offices which remains a concern for local agents.

Rents and Yields

1.2.17 Recorded information from EGi for the period 2019/20 indicates rents for office stock across the Borough average £23.50/sq.ft. This represents an increase in the Borough average from £18.87/sq.ft identified in the 2017 report.

1.2.18 At the Borough level, commercial agents report a range of office rental values reflecting location and quality, with the larger traditional office markets in Reigate and Redhill typically in the rental range £23.50 - £27.50/sq.ft. Whilst the lower range is comparable to the EGi data, reported market conditions support higher average rents compared to the EGi data.

1.2.19 Prime rents of over £30/sq.ft are reported in relation to Grade A stock in Redhill whilst there is increasing trends of refurbishments being undertaken which has lifted rents for many previously secondary space into the mid £20s/sq.ft rental market. These positive rental trends

reflect the local market characteristics of low office supply levels which have pushed up rental values.

1.2.20 In contrast, lower quality office provision (e.g. at secondary commercial and industrial estates) is typically from £11 - £14/sq.ft. The local Horley market reflects a general lack of office supply compared to Redhill and Reigate and is also located in close proximity to the established office supply at Crawley and Gatwick, where agents report prime rents of circa £30/sq.ft and typically around the £25 - £27/sq.ft.

1.2.21 Recent transactional data from EGi is limited and identifies two investment deals in the Borough for the period 2019 and 2020 at 5.68% and 9.19% respectively; the latter for secondary space. More historical analysis for the period 2017 - 2018 indicates a yield range of 5.5% to 7.5% which compares to the yield of 5.6% identified for office sales in the 2017 report. Overall, office yields are considered to have strengthened which reflects rising rental values and decreasing stock availability although for older office stock, yields in the range 8% - 9% could be expected.

Historic Development Activity

1.2.22 RBBC's *Commercial Commitments Monitor* (March 2019) confirms a significant decline in historic office completions, particularly since the introduction of the PDR for office to residential conversion from 2013. This position is confirmed from local agent discussions.

1.2.23 The level of new office floorspace has been limited over the last decade, except for more pronounced activity in 2015/16. Local agents report a small element of new activity in Redhill together with increased refurbishment of secondary office stock although this is set against a significant loss of office floorspace, especially between 2014/15 and 2016/17. Table A2.6 summarises the level of floorspace gains/completions in the Borough over the last decade. This indicates that between 2010/11 and 2018/19 there was a net loss of office

floorspace of 30,923 sq.m. The future office pipeline (commitments and floorspace under construction) is considered in more detail later in this Section.

Table A2.6: Trends in Office Floorspace Completions and Losses In Reigate & Banstead Borough, Sq.m, 2010/11 – 2018/19

Year	2010/ 11	2011/ 12	2012/ 13	2013/ 14
Gain sq.m	515	162	0	0
Loss sq.m	953	2,327	733	2,372
Net sq.m	-438	-2,165	-733	-2,372

Year	2014/ 15	2015/ 16	2016/ 17	2017 /18	2018/ 19
Gain sq.m	98	5340	0	638	515
Loss sq.m	9,623	7,428	13,009	1,231	953
Net sq.m	-9,525	-2,088	-13,009	-593	-438

Source: Commercial Commitments Monitors (2019), RBBC

1.2.24 In summary, there has been a reduction in the total stock of office floorspace in the borough over the last 13 years, strongly influenced by losses associated with PDR, with very low levels of new development evident. Despite this, the underlying occupational market take-up is relatively strong. This has been strengthening over the last five years, although a number of factors are identified by local agents as impacting on market conditions even before the pandemic, and related to market uncertainty associated with Brexit together with the shortage of suitable quality supply, especially for Grade A stock.

Light Industrial, Logistics, Storage and Distribution

Industrial Stock and Change Over Time

1.2.25 The level of industrial floorspace in the Borough, at 31st March 2019, is identified by the VOA to be **293,000** sq.m (Table A2.7). From Table 2A.7 it can be seen that there was a loss of **24,000** sq.m (**7.6%**) of industrial floorspace between 2006 and 2019. In contrast to the loss of office stock, the majority of floorspace reduction occurred in the earlier

2006 - 2011 period and is more likely to have been a result of re-development activity and loss during the recession.

Table A2.7: Stock of Industrial Floorspace, Sq.m, Reigate & Banstead Borough 2006 - 2019

Type	2006	2011	2016	2019	Change 2006 - 2019
Industrial and Warehousing	317,000	298,000	294,000	293,000	-24,000 (-1,846 pa)

Source: VOA, 2019

1.2.26 The Council's latest *Industrial Estates Monitors* (March 2011 to 2019) provide an overview of use trends and market activity relevant to the Borough's main industrial estates (as opposed to overall industrial stock).

1.2.27 In total, the main industrial estates support almost **370** business premises and provide over **247,000** sq.m of industrial floorspace. As such, these locations represent the major focus of industrial activity in the Borough and so are reported on separately as appropriate.

Take Up

1.2.28 The Reigate & Banstead Borough Council take-up data provides a summary of industrial stock absorption and stock growth. The position is summarised in Table 2A.8 for the period 2010/11 – 2018/19. It indicates that net industrial take-up over the period 2010/11 to 2018/19 has averaged **2,166** sq.m per annum, although with marked variations year on year reflecting the 'lumpy' nature of the industrial market relative to the office sector. This includes major net take-up in 2011/12 and 2015/16, and major net loss in 2012/13.

Table A2.8: Overall Industrial Take Up – Stock Absorption & Stock Growth, 2010/11-2018/19

Industrial	2010/ 11	2011/ 12	2012/ 13	2013/ 14
Take Up: Market Absorption	1,449	9,620	-8,850	152
Take Up: Development	-828	495	1,484	0
Net Industrial Take Up	621	10,115	-7,366	152

Industrial	2014/ 15	2015/ 16	2016/ 17	2017 /18	2018/ 19
Take Up: Market Absorption	3,891	11,049	-629	346	6,174
Take Up: Development	131	-292	-925	-1,353	-2,419
Net Industrial Take Up	4,022	10,757	-1,554	-1,007	3,755

Source: Council Commercial Commitments Monitors (2019), RBBC

1.2.29 RBBC data also confirms that take-up at the main industrial estates of Reigate & Banstead has been relatively buoyant over recent years. Table 2A.9 provides a summary of absolute gross take up between 2011/12 and 2018/19 at the main estates. This indicates that average industrial take-up has averaged 15,894 sq.m over this period, with 2018/19 witnessing particularly strong take-up.

Table A2.9: Take Up at the Borough’s Main Industrial Estates, Sq.m 2011/12 - 2018/19

Industrial	2011/ 12	2012/ 13	2013/ 14	2014/ 15
Main Industrial Estate Take-up	16,495	10,133	14,290	16,810

Industrial	2015/ 16	2016/ 17	2017 /18	2018/ 19
Main Industrial Estate Take-up	15,981	16,635	13,400	23,411

Source: Industrial Estates Monitor, 2019, Reigate & Banstead Borough Council

1.2.30 It is important to note that the main industrial estates take-up data is based upon annual monitoring of on-site schedules maintained by RBBC. It captures a range of activities deemed to represent take-up, which are not necessarily picked-up by the occupational take-up as monitored by EGi. This includes occupational sales, off-market deals and on-site expansions. In addition, however, there may be cases in

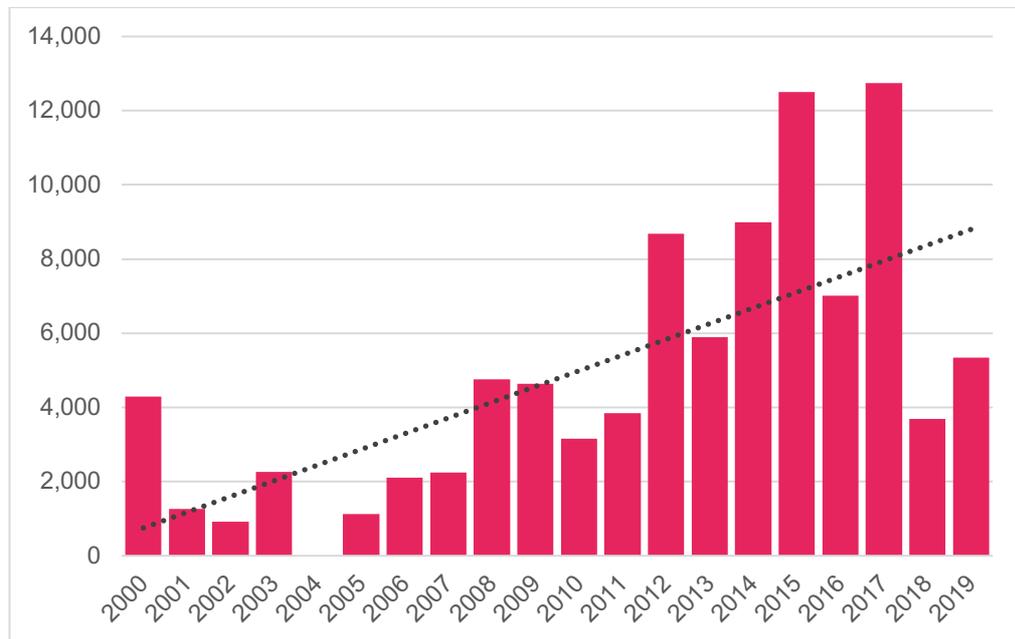
which the main industrial estates take-up is in excess of actual take-up, such as rebranding by occupiers.

1.2.31 As such, the main industrial estates take-up figures are likely to capture a much wider picture of industrial take-up than the core occupational take-up recorded by EGi. The EGi analysis is useful however in reflecting the marketed or underlying trends in industrial occupational take-up, and Figure A2.2 illustrates the pattern of industrial take-up for Reigate & Banstead over the period 2000 - 2019.

1.2.32 This shows the steady increase in activity, particularly from 2012 onwards. From 2000 - 2019 as a whole, the average annual industrial take-up rate has been approximately 4,774 sq.m. However, the last five-year period 2015-19 has seen the average annual office take-up rate rise to approximately 8,262 sq.m. This includes reduced levels of take-up in 2018 and 2019, primarily associated with uncertainties over Brexit but also a more significant shortage of available industrial floorspace supply to meet need.

1.2.33 The broad trend, if not the scale, for reasons outlined above, is similar to that revealed from the main industrial estates monitoring. The main exception is 2018/19, where the Industrial Estates Monitor shows a noticeable increase in take-up. This appears to be associated with a significant gain in B8 distribution space from extant planning permissions or under construction space, which may have been subject to pre-lets.

Figure A2.2: Industrial Floorspace Take-up, Sq.m, Reigate & Banstead 2000 - 2019



Source: EGi, September 2020

1.2.34 The changing level of industrial take-up in Reigate & Banstead over the period 2011/12 to 2018/19 compared to the take-up analysis rates used in the RBBC *Local Economic Needs Assessment Update (2016)* report has been used to inform the verification of future market demand.

Availability

1.2.35 The level of industrial and distribution availability in the Borough is summarised for the period 2011/12 - 2018/19 in Table A2.10, based on Reigate & Banstead Borough’s Commercial Commitments Monitorsⁱⁱⁱ. This illustrates the significant reduction in industrial and distribution floorspace availability over this period, from a peak of 29,000 sq.m in 2012/13 to 8,017 sq.m in 2018/19. This represents a reduction of almost 21,000 sq.m, or less than a quarter of availability levels in 2012/13.

Table A2.10: Summary of Available Industrial Floorspace in Borough, Sq.m, 2012 – 2019

Year	2011/ 12	2012/ 13	2013/ 14	2014/ 15
Available Floorspace	20,150	29,000	28,848	24,957

Year	2015/ 16	2016/ 17	2017 /18	2018/ 19
Available Floorspace	13,908	14,537	14,191	8,017

Source: Commercial Commitments Monitors (2019), RBBC

- 1.2.36 There has been a significant level of reduction in available industrial floorspace. This can be seen by comparing the amount of available floorspace with the total stock of industrial floorspace as identified by the VOA, with the results summarised in Table A2.11.
- 1.2.37 Over the period 2011 to 2019 the availability rate has dropped from an indicative 6.8% to 2.7%, a decrease of more than half. This is creating a very tight industrial market, which is confirmed and reinforced through discussions with local property agents who report the exceptionally strong driver of the warehousing and logistics market (as opposed to the light industrial market) as driving demand for storage and distribution space fuelled by last mile delivery associated with the significant rising in online retailing (both pre and during the Coronavirus pandemic).
- 1.2.38 Local commercial agents further recognise that the local industrial market is often within the shadow of the ‘Gatwick effect’ although there is evidence that a significant level of new logistics and industrial space is coming forward/to be developed in the Borough over the short term to address a tightly constrained market. This includes the North Gatwick Gateway scheme at Cross Oak Lane in Horley (5 units providing over 15,600 sq.m) and the smaller Wells Point at Redhill (2 units totalling 3,593 sq.m). Notwithstanding this, market sentiment and occupier demand is reported to remain positive driven by improving confidence of greater Brexit certainty, the aforementioned strong

demand for storage/distribution and an ongoing demand for light industrial and trade counter units to serve local markets.

Table A2.11: Industrial Availability as Proportion of Stock, Sq.m – Change Over Time in Reigate & Banstead Borough

Industrial	2011	2016	2019
Total Industrial Stock	298,000	294,000	293,000
Industrial Availability	20,150	13,908	8,017
Availability as % Stock	6.8%	4.7%	2.7%

Source: VOA, 2019 and RBBC, 2019

- 1.2.39 The amount of available industrial floorspace and total occupational take-up rates are summarised in Table A2.12, based on EGi data. This establishes a notional supply figure (in terms of number of years of supply based on take up), which is a guide as to how healthy the occupational market is.
- 1.2.40 It should be noted that the overall available floorspace figure of 46,565 sq.m recorded by EGi is higher than that recorded by Reigate & Banstead Borough Council. This generally reflects differences in coverage but in addition the figures are also skewed by two particularly large schemes: a site at Bonehurst Road (15,793 sq.m for mixed B1, B2, B8 use); and open land at Merstham (19,343 sq.m for mixed B1, B2, B8 use) which has just come on to the market.
- 1.2.41 The majority of available supply is of units of less than 500 sq.m, with the overall average unit size for all stock being 879 sq.m. If the two large schemes are excluded, then this results in an availability figure of 11,429 sq.m. This is closer to the 8,017 sq.m availability figure recorded for 2019 and reported in Table A2.11.
- 1.2.42 Table A2.12 below applies the two different EGi availability figures for the borough of Reigate & Banstead and compares them against average annual industrial take-up rates for different periods. and demonstrates the increasingly tight industrial occupational market, reinforcing the findings in Table A2.11.

Table A2.12: Notional Years Supply of Industrial Floorspace, Sq.m in Reigate & Banstead Borough

Industrial	2000 - 2019	2015 - 2019
Annual Average Take-up (sq.m)	4,774	8,262
Industrial Availability - All	46,565	46,565
Notional Years Supply	9.8	5.6
Industrial Availability - Core	11,429	11,429
Notional Years Supply	2.4	1.4

Source: EGi, September 2020

- 1.2.43 Even excluding the two large units noted above, the majority (85%) of availability is of mixed employment space (B1, B2 and B8), totalling 9,586 sq.m. There is a particularly limited supply of light industrial space (527 sq.m, or 5% of total). There is 991 sq.m of storage and distribution space (9% of total) and 325 sq.m of general industrial space (3% of total).
- 1.2.44 The constraints of available supply, particularly for storage/distribution, is confirmed by local commercial agents and is recognised as a wider issue which is not restricted to the Borough.
- 1.2.45 Improvements in industrial supply are proposed in the Gatwick/Crawley market (as discussed later in this Section) although the general market sentiment and commentary is one of tightening availability. This will complement the modern new supply which is available for occupation through the Goya Developments schemes at Wells Point and North Gatwick Gateway.
- 1.2.46 Analysis of vacant premises across the Council's defined main industrial estates confirm a similar downward trend in vacancy, as illustrated in Table A2.13.
- 1.2.47 In terms of the number of units there has been a particular reduction over the last few years, from 11.7% in 2017/18 to 8.4% in 2019/20. The floorspace vacancy rate is lower and has seen a steady reduction since 2017/17 to stand at 5.4% in 2019/20. Whilst it is recognised this relates to premises at specific industrial estates as opposed to all

industrial stock, monitoring data highlight the falling long-term vacancy trend at the main estates in the Borough.

1.2.48 It is important to note that the distribution of vacancy rates varies amongst the main industrial estates, ranging from no vacancies at Wells Place and Balcombe Road in terms of number of units, to 15% vacancies in terms of number of units at Kingsfield Business Centre and Salfords. In terms of vacancy by floorspace, Pitwood Park (Tadworth) has a 32% vacancy rate (as at March 2020). The main concentration of vacant industrial floorspace is at Salfords.

Table A2.13: Reigate & Banstead Borough Main Industrial Estates Long Term Vacancy Trends (Number of Units and Floorspace, Sq.m)

Year	2011/ 12	2012/ 13	2013/ 14	2014/ 15
Vacant Units (%)	14.0	16.6	18.6	15.6
Vacant Floorspace (%)	10.3	12.1	14.0	10.0
Vacant Floorspace (sq.m)	26,915	31,795	37,015	27,505

Year	2015/ 16	2016/ 17	2017 /18	2018/ 19	2019/ 20
Vacant Units (%)	10.4	10.9	11.7	7.8	8.4
Vacant Floorspace (%)	8.1	8.3	7.5	4.9	5.4
Vacant Floorspace (sq.m)	21,455	22,228	19,899	12,984	13,465

Source: RBBC, 2020

Rents and Yields

1.2.49 EGi data shows that rents for industrial stock varies across the Borough depending on the stock quality/grade and its location.

1.2.50 For established light industrial stock, this can vary from £8.25 to £11.50/sq.ft although the new modern supply coming forward at Wells Point and North Gatwick Gateway is quoting £13.77 - £13.95/sq.ft respectively for flexible accommodation (suitable for industrial and warehousing). This provision of modern, quality stock is driving rental values, a position confirmed by local commercial agents in light of a constrained local supply and strong demand.

1.2.51 With regard to general industrial and storage/distribution stock, EGI data is often characterised as 'mixed industrial' although a range of £7 - £9.50/sq.ft is typically identified. Local agents confirm that rental values for storage and distribution have increased due to occupier demand with typical rents over £10/sq.ft and new stock now quoted above £13/sq.ft.

1.2.52 Yield evidence recorded by EGI is relatively limited. Two recent recorded deals from 2019 and 2020 indicate yields of 5.68% and 4.81% respectively, both for storage/distribution properties. These confirm a healthy investment market for such stock which is driven by growth in the logistics sector. Local agents confirm these yields are broadly reflective of the strong market commanded by storage and distribution floorspace.

Historic Development Activity

1.2.53 Whilst the total commercial stock measured by VOA at Table A2.7 identifies an overall reduction in industrial stock levels over recent years, Council monitoring of industrial and distribution floorspace in the Borough highlights the trend of low levels of new floorspace completions over recent years.

1.2.54 This is summarised in Table A2.14 which covers gains and losses of industrial floorspace between 2011/12 and 2018/19, and illustrates the paucity of gains since 2013/14.

Table A2.14: Trends in Industrial Floorspace Completions and Losses Reigate & Banstead Borough, Sq.m, 2011/12 – 2018/19

Year	2011/ 12	2012/ 13	2013/ 14	2014/ 15
Gain sq.m	1,069	1,977	0	246
Loss sq.m	574	493	0	115
Net sq.m	495	1,484	0	131

Year	2015/ 16	2016/ 17	2017 /18	2018/ 19
Gain sq.m	0	0	0	595
Loss sq.m	292	925	1,353	3,014
Net sq.m	-292	-925	-1,353	-2,419

Source: RBBC, 2019

1.2.55 In summary, there has been a reduction in overall industrial stock in the borough of Reigate & Banstead between 2006 and 2019, although primarily associated with the aftermath of the global financial crisis.

1.2.56 Take-up rates, in contrast, have been relatively healthy, particularly in the wider occupational market as opposed to development-related take-up. Lack of new supply has however driven availability rates to record low levels.

1.2.57 This situation is changing through the delivery of a number of new schemes in the Borough although as outlined by local agents, the market in the Borough remains characterised by limited availability, particularly for flexible and quality accommodation which proves popular to the industrial and distribution market.

1.3 Current Active Market: Gatwick Diamond and Wider Area

1.3.1 This sub-section provides a headline-level overview of the main commercial trends relevant to the wider market area within which Reigate & Banstead sits. The area relates to the authorities comprising the Gatwick Diamond together with the London Boroughs of Croydon and Sutton.

Offices and R&D Space

Existing Stock and Change Over Time

- 1.3.2 Data from the VOA identifies almost 2 million sq.m of office floorspace in the Gatwick Diamond and wider market areas as at March 2019. However, there is a substantial variation in the distribution of office floorspace across the nine authorities which comprise this wider market area.
- 1.3.3 The largest office stock is concentrated at LB Croydon which accounts for over 27% of this total. In the context of the Gatwick Diamond, Crawley, and to a lesser extent, Reigate & Banstead and Mole Valley, support healthy levels of existing office floorspace. Table A2.15 provides a summary of provision across the wider area.

Table A2.15: Total Office Floorspace, Sq.m, across Gatwick Diamond and Wider Study Area, 2006 - 2019

Office	2006	2011	2016	2019	Change 2006 - 2019 Sq.m	Change 2006 - 2019 %
Reigate & Banstead	311,000	308,000	284,000	274,000	-37,000	-12%
Crawley	413,000	382,000	351,000	360,000	-53,000	-13%
Horsham	163,000	165,000	157,000	145,000	-18,000	-11%
Mid Sussex	177,000	180,000	175,000	158,000	-19,000	-11%
Tandridge	60,000	67,000	62,000	55,000	-5,000	-8%
Mole Valley	226,000	247,000	244,000	244,000	18,000	8%
Epsom & Ewell	100,000	95,000	89,000	77,000	-23,000	-23%
LB Croydon	687,000	613,000	540,000	543,000	-144,000	-21%
LB Sutton	203,000	175,000	147,000	137,000	-66,000	-33%
Total	2,340,000	2,232,000	2,049,000	1,993,000	-347,000	-15%

Source: VOA, 2019

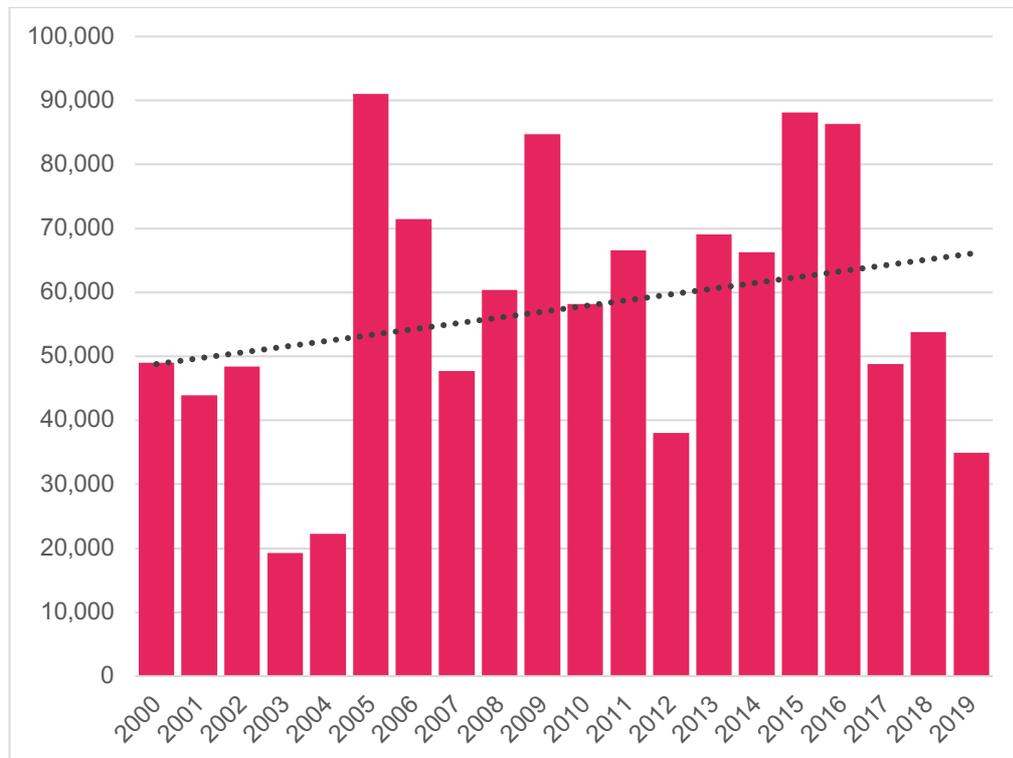
- 1.3.4 Table A2.15 also indicates that there has been a 15% reduction in office floorspace across the area in the period 2006 – 2019 totalling 347,000 sq. m. Reigate & Banstead have seen a slightly below average level of decline, at 12%. The most significant levels of reduction have been in in Sutton (33%), Epsom and Ewell (23%), and Croydon (21%). Interestingly, Crawley and Croydon both witnessed

increases in office stock between 2016 and 2019. Mole Valley represents the only authority which has seen an increase in overall office floorspace over the longer-term period of 2006-2019.

Take Up

- 1.3.5 Data from EGi covers the office take-up patterns within the Gatwick Diamond and wider study area, with results summarised in Figure A2.3. This illustrates the pattern of office take-up over the period 2000 – 2019 and shows a similar cyclical pattern to that revealed for Reigate & Banstead Borough, although the annual fluctuations are not as variable, which is associated with the dampening effects of a wider study area.
- 1.3.6 Across 2000 - 2019 as a whole, the average annual office take-up rate has been approximately 57,420 sq.m. However, the last five-year period 2015 - 2019 has seen the average annual office take-up rate rise to approximately 62,424 sq.m. This represents an increase of approximately 9% above the longer-term 2000 - 2019 take-up rate.
- 1.3.7 The take-up is however lower than the rate of increase seen in Reigate & Banstead, which had a 12% increase in take-up above the longer-term trend, despite more limited take-up in 2019 due to supply constraints. This highlights the underlying business occupier interest in the Reigate & Banstead office market.

Figure A2.3: Office Floorspace Take-up, Sq.m, in Gatwick Diamond and Wider Study Area, 2000 - 2019



Source: EGi, September 2020

- 1.3.8 Discussions with local commercial agents highlight a number of headline office market trends albeit from the most recent years of 2018 and 2019 which confirm the EGi data.
- 1.3.9 For the largest office markets of Croydon and Crawley, office take up was reported as disappointing, especially in Croydon which recorded its lowest take up for 20 years. The average size of letting was also characterised to be smaller than previous years.
- 1.3.10 The majority of property agents reported the negative impact of Brexit uncertainty on occupier take up whilst the limited availability of quality office stock was an additional reported constraint.
- 1.3.11 Equally, consistent feedback from agents focused on the trend towards ‘downsizing’ to smaller, more efficient and smarter use of office

floorspace across many of the office locations in the wider area, which has contributed to lower office size requirements.

Availability

1.3.12 The amount of available office floorspace and total occupational take-up rates are summarised in Table A2.16, based on EGi data. This provides a notional years supply figure, which is a guide as to how healthy the occupational market is.

1.3.13 From Table A2.16 it will be seen that total office availability is 304,090 sq.m in the Gatwick Diamond and wider study area as at September 2020.

1.3.14 This is compared against average annual office take-up rates for different periods. It demonstrates the increasingly tight office occupational market, although not to the same extent as in Reigate & Banstead, where the notional supply of office floorspace is 3.7 years based on the average take-up rates for the period 2015 - 2019.

Table A2.16: Notional Years Supply of Office Floorspace in Gatwick Diamond and Wider Study Area

Office	2000 - 2019	2015 - 2019
Annual Average Take-up (sq.m)	57,420	62,424
Office Availability	304,090	304,090
Notional Years Supply	5.3	4.9

Source: EGi, September 2020

1.3.15 While availability rates vary across the Gatwick Diamond area, many of the markets are considered broadly similar with vacancy rates reported of 3% to 4% which confirms the limited availability of office stock.

1.3.16 By contrast, and more relevant to the local market, it is reported that Crawley has higher availability although much of this is attributed to oversupply in Manor Royal where a number of large 'legacy' offices have become available but where limited demand exists given its focus

on small and medium sized requirements and represents space which is no longer fit for purpose. The situation is slowly changing in Crawley Town Centre, with initiatives including the Town Hall area re-development and Gatwick Park seeking to bring forward much needed Grade A office floorspace within the town.

Rents and Yields

- 1.3.17 Rental activity in the study area confirms healthy levels of office rental growth from the average of £20.78/sq.ft identified in our 2017 report. At the local level, local agents for the Gatwick/Crawley market indicate the majority of lettings for Grade A accommodation has remained strong at circa £25 - £27.50/sq.ft although the lack of Grade A supply has pushed the prime rental tone to circa £30/sq.ft. For the wider area, headline rents are reported up to £35/sq.ft in Croydon whilst secondary rents across the region are typically in the range £20 - £27.50/sq.ft.
- 1.3.18 There is an agreed market sentiment that the lack of an available and quality of office supply in the wider Gatwick Diamond area has driven rental growth.
- 1.3.19 Similarly, there is evidence of strengthening yields over recent years. The 2017 report identified an average yield of 6.7% and whilst transactional activity has remained relatively modest, agent commentary has outlined a yield range of 5.5% to 7.75% depending on location and quality.
- 1.3.20 This is considered to reflect the constraints of low levels of office availability combined with the general lack of speculative development which has supported rental growth and a resultant downward pressure on yields. The sale of Griffin House in Crawley for example achieved 7.2% yield in mid-2019 which broadly accords with the anticipated yield range.

Light Industrial, Logistics, Storage and Distribution

Existing Stock and Change Over Time

- 1.3.21 There is approximately 3.6 million sq.m of industrial floorspace in the Gatwick Diamond and wider market areas as at March 2019 according to VOA data.
- 1.3.22 There are marked variations in the amount of industrial stock across the nine authorities which comprise this wider study area. The largest industrial stock is concentrated in Crawley and in Croydon boroughs, which between them account for almost 40% of the total. Table A2.17 provides a summary of provision across the wider area.
- 1.3.23 Table A2.17 demonstrates that there has been a 3% reduction in industrial floorspace across the area in the period 2006 – 2019, totalling 125,000 sq.m. This is made up of areas that have seen a net increase in industrial stock (Horsham and Mid Sussex) and the other locations witnessing various levels of net industrial stock reduction.
- 1.3.24 The largest rates of industrial stock reduction have been in the boroughs of Epsom & Ewell, Croydon, Mole Valley and Tandridge. Reigate & Banstead Borough sits within the group of local authorities that have seen less significant levels of industrial stock reduction, which also includes the boroughs of Crawley and Sutton.

Table A2.17: Total Industrial Floorspace, Sq.m, across Gatwick Diamond and Wider Study Area, 2006 - 2019

Industrial Floorspace	2006	2011	2016	2019	Change 2006 – 2019 Sq.m	Change 2006 – 2019 %
Reigate & Banstead	317,000	298,000	294,000	293,000	-24,000	-8%
Crawley	709,000	717,000	666,000	684,000	-25,000	-4%
Horsham	475,000	531,000	546,000	546,000	71,000	15%
Mid Sussex	403,000	430,000	445,000	459,000	56,000	14%
Tandridge	220,000	207,000	192,000	194,000	-26,000	-12%
Mole Valley	228,000	204,000	202,000	199,000	-29,000	-13%
Epsom & Ewell	95,000	83,000	79,000	80,000	-15,000	-16%
LB Croydon	785,000	736,000	687,000	674,000	-111,000	-14%
LB Sutton	487,000	493,000	453,000	465,000	-22,000	-5%
Total	3,719,000	3,699,000	3,564,000	3,594,000	-125,000	-3%

Source: VOA, 2019

Take Up

1.3.25 Figure A2.4 below illustrates the scale and pattern of industrial take-up patterns within the Gatwick Diamond and wider study area, based on EGi data. It covers the period 2000 - 2019 and highlights an uplift in take-up from 2007 to a peak in 2013. Since then take-up has been declining year on year but is still relatively healthy, apart from in 2018 and 2019. The reduced take-up in these two years may be associated with a reducing level of available industrial floorspace as well as the occupier uncertainties created by Brexit.

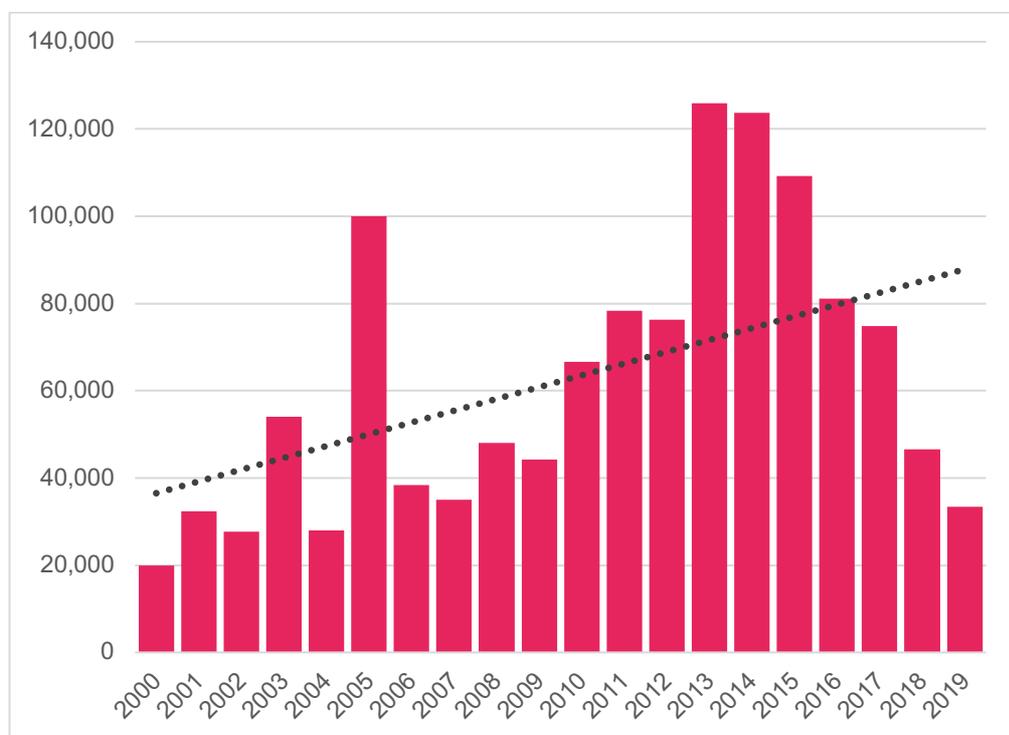
1.3.26 Across 2000 - 2019 as a whole, the average annual industrial take-up rate has been approximately 62,183 sq.m, whilst the last five-year period 2015 - 2019 has seen the average annual industrial take-up rate rise to approximately 69,036 sq.m. The post global financial period 2010 - 2019 has seen industrial take-up average 81,593 sq.m per annum, which reflects major take-up in 2013, 2014 and 2015 in particular.

1.3.27 The increase in take-up in the Gatwick Diamond and wider study area over the period 2015 - 2019 is approximately 11% above the longer-

term 2000 - 2019 take-up rate. However, Reigate & Banstead Borough saw an almost 80% increase in take-up above the longer-term trend for the period 2015 - 2019.

1.3.28 Partly this reflects the increased locational attractiveness of the Borough in terms of distribution activities, but also the fact that there was much more muted levels of activity during the early part of the 2000s prior to the global financial recession.

Figure A2.4: Industrial Floorspace Take-up, Sq.m, in Gatwick Diamond and Wider Study Area, 2000 - 2019



Source: EGi, September 2020

1.3.29 Discussions with local agents confirm levels of occupier demand and confidence had improved following Brexit and political certainty at the end of 2019.

1.3.30 In the context of Gatwick Diamond industrial take up activity, the situation in Crawley in 2019, for example, was reported to equal the 10-year average (at 26,000 sq.m) although more recent evidence for

2020 indicates lower than predicted take up despite increased availability of quality industrial/logistics space.

Availability

- 1.3.31 The amount of available industrial floorspace and total occupational take-up rates are summarised in Table A2.18, based on EGi data. This provides a notional years supply figure, which is a guide as to how healthy the occupational market is.
- 1.3.32 Total industrial availability is 378,067 sq.m in the Gatwick Diamond and wider study area as at September 2020. This is compared against average annual industrial take-up rates for different periods in Table A2.18 and demonstrates a marginal reduction in the notional years' supply of industrial floorspace overall in the Gatwick Diamond and wider study area.

Table A2.18: Notional Years Supply of Industrial Floorspace in Gatwick Diamond and Wider Study Area

Industrial	2000 - 2019	2015 - 2019
Annual Average Take-up (sq.m)	62,183	69,036
Industrial Availability	378,067	378,067
Notional Years Supply	6.1	5.5

Source: EGi, September 2020

- 1.3.33 Local agents report an improvement in the amount of industrial and logistics space coming to the market, particularly in the Crawley/Gatwick Airport area, with over 30,000 sq.m of new speculative stock coming forward to address a constrained availability, particularly for units of over 2,000 sq.m. A similar situation exists in Croydon with new supply focused at the Beddington Lane area for example.
- 1.3.34 The role of the logistics sector is considered the main driver of demand by local agents and has led to a number of speculative schemes coming forward to service strong demand which is focused on the

storage and distribution market. However, agents recognise that supply issues are likely to remain moving forward as demand rebuilds post Brexit and post Coronavirus pandemic.

Rents and Yields

- 1.3.35 Rental information presented at the time of the 2017 report confirmed an average rental of £9.88/sq.ft for light industrial uses. This represents rental growth in the wider area set against a five year average of £7.79/sq.ft.
- 1.3.36 The situation has improved with evidence of prime rents of £14/sq.ft identified for industrial space.
- 1.3.37 A similar position exists for general industrial and particularly storage and distribution stock which was previously identified at an average of £9.32/sq.ft in the 2017 report. While general industrial rents can vary, the strength of the distribution market has led to headline rents of £13.75/sq. ft and even pushing up to £15/sq.ft.
- 1.3.38 In all cases, rents have continued to increase as a consequence of lower stock levels and strong demand.
- 1.3.39 With regard to investment yields evidence, the issues of location and quality drive investment considerations although the issues of constrained supply and robust demand, especially for distribution space, have led to a strengthening of yields with agents reporting a typical range of 4.5% - 6% for modern flexible industrial/warehouse stock. This compares favourably to the 5.1%. yield identified for the nine authorities in the 2017 report.

1.4 Committed and Future Pipeline Provision

- 1.4.1 In order to assess the market demand for the type and scale of development envisaged it is important to consider employment floorspace and land provision that is planned or committed to be delivered in the future.
- 1.4.2 This sub-section examines future employment floorspace based on the current pipeline (committed sites, floorspace under construction and extant employment land allocations) for RBBC.

Reigate & Banstead Borough Existing and Allocated Employment Land

- 1.4.3 The adopted *Core Strategy* (2014, reviewed 2019) sets out the quantum of future employment land requirements totalling approximately 46,000 sq.m by 2027 and the overall spatial strategy for its broad distribution between three defined Areas (North Downs, Redhill and Reigate; and the Low Weald).
- 1.4.4 The DMP makes provision in policy EMP1 for the protection and development of employment uses in four Principal Employment Areas (PEA), namely: Holmethorpe Industrial Estate; Wells Pace Industrial Estate; Perrywood Business Park; and Salfords Industrial Estate.
- 1.4.5 Policy EMP1 recognises that the PEA's make a significant contribution to employment provision and economic growth. The PEA's are identified as locations of strategic importance due to their size, accessibility and commercial offer.
- 1.4.6 DMP policy EMP2 designates Local Employment Areas (LEA) at Pitwood Park Industrial Estate, Kingsfield Business Centre and Balcombe Road Industrial Area. These areas are identified as they provide local opportunities for business location and development often with a range of stock suitable for smaller businesses and with more affordable accommodation.

1.4.7 Turning to supporting evidence, the RBBC *Strategic Employment Provision Opportunity Study* (June 2016) summarised the position with respect to the existing employment land supply allocations and sites in the Borough. Paragraph 2.18 of the report identified:

growing pressure on existing employment land provision in the borough (and more widely).

1.4.8 It continues, concluding that:

the strategy of focusing on existing employment areas and town centres in order to meet growth needs – as envisaged by the Core Strategy – is increasingly challenging.

1.4.9 The Opportunity Study identified an unmet local need (i.e. within RBBC) for at least 17,500 sq.m of office space and potentially as much as 50,000 sq.m based on various economic scenarios. Paragraph 2.17 highlighted qualitative shortages in the office sector in terms of quality, range and mix of stock. Pressure on the existing provision is seen to be arising from losses to stock and sites by virtue of PDR changes to residential use.

Reigate & Banstead Borough Employment Land Floorspace Pipeline

1.4.10 Monitoring data from Reigate & Banstead Borough Council can be used to assess the current pipeline of employment floorspace. This comprises both extant unimplemented employment floorspace permissions and floorspace now under construction but not yet completed.

1.4.11 To update the position from that set out in the previous *Horley Business Park Strategic Employment Site: Economic Assessment in 2017* it is useful to consider the latest two years completions and

pipeline data prepared by RBBC and set out in the Commercial Commitments Monitors that are published annually.

2018/19

- 1.4.12 Table A2.19 below sets out a summary of the total change in completions in the Borough for offices, light industrial, general industrial and storage/distribution space.
- 1.4.13 The Table shows the current position, as at 2018/19 in terms of new floorspace gains as well as losses arising from new developments. It shows a net loss of some -3,012 sq.m of employment floorspace overall as new floorspace completed totalled +1,233 sq.m while losses equated to -4,245 sq.m during the year.
- 1.4.14 The *Commercial Commitments Monitor* notes that the largest loss recorded with general industrial floorspace largely due to the completion of the Frith Park residential re-development project which accounted for a loss of -1,996 sq.m of general industrial space. The Monitor also identified that the losses of office floorspace continues an ongoing trend for the conversion of offices to residential use by virtue of PDR^{iv}. In 2018/19 this equated to some 63% of all office floorspace loss in the Borough.

Table A2.19: Reigate & Banstead Employment Floorspace Completions, 2018/19

Use	Floorspace Gain (Sq.m)	Floorspace Loss (Sq.m)	Net Change (Sq.m)
Office	638	1,231	-593
R&D	0	0	0
Light industrial	222	188	34
General industry	96	2,319	-2,223
Storage and distribution	277	507	-230
Total Floorspace sq.m	1,233	4,245	-3,012

Source: Table 1, RBBC Commercial Commitments Monitor, 2019

1.4.15 While the employment floorspace pipeline position is negative with some significant net losses (a position that accords with evidence from previous years set out in Figure 8 of the RBBC *Local Economic Needs Assessment Update*, June 2016 and RBBC's annual *Commercial Commitments Monitor* reports) there is also evidence of new employment floorspace being permitted and constructed.

1.4.16 The pipeline (extant planning permissions or under construction) of new employment floorspace development totals some +19,581 sq.m for the Borough in 2018/19. Set against this there were however consents granted or developments under construction that will result in a loss of -29,504 sq.m resulting in an overall extant employment floorspace developments pipeline of -9.653 sq.m in 2018/19.

1.4.17 Looking in more detail at the pipeline gains and losses, Table 2 of the RBBC *Commercial Commitments Monitor* 2018/19 records the largest pipeline floorspace gains for storage and distribution (+5,591 sq.m) and the greatest loss from offices (-15,254 sq.m).

2019/20

1.4.18 The *Commercial Commitments Monitor* (September 2020) sets out information of B Use Class employment floorspace completed and committed in the period 2019/20 using data up to March 2020.

1.4.19 The Monitor identifies a total net loss of -4,918 sq.m of employment floorspace in the Borough in 2019/20 with the greatest loss arising from storage and distribution of -2,147 sq.m. Continued net losses are also recorded for office floorspace (-1,284 sq.m) and also for light and general industrial uses. Table 2A.20 below summarises the gains and losses and is extracted from Table 1 of the *Commercial Commitments Monitor*.

Table A2.20: Reigate & Banstead Employment Floorspace Completions, 2019/20

Use Class	Floorspace Gain (Sq.m)	Floorspace Loss (Sq.m)	Net Change (Sq.m)
Office	238	1,522	-1,284
R&D	0	66	-66
Light industrial	460	668	-208
General industry	243	1,456	-1,213
Storage and distribution	22	2,169	-2,147
Total Floorspace sq.m	963	5,881	-4,918

Source: Table 1, RBBC Commercial Commitments Monitor, 2020

1.4.20 The Monitor notes that the loss of industrial floorspace is largely due to the completion of residential redevelopments at the former Elgar Works site, Merstham and at the former Hengest Farm in Woodmansterne, accounting respectively for a loss of 1,456 sq.m of B2 industrial space and 1,356 sq.m of storage and distribution floorspace.

1.4.21 With respect to light industrial floorspace the Monitor concludes that pipeline development could lead to high losses (7,920 sq.m) principally attributed to the residential re-development of Nutley Dean Business Park in Horley (2,804 sq.m), Hockley Industrial Centre in Redhill (1,802 sq.m), and Unit 1 at Pitwood Park in Tadworth(1,579 sq.m).

1.4.22 Turning to the extant pipeline of employment floorspace, the *Commercial Commitments Monitor* confirms an overall net loss of 7,042 sq.m of employment floorspace. This overall loss masks a net

gain of +12,948 sq.m of storage and distribution space; and a net loss of 14,617 sq.m of offices. The Monitor highlights that the pipeline anticipated loss of office floorspace can, as with previous years, be largely attributed to PDR conversions to residential use. The Monitor finds that of all recorded losses, conversion of offices through permitted development accounts for some 85% of the total.

- 1.4.23 The creation of new floorspace is beneficial to the overall quality of employment floorspace and the stock of higher grade space that better meets occupier requirements for building environmental performance and flexibility.
- 1.4.24 This dynamic is particularly important for office and floorspace where there have been (and are) significant pressures arising from changing work practices and new technologies to encourage new, fit-for-purpose floorspace and stock to come forward, weeding out older and poor quality provision.
- 1.4.25 The fact that new employment floorspace continues to be permitted and is brought forward for construction (even though a relatively small quantum of development) shows a positive market signal of demand across the various employment land uses.
- 1.4.26 All employment floorspace losses (other than through changes of use using PDR) have been assessed. Development Plan policies resist the loss of employment land unless marketing details and evidence is provided which shows no market demand for the employment accommodation in question.

Wider Area Employment Floorspace Pipeline

- 1.4.27 While the HSBP site is situated in Reigate & Banstead Borough, the site's location immediately adjacent to the northern boundary of Crawley Borough means that it is also appropriate to review the future pipeline provision in that Borough as well other local authority areas

that form neighbours to RBBC and share functional economic market relationships and localised commercial market characteristics.

1.4.28 The following sub-sections review the employment floorspace pipeline in these neighbouring areas in more detail and update the analysis previously set out in the 2017 report at paragraphs 4.114 onwards.

1.4.29 A variety of different data, monitoring and information sources are used as each District / Borough prepares and publishes its own analyses with varying levels of detail and over different time periods.

Crawley Borough

1.4.30 The most recent analysis of employment land and floorspace provision in Crawley Borough is set out in the *Northern West Sussex Economic Growth Assessment* (January 2020) (NWEGA).

1.4.31 The latest NWEGA provides a substantial update on the economic growth situation, characteristics and employment floorspace for Crawley Borough as well as for Horsham and Mid Sussex Districts (the other constituent local authorities in the Northern West Sussex functional economic market area).

1.4.32 In Section 6 the NWEGA identifies that:

- a) in 2019 Crawley contained 1,044,000 sq.m of existing employment floorspace, the majority of which was industrial in nature (684,000 sq.m) with some 360,000 sq.m of offices;
- b) from 2001 – 2019 the stock of industrial and office floorspace had decreased by 23,000 sq.m (industrial) and 16,000 sq.m (offices) respectively;
- c) The net loss of both office and industrial floorspace was considered to reflect the ongoing re-development of sites across the Borough but particularly within Manor Royal and coupled with trends in conversion of existing office space to residential in Crawley town

centre especially. The trends are noted to be treated with caution due to variance between the Council's own data (showing a net gain in employment floorspace) and the VOA data reflecting a net loss;

- d) In the period 2011 – 2018 Crawley experienced a net increase of employment floorspace of 61,300 sq.m with a net gain in such floorspace of some 42,000 sq.m since the adoption of the Crawley Local Plan in 2015;
- e) Implemented changes of existing office to residential floorspace by PDR totalled 52,160 sq.m from 2013 to date. The NWEGA notes that a further 5,880 sq.m of office floorspace with prior approval has not yet been implemented and could therefore result in further net losses to the office stock, largely in Crawley Town Centre;
- f) the Council has implemented an Article 4 Direction for storage and distribution and light industrial to residential permitted development at Manor Royal and is proposing further Article 4 Directions at its designated Main Employment Areas.

1.4.33 Overall, the NWEGA concludes that when compared with pipeline supply, in quantitative terms Crawley has insufficient employment land supply to meet the spatial requirements emerging from the past take-up based scenario over the period to 2036. It further finds that the emerging pipeline of available supply identified by the Council's Employment Land Trajectory would be sufficient to accommodate office needs identified, but a significant shortfall would arise for industrial uses, equivalent to over 25 hectares.

1.4.34 Crawley Borough has also commissioned a further specific piece of work from consultants Lichfields for the Borough that includes identifying a net requirement for 21.4ha of B8 logistics and warehousing units. The Council proposes to meet through the

allocation of Gatwick Green (a greenfield site east of Gatwick Airport) in the draft Crawley Borough Local Plan.

Epsom & Ewell Borough

- 1.4.35 Epsom & Ewell Borough has not published recent data on the emerging or potential employment land supply, however the latest available evidence is set out in the *Epsom & Ewell Annual Monitoring Report 2019/20* (January 2020) (AMR) which monitors the performance of economic development policies DM24 and DM25.
- 1.4.36 The 2019/20 AMR notes net losses of office floorspace through two applications for change of use from offices to residential use and to non-residential uses (D1 Use Class). In both cases the AMR highlights that the office stock was already vacant prior to the determination of the applications.
- 1.4.37 The overall conclusion is that Epsom & Ewell Borough continues to see a net loss of employment floorspace, particularly for offices; a trend that was very much in evidence at the time the 2017 report was prepared.

Horsham District

- 1.4.38 Completed and pipeline employment land/floorspace stock is examined in Horsham District's AMR, the latest being for the period April 2018 – March 2019. Additional information is also set out in the *Northern West Sussex Economic Growth Assessment, 2020*.
- 1.4.39 The latest AMR identifies that, in total, the gross and net employment floorspace developed within the District for the 2018/19 monitoring period was 15,936.5 sq.m (the net figure is 15,246.5 square metres). The AMR is clear that is less than that last recorded for the 2017/18 monitoring year, which was 25,070 square metres. It confirms that

some 84% of new employment floorspace developed in the monitoring year was for storage and distribution uses.

1.4.40 There were no net overall losses of floorspace for any of the employment uses in 2018/19 (Table 4 of the AMR). Indeed the NWEGA confirms (paragraph 6.29) that as at January 2020 there was overall an employment floorspace gain in Horsham District in the period from 2011 – 2018 and that this growth with driven by increases to the District’s light and general industrial and storage and distribution stock together with mixed office use floorspace. There was an overall slight loss on offices and R&D floorspace (-1,340 sq.m) over the same period. Since the beginning of Horsham’s current Local Plan period in 2015, the NWEGA records (paragraph 6.30) that there has been a net gain in employment floorspace of some 43,200 sq.m mostly for industrial and storage and distribution uses and for mixed office space with very little (1% of total floorspace gained) for offices.

1.4.41 The District Council also monitors the quantum and type of employment land available for development. This land includes sites allocated for employment uses in Development Plan Documents (DPDs) and sites for which planning permission has been granted for employment uses (excluding allocated sites). The latest AMR highlights that the largest pipeline pool of land/sites for employment development is for office use. There is also significant land available for general industrial and storage and distribution uses. The details are set out in Table A2.21 below which is extracted from the AMR.

Table A2.21: Employment Land / Floorspace Available for Employment Use, Horsham District, 2018/19, Sq.m

Type	Gross Floorspace (Sq.m)	Net Floorspace (Sq.m)	Site Area
Office	3,141.2	1,837.2	1.57
R&D	0	0	0
Light industrial	8,330.5	6,621.5	2.28
Mixed use	89,592.5	87,328.5	259.33
General industry	29,862.6	29,549.0	12.97
Storage and distribution	31,721.9	29,751.4	9.46
Total Floorspace sq.m	162,648.7	155,087.6	285.61

Source: Extracted from Table 6, Horsham District Annual Monitoring Report (2019)

1.4.42 The NWEGA identifies (paragraphs 6.31 and 6.32) that there are currently seven prior approval PDR consents awaiting implementation and that these are all located in Horsham Town Centre bar one which is in Billingshurst. The total quantum of office floorspace associated with these sites is 16,700 sq.m. A further 19,200 sq.m of office floorspace with prior approval has not yet been implemented.

1.4.43 The NWEGA concludes (paragraphs 6.33 – 6.35) that this means there is some 35,920 sq.m of office floorspace that could be lost as a result of permitted development conversions to residential use equated to some 23% of the total office floorspace recorded in the District in 2014 (157,000 sq.m).

1.4.44 Clearly the loss of such existing office space is potentially significant in the context of the District's role/function as a substantial office workspace location. The propensity for loss of office floorspace to residential via permitted rights conversions reflects the wider market changes evidenced in other local authorities and it is notable that there has been little sign of a reduction in the focus and emphasis of developers on the use of such permitted rights.

London Borough of Croydon

1.4.45 The adopted *Croydon Local Plan* (February 2018) includes policies for the protection and growth of employment land and floorspace in the Borough.

1.4.46 Much of the office stock of the Borough is focused within the designated Croydon Metropolitan Centre (CMC). The Local Plan seeks to enable the development of new and refurbished office floorspace and also to maintain the retail vitality and viability of the Centre. The Plan anticipated the development of up to 92,000 sq.m of new and refurbished space in CMC to 2031.

1.4.47 The Borough's latest AMR^v identifies (page 16) that if all completed office space (circa -60,000 sq.m), committed and pipeline developments (circa -62,000 sq.m net) were completed there would be a total net loss of 123,961 sq.m of office floorspace in the CMC from 2011. The Council notes that this figure has decreased by some 6,767 sq.m since April 2017 (it is assumed due to the non-implementation of approved schemes or lapse of extant planning permissions).

1.4.48 The AMR concludes that most of the loss of office floorspace has arisen due to the use of PDR for conversion of office floorspace to residential. Such permitted rights have now been removed by an Article 4 Direction covering the CMC and the new Local Plan's Office Retention policy is specifically aimed at ensuring that needed office floorspace is not lost.

- 1.4.49 For industrial and storage and distribution floorspace, the Local Plan targets no net loss of such space across all four tiers of employment land within the Borough^{vi}. There is greater flexibility in Tiers 2 and 4 for the loss of industrial or warehousing space which is intended to be off-set against intensification of employment use (through net additions and floorspace intensification) in Tier 3 locations.
- 1.4.50 The AMR identifies (page 26) that all four tier of employment land have witnesses losses to existing floorspace between 2011 and 2018 (34,811 sq.m in total), of which the greatest reductions in industrial and storage/warehousing space was in Tier 2 (-20,872 sq.m). The net losses experienced in the recent years and as anticipated in the pipeline of recent completions and commitments exceeds the adopted *London Plan* benchmark targets for change to industrial floorspace.
- 1.4.51 There does however remain a significant level of vacant employment floorspace which totalled 78,900 sq.m in 2016; 74,801 sq.m in 2017; and 71,334 sq.m in 2018.
- 1.4.52 The Local Plan is currently subject to a partial review that commenced in Autumn 2019 and is ongoing. An updated Employment Land Review of need and supply is currently being prepared but has not been published at the time of writing.

London Borough of Sutton

- 1.4.53 The London Borough of Sutton's latest published monitoring data^{vii} sets out the most recent, published information on employment land and floorspace development in Section 5.
- 1.4.54 Key industrial and employment locations in the Borough including the Strategic Industrial Locations (SIL) at Beddington, Kimpton and Imperial Way. Lower tier Established Industrial Locations (EIL) have also been identified. The Authority Monitoring Report confirms that

there were no net losses of employment land in any of these locations in 2018/19 (Table 5.3).

- 1.4.55 The AMR highlights a projected future need for industrial land and floorspace by 2031 of 10.1 hectares or 40,500 sq.m.
- 1.4.56 Table 5.7 of the AMR highlights a net increase of +30,710 sq.m of additional R&D, light and general industrial and storage and distribution floorspace between 2016 and 2019 with the largest increase (+15,691 sq.m) in 2018/19. The net increase comprised 19,566 sq.m gross new floorspace less -3,875 sq.m of floorspace lost (from the total employment floorspace stock).
- 1.4.57 Turning to office development, the AMR shows a very different picture with net losses of office floorspace in each year from 2016/17 to 2018/19 totalling some -44,101 sq.m (of which -9,878 sq.m was in Sutton Town Centre) (Table 5.9 and Figure 5.3).
- 1.4.58 The loss of offices was driven by PDR conversions to residential totalling -11,063 sq.m over the 2016/17 – 2018/19 period. Taking account of losses to office stock not by way of PDR, there was a cumulative net loss of 11,351 sq.m in the 2016/17 – 2018/19 period representing a continued trend in the overall reduction of office stock in the Borough.
- 1.4.59 In the latest year, 2018/19 there was a gross loss of -6,168 sq.m of office floorspace with just +112 sq.m gross (through three very small separate schemes) being added to the supply; a net total loss of -6,056 sq.m.
- 1.4.60 The analysis of the pipeline confirms a loss of some 0.4 hectares of existing industrial land at the Mill Green Business Park (a former EIL) that was permitted in September 2019 and is now under construction.

Mid Sussex District

1.4.61 Information on employment land and floorspace for Mid Sussex District, is published in the latest West Sussex County Council *Commercial and Leisure Development Survey, 2019* (CILLA) which covers the period from April 2018 to March 2019.

1.4.62 The CILLA identifies the floorspace gains and losses for employment floorspace during the latest year of survey. The pipeline of recently completed and extant permitted floorspace (yet to be implemented) are summarised in Table A2.22 below.

Table A2.22: Summary Employment Completed Development Floorspace and Extant Permissions Pipeline, Mid Sussex District 2018 – 2019

Use	Completed Development Net Change (Sq.m)	Existing Permissions Net Change (Sq.m)
Offices	180	7,833
R&D	0	0
Light Industrial	3,815	7,626
General Industrial	1,759	1,281
Storage & Distribution	12,095	11,884
Total	17,849	28,624

Source: Commercial and Leisure Development Survey (2019), West Sussex County Council

1.4.63 Table A2.22 shows a substantial pipeline of office floorspace (8,013 sq.m recently completed and extant permitted). There is also a substantial pipeline of new light industrial space (11,441 sq.m recently

completed and extant permitted) and of storage and distribution space (23,979 sq.m recently completed and permitted).

1.4.64 The *Northern West Sussex EGA Update* (January 2020) considers the stock of employment floorspace in Section 6 from paragraph 6.36 onwards. It notes that in 2019, Mid Sussex contained 617,000 sq.m of employment floorspace, the majority of which was industrial in nature (459,000 sq.m), with offices making up 158,000 sq.m, or 25.6%, of the total.

1.4.65 In paragraph 6.45 the NWEGA affirms that net floorspace change in Mid Sussex (in the period 2011 – 2018) highlights that new employment space gains significantly outweighed losses of existing floorspace with net gains of 13,800 sq.m (offices and research & development), 9,100 sq.m (mixed offices and other employment use) and 21,700 sq.m (light and general industrial and storage and distribution). The NWEGA found that in 2018 the vast majority of net employment floorspace gain was in light and general industrial and storage and distribution floorspace which accords with the data found in the analysis of the West Sussex County CILLA information set out above.

1.4.66 With respect to changes to employment floorspace arising from PDR conversions, the NWEGA identifies in paragraphs 6.46 – 6.48 that there have been 71 prior approval applications submitted since May 2013 for office to residential conversions. The NWEGA does however note that information about the scale and implementation status of these prior approvals is not available so it is not possible to quantify the potential change or indeed any future effects on the office stock pipeline arising.

1.4.67 Future planned and allocated employment land is set out in the *Mid Sussex Submission Draft Site Allocations Development Plan Document* (SADPD) (August 2020) notes in policy SA1 that there is a job growth target of 543 new jobs per year and a new employment land

allocation of 25 hectares (arising from adopted District Plan policy DP1). Key employment land allocations are in Burgess Hill, Copthorne, Bolney and at Pease Pottage

- 1.4.68 The SADPD proposes site allocations for some 17.45 hectares of employment floorspace (Table 2.1) as part of the overall District employment land target.
- 1.4.69 A further 48.75 hectares (gross development site area) is allocated through SADPD policy SA9 (and by virtue of District Plan policy DP1) at the proposed Burgess Hill Science Technology Park to support a minimum of 2,500 new jobs. This allocation is to support a Science Park facility and a business support environment that is focused on start-up, incubation and innovation-led knowledge-based industries. It does not include storage and distribution uses.

Mole Valley District

- 1.4.70 Pipeline employment land and floorspace for Mole Valley District is set out in a variety of documents.
- 1.4.71 The Mole Valley *Economic Development Needs Assessment* (March 2017) (EDNA) has an analysis base date of March 2016. There was subsequently published an Addendum to the EDNA in 2018 (undated) which forms the latest published consideration of existing and future employment land needs in the District.
- 1.4.72 Table 19 of the most recent Mole Valley *AMR* (2018) covering the period 2017 – 2018 highlights the pipeline commitment gains and losses for commercial employment floorspace. The key changes are shown in Table A2.23 below which extracts the pipeline as at March 2018.

Table A2.23: Employment Floorspace Permitted and Lost, 2017/18, Mole Valley

Use	New Gross Floorspace (Sq.m)	Lost Floorspace (Sq.m)	Net Floorspace Change (Sq.m)
Offices	223	18,750	-18,527
R&D	0	0	0
Light Industrial	0	53	-53
General Industrial	0	1,189	-1,189
Storage & Distribution	1,552	0	1,552
Total	1,775	19,992	-18,217

Source: Mole Valley Authority Monitoring Report, 2018, extracted from Table 19 and CCL calculations

1.4.73 Turning to the effect of PDR for the conversion of employment

floorspace to residential use, the EDNA identified (Table 1e) potential losses to the office floorspace stock to residential use arising from Prior Notification PDR approvals. It highlighted that at August 2016, some 16,218 sq.m of office floorspace had achieved prior approval although its conversion to residential had not yet commenced (Annexe 8).

1.4.74 In the two following years to March 2018 the EDNA Addendum found that some 4,462 sq.m of office floorspace has been converted via prior approvals. Unimplemented prior approvals as at the end of March 2018 were recorded as 26,675 sq.m (Annexe 1 of the EDNA Addendum). Taken together these figures represent some 12% of the estimated total office floorspace for the District as at March 2016. The EDNA Addendum continues, noting that only circa 14% of the offices

which have gained prior approval had by 2018 either commenced or been completed and that there were a further 9142 sq.m of extant prior approvals which the Council considered had a high probability of implementation with consequent net losses to the office floorspace stock. Current prior approval conversions under construction during 2018 added a further 825 sq.m of net loss of office stock.

- 1.4.75 The 2017/18 Mole Valley *AMR* concludes (paragraph 4.92) that the majority of the net loss of B Class floorspace is attributed to losses to the office stock (reaffirming the analysis set out in the EDNA Addendum) with modest net changes in terms of light industrial, general industrial or storage and distribution floorspace.
- 1.4.76 The future employment land pipeline can also be considered in terms of the proposed supply of new employment land allocations.
- 1.4.77 The Regulation 18 *Mole Valley District Consultation Draft Local Plan* ('Future Mole Valley: 2018 – 2033') is the emerging Local Plan for the District and will, when adopted, replace the existing *Core Strategy* (2009) and *Dorking Town Area Action Plan* (2012).
- 1.4.78 Draft Policy EC2 (Protection of Employment Land) and supporting text (page 44) identifies that the District's EDNA identifies no requirement for additional land allocations to meet the economic development needs of Mole Valley over the plan period. The EDNA indicates that there is a broadly balanced employment land market whereby the continued safeguarding of employment land is justified.
- 1.4.79 The future pipeline of employment land and sites is therefore to be supported through the protection, intensification and improvement of the existing Strategic Employment Areas (and other non-designated industrial and commercial employment sites/floorspace).
- 1.4.80 The EDNA Addendum reaffirms this approach and identifies potential capacity arising from under-utilised land on employment sites in Mole Valley (Table 1) equating to opportunities for intensification of some

27,500 sq.m land for additional office development and circa 12,380 sq.m of land for industrial and storage and distribution floorspace.

Tandridge District

- 1.4.81 Tandridge District's adopted *Core Strategy* (2008) does not set a specific target in relation to the provision of new employment land or floorspace. The District Council has however committed to continue monitoring the amount of employment floorspace developed and lost.
- 1.4.82 Provision of employment floorspace in Tandridge District is therefore reviewed in the District Council's annual *Authority Monitoring Report* (AMR). The latest report was published with data for the year April 2019 to March 2020 and offers a recent snapshot of employment floorspace completions and the extant pipeline.
- 1.4.83 Table 15 of the AMR (page 26) identifies the total employment floorspace stock (using Valuation Office Agency data). In 2018/19 the total industrial, storage and distribution floorspace was 194,000 sq.m. This had reduced by 2,000 sq.m to 192,000 sq.m in the latest 2019/20 year. The AMR also recorded the total stock of offices as 55,000 sq.m in 2018/19 falling to 54,000 sq.m in 2019/20. The AMR notes a small overall net gain of employment stock recorded in 2019/20 of 973 sq.m (all employment uses floorspace).
- 1.4.84 Figure 2 of the AMR notes that there have been net losses to employment land in every year since 2006/7 with a loss of 0.37 hectares of such land during 2019/20.
- 1.4.85 Conversion of offices to residential via PR has resulted in a net loss of some 1,483 sq.m across five sites in Caterham, Oxted and Whyteleaf during the 2019/20 monitoring period.
- 1.4.86 The position outlined in the AMR in 2019/20 reflects a continuation of the trends previously found in the 2017 report which noted a gradual net loss of existing employment floorspace and little pipeline new

floorspace/sites coming forwards. The impact of PDR conversions has clearly continued to adversely affect the available office stock in particular with net losses recorded each monitoring year.

1.4.87 The District Council is in the process of updating the development plan and has published *Our Local Plan 2033 (Submission Local Plan)* in January 2019. While this remains an emerging draft Local Plan it indicates in policy TLP01 (Spatial Strategy) and in policy TLP20 (Supporting a Prosperous Economy) that at least 15.3 hectares of net new employment land and sui generis uses will be supported in the period to 2033 with an emphasis on the delivery of office floorspace at sustainable locations such as town centres and those well served by public transport. The draft policy also states that an “element” of employment provision will be met through the delivery of a new Garden Community. Redhill Aerodrome (IES05) is also identified for 0.43ha of employment floorspace.

1.4.88 The Plan notes (paragraph 23.8) that opportunities for intensification of employment sites (including defined Strategic and Important sites) amounts to some 21 hectares and therefore exceeds the level of future market needs identified in the District’s *Economic Needs Assessment Update* (2017). The same paragraph does note that there will need to be a pragmatic and flexible approach to these intensification opportunities given the extent of employment sites that are within the Green Belt or which may have site specific restrictions.

END NOTES

ⁱ HOR9 Strategic Employment Site Economic Assessment (Task 1: Supply & Demand Evidence), September 2017

ⁱⁱ Market absorption is based on the change in the amount of available space between each year. This may be positive or negative. Thus, in 2011/12 available floorspace was 44,000 sq.m and in 2012/13 available floorspace was 44,135 sq.m (see Table 2A.3). This means there an increase in available floorspace of 135 sq.m, so a negative market absorption rate. Development take-up refers to net completion rates – gains in floorspace in a year minus losses of floorspace in the year to produce a net take-up figure. This may be positive or negative.

ⁱⁱⁱ The data recorded in the RBBC Commercial Commitments Monitors in terms of **available** floorspace is not directly comparable with the data on **vacancy** recorded in the Industrial Estates Monitors. The Commercial Commitments Monitors lists the amount of floorspace identified on the market to rent or sell, whilst the Industrial Estates Monitors records vacant units and floorspace identified from an annual site visit. Therefore, the Commercial Commitments Monitor data does not necessarily capture space that is vacant but not being marketed, so may under-record total available space. Nevertheless, the overall trend is similar between the Commercial Commitments Monitors and the Industrial Estates Monitors.

^{iv} The trend of net loss of office floorspace was set out previously in the Chilmark Consulting HOR9 Strategic Employment Site: Economic Assessment – Task 1 Supply & Demand Evidence, August 2017 at paragraphs 4.105 et seq.

^v The Croydon Monitoring Report (June 2019), LB Croydon

^{vi} The Borough has a 4 tier hierarchy of employment land: Tier 1 (Strategic and Separated Industrial Locations); Tier 2 (Integrated Industrial Locations); Tier 3 (Town Centre Industrial Locations); and Tier 4 (Scattered Employment Sites)

^{vii} Authority Monitoring Report 2018/19, London Borough of Sutton (December 2019)

Appendix 3: Future Market Demand Analysis

1.1 Introduction

1.1.1 This Appendix provides an assessment of potential future market demand for the type and scale of accommodation envisaged in Paragraph 3.3.167 of the DMP Explanatory Text. This takes into account the following factors in particular:

- a) Covid-19 and underlying structural changes;
- b) Brexit;
- c) recent and current market activity;
- d) recent and proposed development and site allocations;
- e) the future of Gatwick Airport; and
- f) emerging policy.

1.1.2 The Appendix explains the assumptions, analysis and results used in Section 3 of the main report. Overall future market demand is assessed first, and then the strategic market demand potential.

1.2 Updated Economic Assessment: 2020

Extending Timeframe of Employment Forecasts to 2040 and 2045

1.2.1 The 2017 report used the period 2015 - 2035 for analysis purposes, which had more alignment with Local Plan timeframes. For the current exercise the employment projection timeframe has been run over two periods: 2020 - 2040 and 2020 - 2045.

- 1.2.2 An assessment from 2020 has been used to work from the current position, and a 20-year period has been used to allow comparison with the 2015 - 2035 assessment.
- 1.2.3 In practical terms it is unlikely that the HSBP would be ready for occupation before 2025 at the earliest. As such, an assessment for the period 2020 - 2045 has also been used which would still work from a 20-year development build-out period (2025 - 2040).
- 1.2.4 It may well be the case that the development timeframe is longer than 20 - 25 years, but these two timeframes provide a reasonable and appropriate basis for re-assessing the future potential market demand for the type and scale of development envisaged.
- 1.2.5 The assessment uses the Experian employment projections prepared for the RBBC *Local Economic Needs Assessment* (June 2016) which are from a September 2015 base. These are used in order to provide consistency with the original analysis. Given the level of economic uncertainty at the moment it is unlikely that more current formal employment forecasts would provide any greater degree of precision, particularly in terms of fundamental patterns of change. The specific issue of employment impacts over 2020- 2021 are covered later. For the projections beyond 2035 the preceding 5-year Experian-based employment projection trends were carried forward.
- 1.2.6 The results of applying the different timeframes are summarised in Table A3.1, which are compared with the employment change for 2015 - 2035 reported in the 2017 report. This is on the basis of no adjustments to the underlying employment numbers; in other words, no adjustment for the impact of Covid-19 or for Brexit.
- 1.2.7 From Table A3.1 it will be seen that the headline employment numbers are broadly similar for the periods 2015 - 2035 and 2020 - 2040. There is an increase of approximately 28% for the period 2020 - 2045 compared to 2015 -2035, which is primarily due to the longer assessment period used.

Table A3.1: Projected Employment Change Reigate & Banstead – Unadjusted Projections

Floorspace Type	Employment Change		
	2015 - 2035	2020 - 2040	2020 - 2045
Industrial B1(b) / (c) / B2	382	396	508
Storage & Distribution B8	744	738	930
Office B1(a)	3,673	3,694	4,711
Total B Use Class	4,798	4,828	6,148

Source: CCL calculation using Experian (September 2015)

1.2.8 Table A3.2 below translates the projected employment changes into floorspace requirements. No adjustments have been made to these figures at this stage. The purpose is to illustrate how the scale of floorspace compares between the different timeframes.

1.2.9 As with the employment projections, there is marginal difference in floorspace requirements between the periods 2015 - 2035 and 2020 - 2040. Floorspace requirements for the period 2020 - 2045 are higher reflecting the longer assessment period. As such, the 2020 onward employment projections are not creating any undue skewing of trends compared with the analysis prepared previously in the 2017 report.

Table A3.2: Potential Floorspace Change Reigate & Banstead – Unadjusted Projections

Floorspace Type	Employment Change		
	2015 - 2035	2020 - 2040	2020 - 2045
Industrial B1 (b) / (c) / B2	15,260	15,560	19,900
Storage & Distribution B8	33,458	33,188	41,828
Office B1(a)	44,076	44,328	56,526
Total B Use Class	92,794	93,076	118,254

Source: CCL calculation using Experian (September 2015)

Economic Shock Adjustments – Brexit and Coronavirus

1.2.10 The potential impacts of Brexit and Coronavirus on employment levels needs have been assessed and incorporated into the assessment of market demand for the type and scale of development envisaged on the Horley Strategic Business Park. However, given the on-going and uncertain nature of both of these factors it is difficult to provide a fully

robust set of impact assessments. The latest Office for Budget Responsibility (OBR) forecastsⁱ indicate that the economic impact for the UK economy for 2020 may be -12.4% with a 'bounce-back' growth rate for 2021 of 8.7%. However, this analysis was produced in July 2020 since when the position will undoubtedly have changed further.

1.2.11 As an illustration of this, the KPMG *September Economic Outlook* suggests a slightly smaller (but still severe) level of national economic decline in 2020 of 10.3% and a relatively strong level of growth in 2021 of 8.4%ⁱⁱ. KPMG also suggest that Reigate & Banstead may not see as severe a downturn as the national economy, with a reduction in economic output of 8.1% in 2020 and then an increase in output of 8% in 2021.

1.2.12 The OBR forecasts did provide an estimate of impacts on employment rates at the national level. This suggested under their 'central' scenario that there may be a decline in employment of 1.3% between 2020 and 2021; and growth of 4.2% between 2021 and 2022. Within the 'downside' scenario there may be a decline in employment of 2.6% between 2020 and 2021; and growth of 4.2% between 2021 and 2022.

1.2.13 Analysis for the Gatwick Diamondⁱⁱⁱ suggested a 13% impact on GVA in 2020 based on the OBR 'Coronavirus Reference Scenario' as at May 2020. Based on a 'Gatwick Airport Rebound Scenario' the impact for the Gatwick Diamond area was estimated as a 16% decline in GVA in 2020, due to the significant impacts likely to be felt at major business hubs such as Gatwick Airport. The assessment also concluded that it would take the Gatwick Diamond area ten years to recover the GVA lost in 2020 based on pre-Coronavirus growth rates. This however relates to the whole of the Gatwick Diamond area, where overall average economic growth rates have been low relative to Reigate & Banstead Borough.

1.2.14 An assessment of impacts of Coronavirus on the West Sussex economy was undertaken in July 2020^{iv}. It found that there were

17.2% fewer business start-ups in West Sussex in the Q2 period March - May 2020 compared to the previous quarter in 2019. It also found that the number of 16+ claimants in June 2020 was 2.5 times higher than in March 2020; and that 31% of the resident workforce had been furloughed. This provides a snapshot of how the economic impacts are translating into employment changes.

1.2.15 Analysis by Coast to Capital LEP^v examined the potential impact of Coronavirus on the Coast to Capital LEP area as at August 2020. This estimated a £9.8bn (17%) contraction in GVA in 2020 (compared to a national average of 15% as estimated at that point in time), which was based on a single national lockdown scenario^{vi}. A second lockdown was estimated to result in a GVA loss of 26%. It was also noted that a V-shaped recovery would lead to an estimated loss of 12% in GVA, although this type of swifter recovery was not anticipated.

1.2.16 Translating these economic effects into future employment impacts is complicated, not least because of how policy rescue packages and incentives are influencing matters. However, in order to provide an updated assessment, it is assumed that employment levels may drop by 5.0% in the borough of Reigate & Banstead over the period 2020 - 2021. This is likely to be at the higher end of the potential scale of employment reduction but ensures a robust assessment of future floorspace potential demand associated with HSBP is made^{vii}.

1.2.17 In addition, it has been assumed that employment growth in the borough of Reigate & Banstead would return to the Experian-based growth rates from 2021. Put simply, there would be no 'bounce-back' growth. Again, this is likely to be an over-cautious assessment but means that a tempered assessment of future floorspace demand is provided.

1.2.18 The results of this assessment are summarised in Table A3.3. It should be stressed that these are indicative estimates, designed to test the

robustness of the scale of market demand for the development proposed at HSBP.

1.2.19 Over the period 2020 - 2040 the results suggest that employment levels may be approximately 5.0% lower than under the original 2015-based employment projections.

Table A3.3: Projected Employment Change Reigate & Banstead – Brexit and Coronavirus Impact

Floorspace Type	Employment Change	
	2020 - 2040	2020 - 2045
Industrial B1(b) / (c) / B2	376	483
Storage & Distribution B8	701	883
Office B1(a)	3,509	4,475
Total B Use Class	4,586	5,841
Unadjusted Projections	4,828	6,148

Source: CCL calculation

1.2.20 The results in floorspace terms are summarised in Table A.4. This shows a corresponding decrease in floorspace of approximately 5%. Thus, floorspace need reduces from 93,076 sq.m for 2015 - 2035 to 88,422 sq.m for the period 2020 - 2040.

Table A3.4: Potential Floorspace Change Reigate & Banstead – Brexit and Coronavirus Impact

Floorspace Type	Floorspace Change (Sq.m)	
	2020 - 2040	2020 - 2045
Industrial B1(b) / (c) / B2	14,782	18,905
Storage & Distribution B8	31,528	39,736
Office B1 (a)	42,112	53,700
Total B Use Class	88,422	112,341

Source: CCL calculation

Modifications to Working Practices and Employment Densities

1.2.21 The Coronavirus pandemic has had significant, immediate, impacts on the use of workspaces, notably office space. During the national lockdown from March 2020 there was effectively no use of office floorspace and employers and businesses have been instigating social-distance design arrangement for their workspaces. In the case

of workspace design this has, and is having, a major effect in terms of the amount of floorspace 'allocated' per employee, effectively increasing the amount of space provision per person significantly.

1.2.22 Within the Government estate^{viii}, for example, new workspace designs are resulting in average space provision levels almost three times pre-Coronavirus levels. This is to ensure workspaces are configured in a way that maintains social and physical distance so as to minimise risks associated with Coronavirus. These design constraints are likely to be in place in the immediate period and short-term.

1.2.23 Over the longer-term it is more uncertain whether these less intense employment densities will remain in place. There will be pressure to maximise the economic efficiency of floorspace, which will increase pressure for more intensive use of space. However, the enhanced social-interaction and healthy workplace driver will, together with changing employee and employer experiences of remote working and working from home, maintain pressure to support greater levels of floorspace provision per person.

1.2.24 It is therefore assumed that there will, over the 20 - 25 year assessment period, be an increased emphasis on 'productive' space^{ix}. This is likely to result in an overall lower employment density figure (i.e. more floorspace needed per employee). The effect is most likely to be felt in the office sector, where collaboration, touch-down and interaction space is likely to take on much greater significance. There may also be a reduction in industrial employment density, although this may be more associated with the underlying trends in terms of automation and AI than Coronavirus safety particularly.

1.2.25 The following changes to average employment floorspace densities have therefore been assumed and applied to the analysis, which are based on GIA provision figures^x:

- Office sector – moving from 12 sq.m per person to 14 sq.m per person;
- Light industrial sector – moving from 40 sq.m per person to 50 sq.m per person; and
- Storage and distribution sector – moving from 45 sq.m per person to 60 sq.m per person.

1.2.26 These changes would **increase** the amount of floorspace required in the future.

1.2.27 In addition, there have been increased levels of employee remote working. Overall, this change has been viewed positively by workers and employers, although there are important wellbeing issues that remote working raises. It is expected that this emphasis on remote working will continue, although it is unlikely to be at the level seen during the national lockdown and immediate post-lockdown periods.

1.2.28 The Office of Government Property, for instance, anticipates that approximately 40% of staff could be working from home^{xi}. A recent survey of 2,000 workers by the British Chamber of Offices (BCO)^{xii} reported that 20% of workers plan to work primarily from home, 27% plan to work from home for less than half the working week and 38% do not plan to work from home at all. Analysis by CIPD^{xiii} found that in the UK approximately 30% of people worked from home over the last year (which relates to pre-Coronavirus activity mainly).

1.2.29 Based on the various analysis and commentary, the following assumptions about the levels of remote working have been used:

- a 25% 'remote-working' ratio for the office sector; and
- a 10% 'remote working' ratio for the industrial sector.

1.2.30 The remote working ratio is an assumed amalgam of home working and remote working combinations. In broad terms each 1% level of remote working equates to a 1% reduction in demand for floorspace.

Whilst core industrial activities are unlikely to be suitable for remote working, some of the supporting and ancillary activities may be, which is the justification for the 10% assumption. The remote working assumptions used may be towards the higher-range but they do provide a critical test of the scale of potential employment floorspace demand for HSBP.

1.2.31 These changes would **decrease** the amount of floorspace in the future.

1.2.32 One of the consequences of the national lockdown and forced working from home has been a reflection on commuting patterns by individuals and organisations with the acknowledged benefit of less time and costs spent commuting and the ability to use this time for other purposes^{xiv}. This is reported to have seen relocations by individuals to more desirable locations^{xv} and to also reflect on the type of space and environment they want to work in, which may not necessarily be a central city location.

1.2.33 In this context, the potential for a very high-quality working environment and easily accessible location of the HSBP may be a particularly attractive feature for employees and employers (although much would of course depend upon the actual design of the buildings and floorspace).

1.2.34 HSBP may therefore provide an alternative employment location that better suits future working and commuting needs, with the potential to attract residents within Reigate & Banstead who currently commute out of the Borough (which included 45% travelling to London^{xvi}). Conversely, however, a similar number of people commute into the Borough as commute out. It may be the case that there is a counter-pull for a proportion of these in-commuters to seek employment closer to home.

1.2.35 As such, it has been assumed that the result would be no change in the net result of potential commuting patterns in terms of floorspace requirements. This is likely to be a cautious assumption, as the

potential healthy working and flexible working opportunities that HSBP may offer could be a potential employment draw of the scheme.

1.2.36 Table A3.5 summarises the impact of these assumptions on floorspace requirements. This is applied to the reduced employment numbers resulting from the assessment summarised in Tables A3.3 and A3.4.

1.2.37 The results indicate a reduction in floorspace demand of approximately 9% when compared against the unadjusted economic shock assessment in Table A3.4. If the remote working rate was to be higher, then the floorspace reduction would also be greater. However, the assumption of 25% of the office workforce effectively working at home is likely to be a more extreme scenario.

Table A3.5: Potential Floorspace Change Reigate & Banstead – Adjustment for Changing Working Practices and Economic Shock

Floorspace Type	Floorspace Change (Sq.m)	
	2020 - 2040	2020 - 2045
Industrial B1(b) / (c) / B2	13,387	17,127
Storage & Distribution B8	31,528	39,736
Office B1(a)	35,823	45,723
Total B Use Class	80,738	102,586

Source: CCL calculation

Market Adjustments

1.2.38 A series of market adjustments and allowances have been applied to the floorspace figures and is summarised in Table A3.6. The same process of adjustments as applied in the *Local Economic Needs Assessment* (June 2016) has been used, including as follows:

- a) vacancy rate of 7%;
- b) land flexibility margin (2 years based on past take-up rates);
- c) windfall loss replacement allowance; and
- d) adjustment for planning consents and vacant stock supply.

1.2.39 The vacancy rate of 7% and the windfall loss replacement figures used in the *Local Economic Needs Assessment* report were retained as

these are considered broadly reflective of current conditions. The windfall loss replacement figures were applied for a 10-year period in the *Local Economic Needs Assessment* report. Arguably the figures could be increased to reflect the 20-year period related to the HSBP analysis, but a 10-year period has been retained in order to provide a more cautious assessment of potential demand.

- 1.2.40 The land flexibility margin is based on the equivalent of two years of total annual take-up. This allowance is to reflect the average time for a site to gain permission and begin development.
- 1.2.41 The take-up rates used in the *Local Economic Needs Assessment* have been updated to reflect the latest data monitored by Reigate & Banstead Borough Council and build upon the analysis of these trends in the Current Active Market Section. This has seen an overall increase in the amount of floorspace associated with this allowance, which is driven by increases in the industrial sector. The office sector has seen a reduction in this allowance relative to the 2016 analysis.
- 1.2.42 An adjustment for planning permissions and vacant supply is made to reflect how this will influence overall floorspace requirements. Thus, existing planning permissions will potentially increase or decrease the amount of new land which needs to be found in order to meet gross floorspace requirements. Updated analysis has been carried out to reflect the latest data, as discussed in the Current Active Market Section, while still applying the same assumptions used in the *Local Economic Needs Assessment*^{xvii}.
- 1.2.43 No modification for redevelopment potential was made as the redevelopment potential of 18,000 sq.m in the industrial and storage and distribution sectors and 8,000 sq.m in the office sector identified in the 2017 report has been built-out.
- 1.2.44 The results of the above set of adjustments and allowances are summarised in Table A3.6. This indicates that an increase of 23,661 sq.m of floorspace provision needs to be allowed for.

Table A3.6: Potential Floorspace Change Reigate & Banstead – Market Adjustments, Sq.m

Floorspace Type	Flexibility Margin ^{xviii}	Windfall Allowance	Planning Consent & Vacant Stock Supply ^{xix}	Total
Industrial B1 (b) / (c) / B2	1,651	434	1,982	4,067
Storage & Distribution B8	3,067	805	-3,355	517
Office B1 (a)	6,754	3,367	8,956	19,077
Total B Use Class	11,472	4,606	7,583	23,661

Source: CCL calculation

1.2.45 In addition to the above provision, the vacancy rate of 7% is applied to the floorspace requirement figures identified in Table A3.5 as this relates to two timeframes (2020 - 2040 and 2020 - 2045). This is summarised in Table A3.7 below.

Table A3.7: Potential Floorspace Change Reigate & Banstead – Vacancy Rate on Changing Working Practices and Economic Shock Figures

Floorspace Type	Floorspace Change Sq.m	
	2020 - 2040	2020 - 2045
Industrial B1(b) / (c) / B2	937	1,199
Storage & Distribution B8	2,207	2,782
Office B1(a)	2,508	3,201
Total B Use Class	5,652	7,181

Source: CCL calculation

1.2.46 Combining the analysis from Tables A3.5, A3.6 and A3.7 results in the floorspace demand pattern summarised in Table A3.8.

Table A3.8: Potential Floorspace Change Reigate & Banstead – Changing Working Practices, Economic Shock Figures and Market Adjustments

Floorspace Type	Floorspace Change (Sq.m)	
	2020 - 2040	2020 - 2045
Industrial B1(b) / (c) / B2	18,391	22,394
Storage & Distribution B8	34,252	43,035
Office B1 (a)	57,407	68,000
Total B Use Class	110,051	133,428

Source: CCL calculation

Strategic Market Demand

1.2.47 As with the 2017 report, it has been assumed that potentially 75% of the demand may be categorised as of a strategic nature. The analysis results in the strategic demand profile summarised in Table A3.9 which indicates a potential floorspace demand of between 82,538 sq.m (2020 - 2040) and 100,071 sq.m (2040 - 2045). This compares against a floorspace demand figure of 72,713 sq.m for the period 2015 - 2035 from the 2017 analysis.

Table A3.9: Potential Floorspace Change Reigate & Banstead – Changing Working Practices, Economic Shock Figures and Market Adjustments: Strategic Demand

Floorspace Type	Floorspace Change (Sq.m)	
	2020 - 2040	2020 - 2045
Industrial B1(b) / (c) / B2	13,793	16,795
Storage & Distribution B8	25,689	32,276
Office B1 (a)	43,055	51,000
Total B Use Class	82,538	100,071

Source: CCL calculation

Assessment of Wider Needs

1.2.48 HSBP is a major long-term scheme with a strategic focus, with high-levels of accessibility potential (close to major transport infrastructure such as Gatwick Airport, the M23 and mainline rail services). It is intended to meet corporate and strategic business and supporting needs and is therefore expected to have a draw far beyond the immediate local authorities. This will include London and the wider South East as well as national relocations and Foreign Direct Investment opportunities.

1.2.49 To put this in context, VOA floorspace stock data changes in London and the South East region has been analysed and is summarised in Table A3.10. It shows that over the period 2000/01 – 2018/19 office floorspace has increased by approximately 126,000 sq.m per annum on average across this area.

Table A3.10: Change in Office Floorspace Stock in Wider Strategic Area

Floorspace Type	Office Floorspace Change (sq. m)		
	2000/01	2018/19	Overall Change (average p.a)
London	24,531,000	26,414,000	1,883,000 (105,000)
South East	12,917,000	13,295,000	378,000 (21,000)
Total Office	37,448,000	39,709,000	2,261,000 (126,000)

Source: CCL calculation using VOA data, 2020

1.2.50 If this rate of net increase in office floorspace was to continue into the future, and assuming 75% of this growth was associated with strategic demand, this would equate to an annual increase of 94,500 sq.m in office floorspace in this area. If HSBP was to secure 2.5% of this net growth this would be approximately 47,250 sq.m over 20 years and 59,063 sq.m over 25 years. If 5% of this growth was secured then this would be approximately 94,500 sq.m over 20 years and 118,125 sq.m over 25 years.

1.2.51 Whilst there is no guarantee that these levels of ‘market capture’ would occur, it does indicate the potential scale of opportunity that may arise. In addition, this potential demand excludes demand that may arise elsewhere in the UK, and which may be attracted to HSBP, as well as Foreign Direct Investment.

1.2.52 It should also be noted that the above analysis relates to net change in office floorspace only. There will also be gross occupational demand occurring within market-places. In the case of the borough of Reigate and Banstead, for example, the VOA data indicated that there was a **net loss** in office floorspace of approximately 2,848 sq.m per annum over the period 2006 - 2019. This is in contrast to average occupational office take-up of 7,760 sq.m per annum over the period 2000 - 2019.

1.2.53 In other words, even within an area that is seeing a net reduction in office floorspace there will be still be demand for office floorspace from existing occupiers, new start-ups and relocating businesses. This suggests that the above wider strategic floorspace need figures of

47,250 sq.m to 118,125 sq.m may be minimum demand levels associated with the HSBP.

Gatwick Airport

- 1.2.54 An assessment of market demand that may arise from Gatwick Airport has been carried out. Given the high degree of uncertainty associated with the aviation sector currently, the assessment has only focused on the 'demand increase' scenario presented in the 2017 report. Even within this, caution is needed in interpreting the results given the on-going structural changes taking place within this sector.
- 1.2.55 The market demand assessment has also worked from the assumption of making best use of the existing main runway, as laid out in the *Gatwick Airport Masterplan (2019)*^{xx}. The potential use of the Northern Runway^{xxi} / routine use of the Emergency Runway scenario in the *Gatwick Masterplan (2019)* has not been assessed. If this operational assumption was applied it is likely to increase the demand for commercial employment floorspace.
- 1.2.56 The key assumptions used in the Gatwick Airport impact assessment in the 2017 report have been retained. The exception is to change the employment density ratios to reflect the lower employment density figures used earlier in this report (14 sq.m GIA for office activity; 50 sq.m GIA for light industrial use; and 60 sq.m GIA for storage and distribution use).
- 1.2.57 The original impact assessment worked from analysis undertaken in 2014^{xxii}. This identified the number of airport-related jobs in 2014 and how these may change by 2030. Under a 'no runway growth' scenario the total job growth was expected to be 6,600 between 2014 and 2030, from 31,100 to 37,700. This is an average growth rate of 1.3% per annum and related to a growth in passenger numbers of approximately 1.2% per annum over the same period. The 'no runway growth'

scenario is taken to be comparable to the ‘making best use of the existing runway’ scenario in the *Gatwick Airport Masterplan (2019)*.

1.2.58 The *Gatwick Airport Masterplan (2019)* identified that the total number of direct jobs at Gatwick Airport is 24,000. The Masterplan also projects a growth in passenger numbers under the ‘making best use of the existing runway’ scenario as 13% between 2020/21 and 2032/33, of 1.1% per annum^{xxiii}. These are all pre-Coronavirus passenger growth forecasts. Gatwick Airport currently suggest it will be 48 months before air traffic growth is back to pre-Coronavirus levels.

1.2.59 It has been assumed that passenger growth between 2020/21 and 2032/33 would be approximately 75% that forecast in the Gatwick Masterplan, with a figure of 0.8% per annum used^{xxiv}. This has been applied to the direct jobs at Gatwick Airport to estimate potential job growth for the period 2020 - 2040. It is likely to under-record job growth as it does not account for in-direct jobs and runs over a longer time period that used in the Gatwick Masterplan forecasts, so should provide a realistic minimum level of job growth associated with the Airport.

1.2.60 The results are summarised in Table A3.11 which finds that there could be a realistic minimum of an additional 19,059 sq.m of employment floorspace in Reigate & Banstead Borough associated with this scenario at Gatwick Airport.

Table A3.11: Potential Floorspace Impact of Gatwick Airport (Best Use of Existing Runway Scenario) on Reigate & Banstead by 2040, Sq.m

Gatwick Airport Growth	Direct Airport Jobs ^{xxv}	Reigate & Banstead Share	Assume 80% B Use	Offices	Industrial / Warehousing	Total Sq.m
2019	35,543	-	-	-	-	-
2040	42,017	-	-	-	-	-
Total Change	6,474	596	476	3,335	15,724	19,059

Source: CCL calculation

1.3 Summary

- 1.3.1 Table A3.12 provides a summary of the above analysis highlighting a range of potential employment floorspace demand of between 82,538 and 100,071 sq.m. This is broadly comparable with the 2017 analysis based on the 2020 - 2045 timeframe, which is likely to be reflective of the development build out of HSBP.
- 1.3.2 In addition, an updated assessment of wider potential strategic need has indicated that within the strategic geography of London and the South East there could be a realistic minimum office demand figure of 47,250 sq.m to 118,125 sq.m associated with HSBP over the period 2020 - 2040/45. Demand that may arise from Gatwick Airport could be of the order of approximately 19,060 sq.m under a 'making best use of existing runway' scenario.

Table A3.12: Gross Strategic Floorspace Requirements in Reigate & Banstead 2020 - 2040 and 2020 - 2045*

		Floorspace Requirements (Sq.m)	
		2017 Analysis	2020 Analysis
		2015 - 2035	2020 - 2040 & 2020 - 2045
1	Industrial: B1 (b)/(c)/B2	9,093 - 10,777	13,793 – 16,795
2	Storage & Distribution: B8	18,212 - 18,212	25,689 – 32,276
3	Offices: B1 (a)	39,136 - 51,896	43,055 - 51,000
4	Strategic Total	66,422 - 80,885	82,538 – 100,071

Source: HOR9 Horley Strategic Employment Site, Economic Assessment - Task 1: Supply and Demand Evidence (2017) and CCL calculation, 2020

* - Adjusted for Changing Working Practices, Economic Shock, Market Adjustments, Wider Unmet Need and FDI / UK Relocations

- 1.3.3 The assessment set out in Table A3.12 has been based on updated data wherever possible, including current market evidence, and a review of developments since the 2017 report. A number of assumptions have, however, had to be applied in order to test the original assessment and to reflect current developments and market trends. These have risks attached to them.

1.3.4 Whilst the emphasis has been on using cautious assumptions (i.e. less optimistic demand figures), it is possible that matters may differ in practice from what has been assumed. A summary of key risks is therefore outlined below, including a commentary on how it may impact on the market demand assessment:

- a) **Development Timeframe.** A 20 and 25 year set of timeframes have been used. In practice, a longer development period may emerge. **Potential impact: increased level of floorspace demand;**
- b) **Brexit and Coronavirus Employment Impact.** A reduction in employment of 5% has been assumed. This is likely to be at the high-end of impacts^{xxvi}, with a 1 - 2% reduction in employment possible. **Potential impact: increased level of floorspace demand;**
- c) **Employment Growth.** No 'bounce-back' growth rate in employment has been assumed. Instead, the growth rates used in the baseline Experian 2015 projections have been retained, which is likely to under-record employment growth from 2021 onwards^{xxvii}. **Potential impact: increased level of floorspace demand;**
- d) **Employment Densities.** Reduced employment density levels have been assumed (i.e. more space per person) to reflect new working practices, with office densities assumed to move from 12 sq.m per person to 14 sq.m per person. It is possible the employment densities may be lower than this, raising to 15 or 16 sq.m per person. Equally, employment densities could revert to pre-Coronavirus levels which would reduce the level of floorspace demand. **Potential impact: could increase or decrease level of floorspace demand;**
- e) **Remote Working.** A remote working ratio of 25% for the office sector and 10% for the industrial sector has been used. The office remote working ratio is seen as being towards the higher end of

likelihood, but it is possible that it may be higher which would reduce the demand for floorspace. It is unlikely that the industrial sector remote working ratio would be higher than 10% and if anything may be lower than this. **Potential impact: reduced level of floorspace demand;**

f) **Commuting Patterns.** It has been assumed that there would be a balancing effect between Reigate & Banstead residents who currently work in London and who are attracted to working within the Borough and those who commute into the Borough being attracted to work locations closer to their residence. However, the balance could change either way, with possible greater potential for drawing people into Reigate & Banstead given the development of HSBP. **Potential impact: could increase or decrease level of floorspace demand;** and

g) **Wider Need.** A limited strategic geography of London, Kent, East and West Sussex and Surrey has been used to assess potential demand that may arise from this source. This underplays potential demand from elsewhere in the UK as well as FDI. **Potential impact: increased level of floorspace demand**

END NOTES

ⁱ Fiscal Sustainability Report Table 1, Page 8, Office for Budget Responsibility (July 2020)

ⁱⁱ KPMG September 2020 Economic Outlook forecasts national economic output to contract by 10.3% in 2020 but increase by 8.4% in 2021

ⁱⁱⁱ Covid-19 Impact Assessment. Gatwick Diamond. Hatch Consulting, Gatwick Diamond (May 2020)

^{iv} Impact of COVID-19 on the West Sussex Economy, The West Sussex Way (July 2020)

^v Coronavirus (COVID-19) Economic Impact Assessment. Page 12. Hatch Consulting, Coast to Capital LEP (August 2020)

^{vi} It should be noted that the Gatwick Diamond (May 2020) Covid-19 Impact Assessment report also contained analysis for the Capital to Coast area but based at an earlier date than the August 2020 report referred to here. This earlier analysis indicated a decline in GVA for the Coast to Capital area of 12% in 2020

^{vii} Nomis Labour Market Profile identified 78,400 economically active in Reigate & Banstead (April 2019-March 2020) and 1,800 unemployed with an unemployment rate of 2.3%. KPMG September 2020 Economic Outlook forecasts national unemployment rate to rise from 3.8% 2019, 5.9% 2020 to 8.2% 2021. Assuming this doubling of unemployment (3.8% to 8.2%) applies to Reigate & Banstead would mean unemployment rising from 1,800 to 3,600. This is equivalent to a 2.3% reduction in employment

^{viii} Based on confidential project design work undertaken for Government departments and agencies during Summer 2020.

^{ix} Productive space is space that is used to achieve the most effective and efficient output from staff whilst providing suitable well-being and supportive physical and operational environments

^x It should be noted that the employment generation figures for HSBP used different employment floorspace density ratios as this scheme deals with more corporate and strategic uses. As such the office employment density used was 16 sq.m GIA, light industrial employment density was 58 sq.m GIA and storage and distribution employment density was 70 sq.m GIA.

^{xi} Spending Review 2020: Guidance for the Property Function, page 9, Office of Government Property (August 2020). However, the terms home working

and remote working are often used interchangeably, but cover two distinct types of working arrangements. There is home-working, where an individual works primarily from home, normally on a contractual basis, with only occasional visits to an office base. Then there is remote working in which an individual works 1, 2, 3, or 4 days or some other combination of time away from the office. As such, a phrase such as '40% home working' does not necessarily mean that there is a 40% reduction in space need as much will depend upon the actual scheduling of remote and home working within an organisation, and how form of remote working

- ^{xii} Source: <http://www.bco.org.uk/News/News45664.aspx> May 2020
- ^{xiii} Megatrends. Working from home: what's driving the rise in remote working? CIPD (April 2020)
- ^{xiv} Source: Imperial College Business School (March 2020). COVID-19 and the end of the daily commute. <https://www.imperial.ac.uk/business-school/ib-knowledge/management/covid-19-and-the-end-the-daily-commute>
- ^{xv} Source: <https://www.bbc.co.uk/news/uk-england-52847319>; and <https://www.mortgagestrategy.co.uk/news/quarter-of-brits-consider-relocation-after-lockdown/>
- ^{xvi} Source: RBBC Local Economic Needs Assessment (June 2016), Page 7. Based on analysis of 2011 Census commuting patterns and flows.
- ^{xvii} This assumed that 75% of applications for new office accommodation would be built out, and that 60% of applications for industrial and warehouse space would be built out
- ^{xviii} This was based on average take-up levels of 826 sq.m for Industrial: R&D, light industrial and general industrial, 1,534 sq.m for Storage & Distribution and 3,377 sq.m for offices. For the office sector this covered the period 2011/12 - 2014/15 and 2018/19. 2015/16 - 2017/18 were excluded due to the exceptional impacts associated with PDR. The period 2011/12 - 2018/19 was used for the industrial analysis
- ^{xix} Based on analysis from the RBBC Commercial Commitments Monitor (2019) on gains and losses from development pipeline (Table 2, page 7). This includes the assumption that 75% of applications for new office accommodation would be built out, and that 60% of applications for industrial and warehouse space would be built out. Note that a positive figure reflects a loss of such floorspace from the analysis in the monitoring report and is therefore effectively a replacement provision for such loss. This applies to light industrial and office floorspace

-
- ^{xx} Gatwick Airport Masterplan, Gatwick Airport (2019)
- ^{xxi} Making Best Use of Gatwick. An Overview of Our Northern Runway Plans, Gatwick Airport (Autumn 2019)
- ^{xxii} Understanding the Economic and Employment Impact of Having or Not Having a 2nd Runway at Gatwick Airport. Nairne Ltd. Coastal West Sussex (September 2014)
- ^{xxiii} The use of the Northern Runway suggests a growth in passenger numbers of 2.8% per annum over the same period
- ^{xxiv} The 75% assumption was used to reflect the downturn in airport flight traffic over the next four years (based on Gatwick Airport's assessment) and then a return to the long-term growth pattern of 1.1% per annum
- ^{xxv} Based on direct airport job total of 24,000 from Gatwick Airport Masterplan. This was uplifted by 48% to reflect off-airport jobs, indirect and induced job impacts. This level of uplift was used in the Understanding the Economic and Employment Impact of Having or Not Having a 2nd Runway at Gatwick Airport. Nairne Ltd. Coastal West Sussex (September 2014) report.
- ^{xxvi} Nomis Labour Market Profile identified 78,400 economically active in Reigate & Banstead (April 2010-March 2020) and 1,800 unemployed, and unemployment rate of 2.3%. KPMG September 2020 Economic Outlook forecasts national unemployment rate to rise from 3.8% 2019, 5.9% 2020 to 8.2% 2021. Assuming this doubling of unemployment (3.8% to 8.2%) applies to Reigate & Banstead would mean unemployment rising from 1,800 to 3,600. This is equivalent to a 2.3% reduction in employment
- ^{xxvii} KPMG September 2020 Economic Outlook forecasts national economic output to contract by 10.3% in 2020 but increase by 8.4% in 2021

Appendix 4: Wider Effects On Other Areas

1.1 Introduction

- 1.1.1 Given the scale and nature of the HSBP, based on an office-led scheme together with supporting community facilities and services, it is essential that the implications of this are considered with respect to other existing commercial centres and strategic employment sites in the wider Gatwick Diamond and LB Sutton and LB Croydon areas.
- 1.1.2 This Appendix provides an overview of the anticipated effects of the HSBP on other employment locations in the Borough, including the designated employment areas and then for comparable provision beyond the Borough.
- 1.1.3 It considers the effects and implications of a number of larger schemes in the wider sub-region which are possible comparators or competitors to HSBP.

1.2 Wider Reigate & Banstead Borough Area

- 1.2.1 The current Borough wide commercial market is characterised by established industrial estates with office provision primarily concentrated at Redhill and to a lesser extent, Reigate.
- 1.2.2 At the local level, the area is dominated by a traditional industrial and storage / distribution offer, primarily at the Salfords Industrial Estate; and the smaller Balcombe Road Industrial Area; with Perrywood Business Park providing more office provision, albeit small units.
- 1.2.3 Overall, Salfords, and to a lesser extent Balcombe Road, are orientated towards light industrial and storage / distribution uses, which benefit from their A23 corridor location and support for airport related uses related to

its Gatwick airport location. An element of new industrial and warehouse supply has recently come forward in the local area to support the industrial market, namely at North Gatwick. Strong occupier demand remains.

- 1.2.4 Elsewhere in the Borough, the northern area can be characterised by relatively limited employment provision such as Pitwood Park Industrial Estate focused on local needs. The industrial provision serving the main centres of Redhill and Reigate are relatively small and dominated by local light industrial and some warehousing occupiers. The largest employment area at the Holmethorpe Industrial Estate in Redhill remains a traditional led industrial estate which supports good levels of local occupiers and continues to meet local market needs.
- 1.2.5 While HSBP is an office-led development proposal, the support for other employment uses, including appropriate airport-related sui generis uses, forms an integral part of its potential offer.
- 1.2.6 It is considered the nature of HSBP will serve to enhance the quantum and quality of new industrial and storage / distribution provision in the local market which remains characterised by tight supply, unmet needs and high demand (as found previously in the 2017 reportⁱ). On this basis, the HSBP is still considered to complement existing supply and have an ability to co-exist alongside established industrial stock.
- 1.2.7 The main focus for office provision in the Borough is concentrated at Redhill and Reigate. There are also a number of standalone campus sites such as Fidelity at Lower Kingswood and Pfizer UK headquarters at Walton on the Hill. Elements of office space also exist throughout the aforementioned industrial estates although these are typically small scale and ancillary to the main industrial and storage function.
- 1.2.8 Both Reigate and Redhill represent established M25 office locations, which support HQ offices and a generally low vacancy rate. Both markets have been constrained by a limited availability of high-quality Grade A supply. This remains the case and whilst some new quality supply has

come forward in Redhill (Prospero) alongside refurbishment activity, there remains a general absence of new supply and neither location offers business parks that are more typically associated within other established office centres in the M25 corridor.

- 1.2.9 Our conclusions from the 2017 Report highlighted the possibility that HSBP could prove attractive to some existing office occupiers in Reigate (given the number of HQ office facilities) and Redhill, together with other prospective occupiers who may traditionally have been attracted to either town centre. We consider this would likely remain the case particularly if the available qualitative offer in both centres is unable to meet changing occupier requirements.
- 1.2.10 This is considered particularly relevant to the business and financial sectors which are established in both centres, and which represent the types of corporate sector occupier that could be attracted to the HSBP. The implications of changing workspace trends (accelerated by the Coronavirus restrictions and increased emphasis on remote / home working) are also expected to further drive office relocations, ‘downsizing’ and corporate restructuring from London and other large centres which could all benefit HSBP.
- 1.2.11 The delivery of the HSBP will generate some local market ‘churn’ therefore, as concluded in the 2017 report. This is considered inevitable given the scale, range and choice of office led supply expected to be delivered in time (ranging from larger units to smaller, affordable start-up/incubator space, and serviced accommodation). It is likely to prove attractive to the local market, and some potential commercial market impact should be anticipated. As previously reported, the phasing of delivery and the specific nature of future provision will ultimately determine the extent of and timing of impact.
- 1.2.12 Overall, the local commercial market for both office and industrial can be characterised by healthy levels of demand but equally one of limited new supply.

1.2.13 There is nothing comparable to the scale and nature offered by HSBP in the Borough, which as a predominantly office led business park, is considered a 'game changer' for the Borough by property market agents. The consistent message of the revealed office market demand and supply position is of a constrained supply of high-quality office floorspace and properties which HSBP will seek to alleviate. It is also seen by agents as a regional business park which will help to strengthen the Borough as an office location both in terms of its offer but also its perception as a key business location in the south-east.

1.3 Other Authorities in the Gatwick Diamond and Beyond

- 1.3.1 While it is essential to consider the impact of the HSBP on the local area, given the significance of the proposed development (due to its scale, characteristics and location) it must also be considered in the context of the Gatwick Diamond area, and potentially further afield.
- 1.3.2 There is a long-established policy aspiration for a strategic scale employment site in the Gatwick Diamond sub-region to support future economic growth. Future potential provision will be expected to help provide for commercial needs arising from across the Gatwick Diamond.
- 1.3.3 There are a number of large employment locations spread across the Gatwick Diamond area and in neighbouring LB Sutton and LB Croydon. Although few are considered to be 'strategic' in scale and nature and provide mostly for existing and projected local employment needs, there are a number which could be considered more likely to be affected by the development of the HSBP than others.

1.4 Crawley Borough

- 1.4.1 As the largest and most significant commercial centre within the sub-region, the market in and around Crawley acts as the main driver of the local employment land market. Dominated by the distinct areas of Manor

Royal and Crawley Town Centre, each has distinct implications for the future performance and prospects for the HSBP given their close proximity.

Manor Royal

- 1.4.2 Manor Royal Business District is a key business location for the South East, with over 780,000 sq.m of employment floorspace. It has a particular focus and reputation / profile for the industrial sector, ranging from small manufacturing units to larger distribution-focussed businesses together with elements of offices and ancillary uses.
- 1.4.3 Over recent years, Manor Royal has diversified its commercial offer particularly in respect of its office stock although relatively high levels of office vacancy now exist following some consolidation (e.g. Virgin Atlantic & Elekta).
- 1.4.4 The problems of dated surplus office stock is reported an issue although new quality stock is coming forward at Gatwick Park – a new office district has planning consent for Phase 1 (10,220 sq.m) and an additional Phase 2 (5,300 sq.m) has been submitted which focus on the regeneration of dated office buildings. The potential for further phases exists. This qualitative improvement of office supply is much needed in Crawley and while construction may be delayed in the short term (understood due to lease restrictions), the qualitative offer is seen as important for strengthening the local market which has been largely absent of available Grade A office stock.
- 1.4.5 While such quality office accommodation could be seen as local competition for HSBP, it remains that Manor Royal is not a planned high-quality office campus that can be clearly differentiated from HSBP. Manor Royal has a different scale, composition and proximity to Gatwick Airport. Furthermore, it is evident that Manor Royal is increasingly re-positioning towards its traditional, established role as an industrial / distribution location in light of market trends while issues of parking provision, the

need for qualitative environmental improvements and the need for more ancillary facilities are recognised as constraints for some office occupiers. For these reasons, it is concluded that HSBP and Manor Royal represent complementary rather than directly competing offers.

- 1.4.6 With regard to the industrial market, there is a relatively small scale of industrial floorspace proposed at HSBP which may include sui generis Gatwick Airport related activities.
- 1.4.7 A significant level of new speculative logistics and industrial floorspace (e.g. Gatwick 55, Centron, Space Gatwick, Gatwick 33 and St Modwen Park Gatwick) has come forward in Manor Royal and the wider Crawley / Gatwick market over recent years which together have helped address a tightly constrained market driven by strong demand and previously unmet needs. This demand is expected to continue although it is clear the relatively modest levels of industrial floorspace and airport-related sui generis space at HSBP would clearly help contribute towards existing supply in the local area.
- 1.4.8 As such, HSBP is not expected to have a detrimental impact upon the operation or emphasis of Manor Royal Business District. It is more likely to complement the activities of Manor Royal Business District and help address identify shortages of industrial space in the sub-region.

Crawley Town Centre

- 1.4.9 The office market in Crawley Town Centre is characterised by a reported oversupply, especially of older stock. Despite the erosion of secondary and tertiary office provision (through continued PDR conversions), the main issue has focused on qualitative deficiencies as opposed to supply, with a two tier market reported driven by a general absence of high quality Grade A provision, a position that Manor Royal has sought to exploit. There is also growing demand for small scale, flexible accommodation to better meet changing market needs.

- 1.4.10 This position is now changing. A number of pipeline schemes exist for the Town Centre whilst construction is underway on the Council-led Town Hall redevelopment which will bring forward over 6,590 sq.m of Grade A office space. This development is recognised as the first speculative office built in the Town Centre for many years and forms part of wider town centre regeneration plans that include the ‘Eastern Gateway’ commercial quarter; large scale investment in sustainable transport infrastructure including upgrade of the railway station and broadband infrastructure; and a programme for 3,000 homes in the Town Centre. In addition, the confidence in the Town Centre office market has led to the repositioning and refurbishment of key office buildings, such as Origin One.
- 1.4.11 As an office destination, Crawley Town Centre offers an easily accessible location, particularly for public transport services and is complemented by a significant range of retail, leisure and other ancillary uses associated with a regional centre. These fundamentals of the Town Centre offer (accessibility, amenities and high-quality stock) are considered key attractors which are driving business confidence in the town centre office market and helping to strengthen, enhance and reposition the centre as an office destination.
- 1.4.12 For these reasons, the HSBP and Crawley Town Centre are concluded to continue to represent two different offers; business park versus town centre. There could be expected to be some floorspace take up at HSBP that may have previously considered Crawley Town Centre although much will depend on how Crawley repositions its office offer as part of the regenerated wider town centre. For many occupiers, ease of accessibility, and proximity to amenities for staff remains a core driver of office location, an issue which is a key existing advantage and attraction for Crawley Town Centre.
- 1.4.13 While there remains uncertainty in respect of the offer likely to be available at HSBP, it is considered the new business park would provide

additional range, choice and quality to complement office needs arising in the Crawley market. It should therefore be seen as a complementary offer to that of the traditional office market in Crawley Town Centre.

- 1.4.14 In respect of the potential impact of the non-core community facilities floorspace at HSBP, the scale of anticipated provision and mix of uses is focused on meeting on-site needs of the HSBP and creating a stronger synergy with Horley Town Centre nearby. It will likely have very little impact on the retail, leisure and services offer in Crawley Town Centre reflecting the size and status of that centre as a large-scale, key retail / leisure destination for the sub-region.
- 1.4.15 Furthermore, the HSBP is more distant from Crawley Town Centre with Gatwick Airport separating these locations with access required via car or bus via the M23 or A23, which is currently a 10 - 15 minute off-peak drive time. Perceptually, therefore, Crawley Town Centre is less likely to be seen as a primary destination for people working at HSBP, although it may be a focus for occasional visits and expenditure.

1.5 London Borough of Croydon

- 1.5.1 As outlined in the 2017 Report, Croydon Metropolitan Town Centre represents a core office location. It is the largest office market in outer London which has proved attractive to professional and financial services including the potential for relocations from Inner London and other footloose occupiers given its rail links and attractive rents. The nature of the robust market is also underpinned by a critical mass of local occupiers loyal to Croydon with strong levels of demand for smaller secondary space.
- 1.5.2 Given the strength of the office market, speculative development has come forward with schemes such as Interchange and Renaissance delivering Grade A stock whilst a healthy level of pipeline supply exists which will further increase the quantum of much needed Grade A supply

although it is understood many await pre-let confirmation prior to construction.

- 1.5.3 The industrial and logistics market also remains strong in the Borough although over recent years supply has been tight and a general absence of speculative development has led to pent-up demand, particularly high demand from occupiers including last-mile delivery operators. This supply position is changing with a surge in development reported and a significant pipeline, particularly at the Beddington Lane area which together with Purley Way (noting the identification of this area for residential development in the emerging Local Plan) and Beddington Farm Road, forms the Borough's main industrial hub.
- 1.5.4 In view of the natural strength of Croydon Borough as a large established office location, driven by its proximity and attractiveness to the City and West End and role as an office hub for government and HQ offices, the dynamics of the office market remain firmly established. High levels of pipeline supply for quality space exist while major regeneration of the Metropolitan Town Centre continues to develop the overall offer. On this basis, it is concluded that Croydon will remain a primary office location and would not be adversely impacted by the HSBP.

1.6 Epsom and Ewell District

- 1.6.1 The employment land market in Epsom and Ewell is small and self-contained given its proximity to and reliance on London and Guildford.
- 1.6.2 Forming part of the East Surrey M25 Growth Corridor, Epsom acts as the main focus for the office market, primarily concentrated in Epsom town centre but is characterised by dated stock and floorspace losses due to PDR given the significant local pressures for residential development. In contrast, local industrial provision is focused at the two main estates (Longmead and Nonsuch) which serve as the main industrial hubs and which are dominated by local occupiers and healthy levels of occupancy.

- 1.6.3 There is a recognised need to widen the range and choice of commercial supply in the Borough including the creation of small business accommodation, particularly to meet the needs of creative / arts industries (driven by the presence of the University for the Creative Arts and Nescot College). Council officers further report there is now support for a business Growth Hub to help develop start-up and incubator industries in the area together with opportunities for redevelopment to bring forward higher quality offices. This is considered to be capable of responding to evident local needs for smaller businesses and is undoubtedly going to be popular and needed as Coronavirus increases a drive for remote and home working coupled with flexible office and meeting spaces.
- 1.6.4 The Borough is relatively distant from HSBP at the northern fringe of the Gatwick Diamond area and given the localised nature and modest scale of the local commercial market, especially its office offer and reported absence of any significant pipeline, there is not expected to be any realistic impact or competition from the HSBP on Epsom and Ewell Borough.

1.7 Horsham District

- 1.7.1 The focus for office accommodation in the District is primarily centred on Horsham Town Centre although shortages of supply, historically driven by small local requirements have been accelerated by office losses via PDR conversions.
- 1.7.2 The availability constraints of dated stock and an absence of new office provision over recent years (as set out in the 2017 report) remain a concern in retaining some occupiers with neighbouring locations, particularly Crawley, reported as offering an alternative office location with available space.
- 1.7.3 This position will change in the District with office development coming forward at the former Novartis site close to the town centre together with large scale opportunities at Land North of Horsham (see below), which

are considered as key opportunities to re-energise the local office market but which in the case of North Horsham offer a distinctly different type and location of office floorspace that is currently limited in the District.

- 1.7.4 In contrast, the District is not perceived as an industrial location and the market has traditionally been driven by localised and small-scale requirements given a business base of predominantly SME's.
- 1.7.5 The nature of industrial stock is more evenly spread throughout the district compared to the office stock with many occupiers reported as keen to stay within the area. Healthy levels of unsatisfied requirements are reported now in 2020 driven by local occupiers seeking expansion together with logistics operators although supply has been limited. This is changing with new stock emerging as set out in Section 5 of the report previously.
- 1.7.6 There are a number of significant employment schemes in the District which were initially identified in the 2017 Report and which have now progressed. An update on Land North of Horsham and Horsham Enterprise Park is provided below.

Land North of Horsham

- 1.7.7 The Land North of Horsham site is a large mixed-use development which was granted planning permissionⁱⁱ by Horsham District Council in March 2018 and was acquired by Legal & General (from Liberty Property Trust) in December 2018.
- 1.7.8 The consented scheme includes **2,750** dwellings and supporting mixed uses, including a business park of **46,450** sq.m (**500,000** sq.ft) of B1 office floorspace; an education campus; and a new sports hub. The area is identified in the adopted Horsham District Planning Framework (and in the emerging Draft Local Plan Review, February 2020) as the major mixed-use allocation for the District. The employment provision is promoted to address the general absence of suitable provision in Horsham over recent years.

- 1.7.9 Since acquiring the land north of Horsham, Legal & General have been reviewing the approved plans and considering each element in greater detail leading to a consultation on potential changes held in November 2019. Work on other technical elements to implement the existing consent have been ongoing.
- 1.7.10 The scheme was consented and is still promoted by Legal & General to help meet local needs for employment arising from the new housing (on a one job per dwelling basis) but may also attract new occupiers into the District. New cycle, pedestrian and road connections are proposed to ensure there is a range of sustainable modes of transport and to help integrate the development into Horsham town overall services.
- 1.7.11 The employment floorspace consented is intended to provide a range of floorspace sizes/types, in a campus setting with landscaped grounds. Details of the phasing and specific mix of employment units have still to be confirmed although the permission granted is primarily for office floorspace of Grade A quality.
- 1.7.12 The employment elements of the consented scheme represents a comparable type of office led provision to HSBP although this is of a significantly smaller scale. Both schemes have the benefit of allocation in existing Development Plan documents and the Land North of Horsham has the further support of an extant planning permission for the scale and nature of employment development (as part of the overall mix) proposed.
- 1.7.13 The Land North of Horsham scheme is evidently intended to serve local needs and address a provision gap which currently exists in the District; the Local Plan Review makes this clear in Section 5 in paragraph 5.7.
- 1.7.14 The HOR9 2017 Economic Effects report previously concluded that the Land North of Horsham scheme would successfully co-exist with HSBP at the local level, and help meet local unmet needs within the Horsham property market, particularly in providing for high quality, modern stock (replacing office stock losses evident in Horsham Town Centre), alongside a range and choice of provision in an area that has a dearth of

available good quality supply. This remains our conclusion now. There is a strong potential synergy in market terms for both HSBP and Land North of Horsham to co-exist rather than to directly compete for market demand.

Horsham Enterprise Park (Former Novartis Site)

- 1.7.15 The Horsham Enterprise Park, promoted by West Sussex County Council, is situated at the former Novartis Site, located off Wimblehurst Road in Horsham town. The site covers some 7.6 hectares.
- 1.7.16 The re-development of the site has been granted planning permissionⁱⁱⁱ from Horsham District Council in October 2019 for 25,000 sq.m of converted and improved office floorspace in addition to some 300 new residential dwellings and 618 sq.m of flexible commercial/community space (A1, A2, A3, D1, and crèche). The site is listed as a committed development in Horsham District's emerging draft Local Plan Review.
- 1.7.17 The employment mix proposed also includes research and development uses covering some two-thirds of the site area and will provide a new enterprise hub or collaborative workspace to incubate micro and small businesses.
- 1.7.18 At the time of writing, a private sector development partner is in the process of being secured to take the development forward.
- 1.7.19 Although the Enterprise Park does not share the same scale or characteristics as HSBP, it is nevertheless a substantial re-development project located within the existing Horsham town area.
- 1.7.20 The office and research and development floorspace for which outline consent has been granted does represent a significant contribution towards meeting evident office employment floorspace needs. However the timing of the development's completion and therefore availability of the floorspace is yet to be set out in detail.
- 1.7.21 The consented scheme is particularly aimed at improving the quality of provision in Horsham given the loss of much existing space via PDR

conversions to residential use. The size and nature of the Enterprise Park is therefore considered to be of high profile given the local authority public support for the development.

1.8 Mid Sussex District

- 1.8.1 The focus for employment land in Mid Sussex is concentrated at its main settlements of Haywards Heath, Burgess Hill and East Grinstead, each with its own offer but equally one that has been characterised by limited new development, unmet demand requirements and qualitative limitations of existing stock and levels.
- 1.8.2 Haywards Heath has traditionally remained the main office location in the District and whilst much of its stock is considered dated, qualitative improvements are planned with planning permission granted for development to deliver new Grade A space at Haywards Park Phase 1 (6,039 sq.m) in the Perrymount Road area of the Town Centre and promoted as HQ style space. Further phases by the Commercial Park Group are proposed as part of a business hub which seek to re-establish and strengthen the office market in the Town Centre and focused on meeting unmet need. By contrast, East Grinstead has lost much of its office stock to PDR.
- 1.8.3 In Burgess Hill, the proposed Science and Technology Park (discussed further below) offers scope to deliver significant levels of office floorspace which have been largely absent from the local market.
- 1.8.4 In industrial market terms, East Grinstead and Burgess Hill have been more orientated towards industrial occupiers particularly for light industrial and storage / distribution uses at established industrial estates. Elsewhere in the District, industrial schemes such as Link 23 (Longcross) have come forward in locations close to the Crawley area which acts as the main industrial location whilst emerging supply at The Hub (see below) are considered important in meeting local needs whilst providing potential competitor sites to Crawley and Brighton.

The Hub and Northern Arc, Burgess Hill

- 1.8.5 Mid Sussex District Council granted outline planning permission in November 2015 for up to 50,000 sq.m of employment floorspace on land to the north west of Burgess Hill.
- 1.8.6 The site forms part of a larger strategic allocation to the north and north west of Burgess Hill (Policy DP9 of the adopted District Plan), for some 3,500 homes and 25 hectares for a high quality business park south of the A2300 road and is intended to meet the level of economic growth proposed in the District Plan (Policy DP1).
- 1.8.7 The principle and location of The Hub and The Northern Arc development allocation was established in the District Plan. The current Mid Sussex Submission Draft Site Allocations DPD also identifies and details the sites (see paragraphs 2.3, et seq.). This draft Plan is currently subject to further testing and consultation prior to public examination in due course but the principle and overall scale of employment land is already established.
- 1.8.8 Indeed, progress has accelerated on the delivery of the 25 hectare of employment land with development well advanced at the 15 hectare 'The Hub' site (with Phase 1 completed and occupied by DPD, and Phase 2 pre-let to Roche and GeoPost UK), and a further 4 hectares proposed within the adjacent 'Northern Arc' strategic residential-led development at Burgess Hill.
- 1.8.9 The prospective employment floorspace at The Northern Arc forms part of the overall strategic development allocation, which in sustainability terms, is considered essential (together with the industrial employment floorspace delivered at The Hub) in meeting the future employment needs of Burgess Hill and the wider District.
- 1.8.10 Given its local focus and clear alignment of jobs to housing, it is not anticipated that either The Hub (marketed as a prime industrial warehouse location) or the Northern Arc employment land will be

adversely affected by the development of HSBP as the role of these two sites is to provide for employment floorspace provision needed within Mid Sussex District to accommodate projected and evident growth in local demand over the District Plan's lifetime. Given the now reduced scale of employment development proposed for the Northern Arc (4 hectares rather than 10 hectares as originally planned) there is relatively little prospect that the Northern Arc employment land will be used to help resolve unmet employment land needs arising from adjoining authorities (such as Brighton & Hove and Worthing to the south).

- 1.8.11 It is concluded that neither The Hub or the Northern Arc employment land areas will compete directly with HSBP with both having a different focus that are intended to fulfil a largely local (within District) employment land provision role in support of strategic residential growth of Burgess Hill and meeting identified needs set out in the adopted Mid Sussex District Plan.

Science and Technology Park, Burgess Hill

- 1.8.12 Mid Sussex adopted District Plan Policy DP1 identifies the proposal to develop a Science and Technology Park within a broad location to the west of Burgess Hill. This is indicated on the adopted Policies Map. The proposal for a Science and Technology Park in this location has been part of the Council's approach to development in the District for many years.
- 1.8.13 The Submission Draft Sites Allocation DPD considers the evidence^{iv} and analysis for two potential sites west of Burgess Hill and draft Policy SA9 proposes to allocate a 48.75 hectare site (gross) to the north of the A2300 (to the east of Bolney Grange Business Park) for the Science Park.
- 1.8.14 The proposed Science and Technology Park is intended to help support research and development, and to deliver high quality employment and inward investment opportunities to the Gatwick Diamond area.
- 1.8.15 Indeed, draft Policy SA9 highlights that the proposed scheme will comprise employment accommodation for a minimum of 2,500 new jobs and that development proposals must comprise uses within the definition

of a Science Park (a business support environment that encourages and supports the start-up, incubation and development of innovation-led, high-growth, knowledge-based businesses). Appropriate ancillary facilities including hotel, conference centre, gym, convenience retail and creche are also supported. Development is to progress in accordance with a Masterplan and Phasing Strategy (yet to be prepared).

- 1.8.16 At the time of writing there is not a settled planning policy position (other than the principle of the development of a Science and Technology Park to the west of Burgess Hill and the overall scale of job creation envisaged). There have been detailed concept representations submitted by the land owners / promoters of the proposed site but these are not yet part of a formal planning application for the development.
- 1.8.17 In the 2017 report it was concluded that, given its focus on scientific research and development uses, the Burgess Hill Science and Technology Park proposal was considered sufficiently differentiated in concept and approach from other business parks, including HSBP.
- 1.8.18 This was concluded on the basis that its focus on research and development led by an anchor higher education occupier / development partner and proposals for active scientific tenant / occupier management would drive a research focus for activities on-site. That conclusion remains valid now.
- 1.8.19 If and when delivered, the Science and Technology Park scheme would represent a sub-regional facility and has been recognised as an objective for the Gatwick Diamond economy's future growth in the Coast to Capital LEP Strategic Economic Plan, the Greater Brighton City Deal and the Gatwick Diamond Local Strategic Statement.
- 1.8.20 The delivery of the Science and Technology Park alongside HSBP is therefore still considered to represent a regional economic approach that would secure high quality complementary facilities for the Gatwick Diamond. Both schemes could provide a range and choice of exemplar facilities for large, corporate occupiers and for research focused activities,

whether of a bespoke nature or to meet market requirements that become evident during the construction phase.

- 1.8.21 Overall, it remains the conclusion that the local and sub-regional economy can, in commercial market terms, accommodate both schemes to support economic growth and investment in the Gatwick Diamond area. Indeed both have the backing of the Gatwick Diamond Initiative and of the C2C LEP.

1.9 Mole Valley District

- 1.9.1 The main commercial area in Mole Valley District is Leatherhead. Its office provision comprises large footprint offices in the town centre and at business parks for HQ premises, R&D and ICT occupiers. The local office market has historically orientated itself towards the London market whilst the smaller Dorking office market is more localised and self-contained. Over recent years, the office market has been characterised by a move towards smaller but quality 'smarter' space although in comparison to many of its Gatwick Diamond neighbours, the quality of offices in the District is generally good which has encouraged refurbishment activity to meet strong levels of demand. Some stock has been lost to PDR although levels of new build office activity has remained limited.
- 1.9.2 Given the dominance as an office location, the market for industrial and warehousing uses is more limited in Mole Valley.
- 1.9.3 The District is recognised as an office destination and it is considered that the 2017 report conclusions remain relevant and valid now for Mole Valley, namely its continued orientation towards London, particularly the main office market at Leatherhead.
- 1.9.4 There remains a strong local loyalty and demand from occupiers including those seeking to downsize and driven by qualitative considerations. In this context, there is not considered to be a direct impact for the local Mole

Valley market from HSBP which is expected to complement and co-exist alongside the high-quality office market that is already firmly established in the District.

1.10 London Borough of Sutton

- 1.10.1 The Borough's employment land offer is predominantly industrial and focused at three main industrial estates; Kimpton, Beddington and Imperial Way. This reflects a strong market demand for industrial locally although available and suitable supply is reported to be tight in 2020.
- 1.10.2 In contrast, the Borough supports a relatively modest and localised office market with the main concentration of office provision in Sutton town centre, and to a lesser extent in Cheam and Wallington centres, focused on smaller scale occupiers. As an outer London Borough, Sutton has faced significant competition from its better connected neighbouring London Boroughs and as a consequence has not proved attractive to larger office occupiers seeking to relocate from central London.
- 1.10.3 No significant office development has come forward over recent years (with the exception of the proposed specialist London Cancer Hub – as set out in more detail below) while the supply position has been further restricted by office floorspace losses arising from PDR conversions especially in Sutton Town Centre.
- 1.10.4 In view of the relatively localised and low demand office market in the Borough, the relative strength of industrial provision and its distance from Horley, there is not considered to be an impact on the Borough's commercial market from the HSBP. Furthermore whilst this report identifies the London Cancer Hub, this is differentiated from the HSBP as a large, specialist, sector specific medical and life science campus.

London Cancer Hub

- 1.10.5 The London Cancer Hub in Sutton is a development that proposes to establish world-class research and development facilities to expand and test leading cancer research and enterprise supporting some 13,000 new jobs.
- 1.10.6 The London Cancer Hub represents a highly specialist facility which is intended to be a phased development over 20 years and dedicated to the life sciences sector.
- 1.10.7 The development is based on a partnership between The Institute of Cancer Research (ICR) and the London Borough of Sutton (with support from partners including the Royal Marsden NHS Foundation Trust and the Greater London Authority).
- 1.10.8 The plan for the Hub is therefore to completely remodel the existing site near Belmont in Sutton (to the south of Sutton Town Centre and north of Banstead Common) to create a green campus of research and enterprise buildings and hospital facilities. The site will be designed as a living community with a school, leisure space, and hotel accommodation for visitors and patients.
- 1.10.9 In more detail, the London Cancer Hub is based on the creation of some 280,000 sq.m of integrated life science buildings within a campus environment^v. The Development Framework proposes a mix of research, treatment and business floorspaces capable of supporting innovation and spin-out enterprise for start-up and grow-on research firms as well as larger, anchor tenants. Education space and hotel accommodation is also envisaged to support conferencing and visiting research workers.
- 1.10.10 The scheme is promoted as a major regeneration project for London and seeks to enhance and remodel the existing facilities of the ICR and Royal Marsden alongside the expansion of life sciences research on site.
- 1.10.11 At the time of writing, LB Sutton has, following a procurement process, decided not to proceed to appoint a commercial partner at the present

time^{vi}. The Council has however set out plans for a new Innovation Gateway in an existing Council owned building to support start-up and spin-out companies. It is understood the project is moving forward with delivery options under further review now by the Borough Council.

- 1.10.12 The focus of the Cancer Hub is therefore on the creation of a scientific and research nexus that allows researchers the opportunity to work collaboratively and flexibly. It is however recognised that the development programme is clearly extended over a long period before the Hub is completed.
- 1.10.13 As outlined in the 2017 report, the scheme has a unique sectoral focus and a direct relationship to existing research and medical facilities at the ICR and Royal Marsden. On this basis, the promotion of an integrated global life sciences campus would not be impacted by (or likely impact upon) the HSBP which is orientated towards a wider 'mainstream' market office led business park environment and which is not proposed to be anchored by existing scientific research institutes.

1.11 Tandridge District

- 1.11.1 Tandridge has a small office market focused on its main settlements in the north (Oxted, Caterham and Whyteleafe) and an offer which is limited in range and quality of stock.
- 1.11.2 Elements of office stock exist in the south of the District but this is typically in small rural sites. It is reported by property market agents that the competition from the larger established and higher quality office markets in Croydon, Crawley and to a lesser extent, Redhill / Reigate partly accounts for modest level of office stock although the District is also characterised by significant out-commuting by professionals, principally to London. In common with other places, levels of available office stock supply have reduced through conversions arising from prior approval consents of PDR. This is especially pertinent in Caterham.

- 1.11.3 The District supports a greater provision of industrial stock with healthy levels of demand and activity for industrial floorspace, especially along the A22 corridor but typically of smaller stock to support small local needs.
- 1.11.4 With the majority of the District constrained by Green Belt (94%), it is unsurprising that there are reported low levels of industrial estate vacancy. Furthermore, emerging Plan policy (currently at the Examination stage) is heavily focused on retaining and protecting existing employment sites, especially the larger employment sites at Hobbs Industrial Estate (Felbridge) and Lambs Business Park (South Godstone) including opportunities for intensification and modernisation and focused on light industrial, storage / distribution and general industrial uses.
- 1.11.5 Given the small office market in Tandridge, Green Belt restrictions, general absence of committed new supply and focus on maximising capacity from existing industrial estates to meet local needs, there is not considered to be a direct impact or competition from HSBP on existing provision in Tandridge.
- 1.11.6 It is important to be aware of potential new large site developments at South Godstone Garden Community. These could bring forward much needed new employment floorspace in both cases, as part of residential-led, mixed-use schemes, although equally both remain prospects rather than commitments with no certainty as to delivery timescales.

South Godstone Garden Community

- 1.11.7 The South Godstone Garden Community (formerly named 'Garden Village') is identified in the Council's Our Local Plan: 2033 (Regulation 22 Submission, January 2019 and now at Examination) and forms a key element of the spatial strategy for the District.
- 1.11.8 The Garden Community is proposed in an 'area of search' around South Godstone and is identified under Strategic Policy SGC01 which outlines a development of 4,000 new homes with a mix of employment space indicated as including offices, start up space and 'hot-desking' facilities.

- 1.11.9 No quantum of employment floorspace is identified although it is stated to provide local employment opportunities to meet local market needs associated with the new community.
- 1.11.10 The emerging Plan further recognises that the scale and complexity of the development will require details, design and delivery to be set out in an Area Action Plan which amongst others, will identify the level of employment land.
- 1.11.11 In view of the scale of the development, the draft policy recognises the need for substantial supporting infrastructure (along the A22 from J6 M25 to Felbridge).
- 1.11.12 This has resulted in an unsuccessful Housing Infrastructure Fund (HIF) bid although the Council have indicated they are not reliant on HIF to secure delivery. This is a matter which the Inspector to the Local Plan Examination has raised concerns in relation to the soundness of the Plan with regard to transport infrastructure, viability and associated delivery in the absence of HIF.
- 1.11.13 At the current time, and subject to the Inspector's Report, there remains some uncertainty over the realistic prospects for the Garden Community. Notwithstanding this, should the Plan progress, it would appear the nature and scale of employment provision will likely be focused on meeting local needs to support self-containment within the Garden Community and that provision would be integrated throughout the development to accord with garden settlement principles. As a consequence, it is not anticipated that the HSBP or Garden Community employment offer would realistically compete with each other.

Redhill Aerodrome

- 1.11.14 Land at Redhill Aerodrome is subject to active promotion by Thakeham alongside development partners, Quintain. The site has and continues to be the subject of significant Local Plan debate given it straddles the boundary between Tandridge and Reigate & Banstead.
- 1.11.15 The concept development framework prepared by the site promoters for the site proposes a new business park to the east of the M23 served by a new junction, which the promoters consider could create a regionally significant employment location. The site promoters published Vision Statement (January 2018) outlines the potential for circa 3,800 jobs on / off site which it envisages will be provided within the local and neighbourhood centres of the new community together with the aforementioned dedicated business park (located within the Tandridge element of the site).
- 1.11.16 The Council will be aware that the site was initially safeguarded in the emerging RBBC DMP. This was subsequently removed following major modification advised by the Inspector who concluded that insufficient evidence had been demonstrated for exceptional circumstances for Green Belt release.
- 1.11.17 At the time of writing the site represents an omission site within the submission Tandridge Local Plan with South Godstone promoted as the preferred location for a Garden Community in the Borough. The part of the site within Reigate & Banstead Borough remains designated Green Belt.
- 1.11.18 The principle for a new business park adjacent to the M23 and accessible from a new motorway junction would represent an attractive addition to local employment land supply. It is closely located to the HSBP and is suggested by the site promoters as a highly accessible location which could be expected to meet local and sub regional needs in the M23 corridor. Subject to phasing and timescales, it could represent some

competition in time to HSBP but if delivered would further complement the sub-regional offer and add to the portfolio of employment supply available.

- 1.11.19 There are however major uncertainties and the reality now is that Redhill Aerodrome represents an omission site in the earliest stages of planning promotion and therefore a risk in planning and delivery terms.
- 1.11.20 It is considered the HSBP is of a scale and advanced planning status which Redhill Aerodrome is not. Equally the principle of the business park is dependent on the delivery of a developer funded new motorway junction which in its own right raises significant implications for implementation.
- 1.11.21 On this basis, the promotion of Redhill Aerodrome is one site that will need to be monitored both in terms of the emerging Tandridge Local Plan and its future promotion through any review of the Reigate & Banstead Borough Development Plan.

END NOTES

ⁱ HOR9 Strategic Employment Site Economic Assessment (Task 1 and Task 2 reports), September 2017

ⁱⁱ Planning Application DC/16/1677, Land North of Horsham

ⁱⁱⁱ Planning Application DC/18/2687 granted permission on 16th October 2019

^{iv} Mid Sussex District Strategic Housing and Economic Land Availability Assessment

^v The London Cancer Hub: Development Framework (2016)

^{vi} The London Cancer Hub website, May 2016:
<https://www.londoncancerhub.org/news/detail/next-exciting-development-at-the-london-cancer-hub>



Wiltshire

Chilmark Consulting Ltd.
Albany House
High Street, Hindon
Wiltshire
SP3 6DP

T: 0330 223 1510

.....

Bath

Chilmark Consulting Ltd.
Cambridge House
Henry Street
BA1 1BT

T: 0330 223 1510

.....

E: info@chilmarkconsulting.co.uk

Twitter: [@chilmarkUK](https://twitter.com/chilmarkUK)

.....

chilmarkconsulting.co.uk