

South Derbyshire District Council EMPLOYMENT LAND REVIEW



ROGER TYM & PARTNERS
Planners and Development Economists

**Lambert Smith
Hampton**

Property Solutions

Executive Summary January 2007

ROGER TYM & PARTNERS

Fairfax House
15 Fulwood Place
London WC1V 6HU

t (020) 7831 2711
f (020) 7831 7653
e london@tymconsult.com
w WWW.TYMCONSULT.COM

This document is formatted for double-sided printing.

INTRODUCTION

- 1 This study was commissioned by South Derbyshire District Council in November 2005 as part of the evidence base for the District's Local Development Documents. The Council's brief indicates that the study should inform the preparation of an Area Action Plan for the land between Woodville and Swandlincote town centre, and more generally should provide guidance on employment land allocations.
- 2 As required by the brief, we have considered these issues from a market perspective. In deciding on its policies, the Council will also wish to take account of other considerations, including sustainability and socio-economic factors.
- 3 We have approached the analysis in two main stages. In the next three sections, we describe the current (or baseline) position, covering the policy context, the local economy and the property market. In the following two sections, we consider future change, considering the demand and supply for employment land over the planning period to 2016, first in terms of quantity and then quality. The final section draws the implications for employment land policy.

POLICY CONTEXT

- 4 In planning for employment land, as for any other land use, the District Council must conform to strategic policies handed down from higher tiers of government.
- 5 At national level, the recently amended PPG3 and associated Guidance Note direct that employment land which is surplus to requirements should be considered for allocation to housing, although the even more recent draft PPS3 suggests that in the near future they may be relaxed.
- 6 The Regional Plan, both existing and emerging, includes two main themes relevant to employment land. The first theme, which applies to the whole of the East Midlands and is shared with the Regional Economic Strategy, is to restructure the economy away from its current 'low-value equilibrium', towards higher-productivity, higher-skilled, more knowledge-intensive activities.
- 7 Secondly, South Derbyshire District is part of a sub-region centered on Derby City, and where appropriate may be expected to provide employment land to meet the needs of that city. The current Structure Plan assigns this sub-regional function specifically to the north of the District and indicates that the bulk of the new and commercial development should be concentrated in, and closely related to, the built-up area of Derby City.
- 8 This approach was reflected in the draft Local Plan however this Plan had to be withdrawn at the Proposed Modifications stage on a technical matter. The Local Plan review has now been abandoned and the District Council is now pressing ahead with a new Local Development Framework, which under the 2004 legislation will replace the Local Plan.

THE LOCAL ECONOMY

- 9 Considered as a whole, South Derbyshire's workplace economy has performed relatively well in recent years, generating rapid employment growth, especially since 2001, and earnings close to the national average. South Derbyshire's residents on average are relatively well off, enjoying above-average earnings - although they appear no more than averagely skilled - and very low unemployment. This well-being is due in large part to two factors: the Toyota plant and the proximity of nearby employment centres, including Burton on Trent, North West

Leicestershire and especially Derby City, on which the District's residents are highly dependent for their jobs and earnings.

- 10 The District-wide average hides a major disparity between north and south. The northern part of South Derbyshire looks towards Derby, where many residents work, shop and spend leisure time. The south of the District looks towards Swadlincote and nearby larger towns, including Burton on Trent. Residents of the south are physically cut off by poor road access from job opportunities at Toyota and in Derby City. As a result an unusually high proportion of residents in the south work within the local area, and most of the remainder in the relatively lower-paid areas of East Staffs and North-West Leicestershire. Also, an unusually high proportion of residents are excluded from the labour market"

THE PROPERTY MARKET

The Office Market

- 11 South Derbyshire as an office location is overshadowed by Derby City, which is the main office centre for this part of the East Midlands and the most attractive to occupiers. Limited supply in the city centre in recent years has pushed companies looking for good-quality modern space to Pride Park and Wyvern business parks on the outskirts of the city.
- 12 Given the proximity of Derby, we expect that South Derbyshire's office market will continue to be principally driven by small, local occupiers, requiring space of up to 500 sq m. However, if Derby City fails to provide the sites required to meet demand, then South Derbyshire will be a natural alternative location, attracting 'overspill' demand for large office units. The influx of major manufacturing investors such as Toyota and JCB should help to enhance the image of the area and potentially draw larger office requirements to the District's business parks.

The Industrial/Warehouse Market

- 13 The District has attracted large-scale inward investment from major manufacturers, including Nestle, JCB, Bison Concrete, and most importantly Toyota. Toyota has also attracted a number of suppliers to the area, including Futaba. This flow of inward investment is likely to continue, due to South Derbyshire's excellent transport links, including the A50, which opened in 1997 and dramatically improved accessibility.
- 14 As well as major manufacturers, the District could potentially attract inward investment in strategic warehousing, as national and regional distribution operators are being pushed out of favoured locations to the south by high costs and shortages of land and labour.
- 15 In the local market for smaller units, demand has been strongest for freehold properties. These are in short supply, because developers, especially those controlling large sites, are reluctant to release plots for owner-occupied development. Outside of the freehold market, South Derbyshire is a value-driven location, with comparatively low rents.

Future Opportunities

- 1.1 For the future, we expect market demand for business space to remain high in the north of the District, where demand has been strongest but land has been in short supply. This is particularly the case for occupiers who require ready-made buildings, because both Dove Valley and Hilton Depot have been reluctant to provide speculative build units. If more floorspace had been provided speculatively

- at these sites, we believe that take-up in the north of the District could have been much higher.
- 1.2 We also believe that there is unmet market demand for sites further east along the A50, closer to the A38, Derby and the M1. This part of the A50 corridor is the most attractive business location in South Derbyshire, because of its superior accessibility.
- 1.3 Although most of the demand for additional employment land is in the north of the District, in the abandoned draft Local Plan there was no provision to provide additional large-scale supply in this area, because the Structure Plan requirements had already been met. But in our opinion there is market demand for new land in the north of the District, to meet requirements both from Derby City and wider sub-regional markets. This would mostly be for larger warehousing or manufacturing units but dependent on what is supplied in Derby City larger scale offices could demand additional space.
- 1.4 There may also be some merit in providing land suitable for Toyota suppliers who would prefer to be close to Burnaston but have been forced by the lack of land to take space outside of the District but along the A50. We believe these suppliers require readily available sites close to Burnaston but neither Dove Valley nor Hilton have provided speculative units - instead preferring a 'design and build' approach which means that buildings are not available quick enough or on flexible enough terms to meet the suppliers contacts with Toyota. Further discussion may be warranted with Toyota to better assess the future scale and nature of their suppliers' requirements.
- 1.5 In the south of the District there has been rapid take-up of some of the better quality sites for large occupiers, including Tetron Point, although part of this take-up can be explained by occupiers seeking 'value' premises - occupiers who would ideally be in more accessible locations but are willing to compromise. This type of demand may be vulnerable to supply coming forward elsewhere, for example in Burton on Trent, where direct access to the trunk road network is available, or neighbouring North West Leicestershire which is more accessible than Swadlincote. If substantial amounts of new land similar to Tetron Point could be provided it may be taken up, but should better quality and competitively priced sites be made available elsewhere it would not be able to compete. The sites we have listed as either 'poor' or 'average' quality may be particularly vulnerable and difficult to bring forward.
- 16 Outside of the large sites, there is unmet demand for smaller freehold properties. This type of property is not being provided on the large sites which make up most of the supply.

THE QUANTITY OF EMPLOYMENT LAND

- 17 To forecast the future demand for employment land, we start from economic forecasts produced by Experian Business Strategies for emda, which show employment by sector and local authority areas. These forecasts provide a policy-off scenario, which represent an independent view of the area's economic prospects, based on macroeconomic factors, the District's past performance, local characteristics such as education and skills levels and the future population of the District and its labour catchment as forecast by the ONS, based on past trends.
- 18 Since we prepared these forecasts, Experian has been commissioned by emda to provide further forecast scenarios, which take account of the new Regional Economic Strategy and the housing proposals in the emerging Regional Plan - which imply a distribution of population across the region which is different from the trend-driven ONS figures. Once these figures are finalised, they will be translated into employment space demand by HMA by the regional Employment Land

- Provision study (ELPS). When the findings of ELPS become available, the District should review our demand calculations in the light of these findings.
- 19 Based on the policy-off employment forecasts, and after correction of major errors which stem from errors in the official employment statistics, we estimate that between 2001-16 the market will require some 30 hectares of land for industry and warehousing, to accommodate 118,000 sq m of floorspace, and just six hectares for offices, to accommodate approximately 25,000 sq m of floorspace. These figures relate to net change (net take-up), which is the employment space gained in new development and change of uses minus any employment space lost, for example through employment sites being redeveloped for other uses.
- 20 These are 'business-as usual' forecasts, which reflect likely local demand generated by South Derbyshire's existing economy, but do not do justice to the potential to attract demand from outside the District, and in particular do not take account of potential overspill demand from Derby City. Therefore, the employment and demand forecasts in this report should be considered a first draft. They should be reviewed by the local authorities in the HMA working together to determine the distribution of economic activity and jobs between districts across the area, taking account of both market realities and policy priorities.
- 21 Against these requirements, the outstanding planned supply of employment land is approximately 81 hectares for industry and warehousing, mostly accounted for by outstanding planning commitments at the District's major business parks, Dove Valley, Hilton and Tetron. The resulting demand-supply balance is an oversupply of 45 hectares. However, most of this oversupply could be offset by releasing to other uses existing and committed employment sites which we have assessed as poor or average quality. If the 17 hectares of existing industrial/warehousing sites, and the 11 hectares of committed sites which we class in the next chapter as average or poor were released for other uses over the plan period, the oversupply would reduce to 17 hectares, an insignificant 2% of the current floorspace stock.
- 22 We conclude that, in the business-as-usual demand scenario, there is a small planned oversupply of employment land above the forecast requirement, but this could easily be offset by managed release of the least attractive sites.

THE QUALITY OF LAND

- 23 In this section, we provide a qualitative assessment firstly of South Derbyshire's *existing, occupied employment areas*, and secondly of the *development sites* identified for employment uses, from a market perspective. Both for existing areas and development sites, the list of sites for assessment was provided by the District Council.
- 24 We assess the great majority of South Derbyshire's existing stock of employment land as good, suggesting that under normal market conditions it remains attractive and viable for employment uses. Within these existing employment areas, just 12 hectares of currently occupied employment land are rated as average, suggesting that if they fell vacant they might not be viable for continued re-use as employment sites, and 7 hectares are rated as poor, suggesting that such re-use would be unlikely.
- 25 Of the 66 hectares of development sites allocated or permitted for B-class development, we assess most of this land (55 hectares) as good quality. This comprises two large industrial sites (Tetron Point and South of Cadley Hill), one smaller industrial site (Swadlincote Colliery) and a large warehouse site (Dove Valley Business Park). Only 5 hectares are average and 6 hectares are poor, so that in our opinion they are unlikely to be taken up for employment. These are smaller sites in less accessible locations.

CONCLUSIONS

The Requirement for Employment Land

- 1.6 The first key decision that the District Council needs to take is how much employment floorspace and land will be required in the LDF period, 2001-16.
- 1.7 In Chapter 5, we provided an initial estimate of a business-as-usual market requirement for South Derbyshire, which equals around 30 hectares for industry/warehousing and a barely significant 6 hectares for offices. These figures will change, though perhaps not very much, when the regional Employment Land Provision (ELP) study produces revised forecasts compatible with the Preferred Housing Option in the emerging Regional Plan.
- 1.8 More important, the ELP study prepared for the new Regional Plan should produce estimated employment land requirements for the Derby HMA, which brings together South Derbyshire with Derby City and Amber Valley District. The three Councils will wish to work together to see how this requirement should be distributed between them, bearing in mind the quantity and quality of supply that each can offer, including current planned supply as well as emerging sites that are being proposed for employment use but have no planning status as yet. If, as expected, Derby's land supply falls short of its requirement, South Derbyshire may provide land to meet some or all of the surplus demand.
- 1.9 As well as overspill from Derby City, our analysis suggests that the District has the potential to attract regional and national inward investment, over and above the forecasts, in two categories: suppliers to Toyota and strategic warehousing. It is difficult at this stage to quantify this potential footloose demand. To estimate potential demand from Toyota suppliers, one would need more detailed market research. With regard to strategic warehousing, demand in the short term is extremely high, fuelled by the restructuring of retailers' distribution networks and the lack of land in more traditional locations in the south of the region; emda's Strategic Distribution Study, currently in progress, aims to provide a state-of-the-art demand forecast for the region as a whole and a two-tier system of criteria to help select locations for strategic sites.
- 1.10 More generally, how much employment growth can and should realistically be accommodated in South Derbyshire will largely depend on the balance of the labour market. As we have seen, unemployment in the area is already very low; there will be stringent limits on the number of additional jobs that can be attracted without overheating the labour market and putting pressure on agreed housing provision figures.

Identifying New Sites

- 1.11 Under our initial business-as-usual demand scenario, South Derbyshire has enough identified employment land to meet forecast market requirements, which are modest. Indeed, in this scenario there is a small surplus of planned supply, though this would largely disappear if those existing and committed sites which we have assessed as poor or average quality were re-allocated to other uses. In this scenario, there is no quantitative need for new sites to be identified for employment.
- 1.12 Conversely, if as part of HMA-wide planning South Derbyshire agrees to provide space for footloose demand, then new sites will be needed, over and above the modest supply currently identified. To be attractive to the market, such additional sites should be in the north of the District, in the A50/A38 corridors, and particularly in the eastern sector of the A50, closest to the A38, Derby City and the M1. Sites being put forward in the LDF process could be assessed on the criteria we used in

Chapter 6 above, perhaps supplemented by specialist criteria to reflect the specific requirements of different market sectors.

- 1.13 In the 'additional growth' scenario, there will be a need to examine particularly the requirements for office sites. The first step will be to compare prospective demand and identified supply in Derby, to see if there is any shortfall in the city that South Derbyshire can help to correct. Furthermore, as we have seen, there is very little development land that is specifically intended for offices, but the District's three business park sites are all available for office as far as industrial development. The Council should consider whether these sites match the qualitative requirements of potential office occupiers, or alternatively whether special sites should be identified for offices.

Safeguarding Existing Sites

- 1.14 As well as new sites, the LDF will include policies for existing employment sites. Depending on the quantitative balance of demand and supply, which in turn will depend on the demand scenario chosen as well as the ever-changing supply position, we suggest that the Council consider safeguarding those areas we have classed as 'good'. This would deflect any competition from alternative uses and the resulting hope value, which can endanger the viability of redevelopment for employment uses.

Swadlincote

- 1.15 As we have seen, the Swadlincote area in the south of the District suffers serious economic disadvantage. It is a largely self-contained local economy, poorly linked to the rest of South Derbyshire. Local residents have limited access to jobs, especially better-paid jobs. Due to its poor strategic accessibility, the area is less attractive as a business location than some of its neighbours and it is vulnerable to competition for employment land releases in adjacent areas which are better served by the strategic road network.
- 1.16 Employment land policy on its own cannot solve these problems. In quantitative terms, our analysis suggests that there is no need to release additional employment land. But the District Council could work incrementally over the Plan period to improve the quality of Swadlincote's offer, both in relation to development sites and existing employment areas. Depending on individual circumstances, sites which we have classified as poor or average could be either upgraded through local environmental and access improvements, or reallocated to other uses and replaced by better sites. Depending on future market conditions, which in turn will depend on land releases in neighbouring districts, there may be a need for proactive intervention to support the development or redevelopment of employment sites which would not otherwise be viable.

Plan, Monitor and Manage

- 1.17 Forecasts are uncertain. However, it is important to use them as they are the only tool available to help plan for the long term. Furthermore, planning for the long term is especially difficult as good planning should really take account of the long *and* the short term; time obviously does not finish at the end date of the Plan period.
- 1.18 The best way to avoid difficulties is to Plan, Monitor and Manage. This means that that both demand forecasts are reviewed periodically and supply is continuously monitored, so that, if there are changes in circumstance, planning policy can be amended accordingly.