

Dunsbury Hill Farm

Market Perspective on Planning Consent APP/12/0338 HBC to support proposed S73 application by Portsmouth City Council

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1.0 Introduction

- 1.1 Lambert Smith Hampton are instructed by Portsmouth City Council to review the planning permission and conditions granted under reference APP/12/0338 by Havant Borough Council for the redevelopment of Dunsbury Hill Farm, Havant to provide consent for a mixed use employment development comprising hotel and conferencing, B1(a) B2 and B8 development. This consent was granted on 19/02/2014 and will expire on 19/02/2021 (in seven years' time). The consent permits the development of 61,779 sq m of commercial industrial and employment space subject to a range of planning conditions. Amongst these conditions B6 provides restrictions on the extent of occupancy for various different elements of the scheme. B8 uses are restricted to 20% or 12,365sq m.

- 1.2 The condition and the purpose of the condition are cited below taken from the planning decision notice as follows:

B6. Range of Uses

The development hereby approved shall not exceed the following totals:

- a) *61,779sqm comprising a range of uses within Classes B1, B2, B8 of the Use Classes Order 1987 as amended. Furthermore the B8 component shall not exceed 20% of this floorspace (12,356sqm)*

And

- b) *Up to 5574sqm comprising a hotel with conference facilities.*

Reason: To ensure that development can provide for a range of business and employment opportunities, including knowledge based businesses and a quality hotel with conference facilities, in accordance with policy CS18 of the Havant Borough Local Plan (Core Strategy) 2011 and policy AL1 of the Submission Version of the Havant Borough Local Plan (Allocations) December 2013, and the National Planning Policy Framework 2012.

- 1.3 There is concern that any user restrictions on the occupancy of the proposed development created will be counterproductive when seeking to let elements of the scheme to the commercial market and such restrictions will result in potential occupiers rejecting the site and forced to look at competing schemes rather than Dunsbury Hill. Havant Borough Council, in discussions with Portsmouth on this issue have requested that as a part of any application to vary the conditions at Dunsbury Hill to "de-restrict" the range of uses and spaces, that a report is prepared outlining the likely impact or effects on the change and seeking justification, in market terms, for the variation of the conditions necessary to allow a more unfettered letting of the properties once created.

- 1.4 It is worth noting that in all matters and to all intents and purposes the objectives of Portsmouth City Council, Havant Borough Council and Lambert Smith Hampton as commercial agents is to create the conditions necessary for the swift letting of the development to provide much needed jobs and economic development at this site and to

serve the local catchment population who currently experience significant levels of unemployment and deprivation.

- 1.5 Within this short report we have done two pieces of research. One is a study of employers in the local area and the second is a review of the reason behind the planning condition set against the tests for planning conditions of reasonableness, relevance, proportionality and necessity. This has included a review of recent research from the industry around employment densities and typologies associated in particular with B8 and logistics employment.

2.0 Market Perspective – B8 Planning Variation Addendum

- 2.1 The UK economy having emerged from the 2008 onwards downturn is now exhibiting strong commercial activity and growth in productivity which in turn raises the demand for employment space. In South Hampshire the market has been starved of new development and there is an acute shortage of available B1c B2 and B8 class floorspace, forcing occupiers to seriously pursue pre let/bespoke design and build solutions to satisfy their requirements, such as at DHF which is regarded as a prime development opportunity. In master planning any development scheme, the primary consideration must be the profile of the likely occupier demand for the end product, otherwise the target market will be constrained, the delivery timescales compromised and the beneficial economic will be restricted. From a Use Class perspective, there is a distinct difference between occupation for warehouse and logistics property (B8), light industrial space (B1c) and general industrial (B2). Whilst there is a clear definition for certain operations, in practice, many businesses cross over the planning boundaries and now occupy space for combined manufacturing and assembly, material and finished goods storage, distribution and often a variable office content. This is a trend that is likely to grow in the foreseeable future making flexible commercial sites more attractive.
- 2.2 A commonly held view in the past has been that by competing with other industrial land uses, logistics activity is denying the local economy out of jobs and stalling GVA growth. The perception that B8 occupiers do not provide enough quality jobs relative to land use and thus suppresses beneficial economic impact, is misguided and this report encompasses the findings from our recent research undertaken with Hampshire based companies and is intended to provide the necessary justification for varying the current restriction relating to B8 floorspace.
- 2.3 Our experience is that developers, and more importantly the funding investor backing them, are discouraged by planning consents which limit the amount of floor space use to be built, as this will deter and preclude certain occupiers from progressing their interest in the site; cause unacceptable delays in having to wait and resolve any variation required; could undermine the future flexibility of user for the building; and will position the site unfavourably in comparison to competing sites in the region.
- 2.4 The ambition is to extensively promote Dunsbury Hill Farm to the national and regional marketplace to attract occupier requirements from all B Class sectors and to generate new jobs from companies wishing to relocate to South East Hampshire from outside the area – a limitation on B8 floor space will be an impediment in marketing the site as predominantly, employment sites elsewhere such as Test Lane Southampton, Andover Business Park, London Distribution Park, Central M40 Banbury etc. will offer complete flexibility to accommodate either B1, B2 or B8 uses.
- 2.5 The long term decline in B2 manufacturing activity in the UK is well documented (and Havant has suffered worst than other South East Local Authorities) and the need for large scale specialist industrial facilities has decreased substantially. However, such B2 requirements, between say 50,000 and 100,000 sq ft do exist, albeit with unpredictable timing and therefore employment land should be allocated for their use, but not exclusively. Our agency records reveal that the number of B8 occupier enquiries received, compared to B1c, B2 for larger units, is on average 30% higher and more relevantly, is the fact that over the last three years,

the actual take up is 60% higher for specifically logistics use. Notable transactions include the following, with the resultant number of jobs created or projected:

Lidl – Regional Distribution Centre, Southampton – 400+

UPS – Millbrook, Southampton – 190+

Rolls Royce – Technology & Logistics Centre, Bognor Regis – 200+

- 2.6 The measures of beneficial economic impact are typically job numbers and GVA growth and employment densities are benchmarking data on the average number of employees who can be accommodated per unit of floor space provided. These benchmarks can then be applied to estimate the gross employment and GVA outcome of physical developments. Our research and other independent studies clearly demonstrates that the differential between B1c/B2 and B8 in terms of job creation is considerably more marginal than previously presumed, given the dynamic growth in the UK logistics sector in recent years, and the changing nature of B8 occupation. In order to sustain a cohesive and vibrant economy, logistics and distribution activity is essential to maintain an effective supply chain to service manufacturing, retail, leisure and the general consumer market.
- 2.7 We have conducted a sample analysis of employment densities within a range of Hampshire based businesses, to demonstrate the fluctuation in job numbers related to occupier activity and how densities have significantly increased as floor space is utilised more efficiently and occupiers derive greater value from their property overhead. The table below identifies the nature of the organisations' use, the category/categories the use would fall into, the number of FT employees and the approximate gross internal floor area and the resultant average employment density.

Occupier Activity	Employment Use Category	Estimated No. of Employees	Total Gross Floorspace Approx. SQ M	Average SQ M (SQ FT) per Employee
Distribution and packaging of fresh food produce	B8	65	3530	54
General engineering and assembly of aviation components	B2	292	19695	67
Warehousing and distribution of packaging materials	B8	25	2043	68
Injection moulding for automotive industry	B2	85	5574	65
Electrical component manufacture and distribution	B1C/B8	86	4180	48
Parcel delivery warehouse	B8	26	1115	41
Manufacture of credit card chips	B1C	120	6503	54
Assembly and distribution of specialist batteries	B1C/B8	79	4682	59
Manufacture and storage of water tanks	B2/B8	63	2322	38
Warehousing and distribution of pharmaceutical goods	B8	320	12077	37
Manufacture of air conditioning	B2	120	10219	85

Occupier Activity	Employment Use Category	Estimated No. of Employees	Total Gross Floorspace Approx. SQ M	Average SQ M (SQ FT) per Employee
plant				
Warehousing, distribution and 3 rd party logistics	B8	208	9290	45
Assembly, head office and distribution of fire detection equipment	B1C/B8	226	9173	41
Advanced engineering and production	B1B&C	95	5343	56
Packaging and distribution of clothing	B8	310	8590	28
Distribution and packaging of beauty products	B8	110	4865	44
Warehouse and distribution of domestic appliances	B8	210	7890	37
Specialist marine component manufacture	B2	90	4757	53
Distribution of food and drink	B8	181	6712	37
Production of food products	B2	95	4758	50
Manufacturers and distribution of motor vehicle parts	B2/B8	485	15232	31
Manufacture and warehousing of packaging materials	B1/B8	275	16200	58

- 2.8 The above table gives employment densities for a range of user types and activities currently in the Portsmouth and surrounding area. It is clear that employment densities vary widely between occupiers and use types. An average across all of these uses is 1 employee per 49.8 sq m. An average looking only at the B8 premises indicates an employment density at one FTP per 43.4 sq m. The conclusion from this is that B8 uses make an equal or greater contribution to the workforce than some alternative uses (such as B2). Given the sample size it would be safest simply to conclude that B8 is no better or worse in terms of employment numbers than other B class activities.
- 2.9 Perhaps the most important conclusion from the above is that there are many occupiers who require space across all categories (B1, B2 and B8 from a single property) and this can only come with flexibility.
- 2.10 Within our market assessment report to Portsmouth City Council, based on our experience we are sceptical that there is or will be sufficient B1 office demand to support a high proportion of office development on the site. It is likely to be only relatively small scale and demand will be highly unpredictable in attracting a large HQ pure office type occupier – the competition in the region of existing stock and the supply pipeline is significant and arguably better placed than DHF in terms of established location, critical mass and lower property costs. We conclude that our study illustrates that the differential between B1c/B2 and B8 use in terms of job creation is often negligible and with certain occupier activity, produces a higher floor space density, particularly where there is an integral office function.

3.0 Planning Issues

- 3.1 The planning matter at issue here is the appropriateness of a planning condition to restrict the extent of different types of floor-space within the B use class and within the overall quantum of development outlined for the site. The original consent allows for a total of 61,779 sq m of commercial and industrial development of which no more than 20% or 12,356 sq m can be used for Use Class B8 within the overall scheme. The purpose of this condition is to encourage what, at the time, were thought to be more labour intensive occupiers which would better serve the local community in terms of providing numbers of jobs and jobs suited to the right skill levels of the local workforce.

The NPPF

- 3.2 By way of background to this consideration we need to have regard to the changes to planning advice from Government (the NPPF) and the emphasis within that document on delivering economic development. The NPPF was published in March 2012. The aim was to provide a succinct distillation of the earlier government guidance given in the PPGS. A golden thread running through the NPPF is a presumption in favour of sustainable development, development that is sustainable should go ahead. Within the core planning principles set out under paragraph 17 the NPPF identifies that planning should:

“proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and to respond positively to wider opportunities for growth...”

- 3.3 Paragraph 19 continues:

“The Government is committed to ensuring that the planning system does everything it can to support economic growth. Planning should operate to encourage and not act as an impediment to sustainable growth....”

- 3.4 Paragraph 21 notes that:

“Investment in business should not be over-burdened by the combined requirements of planning policy expectations. Planning policies should seek to address potential barriers to investment....”

- 3.5 The third bullet point under paragraph 21 states that:

“support existing business sectors, taking account of whether they are expanding or contracting and, where possible, identify and plan for new or emerging sectors likely to locate in their area. Policies should be flexible enough to accommodate the needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances.”

- 3.6 To summarise the approach of the NPPF to economic development suggests that economic development should be prioritised and supported, that it should be encouraged through a flexible and responsive planning system and that it should not be over-burdened by controls,

expectations and constraints. In simple terms, where economic development is promoted it should be encouraged and barriers to development should be removed.

The Use of Conditions in Planning

- 3.7 Planning conditions should only be applied where they are related to the development, necessary for the development to go ahead and appropriate in scale. The purpose of condition B6 of the planning permission for Dunsbury Hill is identified as being imposed to ensure that “a range of businesses and employment opportunities, including knowledge based businesses and a hotel” will be provided. Part of the review should look at whether the clause in relation to a 20% limit on B8 business is necessary to ensure this takes place, if not this clause could be varied.
- 3.8 There is no suggestion that other elements of this condition be altered and both the overall quantum of development and the reservation of the hotel and associated conferencing facility are retained. Similarly in accordance with the Core Strategy Policy for DHF, we are confident that the provision of a new Innovation/Business Centre (Class B1) will be positively received in the market from both the developer/investor perspective, recognising the latent demand from the end users. Whilst the fear was that the remainder of the consent could be taken up only by low employment density warehousing, we believe a reworking of the condition to improve flexibility can be achieved without affecting the ability to provide a wide range of employment opportunities.
- 3.9 In terms of the quantum of jobs created in B8 we have demonstrated that this is at least as good as that in manufacturing and the mixed use facilities surveyed on our original research above. This goes to the quantitative point regarding jobs.
- 3.10 Looking at the qualitative aspects of this area we have turned to third party research carried out for the logistics industry (B8 Occupiers) which identifies the range and type of employment opportunities in the sector.
- 3.11 Three areas of research are included in this report at appendix 1. These reports all point to significant growth in the sector, they indicate that within the sector many of the jobs (existing and to be created) are skilled or semi-skilled and that there is a particular shortage of skilled management staff in the sector identifying a range of opportunities for which there will be demand for both staff and training.
- 3.12 Appendix 1.1 deals with sector statistics and identifies the levels of skills required in the sector. Table 3 identifies that of all sectors 10% of staff are managers and directors whilst 14% of logistics staff fall into this category. Overall 45% of staff in logistics are managerial, professional, skilled operatives and administrative, compared with 54% across all other sectors. The difference here is limited and the skills include a higher proportion of process, plant and machine operatives (24% v 6%) whilst also including a high level of elementary occupations (unskilled works) 25% that may match the profile of the local labour force in Havant and Leigh Park.
- 3.13 Report in Appendix 1.2 (Grant Thornton) identifies significant growth potential in the sector and, with Dunsbury Hill Farm well located in relation to the A3 corridor distribution use, logistics would appear to be a natural and obvious choice for some of the employment space

on the new development. This suggests that varying the restriction on B8 development will encourage the swift take up of opportunities here. 38% of those questioned in the Grant Thornton survey were looking for additional or new premises.

- 3.14 A recent business Forum (organised by the Solent LEP, Business South and Hampshire County Council) addressed the issue of the inadequacy of development sites in South Hampshire for B8 logistics use and the regressive impact this will have on the local economy. The group recorded that a study be commissioned by the LEP to highlight and support growth in the logistics sector and this study is now being undertaken. In the recently published 'Transforming Solent Growth Strategy' by the Solent LEP January 2015, the summary reinforces six strategic priorities to unlock jobs and growth in the region:
- Supporting new businesses, enterprise and ensuring SMA survival and growth.
 - Enabling infrastructure priorities including land assets, transport and housing.
 - Establishing a single inward investment model to encourage companies to open new sites.
 - Investing in skills to establish a sustainable pattern of growth, to the benefit of local residents.
 - Developing strategic sectors and clusters of marine, aerospace and defence advanced manufacturing, engineering, transport and logistics businesses, low carbon, digital and creative and the visitor economy.
 - Building on our substantial knowledge assets to support innovation and build innovative capacity.
- 3.15 Similar work done for Leicestershire LEP identifies significant growth in the sector, a high proportion (84% of employees) are in full time employment, and it considers the employment status of workers in the sector and considers these against the local workforce. For Havant a strong picture emerges of a broad range of jobs across skilled and semi skilled sectors appropriate to the local workforce and reflective of large scale long term unemployment concentrated in the nearby Leigh Park area. Providing this type of employment, locally, will assist in addressing getting many of the low skilled long term unemployed into work.
- 3.16 In conclusion on the sector then we can see that it is growing strongly and that new premises are in demand, we can see that the skills requirements go across all sectors of the work force from managerial and administrative to unskilled and we can see from our earlier research that employment densities in B8 operations can be or are in general as high or higher than in mixed use or other B class categories.
- 3.17 These indicators suggest that securing B8 operations at the Dunsbury Hill Farm site would achieve the stated objective from the condition of providing for a range of employment opportunities. The purpose of a condition limiting B8 occupancy at all on the site could therefore be deemed unnecessary as it could fetter or slow the take up of vacant space at this location. Giving the site a more flexible range of uses is likely to make it easier to let without reducing the propensity of the site to employ high numbers of local people. It will also enable B8 based companies, with lower skills requirements, to take on the unskilled and long term unemployed from the local labour force whilst providing a range of opportunities for more skilled workers across the piece.

4.0 Conclusions

- 4.1 On the basis of the above it can be seen that the current restriction in condition B6 on the extent of space that may be used for B8 uses could be lifted without adverse effect, and still achieve the stated objective of the condition. To answer any issues or concerns remaining that the logistics market could produce a single large outlet with very low employment density, it should be noted that Dunsbury Hill Farm as a site has a number of constraints including ancient woodland, overhead power lines, gas mains, dormice and bat corridors etc. that serve as natural barriers to the single occupier scenario mentioned above. The phasing plan submitted under Condition A3 of APP/12/00338 demonstrates that the site is likely to come forward in a number of phases, including a range of different building sizes, types and plot layouts.
- 4.2 To conclude, the job generation of a DHF site with the higher proportion of B8 being sought would likely be no less than the approved scheme, however the key benefit would be the site coming forward in the first place as a more attractive proposition to the commercial market.