

South Essex Grow-on Space

A case for intervention

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Executive Summary

Introduction

1. BBP Regeneration and SQW were commissioned by the Association of South Essex Local Authorities (ASELA) to study 'Grow-on' space for businesses in 'South Essex' in its role as economic infrastructure that supports business and economic growth.
2. For the purposes of this study, we define 'Grow-on' space as the accommodation required by recent start-ups that have now out-grown their initial accommodation, requiring offices and other workspace between say 150 sq m (1,600 sq ft) and 500 sq m (5,400 sq ft).

Demand side review

3. **Market trends:** The national economy is currently experiencing relatively low levels of growth, stalled productivity and a lack of investor confidence due to Brexit.
4. Sectoral change from manufacturing to services is expected to result in a decrease in demand for industrial floorspace, although the retail-related warehousing is expanding. Flexible working patterns, enabled by technological change, are changing the nature of demand for office space.
5. South Essex, particularly its western areas, may experience an increase in demand for housing and employment floorspace because of congestion effects in London.
6. **Policies, programmes and projects:** Various government policies have placed pressure upon local authorities to deliver housing, particularly in the South East. South Essex is subject to extensive Green Belt designations, and there is currently considerable uncertainty about growth locations and the delivery of the Lower Thames Crossing.
7. The National Industrial Strategy targets increased research and development activity and innovation through Sector Deals and improved regional productivity through Local Industrial Strategies.
8. At national level, there is a growing recognition of the economic contribution made by 'Scale-up' companies, and their need for Grow-on Space. At a local level across South Essex, policy documents recognise a supply and demand gap for Grow-on Space - but provide limited tangible commitments to tackle this.
9. **Spatial, property market and socioeconomic factors:** South Essex is a well-connected area, with nationally- and regionally-significant road, rail, air and sea transport links. The sub-region has a population of 800,000, with Basildon, Southend-on-Sea and Thurrock the largest areas.
10. In terms of current demand, Basildon, Brentwood and Southend-on-Sea currently have the greatest number of jobs typically accommodated in office floorspace. Basildon and Thurrock have the greatest number of jobs typically accommodated in industrial and warehousing floorspace. Basildon has had the highest recent take-up of industrial floorspace, and Basildon and Southend-on Sea have had the highest recent take-up of office floorspace.

11. In terms of future demand, jobs growth forecast in sectors typically accommodated in office floorspace is highest in Basildon, Thurrock and Southend. Jobs in sectors typically accommodated in industrial and warehousing floorspace are forecast to decline overall, but less so in Basildon and Thurrock.

Supply side review

12. **Market trends:** In recent years, there has been an increased supply of workspace on flexible terms, taken up by organisations of all sizes including multi-national corporations, far outstripping the growth in the take-up of traditional office space. This has been driven by changes in employee expectations, business demography, and technological change.
13. Many local authorities have been promoting the intensification of employment land, small scale urban manufacturing and co-location of employment with residential uses.
14. **Policies, programmes and projects:** Innovation and sector deals create new opportunities for places and sectors that can demonstrate strong strategic alignment, deliverable projects and robust governance structures.
15. The new ministerial champion for the Thames Estuary and the creation of ASELA, offer additional opportunities to secure central government funding to support economic infrastructure upgrades.
16. Some Local Planning Authorities within South Essex have planning policies that support the delivery of Grow-on Space, for example changes of use on upper floors above existing non-residential uses – as well as an encouragement of flexible accommodation more generally.
17. **Spatial, property market and socioeconomic factors:** In terms of current supply, Basildon and Southend-on-Sea have the greatest number of office hereditaments in the Grow-on Space range. The availability of office Grow-on Space is between 10% and 12% in Southend-on-Sea and Thurrock, and between 1% and 6% in the remaining areas.
18. However, areas such as Basildon have a high quantum of sub-prime office stock suggesting poor quality provision. Basildon, Brentwood and Southend-on-Sea have average lease lengths of 3.8 to 4.4 years for office Grow-on Space, whilst Castle Point and Thurrock have average lease lengths of 2.4 to 3.3 years.
19. Basildon and Thurrock have the greatest number of General Industrial and Storage and Distribution hereditaments in the Grow-on Space range. The availability of industrial and warehousing Grow-on Space is currently 10% in Castle Point when including the development pipeline at Thamesview130, around 5% in Basildon and Thurrock, and between 2% and 3% in the remaining areas.
20. There is a wide range of quality and affordability of workshops and warehousing across South Essex, with Thurrock, Basildon and Brentwood offering higher value locations, although there are significant areas of under-utilised land in Basildon. Brentwood and Castle Point have average lease lengths of 6.6 to 8.5 years for industrial and warehousing Grow-on Space, with the other areas having average lease lengths of 4.7 to 5.8 years for industrial and warehousing Grow-on Space.

21. In terms of future supply, several planned Grow-on Space units will soon be completed in Brentwood and Castle Point. There are substantial areas of underutilised employment land in areas such as Basildon, creating an opportunity for improvement of existing stock. Significant housing need and planned infrastructure upgrades to accommodate this growth, offer several opportunities for new employment land allocations, which may support the delivery of Grow-on Space. However, ‘bad neighbour’ effects and the higher viability levels achieved by residential and larger employment development than for Grow-on Space business accommodation – risks the loss of / increased competition for employment land.

Case for intervention

22. **Supply and demand gap analysis:** Figures 1 and 2 below provide our overall assessment of demand and supply (quantum and quality) of Grow-on Space across South Essex. This shows that half of the South Essex local authorities have a Moderate or High supply and a demand gap in both Grow-on offices and workshops / warehousing. It is important to note that some public sector intervention will be appropriate even in areas with a Low supply and demand gap.

Figure 1: Overall assessment of demand and supply (quantum and quality) of Grow-on Space across South Essex: Offices (High 5; Low 1)

Local authority	Overall demand assessment	Overall supply assessment - Quantum	Overall supply assessment - Quality	Indicative gap analysis
Basildon Borough Council	4	2	3	Moderate (+1.5): Ensure adequate quality and quantum in strategic locations
Brentwood Borough Council	3	3	3	Low (+/-0): Ensure adequate availability and affordability
Castle Point Borough Council	1	1	2	Low (-0.5): Monitor needs of growing businesses and respond positively
Rochford District Council	3	2	1	Moderate (+1.5): Ensure adequate availability and affordability
Southend-on-Sea Borough Council	4	2	2	High (+2.0): Safeguard against loss of employment, maintain affordability
Thurrock Council	3	1	1	High (+2.0): Incorporate Grow-on Space into regeneration schemes

Figure 2: Overall assessment of demand and supply (quantum and quality) of Grow-on Space across South Essex: Workshops / warehousing (High 5; Low 1)

Local authority	Overall demand assessment	Overall supply assessment - Quantum	Overall supply assessment - Quality	Indicative gap analysis
Basildon Borough Council	4	3	1	High (+2.0): Raise quality to accommodate higher productivity jobs
Brentwood Borough Council	1	1	2	Low (-0.5): Ensure inclusion of Grow-on Space in new growth areas
Castle Point Borough Council	1	3	2	Low (-1.5): Safeguard against loss / encourage refurbishment in strategic locations
Rochford District Council	3	2	1	Moderate (+1.5): Raise quality to accommodate higher productivity jobs
Southend-on-Sea Borough Council	3	2	1	Moderate (+1.5): Safeguard against loss of employment, improve quality
Thurrock Council	3	3	3	Low (+/-0): Ensure inclusion of affordable Grow-on Space in new growth areas

23. **Causes of supply and demand gap:** The key factors causing a supply and demand gap can be organised into three broad categories: inadequate land availability; insufficient viability to induce development, and; level of development / lettings risk for developers. These factors can be broken down as follows.

- **Inadequate land availability**
 - Loss of office uses under Permitted Development Rights
 - Loss of existing employment allocations to residential use / lower density employment (retail warehouse, trade counter)
 - Loss of existing employment allocations to a range of leisure uses (gyms, children’s soft play, trampolining, bowling etc.)
 - Use restrictions / loss of existing employment allocations due to bad neighbour impacts
 - Continued demand for open storage land / lower value floorspace
 - Delays / uncertainty over future land allocations associated with housing growth

- Planning risk
 - Failure to deliver off-site / strategic infrastructure works in a timely way
 - **Insufficient viability to induce development**
 - High land values
 - High build and other costs / risk of enabling works
 - Difficulties securing finance / high finance costs
 - **Level of development / lettings risk for developers compared to other product sizes**
 - Perceptions of a low demand market / lack of information about opportunities
 - Low rental values and high yields
 - Poor tenant covenant risks
 - Risk of under-occupation / arrears
24. **Impacts of local businesses being trapped in sub-optimal accommodation:** We have provided a conceptual framework for the economic impacts of local businesses being trapped in sub-optimal accommodation, illustrating the causal flow below:
- Local businesses experience a lack of quality Grow-on Space in quality locations, or significant barriers to relocation, due to a lack of “churn” within the wider market, spanning properties throughout the supply chain
 - They are therefore trapped in sub-optimal size of accommodation and/or sub-optimal quality of accommodation (either in terms of location or space). Some businesses may make substitution decisions in response to these circumstances i.e. they may decide to locate in sub-optimal size accommodation to improve the quality of their accommodation.
 - These circumstances impact businesses in a variety of ways that lead to knock-on impacts on the local economy and the wider economy.
25. In addition, there are several potentially self-reinforcing loops, which we have highlighted. Recognising that a supply and demand gap exists across South Essex, that this is likely to increase in future without intervention, and that other parts of the South East economic area are taking steps to address these, for stakeholders in South Essex to do nothing will likely lead to an exponential negative impact on business and economic growth.
26. However, with intervention to address the causes of the supply and demand gap, these loops could equally be positive.

Recommendations for intervention resulting from our findings

27. **Within the planning system:** We recommend that the following potential interventions are considered by the planning policy and development management teams at each of the Local Planning Authorities and implemented as appropriate for their local area.

- **Ensuring adequate land availability**
 - Potential intervention 1: Planning policy protecting against loss of existing and new employment allocations to competing uses
 - Potential intervention 2: Development management protecting against loss of new employment allocations to competing uses
 - Potential intervention 3: Planning policy and development management that retains some compatible employment uses on existing employment allocations released for housing
 - Potential intervention 4: Timely allocation of new employment sites in planning policy
 - Potential intervention 5: Planning policy that requires a mix of unit sizes as part of larger / highly viable employment schemes
 - Potential intervention 6: Securing delivery of Grow-on Space through Section 106 obligations where very large employment units / low employment density uses are permitted
- **Ensuring sufficient viability to induce development**
 - Potential intervention 7: Ensure that CIL Charging Schedules do not reduce viability of Grow-on Space
 - Potential intervention 8: Bring forward employment land allocations specifically for Grow-on Space
 - Potential intervention 9: Planning policy that promotes the creation of high quality places
- **Managing development / lettings risk for developers**
 - Potential intervention 10: Providing maximum planning certainty to potential applicants

28. **Beyond the planning system:** We recommend that the Association of South Essex Local Authorities take the lead on developing the following potential interventions into a coherent and deliverable action plan in collaboration with other stakeholders, allocating responsibilities and identifying funding sources for each.

- **Ensuring adequate land availability**
 - Public sector acquisition of land

- **Sufficient viability to induce development**
 - Public-sector coordination and investment in off-site / strategic infrastructure
 - Direct delivery enabling works to de-risk onward delivery by private sector
 - Identify existing under-utilised land and buildings that could be re-purposed to reduce development costs
 - Review of pricing structures / term lengths where the public sector supports managed workspace to support graduation from smaller to larger space
 - Provide non-recoverable grant funding (subject to a competitive procurement process) to close viability gaps
 - Granting rights to use public sector land / reflecting non-financial considerations in assessment of best consideration to close viability gaps
- **Development / lettings risk for developers**
 - Providing lower cost / interest-free development finance
 - Public-sector investment in placemaking and promotion
 - Public sector subsidy / underwriting to account for under-occupation
 - Matching occupiers and developers to develop waiting lists / secure pre-lets / reduce voids
 - Direct development / partnering arrangements

Glossary of terms

Accelerator	Usually provides space to start-up businesses or existing businesses with the potential for fast growth and good financial returns. Selection process is often competitive and dedicated support is provided by the space management and/or investors to guide their growth. In return for access to space and business support, an accelerator may require an equity stake. Both occupancy and support typically last for a defined short period ¹
'Bad neighbour' impacts	Poor visual amenity, noise and air pollution and other negative impacts experienced due to the action or inactions of neighbours
Business support	Training, mentoring, access to finance, administrative support services, consultancy, accounting and legal advice provided to businesses
Co-working or coworking	The use of an office or other working environment by people who are self-employed or working for different employers, typically so as to share equipment, ideas, and knowledge ²
Fab-lab	A technical prototyping platform for innovation and invention, providing stimulus for local entrepreneurship. It is also a platform for learning and innovation: a place to play, to create, to learn, to mentor, to invent ³
Fixed desk	Consistent use of the same desk / work space at different times, with availability reserved for a particular individual. See also: Hot desk
Flexible terms	Shorter term agreements, typically licenses rather than leases, with low barriers to termination or relocation within a facility subject to availability
Flexible use / layout	Spaces that can be easily reconfigured for different / multiple activities, or usable by different / multiple individuals or groups, often using movable furniture and partition walls
Flexible working	Having irregular / unregimented hours and place of work, often aided by networking technology
Flexible workspace	Generally, the combination of 'flexible terms' and 'flexible use / layouts', as defined elsewhere

¹ Greater London Authority (2014) *Supporting Places of Work: Incubators, Accelerators and Co-Working Spaces*

² Oxford Dictionaries (n.d.) Coworking

³ Fab Foundation (n.d.) *What is a Fab Lab?*

Grow-on Space	Spaces designed for businesses that have out-grown their co-working space and wish to move to a larger, more formal set-up. For the purposes of this study, we define this as ranging from 150 sq m (c.1,600 sq ft) to 500 sq m (c.5,400 sq ft) ⁴
Hot desk	Multiple desks / work spaces available for use by an individual at different times, subject to availability. See also: Fixed desk.
Incubator	Work space designed to actively support the growth start-ups or a business in its early stage of development ⁵ .
Innovation	The ways in which an organization updates, changes, and improves its internal processes, manufacturing techniques, and management methods. Innovations help introduce new concepts, knowledge, products, services, and processes into organisations and the outside marketplace ⁶
Innovation Centre	Workspace that provides creative innovation ecosystem that supports companies developing new ideas, products and services ⁷
Innovation District	May adhere to three models: The “anchor plus” model, primarily found in the downtowns and mid-towns of central cities, is where large scale mixed-use development is centred around major anchor institutions and a rich base of related firms, entrepreneurs and spin-off companies involved in the commercialization of innovation. The “re-imagined urban areas” model, often found near or along historic waterfronts, is where industrial or warehouse districts are undergoing a physical and economic transformation to chart a new path of innovative growth. The third model, “urbanized science park,” commonly found in suburban and exurban areas, is where traditionally isolated, sprawling areas of innovation are urbanizing through increased density and an infusion of new activities (including retail and restaurants) that are mixed as opposed to separated ⁸
Makerspace	A collaborative work space inside a school, library or separate public/private facility for making, learning, exploring and sharing that uses high tech to no tech tools ⁹
Scale-up or scaleup	An enterprise with average annual growth in employees or turnover greater than 20 per cent per annum over a three year period, and with more than 10 employees at the beginning of the period ¹⁰

⁴ Greater London Authority (2014) *Supporting Places of Work: Incubators, Accelerators and Co-Working Spaces*

⁵ Greater London Authority (2014) *Supporting Places of Work: Incubators, Accelerators and Co-Working Spaces*

⁶ American Society for Quality (2019) *What is Innovation*

⁷ Newcastle University (2019) *Business Innovation Centres*

⁸ Brookings institute (2017) *Clusters and innovation districts: Lessons from the United States experience*

⁹ Makerspaces.com (2019) *What is a makerspace?*

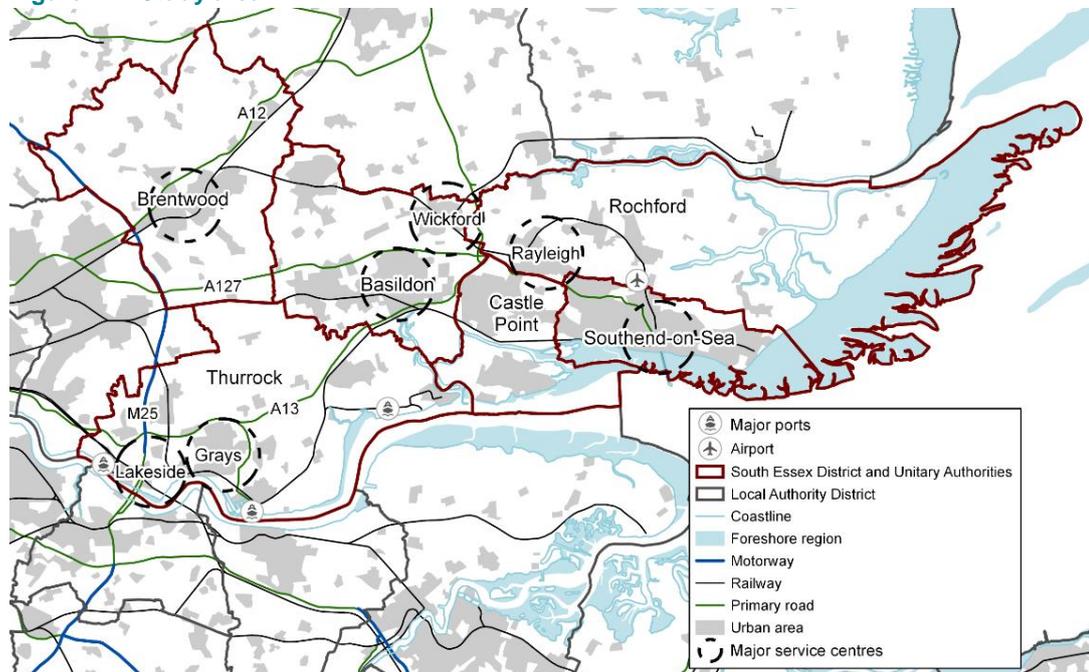
¹⁰ LSE (2016) *The Scaleup Manifesto: How Britain is Becoming the Scaleup Nation of the World*

Start-up	A business in its early stage of development.
Virtual office	A virtual office gives businesses a physical address and office-related services without the overhead of a long lease and administrative staff.

1. Introduction

- 1.1 BBP Regeneration and SQW were commissioned by the Association of South Essex Local Authorities (ASELA) to study 'Grow-on' space for businesses in 'South Essex' in its role as economic infrastructure that supports business and economic growth.
- 1.2 For the purposes of this study, we define 'Grow-on' space as that for recent start-ups that have now out-grown their initial accommodation, requiring offices and other workspace between 150 sq m (1,600 sq ft) and 500 sq m (5,400 sq ft).
- 1.3 Figure 1-1 shows the study area referred to hereon as 'South Essex'. This comprises the Basildon, Brentwood, Castle Point, Rochford, Southend-on-Sea and Thurrock local authority areas.

Figure 1-1: Study area



- 1.4 The fieldwork and desktop research in this report was carried out in April and June 2019, prior to the development of a Productivity Strategy for South Essex. This report builds upon similar work carried out by SQW and BBP Regeneration across a different study area within Essex in 2016, which also included Basildon, Brentwood, Castle Point and Rochford.
- 1.5 The rest of this report is structured in four chapters:
 - **Chapter 2. Demand side review** – Analysing relevant market trends, policies and programmes and providing a summary of our spatial and socioeconomic baseline, including key findings from our stakeholder consultation where appropriate.
 - **Chapter 3. Supply side review** – Analysing relevant market trends, policies and programmes and providing a summary of our property market baseline, including key findings from our stakeholder consultation where appropriate.

- **Chapter 4. Case for intervention** – The findings from our supply and demand gap analysis, our analysis of the causes and impacts of market failure, and a conceptual framework illustrating the impacts of local businesses being trapped in sub-optimal accommodation.
- **Chapter 5. Recommendations for intervention resulting from our findings** – The recommendations resulting from our work, outlining potential interventions both within and beyond the planning system.

1.6 The following technical annexes are also provided with this report:

- Annex A - Spatial and socioeconomic baseline
- Annex B - Stock and pipeline report
- Annex C - Office transactional data report
- Annex D - Workshop and warehousing transactional data report

2. Demand side review

- 2.1 This section details our analysis of the current level of demand for office and workshop and warehousing Grow-on Space across the six Boroughs in South Essex described above. It presents our analysis of relevant market trends, policies and programmes and provides a spatial and socioeconomic baseline of each area. Key findings from our stakeholder consultation are also included within this analysis where appropriate.
- 2.2 Based on these trends, policies and statistics, the level of demand for Grow-on Space has been determined on a scale of one (low) to five (high).
- 2.3 We note that the Economic Development Needs Assessment (aka 'EDNA') produced by GVA in 2017 set out six potential employment growth scenarios that are likely to impact each of the local authorities to varying degrees – some significantly. These scenarios include: growth in the advanced manufacturing sector in Basildon; healthcare in Southend and the creative industries in Southend and Thurrock; a greater than predicted demand for shed floorspace in Thurrock; growth in demand for industrial land due to re-location from London in Basildon, Castle Point, Rochford and Thurrock, and finally; the impact of the Airport Business Park in Southend and Rochford.
- 2.4 Where we have reflected upon forecast job growth in our demand side assessment, we have based our analysis on the baseline EEFM scenario, and then overlaid this with some key trends and their potential impact upon Grow-on Space within each local authority. Whilst we have noted such trends in our commentary throughout, we have not included the figures forecast in the EDNA due to our focus on the impact to Grow-on Space in particular. If market trends were to change beyond the extent noted in our commentary, this would warrant an update to our demand assessments.
- 2.5 Chapter 3 provides a similar analysis for the supply side of the area – in terms of both quantum and quality - of Grow-on Space.

Demand side market trends

- 2.6 The following commentary places South Essex in the context of trends in the national economy and property market.

Slow growth

- 2.7 Whereas GVA in 2018 had grown by 11% since the 2008/09 crisis¹¹, a report by PwC noted that economic growth in the UK slowed in 2017 and continued to do so into 2018¹². The same report predicts that in 2019 GDP growth will rise by 1.6%. This is attributed to the impact of inflation on consumer spending power combined with a downturn in the housing market and uncertainty related to Brexit, as discussed further below¹³. Commentary suggests that the issue of slow growth within the UK is also aggravated by rising competition from global cities,

¹¹ ONS (2018) *The 2008 recession 10 years on*

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/the2008recession10yearson/2018-04-30>

¹² PwC (2018) *UK Economic Outlook* <https://www.pwc.co.uk/economic-services/ukey/ukey-july18-full-report.pdf>

¹³ *ibid.*

that are continuing to innovate and invest in transport and connectivity, higher educational attainment, greater productivity, lower accommodation costs, and more favourable international trading conditions.

- 2.8 Locally, the Greater Essex economy grew by 0.6% a year between 2004 and 2014, slower than the UK rate of 1.3%¹⁴. Within Greater Essex, it was noted that several sectors that had the potential for high value added, such as scientific and technical services, are highly represented in start-ups. However, this has not yet resulted in faster growth¹⁵. South Essex is the largest corridor of the four in Essex in terms of GVA, holding 36% of that for Greater Essex¹⁶. Despite this, GVA in South Essex is growing at 0.2% per annum, which is the lowest within the Greater Essex corridors¹⁷. For example, GVA in Heart of Essex was growing at 1.0%¹⁸.

Stalled productivity

- 2.9 ONS data shows that productivity growth within the UK economy has been stagnant since the 2008-9 global financial crisis¹⁹. It was predicted that if the pre-crisis trend continued, productivity would be 20% higher than it was at the end of 2017²⁰. Instead, labour productivity grew by 0.5% between 2017 and 2018²¹. The Bank of England reported that, in part due to the impact of Brexit, in 2019 Britain would be the only large advanced economy likely to see a decline in productivity growth²².
- 2.10 Within Greater Essex, productivity, as measured by GVA per hour worked, grew by 0.6% between 2004 and 2014, slightly higher than the UK rate of 0.5%²³. However, GVA per person employed is lower in Greater Essex than in the UK, and significantly lower than some parts of the South East²⁴.

Lack of investor confidence due to Brexit uncertainty

- 2.11 A PwC report has found that despite being relatively unaffected for the six months after the Brexit vote, the UK economy slowed in early 2017²⁵. In December 2018, it was reported that the economy shrank by 0.4%, in part due to increasing Brexit-related uncertainty dampening business investment decisions and domestic demand^{26,27}. The British Chamber of Commerce

¹⁴ Essex Economic Commission (2017) *Enterprising Essex: Opportunities And Challenges*
http://www.essexgrowth.co.uk/media/1023/essex_economic_report.pdf

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ ONS (2018) *The 2008 recession 10 years on*

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/the2008recession10yearson/2018-04-30>

²⁰ ONS (2018) *The 2008 recession 10 years on*

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/the2008recession10yearson/2018-04-30>

²¹ Partington, R. (2019) *UK productivity grows by just 0.5% in 2018 amid Brexit uncertainty*

<https://www.theguardian.com/business/2019/apr/05/uk-productivity-grows-by-just-05-in-2018-amid-brex-it-uncertainty>

²² FT (2019) *Slowing UK productivity rings alarm bells* <https://www.ft.com/content/19acce50-5e90-11e9-b285-3acd5d43599e>

²³ Essex Economic Commission (2017) *Enterprising Essex: Opportunities And Challenges*
http://www.essexgrowth.co.uk/media/1023/essex_economic_report.pdf

²⁴ Ibid.

²⁵ PwC (2018), *UK Economic Outlook* <https://www.pwc.co.uk/economic-services/ukeyo/ukeyo-july18-full-report.pdf>

²⁶ Chapman, B. (2019) *UK economic growth hits six-year low as Brexit uncertainty bites*

<https://www.independent.co.uk/news/business/news/uk-economy-brex-it-impact-uncertainty-gdp-business-data-a8773286.html>

²⁷ PwC (2018) *UK Economic Outlook* <https://www.pwc.co.uk/economic-services/ukeyo/ukeyo-july18-full-report.pdf>

forecast economic growth of 1.2% in 2019, the weakest growth in a decade²⁸. Despite low unemployment within the UK generally, the relocation or downsizing of several high-profile companies based in the UK has highlighted the employment risks associated with Brexit. In fact, more than 10,000 manufacturing jobs within the British car industry were reported as being at risk due to lack of clarity regarding the UK's future relationships²⁹.

- 2.12 Sectors such as commercial construction, that are particularly prominent within South Essex, were performing most poorly in 2017-18³⁰. The Thames Estuary Growth Commission has committed to capitalising on the challenges and opportunities presented by Brexit to transform the area through on-going investment locally, such as at the Port of Tilbury³¹.

Sectoral change

- 2.13 Despite still being below its pre-crisis levels in terms of output, the manufacturing sector in the UK grew between 2015 and 2017. However, in 2018 there was a slowdown in manufacturing output growth³². The construction sector declined significantly in 2017 and 2018 but has been generally more volatile³³. The services sector, on the other hand, is widely recognized as the dominant influence on economic growth in the UK, accounting for almost 80% of the GDP, compared to 10% for manufacturing and 6% for construction³⁴.
- 2.14 Across Greater Essex, manufacturing was the only sector found to be declining. On the other hand, the fastest growing sectors were: information and communication, business services, real estate and public services³⁵. A report by the Essex Economic Commission identified sectors offering future growth opportunities. These included: advanced manufacturing, low carbon and renewables, life sciences and healthcare, digital and creative services, financial and business services, and logistics³⁶. Therefore, there is likely to be a focus on these areas in future in terms of incentivising business growth.
- 2.15 The South Essex Economic Development Needs Assessment (GVA, 2017) identified key sectors that underpin current and expected future strength of the South Essex economy due to their being high value and pivotal for future growth opportunities. These included: transport and logistics, manufacturing and engineering, energy and green technology, healthcare and digital cultural and creative³⁷.
- 2.16 The logistics sector generally is considered an enabler in improving competitiveness within an economy³⁸. In the UK, the logistics sector employs 2.2 million people³⁹. Due to its proximity

²⁸ British Chambers of Commerce (2019) <https://www.britishchambers.org.uk/news/2019/03/bcc-forecast-uk-economy-to-falter-further-as-brexit-uncertainty-bites>

²⁹ Partington, R. (2019) *UK productivity grows by just 0.5% in 2018 amid Brexit uncertainty* <https://www.theguardian.com/business/2019/apr/05/uk-productivity-grows-by-just-05-in-2018-amid-brexit-uncertainty>

³⁰ PwC (2018), *UK Economic Outlook* <https://www.pwc.co.uk/economic-services/ukeyo/ukeyo-july18-full-report.pdf>

³¹ Thames Estuary 2050 Growth Commission (2018) *2050 Vision*

³² PwC (2018) *UK Economic Outlook* <https://www.pwc.co.uk/economic-services/ukeyo/ukeyo-july18-full-report.pdf>

³³ Ibid.,

³⁴ Ibid.

³⁵ Essex Economic Commission (2017), *Enterprising Essex: Opportunities And Challenges* <http://www.essexgrowth.co.uk/media/1023/essex-economic-report.pdf>

³⁶ Ibid.

³⁷ GVA (2017) *South Essex Economic Development Needs Assessment*

³⁸ Essex Employment and Skills Board (2017) *Evidence Base Sector Profile Logistics*

https://www.essexeshb.co.uk/files/b1f7f-Logistics_Sector%20Profiles_2016_17_Final.pdf

³⁹ Ibid.

to London, fast access to UK and global markets and its infrastructural assets, South Essex is marketed by Invest ESSEX as an ideal location for logistics businesses to locate⁴⁰. In fact, many major retail brands have chosen to locate their distribution centres in Essex, for example Amazon, the Co-operative Group, Tesco and Next⁴¹. In addition, the Essex Economic Commission have targeted the sector as a priority area⁴².

- 2.17 Essex has the most concentrated ports and logistics infrastructure in the UK and is known as a leading European hub for retail distribution⁴³. Key investments within road routes and rail infrastructure are being proposed and considered to support the ongoing expansion of ports and logistics particularly in South Essex⁴⁴.

Flexible working

- 2.18 Much of the literature has predicted that employment contracts will become more flexible and varied, diverging from the permanent '9 to 5' style of work⁴⁵ and towards more flexible ways of working as well as freelancing and self-employment^{46,47}. Within companies, it has been noted that a growing majority of employees are emphasizing the importance of flexible working, with 57% currently expressing this⁴⁸. It has been suggested that the work provided to employees may become increasingly project-based, with high job turnover and zero-hour contracts becoming the norm⁴⁹.
- 2.19 New forms of contractual arrangements have been emerging, such as the "tempreneur", which is a mix between temporary working and being an entrepreneur, and umbrella companies where self-employed individuals are integrated into a structure and work as employees⁵⁰. The rise in flexible freelance working through online platforms such as Upwork, Uber and TaskRabbit has also been shown. One study found that in the UK around 11% of online adults between 16-75 years old are currently engaging in this type of work⁵¹. A report by McKinsey has estimated that by 2025, around 540 million workers globally could benefit from online talent platforms⁵².

⁴⁰ Invest ESSEX (2018) *Essex the UK Multimodal Gateway*
https://www.investessex.co.uk/app/uploads/2018/06/Essex_The_UK_Multimodal_Gateway.pdf

⁴¹ Ibid.

⁴² Essex Economic Commission (2018) *Enterprising Essex: Meeting the Challenge*
<http://www.essexgrowth.co.uk/media/1036/eec-final-report-march-2018.pdf> Accessed 20/06/2019]

⁴³ Invest ESSEX (2018) *Essex the UK Multimodal Gateway*
https://www.investessex.co.uk/app/uploads/2018/06/Essex_The_UK_Multimodal_Gateway.pdf

⁴⁴ Essex Economic Commission (2018) *Enterprising Essex: Meeting the Challenge*
<http://www.essexgrowth.co.uk/media/1036/eec-final-report-march-2018.pdf>

⁴⁵ CIPD (2013) *Megatrends*

⁴⁶ World Employment Confederation (2016) *The Future of Work White Paper from the Employment Industry*,

⁴⁷ Bertelsmann Stiftung and Future Impacts (2016) *2050: The Future of Work. Findings of an International Delphi-Study of The Millennium Project*,

⁴⁸ UKCES (2014) *The Future of Work, Job and Skills in 2030*,

⁴⁹ World Employment Confederation (2016) *The Future of Work White Paper from the Employment Industry*,

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² McKinsey, Global Institute, (2015), *Connecting talent with opportunity in the digital age*,
<https://www.mckinsey.com/featured-insights/employment-and-growth/connecting-talent-with-opportunity-in-the-digital-age>

Migration from London due to poor housing affordability

- 2.20 In 2018 it was reported that the number of people leaving London had reached its highest level, with more than 330,000 people making this move between 2017-18⁵³. The London Housing Strategy quotes a survey that found that 21% of businesses thought they might have to relocate their business to cope with the pressure of rising house costs and housing shortages⁵⁴. A Resolution Foundation report attributed this behaviour to a desire to correct for the reduction in living standards caused by high housing costs in London combined with weak earnings growth⁵⁵. Thurrock was identified as one of the areas that was found to be a top destination amongst London leavers. In fact, proximity to the capital means South Essex is likely to absorb London overspill, and it is already seeing high annual increases in house prices⁵⁶.

Potential business relocations from London to support release of land for housing

- 2.21 In order to support forecast employment growth in London, 64,000 new homes will have to be built per year⁵⁷. However, employment land in London is facing severe competitive pressure, particularly from the residential market⁵⁸, where residential uses are more valuable and development office space for residential uses are permitted. In addition, rising rents for employment floorspace in London⁵⁹ may mean locating in London would become unaffordable for many businesses.
- 2.22 These pressures may lead businesses in London to want to relocate, and again its proximity to South Essex⁶⁰, which offers lower rents and good accessibility to London markets, may mean South Essex would absorb these movers. In fact, one operational response to rising price and falling supply of industrial premises in London has been to relocate various functions outside of London⁶¹. An example might be a car company that maintains a shop front in London but carries out servicing work at a depot outside of London.⁶² For example, recently Costa Coffee and the Daily Mail have sought space in South Essex having been squeezed out of London⁶³.
- 2.23 This trend has had an impact on South Essex and Brentwood and Thurrock especially in the past, though the GLA notes that much of the remaining functions in London are located there because they are required to be and that future release is likely to fall to much lower levels.⁶⁴ Housing shortages may also mean businesses will be provided with incentives to do

⁵³ Jones, R (2018) *London property prices blamed for record exodus*

<https://www.theguardian.com/money/2018/jun/28/london-property-prices-blamed-for-record-exodus>

⁵⁴ Mayor of London (2018) *London Housing Strategy*

⁵⁵ Elliott, I. (2018) *London's property prices leads to exodus of early 30s*

<https://www.theguardian.com/money/2018/jun/27/londons-property-prices-leads-to-exodus-of-early-30s>

⁵⁶ Essex Chief Executives Association (2010) *State of Essex Evidence Papers* <https://www.essex.gov.uk/Your-Council/Strategies-Policies/Integrated-County-Strategy/Documents/State%20of%20Essex%20Evidence%20Papers.pdf>

⁵⁷ Savills (2017) *London's future homes and workplaces – the next five years* <https://pdf.euro.savills.co.uk/uk/residential--other/london-dev-2017-singles-v3.pdf>

⁵⁸ CAG Consultants (2016) *Southwark Employment Land Study*

⁵⁹ Greater London Authority (2017) *London Office Policy Review*

https://www.london.gov.uk/sites/default/files/london_office_policy_review_2017_final_17_06_07.pdf

⁶⁰ GVA (2017) *South Essex Economic Development Needs Assessment*

⁶¹ CAG Consultants (2017) *London Industrial Land Demand*

https://www.london.gov.uk/sites/default/files/ilds_final_report_june_2017.pdf

⁶² GLA (2017) *Industrial Land Demand Report*

⁶³ GVA (2017), *South Essex Economic Development Needs Assessment*

⁶⁴ GVA (2017) *South Essex Economic Development Needs Assessment*

so, to release land for residential use. However, due to the trend towards conversion of employment land to residential uses, rents for employment floorspace are likely to continue to rise.

- 2.24 Many of these general trends point to the fact that local economic growth and therefore demand for Grow-on Space may be constrained in South Essex. However, trends relating to migration, relocation and flexible working may mean that demand for more 'grow-on' space could rise within Essex. In particular, the ripple effect from London for businesses and residents as well as a rise in flexible working may drive demand.

Demand side policies and programmes

- 2.25 This section summarises economic development and planning policies at a national, LEP and local authority level that may affect the current or future demand for Grow-on Space in South Essex.

National

Housing need

- 2.26 Various government policies have placed pressure upon local authorities to deliver housing, particularly in the South East. The National Planning Policy Framework⁶⁵ sets out the Government's planning policies for England and how these should be applied, providing a framework for local plans for housing and other economic development initiatives⁶⁶.
- 2.27 The original Framework, published in 2012, created a presumption in favour of sustainable development. The revised Framework, published in 2019, provides guidance on identifying specific deliverable sites sufficient to provide five years' worth of housing as assessed against the Ministry's standard method for determining Objectively Assessed Need, which takes into account household growth and affordability of home ownership⁶⁷.

Industrial Strategy

- 2.28 The National Industrial Strategy published by the Department of Business, Energy and Industrial Strategy (BEIS) in 2017, sets out the Government's long-term approach and vision for the development of a transformed economy, boosting productivity and earning power. Its five foundations: Ideas, People, Infrastructure, Business Environment and Places, lay out its policy areas of focus.
- 2.29 Within the 'Ideas' pillar, the strategy sets out the aim to increase research and development investment, whilst providing tax incentives and funding schemes to support innovation. The 'People' pillar focusses on establishing new education systems to improve technical provision and support retraining, whilst boosting support for provision of STEM skills.
- 2.30 Within its 'infrastructure' pillar, the industrial strategy mentions a focus on a more strategic approach to infrastructure investment, prioritising strengthening growth and creating

⁶⁵ MHCLG (2019) *National Planning Policy Framework*

⁶⁶ MHCLG (2019) *National Planning Policy Framework*

⁶⁷ Ibid.

economic opportunities, with a focus on transport, housing and digital infrastructure⁶⁸. In 2017, the Department for Digital, Culture, Media and Sport (DCMS) announced a £200m investment in full fibre broadband provision across the UK⁶⁹. South Essex Local Authorities have recently submitted a bid to DCMS to make strategic improvements to their infrastructure, particularly in more rural areas.

- 2.31 The 'places' pillar focuses on local policies. Of relevance, it commits to creating a Transforming Cities Fund offering £1.7bn for projects that improve connectivity, reduce congestion and utilise new mobility services and technology. The aim of the fund is to transform local productivity in city regions, for example, by linking the towns around cities to city centres, and to each other'⁷⁰. Essex County Council and Southend Borough Council have submitted a bid to this Fund, stating that they were a 'fast-growing, urban area' despite not being a city. The bid proposed to use funds to develop a bus priority infrastructure within the area, in an effort to develop a more sustainable travel infrastructure⁷¹.
- 2.32 This pillar also establishes a commitment to agree Local Industrial Strategies. In the South East, the LEP is developing a Local Industrial Strategy (LIS) and in South Essex, work on a Joint Strategic Plan is under way⁷². ASELA is however (through Opportunity South Essex), also developing a Productivity Strategy, which will feed into South Essex's priorities within the LIS, based principally around the LEP/national priorities of driving productivity. These strategies target local development as well as the improvement of business growth-enabling conditions across the UK, for example through improvements in digital and transportation infrastructure.
- 2.33 The Strategy announces the Government's intentions to develop a more enabling business environment, boosting productivity within small and medium sized businesses in particular. In fact, the 'Business Environment' pillar of the strategy states an aim to make the UK the best place to start and grow a business⁷³. It commits to supporting high-growth innovative businesses to achieve their potential by driving over £20bn investment into these businesses over the next ten years.
- 2.34 This includes: launching a £2.5bn new Investment Fund incubated by the British Business Bank, expanding support provided to innovative knowledge-intensive businesses through the Enterprise Investment Scheme and Venture Capital Trusts, seeding a series of private sector funds of scale with a first wave of investment of up to £500m delivered through the British Business Bank and launching a commercial investment programme run by the British Business Bank to support developing clusters of business angels outside of London, for example⁷⁴. It also intends to research potential actions that may effectively improve productivity and growth in small and medium sized businesses.

⁶⁸ HM Government (2017) *Industrial Strategy*

⁶⁹ DCMS (2018) *£200 million to kickstart full fibre broadband across UK* <https://www.gov.uk/government/news/200-million-to-kickstart-full-fibre-broadband-across-uk>

⁷⁰ HM Government (2017) *Industrial Strategy*

⁷¹ Essex Highways (n.d.) *Transforming Cities Bid – Call for Proposals Application Form* <https://www.essexhighways.org/uploads/docs/transforming-cities-bid---integrated-transport-solutions-in-south-essex-itsse.pdf>

⁷² Southend-on-Sea (2019) *South Essex Joint Strategic Plan*

<https://www.southend.gov.uk/info/200420/development-plan-documents/869/south-essex-joint-strategic-plan>

⁷³ HM Government (2017) *Industrial Strategy*

⁷⁴ HM Government (2017) *Industrial Strategy*

- 2.35 Overall, the commitments made within the Industrial Strategy suggest that support for entrepreneurial and innovative business activity, including financial support and skills provision, should increase, positively influencing demand for Grow-on space due to an implied improvement in conditions for start-ups. In addition, the commitments made to support local development, for example through investments in infrastructure, suggest the potential for economic growth to stimulate demand.

Grand Challenges and Sector Deals

- 2.36 The Industrial Strategy set out four 'Grand Challenges', or areas that the current Government have identified, based on national and international 'world-changing'⁷⁵ trends as key strategic trends that should be prioritised when providing support and strategic leadership⁷⁶. These include: AI and the Data Economy, Mobility, Clean Growth and Aging Society. Therefore, current government policies and strategy support initiatives that either: improve the UK's position within the AI and data revolution, maximises its advantages from the shift to clean growth, harness power of innovation to meet the needs of an ageing society and enable advances in future mobility⁷⁷.
- 2.37 The Industrial Strategy Challenge Fund is part of the Government's Industrial Strategy, which sets out the long-term plan to raise productivity and earning power in the UK⁷⁸ and commits to increase R&D spending to 2.4% of GDP by 2027. As part of the Fund, a series of Sector Deals were announced from 2017⁷⁹. These are partnerships between industry and the government that target productivity growth⁸⁰. Sector deals that have already been announced include with: Aerospace, Artificial Intelligence, Automotive, Construction, Life Sciences, Nuclear, Offshore Wind, Rail and Creative Industries⁸¹.
- 2.38 Due to their prominence within South Essex, the sector deals with the Aerospace, Construction and Creative Industries sectors are likely to be most relevant. However, other sector deals may also be locally impactful in terms of Grow-on Space. For example, the AI sector deal commits to deliver strong digital and telecommunications infrastructure across the UK. One initiative included within the deal commits to investing £1bn to develop 5G mobile networks⁸².
- 2.39 Within the sector deals, the Government have committed to supporting a series of initiatives that support growth within the sector which affect small and growing companies or South Essex more widely. For example, within the Aerospace Sector Deal, funding was committed to expanding the National Aerospace Technology Exploitation Programme (NATEP), boosting R&D projects led by SMEs, whilst supporting them in boosting their competitiveness through a new productivity improvement programme⁸³. The latter initiative entails a £10m

⁷⁵ HM Government (2017) *Industrial Strategy*

⁷⁶ HM Government (2017) *Industrial Strategy*

⁷⁷ HM Government (2017) *Industrial Strategy*

⁷⁸ UKRI, *Industrial Strategy Challenge Fund* <https://www.ukri.org/innovation/industrial-strategy-challenge-fund/>

⁷⁹ House of Commons Business Energy and Industrial Strategy Committee (2019) *Industrial Strategy: Sector Deals*

⁸⁰ HM Government (2017) *Industrial Strategy*

⁸¹ BEIS (2018) *Introduction to Sector Deals* <https://www.gov.uk/government/publications/industrial-strategy-sector-deals/introduction-to-sector-deals>

⁸² BEIS, DCMS (2019) *Artificial Intelligence Sector Deal* <https://www.gov.uk/government/publications/artificial-intelligence-sector-deal>

⁸³ HM Government (2018) *Aerospace Sector Deal*

commitment, matched by industry, to implement Supply Chain 21 Competitiveness and Growth.

- 2.40 Construction Sector Deal commits to investing £170m from the Industrial Strategy Challenge Fund into the Transforming Construction: Manufacturing Better Buildings programme, which supports take-up of digital technologies amongst others. It also commits to taking forward the public sector investment set out in the National Infrastructure and Construction Pipeline, contributing to the delivery of £460bn planned infrastructure investment including £70bn in transport infrastructure and £43bn in social infrastructure⁸⁴. The Creative Industries Sector Deal sets out the intention to establish a £20m Cultural Development Fund in the two years following the Deal announcement, which would enable local partnerships to bid for investments in culture and creative industries. In January 2019, the Government awarded £4.3m to develop the Thames Estuary Production Corridor, aiming to boost the South East's creative industries⁸⁵.

Grow-on Space

- 2.41 On the demand side, throughout the Industrial Strategy, there are several references made to a commitment to supporting SMEs to scale up⁸⁶. For example, it targets increasing Higher Education Innovation Funding (HEIF) up to £250m a year by 2020-21. This funding supports schemes such as the Connecting Capabilities Fund which has supported SME scale ups in the south of England as well as the InnovationRCA programme, which has spun out 39 start-ups and other exemplar schemes such as Lancashire's Centre for Small and Medium Sized Enterprise Development⁸⁷. It also commits to launching a £115m Strength in Places Fund to support areas in building their science and innovation strengths, scaling up innovation clusters⁸⁸. It will also provide £80m in the two years after the Strategy was published to support the Government's work in data, with an aim to support businesses with the potential to scale up to harness this better⁸⁹.
- 2.42 The Industrial Strategy Green Paper also announced the Business Minister at the time as the 'Scale-Up Champion' and established the Scale-Up Taskforce to explore how the government can support businesses to scale up⁹⁰. The task force prioritised four areas: better use of data to target support, enhancing leadership and management capabilities, improving awareness and take-up of equity finance and capital and improving access to markets. This focus on supporting the development of innovative, growing businesses implies there may be a rise in the need for Grow-on Space.

South East LEP

- 2.43 Local Enterprise Partnerships were set up in 2011 to promote local economic development, taking on some of the responsibilities of the former Regional Development Agencies (with the

⁸⁴ HM Government (2018) *Construction Sector Deal*

⁸⁵ University of Essex (2019) *Essex part of ambitious £4.3m project to drive creative industries*
<https://www.essex.ac.uk/news/2019/01/18/essex-part-of-ambitious-%C2%A34-d-.3m-project-to-drive-creative-industries>

⁸⁶ HM Government (2017) *Industrial Strategy*

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ Ibid

remainder led by central government) and building on the principles of Local Strategic Partnerships in bringing together business representatives and local authorities.

- 2.44 LEP's were required by HM Government to publish Strategic Economic Plans (SEPs) to determine funding priorities prior to submitting Local Growth Deal bids, and South East LEP published its SEP in 2014. HM Government's Industrial Strategy, published in 2018, requires LEP's to prepare Local Industrial Strategies, and South East LEP published an interim Strategic Economic Statement - "Smarter Faster Together: Towards a Local Industrial Strategy" - in 2018. Within this statement, it highlighted that since 2014, the LEP has secured around £561m in Local Growth Fund funding and an additional £160m European structural and investment programme funds to invest in improvements to transport, business premises, skills delivery and facilities, for example⁹¹.
- 2.45 The Strategic Economic Statement also provides guidance on the direction of its work in delivering these funds, reaching up to £720m. It identifies some key opportunities for the area and focusses its actions and funding on these, whilst maintaining a dialogue with the government around planning for Enterprise Zones and future infrastructure investments⁹². The five key priorities identified for action include: creating ideas and enterprise, developing tomorrow's workforce, accelerating infrastructure, creating places and working together. Within these, specific areas of focus identified include, for example, adopting new ideas that develop a smarter economy by supporting innovative capacity whilst enabling businesses with the potential for growth through coaching, leadership development and support in accessing finance.
- 2.46 Other examples include: increasing industry-relevant qualifications, including supporting retraining initiatives, making enhancements to strategic road and rail network and connections to ports and airports, investing in cultural infrastructure to develop the quality of life in places⁹³. The SE LEP is also responsible for funding business support provision through the BEST Growth Hub. The Strategic Economic Statement, *Smarter Faster Together* (2018) also states an aim to build on the continued development of the Growth Hub⁹⁴.

Thames Estuary Growth Commission

- 2.47 The Thames Estuary Growth Commission was established in March 2016 under Lord Heseltine's chairmanship in order to address key social and economic challenges within the Thames Estuary area, including north Kent, south Essex and east London up to 2050. It ran a call for ideas from July to September 2016 which received over 100 respondents. Within its 2050 Vision, the Commission defined and contextualised those challenges and associated opportunities that can be harnessed.
- 2.48 The Government later set out a Response to the 2050 Vision, in which it made several commitments to support local growth within the area⁹⁵. On the demand side, these include:
- Appointing the first Estuary Envoy (on the 30th October 2019) to chair the Thames Estuary Growth Board, which will receive £1m government funding to drive the

⁹¹ South East LEP (2018) *Smarter, Faster, Together*

⁹² South East LEP (2018) *Smarter, Faster, Together*

⁹³ South East LEP (2018) *Smarter, Faster, Together*

⁹⁴ South East LEP (2018) *Smarter, Faster, Together*

⁹⁵ MHCLG (2019) *Government Response to Thames Estuary Commission 2050 Vision*

economic growth of the area and support the delivery of the Vision. The focus of the board will include investing in housing, transport, connectivity and the environment. The Board will also be responsible for launching an inward investment campaign with the Department for International Trade (DIT).

- Progressing a series of transport infrastructure investments in the area through investments of around £325m using the Local Growth Fund. This includes delivery of the Lower Thames Crossing and Elizabeth Line.
- Providing £1.3m to the SELEP between 2018-20 to build on and develop the Growth Hubs that have been delivered to support small businesses. Providing them with a further £37m as part of the Stronger Towns Fund⁹⁶.

2.49 Supply side commitments are covered in Chapter 3.

2.50 These economic growth-enabling investments identified within local policies, if realised, have the potential to increase favourable conditions for business start-up and growth, positively impacting potential future demand for Grow-on Space.

Local authorities

2.51 Since 2017, the Leaders and Chief Executives of South Essex began developing a Joint Strategic Plan (JSP) 'South Essex 2050 Ambition' that would underpin strategic special, infrastructure and economic priorities across the region, shaping wider plans such as those of the Thames Estuary 2050 Commission and the London Plan⁹⁷. In January 2018, the local authorities formed the Association of South Essex Local Authorities to provide appropriate leadership for the implementation of the JSP. From a review of local authority-level policy statements, including the South Essex Economic Development Needs Assessments, Local Plans for each Borough and Economic Development Strategies, it is clear that Grow-on Space is recognised as an issue within the area, whilst entrepreneurial culture and high business start-up rates are recognised as a key advantage⁹⁸. However, that there are currently limited tangible commitments outlined that would tackle this.

2.52 **Basildon:** The South Essex Economic Development Needs Assessment (EDNA) (GVA, 2017) highlights that the Borough has made several commitments to support local economic growth. Firstly, though investments in the Basildon Integrated Transport Package, improvements to the A127 Fairglen Interchange Junctions, improvements to the A13 corridors and the redevelopment of the railway station, it has made steps towards easing congestion and improving infrastructure availability. Basildon has also made commitments to regenerate the town centre, delivering 2,000 new homes, a new town centre college for up to 2,000 students and amenities. Nearby, regeneration and reinvigoration projects of up to £30m are expected in Pitsea, Laindon and Wickford.

2.53 The EDNA (GVA, 2017) also states that the Council have committed to tackling the issue of low skills and resident unemployment within the Borough by promoting upskilling. Examples of policies proposed or implemented to do so are: the requirement of employment provision

⁹⁶ Ibid.

⁹⁷ Southend Borough Council (2019) *South Essex Joint Strategic Plan*

https://www.southend.gov.uk/info/200420/development_plan_documents/869/south-essex-joint-strategic-plan

⁹⁸ GVA (2017) *South Essex Economic Development Needs Assessment*

applications to be accompanied by conditions that require businesses to undertake apprenticeships and FE training, a £10m investment into Prospects College to create a Vocational Training campus, the relocation of South Essex College's Basildon Campus to the town centre and planned investments in specialised training facilities such as a Green Vocational Training Centre.

- 2.54 Basildon Council has made strategic commitments within their Local Plan to support businesses and the growth of entrepreneurialism, support to small businesses and start-up survival within the Borough⁹⁹. For example:

*"We will support the aspirations of local companies to grow and prosper and we will attract new companies to invest in the Borough by encouraging trade, innovation and skills development. We will build the Basildon brand as the entrepreneurial growth hub in South Essex."*¹⁰⁰.

- 2.55 To do so, it has stated its intention to facilitate business networking and access to business support, for example through the Basildon Business Group, its involvement in the Automotive, Aerospace and Defence group and the Essex Innovation Programme¹⁰¹.

- 2.56 The need for more Grow-on Space was also acknowledged in Basildon's Economic Development Policy in 2017, which stated that:

"It is apparent that there is an imbalance between potential demand and supply for grow-on accommodation across almost all Boroughs and Districts in Essex and this is particularly noticeable in Basildon. With firms not able to make the most out of opportunities by expanding into Grow-on Space, opportunities for economic growth and an uplift in business rates are diminished, and the ability to foster a more entrepreneurial culture is weakened. In addition, a lack of appropriate Grow-on Space also limits the opportunity to attract smaller-scale inward investment"

- 2.57 **Brentwood:** Brentwood's Emerging Local Plan, which is yet to be adopted, also recognises a lack of Grow-on Space. The Brentwood Economic Strategy for the period 2017 – 2020 (Published June 2017)¹⁰², which forms part of the Council's integrated strategic approach to economic development alongside the Brentwood Preferred Options Local Plan, Housing Strategy and the Infrastructure Delivery Plan, notes that one of Brentwood's Corporate Plan priorities for economic development include facilitating the creation of new businesses, assisting the provision of advice and guidance for local businesses.

- 2.58 Other economic development priorities include: skills development, particularly enhancing local enterprise culture and employer-led training initiatives, developing a stronger tourism, leisure and retail sector as well as building a stronger rural economy¹⁰³. Actions committed to enable the Borough to meet these aims include, for example, commissioning an economic impact study for Crossrail, working in partnership with Visit Essex to promote the area's profile and delivering business funding, advice and networking events¹⁰⁴.

⁹⁹ GVA (2017) South Essex Economic Development Needs Assessment

¹⁰⁰ Basildon Council quoted in GVA (2017) South Essex Economic Development Needs Assessment

¹⁰¹ GVA (2017) South Essex Economic Development Needs Assessment

¹⁰² <http://www.brentwood.gov.uk/pdf/20042018104113000000.pdf>

¹⁰³ Brentwood Economic Strategy (2017)

¹⁰⁴ Brentwood Economic Strategy (2017)

- 2.59 **Castle Point:** To address its skills gap, Castle Point has delivered two new secondary schools and a further education Skills Campus on Canvey Island¹⁰⁵. The EDNA (GVA, 2017) highlights the Borough's aspirations to support the growth of indigenous businesses, harnessing entrepreneurial activity, though there are no tangible policies associated with this. The only tangible policy initiative discussed is that Canvey Island has secured £40m for its Coastal Community Team through the Government's Coastal Communities Fund. This would help to deliver projects such as the regeneration of the sea front and social infrastructure.
- 2.60 **Rochford:** The District has attracted significant investment in a 21 ha business park close to London Southend Airport, through a joint venture partnership between Henry Boot Developments (HBD) and Southend-on-Sea Borough Council. £20m of central government funding has been committed to support infrastructure investments including improvements to the A127, and £10.m of investment in The Launchpad will provide 25,000 sq ft of incubator spaces designed to attract start-ups and SMEs. The aircraft seating manufacturer IPECO is due to occupy 124,000 sq ft of floorspace from early 2020, but plots are designed to deliver units from 5,000 sq ft upwards.
- 2.61 Area Action Plans have been developed for Rochford, Rayleigh and Hockley town centres and stakeholders are working together to achieve their objectives¹⁰⁶. Rochford town centre is part of the government's 'Open Doors' pilot, with plans to convert vacant retail space into a pop-up community hub.
- 2.62 To develop its workforce, Rochford District Council has taken part in a three-year programme, from 2017, to promote career opportunities available in the South Essex skill shortage areas, through Career Taster Days¹⁰⁷. In addition, the District authority works in partnership with the local 3 Chambers group, FDB and Essex Chambers of Commerce. It provides an active business support programme including training workshops, networking events and an online business information service¹⁰⁸.
- 2.63 The Council's Economic Regeneration Team is in the process of setting up an online property search database to enable businesses to look for suitable sites and premises in the District.
- 2.64 **Southend-on-Sea:** Whilst Southend-on-Sea's Economic Growth Strategy, 2017, does not address Grow-on Space directly, it does recognise that *"focusing support on established businesses that have between 5 and 49 employees is likely to yield higher job growth and GVA than solely focusing support on start-ups"*. The Council states that one of the areas it will focus business support resources is established small businesses to help facilitate growth. In the EDNA (GVA, 2017), it is stated that the Airport Business Park has led the council to commit to supporting SMEs by creating incubator units and 'grow-on' facilities to support businesses as they scale.
- 2.65 Several of these programmes/strategies and funding schemes focussed on infrastructure, innovation and business support that could or are therefore used to develop and regenerate South Essex, potentially leading to increased business and economic growth within the area, increasing the likelihood of scale-ups and demand for Grow-on Space. For example, through

¹⁰⁵ GVA (2017) South Essex Economic Development Needs Assessment

¹⁰⁶ GVA (2017) South Essex Economic Development Needs Assessment

¹⁰⁷ GVA (2017) South Essex Economic Development Needs Assessment

¹⁰⁸ GVA (2017) South Essex Economic Development Needs Assessment

the Southend Central Area Action Plan, the Council proposes a town regeneration scheme targeting the towns leisure and cultural provision, including the sea front¹⁰⁹. However, no tangible commitments are discussed in the EDNA (GVA, 2017).

- 2.66 The Southend Economic Growth Strategy directs business support to established businesses with 5 to 49 employees.
- 2.67 **Thurrock:** Thurrock has received significant investment in its infrastructure, increasing its viability as a location for business and therefore its economic potential. £0.5bn of Government funding will deliver a widening scheme of the A13 to improve access to London Gateway from Stanford-le-Hope¹¹⁰. The South East LEP has also committed £6m from Local Growth Fund investment to improve the Thurrock cycle network¹¹¹. It has also identified five regeneration areas, including Purfleet, Lakeside/West Thurrock, Grays, Tilbury and London Gateway in its Core Strategy¹¹².
- 2.68 The Thurrock Core Strategy highlights the Borough's aim to support lifelong skills development and a shift to a more service-oriented workforce through the establishment of a flagship Learning Campus with Further and Higher Education facilities and supporting the expansion of South Essex College¹¹³. The Thurrock Economic Development Strategy highlights its aim to increase business support, however does not make any tangible policy commitments¹¹⁴.

Demand side spatial, socioeconomic and property market review

- 2.69 Within this section we summarise some of the key socio-economic factors that would determine the level of demand for Grow-on Space within each of the six local authority areas. For each local authority, we discuss the most significant factors that have formed our assessment of the level of economic growth and development and therefore potential need for Grow-on Space. We then present an assessment of that level of demand for both office and workshops/warehousing Grow-on Space, relative to the South East LEP area. Some additional socio-economic baseline data can be found in Annex A.

Spatial factors across South Essex

- 2.70 The Association of South Essex Local Authorities (ASELA) area comprises the local authorities of Basildon, Brentwood, Castle Point, Rochford, Southend-on-Sea and Thurrock. To the north of South Essex is the rest of the county of Essex, with neighbouring local authorities being Chelmsford, Epping Forest and Maldon. To the west is London, with the London Boroughs of Havering and Bexley directly adjacent to South Essex. To the south is the river Thames and its estuary, across which is Kent.
- 2.71 South Essex is a well-connected area, with nationally- and regionally-significant road, rail, air and sea transport links. The area is bounded by the M25 on the west and includes other key

¹⁰⁹ GVA (2017) South Essex Economic Development Needs Assessment

¹¹⁰ GVA (2017) South Essex Economic Development Needs Assessment

¹¹¹ GVA (2017) South Essex Economic Development Needs Assessment

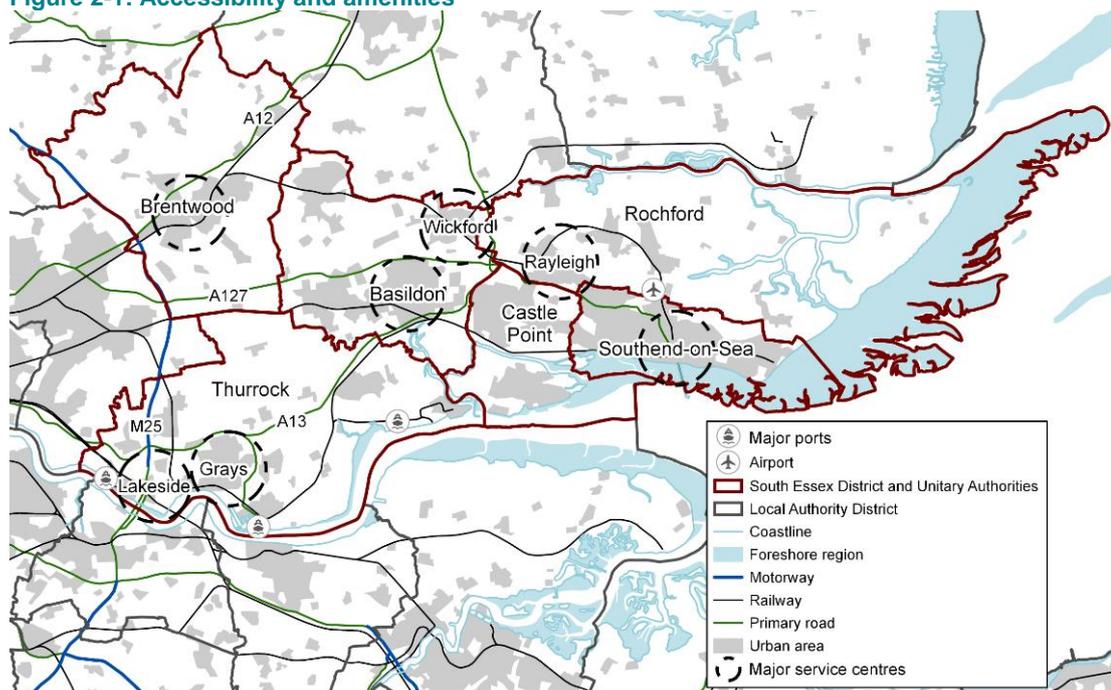
¹¹² GVA (2017) South Essex Economic Development Needs Assessment

¹¹³ GVA (2017) South Essex Economic Development Needs Assessment

¹¹⁴ GVA (2017) South Essex Economic Development Needs Assessment

roads, including the A12, A127 and A13. South Essex has rail connections into central London, which will be improved with the development of Crossrail, and an international airport. When Crossrail is opened, there will be 12 Elizabeth line trains an hour between Shenfield and central London and passengers from Essex will be able to travel through central London to west London, and Heathrow Airport, without having to change trains.¹¹⁵ London Southend Airport is one of the UK's fastest-growing regional airports and will serve nearly two million passengers by 2020. South Essex also has three major sea ports: DP World London Gateway, Tilbury and Purfleet. These ports offer large freight capacities and high-frequency deep-sea and short-sea services.

Figure 2-1: Accessibility and amenities



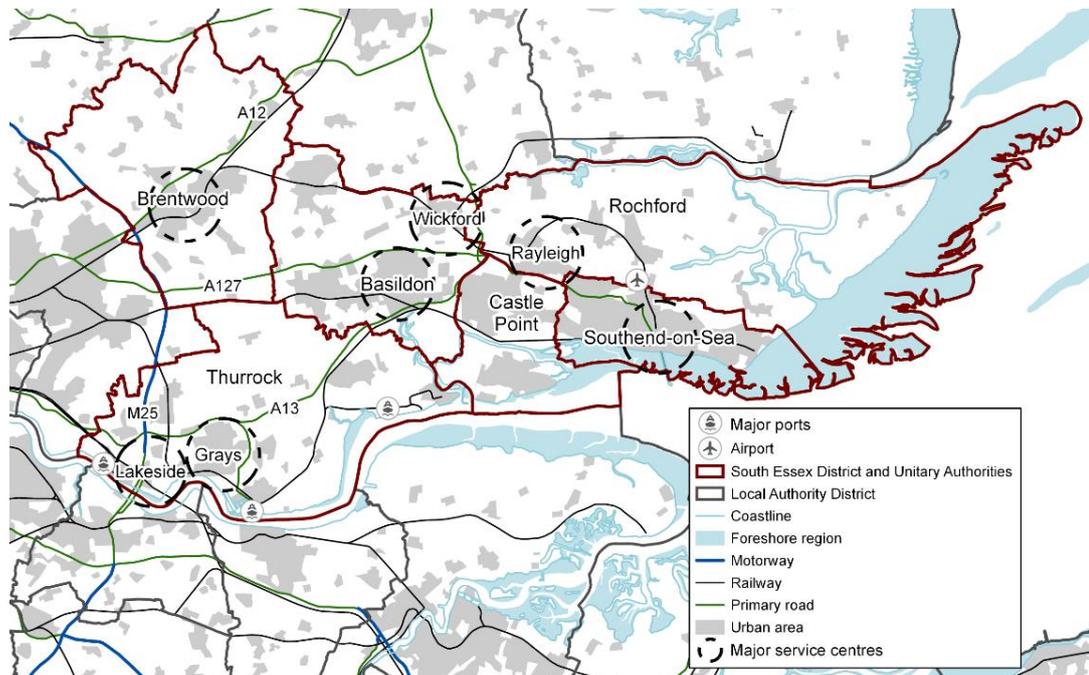
Source: Produced by SQW 2019. Licence 100030994. Contains OS data © Crown copyright and database right 2019

- 2.72 The Autumn Budget 2018 announced the draft Roads Investment Strategy 2, including a new Lower Thames Crossing intended to improve journey times along parts of the A127 and cut congestion on approach roads to the Dartford Crossing. However, there remains uncertainty around the funding and route, with Thurrock Council continuing to engage with government agencies to influence the plans.
- 2.73 Essex County Council has prepared a Greater Essex Growth and Infrastructure Framework identifying £10bn of infrastructure improvements to be delivered over the period 2016 to 2036. In addition to more localised projects (described under each of the local authority headings below), the Framework's key strategic transport projects include: A127 Corridor for Growth Route Based Strategy – Resilience Package and Signing Strategy, and; A127/A130 Fairglens Short-Term Improvements.
- 2.74 The Council's 'SE2050 Connectivity' workstream also sees "rapid transit" as a key part of the future transport offer connecting key trip generators across South Essex.

¹¹⁵ Crossrail Ltd (n.d.) *Eastern Section – Stratford to Shenfield* <http://www.crossrail.co.uk/route/eastern-section/>

- 2.75 South Essex has a population of almost 800,000, accounting for 43% of the total population of Essex. The largest areas in terms of population are Basildon, Southend-on-Sea and Thurrock and it is these areas which have seen the highest levels of population growth since 2004. Aside from Basildon and Southend-on-Sea, other major service centres include Brentwood, Grays, Lakeside, Rayleigh and Wickford.
- 2.76 The main urban areas throughout the sub-region are shown in Figure 2.2 below.

Figure 2-2: Urban areas in South Essex



Source: Produced by SQW 2019. Licence 100030994. Contains OS data © Crown copyright and database right 2018

- 2.77 South Essex councils, working together as the Association of South Essex Local Authorities, have been awarded £4.5m as part of the Government's Local Full Fibre Networks challenge fund.¹¹⁶ This funding will enable next-generation full fibre connections to key public buildings, and nearby homes and businesses.
- 2.78 The remainder of this chapter will consider the key, spatial and socioeconomic trends and characteristics across the sub-region over recent years (comparing local authority areas), and in respect of employment and working age population figures, reviewing projections through to 2034. These details are set out in the Figures which follow. This is accompanied by a commentary in respect of each local authority area in turn, to inform our more detailed demand assessment for office and workshop/warehousing Grow-on Space.

Basildon Borough Council

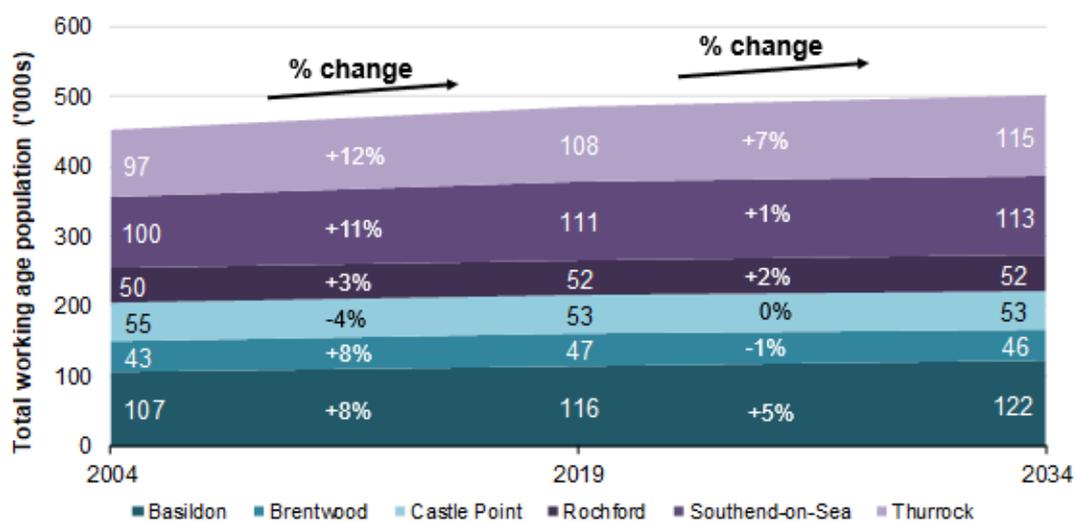
- 2.79 Basildon is a well-connected area in the centre of South Essex with two railway lines, several stations and two primary roads: the A127 and A13. Basildon station has an estimated

¹¹⁶ HM Treasury (2019) *Spring Statement 2019: Written Ministerial Statement*
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/785618/WMS_financial_Commons.pdf

2,819,112 entries and exits per year.¹¹⁷ The average journey time from Basildon station to central London is 40 minutes, with the fastest journey being 32 minutes, and there are around 93 direct trains per day run by the train operator c2c. There are many highly accessible employment sites and quality accommodation along the A127 Enterprise Corridor.

- 2.80 Basildon has a large and growing workforce. It has the largest workforce of all areas in South Essex, with 116,000 residents of working age, and it is projected to have 5% growth between 2019 and 2034, which equates to an additional 6,000 people. The national trend towards an ageing population can be seen in Basildon as, over the next 15 years, the number of residents aged over 65 is expected to grow by 33.9%, in line with the projected growth across England of 34.1%. Basildon has fewer working age residents qualified to NVQ4+ (30%) compared to the national average for the UK (38%).

Figure 2-3: Total working age population, and percentage change, 2004-34



Source: SQW analysis of Cambridge Econometrics data, 2004-34

- 2.81 Basildon has a high level of employment and strong growth prospects. Across South Essex in 2019, employment was highest in Basildon (87,000), with growth of 11% projected for the next 15 years leading to an additional 10,000 jobs. EEFM employment forecasts for 2019 show that Basildon has 29,120 jobs in sectors that are typically accommodated in B1a/B1b use classes¹¹⁸, equating to 30% of all employment. This is the highest number of jobs in these sectors out of all South Essex authorities.
- 2.82 Furthermore, between 2019-34, employment growth of 9.5% is projected for these sectors. Basildon has a further 20,930 jobs in sectors that are typically accommodated in B1c/B2/B8 use classes¹¹⁹, the highest out of all areas in South Essex. This equates to 21% of all employment. A decline of employment in these sectors of 3.8% is projected over the next 15 years. However, this is the second lowest rate of decline in employment for B1c/B2/B8 use classes out of all South Essex authorities.

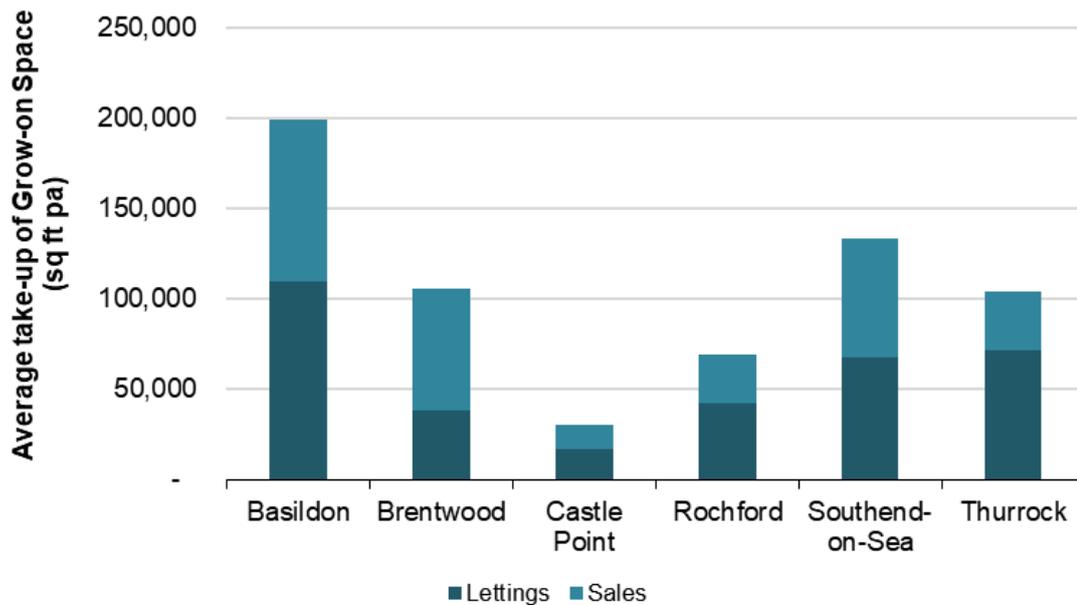
¹¹⁷ Essex Highways (n.d.) A127 Economic Growth Corridor <https://www.essexhighways.org/transport-and-roads/highway-schemes-and-developments/highway-schemes/a127-economic-growth-corridor.aspx>

¹¹⁸ Publishing & broadcasting; telecoms; computer related activity; finance; real estate; professional services; research & development; business services; employment activities; and public administration.

¹¹⁹ Manufacturing – food, general, chemicals only, pharmaceuticals, metals, transport equipment, and electronics; wholesale; land transport; and water & air transport.

- 2.83 Basildon has a resilient business stock and is an entrepreneurial environment. In 2017 there were 747 active enterprises in Basildon per 10,000 WAP, the third highest level across South Essex. In absolute terms, business births were higher than business deaths, with 1,110 births in 2017, compared to 985 deaths. Based on evidence from the Employment Densities Guide, Fifth Edition (HCA, 2015) our definition of Grow-on Space could be occupied by businesses with between 5 and 49 employees. Taking this definition, Basildon had 1,505 businesses with 5 to 49 employees in 2018 which could be potential occupiers of Grow-on Space, accounting for 20% of its total business stock, and the highest number across all South Essex authorities.
- 2.84 Historic take-up of Grow-on-Space has been high in Basildon in terms of both office and industrial space. Between 2016 and 2018, the EGi and CoStar property databases reported an average 46,000 sq ft of lettings and approximately 6,000 sq ft of sales of office Grow-on Space. Over the same time period, an average 109,000 sq ft of lettings and approximately 90,000 sq ft of sales of industrial Grow-on Space was reported – this was the highest out of all South Essex local authorities.

Figure 2-4: Historic take up of Grow-on Space in South Essex local authorities: Industrial



Annual average from period 2016-18 Source: SQW analysis of EGi and CoStar availability data as at March / April 2019

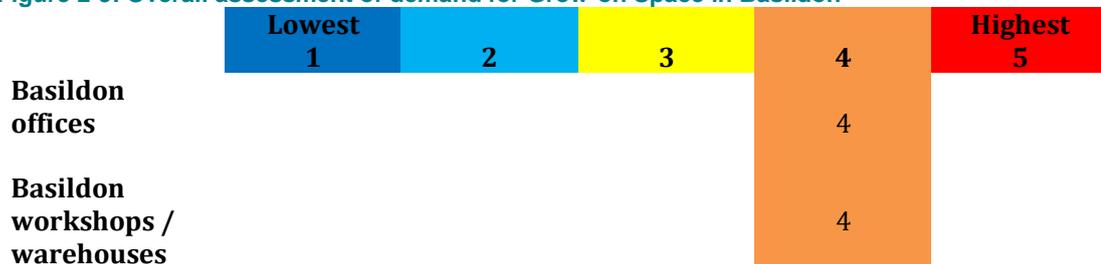
- 2.85 There are several town centre regeneration projects in Basildon, covering Basildon, Wickford and Laindon. South Essex College is planning a relocation to Basildon’s town centre where it plans to build a digital technology hub. The Council also has aspirations through the emerging town centre master plan to have greater control over future developments in order to avoid the use of Permitted Development Rights and ensure a new, diverse town centre offer which will include new and modern work spaces to meet the needs of companies. In addition, urban extensions are planned for the wider area, including employment allocations west of Laindon and east of Pitsea.

- 2.86 There are also some planned infrastructure projects in Basildon. The Council has secured funding to improve the highway and public realm within Basildon Town Centre.¹²⁰ These changes will enable to formation of a new sustainable transport hub to make the area more attractive and accessible and deter unnecessary traffic from the town centre.
- 2.87 A taskforce of local MPs and council leaders has been set up to work together and contribute towards a long-term vision for the A127 economic growth corridor, which stretches from the London Borough of Havering to Southend-on-Sea, in order to find solutions for the transport problems the corridor is currently facing. More than 78,000 vehicles use this route daily and the total cost of delays has been estimated at £35m per year.¹²¹ We understand that the taskforce is planning to engage with businesses and other key stakeholders during the course of 2019 to progress this.

Overall demand assessment

- 2.88 Our overall assessment of demand for Grow-on Space for office use assumes that the regeneration of Basildon town centre is successful. It also assumes that the feedstock of businesses currently occupying managed workspaces is successful in graduating into Grow-on businesses.
- 2.89 Our overall assessment of demand for Grow-on Space for workshops / warehousing use assumes that ‘bad neighbour’ impacts are managed through the planning system. This assessment also assumes a moderate impact from growth in the advanced manufacturing sector and potential industrial land relocation from London.

Figure 2-5: Overall assessment of demand for Grow-on Space in Basildon



Brentwood Borough Council

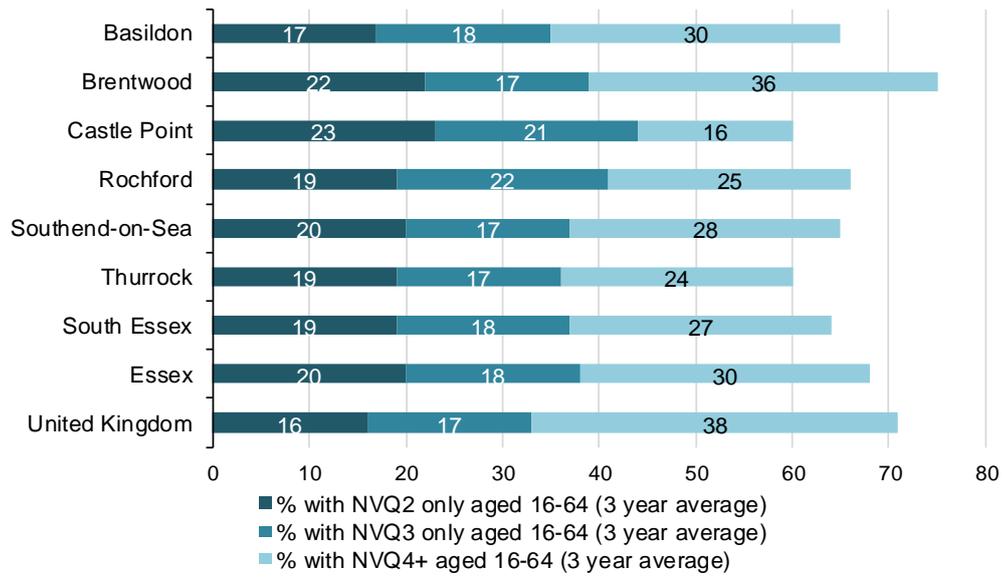
- 2.90 Brentwood is located in the east of South Essex, bordering the London Borough of Havering. It is a well-connected area, with the M25 bordering the west of the Borough, the A12 running through the centre and the A127 running through the south of the Borough. The area has four train stations (Brentwood, Ingatestone, Shenfield and West Horndon) and there were approximately 2,992,072 total entries and exits made at Brentwood station in 2017-18.
- 2.91 Brentwood has the smallest workforce of all local authorities in South Essex, with 47,000 residents of working age and its workforce is expected to decrease by 1% between 2019 and 2034. Its population is ageing, but at a slower rate than for England overall. Over the next 15

¹²⁰ Essex Highways (2019) *Basildon Town Centre: Highway and Regeneration Improvements Consultation:* <https://www.essexhighways.org/highway-schemes-and-developments/highway-schemes/basildon-town-centre-improvements.aspx>

¹²¹ Essex Highways (2019) *A127 Economic Growth Corridor* <https://www.essexhighways.org/transport-and-roads/highway-schemes-and-developments/highway-schemes/a127-economic-growth-corridor.aspx>

years, the number of residents aged over 65 in Brentwood is predicted to increase by 27.7%, compared to 34.1% across England. Despite all local authorities in South Essex having fewer highly skilled residents than the UK average, the proportion of residents with NVQ4+ is highest in Brentwood (36%). In addition, in 2017, Brentwood had the highest level of residents working in managerial occupations (21.7%) and this was double the national average of 10.8%.

Figure 2-6: Proportion of residents with NVQ2, NVQ3 and NVQ4+ qualifications, three-year average for 2015 to 2017



Source: SQW analysis of ONS Annual Population Survey, 2015-17

2.92 Brentwood has moderate employment prospects. In 2019, employment in Brentwood is 35,000, with 5% growth projected for the next 15 years which equates to an additional 2,000 jobs. EEFM employment forecasts for 2019 show that Brentwood has 16,600 jobs in sectors that are typically accommodated in B1a/B1b use classes, equating to 40% of all employment. This is the highest proportion across all South Essex authorities. Between 2019-34, employment growth of 4.9% is projected for these sectors, however this is the lowest growth projected across all South Essex authorities. Brentwood has a further 4,970 jobs in sectors that are typically accommodated in B1c/B2/B8 use classes. This equates to 12% of all employment, the joint lowest with Southend-on-Sea across all South Essex authorities. Over the next 15 years, a decline of employment in these sectors of 7.6% is projected.

Figure 2-7: Current employment in sectors typically accommodated by B1a/B1b and B1c/B2/B8 use class premises (2019 forecast)

	Typically accommodated in B1a/B1b use class premises	% of all employment	Typically accommodated in B1c/B2/B8 use class premises	% of all employment
Basildon	29,120	30%	20,930	21%
Brentwood	16,600	40%	4,970	12%
Castle Point	6,730	24%	4,390	16%
Rochford	6,300	21%	5,750	19%
Southend-on-Sea	22,220	27%	9,370	12%
Thurrock	13,990	18%	20,840	27%

Source: SQW analysis of Cambridge Econometrics data, last updated September 2018

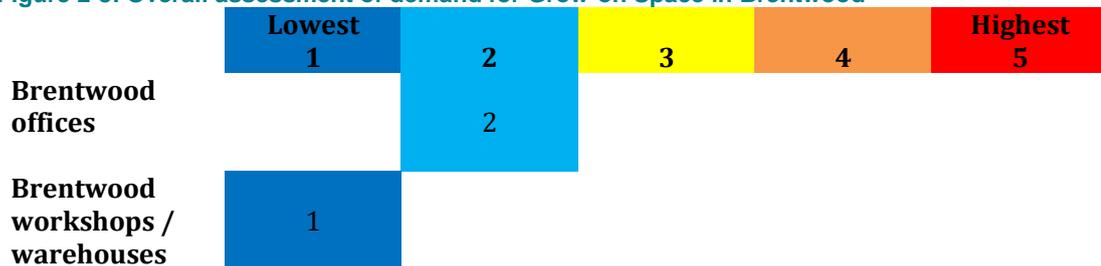
- 2.93 Entrepreneurship in Brentwood is strong. In 2017, Brentwood was the local authority in South Essex with the highest business density, with 941 active enterprises per 10,000 WAP, and the highest level of business births per 10,000 WAP (112). A high level of business births suggests a higher level of entrepreneurship in Brentwood than other areas in South Essex. In absolute terms, in 2017, business births were higher than business deaths, with 647 births, compared to 565 deaths. Based on evidence from the Employment Densities Guide, Fifth Edition (HCA, 2015) our definition of Grow-on Space could be occupied by businesses with between 5 and 49 employees. Using this definition, there were 770 businesses employing 5 and 49 employees in 2018 which could be potential occupiers of Grow-on Space, accounting for 18% of its total business stock.
- 2.94 Historic take up of Grow-on Space has been moderate in Brentwood. Between 2016 and 2018, the EGi and CoStar property databases reported an average 14,000 sq ft of lettings and approximately 4,000 sq ft of sales of office Grow-on Space. Over the same time period, an average 39,000 sq ft of lettings and approximately 67,000 sq ft of sales of industrial Grow-on Space was reported.
- 2.95 There are a number of planned infrastructure and regeneration schemes in Brentwood. Improvements to Brentwood station have been delivered in preparation for the new Elizabeth line services, which will run through both Brentwood and Shenfield stations. At peak times, Brentwood will be served by 12 Elizabeth line services an hour in each direction and passengers will be able to reach Canary Wharf in 38-42 minutes, Tottenham Court Road in 43-47 minutes and Heathrow Airport in 74-78 minutes. Essex County Council's Greater Essex Infrastructure Framework 2016-2036 identifies amongst its key strategic transport projects M25 Junction 28 improvements and new rolling stock for the Great Eastern Mainline.
- 2.96 The Council has plans for a garden village at Dunton Hills. This will comprise around 2,700 homes in its next Local Plan period, with an overall indicative capacity of around 4,000 homes to be delivered beyond 2033 together with the necessary community, employment, utility and transport to support a self-sustaining and healthy garden village. The site is approximately 259.2 ha in size and is located to the east of the A128, south of the A127 and north of the c2c railway line.

2.97 In Brentwood’s Pre-Submission Local Plan, Brentwood Enterprise Park is listed as a strategic employment allocation. The site is located at a key strategic location at the junction of the M25 and A127 and has been allocated to provide a high-quality employment development and a significant number of jobs. The site will provide for at least 25.85 ha of land for employment use (principally use classes B1, B2 and B8).

Overall demand assessment

2.98 Our assessment for the demand for Grow-on Space in Brentwood as moderate was mainly due to the size and growth rate of employment in relevant sectors. For both office and industrial and warehousing space, these assessments are subject to actions proposed within emerging local planning policies.

Figure 2-8: Overall assessment of demand for Grow-on Space in Brentwood



Castle Point Borough Council

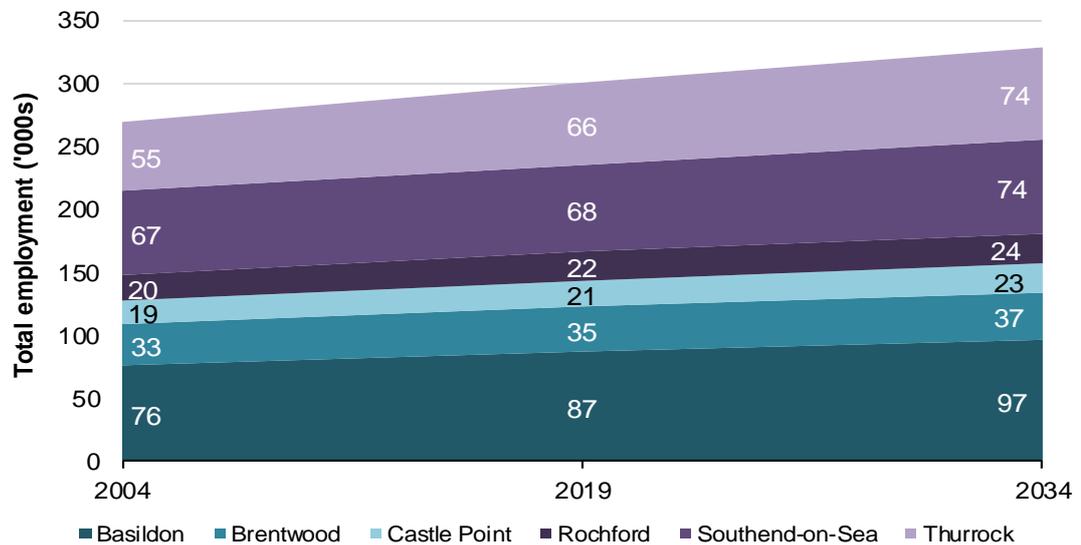
2.99 Castle Point is located in the centre of South Essex, with the Thames Estuary running along the south of the Borough. It has one railway line and is bordered to the north by the A127 and A13. Castle Point has one station, at Benfleet, which is on the line running from London Fenchurch Street to Shoeburyness. It had an estimates total of 3,680,038 entries and exits in 2017-18. The typical journey time to London is around 40 to 45 minutes and to Southend Central it’s about 15 minutes. Current provision in Castle Point is mainly in industrial areas or retail precincts, such as Manor Trading Estate and Charfleets Industrial Estate.

2.100 The workforce in Castle Point is small and predicted to be unchanging. EEFM data estimates that there are 53,000 residents of working age in 2019 and it is the only local authority in South Essex that saw its workforce decrease between 2004 and 2019. Over the next 15 years, the working age population is not expected to change. The national trend towards an ageing population is less pronounced in Castle Point, whilst it’s population aged over 65 is projected to increase by 24.7%, this is the lowest projection across all South Essex authorities. Castle Point residents are not highly skilled and in fact have the lowest level of residents qualified to NVQ4+ (16%) out of all local authorities in South Essex.

2.101 Despite seeing strong employment growth between 2004 and 2019 of 14%, albeit from a small base, in 2019 employment in Castle Point stands at 21,000, the lowest of all local authorities in South Essex. EEFM employment forecasts for 2019 show that Castle Point has 6,730 jobs in sectors that are typically accommodated in B1a/B1b use classes, equating to 24% of all employment. Castle Point has a further 4,390 jobs in sectors that are typically accommodated B1c/B2/B8 use classes, the lowest level of employment across all South Essex authorities, accounting for 16% of the area’s total employment. Furthermore, EEFM data

predicts a 9.9% decrease of jobs in sectors typically accommodated in B1c/B2/B8 use classes across the next 15 years.

Figure 2-9: Total employment, and percentage change, 2004-34



Source: SQW analysis of Cambridge Econometrics data, 2004-2034

- 2.102 Castle Point has a small business stock with 3,205 businesses in total. However, it did see more business births than deaths when taking a three-year average from 2015-17, with a net of 87. In 2017, there were 695 active enterprises per 10,000 WAP, the second lowest level across all South Essex authorities. Based on evidence from the Employment Densities Guide, Fifth Edition (HCA, 2015) our definition of Grow-on Space could be occupied by businesses with between 5 and 49 employees. Taking this definition, Castle point has the smallest stock of businesses (530) with 5 to 49 employees who could be potential occupiers of Grow-on Space. These businesses account for 17% of its total business stock.
- 2.103 Historic take-up of Grow-on Space has been low in Castle Point in terms of both office and industrial space. Between 2016 and 2018, the EGi and CoStar property databases reported an average 6,000 sq ft of lettings and approximately 300 sq ft of sales of office Grow-on Space. Over the same time period, an average 17,000 sq ft of lettings and approximately 14,000 sq ft of sales of industrial Grow-on Space was reported – this was the lowest number out of all South Essex local authorities.
- 2.104 A consultation with Castle Point Borough Council revealed that the local authority currently has fewer than six enquiries for business space and these are mostly for childcare, gym or retail space so there does not seem to a clear issue around a lack of Grow-on Space within the area. However, businesses moving to the area have done so in part due to the increased affordability of Castle Point, compared to neighbouring Boroughs.
- 2.105 During the consultation, it also emerged that Castle Point is largely seen as a commuter area for London-based professionals. Our consultees predicted that this may lead to some growth in demand for home-working spaces and technology-based start-ups. Other growth in the Borough is largely predicted to stem from the area’s proximity to growing neighbouring areas such as Tilbury.

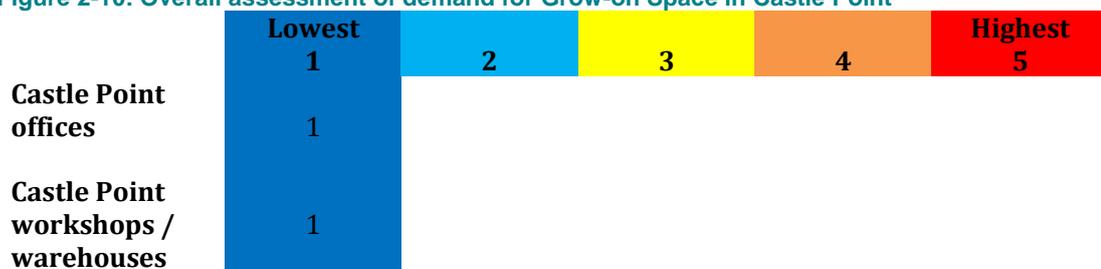
2.106 There are some planned regeneration schemes in Castle Point. Castle Point sits within the Thames Estuary, a designated national priority for regeneration and growth. Some of the planned schemes include potential housing and employment growth at West Canvey, the regeneration of Hadleigh Town Centre and several waterfront regeneration schemes. The Council is currently undertaking a comprehensive engagement process on a draft masterplan outlining a future vision for Canvey Seafront.

Overall demand assessment

2.107 The level of demand for office Grow-on Space in Castle Point may increase depending on the extent to which neighbouring local authorities' experience growth in their economies and the number of businesses that move to Castle Point due to its affordability and accessibility. It also depends on whether the predicted rise in home-workers and self-employed individuals moving to Castle Point then would require premises within the area. Redevelopment at Canvey Island also has the potential to increase the level of demand.

2.108 The assessment for workshops / warehouses assumes a moderate impact from the relocation of industrial land from London.

Figure 2-10: Overall assessment of demand for Grow-on Space in Castle Point



Rochford District Council

2.109 Rochford is located in the east of South Essex, with a large foreshore area. It has relatively few urban areas, with its only major service centre being Rayleigh and London Southend Airport is also located within the District. The A130 crosses the District's western border and the area has four stations: Hockley, Rayleigh, Rochford and Southend Airport. Of these, Rayleigh saw the highest passenger numbers, with an estimated 1,310,668 entries and exits in 2017-18. There are around 65 direct trains per day between Rochford and London Liverpool Street, and, on average, the journey takes between 50 minutes and an hour. There is some provision on industrial estates, but there are quality and environmental issues as these are close to waste recycling businesses. However, these units allow for affordability.

2.110 The workforce is small and unchanging in Rochford. There are 52,000 residents of working age, the lowest out of all South Essex authorities, and its workforce is expected to increase by 2% between 2019 and 2034. The national trend towards an ageing population is reflected in Rochford as the population aged over 65 is expected to grow by 31.2% over the next 15 years, compared to 34.1% across England. A quarter (25%) of Rochford's working age residents are qualified to NVQ4+, with a further 22% holding a NVQ3 qualification.

2.111 Employment in Rochford is 22,000 in 2019, the second lowest out of all South Essex local authorities, but the area saw strong growth between 2004 and 2019 of 14%, with 6% growth projected for the next 15 years. Employment forecasts in the EEFM for 2019 show that

Rochford has 6,300 jobs in sectors that are typically accommodated in B1a/B1b use classes, equating to 21% of all employment. This was the lowest number of jobs in these sectors out of all South Essex authorities, albeit starting from a small base. Between 2019-34, employment growth of 5.4% is projected for these sectors. Rochford has a further 5,750 jobs in sectors that are typically accommodated in B1c/B2/B8 use classes, which equates to 19% of all employment.

Figure 2-11: Forecast employment in jobs in sectors typically accommodated by B1a/B1b and B1c/B2/B8 use class premises 2019 to 2034

	Typically accommodated in B1a/B1b use class premises		Typically accommodated in B1c/B2/B8 use class premises	
	Change in employment 2019 to 2034	Change in employment (as % of 2019)	Change in employment 2019 to 2034	Change in employment (as % of 2019)
Basildon	2,800	+9.5	-800	-3.8
Brentwood	800	+4.9	-400	-7.6
Castle Point	400	+5.5	-400	-9.9
Rochford	300	+5.4	-400	-6.3
Southend-on-Sea	1,900	+8.6	-900	-9.9
Thurrock	1,300	+9.1	-400	-1.7

Source: SQW analysis of Cambridge Econometrics data, last updated September 2018

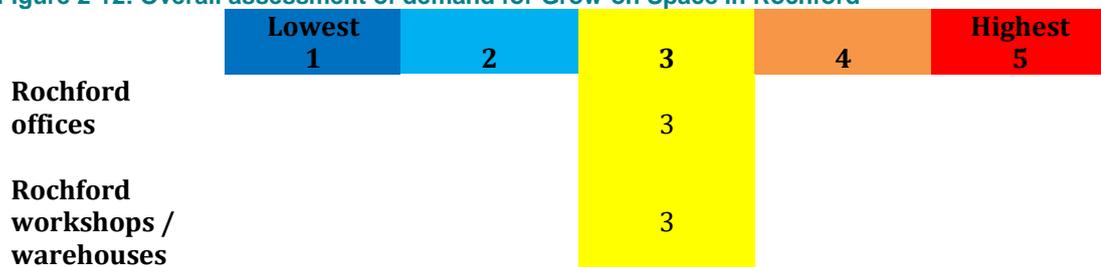
- 2.112 Rochford has a relatively small business stock but strong business density. Rochford was the local authority with the second-highest level of business density in 2017, with 774 active enterprises per 10,000 WAP, however, it also had the second-lowest level of business births per 10,000 WAP (81). In absolute terms, business births were higher than business deaths, with 443 births in 2017 compared to 367 deaths. Based on evidence from the Employment Densities Guide, Fifth Edition (HCA, 2015) our definition of Grow-on Space could be occupied by businesses with between 5 and 49 employees. Taking this definition, Rochford had 640 businesses with 5 to 49 employees in 2018 which could be potential occupiers of Grow-on Space, accounting for 18% of its total business stock.
- 2.113 In Rochford, historic take-up in terms of office and industrial space has been relatively low. Between 2016 and 2018, the EGi and CoStar property databases reported an average 8,000 sq ft of lettings and approximately 2,000 sq ft of sales of office Grow-on Space. Over the same time period, an average 42,000 sq ft of lettings and approximately 27,000 sq ft of sales of industrial Grow-on Space was reported.
- 2.114 A key regeneration scheme in Rochford is the ongoing delivery of 15.5 ha of employment land at Southend Airport Business Park. The business park is accommodating both contemporary office space as well as bespoke industrial units. Whilst this is being built on land owned by Southend-on-Sea Borough Council, the business rates will be attributable to Rochford District Council. Officers note a growing cluster of advanced manufacturing, environmental technology and aviation businesses due to the proximity of the airport.

- 2.115 Essex County Council’s Greater Essex Infrastructure Framework 2016-2036 identifies amongst its key strategic transport projects A130 widening from Rettendon to the A12 and London Southend Airport Surface Access Improvements.
- 2.116 One of the quality of life attractors for skilled workers and entrepreneurs is the District’s long coastline and other natural assets. Rochford is taking part in Essex County Council’s Paths to Prosperity project, aimed at opening up the Essex Coastal Path and improving the opportunities for local leisure and tourism businesses to benefit from increased visitors. One of the priorities identified in the Thames Estuary 2050 Growth Commission’s 2050 Vision is the Great Thames Park, including improved access to and use of the River Thames for pedestrians and cyclists.

Overall demand assessment

- 2.117 Our assessment of demand for office Grow-on Space in Rochford assumes that environmental issues created by the presence of waste recycling businesses as well as restrictions due to Green Belt designations continue to create bottlenecks in provision, affecting demand. The assessment could reach a level four or higher if regeneration projects such as at the Airport Business Park, and related growth in presence of digital and technology businesses, make significant improvements to the environment for offices.
- 2.118 Our assessment of demand for workshop / warehousing Grow-on Space has assumed a relatively moderate impact on growth in demand from the continued development of a cluster of advanced manufacturing and aviation businesses related to the Airport Business Park due to the initial demand being mainly for larger units.

Figure 2-12: Overall assessment of demand for Grow-on Space in Rochford



Southend-on-Sea Borough Council

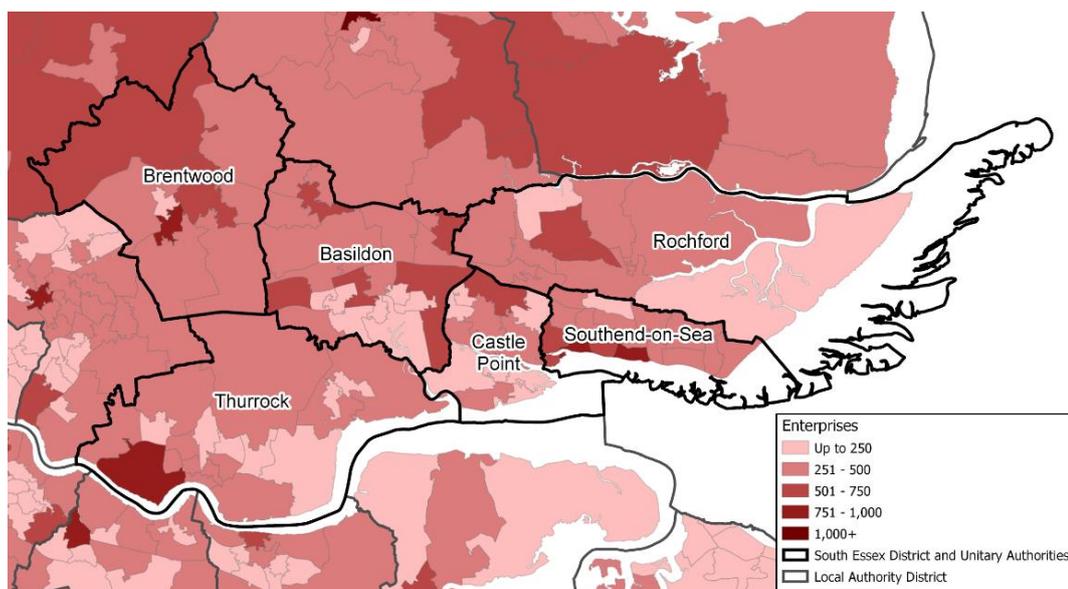
- 2.119 Southend-on-Sea is located to the east of south Essex, with a coastline and foreshore area to its south. The A127 runs to the middle of the Borough, with areas further east more difficult to access. London Southend Airport is just outside the Borough to the north and there are nine stations: Chalkwell, Leigh-On-Sea, Prittlewell, Shoeburyness, Southend Central, Southend East, Southend Victoria, Thorpe Bay and Westcliff. Of these stations, Southend Central saw the highest number of entries and exits in 2017-18, with an estimated 3,396,032. The average journey time from Southend Central to central London is just over an hour and there are around 130 direct trains per day.
- 2.120 There are 111,000 residents of working age in Southend-on-Sea, which means it has the second largest workforce in South Essex. The Borough saw strong growth between 2004 and 2019 of 11%, but the working age population is only expected to grow by 1% between 2019 and 2034. The national trend towards an ageing population is more pronounced in Southend-

on-Sea than nationally as, over the next 15 years, the number of residents aged over 65 is expected to grow by 36.6%, compared to the project growth across England of 34.1%. Southend-on-Sea has fewer working age residents qualified to NVQ4+ (28%) compared to the national average for the UK (38%).

2.121 Southend-on-Sea has a high level of employment and strong growth prospects. Employment in Southend-on-Sea is 68,000, the second highest of all local authorities in South Essex and is projected to grow by 9% over the next 15 years, equating to an additional 6,000 jobs. EEFM employment forecasts for 2019 show that Southend-on-Sea has 22,220 jobs in sectors that are typically accommodated in B1a/B1b use classes, equating to 27% of all employment. Furthermore, between 2019 and 2034, employment growth of 8.6% is projected for these sectors. There are a further 9,370 jobs in Southend-on-Sea in sectors that are typically accommodated in B1c/B2/B8 use classes, equating to 12% of all employment. This is the joint-lowest proportion out of all South Essex local authorities. A decline of employment in these sectors of 9.9% is projected over the next 15 years – the joint highest rate of decline out of all South Essex local authorities.

2.122 Southend-on-Sea has a strong business stock and is an entrepreneurial environment. In 2017 there were 740 active enterprises in Southend-on-Sea per 10,000 WAP. The Borough had the second highest level of business births per 10,000 WAP (106) in 2017, suggesting a higher level of entrepreneurship here than in other parts of South Essex. Furthermore, the map below shows a relatively high concentration of businesses across Southend-on-Sea. Based on evidence from the Employment Densities Guide, Fifth Edition (HCA, 2015) our definition of Grow-on Space could be occupied by businesses with between 5 and 49 employees. Taking this definition, Southend-on-Sea had 1,240 businesses with 5 to 49 employees in 2018 which could be potential occupiers of Grow-on Space, accounting for 18% of its total business stock and the second highest number across all South Essex authorities.

Figure 2-13: Businesses across South Essex by MSOA, 2018

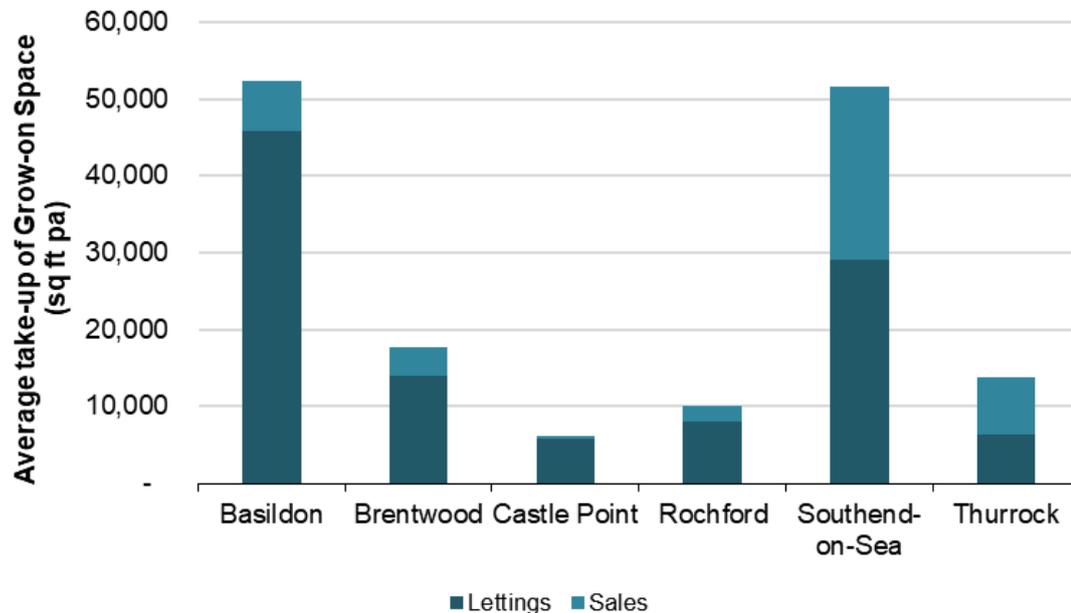


Sources: Produced by SQW 2019. Licence 100030994. Contains OS data © Crown copyright and database right 2018. ONS (2018) Business demography

2.123 Historic take-up of Grow-on Space in Southend-on-Sea has been high in terms of both office and industrial space. Between 2016 and 2018, the EGi and CoStar property databases

reported an average 29,000 sq ft of lettings and approximately 23,000 sq ft of sales of office Grow-on Space – a significantly higher quantum of sales than all other local authorities. Over the same time period, an average 67,000 sq ft of lettings and approximately 66,000 sq ft of sales of industrial Grow-on Space was reported.

Figure 2-14: Historic take up of Grow-on Space in South Essex local authorities: Office



Annual average from period 2016-18 Source: SQW analysis of EGI and CoStar availability data as at March / April 2019

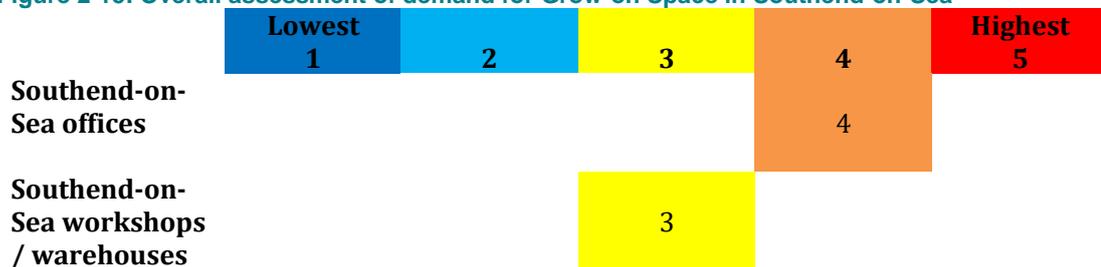
- 2.124 Regeneration is a key theme generally within the Borough, focusing on central Southend and Shoeburyness. The Borough is also expecting easier access due to the Lower Thames Crossing which will improve journey times along parts of the A127 and cut congestion on approach roads to the Dartford Crossing.
- 2.125 The Council reports high demand for hot-desking space, which may develop into demand for Grow-on Space as these businesses expand. However, it is anticipated that there may be less demand for small or non-distribution plots in the Airport Business Park.
- 2.126 The Seedbed Business Centre in Southend-on-Sea has a wide range of business units, from small units up to larger workshops. They also offer virtual office facilities and a modern and spacious conference and training facility. The Centre has maintained a 100% occupancy for 18 months. However, in the consultation it emerged that a higher-specification medium-sized unit in Shoeburyness has struggled to fill vacancies.

Overall demand assessment

- 2.127 Our assessment of demand for office Grow-on Space assumes there will be a positive impact from infrastructure and regeneration projects that are a key theme in the area. This has also assumed a moderate to high impact from the growth in creative industries. It is dependent on the Borough being able to nurture and grow start-ups that are currently signalling demand for smaller office spaces such as hot-desking.

- 2.128 Our assessment of demand for workshop / warehousing Grow-on Space in has assumed a moderate impact from the Airport Business Park development due to its location in Rochford and the initial demand being mainly for larger units.

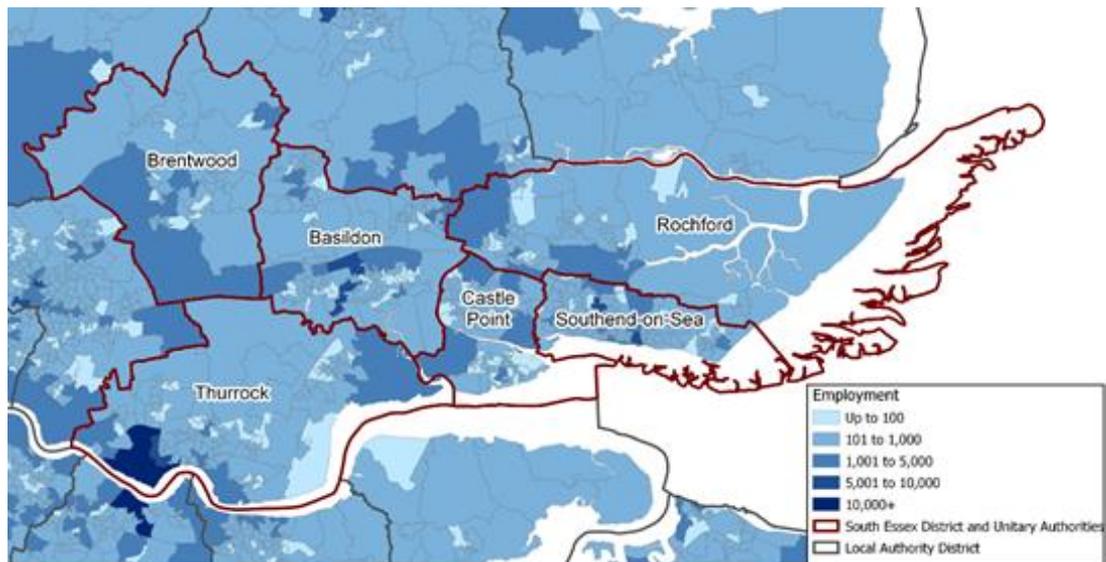
Figure 2-15: Overall assessment of demand for Grow-on Space in Southend-on-Sea



Thurrock Council

- 2.129 Thurrock is a well-connected area located in the west of South Essex with three major ports, the M25 running along the west of the area, the A13 running through the middle and rail connections. There are seven stations in Thurrock, all of which are on the Tilbury Loop. In 2017-18, the station with the highest number of entries and exits in Thurrock was Grays, with an estimated 4,053,092. The average journey time from Grays to central London is 40 minutes, with the fastest journey being 20 minutes, and there are around 95 direct trains per day.
- 2.130 Thurrock has a large and growing workforce, with 108,000 residents of working age. The working age population in Thurrock grew by 12% between 2004 and 2019, which was the highest growth of all South Essex local authority areas, and it is expected to grow by 7% over the next 15 years. The national trend towards an ageing population is more pronounced in Thurrock than nationally as the number of residents aged over 65 is projected to grow by 38.5% over the next 15 years, compared to growth of 34.1% projected for England. A quarter (24%) of working age residents in Thurrock are qualified to NVQ4+, significantly lower than the national rate for England (38%).
- 2.131 Thurrock has strong employment growth prospects. The LSOA with the highest concentration of employment in South Essex is found in south west Thurrock, as shown in the map below. This is around the Dartford Crossing, an important transport and trade link. Data from the EEFM shows that employment in Thurrock grew by 20% between 2004 and 2019 and, over the next 15 years, Thurrock is projected to have the highest level of employment growth in South Essex (12%) with 8,000 additional jobs.
- 2.132 Furthermore, EEFM employment forecasts for 2019 show that Thurrock has 13,990 jobs that are typically accommodated in B1a/B1b use classes, equating to 18% of all employment – the lowest proportion out of all South Essex authorities. However, Thurrock has a further 20,840 jobs in sectors that are typically accommodated in B1c/B2/B8 use classes. This equates to 27% of all employment which is the highest proportion out of all South Essex authorities. In addition, despite these sectors projected to see a 1.7% decline over the next 15 years, this is the lowest decline rate across South Essex.

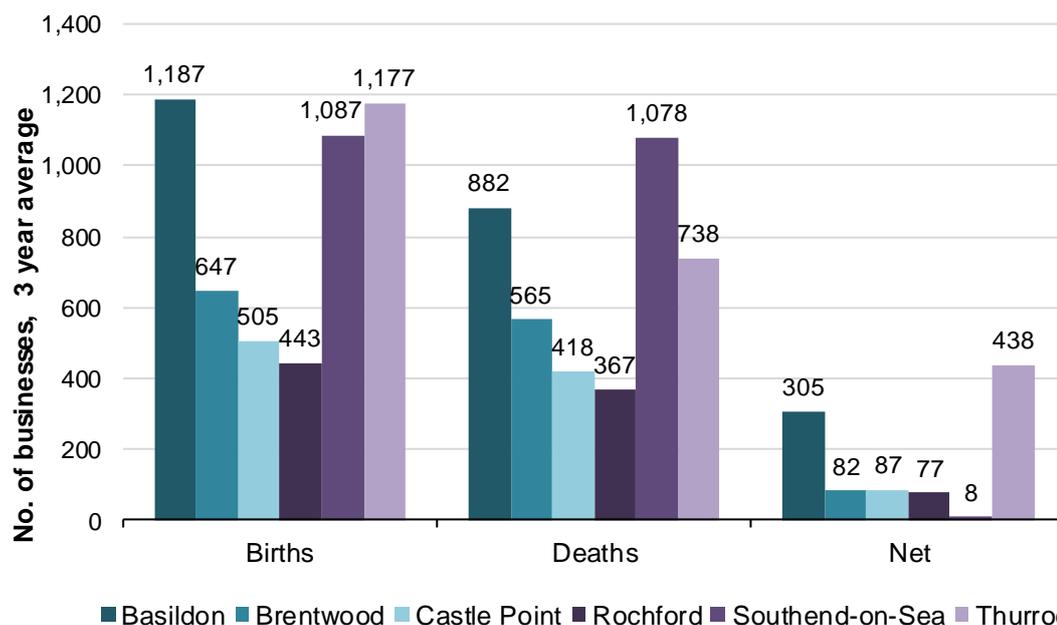
Figure 2-16: Employment across South Essex by LSOA, 2017



Sources: Produced by SQW 2019. Licence 100030994. Contains OS data © Crown copyright and database right 2018. ONS (2017) Business Register and Employment Survey: open access

2.133 Despite strong employment growth prospects, the business base in Thurrock is mixed. In 2017, Thurrock had the lowest business density with 673 active enterprises per 10,000 WAP. However, in absolute terms, business births were higher than business deaths, with 1,177 births in 2017, compared to 738 deaths. Based on evidence from the Employment Densities Guide, Fifth Edition (HCA, 2015) our definition of Grow-on Space could be occupied by businesses with between 5 and 49 employees. Taking this definition, Thurrock had 990 business with 5 to 49 employees in 2018 which could be potential occupiers of Grow-on Space. These businesses account for 16% of Thurrock’s total business stock, the lowest proportion out of all South Essex authorities.

Figure 2-17: Business demography in South Essex, three-year average 2015-17



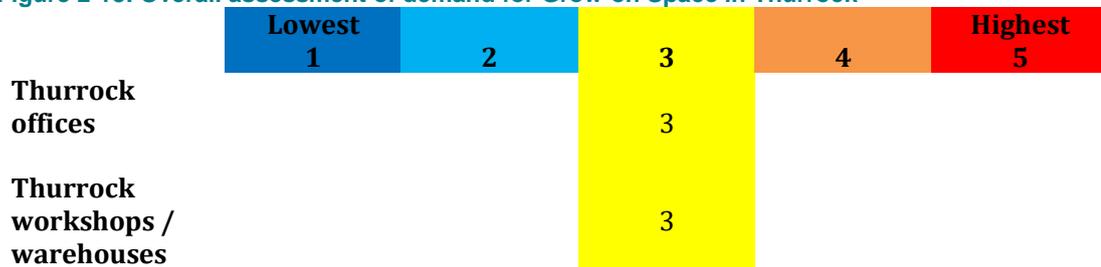
Source: SQW analysis of ONS Business Demography data, 2015-17

- 2.134 Historic take-up of Grow-on Space in Thurrock has been significantly higher for industrial space than for office space. Between 2016 and 2018, the EGi and CoStar property databases reported an average 6,000 sq ft of lettings and approximately 7,000 sq ft of sales of office Grow-on Space. Over the same time period, an average 72,000 sq ft of lettings and approximately 33,000 sq ft of sales of industrial Grow-on Space was reported.
- 2.135 Regeneration and development, including that of infrastructure, is a key focus in Thurrock. There is a £1bn regeneration scheme planned in Purfleet, which centres around creative and cultural uses. Thurrock is also planning a potential new settlement at West Horndon which would be well connected through links to the A127 and Crossrail. Plans are also in place to expand Lakeside into a new regional town centre, with a connected new neighbourhood of 2,500 homes at Northlake. Through consultations it became clear that there was also a high number of managed workspace facilities present within the area, catering for start-ups, which have low vacancy rates, for example in Tilbury and Grays.

Overall demand assessment

- 2.136 Our assessment of demand for office Grow-on Space has assumed a moderate impact from the growth in creative industries in the area and associated regeneration of Purfleet. It has also assumed the local authority will be able to nurture its feedstock of start-ups. The extent of housing growth of the area is likely to affect this assessment.
- 2.137 Our assessment of demand for workshop / warehousing Grow-on Space has assumed a moderate impact from the relocation of industrial land from London, due to affordability.

Figure 2-18: Overall assessment of demand for Grow-on Space in Thurrock



3. Supply side review

Supply side market trends

Slowed Foreign Direct Investment and lack of investor confidence due to Brexit uncertainty

- 3.1 The government's decision to leave the EU following a referendum in June 2016 has led to uncertainty across the UK economy and beyond. Estates Gazette reported in January 2019 that the property industry as a whole is experiencing inertia, as occupiers delay decisions and pause to assess the potential implications of Brexit. Analysis of Land Registry data conducted by Search Acumen shows that 2018 saw a 7% drop in the total value of commercial real estate transactions across England and Wales in 2018 following a period of consistent increase in the period 2015-2017.¹²²
- 3.2 The Bank of England has flagged the commercial property sector as being a particular risk to the national economy. Foreign Direct Investment, which underpins around half of commercial property transactions, has slowed with a weaker pound unable to counteract falling capital values. The Bank's most recent Financial Stability Report indicates that FDI was weaker in 2019 Q1 than in recent years.¹²³

Expansion of retail-related logistics

- 3.3 The industrial and logistics sector is experiencing change as a result of the significant growth in online retail and customer expectations. Indeed, the new draft London Plan has already begun to recognise logistics floorspace as part of the capital's essential infrastructure.¹²⁴
- 3.4 Growing competition in the sector is leading to a focus on last mile delivery and a growing demand for warehousing space.¹²⁵ Investment continues to rise and yields continue to fall in the sector as returns continue the trend of exceeding those in other property sectors.
- 3.5 The pace of innovation in this sector is leading to a demand for flexibility both in contract terms and floorspace layouts. An associated trend in the logistics sector is the implementation of automation and the use of robots, currently in warehouse operation, but potentially in delivery as well.¹²⁶

New workspace offer

- 3.6 One of the key emerging trends globally has been the fast expansion of co-working operators, most notable WeWork but also a multiplicity of competitors. While both co-working spaces and serviced offices have existed for several decades, there has been a notable expansion of operators that offer a hybrid of these models, initially in the world's major cities, but increasingly in more widely. This 'Space as a Service' model operates as a platform, recruiting

¹²² Estates Gazette (2019) *Brexit begins to put brakes on investment*

¹²³ Bank of England (2019) *Financial Stability Report June 2019*

¹²⁴ GLA (2018) *Draft London Plan*

¹²⁵ LSH (2018) *Shed Hot, Industrial and Logistics En Vogue*

¹²⁶ Savills (2017) *Megatrends: Logistics*

members who gain access to facilities both in terms of flexible physical space as well as on site or remote infrastructure including IT support, virtual office facilities, and training.

- 3.7 Typical lease lengths for traditional leases have shortened from 25 years in decades past to seven years in the first half of 2017¹²⁷. However, the Space as a Service model offers even greater flexibility such as monthly membership packages for hot desks, license agreements of six to 12 months for fixed desks, or a more flexible approach to moving within the same facility. This flexibility can help businesses in a number of ways such as: shortening the length of time in sub-optimal accommodation through reduced or removed legal barriers and financial costs; avoiding costs associated with the alienation of unexpired leases; reducing the real or perceived risks of graduating from initial to Grow-on Space to meet immediate needs, and; reducing the real or perceived risks of taking on a space that is larger than immediate needs.
- 3.8 This model initially attracted entrepreneurs and ‘start-ups’ but has increasingly attracted large global corporations including HSBC which took 400 desks at WeWork’s Tower 535 in Hong Kong in 2017 and Microsoft, Amex, GlaxoSmithKline, Adidas and Facebook who have all been among occupiers entering into large flexible space deals in London and New York during 2018.¹²⁸ WeWork refers to such companies as ‘enterprise members’ and has been targeting these firms of 1,000-plus employees, which now make up 20% of their membership. In the case of the Facebook deal, to take an example, the company entered into a contract with WeWork to occupy 140,000 sq ft of 190,000 sq ft of space WeWork has leased from Almacantar at 125 Shaftesbury Avenue on the edge of Soho in London.¹²⁹
- 3.9 International Financial Reporting Standards (IFRS) 16 relates to leases and came into force in January 2019. It requires companies of all sizes to account for leases of 12 months or longer as a liability on their balance sheets. Contracts of the ‘space as a service’ kind may be exempt from IFRS 16 as they do not involve control over an asset for more than twelve months and so companies including larger organisations may be taking advantage of this¹³⁰.
- 3.10 Expectations are that some 30% of all commercial office real estate will be defined as ‘flexible’ by 2030 with 10.1% growth in the East of England Region, as shown in the FT graph below.

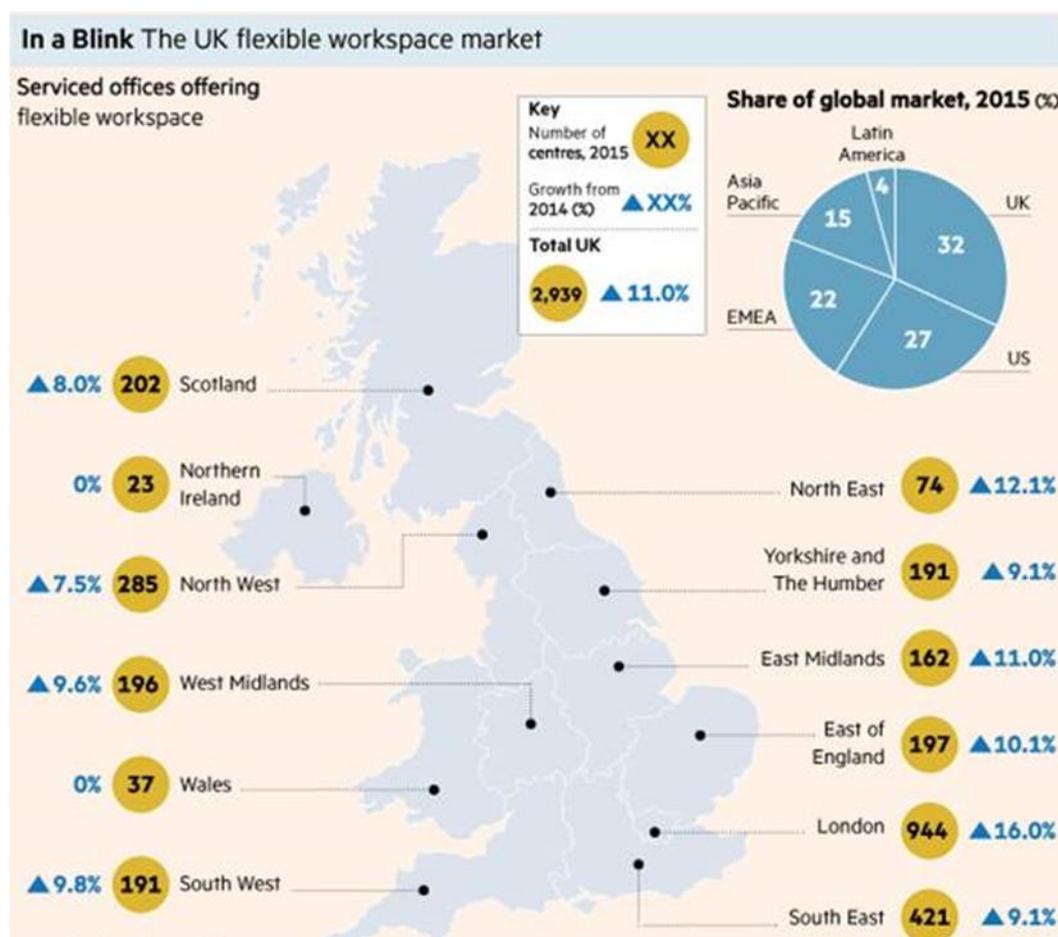
¹²⁷ MSCI / BNP Paribas (2017) *UK Lease Events Review – December 2017*

¹²⁸ Instant Offices (2019) *Flexible Workspace Trends – 2019 and Beyond*; Colliers International (2017), *Asia Pacific Flexible Workspace Outlook*

¹²⁹ Estates Gazette (2018) *Facebook takes entire WeWork Soho location*

¹³⁰ Estates Gazette (2019) *BE Offices: New accounting rules to boost demand for flexible workspace*

Figure 3-1: The UK Flexible Workspace Market



Source: FT/ Instant Offices (2018)

- 3.11 JLL's research shows that the square footage of flexible office space has grown nationally at a rate of 22% over the last seven years versus a 1% growth rate of traditional office space during the same period. Across large regional UK cities, the average take-up of space by flexible office groups jumped to 7.5 per cent of all activity in 2017, up from 2 per cent the previous year. In the east of England, the increase has been 10.1%.
- 3.12 The drivers behind the growth of these new models are varied but interrelated. Flexibility in lease terms is one aspect of this. An increase in the number of new and medium sized businesses, which has come about partly as a result of the financial crisis but also due to an increased tendency for large organisations to out-source functions in an effort to cut costs.¹³¹
- 3.13 Part of the appeal for SMEs are the flexible terms offered by such operators. Research by Oxford Innovation, a leading developer and operator of business innovation spaces, has found that its tenants value flexibility and R&D spaces that offer a transition between research and technology commercialization, while PWC's Emerging Trends in Real Estate 2019 survey of European-wide property professionals found that occupiers are increasingly willing to pay a premium for flexibility.¹³²
- 3.14 This trend is impacting upon demand for more traditional office space. While there is still demand for Grade A schemes for more corporate occupiers, many of the large office-based

¹³¹ JLL (n.d.) Disruption or Distraction: Flex Space Report

¹³² Oxford Innovation (2013) Business Survival and Growth within Oxford Innovation's Centres

users require more flexible space with plenty of amenities to attract and retain their staff. Hence, edge of town business park space is an increasingly less attractive offer and many occupiers are returning to town centres where there is a vibrant environment and good transport links.

- 3.15 Another driver behind the increasing take-up of space with flexible providers is in the opportunities they present to occupiers for interaction and knowledge sharing through networks both physical and informal and technology-based that are offered by workspace providers. WeWork are keen to present their model as a platform in which members interact with each other, both transacting business and collaborating and sharing resources. This breaking down of the barriers imposed by the traditional office property model was initially seen as attractive to entrepreneurs and smaller businesses but larger corporations are experimenting with using membership of such platforms to innovate, and this too is a possible driver of take up of these spaces by larger corporations.¹³³
- 3.16 Underlying the growth in the space as a service model are technological changes with the proliferation of cloud computing, VPNs, super-fast Wi-Fi, and 4G connectivity have led to greater flexibility in the way people work and the way businesses operate. A JLL report recently found that employees are now working in places other than the office - 56% of employees now work from other company premises at least once a month, followed by 54% working from home, 34% on transport and 34% in co-working spaces¹³⁴. This flexibility in working habits allows WeWork and similar business models to function.
- 3.17 Changes in working habits have also led to a change in behaviour and expectations. Many employees are more mobile within the office and able to work from home, from different offices, from cafés and from public transport resulting in a change in the way businesses operate in order to attract talented people. This trend has also led larger companies to emulate flexible co-working spaces in their layouts as well as take up membership of these existing coworking spaces. This is especially notable in industries such as technology and the creative industries where there is a focus on innovation and attracting creative talent.¹³⁵
- 3.18 These trends are having a significant impact on globally significant markets such as central London at present - posing potential issues for landlords and investors in requiring them to adapt business models, with subsequent impacts on security of income and asset valuation. The speed and extent to which these trends will impact areas outside of central London and major cities is unclear, though we would anticipate that in order to maximise the performance of Grow-on Space in South Essex, developers and investors will need to be proactive in responding to changes in demand

Changing role of service centres and high streets

- 3.19 Retail requirements are currently in flux as multiple retail operators attempt to refine business models to overcome difficulties presented by changing consumer habits and logistics and distribution methods largely brought about by technological changes. Economic development policy has typically targeted diversification of uses within service centres, and

¹³³ JLL (n.d.) *Disruption or Distraction: Flex Space Report*; Cushman & Wakefield (2018) *Coworking 2018 Report*

¹³⁴ JLL (n.d.) *Disruption or Distraction: Flex Space Report*

¹³⁵ JLL (n.d.) *Disruption or Distraction: Flex Space Report*; Cushman & Wakefield (2018) *Coworking 2018 Report*; Estates Gazette (2019) *WeWork: the space invader*

analysis by the Office for National Statistics does show increasing demand from non-retail businesses in service centres since 2012 (in terms of units, albeit not in terms of floorspace).

- 3.20 Whilst not all retail floorspace will be appropriate for use as offices, workshops or warehousing due to size, configuration and location – as well as impacts on footfall and other urban design considerations. However, the refurbishment of vacant space for such uses may be more viable than new build, provide good access to amenities and public transport interchanges for occupiers and visitors, and may also help to mitigate against decline of economic activity and vibrancy in service centres.

Intensification of employment land, small scale urban manufacturing and co-location of employment with residential uses

- 3.21 The growth of online retail and changing customer expectations and an increasing focus on last mile delivery and urban logistics on the one hand and increasing competition for land in London and other major cities, has led to investors, developers and planners considering space for industrial and logistics uses in urban areas. Combined with this is a revival in small scale urban manufacturing across new technologies such as 3D printing, but also in the context of the revival of traditional crafts such as upholstery, carpentry and brewing beer. Such uses have placemaking value and can serve to drive residential and retail values.¹³⁶
- 3.22 An aspect of the growth of non-traditional types of workspace has been the development of small scale maker spaces, hacker spaces and Fab Labs. Often educational or incubator led such spaces offer training in a wide range of activities that differ from space to space, but often cover training and facilities in 3D printing, laser cutting, soldering, electronics, robotics, as well as crafts such as sewing, upholstery and wood working. Fab Labs was started by MIT Professor Neil Gershenfeld as a “technical prototyping platform for innovation and invention, providing stimulus for local entrepreneurship. It is also a platform for learning and innovation: a place to play, to create, to learn, to mentor, to invent”¹³⁷.
- 3.23 Such workspaces have grown in number across Europe and have received high profile endorsement from politicians. The economic growth value of such facilities remains unproven, however, and a recent EU-funded research project which examined urban manufacturing across European cities warned against putting too much weight against ‘fashionable’ craft sectors which represent a small if highly visible segment of manufacturing.¹³⁸
- 3.24 Combining industrial development with other uses such as residential, student accommodation, leisure and offices is another approach that is starting to develop - lending themselves to higher density urban areas. Figure 3-2 provides one proposed solution to combine employment and residential uses within an urban environment, with the impact of increasing both development densities and the efficiency of urban sites, from a mixed-use perspective.

¹³⁶ Cities of Making (2018) *Cities Report*

¹³⁷ Fab Foundation (n.d.) *What is a Fab Lab?*

¹³⁸ Cities of Making (2018) *Cities Report*

Figure 3-2: Hawkins Brown Architects – Fast Forward Building design concept



- **1. High Street frontage** – Front of house showrooms; retail and high street uses. 9m clear ceiling height with optional mezzanine.
- **2. Urban logistics facility** – 9m clear eaves; notional 20,000 sq ft.
- **3. Service yard** – Level docking for articulated lorries, multiple van bays, access from secondary street. Notional 30m depth.
- **4. Residential building** – Winter gardens for heat and noise insulation; rooftop amenity space.
- **5. Flatted factory** – 4m clear ceilings; goods lifts; integrated open-air workspaces

Source: Hawkins Brown

- 3.25 Noise and the movement of heavy goods vehicles pose key challenges, with the separation of areas where vehicles need to circulate from areas that can be seen or heard by residents providing one response. In this scheme they face in different directions - trucks go in one direction, cars and pedestrians go in another direction. James Nicholls, managing partner at design firm Stephen George & Partners, anticipates that the rise of electric and hybrid vehicles will help the cause of co-locating urban logistics alongside residential and other commercial uses as it will help to mitigate noise and pollution issues.
- 3.26 Perceptions of residential and business occupiers is also important, requiring promotion of the benefits of food and retail offer on the doorstep, but also to residents who may have access to rooftop gardens or amenity space.
- 3.27 Some local authorities are also planning mixed use schemes where pressures from residential uses have pushed out many industrial occupiers. BeFirst, the London Borough of Barking and Dagenham wholly owned company, is working to deliver a 200,000 sq ft 'flatted factory' scheme with a mix of logistics and industrial uses on a site surrounded by other uses, including residential.

- 3.28 The success of such schemes may depend on urban environment and its density with such multi-level schemes proving to be more attractive in major global cities. Nevertheless, the principle of mixed use residential and employment is relevant to lower density urban areas. Trends such as these are likely to have an impact on the development of industrial property suitable for SMEs and smaller, town centre locations are likely to be conducive to the demands of occupiers seeking smaller business space. As with office workspace, the garden communities agenda and a focus on economic sustainability is likely to further these trends, allowing people to work close to their places of residence.¹³⁹

Maturing construction industry

- 3.29 New construction methods that involve pre-fabrication, improved performance, and utilise Building Information Modelling in the design process to improve quality, reduce wastage and speed construction times are leading to greater predictability and shorter construction timescales in the shed market. Further automation, Artificial Intelligence, robotics, augmented reality and virtualisation are likely to further improve the construction process, helping viability of development and profitability for developers.

Supply side policies and programmes

National

Permitted Development Rights

- 3.30 Changes by government with respect to permitted development rights which became permanent in April 2016 allows owners of office buildings to change use to residential without having to gain planning consent. This has had some impact on supply of office space in the study area, especially lower value office space that would be well placed to provide Grow-on Space to growing companies, is lost to residential uses. This most notable in town centres with good access to amenities, such as in Basildon as office space is lost to residential.

Devolution

- 3.31 City Deals, Local Growth Deals, Neighbourhood Planning and the retention of business rates locally all increase opportunities for councils and communities to forge their own path to prosperity. Those areas delivering housing and employment growth are set to benefit from increased central government support as well as greater revenue as a result of a larger taxable asset base. There is therefore a potential case for public sector intervention to ensure the delivery of new commercial space, including Grow-on Space. The Association of South Essex Local Authorities (ASELA) was formed in January 2018 with local authorities agreeing common ground to support the development of housing and key infrastructure in the South Essex region.
- 3.32 HM Treasury is continuing devolution of funding through bottom-up bids within a strong governance framework:

¹³⁹ MHCLG (2018) *Garden Communities Prospectus*; MHCLG (2019) *National Planning Policy Framework*, cap. 72 (b)

- City Regions – £1.7bn Transforming Cities Fund; 31 City Deals agreed
- Sector partnerships – Nine Sector Deals agreed
- Local Enterprise Partnerships – Three rounds of Local Growth Deals to date

Grow-on Space

- 3.33 At national level, policies or schemes focused on increasing the supply of Grow-on Space have included University Enterprise Zones supporting greater business engagement locally¹⁴⁰, and government-supported Catapults supporting the development of innovative firms by providing incubator and Grow-on Space¹⁴¹.

Obsolescence due to building regulations

- 3.34 Minimum Energy Efficiency Standards (MEES) came into force in April 2018 requiring buildings to have an EPC rating of 'E' or higher before new transactions – around 20% of commercial property (600,000 buildings). So far there has been minimal impact in the property market. In the first year of MEES being in place, there has been no enforcement, with many landlords acting only during transactions. Nevertheless, the regulation is starting to impact refinancing with lenders requiring MEES compliance, and from 2023 this will extend to existing leases as well as new transactions.¹⁴² Some leases will require the tenant to make the required improvements to ensure compliance.

Protection of Green Belt

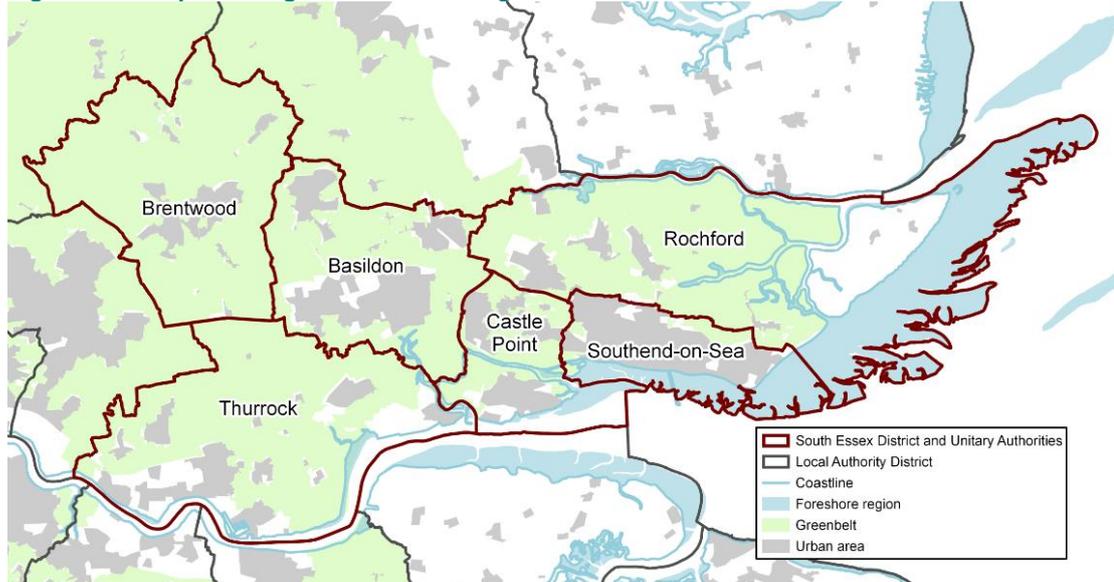
- 3.35 The revised National Planning Policy Framework (2019) continues to emphasise the importance of the green belt and requires local plans to establish green belt boundaries. This has the effect across South Essex of constraining the supply of land for employment uses. The NPPF does not preclude all development on the green belt, however, and sets out conditions that must be fulfilled for development within the green belt to be permitted, one of which is that the use of suitable brownfield sites have been maximised.
- 3.36 Much of the area covered by this study is set within the green belt area, as shown in the map below.

¹⁴⁰ BIS (2014) *British Invention: Global Impact – The Government's Response to Sir Andrew Witty's Review of Universities and Growth*

¹⁴¹ BIS (2014) *Innovation report 2014: innovation, research and growth*

¹⁴² Estates Gazette (2019) *'After one year, MEES is still a challenge'*

Figure 3-3 - Map showing the extent of the green belt within the ASELA boundaries



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South East LEP

- 3.37 SELEP does not have any particular policy priorities around Grow-on Space, though aspects of the LEP's Strategic Economic Plan impact supply within the study area.
- 3.38 As part of the SELEP Growth Deal, the Productivity Growth Deal aims to develop key initiatives, funded by local authorities, to support business growth and increase productivity across the LEP area, including the integration of business start-up and support services provided by local and national agencies through Gateways to Growth, to be piloted through the Southend City Deal growth hub.¹⁴³
- 3.39 The Productivity Growth Deal also offers sector support programmes and projects across the area including providing spaces for medical, arts and other sectors, and has been involved in projects in South Essex at HHPP Purfleet and Thames Enterprise Park.

Thames Estuary Growth Commission

- 3.40 On the supply side, the Government's Response to the 2050 Vision commits to:
- Creating a new Cabinet-level ministerial champion for the Thames Estuary who will act as an advocate and critical friend for the Thames Estuary within government.
 - Providing £4.3m funding for the Thames Estuary Creative Production Corridor, supporting the creation of masterplans and feasibility studies of key sites¹⁴⁴.

Local authorities

- 3.41 **Basildon:** Policy E1 in the emerging Local Plan published in October 2018 makes provision for 92 ha of land to deliver at least 51 ha of additional employment development. As part of

¹⁴³ SELEP (2014) *Strategic Economic Plan*

¹⁴⁴ *Ibid.*

this, the policy provides for specific sites ‘to be secured for the delivery of Grow-on Space for emerging businesses’.¹⁴⁵

- 3.42 In order to secure the additional land required, the policy supports the intensification and regeneration of underutilised land within existing employment areas to provide 22.5 ha of employment land, and Policy E6 allocates land to the East of Burnt Mills Employment Area for new employment land in order to secure at least 28.5 ha of new employment need provision during the plan period, noting that the site is suitable for and represents an opportunity to provide new space for Grow-on Space, specifically protecting land for meeting the need for this kind of space.¹⁴⁶
- 3.43 **Brentwood:** Brentwood’s emerging planning policy supports Grow-on Space at new employment sites and offices above existing commercial uses. Policy 8.1 of the Draft Local Plan published in 2016 emphasises ‘enhancing and protecting the important role of small and medium sized commercial enterprises within the Borough’s economy’.
- 3.44 In addition, the Council makes a commitment to looking favourably upon the change of use to office space, flexible working space, incubation units or Grow-on Space above existing commercial development, as and where appropriate.
- 3.45 **Castle Point:** Castle Point’s emerging pre-publication local plan of 2018 sets out the Council’s objective to support the wider South Essex economy through increased levels of productivity and improved local wages in line with other parts of South Essex. Policy 1 of the plan sets out the Council’s intention to maintain a flexible employment land supply with the potential to deliver at least 6,600 sq m of additional employment space, and seeks to provide flexible floorspace that can be used by office or knowledge based businesses in pursuing the Council’s economic objectives.
- 3.46 **Rochford:** The adopted Local Plan, adopted in 2011 sets out in Policy ED1 that the Council will encourage development that enables the economy to diversify and modernise through the growth of existing businesses and the creation of new enterprises providing high value employment.
- 3.47 Rochford’s adopted local plan Policy ED2 supports the enhancement of London Southend Airport as a catalyst for economic growth and Rochford District Council is working with Southend Borough Council to deliver the Joint Area Action Plan (JAAP) which includes one million square feet of business space at the Airport Business Park.
- 3.48 One of the economic challenges set out in Rochford’s Economic Growth Strategy is a “*lack of available Grow-on Space*” and it acknowledges that the imbalance between the supply and demand of Grow-on Space was particularly pronounced in Rochford. To counteract this, and to support business growth and retention, it makes a commitment to:

“Develop a customer relationship management (CRM) system that can link to existing systems within partner agencies, such as Invest ESSEX and Best Growth Hub, to effectively deal with business expansion enquiries and match business needs with site opportunities to maximise the promotion of Grow-on Space that is available.”

¹⁴⁵ Basildon Council (2018) *Revised Publication Local Plan*

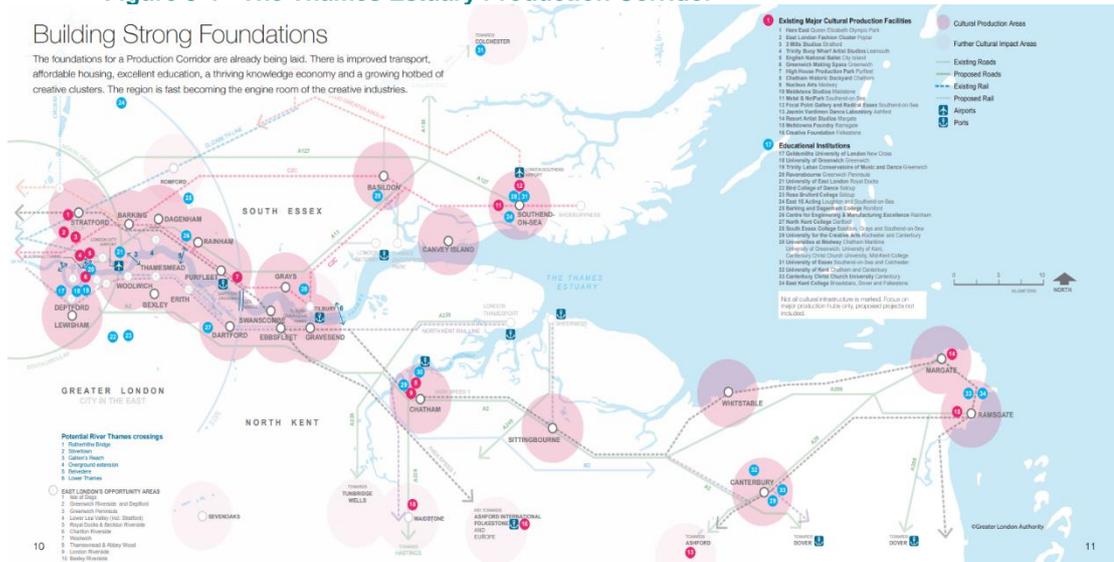
¹⁴⁶ *Ibid.*

- 3.49 **Southend-on-Sea:** Delivering the Airport Business Park next to London Southend Airport along with Rochford District Council as part of the Joint Area Action Plan is a policy priority for Southend Borough Council in the context of supply. As stated elsewhere, there are no immediate plans to provide Grow-on Space at this location, but the scheme as a whole provides potential for this.
- 3.50 **Thurrock:** Thurrock is particularly constrained by the Green Belt, with two thirds of the Council’s land area within this designation. The Council is exploring options for reviewing the boundaries of the Green Belt to allow land to be brought forward to meet the local housing need and has published an issues and options paper in 2018 exploring options for new settlements and urban extensions to deal with this.
- 3.51 There is potential for significant inward investment and land value capture associated with this housing growth.

Funding streams

- 3.52 The Department for Culture Media and Sport (DCMS) has committed £4.3m to develop the Thames Estuary Production Corridor, a vision to develop culture-led economic growth along the Thames Estuary area.

Figure 3-4 - The Thames Estuary Production Corridor



Source: South East LEP (2019) Government awards £4.3m to develop the Thames Estuary Production Corridor putting the creative industries at the heart of the Estuary’s industrial strategy

Association of South Essex Local Authorities

- 3.53 The South Essex 2050 Ambition is being taken forward through workstreams to develop a spatial strategy through a Joint Strategic Plan, a Local Industrial Strategy, a strategic infrastructure framework and a Place Narrative.

- 3.54 The Joint Strategic Plan (JSP) is being prepared to provide an overarching framework for implementing the spatial strategy, with Local Plans and other place shaping tools used to deliver the spatial strategy on the ground.¹⁴⁷

Supply side spatial, socioeconomic and property market review

- 3.55 In setting out the relevant spatial, socioeconomic and property market aspect of the supply of Grow-on Space in the South Essex region, each local authority is addressed in this section, with a comprehensive baseline in the appendices.
- 3.56 Where Valuation Office Agency (VOA) data has been used to assess the current stock and location of employment floorspace, our analysis was based on the ratings list as at 1 April 2017. Where this data is presented in map form to show the concentration of hereditaments by location, the colour gradient scale varies between maps.
- 3.57 Where the EGi and CoStar property databases have been used to assess rental values, our analysis has looked across all sizes of property rather than just Grow-on Space. Annexes C and D include data on sales values and yields; however, due to the relatively low number of transactions across the various submarket segments, we have not analysed this in detail.
- 3.58 To identify managed workspace facilities, we carried out a methodical web search, using a range of relevant key words alongside local authority and place names of larger settlements. This was supplemented by consultations with local property professionals and planning and economic development officers.
- 3.59 By its nature, information on quality of employment land and premises is difficult to obtain and somewhat subjective – particularly when looking at submarket segments like Grow-on Space – although market signals can be used to assess this. In assessing quality of supply, we have relied upon a variety of sources including: existing planning policy evidence base such as Economic Development Needs Assessments and Employment Land Reviews; consultations with local property market professionals, planning and economic development officers; promotional particulars for available premises; spatial characteristics such as access to amenities, public transport interchanges and the strategic road network, and; aerial and street level photography. We have also inferred quality based on relationships between current stock, rental and sales values, and availability.

Basildon Borough Council

Basildon's main employment sites

- 3.60 Basildon has a concentration of Grow-on Space along the A127, with a particular concentration of general industrial units. This A127 corridor contains the borough's principal employment sites and has the highest quality stock in the Borough.

¹⁴⁷ Southend-on-Sea (2019) *South Essex Joint Strategic Plan*
https://www.southend.gov.uk/info/200420/development_plan_documents/869/south_essex_joint_strategic_plan

- 3.61 Basildon as a whole has a total of 452 ha across 25 employment sites.¹⁴⁸ The majority (85%) of this is situated along the A127 Enterprise Corridor, which is characterised by good overall quality of stock and excellent road connectivity. These sites are also proximate to Basildon town centre and its amenities.
- 3.62 The majority of sites in Wickford and Billericay, in the north of the Borough are of fair quality with lesser road connectivity, though Billericay is a historic market town offering a pleasant environment.
- 3.63 Most sites in rural areas are of fair or poorer quality and are constrained by the Green Belt.
- 3.64 The South Essex EDNA has identified 48 ha of underutilised existing employment land in Basildon which has a number of sites with poor office and warehousing stock that could be redeveloped. Plans for the redevelopment of Basildon town centre include provision of 25,000 square metres of new office space.

Current Grow-on Space offer and pipeline

- 3.65 Figure 3-5 below shows that Basildon has by far the highest stock of industrial Grow-on Space across the South Essex local authorities, and the highest number of Grow-On offices.

Figure 3-5 - Map showing the concentration of Grow-on Space hereditaments by location

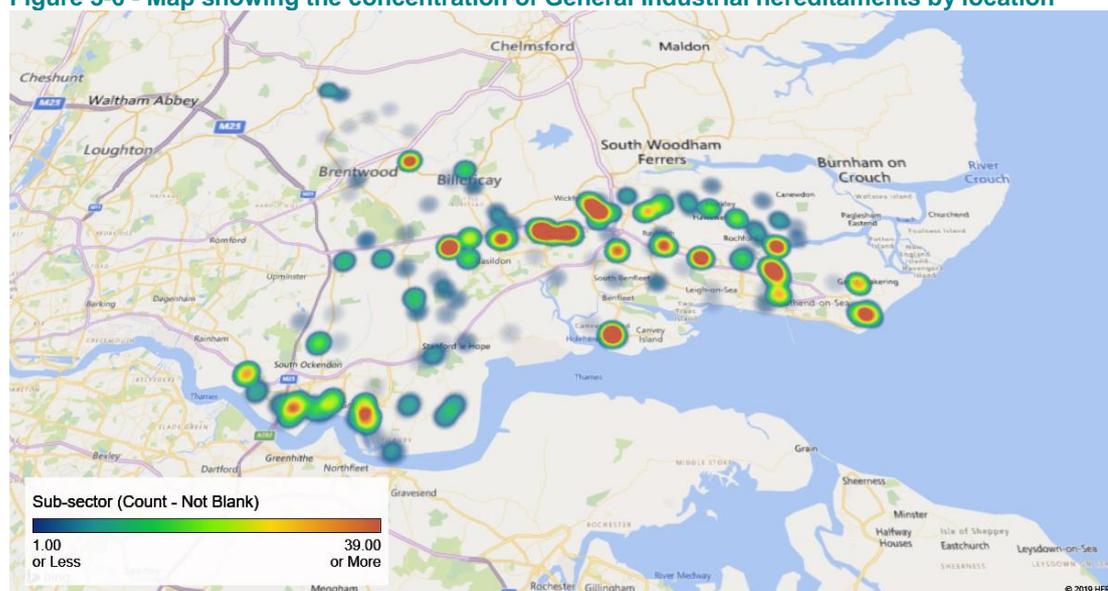
Billing authority	OFFICES		GENERAL INDUSTRIAL		STORAGE AND DISTRIBUTION	
	Hereditaments	Hereditaments (% of total offices)	Hereditaments	Hereditaments (% of total industrial)	Hereditaments	Hereditaments (% of total storage)
Basildon	219	22.1%	709	39.8%	44	19.9%
Brentwood	116	17.0%	151	37.4%	28	4.9%
Castle Point	43	19.2%	177	33.3%	38	28.4%
Rochford	59	14.3%	337	43.8%	60	23.3%
Southend-on-Sea	191	19.5%	356	37.2%	37	15.3%
Thurrock	79	14.9%	428	36.3%	66	15.5%
Total	707	18.5%	2,158	38.4%	273	14.7%

Source: SQW analysis of VOA data as at 1 April 2017

- 3.66 While the Council reports an appetite for delivering new Grow-on Space, there is little in the pipeline and much of the existing stock is occupied and of lower quality than newer space in other size bands.
- 3.67 The A127 corridor in Basildon has a concentration of industrial Grow-on Space, as shown in Figure 3-6 below.

¹⁴⁸ GVA (2017) *South Essex Economic Development Needs Assessment*. The borough's current supply of employment land has been addressed in the 2013 Employment Land Review prepared by Atkins as well as in the more recent South Essex Economic Development Needs Assessment prepared by GVA in 2017.

Figure 3-6 - Map showing the concentration of General Industrial hereditaments by location



Source: SQW analysis of VOA data as at 1 April 2017

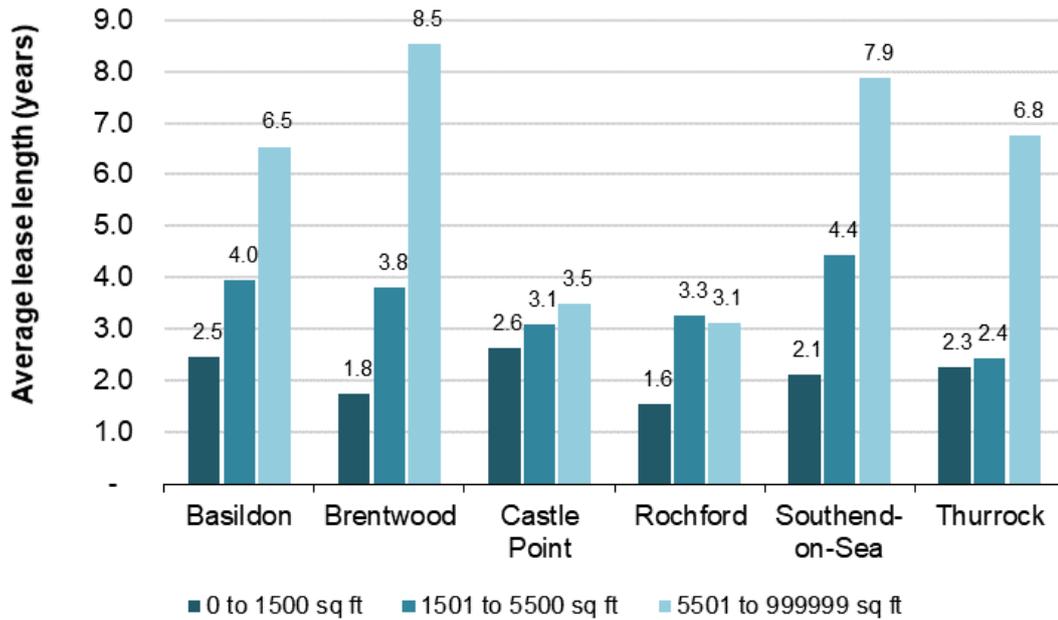
- 3.68 A methodical web search of existing managed workspace identified twelve new facilities, with only one of these known to be offering space within the Grow-on size band. The majority of existing managed workspace in Basildon, as elsewhere appears to be aimed at start-ups and provides smaller units. This existing provision provides feedstock with businesses requiring larger space as they grow.

Values and availability

Office

- 3.69 Prime rental values for office space in the Borough are amongst the highest in the South Essex region. Analysis of transactional data from EGi and CoStar indicates prime rents for office space of all sizes at £19.50pa / sq ft with typical rents at £10.50-17.50pa / sq ft, suggesting that quality is relatively high with a mix of more affordable stock.
- 3.70 Consultations suggest that office Grow-on Space is financially viable in parts of Basildon, but not coming forward due to greater potential returns offered by higher value larger units for which there is high demand (see causes of supply and demand gap in Chapter 4).
- 3.71 From analysis of availability as recorded in EGi and CoStar as of Spring 2019, availability of office units within the Grow-on size range is only 1% of stock compared to 31% of larger office units, again suggesting that the existing Grow-on Space stock is fit for purpose.
- 3.72 Typical lease terms for Grow-on Space in Basildon are 4.0 years for office premises.

Figure 3-7 - Typical lease lengths: Office

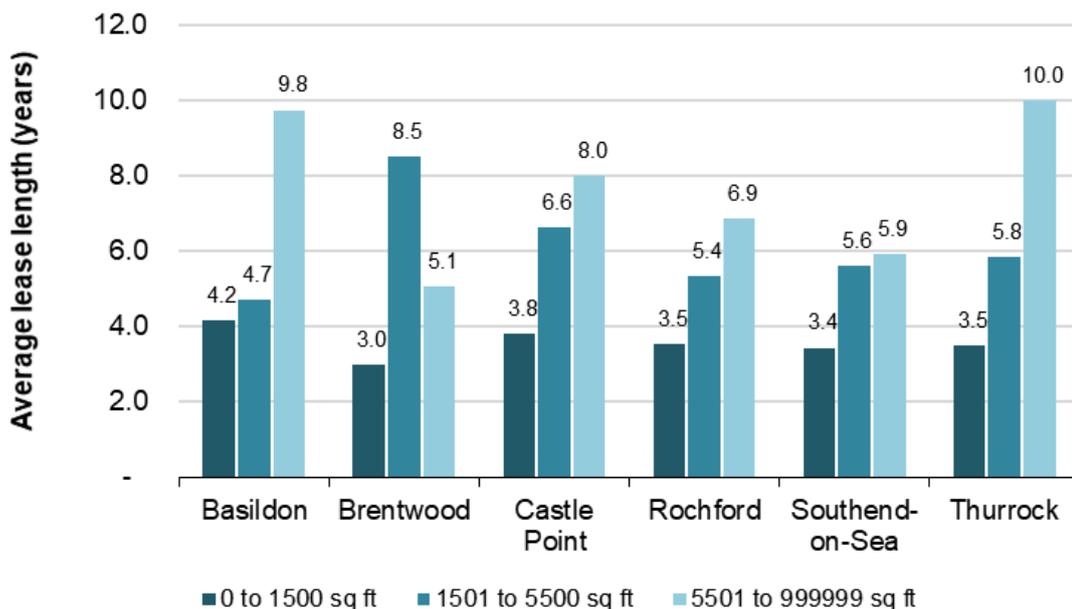


Source: SQW analysis of EGi and CoStar data as at Spring 2019

Industrial

- 3.73 As with the office sector, prime rental values for industrial/warehousing space are amongst the highest in the region with prime rents in Basildon at £11.00pa / sq ft with typical rental values ranging from £6.25 to £9.00pa / sq ft.
- 3.74 Typical lease terms for Grow-on industrial space in Basildon are 4.7 years for industrial and warehousing showing less variation between sectors than other authorities within the study area. These are shorter than lease terms for Grow-on Space across the rest of South Essex.

Figure 3-8 - Typical lease lengths - Industrial and warehousing

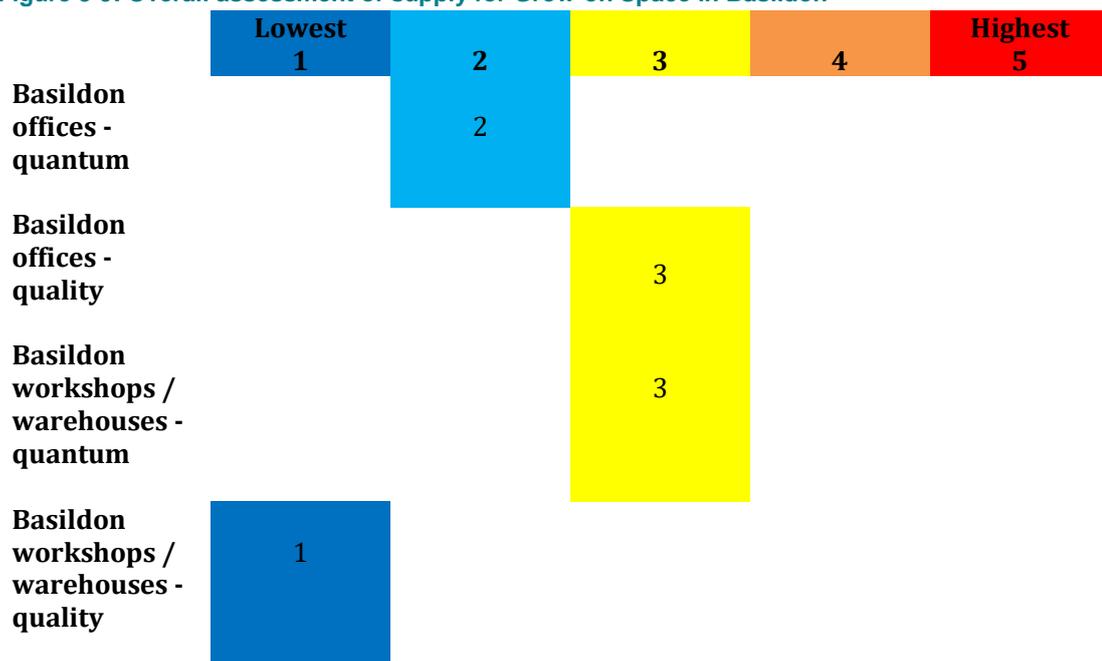


Source: SQW analysis of EGi and CoStar data as at Spring 2019

Overall assessment

3.75 Our overall assessment for supply of Grow-on Space in Basildon recognises its significant employment land allocations in strategic locations, a number of vacant properties within the town centre, and a large amount of existing stock within the Grow-on Space size range for both offices and workshop / warehouses, and relatively high rental values. However, availability is low for office Grow-on Space, and much of the existing workshop / warehousing stock is reportedly of poor to moderate quality.

Figure 3-9: Overall assessment of supply for Grow-on Space in Basildon



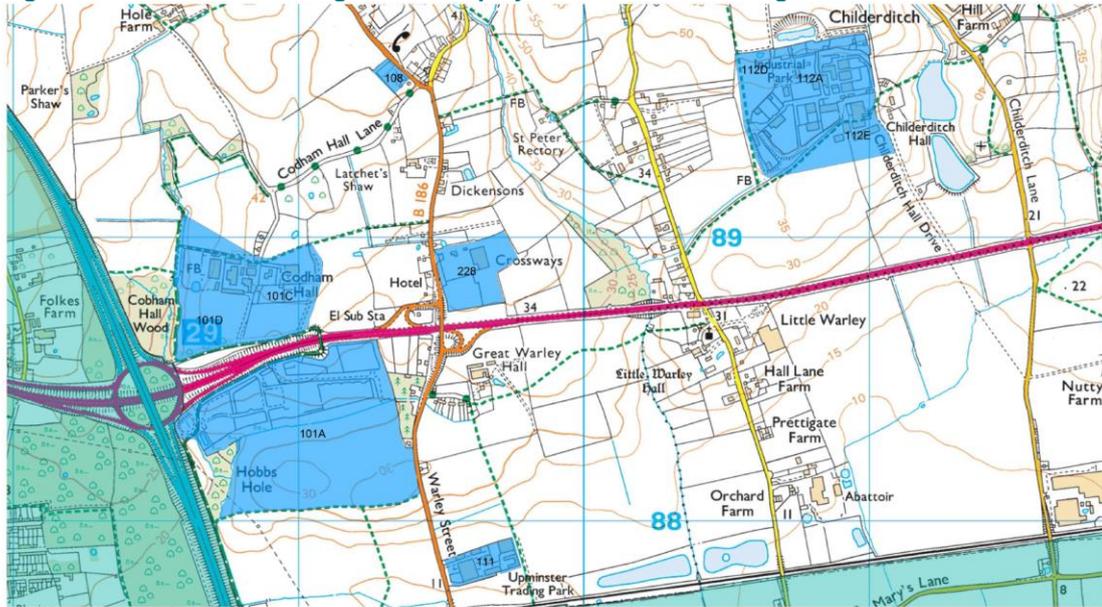
Brentwood Borough Council

Brentwood's main employment sites

3.76 Brentwood is an established office location with a majority of premises in the urban area, which includes 22 sites covering 14.53 ha. Overall Brentwood has a total of 94 ha of employment allocations, of which 46 ha of this is existing employment land. Much of the rural part of the Borough is within the Green Belt. There are a number of good quality employment sites in Brentwood town centre, which is on the A12 and a short distance from the M25.

3.77 The largest new allocations in the emerging local plan are Brentwood Enterprise Park and land at Childerditch Industrial Estate. Brentwood Enterprise Park is a 25.9 ha strategic employment site adjacent to the junction of the M25 and A127 Southend Road. This site will accommodate mixed employment uses and ancillary supporting uses.

Figure 3-10 - Brentwood's largest new employment allocations along A127 corridor



Source: Brentwood Housing and Economic Land Availability Assessment 2018, Appendix 8 – Employment Site Options

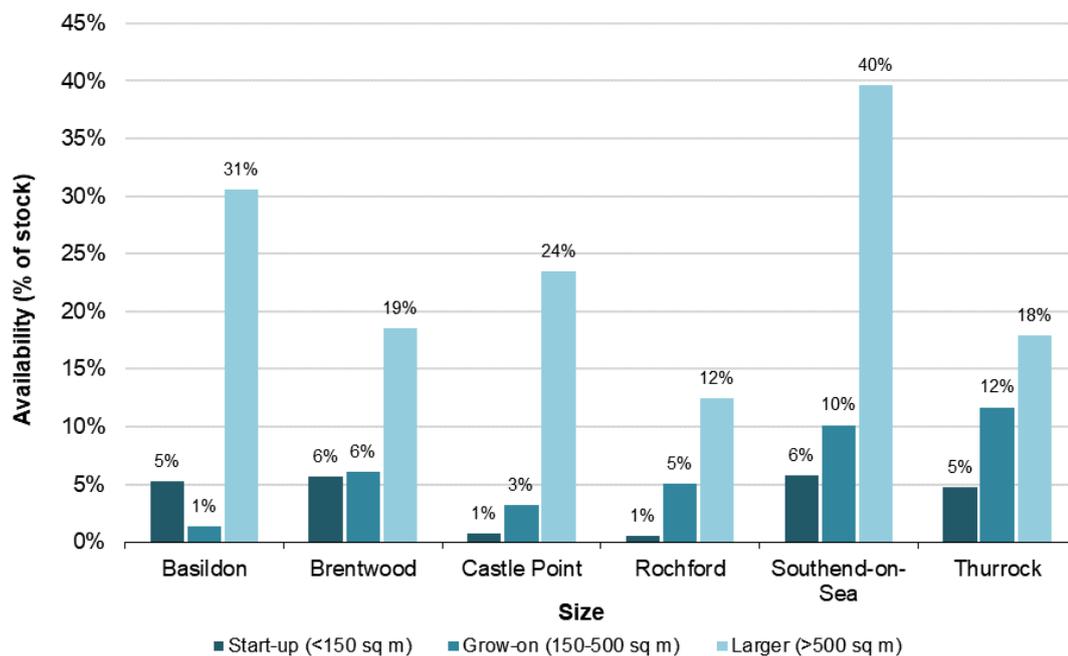
Current Grow-on Space offer and pipeline

- 3.78 Brentwood has an established office market and VOA data indicates that there is a concentration of office space within the Grow-on size band amongst this provision, though this type of space accounts for only 17% of office hereditaments in the Borough.
- 3.79 VOA data analysis suggests Brentwood has a lower number of General Industrial hereditaments in the Grow-on size bracket than any other authority within the study area, though as a proportion of hereditaments of the same use overall, it is comparable to Southend, Thurrock and Basildon.
- 3.80 According to analysis of EGi and CoStar data, Brentwood has the longest average lease terms for grow-on industrial space in the region at 8.5 years; longer than the average lease term for larger space which stands at only 5.1 years. This analysis takes no account of the varying age and quality of buildings, which is considered separately, and which could provide some explanation for this anomalous situation.
- 3.81 Brentwood Borough Council expects to lose 21 ha of employment land over the Local Plan period according to 'Brentwood Economic Futures' published in 2018 partly as a result of a number of sites being situated close to residential areas. The 2010 ELR identified 13% of sites in Brentwood as having existing operations incompatible with sensitive neighbouring land uses.
- 3.82 In terms of future pipeline, there is an allocation of 5.5 ha of employment land alongside the proposed Garden Village at Dunton Hills, as well as proposed Grow-on Space at Brentwood Town Hall, which is being redeveloped to provide residential flats and commercial space, expected to be marketed in November 2019.

Values and availability

- 3.83 As an established office location with good connectivity to London and to Stansted Airport, prime office rents in Brentwood are significantly higher than in the other South Essex local authorities at £23.50pa / sq ft foot. Industrial rents are high at £12pa / sq ft, though lower than prime rents in Thurrock where large international businesses occupy high quality advanced logistics buildings. Proximity to London and the M25 is probably a key driver of these relatively higher rents, as well as access to town centre amenities and rail and air connectivity.
- 3.84 Availability of office Grow-on Space as a proportion of total stock is much lower at 6% than larger size bands which is 19%.

Figure 3-11 Office availability as a percentage of total stock by local authority



Source: SQW analysis of VOA data as at 1 April 2017 and EGi and CoStar data as at March / April 2019

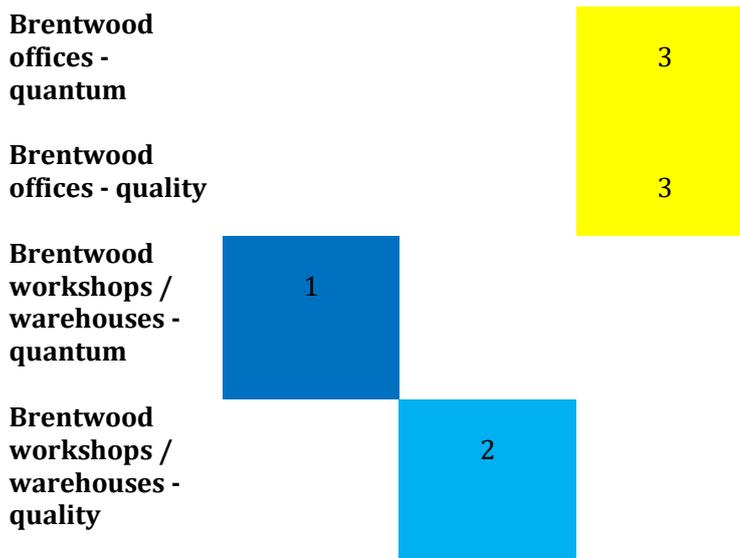
- 3.85 Average lease terms for offices in the larger size band in Brentwood are also 8.5 years, but within the grow-on size band this falls to 3.8 years.

Overall assessment

- 3.86 Our overall assessment for supply of Grow-on Space in Brentwood recognises its established role as a high-quality office location that will soon benefit from the Elizabeth line, with moderate stock and availability of Grow-on offices. The Borough has significant new employment allocations, although existing employment sites are of varying quality with little workshop / warehousing stock and availability in the Grow-on size range.

Figure 3-12: Overall assessment of supply for Grow-on Space in Brentwood





Castle Point Borough Council

Castle Point's main employment sites

- 3.87 As mentioned above, Castle Point's principal employment areas are the Charfleets Industrial Estate on Canvey Island and the Manor Trading Estate between the A13 and A127.
- 3.88 Charfleets is a 30 ha employment site with reasonable access to the strategic road network, though with potential for congestion. The site is four miles from the A13 and accessible only by the Canvey Way, a single carriageway road, or through residential areas.
- 3.89 The Manor Trading Estate in Thundersley is an 8.1 ha estate at which there are several instances of non-employment use in the form of automotive-related uses, trade counter and leisure uses. The existing stock at this site is average to poor quality and though close to the A13 and A127 has poor connectivity to these roads.
- 3.90 Hadleigh, Benfleet and Canvey town centres contain predominantly retail and leisure uses though there are some small office spaces in these areas. Castle Point also has heavy industry uses in the form of the large oil refinery and Calor Gas sites on the Canvey Island coast, though these are not suitable for Grow-on Space.

Current Grow-on Space offer and pipeline

- 3.91 Castle Point has the smallest supply of office Grow-on Space and the lowest proportion of industrial Grow-on Space to total industrial or storage and distribution premises in the South Essex region. This is unsurprising as Castle Point is a smaller authority with less significant commercial and employment activity than many of its neighbours.
- 3.92 The District's existing stock of Grow-on Space is concentrated in two areas: in the north, between the A127, which forms Castle Point's northern boundary, and the A13 - most notably at the Manor Trading Estate in Thundersley, which is an 8.1 ha estate comprising average to poor quality employment premises, and; at Canvey Island, at the Charfleets Industrial Estate comprising similarly average quality stock.

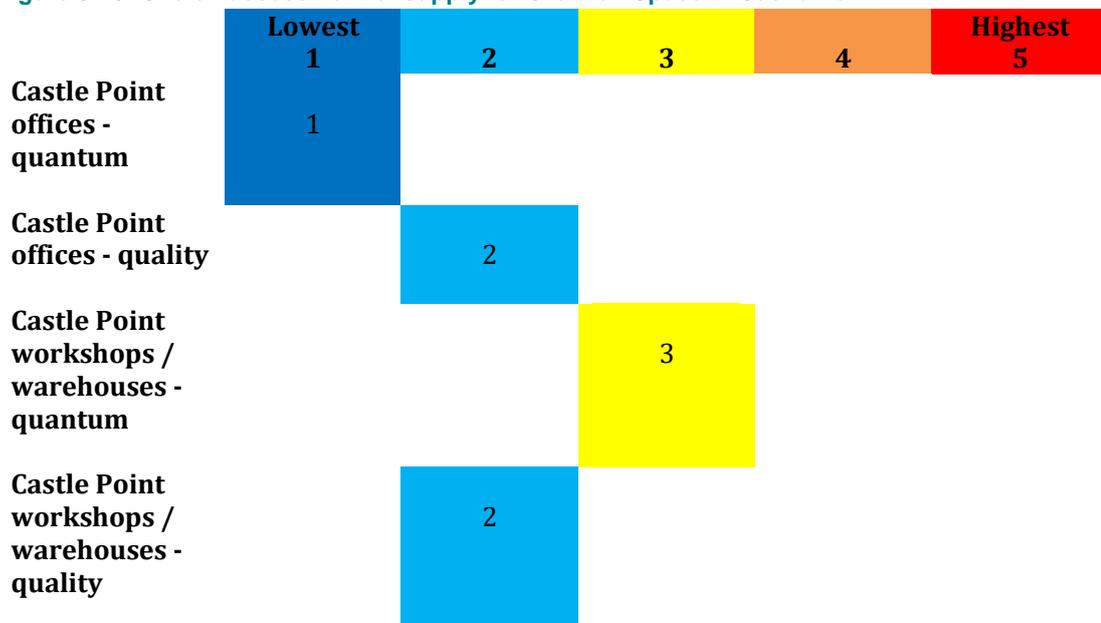
Values and availability

- 3.93 Typical rental values for both office and industrial property of all sizes are among the lowest in South Essex, though at their highest they exceed prime rents in Rochford District. Lower rental values result from the lower quality sites and inferior road access. Furthermore, Castle Point is primarily a residential area and does not have the commercial/employment focus of neighbouring Basildon or Southend which are more established business locations.
- 3.94 Our review of current availability of industrial Grow-on Space using EGi and CoStar showed a very high availability as a proportion of total stock, though this is accounted for by two large units, one of 15,000 sq ft and one of 26,000 sq ft. The picture is similarly distorted in the case of office property where a single office unit of 17,000 sq ft accounts for 24% of total stock of office space in the larger size band.
- 3.95 Typical lease terms for office space of all sizes is around three years (3.1 years for Grow-on Space), while for industrial Grow-on Space, these are 6.6 years; longer than most other areas other than Brentwood.

Overall assessment

- 3.96 Our overall assessment for supply of Grow-on Space in Castle Point reflects the low stock and availability of Grow-on offices, and the availability of new Grow-on workshops / warehousing at Thamesview130 – although, we note that these are being delivered on a pre-let rather than speculative basis. Given the relatively small property market, the assessments may be sensitive to large transactions e.g. large occupiers closing down / moving out of the area, employment sites being redeveloped for alternative uses, new investors.

Figure 3-13: Overall assessment of supply for Grow-on Space in Castle Point



Rochford District Council

Rochford's main employment sites

- 3.97 Rochford has a total of 112 ha of employment land across 10 sites. The main employment areas in the District are around the A127 Southend Arterial Road and the airport and are close to the boundary with the Borough of Southend-on-Sea.
- 3.98 Existing allocations around the airport are currently undeveloped and older estates at Aviation Way and Cherry Orchard Way are being encroached by other non-employment leisure and automotive uses despite proximity to the airport.
- 3.99 Rochford town centre is an attractive historic market town and contains some good quality office stock at Locks Hill and modern small workshop spaces at Riverside Industrial Estate.
- 3.100 Employment sites across the District suffer from poor accessibility and quality in general is mixed. There are multiple barn conversions providing business space in the rural areas of the District.

Current Grow-on Space offer and pipeline

- 3.101 Rochford's supply of property within the Grow-on Space category is smaller reflecting the smaller size of the authority but is comparable to Castle Point. Only 14.3% of office hereditaments in the District are within the Grow-on Space size band while 43.8% of general industrial hereditaments are of Grow-on Space size.
- 3.102 There is limited, planned development of Grow-on Space in the pipeline, with approval having been recently granted (September 2019) for a small development of 5 light industrial units on Purdeys Industrial Estate, measuring approximately 245 sq m each. This will provide some new space in the pipeline. In addition, there are plots at the Airport Business Park (located within Rochford District, and being developed under the Joint Area Action Plan with Southend Council). Furthermore, the Launchpad is an incubator that provides smaller business space and support to start-ups, but is not known to provide Grow-on Space.

Values and availability

Office

- 3.103 Prime office rents in Rochford are the lowest across the whole of the South Essex region at £11pa / sq ft. This reflects the position of the District furthest from London and the lack of connectivity to the strategic road network, exacerbated by road congestion. Rochford also extends north of Southend into predominantly rural areas which are less well connected by road and rail to other parts of South Essex.
- 3.104 That said, London Southend Airport is an important driver of the local economy and provides connectivity to other parts of Europe. Some higher rental values in this area signal the potential to increase the supply of smaller stock.
- 3.105 The availability of Grow-on Space in Rochford appears to be greater than that of smaller or larger space in both office and industrial categories. Industrial availability of grow-on sized units as recorded by EGi accounts for 2% of industrial stock as opposed to less than 1% for

other size bands, while for office space, Grow-on Space availability stands at 3% of stock while there is negligible availability of spaces of other sizes in the District. Part of the reason for these small levels of availability is probably due to Rochford not being an established commercial property market.

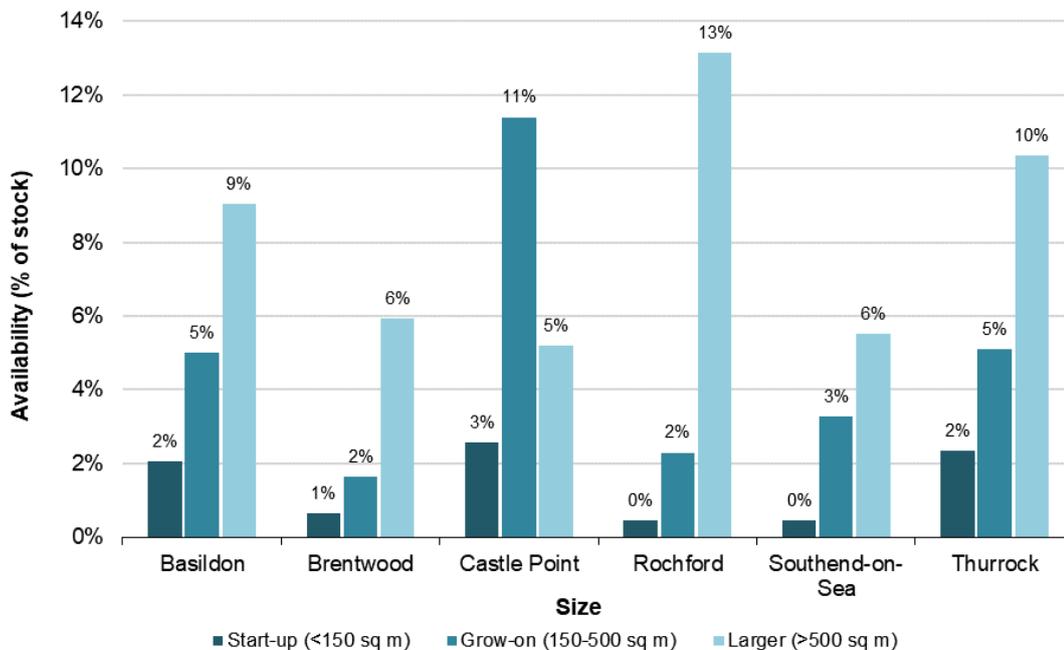
3.106 Average lease lengths in Rochford are mid-range for south Essex at 3.3 years for office Grow-on Space.

Industrial

3.107 Prime industrial rents are at £8pa / sq ft, again reflecting the lack of connectivity and other constraints that affect the office market.

3.108 Industrial availability of grow-on sized units as recorded by EGi accounts for 2% of industrial stock as opposed to less than 1% for other size bands. Part of the reason for these small levels of availability is probably due to Rochford not being an established commercial property market.

Figure 3-14 Industrial availability as a percentage of total stock by local authority



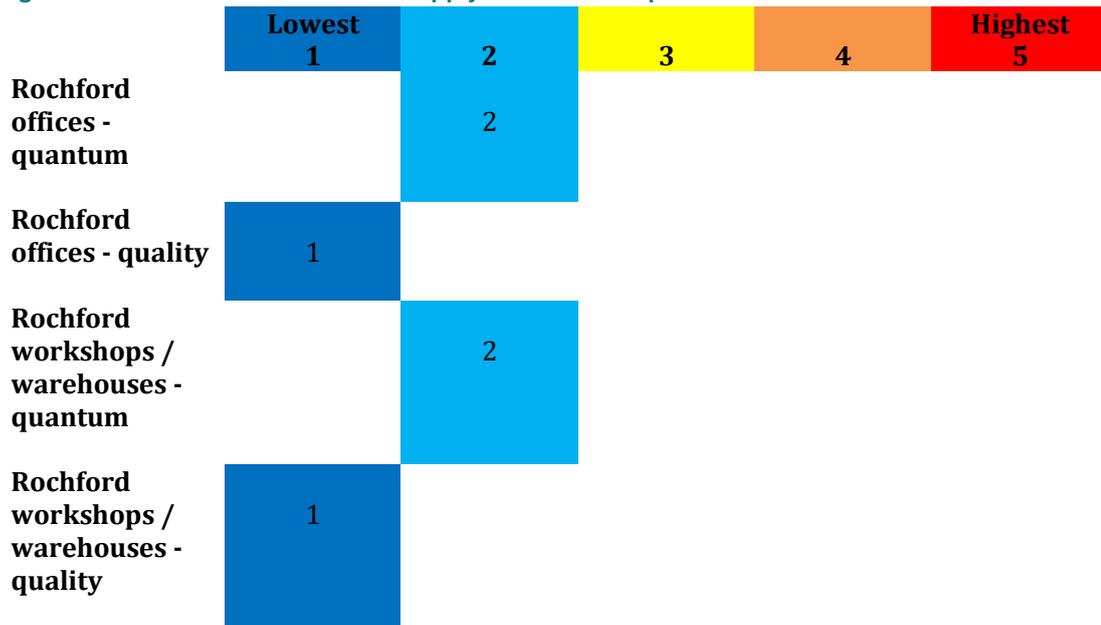
Source: SQW analysis of VOA data as at 1 April 2017; EGi and CoStar availability data as at March / April 2019

3.109 Average lease lengths are 5.4 years for industrial Grow-on Space.

Overall assessment

3.110 Our overall assessment for supply of Grow-on Space in Rochford reflects the low stock and availability of Grow-on office units, and the low availability of Grow-on workshop / warehousing units and lower quality existing employment locations. The assessment may be sensitive to redevelopment of existing employment sites for other uses, and the nature and extent of development at Southend Airport Business Park.

Figure 3-15: Overall assessment of supply for Grow-on Space in Rochford



Southend-on-Sea Borough Council

Southend's main employment sites

- 3.111 Southend has c.118 ha of employment land across 20 active employment sites. These are situated within five clusters¹⁴⁹:
- Shoeburyness
 - London Southend Airport
 - Prittlebrook Cluster
 - Eastwood
 - Central Southend
- 3.112 The Shoeburyness cluster is characterised by lower quality stock and more limited connectivity, but is the location of a cluster of industrial units within the Grow-on Space size band.
- 3.113 Southend Airport cluster has good quality stock and some important employment sites but there is limited Grow-on Space offer.
- 3.114 Prittlebrook is situated to the north of the town centre and benefits from town centre amenities and rail connectivity. It is close to Southend University Hospital and there is a health sector presence.
- 3.115 Eastwood cluster contains Southend's largest single employment site at Progress Road Industrial Estate, a 21.5 ha industrial estate which has direct access to the A127. The buildings are generally dated, and of fair quality. The area is also close to residential uses.
- 3.116 Central Southend benefits from good rail connectivity and from being an attractive location though the existing office stock is of poor quality (e.g. low-cost conversions of upper floors, and premises that have not been refurbished for some time) and much of it is smaller space.

¹⁴⁹ GVA (2017) *South Essex Economic Development Needs Assessment*

There is some larger office stock in the central area though this is often lost to residential use through permitted development.

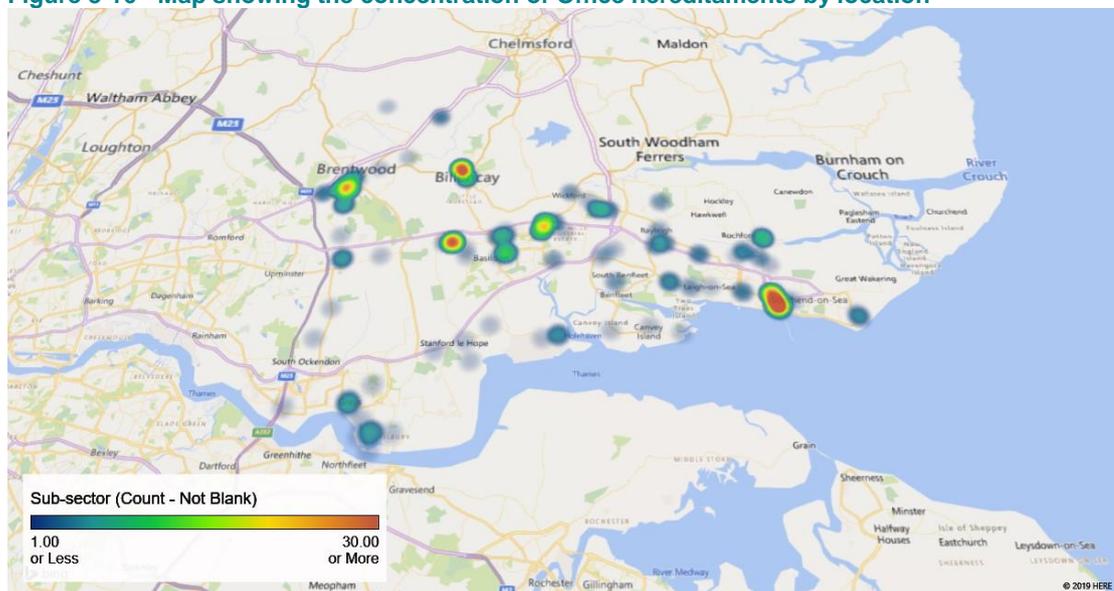
- 3.117 There are opportunities arising from the release of industrial land and redevelopment of town centre sites.

Current Grow-on Space offer and pipeline

Office

- 3.118 Of Southend's existing stock, 19.5% of office premises are in the Grow-on size band, according to analysis of data from the VOA. This is among the highest of the seven authorities. In terms of Grow-on office premises, Southend is second only to Basildon in provision as a proportion of existing stock.

Figure 3-16 - Map showing the concentration of Office hereditaments by location



Source: SQW analysis of VOA data as at 1 April 2017

- 3.119 Grow-on office space is concentrated in Southend town centre which has good rail connectivity with central London and an attractive seaside location.
- 3.120 Southend is the location of a number of managed workspace facilities including the Southend Growth Hub which services a wider area of south Essex beyond the Borough. The majority of these small workspace facilities provide small business units or individual desks, though two of the facilities identified by our methodical web search do provide some space within the Grow-on size range. Furthermore, anecdotal evidence from consultations suggest that businesses occupying these smaller spaces are a source of demand for larger premises as they grow.
- 3.121 Southend Borough Council is developing the Airport Business Park with Rochford District Council, which will include The Launchpad, an incubator facility providing space and support for small businesses. There are no current plans for this facility to provide space in the Grow-On size range.

- 3.122 Office Grow-on Space lease lengths in Southend-on-Sea average 4.4 years – the highest of the South Essex local authorities.

Industrial

- 3.123 Grow-on Space accounts for 37.2% of general industrial stock according to analysis of data from the VOA, again amongst the highest in the region.
- 3.124 There is a concentration of industrial Grow-on Space at Shoeburyness, although this is an area of fairly poor quality stock and limited connectivity. Grow-on office space is concentrated in Southend town centre which has good rail connectivity with central London and an attractive seaside location.
- 3.125 Typical lease lengths for industrial Grow-on Space are in line with much of the rest of South Essex at 5.6 years.

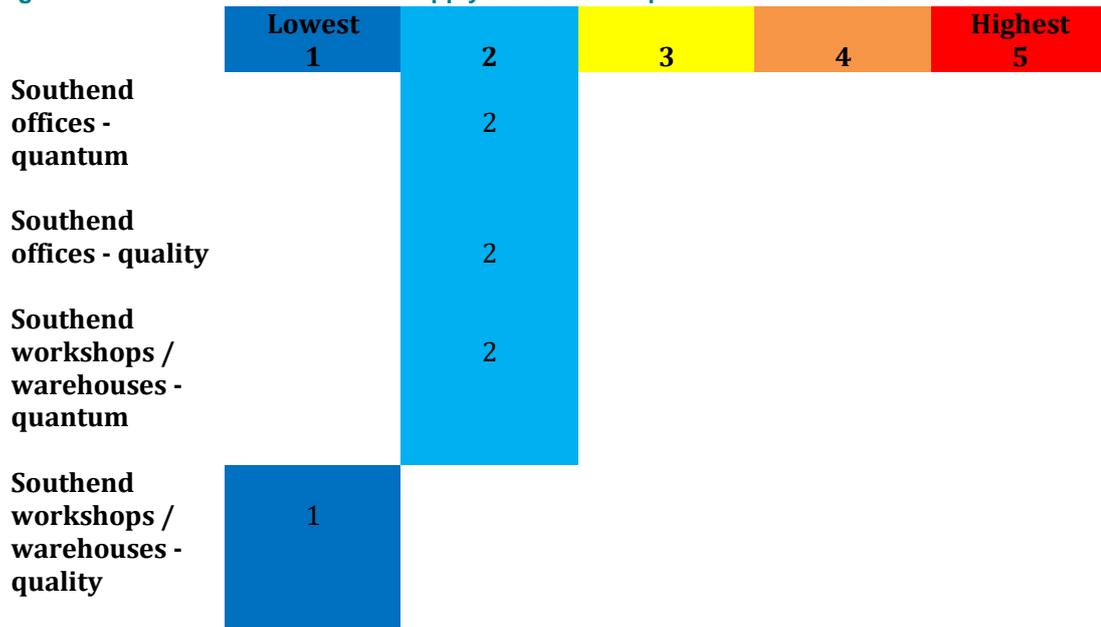
Values and availability

- 3.126 Rental values in Southend are moderate in comparison to the other local authority areas within the study area with prime office rents standing at £15pa / sq ft and prime industrial rents at £9pa / sq ft. In each case these rental values are lower than Basildon or Brentwood, which are closer to London and have better road connections.
- 3.127 Analysis of availability as a proportion of stock in Southend shows there to be greater availability of larger space as a proportion of stock than for Grow-on Space. In the case of office property, the availability of larger space is exceptionally high at 40%, while for Grow-on Space Southend's 10% availability is higher than other authorities but slightly lower than Thurrock.
- 3.128 In the case of industrial/warehousing space, availability of space within the grow-on size range is broadly in line with the rest of the study area at 3%.
- 3.129 This analysis is not exhaustive but suggests that, in common with other parts of South Essex, there is limited choice for potential tenants wishing to take grow-on industrial space. Within the office market, our analysis suggests there is greater availability of Grow-on Space, though this does not take into account the quality of the available premises.

Overall assessment

- 3.130 Our overall assessment for supply of Grow-on Space in Southend-on-Sea reflects the stock and availability of existing Grow-on offices, as well as the availability of existing larger well-located office premises, some of which may be suitable for conversion into Grow-on Space units. However, it also reflects the relatively high rental values, poor fitness for purpose of existing premises, and pressures from alternative uses. In terms of workshops / warehousing, our assessment reflects the remoteness of some existing employment sites, and the pressures from bad neighbour effects and alternative uses. The assessment may be sensitive to the nature and extent of town centre regeneration.

Figure 3-17: Overall assessment of supply for Grow-on Space in Southend-on-Sea



Thurrock Council

Thurrock's main employment sites

- 3.131 Thurrock has 53 active employment sites totalling 631 ha of land.¹⁵⁰ Much of this is clustered around Purfleet and West Thurrock, which is close to the M25 and to the Lakeside shopping centre. This area is characterised by very good road and rail connectivity and is the location of some large employers including Proctor and Gamble. Purfleet is a regeneration area with a large amount of planned residential development as well as the High House Business Centre mentioned above, which aspires to create a creative industries cluster around the Royal Opera House workshop at the site.
- 3.132 Employment sites around Tilbury and Coryton/East Thurrock have concentrations of industrial and storage and distribution premises. Uses at these sites are predominantly port related and much of the land allocated for employment uses is owned by the Port of Tilbury of DP World. Nevertheless, the council-owned Riverside Business Centre provides small business space and some Grow-on Space in the Tilbury area.
- 3.133 Grays town centre is an important location for small and medium sized business premises and is the location of Council-owned small business centres at the Old Courthouse and former Post Office, though these facilities do not provide Grow-on Space. Grays is well served by rail links to London and elsewhere in South Essex, though the road network suffers from congestion reducing connectivity. Globe Works in Grays is a light industrial site which includes a number of existing fine grained B2 manufacturing and engineering businesses.¹⁵¹

¹⁵⁰ GVA (2017) *South Essex Economic Development Needs Assessment*

¹⁵¹ Ibid.

- 3.134 Other employment clusters in Thurrock include Ockendon which is close to the M25 but without direct access to it, and other rural and semi-rural locations relatively distant from major settlements.

Current Grow-on Space offer and pipeline

- 3.135 Analysis of VOA data shows there to be hereditaments of Grow-on Space size at Coryton/East Thurrock, Tilbury, Purfleet and Grays town centre. The greatest concentration of General Industrial Grow-on Space is currently in Grays town centre and Purfleet, while Grow-on office space is found at Grays town centre and Tilbury.
- 3.136 In terms of office space of Grow-on size, Thurrock has fewer hereditaments than Southend, Basildon or Brentwood, again perhaps reflecting the nature of the Thurrock economy. Thurrock has a low level of Grow-on Space as a proportion of total stock relative to other authorities in the study area. This is partly a reflection of a high quantum of commercial property floorspace in Thurrock and a focus on port-related logistics at Tilbury Docks and DP World container port. Overall Thurrock has the second highest number of general industrial hereditaments within the Grow-on Space size band in the study area and the highest number of storage and distribution hereditaments within this size bracket.
- 3.137 Thurrock Council owns business space at Tilbury Business Centre which provides predominantly smaller workshop units with some larger units that would fall into our category of Grow-on Space. The Council is considering extending this to meet high demand but is prevented in doing so by viability challenges.
- 3.138 The Council is also considering further development at High House Production Park in Purfleet; a business hub based around the Royal Opera House's set production workshop and focused on the creative industries which is owned and run by a charity of which the Council is a supporter. This new space is, however, likely to be focused on smaller spaces and aimed at start-up companies rather than new Grow-on Space, though Thurrock as an authority are supportive of the development of Grow-on Space.

Values and availability

Office

- 3.139 Office rents in Thurrock are mid-range for South Essex at £14.75pa / sq ft which is lower than more established office locations in Brentwood and to a lesser extent, Basildon.
- 3.140 Lease lengths for Grow-on offices are only 2.4 years on average and shorter than other authorities in the region.
- 3.141 Office Grow-on Space availability is 12% and marginally higher than Southend, the next highest. Availability of larger office space is a lower proportion than Southend or Basildon, though is comparable to 19% in Brentwood, an established commercial office market.

Industrial

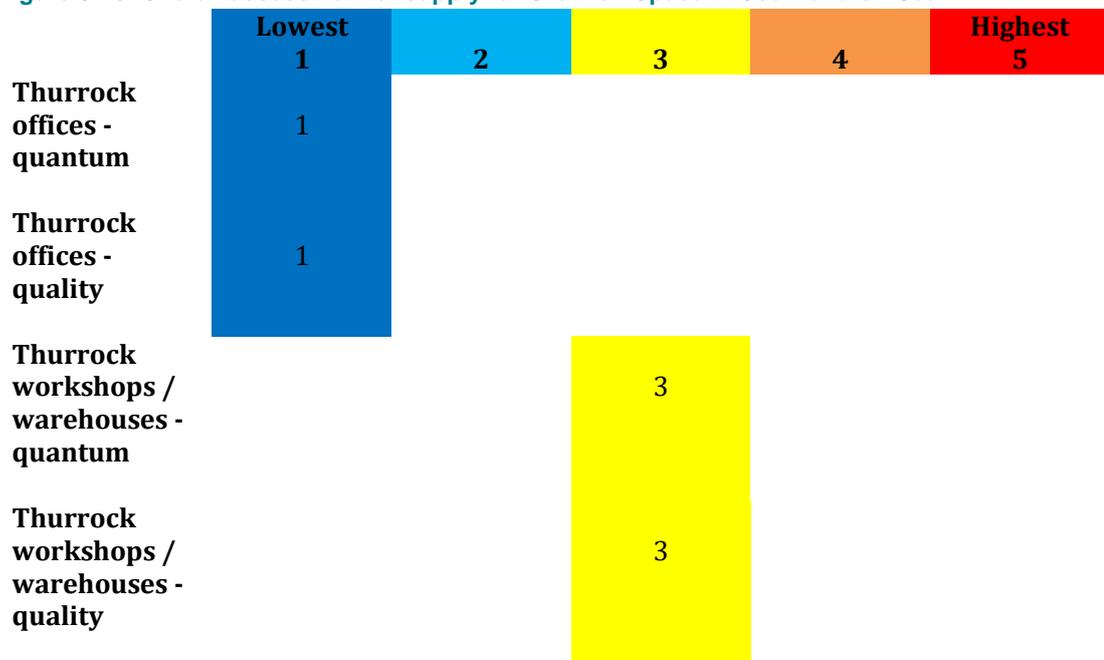
- 3.142 Prime industrial rents in Thurrock at £20.50pa / sq foot, considerably higher than other parts of South Essex. Typical rental values range between £8.00 and £11.00pa / sq ft which is closer to other authorities in the region though still higher than other neighbouring areas.

- 3.143 Average lease lengths for industrial Grow-on Space are in line with the rest of South Essex at 5.8 years.
- 3.144 Our analysis of data from EGi, CoStar and the VOA suggests that availability of industrial Grow-on Space in Thurrock is higher than most other South Essex authorities, although on a par with Basildon’s availability at 5%. As in the case of most authorities, there is greater availability in the larger size band.

Overall assessment

- 3.145 Our overall assessment for supply of Grow-on Space in Thurrock recognises its strategic locations and planned regeneration schemes. It reflects the low existing stock and high availability of Grow-on offices suggesting low fitness for purpose. It also reflects the stock, availability and quality of Grow-on workshop / warehousing units. The assessment may be sensitive to the extent and speed of growth planned and delivered in the coming years, as well as decisions taken by current large employers and land owners.

Figure 3-18: Overall assessment of supply for Grow-on Space in Southend-on-Sea



4. Case for intervention

Supply and demand gap analysis

- 4.1 Based on the findings from Chapters 2 and 3 and the overall assessments made on a district by district basis, ranging from 1 (lowest) to 5 (highest), we have calculated a supply and demand gap by deducting the average of supply quantum and quality assessments from the demand assessment.
- 4.2 We have considered a gap of 0 or below as Low, a gap of 0.5 to 1.5 as Moderate, and a gap of 2+ as High. As our assessment includes both quantum and quality, a negative gap does not necessarily indicate an over-supply in quantum.
- 4.3 Figures 4-1 and 4-2 show that half of the South Essex local authorities have a Moderate or High supply and demand gap in both Grow-on offices and workshops / warehousing.

Office use

- 4.4 Figure 4-1 shows that Southend-on-Sea has a High gap reflecting the risk of continued loss of office floorspace, which may impact upon affordability of space in future. Thurrock has a High gap reflecting anticipated future demand, but we note opportunities to incorporate Grow-on office space into planned regeneration schemes.
- 4.5 Where there are Moderate gaps (Basildon, Rochford), it is necessary to ensure adequate quality, availability and quantum. This will require ensuring a component of Grow-on Space in emerging regeneration schemes opportunities to realise the potential for economic growth and shared prosperity / mitigate against loss of office premises.
- 4.6 Where there are Low gaps (Brentwood and Castle Point), there will still be a requirement to address specific factors such as availability and affordability in certain locations. The needs of growing businesses should be monitored, and Councils should respond positively where there is market failure.

Figure 4-1: Supply and demand gap analysis for Grow-on Space for Office use

Local authority	Overall demand assessment	Overall supply assessment - Quantum	Overall supply assessment - Quality	Indicative gap analysis
Basildon Borough Council	4	2	3	Moderate (+1.5): Ensure adequate quality and quantum in strategic locations
Brentwood Borough Council	3	3	3	Low (+/-0): Ensure adequate availability and affordability
Castle Point	1	1	2	Low (-0.5): Monitor needs of growing

Borough Council				businesses and respond positively
Rochford District Council	3	2	1	Moderate (+1.5): Ensure adequate availability and affordability
Southend-on-Sea Borough Council	4	2	2	(+2.0): Safeguard against loss of employment, maintain affordability
Thurrock Council	3	1	1	High (+2.0): Incorporate Grow-on Space into regeneration schemes

Workshop / warehousing use

- 4.7 Figure 4-2 shows that Basildon has a High gap, reflecting the quality of existing stock / locations and lack of pipeline for Grow-on workshop / warehousing properties in comparison to current and potential levels of demand. Action will be required to raise the quality of employment locations through placemaking, potentially including mixed use development in growth areas, and the quality of stock, potentially through a pipeline of new build premises.
- 4.8 Where there are Moderate gaps (Rochford, Southend-on-Sea), it is necessary to intervene proactively to accommodate higher productivity jobs and safeguard against loss of employment.
- 4.9 Where there are Low gaps (Brentwood, Castle Point and Thurrock), there will still be a requirement to address specific factors such as safeguarding against loss of space, ensuring affordability in certain locations, and ensuring that new space is delivered in line with housing and employment growth.

Figure 4-2: Supply and demand gap analysis for Grow-on Space for Workshop / Warehouse use

Local authority	Overall demand assessment	Overall supply assessment - Quantum	Overall supply assessment - Quality	Indicative gap analysis
Basildon Borough Council	4	3	1	High (+2.0): Raise quality to accommodate higher productivity jobs
Brentwood Borough Council	1	1	2	Low (-0.5): Ensure inclusion of Grow-on Space in new growth areas
Castle Point Borough Council	1	3	2	Low (-1.5): Safeguard against loss / encourage refurbishment in strategic locations
Rochford District Council	3	2	1	Moderate (+1.5): Raise quality to accommodate higher productivity jobs

Southend-on-Sea Borough Council	3	2	1	Moderate (+1.5): Safeguard against loss of employment, improve quality
Thurrock Council	3	3	3	Low (+/-0): Ensure inclusion of affordable Grow-on Space in new growth areas

Causes of supply and demand gap

- 4.10 Having assessed the supply and demand gap across each of the local authorities in South Essex, we have sought to describe the causes of these gaps, using the research carried out in our demand and supply side reviews to build upon our previous analysis from 2016.
- 4.11 The key factors can be organised into three broad categories:
- Inadequate land availability
 - Insufficient viability to induce development
 - Level of development / lettings risk for developers

Inadequate land availability

- 4.12 **Loss of office uses under Permitted Development Rights:** Since May 2013, the conversion of office (Class B1a) to residential (Class C3) use has been possible without requiring express planning permission. We have not sought to determine the scale at which this right has been exercised across the study area, or review exemptions as part of this study; however, there has been anecdotal commentary on this topic and we are aware of cases where this has occurred, for example the large floorplate offices along Victoria Avenue in Southend.
- 4.13 **Loss of existing employment allocations to residential use / lower density employment and leisure uses:** Where employment areas have a prominent road frontage, such as along Southend Arterial Road, it can be attractive for operators of retail warehouses, trade counters, car showrooms and self-storage facilities. There have also been a number of instances across South Essex industrial estates, where floorspace over time, has been converted to a range of leisure based uses, such as gyms, children's soft play centres, trampolining, bowling and climbing facilities.
- 4.14 We are also aware of examples up and down the country of employment land designated alongside new communities where the land has been controlled by a residential developer, and they have successfully made the case for converting it to residential use. This case has often been predicated upon a lack of demand / insufficient viability; however, as described in this section of the report, the reasons for a lack of interest or action from occupiers and developers of employment floorspace are often more complex.
- 4.15 **Use restrictions / loss of existing employment allocations due to bad neighbour impacts:** Where employment sites are located adjacent to and/or share vehicular access with residential areas, this can cause tensions due to 'bad neighbour' impacts such as noise and air

pollution. Whilst some of these sites are relatively small, they can play a locally significant role in providing affordable workspace for businesses.

- 4.16 In some cases, Local Planning Authorities may be supportive of release of employment sites to mitigate such impacts, reducing the existing stock of Grow-on Space as well as employment land that could be used to deliver Grow-on Space in future.
- 4.17 **Continued demand for open storage land use or lower value / density floorspace:** Whilst rental income may be significantly higher for higher value / greater density floorspace compared to open storage land use or lower value / density floorspace, the required capital investment and subsequent higher operation and maintenance costs can deter land owners from refurbishing / redeveloping their assets.
- 4.18 **Delays / uncertainty over future land allocations associated with housing growth:** There is already significant unmet housing need within South Essex and across the wider Thames Estuary and substantial new communities are likely to be required in response. This offers an opportunity to secure the allocation of sustainable sites and development schemes with proportionate employment uses.
- 4.19 However, without sufficient land allocations or direction through planning policy, the private sector may seek to bring forward planning applications for less sustainable sites and development schemes with little or no employment uses.
- 4.20 **Planning risk:** Uncertainty over acceptable development schemes (access, use, quantum, quality, etc.), cost / time required to secure planning permission, and the nature and extent of developer obligations can all increase the real or perceived risk of delivery to developers and investors. When the likelihood and potential impact of such risks are priced into offers to secure control of land for development (including option agreements to purchase), the offers may fall below land owner expectations. Subsequently, quality employment sites suitable for Grow-on Space may not be brought forward through the Local Plan process or planning applications not brought forward for consideration through development management.
- 4.21 **Timely delivery of off-site / strategic infrastructure works:** For existing employment sites, the capital cost or risk of delivering required infrastructure works can reduce development returns to a level that is insufficient to induce development, meaning that sites remain in open storage use or with lower value / density floorspace.
- 4.22 For new employment allocations, off-site infrastructure such as transport and utilities may be required, with delivery often the responsibility of the public sector / statutory authorities. Adequate funding and coordination is required to ensure that this is delivered in advance of need.
- 4.23 Where land is being brought forward in phases and/or by multiple developers, stakeholders may fail to agree a mechanism for equalising strategic infrastructure costs and land value uplift across parcels.

Insufficient viability to induce development

- 4.24 **High land values:** Where land is sold on the open market, bidders may assume the delivery of less risky / lower yield / higher rental value employment floorspace, out-competing those who wish to deliver Grow-on Space.
- 4.25 In addition, bidders may assume a different use to that within current planning policy, out-competing those who wish to retain the site in its designated use. Even after accounting for planning risk, residential or retail land values can be significantly higher than the value of the land for employment use.
- 4.26 **High build costs / risk of enabling works:** The cost / risk of enabling works such as ground levelling, decontamination and flood mitigation can reduce returns to a point where viability is insufficient to induce development. This is especially relevant where the equity to debt ratio is too low to secure affordable development finance, as work in progress below ground is of less value to the funder than completed units / work in progress above ground. Contractors may also be reluctant or unwilling to accept the risk of cost or programme overruns, or provide warranties, increasing development costs or preventing development altogether.
- 4.27 **Difficulties securing finance / high finance costs:** Due to the increased marketing and under-occupancy / arrears risk associated with a greater number of relatively large units, development and investment finance may not be readily available, require larger equity contribution, or have prohibitively high interest rates that make the scheme unviable.

Level of development / lettings risk for developers compared to other product sizes

- 4.28 **Perceptions of a low demand market / lack of information about opportunities:** Compared to larger units, information on patent demand for Grow-on Space is less comprehensive, and latent demand for Grow-on Space can be more difficult to assess – making it harder to avoid over-provision, deterring developers.
- 4.29 **Low rental values and high yields:** Occupiers of Grow-on Space may require a quantum discount compared to smaller unit sizes due to affordability constraints or expectations, irrespective of value for money.
- 4.30 **Risk of tenants having a poor covenant strength:** Potential tenants may well not have the covenant strength that many investors require, and this would lead to unacceptably high yield levels (and therefore lower capital values against which to borrow / dispose), or more likely, investors simply not being prepared to finance such high-risk developments.
- 4.31 **Risk of under-occupation / arrears:** Compared to smaller units, where low demand can be spread across a range of accommodation, leading to some incidences of slower take-up / longer void periods / lower rental values, the financial impact for Grow-On space is greater due to fewer, larger units.
- 4.32 Similarly, where a company falls into arrears, the financial impact is greater due to the level of fewer, larger units. This risk may be exacerbated where an investor accepts a lower quality covenant to reduce a void period.

- 4.33 The above factors may lead to lack of availability of funding or high finance costs, and ultimately, insufficient viability to induce development.

Impacts of local businesses being trapped in sub-optimal accommodation

- 4.34 Figure 4-3 provides a conceptual framework for the economic impacts of local businesses being trapped in sub-optimal accommodation (we have not sought to consider the impacts arising from inward investment in this study).

- 4.35 There is a flow of causality from left to right:

- Local businesses experience a lack of available, quality Grow-on Space in quality locations, or significant barriers to relocation, due to a lack of “churn” within the wider market, resulting in companies continuing to occupy space which they would have normally vacated, if expansion (or contraction) floorspace had been available. This phenomenon currently spans properties throughout the supply chain.
- They are therefore trapped in sub-optimal size of accommodation and/or sub-optimal quality of accommodation (either in terms of location or space). Some businesses may make substitution decisions in response to these circumstances i.e. they may decide to locate in sub-optimal size accommodation to improve the quality of their accommodation.
- These circumstances impact businesses in a variety of ways that lead to knock-on impacts on the local economy and the wider economy.

- 4.36 For example, local businesses experiencing a lack of quality Grow-on Space or significant barriers to relocation:

- May become trapped in sub-optimally sized accommodation that means they must decline contract opportunities. This would lead to stalled or slower growth in turnover and profits, potentially causing cash flow issues that result in business death. Poor survival rates / reduced confidence to start businesses in the local economy would lead to reduced demand / poorer viability for new development in the local area.
- May remain in their current accommodation or take up an additional start-up unit, reducing availability for new start-ups in the local area. This would lead to higher rents for start-up accommodation, potentially causing outwards migration of businesses from the local area. Where the public sector is intervening to support priority sectors / delivering Local Industrial Strategies, this may lower the value for money of such activity for the Exchequer.

- 4.37 In addition, there are several potentially self-reinforcing loops, which we have highlighted in pink. For example:

- Slower growth in turnover and profits would increase risk / reduce confidence for capital investment by local businesses and may lead to poorer perceptions compared to competitor locations, in turn leading to lower demand / poorer viability for new

development. This would further diminish confidence for capital investment by local businesses and lead to even poorer perceptions, and so the loop would self-reinforce.

- Stalled growth in job creation compared to competitor locations would lead to outward migration / commuting of labour, in turn leading to increased congestion and skills shortages. This would further diminish job creation by local businesses and lead to further outward migration / commuting of labour, so the loop would self-reinforce.

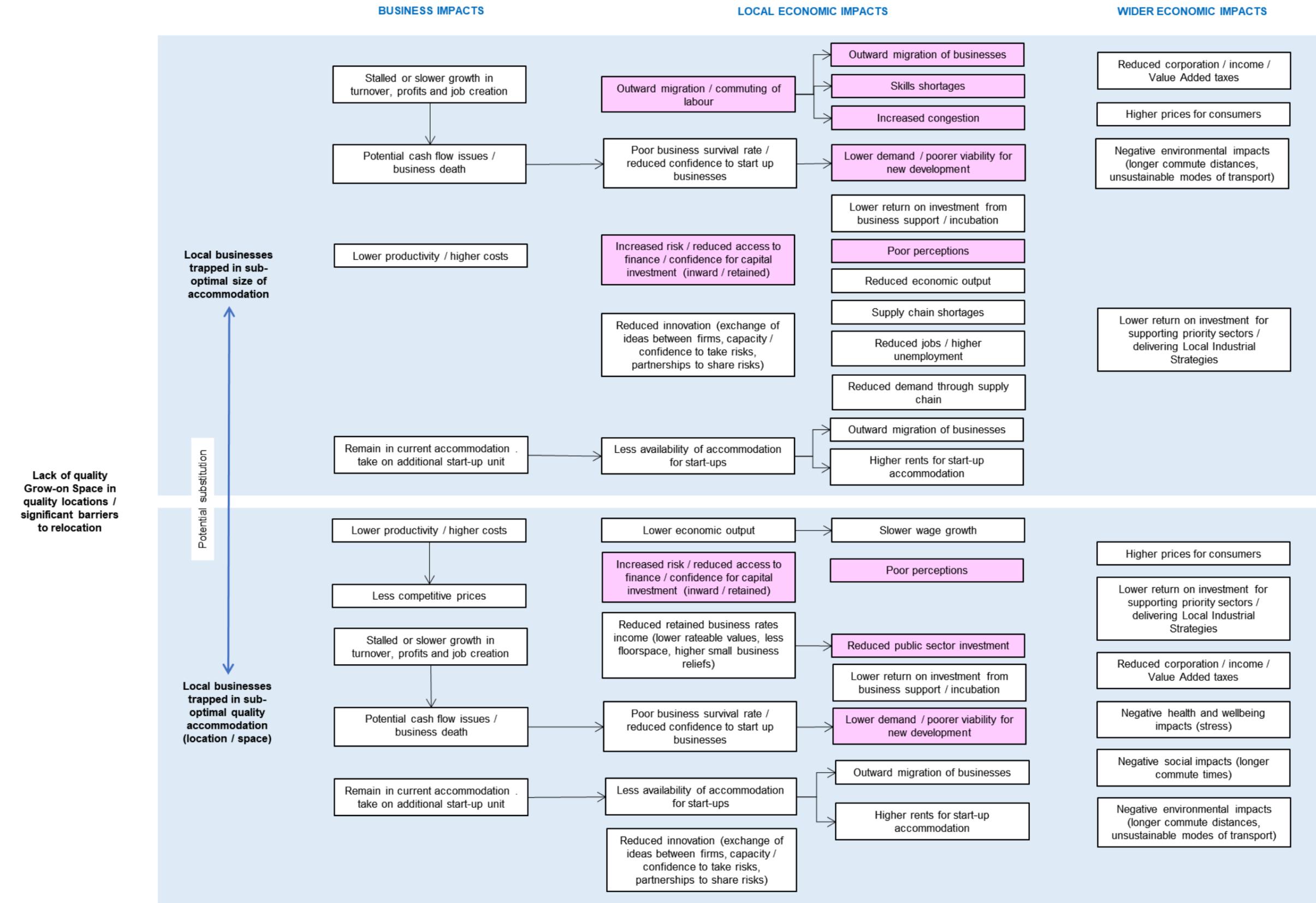
4.38 In the circumstances described above, these self-reinforcing loops would be negative, but with intervention to address the causes of the supply and demand gap, they could equally be positive.

4.39 Recognising that a supply and demand gap exists across South Essex, that this is likely to increase in future without intervention, and that other parts of the South East economic area are taking steps to address these, for stakeholders in South Essex to do nothing will likely lead to an exponentially negative impact on business and economic growth. There are also likely to be overlaps with factors currently being explored in the Productivity Strategy that is being prepared for South Essex.

4.40 We have considered the potential accuracy of various methods for quantifying some of these impacts in aggregate and over the long term; however, we have concluded that these are best estimated on an intervention by intervention basis to ensure that assumptions are based on the latest and intervention-specific information and impacts quantified over the shorter term. This is for several reasons:

- Direct costs and benefits would be highly dependent on the nature and extent of interventions in the coming years and the target areas where these are implemented, resulting in a great number of assumptions or scenarios at this stage. This dependency also applies to indirect and induced benefits
- Additionality will be influenced by the site / scheme-specific market failures and local economic and property market context
- When quantifying impacts in aggregate, it would be necessary to rely on 'top-down' jobs and floorspace forecasts to constrain growth assumptions; however, these do not provide granularity by size of business
- When quantifying impacts over the longer term, there would be increased uncertainty over changes in labour and floorspace productivity for different sectors and size of business

Figure 4-3: Conceptual framework of the economic impacts of local businesses being trapped in sub-optimal accommodation (i.e. excl. inward investment)



5. Recommendations for intervention resulting from our findings

- 5.1 In this section, we outline recommendations for intervention resulting from the supply and demand gap analysis, together with the causes and impacts of the gap presented in Section 4.
- 5.2 The interventions are presented in the same three categories as the causes of demand and supply gap:
- Ensuring adequate land availability
 - Ensuring sufficient viability to induce development
 - Managing development / lettings risk for developers

Within the planning system

- 5.3 We have identified 10 potential interventions within the planning system. The issues and potential responses will vary across South Essex, and so for each intervention we have provided:
- Commentary on the context, rationale and proposed intervention
 - A list of factors likely to be critical to ensuring the effectiveness of the intervention
 - Examples of target areas where the intervention may be most relevant
 - An assessment of the potential impact of the intervention, and justification for the assessment
- 5.4 We recommend that these interventions are considered by the planning policy and development management teams at each of the Local Planning Authorities and implemented appropriately for their local area.

Ensuring adequate land availability

Potential intervention 1: Planning policy protecting against loss of existing and new employment allocations to competing uses

- 5.5 Local planning authorities should commission a proportionate but robust evidence base to identify existing employment areas that require greater and lesser protection from competing uses such as residential, retail warehousing and trade counters. Areas requiring greater protection may be a combination of strategic locations and locally significant ones that already provide a stock of affordable Grow-on Space. Policies should then be developed that afford appropriate protection to each area.

Critical success factors

- Proportionate but robust evidence base to ensure compliance with national guidance
- Adequate technical resources to assess whether genuine deliverability challenges exist on a case by case basis

	<ul style="list-style-type: none"> Local planning authority officers will require the support of elected officials to enforce such policy, delaying delivery of a site / providing more proactive intervention if required
Potential target areas	<ul style="list-style-type: none"> Strategic locations that are well-connected, good amenities (e.g. A127 corridor) Locally significant locations providing affordable Grow-on Space
Potential impact	<p>HIGH Potential to safeguard and secure employment land in strategic / locally significant locations</p>

Potential intervention 2: Development management protecting against loss of new employment allocations to competing uses

5.6 Where planning policy requires new employment uses as part of mixed use site allocations, and this is supported by viability testing, local planning authorities should be confident in requiring the floorspace to be built as a developer obligation linked to housing delivery, rather than relying on residential developers to market the land for onward delivery by another party.

5.7 Where genuine deliverability challenges arise, more proactive public-sector interventions may be required to address these, rather than conceding on change of use. However, in some circumstances, it may be appropriate to risk delaying delivery of a site until later in the Local Plan period when viability is sufficient to meet planning policy requirements.

Critical success factors	<ul style="list-style-type: none"> Allocation of sites with appropriate scale and location Defensible evidence base to ensure compliance with national guidance Adequate technical resources to assess whether genuine deliverability challenges exist on a case by case basis Considered drafting of Section 106 obligations, particularly those requiring delivery of <u>floorspace</u> rather than marketing of land for onward delivery by third party Local planning authority officers will require the support of elected officials to enforce such policy, delaying delivery of a site / providing more proactive intervention if required
Potential target areas	<ul style="list-style-type: none"> New employment allocations, particularly where values for other uses is higher
Potential impact	<p>HIGH Potential to safeguard and secure employment land in strategic / locally significant locations</p>

Potential intervention 3: Planning policy and development management that retains some compatible employment uses on existing employment allocations released for housing

5.8 In some cases, Local Planning Authorities may be supportive of release of employment sites, for example, where they are located adjacent to and/or share vehicular access with residential areas, causing tensions due to 'bad neighbour' impacts such as noise and air pollution.

5.9 However, these sites can play a locally significant role in providing affordable workspace for smaller businesses and employment opportunities with low commute times for residents, and Local Planning Authorities should consider opportunities for protecting or re-providing at least some compatible uses.

Critical success factors	<ul style="list-style-type: none"> • Where employment floorspace is re-provided, careful design can mitigate against bad neighbour impacts – and, indeed, contribute to placemaking. This may include provision of active frontages along key routes, collocating daytime employment uses alongside evening leisure uses to create vibrancy throughout the day, or separation of heavy goods vehicles from pedestrian and cycle traffic. • Clear planning policy requiring protection or re-provision of at least some compatible uses may help to manage land owner expectations of value, increasing the viability of Grow-on Space.
Potential target areas	<ul style="list-style-type: none"> • Existing employment allocations near residential uses (e.g. several employment areas in Brentwood, and the Shoebury Garrison and Progress Road Industrial Estates in Southend)
Potential impact	<p>LOW</p> <p>Will apply to relatively few / less strategic locations, but potential to make a locally significant contribution to affordability and sustainable development</p>

Potential intervention 4: Timely allocation of new employment sites (suited to Grow-on Space development) in planning policy

5.10 There is already significant unmet housing need within South Essex and across the wider Thames Estuary and substantial new communities are likely to be required in response. Without sufficient land allocations or direction through planning policy, the private sector may seek to bring forward planning applications for less sustainable sites and development schemes with little or no employment uses.

Critical success factors	<ul style="list-style-type: none"> • Timely identification of preferred growth areas in planning policy and subsequent housing and employment allocations of appropriate scale may help to increase the sustainability of new development by providing new employment opportunities with short commute times. • Beyond scale and location, policies promoting a vibrant mix of uses and high quality placemaking may also increase the deliverability of Grow-on Space. • Development management to ensure onward delivery of allocated employment sites (See Potential Intervention 2). • Clear planning policy requiring employment uses as part of housing growth areas may help to manage land owner expectations of value, increasing the viability of Grow-on Space.
Potential target areas	<ul style="list-style-type: none"> • Locations that are (or will be in future) well-connected (e.g. Dunton Hills in Brentwood or Ockendon in Thurrock) and/or well-served by amenities (Lakeside Basin or Wickford) • Locations where residential land values exceed employment land values

Potential impact **MODERATE**
Proactive approach highly desirable, but development management provides another avenue to achieve similar results.

Potential intervention 5: Planning policy that requires a mix of unit sizes as part of larger / highly viable employment schemes

5.11 There are many locations within South Essex where the development of new employment floorspace is viable, although in some locations this is only the case for less-risky larger units (see commentary on causes of demand and supply gap in Chapter 4).

5.12 Planning policy requiring a mix of unit sizes as part of large employment schemes may be effective where the development of larger units is a preference of developers rather than a necessity, and where delivery of larger units is sufficiently viable to cross-subsidise smaller units.

Critical success factors

- Adequate technical resources to assess whether genuine deliverability challenges exist on a case by case basis
- Local planning authority officers will require the support of elected officials to enforce such policy, delaying delivery of a site / providing more proactive intervention if required

Potential target areas

- Locations where employment land values are sufficient to induce development of employment uses (e.g. in proximity to junctions of M25 / A13 / A127, London Southend Airport Business Plan), but development of larger units is a preference of developers
- Larger / highly viable employment schemes where delivery of larger units can cross-subsidise smaller units

Potential impact **LOW**
Potential impact limited to larger / highly viable employment schemes

Potential intervention 6: Securing delivery of Grow-on Space through Section 106 obligations where very large employment units / low employment density uses are permitted

5.13 There are a small number of locations within South Essex where there is occupier demand for very large units (say, over 250,000 sq ft) and where employment densities are relatively low i.e. there is a negative impact of development that could be mitigated. Due to low market risk due to pre-lets, and economies of scale in development and operation, viability may be sufficient to induce development at lower land values.

5.14 The planning system may be able to capture some of this 'supernormal profit' through Section 106 obligations to secure the delivery of Grow-on Space, helping to close the gap in supply and demand for businesses, as well as supporting job creation. The obligations could range from provision of land-in-kind, to delivery of floorspace, or a financial contribution for off-site development. See also potential intervention 7, relating to CIL charging.

Critical success factors

- Defensible evidence base to ensure compliance with national guidance, identifying appropriate thresholds for size

	<ul style="list-style-type: none"> • Adequate technical resources to assess whether genuine deliverability challenges exist on a case by case basis • Considered drafting of Section 106 obligations, particularly those requiring delivery of <u>floorspace</u> rather than marketing of land for onward delivery by third party • Local planning authority officers will require the support of elected officials to enforce such policy, delaying delivery of a site / providing more proactive intervention if required
Potential target areas	<ul style="list-style-type: none"> • Locations where there is occupier demand for very large units (e.g. junctions of M25 / A13 / A127, ports, London Southend Airport) with low employment densities
Potential impact	<p>MODERATE</p> <p>Potential impact limited by the number of very large units delivered, but opportunities to capture significant value from high value areas and redeploy in areas with greatest supply and demand gap</p>

Ensuring sufficient viability to induce development

Potential intervention 7: Ensure that CIL Charging Schedules do not reduce viability of Grow-on Space

- 5.15 As explored under causes of demand and supply gap in Chapter 4, smaller units are often less viable than larger ones – and therefore deliverable by the private sector in fewer locations. Basildon and Southend-on-Sea both currently collect CIL charges for office, industrial and warehousing uses irrespective of size or location.
- 5.16 Local Planning Authorities should ensure that the evidence base underpinning CIL Charging Schedules considers the implications of this, and that subsequent policies do not reduce viability of Grow-on Space, particularly in locations with the greatest supply and demand gap for such space. Subject to viability, introducing a size threshold may be revenue neutral or positive for local planning authorities.

Critical success factors	<ul style="list-style-type: none"> • Defensible evidence base to ensure compliance with national guidance, identifying appropriate charging zones and/or thresholds for size • Ensuring that size thresholds do not lead to unintended consequences e.g. a shortage of supply for units just above the threshold size
Potential target areas	<ul style="list-style-type: none"> • Across South Essex, with charging zones and size thresholds determined by viability testing
Potential impact	<p>MODERATE</p> <p>Potential to incentivise delivery of Grow-on Space in areas with greatest supply and demand gap, as well as opportunities to capture significant value from high value areas and redeploy in areas with greatest supply and demand gap</p>

Potential intervention 8: Employment land allocations specifically for Grow-on Space

5.17 As explained under causes of supply and demand gap in Chapter 4, planning risk influences land values, subsequently affecting viability and therefore competition for land between different uses. There are a variety of opportunities for the planning system to manipulate the planning risk of achieving a use other than Grow-on Space:

- For smaller employment land allocations in appropriate locations, designating these entirely for Grow-on Space through planning policy;
- For medium-sized employment land allocations with more than one private sector owner (i.e. where land values need to be equalised), requiring a minimum quantum of Grow-on Space through planning policy and requiring that planning applications must either be brought forward comprehensively with a single Section 106 agreement, or contribute towards land equalisation;
- For larger employment areas, designating a portion of the area for Grow-on Space either through a masterplan or separate allocations;
- For employment land in public sector ownership, allocating an appropriate quantum or portion of the area for Grow-on Space through a planning policy or a masterplan, thereby adjusting the threshold for best consideration.

5.18 See also potential intervention 4, relating to timely allocation of new employment sites in planning policy.

Critical success factors	<ul style="list-style-type: none"> • Allocation of sites with appropriate scale and location • Defensible evidence base to ensure compliance with national guidance • Considered drafting of planning policy, with legal support where necessary • Adequate technical resources to assess whether genuine deliverability challenges exist on a case by case basis • Local planning authority officers will require the support of elected officials to enforce such policy, delaying delivery of a site / providing more proactive intervention if required
Potential target areas	<ul style="list-style-type: none"> • Across South Essex, subject to defensible evidence base
Potential impact	<p>MODERATE</p> <p>Use cases limited by up-front investment of resources by local planning authority and significant barriers to effective intervention</p>

Potential intervention 9: Planning policy that promotes the creation of high quality places

5.19 Many high potential start-ups and scale-ups are less suited to traditional places of employment such as industrial estates and business parks, favouring 'Innovation Districts' with greater vibrancy achieved through denser development with a greater mix of uses and high-quality pedestrian and cycle routes.

5.20 These new places may emerge in areas with poor quality business accommodation and limited amenities, resulting in low land and property values, despite relatively high public transport accessibility. At relatively low and phased development cost, buildings can be refurbished, public art can be installed, and a greater mix of uses established, increasing demand such that viability is increased (higher values and reduced market risk).

5.21 Planning policy can play a role in encouraging the creation of these sorts of places in appropriate locations. See also a recommendation relating to public sector investment in placemaking and promotion beyond the planning system.

Critical success factors

- Monitoring and building upon the current strengths and addressing the current weakness of places

Potential target areas

- Areas with poor quality business accommodation and limited amenities
- Areas with low land and property values despite relatively high public transport accessibility
- Areas with an existing cluster of high potential start-ups and scale-ups to build upon
- Could also form a small area / early phase within a town centre regeneration scheme or new business park

Potential impact **MODERATE**
Potential impact limited by a particular set of local 'ingredients', although some areas may become of greater than local significance. Whilst planning policy can play a role in encouraging the creation of these sorts of places, their creation is often organic and private sector-led.

Managing development / lettings risk for developers

Potential intervention 10: Providing maximum planning certainty to potential applicants

5.22 Planning policy that provides clear direction on development constraints, acceptable development (uses, sizes, scale and massing, access arrangements) and mitigation requirements can help scheme promoters manage risks, such as by entering into appropriate agreements with land owners and contractors.

5.23 This planning policy certainty could be provided:

- Alongside employment allocations, potentially including the implementation of simplified planning zones for Grow-on Space where the supply and demand gap is greatest;
- Within detailed development briefs and masterplans, and/or;
- Through timely, affordable and definitive pre-application discussions, potentially supported by a 'fast track' process for new build, change of use and extension applications for Grow-on Space.

Critical success factors

- Sound baselining and viability testing to inform the drafting of appropriate planning policy, as well as providing additional information to potential scheme promoters.

	<ul style="list-style-type: none"> • Adequate resources and empowerment of planning enforcement officers to advise potential applicants without prejudice to a final decision.
Potential target areas	<ul style="list-style-type: none"> • Employment allocations across South Essex
Potential impact	<p>MODERATE May help to secure delivery of Grow-on Space where viability is marginal, but unlikely to close fundamental viability gaps.</p>

Beyond the planning system

5.24 We have also noted a number of potential interventions beyond the planning system. We recommend that the Association of South Essex Local Authorities take the lead on developing these into a coherent and deliverable action plan in concert with other workstreams and in collaboration with other stakeholders, allocating responsibilities and identifying funding sources for each.

Ensuring adequate land availability

5.25 **Public sector acquisition of land** – Where the delivery of Grow-on Space is viable without a funding gap but insufficiently viable to induce development of such space in competition with other products, public sector control of employment land can help to ensure adequate availability of land for onward delivery of Grow-on Space. Local authorities may wish to acquire land in appropriate locations on the open market or, if necessary, seek a Compulsory Purchase Order. This may help to resolve market failures leading to under-utilisation of land and buildings.

5.26 A higher Benefit Cost Ratio may be achieved for the public sector by acquiring land with some planning / enabling risk or before market demand and prices have been proven (lack of a first mover / price maker / market creator). Onward delivery of Grow-on Space may be achieved through disposal conditions or delivery partnerships. See also: Public sector cross-subsidy / swapping of land.

5.27 **Public-sector coordination and investment in off-site / strategic infrastructure** - Where new employment sites are allocated in planning policy, statutory undertakers must coordinate and invest to deliver the required off-site / strategic infrastructure such as transport and utilities in good time (pump priming as necessary). Such investment may be prioritised based on potential impact on business and economic growth, such as at strategic locations and where synergies can be achieved between projects (e.g. linking placemaking and infrastructure investment).

5.28 It will be necessary to raise adequate funding from the public and private sector as appropriate, including through developer obligations. Where land is being brought forward in phases and/or by multiple developers, the public sector may need to play a coordinating role in pooling developer obligations or securing an agreement for other land equalisation mechanisms.

Ensuring sufficient viability to induce development

- 5.29 **Direct delivery of enabling works to de-risk onward delivery by private sector** – Where the delivery of Grow-on Space is viable without a funding gap but the costs and/or risks associated with enabling works are causing insufficient viability to induce development, the public sector may be able de-risk delivery and recover its investment upon disposal – as well as a premium for reducing risk for onward delivery. Intervention may involve carrying out site investigations and due diligence analysis to better assess and manage the risks, to procuring works for several such projects as a portfolio to achieve economies of scale and diversify risk.
- 5.30 Where there is a funding gap due to enabling works, but an economic case can be made to justify intervention to resolve market failure, non-recoverable grant funding may be sought, or approval secured for a lower than 100% financial recovery rate.
- 5.31 **Identification of existing under-utilised land and buildings that could be re-purposed to reduce development costs** – Refurbishment of existing buildings may be less costly than new build development, improving viability. This may be particularly important in inducing redevelopment of existing employment land and premises, where an investor can already achieve a rental income but for a less productive open storage / lower employment density use. Such buildings may already be in the ownership of the public sector, or in private ownership and acquired / supported by the public sector.
- 5.32 This may also be relevant to vacant retail and leisure floorspace in town centres, which often offer good access to amenities and public transport interchange.

Figure 5-1: Case study - Brentwood Town Hall

Brentwood Borough Council consolidated their corporate functions into a single floor within the Town Hall, using the ground and first floor to provide commercial space for businesses, and the upper two floors to provide 19 privately rented apartments.

- 5.33 **Review of pricing structures / term lengths where the public sector supports managed workspace to support graduation from smaller to larger space** – We are aware of some managed workspace within the study area that does not offer a quantum discount for larger occupiers, despite the additional cash flow risk posed by a large rental commitment. This may lead to businesses remaining in their current accommodation or taking up an additional start-up unit, reducing availability for new start-ups in the local area. This could lead to higher rents for start-up accommodation, potentially causing outwards migration of businesses from the local area.
- 5.34 Where values for smaller space are sufficient, it may be possible to consider pricing structures that effectively provide a cross-subsidy from smaller to larger units, or from older to younger businesses.
- 5.35 **Provision of non-recoverable grant funding to close viability gaps** – Local authorities should consider preparing business cases for funding bids to the South East LEP (or other government agencies, as appropriate) either for individual facilities or a wider programme of activity. Match funding, potentially recovered through future business rates income, could

improve the chances of such funding bids being successful. Alternatively, local authorities may wish to entirely fund such grants from their own funds. Any intervention will need to be underpinned by robust due diligence analysis of both development and holding phases, and be compliant with State Aid regulations.

Figure 5-2: Case study – Coventry and Warwickshire Local Growth Deal

Coventry and Warwickshire LEP has committed £9.4m as part of its Growth Deal with HM Government, to deliver the 'Ansty Park Advanced Manufacturing Engineering Grow On Space in Rugby' - complementing the work of the Manufacturing Technology Centre.

- 5.36 **Granting rights to use public sector land / reflecting non-financial considerations in assessment of best consideration to close viability gaps** - Where suitable land is already owned by local authorities, this may be disposed of to the private sector for onward delivery through disposal conditions. Due to the increased development / lettings risk for Grow-on Space compared to alternative uses, the capital receipt for the land may be lower than through an unconditional disposal, and approvals may need to reflect non-financial considerations to ensure that best consideration has been achieved, in line with Cabinet Office and other asset management guidance¹⁵². Overage provisions should also be considered where appropriate.
- 5.37 **Public sector cross-subsidy / swapping of land** – The public sector may be able to mitigate the costs / risks of intervention in the Grow-on Space market or relevant sites by being active in better functioning parts of the land and property market, such as cleared and serviced sites, high demand areas such as along the strategic road network, and high demand uses such as logistics.
- 5.38 This activity could include:
- Development of and/or investment in viable sites and stock to generate profits for reinvestment un less viable sites
 - Capturing land value uplift from more viable projects through developer obligations, and reinvesting it in less viable projects
 - Conditional disposal of portfolios of land to the private sector including a mixture of more and less viable sites
 - Swapping a quantum of development-ready public sector owned land to a quantum of less viable private sector land of equivalent value, for onward de-risking by the public sector
- 5.39 These forms of redistribution may within a local authority area, or across local authority areas, if adequate mechanisms can be put in place.

¹⁵² Cabinet Office (2017) *Guide for the disposal of surplus government land*
<https://www.gov.uk/government/publications/guide-for-the-disposal-of-surplus-government-land>

Managing development / lettings risk for developers compared to other product sizes

- 5.40 **Providing low cost / interest-free development finance** - Whilst unlikely to close a significant viability gap, submarket finance terms may help reduce the risk posed to developers by longer payback periods. Such an intervention may also help owner occupiers who wish to expand their current premises / refurbish an existing building, or close a viability gap for a workspace provider with charitable objectives. Any intervention will need to be underpinned by robust due diligence analysis of both development and holding phases, and be compliant with State Aid regulations.

Figure 5-3: Case study – Workspaces Kent

Although not specifically targeted at Grow-on Space, Workspaces Kent, funded by the South East LEP's Growing Places Fund, offers interest free loans of up to £700,000 towards the development of start-up incubator space.

- 5.41 **Public-sector investment in placemaking and promotion** – Placemaking and promotion can help to increase demand and values, reducing risk / enhancing rewards for developers. This is particularly the case where market demand and prices have not yet been proven (lack of a first mover / price maker / market creator), or a step change is considered possible. The public sector can play a pivotal role in this through an economic development lens. See also: Potential intervention 9: Planning policy that promotes the creation of high quality places.
- 5.42 **Public sector subsidy / underwriting to account for under-occupation** – Where private sector business plans demonstrate that the risk of under-occupation means that development or operation is unviable, the public sector may be able to de-risk the project subject to State Aid compliance – particularly where the under-occupation is expected to be time limited (i.e. an uncertain / long take-up period).
- 5.43 This de-risking may involve:
- Providing business rates relief up until an occupancy level or time where the scheme is financially sustainable
 - Providing insurance against significant / extended voids, potentially in exchange for a premium
 - Guaranteeing a private sector operator, a minimum rental income in each year of the agreement i.e. paying out public funds equivalent to the shortfall against the minimum rental income
 - Pre-letting part of the scheme to reduce the impact of under-occupancy
 - Paying the operator, a fixed rental income under a head lease, essentially taking all letting risk
- 5.44 Where appropriate, the public sector should seek to share in upside risks as well as downside risks. See also: Public sector cross-subsidy / swapping of land.

Figure 5-4: Case study – Capturing Social Value Benefits in lieu of rent

Islington Council secured delivery of a new workspace through a Section 106 obligation, requiring that ownership of the space be transferred to them upon completion. They then let the space to a managed workspace provider at a peppercorn rent, with a commitment to deliver business support and other services equivalent to the rental value of the lease.

Figure 5-5: Case study – Council pre-let to reduce risk of under-occupancy

Ashford Borough Council pre-let a small number of the floors in a new multi-storey town centre scheme reducing take-up risk for the developer and ensuring viability for the scheme as a whole.

- 5.45 **Direct development / partnering arrangements** – Where necessary due to market failure (i.e. even after offering a cleared and serviced development platform to developers), or where the public sector wishes to generate income (capital receipts or ongoing rental income), it may choose to directly deliver or enter into a partnership with either other public sector bodies or private organisations bringing relevant skills and expertise to do so. Such arrangements could be for individual sites or a portfolio, and could cover the development period only or through to operation and maintenance.
- 5.46 Funding for direct delivery might be secured from the private sector as part of a partnering arrangement, speculative corporate investment from cash reserves or the Public Works Loans Board, or through a funding agreement with a body such as the South East LEP. Legal advice may be necessary to assess and mitigate State Aid compliance risks.

Figure 5-6: Case study – The Grow-on Space building, Market Harborough

Harborough District Council allocated up to £3.6m to fund The Grow-on Space building, at Compass Point Business Park in Market Harborough, with £3.3m coming from the European Regional Development Fund (ERDF) and £1.0m from the Leicester and Leicestershire Enterprise Partnership (LEEP). Office suites will be available ranging from 95 sq m (1,000 sq ft) to 280 sq m (3,000 sq ft) with flexibility to meet business demand.

The Grow-on Space follows the success of the Harborough Innovation Centre, which Harborough District Council developed and opened in 2011, to provide office space for start-up and new businesses. After completion in 2019, the Grow-on Space project is expected to create around 230 jobs and bring £20m into the local economy over the following five years.

- 5.47 **Improving information flow between demand and supply side operators, and economic development agencies** – Improved information flow may reduce risk for land owners / developers / and managed workspace providers on the supply side, by better understanding the nature and extent of demand, securing pre-lets and reducing voids. It may also increase the efficiency of allocation of a scarce resource on the demand side, by making occupiers aware of the range of options available to them.

- 5.48 Whilst we have not sought to establish what links currently exist for matching occupiers to available accommodation, there may well be opportunities to improve and expand what is being done. Interventions might include meetings and networking events and sharing of enquiries and waiting lists, and would need to be compliant with data protection regulations. The South East LEP, BEST Growth Hub, Invest ESSEX and economic development officers may all have a role to play in this.

Annex A: Spatial and socioeconomic baseline

Annex B: Stock and pipeline report

Annex C: Office transactional data report

Annex D: Workshop and warehousing transactional data report