Portsmouth City Employment Land Forecasting

Portsmouth City Council

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Contents

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1   INTRODUCTION

1.1   GL Hearn has been appointed by Portsmouth City Council (PCC) in supporting Local Plan development in relation to employment land needs forecasting.

1.2   PCC has a range of evidence including its Approach to Employment Land Study 2019. Notwithstanding this, there is emerging evidence including from the Local Economic Partnership (LEP) and Portsmouth Economic Development and Regeneration Strategy 2019-36 that warrants testing the findings and recommendations in the 2019 study.

1.3   This report reviews the evidence base in the round, moving on to examine the economic forecasts and growth aspirations for Portsmouth and the implications on employment land need. Recommendations are made regarding the preferred employment land need position as the Council moves towards Local Plan consultation and submission.

COVID-19

1.4   This report was produced in March 2020 and finalised in May. In the intervening period the COVID-19 pandemic has affected the UK causing an economic shock. Medium-term changes in economic outlook are not yet clear, however the Office for Budget Responsibility expects a rapid recovery. There are also potential implications for future working patterns with office-based workers in particular having to work fully remotely during the pandemic lockdown phase. Some continuation of this trend would reduce office floorspace densities and overall requirements. The permanence of these effects is unlikely to be clear for some time.

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2   EVIDENCE BASE REVIEW

2.1   This chapter provides a review of relevant policy documents pertaining to Portsmouth's economy and employment. The documents were analysed to ascertain relevance to assessing the future employment and floorspace need in the local authority.

National Planning Policy Guidance: Assessing Economic Need

2.2   When considering the scale of future needs the Planning Practice Guidance (PPG, 2019)[1] requires consideration of quantitative and qualitative need. This entails estimating the scale of future needs broken down by different market segments, such as different B use classes. The PPG recommends the use of a number of different techniques to estimate future employment land requirements, namely assessments based on:

- Labour Demand;
- Labour Supply; and
- Past Take-Up.

2.3   There are relative benefits of each approach. For Labour Demand scenarios and Labour Supply Scenarios, econometric forecasts take account of differences in expected economic performance moving forward relative to the past, overall with regard to the sectoral composition of growth. However, a detailed model is required to relate net forecasts to use classes and to estimate gross floorspace and land requirements.

2.4   In contrast, past take-up is based on actual delivery of employment development; but does not take account of the implications of growth in labour supply associated with housing growth nor any potential differences in economic performance relative to the past such as technology or changes in working habits. It is also potentially influenced by past land supply policies. Additional considerations required may include technological changes and working habits that are unique to a local area.

Local Plan Position

Portsmouth City Local Plan 2001-11 (Adopted 2006)

2.5   A number of policies within the 2001-2011 Local Plan have been deleted and superseded by the Portsmouth Plan, which is reviewed below.

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[1] Housing and economic needs assessment PPG (Feb 2019) 027 Reference ID: 2a-027-20190220

The Portsmouth Plan 2012

2.6   The Portsmouth Plan is Portsmouth's Core Strategy document which was created to replace the 2006 Local Plan. The main employment objectives of the document are *improving employment opportunities in the city for all* and *ensuring the growth of the economy*, particularly through the redevelopment of sites at Tipner, Port Solent and Horsea Island. The Portsmouth Plan objective for employment is "To develop Portsmouth as a city of innovation and enterprise, with a strong economy and employment opportunities for all"[2]

Table 1:   Portsmouth Plan Key Employment Policies

Policy	Description
PCS4 Portsmouth city centre	Expand the role of the office economy and set clear boundaries for the protection of office use being converted to residential.
PCS5 Lakeside	Key employment area, with planning permission for additional 69,030 sqm in three phases over the employment period (to 2027).
PCS8 District Centres	B1a floorspace to be encouraged above retail centres and leave other uses to the ground floor frontage. The loss of floorspace on the first floor or above will be resisted. Key areas of development will be Albert Road & Elm Grove, Cosham, Fratton and North End.
PCS11 Employment Land	Target of 243,000 sqm delivered by 2027 in the following "target locations": City Centre (B1), Cosham & North End District Centres (B1), Lakeside (69k sqm B1), Tipner & Port Solent (25k sqm B1), existing estates (with up to 62k sqm of additional floorspace).
PCS18 Local shops & services	Reiterates that office (B1a) will be encouraged above retail space in local town centres.

Source: Portsmouth Plan (2012)

Local Plan Issues and Options Consultation

2.7   The Issues and Options consultation is the "first stage" in preparing the Local Plan for the period up to 2034. It states that Portsmouth's target is to plan for 92,000 sqm of office floorspace and 28,000 sqm of mixed b-class floorspace (comprising B1a/b, B1c/B2 and B8). The document identified key locations being Portsmouth City Centre, Lakeside North Business Park, along with Tipner and Horsea Island.

2.8   Current options relating to employment are:

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[2] The Portsmouth Plan (2012), Page 13

- New Employment Centres or Protection of Existing Employment Centres (Options LE1 vs LE2).
- Provide 120,000 sqm of employment floorspace to 2034 or 100,000 sqm with selective release of employment land for residential development (Options ET1a vs ET1b).

2.9   The document subsequently discussed "Strategic Development Sites and Opportunity Areas for Growth". Strategic Development Sites include:

- Horsea Island in conjunction with Tipner west to provide approximately 25,000 sqm of employment floorspace.
- Lakeside North to provide 69,000 sqm of employment (B1a) floorspace.

2.10   Opportunity Areas Include:

- Portsmouth City Centre
- Cosham
- North End
- Fratton
- Somerstown
- The Seafront

Economic Development and Employment Land Evidence Base

2.11   These documents are key in assessing the needs of employment lands and are analysed below.

PUSH 2016 Spatial Position Statement

2.12   The Partnership for Urban South Hampshire (PUSH), now Partnership for South Hampshire (PfSH) developed a Spatial Position Statement to help the local authorities create Local Plans within the context of the wider sub region.

2.13   The report identified Portsmouth as an "anchor city" and identified a need of 92,000 sqm in office floorspace and 28,000 sqm in mixed b-class floorspace, accounting for a total need o 120,000 sqm from 2011-34.

2.14   The report identifies "Portsmouth Urban Area and City Centre" as a "strategic development site" for a mix of uses which forms part of a wider "major growth area".

Business Needs, Site Assessment and Employment Land Study 2016

2.15   Lambert Smith Hampton (LSH) conducted an employment Land Study on behalf of Portsmouth City Council in July of 2016. The study aimed to understand the quality and suitability of employment sites along with any gaps within the supply.

2.16   The study identified "key industrial estates":

- Airport Estate (including Voyager Park, Nelson Centre, Mitchell Way, Quadra Point, Portfield, Interchange Park, Broadoak Works etc.)
- Railway Triangle
- Harbourgate
- Farlington Industrial Estate
- Walton Road
- Rodney Road
- Trafalgar Wharf
- Limberline Estate

2.17   "Key office locations":

- Lakeside Business Park
- Compass Business Park
- Portway
- Acorn Business Centre / Quay Point
- Rudmore / Kingston Crescent / Connect Centre

2.18   The report challenged the PUSH Spatial Position Statement recommendation of 92,000 sqm office and 28,000 sqm mixed b-class floorspace, writing that the city centre "*has a mediocre track record of attracting large scale office occupiers so demand is likely to continue to be the issue rather than lack of supply. This situation is compounded further by prime office rents at present being inadequate to support viable new development appraisals.*".

2.19   In terms of delivery, the report asserts that the *"delivery of the required floorspace of the right quality in the right locations is paramount and will necessitate strong and determined planning policy and pro-active Economic Development engagement with site owners and business occupiers around the City"*.

Portsmouth Housing and Economic Land Availability Assessment (HELAA) (2020) (Draft)

2.20   The Portsmouth Housing and Economic Land Availability Assessment (HELAA) reviews in detail the availability and suitability of sites which can be developed within Portsmouth.

2.21   The study reviews sites allocated in the 2016 Employment Land Study along with others in the Portsmouth Core Strategy 2012. Some sites were updated as per the June 2015 City Deal and are reviewed below:

- **BL1 – Tipner** which was estimated to provide a maximum of 30,000sqm of employment floorspace, to be finalised in the Tipner master planning work;
- **BL2 – HMNB Portsmouth** which will provide employment mixed with housing, leisure at both the HMS Nelson site and Land at North and West of Circular Road. It is not determined how much employment will be provided;
- **BL3 - Portsmouth City Centre** which will provide "significant" office space out of a total of 50,000 sqm, a figure which is being finalised in the City Centre Masterplan;
- **BL5 – Lakeside Business Park** which will provide 69,000 sqm of office floorspace; and
- **BL11- Cosham** which could provide a maximum of 5,000 sqm of employment floorspace.

2.22   Delivery of the B-class employment floorspace is presented below.

**Table 2:   Estimated B-Class Employment Floorspace Projections**

Broad location			Timeframe (years)			
Location No.	Location name	Capacity	0-5	05-10	10-15	15+
BL1	Tipner	30,000	5,000	10,000	10,000	5,000
BL2	HMNB Portsmouth	-	-	-	-	-
BL3	City centre	50,000	2,000	10,000	10,000	18,000
BL5	Lakeside	69,000	10,000	10,000	10,000	39,030
BL11	Cosham	5,000	1,000	2,000	1,500	1,500
Total		**154,000**	**18,000**	**32,000**	**31,500**	**63,530**

Source: Portsmouth HELAA 2020

Portsmouth City Centre Development Strategy, JLL, 2019

2.23   The purpose of part one of this document was to "provide advice and guidance to the Council in the delivery of a City Centre Development Strategy" and possibly become adopted as a supplementary planning document. It contains a review of relevant documents such as Authority Monitoring Reports (AMRs) and also identifies key areas and their suggested design use. Much of the report focuses on non-B class employment uses such as retail and leisure, but parts engage with the commercial office market in the city centre.

2.24   The area around Station Square is proposed to become the "business hub" of Portsmouth. Approximately 10,500sqm of office floorspace is proposed to be delivered.

2.25   The report reviewed (AMRs) in Portsmouth and reported on the overall loss of employment floorspace in the city centre to residential and other types of accommodation uses.

2.26   The report noted that since May 2013 permitted development rights have affected office supply. The figure below demonstrates the change of office use to residential.

Figure 1: PDR Employment Floorspace Lost to 2017, JLL Report
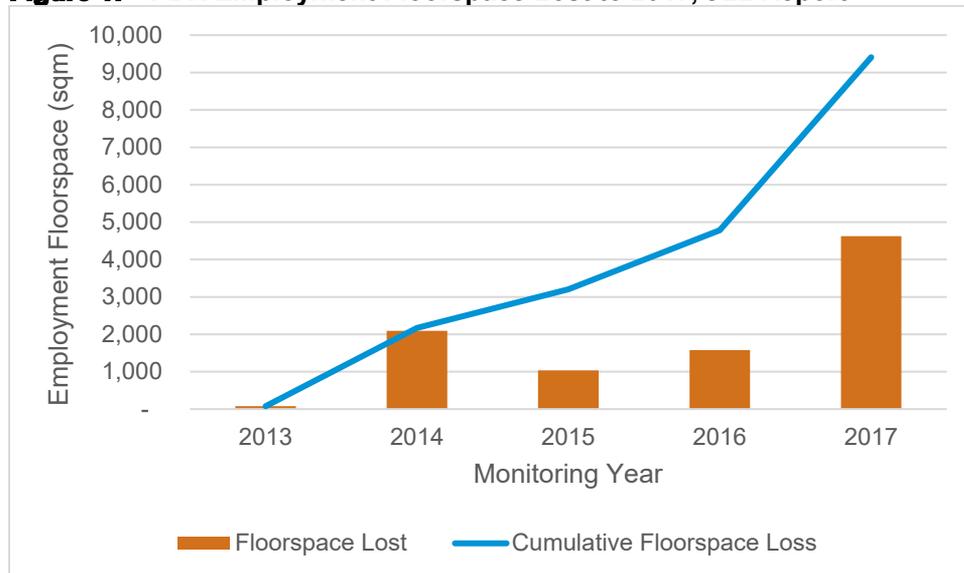
Source: Portsmouth City Centre Development Strategy, JLL

2.27 The report notes that 9,409 sqm of floorspace has been lost since 2013 through permitted development up to the latest monitoring year of 2017. However it is to be noted that total losses amount to 118,663 sqm over the same period, and thus the actual loss to permitted development is a relatively low proportion. The report failed to take into account that not all conversions to residential were recorded in the Authority Monitoring Data. In the current review herein we have considered PCC evidence below which has expanded upon the AMR findings to reveal a larger amount of floorspace lost to residential.

2.28 The report notes:

- There is likely to be strong demand from occupiers for the delivery of grade-A office space in the city centre due to the recent supply position being "constrained".
- There is a lack of office supply in the city centre with only 16,800 sqft of offices available, none of which are Grade A. Most units are under 3,000 sqft with the exception of one property (Wingfield House off Commercial Road).
- Prime office rents near the station in central Portsmouth are estimated to be £21 per sqft, and there is often greater competition for higher-value uses such as student accommodation.

Monitoring Data

2.29 PCC have supplied their own completions, commitments and loss data. GL Hearn have subsequently analysed this data to uncover key patterns in losses.

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Gross Completions

2.30   Completions data was analysed according to various floorspace uses. B-class space which was not disaggregated was left as "mixed" b-class.

Table 3:   Employment Floorspace Completions, 1995-2020

Period	Floorspace, sqm				
	Office (B1a/b)	Industrial (B1c/B2)	Warehouse (B8)	Mixed B-Class	Total
1995-96	8,423	0	2,227	5,735	16,385
1996-97	4,851	0	1,043	5,357	11,251
1997-98	2,585	300	2,081	5,596	10,562
1998-99	2,543	2,344	1,327	5,260	11,474
1999-00	2,814	2,852	2,222	7,199	15,087
2000-01	4,350	4,780	612	540	10,282
2001-02	2,889	8,776	650	12,845	25,160
2002-03	2,577	0	1,884	3,006	7,467
2003-04	1,914	0	3,817	5,001	10,732
2004-05	8,174	5,414	2,732	5,828	22,148
2005-06	723	0	0	2,011	2,734
2006-07	0	0	16,594	11,734	28,328
2007-08	12,540	0	0	3,845	16,385
2008-09	2,687	0	1,254	1,191	5,132
2009-10	11,645	0	255	1,216	13,116
2010-11	0	880	0	1,537	2,417
2011-12	558	0	0	1,046	1,604
2012-13	2,868	1,128	338	658	4,992
2013-14	467	0	0	0	467
2014-15	1,122	0	0	0	1,122
2015-16	6,968	0	0	0	6,968
2016-17	1,387	0	1,249	18,724	21,360
2017-18	256	913	360	288	1,817
2018-19	0	0	14,500	6,874	21,374
2019-20	377	0	0	3,538	3,915
Grand Total	82,718	27,387	38,645	109,029	253,864
1995-20 Avg	3,309	1,095	2,126	4,361	10,891
2001-20 Avg	3,008	901	2,296	4,176	10,381
2007-20 Avg	3,144	225	1,381	2,994	7,744

Source: Hampshire County Council Data, GL Hearn Calculations

Losses

2.31 Losses of employment space were analysed over the same time period in order to better understand the churn of the market.

Table 4: **Employment Floorspace Losses, 1995-2020**

Period	Floorspace, sqm				
	Office (B1a/b)	Industrial (B1c/B2)	Warehouse (B8)	Mixed B-Class	Total
1995-1996	3,230	0	1,748	5,795	10,773
1996-1997	5,981	0	888	2,184	9,053
1997-1998	8,316	343	3,639	4,073	16,371
1998-1999	9,538	6,721	3,839	3,758	23,856
1999-2000	7,135	4,532	222	4,630	16,519
2000-2001	18,172	0	360	0	18,532
2001-2002	1,630	698	2,997	228	5,553
2002-2003	1,931	273	323	61,825	64,352
2003-2004	2,579	0	0	25,818	28,397
2004-2005	2,844	1,356	3,692	9,587	17,479
2005-2006	6,170	7,638	999	0	14,807
2006-2007	2,020	300	2,340	4,311	8,971
2007-2008	717	333	598	4,382	6,030
2008-2009	4,707	1,777	222	482	7,188
2009-2010	1,926	0	0	4,178	6,104
2010-2011	350	647	458	924	2,379
2011-2012	11,664	0	580	1,914	14,158
2012-2013	1,737	965	3,040	0	5,742
2013-2014	8,941	4,130	10,727	242	24,040
2014-2015	5,366	1,451	9,000	4,670	20,487
2015-2016	15,297	1,008	3,988	4,751	25,044
2016-2017	16,918	2,000	0	0	18,918
2017-2018	6,888	1,007	0	0	7,895
2018-2019	11,269	620	0	3,455	15,344
2019-2020	8,809	1,115	0	265	10,189
Grand Total	164,135	36,914	49,660	147,472	398,181
1995-20 Avg	6,565	1,477	1,986	5,899	15,927

Source: Hampshire County Council Data, GL Hearn Calculations

2.32   The net change is reported in the table below. It was found that Portsmouth had lost more floorspace than it had gained from 1995 to 2020. However the period to 2011 saw net gains in B1, B2 and B8 with losses in Mixed B Class. From 2011 there have been significant losses in B1 floorspace and to a lesser degree in B2/B8 while often there have been gains in Mixed B Class.

Table 5:   Employment Floorspace Net Change 1995-2020

Period	Floorspace, sqm				
	Office (B1a/b)	Industrial (B2)	Warehouse (B8)	Mixed B-Class	Total
1995-96	5,193	0	479	-60	5,612
1996-97	-1,130	0	155	3,173	2,198
1997-98	-5,731	-43	-1,558	1,523	-5,809
1998-99	-6,995	-4,377	-2,512	1,502	-12,382
1999-00	-4,321	-1,680	2,000	2,569	-1,432
2000-01	-13,822	4,780	252	540	-8,250
2001-02	1,259	8,078	-2,347	12,617	19,607
2002-03	646	-273	1,561	-58,819	-56,885
2003-04	-665	0	3,817	-20,817	-17,665
2004-05	5,330	4,058	-960	-3,759	4,669
2005-06	-5,447	-7,638	-999	2,011	-12,073
2006-07	-2,020	-300	14,254	7,423	19,357
2007-08	11,823	-333	-598	-537	10,355
2008-09	-2,020	-1,777	1,032	709	-2,056
2009-10	9,719	0	255	-2,962	7,012
2010-11	-350	233	-458	613	38
2011-12	-11,106	0	-580	-868	-12,554
2012-13	1,131	163	-2,702	658	-750
2013-14	-8,474	-4,130	-10,727	-242	-23,573
2014-15	-4,244	-1,451	-9,000	-4,670	-19,365
2015-16	-8,329	-1,008	-3,988	-4,751	-18,076
2016-17	-15,531	-2,000	1,249	18,724	2,442
2017-18	-6,632	-94	360	288	-6,078
2018-19	-11,269	-620	14,500	3,419	6,030
2019-20	-8,432	-1,115	0	3,273	-6,274
Total	-81,417	-9,527	3,485	-38,443	-129,817
1995-20 Avg	-3,257	-381	139	-1,538	-5,036
2001-11 Avg	1,828	205	1,556	-6,352	-2,764
2011-20 Avg	-8,098	-1,139	-1,210	1,759	-8,689

Source: Hampshire County Council Data, GL Hearn Calculations

2.33   Subsequently, loss data was compared to floorspace that was specifically marked as "loss es to residential", whereby the employment floorspace is converted to flats or student accommodation, typically though permitted development rights.

Table 6:   Employment Floorspace Losses, 2010-2020

Year	Sum of All Loss	Loss to Residential
2010-2011	2,379	787
2011-2012	14,158	1,319
2012-2013	5,742	12,212
2013-2014	24,040	12,333
2014-2015	20,487	19,331
2015-2016	25,044	16,483
2016-2017	18,918	7,895
2017-2018	7,895	0
2018-2019	15,344	11,889
2019-2020	10,189	9,074
Grand Total	**134,007**	**82,249**

Source: Hampshire County Council Data, GL Hearn Calculations

2.34   This means that a total of 63% of all losses since 2010 can be attributed to floorspace being converted to residential uses. Herein, losses to residential has a more detailed level of analysis than was previously undertaken in the JLL report.

2.35   The degree of losses to residential makes a large contribution to total losses and effectively moves total net floorspace change since 2010 to a position of significant loss. Around 51,536 sqm of employment floorspace was completed during this period, with 91,323 sqm of losses to residential (42,349 sqm of which was specifically lost to student halls of residence) and 52,873 sqm to other employment and non-employment uses.

Employment Allocations

2.36   The 2019 BE Group Report entitled "Approach to Employment Land Study" on behalf of Portsmouth City Council completed a comprehensive review of existing employment sites across Portsmouth.

2.37   Key strategic sites identified:

- Portsmouth City Centre
- Lakeside Business Park
- Tipner West

2.38   Other sites identified:

- Builders Yard, Coniston Avenue

- Court Lane Yard, Cosham
- The News Centre, London Road
- Land at James Callaghan Drive
- Ben Ainslie HQ/Ineos Team UK at the Camber
- Yards west of Milton Road

Portsmouth City Centre

2.39   Portsmouth City Centre, as confirmed by completions data analysis, has struggled to maintain office floorspace due to conversions of stock to other uses such as student housing. Several other employment studies, such as the JLL masterplan and the BE study note that the retail offer in Portsmouth City Centre is also often not optimal, with some levels of vacancy.

2.40   The BE report noted that the City Centre North project, to the north of Commercial Road, has the potential to increase activity in the city centre and introduce a significant additional quantum of non-student dwellings as well as retail, leisure and dining space.

2.41   Increased retail and leisure development, along with ancillary residential development would help to make Portsmouth City Centre a more attractive destination for all types of uses, and subsequently an attractive place to set up business.

2.42   The University of Portsmouth is primed to be a key agent in the redevelopment of the city centre. Recently it has received large grants to further develop its plastic-enzyme research, the commercialisation of the research is expected to have spill-over effects into the local office B1a/b market. The Portsmouth Economic Development and Regeneration strategy 2019-36 envisages an innovation quarter being developed in the city centre combining this research institute, co-working space, new occupiers together with ancillary food and drink, leisure and retail.

2.43   The BE paper noted that the university plans to provide an additional 3,000 square metres of research, tech and office floorspace. The BE paper noted that there is exceedingly low availability in the office market across the city centre, with tenants choosing Lakeside business park as the location for grade A business space.

Lakeside Business Park

2.44   Lakeside Business Park has an allocation of up to 69,000 sqm of developable office floorspace and was noted in the BE report to comprise a large majority of supply meeting future office demand.

With tenants including Babcock, Capita, Market Makers and IBM, the refurbished office park has been more successful than Portsmouth City Centre at attracting and retaining top office occupiers.

2.45   Lakeside is now owned by Portsmouth City Council. It may be the case that the 69,000 sqm of office allocated will not be fully utilised, with some elements coming forward as residential. Some of the car parking could also be re-developed for other uses given its proximity to Cosham Station with a frequent private bus service supporting rail commuters.

Tipner West

2.46   Tipner has been identified by PCC as a strategic site. It can bring forward employment floorspace in the key growth sector of marine and maritime activities and other ancillary floorspace to Portsmouth in line with regeneration strategy growth objectives.

2.47   It is considered that Tipner West and Firing Range could deliver a minimum of 1,826 new homes and 30,000sqm of employment floorspace

2.48   In addition to the development of the existing land the City Council is promoting reclamation of land in Portsmouth Harbour which has the potential to increase the level of housing delivery by 2,800. The land reclamation is also expected to provide significant marine employment based opportunities. The overall aim is to create a sustainable community through a mixed use development with high quality Bus Rapid Transit routes to the city centre,

2.49   25,000 sqm of B1a floorspace was adopted in the Portsmouth Core Strategy (2012) and 30,000 sqm of business space across Tipner identified as part of the 2020 HELAA, with detailed floorspace figures being currently being worked up as part of the Tipner master planning work by Savills.

2.50   It has good connections to the M27, M275 and the waterfront and deep water access make it an attractive area for development. The Port of Solent is nearby, meaning that complimentary employment uses in the Marine Industry or any ancillary services would be best-placed in the area.

Other sites reviewed were:

- **Builders Yard, Coniston Avenue** – not suitable for employment use
- **Court Lane Yard, Cosham** – not suitable for employment use
- **The News Centre, London Road** – suitable for employment use with limitations
- **Land at James Callaghan Drive** - suitable for employment use with limitations
- **Ben Ainslie HQ/Ineos Team UK at the Camber** – to retain for employment use
- **Yards west of Milton Road** – not suitable for employment use

Growth Strategies Review

2.51   National and local growth ambitions are key to understanding the future employment needs of
Portsmouth over the local plan period.

Clean Growth Strategy, BEIS, 2017

2.52   The "Clean Growth Strategy", as outlined in the 2017 white paper written by the UK's Department
for Business, Energy and Industrial Strategy, has two primary objectives. To:

- *To meet our domestic commitments at the lowest possible net cost to UK taxpayers, consumers
and businesses; and,*
- *To maximise the social and economic benefits for the UK from this transition.*

2.53   The paper underscores that in order to meet objectives at stopping climate change, the government
must develop "low carbon technologies, processes and systems that are as cheap as possible" to
de-risk businesses from high energy costs and deliver the highest benefit to the taxpayer.

2.54   In the context of Portsmouth's growth objectives, this means that the city is primed to become a
market leader in "clean" technologies, capitalising on its existing institutions such as the strong
high-technology marine and maritime sector, the Portsmouth International Port and the University of
Portsmouth.

Clean Maritime Plan, Department for Transport, 2019

2.55   The Clean Maritime Plan, released in July 2019, was released by the Department of Transport with
the objective of moving all maritime activities towards a zero carbon future. The report states that:

> *The UK has taken a proactive role in driving the transition to zero emission shipping in UK
> waters and is seen globally as a role model in this field, moving faster than other countries
> and faster than international standards. As a result, the UK has successfully captured a
> significant share of the economic, environmental and health benefits associated with this
> transition.*

2.56   The paper also has a clear set of objectives for the economy by 2035:

i.   *The UK has built a number of clean maritime clusters. These combine infrastructure and
innovation for the use of zero emission propulsion technologies. Low or zero emission marine
fuel bunkering options are readily available across the UK.*

ii. *The UK Ship Register based in Southampton is known as a global leader in clean shipping and
the UK is home to a world-leading zero emissions maritime sector, with:*

a. a strong UK export industry

b. cutting-edge research and development activities

c. the global centre for investment, insurance and legal services related to clean maritime growth

2.57   As indicated when looking at the Clean Growth strategy, cities like Portsmouth are poised to become leaders in their fields and innovators in the market.

Portsmouth Economic Development and Regeneration Strategy, PCC, 2019-36

2.58   The Portsmouth Economic Development and Regeneration Strategy, written by PCC in partnership with all major stakeholders in the city including major companies, the Naval Base, University of Portsmouth and the Health Trusts, outlines several local and sector-specific objectives to 2036. These include in no particular order:

- Workplace employment growth of 7,000 jobs compared to 2017 [as opposed to the 3,000 additional jobs as predicted by the baseline Oxford Economics forecasts in the BE Group study];
- Adding co-working spaces around the high street to compliment the retail and leisure offer in the city centre;
- Investing heavily in the creative industries sector;
- Increased knowledge based sector representation such as professional services; and
- Upgrade and enhance the City waterfront.

2.59   Strategic aims and objectives specifically related to employment sectors include:

- **1. Strengthen the Portsmouth brand**
- Key objective 1.1 Build the brand: the great waterfront city
- **2. Become a destination city for ideas and innovation**
    - Key objective 2.1 Create a marine and maritime engineering and/or clean growth innovation quarter.
    - Key objective 2.2 Build on the strengths of the advanced manufacturing and engineering cluster.
    - Key objective 2.3 Boost innovation, research and creativity to attract entrepreneurs and support the economy.
- **3. Put people at the heart of regeneration**
    - Key objective 3.1 Prioritise a qualifications-progression skills strategy for local talent.
    - Key objective 3.2 Address low educational and pupil attainment in Portsmouth.
    - Key objective 3.3 Empower residents in Portsmouth to raise the City's economic activity rate.
- **4. Infrastructure and place**
    - Key objective 4.1 Push for new and improved public transport links regionally and locally.
    - Key objective 4.2 Delivery of major transport infrastructure in Portsmouth.
    - Key objective 4.3 Improve the city's housing offer.
    - Key objective 4.4 Upgrade local place infrastructure and enhance the city waterfront.
    - Key objective 4.5 Increase digital connectivity and utilities capacity.
    - Key objective 4.6 Embrace Portsmouth's environmental and wildlife assets and tackle climate change.
- **5. Create a thriving and competitive business environment**

o Key objective 5.1 Invest in and strengthen the visitor and creative industries sector.

o Key objective 5.2 Diversify the economy into more knowledge based sectors.

o Key objective 5.3 Revitalise the city centre, and high streets across the city.

o Key objective 5.4 Make Portsmouth the most business-friendly city with the best support for businesses.

The report also sited significant manufacturing companies such as Airbus, QinetiQ and DSTL within or adjacent to the city, but in particular noted that the Naval Base is one of the UK's premier advanced engineering establishments. The study added that the Naval Base is a commercial operation managed by BAE Systems on behalf of the UK government. The study concluded that there was also a wider range of advanced engineering services in and around Portsmouth with the potential for growth.

2.60   Whilst it is a strategy document, the specific employment targets are an ambitious but clear reflection of Portsmouth's commitment to economic growth. Priority sectors identified in the study are:

- Aerospace and Defence
- Aerospace subsector
- Defence subsector
- Creative Industries
- Digital Technology
- Environmental Technologies
- Financial & Professional Services
- Finance subsector
- Professional Services subsector
- Advanced Engineering
- Leisure and Visitor Economy (Tourism)
- Marine and Maritime

2.61   In addition, Oxford Economics data and insight is appended to the strategy, in which the projections noted a baseline increase of around 3,000 jobs from 2017-36, an increase of only 2.5%. The study notes that a reasonable growth aspiration would be 7,000 total jobs, with an emphasis on productivity improvements being able to "close the gap" between Portsmouth City and the Solent.

2.62   The OE appendix made ten recommendations based on their analysis of the economic projections. These are:

- 5.1   - Build the Brand: A Great Waterfront City
- 5.2   - Gradually Enhance the City's Entire Waterfront

- 5.3 - Embrace Portsmouth's Wildlife Habitats
- 5.4 - Create a Marine and Maritime Engineering Innovation Quarter
- 5.5 - Develop a Maritime and Marine Clean-Growth Innovation Quarter
- 5.6 - Invest In and Strengthen Visitor Economy
- 5.7 - Promote Solent-Wide Business Networks
- 5.8 - Push for New Public Transport Links
- 5.9 - Develop a Qualifications-Progression Strategy
- 5.10 - Improve the City's Housing Offer

Impact of the Maritime Sector, CEBR, 2019

2.63   A Centre for Economic and Business Research (CEBR) "Impact of the Maritime Sector" report in September 2019 noted that the Portsmouth Naval Base was a main contributor of GVA out of the total Solent economy, contributing 14.1% of total Maritime turnover in 2017. The maritime sector as a whole was quoted to have a direct economic impact of £2.1bn per annuum with an additional £1.4bn in wider induced spending.

Maritime 2050 Strategy, Department for Transport, 2019

2.64   The Maritime 2050 Strategy, written in January 2019, was written to set ambitious targets for growth in the maritime sector to 2050, framing the industries role as a part of the UK and global economy. The document lists the University of Portsmouth as a leader in Marine Research and Development, along with having influential MoD infrastructure.

2.65   The report also predicts that by 2050, jobs will become more highly skilled and roles will be diverse in their requirements, meaning multi-skilled people will be highly desired. They recommend that further education and STEM degrees be encouraged to meet changing needs, especially in an industry with historically falling employment numbers.

Seafront Masterplan SPD Review (March 2019) and Southsea Coastal Scheme, Portsmouth City Council

2.66   The Seafront Masterplan SPD Review, written by Portsmouth City Council, focusses on the development of the entire seafront on the southern portion of the Portsmouth Peninsula, spanning from Old Portsmouth to the Southsea Marina in Eastney. Whilst the document does not make any explicit references to the provision of employment land, it is worth noting that these future developments will enhance the existing waterfront assets for Portsmouth and contribute to the regeneration and strengthening of maritime and visitor economy related employment sectors.

2.67   The Southsea Coastal Scheme is an ongoing development from Portsmouth City Council, which will deliver new flood defences along 4.5km of seafront, from Old Portsmouth to Eastney. The aim of the scheme is to create new defences that enhance the existing waterfront, whilst reducing the risk of flooding to over 8000 homes and 700 businesses in Southsea.

Solent Economic Profile, Lichfields, 2019

2.68   The Solent Economic Profile prepared by Lichfields in July 2019 underscores the key strengths and challenges within the region. The report cites that the local population is economically active and not seasonal, however this is challenged by lower qualifications and a low level of commuting from outside. This poses an opportunity to upskill the workforce in growing fields such as creative or technological industries. Despite having a wealth of educational institutions such as three universities, the geography often fails to retain highly-skilled graduates mainly due to proximity to London. The report also noted that transport was key to the economic vitality of the region as many parts of the LEP have poor transport links in particular between the two cities and from the travel to work areas to the cities and whereas there are high speed links to London.

2.69   The report notes specific sector strengths across the Solent such as wholesale and retail trade, health and social work, education and administrative and support service activities. At the time of writing, the sectors employed 45.9% of total employment across the LEP.

2.70   Sectors with the greatest positive employment change in the LEP from 2010 to 2018 were accommodation and food services, administrative and support service activities, transports and storage, and education. The LEP's 2014 Strategic Economic Plan outlined growth sectors such as high technology manufacturing, a substantial marine and maritime industry, the visitor economy and transportation and logistics.

2.71   The report also notes that Portsmouth has relatively high representation in Public Administration and Defence, Utilities and Manufacturing in the overall Portsmouth economy when compared to the same sectors' representation in the South East economy. However, it did note that manufacturing and defence experienced declines in employment from 2010.

2.72   In the report, the authors refer to Oxford Economics (2017) projections showing an increase of 8,500 jobs in Portsmouth to 2036, a 6.9% increase. They caveat these numbers noting that they may not represent how specific subsectors in the LEP area (such as marine and maritime industries) would change in employment terms over the period, such as if specific policy measures are taken to impact key sectors. The forecasts date (2017) and source (Oxford Economics) are the

same as used for the Portsmouth Economic Development and Regeneration Strategy with the latter coming to a conclusion that 7,000 jobs growth is anticipated. Given the locally customised nature of the Regeneration Strategy it is considered more appropriate to use this target rather than the higher one reported for the wider Solent.

The Solent Local Industrial Strategy Emerging Evidence Base, Solent LEP, 2019

2.73   The Solent LEP comprises the areas of Eastleigh, Fareham, Gosport, Havant, Ilse of Wight, Portsmouth, Southampton and New Forest. It is a significant employment hub despite being a relatively small geography.

2.74   The Solent 2050 LIS aims to set out ambitious targets for the region. This initial document reviewed what was at the time the emerging evidence for the region and aimed to highlight specific growth sectors and industry strengths across the Solent economy, and seeking to combine those strengths with the goals of the UK Industrial Strategy.

2.75   A key sector of importance is the manufacturing sector which is larger and more diverse than the national average. The report also noted that workers in this sector are paid higher than the south east average. There is also a strong maritime and marine cluster of employment. Other industries include transport, manufacturing, health and public administration. Key industries cited in the report are detailed below:

- **Manufacturing:** Solent's manufacturing business base has grown at three times the rate (18.5%) of the English average (5.9%) since 2010 and in 2018, there were approximately 2,700 manufacturing enterprises operating across the region
- **Transport & storage**, Transport contributes 15% of total services exports, and growing at one of the fastest rates among sectors within the Solent
- **Hospitality**, several local universities are offering creative enterprise courses, and the region is poised to capitalise on an abundance of natural and cultural assets to boost tourism in the region to the future
- **Info and comms,** the marine and maritime sector provides the innovation base for the region to be a leader in and a test-bed of emerging technologies such as big data analytics, autonomous systems, AI and communications.
- **Prof, sci and tech**, this industry, particularly in Portsmouth, is strongly interlinked to the maritime sector along with research institutions. Real estate, professional, scientific and technical sectors contributed 19% of the total share of services exports for the Solent economy
- **Education**, The University of Portsmouth, with funding from the Solent LEP has recently opened a Future Technology Centre which will help to spin off further business growth
- **Arts & recreation**, tied in part to strengths in the hospitality industry, are enhanced the abundant natural and cultural resources around Portsmouth along with the growth ambitions of leading universities in the Solent such as the University of Portsmouth's growth ambitions

Office Market Review

2.1 The office market review is a revisit from the BE Group's "Approach to Employment Land" 2019 Study, with a property market assessment conducted in September 2018.

Transactions (take-up)

2.2 Office deals were recorded from 2008 to 2018, revealing that a total of 240 deals were transacted with an average of 543 sqm per deal. The largest number of deals transacted was in 2011 with a total of 34 deals, and additionally the most floorspace was transacted at 44,227 sqm in the same year. This is due to Marine House on Southampton Road being sold in April at 10,281 sqm.

2.3 Lakeside dominated most deals with 68, or 28% of total deals, taking place in the park. Most deals tended to be for units under 200 sqm. Out of the 240 deals transacted, 87 per cent were leasehold with the remaining freehold.

Supply

2.4 Within Portsmouth, a total of 54 available units can be found on the current market which total 22,771 sqm of floorspace.

2.5 In terms of available office supply, the BE Group reported at the time of writing that 22,771 sqm of office floorspace was available across 54 units. They noted that a functioning office market has capacity for churn and growth, and that the previous PUSH Economic and Employment Land Base Paper recorded a total office availability of 17,395 sqm in Portsmouth as at September 2015. Therefore, the available marketed space had increased by about 5,400 sqm to September 2018.

Stock

2.6 The Valuation Office Agency (VOA) provides data on the overall number of business premises and overall floorspace by broad use type, including offices and industrial/warehousing units. The BE Group only had access to the latest VOA statistics at the time which was for 2015-2016. The VOA reported that there were 800 offices within Portsmouth, totalling and 273,000 sqm.

2.7 The VOA figures were then compared to the advertised vacancy on the market, providing an approximation as to the overall occupancy rate. As the office market had an estimated availability of 54 offices and 22,771 sqm of floorspace, an occupancy rate of 93.3 percent per number of units and 91.7 percent for floorspace was assumed.

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2.8   Occupancy rates between 90 and 95 per cent can be considered a reasonably active market with an appropriate level of vacancy. The report noted that office supply being further restricted could limit growth in the town centre. Supply then becomes unoccupied or derelict and stock taken over for student accommodation and housing such as at Zurich House or 12-40 Isambard Brunel Road.

Agent Commentary

2.9   The agent commentary revealed several key themes in the office market. There is little town centre stock as all of it is being converted to residential, with little demand since occupiers see little supply.

2.10   In the town centre, there is no money to "be made" in secondary stock as it is more viable to convert this floorspace into residential and purpose built student accommodation through permitted development and huge demand for student accommodation as the University of Portsmouth has expanded and especially has increased enrolment from international students. Fast growing business sectors such as defence due to the arrival of the two new aircraft carriers at the Portsmouth Naval Base which have immediately generated in excess of 1,500 new jobs and advanced engineering were cited to be growing due to supply chain requirements. This leaves opportunities for similar businesses to enter Portsmouth and build upon the current market. Many of the new companies investing in Portsmouth are within this supply chain.

2.11   Lakeside is compelling for occupiers as it is well connected with transport links but is also accessible by car and ferry. Rents at lakeside were quoted at £215 per sqm, which is higher than in the city with rents around £150 per sqm. Lakeside is also attracting inward investment from across the Solent and South East due to its premier quality and campus-style development. However, agents noted that perhaps the only reason why there is demand in Lakeside is because there are currently no other viable options for occupiers. If the Council were to further regenerate the town centre and ensure the provision of quality office stock, this would "allow" the town centre stock to grow and thrive.

Industrial Market Review

2.12   The industrial market review, as with the office market review, revisits the BE study analysis.

2.13   **Transactions (take-up)**

2.14   The last 10 years has seen some 291,340 sqm of industrial floorspace transacted in leasehold deals and occupational sales, comprising a total of 349 deals. This averages at 835 sqm per deal.

2.15   2008 was the year in which the highest number of deals were completed, with 40 deals comprising 35,811 sqm of industrial floorspace. 2015 saw the largest amount of floorspace transacted during one year, 37,675 sqm from 35 deals. For these 349 deals, 82 percent were completed as leasehold and 18 percent as freehold transactions.

Supply

2.16   68 available units with 54,336 sqm were advertise on the market at September 2018. Specific high levels of availability were found in Hilsea Industrial Estate, Airport Industrial Estate and units at Limberline Spur. The PUSH Economic and Employment Land Base Paper recorded a total industrial space availability of 84,103 sqm in Portsmouth as at September 2015. Therefore, the available marketed industrial space had decreased by almost 30,000 sqm to September 2018. It was suggested that there was a tightening of supply.

Stock

The VOA reported that there are 1,230 industrial units and 820,000 sqm of floorspace in Portsmouth. As of September 2018, there were 68 available industrial units totalling 54,336 sqm, indicating a 94.5 percent occupancy rate by number of units and 93.4 percent occupancy by total floorspace. These indicators suggested a high performing market.

Agent Commentary

2.17   Industrial rents were being advertised at £100/ sqm have been dealt at £92-97/ sqm. Some new build developments are taking place, such as at Merlin Park and Voyager Park, which were very much needed as there is a lack of "modern" supply within Portsmouth. Agents indicated that many of the units coming back to the market were of an aged style and not of a high-quality, modern standard of development. There is increasingly a good investment market for pension funds buying up estates in Portsmouth to upgrade the units and get a higher rental value.

2.18   Land for development of industrial units was cited to be important. Historically the demand profile of occupiers has been seen from businesses within the manufacturing sector, specifically those in the supply chain for the Portsmouth Naval Base and the wider defence sector across the south east, but recently other sectors such as advanced manufacturing and engineering and digital and creative have started to demand industrial floorspace.

2.19   Demand is typically seen to come from local businesses but sometimes these parks attract regional occupiers. Typically demand focuses on areas to the north of the city around existing and established industrial centres.

2.20   At the time of consultation, there was limited space being marketed around Portsmouth, particularly any of good quality stock, with more viable stock being advertised in and around Havant. Agents noted a particular gap in the market for smaller units as the newer-built stock is typically taken up by larger-format businesses.

3 REVIEW OF ECONOMIC FORECASTS AND EMPLOYMENT LAND IMPLICATIONS

3.1 Oxford Economics baseline economic forecasts for Portsmouth (2017) have similarly been used for modelling work herein. They also provide the underlying inputs to the 2019 Approaches to Employment Land Study.

3.2 GL Hearn has specifically tested a number of employment scenarios and resulting floorspace outcomes for Portsmouth being:

- **Approach 1:** Revisiting the baseline forecasts
- **Approach 2:** The Portsmouth Economic Development and Regeneration Strategy target of 7,000 jobs, *with growth distributed proportionately across the sectors forecast to growth*
- **Approach 3:** The Portsmouth Economic Development and Regeneration Strategy target of 7,000 jobs, with growth distributed *accordingly to GL Hearn's interpretation of sector growth based on a review of the evidence base*
- **Approach 4:** Review of past completions data

3.3 The above have been broadly tested against the supply side position in terms of the emerging sites in the Local Plan evidence.

3.4 The methodology for translating jobs to floorspace draws on GL Hearn's standard approach which covers:

- Converting jobs to full time equivalents, using sector ratios derived from local BRES data on full time to part time ratios.
- Apportioning employment by sector to total b-class employment, referencing the previous study along with best-practice.
- Drawing on employment to density guidance from the HCA Guidance 2015 and aligning with assumptions in the 2019 Approaches to Employment Land Study report.
- Where necessary to articulate overall land need, plot ratio assumptions.
- Taking into account the need for a 5 year margin as appropriate.

Table 7: Full-Time Equivalent (FTE) Employment Conversions, Portsmouth

Industrial Sector	% of Full Time Workers
Agriculture & forestry	100%
Mining	100%
Manufacturing	97%
Utilities	97%
Water & waste	96%
Construction	94%

Wholesale & retail	75%
Transport & storage	94%
Hospitality	70%
Info and comms	95%
Finance & insurance	89%
Real estate	87%
Prof, sci and tech	90%
Admin & support	83%
Public admin & defence	89%
Education	75%
Healthcare	80%
Arts & recreation	75%
Other services	77%

Source: GL Hearn analysis of 2018 BRES data

3.5   Subsequently, each industry was considered in their total representation of various types of B-class floorspace. Some industries such as education and healthcare have large requirements for floorspace that is not B-class and thus the employment increases are not relevant for this study. These assumptions have been derived from the BE Group study and have stayed consistent in these projections.

Table 8: **Percent of B-Class Floorspace, Portsmouth**

	B1a/b	B1c	B2	B8	NON-B
Agriculture & forestry	5%				95%
Mining	5%				95%
Manufacturing			100%		0%
Utilities	28%				72%
Water & waste	26%				74%
Construction	26%				74%
Wholesale & retail				5%	95%
Transport & storage				48%	52%
Hospitality					100%
Info and comms	100%				0%
Finance & insurance	100%				0%
Real estate	100%				0%
Prof, sci and tech	100%				0%
Admin & support	100%				0%
Public admin & defence	70%				30%
Education	5%				95%
Healthcare	5%				95%
Arts & recreation	15%				85%
Other services	25%				75%

Source: GL Hearn Analysis

3.6   In order to convert B-class employment to floorspace, employment density assumptions have been used as provided by the HCA employment Density Guide 2015 and aligned to the BE Groupwork. The Guide stipulates that B1a floorspace requires 12 sqm per additional FTE employee (extended here to B1b also), with B2 requiring 36 FTE employees (extended to B1c in this instance). B8, or warehouse floorspace, requires 70 sqm per additional FTE employee.

Table 9:   Employment Density Assumptions

Use Class	Area Per FTE
B1a/b	12
B1c	36
B2	36
B8	70

Source: HCA Density Guide 2015

3.7   After arriving at a floorspace number, it may be useful to convert the floorspace into land need. As was assumed in the BE Group study, an average plot ratio of 3,900 sqm per hectare of land (10,000 sqm) is required in Portsmouth.

Table 10:   Plot Ratio Assumptions

Use Class	Plot Ratio
B1a/b	
B1c	39.0%
B2	
B8	

Source: HCA Density Guide 2015

Approach 1 – Baseline Oxford Economics

3.8   Approach 1 interprets the Oxford Economics baseline jobs into employment floorspace requirements by use class.

Table 11:   Baseline Forecast Employment Growth

	2016	2017	2036	Change 16-36	Change 17-36
Jobs	124,318	126,087	129,255	4,937	3,168
FTEs	103,909	105,514	107,649	3,740	2,135

Source: GLH Analysis of Oxford Economics data

3.9   This is then converted to floorspace by use class as below (drawing on FTEs).

Table 12:   **Floorspace Need 2016-36, Baseline Scenario**

	2016-2036 sqm
B1a/b	51,800
B1c/B2	-96,000
B8	-4,100
Total	-48,300

Source: GLH Analysis of Oxford Economics Data

3.10   The aggregate requirement is -48,300 sqm. Growth is driven by B1a/b use class of 51,800 sqm. Of note is the decline of overall need in B1c/B2 floorspace. This is typical across forecasting suites which draw on national and regional trends. Forecasts typically anticipate a decline in overall employment need due to increased automation and productivity. This is especially apparent across the forecasts for manufacturing and transport sectors of Portsmouth, which are in line with overall employment decreases forecast across the South East and England. The potential misalignments between jobs and floorspace and discussed further below.

Approach 2 - Growth

3.11   Approach 2 draws on the emerging Portsmouth Regeneration and Economic Development Strategy which seeks 7,000 additional jobs by 2036. This is higher growth than the baseline forecast of 3,168 jobs. GL Hearn has proportionately spread the additional jobs growth across those sectors forecast to grow, with sectors having the largest projected growth therefore receiving the greatest number of additional jobs. These assumptions are set out below, including comparison to the baseline forecast change.

Table 13:   **Comparison of job growth forecasts by sector**

Sector	2017	Baseline Jobs Change to 2036	Approach 2 Jobs Change to 2036	App 2 difference from Baseline
Agriculture & forestry	273	-47	-47	-
Mining	25	-11	-11	-
Manufacturing	10,845	-3,003	-3,003	-
Utilities	1,200	-205	-205	-
Water & waste	529	-91	-91	-
Construction	6,035	875	1,281	405
Wholesale & retail	15,935	5	7	2
Transport & storage	4,356	-312	-312	-
Hospitality	8,596	308	451	143
Info and comms	7,971	1,064	1,557	493

Finance & insurance	2,066	-337	-337	-
Real estate	1,482	147	215	68
Prof, sci and tech	4,794	306	447	142
Admin & support	11,157	2,970	4,345	1,375
Public admin & defence	14,146	-1,097	-1,097	-
Education	12,830	183	268	85
Healthcare	16,270	1,504	2,200	697
Arts & recreation	4,299	841	1,230	389
Other services	3,279	71	104	33
Total	126,087	3,168	7,000	3,832

3.12   Employment numbers are below converted to full-time equivalents, B-class apportionment, and finally multiplied by each respective employment density to arrive at a floorspace figure.

Table 14:   **Floorspace Need 2016-36, Approach 2: Portsmouth Regeneration and Economic Development Strategy Target**

	2016-2036 sqm
B1a/b	61,000
B1c/B2	-96,000
B8	-3,100
Total	-38,100

Source: GLH Analysis of Oxford Economics Data

3.13   The aggregate requirement for this approach -38,100 sqm. As previously with the baseline figures, this is primarily driven by a decline in future need for B1c and B2 industrial uses, which were not adjusted as only growth sectors saw an uplift in this model. The requirement for B1a/b at 61,000 sqm is 9,200 sqm higher than in the baseline forecast.

Approach 3 – Custom Growth Model

3.14   Approach 3 again draws on the emerging Portsmouth Regeneration and Economic Development Strategy which seeks 7,000 additional jobs by 2036. This means that an additional 3,823 jobs would be added. However under approach 3 consideration is given to key sectors of employment which may grow due to local intervention. GL Hearn has considered the evidence base and altered the future profile of employment growth accordingly for individual sectors. Sectors unadjusted from Approach 2 are not listed.

3.15   The assumptions and related justification for the Custom Growth Model (CGM) breakdown is set out below.

Table 15: **Document Review Findings - Employment Forecast Recommendations**

Industry	Findings	Recommendation	Methodology	Source
Manufacturing	As regards Manufacturing especially advanced manufacturing and engineering, Portsmouth has a high relative representation compared to the South East. Solent's manufacturing business have performed better than the English and South East Average from 2010 to 2018. Manufacturing is a key industry and there are specific targets to grow the industry.	Decouple regional forecast decline for local market.	Forecast losses are reduced from 3,000 to 2,500 reflecting the emphasis on Marine & Maritime engineering and higher value manufacturing and R&D.	Solent Economic Profile, Solent LIS Emerging Evidence, Portsmouth Economic Development and Regeneration Strategy
Transport and Storage	Specific targets for Portsmouth to become a global leader in the zero-carbon shipping industry. Plans to increase regional and national transport links to the city.		Reduced forecast losses from 300 to 200. . Reflects capabilities in sea and land transport.	Clean Maritime Plan, Portsmouth Economic Development and Regeneration Strategy
Hospitality	Cited as a key priority growth sector and tied to a number of strategic objectives related to the visitor economy.	Increase growth further to these sectors.	Remaining job growth to achieve 7,000 additional jobs from baseline distributed as proportionate gain relative to each forecast change in the baseline position.

For example, Info and comms has a projected baseline increase of 1,064 jobs which is 39% of the total of baseline increases across the key sectors identified. Info and comms therefore receives 39% of the further growth of 1,273 of the 3,232 jobs remaining. | Portsmouth Economic Development and Regeneration Strategy, Solent LIS Emerging Evidence |
Info and Comms	Policy objectives to increase knowledge-based sectors along with big-data analytics.			Solent LIS Emerging Evidence
Prof, sci & tech	There is a wide variety of advanced engineering services related to the marine and maritime industries with potential for growth, relates to innovation quarter.			Portsmouth Economic Development and Regeneration Strategy, Solent LIS Emerging Evidence
Education	Education is core to several key objectives to upskill and drive innovation in Portsmouth. The University of Portsmouth will be a key incubator for new businesses and is sited a key originator of growth in the future.			Clean Maritime Plan, Portsmouth Economic Development and Regeneration Strategy
Arts & Recreation	Cited as a key priority growth sector and tied to a number of strategic objectives related to the visitor economy and priority around culture-led regeneration			Portsmouth Economic Development and Regeneration Strategy, Solent LIS Emerging Evidence

Source: GLH Analysis

3.16 To summarise, losses are partly stemmed in manufacturing and transport. The remainder of growth is applied proportionately across the identified growth sectors in line with their level of forecast growth in the baseline position. In the case of the Manufacturing and Transport & Storage Sectors, forecast losses were reduced according to an absolute amount, at 500 and 100 jobs respectively. This reduction in losses accounts for the influence of these sectors and Solent growth aspirations. These adjustments, as with others, are estimates.

3.17 The table below sets out the resulting position after the assumptions under approach 3 are applied compared to the baseline. It includes reference to the historic and future baseline compound annual growth rate (CAGR) which is the average annual rate of change between years. The recent historic CAGR is useful as it indicates that all key sectors have performed more strongly in the recent past than the baseline forecasts suggest. This indicates that the regional top down baseline model may not adequately take account of some locally specific circumstances and initiatives and are helpful in justifying the approach 3 methodology.

Table 16: Approach 3 Employment as Compared to Baseline

Sector	Jobs 2017	Baseline Jobs 2036	Baseline Change to 2036	Baseline CAGR	2001-17 CAGR	App 3 CAGR	App 3 Jobs at 2036	Increase from 2036 Baseline Jobs
Manufacturing	10,845	7,842	-3,003	-1.7%	-0.6%	-1.4%	8,342	+500
Transport & storage	4,356	4,043	-312	-0.4%	-0.3%	-0.3%	4,143	+100
Hospitality	8,596	8,904	308	0.2%	1.8%	0.4%	9,273	+369
Info and comms	7,971	9,035	1,064	0.7%	3.1%	1.4%	10,308	+1,273
Prof, sci and tech	4,794	5,099	306	0.3%	2.4%	0.7%	5,465	+366
Education	12,830	13,013	183	0.1%	2.4%	0.2%	13,232	+219
Arts & recreation	4,299	5,140	841	0.9%	1.1%	1.9%	6,145	+1,005
							Total	**+3,832**

Source: GLH Analysis of Oxford Economics Data

3.18   The employment figures were subsequently converted to floorspace given the same methodology as for other approaches.

Table 17:   **Floorspace Need 2016-36, Approach 3**

	2016-2036 sqm
B1a/b	71,900
B1c/B2	-89,200
B8	-7,700
Total	-25,000

Source: GLH Analysis of Oxford Economics Data

3.19   Approach 3, which has customised growth towards the local sectors with potential for growth, identifies a higher level of B1a/b need for Portsmouth and a slightly slower rate of loss of B1c/B2. Total B1a/b need at 71,900 sqm is 20,700 sqm higher than the baseline. Forecast decline of other B Class floorspace is 96,900 sqm compared to 100,100 sqm in the baseline model (approach 1).

Approach 4 – Completions trend

3.20   Approach 4 is a projection of average past gross completion rates forward over the period from 2016-2036. As discussed in chapter 2, net completion rates result in an overall decrease of future floorspace need. The use of gross completions provides an indication of total floorspace without reflecting on potential B Class redevelopments and replacements of stock in situ.

3.21   In projecting aggregate completions trends forward, individual completions were scrutinised to determine outliers, or those considered to be outside of a typical year and impact an average. One such outlier was a 14,500 sqm warehouse (B8) development at Merlin Park completed in 2018. It is not anticipated that a development at such a scale will be completed regularly.

Table 18:   **Employment Floorspace Need Comparison, Gross Completions (sqm)**

Use Class	Average 95-20 (incl. Outlier)	Average 95-20 (excl. Outlier)	Need 2016-36 (20 years) (incl. Outlier)	Need 2016-36 (20 years) (excl. Outlier)
B1a/b	3,309	3,309	66,174	66,174
B1c B2	1,095	1,095	21,910	21,910
B8	2,126	1,546	42,516	30,916
Mixed B	4,361	4,361	87,223	87,223
Total	10,891	10,311	217,823	206,223

Source: GLH Analysis of PCC Data

3.22   Gross completions from the period 1995 to 2019 projected forward for 2016-36 without Merlin Park results a total need of 206,223 sqm over the Plan period. The key components are B1a/b (68,618 sqm) and other B-class floorspace at 149,049 sqm.

Table 19: **Employment Floorspace Need, Gross Completions (sqm) (excl. Merlin Pk)**

Use Class	Average 95-20	Need 2016-36 (20 years)
B1a/b	3,309	66,174
B1c B2	1,095	21,910
B8	1,546	30,916
Mixed B	4,361	87,223
Total	10,311	206,223

Source: GLH Analysis of PCC Data

3.23 A sensitivity analysis was conducted to understand how the average completions would be affected by using more recent time periods without different ways of working. Firstly, the gross completions trend was calculated using the 2001 to 2019 period. This resulted in a slight decline of projected need across all use classes compared to the data starting 1991. Secondly, the gross completions trend was calculated using the 2007 to 2019 time period. This resulted in further reduction of projected need, particularly in industrial, warehouse and mixed floorspace.

Table 20: **Completion Trend Sensitivity Analysis (excl. Merlin Pk)**

Use Class	Average 2001-20	2001+ Need Projected to 2016-36	Average 2007-20	2007+ Need Projected 2016-36
B1a/b	3,008	60,160	3,144	62,885
B1c B2	901	18,012	225	4,494
B8	1,533	30,666	266	5,317
Mixed B	4,176	83,518	2,994	59,872
Total	9,618	192,356	6,628	132,568

Source: GLH Analysis of PCC data

3.24 It is considered to be most appropriate to use the shorter-term trend from 2007 as this best reflects most modern working practices. There has been a consistently slower delivery of mixed (non B1a/b) B class floorspace which is unlikely to increase towards the longer term historic average given economic forecasts for the relevant sectors.

Unadjusted Need Comparison

3.25 When compared across all approaches, there is a range in aggregate employment need from 137,055 sqm when using gross completions as compared to a negative need of 48,300 sqm in the baseline Oxford Economics scenario.

3.26 There is a consistent positive requirement for B1a/b floorspace from 51,800 to 71,900 sqm. However all labour demand forecasts indicate a negative need for other B class floorspace whilst the completions model based on the last decade suggests a positive requirement of 93,760 sqm.

Table 21: Floorspace Need Comparison

Model	Baseline	7,000 jobs	7,000 CGM	Gross Completions Trend 2007-20 (excl. Merlin Pk)
Approach	1	2	3	4
Desc	3,200 additional jobs	3,800 job uplift to baseline	3,800 job uplift to baseline, specified industries	Applied to 2016-36 period
B1a/b	51,800	61,000	71,900	62,885
B1c B2	-96,000	-96,000	-89,200	4,494
B8	-4,100	-3,100	-7,700	5,317
Mixed B				59,872
Total	**-48,300**	**-38,100**	**-25,000**	**132,568**

Source: GLH Analysis of Oxford Economics / PCC Data

Flexible Margin Calculation

3.27   It is common practice to calculate a "flexible margin" of additional floorspace drawing on an average of 5 years of floorspace completions, being added to each approach. This is in order to ensure that there is a level of choice and flexibility in the marketplace for floorspace and to account for forecasting inaccuracies, thus planning positively for growth.

3.28   The average floorspace gained from 1995 to 2020 is 10,311 sqm per annum, however as per the sensitivity analysis it is more useful to look at the recent forecast trend of 2007-20 which is 6,628 sqm per annum. In that time period, completions of B1a/b floorspace remained relatively consistent whereas mixed B-class floorspace decreased when compared to the longer time period.

3.29   As the labour demand modelling uses specific floorspace use classes and completions trend data includes a 'mixed B' data set, in order to apply the trend based flexible margin to the labour demand baseline, growth and custom growth model approaches, the mixed B-class floorspace has been apportioned out. The share of each use class was determined by analysing the specific completions data that had a mixed b-class designation. It was found that around 20% of the completed floorspace comprised B1a/b uses. The remainder was evenly distributed to B1c/B2 and B8 categories.

Table 22: Calculation of 5-year margin (2007-2020 completions trend base)

Use Class	Average 07-19 (excl. Merlin Pk)	Margin (5 years)	Share	Allocation of Mixed B	Reallocated Buffer
B1a/b	3,144	15,721	**20%**	2,994	18,715
B1c B2	225	1,123	**40%**	5,987	7,111
B8	266	1,329	**40%**	5,987	7,316
Mixed B	2,994	14,968			
Total	6,628	33,142		**14,968**	**33,142**

Source: GL Hearn Analysis of Portsmouth City Council data

3.30   Finally, the five year margin is added to identity the total need.

Table 23:   Floorspace Need Comparison, including 5 year margin

Model	Baseline	7,000 jobs	7,000 CGM	Gross Completions Trend (excl. Merlin Pk)
Approach	1	2	3	4
Desc	3,200 additional jobs	3,800 job uplift to baseline	3,800 job uplift to baseline, specified industries	Applied to 2016-36 period
B1a/b	70,515	79,715	90,615	78,606
B1c B2	-88,889	-88,889	-82,089	5,617
B8	3,216	4,216	-384	6,646
Mixed B	0	0	0	74,840
Total	-15,158	-4,958	8,142	165,710

Source: GLH Analysis of Oxford Economics Data

3.31   For consistency the data has been collated to only show office and mixed b-class floorspace as per the preferred approach by PCC. The table below provides the key outputs for the data modelling.

Table 24:   Floorspace Need Collated

Model	Baseline	7,000 jobs	7,000 CGM	Gross Completions Trend (excl. Merlin Pk)
Approach	1	2	3	4
	3,200 additional jobs	3,800 job uplift to baseline (7,000 total)	3,800 job uplift to baseline, specified industries (7,000 total)	Applied to 2016-36 period
B1a	70,515	79,715	90,615	78,606
Mixed B1/B2/B8	-85,673	-84,673	-82,473	87,104
Total	-15,158	-4,958	8,142	165,710

Source: GLH Analysis of Oxford Economics Data

3.32   Recommendations on the preferred approach to employment land needs are set out in the following chapter.

4 RECOMMENDATIONS

4.1 This concluding section provides recommendations on quantitative and site specific employment matters.

4.2 The recommended floorspace employment floorspace need over the Plan period is presented below.

Table 25: Recommended Floorspace Need 16-36

Use Class	Required Floorspace	Description
B1a/b	90,600	Approach 3 (CGM)
Mixed B1/B2/B8	87,100	Approach 4 (Completions 07-20) (excl. Merlin Pk)
Total	177,700	

Source: GLH Analysis of Oxford Economics Data

Office

4.3 It is recommended that the custom growth model approach be used when projecting forward the need for B1a/b floorspace. This is in line with the strategic growth aspirations and specific interventions identified by PCC and comparable to the short and long run completions trend. This is inclusive of a margin to encourage flexibility and choice in the market. This is aligned to evidence from both the Solent LIS Emerging Evidence and the Portsmouth Economic Development and Regeneration Strategy identifying key sectoral strengths in technology, engineering, science and other office uses pertaining to the marine industry. Key investments such as the anticipated Innovation Quarter, Future Technology Centre and future spin-off companies spurred by the University of Portsmouth commercialisation opportunities arise from important research findings supporting the increasing demand for business floorspace.

4.4 On the whole, the office market in Portsmouth has seen a significant amount of loss in the city centre for usable floorspace as a result of permitted development and student housing construction. Outlook is now more positive with as the spin-offs from University of Portsmouth will require additional office space as. It is recommended that additional provision for Grade A office space in the city centre be made, part of which can be supported by City Centre North.

4.5 The JLL Portsmouth City Centre Development Strategy indicates that there is a now constrained office supply in the city centre and proposes an increase in the provision of floorspace around Station Square. Meanwhile Lakeside should continue to be recognised as a location for the

commercial office market, providing for occupiers seeking to be outside of the city centre and assisting in meeting the full anticipated forecast needs in the longer term.

4.6 The BE Group study recommended a long-term completions trend (1995-2018 average) which projected a need of an additional 89,500 sqm of B1 office floorspace including a 5-year buffer. Herein we suggest a marginal increase of around 1,000 sqm based on the adjusted baseline projections.

4.7 There is additional capacity of 5,000 sqm as part of regeneration efforts in Cosham (Portsmouth HELAA 2020) although this will likely have a smaller impact on the office market, possibly only providing smaller or flexible floorplates and secondary rents.

Industrial / Warehousing

4.8 For mixed B-class floorspace, it is recommended that the recent completions scenario be used to plan positively for the industrial needs in which Portsmouth has a speciality. This means that a combined 87,100 sqm of floorspace is required over the Plan period to 2036, inclusive of a five-year margin. This recommendation is aligned to evidence in the Portsmouth Economic Development and Regeneration Strategy 2019-36 indicating a strong advanced manufacturing and engineering industry, particularly around the marine and maritime economy and naval base, and specific growth objectives around in particular clean growth aiming to enhance or improve the cities industrial strengths.

4.9 Completions trends rather than labour demand modelling allows for the Council to plan positively for growth, with a mixed B-class category granting a certain amount of flexibility for the type of use being constructed. Tipner West and Horsea Island East should accommodate a significant amount of industrial floorspace. The labour demand modelling based decreases in forecast requirements are divorced from the picture on the ground. There are considered to be two drivers for this. Firstly that much of the existing stock is ageing and inadequate and does not meet market need. Therefore whilst losses have occurred and will continue to do so in many instances, there is a need for new units to be brought to the market – replacement demand. The rate of industrial floorspace change recorded by the Valuation Office Agency between 2009 and 2018 has been -3% or -23,000 sqm total, reflecting the changing nature of the economy and competition for land. However losses mask churn and floorspace growth needs. Secondly, there is a delinkage between floorspace and employment occurring. GVA growth in Portsmouth is forecast to increase in manufacturing from 2017 to 2036 by 14% whilst jobs decrease. This suggests greater productivity partly through automation requiring plant, trading, warehousing or research and development space.

4.10   In terms of the overall needs for the industrial market, engagement with industrial agents has confirmed that much of the existing stock is older and of lower quality. There is a particular gap in higher-quality, smaller units.

4.11   The BE Group study also recommended a recent completions trend model base for mixed B1/B2/B8 floorspace resulting in a demand for 79,300 sqm of mixed floorspace. GL Hearn is in agreement with their methodology, as a ten-year average would be representative of longer-term market needs. Higher completions in later years has seen the average and therefore projected need rise. The study also suggested that 55,000 sqm of floorspace be developed for mixed B-class uses in Tipner West and Horsea Island East along with a smaller proportion of office in order to best capitalise on the marine and maritime industry. We maintain this recommendation.

4.12   As the forecast is trend based and draws on gross rather than net completions, there is potential for the redevelopment and regeneration of existing industrial areas to bring forward floorspace, subject to viability, as well as identified allocations. This will assist in reducing aged stock.

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