Wokingham Borough Council Employment Land Needs Study

Stantec with Aspinall Verdi

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Please note that on 1st January 2020 Peter Brett Associates were incorporated within Stantec UK Ltd

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1 INTRODUCTION

1.1 The Berkshire Authorities and the Thames Valley Berkshire Local Enterprise Partnership (LEP) recently commissioned a joint suite of housing and employment evidence base documents for Berkshire. The Strategic Housing Market Assessment (SHMA) for Berkshire (and including South Buckinghamshire) was prepared by GL Hearn and published in February 2016. Economic Development Needs Assessments (EDNA) were undertaken for the six Berkshire Authorities, prepared by NLP (now branded Lichfields) and all published in October 2016. The Central Berkshire FEMA study comprised Bracknell Forest, Reading, RB Windsor & Maidenhead together with Wokingham. The other EDNA studies were for the West Berkshire FEMA that covers the West Berkshire District and the Eastern Berkshire FEMA that included Slough, the RB Windsor & Maidenhead (RBWM sits across two FEMAs) and South Buckinghamshire. The SHMA and EDNA documents are inter-related because they draw on the same demographic data.

1.2 The purpose of the EDNA studies was to identify the objectively assessed economic development needs for the Authorities within each FEMA over the 2013-36 period. Land and floorspace requirements were quantified, as well as a qualitative assessment of future change for individual employment sectors and uses.

1.3 In preparing Local Plans the Councils need to be sure that the EDNA is soundly based. This is especially so given the EDNA's 2013 base date is relatively historic, and the introduction of the Government's new Standard Method approach for calculating Local Housing Need, which impacts on population, labour and jobs, added to which the EDNA's method and identified land requirement outputs need testing.

1.4 We are aware, and as confirmed by Local Authority participants at the recent RBWM Examination in Public (EiP), that the Councils as interested parties to the study, expressed some concerns about the method and outputs as the EDNA was being prepared. This was because the emerging findings failed a 'common sense check' and were promoting a scale and mix of employment need in excess of what the Councils considered was supported by local trends.

1.5 Concerns related to all the B class uses – office, warehousing and industrial land needs. In summary over the last few years, the Councils have received very few applications for new B class space, and very little land has been promoted via 'call for sites' for B class uses. However, the EDNA was reporting very strong need, and recommending very large land allocations be provided over the emerging local plan periods.

1.6 RBWM was the first Council to seek a second opinion of the EDNA (because their plan was closest to submission). Subsequently the three Councils commissioning this report have followed suit. Neither Reading nor Slough are party to this testing because Reading have already adopted a new Local Plan (November 2019), and Slough, while agreeing the EDNA does not reflect their view of demand, are only in the early stages of their plan preparation.

1.7 Thus, to ensure the preparation of robust and NPPF 2019 compliant evidence, it is critical to understand the basis of the EDNA, and if necessary draw on more localised or up to date evidence.

1.8 Whilst we share the broad approach and method used by the EDNA, Stantec (formerly Peter Brett Associates) and Aspinall Verdi in this study test a number of the key assumptions underpinning the EDNA. While reliance in the EDNA on a number of 'rule of thumb' assumptions is not necessarily an unsound approach, we find that the EDNA made a number of assumptions that are not supported by either local technical evidence or property market evidence. More detailed testing of the local market and technical data, beyond what is normally available for such evidence-based documents, provides a more rigorous evidence base to reconsider core elements of the EDNA.

1.9 This mainly relates to the way that the EDNA assumed local firms use their space today and will use it in the future ['SIC to Space']. We refer to this as 'mapping sector to space', and consider the method and background in Chapter 2. The results of a more fine-grained approach that we apply using local data, are set out in Chapter 3. It is relevant in this regard to note that NLP (now Lichfield's) acknowledge the shortcomings of their approach to allocating employment to specific sectors. They point out that the EDNA relies on ONS industry classifications that relate to employment sector, and not to the specific type of activity that occurs within a given area.[1]

1.10 This 'testing' work also relates to how much additional land (additional to that needed to accommodate net demand for jobs / floors space) the Councils should provide to replace future losses of floorspace to other uses, and for 'market choice, churn and friction' a margin – to make a gross requirement. An appropriate approach for this adjustment for additional land is considered in the Chapter 4 - Losses and the safety margin.

1.11 The government's updated guidance on preparing employment land reviews refers to the benefits of seeking the views of the property market professionals, and understanding the current and future needs of the market. The EDNA study applied a very light touch in this respect. In Chapter 6 we review the property market for the B class uses – office (B1a and B1b) and in aggregate for all industrial uses (B1c, B2 and B8), and we do so looking at a number of key indicators. The property market assessment is important for a number of reasons:

- It supports the demand and supply calculations by identifying vacancy rates,
- It provides evidence on future gains (by identifying development opportunities), and losses in stock (by reaching a broad view on general fitness for purpose), and
- It provides a market view (an alternate and more fine-grained view) to the economic forecasters Borough-wide view of 'what' and 'where' is in market demand.

[1] Appendix 11, pg 88 Central Berkshire FEMA EDNA, NLP, Oct 2016

1.12 An assessment of the impact of the Standard Method for calculating local housing need, the new economic forecast data and addressing the identified weaknesses in the EDNA method is presented in Chapter 6 – 'the employment land requirement'. This section presents an updated and 'repaired' version of the EDNA forecasts.

1.13 Finally, in Chapter 7 we conclude by summarising the study tasks and the comparison between the balance of land requirement set out in the EDNA and that in this updated employment land study.

2 SECTOR TO SPACE – METHOD AND BACKGROUND

Introduction

2.1 Employment land evidence relies on a set of assumptions about how people use their space today, and how they will use the space in the future.

2.2 Most economic statistics, including official employment statistics in the Business Register and Employment Survey (BRES)[2] and economic forecasts record job counts and distribute them to economic sectors through the Standard Industrial Classification (SIC)[3]. So, we know with some accuracy how many jobs are in an area, and in what sectors. Assumptions can also be made using economic forecasts for example, about which sectors will grow or shrink over time.

2.3 Planning however is based on the Use Classes Order (UCO) classifications, and the SIC groupings of jobs need to be 'translated' to the UCO to determine allocations by type of floorspace.

2.4 Despite the importance of this translation the mapping of jobs and SIC to space is poorly researched and understood. To our knowledge only two large scale and robust surveys have been undertaken to establish the relationship between SIC and space. One undertaken for the Yorkshire and the Humberside Region[4], and the other for the GLA[5]. In both cases the these are now approaching 10 years old.

2.5 To illustrate the importance of ensuring these assumptions are robust; office based employment on average currently requires 12 square metres of space[6], and new jobs in a high-density town centre location would require very little new land. But jobs in large warehouses are provided at a much lower density. Best estimates are that a warehouse worker needs around 70 square metres/worker, added to which warehouses operate at ground floor level. For example, if 60 jobs were incorrectly assigned to a warehouse, as opposed to an office, this could erroneously justify in excess of 1 ha of development land for warehousing. Further, this land allocated would be in the wrong place and quality to meet the office demand. Scaled up over the whole development plan period this small error becomes significant. Therefore the accuracy of the sector to land use mapping is of vital importance.

[2] BRES is an annual survey undertaken by the ONS.

[3] The SIC is a method of classifying industrial activity, and is maintained by the ONS

[4] Planning for employment land – translating jobs into land, Yorkshire Forward, April 2010
http://www.kirklees.gov.uk/beta/planning-policy/pdf/examination/city-region-evidence/CR25_Planning_for_employment_land_translating_jobs_into_land.pdf

[5] Industrial and Warehousing Land Demand in London, RTP, King Sturge & C2G for Mayor of London, Aug 2004
Industrial & Warehouse Demand in London GLA 2004

[6] Employment Density Guide (3rd Edition), HCA Nov 2015

The EDNA approach

2.6 In the absence of official data and up to date local research plan makers apply professional judgement and 'rules of thumb' to map sectors to space. This was the case with the EDNA here.

2.7 Instead of relying on a sample or robust data the EDNA has applied a set of sector to space assumptions which, in our view broadly reflect 'rule of thumb' industry norms. For example, in their EDNA work Lichfields have attributed jobs in all of the manufacturing sectors to industrial type property. This is on the common-sense assumption that manufactures mainly require factories and so demand industrial property. But this is a rather coarse approach that is 'blind' to the fact that some manufacturing firms will have head quarter offices and distribution space as well as industrial space. They may not all be on the site or even in the same local authority area.

2.8 This assumption also ignores that fact that not all local authority areas follow this 'rule of thumb' and the drivers of their business demand may not be typical. As we discuss later on, one strong feature of Wokingham is that it is located within the wider Thames Valley that is a very attractive place for firms to place their office functions, but because of the comparatively high land values, are less attractive to accommodate their industrial or warehousing functions. There are also unusually large clusters of some types of high value firms who, because of the nature of their activity, have a much higher propensity to occupy office space than a 'rule of thumb' approach may assume. This is particularly the case for IT firms or pharmaceutical firms where the 'goods' are either intangible or very small but unusually high value.

The Stantec approach

2.9 To test the relationship between SIC and space in this study, as opposed to relying on 'rules of thumb', we have sought to match official data on jobs from the Office of National Statistics (IDBR) data to individual property data from the Valuation Office Agency (VOA), which can be used to derive land use categories (office, industrial and warehousing etc.).

2.10 This data has been tested and verified by the use of online mapping and by contacting major employers to verify the type of premises that they occupy. This means we can estimate a locally specific sector to space mapping matrix for Council.

Data sources

Inter Departmental Business Register (IDBR)

2.11 The Inter Departmental Business Register (IDBR) is used by Government as the authoritative sampling frame for all other local surveys.

2.12 Unlike most other data available, which rely on samples and do not report individual firms, the IDBR includes records of 2.6 million UK firms, the number of employees and importantly the SIC.

2.13 From the IDBR it is possible to identify each firm/business address, their official labour market statistics classification (the SIC), and to link to other data that is also informed by Government Statistics such as the VOA data.

2.14 The IDBR is classed by the ONS as 'official sensitive' data - with access controlled by legislation. This level of control is necessary because the data would be considered by most firms to be commercially sensitive – exactly how many people a firm employ, and how this has changed over time, could give competing firms a view of how their competitors are performing. Such data traced to official government statistics could influence their stock market valuation or competitor's strategies. As a result this data is only collected by the ONS on the grounds that confidentiality would be secured, and the data used only for non-disclosive purposes.

2.15 Although classified as 'official sensitive' data, there is provision within the legislation to allow plan-makers to access the IDBR. The authority to access this data is found in the Employment and Training Act 1973 (ETA, as amended by the Employment Act 1988). Specific provisions within this legislation enable local authorities' access to some variables from the IDBR, including the names and addresses of local businesses, the number of people employed, the nature of the business (Standard Industrial Classification (SIC) 2003, SIC 2007), local authority ward code and middle super output area layer code. This is made available for the explicit purpose of 'plan making'[7].

2.16 Legally, the data must be destroyed on completion of the project. This is the legislation the Councils have used to access the data used in this research.

2.17 One obvious drawback of using the IDBR is that we are unable to publish or make available the 'raw data' used in this work. Doing so is a breach of the relevant acts. We can only report data 'in aggregate'. However, as noted below we have carefully tested our data to ensure that it is reflective of the Borough's economy as a whole, and that we have not inadvertently introduced a bias into our work.

VOA property Records

2.18 The other data used in this research – use class descriptions at individual premises level - come from the Valuation Office Agency (VOA).

2.19 Unlike the IDBR the VOA data is available commercially and shows the type of property at each address – so whether official statistics record the property as an office, warehouse or factory (or shop, cinema etc etc.).

2.20 This data is made available to Councils under their standard data licence agreements. This makes a large suite of data (including OS mapping, VOA and Royal Mail addressing data) available to Councils. The same data is available to the public at commercial rates.

[7] As part of this work Stantec secured agreement from ONS to discuss their IDBR records with the firms involved – but again on the understanding this data would not be released in such a way that the firms could be identified.

Linking the two data sources

2.21 Both sets of data, IDBR and VOA, record the property address and often the firm's name. So using GIS software we have been able to map and match many of the records in the two sets of data.

2.22 The common address data is not perfect and unfortunately the IDBR data does not always follow a standard address format. Despite this limitation the GIS matched most of these records 'first time' using the postal address and/or firm name.

2.23 As a further check, to quality control the GIS analysis and match missing records all firms employing at least 25 people were manually matched via site visits, planning records or photographic records/web-based searches (e.g. Google Street View). Some firms were also contacted by telephone, with the agreement of the ONS, to confirm their property has been correctly matched to their respective IDBR records.

2.24 Using this approach, we have successful matched around 90% of all jobs within the Borough to a property record. This is from a total sample of 78,000 jobs.

2.25 Where the GIS failed to match the two data sets, one common reason was that the firm had re-located, meaning the GIS could not match the firm name to the property. This became apparent when we sought to contact the firm at the address or visited their (former) property.

Unmatched records

2.26 Although we have successfully matched almost 90% of all jobs in the Borough, we have tested the distribution of 'matched' vs 'unmatched' records because the is a risk that a bias is introduced into the analysis – with some types of firms easier to match than others.

2.27 However, the distribution of 'unmatched' jobs almost exactly matches those we have successfully matched. Only seven broad sectors achieved a success rate less than 70% of jobs matched to property.

2.28 These seven sectors are generally small with fewer than 300 unmatched jobs between them, with the exception of real estate. Where a full postal address with property number is given the GIS is generally successful in automatically matching the data. But some firms don't cite the property number but instead use a property name. We suspect that this is in partly due to the owners trying to disguise the fact that they operate from home as opposed to a commercial address.

2.29 Therefore, if any bias exists because we stopped manually checking records at 25 employees the bias would appear to be against B class employment and result in us very slightly overestimating the amount of B class property this small sector uses as opposed underestimating.

Table 2.1 Wokingham - jobs by sector and percent data matched

SIC Sector	Jobs	Percent matched
Manufacture of coke and refined petroleum products	166	100%
Utilities	1,314	98%
Education	10,071	98%
Manufacture of Food, Drink & Tobacco	456	95%
Computing & Information Services	11,370	95%
Manufacture of Transport Equiptment	221	94%
Public Administration & Defence	163	94%
Recreation	1,770	94%
Manufacture of wood & paper	106	91%
Other Manufacturing	580	89%
Wholesale	4,912	88%
Professional services	12,325	88%
Residential Care & Social Work	3,980	87%
Media activities	441	87%
Land Transport, Storage & Post	1,155	87%
Health	1,887	86%
Agriculture Forestry & Fishing	751	86%
Retail	3,764	85%
Administrative & Supportive Services	11,703	83%
Manufacture of basic metals	250	82%
Manufacture of Computer & Electronic Products	510	80%
Accommodation & Food Services	4,566	80%
Other Private Services	1,553	80%
Manufacture of Machinery & Equiptment	271	79%
Printing and reproduction of recorded media	88	78%
Specialised Construction Activities	1,607	78%
Finance & Insurance	637	77%
Construction of Buildings	690	74%
Manufacture of Non-Metallic Products	170	71%
Water and air transport	3	67%
Real Estate	626	63%
Civil Engineering	173	56%
Manufacture of chemicals and chemical products	72	53%
Manufacture of basic pharmaceutical products	20	10%
Manufacture of textiles & clothing	21	10%
Mining & quarrying	8	0%
TOTAL	**78,400**	**88%**

Source: SIC sector and jobs data from IDBR. The proportions are for IDBR data records matched to VOA class description data that is used in Stantec analysis to identify land use activities

Nb. The percentages are the matched jobs as a proportion of all the jobs in each category.

Summary

2.30 The EDNA used a 'rule of thumb' approach to map jobs to space. In summary this assumes all manufactures require factories, all wholesale distribution firms require warehouses and some types of firm don't require any 'employment'[8] space.

2.31 The use of this approach largely reflects the limited statistical data available to form a more refined, or locally specific view.

2.32 In this work we benefit from access to 'official sensitive' data (IDBR) which we can combine with property records. This means we can see exactly what type of space local firms occupy. This means we don't need to rely on the 'rule of thumb' approach.

2.33 In this case we have successfully mapped almost all jobs in the Borough (88%) and so have a compressive view of how firms operate compared to the 'rule of thumb' approach. In the next section we discuss the results of this mapping.

[8] As commonly defined in Planning – i.e. the B classes and associated SG uses.

3 SECTOR TO SPACE RESULTS

Introduction

3.1 As noted above Stantec successfully matched the majority of jobs in the property record. So, we know with reasonable confidence how occupiers in Wokingham use their space – and don't need to rely on the 'rule of thumb' approach.

3.2 In the analysis below, we compare the view from the EDNA vs out own analysis. The EDNA data is taken from table 4.2 of the EDNA and relates to 2013 jobs data sourced from Cambridge Econometrics. Although we obtained the IDBR data in 2018, most of the records are older – because the data is updated by 'rolling' sample surveys. Ideally the data would all be for the same year, but the difference in vintage is unlikely to be significant.

Comparison – EDNA and IDBR

3.3 The table below compares how the EDNA distributed jobs into land use vs the results from our analysis.

3.4 The data shows differences between the two data sets. Blue cells indicating where the IDBR proportions are less than the EDNA and red where the IDBR is higher than the EDNA. The darker the colour the bigger the difference.

3.5 Care is needed because some sectors are very small (see table 2.1 above) and the results are not significant for the Borough.

Table 3.1 IDBR mapping vs EDNA

Employment Sector	SIC	EDNA				IDBR				DIFFERENCE			
	Sector	Office	Indl	Whse	Non-B	Office	Indl	Whse	Non-B	Office	Indl	Whse	Non-B
Agriculture Forestry & Fishing	A				100%	0%	0%	0%	100%	0%	0%	0%	0%
Mining & quarrying	B				100%	0%	0%	0%	0%	0%	0%	0%	-100%
Manufacture of basic metals	C		100%			0%	30%	63%	7%	0%	-70%	63%	7%
Manufacture of basic pharmaceutical products	C		100%			0%	0%	0%	100%	0%	-100%	0%	100%
Manufacture of chemicals and chemical products	C		100%			0%	0%	74%	26%	0%	-100%	74%	26%
Manufacture of coke and refined petroleum proc	C		100%			100%	0%	0%	0%	100%	-100%	0%	0%
Manufacture of Computer & Electronic Products	C		100%			3%	73%	6%	18%	3%	-27%	6%	18%
Manufacture of Food, Drink & Tobacco	C		100%			97%	0%	1%	2%	97%	-100%	1%	2%
Manufacture of Machinery & Equiptment	C		100%			21%	62%	15%	1%	21%	-38%	15%	1%
Manufacture of Non-Metallic Products	C		100%			23%	52%	9%	16%	23%	-48%	9%	16%
Manufacture of textiles & clothing	C		100%			0%	0%	0%	100%	0%	-100%	0%	100%
Manufacture of Transport Equiptment	C		100%			82%	7%	0%	11%	82%	-93%	0%	11%
Manufacture of wood & paper	C		100%			40%	49%	0%	11%	40%	-51%	0%	11%
Other Manufacturing	C		100%			0%	92%	4%	3%	0%	-8%	4%	3%
Printing and reproduction of recorded media	C		100%			16%	64%	0%	20%	16%	-36%	0%	20%
MANUFACTURING TOTAL			**100%**			**36%**	**46%**	**10%**	**8%**	**36%**	**-54%**	**10%**	**8%**
Utilities	D/E		6%		94%	90%	5%	0%	5%	90%	-1%	0%	-89%
Civil Engineering	F				100%	0%	0%	0%	100%	0%	0%	0%	0%
Construction of Buildings	F				100%	29%	11%	2%	58%	29%	11%	2%	-42%
Specialised Construction Activities	F		54%		46%	24%	9%	18%	50%	24%	-45%	18%	4%
Retail	G				100%	5%	1%	5%	89%	5%	1%	5%	-11%
Wholesale	G		14%	86%		51%	10%	22%	16%	51%	-4%	-64%	16%
Land Transport, Storage & Post	H			61%	39%	1%	23%	57%	19%	1%	23%	-4%	-20%
Water and air transport	H				100%	0%	0%	0%	100%	0%	0%	0%	0%
Accommodation & Food Services	I				100%	25%	1%	0%	74%	25%	1%	0%	-26%
Computing & Information Services	J	100%				87%	0%	1%	12%	-13%	0%	1%	12%
Finance & Insurance	K	100%				64%	1%	0%	35%	-36%	1%	0%	35%
Real Estate	L	100%				46%	0%	1%	54%	-54%	0%	1%	54%
Professional services	M	100%				74%	3%	1%	23%	-26%	3%	1%	23%
Administrative & Supportive Services	N	19%			81%	37%	3%	23%	36%	18%	3%	23%	-45%
Public Administration & Defence	O	10%			90%	0%	0%	0%	100%	-10%	0%	0%	10%
Education	P				100%	1%	0%	0%	99%	1%	0%	0%	-1%
Health	Q				100%	9%	0%	0%	91%	9%	0%	0%	-9%
Residential Care & Social Work	Q				100%	20%	0%	1%	79%	20%	0%	1%	-21%
Media activities	R	100%				58%	0%	15%	27%	-42%	0%	15%	27%
Recreation	R				100%	1%	0%	1%	98%	1%	0%	1%	-2%
Other Private Services	S				100%	33%	2%	2%	62%	33%	2%	2%	-38%

Source: Stantec calculation from Table 4.2, Central Berkshire FEMA Economic Needs Assessment, prepared for the Berkshire Authorities and Thames Valley LEP by NLP, Oct 2016

Inter-Departmental Business Register, and analysis by Stantec

3.6 The table highlights the EDNA approach generally apportions whole job categories to a land use, as for example is the case with manufacturing. Whereas the apportionment using the IDBR data is more dispersed across the land uses. So our analysis shows that only 46% of jobs within the manufacturing SIC groups were actually found in industrial space. The differences in utilities and wholesale are particularly important, because of the size of the sectors.

3.7 Table 3.2 below aggregates the job sector proportions based on the number of jobs in each sector to land use category level. Then the land use proportions are applied to the EDNA baseline 2013 total job numbers, to identify the job numbers within each land use. The final two columns identify the differences between the two methods of calculating the baseline job distribution within the land use categories. This comparison shows a reasonably close correlation in the two approaches for warehousing, but big differences between the other land use categories. The less detailed EDNA approach identifies a lower proportion of office jobs, counter-balanced by a larger proportion of industrial and non-B jobs. This difference in the baseline

position will have significant job change and land use allocation implications for the forecast years.

Table 3.2 Comparison - EDNA and IDBR land use proportions and jobs

Land use	EDNA		IDBR		Diff EDNA vs IDBR	
	Percent	Jobs	Percent	Jobs	Percent	Jobs
Office	33%	27,310	42%	34,785	-27%	-7,475
Industrial	7%	5,530	4%	3,379	39%	2,151
Warehouse	6%	4,880	7%	5,752	-18%	-872
Non-B	55%	45,440	47%	39,244	14%	6,196
Grand Total	100%	83,160	100%	83,160		

Source: Stantec calculation from Table 4.2, Central Berkshire FEMA Economic Development Needs Assessment, Oct 2016

IDBR - Inter-Departmental Business Register, and analysis by Stantec

Office jobs

3.8 The comparison shows that the EDNA's 'rule of thumb' approach under-estimates jobs in the office sector, jobs largely offset by fewer industrial and non-B sector jobs.

3.9 Looking through the detailed data the main reason is that the EDNA allocates all manufacturing jobs to industrial uses. But Wokingham's 'manufacturing base' (defined by SIC code) includes an unusually large number of firms that have their head quarter offices rather than industrial space in the Borough.

3.10 As an example, Green Park accommodates the head office of Pepsi (Inc. Walkers snacks). If you were to come across this firm elsewhere you would commonly expect them to be involved in manufacturing or distributing their products. They would generally be expected to occupy some form of industrial property, possibly with a small office element. But their Green Park location is entirely office with no industrial component.

3.11 Green Park, Thames Valley Park and Winnersh Triangle accommodate a number of other firms where similar circumstances apply across a wide range of sectors. These sites are all specialised office parks of a scale and nature, which is distinctive to this part of England and the Thames Valley.

3.12 This local distinctness also applies to wholesale firms. The EDNA generally assumes wholesale firms (by SIC) occupy warehouses. The ENDA assumes that 86% of the c 4,500 jobs in this sector require warehouses with the balance industrial. However, the IDBR shows that the mix is quite different, with only around 20% in warehouses, and half the jobs office based.

3.13 The reason for this discrepancy is the same as discussed above. A number of large firms we may assume require distribution facilities, perhaps because the distribute

pharmaceuticals and medical supplies (e.g. Bayer or Johnson & Johnson) are found on the specialist office parks at Green Park or Pinewood Campus. In this area they don't demand industrial space, despite the impression the activity of the wider firm may give.

3.14 A similar story is found in the utility sector where our IDBR analysis may appear to lack a 'common sense' view because utilities are generally expected to occupy industrial or 'non-B' property. However, both Thames Water and National Grid are large employers and occupy large offices in the Borough. In this context it is not difficult to see that for this broad SIC, in these local circumstances, the Stantecanalysis finds many more jobs offices than we (or the EDNA) would expect.

3.15 The office 'balance' works the other way when it comes to the 'professional services' sector, with the EDNA attributing 100% of jobs to office, but the IDBR shows that almost a quarter of these jobs are sole traders/small businesses working from home rather than from an office. This is the largest jobs category, responsible for 11,000 jobs in the Borough, and therefore attributing 100% of the jobs in this sector to offices, means the EDNA goes someway to rebalancing the under-representation of office jobs in many of the other sectors as discussed above.

3.16 However, on balance the IDBR / VOA approach as shown in Table 3.2 puts more than a quarter more jobs (7,500 jobs[9]) into offices compared to the coarser EDNA approach.

Industrial jobs

3.17 As referred to above, the higher proportion of jobs in industrial use compared to the IDBR data is explained by a significant number of jobs with manufacturing SIC codes being actually in office use and not industrial (2,150 less jobs).

3.18 Industrial jobs are a relatively low density form of employment requiring comparatively large amounts of land, and therefore any over-estimate of current jobs will lead to an over-estimate of future job change and consequently over-estimate future land requirements. As a result, the mis-recording of even a small number of jobs can soon scale up into several hectares of land.

Warehousing jobs

3.19 Our analysis shows that there is no fundamental disagreement about the share of jobs in warehouses – although we move some distribution jobs into offices (as discussed above) we also move some firms into warehouse space where the EDNA provides none. For warehouses the various adjustments generally balance.

Non-B use class jobs

3.20 The EDNA estimates 55% of all jobs in the Borough occupy non-B class property. The bulk of these non-B space jobs are found in retail, healthcare, education or (some more limited) dwellings (businesses registered to residential addresses). The

[9] On the basis of the proportional split Table 3.2 and the total jobs figure given in the EDNA of 83,160 in 2013.

IDBR shows that the proportion is lower at 47%, and this difference equates to 6,200 jobs. This is partly due to utility firms operating from office property whereas the EDNA assumes they do not require any employment space.

3.21 The other sector where the ENDA attributes a much higher proportion of non-B jobs is 'Admin and support services'. The ENDA assumes very few of these firms require employment space, but does not set out how this share has been arrived at. Because this is a non-specific sector, where the SIC title provides limited information as to what activity may be undertaken, we assume the EDNA has formed a view and probably distributed these jobs around the wider economy.

3.22 Here we find this broad sector is also distorted by some headquarter firms, including cleaning and catering firms. We also find some occupy industrial property which is used as a base for vans and materials.

Sense checking the results

3.23 As a cross-check of our analysis, we have calculated the floorspace density for office and industrial uses, based on the number of jobs we expect to occupy commercial property and the floorspace reported by the VOA for the Borough[10]

3.24 This uses publicly available information and is not reliant on the IDBR.

3.25 In summary we can estimate the employment density for the Borough using our IDBR based mapping and compare it with the alternative from the EDNA. These densities can be 'sense checked' using the HCA Employment Densities Guide. The HCA Guidance is the most authoritative and robust assessment of employment densities commonly used in planning.

3.26 As a starting point both the EDNA and the IDBR report a similar number of jobs in the Borough – IDBR 78,000, with the EDNA a little higher at 83,160[11].

3.27 The latest VOA floorspace data records a stock of 424,000 sq m of office space and 450,000 sq m of industrial space. Unfortunately, the VOA do not separate floorspace for manufacturing and warehouse floorspace, and thus we have to base the sense test on an aggregate industrial sector.

3.28 The table below shows the densities using the IDBR mapping.

[10] VOA, Non-domestic rating: business floorspace, Dec 2016

[11] Workplace jobs, Cambridge Econometrics 2013

Table 3.3 Sense check – job densities

	Office	Industrial
Floorspace (sq m)	424,000	447,000
Vacancy rate	12.9%	2.6%
Occupied floorspace (sq m)	369,304	435,378
Jobs	34,785	9,131
Average density for occupied space (sq m)	**10.6**	**47.7**

Source: floorspace VOA 2019
Vacancy rates - office Table 5.5 of this report and industrial Table 5.16 of this report
Jobs – applying the proportions from the IDBR to the total jobs from the EDNA

Results

Offices

3.29 Based on the IDBR data we expect 42% of all jobs to be in offices – so around 35,000 of the total 83,000 jobs in office space. The latest VOA floorspace figure identifies 424,000 sq m net internal area (NIA) of office space in the Borough although we know that a large amount of this is vacant (12.9%) and so this needs to be excluded when estimating a district wide density.

3.30 The resulting IDBR density is around 1:11sq (10.6). This is at the low end of the office density range set out in the HCA Employment Densities Guide – 10-13 sq m NIA. But this is in our view not surprising considering the quality of the office stock in the Borough. The stock is much newer and bias towards modern, purpose-built offices than the UK average. Space is also more expensive than the UK average. So a slightly more intensive use of the space would be expected.

3.31 We have also spot checked some of the office occupiers to test this density. We find that some of the more recent space in Green Park and Thames Valley Park range between 1:7 - 1:10 sq m. Some of the older stock in the Borough will be lower density, but this indicates 1:11 sq m NIA is a reasonably accurate estimate of average densities in the Borough.

3.32 A comparison with the EDNA data[12] identifies a 33% of all jobs are in offices and so the share of 83,000 jobs results in a density of 1:13.5 sq m.

3.33 This EDNA density is at the high end of the HCA range, and higher than would be expected for a Borough with a generally modern and efficient office stock. However, we do not consider 1:13.5 to be unreasonable nor give reason for alarm. With hindsight, given the very distinctive nature of the Wokingham office portfolio finding that the occupied stock is used at a slightly higher density than the national average could give reason for further testing. But understandably this would probably have been judged not proportionate.

[12] Table 4.2 EDNA, Oct 2016

3.34 Finally – we note that the EDNA density, while reasonable for the borough as a whole is the product of one error (compared to the more accurate IDBR) being offset by another. This is not material for the Borough as whole but becomes important when applies to future growth forecasts. These are derived from sector specific data and so which type of space a growing sector needs becomes important.

Industrial

3.35 Using the same method as that referred to above, we compare the resulting densities with the HCA guide.

3.36 The HCA report 1:36 sq m for general industrial space – some uses (strategic warehousing) higher and some (incl. small workspace / studio) lower. Warehousing is much higher with regional and final mile averaging around 1:75 sq m.

3.37 Using the IDBR we arrive at a density of 1:48 sq m, a little higher that the density arrived at through using the EDNA data – 1:42 sq m.

3.38 The difference results from the lower recorded industrial jobs in the IDBR data compared with the EDNA and the fact that for this analysis we need to combine industrial and warehousing uses. So the density is also sensitive to the split between the two activities.

Summary

3.39 This simple cross check of the data shows that although the IDBR data cannot be disclosed the end results are credible. They can be replicated using public data and produce plausible densities for the Borough.

3.40 The resulting densities are also similar to the EDNA. Our opinion is that overall the EDNA densities are broadly credible. For offices, because of the nature of the stock we would have expected to see space used slightly more intensively. But the difference is minor. However, the reason the EDNA is broadly sensible is that in many cases ‘errors’ balance each other out. An error in one sector is offset by an error in another.

3.41 This ‘balancing’ or offsetting of errors becomes problematic when using the mapping to forecast job growth. This is because the wrong type of space is provided for growing sectors (or removed for declining sectors). For example, should the distribution of pharmaceuticals be expected to grow the EDNA would provide more industrial space – whereas here they should be looking at providing more office. The same applies should the sector contract; the EDNA removes industrial space not knowing they are actually in offices.

3.42 For this reason, applying the ENDA approach to estimate future employment space needs could be misleading.

3.43 In the next section we look at the second main technical issue with the EDNA –the EDNA recommendation that a very large amount of land should be identified for ‘market choice, churn and friction’. That is space the analysis never assumes will

accommodate (net additional) jobs, but that is available to manage uncertainty, re-provide for losses and provide market choice.

4 LOSSES AND THE SAFETY MARGIN

Introduction

4.1 So far, our discussion of demand, or take-up, has been about the net change in the stock of land and floorspace. That net change is the difference between gross gains, where land is developed to create new floorspace, and gross losses, where existing employment sites are transferred to other uses. We calculated it as the additional space required to house the forecast net change in the stock of jobs – which is the difference between gross new jobs created in the economy and existing jobs lost. The purpose is to determine how much development land the Local Plan should provide to ensure that all jobs are catered for, so that economic growth is not constrained by lack of land.

4.2 If the plan is to meet this purpose, it is not enough for it to provide development land in line with net demand. In addition, it must provide land to replace any existing employment sites that are lost in future. If it does not, then arithmetically there will not be enough additional land to accommodate all the additional jobs.

4.3 The practical implication of the above is that, for the plan-maker to determine how much employment land they should provide, it is not enough to predict net demand. They need to predict gross demand (gross gains gross take-up), which equals net demand plus replacement of gross losses.

4.4 In addition to meeting that expected gross demand (gross take-up), the Local Plan should also provide a safety margin, or buffer, of additional land, to cover:

- *Frictional vacancy*, or idle time: at any given time some of the land identified for development will not be available in practice, for example if it is awaiting infrastructure, under construction or being marketed;
- An allowance for *variety and competition* - so that a developer or occupier looking for a site has a reasonable number of choices, bearing in mind that qualitative requirements vary, so not every site is suitable for every occupier
- Possibly a reserve of land to deal with *uncertainty* in the forecast – so that, if demand exceeds the forecast, opportunities for economic growth are not missed.

4.5 Overall, the purpose of the margin is to ensure that occupiers and developers looking for a development opportunity at any one time are likely of finding a suitable site, offered to them on competitive terms.

4.6 In the sections that follow, we describe and critique the EDNA's approach to losses and the safety margin, and then propose an alternative approach. This alternative approach is advisable because the EDNA is not robust, but also because the context of national policy and guidance has changed, as discussed below.

The EDNA's analysis

Method and findings

4.7 The EDNA's calculation of future losses and the safety margin is summarised in Table 4.1 below. The starting point of the calculation, at row 1 of our table (taken from Table 4.8 of the EDNA), is the expected net demand for employment land over the plan period. The EDNA provides three scenarios for the plan period 2013-36, called respectively 'labour demand', 'labour supply' and 'past completions':

- In the labour demand and labour supply scenarios, the future net demand (take-up) for floorspace and land is derived from job forecasts, using assumed job densities (sq m of floorspace per job) and plot ratios (sq m of floorspace per hectare of land). In these scenarios, net demand is for 160,045 and 188,090 sq of employment floorspace respectively. The EDNA recommends that the Council should plan at least for the latter figure, which represents the labour supply scenario.
- The past completions scenario rolls forward the past rate of net change, as recorded in the 10 years to 2014/15. This shows a net requirement for 90,620 sq m.

Table 4.1 Wokingham, EDNA Employment land alternative scenarios

Row		Labour demand scenario	Past completions scenario	Labour supply scenario
1	**Net take-up (net demand)**	**160,045**	**90,620**	**188,090**
2	**Safety margin** Two years **net** take-up, average of 2004/5 to 2014/15	**16,200**	**16,200**	**16,200**
3	**Net demand plus safety margin** Sum of the above	176,245	106,820	204,290
4	Past gross losses p.a.	12,260	12,260	12,260
5	**Replace losses** Assumes future annual gross losses = past losses. Replaces 25%	**62,170**	**62,170**	**62,170**
6	**Gross need (land to be identified)** Equals net take-up + replacement + safety margin	**238,415**	**168,990**	**266,460**

Source: EDNA and Stantec analysis

* As discussed in the text below, the safety margin (row 2), for all the authority areas is based on one year of past gross take-up (except for Wokingham where it is two years of past net take up).

4.8 In all three scenarios, the safety margin (row 2 of our table, from Table 4.9 of the EDNA) adds 16,200 sq m to the forecast net change. The replacement of losses (row 5, from para 4.52 of the EDNA) adds a further 62,170 sq m. Together therefore, the two adjustments increase the Borough's employment land need over the plan period by some 78,000 sq m.

4.9 In the EDNA's labour demand and labour supply scenarios, this brings gross employment land need – the amount of land that should be identified for B-class development - to 238,415 sq m and 266,460 sq m respectively. The resulting

employment land requirement, at Table 4.12 of the EDNA, is some 57.1 ha and 63.9 ha respectively.

4.10 In the 'past completions' scenario, the gross employment land need is 169,000 sq m, which translates to a loss of some 40.4 ha.

4.11 In our view the EDNA's analysis is not robust, due to various technical flaws, which are discussed below.

Critique

The safety margin

4.12 In relation to the safety margin the EDNA makes two logical errors. The first error relates to the safety margin shown at row 2 of the table above. That margin, as mentioned earlier, partly represents frictional vacancy - land identified for development which is not available for occupation at any one time. The EDNA's approach is based on guidance from the former South East of England Partnership Board (SEEPB). The SEEPB was disbanded around 2010 and its guidance is no longer available. According to the EDNA, it advised that the margin reflect the average time for a site to get planning permission and be built out, which it estimated at two years; accordingly it recommended a margin equal to two years of net take-up.

4.13 In relation to Wokingham, the EDNA applied the above recommendation. But for the other four local authorities in its study area this was not possible, because past net take-up was negative, and a negative safety margin obviously does not make sense. Instead, for those authorities the EDNA calculates the margin from past *gross* take-up (it also uses one year instead of two, without explaining why). This does generate a positive margin. But it is a meaningless result. This is because the underlying calculation mixes gross and net change, which are entirely different things, as discussed earlier. This kind of 'apples and oranges' calculation simply does not make sense.

4.14 The underlying problem in EDNA's logic is that the safety margin by definition relates to gross change. It is the amount of land that should be provided for development, over and above forecast gross take-up - which is the amount expected to be developed. The reason why it is needed is to ensure that the developers who will deliver that gross take-up are able to find the necessary land. Accordingly, the margin is nothing to do with losses of existing employment land. Therefore, it is nothing to do with net take-up, and it cannot be derived from that net take-up. While net take-up may be positive or negative, the margin by definition cannot be negative, just as gross take-up by definition cannot be negative. This is why the EDNA's approach leads to a logical dead end.

4.15 In short, the EDNA's calculation is in the wrong order. A logically correct calculation should first add expected losses to the expected net take-up to produce expected gross take-up, and only then should it add a safety margin.

4.16 How much difference this error makes in practice, depends on the numbers involved. In the EDNA's past completions scenario, where net take-up is negative, the EDNA's

method produces a nonsensical result. In the other two scenarios, where net take-up is positive, the EDNA's calculation understates the margin and hence the total need for employment land. The reason is that the past take-up used to calculate the margin is net take-up only; it does not include the land need to replace future losses, as it should do. The outcome is that, the greater are the expected future losses, the more the result will fall short of the correct number.

4.17 In a second logical error, the EDNA's safety margin (row 2) is based on past take-up (in the 10 years to 2014/15), rather than the future take-up predicted by the study. Again, this makes no sense, because the amount of land required for frictional vacancy, variety and so forth will be driven by the amount of development that is happening at the time, not the amount that was happening in previous years. If future gross take-up is greater than past gross take-up, the resulting safety margin will be too small. Conversely, if future take-up is less than past take-up the error will result in a too large a safety margin.

Replacing losses

4.18 The next step in the EDNA's calculation, shown at row 5 of Table 4.1, is to add an allowance for replacement of future gross losses. For this, the EDNA assumes that the annual rate of past losses will continue in the future. The period considered for those past losses is not stated; it may be the same 10 years of history used to calculate the safety margin.

4.19 Here the EDNA makes a further logical error, in that it only replaces 25% of expected future losses. The basis of this decision (para 4.43) was that '*not all employment floorspace losses in the future will need to be replaced as some of this will simply reflect restructuring in the local economy, such as a decline in the need for manufacturing space in the future*'. However, any decline in the need for manufacturing space in future is already captured in the net take-up (demand) figures, which are derived from job forecasts. If that need is to be met, and there are losses of existing employment space, then such losses must be replaced in full – unless the space lost was vacant or under-occupied.

4.20 It follows that, if the EDNA's estimate of likely future losses is correct, its calculation very much understates the need for employment land. The understatement is potentially very large. Other things being equal, if future losses were replaced at 100% instead of 25% the total gross need at Table 4.1 would quadruple and in the labour supply scenario would lift the need substantially.

4.21 However, this very high number will only be correct if the EDNA's expectation of future losses is reliable. In our view it is not, because it is supported by one single piece of evidence: the annual average of past losses, over a historical period that the EDNA does not specify, but which is certain to be much shorter than the 23 years of the plan period. It is not correct to project a short past, which may be untypical, uncritically into the long-term future. Future losses are too important an issue to be dealt with so casually.

4.22 To determine if history is a reliable guide to future losses, a robust assessment should first take a close look at that history, to understand how past losses varied

over time and space, what kinds of sites were lost and why. It should then look ahead, to consider if and how the future might differ from the past. Especially, it should consider whether the macroeconomic conditions that gave rise to past losses are realistically likely to continue throughout the period. It should also consider the possibility that the sites lost were unsuited to market requirements; if so, it may be that the stock of such unsatisfactory sites is becoming exhausted, and hence future losses may be far less than past losses.

4.23 Without this analysis, the Council would run the risk of seriously oversupplying employment land, due to an exaggerated view of future losses. This would cause difficulties, as allocated sites may not be taken up, infrastructure investment may be misplaced, and oversupply may make it difficult to defend existing employment sites against redevelopment for higher value uses. Perhaps most important, development sites that are in demand and needed for housing or other uses may be effectively sterilised for long periods, in the expectation of employment demand that may never materialise. For better planning policy, any re-assessment of employment land needs should be much more forensic about the prospect of future losses.

Learning from experience

4.24 Given the technical problems identified above, as part of our study we need to provide a revised method for dealing with losses and the safety margin. National policy and guidance provide no specific advice on these matters: the only broad indication is at para 81 of the NPPF, which says that planning policy should *be flexible enough to accommodate needs not anticipated in the plan'.* To help inform our approach, therefore, we have looked at methods used by other planning authorities. To this purpose, we have reviewed the employment land evidence bases supporting 20 Local Plans submitted for examination in 2018 (the plans are listed at Appendix A). As well as those 20 examples, our comments below draw on our general knowledge of planning for employment land across England.

4.25 Some evidence base studies include both an allowance for future losses and a safety margin, often separately but sometimes combining them in a single 'margin'. Others include only one of these elements or neither. Where there is no allowance for future losses, the land provision target in the plan may be formulated as net change, leaving on one side the question of future losses.

4.26 Below, we focus on those evidence base studies that do include an allowance for future losses and / or a safety margin, and we summarise how they deal with the technical points we raised at para 4.8 above.

4.27 In regard to the size of the safety margin, it is common to calculate the margin as a multiple of land take-up. Lichfields, who are the authors of the Berkshire EDNAs, usually apply the same method as they did in Berkshire, using two years of take-up. Other authors more often use five years. Many studies note that frictional vacancy, which is one component of the safety margin, depends on 'gestation time' – the time taken for a site to get planning permission and be built out. But they add that there is

no data on such gestation time, and in any case, it is likely to be highly variable; therefore, the safety margin is a matter of judgement.

4.28 One exception to this general approach is found in the long series of industrial land studies commissioned by the GLA over the years. The 2011 study estimated that normal frictional vacancy was 5% of the stock, based on an average 'idle time' of five years (from GVA Grimley's market experience) and 1% of the stock being redeveloped every year (from the London Development Database). There are no comparable estimates for other places or for office developments.

4.29 The safety margin is sometimes calculated from gross take-up and sometimes from net take-up. Some consultants, including Lichfields, take different approaches in different studies. In studies by other authors, gross take-up is probably more common. It seems to us that in many cases the choice of gross or net take-up has been given little or no thought. This is unfortunate, because this choice can have a large impact on land allocations, as we have shown in the analysis above.

4.30 Similarly, the safety margin is sometimes based on future take-up, as forecast in other parts of the evidence base study, and sometimes on past take-up. One possible reason for using past take-up is that in many cases future gross take-up may be unknown, because the evidence study does not forecast future losses. In such case, past take-up may or may not be a reasonable proxy, depending on the past period considered and on local circumstances.

4.31 We suggested earlier that, before using past losses of existing space as a proxy for future losses, the plan-maker should study those past losses closely. We have not found any examples of this being undertaken, except in our own studies.

4.32 As noted earlier, in the EDNA's calculation only 25% of existing space lost is replaced. We have seen this approach in other studies by Lichfields, but nowhere else. Other evidence base studies replace all of the space lost.

4.33 In summary, employment land assessments are variable in their approach to the technical points we have raised. Very different and mutually inconsistent approaches have proved acceptable to Local Plan Inspectors. But some good practice points do emerge:

- In all the studies we have reviewed, except those by Lichfield, expected future losses are replaced in full (as discussed earlier, this is a matter of logic rather than opinion);
- It is generally recognised that the safety margin should depend, among other things, on the 'gestation period' of sites identified for development. But there is no reliable information on such gestation periods. Therefore, the safety margin is a matter of judgment. The most common judgment is five years of expected take-up.

4.34 We have applied these lessons in our proposals below.

A new method

Overview

4.35 As discussed above, the method used by the EDNA to translate net into gross need is not robust. Nevertheless, it may well be accepted as sound by the Local Plan Inspector, because experience shows that employment land evidence often goes unchallenged at examination. However, policies based on poor evidence are likely to create problems later, for example making it difficult to safeguard the best employment sites against proposals for higher value uses.

4.36 A logically sound method for translating net take-up (demand) for employment land into a gross need and policy requirements should comprise two elements. It should add an allowance to replace future losses, at the rate of 100%, to arrive at gross take-up; and to that gross take-up it should add a safety margin, or buffer, to allow for frictional vacancy, variety, competition and uncertainty.

4.37 The method must take account of an important change in national planning policy. That change post-dates the evidence base studies that we reviewed in the last section. It is at para 33 of the current NPPF, published in February 2019, and says that Local Plans should be reviewed at least every five years, so that 'reviews should be completed no later than five years from the adoption date of a plan' (the same requirement is found in secondary legislation). The implication is that in future it should be easier to deal with uncertainty, because there will be much more frequent opportunities to adjust policies in the light of new information. In particular, this weakens the case for reserving land against the uncertain expectations of demand that will not arise for many years, if at all.

Replacing future losses

4.38 As discussed earlier, in our view it is imprudent to assume, as the EDNA does, that the past rate of loss will continue over the next 20 year or so. This is especially true if the past which is being projected forward was an untypical period, or if the stock of unsuitable or unattractive sites that were transferred to other uses in the past is becoming exhausted. Based on the EDNA's assumptions, if provision were made to replace 100% of losses the Local Plan would run the risk of greatly oversupplying employment land. Land identified for employment may remain vacant for many years, in the expectation of future demand that may never materialise.

4.39 In devising a better approach, the main challenge is how to predict future losses of existing employment sites. One good measure is provided by outstanding planning commitments, comprising planning permissions and allocations that imply a loss of employment land – for example where existing employment sites are to be redeveloped for housing. This may underestimate future losses, especially in the long term, if there are windfall losses over and above those existing commitments. The likelihood of such windfall losses will depend on planning policy, the quality of the existing stock, and the amount of vacant space – an indicator of the balance of demand and supply for employment floorspace.

- Where policy is permissive towards loss of employment sites, many existing sites are unfit for purpose, and much employment space is vacant, one would expect large amounts of employment land to be lost.
- Conversely, where plan policies safeguard employment sites, the stock is good quality and vacancy is low, it is likely that windfall losses will be small.

4.40 In Chapter 5 below we provide a review of the local property market, which finds that virtually all of the stock is fit for purpose and vacancy is very low, both for industrial space and offices. Therefore, as discussed in more detail in Chapter 6, we base our allowance for future losses on current outstanding commitments.

4.41 There is of course a risk that this allowance proves to be an underestimate, because there are future losses over and above those current commitments. If so, the calculation of gross need and land provision targets should be revised accordingly. The five-yearly plan reviews that are required under the new planning system will provide frequent opportunities for such revisions. The Council of course should monitor losses as well as gains of employment space, so that any problems are identified as soon as possible.

The safety margin

4.42 As discussed earlier, the safety margin should relate to the expected gross take-up of land. But how many years of such take-up it should cover must be a matter of judgment, because there is no hard evidence to support it.

4.43 This judgment must be made in the context of the new NPPF, in which Local Plans will be reviewed within five years of adoption. If a new plan for Wokingham Borough is adopted in late 2021,[13] the employment land supply it identifies will need to last just five years, until the next plan review is adopted in 2026. But that supply will be calculated to meet demand for at least 14 or 15 years, to 2035 or 2036. In effect, it will provide a safety margin equal to around 10 years expected take-up, twice as much as the five years typically used in other evidence base studies.

4.44 This would suggest that there is no justification for an additional safety margin, over and above the calculated need. Under the old system, the margin would come into its own in the later years of a 15-year or 20-year plan, when the development land identified would begin to run out. But under the new system those later years will never come, as the plan will be reviewed after five years, and then again after 10 years.

4.45 In short, if the new Local Plan provides employment land to meet the assessed need for the next 15 to 20 years this should be enough, or more than enough to allow for friction, variety, competition and uncertainty, without a safety margin or buffer.

4.46 This long-term supply by itself will not guarantee that market requirements are met, because in real life the choice available to an occupier or developer does not depend

[13] Wokingham Borough Council Local Development Scheme (January 2020)

on the total land provided in the plan. Rather, it depends on the land that is available and ready for development at the time they are looking for a site.

4.47 Therefore, as well as total provision of 15 or more years supply, we suggest the new plan should aim for a rolling five years supply of sites which are immediately available at the time of adoption, and at all times thereafter. This would ensure that, at any one time, the readily available supply is five times more than the gross quantum of land that is expected to be taken up for development in the next 12 months.

4.48 In our opinion, the approach we have proposed is likely to provide a reasonable choice of sites, so that planned land supply does not constrain development and economic growth. It accords with the government's approach to housing, which is well established and widely accepted. That approach, set out at paras 67 and 73 of the Framework, requires Local Plans to provide:

- A five-year supply of deliverable land –defined in the Glossary as sites that are *'available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years'.*
- *'Specific, deliverable sites, or broad locations for growth, for years 6-10 and if possible for years 11-15 of the plan'.*

4.49 Later in this report (chapter 6) we will apply our recommended method in practice. But first, in the next chapter, we provide a review of the local property market.

5 MARKET VIEW

Study approach

Overview

5.1 This work builds on the market analysis undertaken in the Nathaniel Lichfield & Partners (NLP) Western Berkshire FEMA: Economic Development Needs Assessment, dated October 2016, prepared on behalf of Thames Valley Berkshire Local Enterprise Partnership.

5.2 This chapter provides analysis of the Wokingham area market signals and market intelligence to confirm the trends indicated in the FEMA "Commercial Property Market Signals and Intelligence." Our analysis covers offices and general industrial/ distribution space, considering in turn demand, supply and the balance of the market. The main purpose of the analysis is to identify where there is potential demand for new floorspace, and hence a need for development land to be identified in the emerging plan.

5.3 In relation to demand, we identify the types of business that are taking space in the borough or may consider doing so, and what type of property they are looking for in terms of size, location and quality. In relation to supply and market balance, we analyse the stock which is currently available, recently developed and in the pipeline, and the rental values and capital values that properties in the area are achieving. The purpose of our analysis is to determine:

- How far the existing floorspace stock is meeting current and foreseeable occupier requirements;
- Hence, how far there is likely to be demand for more or different space, now or in the future;
- Conversely, if property and land are oversupplied, overall or in particular sections of the market.

5.4 These findings help assess the potential demand for new employment floorspace, and hence the quantity and qualitative mix of development sites that the new Local Plan should identify for employment uses.

5.5 A strength of the market-facing analysis is that it considers real-life property transactions, including the values (rents and prices) realised in such transactions, and whether these values are enough to support viable development. This provides evidence of effective, or viable, demand – which means that potential occupiers will pay enough, and (where relevant) have enough covenant strength[14], to support financially viable development. This is important because planning policies and

[14] A business tenant has strong covenant if there is good evidence that they will be in good financial health, and able to pay the rent, through the period of the tenancy.

decisions need to reflect changes in the demand for land.[15] Where there is no reasonable prospect of an application coming forward for the use allocated in a plan the land should be reallocated for a more deliverable use.[16]

Sources and definitions

5.6 Our property market research has drawn on three main sources:

- We have relied on the property market database Estates Gazette Interactive (EGi)/CoStar and commercial property research reports for evidence of take-up, availability and values, both for the market overall and individual properties.
- Total stock figures have been derived from analysis of Valuation Office Agency (VOA) data on business rate assessments. We have cross-referenced this data with the EGi data to provide an indication of vacancy rates. Cross referencing the EGi and VOA data does have limitations as the sources are different therefore not guaranteeing the description on unit type or size being the same. The reason why there may be discrepancies with the unit type is that the VOA data has 117 description codes, of which we have used 13 in our analysis. Whereas agents may list property on EGi for industrial or office purposes that do not fall in the VOA categories that we have used in our analysis. Part of the reason the size data may not correlate is that the EGi may provide a total floor area for a single building whereas VOA may list this into various suites, and vice versa. Due to the volume of data it has not been possible to "iron out" these discrepancies.
- For a greater qualitative understanding of the market, we have consulted by phone with agents, developers and investors active in Wokingham and the wider area.

5.7 The main market indicators we have considered are rental values, yields, capital values, recent take-up and floorspace availability (vacancy). In a property market context, "take-up" means the occupation of business floorspace[17]. Take-up covers both new-build and second-hand space (second-hand being the larger share of the market). [18.] When we consider availability, we consider all space being currently marketed. This covers both new and second-hand space.

5.8 In this study we refer to the eleven separate employment areas[19], these are defined as:

- "Town Centre" – Wokingham Town Centre is a mixed commercial area. The boundary of the Town Centre is irregular in shape, the curve of the railway line forms its western boundary; commencing at the north where the railway line

[15] SoS for Ministry of Housing, Communities and Local Government (July 2018), National Planning Policy Framework, para 120

[16] SoS for Ministry of Housing, Communities and Local Government (July 2018), National Planning Policy Framework, para 120(a)

[17] By contrast, in a planning context 'take-up' means the land developed to provide new floorspace.

[18] Second-hand stock comprises all previously occupied floorspace, including refurbishments.

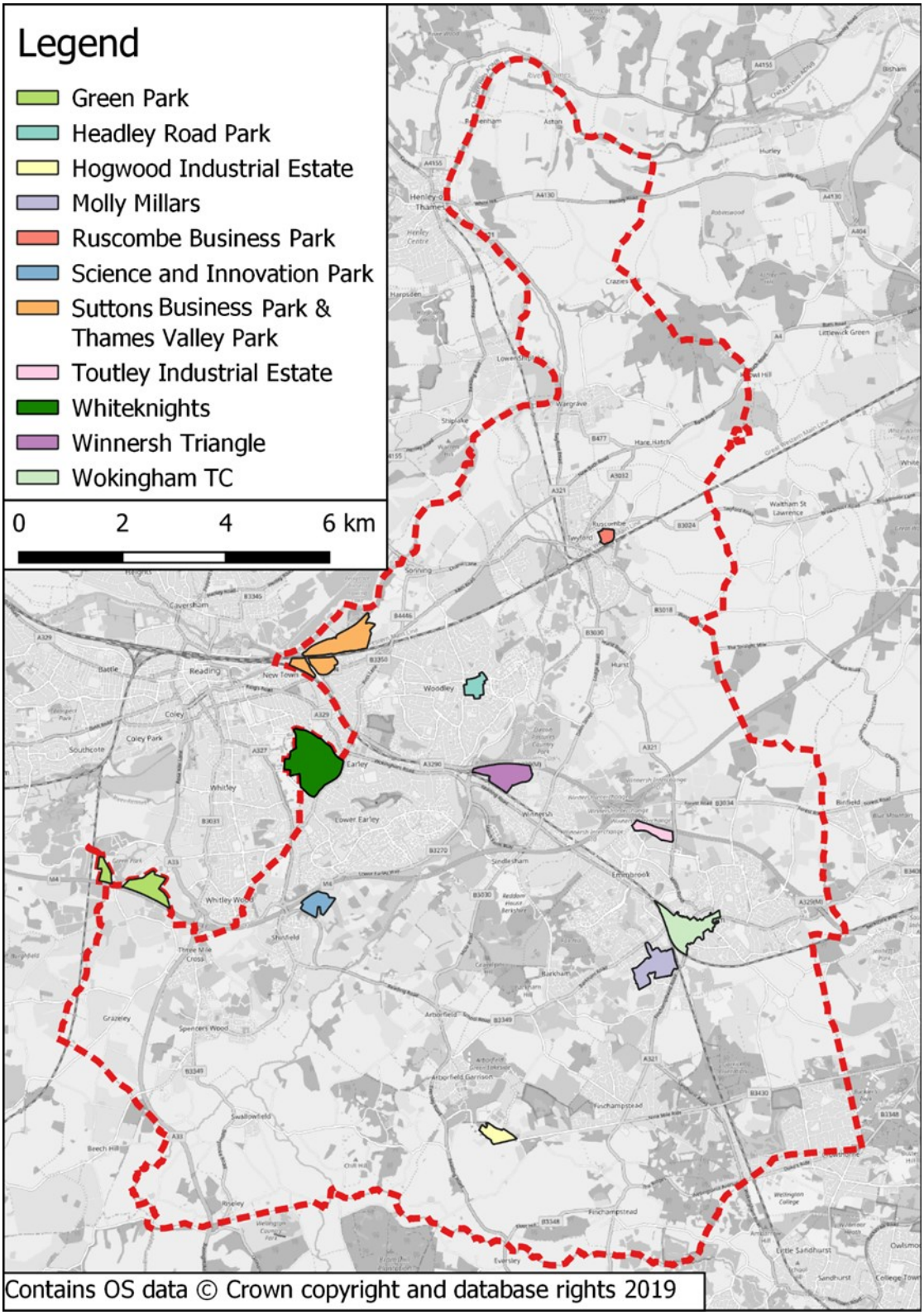
[19] Based on the Employment Areas identified in the Core Strategy (2010) and Managing Development Delivery (MDD) (2014).

meets Reading Road and ending in the south where the railway meets Finchampstead Road. The south eastern boundary runs to the east of Wokingham library, running along Denton Road, but taking in the Cockpit car park. The south-eastern boundary terminates around the Easthampstead Road car park. The northern boundary runs along Reading Road, onto Rectory Road and then running to the north of Waitrose.

- "Winnersh Triangle" - is a mixed office and industrial area located to the north west of Wokingham town centre. The railway line and residential forms the southern boundary and the A329(M) forms its northern boundary.
- "Molly Millars" - is a mixed office and industrial location on the southern fringe of Wokingham town centre.
- "Sutton Industrial Estate & Thames Valley Park" – are located to the north of the borough, adjacent to the boundary with Reading. Access to junction 10 of the M4 is provided via A329/A329(M).
- "Green Park" – is a prime office park which lies to the north of the M4, adjacent to junction 11. In market terms, Green Park is considered to be a Reading office park, this is due to the majority of the park lying in the borough of Reading.
- "Whiteknights" – is located to the north western boundary of the borough, and forms part of the Reading University campus.
- "Headley Park" – is predominantly an industrial estate with a small element of offices. The park is located north of Wokingham town centre and the analysis is focused on the industrial element.
- "Ruscombe Business Park" – is a mixed industrial and office park located in Twyford. The Park has residential units to the west and the rail line on the southern boundary. The Park is located reasonably close to the Twyford town centre and rail way station which lie to the to the southwest
- "Hogwood Industrial Estate" – is a mixed office and industrial area located in the south of the borough, west of Finchampstead and south of Arborfield Garrison. The Estate is close to the A327 which runs north towards the M4. There is vacant land to the southeast included in the boundary.
- "Toutley Industrial Estate" – is predominantly an industrial estate with a small amount of offices. It is located in the centre of the borough to the north of Wokingham and directly to the south east of the Winnersh Exchange junction 10 of the M4. There is vacant land to the southeast included within the boundary.
- "Science and Innovation Park (Shinfield)"- is a new science and innovation facility, currently consisting of two buildings, located directly to the south of reading adjacent to the M4 motorway.

5.9 The eleven employment areas are shown in Figure 5.1 below.

Figure 5.1 Main employment areas in Wokingham



Source: OS, Wokingham Borough Council (2018)

5.10 To allow us to gain an understanding of supply and demand trends we have analysed the data using different side bands – these are set out in Table 5-1 and Table 5-2 below.

Table 5-1 Wokingham size range bands – office

Size sq ft	Sqm	Label
up to 1,000	up to 93	Micro
1,001-2,000	93 - 186	Small
2,001-5,000	186 – 465	Small/medium
5,001-20,000	465 – 929	Medium
20,001 plus	1,858 plus	Large

Source: AspinallVerdi (2018)

Table 5-2 Wokingham size range bands – industrial

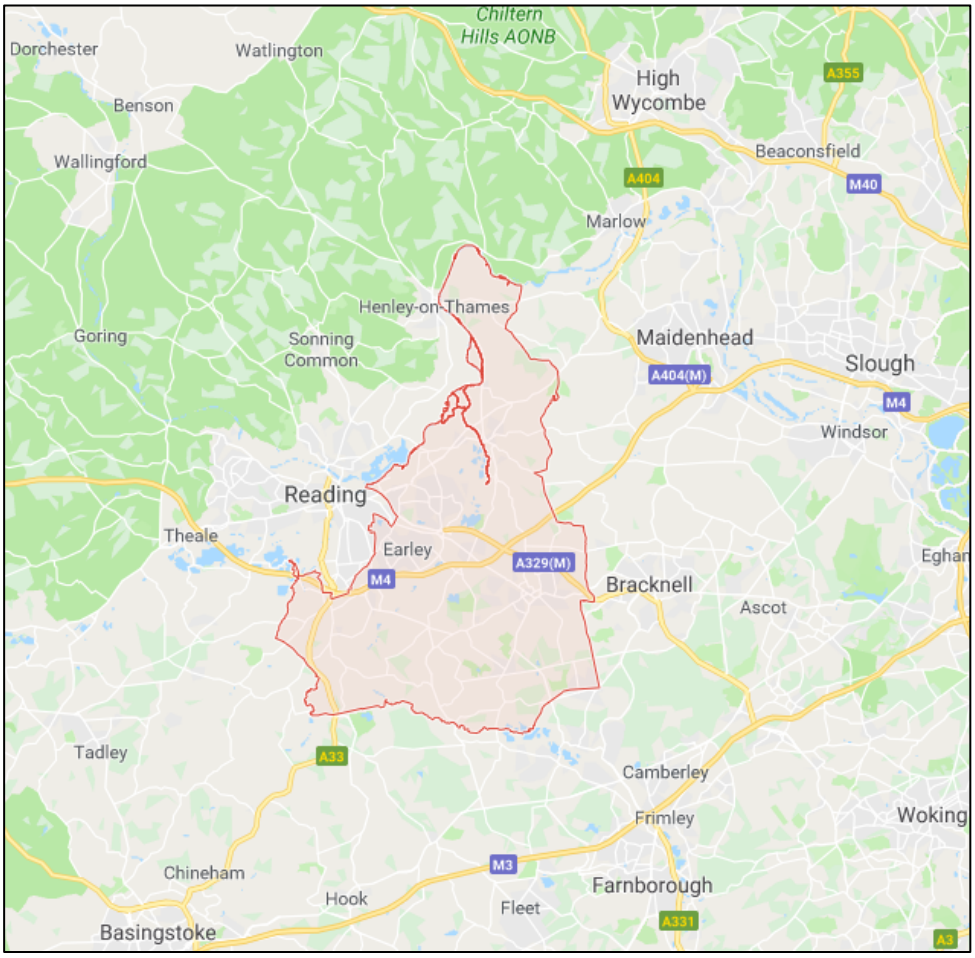
Size sq ft	Sqm	Label
up to 1,000	up to 93	Micro
1,001-2,000	93 - 186	Small
2,001-5,000	186 – 465	Small/medium
5,001-10,000	465 – 929	Medium
10,001-20,000	929 – 1,858	Medium/large
20,001-50,000	1,858 – 4,645	Large
50,000 plus	4,645 plus	Strategic

Source: AspinallVerdi (2018)

Background

5.11 Wokingham Borough lies to the west of London, as illustrated in Figure 5.2 below. The towns of Maidenhead, Slough and Bracknell lie east of the borough and Reading to the west. The M4 corridor, the main arterial route linking the South West and South Wales to London, intersects the borough. Access to the M4 is provided at junctions 10 and 11. Access to the M3, the main arterial route linking Southampton/ Portsmouth and their ports with London, is via the primary road network of the A33/A339 (junction 6) and A332 (junction 3).

Figure 5.2 Wokingham - location and administration boundary



Source: Google maps (2018)

5.12 Due to the Thames Valley's proximity to London and Heathrow, and the availability of land (compared to London where developable land is highly constrained) the area has long been attractive to corporate occupiers seeking Grade A office, in large buildings at relatively affordable rents (again, compared to London). The Thames Valley has a number of corporate occupiers which use this location as the headquarter facilities such as Vodafone and Huawei (telecommunication), Microsoft (technology), Waitrose (retail), and Thales Group (high tech engineering).

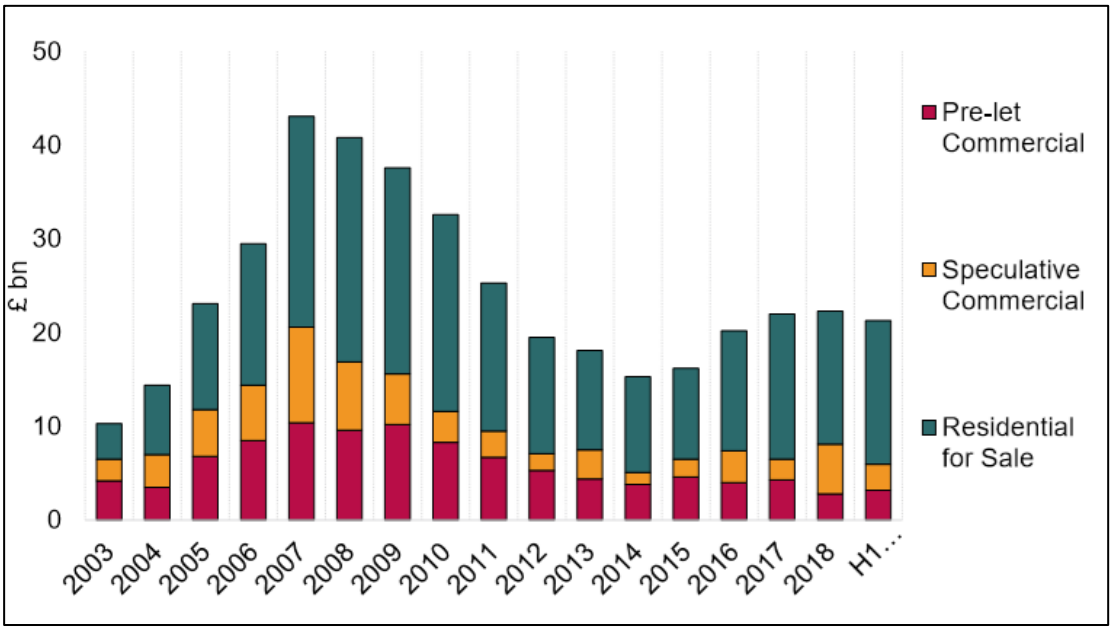
Offices

National Context

5.13 Since the global financial crisis developers are finding it much more difficult to finance development as banks have sought to limit their exposure to commercial lending - this is illustrated in Figure 5.3, which shows that outstanding development loans for commercial[20] pre-let and speculative are around 1/3rd of their 2007 value.

[20] Commercial property is classified as all non-residential property thus including the B class uses - office, industrial and warehousing as well as uses such as retail.

Figure 5.3 Development cycle of loan books, June 2019, £bn



Source: The Cass Commercial Real Estate Lending Survey, Mid-year 2019, 20year debt market analysis

5.14 Due to the strict nature of the lending markets speculatively office development is only occurring in strong and established office markets. There is evidence of speculative office building in London, key regional centres such as the Birmingham and Manchester, and Thames Valley (e.g. Forbury Place in Reading).

5.15 Generally, new development requires a pre-let in place to a blue-chip covenant – i.e. on a long lease to a high-quality tenant that is likely to always pay its rent and adhere to its obligations. This structure gives sufficient security to the investment to enable funding to be obtained.

5.16 In recent years the main drivers of demand for new office space has been from finance, professional services, Technology, Media and Telecommunications (TMTs) and flexible workspace providers. Since the referendum to leave the European Union there has been a slight cooling of office demand from finance and professional services, but demand from TMTs and flexible workspace providers remains robust.

Thames Valley/West London as an office location

5.17 The Thames Valley/West London corridor is a long established and attractive office location. The area is one of the few locations outside London to see speculative development occurring e.g. Forbury Place Reading and 3 The Sector Newbury.

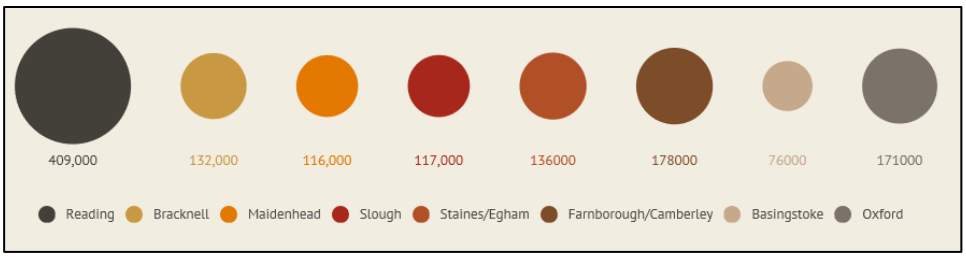
5.18 Demand for office space has been steady throughout the region over the past few years from TMTs, professional services, finance, insurance and pharmaceuticals. The area attracts many corporate companies seeking bespoke “trophy” head quarter buildings.

5.19 Agents report that current occupier demand in the Thames Valley is predominantly focused on Reading and Maidenhead – partly driven by the forthcoming opening up of the Elizabeth line which will provide quick links into and through central London

and the availability of new build space. Recent large deals in these areas include Ericsson (telecommunication) taking 37,600 sq ft at Thames Tower in Reading and FORA (co-working provider) taking 21,600 sq ft in the same building; along with LANE4 (management consultancy) taking 21,800 sq ft at TOR in Maidenhead.

5.20 The popularity of Reading as an office location is highlighted in Figure 5.4 which shows that Reading, on average, sees the majority of take-up of office space by some margin followed by Farnborough/Camberley. This reflects the availability of good quality office space in Reading town centre and at established business parks in, or around the borough.

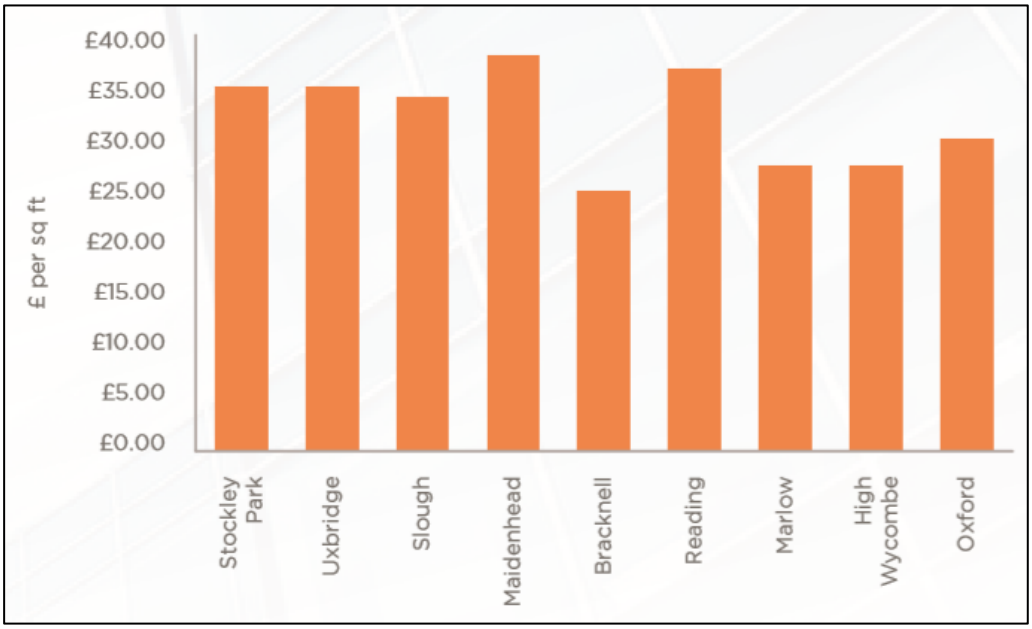
Figure 5.4 Thames Valley office take-up sq ft – 10-year average 2007 – 2017



Source: https://www.propertyweek.com/data/reading-comes-out-top-in-newly-resurgent-valley-office-market-/5088966.article

5.21 Figure 5.5 shows that the highest prime office rents are in Maidenhead (£39 psf) and Reading (£38 psf). The lowest rents are found in Bracknell (£25 psf) with Marlow and High Wycombe slightly higher.

Figure 5.5 Thames Valley prime office rents



Source: Cushman & Wakefield, Market Update (Q1, 2018)

Wokingham as an office location

5.22 Wokingham has two distinct office markets; town centre and out of town. The town centre has dated purpose-built stock, which has seen offices lost to residential through permitted development rights (PDR). The prime out of town market locations are at Winnersh Triangle, Green Park and Thames Valley Park. With more secondary stock found at Molly Millars and Sutton's Industrial Estate. We also see more specialist accommodation at Whiteknights, which benefits from its proximity and links to Reading University.

5.23 The out of town market has the more modern purpose-built premises, and attracts corporate occupiers looking for headquarters buildings. Some of the more dated out of town office stock has faced pressure for PDR due to the comparatively higher capital values achievable for residential compared to second-hand offices.

Town centre

5.24 As illustrated in Figure 5.6 Wokingham town centre offices predominately comprise purpose-built office stock of a mix of ages. Major occupiers in the town centre include Albany House (serviced office provider), NHS (public healthcare), Hollister (healthcare private) and BJP Insurance Brookers (finance).

Figure 5.6 Office space in Wokingham Town Centre

Anvil Court, 44 Denmark Street	West Forest Gate
	

Source: Property Link (2018)

Winnersh Triangle

5.25 Winnersh Triangle is one of Wokingham's prime business parks with modern purpose built of high quality, large floorplate office stock, as Figure 5.7 shows. Winnersh Triangle has direct access onto the A329(M), which in turn links directly to junction 10 of the M4. The business park benefits from its own dedicated railway station which provides regular services to London Paddington via Reading or direct to London Waterloo. The park has supporting amenities such as the AA 4 Silver* Holiday Inn & Spa hotel with a business centre, conference facilities and restaurant along with newsagent WHSmith, Gather & Gather coffee shop, and The Willows nursery. Winnersh Triangle has attracted corporate occupiers such as engineer consultancy

Jacob's (133,000 sq ft) along with TMTs Harris Systems (20,000 sq ft) and BMC Software (40,000 sq ft).

Figure 5.7 Examples of office space at Winnersh Triangle

1000 Series, Wharfedale Road	
	

Source: AspinallVerdi (2018)

Molly Millars

5.26 Molly Millars is a mixed office and industrial location comprising of a mix of smaller business parks such as Millars Business Centre, Fishponds Estate, Mulberry Business Park and Trinity Court. As Figure 5.8 shows, the office stock at Molly Millars is purpose built, but more dated than the stock at Winnersh Triangle, and facing pressure from residential conversion through PDR, which has resulted in the likes of Cyber House and Nigra House being lost from office use. Some of the office units are occupied by a single occupier whereas other are multi-let. Occupiers at Molly Millar include technology companies Prisym ID (7,700 sq ft) and Ametek along with aerospace company Avia Technique.

Figure 5.8 Examples of office space Molly Millars

Trinity Court	Millars Business Centre
	

Source: AspinallVerdi (2018)

Suttons Business Park& Thames Valley Park

5.27 Sutton's Business Park and Thames Valley Park are mixed office and industrial locations. As Figure 5.9 shows, the office stock at Thames Valley Park is high quality, purpose-built, with large floorplates with supporting amenities such as David Lloyd

Leisure Centre and Waterside Nursey and Preschool. Some of the units at Suttons Business Park are smaller units and more dated, although sections of the site fronting London Road have recently been redeveloped with larger scale warehousing/ industry. Land in the south east of Sutton's Business Park has been redeveloped in recent years to provide an Aldi and Costa. Occupiers at Thames Valley Park include TMTs such as Microsoft with their campus of 391,000 sq ft, and Oracle along with serviced office provider Regus. Suttons Business Park also has TMTs but in smaller units e.g. Audicompendax (4,500 sq ft).

Figure 5.9 Examples of office space Sutton's Business Park & Thames Valley Park

Thames Valley Park	Suttons Business Park
	

Source: AspinallVerdi (2018) and CoStar (2020)

Green Park

5.28 Green Park is a regionally recognised prime office park that spans the Wokingham and Reading borough boundary. Due to its close proximity to Reading, Green Park is regarded by agents and occupiers as forming part of the Reading office market. As Figure 5.10 shows, the office stock at Green Park is high quality, purpose-built, with large floorplates. Green Park will also be served by a new railway station that is due to be completed by 2020. Like Winnersh Triangle, Green Park has a number of supporting amenities such as Maddison White conference centre, WOLF Italian street food, Zest, Byte, Nuffield Health gym, and a multipurpose sports court, with the Hilton and Millennium Madejski hotels close by. The park also runs events like open air cinema, language courses and the rock choir. Occupiers at Green Park include food and drinks company PepsiCo (105,000 sq ft) and health science company PRA.

Figure 5.10 Examples of office space Green Park

South Oak Way, Green Park	
	

Source: Google, Cushman & Wakefield (2018)

Whiteknights

5.29 Whiteknights forms part of the Reading University campus. As Figure 5.11 shows the buildings are modern purpose built, and the centre is predominantly the Reading Enterprise Centre and Science and Technology Centre. These buildings provide small units for individuals and micro business with units from around 50 sq ft, providing a mixture of laboratory and traditional office space.

Figure 5.11 Example of office space Whiteknights

Reading Enterprise Centre


Source: Haslams (2018)

Ruscombe Business Park

5.30 Ruscombe Business Park is predominately an industrial location with a small amount of office accommodation on site. There are two main office buildings, Hawkhurst and NTS House. As Figure 5.12 shows both these buildings, although dated, are purpose-built. It is unclear whether NTS House is in single or multiple occupation but Hawkshurst House is let as a number of small office suits ranging from 100 sq ft – 800 sq ft plus.

Figure 5.12 Example of office space as Ruscombe Business Park

Hawkhurst & NTS House	
	

Source: CoStar (2019)

Hogwood Industrial Estate

5.31 Hogwood Industrial Estate has a number of out of town style office servicing the local market. In the estate these is a mix of quality of units as Figure 5.13 shows. The majority of stock is more than 25 years old with some even older. Some of the stock has reportedly been recently renovated and there are a number of units that appear to have reasonably modern specification. Units range in size, with some buildings being subdivided into smaller suits with suits of Figure 5.13 and larger single occupiers such as Insta Group in Insta house with approximately 13,000 sq ft

Figure 5.13 Examples of office space Hogwood Industrial Estate

Insta House & Osprey Terrace	
	

Source: CoStar (2019)

Science and Innovation Centre

5.32 The Science and Innovation Centre comprises a new build development on land south of Reading. The centre is part of Reading University and has only recently been constructed. The property benefits from bespoke laboratories to support the science and innovation sector.

Figure 5.14 Science and Innovation Centre

Insta House & Osprey Terrace


Source: CoStar (2019)

Demand

5.33 Demand for office space in Wokingham follows a similar pattern as the wider Thames Valley, but with more of a focus on TMTs, professional services and pharmaceuticals. Due to the wide range of size of units available of a high specification the borough attracts many micro-businesses and SMEs, but also large international business seeking to locate their UK headquarters.

5.34 Table 5.3 shows that between 2014 and 2019 the annual office take-up averaged 26 units / 175,889 sq ft. Take-up in 2014 and 2016 was particularly high due to Pepsico taking 105,00 sq ft (2014) and Bayer (pharmaceuticals) taking 80,000 sq ft at Green Park. Other deals over the 2014 to 2019 period include:

- Becton Dickinson (TMT) taking 44,000 sq ft and 16,000 sq ft at Winnersh Triangle
- Proton Partners (pharmaceuticals) taking 35,000 sq ft at Thames Valley Park
- Prodec Networks (TMT) taking 11,000 sq ft at Ruscombe Business Park
- Sopra Steria (recruitment) taking 19,500 sq ft at Winnersh Triangle

Table 5.3 Wokingham - annual office take-up 2014-2019

Calendar year	No. of transactions	Total take-up (sq ft)
2014	35	225,832
2015	22	102,713
2016	22	217,118
2017	26	122,464
2018	34	207,472
2019	18	179,734
Total	***157***	***1,055,333***
Annual Average	***26***	***175,889***

Source: EGi (2020)

5.35 Bracknell Forest to the east of Wokingham has had an average total take up recorded on EGi of 286,824 sq ft over 43 transactions in the past five years. West Berkshire to the west of Wokingham has had an average total take up recorded on EGi of 174,969 sq ft over 56 transactions in the past five years. It must be noted that the neighbouring local authorities have different sized office markets. West Berkshire is similar in of total office stock and unit numbers, the Bracknell Forest office market is smaller in terms of total floor space and unit numbers.

5.36 Table 5.4 shows that there have been good levels of take-up of office space across all size bands over the 2014 – 2019 period. Take-up of office space is primarily focused on the under 5,000 sq ft size band.

Table 5.4 Wokingham - annual office take-up by size, 2014-2019

Size range sq ft	No. units	% of units by size
up to 1,000 sq ft	32	20%
1,001-2,000	31	20%
2,001-5,000 sq ft	51	32%
5,001-25,000 sq ft	34	22%
25,001-50,000 sq ft	9	6%
Total	**157**	**100%**

Source: EGi (2020)

Town centre

5.37 Demand for office space in the town centre is predominantly for smaller units. Occupiers who are attracted to the town centre do so to have access to amenities and public transport. Occupiers in the town centre taking space since 2013 are:

- Picote UK (manufacturer) taking 570 sq ft at 30a, Rose Street
- Laser Lines (creative industries) taking 575 sq ft at 28, Broad Street
- FYR Project Management Services (professional services) taking 2,000 sq ft at Baileys House, Central Walk

Winnersh Triangle

5.38 Demand for office space at Winnersh Triangle is from occupiers seeking high quality space with good road and rail connectivity along with supporting amenities. The area attracts many international and national companies seeking a headquarters location, such as Becton Dickinson. But there have also been smaller deals since 2013

- Ferguson (construction) taking 9,200 sq ft at 1020, Eskdale Road
- Fisco (support services) taking 2,100 sq ft at 115, Wharfedale Road
- Hanse Orga (professional services) taking 2,600 sq ft at 125, Wharfedale Road

Molly Millars

5.39 Demand for space at Molly Millers is again from a range of occupiers but these tend to be more local companies then compared to Winnersh Triangle. Occupiers at Molly Millars taking space:

- TaxCalc (TMT) taking 9,400 sq ft at Mulberry Business Park, Rubra One
- Red Hot Penny (creative industries) taking 4,000 sq ft at Mulberry Business Park, Rubra One
- Optalis (care provider) taking 7,600 sq ft at Trinity Court

Sutton's Business Park & Thames Valley Park

5.40 Both Sutton's Business Park and Thames Valley Park predominantly attract TMTs. Due to the higher quality of stock on offer and flexibility of small to very large units Thames Valley Park attracts a wider range of occupiers, many of which are international firms.

5.41 TMTs at Sutton's Business Park include Audicompendax and Workbooks both of which are in 3,500 sq ft units. As Microsoft has been consolidating its operation at Thames Valley Park the high quality space which has become available has attracted international companies such as the previously mentioned letting of Proton Partners and TMTs of Jive Software and Computacenter.

Green Park

5.42 Green Park attracts a wide range of occupiers, many of which are international companies covering a wide range of sectors. Occupiers are attracted to the park due to the wide range of high quality units available, in a desirable, high profile location, with good on-site amenities.

5.43 In the wider park there are TMTs such as Veritas and Orb Data along with solicitor's Harrison Black Rickerbys and register social housing provider Stone Water. With regards to the element of Green Park which is located in Wokingham Borough, we have previously mentioned large deals for Bayer and Pepsico, and smaller occupiers such as ISG Fit-Out (construction) taking 972 sq ft and JLT Speciality (professional services) taking 2,750 sq ft.

Whiteknights

5.44 Whiteknights attracts start-ups and microbusiness, focused on TMTs and science-based organisations. The park has attracted TMTs such as Marvel Creative Design and Liquid Modules Limited as well as Intelligent Health.

Ruscombe Business Park

5.45 The majority of demand in Ruscombe Business Park is from professional services looking for space in Twyford. Occupiers recently taking space include Building Materials (healthcare) taking 5,200 sq ft on a 5-year lease and Conveyancing Data Services taking 4,400 sq ft of space.

Hogwood Industrial Estate

5.46 Hogwood Industrial Estate is predominantly an industrial estate meaning it is generally less attractive for office users. This being said, there has been some office activity in recent years including Cordell Health (healthcare) taking 2,346 sq ft at Osprey Terrace in 2018; and Aquistion System Ltd (IT systems) taking 2,100 sq ft of space in 2015.

Science and Innovation Centre

5.47 The Gateway Building of the science and innovation centre has only recently been completed. The space includes specialist laboratories and office workspace. Occupiers include Biointeractions (life sciences), Covance (food R&D) and Sage People (TMT).

Supply and market balance

Overview

5.48 Table 5.5 shows that there are 135 units currently available in the borough, providing a total of 585k sq ft. This is against a total stock of 1,307 units / 4.55 million sq ft registered on the VOA. This equates to a current vacancy rate of 12.9% of floorspace and 10.3% of number of units. If we cross-reference the availability in Table 5.5 with annual average take-up in Table 5.3 of 175,889 sq ft / 26 units the availability across the borough equates to around 5-years and 2-months supply in relation to number of units and 3-years and 4-months supply in relation to floorspace. In terms of number of units the market appears oversupplied but in terms of floorspace the market appears in balance.

Table 5.5 Availability of office space

	Floorspace sq ft	No. of units
Total stock	4,550,374	1,307
Availability	585k	135[21]
	12.9%	10.3%

Source: CoStar, VOA, AspinallVerdi (2020)

Town centre office

5.49 Table 5.6 shows that there are just eight units available on EGi against a total stock of 176 units registered on VOA. The availability equates to a vacancy rate of 4.5%, which is much lower than the borough average. When we look at the type of units available, we see that there are no available larger units but this is not an immediate concern because demand here is for smaller units. Vacancy is unsurprisingly low for units up to 2,000 sq ft, which is a concern as this is where demand is strongest.

[21] Number of units based on total availability rather than vacancy

Table 5.6 Town centre stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000	106	60%	3	2.8%
1,001 - 2,000	37	21%	0	0.0%
2,001 - 5,000	22	13%	4	18.2%
5,001 - 10,000	9	5%	1	0.0%
10,001 - 20,000	1	1%	0	0.0%
20,001 plus	1	1%	0	0.0%
Total	**176**	**100%**	**8**	**4.5%**

Source: EGi, VOA, AspinallVerdi (2018)

Winnersh Triangle

5.50 Table 5.7 shows that there are 20 units available on EGi against a total stock of 64 units registered on VOA. The availability equates to a vacancy rate of 31% which is much higher than the borough average. Vacancy is particularly high for units in the size band between 2,001 - 5,000 sq ft, and the large units of above 20,000 sq ft. Some of the units available are high quality (Grade A) refurbished stock.

Table 5.7 Winnersh Triangle stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000 sq ft	2	3%	0	0%
1,001 - 2,000 sq ft	2	3%	0	0%
2,001 - 5,000 sq ft	17	27%	10	59%
5,001 - 10,000 sq ft	14	22%	3	21%
10,001 - 20,000 sq ft	23	36%	3	13%
20,001 sq ft plus	6	9%	4	67%
Total	**64**	**100%**	**20**	**31%**

Source: EGi, VOA, AspinallVerdi (2018)

Molly Millars

5.51 Table 5.8 shows that there are 10 units available on EGi against a total stock of 184 units registered on VOA. The availability equates to a vacancy rate of 5.4%, which is around half of the borough average. When we look at the type of units available, we see no larger units, which is not an issue given that demand is for smaller units. Vacancy is low for units up to 2,000 sq ft, which is a concern as this is where we see the strongest demand.

Table 5.8 Molly Millars stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000 sq ft	124	67%	0	0.0%
1,001 - 2,000 sq ft	17	9%	5	0.0%
2,001 - 5,000 sq ft	28	15%	4	14.3%
5,001 - 10,000 sq ft	11	6%	1	9.1%
10,001 - 20,000 sq ft	3	2%	0	0.0%
20,001 sq ft plus	1	1%	0	0.0%
Total	**184**	**100%**	**10**	**5.4%**

Source: EGi, VOA, AspinallVerdi (2018)

Suttons Business Park & Thames Valley Park

5.52 Analysis of total stock and availability for Suttons Business Park and Thames Valley Park highlights the limitations through cross-referencing the VOA data and EGi data. Table 5.9 shows that there are more units above 20,001 sq ft available than there is stock, which cannot be the case. This anomaly is due to the Microsoft campus being registered as a "single unit"[22] on the VOA whereas in reality the campus is over a number of units (buildings). Some of the units at the Microsoft campus are available to let but the VOA data has not been adjusted to reflect this change. Notwithstanding, the analysis does show that there is low vacancy for smaller units i.e. up to 5,000 sq ft. The space which is available is Grade A refurbished stock.

Table 5.9 Suttons Business Park & Thames Valley Park stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000	84	80%	0	0.0%
1,001 – 2 ,000	2	2%	0	0.0%
2,001 - 5,000	5	5%	1	20.0%
5,001 - 10,000	2	2%	0	0.0%
10,001 - 20,000	5	5%	0	0.0%
20,001 plus	7	7%	9	128.6%
Total	**105**	**100%**	**10**	**9.5%**

Source: EGi, VOA, AspinallVerdi (2018)

[22] For rating purposes the hereditament is the unit/floor area which the business rate is calculated against. For rating purposes the hereditament may form many sperate smaller units.

Green Park

5.53 Table 5.10 shows that Green Park provides a range of unit sizes with limited current availability. A 9% vacancy is broadly in line with the borough average but is just focused on two units in the same size band so does not provide many immediate options for occupiers.

Table 5.10 Green Park stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000	3	14%	0	0.0%
1,001 - 2,000	4	18%	0	0.0%
2,001 - 5,000	4	18%	0	0.0%
5,001 - 10,000	7	32%	2	28.6%
10,001 - 20,000	0	0%	0	0.0%
20,001 plus	4	18%	0	0.0%
Total	**22**	**100%**	**2**	**9.1%**

Source: EGi, VOA, AspinallVerdi (2018)

Whiteknights

5.54 Table 5.11 highlights that Whiteknights predominantly comprises smaller units, with 92% of the total stock in the up to 1,000 sq ft size band. The analysis in Table 5.11 shows that vacancy is very low with only one unit currently being marketed.

Table 5.11 Whiteknights stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000	200	92%	0	0.0%
1,001-2,000	11	5%	0	0.0%
2,001-5,000	5	2%	1	20.0%
5,001-10,000	1	0%	0	0.0%
10,001-20,000	0	0%	0	0.0%
20,001 plus	1	0%	0	0.0%
Total	**218**	**100%**	**1**	**0.5%**

Source: EGi, VOA, AspinallVerdi (2018)

Ruscombe Business Park[23]

5.55 Table 5.12 shows the stock registered on VOA was 22 units, with the bulk being under 1,000 sq ft. In January 2020 vacancy was low with few units currently being marketed.

Table 5.12 Ruscombe Business Park stock

Size range sq ft	Total No of units	% of units by size range
up to 1,000 sq ft	22	91%
1,001 - 2,000 sq ft	0	0%
2,001 - 5,000 sq ft	2	9%
5,001 - 10,000 sq ft	0	0%
10,001 - 20,000 sq ft	0	0%
20,001 sq ft plus	0	0%
Total	**24**	**100%**

Source: CoStar, VOA, AspinallVerdi (2020)

Hogwood Industrial Estate

5.56 Table 5.13 shows a total 15 office units in Hogwood Industrial Estate registered on the VOA. Almost all the units are small to medium in size between 2,000 – 5,000 sq ft. In January 2020 there was nil office vacancy on the estate.

Table 5.13 Hogwood Industrial Estate stock

Size range sq ft	Total No of units	% of units by size range
up to 1,000 sq ft	0	0%
1,001 - 2,000 sq ft	0	0%
2,001 - 5,000 sq ft	14	93%
5,001 - 10,000 sq ft	1	7%
10,001 - 20,000 sq ft	0	0%
20,001 sq ft plus	0	0%
Total	**15**	**100%**

Source: CoStar, VOA, AspinallVerdi (2020)

Development opportunities

5.57 The current development opportunities found in the borough are as follows on a pre-let basis:

[23] Data for most of the office and industrial areas was obtained in 2018. However, data for three areas was added to the report in January 2020 – Ruscombe, Hogwood and Toutley. The stock data will not have changed between 2018 and 2020, and neither will the occupancy/vacancy figures have altered materially.

- Green Park, 700-900 – 318,997 sq ft
- Winnersh Triangle - Building 1040 from 19,482 sq ft to 105,056 sq ft
- Winnersh Triangle – Plot 1100 - 73,000 sq ft

Rents

5.58 Business parks in close proximity to Reading e.g. Green Park and Thames Valley Park command a price premium compared to other locations in the borough. Rents for refurbished Grade A space here are in line with Reading e.g. circa. £37.50 psf.. Rents at Winnersh Triangle are lower and more wide ranging, between £20 psf and £30 psf reflecting the mix of stock and its location. Rents around Molly Millars and the town centre are lower at between £15 - £20 psf.

5.59 At the rents achievable it is viable to maintain and refurbish the existing stock. Development is viable with a pre-let in place to a good quality covenant on institutional lease terms[24] at Winnersh Triangle, but marginal on a speculative basis. Development is viable on a speculative basis at Green Park and Thames Valley Park.

Conclusion: the office market

5.60 The office market in Wokingham is currently performing well, vacancy levels in terms of number of units is reasonable, but vacant floorspace is relatively high. This does indicate that there is number of large units available. Demand across the borough is generally for small units. But the evidence does show that from time to time the borough does attract large-scale transaction for well-located good quality stock with on-site amenities e.g. Pepsico, Bayer and Becton Dickinson.

5.61 Locations such as Molly Millars are more marginal, but as we show later this area is performing well as an industrial location. The quality of stock available at Molly Millars is inferior compared with Green Park and Winnersh Triangle, and lacks the supporting amenities required by quality occupiers. But the stock at Molly Millars serves a different segment of the market to that of Green Park. Molly Millars office stock attracts local and national occupiers while Green Park fulfils large international requirements. Ruscombe Business Park and Hogwood Industrial Estate are smaller and generally attract more local occupiers

5.62 The current level of availability of good quality modern space in the borough at Thames Valley Park, Green Park, and Winnersh Triangle means there is sufficient current supply to capture large-scale occupiers seeking immediately available premises. The market signals are not sufficient to trigger new build development. Due to the current level of vacancy, new build development is only being currently offered on a pre-let basis. Should supply tighten this could then trigger speculative development, but this will only occur at the prime business parks.

[24] Minimum of 10 years unbroken term, ideally 15 – 20 year with 5 yearly upward only or RPI reviews

5.63 The Science Park is still relatively new, but seems to have already attracted a number of specialist occupiers attracted to University connections and specialist space. This will likely continue, and units will be attractive to SME occupiers in years to come.

Industrial

Introduction

5.64 For our market analysis we consider industrial and distribution uses (B1c, B2 and B8) as one property market sector. This is because these uses generally occupy the same types of building, are generally inter-changeable and are difficult to distinguish in practice.

5.65 Typically, for studies of this nature we split our analysis of the industrial market into general industrial uses (production space (factories and workshops) and small to medium-sized warehousing), and large-scale strategic warehousing (100,000 sq ft+) because they are driven by different factors on the demand side. However, the focus of the employment market across the borough is not large-scale strategic warehousing, and therefore separating the analysis would not provide for any meaningful analysis.

National context

5.66 The national industrial market remains healthy. In the global economic crisis speculative development came to a halt. At that point in time there was excess supply to meet demand due to weakening occupier demand and the wave of speculative development that had occurred pre-financial crisis (driven by easy access to finance). In recent years supply has tightened, this is due to; improvement in the economy, changing shopping patterns (increase in online sales), and some units being lost to higher value residential uses. Most recently, the devaluation of the pound, has supported growth in the UK manufacturing sector, by making exports more competitive.

5.67 In some areas of the country supply of industrial units have not kept pace with demand due to the lack of new build development occurring. As highlighted in Figure 5.3 developers are finding it much harder to fund industrial warehousing development compared to pre-financial crisis.

5.68 Due to the tight nature of the funding markets, speculative development is generally only occurring in ‘super prime’ areas (e.g. parts of the M1 corridor, Heathrow etc.). Speculative development in “super prime” areas often only occurs on part of the development site with the remaining brought forward on a build to suit basis (i.e. at East Midlands Gateway and Markham Vale). These areas have very strong occupier demand from blue-chip covenants, therefore the perceived risk is low. Speculative development is often only occurring for larger units that can be occupied by these large national /international firms.

5.69 The economics for smaller and medium sized development is different from large-scale distribution units both in terms of cost and values. Smaller and medium sized

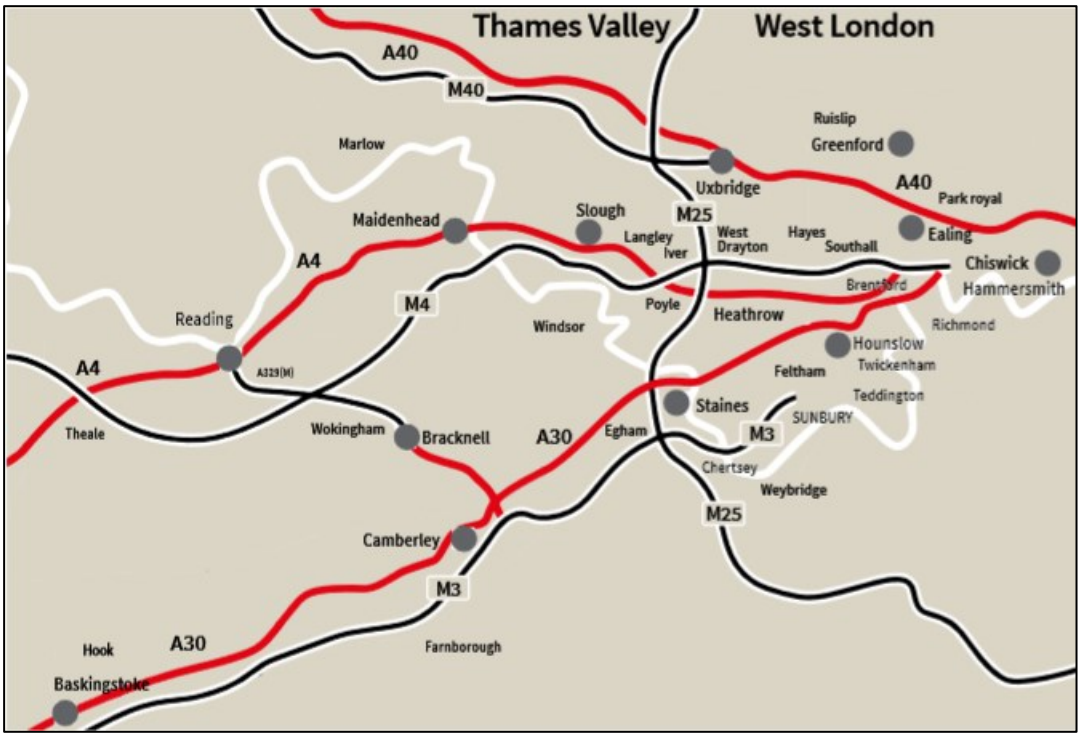
units do not benefit from economies of scale for build costs compared to large units. Covenant strength of occupiers of smaller units are generally weaker and result in less secure income, and lower capital values. In addition, this income is usually guaranteed for a shorter period due to shorter lease terms. Small and medium sized development is typically only occurring on: previous employment sites where infrastructure is currently in place; or as part of larger strategic employment sites whereby the large-scale distribution units are able pay for the infrastructure to service the smaller and medium sized units.

5.70 The lack of speculative development has led to an imbalance in the market with some occupiers having to wait for build to suit opportunities, or taking second-hand space to satisfy immediate requirements. With a lack of suitable medium sized space, occupiers across the country are struggling to find suitable space for business expansion. This is having a knock-on effect, with smaller units not experiencing 'natural' levels of market churn therefore not freeing up space for SMEs and start-ups.

Thames Valley/West London as an industrial location

5.71 The western part of Berkshire is an attractive industrial location for those occupiers serving London and the South East. As Figure 5.15 shows this is due to the good connectivity created by access to the national motorway networks; M4, M3, M40 and M25 corridors.

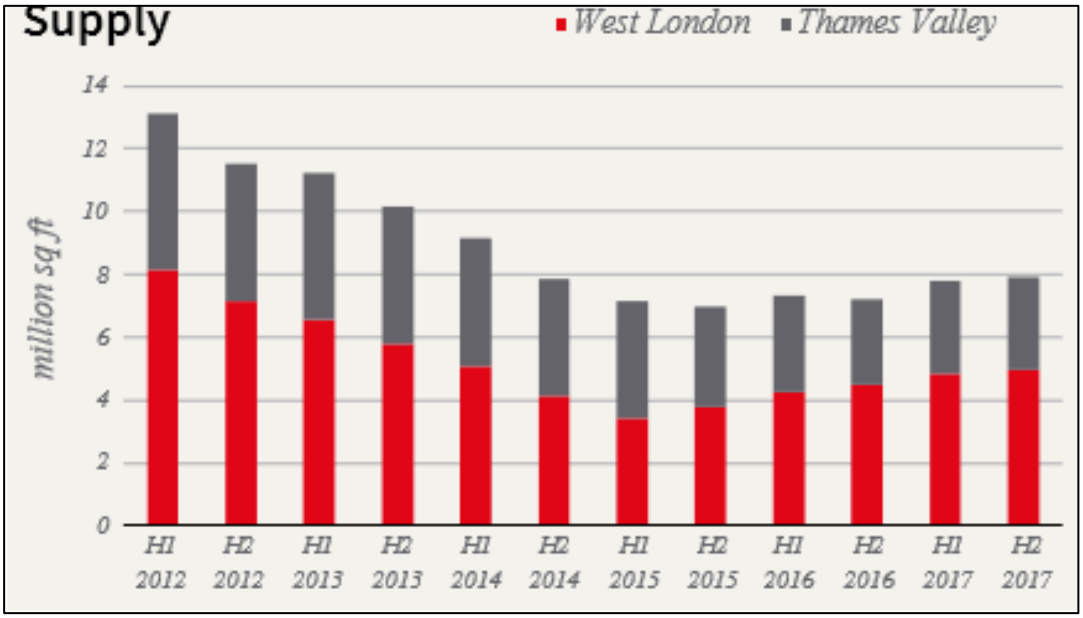
Figure 5.15 Thames Valley/West London strategic road network



Source: JLL, Western Corridor industrial market (March 2018)

5.72 As shown in Figure 5.16 due to good levels of demand for industrial space across the Western Corridor supply has tightened.

Figure 5.16 Supply of industrial accommodation, units of 2,000 sq ft plus



Source: JLL, March 2018, Western Corridor industrial market

5.73 Industrial rents west of the M25 range from £13.00 psf in Reading to £14.50 psf in Slough. East of the M25 rents increase further to £15.00 psf at Heathrow and £17.50 psf at Park Royal. Industrial rents in Wokingham are around £12.50 psf.

Wokingham as an industrial location

5.74 The focus of the property market in Wokingham Borough is not industrial uses. The borough does not attract footloose requirements from large-scale B8 users such as retailers and 3PLS as these tend to go to Slough or Heathrow. Slough and Heathrow are more attractive to occupiers as critical mass of other occupiers and connections to central London. The borough attracts a range of occupiers from traditional industries serving the local market through to international TMTs using the borough as their UK headquarters. Companies are attracted to the borough due to good quality purpose-built premises, and the close proximity to London.

Winnersh Triangle

5.75 The focus of the market at Winnersh Triangle is offices rather industrial. As illustrated in Figure 5.17 the industrial units at Winnersh Triangle are of brick construction rather than steel portal frame with metal cladding as typically seen on industrial estates. Occupiers in the area include TMTs Intel Corporation in a 16,400 sq ft unit and AIT Partnership Group in a 7,300 sq ft unit.

Figure 5.17 Examples of industrial space Winnersh Triangle

Unit 620	Unit 515
	

Source: Strutt & Parker

Molly Millars

5.76 In terms of number of units, Molly Millars is the largest industrial area in the borough comprising a range of size and quality of units – this is illustrated in Figure 5.18. Smaller industrial areas include Anglo Trade Park and Wokingham Space Business Centre. As mentioned above the estate is mixed with offices and more recently residential through PDR. Despite the encroachment for residential uses the industrial element appears to be performing well. The area attracts a mix of local, regional and international firms. Business in the area include traditional uses like Newstar Fastenings (construction) in a 429 sq ft unit and New Link (3PL) in a 785 sq ft unit along with more modern industries such as Joshua (creative industries) in a 392 sq ft unit.

Figure 5.18 Examples of industrial space Molly Millars

Wokingham Space Business Centre	BSG Group, Eastheath House
	

Source: AspinallVerdi (2018)

Suttons Business Park, Earley

5.77 As mentioned above Suttons Business Park is a mixed office and industrial area. Some of the most dated industrial units have been lost to other uses, as they have been redeveloped to provide an Aldi supermarket and a Costa. The industrial element of the estate is dominated by the food wholesale Brakes who occupy 200,000 sq ft. In

addition, the estate has manufacturers Manrose in a 74,000 sq ft unit, SAS International with a 45,000 sq ft unit and Industrial Products and Supplies – all of which use the estate as their UK head office. Manrose use their unit for administrative, sales and assembly and logistics.[25] As Figure 5.19 shows the units at Suttons Business Park are dated but are in good repair. The front elevations have significant amount of glazing then would be expected on a modern steel portal and clad unit.

Figure 5.19 Examples of industrial space Suttons Business Park

Unit 53	Unit 50
	

Source: AspinallVerdi (2018)

Headley Road East, Woodley

5.78 Headley Road East is a traditional industrial estate which, as Figure 5.20 shows, it comprises a mix of age of units and types – some are traditional steel portal frame cladded units along with brick-built units. The main occupier on the estate is Magal Engineering (automotive supplier) who have a 162,000 sq ft head office. Elsewhere on the estate there are modern units at Base 329 which has occupiers such as Howdens Joinery (construction) in a 6,700 sq ft unit and Loftlock (precision engineering) in a 6,800 sq ft unit. In the wider estate occupiers include Woodley Auto Centre (car repair) in a 6,200 sq ft unit and SFL Group (TMT) in a 16,400 sq ft unit.

[25] http://www.manrose.com/about.htm

Figure 5.20 Examples of industrial space Headley Road East

Base 329, Headley Road East	Unit C, Headley Park Eight
	

Source: Estates Gazette (2018)

Hogwood Industrial Estate, Finchampstead

5.79 Hogwood Industrial Estate is located towards the south of Wokingham and is in relatively close proximity to the A327. The estate is one of the smallest industrial areas in the borough. As shown in Figure 5.21 the estate mainly comprises small sub 5,000 sq ft terraced units, the majority of which are dated. Occupiers on the estate are companies serving the local markets and include Elusive Brewing, and Siren Craft Brew (Brewers) and One InstaGroup (insulation contractor).

Figure 5.21 Examples of industrial space Hogwood Industrial Estate

Falcon House	Units 5-8 – Hogwood Industrial Estate Industrial Estate
	

Source: CoStar (2020)

Ruscombe Business Park

5.80 Ruscombe Business Park is a combined office and industrial park in Ruscombe. As illustrated in Figure 5.22 the industrial units in Ruscombe Business Park are modern steel portal frame construction with metal cladding. Occupiers on the park include TubeTek Uk (metal processing) and Packaids (printer)

Figure 5.22 Examples of industrial space Ruscombe Business Park

Chancerygate	Clifford House
	

Source: CoStar (2020)

Toutley Industrial Estate

5.81 Toutley Industrial Estate is a small traditional industrial estate which as Figure 5.23 shows, comprises slightly dated purpose built steel portal frame cladded units. Despite being slightly dated they still meet modern occupier requirements. Occupiers on the estate are mostly smaller companies and include Blueprint Fitted Furniture (Furniture) and Hycon (Hydraulic repairs).

Figure 5.23 Examples of industrial space Toutley Industrial Estate

The Metro Centre	Toutley Industrial Estate
	

Source: CoStar(2020)

Demand

5.82 Demand for industrial space in Wokingham is wide ranging from local traditional industries through to high-tech international firms. Occupiers seek good quality premises that offer good links to the national motorway network. Table 5.14 shows that between 2014 and 2019 the annual industrial take-up averaged 26 units / 159,824 sq ft.

Table 5.14 Wokingham - annual industrial take-up 2014-2019

Calendar year	No. of transactions	Total take-up (sq ft)
2014	23	82,815
2015	22	194,204
2016	14	73,079
2017	16	64,370
2018	33	190,515
2019	13	87,368
Total	***158***	***958,948***
Annual Average	***26***	***159,824***

Source: EGi (2020)

5.83 Table 5.15 shows that take-up of industrial space over the 2014 – 2019 period varied largely between 2,001 and 10,000 sq ft. This highlights that the bulk of activity is for smaller to mid-sizes units rather than large-scale.

Table 5.15 Industrial take-up by size, 2014-2019

Size range sq ft	No. units	% of units by size
up to 1,000	16	10.1%
1,001 - 2,000	19	12.0%
2,001 - 5,000	54	34.2%
5,001 - 10,000	49	31.0%
10,001 - 20,000	10	6.3%
20,001 - 50,000	9	5.7%
50,000 plus	1	0.6%
Total	**158**	**100%**

Source: EGi (2020)

5.84 Since 2014 take-up for space has included:

- Bilfinger (engineers) 7,900 sq ft at Winnersh Triangle
- Intersurgical (healthcare manufacture) 8,600 sq ft at Molly Millars
- Prestek Computing (TMT) 13,000 sq ft at Molly Millars
- Rainbow Removals (storage and distribution) 17,000 sq ft at Molly Millars

Winnersh Triangle

5.85 Due to the accessibility of the M4 and the railway station along with on-site amenities such as the hotel, conference and leisure facilities Winnersh Triangle attracts international companies. Besides the recent letting to Bilfinger, the area has also attracted Patrizia (TMT) who took 9,500 sq ft, Aker Solutions E&C (engineers) 54,000 sq ft and AIT Partnership (TMT) 7,900 sq ft.

Molly Millars

5.86 Demand for space at Molly Millars is spread across a range of local, regional and international companies. Besides the lettings on Intersurgical, Prestek Computing and Rainbow Removals the area has attracted UK Events (outdoor events) in a 3,100 sq ft unit, Surelock McGill (manufacturer) for a 4,200 sq ft head office and Amphora Research Systems (TMT) who have taken a 4,200 sq ft unit.

Sutton's Business Park

5.87 Due to the lack of available space, no recent deals have been recorded on EGi at Sutton's Business Park. The estate does attract TMTs and manufacturers who attracted to the area due to the excellent road connectivity and the on-site amenities.

Hogwood Industrial Estate

5.88 Demand for space at Hogwood is from mostly smaller companies servicing the local market. An example, is the recent deal of Heathwood Construction taking a 700 sq ft unit.

Ruscombe Business Centre

5.89 Demand for industrial space in Ruscombe is from companies servicing the local markets. Recent activity includes Albuhera Distribution taking a 2,361 sq ft unit and Metro-Ducting taking a 2,399 sq ft unit.

Toutley Industrial Estate

5.90 Demand for industrial space at Toutley Industrial Estate is minimal with the majority coming from automobile-related companies servicing the local markets. There is no available lease data on CoStar for the estate.

Headley Road East

5.91 Demand for industrial space at Headley Road East is from a mix of locally based companies and larger companies servicing the area, as well as those located here for historic reasons. Recent activity includes trade counter operator Toolstation taking a unit of 3,200 sq ft and Polyplus Packaging taking a 2,900 sq ft unit.

Supply and market balance

5.92 Table 5.16 shows that there are 53 units currently available in the borough, providing a total of 123k sq ft against a total stock of 943 units / 4.67 million sq ft. Therefore, the current vacancy rate in the borough is 2.6% in floorspace terms and 5.6% in unit terms. When we cross-reference the current availability against the annual average take-up in Table 5.14Table 5.16 it equates to just over 2- years supply in unit terms, and just 9-months supply in floorspace terms – floorspace figures show that the market is very tight.

Table 5.16 Total stock & availability of industrial floorspace

	Floorspace sq ft	No. of units
Total stock	4,665,669	943
Availability	123k	53[26]
	2.6%	5.6%

Source: CoStar, VOA, AspinallVerdi (2020)

Winnersh Triangle

5.93 Table 5.17 shows that there are just two units available on EGi against a total stock of 23 units registered on VOA. The availability equates a vacancy rate of 8.7%, which is slightly higher than borough average, but this is distorted as it represents just two units and in reality there is a lack of variety in the availability at Winnersh.

Table 5.17 Winnersh stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000 sq ft	0	0%	0	0.0%
1,001 - 2,000 sq ft	0	0%	0	0.0%
2,001 - 5,000 sq ft	0	0%	0	0.0%
5,001 - 10,000 sq ft	9	39%	1	11.1%
10,001 - 20,000 sq ft	6	26%	0	0.0%
20,001 - 50,000 sq ft	5	22%	1	20.0%
50,000 sq ft plus	3	13%	0	0.0%
Total	**23**	**100%**	**2**	**8.7%**

Source: EGi, VOA, AspinallVerdi (2018)

Molly Millars

5.94 Table 5.18 shows that there are seven units available on EGi against a total stock of 156 units registered on VOA. The availability equates a vacancy rate of 4.5%, which is slightly lower than borough average. The relatively low vacancy at Molly Millars is not a concern given the mix of size of units available.

[26] Number of units based on total availability rather than vacancy

Table 5.18 Molly Millars stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000 sq ft	50	32%	2	4.0%
1,001 - 2,000 sq ft	11	7%	0	0.0%
2,001 - 5,000 sq ft	33	21%	2	6.1%
5,001 - 10,000 sq ft	29	19%	1	3.4%
10,001 - 20,000 sq ft	20	13%	1	5.0%
20,001 - 50,000 sq ft	12	8%	1	8.3%
50,000 sq ft plus	1	1%	0	0.0%
Total	**156**	**100%**	**7**	**4.5%**

Source: EGi, VOA, AspinallVerdi (2018)

Sutton's Business Park

5.95 Table 5.19 shows that there are no units available on EGi against a total stock of 43 units registered on VOA. This is despite there being some recent development on the park. The zero-vacancy rate is a concern given the generally low vacancy across the borough.

Table 5.19 Sutton's Business Park stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000 sq ft	0	0%	0	0.0%
1,001 - 2,000 sq ft	0	0%	0	0.0%
2,001 - 5,000 sq ft	18	42%	0	0.0%
5,001 - 10,000 sq ft	7	16%	0	0.0%
10,001 - 20,000 sq ft	10	23%	0	0.0%
20,001 - 50,000 sq ft	6	14%	0	0.0%
50,000 sq ft plus	2	5%	0	0.0%
Total	**43**	**100%**	**0**	**0.0%**

Source: EGi, VOA, AspinallVerdi (2018)

Headley Road Estate

5.96 Figure 5.20 shows that there are four units available on EGi against a total stock of 39 units registered on VOA. The availability equates to a vacancy rate of 10%, which is higher than borough average. But again, this is slightly distorted because it is just across four units.

Table 5.20 Headley Road Estate stock and availability

Size range sq ft	Total No of units	% of units by size range	No. of units available	% of units available
up to 1,000 sq ft	1	3%	0	0.0%
1,001 - 2,000 sq ft	5	13%	1	20.0%
2,001 - 5,000 sq ft	12	31%	2	16.7%
5,001 - 10,000 sq ft	8	21%	0	0.0%
10,001 - 20,000 sq ft	9	23%	1	11.1%
20,001 - 50,000 sq ft	3	8%	0	0.0%
50,000 sq ft plus	1	3%	0	0.0%
Total	**39**	**100%**	**4**	**10.3%**

Source: EGi, VOA, AspinallVerdi (2018)

Hogwood Industrial Estate

5.97 Figure 5.21 shows a total stock of 63 units registered on VOA. The bulk of units are small – between 1,000 – 5,000 sq ft. In January 2020 the estate had no vacant units.

Table 5.21 Hogwood Industrial Estate stock

Size range sq ft	Total No of units	% of units by size range
up to 1,000 sq ft	10	16%
1,001 - 2,000 sq ft	13	21%
2,001 - 5,000 sq ft	24	38%
5,001 - 10,000 sq ft	10	16%
10,001 - 20,000 sq ft	6	10%
20,001 - 50,000 sq ft	0	0%
50,000 sq ft plus	0	0%
Total	**63**	**100%**

Source: CoStar, VOA, AspinallVerdi (2020) Zero vacancy in 2020.

Ruscombe Business park

5.98 Table 5.22 shows that there are 20 units registered on VOA making the estate comparably small to others in the borough. The bulk of the units are small – medium

in size, between 2,000 – 10,000 sq ft. In January 2020 vacancy was low with a single unit currently being marketed.

Table 5.22 Ruscombe Business park stock

Size range sq ft	Total No of units	% of units by size range
up to 1,000 sq ft	0	0%
1,001 - 2,000 sq ft	0	0%
2,001 - 5,000 sq ft	11	55%
5,001 - 10,000 sq ft	7	35%
10,001 - 20,000 sq ft	2	10%
20,001 - 50,000 sq ft	0	0%
50,000 sq ft plus	0	0%
Total	**20**	**100%**

Source: CoStar, VOA, AspinallVerdi (2020). Vacancy was virtually zero in Jan 2020.

Toutley Industrial Estate

5.99 There are only four units at Toutley Industrial Estate registered on the VOA, with no vacant units.

Development opportunities

5.100 Due to the constrained nature of the industrial market in the borough, there are no obvious development opportunities. Development has only come forward in recent years on brownfield sites in existing employment areas benefitting from existing infrastructure (roads and services).

Rents

5.101 There is no recent evidence of new build rental transactions recorded on EGi or CoStar. Rents for good quality second-hand purpose-built accommodation are reported to be as high as £12.50 psf by agents. As of January 2020 there is evidence of a new build unit currently being marketed by Haslams at Sutton's Business Park at £12.50 sf for 31k sq ft. Smaller new build units would likely achieve high rents on a psf basis . Rents tend not to drop below £8 psf, a level sufficient to maintain the existing premises.

Conclusion

5.102 The industrial market in the borough is performing well and vacancy is generally low. There is no one sector driving demand for space, with the borough attracting a wide range of occupiers that include traditional industrial uses through to TMTs and creative industries. The type of occupiers range from local to international businesses. Some of the international business use the borough as the base of their

UK headquarters. Development is viable in the borough on a pre-let basis, but development of this type has only come forward on brownfield sites. Due to the pressure from higher value uses such as residential and offices there is no current evidence of speculative industrial development.

5.103 The existing industrial stock is clearly in demand and generally fit for purpose, and therefore needs to be protected. Proposals that come forward development for alternative uses should be resisted.

6 THE EMPLOYMENT LAND REQUIREMENT

Introduction

6.1 In this chapter we assess the quantum of land that the Local Plan should provide for employment (B-class) development, over and above the existing planned supply provided by outstanding land allocations and planning permissions. We do this in five stages as follows:

- First, we forecast jobs by economic sector and then translate them into jobs by type of space (use class), identifying those jobs that will be based in employment (B-class) space.
- Second, we forecast *net demand, also referred to as net take-up*. This is the additional land that will be developed over the Plan period. It equals the difference between gross gains – the new development that occurs over the period – and gross losses – the existing employment land that is lost, for example where employment sites are redeveloped for other uses. Our forecast is derived from forecast net job growth in the economic activities that occupy employment space.
- Third, we calculate *gross demand (gross take-up*). This is the total amount of land that will be developed for employment uses over the period. It equals the net take-up calculated earlier, plus replacement of the land lost to other uses.
- Fourthly, we calculate *gross need* – This is the amount of development land that should be provided in order to meet demand in full, so that economic growth is not constrained by lack of land. Gross need equals gross demand plus a 'safety margin' to cover frictional vacancy, variety, competition and uncertainty in the forecast.
- Fifthly and finally, we calculate *market balance* the difference between existing planned supply and gross need. This balance is the provision that should be made in the plan over and above that existing supply.

6.2 The key data/ data sources used are:

- Future population change, assuming that housing delivery in the district is in line with Local Housing Need. An explanation of the method used is provided at Appendix B;
- job forecasts supplied by Experian. We explain at the beginning of the future job change section why we use Experian rather than an alternative forecast from Cambridge Econometrics (Cameco)[27];
- jobs by use class are identified using IDBR and VoA data
- planning pipeline monitoring data from the Council (June 2018)
- Estimates of stock / availability (vacancy) from the VoA and EGi.

[27] There are just three industry recognised leading economic forecasting houses – Oxford Economics, Cambridge Econometrics and Experian Economics.

Net demand

6.3 In calculating net demand, we forecast job change, based on modelling the new population derived from the standard method housing numbers, next we translate the new population into total workforce jobs, and then we identify job numbers within each B use class. Then by applying standard floorspace to worker densities we translate the B class jobs into floorspace and then into land by applying standard plot ratios

Future job change

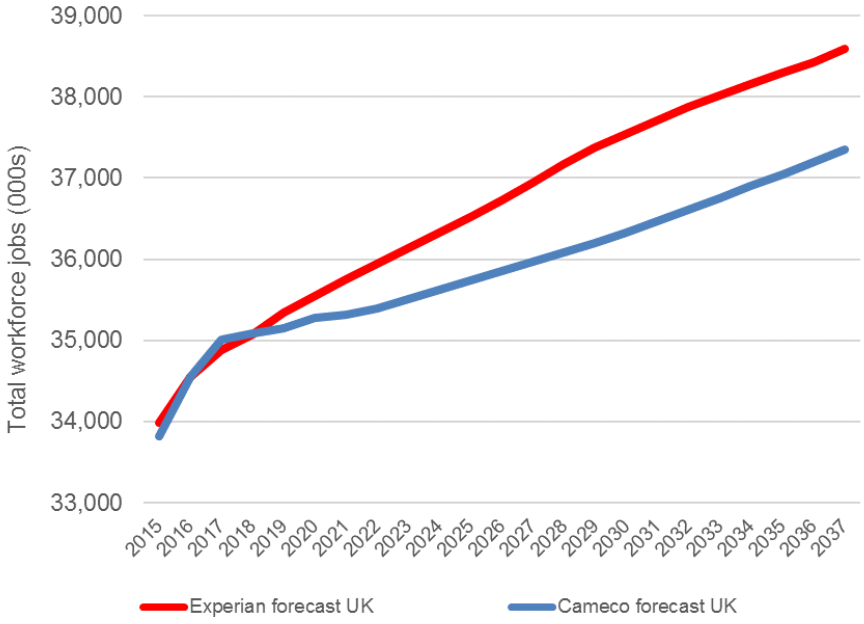
6.4 The estimate of future job change needs to be based on up to date data, and be consistent with Government Guidance. The EDNA is based on a 2013 economic forecast and a labour supply approach that is no longer consistent with the latest Government approach as set out in the Standard Method.

Which economic forecast to use?

6.5 For this study we have looked at forecasts from two major UK forecasting houses – Experian and Cameco. Both are well respected and commonly used in evidence bases and also more widely. They both present their forecasters view of future economic performance and because opinions differ, it is not surprising to find the forecasts differ. So for this work we first look at each to see which forecast we should use.

6.6 First, we compare the alternative economic views on the national economic outlook, and the total job change forecasts from the two forecasters is set out in the chart below. This is important because often differences at the local level are nothing to do with a differing view as to how one local area may perform compared to another – but a difference in their national view.

Figure 6.1 Forecast comparisons – UK total job change

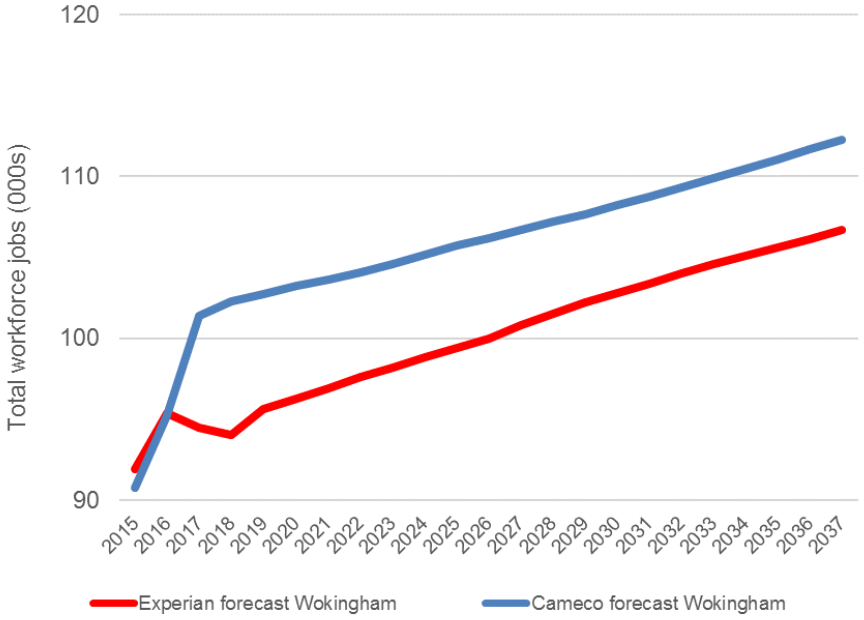


Source: Experian baseline March 2019 and Cameco Nov 2018

6.7 The chart demonstrates that at the national level Experian are more optimistic about future job change than Cameco. In the very recent past there is a little variance between the two with Cameco higher in 2017, and as we will see next this is significant when we come to look at the local level. The two forecasts clearly have different trajectories, with Experian the more optimistic.

6.8 Next we look to see how this translates at the local level.

Figure 6.2 Forecast comparisons - Wokingham total job change

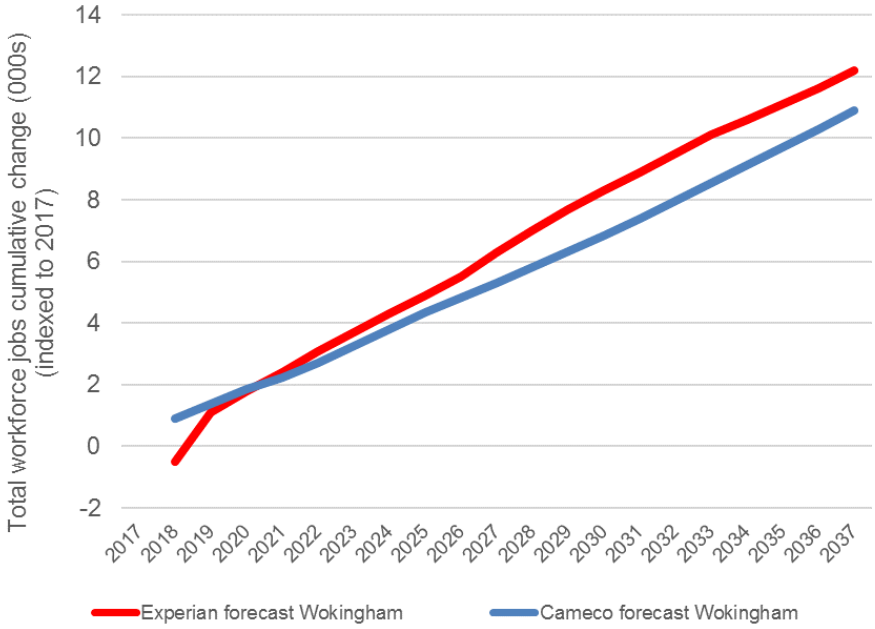


Source: Experian baseline March 2019 and Cameco Nov 2018

6.9 Taking the same period we see that the two forecasts align in 2016, but diverge in 2017, the reason being that the Cameco forecast has not been adjusted to take account of the latest official published actual survey data[28] and this period included the impact of the BREXIT vote. However, the starting point is actually not the critical point. What is critical is the forecast growth over the relevant (Plan) period, and we can see in the above chart that the incline of the Experian job change line is steeper than that for Cameco, albeit that the difference is less than at the national level.

[28] The latest official data available in 2018 when Cameco published their forecasts was BRES 2016

Figure 6.3 Forecast comparisons - Wokingham indexed job change



Source: Experian baseline March 2019 and Cameco Nov 2018

6.10 The above chart compares the two forecasts with the annual change indexed to the jobs totals in 2017, in order to take account of cumulative change. Experian's job growth is shown to be faster than Cameco, reaching growth of 11,600 by 2036, which is 1,300 more jobs compared to Cameco (+10,300).

6.11 When considering how to approach this work we are aware that other assessments may average the two forecasts. However, we do not consider this a sensible approach because the end result is without basis – it is too low for one source and too high for the other. Instead, the key guiding point is the Government's overarching economic objective to use the planning system to help create the conditions in which businesses can invest, expand and adapt. Plans should be prepared positively to allow for and encourage sustainable economic growth. This suggests a more optimistic view on future prospects for economic growth, whilst ensuring this is realistic, should underpin Local Plan making.

6.12 As a result, we conclude that at the Borough level the forecasters actual job change forecasts are quite similar, Experian are the more optimistic and are therefore more appropriate for Plan-making purposes.

Identifying population and jobs

6.13 Following on from the above this study is based on updated economic forecasts of future jobs, it uses the standard Experian forecast (dated March 2019), and a bespoke variant on this (the scenario) that is consistent with the new standard method for calculating housing need.

6.14 In line with the other economic forecasters, Experian's standard baseline forecasts are based on the Sub-National Population Projections (SNPP) 2016s, and forecasts population, job and other variables change in line with that ONS forecast. However,

the Standard Method that produces the Local Housing Need (LHN) is based on the SNPP 2014s, which provide a higher population projection.

6.15 To produce the scenario – we need to input future jobs that are consistent with the population generated from the Standard Method. This is achieved by firstly translating the standard housing numbers into future resident population. A technical note explaining the method in detail is provided at Appendix B.

6.16 Using the 2014-based household projections and based on the Local Housing Need period 2020-30, the modelling identified an annual population increase of 1,304 profiled across all the age/sex groups[29].

6.17 Next, we need to identify how many jobs are generated from this increase in population. Increased population generates jobs for two reasons:

- Additional people generate demand for local services (those services will vary depending on the age of the new population), and
- The increased population produces additional labour supply – where (as is the case here) the labour supply is constrained; the additional labour supply can alleviate some of this constraint.

6.18 We achieve this by working with Experian to create a local economic scenario to match this new future population using Experian's local economic forecasting model. Experian's model takes the new (higher) population and predicts the uplift in the number of workplace jobs (jobs located in the Borough) that will be generated, plus other key factors such as economic activity rates, unemployment and commuting rates. The model identifies the job sectors (but not specifically by planning use class) where the uplift in jobs is forecast to occur. A technical note explaining the method in detail is provided at Appendix C.

6.19 Then the workplace job forecasts (at job sector level) are grouped into land use categories by applying the Stantec sector to land use 'mapping' technique, which uses the latest use class proportions for the Borough based on IDBR/VoA data (as discussed earlier in the report – the IDBR data records actual jobs, and provides the most accurate estimate of jobs by land use category possible from secondary sources). In this way for example, we know that 16% of printing and reproduction of recorded media in the Borough currently takes place in offices (refer to Table 3.1). We can therefore apply 16% of future job change in that job sector to offices. In this way we can identify job numbers by B use class activity for any forecast year.

6.20 To calculate future job change over the Plan period, we take the average annual change (over the 2020-30 period) and then apply the annual average to the Plan period (2018 to 2036)[30].

[29] Although the Plan starts in 2018 the Standard Method starts from the 'current year' i.e. 2020 at the time of drafting.

[30] It is reasonable to assume that the future balance between the use classes will be broadly the same as current proportions.

6.21 The results of this process for both the baseline (the standard Experian forecast) and the scenario are set out in Table 6.1 below with the last row comparing the two.

Table 6.1 Economic forecast baseline and scenario - population and jobs change 2018-36

Forecast	Population change	Workplace jobs change	Total B class jobs	B1a/b jobs change	B1c/B2 jobs change	B8 jobs change
Baseline	15,480	12,420	5,294	5,443	-498	350
Scenario	23,580	14,580	6,076	6,129	-464	410
Difference *(scenario minus baseline)*	8,100	2,160	782	687	34	61

Source: Experian, June 2019

6.22 The scenario forecasts 8,100 more residents, and these generate 2,160 extra jobs compared with the baseline. The B class jobs 'dividend' (782 jobs) is around a third of the total workplace jobs. This is a relatively low proportion of total jobs, because jobs generated from population growth (as is the case here) tend to be associated with demand for local services – health, education and retail that are not B class activities. The B class jobs that are generated are almost entirely office based.

From jobs to floorspace

6.23 The next three tables translate the B class jobs scenario into net demand for floorspace for each of the three B class land uses categories – office, 'narrow' industrial and warehousing.

6.24 An average Net Internal Area (NIA) floorspace density per worker[31] is applied to the job change over the Plan period. The other addition is the 7.5% for frictional vacancy, the principle for which is explained earlier in this report. The percentage is an industry standard rule of thumb that represents the mid-point between the 5-10% range that is generally accepted as being the amount of vacant floorspace needed in a property market for it to operate effectively, providing firms with choice and flexibility in the market.

6.25 So that these revised jobs/floorspace forecasts can be compared with the EDNA forecasts, we also present EDNA data, recalculated from the 2013-36 period to 2018-36 using the per annum average for the 2013-36 period.

6.26 Our method retains general consistency with the EDNA by using very similar floorspace densities and allowances for vacant floorspace in the new stock. The factors applied differ a little, with some higher others lower, but overall the net effect is these cancel each another out.

[31] Source: the HCA, Employment Density Guide (2015). NIA for office and GIA for industrial and warehousing.

Table 6.2 Net demand for office floorspace

Office (B1a/b)	2020-30	p.a.	2018-36
Jobs change	3,405	341	6,129
Floorspace density factor (NIA - sq m/job)	12.0		
Factor for frictional vacancy (%)	7.5		
Floorspace change (sq m)	**43,926**	**4,393**	**79,067**
EDNA pro-rata floorspace change (sq m)		**4,057**	**73,021**

Source: Stantec analysis.

6.27 The new scenario-based forecast, just below 80,000 sq m - translates to approximately 8% higher demand for offices compared with the EDNA. We may have expected an even greater difference, given what we know about the problems with the jobs to land use mapping in the EDNA. However, what would have been greater differences have been 'dampened' by the lower growth rates in the latest economic forecasts compared to the 2013 forecasts (the source year for the EDNA data). So, the overall effect is for forecast office net demand to be a little higher compared with that in the EDNA.

6.28 The next two tables follow the same approach, setting out the net floorspace need for 'narrow' industrial and warehousing. The 'narrow' industrial use class includes B1c and B2 - manufacturing plus other activities of an industrial character, such as elements of construction and utilities. Warehousing activity is distribution and logistics within the B8 use class.

6.29 The industrial and warehouse floorspace calculations follow the same method as that explained above for office, but as advised by the HCA Density Guide[32], densities are based on Gross Internal Area (GIA) and not NIA. The frictional vacancy rule of thumb factor is applied at the same 7.5% rate as for the office floorspace calculations.

6.30 Here in the calculation of net demand, like the EDNA, the classes are separate. However, later in the chapter, to allow comparison with the EDNA, these use classes are combined into one group referred to as 'industrial', because in practice these activities are interchangeable, and routinely require/occupy the same type of space.

[32] ibid

Table 6.3 Net demand for 'narrow' industrial floorspace

Narrow Industrial (B1c/2)	2020-30	p.a.	2018-36
Jobs change	-258	-26	-464
Floorspace density factor (GIA - sq m/job)	45.0		
Factor for frictional vacancy (%)	7.5		
Floorspace change (sq m)	**-12,472**	**-1,247**	**-22,450**
EDNA pro-rata floorspace change (sq m)		**507**	**9,121**

Source Stantec analysis

6.31 The scenario-based need figure for 'narrow' industrial land use turns negative, compared to the marginally positive EDNA figure. This means current forecasts see a continuing decline, albeit modest in jobs and land requirement in 'narrow' industrial activities.

Table 6.4 Net demand for warehousing floorspace

Warehousing (B8)	2020-30	p.a.	2018-36
Jobs change	228	23	410
Floorspace density factor (GIA - sq m/job)	73.5		
Factor for frictional vacancy (%)	7.5		
Floorspace change (sq m)	**18,017**	**1,802**	**32,431**
EDNA pro-rata floorspace change (sq m)		**3,614**	**65,058**

Source Stantec analysis

6.32 The net demand for warehousing halves under the new forecast compared with the EDNA.

6.33 Overall for combined industrial (narrow industrial plus warehousing) the net demand from future labour change is forecast to be around 10,000 sq m. This is far lower than the 74,000 sq m EDNA equivalent for the 2018-36 period.

Net demand conclusions

6.34 Compared to the EDNA, the new economic forecast and jobs to land use calculation produces marginally higher net demand for office, negative demand for narrow industrial jobs/floorspace and much lower demand for warehousing. This is mostly the product of the finer grain use class job apportionment derived from the IDBR data that (compared to the EDNA) shifted the jobs from warehousing to office, but also reflects the more recent lower economic growth forecasts compared with the 2013 forecasts that underpinning the EDNA.

Gross demand

6.35 Having forecast net demand from job change, the final step is to add in an allowance for future losses in the existing office / industrial stock, as in this way we calculate the gross demand. We need to do this because the economic forecasts 'currency' is jobs, and not floorspace. Future floorspace losses are likely to displace jobs, particularly industrial jobs because virtually all floorspace is currently occupied.

6.36 As referred to earlier, the EDNA approach to this issue was to look at past losses and carry 25% of these forward. But this is a rather arbitrary way of accounting for losses, and given industrial losses are likely to have been much greater in the past compared to the future. The qualitative review of the property market confirms that industrial vacancy rates are low and generally stock is fit for purpose, plus employment planning policy is likely to be more protective of existing stock in the future, this suggests future losses will not repeat the past.

6.37 It is difficult to accurately predict future floorspace losses. The main 'marker' that we have is commitments in the planning pipeline, but of course this is a snapshot in time and there is likely to be further losses (and gains) over time. However, the property market assessment points to high occupancy, and suggests there is unlikely to be substantial losses in the future. Hence our view is that making an allowance for the replacement of future losses based on commitments in the planning pipeline is more realistic than the EDNA approach of projecting forward a 'replacement' figure based on a proportion of past losses.

Replacing losses

6.38 As shown in Table 6.5 below, we base the replacement of losses of employment floorspace on what is committed in the planning pipeline in terms of outstanding planning permissions for other uses, outstanding PDR approvals and plan allocations for other uses.

6.39 In the tables for office and the combined industrial grouping that follow:

Row a – carries forward the net demand floorspace figure

Row b – makes an allowance for losses from office / industrial to other uses resulting from extant planning permissions, sourced from the Council's monitoring data

Row c – as above, but specifically in respect of PDR cases

Row d – identifies Plan allocation losses

Row e – makes an allowance where vacant stock is less than the 7.5% rule of thumb, to return vacancy to this figure, which is considered to promote a healthy and effective property market, providing businesses with choice in the market

Row f - all of the above sum to the gross demand figure.

Table 6.5 Office gross demand

DEMAND		Sq m NIA
a	Net demand (net change) - 2018-36	79,067
b	Allowance to replace future office losses from current planning permissions	2,325
c	Allowance to replace future office losses resulting from PDR approvals	11,828
d	Allowance for plan allocations for loss to non-office uses	0
e	Allowance to increase vacant stock to the frictional vacancy rate (7.5% of total stock)	0
f	**Gross demand (a+b+c+d+e)**	**93,219**

Source: WBC monitoring data (2019) and Stantec analysis

6.40 The resultant demand increases by some 14,000 sq m to a gross demand just over 93,000 sq m, with most of the losses relating to PDR approvals. Because the office stock vacancy rate is currently 12.9%, well above the 7.5% rule of thumb for market efficiency there is no allowance made to the future demand for office floorspace.

6.41 Below, we establish gross need for industrial based on the same method and sources used for office.

Table 6.6 Industrial gross demand

DEMAND		Sq m GIA
a	Demand (net change) 2018 -36	9,981
b	Allowance to replace future industrial losses from current planning permissions	1,572
c	Allowance to replace future losses resulting from PDR approvals	0
d	Allowance for known potential losses to non-industrial uses	2,600
e	Allowance to increase vacant stock to the frictional vacancy rate (7.5% of total stock)	21,903
f	**Gross demand (a+b+c+d+e)**	**36,055**

Source: WBC monitoring data (2017) and Stantec analysis

6.42 The table illustrates that future industrial losses, as identified in the planning pipeline, and in cases where there is known potential for industrial losses (row d)are likely to be very modest – a combined figure of circa 4,000 sq m. Two potential future losses are included in row d – the potential redevelopment of the Station Industrial Estate,

Wokingham and the Winnersh Plant Hire site, Reading Road, Winnersh. In line with CP15 were these sites to be redeveloped for different uses this should not lead to an overall net loss of floorspace in B Use within the borough.

6.43 The bulk of the gross demand is generated from the allowance to return the vacancy rate (as identified in the property market assessment) to the rule of thumb 7.5%. The calculation is: the industrial vacancy rate is 2.6%, and thus an allowance equivalent to 4.9% of the total stock (VoA estimate this to be 447,000 sq m in 2019), is needed to return the existing stock to the rule of thumb 7.5% vacant stock in the market. This vacancy factor calculates to almost 22,000 sq m, and is broadly two-thirds of the gross demand.

Supply and market balance

6.44 The 'other side' of the market balance 'coin' is supply. How much floorspace/land is available in the supply 'reservoir' for future employment floorspace. The market balance is the amount of gross demand not met by the gross supply.

6.45 In the tables that follow:

Row f – carries forward the gross demand floorspace figure

Row g – accounts for office / industrial planning permissions either part or unimplemented but extant, sourced from the Council's monitoring data

Row h – identifies unimplemented Plan allocations for office / industrial

Row i – makes an allowance for excess vacant stock, where vacancy is more than the 7.5% rule of thumb. Vacant floorspace in excess of 7.5% is considered part of the supply

Row j - all of the above sum to the gross supply figure

Row k – the balance figure

6.46 Table 6.7 below sets out the balance for offices, and then Table 6.8 sets it out for industrial uses.

Table 6.7 Office market balance

	DEMAND	Sq m NIA
f	**Gross demand**	**93,219**
PLANNED SUPPLY		
g	Office planning permissions yet to be implemented	39,767
h	(i) Capacity within the designated CEAs for offices	40,789
	(ii) Science Park - proposed extension	18,500
i	Existing surplus vacant stock (in excess of the 7.5% frictional vacancy rate)	22,896
j	***Gross supply (g+h+i)***	***121,952***
FORECAST BALANCE - 2018-2036		
k	**Final Balance *(f-j)*** ***over (under) supply***	**28,733**

Source: WBC monitoring data (2019) and Stantec analysis

6.47 The pipeline for office - planning permissions (row g) very largely comprises two schemes located within two CEAs – Plot 1040 at Winnersh Triangle and Plot 600 at Green Park . The future capacity within designated sites (row h) comprises Plot 1100 at Winnersh Triangle, Plot 700/800 Green Park and the 3.5 ha site immediately to the north of Plot 700/800 Green Park, that subject to overcoming all constraints and at a 40% plot ratio could accommodate 14,000 sq m of office floorspace. The surplus vacant supply (row i) is the product of the office vacancy rate being 12.9%, 5.4% above the rule of thumb, applied to the 424,000 sq m total stock (as reported by the VoA).

6.48 Collectively the pipeline totals to just less than 122,000 sq m, and thus the gross supply of future office floorspace exceeds future gross demand by almost 29,000 sq m, and no additional land is required.

Table 6.8 Industrial market balance

	DEMAND	Sq m GIA
f	**Gross demand**	**36,055**
PLANNED SUPPLY		
g	Industrial planning permissions yet to be implemented	4,810
h	Capacity within the designated CEAs for industrial	12,000
i	Existing surplus vacant stock (in excess of the 7.5% frictional vacancy rate)	0
j	***Gross supply (g+h+i)***	***16,810***
FORECAST BALANCE - 2018-2036		
k	**Final Balance *(e-i)*** ***over (under) supply***	**-19,245**

Source: WBC monitoring data (2019) and Stantec analysis

6.49 The pipeline supply for industrial floorspace is much more modest compared to that for office. The unimplemented permissions (row g) is largely the new Unit 21 at Suttons Business Park. The CEA capacity (row h) is an extension to the Hogwood Industrial Estate at Arborfield Garrison. The 12,000 sq m figure reflects a more recent estimate of capacity rather than the 30,800 sq m figure included in the Managing Development Delivery Local Plan document.

6.50 The balance is a net under supply of just over 19,000 sq m, which at a 40% plot ratio would require approximately 5 ha to accommodate the need.

Summary

6.51 The net and gross demand, gross supply and floorspace/land requirements to support employment growth in the Borough over the Plan period are set out in the table below.

Table 6.9 Summary demand supply balance – 2018-36

	Office	Industrial	
	Sq m	Sq m	Ha
Net demand	79,067	9,981	
Gross demand	93,219	36,055	
Gross supply	121,952	16,810	
Requirement	28,733	-19,245	-4.8

Source: Stantec analysis. The land requirement calculated at a plot ratio of 40%.

6.52 For offices the assessment shows that the currently available supply comfortably exceeds the demand. This quantitative assessment accords with the qualitative assessment of the property market that found there was currently surplus vacant stock. No additional land needs to be allocated for office.

6.53 For industrial, there is a quantitative shortfall of some 5 ha. This largely results from correcting the existing under-provision in the market (ie the current low level of available stock), rather than the future forecast growth in the labour market. The relatively low future labour market demand reflects the comparatively small industrial sector in the Borough compared with some of the neighbouring authorities.

7 CONCLUSIONS

7.1 The starting point for this report is that a number of councils in Berkshire, with the exception of Reading, considered that the LEP commissioned EDNA did not provide a credible and realistic recommendation as regards the scale and mix of employment land the Councils should work to provide in their next plans.

7.2 In Wokingham's case the EDNA identified the following requirements over the 2013-36 period:

- Office 30.9 ha, and
- Industrial 33.0 ha.

7.3 As a result of the concerns the EDNA recommendations raised, the Councils, starting with RBWM, sought to test the EDNA to better understand how it had arrived at the numbers it did and whether robust assumptions had been made. In the case of RBWM their local testing demonstrated that the EDNA had adopted assumptions about how space was used in their borough which did not stand up to scrutiny. So, they chose, in their plan, to adopt a different set of assumptions based on local evidence.

7.4 This current work takes this testing further to examine three of the other boroughs in Berkshire.

7.5 In this report, which focuses on Wokingham we find that, as with RBWM, the EDNA erred in key assumptions, particularly about how local firms use their space. This means that the EDNA over-estimates the current number of industrial jobs, and underestimates the number of office jobs.

7.6 We have demonstrated this by reference to very detailed work using the IDBR, but importantly a similar conclusion is reached using publicly accessible data. The IDBR data shows there are fewer industrial jobs than estimated in the EDNA and more office jobs.

7.7 Testing has also been undertaken of the EDNA's approach to the 'margin' – the amount of land needed to turn the 'net' job numbers into a gross amount of land to allocate in the plan. The EDNAs approach to this is not clearly set out, but following investigation little, if any, evidence has been found to support the adjustments made. The EDNA 'hardwires' assumptions about how much land will be released because it is no longer needed (or wanted) without any robust evidence. Given the significance of this element of the land calculation for some councils in the area this lack of evidence is concerning.

7.8 To examine this further we have undertaken a review of the main occupied sites in the Borough, and have found them almost universally fit for continued employment use. There is no sound evidence to suggest the next development plan needs to overprovide so much new land. Instead the plan strategy should be to protect these from redevelopment. Should sites be lost, perhaps because a site-specific viability

case be made or a firm vacates a specialist property which is unable to be re-let the Council will need to consider replacing this space in the next plan review.

7.9 This current assessment of the need to provide floorspace/land for employment uses identifies:

- For offices – known supply comfortably exceeds future demand, and there is no need to allocate any more land; and
- For industrial – the quantitative and qualitative evidence point to a future need, of some 5 ha of land to balance the demand and supply of industrial floor space. A relatively modest requirement compared to that estimated in the EDNA.

APPENDIX A COUNCILS WITH RECENTLY SUBMITTED PLANS CONSIDERED AS PART OF THIS STUDY

Bath & North East Somerset Council + Bristol City Council + South Glos Council + North Somerset Council = West of England JSP

Central Bedfordshire Council

Chelmsford Borough Council

Craven District Council

Hart District Council

Havering, London Borough of

Huntingdonshire District Council

Lancaster City Council - Strategic Policies & Land Allocation

Liverpool City Council

Milton Keynes Council (Plan:MK)

New Forest National Park Authority

North East Derbyshire District Council

North Warwickshire Borough Council

Reading Borough Council

Runnymede Borough Council

South Downs National Park

Staffordshire Moorlands District Council

Waveney District Council

Wycombe District Council

York City Council

APPENDIX B ESTIMATING FUTURE LOCAL HOUSING NEED

Author

Neil McDonald

Neil McDonald is an independent adviser and commentator on housing demographics. He works with local authorities and others on the estimation of housing need and related issues.

Neil was a civil servant and policy adviser to Ministers for over 30 years, the last 10 advising on housing and planning issues within the Department of Communities and Local Government. His 7 years as a Director at DCLG included a posting as Director, Planning Policy and a period as Chief Executive of the National Housing and Planning Advice Unit until its closure in 2010. He left the Department in March 2011 and has since worked with the Cambridge Centre for Housing and Planning Research (CCHPR) as a Visiting Fellow (2012-15), collaborating in particular with its founder director, Professor Christine Whitehead.

Estimating Western Berkshire's Future Local Housing Need

1. Introduction

1.1. This technical note explores

- How the new standard method Local Housing Needs (LHNs) of the three Western Berkshire authorities – Bracknell Forest, West Berkshire and Wokingham - may change in the future as a result of the projected increase in house building in the area.
- How the population of the three authorities might grow if homes are built in line with the estimated LHNs.

2. Analysis

Estimating the 2018 and 2020-based household projections

2.1. There are two key inputs to the LHN standard formula: the projected household growth over a ten year period; and the affordability ratio. Whilst the affordability ratio may change over time, there is no way in which this can be projected. It is, however, possible to estimate how the projected household growth may change in future official projections.

2.2. There are a large number of inputs and assumptions to any household projection and it is possible that the ONS may adjust its methodologies at any time. However, the projected changes in the numbers of homes built in the district over the next 10 years is likely to have a bigger impact than all but the most radical of changes to other inputs and assumptions. A useful indication of the levels of household growth which may be envisaged in the next two household projections - the 2018 and 2020-based projections – can therefore be gained by estimating the impact which the anticipated higher levels of house building will have if nothing else changes. It should, however, be stressed that it is only possible to give a very broad indication of the scale of the potential change in the projected household growth as:

- the calculations depend on a number of assumptions, each of which is subject to a margin of uncertainty; and,
- it is not possible to replicate fully the methodology which the ONS will use to produce future population projection: simplifying assumptions have had to be made to make the calculations feasible.

2.3. There are two possible responses to a significant increase in house building: more people may move into the district to fill the additional homes (i.e. an increase in net migration); and those who were expected to be in the district may form more households than they otherwise would have (i.e. household formation rates may

rise). The practical reality is that the actual response is likely to be a combination of the two. However, in a high demand area such as Western Berkshire increased net migration is likely to be a major factor unless there is a similarly large increase in house building in the rest of the region.

2.4. The Government's intention to see house building nationally rise to 300,000 homes a year would, if achieved, undoubtedly result in a rise in average household formation rates nationally in the longer term, but it should be noted that there is evidence to suggest that actual household formation rates since 2011 have been below the levels suggested by recent official household projections owing to the under-supply of housing. It may therefore take some years of supply in excess of the levels suggested by the projections before there is any increase in household formation rates above the levels in the official projections.

2.5. The first step in estimating the 2018 and 2020-based projections is to estimate how net migration flows would need to change to fill the additional homes that are expected to be built on the assumption that in the short term there is no increase in average household formation rates. Having estimated revised migration flows, those can then be used to calculate revised migration flow rates for the trend periods of the 2018 and 2020-based projection, which in turn can be used to produce revised projections.

2.6. Table 2.1 shows the historic data for net additions to the housing stock (from MHCLG Live Table 122) and the projected net additions (provided by the relevant council). Note that the Wokingham trajectory has been updated from the most recent published figures to reflect the latest assessment of the likely delivery in 2018-19.

Table 2.1: Assumed housing trajectories (net addtions to dwelling stock)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Bracknell Forest	265	395	314	376	336	437	416	777	1357	1028	801	588
West Berkshire	162	552	447	496	625	485	526	667	1129	998	977	593
Wokingham	273	401	493	454	638	933	1509	1453	1689	1372	1188	991

2.7. Two methods have been used to calculate the impact which the projected higher house building rates will have on flow rates.

Method 1

2.8. The first recognises that the mis-match between the household projections and the historic house building statistics suggests that the household formation rates in the recent projections are too high. It estimates what the household formation rates would have needed to have been over the period 2011-17 to be consistent with the house building statistics. This is done by scaling the 2016-based HRRs in each of the years from 2011-12 to 2016-17 until the household change in each year is consistent with the house building figures for that year. The 2016-based HRRs have been taken as the starting point here as they are closer to being consistent with the house building statistics and are more recent.

2.9. Having determined what scaling factors need to be applied to the 2016-based HRRs in the years 2012-13 to 2016-17 to produce household growth numbers consistent with the house building figures, the average scaling factor is then used to adjust the 2016 HRRs for the years after 2017. The average adjustment is a reduction of approximately 1%. Using the adjusted HRRs, the NMSS model is used

to estimate the percentage by which the inflows from the rest of England would need to be increased in each year to produce a household increase consistent with the projected level of house building. That produces a revised population projection and revised migration flows. Those migration flows can then be used to estimate migration flow rates in the trend periods for the 2018 and 2020-based projections.

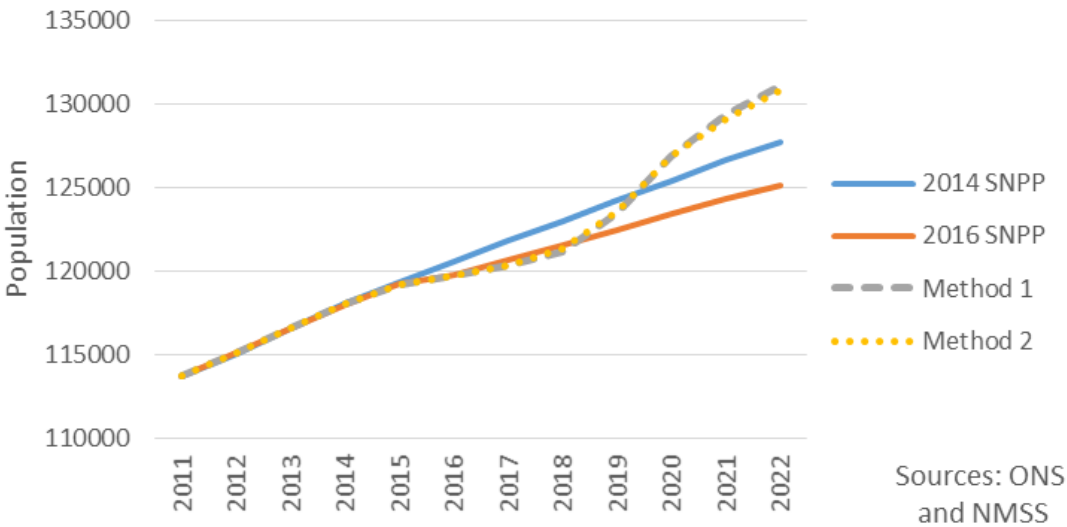
Method 2

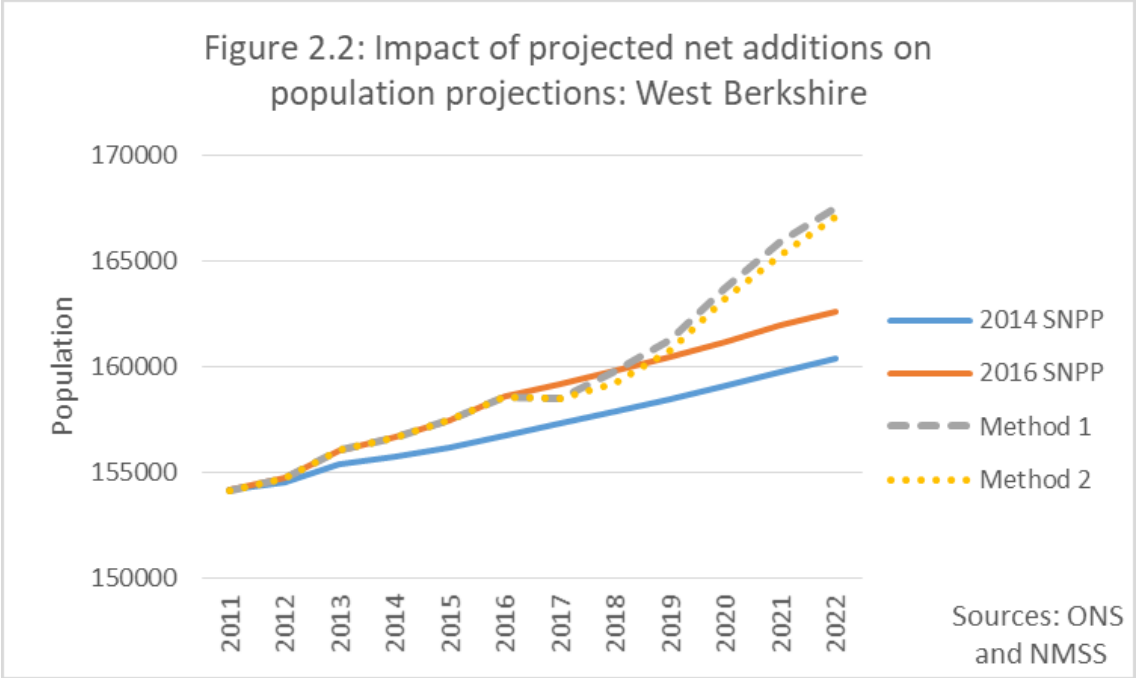
2.10. The second approach ignores the mis-match between the household projections and the housing numbers and is based on the 2014-based HRRs. It assumes that the number of households estimated by applying the 2014-based HRRs to the 2017 MYE population estimate is correct and then calculates year by year the number of additional households that there would need to be in the Authority area to fill the additional homes that are projected to be built. The projected inflows from the rest of England are then increased year by year to produce that number of households. That also produces a revised population projection and revised migration flows.

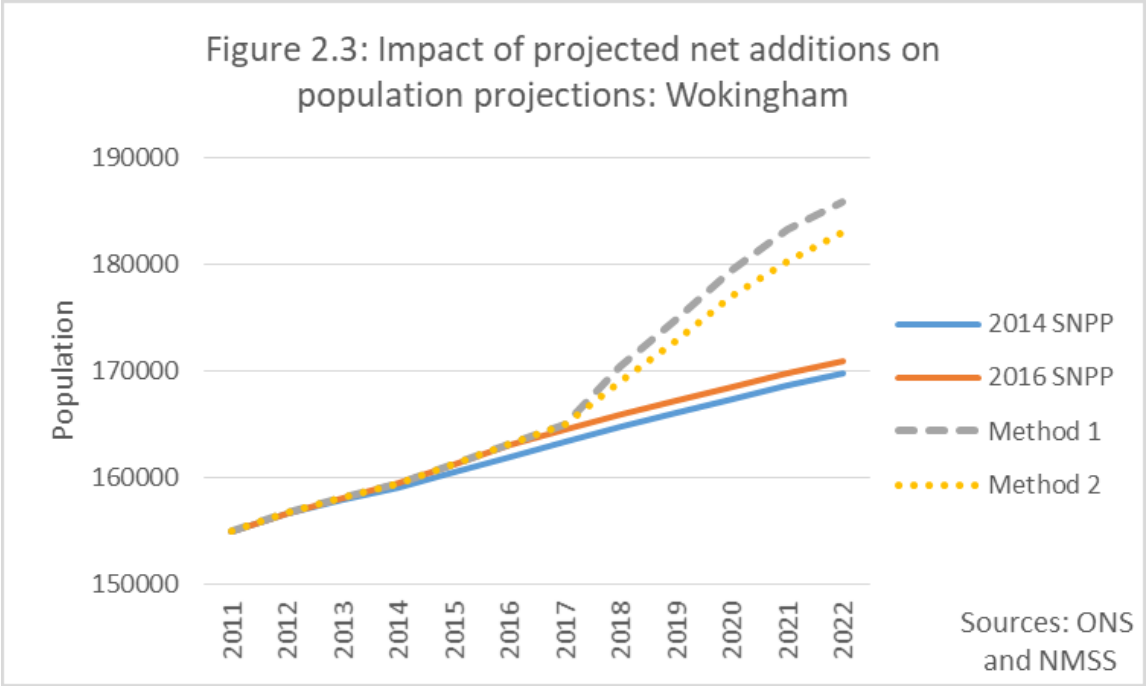
Revised population projections reflecting projected levels of house building

2.11. Figures 2.1 to 2.3 show the results obtained by the two methods.

Figure 2.1: Impact of projected net additions on population projections: Bracknell Forest







2.12. The differences between Methods 1 and 2 are relatively small and negligible in the case of Bracknell Forest. The fact that Method 2 produces a slightly lower population projection for the other two authorities is probably due to the use of the unadjusted and higher 2014-based HRRs, as its higher household formation rates mean that fewer people are needed to fill a given number of households.

2.13. Note also that the adjusted projections for Bracknell Forest and West Berkshire dip below the 2016 SNPP in 2017 as they take the ONS's 2017 mid-year population estimate as their starting point and that estimate is below the figures envisaged in the 2016 SNPP.

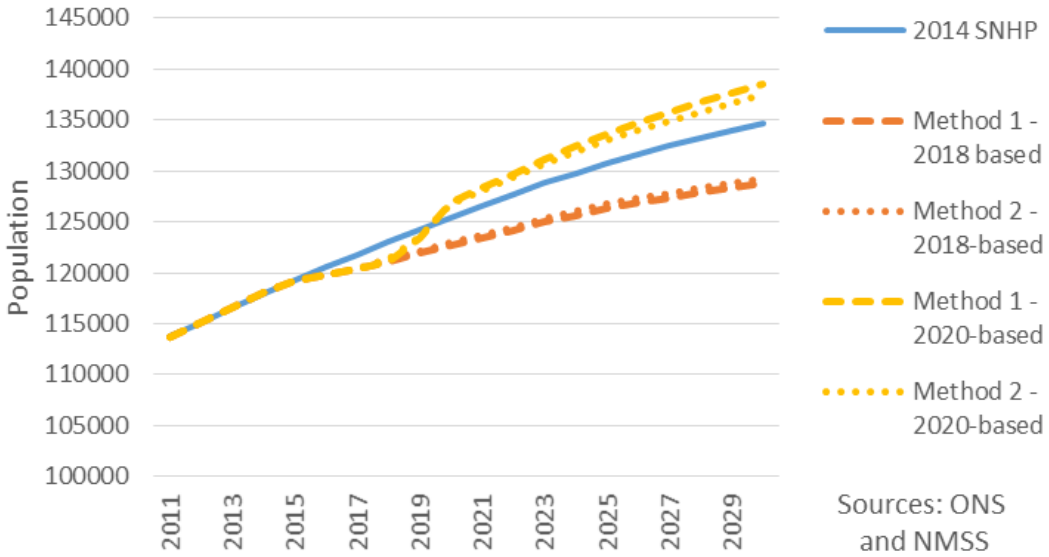
2.14. West Berkshire and Wokingham are a little atypical in that the 2016 SNPP is higher than the 2014 SNPP.

2.15. The 2014 SNPP has been updated to base dates of 2018 and 2020 by:

- Applying birth and death rates taken from the 2014 SNPP.
- Scaling the inflows from the rest of the UK envisaged in the 2014 SNPP. The scaling factor used is calculated by expressing the inflow of a given age and sex in a particular year as a proportion of the population of that age, sex and year in the rest of the UK. The factor for a given age and sex is the average proportion for that age and sex over the 5-year trend period for the updated projection divided by that average proportion over the 5-year trend period for the 2014 SNPP.
- Outflows to the rest of the UK are projected by applying outflow rates derived from the 2014 SNPP adjusted to reflect flows in the updated trend period. The adjustment factors are the average outflow rates for each year of age and sex for the trend period of the updated projection divided by the same average for the trend period for the 2014 SNPP.
- International inflows are assumed to be unchanged from the 2014 SNPP.
- International outflows are calculated by applying outflow rates derived from the 2014 SNHP for each year, year of age and sex to the population at the end of the previous year less deaths in the year.

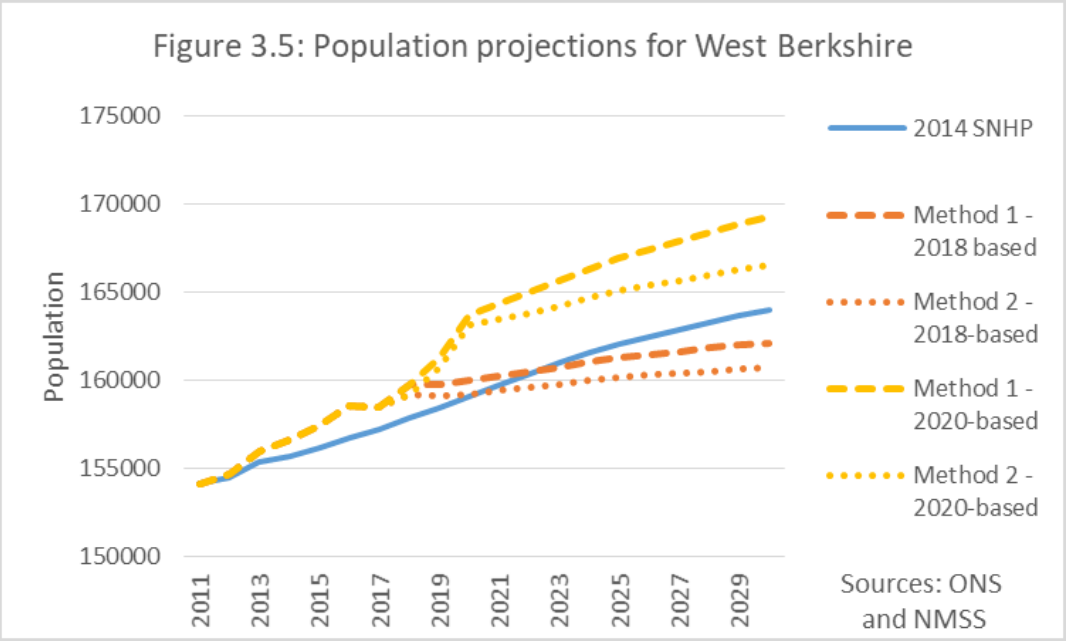
2.16. Figures 3.4 to 3.6 illustrate the results.

Figure 3.4: Population projections for Bracknell Forest

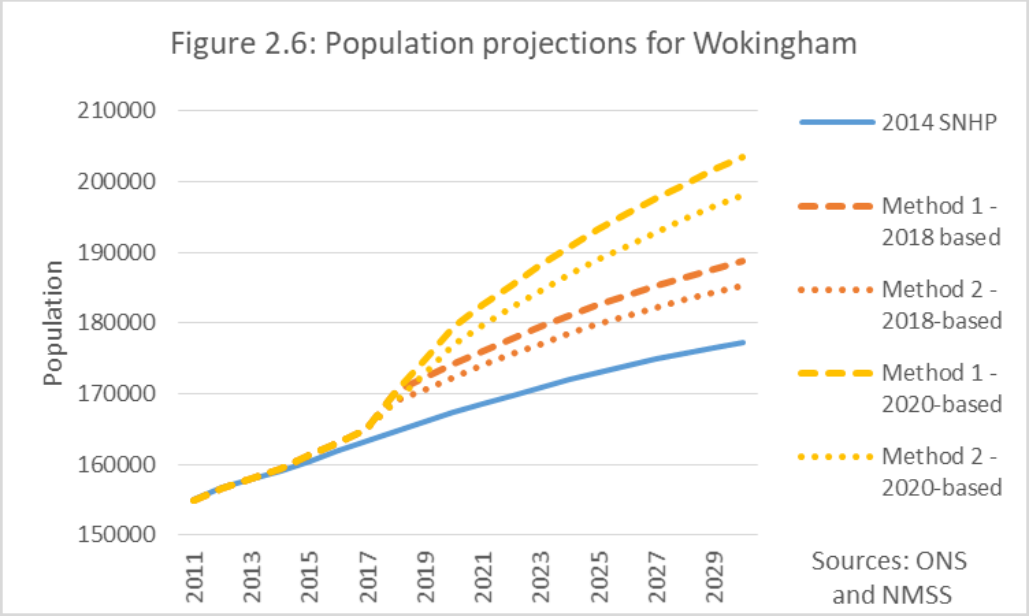


2.17. It is to be expected that the 2020-based projections are higher than the 2014-based set as there are considerably more net additions in the 5-year migration trend period for those projections than the trend period for the 2014 SNPP. What is perhaps surprising is that the difference is not larger. However, the reason for the difference not being larger is similar to the reason why the 2018-based

projection is lower than the 2014 SNPP despite their being more net additions in the 2018 trend period than in that for the 2014-based projections. This is because the updated projections start from the latest population data published by the ONS – the 2017 Mid-Year Estimates (2017 MYE) which for Bracknell Forest report a population in 2017 that was 1,400 people lower than envisaged in the 2014 SNPP. That in turn was due the ONS's data for 2014-2017 showing net outflows to the rest of the UK in each of those three years – outflows which were sizeable in 2014-15 and 2016-17. Those outflows merit closer examination to see if they might be anomalous. A factor may be the various adjustments that the ONS made to their methods for estimating migration flows between 2014 and 2017.



2.18. Again in the case of West Berkshire the results initially appear strange in that the 2018-based projections suggest much slower population growth that the 2014 SNPP despite a higher number of net additions to the housing stock in the trend period. This appears to be due to the ONS's estimates for the actual net flows from the rest of the UK during the period 2014-17 (which are reflected in the updated projections) being very different from what was envisaged in the 2014 SNPP. In particular there was a sizeable net outflow in 2016-17. This warrants closer examination, but that is outside the scope of this report.



2.19. The results for Wokingham (Figure 2.6) are much more straightforward: both the 2018 and 2020-based projections are higher than the 2014 SNPP, the difference reflecting the higher number of net additions in the trend period.

Turning a population projection into a household projection

2.20. Having produced estimates of the 2018 and 2020-based population projections we turn these into household projections by subtracting the communal populations (using the assumptions made in the official projections), and then applying household formation rates. For this study the 2014-based household formation rates have been used as they are the rates used in the current version of the standard method for calculating LHNs and, if lower household formation rates were to be used in future versions of the standard method, it is likely that the formula would be adjusted to compensate for any reduction in the number of households projected.

Calculating the LHN

2.21. Using the revised household projections average household growth figures can be calculated for the relevant 10-year period and inserted in the standard formula to produce the LHN. Table 2.2 sets out the assumptions used in these calculations:

Table 2.2: Key assumptons	Bracknell Forest	West Berkshire	Wokingham
Second and empty homes	2.47%	3.58%	3.45%
Plan adoption date	2008	2012	2010
Plan housing requirement	539	525	623
Affordability ratio	8.97	9.61	11.17
Affordability adjustment factor	0.311	0.351	0.448

Calculating the population if homes are built in line with the LHN

2.22. The LHNs for the three authorities range from 31% to 45% above the number of households which the estimated projections suggest will form in the area if past trends continue. Assuming (as is likely in this area) the extra homes are occupied[1], they will be filled either by:

- those who would have been living in the area in any case forming additional households; or,
- additional people moving to the area.

2.23. Were the extra homes to be filled exclusively by people who would have been living in the area anyway the population would be as projected.

2.24. If, alternatively, the homes were filled exclusive by additional people moving into the area, the population would be significantly larger than suggested by the projections. An estimate of that larger population can be made by assuming that the additional people who move into the area have the same age profile as past migrants into the area from the rest of the UK, the percentage uplift to historic in-migrant levels being adjusted until the projection predicts sufficient households to fill all of the additional properties.

2.25. The practical reality is that what would actually happen is likely to be somewhere in between these two extreme positions. In this study the two extreme positions have been calculated and it has been assumed that what actually happens is mid-way between the two extremes.

2.26. Tables 2.3 to 2.5 show the results obtained from this analysis.

Table 2.3: BRACKNELL FOREST

Projection	Projection based date	LHN period	Population change/year if no additonal in-migrants	Projected households/ year	LHN	Population change/year implied by LHN if no change in HRRs
2014 SNHP	2014	2019-29	976	469	615	-
2014 SNHP	2014	2020-30	929	460	603	1274
Method 1	2018	2020-30	610	324	425	852
Method 2	2018	2020-30	633	333	437	882
Method 1	2020	2022-32	967	496	650	1338
Method 2	2020	2022-32	963	494	647	1332

[1] With normal empty and second homes rates – taken from 2011 census data for "Dwelling spaces with no usual resident".

Table 2.4: WEST BERKSHIRE						
Projection	**Projection based date**	**LHN period**	**Population change/year if no additonal in-migrants**	**Projected households/ year**	**LHN**	**Population change/year implied by LHN if no change in HRRs**
2014 SNHP	2014	2019-29	525	386	521	-
2014 SNHP	2014	2020-30	494	382	515	815
Method 1	2018	2020-30	214	295	399	458
Method 2	2018	2020-30	147	269	364	370
Method 1	2020	2022-32	407	417	563	752
Method 2	2020	2022-32	334	389	525	656

Table 2.5: WOKINGHAM						
Projection	**Projection based date**	**LHN period**	**Population change/year if no additonal in-migrants**	**Projected households/ year**	**LHN**	**Population change/year implied by LHN if no change in HRRs**
2014 SNHP	2014	2019-29	1044	555	804	-
2014 SNHP	2014	2020-30	987	544	788	1620
Method 1	2018	2020-30	1463	690	965	2172
Method 2	2018	2020-30	1301	632	884	1951
Method 1	2020	2022-32	2212	987	1382	3229
Method 2	2020	2022-32	1904	877	1228	2806

2.27. It should be emphasised that these results depend crucially on the assumptions made: different assumption or alternative methods for updating the 2014 SNHP could produce significantly different but equally valid results.

What this means for the number of homes and people to be planned for

2.28. The LHN for a plan is determined by the latest data available on the date of submission and the average projected household growth over the ten year period starting from the date of submission. The ONS produces population and household projections every two years. The population projections (which the ONS has produced for some considerable time) are generally released in May and it is reasonable to assume that that will continue to be case. The only set of household projections which the ONS have produced were released in September 2018 (previous household projections having been produced by the MHCLG). It far from certain when future household projections will be produced and there have been suggestions that they might be produced much sooner after the

population projections: it might even be possible to produce them at the same time. This suggests that it would be prudent for an authority to plan to submit their plan either before the beginning of May or after the beginning of October if the plan is to be submitted in a year in which new projections are expected - the even numbered years.

2.29. Table 2.6 sets out the LHN and populations to be planned for suggested by the above analysis. The LHNs shown are the average of the result produced by Methods 1 and 2 and the annual average population increase are the figures obtained by averaging the mid points between the two extreme figures produced by Methods 1 and 2.

2.30. **It should be emphasised again that these results depend heavily on the assumptions made and are subject to substantial error margins.**

Table 2.6: Estimated LHNs and populations to be planned for

Plan submission date	Before May 2020	October 2020 - before May 2022	October 2022 - before May 2024
Projection Period	2020-30	2020-30	2022-32
Projection vintage	2014-based	2018-based	2020-based
Annual population increase			
Bracknell Forest	1102	744	1150
West Berkshire	655	297	537
Wokingham	1304	1722	2538
Total	3060	2763	4225
Estimated LHN			
Bracknell Forest	603	431	649
West Berkshire	515	381	544
Wokingham	788	925	1305

2.31. Note that for Bracknell Forest and West Berkshire the LHNs and average annual population increases are expected to fall when the 2018-based projections are released, but rise again when the 2020-based projections are produced. For Wokingham the LHN and annual population increase both rise substantially with each successive new set of projections.

2.32. These calculations have taken the ONS historic data and projections at face value. However, there are grounds for believing that there could be significant anomalies in the historical data which may have distorted the projections. In particular, for Bracknell Forest and Wokingham there were large discrepancies between the historic data for births, deaths and migrations between 2001 and 2011 and the population counts in the censuses in those two years – a phenomenon known as unattributable population change (UPC). In West Berkshire's case the changes which the ONS have made to their methods for estimating migration flows since the 2014-based projections have also had a substantial impact which warrants further investigation.

2.33. If there are anomalies in the data for the trend periods of the projections discussed in this report, they could potentially have affected the projections by a significant margin. Whilst the results presented here are believed to be a reliable indication

of the direction and broad magnitude of the changes that are likely to result from the 2018 and 2020-based projections, further investigation of the underlying datasets would be worthwhile and may result in significant changes to the actual numbers.

Conclusions

2.34. Increases in house building and changes in the migration flows estimated by the ONS since the 2014-based projections are likely to mean that the 2018 and 2020-based projections are significantly different from the 2014-based projections which authorities are currently expected to use in calculating their standard method local housing need (LHN). The LHNs are therefore likely to change as each new projection is released, even if the standard method is not changed. The projected annual population increases will also be different from the levels envisaged in the 2014 SNPP.

2.35. The standard method for calculating LHN applies an 'affordability uplift' to the projected annual household increase. In the case of the three Western Berkshire authorities that uplift is substantial: between 31% and 45%. This means that, if homes are built in line with those LHNs, more homes will be built than the projections suggest are needed and, as result, the population may be different from what the projections suggest. How different they are depends on whether the extra homes are filled by the people who are expected to live in the area in any case forming more households, or by additional people moving to the area to fill the extra homes. This study has estimated both extremes: no extra people moving into the area and all the additional homes filled by extra people moving into the area. It has then taken the mid-point between those extreme as an estimate of the likely future population in the absence of any basis on which to favour one extreme over the other.

2.36. Table 2.6 (reproduced below) summarises the results. As LHNs are calculated based on the latest projection and other data available on the date of submission of local plan the relevant figures change according to when a plan is likely to be submitted – hence the three columns in the table. Note that there is uncertainty as to when future household projections will be released by the ONS: they are likely to be released between May and September 2020 and 2022. It might be prudent for an authority not to plan to submit a plan during these periods in case there is a significant change in the LHN figure shortly before submission.

Table 2.6: Estimated LHNs and populations to be planned for			
Plan submission date	**Before May 2020**	**October 2020 - before May 2022**	**October 2022 - before May 2024**
Projection Period	**2020-30**	**2020-30**	**2022-32**
Projection vintage	**2014-based**	**2018-based**	**2020-based**
Annual population increase			
Bracknell Forest	**1102**	**744**	**1150**
West Berkshire	**655**	**297**	**537**
Wokingham	**1304**	**1722**	**2538**
Total	3060	2763	4225
Estimated LHN			
Bracknell Forest	**603**	**431**	**649**
West Berkshire	**515**	**381**	**544**
Wokingham	**788**	**925**	**1305**

2.37. For Bracknell Forest and West Berkshire the LHNs and average annual population increases are expected to fall when the 2018-based projections are released but rise again when the 2020-based projections are produced. For Wokingham the LHN and annual population increase both rise substantially with each successive new set of projections.

2.38. These results should be regarded as broad indications of the size and direction of changes: they are subject to sizeable error margins

2.39. In addition, there is considerable uncertainty as to:

- what the standard method will be in the future;
- how the household projection methodology will be developed;
- how the input data used in the projections will change.

2.40. It should also be noted that this study has taken the ONS data and projections at face value. If there are anomalies in that data it could have a sizeable impact on the results.

NMSS

17 May 2019

APPENDIX C FORECASTING JOB NUMBERS

WESTERN BERKSHIRE EMPLOYMENT LAND STUDY

APPENDIX C
FORECASTING JOB NUMBERS

Background

1 To predict the demand for employment space over the plan period, as discussed in the main report we start from a forecast scenario of the future jobs in each district – known as workplace jobs. The scenario was provided by Experian and is a variant on their baseline, or standard, local forecast, issued in June 2019.

2 Such variant is needed because the Experian baseline assumes that future population change will be as shown in the latest official demographic projection, which is the 2016-based SNPP. But if future housing delivery is in line with Local Housing Need, as calculated by the Government's standard method, future population will be higher than shown in the SNPP. This is partly because the standard method uses the previous version of the official projections, but mainly because it applies to the projection of a substantial affordability uplift. The result, as estimated in our alternative population projection (see Appendix A) is a larger population, with a different age and gender profile, to SNPP 2016.

3 Experian has input this alternative population into their local forecasting model, to produce a variant view of the area's economic future, including the number of workplace jobs. This note explains the method used to create the variant scenario and shows detailed results.

Method

The forecasting model

4 To arrive at the number of workplace jobs, Experian's local forecasting model first calculates 'job demand' (or labour demand) – the number of jobs that employers will want to fill in the local authority area:

- For local service sectors – those that serve local residents, such as retail, primary health care and education - job demand depends mainly on the population of the area and neighbouring areas. It depends on the profile of the population as well as its size, because age groups vary in their use of local services: for example, children generate demand for schools, while old people generate demand for health and social care. To forecast this demand effect, the model uses past relationships between the resident population and employment in each local service sector, such as retail, leisure, education and health care.
- For sectors (industries and services) that serve wider markets, job demand depends mainly on national and regional job totals by sector, and the past performance of each sector in the local area compared to the nation and region.

5 In relation to local service sectors, the relationship between population and jobs varies between places, depending on degrees of self-containment and leakage. Thus, for some

local authorities retail spend is largely contained within the area, while in others much of it 'leaks' to centres in neighbouring authorities. In the former case, the forecast result of additional population will be additional labour demand in the same authority. Conversely, in the latter case the forecast will show that additional population adds to labour demand in neighbouring authorities.

6 Having calculated future job demand, the model compares this with the labour supply (labour force) that is provided by the area's resident population, together with commuting to and from other areas. The calculation works iteratively to balance demand and supply as far as realistically possible, working through adjustments in economic activity rates, commuting and unemployment:

- In areas where labour demand is high compared to supply, activity rates[1] are high, as the presence of job opportunities encourages more people to join the labour market. The model sets an upper limit, or bound, to what are realistic activity rates, based on each area's history and expected national rates. Conversely, in areas of low demand activity rates are also low.
- Areas where there is a deficit of supply against demand attract positive net commuting flows from neighbouring areas, up to the point where the capacity of those areas is also exhausted. Conversely, where there is a surplus of supply against demand there is a net outflow, as people commute out to places where there is a supply deficit (for each local area, the distribution of the total net commuting flow among neighbouring authorities is based on the 2011 census).
- In areas where demand is high compared to supply unemployment rates are low, and conversely where demand is low unemployment rates are high. The model sets a lower bound to what unemployment rates can realistically be, based on local history and expected national rates.

7 For each area, the calculation has two possible outcomes:

- There may be enough (or more than enough) labour supply to meet job demand. If so, the forecast shows workplace jobs equal to job demand.
- Labour supply may be insufficient to meet demand, even after unemployment, activity rates and commuting have adjusted as far as is realistically possible. If so, the forecast shows fewer workplace jobs than jobs demanded, indicating that employers cannot fill all the jobs they would like to create. In other words, job growth in the area is constrained by labour supply. The difference between job demand and workplace jobs is called 'unfilled jobs' or 'excess jobs'.

The variant scenario

8 In the Experian baseline forecast, future labour supply is calculated from the population in the SNPP. To create the variant scenario, that population is replaced with the alternative population expected to result from housing development in line with Local Housing Need.

[1] The activity rate is the proportion of the population in each age-sex group that is economically active, which means either employed or unemployed (working or looking for a job).

This is a larger population and it has a different age and sex profile (see Appendix A). In the forecasting model, this changed population assumption impacts on both labour demand and labour supply.

9 On the demand side, the additional population in the variant scenario creates additional labour demand in local service sectors, as more residents means more schoolteachers, GPs and so forth. This additional demand will result in more workplace jobs in the local authority area, up to the point, if any, when supply capacity is exhausted. If that point is reached, any demand over and above it will result in unfilled jobs.

10 On the supply side, the additional population in the variant scenario normally generates additional labour supply, as more people normally means more workers. But this depends on the age-sex profile of the additional population. For example, in the extreme case when all the additional people are retired, they will not add to the labour force. Whether the additional labour supply (if any) results in workplace jobs, depends on demand. If there are unfilled jobs, either in baseline forecast or due to the demand effect discussed above, the additional workers will fill them and there will be additional workplace jobs. If there are no unfilled jobs, or not enough unfilled jobs to employ the additional workers, the remaining additions to the labour force will result in more net out-commuting, more economically inactive people and / or more unemployment.

11 In summary, the additional population shown in the variant scenario may or may not result in additional workplace jobs in the local authority area. Whether it does, and how many jobs are added, depends on the previous balance of the labour market and the age-sex profile of the additional population. These results vary between the three districts in the study area, as briefly reported on below.

Results

Bracknell Forest

12 At the end of our study period in 2036, the population of Bracknell Forest in the variant scenario is 9,400 above the baseline forecast, and its labour force is 3,300 above the baseline. The scenario adds 2,500 jobs to labour demand, which are filled from that additional labour force, though they do not quite absorb all of it. There are no unfilled jobs in the baseline scenario that the additional labour force could fill. Consequently the scenario lifts the number of workplace jobs in the borough by 2,500.

Bracknell Forest – scenario compared to baseline (000s unless otherwise stated)

Variable Name	2019	2020	2030	2036
Labour Force	0.60	0.70	2.40	3.30
Labour Force - 16 to 64	0.60	0.60	2.00	2.80
Labour Force - 65 Plus	0.00	0.10	0.20	0.40
Population - retired	0.40	0.50	1.40	2.00
Population - student	0.60	0.60	1.80	2.50
Population - 16 Plus	1.20	1.40	4.90	7.00
Population - 16 to 64	0.70	0.90	3.40	4.70
Population - 65 Plus	0.40	0.50	1.50	2.20
Total Population	1.70	2.00	6.80	9.40
Working Age Population	0.70	0.90	3.50	4.90
Economic Activity Rate (%) - 16+	-0.30	-0.40	-1.10	-1.50
Economic Activity Rate (%) - 16 to 64	0.00	-0.20	-1.10	-1.60
Economic Activity Rate (%) - 65 Plus	-0.10	-0.10	-0.30	-0.50
Economic Activity Rate (%) - Working Age	0.00	-0.10	-1.00	-1.50
Workforce Jobs	0.40	0.50	1.80	2.50
Jobs Demand	0.40	0.50	1.80	2.50
Excess Jobs	0.00	0.00	0.00	0.00
FTE jobs	0.30	0.30	1.40	2.10
Workplace based employment	0.40	0.40	1.60	2.20
Residence based employment	0.60	0.80	2.20	2.80
Unemployment	0.00	0.00	0.20	0.40
Net commuting balance (inflow)	-0.20	-0.40	-0.60	-0.60
Unemployment Rate	0.00	-0.10	0.20	0.40

Source: Experian baseline March 2019 and scenario June 2019

West Berkshire

13 For West Berkshire at 2036, the variant scenario increases the population by 200. But it reduces the labour force by 500, because in the scenario a higher proportion of the population is over 65, and hence likely to be retired. The service demand from the additional population lifts job demand by 200, but these potential jobs remain unfilled. Also, 200 of the workplace jobs in the baseline forecast become unfilled in the scenario, due to the smaller labour force. Therefore the district has 200 fewer workplace jobs in the scenario than the baseline.

West Berkshire – scenario compared to baseline (000s unless otherwise stated)

Variable Name	2019	2020	2030	2036
Labour Force	-1.10	-1.20	-0.90	-0.50
Labour Force - 16 to 64	-1.10	-1.20	-1.10	-0.80
Labour Force - 65 Plus	0.00	0.10	0.30	0.30
Population - retired	0.10	0.10	0.80	1.10
Population - student	0.00	-0.10	0.50	0.80
Population - 16 Plus	-1.90	-2.00	-1.20	-0.60
Population - 16 to 64	-2.10	-2.10	-2.00	-1.60
Population - 65 Plus	0.00	0.10	0.70	1.10
Total Population	-2.10	-2.10	-0.70	0.20
Working Age Population	-2.00	-2.10	-2.00	-1.70
Economic Activity Rate (%) - 16+	0.20	0.10	0.00	0.00
Economic Activity Rate (%) - 16 to 64	0.70	0.60	0.60	0.60
Economic Activity Rate (%) - 65 Plus	0.00	0.00	0.10	0.20
Economic Activity Rate (%) - Working Age	0.80	0.70	0.90	1.10
Workforce Jobs	-1.10	-1.10	-0.60	-0.20
Jobs Demand	-0.40	-0.40	-0.10	0.20
Excess Jobs	0.70	0.70	0.50	0.40
FTE jobs	-0.90	-0.90	-0.50	-0.10
Workplace based employment	-0.90	-1.00	-0.60	-0.10
Residence based employment	-1.10	-1.10	-0.70	-0.40
Unemployment	0.00	-0.10	-0.10	0.00
Net commuting balance (inflow)	0.20	0.10	0.10	0.30
Unemployment Rate	0.00	0.00	-0.10	-0.10

Source: Experian baseline March 2019 and scenario June 2019

14 From a practical perspective, all the above changes are too small to be significant. In effect, the message from the modelling is that the scenario does not make a discernible difference to the number of jobs in West Berkshire.

Wokingham

15 At 2036, the scenario increases Wokingham's population by 5,600 and its labour force by 1,700. The scenario also adds 1,700 jobs to labour demand, which are filled from that additional labour force, though they do not quite absorb all of it. There are no unfilled jobs in the baseline that the additional labour force could fill. Therefore the scenario lifts the number of workplace jobs in Wokingham by 1,700 jobs.

Wokingham– scenario compared to baseline (000s unless otherwise stated)

Variable Name	2019	2020	2030	2036
Labour Force	-0.30	-0.30	0.80	1.70
Labour Force - 16 to 64	-0.30	-0.40	0.10	1.10
Labour Force - 65 Plus	0.00	0.10	0.60	0.60
Population - retired	0.30	0.30	1.60	2.50
Population - student	-0.50	-0.50	1.00	1.50
Population - 16 Plus	-0.70	-0.60	2.20	4.20
Population - 16 to 64	-1.00	-1.00	0.40	1.60
Population - 65 Plus	0.30	0.30	1.70	2.60
Total Population	-1.20	-1.20	3.30	5.60
Working Age Population	-1.00	-1.00	0.60	1.70
Economic Activity Rate (%) - 16+	0.10	0.00	-0.50	-0.60
Economic Activity Rate (%) - 16 to 64	0.40	0.40	-0.20	-0.20
Economic Activity Rate (%) - 65 Plus	0.10	0.10	0.90	0.60
Economic Activity Rate (%) - Working Age	0.50	0.50	0.20	0.20
Workforce Jobs	-0.30	-0.30	1.00	1.70
Jobs Demand	-0.30	-0.30	1.00	1.70
Excess Jobs	0.00	0.00	0.00	0.00
FTE jobs	-0.20	-0.20	0.80	1.30
Workplace based employment	-0.20	-0.20	0.90	1.40
Residence based employment	-0.20	-0.20	0.70	1.50
Unemployment	-0.10	-0.10	0.10	0.20
Net commuting balance (inflow)	0.00	0.00	0.20	-0.10
Unemployment Rate	-0.10	-0.10	0.00	0.20

Source: Experian baseline March 2019 and scenario June 2019