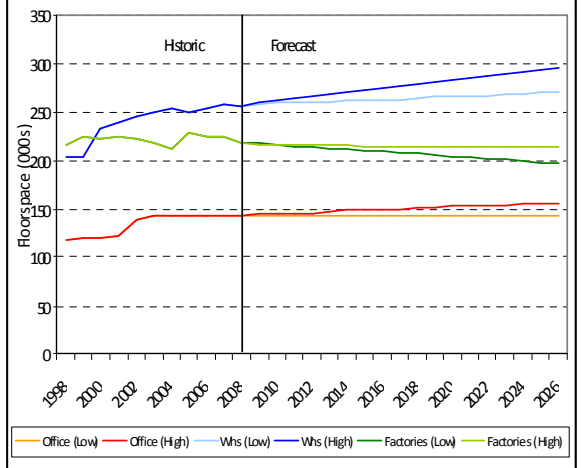
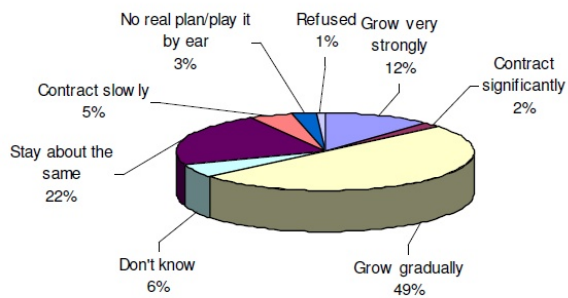




# Long Term Employment Space Projections for Sevenoaks District

## Final Report



Prepared for:  
Sevenoaks District  
Council

Prepared by:  
URS Scott Wilson  
September 2011



Long Term Employment Space  
Projections for Sevenoaks District

Final Report

46407009



**Project Title:** Long Term Employment Space Projections for Sevenoaks District  
**Report Title:** Long Term Employment Space Projections for Sevenoaks District  
**Project No:** 46407009  
**Report Ref:** -  
**Status:** Final Report  
**Client Contact Name:** Dave Bedford  
**Client Organisation:** Sevenoaks District Council  
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**Document Revision Record**

<b>Issue No</b>	<b>Date</b>	<b>Details of Revisions</b>
1	2 <sup>nd</sup> September 2011	Draft Report
2	13 <sup>th</sup> September 2011	Final Report

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## Introduction

This paper updates the long-term projections of demand for B Use Class employment space (B1 offices, B8 warehouses and B2 factories) in Sevenoaks District over the Core Strategy planning period to 2026. It is reproduced from Section 3.4 of the 'Employment Land Review in Relation to the Powder Mills Site' report (URS Scott Wilson, 2011). The long-term projections in this paper update those presented in the 2007 Sevenoaks Employment Land Review (ELR) and can be used to form part of the Local Development Framework evidence base.

## The Long Term Projections in the 2007 Sevenoaks ELR

Table 1.1 shows the projections of demand for employment space in Sevenoaks over the long-term that inform the Core Strategy. It is reproduced from Table 9.16 of the 2007 Sevenoaks ELR.

**Table 1.1 Employment Land Demand Forecasts, 2006-2026**

Use	Low Growth	High Growth
1. Office (B1a, B1b)	+4.0	+4.3
2. Factories (B1c, B2)	-1.8	-1.0
3. Warehousing (B8)	-0.4	-0.3
Industrial (2+3)	-2.2	-1.3
Total	+1.8	+3.0

Source: 2007 Sevenoaks ELR (URS)

In addition, the 2007 ELR identified an excess amount of vacant industrial land that could be released to other land uses (8.4 hectares). The recommendations of that report identified 2.2 hectares of former industrial sites (2.0 hectares at West Kent Cold Storage, Dunton Green and 0.2 hectares at London Road, Swanley) to meet the needs for new office space while a number of other poorly performing industrial sites were proposed for land use change. The balance of office space projected to be required over the planning period (2.0 hectares) was not explicitly identified in the ELR but expected to come forward through the further intensification of existing office sites or the redevelopment of industrial sites as they become vacant.

In 2010 the Council produced an Addendum to the 2007 ELR to provide more up-to-date information for the Site Allocations (Options) Development Plan Document and the Core Strategy. The 2010 Addendum recorded a similar quantum of employment space in Sevenoaks as the 2007 ELR but slightly revised the distribution of space between areas. The Addendum did not update the long-term projections of demand for employment space.

## Impact of the 2008-09 Recession

The projections of demand in the 2007 ELR were over the long-term planning period of the Core Strategy, to 2026, and accounted for changes in the economic cycles. Broadly, the forecasting method was based on the historic records of

employment space in Sevenoaks (1998-2005) and then adjusted for by changes projected by the long-term macro-economic employment forecasts for the region.

The employment floorspace data covered a relatively short time period (1998-2005) but represented nearly a full business cycle as defined by the Treasury who consider that a full economic cycle ran between 1997 and 2006<sup>1</sup>. Depending on the stage of the economic cycle, the derived linear forecast is expected to be above or below the records in floorspace data. The recent recession experienced in the UK from Q2 2008 to Q3 2009 could be considered a low point of the fluctuations around the long-term linear trend.

However, a limitation of the floorspace statistics is that they become more reliable post-1998. Pre-1998 floorspace records, which would capture more of the earlier economic cycles, are incomparable with the post-1998 floorspace data due to changes in the VOA's approach. The recent recession has been at a greater scale than most – GDP contracted for six consecutive quarters for the first time since records began and 2009 saw the largest calendar-year fall in output since 1921 at a 5% contraction. Therefore, it could be argued that basing a forecast on data from the previous economic cycle 1997-2006 will not capture the full effect of the recent recession.

Macro-economic employment forecasts compensate for this limitation as they are based on a greater depth of data, typically capturing the previous two economic cycles back to 1983. In the 2007 ELR the long-term employment forecasts for Sevenoaks were derived from adjusting the regional employment forecasts for the South East of England<sup>2</sup> to Sevenoaks, based on analysis of the Sevenoaks sectoral profile, locational advantages, socio-economic characteristics and labour market intelligence (see Table 9.5 of that report). In this study, we can avoid that step as Kent County Council have provided us with long-term macro-economic employment and GVA forecasts for Sevenoaks, which were produced by Experian in 2009. These forecasts capture the impact of the recent 2008-09 recession.

Figure 1.1 compares the 2009 employment forecasts for Sevenoaks (as produced by Experian) with the 2006 employment forecasts used in the 2007 ELR (as produced by Experian for SEERA and adjusted to Sevenoaks by URS).

Although there are some methodological differences between the two datasets (and therefore different base points in 2005) it is the shape of the long-term projections that is of interest. The long-term projections for both warehousing<sup>3</sup> and manufacturing are broadly similar (with a degree of deviation from the linear

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<sup>1</sup> Treasury Pre-Budget Report 2008 (paragraph 46)

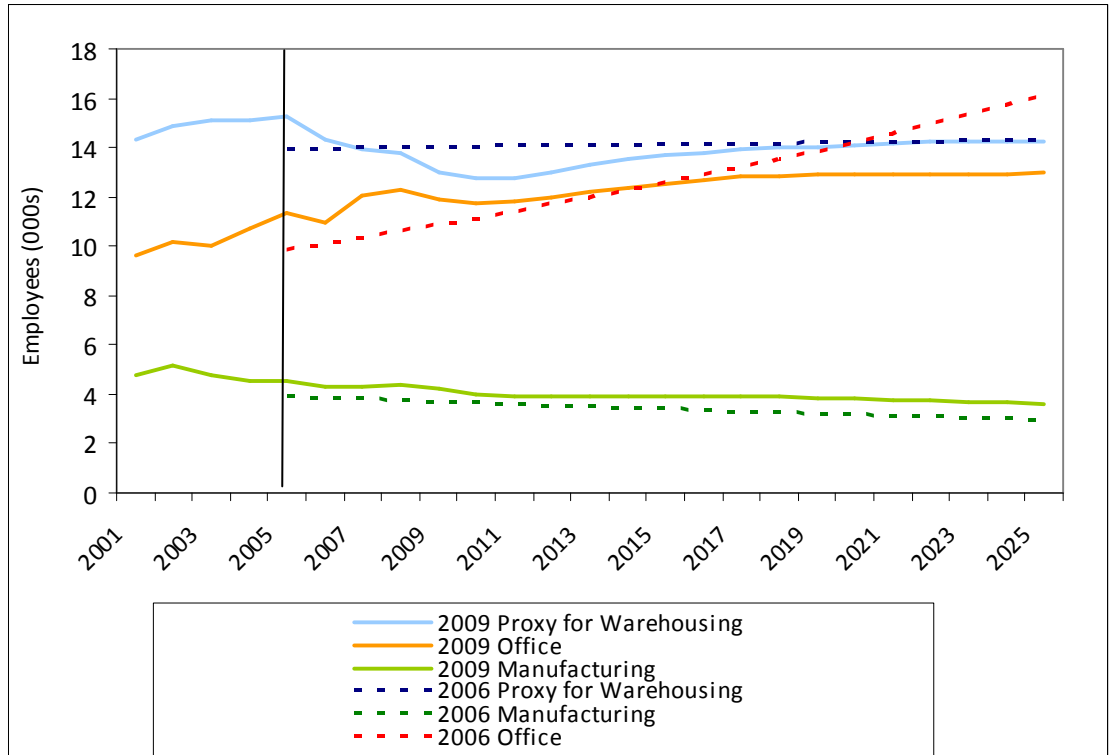
<sup>2</sup> Source: SEERA, Draft South East Plan, Technical Note 1 (updated March 2006), Economic and Labour Forecasting. Produced by Experian

<sup>3</sup> The graph displays trendlines for employment as a 'proxy for warehousing'. This is because the forecasts are made at broad sectoral level and not disaggregated into components that can be more easily labelled as 'warehousing' employment. A proxy for warehousing is made up of two broad sectors – 'transport and communications' and 'distribution, hotels and catering'. We estimate that employment in warehousing accounts for approximately 25% of employment in the 'distribution, hotels and catering' sector and 100% of the 'transport and communications' sector



trendline between 2008 and 2016 in the warehouse sector) but the projections of employment in office space<sup>4</sup> are notable for their difference post-2016.

Figure 1.1 Employment Forecasts for Sevenoaks, 2006 v 2009



Source: Kent County Council (2009; Experian), Sevenoaks ELR (2007; URS based on Experian)

The revised macro-economic forecasts project a much flatter level of growth in employment in office activities over the long-term than previous publications projected. SEEDA recognised this change and in 2009 stated:

*'Recent Experian forecasts for the region (spring and autumn 2008) have been compared to the autumn 2006 Experian forecasts SEEDA used at the South East Plan Examination.... . While it is accepted that all forecasts should be treated with a certain degree of caution it is worth noting the regional total job growth forecast for 2006-2020, much of the Plan period (2006-2026), has decreased by 48% between the autumn 2006 and autumn 2008 forecasts. On the basis that job growth is one of the components of GVA growth, there appears to be a clear indication that the recent economic downturn will have impacts and require consideration in LDF policy making decisions.'* (LDF Delivery South East Economic Outlook 2009)

Clearly, this change will have an impact on the long-term projections of demand for office employment space in Sevenoaks.

<sup>4</sup> Made up of employment in the 'financial and business services' sector

### Long-term Floorspace Demand Projections

The approach taken here to producing revised demand projections of employment space over the long-term is the same as set out in the 2007 Sevenoaks ELR but with more up-to-date information. One area of change is our approach to projecting demand for warehousing space. Our research for the GLA and LDA in the Demand and Supply of Land for Logistics in London (2007) found that economic growth (as measured by GVA) was a better predictor of the amount of warehouse space required than employment. Therefore we use the long-term projections of GVA growth for Kent growth to shape our projections of demand for warehouse space rather than projections of employment in the sector.

**Table 1.2 Revised Forecasts of Employment Floorspace in Sevenoaks, 2008-2026**

Use	Floorspace Change <sup>5</sup> (2001-2008)	Employment/ GVA Change (2001-2008)	Employment/ GVA Forecast (2008-2026)	Adjustment Factor (2001-2008 v 2008-2026)	Floorspace Forecast (2008-2026)
Office	+2.3%	+3.6%	+0.3%	0.09	+0.2%
Warehouse	+1.0%	+3.4%	+1.8%	0.52	+0.5%
Factories	-0.4%	-1.3%	-1.1%	0.84	-0.3%

Source: VOA, Kent County Council (Experian)

Note: Compound annual average growth rates used. Employment data and forecasts used for office and factories, GVA data and forecasts used for warehouse space

The effect of adjusting the trend of employment floorspace change recorded in Sevenoaks from 2001 to 2008 with the wider macro-economic forecasts results in a more ‘settled’ employment land market. The growth in demand for office space is projected to decline from an average of 3.6% per annum from 2001 to 2008 to 0.2% per annum from 2008 to 2026. Similarly, growth in warehouse space is projected to decline from a growth rate of 3.4% per annum to 0.5% per annum in the future. The use of manufacturing employment floorspace is projected to decline at a slightly slower rate in the future, from -0.4% per annum to -0.3% per annum over the planning period.

Projecting demand over the long-term is not an exact science. It is prudent to introduce a degree of flexibility to the projections by employing low-medium-high growth scenarios. The medium scenario is determined by forecast of Table 1.2 above, while the low and high growth scenarios are +/-0.25% of this forecast<sup>6</sup>. Table 1.3 below shows the range of employment space growth scenarios and the result this will have on the quantum of floorspace in Sevenoaks by 2026.

<sup>5</sup> Levels of building vacancy over this period were within normal parameters – 8% of industrial space and approximately 9% of office space (general office premises) and relatively consistent, see Section <sup>8</sup> of the 2007 ELR for further information. Growth rates were therefore not ‘hidden’ by excess building vacancy levels.

<sup>6</sup> This degree of variance is equivalent to +/- 3,900ft<sup>2</sup> (360m<sup>2</sup>) of office space or +/- 12,800ft<sup>2</sup> (1,200m<sup>2</sup>) of industrial space per annum

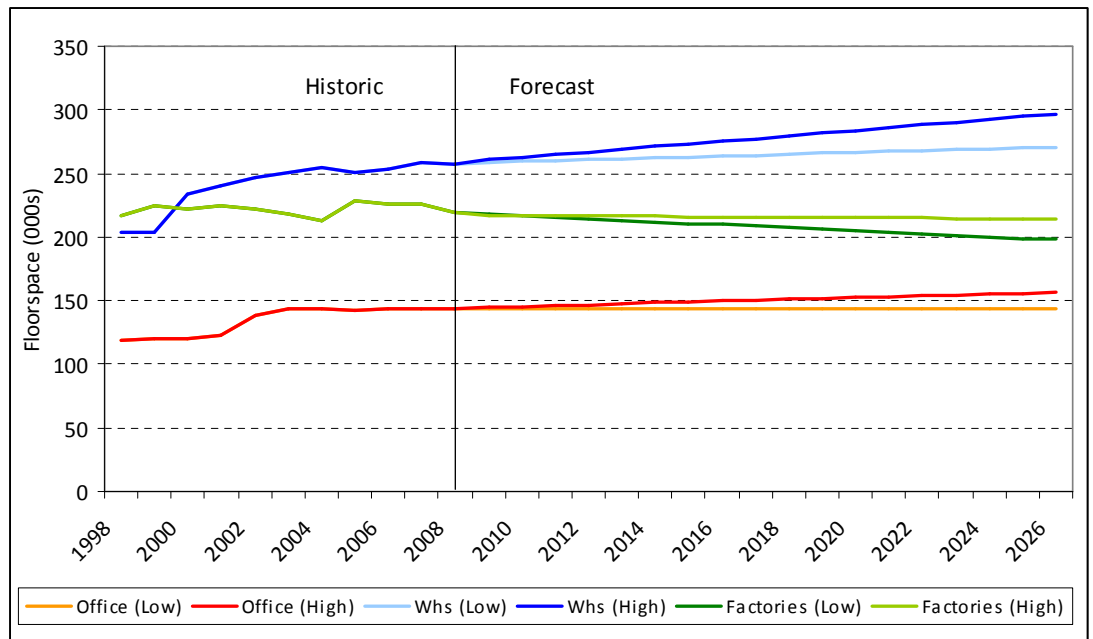
**Table 1.3 Long Term Office and Industrial Floorspace Demand Forecast**

Use	Estimated Floorspace 2011	Future Floorspace Requirement 2026 (m <sup>2</sup> )		
		Low Scenario	Medium Scenario	High Scenario
Office	144,900	143,200	149,500	156,600
Warehouse	261,000	270,700	281,700	296,800
Factories	216,900	196,700	206,500	214,100
Total (Gross)	622,700	610,700	637,700	667,500
<b>Total (Net)</b>	<b>622,700</b>	<b>-12,000</b>	<b>+15,000</b>	<b>+44,800</b>

*Note columns may not sum due to rounding*

Table 1.3 above shows that the net requirement for new employment floorspace is approximately 15,000m<sup>2</sup> by 2026 under the most likely medium scenario. Given the stage of the current economic cycle and associated high levels office vacancy<sup>7</sup> it is likely that short-term growth will be at a lower rate than the long-term average. Figure 1.2 illustrates the forecast in the context of historic floorspace records from 1998-2008.

**Figure 1.2 Long Term Office and Industrial Floorspace Demand Forecast**



Source: URS 2011

<sup>7</sup> Locate in Kent promotes available commercial premises in the County. At the time of writing some 19,000m<sup>2</sup> of office floorspace was on the market for occupation in Sevenoaks district, compared to 8,200m<sup>2</sup> reported in the 2007 ELR. The opposite is true for industrial space, with less available in 2011 (21,400m<sup>2</sup>) than in 2007 (37,000m<sup>2</sup>), which is in line with the positive demand forecasts (for warehouse space)

## Caveat – Research & Development Facilities

A high proportion of the office space in Sevenoaks district is used for research and development purposes. The VOA define 'offices' as, '*purpose-built office buildings, offices over shops, light storage facilities and light industrial activities*', which is likely to include the laboratory space used for research and development in Sevenoaks (see Table A2; Commercial and Industrial Floorspace Rateable Value Statistics, 2005; ODPM). Powder Mills and Fort Halstead contain the majority of research and development facilities in the district.

At Powder Mills there is 7,179m<sup>2</sup> of laboratory space (Table 2.1). The Fort Halstead website ([www.forthalstead.com](http://www.forthalstead.com)) states that there is approximately 1,000,000ft<sup>2</sup> of office, laboratory and storage space within the site. If we convert the quantum to square metres and apply the same proportion of laboratory space as there is at Powder Mills, this results in a possible 50,000m<sup>2</sup> of laboratory space at Fort Halstead. The combined total of the laboratory space at the two sites represents some 40% of the total 'office' space in the Sevenoaks district.

The preferred option (Option 4) in our Powder Mills study<sup>8</sup> proposes that some the buildings on-site currently used for laboratories could be used for residential development. As laboratory space is likely to be recorded as 'office' space by VOA the loss of these buildings will reduce the total 'office' floorspace in the district. This will result in a step-change in the trends of office space for Sevenoaks. The buildings proposed for land use change at Powder Mills account for approximately 4,860m<sup>2</sup> of laboratory space which represents some 3.4% of the total office space recorded in Sevenoaks in 2008 (144,000m<sup>2</sup>). As laboratory space is a highly specialised form of office space a distinction should be made between the loss of this space and the loss of general office premises in future forecasts.

This point is particularly important if the estimated 50,000m<sup>2</sup> laboratory space at Fort Halstead is deemed suitable for land use change in the future (the principal occupier, Dstl, have recently announced they are leaving the site). The laboratory space at Fort Halstead could account for some 35% of total office stock in the district. In the short-medium term (at least until a new ELR is produced) the long-term projections of a flat office forecast should apply to general office premises only, Planning for the loss of laboratory space must be undertaken in the specific context of that sector, mindful of the locational requirements of R&D firms that operate in that sector.

## Long Term Office and Industrial Land Demand Forecast

Table 1.4 applies the plot ratios for new employment space developments to derive a land requirement from the employment floorspace forecasts of Table 1.3. The plot ratios are the same as those used in the 2007 ELR:

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<sup>8</sup> An Employment Land Review in Relation to the Powder Mills Site (2011)

- 1.50 for new office space (assuming new development will have a 50% plot ratio and be comprised of three storeys)
- 0.45 for new factory space<sup>9</sup>
- 0.40 for new warehouse space

**Table 1.4 Long Term Office and Industrial Land Demand Forecast**

Use	Future Land Requirement 2026 (hectares)		
	Low Scenario	Medium Scenario	High Scenario
Office	-0.1	0.0	0.8
Warehouse	2.4	5.2	9.0
Factories	-4.5	-2.3	-0.6

*Note: the columns are not summed intentionally as different land uses have different locational requirements and demand is not necessarily interchangeable between sites*

Table 1.4 presents a quite different forecast to that of the 2007 ELR shown earlier in Table 1.1. Two major factors have affected the change – the 2009 employment forecasts from Experian have significantly reduced growth expectations for activities that typically use office space in the district; and using GVA as a proxy for future distribution demand has increased the projected requirement for warehouse space.

### The Rural Economy

In 2007 it was estimated that approximately 140,300 people were employed in rural areas of Kent, accounting for 24.9% of all employees<sup>10</sup>. The VOA floorspace data used as the base for the long-term projections of demand in this section includes space located in both rural and urban areas in Sevenoaks. Due to their nature, rural businesses are often dispersed over a wide area and the VOA does not publish floorspace data where there are too few sites (due to confidentiality issues). Therefore, disaggregating the floorspace data between rural and urban locations is problematic.

A survey of rural businesses in Sevenoaks was undertaken as part of the 2007 Sevenoaks ELR. The survey reported that:

- The majority of business activities in rural areas were in the manufacturing and financial services sectors.
- The majority of respondents reported that they were based in a workshop or an office (both 18%) with 12% working from home and 10% in a general industrial location
- The majority of rural business occupy small premises, with 59% accommodated in buildings no larger than 90m<sup>2</sup> (approximately 1,000ft<sup>2</sup>)

<sup>9</sup> The long-term trend is for a decline in factory premises rather than the construction of new sites. However, the 2007 ELR notes that existing factory premises had a plot ratio of 0.47 so the difference between new build and existing premises is negligible.

<sup>10</sup> The Agricultural Sector and Rural Business in Kent; Evidence Base (KCC; 2009)

- 80% reported that having good road transport links was important or very important to their business. Having a supply of appropriate premises (71%) in a good quality area (66%) was also deemed important or very important
- The survey showed that access to suitable staff is just as important in rural areas as urban areas, highlighting this factor is that rural business reported that 80% of their workforce was professional or skilled manual
- The large majority of businesses surveyed were not planning to move over the next five years (76%). A smaller majority expected their business size to stay the same (55%) with 31% expecting to grow gradually
- The planning system does not seem to constrain growth aspirations

The 2007 ELR concludes that the rural economy in Sevenoaks is representative of the rural economy across the UK, with similar trends and economic activity. There is a declining dependency on traditional rural business activities and there is an increasing convergence of the urban and rural economies. In light of this convergence the difficulty in disaggregating the VOA data by urban and rural area should not affect the reliability of the long-term forecasts, as both areas are influenced by similar underlying economic trends.

### **Summary**

The long-term demand trends for Sevenoaks show a change since the 2008-09 recession, with a flat forecast of demand for additional office floorspace. The space required for storage and distribution purposes is expected to grow in line with the economy but space required for manufacturing activities is expected to continue to decline. The trends affecting change in the demand for employment space in the rural economy are considered to be similar to those underlying the broader economy.