

Nottinghamshire County Council, Nottingham City Council, Ashfield District Council, Broxtowe Borough Council, Erewash Borough Council, Gedling Borough Council and Rushcliffe Borough Council on behalf of the Greater Nottingham Partnership

# NOTTINGHAM CITY REGION EMPLOYMENT LAND STUDY



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Executive Summary  
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## INTRODUCTION

- 1 This study provides an assessment of the quantity and quality of employment land in Nottingham City Region, comprising the local authority areas of Nottingham City, Broxtowe, Erewash, Gedling and Rushcliffe - plus the Hucknall wards in Ashfield district, which lie outside the HMA but are part of the Nottingham Travel-to-Work Area and the Greater Nottingham Partnership.
- 2 Key tasks for the study, as set out in the consultants' brief, are:
  - To assess whether the employment land identified in the study area meets current and future employment requirements up to 2026;
  - To assess if additional land is required;
  - If appropriate, to identify potential new employment sites and existing employment sites which could be transferred to other uses.
- 3 As the brief also indicates, the study is to contribute to the development of spatial planning policies both at local and strategic level. Its findings will be part of the evidence base for the new Local Development Frameworks (LDFs) and sub-regional proposals relating to the review of the Regional Spatial Strategy (RSS).

## POLICY CONTEXT

- 4 In planning for employment land, the City Region's authorities must conform to national and regional guidance handed down from higher levels of government.
- 5 At national level, important guidance for almost two years from January 2005 was provided by paragraph 42(a) of PPG3, which introduced a presumption in favour of re-allocating employment land to housing unless strict criteria were met. But the new PPS3, issued in November 2006, removes this presumption, which likely will make it easier to safeguard employment land. But PPS3 also increases uncertainty, because it provides no clear-cut criteria to show which sites should be retained for employment use.
- 6 Regional policies have important implications for employment land, both in terms of quantity and qualitative mix. As regards quantity, the Regional Assembly's 2006 ELPS study sets out employment land requirements by Housing Market Area across the East Midlands, based on economic forecasts produced by Experian for emda. These regional figures may be included in the new Regional Plan (RSS) which will be finalised in 2008 and will replace existing Structure Plans. We have used the same figures in the present study, to ensure that planning in the City Region is consistent with the emerging Regional Plan.
- 7 In qualitative terms, an important and long-standing regional objective is to restructure the East Midlands economy towards more productive economic, higher-earning, higher-skilled economic activities. Employment land policy can contribute to this restructuring by providing sites that are attractive to these high-value sectors.
- 8 In the City Region itself, three particular factors may bring about employment growth above the regional forecast: the planned expansion of East Midlands Airport, the Science City initiative and Civil Service relocation further to the Lyons report. These factors may both increase the demand for employment land and change the qualitative mix of sites that will be required. But it is too early to forecast these effects with any confidence.

## THE ECONOMY

- 9 We have already noted that the East Midlands suffers a 'productivity deficit', in that the regional economy combines high employment with relatively low productivity, earnings and skills. Most of the City Region in this regard is similar to the East Midlands as a whole, with fewer knowledge-based jobs and lower earnings than the national economy. But Nottingham City is a major exception, with average workplace earnings well above the regions' - though still below the national benchmark - and a concentration of jobs in high-value financial and business services.
- 10 However, while jobs located in Nottingham City are comparatively well-paid, *residents* of the City have noticeably low earnings, and in relative terms many of them are economically and socially deprived.
- 11 The combination of high-paid jobs and low-paid residents is explained by travel-to-work flows within the City Region. Overall, the area's labour market is in balance, with almost equal numbers of workplace jobs and working residents. But within the City Region, there are large commuting flows across local authority boundaries, whereby the other local authorities depend heavily on Nottingham City for jobs (except for Erewash, which is more dependent on Derby City).
- 12 It seems that the high-paid jobs in Nottingham City are disproportionately filled by people who live elsewhere in the study area. If Nottingham in future is successful in attracting further high-value jobs, in line with regional objectives, the resulting benefits may largely accrue to in-commuters from the surrounding districts, which have more highly skilled populations.

## LAND AND PROPERTY MARKETS

### Offices

- 13 The City Region's office market is dominated by Nottingham City, which is the prime office location in the East Midlands and home to many high-profile corporate occupiers. Large-scale, high-quality offices are concentrated in the city centre and out-of-town business parks close to the M1. Between these two locations, on the former Royal Ordnance site on Queens Drive, the recent  $ng^2$  development has proved a successful and fast-growing business park, which may provide a model for further office development.
- 14 Office markets in both the city centre and the M1 corridor are currently tight, with limited availability of both new and second-hand space. This position reflects short-term cyclical factors, rather than a shortage of land. There is a good supply of identified development sites to currently foreseeable meet market requirements, but there are concerns about deliverability, as many of these sites require major infrastructure investment.

### Industry and Warehousing

- 15 The industrial and warehousing market has been active in recent years. While demand has been from both distribution and industrial occupiers, distribution has dominated take-up, especially in the most accessible locations, close to the M1 junctions. The supply of floorspace is currently tight and developers are keen to respond with further new development. In terms of quality and quantity there is no shortage of sites for such development, but there are concerns about deliverability where sites need major investment.

## FUTURE DEMAND AND PLANNED SUPPLY

### Demand

#### *The ELPS Scenario*

- 16 In forecasting demand for employment land, our starting point is the economic/employment forecasts produced by Experian Business Strategies for emda, as part of the evidence base for the Regional Economic Strategy.
- 17 These forecasts provide employment by local authority area for the period 2003-16. They are generated by Experian's integrated suite of economic models and represent an independent economic view of local and regional economic prospects.
- 18 For the most part, the forecasts are based on Experian's standard assumptions, covering factors such as the macroeconomic environment, the industrial structure and past performance of each area and workforce skills. But one key input into the model, the future resident population, is customised to reflect emerging regional policy. In this study, as in the regional ELPS study, of the alternative forecasts provided by Experian we use the 'preferred housing option scenario', which is based on the housing land provision proposed in the draft Regional Plan (September 2006). In other words, our forecasts assume that the housing targets in the draft Regional Plan for Nottingham City Region and neighbouring parts of the East Midlands are successfully implemented.
- 19 In this emda/Experian forecast, which we call the ELPS scenario, office employment in the City Region in 2003-16 grows by 13,300 jobs (21%), of which 10,000 are in Nottingham City. Industrial/warehousing employment falls by 13,400 jobs (15%). In total, B-space employment in the study area is virtually unchanged, as the fall in industrial/warehousing sectors offsets the growth in offices.
- 20 Translated into space, this produces net office take-up of some 18,000 sq m per year, equal to some 240,000 sq m over the planning period 2003-16. For industrial and warehousing space, net take-up is negative, showing a net reduction in of 32,000 sq m per year, or 416,000 sq m over the plan period. The net outcome for total employment space is a reduction in B-Class floorspace (negative take-up) of 13,000 sq m per year, which over the plan period amounts to 176,000 sq m and would release 44 hectares of employment land. In proportional terms, this is a tiny reduction in the study area's overall stock of employment land, which is in the region of 1,500 hectares.
- 21 The reason for this reduction is that, within a virtually unchanged total of B-space jobs, there is a shift from industrial jobs, which use 31 sq m per worker, to office jobs, which use 18 sq m per worker. The land release could be higher than forecast if new offices are developed at plot ratios above the 40% we have assumed.

#### *The ELPS Plus Scenario*

- 1.1 At the request of the client team we have developed an alternative demand scenario, which shows higher employment growth, based on the aspirations of current economic development policies and initiatives. We call this the ELPS Plus Scenario.
- 1.2 In the ELPS Plus Scenario, we add to the ELPS forecast for the period 2003 - 2016:
- 4,000 additional jobs from the growth of the East Midlands Airport, based on the emda/York Aviation Economic Development Strategy (though we note that these estimates are no longer supported by emda);

- 13,000 Science City reflecting the aspiration set out in the 2006 prospectus to create 1,000 jobs a year;
  - 6,000 jobs in Civil Service (Lyons) relocations.
- 22 In the ELPS Plus scenario, demand is for some 38,000 sq m of net new office floorspace per year, i.e. 488,000 sq m (122 ha) over the 13-year planning period - over twice as much as in the ELPS scenario. Industrial/warehousing space falls by an insignificant 10,000 sq m per year net, releasing an equally insignificant 33 hectares over the planning period.
- 23 ELPS assumes not only that the airport, Science City and Civil Service relocations generate new jobs as above, but at all these jobs are additional to the growth that would occur in the City otherwise. These are extreme assumptions. In practice, initiatives such as Science City might impact on the mix of jobs rather than total numbers, and any of the 'plus' jobs could displace other jobs in the City Region, for example through competition for workers in a tight labour market.

### *The Frictional Margin*

- 24 Before estimating the balance of the market, we need to add to the demand estimated above the frictional margin - land which at any one time is in the development pipeline. For smooth operation of the market, this land in the pipeline should be provided by the planning system in addition to the forecast demand, or expected net take-up.
- 25 We estimate that the frictional margin is 10% of the current floorspace stock for offices and 5% of the stock for industry and warehousing. In the market balance calculations below, we have added these figures to the forecast demand to estimate the total market requirement for employment land:

Requirement = forecast demand plus frictional margin

## Planned Supply and Market Balance 2003-16

### *Offices*

- 26 We estimate that outstanding planning commitments comprise approximately 84 ha of land suitable for offices, which at a standard plot ratio of 40% would provide some 336,400 sq m of new floorspace. This supply is virtually equal to the ELPS forecast requirement of 365,000 sq m to 2016. In the best-case supply scenario, in which all these development sites come forward in the plan period and none of the existing office stock is lost, supply and requirement are in balance.
- 27 In the ELPS Plus scenario, however, the best-case supply is enough to cover the forecast requirement (take-up) only to 2009. After that date, if demand is to be met in full planning authorities would have to identify more land for offices.
- 28 We have also constructed a worst-case supply scenario, in which we subtract from total planning commitments those development sites which are of less than good quality or not immediately available and those existing occupied sites that in our view should be released or considered for release. These judgments are provided by Lambert Smith Hampton (LSH), based on their major qualitative assessment of both development sites and existing employment area across the City Region.
- 29 The LSH assessment indicates that all of the committed office supply is of good quality, which means that under normal market conditions it is likely to be taken up. Of the total supply, 15 ha, equivalent to 60,000 sq m, is subject to constraints, so that only 276,800 sq m (69.2 ha) is immediately available for development. Furthermore, while no existing sites are of such bad quality that they should

definitely be released, the qualitative assessment advises that an estimated 243,000 sq m (61 ha) should be considered for release, most of it in Nottingham City.

30 Accordingly, in the worst-case scenario the City Region's planned land supply falls to an insignificant 34,000 sq m (8.5 ha). Over the plan period to 2016, this represents an undersupply of 330,690 sq m (82.7 ha) in the ELPS demand scenario and 578,690 sq m (144.7 ha) in the ELPS Plus demand scenario. These figures are estimates of the new land which would need to be identified for offices in the plan period if the worst-case supply scenario is correct and the forecast market requirement is to be met. When in the plan period this land is needed would depend on the time profile on which existing sites are released for other uses.

31 To accommodate any requirement for additional office sites, both in the Plan period and beyond, major opportunities should become available in the proposed redevelopment and intensification of the Boots, Siemens and Rolls Royce sites - which is not yet incorporated in formal planning commitments and thus is not part of our supply figures. There may also be scope for new office floorspace in the Regeneration Zones and on industrial sites which become surplus to requirements.

### *Industrial and Warehousing Space 2003-16*

32 In the industrial/warehousing sector, the forecast ELPS requirement to 2016 is negative at -153,000 sq m (38 ha), pointing to a net loss of space across the City Region. ELPS Plus shows a positive requirement of 130,000 sq m (33 ha). In proportion to the size of the stock, these are only small changes. The committed supply is positive and much larger, providing development sites to accommodate an estimated 1,240,000 sq m (on 310 hectares). Against the ELPS requirement, the resulting best-case excess of supply over demand is 1,394,000 sq m (348 hectares) - 26% of the area's floorspace stock. Against the ELPS Plus requirement, oversupply is still vast at 1,110,000 sq m. Regardless of the scenario chosen, all local authority areas are greatly oversupplied.

33 However, in the case of industry and warehousing the best-case scenario is definitely unrealistic, because there will be continuing pressures to redevelop redundant industrial sites for other uses. Of the existing stock LSH's quality assessment concludes that only 65,000 sq m (16 ha) should be released for other uses, but as much as 575,000 sq m (144 ha) should be considered for release. Furthermore, only two thirds of the total supply is good quality, and only half is both good quality and available in practice.

34 In the worst-case supply scenario, therefore, if the ELPS demand forecast is correct the excess of planned land supply over forecast market requirement falls to 96,000 sq m (24 ha) - just 2% of the City Region's total existing stock. But in this worst-case scenario there are market geographical differences. Three of the area's six districts in this worst-case scenario are still oversupplied. The greatest undersupply by far is in Erewash. Supply in Erewash is 219,000 sq m (55 ha) short of demand, due to the district's lack of good quality and available development sites (it offers just 7 hectares of such sites) and its large amount of existing sites that should be considered for release. Nottingham City in the worst-case scenario is also undersupplied, though only by 78,000 sq m (20 ha) and Broxtowe is in balance.

35 With ELPS Plus demand, the worst-case supply scenario provides a barely significant undersupply of 189,000 sq m (47 ha).

36 We conclude that in strictly qualitative terms Nottingham City Region could release considerable amounts of industrial/warehousing land to other uses over the plan period, while still meeting market requirements. But there is a trade-off between the release of existing sites and investment in new sites. If large amounts of existing

land are released, then to meet demand it will be necessary to relieve constraints so that more of the sites already committed become available for development. There is also a geographical imbalance, with a relative deficit of land to the west of the City, which is the most attractive to occupiers.

## CONCLUSIONS AND RECOMMENDATIONS

### Policy Priorities

- 37 Our analysis of the economic and policy background points to two major themes, the first relating to numbers of jobs and the second to the quality of jobs.
- 38 With regard to numbers of jobs, the emerging RSS aims to align employment change with housing land provision and the resulting population change. This objective is built into the employment change figures which underlie our forecasts of land demand. Any proposals to depart from these figures should be assessed with regard to their implications for the balance of workers and jobs. If the City Region makes room for too few jobs, it risks rising unemployment and/or out-commuting. Aiming for too many jobs may also result in an overheated labour market and pressure to release more housing land, bearing in mind that earlier reserves of unemployed labour have largely disappeared.
- 39 Turning to the quality of jobs, it is a major regional objective to restructure the economy towards more knowledge-intensive, higher-skilled, higher-paid work. Our analysis confirms that this objective is particularly relevant to the Nottingham City Region. Employment land policy on its own cannot upgrade the mix of economic activity, but it needs to complement and support other initiatives serving this objective, such as Science City.
- 40 However, it is important to bear in mind that less-skilled residents also need jobs. In general, there is little risk that jobs will 'move up-market' ahead of workers' skills, because employers will not locate in places where the available labour supply does not match their needs. But particular circumstances apply in Nottingham City, because the City's labour catchment includes many high-skilled residents who live elsewhere in Nottingham City Region.
- 41 As we have seen, the City provides especially high-paid jobs, which seem to be filled disproportionately by such in-commuters, while residents of the City on average are relatively low-paid. As and when the City's workplace economy restructures towards higher-value activities, this imbalance might worsen. To avoid this danger, employment land policy needs to look after the employment sites that support less-skilled jobs for less-skilled workers, especially in and near the most deprived areas. This means protecting some 'secondary' employment sites from transfer to other uses, and where appropriate supporting their renewal and providing additional land for their occupiers to relocate and expand.

### Offices

- 42 The first step in planning for employment land is to state how much land will be required over the plan period. At this stage, we suggest that these stated requirements should be based on the ELPS scenario, because the estimates of additional employment on which ELPS Plus is based are extremely uncertain. Any additional 'ELPS Plus demand' through later adjustments to the demand forecast as more specific information becomes available. In any case, the demand forecasts should be updated at regular intervals, at least every five years and more often if major changes occur.

- 43 In assessing the balance of demand and supply, it is advisable to err on the side of generosity. This is partly because it would be more damaging to provide too little employment land than too much, though this is only true within reasonable limits: if far too much land is provided, developers and investors will be deterred by the potential oversupply, and unwanted employment sites will wastefully lie vacant for long periods when they could and should be beneficially used for other purposes.
- 44 Another reason to be generous is that our calculations are more likely to under- than over-estimate the land supply which comes forward in practice. Thus, we cannot guarantee that all allocated and permitted sites will come forward for development; given the limitations of our analysis. Even those sites which we have classified as available may have hidden constraints, whether physical or related to owners' aspirations. Furthermore, losses may be higher than we foresee, because market fluctuations can make even good sites financially unviable for employment schemes, and housing pressures can force even viable sites out of employment use. However, not all risks are on the downside; over the plan period windfall office developments are bound to come forward, though we cannot predict on what scale.
- 45 This analysis suggests that, if market requirements are to be met over the plan period to 2016, planning authorities should strictly control loss of existing office sites. Those sites which our qualitative assessment recommends to be retained should only be released where it can be demonstrated either that there is no demand for office space at the site, or that its continued use for offices would have unacceptable impacts on the environment or amenity. But sites which we advise should be 'considered for release' may be released if *either* the above conditions apply *or* if there are opportunities to replace them with better-quality sites.
- 46 With regard to new development, authorities should resolve development constraints at office sites already allocated, identify additional office sites, or, more likely, both. Even if all development constraints are removed, the analysis suggests that in the later years of the plan period the supply currently identified will become exhausted and more land for offices will be needed.
- 47 Following a sequential approach, the first location for these new sites should be Nottingham City Centre. The City Council should identify further large-scale office sites in the centre, to come forward in the later years of the plan period and beyond. The best opportunities are likely to be in the Regeneration Zones, though intervention may be required to overcome constraint in the Zones.
- 48 Outside the city centre, the focus of office development has been at out-of-town parks adjoining the M1 junctions, and more recently at ng<sup>2</sup>, between the centre and the M1. There is further capacity at Nottingham Business Park and development potential at Stanton Regeneration Zone (Stanton Ironworks). Yet again, following the sequential principle, rather than further land close to motorway junctions it would be preferable to identify new office sites in more sustainable, edge-of-centre locations between the city and the M1, following the example of ng<sup>2</sup>. There should be opportunities to redevelop existing industrial sites as modern office parks. But land supply for out-of-centre business parks should be carefully controlled, so that it does not displace office development in Nottingham City Centre.
- 49 Away from the city centre and the M1, the office market is small, but there is demand for small modern office units, especially if offered freehold. Rather than formal land allocations, this demand could be met by small windfall developments, such as 'office villages' on the more modern industrial estates.

## Industry and Warehousing

- 50 Our analysis suggests that there is scope to transfer substantial land from industry/warehousing to other uses over the plan period to 2016. But, if market requirements are to be met and demand-supply mismatches corrected, such transfer should be selective. On those existing sites which we recommend for retention, proposals to transfer land to other uses should only be permitted if it can be demonstrated that either there is no demand for continued industrial/warehousing use on the site or such use would have unacceptable impacts on the environment, amenity or adjoining uses. Existing sites close to areas of deprivation, which are concentrated in the City of Nottingham and Hucknall, should be specially safeguarded, as providing employment opportunities for local residents.
- 51 As regards development sites, if demand is to be met there is a need to remove development constraints on the best-located sites, such as Eastwood Hall, which if its access problems were resolved would provide a high-quality development opportunity. Those committed sites which we have assessed as poor quality should be de-allocated, and some new, better-quality industrial sites should be identified in accessible locations close to the M1.
- 52 Finally, as part of planning for the Regeneration Zones - a process which has barely started - the City Council and its partners need to ensure that businesses displaced from these Zones find satisfactory alternative homes. This will require industrial land in the cheaper areas to the east of Nottingham, since the prime locations to the west will be too expensive for most of the displaced businesses.

## How to Plan for Employment Land

- 53 Although our analysis analyses land demand and supply by local authority area, the discussion in this report focuses on the study area as a whole and broad subdivisions of it, rather than individual districts. This is partly because district-level forecasts are less robust, with wider margins of error. More important, much of the demand for employment space is footloose within the City Region, across local authority boundaries. Where businesses and jobs locate within the City Region is not just a function of the market; it will also depend on policy decisions about the location of land supply and infrastructure.
- 54 Further to this study, therefore, local authorities will need to work together:
- To agree a distribution of employment land provision between them that takes account of land availability and policy objectives as well as the 'raw' demand forecast;
  - To identify key employment sites for future development/redevelopment.
- 55 Beyond these vital areas of common interest, each individual authority of course will wish to consider local issues and specific sites in its own area.