



Employment Land Review

Final Report

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1 INTRODUCTION

Scope of the study

- 1.1 This Employment Land Review (ELR) was commissioned by Solihull Metropolitan Borough Council (SMBC) in July 2016. The ELR will inform a review of Solihull's Local Plan which will roll forward the plan period to 2033, and will include the High Speed 2 (HS2) Interchange and UK Central proposals. The brief for this commission sets out that:

'the Local Plan Review will need to set a clear economic vision and strategy to reflect NPPF aims for sustainable economic growth and to provide for local and inward investment to meet need for the rolled forward plan period and that a robust evidence base will be needed, working with neighbouring authorities, the LEP and the business community, to understand business needs, changes in markets, and barriers to investment. This will inform an assessment of quantitative and qualitative land needs for economic development.'

- 1.2 The main objectives of the brief for the ELR are:

- Undertaking a supply audit that provides an understanding of main land supply issues for the borough and an assessment of existing allocated sites to establish their fitness for purpose
- Understanding the forecast quantity of employment land needed to be planned for over the local plan review period and any gaps in supply should be identified that might be met through additional land allocations or the policy framework
- Highlighting any issues relating to sectoral needs such as the automotive supply chain as well as any gaps in provision such as business space for new starts/small grow on space
- Considering the extent to which the HS2 interchange business land should be regarded as a contribution to general business land requirements or whether it is of a more strategic nature like Regional Investment Sites (RIS) and Major Investment Sites (MIS) that serve a more regional role

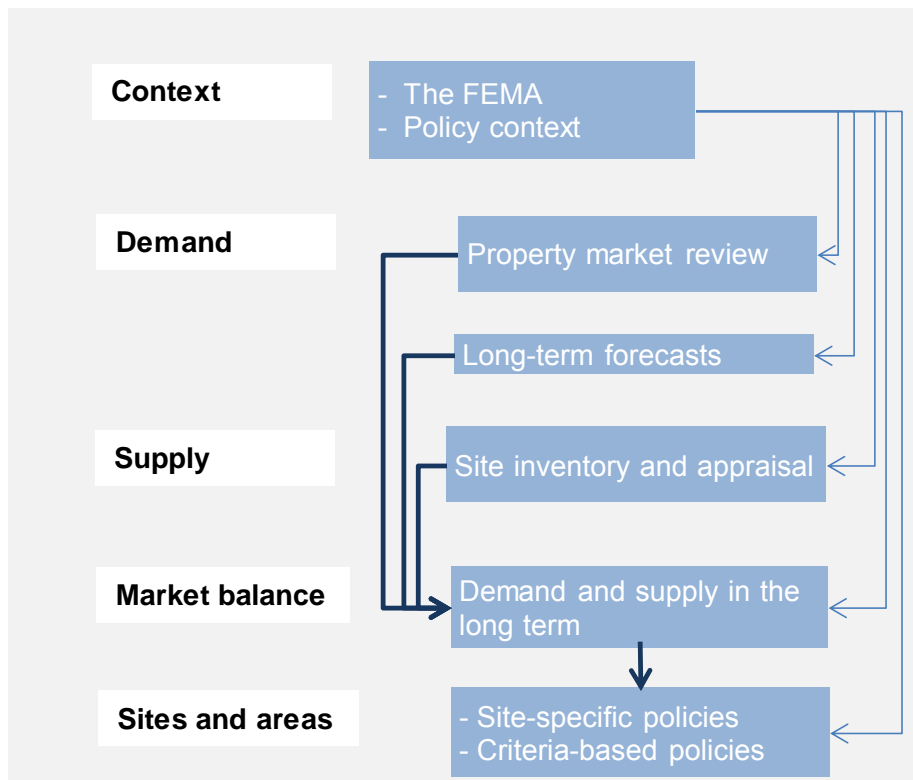
- 1.3 The brief for this study was issued before the UK voted to leave the European Union. It would however be remiss to not give consideration to the potential impact Brexit might have on planning for employment needs in Solihull. This has been done in the context of the National Planning Policy Framework's (NPPF) advice to plan positively for growth. The uncertainty surrounding any post-Brexit forecasts is substantial; this includes predicting the timescale or extent of these impacts. In our view, while SMBC must consider what Brexit might mean, to prepare a 15-year plan on the basis of a Brexit-led economic downturn would be contrary to the NPPF.

- 1.4 For the avoidance of doubt, this study has not considered land needs other than for employment. Our recommendations are made from an economic perspective and based on economic objectives, both strategic and local.

Approach to the ELR

- 1.5 The method follows the approach for assessing economic development needs set out in the National Planning Policy Guidance (PPG), and has been developed and refined through undertaking many economic assessments and employment land reviews over the past 15 years. Figure 1.1 sets out an overview.

Figure 1.1: Study overview



- 1.6 The work and reporting stages are as follows:
- Prepare the baseline – understand the policy context and undertake a socio-economic overview (Section 2);
 - Understand the land and property market - property market analysis (Section 3), define the Functional Economic Market Area (Section 4) and undertake an Employment sites appraisal (Section 5);
 - Forecast future need - assess the demand (Section 6), and supply and market balance, of employment land over the plan period (Section 7);
 - Conclusions and policy recommendations (Section 8).

2 PLANNING POLICY AND EVIDENCE BASE

2.1 This section provides an overview of current policy, setting out the national framework to which Solihull's future policies must conform, in preparing and progressing the authority's employment land policies towards adoption. We first address the national planning context before considering the local level policies

National policy

National Planning Policy Framework

2.2 For economic development, as for housing and other land uses, the guiding principle of national planning policy is the presumption in favour of sustainable development. As set out at paragraph 14 of the NPPF, this says that local plans should positively seek opportunities to meet the development needs of their area, and those needs should be met in full unless the adverse impact of doing so would significantly and demonstrably outweigh the benefits, or specific policies in the NPPF indicates that development should be restricted.

2.3 Other parts of the NPPF reinforce this central principle and expand on its practical implications. Provisions which bear specifically on this study include:

- Planning should to all it can positively to support sustainable economic growth. It should not act as an impediment to such growth. Significant weight should be placed on this objective throughout the planning system (paragraph 19).
- This principle applies equally to rural areas. In these areas planning should support sustainable development for all types of business activity, both through well-designed new build and conversion of existing buildings. Activities specifically mentioned are development and diversification of agricultural/land-based businesses, tourism and leisure, and the retention of local services and community facilities in villages (paragraph 28).
- Local Plans should (paragraph 21):
 - Set out a clear economic vision and strategy for their area
 - Identify strategic sites, or set criteria to help identify other sites, for development in line with that strategy
 - Support existing business sectors and where possible plan for new or emerging sectors likely to locate in their area;
 - In particular, plan positively for clusters or networks of knowledge-driven, creative or high-technology industries
 - Identify priority areas for economic regeneration, infrastructure provision and environmental enhancement
 - Avoid the long-term protection of sites allocated for employment uses where there is no reasonable prospect of their being used for that purpose

- Facilitate flexible working practices such as mixing business uses with housing.
- The plans should be supported by an evidence base that (paragraph 160):
 - Assesses needs for land and floorspace, both quantitative and qualitative, for all foreseeable types of economic activity over the plan period (the NPPF particularly mentions the needs of the food production industry)
 - Reflects a clear understanding of business needs
 - Is based on close work with the business community to understand their needs and also identify and address barriers to investment, including lack of housing, infrastructure or viability (paragraph 160).
 - This evidence is the subject of the present advice note. The PPG provides more detailed guidance about it, which we summarise in the next section. Later we supplement this guidance with our own advice.
- Local authorities should work strategically across local boundaries, and in particular:
 - In building evidence bases, collaborate with neighbouring and county authorities and Local Enterprise Partnerships (paragraph 160)
 - In policy-making, co-ordinate strategic priorities across boundaries and accommodate the needs of neighbouring authorities that do not have enough sustainable capacity in their own areas (paragraphs 179-180).

Planning Practice Guidance

2.4 The National Planning Policy Guidance (PPG) provides further detail on the needs assessment mentioned at paragraph 160 of the NPPF. This is found under three headings:

- *The approach to assessing need* (paragraphs 002-007) sets out general principles
- *Scope of assessments* (paragraphs 008-013) deals with the geographies that should the assessments should cover
- *Methodology: assessing [need for] economic and town centre uses* (paragraphs 031-034) describes the assessment process.

2.5 Below, we summarise these sections in turn.

The approach to assessing need

2.6 The first sub-section covers both housing and economic development. It makes three main points about the objective assessment of development needs:

- The assessment should take no account of constraints on development, such as the availability of land, viability of development, infrastructure or environmental impacts. These factors should be considered when setting policy targets but they have no bearing on need¹.

¹ Reference ID: 2a-004-20140306

- Local planning authorities are strongly recommended to use the standard method set out later in the Guidance. Any departures from that method should be justified in terms of specific local circumstances².
- Authorities should work with neighbours, in line with the Duty to Co-operate, so that assessments of development needs cover market areas that straddle local authority boundaries. *‘This is because needs are rarely constrained precisely by ... administrative boundaries.’*
 - For employment (B-class) uses, these are functional economic market areas; the next sub-section adds that for town centre uses authorities should use trade draw areas.
 - Where joint assessments are not practical due to different plan-making timetables, single-authority assessments may be acceptable; in that case authorities should refer to neighbours’ evidence bases; and future timetables should be co-ordinated so that assessments are undertaken jointly³.

2.7 For economic development, paragraph 007 suggests that the relevant area is the ‘functional economic market area’.

Scope of assessments

2.8 The PPG introduces functional economic market areas (FEMAs) as follows:

‘The geography of commercial property markets should be thought of in terms of the requirements of the market in terms of the location of premises and the spatial factors used in analysing demand and supply often referred to as the functional economic market areas.’

2.9 The above sentence conveys a broad suggestion that FEMAs are a way of analysing market geography, but does not tell us what a FEMA is or why it is useful. The PPG does not consider these questions further, but goes on to discuss how the boundaries of FEMAs should be drawn, noting that *‘since patterns of economic activity vary from place to place there is no standard approach’*. It lists a series of factors which *‘it is possible’* to take into account, comprising Local Economic Partnership (LEP) boundaries, travel-to-work areas, housing market areas, flows of goods, services and information, service market for consumers, catchment areas of social and cultural facilities and the transport network.

Method for assessing economic and town centre uses

2.10 The guidance on assessing needs is shorter and less specific for economic development than housing. Although the title of the section refers to the whole economy and town centre uses, the subtitles are comment only cover ‘employment’ or ‘business’ uses – a term which is not officially defined, but by convention refers to the B Use Classes, comprising industry, warehousing, offices and research and development. The PPG lists requirements that the needs assessment should meet, including types of evidence, data sources and conclusions (outputs). But it does not

² Reference ID: 2a-005-20140306

³ Reference ID: 2a-007-20150320

provide a logical framework or step-by-step process to show how different streams of evidence should be analysed and combined to produce conclusions. The lists are set out under five headings, as summarised below.

- *How should the current situation be assessed?*

This section calls for a review of recent trends and the current situation, presumably to set the context for the analysis of future needs. There is a long list of factors that should be reviewed, covering demand (business requirements, recent take-up), supply (the existing stock of employment land, recent development, employment land lost to other uses, physical / ownership constraints) and the balance between the two (rental values, land values, evidence of oversupply and market failure).

- *How should employment land be analysed?*

This section suggests a broad logical structure for the assessment of future need. It suggests that the study should estimate the future demand for land and floorspace, based on projections and forecasts, and compare it with supply. It adds that demand and supply should be broken down into market segments, which may relate to geographical sub-areas and /or types of property and occupier (offices, general business, warehousing, and 'specialist economic uses').

- *How should future trends be analysed?*

- What type of employment land is needed?*

In these sections the Guidance expands on the requirements summarised above. It specifies that forecasts of need should be both quantitative (floorspace and numbers of units) and qualitative (characteristics of sites), and it should be broken down by sectors. It also lists types of evidence that should be considered, comprising forecasts or projections of labour demand and labour supply, analysis of past take-up, consultations, studies of business trends and monitoring of statistics.

- *How should employment land requirements be derived?*

Finally the Guidance explains that to translate employment forecasts into land requirements involves four relationships: industrial sectors to land-use classes, industrial sectors to type of property, employment to floorspace (employment density) and floorspace to site area (plot ratio).

Permitted development rights

2.11 The Town and Country Planning (General Permitted Development) (England) Order 2015 (GPDO) came into force in April 2015 and included the following change of use provisions:

- from B8 to C3 (Residential) during a three year period up to 15 April 2018 (Part 3 Class P) through prior approval process and limited to 500 sqm;
- from B1(a) to C3 during a three-year period up to 30 May 2016 (Part 3 Class O) through prior approval process. No floorspace limit;

- from uses including B1 to a state school or registered nursery (Part 3 Class T) through prior approval process;
 - from any A Class, B1 or D Class Use to a temporary flexible use (including A1, A2, A3 and B1) for a single continuous period of up to two years (Part 4 Class D), limited to 150 sqm.
- 2.12 A subsequent announcement in October 2015 confirmed the permanence of the right to convert Class B1(a) floorspace into C3 use. The GPDO includes an exemption which applies to areas within 17 local authorities, but the announcement has confirmed that this exemption will expire in May 2019. The onus is now placed on local authorities to consider making Article 4 directions to remove the rights and require a planning application for the change of use.
- 2.13 In an attempt to protect office space many planning authorities have regained planning control through Article 4 Directions that exempt parts of their areas from PDRs. However, no such exemptions are in place in Solihull.

Local policy

- 2.14 The adopted development plan document for SMBC is the Solihull Local Plan (SLP), which sets out the vision for the future development of Solihull, as well as the policies and proposals to enable the borough to grow. The SLP has replaced the saved policies of the Solihull Unitary Development Plan (UDP) and is SMBC's statutory development plan document, and the starting point for all planning decisions.
- 2.15 It must be noted that following a legal challenge on the overall housing requirement and the progression of the government's plans for high speed rail (HS2), the Council have been reviewing the SLP. SMBC have completed consultation on the SLP Review, and have also launched a new 'Call for Sites', to enable landowners and interested parties to submit land for future development. The Council's Local Development Scheme details that the SLP Review is expected to be adopted in winter 2017, when it will become part of the development plan.

Solihull Local Plan

- 2.16 The SLP was adopted by the Council in December 2013. The document identifies the challenges facing the borough and uses the spatial strategy and policies to guide future development in employment floorspace and other land uses that are forecast over the plan period 2011-2018.
- 2.17 The spatial strategy identifies the M42 Economic Gateway as a key economic asset which has the potential to drive future growth in job and wealth creation. This area includes the Jaguar Land Rover (JLR) site and Blythe Valley Business Park (BVBP), amongst others, and it outlines that detailed policies will facilitate the growth of such employment uses in this area. To live up to the Solihull motto 'Urbs in Rure', any future employment development must protect and enhance the environment, as it plays an important role in attracting and retaining investment.

- 2.18 The SLP also outlines the need for future employment growth to be located in accessible locations and corridors. Major employment sites should be readily accessible via a choice of transport modes, as this will contribute to the success of businesses and to the reduction of greenhouse gas emissions. The protection of the Green Belt is also important to SMBC, and as such future development is encouraged to make the most of brownfield land. It must be noted that the Council will positively consider the expansion into the Green Belt of growth aspirations sites such as JLR.
- 2.19 The Spatial Strategy outlines that the M42 Economic Gateway will contribute to economic growth by:
- *‘Expanding Birmingham Business Park to encourage its continued attractiveness and success and improve access to jobs*
 - *Diversify the range of uses at Blythe Valley Business Park to facilitate employment development and create a more sustainable place*
 - *Facilitating development within the Airport boundary to maximise the economic benefits and support the runway extension*
 - *Enabling the diversification of use of the NEC to ensure its continued success and better linkage to economic activity across the Borough*
 - *Supporting and encouraging a broad range of development at Jaguar Land Rover to facilitate its function as a major vehicle manufacturer and providing opportunities for the location of supply chain business within the Borough*
 - *Recognising and facilitating the potential of other businesses within the Corridor to contribute to economic growth and employment*
 - *Ensuring that economic and job growth of the key economic assets contributes to regeneration of North Solihull⁴.*
- 2.20 The mature suburbs are also identified as an area with the potential to supply employment land, and therefore contribute to economic growth. The mature suburbs face different challenges to the M42 Economic Gateway, in particular the need for improved access to the area. There are many ‘rundown’ areas of the mature suburbs which can facilitate the growth in employment land, as well as contribute to economic growth by:
- *‘Enabling good quality, attractive business sites which provide a diversity of employment opportunities*
 - *Working with partners to deliver high quality, integrated public transport, walking and cycling networks to provide viable, safe, attractive and convenient alternatives to car travel and improve opportunities to access employment*
 - *Protecting the environmental quality and attractiveness of the mature suburbs, including garden areas where these contribute to character*
 - *Protecting and enhancing the character and local distinctiveness of different areas⁵.*

⁴ Solihull Local Plan: Shaping a sustainable future (2013), paragraph 5.5.4

- 2.21 Section 7 of The SLP, Sustainable Economic Growth, concerns supporting and providing land for employment uses to enhance the economic growth in Solihull. The three policies of relevance to this ELR are as follows:
- Policy P1: Support Economic Success
 - Policy P2: Maintain Strong Competitive Town Centres
 - Policy P3: Provision of Land for General Business and Premises
- 2.22 Policy P1 identifies Solihull’s key economic assets and growth drivers, which are located on the M42 Economic Gateway. This area already supports a significant proportion of the jobs in Solihull, and it has the potential for further sustainable employment growth. This policy seeks to support and encourage the continued development of the National Exhibition Centre (NEC), Birmingham airport, Birmingham Business Park (BBP), BVBP, and JLR.
- 2.23 It is considered that the above economic assets are an opportunity to improve access to employment throughout the borough, especially extending the employment offer into North Solihull. Future development in these areas should promote economic growth whilst improving transport connections and protecting the quality of the local environment.
- 2.24 Policy P2 concerns the maintenance of strong and competitive town centres. Solihull town centre is considered to be the principal focus of commercial activity and public transport, and future development should shape the town centre to ensure economic growth and success.
- 2.25 Policy P3 supports and encourages economic growth in the borough by planning for a continuing supply of employment land. It seeks to provide employment land that will enable a broad range of sustainable economic development. The table below outlines the allocated general business sites which will be protected for their allocated purposes.

Table 2.1: Allocated general business sites

Site	Site no.	Available allocated land area (ha)	Readily available allocated land area (ha)	Preferred use class purpose
TRW Stratford Road, Shirley	25	18.5	18.5	B1, B2, B8
Solihull Business Park, Highlands Road, Monkspath	26	6.0	6.0	B1, B2, B8
Fore, Stratford Road, Adj. M42	27	2.0	2.0	B1
Chep/Higginson, Bickenhill Lane, Bickenhill	28	4.0	0.0	B1, B2, B8
Land North of Clock Interchange, Coventry Road	29	2.0	1.0	B1

⁵ Solihull Local Plan: Shaping a sustainable future (2013), paragraph 5.5.2

Site	Site no.	Available allocated land area (ha)	Readily available allocated land area (ha)	Preferred use class purpose
Land adjacent BBP	31	9.0	0.0	B1, B2, B8
Total		41.5	27.5	

Source: Solihull Local Plan (2013)

- 2.26 In addition to the allocated employment sites, the policy states that ‘*Non-allocated employment sites will also be protected for employment use (Classes B1, B2, B8 and, where appropriate, waste management)*’. Solihull has a number of employment sites where there are opportunities to recycle older employment land to create new offices and modern industrial/warehouse units. This policy is intended to ensure that where there are opportunities for redevelopment or intensification, employment sites can be retained within employment use. SMBC also seek to retain Green Belt land, and as such this policy introduces a managed approach to avoid unnecessary loss of Green Belt.
- 2.27 SMBC considers it important to encourage the retention of small and medium sized enterprises, as well as create new facilities to support an increase in such uses. It is deemed appropriate for this type of employment land to be located in both urban and rural areas, to facilitate the growth of the borough.

Figure 2.1 Spatial Strategy for Solihull



Source: Solihull Local Plan (2013)

- 2.28 Overall, the spatial strategy of the SLP actively supports economic growth in the area, and it seeks to provide sufficient employment land to support this and meet the demand of local businesses. SMBC have identified the M42 Economic Gateway and the mature suburbs (Figure 2.1) as significant areas with the potential to support the economic growth through employment land supply.

- 2.29 The SLP allocates specific sites which have the capacity to support increased employment floorspace, and it is actively promoting the development of these sites. The non-allocated sites are protected as employment land to ensure they are retained, and to prevent the loss of Green Belt land.

Evidence base

Monitoring data

- 2.30 The most recent AMR published by SMBC is for 2011-2013. As the base year for this ELR is 2014, the data included in the AMR is not relevant. Instead SMBC provided PBA with details regarding the losses from employment floorspace since 2014. SMBC stated that through the collective loss of small scale employment sites, a quantum of 1,668 sqm of floorspace on approximately 1.4 ha of land has been lost since 2014. In addition, SMBC also detailed losses from larger sites, resulting in a total loss of employment floorspace of 4,831 sqm.

Solihull Employment Land Study Update (2011)

- 2.31 DTZ undertook an Employment Land Study (ELS) on behalf of SMBC, published in November 2011. The study updated the findings of the Coventry, Solihull and Warwickshire Employment Land Study published in 2007 and covers the period from 2011-2026. The study predates the adoption of the SLP which was emerging at the time; the 2006 UDP was the relevant development plan document at the time.
- 2.32 The study therefore assessed a mix of allocated and adopted employment sites. The UDP allocated 65 hectares of development land, while the then-emerging SLP was based on a draft allocation of 42.5 hectares of employment land⁶. The ELS found that the entire supply of vacant offices (12.6ha) was readily available; in relation to the supply of vacant industrial space (17.8ha), 13.2 hectares was readily available⁷. The remaining 11.6ha related largely to land which was not being actively marketed or without planning permission.
- 2.33 The ELS treated BVBP and BBP, the borough's two Regional Investment Sites (RIS), separately from the rest of the employment land. This is because the sites were allocated under the revoked West Midlands RSS which excluded the sites from Solihull's supply of employment land. The two RIS sites were considered to be successful: attracting knowledge-based businesses to the region.
- 2.34 The ELS considered four potential future scenarios for Solihull: a baseline, low growth and two aspirational growth scenarios. The study assessed demand for employment land over the period 2011-2026 of between 45 and 60 hectares.
- 2.35 It is important to note that the ELS's higher growth assumptions were predicted on early HS2 plans including the development of employment floorspace at the proposed interchange station at Birmingham International. These assumptions are of limited

⁶ SLP 2013 Fig. 13

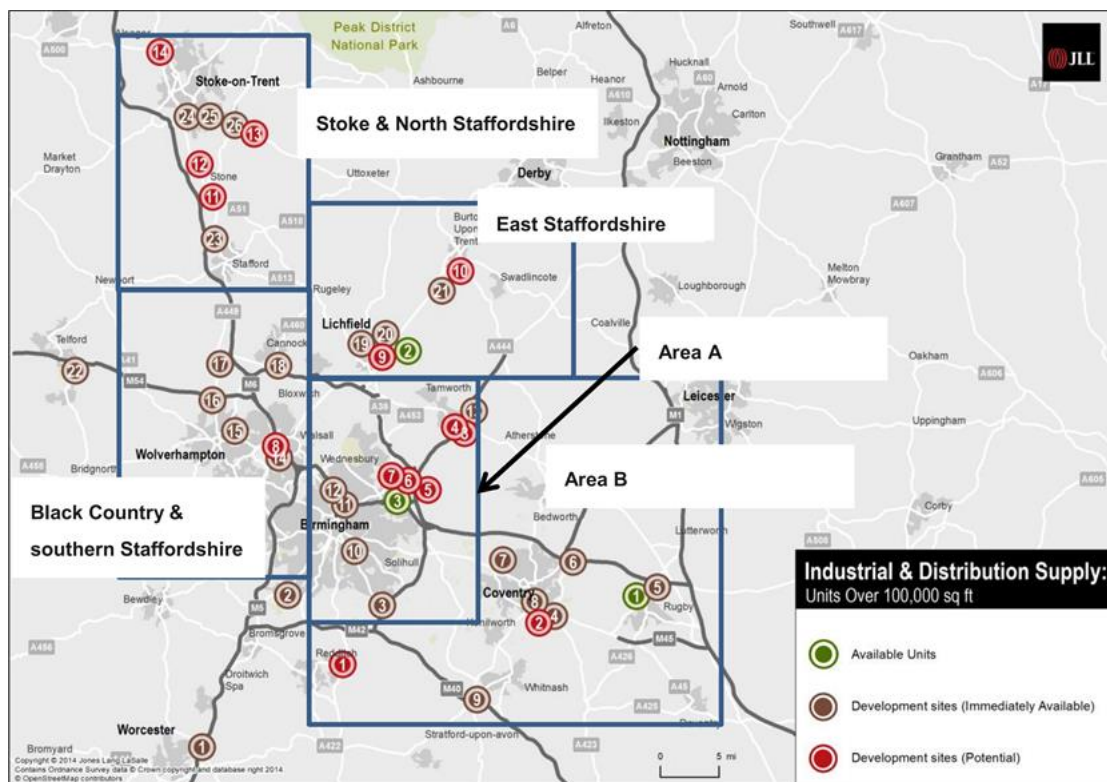
⁷ ELS 2011 Tables 5.8 and 5.9

relevance now because the HS2 plans have advanced significantly since the ELS was published.

West Midlands Strategic Employment Sites Study (2015)

- 2.36 The West Midlands Strategic Employment Sites Study (WMSESS) was commissioned by the West Midlands Chief Executives to establish if there was a need to provide and protect strategic employment sites. The WMSESS was published in September 2015 and is the first phase of the two-part study. Phase one of the study considers whether there is a need to reserve strategic sites from a market perspective using market data. The potential phase two of the WMSESS would consider, in the event that supply fell short of demand, how that shortfall might be addressed; part of this would include using local studies to identify specific opportunities and then consider the policy implications.
- 2.37 In terms of office floorspace, the evidence did not point to a shortage of supply in the West Midlands office market. The study established that there was plentiful supply of high-quality office floorspace in the development pipeline. Much of this was in large-scale, high quality developments. Policy intervention to bring forth additional office floorspace was therefore not needed.
- 2.38 The study established the West Midlands position as part of the country’s industrial and distribution heartland with a focus on automotive manufacturing. Since the recession, the industry had seen a marked revival driving demand for additional industrial and storage floorspace.

Figure 2.2: WMSESS immediate and potential land supply (2014)



Source: WMSESS

- 2.39 The WMSESS established three areas of demand:
- large industrial units in the M42 belt east of Birmingham (identified as Area A and shown on the extract at Figure 2.2 above – comprising the area where the boundaries of Birmingham, Solihull, North Warwickshire and Tamworth converge);
 - a second area of high demand around south east Coventry and around Rugby (identified as Area B on Figure 2.2);
 - demand for smaller units in the Black Country and southern Staffordshire.
- 2.40 The future long-term supply of industrial floorspace is largely set to come from sites in the Green Belt as shown in Figure 2.2 above. Out of the three largest potential sites (Birmingham International Gateway, Coventry Gateway and Peddimore), only Peddimore is allocated in a development plan. The other two sites have no planning status. As such, all three strategic sites will, if they come forward, do so in the long-term.
- 2.41 The study established that supply of industrial land was tightest in the areas of highest demand particularly Area A (M42 belt east of Birmingham). Area A only had a 3.7 year supply of immediately available land compared to 8.4 for Area B and 7.4 for the Black Country and southern Staffordshire.

Other studies

Draft Spatial Plan for Recovery and Growth Employment Additional Land Requirement

- 2.42 The draft Spatial Plan for Recovery and Growth Employment Additional Land Requirement⁸ ('draft Spatial Plan') prepared by ARUP on behalf of Greater Birmingham & Solihull LEP seeks to accommodate the shortfall of approximately 30,000 dwellings originating from Birmingham which are not accommodated within the Greater Birmingham HMA.
- 2.43 The draft Spatial Plan does not explore how the housing shortfall might be distributed across the HMA but instead seeks to quantify the labour force that might be attached to any 100 additional dwellings that each LPA within the HMA might accommodate. In Solihull's case, the draft Spatial Plan notes that for:

'100 homes built in Solihull would be expected to generate 117 resident workers, 41 of whom would be expected to secure jobs within workplaces located with the LAD whilst 76 working residents would be expected to commute to workplaces outside Solihull (47 workers to workplace destinations elsewhere in GBSLEP and 29 workers to workplaces elsewhere in the UK). Solihull workplaces would be expected to attract 27 workers from elsewhere within the GBSLEP area; 5 workers from the Black Country and 11 workers from those LADs within the BHMA but outside GBSLEP. Of the 84 workplace jobs, 35 would be expected to need employment land (B1, B2, B8) whilst 49 would be expected to require other

⁸ November 2016

types of land use. Workplace jobs can be translated into a total employment land requirement of 0.28 hectares comprising of 0.07 hectares of office space (B1(a)) 0.11 hectares of general industry (B2) and 0.11 hectares of warehousing (B8) under standard assumptions.⁹

- 2.44 The draft Spatial Plan confirmed earlier evidence that suggests there is a general lack of industrial floorspace in GBSLEP and that demand for industrial floorspace is strongest in Birmingham, Tamworth and Solihull.
- 2.45 For office floorspace, the draft Spatial Plan found that there is sufficient land to support those uses but that there was some concern about the rate of delivery, with explicit reference to BVBP and the widening of the permission to allow manufacturing and logistics. It notes that because of the level of expectation about the provision of local amenities needed to ensure staff satisfaction and therefore retention, the market is very focused on Central Birmingham and states that *'it will be increasingly difficult for other West Midlands office centres to compete'*.

Other material considerations

- 2.46 A number of other documents have been considered which set the economic and employment context for growth aspirations in Solihull and the surrounding area. These documents sit outside the planning regime.

SMBC documents

Solihull economic development strategy

- 2.47 The 2013-16 strategy, titled 'Solihull for Success – realising potential, delivering growth', identifies the following key sectors as having potential for growth: advanced manufacturing and engineering (automotive and aerospace), utilities and energy, construction and building technologies, specialist business services, cultural buzz, technology, healthcare and life sciences and sustainability as having high investment potential, high value added and/or significant job creation. Of these sectors, cultural buzz was expected to have 'very' significant job creation, while advanced manufacturing and engineering and specialist business services are expected to have significant job creation.
- 2.48 The delivery mechanism for the strategy is referred to as 'managed growth' which has the following fundamental principles:
- *'It is about growth that enhances Solihull as a place – offering a high quality of life and environment with a dynamic and, high skilled, high value economy – at the heart of the Solihull brand and offer.*
 - *The UK Central Masterplan will provide the framework within which Solihull defines the type and pace of growth that the Borough can sustain, underpinning the delivery of the vision and ambitions for the Borough.*

⁹ Section 4.8. Refer to report for assumptions adopted and full explanation of the method used.

- *It builds on what makes the Borough a destination of choice – to live, work, invest and visit – its environment, quality of life, location, economic assets and people.*
- *It builds on the Borough's economic strengths and opportunities – strategic economic assets and infrastructure, high value added, knowledge based industries and key growth sectors.*
- *It is focussed on maintaining Solihull's competitive advantage, future economic success and leading role in the regional and wider economy.*
- *It both ensures environmental quality and meets economic needs, respecting the economic and social importance (as well as environmental value) of Solihull's environment and quality of life.*
- *It creates new, accessible employment opportunities for Solihull and its neighbours and new homes which meet local needs.*
- *It is shaped by, and delivered through, strong and effective leadership from the Council and underpinned by meaningful and effective community and stakeholder engagement.*¹⁰

Solihull Connected: transport strategy

- 2.49 Produced by SMBC in 2016, and linked to the WMCA 'Movement for Growth' report (discussed below), Solihull Connected sets out the vision for how the travel demand associated with the economic and population growth across the borough will be managed.

Local Enterprise Partnership

- 2.50 The Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) published its Strategic Economic Plan (SEP) in November 2016, covering the period 2016-2030. The SEP has the target of creating 250,000 private sector jobs by 2030.
- 2.51 Major growth opportunities identified by the SEP include UK Central in Solihull. The proposed HS2 station will be at the heart of the 140 hectare Arden Cross development which seeks to deliver approximately 245,000 sqm commercial floorspace, 2,000 new homes and create of 20,000 jobs.

The Midlands HS2 Growth Strategy

- 2.52 In addition to the SEP, GBSLEP also published their HS2 Growth Strategy in July 2015. This document covers the whole of the GBSLEP area, with a focus on the two stations, one of which will be located adjacent to Birmingham airport i.e. within Solihull borough.

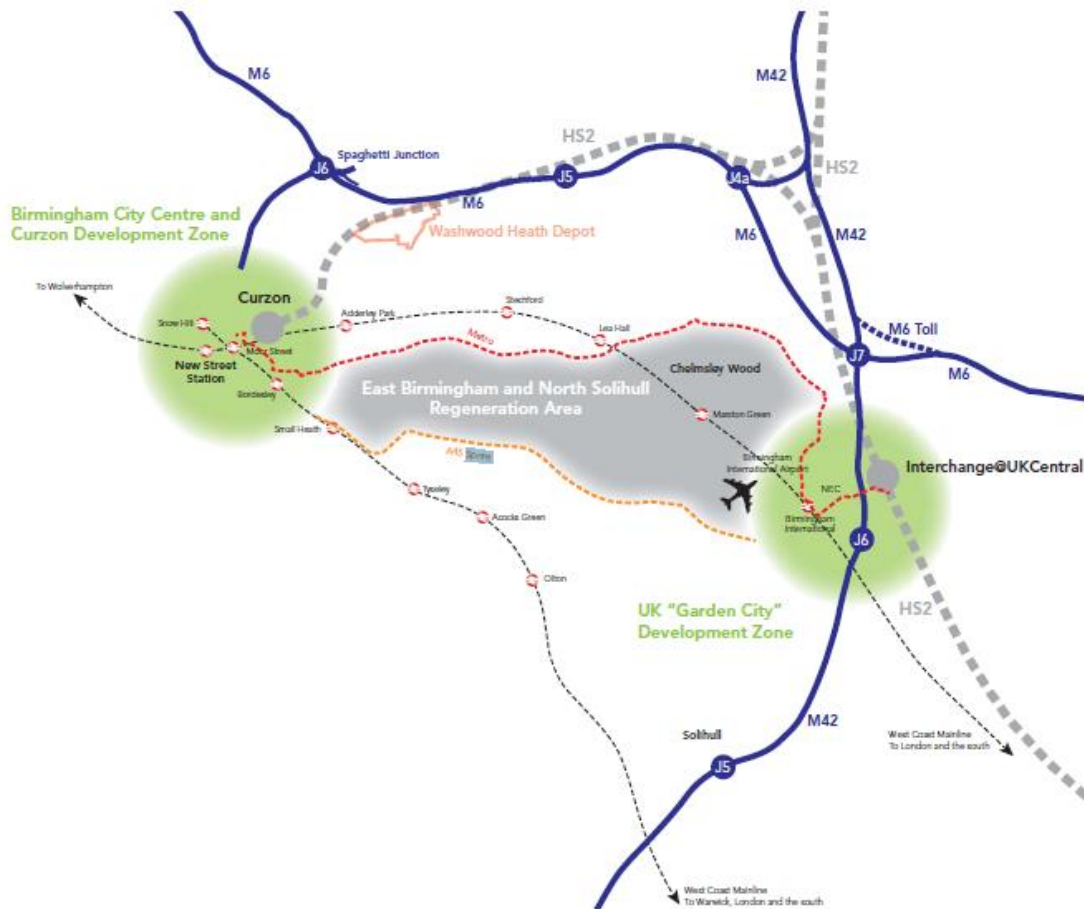
'HS2 will provide a step-change in the speed and quality of connections to both London and regional centres in the North West and to both South and West Yorkshire.... The national investment in HS2 will see an Interchange station at UK Central, in Solihull, accessing Birmingham Airport and the National Exhibition Centre (NEC) and a terminus station at Curzon, in Birmingham City Centre. The

¹⁰ Pg. 8

two station localities will be amongst the best-connected and, ultimately, most productive business destinations in the country.'

- 2.53 The strategy identifies existing sectoral strengths as providing the basis for growth and investment. The key sectors include advanced manufacturing and engineering, life sciences and health, digital and creative industries, education, finance and professional services, construction, the visitor economy, low carbon and enabling technologies and R&D.
- 2.54 In addition to this, the strategy sets out that enhancing the supply chain within the Midlands and beyond will be 'essential' if the region is to take advantage of growth opportunities. The key sectors relating to HS2 are identified as rail, construction, engineering, electrical, manufacturing, building technologies, environmental and energy technologies, transport, print and design and architecture.
- 2.55 The HS2 stations are anticipated to act as '*catalysts for growth both in their immediate localities and across the wider geography*'. UK Central (the Hub and interchange station) is one two development zones which has the potential from the investment. The document envisages UK Central as '*a highly connected economic 'growth hub' which is a place of design excellence and which, when development is complete, will provide an additional c16,500 jobs within 245,972 sq m of office, light industrial/R&D, retail and leisure space across a range of key sectors, including advanced manufacturing, construction, utilities and ICT*'.
- 2.56 In order to deliver this the strategy notes that there is a need for '*a sequenced programme of enabling and major infrastructure works that align the construction of the railway line and Interchange Station with that of a new junction from the M42, the People Mover from the Interchange Station to Birmingham Airport, [and] three new bridges across the M42 connecting new with existing neighbourhoods*'.
- 2.57 Linked to these requirements, the document includes details of a 'connectivity package', which includes improving links to the stations, as well as connections within the Midlands. An extensive list of key interventions are identified; these include the development of an East Birmingham/North Solihull Metro, Camp Hill Chords (potential for new local railway stations), and a number of SPRINT bus rapid transit lines (including on A45 between HS2 interchange and Coventry, Solihull to HS2 interchange). A number of these interventions are shown on Figure 2.3.

Figure 2.3 Links between the HS2 development zones and wider



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Source: The Midlands HS2 Growth Strategy (July 2015)

- 2.58 The programme for these interventions has yet to be specified but the strategy notes that they will be required ‘before and during [the] construction of HS2’. Further to this, while part of the funding has been secured to deliver elements of the strategy, the UK Central Programme Board ‘will consider the most appropriate HS2 development delivery body vehicle and/or a TIF2-type structure’.

West Midlands Combined Authority

- 2.59 The West Midlands Combined Authority (WMCA) is formed of number of constituent members, which have ultimate voting rights, and non-constituent members. SMBC is one of seven constituent member authorities (together with Birmingham, the Black Country authorities and Coventry). The non-constituent members comprise a further five local authorities and three LEPs, including GBSLEP.
- 2.60 The geography of the WMCA is ‘based on an extensive Functional Economic Market Area (FEMA) assessment, which tested whether the geographic area covered by the three LEPs would be more beneficial financially than the LEPs continuing the work

separately'¹¹. With reference to this study, the priorities of the WMCA include addressing the skills shortage within the West Midlands and improving transport links within the area. To that end, in the WMCA devolution deal specific the Government sets out that it 'supports the work of the Shadow Board to develop a delivery plan, encompassing the Metro extensions from Curzon to Interchange and from Brierley Hill, in order to realise the full benefits of HS2'.

Movement for growth: West Midlands strategic transport plan

2.61 This was published by the WMCA in June 2016 and is intended to guide investment in transport infrastructure over a 20-year period. The infrastructure improvements referred to include many of those set out in the SEP and the HS2 Growth Strategy, such as the metro line between Birmingham and North Solihull and the improvement of bus rapid transit including to the out-of-town office park at Blythe Valley, as shown on the figure below.

Figure 2.4 Metropolitan rail and rapid transit network



Source: WM strategic transport plan 2015

2.62 The strategy is based on a 10-year delivery plan which will be progressed by the WMCA and finalised in 2016. This has yet to be set.

¹¹ <https://westmidlandscombinedauthority.org.uk/what-we-do/priorities/>

Summary

- 2.63 The NPPF and PPG set the context for planning for economic development needs. At the heart of this is deliverability. Local authorities must make provision to meet their needs and co-operate where necessary with their neighbours. However, in making these plans, there is a clear onus on local authorities to ensure that sites are not safeguarded where there is no prospect of delivery. In circumstances where employment development needs are competing with demands for space to accommodate other uses, particularly residential, this presents a challenge for local authorities.
- 2.64 In plan-making terms, Solihull is in the position of having a recently adopted development plan. However, the challenge facing Solihull arises from the need to also deliver housing growth to meet needs while at the same time balancing the significant green belt. This study is focused on planning for employment development but in light of the constraints facing the borough, it is important to understand whether the current and allocated employment sites are fit for purpose and can meet forecast needs.
- 2.65 In the case of Solihull and the wider area, it is clear that substantial investment is anticipated over the medium to long term, with varying degrees of commitment. In most cases, HS2 is the catalyst for further investment. However, linked to this, there is an aspiration to ensure that the benefits associated with HS2 are secured by improving local level integration through the measures such as a new tram link through east Birmingham and introducing bus rapid transit services which have the potential to alter Solihull's functional economic geography. This is explored further in the next section.

3 DEFINING THE FEMA GEOGRAPHY

Introduction

- 3.1 The PPG at paragraph 012 advises that economic development needs' – which include the need for employment land as well as other economic uses – should be assessed in relation to functional economic market areas. Its explanation of what these areas are takes up a single sentence:

'The geography of commercial property markets should be thought of in terms of the requirements of the market in terms of the location of premises, and the spatial factors used in analysing demand and supply – often referred to as the functional economic market area.'

- 3.2 In summary, the above sentence says that 'functional economic market area' means 'the locational requirements of the market and the spatial factors used to analyse demand and supply. It conveys a broad suggestion that FEMAs are a way of analysing market geography, but does not tell us what a FEMA is or why it is useful. The gap is partially filled by an earlier CLG guidance note, published in 2010, on which the PPG is clearly based. The note provides a clearer definition and rationale for the concept of a FEMA. We quote key passages below, but the whole document repays careful reading.

'Economic flows often overlap local authority boundaries. This means that the functional area over which the local economy and its key markets operate will not necessarily adhere to administrative boundaries. Instead, key economic markets broadly correspond to sub-regions or city regions - known as functional economic market areas (FEMAs)...

Whereas the national or regional level is often seen as too large to tackle many of the issues facing individual urban economies, local authority areas can be too small if they cover a smaller geographical area than their economic markets. Policies designed at a local authority level, for example, may not fully consider the costs and benefits of implementing a policy if this spreads beyond their administrative boundaries. This can make it harder to tackle economic challenges effectively.

If economic policy is formulated at the FEMA level, as a closer fit to the area's real economic market, most of the impacts of the policy area will be contained. There will be less risk of local policies which are against the wider sub-regional or national interest, and local partners will be able to make more strategic decisions on economic development.'

Method

- 3.3 Regarding the practical definition of individual FEMAs, the PPG advises that there is no standard approach, but factors that 'it is possible' to take into account include:
- Coverage of Local Enterprise Partnerships (LEPs)

- Travel-to-work areas
- Housing market areas
- Flows of goods, services and information
- Service market for consumers
- Administrative areas
- Catchment areas of cultural and social facilities
- The transport network.

3.4 Again this list is based on the 2010 CLG note, which provides useful clarification, beginning with the labour market angle:

'The most widely accepted approach to identifying FEMAs is by reference to Travel to Work Areas (TTWAs), which are relatively self-contained, internally contiguous labour market areas. A commonly used definition is that: of the resident economically active population at least 75 per cent work in the area; and of all those working in the area at least 75 per cent also live in the area...

TTWAs are often treated as the default definition of FEMAs for two reasons:

The labour market is fundamental to policy-relevant definitions of FEMAs... and

TTWAs are the only sub-regional economic area robustly defined under the remit of National Statistics.'

3.5 This explanation is important. As mentioned earlier, the rationale for FEMAs is that the planning policies of any given local authority are likely to impact on other local authorities within the same market area. The main instance of such cross-boundary impacts relate to the labour market. Because many people live in one local authority district and work in another, if an authority provides development land for economic uses the businesses that eventually occupy that land will provide jobs for residents of neighbouring authorities. This is an important reason why travel to work (commuting) is the main criterion in defining FEMAs.

3.6 After travel to work the CLG economic note goes on to discuss other relevant criteria – which are identical to the PPG ones listed at paragraph 3 above, except that the item called 'flows of goods, services and information' in the PPG is called 'supply chains in industry and commerce' in the economic note. The note comments on the different indicators as follows:

- With regard to housing it explains that there is no agreed method for defining market areas, but the National Housing and Planning Unit has recently commissioned a study to develop such a method. We note that the NHPAU study was published later in 2010 and does indeed provide a comprehensive set of housing market areas (HMAs), based on analysis of migration and commuting.
- In relation to supply chains, the note advises that the evidence is 'very difficult to map': input-output tables provide a method that 'may be viable, but it is questionable whether the information [they provide] has much value, since it is not based on data about real links'.

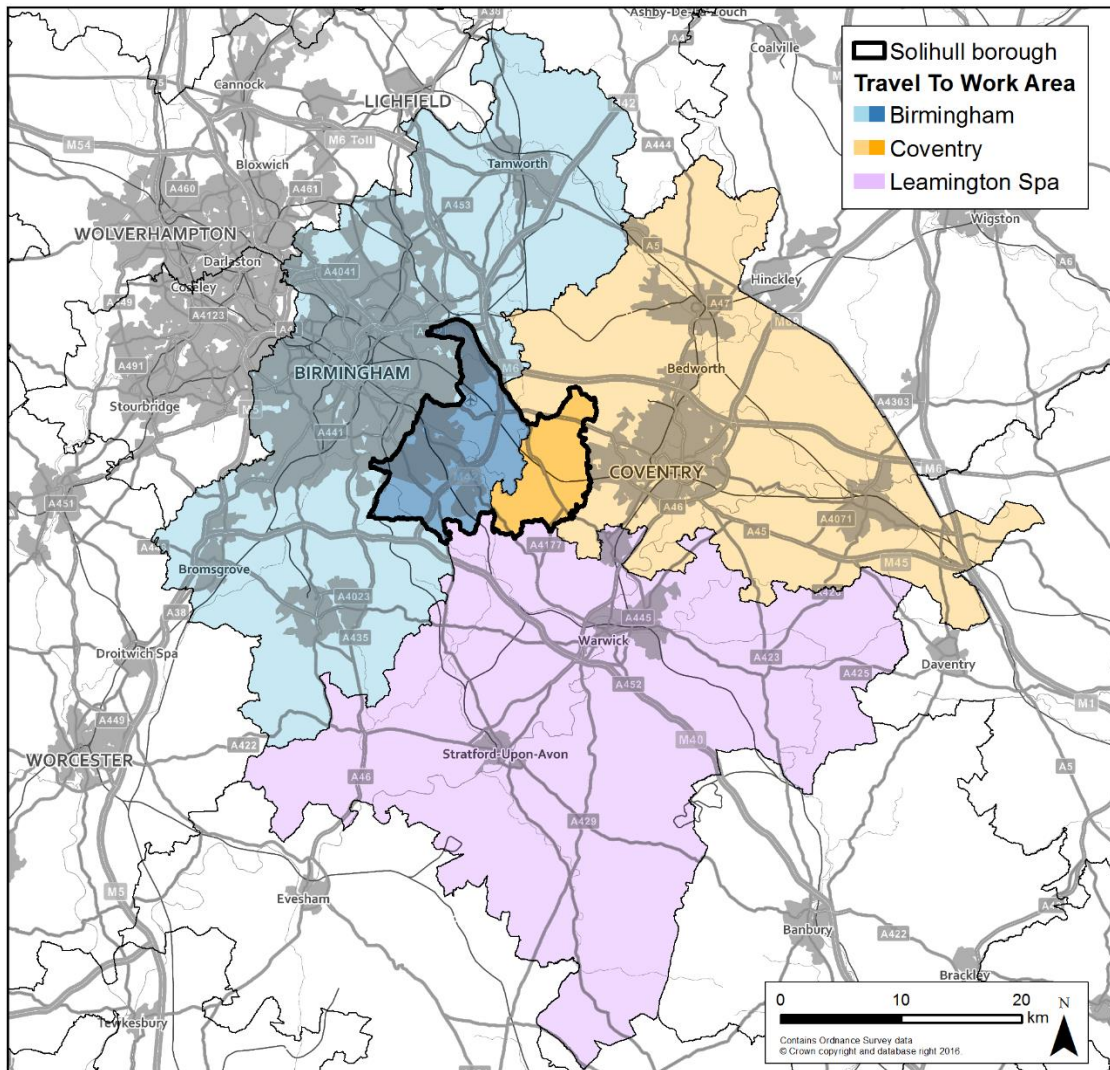
- Regarding service markets for consumers, the note makes it clear that the subject is relevant to consumer services such as shopping centres, airports, concert halls or hospitals, rather than the employment (B-class) uses that this study focuses on.
 - In regard to administrative areas, the note suggests that analysis should take account of local authority boundaries, because the decisions that are informed by that analysis will be taken by local authorities. Therefore, it recommends that FEMA boundaries be 'best fitted' to local authority areas.
 - Finally, the note advises that 'transport data are not the best data sources for FEMA definitions'... the key role of transport will be reflected using other FEMA definitions, such as TTWAs, as these flows are partly shaped by transport availability'.
- 3.7 Based on these discussions of different indicators, the 2010 economic note concludes that the best way to define FEMAs may be to:
- 'Analyse Census commuting or migration data, as the most complete and reliable flow data, and supplement them with data from other economic markets'.*
- 3.8 The PPG suggests a single data source for defining FEMAs: the ONS TTWAs, which as noted earlier are based on commuting only. It seems reasonable to assume that this is not intended as exhaustive, and therefore it does not imply that other data sources are not useful or relevant.
- 3.9 Following this approach, in the next section we consider commuting, as analysed in the new geography of TTWAs published on 18 August 2015, and compare these TTWAs with the housing market areas (HMAs) defined by migration flows. Separately, we set out a more qualitative analysis of the commercial property market that will supplement these statistics.

Commuting and migration

- 3.10 The Office of National Statistics (ONS) has used commuting data from the 2011 Census to provide a new set of TTWAs, which was published in August 2015. As shown in Figure 3.1, the borough falls into two TTWAs: Birmingham and Coventry, and, to the south, adjoins Leamington Spa.
- 3.11 In relation to Birmingham, given the geography of the area, this is not surprising. Solihull forms part of the Greater Birmingham conurbation; commuting patterns are therefore very fluid in the eastern part of the borough, including the M42 corridor. The wider Birmingham TTA comprises the urban area of Birmingham (including Solihull town), together with Tamworth, and Bromsgrove and Redditch. It is bisected by a number of strategic roads: M42, M6 and M6 Toll, as well as the A45 which links Birmingham to Coventry and passes through Solihull borough. In addition to Solihull and Birmingham, the other key authorities covered by this TTA are Tamworth, Bromsgrove and Redditch.
- 3.12 The more rural western part of the borough, including Balsall Common, looks towards Coventry. This part of Solihull borough forms the south-western corner of the

Coventry TTWA which, with Coventry as its focus, extends north and east to include Nuneaton and Rugby. The A45 crosses the TTWA, continuing west from Coventry to Rugby; as does the M6.

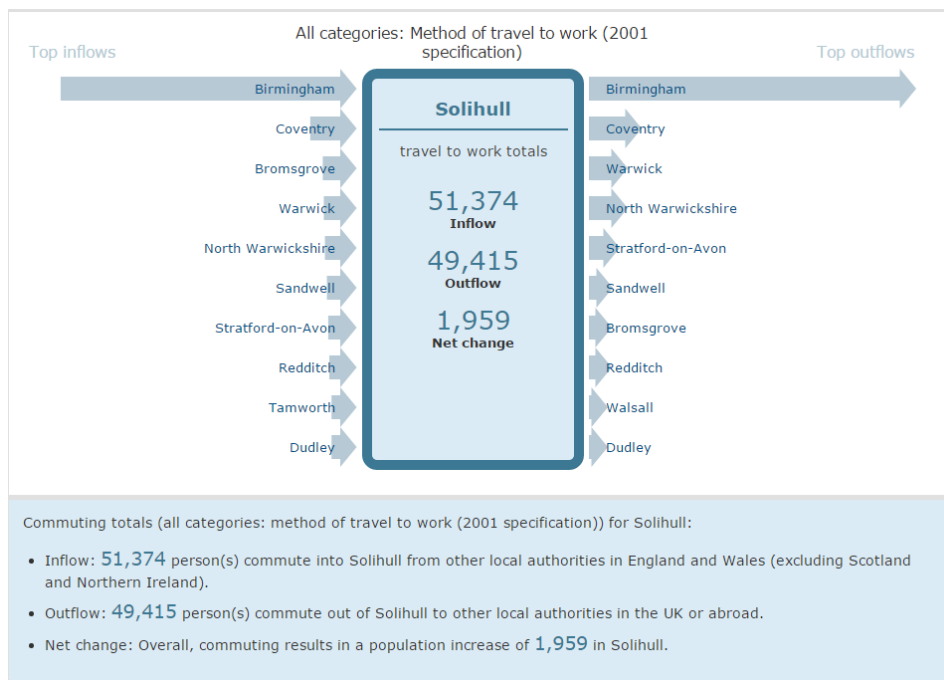
Figure 3.1: TTWAs relevant to Solihull



Source: ONS (PBA mapping)

- 3.13 Figure 3.2 shows commuting patterns into and out of Solihull. Commuting flows with Birmingham account for the vast majority of cross-boundary commuting, with 29,458 Solihull residents commuting out to Birmingham versus 26,479 commuting in i.e. a net outflow of just under 3,000 workers. Overall, commuting between Solihull and Birmingham accounts for 51% of total inflow and 60% of total outflow.
- 3.14 This is put in perspective when considered against flows to and from Coventry, which comprise 6% and 7% of inflow and outflow respectively. The strength of the relationship between Solihull and Birmingham compared to other locations is shown clearly in Figure 3.2.

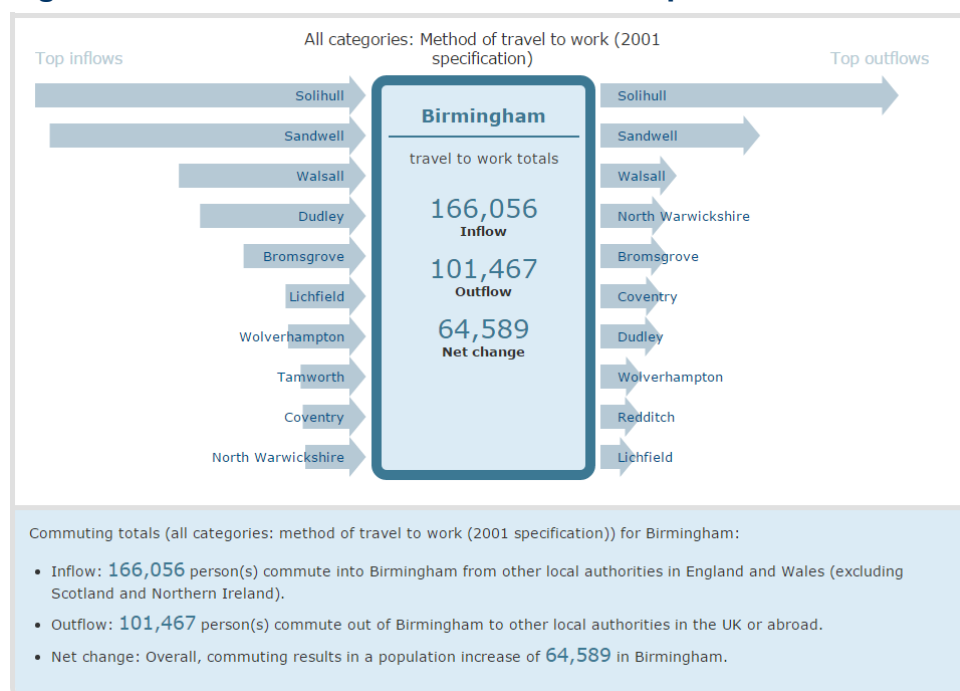
Figure 3.2: Location of usual residence and place of work for Solihull



Source: ONS, Census WU01EW - Location of usual residence and place of work by sex (MSOA level)

3.15 It is worth comparing this with the equivalent data for Birmingham which is shown in the figure below. Birmingham has linkages across the West Midlands; however, while inflows to the city are spread broadly across a number of authorities, outflows to Solihull are almost twice those of the second most popular destination (Sandwell): 26,500 compared to 13,700.

Figure 3.3 Location of usual residence and place of work for Birmingham



Source: ONS, Census WU01EW - Location of usual residence and place of work by sex (MSOA level)

3.16 Given Birmingham’s role in the regional economy of the West Midlands, links with Solihull are inevitable. However, it is clear from the commuting data that as well as providing labour to Birmingham, there are strong reciprocal links: Solihull is significant in providing employment for Birmingham residents. The porous nature of the borough boundary is shown in Table 3.1: residential self-containment is 38% within the administrative area, while workplace containment is at 40%.

Table 3.1: Commuting patterns summary

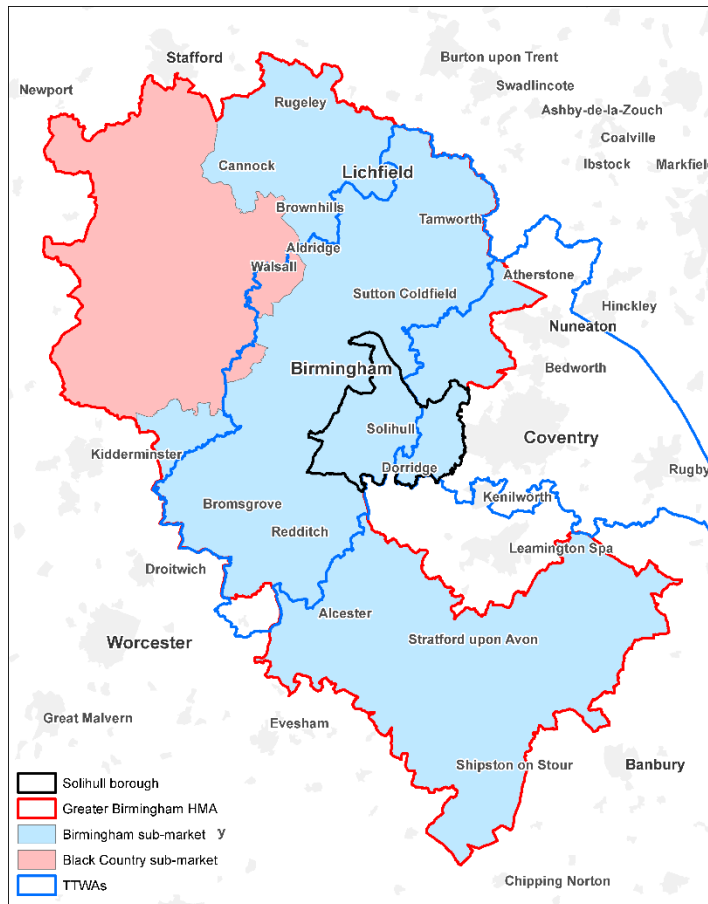
Live in \ Work in	Solihull	Elsewhere	Total	Workplace containment
Solihull	32,114	49,120	81,234	40%
Elsewhere	51,374			
Total	83,488			
Residential containment	38%			

Source: ONS (WF01BEW)

Housing market geography

3.17 Solihull is located within the Greater Birmingham HMA (shown in the figure below); within this wider HMA (bounded red), Solihull lies within the Birmingham sub-market (shaded blue), alongside Birmingham, Bromsgrove, Cannock Chase, Lichfield, Redditch, Tamworth and Stratford-upon-Avon (also located within the Warwickshire HMA). The figure also shows the TTWA geography in the context of the HMA: the Birmingham sub-market area includes nearly all of the Birmingham TTWA.

Figure 3.4 HMA geography



Source: PBA

Administrative and other geographies

- 3.18 The administrative geography is relevant to defining the FEMA. Historically Solihull was part of the West Midlands region, which had Birmingham at its core. As discussed in the previous section, Solihull is one of the constituent members of the WMCA alongside six other West Midlands authorities.
- 3.19 In addition, the borough forms part of the GBSLEP area, alongside Birmingham, Lichfield, Cannock Chase, East Staffordshire, Wyre Forest, Bromsgrove and Redditch. Birmingham and Solihull form the ‘metropolitan core’ of the LEP area and ‘contain many of the economic drivers of the conurbation such as the airport in Solihull, Birmingham city centre, a number of major universities and international meeting places’¹².

Transport network

- 3.20 Solihull itself is bisected by the M42 which renders it highly accessible for the whole of country and it is along the M42 that the vast majority of the borough’s existing employment space is focused. In addition to the road linkages, the borough has the

¹² <http://centrefenterprise.com/our-area/>

benefit of both good rail and air linkages which serve to elevate its attraction to potential occupiers.

- 3.21 As set out in the preceding section, significant investment in the transport network is anticipated during the plan period to improve long-haul rail links with the arrival of HS2 in 2026, as well as the potential for significant local-level improvements such as the East Birmingham metro link to North Solihull and Birmingham Airport, and rapid bus transit services to Birmingham International station along the A45, with spurs to Damson Parkway (JLR), and another route to Solihull town centre and Blythe Valley Business Park from Birmingham city centre.

Property market view

- 3.22 While consideration of the TTWAs shows that the borough is split into two separate areas, the consideration of the commercial property market suggests that it is Solihull's location that marks it out as an attractive place to do business and therefore it can effectively capture demand from far beyond the TTWA geography.
- 3.23 Because the West Midlands is located in the middle of the country with strong motorway links, it is attractive to those seeking a national location. The scarcity of available sites, combined with the footloose nature of demand for space in some B class sectors, means that occupiers will look for sites across the whole of the West Midlands to meet their needs.
- 3.24 This is not just the case for industrial uses (or more specifically strategic warehousing as we would expect) but also for office uses, particularly the out-of-town office market which is driven by the business parks on the M42.
- 3.25 There is no evidence to suggest that office occupiers in the borough have been displaced from Birmingham. More that it is a different profile of occupier: while there are professional services in Solihull, Birmingham city centre remains the preserve of financial and legal services including KPMG and PwC; Solihull is not seen as a substitutable location for these top-tier occupiers. However, there is evidence that occupiers will choose to locate to Solihull from Birmingham because of the perceptions associated with Solihull i.e. labour force, place etc. rather than being displaced.
- 3.26 In addition to this, there is a very local service and light industrial geography which must be served locally from sites in Solihull. Furthermore, because the urban part of Solihull forms part of the Birmingham conurbation, this adds a layer of complexity to the geography because of the relative deprivation in east Birmingham (and north Solihull) when compared to the rest of Solihull borough. While it is likely that Solihull also caters to meet displaced demand from the City, as it is replaced by higher-value land uses, for mainly small industrial and warehousing businesses that are looking for inexpensive light industrial property, it is also the case that the lower land values in east Birmingham means that occupiers will be displaced from Solihull because of greater redevelopment potential.

FEMA implications

- 3.27 As the CLG economics note points out, policy is made at the level of local authorities, and therefore FEMAs should be approximated to local authority boundaries.
- 3.28 But in the case of Solihull, the statistical evidence suggests that the borough is split between two sub-regional FEMAs: Birmingham and Coventry. Closer examination of the linkages within the TTWAs indicate that the strength of linkage between Solihull and Birmingham far outstrips those links to Coventry.
- 3.29 This is further complicated by the market geography. Taking into account the market geography, which we explore further in Section 4, there is evidence to suggest that Solihull forms part of an M42 corridor market. It is proximity to the strategic road network in a location that is nationally central that is a key driver for demand, with occupiers looking at locations anywhere along this corridor.
- 3.30 As a pragmatic solution we suggest that our labour market balance calculations initially treat Solihull as a standalone FEMA: so both demand (workforce jobs) and supply (the resident labour force) are assessed for the authority area on its own. In the event that Solihull has a surplus of employment land, SMBC could, through the duty to co-operate, ask its neighbours, most notably Birmingham and further up and down the M42 corridor, whether there any unmet needs which could be accommodated within Solihull.

4 PROPERTY MARKET PROFILE

Introduction

- 4.1 In this section of the report we analyse the current property market, considering the demand for floorspace and land from business occupiers, the supply provided by landowners and developers and the balance between the two. This market balance drives the need for additional employment land. Where effective demand exceeds the land currently in employment use, there will be scope for new development and a resulting demand for additional land.
- 4.2 We deal separately with two types of employment space:
- Offices (B1a)
 - Industrial space, which covers light industry (B1c), general industry (B2), and warehousing (B8) uses.
- 4.3 Our assessment is based on analysis of market transactions and discussions with property agents and stakeholders experienced in the local market. To estimate floorspace take-up and availability we use the property market database EGi. Analysis of this data allows us to identify market trends.
- 4.4 Qualitative research involved telephone consultations with a number of local agents. We also conducted a stakeholder workshop, where commercial property developers, investors and agents contributed their opinions and knowledge of the market. An attendance list and copy of the presentation is provided at Appendix A.
- 4.5 As main indicators we use rental values, recent take-up, total stock, floorspace availability (vacancy), and occupier profile. In a property market context, 'take-up' means the occupation of business floorspace¹³. Here, take-up includes the leasing of both new build and second-hand space (second-hand space represents the larger share of the market)¹⁴. Similarly, 'availability' refers to properties currently being marketed. This includes both new and second-hand space immediately available. We provide separate commentary on the development pipeline.
- 4.6 In markets where take-up and rents are high and availability is low, there will likely be demand for more land. Conversely, if take-up is low, there is much floorspace available and rents are too low to support new development, or even the maintenance of existing buildings, then land may be surplus to requirements and should perhaps be released for other uses.
- 4.7 Total stock figures have been derived from analysis 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

¹³ By contrast, in a planning context 'take-up' means the land developed to provide new floorspace

¹⁴ Second-hand stock comprises all previously occupied floorspace, including refurbishments

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 has 117 description codes which are used to classify the properties listed on their website, whilst EGi has five broad groups. Our analysis has focused on those VOA properties categorised as: offices and premises, office, factory and premises, warehouse, warehouse and premises, and workshop and premises. 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 the VOA data 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.

- 4.8 This report was written during August 2016, at a time when the results of the referendum of the UK's membership of the European Union (EU) was announced in June 2016. The result of the referendum was in favour for the UK to leave the EU. The impact this announcement will have on the commercial property market is unclear. In the initial days after the announcement shares in property companies and banks fell, as did the value of the pound. It is too soon to tell if this is a knee-jerk reaction to the referendum announcement or more of a longer term trend. The potential benefit of the weakening of the pound is that property prices will appear more affordable to overseas buyers which may help underpin the market in the short-term. But ultimately it will be buyer's opinion of job security, availability of credit and interest rates which will be the main factors on how this announcement will impact the commercial markets.

Context

- 4.9 The borough of Solihull is located to the south of Birmingham in the West Midlands. The main town in the borough is Solihull. The borough is well serviced, with good road, rail and aeroplane links:
- The M42 bisects the borough from north to south; linking the borough to the national motorway network (M5, M6 and M42 motorway) and thus providing connectivity to the rest of England. The A41 provides a direct link from Solihull into Birmingham.
 - Birmingham Airport is located to the north of the borough, providing links to major European cities, Qatar, United Arab Emirates, the US, Canada, and India.
 - Birmingham International station provides three trains per hour to London Euston and two per hour to Manchester. The train from Birmingham International to London Euston takes around 1 hour 15 mins, which is quicker than the Solihull to Marylebone Station service of 1 hour 45 minutes.
- 4.10 Located near to Birmingham International railway station and the airport is the National Exhibition Centre (NEC). The NEC hosts yearly national and international events including; Autosport International, BBC Gardeners' World Live, BBC Good Food Show, Grand Designs Live, and Euro Bus Expo.

- 4.11 There are a number of major companies located in the borough that include; car manufacturer JLR, and the headquarters of pub company Enterprise Inns and finance company Paragon.
- 4.12 The borough will also benefit from the proposed HS2 railway line which will enhance rail links between Birmingham and London. HS2 will bring journey times from London to the Interchange down to around 38 minutes, and to Birmingham to 50 minutes, and increase capacity on the network. To link into the HS2 station, the Council aligning its managed growth plans under a UK Central brand. UK Central comprises four economic opportunity zones:
- Zone 1 – the Hub (for the purposes of this report, we refer to this as ‘the UKC Hub’)
 - Zone 2 – North Solihull
 - Zone 3 – Solihull town centre
 - Zone 4 – Blythe Valley Park
- 4.13 The UKC Hub is the more significant of the four zones and includes the NEC, the airport, BBP, JLR and the HS2 interchange site. The HS2 interchange site is part of the 140 hectare site known as Arden Cross which is intended to accommodate mixed-use development executive, campus and urban living, campus and parkland working and higher density office development.
- 4.14 The remainder of this chapter considers the office and industrial markets in turn. The analysis has two purposes: firstly, to identify where there is potential demand for new development, and secondly, where some of the existing property stock may become surplus to market requirement.

Offices

Overview

- 4.15 During the recession in the latter years of the 2000s, speculative office development in the UK came to a standstill. As the national economy improved (around 2010), speculative office building restarted. This occurred firstly in London and then followed by a number of core regional cities such as Manchester and around the Thames Valley. Office development is only currently viable and financeable in major towns and cities – typically with pre-let in place to a blue-chip covenant on a long lease. This structure gives sufficient security to investment to enable funding to be obtained. Demand in these centres is coming from professional services such as lawyers and accountancy firms.
- 4.16 In April 2016 Cushman & Wakefield reported that demand for space outstripped supply, particularly Grade A¹⁵. As the market for secondary space has been tightening in regional cities and new space has become available, there has been rent inflation and yields have fallen. The figure below shows that headline rents in

¹⁵ Cushman & Wakefield (18/04/2016) Property Times, UK Regional Offices Q1 2016

regional cities range from £237 to £350 psm (£22 to £32.50 psf), and yields from 5 to 5.75%. The evidence also shows that rents of around £323 psm (£30 psf) and yields of 5.5% are sufficient to stimulate viable development in regional cities.

Figure 4.1: Regional office rents and yields

	HEADLINE RENT		TAKE-UP (SQ FT)		AVAILABILITY (SQ FT)		NEW SUPPLY (SQ FT)		INITIAL YIELD (%)	
Birmingham	32.00	↑	283,697	↑	675,351	↓	89,150	↑	5.00	→
Bristol	28.50	→	195,502	↑	633,400	↓	0	→	5.15	→
Cardiff	24.00	↑	63,213	↓	901,452	↑	0	→	5.50	→
Edinburgh	32.50	→	122,374	↓	904,470	↓	0	→	5.25	→
Glasgow	29.50	→	319,615	↑	1,571,275	↓	43,814	↑	5.50	→
Leeds	27.00	↑	121,908	↓	400,240	↑	0	→	5.00	→
Manchester	32.50	↑	285,511	↑	1,988,111	↓	0	→	5.00	→
Newcastle	22.00	→	29,250	↓	436,020	↓	0	→	5.75	→

Source: Cushman & Wakefield (18/04/2016) Property Times, UK Regional Offices Q1 2016

- 4.17 It is too early to tell the full impacts of the Brexit vote, but early signs indicate that the office market has slowed. Savills report that regional leasing activity slowed in May 2016, and they expect this to continue through to the next two quarters¹⁶. Savills forecast a 5 to 10% fall in combined office take-up in 2017 and 2018. Savills anticipate that occupier demand from banking occupiers will be subject to the greatest impact but sees opportunities for professional services (legal and professional services) and public sector related demand (e.g. promotion agencies and lobbyists).
- 4.18 We split our analysis for office into the established three distinct sub-markets: Solihull town centre; BBP and BVBP; and the emerging office market at UKC Hub (excluding BBP).

Demand

- 4.19 Demand for offices in the borough is from a broad range of requirements which includes; professional services, aviation, utilities, software, and automotive. Size requirements are wide ranging: there is demand for up to 4,600 sqm, and agents indicate that there are good levels of demand for spaces of up to 465 sqm. Agents report demand is from internal churn, occupiers seeking to consolidate operations into a single building/location, occupiers needing airport access, occupiers seeking to benefit from linkages to existing industries, and new requirements based on contracts awarded. Due to the borough's location, transport links and quality of housing stock, environment and quality of life it makes it good to attract quality staff and act as a central location for consolidation (e.g. Interserve). Agents report that occupiers are seeking leases from three- to 10-year lengths, with some longer leases incorporating break-clauses.
- 4.20 While there are some exceptions (notably nPower and Xpserve in Solihull town centre), larger occupiers are typically found at the purpose-built out-of-town office

¹⁶ Savills (18 July 2016) Brexit: The Impact on UK Regional Offices

parks of BBP and BVBP where a good quality accommodation offer and large floorplates can be found. Agents state that there is not much churn generated by occupiers moving between locations.

- 4.21 As the tables below show, in the last five years, annual office take-up averaged 21,600 sqm, across 42 transactions. Noticeable deals recorded on EGi during this period include National Grid taking 4,300 sqm on the edge of Solihull town centre at Lansdowne Gate, IMI taking 3,300 sqm and Ryder Truck taking 1,600 sqm at BBP. Agent KWB also reports¹⁷ that the second quarter of 2016 saw the biggest office letting at BBP for nearly two years with energy company Uniper taking 3,000 sqm of space. In addition, Interserve are constructing a new purpose built 12,000 sqm office at UK Central which is due to be completed in 2018.

Table 4.1: Annual office take up 2011-15

Year	No. of transactions	Annual take-up sqm
2011	28	8,391
2012	34	30,571
2013	40	25,091
2014	52	22,424
2015	55	21,567
Average (2011 - 2015)	42	21,609

Source: EGi, AVL

- 4.22 The table below highlights that the majority of transactions that have occurred in the borough over the last five years has been in smaller size ranges: over half of the transactions being up to 250 sqm, and three quarters up to 500 sqm – this data supports the feedback we have received from the agents.

Table 4.2: Office take-up by unit sizes 2011-15

Unit size	No. of units	% of transactions
up to 100 sqm	37	18%
101 - 250 sqm	83	40%
251 - 500 sqm	40	19%
501 - 1,000 sqm	28	13%
1,001 - 2,000 sqm	9	4%
2,001 sqm plus	12	6%
Total	209	

Source: EGi, AVL

¹⁷ <http://kwboffice.com/research/research-offices-in-solihull/q2-2016-solihull-office-market-research/>

Supply and market balance

- 4.23 In our assessment of market supply, we have considered the three main sub-office markets identified by agents: Solihull town centre, BVBP, and BBP¹⁸.

Solihull town centre

- 4.24 Solihull town centre is characterised by modern purpose built office stock (typically 1980s onwards). The town centre has not seen any recent new build activity therefore the space is typically offered on a refurbished basis. Occupiers are attracted to the town centre due the amenities available and transport links. The good quality space combined with good demand means that rents are sufficient for investors to keep these buildings for offices and not seek alternative use e.g. residential.
- 4.25 The town centre contains around 63,000 sqm of existing stock. The table below shows that the town centre offices are generally well occupied, with only 12 units currently available, equating to 12% of total stock which is in line with market norms. The highest vacancy rates are for smaller units of up to 500 sqm – this is where agents state there is good demand, we therefore do not see this as a concern. In addition, we would expect vacancy rates to be slightly higher in this size range due to greater churn of space due to shorter leases being taken.
- 4.26 The table below also shows that there is a lack of larger units (i.e. over 2,001 sqm) in the town centre. This is confirmed by agents that tell us due to the lack of availability some tenants are renewing leases rather than moving out.

Table 4.3: Solihull town centre office stock and availability

Size range	Total no. of units	% of units by size range	No. of units available	Units available as % of all units
up to 100 sqm	39	38%	3	8%
101 - 250 sqm	41	40%	7	17%
251 - 500 sqm	9	9%	1	11%
501 - 1,000 sqm	5	5%	0	0%
1,001 - 2,000 sqm	1	1%	1	100%
2,001 sqm plus	7	7%	0	0%
Total	102		12	12%

Source: EGi, VOA, AVL

Blythe Valley Business Park

- 4.27 BVBP is a modern purpose built office park located at Junction 4 M42, accessed from the A34 and M42. The first units at BVBP were occupied in 2000. With the exception of the Innovation Centre, the majority of the space is occupied on single, or multiple floors. The largest occupier at the park is engineering consultancy firm, Arup which

¹⁸ This section includes some figures derived from EGi as a recognised industry source; these figures rely on agents and other EGi users to remove requirements or vacancies etc. when filled. There may be instances therefore that the figures are overstated if filled vacancies etc. have not been removed.

has its campus building in 8,100 sqm of space – this represent a significant single occupier, in floorspace terms, for a regional office park. BVBP is an attractive location to occupiers due to the modern accommodation offered on large floorplates, with on-site car parking and surrounding countryside park. There is a lack of communal on-site facilities i.e. limited to a gym and children’s nursery. Agents report that some larger occupiers will have on-site facilities whereas others are serviced by mobile facilities such as a sandwich van.

- 4.28 There is around 36,000 sqm of existing office stock at BVBP. The table below shows that there are just six units available – representing around 10% of total stock. Agents state there has not been any new office development on the M42 for around eight years, therefore the current office space that is available is refurbished Grade A stock. The table also shows that vacancy is spread across all unit sizes, except for those up to 100 sqm which will be captured through the serviced space offered at Regus. Given the vacancy rates across a spread of units, we would not consider vacancy rates at BVBP to be a concern.

Table 4.4: BVBP office stock and availability

Size range	Total no. of units	% of units by size range	No. of units available	Units available as % of all units
up to 100 sqm	29	50%	0	0%
101 - 250 sqm	6	10%	1	17%
251 - 500 sqm	6	10%	1	17%
501 - 1,000 sqm	6	10%	2	33%
1,001 - 2,000 sqm	8	14%	1	13%
2,001 sqm plus	3	5%	1	33%
Total	58		6	10%

Source: EGi, VOA, AVL

Birmingham Business Park

- 4.29 BBP is located at Junction 6 M42, adjacent to Birmingham airport, Birmingham International station and the NEC. Agents indicate that occupiers are attracted to the park because of its good connectivity especially those companies that have links to Europe. Occupiers at the park are mixed, including WM Housing, Adecco, Fujitsu, and Regus offering serviced space. Again there are limited on-site facilities on the park, and it is serviced in a similar manner to BVBP.
- 4.30 The table below shows that there are 48 units as total stock at BBP, and this is spread across 58,000 sqm meaning there are fewer units here compared to BVBP but more floorspace. As with BVBP the available space is refurbished second-hand accommodation as there has been no recent new build. The table also shows that vacancy rates at BBP are around 41% which is much higher than market norms.

Table 4.5: BBP office stock and availability

Size range	Total no. of units	% of units by size range	No. of units available	Units available as % of all units
up to 100 sqm	0	0%	0	0%
101 - 250 sqm	8	17%	3	38%
251 - 500 sqm	18	39%	6	44%
501 - 1,000 sqm	5	11%	4	80%
1,001 - 2,000 sqm	7	15%	2	29%
2,001 sqm plus	8	17%	2	25%
Total	46		19	41%

Source EGi, VOA, AVL

UKC Hub - Arden Cross

- 4.31 As set out in Section 2, the UKC Hub comprises a number of separate sites (JLR, BBP, NEC, airport and the HS2 interchange site (Arden Cross)); while the majority of these are established employment sites, it is Arden Cross that is most closely tied to the delivery of the new high-speed rail links. Based on a medium growth forecast, Arden Cross could provide 144,000 sqm offices¹⁹; this is significant for the local market especially when combined with existing availability in the borough.
- 4.32 Agents indicate that the success of Arden Cross will depend on many factors, including the extension of HS2 past Birmingham and the level of public sector support for it. If the HS2 line is not extended, then this has the potential to provide a unique selling point for the area by giving it a competitive advantage over other regional cities.
- 4.33 As shown at BVBP, take-up by a single large occupier can guarantee future phases will be developed. We anticipate that continued public sector support will be necessary to secure occupiers, stimulate speculative building etc. to ensure the longevity of the development opportunity.

Rents

- 4.34 Office rents for Grade A refurbished office space at BVBP and Solihull town centre are £237 psm. Agents state that rents at BVBP are more stable as the park is nearly in single ownership. Whereas BBP, which is in multiple ownership, has rents that are more wide ranging at between £161 to £237 psm. Despite the tenants that take space providing strong covenants (i.e. blue chip international/nationals), this alone is not sufficient to stimulate development because of the low rents and short-term leases being achieved. But the rents achieved are sufficient to ensure secondary space is refurbished and reoccupied. To enable new development, rents would need to be in the region of £270 to £323 psm and unbroken leases of 15 years.

¹⁹ Amion/JLL 2015

Space surplus to requirements

- 4.35 There are no office units that are surplus to requirements in the borough. The majority of office stock in the borough is in a good state of repair, and achieving suitable rents to maintain existing premises. As a result, capital values of office buildings remain at healthy levels and have not fallen to a level that might stimulate developer interest to convert units into residential through permitted development rights.

Opportunities for development

- 4.36 Agents indicate that, over the short term the existing office stock will continue to be taken-up, especially out of town stock where there are still good levels of availability and planned future growth. Due to no new space being developed in Solihull town centre, agents have concerns about tightening over the medium to long-term. Agents have indicated development opportunities in the town centre as Homer House, Sapphire House (which has three of its six wings vacant) and the triangle site in Council ownership on Lode Lane.
- 4.37 Agents indicate that new development in the borough would need to provide floorplates in the order of 1,860 sqm to satisfy corporate occupier demand. This type of accommodation is not currently available in the town centre, only out of town.

The office market: conclusions

- 4.38 The office market in Solihull is in a relatively healthy state. The quality of the existing stock is good and rents are at suitable levels to maintain investment. Capital values remain firm for town centre stock and are currently above the levels that might prompt developers to undertake residential conversion under permitted development rights. This means stock levels have held up.
- 4.39 There has been a lack of new build development in the borough in recent years. Although this is not too much of a concern in the out of town business parks where large floorplates and good quality Grade A refurbished space can be found, there is a slight tightening of supply in Solihull town centre.
- 4.40 The emerging area of UKC Hub has seen some early success (Interserve), but the success of this location will in our view depend on continued public sector support and whether the future plans to extend the line are realised or not, with the latter working in the borough's favour. The rents and lease terms that can be achieved in the established markets of the borough are not currently at a stage where new office development is viable. As supply continues to tighten over the medium to long term in the town centre, this could push rents higher to stimulate development, but much of this will depend on how successful UKC Hub becomes.

Industrial and distribution space

Market overview

- 4.41 Growth in this sector nationally has been through online retailers and distribution companies' needs for warehouse and distribution space. These companies tend to offer good covenants and are prepared to commit to institutional lease terms, therefore generating strong capital values. These good capital values not only provide a signal for developers to bring forward units but also enables them to bid competitively for sites
- 4.42 The global economic crises led to a shortage of speculative space coming forward to the market, creating a shortage of stock immediately available. Occupiers were forced to take either second-hand space or wait for build-to-suit opportunities. In recent years, speculative development has returned, helped by the easing of the financial markets. Property agents Lambert Smith Hampton report that *'2015 was a fascinating year for the industrial and logistics sector. Speculative development came back in a big way, rental growth continued its onward march across the country and, while take-up was down on 2014's high, it was ahead of its annual average'*²⁰.
- 4.43 New build growth has been for large units where demand has been strong and the balance between capital value/land value/build costs/developer return is maximised. Agents are now reporting that there is more of an imbalance for mid-size and smaller units where there has been less development activity in recent years. Demand for these units is currently strong but developers have been slower to bring these units forward as build costs are higher and capital values can be lower, meaning land and/or developer return cannot be maximised.
- 4.44 Demand for industrial space in the West Midlands is strong due to its central location and connectivity which enables the majority of the UK to be serviced from a single place.
- 4.45 Lambert Smith Hampton report that there is an acute shortage of Grade A supply in the West Midlands industrial and logistics market and consequently landlords are holding out for longer lease terms of up to 15 years with no break option on prime buildings, with rents up to £70 psm being achieved. They also report demand is driven by retailers, third party logistics (3PLs) and the automotive sector²¹.
- 4.46 EGi reported earlier this year that the automotive sector, JLR in particular, has been the catalyst behind the region's logistics property growth for the past two years. They also reported that occupiers, led by JLR, contributed to 1.7m sq ft (157,000 sqm) of automotive-sector take-up in the first half of 2015: *'a sharp rise in auto-sector take-up, soaring from nil in 2008 to 25% of the market in 2012'*²².

²⁰ Lambert Smith Hampton (2016) Industrial & Logistics Market

²¹ Lambert Smith Hampton (2015) West Midlands industrial & logistics market review

²² EGi (27/02/26) Gearing down in the West Midlands?

Solihull overview

- 4.47 Our analysis of the industrial market for the borough has focused on the 18 main business sites identified by SMBC. One of the main business sites is JLR, and as we mention above, as an occupier, they have seen significant growth over recent years. As part of this study we have not analysed in detail the 10 small business estates, but again we do make reference.
- 4.48 The borough is strategically placed to capture industrial and logistics demand because of the access to the national motorway networks of the M5, M6 and M42 motorways via the M42. In addition, the growth of JLR has resulted in strong demand from them and their supply chain.
- 4.49 The majority of the industrial accommodation is modern good quality premises; this, combined with the locational factors, means that Solihull has a very strong industrial market.
- 4.50 The table below shows that the five-year average annual take-up for industrial premises in the borough is 63,000 sqm with take-up in 2015 falling to around half the five-year average. As we set out in our analysis below, the fall in take-up is likely to be due to lack of supply rather than demand.

Table 4.6: Annual industrial take-up 2011-15

Year	No. of transactions	Total take-up sqm
2011	41	119,421
2012	20	47,288
2013	21	109,116
2014	39	62,429
2015	16	32,440
Average (2011 - 2015)	24	62,818

Source: EGi, AVL

- 4.51 For the purpose of analysis, we split the industrial / distribution sector into three size ranges:
- Large-scale: 9,291 sqm plus
 - Mid-size: 1,859 - 9,290 sqm
 - Small-size: up to 1,858 sqm
- 4.52 Table 4.7 shows that whereas the first of these categories accounts for nearly 70% of all units taken-up in the last five years, it only comprises 20% of the floorspace. The five-year average for smaller units is around 10,000 sqm with approximately double that for the larger units.

Table 4.7: Industrial take-up by size range 2011-2015

Size range	No. of transactions	% of transactions	Floorspace transacted	% of floorspace transacted
Total 2011-15				
9,291 sqm plus	8	7%	124,401	45%
1,859-9,290 sqm	28	24%	99,095	36%
up to 1,858 sqm	80	69%	52,622	19%
Five-year average per annum				
9,291 sqm plus	2	7%	24,880	45%
1,859-9,290 sqm	6	24%	19,819	36%
up to 1,858 sqm	16	69%	10,524	19%

Source: EGi, AVL

Large-scale: 9,291 sqm plus

Demand

- 4.53 Large-scale units are typically regarded as strategic warehouses, occupied by national or global companies who use them to deliver to national or multi-region markets. The growth in the online retail sector has resulted in strong demand from retailers and third party logistic (3PLs) companies for large-scale distribution units. Regionally, agents tell us that they still see future growth in this sector, and they do not believe it is at saturation point yet.
- 4.54 Occupiers are seeking speculative build opportunities to satisfy existing demand. But due to lack of speculative development nationwide (this market has only recently returned over the last couple of years, after the financial crisis), occupiers have had to accept built-to-suit opportunities or second-hand space to satisfy their requirements.
- 4.55 Occupiers are looking for modern, high-quality industrial warehousing. More specifically, they typically require:
- Modern warehouse buildings
 - High eave heights (typically 10-15 metres)
 - Loading doors
 - Access to major roads
 - Room for parking and turning HGV
 - Secure yards.
- 4.56 In addition to the national market requirements for large-scale distribution units in suitably located sites, Solihull has demand from specialist occupiers linked to the automotive industry. Where companies which are linked to the automotive industry are logistics based they will consider speculative build opportunities. But where requirements are specific, agents indicate that occupiers would prefer a build-to-suit opportunity to ensure their specifications are met e.g. floor loading, power, crane loading etc.

Supply and market balance

- 4.57 Despite the borough satisfying the nationwide requirements to attract retailers and 3PLs for large distribution there has not been the sites/units available to capture demand. Table 4.8 shows there are just four units in this size range across the main business sites, averaging 14,500 sqm in size. This is not large in modern terms. Due to the small number of units as a proportion of total stock and strong demand for large units. So the market is undersupplied.

Table 4.8: Large-scale industrial and distribution stock and availability

Address	Total no. of units	No. of units available	Total floorspace sqm	Floorspace available sqm	Availability as % of floorspace
Birmingham International Park	1	0	20,558	0	0.00%
Gateway Estate	0	0	0	0	0.00%
Cranmore Ind Est.	1	0	9,477	0	0.00%
Chep/Higginson site	0	0	0	0	0.00%
Elmdon Trading Est.	2	0	28,114	0	0.00%
Lode Lane Ind. Est	0	0	0	0	0.00%
Monkspath	0	0	0	0	0.00%
Solar Park	0	0	0	0	0.00%
Saxon Way	0	0	0	0	0.00%
Solihull Business Park	0	0	0	0	0.00%
Total	4	0	58,149	0	0.00%

Source: EGi, VOA, AVL

- 4.58 Where there are units and land being made available in the West Midlands, there is developer and occupier activity:
- Pensnett Estate, Kingswinford, Dudley: 24,000 sqm extension to existing estate – first phase to a 12,000 sqm speculatively built unit.
 - Coventry Airport: planning recently permitted for three distribution units of 32,500 sqm, 15,300 sqm and 5,500 sqm.
 - Ansty Park in Coventry: factory automation manufacturer, FANUC UK, bought a site for a 9,940 sqm unit to house its UK headquarters. This is part of a relocation of its operations at Seven Stars estate in Coventry.
 - Lyons Park, Browns Lane, Coventry: planning permission was granted for a 40,135 sqm unit on the former Jaguar Cars site which has been let to Amazon.
 - Minworth, Birmingham: pre-let of a 9,600 sqm unit to DHL on a 15-year lease, with a 10-year break clause.
- 4.59 This suggests that if sites were available in the borough, developers would speculatively build and occupiers would take the space, rather than resulting in sites being left undeveloped.

Rents

- 4.60 Agents state that, due to a tightening of supply along the M42, rents for large units have started to increase. Due to the lack of new build available in the borough, headline rents for new build are unproven; however, agents and developers state that the general rental tone along the M42 corridor is £70 psm, compared to rents in Tamworth of around £73 psm. They anticipate that rents for new build in the borough would be higher, due to the strength of its location, and rents in Tamworth typically being £5.40 psm lower than Solihull.
- 4.61 This suggests that rents of £75 psm would be achievable in Solihull for new build. The combination of the rents achievable, lease terms, covenant strength of the occupiers, and economies of scale achieved through build costs means that build costs are viable.

Opportunities for development

- 4.62 There are no sites currently available to accommodate large units; if JLR should contract for any reason, its site could come forward for this use. Developers would ideally seek opportunities near the M42.

Surplus to requirements

- 4.63 Our evidence has not identified any large-scale units or estates that are required to be released for alternative use development.

Mid-size: 1,859 – 9,290 sqm

Demand

- 4.64 The type of occupiers interested in ‘mid-size boxes’ are more varied than those in the ‘big shed’ market. They are a mix of national, regional and local companies, looking to service regional and local markets. The mid-size market also picks up online retailers and third-party distribution operators (‘3PLs’) as well as more niche companies such as those linked to the automotive supply chain. In this size range occupiers are seeking speculative built premises or existing stock, as they are generally unable to plan for the short term, so when they do need space they have no time to wait until a new unit is planned and built.

Supply and market balance

- 4.65 The table shows that the mid-size market in Solihull, both in floorspace and unit terms, is more dominant than the large and small unit market. Mid-size stock is centred at Cranmore Industrial Estate, followed by Solar Park and Birmingham International Park. There are two medium-sized units available, which equates to just four months’ supply (based on the five-year average take-up).

Table 4.9: Mid-size industrial and distribution stock and availability

Address	Total no. of units	No. of units available	Total floorspace sqm	Floorspace available sqm	Availability as % of floorspace
Birmingham	6	0	29,380	0	0.00%

Address	Total no. of units	No. of units available	Total floorspace sqm	Floorspace available sqm	Availability as % of floorspace
International Park					
Gateway Estate	2	1	4,250	2,115	49.76%
Cranmore Ind Est.	15	0	50,120	0	0.00%
Chep/Higginson site	1	0	3,652	0	0.00%
Elmdon Trading Est.	5	1	15,972	5,781	36.19%
Lode Lane Ind. Est	1	0	3,722	0	0.00%
Monkspath	0	0	0	0	0.00%
Solar Park	7	0	28,316	0	0.00%
Saxon Way	0	0	0	0	0.00%
Solihull Business Park	3	0	12,973	0	0.00%
Total	40	2	148,385	7,896	5.32%

Source: EGi, VOA, AVL

- 4.66 Where new build opportunities are available elsewhere in the region these occupiers are taking units. For example, EEF, the industry body for engineering and manufacturing employers, has taken a speculatively built unit of 5,100 sqm on a 16-year lease at £70 psm at Hub Industrial Park, Witton, Birmingham.

Rents

- 4.67 Agents tell us that rents for units in the size range between 1,900 sqm and 4,600 sqm are around £78 psm, with the larger units achieving £59 psm. Development of this size range is only viable with the higher rents, slightly bigger units and longer term leases. Smaller units are less viable due to higher build costs and shorter security of income to potentially weaker covenants. Agents indicate that as there has been a shortage of new supply of this type of accommodation and demand is strong, landlords can potentially set their own terms (in reason) to ensure development is viable.

Opportunities for development

- 4.68 While there were no sites currently available to accommodate mid-size units at the time of much of the agent consultation, since then permissions have come forward at BVBP and BBP which could enable space of this scale to come forward. Developers would ideally seek opportunities near the M42 or existing business parks; BVBP and BBP have the potential to meet this demand. Or if JLR should contract for any reason they could come forward for this use.

Surplus to requirements

- 4.69 Our evidence has not identified any medium sizes units or estates that are required to be released for alternative use development.

Small size: up to 1,858 sqm

Demand

- 4.70 Demand for small size industrial units in Solihull is generally from local businesses servicing the local market and automotive supply chains. Some regional and national companies also seek space in this size range, such as trade counter uses but this is not representative of the wider market. Occupiers in this size range are more price sensitive and may compromise on quality to meet their budget. Occupiers usually need premises that are immediately available and cannot commit to long-lead in periods before space becomes available, or commit to medium/long term leases.

Supply and market balance

- 4.71 The table below shows that the small size stock locates primarily in the main business sites of Cranmore Industrial Estate, Elmdon Trading Estate and Gateway Estate. The quality of the existing stock is good and is suitable to meet current demand, as evidence through just three units being available (1.5% of total stock). Availability equates to around two months' supply pointing to an undersupplied market, where there is demand for additional space.

Table 4.10: Small-size industrial and distribution stock and availability

Address	Total no. of units	No. of units available	Total floorspace sqm	Floorspace available sqm	Availability as % of floorspace
Birmingham International Park	7	0	2,320	0	0.00%
Gateway Estate	20	2	11,237	1,021	9.09%
Cranmore Ind Est.	41	0	32,662	0	0.00%
Chep/Higginson site	0	0	0	0	0.00%
Elmdon Trading Est.	29	0	25,865	0	0.00%
Lode Lane Ind. Est	10	0	7,639	0	0.00%
Monkspath	15	1	15,994	500	3.13%
Solar Park	0	0	0	0	0.00%
Saxon Way	11	0	2,752	0	0.00%
Solihull Business Park	0	0	0	0	0.00%
Total	133	3	98,469	1,521	1.54%

Source: EGi, VOA, AVL

Rents

- 4.72 Evidence recorded on EGi shows that rents for smaller units are at £86 to £92 psm. Despite this price premium, development is still likely to be unviable due to the higher build costs and potential covenant strength of the smaller occupiers. Evidence outside the borough suggests that rents need to be around £118 to £129 psm for development to be viable.

Opportunities for development

- 4.73 Smaller units by their very nature require a smaller land take, and they are less location sensitive than larger units. As smaller occupiers are there to service the local and regional markets they are better located near urban areas than on industrial parks near motorway junctions. Former employment sites close to urban centres of up to three hectares in size should be considered for small units. These types of sites will face the greatest pressure for residential development. The values achievable for industrial use would not be able to compete with residential values therefore these types of sites will not come forward based on market dynamics alone and would require policy intervention.

Surplus to requirements

- 4.74 We have not identified any small-scale units that are surplus to market requirements. There is continuing market demand across the borough for this type of unit to a range of occupiers.

The industrial market: conclusions

- 4.75 Solihull is a prime location to capture national and regional industrial and distribution demand but it suffers from a lack of sites. In addition, there is internal demand pressure from JLR and its supply chain. The analysis shows that the market is extremely tight across all unit sizes, and given that the quality of the stock is in good repair with healthy maintainable rents the stock needs to be protected. The analysis shows where sites and units are being made available; they are being brought forward/occupied.
- 4.76 If new sites could be identified for large and medium sized units they need good transport links (ideally near the motorway), and ideally co-located near existing stock/users. Sites for smaller units would be best located near the urban area to allow these occupiers to service their local market.
- 4.77 Based on rents achievable and occupier profile, larger units would likely come forward on a speculative basis in the current market. Viability of medium and smaller units are more marginal due to higher build costs and more uncertainty in terms of income stream. However, if land can be acquired at a suitable level, without competition from residential use, sites may come forward and a new rental tone will likely be set.

5 LONG-TERM LABOUR DEMAND

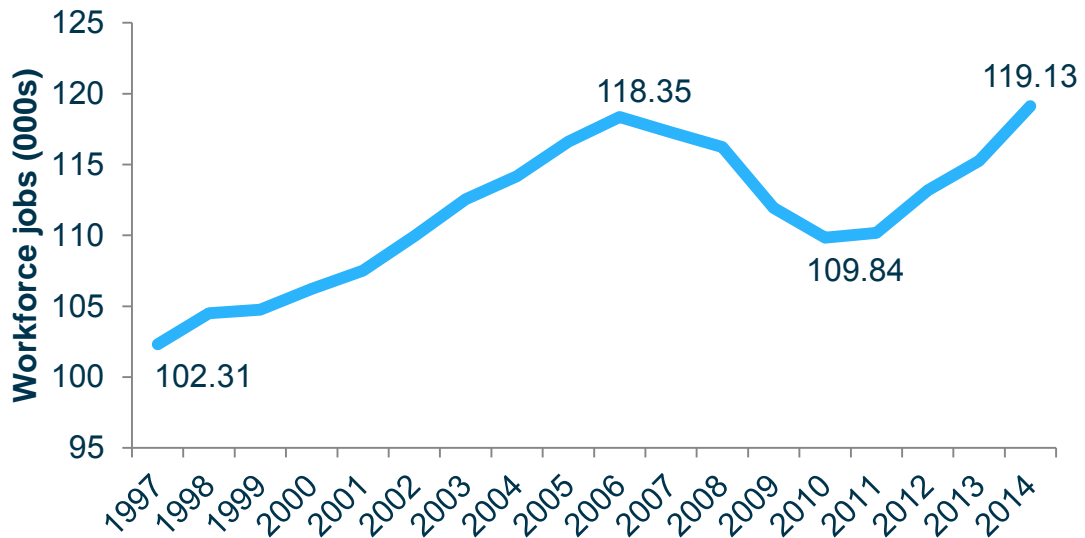
Introduction

- 5.1 The employment forecasts and calculations of future demand relate to net jobs. The net change in employment, or the stock of jobs, is the difference between jobs lost and jobs gained. The net change in floorspace stock that these jobs occupy is the difference between floorspace gained, usually through new development, and floorspace lost, often from the redevelopment of employment sites for housing or other non-employment generating uses. A shortcoming of this analysis is that the data available on planned land supply often only shows gross gains.
- 5.2 The NPPF highlights the need for consistency in planning for homes and jobs. This ELR therefore draws on the same economic forecasts and period as those used in the SHMA. Experian forecasts, produced in December 2015, underpin the SHMA and are used again for this study. The period adopted is the same as the SHMA: 2014 to 2033.
- 5.3 The baseline Experian forecast provides employment by local authority area to 2035. They are generated by Experian's integrated suite of economic models and represent an independent economic view of local and regional economic prospects. 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 local supply-side features including workforce skills.
- 5.4 In addition to Experian's baseline model, we have considered a number of other scenarios:
- Brexit scenario – this is based on the most recent Experian forecast, published in September 2016 and therefore after the EU membership referendum.
 - Oxford Economics (OE) scenario – this is the baseline model prepared by OE for the UK, split out by LPA. This provides an alternative view to the Experian modelling.
 - UKC Hub scenario - a scenario was commissioned for the SHMA which sought to take account of the UKC Hub development which is treated as a transformational investment which would be outside the baseline Experian model

Overall performance

- 5.5 The number of jobs in Solihull has grown in the period since 1997; however, as shown in Figure 5.1, that growth was interrupted by the recession and the borough only recovered to the number of pre-recession jobs in 2014. In 2014, there were 119,100 workforce jobs in Solihull; this was slightly higher than the pre-recession peak in 2006.

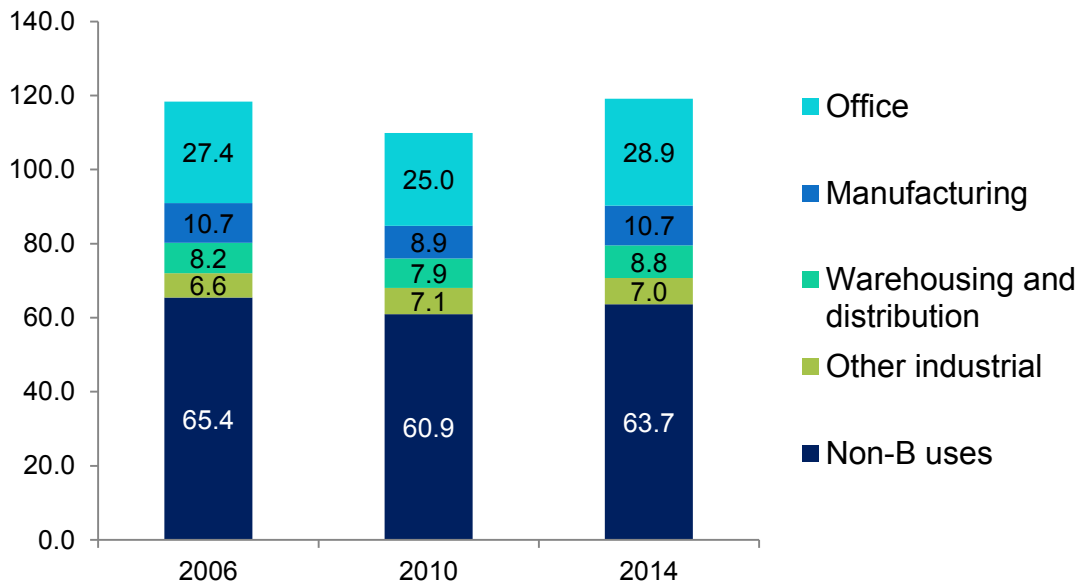
Figure 5.1: Solihull's past performance (total jobs, thousands)



Source: Experian

5.6 Figure 5.2 shows the jobs within the main employment sectors in 2014 as the start of the plan period. It is clear that non-B class jobs represent the largest part of Solihull's labour force, accounting for 54% of all jobs. With regard to the B class jobs, office jobs represented 24%, with the residual 22% of jobs being split between manufacturing, warehousing and distribution and other industrial jobs.

Figure 5.2: Performance of the main sectors in Solihull 2006, 2010 and 2014 (jobs, thousands)



Source: Experian, PBA

5.7 Comparing the relative performance of the main sectors between: 2006, as the pre-recession peak; 2010, as the trough; and then 2014 for the beginning of the plan period, it can be seen in Figure 5.2 that:

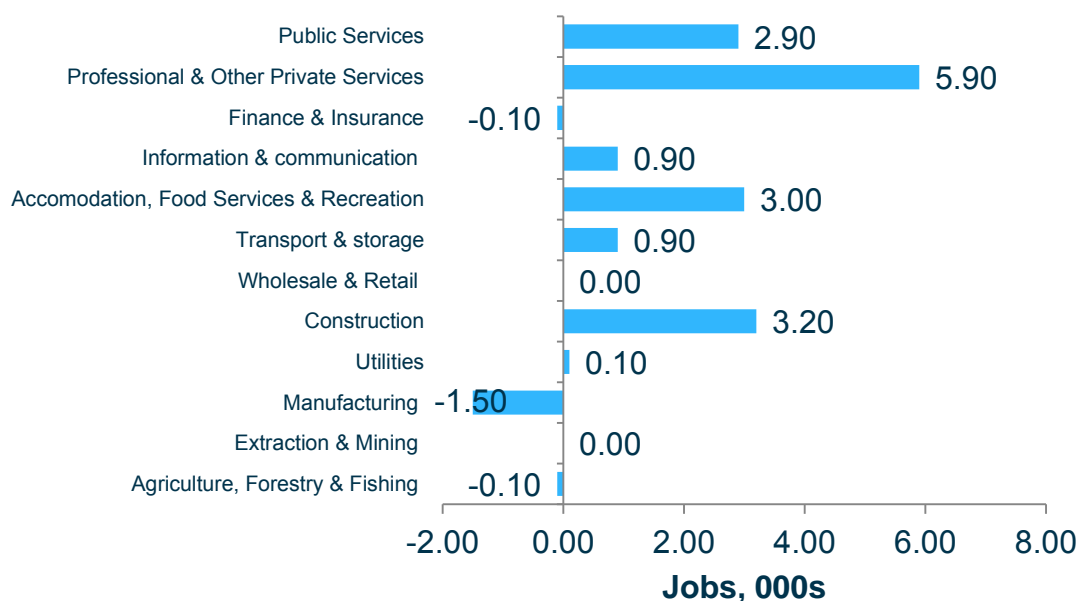
- Non-B class employment suffered the greatest impact and had not recovered to pre-recession levels by 2014;
- Warehousing and distribution and other industrial jobs appeared to weather the recession well;
- Manufacturing and office jobs both suffered during the recession but have since recovered to exceed pre-recession levels.

Growth scenarios

Baseline growth

5.8 Under Experian’s baseline or business-as-usual scenario, 15,250 additional jobs are forecast in Solihull over the plan period. As shown in Figure 5.3, the main sectors where growth is forecast is in professional and other private services, followed by construction, accommodation, food services etc. and public services. The only sector forecast to experience any notable decline in labour force is the manufacturing sector, albeit that does not necessarily equate to reduction in the space required given the trend towards increased automation and productivity improvements.

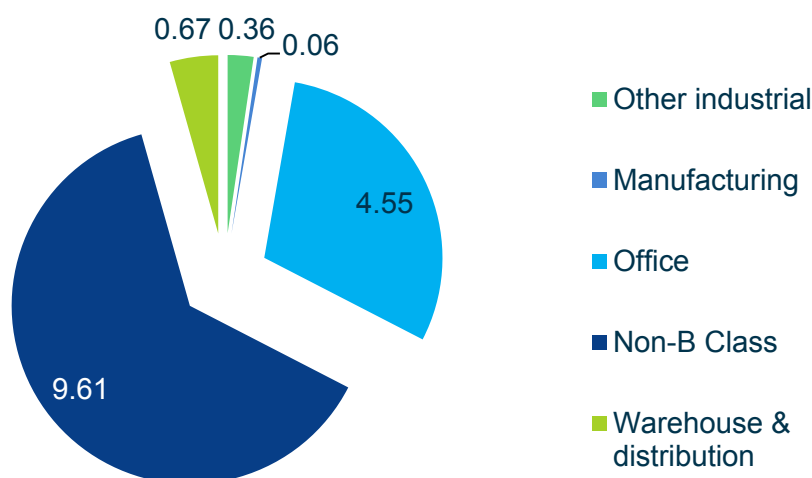
Figure 5.3 Job demand growth by sector (2014-33)



Source: Experian

5.9 These forecasts necessarily include all jobs. However, for the purposes of this study, we are only interested in those within the traditional B classes. Figure 5.4 translates this forecast growth into office, manufacturing, other industrial, warehouse and distribution, and then non-B Class jobs. When these non-B Class jobs are stripped out, forecast growth over the plan period is some 5,638 jobs. Of these additional jobs, most are forecast within the office sector.

Figure 5.4: Baseline net job growth (2014-33)



Source: Experian

Brexit scenario

- 5.10 As set out in Section 1, we think it is important to consider a Brexit scenario in preparing this study. We therefore look at the September 2016 Experian forecast. The data guide accompanying the forecast notes:

'The September RPS forecast is consistent with the August 2016 UK macro forecast.

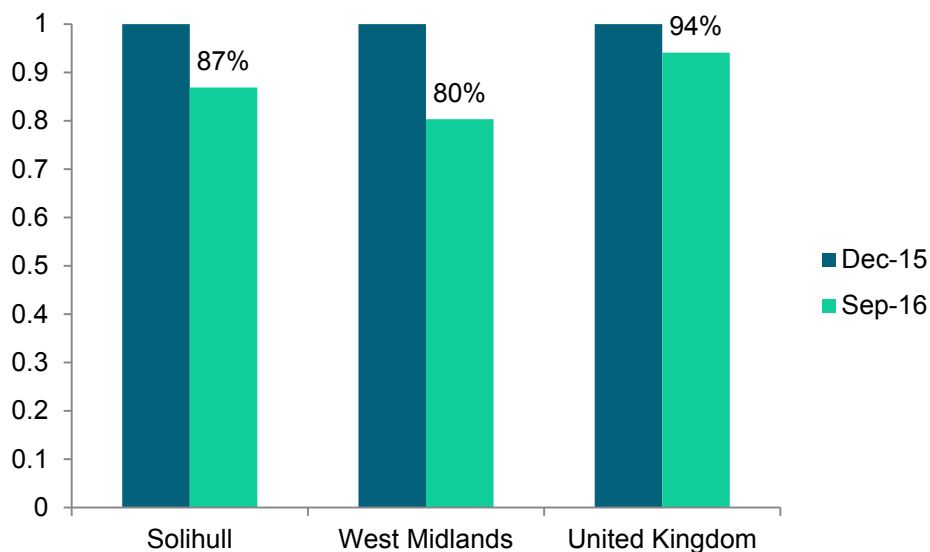
The EU referendum outcome has dealt a severe blow to near-term prospects for the UK economy. The sharp depreciation of the pound will trigger higher inflation to the extent that within a few months price rises are likely to outpace sluggish earnings growth. Real incomes will suffer, depressing consumer spending which has been the key driver of growth during the current upswing. In addition, capital spending by businesses will not recover but is expected to fall further in the uncertain political and economic climate. The boost to net trade from the fall in sterling could be a positive factor, but is heavily outweighed by the decline in domestic demand. Both monetary and fiscal policy are set to ease to alleviate downward pressure on economic performance, but growth forecasts for the rest of this year and 2017 have been sharply downgraded. A mild recession cannot be ruled out.

The June 2016 RPS was consistent with the May 2016 UK macro forecast. The main change between the May and August macro forecasts is a downgrade in GDP growth and an increase in the unemployment rate, primarily driven by uncertainty over the result of the EU referendum and its impact on business and consumer sentiment.²³

²³ 4.1 Experian Data Guide UK Regional Planning Service September 2016

- 5.11 These revised macro forecasts are then translated to the local level. It should be clarified that in addition to the economic outlook changing since the baseline (December 2015), the September 2016 Experian run updates a number of other assumptions, including the latest population projections (2014 SNPP). So while we make comparisons between the two scenarios, it cannot be assumed that the changes are as a consequence of Brexit.
- 5.12 Figure 5.5 indexes the Brexit scenario job growth against the baseline for the UK, West Midlands and Solihull. For each geographical area, job growth is lower in the Brexit scenario; while the reduction is greater for the West Midlands relative to the UK, Solihull is expected to perform relatively better than the wider West Midlands.

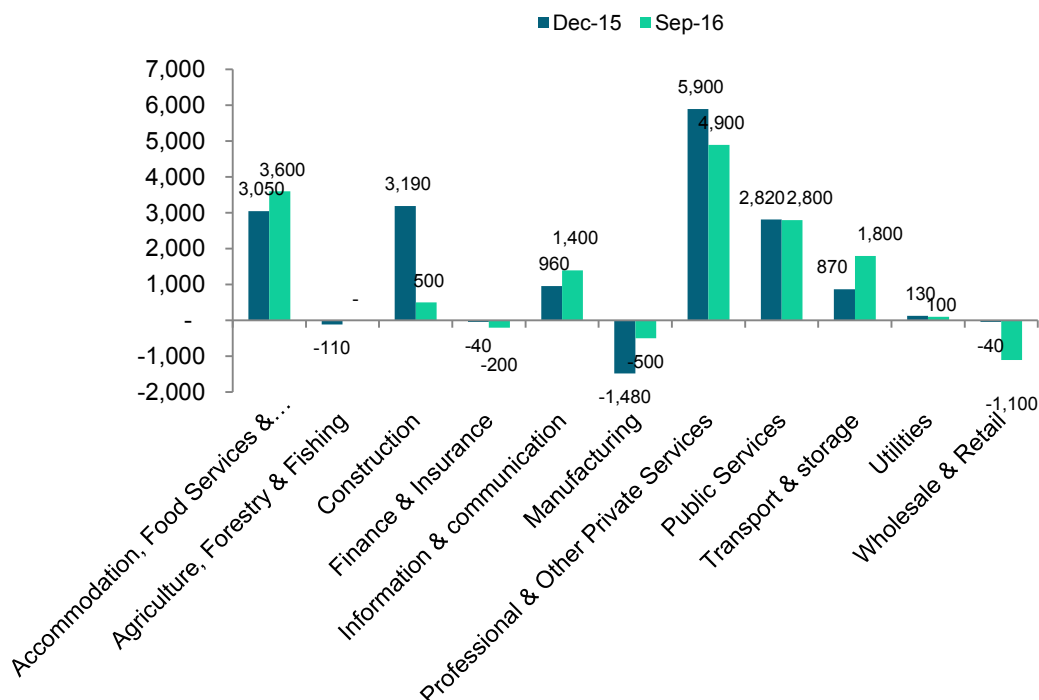
Figure 5.5 Relative job growth – Brexit scenario indexed to baseline



Source: Experian (December 2015 & September 2016)

- 5.13 Total job growth in Solihull over the period is expected to reduce from 15,250 to 13,300. Within this reduced growth, the figure below compares job growth by sector in Solihull. While several sectors are anticipated to grow more (accommodation, food services and recreation, information and communication and transport and storage), in others the growth is more limited or forecast jobs losses are amplified (construction, manufacturing, utilities and wholesale and retail).

Figure 5.6 Baseline & Brexit scenario: job growth comparison by sector



Source: Experian (December 2015 & September 2016)

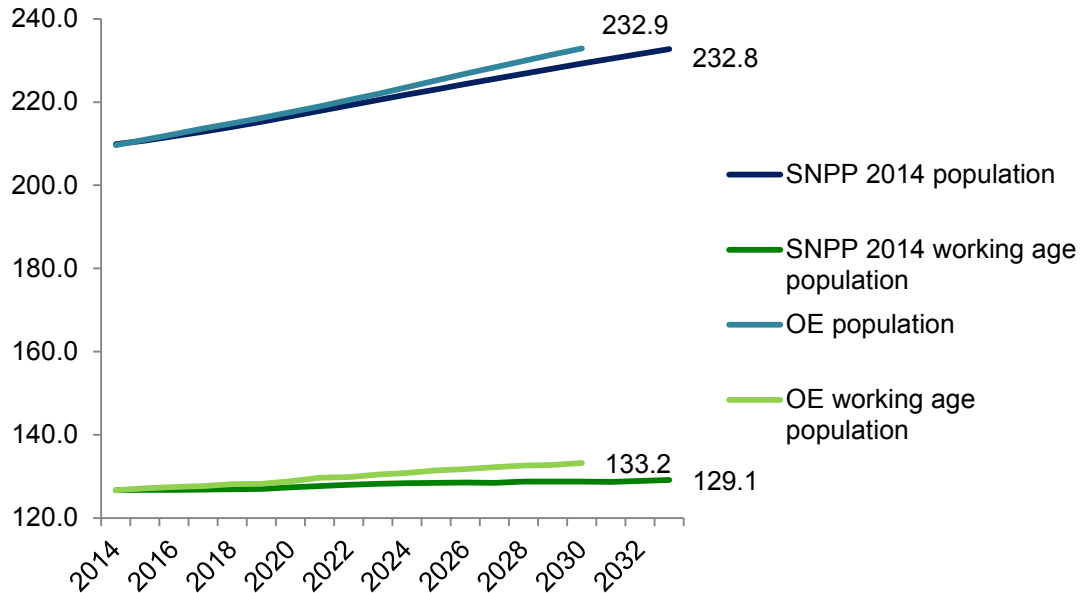
- 5.14 However, in our view there is too much uncertainty surrounding these forecasts given the limited quantitative data available and the lack of clarity as to what Brexit may actually look like. So, although the above forecast anticipates reduced growth in a number of sectors within Solihull, we do not think that the lower job growth should necessarily be enshrined in a planning document with a 15-year lifespan.
- 5.15 For this reason, we do not think the Brexit scenario should be used as the preferred scenario.

Oxford Economics scenario

- 5.16 In addition to Experian, we have also looked at OE's view of job growth in Solihull. OE is a recognised economic forecaster and has undertaken work on behalf of GBSLEP as part of the SEP, covering the period 2015 to 2030. While this study does not consider the SEP scenarios in detail, we do look at OE's baseline growth model.
- 5.17 While the Experian's baseline forecast is consistent with ONS population forecasts, OE adopt a different approach to understanding future population and labour force. While the SNPP rolls forward past change, the OE model is economics-led and takes account of a wide range of factors, including adopting their own view on migration. While this is an ELR, it is still relevant for us to consider this because of the inherent linkages between jobs and population. It would remiss to ignore that job growth is linked to the availability of labour to fill those jobs.
- 5.18 The figure below shows the effect this has on forecast population growth by comparing the SNPP 2014 with the OE model's population, both in terms of total and working age. It can be seen that, even though their forecasting period does not

extend across the whole of the plan period, OE anticipate both a higher total and working age population than the SNPP.

Figure 5.7: SNPP 2014 vs OE population forecasts (thousands)



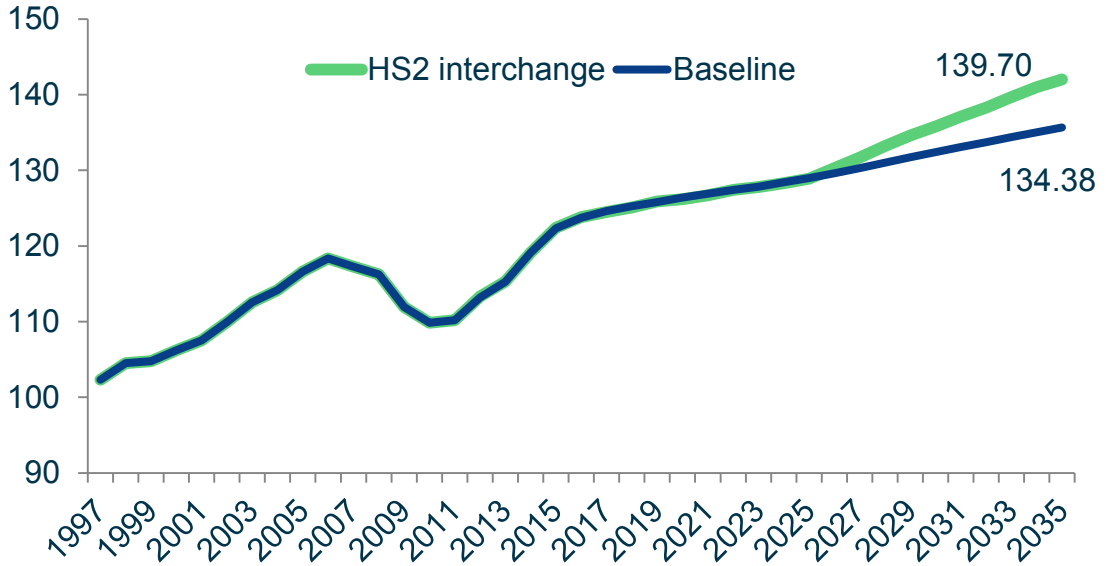
- 5.19 Turning to job growth, the OE model forecasts 8,900 additional jobs in Solihull over the period 2014 to 2030. This compares to the 13,300 additional jobs being forecast by Experian in their baseline scenario or 11,700 in their Brexit scenario over the same period. So while OE expect the population (and workforce) of Solihull to grow faster than the SNPP 2014, their forecast job growth is lower.
- 5.20 In comparing these numbers though, it is important to underline that they are calculated in very different ways. Because OE's population is not aligned with the SNPP, which LPAs are required to use as their starting point in calculating their housing need, and because the SHMA is supported by aligned job forecasts, we do not consider the model in further detail. However, given OE is forecasting lower job growth than any of the Experian scenarios we have considered and the NPPF requires LPAs to plan positively for growth, we think this approach is robust.

HS2 interchange scenario

- 5.21 Finally, the HS2 interchange scenario was developed for the SHMA; in that context, the scenario considered whether the jobs could be filled from the baseline labour supply or whether new population (and therefore houses) was required. HS2 interchange scenario was modelled as an additional development because it was considered as something that was not anticipated by the forecast i.e. supergrowth.
- 5.22 A full method for the modelling is set out in the SHMA but we briefly summarise here the approach taken. We asked Experian to model in new jobs at the HS2 interchange site; those new jobs were based on Amion's Strategic Outline Case (May 2015) which calculated a number of new jobs from a specified quantum of development. Over the plan period, this translated to job growth of 20,600 i.e. 5,400

jobs in excess of the baseline. This uptake relative to the baseline is shown clearly in the figure below.

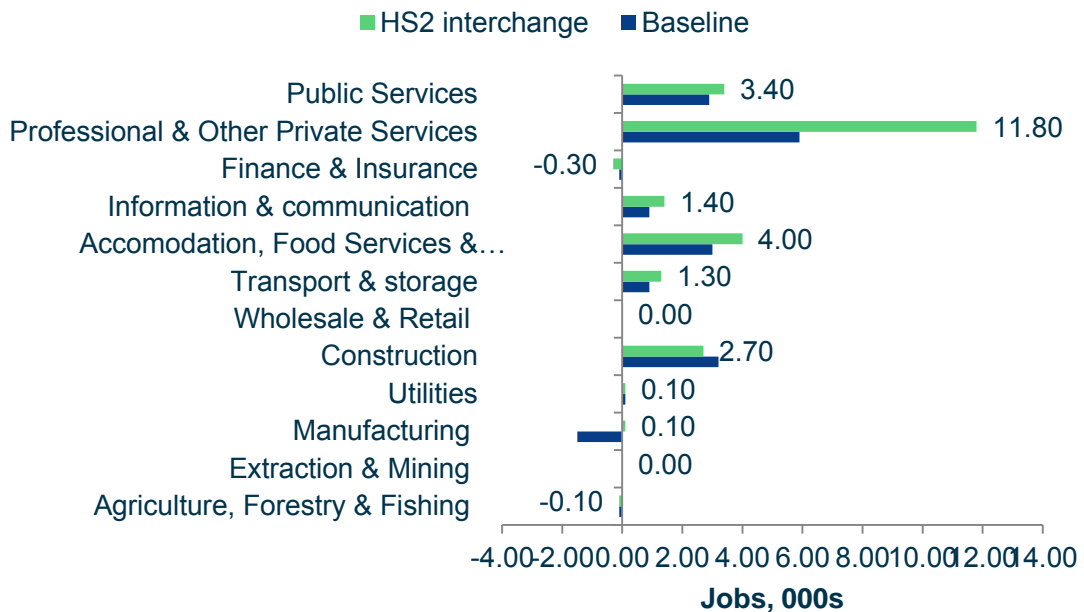
Figure 5.8 Jobs growth (thousands) 1997-2035



Source: Experian

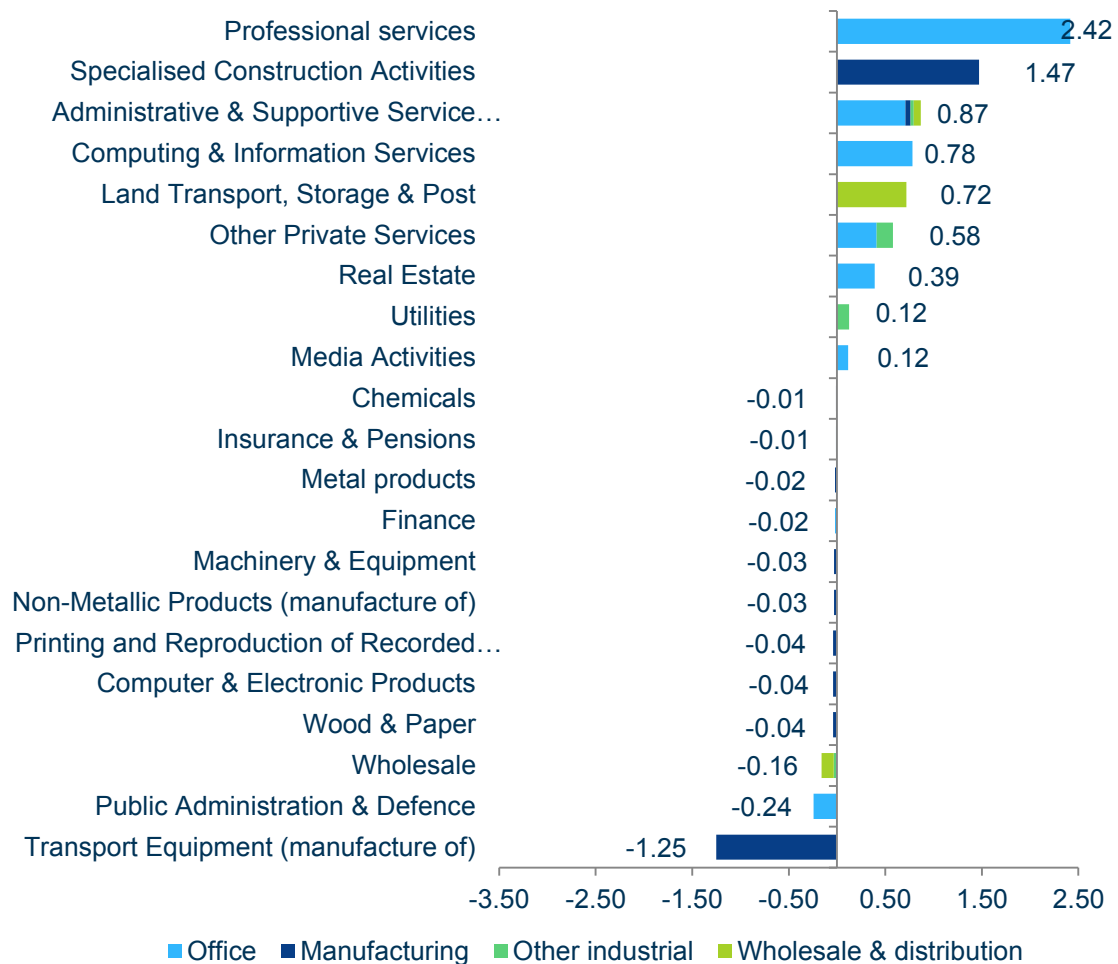
5.23 The following two figures show how this growth is distributed first across the broad sectors, again with reference to the baseline; and secondly with specific reference to the B-Class uses. Figure 5.6 shows clearly that it is within the office sector, particularly professional and other private services, this supergrowth will be concentrated.

Figure 5.9 Baseline vs scenario net additional jobs



Source: Experian

Figure 5.10: B Class job growth in the HS2 interchange site scenario



Source: Experian

- 5.24 It follows that the net additional jobs will accrue to the HS2 interchange site. Taking this at face value would suggest that under this scenario, there is no need for SMBC to plan differently for growth beyond allocating these to the HS2 interchange site. However, we also need to think about displacement i.e. the jobs that would have been accommodated elsewhere in Solihull but instead would locate to the HS2 interchange site and the multiplier i.e. spin-off jobs arising because of the HS2 interchange development.
- 5.25 Unlike the jobs that will be located at HS2 interchange site, the effects of displacement and the multiplier will be felt across the borough (and wider). So while the allocation of HS2 interchange site means that no further land elsewhere in the borough needs to be allocated to address that growth, there will be impacts, both positive in terms of the multiplier, and negative in terms of displacement that we need to consider.
- 5.26 The table below draws on Amion’s advice on forecast displacement, multiplier effects and optimism bias. We have calculated the off-site effects of HS2 interchange site on job creation across GBSLEP, and then separated this job creation into Solihull and the rest of GBSLEP.

Table 5.1: Impacts of HS2 interchange on elsewhere in Solihull and GBSLEP

	GBSLEP		Solihull		Rest of GBSLEP	
	Offices	Industrial	Offices	Industrial	Offices	Industrial
Displacement	-50%		-22.5%			
Multiplier	46%		20%			
Balance	-4%		-2.5%			
Gross HS2 interchange jobs in 2033	4,950	571	4,950	571	0	0
Off-site HS2 interchange impact (jobs) ²⁴	-198	-23	-124	-14	-74	-9

- 5.27 This shows that if the HS2 interchange site goes ahead, 138 fewer jobs will be located elsewhere in Solihull than under the baseline scenario, comprising largely office-based employment but with a small number of industrial jobs also displaced.
- 5.28 We consider the implications of this in looking at our preferred scenario below.

Preferred scenario

- 5.29 We have considered four separate job forecasts across the plan period. We have discounted the OE and Brexit scenarios for the reasons set out above. In terms of informing long-term demand, we think that the relationship between the baseline and the UKC Hub scenarios is important.
- 5.30 It is clear that while there is a degree of displacement expected i.e. some jobs that would have gone to elsewhere in Solihull if the HS2 interchange scheme does not come forward, the majority of the UKC Hub job growth is expected to be net additional to Solihull. Furthermore, the extent of displacement constitutes 1% of total job growth under the baseline scenario. We do not think this difference is material in planning terms.
- 5.31 Adopting the baseline scenario for the purposes of the ELR ensures a consistent approach with the SHMA. Ensuring that housing and jobs are aligned complies with the NPPF and PPG.
- 5.32 However, for completeness, when considering the conversion of jobs to floorspace and land requirements, we consider what this displacement means in terms of land requirements and the baseline should be used as the preferred scenario for the purposes of this study.

²⁴ 20% optimism bias applied

Translating into land requirements

Employment densities and plot ratios

- 5.33 These baseline requirements can be translated into a net floorspace demand. Land use plans commonly make new land allocations by releasing hectares of land. But at the plan making stage we can only estimate the likely use and format of the land being allocated. So this process is very uncertain.
- 5.34 To help inform planners' decisions it is common for employment land reviews and other evidence base documents to estimate the capacity of land to accommodate new employment floorspace. Most planners firstly estimate the number of jobs; then the amount of floorspace required to accommodate them; followed by the amount of land required to build the floorspace. The first part is typically done with reference to the Homes and Communities Agency Employment Density Guide²⁵. The assumptions that inform the second part are less well-established.
- 5.35 The capacity of land to accommodate floorspace is commonly described as the 'plot ratio' and is expressed as the floorspace capacity of a hectare of land. For example a plot ratio of 1:4,000 indicates that each hectare can accommodate 4,000 sqm of floorspace. This is sometimes expressed as a percentage; for example 40%. This also indicates a nominal capacity of 4,000 sqm (i.e. 40% of a hectare).
- 5.36 But there is little evidence to support any assumptions planners make about plot ratios. Most recent studies still rely on research undertaken by Roger Tym & Partners in 2010 for the Yorkshire and Humberside region which involved surveying approximately 330 recent development schemes.
- 5.37 The research showed that there was very limited potential to increase plot ratios for general industrial or warehouse type sites. Most of these units are single storey and the amount of circulation space means they cannot be built to a higher plot ratio. The only way of intensifying the employment capacity of these sites will be to dilute them with higher density office uses.
- 5.38 Office plot ratios are much more variable; in locations outside of town centres, a 40% plot ratio remains appropriate but within town centres density assumptions are almost meaningless. This is because they can be virtually infinite. What controls plot ratios in town centres is related to what the development capacity of the site is rather than any set plot ratio target. This can only be estimated site by site.
- 5.39 Alternatively inconsistent and un-evidenced 'rules of thumb' are used. The most common 'rule of thumb' estimate is that each hectare of new greenfield land can accommodate between 3,500 and 4,000 sqm of employment floorspace; either offices, warehouses or general industrial units (i.e. 35-40%). Separate ratios for brownfield redevelopment are rarely quoted.

25

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf

What does this mean for Solihull?

- 5.40 Based on the above job densities, the table below converts the forecast job growth under the preferred (baseline) scenario into floorspace and land requirements. This indicates that, over the plan period, an additional 22.6 ha of employment land is needed to meet forecast job demand.

Table 5.2: Baseline floorspace requirements (2014-33)

	Industrial	Office	Total B class
Jobs	1,089	4,548	5,637
Sqm per job	44	14	58
Floorspace (GIA), sqm	47,910	63,670	111,580
Land (ha)	10.6	12.0	22.6

- 5.41 We now look at how the modest displacement identified in our discussion of the HS2 interchange site scenario would impact on this baseline job growth. Following on from Table 5.1, the table below converts the off-site HS2 interchange scheme impact into floorspace, using the same densities as those described above.

Table 5.3: Converting HS2 interchange scheme displacement from jobs into floorspace

	GBSLEP		Solihull		Rest of GBSLEP	
	Offices	Industrial	Offices	Industrial	Offices	Industrial
Off-site HS2 interchange impact (jobs) ²⁶	-198	-23	-124	-14	-74	-9
Sqm per job	14	14	44	44	14	44
Floorspace (sqm GIA)	-2,772	-1,006	-1,732	-629	-1,039	-377
Total floorspace (sqm)	-3,778		-2,361		-1,417	

- 5.42 This shows that if the HS2 interchange site goes ahead, the need for additional floorspace would reduce by 2,400 sqm i.e. 2% of the forecast floorspace requirement under the baseline. The table below calculated the reduced floorspace requirement.

Table 5.4: HS2 interchange scenario floorspace requirements²⁷ (2014-33)

Floorspace (sqm)	Industrial	Office	Total B class
Baseline requirement	47,910	63,670	111,580
UKC impact	-629	-1,732	-2,361
%	-2.7	-1.3	-2.1

²⁶ 20% optimism bias applied

²⁷ All these figures exclude any land allocated at UKC Hub

Floorspace (sqm)	Industrial	Office	Total B class
Reduced requirement	47,281	61,938	109,219

5.43 Finally, Table 5.5 converts these floorspaces into land requirements, again using the plot ratios described above. In the context of overall demand, we consider the reduction in land requirement of 0.4 ha to be negligible and we do not suggest that SMBC should be looking to allocate a lower quantum of land elsewhere in the borough in addition to the HS2 interchange development.

Table 5.5: Land requirements – baseline and scenario (ha)

	Baseline (Preferred)	HS2 interchange scenario ²⁸	Difference
Industrial	12.0	11.8	0.3
Office	10.6	10.3	0.2
Total	22.6	22.1	0.4

Source: PBA

5.44 However, these figures represent only the first stage of considering demand for new floorspace and should not be considered in isolation. We consider below a number of other factors that need to be considered in order to robustly plan for the future.

Losses and churn

5.45 In calculating future land requirement for a given employment use, the starting point is net employment change – the future change in the stock of jobs over the plan period, equal to the jobs to be gained in new and expanding employment units, minus the jobs to be lost in closing and contracting employment units. Therefore, the resulting land requirement also represents net change, i.e. the change in the stock of employment land, equal to the land that will be gained through new development and change of use, minus any existing employment land that may be lost to other uses.

5.46 In order to translate this net land requirement into proposed employment land allocations, we need to translate it into a gross requirement, or gross gain – an estimate of the new land that should be identified for employment, regardless of any existing land which will be lost to employment. To arrive at this gross requirement, we need to add to the net requirement already calculated a further quantity of land that equals the expected future loss and will replace that loss. This replacement is often described as churn.

5.47 In existing planning documents, there are four main approaches to the calculation of losses and churn.

1. The first and simplest, adopted by many planning authorities, is to ignore the issue and confuse net and gross change. This is not helpful, because it produces misleading results which are wide open to challenge, especially in places where

²⁸ All these figures exclude any land required at UKC Hub

large losses of existing space are occurring – which in practice means most places.

2. The second approach is to make a blanket assumption that a given percentage of the existing stock will be replaced each year, and of this replacement a give proportion will need to be on new sites. We consider that this approach is unsatisfactory. There is no evidence on what proportion of the stock is replaced each year, and common sense suggests that this proportion varies widely between places. So blanket assumptions will be inaccurate.
 3. The third approach is to project past losses, where known, to the future plan period. This does not seem unreasonable, but it is open to the obvious objection that the future may be very different from the past. If this method is to be used, the authority needs to look carefully at past losses and use local knowledge to make a judgement on how the future might compare with the past.
 4. The fourth approach is that, as part of its employment review or other evidence base work, the authority conducts a qualitative assessment of its existing employment sites and areas, to identify those which could or should be lost to non-employment uses, either because they are no longer suitable or viable for employment, or because they are needed for a higher-priority use, such as housing. Based on this assessment, the employment land calculation can develop different scenarios to illustrate possible futures, and plan for new sites accordingly.
- 5.48 In our view, this fourth method, in which the planning authority specifically identifies employment sites and areas that may be lost to other uses, is by far the most robust way of dealing with losses and churn. The qualitative assessment of existing employment areas is an essential element of the planning evidence base. As well as policies and decisions regarding new development sites, it informs policies on the safeguarding or release of existing employment sites. Without such policies, authorities are at serious risk of losing employment land to other uses which can and should be kept for employment. Conversely, they also risk protecting sites which do not deserve protection, because they are no longer suitable or commercially attractive for employment, and should be replaced by better sites in the interest of sustainable economic growth.
- 5.49 This is the approach we have taken in Solihull; each of the existing sites has been assessed to see if they are likely to remain in employment use for the foreseeable future. These assessments are summarised in Section 6.
- 5.50 As discussed elsewhere the existing stock is generally fit for purpose; we do not envisage large areas being redeveloped for non-employment uses. So we are generally satisfied that in Solihull we can take the net job figures broadly as gross. There may be some adjustments between the B uses, for example general industrial sites becoming more dominated by warehousing over time, but this is discussed later in our report because it relates to how we manage the employment sites.

Frictional margin

- 5.51 In an area where the planning system provides exactly enough land each year to meet the calculated requirement, it is almost certain that land supply in practice would fall short of demand, and hence development and employment growth would fall short of the target. One reason for this is that at any one point some development and redevelopment sites will be in the pipeline – thus not actually delivering jobs and floorspace. Indeed, some sites may remain in the pipeline for a long time (or forever), if they are constrained by factors such as bad ground conditions or lack of infrastructure. Moreover, there would be no room for choice or to accommodate the qualitative requirements of different occupiers and developers. And because occupiers and developers have no choice landowners may enjoy monopoly power. Finally, a precise match between requirement and provision would mean that there is no room for error. If the planning authority was to underestimate demand for any reason, business occupiers and developers would be forced out of the area by lack of sites.
- 5.52 All this suggests that to meet market demand and policy targets there should be a margin, or allowance, so provision is above the predicted requirement. There is no empirical evidence on how large this margin should be, except in one special case, Central London, where the GLA's Annual Policy Review has provided a benchmark which is used in monitoring the London Plan. The GLA's approach cannot be used in this instance. It is calculated as an oversupply – adding extra years to the forecast. It reflects the very special circumstances of Central London and uses exceptionally good data which is available, which we do not have here.
- 5.53 In our opinion, the Council should ensure that at all times there is enough readily available (unconstrained) land to meet the gross requirement for the next five years. There is no empirical basis for setting the number of years at five, but this number seems reasonable as it has historically been supported by the Planning Inspectorate. This requirement is not necessarily simply market-led, but a reflection of what is deliverable and also desirable from the policy and general sustainability perspective.
- 5.54 However, in Solihull's case, the majority of the existing supply of land either has planning permission or is likely to shortly; consequently, the supply of available land will run longer than five years. The risk with providing all the land upfront (all the supply up to 2033 or beyond), ready and available today is that the market will pick and choose only those elements most in market demand today; avoiding riskier developments, despite the fact that they may be policy preferable.
- 5.55 As a policy choice more land could be made available if the market has taken up land faster than the plans and policies would indicate or equally if any one sector or type of development fails to deliver to support forecast job growth.

Conclusions

- 5.56 Analysis of the long-term demand for jobs indicates that Solihull's workforce jobs will grow across the plan period. We have considered four different forecasts, undertaken by two different forecasting houses. These all indicate growth.

- 5.57 We think that caution should be exercised when planning for jobs growth based on early Brexit scenarios. For that reason, while we have considered a scenario which post-dates the referendum, we do not think this justifies adoption of a lower jobs growth target. This approach is in accordance with the NPPF's direction that LPAs should plan positively for growth. It is however something that SMBC should continue to monitor as further information on the nature of the UK's departure from the EU becomes available.
- 5.58 We have also considered an alternative provider's forecast for job growth in Solihull. We do not think this is an appropriate basis for planning for future need because it relies on a completely different population profile to that which underpins the SHMA. It represents a useful cross-check for job growth and suggests that by adopting the Experian baseline, SMBC would be allocating sufficient land to meet the scale of job growth envisaged by OE.
- 5.59 Finally, we considered the baseline Experian forecast which was also used in the SHMA, as well as a sensitivity to look at the effects of the HS2 interchange site. We have considered the effects of the HS2 interchange scheme on where job growth in the rest of Solihull by comparing the baseline and the sensitivity. When both displacement and multiplier jobs are factored in, we consider the difference in terms of jobs, floorspace and land requirements to be such that we do not think there a need to adjust the baseline forecast for job growth in Solihull.
- 5.60 In short, SMBC should plan in terms of looking to accommodate 5,400 jobs over the plan period and allocate sites in Solihull to meet this growth. Any employment growth at the HS2 interchange site is in addition to these jobs.

6 QUALITY OF EMPLOYMENT LAND

Introduction

- 6.1 In this chapter, we report on the qualitative audit of the borough's existing and allocated employment sites. The key test for these assessments is paragraph 22 of the NPPF. This focuses on market potential, or commercial attractiveness – the prospect that a site, if offered to occupiers/developers in the context of a reasonably balanced market, would be taken up for employment use. For existing and allocated employment sites, we are assessing their commercial attractiveness within the Solihull employment market.
- 6.2 The assessment boils down to whether the site is fit for an employment use. We reach a view after considering all the criteria in the round, discussions with the local authority and consultations. The review requires subjective judgement as the assessments are purely qualitative, with each site assessed on its own merits relative to the others.
- 6.3 However, key to the consideration is whether the site is occupied and whether there is evidence of renewal and investment. The condition of buildings on the site is one consideration, but just because the buildings are dated or reaching the end of their lifespan is not enough in itself to suggest release from employment use.
- 6.4 Where we recommend the release of a site, we do so having considered the opportunities for any existing business on the site to find viable alternative premises. It follows that if sites are part occupied, but considered surplus there must be opportunities for the existing businesses to find suitable alternative premises.
- 6.5 The purpose of this assessment is to provide the evidence to review the existing employment designations and possible changes, and to help with the consideration of planning applications for change affecting employment land.

Site assessments

- 6.6 SMBC provided PBA with a list of sites for assessment as part of this ELR, comprising a selection of existing employment sites and sites allocated for employment in the SLP. As such the scope of the site assessments was not exhaustive and cannot be considered to encompass all of the land in B class use within Solihull. As stated earlier in this report, VOA data from 2012 reveals that there is 504,000 sqm of office floorspace and 431,000 sqm of industrial floorspace in Solihull. This equates to a total of 935,000 sqm of employment floorspace, of which we have assessed a proportion of the sites.
- 6.7 For the purposes of this report, there are two types of site:
- Existing employment sites
 - Sites allocated in the SLP

- 6.8 The site assessments were carried out between July and August 2016. 28 sites were assessed; these are shown in the map at Appendix B.
- 6.9 This section summarises the findings, and the detailed site assessments are provided at Appendix C together with an explanatory note about the criteria at Appendix D. The criteria used were based on PBA's tried and tested pro forma, but adapted to local circumstances and piloted on a number of sites.

Existing employment sites

- 6.10 In total the assessment considered 22 existing employment sites. Table 6.1 shows that general industrial uses occupy the largest land area. But the JLR plant, at 139 ha, comprises the vast majority of this area. The remaining 8 ha of general industrial sites are located at Cranmore Industrial Estate and a number of smaller local industrial sites. Typically, this employment use requires small and flexible sized units, and as such general industrial uses only occupy approximately 5% of the employment floorspace in Solihull.

Table 6.1 Existing employment sites area and floorspace

	Offices	Mixed B Uses	General Industrial	Warehousing and Distribution	Other	Total
Site Area (ha)	128.7	11.4	147.2	70.0	0.6	357.9
Percentage	35.9%	3.2%	41.1%	19.6%	0.2%	100%
Floorspace (sqm)	268,859	40,607	33,100	265,326	765	608,656
Percentage	44.2%	6.7%	5.4%	43.6%	0.1%	100%

Source: Appendix C

- 6.11 The next most significant employment land use by area is offices. The BBP accounts for approximately 50% of the total office area, with other significant offices located at BVBP. The above table also reveals that office floorspace comprises 44% of the total employment land area in Solihull. The majority of offices are large headquarter-style developments with the ability to accommodate a significant quantum of units. One of the largest office buildings in the borough is the Phoenix building at BVBP, which comprises 12,000 sqm of high quality office floorspace.
- 6.12 Warehousing and distribution comprises 20% of the total employment land area, with this use dispersed amongst many sites, with the biggest being Cranmore Industrial Estate. Nevertheless, Table 6.1 shows that 44% of the total existing employment floorspace is warehousing and distribution, reflecting the relatively low density formats with operational efficiency need for extensive yardage and single level buildings. The most recent warehouse building to be developed in the borough is located at Solihull Business Park; it comprises 5,000 sqm floorspace over one storey.
- 6.13 The table below sets out vacant floorspace within existing employment site. With 50,343 sqm of vacant floorspace, this represents an 8% vacancy rate. This does not

include vacant land capable of accommodating additional development but relates solely to existing unoccupied floorspace.

Table 6.2 Vacant floorspace within existing employment sites

	Offices	Mixed B Uses	General Industrial	Warehousing and Distribution	Other	Total
Floorspace (sqm)	23,963	-	2,078	24,302	-	50,343
Percentage	10.4	-	5.6	8.7	-	8.2%

Source: Appendix C

- 6.14 The most significant vacancies are in the warehouse and distribution, and office sectors; however, these are broadly in proportion with the amount of floorspace in Solihull devoted to each use.
- 6.15 In most cases, these vacancies are in buildings which have become out-dated and require some renovation, for example, Lode Lane has an 18% vacancy rate. These vacancies present an opportunity for intensification of employment uses, through the redevelopment of older sites. In particular, Lode Lane has a significant proportion of older stock which if redeveloped could provide an improved employment offer.
- 6.16 The above analysis has considered the headline statistics following the site assessments, providing an understanding of the current employment offer in Solihull. As detailed in Appendix D, the audit includes an assessment of the attractiveness of sites to potential occupiers, taking account of site quality, its accessibility, and its scope as an employment site in the future.
- 6.17 The fundamental question we consider in relation to existing employment sites is whether they should be safeguarded for continued employment use. Whilst these judgements are informed by a number of factors based on the criteria we have used for assessing the sites, a key question that informs the analysis is whether the site will remain well used for employment purposes if it is safeguarded. Where a site is considered to be likely or more than likely to remain well used, this weighs heavily in favour of safeguarding.
- 6.18 For many sites, particularly where the judgement over its future use is harder to call, the decision over whether to safeguard them cannot be taken in isolation. It is also important to consider demand and supply of future employment land.
- 6.19 In summary our view is that the majority of the sites will remain in employment use for the foreseeable future, as they were deemed to be of a sufficient quality for the current employment use. There are ten sites which we provide a future recommendation for, and these are outline below. Based on the site assessments we have categorised these sites into the following categories:
- sites for improvement/intensification;
 - sites for expansion; and lastly,
 - sites which should be removed from employment safeguarding.

Sites for improvement/intensification

- Cranmore Industrial Estate: This site is fit for purpose and will remain in employment use moving forward; however, some light industrial buildings have been neglected and these represent an opportunity for investment and improvement. The low quality stock is primarily located on Highlands Road, and these facilities could be brought up to the similarly high standards of the facilities on Cranmore Avenue.
- Chelmsley Wood Industrial Estate: This site contains small-medium sized industrial and distribution units which will remain in employment use for the foreseeable future. The site also includes the Bacons End Centre, a day care facility for adults with disabilities. The Council have discussed the closure of this facility, which could then be utilised as an employment site, either through basic improvements or redevelopment, therefore acting as an extension to the employment use on this site.
- Lode Lane: This site is occupied by a selection of small light industrial units, trade counters and motor vehicles repair centres. This is a small-medium sized site, with an 18% vacancy rate. This primarily affects the low quality industrial stock which is an opportunity for investment and improvement. Furthermore, at the south of the site there is the Christian Renewal Centre which is a D1 community use. As such, the site boundary should be adjusted to exclude this non-employment use.
- Woodside units: This site is in SMBC's ownership and management and is expected to be refurbished. At present, the vacancy level is high; however, this is largely as a result of units not being re-advertised while a decision was being taken on the future of the site. Given the sector of the market that it caters to, within which it can be challenging for occupiers to find space, we expect that following refurbishment, it will have a much higher occupancy level.

Sites for expansion

- BBP: SMBC are actively encouraging the expansion of this high quality business park. There are two planning applications under consideration for the expansion of the site onto the land allocated in the SLP. One is the westerly extension of the site, providing industrial units; and the second is the southerly expansion of the site comprising all B class uses.
- BVBP: There is a significant area of land surrounding this site which would accommodate increased employment land. There is a resolution to grant planning permission for the mixed-use development of this land, including up to 98,850 sqm of B1, B2, and B8 floorspace.
- JLR: A despatch centre and bridge, which extends the existing JLR site to the east of Damson Parkway, to include an additional 3,859 sqm industrial floorspace has recently been constructed. The boundary of this site should be adjusted to reflect this.

Sites to be removed from employment safeguarding

- Lincoln Road units: This site consists of a dance studio (D2), a light industrial and office unit (B1), and a scuba training centre and shop (D2 and A1). As such the majority of the existing uses are not B class. Although there are no vacancies on the site, it is in a residential area and has poor accessibility, therefore PBA recommend that this site is removed from employment safeguarding.
- Skelcher Road units: This site comprises small-scale light industrial units, and is occupied by one local company, Solihull Blinds. The site is poorly connected, surrounded by residential uses, and not attractive to occupiers, and as such it should be removed from employment safeguarding.
- Windward Way units: This is a vacant local industrial site with an extant permission for the demolition of all buildings and the residential redevelopment of the site. The surrounding uses and connectivity of the site make it unsuitable for future employment use and as such it is recommended that it is removed from employment safeguarding.

Allocated sites

6.20 We assessed six sites allocated in the SLP. All of the sites, except one, are currently in employment use, and at the time of writing the SLP, they were all considered capable of providing increased employment land for the borough. The table below summarises the sites by area and sector, considering how much land is readily available on the sites for development.

Table 6.3 Allocated sites area (ha)

	Offices	Warehousing and Distribution	Other	Available Development Land	Total
Site area (ha)	17	9.3	1.4	25.3	53
Percentage	32.1%	17.5%	2.6%	47.7%	100%

Source: Appendix C

- 6.21 In terms of the existing uses on these allocated sites, the majority comprise offices, with a further 18% in warehouse and distribution use. The table shows that almost 50% of the total area of the allocated sites is available for future employment land development. This figure was calculated using only the land readily available, and therefore there may be scope for more development land if buildings on the sites are redeveloped.
- 6.22 Table 6.4 shows the quantum of existing and vacant floorspace within the allocated sites. The majority of sites are occupied by office uses, as this represents 84% of the total floorspace. All of the vacant floorspace is in B1 office use, and 50% of this is within the TRW site.

Table 6.4 Allocated sites existing and vacant floorspace (sqm)

	Offices	Warehousing and Distribution	Other	Total
Existing Floorspace (sqm)	75,152	12,856	860	88,868
Percentage	84.6%	14.5%	0.9%	100%
Vacant Floorspace (sqm)	4,484	-	-	4,484
Percentage	6.0%	-	-	5.0%

Source: Appendix C

6.23 In 2013, these sites were allocated by SMBC because they had the capacity to accommodate further employment land. We have critically reviewed these allocations in the context of our audits and the market review.

- Clock interchange: the proximity of the site to wider UKC area means that its attractiveness as an office location is likely to improve during the lifetime of the plan. It is recommended that the existing B1 allocation is retained.
- Solihull Business Park: the SLP had allocated 6 ha of this site as readily available for development. This area of land has now been developed to provide medium scale B1c, B2, and B8 units. As a result, there is no longer any land available for development at Solihull Business Park, and the site should not remain as an allocation but should instead be included as part of the existing safeguarded land.
- BBP: there are current planning applications on the site for a range of B class uses. Given the size of the site and its relationship with the strategically-significant BBP, the existing office-focused allocation should be widened to reflect the current application, particularly as the market remains challenging for delivering new office floorspace.
- TRW: due to the high vacancy rate and the availability of additional land, on the face of it, the TRW site presents an opportunity for redevelopment. However, there is a question as to whether the site will come forward for further employment use. The market analysis indicates that offices in this location are not viable and while there is a permission in place for c. 12,000 sqm of additional offices, there is no evidence that this will be completed. It may be appropriate to take a more flexible approach to any future development on this site and that instead employment space might play a role as part of a mixed-use scheme. We recommend treating the existing allocation flexibly and considering a lower quantum of employment space and that future employment uses could include B1c given the proximity to established industrial locations; the nature of surrounding uses however limit the potential for wider B2 or B8 uses because of potential amenity issues.
- Chep/Higginson: the site is in existing employment use and there is limited evidence that this will change over the plan period. It is suggested that it would be more appropriately designated as an existing employment site on which other

B class uses would also be considered but in forecasting supply it should not be assumed that the site will make a significant contribution.

- Fore: while the site is well-located with motorway access and near to BVBP, a large proportion has yet to be built out. The extant outline permission on the site is from 2003 and while two of the four approved office buildings were built (completed 2009), there is no evidence that reserved matters applications will be submitted on the residual land to bring forward the rest of the approved floorspace. It is recommended that a wider range of B class uses are considered on the site and also the potential for non-B uses because of the limited services available.

6.24 Accordingly, in line with the site assessments conducted by PBA, the table below details the readily available land and the preferred use class for each of the allocated sites which we consider should remain allocated in the Local Plan Review.

Table 6.5 PBA's recommendations for the allocated sites

Site no.	Site	Recommendation	Readily available allocated land area (ha)	Preferred use class
1	Land North of Clock Interchange, Coventry Road	Retain allocation	1.35	B1
3	Solihull Business Park	Safeguard	0.0	B1, B2, B8
8	Land adjacent to BBP	Retain allocation	9.0	B1, B2, B8
11	TRW Stratford Road, Shirley	Safeguard existing quantum of space Allow B uses but consider releasing development land for alternative uses		B1
14	Chep/Higginson, Bickenhill Lane, Bickenhill	Safeguard	0.0	B1, B2, B8
16	Fore, Stratford Road, adj. M42	Allow wider B uses and ancillary supporting uses	1.5	B1, B2, B8

Source: Appendix C

Quantifying the supply pipeline

6.25 Drawing this together, the following table sets out the committed supply and our recommendations on the allocated sites which either do not currently have planning permission or there is no evidence that the current permissions are deliverable. On allocated sites where there are current applications, we include them as allocations but have used the current proposals to inform the floorspace forecasts.

Table 6.6 Supply pipeline

Site	Status	Available and deliverable land (ha.)	Office (sqm)	Industrial (sqm)	Total (sqm)
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	Site	Status	Available and deliverable land (ha.)	Office (sqm)	Industrial (sqm)	Total (sqm)
1	Land north of Clock Interchange	Allocated	1.4	10,800		10,800
7	BBP (3610 Parkway)	Permission on existing site		1,544		1,544
8	Land at BBP	Allocated Application submitted	9.0	37,160	122,796	159,956
10	BVBP extension	Allocated Application submitted	23.1	74,138	24,713	98,850
11	TRW	Allocated Extant permission unlikely to be delivered			12,000	12,000
16	Fore	Allocated Extant permission unlikely to be delivered			8,000	8,000
	Homer Road	Permission on existing site		6,363		6,363
	Other sites (inc. losses)	With planning permission		-12,399	-2,000	-14,399
SUMMARY						
Allocated				122,098	167,509	289,607
Deliverable permissions				-4,492	-2,000	-6,492
Total				117,606	165,509	283,115

Source: Appendix C

- 6.26 This pipeline is not exhaustive and does not capture those site which have yet to enter the planning process either as allocations or applications. For example, since this study was commissioned, we are aware that plans are now in the public domain for expansion of the JLR site to provide a 'logistics operations centre' which is intended to bring much of the supply chain industries from across the area onto one site. However, because this and other sites do not have any formal permission or commitment we have not included them within our supply forecasting.

Summary

- 6.27 In this section the existing employment sites and the sites allocated in the SLP have been assessed in line with the qualitative site audit conducted by PBA.
- 6.28 Through a review of the assessment criteria and all of the sites, PBA has made a number of recommendations for specific sites. These recommendations have been made based on the attractiveness of the site to occupiers. This assessment of the

sites and these preliminary recommendations are now considered alongside the market analysis from Section 4 and the long-term demand for employment space in Section 6 to inform our conclusions in Sections 8.

7 MARKET BALANCE

Introduction

- 7.1 In this section, we consider the demand for employment space generated by the preferred job growth scenario outlined in Section 5 in the context of the supply of land identified in Section 6.
- 7.2 Here we set out the series of stages our market balancing exercise has gone through. This firstly involves a rigid interpretation of the preferred scenario job forecasts across all B Class uses. We then split this rigid forecast out into B1 and B2/8 floorspace.

Reaching a market balance

- 7.3 The table below sets out the overall market balance for the borough. This indicates that there is an oversupply of 250,000 sqm of employment floorspace. This oversupply can be attributed quite clearly to outstanding allocations which have yet to be taken up: these account for some 290,000 sqm of potential employment floorspace.

Table 7.1: Market balance – all uses

Component		Floorspace change (sqm)
1	DEMAND	
2	Demand (net change)	111,580
3	Completions since 2014	58,803
4 = 2-3	Gross demand	52,777
5	SUPPLY	
6 from surveys	Surplus vacant floorspace (=vacancy in excess of 5%)	19,951
7	Extant permissions (net)	-6,492
8 from Plans	Outstanding allocations	289,606
9 = 6+7+8	Gross supply	303,065
10	FORECAST MARKET BALANCE - 2014-33	
11 = 9-4	Over (or under) supply	250,288

Source: Appendix C

- 7.4 This does not in itself mean that the allocations are not appropriate. After all, the SLP was only adopted three years ago. Before considering the nature of the land supply, we look at the market balance split out by office and industrial.
- 7.5 The pipeline of committed and allocated sites includes a number of sites that could equally be used for office or industrial use. However, the below tables include a judgement based on the site appraisals undertaken to categorise these sites as one or the other, or assume a proportion of floorspace would go to both office and

industrial use. This reflects the recommendations in Section 6 over the deliverability of several longstanding permissions.

Table 7.2: Office market balance

Component		Floorspace change (sqm)
1	DEMAND	
2	Demand (net change)	63,670
3	Completions since 2014	25,594
4 = 2-3	Gross demand	38,076
5	SUPPLY	
6 from surveys	Surplus vacant floorspace (=vacancy in excess of 5%)	11,247
7	Extant permissions (net)	-4,492
8 from Plans	Outstanding allocations	122,098
9 = 6+7+8	Gross supply	128,853
10	FORECAST MARKET BALANCE - 2014-33	
11 = 9-4	Over (or under) supply	90,777

Table 7.3: Industrial market balance

Component		Floorspace change (sqm)
1	DEMAND	
2	Demand (net change)	47,910
3	Completions since 2014	33,209
4 = 2-3	Gross demand	14,701
5	SUPPLY	
6 from surveys	Surplus vacant floorspace (=vacancy in excess of 5%)	8,785
7	Extant permissions (net)	-2,000
8 from Plans	Outstanding allocations	167,509
9 = 6+7+8	Gross supply	174,293
10	FORECAST MARKET BALANCE - 2014-33	
11 = 9-4	Over (or under) supply	159,592

7.6 Again, it is clear that there is an overprovision of employment land in terms of both office and industrial space.

Summary

7.7 The NPPF is clear that the provision within plans for housing and jobs should be aligned. Based on our modelling, the projected level of job growth can be serviced by projected population and housing growth. Our analysis of market balance suggests

that there is sufficient land to delivery these additional jobs. In the case of offices, the forecast supply is outstripping demand but that supply includes a number of long-term permissions over which there is some doubt over whether they will come forward. In the next section, we revisit our site-specific findings in the context of this market balancing.

- 7.8 In addition, SMBC also need to consider within their policies whether any of the existing employment stock could be replaced to enable qualitative improvements to the employment provision within the borough.
- 7.9 As we set out in the previous section, the existing employment stock is largely well-occupied and it would not be good practice to extinguish businesses on these active sites. Although the committed pipeline indicates that there is an oversupply of space, much of this space is either only permitted in outline form or does not yet have permission. The stock of new space that is actually available for take up remains very limited, and is likely to be occupied quickly.
- 7.10 To effectively secure this qualitative improvement in stock, it will be important to ensure that replacement floorspace is provided before any existing stock is extinguished. The policy mechanisms for doing this are explained in the next section.

8 CONCLUSIONS AND RECOMMENDATIONS

8.1 In this section, we outline a number of overarching recommendations that informed our suggested policy drafting.

Responding to the brief

8.2 As set out in Section 1, as part of the study, SMBC sought advice on the following specific issues:

- Undertaking a supply audit that provides an understanding of main land supply issues for the borough and an assessment of existing allocated sites to establish their fitness for purpose
- Understanding the forecast quantity of employment land needed to be planned for over the local plan review period and any gaps in supply should be identified that might be met through additional land allocations or the policy framework
- Highlighting any issues relating to sectoral needs such as the automotive supply chain as well as any gaps in provision such as business space for new starts/small grow on space
- Considering the extent to which the HS2 interchange business land should be regarded as a contribution to general business land requirements or whether it is of a more strategic nature like Regional Investment Sites (RIS) and Major Investment Sites (MIS) that serve a more regional role

8.3 We address these points below.

Quantitative employment land forecasts

8.4 Section 6 has identified that, for Solihull borough, the preferred Experian baseline forecast increase of 15,250 jobs over the plan period. As explained, over 50% of these new jobs will be generated in non-B Class uses and therefore not subject to detailed consideration in this report. Of those 5,640 jobs in the B-Class uses, 4,550 additional jobs are forecast within the office sector and the remaining 1,010 within the industrial sector.

8.5 This suggests that over the plan period there is need for an additional 22.6 ha of employment land, or 111,580 sqm of floorspace. However, these figures do not take account of any committed gains or losses of employment space, nor do they factor in the existing allocations.

8.6 This forecast is informed by past trends. In considering the forecasts, we must have regard to whether the trend period is representative of the future. In the case of Solihull, we are aware that in recent years, much employment land take-up has been as a consequence of the growth of JLR as a major employer in the borough. This is the case not just in Solihull but also in the West Midlands more widely where JLR investment has underpinned job growth in Birmingham, Coventry, Tamworth, North

Warwickshire and South Staffordshire. But as shown in the forecasts, there is evidence to suggest that this growth will continue.

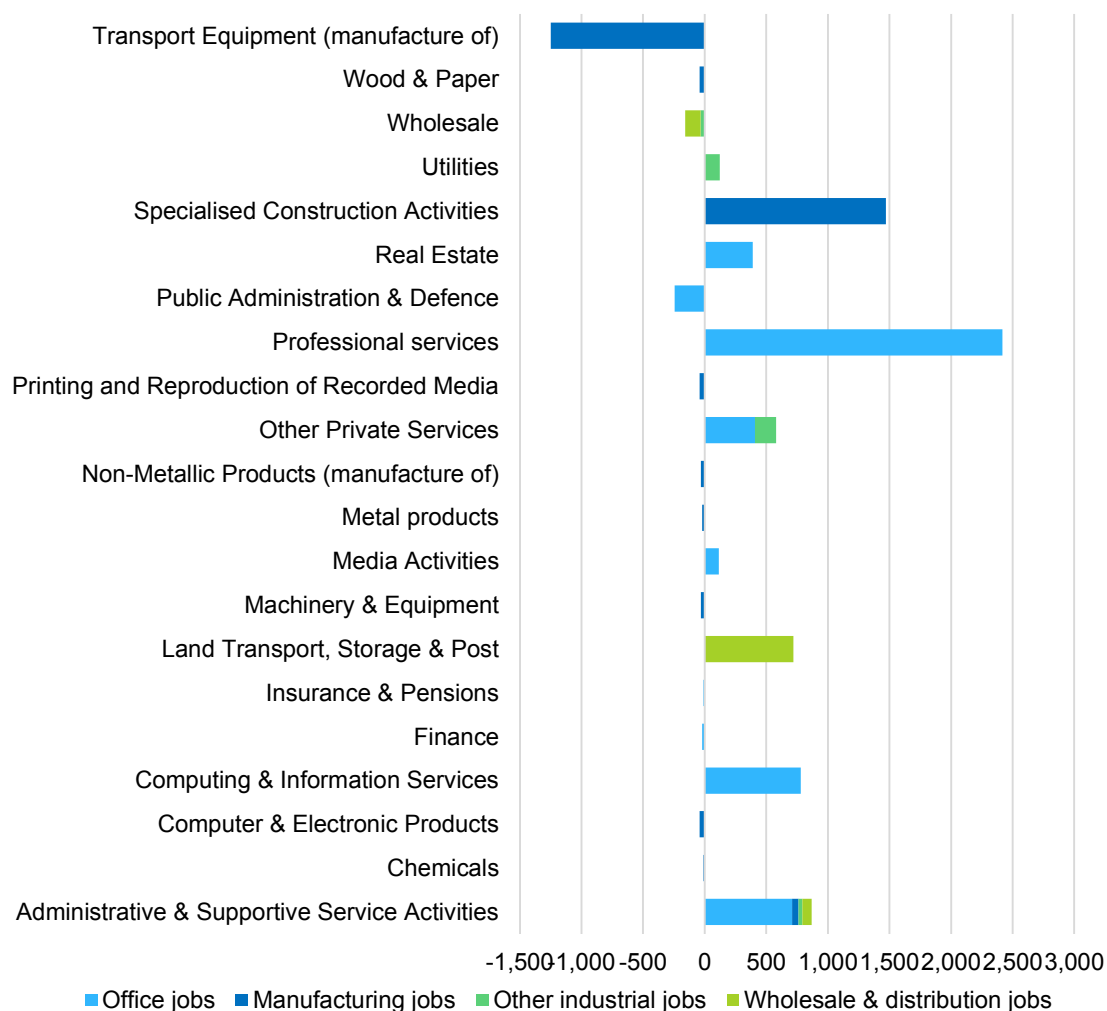
- 8.7 What is unclear is how relevant JLR's overall growth has been in job creation terms; certainly, it is understood that planned development is likely to entail an amount of displacement as the supply chain is brought in-house. Given the projected fall in transport equipment manufacturing (Figure 8.1) over the plan period, it is instead expected that this historic growth has been underpinned by productivity improvements rather than labour force growth. In terms of the quantitative forecasts, while JLR is a factor in employment growth in the borough, its implications in terms of land allocations relate to more specialist requirements which are unlikely to be fully captured.
- 8.8 As well as the long-term forecasts, we have also looked at short-term market demand. This has suggested that there is market demand in excess of the long-term forecasts, particularly for the industrial market. This ties in with the findings of the WMSESS which identified an undersupply of industrial land across the West Midlands but focused particularly on the M42 corridor.
- 8.9 Crucially though, this demand is inherently footloose and as such, occupiers will go to places where land is made available. To date, there has been limited provision in Solihull; this is primarily because of the constrained nature of the borough as a result of the green belt. It is also clear that the market places value on Solihull's quality as well as its accessibility: this quality point relates to the labour supply, existing businesses in the borough and the place.
- 8.10 So while the WMSESS made clear that these strategic needs should be met somewhere across the region, from the work we have done in this study, we have not found any compelling evidence that they should be met in Solihull. While strategic warehousing might deliver job growth in the borough, this would need to be balanced against the potential loss of green belt land and the erosion of Solihull's existing quality as an employment location. Instead it will be a need that must be addressed across the region via the duty to co-operate.
- 8.11 In relation to offices, the market analysis has suggested that there has been very little new build office space in the borough in recent years. This is common across much of the out-of-centre office market; however, there is evidence to suggest that office development in Solihull is returning to viability. We explore this point further below in relation to anticipated infrastructure improvements.

Sectoral needs

- 8.12 Figure 8.1 sets out the forecast growth in the context of the detailed Experian sectors, as well as in relation to the main employment categories of office, manufacturing and industrial. This indicates the key sectors that are expected to grow are specialised construction activities, professional services, land transport, storage and post, computing and information services and administrative and supportive service activities. The majority of the existing employment sites portfolio (and therefore existing employment) is focused on the professional services, automotive

manufacturing and land transport; it is this existing employment structure that will, to a large extent through trend analysis, have informed the forecasts.

Figure 8.1 Job growth by B-Class sector 2014 to 2033



Source: Experian

8.13 As set out in Section 2, SMBC identified advanced manufacturing and engineering (automotive and aerospace), utilities and energy, construction and building technologies, specialist business services, cultural buzz, technology, healthcare and life sciences and sustainability as sectors with the potential to deliver growth. Within these sectors, potential for job creation was identified in advanced manufacturing and engineering, specialist business services and healthcare and life sciences sectors.

8.14 With reference to the long-term demand forecasts considered in Section 5 and shown in Figure 8.1 above, it is clear there is some overlap including computing and information services and professional services. However, there are some exceptions: notably in relation to the forecast decline in jobs in the manufacture of transport equipment. This reduction does not necessarily preclude growth in the sector but suggests that if the sector grows, this will be achieved through increased efficiencies.

Impact of infrastructure improvements

- 8.15 Over the longer term period of the plan, the borough's strategic accessibility will have improved significantly with the opening of the new HS2 interchange station. As well as this, it is anticipated that local connectivity and integration will also improve. This will have implications for the employment land in the borough in terms of its attractiveness to the market.
- 8.16 In the short term, as set out above, there will be construction implications: both in terms of jobs but also in terms of increased traffic on the road network. While the latter is not directly relevant to this study, there may be implications in terms of market perception; however, the construction implications are very relevant. As set out above, it is likely that the long-term economic forecasts will have understated construction employment over the plan period because the growth that this construction is supporting may be outside the forecast. As a result, there will be a need to consider the potential land requirements associated with this construction growth.
- 8.17 In the longer term, while the market is not currently thinking in terms of this timeframe, there is reason to expect that infrastructure improvements will widen the attractiveness of Solihull's employment market. In the last 10 years, there has been no significant new build office space in the borough and there have been a number of permissions for significant office schemes which failed to come forward. However, the market analysis undertaken suggests that the office market is returning towards development being viable and there are a number of applications before or about to be submitted to SMBC which promote significant office floorspace in out-of-town locations, including some within the UKC Hub (BBP).
- 8.18 Part of the challenge for SMBC will be managing this growth: the development of UKC and the infrastructure improvements have the potential to improve the market position of the borough; but they also could serve to erode some of the characteristics that have, to date, made Solihull a successful employment location. This includes the quality of environment, stock and workforce in the borough.

The relationship between the forecasts and HS2 interchange scheme

- 8.19 We commissioned a forecast scenario to understand the impact of the HS2 interchange scheme on the labour market. As part of this analysis, we considered what effect we thought that the development of the HS2 interchange would have on the baseline or 'business as usual' growth scenario.
- 8.20 Looking at the market intelligence, the HS2 interchange remains a longer term prospect such that the short-term views of agents provide limited intelligence on potential demand.
- 8.21 Over the period, construction jobs are expected to grow. However, given the scale of investment anticipated in improvements to transport infrastructure and intensification around the UKC Hub over the course of the plan period, it is expected that construction employment will outstrip the forecasts. The implications of this need to

be considered when planning for employment land: this could either be in terms of specific temporary construction depots or absorbing slack in the existing employment stock.

The findings of our supply audit

- 8.22 We assessed 28 sites across the borough as part of this study: 22 of these were in existing employment use and the remainder are allocated for employment development in the SLP. In relation to existing employment sites, the majority were deemed to be well-occupied and of appropriate quality to satisfy demand.
- 8.23 The presence of BBP and BVBP as major office locations in the borough mean that this is the main use identified in the supply audit. We did not consider the office space in Solihull town centre which will further bolster the amount of office stock in the borough. However, it is also clear that industrial and warehousing uses are also a very significant component of the stock.
- 8.24 A degree of vacancy is to be expected and is considered to be indicative of normal churn in the market. However, in some instances, the vacancy level is above normal churn; often though, such as in the BBP, there are clear reasons for the higher levels of vacancy and in most cases, it is anticipated that these are indicative of short-term circumstances rather than long-term failings within the portfolio.
- 8.25 The supply audit also identified an extensive pipeline of employment land; however, this primarily comprises either allocations or long-standing permissions which have yet to be taken up. This is because either sites with permission have been developed already or the extant permissions are historic and are no longer considered to be deliverable. Sections 6 and 7 make a number of specific recommendations in relation to the portfolio of sites.
- 8.26 It is normal for ELRs to advise councils overprovide employment land; such overprovision is important to allow for market friction, choice and churn, also to allow for windfall losses. There is no formal guidance on how large this over-provision should be. In this area we estimate that the surplus pipeline is around 20% of the built stock. This does not appear excessive given the length of the proposed new plan and the large margin for error in any employment land calculation.
- 8.27 The other element that must be considered related to permitted developments which now allow change of use of light industrial units. This could result in losses of valuable stock from the supply over the course of the plan period. These are further reasons why we consider it important that SMBC allocates a supply buffer in excess of demand.
- 8.28 There is merit in reducing this to achieve a better balance of supply and demand over the plan period. One of the main mechanisms for doing this is the reconfiguration of larger allocations to secure a smaller quantity of employment land but in return land which is offered serviced, preferably freehold and in smaller units as identified in our market demand review. As set out in Sections 6 and 7, this is something that SMBC should consider in relation to the TRW site.

- 8.29 While there is a strong pipeline in supply, because the majority of existing stock is well occupied, we do not recommend that occupied sites should be released. This is in part because the short-term pipeline of sites is limited: as new, particularly industrial, sites are available for occupation, they are taken up quickly. So despite there being a large pipeline of new space, because the existing stock is largely well occupied and, with a few exceptions (Section 6), the sites are fit to retain in the short to medium term, at least until viable new space is available to allow existing occupied sites to be released.
- 8.30 In addition to this, we have highlighted the fact that we expect construction employment to grow in order to deliver planned infrastructure over the period. Because we expect that there will be a timing issue in terms of this new infrastructure needing to be in place before some of these larger sites are released to the market. But in the intervening period, these sites could be used to meet temporary construction requirements.
- 8.31 This study has highlighted the fact that there is market shortage of local industrial (freehold or lease). Where new stock becomes available, it is often focused at a different section of the market than the old stock because these occupiers are often price conscious in that they are not able or do not have the inclination to pay the rent levels which make new space viable. To overcome these viability issues, SMBC could explore securing new local-scale employment space as part of mixed-use residential-led developments, using planning obligations to ensure the delivery of the space to the market.

Our recommendations

Balancing the market and allocating land

- 8.32 Taking account of the identified demand and the existing supply of employment land, there is an oversupply over the plan period. However, there is evidence to suggest that there is market demand to support this level of supply. The NPPF is clear in its advice to LPAs to plan positively for growth and on this basis we do not recommend that SMBC reduce the quantum of allocated land because of this notional oversupply.
- 8.33 It is normal for ELRs to advise councils overprovide employment land; such overprovision is important to allow for market friction, choice and churn, also to allow for windfall losses. There is no formal guidance on how large this over-provision should be. In this area we estimate that the surplus pipeline is around 20-25% of the built stock. This does not appear excessive given the length of the proposed new plan and the large margin for error in any employment land calculation.
- 8.34 The other element that must be considered related to permitted developments which now allow change of use of light industrial units. This could result in losses of valuable stock from the supply over the course of the plan period. These are further reasons why we consider it important that the Council allocates a supply buffer in excess of demand.

- 8.35 With these factors in mind, our advice is that 20-25% is at the limit of reasonable expectation and should too much land be added the likelihood that sites will be taken up over the plan period diminishes; at worst the SMBC could lose control of its allocated land stock as sites lack 'reasonable prospects'. But given the scale of market interest identified, we do not think this is the case based on the current portfolio of sites assessed.
- 8.36 This does not mean the pipeline should simply be carried forward. There is scope to reconfigure the pipeline to better meet the qualitative requirements of the market. This includes adopting a more flexible approach in relation to some longstanding permission, such as TRW and the Fore which are unlikely to come forward in their current form but which market intelligence suggests will come forward during the plan period. This could include allowing mixed-use development with a smaller quantum of B1 floorspace but that delivery of that employment space being conditioned as part of the planning permission. We explore this below in more detail.

Considering regional demand

- 8.37 Section 3 considered Solihull's position in the context of the FEMA. It is clear from that analysis that the borough's economy is already closely tied with that of neighbouring Birmingham and adjoining authorities along the M42 corridor. The preceding market balancing exercise is based on long-term demand within Solihull borough. At present, the borough has two sites which have been identified as having more than local significance: BVBP and BBP.
- 8.38 Over the course of the plan period it is anticipated that transport improvements will mean that connectivity of the UKC Hub (which includes BBP) to Birmingham, the region and London has the potential to improve its market position for occupiers and employers. We have looked specifically at the HS2 interchange site as key site which, to date, has not been in employment or substantial employment use; this is expected to change of the plan period and could accommodate significant additional jobs, as well as focusing further critical employment mass in the wider UKC area, including the airport, JLR and BBP.
- 8.39 That said, it would be a policy decision for SMBC if they opted to plan for employment growth in excess of their forecasts. Under the NPPF, LPAs are advised to plan positively; but they must have regard to the implications for their neighbours and engage positively on this basis.
- 8.40 Added to this, there is the requirement to align jobs and houses. If employment growth in Solihull is greater than forecast, it is possible that there would not be enough people in the forecasts to fill these jobs. This however ignores the improved accessibility of the borough over the period; while there may be a step-change in the employment role of the borough, this is inherently linked to the accessibility improvements such as HS2, the Metro, the sprint etc. which will ensure that any shifts in commuting to fill job growth are sustainable. This is something that SMBC should monitor.

Other measures

- 8.41 The market advice has been clear that there is a limited pipeline of smaller local quality office and industrial sites. While it is possible that with the planned JLR development to bring their supply chain in-house will free up some other local quality sites, SMBC should also plan for new sites to come forward. This has regard to the fact that some local sites have been lost in recent years.
- 8.42 As standalone schemes, these smaller employment schemes typically struggle to be viable and are not delivered. Where sites are promoted and allocated for a mix of uses including employment, planning obligations should be used to ensure that the delivery of serviced employment sites is phased into the overall development using planning obligations, so ensuring the site is built out broadly as originally envisaged and promoted. If later evidence suggests a lack of market demand for the employment space consideration should be given to selling smaller parcels to the freehold market where the evidence suggests there is strong demand.
- 8.43 The lack of freehold floorspace can frustrate demand for local quality employment sites. Whilst the mechanisms available in policy terms is limited in terms of bringing freehold space to the market, this is another aspect of why ensuring the appropriate delivery mechanisms are formally enshrined in a planning obligation to bring serviced employment plots forward as part of mixed-use development is particularly important.
- 8.44 It is only by securing the infrastructure that the SMBC can ensure that the marketing of such sites can be done on a meaningful basis. This will include the potential to sell sites on a freehold basis to employment occupiers.

Monitoring

- 8.45 Estimating future demand is always challenging; even more so given the current Brexit uncertainty. In this report we have considered the impact of Brexit on the demand for space in the borough. Shortly after the referendum most forecasting houses cut their growth expectations but some confidence appears to be returning. To plan on the basis of a Brexit downturn forecast would in our view not reflect Government policy to plan positively for growth.
- 8.46 However, this is a topic that SMBC needs to keep under review. In our mind clear parallels can be drawn with the last recession. Throughout that period of economic uncertainty, the message from the Government, the Chief Planner and the Inspectorate was to plan for growth. There is evidence that the post-recession bounce back absorbed some of the capacity that remained unimplemented in the recession.
- 8.47 In addition; common sense would suggest the planning for Brexit recession or slow down, if implemented in development plans, runs the risk of cementing in slow growth and leaving the economy unable to respond should the market exceed the current (short term and pessimistic) view.



APPENDIX A STAKEHOLDER CONSULTATION

Representatives from the following organisations attended a presentation and workshop held in September 2016:

- Barton Willmore
- Birmingham Business Park
- Canmoor
- CBRE
- Cushman & Wakefield
- GVA
- Hale Architecture
- IM Properties
- Interserve
- JLL
- Knight Frank
- KWB
- Npower
- Nurton Developments Ltd
- Prologis
- Savills
- Seddon Construction
- Solihull Bid
- Solihull Chamber of Commerce
- Turley

APPENDIX B EMPLOYMENT SITES PLAN

APPENDIX C SITE ASSESSMENTS

APPENDIX D SITE ASSESSMENT CRITERIA

Criterion	Scoring scale	Explanation
Strategic accessibility	Excellent to very poor	<p>Excellent: direct access onto strategic road network or less than five minutes' drive from motorway junction</p> <p>Good: access not direct but well linked. Short distance on high quality local road</p> <p>Reasonable: longer distance on high quality local road to connect with strategic road network</p> <p>Poor: access to strategic road network via a number of different local roads. Not easy.</p> <p>Very poor: remote from strategic road network and no easy route by local roads</p>
Local access	Excellent to very poor	<p>Excellent: junction onto road network suitable for type of employment use on site. Potential to accommodate additional traffic if site successful/expanded. Could have controlled access if needed or direct access onto roundabout.</p> <p>Good: junction onto road network suitable for current use but may require upgrade, particularly if intensity of use increased.</p> <p>Reasonable: no signs of congestion due to substandard access but could be improved e.g. better visibility, feeder lane, scope for queuing.</p> <p>Poor: access not sufficient to accommodate volume of traffic using the site – could result in congestion in or off site through queuing at busy times.</p> <p>Very poor: poor formed access that requires upgrade to enable use by appropriate vehicles. Detracts from perception of site.</p>

Criterion	Scoring scale	Explanation
Public transport access	1. Poor 2. Reasonable, 3. Good	<p>Good: located within five minutes of a high frequency station or bus stop serving multiple locations or located within reasonable walking distance of a high frequency station or bus stop serving multiple locations</p> <p>Reasonable: located near a bus stop or station but with low frequency service and limited destinations/requires change onto another mode of public transport.</p> <p>Poor: bus stop within in walking distance but limited service or remote from any public transport. Not feasible to rely on public transport to access the site on a regular basis.</p>
External environment	1. Poor 2. Reasonable 3. Good	<p>Good: well located for local amenities (in/edge of town location), good visibility for business occupiers, similar uses nearby or location large enough to have critical mass to standalone</p> <p>Reasonable: local amenities can be reached by public transport easily, some similar uses around but area more mixed.</p> <p>Poor: limited/no visibility in commercial terms; few similar businesses in surrounding area and not compatible with surrounding uses. Poorly placed to access local amenities.</p>
Internal environment	1. Poor 2. Reasonable 3. Good	<p>Good: well-maintained and laid out. Sufficient parking. Evidence of active management.</p> <p>Reasonable: Parking in high demand and can result in some on kerb parking at busy times. Tidy site but would benefit from improvement to landscaping, surfacing etc.</p> <p>Poor: Insufficient parking or not sufficient controls on parking results in parking on streets and kerbs. Not fully surfaced or properly maintained; poorly laid out; evidence of congestion. Litter/flytipping. and poorly laid out.</p>
Vacancy	1. Poor 2. Reasonable 3. Good	<p>Good: no to very limited vacancy</p> <p>Reasonable: vacancies but majority occupied</p> <p>Poor: majority to whole site vacant</p>
Market potential – likelihood of reuse/occupation	Yes, maybe, no	

