

**Final Report**  
**EMPLOYMENT LAND**  
**ASSESSMENT**

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**Isle of Wight Council**

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June 2010



CONSULTING  
**INPLACE**

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**Appendix I:** Technical Annexe

## 1. Introduction

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Maintaining an appropriate supply of employment land is an essential pre-condition for achieving sustainable economic growth.

Accordingly, Planning Policy Statement (PPS) 4, *planning for sustainable economic growth*, (December 2009), requires an evidence base which assesses the need for land and floorspace for economic development, in this case to 2026.

This report has been prepared to help meet that requirement.

In undertaking this exercise we have sought to follow the latest guidance from the South East England Partnership Board.<sup>1</sup> We have also drawn on earlier Office of the Deputy Prime Minister (ODPM) guidance, which the Partnership Board considers relevant, although dated.<sup>2</sup>

PPS4 applies specifically to three B class land uses: B1 Offices, B2 Industrial, and B8 warehousing/distribution. It also broadens the scope planners should account for when considering employment land use in their local areas to include public and community uses as well as to development which achieves at least one of the following objectives: providing employment opportunities; generating wealth or producing or generating an economic output or product. Our approach therefore is to concentrate on the specific quantitative consideration of B class employment uses while making qualitative comments and judgements on wider land use affecting employment land decisions.

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<sup>1</sup> February 2010 South East Plan Supplementary Guidance – Employment and Economic Land Assessments

<sup>2</sup> Employment Land Review Guidance Note (2004) ODPM.

## 2. Executive summary

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- Recent evidence suggests that it is likely that the amount of available employment land on the Island is much less than previously estimated – probably closer to 20 hectares than the top range of 31 hectares quoted in the 2008 Employment Land Study.
- In addition some land constraints on employment are applying immediately. These need urgent solutions if the Island’s aspirations are to be met. Our understanding is that the Isle of Wight Council, SEEDA and other partners are seeking to move forward to address those constraints.
- That said, future trends in demand for employment land are likely to be weaker than assumed in the 2008 study. Our evidence demonstrates is that an appropriate forecast would be an expected land need of between 29 and 42 hectares, with 6-9 hectares of that likely to be accounted for by industrial (B1b, c & B2) land, 11-13 hectares by warehouse (B8) land, and 12 to 20 hectares by office (B1a) land. This implies weaker demand than the employment land requirements of between 43 hectares and 62 hectares estimated as part of the 2008 study.
- That implies a gap which might be as small as 9 hectares but could be 22 hectares. For economic development purposes, the higher of those two is the relevant gap.
- It is also possible that the successful development of the Island economy will generate employment land needs significantly larger than this, and maintaining the flexibility to be able to accommodate that would be very useful, if the core strategy process permits such flexibility. However, we do not believe the Isle of Wight employment growth contained in the South East plan (described here as a high growth scenario) is achievable, given the size of the Island labour force.
- The work undertaken does not demonstrate a need for significant employment land allocations in rural areas. The key issues are to ensure that sufficient industrial land has marine access, to enhance the quality of office accommodation in the towns as part of an overall focus on urban regeneration, and to create employment zones on the edges of the towns where existing employment sites can be linked together in imaginative ways, likely to appeal to potential tenants and investors.

### 3. Current demand for and supply of employment land

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#### 3.1 Economic drivers

The recession has affected the Isle of Wight, as it has everywhere else. Estimates from Oxford Economics suggest that employment on the Island peaked in 2008, at 61,800, and has since fallen to an estimated 60,500 in 2010. Unemployment has increased and the number of reported job vacancies has fallen, while the number of people economically inactive has risen.

One important determinant of Island economic performance is that qualification levels are generally lower than in the South East as a whole. In particular, the percentage of the working age population with NVQ4 or above is 23 per cent on the Island, while the corresponding figures for the South East and the UK are 31 per cent and 29 per cent, respectively.<sup>3</sup> The Isle of Wight does perform better than the UK when lower qualification levels are considered, with a higher proportion of the population with NVQ2 or above, and fewer with no formal qualifications. However, the Island still lags behind the South East at these levels.

That pattern of qualifications helps to explain the coexistence on the Island of unemployment and vacancies, and the low rates of NVQ4+ qualifications may also help to explain why the Island is weak in one of the most important growth sector of recent years: business services.

At the same time the Island's business base includes a small but significant number of companies employing highly skilled workers, including several multi-national companies. It is also important to note that in recent years there have been at least some inward investments onto the Island. The Isle of Wight Council's Annual Monitoring Report for 2008-09 states that in the previous ten years the Island attracted 36 new companies and these directly generated just over 1,000 new jobs. Sectorally, ten of these were in marine, eight in general manufacturing and four in business services. Other companies were attracted in sectors such as electronics, engineering, financial services and communications.

Furthermore and despite the recession the Island continues to be in regular receipt of a modest number of inward investment enquiries via SEEDA, the Isle of Wight Council and other partners, and some locally based businesses have also recently been increasing their workforces. An example of the latter is GKN Aerospace. In addition the job losses at Vestas, which attracted wide publicity, are balanced in part by the same company's recent announcement of a major investment in developing a pan-European R&D centre on the Island. And other employers have also been recruiting or looking to do so. Many Island businesses are indeed very successful, and the longer term trends going forward, abstracting from the effects of the recession, are likely to be positive, as we discuss in Section 4, below.

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<sup>3</sup> Annual Population Survey 2008

### **3.2 Current demand: offices**

To get a clearer understanding of patterns in current demand for office, industrial and warehouse space on the island, we have undertaken confidential interviews with a small number of commercial agents.

Our interviewees said that there had been growth in office demand from 6 years ago until about 2 years ago, but that this has since petered out. None of the agents we interviewed had received any recent large office enquiries. This is clearly a reflection of the recession and of the uncertain economic outlook, so that employers are 'making do' or are not expanding, rather than incurring further costs. In addition there has been little demand from the public sector and the Agents' view was that this would be unlikely to change.

As a consequence, the overall position described to us is one in which market demand is generally weak and there appears to be an over-supply of premises. However, this assessment needs to be treated with caution. In the towns the quality of supply is considered to be poor. Much of the office supply is above retail outlets, is of limited quality, and is likely to be hard to let to those tenants demanding modern accommodation standards. Many properties on upper floor will also be difficult to bring into line with Disability Discrimination Act requirements.

Purpose-built, out of town, office space is available and indeed some developments, such as the Apex complex on the St Cross Business Park, are still vacant. Our interviewees said that there is more demand for newer, quality serviced accommodation, and indeed evidence of increasing demand, but this is mainly for very small units/suites. The Innovation Centre at St Cross is relatively popular but is facing a much tougher market than in its early years of operation, reflecting the economic downturn. We have been told that the Westridge business park in Ryde has a large tranche of accommodation which has been let via one company as serviced offices, and also appears to be successful, though Ryde itself is less well served in terms of purpose built offices than the Medina Valley.

Overall the recession has tended to reduce gross office rents on the Island. The highest rents are in Newport where our interviewees said it might be possible to obtain £15 per sq ft for highest quality accommodation on business parks (although other sources suggest a much lower figure). In the town itself, property rents would, according to our interviewees, be £12 or less for good ground floor space, £8-12 for 1<sup>st</sup> floor, and £4-6 for second. Rents in Ryde and Cowes are generally considered to be £1-2 per sq ft lower than their equivalents in Newport. (Note that none of these figures is the outcome of a proper survey and so they should be treated with caution.)

### **3.3 Current demand: industrial and warehouse**

The recent squeeze on manufacturing employment on the Island is also reflected in the property market – overall the Agents' views were that there has been very little activity in the last year or more (although as noted above there continues to be inward investment enquiries through other channels). One Agent commented that the closure of the Vestas assembly site had affected the market negatively –

although presumably not in the sense of creating spare capacity and depressing values, since the site has not been offered back to the market. Most of the Island's established companies have adapted their premises over time to meet their needs, and with a few exceptions they have not therefore needed to go to the market for new employment land.

The Agents we spoke to said that they have seen very little interest in R&D type facilities and they doubt that in the short term there is much demand for such facilities. However, Vestas is developing an R&D facility on the Island and GKN Aerospace has announced an R&D joint venture with Rolls Royce that will create skilled jobs on the Island. Other examples include the beauty treatments company Liz Earle, which has invested in R&D facilities at its site in Ryde, and a local company Inflight Peripherals which supplies inflight entertainment products that has also been creating R&D facilities, but who are similarly meeting their accommodation needs from existing stock.

Despite the caution of the Agents to whom we spoke, we are ourselves aware of a degree of interest from manufacturing companies off the Island looking for premises for their own use, and also some interest from investors looking for premises to let to industrial users. The range of sites available to offer such enquirers has however been limited, particularly since there are often potential conflicts between the demand for water access and the need to protect environmental assets. Many of the Island's existing manufacturing premises are of poor quality and most are small. Some are cramped and located on outmoded sites and there are often issues to do with road infrastructure and water access. A recent decision by the Isle of Wight Council to make land available at Stag Lane resulted in a competition between three potential users all wanting to occupy the same site. Agents nevertheless report an absence of speculative developments coming forward.

In recent months there has been strong anecdotal evidence of local firms considering relocating away from the Island if more appropriate land is not made available.

Industrial rents reportedly vary from around £8 per sq ft on Newport Business Park to £4 per sq ft for poorer stock. (Again, these figures are anecdotal rather than the outcome of a proper survey and should be treated with caution.)

Generally, the warehouse stock tends to be newer and of better quality than the industrial stock, but Agents report that there is limited demand for new take-up at present.

### **3.4 Current supply of vacant land**

With the economy growing slowly or not at all, there is clearly only moderate short term pressure for increased employment land. Nevertheless as noted above 'moderate' is very far from 'non-existent' and there are existing examples of companies wishing to relocate but unable to find the premises they need. We are therefore concerned that the current shortage of employment land is a potential constraint on the ability of the Island's economy to recover from recession and grow in a sustainable way over the medium term.

Figure 3.2 below lists the key sites identified by GVA Grimley in their 2006 review, and comments on the status of those sites. Although Grimley identified 31 hectares of available land, much of this was in small sites and only about 18 hectares were available before about 2016 and rather less than that, if sites with less than 2 hectares are excluded. Indeed, issues such as transport access, proximity to labour and services, market attractiveness, viability and development capacity and adjoining incompatible uses (for example nature conservation areas and residential areas) mean that in practice some of these sites perhaps never will be suitable for employment land.

In particular, the 4.3 hectare site at College close in the Bay Area (E5 (16) in the current allocation listing) is vulnerable to flooding and should almost certainly be excluded from consideration. Also there is less land now available at the Dodner industrial estate, E5(3), than originally assessed and similarly at the Cowes Business Park E5(8). This reduces the availability of land identified by GVA Grimley to about 24 hectares from 31 hectares, much of it accounted for by small in-fills in existing industrial estates or business parks, and some of these are effectively committed. Indeed the only significant sites in the Grimley study that really survive scrutiny are the Pan site (E5(4)), the Technology Park (E5(12)) and the Kingston site (E5(13)) – a total of approximately 18 hectares.

Some other possible sites were not identified in the Grimley study, in particular the SARO and Island Harbour sites on the east bank of the Medina; the Medina Yard, Medina Wharf, West Medina Mills and Stag Lane sites all of which are on the west bank; and Newport Harbour at the navigable limit of the river.

But of these, the SARO site may have similar problems with regard to access and environmental constraints to those identified in the GVA Grimley study, while Island Harbour is currently a residential and leisure site. The Medina Yard site is already in employment use (including boat building) but requires redevelopment – the result of which could be more or less employment opportunity, depending obviously on the nature of any development. Medina Wharf is primarily used as a gateway for bulk items and for storage (hence its exclusion from the Grimley work) although the site may have employment potential. West Medina Mills is already being redeveloped by SEEDA for Vestas' new R&D centre, and the Stag Lane site (owned by the Isle of Wight Council) is under consideration as a possible location for a bio-mass energy generation facility – both can therefore be seen as 'taken'. Newport Harbour is already an employment location but like the Medina Yard site could potentially be redeveloped, though probably more for offices or mixed use development than industrial use. Our assessment is therefore that under present circumstances none of these can be regarded as available employment sites – though some may nevertheless have strategic significance, as discussed below.

**Figure 3.1**  
**Land identified in 2008 GVA Grimley Employment Land Demand Study**

Site plan allocation	Comment	Hectares Available	Before about 2016?	Suitability
<b>Newport</b>				
E5 (3)	Part of existing Dodnor industrial estate – not all still available	0.5	Yes	Industrial
E5 (4)	Pan development	3.3	No	Office/Industrial
<b>Cowes</b>				
E5 (6)	Adjacent to Stag lane	1.9	No	Industrial
E5 (8)	Next to existing industrial estate (Cowes business park) Effectively committed?	1.2	Yes	Industrial
E5 (9)	Part of existing industrial estate (3 Gates Trading)	0.6	Yes	Industrial
E5 (12)	Adjacent to GKN, known as the 'Technology Park' but undeveloped	4.0	Half	Office/Industrial
E5 (13)	Kingston Wharf: recently bought by SEEDA	12.9	Half	Office/Industrial
<b>Ryde</b>				
E5 (14)	Westridge business park, ready for development but effectively committed?	0.7	Yes	Office
<b>Other</b>				
E5 (11)	Freshwater: rare west Wight site, but constrained	1.8	Yes	Industrial
E5 (16)	Bay Area: next to existing industrial estate. Flood risk so no longer available	4.3	No	Industrial
E5 (17)	Bay Area, next to Spithead business park, effectively committed?	1.9	Yes	Office/Industrial
E5 (18)	Same as E5 (17)	0.9	Yes	Office/Industrial
<b>Total</b>		<b>34</b>	<b>16</b>	

Source: Based on GVA Grimley Employment Land Study.

For this report the estimates of plot size have been revised in the light of more accurate information. As a result the total land reported here is 34 hectares rather than 31 in the original Grimley report and the amount available before 2016 is 16 hectares as opposed to 18 in the original report.

## 4. Future demand: alternative scenarios

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### 4.1 Past take-up rates

The future demand for employment land will clearly depend, not on the state of the economy today or in the past, but on the future evolution of the Island economy.

One approach to projecting what future demand might be is to identify past trends in employment land take-up – the number of hectares of land accounted for by new planning permissions which have been implemented – and then extrapolate these trends into the future. There are obvious problems with such a simple approach, especially in a period of significant economic dislocation.

A more basic difficulty is that for the Isle of Wight there is very little concrete data on past employment land take-up rates, and where there is, the small size of the Island market means that individual deals can dominate the figures. The 2008 GVA Grimley Employment Land Demand Study showed very erratic year on year changes between 1996 and 2006, even before the impact of the recession and reflecting the impact of a small number of deals. So we are wary of using take up rates to generate trends that we would then extrapolate into the future.<sup>4</sup>

### 4.2 Future economic conditions

The alternative to extrapolating past trends in take-up is to use employment projections, and then translate these into land needs based on assumptions about employment densities and plot ratios. The employment projections in turn need to reflect, and be part of, larger narratives about the likely performance of the local economy as a whole, including its relationships to the wider regional, national and global economies.

Although the Isle of Wight has not been as badly affected by the recession as much of the UK, recovery will clearly take time. This could widen the gap that already exists between the Isle of Wight and the South East on many economic indicators such as wages, unemployment, activity rates and qualifications. And it might imply that the future need for new employment land will progress only very slowly, beyond whatever is already needed.

Much of the Island's employment is in sectors that serve the local population such as health, retail, education and construction. Demand for these services therefore depends largely on incomes on the Island, which will not increase without employment growth or a shift to higher-value production. Future growth prospects lie with sectors such as advanced manufacturing and business services, as well as with tourism (providing the current offer can be adapted to meet the needs of twenty first century markets). So a strong performance in these is required if the Isle of Wight is to close the gap with the rest of the South East. Ensuring that

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<sup>4</sup> The 2008 GVA Grimley Employment Land Demand Study recommended that the Isle of Wight Council should monitor all major sites, planning applications, completions and market activities. It contained straight line extrapolations based on past historical VOA data that implied a need for 21 hectares to 2016 and 42 hectares to 2026. Of the latter, only 1 hectare was factory, 16 hectares were warehouse and 25 hectares were offices.

employment land is sufficient for these sectors then has a knock-on effect for Island employment and economic sustainability more generally.

Complicating the story is the observation that at the moment, the scale of uncertainty surrounding the economy (local, national or global) is almost without precedent. The major risks are that the squeeze on government spending is not matched by a corresponding improvement in private sector activity, and that further problems in the global financial system constrain the ability of domestic lenders to fund borrowing by UK companies and consumers. Either or both could generate a 'double dip' recession. But from the perspective of employment land needs it is longer term trends that matter, and the question is to what level of activity the Island economy might revert in time. We consider below three alternative scenarios, and look at their possible implications for employment land needs on the Island.

### 4.3 Baseline scenario – Low growth

Our first scenario is based on the latest baseline forecast for the Island economy provided by Oxford Economics. This is based on their views of regional, national & global prospects, and of trends in the Island's past performance, relative to those benchmarks.

The latest Oxford Economics forecast which we have used for this assessment is February 2010. Oxford estimate that employment on the Island fell from 61,600 in 2008 to 60,600 last year, and will continue declining reaching 60,300 in 2012.<sup>5</sup> Employment then starts rising, and climbs gradually to 64,100 in 2022, the last year of their forecasting period. Beyond 2022 we have extrapolated the forecasts out to 2026, by applying average annual growth rates between 2012 and 2022, to generate an estimate of 65,700 in 2026.

A key feature of this scenario is that Industrial (mainly manufacturing) employment has fallen in the last year. Since there is long term downwards pressure on such employment at the regional and national levels, Oxford predict that this local pattern will continue over the longer term. The total slips from 7,900 in 2008 to 7,300 last year and some 7,100 this year, and then continues to decline gently to just 5,900 in 2022.<sup>6</sup> Our extrapolation then implies a figure of 5,600 in 2026.

Warehouse employment does rather better, however. Oxford estimate that it fell from 2,700 in 2006 to 2,500 last year and is now starting to climb, gradually. They project 3,100 in 2022. We have extrapolated this to 3,300 in 2026.<sup>7</sup>

Office employment follows a similar pattern but from a higher base. According to Oxford Economics it was 9,500 in 2008 and reached a trough of 9,200 last year, but is now climbing very slowly. Growth is however expecting to quicken, generating employment of 10,400 in 2022. We have extrapolated this to 10,800 in 2026.

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<sup>5</sup> Up to date local information on employment does not exist. Oxford's methodology is to use the most up to date regional/national information by sector, and then map this down to the local level, based partly on local sectoral structure, partly on the historic relationships between the locality and the region, and partly on more up to date information about unemployment locally.

<sup>6</sup> We have defined industrial to be all of manufacturing plus 35% of construction, reflecting the fact that much of construction involves prefabrication and therefore uses industrial premises. Clearly, altering that percentage would alter the results of the calculation.

<sup>7</sup> We define warehouse as all wholesale employment, 26% of transport employment and 79% of communications employment. Again, different assumptions here would affect the results.

**Figure 4.1 Baseline Scenario (low growth), 2006-2026 Employment**

	2006	2009	2016	2022	2026
<b>Industrial</b>	6,965	7,297	6,495	5,932	5,602
<b>Warehouse</b>	2,747	2,537	2,854	3,105	3,310
<b>Office</b>	9,401	9,237	9,936	10,370	10,837
<b>Other</b>	41,781	41,494	42,775	44,656	45,977
<b>Total</b>	60,848	60,564	62,060	64,062	65,726

‘Other’ includes retail, schools, health etc

Source: Consulting Inplace, Oxford Economics & ONS

It would be hard to conclude purely on the basis of the Oxford projections that the Island has a large need for additional **net** industrial land over the longer term. However, even on the Oxford projections there are requirements for additional warehouse and office land. Furthermore, there is also a noticeable increase in employment in other sectors such as tourism, that are beyond the scope of this report.

Crucially however, even on this scenario there is still a requirement, identified in the previous section of this report, to improve the quality and suitability of the available industrial land stock, to ensure that sufficient choice exists for companies wishing to relocate, or to locate on the Island for the first time. This is likely to imply a need for new employment land, to replace existing land that no longer meets modern needs coming out of and not returning to industrial use. This means a potential positive **gross** demand for industrial employment land, even though there is no overall net demand.

This is closely related to the point that when employment is rising there is a need for spare land capacity, to allow the market to function efficiently. The size that this buffer stock needs to be depends partly on the rate of ‘churn’ and of new enquiries, and partly on the diversity of supply and demand and hence the ease of matching the two. Our assumption is that this ‘churn’ demand is around 10% of the stock of existing land, measured at the end of the forecasting period.<sup>8</sup> This is higher than the estimate used in the 2008 study, but one we consider appropriate - reflecting the small size of the local market.

In the case of this scenario, this generates the estimates contained in Figures 4.2 and 4.3 for land needed. These use two different metrics for the relationship between employment and land needs, based on two different data sources: ODPM and VOA. Appendix 1 discusses the calculations involved.

**Figure 4.2 Baseline Scenario, 2009-2026 Land needs ODPM (Hectares)**

	2009-2016	2016-2026	Total Land Needed	Market churn
<b>Industrial</b>	-7.0	-7.8	<b>-14.8</b>	<b>4.9</b>
<b>Warehouse</b>	3.2	4.6	<b>7.8</b>	<b>3.3</b>
<b>Office</b>	3.6	4.6	<b>8.2</b>	<b>5.6</b>

Source: Consulting Inplace, Oxford Economics & ONS

<sup>8</sup> Please see technical annexe for source data details

**Figure 4.3 Baseline Scenario, 2006-2026 Land needs VOA (Hectares)**

	2009-2016	2016-2026	Total Land Needed	Market Churn
<i>Industrial</i>	-10.0	-11.2	<b>-21.2</b>	<b>7.0</b>
<i>Warehouse</i>	3.8	5.5	<b>9.4</b>	<b>4.0</b>
<i>Office</i>	2.0	2.6	<b>4.6</b>	<b>3.1</b>

Source: Consulting Inplace, Oxford Economics & ONS

\* See text

The tables suggest that in the baseline scenario there is a need for between 14 and 16 hectares of land to accommodate growth in office and warehouse employment, plus an additional 7 to 9 hectares to allow for churn. As noted above we take the view that declining industrial employment means that no additional employment land is needed for industrial purposes, rather than that there is a 'negative need'. However, there is still a need for between 5-7 hectares of industrial land for churn. This means total land need of about 28 and 30 hectares.

#### 4.4 Medium growth scenario

Oxford Economics provide forecasts for every part of the UK and cannot in practice have detailed local knowledge of all the local areas that they forecast. For example it is unlikely that they will have taken explicit account of the recent job losses at BAE Systems, nor the recent job gains at GKN Aerospace, and they are unlikely to have factored in the possible impact of the off-shore wind farms and other developments in the renewables sector on Island employment opportunities. This may affect the accuracy of their forecasts.

It is therefore possible that the outlook going forward will be more positive than the Oxford Economics projections imply. We have sought to capture this in a second scenario which we have labelled 'Medium growth.'

As part of that the Island is set to benefit from £364 million of PFI-funded expenditure on its road network and it is unlikely that this is implicitly included in the Oxford Economics forecast, since it is a distinct break with the past. PFI will generate significant employment opportunities, with the majority of the activity taking place on the Island itself, and some of it generating demand for industrial, warehouse and office space. Construction will commence in April 2013; the start of a 'core investment' period which will last until approximately 2020. After this the contract will move over to a maintenance contract for the next 18 years to 2038.

The PFI will generate additional land demand for construction material and supply storage (as well as requiring wharf facilities to offload large quantities of goods and raw materials onto the island). These needs will not have been reflected in the Oxford Economics derived baseline employment scenario, but will generate demand for land – including sites with river/wharf access. The aspiration is to support the island maximise local supply chain linkages, skills development and local employment opportunities both at the construction and longer term maintenance stages. If this is successful it will involve employment opportunities, including construction, maintenance, road and landscaping design, bridges and walkways, ICT systems, lighting, intelligent transport management and signage. Local contractors will be competing for this work and the local supply chain opportunities are likely to

be significant. And even if they are not successful, and much of the work does in fact go to companies owned off-Island, much of the work will nevertheless still occur on the Island, thereby creating employment land needs.

Our understanding is that a detailed study is being commissioned that will set out estimates on the economic and employment impacts of the highways PFI programme. For the purpose of this analysis we have made broad estimates of the scale of employment that might be expected. Dividing the £364 million figure by the gross average cost of construction labour in the South East region in 2009 produces 4,135 person years of employment.<sup>9</sup> Since the construction work will be spread over a period of 25 years, the implication is that in the region of 165 job opportunities will exist per year. Since the majority of expenditure, activity and hence employment will come forward in the first seven years, this is a conservative estimate.

Furthermore, the purpose of our emerging economic development strategy is to improve the performance of the Island, relative to historic trends, and hence to generate a better outcome than in the Oxford Economics baseline forecast.

To date the Island's approach towards attracting inward investment has been low-cost and reactive to specific company enquiries. The same is true for support for Island businesses and new starts. Outsiders' awareness of what the Island has to offer is low, and many Island businesses' awareness of national and international opportunities are similarly limited. To address this, the Island's inward investor strategy and company support measures are now becoming much more proactive. A prime focus will be to create business awareness of the Island amongst UK companies in the renewable energy sector, in marine and advanced engineering and composites – growing manufacturing sectors where the Island has genuine competitive advantages thanks to the Eco-Island concept. Intensive support will then be provided to companies, of the kind that is available elsewhere but which has historically not been available on the Island.

This focus implies that the Island may, over the forecast period, perform better than the South East as a whole as a centre of manufacturing employment, and better than in the past. Thus the general UK-wide expectation of inexorable decline in manufacturing employment may be less relevant to the Island than to many other local economies. In addition, many of the jobs that we are seeking to attract or generate within the renewables, marine and related sectors will not necessarily be in industrial occupations, but in related service activities. This may include R&D (already an important activity on the Island), design and engineering consultancy, other business services linked to the renewables, marine and related sectors such as environmental appraisal, accountancy, legal services, marketing, PR, information and communication management, as well as project management and general management. It also includes the possibility of attracting Higher Education Institute (HEI) research facilities to the Isle of Wight, building on the Island's track record as a favoured location for post-doctoral field work of various sorts.

By definition we cannot use previous Island experience to provide evidence for what the scale of any improvement in performance is likely to be. Instead we have sought to use evaluation evidence from inward investment activities undertaken by

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<sup>9</sup> The median annual wage in the South East Construction industry in 2009 was £26,363. Source: annual survey of hours and earnings.

agencies elsewhere – notably SWRDA, the RDA whose economy has characteristics that most clearly resemble those of the Isle of Wight, although of course on a much larger scale.

Over a five year period SWRDA’s foreign direct investment activities involved annual expenditure of between £675,000 and £800,000 and included funding overseas offices and various marketing, investor visit and aftercare support activities. The evidence of the evaluation suggests that we should expect a relatively low rate of return in terms of numbers of enquires that are ‘converted’ into actual investments on the ground. But when an investment is achieved, these can often generate quite large economic impacts in each case.

Moreover, the evidence suggests that inward investment support programmes are most effective when they play to strengths – focusing on particular sectors or indeed locational assets. As we note above, this is exactly the strategy that we will be following on the Island. This suggests that a greater proportion of investment success may involve industrial employment than has been the case elsewhere. Alongside this however, we expect additional growth (over and above the Oxford forecast) to occur in office based employment. This will reflect work with universities and start ups, including possible new facilities for small firms, wider business support coordination and networking.

On that basis we have assumed an additional two inward investments per year – generating between them 60 new jobs per year across industrial and office uses, of which 35 are industrial and 25 office based. We have assumed that these ratios remain constant and are followed by 10% organic employment growth in each of the new investments.

If such trends were to continue the result would be that by 2026, industrial employment on the Isle of Wight would be 1,400 higher than it would otherwise have been and office employment 1,100 higher than it would otherwise have been. Warehouse employment would be 165 higher, on the basis that these numbers (in contrast to the other two) do not accumulate.

**Figure 4.4 Medium growth scenario, 2006-2026 Employment**

	2006	2009	2016	2022	2026
<b>Industrial</b>	6,965	7,297	6,827	6,790	7,021
<b>Warehouse</b>	2,747	2,537	3,019	3,270	3,475
<b>Office</b>	9,401	9,237	10,173	10,983	11,921
<b>Other</b>	41,781	41,494	42,775	44,656	45,977
<b>Total</b>	60,848	60,564	62,794	65,699	68,307

‘Other’ includes retail, schools, health etc

Source: Consulting Inplace, Oxford Economics & ONS

Under this scenario, industrial employment in 2026 will still be marginally below its present level, so it could be argued that there was still no additional land needed, but as with the baseline scenario, it seems more likely that most of the new jobs will be based in new premises and so additional land will need to be provided. Warehouse employment and office employment will however both be noticeably higher.

This scenario would yield a total of between 17 (VOA) and 22 (ODPM) hectares of new employment land required for warehouse and office use and no new employment land needed for industrial use. In addition there is a need for about 16 hectares of land for churn, with the composition depending on whether the ODPM or VOA definitions are used. So the overall land need is between 34 (VOA) and 38 (ODPM) hectares.

**Figure 4.5 Medium growth scenario, 2009-2026 Land needs ODPM (Hectares)**

	2009-2016	2016-2026	Total Land Needed	Plus Market Churn
<b>Industrial</b>	-4.1	1.7	<b>-2.4</b>	<b>6.1</b>
<b>Warehouse</b>	3.2	4.6	<b>7.8</b>	<b>3.3</b>
<b>Office</b>	4.8	9.0	<b>13.8</b>	<b>6.1</b>

Source: Consulting Inplace using Oxford Economics & ONS

\* See text

**Figure 4.6 Medium growth scenario, 2006-2026 Land needs VOA (Hectares)**

	2009-2016	2016-2026	Total Land Needed	Plus Market Churn
<b>Industrial</b>	-5.9	2.4	<b>-3.5</b>	<b>8.8</b>
<b>Warehouse</b>	3.8	5.5	<b>9.4</b>	<b>4.0</b>
<b>Office</b>	2.7	5.0	<b>7.8</b>	<b>3.5</b>

Source: Consulting Inplace using Oxford Economics & ONS

\* See text

## 4.5 High growth scenario

The South East Plan (SEP) sets out a much more ambitious view, with a target of 7,000 extra jobs on the Island between 2006 and 2016, over and above what would have happened anyway. This target was developed and agreed before 2006 on the expectation that by now significant progress would have been achieved; in the light of the recession and cuts in public spending, it now looks very challenging.

As an illustration, this scenario could be achieved by the appearance of 50 and 100 additional jobs a year in industrial and office employment respectively, and also 150 extra jobs in other employment such as retail, schools and health, and all of that employment then growing organically by another 40% a year to 2016. This would generate the necessary 7,000 additional jobs by 2016.

There must, however, be question marks over the plausibility of employment growth on that scale, and especially so if the economy were to continue to grow at the rates needed to generate 7,000 extra jobs by 2016. As we explain in Section 4.6 below, continuation of the same trends would imply 2026 employment numbers that would be unobtainable, in terms of where the supply of people to fill the jobs would need to come from. Even on the basis of a slowdown after 2016, with no new additional jobs (because the Island is ‘full’) and diminishing organic growth in the new businesses previously attracted, the changes that would be needed in terms of reduced unemployment, increased labour market participation, increased inward commuting or increased inward migration would require that some or all of these magnitudes would need to move far beyond what seems realistically likely.

Figure 4.7 suggests that the consequences of the Island economy growing fast enough to meet the South East Plan target of an extra 7,000 jobs by 2016 would be that by 2026, total island employment would be of the order of 81,000. In our scenario a large part of that comes through manufacturing; we could have undertaken an alternative scenario in which the growth was instead mainly in retail and tourism (for example), but the overall numbers would not be affected by that.

**Figure 4.7 High growth scenario, 2006-2026 Employment**

	2006	2009	2016	2022	2026
<b>Industrial</b>	6,965	7,297	8,064	8,946	8,848
<b>Warehouse</b>	2,747	2,537	3,019	3,270	3,475
<b>Office</b>	9,401	9,237	12,321	14,952	15,773
<b>Other</b>	41,781	41,494	46,353	51,529	53,380
<b>Total</b>	60,848	60,564	69,757	78,697	81,476

'Other' includes retail, schools, health etc

Source: Consulting Inplace using Oxford Economics & ONS

This very bold scenario feeds through to expansion demand for 14 additional hectares of industrial employment land on the basis of the ODPM data or 19 extra hectares using the VOA data, plus 8 or 9 hectares of warehouse land and 19 to 34 extra hectares of office land, depending on the land to employment measure used. In addition, around 19 to 20 hectares of land is needed for churn for all land uses.

**Figure 4.8 High growth scenario, 2006-2026 Land needs ODPM (Hectares)**

	2009-2016	2016-2026	Total Land Needs	Market Churn
<b>Industrial</b>	6.7	6.9	<b>13.6</b>	<b>7.7</b>
<b>Warehouse</b>	3.2	4.6	<b>7.7</b>	<b>3.3</b>
<b>Office</b>	15.8	17.7	<b>33.5</b>	<b>8.1</b>

Source: Consulting Inplace using Oxford Economics & ONS

**Figure 4.9 High growth scenario, 2006-2026 Land needs VOA (Hectares)**

	2009-2016	2016-2026	Total Land Needs	Market Churn
<b>Industrial</b>	9.6	9.8	<b>19.4</b>	<b>11.1</b>
<b>Warehouse</b>	3.8	5.5	<b>9.4</b>	<b>4.0</b>
<b>Office</b>	8.9	10.0	<b>18.9</b>	<b>4.6</b>

Source: Consulting Inplace using Oxford Economics & ONS

## 4.6 Comparison between scenarios

These results are summarised in Figure 4.10. It can be seen that the estimates for employment land needs, including churn, run from a minimum of 23 hectares using the baseline scenario (and the lowest combination of ODPM and VOA data estimates) to 85 hectares using the high growth scenario and the higher of the two data sources. Our proposition would be an expected land need of between 29 and 42 hectares, based on the medium growth scenario, with 6-9 hectares of that likely to be accounted for by industrial land, 11-13 hectares by warehouse land, and 12 to 20 hectares by office land.

**Figure 4.10 Total land needs including churn: Comparison between Scenarios (Hectares)**

	Baseline (low growth)		Medium growth		High growth		Experian GVA Grimley	
	Growth	Churn	Growth	Churn	Growth	Churn	Growth	Churn
<b>Industrial</b>	0	5-7	0	6-9	14-19	8-11	-	-
<b>Warehouse</b>	8-9	3-4	8-9	3-4	8-9	3-4	-	-
<b>Office</b>	5-8	3-6	8-14	4-6	19-34	5-8	-	-
<b>Total</b>	12-18	11-17	16-23	13-19	40-62	16-23	33-51	10-11

Columns may not sum because of rounding

Source: Consulting Inplace, GVA Grimley using Oxford Economics, Experian & ONS

We have also included for comparison the projections shown in the GVA Grimley Employment Land Demand Study, based on Experian employment projections. These are higher than the medium growth scenario, although we have made more of an allowance for market churn though still below the high growth scenario. Furthermore, Grimley expected two thirds of the need to be accounted for by industrial and warehouse combined and only one third accounted for by office demand.

#### 4.7 Taking account of labour supply

An alternative approach to thinking about future employment land needs is to work back from projections of the supply of labour. This is an appropriate methodology if it is expected that the future demand for locally produced goods and services will increase very rapidly, and that there are no constraints on for example financial capital with which to expand production, so that the available labour supply becomes the constraint on, and hence the determinant of, employment growth and therefore employment land needs.

Our assessment is that neither the baseline (low growth) scenario based on Oxford Economics projections nor the medium growth scenario taking account of successful economic development policies plus PFI would be constrained by aggregate labour supply. But as indicated above, we believe that the high growth scenario is not plausible, given what it would require in terms of reductions in unemployment, increases in labour market participation, increased inward commuting or increased inward migration.

As Figure 4.11 shows, relatively minor adjustments in the labour market are required for there to be a sufficient supply of labour to accommodate the medium growth scenario. A total of just over 2,200 extra workers are required (ie 67,900 compared to 65,700) which can be achieved by (for example) a decrease in the unemployment rate from 4.2 per cent to 3.4 per cent, together with a small decrease in the inactivity rate from 22.2 per cent to 21.7 per cent and small increases in net migration and net commuting.

However, as the final column shows, the changes required to provide enough labour to meet the high growth scenario seem unattainable, with an increase of 14,600 workers needed compared with the baseline figure for 2026. The sort of changes required for this to happen would be a decrease in the unemployment rate to 1.2 per cent, a decrease in the inactivity rate to 14.4 per cent as well as a move to

positive net commuting and an annual 200 migrants more per year between 2009 and 2026. Together these go well beyond the boundaries of historical experience.

**Figure 4.11: Employment Land Forecasts using a labour supply approach**

	2026				
	2006	2009	Baseline (Low Growth)	Medium Growth	High Growth
Working age population	77,698	77,879	83,050	83,050	86,450
Employment: jobs	60,938	60,604	65,686	67,912	80,318
Employment: residents	58,199	56,231	61,171	62,868	73,674
Inactive	17,452	18,470	18,437	18,001	11,776
Inactivity rate	22.4%	23.7%	22.2%	21.7%	13.6%
Unemployment level	2,047	3,178	3,498	2,796	1,000
Unemployment rate	2.6%	4.1%	4.2%	3.4%	1.2%
Commuters (in minus out)	-2,100	-951	-973	-500	1,100
Net migration 2009-2026			18,385	19,000	21,785
Net annual migration	1,139	1,007	1,081	1,118	1,281

Source: Consulting Inplace using Oxford Economics & ONS

The key point here is that it is difficult to envisage very large numbers of additional people being drawn into the Island’s labour force by anything other than large increases in wage rates – but if wage rates were to rise sharply, then the increase in employment opportunities would not come about. The scenario is not therefore internally consistent.

In addition, while we judge that the two more moderate scenarios are not constrained by aggregate labour supply, they could still be constrained by ‘pinch points’ in the labour market if potential employees with the necessary skills are not available. In particular the medium growth scenario implicitly assumes an up-skilling in the skills of at least some of the labour force, either via new entrants or via investment in the skills of existing workers. Plans to bring that about are, however, being developed, and successful delivery of enhanced skills on the Island should prevent this potential constraint from biting.

## 5. Gap Analysis & Economic Development Opportunities

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### 5.1 Gap analysis: balancing supply & demand

Our overall assessment is that:

- The amount of available employment land on the Island is much less than previously estimated – probably closer to 20 hectares than the 31 hectares quoted in the 2008 Employment Land Study.
- However, future trends in demand for employment land are likely to be weaker than assumed in the 2008 study. Our perception is that a reasonable forecast would be an expected land need of between 29 and 42 hectares, with 6-9 hectares of that likely to be accounted for by industrial land, 11-13 hectares by warehouse land, and 12 to 20 hectares by office land.

That implies a gap which might be as small as 9 hectares but could be 22 hectares, implying that on economic development grounds, an additional 22 hectares of employment land would be the minimum that should be made available, over the plan period. If the Island were to make the contribution to employment growth expected in the South East Plan, then much more than that would be needed.

In addition our assessment is that, while the need for employment land is essentially a long term story stretching over at least the next decade and a half, some land constraints on employment are applying immediately, since there are companies that are currently finding it difficult to relocate on the Island. These need urgent solutions if the Island's aspirations are to be met. Our understanding is that the Isle of Wight Council, SEEDA and other partners are seeking to move forward with respect to some employment land opportunities on the Island, and this issue may therefore be one that will be resolved within a short time horizon.<sup>10</sup>

In terms of what the longer term priorities should be, it is not within our remit to make detailed suggestions for land use. Nevertheless some messages flow from the over-arching principles contained in the Eco-Island vision, which might inform more specialist considerations and the designation or de-designation of sites for employment land.

### 5.2 Rural Issues

Our judgement is that implementing the economic and employment aspirations of the Island will not require significant allocations of employment land across most of the rural areas of the Island. Micro-level initiatives such as enterprise hubs or changes of use may be appropriate in some of the rural towns and villages, but we would not envisage any significant employment land developments that would detract from the essentially rural character of most of the Island. If any land currently in rural use needed to become available for employment use it could, we believe, be confined to locations adjacent to the existing main towns, as discussed

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<sup>10</sup> This reaffirms the recommendation in the Grimley study that the council should take a pro-active role in bringing forward employment sites.

below or where the scheme contributed to and enhanced the overall sustainability of the wider countryside.

### **5.3 Marine access issues**

A number of the island's existing employment sites are on the River Medina, and part of the attraction of those sites is their potential for marine access. This is vital in terms of the desire to focus economic development efforts on the marine and renewable energy sectors, together with associated knowledge-driven and high technology industries such as composites and business services. However it may also be the case that for at least some of these sites river access is much more problematic than it at first appears, so that not all of the sites may in fact be appropriate for employment land purposes. We understand that this subject is receiving specialist investigation.

Linked to that are the more general issues of marine gateways onto the island (wharfs, and landing places for car ferries and passenger ferries) and of the road transport infrastructure of the Island. Transport issues are not within the remit of this report, but clearly the viability of any and all employment sites on the Island is itself in part a function of the quality and suitability of the transport infrastructure in general, and of access points onto the Island in particular.

### **5.4 Town centre regeneration**

It is also important on the Island as elsewhere to look at the urban fabric of the Island's town centres, and to consider where employment-generating urban regeneration opportunities exist and can be carried forward. This has already been pioneered in East Cowes.

Serious consideration may also be needed to identifying additional town-centre urban regeneration opportunities, over and above what is planned for East Cowes. Additional urban regeneration that includes new office accommodation could make a useful contribution to increasing the employment potential of the Island, and is an essential element of the portfolio of opportunities that the Island needs to offer to potential inward investors.<sup>11</sup>

As an example, this might involve the emergence of a new riverside urban quarter in Cowes, comprising a mixture of housing plus high quality new office accommodation, light industrial use, work/life spaces, plus public realm improvements, some leisure and retail use, and a working quayside and slipway/apron. The objective would be to provide an appealing environment for knowledge-intensive businesses to locate on the Island, with particular attraction to companies involved in marine and offshore work (tidal or wind) who could get easy and rapid access to their operations by boat. They would also have easy access to both the high speed ferry and the car ferry.

In employment terms the aims would include addressing the issue identified in earlier sections, that much of the office accommodation in the town centres is of

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<sup>11</sup> This is a variation to Recommendation 1 of the 2008 GVA Grimley study which said that all existing employment sites should be safeguarded. Our view instead is that it may be appropriate for some sites to move to mixed use – providing they are genuinely mixed and maintain the sense of the Island's towns as lively working environments, attractive to businesses.

poor quality. The provision of high quality new office space, particularly within walking distance of the ferries and as part of larger regeneration or renewal initiatives, could therefore make a useful contribution towards the aspiration of developing a high value-added business services capability on the Island, clustered around the marine, renewables and composites sectors.

There may be a similar opportunity in and around Newport harbour, for the development of high quality riverside office accommodation, work/life spaces, studios/workshops and possibly some leisure and retail uses, plus some small boat mooring opportunities for businesses, in a location that is effectively within the urban boundaries of the town.

Ryde is the main focus for social deprivation on the Island and the provision of new jobs in the town is critical to tackling that challenge. The main way of achieving this is likely to be through the long term rejuvenation of the town's tourism and retail offer, combined with the attraction of new jobs in the rapidly growing business services and digital media sectors, which will create spin-off opportunities for people across the skills spectrum in the town. Hospitality businesses, retailers and advanced knowledge-economy businesses could all be attracted by Ryde's heritage of high quality Victorian buildings and its proximity to the mainland. We are not aware of any existing town-centre site that provides an opportunity for this, which therefore implies a need for a more general approach via town centre management, business improvement district, and possibly strategic site purchases. An Area Action Plan for the esplanade and town centre might be an appropriate part of the overall planning process.

## **5.5 Edge of town employment zones**

Roughly half of the Island's population live in three towns: Ryde, Cowes (including East Cowes) and Newport. There is a strong argument for saying that to minimise transport use and hence improve sustainability, and to achieve the benefits of agglomeration and co-location, the bulk of future employment growth should be focused on one, two or all three of these towns.<sup>12</sup>

As we have indicated above, some of that may be in the town centres. However, it is also important to look at potential opportunities on the town fringes.

We suggest that consideration be given to the development of employment zones, adjacent to existing employment land on the edges of the towns, and so linking existing employment sites to one another via new employment or mixed use land allocations. If this were to occur the zone or zones might be planned (perhaps master-planned) in a coherent way, providing a range of opportunities for property investors and potential owner-occupiers, with coherent marketing of premises to potential occupants, a gradual raising of the quality of existing sites and infrastructure as opportunities became available, and with new infrastructure being put in place where needed.

River access for at least some occupiers would ideally be an essential element of whatever overall allocation was chosen, precisely because this should if possible be a distinctive feature of the Island's offer.

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<sup>12</sup> Recommendation 2 of the 2008 GVA Grimley study was for a 'good geographical spread of employment'. Our view is that any new land allocations should wherever possible be edge of town rather than deep rural.

In and around Cowes there is already a cluster of employment sites extending westwards from Medina Wharf on the river to include the existing BAE Systems site, and then northwards from there into the existing industrial estates north of Three Gates Road. Our understanding is that Medina Wharf is currently the main site for transporting bulk materials onto and off the Island. As an absolute minimum it or another wharf needs upgrading for PFI use, including we assume new road access. This therefore raises the possibility of expanding on that, and making the Wharf the focus of an employment zone that would link together existing sites with possible new allocations for offices and/or industrial use.

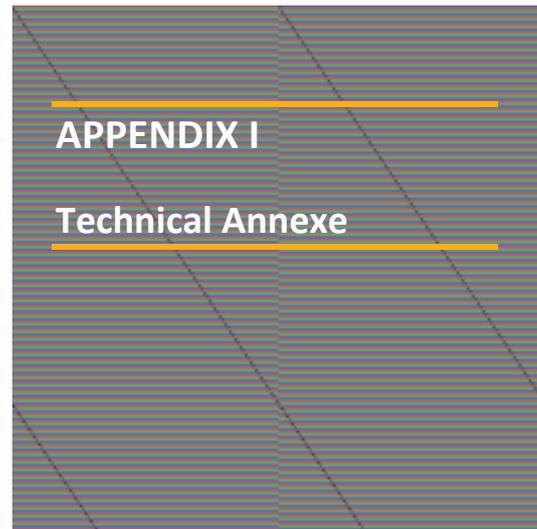
If this were to happen, we would envisage that some of the demand for employment land would come from PFI contractors and the rest from a broad range of businesses and sectors. These would include existing local businesses and those attracted to the Island, especially those in the renewable energy sector, composites, marine and aerospace, and companies needing easy river access.

Such an integrated development could be desirable if it could be achieved without loss of existing woodlands, without threat to the adjacent cemetery, with only modest loss of farmland and with no threat to AONB.

In a similar way, an arc of land potentially extends westwards from the SEEDA owned Stag Lane site currently under development for Vestas, including the former council tip and adjacent land both of which are already effectively available as potential employment sites, to include land adjacent to the hospital, currently owned but we understand no longer needed by the PCT, and then extending back eastwards to link up to the existing industrial estate and the St Cross business park. Extending the concept to include the Newport harbour quayside, as discussed above, would further strengthen the overall vision.

As with the land in and adjacent to Cowes, river access for industrial users would be critical to the success of the overall proposition. If new employment land were to be approved as part of the overall vision, there would need to be some loss of farmland, but there would be no threat to the Island's overall rural character. On the contrary, any development would almost certainly need to be planned so that it left a green space (plus riverside) in the middle of the development as a protected area of countryside, thereby expressing Eco-Island values, and significantly enhancing the attraction of the employment zone to potential tenants and investors.

With most employment land currently concentrated in the Medina valley, but most social deprivation concentrated in Ryde, there is also a case for looking for edge-of town employment land to be brought forward in Ryde. Two existing small industrial/office estates to the south of the town could be linked together by a new employment (or mixed) use site, adjacent to the Ryde-Shanklin railway line. If this could be integrated with a new station there would be five-minute passenger access to the Ryde seafront and pier, and also good access to Sandown, Shanklin and Lake. New employment land here would probably appeal particularly to existing Island businesses, seeking new premises either for expansion or to improve the quality and suitability of their accommodation. Again, this could be achieved without threat to the fundamental rural experience of the Island.

A graphic for the Appendix I Technical Annexe. It features a dark grey background with a pattern of thin, horizontal, light grey lines. Two diagonal lines, one in purple and one in blue, cross the background. Two horizontal orange lines are positioned above and below the text.

**APPENDIX I**

**Technical Annexe**

## A.1 Assigning employment sectors to B class uses.

Oxford Economics provide employment projections by 26 sectors, as shown in figure A-1. We then assign the sectors to land classes using the proportions below, based on guidance from the South East England Partnership Board.<sup>13</sup> Where guidance states that assignment should be based on local economic conditions, we have used calculations by GVA Grimley in conjunction with ONS NOMIS data.<sup>14</sup> Figure A-1 below shows how sectors have been assigned.

**Figure A-1**  
**Apportioning employment sectors to B class uses**

	B1 – Office	B2 – Industrial	B8 – Ware house	Other
Agriculture				100%
Extraction				100%
Food, drinks & tobacco		100%		
Textiles		100%		
Wood products		100%		
Pulp, paper & printing		100%		
Coke, oil refining & nuclear fuel		100%		
Chemicals & man-made fibres		100%		
Rubber & plastic products		100%		
Other non-metallic mineral products		100%		
Metals		100%		
Machinery & equipment		100%		
Electrical optical equipment		100%		
Transport equipment		100%		
Other manufacturing		100%		
Electricity, gas & water supply				100%
Construction		35%		65%
Distribution & retail			15%	65%
Hotels				100%
Transport & communications			39%	61%
Financial services	100%			
Business services	100%			
Public admin & defence	100%			
Education				100%
Health				100%
Other personal services				100%

<sup>13</sup> [http://www.se-partnershipboard.org.uk/pdf/ldf/eela\\_stage\\_2\\_resource\\_page.pdf](http://www.se-partnershipboard.org.uk/pdf/ldf/eela_stage_2_resource_page.pdf)

<sup>14</sup> GVA Grimley, Employment and Land Demand Study for Isle of Wight, January 2008

## A.2 Converting employment forecasts to employment land needs

The mechanism used to translate employment into an employment land requirement is firstly to multiply the number of employed persons, (employees in employment plus self-employed), by an assumed number of square metres of floor space per employee. The resultant number is then divided by an assumed plot ratio in order to arrive at a total site requirement.

For example, if there are 2,000 persons (employees plus self-employed) in manufacturing and each is assumed to have, on average, 35 square metres of floor space, then the requirement is for a **net** 75,000 square metres of **floor space**. Allowing 5% for walls, etc., this translated into 78,750 square metres of building. This is termed the **gross floor space**.

If we suppose that most of the floor space is on a single level but that 20% of the space is given over to offices, which are on mezzanine first floors, then the area occupied by the buildings on the ground will be 80% of 78,750 square metres or 63,000 square metres.

If the buildings occupy 60% of the various manufacturing sites, with the balance of the area given over to parking, loading areas etc., then the site area needed for manufacturing will be 63,000 square metres divided by 0.6 (the **plot ratio**) equals 105,000 square metres or 10.5 hectares of employment land. This is the minimum hectarage needed to accommodate the manufacturing activity, in this hypothetical example.

Translation of the gross floor space into the employment land requirement is normally done as a single calculation with the ratio of the gross floor space to the amount of employment land referred to as the **site density**. In this theoretical example, the site density is 78,750 divided by 10.5 hectares, equals 0.75.

The salient figures from the ODPM's *Employment Land Reviews Guidance Note* are set out in Figure A-2.

**Figure A-2**  
**Standard Square Metres per Person and Site Density by Activity**

	Square Metres per Employed Person		Site Density
	Gross Internal Area	Gross External Area	Site Density
<b>Industry</b>			
General	34	35	0.35 to 0.45
Small Business	32	33	
High tech / R & D	29	30	0.25 to 0.40
Science Park	32	33	
<b>Warehousing &amp; Distribution</b>			
General Warehousing	50	50	0.40 to 0.60
Large Scale & High Bay	80	80	
<b>Office</b>			
General	19	21	0.41 to 2.00
Headquarters	22	23	
Serviced Business Centre	20	21	
City of London	20	21	
Business Park	16	17	
Call Centre	13	13	

Source: Arup 2001 Study quoted in *Planning: Employment Land Reviews Guidance Note, ODPM, December 2004*. An alternative 2004 DTZ study gave very similar figures

The ODPM guidance recognises that the national standards will not apply in all areas and therefore recommends that local information be used, where possible. Estimates for the South East are provided in the *South East Plan Supplementary Guidance: Employment Land Reviews* but there is no compelling reason to think that the Isle of Wight closely resembles the South East in particular. We have therefore developed an alternative set of employment density estimates using Valuation Office (VOA) data for floor space and Oxford Economics data for employment. The VOA data are available only for broad employment categories, though these do correspond closely to B1, B2 and B8 definitions.

**Figure A-3**  
**VOA-based Employment Densities for Isle of Wight**

Type	Sq m 000s	Employment 000s	Employment density
Factories	378	7.93	48
Warehouse	149	2.58	58
Offices	94	9.53	10

Source: Commercial and Industrial Floorspace and Rateable Value Statistics (2005 Revaluation), 2008, CLG; and Oxford Economics

As indicated above, translating floor space requirements into employment land requirements necessitates the adoption of appropriate factors to translate internal floor space into gross external floor space. It also requires the adoption of appropriate site development density assumptions.

For the ODPM based estimates, the gross internal and gross external areas are taken from the Guidance and shown in Figure A-2 above. In the case of the VOA based estimates, the factors used in translating internal floor space into gross external floor space are a 5% increase for manufacturing, 5% for warehousing and 15-20% for offices. These are based on industry standards, including the 2001 Arup Economics Study for English Partnerships.

### A.3 Comparison of estimates

Figure A-4 shows the key density ratios according to the two data sources. As can be seen they give markedly different results.

**Figure A-4**  
**Comparison of Employment Density Ratios for Isle of Wight**  
**Gross internal square metres per person**

	ODPM	VOA
Industry – General	34	48
Warehouse & Distribution – General	50	58
Offices – General	19	10

### A.4 Allowing for market churn

In addition it is necessary to make assumptions about the stock of spare employment land that is needed to allow the market to function. In general it typically takes two years or more for empty stock to be refurbished, marketed and reoccupied, so that many analysts' use two or even three years' of take-up as a measure of the property needed to provide for churn. As we have indicated the 'lumpiness' of the Island property market, and the distortion caused by the recession, make us sceptical of the value of historical take up data.

The alternative is to assume a percentage of the stock of land at the end of the period being considered. Estimates of what percentage to use vary – typically the larger the market, the smaller the percentage needs to be. We have used a percentage of 10% - this is higher than assumed by GVA Grimley in their 2008 study, but we think that is justified given the Island's small size.



- Communities
- Economies
- Skills
- Enterprise