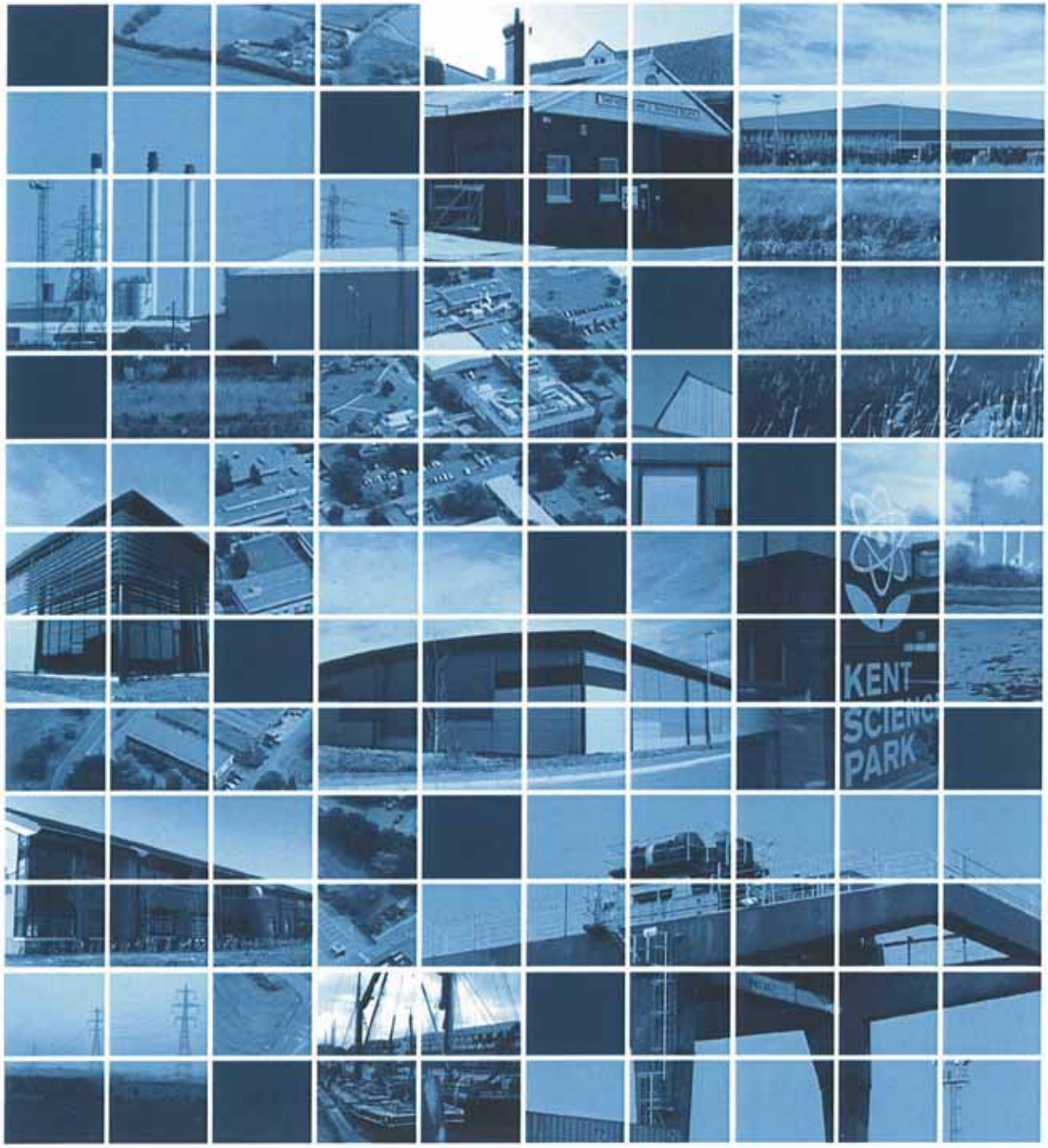

Swale Employment Land Review

Main Report and Appendices

April 2010

Nathaniel Lichfield and Partners

Planning Design Economics

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SWALE EMPLOYMENT LAND REVIEW

FINAL REPORT

April 2010

Nathaniel Lichfield & Partners Ltd
14 Regent's Wharf
All Saints Street
London N1 9RL

T 020 7837 4477
F 020 7837 2277

london@nlpplanning.com
www.nlpplanning.com

Offices also in
Cardiff
Manchester
Newcastle upon Tyne

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Nathaniel Lichfield and Partners

Planning Design Economics

EXECUTIVE SUMMARY

1. This employment land study was commissioned by Swale Borough Council to inform the Local Development Framework (LDF) Core Strategy and the Council's regeneration strategy. The main aims of the study are:

- to provide a systematic and comprehensive employment land review of the Borough taking account of relevant, large scale employment sites in neighbouring areas;
- to analyse and reflect the different market requirements in the component parts of the Borough – Faversham, Sittingbourne and the Isle of Sheppey;
- to critically review and take account of existing economic strategies and aspirations for the Borough and its component parts.

Approach

2. The study's approach follows Government on undertaking employment land reviews, and covers Stages 1 to 3 of that guidance. The study focuses on employment land needs for the group of B Use Classes i.e. B1 (business), B2 (industry) and B8 (warehousing/distribution). Although the study was largely prepared before the more recent Supplementary Guidance on Employment Land Reviews from the South East Partnership Board and PPS4: *Planning for Sustainable Economic Growth*, it also reflects much of that guidance. It does not assess the future land needs of other employment generating uses such as retail, tourism, healthcare and education although the growth potential of such uses within Swale are considered.

3. A key input to this study was consultation with various organisations with an interest in the supply of employment land including employers, economic development and inward investment agencies, business groups, property agents and developers. This included a postal survey of 300 businesses in the Borough.

Economic Context

4. Much of Swale's employment space is concentrated in the main town of Sittingbourne, but significant employment areas also exist at the Port of Sheerness and Queenborough in Sheppey, Faversham and in small sites across the rural area. The Borough's main existing or planned employment areas include the Eurolink industrial area, the G.Park distribution park, the Kent Science Park and the Watermark office park, all in or near Sittingbourne.

5. Swale is also part of the Thames Gateway growth area, with 12,000 additional jobs planned by 2016 and 10,800 more dwellings by 2026. This would contribute to a step change beyond recent growth trends in the Borough and has been reflected in the approach to this Employment Land Review.

6. Swale's economic strengths, which influence its ability to support new employment space in future, include its location within the Thames Gateway growth area and its good transport accessibility to the M2 motorway with reasonable rail links to London. Levels of local entrepreneurship are good and recent job growth strong. Swale also has a strong industrial base which has held up fairly well despite national decline in the sector, and low costs compared with the rest of the South East. The Port of Sheerness is an important transport asset while the Kent Science Park is an important focus for bioscience firms within Kent.

7. Potential weaknesses and constraints to future growth include Swale's less attractive image compared with some other parts of Kent, and its modest recent attraction of inward investment and relocations in higher growth/higher value sectors from London/South East. It has significant reliance on manufacturing, a sector in decline nationally and facing strong competition from lower-cost locations, combined with low representation in the financial and business services sectors, which

typically have greater potential for growth. Swale also has a relatively low-skilled workforce at present although the planned Sittingbourne Learning Hub and the Kent Science Resource Centre at the Science Park should improve this in future.

Current Supply of Employment Space

8. Swale has a sizeable amount of employment floorspace compared with nearby districts, although less than the adjoining district of Medway. This stock is dominated by manufacturing and warehousing premises with a very low proportion of office space compared with other Kent districts. In recent years, the Borough has seen only a very modest increase in employment floorspace, with significant increases in warehousing space and some new office space largely offset by high losses of manufacturing space. Vacancy levels of commercial premises are below average, although there appears to be a large amount of permitted floorspace in the development pipeline, particularly industrial space. Swale contains a reasonable range of industrial sites and areas, although the stock of industrial premises is relatively old compared with the regional average. Apart from the Kent Science Park, there are very few dedicated office parks or modern office premises.

9. There have been quite high levels of new employment space completed over the last 10 years, averaging 27,000 m^2 gross annually and mostly B2 and B8 space. This is a higher level than in all adjoining districts. There also appears to be a large supply of employment land allocated to meet future needs in Swale, the majority for B2 and B8 uses. This amounts to 798,000 m^2 on 296 ha of land, more than in all adjoining districts. At the same time, a significant amount of employment space, mainly from B2 uses, has been lost to other uses, averaging 6,300 m^2 annually in recent years, but partly reflecting losses to town centre regeneration.

10. There are a number of major development proposals in adjoining districts, and elsewhere in Kent, some with potential to compete with Swale for future employment development. In terms of office space, significant emerging supply in Maidstone and Ashford is likely to be a threat. The large distribution sites in Medway – the Isle of Grain site (192 ha) with potential for port and distribution uses and the Kingsnorth site (66 ha) for industrial uses – could also compete to some extent with Swale for such firms. Other large developments in Kent, such as Kings Hill, Ebbsfleet and Crossways Business Park, appear unlikely to be major threats as they either serve different markets or are higher cost locations than Swale. No other Kent district has a Science Park although several have smaller scale, high technology innovation centres existing or planned.

The Commercial Property Market

11. The commercial property market sees Swale as a reasonable industrial location based on its proximity to the M2 motorway, and relatively low cost and availability of land compared to more constrained parts of Kent. Business perceptions of the Borough are generally very poor, although there are signs this situation is improving. Current levels of demand for industrial space are steady but not at a high level, and recently completed or current developments may meet short term demand, particularly in Sittingbourne. However, there appears only a limited supply of readily available sites for industrial development. Swale is not generally regarded as an office location and has very limited office supply, while recent speculative development close to Sittingbourne has attracted limited interest to date. Other than readily available industrial sites, no major gaps in the range of provision were identified although there is little supply of small, serviced office units in appropriate locations to meet potential grow-on needs of existing local businesses.

12. The market view was that Swale should focus on its existing strengths, such as the local industrial and engineering sectors, but at the same time aiming for a more diverse economic base. Some scope was seen to move into higher-value industrial sectors through linkages with knowledge-based / R&D activities at the Kent Science Park. A common view was that Sittingbourne, with improved town centre and retail facilities and faster rail links to London, could attract more office-based firms if high quality premises were provided and readily available, particularly as part of the improved town centre

offer. Through its existing assets at the Kent Science Park, Swale could develop into a strong knowledge-based/high technology location ahead of locations without these advantages.

13. Some demand for both industrial and office space could also result from indigenous and Thames Gateway related growth, with a range of support industries needed to underpin the significant housing and population growth. For offices, this would necessitate providing a range of smaller, flexible units, to help create a Swale office market and allow for the growth and progression of firms.

14. For the longer term, a need is seen for more serviced industrial land to support growth aims as supply is currently tight. The expansion of established firms appears less likely to fuel future demand for premises than attracting firms from elsewhere. However, with low costs and new, high speed rail links to London, potential is seen by the market for Swale to attract more firms if high quality, speculative premises are provided and sites readily available. Some demand for both industrial and office space could also result from growth linked to major housing development. Such demand for employment space in Swale is considered unlikely to suffer from major competition from other large economic developments in Kent given the different markets these schemes serve and the different products and costs they offer.

Economic Potential

15. Looking at sectors where Swale has advantages to develop, it should remain strong in manufacturing and experience some growth in distribution, and is reasonably attractive to these sectors, but this will not help diversify its economy or improve the types and wage levels of local jobs. Diversifying into higher value manufacturing and environmental sectors offers potential and would build on the area's strengths. At the same time, the Borough is currently not attracting enough office jobs or higher technology sectors, and will face competition for these from other locations better placed to attract them. Against this background, there is a case for encouraging start-ups and expansions of local firms that will gradually build up a business services sector, albeit slowly. Swale's future growth will therefore depend to some extent on attracting some inward investment, but probably more on building on sectors where it already has established strengths and by stimulating growth of smaller scale indigenous firms.

16. However, greater growth potential would exist if it were possible to achieve a step change in the local economy and market demand. The combination of factors that would potentially help achieve this include:

- building on, and potential expansion of, Kent Science Park as a focus for growth of knowledge-based businesses with improved road links;
- general housing and population growth linked to the Thames Gateway proposals;
- more active promotion of the area as a business location;
- the planned upgrading of railway links to London;
- the completion of the Sittingbourne northern relief road;
- the current regeneration proposals for Sittingbourne town centre and Queenborough/Rushenden; and
- public sector funding to bring forward good quality development sites and speculative premises.

17. It is possible that such factors could lead to greater growth potential in some of the above sectors, particularly business services, advanced manufacturing, ICT, and biotechnology/healthcare. This will require good available sites, probably more active promotion as a business location and support for growth of local firms.

Future Requirements for Employment Space

18. Taking account of these factors, future B class employment space requirements up to 2026 were estimated based largely on past trends of development in the Borough. A range of floorspace was identified to reflect different scenarios of growth. These estimates are set out below and indicate a need for between 415,000 – 595,000 m^2 of employment space, or 101-145 ha of land. They reflect uncertain economic conditions nationally and assumptions of reducing requirements for industrial space generally in the longer term. Whether these employment space levels can be achieved by 2026 will depend on future economic and market conditions and development sites coming forward, but could be aided by an active promotional campaign to establish Swale as a stronger business destination.

	Lower Growth		Higher Growth	
	Floorspace (m^2)	Land (ha)	Floorspace (m^2)	Land (ha)
Manufacturing space (B1c/B2)	127,500	32	133,750	33
Distribution space (B8)	200,000	50	357500	89
Office space (B1)	87,500	19	103,750	22
Total B-class space	415,000	101	595,000	145

Total Employment Floorspace Requirements, 2008-2026

19. The choice of which estimate to use should reflect wider economic aims for the Borough. It is probable that actual needs will lie somewhere between these two estimates. Based on the current economic outlook and Swale's economy continuing along similar lines as it has in the past, the requirement would be more likely to lie towards the lower end of this range. However, for planning purposes, it may be better to plan for a higher level of growth while monitoring take-up/demand to guide release of land on a phased basis. In addition, if the Council seeks to follow a more aspirational approach to bring about a step change in Swale's development as well as a more diversified local economy, then a higher estimate of employment space requirements might be more appropriate.

Quality/Suitability of Existing Employment Sites

19. Swale's 50 main existing employment sites and proposed allocations, as well as a sample of small rural sites, were assessed to determine their suitability to meet these future needs. Overall, the Borough contains a reasonable range and distribution of employment sites of differing quality and type. The assessment found that the great majority of Swale's supply of employment land is of 'good' or 'average' quality including most of the allocated sites and other undeveloped land remaining, which together provide in the order of 220 ha of land. Most of the allocated sites appear reasonable to meet future needs although there are a number which perform poorly, and some which have been allocated for some time but failed to be developed. However, there are few good existing office sites, the best being the Watermark site and Kent Science Park for more science related uses. There is some potential amongst allocated employment sites for future office provision, for example Neats Court and in Faversham town centre.

Need for Additional Employment Land

20. Overall, the amount of employment land currently identified appears more than adequate in broad quantitative terms to meet the Swale job growth targets to 2026 under different growth assumptions. However, this reported supply is quite reliant on a few very large sites coming forward and some of these sites require infrastructure or other improvements, while others are earmarked for expansion of specific firms and may not be available to meet general needs. Excluding these less certain and poorer sites, currently identified potential supply could fall by 41 ha, and potentially by 241,000 m^2. Excluding these less certain and poorer sites, in a worst case situation, there could be shortfalls of employment space relative to the estimated future needs under both lower and higher growth conditions.

21. There are also some indications by the market of short term shortages emerging of readily available industrial land. Some additional sites may be needed if any older estates or allocations not attracting development are either de-allocated or released for other uses. Also, the distribution of good sites and potential employment space capacity across Swale does not match recent patterns of demand, particularly at Sittingbourne, which is the strongest economic centre but does not have a commensurate share of potential supply. Some additional sites may also be needed if older estates or allocations not attracting development are either de-allocated or released for other uses.

22. In addition, the scale and quality of available supply would not appear adequate to accommodate any increased demand for strategic distribution uses in Swale, now that the attraction of large G.Park development may have raised the area's profile and increased investor confidence in the Sittingbourne area as a suitable location for this sector. If this were to stimulate further interest, a further large site in excess of 30 ha would probably be needed. Also, there seems a need to provide extra land for firms based in areas in and beside Sittingbourne that are displaced by affected by regeneration initiatives.

23. In terms of offices, a modest level of new provision could help to stimulate an expanded service sector and support town centre regeneration. Provision of more, smaller scale office premises, probably more centrally located and closer to services, would provide the necessary step-up for existing office firms in the town and begin to create a more normal office market. A further 20-25,000 m^2 of such space in the town centre or as part of any mixed use redevelopment of the Paper Mill or other sites would be one way forward.

24. Despite an apparent quantitative oversupply of employment space if all identified sites come forward, there is some risk of a shortfall occurring under a higher growth situation if some large sites do not. Given this risk, for various qualitative reasons and to help meet the economic aims for Swale, a need for some additional provision of employment land/space is indicated, including:

- some 15-20 ha more land for industrial development similar in type to the established Eurolink industrial area in Sittingbourne;
- a further 30-40 ha land near Sittingbourne and strategic routes to facilitate expansion of strategic distribution activities;
- significant additional B1 space of the type provided by Kent Science Park, preferably as an extension to the Park provided necessary road improvements can be put in place;
- some 20-30,000 m^2 of additional office space, mainly in Sittingbourne, to provide greater choice and types of premises more closely suited to short term market needs and including small scale, lower cost and flexibly managed units;
- some new but relatively small scale industrial sites in Faversham, in the order of 5 ha, to allow release of poorer quality, older estates and upgrade the overall supply;
- a small enterprise centre for business start-ups in Eastern Sheppey to encourage local business formation and diversify limited employment opportunities.

25. The study also suggests no need for new employment land allocations in the rural areas, with a criteria based policy approach used instead to encourage suitable provision to come forward to meet any demand that arises there.

Kent Science Park

26. Looking specifically at Kent Science Park, there would seem a strong case for permitting some extension at the site. This would be supported by both regional and local development plan policies, while the Science Park provides the best opportunity for Swale to develop its knowledge based activities and employment. Initial expansion in the order of 4-5 ha should be supported if it can be accommodated within current highway capacity and subject to consideration of public transport, environmental and other planning factors. Expansion beyond that level

should also be supported in principle but subject to implementation of a link road between Kent Science Park and the M2 motorway, or some other appropriate highway infrastructure improvement agreed by the local highway authority. There would appear benefits in preparing an Area Action Plan or SPD to guide growth of the Science Park, with and without a new M2 link. This will require further exploration of issues affecting Junction 5 of the M2, together with other potential transport infrastructure options that might both secure a high quality access to the Science Park, and provide a more strategic transport role. It is likely that a range of funding opportunities would need to be explored, including, possibly, public sector funding from the Regional Infrastructure Fund and/or contributions from any future development options that may be considered via the LDF process. Such explorations would also need to consider a potential staged approach to any A2/M2 link that might secure early access to the KSP with any wider strategic transport function to the route secured over the longer term.

Sheerness

It would also be important to support the important economic function of the Port of Sheerness, one of the Borough's major economic drivers, and facilitate growth where possible. This may mean resolving Sheerness' position and role among the UK's strategic ports, as well as potentially reviewing its land holdings, including any surplus land, to support economic growth, whilst releasing some historic buildings for other productive uses, and seeking to diversify the port's range of activities and links with other sectors of the Swale economy.

Release of Employment Sites

27. At the same time, there may be scope to release some older, poorer performing industrial sites to other uses, either residential or mixed use development, but a cautious approach should be adopted linked to actual problems being caused, need for new housing sites and available sites for relocation of firms. Most of these sites are occupied and serve a local need at some level, including for bad neighbour uses or firms requiring very low cost premises / sites, and replacement provision should be ensured before any releases. A number of existing sites will be redeveloped as part of Area Action Plan policies in Sittingbourne town centre and in Queenborough, so releases of employment sites need to be managed carefully to ensure sufficient local choice. Possible candidates for release include the Lydbrook Close Depot, Sittingbourne (1.6 ha), Land at Staplehurst Road, Sittingbourne (3.5 ha), the Upper Brents Industrial Estate, Faversham (2.5 ha), and the Oil Depot and Bus Garage, Faversham (0.3 ha).

Upgrading of Current Supply

28. There is also potential to upgrade older industrial areas through re-cladding, gradual redevelopment of individual sites, and sub-division of larger units to provide more modern, affordable space suited to market needs. It is not certain that the market will achieve this and some public sector intervention may be needed. At the same time, some previously allocated sites which appear unlikely to come forward for employment uses may have to be replaced.

Potential New Employment Sites

29. A total of 48 potential sites were assessed across the Borough to identify better candidates for any future employment land allocations required. These sites were identified by the Council or through representations by landowners promoting them for some form of development including employment uses. Of these, 12 were assessed as offering relatively good potential employment sites, with a total of 146 ha of new employment land. Three of these were in the Faversham area, five at Sittingbourne, two in Sheppey and two in the rest of the Borough.

30. Given the relatively small amounts of additional employment land which the study recommends as needed to meet future needs, these better quality sites should provide a reasonable choice from which future allocations required can be chosen, although other sites will need to considered if the Council wished to allocate a large (30-40 ha) site for strategic distribution uses. In some cases, there may be benefits in promoting new employment uses in locations where no good quality potential sites were identified. This could be achieved by a suitably worded LDF Policy which encourages new employment development in rural or other specified locations subject to criteria including limitations on scale of development.

1.0 Introduction

1.1 This Employment Land Review has been commissioned by Swale Borough Council to inform the Local Development Framework (LDF) Core Strategy and the Council's regeneration strategy. The main aims of the study are:

- to provide a systematic and comprehensive employment land review of the Borough taking account of relevant, large scale employment sites in neighbouring areas;
- to analyse and reflect the different market requirements in the component parts of the Borough – Faversham, Sittingbourne and the Isle of Sheppey;
- to critically review and take account of existing economic strategies and aspirations for the Borough and its component parts.

1.2 The study's approach follows Government guidance on undertaking employment land reviews, and covers Stages 1 to 3 of that guidance.[1] Although the study was largely prepared before the more recent Supplementary Guidance on Employment Land Reviews from the South East Partnership Board [2] and PPS4: *Planning for Sustainable Economic Growth,* it also reflects much of that guidance. The study focuses on employment land needs for the group of B Use Classes i.e. B1 (business), B2 (industry) and B8 (warehousing & distribution). It does not assess the future land needs of other employment generating uses such as retail, tourism, healthcare and education although the growth potential of such uses in Swale is considered. Requirements for both employment land and floorspace are considered in the study, and references to "employment space" are intended to mean both these elements. Industrial space in this report includes both manufacturing and distribution uses.

1.3 The overall process by which employment needs have been assessed, and how these would feed into the LDF process, is illustrated by Figure 1.1. A key input to this process was consultation with various organisations with an interest in the supply of employment land including employers, economic development and inward investment agencies, business groups, property agents and developers. This also included a postal survey of 300 businesses in the Borough. Appendix 1 contains a list of consultees.

1.4 The study also draws on employment land studies in other Kent districts and various other documents including planning policy guidance, property market information, local and regional economic strategy documents, relevant planning policy documents, economic impact studies and published economic statistics. Documents which the study has drawn upon are listed in the Document References section of the Appendices.

[1] Employment Land Reviews Guidance Note, ODPM, 2004
[2] Adopted March 2010

1.5 The study has been undertaken over a period that commenced in early 2008 and some data in it relates to that period. However, the study has been updated in key sections to reflect the national recession that began in mid 2008 and estimates of current supply of employment space reflect the most recent monitoring data available. The report has also been amended to reflect responses to the Council's public consultation on this study in mid 2009.

1.6 The report is structured as follows:

- an overview of current economic conditions and recent trends in the Borough and adjoining areas, that may affect the need for employment space (Chapter 2);
- a quantitative assessment of the current stock of employment space in the Borough, including levels and types of provision, recent changes in supply and major developments and employment land supply in nearby areas (Chapter 3);
- a review of existing or allocated employment sites in the Borough in terms of their quality and adequacy to meet future needs, and scope for release or redevelopment (Chapter 4);
- a review of the Swale area property market, particularly demand and supply for different types of employment space and any gaps in provision (Chapter 5);
- consideration of the potential future economic role of the Borough and specific sectors which have potential for growth (Chapter 6);
- estimates of future employment space requirements in both quantitative and qualitative terms, drawing on past take-up of land, forecast economic growth and other factors (Chapter 7);
- an assessment of the balance of supply/demand of employment land, how much additional land, and what types, need to be allocated and any sites to be re-allocated for other uses (Chapter 8);
- consideration of the case for expansion of Kent Science Park and the infrastructure requirements associated with this (Chapter 9);
- an assessment of potential new development sites to meet future needs (Chapter 10);
- Chapter 11 provides overall conclusions and recommendations for the study.

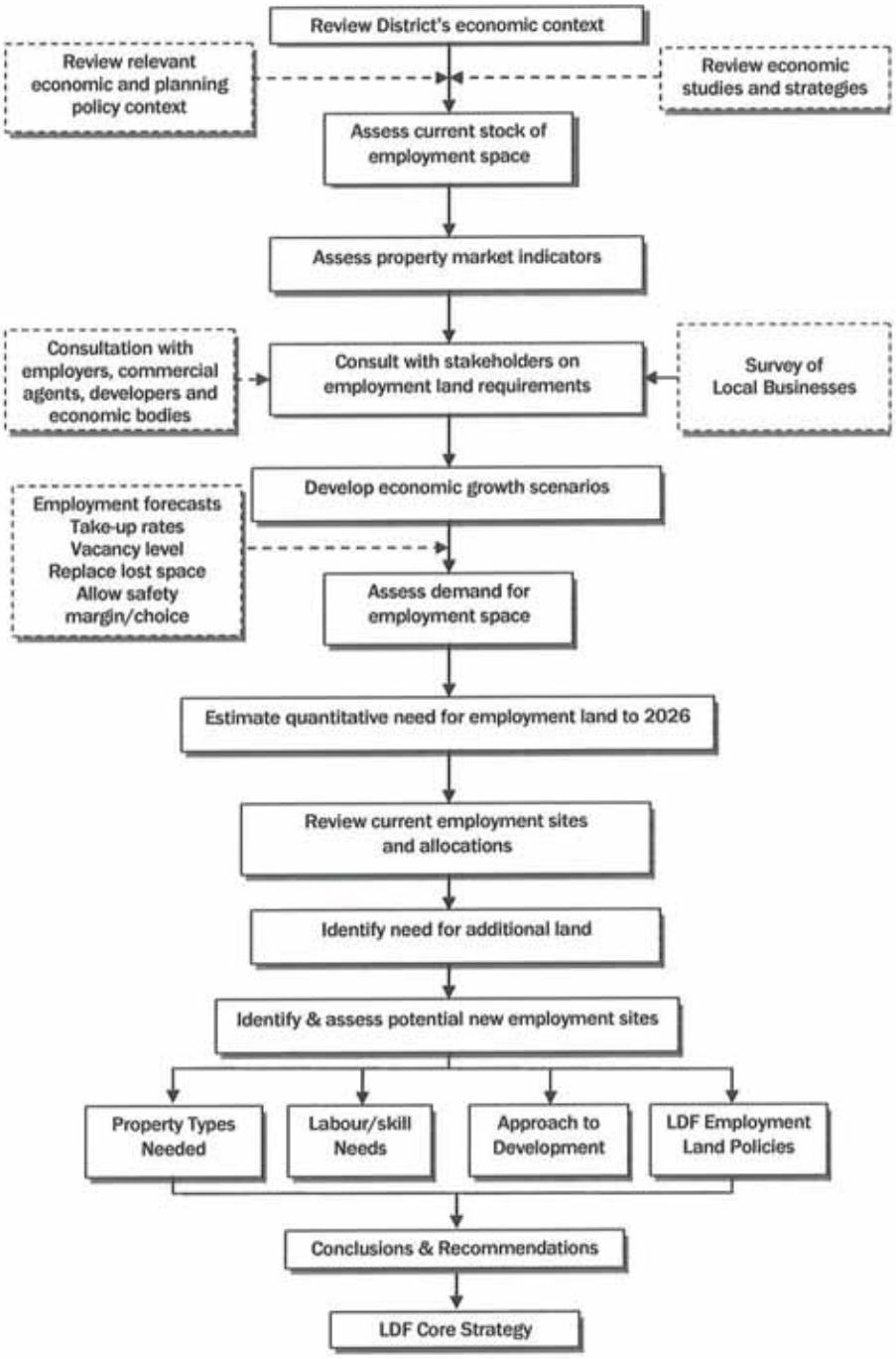

Figure 1.1: Study Methodology