

West Berkshire – Employment Land Review Update

Planning for
West Berkshire District Council
2nd February 2024



Contents

SUMMARY	3
TECHNICAL ASSESSMENT	4
INDUSTRIAL	5
OFFICE	7

Appendices



Quality Assurance

This report has been prepared within the quality system operated at Rapleys LLP according to British Standard ISO 9001:2015.

We confirm that the undersigned is an appropriately qualified and experienced Planner experienced in the commercial property sector.

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Note regarding continuity between the earlier 2020 ELR and 2022 Addendum and this Update:

The Authors of this report, as identified in the Quality Assurance table above, are the same team that while at Stantec, prepared the original 2020 West Berks ELR and the 2022 Addendum.

Summary

- 1) The West Berkshire Local Plan Submission version covers the period 2022-39. However, to ensure the plan when adopted covers 15 years, it is proposed that the period is extended by two years to cover the period 2022-2041. This period extension has implications for some of the evidence supporting the policies and allocations in the Plan.
- 2) By rolling forward the plan period the Council will need to consider two additional years of housing growth, and two additional years of economic growth.
- 3) In light of this, the Local Plan Inspector wishes to be advised how rolling the plan forward two-years will affect the quantum of future office and industrial floorspace requirements.
- 4) This Update recalculates the employment floorspace requirements on the basis of the 2041 end date to address the Inspector's questions.
- 5) The Update uses the same method as that employed in the previous ELR and ELR Addendum studies, which were informed by an economic forecast (labour demand approach) and a 12 year dataset of employment completions (past trends approach). We are able to simply update our analysis by reference to the forecast (which has an end date of 2042), and for our analysis of past trends we have retained the original 2010/11-2021/22 dataset and extended the projection period an additional two years based on the 12 year average.
- 6) Compared to the Submission Plan, rolling forward the plan by two years moved the need from / to:
INDUSTRIAL
- 7) The Submission Plan identified a need for 91,109 sq m GIA over the 2022-39 period. This was on the basis of the past trends approach to calculating economic need. Rolling the period forward two years on the same basis increases the need for industrial floorspace in rounded terms to **104,000 sq m GIA or 26 ha over the 2022-41 plan period.**
OFFICES
- 8) For offices the Submission Plan identified a need for 50,816 sq m NIA. This was based on the labour demand approach using an economic forecast covering the period 2022-39. Rolling the period forward two years increases the office floorspace need in rounded terms to **60,000 sq m NIA over the 2022-41 plan period (equivalent to 69,500 sq m GIA).**
- 9) In the following Technical Assessment we provide the detailed workings to show how these requirements have been calculated.

Technical Assessment

- 1.1 The previous ELRs - the 2020 original and the Dec 2022 Addendum - identified the following floorspace requirements for the West Berkshire Local Plan:

Table 1: West Berkshire - office and industrial floorspace requirements

Requirement		Office sq m NIA	Industrial sq m GIA
2020 ELR	Gross demand 2020-36	79,524	144,485
	<i>per annum</i>	4,970	9,030
	Known supply	14,935	83,325
	Requirement	64,589	61,160
2022 Addendum			
Based on economic forecast	Gross demand 2022-39	59,737	144,784
	<i>per annum</i>	3,514	8,517
	Known supply	8,921	63,867
	Requirement	50,816	80,918
Based on past trends in floorspace	Gross demand 2022-39		154,976
	<i>per annum</i>		9,116
	Known supply		63,867
	Requirement		91,109

Source: Table 7.1 Summary quantitative assessment, ELR Addendum, Dec 2022

- 1.2 The 2020 ELR office and industrial requirements (shown in the top rows of the table) were both on the basis of an economic forecast. In the 2022 Addendum the requirements are shown in grey tone - economic forecast derived for office and past trends for industrial. However, for industrial the difference between the past trends and economic forecast was modest at c10,000 sq m. Given that economic forecast data is not perfectly linear, the change of end period could possibly generate a higher need than the past trends approach. Thus, in this Update we review both past trends and economic forecast approaches, albeit the outturn may not be too dissimilar. Only the economic forecast is relevant for recalculating office need because due to PDR losses associated with a general weakening in the office market, the past trends approach to establishing future need produced deeply negative projections whatever period is considered.
- 1.3 Comparing the 2020 ELR with the 2022 Addendum that cover a similar number of years, we note the considerable reduction in the office floorspace requirement in just two years, and a corresponding substantial increase in the industrial floorspace requirement.
- 1.4 In this report we calculate the floorspace need for industrial and then office based on the Plan period rolled forward to 2041.
- 1.5 The method applied is exactly the same as that used in the original ELR and Addendum calculations. The base year remains 2022, as does all base data. The only change is the extension of the period by two years to 2041. This is achieved as follows:
- For past trends - the twelve-year average (2010/11- 2021/22 for industrial 6,286 sq m pa) is retained, and is now applied to the 19 years (2022-41) rather than the 17 years to 2039, and

- b) For the labour demand approach - we apply a recalculation using the original economic forecast (Experian June 2022 that ran to 2042) data for 2041.

Industrial

- 1.6 In this section we consider the future need for industrial floorspace to 2041, revising first the past trends approach that was the basis of the need figures in the Submission Plan, and then the labour demand (economic forecast) approach. We recalculate both because in the 2022 Addendum the labour demand approach was only marginally lower than the past trends approach and because economic forecasts are not necessarily linear, we need to establish which approach is more positive over the longer period.

Past trends

- 1.7 The table below identifies the industrial floorspace need shown in the 2022 Addendum and then on the right-hand side the update that extends the period to 2041. The two are shown together for ease of comparison.
- 1.8 The main recalculation is in row (a) where rather than a multiple of 17 years (2022 is base (zero) year), the multiple is 19 years to 2041. Applying the per annum average over the 19 years generates a requirement for an additional 12,572 sq m. The stock vacancy (b) and industrial planning permission losses (c) remain unchanged from the position in 2022, and gross demand (d) is also 12,572 sq m higher. The per annum average for the gross demand is a little lower in the revised calculations compared to the 2022 Addendum because the stock vacancy adjustment and planning losses are 'fixed' and therefore generate a lower average over a longer period.

Table 2: West Berkshire industrial requirement (past trend based)

	2022 Addendum Requirement 2022-39		2024 Update Requirement 2022-41	
	Total Industrial	p.a.	Total Industrial	p.a.
a Floorspace change (GIA sq m)	106,862	6,286	119,434	6,286
b Stock vacancy adjustment (sq m GIA)	44,097		44,097	
c Industrial planning permission losses	4,017		4,017	
d Gross demand (sq m GIA) [a+b+c]	154,976	9,116	167,548	8,818
e Total supply (sq m GIA)	63,867		63,867	
f Requirement (sq m GIA) [d-f]	91,109		103,681	
g Requirement (hectare) [f @40% plot ratio]	22.8	1.3	25.9	1.4

Source: Tables 2.3 and 5.4 West Berkshire ELR Addendum, Dec 2022

Note all data and floorspace estimates are Gross Internal Area (GIA).

- 1.9 The committed supply (e) is carried over from 2022, and the requirement calculated in floorspace (f) and land (g) has increased by the 12,572 sq m to stand at approximately 104,000 sq m GIA or 26 ha over the 2022-41 plan period.

Labour demand

- 1.10 The labour demand approach is based on the same Experian Economics forecast used in the 2022 Addendum that was published in June 2022. That forecast dataset covers the period up to 2042. The economic forecast provides job number estimates for economic sectors based on the Standard Industrial Classification (SIC), aggregated in the case of Experian to 38 economic

sectors. Rapleys translate these job sectors to land use categories using our bespoke ‘mapping’ approach¹.

- 1.11 Like the assessment of past trends above, the labour demand table below presents data for both the 2022 Addendum and the calculations for the extended period for ease of comparison. However, to avoid cluttering the table for the 2022 Addendum we reproduce only the data for total industrial, and not the core and warehousing job change.
- 1.12 The main update is in terms of the industrial job change forecast (row a) where the switch to 2041 identifies a moderately more positive forecast; 105 additional jobs per annum compared to the 101 additional jobs in the forecast to 2039. It is noteworthy that the change in jobs in both forecast periods is consistent with the broadly 2:1 ratio forecast for core industrial and warehousing.
- 1.13 The same density factors are applied (b), and the occupier demand (c) is around 14,500 sq m higher over the period to 2041. To this floorspace demand we apply a vacancy factor (d) to allow for a little choice and flexibility in the market, and this is applied at a rate of 8.1% of the occupier demand. Total occupier demand (e) sums to approximately 112,000 sq m, around 15,500 sq m higher than for the period to 2039. To this the stock vacancy (f) and committed losses (g) are applied, both the same as in the 2022 Addendum and this calculates the gross demand (h) of approximately 160,000 sq m GIA, around 15,500 sq m higher than for the period to 2039.

Table 3: West Berkshire industrial requirement (based on labour demand)

	2022 Addendum Requirement 2022-39		2024 Update Requirement 2022-41			
	Total Industrial	p.a.	Core industrial	Ware- housing	Total Industrial	p.a.
a Jobs change	1,720	101	1,334	657	1,991	105
b Density factor (sq m GIA /job)			45	67		
c Occupier demand (sq m GIA) [a*b]	89,427		60,064	43,700	103,764	
d Vacancy factor (sq m GIA) [c*8.1%]	7,244		4,865	3,540	8,405	
e Total occupier demand (sq m GIA) [c+d]	96,670				112,169	
f Stock vacancy adjustment (sq m GIA)	44,097				44,097	
g Industrial planning permission losses	4,017				4,017	
h Gross demand (sq m GIA) [a+b+c]	144,784	8,517			160,283	8,436
i Total supply (sq m GIA)	63,867				63,867	
j Requirement (sq m GIA) [d-f]	80,918				96,416	
k Requirement (hectare) [f @40% plot ratio]	20.2	1.2			24.1	1.3

Source: Tables 3.5, 3.9 and 5.3 West Berkshire ELR Addendum, Dec 2022

Note all data and floorspace estimates are Gross Internal Area (GIA).

- 1.14 Total pipeline supply (i) remains the same as previously, and the plan period requirement to 2041 is approximately 97,000 sq m or 24 ha.
- 1.15 Thus, comparing the alternative approaches shows the difference in terms of requirement has narrowed a little, but the past trends approach is still the more positive at approximately **104,000 sq m GIA or 26 ha over the 2022-41 plan period**, and continues to be the recommended approach for plan-making.

¹ for a more detailed description of the economic sectors and the mapping of sectors to land use categories see Appendix D of the 2020 West Berkshire Employment Land Review, Stantec August 2020.

Office

1.16 In common with the 2020 ELR and 2022 Addendum, the office assessment is limited to considering only the labour demand approach because the past trends data has been deeply negative for a number of years, due to PDR and other losses associated with a general weakening in the office market. Thus, future office need to 2041 will be on the basis of a labour demand approach.

Labour demand

1.17 The office need assessment is based on the June 2022 Experian economic forecast, and uses the same job sector to land use category ‘mapping’ method to identify the sectors in the forecast that will generate future office floorspace demand.

1.18 The table below shows office floorspace requirements from the 2022 Addendum and the update to 2041.

1.19 The key update data is once again in the first row (a), and here the forecast office job change to 2041 is moderately higher on a per annum basis compared with the 2039 data (239 new jobs pa to 2041 compared to 230 to 2039). This moderately higher figure for 2041 mirrors that for industrial job change, and indicates a marginally more positive forecast in the longer-term.

1.20 The density factor (b) is an industry standard source from the former Homes and Communities Agency (HCA) now Homes England. It is noteworthy that for office this is provided as Net Internal Area (NIA), and other data such as the VOA total stock data is also provided NIA. Thus, this update in common with the earlier studies provides the office requirement as a NIA. The HCA Guide does identify a 15-20% conversion factor for NIA to GIA, and we apply 15% to identify GIA at the end of the calculation.

1.21 Row (c) identifies occupier demand, which is up by almost 8,000 sq m for the extended 2041 period compared to the period to 2039. Applying the vacancy factor (8.1% (d)) to provide for choice and flexibility in the market increases the overall demand (e) to approximately 59,000 sq m and the 2022 stock vacancy adjustment (f) to allow for choice and flexibility in the current stock increases the net demand (g) to approximately 63,000 sq m. Accounting for office loss commitments (h) takes gross demand (i) to approximately 68,000 sq m.

Table 4: West Berkshire office requirement (based on labour demand)

	2022 Addendum Requirement 2022-39		2024 Update Requirement 2022-41	
	Total Office	p.a.	Total Office	p.a.
a Jobs change (over period)	3,904	230	4,538	239
b Density factor (sq m NIA /job)	12		12	
c Occupier demand (sq m NIA) [a*b]	46,848		54,459	
d Vacancy factor (sq m NIA) [c*8.1%]	3,795		4,411	
e Total occupier demand (sq m NIA) [c+d]	50,642		58,871	
f Stock vacancy adjustment (sq m NIA)	4,072		4,072	
g Net demand (sq m NIA) [e+f]	54,714		62,943	
h Office planning permission losses (sq m NIA)	5,023		5,023	
i Gross demand (sq m NIA) [g+h]	59,737		67,965	
j Total supply (sq m NIA)	7,583		7,583	
k Requirement (sq m NIA) [i-j]	52,154	3,068	60,383	3,178

Source: Tables 3.4, 3.7, 5.1 and 5.2 West Berkshire ELR Addendum, Dec 2022

(b) factor – HCA Employment Density Guide (table section 6), 2015

- 1.22 In the 2022 Addendum there was a minor inconsistency in the committed supply (j) (Table 5.1 of the 2022 Addendum) where the floorspace was provided as GIA, and should for reasons of consistency have been provided as NIA. Also, to note is table 5.2 of the 2022 Addendum wrongly refers to the gross demand figure being GIA when in fact it was NIA. Thus, for completeness Table 4 above presents the 2022 Addendum data corrected. The gross demand and requirement (k) are NIA floorspace, and total supply of committed office floorspace (j) is revised from GIA to NIA. In practice these corrections make very little difference. The 2022 Addendum requirement figure of c51,000 sq m should have been c52,000 sq m NIA, so a minor correction.
- 1.23 For this Update assessment to 2041, the corrected committed supply (j) applied to the gross demand, generates an **office floorspace requirement (k) for approximately 60,000 sq m NIA**, approximately 8,000 sq m higher over the two-year extended period. On a GIA basis, achieved by increasing the NIA by 15% the requirement is 69,440 sq m.



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