

Isle of Wight Council

Employment Land Demand Study

Final Report

January 2008



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EXECUTIVE SUMMARY

The Isle of Wight Council commissioned an Industrial Land Study in 1999¹. The inventory of the current supply has been updated in 2005 and 2007 by the Council. In preparation for the emerging Local Development Framework (LDF) the Council has commissioned GVA Grimley to undertake an employment land demand review and a gap analysis, comparing projected demand and existing supply. The study comprises four major stages:

- Stage 1 – A policy and socio-economic baseline review of
- Stage 2 – Identifying future employment land requirements
- Stage 3 – Comparing current supply and future demands in a gap analysis
- Stage 4 – Providing conclusions and recommendations

The Policy Framework

The policy framework at national, regional and local levels look to encourage economic growth taking new growth sectors into account. This means that employment land must adapt in the future. Quality and choice of land is promoted so that the employment land can facilitate economic growth for employment in the appropriate growth sectors.

The Island Economy

Economically the Isle of Wight is a fast growing area set within one of the most prosperous regional economies in the world. In the past few years growth in economic productivity on the Island has exceeded that of the South East. The number of businesses is growing steadily and there is a healthy manufacturing sector.

While the recent period of growth is impressive, the Isle of Wight faces some significant economic challenges. There is still a large earnings gap between the Island and the South East and economic forecasts predict that the productivity gap between the Island and the rest of the South East will increase in the future. The Island currently has lower productivity, lower skills levels and less high value employment compared to the South East. The Draft Economic Strategy for the Isle of Wight aspires to close the gap between the Island economy and the South East.

¹ Isle of Wight Council: Industrial Land Study, January 1999, prepared by Drivers Jonas.

The Local Property Market

The industrial property market appears to be fairly tight with little current availability and a historic average annual take-up of around 2,000 sqm between 1996 and 2006. The office market does not appear to be as tight with some availability and relatively little take up in the past. However, very few prime office locations are currently available outside of Newport and the limited take up might be a result of little choice in the office market. m²

Future Requirements

There is an overall gross demand for employment land of 43 ha to 62 ha of which roughly 1/3 is for land suitable for office and 2/3 is for industrial land. Comparing demand and supply shows that there is an estimated gap in employment land supply of between 13 ha and 31 ha between 2006 and 2026. The ranges represent extremes and a realistic assumption is that there is need for an additional 10 ha of employment land which is readily available for development and a further 10 ha to 15 ha which can be brought forward between 2011 and 2026. There is very little land available for good quality office development in Ryde, Cowes and Newport. Similarly there is only little industrial land available in these three locations. The Bay Area has a current supply of industrial land; however this might be constrained by flood issues, which are currently under investigation.

Key Recommendations

Based on the evidence base gathered through the study and presented in this report recommendations to the following heading have been made:

- **Recommendation 1 – Safeguarding of Existing Employment Sites:** All existing sites in employment uses should be safeguarded.
- **Recommendation 2 – Providing for Choice:** A good geographical spread of employment land should be achieved
- **Recommendation 3 – Additional Land Requirements:** A total of 20 ha to 25 ha of additional employment land should be allocated
- **Recommendation 4 – Delivery of Sites:** The Council should take a pro-active role in bringing employment sites forward.
- **Recommendation 5 – Monitoring:** The current monitoring should be extended to cover all major sites, all planning applications and completions and market activities.

1. INTRODUCTION

Background

- 1.1 The Isle of Wight Council commissioned an Industrial Land Study in 1999². The inventory of the current supply has been updated in 2005 and 2007 by the Council. In preparation for the emerging Local Development Framework (LDF) the Council has commissioned GVA Grimley to undertake an employment land demand review and a gap analysis, comparing projected demand and existing supply.

The Brief

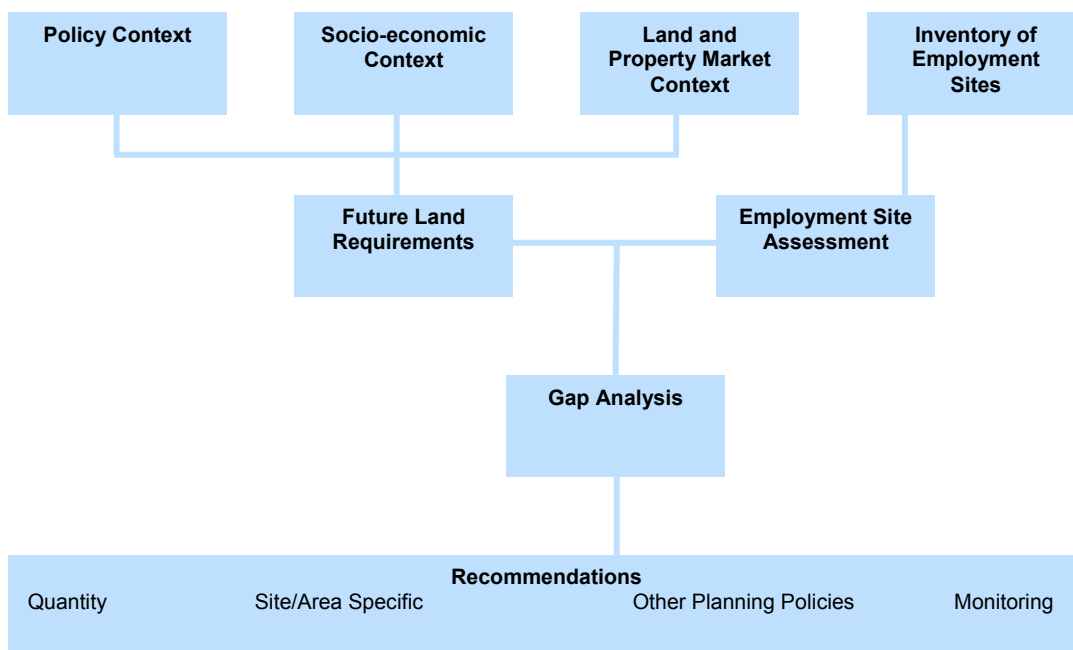
- 1.2 The Isle of Wight Council requires a robust employment land study comparing existing supply with projected demand as an evidence base for the Island Plan process. The study is structured along four major stages:
- Stage 1 – Baseline Review
 - Policy Review
 - Socio-economic Profile
 - Stage 2 – Future Requirements
 - Employment Land Demand Factors Review
 - Land Demand Forecast
 - Stage 3 – Gap Analysis
 - Site Assessment
 - Compare with Employment Land Supply
 - Stage 4 – Conclusions and Recommendations
 - Employment Land Portfolio
 - Planning Policy Recommendations
 - Monitoring Recommendations

² Isle of Wight Council: Industrial Land Study, January 1999, prepared by Drivers Jonas.

Approach

Overall Approach

1.3 Recommendations on future employment land demand and employment land policies need to be firmly grounded in an objective analysis of the relevant local factors. Existing supply has to be assessed on the bases of ‘fitness for purpose’ and projected demand needs to be based on realistic and locally relevant assumptions. The graph below gives an overview of the general approach followed by a more detailed description of the methodology of each step.



Policy Review

1.4 The policy review will on the one hand have a bearing on the forecasted land requirements and on the other hand will ensure that any recommendations from this study are in line with the policies relevant in the Isle of Wight. The following policy documents have been considered for this study:

- Sustainable Communities Plan (ODPM, 2003)
- Planning Policy Statement 1 (PPS1, ODPM 2005)
- Planning Policy Guidance Note 4 (PPG4, ODPM 1992) and Draft Planning Policy Statement 4 on Economic Development and Planning (December 2007)
- Planning Policy Statement 3 on Housing

- The South East Plan
- Regional Economic Strategy
- Isle of Wight Draft Economic Strategy
- Community Strategy
- Isle of Wight Corporate Plan
- Local Area Agreement
- UDP Saved Policies

Employment Land Demand Factors Review

1.5 There are a wide range of factors influencing future employment land demand. This include:

- **Local economic profile:** Taken from socio-economic profile
- **Macroeconomic forecasting:** based on forecasts provided by Experian, SEEDA and from the South East Plan
- **Employment land market analysis:** including an analysis of trends in stock, demand patterns and supply position and liaising with local agents
- **Business needs:** based on consultation with business representatives and key employers
- **Policy and regeneration aspirations:** local and regional economic aspirations and their impact on employment land demand

Synthesis Forecast

1.6 A synthesis of the above factors is then taken and a robust employment land demand forecast is devised. This considers wider economic trends as well as local specifics. The forecast will identify future demand by type of use, size, quality and location up to 2026 in five year intervals.

Site Assessment

1.7 Each site surveyed in the Councils Employment and Industrial Land Review was re-visited by GVA and assessed with regards to quality, its economic development value and the likelihood of available land coming forward.

Gap Analysis

- 1.8 The gap analysis compares the existing employment land supply with the projected demand for employment land. This will take into account the spatial distribution of unmet need and possible oversupply of employment land with regards to quantity and type of floorspace and land.

Employment Land Portfolio

- 1.9 Based on the gap analysis we recommend a portfolio of existing employment sites and allocations to be brought forward into the Island Plan. We also identify the amount of the identified future demand that can be met within existing sites and allocations through intensification and re-development. We then propose a site strategy for the key sites to allow maximum use of existing employment land and minimise the need for new allocations which might have a negative impact on the environment and the countryside.

Planning Policy and monitoring Recommendations

- 1.10 In the light of the findings so far we have reviewed the existing employment land policies in the Isle of Wight's UDP and emerging Core Strategy. This review takes the high environmental qualities of the Island into consideration. We then advise on the best monitoring practices to keep track of employment land on the Island.

2. POLICY CONTEXT

- 2.1 This section provides an overview of the policies relevant to employment and employment land in the Isle of Wight, together with key strategies which may impact upon the Island's economy.

National Policies

- 2.2 **Planning Policy Statement 1 (PPS1, ODPM 2005)** sets out the Government's overarching objective for the planning system to deliver sustainable development. It promotes a positive planning framework to achieve sustainable economic growth in an integrated manner in which environmental, economic and social objectives are achieved. It sets out that the planning system should ensure suitable locations are available for industrial, commercial, retail, public sector, tourism and leisure development and should actively promote and facilitate good quality and sustainable development. Planning should provide for improved productivity, choice and competition and recognise that technological and other requirements of modern businesses are changing rapidly. It should be recognised that economic development can deliver environmental and social benefits, but that in some cases wider sub-regional, regional or national economic benefits may outweigh adverse local impacts.
- 2.3 **Planning Policy Guidance Note 4 (PPG4, ODPM 1992)** sets out national land-use policies for industrial and commercial development and small firms. It indicates that planning authorities should ensure that there is sufficient land available which is readily capable of development and well-served by infrastructure. There should also be a variety of sites available to meet different needs and facilitate competition whilst recognising the locational demands of businesses. Planning authorities should promote sustainable development in which economic growth and a high quality environment are pursued together.
- 2.4 In locational terms, planning authorities should seek to minimise the length and number of trips (in terms of movement of both goods and workforce), road congestion and promote sustainable transport modes. It promotes employment development which can be served by rail freight and indicates that distribution facilities should be located away from urban areas to minimise congestion. Mixed use development is promoted where there is no adverse impact on residential amenity. In rural areas, employment development to sustain the rural economy should be weighed with the need to protect the countryside.

2.5 Communities and Local Government, issued in December 2007 the draft of **PPS4 “Planning for Sustainable Economic Development”**. The draft guidance is subject to public consultation until 17 March 2008 and then will be issued in final form in the spring/summer of 2008. The key messages include:

- **Promotion of a positive and constructive approach in the determination of planning applications for economic development:** Applications which support economic development should be considered favourable unless the economic, social and / or environmental costs outweigh the benefits. All proposals need to be of high quality and inclusive design which improve the character and quality of the area and its function. In particular, all economic development needs to address climate change by being sustainable in terms of accessibility, car parking provision and energy efficiency.
- **Economic development plan allocations:** In drawing up their development plans, Local Planning Authorities should have flexible, criteria based policies by:
 - Avoiding designating sites for single or restricted use classes wherever possible and avoid carrying forward existing allocations where this cannot be justified.
 - Allocating sites for a broad range of business types – from small start up businesses to larger commercial and industrial premises.
 - Separating certain types of industry from sensitive land uses where they are detrimental to amenity and a potential source of pollution and an accident hazard.
 - Consider using local development orders or simplified planning zones for existing industrial estates and business parks where the proposed development or redevelopment does not need separate planning applications.
- **Office and Hi Tech developments:** Preference will be given to B1(a) developments in, or at the edge of, town centres as prescribed by the sequential approach in PPS6. Ancillary offices do not need to be located in the town centre.
- **Logistics and other transport uses:** Distribution depots and transport uses related to ports, airports and inter modal freight terminals, are regarded as developments promoting economic development. Development plans and applications should take into account the benefits of co-locating these developments as they generate substantial carbon emissions and need to be located in sustainably sited locations – including the rail network and water transport.
- **Economic land reviews:** Local Planning Authorities and Regional Planning Bodies need to prepare economic land reviews to:

- Assess the existing supply of land and floorspace for economic development and potential shortfalls.
 - Identify future needs of regional and local economy, including identification of sectors contracting or expanding and market information and economic data.
 - Have joint working relationships with neighbouring regions/authorities.
 - Ensure that economic land reviews are coordinated with housing land and infrastructure reviews.
- 2.6 PPG4 has to be reflected in the light of **Planning Policy Statement 3 on Housing** which promotes the effective use of land and requires Local Planning Authorities to consider whether sites that are currently allocated for industrial or commercial use could be more appropriately re-allocated for housing development.
- 2.7 This obliges Local Authorities to balance both housing and employment needs. An over-provision of employment land might result in the loss of favourable employment land as a result of ‘cherry picking’ from housing developers.
- 2.8 The **Sustainable Communities Plan (ODPM, 2003)** establishes the creation of sustainable communities as a key overarching Government objective. It set out key requirements of a sustainable community, including a flourishing local economy to provide jobs and wealth. This requires employment land in the correct quantities and sectors in order to boost the local economy.

Regional Policies

The South East Plan

- 2.9 The South East Plan is the Spatial Strategy for the South East of England, produced by the South East England Regional Assembly (SEERA). The Panel Report has been published and it is expected that the final Plan will be approved by Government in 2008. It promotes a long term annual growth rate in GVA for the Region of 3.2%. The main economic objectives of the Plan are to:
- support regionally important sectors and clusters
 - assess the employment and land needs of the local economy and workforce
 - support human resource development
 - promote ICT and change working practices
 - address intra-regional economic disparities

2.10 The Panel Report referred to the Isle of Wight as a sub-region with specific objectives. These are:

- To enable economic regeneration in key areas through development, education and tourism strategies
- To make provision for 7,000 new jobs between 2006-2016
- To develop strategic transport links
- To develop the infrastructure of the Island
- To develop the rural areas
- To develop the correct scale and type of housing to meet growth.

Regional Economic Strategy

2.11 The Regional Economic Strategy (RES) is the regional version of the Isle of Wight economic strategy. It identifies six drivers for delivering “smart” growth: enterprise; innovation; competition; skills; infrastructure & investment and employment. Produced by South East of England Development Agency (SEEDA) and adopted in 2006 it has the following economic objectives:

- To increase global competitiveness by assisting business
- To ensure smart growth by increasing skills levels and improving infrastructure
- To ensure sustainable prosperity through energy saving practices and policies

2.12 The strategy deals with the Coastal South East separately and sets out specific approaches for this area, which are to:

- Ensure skills-led growth
- Ensure innovation and creativity-driven growth
- Make economic upgrading the basis for growth
- Make connectivity the basis for growth
- Encourage culture and leisure-based growth

2.13 The RES furthermore includes a section on the Rural South East referring to the natural and historic environmental management, land based industries and issues relating to economic and social issues of the rural economy and communities. The RES identifies the following priorities for the Rural South East:

- Invest in the economic viability of villages and market towns across the Rural South East
- Exploit the potential of the knowledge economy for new business creation and development, and stimulate the take-up and effective use of Broadband
- Assist the food and farming sectors to adapt to new regulations, enabling them to develop new skills and to capitalise on opportunities for new products and processes resulting from CAP reform and new technology, whilst enhancing the natural resources on which they rely
- Support the development of premium local products by investing in the land-based products supply chain, adopting high quality standards
- Invest in and promote the area's cultural, heritage and landscape assets, and develop the visitor economy linked to the conservation of a high quality environment.

Local Policies

Economic Strategy

- 2.14 The Economic Strategy sets the economic objectives required to meet the overall economic vision of the Island. The vision is:

“To promote economic well-being, increase productivity and sustainable wealth creation especially increasing global competitiveness, achieving smart growth and sustainable prosperity”

- 2.15 The Isle of Wight Economic Strategy builds on the South East Regional Economic Strategy 2006 – 2016, takes the regional vision, values, targets and actions and sets them into a local context. In particular focussing on improvements in the following areas to improve its economic performance:

- Infrastructure improvement
- Business support
- Skills
- Technology cluster
- Image and aspirations
- Sustainable prosperity

Community Strategy

- 2.16 The Sustainable Community Strategy is currently being drafted, through the Island Strategic Partnership (ISP). One of the Strategy's main aims is to create an 'Eco-Island' with a thriving economy, and a real sense of pride, where residents and visitors feel safe and are treated with respect.
- 2.17 It looks to create an environment where the Island's economy thrives, renowned as the best place to live, work, visit and invest. It wants to establish a thriving economy, with good quality jobs, highly skilled workforce and a quality of life that is the envy of the world.

Local Area Agreement

- 2.18 The Local Area Agreement (LAA) is produced by the Island Futures Partnership and was adopted in June 2005. It is the document that sets out the funding streams and enabling measures to deliver the outcomes of the LAA. It presents a vision for the Island, that in 2020 it will be "a progressive Island built on economic success, high standards and aspirations and a better quality of life for all." It sets out the following economic objectives:
- To promote economic well-being and sustainable wealth creation
 - To improve the level of skills and qualifications in the workforce
 - To maintain low levels of unemployment and reduce benefit dependency
 - The LAA is currently being re-negotiated

UDP Saved Policies

- 2.19 The Council with approval of Secretary of State for Communities and Local Government has saved a selection of the existing UDP policies till they are replaced by the emerging LDF Core Strategy. The following saved policies are of specific relevance to this study:

Strategic Policies

S3 New developments of a large scale, will be expected to be located in or adjacent to the defined development envelopes of the main Island towns of Cowes/East Cowes, Newport, Ryde and Sandown/Shanklin.

S4 The countryside will be protected from inappropriate development.

S8 At least 60 hectares of employment land will be allocated within, or adjacent to the main

G1 Development Envelopes for Towns and Villages

In general, development will be expected to be located within settlements defined in this plan by development envelopes. Land outside these boundaries is considered to be countryside where development, other than exceptions specified in other policies or proposals, will be resisted. [...]

2.20 With regards to employment land the following policies have been saved:

E3 Resist the Development of Employment Land for other Uses

Planning applications which protect or enhance the employment use of existing and allocated employment land and premises will be approved. Applications for the change of use of land or premises to those outside employment use will not be permitted. The only exceptions to this policy will be where:

- a there is an identified need for the proposed use and no other suitable site is available; or*
- b where alternative equivalent floorspace suitable for employment purposes can be found in the area without releasing land outside the development envelope boundary for development; or*
- c the loss of the site would not prejudice the ability of the area to meet local employment needs; or*
- d the development involves the relocation of a non-conforming use from an unsuitable existing site*
- e the proposal is for the overall development of the site and involves an acceptable mix of uses.*

E5 Allocation of Employment Land

Planning proposals for employment development will be considered in principle on employment sites allocated on the Proposals Map [...].

E7 Employment Sites with Deep Water Frontage

Planning applications to develop existing employment/industrial sites which have deep water frontages will only be approved where this type of location is essential to the proposed marine related employment use.

Summary

- 2.21 The policy framework at national, regional and local levels look to encourage economic growth taking new growth sectors into account. This means that employment land must adapt in the future and consideration must be given to these growth sectors when planning future land developments.
- 2.22 At a national level the policy framework promotes aligning employment land with the changing needs of modern economies. Quality and choice of land is promoted so that the employment land can facilitate economic growth for employment in the appropriate growth sectors.
- 2.23 At a regional level, the South East Plan is clear in its vision to provide employment land to encourage growth sectors in the region. Similarly, the RES wants to promote economic prosperity and employment land is an important factor in doing so.
- 2.24 Locally the Sustainable Community Strategy highlights how the Island can thrive with the appropriate economic mix. The LAA also looks to maximise employment opportunities. The economic strategy looks to boost the Island's economy by improved infrastructure and clusters to achieve high economic growth. Employment land is an important factor for these local strategies as it provides the platform for the Isle of Wight to attract the necessary high value sectors.

3. SOCIO-ECONOMIC CONTEXT

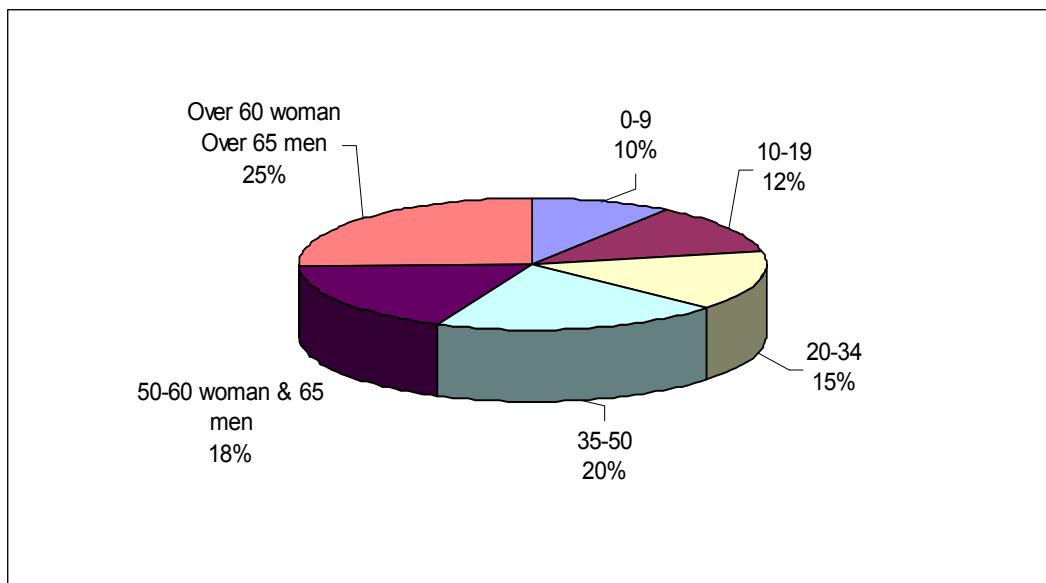
Economic Context

- 3.1 The Isle of Wight is a fast growing economy set within one of the most prosperous regional economies in the world, the South East of England. In the past few years growth in economic productivity on the Island has exceeded that of the South East. The number of businesses is growing steadily and there is a healthy manufacturing and tourism sector.
- 3.2 While the recent period of growth is impressive, the Isle of Wight faces some significant economic challenges. There is still a large earnings gap between the Island and the South East and economic forecasts predict that the productivity gap between the Island and the rest of the South East will increase in the future. The recession of the early 1990's was a major cause of the economy's relatively poor performance against the South East region. It means that the Island currently has lower productivity, lower skills levels and less high value employment compared to the South East.
- 3.3 Globalisation has changed the world economy and has a significant influence in the Isle of Wight's economy. The Island is facing international competition from countries with much lower wage levels. Businesses on the Island therefore need to be more innovative, faster and customer focused to compete against low wage countries.

Labour Market

- 3.4 The population of the Isle of Wight is 138,000, according to the latest estimates (2006), an increase of over 5,000 from the last census in 2001.

Figure 1 – Percentage of Total Population by Age Group in the Isle of Wight

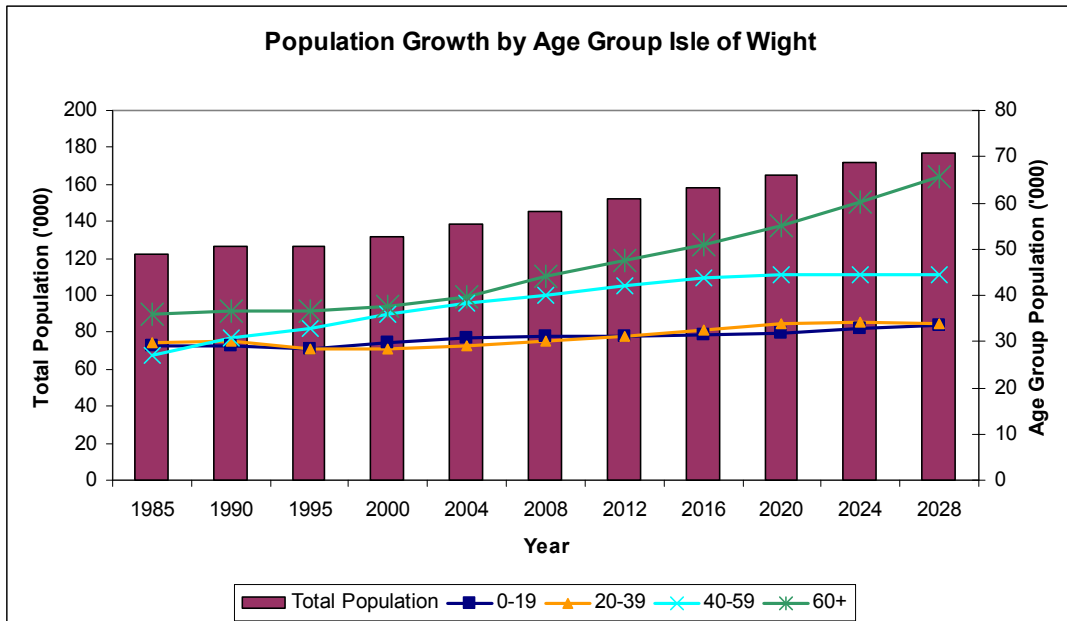


Source – Mid year population estimates NOMIS 2005

- 3.5 The population break down highlights an ageing population (see Figure 1), over 25% of the population on the Island is of retirement age, higher than the regional figure of 19%. The Island also has a relatively small working age population³ at 52% of the population compared to 57% in the UK and South East Region.

- 3.6 The Isle of Wight’s population is growing at a faster rate than both the South East and the UK. However, growth in the working age population levels has been comparatively slow against the increasing number of retirees in the Isle of Wight. This trend is set to continue as the forecast for population growth shows that older age groups will be the main contributors to growth (see Figure 2).

³ 20 – 60 for woman and 20-65 for men

Figure 2 –Population Growth by Age Group Isle of Wight

Source: ONS midyear population estimates (October 2006)

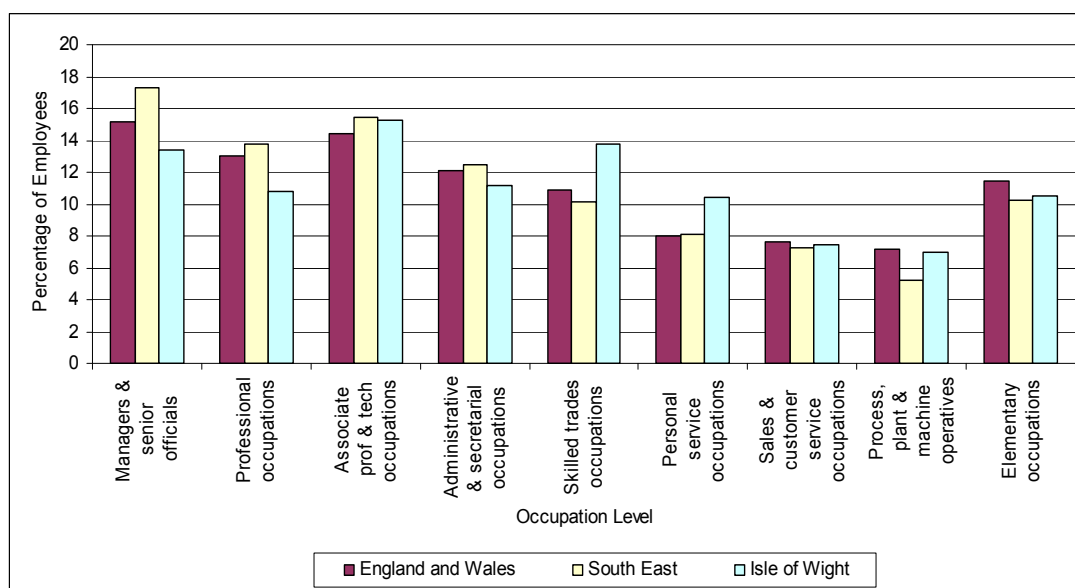
- 3.7 The percentage of the working age population who are economically active⁴ is 77% similar to the England and Wales figure (78%) but below that of the South East which stands at 82%.
- 3.8 The Isle of Wight has proportionately more part time employees and more women in employment than the South East and the UK. It also has a higher proportion of self-employed workers.
- 3.9 Unemployment in the Isle of Wight has declined significantly over the past 15 years, however, it is still higher than the South East and the UK. The ILO unemployment rate for the Island in 2004 was 5.2%, compared to 3.7% in the South East and 4.7% in the UK. Unemployment levels on the Island fluctuate seasonally, with higher unemployment in the winter resulting from a hiatus in tourism and agriculture employment, this fluctuation has reduced somewhat over the last 15 years along with the overall reduction in unemployment.
- 3.10 The Isle of Wight is ranked 110th out of 354 in the list of most deprived local authorities in the UK (2007). This ranks it within the most deprived quartile of local authorities in the South East. However, no part of the Island falls within the bottom 10% of deprived Lower Level Super Output Areas (LSOA) and only six LSOA rank in the 10%-20% most deprived areas in the Isle of Wight.

⁴ People who are working or actively seeking work

3.11 Educational attainment on the Island is significantly lower than the rest of England, in 2004, 44% of pupils in the Isle of Wight achieved 5 GCSE grades (A* – C), compared to 53.7% in England. Higher education qualifications levels on the Island are also lower than the South East and the UK. In 2005 the proportion of the working age population with NVQ Level 4 + qualifications was 22%, compared to 30% in the South East and 27% in England and Wales. The percentage of the working age population on the Island with no qualifications is just under 11% which is better than the national figure (13.8%) but worse than the South East which stands at 9.6%

3.12 Overall the Isle of Wight has low levels of residents working in highly paid and highly skilled occupations. The Isle of Wight, with 39.5%, has less employees working in professional occupations⁵ than the region as a whole (46.5%). It does, however, have proportionately higher numbers in skilled occupations⁶ with 35.4% employed in these jobs compared to 30.7% in the region 31% nationally. (See Figure 3 below).

Figure 3 – Occupation Levels in Isle of Wight, South East and England & Wales (2006)



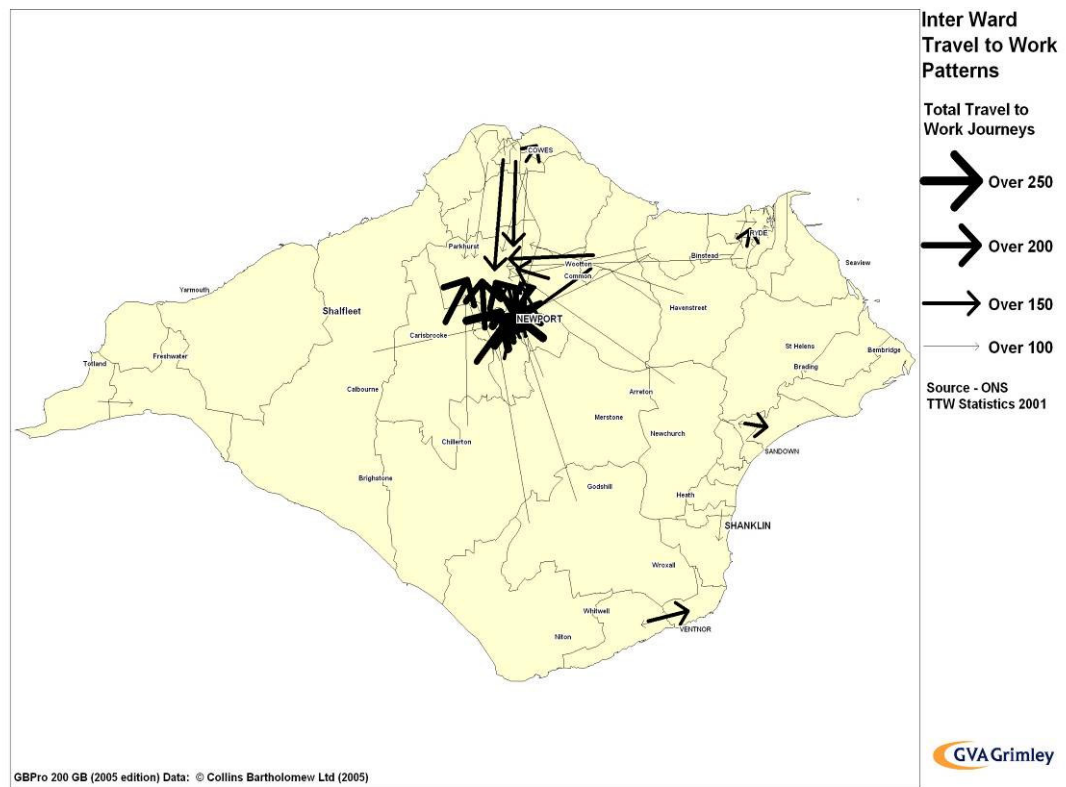
Source – Annual Population Survey 2006 NOMIS

3.13 The most popular destinations for employment on the Island are the adjoining Parkhurst and Newport North Wards which equate to the workplace destination of around 11,000 people, 20% of all journeys to work on the Island. As Figure 4 demonstrates all the major flows to work have these wards as their destination with the majority originating from the immediately surrounding local area.

⁵ All Managers & Senior Officials, Professionals and Associate professional and technical occupations.

⁶ All Administrative & Secretarial, Skilled trades and Personal service occupations.

Figure 4– Inter-ward Travel to Work Patterns



Source – ONS TTW Statistics 2001

3.14 There are 7 districts which supply over 100 Isle of Wight residents with their normal place of work, the furthest in of which is the city of Westminster (see Table 1). In terms of the incoming workforce, the Island is the normal place of work to over 100 residents in only two districts, Bournemouth and Poole.

Table 1 – Isle of Wight Top 10 Destination and Origin of Workforce by district

Destination	Total Journeys	Origin	Total Journeys
Portsmouth	797	Bournemouth	139
Southampton	567	Poole	122
Wyre Forest	230	Southampton	98
Bournemouth	187	Portsmouth	90
New Forest	119	New Forest	51
Poole	112	Fareham	43
Westminster	105	Eastleigh	38
Fareham	91	Christchurch	28
Winchester	89	Winchester	25
Gosport	81	Gosport	22

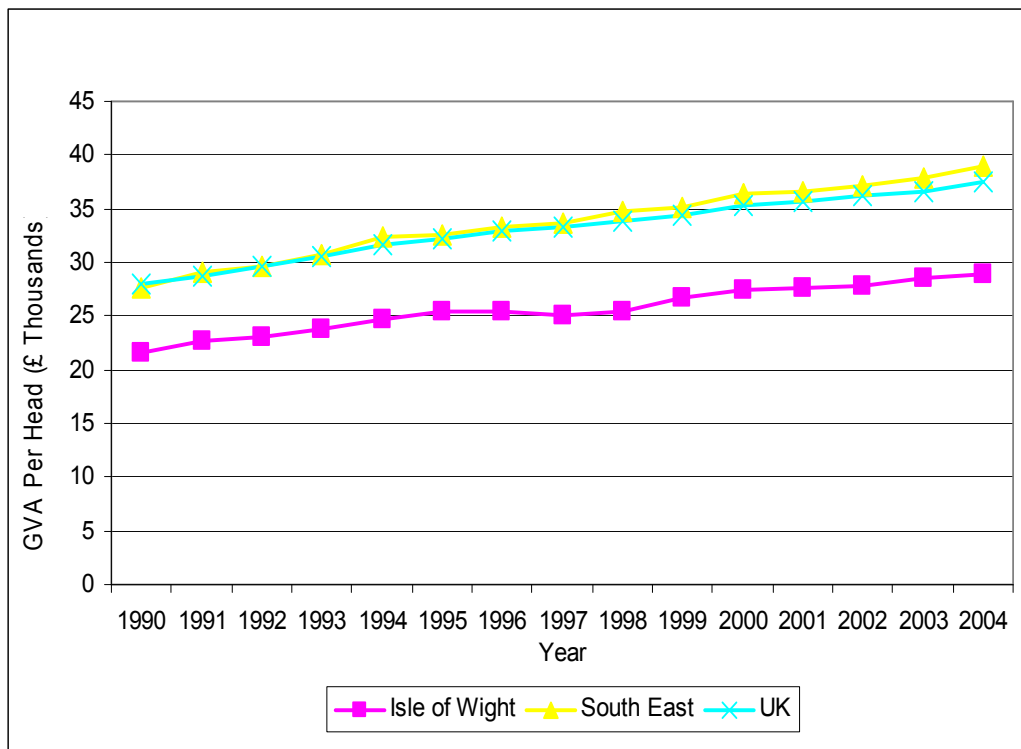
Source- ONS TTW statistics 2001

Output and Productivity

Productivity

- 3.15 Gross Value Added in the Isle of Wight has grown on average 2.8% per annum since 1990 and was around £1.4 billion in 2004, this contributed just over 1% of the total GVA for the South East. Productivity per employee on the Island has consistently been well below the UK and South East totals. In 2004 the average productivity per head in the Isle of Wight was £10,000 less than the rest of the South East (see Figure 5)

Figure 5 – Output per full time employees



Source: Experian Business Strategies Limited ©.

Weekly Earnings

- 3.16 To gain an insight into earnings on the Island it is necessary to look at both resident based and workplace based earnings to gain an overall picture of the relative wealth on the Island. The average gross weekly earnings in 2006 for the Isle of Wight’s workforce were £324, 42% lower than the equivalent figures for the South East (£461). Average figures rise to £361 for resident’s weekly gross earnings, but again this is significantly below the equivalent in the South East (£489) and national figures (£440).

- 3.17 In the last four years average earnings for Isle of Wight residents have reduced the pay gap with the rest of the region. The average wage in 2002 was 52% lower than the rest of the South East but by 2006 this was reduced to 36%. This is mainly due to the surge in residents pay from £297 per week to £361, a rise of 22%.
- 3.18 Workplace earnings have experienced a slight increase in the pay gap over the same period, increasing from 41% lower than the South East to 42% lower.

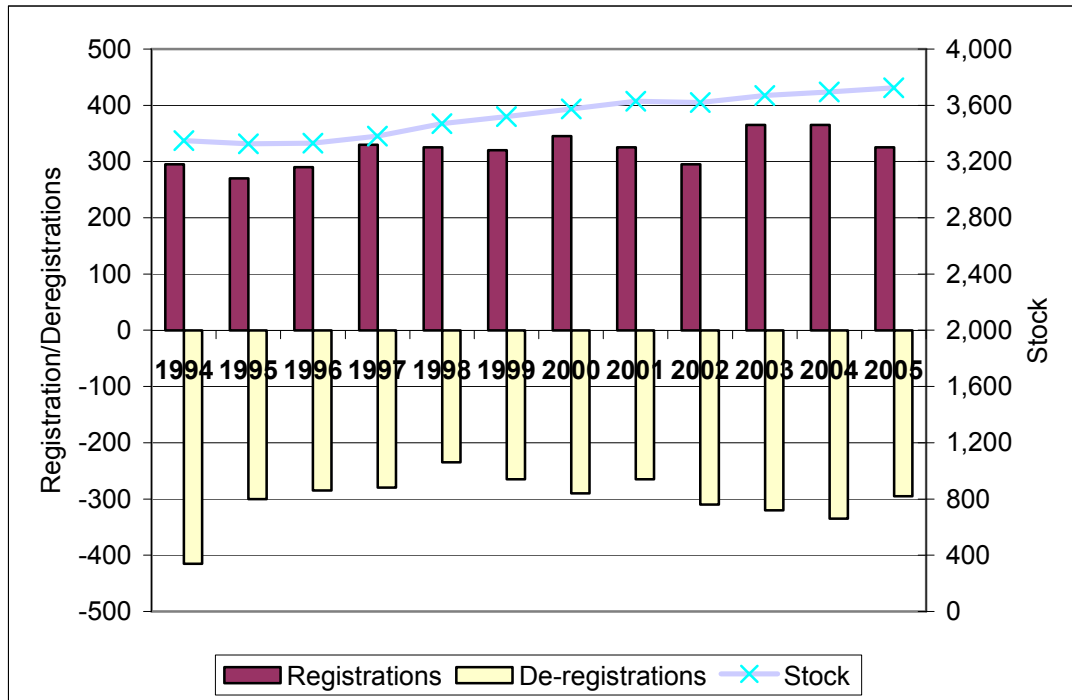
Business Base

- 3.19 There are a total of 5,350 businesses in the Isle of Wight, and numbers have increased steadily since 1998⁷. The South East and the UK have also experienced an increase in business numbers, although the rate was slightly higher on the Island.
- 3.20 Small businesses (1-10 employees) represent 83% of the total number of businesses on the Island but it is the proportion of mid-size businesses (50-199 employees) that has increased the most, growing from 1.8% of businesses to 2.6% between 1998 and 2004⁸.
- 3.21 Although representing 83% of the businesses on the Island, small businesses only provide 26.1% of the jobs, although this figure was higher than the rest of England and Wales (20.8%) and the South East (22.8%). At the other end of the scale the largest employers (200 plus employees) only provide 16.9% of the jobs in the Isle of Wight whereas in the South East this figure equates to 27.8% and in England and Wales the figure reaches 30.1%.
- 3.22 The pattern of VAT registrations in the Isle of Wight has remained steady since 1994 at around 300 per year. The number of de-registrations on the Island has declined since 1994 as shown in Figure 6. With the exception of 2002 the Isle of Wight has seen growth in total business numbers every year since 1995.

⁷ Experian Business Strategies (October 2005), The Isle of Wight economy

⁸ Experian Business Strategies (October 2005), The Isle of Wight economy

Figure 6 – VAT Registrations & De-registrations Isle of Wight 1994 – 2005



Source: ABI/GVA Grimley (2005)

Sector Analysis

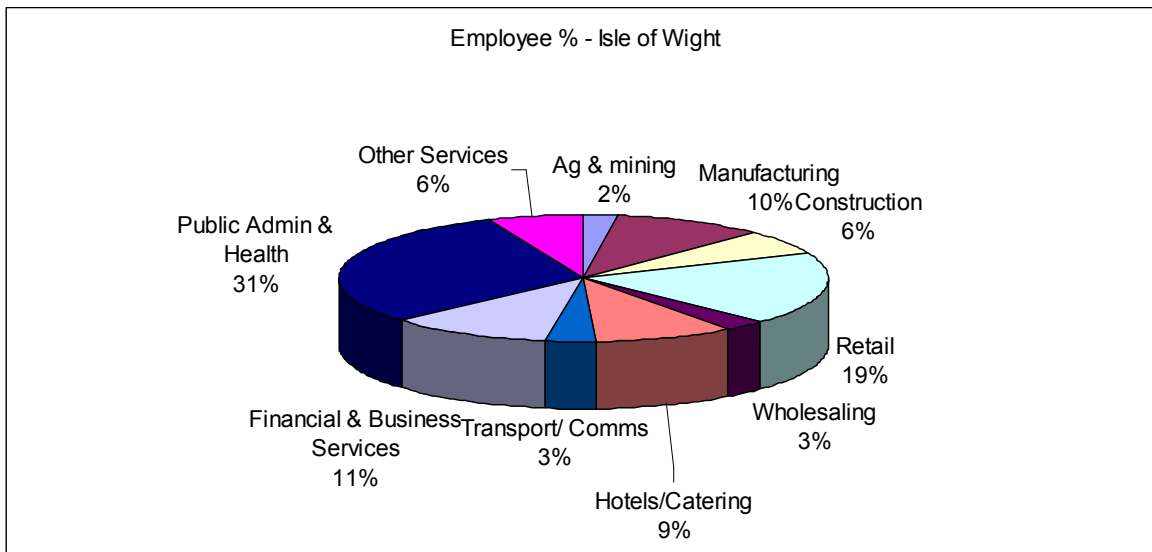
Economic Structure

3.23 In common with the South East and the UK, the Isle of Wight economy is dominated by the service sector. Public Administration (including Education, Health and Defence) is the biggest sector on the Island with regards to both output and employment. Finance & Other Business Services and Manufacturing are the second and third largest sectors with regards to output, followed by Retail. See Historic trends, current proportions (pie chart) and comparison to SE, UK for Broad Sectors for

By Employment

3.24 Employment in the Isle of Wight is dominated by Public Administration & Health followed by retail and financial and business services. This is shown in Figure 7 below:

Figure 7 – Percentage of employees in the Isle of Wight 2004



Source: Experian (2004)

- 3.25 Public Administration & Health is also the largest sector in the South East though to a lesser extent than the Isle of Wight at 24%. Financial & Business Services is the second largest sector in the South East with a larger presence than in the Isle of Wight at 23%. In the UK Public Administration & Health is again the largest sector, followed by Financial & Business Services. Manufacturing retains a strong presence nationally with 12% of employees in the sector.
- 3.26 The highest growth sector in the Isle of Wight since 1990 is Construction, experiencing a 265% increase in employees to 2004. Retail is the second highest growing sector with an increase in employee numbers of 103% in the period. Financial and Business Services also had strong employee growth, 74% between 1990 and 2004.
- 3.27 Sectors in serious decline on the Island since 1990 are Wholesaling and Hotels & Catering. Employee numbers have reduced by 38% and 33% respectively in this period. Other sectors that have declined, though not to the same extent are Transport & Communications and Manufacturing. Utilities have also experienced a large decline but this is a relatively small sector on the Island in employee terms.
- 3.28 Employment growth in the South East was highest in the Financial & Business Services sector (47%), closely followed by Other Services (45%). The picture is similar at a national level with Financial & Business Services increasing by 34% and Other Services by 32%.
- 3.29 In the South East the main sector that has experienced decline since 1990 is Manufacturing, with declines in the Electricity and Agriculture sectors though these do not have a large presence in the region. Nationally, the manufacturing sector has also

experienced a large decline in employee numbers with a reduction of 31% since 1990. The changes in the Isle of Wight, the South East and the UK are shown in Table 2 below:

Table 2 – Changes in Employee Numbers 1990 to 2004

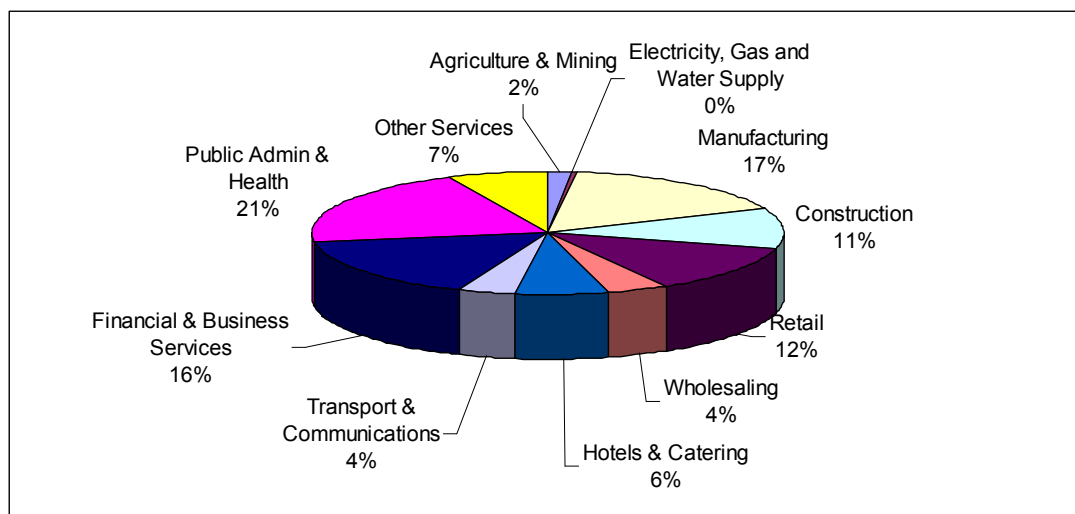
Broad Sector	Isle of Wight Change since 1990	South East Change since 1990	UK Change since 1990
Agriculture & Mining	13.2%	-21.4%	-38%
Electricity, Gas and Water Supply	-89.8%	-23.3%	-49%
Manufacturing	-15.0%	-27.5%	-31%
Construction	264.9%	8.4%	1%
Retail	102.9%	31.2%	26%
Wholesaling	-38.1%	6.7%	0.5%
Hotels & Catering	-32.9%	21.9%	24%
Transport & Communications	-16.9%	4.9%	5%
Financial & Business Services	74.2%	47.0%	34%
Public Admin & Health	19.0%	14.5%	19%
Other Services	61.3%	45.2%	32%

Source: Experian Business Strategies/ GVA (2004)

By Gross Value Added

3.30 The largest sectors in the Isle of Wight in GVA terms are Public Administration & Health with 21% of total output, followed by manufacturing at 17% and Financial & Business Services at 16%. This is shown in Figure 8 below:

Figure 8 - Percentage of output in the Isle of Wight 2004



Source: Experian Business Strategies (2004)

- 3.31 This is in comparison to the South East where Financial & Business Services are the dominant sector in output terms (25%). This is followed by Public Administration & Health (16%) and Manufacturing (15%). The composition is similar at a national level with Financial & Business Services accounting for 24% of output, Public Administration & Health 19% and Manufacturing 16%.
- 3.32 The highest growth sector in output terms between 1990 and 2004 in the Isle of Wight was Retail which increased by 155%. This is closely followed by Financial & Business Services at 146% and Other Services at 126%. Hotels & Catering is the sector that experienced the largest decrease in output since 1990 with a reduction of 37%. Utilities have also experienced a large decline but this is a relatively small sector on the Island in output terms.
- 3.33 In the South East the Transport & Communications sector is the highest growing sector in output terms since 1990. Other Services and Utilities are also high growth sectors, although utilities are a relatively small sector in the region. Agriculture is the sector that experienced the greatest decline in output but that is again a relative small sector in the region.
- 3.34 Nationally, Financial & Business Services was the highest growing sector by output, increasing by 86% between 1990 and 2004, followed by Transport & Communications, Retail and Other Services.
- 3.35 The changes in the Isle of Wight, the South East and the UK are shown in Table 3 below:

Table 3 – Sectoral Change by Output 1990 to 2004

Broad Sector	Isle of Wight	South East	UK
	Change since 1990	Change since 1990	Change since 1990
Agriculture & Mining	7%	-31%	20%
Electricity, Gas and Water Supply	-73%	112%	40%
Manufacturing	44%	21%	4%
Construction	51%	0.4%	13%
Retail	155%	86%	73%
Wholesaling	-5%	56%	42%
Hotels & Catering	-37%	29%	23%
Transport & Communications	38%	118%	82%
Financial & Business Services	146%	94%	86%
Public Admin & Health	22%	31%	29%
Other Services	126%	101%	61%

Source: EBS/GVA (2004)

Productivity

3.36 The dominant sector in terms of productivity in the Isle of Wight is Transport & Communications, followed by Manufacturing and Financial & Business Services. It should be noted that the Transport sector is relatively small on the Island, however, accounting for only 3.4% of employees. This is compared to the South East where Manufacturing is the most productive sector, closely followed by Transport & Communications and Wholesaling. At a national level it is Transport & Communications that is the most productive sector and it is also a relatively larger sector than the Isle of Wight employing 8.1% of the workforce. Manufacturing and Business Services are the next most productive sectors in the UK. This is shown in Table 4 below:

Table 4 – Productivity per Worker (£)

Sector	Productivity Per Worker (£)	Productivity Per Worker (£)	Productivity Per Worker (£)
	Isle of Wight	South East	United Kingdom
Agriculture	12.121	15.273	24.942
Mining & Utilities	98.127	132.010	209.124
Manufacturing	33.172	48.677	44.256
Construction	22.008	28.045	27.140
Services	24.975	35.044	34.624
Retailing	21.548	27.680	25.669
Wholesaling	32.703	43.045	39.913
Hotels & Catering	21.928	28.444	25.756
Transport & Communications	35.099	48.593	45.498
Financial & Business Services	31.017	38.771	40.960
Other Services	22.930	29.571	30.477

Source: Experian Business Strategies/GVA (2005)

3.37 Outside of Transport & Communications, which is a small sector on the Island, the sector that experienced the largest growth in productivity was retailing with a 72% increase between 1990 and 2004. Manufacturing also experienced high growth in productivity, with an increase of 55% in the period.

3.38 The South East shows similar patterns to the Isle of Wight for productivity growth. In the South East Transport & Communications is the sector with the highest productivity growth between 1990 and 2004. It increased by 110% in this period, followed by Retailing which increased by 71%. Manufacturing also increased by 63% between 1990 and 2004.

3.39 At a national level the pattern is the same with Transport & Communications seeing the highest growth at 71%, followed by retailing at 65% and manufacturing at 49%.

3.40 Productivity growth for the Isle of Wight, South East and the UK is shown in Table 5 below:

Table 5 – Sectoral Change by Productivity 1990 to 2004

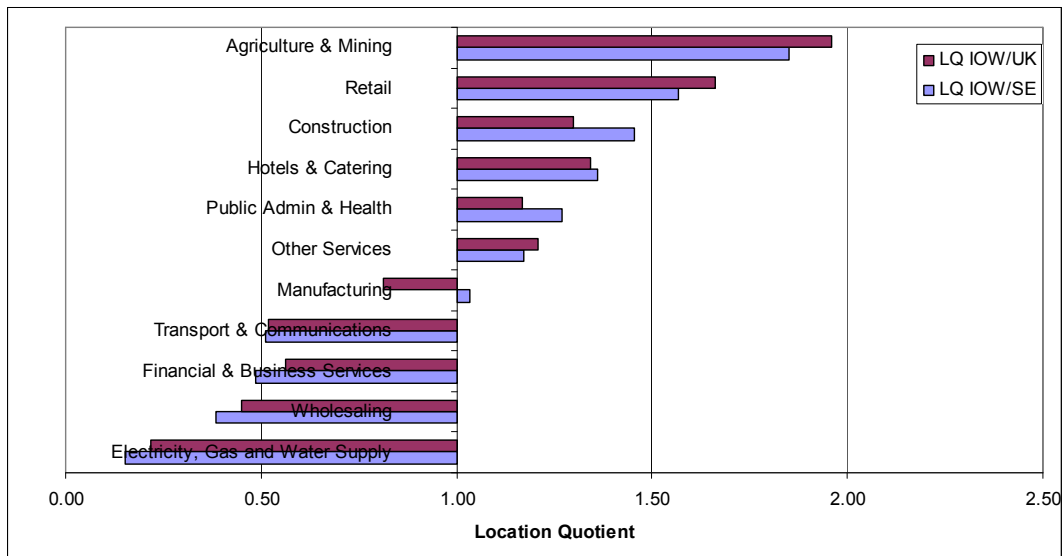
Broad Sector	Isle of Wight	South East	UK
	Change since 1990	Change since 1990	Change since 1990
Agriculture	11%	11%	56%
Mining & Utilities	133%	122%	179%
Manufacturing	55%	63%	49%
Construction	16%	15%	18%
Retail	72%	71%	65%
Wholesaling	45%	46%	40%
Hotels & Catering	8%	10%	1%
Transport & Communications	90%	110%	71%
Financial & Business Services	35%	34%	41%
Other (mainly public) Services	13%	17%	9%

Source: Experian Business Strategies/GVA (2004)

Locational Advantages

- 3.41 Location quotients compare the relative size of a sector in one area against relevant comparator areas. A location quotient above 1 indicates that the sector contributes more to the total employment in the Isle of Wight than in the comparator areas. Of the major sectors in the Isle of Wight the retail industry has a higher presence than both the South East (location quotient of 1.57) and the rest of the UK (1.66). The Hotels sector also has a comparatively high presence compared to the South East and the UK. The high location quotients of both of these sectors show the importance of tourism for the local economy.
- 3.42 Construction also contributes more to the local economy than it does in the South East and in the UK. This is most likely a result of the higher population growth on the Island and the related housing growth.
- 3.43 The Financial and Business Services sector are under represented as an employer on the Island compared to England and Wales and the South East with a location quotient of 0.56 and 0.49 respectively (see Figure 9). Despite the logistical disadvantages of being an Island the manufacturing sector is in relative terms about the same size as in the South East and UK.

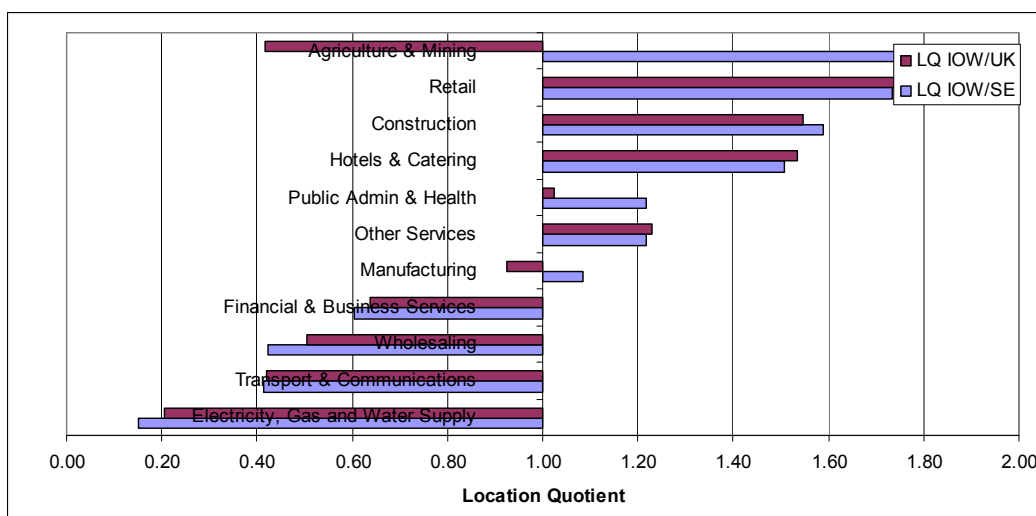
Figure 9 – Location Quotient of Employees in the Isle of Wight



Source: Experian Business Strategies Limited ©.

- 3.44 Looking at location quotients in more detail the majority of the shortfall in the Financial and Business Services sector is from a lack of jobs in the banking and insurance and business services sub sectors. Both of these provide less than half the level of employment than they do in the rest of the South East.
- 3.45 At a sub sector level the Islands strengths are mainly in the manufacturing sector particularly the production of machinery & equipment and transport equipment where the location quotient is 2.73 against the South East and 1.76 for the UK.

Figure 10 – Location Quotient of Output in the Isle of Wight



Source: Experian Business Strategies Limited ©.

- 3.46 The location quotients for GVA are similar to that for employment. The Island has strong output in the retail and construction sectors where the location quotient against the South East is 1.73 and 1.59 respectively (see Figure 9).
- 3.47 Financial & Business Services output is again much lower compared to the South East and the UK. The wholesaling and Transport and Communications sectors are also under-represented on the Island.

4. FUTURE REQUIREMENTS

Introduction

- 4.1 This section sets out the future employment land demand requirements. As outlined in the ODPM's *'Employment Land Reviews: Guidance Note'* there are various forecasting approaches that can be used. Each approach has its weaknesses as well as strengths. Employment land demand forecasting based on macroeconomic employment forecasts allows account to be taken of wider drivers of change and growth. However these models do not take account of the specific circumstances of local economic development, including the availability and nature of sites, and the range of local economic development initiatives and company plans. In contrast looking at historic trends on local take-up rates provides a solid record of past performance. However, projecting such data forward in to the future does not take account of supply constrains and potential changes from past trends arising from wider regional economic drivers and any changes to local property market characteristics and policies.
- 4.2 We therefore apply a synthesis approach to employment land demand forecasting that takes account of both the local context and the wider macro-economic context. This allows the weaknesses of each individual approach to be tackled.
- 4.3 The employment land demand projections are established along the following steps:
1. A property market assessment provides the backdrop for the quantitative and qualitative employment land projections
 2. Baseline demand projections are established based on
 - Historic floorspace trends
 - Macroeconomic employment projections
 - Applying standard employment densities and plot ratios
 3. Allowance for economic aspirations
 4. Taking into account land demand for churn and flexibility
- 4.4 These different steps are each described below followed by a synthesis forecast.

Market Assessment

Introduction

- 4.5 The primary aim of this property market assessment is to examine changes in the total stock of industrial floorspace, past development rates and the potential supply of commercial property to meet future demand in the Isle of Wight.
- 4.6 It should be noted that this analysis has distinguished between the industrial and office property markets. Where possible, this section has also attempted to distinguish between the manufacturing and storage / distribution sub-markets within the industrial analysis. However, the distinction between and within these differing markets is not always straightforward due to a lack of available data. Broadly, this analysis has taken industrial property to be reflected by B2 and B8 Use Classes, and office property to be reflected by the B1 Use Class.

Components of Analysis

- 4.7 As indicated above, this section examines changes in the stock of floorspace, development rates and the supply of property in the Isle of Wight as compared to the rest of the South East.
- 4.8 The change in total stock indicates the total capacity of an area to support a particular activity such as industrial or office use. A decrease or increase in total stock thus provides an indication of the relative floorspace demand of that sector of the economy, and provides a baseline against which the development activity and supply data can be compared.
- 4.9 Although the change in total stock shows the net change in property, it does not illustrate the pattern of new built property and losses of property to other uses across recent years. For example, within a falling total stock of industrial or office floorspace, new industrial or office property development is likely to continue to take place. This will partially be as a result of demand from new start-up or expanding businesses, but also from the need to provide more suitable locations (both in specification and location) for businesses.
- 4.10 However, whilst this process is taking place there may also be a loss of existing industrial or office property to other uses (or, indeed, a gain in stock), due to factors such as poor location or lack of demand for that type of property. There are two aspects to this analysis.
- 4.11 The first aspect is an examination of completions over recent years. This considers both permissions for new space and change of use resulting in a identifying a net development

rate. (i.e. gains in space minus loss of space to other uses). This analysis provides an indication of the attractiveness and / or viability of the area from a development perspective.

- 4.12 The second aspect of this analysis is an examination of the take-up of space. This provides a wider indication of market demand as opposed to planning permissions as it also considers take-up of second hand space in addition to new space. This provides a measure of overall demand in the area.
- 4.13 Following on from the analysis of change in stock and development rate, an analysis of the current availability of commercial property is provided. This is used to relate past demand rates with current supply levels to identify the potential adequacy or otherwise of available property. However, this analysis does not reflect supply constraints. In order to further uncover supply constraints we have consulted local commercial agents in and around the Isle of Wight.

Industrial Property Market

Change in Stock

- 4.14 Table 6 below shows the relative change in total stock of manufacturing floorspace in the Isle of Wight between 2000 and 2006 as compared to national and regional figures.

Table 6 – Change in Stock in Manufacturing Floorspace (2000 – 2006)

Region / Area	Total Stock ('000 sqm)		% Change 2000 - 2006
	2000	2006	
England and Wales	231,936	217,935	-6.2%
South East England	22,228	21,056	-5.3%
Isle of Wight	378	390	3.2%

Source: VOA

- 4.15 Table 6 indicates that between 2000 and 2006, the total stock of manufacturing floorspace in the Isle of Wight has increased by an estimated 3.2%. This is in contrast to England and Wales and the South East as a whole, where the total stock of manufacturing floorspace is estimated to have fallen by -6.2% and -5.3% respectively.

Warehousing

- 4.16 Table 7 below shows the relative change in total stock of warehousing floorspace in the Isle of Wight between 2000 and 2006 as compared to national and regional figures.

Table 7 – Change in Stock in Warehousing Floorspace (2000 – 2006)

Region / Area	Total Stock ('000 sqm)		% Change 2000 - 2006
	2000	2006	
England and Wales	138,051	153,342	11.7%
South East England	17,153	18,525	8.0%
Isle of Wight	126	146	15.9%

Source: VOA

- 4.17 Table 7 shows that the total stock of warehousing floorspace in the Isle of Wight has increased between 2000 and 2006 by an estimated 15.9%. This is higher than the comparative increases for England and Wales and the South East region, where there has been an increase of 11.7% and 8% respectively.

Take-up

- 4.18 An analysis of take-up has been carried out for the Isle of Wight for the ten year period 1996 – 2006. This analysis looks at the rate at which 'completed' property is occupied, along with the rate of occupation of available or 'second-hand' property. It is important to note that this analysis cannot easily distinguish between manufacturing and warehousing uses (i.e. B2 and B8 Use Classes). Instead a global 'industrial' take-up rate is used as the basis of analysis.
- 4.19 Table 8 provides a summary of the average annual take-up of industrial floorspace by size in the Isle of Wight as compared with the South East between 1996 and 2006.

Table 8 – Average Annual Industrial Take-up (1996 – 2006)

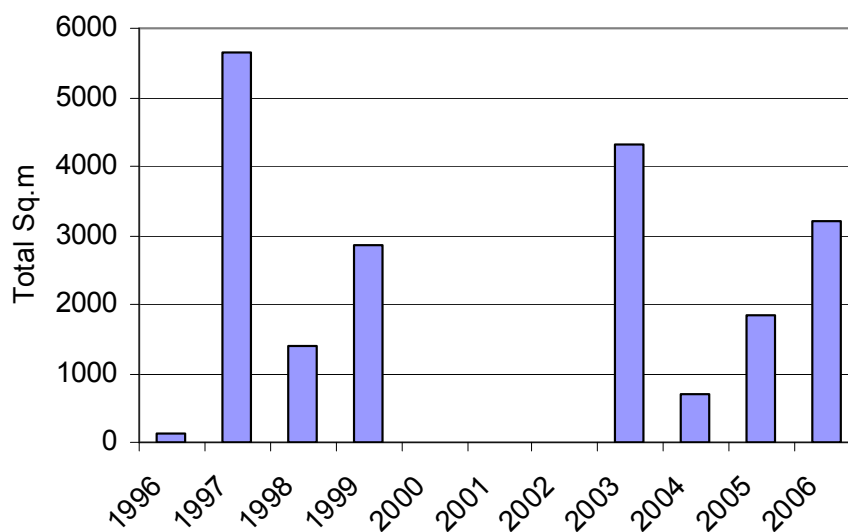
Floorspace Range	Isle of Wight Average Annual Take-up		South East Average Annual Take-up	
	Absolute (sqm)	% Total	Absolute (sqm)	% Total
<185 sqm	23	1%	16,206	1%
185 – 465 sqm	257	13%	69,421	3%
465 – 1,850 sqm	637	32%	299,008	14%
1,850 sqm +	1,093	54%	1,752,634	82%
TOTAL	2,010	100%	2,137,270	100%

Source: FOCUS

- 4.20 Table 8 shows that the average annual take-up of industrial space in the Isle of Wight has been 2,010 sqm per annum. Table 3 shows that 54% of floorspace has been taken up in larger units of over 1,850 sqm with the remainder of space occurring in lettings of small and medium-sized units.

- 4.21 Table 8 shows that the average annual take-up of industrial space for the South East region is circa 2.1 million sqm. In contrast to the Isle of Wight, the majority of this space (82%) is let in large units of over 1,850 sqm. This shows that a higher proportion of space is let in small and medium-sized units in the Isle of Wight as compared to the regional average.
- 4.22 Figure 1 illustrates the past trend in industrial take-up for the Isle of Wight between 1996 and 2006.

Figure 11 – Industrial Floorspace Take-up for the Isle of Wight (1996 – 2006)



Source: FOCUS

- 4.23 Figure 11 shows that the take-up of industrial floorspace in the Isle of Wight has fluctuated over the past 10-years, reaching a high of approximately 5,600 sqm in 1997 with nominal take-up between 2000 and 2002. These fluctuations are a function of the small sample of lettings and the secondary nature of the Isle of Wight commercial property market.

Available Floorspace

- 4.24 Secondary property market data sources indicate that there is currently very little available industrial floorspace on the Isle of Wight.

Office Property Market

Change in Stock

4.25 Table 9 below shows the relative change in total stock of office floorspace in the Isle of Wight between 2000 and 2006 as compared to national and regional figures.

Table 9 – Change in Stock in Office Floorspace (2000 – 2006)

Region / Area	Total Stock ('000 sqm)		% Change 2000 - 2006
	2000	2006	
England and Wales	93,894	99,550	6.9%
South East England	14,745	15,600	5.8%
Isle of Wight	71	94	32.4%

Source: VOA⁹

4.26 Table 9 shows that between 2000 and 2006 the total stock of office floorspace in the Isle of Wight is estimated to have increased by 32.4%. There seems to be some inconsistencies within the VOA dataset which has been taken into account. Nevertheless the resulting estimate of an increase of almost a third of office stock in the last six years seems excessive and has to be treated with care. An increase in the line with England and Wales and the South East region where the total stock of office floorspace has increased by 6.9% and 5.8% respectively seems more likely.

Take-up

4.27 Table 10 provides a summary of the average annual take-up of office floorspace by size in the Isle of Wight as compared with the South East between 1996 and 2006.

Table 10 – Average Annual Office Take-up (1996 – 2006)

Floorspace Range	Isle of Wight Average Annual Take-up		South East Average Annual Take-up	
	Absolute (sqm)	% Total	Absolute (sqm)	% Total
<185 sqm	95	10%	46,586	3%
185 – 465 sqm	70	7%	107,503	6%
465 – 1,850 sqm	52	5%	324,808	20%
1,850 sqm +	743	77%	1,178,748	71%
TOTAL	960	100%	1,657,645	100%

Source: FOCUS

⁹ The 2000 Office Stock and the % change between 2000 and 2006 for the Isle of Wight is estimated on the bases of adjusted VOA figures to take account of obvious data errors.

- 4.28 Table 10 shows that the average annual take-up of office floorspace for the Isle of Wight over the last 10-years has been 960 sqm per annum. Table 6 shows that the majority of take-up in the Isle of Wight has been for larger units in excess of 1,850 sqm with 77% of take-up falling within this category. This is comparable to the South East region as a whole where 71% of take-up has been for units greater than 1,850 sqm.
- 4.29 However, it should be noted that the high proportion of take-up within larger size categories for the Isle of Wight is likely to be as a result of a few large deals as opposed to consistent lettings of larger units. Table 6 also shows that the annual average of take-up of office space in the Isle of Wight appears particularly low. This may be due to the secondary nature of the commercial property market and the small sample of registered deals.

Available Floorspace

- 4.30 Table 11 provides an analysis of available office space in the Isle of Wight.

Table 11 – Office Availability by Size in the Isle of Wight

Floorspace Range	Available Floorspace (sqm)		
	Second-hand	New / Refurbished	Total
<185 sqm	615	123	738
185 – 465 sqm	323	271	594
465 – 1,850 sqm	0	4,131	4,131
1,850 sqm +	2,062	1,916	3,978
TOTAL	3,000	6,441	9,440

Source: FOCUS

- 4.31 Table 11 shows that there is approximately 9,440 sqm of available office space in the Isle of Wight. On the basis that the annual average take-up of office space equates to an estimated 960 sqm, Table 7 indicates that there may be an oversupply of office space in the Isle of Wight. The majority of available space is provided in larger units in excess of 465 sqm. However, there are also a relatively large number of available small units (less than 185 sqm). This space is likely to comprise small commercial units above shops. This is explored in more detail in the following section.

ADDITIONAL MARKET COMMENTARY

- 4.32 In this section we report the findings of conversations with local property agents in order to provide an overview of the nature of supply and demand and average rental values in the Isle of Wight commercial property market.

Industrial Property Market

- 4.33 Conversations with local agents and comparable evidence suggest that industrial space and lettings across the Isle of Wight tend to be predominantly small-scale for local businesses and start-up businesses.
- 4.34 Higher-grade industrial space can be found in and around major centres such as Newport. For example, the St Cross Business Centre is a new industrial / business park located to the north of Newport. This area attracts larger industrial, storage and workshop businesses from around the island. Here rents are approximately £64 per sqm (£5.95 per sqft). In addition to St Cross, industrial space in the pipeline includes the SMT Business Centre, with rents expected between £62 and £73 per sqm (£5.80 - £6.80 per sqft).
- 4.35 In general, local agents have informed us that there is a consistent market for small, light industrial units on the island with demand coming predominantly from local businesses and start-up businesses. However, there are examples of larger lettings close to major centres.
- 4.36 Conversations with local agents have indicated that, in general, industrial rental values across the Isle of Wight are in the region of £60 per sqm (£5.50 per sqft). Rental values for industrial space across the Isle of Wight are lower than for local and regional mainland comparisons. For example, average rental values in Portsmouth and the Rest of the South East are £80.70 per sqm (£7.50 per sqft) and £88 per sqm (£8.18 per sqft) respectively. As such average industrial rents across the Isle of Wight are approximately 27% lower than Portsmouth and 33% lower than the Rest of the South East regional average.
- 4.37 This disparity is a reflection of the nature of demand for commercial property within the Isle of Wight. Demand is generally for small-scale space from local businesses and small professional services. Larger national operators prefer to locate on the main land in traditional centres with improved accessibility and connections.

Office Property Market

- 4.38 Conversations with local agents have indicated that the commercial office market on the Isle of Wight has slowed considerably in recent years. With the exception of a few areas, office stock consists primarily of small-low grade space situated above retail units. For example, in Cowes such units are let to local professional services including solicitors and accountants at rents of between £43 and £108 per sqm (£4 - £10 per sqft).
- 4.39 Larger occupiers and businesses tend to locate to new build employment areas such as south of the Medina Valley at St Cross Business Park. Here occupiers include larger professional services, local government and quasi-governmental bodies. Local agents

have advised that despite higher specifications, the space does not generally attract national firms re-locating from the main land. Rental values for office space at the St Cross Business Park equate to approximately £80 per sqm (£7.50 per sqft).

4.40 In general, a large amount of space is let in small ‘start-up’ units to local businesses with larger units generally let to professional services and governmental bodies. There is little demand for office space from larger national firms re-locating from the main land.

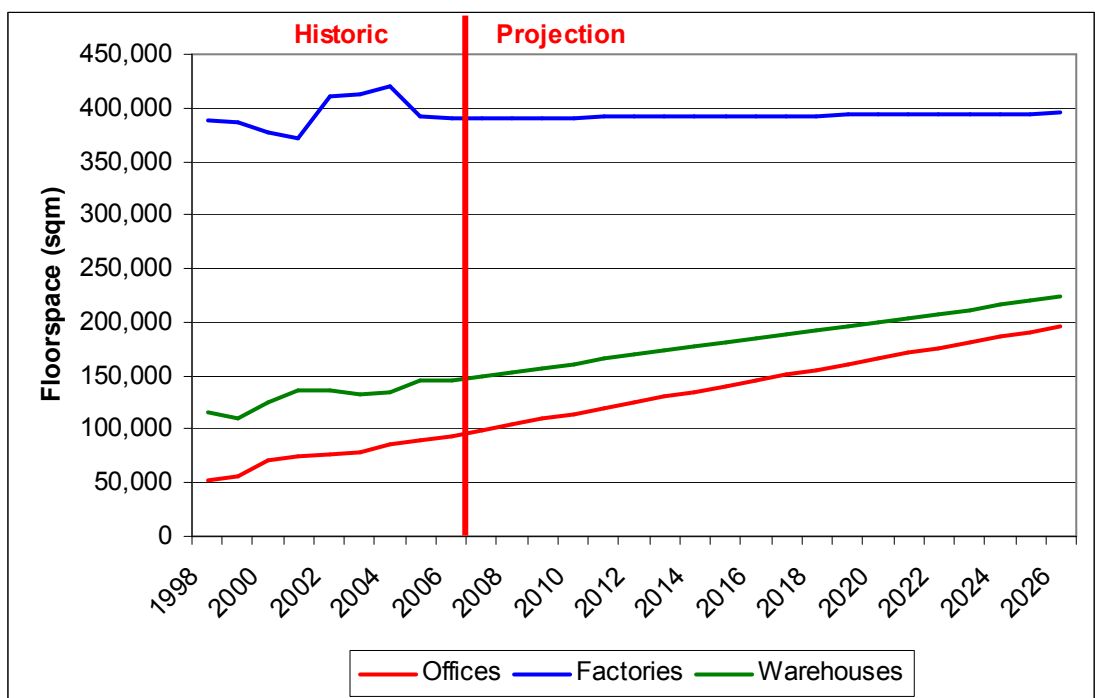
4.41 As evidence of the above, there is a wide disparity between average office rents for the Isle of Wight when compared to Portsmouth and the Rest of the South East. For example, average rental values in Portsmouth and the Rest of the South East are £183 per sqm (£17 per sqft) and £202.50 per sqm (£18.82 per sqft) respectively. As such, average rental values are approximately 56% lower than in Portsmouth and 60% lower than the Rest of the South East regional average.

Baseline Forecast

Floorspace Trends

4.42 A linear extrapolation of the historic floorspace trends is shown in Figure 12.

Figure 12 – Linear Extrapolation of Floorspace Trends



Source: VOA

- 4.43 To establish gross employment land demand on the extrapolated floorspace trends standard plot ratios can be applied. We have used the plot ratios shown in Table 12 which are in line with the ODPM Employment Land Reviews Guidance Notes.

Table 12 – Assumed Plot Ratios

Type	Plot Ratio (floorspace/site area)	Comment
Office	0.4	Typical out of town office development as very little town centre office development is expected on the Island
Factories	0.4	Typical plot ratio for industrial uses
Warehouses	0.5	Typical plot ratio for distribution

Source: ODPM Employment Land Reviews Guidance Notes

- 4.44 Applying these plot ratios results in an employment land demand of around 42 ha between 2006 and 2026 of which 25.6 are for office and 16.8 are for industrial uses (factories and warehouses).

Table 13 – Employment Land Demand Based on Floorspace Trends

	Land Demand (ha)			
	2006-2011	2006-2016	2006-2021	2006-2026
Office	6.4	12.8	19.2	25.6
Factories	0.3	0.6	0.9	1.3
Warehouses	3.9	7.8	11.6	15.5
Industrial*	4.2	8.4	12.6	16.8
Total**	10.6	21.2	31.8	42.4

*Industrial is the sum of Factories and Warehouses

**Total is the sum of Office and Industrial

Source: GVA Grimley

- 4.45 As discussed in the Market Assessment above there seems to be some inconsistencies in the historic floorspace data resulting from changed assessment methods by the VOA. We have tried to adjust the data but are not convinced of the results. We perceive the projected land demand for office based on historic floorspace trends as a gross overestimate.

Employment Forecasts

- 4.46 Employment in the Isle of Wight is forecasted to grow by 24% between 2006 and 2026 which equates to an annual growth rate of 1.2%¹⁰. The employment forecast by Experian

¹⁰ Employment forecasts for the Isle of Wight have been provided by Experian Business Services up to 2016. GVA Grimley has extrapolated the forecasts to 2026 in line with the existing forecast pattern.

Business Solutions provides employment projections by 30 sectors. Based on an analysis of current employment on a 4-digit-SIC level we have apportioned the employment in the 30 sectors to the relevant land use classes as shown in Table 14:

Table 14 – Assigning Sectors to Land Use Classes

Sectors	Office (B1)	Factories (B1c/B2)	Warehouses (B8)	None B-Class Uses
Agriculture, Forestry & Fishing				100%
Oil & Gas Extraction				100%
Other Mining				100%
Gas, Electricity & Water				100%
Fuel Refining		100%		
Chemicals		100%		
Minerals		100%		
Metals		100%		
Machinery & Equipment		100%		
Electrical & Optical Equipment		100%		
Transport Equipment		100%		
Food, Drink & Tobacco		100%		
Textiles & Clothing		100%		
Wood & Wood Products		100%		
Paper, Printing & Publishing	15%	85%		
Rubber & Plastics		100%		
Other Manufacturing		100%		
Construction		35%		65%
Retailing				100%
Wholesaling			100%	
Hotels & Catering				100%
Transport			26%	74%
Communications			79%	21%
Banking & Insurance	100%			
Business Services	100%			
Other financial and business services	100%			
Public Administration and Defence	100%			
Education				100%
Health				100%
Other Services				100%

Source: ABI / GVA Grimley

4.47 Table 15 shows that in absolute terms employment in the non-B-class-uses is projected to grow by far the most (10,386 between 2006 and 2026) followed by employment in the office based sectors (2,110 between 2006 and 2026), in factories (1,939 between 2006 and 2026) and in warehouses (630 between 2006 and 2026).

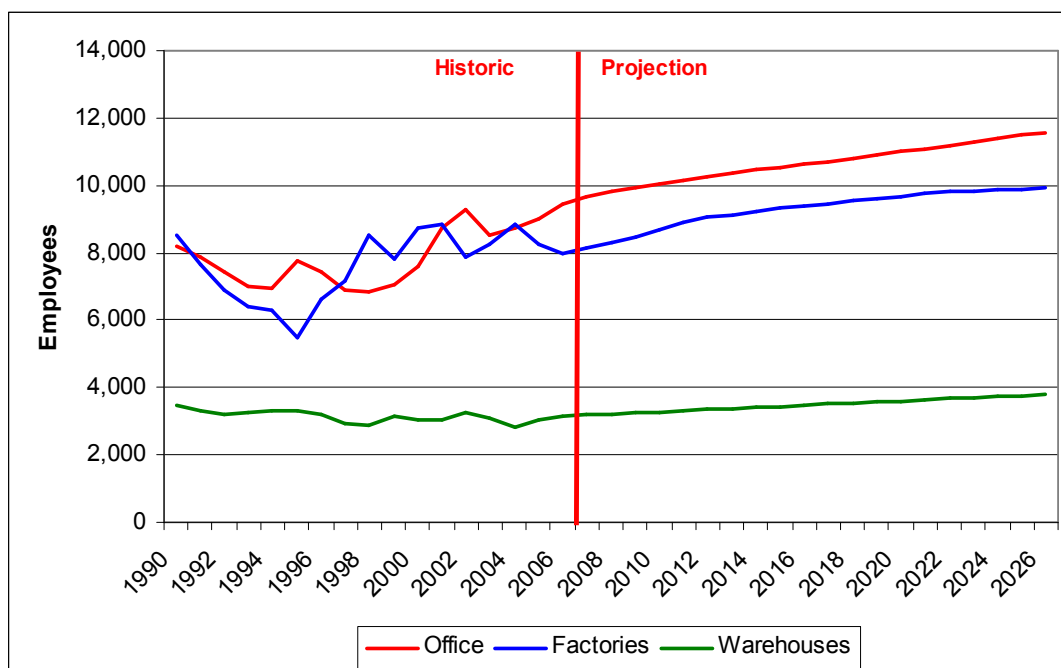
Table 15 – Historic and Projected Employment Changes by Land Use Classes

	1995-2006			2006-2026		
	#	%	pa %	#	%	pa %
Office	1,709	22%	2.2%	2,110	22%	1.1%
Factories	2,508	46%	4.6%	1,939	24%	1.2%
Warehouses	-137	-4%	-0.4%	630	20%	1.0%
Other	14,098	49%	4.9%	10,386	24%	1.2%
Total	18,178	40%	4.0%	15,065	24%	1.2%

Source: Experian Business Services / GVA Grimley

4.48 Figure 13 gives a graphical representation of historic employment trends and future projections by land use classes.

Figure 13 – Employment Trends



Source: Experian Business Services / GVA Grimley

4.49 Two approaches have been taken to translate employment projections into employment land demand:

- Applying projected employment growth ratios to current employment floorspace and translating to land demand by applying plot ratios

6. Applying employment densities and plot ratios to the employment projections

- 4.50 The findings of both approaches are given in Table 16 and Table 17. Both approaches have their advantages and disadvantages.
- 4.51 Applying employment growth projections to existing floorspace has the advantage of not relying on employment densities, which vary strongly across sectors and geographies and are notoriously difficult to estimate. Furthermore, this approach uses the employment forecasts as an indication of future growth. Unavoidable errors in assigning sectors to use classes (as done in Table 14) do therefore not carry such a big weight. However this approach assumes that there is currently a balance between employment and existing floorspace (no overcrowding or excessive vacancies) and that the current employment densities are applicable into the future.
- 4.52 Applying employment densities to employment forecasts has the advantage of avoiding the issues of overcrowding / excess vacancies in existing premises. However, as discussed above, this approach relies on estimating employment densities and the accurate assigning of sectors to land use classes which both are difficult to do.

Table 16 – Employment Land Demand Projections Based on Employment Growth Projections Applied to Existing Floorspace

	Land Demand (ha)			
	2006-2011	2006-2016	2006-2021	2006-2026
Office	1.7	2.8	4.0	5.2
<i>Factories</i>	11.2	16.7	21.5	23.6
<i>Warehouses</i>	1.3	2.8	4.3	5.8
Industrial*	12.5	19.5	25.8	29.4
Total**	14.2	22.3	29.8	34.7

*Industrial is the sum of Factories and Warehouses

**Total is the sum of Office and Industrial

Source: Experian Business Services / VOA / GVA Grimley

The plot ratios from Table 12 have been used to translate floorspace into land demand

- 4.53 Table 16 shows the estimated land use demand projections based on applying employment growth ratios to existing floorspace provisions. This approach results in an overall demand of approximately 35 ha of additional employment land between 2006 and 2026 of which 5.2 ha are for office related uses and 29.4 for industrial uses.
- 4.54 The demand for land for office use is most likely at the lower end of the 'actual' future demand. This is a result of the high employment density 'hidden' in the assumptions

behind this approach¹¹. This could be a result of any or a combination of the following reasons: overestimate of employees based in offices, underestimate of office floorspace, or high levels of 'office sector employees' working from home.

- 4.55 Furthermore, we perceive the land demand projections for factories as an overestimate as employment densities are currently fairly low in the manufacturing sector on the Island. Average employment densities in the factories based sectors is currently 49 sqm per employee on the Island compared to standard employment densities of 29 to 34 cited by the ODPM Employment Land Review Guidance Note. We do not think that future development will be (on average) at these low employment densities.

Table 17 – Employment Land Demand Projections Based on Employment Densities Applied to Employment Forecast

	Land Demand (ha)			
	2006-2011	2006-2016	2006-2021	2006-2026
Office	3.2	5.2	7.3	9.5
<i>Factories</i>	6.9	10.3	13.3	14.5
<i>Warehouses</i>	1.1	2.4	3.7	5.1
Industrial*	8.0	12.7	17.0	19.6
Total**	11.2	17.9	24.3	29.1

*Industrial is the sum of Factories and Warehouses

**Total is the sum of Office and Industrial

Source: Experian Business Services / VOA / GVA Grimley

In addition to employment densities the plot ratios from Table 12 have been used to translate employment projections into land demand

- 4.56 Table 17 shows the estimated land use demand projections based on applying employment densities to the employment projections. This approach results in an overall demand of approximately 29 ha of additional employment land between 2006 and 2026 of which 9.5 ha are for office related land demand and 29.1 ha for industrial uses.

Consolidated Baseline Forecast

- 4.57 Based on the different forecast approaches described above we have established a consolidated baseline forecast. We have used the outcomes of the different forecast approaches to provide ranges of future land requirements¹² as shown in Table 18.

¹¹ 94,000 sqm of office floorspace and 9,465 office employees in 2006 resulting in an employment density of around 10 sqm per employee compared to between 12.8 sqm and 22 sqm cited by the ODPM Employment Land Review Guidance Note

¹² The scenarios which have been regarded as unrealistic have not been included in the consolidated forecast.

Table 18 – Consolidated Baseline Employment Land Demand Forecast

	Additional Land Demand (ha)							
	2006-2011		2006-2016		2006-2021		2006-2026	
	Low	High	Low	High	Low	High	Low	High
Office	1.7	3.2	2.9	5.2	4.0	7.3	5.2	9.5
<i>Factories</i>	5.2	6.9	7.7	10.3	9.9	13.2	10.9	14.5
<i>Warehouses</i>	1.1	3.9	2.4	7.8	3.7	11.6	5.0	15.5
Industrial*	6.3	10.7	10.1	18.0	13.7	24.8	15.9	30.0
Total**	8.0	13.9	13.0	23.2	17.7	32.2	21.2	39.5

*Industrial is the sum of Factories and Warehouses

**Total is the sum of Office and Industrial

Source: GVA Grimley

- 4.58 The overall additional demand for employment land is between 13ha and 23ha between 2006 and 2016 and 21ha and 40ha between 2006 and 2026 of which roughly 1/3 is for office use and 2/3 for industrial uses.

Economic Development Aspirations

- 4.59 As discussed earlier (paragraph 4.1) the baseline forecast is largely based on historic trends¹³. They do therefore not take into account the land demands based on local economic development aspirations which want to break with historic trends and seek to introduce a step change in the local economy.
- 4.60 The Draft Economic Strategy for the Isle of Wight (May 2007) aspires to “increasing productivity to the level in the South East”. The Draft Economic Strategy sets out the framework to achieve this. An impact on employment land demand will have all the aspects of the Economic Strategy which will increase the levels of employment. These are:
- an increase of economic participation rates
 - a reduction in unemployment
 - a reduction in part time working
- 4.61 Table 19 sets out the current gap in these economic headlines between the Isle of Wight and the South East and the assumed reduced gaps in 2011 and 2016¹⁴.

¹³ Not just the forecasts based on floorspace trends are based in historic developments but also the macroeconomic employment forecasts are also largely based on historic economic trends.

¹⁴ Due to the Isle of Wight's specific situation as an island and a 'marginal' economy we have not assumed that the gap will close entirely by 2016.

Table 19 – Employment Land Relevant Assumptions for Increasing Productivity on the Island to the Level of the South East

	South East	Isle of Wight	Current Gap	Assumed Reduced Future Gap	
	2006	2006	2006	2011	2016
Participation Rate	85.5%	72.8%	85%	90%	95%
Unemployment	4.6%	5.7%	124%	115%	110%
Part Time Working	32.0%	32.0%	120%	115%	110%

4.62 Closing the economic gap between the Isle of Wight and the South East requires additional land of around 8 ha in 2011, 17 ha in 2016, 14 ha in 2021 and 12 ha in 2026¹⁵ as shown in Table 20.

Table 20 – Effects of Economic Strategy on Employment, Floorspace and Employment Land Demand

Workforce	2011	2016	2021	2026
	# of Employees	# of Employees	# of Employees	# of Employees
Office	610	1,248	1,058	853
Industrial	732	1,497	1,270	1,023
Other	2,726	5,573	4,726	3,809
Total	4,069	8,318	7,053	5,685
Employment densities used to derive floorspace				
Office	18 sq m per employee			
Industrial	30 sq m per employee			
Floorspace	2011	2016	2021	2026
	sq m	sq m	sq m	sq m
Office	10,985	22,458	19,044	15,351
Industrial	21,971	44,916	38,087	30,702
Total	32,956	67,373	57,131	46,052
Plot ratios applied to derive land demand				
Office	0.4 (4,000 sq m per 1 ha)			
Industrial	0.4 (4,000 sq m per 1 ha)			
Employment Land	2011	2016	2021	2026
	ha	ha	ha	ha
Office	2.7	5.6	4.8	3.8
Industrial	5.5	11.2	9.5	7.7
Total	8.2	16.8	14.3	11.5

¹⁵ The additional land demand is not cumulative but occurs at each step in time. The additional land demand decreases after 2016 because the macroeconomic employment forecast assumes a decrease in the gap (but not as significant as the assumptions in Table 19)

Demand for Churn and Flexibility

4.63 For the employment land market to work smoothly there is a need for a certain level of vacant land to allow businesses to move into new premises and for vacated premises to be redeveloped according to future needs. This demand for vacant land has been called “churn demand” or “frictional vacancy”. The level required for the property market to work smoothly is difficult to assess.

4.64 There is also a need to provide for flexibility. The Draft PPS4: Planning for Sustainable Economic Development (December 2007) promotes

“A good supply of land and buildings which offers a range of opportunities for creating new jobs in large and small businesses as well as start-up firms and which is responsive to changing needs and demands;”

4.65 In a changing economy it is unreasonable to expect that the provided supply will match the demand to 100%. It is therefore necessary to supply additional land above the forecasted demand to allow for the required flexibility.

4.66 It is very difficult to precisely quantify the land supply needed for churn and flexibility. Based on previous work we have assumed that around 6% of the occupied employment land is required for churn demand. Based on these assumptions land demand for churn and flexibility is between 10.5 ha and 11.5 ha in 2026.

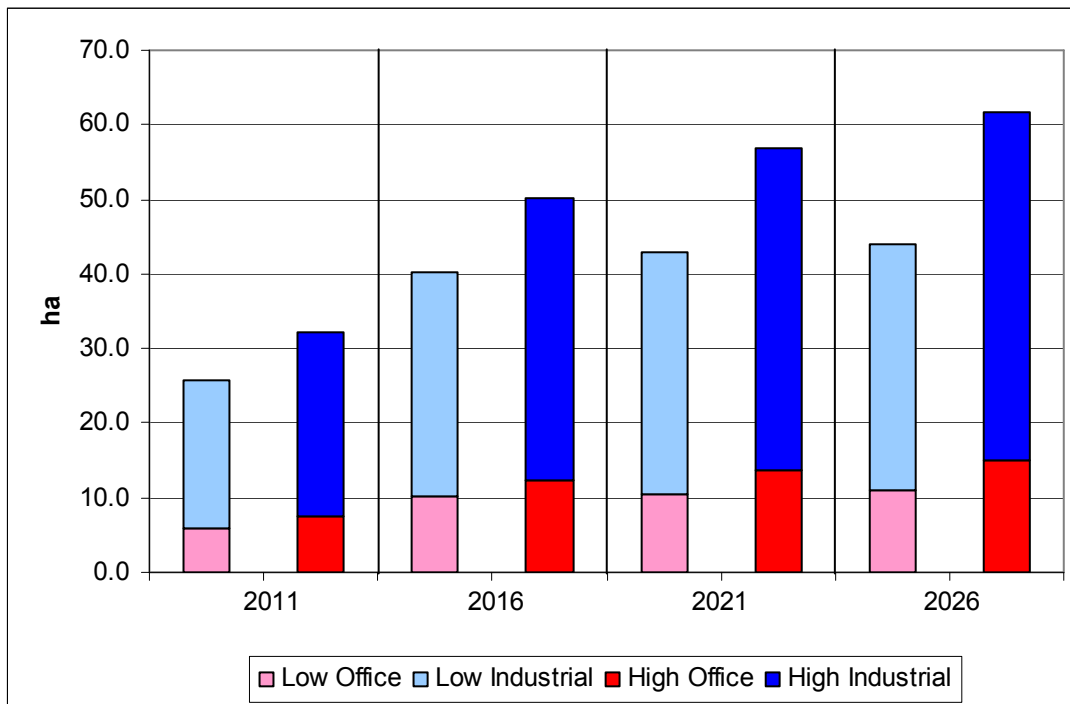
Table 21 – Land Demand for Churn and Flexibility (ha)

	2006-2011		2006-2016		2006-2021		2006-2026	
	Low	High	Low	High	Low	High	Low	High
Office	1.5	1.6	1.6	1.7	1.7	1.8	1.7	2.0
Industrial	8.0	8.2	8.2	8.7	8.4	9.1	8.6	9.4
Total	9.5	9.8	9.8	10.4	10.1	10.9	10.3	11.4

Synthesis Forecast

4.67 The overall demand for additional employment land between 2006 and 2026 is between 43 ha and 63 ha as shown in Figure 14 and Table 22. The demand for land for offices is for about 1/3 of the total demand and the demand for industrial uses is for about 2/3 of the total demand.

Figure 14 – Overall Additional Employment Land Demand



Source: GVA Grimley

Table 22 – Overall Additional Employment Land Demand (ha)

	2006-2011		2006-2016		2006-2021		2006-2026	
	Low	High	Low	High	Low	High	Low	High
Office	6.0	7.5	10.0	12.5	10.5	13.9	10.8	15.3
Industrial	19.8	24.5	29.6	37.9	31.6	43.5	32.2	47.1
Total	25.8	32.0	39.6	50.4	42.1	57.4	43.0	62.4

4.68 The main source of the overall employment land demand comes from the baseline forecast (49% to 62%) and is therefore a result of historic trends and the projected economic growth of the Island economy as shown in Table 23. Providing land for the economic aspirations set out in the Draft Economic Strategy requires a further 18% to 27% to the total employment land demand. Demand for churn and flexibility makes up a further 18% to 24% of the total employment land demand. Table 23 shows the relative importance of the different demand sources for office, industrial and total employment land.

Table 23 – Relative Importance of Demand Sources (%)

Office	2006-2011		2006-2016		2006-2021		2006-2026	
	Low	High	Low	High	Low	High	Low	High
Baseline Demand	29%	42%	28%	41%	39%	53%	48%	62%
Economic Strategy	46%	37%	56%	45%	46%	34%	36%	25%
Churn and Flexibility	25%	21%	16%	14%	16%	13%	16%	13%
Total Office	100%	100%	100%	100%	100%	100%	100%	100%

Industrial	2006-2011		2006-2016		2006-2021		2006-2026	
	Low	High	Low	High	Low	High	Low	High
Baseline Demand	32%	44%	34%	47%	43%	57%	50%	64%
Economic Strategy	28%	22%	38%	30%	30%	22%	24%	16%
Churn and Flexibility	40%	34%	28%	23%	27%	21%	27%	20%
Total Industrial	100%	100%	100%	100%	100%	100%	100%	100%

All Employment Land	2006-2011		2006-2016		2006-2021		2006-2026	
	Low	High	Low	High	Low	High	Low	High
Baseline Demand	31%	43%	33%	46%	42%	56%	49%	63%
Economic Strategy	32%	26%	43%	33%	34%	25%	27%	18%
Churn and Flexibility	37%	31%	25%	21%	24%	19%	24%	18%
Total	100%	100%	100%	100%	100%	100%	100%	100%

4.69 The demand projections provided in this section are gross land demand figures. Section 5 compares the current supply with the forecasted demand to establish a net demand for additional employment land.

5. GAP ANALYSIS

Introduction

- 5.1 The gap analysis compares forecasted gross employment land demand with the current supply. It identifies additional employment land demand in five year steps starting from 2006 to 2026.
- 5.2 The demand side has been established in Section 4. The supply side baseline has been established by the Isle of Wight Council in their Employment and Industrial Land Update July 2007. A team from GVA Grimley has visited all designated employment land sites. Based on these site visits and on the information provided by the Council we have assessed the viability of the designated employment sites for future employment uses.

Employment Land Supply

Overview

- 5.3 A detailed review of all allocated employment land sites in the Isle of Wight is provided in the Council's Employment and Industrial Land Update July 07. Table 24 gives an overview of all allocated employment land sites with regards to:
- site areas
 - relative size of each site compared to the total allocated employment land
 - size of land available at each allocation
 - the available land not meeting market demands and therefore not added to the current supply
 - assessment of when available land might come forward by type of use

Table 24 – Employment Land Supply Overview

Area	Employment Sites (Plan Allocations)	Total Size	% of all allocated employment land	Available land	Available land not meeting market demand	Estimated period of delivery of available land				
						2006-2011			2011-2016	
						Suitable for Office	Suitable for Industrial	Suitable for Both	Suitable for Office	Suitable for Industrial
Newport West	E5 (1)	12.0	16%							
	E5 (2)	1.5	2%							
	E5 (3)	2.0	3%	1.3		1.3				
Newport East	E5 (4)	2.8	4%	2.8						2.8
Cowes	E5 (5)	0.3								
	E5 (6)	1.3	2%	1.3					1.3	
	E5 (7)	0.9	1%							
	E5 (8)	4.0	6%	2.1		2.1				
	E5 (9)	0.5	1%	0.5		0.5				
	E5 (10)	3.0	4%							
Freshwater	E5 (11)	3.1	4%	0.9		0.9				
East Cowes	E5 (12)	4.1	6%	4.1			2.0			2.0
	E5 (13)	12.2	17%	12.2			6.1			6.1
Ryde	E5 (14)	7.0	10%	0.7		0.7				
	E5 (15)	5.4	7%							
Bay Area	E5 (16)	4.3	6%	4.3		4.3				
	E5 (17)	0.4	1%	0.4						0.4
	E5 (18)	0.7	1%	0.3			0.3			
	E5 (19)	4.7	6%	4.7	4.7					
	E5 (20)	1.5	2%	0.4	0.4					
Rookley	E5 (21)	1.1	2%							
Total		72.8	100%	35.9	5.1	0.7	9.1	8.5	1.3	11.3

The sums in this table do not total due to rounding.

Source: IoW Council, GVA Grimley

- 5.4 There is currently a suitable supply of around 31 ha of employment land in the Isle of Wight. Over 50% of this supply is within two sites in East Cowes. Outside these sites there is very little available land suitable for office use. On the industrial side supply seems to be spread a little bit wider although there is only limited supply in Cowes and Newport and no available land in Ryde.

Minerals

5.5 In addition to the allocated employment sites there are three mineral sites allocated in the UDP which are:

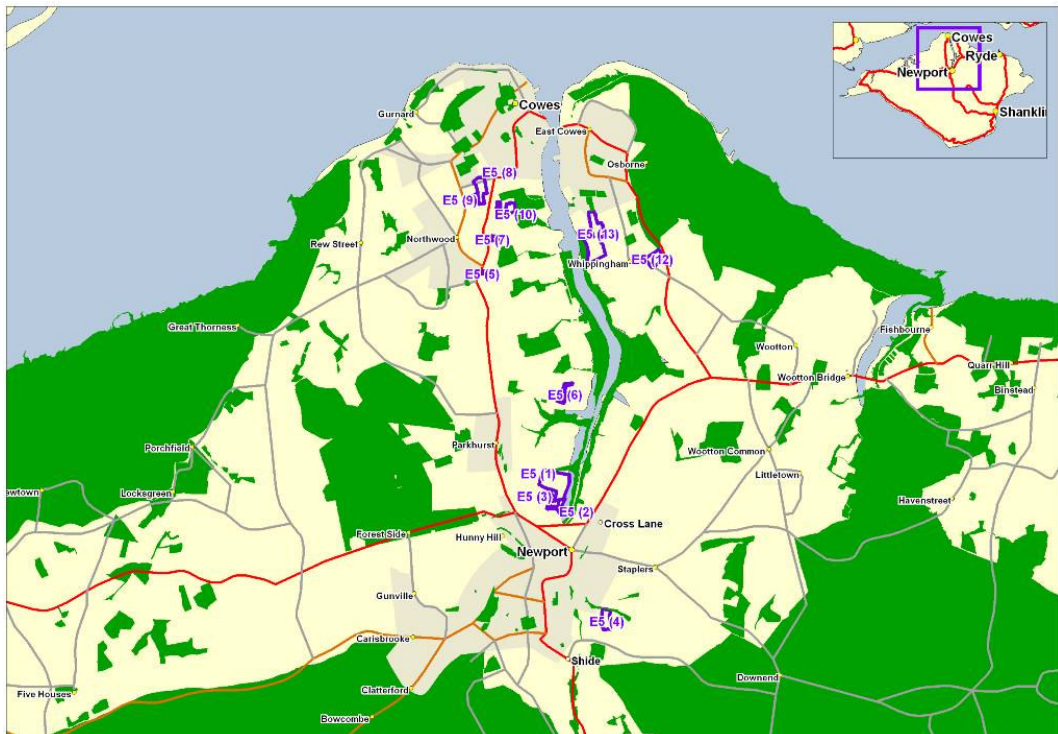
- M6(a) Medina Cement Works, Stag Lane (5.3ha available land)
- M6 (b) Medina Wharf, Cowes (fully built out for aggregate handling and bulk goods, plus grain and silos)
- M6 (c) Kingston, East Cowes (land is currently used for aggregate import, oil and fuel import, boat yard and marine related industry)

5.6 However, as these are not allocated employment sites and are earmarked for uses which need water access they have not been considered in the gap analysis.

Assessment of Available Land

5.7 A brief discussion of each site with available land and the rationale for the assessment with regards to deliverability is given below:

Map 1 – Employment Allocations Newport, Cowes and East Cowes



- **E5 (3), Newport West, 1.3 ha of available land:** The site is within the well established Dodnor Industrial Estate on the outskirts of Newport and is readily available for industrial development.
- **E5 (4), Newport East, 2.8 ha of available land:** The site is part of a mixed use allocation on the southern edge of Newport. The site would come forward as part of the Pan Development. The current access issues and lack of visibility/prominence would be resolved as part of the planned urban extension. The site would be appropriate for office and light industrial uses.
- **E5 (6), Cowes, 1.3 ha of available land:** The site is currently being used for car breaking / metal recycling. The site has currently poor access which is expected to be resolved through upgrading the road for the redevelopment of the Medina Cement Works site (M6)¹⁶. The southern part of the site will be returned to nature conservation in conjunction with the adjoining nature reserve identified in the Cowes SPG to accommodate marine related businesses. SEEDA is in the process of preparing a planning application for the Medina Cement Works for marine related business uses which need waterfront access.
- **E5 (8), Cowes 4, 2.1 ha of available land:** The site is adjacent to an established industrial estate and is perceived as being ready for development of industrial use.
- **E5 (9), Cowes, 0.5 ha of available land:** The site is within an existing, long established industrial estate and is perceived as being ready for development of industrial use.
- **E5 (12), East Cowes, 4.1 ha of available land and E5 (13), East Cowes, 12.2 ha of available land:** Both sites are strategically well located close to the ferry at East Cowes and to labour supply in East Cowes, Cowes and Newport. They provide some of the most valuable available employment land on the Island. However, together they account for over 50% of the available employment land on the Island. Although there is a long term demand for these sites we have assumed that only half of the available land will come forward by 2011 and the rest by 2016. The sites are perceived to be suitable for both office and industrial uses.

¹⁶ (M6) is a Mineral Sites Allocation for uses requiring waterfront access

Map 2 – Employment Allocation Freshwater



- **E5 (11), Freshwater, 0.9 ha of available land:** The original allocation was for 3.1 ha of which 0.9 ha remains available for development. This is the only major site to the western side of the Island which provides valuable land for employment opportunity. The site is perceived as being ready for development of industrial use.

Map 3 – Employment Allocations Ryde



- E5 (14), Ryde, 0.7 ha of available land:** The site is on the south side of Ryde on the outskirts of the town on the road leading south to Sandown, Shanklin and Ventnor. It is one of few available office sites in a prominent location. The site is perceived to be ready for office development.

Map 4 – Employment Allocations Bay Area



- **E5 (16), Bay Area, 4.3 ha of available land:** The site is an extension to the existing College Close Industrial Estate and as such a readily available industrial site. However, there might be some flooding issues which are currently being investigated. For the time being we have assumed that the site is readily available for industrial use.
- **E5 (17), Bay Area, 0.4 ha of available land:** The site is opposite the Spithead Business Centre and Lake Industrial Estate and therefore within a good location for employment uses. However there are some site access issues and the site will not come forward before the issues with the junction are resolved. We have therefore assumed that the site will come forward by 2016 as office or industrial development.
- **E5 (18), Bay Area, 0.3 ha of available land:** The site is adjoining Spithead Business Centre and is one of the few prominent and readily available sites in this part of the Island. The site is perceived as being readily available for office or industrial uses.
- **E5 (19), Bay Area, 4.7 ha of available land:** The site is an area of land surrounding the airport buildings. It has poor access to local amenities with a 30 minute walk via the main road to the centre of Bembridge. The current UDP allocation is for air

related use, with any warehousing being ancillary. However, Bembridge Airport is most likely not to be further developed and due to the poor access and distance to amenities the site is not perceived as a viable employment location.

- E5 (20), Bay Area, 0.4 ha of available land:** The site is set back from the main road through Shanklin, sandwiched between a holiday village and residential area. Approximately half the site has been developed for housing with another portion (0.45 ha) occupied by existing allotments. Of the 1.5 ha originally allocated 0.4 ha remains available for development. Due to the site constraints and the close proximity to sensitive uses (residential, allotments) the site is not perceived as a viable employment location.

Balancing Supply and Demand

Quantities Gap Analysis

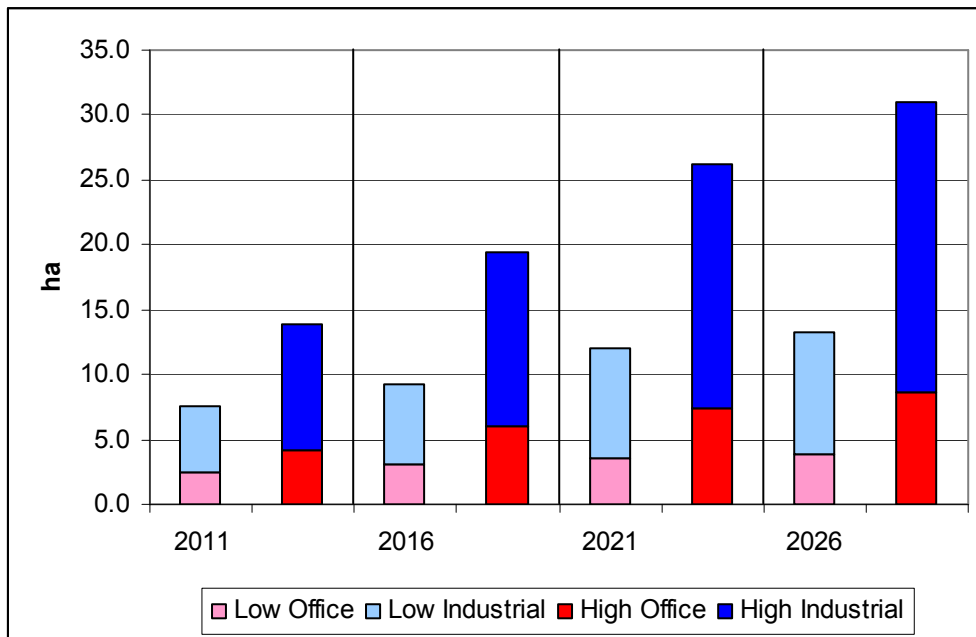
- 5.8 The gap analysis compares the projected demand with the existing supply on a five year interval bases. There is an overall shortage of employment land between 2006 and 2026 of 13 ha to 31 ha of which 4 ha to 9 ha is for land suitable for office development and 9 ha to 22 ha for land suitable for industrial development as shown in Table 25.

Table 25 – Gap Analysis

	2006-2011	2011-2016	2016-2021	2021-2026	Total 2006-2026
Office	-2.5 to -4.2	-0.6 to -1.8	-0.5 to -1.4	-0.4 to -1.3	-3.9 to -8.7
Industrial	-5.1 to -9.7	-1.2 to -3.8	-2.3 to -5.3	-0.9 to -3.5	-9.4 to -22.3
Total	-7.5 to -13.9	-1.8 to -5.6	-2.7 to -6.7	-1.3 to -4.8	-13.3 to -31.0

The sums in this table do not total due to rounding.

- 5.9 Figure 15 illustrates the cumulative additional land demand for the ‘high demand’ and the ‘low demand’ scenarios. The figure shows clearly that there is a relatively high shortage of land supply in the short term up to 2011 (around 50% of the total shortage between 2006 and 2026). This is a result of the lack of choice and flexibility of the current supply due to over 50% of currently available employment land is in East Cowes. Figure 15 also shows that the remaining shortage is more or less evenly spread between 2011 and 2026.

Figure 15 – Cumulative Demand for Additional Land

- 5.10 The two scenarios represent extremes and a realistic assumption is that there is a need for a further 20 ha to 25 ha of employment land in addition to the existing sites. Of these around 10 ha should be allocations which will be able to come forward in a relative short time period (up to 2011) and a further 10 ha to 15 ha are required between 2011 and 2026.
- 5.11 If any of the current allocations cannot be developed (e.g. if due to flooding issues on the extension to College Close (E5 (16)) this will require the allocation of approximately the same amount of additional employment land.

Geographical Gap Analysis

- 5.12 From Table 26 it becomes apparent that there is very little land available for good quality office development in Ryde, Cowes and Newport. There is a need in all these three locations for sites which are suitable for office development. Ideally office sites have a prominent location with good visibility, are close to the labour market and have good accessibility (including public transport).

Table 26 – Availability by Geography, Type and Deliverability

Area	Available 2006-2011			Available 2011-2016		
	Office	Industrial	Both	Office	Industrial	Both
Newport West		1.3				
Newport East						2.8
Cowes		2.6			1.3	
Freshwater		0.9				
East Cowes			8.1			8.1
Ryde	0.7					
Bay Area		4.3	0.3			0.4
Rookley						
Total	0.7	9.1	8.5	0.0	1.3	11.3

The sums in this table do not total due to rounding.

- 5.13 On the industrial side there emerges a similar picture as for office availability although not quite as extreme. Newport and Cowes do have some availability, although it is too little and some is only expected to come forward after 2016. Ryde has no available industrial land. There is therefore a need for the allocation of readily available land suitable for industrial uses close to Newport, Cowes and Ryde.
- 5.14 In the Bay Area there is some available industrial land, however all of the available land is within the College Close Extension (E5 (16)) which might have some severe development constraints due to flood risk. If the flood risk assessment, which is currently being carried out, shows that employment development on the College Close Extension is not feasible there is a need to allocate about the same amount of land suitable for industrial use within the Bay Area.

6. CONCLUSION AND RECOMMENDATIONS

- 6.1 This section provides a summary of the key conclusions of the Employment Land Demand Study together with recommendations.

Conclusions

- 6.2 The policy framework at national, regional and local levels look to encourage economic growth taking new growth sectors into account. This means that employment land must adapt in the future. Quality and choice of land is promoted so that the employment land can facilitate economic growth for employment in the appropriate growth sectors.
- 6.3 Economically the Isle of Wight is a fast growing area set within one of the most prosperous regional economies in the world. In the past few years growth in economic productivity on the Island has exceeded that of the South East. The number of businesses is growing steadily and there is a healthy manufacturing sector.
- 6.4 While the recent period of growth is impressive, the Isle of Wight faces some significant economic challenges. There is still a large earnings gap between the Island and the South East and economic forecasts predict that the productivity gap between the Island and the rest of the South East will increase in the future. The Island currently has lower productivity, lower skills levels and less high value employment compared to the South East. The Draft Economic Strategy for the Isle of Wight aspires to close the gap between the Island economy and the South East.
- 6.5 The industrial property market appears to be fairly tight with little current availability and a historic average annual take-up of around 2,000 sqm between 1996 and 2006. The office market does not appear to be as tight with some availability and relatively little take up in the past. However, very little prime office locations are currently available outside Newport and the limited take up might be a result of the little choice in the office market.
- 6.6 There is an overall gross demand for employment land of 43 ha to 62 ha of which roughly 1/3 is for land suitable for office and 2/3 is for industrial land. Comparing demand and supply shows that there is an estimated gap in employment land supply of between 13 ha and 31 ha between 2006 and 2026. The ranges represent extremes and a realistic assumption is that there is need for an additional 10 ha of employment land which is readily available for development and a further 10 ha to 15 ha which can be brought forward between 2011 and 2026. There is very little land available for good quality office

development in Ryde, Cowes and Newport. Similarly there is only little industrial land available in these three locations. The Bay Area has a current supply of industrial land; however this might be constraint by flood issues, which are currently under investigation.

Recommendations

Recommendation 1 – Safeguarding of Existing Employment Sites

All allocated and non-allocated employment sites should be safeguarded for employment uses as there is a clear demand for a wide range of employment sites on the Island as demonstrated in the demand forecast.

- 6.7 The currently occupied employment sites seem to be in relatively good condition and should be safeguarded for employment. Furthermore there is generally no need to replace current sites.
- 6.8 The only exceptions are:
- The site in Rookley (E5 (21)) which is in very poor condition. Allocation of some replacement employment land within Rookley might be considered. Alternatively the redevelopment of the site as a mixed use scheme with a clearly defined re-provision of employment could provide some employment within this area of the Island.
 - The extension to College Close (E5 (16)) which might not be suitable for employment uses depending on the outcome of the flood risk assessment. If the site is severely constraint by flood risk a similar amount of readily available employment land should be provided in the Bay area.
 - The land at Bembridge Airport (E5 (19)) should be released from employment designation. The Airport at Bembridge is not likely to be extended and due to the poor access to the site it is not suitable for employment.
- 6.9 Where employment sites, especially in town centres, are underused and in poor condition and where current values do not allow for the redevelopment of these sites in pure employment use mixed-use redevelopment of these sites might be considered. However, a clearly defined re-provision of the employment on the site should be required.

Recommendation 2 – Providing for Choice

A good geographical spread of employment land should be achieved to allow for choice and sustainable communities. This is in line with national planning policy (PPS1 and Draft PPS4).

- 6.10 To allow for choice and to allow for sustainable communities it is important that there is a good geographical spread of employment sites across the Island. The majority of employment land demand will be within the Medina Valley (including Newport) and in Ryde. However, it is important that there is sufficient supply for a local economy in Freshwater and in the Bay Area.
- 6.11 Freshwater has currently about 1 ha of available industrial land. For sustainability reasons it is important that there are jobs and future job opportunities in the western part of the Island. If the current allocation does not come forward in employment use the allocation of around the same amount of employment land in Freshwater is recommended to allow local employment in line with national planning guidance (PPS1 and Draft PPS4).
- 6.12 If the employment allocation at the College Close Extension (E5 (16) is lost due to flood risk a replacement for this should be found within the Bay Area.
- 6.13 Ryde has currently very little available employment land. As one of the three larger centres on the Island there is a need for good quality office and industrial land in Ryde.
- 6.14 East Cowes has currently a high level of available employment land. This land is strategically well located close to the ferry and with good labour supply. Although there might not be enough market demand in the short to medium term for all the land to be taken up, the existing employment land allocations in East Cowes should be safeguarded to meet future long-term demand.
- 6.15 To provide for choice, reduce commuting and not add further pressure on the transport infrastructure in Newport, Cowes and East Cowes, good quality employment land is required on the western side of the Medina Valley.

Recommendation 3 – Additional Land Requirements

A total of 20 ha to 25 ha of additional employment land should be allocated. Of this about 1/3 should be suitable for office use. Around 10 ha of newly allocated employment land should be readily available for development.

- 6.16 The demand forecast identifies an overall gross demand of 43 ha to 62 ha for additional employment land between 2006 and 2026. There is currently a supply of approximately 31 ha of which around 18 ha are perceived to be readily available and 13 ha are likely to come forward after 2011. Comparing demand and supply shows that there is an estimated gap in employment land supply of between 13 ha and 31 ha between 2006 and 2026. The ranges represent extremes and a realistic assumption is that there is need for an additional 10 ha of employment land which is readily available for development and a further 10 ha to 15 ha which can be brought forward between 1011 and 2026.
- 6.17 The maps below indicate recommended areas of search for new employment allocations. The amounts required are only guidelines and will largely dependent on the land availability in these areas¹⁷.

Map 5 – Search Area North

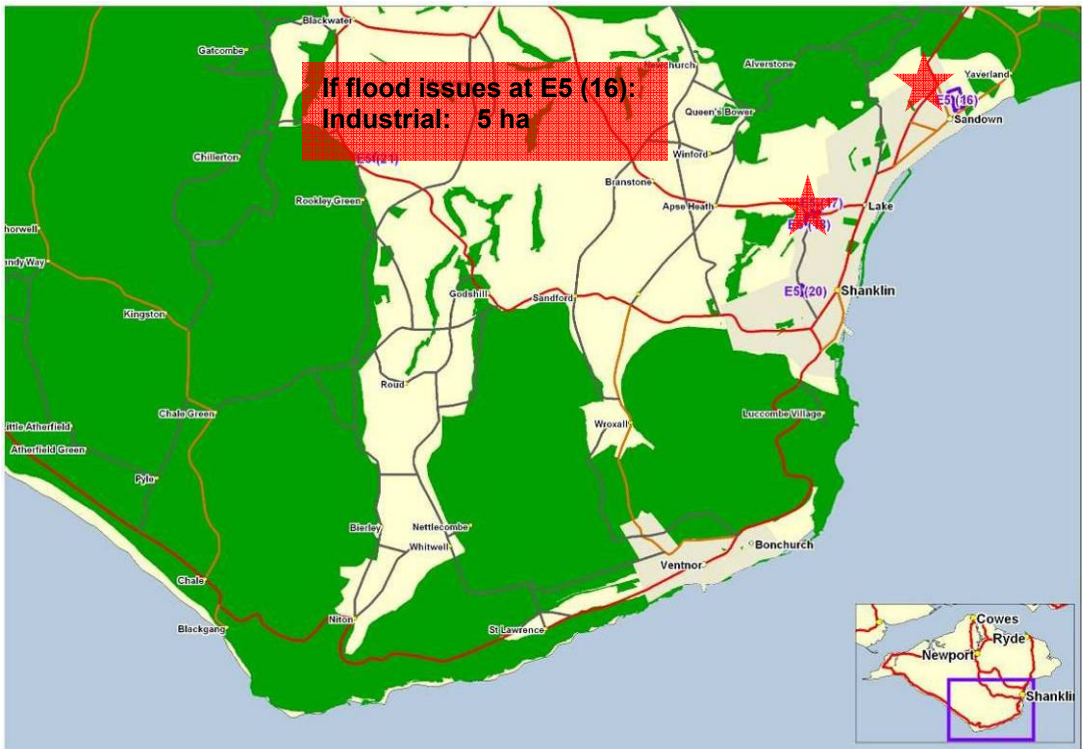


¹⁷ The sum guideline employment allocations across all search areas is larger than the total identified gap as we do not assume that there will be enough available land in each area. However, for the final allocation we do recommend to provide an overall supply of 20 ha to 25 ha of which around 1/3 should be suitable for office use.

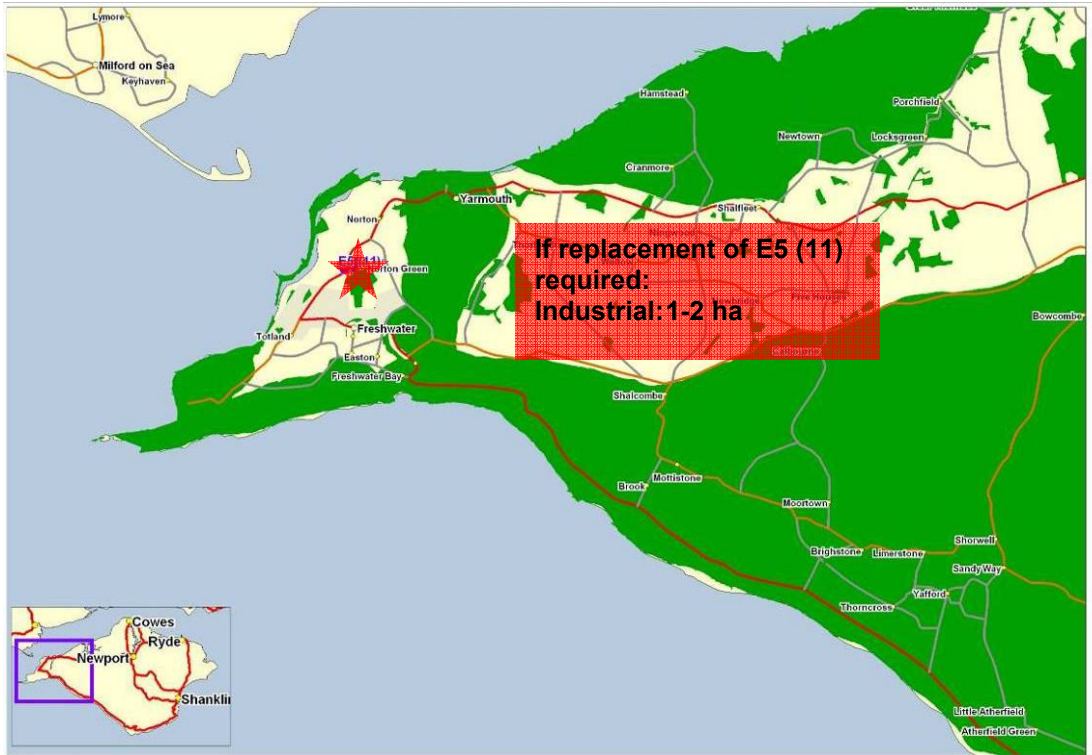
Map 6 – Search Area East



Map 7 – Search Area South



Map 8 – Search Area West



Recommendation 4 – Delivery of Sites

Where employment sites have been identified as valuable in economic development terms but the sites might not come forward due to current values or other constraints the Council should take a pro-active role in bringing these sites forward.

- 6.18 The aspired step change in the economic performance of the Isle of Wight might require some public sector intervention in bringing employment sites forward. This might be due to site constraints and/or the lack of expected values/rents.
- 6.19 The Council should identify economically valuable sites and work with partners in bringing these sites forward as this has happened for example with the Medina Cement Works site. Such an approach might be necessary for example for a high quality business park for office and research uses or for sites in more peripheral areas such as Freshwater.

Recommendation 5 – Monitoring

Monitoring of employment land demand and supply should be carried out on an annual base. This should include a systematic monitoring of all gains and losses of employment uses on allocated and existing employment sites.

- 6.20 The Council currently monitors allocated employment sites. However, monitoring changes on existing employment sites is patchy.
- 6.21 We therefore recommend extending the current monitoring of allocated employment sites to all major employment locations. In parallel changes to all employment uses should be monitored through tracking planning applications and completions, this should include all losses of employment uses.
- 6.22 The monitoring could also include tracking market activities such as take-ups (by size and type), availability (by size, type and quality) and rents / values. This could be done in co-operation with local property agents.