Nottingham City Region Employment Land Provision Study Update

For the Greater Nottingham Authorities

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Update Report

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1 INTRODUCTION

1.1 This report is a very limited update of the 2007 Nottingham City Region Employment Land Study for the Greater Nottingham Authorities. Its purpose is to assess how many more jobs the City Region needs to provide given a higher than originally expected housing target.

1.2 The employment forecasts used in the original Nottingham City Region Employment Land Study (NCRELS), as with the Regional Employment Land Study (ELPS), are in part related to proposed population and housing figures. The housing numbers used to inform our last report were those in the draft Regional Plan (September 2006) and assumed that the housing targets in the Draft Regional Plan for Nottingham City Region and neighbouring parts of the East Midlands would be successfully implemented.

1.3 Subsequent to that work the Secretary of State's Proposed Changes to the Regional Spatial Strategy were published. This proposed increasing the number of new dwellings from just under 60,000 (2001-2026) to 70,500 for the Nottingham City Region. These changes have now been included in the published RSS.

2 THE FORECASTS

Jobs

2.1 This section is an update to Chapter 5 in the Roger Tym 'Nottingham City Region Employment Land Study' report. Since our previous report new recent population projections have been published by ONS[1] and these as well as the policy led housing numbers have fed into a 'Secretary of State's Proposed Changes' version of the RSS.

2.2 Ideally we would be able to refer to an updated econometric forecast prepared in the same way as that used in our previous study; incorporating new population assumptions. A new forecast may also allow us to extend the time period beyond 2016 used in our previous work. However we understand that the Regional Assembly and emda have not commissioned this work So for this update we can only estimate the potential impact of the additional population resulting from the higher housing target in the context of our previous work. .

2.3 These policy led population figures show that over the 2003-16 period the working age population in the Nottingham Core City Region is forecast to grow by 13,400 people. This is significantly different from the population assumptions which fed into the Draft Plan (NCRELS/ELPS) employment forecasts where working age population was forecast to grow by only 4,800 people.

2.4 Starting with these new working age population forecasts, provided by the County Council, we calculate the proportion of residents that are economically active. To do this we average the working age economic activity rates for the City Region, using the latest, 2006, annual population survey data. This ratio is around 80%. Therefore from our initial 13,380 working age population around 10,650 people will be economically active – 13,380 x 80%. For simplicity and for sustainability, and in the absence of a full model, we assume there is a one to one relationship between workers and jobs[2]. Hence from our initial 13,380 additional working age population we anticipate this generates 10,650 jobs, the same as the number of economically active residents.

2.5 Because we do not have a new econometric forecast we have to estimate the most likely sectors to accommodate these new jobs – based on trends from our previous study. That study showed that the industrial and warehousing sectors declined while the office and non B space[3] sectors grew.

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[1] ONS 2004-based projections (original, published 2006)

[2] The ratio between jobs and workers in our main report is the product of a forecasting model which considered the whole City Region economy. Given the large City Region population even small changes in the forecasting assumptions, for example changes in economic activity rates over time, means that a simple 1:1 ratio is not evident. But for the purposes of this limited update, focusing on the needs of the additional new houses and population a 1:1 job: worker ratio is a reasonable assumption.

[3] Non B space employment is that accommodated outside of offices, warehouses, factories and certain sui generis uses. See paragraphs starting at 3.19 of the original report for the definition of B space.

2.6 For this update we have assumed that the industrial and warehouses sectors will not decline any further because the City Region has a larger population. However the additional population may allow the growing sectors to grow faster. As explained in our previous study the City Regions labour supply was already 'tight' and the limited availability of new labour produced a potential constraint to growth.

2.7 The forecasts used in our previous report showed the office sectors growing by approximately 13,000 (offsetting the loss of 13,000 manufacturing and warehousing jobs). However non B space employment (which was not considered in our report) also grew by 13,000. So of the growing sectors the split between B space (office) and Non B space employment was 50/50.

2.8 Using this ratio, we calculate an additional 10,650 jobs will generate 5,325 B space (offices) and a further 5,325 non B jobs.

2.9 Because our previous report recommended the use of the ELPs scenario over the higher ELPs Plus scenario we do not consider the impact the additional population may have on that scenario.

Floorspace and Land Requirement

2.10 To translate the new office jobs into floorspace requirement we use standard floorspace per worker ratios of 18 sq m. Translating floorspace into land requirement, we suggest a default development density of 40% (4,000 sq m to the hectare), which may be amended in the light of site-specific information. The 40% ratio is probably reasonable but offices in city centres may have considerably higher densities. Therefore, it is best for the translation of floorspace into land requirements be done at local level, where the specifics of individual sites can be taken into account. There have been no significant changes to supply since the previous report.

2.11 Translating office jobs into floorspace equals an additional 95,800 sq m and a indicative land requirement of 24 ha.

Table 2.1 Jobs and Floorspace Change 2003-16

	Change 03-16
Working Age Pop	13,379
Economic Activity (%)	*80%*
Econnomically active residents	10,650
No. of additional jobs	10,650
Proportion of B space jobs	**50%**
Proportion of B space jobs	*5,325*
Proportion of new office Jobs	**100%**
Office jobs	5,325
Floorspace requirement	**95,847**
Additional ha	**24**

Market Balance

2.12 To assess the implications this additional requirement has on the land market balance we use our previous report and update the floorspace requirement for the office sectors. The market balance for industrial and warehousing floorspace remains the same as our previous study.

2.13 For the purposes of our balance calculations supply remains the same, as there is no new information to inform this update.

2.14 There is some evidence from the local authorities that additional office space has come forward since our comprehensive audit and the proposals discussed at paragraphs 5.47 & 5.48 of our original report are now more advanced (City 'mixed use' sites and major comprehensive redevelopment sites). However at the same time other sites may have been lost from the supply – we do not have the data to confirm this. There may also be pressure to accommodate the higher housing target on existing employment sites and so result in more losses from the stock.

2.15 Previously (Table 2.2) we showed that in the 'best case scenario' the office market was virtually in balance as supply falls short of the forecast requirement by an insignificant 28,300 sq m. However updating the floorspace requirement the new office market balance shows there is a supply shortfall of 124,100 sq m. Therefore if all the development sites come forward in the plan period and none of the existing stock is lost, supply is enough to cover the frictional margin and forecast demand (take-up) to 2012, about four years before the end of the forecast period.

2.16 Similarly, in the worst case scenario for offices we previously showed there was an undersupply of 330, 700 sq m. But based on new updated floorspace requirement this worsens to 426,500 sq m.

2.17 This update shows the office supply shortfall has worsened and using the former 'best case scenario' new land / floorspace is now required. Based on these additional office floorspace forecasts, there is an urgent requirement to identify new land or to identify the potential capacity of these existing sites.

Table 2.2 Market Balance 2003-16 (Floorspace, sq m)

	Old Total NCR ELPS	New Total NCR ELPS
Demand		
ELPS Forecasts (from previous report)	239,577	239,577
Additional jobs from new working age population		95,847
Margin @ 10% of stock	125,113	125,113
Requirement		
ELPS Forecasts	364,690	460,537
Committed supply		
Outstanding commitments 2006	336,400	336,400
Of which good quality	336,400	336,400
Of which good quality & available short-term	276,800	276,800
Potential losses of existing sites		
Release		
Consider for release	-242,800	-242,800
Market balance 'best case'	**-28,290**	**-124,137**
Market balance 'worst case'	**-330,690**	**-426,537**

3 CONCLUSIONS

3.1 Our updated conclusion that at least 125,000 sqm of new office floorspace is needed should be treated with caution. As we note above we have not been provided with an updated supply audit; so we do not know how much development land identified in our previous report remains or if any new land or redevelopment opportunities have been identified. Because of this we have used the supply as presented in our previous report.

3.2 In looking to meet the requirement for new floorspace, assuming the supply position is broadly similar now as at the time for our previous report, the principles for identifying new land we established report remain valid. Nottingham City is the natural place to accommodate additional office floorspace in both market and policy terms. However if sufficient capacity is not identified locations out of the City may be required in line with the sequential approach we previously outlined.

3.3 In our last report we also suggested any supply shortfall could be accommodated at a number of emerging sites but the development capacity of these sites had yet to be confirmed (see paragraph 7.19). This included the Regeneration Zones in Nottingham City where the principle of additional office based employment space had already been established but the capacity was unknown.

3.4 In our previous 'best case scenario' the City Region faced a small potential shortage of office floorspace which afforded planners some time to consider new policy preferable sites. This included confirming the capacity of regeneration sites. But the 'best case' shortage is now much higher and so the need to confirm a policy preferable supply of new floorspace more pressing. Also over two years have now passed since the original site audit and so if additional capacity on these sites is no nearer being confirmed then the weight we can give them when assuming that they will accommodate some of the shortfall is more limited.

3.5 Although the current economic climate makes this task less predictable development plans still need to secure a long term employment land supply which is attractive to the market. Sufficient land and floorspace needs to be identified to cover the whole cycle of the plan's life – which will naturally include both good and bad times.

3.6 If the City Region cannot identify a policy preferable supply of new office space there is a risk that the City Region may be forced to consider easier to identify and deliver opportunities when market conditions improve. There is a risk that policies seeking to restrict new employment floorspace away from the best sequentially acceptable locations may be weakened; because when market conditions improve the City Region cannot demonstrate a robust land supply in the context of the above figures.