

Enterprise M3 Board meeting

24 May 2016

Commercial Property Market Study

The Enterprise M3 board is asked to:

NOTE the recommendations being made by Regeneris in the refresh to the Commercial Property Market Study.

1. Background

1.1 The Land and Property Action Group have commissioned Regeneris Consulting and Aspinall Verdi to refresh its Commercial Property Market Study (2013). The main aims of this have been to:

- Provide the LEP with a robust evidence base on commercial property market conditions in different parts of the EM3 corridor;
- Analyse recent trends in the LEP's priority growth sectors, and understand the key location and property requirements of these sectors;
- Identify the key opportunities and challenges facing the commercial property market in different parts of the LEP area, and
- Make recommendations on how the LEP and its partners can use their funding and influence to address the strategic opportunities and challenges identified in the report, and support the growth of key sectors.

2. Market Areas

2.1 Two changes have been to the market areas from the 2013 study. Central Hampshire has been divided in to Winchester and East Hampshire market area and Guildford and Woking have been divided into separate market areas.

2.2 The revised market areas are:

- Basingstoke & Andover;
- Blackwater Valley;
- East Hants;
- Guildford;
- New Forest;
- Upper M3;
- Winchester; and
- Woking

3. Needs of Priority Sectors

3.1. ICT and digital and professional and financial services are by far the largest priority sectors in Enterprise M3. Both sectors have diverse property requirements which include:

- **Flexible workspace** – co-working environments offering easy-in, easy-out accommodation and space for businesses to interact, collaborate, innovate and secure new business opportunities;

- **Town centre locations** – allowing access by a young and highly skilled workforce who increasingly choose to live in urban locations and have lower rates of car ownership;
- **Superfast broadband**;
- **Access to London and Heathrow** – connections to central London will grow in importance as more and more London based firms look to relocate parts of their operations due to high property costs; and
- **High quality business parks and car parking ratios** – travelling by car remains by far the most popular means of commuting in Enterprise M3.

4. Office Market

4.1 There has been an uneven performance in Enterprise M3's commercial property market which is causing a number of quite diverse challenges across the LEP area:

- In **Basingstoke and Andover** and large parts of the **Blackwater Valley**, the challenge is an oversupply of poor quality, second hand space which is depressing rental values and discouraging investors from building new, high quality offices.
- Both **Guildford** and **Winchester** have attractive town centres which have been in strong demand. The challenge here is a shortage of office space and sites in the town centre which is acting as a constraint on investment. This could be addressed in Winchester through the Station Approach development but remains a concern in Guildford.
- **Woking** and **Upper M3** are both areas in high demand, but the good supply of sites in both locations means the market is working efficiently.
- **East Hampshire** and **New Forest** are not established office markets and have therefore seen limited demand and limited new supply. In these rural districts, the priority is to ensure that the local businesses have access to the types of flexible floor space sought after by SMEs.

4.2 Regeneris believe the strongest cases for LEP support are:

- **Addressing site constraints:** where sites are in high demand areas but face particular constraints, either because of the costs of landowner remediation on brownfield sites or complicated town centre schemes involving several landowners. An example would be Station Approach in Winchester.
- **Shared workspace for digital start-ups:** where there are specialist non-standard property needs (e.g. flexible leases) that are not routinely delivered by the market and also where there are spillover/clustering benefits from similar firms being co-located in their start-up and early growth phases.

5. Industrial Market

5.1 There remains a persistent shortage of both industrial space and land with development potential in most market areas, making this by far the most pressing cross-LEP priority. Regeneris recommend that the LEP should:

- Work with neighbouring LEPs to build a clear picture of the undersupply of sites and undertake research to understand how this is damaging local economies.
- Recognise the shortage of industrial sites as a cross LEP priority in the next draft of the Strategic Economic Plan, and use the evidence in this report and any cross-LEP work to make the case to local authorities as they prepare their local plans and updates.

6. Other LEP Actions

6.1 The research has also identified a number of other possible actions that the LEP could take to support the development of the commercial property market:

- **Ensuring links between the Enterprise M3 Land and Property and Infrastructure groups:** communication should be improved between these groups including joint strategy planning and case making.
- **Ensuring the LEP acts as a conduit for information sharing:** there is a need for a consistent set of indicators that all councils could use to monitor development trends in their area, and can be shared with the LEP on an annual basis. The LEP should provide councils with information on local business trends and characteristics.
- **Improved inward investment monitoring:** better information collection and sharing would mean that the LEP have detailed intelligence on the nature of demand from investors and could work with local authorities to ensure that this demand is satisfied.
- **Improved inward investment positioning and marketing:** including the LEP working with Invest in Hampshire and Invest in Surrey to ensure that both are focused on the opportunities from London relocations in the next few years. The LEP should also provide strategic support in developing and marketing the inward investment offer of the Enterprise Zones and core town centre locations.
- **Reviewing the impact of Permitted Development Rights (PDR) and lobbying if necessary:** The LEP needs to be in a well-informed position to comment on the impact OF PDR as it is kept under review by the Government. This will provide the LEP with an evidence base that it can review and use to lobby Government if necessary.
- **Support improved public sector asset strategy:** Enterprise M3 should look to provide expertise to local authorities on the use of their assets, particularly where they own significant assets which could be used to support economic growth.

7. Next steps

7.1 The consultants are currently completing the review of commercial property market sites to finalise the study. The report will be officially launched at the Enterprise M3 infrastructure event.

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18th May 2016