HARDISTY JONES ASSOCIATES

FINAL REPORT

South Gloucestershire Future Economic Needs Assessment

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Contents

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1 Introduction

1.1 Following work being halted on the West of England Spatial Development Strategy (SDS) there is a need to consider a range of strategic matters that were expected to be established within the SDS.

1.2 HJA in partnership with Lambert Smith Hampton (LSH) has been appointed by the five administrative authorities within the West of England area (Bath & North East Somerset Council, Bristol City Council, North Somerset Council, South Gloucestershire Council and the West of England Combined Authority) to prepare evidence for each respectively, drawing on a consistent methodological approach. The specific requirements of each authority vary and are reported individually.

1.3 The SDS was prepared using employment evidence set out within the Employment Land Spatial Needs Assessment[1] (ELSNA). As part of its new Local Plan an updated employment evidence study is sought to provide a more robust picture of employment needs and available supply within South Gloucestershire. This includes procuring new economic forecasts and agreeing a shared set of economic scenarios across sub-regional partners, and an independent review of the South Gloucestershire Employment Land Review (ELR). This will ensure evidence that is relied upon at subsequent Local Plan Examinations is up to date.

1.4 South Gloucestershire Council requires a set of updated economic and employment land demand forecasts. The Council also requested an updated commercial market summary and updates to the quantitative assessment of allocated and consented employment sites and premises supply previously set out in the ELSNA. The supply and demand assessments are then considered to identify the level of alignment. In doing so, the updated employment evidence for South Gloucestershire's new Local Plan will then comprise two documents; this study and the ELR.

1.5 Employment and economic forecasts have been purchased from Cambridge Econometrics and Oxford Economics. Following analysis of these forecasts, a set of shared economic scenarios have been agreed and used to model the demand for employment sites and premises in South Gloucestershire.

1.6 LSH has provided accompanying market commentary of the West of England commercial market as well as a review of the employment sites and premises requirements of key sectors in South Gloucestershire, and across the West of England as a whole.

1.7 Data on the current available supply of employment sites and premises, comprising both allocations and planning consents has been compiled in liaison with South Gloucestershire Council officers. Similar data has also been compiled for the wider West of England sub-region.

1.8 This report concludes with analysis of how the current supply pipeline aligns with the assessed future requirements and identifies any key issues for further consideration.

[1] Atkins (2021) West of England Employment Land Spatial Needs Assessment. This no longer forms part of the South Gloucestershire Local Plan evidence base.

2 Economic Forecasts & Scenarios

2.1 This chapter sets out a summary of the economic and employment forecasts for South Gloucestershire. These have been benchmarked against the West of England (WoE) and United Kingdom (UK) where appropriate.

Baseline Forecasts

2.2 Baseline – or 'business as usual' – forecasts were purchased from Cambridge Econometrics (CE) and Oxford Economics (OE). These are two of the leading economic forecasters in the UK for local and regional forecasts. There are typically differences in the outputs of the respective modelling approaches based on both the way the detailed data analysis is undertaken and the interpretation of trends and future outlooks by the economists involved in the forecasting process. For this reason it is useful to draw on more than forecaster, to help understand some of the alternative future trajectories which might take place. Analysis of the data produced by the forecasters has been set out for the period from 2001 to 2043.

2.3 There is a need to consider whether forecasts should be termed 'policy on', 'policy off', 'baseline', or 'business as usual'. Each of these terms has helpful and unhelpful connotations. Nevertheless, there is a need to clarify the terminology used within this report. We therefore clarify the following:

- The original forecasts provided by the forecasting houses (CE and OE respectively) are referred to in this report as 'baseline' forecasts. This enables them to be compared with any adjusted scenarios that are considered.
- The forecasters' 'baselines' draw on historic economic performance of the area as one of their forecasting metrics. They also draw on detailed analysis of national and sectoral performance potential. The forecasts are therefore not developed assuming a policy vacuum. Whilst they are not developed with explicit reference to future local policy or known investments, the historic period on which they draw will include efforts from national, regional and local economic development stakeholders to deliver a prosperous economy. A level of economic development activity is therefore inherent in these forecasts.

2.4 We also include a comparison of the baseline forecasts for South Gloucestershire to the baseline forecasts for the WoE and the UK.

Headline Economic Performance

2.5 The following analysis considers historic performance over the period from 2001 to 2021[2], and the future forecast period from 2023 to 2043.

2.6 Set out in this section is an analysis of:

- Total employment – a measure of total jobs including employment and self-employment;
- Gross Value Added (GVA) – a measure of economic output.

2.7 As a result of small discrepancies in the way data is modelled by the two forecasters the charts below use an index rather than absolute values. This ensures the two datasets align at 2023

[2] Due to the time lag in the publication of official data 2021 is the most recent year forecasters would have access to official data to inform the forecast models. Therefore, a 20 year historic period has been selected from 2001 to 2021 to analyse historic performance.

and makes it easier to see any divergence between different scenarios. The following information box provides information on how to interpret these charts.

Interpreting Index Charts

Index charts establish a common starting point and examine the percentage changes from this point. Charts in this report are indexed to 2023 (2023 = 100).

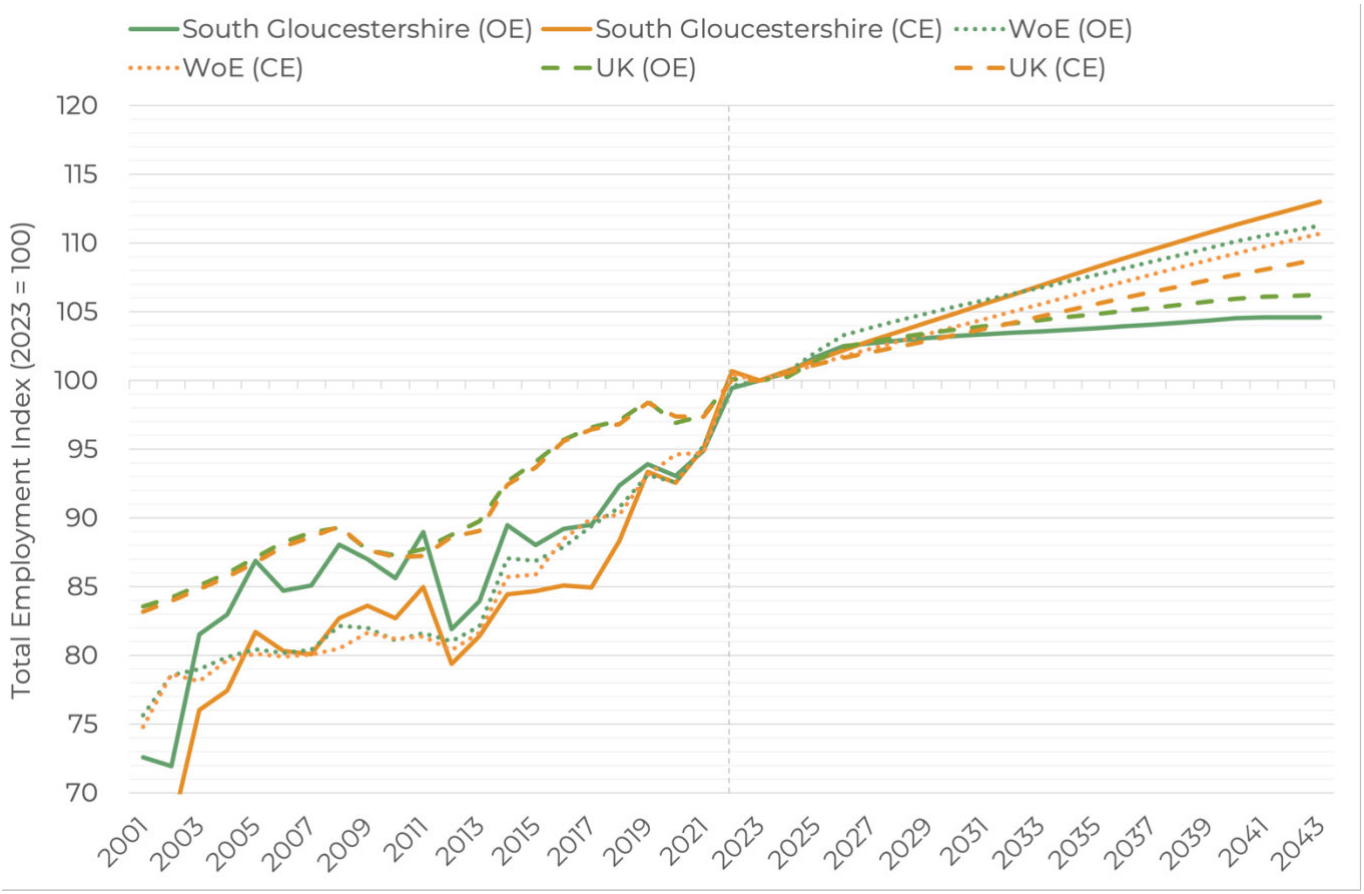
Therefore, over the period from 2023 to 2043 higher numbers on the y-axis indicate larger percentage changes. For the period from 2001 to 2023, the lower the number on the y-axis the larger the percentage change from that point up to 2023.

What this means visually is that areas that performed more strongly in the historic period are shown as the lower lines on the chart. This may appear counter intuitive to some readers.

Total Employment

2.8 The figure below shows forecast historic and forecast future total employment for South Gloucestershire. The West of England (WoE) and UK are included on the chart for comparison purposes.

Figure 2.1: Historic and Forecast Employment Change in South Gloucestershire, West of England and UK (2001 – 2043)



Source: HJA analysis of Cambridge Econometrics and Oxford Economics data

2.9 Over the historic period 2001 to 2021 CE shows that employment in South Gloucestershire has grown by +53,900 (+2,700 jobs[3] per annum) whilst OE reports that employment has grown by +41,300 (+2,100 jobs per annum). Over the same period, Jobs Density data[4] shows that South Gloucestershire added +45,000 jobs (+2,300 jobs per annum).

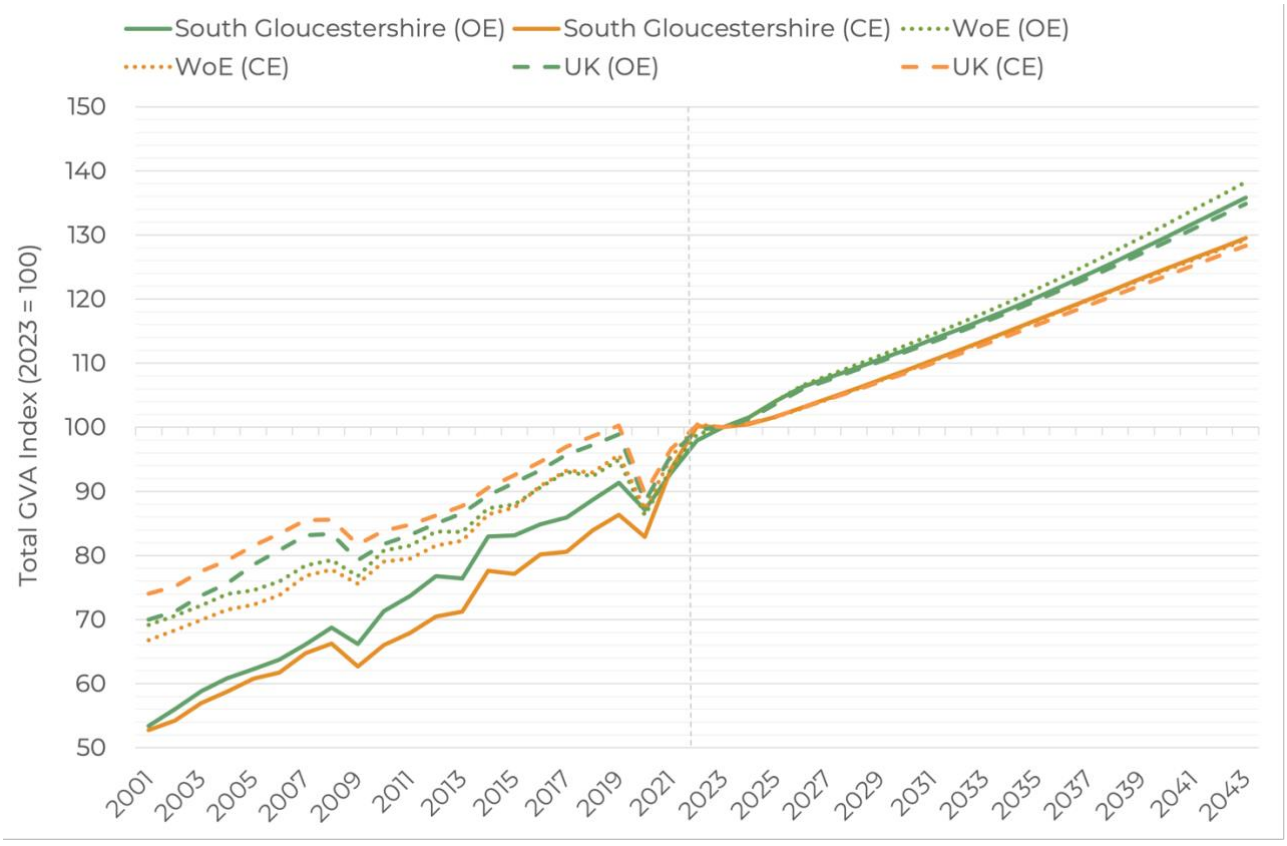
2.10 Over the historic period from 2001 to 2021, CE shows an historic compound annual growth rate (CAGR)[5] of 1.7% and OE shows an historic CAGR of 1.3%. This is above that of the WoE (1.2%) and above the UK (0.8%).

2.11 The CE and OE forecasts show ongoing divergence over the future forecast period from 2023 to 2043. CE forecasts a CAGR of 0.6% over the period from 2023 to 2043, whilst OE forecasts a CAGR of 0.2%. CE forecasts rates of growth in South Gloucestershire that are above those forecast for the WoE and UK, whilst OE forecasts rates of growth below those forecasts for these comparator areas.

Gross Value Added

2.12 The figure below shows historic and forecast future total GVA for South Gloucestershire compared to the WoE and the UK.

Figure 2.2: Historic and Forecast GVA Change in South Gloucestershire, West of England and UK (2001 – 2043)



[3] Jobs is used as a proxy term here for ease of understanding. There is a slight statistical variation. The ONS notes that *"the concept of employment differs from the concept of jobs, since a person can have more than one job and some jobs may be shared by more than one person."*
[4] Source: ONS Jobs density (2023). This is the most comprehensive assessment of total workplace jobs within an area and includes workplace jobs, self-employed, government-supported trainees and HM Forces.
[5] This is the average percentage rate of growth over the analysis period

Source: HJA analysis of Cambridge Econometrics and Oxford Economics data

2.13 Over the historic growth period 2001 to 2021 CE reports that South Gloucestershire has seen total GVA growth +£5.8 billion (+£288 million per annum) whilst OE reports growth of +£5.3 billion (+£264 million per annum). ONS data[6] shows that GVA has grown by +£7.1 billion (+£357 million per annum) over the same period.

2.14 Over the historic period from 2001 to 2021, CE reports a CAGR of 2.9% and OE reports a CAGR of 2.8% in South Gloucestershire. This compares to the UK figures from CE of 1.3% and OE of 1.6%, and the WoE figures of 1.8% from CE and 1.5% from OE respectively.

2.15 For the future forecast period from 2023 to 2043, CE forecasts South Gloucestershire to growth at a similar rate to the WoE and UK. OE forecasts that South Gloucestershire will growth at a lower rate than they forecast for the WoE but, in-line with that for the UK.

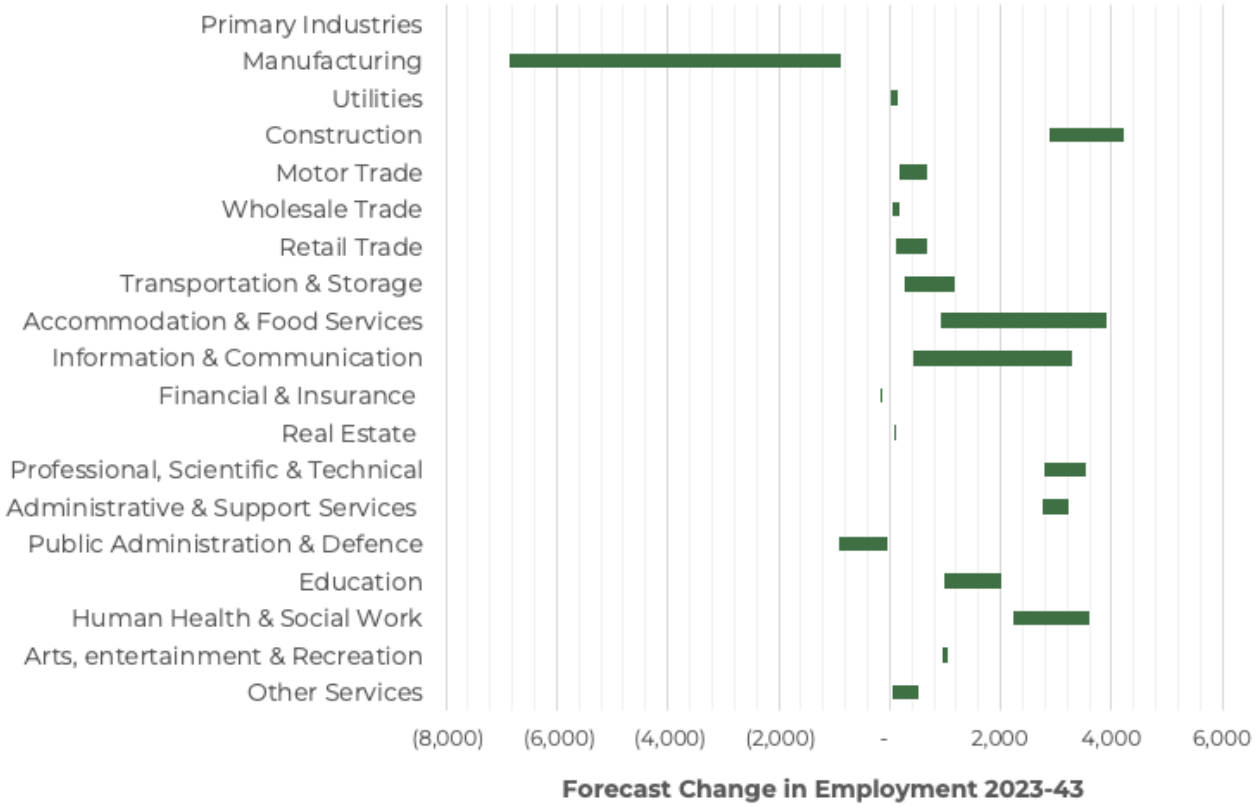
2.16 CE forecasts a CAGR of 1.3% over the period from 2023 to 2043 for South Gloucestershire, whilst OE forecasts a CAGR of 1.5% over the same period.

Sectoral Analysis

2.17 The sectoral breakdown of forecast employment change includes variation between OE and CE datasets. This is illustrated in Figure 2.1 demonstrating the range of sectoral growth projected. This shows significantly wide ranges for a number of sectors showing the range of difference between the two forecasters.

[6] Source: Regional gross value added (balanced) by industry: local authorities by International Territorial Level (ITL) 1 region: TLK South West [Accessed 21 September 2023]

Figure 2.1 Baseline Forecast Sectoral Employment Change 2023-43 in South Gloucestershire



2.18 The following table provides data and discussion on each of the sectors that contribute to the overall forecasts presented above. The table is colour coded for ease of reference. Sectors that are forecast to grow in employment terms are coloured green, sectors that are forecast to decline are coloured red. Those sectors where the forecasters disagree, with one indicating decline and the other growth are shown as amber.

Table 2:1: Sectoral Analysis of CE and OE Employment Forecasts

Sector	Description
Primary Industries	This includes activities including agriculture, forestry, mining and mineral extraction. For 2021, CE reports employment of 1,400 in primary industries. CE reports a decline in employment of -650 in this sector over the historic period from 2001 to 2021. CE forecasts growth of +30 over the period from 2023 to 2043. OE reports employment of 730 in this sector in 2021. OE reports a decline in employment of -500 over the period from 2001 to 2021 and forecasts a decline of -140 over the future forecast period from 2023 to 2043. **The forecasters both report a decline in employment in the historic period but diverge in the direction of change in the future forecast period with CE forecasting a small increase in employment and OE forecasting ongoing decline.**

Sector	Description
Manufacturing	CE reports employment of 17,400 in 2021. CE reports a decline in employment of -1,900 in this sector over the historic period from 2001 to 2021. CE forecast decline of -870 over the period from 2023 to 2043. For 2021, OE report employment of 17,100. OE reports a decline in employment of -3,100 over the period from 2001 to 2021 and forecasts a decline of -6,800 over the future forecast period from 2023 to 2043. **OE and CE estimate employment declines in the historic period. Although both OE and CE forecast a decline in employment in this sector in the future period, there is a large difference in the scale of forecast change.**
Utilities	CE reports employment of 1,700 in this sector in 2021. CE reports growth in employment of +500 in this sector over the historic period from 2001 to 2021. CE forecast growth of +150 over the period from 2023 to 2043. OE reports employment of 1,800 in this sector in 2021. OE reports growth in employment of +1,500 over the period from 2001 to 2021 and forecasts a decline of -180 over the future forecast period from 2023 to 2043. **OE and CE forecast an increase in employment in the historic period, although the quantum of growth varies. Future employment change is forecast to be low, albeit in diverging directions.**
Construction	In 2021, CE reports employment of 13,000 in this sector. CE reports growth in employment of +3,100 in this sector over the historic period from 2001 to 2021. CE forecast growth of +4,200 over the period from 2023 to 2043. OE report employment of 13,700 in this sector in 2021. OE reports growth in employment of +900 over the period from 2001 to 2021 and forecasts growth of +2,900 over the future forecast period from 2023 to 2043. **Both forecasters report growth in the historic and future periods, but CE forecasts higher employment growth in both periods.**
Motor Trade	CE reports employment of 3,600 in 2021. CE reports growth in employment of +1,400 in this sector over the historic period from 2001 to 2021. CE forecast growth of +660 over the period from 2023 to 2043. In 2021, OE report employment of 3,400 in this sector. OE reports growth in employment of +590 over the period from 2001 to 2021 and forecasts growth of +170 over the forecast period from 2023 to 2043. **CE and OE forecast employment growth in the historic and future periods, but CE forecasts higher growth than OE in both periods.**

Sector	Description
Wholesale Trade	In 2021, CE reports employment of 4,200 in this sector. CE reports a decline in employment of -510 in this sector over the historic period from 2001 to 2021. CE forecast growth of +60 over the period from 2023 to 2043. OE report employment of 4,100 in 2021. OE reports a decline in employment of -790 over the period from 2001 to 2021 and forecasts growth of +160 over the future forecast period from 2023 to 2043. **Both OE and CE report employment decline in the historic period, and only a slight increase in employment in the future forecast period.**
Retail Trade	In 2021, CE reports employment of 14,000 in this sector. CE reports a decline in employment of -3,300 in this sector over the historic period from 2001 to 2021. CE forecast growth of +670 over the period from 2023 to 2043. In 2021, OE report employment of 14,500 in this sector. OE reports a decline in employment of -2,200 over the period from 2001 to 2021 and forecasts a growth of +110 over the future forecast period from 2023 to 2043. **OE and CE forecast a decline in employment in the historic period and an increase in the future period, although CE forecast approximately 500 more jobs than OE in the future.**
Transportation & Storage	In 2021, CE reports employment of 15,800 in this sector. CE reports growth in employment of +8,900 in this sector over the historic period from 2001 to 2021. CE forecast growth of +1,200 over the period from 2023 to 2043. OE report employment of 15,500 in 2021. OE reports growth in employment of +6,700 over the period from 2001 to 2021 and forecasts growth of +260 over the future forecast period from 2023 to 2043. **CE and OE both forecast high employment growth in the historic period. CE forecasts moderate employment increases in the future and OE forecasts only slight growth. There is potential for South Gloucestershire to continue to provide a regional hub for this sector, experiencing higher levels of growth, given the presence of Severnside. This is considered within the sites and premises analysis.**
Accommodation & Food Services	CE reports employment of 11,100 in 2021. CE reports growth in employment of +4,000 in this sector over the historic period from 2001 to 2021. CE forecast growth of +3,900 over the period from 2023 to 2043. OE report employment of 9,800 in 2021. OE reports growth in employment of +3,000 over the period from 2001 to 2021 and forecasts growth of +940 over the future forecast period from 2023 to 2043. **OE and CE forecast similar levels of historic employment growth. CE forecasts significantly higher employment growth over the future forecast period than OE.**

Sector	Description
Information & Communication	CE reports employment of 9,100 in 2021. CE reports growth in employment of +2,300 in this sector over the historic period from 2001 to 2021. CE forecast growth of +3,300 over the period from 2023 to 2043. In 2021, OE report employment of 9,000 in this sector. OE reports a decline in employment of -200 over the period from 2001 to 2021 and forecasts growth of +430 over the future forecast period from 2023 to 2043. **The forecasters report employment change in diverging directions in the historic period. Although both forecast growth in the future, CE forecasts more significant growth than OE.**
Financial & Insurance Activities	CE reports employment of 4,500 in 2021. CE reports a growth in employment of +920 in this sector over the historic period from 2001 to 2021. CE forecast decline of -150 over the period from 2023 to 2043. In 2021, OE report employment of 4,900 in this sector. OE reports a decline in employment of -330 over the period from 2001 to 2021 and forecasts a decline of -140 over the forecast period from 2023 to 2043. **CE reports employment growth in the historic period whilst oE reports decline over the same period. Both forecasters show a slight decline in employment over the future period.**
Real Estate Activities	CE reports employment of 2,400 in this sector for 2021. CE reports growth in employment of +1,600 in this sector over the historic period from 2001 to 2021. CE forecast growth of +110 over the period from 2023 to 2043. OE reports employment of 2,100 in this sector for 2021. OE reports growth in employment of +1,500 over the period from 2001 to 2021 and forecasts growth of +80 over the future forecast period from 2023 to 2043. **OE and CE report similar levels of employment growth in historic period, and both forecast low employment growth in the future period.**
Professional, Scientific & Technical Activities	In 2021, CE reports employment of 13,100 in this sector. CE reports growth in employment of +7,300 in this sector over the historic period from 2001 to 2021. CE forecast growth of +3,500 over the period from 2023 to 2043. In 2021, OE report employment of 13,600 in this sector. OE reports growth in employment of +8,300 over the period from 2001 to 2021 and forecasts growth of +2,800 over the future forecast period from 2023 to 2043. **High employment growth was reported by both OE and CE in the historic period, and moderate employment growth is forecast by both for the future period.**

Sector	Description
Administrative & Support Service Activities	In 2021, CE reports employment of 13,000 in this sector. CE reports growth in employment of +5,600 in this sector over the historic period from 2001t o 2021. CE forecast growth of +3,200 over the period from 2023 to 2043. OE report employment of 12,300 in 2021. OE reports growth in employment of +4,200 over the period from 2001 to 2021 and forecasts growth of +2,800 over the future forecast period from 2023 to 2043. **Both forecasters report growth in the future and historic periods, although CE reports higher growth than OE in both periods.**
Public Administration & Defence	CE reports employment of 26,700 in 2021. CE reports growth in employment of +16,300 in this sector over the historic period from 2001 to 2021. CE forecast decline of -50 over the period from 2023 to 2043. In 2021, OE report employment of 19,300 in this sector. OE reports growth in employment of +11,000 over the period from 2001 to 2021 and forecasts a decline of -920 over the forecast period from 2023 to 2043. **OE and CE report high growth in the historic period and a decline in future employment. OE forecasts a much greater decline than CE in the future period.**
Education	In 2021, CE reports employment of 13,300 in this sector. CE reports growth in employment of +3,300 in this sector over the historic period from 2001 to 2021. CE forecast growth of +2,000 over the period from 2023 to 2043. In 2021, OE report employment of 13,700 in this sector. OE reports growth in employment of +3,700 over the period from 2001 to 2021 and forecasts growth of +1,000 over the forecast period from 2023 to 2043. **Both OE and CE report growth in the historic and future periods. However, CE forecast approximately double the future employment growth than OE.**
Human Health & Social Work Activities	CE reports employment of 13,700 in 2021. CE reports growth in employment of +4,200 in this sector over the historic period from 2001 to 2021. CE forecast growth of +2,200 over the period from 2023 to 2043. OE report employment of 13,700 in 2021. OE reports growth in employment of +4,500 over the period from 2001 to 2021 and forecasts growth of +3,600 over the future forecast period from 2023 to 2043. **OE and CE both forecast moderate future employment growth, albeit OE forecasts slightly higher growth.**

Sector	Description
Arts, Entertainment & Recreation	CE reports employment of 3,200 in 2021. CE reports growth in employment of +1,400 in this sector over the historic period from 2001 to 2021. CE forecast growth of +960 over the period from 2023 to 2043. In 2021, OE report employment of 3,300 in this sector. OE reports growth in employment of +1,400 over the period from 2001 to 2021 and forecasts growth of +1,000 over the forecast period from 2023 to 2043. **OE and CE forecast the same level of historic employment growth, and similar levels of future employment growth.**
Other Service Activities	In 2021, CE reports employment of 3,100 in this sector. CE reports a decline in employment of -320 in this sector over the historic period from 2001 to 2021. CE forecast growth of +50 over the period from 2023 to 2043. OE report employment of 3,200 in 2021. OE reports growth in employment of +950 over the period from 2001 to 2021 and forecasts growth of +520 over the future forecast period from 2023 to 2043. **CE reports a decline in employment in the historic period and only a slight increase in future employment, whilst OE forecasts moderate employment growth in both periods.**

Summary

2.19 Overall, there is divergence in the total employment forecasts of CE and OE for the period from 2023 to 2043. CE forecasts employment growth of +25,200 and OE forecasts employment growth of +8,500.

2.20 Over the historic period 2001 to 2021 the ONS reports there has been an increase of +45,000 jobs in South Gloucestershire. The forecasts suggest that over the future forecast period there will be lower jobs growth than over the period 2001 to 2021.

2.21 There are some notable differences within the sectoral forecasts for South Gloucestershire. In terms of sectors with a significant influence on employment land these are:

- Manufacturing (CE forecasts a decline of -870 whilst OE forecasts a decline of -6,800)
- Transportation & Storage (CE forecasts growth of +1,200 whilst OE forecasts growth of +260)
- Information & Communication (CE forecasts growth of 3,300 whilst OE forecasts growth of +430)

Alternative Growth Scenarios

2.22 It is appropriate to consider the need for alternative scenarios to help address uncertainty and to deal with other evidence.

The Baseline Scenario – Sectoral Differences

2.23 As noted above, there are some large sectoral differences between the CE and OE baseline forecasts. As such, it is deemed appropriate to model both baseline forecasts within the

analysis of future sites and premises requirements (in the following chapter) to understand the potential implications of differing levels of employment growth in different sectors on the demand for employment land and premises.

Higher Growth Scenarios – Aligning to Demographic Change

2.24 Demographic forecast analysis for South Gloucestershire over the period 2023 to 2043 has been undertaken by ORS[7]. These figures have been derived from the preferred housing assessment methodology adopted by South Gloucestershire Council. These figures have been translated into an estimate of the number of jobs required across the South Gloucestershire area to maintain a balanced labour market[8].

2.25 The population projections emerging from the ORS analysis are higher than the population estimates inherent within the OE baseline model, but in-line with the CE baseline model. The labour market balancing analysis indicates that the level of jobs growth required across the South Gloucestershire area to maintain a balanced labour market is around 25,000 over the 20-year forecast period. This figure is in-line with the CE baseline model, but above the total number of jobs in the OE forecasts over the same period.

Scenarios Summary

2.26 Table 2:2 provides a summary of the total jobs estimates across the baseline and higher growth scenario (LM Balance scenario), as well as comparison to the 20-year historic employment growth data.

Table 2:2: Employment Growth Scenario Summary

Area	Historic Change	Baseline Scenarios (2023-2043)		Higher Growth Scenario
	2001-21	Cambridge Econ.	Oxford Economics	LM Balance
South Gloucestershire	45,000	25,000	9,000	25,000
West of England Sub-Region	147,000	81,000	85,000	107,000

Source: HJA based on ONS, OE, CE and own analysis. Figures may not sum due to rounding.

2.27 In order to close the gap between the higher growth labour market balance scenario and the OE baseline scenario, sectoral employment growth estimates have been developed, uplifting the baseline OE scenario. This approach ensures the variation in sectoral growth expectations inherent within this baseline forecast is also captured across the higher growth scenarios.

2.28 This has been done by allocating the difference between the baseline scenarios and the higher growth labour market balance scenario based on the proportion of growth per annum seen in the baseline forecasts. Employment growth is allocated to sectors based on the proportion of

[7] ORS is preparing housing and demographic evidence across the four West of England Unitary Authority areas that will sit alongside this economic evidence. Data was provided for the total population and economically active population.
[8] Three different methodologies to estimate the number of jobs required to balance the labour market have been employed with the average of the three estimates adopted. The first method adjusts the projected economically active population for unemployment, double jobbing and net commuting; the second method draws on the relationship between jobs and population within the CE model; the third approach draws on ONS data for the relationship between jobs and population.

growth they contribute each year. As such, no growth is allocated to sectors which are forecast to decline in any year.

2.29 The CE scenario has not been adjusted as there is sufficient employment inherent in the baseline scenario to maintain a balanced labour market.

2.30 Figure 2.2 illustrates the adjusted sectoral breakdown for the labour market balance scenario.

Figure 2.2: Labour Market Balance Sector Change 2023-2043

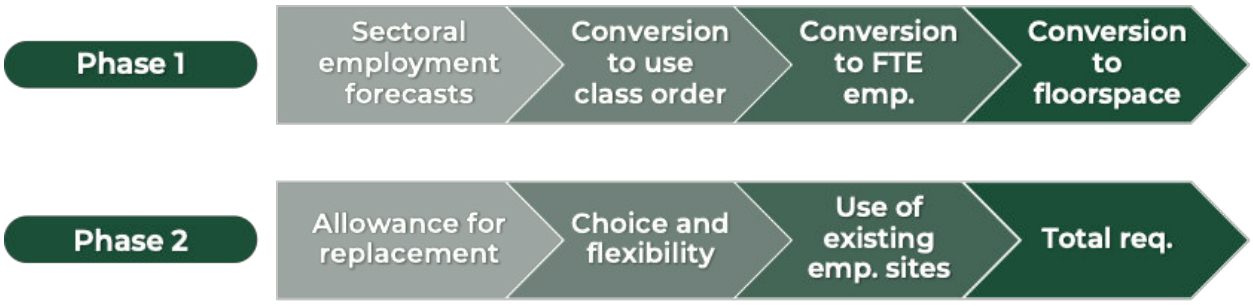
3 Future Employment Sites & Premises Requirements

3.1 The following chapter sets out the employment land and premises requirements resulting from the scenarios selected for analysis at the end of the preceding chapter.

Approach

3.2 Figure 3.1 provides a summary of the approach adopted in this report to assess the need for future sites and premises.

Figure 3.1: Approach to Assessing Sites and Premises Requirements



3.3 **Phase 1** takes account of the net changes in the economy i.e. the growth and decline of particular sectors, as discussed in the previous chapter. The sectoral employment projections are converted to planning Use Classes. This provides an indication of the spread of future employment change across the full range of planning Use Classes and none. From that point onward the focus is upon Use Classes E(g), B2, and B8, with other elements of the evidence base more suited to informing the detailed requirements for C, other E uses except for E(g), and Sui Generis. The net employment changes in the E(g), B2, and B8 Use Classes are then converted to property and land requirements using employment and development density assumptions.

3.4 **Phase 2** then considers wider market factors, particularly the need to allow for churn in the economy and the associated need to replace and upgrade property stocks. For example, whilst the manufacturing sector as a whole has experienced well-documented decline in its employment base nationally, there has been GVA growth and continued demand for new premises within which to operate. This suggests an increase in productivity in this sector. Productivity gains are primarily achieved through greater use of capital (i.e., machinery). This can lead to demand by existing companies needing more/less space, a different location, or a different type of premises to accommodate these changes. It can also be driven by new companies in the market, which may not find the right type of property available in the right location within the market. As a result, whilst overall a sector may be in employment decline (although this still applies to growing sectors too), there are changes beneath the surface that continue to drive demand. This can be a particular issue where existing stocks are ageing or where vacant sites are no longer in the locations suitable for modern occupiers. This also ensures provision is made for replacing sites that might be lost from employment use to other uses.

3.5 Also, within Phase 2 the assessment builds in an allowance for choice and flexibility in the market. This element needs to take account of offering location choice as well as choice in terms of the type of property and setting.

3.6 Within the detailed assumptions employed as part of this model, local evidence has been used to ensure the approach is appropriate to South Gloucestershire. Further details of the method are set out within the remainder of the chapter and supporting appendices. For ease of reading all figures are rounded throughout this chapter. As a result, some tables may not sum exactly.

Employment Forecasts

3.7 The employment scenarios that have been adopted for analysis and the overall employment change associated with each over the forecast period 2023 – 2043 is set out in the table below.

Table 3:1: Total Employment Growth Across Employment Scenarios 2023 - 2043

	CE Baseline	OE Baseline	LM Balance
Employment Change 2023 - 2043	25,000	9,000	25,000

Conversion to Use Class Order

3.8 Employment change by sector in each scenario is converted to Use Classes using the conversion matrix set out at Appendix 1. This matrix has been tailored to the South Gloucestershire economy using fine-grained employment data from the ONS Business Register and Employment Survey (BRES) dataset.

3.9 Table 3:2 sets out the employment change by Use Class across the plan period. This is helpful to understand a number of key points. Firstly, employment is not confined to the E(g), B2, and B8 use classes (traditionally referred to as the 'employment' use classes), which is the focus of this report. Employment is spread across many use classes, and none.

3.10 The 'none and homeworking' category includes home-based workers who are considered as '100% homeworking' (i.e., this does not include hybrid workers) with no planning Use Class order implications. It also includes workers who work in the workplace of others (e.g. cleaners), or peripatetic workers that have 'no fixed place' of work (e.g. those who work in the construction industry who are active at multiple sites).

3.11 The table below shows that growth in employment in the traditional 'employment' sectors accounts for less than 25% of overall forecast employment growth. Whilst this figure is suppressed by the decline in Manufacturing employment (in the case of OE forecasts, the decline in Manufacturing employment is so significant that it outweighs the growth in other employment sectors), it is also notable that employment growth in sectors with impacts on other Use Classes accounts for a much larger share of overall employment growth. In particular, the significant increase in employment that has no sites and premises implications.

Table 3:2: Estimated Change in Employment Across Use Classes (2023 to 2043)

Use Class	Description	CE Baseline	OE Baseline	CE LM Balance	OE LM Balance
B2	**General industrial**	**-660**	**-6,000**	**-660**	**-6,000**
B8	**Storage or distribution**	**1,000**	**420**	**1,000**	**1,000**
C1	Hotels	410	110	410	240
C2	Residential institutions	580	880	580	2,000
C2a	Secure Residential Institution	10	10	10	20
E(a)	Display or retail sale of goods	1,000	490	1,000	2,000
E(b)	Sale of food and drink	1,000	370	1,000	830
E(c)(i)	Financial services	-30	-30	-30	-10
E(c)(ii)	Professional services	60	40	60	90
E(c)(iii)	Other services	-	-	-	-
E(d)	Indoor sport and recreation	320	350	320	630
E(e)	Medical or health services	1,000	2,000	1,000	3,000
E(f)	Creche, day nursery/centre	240	440	240	810
E(g)(i)	**Offices**	**5,000**	**3,000**	**5,000**	**6,000**
E(g)(ii)	**Research and development**	**350**	**200**	**350**	**410**
E(g)(iii)	**Light industrial**	**120**	**-40**	**120**	**-**
F1(a)	Education	2,000	910	2,000	2,000
F1(b)	Display of works of art	-	-	-	-
F1(c)	Museums	30	30	30	50
F1(d)	Public libraries	40	40	40	70
F1(e)	Public halls or exhibition halls	10	10	10	20
F1(f)	Public worship or religious	20	50	20	110
F1(g)	Law courts	10	-50	10	-30
F2(a)	Small shops (isolated location)	-	-	-	-
F2(b)	Local community hall	10	10	10	20
F2(c)	Outdoor sports or recreation	140	140	140	260
F2(d)	Swimming pool or skating rink	110	120	110	220
Sui Generis	Excluded from classification	2,000	850	2,000	2,000
	None and homeworking	10,000	4,000	10,000	10,000
	Total	**25,000**	**9,000**	**25,000**	**25,000**
	'Employment' Uses Only	**6,000**	**-2,000**	**6,000**	**2,000**

Conversion to FTE Employment

3.12 Employment forecasts are converted to Full-Time Equivalent (FTE) jobs using data from the ONS Annual Survey of Hours & Earnings (2022). This ensures the employment figures align with the floorspace per FTE figures provided in the Employment Density Guide (2015)[9].

Conversion to Floorspace

3.13 Floorspace per FTE figures set out in the Employment Density Guide (2015) are used to convert FTE employment by Use Class to floorspace demand figures.

3.14 The analysis assumes a direct link between employment and floorspace required. It is appropriate to caveat this approach with a number of important points:

- Firstly, if there is capacity within the existing stock of premises there will be opportunity to accommodate some employment increases without the need for new space, and vice versa[10].
- Secondly, if there are changing working practices, the ratio between workers and floorspace could change over time. This issue has been highlighted by the Covid-19 pandemic and the resultant increase in hybrid working.
- Thirdly, increases in productivity driven by the increased use of capital (I.e. machinery) could lead to a break in the link between employment and floorspace.

3.15 A discussion of the potential impact of hybrid working practices on employment densities, and the densities used in this report are set out in Appendix 1.

3.16 The summary below provides high-level analysis of floorspace by Use Class. All totals are reported as gross external area (GEA).

Phase 1 Results

3.17 The table below sets out the net additional demand for employment floorspace by Use Class. This shows an anticipated increase in the requirement for office and R&D space across all four scenarios. There is a forecast negative requirement for industrial floorspace, as a result of forecast falls in employment in the manufacturing sector. There is expected to be a growth in the requirement for storage and warehousing floorspace.

[9] Homes & Communities Agency (2015) Employment Density Guide 3rd Ed.
[10] Lease structures mean it is not always easy to adjust the footprint of a commercial property as staffing levels change, and corrections may happen at some point but not in real time (or freehold ownership even more so). This applies equally for premises that are at over or under capacity. For the purposes of this analysis it is assumed these factors are broadly balanced.

Table 3:3: Estimated Net Additional Employment Floorspace Demand by Use Class (2023 - 2043) sq m

Use Class	Description	CE Baseline	OE Baseline	CE LM Balance	OE LM Balance
E(g)(i)	Offices	60,400	34,300	60,400	72,200
E(g)(ii)	Research & development	19,400	11,200	19,400	22,200
	Office & Laboratory	**79,800**	**45,500**	**79,800**	**94,400**
E(g)(iii)	Light industrial	4,800	-2,540	4,800	(700)
B2	General industrial	-24,200	-208,900	-24,200	-207,000
	Industrial	**-19,400**	**-211,500**	**-19,400**	**-207,800**
B8	**Storage or distribution**	**73,500**	**30,500**	**73,500**	**87,900**

Phase 2: Replacement, Churn, and Flexibility

3.18 **Phase 1** considered the net changes in employment in E(g), B2, and B8 Use Class activity that need to be accommodated within South Gloucestershire. **Phase 2** deals with the need to ensure the existing economy, and the on-going changes within it, are supported through the provision of sufficient employment sites and premises.

3.19 The methodology employed for estimating the level of replacement demand assumes that a proportion of the total existing stock of employment property needs to be replaced each year to ensure the overall stock of premises is sufficient and appropriate for modern needs, in terms of both building quality and site characteristics. This is particularly important for the manufacturing sector where on-going development of industrial premises has been observed, despite a decline in employment in the sector over many years.

3.20 With Permitted Development Rights (PDR) now in place and their reach broadened, there is increasing pressure for redevelopment of office and light industrial stocks to other uses. The introduction of the E Use Class also carries the possibility of wider erosion of some former B1 stocks to other uses. There are also losses of employment property for other reasons, whether occupation by non-employment users (e.g. the growth in leisure occupiers) or redevelopment for non-employment uses. It is important that any potential losses of commercial employment stocks do not hamper the growth and ongoing performance of the economy.

3.21 The phased introduction of Minimum Energy Efficiency Standards (MEES) requirements means that since April 2023 it is an offence to continue to let non-domestic properties with an Energy Performance Certificate (EPC) rating below *E*. It is uncertain at this point whether this will reduce replacement rates as buildings are refurbished and thus their useful life extended or will drive an increase in replacement rates as buildings cannot be improved sufficiently to meet increasing standards.

3.22 Based on the age of commercial stocks in England and information on their functional life, a 2% default assumption is adopted for this analysis. This assumes that on average buildings are replaced every 50 years. Implicit in this assumption is that some buildings will last longer than

50 years (potentially with significant investment to ensure ongoing use), whilst some will last less than this either through redevelopment or change of use.

3.23 This default assumption is adjusted to the local area based on:

- Age – older stocks are less likely to be able to accommodate modern infrastructure such as HVAC, electricity supply etc.
- Regulatory – changes to regulations can force buildings into functional obsolescence by making it illegal to lease or continue to lease them.
- Market demands and local circumstances– the demands of the market can shift meaning that stocks are no longer of a desirable quality or location.

3.24 For South Gloucestershire, our analysis concludes that a decrease in our default assumption to 1.8% is appropriate for office stocks due to the fact that much of the stock will be less than 50 years old at the end of the plan period. The same is true for warehousing stocks.

3.25 For industrial stocks, a proportion of the stock will be over 50 years old by the end of the plan period. Market information suggests that industrial premises are also under pressure for change of use. We therefore increase our default by 0.2% to 2.2%.

3.26 Full details of this analysis can be found in Appendix 1.

3.27 The table below sets out the findings of analysis and the resultant replacement requirements based the replacement rates set out above. It is possible these levels of replacement need could reduce with restrictive policies on change of use or high levels of refurbishment.

Table 3:4: Forecast Replacement and Churn Requirements (2023 - 2043) sq m

Use	Total Stock (2023)	Annual Replacement	Total Replacement (20 Years)
Office	563,700	10,100	202,900
Industrial	590,300	13,000	259,700
Warehousing & Logistics	1,441,000	25,900	518,900

Reuse of Employment Sites

3.28 The analysis of both net additional and replacement requirements set out above do not consider whether the development activity takes place on existing employment sites (replacing or substantially refurbishing one building with another on the same plot of land) or whether currently unoccupied land needs to be made available. It is likely that there will be elements of both.

3.29 Monitoring data provided by South Gloucestershire has been analysed to understand the proportion of employment land completions that have taken place on land previously developed for employment use. The data shows that over the period 2006/07 to 2021/22 49% of office (E(g)(i) and E(g)(ii)), 55% of industrial (E(g)(iii) and B2) and 21% of warehousing & logistics completions have taken place on land previously occupied with employment uses[11].

[11] Note that for the purposes of this analysis completions under extant permission SG4244 at Severnside have been excluded as it is not possible to determine which completions have taken place on land previously occupied by employment uses.

3.30 Assuming this trend continues, there is a need to provide new development land (this can include existing allocations not yet developed) for:

- 51% of office requirements
- 45% of industrial requirements
- 79% of warehousing & logistics requirements

Choice and Flexibility

3.31 A percentage uplift of the combined requirement for net additional and churn/replacement is applied to ensure an allowance for range and choice is incorporated. This uplift also builds in some additional flexibility to allow the normal frictional movement in the market. As such, in line with industry standards, an uplift of 10% has been applied.

Total Requirement

3.32 The following section brings together the results of the Phase 1 and Phase 2 analysis discussed above. As discussed in paragraph 2.29 the CE baseline forecast has not been adjusted. As a result, the top of the requirement range for the *baseline forecasts* for office and warehousing & logistics requirements is the same as the bottom of the requirement range for the *LM Balance scenario*. For industrial requirements, the top of the range is the same in both scenarios.

Office Requirements

3.33 The total net office (Use Class E(g)(i) and E(g)(ii)) floorspace requirements under each of the scenarios are set out in the table below.

Table 3:5: Net Office Floorspace Requirements 2023 - 2043 (sq m)

		Baseline Forecasts	LM Balance Scenario
A	Net Additional Requirement	45,000 – 80,000	80,000 – 94,000
B	Replacement Provision	203,000	203,000
C = A+B	Gross Requirement	248,000 – 283,000	283,000 – 297,000
D	Flexibility allowance	25,000 – 28,000	28,000 – 30,000
E = C+D	Total Requirement	273,000 – 311,000	311,000 – 327,000
F	Delivered on Existing Employment Sites	133,000 – 152,000	152,000 – 160,000
G = E-F	**Net Requirement**	**140,000 – 159,000**	**159,000 – 167,000**

3.34 The table above shows that the net requirement for office floorspace in South Gloucestershire is between 140,000 and 167,000 sq m. The figure highlights the relative importance of replacement provision to the overall supply requirements as it accounts for over double the net additional requirements.

3.35 The net floorspace requirements under each scenario are provided in five-year intervals in the table below. Net additional requirements across these periods vary based on the employment

forecast trajectories. All other variables are assumed to follow a linear trajectory (i.e., requirements across the 20-year period are evenly distributed across the five-year intervals).

Table 3:6: Net Office Floorspace Requirements Five-Year Intervals (sq m)

	Baseline Forecasts	LM Balance Scenario
2023–2028	40,000 – 41,000	41,000 – 58,000
2028–2033	34,000 – 40,000	38,000 – 40,000
2033–2038	33,000 – 40,000	37,000 – 40,000
2038–2043	32,000 – 39,000	34,000 – 39,000
2023 - 2043	**140,000 – 159,000**	**159,000 – 167,000**

3.36 For offices, requirements are best reported in terms of floorspace for planning purposes, as varying development densities generated by different types of office developments can create large ranges e.g. the differing nature of multi-storey development 'in-town' (typically with a development density of 100%+) and fewer storeys 'out-of-town' (typically with development densities of ~40%). However, land requirements have been set out in this section to aid plan-making.

3.37 This report uses a density figure of 80% to convert floorspace figures to land requirements for office development which provides consistency with the analysis set out within the ELSNA. This indicates an estimated requirement for 17-21 hectares of land for office development.

Table 3:7: Office Employment Land Requirements Five-Year Intervals (ha)

	Baseline Forecasts	LM Balance Scenario
2023–2028	5	5 – 7
2028–2033	4 – 5	5
2033–2038	4 – 5	5
2038–2043	4 – 5	4 – 5
2023 - 2043	**17 – 20**	**20 – 21**

Industrial Requirements

3.38 The total industrial (Use Class E(g)(iii) and B2) floorspace requirements under each of the scenarios is set out in the table below.

Table 3:8: Net Industrial Floorspace Requirements 2023 - 2043 (sq m)

		Baseline Forecasts	LM Balance Scenario
A	Net Additional Requirement	(211,000)– (19,000)	(208,000) – (19,000)
B	Replacement Provision	260,000	260,000
C = A+B	Gross Requirement	48,000 – 240,000	52,000 – 240,000
D	Flexibility allowance	5,000 – 24,000	5,000 – 24,000
E = C+D	Total Requirement	53,000 – 264,000	57,000 – 264,000
F	Delivered on Existing Employment Sites	29,000 – 146,000	31,000 – 146,000
G = E-F	**Net Requirement**	**24,000 – 119,000**	**26,000 – 119,000**

3.39 The table above shows that the net requirement for industrial floorspace in South Gloucestershire is between 24,000 and 119,000 sq m. This relatively large range primarily reflects the difference between the forecasters opinion of employment change in the Manufacturing sector. Once again, replacement provision is particularly important in the supply calculations as if this allowance was not included there would be a negative land requirement.

3.40 The net floorspace requirements under each scenario have been translated to land requirements based on a development density of 40% in line with the ELSNA.

3.41 Land requirements are provided in five-year intervals. Net additional requirements across these periods vary based on the employment forecast trajectories. All other variables are assumed to follow a linear trajectory (i.e., requirements across the 20-year period are evenly distributed across the five-year intervals). This indicates an overall requirement for 6 – 30 hectares.

Table 3:9: Industrial Employment Land Requirements Five-Year Intervals (ha)

	Baseline Forecasts	LM Balance Scenario
2023–2028	2 – 6	3 – 6
2028–2033	1 – 8	1 – 8
2033–2038	1 – 8	1 – 8
2038–2043	2 – 8	2 – 8
2023 - 2043	**6 – 30**	**6 – 30**

Warehousing & Logistics Requirements

3.42 The total warehousing & logistics (Use Class B8) floorspace requirements under each of the scenarios is set out in the table below.

Table 3:10: Net Warehousing & Logistics Floorspace Requirements 2023 - 2043 (sq m)

		Baseline Forecasts	LM Balance Scenario
A	Net Additional Requirement	30,000 – 73,000	73,000 – 88,000
B	Replacement Provision	519,000	519,000
C = A+B	Gross Requirement	549,000 – 592,000	592,000 – 607,000
D	Flexibility allowance	55,000 – 59,000	59,000 – 61,000
E = C+D	Total Requirement	604,000 – 652,000	651,000 – 667,000
F	Delivered on Existing Employment Sites	129,000 – 139,000	139,000 – 142,000
G = E-F	**Net Requirement**	**476,000 – 513,000**	**513,000 – 525,000**

3.43 The table above shows that the net requirement for industrial floorspace in South Gloucestershire is between 476,000 and 525,000 sq m. This total is primarily driven by replacement provision with requirements driven by employment change comprising a relatively small proportion of this total.

3.44 The net floorspace requirements under each scenario have been translated to land requirements based on a development density of 50% in line with the ELSNA.

3.45 Land requirements are provided in five-year intervals. Net additional requirements across these periods vary based on the employment forecast trajectories. All other variables are assumed to follow a linear trajectory (i.e., requirements across the 20-year period are evenly distributed across the five-year intervals).

Table 3:11: Warehousing & Logistics Employment Land Requirements Five-Year Intervals (ha)

	Baseline Forecasts	LM Balance Scenario
2023–2028	27 – 28	27 – 37
2028–2033	22 – 26	23 – 26
2033–2038	23 – 25	23 – 25
2038–2043	22 – 24	22 – 24
2023 - 2043	**95 – 103**	**103 – 105**

*Due to distribution of employment growth in the sectors that influence the warehousing & logistics sector in the baseline forecasts the minimum requirement over the period 2023 – 43 is achieved with a higher provision in the first five -years. This is also true for the LM Balance Scenario where the maximum requirement is achieved by a large provision in the first five years.

Validation of Results

3.46 South Gloucestershire has provided data on employment land developments (above 500 sq m) completed between 2006/7 and 2021/22. Extending this to a 20-year period by assuming the average level of annual completions is maintained allows for comparison to the forecast employment land requirements.

3.47 To ensure we are comparing like-with-like we compare gross historic completions (i.e. not adjusting for losses) with gross floorspace requirements (i.e., before allowances are made for flexibility and re-use of sites). This equates to Row C in the relevant tables above. The results of this analysis can be seen in the table below.

Table 3:12: Comparison of Gross Historic Completions and Forecast Gross Employment Floorspace Requirements (sq m)

	Completions 2006/07 – 2021/22	20 Year Completion Projection	Forecast Range from 2023 to 2043
Office	255,000	340,000	248,000 – 297,000
Industrial	279,000	372,000	48,000 –240,000
Warehousing & Logistics	845,000	1,127,000	549,000 – 607,000

3.48 The result of this analysis shows that South Gloucestershire has historically delivered above the forecast requirement across all Use Classes. It is important to consider what this cross referencing with historic development activity might indicate:

- The commercial development market has the capacity to deliver the scale of requirements identified;
- South Gloucestershire has delivered a significant level of growth in the historic analysis period, particularly in the industrial, warehousing & logistics market segment. This has been enabled particularly through a plentiful supply of land with an historic and flexible consent at Severnside;
- South Gloucestershire has played a significant role as a strategic logistics location that goes beyond meeting local and sub-regional need alone. This has the potential to continue to the extent that land remains available given that Severnside is a well established logistics hub location;
- South Gloucestershire's role as a sub-regional growth point is also true in other sectors, albeit to a slightly lesser extent with large parts of the Bristol out of town (OOT) commercial market within the South Gloucestershire area. This has included significant development areas within the Bristol north fringe and east fringe areas which perform sub-regional rather than local roles; and
- The historic availability of sites has potentially enabled South Gloucestershire to capture development displaced from other areas where land supply has been more constrained. The extent to which this continues will be dependent on the supply position both in South Gloucestershire and elsewhere.

Sector Profiles

3.49 Lambert Smith Hampton (LSH) has undertaken a review of the employment sites and premises requirements of a number of key sectors in the West of England economy. A summary of their findings is presented below. This has been undertaken to provide further detail on important demand drivers by sector and typology. Their full report is available at Appendix 2.

Aerospace and Advanced Engineering

3.50 Continued growth is expected in this sector (both in terms of start-ups and expansion of existing businesses) and the demand for property remains high.

3.51 Businesses operating in this sector have mixed property requirements. They are predominantly office-based but, there has been growth in laboratory and industrial requirements.

3.52 Historically, the sector has occupied its own offices in out-of-town locations. However, this is likely to change as demand for lab enabled space or hybrid/managed workspace increases. This will mean a shift away from out-of-town locations, as the main managed workspaces that attract start-ups are generally located in the City centre.

3.53 Trends indicate that firms engaged in research and development (R&D) within the sector favour large land parcels with low density, high spec, purpose-built facilities. This means demand will remain for out-of-town locations from these businesses.

Tech and Digital

3.54 The Tech and Digital sectors remain a growth area, with several other sectors becoming more involved, leading to the emergence of specialisms such as FinTech and LegalTech. So, whilst the core sector is set for growth, we will also see diversification within this sector as its reach extends into other sectors.

3.55 Businesses in this sector predominantly occupy offices of mainly grade A and B specification, although there is also growing demand for hybrid properties with lab space.

3.56 We will see a good level of requirements for offices, especially in smaller start-up companies. These companies tend to prefer to cluster together, and therefore serviced offices/managed workspace will be important for their growth. These facilities tend to offer the flexibility this sector requires for growth, and be located in City centre which allows them to attract the younger workforce they require, who prefer to be located close to amenities and active transport facilities.

3.57 Like the majority of office occupiers, we may see a decrease in space required by larger and medium sized occupiers as employees take advantage of hybrid working practices, but a shift towards higher specification premises.

Financial and Professional Services

3.58 This sector is one of the largest in the region and continues to show growth. Businesses in this sector primarily require office buildings of grade A specification.

3.59 Forecast growth in the sector may not translate into significant property demand. There has been a 25-40% reduction in requirements for space in this sector when compared to pre-pandemic conditions, and the sector is no longer the largest in the region in terms of office take-up. The decline in office take-up in recent years has been driven by both a decline in the number of deals and the amount of space taken up in each deal.

3.60 We could see a rise in demand for R&D space from sub-sectors such as Creative, Digital, and Net Zero consultancy.

Creative and Digital Media

3.61 This sector continues to grow in the region due to being centred around a globally significant base. Businesses in this sector primarily seek office buildings, although some have requirements for hybrid or industrial buildings for studios or storage. Businesses in this sector tend to cluster together.

3.62 Occupiers seeking office space have mixed quality and specification requirements. Large companies seek better quality accommodation, but some smaller occupiers require cheaper space. Changes to government legislation on EPC certification requirements for commercial buildings may lead to cheaper offices becoming unlettable. Whilst larger and well backed companies will take grade A space, and start-ups/micro business will be able to look at the serviced office sector, cost-conscious companies that need their own office may not have options. This may have a negative impact on these companies as they generally need to be in offices to facilitate collaboration.

Clean Tech and Energy

3.63 This sector is forecast to continue to grow as there is ongoing pressure to find solutions to global, national and regional energy challenges. The region has strong capabilities across disruptive and zero carbon energy generation and supply meaning it is potentially a high growth sector for the area.

3.64 The sector is broad and incorporates a range of commercial requirements from offices, R&D, lab space, and large-scale manufacturing activity.

3.65 Any lab enabled space or industrial requirements are likely to be out of town or edge of town, whereas any office requirements could be in the City centre as well as business parks. Large-scale manufacturing is centred around Avonmouth and Severnside.

Health and Life Sciences

3.66 Growth is forecast both regionally and nationally across all areas within this sector, from traditional healthcare to research and technology SMEs (Small and Medium-sized Enterprises). National trends suggest businesses in this sector tend to cluster together, and are often located near universities, science parks, or hospitals.

3.67 Demand for more commercial space will likely be driven by the emerging sub-sectors and innovations in the longer term. These companies are normally looking at lab enabled space that is flexible in terms of use and growth.

Food and Drink

3.68 Any growth in this sector will be organic growth or slower than some other sectors unless we see a national change that significantly impacts the sector. There are opportunities to expand the sector locally, with the Net Zero agenda alongside changing technology advancements in this sector.

3.69 Business in this sector have mixed property requirements but, predominantly industrial or lab enabled office buildings in out-of-town/edge of cities locations with good access to transport. Occupiers are unlikely to move as their fit-out costs can be expensive and are generally unique to each occupier.

Transport and Storage

3.70 The region has a long-standing, established Transport & Storage sector and this remains a significant growth sector.

3.71 There is demand for low density buildings with good circulation and strong access to primary road and motorway networks from large occupiers. Smaller, last-mile logistics occupiers seek edge of city locations with good transport links and available labour.

3.72 This sector is heavily reliant on industrial units, with limited requirement for office space. The scale of premises occupied by larger businesses means that large sites are fully occupied quickly, so more land is required. Land used by smaller occupiers in edge of City locations is under pressure for Change of Use, and industrial uses are being driven out of some of these areas as industrial units do not mix well with residential development. That means these occupiers also require land to be protected, or alternatives provided.

4 Qualitative Market Analysis

4.1 This chapter provides a headline summary of a more detailed commercial market review of the West of England prepared by LSH, which is attached as Appendix X to this report.

Office Market

4.2 The office market is characterised by three key sub-markets: Bristol city centre, Bristol out of town (OOT) and Bath city centre. There are smaller peripheral markets which are largely focused on local demand.

4.3 In the short-term there has been uncertainty caused by inflationary pressures, leading to developers remaining cautious, as well as occupiers adapting to post pandemic working practices, with some uncertainty as to the amount of space they require.

4.4 However, overall the trend is of a 'flight to quality', driven by the need to demonstrate ESG (environmental, social and governance) credentials and the need to provide a high quality offering to attract staff to workplaces post pandemic, including through excellent access to amenities. These trends have actually led to rents proving resilient and growing in many cases and there is anticipated to be continued demand for and development of Grade A space as a result.

4.5 The corollary of this is that poorer quality space is expected to struggle within the market without significant refurbishment. This becomes even more challenging in locations that don't offer worker amenity.

4.6 Whilst there is a degree of uncertainty relating to occupier space needs, it is anticipated that as lease events occur there will be a move to consolidate or upgrade space. The theme is an exchange of quantity for quality. This could mean a further release of poorer quality stock back to the market coupled with increased take up of Grade A space leading to reduced availability and pressure on the best quality space.

4.7 At a sub-market level, Bristol city centre is performing very well with the lowest vacancy levels and highest rents across the sub-region. The lack of amenities in the Bristol OOT market is a challenge, and identified as hard to retrofit, particularly in parks with fragmented ownership. This has therefore meant a drift towards more central markets which offer better amenity, ESG credentials and public transport access to meet employee expectations.

4.8 New development and rental growth has occurred in the Bristol and Bath central markets, but there has been a paucity of new development in the Bristol OOT market due to substantial availability and supressed rental growth.

4.9 It is now recognised that permitted development has removed a substantial proportion of poorer quality stock across the region and actually assisted with improving development viability through improving headline rents.

4.10 The development pipeline has been much stronger in the last 5-6 years, reflecting stronger developer confidence and rental growth. This includes new space and comprehensive refurbishments. However, this is concentrated in the city centre markets. Market data shows that Grade A take up is high when there is stock readily available on the market.

4.11 There is a strong new Grade A pipeline within the Bristol central market. The Bath city market has seen new supply offering the best choice of high quality spaces for several years. However there is an acute short term shortage of Grade A space in the OOT market. Whilst there are some opportunities in the medium to longer term these are not sufficiently close to reality to be under consideration by occupiers.

Industrial and Warehousing Market

4.12 Take up has started to subside after the historic peaks during the pandemic. In tandem, the record low availability and significant rental growth have also begun to ease. However, demand remains strong, particularly for high quality space offering good ESG credentials and energy efficiency. As a result more than three quarters of take up has been for new build space.

4.13 The key drivers of demand remain e-commerce and delivering supply chain efficiency and resilience. This includes the on-shoring and near-shoring of manufacturing and distribution hubs. The challenges relate to rising costs and availability (of supply infrastructure) of energy in particular, as well as ratings revaluations and increasing minimum energy efficiency standards.

4.14 The gradual easing of demand from the e-commerce market has slowed the demand for huge 'super sheds'. This led to a number of very large schemes such as at Central Park at Severnside with buildings in excess of 750,000 sq ft (c70,000 sqm) on sites of more than 50 acres (20 hectares). The ability to satisfy schemes of this size is becoming more limited.

4.15 The key focus of the logistics market is Avonmouth and Severnside, as well as industrial hubs at St Phillips Marsh and Almondsbury and a 'tech arc' connecting Emersons Green Enterprise Area and Filton Enterprise Area. The market is more limited in the wider Bath area, although demand exceeds supply. The lack of supply in Bath has meant occupiers looking to other areas, with logistics requirements typically looking to Avonmouth and Severnside.

4.16 There is some indication that whilst Avonmouth and Severnside have dominated, there have been some challenges in recruiting skilled staff due to limited connectivity to residential areas which needs to be overcome. Notwithstanding, demand in these areas is expected to continue for the foreseeable future.

4.17 There is also continued demand in more urban industrial markets, for both logistics and manufacturing businesses which prefer such locations for both operational and staffing purposes. This demand for urban and edge of town locations is forecast to continue, driven by trends such as last mile logistics. There is a relative lack of supply of this nature across the whole sub-region.

4.18 Overall supply of space has fallen slightly. This is due to both a reduction in development activity due to rising borrowing costs, as well as a long-term trend towards conversion of industrial property to other uses. The size and location of available industrial sites are noted as key problems in the West of England, with particular shortages of medium and larger premises, and limited availability of modern industrial premises of the right size to meet market demand. This means it is particularly challenging for expanding manufacturing companies in the area being able to find suitable land and premises. The quality of supply is also highlighted as a challenge, particularly in B&NES, with the vast majority rated as Grade C exacerbating the need for occupiers to look outside the UA area to satisfy requirements.

4.19 To enable to the West of England industrial market to grow there is a need to protect key sites and allocate new areas suitable for medium and larger industrial occupiers. These should be locations that are detached and well screened from residential uses with excellent connectivity to the strategic road network and access to the local workforce.

5 South Gloucestershire Supply Analysis

5.1 This chapter sets out the results of a compiling data on allocated employment sites and current committed pipeline of consents to provide a quantitative picture of the current employment sites and premises supply within South Gloucestershire.

5.2 Site allocations and consents data has been provided by South Gloucestershire Council. Where figures are given in square metres (sq m), plot ratios based on the West of England Employment Land Spatial Needs Assessment (ELSNA) 2021 are applied to also give figures in hectares (ha) (Table 5:1) and provide consistency in approach with the previous supply assessment.

5.3 The ELSNA plot ratios have been used to help identify supply in both floorspace (sq m) and land area (ha). This enables consistency between the analysis in this report and that previously reported in the ELSNA, and enables full comparison and estimates of totals where site/consent data is provided in either floorspace or land area.

Table 5:1: Plot ratios for South Gloucestershire from WoE ELSNA 2021[12]

Office	R&D	Industrial	Warehouse
80%	50%	40%	50%

Site allocations

5.4 Table 5:2 provides a summary of the total employment allocations by Use Class.

5.5 There is currently a very limited supply of allocated land, totalling 13 hectares. This is in part a quirk of a large scale extant consent on land at Severnside (which lead to substantial capacity within the consented supply assessment).

5.6 A total of 8.1 hectares of land is allocate for industrial and warehouse uses, with 4.9 hectares allocated for office and R&D uses. Office and R&D space is also estimated in floorspace terms to allow comparison with the future requirements assessment given highly variable development densities. This indicates capacity for approximately 35,000 sq m of office and R&D development.

Table 5:2: All South Gloucestershire site allocations without consents, summary

	Office & R&D (sq m)	Office (ha)	R&D (ha)	Industrial (ha)	Warehouse (ha)	Total (ha)
Allocated sites	35,300*	3.6	1.3	5.0	3.1	**13.0**

Figures may not sum due to rounding

[12] Taken from table 6-3 in ELSNA – pg.89. '*Office developments vary significantly depending on nature and intensity of development, employment land review guidance recognises there is a clear different between plot ratios expected at business parks and town centre office – which has implications on land requirements.*'

Consented supply

5.7 Permissions data has been provided by South Gloucestershire Council, in which consented supply that may contribute to future employment land (i.e. under construction or not yet started) was collated. Data is identified across the following use classes:

- Office – B1a/E(g)(i)
- Research & Development (R&D) – B1b/ E(g)(ii)
- Industrial (general and light)– B1c/B2/E(g)(iii)
- Warehousing – B8

5.8 Any permissions with an open E Use Class classification have not been included within the figures. The quantum of potential development within this use class is relatively small. Notwithstanding, it is noted such permissions could still relate to office, R&D, or light industrial uses.

5.9 The collation of permissions data helps to build a picture of what supply can reasonably be expected to contribute to future needs.

5.10 In the South Gloucestershire data, where consented site development has the potential to be brought forward for multiple uses (e.g. outline consents for E(g), B2, B8), the total floorspace figure is split evenly between the different use classes. The exception is for Severnside sites covered under the 1957 consent where a 90% B8 warehousing and 10% B2 industrial split is assumed on the basis of historic completions across the site.

Gains

5.11 Table 5:3 presents gross gains of consented developments within South Gloucestershire. This shows a very large potential supply of B8 warehousing & logistics floorspace, predominantly through the historic 1957 consent at Severnside. In aggregate consented supply exceeds 1.2 million sq m, equivalent to more than 242 hectares of land area.

Table 5:3: South Gloucestershire supply gross gains[13]

	Office	R&D	Industrial	Warehouse	Total
Floorspace (sq m)	150,600	29,300	224,300	809,000	**1,213,100**
Land (ha)	18.8	5.9	56.1	161.8	**242.6**

Figures may not sum due to rounding

Losses

5.12 Extant consents will also lead to losses of some employment land supply. These are summarised in Table 5:4. This totals more than 100,000 sq m of floorspace of 23 hectares of land. Losses such as these highlight the need for replacement provision. The estimates in Table 5:6 capture only those schemes which are currently permitted and are highly unlikely to be a complete picture of all losses throughout an entire plan period.

[13] A revised large scale application is currently under consideration for the former Filton Airfield site. This proposes an additional 190,000sqm of office space and 24,000 sqm of industrial uses when compared to the extant consent which is included within Table 5:3. Should this be permitted this would have a very significant impact on the potential supply of office space.

Table 5:4: South Gloucestershire supply gross losses

	Office	R&D	Industrial	Warehouse	Total
Floorspace (sq m)	21,000	0	60,800	25,900	**107,700**
Land (ha)	2.6	0	15.2	5.2	**23.0**

Figures may not sum due to rounding

Employment site re-use

5.13 To enable consistent comparison with the future requirements analysis it is helpful to consider the supply position after removing schemes which deliver re-use of employment sites. Table 5:5 sets out the volume of new floorspace, and equivalent land area, which is currently consented on sites previously developed for employment purposes[14].

Table 5:5: South Gloucestershire supply re-use gains

	Office	R&D	Industrial	Warehouse	Total
Floorspace (sq m)	18,300	1,600	16,800	7,100	**46,800**
Land (ha)	2.3	0.3	4.2	1.4	**8.2**

Figures may not sum due to rounding

5.14 In addition there is additional capacity at Severnside which does not benefit from extant consent due to previous development which will play a role in facilitating further re-use. This includes former Avalon site and former Avon power station site. These equate to 78.3 hectares of land which may accommodate in excess of 380,000 sq m of new logistics and industrial development if brought forward[15]. This is not included within any of the tables within this chapter. These two large plots would be sufficient to meet the estimated industrial and warehousing reuse requirements set out at Table 3:8 and Table 3:10 (Row F) showing there is capacity to achieve the indicative level of re-use. The scale of these sites has the potential to enable a higher level of re-use in the industrial and warehousing category and reduce the residual net requirement by a minimum of 18ha[16].

Net position

5.15 Table 5:6 provides a summary of the net position of consented supply after excluding re-use. This is consistent with the future requirements position set out in Chapter 3.

5.16 Overall, South Gloucestershire has a net supply of 234.3 – 252.7 ha of consented employment land. The majority of consented supply in South Gloucestershire falls under Use Class B8 (warehousing).

[14] This may only be partial as it draws only on schemes where the loss of employment floorspace forms part of the same application as reprovision. Sites which have previously had employment floorspace demolished are not included.
[15] Assumed 90% B8 warehousing and 10% B2 industrial.
[16] This is derived based on higher end of range estimated re-use of 146,000 + 142,000 sq m for industrial and warehousing respectively. When compared to the capacity for 380,000 sq m on reused sites at Severnside a residual of 92,000 sq m or 18.4ha (at 50% density) is estimated. This quantitative analysis does not address any potential issues around over reliance on Severnside considered elsewhere in this report.

Table 5:6: South Gloucestershire gross supply excluding re-use

	Office	R&D	Industrial	Warehouse[17]	Total
Floorspace (sq m)	132,200	27,700	207,500	801,900 – 893,900	**1,169,400**
Land (ha)	16.5	5.5	51.9	160.4 – 178.8	**234.3 – 252.7**

Figures may not sum due to rounding

Total supply

5.17 From the site allocation and permissions data, it can be seen that South Gloucestershire has a total quantitative supply of 247.3 – 260.7 hectares of employment land which can contribute to meeting the needs set out in Chapter 3 of this report. Table 5:7 provides a summary of supply position across the Unitary Authority area.

Table 5:7: Total supply across South Gloucestershire

	Office & R&D (sq m)	Office (ha)	R&D (ha)	Industrial (ha)	Warehouse (ha)[18]	Total (ha)
Site Allocations	35,300	3.6	1.3	5.0	3.1	**13.0**
Consented Supply (Net of re-use)	160,000	16.5	5.5	51.9	160.4 – 178.8	**234.3 – 252.7**
Total	**195,200**	**20.1**	**6.8**	**56.8**	**163.5 – 181.9**	**247.3 – 260.7**
Re-use (consented and non consented)	*19,900*	*2.3*	*0.3*	*12.0*	*53.5 - 71.9*	***86.5***

5.18 As set out at paragraph 5.14 above, there is also further quantitative capacity to meet the reuse needs of the industrial and warehousing sector. Table 5:7 provides a quantitative estimate of current re-use capacity. This includes both current extant consents and the identified plots at Severnside. It should be noted that this only captures the picture at the current point in time, and further employment site re-use should be anticipated through the plan period.

[17] Higher end of range includes additional capacity at re-use sites within Severnside.
[18] Consented supply includes potential contribution of re-use sites at Severnside (18.4ha). To avoid double counting the total volume of re-use sites for warehousing is also expressed as a range. When interpreting the table, the reader should not utilise the top end of the range for both consented supply and re-use supply in addition.

6 Comparing Supply and Demand

6.1 This chapter sets out analysis comparing the supply of and estimated requirement for employment sites and premises for the period 2023-2043. This draws on the quantitative analysis set out in chapters 3 and 5 of this report whilst also drawing on some of the market commentary set out in chapter 4 and the accompanying appendices.

Offices and R&D

6.2 Table 3:5 set out a total estimated requirement of 248,000 – 297,000 sq m of office development over the 20-year period. The labour market balance scenario, which aligns to the proposed housing provision, narrows this range to 283,000 – 297,000 sq m. With a flexibility allowance added this increases to 311,000 – 327,000 sq m.

6.3 Historic completions rates show that if current trends were to continue some 340,000 sq m of new floorspace would be developed. This aligns closely to the estimated range of future requirements. This indicates the market has delivered this level of development.

6.4 Of the total requirement, historic data also indicates an expectation that some 152,000 – 160,000 sq m could be delivered on existing employment sites. Analysis of current extant permissions indicates around 20,000 sq m of floorspace is already permitted to be delivered on existing employment sites. A further 140,000 sq m would need to be secured through the plan period.

6.5 The residual requirement needing to be met through sites not previously used for employment development would therefore be 159,000 – 167,000 sq m. Estimating the land requirements to accommodate this is challenging for office uses, given the wide range of development densities that can be achieved. An indicative estimate of 20-21 hectares has been made based on an average density of 80%. However if all was provided for in low density out of town, business park type locations this figure could potentially increase to around 40 hectares, and with high density multi storey town centre type development it could be less than 5 hectares.

6.6 Analysis of current supply, including both allocated sites and extant permissions on new sites, indicates a total of 195,000 sqm of new floorspace. In purely quantitative terms this is in excess of the identified requirement. It is possible that some of the current permitted supply will not be delivered, but there is also a large scale application which could significantly increase the future floorspace pipeline through increasing the density if proposed development at the former Filton Airfield.

6.7 It is also possible that additional floorspace will be released to the market as a result of workplace transition following the rapid increase in hybrid working following the Covid-19 pandemic. However, there still remains a degree of uncertainty over the long term trend. Market evidence also indicates a strong preference for Grade A space with excellent amenity provision for workers. Any additional space released to the market may well not be attractive to modern occupiers without substantial refurbishment.

Industrial

6.8 Table 3:8 set out a total estimated requirement of 48,000 – 240,000 sq m of industrial development over the 20-year period. The labour market balance scenario, which aligns to the proposed housing provision, narrows this range to 52,000 – 240,000 sq m. With a flexibility allowance added this increases to 57,000 – 264,000 sq m. To plan positively the upper end of this range should be considered. The lower end estimate includes the Oxford Economics forecasts for very high levels of employment decline in this sector.

6.9 Historic completions rates show that if current trends were to continue some 372,000 sq m of new floorspace would be developed (equating to around 93 hectares). This exceeds the estimated level of future requirements, indicating the market is able to deliver this level of development and suggesting a figure towards the higher end of the forecast range is appropriate.

6.10 Of the total requirement, historic data also indicates an expectation that some 146,000 sq m (equivalent to 36-37 ha) could be delivered on existing employment sites. Analysis of current extant permissions indicates around 17,000 sq m (4 ha) of floorspace is already permitted to be delivered on existing employment sites. A further 130,000 sq m (32-33 ha) would need to be secured through the plan period. There are two large plots at Severnside that could contribute to meeting this need, although these will also be attractive for warehouse and logistics uses. Previous activity at Severnside would suggest around 10% of development is for industrial uses, which would help to meet around 8ha, but there is capacity for this to increase.

6.11 The residual requirement of 119,000 sq m would need to be provided through allocated and consented supply (not previously developed for employment purposes). It is estimated that around 30 hectares of supply would be required to provide for this need.

6.12 Analysis of current supply, including both allocated sites and extant permissions on new sites, equates to some 57 hectares. In purely quantitative terms this is comfortably in excess of the identified requirement. However, 41 hectares of this supply is located at Severnside. This creates a very significant reliance on a single location to meet future need.

6.13 Total supply including both re-use and new sites equates to around 69 hectares. This falls short of the historic trend level of development of around 93ha over a 20-year period.

Warehousing and Logistics

6.14 Table 3:10 set out a total estimated requirement of 549,000 – 607,000 sq m of warehousing development over the 20-year period. The labour market balance scenario, which aligns to the proposed housing provision, narrows this range to 592,000 – 607,000 sq m. With a flexibility allowance added this increases to 651,000 – 667,000 sq m.

6.15 Historic completions rates show that if current trends were to continue some 1,127,000 sq m (equivalent co c225 hectares) of new floorspace would be developed. This exceeds the estimated level of future requirements, indicating the market is able to comfortably deliver this level of development.

6.16 Of the total requirement, historic data also indicates an expectation that some 139,000 - 142,000 sq m (equivalent to 28 ha) could be delivered on existing employment sites. Analysis of current extant permissions indicates around 7,000 sq m (1 ha) of floorspace is already permitted to be delivered on existing employment sites. A further 135,000 sq m (27 ha) would

need to be secured through the plan period. There are two large plots comprising 78 hectares at Severnside that could contribute to meeting this need which shows more than adequate capacity, albeit at a single location. The low level of re-use in the past period may be impacted by the ready supply of consented land at Severnside not encouraging site re-use. It is therefore feasible that higher levels of re-use will be achieved in the future and in turn reducing the residual requirement to be met.

6.17 The residual requirement of 512,000 – 525,000 sq m would likely need to be provided through allocated and consented supply (not previously developed for employment purposes). It is estimated that around 102 – 105 ha hectares of supply would be required to provide for this need.

6.18 Analysis of current supply, including both allocated sites and extant permissions on new sites, equates to some 164 – 182 hectares. In purely quantitative terms this is comfortably in excess of the identified requirement. However, more than 95% of this supply is located at Severnside. This is in addition to the significant supply of previously developed employment land at Severnside. This creates a very significant reliance on a single location to meet future need. This provides very limited range and choice in the market.

6.19 Current supply including previously used employment sites totals some 235 hectares, which exceeds the historic trend level of development in this market segment, albeit with the same heavy reliance on Severnside.

6.20 Commercial market analysis has identified demand for more urban and edge of centre logistics facilities as well as strategic distribution. This highlights that Severnside is not a suitable location for all storage and distribution occupiers and suggests alternative provision is provided to enhance range and choice in the market.

7 Review of the South Gloucestershire ELR (2022)

7.1 This chapter sets out the findings of an independent review of the South Gloucestershire Employment Land Review [ELR] (Atkins for South Gloucestershire Council, January 2022).

7.2 This review has been undertaken following the completion of the analysis set out in the previous chapters of this report. The primary purpose of this review is to assess whether the strategic conclusions of the ELR remain valid.

ELR Structure

7.3 The ELR was prepared when the West of England Spatial Development Strategy (SDS) was still progressing. As such, the ELR was closely related to the evidence base prepared to inform the employment elements of the SDS; namely the West of England Employment Land Spatial Needs Assessment [ELSNA] (Atkins, 2021)[19] produced by the same consultants.

7.4 The ELR comprises a 'Core Report' and three technical papers:

- Functional Economic Market Area Analysis
- Summary of Stakeholder and Property Market Engagement
- Supply Analysis and Site Assessment

7.5 Each of these elements has been subject to a high level review with site assessment updates ongoing.

Core Report

7.6 The ELR Core Report refers to the quantitative assessment of employment land needs and available supply within the Core Report. Both elements have been subject to update as part of the current study, this has implications for the conclusions reached and therefore the findings in this new (2023) study on both of these elements should supersede those within the 2022 ELR.

Demand comparison

7.7 In quantitative terms the recent (2023) analysis identifies higher levels of future need than set out in the core or baseline demand assessment within the ELR (based on the ELSNA):

- Office and R&D requirement - increased from 16 ha to 17-21 ha.
- Industrial requirement - from 20 ha to 30 ha
- Storage and distribution requirement - increased from 31ha to 95-105 ha.

7.8 The most significant upward revision in absolute terms is within the storage and distribution Use Class. The primary driver for this is the change in approach to calculating replacement demand.

7.9 The ELR (based on the ELSNA) also included a 'qualitative adjustment' scenario. The results of this approach are also compared:

[19] The ELSNA no longer forms part of the South Gloucestershire Local Plan evidence base.

- Office and R&D requirement – is very similar 22 ha identified within the ELR and 17-21 ha in the more recent analysis[20].
- Industrial requirement – ELR set out a higher requirement estimating need of 56ha compared to 30 ha within latest analysis.
- Storage and distribution requirement – ELR estimate remained significantly lower than the 2023 analysis. Whilst adjustment increased requirement to 40ha this is substantially lower than the 95-105 ha estimate.

7.10 The comparison of this scenario finds a broadly similar estimate for office needs. A different balance is identified for industrial and storage uses. There is some interchangeability of industrial and warehousing space. The combined position comparison is 96ha within the ELR and 125-135ha in the current analysis. This indicates a higher estimate within the recent analysis but the variation is less marked than the core or baseline demand assessment.

Supply comparison

7.11 Since the ELR was published a more robust and up to date assessment of future supply has been developed. This includes a comprehensive review of the land supply position at Severnside. The current quantitative supply estimates are now represented in chapter 5 of this report. Comparison with the ELR indicates:

- Office supply has increased from 15ha to 20ha;
- Industrial supply has increased slightly; and
- Storage and Distribution supply appears to be similar in headline terms.

7.12 However, the treatment of previously developed employment land is different in the current study, to ensure alignment with the assessment of future requirements. The current study considers pipeline supply that is known to have been previously used for employment purposes separately. This provides further capacity to meet future needs. In order to compare the ELR/ELSNA figures with the current study on a like for like basis this needs to be added back and this adds substantially to warehousing supply. Notwithstanding, qualitative issues such as the need to provide range and choice, as well edge of centre logistics remain.

7.13 It should also be noted that there is a significant planning application for the former Filton Airfield under consideration which, if approved, could substantially increase the quantum of pipeline office supply (albeit over a timeframe that extends beyond the Local Plan period). The scale of the current application may create similar over reliance issues in the office market as with industrial and warehouse capacity at Severnside.

Key locations

7.14 Table 2-4 of the ELR provides a summary of key employment areas across South Gloucestershire. The conclusions reached remain valid, subject to the quantitative adjustments resulting from the updated analysis which now replace the ELR figures.

7.15 The commercial market analysis has been updated within the current study to capture the latest position and with some further understanding of post Covid trends on markets. However, much of the underlying context remains valid and the stakeholder engagement

[20] Consistent site densities are used across both analysis to allow comparison.

undertaken as part of the current study was fairly limited given the desire to avoid consultation fatigue and the underlying fundamentals remaining the same.

7.16 The key conclusion that there is an over reliance on Severnside to meet identified needs remains and is fully consistent with the current analysis.

Recommendations

7.17 Each of the seven ELSNA recommendations, which are set out in the ELR, have been reviewed and the following updates result from the latest analysis.

- Protection of Existing Employment Stock – this remains valid. The updated analysis is expectant of significant redevelopment on previously developed employment sites. Challenges to bring forward new development in many locations heightens the need to retain effective supply where it already exists.
- Identify Additional Land Supply – this remains valid at a local level. In purely quantitative terms the updated analysis for South Gloucestershire identifies a potential surplus. However, there are qualitative issues, particularly the over reliance on Severnside which need to be addressed.
- Maximising the Use of Existing Stock – this remains valid where there is a good case, with market commentary highlighting the need to ensure stock is fit for modern occupier requirements. With rising Minimum Energy Efficiency Standards (MEES) as well as Environmental, Social and Governance (ESG) requirements, and expectations of occupiers, there will be increasing pressure for compliant commercial property stock. This will drive a requirement for regeneration and refurbishment. Some poorer quality stock is likely to need replacement. However, this will help the market to deliver new high quality premises by supporting rents to aid viability. For environmental reasons there are some potential advantages to improving existing stock rather than replacing (e.g. embedded carbon).
- Meeting Emerging Sector Requirements – this remains valid.
- Locational Principles to Prioritise – this remains aligned to current market commentary
- Promoting Flexible Employment Land Policies – this remains appropriate to respond to a changing market and uncertainty. Particularly as post Covid trends remain uncertain.
- Ongoing Monitoring of Supply and Demand – this remains valid given uncertainties.

FEMA Analysis Technical Paper

7.18 The FEMA Technical Paper acknowledges South Gloucestershire itself is relatively modest in size, and therefore the recommended sub areas are not self contained but offer a simplified framework.

7.19 There are no substantive new data sources that would lead to changes in the conclusions reached.

7.20 There have been no substantive changes to infrastructure that would lead to changes in the conclusions reached.

7.21 The areas identified are those understood within the commercial market.

7.22 The broad conclusions relating to each of the sub-areas remain valid subject to changes in the South Gloucestershire wide assessment of supply and demand. In particular, the

substantial increase in future warehousing and logistics demand in the current study will increase requirements within the Severnside sub-area.

Market Engagement Technical Paper

7.23 The analysis set out within the Market Engagement Technical Paper continues to be relevant as part of the evidence base alongside updated commercial market views delivered as part of the current research.

Appendix 1. Sites and Premises Requirements

Converting Employment to Use Classes

A1.1 The conversion matrix used to convert forecast employment change by sector to Use Class Order is shown on the following page. The matrix is based on average employment by four-digit SIC07 sectors in South Gloucestershire over the period 2017 to 2021 sourced from the BRES dataset. The matrix therefore reflects the current structure of South Gloucestershire in detail.

Figure A1.1: Employment to Use Class Conversion Matrix

Sector	B2	B8	C1	C2	C2a	E(a)	E(b)	E(c)(i)	E(c)(ii)	E(c)(iii)	E(d)	E(e)	E(f)	E(g)(i)	E(g)(ii)	E(g)(iii)	F1(a)	F1(b)	F1(c)	F1(d)	F1(e)	F1(f)	F1(g)	F2(a)	F2(b)	F2(c)	F2(d)	SG	None and Homeworking
AB: Primary industries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.00
C: Manufacturing	0.85	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	0.14
DE: Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.68	0.32
F: Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	0.06	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.94
G (part): Motor Trades	-	0.14	-	-	-	0.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.71	0.11
G (part): Wholesale	-	0.88	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.11
G (part): Retail	-	0.02	-	-	-	0.87	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.11
H: Transportation and storage	-	0.37	-	-	-	-	-	-	-	-	-	-	-	0.11	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00	0.51
I: Accommodation and food	-	-	0.10	-	-	0.07	0.36	-	-	-	-	-	-	-	-	0.03	-	-	-	-	-	-	-	-	-	-	-	0.16	0.28
J: Information and communication	-	0.08	-	-	-	-	-	-	-	-	-	-	-	0.45	0.03	-	-	-	-	-	-	-	-	-	-	-	-	-	0.44
K: Financial and insurance	-	-	-	-	-	-	-	0.20	-	-	-	-	-	0.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.11
L: Real estate	-	-	-	-	-	-	-	-	0.15	-	-	-	-	0.61	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.24
M: Professional, scientific and technical	-	-	-	-	-	0.00	-	-	0.01	-	-	-	-	0.70	0.07	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.20
N: Administrative and support services	0.02	0.04	0.01	0.02	0.00	0.04	0.01	-	0.00	-	0.01	0.01	0.01	0.18	-	0.00	0.00	-	0.00	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	0.14	0.47
O: Public administration and defence	-	-	-	-	-	-	-	-	-	-	-	-	-	0.21	-	-	-	-	-	-	-	-	0.06	-	-	-	-	-	0.73
P: Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.90	-	-	-	-	-	-	-	-	-	-	-	0.10
Q: Human health and social work	-	-	-	0.23	-	-	-	-	-	-	-	0.53	0.09	0.09	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.06
R: Arts, entertainment and recreation	-	-	-	-	-	-	-	-	-	-	0.32	-	-	-	-	-	-	-	0.01	0.03	-	-	-	-	-	0.13	0.11	0.22	0.19
S: Other service activities	-	-	-	-	-	0.42	-	-	-	-	-	-	0.19	-	-	-	-	-	-	-	-	0.08	-	-	-	-	-	0.05	0.25
Total	0.09	0.06	0.01	0.02	0.00	0.09	0.02	0.01	0.00	-	0.01	0.05	0.01	0.16	0.01	0.00	0.07	-	0.00	0.00	0.00	0.00	0.01	-	0.00	0.00	0.00	0.05	0.34

Floorspace per worker

A1.2 The following section provides details on the impact of hybrid working on employment densities and the figures used to convert FTE employment to floorspace.

Impact of hybrid working on employment densities

A1.3 Since the Covid-19 pandemic there has been an ongoing question as to whether increased remote working is beginning to change office floorspace density. According to Deloitte's London Office Crane Survey (2021), most developers argue that the reduction in office occupation due to remote working is likely to be offset by growing requirements of tenants for lower density occupations, less hot desking and more collaborative space[21]. These findings are replicated in Deloitte's Regional Crane Surveys (2021), indicating that the trend of lower density office occupation and retainment of total floorspace demand will be reflected nationwide.

A1.4 While some sectors may see a decline in the number of workers in the office at any given time, the amount of office space required is expected to remain the same, in order to facilitate group meetings and collaboration when workers are in the office. Workers need a reason to come to the office if they are to commute, and heightened collaboration is one justification. While offices may become less occupied on a day-to-day basis, total floorspace requirements may remain the same.

A1.5 One important caveat, however, is that if offices are becoming less dense, this is will not change uniformly across the office market. The amount of floorspace required by each worker will vary according to occupation, sector, business culture and business size.

A1.6 According to NESTA (2021), one likely post-pandemic scenario for hybrid working may be high-paid knowledge workers continuing to work in cities, while a greater proportion lower paid work is undertaken remotely. The report continues, "firms saw the cost saving possibilities that remote working offered them and as a result decided to eschew office working for much of their staff. The key exception were elite workers like CEOs, executive teams, and high skilled workers for whom face-to-face interaction was deemed essential."[22]

A1.7 The trend of lowering densities is also unbalanced with regard to high and low-value office space. While high-value businesses will continue to demand office space to support their corporate brand and images, it is uncertain whether the same level of investment will be placed in to lower-grade office spaces with lower rents and where smaller grid sizes make it difficult to renovate. According to the FT, it is likely many of these will 'empty out and have to be refitted or repurposed'[23].

A1.8 Finally, for remote working to lead to a lowering of density and a concurrent maintenance of space it will need to make financial sense for occupiers. The last 25 years has seen offices becoming more dense in order to make them more economically viable[24]. For hybrid working to reverse this trend, and for offices to maintain high levels of space despite fewer workers in the office on a day-to-day basis, it will need to be financially viable for businesses. If it is not,

[21] https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/real-estate/deloitte-uk-london-office-crane-survey-summer-2021.pdf ; https://research.bco.org.uk/resources/clients/3/user/resource_1023.pdf
[22] https://www.nesta.org.uk/blog/four-scenarios-future-remote-working/
[23] https://www.ft.com/content/d6b8d468-e339-497d-b165-0de10bcddcae
[24] https://www.bco.org.uk/Research/Publications/Theme/working-practices.aspx

lower density occupation may become a luxury not available to all and businesses may prefer to downsize by some proportion, while maintaining some form of collaboration space.

A1.9 Based on the above findings we conclude that the Employment Density Guide (2015) still provides the best evidence in relation to employment densities. The figures used in this report are shown in the table below.

A1.10 The table below references figures in terms of net internal area (NIA), gross internal area (GIA) and gross external area (GEA). All figures are converted to GEA for modelling purposed. To convert NIA to GIA a 15% uplift is provided, to convert GIA to GEA a +5% uplift is made.

Table A1.1: Floorspace per Worker Assumptions

Use Class	Assumption
E(g)(i) Offices	The Employment Density Guide (2015) provides estimates for a range of office functions ranging from 8–13 sq m per FTE (NIA). The higher end of this range relates to Corporate HQ and the lower end relates to call centres. Financial Services, Public Sector and Professional Services fall within the 10–12 sq m range. The Occupier Density Study (2013) indicates an average density of 10.9 sq m for the UK. After applying uplifts to estimate Gross External Area (GEA), the utilised assumption is 13.2 sq m per FTE.
E(g)(ii) Research & Development	The most recent Employment Density Guide (2015) sets out a range of 40–60 sq m (NIA) for R&D B1(b) premises. The midpoint of this range has been adopted and converted to GEA. Therefore, a figure of 60.0 sq m per FTE has been used within the analysis.
E(g)(iii) Light Industrial	The Employment Density Guide (2015) indicates a figure for B1(c) light industry at 47 sq m per FTE (NIA). Allowances are made to align to GEA with a final assumption of 56.4 sq m per FTE (GEA).
B2 General Industrial	The Employment Density Guide (2015) provides a density figure of 36 sq m per FTE (GIA) for General Industrial premises. Following allowances to translate this figure to GEA we use an assumption of 37.8 sq m per FTE (GEA).
B8 Storage or Distribution	The Employment Density Guide (2015) provides a range of 70 – 95 sq m per FTE. 70 sq m per employee (GEA) for 'final mile' distribution centres and 95 sq m per employee (GEA) for national distribution centres. There is the potential for a mix of both, so 80 sq m per FTE (GEA) has been adopted for this analysis.

Replacement

A1.11 An allowance for replacement has been included within the methodology to encapsulate the wider changes in the economy not picked up in the employment forecasts. The approach is based on the fact that a proportion of the total existing stock of employment property needs to be replaced on an ongoing basis to ensure the overall stock of premises is sufficient and appropriate for modern needs, in terms of both building quality and site characteristics.

Current Stocks

A1.12 To obtain an estimate of the active floorspace by employment Use Classes, we have undertaken analysis of the VOA Ratings List for 2023[25]. This involves assigning Use Classes to the Special Category (SCat) codes associated with each premise. This is an imperfect science and is based on our interpretation of the codes. However, it allows us to provide an indicative breakdown of the stock of floorspace across the Office (E(g)(i) and E(g)(ii)), Industrial (E(g)(iii) and B2) and Warehousing & Logistics (B8) sectors which is important for modelling, and ultimately, planning purposes.

Default Allowances

A1.13 The replacement allowance seeks to account for buildings which have become functionally obsolete (i.e., beyond their usable life as commercial premises) rather than just those that have become physically obsolete (i.e., derelict to the point it is no longer possible to utilise them for commercial operations).

A1.14 British Standard EN 1990:2002, Eurocode – Basis of structural design (Eurocode 0) states that buildings structures should be designed to last 50 years. It states that over this duration any deterioration in the structure should not impair the use of the building for its intended purpose.

A1.15 BREEAM (Building Research Establishment Environmental Assessment Method) life cycle assessments indicate the service life of a building is considered to be 60 years. This is in-line with British Standards (BS 7543: 1992 and BS ISO 15686-1: 2000 respectively) for the design life of components and assemblies of the main structural elements of a building.

A1.16 Life cycle costings in the commercial real estate sector are designed to consider the entire cost of owning and operating a commercial building over its economic lifespan. In the RICS guide to life cycle costing[26] they consider appraisals of greater than 30 years should involve "consideration for possible technological, commercial and legal changes" (pg. 7). This suggests that buildings over 30 years old have a high probability of becoming functionally obsolete without significant investment to upgrade or refit the building.

A1.17 In order to try to understand the age of active commercial floorspace in England we have obtained data on the age of commercial stocks from 2004 (no more recent data has been published). The data set out in Table A1.2 indicates that a notable proportion of the existing UK stock of commercial floorspace is over 65 years old, and just over 50% is over 30 years old.

[25] Source: https://voaratinglists.blob.core.windows.net/html/rlidata.htm [Accessed 19 June 2023]
[26] Royal Institution of Chartered Surveyors (RICS). 2016. RCIS Guidance Note. RICS Professional Guidance, UK: Life Cycle Costings. 1st ed.

Table A1.2: Age of Commercial Stocks, England (2004)

	Pre 1940	1940-70	1971-80	1981-90	1991-2000
Age (in 2004)	**65+**	**34 – 64**	**24 – 33**	**14 – 23**	**4 - 13**
Retail	40%	17%	9%	14%	15%
Office	28%	18%	11%	17%	15%
Factory	24%	32%	14%	13%	8%
Warehouse	16%	25%	18%	17%	14%
Total*	**26%**	**25%**	**13%**	**15%**	**12%**

Source: Department for Communities & Local Government Archive – Total Floorspace by LAD and age (2005)

*Note the total will not sum to 100% as the data presented excludes those stocks of unknown age and data on stock from 2001 – 2003 is not available at local authority level.

A1.18 This age of stock data confirms that clearly many buildings are physically present well beyond 50 years, although it is not possible to determine the proportion of buildings that survive beyond this point.

A1.19 Based on the range of available evidence, a 2% default replacement rate assumption is adopted. This assumes that on average buildings enter into functional obsolescence and need to be replaced every 50 years. Implicit in this assumption is that some buildings will last longer than 50 years (potentially with significant investment to ensure ongoing use), whilst some will last less than this either through redevelopment or change of use.

Local Adjustments to Default Allowance

A1.20 This section considers whether there is a need to adjust this default based on local conditions. This is based on the consideration of three drivers of functional obsolescence:

- Age – older stocks are less likely to be able to accommodate modern infrastructure such as HVAC, electricity supply etc.
- Regulatory – changes to regulations can force buildings into functional obsolescence by making it illegal to lease or continue to lease them.
- Market demands and local circumstances– the demands of the market can shift meaning that stocks are no longer of a desirable quality or location.

A1.21 These three issues are interrelated. The age of a building will generally determine both its location and compliance with modern building standards, and vice versa. Consideration is therefore made of the age of the stocks in the local area, and then supplemented with regulatory and market signals information.

Age of Stock

A1.22 Some data is available to help understand the proportion of building floorspace that will be over 50 years old across our forecast period of 2023 to 2043. It is acknowledged that this data is substantially out of date. However, no more recent releases have been made.

A1.23 The proportion of floorspace built prior to 1990 is of interest as these buildings will be over 50 years at the end of our analysis period. The following table shows a comparison of commercial stocks built before and after 1990 in England and South Gloucestershire.

Table A1.3: Proportion of Commercial Stock Floorspace Built Pre and Post 1990 in South Gloucestershire and England

	Pre 1940 – 1990		1991 - 2000	
	South Gloucestershire	England	South Gloucestershire	England
Office	37%	74%	29%	15%
Factory	89%	82%	10%	8%
Warehouse	63%	76%	24%	14%

Source: Department for Communities & Local Government Archive – Total Floorspace by LAD and age (2005)

*Note the total will not sum to 100% as the data presented excludes those stocks of unknown age and stocks built between 2001 – 2003 which is not available at local authority level.

A1.24 The table above shows that in South Gloucestershire, the proportion of older office buildings (i.e. built prior to 1990) is half the England average, whilst the proportion of office stocks built after 1991 is almost double the England average. Warehousing shows a similar pattern, although the proportions are not as high.

A1.25 The data shows that there is a higher proportion of factory stocks in South Gloucestershire in both categories compared to the England average. This is due to the fact that the data does not sum to 100% as a result of incomplete information.

EPC

A1.26 Data on Energy Performance Certification by building count has been gathered in order to assess any potential impact of Minimum Energy Efficiency Standards on replacement rates. This data is more recent than age of stock data and due to the correlation between age of stock and EPC rating helps to corroborate the findings on the age of stocks.

A1.27 Since 1 April 2018, these standards have meant it has not been possible to grant a new tenancy to new or existing tenants where a non-domestic property has an Energy Performance Certificate (EPC) rating lower than E (with limited exceptions). Since 1 April 2023 it has been an offence to *continue* to let or rent out a property if it does not have a rating of at least E, with penalties of between £10,000–£150,000 for a breach (based on the property's rateable value)[27].

A1.28 The UK Government's Energy White Paper (2020) sets a target for all rented non-domestic buildings in the UK to be rated EPC band B or above by 2030, with the caveat that this will be done "where cost-effective". The delivery of this target is yet to be road-mapped.

[27] Currently MEES allows for the continuing letting of a property with an EPC rating band below E where the property remains sub-standard despite all relevant energy efficiency improvements having been implemented, or there are none that can be made. There are also exemptions which apply under the current rules, including: cost (would be more than the savings on energy bills over a period of 7 years); potential negative impact on the fabric or structure of the property; consent (not being able to obtain consent from a tenant or consenting authority); and devaluation (works would devalue the property by 5% or more, or would cause damage).

A1.29 The table below shows the proportion of the commercial building stock (where an EPC has been obtained) that falls below this both the current, and potential future requirements.

Table A1.4: Proportion of Non-Domestic Properties with Extant EPC Certificate Falling Below Current and Proposed Energy Rating Thresholds

	Below Current Standard (Rated Below EPC E)	Below 2030 Standard (Rated Below EPC B)
South Gloucestershire	8%	81%
England	11%	86%

Source: Department for Levelling Up, Housing & Communities (2023) Energy Performance of Buildings Certificates (EPC) in England and Wales 2008 to 31 March 2023

A1.30 The data above shows that the proportions of properties in South Gloucestershire that are below the current and proposed EPC ratings standards is less than the England average.

Market Signals and Local Circumstances

A1.31 Market analysis and commentary notes that:

- Out-of-Town offices are becoming functionally obsolete due to location. Example is Aztec West. Concurrent issue is stock is becoming older (first generation 40 years old) and EPC rating issues are also driving obsolescence.
- Generally, offices much harder to improve EPC ratings than industrial – rents need to support investment or it will not happen.
- Struggle to maintain industrial (B2) and warehousing in city centre locations (particularly older, small unit schemes) as residential uses grow around these buildings and then they are non-conforming use for environmental reasons.

Conclusion

A1.32 The previous section considers local factors in South Gloucestershire that will influence the 2% default replacement rate assumption. Adjustments to this default are made in 0.2% increments.

A1.33 For office stocks, the data suggests that a significant proportion of the stock will be less than 50 years old at the end of the study. EPC ratings in South Gloucestershire are higher than the England average. In combination these would suggest a substantial (two increment) downward revision of the replacement rate. Market information on office stocks suggests that some out-of-town offices are becoming functionally obsolete due to their location which would suggest a one increment upward adjustment, but could potentially be considered to require an even greater upward adjustment. These factors combined would indicate a 0.2% decrease in our default assumption to a 1.8% per annum replacement rate.

A1.34 Data on the age of industrial stocks in South Gloucestershire suggests that there is a portion of the stock that is aging. This suggests that some of the stocks will become physically obsolete without major refurbishment. Market information suggests that it is generally relatively easy to improve the EPC rating of factory buildings so, some buildings may be retained. Pressures from other uses is impacting industrial stocks. These factors suggest a 0.2% increase in our default assumption, to 2.2%.

A1.35 A higher proportion of the warehousing stocks in South Gloucestershire will be less than 50 years old at the end of the plan period compared to the England average. However, EPC ratings of these buildings are relatively easy to improve which can extend the functional life of these buildings. These factors combined suggest a 0.2% decrease in our default assumption to a 1.8% per annum replacement rate.

Appendix 2. LSH Sectoral Requirements

A2.1 This appendix sets out a series of sector profiles based on commercial market evidence and insight from across the West of England sub-region. These profiles were prepared by LSH.

Aerospace and Advanced Engineering

A2.2 There are currently over 250 businesses in the Aerospace, Defence, and Advanced Engineering sector in the West of England. These businesses have circa 51,000 employees which makes it one of the largest clusters in Europe. The sector is worth over £2.7 billon to the region.

A2.3 The success of the sector in the region is predicated not only the Ministry of Defence (MOD) presence but, the fact that Bristol University, Bath University, and the University of the West of England are all ranked in the top ten universities in the UK for Aerospace Engineering[28]. Combined, these universities are home to over 39,000 Science, Technology, Engineering, and Maths (STEM) students.

A2.4 The region is also home to the National Composites Centre (one of seven world-class centres comprising the UK's High Value Manufacturing Catapult) and over 10 world-leading aerospace companies. These firms have expertise in areas like composites, robotics, and additive-layer manufacturing. Some of the major businesses operating in the region are named in the table below.

Table A2.1: Major Aerospace & Advanced Engineering Businesses in the West of England

Major Companies		
Airbus	Rolls Royce	Safran
Thales	Atkins	Leonardo
BAE Systems	Babcock	QuinteQ
Renishaw	Boeing	Nova Systems
GKN	BMT	MBDA UK

Recent and Future Changes

A2.5 The Aerospace & Advanced Engineering sector suffered as a result of both Covid-19 and Brexit. However, the last 12-18 months has seen a renewed focus on the Defence industry as a result of heightened tensions around the world. This has been demonstrated with Babcock and Boeing taking up new office accommodation in North Bristol.

A2.6 Growth in the number of defence engineering companies will offset any short terms shrinkage in the sector because of trade impacts. There are also new areas of growth in the sector through the Net Zero agenda.

[28] The Universities are ranked second, third and seventh respectively as of 2023.

A2.7 Growth in the region is underpinned by the development of the new Institute of Advanced Automotive Propulsion System at Bristol and Bath Science Park, and the new Airbus and GKN facilities in Filton.

Distribution across the West of England

A2.8 Major employers in the sector remain focused in the North Fringe of Bristol, particularly around the Filton Enterprise Area, which is home to the UK's largest aerospace cluster.

A2.9 Businesses are predominantly based in out-of-town locations with the main cluster in South Gloucestershire and North Bristol fringe. However, there are also some occupiers in South Bristol and Bath.

Property Requirements

A2.10 Continued growth is expected in this sector (both in terms of start-ups and expansion of existing businesses) and the demand for property remains high.

A2.11 Businesses operating in this sector have mixed property requirements. They are predominantly office-based but, there has been growth in laboratory and industrial requirements. Trends indicate that firms within the sector favour large land parcels with low density, high spec purpose-built facilities for research and development (R&D). This means they tend towards out-of-town locations.

A2.12 Growth in the sector will be focussed in the South Gloucestershire and North Bristol out of town markets. However, we are seeing companies look at Bristol City Centre locations as they struggle to attract staff in Bath and out-of-town locations. This can be seen with BMT taking a new office in Bristol, and other defence and engineering companies looking at taking up city centre office space despite the increased rental costs.

A2.13 As with other office-based sectors, this sector will see a decrease in the quantum of office space taken up but, an increase in the quality of this space as employers continue to try and attract the best staff. In-line with national trends for office occupiers, businesses in these sectors may be looking at circa 20-30% less space, and utilising flexible working practice.

A2.14 The reliance on occupying their own offices is likely to change as lab enabled space or hybrid/managed workspace will also be in demand. This will mean that the focus on out-of-town locations changes further as the main managed workspace that attract start-ups are generally located in city centres.

Tech and Digital

A2.15 The region is home to the most productive tech cluster in the UK, and Bristol was identified as a "globally significant, high-growth creative cluster" (pg. 23) in the Creative Industries Sector Deal[29].

A2.16 The region is home to several R&D centres including Oracle's Cloud Development, HP Labs, and the University of Bristol's Smart Lab team, which in 2018 staged the world's first public trial of 5G.

A2.17 The region's four universities play a central role in strengthening the region's digital and tech sector. The universities collaborate closely with businesses in; life sciences, cyber security, quantum technology, and robotics, including several autonomous vehicle projects. They established SETsquared (Global #1 University Incubator) and the new Temple Quarter Enterprise Campus, and produce a constant stream of highly skilled graduates. The area has one of the highest graduate retention rates in the country.

A2.18 Bristol is home to the Quantum Technology Innovation Centre (QTIC). This a pre-incubation programme which has created over 31 companies, raising £60 million in funding. The programme is responsible for a third of active UK quantum engineering start-ups.

A2.19 The region features an internationally leading robotics sub-sector, including The Bristol Robotics Laboratory (Europe's largest multi-disciplinary lab) and Future Space, located at the University of the West of England (UWE) campus. They provide support and workspace for the region's robotics, tech, and science-based scale-ups.

A2.20 Major companies located in the region are named in the table below.

Table A2.2: Major Tech & Digital Businesses in the West of England

Major Companies		
CGI	JISC	Navos
Forgerock	Strava	Navitas
Pax8	Graphcore	Oracle
Huboo	Xenint	EPIC
Edit Salocin	Move	OVO

Recent and Future Changes

A2.21 The Tech and Digital sectors remain a growth sector with several other sectors becoming more involved such as FinTech and LegalTech. So, whilst the core sector is set for growth, we will also see diversification in this sector.

A2.22 The sector impacts several other sectors and therefore we could see good growth in the sector as the region benefits from an excellent knowledge base and a number of growing business and start-ups which are tech/digital based.

[29] HM Government (2018) Industrial Strategy: Creative Industries Sector Deal

Distribution across the West of England

A2.23 These occupiers are based in a mix of locations throughout the region, although they are strongly focused on Central Bristol and Central Bath where they can attract employees coming out of university, and can easily collaborate with the universities.

Property Requirements

A2.24 Businesses in this sector predominantly occupy offices of mainly grade A and B specification, although there is also growing demand for hybrid properties with lab space.

A2.25 The sector has a predominantly younger workforce, and therefore the majority of growth will be seen in city centres. This is a result of younger employees being less focused on car-based commuting. These employees will seek locations that easily accessible via walking or public transport with good local amenities.

A2.26 The sector also has a number of start-ups and growth companies. These companies tend to prefer to cluster together, and therefore serviced offices/managed workspace will be important for growth. These companies can use the support structures offered at the better-quality end of the serviced office sector.

A2.27 These companies will also benefit from the flexibility found in service offices/managed workspace, and this is key to the sectors growth. We could see (if appropriate managed workspace is available) some neighbourhood hubs emerging in this sector in suburban areas with more affordable housing and good amenities such as: Bedminster, Horfield/Stokes Croft, Keynsham, and Portishead.

A2.28 The majority of commercial requirements will remain for office accommodation, with a focus on better quality space which is well located for amenities and transport, and provides good sustainability credentials. Therefore, anticipated movement in this sector is to grade A offices in Bath and Bristol city centres.

A2.29 We will see good level of requirements for offices especially in smaller start-up companies. Like the majority of office occupiers, we may see a decrease in space from larger and medium sized occupiers as employees take advantage of hybrid working practices, but for better specification.

Financial and Professional Services

A2.30 The region has one of the most productive Financial Services clusters (outside of London) in the UK, and has one of the top 10 FinTech Clusters in the UK. It also has a strong legal centre with 478 legal companies in the region. Twenty-six of the top 100 law firms in the UK have a presence in the region, 13 of which have head offices in the region. There is also a growing cluster of LegalTech companies, with over 30 in the region currently.

A2.31 The Professional Service sectors employ over 33,500 in the region, with a further 61,000 people employed in the Financial/FinTech sectors.

A2.32 Bristol and Bath host the UK's largest Digital cluster and the highest density of FinTech start-ups and scaleups outside London, with 107 regional businesses which contribute £192 million to the UK economy.

A2.33 Some of the major companies in the region in this sector are set out in the table below.

Table A2.3: Major Professional & Financial Businesses in the West of England

Major Companies		
Burgess Salmon	Altus	EY
Hargreaves Lansdown	St James Wealth	KPMG
Foot Antsey	DAS	Deloittes
PWC	Osborne Clarke	Clarke Willmott
DWF	Bevan Brittan	Axa

Recent and Future Changes

A2.34 The sector is changing in both the way it uses its commercial buildings, and the types of buildings it occupies. Changes in occupation have been triggered by both the Covid-19 pandemic, and the growing strength of FinTech and LawTech in the region.

A2.35 The anticipated trend of companies looking at regional hubs and less city centre clusters in the Professional sector as we emerged from Covid-19 induced lockdowns was short lived. Now, although companies are looking at less space, they are concentrating on city centres and good quality offices with high ESG credentials.

Distribution across the West of England

A2.36 Businesses are predominantly based in city centre locations in both Bristol and Bath. However, some are located in established business park locations especially Aztec West, Bristol Business Park, and Almondsbury.

Property Requirements

A2.37 These occupiers seek office buildings, and generally require grade A space.

A2.38 The sector continues to show growth and remains an important sector in the region. It is highly reliant on office space and is showing a 25-40% reduction in requirements for space

when compared to pre-pandemic conditions as companies seek to 'right size' their accommodation against the flexible working demands of the workforce.

A2.39 The sector remains one of the largest in the region and was always traditionally the largest sector in terms of take up of offices, with an average of 34% for the 10 years up until 2020. Since 2020, the TMT (Technology, Media & Telecom) sector has become more dominant in terms of take up. Office take-up by the TMT sector was 26% in 2021 and 39% in 2022, compared with 19% and 23% respectively in the Professional Services sector. These figures reflect a reduction in both the number of deals and the amount of office space required by this sector.

A2.40 There is significant growth forecast in this sector but, this may not be reflected in an increase in commercial office space as companies take less, but higher quality, space. However, we could see a rise in demand for R&D space from sub-sectors such as Creative, Digital, and Net Zero consultancy.

Creative and Digital Media

A2.41 The region is well known for its Creative and Digital Media sectors, from Oscar-winning Aardman Productions, to producing over 35% of the worlds natural history television, to gaming companies such as NDemic who produced the award-winning Plague Inc.

A2.42 The region is home to 6,000 creative business and 190 production companies. It is one of only three location hubs for the BBC. In addition, both ITV and Channel 4 have a presence in the region, with Channel 4 opening its creative hub in Bristol City Centre. The region is also home to the MyWorld creative hub, which connects regional and national partners with global tech giants such as Netflix and Microsoft.

A2.43 Bristol is one of 18 UNESCO Cities of Film worldwide, and was designated UNESCO City of Film in 2017. This is a permanent status to celebrate the city's achievements as a global leader in film and the moving image. The city is also a member of the UNESCO Creative Cities Network, which connects 246 cities with the common goal of celebrating cultural diversity and sustainable development.

A2.44 The Bristol & Bath region has a particularly strong Print & Digital Publishing sector. According to NESTA, the activity of the publishing sector in Bath is twice the UK average. Major publishers such as Future, Anthem Publishing, Mediaclash, and ShiftActive Media are based in the cities.

A2.45 Bristol & Bath features a growing and diverse gaming sector, including developers specialising in animation, publishing, VR, and AR. The developers behind some of the most popular games work in the region.

A2.46 Some of the major companies in the region in this sector are set out in the table below.

Table A2.4: Major Creative & Digital Media Businesses in the West of England

Major Companies		
BBC	ITV	Netflix
Channel 4	Plimsol Productions	Films@ 59
Aardman	Drummer TV	Arcadia Spectacular
Cookpad	NDemic	IMBd
Network N	Anthem Publishing	Complete Control

Recent and Future Change

A2.47 The sector has changed over the last few years with several companies moving to grade A office space, such as BBC Worldwide and Channel 4. This trend of office occupiers moving to better quality office accommodation is set to continue, although the sector also has companies looking for hybrid or cheaper offices. This will lead to different clusters as seen in areas such as Paintworks and Bedminster, and potentially in the longer-term in areas around St Phillips.

A2.48 This sector in particular tends to cluster. Networks with access to knowledge are key to the function of the sector, so this trend will continue. The region can continue to grow locally as well as attract companies from outside the region, from areas such as London.

Distribution across the West of England

A2.49 Businesses are predominantly located in the city centre or edge of city locations, with strong clusters in both Bath and Bristol city centres and edge of city locations.

Property Requirements

A2.50 Occupiers mainly seek office buildings, although of mixed quality and specification. Some businesses in the sector also have a need for some hybrid or industrial buildings for studios or storage.

A2.51 The sector continues to grow in the region due to being centred around a globally significant base. There is some downsizing and relocating to better space from the larger companies in the sector, which is in line with national office occupation trends. Growth of smaller businesses is set to continue. However, due to the cost of office space in city centres (especially Bristol) we will see some of the sector look at fringe city locations and more suburban locations with amenities.

A2.52 This will be heightened once the government's changes to Energy Performance Certificates and how buildings can be let, becomes legislation in 2025 and 2030. Cheaper offices will be unlettable, and landlords will only undertake the works if tenants are prepared to pay higher rents. This is an issue for all offices occupiers. However, whilst larger and well backed companies will take grade A space, and start-ups/micro business will be able to look at the serviced office sector, cost-conscious companies that need their own office may not have options. These companies will look at working from home as an alternative. However, the Creative Industry generally need employees to be in the office for collaboration, so this could have a negative effect on these businesses.

A2.53 The sector generally employs a younger workforce, and therefore staff retention is important. Being located close to amenities is a factor in this, therefore city centres or inner-city suburbs could be key for supply.

A2.54 The region benefits from a number of start-ups in the tech sector related to the universities, and they still have a potential to grow. These start-ups will require flexible, affordable city centre workspace. The serviced office sector will be key to this growth as these provide not only the space but, the flexibility and potential to support growth. Whilst the majority of these will be in Bristol and Bath city centres as well as some suburbs like Bedminster and St Phillips. There could be some smaller growth in North Bristol, especially around Filton, and in areas such as Keynsham.

Clean Tech and Energy

A2.55 The Clean Tech & Energy sector is made up of 25,000 enterprises, with the Zero-Carbon sector alone employing nearly 6,000 people. The region is home to companies like Ovo Energy and Ecotricity. In addition, over a quarter of the UK's major environmental research organisations have bases in the South West which contribute £750m to the UK's GVA.

A2.56 Bristol & Bath is a hub for both the UK's 'nuclear renaissance', and disruptive and zero carbon energy generation and supply. The region also hosts the government funded South West Net Zero Hub which gives strategic and technical support to the public sector and communities to deliver net zero energy projects.

A2.57 Strong capabilities in R&D across the Aerospace & Advanced Engineering, Digital, and Tech sectors, coupled with dynamic and collaborative ecosystems mean the region is ready to lead the global transition to clean energy. Bristol was named European Green Capital in 2015, and the UK's greenest city in 2019.

A2.58 The region contains exemplar waste-to-energy and biomass projects from GENeco, Viridor and Suez Environment's Severnside plant, alongside investment in biogas and electric buses and infrastructure.

A2.59 There is a move to lower carbon activities across a range of sectors. For example, First Group will have half its fleet as zero emission or carbon by 2030, the largest concentration of zero carbon buses Euro VI in the UK.

A2.60 The region is also home to Hinkley Point C (HPC) nuclear power station which is the first new nuclear power station in the UK for a generation. The station is capable of generating 7% of the UK's total energy requirements and will offer 25,000 job opportunities as well as 1,000 apprenticeships and brings £100m a year into the regional economy.

A2.61 Some of the major companies in the region in this sector are set out in the table below.

Table A2.5: Major Clean Tech & Energy Businesses in the West of England

Major Companies		
EDF	Boccard	Windes
Wardell Armstrong	Norsea	A-Gas
SITA	Hydrock	Frazer Nash
Assystem	Doosan Energy	SPriax-Sarco
Jacobs	Edvance	Efinor

Recent and Future Change

A2.62 This sector is set to continue to grow due to continued pressure on the Clean Tech and Energy sector to find solutions to global, national and regional challenges. The sector links in with several other sectors especially Engineering, Technology and Manufacturing.

A2.63 This sector is potentially a high growth sector as energy requirements going forward could look very different to what is required today. The net zero agenda, the changes to energy, and

the emerging sub-sectors from this, coupled with the regions expertise means that this sector could become a significant growth sector.

A2.64 The sector will also see continued investment in start-ups and clusters around universities.

Distribution across the West of England

A2.65 The main cluster for this sector is in South Gloucestershire and Avonmouth, although occupiers are spread over the whole region.

Property Requirements

A2.66 This sector has mixed property requirements, predominantly offices but potential growth in lab requirements and some industrial space.

A2.67 The sector is broad and incorporates a range of commercial requirements from offices, R&D, lab space and large-scale manufacturing activity. Growth will be across the region and the locations will depend on the type of property required. Any lab enabled space or industrial requirements are likely to be out of town or edge of town, whereas any office requirements could be in city centres as well as business parks.

A2.68 In terms of office locations, this demand is spread between out of town established business parks and city centres. This is set to continue as occupiers tend to service a wider region from the hubs and often require car access.

A2.69 Other commercial space is more fragmented across the region, although the large-scale manufacturing activity is centred around Avonmouth and Severnside.

Health and Life Sciences

A2.70 The Bristol & Bath region is ranked seventh in the UK for innovation, and the region has nearly 100 Life Sciences companies. This sector is one of the fastest growing in the region with a 25% increase in the number of companies in the last 3 years.

A2.71 The sector has seen £258m invested by companies in the last year, and the regions Life Science tech related ecosystem is worth £9.9bn. The sector growth in the UK is centred around universities and research. Universities in the region have a number of research institutes and specialist facilities including:

- BrisSynBio a £13.6m BBSRC/EPSRC-funded synthetic biology centre
- The £10mn MRC-funded Integrative Epidemiology Unit
- Centre for Therapeutic Innovation
- Centre for Biosensors, Bioelectronics and Biodevices
- The Wolfson Bioimaging Facility
- The Max Planck Centre for Minimal Biology
- Bristol Robotics Laboratory, the largest facility of its kind in the UK
- NHS Genomic Medicine Centre is located at UWE Bristol for the West of England
- NIHR Bristol Bio-Medical Centre: one of just 20 in the UK

A2.72 The region is also heavily involved in R&D for Life Sciences. The key sectors and description of the activity undertaken is set out in the table below.

Table A2.6: Key Life Sciences Sub-sectors

Sub-sector	Description
Assisted Living	Robotics is playing an ever-increasing role in life sciences applications. Not only are robots taking on monotonous tasks and streamlining processes in laboratory settings, but they are also leveraging advances in delivering living assistance to those who need it most.
BioProcessing & BioPharma	Bioprocessing is the process of increasing the number of living cells or other biologic systems/components (such as bacteria, viruses, enzymes, proteins, or nucleic acids) in a commercial bioreactor for biopharmaceutical manufacturing.
Diagnostics	Technological advances in diagnosis techniques can more rapidly diagnose and monitor disease and provide clinically useful prognoses for patient triage and treatments. The integration of rapid screening platforms with patient healthcare records and the use of patient-centred diagnostics, have the potential to shorten the time taken to direct patients to the most appropriate treatments and avoid the cost and health risks of using ineffective medicines.
Digital Health	Digital health technologies use computing platforms, connectivity, software, and sensors for health care and related uses. They include technologies intended for use as a medical product, in a medical product, as companion diagnostics, or as an adjunct to other medical products (devices, drugs, and biologics).

Sub-sector	Description
Nutrition	Nutritional science has had a major impact on public health by identifying optimal nutrient intakes on a population-wide basis. Such advances have provided the rationale for healthy eating campaigns, which can produce significant health benefits.
Medical Technology	MedTech can save lives, improve health and contribute to sustainable healthcare. Through innovative devices and diagnostics, the industry delivers value to patients, healthcare professionals, and healthcare systems and society.

A2.73 The University of Bristol is ranked in the top ten universities in the UK for producing companies, and a total of 130 companies have spun out of the university. Bristol features in the top ten cities for Life Science start-ups in the country based on the fact that 20% of the regions Life Science companies are start-ups

A2.74 In terms of Health, the University Hospital, Bristol NHS Trust, is one of the largest NHS Trusts in the UK. Made up of eight hospitals, it's also the major teaching and research centre for the South-West of England and has over 7,000 patients engaged in research each year. The Bristol Health Partners, The West of England Academic Health Science Network and the NIRH Bristol Biomedical Research Centre (one of only 20 in the UK) are among a number of networks that bring the NHS together with industry and academia.

A2.75 These networks collaborate on research, clinical trials, and the commercialisation of ideas and Bristol contributes to the world's most detailed biomedical database. UK Biobank has agreed a £50 million contract with the NHS in Bristol, North Somerset and South Gloucestershire.

A2.76 Some of the major companies in the region in this sector are set out in the table below.

Table A2.7: Major Health & Life Science Businesses in the West of England

Major Companies		
Cytoseek	eXmoor	Vectura
Rosa Biotech	Imophoron	Pfizer
Bath ASU	KWS Bio Test	Iksuda
Binx Health	Folium Science	Institute of Physics

Recent and Future Change

A2.77 Both nationally and regionally this is a growing sector where growth is forecasted in all aspects from the traditional health sector to more research and tech-based SME's.

A2.78 Nationally business in this sector tend to locate near universities, science parks or hospitals. They tend to locate in clusters and this benefits R&D.

Distribution across the West of England

A2.79 These occupiers are located throughout region but mainly in the out-of-town locations.

Property Requirements

A2.80 The sector has a wide mix of property requirements, and there is potential growth in lab requirements.

A2.81 Historically in the region these companies are located in North Bristol / Emersons Green (Bristol and Bath Science Park) although potential growth in city centres is anticipated, especially in Bristol City Centre around the St Philips area.

A2.82 Demand for more commercial space will likely be driven by the emerging sub-sectors and innovations in the longer term. These companies are normally looking at lab enabled space that is flexible in terms of use and growth. They also tend to cluster and collaborate to help growth, and through looking at growth trends nationally, this is normally near to universities or research institutions.

A2.83 In the region there are some growth opportunities existing in Bath and Bristol city centres and near to the science park. Demand for access to local amenities is becoming increasingly important, and with the University new campus near Temple Meads this could be a strong growth area for the sector. Although companies in this sector are unlikely to require standard offices, so areas such as St Phillips or Lower Bristol Road could provide areas for growth. The demand for lab space or lab enabled space will also be important.

Food and Drink

A2.84 Bristol & Bath have a growing network of innovative food and drink companies, and a strong collaborative environment between businesses, academics, and R&D institutions.

A2.85 The food and drink sector contributed £1.9bn to the national GVA, with agriculture contributing a further £845m. The region is home to one of just 17 DEFRA (Department for Food, Environment & Rural Affairs) designated Food Enterprise Zones in the UK.

A2.86 The Food Security and Land Research Alliance, which is based in the region, complements these growing networks. This organisation works across disciplines and collaborates with institutions with a strong background in relevant areas of research. It also maintains funding relationships with research councils, government departments, and the private sector.

A2.87 There are over 4,800 higher education students and more than 600 sector-specific academics working on agricultural studies in the region.

A2.88 The wider region is home to two internationally renowned agricultural institutions: the Royal Agricultural University and Hartpury University. It is also home to the Rural Enterprise Centre, which is integral to the region's educational and business growth.

A2.89 The West of England's agricultural business landscape also comprises a vast network of small to medium-sized enterprises (SMEs) and some of the world's most iconic names in the agri-food sector, such as LettUs Grow.

A2.90 Some of the major companies in the region in this sector are set out in the table below.

Table A2.8: Major Food & Drink Businesses in the West of England

Major Companies		
Pukka	Warbuttons	Thatchers
Zenith International	Yeo Valley	Gouter
6 O'Clock	Pieminster	Tulip Fresh Meat
Nutisue Limited	Barts Ingredients	LettUs Grow

Recent and Future Change

A2.91 Any growth in this sector will be organic growth or slower than some other sectors unless we see a national change that significantly impacts the sector. There are opportunities to expand the sector locally with the Net Zero agenda alongside changing technology advancements in this sector.

Distribution across the West of England

A2.92 These occupiers are located throughout region, although are generally in out-of-town locations with key clusters in South Gloucestershire and Avonmouth as well as North Somerset.

Property Requirements

A2.93 There is a mix of property requirements, predominantly industrial or lab enabled office buildings in out-of-town/edge of cities locations with good access to transport. Any increase in demand will be across the board in terms of property type but, will be focused on fringe city locations or out-of-town locations.

A2.94 The type of space required varies across the sector as it is quite diverse. The office-based requirements are likely to be subject to the same pressures as other office-based business; namely, downsizing requirements but for better quality space that focus on sustainability and amenities for staff. The more industrial focused or low spec requirements will remain relatively active but, occupiers are unlikely to move as their fit-out costs can be expensive and are generally unique to each occupier.

A2.95 We don't expect much change in sector requirements for commercial space, as apart from the larger companies looking to move to better quality space the sector doesn't cluster as much as some others. Therefore, businesses can work from more remote areas, or from home.

Transport and Logistics

A2.96 The region has a long standing and established Logistics/Distribution sector. This is centred around the Avonmouth-Severnside Enterprise Area. The Enterprise Area is the ideal site for businesses in the warehousing, distribution, waste and energy-processing sectors.

A2.97 The sector relies heavily on access to main arterial routes / good access. The Port of Bristol and Avonmouth / Severnside provide the main support for regional distribution, and is the major centre for the larger and medium size occupiers. Adjacent to Bristol Port (the UK's most central deep-sea port, with 67% of the UK population living within 250 kilometres) and a half-hour drive from Bristol Airport, the site provides all the global connections required. The area is close to the M4/M5 motorways, and 85% of the UK's population live within a 4.5-hour drive.

A2.98 There are over 22,500 jobs in the Transportation & Storage sectors in our region. Some of the major companies in the region in this sector are set out in the table below.

Table A2.9: Major Transport & Logistics Businesses in the West of England

Major Companies		
Akzo Nobel	Amazon	First Bus
DHL Express	CLH	Bristol and Avon Group
Yusen	John Lewis	EDEMO
Imperial Tobacco	Ceva Logistics	Whistl

Recent and Future Changes

A2.99 This remains a significant growth sector as changes to the way people work and leisure practices mean the sector has an increasingly important role in retail and last mile logistics.

A2.100 There remains demand for low density sheds with good circulation and strong access to primary road and motorway networks. We are seeing increased demand for warehousing, distribution, and logistics space in prime locations, as well as last mile logistics which require good transport links and available labour.

A2.101 In terms of smaller, last mile logistics there has been a lot of growth in the sector in recent years, and these occupiers require accommodation in edge of city locations where the pressure on land uses is higher.

Distribution across the West of England

A2.102 The occupiers are located throughout the region but with a strong focus on South Gloucestershire and Avonmouth. Other clusters are located in Almondsbury, North Bristol, St Philips, parts of Bath and South Bristol.

Property Requirements

A2.103 This sector is heavily reliant on industrial units with a limited requirement for office space. The demand for larger Distribution, Logistics, and Manufacturing will remain steady and this demand will be centred around Avonmouth and Severnside as well as other locations with access to available land and motorway access.

A2.104 The majority of larger occupiers are looking for access to the motorway network, and therefore are concentrating on South Gloucester, Avonmouth or the M5 Corridor, although the availability of land is limited in these locations. Land is required in these areas to satisfy the larger Distribution, Manufacturing, and Logistics requirements, as currently Avonmouth and Severnside have limited supply. There is future supply in developments such as Westgate, Panattoni Park, Matrix49, and other available sites, but given the size of future requirements, and the industrial premises planned for the sites, it will be limited to a few large industrial buildings. If these get taken up their will be pressure for further land.

A2.105 In terms of the last mile logistics there is a lot of pressure on land as generally the demand is for edge of city centre sites. Areas such as St Philips, Newbridge/Brassmills, and Lower Bristol Road, Bath have historically provided space for these requirements. However, the existing buildings are either not fit for purpose, or the land is being taken up for other, higher density uses. These areas have been subject to a lot of change over the last few years. There have been a number of large-scale Change of Use applications, and plans to change the character of these areas. This means the sector needs to find new land supply.

A2.106 Industrial buildings don't mix well with residential, and therefore some of these areas are no longer fit for purpose and won't suit the sector unless on a low scale. However, parts of these areas need to be protected to provide industrial space, otherwise the sector will be driven out of these locations all together. Areas such as Newbridge and parts of St Phillips need to provide some of the last mile logistics and smaller industrial requirements. Whilst areas such as Lower Bristol Road and areas nearer Temple Meads in St Phillips are already changing/have changed so they no longer suit this use.

A2.107 Areas such as Newbridge and Peasedown near Bath, Keynsham, and North Bristol can offer solutions for some of the demand that has been driven out of the traditional city centre locations. However, it will not suit all occupiers, and therefore protection of land in/near city centres is required otherwise higher value land uses will continue to change the landscape.

Appendix 3. LSH Commercial Market Report

Lambert Smith Hampton

West of England Commercial Property Market Review

South Gloucestershire Council

December 2023

lsh.co.uk

Contents

1 UK Office Market Summary

1.0 Turbulence in the financial markets last autumn and persistently high inflationary pressures have cast a shadow over the first half of 2023. This led to the number of transactions in Q1 2023 halving from the previous quarter. Take-up in H1 has seen modest activity across the market.

1.1 Take-up for office space in the UK Markets totalled 1.1m sq ft in the first quarter of 2023. Relative to the five-year quarterly average of 1.4m sq ft, space leased was below trend (-22%). Demand for high quality space continued, with deals for new and pre-let space accounting for 31% of the quarterly demand. The largest three deals, including two larger than 40,000 sq ft, saw occupiers acquire newly completed or pre-let space.

1.2 Against a backdrop of slightly below trend take-up over the past year, flight to quality continues to stand out. Growing demand for ESG credentials (Environmental, Social & Governance), energy efficiency and concerted efforts to attract staff into the office have driven demand for high quality workspace.

1.3 The recent bout of economic uncertainty has effectively delayed the much-anticipated wave of post-pandemic relocations, particularly larger corporate occupiers. However, there are promising signs that these requirements will start to bear fruit in the second half of the year, with calmer conditions in the economy also paving the way for a rebound in smaller to medium sized transactions and above trend take-up.

1.4 Over the past 12 months, the most active sectors were Professional Services, Government, and Financial Services, together accounting for 57% of all transacted space.

1.5 Supply levels have remained stable, but at a relatively low level. Availability across the UK Markets remined largely stable over the most recent quarter, ending Q1 2023 at 18.0m sq ft. This represents a 2% fall year-on-year, with supply continuing to be inflated above long-term average levels by the 13.7m sq ft secondhand space on the market (76% of the total)

1.6 Despite general caution around offices and high build costs, development has continued and 0.7m sq ft of development space has completed across the UK markets during the first quarter of the year. At the end of Q1 there was 4.8m sq ft under construction, of which 1.4m sq ft (28%) was pre-let or under offer.

1.7 Developers remain cautious, with borrowing and construction costs still elevated, and yields and voids increasing, which may restrict high quality supply across regional markets in the coming years, but where the market sentiment is strong there is still confidence.

1.8 We anticipate the office market to continue to be polarised between best-in-class space and secondary buildings, with occupiers willing to pay good rents on grade A space which meets their ESG credentials and requirements in attracting and retaining talent.

1.9 Despite increased occupier caution around the economy, prime headline rents have not only proven resilient but grown significantly in many cases.

2 The Impacts of Covid 19 on the Office Market

2.0 The impacts of Covid 19 have dampened office demand in the previous two years due to the widespread change in working practices (working from home and flexible/hybrid working).

2.1 LSH undertook surveys of its occupier client base in 2022 and 2023 to ascertain how their policies and space requirements are set to change in the wake of the pandemic. The surveys garnered 51 and 63 responses respectively from key decision makers across a variety of organisations, spanning a wide range of sizes and sectors.

2.2 The survey response lays bare the substantial reduction in rates of office occupancy compared with prior to the pandemic in early 2020. Despite all COVID-19 restrictions having been lifted several months prior, in 2022 only 15% of respondents stated that their staff are now in the office for a minimum of four days per week. This compares with 90% prior to the pandemic.

2.3 The survey in 2023 showed a marked increase with 73% saying attendance levels have improved since 2022 and now 22% of respondents stating that their staff are now in the office for a minimum of four days per week.

2.4 If we look at 3 days a week a further 28% in 2022 of staff worked in the office at least 3 days a week which is now up to 39%, this means that on average 61% of staff are in the office for the majority of the week.

2.5 This is set to continue to rise with 61% of companies having polices guiding attendance levels or will introduce them in the next 12 months.

2.6 Both survey's outlines the following key trends:-

- A large majority of occupiers intend to cut back on office space by 15-20% (20 to 39% in 2022).
- Occupiers are demanding more from office space in a 'flight to quality'
- The importance of ESG considerations to occupiers

2.7 In addition to the LSH survey there a wide range of workplace studies and research, which all highlight the same trends to greater or lesser extent.

2.8 The market signals are clear both nationally and across the region that occupiers require less space but better quality. The focus continues to be on best-in-class Grade A office buildings that are well located, high quality and rich with amenities in order to attract employees back to the workplace.

2.9 There is also the growing driver of ESG targets and credentials, with real estate forming a key part of an organisation's carbon footprint.

2.10 Market demand will continue to diminish for unrefurbished buildings with no amenity, in poor locations and low environmental credentials.

2.11 A limited choice of best in class space in most markets, which 'ticks all the boxes' in terms of meeting post pandemic demand, will perform well in terms of demand and pricing.

3 West of England Office Market Commentary and Current Trends

3.0 The West of England commercial property market covers a wide geographical area with several larger markets and sub-markets which provide a variety of options to occupiers in the region. For this report, we have focused on the three key centres of Bristol City Centre, Bath, and Bristol Out of Town (OOT - which covers parts of South Gloucestershire as well as sub-markets such as Portishead, Clevedon, Keynsham and Thornbury).

3.1 Bristol is the major office location in the South West with a significant stock of office space, a host of multinational occupiers and HQs, excellent connectivity and a highly skilled workforce.

3.2 Bristol has been very active in recent years, with strong demand pushing rents to the highest level among the Big Six UK office markets. This is encouraging developers, and multiple high quality speculative projects are coming through.

3.3 Take-up across the Bristol and West of England Market has been subdued through the first half of 2023 which contrasts with a strong end 2022. There has been a lack of larger deals this year to date and whilst enquiry levels remain at a steady level, tenants are taking time to make decisions, and this is leading to slower transactions and lower levels of take up.

3.4 The shift towards greater hybrid-working prompted by the pandemic is driving demand to relocate into better quality and / or more flexible space, typically upon lease events.

3.5 Moves to consolidate are not simply down to cost cutting, but rather to exchange quantity for quality. Never has the quality of workspace been so important, to attract employees into the office and to demonstrate increasing commitment to ESG goals. The labour market is also extremely tight, reflected in a record one million job vacancies across the UK service sector. In the war for talent, alongside pay, the quality of a business's workspace can give it an extra competitive edge in recruitment.

3.6 The underlying nature of overall supply has remained broadly unchanged over the past year. At the end of Q1 2023, grade A space accounted for circa 26% of total supply across the three key markets. A healthy choice of grade A options is arguably preferable amid concerns over accelerated obsolescence for secondary space emerging in the wake of the pandemic.

3.7 The relative stability of supply levels in the West of England is partly down to a limited volume of tenant-released or so-called 'grey space' hitting the market in the wake of the pandemic, certainly less than initially feared.

3.8 Supply is generally low across the three key markets with Bath providing the highest supply of 3.9 years, whilst Bristol City Centre has the lowest at 1.4 years. It is average for a market to have circa 2 years of supply available which shows how limited supply in Bristol City Centre is, and the supply in Bath is not of concern due to the smaller nature of the market.

3.9 Permitted Development Rights (PDR) removed a substantial number of secondary buildings across Bristol, Bath and the wider region which assisted the office market by removing a glut of poor-quality supply.

3.10 Despite the upheaval caused by the pandemic and, in more recent months, increasing caution around the economy, prime headline rents have not only proven resilient but grown in many cases. In addition to paying high rents for new schemes, tenants are also happy to pay for high

quality refurbishments and so the gap between grade A and B is narrowing. However poorer grade space has fallen to the wayside and will struggle moving forwards.

3.11 Not only has there been rental increase in most markets, but the wider West of England market has maintained incentive packages at a relatively tight level. The movement to higher rents is typically linked to the delivery of high quality new or refurbished space.

3.12 Creating more flexible workspace solutions will also provide an important means of attracting demand. The West of England is yet to see a concerted increase in fitted space being offered to the market, with Cat B and Cat A+ (both landlord and tenant released) making up a relatively small percentage of total supply. With many occupiers remaining averse to capital expenditure and unsure of their long-term plans, shifting the provision to include both quality and flexibility will be increasingly key to letting success.

3.13 The Cat A+ space remains a relatively untested market with the majority of fitted lettings being for sub 5,000 sq ft suites, but for those developers that are able and willing to commit to high quality value-add projects they are seeing the rewards with high levels of rent and strong letting prospects.

3.14 As a broad comparison of the various submarkets within the West of England, we have set out below the approximate key metrics.

Location	Total Office Stock	Annual Average Take-up (sq ft)	Current Availability (sq ft)	Vacancy Rate	Prime Headline Rent (per sq ft)
Bristol City Centre	10,000,000 sq ft (929,000 sq m)	610,000 sq ft (56,671 sq m)	1,033,000 sq ft (95,969 sq m)	10.3%	£42.50
Bristol Out of Town	4,000,000 sq ft (371,612 sq m)	315,000 sq ft (29,264 sq m)	650,000 sq ft (60,387 sq m)	16.3%	£23.50
Bath	1,100,000 sq ft (102,193 sq m)	90,000 sq ft (8,361 sq m)	300,000 sq ft (27,871 sq m)	27.2%	£36.00

Source: LSH Research where not stated otherwise. Annual average take-up over past 10 years. All stats only include deals, and suites/buildings over 1,000 sq ft (93 sq m)

3.15 Based on the above data it is clear that Bristol City Centre is the largest market in terms of overall size and annual average take up. All three of the markets attract good levels of inward investment and host a variety of occupiers from local, regional, national, and multi-national companies.

3.16 The Bristol out of town market covers a large geographic area but the majority of activity occurs in Aztec West, Bristol Business Park and Almondsbury. Whilst large occupiers such as those servicing the defence sector continue to take space there, it has been a relatively stagnant market in terms of demand in recent years but with stable headline rents.

3.17 The Bristol out of town market which generally does not benefit from any central amenities or community for staff, will continue to suffer from a loss of occupiers as they look to relocate

to better quality offices in more central locations. It is very challenging to retrofit such amenities, particularly in parks with fragmented ownership.

3.18 Historically, demand for the out-of-town markets was largely driven by the perceived availability, lower costs, access to the wider region and ample car parking for employees. However, with employers increasingly aiming to meet ESG credentials and attract talented employees many are now drawn to the amenities that town / city centres have to offer.

3.19 We have seen some occupiers' attitudes shift post the pandemic, witnessing relocations to central locations due to a need for better quality office space with amenity and the adoption of hybrid working meaning that car parking is a less important factor when choosing new premises.

3.20 Bristol City Centre and Bath City Centre have experienced substantial rental growth in recent years due to a lack of overall supply combined with the delivery of new buildings and comprehensive refurbishments. Bristol Out of Town has suffered from a paucity of new development in the new millennia, predominately due to a substantial availability of tertiary stock and suppressed rental growth.

4 Office Supply

4.0 Over the past decade the removal of stock to PDR and resurgent take up from 2018 to 2020 has brought availability down to a stable vacancy level across the West of England region as a whole. During this period almost all Grade C accommodation has disappeared along with Grade B stock being reduced.

4.1 Whilst the impacts of Covid 19 dampened office demand, there has not been a substantial amount of grey space coming back to the market or corresponding downward pressure on rents within the West of England.

4.2 The absence of released supply where offices are not currently being utilised post Covid 19, could in part be down to occupiers uncertain of the amount of space they require and therefore delaying moves for the time being.

4.3 As lease events are reached in the next 24 months, we anticipate that occupiers will look to consolidate or upgrade, which could mean further Grade B offices becoming available as well as a tightening of Grade A stock as occupiers clamber for the best space.

4.4 Secondhand space, or tenant released space, which is unrefurbished will struggle to let, as we expect a flight to quality from occupiers looking to entice staff back into the workplace. Buildings that are unable to be repositioned and achieve necessary ESG hurdles, including the pending Minimum Energy Efficiency Standards (MEES), will face obsolescence more rapidly than previously envisaged.

Bristol City Centre

4.5 Bristol City Centre comprises a diverse range in quality of office properties dependent on the micro location they are within. The most desirable locations for office occupiers within the centre include Temple Quay, Finzel's Reach, Queen's Square and Victoria Street. Properties within these areas are built or refurbished to a very high standard due to the strong demand that can be reflected by the rental levels achieved. On the other end of the spectrum, areas such as the old city where a large proportion of the offices are listed, sees more dated office specifications and difficult layouts often resulting in lower rental levels with less demand.

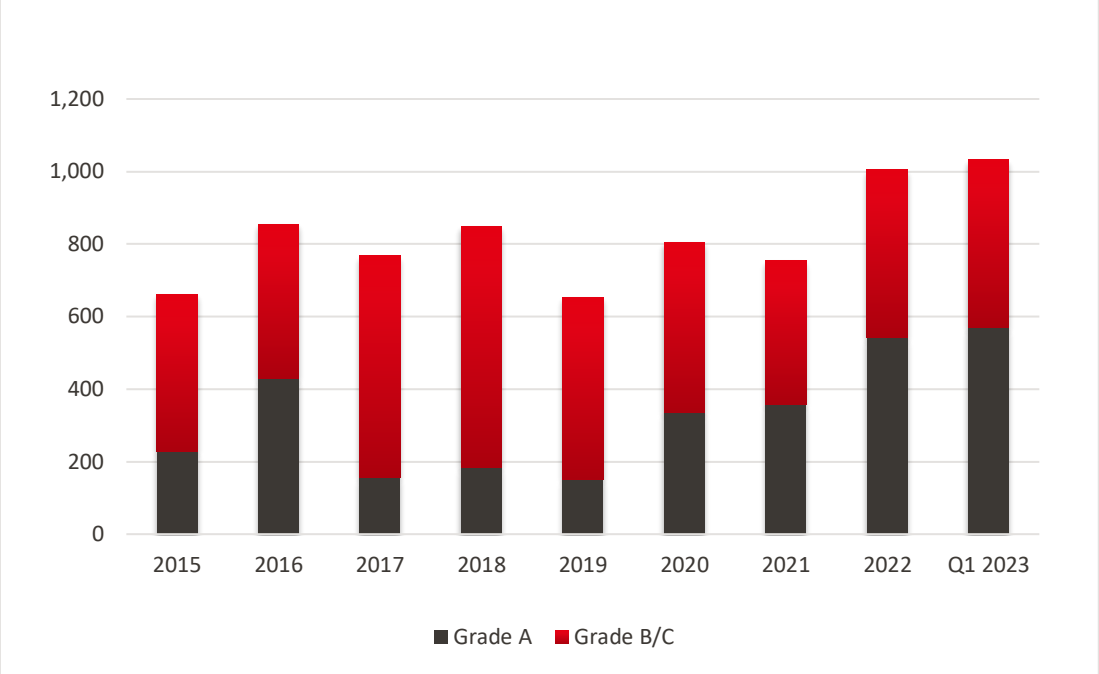
4.6 Availability stands at circa 1,000,000 sq ft at the end of Q2 2023, on the back of a steady stream of development activity and several schemes due to PC in the next 6 months. The most notable recent completions are Royal London's The Distillery (92,000 sq ft), Cubex's Halo (116,000 sq ft) and Nord's One Portwall Square (33,767 sq ft), all of which have secured multiple tenants and have limited space remaining available.

4.7 Several other new build schemes are set to arrive within the next 12 months. These include CEG's EQ (185,509 sq ft), Candour's The Welcome Building (206,742 sq ft), and AXA and Bell Hammer's Assembly Buildings B and C (28,158 sq ft and 92,716 sq ft).

4.8 These speculative new developments will bring new grade A space to the market and have already been successful in securing pre-lettings for circa 50% of the space being made available.

4.9 Additionally, several comprehensive refurbishments are underway including V7's 100 Victoria Street, Credit Suisse's 3 Rivergate, L&G's North Quay House and APAM's Apex, Temple Quay.

Fig. 1 Bristol Availability (000 sq ft)



4.10 The success of the new schemes has encouraged developers to explore further opportunities and several speculative projects are planned at city centre sites, including Soapworks, One Passage Street, Station Approach and Redcliffe Wharf.

4.11 As a relatively new trend, landlords are increasingly prepared to fit out space to attract tenants. While this had previously been largely restricted to smaller sub-3,000 sq ft suites, landlords have begun to offer some larger fitted suites of circa 6,000 – 8,000sq ft and they are proving to be popular with tenants.

4.12 Whilst supply has increased in recent years, and there is development in the pipeline, Bristol city centre market has a tight supply with circa 1.4 years' worth of supply (current availability divided by the 10 year annual average take up). The majority of this is now good grade space but this is a low level and shows that there is room for further developments and refurbishments.

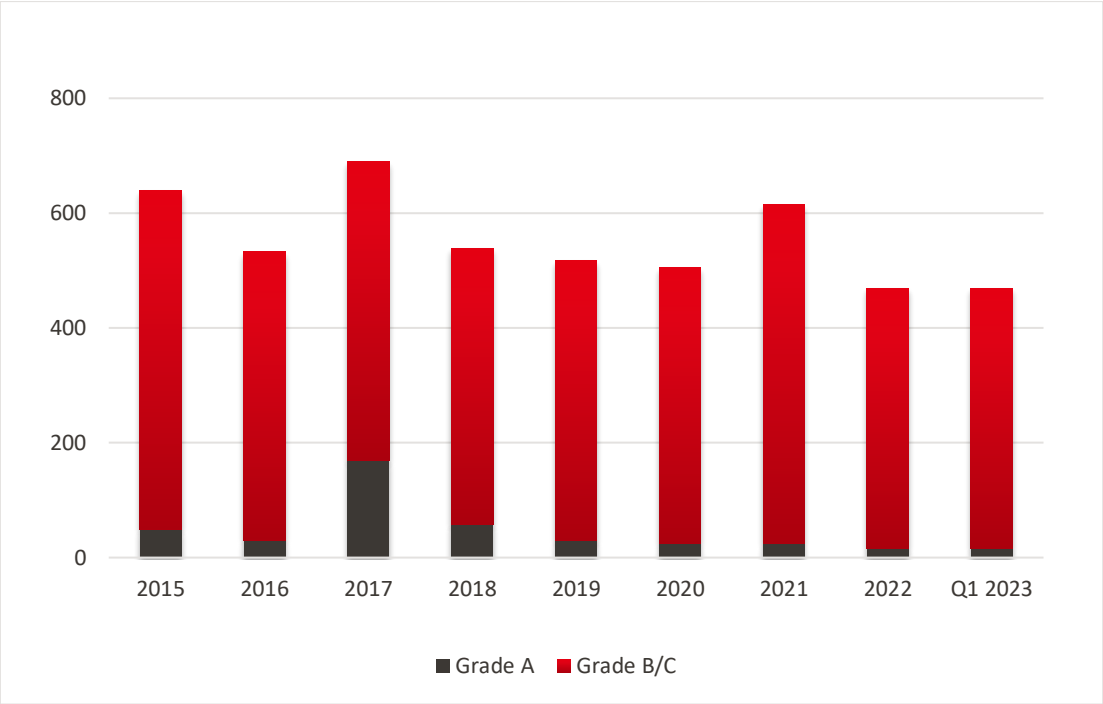
Bristol Out of Town

4.13 The Bristol out of town market has maintained a steady level of supply for the last 5 years and with no speculative new build developments in the pipeline it is expected to remain steady for the next few years.

4.14 Similarly, to the City Centre market, the prime locations such as Bristol Business Park and Aztec West have seen stronger demand and higher rents in contrast to other out of town locations such as Bradley Stoke, Portishead and Filton. This is largely due to strong demand from the defence sector which has a strong presence on Bristol Business Park because of its proximity to MOD Abbey Wood and Aztec West's accessibility to the motorway network. Areas such as Portishead, Filton and Bradley Stoke have seen limited new office space brought to the market which has led to inferior specifications when compared to the prime locations making offices within these areas less desirable.

4.15 There are sites which could come forward such as Ashfield's Approach (200,000sq ft) and YTL's Filton Airfield but these are both longer terms options and are not expected to be developed speculatively.

Fig. 2 Bristol OOT Availability (000 sq ft)



4.16 There is now an acute shortage of grade A space in the market. Only three options remain available including, 730 Aztec West (10,000 sq ft), 100 Bristol Business Park (80,000sq ft) and Bristol Science Park (6,576 sq ft).

4.17 Meanwhile, the supply of grade B/C space has risen by 88,000 sq ft following the addition of Lake View in Q3. The largest currently available unit is 124,000 sq ft of grade B space at Enterprise Park.

4.18 Bristol out of town does have a healthy supply and demand balance with 2.2 years' worth of supply (i.e. current availability divided by the 10 year annual average take up). However, with a lack of grade A space available means that the space that is available is not up to the requirements of modern occupiers and so several occupiers are now looking to take space in more central locations where the is better quality space[1].

1.0 A lack of prime headline rental growth over recent years has deterred developers from speculative development. However, 2022 saw CEG commence a comprehensive refurbishment of Building 1000 Aztec West. The 80,000 sq ft development, which is due to complete later this year, will boast an unrivalled level of specification compared with elsewhere in the market and provide a major impetus for activity. It is also expected to ignite a much-needed increase in rents. Unlike the recent success seen in Bristol City Centre where all the redevelopment / newly built schemes apart from The Distillery saw a percentage pre-

[1] This is likely a reflection on both availability of grade A space and lack of amenity.

let during construction, there has been limited activity at 1000 Aztec West. This highlights the lower demand currently experienced out of town.

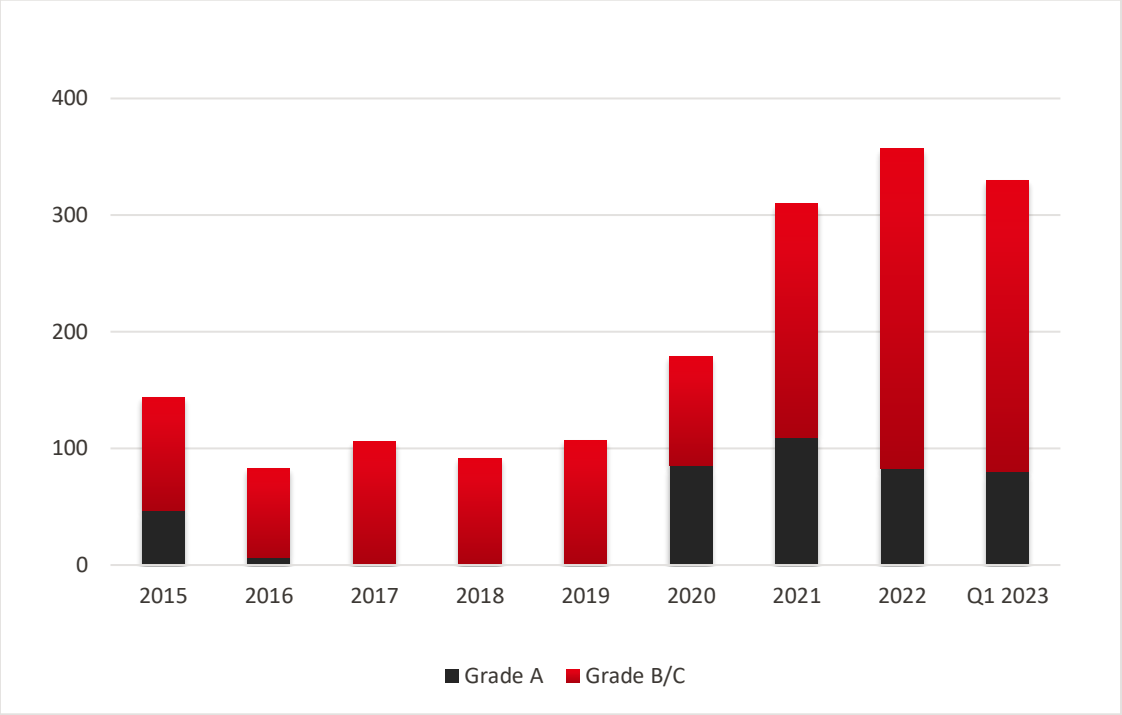
Bath

4.19 Bath has a legacy of period town houses often offering less than 2,500 sq ft across a number of floors and in several rooms. These spaces no longer meet the needs of modern occupiers so new developments and refurbishments have been needed to provide the quality of space that the market demands.

4.20 Bath's office supply increased after a long period of having limited, and poor grade, stock. There has been a much-needed improvement in the quality of available space with both new accommodation and comprehensive refurbishments being made available to provide occupiers with a choice of high-quality spaces which they have not had for several years.

4.21 Overall supply has ballooned from a very tight level three years ago to a sustained high of over 300,000 sq ft in 2023.

Fig. 3 Bath Availability (000 sq ft)



4.22 No1 Bath Quays saw Bath's first new speculative development for a number of years. The building provides 45,000 sq ft of brand-new grade A office accommodation but following the successful letting of 4th floor to Altus and the part 1st floor to Fidelius there is now just 29,000sq ft remaining.

4.23 Grade A availability received a further boost during Q3 2022 with the arrival of CBRE IM's Royal Mead (25,000sq ft), which has secured a letting of the ground floor to Smart Bear, and TCN's Newark Works (35,411 sq ft), situated on the south bank of the Avon. The scheme is designed to cater for SME demand and, with the arrival of the bridge connecting both Newark Works and No1 Bath Quays to the city centre it is expected to let-up well.

4.24 Bath has a slightly high supply of offices at the moment with 3.9 years' worth of supply (current availability divided by the 10-year annual average take up), which is above other parts of the West of England but is mostly due to the injection of good grade space which has been brought to market.

4.25 Whilst these new schemes have performed well there is now a healthy level of supply to the market and considering the changing dynamics, the developers of poorer located schemes, such as Roseberry Place (50,000 sq ft) are likely to seek approval for change of use to residential accommodation, which is not seen to be a bad thing as over supply can dampen the market.

4.26 Bath's out of town office market is very limited as occupiers in the city want to be well located within walking distance of the city centre, it's amenities and the train station. The areas surrounding Bath are not as well connected as North Bristol, and so demand here is limited to local or regional occupiers or those who need to locate there for a specific reason.

4.27 There has been some letting success in areas such as Keynsham which saw the largest out of town transaction in the region for Quarter 2 at the Chocolate Factory where 16,931 sq was acquired by IVC, a veterinary care company. This property has been comprehensively refurbished to provide high quality office space arranged over ground and five upper floors benefiting from a city centre specification.

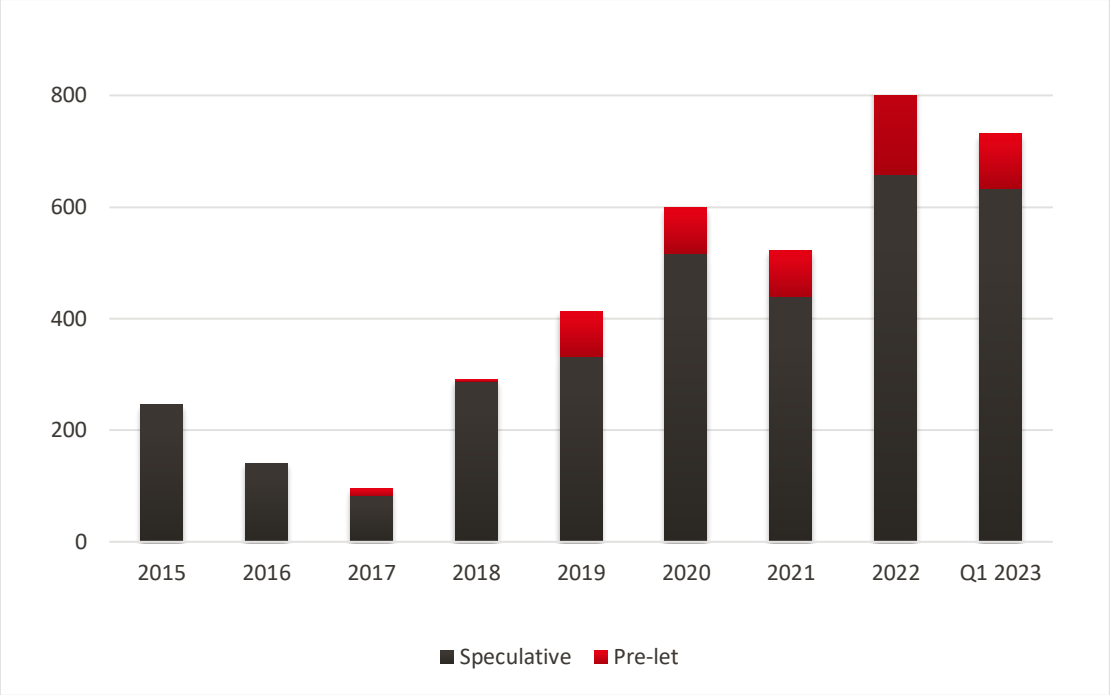
5 Office Development Pipeline

5.0 Figure 4 below shows offices under construction by year in the West of England area. This is categorised by either ground up new builds or comprehensive refurbishments (major intervention, back to frame and M&E replacement).

5.1 The focus of this development has been in Bristol city centre due to the size of the market, however in recent years there has also been new developments in Bath and comprehensive refurbishments across the region.

5.2 Since 2017 there has been a steady increase in the number of developments and refurbishments in the region which reflects investor / developer confidence in the area and relates to ongoing rental increases in the region.

Fig. 4 Under Construction (000 sq ft)



5.3 Notable completions of new buildings in Bristol city centre are Royal London's The Distillery (92,000 sq ft), Cubex's Halo (116,000sq ft), Umberslades Cargo Work (20,270sq ft) and Nord's One Portwall Square (33,767 sq ft).

5.4 The Bristol out of town markets have not seen any new developments complete in the last couple of years although CEG's comprehensive refurbishment will complete later this year.

5.5 Bath has seen new development in the form of No1 Bath Quays (45,033sq ft).

5.6 In addition to these new builds, comprehensive refurbishments have been completed at Northwood's 10 Victoria Street (47,410sq ft), Salaft Proerties' The Cube (13,543sq ft) and in Bath city centre at CBRE IM's Royal Mead (24,582sq ft).

5.7 Schemes which are due to complete in the next 12 months include CEG's EQ (185,509 sq ft), Candour's The Welcome Building (206,742 sq ft), and AXA and Bell Hammer's Assembly Buildings B and C (28,158 sq ft and 92,716 sq ft). These speculative new developments will bring new grade A space to the market and have already been successful in securing pre-lettings for circa 50% of the space being made available.

5.8 Additionally, a number of comprehensive refurbishments are underway including V7's 100 Victoria Street, Credit Sussie 3 Rivergate, L&G's North Quay House, APAM's Apex, Temple Quay, CEG's The Crescent and 1000 Aztec West which are focused on Bristol city centre but include some space in the out of town market.

5.9 It is clear that the focus of activity is in Bristol and whilst this is partly to be expected due to it's size and national prominence it does raise some concerns that other parts of the region may become under supplied.

5.10 For the time being Bath has a healthy supply of good quality stock and it also has options in the pipeline with L&G / Bell Hammer's Bankside looking to bring forward high quality space.

5.11 It is the out of town markets which appear to be struggling more and have limited viable options in the immediate pipeline until the market dynamic is improved. Once 1000 Aztec West is complete it is hoped that this scheme will provide the much-needed improvement in quality of space and rents achieved which is required to stimulate further confidence in this market. However, if 1000 Aztec West fails to let, then it will highlight a lack of demand in Aztec West and could delay refurbishment and new developments of other properties within North Bristol. Proposals at Former Filton Airfield will offer grade A space within a mixed use environment but delivery of space is beyond the time horizon of those currently in the market for space.

6 Office Demand and Take-up

6.0 The wider West of England region has experienced healthy levels of demand in recent years with the take up for 2022 being above the 10 year average in all of the region's markets. Demand comes from a variety of sectors which further strengthens the markets. This demand is often derived from businesses already within the area expanding or contracting at lease events, but also from occupiers who are entering the market from outside of the region. Bristol city centre has been the core of occupier demand due to the accessibility to further afield by road and public transport but also staff wellbeing with a variety of amenities within buildings as well as within the surrounding area.

6.1 When the take-up is compared to the historic availability of grade A stock across all three of the markets, there is a strong correlation of strong grade A take up in these years. Which demonstrates that tenants are willing to take grade A space when it is available.

6.2 Occupier focus is now firmly on ESG credentials, wellness and building amenity with increasing headline rents often being driven by a reduction in size but increase in quality.

6.3 With the recent uncertainty that the economy has been through in recent years, there comes the desire for flexibility when leasing office space and this has been witnessed by the growth of the serviced and flex market prior to the pandemic, which has continued to grow. Serviced office demand is typically below 20 people, or 2,000 sq ft, but can accommodate substantially larger requirements in some regional serviced office centres.

6.4 The serviced office sector has been on a rollercoaster ride over recent years. At its peak in 2019, it accounted for c. 10% of regional office take-up. When the COVID lockdowns came, mass homeworking created enormous challenges for operators and their take-up of office space almost entirely dried up, accounting for only c. 1% of regional market activity in 2020. Post-pandemic, serviced office acquisitions have primarily focused on the larger city centre markets but we are seeing good demand from this sector across all parts of the region.

6.5 Alongside the growth of the serviced sector some landlords have started to deliver office space to a Cat A + standard, which typically includes the fit-out and furniture that the tenant would have previously had to carry out on traditional leased office space.

6.6 A Cat A + suite or fitted office space offers significant benefits to occupiers including reduced capital expenditure, shorter lead-in to occupancy and flexibility. There is more risk and expenditure for a landlord to go down this route, but a premium rent can expect to be achieved in return.

6.7 Examples of where landlords have been successful in providing Cat A + space and being rewarded with higher rent can be seen a V7's Pivot+Mark where rents of £40.00psf were achieved for the fitted spaces whilst standard Cat A suites achieved circa £33.50psf, or CEG's Quorum which has achieved £47.50psf for effectively serviced space and £27.50psf for standard Cat A space.

Bristol City Centre

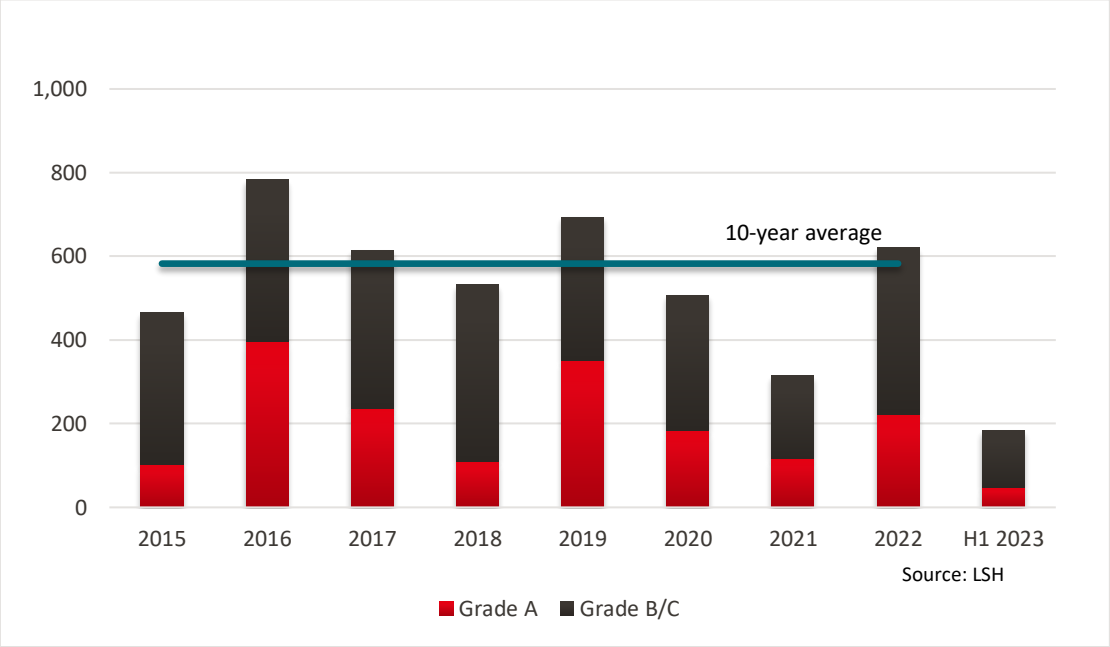
6.8 The 10 year average annual take up for offices in Bristol City Centre is approximately 610,000 sq ft and is largely influenced when there are larger deals in the market. During the pandemic take up remained at healthy levels and 2022 saw above average take up of circa 620,000sq ft.

6.9 Boosted by an excellent H1, the full year take-up was the highest since 2017 and ahead of the five-year average in the city centre.

6.10 To date, 2023 has been a subdued year with H1 take up of 148,744sq ft which is the lowest H1 take up since 2019. This was perhaps to be expected following a slow down in enquiries towards the end of 2022. Moving forward demand is expected to increase but 2023 will likely be a quieter year for the Bristol city centre market.

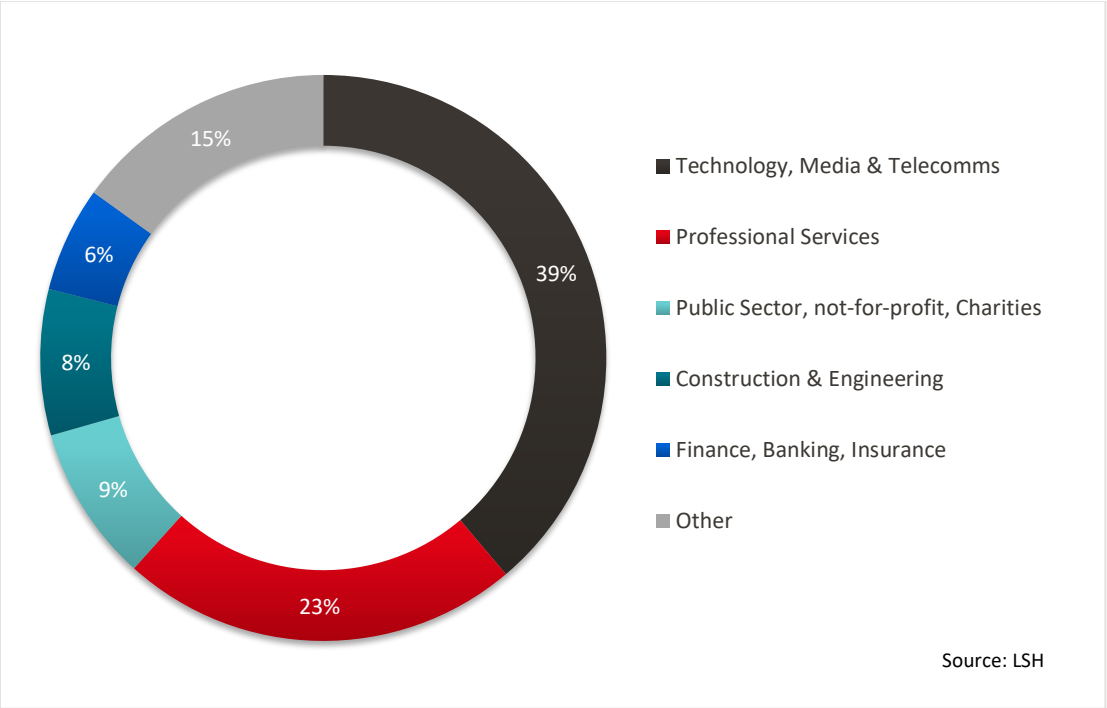
6.11 In contrast 2022 saw a number of large deals cross the line and the year started strongly with Paymentsense committing to 54,767sq ft at CEG's EQ, while Deloitte leased 22,500 sq ft at Halo, Finzels Reach. Subsequently, cloud technology company Pax8's lease of 24,375 sq ft at The Distillery was the largest deal of Q2, while the West of England Combined Authority's acquisition of 19,817 sq ft at 70 Redcliff Street was Q3's biggest transaction.

Fig. 5 Bristol CC Take-up (000 sq ft)



6.12 Demand has stemmed from a wide variety of sources, but the TMT sector has been particularly active, accounting for more than a third of take-up. The creative industries also continue to be key component of demand, with the film and TV production companies Offspring Films, Wildstar Films and Icon Films all taking office space in Bristol during 2022.

Fig. 6 Take-up by Tenant Type – 12 Months to Q1 2023



6.13 Nearly 40% of take-up has been for by grade A space, with new developments providing occupiers with a range of high quality options in the city centre, at EQ, Assembly, Halo and 1 Portwall Square all securing lettings during construction.

6.14 Prime rents have stabilised over the last 12 months at a headline of £42.50 per sq ft, the highest level of any of the Big Six UK office markets. This rental level is now well established, having been achieved by Paymentsense's deal at EQ, as well as lettings to Clarke Willmott at Assembly Building C (15,624 sq ft) and HLK at One Portwall Square (12,592 sq ft). However there are also a number of transactions under offer that are exceeding this level showing there is still strong demand within Bristol City Centre.

6.15 Rents for high quality refurbished space have also risen strongly, with 10 Victoria Street achieving £38.00 per sq ft and Dock House attaining £36.00 per sq ft.

6.16 Refurbished grade B space is performing well and achieving c. £30.00 per sq ft. Rents for low quality space are in the low to mid £20s per sq ft. However, availability at the cheaper end of the market is limited as much of the city's poorest space has been removed from the market through changes of use, and tenant demand has increasingly gravitated towards higher quality space.

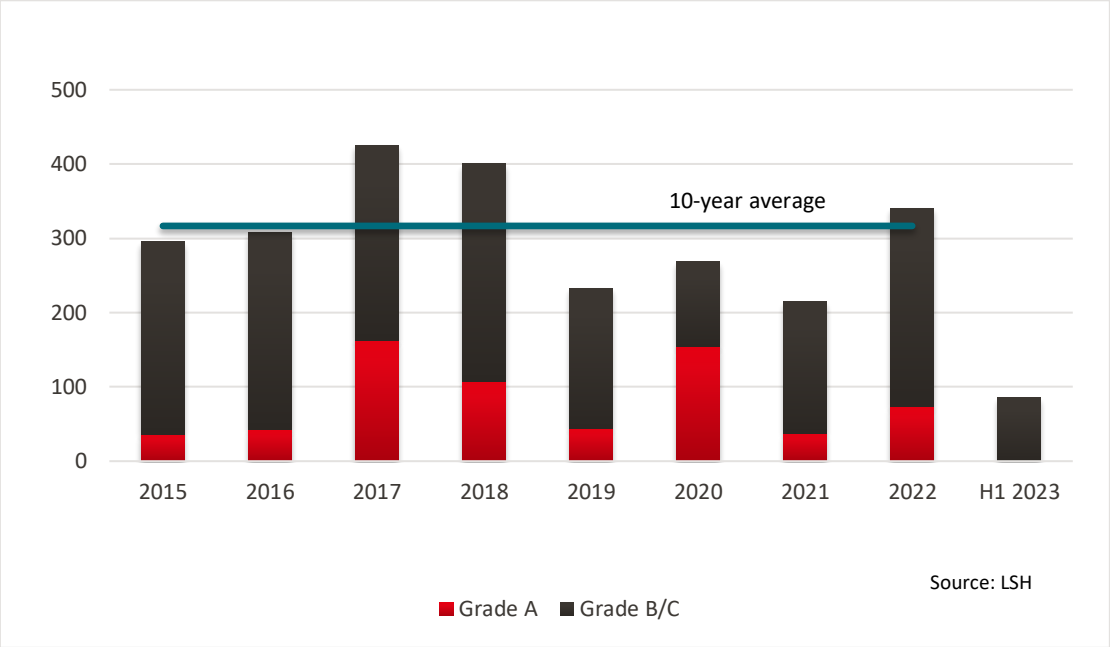
6.17 Incentives have remained stable over the last year. For both grade A and B space, rent-free periods are c.1.5-2 months per year term certain. If a tenant is prepared to commit to the scheme before it is complete then they may be able to achieve higher rent free periods in the region of 2-2.5 months per year term certain.

Bristol Out of Town

6.18 For the Bristol out of town market, take-up in 2022 was at its highest level for four years, although it could be argued that it was starting from a relatively low base. Q4 saw the strongest take-up of the year but activity was relatively consistent throughout the year.

6.19 Demand at the larger end of the market improved in 2022, with nine deals above 10,000 sq ft, compared with only three in 2021. The largest deal in 2022 was Boeings acquisition of 39,694sq ft at 100 Bristol Business Park.

Fig. 7 Bristol OOT Take-up (000 sq ft)



6.20 In addition to this Aztec West has provided a major focus of activity, and has been home to ten transactions, the largest being AE Technology's 20,819 sq ft lease at 2420 Aztec West.

6.21 Similar to the city centre market the out of town market has seen a quieter start to 2023 with 85,172sq ft transacted so far across 18 deals in H1. This reflects no larger deals being transacted, and with limited large requirements in the market it is predicted that 2023 will see more subdued levels of take up.

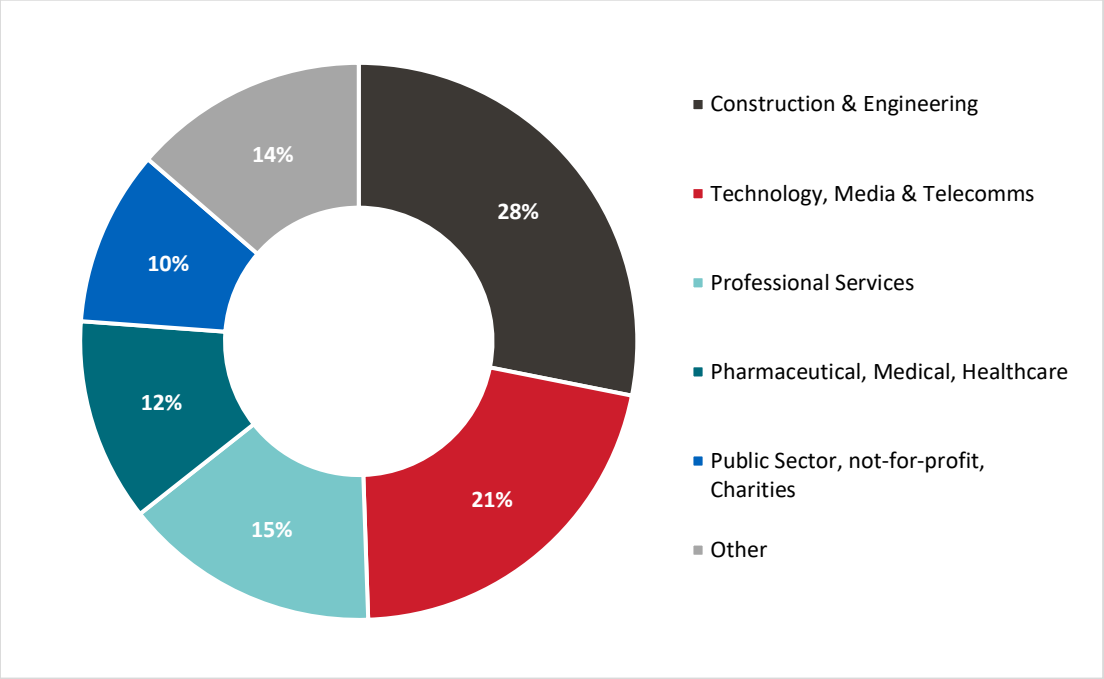
6.22 Similar to the city centre, demand has stemmed from a wide variety of sources, but the construction and engineering sector accounts for the majority of demand for the out of town market. The TMT sector is also large in this market along with professional services firms.

6.23 The construction and engineering sector encompasses several defence and MOD associated companies who generally like to be located close to Filton Abbey Wood MOD site. Large occupiers such as Babcock, Boeing, Rolls Royce, and Thales are all located close to the site and account for a large portion of the market.

1.1 Prime rents in the out of town market have remained at £23.50psf for several years now, namely due to a lack of quality space being brought to the market. However, the delivery of

1000 Aztec West is set to drive prime rents up from the current level to circa £28.00psf and, in the process, encourage other developers to follow suit.

Fig. 8 Take-up by tenant type – 12 months to Q1 2023



Bath

6.24 Bath office market is very much focused around the city centre and, being within walking distance to the train station. There is a small out of town market but demand tends to be limited to local businesses.

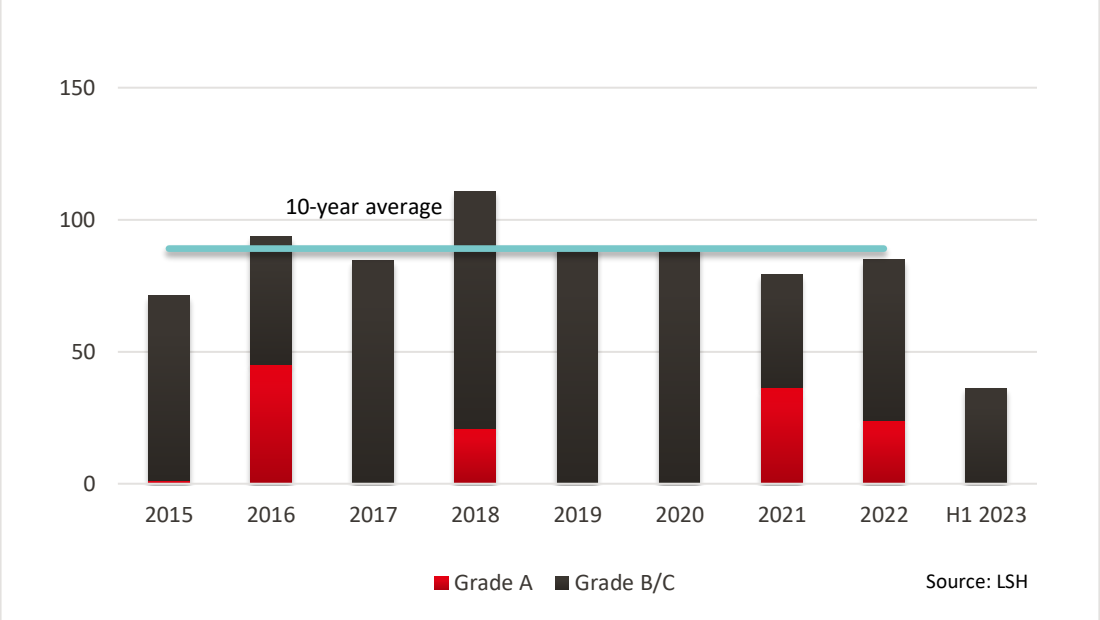
6.25 Bath is a smaller city than Bristol so it recovers and falters more quickly as decisions tend to be made at a more local level, reflecting the demographics of businesses within the city. The market was slow during the COVID-19 pandemic but here has been a material increase in office enquires and deals agreed in the last 12 months and this is expected to continue through 2023.

6.26 As with other cities, businesses continue to assess their needs and commit to generally higher specification offices than those they currently occupy to meet staff demand and provide better quality space. Traditionally, many businesses occupied Georgian buildings, but this type of demand is now much more limited, and with MEES (Minimum Energy Efficiency Standards) dictating a minimum of a 'D' rating from April 2023, this trend is only likely to increase.

6.27 Bath's annual take-up for 2022 reached 85,000sq ft which is in line with the 10 year average for the market, and in line the previous 3 years take up.

6.28 The majority of deals over the last 12 months in the city were for spaces of sub 5,000sq ft, however notable deals centred around the delivery of the first new-build development in 25 years, Bath City Council's No1 Bath Quays.

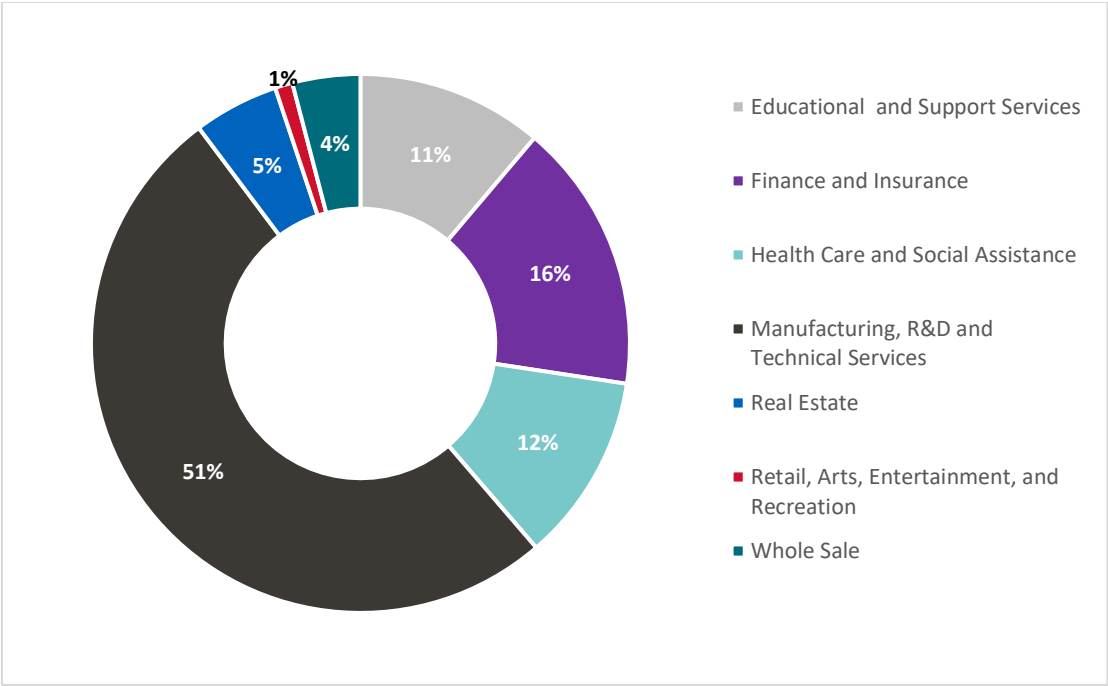
Fig. 9 Bath Take-up (000 sq ft)



6.29 No 1 Bath Quays saw leases of 9,546 sq ft and 5,866 sq ft going to Altus and Fidelius, respectively. CBRE IM's comprehensive refurbishment of Royal Mead was home to the 2022's second largest deal, with 6,842 sq ft of ground floor space taken by SmartBear. These schemes, together with the arrival of TCN's Newark Works, will be key drivers of take-up moving forward into 2023.

6.30 Headline rents increased to £36.00 psf in 2022 following the letting at Royal Mead and are expected to increase further throughout 2023 as more deals complete at No. 1 Bath Quays, Newark Works and Royal Mead.

Fig. 10 Bath Office Occupiers



7 UK Industrial & Warehousing Market Summary

7.0 Considering the economic and financial travails of 2022, UK-wide take-up hit an impressive 60.5m sq ft for the year, just edging out 2020 to be the second strongest year on record behind 2021's colossal performance. However, as the year progressed, it became clear the pandemic driven clamour for space had run its course, with take-up in the final quarter of 2022 sliding back into line with pre-2020 levels.

7.1 The scaling back of ecommerce activity was the main reason for the downward shift in take-up; Amazon was behind only 1.5m sq ft of transactions in 2022 compared with 13m sq ft in 2021. However, strong momentum was sustained in other sectors, with third party logistics keeping its foot on the pedal and low carbon-related industries behind some major manufacturing commitments.

7.2 While 2021 boasted almost every conceivable record, a key characteristic of 2022 was the focus of demand on quality space, a trend that is expected to continue over 2023. Underlining occupiers' increasingly discerning attitude around quality, ESG credentials and energy efficiency, a record 45% share of 2022's take-up involved new spec or refurbished units.

7.3 The expansion-driven frenzy spurred by the pandemic may be over but there are nonetheless grounds for optimism for the year ahead. The looming recession or economic downturn is now looking to be much shallower and less protracted than feared, while improving certainty should instil greater confidence among occupiers to make property decisions despite the increased costs.

7.4 While the growth of ecommerce will continue to underpin demand, the focus has shifted from raw expansion to optimisation of supply chains. Demand will reflect a growing emphasis on improving both supply chain efficiencies and resilience.

7.5 Brexit and the experience of the pandemic are fueling increasing moves towards nearshoring / onshoring of manufacturing and distribution hubs within the UK and this is expected to ramp up in 2023.

7.6 Despite the unravelling of financial market conditions last year, speculative development soared to a new high of 23.6m sq ft at the end of 2022. However, supply only partially recovered from 2021's low, with the UK availability rate standing at only 3.6% and equivalent to only 1.1 years of average annual take-up. However, supply varies considerably between size-segments and regions, with the large segment seeing a notable 58% uptick in grade A supply over the year.

7.7 Rental growth is now starting to ease down after two years of unprecedented expansion. While prime headline rents increased by 13% on average across the UK markets in 2022, growth was a relatively modest 4% in the second half of the year.

7.8 This slowing is partly a function of more choice stemming from development and, frankly, the declining ability for some occupiers to pay ever more for space without being forced to relocate or drive efficiencies elsewhere in the supply chain.

8 The Impacts of Covid 19 on the Industrial & Warehousing Market

8.0 In contrast to the office market, since the COVID-19 pandemic we have seen demand for industrial units increase exponentially due to e-tailing.

8.1 COVID-19 has led to many more people working from home and often choosing to shop online rather than in person so there is strong demand, specifically in town and city centre sites, for delivery and last mile logistics.

8.2 While economic concerns have been growing, logistics property demand has continued to be boosted in the short term by trends arising from the pandemic. The sector is also set to see long term gains as a result of accelerated structural changes.

8.3 Logistics property has a secure role to play in supporting economic activity, which puts it in stark contrast with other property sectors where the longer-term impacts on demand remain clouded with uncertainty.

8.4 The recent resilience of the logistics sector has been supported by the growth of ecommerce, which has driven record levels of logistics property demand over the last few years. However, online retail activity has unsurprisingly cooled from the highs seen during lockdowns, with internet sales settling at 25% of all retail sales in January 2023, down from a peak of 38% in February 2021.

8.5 Nonetheless, this still represents a step-change up from pre-pandemic levels and a continuation of a longer-term growth trajectory. Online retail is expected to resume its growth after the current period of consolidation and rebalancing, as there remain pockets of untapped potential and younger tech-savvy consumers will continue to enter the market.

8.6 GlobalData forecasts that the UK online retail market will grow by around 5% p.a. from 2024, with online growth once again outpacing physical retail.

9 West of England Industrial & Warehousing Market Commentary and Trends

9.0 The West of England Industrial & Warehousing Market spans a wide geographical area with a key focus on four key areas within Bristol and South Gloucestershire which are Avonmouth, Severnside, St Phillips Marsh and Almondsbury. In Bath, the industrial market is limited as demand exceeds supply which is focused around the Newbridge area on the western fringe of Bath city centre and Ashmead Park in Keynsham, which is suitably located between Bristol and Bath. The Somer Valley Enterprise Zone may be the solution to unlock the limited supply within Bath & North East Somerset.

9.1 The logistics market has experienced a very different 12-24 months to the office market. The sector has been very popular, namely due to the rise in e-commerce and structural changes and this has led to a lot of activity in recent years.

9.2 Initially, Covid was a catalyst for this growth as remote work and disrupted supply chains underpinned surging demand for logistics space. However, Covid has given way to other unforeseen disruptions, which have had the opposite effect. Occupier demand has returned to pre-pandemic levels more quickly than expected, leading to increased vacancy rates in certain markets, however this does not appear to have been the case across the South West.

9.3 Through the pandemic a key trend in the West of England was an intensified desire for larger buildings and greater eaves heights, termed as 'super sheds', to accommodate the rise in economies of scale and automation.

9.4 For instance, the Central Park warehouse and distribution development at Severnside accommodates buildings in excess of 750,000 sq ft and eaves heights of up to 40m, with occupants including Amazon and Lidl. The result is increased demand for larger sites, with certain developers focusing on land over 50 acres, of which supply is limited.

9.5 This demand has slowed and nationally, take up for large distribution warehouses of 100,000sq ft + in 2022 was down 30% from the record breaking figures that were seen in 2021. However, whilst demand slows when compared to 2021 and 2020, the annual total was 20% ahead of the 5 year average to the pandemic.

9.6 In line with national trends, it is anticipated that positivity in the logistics and distribution market will continue in the West of England, with sustained enquiries for new warehousing and distribution space on both a leasehold and freehold basis.

9.7 Consistent with trends accelerated by the national lockdowns, shifts in consumer retail behaviours and the increase in online retail have benefitted the Greater Bristol market, with increasing demand for retail warehousing space and last mile logistics.

9.8 The flight to prime space remained a key trend in the market with 77% of take up being new build space.

9.9 One of the key causes for the slowdown in demand post pandemic was that online retailers were comparatively less acquisitive. Third party logistics providers were the largest portion of take up in 2022, followed by retailer / wholesale occupiers and manufacturers and others.

9.10 The forecast is that demand will drop further when compared to recent years due to occupier cost pressures and depressed retail spending, however demand will remain steady compared to pre-pandemic levels.

9.11 The most active logistics and distribution market continues to be focused on Avonmouth and Severnside, with demand expected to be maintained for the foreseeable future, largely as a consequence of commercial recognition of its strategic significance and success, linked to its access to strategic transport networks and the port.

9.12 The supply of industrial space has increased over 2022 by 14% but is still below the five year average with 1.6 years of supply currently available. The market saw a record-breaking delivery of speculative developments during the year and there are further developments due to complete in the first half of 2023.

9.13 It is important to note that supply of available land and market ready sites in Avonmouth and Severnside has reduced significantly, with potential for future strain if the current level of demand increases.

9.14 Furthermore, employers based in the area have reported difficulties in recruiting and retaining skilled staff, thus improved transport connectivity from residential areas through infrastructure investment is crucial to safeguarding sustained future growth in the area.

9.15 In spite of the dominance of Avonmouth and Severnside, the more urban industrial markets continue to contribute significantly to the West of England's logistics profile. In particular, Central Bristol (including Bedminster, Lawrence Hill and St Philips) and South Bristol (including Hengrove, Brislington and Ashton) as well as the East Fringe accommodate a mix of logistics and manufacturing businesses, including those who need to locate here for operational and staffing purposes.

9.16 Demand for more urban and edge-of-town locations is forecast to continue in future, driven by emerging trends such as last mile distribution. Demand is also expected for new build multi-let units, however there is currently limited land available to accommodate this.

9.17 Despite the significance of smaller units, BANES is not currently viewed as a key location for large-scale logistics activities, reflecting the lack of supply. At present, the logistics needs of BANES are predominantly being met within the Newbridge area of Bath which provides over half a million sq ft of light industrial space within close proximity to the City Centre. There are four main industrial estates within the Newbridge area namely Brassmills Trading Estate, Maltings Industrial Estate, Locksbrook Trading Estate and Ashmans Yard. Within this area the key occupiers can be identified as Bath Spa University, Lovehoney, Rotork, Roper Rhodes and Horstman Defence Systems who all occupy significant property within the area.

9.18 Outside of Bath the majority of industrial uses are being met at Ashmead Road. Situated on the eastern side of Keynsham, conveniently located between Bristol and Bath, this area provides approximately 37 acres of industrial land. This location provides convenient road access to and from both regional cities as well as good road links to the M4. There is a variety of uses within this area with builders merchants such as Jewson and CRS Building Supplies as well as packaging firms, automotive services and Keynsham recycling centre being located within this area.

9.19 With less than 100,000 sq ft of industrial space available in both, Bath and Keynsham, rents have become static as occupiers seek industrial premises in other markets such as Bristol where there is a better supply.

9.20 Average rents in Bristol rose by 13% over the course of 2022, and for the time-being, many occupiers have been largely accepting of these rises as a necessary cost of driving greater efficiencies, thanks in part to the 'substitution effect' arising from the transferal of demand (and therefore rent costs) out of large swathes of the retail property market.

9.21 The rising cost of living has become a growing concern in recent months. While recent headlines have focused on the impact of high inflation on households, rising costs are a broad trend also impacting stakeholders across the industrial and logistics sector. Energy price inflation has added to economic concerns, exacerbated by geopolitical tensions arising from the war in Ukraine and severe international sanctions on Russia.

9.22 In this environment, landlords should be mindful of these risks on the occupier market. Alongside this, 2023 will see the ratings revaluation come into effect, which is likely to translate into significantly higher ratings liabilities for many occupiers in areas that have seen strong rental growth in recent years.

9.23 While economic concerns have been growing, logistics property demand has continued to be boosted in the short term by trends arising from the pandemic. The sector is also set to see long term gains as a result of accelerated structural changes. Logistics property has a secure role to play in supporting economic activity, which puts it in stark contrast with other property sectors where the longer term impacts on demand remain clouded with uncertainty.

10 Industrial Supply

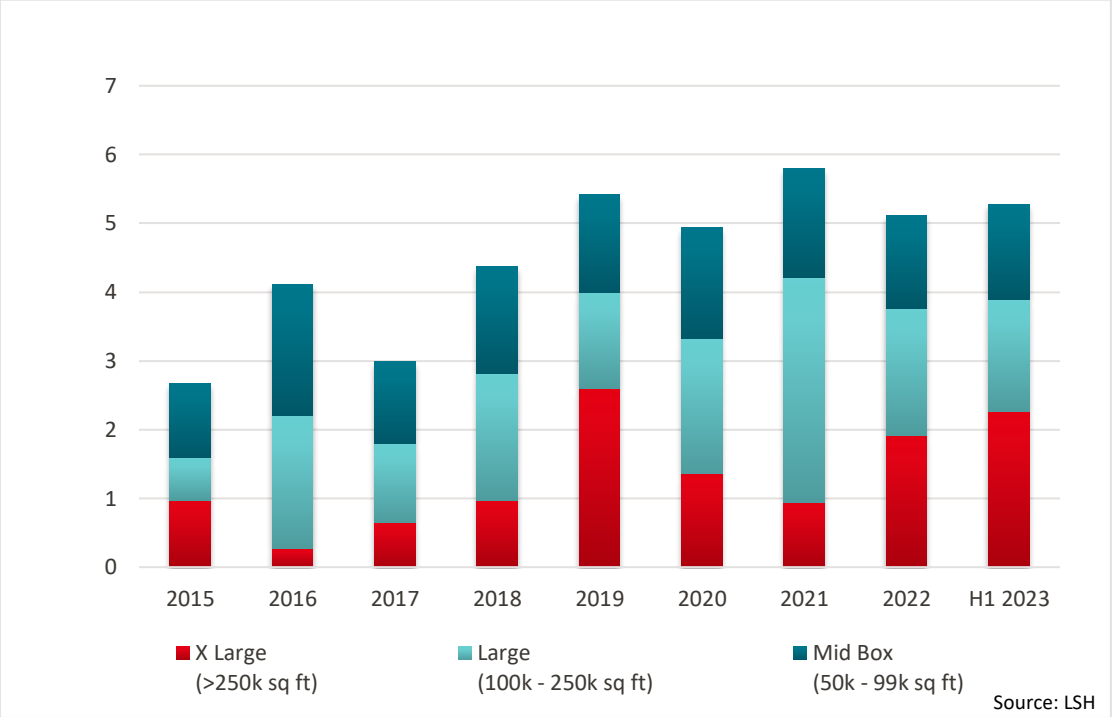
10.0 The South West was one of the few UK regions to see a drop in supply during 2022, falling 12% year-on-year.

10.1 At the end of 2022 there was only 651,000 sq ft available across the region, a contraction of 80 per cent on the previous year's figures. This feeds into why the region bucked the trend of new build occupation last year, as 80 per cent of new tenancies started in second-hand units, such as Hercules in Cribbs Causeway where 240,000 sq ft was let to DFS and 160,000 sq ft let to Gregory Distribution, while at Titan in Yate 255,000 sq ft was let to Graphic Packaging.

10.2 However, Q1 2023 saw a slight uptick in supply, standing at 5.2m sq ft. The South West remains comparatively well-supplied overall compared with other regions, with availability equivalent to 1.7 years of average annual take-up.

10.3 The decline in supply levels in 2022 was largely driven by a reduction in second-hand space available. New units are being completed but there remains a shortage of larger-scale units over 250,000sq ft with just one unit of this size currently available.

Fig. 11 South West Availability by Size (million sq ft)



Source: LSH

10.4 A total of 2.3million sq ft of industrial space was under offer at the end of quarter one. There are six units of 100,000sq ft + under construction, but speculative development is dominated by two units coming forward at Panattoni Park Avonmouth, Bristol, one of which measures a colossal 882,000 sq ft, due for completion later this year. The unit is the largest ever speculative building in the UK and is targeting BREAM rating of Excellent and EPC rating of A.

10.5 However, there were also several other developers that were due to commit to speculative schemes, but these plans have now been put on hold due to the increased borrowing cost and

the consequent yield expansion that has occurred over the past nine months. As a result, this has kept supply levels constrained across the region, and therefore holding headline rents across all size ranges.

10.6 Limited new builds, combined with the long-term trend in conversion of traditional industrial locations to trade counters and warehousing, as well as residential, has resulted in reduced availability. The size and location of available industrial sites are key problems in the West of England, with particular shortages in medium and larger sites and premises, and limited availability of modern industrial premises of a scope and size to meet market demand.

10.7 In addition to the supply of land and premises for manufacturing companies wishing to expand in the area, it is particularly difficult to find suitable land and premises for SMEs based in the Bristol area wishing to expand and for medium and major manufacturing businesses wishing to relocate into the wider Bristol area.

10.8 As noted the majority of demand for industrial units across the region is focused on Avonmouth and Severnside due to proximity to the motorway and existing infrastructure. There is also evidence of demand in the Bristol East Fringe

10.9 Central Bristol (including Bedminster, Lawrence Hill and St Philips) and South Bristol (including Hengrove, Brislington and Ashton) accommodate a mix of logistics businesses and therefore also have a good level of supply although in varying forms of size and specification.

10.10 Whilst it does accommodate a number of smaller occupiers, BANES is not currently viewed as an important location for large-scale logistics activities, reflecting the lack of supply in this area.

10.11 Despite new developments, the supply of available land and market ready sites in Avonmouth and Severnside has reduced significantly, with potential for future strain if the current level of demand increases.

10.12 Market engagement indicates that industrial occupiers are increasingly being pushed away from the major clusters in Filton and Avonmouth towards more outlying locations in South Gloucestershire and further south along the M5 corridor due to a shortage of industrial stock.

10.13 The supply of immediately available midrange space across Bristol is a continuing concern with construction price inflation and the softening of investment yields impacting the timing of delivery of new space.

10.14 Competitive interest is still commonplace on existing freehold space and modern well-specified leasehold accommodation capable of occupation in a 2-3 month time frame.

10.15 Immediately available supply remains a concern with parties struggling to find modern space. This is limiting the availability of second-hand buildings. The situation is even worse when approximately 1.65 million sq ft of supply is accounted for in just three buildings.

10.16 The increase in last mile logistics has also emphasised the key role played by smaller units in accommodating businesses, particularly in areas such as Bath and central Bristol.

10.17 Small units, for instance below 2,000sq ft, constitute a significant proportion of take-up and transaction levels in recent years. When this is coupled with low vacancy rates, it becomes evident that this type of unit is critical to meeting the demand of local businesses and the

functions of the local logistics and distribution market but supply for this type of space has become restricted.

10.18 Much needed smaller format supply will come on stream following Cubex's acquisition of 2.5 acres at Horizon 38 in Filton and the start of construction on the 24 unit Rockhaven Business Centre at Cabot Park. Furthermore in Brislington Glenmore is on site with a 35 small unit scheme which will help to relive pressure on this size and will all provide good quality stock to the market.

10.19 In Bath supply of industrial space is extremely tight and restricted to second-hand stock at The Maltings and Brassmills Estates, however both available units are under offer, and it is uncertain where further supply will come from.

10.20 Progressively more and more poor quality industrial space is being converted to higher value land uses in BANES, such as student and residential accommodation, and this has put further pressure on an already restricted amount of supply. This has resulted in the continuation of refurbishment of industrial properties within the BANES area with a 'make do' approach as alternative solutions are few and far between.

10.21 Because of this lack of supply the logistics needs of BANES are predominantly being met beyond the boundaries of the unitary district, for example by the large-scale activities occurring at Avonmouth and Severnside.

10.22 The vast majority of existing industrial stock in BANES is also rated as grade C, with grade A space very limited when compared with supply in areas like Filton and Avonmouth. As a result, businesses based in BANES looking for modern accommodation or expansions are consequently focusing their interest on locations outside of BANES, with Chippenham, South Bristol and (to a lesser extent) parts of North Bristol gaining particular attention.

10.23 Development market challenges including competition from higher value uses, inadequate rental levels to attain viable development, and a shortage of well-located development sites in BANES are hindering attempts to bring forward new floorspace.

10.24 The continuing industrial supply issue for the West of England is that the bulk of available land is situated in out-of-town locations like Severnside and Somer Valley, with an extremely limited supply in more central areas where location-specific demand from SMEs and start-ups exists.

10.25 In order for the West of England industrial market to continue to grow, there is a need to protect key manufacturing premises and sites for medium and larger businesses, and to allocate new areas suitable for medium and larger industrial users. These premises need to be detached and well screened from residential uses, with strong connectivity via the strategic road network and access to the local workforce.

11 Industrial Demand and Take-up

11.0 The South West was one of the best performing UK regions against trend in 2022, with take-up of 3.6m sq ft improving by 10% on 2021 and 17% above the five-year trend, for units 50,000+ sq ft.

11.1 However, the year was front-loaded, with circa 70% of take-up and transactions taking place in H1. Secondhand space dominated, accounting for 72% of annual take-up, while 2022 saw only four deals involving brand new space, the largest being ProCook's 167,000 sq ft design and build at St. Modwen Park, Gloucester.

11.2 The large segment had its best year on record in 2022, with take-up of 2.2m sq ft substantially eclipsing 2021's previous record.

11.3 The Greater Bristol area is the largest industrial market in the West of England, accommodating a range of multinational firms and SMEs.

11.4 The most active logistics and distribution market continues to be focused on Avonmouth and Severnside, with demand expected to be maintained for the foreseeable future, largely as a consequence of commercial recognition of its strategic significance and success, linked to its access to strategic transport networks and the port.

11.5 The area has seen rapid expansion in recent years, with numerous transport and logistics businesses locating regional distribution centres there. Avonmouth and Severnside also accommodates a combination of light and heavy industrial, storage and distribution, and some trade counter uses. Current occupants include Amazon, Tesco, Lidl, Next and Network Rail

11.6 The sub-region is an established centre of excellence for high-tech manufacturing industries, such as Aerospace and Advanced Engineering. This sector of the market is largely driven by businesses located within the informally labelled 'TEC ARC', which represents a magnet for deep-tech and innovation – connecting the strategic locations of Emersons Green Enterprise Area and Filton Enterprise Area

11.7 The demand for smaller units, in line with trends in distribution and logistics, has also seen the growth of an increasingly active industrial market in central Bristol, which includes estates in areas such as St Philips Marsh, Bedminster and Lawrence Hill. Central Bristol now has the second-highest level of take-up in Greater Bristol with mixed occupiers, although units tend to be smaller (typically less than 50,000 sqft).

11.8 Bristol City Council has invested considerable levels of public money into South Bristol in recent years, however a situation remains that the area is not receiving the benefits of private business driven growth evident in North Bristol. This is partly due to a lack of available employment land, but also issues surrounding transport provision which may constrain private sector investment and demand.

11.9 Demand likely exists in South Bristol for service-based industrial uses, particularly for SMEs, however a lot of the current accommodation is very dated. As a result, redevelopment to provide new accommodation is needed on existing estates in South Bristol, though this is difficult to achieve when businesses are trading on site.

11.10 The total take up for the year 2022 was 2,370,997 sq ft and 45.89 acres of land sold or let across 154 transactions. As a comparison, this is down by 10.8% on 2021, where there was 2,627,531 sq ft and 211.69 acres across 184 transactions.

11.11 This take up for 2022 may come as no surprise, particularly due to the fact deals slowed down significantly towards the end of the year post Autumn budget. Notwithstanding this, the total take up for 2022 was still higher than the five year average which is recorded at 2,187,377 sq ft

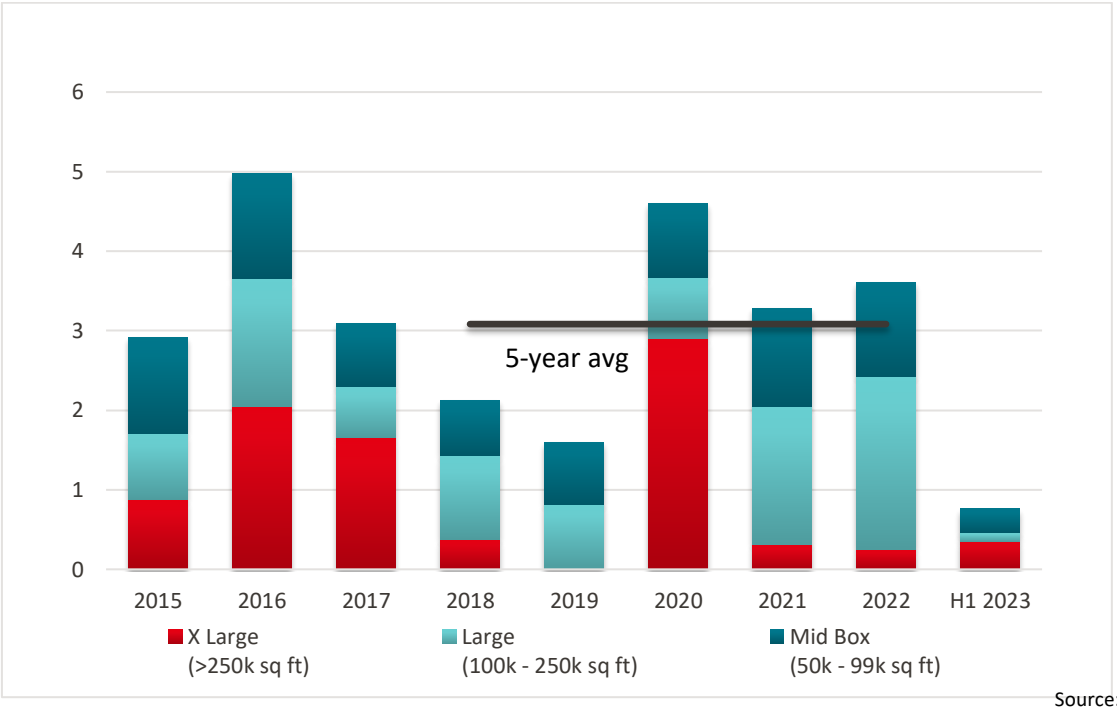
11.12 The South West had a relatively quiet start to 2023, with take-up of 513,000 sq ft across a handful of deals in Q1, for units 50,000+ sq ft. This was underpinned by EDF Energy's commitment to take a 350,000 sq ft unit in Bridgwater as part of its work at the £34bn Hinkley Point C nuclear power

11.13 There has been a total of 427,860 sq ft of transactions across 34 deals in Q2 2023. There was only one deal over 100,000 sq ft and then a handful of mid-box transactions, but the majority of take up this quarter has been a churn of smaller units. This is reasonably consistent quarterly take up and brings the total H1 2023 take up to 901,639 sq ft across 71 deals.

11.14 Key H1 transactions include Gregory Distribution's acquisition of the 115,000 sq ft DC115 at Cabot Park and Biker's acquisition of LaSalle IM's 44,000 sq ft new industrial unit at Patchway Trading Estate.

11.15 As a comparison, there was a total of 1,431,945 sq ft that transacted across 83 deals this time last year, so take up is down compared to H1 2022, but the market has slowed considerably in the first half of this year with the time taken to complete a transaction becoming much more protracted.

Fig. 12 South West Take-up by Size (million sq ft)



Source: LSH

11.16 Hopefully the occupiers seeking larger space will soon regain the confidence to progress their requirements towards the end of the year, which will bolster the total take up for the second half of 2023.

11.17 Demand for good quality space, particularly freehold, remains strong. There are a number of active requirements, particularly in the trade sector and as evidenced by Easy Bathrooms' acquisition at Pines Way Industrial Estate, Bath.

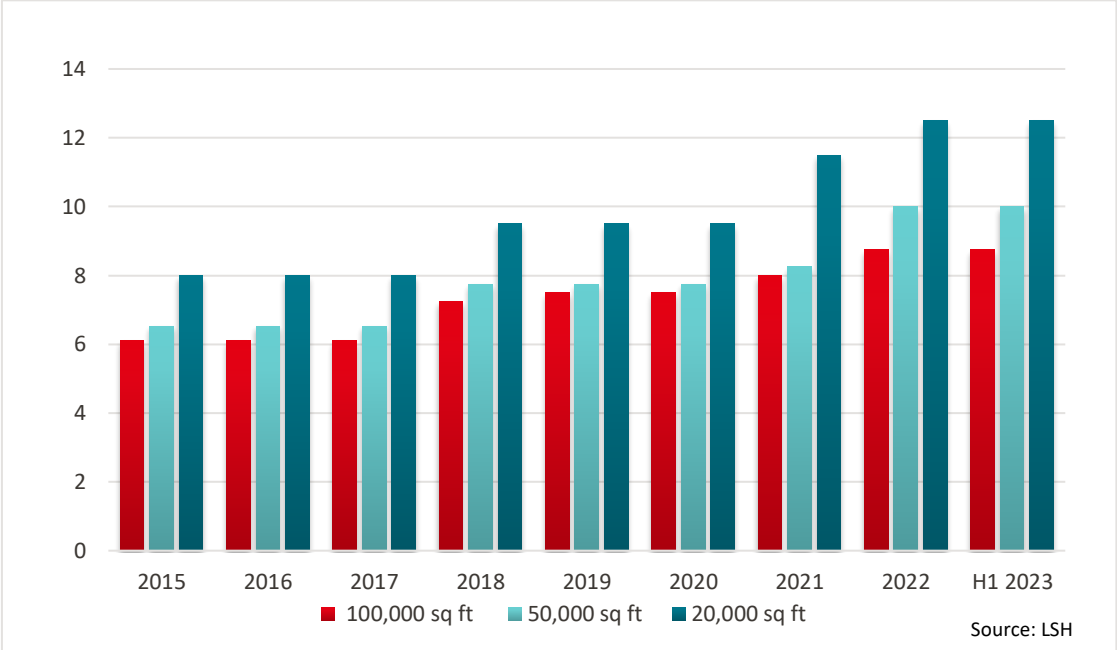
11.18 Both distribution and manufacturing firms remain active in the South West, respectively accounting for 25% and 19% of occupier take up over the past year. Other less traditional occupiers are also increasingly active, accounting for a further 44%.

11.19 Unlike previous market slowdowns, there is no overhang of supply. This has resulted in rentals and capital values being sustained, albeit there is some evidence of extended rent-free periods.

11.20 As a result of a lack of supply, coupled with strong demand, average rents in the region have risen over the past 12 months by 5.9% and expected to continue this trend through 2023.

11.21 Average rental growth of 5.2% is forecast for the South West region for 2023, with marginally higher expectations for Bristol of 5.5%.

Fig. 13 Bristol Prime Rents (£ per sq ft)



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