



## Report

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# Cherwell District Council

Employment Site Review Assessment –Final Report

October 2015

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**For and on behalf of GVA Grimley Ltd**

## 1. Introduction

- 1.1 This report sets out the processes and findings of the Cherwell District Council (CDC) Employment Site Review Assessment (ESRA). It has been produced taking into consideration DCLG (that was) Guidance on conducting employment land reviews (Employment Land Reviews – Guidance Note 2004) and has been undertaken by GVA.
- 1.2 The National Planning Policy Framework (NPPF) was published in 2012, setting out the Government's planning policies for England and how these are expected to be applied. Paragraph 161 relates to plan-making, and requires that local planning authorities use their evidence base to assess the needs for land and floorspace for economic development over the plan period, as well as to assess the existing and future supply of land available for economic development and its sufficiency and suitability to meet identified needs.
- 1.3 The National Planning Practice Guidance (NPPG) was published in 2014 to support the NPPF. The related information on Economic Land Assessments advises that whilst the assessment is an important source to inform plan-making, it does not in itself determine whether a site should be allocated for development. This will be the role of the Development Plan.

### Study Objectives

- 1.4 The client, Cherwell District Council, issued a brief during March 2014 to undertake a review of its employment land to inform the implementation of its Local Plan and Economic Development Strategy and to explore the potential of non-strategic employment sites.
- 1.5 This study will be a core part of the Council's planning policy evidence base and will:
- Assist in the review of existing and potential employment sites that could be brought forward over the short, medium and long term;
  - Inform the preparation of the Council's Local Plan Part 2;
  - Inform the Council's Inward Investment Strategy especially in promotion of sectoral priority areas;
  - Assist in the review of high quality communications infrastructure and support the pattern of development required for sustainable transport; and
  - Inform the planning for clusters of networks of knowledge driven, creative industries, eco-technology, high performance engineering, scientific spin-outs, and relationship with economic drivers elsewhere in Cherwell District and beyond, for example Silverstone.

- 1.6 At key points throughout the Study the emerging findings have been tested via the already established Cherwell Investment Partnership (CHIP) forum which has representation from those active in the local property market and the Local Authority.

## Planning Policy Context

- 1.7 The proposed new Cherwell Local Plan (2011-2031) covers a wide range of subject areas and will provide a 'Spatial Strategy' for the District. The Plan was submitted to the Secretary of State for formal examination on 31<sup>st</sup> January 2014.
- 1.8 The Examination in Public was suspended on 4<sup>th</sup> June 2014 for six months to enable the Council to put forward proposed modifications to the plan involving increased new housing delivery over the plan period to meet the full, up to date, objectively assessed needs of the district, as required by the National Planning Policy Framework (NPPF) and based on the Oxfordshire Strategic Housing Market Assessment 2014 (SHMA).
- 1.9 Notwithstanding the above, the Inspector noted that tests of legal compliance and in relation to the "duty to co-operate" are considered to have been met by the Council.
- 1.10 For the avoidance of doubt, the Council has indicated that it considers the increase in new housing needed to be achievable without significant changes to the strategy, vision or objectives of the submitted plan. There are considered to be reasonable prospects of delivery over the plan period.
- 1.11 The proposed modifications, including consequential modifications arising from the increase in new housing, were subject to a full, six week, period of public consultation which ended on 3<sup>rd</sup> October 2014, together with an appropriate Sustainability Appraisal (SA)/Strategic Environmental Assessment (SEA). The Local Plan was submitted in October 2014 and the Local Plan was adopted on the 20<sup>th</sup> of July 2015.

## Report Structure

- 1.12 The remainder of this report is structured as follows:
- **Section 2:** Socio-Economic Profile;
  - **Section 3:** Property Market Analysis;
  - **Section 4:** Employment Land Supply;
  - **Section 5:** Forecast Demand Scenarios;
  - **Section 6:** Demand and Supply Assessment; and

- **Section 7:** Conclusions and Next Steps.

1.13 If you require any further information please contact the Project Director as below:

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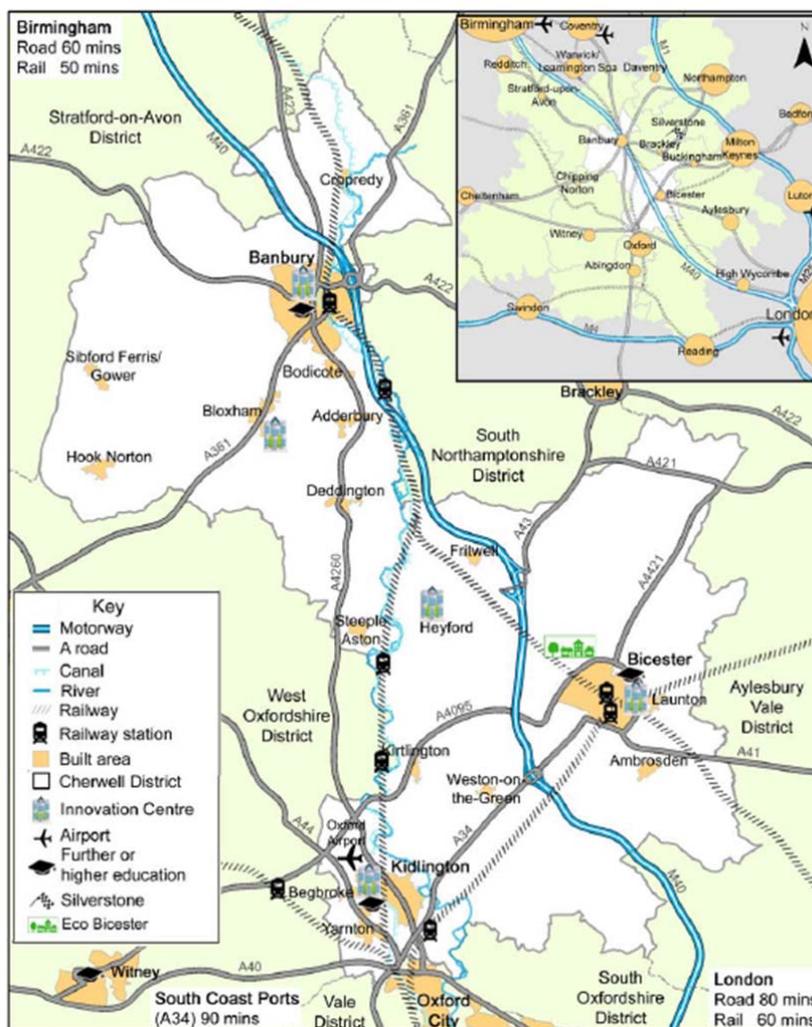
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## 2. Socio-Economic Profile

- 2.1 A detailed review of the socio-economic conditions within the District has been prepared and forms the Local Economic Assessment (LEA) (**Appendix A**) that accompanies this Employment Site Review Assessment. Therefore, within this section we provide a short summary of the key findings alongside the LEA's SWOT analysis of the District's economy.
- 2.2 The Cherwell District was formed in 1974, under the Local Government Act 1972, by a merger of the municipal borough of Banbury, Bicester urban district, Banbury Rural District and Ploughley Rural District. The current boundary and proximity to other settlements is shown in Figure 2.1. The three main settlements within the District are the towns of Banbury and Bicester and Kidlington village.

Figure 2.1 – Cherwell District



Source: Cherwell District Council, 2010

- 2.3 In the 2011 Census Banbury had a usual resident population of 48,651 (34% of Cherwell's 2011 total), Bicester had a usual resident population of 33,846 (24% of Cherwell's 2011 total) and Kidlington had a usual resident population of 15,829 (11% of Cherwell's 2011 total). Therefore, 69% of the District's 2011 population lived in these three major settlements.

### Key Statistics

- 2.4 The following table provides an overview of key statistics for Cherwell, which are examined further in the LEA.

**Table 2.1 - Cherwell Key Statistics**

Indicator	Statistic	Source
Total population	142,800	ONS 2012 mid-year estimates
Total number of economically active	74,700	Annual Population Survey, Jan – Dec 2013
Total in employment	72,000	Annual Population Survey, Jan – Dec 2013
Total unemployed	2,700	Annual Population Survey, Jan – Dec 2013
Economically inactive	15,900	Annual Population Survey, Jan – Dec 2013
Job Density	0.85	ONS, 2012
Average resident weekly earnings	£612.80	Annual Survey of Hours and Earnings, 2013
Business Survival Rates	Year 1 – 98.5% Year 5 – 50%	ONS Business Demography, 2011
GVA per head	£43,423	Experian, 2014

- 2.5 Cherwell's economic activity rate has been higher than its comparators (namely the Oxfordshire LEP, South East Midlands LEP and England) throughout the period from 2008-2013, whilst there has been significant year to year fluctuations the rate decreased by 4% over the period from 2008 to 2013.
- 2.6 The trend in Cherwell's employment rate matches that exhibited by the economic activity rate, over the period 2008 to 2013 the employment rate has been significantly higher than its regional and national comparators. However this gap has narrowed by 5% over the period meaning employment is now much more closely aligned to benchmark averages.
- 2.7 Cherwell has a high self-employment rate of 12.6%, higher than the regional and national levels, all of which are below 12%. This suggests there is potential for significant entrepreneurial activity within the District in the future with residents prepared and able to run their own businesses.
- 2.8 Of the 18% of the working age population that are economically inactive in Cherwell, approximately 32% are looking after family/home, whilst 20% are retired, suggesting there is a sizeable proportion of the population that is not available for work.

- 2.9 The job density level has been increasing in Cherwell since 2010, it reached a density of 0.85 in 2012, still below the level of providing a job for every economically active person within the District. This suggests that a proportion of the District's residents are reliant on commuting out of the District for work.
- 2.10 This commuting pattern is reflected in average earnings, which are lower for workers in the District than they are for residents. Critically wage levels are below sub-regional and regional averages for both resident and workplace measures. This may be a benefit for businesses seeking to locate in the District, meaning they can operate at lower cost, but in labour market terms it suggests that some of the best skilled residents are 'lost' to the local economy each day.
- 2.11 A lower wage economy may also create issues for businesses seeking to attract staff to Cherwell, particularly if house prices are not also relatively low. The affordability of housing is a key relocation decision making factor therefore the relationship between local wages and house prices will have significant impact on economic success.
- 2.12 Employment lies with a broad spread of sectors, with a focus on private sector activity in the retail, manufacturing and professional services sectors. Whilst these sectors have been vulnerable to the impacts of the recession they also provide good opportunities for future growth.
- 2.13 Employment in these sectors is reflected in the skills and occupations profile of the District, which highlights the quality of the local workforce, which tends to be better qualified than the wider OxLEP/SEMLEP areas.
- 2.14 Cherwell has an active business stock of over 4,500 enterprises in 2012 (Source: IDBR, 2012, capturing all businesses registered for VAT or employing one member of staff or more), with a significant proportion in high value added sectors such as the professional, scientific and technical industry.
- 2.15 The business base is relatively focussed on SME and micro scale activity, with more businesses employing below 5 people than OxLEP and England. Conversely, at only 0.3%, the proportion of large businesses (more than 250 employees) is below comparator rates.
- 2.16 Despite the focus on SMEs businesses within the District tend to be stable with a high proportion having been within the area for 10 years or more. However, the level of 'new' businesses (i.e. less than 2 years old) tends to be lower than the comparator areas.
- 2.17 These trends are reflected in proportionate start up and failure rates of businesses where, for the period 2010-2012 start up rates were lower than comparator areas but survival rates higher. Overall 50% of start up businesses in Cherwell survive to year 5 of operation.
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- 2.18 Unsurprisingly given the nature of economic activity Cherwell has tended to have a highly productive economy, producing higher levels of output (measured as Gross Value Added) than all comparator regions since 1997. However, in recent years this performance has stagnated, with no notable growth in GVA per head since 2009. Over the same period GVA per head for the wider OxLEP area has continued to grow (most likely driven by the expansion of key knowledge based sectors to the south of the city), this has seen Cherwell's output fall below the OxLEP area for the first time in 2013.
- 2.19 Experimental data produced by the Valuation Office Agency (VOA) for 2012 indicated that there was almost 1.4 million square metres of B class commercial floorspace within the District. The majority of this space is classed as 'industrial', equalling 1.16 million sqm of space, 85% of the total stock, with the remainder comprised of office floorspace. This space is contained within 2,190 'hereditaments' (i.e. individual rateable units, not individual buildings), 53% of which are industrial units.
- 2.20 Over the period 2000-2012 the stock of industrial floorspace has increased by approximately 6%, with the District accommodating an additional 62,000sqm of floorspace within an additional 91 'hereditaments'.
- 2.21 The stock of office floorspace within the District is more modest than industrial premises, with 206,000 sqm of space within the District in 2012. Over the period 2000-2012 the amount of floorspace has increased by almost 50,000 sqm, an increase of 31%. Over the same period the number of 'hereditaments' also increased. With the VOA recording a stock of 1,020 rateable units, an increase of over 60% since 2000.

## SWOT Analysis

- 2.22 The SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis identifies the different socio-economic characteristics of the District. The SWOT analysis has been informed through the production of a Local Economic Assessment (LEA) for Cherwell. The LEA assesses the District under the themes of People, Business and Place. This is a separate stand-alone document.
- 2.23 The SWOT analysis provides a useful context to consider the District's employment land requirements.

## Strengths

- Large working age population
- Higher economic activity and employment rates than comparators

- Lowest unemployment rate since 2008
- Skilled workforce
- Almost half of residents in higher level occupations
- Strategic road access
- High value added activities
- Enterprising population
- Stable business base
- Major growth in office floorspace – accommodating new economic sectors
- Dominant industrial market within the sub-region
- Strategic rail
- Airport
- University led science park at Begbrooke

## Weaknesses

- High proportion of women in part time employment
- Reported skills gaps
- Public transport access
- Significant proportion of employment in ‘administrative’ activities
- Weekly pay below local and national averages
- Workplace earnings significantly below resident earnings
- High proportion of lower turnover businesses
- Low commercial values, challenge development viability
- Limited scale of office market demand
- Limited market presence of knowledge based offer at Kidlington – overshadowed by Oxfordshire’s larger Science Parks (Harwell, Milton Park etc)

## Opportunities

- Positive business view of the district, and that its improving
- Significant development proposals for new floorspace
- Maximise start up and growth of local SMEs
- Survival rate of new businesses – opportunity to underpin growth

- Potential to retain higher skilled workers
- Investment in M40 junctions
- East-west rail connectivity
- Well placed land opportunities
- Improving scale of office market relative to OxLEP neighbours
- Increasing economic drivers (Begbrooke, London Oxford Airport, Bicester) to attract new occupiers and supply chains
- Considerable capacity for delivery of new floorspace
- Market delivering new industrial stock
- Range of site opportunities (including former MoD sites, extensions to existing employment sites and new motorway-linked greenfield) – located in areas that meet occupier demand
- Diversification of high value engineering

## Threats

- Job and activity specific skills issues
- Output beginning to lag behind Oxfordshire LEP
- Lack of higher paid activities in the District
- Potentially losing higher value business activities
- Exporting higher skilled workers
- Falling level of business start ups
- Limited 'slack' in the labour market
- Undefined future role of the large former MoD sites
- Recent losses in commercial floorspace and employment land to not employment generating activity
- Increasing competition for manufacturing sector

2.24 Overall the SWOT shows that the Cherwell economy provides a strong foundation for future success, with a range of internal and external factors presenting opportunities to expand the economy based on existing sectoral strengths and introduce new activities to broaden the economic base.

2.25 However, it is also clear that future success cannot be taken for granted. Cherwell has seen some stalling of its economic success in recent years, whilst part of this may be a result of a

much more significant recession led impact there are signs that weakening performance is causing the economy to lose ground on the wider area.

- 2.26 Looking forward the SWOT suggests there is a need to proactively plan and coordinate growth within the District, setting a positive strategy for the identification and delivery of new and additional employment land. This approach will need to capitalise on key drivers and ensure the strategy is locally appropriate. A 'one size fits all' approach across the District will not realise the full potential of the economy, instead a strategy that responds to local drivers and opportunities will yield the greatest results.
- 2.27 Increased 'intervention' is particularly required to encourage greater activity in higher value sectors and provide a higher profile for the knowledge-intensive activity that already exists within the District. This should seek to set out the differences between Cherwell and the rest of OxLEP/SEMLEP, highlighting the role of the growing University led activity at Kidlington, advanced manufacturing and automotives at Banbury and potential for green technologies at Bicester.
- 2.28 Issues with the labour market may also need addressing, ensuring appropriate skills are retained and attracted to the District, allowing residents to access higher level occupations and address weaknesses in terms of local earnings compared to those who commute out of the District. The strength of the local workforce proposition will be critical in attracting a range of future economic activities.

## 3. Property Market Analysis

### Introduction

3.1 In this section of the report, we provide an overview of the industrial/distribution, office and retail property markets within the District, specifically looking at:

- Occupational market conditions, including leasehold and freehold activity;
- Available properties, market competition and consideration of take up rates for office and industrial uses;
- Investment market conditions, including analysis of investment yields and investor demand; and
- The market for development land.

3.2 We begin by providing a high level overview of the District and the state of the housing market. It is important to consider the housing market in the context of an employment market review, as this will impact on where the workforce will be.

### Cherwell Overview

3.3 The District is located at the mid-point between Birmingham and London, and is largely situated to the west of the M40 (apart from Bicester and its surrounding locations), with Banbury to the north and Kidlington to the south. The key routes of the A361 and A34 connect to the M40, whilst the A4260 connects the north to the south of the District.

3.4 The District is predominantly rural in character, with urban concentrations at Banbury, Bicester and Kidlington. These locations are the key housing and employment locations. There is a planned Eco town development to the north west of Bicester, which will see up to 6,000 new homes and associated uses (including employment and retail) be created. The first phase of this scheme has been granted planning permission for almost 400 units, with construction commencing in autumn 2014 and planning permission granted in March 2015 (subject to legal agreement) for a further 2,600 dwellings. This will inevitably change the nature of the District in the coming years.

3.5 The average house price in Cherwell at Q4 2013 was £248,200, which is a 4.5% increase in the average house price from Q4 2012. The 2011 Census showed that the District had an above average proportion of detached (30%, compared to the national average of 22.3%) and semi-detached (35.2% compared to the national average of 30.7%) dwellings, but a lower than average proportion of purpose built flats (8.6% compared to 16.7%). There is also a higher

- proportion of properties owned (either with a mortgage or outright), with 69.3% of Cherwell residents compared to the national average of 63.4%.
- 3.6 The District has a slightly higher proportion of 0-15 year olds than the national average (20% compared to 18.9%), and a slightly lower proportion of 65+ year olds (15.3% compared to 16.4%). This may cause accommodation issues in the future if there are affordability pressures for homes. If young people are unable to find suitable accommodation near to their place of work, they may choose to live outside of the District.
- 3.7 Our review of employment sites considers the availability of both existing and future employment sites throughout the District, with a number of existing sites located on business parks and industrial estates in and around Banbury, Bicester and Kidlington.
- 3.8 Banbury in particular takes advantage of its location near to the M40 for large scale industrial and office locations, although the District does offer a wide range of employment accommodation in other areas. The following review summarises the employment property market for the District, offering in the first instance a general overview of the UK property market.

### Economic Trends

- 3.9 The most recent GVA research (GVA Economic and Property Market Review May 2015) confirms that economic growth slowed to 0.3% in Quarter 1 of 2015, half the rate seen in Quarter 4 2014, and the slowest pace of expansion for more than two years. Growth in the manufacturing sector slowed for the fourth quarter in succession, registering an increase of just 0.1% in Quarter 1. The production sector saw a modest drop in output, with the fall in the oil price having an adverse impact on North Sea production.
- 3.10 Despite the slowdown in Quarter 1, the economy is now 2.4% larger than in Quarter 1 2014 and the UK remains one of the fastest growing developed economies. Further, survey evidence continues to paint a positive picture, and we expect the growth rate to pick up again in the coming quarters (the Quarter 1 figure may also be revised upwards a little). There was a marked fall in construction output in Quarter 1 at -1.6%.
- 3.11 Although this was an improvement from the very poor performance of -2.2% in Quarter 4, it is still surprisingly weak and growth will doubtless rebound later in 2015. In the service sector, growth slowed to 0.5%, compared with 0.9% in Quarter 4 2014. Worryingly, the business services and finance sector is now barely growing, at just 0.1% in Quarter 1, compared with 1.3% in Quarter 4 last year.
- 3.12 The economy has continued to add jobs at an impressive rate, with an increase in employment of nearly a quarter of a million in the period December 2014 to February 2015

- compared with September to November 2014. Two thirds of this was in full-time jobs, and the vast majority was employment by businesses rather than self-employment. This bodes well for occupier demand, particularly for offices.
- 3.13 Consumer spending power has been boosted in recent months by a simultaneous fall in inflation and acceleration in wage growth. CPI inflation remained at zero in March 2015, whilst wages (including bonuses) rose by 1.7%.
- 3.14 Retail sales volumes reflect this, up 0.9% during the period December 2014 to February 2015 compared with the previous three months. This was the 25<sup>th</sup> consecutive monthly increase on this measure, and the longest period of sustained growth since November 2007.
- 3.15 Strong retail sales performance should continue throughout 2015, boosted by further wage growth in real terms, strong employment growth, and rising house prices. However, retailers remain under price pressure and growth in retail sales values will be much more subdued.
- 3.16 With inflation at zero, the UK is likely to see a short period of mild deflation in the coming months. However, core inflation (which excludes volatile elements such as energy and food) is running at 1%, and with higher wages feeding through, the risk of a harmful period of deflation remains low. The consensus view expects a modest rise in CPI to 0.8% by the end of 2015, and this should mean a delay in the first base rate rise until early 2016.
- 3.17 The uncertainty surrounding the general election did not have any marked impact on the economy or property markets, and the decisive outcome will prevent a potentially damaging period of uncertainty that could have adversely affected business and investor confidence. However, the new Conservative Government will have many economic challenges. The fiscal deficit remains large at circa 5% of GDP, despite a surge in income tax revenue during the last financial year. There will be further austerity in the next parliament, and the Government's spending plans are largely unfunded.
- 3.18 We expect growth in 2015 as a whole to be close to the long-term trend of around 2.6% p.a. The UK's robust economic performance last year was driven by employment growth, whilst total productivity actually fell by 0.1%. Output is now 4% higher than its prerecession peak in 2008, but output per worker is still 4% below that level, and raising productivity is one of the main challenges facing the UK economy in the medium term.

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## Investment Market

- 3.19 The most recent GVA economic and property market review confirms that the annual value of commercial property investment transactions reached nearly £69 billion over the 12 months to March 2015, according to Property Data. This is higher than the previous peak in 2007 when average capital values were a third higher than today. Quarter 1 2015 was the second highest first quarter on record, at over £17 billion, although some way below the record total of £21 billion in Quarter 4 2014.
- 3.20 Quarter 1 saw the highest ever proportion of purchases by overseas investors at 51%, compared with an average of 45% over the last two years. In central London 66% of purchases in Quarter 1 were by overseas buyers. US investors have been particularly active, purchasing UK commercial property worth £3.6 billion in Quarter 1, accounting for 40% of all overseas investment, and more than 20% of the total UK figure.
- 3.21 The seemingly insatiable demand for UK property from both domestic and overseas buyers has continued to apply downward pressure to property yields. In central London, Quarter 1 saw prime office yields come in by 25 basis points in five out of the ten central London sub-areas we monitor, and yield levels are now close to where they were at the peak of the last cycle.
- 3.22 However, it is outside of central London where the scope for yield compression is greatest. The average equivalent yield for regional offices has moved downwards by circa 25 basis points in the first three months of 2015, and by 250 basis points since peaking in mid-2009 (IPD Monthly Index). Despite this, the gap with central London remains historically wide – indeed, it is still more than 100 basis points wider than averages over the last 20-30 years.
- 3.23 Annual total returns on the IPD Monthly Index peaked in October 2014 at 20.1%, and have fallen month on month to 18.3% as of March 2015. Capital value growth has fallen correspondingly from 13% to 11.6% over the same period. Looking at more recent performance over the three months to March 2015, the total return was 3%. This equates to 12.6% on an annualised basis, well below the 18.3% year-on-year figure.
- 3.24 The outlook for the next 12 months remains positive and we see no reason for the international inflow of capital into the UK market to slow. The prospect of a referendum on the UK's membership of the EU over the next two years could increase the perceived level of risk of investing in the UK, although this is unlikely to have any marked impact during 2015.
- 3.25 There is certainly the potential for further downward yield movement, particularly outside London. 10-year gilt yields remain close to historic lows at below 2% (as of early May 2015), so the gap with property yields remains wide, and all property capital values are still 25% below

their 2007 peak (and more like 40% below in real terms). However, with yield compression easing, performance will be increasingly driven by rental growth fundamentals. We would expect that any rental growth in Cherwell would be modest and will be within the ability of business occupiers to cope with and remain in situ. It is unlikely that the appeal of lower cost land and property internationally will be a draw as if this were the case occupiers would have already taken this option and relocated.

- 3.26 We forecast a total return from UK commercial property in 2015 of nearly 11%, suggesting a continued deceleration throughout the rest of the year. This still represents a very strong level of performance, especially bearing in mind the current 'noflation' environment, and should prove to be a very favourable performance in comparison with equities and gilts.

### Occupier Market

- 3.27 The latest RICS UK Commercial Market Survey (Quarter 1 2015) portrays an upbeat picture of commercial occupier demand, reflecting the robust economic backdrop. It shows surveyors reporting a strong rise in demand in Quarter 1 (a net balance of +46%, close to the high of +52% at the same time last year and the tenth consecutive quarterly increase in demand). The survey also suggests that availability has continued to decrease over the first three quarters of the year, driving strong rental expectations among surveyors.
- 3.28 The most recent GVA research suggests that following strong take-up figures in 2014, both the London and regional office markets have seen slower starts to 2015. However, we do not expect this slowdown to persist, given the strong reported level of demand and some substantial requirements in the pipeline.
- 3.29 Central London office take-up for Quarter 1 2015 totalled just 2 million sqft, 16% down on the five-year quarterly average. The vacancy rate remains the same as in the previous quarter at 5.3%, but has fallen from 5.7% over the last year. Strong central London rental growth has continued, with average rental values rising by 11.2% over the year to Quarter 1, according to the IPD Quarterly Index. We expect further strong gains during 2015. Take-up across the 'Big Nine' regional office markets amounted to 1,975,000 sqft in Quarter 1, 5% above the five year quarterly average.
- 3.30 Average rental growth for offices outside London and the South East has gathered pace over the past three months, with the IPD Quarterly Index recording 1.7% growth over the year to Quarter 1 2015, compared to 1.2% to the previous quarter. We forecast 2% growth this year, followed by 3% p.a. over the following three years.
- 3.31 Improvements in consumer spending power and a slowdown in retailer failures are beginning to have a positive impact on high street retail vacancy rates. Vacancy has fallen to 13% at

March 2015, according to the Local Data Company, the lowest rate since 2010 and down from 13.2% in December. Central London retail rental growth was 9.7% over the year to Quarter 1 (IPD Quarterly Index) following strong growth at the end of last year. This has begun to slow but we still expect growth of 5.4% this year. This is in marked contrast to the regional markets. Average high street retail rental values outside London and the South East are still falling, at -1.2% over the year to Quarter 1 and by -0.3% during Quarter 1, but we expect growth to turn positive during the year.

- 3.32 Over the past six months the industrial sector has seen diminishing supply, improving demand and a significant uplift in speculative development across the country. Take-up of modern distribution units over 100,000 sqft amounted to 22.6 million sqft during 2014, 11% above the five year average. This was the highest level since 2010 and in line with pre-recessionary levels. The last year has seen a step change in the decline of available good quality units. There is currently less than a year's supply of modern distribution units over 100,000 sqft across the country based on past take-up rates. With the shortage of prime supply there is increased interest in secondary stock in good locations. Rental growth in the industrial sector over the year to Quarter 1 stands at 3% (IPD Quarterly Index), the highest it has been since 2001. We forecast that rental growth will average around 3-4% p.a. for the next three years.

## Market Activity

- 3.33 In this section we provide a high level overview of the commercial property market in Cherwell District over a five year period (July 2009 - June 2014) for the market sectors of industrial, office and retail.

### Industrial Market

- 3.34 The District boasts a high proportion of existing employment space with a strong cluster situated around J11 of the M40 in Banbury. There appears to be limited vacant space in existing employment locations and there remains latent demand from B2/8 occupiers looking for both employment land and premises in the District.

### *Lettings*

- 3.35 Desk top research utilising the Focus database concludes that, over the last five years (from July 2009-June 2014) 191 industrial deals were completed in the District, totalling approximately 164,340 sqm (1,769,023 sqft) of space. This equates to an average take up per annum of 32,868 sqm (353,805 sqft). Table 3.1 below summarises the past five year's activity in the district.

**Table 3.1 – Industrial Market Lettings Summary Table (July 2009 – June 2014)**

	Average no. Days on Market	Number of Lettings	Range of size of units (sqft)	Average unit size (sqft)	Range of rents achieved (per sqft)	Average rent achieved (per sqft)
2009 (Part)	501	19	1,204-38,000	8,320	£3.05-£14.50	£6.87
2010	541	41	517-57,828	8,742	£0.61-£8.24	£4.76
2011	490	41	1,200-38,212	8,564	£1.00-£20.59	£5.55
2012	731	28	760-178,318	10,814	£1.60-£8.30	£4.78
2013	401	51	1,469-32,000	11,114	£1.67-£8.48	£5.36
2014 (Part)	833	11	758-5,300	2,890	£4.15-£12.00	£7.09
	<b>583</b>	<b>191</b>		<b>9,262</b>		<b>£5.35</b>

Source: Focus, 2014

- 3.36 The table shows the average number of days for a property to be on the market was 583 days, although this ranged from properties being on the market for as little as 6 days, up to 2,460 days. Typically, those properties that were identified as being new or refurbished were on the market for 732 days, whilst those that were identified as second hand were on the market for 487 days. This is usually due to the premium that new properties command over and above second hand stock which can be a detractor for occupiers when making investment decisions.
- 3.37 The average rent achieved in the past five years was £5.35 per sqft, although it is difficult to draw in depth conclusions as the values achieved will largely depend upon size, specification, location and the quality of the accommodation, industrial estate/park and surrounding occupiers, as well as the type of occupier looking for accommodation. However, the new or refurbished industrial space achieved an average rent of £5.31 per sqft (range of £3.50-£8.50 per sqft), while second hand properties achieved an average rent of £5.45 per sqft (range of £1-£20.59 per sqft). However, it should be observed that many of the new or refurbished properties did not disclose the achieved rent, so the range of actual values achieved may differ.
- 3.38 It is difficult from such a large data set to identify any meaningful conclusions, suffice to say that a reason for the average rent for second hand property being slightly higher than new stock could be as a result of demand and supply factors. As per our engagement with the local property agents we recognise that there is a limited supply of new property (larger units) and a substantial supply of smaller units (most occupied) with high levels of demand. This is supported by the limited vacant stock that agents currently have on their books indicating that any available property doesn't remain vacant for long. Further, refurbished second hand property that is well located is attractive to occupiers as it provides a realistic alternative to a new build product.

- 3.39 Table 3.2 summarises the average size of the property let in the five year period. The average size of a let property is 446 sqm (4,804 sqft), although this figure is skewed by a small number of properties in excess of 929 sqm (10,000 sqft). Although as the table below shows, there has been a steady, albeit small number, of lettings of these large units during this period.

**Table 3.2 - Average Size of Industrial Lettings in Cherwell (July 2009 - June 2014)**

Size of Property (sqft)	2009 (part)	2010	2011	2012	2013	2014 (part)	% of transactions
0-500	0	0	0	0	0	0	0
501-1,000	0	3	0	1	1	1	3%
1,001 – 5,000	10	20	22	19	19	9	52%
5,001 – 10,000	4	6	9	5	15	1	21%
10,001 +	5	12	10	3	16	0	24%
	19	41	41	28	51	11	

Source: Focus, 2014

- 3.40 The most popular size of property is that within 93- 465 sqm (1,001- 5,000 sqft) equating to over 50% of the total stock let.
- 3.41 The total new and refurbished stock space let in the past five years is recorded as 22,240 sqm (239,405 sqft), with the total second space being 115,136 sqm (1,239,357 sqft). The average size for new and refurbished stock is 654 sqm (7,041 sqft), and for second hand is 886 sqm (9,534 sqft).

#### Freehold

- 3.42 There was fewer freehold sales in the 5 year period of examination, with details summarised in Table 3.3.

**Table 3.3 – Summary of Freehold Sales (July 2009 – June 2014)**

	Number of Sales	Range of size of units (sqft)	Average unit size (sqft)	Range of sales price (per sqft)	Average sales price (per sqft)
2009 (part)	7	2,200-4,708	3,118	£49 - £73.28	£56.22
2010	7	2,329- 10,481	4,849	£64.36 - £109.78	£79.51
2011	12	1,250-55,000	8,750	£47.69 - £105.71	£80.63
2012	5	4,983-87,158	29,623	£20.65 - £61.81	£44.17
2013	5	2,743-49,000	21,857	£22.45 - £82.03	£46.40
2014(Part)	2	2,340-51,664	27,002	£64.45 - £108.12	£86.29
	<b>38</b>		<b>12,630</b>		<b>£66.63</b>

Source: Focus (July 2014)

- 3.43 The average unit size sold is greater than that of the average unit size let, although this is to be expected as generally operators will choose to purchase a property once they are an established business, whereas the start-up firms will require smaller more flexible space.
- 3.44 The majority of freehold sales took place in 2011, when there were twelve recorded sales. However, from 2012, the average sales price dropped, but the average unit size increased. To a certain extent, we would expect there to be a reduction in the average sales price per square foot for larger units.
- 3.45 It is also possible to distinguish between the sales for new and refurbished stock compared to that of second hand. The new or refurbished properties tend to be smaller (average of 5,854 sqft) compared to the second hand properties (average of 17,234 sqft). Despite this there is only a negligible uplift in cost with newer stock only marginally more expensive (£69.57 per sqft) compared to the second hand average sales price of £68.44 per sqft.

## Office Market

### Lettings

- 3.46 Our desk-top research utilising the Focus database concludes that approximately 27,959 sqm (301,000 sqft) of office accommodation was let in 137 deals within the study area over the past 5 years (July 2009-June 2014). This equates to an annual take up rate of 5,592 sqm (60,200 sqft). Table 3.4 summarises the letting activity for the office market over the past five years.

**Table 3.4 – Summary of Office Market Lettings in Cherwell (July 2009 – June 2014)**

	Average Days on Market	Number of Lettings	Range of size of units (sqft)	Average unit size (sqft)	Range of rents achieved (per sqft)	Average rent achieved (per sqft)
2009 (part)	690	8	490-5,320	1579	£10.00-£12.20	£11.10
2010	540	21	271-14,000	3,103	£1.00-£14.04	£7.95
2011	668	37	165-11,191	2,183	£5.09-£17.04	£10.58
2012	544	30	213-4,850	1363	£0.99-£12.78	£8.93
2013	618	30	235-17,294	2,718	£0.99-£16.50	£9.73
2014 (part)	638	11	371-3,100	1,373	0	0
	<b>611</b>	<b>137</b>		<b>2,165</b>		<b>£9.61</b>

Source: Focus, 2014

- 3.47 The average rent achieved in the past five years was £9.61 per sqft, although as before, we must be careful in drawing broad brush conclusions. The new or refurbished office space achieved an average rent of £7.84 per sqft (range of £3.06 - £12.53 per sqft), while second hand properties achieved an average rent of £10.02 per sqft (range of £0.99 - £17.04 per sqft).

- 3.48 Table 3.4 shows the average number of days for a property to be on the market was 611 days, although this ranged from properties being on the market for as little as 2 days, up to 2,035 days. Typically, those properties that were identified as being new or refurbished were on the market for 976 days, whilst those that were identified as second hand were on the market for 512 days. The reasons for this were discussed at paragraph 3.38.
- 3.49 Table 3.5 summarises the average size of the property let in the five year period. The average size of a let property is 201 sqm (2,165 sqft), and this is also the most common band of property size let, with 60% of office lettings being within this size band.

**Table 3.5 – Average Size of Office Lettings in Cherwell District Council (July 2009 – June 2014)**

Size of Property (sqft)	2009 (part)	2010	2011	2012	2013	2014 (part)	% of transactions
0-500	2	1	3	3	3	1	9%
501-1,000	2	4	6	10	6	4	23%
1,001 – 5,000	3	14	25	17	17	6	60%
5,001 – 10,000	1	0	2	0	3	0	4%
10,001 +	0	2	1	0	1	0	3%
	<b>8</b>	<b>21</b>	<b>37</b>	<b>30</b>	<b>30</b>	<b>11</b>	

*Source: Focus, 2014*

- 3.50 Table 3.5 demonstrates that the majority of office lettings are for units below 465 sqm (5,000 sqft); no deals in 2014 exceeded this threshold, with relatively few over the 5 year period. This suggests that the majority of this take up is likely to originate from local and sub-regional occupiers trading up/down sizing their property requirements once they come to the end of existing leases.

#### *Freehold*

- 3.51 There have been even fewer office freehold sales in the 5 year period, with a total of 20 from July 2009 to June 2014. However, a large proportion of these were in September 2009 at Upper Heyford, when 7 units were sold, totalling 197,000 sqm (2.1 million sqft). The total freehold office space transacted equals 201,000 sqm (2.2 million sqft), thus these transactions contribute to a large proportion of the office freehold stock.
- 3.52 In particular, it was this Upper Heyford sale of circa 2 million sqft for £40 million that impacts upon these findings. If we remove this from the analysis, there was only circa 15,600 sqm (168,000 sqft) at an average unit size of 820 sqm (8,800 sqft).
- 3.53 The freehold sales rate varied from £61.05-£199.76 per sqft (excluding the aforementioned transaction), although caution should be employed on drawing too many conclusions from a relatively small dataset.

## Retail Market

### *Leasehold*

- 3.54 The Focus Database shows that approximately 157 retail deals took place over the five year period (July 2009 - June 2014), equating to 30,233 sqm (325,487 sqft). We are defining "retail" as all those retail uses covered by the Planning Use Class "A", i.e. including high street shops, financial and business services, cafes, restaurants, pubs and so on. Table 3.6 summarises these retail deals over the five year period.

**Table 3.6 - Summary Table of Retail Deals within Cherwell District Council (July 2009 – June 2014)**

	Average Days on Market	Number of Lettings	Range of size of units (sqft)	Average unit size (sqft)	Range of rents achieved (per sqft)	Average rent achieved (per sqft)
2009	463	17	411-15,000	2,150	£5.49-£25.64	£13
2010	432	29	213-15,000	2,417	£6.47-£467.48	£16.43
2011	428	39	261-15,600	1,608	£5.45-£72.73	£21.30
2012	386	35	174-10,797	2,477	£6.63-£27.65	£16.60
2013	784	22	371-9,078	2,056	£11.82-£27.26	£20.66
2014(Part)	375	15	850-7,664	2,077	£7.83-17.30	£12.66
	<b>461</b>	<b>157</b>		<b>2113</b>		<b>£17.89</b>

*Source: Focus, 2014*

- 3.55 Of the 157 deals that took place, 104 (66%) were high street retail, with the remaining being classed as "out-of-town", "shopping centre" or "mixed retail" i.e. Bicester Village.
- 3.56 The units were mainly located in Banbury (with 107 leasehold transactions, including 20 at Castle Quay Shopping Centre), with Bicester making up the majority of the remainder (37).
- 3.57 The average number of days the property was on the market was 461 days, with a range of 5-1,875 days.

**Table 3.7 – Average Size of Retail Lettings in Cherwell District Council (July 2009 – June 2014)**

Size of Property (sqft)	2009	2010	2011	2012	2013	2014	% of transactions
0-500	4	8	8	4	1	0	18%
501-1,000	3	6	12	12	7	2	30%
1,001 – 5,000	9	9	17	15	13	11	54%
5,001 – 10,000	0	3	0	3	1	1	6%
10,001 +	1	1	1	1	0	0	3%
	17	27	38	19	22	14	

Source: Focus, 2014

- 3.58 Table 3.7 shows that there is a variety of unit sizes, although over half are for units between 1,001-5,000 sqft, with less than 10% for units over 5,000 sqft.

#### Freehold

- 3.59 As per the industrial and office markets, there are fewer freehold transactions, with only 38 recorded transactions in the time period.
- 3.60 Of particular note, Launton Road Retail Park (Bicester) was sold for £13.5 million for 60,000 sqft of Retail Park in 2009. Typically, retail freehold sales range from £61-£701 per sqft, although any conclusions drawn from this limited range of data should be treated with caution.

## Availability

### Industrial

- 3.61 As at July 2014, there were 45 available (known and reported) leasehold properties available in Cherwell, which equates to a total floorspace of 92,000 sqm (987,000 sqft). Table 3.8 summarises the available space.

**Table 3.8 – Industrial Market - Availability**

Grade	Number	Average Size	Range of Sizes	Average Rents (£ per sqft)	Days on Market	Total Space
New or Refurbished	11	5,956 Sqm (64,113 Sqft)	163-24,827 Sqm (1,750-267,240 Sqft)	£6.48	1078	65,519 Sqm (705,248 Sqft)
Secondary stock	34	771 Sqm (8,301 Sqft)	70-5,328 Sqm (750-57,351 Sqft)	£5.11	893	26,220 Sqm (282,235 Sqft)

Source: Focus, 2014

- 3.62 Table 3.8 highlights that rental values are higher for new or refurbished units (although this will also be dependent on size, specification and quality of units). These figures will also not take into account any incentives that are offered as part of lease negotiations.
- 3.63 The majority of the available units are secondary accommodation (accounting for over 75% of the available units), although the total floorspace offered in this accommodation accounts for only 29% of the total industrial floorspace currently on the market.
- 3.64 Table 3.9 below demonstrates that secondary stock both in and out of centre has a very similar rental level. However, for new or refurbished stock rental levels are slightly higher out of centre.

**Table 3.9 – Industrial Market – Breakdown of Rent In and Out of Centre**

Grade	Number	Total Space	Average Rents (£ per sqft)
New or Refurbished in Centre	3	62,477sqft (3,042sqm)	£6.10
New or Refurbished out Centre	8	32,744sqft (3,042sqm)	£7.23
Secondary stock in Centre	23	112,939sqft(10,491sqm)	£5.03
Secondary stock out Centre	11	169,296sqft (15,729sqm)	£5.28

- 3.65 There were 14 freehold properties for sale, ranging from 143-24,827 sqm (1,539-267,240 sqft), although the majority were for units under 1,000 sqm (c. 100,000 sqft). Most of these properties for sale are found in Banbury focused at either Thorpe Way Industrial Estate or Banbury Cross, 13 of these properties are also identified specifically for warehousing, with only one on the market for general industrial. Asking prices range from £45.95-£178.69 per sqft?, with an average of £82.80 per sqft?.

## Office

- 3.66 There were 91 available office properties on the market in July 2014, equating to total available leasehold space of 30,628 sqm (329,664 sqft). This is significantly less than the industrial space available, which is reflective of the well documented lack of supply in both Banbury and Bicester, compared to industrial. Table 3.9 summarises these by the grade of office space available.
- 3.67 There are fewer new or refurbished properties on the market, although the average size on offer is greater than the second hand properties available. There are also only two areas where new or refurbished properties can be found on the market - Banbury and Kidlington.

**Table 3.10 – Office Market – Availability**

Grade	Number	Average Size	Range of Sizes	Average Rents (£ per Sqft)	Total Space
New or Refurbished	17	774 Sqm (8,334 Sqft)	(64-3,689 Sqm) (690-39,704 Sqft)	£11.95	13,162 Sqm (141,672 Sqft)
Secondary stock	74	236 Sqm (2,540 Sqft)	26-2,555 Sqm 285-27,507 Sqft	£11.39	17,466 Sqm (187,992 Sqft)

Source: Focus, 2014

- 3.68 There is only a slight differential in the average asking prices for rents between the two grades of accommodation although this will vary dependent on the size, specification and quality of units.

**Table 3.11 – Office Market – Breakdown of Rent In and Out of Centre**

Grade	Number	Total Space	Average Rents (£ per sqft)
New or Refurbished in Centre	8	39,602sqft (3,679sqm)	£9.55
New or Refurbished out Centre	9	102,070sqft (9,483sqm)	£15.56
Secondary stock in Centre	35	13,0519sqft (12,066sqm)	£8.50
Secondary stock out Centre	39	57,476sqft (5,342sqm)	£13.76

Source: Focus, 2014

- 3.69 For the office market both secondary and new/refurbished stock out of the centre is more per sqft than within Centres. For new/refurbished stock there is a £6 difference between in and out of centre, and for secondary stock there is a £5 difference.
- 3.70 At July 2014, there were 11 freehold properties currently on the market for office use. The size of offices range from 100-2,503 sqm (1,081-26,940 sqft). However, this is slightly misleading as there is only one property on the market over 557 sqm (6,000 sqft), with the remaining ten below this range. The average sales price per sqft is £101 per sqft, reflecting a range from £36.67-£165 per sqft.

## Retail

- 3.71 Finally, turning to the retail market, there were 61 available leasehold retail properties in the District as at July 2014, which are summarised by location in Table 3.12.

**Table 3.12 – Retail Market - Availability**

Town	Number	Average Size	Average Rents (£ per sq ft)
Banbury	39	155 Sqm (1,672 Sqft)	£55.72
Bicester	21	130 Sqm (1,399 Sqft)	£30.89
Kidlington	4	61 Sqm (654 Sqft)	£25.17

*Source: Focus, 2014*

- 3.72 Banbury has the most available units (accounting for over half of the properties currently on the market), and also the highest rents and average size of the store. This includes units within shopping centres and high street units.
- 3.73 Table 3.12 confirms that Banbury and Bicester are the preferred retail locations in Cherwell District, this is what we'd expect given the strong retail offer of the towns, i.e. the outlet village at Bicester. Kidlington, being the smallest centre offers smaller sized units, fewer available properties but the most competitive rental terms.

## Investment Market

- 3.74 The investment market is a further factor affecting development viability of commercial property.. 2014 finished with a flourish, and more than £20 billion was transacted in the final quarter according to Property Data. This has taken the total value of UK investment transactions for the whole of 2014 to more than £62 billion, which is the highest total on record.
- 3.75 Overseas buyers and UK institutions were both heavy net buyers in 2014, increasing their exposure to UK commercial property by a combined £15 billion. Overseas buyers accounted for 42% of the value of UK purchases in 2014, with the UK institutions making up 29%.
- 3.76 With this level of demand and a limited supply of investment opportunities, 2014 saw a marked downward shift in yields. The all-property average equivalent yield moved in by 76 points on the IDP Monthly Index, but some sectors saw much sharper falls. Average UK industrial yields tumbled by 116 basis points and offices outside London and the South East fell by nearly 160 basis points. The UK's regional markets are still looking an attractive opportunity, and the yield gap between London and the regions narrowed during 2014. This is reflected in increasing investor interest in the regional markets.

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## Investment Markets in Cherwell

- 3.77 Industrial/distribution yields are usually above those of office yields. However our research recorded few published yields in order to draw robust conclusions. Of the limited evidence available, a yield of 7% was achieved on a new or refurbished unit in Kidlington in June 2012, while yields for second hand units range from 6.99% (a unit in Banbury in December 2012) to 11% (another unit in Banbury in August 2013).
- 3.78 There are even fewer office transactions to be able to draw reliable conclusions from, with only two recorded yields achieved in the five year period (for 7.69% in 2011 and 8.25% in 2009).
- 3.79 Prime retail yields in Banbury at the end of 2013 are 7%, which is broadly consistent with the preceding 6 months. This prime yield remains 225 basis points above the pre-recession peak in 2006, and is comparable with other similar sized towns.

## Summary

- 3.80 Cherwell presents a picture of activity that is to be expected for a regional market. There has been more activity in the industrial market than the office market due largely to the greater amount of supply, with properties under 5,000 sqft being the most popular. However, the average unit size is greater than this, as there are a number of large units that are also in demand, particularly in Bicester and Banbury, to take advantage of the road links to the M40.
- 3.81 The average take up for leasehold space has been 32,868 sqm (353,805 sqft) per annum, with an average rent of £5.35 per sqft, resulting in over 160,000 sqm (1.65 million sqft) of total industrial space let during the period.
- 3.82 There have been a smaller number of freehold transactions, although the average unit size sold in freehold transaction is greater than that in a leasehold deal, which suggests that there is owner occupier demand for large units.
- 3.83 Office accommodation saw a total take up of almost 28,000 sqm (301,000 sqft) for leasehold properties over the 5 year period, which reflects an average take up of circa 5,600 sqm (60,000 sqft) at an average rent of £9.61 per sqft.
- 3.84 There were only twenty freehold transactions during the time period, with a total of over 201,000 sqm (2.2 million sqft). However, this was largely dominated by the Upper Heyford deal of 2 million sqft for £40 million. If this is removed from the analysis, then the average unit size sold in a freehold transaction was 820 sqm (8,800 sqft).
- 3.85 The retail market saw over 30,000 sqm (320,000 sqft) of space let in the period examined, with the majority of these being "high street" retail, particularly focused at Banbury and continued

interest from the market for locations in around Bicester village The offer in Kidlington is on a much smaller scale but we understand there to be niche demand for property.

- 3.86 The investment and development land market have been heavily impacted by the recession, and although there is not a sufficiently robust evidence base to be able to draw in-depth conclusions around these markets, we would expect these markets to improve as the economic recovery takes hold.

## 4. Employment Land Supply

- 4.1 This section of the report reviews the existing supply of employment land within the Cherwell District Council administrative area. Data on these sites was supplied in part by Cherwell District Council and supplemented by our review of existing Local Plan policy documents and knowledge of sites being promoted for employment use.
- 4.2 At the outset a number of sites were identified and a comprehensive list drawn up to inform the site assessments. After an initial assessment some sites were excluded due to them not being in 'B class' employment use. The sites that were excluded and the reasons for this are shown in Table 4.1 below.

**Table 4.1 – Sites Excluded from Employment Supply Assessment**

Site Ref. No	Site Name	Reason
1	Banbury Cross Retail Park	Retail use
10	Middleton Road, Banbury	Residential use
47	Colin Sanders Innovation Centre development land	No development land
51	Inigo Business Centre, Banbury	No B class use
59	Bicester Avenue Garden Centre	Retail use
60	Bicester town centre	Retail and Town Centre use
61	Bicester Village	Retail use
62	Kidlington High Street	Retail and Town Centre use
66	Land at Bolton Road	No B class use
67	Land north of Oxford canal	Retail and Town Centre use
68	Commercial area	Retail and Town Centre use
69	Deefields Farm	No B class use
70	Commercial area	Retail and Town Centre use
71	New site	Residential use
72	New site	Residential use
73	New site	No B class use
98	Shipton on Cherwell Quarry site	No B class use

*Source: GVA, 2015*

- 4.3 The supply of employment land in Cherwell consists of two key components:
- i. Existing employment land which will continue to serve the needs of businesses within the area throughout the Plan period. This category includes employment land that was currently in use at the time of the study; and

- ii. Potential future employment sites that may be developed within the Plan period and contribute to meeting future employment land requirements both within Cherwell and potentially the wider sub-region.
- 4.4 The review of these components includes both quantitative and qualitative elements (in accordance with DCLG (now CLG) guidance).
- 4.5 In total, 89 sites comprising 1,244.20 ha were identified as being part of the employment land supply and in B class employment use. These sites are spread throughout the District as shown in the plan at **Appendix C**. As per **Appendix B**, each site has a unique site reference number. The quantum of sites split between the existing and potential future sites is shown in Table 4.2 below.

**Table 4.2 – Summary of Employment Land Supply in Cherwell District**

Site Typology	Existing Employment Land (ha)	Potential Employment Sites (ha)	Total (ha)
Total Area (ha)	647.77	596.43	1,244.20

*Source: GVA, 2015*

- 4.6 Our employment sites assessment matrix for these sites is provided at **Appendix B**.
- 4.7 We turn now to consider the findings from our employment land supply assessment for each of the following categories of employment land.

### **i) Existing Employment Land within Cherwell District**

- 4.8 This definition includes existing employment land that was in use at the time of the study. In total, 63 sites comprising 647.77ha were identified as being part of the existing employment land supply and in B class employment use. These sites are spread throughout the District as shown in the plan at **Appendix C**. As per **Appendix B**, each site has a unique site reference number.
- 4.9 GVA has subsequently undertaken an independent assessment of each site, based upon site visits by surveyors and planners. This assessment included a range of market, and physical assessment criteria using a standard proforma to record details of each area. It should be borne in mind that this analysis reflects existing baseline conditions for the sites assessed and is taken as a snapshot in time, with the site visits undertaken during May to September 2014. It does not take into account any proposed improvements or investment to any of these areas of existing employment activity. Details of the proforma used can be found at **Appendix D** and the scoring matrix for all sites at **Appendix B**.

## Quantitative Assessment

4.10 Using the scores from the sites assessment matrix (**Appendix B**) we have been able to undertake some quantitative analysis of the scores, which is detailed below.

## Market Assessment

4.11 The market based characteristics of the employment land supply have been summarised. The market assessment takes account of the following characteristics:

- Nature of existing tenants;
- Public transport;
- Prominence;
- Local amenities;
- Character of area;
- Economic constraints;
- Strategic location; and
- Market Attractiveness.

4.12 The scores are then ranked into a number of categories which determine how well the site scores. Table 4.3 summarises the results of this analysis.

**Table 4.3 – Summary of Market Scores of the Existing Employment Land Supply**

Market Ranking	No. of Sites	% of Land	Total Land (ha)
Excellent	6	14%	93.18
Good	29	73%	474
Average	21	11%	68.11
Poor	7	2%	12.48
<b>Total</b>	<b>63</b>	<b>100%</b>	<b>647.77</b>

*Source: GVA, 2015*

4.13 It can be seen in Table 4.3 above that the majority of existing stock within Cherwell District (98%) is ranked as being of average to excellent quality. Only a small proportion of all sites inspected were ranked as excellent (14%), totalling 93.18ha of land, the majority of sites (73%) were ranked as good (474ha) and just over one tenth of the sites (11%) were ranked as average (68.11ha). Whilst 7 sites were assessed as being of poor quality these only equate to 12.48ha of supply.

## Physical Assessment

4.14 We summarise here the physical based characteristics of the employment land supply. The physical assessment takes account of the following characteristics:

- Access;
- Building Age; and
- Building Quality.

4.15 The scores are then ranked into a number of categories which determine how well the site scored. Table 4.4 below summarises the results of this analysis.

**Table 4.4 – Summary of Physical Scores of the Existing Employment Land Supply**

Physical Ranking	No. of Sites	% of Land	Total Land (ha)
Excellent	7	11.5%	75.34
Good	28	34%	217.37
Average	26	54.5%	353.65
Poor	2	0%	1.41
<b>Total</b>	<b>63</b>	<b>100%</b>	<b>647.77</b>

*Source: GVA, 2015*

4.16 Table 4.4 above highlights that in terms of the physical scores; all but two sites can be described as being of average to excellent quality. The two sites which scored poor are Brymbo Works, Statlon Road, Hook Norton (Site 74) and the Depot site Launton Road, Bicester (Site 86).

### Type of 'B class' Employment use

4.17 Our employment sites assessment provided at **Appendix B** indicates the B class employment use for each site we assessed. Table 4.5 below shows the number and size of sites within each group.

Table 4.5 – B Class Employment Use

Type of B Use	No. of Sites	% of Land	Total Land (ha)
B1 - Office Business Park	10	4%	27.44
B1 – Town Centre	2	1%	5.46
B1 - Serviced Office	4	0%	1.80
B1 and B2 - Office and Industrial Units	4	5%	34.81
B1 and B8 – Office and Warehousing/ Distribution Units	1	0.5%	3.75
B1, B2, B8 - Offices, Industrial and Warehousing/Distribution Units	11	52%	334.20
B2 - Industrial units	6	1.5%	8.78
B2 - Local site for company	3	2%	11.57
B2 and B8 - Industrial and Warehousing/ Distribution Units	19	27.5%	178.21
B8 - Warehouse/Distribution Units	3	6.5	41.75
<b>Total</b>	<b>63</b>	<b>100%</b>	<b>647.77</b>

Source: GVA, 2015

- 4.18 This indicates that there is a broad mix of B class employment use within Cherwell District, with sites providing mix of office, industrial and warehouse/distribution uses (B1, 2 and 8) offering 334.20 hectares of space. Other dominant land uses in terms of land take are mixed use sites offering B2 and B8 space, and single use sites for B8 space both offering circa 178 and 41 hectares of space respectively.

### Vacancies

- 4.19 Our employment sites assessment provided at **Appendix B** indicates that 51% (32 sites) are fully occupied, with vacant units/development land/redevelopment opportunities provided at the remaining 49% (21 sites). A number of employment sites/property that score poorly still manage to maintain high levels of occupancy. This is largely driven by latent demand for secondary property within the local market (churn) much of which is available at favourable terms and is therefore attractive to occupiers.
- 4.20 It must be noted that at a number of these sites there are only a few vacancies per site so in the large part the majority of sites are fully occupied, with limited vacancies/grow-on space. Therefore it will be necessary for the proposed future sites to provide supply to meet market demand for second tier suppliers.
- 4.21 The majority of the sites with vacant units offered a selection of offices (B1) and industrial property (B2 and B8) TO LET. It is our expectation that these sites will continue to provide for the employment needs of the local market and will accommodate the majority of the churn in the local property market.

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## ii) Potential Future Employment Land Supply in Cherwell District

- 4.22 This definition includes sites that are allocated in the Local Plan Part 1 or could be allocated in Local Plan Part 2. These sites are mainly being promoted by developers.
- 4.23 Data on these sites was supplied in part by Cherwell District Council and supplemented by our review of existing Local Plan documents, our current market knowledge and through discussion with developers promoting sites in the Cherwell District.
- 4.24 A total of 26 sites, comprising 596.43 ha were identified. These sites are located across the District, as shown on the plans at **Appendix C**.
- 4.25 A multi-disciplinary team of GVA planners and surveyors undertook an independent assessment of each of the potential future sites, which has included a range of market and physical assessment criteria, using a standard proforma to record details of each area. It should be borne in mind that this analysis reflects existing baseline conditions for the sites assessed, with the site visits undertaken during May and September 2014. It does not take into account any proposed investment to any of these areas of proposed employment activity. Details of the proforma used for these sites can be found at **Appendix E** and the scoring matrix for all sites at **Appendix B**.

### Quantitative Assessment

- 4.26 Using the scores from the employment sites assessment (detailed at **Appendix B**) we have been able to undertake some quantitative analysis of the scores, which is detailed below.

### Market Assessment

- 4.27 Here we have summarised the market based characteristics of the proposed employment land supply. The market assessment takes account of the following characteristics:
- Nature of existing tenants (as this is not applicable for future sites we have provided a score of 4 for each site as to the likely future tenant the site could attract);
  - Public transport;
  - Prominence;
  - Local amenities;
  - Character of area;
  - Economic constraints;
  - Strategic location; and

- Market Attractiveness.

4.28 The scores are then ranked into a number of categories which determine how well the site scored. Table 4.6 below shows the results of this analysis.

**Table 4.6 – Summary of Market Scores of the Potential Future Employment Land Supply**

Market Ranking	No. of Sites	% of Land	Total Land (ha)
Excellent	4	3%	15.16
Good	17	87%	528.78
Average	5	10%	52.49
Poor	0	0%	0
<b>Total</b>	<b>26</b>	<b>100%</b>	<b>596.43</b>

*Source: GVA, 2015*

4.29 Table 4.6 above shows that all the potential future employment land within Cherwell District is ranked as being of average to excellent quality with over 87% (17 sites, 528.78 hectares) classified as of good quality . The highest scoring sites (see **Appendix B**) are Stroud Park (Site 14) and Banbury Point (Site 19) both of which are located in Banbury, as well as Oxford Spires Business Park (Site 29a) and Oxford Technology Park (Site 88) both of which are located in Kidlington.

### Physical Assessment

4.30 Here we have summarised the physical based characteristics of the proposed employment land supply. The physical assessment takes account of the following characteristics:

- Access;
- Building Age (as this is not applicable for future sites we have provided a score of 5 for each site as any future property will be modern); and
- Building Quality (as this is not applicable for future sites we have provided a score of 4 (good quality) for each site).

4.31 The scores are then ranked into a number of categories which determine how well the site scored. Table 4.7 below shows the results of this analysis.

**Table 4.7 – Summary of Physical Scores of the Potential Future Employment Land Supply**

Physical Ranking	No. of Sites	% of Land	Total Land (ha)
Excellent	22	95%	565.66
Good	3	5%	29.71
Average	1	0%	1.06
Poor	0	0%	0
<b>Total</b>	<b>26</b>	<b>100%</b>	<b>596.43</b>

Source: GVA, 2015

- 4.32 In terms of the physical assessment, Table 4.7 above shows that the majority of proposed sites were ranked as being of excellent quality (95%). This relates to their accessibility with a number of sites scoring top marks in the assessment, many being located adjacent to a motorway junction or a main road, i.e. Stroud Park, Banbury (Site 14), Banbury Point, Banbury (Site 19), Bicester Business Park (Site 37), Graven Hill, Bicester (Site 64), J9 M40, Bicester (Site 76) and Employment land north east of J11, M40, Banbury (Site 80 and 80b). The site that scored the lowest is Vantage Business Park, Banbury (Site 56a).

#### Type of 'B class' Employment use

- 4.33 Our employment sites assessment provided at **Appendix B** indicates the 'B class' employment use for each site that has been assessed. Table 4.8 below shows the number and size of sites within each group.

**Table 4.8 – B Class Employment Use**

Type of B Use	No. of Sites	% of Land	Total Land (ha)
B1 - Office Business Park	5	8%	47.69
B2 and B8 - Industrial and Warehousing/ Distribution Units	3	8%	48.07
B1 and B2 - Office and Industrial Units	5	4%	28.29
B1, B2, B8 - Offices, Industrial and Warehousing/Distribution Units	10	53%	313.62
B8 - Warehouse/Distribution Units	3	27%	158.76
<b>Total</b>	<b>26</b>	<b>100%</b>	<b>596.43</b>

Source: GVA, 2015

- 4.34 This indicates that the highest supply (53% and 313.62ha) of the future employment site provision will be suitable for all 'B class' employment uses. In addition to this, 158.76ha (27%) has been identified for pure B8 uses.

#### Summary

- 4.35 We provide the following conclusions below from this assessment of the employment land supply in the District. Table 4.9 summarises the extent of the employment land supply within the

District which clearly shows that the District has a significant amount of land supply in two distinct categories.

**Table 4.9 – Summary of Employment Land Supply in Cherwell District**

	Existing Employment Land	Potential Employment Sites
Supply (hectares)	647.77	596.43
<b>TOTAL</b>	<b>1244.20hectares</b>	

*Source: GVA, 2015*

4.36 We highlight below the key conclusions from each of the types of employment land supply that we considered.

#### *Existing Employment Land*

4.37 **Market Assessment** - The majority of the existing stock is ranked as being of average to excellent quality (98%). Only a small proportion of all sites inspected were ranked as excellent, totalling 93.18 ha of land, just under three quarters of sites were ranked as good (474 ha) and just over one tenth of the sites were ranked as average (68.11 ha). Whilst 7 sites were assessed as being of poor quality, these only equate to 12.48 ha of supply.

4.38 **Physical Assessment** - all but two sites of existing stock can be described as being of average to excellent quality.

4.39 **B Class Employment Uses** – There is a broad mix within Cherwell District, with mixed use sites offering the most dominant land use by type i.e. B1/2/8 providing 334.20 hectares and B2/8 offering 178 hectares. The next largest use is in single B8 use, offering 41 hectares of land supply.

4.40 **Vacancies** – 51% (32 sites) of these sites are fully occupied, with the remaining vacant units/development land providing 49% (21 sites). At a number of these sites there are only a few vacancies per site, so in the large part the majority of sites are fully occupied, with limited vacancies/grow-on space.

4.41 The majority of the sites with vacant units offered a selection of offices (B1) and industrial property (B2 and B8) TO LET. It is our expectation that these sites will continue to provide for the employment needs of the local market and will accommodate the majority of the churn in the local property market.

#### *Potential Employment Sites*

4.42 **Market Assessment** - All the potential future sites within Cherwell District are ranked as being of average to excellent quality.

- 4.43 **Physical Assessment** – The majority (95%) of the potential future sites are ranked as being of excellent quality. This relates to their accessibility, with a number of the sites located either adjacent to a motorway junction or a main road. The M40 corridor in the District is one of the key locations for B2/8 industrial/distribution/logistic sector development with latent demand from both existing and new occupiers for space in this location most notably around J11 in Banbury.
- 4.44 **B Class Employment Uses** – There is a broad mix within Cherwell District, with mixed use sites offering the most dominant land use by type i.e. B1/2/8 providing 313.62 hectares (53%) and B8 offering 158.76 hectares (27%).

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## 5. Forecast Demand Scenarios

- 5.1 In understanding the range and portfolio of future employment land and floorspace need it is important to understand the potential nature of employment growth within Cherwell over the plan period (and beyond) to ensure sufficient provision is made and protected within the District's employment sites.
- 5.2 This section sets out the forecast scenarios used within this Study to understand the 'reasonable alternatives' for potential future growth. It provides a short description of the rationale for each scenario, the technical approach and the key outputs. It then goes on to identify a 'synthesis' forecast which should form the basis of future planning.
- 5.3 The testing of alternative scenarios is important in the development of policy. Cherwell is a dynamic economy containing a number of sectors that have significant growth potential and have demonstrated strong recent performance despite the recession. The focus of policy should therefore be on enabling these, and other sectors, to continue to thrive within the District, positively planning to manage growth and expansion.
- 5.4 Wider development and regeneration initiatives within the District will also help to raise the growth potential. Population and housing growth will increase the labour pool, town centre regeneration will upgrade stock and trading environments, infrastructure upgrades have and will improve business connectivity, the continued growth of the knowledge cluster at Kidlington will attract new businesses and the growth of Bicester as one of a new generation of 'Garden Cities' will attract new sectors.
- 5.5 Given this range of factors 'business as usual' is not an option for the District. Change will happen and the forecast needs to interpret this in a meaningful way, guiding future policy decisions through an economic model that is tailored to local circumstances.
- 5.6 The forecast model is based on the employment growth projections provided by Experian Business Strategies, these were finalised and published in May 2014. The Experian forecast factors in demographic trends and future expectations and changes. It therefore allows for expected shifts in age profiles, economic activity rates and the impact of changes to the 'statutory' retirement age. The model uses a base population projection that is consistent with those used by DCLG and interprets their outputs to forecast the influence the complete 'basket' of demographic factors have on employment rates in any location.
- 5.7 The employment land requirement forecast delineates growth into major sectors which, in turn, are aggregated into land use types. This approach provides a land and floorspace requirement for office (B1a/b), industrial (B1c/B2) and warehousing (B8) activity. Whilst this
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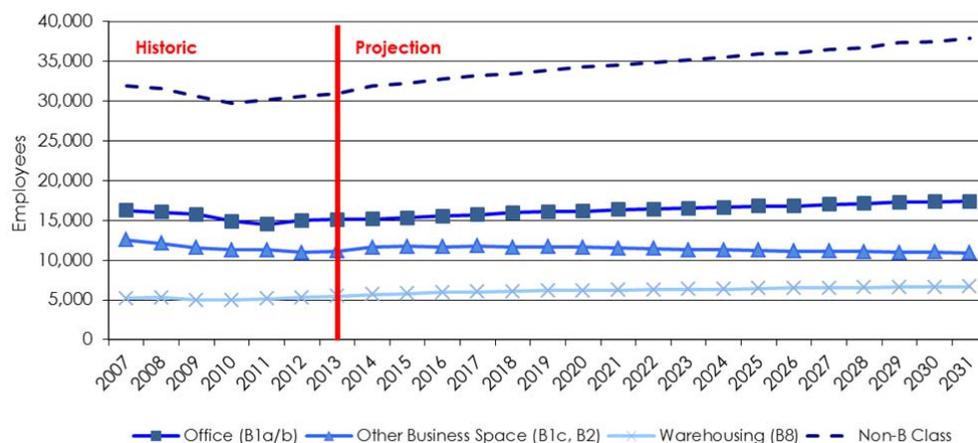
approach aligns with the guidance provided by the NPPF and NPPG and provides a robust basis for planning purposes it should be recognised that future delivery may not be as neatly categorised.

- 5.8 Indeed, many recent developments within Cherwell have delivered a mix of uses within one property in order to provide flexibility to occupiers, reflecting the changing nature of economic activity and production techniques. It is therefore critical that the requirements identified are translated into policy in a way that allows this flexibility to be achieved. Critically this should ensure there is ongoing 'choice' within the market to address a range of occupier specific requirements and ensure there is the capacity to adapt as requirements change over the plan period.
- 5.9 The provision of choice and flexibility will require the future employment land policies to ensure both quantitative and qualitative needs are met, which is likely to mean allocation and protection of sites over and above the quantum of land identified within the employment forecasts explored in this section.

## Base Forecast

- 5.10 The base Experian forecast for Cherwell sets out the 'business as usual' employment growth scenario for the District to 2031 across 38 economic sectors, the key outputs are shown in **Appendix F**. Translating these sectors in to major use categories for planning purposes shows that the most significant level of growth proportionally (30%) is within 'warehousing' activities however non-B class activities will grow by the largest amount of jobs at over 7,700.
- 5.11 Overall employment within the District is forecast to grow by 19% to 2031, some 11,762 jobs. This equates to an average annual growth rate of just under 1%, higher than the level identified within the Oxfordshire SHMA Economic Forecasting Study (2014) "Alternative Population Growth" scenario (0.6%) but marginally below the "Planned Economic Growth forecast" (1.2%) . The results of the forecast are shown in Figure 5.1.

Figure 5.1 - Base Forecast Employment Growth



Source: Experian Business Strategies, GVA, 2014

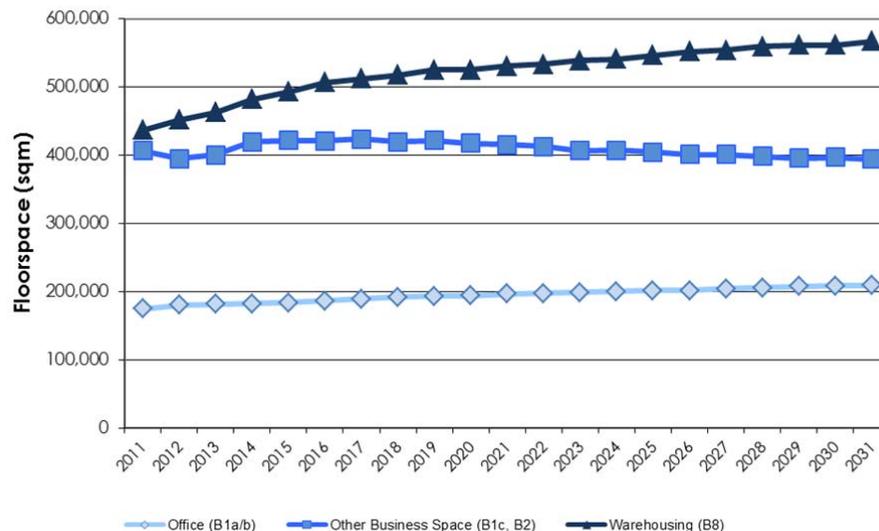
5.12 Within 'B class' activities the base forecast shows an increase in office based employment activities (20% to 2031), a small fall in employment in 'other' business floorspace (light industrial and manufacturing space, -3%) and a significant (30%) increase in warehouse and storage employment (albeit this sector is growing from a low base). As discussed previously these results are predicated on a combination of historic performance and national sector trends, alternate growth scenarios that draw on local characteristics are considered later in this section.

5.13 Using employment density assumptions we can translate these job creation forecasts into additional floorspace requirements. As a base model we use the following employment densities, these are based on our understanding of the nature of economic activity within (and likely to be attracted) to the area, the subsequent occupier requirements within these activities, and the guidance provided by the HCA Density Guide Second Edition, 2010:

- B1a/b – 12 square metres per employee (NIA);
- B1c/B2 – 36 square metres per employee (GIA); and
- B8 – 85 square metres per employee (GEA).

5.14 The floorspace requirements from the Base Forecast are shown below.

Figure 5.2 - Base Forecast Floorspace Requirements



Source: Experian Business Strategies, GVA, 2014

5.15 The base forecast shown in Figure 5.2 estimates additional demand to 2031 of:

- 34,400 sqm of B1a/b floorspace;
- -12,814 sqm of B1c/B2 floorspace; and
- 130,367 sqm of B8 floorspace.

5.16 This provides the starting point for understanding how different policy, strategy or market influences could alter the balance and quantum of floorspace requirements for and between different B and non-B Use Classes. We consider the potential relevant scenarios to test these influences in the next section.

### Contingency Allowance and Market 'Churn'

5.17 In order for future employment forecasts to be based on more than economic growth 'predictions' and to better reflect the fluid nature of land allocations, the forecasting model makes two 'additional allowances'.

5.18 Firstly, a contingency allowance is made which takes into account the fact that a proportion of designated employment land will not be entirely used by B-Use-Class employment. Land uses such as: recycling, waste management, combined heat and power plants and bus depots can, under certain circumstances and where appropriate, be located on employment land.

- 5.19 A significant part of the projected employment growth also arises from sectors which have traditionally not been located on B Class employment land such as healthcare, education, hotels and leisure.
- 5.20 Under specific circumstances and where appropriate, employment land might also be used as part of a more mixed-use scheme which would enable employment development to come forward on a proportion of it.
- 5.21 Further, with the extension of Permitted Development Rights (albeit only for three years initially) making the conversion of office premises to residential use more straightforward, there is the potential for an increase in the unexpected loss of employment floorspace.
- 5.22 To estimate the amount of land that may be used for non-B class activities, historic losses of employment land to other uses such as housing and leisure as reported in the Council's Annual Monitoring Report have been used.

**Table 5.1 - Allowance for Windfall Losses**

	Office (sqm)	Industrial (sqm)	Warehouse (sqm)
2010/11	0	819	0
2011/12	1,985	1,702	3,847
2012/13	0	0	3,359
<b>Average Annual Loss</b>	<b>496</b>	<b>630</b>	<b>1,802</b>

*Source: Cherwell District Council Annual Monitoring Reports, 2014*

- 5.23 As shown in Table 5.1 there have been minimal loss of employment space to other uses ("Windfall Losses"). Projecting this average rate forward over the Plan Period we have identified an allowance for windfall of circa 80,000 sqm of floorspace.
- 5.24 This approach has its limitations, principally because the information has only been consistently collated for three previous years. This data is still used, however, with the proviso that it should be monitored each year and new figures considered to give a longer term projection of losses of employment land. This could have a considerable effect on future employment land needs, depending on employment land losses in each year.
- 5.25 As well as making an allowance for unexpected losses of employment land, allowance is made for the fact that the needs of businesses (such as location or property specification) changes over time, requiring them to move. In other instances an existing business might cease its operations and a new business take over a site for redevelopment. For this to happen smoothly there is a need for certain levels of available vacant land. This type of demand has been called 'churn' demand or 'frictional vacancy'.

- 5.26 An allowance for 'churn' is calculated from the average annual construction rate of space within the District as recorded within the Annual Monitoring Report, as shown in Table 5.2 below.

**Table 5.2 - Allowance for Churn**

	Office (sqm)	Industrial (sqm)	Warehouse (sqm)
2009/10	7,831	4643	5244
2010/11	5,792	0	690
2011/12	0	0	0
2012/13	947	5010	0
<b>Median Annual Loss</b>	<b>3,370</b>	<b>2,322</b>	<b>345</b>

*Source: Cherwell District Council Annual Monitoring Reports, 2014*

- 5.27 It typically takes two years to achieve a planning consent, site preparation and construction after a site has changed hands. For these reasons the annual net take-up of employment floorspace is multiplied by two to estimate the churn demand. This is, in effect, an allowance for the necessary frictional vacancy to allow the market and relocation chains to operate.
- 5.28 This allowance for churn, allows the commercial property market realities to be added to the baseline economic forecast.
- 5.29 Accounting for these allowances within the Base Forecast provides the following floorspace requirement:

**Table 5.3 - Base Forecast Land Requirement**

	Floorspace Demand 2011 - 2031	Allowance for windfall losses	Allowance for Churn	Change in floorspace	Change in Land
Office (B1a/b)	34,400	18,858	6,739	59,997	6.0
Industrial (B1c/B2)	-12,814	23,950	4,643	15,779	3.9
Warehouse (B8)	130,367	36,547	690	167,603	33.5
<b>Total</b>	<b>151,954</b>	<b>79,354</b>	<b>12,072</b>	<b>243,379</b>	<b>43.5</b>

*Source: Experian Business Strategies, GVA, 2014*

- 5.30 The base forecast identifies a total floorspace requirement of 243,379sqm to 2031; this is driven by the long term requirement for office floorspace (c.60,000sqm) and B8 space (c.170,000sqm). The forecast identifies a small requirement for industrial floorspace, although this is driven by Windfall and Churn requirements
- 5.31 Employment creation under the Base Forecast is calculated to equal the following additional jobs:

- Office: 2,867 jobs;
- Industrial: -356 jobs; and
- Warehouse: 1,534 jobs.

## Testing Alternate Demand Scenarios

- 5.32 Having reviewed the policy, market and strategy base for Cherwell alongside analysis of the existing employment floorspace and business stock we have identified the following scenarios as reflecting a suitable range of alternatives for considering the future shape of employment growth and the consequent employment floorspace and land requirements.
- 5.33 The scenarios focus on understanding the implications for local workforce jobs growth and then translate this into employment floorspace/land requirements (as per the base forecast above). Each forecast holds the same assumptions of employment density by particular Use Class.

### *Scenario 1: Advanced Manufacturing Growth*

- 5.34 The Local Economic Assessment has highlighted the key strength of the local economy within the advanced manufacturing sector. The highest profile activity within this sector is within motorsport, with the District accommodating high profile businesses such as Prodrive. These businesses, and others, support a large supply chain within the District.
- 5.35 However a range of other 'production' based businesses have driven the sector with recent investments by Karcher, Kannegiesser, Barrus and Stewart all securing new space within the District. Critically these investments have sought a mixed property type that allows occupiers to combine office, industrial and storage/distribution space, providing a key indication of the type of properties that are likely to be required in the future,
- 5.36 These existing sector strengths are being further augmented by new and expanding drivers within Cherwell. The growth plans for London Oxford Airport and Begbrooke both provide new opportunities to attract advanced manufacturing businesses and their supply chains to the District. This provides new opportunities for the economic profile of Kidlington but is also likely to drive demand in other locations. This wider economic impact provides a basis and justification for shifting expectations away from the modest decline in manufacturing forecast in the base scenario to consider the impact of employment growth.
- 5.37 These local growth prospects are exacerbated by the national potential of the advanced manufacturing sector. Whilst the production of consumer goods has been in serious decline

within the UK performance of value added manufacturing has strengthened, particularly in the production of specialised components and materials.

*Reflecting the 'Biggest'*

- 5.38 Whilst there is a key cluster of activity within Cherwell (and the wider sub-region) it is not the only place in the UK where advanced manufacturing is thriving. Indeed, whilst other areas may not have the same mix of activities, they do show considerable growth potential in individual sub sectors that also lie within Cherwell.
- 5.39 Research by the Centre for Cities and RBS identified key clusters of activity in automotive and transport technologies (including vehicle production and computing technology) in Derby, Sunderland and South Gloucestershire, largely driven by the presence of major vehicle and aerospace companies.
- 5.40 These areas are forecast by Experian to grow at a greater rate than Cherwell across the two key sectors. Given the local growth drivers within (or close to) the District there is significant potential for Cherwell to perform in line with the UK's strongest clusters. As such the first forecast assesses the impacts and implications of employment growth mirroring the 'average' growth rate of the three identified cluster locations.
- 5.41 Employment within the transport equipment and ICT manufacturing sectors for the three locations is anticipated to grow by approximately 30% over the plan period, a significantly different projection to Cherwell, which is forecast to see these sectors contract over the same period.
- 5.42 This total growth was translated into an annual percentage increase in employment. This annual growth rate has been applied to the 2011 employment level in Cherwell within the "Manufacture of Computer & Electronic Products" and "Manufacture of Transport Equipment" sectors within the Experian forecast. This provides a revised employment growth forecast for the plan period. The outputs of the forecast are shown in Table 5.4 below.

**Table 5.4 – Alternative Cluster Growth Forecast**

	Floorspace Demand 2011 - 2031	Allowance for windfall losses	Allowance for Churn	Change in floorspace	Change in Land
Office (B1a/b)	34,400	18,858	6,739	59,997	6.0
Industrial (B1c/B2)	10,560	23,950	4,643	39,152	9.8
Warehouse (B8)	130,367	36,547	690	167,603	33.5
<b>Total</b>	<b>175,327</b>	<b>79,354</b>	<b>12,072</b>	<b>266,753</b>	<b>49.3</b>

Source: Experian Business Strategies, GVA, 2014

- 5.43 The forecast results show a significant increase in the requirement for B1c/B2 floorspace over the Base Forecast requirement, increasing demand by more than 20,000sqm and employment growth by almost 650 further jobs.

#### *National Growth Prospects*

- 5.44 The scenario above considered a narrow sectoral spread based on growth expectations of key UK clusters. However, Cherwell offers the potential to grow a broader range of activities away from automotive technologies.
- 5.45 Research produced by RBS defines a much broader range of activities within the “Advanced Manufacturing” sector including pharmaceuticals, metal products, rubber and plastics (including composites) and machinery and equipment, alongside automotive and ICT activities.
- 5.46 RBS recognised the strength of the UK sector, being the ninth largest manufacturing nation (by output) in the world, and predicted that the sector will be at the forefront of economic growth over a five period from 2012. They forecast growth rates of up to 3% per annum, up to double the rate they predicted for general economic growth. Recent investment in the District suggests there is ongoing demand from these industries to locate in Cherwell.
- 5.47 To test the implications of Cherwell growing in line with national forecasts we have applied the RBS rates to the 2011 base for the first 5 years of the forecast. No consistent forecasts have been produced for the remainder of the plan period, therefore we have reduced the growth rate by 0.5% for each subsequent 5 year period.
- 5.48 Given the RBS definition of the sector and Cherwell’s strengths we have applied this enhanced growth rate to the “Non-Metallic Products”, “Metal Products”, “Computer & Electronic Products”, “Machinery & Equipment”, “Transport Equipment” and “Other Manufacturing” sectors. The forecast results are presented below.

Table 5.5 – National Growth Forecast

	Floorspace Demand 2011 - 2031	Allowance for windfall losses	Allowance for Churn	Change in floorspace	Change in Land
Office (B1a/b)	34,400	18,858	6,739	59,997	6.0
Industrial (B1c/B2)	93,248	23,950	4,643	121,841	30.5
Warehouse (B8)	130,367	36,547	690	167,603	33.5
<b>Total</b>	<b>258,016</b>	<b>79,354</b>	<b>12,072</b>	<b>349,441</b>	<b>70.0</b>

Source: Experian Business Strategies, GVA, 2014

- 5.49 The forecast shows an increase in the floorspace requirement of circa 100,000sqm over the base forecast, resulting in a total of almost 3,000 additional jobs.

*Scenario 2: 'Professional Services' Growth*

- 5.50 Similar to the majority of areas in the South East the Local Economic Assessment identifies that the District has a high proportion of residents employed within relatively high level occupations within the professional and business services sectors. Importantly the Experian base forecast indicates this is a major growth sector for the District.
- 5.51 Sector growth will be driven by a range of factors. At a simple level population growth and new development will drive increased activity in a range of traditional professional services, for example legal, accounting and architect services.
- 5.52 However, the Experian sector considers a much wider range of activities, including "scientific research and development" and "other profession, scientific and technical activities". Given the growing relationship of the District with technical innovation, led by both business and higher education, there are considerable prospects for these elements of the 'professional services' sector to grow.
- 5.53 The District is also part of a rapidly changing sub-region, with major infrastructure upgrades creating new and improved connections between major hubs within and outside the sub-region. East-West Rail will create a direct link between Oxford, Bicester, Milton Keynes and Cambridge whilst improvements to the Chiltern Railways service have made London more accessible from Banbury and Bicester.
- 5.54 As property costs continue to rise in other locations, and the quality of offer in Cherwell improves, there are opportunities to capture more of the sector. Achieving growth rates above the 'business as usual' forecast, attracting new workers and retaining a greater proportion of the indigenous labour pool.

- 5.55 To understand the impacts of different levels of growth within the professional services sector we have tested two scenarios, one focussed on the District performing at the same scale as OxLEP and the other performing like the South East region.

#### *OxLEP Performance*

- 5.56 To test the 'OxLEP' nature of growth we have calculated the annual growth rate in professional services for each of the local authority districts within the LEP area, aggregating these to create an average annual growth rate. The results of applying this to the Base Forecast are shown below.

**Table 5.6 – Professional Services Growth (OxLEP)**

	Floorspace Demand 2011 - 2031	Allowance for windfall losses	Allowance for Churn	Change in floorspace	Change in Land
Office (B1a/b)	29,692	18,858	6,739	55,288	5.5
Industrial (B1c/B2)	-16,515	23,950	4,643	12,078	3.0
Warehouse (B8)	130,367	36,547	690	167,603	33.5
<b>Total</b>	<b>143,544</b>	<b>79,354</b>	<b>12,072</b>	<b>234,969</b>	<b>42.1</b>

*Source: Experian Business Strategies, GVA, 2014*

- 5.57 Growing the professional services sector in line with the OxLEP average would actually result in a lower requirement for office floorspace. This lower requirement of almost 6,000sqm is driven by a lower growth rate over the plan period, with OxLEP totalling 14% and Cherwell forecast to have growth of 26%.

#### *South East Performance*

- 5.58 To test the 'South East' nature of growth we have calculated the annual growth rate in professional services, within the South East region and applied these to the 2011 level of employment in Cherwell. The South East is expected to have a total growth in the sector of 37%, significantly higher than the base Cherwell forecast.

**Table 5.7 – Professional Services Growth (South East)**

	Floorspace Demand 2011 - 2031	Allowance for windfall losses	Allowance for Churn	Change in floorspace	Change in Land
Office (B1a/b)	38,940	18,858	6,739	64,536	6.5
Industrial (B1c/B2)	-9,246	23,950	4,643	19,347	4.8
Warehouse (B8)	130,367	36,547	690	167,603	33.5
<b>Total</b>	<b>160,061</b>	<b>79,354</b>	<b>12,072</b>	<b>251,487</b>	<b>44.8</b>

Source: Experian Business Strategies, GVA, 2014

- 5.59 Growing the professional services sector in line with the South East average would result in an increased demand for office space of approximately 4,500sqm over the plan period. This would see an additional 400 jobs delivered within the District

### The Synthesis Forecast

- 5.60 Each scenario above has explored in turn the impact and effect of one particular change in the economic performance of the Cherwell economy. To arrive at a robust and locally relevant assessment of B class employment floorspace need it is important to draw together the findings of the most locally relevant scenario tests, creating a 'synthesis forecast'.
- 5.61 The synthesis forecast draws on the scenario tests above, considering those that best reflect the wider influences on the local economy and, hence, employment growth over the plan period. This combines our understanding of the District's economic aspirations (as articulated through the Economic Development Strategy), the market sentiment (as articulated through property market performance and development proposals) and the wider opportunity presented by the regional economic context, opportunities and constraints.
- 5.62 The synthesis forecast therefore combines the market-led scenario for Advanced Manufacturing, based on the potential to grow the District's two key specialisms at a rate expected in other successful locations, with an expansion of the Professional Services sector, based on Cherwell growing at a similar rate to the South East as it becomes more closely integrated to key economic hubs.
- 5.63 The synthesis forecast therefore represents an assessment of the impact of the District pursuing an economic growth strategy that is locally distinctive and balanced across sectors. It builds on core market strengths, provides for economic diversification and creates some flexibility to accommodate future economic changes. The floorspace requirements of such an approach are outlined in Table 5.8 below.

**Table 5.8 – Synthesis Forecast**

	Floorspace Demand 2011 - 2031	Allowance for windfall losses	Allowance for Churn	Change in floorspace	Change in Land
Office (B1a/b)	38,940	18,858	6,739	64,536	6.5
Industrial (B1c/B2)	14,128	23,950	4,643	42,720	10.7
Warehouse (B8)	130,367	36,547	690	167,603	33.5
<b>Total</b>	<b>183,435</b>	<b>79,354</b>	<b>12,072</b>	<b>274,860</b>	<b>50.7</b>

Source: Experian Business Strategies, GVA, 2014

- 5.64 As shown in Table 5.8 there is a total requirement for almost 51ha of land within the District over the Plan Period, largely driven by a need for additional B1c/B2 and B8 land, with a total of over 200,00sqm of floorspace required. There is also a considerable requirement for new office floorspace, totalling almost 65,000sqm which we would anticipate requiring in the region of 6.5ha of land. The appropriate locations for this growth to be accommodated are considered in the following section of this report.
- 5.65 The synthesis forecast would see total employment within Cherwell increase by approximately 21% over the 20 year period, 40% of which would come from B class activities. This would result in an average annual growth rate in the region of 1.1%, marginally below that forecast within the SHMA 2014 'Planned Economic Growth' scenario (1.2%).

## 6. Demand and Supply Assessment

- 6.1 Sections four and five of this report have considered in turn the potential scale of employment land supply within the Cherwell administrative area and the forecast demand based on our understanding of the District's economic potential. To understand the future requirement for employment land provision it is important to now consider both elements together, enabling an understanding of whether allocated land is sufficient to accommodate forecast growth.
- 6.2 The demand forecast identifies a net requirement for new employment floorspace and land within Cherwell over the plan period. The supply assessment has identified a considerable potential supply of new employment land. The potential demand and supply requirements are set out below.

**Table 6.1 - Assessed Demand and Supply Potential**

	Quantum		Total
	Existing Employment Land*	Potential New Sites	
Floorspace Requirement	N/A	51 hectares	51 hectares
Potential Supply	647.77 hectares	596.43 hectares	1244.20 hectares

Source: GVA, Experian, Cherwell District Council, 2015

\* This refers to all existing employment land assessed during the Study (both occupied and vacant)

- 6.3 The comparison of demand to supply shows a considerable potential surplus of employment land within the District with supply providing a tenfold increase compared against forecast demand. In order to identify an appropriate employment land strategy to be taken forward it is important to consider the components of supply in more detail and also balance the quantitative requirement against qualitative needs.

### Existing vs. New Supply

- 6.4 The supply side analysis identified a low vacancy rate within the extensive quantum of existing and established employment sites. Due to the nature and type of the property products offered and the high levels of churn and demand for secondary space there appeared little opportunity to accommodate additional floorspace provision either through the redevelopment of vacant plots or the intensification of the existing built form.
- 6.5 We understand that there remains latent demand for existing B class property but insufficient, ready to occupy, new build supply available on the market with the majority of vacant units

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- being of a secondary nature. This will need to be addressed to ensure that Cherwell doesn't lose out on market share to its competing neighbouring areas.
- 6.6 Whilst the employment land strategy for the District needs to actively support and promote improvements to the stock provision within the existing employment sites, particularly in areas which have been identified as being of poor or average quality, the accommodation of future growth will need to be focussed on the delivery of new land allocations or currently vacant (but identified) sites.
- 6.7 Where opportunities present themselves the intensification of existing employment sites will provide small scale new opportunities that can meet some element of need, particularly for businesses seeking to expand, however the supply is most likely to come forward on an ad hoc basis. It is also likely to broadly follow the nature of the existing provision given prevailing values, site quality and accessibility, limiting the ability of existing sites to deliver new types of floorspace.
- 6.8 Given the uncertain supply pipeline and the limited opportunity to diversify the nature of supply within existing sites it would be inappropriate to rely on these to meet the strategic needs of the District in a timely manner.
- 6.9 Therefore it would be prudent for the District to focus on both current and potentially new allocations that will enable the delivery of the appropriate scale and quality of space to meet market demand. To both maintain and diversify its economic role and attract further high quality businesses a step change in the quality of business environments will need to be achieved. It is unlikely that the incremental redevelopment of existing sites will be able to deliver this. This step change will need to include the provision of modern, fit for purpose property and allocated employment sites that are readily available in order to meet the needs of modern occupiers.
- 6.10 The allocation and protection of employment land going forward will need to provide a range and choice of locations and opportunities for different sizes and types to be delivered. It has to be recognised that there will be an ongoing requirement for small, more affordable spaces, which are unlikely to be delivered within larger sites. This will be a key role for the existing employment sites, where retention of units will be critical.
- 6.11 A key element of providing the range and choice required will be the protection and potential expansion of the rural employment sites. These already provide a comparatively affordable, yet attractive, opportunity for a number of businesses and will continue to do so in the future. Supporting their expansion will also help in delivering further affordable workspace in the District as a result of lower existing use (land) values making development of small units more viable.
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## Employment Land Strategy

- 6.12 In seeking to maximise the opportunity presented by new employment sites the employment land strategy needs to ensure that land is allocated in locations that are attractive to the target market. This requires an understanding of the key drivers of business location decisions in each sector.

### *Strategic Logistics/Warehouse Provision*

- 6.13 The potential demand for strategic logistics space within the District is significant, representing 66% (33.5ha) of the identified employment land requirement. Occupiers in this sector usually seek premises in excess of 250,000 sqft in size and sites that meet stringent locational criteria. These are focussed upon the right location in close proximity to and with fast access to motorway junctions, away from existing residential accommodation and sites that are flat in topography terms.
- 6.14 In recent times the largest units delivered for B2/8 occupiers in the district have been 235,000 sqft with several other units of circa 100,000 sqft brought to the market. In this light and as articulated in the Roger Tym's Study we support the view that Cherwell currently features in the 'regional' rather than 'national' distribution league but this may start to change.
- 6.15 Whilst the M1 is the major focus for this sector demand is growing from national operators for locations in close proximity to the M40 due to the over-heating of the M1 distribution market. Operators constantly seek more efficient work processes and therefore demand locations with direct motorway junction access to reduce 'wasted' drive time and mileage. This places a geographic focus purely on Junctions 9, 10 and 11 of the M40 within the District. If Cherwell is to benefit from this over heating it will need to identify a strategy that considers the allocation of logistics land adjacent to motorway junctions.
- 6.16 The following sites are likely to be the most attractive to the market given their strategic location:

**Table 6.2 - Assessed Supply Potential**

Site	Land
Site 13 - Central M40 (J11)	23.29 ha
Site 19 - Banbury Point (J11)	2.97 ha
Sites 80 – Land north east of M40 (J11)	13 ha
<b>Allocated Sites</b>	<b>39.26 ha</b>
Site 76 - M40 (J9)*	69.9 ha
Site 77 - M40 (J10)*	65.57 ha
Sites 80b – Land north east of M40 (J11)	35 ha
<b>Future Potential Expansion Areas</b>	<b>170.47 ha</b>
<b>Total Potential Future Sites</b>	<b>209.73ha</b>

*Source: GVA, Experian 2015*

*Note: \*Sites being promoted by developers as future employment allocations but with no current Local Plan allocation*

- 6.17 The forecasts identified demand of 33.5 ha for this sector. Table 6.2 clearly shows that the Council has more than sufficient allocated land on the three sites identified above to meet this level of demand. Of these sites land at Banbury Point and Central M40 is readily available and is being actively marketed.
- 6.18 None of the three 'future potential sites/expansion areas' have allocations within the Local Plan. Given that the three allocated sites provide sufficient supply when compared to demand during the Plan period it is our view that these additional sites/expansion areas could provide potential future employment land supply to the District for this and other B class sector use in the longer term and into the next Plan period. However, particularly considering the potential scale of operations, there may be a demand from the logistics sector and other market signals which the Council will need to examine in preparing its planning documents in the short/medium term. The Council are all too aware of this and have identified 'potential expansion areas' i.e. Site 80b for a number of key strategic sites which could be used in the future to accommodate increased demand for employment land.
- 6.19 In balancing the demand and supply of land for logistics activity wider considerations need to be taken into account beyond market demand. Future development should seek to minimise the impact of development on the wider landscape and maximise existing infrastructure provision.
- 6.20 The allocation of new 'standalone' warehouse/logistics/distribution parks at J9 and 10 of the M40 will need to be undertaken on the basis of more detailed assessment of environmental, landscape and transport impacts.

### *Other Business Uses*

6.21 There remains latent demand for more traditional industrial uses and for high performance engineering activity/advanced manufacturing within the District both in locations close to the M40 and elsewhere. The key drivers for occupiers include:

- Access to the motorway;
- Established market;
- Scale of site;
- Potential freehold; and
- Recruitment and skills.

6.22 We would expect the following sites to be attractive to the market during the plan period to fulfil this demand.

**Table 6.3 - Assessed Supply Potential**

Site	Land
Site 4 - Banbury Cross	5.81ha
Site 34 - Heyford Park	Over 300 ha of both existing and potential future land
Site 74 - Graven Hill	75.69 ha
	<b>Over 300 ha</b>

*Source: GVA, Experian 2015*

6.23 The forecasts identified demand of 10.7 ha for this sector. There are a number of sites within the employment land supply that could fulfil this quantum of demand with the best scoring sites identified above. Even if the site at Central M40 was delivered in its entirety for logistics use/ProDrive there would still be surplus supply of circa 50 hectares of employment land to meet the demands of this sector of the market.

6.24 In addition we also recommend that consideration be given to a small number of sites that also have attributes that can lend themselves to a range of flexible uses as follows:

**Table 6.4 - Assessed Supply Potential**

Site	Land
<b>Site 14 Stroud Park</b> – hotel/restaurants, high visibility, road access, able to create different environment – small industrial or office	3.2 ha
<b>Site 19 Banbury Point</b> – high visibility, road access, able to create different environment – small industrial or office	2.97 ha
<b>Site 37 Bicester Business Park</b> – large site, good road access, limited existing character – mixed office, high quality industrial/tech units	29.47 ha
	<b>35.64 ha</b>

*Source: GVA, Experian 2014*

- 6.25 Whilst cognisant of the need to not double count sites that could also accommodate demand from other sectors i.e. Banbury Point these sites provide an additional supply of circa 35 hectares
- 6.26 If we take the supply provided by the sites considered in Tables 6.3 and 6.4, and discount those that could accommodate the growth in other employment sectors i.e. Banbury Point and Central M40, there still remains more than sufficient supply to meet the forecast requirement.
- 6.27 As identified previously demand for high performance engineering/advanced manufacturing will be driven primarily by the growth in activity at Silverstone Park (in South Northamptonshire) with occupiers looking to locate within 50 miles of Silverstone. In addition automotive businesses will also consider the District as a location for investment to serve businesses such as ProDrive (recently relocated to Central M40) and the wider region’s aerospace, motorsport and high performance engineering sectors. Operators will seek to occupy sites with good accessibility from major trunk roads to enable movement of materials and goods between suppliers and clients so it is essential that the Districts property product is reflective of this.
- 6.28 Further, the benefits for the local economy from the commercialisation of research activities and spin outs from the Districts Universities and Science/Innovation Parks should not be underestimated as this will play a key part in the growth of a knowledge driven economy in this area.

#### *Provision for New Office Activity*

- 6.29 Cherwell District does not have an established office market of significant scale. Provision tends to either be small and largely secondary stock within Banbury and Bicester town centres and to a lesser extent the village of Kidlington, at Science Park locations i.e. Oxford Spires Business Park or Begbrooke Science Park or within rural employment sites.

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- 6.30 It is reasonable to expect future requirement for office floorspace as key professional and business service sectors continue to drive the UK economy and new office based employment is attracted to the District to service the other growth sectors. In making location decisions there are a clear set of key drivers for occupier decisions, which include:
- Rail connections to major economic hubs;
  - Access to 'town centre' amenities;
  - High quality setting and environment;
  - The Oxford-Cambridge 'arc'; and
  - Motorway access.
- 6.31 The demand forecast identifies a requirement of 6.5ha of land for office activities and this could be more than sufficiently accommodated at a number of future sites i.e. Heyford Park, Stroud Park, Bicester Business Park and any possible extension of the Districts Science Parks. These sites would provide the 'best fit' within the District with the identified occupier requirements of modern office locations.
- 6.32 In attracting new office activity to the District the provision of a high quality office environment is vital. Occupiers seek modern, good quality and flexible floorspace within mixed use environments that provide a range of amenities alongside the core office uses.
- 6.33 Given the scale and character of the town centres large scale office employment is unlikely to be attracted to Banbury or Bicester themselves, however the regeneration of Banbury could provide capacity for small office suites. To support the growth of the District, office uses should be located in close proximity to existing main settlements to both benefit from and support existing retail, residential and leisure offers.
- 6.34 The growth of Kidlington as an economic entity will most likely have a different nature to the rest of the District given its proximity to Oxford and links to the University. Future property needs will therefore be different to the 'general' market, seeking a mix of office, R&D and production spaces. Given their reliance on the University links it is unlikely this demand can be extended too far, as such the growth of B class provision at Kidlington should be encouraged. This should seek to allow Begbrooke Science Park to expand but also provide appropriate allocations away from the site to allow occupier choice and supply chain location opportunities.

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## Summary

- 6.35 It is clear that the potential land provision is far in excess of the likely requirement over the plan period. Future allocations, in the longer term and into the next Plan period, should be prioritised on the basis of how sites meet key market drivers and wider aspirations for the District in terms of spreading employment opportunities across the whole District, protecting the landscape character and providing sustainable mixed use developments.
- 6.36 The employment land strategy identifies how best these competing aims can be addressed whilst still providing sufficient capacity to deliver economic growth aspirations and meet market demand.
- 6.37 Whilst the employment land strategy considers sites in terms of their suitability for single use types, future allocations should allow for a degree of flexibility, enabling site owners to adapt plans to reflect changing market dynamics and occupier requirements.
- 6.38 This flexibility is most likely to be required within the sites identified as suitable for logistics, advanced manufacturing and office activity. Increasingly the division between industrial, storage and office activities is less clear within the advanced manufacturing sector with much product development undertaken using computer based design processes prior to physical prototyping and production.
- 6.39 Advanced manufacturing and logistics occupiers will therefore require space that is flexible and adaptable. Enabling them to collate office, workshop and storage space within one unit and to change the balance over time to meet their operational needs.
- 6.40 However, not all markets will advance at the same time and there is a risk that some sites with good longer term opportunities for advanced manufacturing and office based activities are 'lost' to meet more immediate logistics demand. Future logistics development should be focussed primarily at junction sites along the M40 corridor to maximise the value and potential of the sector. Sites with good connections to the motorway network (but not immediately adjacent to it) offer better opportunities for a range of larger business activities, such as advanced manufacturing and food production, given these are less sensitive to drive time requirements. As such a balance needs to be struck between encouraging and securing investment now and ensuring suitable capacity exists in the longer term.
- 6.41 This competition for land may be less intense in rural areas, where space for smaller businesses and operators exists and can be delivered at lower cost than in higher profile locations closer to the major settlements. This will provide opportunities for a full range of SMEs provided good quality space continues to be available.

- 6.42 Different land requirements will exist at Kidlington, which offers the major opportunity to deliver space that is orientated towards high value, knowledge intensive activities that seek to locate close to Oxford. The evolution of a hub in this location will require appropriate land to be available to support both the expansion of university led activity and private sector led development.
- 6.43 Longer term this may also allow for growth to be attracted to Bicester given improving transport connections with Oxford. Again this will require a long term view of demand and supply to be taken, ensuring allocations are flexible enough to accommodate future inward investment.

## 7. Conclusions and Next Steps

7.1 Here we draw together the research presented within the preceding sections and set out a clear set of conclusions that can both inform and form the basis of future employment land and economic development strategy. The following is clear:

- There is a significant provision of potential future B class sites with supply exceeding forecast demand.
- Supply needs to come from new 'future potential' employment land as there is little opportunity for intensification or development within existing sites to meet strategic needs.
- An approach is needed that focuses on the 'best' sites that will meet occupier requirements and align with strategic demand drivers.

7.2 It is clear from our analysis that the spatial distribution of economic activity, employment land demand and supply capacity is not uniform and responds to a range of more localised characteristics and drivers. As such, we expect that future growth and delivery will vary between locations as well as between sectors.

7.3 It must be noted that at a number of these sites there are only a few vacancies per site so in the large part the majority of sites are fully occupied, with limited vacancies/grow-on space. Therefore it will be necessary for the proposed future sites to provide supply to meet market demand for from the supply chain.

### *Banbury*

7.4 Banbury has the strongest existing market and is a well established location for both industrial and distribution activity. This has been reflected in the demand for, and supply of, high quality logistics and advanced manufacturing space in the recent past. Given the market presence, supply chain businesses and skilled workforce these sectors are likely to drive demand for commercial floorspace in the early parts of the plan period.

7.5 The office market in Banbury is less well established, focussing on meeting predominantly local professional services demand. What larger scale demand has existed has been drawn to purpose built stock in the edge of town employment sites.

7.6 However, the enhanced connectivity of Banbury alongside the improvements to the town centre and cost pressures in more established locations may start to see increased demand over the medium to long term and an opportunity to introduce greater activity into the town centre to complement existing out of centre provision.

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*Bicester*

- 7.7 Our analysis suggests that whilst Bicester has had a strong base of manufacturing activity it is currently experiencing some level of transition as older stock is vacated but new locations are not sufficiently advanced to attract significant activity. However, given the nature of land supply, infrastructure connections and the unique site opportunities presented by Graven Hill we would expect the sector to strengthen again. In particular we would envisage Bicester increasingly becoming a focus for the low carbon economy and technologies linked to modern methods of construction.
- 7.8 The office market within Bicester is weak with a limited presence either outside or inside the town centre. Whilst there is likely to be ongoing indigenous demand for smaller spaces from local businesses any larger demand is likely to be driven by wider forces, including:
- The growth and dispersal of the knowledge sector, particularly as it moves along the Oxford-Milton Keynes-Cambridge arc;
  - Delivery of East-West Rail which will reinforce connections to Oxford and Milton Keynes;
  - The delivery of high quality new extensions to the town that integrate employment and residential opportunities and drive demand for new services; and
  - The poor availability of sites for growth in other, more established markets and the release of major land parcels that can accommodate significant scale activity in a high quality environment.
- 7.9 Given the need for external factors and major new infrastructure and sites to come forward to 'kick start' a new stage in Bicester's economic growth it is likely that significant demand for office space is only likely to happen in the medium term.

*Kidlington*

- 7.10 The nature and drivers for growth are significantly different in Kidlington and reflect the scale of place and its relationship to Oxford. It is unlikely that indigenous growth will drive significant levels of activity and demand will flow from the wider economic impact of Begbrooke (and in turn Oxford itself) alongside the growth of London Oxford Airport. These major drivers will have direct and indirect benefits, bringing new businesses to the area but also attracting their supply chains.
- 7.11 Future demand in Kidlington is most likely to focus on higher quality spaces including offices, laboratories, high-tech units and innovation provision. Whilst this is likely to require some smaller production spaces it is not likely that larger scale manufacturing or distribution activity will be attracted to the area.

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- 7.12 Improved connectivity through the new Oxford Parkway Station at Water Eaton will help support growth potential at Kidlington, improving access to both Oxford and London, it may also influence occupier decisions at Bicester in the medium term.
- 7.13 The future strategy for Kidlington should seek to coordinate activity across sites, providing a range of knowledge based activity focussed space – this should include spaces linked to the University but also ‘standalone’ provision to attract supply chains and provide choice to occupiers.

#### *Rural Sites*

- 7.14 Given increasing cost pressures on commercial property and the growth in demand for large scale industrial and distribution activity within the District’s major towns the provision of smaller units in rural areas is making an increasingly important contribution to the Cherwell economy. A number of small workspaces are being lost to non-employment uses whilst new commercial developments are not providing the size or type of space that SMEs within the District require. Without continued good quality provision in the rural areas many SMEs would be ‘squeezed out’ of the District.
- 7.15 The quality of workspace in the rural areas is improving the majority of Cherwell’s existing employment floorspace in rural locations and is likely to remain ‘fit for purpose’ over the plan period, providing a mix of units types, sizes and quality to accommodate a range of business activities in locations that allow core markets to be served. As such it will be important to ensure that the existing capacity is retained and protected from loss to other, non-B class, activities.
- 7.16 However it will be equally important to support and encourage the replacement of stock within the existing employment sites over the plan period to ensure it continues to meet occupier requirements. Whilst this is unlikely to provide significant new capacity it will ensure sites remain viable and attractive employment locations.
- 7.17 The delivery of new stock and sites within the rural area could help in meeting future needs of smaller businesses, particularly as land values rise in urban areas. The re-use of agricultural land or buildings for workspace can offer opportunities to deliver space more cheaply, encouraging developers to build smaller units. The Council should seek to support the delivery of small workspaces in the rural area where they align with other policy priorities.

#### *Next Steps*

- 7.18 We recommend that the Council:

- Endorse the findings of this report to help inform planning policy decisions and to review and align with and if necessary update the district's economic development strategy;
- Maximise the diversity of offer, opportunity and sector focus provided by the district's employment land across all types of accommodation and unit size/type to enable economic growth in Bicester, Banbury, Kidlington and the rural area;
- Work with developers promoting both allocated and future land allocations to integrate employment floorspace into their masterplans and bring forward planning applications to provide the supply to meet the identified demand;
- Examine the opportunity provided by other surplus public sector land for employment purposes; and
- Undertake regular assessments of future employment sites that are identified i.e. for the Local Plan Part 2 consultation, against the evaluation criteria in this report.



Appendix A -  
Local  
Economic  
Assessment



Appendix B -  
Employment  
Sites  
Assessment  
Matrix



Appendix C -  
Geographical  
Location of  
Employment  
Sites



Appendix D -  
Proforma for  
Existing  
Employment  
Sites



Appendix E -  
Proforma for  
Future/  
Proposed  
Employment  
Sites



Appendix F -  
Base Forecast  
Changes in  
Employment  
Sector