Core Strategy Partial Review
City Centre Action Plan

Offices
Background Paper

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SOUTHAMPTON
CITY COUNCIL ®

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Background Paper

This background document accompanies the Submission Documents and outlines some background in relation to the section on office delivery. This document is not on deposit for consultation and is background evidence.

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1. PURPOSE OF THE DOCUMENT

1.1.1 This paper explains the approach to city centre office development set out in the Core Strategy Partial Review and the City Centre Action Plan.

1.1.2 The approach is:

- To promote major office development in the city centre, with a target to achieve an additional gain of 110,000 sq m of office development.
- To ensure new development sites include a significant proportion of offices.
- To manage the loss of existing offices.

1.1.3 This paper has undergone minor updates since the proposed submission stage to reflect data on office completions and losses in 2012 / 13; the latest economic forecasts; on office losses through outstanding permissions and 'prior approvals' (under new permitted development rights); the latest office vacancies; and commercial market activity.

2. THE POLICY FRAMEWORK

2.1 National Planning Policy Framework

2.1.1 National policy sets a presumption in favour of sustainable development. It emphasises the importance of sustainable economic growth, promoting city centres, regeneration, and a pattern of development which facilitates sustainable travel. It explains that the first preference is to locate office development within city centres (the 'sequential approach'). Planning policy should only give long term protection to employment areas where there is a reasonable prospect of the site being used for that purpose.

2.1.2 In May 2013 permitted development rights were given for a temporary period of 3 years for the conversion of offices to residential use.

2.2 Sub Regional Policy

2.2.1 The PUSH Economic Strategy (2010) seeks to enhance South Hampshire's economic performance, and sets out a need for major new office (and other employment) development to help achieve this. Its aim is to focus this growth on the two cities (Southampton and Portsmouth).

2.2.2 The South Hampshire Strategy (2012) promotes major economic growth focussed on the two cities. Southampton should attract major office development and create a new business district in the western city centre adjacent to the Central Station. Provision should be made for 580,000 sq m of office development in South Hampshire (2011 – 2026). In line with the 'cities first' approach, the largest single amount should be 181,000 sq m in Southampton. Of this 125,000 sq m should be made available with the balance held in reserve for rapid release if / when needed. Out of centre office development should conform to the sequential approach, with city / town centre sites being the first choice.

2.2.3 The Solent Local Enterprise Partnership aims to facilitate business growth, and has set 5 strategic priorities: enterprise; infrastructure; inward investment; skills and strategic sectors. The LEP are preparing a strategic economic plan for submission to Government by April 2014.

2.3 Local Policy

2.3.1 The Southampton Core Strategy (2010) promotes major growth in the city centre, including 322,000 sq m of office development. It applies a 'sequential approach' to office development, with the first preference being the city centre as a whole.

2.3.2 The saved policies of the Local Plan Review (2006) promoted office development but only in certain parts of the city centre (north of the parks and the Central Station area, where no net loss of offices would be permitted; and on identified development sites, including: Royal Pier, Northern Above Bar, Watermark, Norman Offer, Ocean Village). These policies will be replaced by the City Centre Action Plan.

2.4 Emerging Core Strategy Partial Review; CCAP, SEA / SA, Comments Received

2.4.1 The draft Core Strategy Partial Review (January 2012) reduced the city centre office target to 120,000 sq m.

2.4.2 The main comments received were:

- Business Solent – strongly support the revised target and analysis.

- Chamber of Commerce – reducing the office target appears to downgrade the Council's aspirations. There needs to be an understanding of how this affects the proposed business quarter; and an economic statement on sectors, business space, jobs, and associated housing needs.

- Mr Samuels – the demand for offices is not increasing as much as was forecast. Flexibility is important. There needs to be a wider strategy to make the city centre attractive – transport, pedestrian links, car parking, and a vibrant mix of uses.

- Mr Baker - Is there a need for new offices when so many are vacant?

- Business Solent – Strong support for the office growth.

2.4.3 The proposed submission Core Strategy Partial Review (September 2013) reduces the target slightly further to 110,000 sq m, to reflect the latest economic / site circumstances.

2.4.4 The draft City Centre Action Plan sought a substantial proportion of office development at the Station Quarter; Western Gateway; West Quay Western Site B; and East Park Terrace. The supporting text set out office floorspace figures for each site (approximately 50%), and the circumstances when flexibility would be considered (eg commercial viability, other strong planning considerations). It safeguarded existing office areas. In the prime areas (Cumberland Place, Carlton Crescent and the Station area) there should be no net loss of offices unless there are clear economic benefits. In the intermediate office areas (Civic Centre Road; Duke Street / Richmond Street; Queens Park; and Ocean Village) some loss of offices will be supported where a substantial proportion of offices is retained. The supporting text explains that this means 50% but again with flexibility.

2.4.5 The main comments received were:

- Southampton Solent University – there should not be a requirement for office development at East Park Terrace.

- LaSalle (City Industrial Park) and Aviva (Station Quarter) – support some office development at these locations, but have major concerns about the scale of office development required – this will not be viable. There should be more flexibility in the policy.

2.4.6 The proposed submission City Centre Action Plan (July 2013) takes the same broad approach. The main changes are that:

- All the sites where office development will be supported are included in the policy (eg including sites where there is no requirement, just support, for offices).

- On the sites where there is a requirement for a significant proportion of offices, the potential for flexibility is included in the policy (to address the comments made by LaSalle and Aviva).

- The references to specific floorspace quantums are deleted (retaining those to 50% of floorspace). The supporting text elaborates on the issues and potential need for flexibility on a site by site basis.

2.4.7 The Sustainability Appraisal identifies that new office development might lead to more congestion and pollution but that improvements to public transport and the city centre location will help address this. There is the potential for a positive effect on the re-use of previously developed land and on maintaining higher / stable levels of employment (benefiting priority areas of regeneration and focussed on low impact knowledge based sectors).

3. STRATEGY

3.1 The Benefits of Promoting City Centre Office Development

3.1.1 There are a number of reasons, supported by the policy context set out above, why it is important to promote major office development in Southampton city centre.

3.2 Economic

3.2.1 The city centre is an economic hub. Focussing additional office development there helps to develop synergies: businesses benefit from the services and expertise of other city centre companies and from being in a location which achieves a 'critical mass' within a sector. Workers enjoy the benefits of a city centre location, with its proximity to retail, leisure and cultural facilities.

3.2.2 As 'people intensive' uses, office developments attract a lot of people to the city centre. They represent additional custom for shops and leisure facilities at lunchtime and after work, contributing to the city centre's vitality and viability.

3.3 Transportation

3.3.1 The city centre is highly accessible by means other than the car for people arriving from across the wider travel to work area. It is a focus for train services from across South Hampshire and beyond, bus services from across Southampton, and ferry services from the Isle of Wight and Hythe. In addition just over 50,000 people[1] live in or close to the city centre, within walking or cycling distance. This number will increase as further major housing is developed in the city.

3.3.2 Therefore the proportion of people working in Southampton city centre who travel there by means other than the car is already significantly higher than for most other employment locations in South Hampshire.

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[1] 51,543 people in Bargate, Freemantle and Bevois wards, within approximately 2km of city centre. 2011 Census.

The city centre already has the ‘critical mass’ of transport services and infrastructure in place to accommodate a greater shift to public transport in the future.

3.3.3 As ‘people intensive’ employment uses, offices are major generators of peak time travel movements. Therefore focussing office development in the highly accessible city centre significantly reduces the number of people travelling to work by car, particularly at busy times.

3.3.4 This benefits the economy by reducing congestion, and the environment by reducing carbon and other emissions. Conversely, if office development were located instead in ‘out of centre’ locations, which are significant less accessibly by non car modes, it would add to motorway and local congestion, and to emissions.

3.4 Social Inclusion

3.4.1 The city centre is close to priority neighbourhoods, and / or easily accessible from them by public transport. The national index of multiple deprivation indicates that parts of Bevois, Bitterne, Millbrook, Redbridge and Woolston wards are amongst the 10% most deprived in England. (See Appendix 1). These neighbourhoods experience higher than average unemployment and low car ownership. Locating office development in the city centre creates jobs which are accessible to the residents of these neighbourhoods, promoting social inclusion.

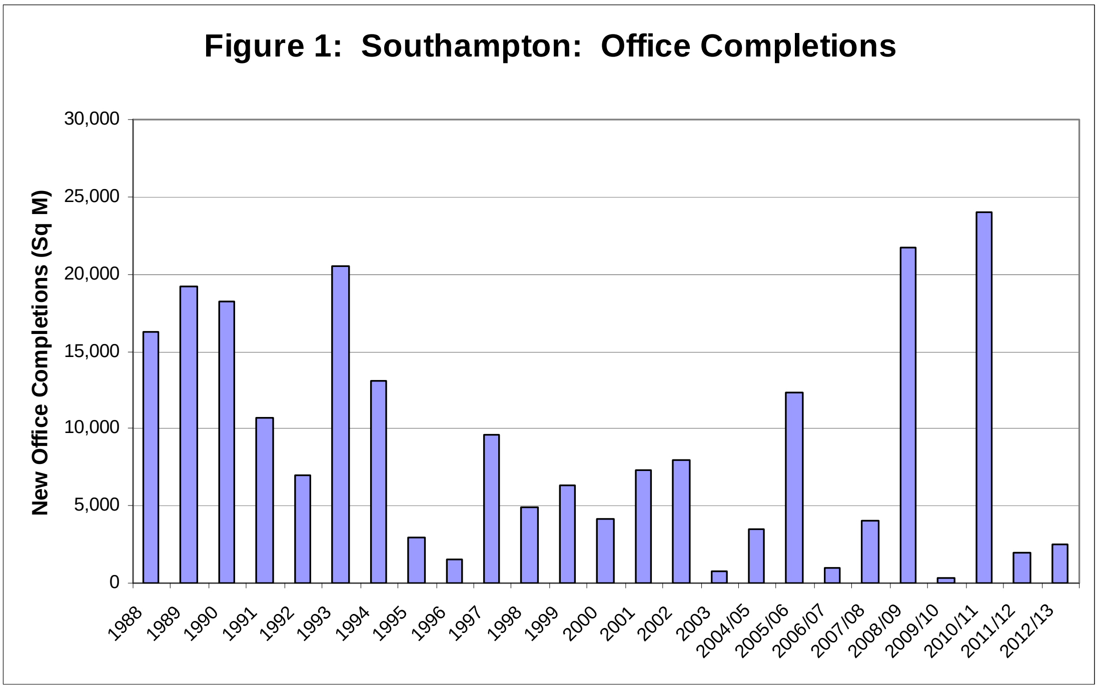
3.5 Other

3.5.1 There are also general benefits from locating development, including office development in the city centre: the regeneration of older urban areas, the re-use of previously developed land and the protection of the countryside. Office and other commercial developments can connect to Southampton city centre’s district energy network.

4. TECHNICAL

4.1 The Evolution of Southampton and South West Hampshire as an office location

4.1.1 Figure 1 sets out new office completions year on year in Southampton over the last 25 years. It illustrates that there has been substantial office development in the city (94% of which was in the city centre). This follows substantial office growth from the 1950s onwards. As a result there are major concentrations of offices north of the Central Station, north of the Parks, at Ocean Village, Dukes Keep and the Civic Centre area. Major ‘stand alone’ office blocks include the Carnival cruise, Skandia and Police HQs.



4.1.2 The city as a whole has 495,000 sq m of office floorspace, making it a significant office location. Whilst this is not on the scale of office provision in the largest regional centres such as Manchester and Birmingham, or the 'second tier' regional centres such as Bristol, Nottingham and Reading, it is similar in scale to provision in Basingstoke and Brighton, and greater than in Portsmouth or Bournemouth. Southampton city centre has 276,000 sq m of office floorspace, the largest concentration in any of South Hampshire's centres.

4.1.3 Office jobs account for 41% of all jobs in the city centre (2011 BRES), and these office jobs are concentrated in the financial / business service, public and marine sectors. This is reflected in the key city centre office occupiers: Zurich, Aviva, HSBC, the Police, the Council, Capita, Carnival cruises, the Marine and Coastguard Agency, and the Oceanography Centre.

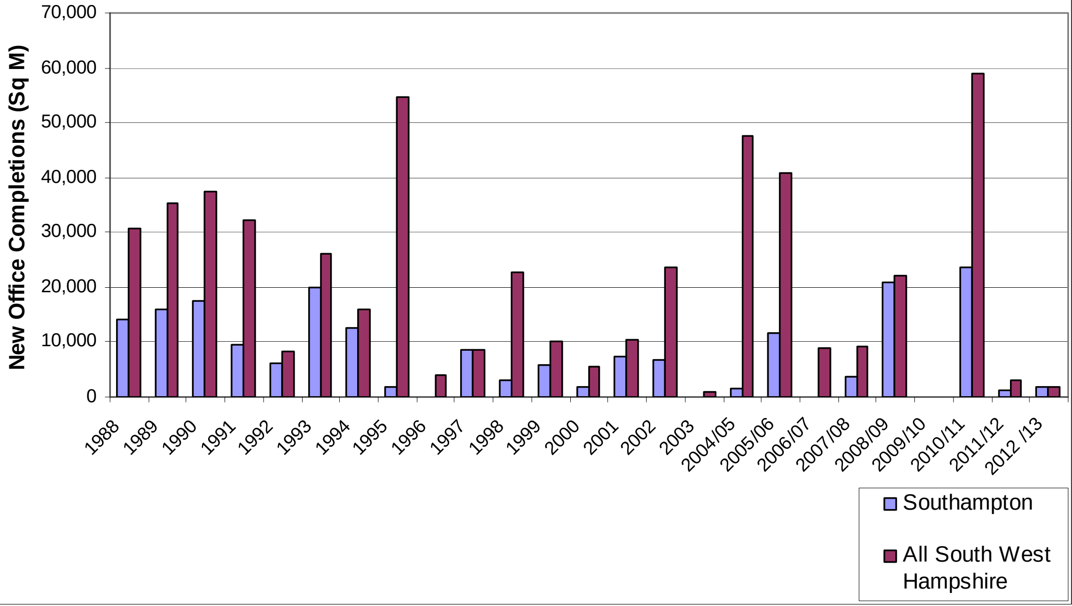
4.1.4 Southampton's office stock is slightly older than the national and particularly the south east's average, with a slightly higher proportion of stock dating from before the 1970s, and a slightly lower proportion dating from the 1990s onwards.

4.1.5 The proportion of office stock in the city centre which is currently vacant is 15%. This is considered to represent a good level of occupation given the current economic recession. In the past vacancy rates have been considerably lower.

4.1.6 Appendix 2 sets out the data on office floorspace, jobs, age of stock and vacancies.

4.1.7 Figure 2 sets out the office completions in Southampton compared to the wider area. It illustrates that whilst there has been substantial office development within Southampton, there has also been substantial growth outside the city. This growth has predominately been in out of centre locations along the M27 corridor in Segensworth / Whiteley, Eastleigh / Chandler's Ford and Hedge End. This has provided strong commercial competition with car orientated 'business park' developments.

Figure 2: South West Hampshire: Office Completions



4.1.8 Not surprisingly, Figures 1 and 2 illustrate that the peaks of development occurred during periods of strong economic growth in the late 1980s and late 2000s (although the peak was less pronounced in Southampton in the second period).

4.2 Commercial Market Overview

4.2.1 This section sets out the economic context and commercial trends in Southampton's office market. It is informed by a number of reports:

- Strutt and Parker's advice for the City Centre Master Plan (2011);
- Jones Lang LaSalle South Coast Metropole Report (September 2012);
- Estates Gazette article on the south coast office market (February 2013);
- Montagu Evans' assessment of the office sector as part of the Western Gateway and Town Depot Sites Study (June 2013).

- Ongoing reports and views from Council officers (Economic Development, City Development, office working group).

General Economic Conditions

4.2.2 Globally and in the U.K. economic difficulties continue. The forecast is for a slow recovery, and the risks are on the downside.

4.2.3 Businesses continue to be risk adverse, which is delaying property decisions. Through 2013 there may be a cautious recovery in property values, driven by pre-lets and the shortage of quality space.

4.2.4 London and then the south east are expected to benefit the most from a recovery.

Update at December 2013: Whilst there are still risks, there are clear signs that the economy is starting to pick up, that recent growth has been higher than forecast, and that forecasts of future short term growth are being revised upwards.

Southampton's office market: characteristics and recent trends

4.2.5 Southampton is a regional office centre. However on a national scale it is one of the smallest regional centres, with a lack of critical mass or high quality 'office product', and relatively dated stock. Nationally it is not regarded as a strong office location for HQs / large occupiers.

4.2.6 Financial / business services, one of the key drivers of Southampton's office market, have seen a decline through the recession; although this is less marked, and projections for future growth are greater, for Southampton compared to other centres.

4.2.7 As with other locations, there has been a strong shift of office development to out of centre locations. These are perceived to be more accessible, have more parking, and offer more attractive properties. Out of centre locations still have available development sites and will continue to offer strong competition to the city centre.

4.2.8 In 2006 – 2008 take up in the wider Southampton area was relatively strong. In 2009 – 2011 take up dropped considerably, although remained higher than in Bournemouth and Portsmouth, demonstrating the relative strength of Southampton on the south coast.

4.2.9 In 2009 – 2010 availability increased considerably as secondary office space was released in the city centre. In 2012 availability reduced slightly, partially due to take up but also because some office stock was removed from the market through changes of use.

4.2.10 In 2008 headline office rents in the city centre were £21 sq ft, but this has fallen back by 2012 to £18 sq ft. Rents are depressed by the level of vacancies and the older ‘grade B’ stock. Southampton generally has the lowest prime office rents of the major UK regional centres.

4.2.11 Based on current rents / yields (ie at 2012, during difficult economic times) office development in Southampton is unlikely to be viable. This is in line with the national picture for regional centres. However CBRE project a rental growth of 2.1% per annum for Southampton, which would see rents return to £20 sq ft by 2017.

December 2013 update: Whilst the residential and hotel market is starting to pick up the office market is still relatively weak. Nevertheless a Hughes Ellard report analysing South Hampshire’s office market through 2012 concluded that Southampton and the sub region had performed well as it moved out of the recession. Office take up rates in South Hampshire exceeded 300,000 sq ft, above the 10 year average of 250,000 sq ft. Southampton has experienced a marked increase in enquiries.

4.2.12 Recent activity has included:

In the city centre:

New build:

- Charlotte Place (2006) – nearly 60% is still vacant (Dec 2013: slightly over 50%).
- Carnival cruise HQ (2008).
- One Guildhall Square (2010) – Council / Capita.
- Police HQ (2011).

4.2.13 Charlotte Place, whilst in a peripheral location, illustrates the risks of speculative office development; whilst the other three schemes illustrate the importance of pre-lets and resilient sectors (cruise / public) in difficult economic times. The latter were driven by the consolidation and / or expansion of businesses already established in the area.

4.2.14 Other:

- Carnival released 5,600 sq m at Dukes Keep and 3,700 sq m at Richmond House, as part of their consolidation in a new HQ.
- HM Revenue and Customs released 3,300 sq m at Queens Keep.
- Aviva released 2,800 sq m at Grosvenor Square.

- Richmond House and Gracechurch House have planning permission for a change of use.

- Mayflower Plaza, an office site marketed for the last 10 years without success (possibly due to its peripheral location and sloping site), is now under construction as student accommodation.

Updated at December 2013

- Price Waterhouse Cooper (Ocean Village), Skandia and HSBC (near Station) have renewed their leases.

- Some relocations from outlying areas to the prime office area: Trewothans (from the Avenue to Grosvenor Square); Coffin Mew (from Kings Park Road to Cumberland House); Orchard Homes (from Orchard House to Jubilee House).

- The Council continues to consolidate its space, releasing or about to release: Park House, Southbrook Rise, Marlands House, Castle Way.

- A number of 'prior approval' applications for permitted development rights to convert from offices to residential (see para. 4.6.27)

- Two recent planning applications involving the loss of offices: The remainder of Orion's Point, just outside the city centre, conversion of 6,800 sq m offices to student accommodation (permitted) (12/00922/FUL); and 1- 8 Queens Terrace, conversion of 2,417 sq m of offices to an 'appart-hotel' (pending consideration) (13/01742/FUL).

4.2.15 Outside the city centre

- The Ordnance Survey HQ has relocated from the Southampton suburbs to another out of centre site (Adanac Park).

- The B&Q HQ at Chandler's Ford has been expanded and consolidated in a new office (out of centre).

- Ageas Insurance took some of the space vacated by B&Q.

- Lloyds Register committed in 2011 to a major new build at Southampton University's Marine Centre of Excellence (now under construction).

4.2.16 The key development sites for future office development are:

4.2.17 In the city centre:

- West Quay Western Site B (Aqua) –adjacent to the Carnival cruise HQ, the developer is Development Securities.

- Cumberland Place (The Bond) – within the established Cumberland Place office area. The developer is Cumberland.

  Both are flat, cleared sites in single ownership with planning permission, and being actively marketed by their respective developer.

- Station Quarter – the creation of a mixed use development hub by the central station. The Council has undertaken feasibility work and is pursuing funding.

- Royal Pier – a high quality waterfront development. A developer (Morgan Sindell) is actively preparing a scheme.

- (The planning permission for the New College mixed use site to the north of the city centre also includes office space).

4.2.18 In out of centre locations:

- Adanac Park – 48,400 sq m outstanding on a green field site close to the M271 junction 1 in Test Valley just outside Southampton. (The developer is seeking more flexibility regarding uses for this site. If successful this would reduce out of centre office competition to the city centre).

- Northern Business Park / Railtrack – 28ha on a Greenfield site east of Eastleigh, mixed employment development, requires a major new link road, delivery of which is uncertain.

- Segensworth / Whitleley – 99,100 sq m outstanding on green field sites in Winchester / Fareham, close to junction 9 of the M27.

- Welborne – 39,000 sq m – 44,000 sq m draft plan allocation on green field site in Fareham, close to junction 10 of the M27, part of the Welborne new community.

4.3 The Evolution of the South Hampshire Office Development Targets

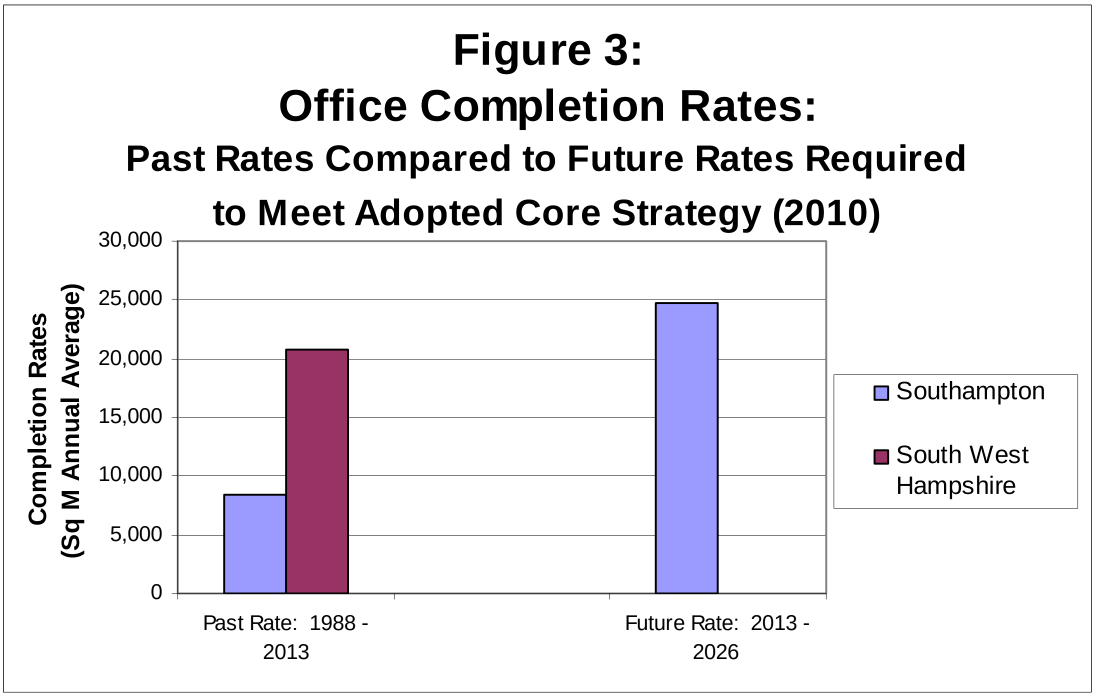
<u>PUSH Economic Strategy (2005)</u>
<u>PUSH Employment Apportionment (2008)</u>
<u>Core Strategy (2010)</u>

4.3.1 The adopted Core Strategy (2010) set a target to achieve an additional gain of 322,000 sq m of office development in Southampton city centre between 2006 and 2026.

4.3.2 This target was based on the original PUSH Economic Strategy (2005). This first set the aim to promote a major improvement in South Hampshire's economic performance. The strategy was prepared at a time when there had been long and strong economic growth. Even within this context, its economic forecasts and development targets were deliberately ambitious. Across South Hampshire the aim was to achieve a growth rate of 3.5% by 2026, which led to a target for 1,215,000 sq m of office development. (The forecasting methodologies for the PUSH 2005 and 2010 strategies is summarised in Appendix 4). This required a rate of office development broadly 3 times greater than had been achieved in the past. The Strategy aimed to prioritise this growth in the two cities.

4.3.3 This South Hampshire wide office development target was apportioned to individual districts, as set out in the PUSH Policy Framework for Employment Floorspace (2008). Southampton city centre has, in terms of potential development sites, the physical capacity for major office development. Therefore, in line with the 'cities first' approach, a high target for office development was set in Southampton, resulting in the 322,000 sq m figure incorporated into the adopted Core Strategy.

4.3.4 Figure 3 illustrates that to achieve this target, Southampton would need to deliver office development at well over double the rate achieved in the city in the past. It would need to achieve a rate slightly greater than in all of south west Hampshire in the past, which would need a strong shift from out of centre to city centre development. This further illustrates the ambitious nature of the PUSH growth strategy from which the target derives.



<u>The 'Credit Crunch' and Recession (2007 – 2009)</u>

4.3.5 Shortly after the PUSH Economic Strategy (2005) was prepared the U.K., and the western world in general, suffered a major banking crisis, resulting in the 'credit crunch' and major economic recession in 2008 / 09. The office targets in the PUSH economic strategy (2005) and hence the Core Strategy (2010) were based on assuming growth in South Hampshire of 2.8% per annum (2006 – 2011), or total growth of 14.8% over that whole period. In reality the U.K. experienced a total -1.3% drop in growth over that 5 year period. See Appendix 5.

4.3.6 Therefore the actual levels of growth and development being achieved in South Hampshire are already very significantly lower than those assumed in the PUSH Economic Strategy (2005) and Core Strategy (2010), with little prospect of the lost growth being regained by 2026.

<u>PUSH Economic Strategy (2010); PUSH Strategy Review (2012).</u>

4.3.7 As a result the PUSH Economic Strategy was updated in 2010. This retains the aim to significantly enhance South Hampshire's economic performance, and to focus the growth on the two cities. Its growth and development targets still reflect this approach. The overall aim is to achieve growth which will narrow the output per capita gap with the South East from 11% to 7%. In broad terms, this means achieving a growth rate of between 2% and 3.5% per annum from 2010 - 2026.

4.3.8 The Economic Strategy is based on a more recent assessment of the economic position, using a 2009 base date. It therefore reflect the effects of the major recession up to that point. It also reflects the latest data on changing working practices (eg the increase in remote working).

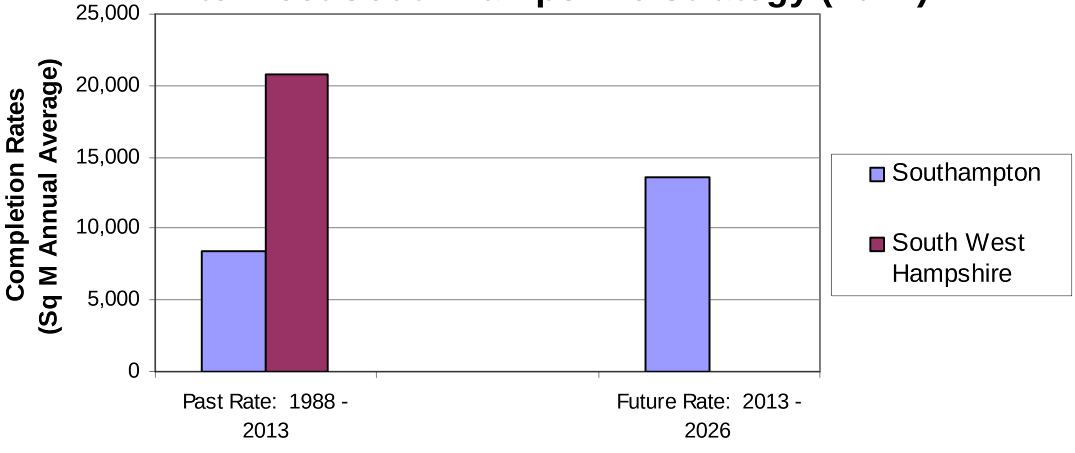
4.3.9 Consequently the resulting office development targets have substantially reduced. For South Hampshire as a whole the targets have reduced by 51% on a like for like basis.

4.3.10 Nevertheless, the aim to enhance economic performance is maintained, and the target is still to develop 760,000 sq m – 840,000 sq m of office development. This still represents a rate of development which is approximately 70% higher than that achieved in the past.

4.3.11 This target was apportioned to the individual districts of PUSH through the South Hampshire Strategy (2012). Once again, following the ‘cities first’ approach, the largest target was identified for Southampton: a gain of 181,000 sq m of offices (2011 – 2026).

4.3.12 Figure 4 illustrates that this still represents a significant increase in delivery (of 60%) compared to what has been achieved in the past. The South Hampshire Strategy (2012) explains that Southampton should identify sites for around 125,000 sq m of office development, and hold the remainder of the 181,000 sq m in reserve for rapid release.

Figure 4:
Office Completion Rates:
Past Rates Compared to Future Rates Required to Meet South Hampshire Strategy (2012)



Ongoing Economic Uncertainty (post 2010)

4.3.13 The effects of the 2008/09 recession and credit crunch are still being felt, through the effects of the ‘Euro zone’ crisis, the need to reduce public sector spending, and high commodity prices. The U.K. re-entered a shallow recession in 2011 / 12 and the forecasts are that economic growth over the next few years will be very weak. There remains a considerable degree of uncertainty.

4.3.14 Therefore the office targets in the South Hampshire Strategy (2012) are themselves becoming out of date. They are based on assuming growth rates in South Hampshire of 2% in 2010, rising to nearly 4% in 2013. In reality national growth has been between 0.5% and 1.5% over this period. The South Hampshire Strategy assumed that total growth between 2010 and 2018 would be 31%, whereas the actual or latest projected national growth is only 17%, around half. See Appendix 5.

4.3.15 There is therefore an ongoing need to keep under review the office development rates which are actually achievable.

4.4 Strategy

4.4.1 It is important to recognise that office development in Southampton will not simply happen as a result of the general economic forecasts. Their delivery will require concerted action by PUSH, the Solent LEP and the Council to enhance the sub region and the city centre as an office location.

4.4.2 This section draws on the Strutt and Parker report and views of Council officers.

4.4.3 Strutt and Parker (S&P) advise that it should be possible to secure a series of significant step changes to transform the city centre as a whole over the next 20 years and more. However they identify a number of challenges. The effects of the economic recession will continue to reduce occupier demand and public sector infrastructure spending. Nationally, major regional office schemes are ‘on hold’ at present. In the short term economic growth is likely to be slow, and change limited and incremental. Economic growth over this period is likely to be slow. The [adopted core strategy] development targets for the city centre represent a significant increase to what has been achieved in past decades.

4.4.4 S&P advise that a limited number of city centres have significantly improved their office market, by enhancing and creating new assets and large development opportunities (eg Manchester, Cardiff, Bristol). There needs to be a sustained increase in market demand in the city centre, and a shift back from out of centre locations. This is likely to be a gradual process. Major growth and transformational change is more likely to occur over the longer term. It will require a clear strategy, creating a strong ‘sense of place’, and significant investment in infrastructure to change perceptions.

4.4.5 Future office demand is likely to come from attracting:

1. Sub-regional demand:

This means competing with alternative locations in South Hampshire, and attracting:

- Existing city centre occupiers who wish to upgrade or expand. (Agents advise that some firms who have relocated out of centre would have stayed had the right 'grade A' property been on offer).

- Businesses reliant on serving the large and dynamic Southampton / South Hampshire market.

- Businesses which benefit from sub regional specialisms (eg financial / business services; marine; environmental technologies / photonics / ICT linked to University of Southampton).

2. Regional demand:

This means competing with London and the inner south east, by offering a lower cost base and a high quality offer, attracting:

- Corporate HQs. This is a highly competitive market. The city would offer an advantage to firms which would benefit from the sub regional specialisms, or are established locally and growing nationally.

- Attracting public sector office relocations from London. The Government is pursuing a programme of relocations, potentially creating wider public sector hubs. The focus is on locations within 1.5 hours travel time of London and close to main railway stations, to enable senior staff to transfer, and reduce the 'pay back' period. This puts Southampton in a strong position to compete.

4.4.6 A number of actions will make the city centre a more attractive location for office investors / occupiers. A number of these actions will build on the city centre's existing assets, and are already being pursued:

- Enhanced accessibility to the city centre (by car, including parking; and by public transport). The city centre already enjoys good accessibility by public transport and the car (and is close to Southampton International Airport). There are plans to enhance the Central Station environment and develop an adjacent office quarter. The CCAP relaxes the parking standards. It is likely the M27 will become more congested and fuel prices continue to rise, impacting on the competitiveness of alternative out of centre locations.

- A diverse economy and skills base. The city centre already represents a key concentration of businesses, and for education and the labour market. This helps to create economic synergies and support new markets. The CCAP promotes further economic and commercial growth, and a growing and mixed population. Skills programmes should develop office skills.

- Supporting business infrastructure. Fostering strong links with the Universities (and encouraging their expansion in the city centre); promoting business networks, superfast broadband, hotels and conference facilities.

- Creating a high quality of environment and public realm, with clear pedestrian connections. The city centre already benefits from the parks, heritage and waterfront. There are plans to capitalise on the waterfront as an office location (Royal Pier). The CCAP sets out a network of strategic pedestrian links. Some have already been enhanced (eg QEII mile); and plans are evolving for others (eg the links from the station).

- A wide range of facilities (eg retail, leisure, cultural). The city centre is already a strong regional centre. Recent improvements include the enhancement to the Mayflower Theatre and opening of the SeaCity and Tudor House museums. Planned improvements include Watermark West Quay and the Cultural Quarter. The CCAP also sets out a longer term approach to secure retail and leisure growth.

- Creating a property market 'product' – a high quality and accessible regional office quarter which achieves sufficient 'critical mass'. The CCAP and Master Plan set out a clear vision to develop this office / mixed use quarter. This will capitalise first on strong public transport accessibility at the Station Quarter; the waterfront at Royal Pier; and the potential to create a high quality environment at both. These will create a distinctive and high quality offer, complementary to each other, to give the city centre a competitive edge. There is a clear and evolving development strategy for both sites (see Delivery background paper). In the longer term these areas can expand and merge, via a comprehensive redevelopment of the Western Gateway.

- Attracting infrastructure investment, particularly in transport, public realm, energy (eg district energy network), and flood defences. Public investment has reduced and continues to be constrained although the importance of investment in physical infrastructure to support economic growth is recognised. The Council has been successful in attracting, or helping to attract, a range of public sector investments in recent years, particularly for transport infrastructure. The City Deal is likely to 'free up' existing resources to strengthen the focus of investment. The Council has recently adopted a Community Infrastructure Levy; and is progressing a flood defence strategy. The Council is continuing to bid for a range of funding. New opportunities (eg tax incremental funding, prudential borrowing against business rates, etc) may become available.

- Existing office areas. Those with continued commercial potential should be upgraded, to create a complementary secondary offer as part of the city centre's overall offer as an office location. Older / weaker office areas should be redeveloped to other uses, which will then help to strengthen the new and established office areas, by removing surplus space. The CCAP takes a balanced approach to safeguarding and releasing office space.

- Marketing and inward investment strategy. This needs to be linked to the analysis of market / sectoral demand; the distinctive offer of the city centre's sites; and co-ordinated between the Council, PUSH and Solent LEP. The City Centre Master Plan has received significant publicity.

- Strong civic leadership. The Council has established a City Centre Delivery Board attended by the Council's Chief Executive, Director for Environment and Economy, and senior managers from the planning, transport, development, housing, skills / regeneration, leisure, marketing, finance and legal departments. The Council Leader and Chief Executive recently presented to a wide range of developers and investors at a bespoke event in London: "Southampton: City of Opportunity" (May 2013).

- Work in partnership. The Council is and will need to continue to work in partnership with key land interests and developers (eg Network Rail, Morgan Sindell, ABP, Hammersons, Aviva). Various options for partnership arrangements or delivery vehicles will need to be explored.

- Sub regional approach – 'city centres first'. The South Hampshire Strategy (2012) establishes the largest single focii for office growth as Southampton and Portsmouth. Nevertheless, to achieve the sub regional growth targets, significant office growth will be needed in the other districts. This will include some new out of centre locations. The South Hampshire Strategy explains that these should be phased in line with the 'cities first' sequential approach (consistent with the NPPF). At the same time, Southampton needs to become an attractive office location to compete with alternative sites, not least those out of centre sites which already have planning permission. S&P suggest that whilst in commercial terms out of centre business parks will remain an important part of the mix, the market is moving to some extent away from such locations, which are entirely reliant on the car and lack a vibrant mix of uses, and back to city centres.

4.5 Evolution of Core Strategy Partial Review Target

4.5.1 The sections above illustrate that the office development targets in the adopted Core Strategy were based on economic forecasts in 2005. Since then circumstances have changed fundamentally and the economic growth which will be achieved is considerably less. Even the 2010 economic forecasts have over estimated growth in the short term. The intention of the Core Strategy Partial Review is to review the office development target for Southampton. This should maintain the objective to promote strong economic growth in the city, whilst providing a realistic basis for the City Centre Action Plan.

4.5.2 The revised target takes into account a number of factors:

- First, the overall rate of city centre office development likely to be achievable taking account of the factors set out in this paper: past performance, the commercial market overview, the ongoing economic difficulties, the continued availability of out of centre office sites, the aims of the PUSH economic strategy to promote a major increase in city centre office development, the challenges of stimulating office development in the city centre, and the actions which can be taken to achieve this.

- Second, the likely phasing of office development on specific sites within the city centre, based on the "Delivery" background paper and associated feasibility and developer studies.

- Third, the likely loss of existing offices, taking into account past trends and the different office locations in the city centre.

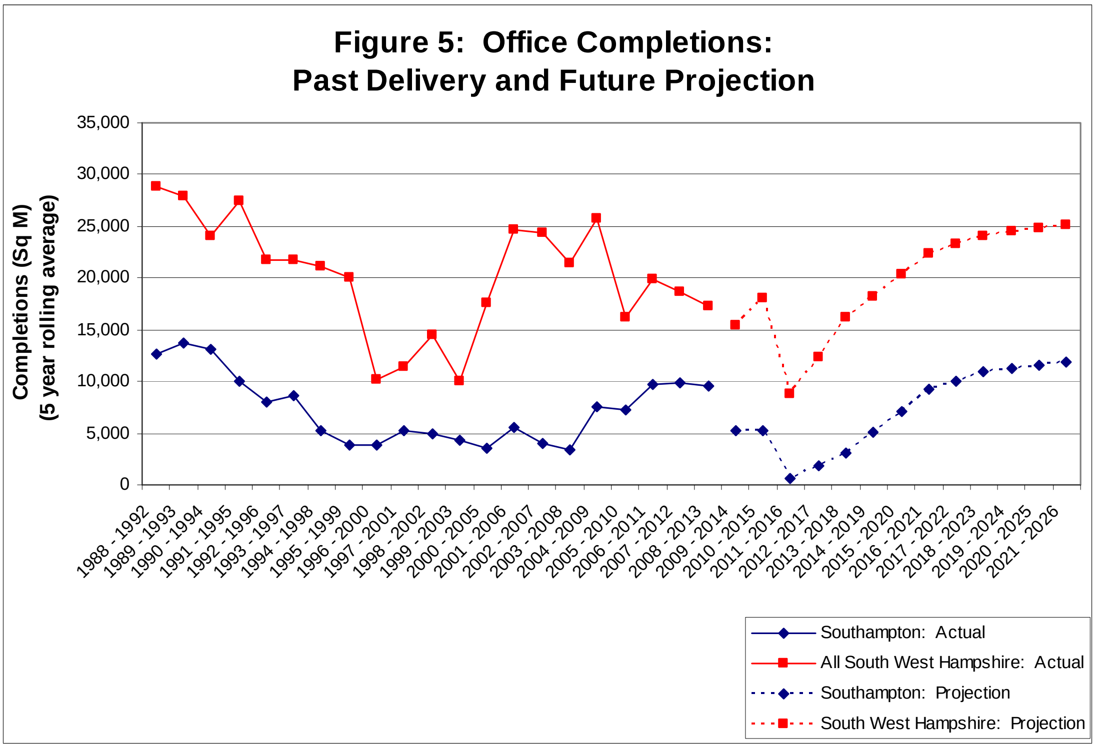
4.5.3 Therefore the revised target is based not only on 'top down' economic forecasts, but also on 'bottom up' local circumstances, to provide a robust position.

<u>The Target for New Office Development</u>

4.5.4 Table 1 sets out the predicted office delivery in Southampton city centre in terms of individual sites and overall development rates. Figure 5 sets out the resulting overall past and future development rates (as a 5 year rolling average, to 'smooth out' trends).

Table 1: Predicted Office Delivery, Southampton city centre.

		Completions	Development rate per annum
		(Sq M)	(Sq M)
NEW OFFICES			
2006 – 2013			
Completions		55,459	7,922
2013 – 2016			
Small sites (in HCC survey at 2012)		1,433	478
2016 - 2018			
Strategic Sites		15,197	7,599
-Aqua	(5,627 sq m)		
-Cumberland Place	(9,570 sq m)		
2018 - 2021			
Strategic Sites		30,839	10,280
-Royal Pier (40%)	(29,214 sq m)		
-Station Quarter (phase 1)	(1,625 sq m)		
2021 - 2026			
Strategic Sites		59,643	11,929
-Royal Pier (60%)	(43,822 sq m)		
-Station Quarter (phases 4 - 6)	(15,821 sq m)		
Total (2006 – 2026)		**162,571**	**8,129**
LOSS OF OFFICES			
2006 - 2026			
Predicted Loss – see section below		**55,000**	
ADDITIONAL GAIN IN OFFICES			
2006 - 2026			
Precise		107,571	
Rounded		**110,000**	



<u>Assessment</u>

4.5.5 The target is devised as follows:

2006 – 2013

4.5.6 The target is based on actual completions.

2013 – 2016

4.5.7 It is assumed that 4 small sites with planning permission will be delivered. Sites which are considered unlikely to happen have been discounted.

2016 - 2018

4.5.8 It is assumed that the two major office schemes which currently have planning permission and are being actively marketed will be developed. These are the West Quay Site B (Aqua) and Cumberland Place (The Bond) schemes. It is assumed that both will be completed by 2018.

4.5.9 Figure 5 illustrates that the resulting rate of development is similar to that of the slowest periods of past growth, and is consistent with a slow recovery from the current major recession.

2018 – 2021

4.5.10 It is assumed that the office elements of the Station Quarter and Royal Pier schemes will commence. This is set out in the “Delivery” background paper and is based on feasibility work by CBRE for the Station Quarter, and the developer for Royal Pier.

4.5.11 These are major sites and their delivery will extend beyond 2021. The phasing of completions on these sites is determined by a judgement on the likely overall rate of development. It is assumed that only the small element of offices associated with the Station Quarter Southside, and 40% of the offices at Royal Pier, will be developed by 2021.

4.5.12 Figure 5 illustrates that this results in a steadily rising rate of office development over the period, consistent with economic growth steadily returning. The rate is still comparable to recent past rates of development.

2021 – 2026

4.5.13 It is assumed that the office elements of the Station Quarter and Royal Pier will be fully developed. The “Delivery” background paper sets out more information.

4.5.14 Figure 5 illustrates that this results in the rate of office development increasing further. This is equivalent to achieving the same rate as achieved in Southampton during the period of strong economic growth in the late 1980s, or just under half the rate achieved across south west Hampshire in the late 2000s. This is consistent with a period of strong overall growth nationally, an improvement in the relative economic performance of South Hampshire, and Southampton successfully competing to attract development back into the city centre.

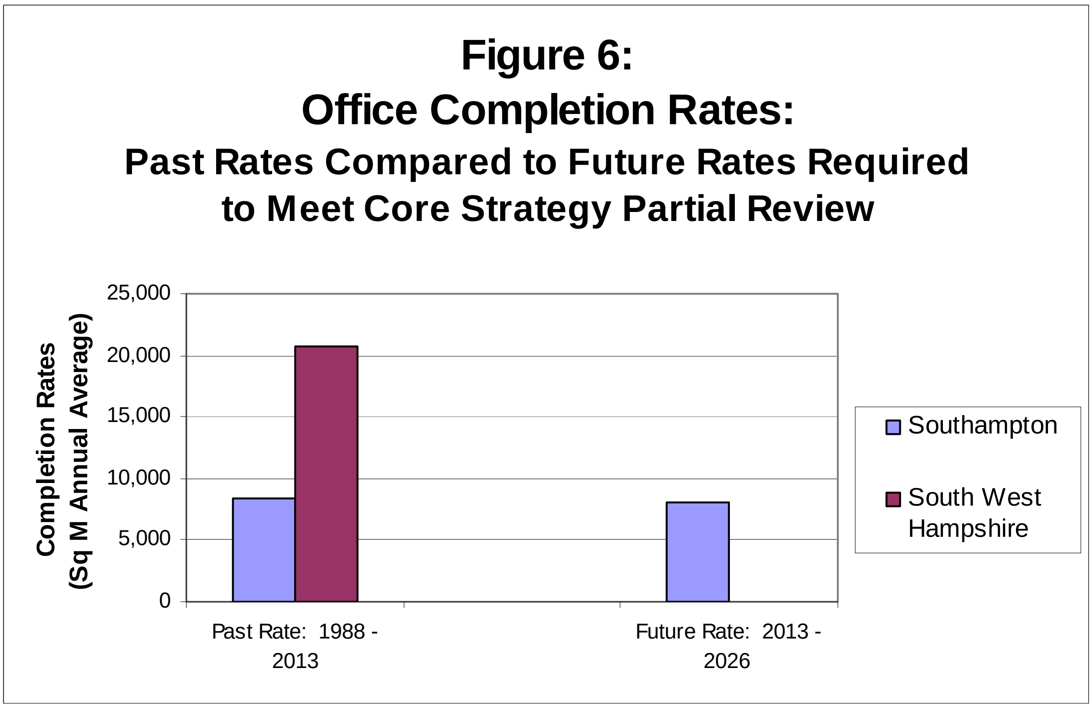
<u>Commentary</u>

4.5.15 Table 1 illustrates that the expected total delivery of new offices is 162,571 sq m and loss of offices is 55,000 sq m, meaning the net gain of new offices will be 110,000 sq m.

4.5.16 The net gain of 110,000 sq m (2006 – 2026) will deliver 7,600 new jobs[2]. The future net gain of 60,312 sq m (2013 – 2026) will deliver 4,150 new jobs[3].

4.5.17 Figure 6 illustrates the total delivery against past trends, and shows that the future annual delivery rate is about the same as has been achieved in the city in the past. This demonstrates that the target is realistic. Whilst the overall average rate may appear relatively unambitous, it incorporates the very low rate of development moving out of the recession, building to the high rate of development in later years, as illustrated in figure 5.

[2] Based on HCA job densities: 1 FTE per 12 sq m net; net : gross 82.5% (80% - 85%)
[3] As above.



4.5.18 There are some risks attached to the prediction of new office delivery, particularly associated with specific sites. For example, most of the office delivery at Royal Pier is on a ‘green field’ site and will benefit from the waterside destination created by earlier phases of development, but the last phase involves acquiring existing uses and may be longer term (see Delivery background paper). However the predictions on sites do translate into overall development rates which are realistic set against past trends, and are consistent with a steady return to economic growth. If the demand is there this will encourage the delivery of the sites in Table 1. If they fail to fully deliver due to site specific reasons, the level of demand will encourage the delivery of other reserve sites instead (eg Western Gateway, East Park Terrace), or reduce the loss of existing office stock (eg encourage their refurbishment). Therefore the overall target for a net gain in office space could be achieved in a slightly different way to that indicated in Table 1.

4.5.19 Any estimate of future development rates is a judgement and contains a degree of uncertainty. Given the current fluidity in economic circumstances, this uncertainty is higher than usual. Therefore the target is subject to ongoing monitoring.

4.5.20 This forecast is considered to be both realistic, assuming slow growth initially; and positive / ‘policy led’, assuming strong growth steadily returns. This reflects both a general improvement in the U.K. economy, and PUSH / Council policy to enhance growth and focus it on the city centre. In short the forecast is considered to be at the ‘positive end of realistic’, an appropriate stance given the policy benefits of promoting city centre office development. They are consistent with the minimum targets in the South Hampshire Strategy (2012). If the full economic growth envisaged by this Strategy is in fact realised by 2026, then the CCAP identifies additional sites which will enable the full target to be delivered in the city centre.

4.5.21 Appendix 6 sets out why alternative higher or lower development targets were not chosen.

4.6 Policy Approach for Specific Sites

<u>New Development Sites</u>

4.6.1 The Core Strategy Partial Review (CSPR) sets a target for office delivery based in part on assumptions on site delivery (see above).

4.6.2 The City Centre Action Plan (CCAP) identifies sites where office development will be supported. (These are sites which are considered to have the commercial potential and be suitable in planning terms for offices):

- Station Quarter. *
- Western Gateway. *
- West Quay Western Site B (Aqua). *
- Watermark West Quay.
- East Park Terrace.
- Royal Pier Waterfront.
- Town Depot.

4.6.3 In addition to identifying which sites can have office development; the CCAP goes on to actually require that some of these sites (those asterixed above) will include a significant proportion of office development, unless there is a clear justification for a lower level (eg based on viability or other planning considerations). The supporting text articulates the circumstances of each individual site.

4.6.4 Appendix 7 sets out in more detail the relationship between the assumptions in the CSPR and provisions in the CCAP regarding specific sites.

4.6.5 There are 6 sites where there is a direct relationship between the assumptions in the CSPR and the provisions of the CCAP:

- 3 sites which the CSPR assumes will be delivered for offices, and where the CCAP requires office development: Station Quarter (west of Southern Road); West Quay Western Site B (Aqua); and Cumberland Place (The Bond). The Delivery background paper illustrates that these sites are likely to be delivered for office development.

- 3 sites which the CSPR assumes will not deliver offices, and where the CCAP does not require office development: Leisure World, Watermark West Quay and Town Depot. The CCAP simply supports office development to provide the developer with more flexibility to help deliver these important sites.

4.6.6 However there are also a number of sites where the relationship between the CSPR and CCAP is more complex.

4.6.7 There are 2 sites which the CSPR assumes will not deliver offices by 2026; but where the CCAP requires there to be a significant proportion of offices:

- Station Quarter (south of Western Esplanade);

- The Western Gateway (City Industrial Park and West Quay Industrial Estate).

4.6.8 The deliverability background paper indicates it is unlikely that these sites will be delivered on a comprehensive basis before 2026. Therefore the CSPR does not rely on them. By requiring that a significant proportion of these sites are developed for offices, the CCAP is effectively safeguarding them to act as a long term strategic reserve, towards the end of and beyond the plan period. As these sites are not currently expected to be comprehensively redeveloped before 2026, the CCAP's requirement for office development is not sterilising otherwise viable redevelopments. In any case the policy is sufficiently flexible to take viability into account if needed. In the meantime, whilst acting as a long term strategic reserve for office development, these sites have a productive use as industrial or retail areas.

4.6.9 In addition, the CSPR assumes that the East Park Terrace site will not deliver any office development, on the basis that it may be used by the University. However a University development may include some office development. In addition some of the site may be surplus to the University's requirements. In this scenario the CCAP requires that a significant proportion of the site be developed for offices.

4.6.10 These 3 sites combined would deliver 125,000 sq m of additional office development over and above the minimum target in the Core Strategy Partial Review. This would provide the additional 70,000 sq m of office development needed to meet the South Hampshire Strategy target of 181,000 sq m in full. As stated, they create a long term strategic reserve. This will deliver further office development beyond 2026; or before 2026 should economic growth be stronger than expected or delivery on other sites be less than expected. This reserve provision creates a robust position for the overall delivery of major office development.

4.6.11 Finally, there are two sites where the CSPR assumes office development will be delivered by 2026. However, whilst the CCAP identifies the sites as suitable for office development, it does not require that a significant proportion of the site should be used for offices. These are sites which are of strategic importance to the city centre:

- Royal Pier – delivering a high quality waterfront development.

- Station Quarter Southside – delivering a development hub and enhanced public realm around the Central Station to form a key entrance point for the city centre.

4.6.12 Delivering these developments is of fundamental importance to the overall aims for the city centre. There are also particular costs attached to the development and / or associated infrastructure. Therefore it is considered appropriate to allow the developers more flexibility regarding the mix of uses and not to require a significant proportion of office development. The CSPR only assumes that small scale offices will be delivered at the Station Quarter (Southside), but does rely to a significant extent on major office development at Royal Pier. Clearly the introduction of more flexibility adds an element of risk to delivering the overall office targets. However it is considered likely that the commercial market will deliver offices at both these locations. For example at Royal Pier the office development will benefit from a high quality waterfront setting, is positioned in a location closer to the Port less able to be used for other uses, and is primarily on ‘green field’ land which is straight forward to develop once the park has been extended.

4.6.13 In summary, the CCAP policy:

- Promotes maximum flexibility to help deliver the sites of key strategic importance;

- Requires a significant proportion of offices on other sites, but with appropriate flexibility to consider a lower proportion at the time of a planning application, should there be a clear justification for this;

- Safeguards the long term position on reserve sites, enabling the phased delivery of office development over the longer term. This reflects the likelihood that the increase in demand for office space and a ‘step change’ in the office market is more likely to be achieved in the longer term.

This strikes the right balance between:

- The importance of delivering (and retaining the ability to deliver over the longer term) major office development in the city centre;

and

- Allowing appropriate flexibility to take into account economic and commercial circumstances as they evolve, and wider planning considerations. to ensure that development sites are not needlessly sterilised and positive city centre development is delivered.

Existing Office Areas

4.6.14 There is currently 276,000 sq m of office floorspace in Southampton city centre. This includes the following major office areas:

- North of the Station
- Carlton Crescent
- North of the Parks
- Civic area
- Dukes Keep
- Ocean Village
- Queens Park

4.6.15 The vast majority of these office areas are purpose built office blocks dating from the 1950s through to the 2000s.

4.6.16 There is also a range of other office accommodation in the city centre, typically older (1950s / 60s) individual office blocks or office space above shops.

4.6.17 At September 2013 the office vacancy rate was 15%. Given the economic recession, this is considered to reflect a good level of occupation (ie 85%). Nationally the vacancy rate is 21%. Prior to the recession, the vacancy rate in Southampton was considerably lower. This indicates a good level of demand for the existing office stock. The vacancy rate can be expected to reduce again as economic conditions improve.

4.6.18 The Core Strategy Partial Review targets are based on achieving an additional gain in office floorspace. In other words it is a net gain, taking into account the predicted gain of new offices and loss of existing offices.

4.6.19 The targets therefore depend not only on delivering new office development; but on predicting and managing the loss of existing office floorspace.

4.6.20 The main office areas accommodate major businesses and a large number of jobs. They offer a wide variety of office stock, maintain a 'critical mass' in the office market, help to maintain choice for local businesses, and offer properties immediately available for expansion in the short term as economic growth starts to return. It is important to retain existing office areas where they continue to meet modern business requirements. In short the main office areas make an important contribution to promoting the city centre as an office location.

4.6.21 However some loss of existing office floorspace (through change of use or redevelopment) is natural. This is likely to include a loss of older office stock which does not meet modern requirements; particularly as the creation of a major new office quarter creates a more attractive offer and the property market adjusts. Indeed, where the loss of older stock reduces vacancies, this may encourage the development of new offices. Re-utilising older offices for other uses within the city centre is in itself beneficial, particularly where the property has little prospect of being brought back into use as offices.

4.6.22 Between 1996 and 2013 there has been a loss of 66,600 sq m of offices in the city centre (where no 'on site' replacement of offices was made). This represents an annual loss of 3,900 sq m. All but one of the significant losses have been in peripheral areas or within the main shopping area, not within the major office areas. Most losses have been to a residential use. See Appendix 11.

4.6.23 The PUSH Economic Strategy (2010) forecasts, prepared by DTZ, included an allowance for a loss of existing office stock. Based on their general national commercial experience, DTZ estimate that 0.5% – 0.75% of existing office stock would be lost per annum (and not replaced 'on site'). In Southampton city centre this would equate to a loss of 1,380 sq m – 2,070 sq m per annum (the mid point being 1,725 sq m).

4.6.24 This rate of loss is significantly less than was actually experienced in Southampton from 1996 – 2013. For most of this period there was a major boom in the housing market, focussed particularly on 1 and 2 bed apartments, which created a particular pressure for the conversion of office space. Furthermore a significant proportion of the loss was probably a nominal loss, relating to large Victorian port buildings in the Canute Road area which may have previously been vacant and not used as offices for many years. It is not considered reasonable to plan for a continued loss of office space at this rate, particularly given the aim to promote Southampton as a major office location. Indeed between 2001 and 2013 the rate of office loss in the city centre was only 1,830 sq m per annum.

4.6.25 However Southampton's office stock is, on average, slightly older than the national average. Therefore the rate of office loss in the city centre may be higher than DTZ anticipated for South Hampshire as a whole. The table below sets out scenarios for future losses based on the DTZ rate, past rates of loss, potential losses based on the Plan's approach (see Appendix 12), and the current level of vacancies; in order to judge a preferred scenario:

Office Loss Scenarios
All figures sq m

Actual Losses	Future Losses	Future Loss Per Annum	Total Future Losses	Total Losses
2006 - 2013		2013 – 2026		2006 – 2026
	Based on:			
8,200	DTZ rate	1,725	22,425	30,600
	Past rate (2001 – 2013)	1,830	23,790	32,000
	Current vacancy level	(3,100)	40,600	48,800
	Past rate (1996 – 2013)	3,900	50,700	58,900
	CCAP policy (Appendix 12)	(4,460)	58,000	66,200
Preferred Scenario:				
8,200		3,600	46,800	55,000

4.6.26 The preferred scenario assumes a total loss of offices (2006 – 2026) of 55,000 sq m. It is considered inappropriate to select the very highest rate of loss, given that recent rates have been much lower. However 55,000 sq m comes close to the highest rate of past lost. It is broadly equivalent to the current level of office vacancies. Therefore the CSPR's target for overall major office growth at a time when there are a number of vacancies is appropriate. The target allows for the older vacant space (which is less likely to be reoccupied) to be redeveloped to other more productive uses. The scale of loss of offices is also broadly consistent with the approach set out in the CCAP for managing existing office areas (see Appendix 12). The assumption on the loss of offices is therefore considered to be a robust figure. This is factored in to Table 1 above, to produce the target in the Core Strategy Partial Review for a net addition of office floorspace.

4.6.27 There are outstanding permissions for the loss of 17,000 sq m of office floorspace in the city centre (Appendix 11 Table 16). In addition the Government has introduced permitted development rights from May 2013 for a 3 year period for the conversion of office to residential uses. This may increase the loss of offices. In the first 7 months since the p.d. rights have been introduced, the Council has received 'prior approval' notices that would amount to the loss of 19,000 sq m of offices in the city centre (Appendix 11 Table 17). This initial period might represent an initial peak of interest. Indeed most applications received to date have been in the first part of this 7 month period, with a reduced level of applications in the most recent months. The total potential loss from outstanding permissions and permitted developmet rights is 36,000 sq m. The vast majority of these are in areas of 'intermediate' or no office safeguarding, so are broadly within the envelope of losses assumed in Appendix 12. One scenario is that, even with permitted development rights, it is unlikely the commercial market would deliver a loss of offices significantly greater than past trends (during most of which there was no office safeguarding policy in any case). The CSPR already assumes a further loss (2013 – 2026) of 46,800 sq m, or 3,600 sq m per annum, broadly consistent with the upper level of past losses. In terms of the total potential conversions from permissions and p.d. rights at 2013, the actual delivery of these conversions will take place over a longer period in the coming years. In this sense the scale of losses generated by the p.d. rights might be consistent with or lead to only a modest increase in future overall losses over the 2013 – 2026 period. If so, the effect on the ability to deliver the overall target of 110,000 sq m may be limited. Clearly this will need to be monitored to understand whether greater losses are occurring, or whether losses are broadly consistent with the assumptions in this paper.

4.6.28 Policy AP2 of the City Centre Action Plan sets out the approach to safeguarding existing office areas. It sets the strongest approach to safeguarding office floorspace in 'prime office areas': North of the Station; Cumberland / Brunswick Place; and Carlton Crescent. It sets out a managed but more flexible approach to safeguarding office floorspace in the 'intermediate office areas': Civic Centre Road; Duke St / Richmond St; Queens Park and Ocean Village.

Table 2 illustrates the characteristics of these areas.

Table 2

Site	Floorspace (sq m)	Age	Types of occupier	Vacancy Rate (Sept 2012)	Vacancy Rate (Sept 2013)	Major Loss of offices? (1996 – 2013)
Prime Office Areas						
Cumberland / Brunswick Place	59,500	1950s – 2000s	Royal Bank of Scotland; Aviva; various law firms; CBRE; Savills	25%*	20% (11,747 sq m)	(1,660 sq m loss: Carlton Ho., to student accomm., 2012/13)
Carlton Crescent	20,800	converted Georgian terraces	Various law firms	10%	5% (1,009 sq m)	No
North of the Station	48,800	mainly 1960s / 70s, some 1980s / 90s	HSBC; Maritime and Coastguard Agency	15%	10% (4,735 sq m)	No
Intermediate Office Areas						
Civic Centre Road	38,000	1930s; 1980s – 2000s	Council; Capita; Skandia; BBC.	0%	0%	No
Duke / Richmond Streets	20,800	1960s – 1980s		38%	41% (8,501 sq m)	No
Queens Park	14,000	1960s – 1980s		14%	14% (1,952 sq m)	No
Ocean Village	15,600	1980s / 1990s	Price Waterhouse Coopers; Barclays.	5%	11% (1,659 sq m)	No
Elsewhere in city centre	58,500			20%	19% (10,989 sq m)	
Total city centre	276,000			17% (46,920 sq m)	15% (40,592 sq m)	

*excluding Charlotte Place (6,990 sq m vacant, Sept 2013)

4.6.29 Table 2 illustrates that the ‘prime office areas’:

-represent the largest concentrations of office floorspace; and / or

-have experienced recent office development; and / or
-have relatively low vacancy rates (all of which have declined in the last year); and / or
-provide an attractive location for major businesses (eg within wider business areas, adjacent to the Central Station or close to the Law Courts).

and that the secondary office areas:
-still represent significant but generally smaller concentrations of office floorspace; and / or
-are in the outer fringes of the city centre, where past experience suggests there may be a greater loss of office floorspace.
In addition the Dukes Keep / Richmond Street area has a particularly high vacancy rate.

4.6.30 Therefore it is considered that the prime office areas are the most commercially viable and important to safeguard; whereas in the intermediate office areas some flexibility is more appropriate. Other individual, and generally older office blocks are scattered throughout the city centre. Full flexibility is appropriate in these areas.

4.6.31 Consequently policy AP2 requires there to be no net loss of offices in the prime office areas; that only a significant proportion of office floorspace is retained in the intermediate office areas; and that no offices need be retained elsewhere.

4.6.32 Furthermore policy AP2 and the supporting text introduce a degree of flexibility. In the prime office areas:

- The policy test is no net loss of offices. A higher density redevelopment which retains the existing level of office floorspace whilst introducing a range of other uses would meet this test.

- The supporting text suggests support for a redevelopment with a small loss of offices which significantly improves the quality of the remaining office floorspace replaced / refurbished.

- The supporting text also acknowledges that office occupiers in the existing ‘prime office areas’ could relocate to the new office quarter once established, so promotes more flexibility at that time.

- In addition it should be noted that the ‘prime office area’ ‘Cumberland / Brunswick Place’ has been significantly reduced compared to the office safeguarding area in the Local Plan (2006), to allow for full flexibility in the secondary areas around Bedford Place and London Road.

4.6.33 In the secondary office areas the supporting text indicates that retaining a ‘significant proportion’ would include 50% of offices but that consideration will also be given to what is commercially viable, and to other planning benefits.

4.6.34 It is considered that this approach is consistent with the National Planning Policy Framework. This only supports the long term protection of employment areas where there is a reasonable prospect of their ongoing use. This is considered to be the case for the prime office areas. Otherwise the NPPF explains that the loss of employment areas should be considered taking into account market signals and the need for alternative uses. This is the approach taken in the intermediate and other areas.

4.6.35 If all the office floorspace in the ‘prime office areas’ is retained, all the office space in the Civic area is retained (no loss is expected), and 50% of offices are lost in intermediate areas and elsewhere in the city centre, this would equate to a loss of 58,000 sq m. See Appendix 12.

4.6.36 In practice the precise scale of losses in different areas is difficult to predict. Given the flexibility in the policy, some ‘intermediate office areas’ may see a greater loss. Others may see a smaller loss. However as a ‘rule of thumb’, this illustrates that the policy approach is broadly consistent with the assumption in the Core Strategy Partial Review that 55,000 sq m of office floorspace will be lost.

4.6.37 The alternative approaches, and the reasons why they have not been followed, are set out in Appendix 6. In short the policy approach is considered to be realistic, balanced and appropriate.

APPENDIX 1: BACKGROUND DATA

Table 3: Index of Multiple Deprivation 2010

Southampton Ward	Number of neighbourhoods* in most deprived 10% in England
Bevois	1
Bitterne	2
Millbrook	2
Redbridge	3
Woolston	1

* ‘Lower Super Output Areas’

APPENDIX 2: EXISTING OFFICE MARKET

Table 4: Office Provision in Regional Centres

		Sq M
1	Birmingham	2,268,000
2	Manchester	2,264,000
3	Leeds	2,017,000
4	Liverpool	1,132,000
5	Bristol	1,199,000
6	Cardiff	1,058,000
7	Newcastle	996,000
8	Nottingham	881,000
9	Reading	634,000
10	Swindon	539,000
11	Basingstoke	512,000
12	Brighton	499,000
13	Southampton	495,000
14	Norwich	461,000
15	Exeter	382,000
16	Plymouth	334,000
17	Bournemouth	329,000
18	Portsmouth	297,000

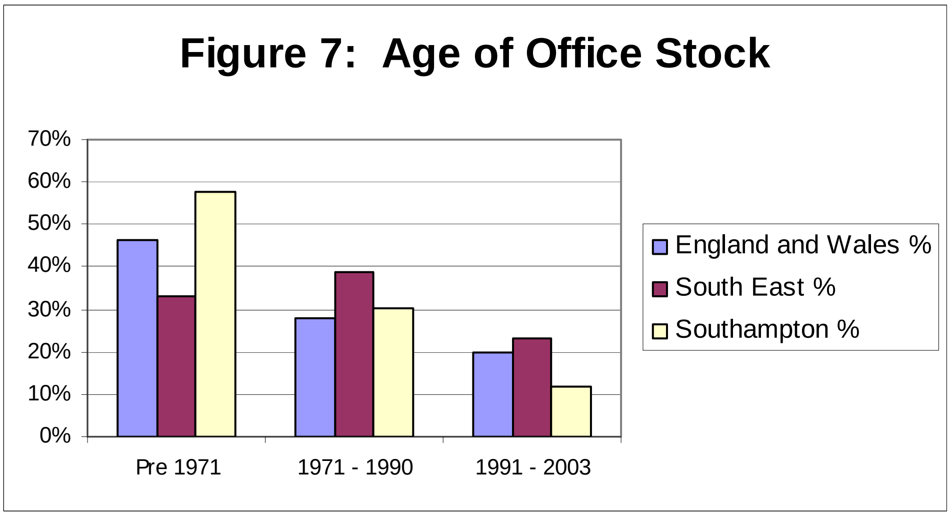
Source: Commercial and Industrial Floorspace and Rateable Value Statistics – ONS; April 2008.

Table 5: Office Jobs in Southampton City Centre

Sector	Jobs
Financial and Insurance	3,400
Property	800
Professional, Scientific and Technical	4,200
Business, Administration and Support	5,800
Public Administration and Defence	2,300
Total	40,300

Source: Business Register and Employment Survey, 2011.

Age of Office Stock



Source: ODPM, 2004.

APPENDIX 3: COMPARISON OF COMPLETION RATES AND TARGETS

Table 6: Past Completion Rates and Future Rates Required to Meet Targets

Gross Gain (ie new offices)

	Period	Total	Annual Average
Past Completions			
Southampton	1988 – 2013	209,334	8,373
South West Hampshire	1988 – 2013	518,673	20,747
Future Targets			
Adopted Core Strategy (2010)			
Target	2006 - 2026	377,000[1]	
Completions	2006 - 2013	55,459	
Residual Adopted Core Strategy Target	2013 – 2026	321,541	24,734
South Hampshire Strategy (2012)			
Target	2011 - 2026	181,000	
Completions	2011 - 2013	4,402	
Residual Adopted Core Strategy Target	2013 – 2026	176,598	13,584
Core Strategy Partial Review (2013)			
Target	2011 - 2026	109,800[2]	
Completions	2011 - 2013	4,402	
Residual Adopted Core Strategy Target	2013 – 2026	105,398	8,108

Notes

Note 1 - The adopted core strategy target of 322,000 sq m is based on an additional gain (ie new offices minus loss of offices). Assuming there is a loss of offices of 55,000 sq m (ie the assumption made in this paper), the total of new offices that need to be developed to achieve the headline target is 377,000 sq m.

Note 2 - The Core Strategy Partial Review (2013) target is based on an additional gain (ie new offices minus loss of offices), to retain consistency with the Core Strategy. However it is calculated from the constituent parts (new offices and loss of offices) as follows:

	Core Strategy Partial Review		
	Gross Gain	Gross Loss	Net Gain
2006 – 2011	51,100	-7,900	43,200
2011 – 2026	111,500	-47,100	64,400
Total 2006 - 2026	162,600	-55,000	107,600

(figures may not sum due to rounding)

This means that it can be expressed both as a net gain and a gross gain, enabling comparison with both the adopted Core Strategy and the South Hampshire Strategy targets.

Table 7: Comparison of Targets (based on net change figures)

The CSPR target is 66% lower than the adopted Core Strategy target:

	Adopted Core Strategy	Core Strategy Partial Review	% Change
2006 – 2011	43,100	43,100	
2011 – 2026	278,900	66,900	
2006 - 2026	**322,000**	**110,000**	-66%

(figures may not sum due to rounding)

Table 8: Comparison based on gross change figures

The CSPR target is 39% lower than the South Hampshire Strategy target:

	Adopted Core Strategy	South Hampshire Strategy	% Change (from adopted CS)	Core Strategy Partial Review	% Change (from South Hampshire Strategy)
2006 – 2011	51,100	51,100		51,100	
2011 – 2026	325,900	**181,000**		111,500	-38%
2006 - 2026	377,000	232,100	-38%	162,600	

(figures may not sum due to rounding)

The difference between the new sites (2011 – 2026) identified by the Core Strategy Partial Review (111,500 sq m) and by the South Hampshire Strategy (181,000 sq m) is 69,500 sq m. This is the reserve provision that the City Centre Action Plan needs to identify to fully meet the South Hampshire Strategy target.

Table 9: South Hampshire Wide Comparison: PUSH Economic Strategies 2005 and 2010 (DTZ).

On a like for like basis (ie 2006 – 2026, need relating to net increase in employment only):

The 2005 strategy identified a need for 1.1 million sq m of offices;

The 2010 strategy identified a need for 0.54 million sq m of offices. This is a 51% reduction.

APPENDIX 4: PUSH STRATEGIES

PUSH Economic Strategy (2005)
PUSH Sub Regional Policy Framework: Employment Floorspace (2008)

In 2005 PUSH commissioned DTZ to produce economic forecasts (Economic Drivers report). This was based on a strategy to increase economic output (GVA), with growth in 2006 – 2011 of 2.8% per annum, increasing steadily to 3.5% per annum by 2026. This was translated into employment forecasts and then floorspace targets, which were incorporated into the South East Plan (adopted 2009).

The PUSH Sub Regional Policy Framework for Employment Floorspace (2008) then apportioned these figures to individual districts. The figure for Southampton was influenced by the overall growth target, the 'cities first' approach, and the physical capacity of the city centre to accommodate major office development.

The relevant targets were as follows:

	Target for Net Additional Floorspace (Sq M)	Established by
South Hampshire	1,215,000	South East Plan
South West South Hampshire	680,000	South East Plan
Southampton	322,000	PUSH Policy Framework

The figure for Southampton is incorporated into the adopted core strategy (2009).

PUSH Economic Strategy (2010)
PUSH South Hampshire Strategy (2012)

The 2005 DTZ work was prior to the major economic recession of 2008 / 09. Therefore in 2010 PUSH commissioned DTZ to undertake a comprehensive refresh of the targets.

The first stages of the forecasting methodology were similar to that in 2005:

Stage 1: PUSH Economic Strategy Preferred Growth Scenario: This sets out the agreed preferred scenario for an improvement in economic performance, based on reducing South Hampshire's GVA per capita gap relative to the South East from 11% to 7%. It assumes an overall GVA growth rate (2006 – 2026) of 2.1% per annum (figure 5), incorporating negative growth during the recession (2008/09), with growth returning in 2010, peaking at around 4% per annum in 2014, and settling back to just over 2% per annum 2019 – 2016 (figure 2). Based on productivity growth of 1.7% per annum, this generates

51,200 additional jobs (2006 – 2026) (figure 5). The preferred growth scenario set out the anticipated job change sector by sector.

Stage 2: The Table below illustrates the forecast job change in those sectors assumed to need office development, totalling 36,000 office jobs.

Sector	Employment Growth 2006 - 2026	% employment assumed in B1a offices (DTZ)	Employment Growth in Offices 2006 - 2026
	Figure 2.1	Figure A1.1	
Utilities	-500	5	-25
Construction	-3,050	5	-153
Transport / Communications	+5,000	5	+250
Financial Services	+2,550	60	+1,530
Business Services	+41,300	80	+33,040
Public Administration / Defence	-1,750	50	-875
Education	+1,300	10	+130
Health	+9,000	20	+1,800
Other Personal Services	+2,250	20	+450
Total			+36,100

Stage 3: Translating the employment growth into floorspace needs, on the basis of an average density of 1 job per 15 sq m of floorspace. (This represents an increase in job densities to reflect changing working practices. The 2005 study had assumed 1 job per 19 – 25 sq m).

Stage 4: An assumption that there is a need to replace some existing older office floorspace. Based on general market experience, DTZ assume that between 1% – 1.5% of floorspace will be redeveloped each year; that 50% will be replaced by new offices on the same site; but that the remaining 50% will be redeveloped for other uses, necessitating the provision of replacement sites. (An allowance for replacement demand was not made in the original 2005 study).

Stage 5: A 10% allowance for choice. (As per the 2005 study).

The resulting office floorspace needs for South Hampshire are as follows:

	Need for New Offices Sq M	
Accommodating Forecast Employment Change	540,000	
Replacement Demand	150,000 – 220,000	

Choice	69,000 – 77,000	
Total	760,000 – 840,000	

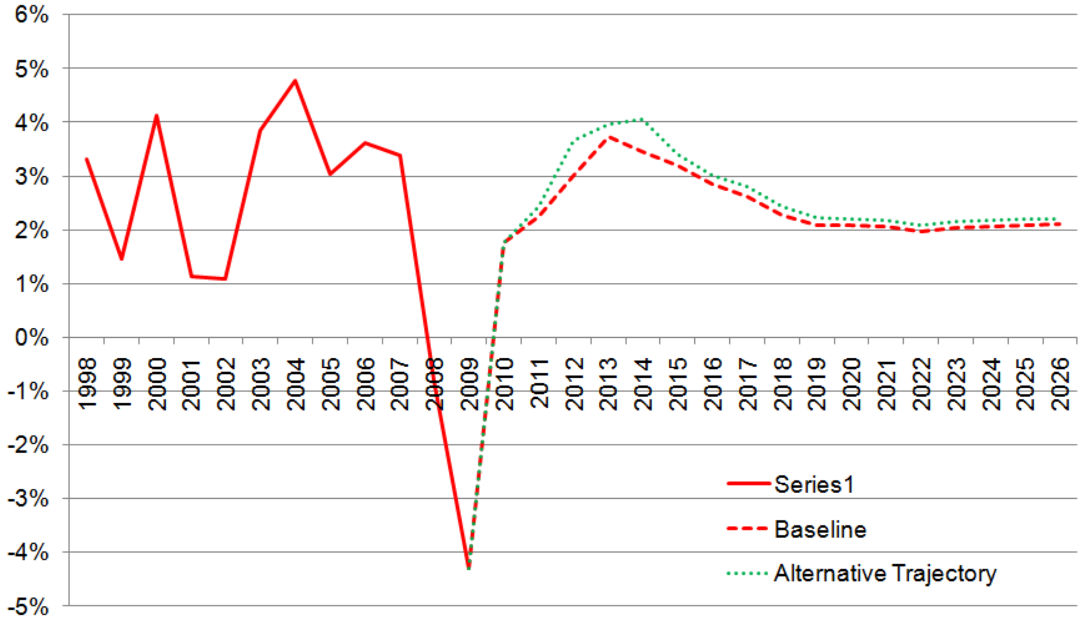
On a like for like basis there is a 51% reduction in office development from the 2005 to 2010 forecasts. The main drivers of this reduction are:
-the lower growth and employment forecasts as a result of the recession
-the higher job:floorspace densities, reflecting changing working practices.

The revised target was apportioned to individual districts by PUSH through the South Hampshire Strategy (2012). The target for Southampton is 181,000 sq m. Again this has been based on the overall growth target, the 'cities first' approach, and the physical capacity of Southampton to accommodate major office growth. The South Hampshire Strategy also refers to a minimum target for Southampton of 125,000 sq m, reflecting the likely commercial demand.

APPENDIX 5: COMPARISON OF GROWTH RATES

Comparison of 2010 PUSH DTZ Preferred Growth Scenario with Actual Growth

GVA Growth Rate for PUSH Area – Baseline and Preferred Scenario



Source: Oxford Economics
Extract from PUSH Economic Development Strategy, Preferred Growth Scenario – DTZ / Oxford Economics

	PUSH GVA Growth	National GDP Growth
	(approx from graph above)	
2006	3.5%	2.6%
2007	3.5%	2.7%
2008	-1%	-6.1%
2009	-4.2%	1.2%
2010	1.8%	1.4%
2011	2.4%	0.5%
2012	3.6%	0.1%
2013	4%	1.4%
2014	4%	2.4%
2015	3.4%	2.2%
2016	3%	2.6%
2017	2.9%	2.7%
2018	2.5	2.7
Total 2010 - 2018	31%	17%

Grey = DTZ or ONS Actual Data
Light = DTZ or OBR projection
(Incorporating OBR forecast December 2013)

APPENDIX 6: ALTERNATIVES

Office Target

The Core Strategy Partial Review sets a target that an additional gain of 110,000 sq m of offices will be delivered (2006 – 2026). This is consistent with the minimum target in the South Hampshire Strategy.

Higher Target

The South Hampshire Strategy identifies a full target for Southampton which is about 70,000 sq m higher (see Appendix 3). This higher target reflects an apportionment of the development targets set out in the PUSH Economic Strategy (2010), taking into account the ‘cities first’ approach and the physical capacity for development in Southampton city centre.

If the PUSH Economic Strategy’s (2010) growth targets are achieved in full, this will reflect in a quicker recovery from the recession and stronger ongoing economic growth than anticipated by the Core Strategy Partial Review. Consequently it will result in stronger commercial demand for office development. Given the strong reasons for promoting city centre office development, and the physical capacity to accommodate this in Southampton, this additional growth should be directed to the city centre (rather than out of centre). Therefore the Core Strategy Partial Review targets are expressed as a minimum, and acknowledge that there are additional reserve sites (identified in the City Centre Action Plan) to facilitate stronger growth in line with the PUSH economic strategy / sub regional review if that growth emerges.

The PUSH Economic Strategy (2010) was based on 2009 economic data. Whilst this reflected the recession up to that point, it did not reflect the ongoing slow growth and uncertainty since then. The aims of the strategy remain valid but the precise economic forecasts over the short term have proved to be optimistic. It remains unclear whether or not higher long term growth can ‘make up’ for the short term loss. If not then the PUSH Economic Strategy (2010) targets will not be met in full, and the additional development will not be delivered in Southampton (before 2026) or indeed elsewhere.

It is appropriate that the Core Strategy Partial Review target is based on a best estimate taking into account all the latest data. This provides a robust basis for infrastructure planning, and safeguarding sufficient sites for office development without needlessly sterilising sites from development for alternative uses.

Lower Target

A lower target would not fully reflect the PUSH / Council aims for economic growth focussed on cities first, or utilise the physical capacity for office development in the city centre. The Council should take a realistic but positive view of the city’s growth potential, particularly given the strong reasons for promoting city centre development. It is considered the Core Strategy Partial Review target achieves this.

Proportion of Offices in New Development

The policy requires a significant proportion of offices on specified development sites. The supporting text indicates this should be 50%. However the policy and text maintain the flexibility to support a lower proportion where this is justified.

<u>More flexibility</u>

The requirement to provide a significant proportion of offices on specified new development sites could be removed, with the policy simply supporting new office development should it be proposed. This would provide developers with maximum flexibility to deliver development sites. This has already been provided for the two key sites of particular importance to the overall aims for the city centre (Royal Pier and Station Quarter Southside). To introduce this flexibility more widely would mean the Council would lose the ability to influence development schemes to help meet the overall office delivery targets. There is already sufficient flexibility built in to the policy to consider a proportion of offices lower than 50% where this can be justified.

<u>Less Flexibility</u>

The requirement to provide a significant proportion of offices on specified new development sites could be fixed at 50% with no scope for considering other issues. It is considered that as economic growth returns, the development sites will be capable of providing a significant proportion of offices. However this will need to be re-assessed at the time that development proposals are made, some years in to the future. It is possible that a development with 50% offices would be commercially unviable. Alternatively, as development schemes are designed in more detail it might become clear that a lower proportion of offices would help to deliver a stronger mix of overall planning benefits. The case for either would need to be made. However if a ‘fixed 50%’ approach was followed literally this could risk sterilising development sites which would otherwise bring strong planning benefits. In reality flexibility would be shown where justified, and this should be reflected in the policy.

Proportion of Existing Offices Retained

The policy explains that in prime office areas there should be no net loss of offices. The supporting text indicates some flexibility where a small loss would significantly improve the quality of the remaining office space; and once the new office quarter has been established. The area to which the ‘no net loss’ approach applies has been reduced considerable compared to that in the local plan. The policy explains that in the secondary office areas a significant proportion of offices should be retained. The supporting text indicates this should be 50% but indicates the flexibility to support a lower proportion where this is justified.

<u>More Flexibility</u>

The controls on the loss of office floorspace could be removed, or the approach to the prime office areas could be made more flexible. However retaining a 'critical mass' of existing office stock is important to achieving the 'additional gain' targets, and more broadly to support the commercial office market and economic recovery. The prime areas are those which are proving commercially resilient, offer this 'critical mass' of attractive stock, and enjoy low vacancy rates. Their protection is therefore considered consistent with the NPPF. The Council has demonstrated a willingness to support a 'departure from policy' if it can be justified that specific (eg older) office blocks within this area should not be retained. However in general terms these areas offer commercially attractive office properties / locations. The policy already supports some flexibility in prime areas, and considerable flexibility (where it can be justified) in secondary office areas.

<u>Less Flexibility</u>

Flexibility could be reduced by setting a fixed percentage of office floorspace which should be retained. However, for similar reasons stated for new sites above, this would reduce the ability to react to specific planning opportunities and circumstances in the future. In reality, where flexibility can be justified this should be supported, and be reflected in the policy.

APPENDIX 7: SITE DELIVERY ASSUMPTIONS

Table 9: The Relationship between Sites in the CSPR and CCAP

	CSPR	CCAP			Additional Capacity
	Assumed Delivery (sq m)	Identified as suitable for offices?	Requirement for significant proportion of offices?	50% of floorspace (sq m)	Capacity identified by CCAP additional to CSPR
	Sq M			Sq M	Sq M
Station Quarter (Southside)	1,625	Yes	No		
Station Quarter (west of Southern Road)	15,821	Yes*	Yes*	15,821*	
Station Quarter (south of Western Esplanade)	0	Yes	Yes	55,000	55,000
Western Gateway (City Industrial Estate)	0	Yes	Yes	35,000	35,000
Western Gateway (Leisure World)	0	Yes	No		
Western Gateway (West Quay Industrial Estate)	0	Yes	Yes	25,000	25,000
West Quay Western Site B	5,627	Yes	Yes	5,627	
Watermark West Quay	0	Yes	No		
East Park Terrace	0	Yes	Yes	10,000	10,000
Royal Pier Waterfront	73,036	Yes	No		
Town Depot	0	Yes	No		
The existing office areas identified in policy 2	9,570 (The Bond)	Yes	Yes		
Other sites where appropriate	2,165 (small sites)	Yes	No		
					Total: 125,000

*The Station Quarter (West of Southern Road) is outside but immediately adjacent to the city centre boundary as defined by the Core Strategy. The CCAP recognises that it is a good location for office development. The Local Plan saved policy MSA14 allocates the site for employment led mixed use, including offices, industry and a landmark office building on this part of the site. The CSPR assumes that 74% of the site will be delivered for offices, consistent with the CBRE study.

APPENDIX 8: CAPACITY OF NEW OFFICE DEVELOPMENT SITES

Policy AP1 aims that a significant proportion of office development will be delivered on the following sites, with the headline target that this is 50% of floorspace.

Table 10: New Office Development Sites

	Site Area	Total floorspace	50% offices
Station Quarter (West of Southern Road)		21,517 sq m	15,821 sq m
	Notes: The CBRE study phases 2, 4, 5, and 6 occupy the site. Phase 2 accommodates 64 dwellings at 89 sq m, totalling 5,696 sq m. Phases 4 – 6 are offices totalling 15,821 sq m. The combined floorspace is 21,517 sq m. Therefore in this scenario offices occupy 74% of the floorspace.		
Station Quarter (south of Western Esplanade)			
Hotels and Mountbatten Retail Park	3.6ha	70,000	35,000
	Notes: Masterplan generally assumes 6 storeys, creating 61,813 sq m (buildings 5 – 10). Includes space for Station Avenue through site. Site area @ 40% footprint and 6 storeys = 86,400. Assume approximate mid point = 70,000 sq m.		
Toys R Us / Coach Station / smaller electricity station	2.2	40,000	20,000
	Notes: Masterplan generally assumes 6 storeys, creating 42,873 sq m (buildings 3 – 4, 14). Excludes coach / electricity station. Site area @ 40% footprint and 6 storeys = 52,800 sq m. Assume 40,000 sq m, as primary shopping area extension could extend into site.		
Western Gateway (City Industrial Estate)	3.3 ha	70,000	35,000
	Notes: Masterplan assumes 6 storeys, creating 62,213 sq m (buildings 19 - 20). Excludes building which crosses City Ind Est and Leisure World. Site area @ 40% footprint and 6 storeys = 79,200 sq m. Assume approximate mid point = 70,000 sq m. Excludes John Lewis Warehouse, which is a potential additional 1.3ha.		
Western Gateway (West Quay Industrial Estate)	3.6ha	50,000	25,000
	Notes: Masterplan assumes generally 4, with some 6 storeys, creating 42,458 sq m (buildings 30 - 37). Site area @ 40% footprint and 5 storeys = 72,000 sq m. Assume approximate mid point = 50,000 sq m.		
West Quay Site B (Aqua)		5,627	5,627
	Notes: Based on current office scheme, assume develop fully for offices. (The rest of the site has already been developed for a hotel).		
East Park Terrace	1.2 ha	20,000	10,000
	Notes: Masterplan assumes 5 storeys, creating 33,530 sq m (buildings 99 - 100). Site area @ 40% footprint and 5 storeys = 24,000 sq m. Assume 20,000 sq m (some likely to be used by University).		

APPENDIX 9: PAST COMPLETIONS

Table 11: Major Office Completions in Southampton, 1988 – 2013
(Gross gain of 3,000 sq m or more)

Address	City centre?	Development	Completion Date	Office gross gain (sq m)
Carnival HQ	Y	HQ Offices	2008	20,979
Town Quay	Y	Offices / Retail	1989 - 1994	18,403
Adj former coach station, Grosvenor Square	Y	New offices / residential	1990 - 1994	15,549
Norman Offer site	Y	Police Headquarters	2010 / 11	12,414
Skandia HQ	Y	11 storey offices	1991 - 1994	11,882
Charlotte Place	Y	Offices, hotel	2005	9,800
Commercial Road / Hill Lane (Maritime and Coastguard Agency)	Y	Offices	1993	8,100
Liberty House, 69-81 Commercial Road	Y	Offices	2000 - 2001	7,687
One Guildhall Square	Y	Offices	2010	7,365
Brunswick Gate, Brunswick Place	Y	Offices	1997	6,280
Oceana, Commercial Road	Y	Offices	2002	5,690
4-10 Millbrook Road East	N	Offices	1988	4,000
Marsh Lane / Threefield Lane	Y	Offices	1989	3,860
Marine Innovation Centre	Y	Offices	2010	3,818
Former Filling Station Site, Dorset Street	Y	Offices	2007	3,709
Savannah House, Maritime Way, Ocean Village	Y	Offices	1991 - 1997	3,485
Meridian Cross, Ocean Village	Y	Offices	1990 - 1992	3,105
Spring House, Walnut Grove	N	Redevelopment: offices for Health Authority	1994	3,085
Enterprise House, Ocean Village	Y	Offices	1988	3,000

Table 12: Major Office Completions in Wider Area, 1998 – 2013
(Gross gain of 3,000 sq m or more)

Address	District	City centre?	Development	Completion Date	Office gross gain (sq m)
Botleigh Grange, Hedge End	Eastleigh	No	Office campus		24,668
Turnpike Way, Chestnut Avenue, Chandler's Ford	Eastleigh	No	Offices		23,142
B&Q HQ, Chestnut Avenue	Eastleigh	No	Offices		20,888
Hampshire Corporate Park, Templars Way, Chandler's Ford	Eastleigh	No	Offices		6,774
Swaythling Housing Association HQ, Eastleigh	Eastleigh	Edge of centre	Offices		3,897
OS HQ, Adanac Park	Test Valley	No	Offices		16,409
B&Q HQ, Bournemouth Rd, Chandlers Ford	Test Valley	No	Offices		5,608
None	New Forest Waterside				0
Segensworth / Whiteley	Fareham / Winchester	No	Offices		180,023*

*- Includes 7,279 sq m where unclear if offices or other (B1 – B8)

APPENDIX 10: OFFICE DEVELOPMENT SITES IN SURROUNDING DISTRICTS

There are the following major outstanding out of centre sites for office development in neighbouring districts

Table 13: Sites in Adjoining Districts with 3,000 sq m gain or more outstanding from HCC 2012 schedule

Site		Planning status	Progress	Outstanding gain (sq m)
New Forest Waterside				
Testwood Park, Totton	6 office blocks	Permission	Not started	11,476
Eling Wharf, Totton		Draft allocation		
Southern Test Valley				
Chilworth Science Park extension	Mixed offices / research	Permission	Part not started	7,166
Adanac Farm	Offices	Outline permission	OS complete. Remainder not started. Permission for medical centre on c25% of remaining site, so sq m figure is for remainder.	48,377
Eastleigh				
Northern Business Park				(19.5 ha)
Railtrack				(8.5 ha)
B&Q HQ	Offices and R&D	Permission	Part complete, part under construction	5,172
Centris, Pirelli, Leigh Road	Offices	Permission - expired	Not started. (Permission granted for assisted living elderly accommodation)	(7,432)
Segensworth / Whiteley (Fareham / Winchester)	Potential Offices	Permission		99,053

In addition the draft Welborne Plan (Fareham SDA) identifies 39,000 sq m – 44,000 sq m for offices.

Segensworth / Whiteley

Fareham
Midpoint 27, Segensworth South - 4,000 sq m (permission)
Solent Business Pk, Area 12 Phase 2, west of distributor Rd Whiteley - 23,526 sq m (permission)
Kites Croft Business Park, Titchfield – 1.03 ha (allocation)

Winchester
Plots 2000 – 2500 and 3400, Solent Business Pk, 10 office blocks – 26,594 sq m (allocation)
Solent 2, Area 12, west of distributor rd Whiteley – 16,010 sq m (B1 allocation)

Concord Way, Segensworth North, Whiteley Business Pk – 2.74 ha (B1 – B8 allocation)
4300 Parkway Whiteley – 6,303 sq m (B1a permission)
Total confirmed sq m = 76,433
Total ha = 3.77ha. If 50% offices at 40% footprint and 3 storeys = 22,620 sq m
Total sq m = 99,053 sq m

APPENDIX 11: PAST TRENDS IN LOSS OF OFFICES

Table 14: Loss of Office Space in Southampton, 1996 – 2010

	Non. of Sites	Sq M (nearest 100 sq m)	% of Sq M
Total			
Total loss, '96 – '10	171	83,300	100%
By Location			
City centre	100	65,200	78%
Other	71	18,100	22%
Change to			
Housing	122	63,600	76%
Other	49	19,700	24%
By Size of Loss			
1,000 sq m or more	12	40,500	49%
500 – 999 sq m	25	18,100	22%
250 – 499 sq m	35	11,500	14%
Less than 250 sq m	99	13,200	16%

Table 15: Sites with an office loss of 1,000 sq m or more (1996 – 2013)

Site	City Centre?	Proposal	Office Loss Sq M
Ordnance Survey	No	Mixed use redevelopment (relocation of OS HQ to nearby site in Test Valley)	32,889
South Western House, Canute Road	Yes	Conversion to residential apartments (bars, etc on ground floor)	11,000
Orions Point, St Marys Road	Yes	Conversion and extensions to form student accommodation	5,593
Clifford House, New Road	Yes	Redevelopment to hotel (Travel Inn)	4,500
Dock House, Canute Road	Yes	Redevelopment to flats	4,180
Provincial House, Canute Road	Yes	Conversion to flats	3,029
Daily Echo offices, 41 – 47 Above Bar Street	Yes	Redevelopment to retail	2,984
Viscount Way Test Centre	No	Redevelopment to residential	1,800
Coltswood House, 151 Albert Road South	Yes	Conversion to flats	1,779
South Western House (Ground Floor) Canute Road	Yes	Conversion to flats / health suite	1,777
Carlton House, Carlton Place	Yes	Conversion to student accommodation	1,660
95 – 101 Above Bar Street	Yes	Conversion of upper floors to flats	1,652
107 – 118 High Street, 67 – 69 Castle Way	Yes	Redevelopment primarily to flats, with 3 retail / office units	1,111
16 Millbrook Road East	No	Conversion to flats	1,111

Table 16: Outstanding Planning Permissions Involving the Loss of Offices in the City Centre at 2013

Site	Proposal	Ofice Loss (Sq M)
24 – 32 Canute Road	Redevelopment to flats / retail	438
The Carronades 2 – 4 New Road	Change of Use to D1	476
4 Bellvue Road	Change of Use to Language School	498
134 – 135 Dolphin House, High St	Change of Use to Flats	302
50 Oxford Street	Change of Use to Flats	505
8 Bugle Street	Change of Use to House	211
61 – 64 High Street	Change of Use to Flats	512
12 Bugle Street	Change of Use to Flats	1460
Park House	Change of Use to Student Flats	3676
66 – 70 Oxford Sreet	Change of Use to Town Houses	780
Orions Part (just outside city centre and not yet on HCC schedule)	Change of Use to Student Flats	6,800
Brunswick House	Change of Use to Student Flats	1,500
Total		17,158

Table 17: Permitted Development Rights: Offices to Residential. Sites where prior approval has been sought. City Centre. May – November 2013.

Date application received		CCAP office safeguarding?	Non. dwellings	Office floorspace lost Sq m
May 2013	Richmond House Terminus Terrace	Intermediate	74	6,140
May 2013	Orchard House, 51 – 56 Commercial Rd	Prime	25	1,982
May 2013	Capella House Cook St	No	27 (increased to 33)	1,623

June 2013	Queens Gate 15 – 19 Queens Terrace	Intermediate	64 student	1600
June 2013	Kilgraston House	No	8	752
July 2013	19 – 23 Canute Rd	No	8	544
July 2013	Portcullis House Platform Rd	No	36	1770
July 2013	114 – 122 Above Bar St	No	11	1398
July 2013	70 – 72 London Rd	No	21	1500
July 2013	10 – 11 Queens Terrace	Intermediate	17	600
August 2013	85 Commercial Rd	Prime	2	140
September 2013	2a – 3a Bedford Place	No	1	75
October 2013	5 – 7 Brunswick Place	Prime	19	750
November 2013	5 The Carronades	No	5	400
Total				19,274

APPENDIX 12: POTENTIAL FUTURE LOSS OF OFFICES

Table 18: Potential Loss of Offices Applying City Centre Action Plan's Policy

Area	Approximate Existing Office Floorspace (Sq M)*	Assumed Loss	SQ M
City Centre			
Station area	48,800	0%	0
North of the parks	59,500	0%	0
Carlton Crescent	20,800	0%	0
Civic area	38,000	0%	0
Dukes Keep area	28,000	50%	14,000
Ocean Village	15,600	50%	7,800
Queens Park	14,000	50%	7,000
Town Quay	11,000	50%	5,500
Miscellaneous purpose built	15,400	0%	0

Other city centre	47,300	50%	23,700
Total			58,000

This paper assumes that 55,000 sq m of offices will be lost. The table above indicates that, applying the Plan's policy approach to existing offices (ie no loss in prime areas and 50% loss in secondary areas) there would be a loss of 58,000 sq m. This is broadly comparable. (The Table assumes no loss in the Civic area and miscellaneous purpose built offices. Whilst the policy would allow this no loss is expected).