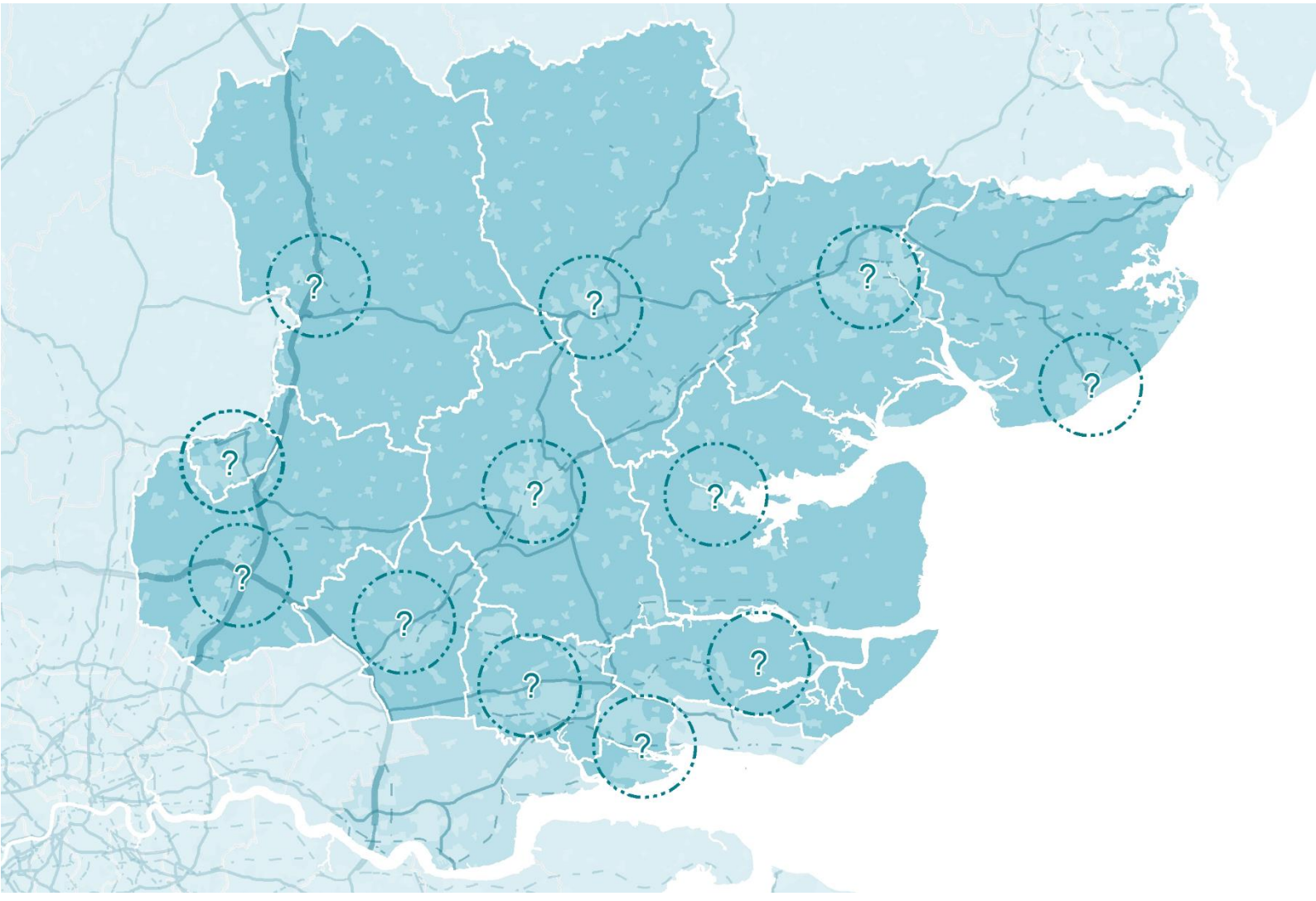
Grow-On Space Feasibility Study

Final Report to Essex County Council

October 2016



SQW

BBP Regeneration

Appraisal • Strategy • Delivery

Contents

Contact:	Chris Wilkinson	Tel:	0161 475 2103	email:	cwilkinson@sqw.co.uk

Approved by:	Richard Hindle Director	Date:	21 October 2016

Executive Summary

1. SQW Ltd (SQW), working with BBP Regeneration (BBP), was commissioned by Essex County Council (ECC) in June 2016, to undertake an assessment of the need for grow-on space in Essex; taking into account the range of property requirements and spatial characteristics in different parts of the county. The consultants were also asked to advise how any such gaps might be filled. The Final Report from the study, of which this is the Executive Summary, follows an earlier Interim Report, submitted in August 2016.

Study context

2. The analysis of business grow-on space, including the socio-economic context, the salient characteristics of local economies in Essex, and demand, supply and potential across the county, was assessed for the county as a whole, and its four quadrants (West Essex, South Essex, Haven Gateway and Heart of Essex).

Distribution of businesses and business space

3. The Haven Gateway has the largest amounts of industrial space and warehouse space, whilst West Essex has the most office space. The Heart of Essex, which includes one district, Chelmsford, accounts for the least space in each category.

4. The proportion of businesses in most sectors is broadly consistent between the four quadrants. However, notably, the South has a relatively higher proportion of construction businesses than the other three quadrants.

5. The Haven Gateway has the most businesses in Essex, but the West has the most businesses per 10,000 working age population (WAP) and is also the most enterprising area (measured by business starts per 10,000 WAP).

Socio-economic context

6. West Essex and the Heart of Essex perform better on socio-economic indicators than South Essex and the Haven Gateway: the Haven Gateway has the largest population, WAP and number of jobs, but, along with South Essex, it has low skills levels and high deprivation levels compared to West Essex and the Heart of Essex. Moreover, the Heart of Essex is expected to see the largest percentage growth in employment in the next 15 years (14%), with South Essex growing slowest (5%). GVA growth in the Heart of Essex will also be higher than elsewhere (47% growth expected in the next 15 years).

7. Health is the largest sector in the county and particularly important in is particularly high in the Haven Gateway and Heart of Essex. The proportions of employment in Business support and administration services and Construction are higher in the West than elsewhere.

Policy context

8. A desktop review of national and regional policy in the South East, and the consultants' experience elsewhere, confirms that few public policy initiatives have been formulated to address the need for grow-on space. Apart from in Braintree, Castle Point and Maldon, there is no direct mention of grow-on space in most districts' latest Local Plan evidence bases or draft Local Plans. This is surprising, given its potential importance as part of well-functioning local economies, and a recommendation from this study is that this gap should be addressed, as the Plans are finalised.

Extent and causes of the grow-on space issue

Supply and demand of grow-on space

9. Using available data and consultation evidence, we built a picture of the extent to which there is an issue around grow-on space in Essex, including how this relates to overall supply and demand, whether this is the same situation across the county, and the extent to which this relates to wider issues around a mismatch of space available and business demand.

10. From the available data, it is clear that there is a mismatch between the supply of, and demand for, grow-on space across Essex, for both office and industrial space. There is currently just one year's worth of supply of industrial space available in Essex, and 2.5 years' worth of office space available.

11. There are various reasons posited as to why there is a shortage. Essentially, there is a market failure in Essex, whereby the development of grow-on space is not an attractive proposition for the private sector: the returns on their investment are more favourable with other types of development, and the risks are perceived to be relatively high, as smaller, often younger, businesses look for short tenancies.

12. In addition, a shortage of available land, and focus on housing development, has in many places pushed land values up to the extent that development of this space would not be viable in much of Essex.

Quality of space available

13. Much of the grow-on industrial and office space which is available is in older grade B property. Little new space is being built, due to the reasons set out previously. The result is a lack of the quality space which growing firms look for, as well as a quantum which falls short of demand. This is not only about the fabric of the buildings in question, but also the facilities, including digital infrastructure and parking. Where firms do take space, they are often forced into a sub-optimal solution.

Other factors

14. Affordability seems to be less of an issue than the supply of space and its quality. However, this does not mean that affordability is not an implicit concern. If developers were able to charge more for space, they would most likely do so, as there is little point in developing space

that no-one can afford. As it is, they are unable to charge rents sufficiently high enough to make development viable, and so development is not taking place at all.

15. Support services appear to be less of an issue for tenants. Businesses requiring grow-on space are by their nature already established businesses. As such, whilst they may have needed substantial support in their early days, this lessens as they grow.

16. Flexible tenancies on the other hand are still appealing to firms as they continue to grow. As noted above, this is one of the factors that makes the development of grow-on space undesirable for developers.

Impact of addressing the grow-on space issue

17. Analysis of the data and the consultations undertaken for the study point to the damaging economic effects of this shortfall.

- Without appropriate grow-on space, firms hold back on expansion plans, and do not move from their current space. If they do, it is possible that they may move outside Essex.
- As these firms remain in what has become sub-optimal accommodation, this also prevents other businesses from taking the start-up space that would aid their survival and growth.
- Essex also misses out on potential inward investment opportunities, due to a lack of appropriate space for firms to move into.

18. The result is a reduction in business rates, incomes, jobs and GVA in Essex. We developed a model to indicate, on conservative assumptions, the scale of this lost economic potential.

- If sufficient grow-on space for growing businesses were provided across the five districts included in the model, this could accommodate some 4,800 jobs over a 10-year period, three-quarters of which would be occupying office space.
- Across the five districts, businesses accommodated within grow-on space could contribute direct gross GVA of £227m per year to the local economy, by year 10, assuming development continues at the same rate. This includes £172m of GVA from firms in office space, and £55m from firms in industrial space.
- Across the five districts, business rates to be collected from those businesses accommodated could increase by around £330,000 per annum. Income from office premises would comprise the largest share of this income, with some £246,000 increase per annum from firms accommodated in this space, and £84,000 from the industrial space.
- We can also reasonably assume that some of the firms that would be accommodated, would be in-movers that have previously not been able to find accommodation in Essex. Findings from the qualitative research confirmed the intuitive expectation that districts close to London, like Harlow, could benefit more from this demand and growth opportunity than, for instance, districts like Tendring and Maldon.

- The model indicates that the direct jobs and wider economic impacts from addressing the grow-on space shortage are substantially greater, per sq m, for offices than industrial space, owing to the higher job densities achieved in office space.

What are other areas doing to address the issue?

19. Three comparator areas were considered, to show how other areas are dealing with a shortage of appropriate grow-on space, and to flag possible options for Essex to consider in addressing the county's grow-on space issue:

- ***Cambridgeshire.*** Cambridgeshire is characterised by an indigenous, high value economy with successive generations of start-ups and provision to accommodate growing firms, in an environment in which businesses of any size can thrive. But the city and surrounding area has experienced, and continues to experience, strong growth pressures on business accommodation, including grow-on space. As such, measures are being taken to ensure that grow-on space is developed, so as to not hold back the county's economic potential. The Local Enterprise Partnership (LEP) has given some emphasis to the issue, and has pushed for inclusion of grow-on space on its two enterprise zones, emphasising the role that this could play in supporting the growth of Cambridgeshire's high tech cluster.

- ***Warwickshire***. Grow-on space is an acknowledged issue here, with the Coventry and Warwickshire LEP identifying a lack of grow-on space as a barrier to growth. Whilst some established grow-on space exists, including at the University of Warwick Science Park, there is a recognition that more is needed. The LEP has taken a strong role in driving the development of more grow-on space, and sought Local Growth Fund (LGF) monies to develop grow-on space at two sites. The LEP secured funding for space at one of those: Ansty Park.

- ***Kent.*** The county has some similarities with Essex. As with Essex, there is a shortage of supply of grow-on space and indeed commercial space more generally. In Kent, as in Essex, investment interest from the private sector has been limited, despite proximity to London, and there has been limited public intervention. However, action is now being taken as part the expansion of the Discovery Park Enterprise Zone. Although not for grow-on space specifically, Growing Places Fund monies are being used to encourage the development of incubator space through 0% interest loans.

Indicative Action Plan

20. A menu of options is presented for bringing forward the grow-on space that Essex requires. The scope of potential interventions encompasses direct development by the County Council and its partners, and actions taken to realise this, as well as a set of indirect actions through which others might be encouraged or enabled to operate in this space.

21. As a result of the evident differences in characteristics and circumstances across Essex, there is not a single set way to resolve the grow-on space issue; what might be needed, or what might work in one place, may not be relevant, or practicable, or may not resolve the issue in other parts of the county. In addition, development of grow-on space would not necessarily

involve building from scratch; it may be preferable to refurbish vacant existing office/industrial space as grow-on space in some areas.

22. We do not therefore prescribe a single solution. The advantages and drawbacks of strategic options 'do nothing', 'indirect actions', 'direct actions', are considered. The possible interventions which could be used to address the issue are then listed, with headline consideration of their implications for resources and potential impacts. This assessment is summarised below.

Table 1: Summary of options for addressing the shortage of grow-on space across Essex, including indicative costs, potential adverse impacts to the public purse, the likelihood of this adverse impact occurring, and the potential economic impact of implementing each option[1]

	Cost to public sector in Essex	Potential adverse impact on public sector finances	Likelihood of adverse impact on public sector finances	Likely economic impact of adopting option
Do nothing				
Indirect interventions				
Planning on large sites				
Master-planning for new communities				
Planning allocations in Local Plans				
Rent guarantee/empty space rates relief				
Interest-free loans for developers of grow-on space				
Gift land to developers				
Direct interventions				
Secure loan funding				
Directly fund development				
Land acquisition				

Source: SQW analysis

[1] Green denotes low cost, low potential adverse impact on public sector finances, low likelihood of any adverse impact on public finances occurring, and high economic impact (i.e. the most desirable of each category); red indicates the opposite

23. This study was designed as an exploratory exercise, to gather, systematically assess and interpret the available evidence. The findings point to considerable potential economic gain if current barriers facing firms looking for grow-on space could be overcome. The main recommendation is therefore for discussion and early review of the findings at strategic level in the county, taking into account drivers from the Government alongside the local authorities' goals, and their opportunities and constraints with regard to finance and statutory planning.

24. If the decision is broadly positive, additional work will be required to translate this framework of potential actions into specific interventions, exploring which options might be viable in which locations. This will involve further market assessment, particularly linked to possibilities for early intervention, and consideration of appropriate mechanisms, partnerships and costs, together with other public and private sector partners, including the LEP.

1. Introduction

1.1 SQW Ltd (SQW), working with BBP Regeneration (BBP), was commissioned by Essex County Council (ECC), in June 2016, to undertake a feasibility study for the development of grow-on space in Essex, both at county, and local district levels[2]. This document comprises the Final Report, building on inputs to an earlier Interim Report, published in August 2016.

What is Grow-On Space?

1.2 In a literal sense, grow-on space for a business is simply larger space than that which the firm currently occupies. That could mean that grow-on space is any size of space, depending on the business seeking to grow.

1.3 In the context of this study, grow-on space is treated as space for small growing businesses with around 10 employees plus; that is, businesses that have grown to the extent that they are too large to be accommodated in incubator space or enterprise centres, but are still too small to occupy large, often freestanding, offices or factory/workspace units.

1.4 The quantum of space may differ depending on the type of business; whilst a financial services or creative and digital firm may need primarily office space, a manufacturing firm or logistics firm may need storage, workshop and distribution space. Businesses occupying this size of space will have quite different levels of employment, depending on what they do, and how they operate.

1.5 The characteristics of the businesses may differ too: some will be more mature and self-contained than others; some may still be growing and therefore be looking for flexible tenancies or short-term leases, perhaps with some degree of central services support, rather than the long term leases in individual premises which characterise the commercial property market.

1.6 There is therefore no precise definition, or size band, for grow-on space. However, for the purposes of the data analysis undertaken for this study, and our discussions with interested parties, we have used a guideline of between 100 to 300 sq m.

Study objectives

1.7 The purpose of the study was to:

- Establish whether there is a problem of a lack of grow-on space in Essex, and if so, the size of this problem and the level of demand for space

[2] Note that, throughout this document, where Essex or 'the county' are referred to, this specifically relates to those parts of Essex in the County Council area – i.e. excluding Southend and Thurrock

- Provide information on this demand, broken down by district, class-use, size of property in demand, sector, and include case studies of companies that have experienced this problem
- Ascertain what factors are hindering the development of appropriate grow-on space
- Demonstrate to what extent the emerging Local Plans of the districts and boroughs of Essex make provision for the demand for grow-on space
- Establish to what extent affordability is hampering businesses from accessing the required commercial space
- Illustrate the impact on the local economy and business rates that a lack of grow-on space creates
- Illustrate to what extent this problem impacts the wider issue of a lack of commercial property in Essex in general
- Illustrate the potential impacts, in inward investment terms, that increasing grow-on space would enable
- Outline from a national level, what the emerging trends are with regard to the need for grow-on space. What are businesses looking for in terms of configuration of the workspace and connectivity? Provide case studies of best practice expertise in comparable areas where this issue has been addressed
- Provide an action plan, broken down by indicative costs on how this can be addressed and the role that ECC can play, if any, in mitigating this.

1.8 This Report addresses each of these objectives, in order to ascertain the extent of the issue around grow-on space, the causes of the issue, the impacts resulting from it, and recommendations for how the issue might be addressed.

Study area

1.9 The study area covers the 12 districts under the purview of ECC. For coherent and manageable analysis, we have grouped these by geography, based on the four quadrants already used, and recognised by stakeholders across Essex. The four quadrants are:

- Haven Gateway, comprising the north eastern districts of Essex: Braintree, Colchester, Maldon and Tendring. These districts are the most remote from London and its impacts on the commercial property market
- Heart of Essex, the area covered by the district of Chelmsford, the county town
- South Essex, comprising those districts adjoining the Thames Estuary, and facing development constraints within the Metropolitan Green Belt, while also including some of the most deprived communities in Essex: Basildon, Castle Point and Rochford
- West Essex, comprising those districts closest to economically booming London and Cambridge, and includes Harlow, Epping Forest and Brentwood, lying largely in the Metropolitan Green Belt, as well as Uttlesford in the north west.

Study Methodology

1.10 The study was based on a mix of methods, designed to build an informed view and enable a coherent perspective to be formed of a policy area which is generally recognised to be under-researched.

- ***A review of the current strategic/policy landscape.*** This includes a focus on local policy within Essex's districts and across the county as a whole. It also includes a review of government and Local Enterprise Partnership (LEP) policies related to grow-on space and some of the challenges emerging around grow-on space. This helped us to understand the policy framework within which the commercial property market for grow-on space operates.
- ***A substantial and wide-ranging review of data***. This includes an analysis of the current socio-economic context within Essex, growth forecasts, the county's business demography, and the current commercial market. This helped us to understand the economic context within which the commercial property market operates.
- ***Consultations, with a large selection of stakeholders across the county***. This includes representatives from districts grappling with the same issue, stakeholders with cross-county perspectives, agents, business centres operators, business representatives and selected businesses. This helped us to present the nuances of the issue: how much demand exists for grow-on space, whether this is manifest or latent, what type of space is in demand, and why demand is not being met by the market.
- ***Modelling the potential impacts of a shortage of grow-on space***. This involved a series of assumptions derived from the data analysis and other findings, which were used to assess the scale of the issue, and of the potential economic benefit that could result from addressing this shortfall. This element of the work focused on five locations, and indicative impacts in terms of business rates, GVA and jobs.

Report Structure

1.11 The remainder of this Report is structured as follows:

- Section 2: Study context, including business demography, wider socio-economic, and policy background
- Section 3: The extent to which there is an issue around grow-on space, and its causes
- Section 4: The potential impact of the shortage of grow-on space
- Section 5: Comparator area approaches to resolving this issue
- Section 6: Summary of findings and indicative options for addressing the shortage of grow-on space.

1.12 A series of Annexes provide further detail. These include: a socio-economic profile; property statistics and analysis including schedules of currently available and 'pipeline' accommodation that could be suitable for small firms, and of other significant sites earmarked for commercial development; emerging local plan policies; and details of the impact model.

2. Study context

2.1 This Section assesses the broad context within which the commercial market operates in Essex. This includes consideration of the provision of business space and the business demography and wider socio-economic context of Essex, as well as the policy landscape within the county.

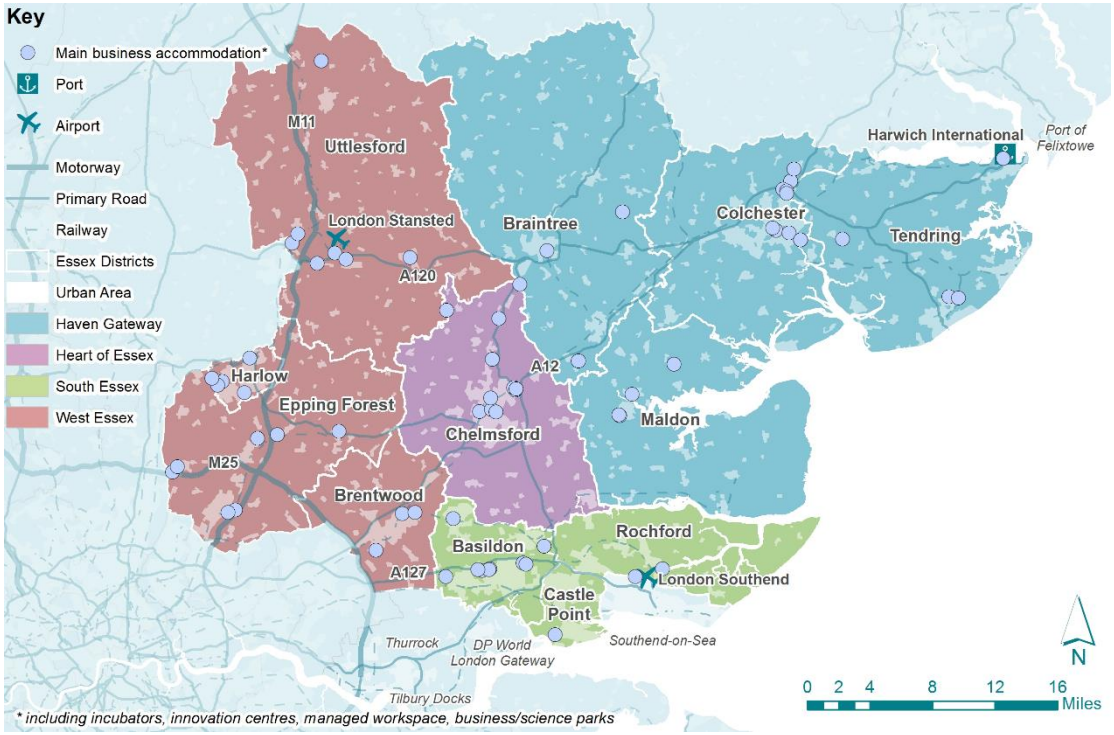
Economic context

2.2 We look first at the business demography and some high level characteristics of the business space offer within Essex, before setting out the wider socio-economic context.

Existing business space across Essex

2.3 Figure 2-1 shows the main locations for business accommodation across Essex. The map focuses on the main business parks, science parks, incubators, innovation centres and enterprise centres. These are distributed across Essex, but with a clear focus on the main arterial routes out of London (the M11, A12 and A127) and on the major urban areas (particularly Colchester, Basildon, Chelmsford and Harlow). Further details on specific business locations, including pipeline supply of business accommodation and development sites, are presented in Annexes C to E.

Figure 2-1: Key business locations across the four quadrants of Essex

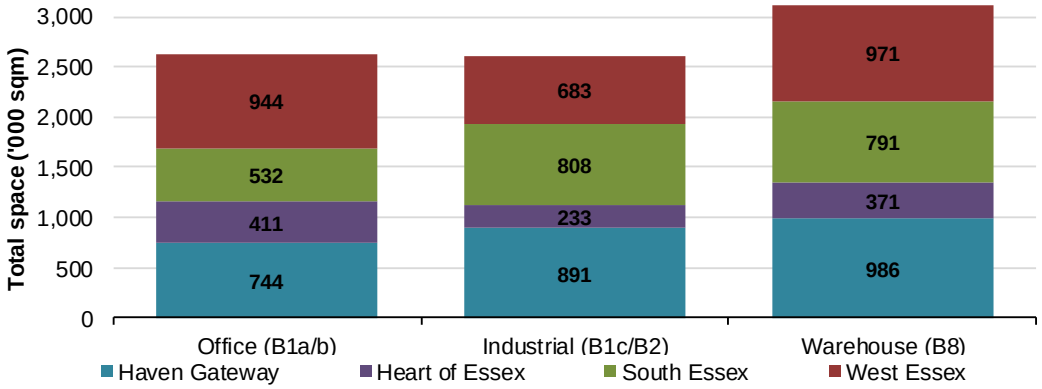


Source: Produced by SQW (2016). Contains Ordnance Survey and National Statistics data (Code Point) © Crown Copyright and database rights (2015) Licence number 100030994

2.4 Overall, in 2016, there is some 8.36m sq m of B1/B2/B8 floorspace across the county. The largest category is B8 (warehousing), comprising 3.12m sq m, followed by B1a/b (office) at 2.63m sq m and B1c/B2 (industrial), at 2.61m sq m.

2.5 When this space is analysed at the level of the quadrants, West Essex has the largest amount of office space, whilst the Haven Gateway has the most industrial and warehouse space. As it covers only Chelmsford, the Heart of Essex not surprisingly accounts for the least space in each category. Since 2001 total floorspace has grown most rapidly in South and West Essex (12% and 13% growth, respectively). However, over the next fifteen years, total floorspace in the Heart of Essex is predicted to grow by 15%, which is much higher than the growth rates predicted for the other areas (from 7% in the Haven Gateway to 1% in South Essex). See Figure 2-2, below: further data, set out in Annex B, show these variations across the 12 districts.

Figure 2-2: Provision of office, industrial and warehouse floorspace across Essex, 2016, overall and by quadrant

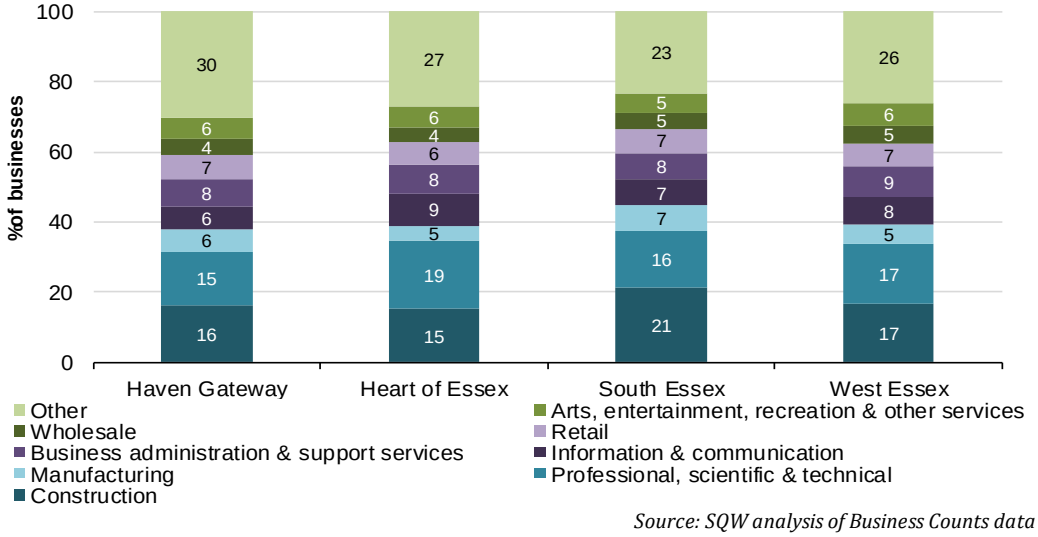


Source: SQW analysis of Cambridge Econometrics data

Businesses by sector

2.6 We looked for any sector concentration/specialisation in these geographies. The proportion of businesses in most sectors is broadly similar across the four areas (see Figure 2-3, below), but South Essex has a relatively higher proportion of construction businesses than the other three areas. The graphic and commentary which follows in Figure 2-3 show more spatial variation in overall business density and entrepreneurship, and more dynamic local economies with higher levels of enterprise, in West Essex than the Haven Gateway. Again, further details, including district-level data, are provided in Annex B.

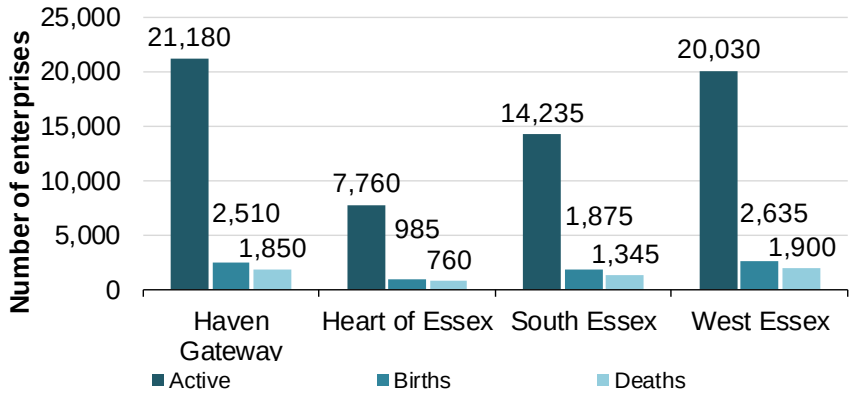
Figure 2-3: Percentage of businesses in given sectors (2015), by quadrant



Source: SQW analysis of Business Counts data

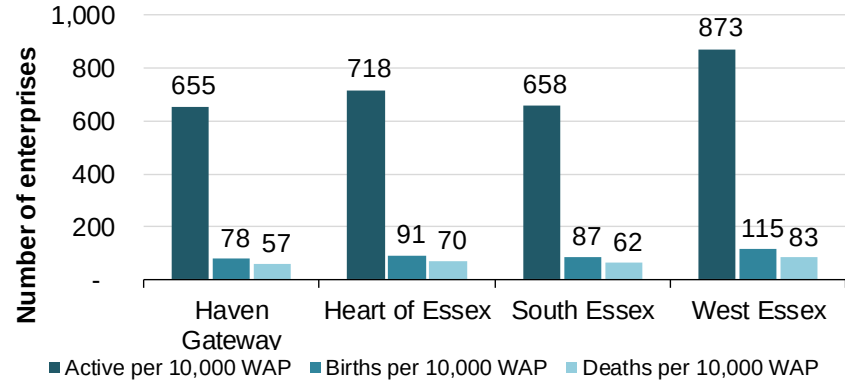
Enterprise and entrepreneurship

Figure 2-4: Number of enterprises, enterprise births and deaths across Essex, 2014



- There were over 63,000 businesses in Essex in 2014, accounting for 2.5% of the UK's 2.6m business stock. The Haven Gateway and West Essex each accounted for 20-21k, with South Essex at about 14,000, and the remaining 8,000 based in the Heart of Essex.
- The vast majority of these businesses are micro-businesses (89%), in line with the UK overall. There is little variation between the four quadrants.
- In 2014, 8,000 businesses were created in Essex, 2.3% of the total number of businesses created in the UK. Again, the Haven Gateway and West Essex had the highest absolute number of business starts, whilst the start-up rate was joint highest in South and West Essex (where business starts were equivalent to 13.2% of active enterprises), with the lowest in the Haven Gateway (11.9%).
- In total, 5,900 businesses ceased operation in 2014 in Essex, 2.4% of the total number of business closures in the UK. Again, the highest number of these were in the Haven Gateway and West Essex, although the former also had the lowest business death rate (business closures were equal to 8.7% of active enterprises) whilst the Heart of Essex had the highest (9.8%).

Figure 2-5: Number of enterprises, enterprise births and deaths across Essex per 10,000 working age population (WAP), 2014



- At 873, West Essex has by far the highest number of active businesses per 10,000 working age population (WAP) whilst the Haven Gateway and South Essex have the lowest (666 and 658 respectively).
- West Essex is also the most enterprising area (measured by business starts per 10,000 WAP). The figures for the Heart of Essex and South Essex are broadly equal, whilst the Haven Gateway is slightly lower than these.
- Again, West Essex has the highest business deaths per 10,000 WAP and the Haven Gateway has the lowest: a higher level of entrepreneurship (evident in business starts) is typically associated with a higher level of business churn.
- The data show that West Essex is the most enterprising quadrant, especially when compared with the Haven Gateway and, to a lesser extent, South Essex.

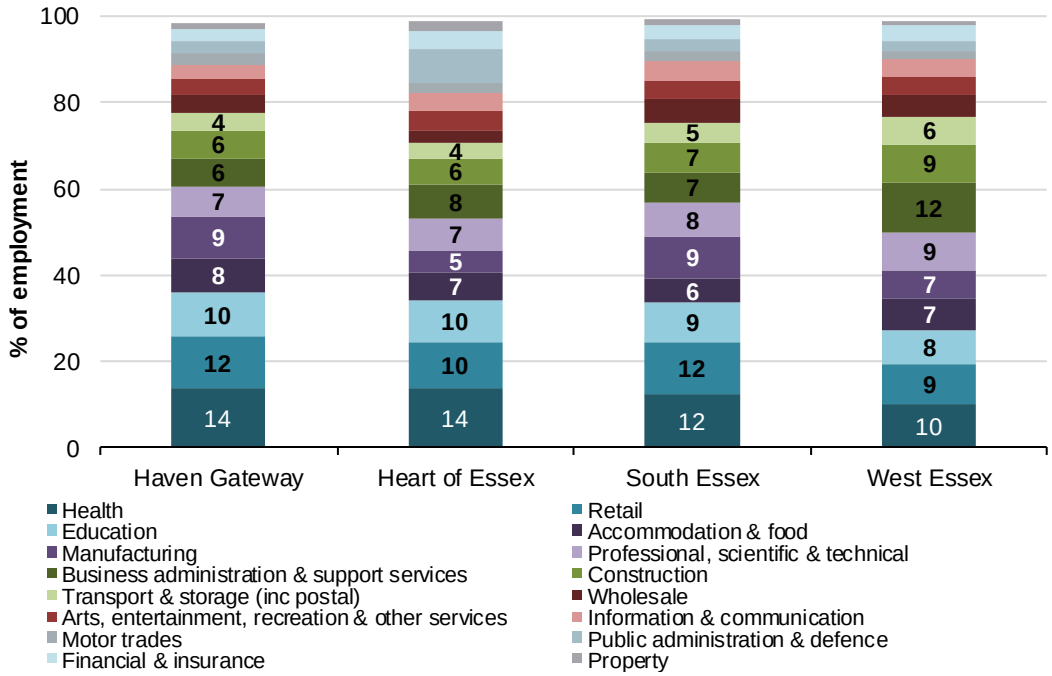
Source: SQW analysis of Business Counts, Business Demography, and Cambridge Econometrics data

Employment by sector

2.7 Health is by far the largest sector in Essex by employment, with 70,400 jobs in 2014. It is, however, still slightly underrepresented in Essex (using location quotients (LQs) for Essex versus Great Britain[3]). Retail is the next most important sector, with 60,800 jobs, whilst Construction is the most concentrated in Essex when compared to elsewhere, with an LQ of some 1.56 and 40,000 jobs.

2.8 Within this overall picture, the proportion of employment in Health is particularly high in the Haven Gateway and Heart of Essex, where it comprises 14% of employment, whilst the proportions of employment in Business Support and Administration Services and Construction are higher in West Essex (12% and 9% of employment, respectively) than in any other area. The Heart of Essex is also notable for a lower rate of Manufacturing employment (5%) and a higher rate of Public Administration and Defence employment (8%) than other areas. Further details, including analysis by district, are presented in Annex B.

Figure 2-6: Percentage of employment in given sectors (2014)[4], by quadrant



Source: SQW analysis of Business Register and Employment Survey data

Occupations

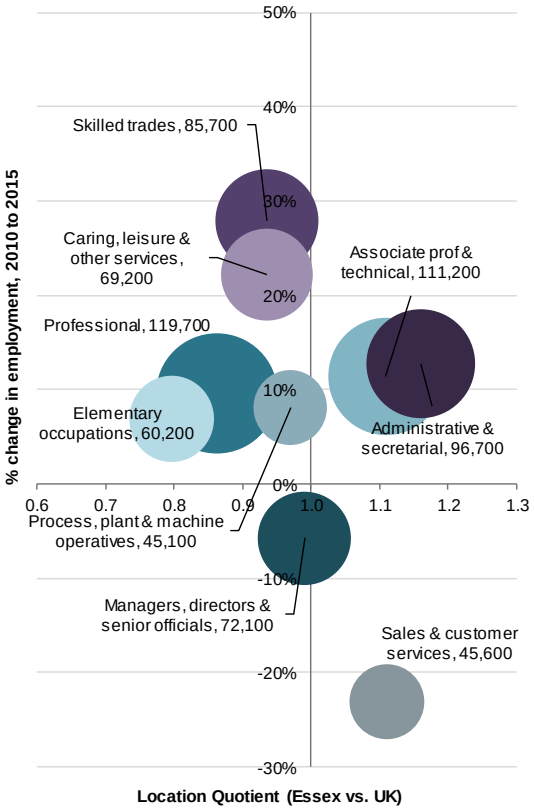
2.9 The largest occupation classes in Essex, for both residents and workers, are Professional and Associate Professional and Technical roles. The county is, however, under-represented (using LQs for Essex versus the UK) in Professional roles and Managers, Directors and Senior Officials, but over-represented in Administrative roles, Skilled Trades and Caring, Leisure and

[3] The LQ (Location Quotient) is calculated by calculating the proportion of each workforce (Essex and Great Britain) that is made up of workers in each sector, and dividing the two results for each sector, to see where sectors comprise a higher proportion of the total workforce in one geography than the other. In this instance, an LQ figure over 1 = more concentrated in Essex than Great Britain.
[4] Chart excludes Agriculture, Forestry and Fishing, and Mining, Quarrying and Utilities

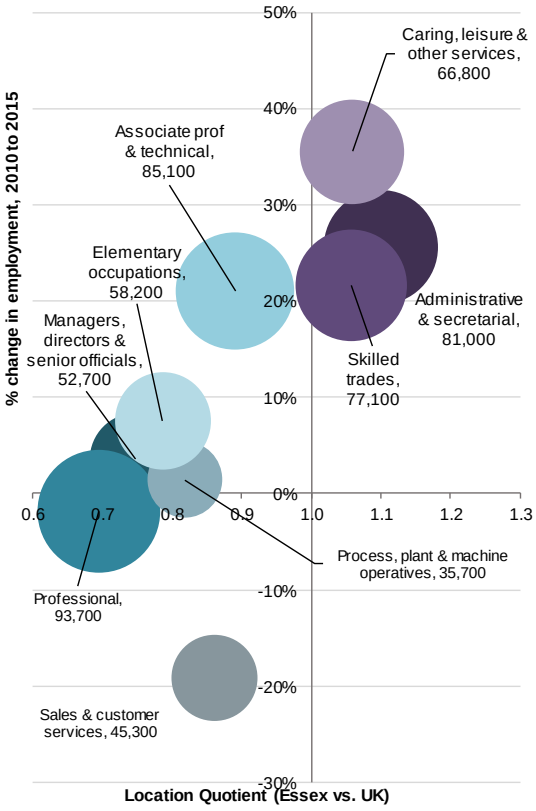
Other Services. Among the residential population, Skilled Trades and Caring, Leisure and Other Services are underrepresented, whilst Associate Professional and Technical occupations are overrepresented, relative to elsewhere. This suggests that many people in higher skilled and higher paid work live in Essex but are economically active outside the county. This is of course consistent with good commuter links to the centre of London.

Figure 2-7: Comparison of occupations of residents and workforce within Essex

Residence-based employment[5]



Workplaces-based employment[6]



Source: SQW analysis of Annual Population Survey data

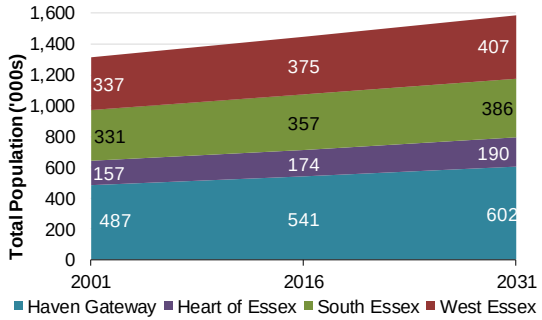
Wider socio-economic context

2.10 Figures 2-8 – 2-13 provide additional data on the wider socio-economic context of the study area and, again, highlight the differences between the four quadrants of Essex, with West Essex and the Heart of Essex faring more favourably than the other quadrants. More detailed analysis at district level, is included at Annex B.

[5] X-axis = LQ of number of workers resident in Essex, by occupation 2015 (LQ figure over 1 = residents working in these occupations more concentrated in Essex than the UK). Y-axis = change in employment of residents in each occupation between 2010 and 2015. Size of bubble = number of resident workers in each occupation in 2015

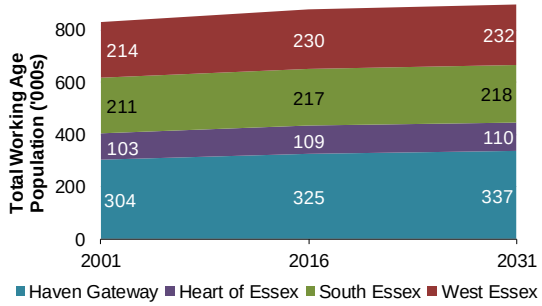
[6] X-axis = LQ of number of workers, by occupation 2015 (LQ figure over 1 = more concentrated in Essex than the UK). Y-axis = change in employment in each occupation between 2010 and 2015. Size of bubble = number of workers in each occupation in 2015

Figure 2-8: Total population across Essex, 2001-31



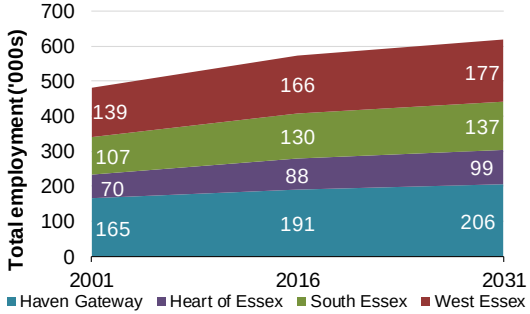
- In 2016, the total population of Essex is just under 1.5m: by quadrants, the Haven Gateway and West Essex are the most populous areas.
- Overall, Essex's population grew by 10% between 2001 and 2016. Whilst growth in South Essex (8%) was lower than the UK average of 11%, the other three quadrants all matched the UK growth rate.
- Future population growth, in both absolute and percentage terms, is forecast to be highest in the Haven Gateway (11%). Growth in South and West Essex will be in line with the UK average of 8%, whilst the Heart of Essex is predicted to grow at 9%.

Figure 2-9: Total WAP across Essex, 2001-31



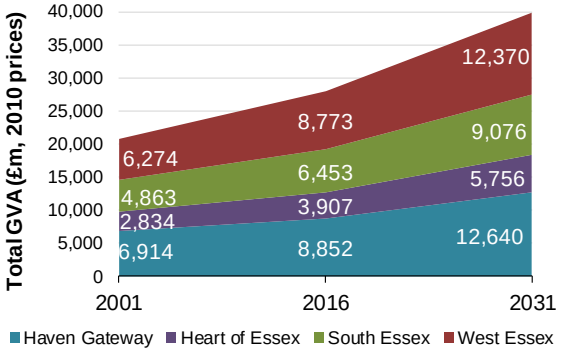
- The WAP of Essex in 2016 totals some 881k. The WAP is distributed broadly in line with the overall population so the Haven Gateway and West Essex have the highest WAP.
- The WAP of Essex grew 6% between 2001 and 2016, compared to 9% for the UK. Growth was fastest in the most populous areas (7% in both the Haven Gateway and West Essex) whilst growth in South Essex was slowest at 3%.
- Over the next 15 years, growth in WAP is forecast to slow to 2% in Essex: this would be above the level forecast for the UK of 1% growth. The Haven Gateway is expected to grow at 4%, whilst WAP growth is forecast to stabilise in the other quadrants.

Figure 2-10: Total employment across Essex, 2001-31



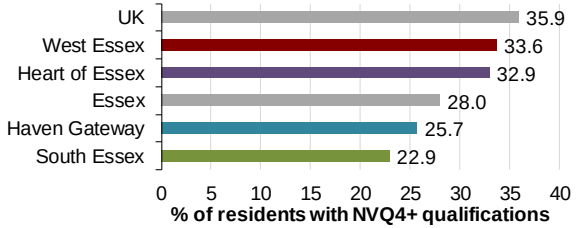
- In 2016, 574k people were employed in Essex. The largest concentration by quadrant is in the Haven Gateway which accounts for 33% of the total, albeit a lower share than for population and WAP (both 37%). Conversely, employment in the Heart of Essex accounts for a higher share (15%) than both population and WAP (12%).
- Employment in Essex has increased by almost 100k since 2001. This represents growth of c.20%, which is higher than the UK average (8%) and the increase in WAP in Essex (6%). All areas experienced high rates of growth, from 16% in the Haven Gateway to 25% in the Heart of Essex.
- Growth is expected to continue over the next 15 years at a lower rate of 8%, although this will still compare favourably to UK growth of 7%. The highest growth rate is forecast to be in the Heart of Essex (14%), with South Essex forecast to have the slowest growth (5%).

Figure 2-11: Total GVA across Essex, 2001-31



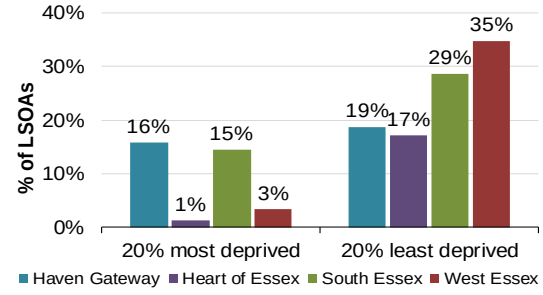
- In 2016, GVA in Essex stands at £28bn. Roughly equal proportions of this are accounted for by the Haven Gateway and West Essex (32% and 31% respectively).
- Since 2001, West Essex and the Heart of Essex have seen the highest GVA growth (40% and 38%, respectively), with South Essex growing around the same as the UK average (33% and 32% respectively) but the Haven Gateway below this (28%).
- Growth between 2016 and 2031 is expected to be higher than the previous 15 years, at 42% across Essex, just slightly slower growth than the UK overall (43%). All areas are expected to grow strongly, led by the Heart of Essex (47%) with South and West Essex comparatively weaker (both at 41%).
- Labour productivity across Essex averages £40k, lower than the UK average of £44k. Average productivity varies greatly across Essex, including within quadrants, but is generally highest in West Essex, and lowest in South Essex.
- Between 2001 and 2016 labour productivity in Essex grew by just 8%, compared to growth of 17% in the UK overall. Looking forward, labour productivity is expected to increase by 32% between 2016 and 2031 across Essex, slightly below the increase expected in the UK. Again, both of these trends vary within Essex, with West and South Essex the best and worst performers from 2001-2016.

Figure 2-12: Proportion of people with NVQ4+ qualifications across Essex, 2001-31



- At 28%, the proportion of residents in Essex with high level skills (NVQ4+ qualifications) is much lower than across the UK overall (35.9%). There is significant variation between the different areas within Essex. Higher skill levels in the West of the county (33.6% with NVQ4+ qualifications), approach, but are still below, the levels across the UK; skill levels in South Essex and the Haven Gateway are well below the UK level (22.9% and 25.7%, respectively).

Figure 2-13: Deprivation across Essex, 2015



- Levels of deprivation vary greatly across Essex. Whilst approximately 15% of lower super output areas (LSOAs) in both the Haven Gateway and South Essex fall in the 20% most deprived LSOAs in the country, just 1% of LSOAs in the Heart of Essex fall into this category, and just 3% in West Essex.
- The narrative for areas with low deprivation is less clear. Over a third of LSOAs in West Essex and almost three tenths of the LSOAs in South Essex are within the 20% least deprived in the country. However, a similar percentage of LSOAs in the Haven Gateway are in the 20% most and least deprived in the country, showing that the level of deprivation varies greatly within this quadrant.

Source: SQW analysis of Cambridge Econometrics data, Annuals Population Survey, and Index of Multiple Deprivation

Policy context

National policy

Grow-on space

2.11 Review of national and regional policy in the South East demonstrates that grow-on space has not been a prominent concern of policy makers. This has been one of the main challenges of the study, as well as an important driver for its commissioning. In many cases, there is, however, some acknowledgement of the need for public action to promote the development of grow-on space, linked to the rationale for the development of incubator space. Where grow-on space is considered, this is usually alongside incubator space, rather than separately. For instance:

- the Government's policy towards University Enterprise Zones, set out in *"British Invention: Global Impact"* was, amongst other intentions, expected to give government backing to investment in buildings providing incubator and grow-on office, workshop and laboratory space for small firms. A clear case for public intervention is cited, acknowledging the lack of willingness on the part of the private sector to invest in providing such space for small firms, and the economic growth potential from ensuring that firms could access this space
- in *"Innovation, Research And Growth"*[7], it is acknowledged that the government-supported Catapults and other organisations have an important role to play in encouraging innovation in the UK, by providing incubator and grow-on space to support the development of innovative firms.

2.12 In summary, grow-on space has received little if any separate consideration, and has not been catered for in the current policy framework.

On permitted development rights

2.13 More widely, a major policy influence on the development of commercial space has been Permitted Development Rights. The National Planning Policy Framework, adopted in 2012, sets out that planning authorities:

> *"... should normally approve planning applications for change to residential use and any associated development from commercial buildings (currently in the B use classes) where there is an identified need for additional housing in that area, provided that there are not strong economic reasons why such development would be inappropriate."*

2.14 This development means that employment space in most parts of the country is open to redevelopment as residential accommodation. This is important to consider in the context of the ongoing national housing crisis, high land values, and the higher returns that can be secured from residential development.

[7] Department for Business, Innovation and Skills, 2014

LEP Priorities

2.15 The South East LEP (SELEP) Strategic Economic Plan (SEP), published in 2014, identifies Increasing Business Support and Productivity as one of its four key priority areas.

Growth corridors and key sectors

2.16 The SEP focuses on supporting key sectors, identifying a series of growth corridors, of which five are in Essex. These are explained in the table below and shown on the map overleaf.

Table 2-1: South East LEP growth corridors in Essex

Corridor name and details	Potential impact by 2021[8]
A120 Haven Gateway (Stansted to Harwich). Stretching from Stansted Airport in the West, to the port of Harwich in the East, investment opportunities in low carbon and renewables sectors, offshore wind energy, manufacturing, and logistics. A digital incubation centre for the creative industries in the heart of Colchester will support this priority sector.	28,884 jobs, 31,453 homes
A12 and Great Eastern Mainline Brentwood-Chelmsford-Colchester. The Chelmsford Innovation Centre (MedBIC) is being developed to support the growing life sciences and healthcare sector.	19,326 jobs, 15,246 homes
M11 London-Harlow-Stansted-Cambridge. Harlow Enterprise Zone (EZ) and the refurbishment of the Nortel complex and a new Anglia Ruskin Med Tech campus will attract companies in life sciences, advanced manufacturing and ICT and has capacity for over 5,000 jobs. The advanced manufacturing sector in Harlow will be supported by development of the Harlow Manufacturing and Engineering Centre. The move of Public Health England (PHE) facilities from Wiltshire to Harlow will also help to drive growth in the sector, with PHE expected to employ 2,500 people in Harlow by 2024.	18,250 jobs, 20,230 homes
A13 London-Thurrock-Canvey Island. Most of this area sits outside of the County Council area, except for the eastern end, which includes Castle Point. Most of the development expected is in Thurrock, although a new business park at Canvey Island is planned.	47,655 jobs, 14,340 homes
A127 London – Basildon – Southend. Basildon has one of the largest concentrations of advanced manufacturing companies in the South of England - this offers considerable growth prospects. London Southend Airport and its neighbouring business park is proving attractive to a wide range of global companies and Southend and Rochford have prepared a Joint Area Action Plan to unlock these opportunities.	7,380 jobs

Source: SQW analysis of SELEP SEP

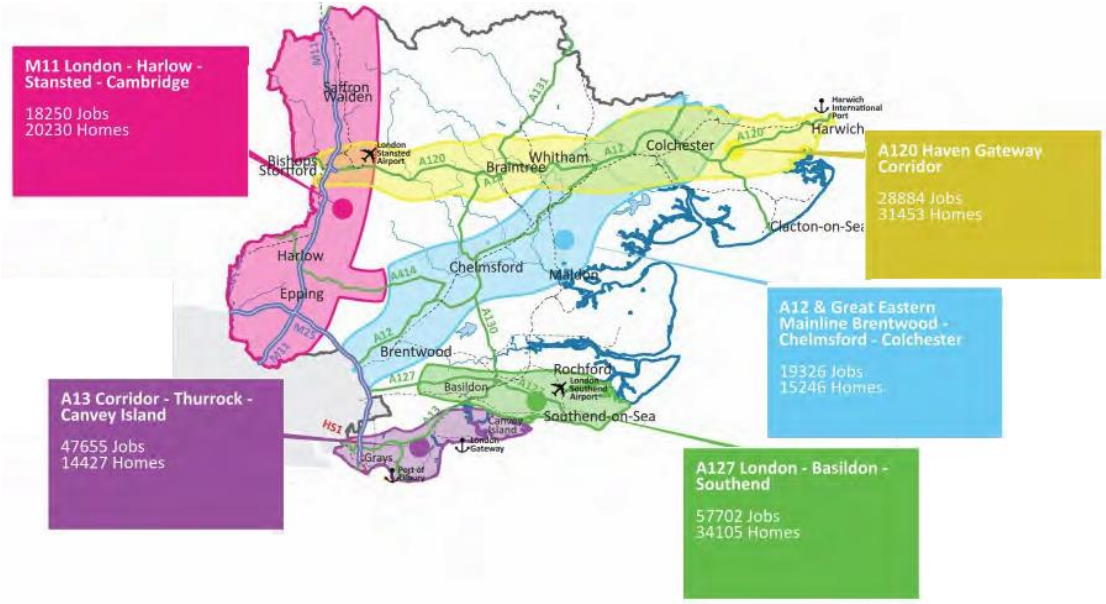
2.17 The growth sectors highlighted in each of these corridors may provide opportunities for a sectoral focus in any public intervention around grow-on space:

- in the North, the focus may be on logistics, life sciences, healthcare, advanced manufacturing and ICT
- for the East, this might include life sciences and healthcare, renewables, low carbon, creative and digital, manufacturing, and logistics
- for the South, the focus may well be on advanced manufacturing

[8] Note, this includes the impact of proposed transport schemes

- in the West, the life sciences may be a major focus, alongside advanced manufacturing and ICT.

Figure 2-14: Growth corridors identified by the South East LEP SEP



Source: SQW adapted from South East LEP SEP

Business accommodation

2.18 In policy intervention terms, the focus of direct involvement in the development of business space in the South East, e.g. through Growth Deal and Local Growth Fund (LGF) monies, has been on incubation/enterprise centre space, and not on grow-on space.

2.19 Managed workspace is intended to provide a supportive environment for would-be entrepreneurs to start businesses and then to help these start-ups to grow. This has been a common theme of policy makers nationwide for several decades, based on evidence for market failure in the provision of this space. The rationale is that developers face relatively high costs and low returns, while public actions to promote and/or enable start-up space can have a wider positive economic impact. There are now over 25 enterprise centres and incubators across Essex, with more centres under development and proposed.

2.20 In some instances, the broad commercial property market across the county, rather than just accommodation for start-ups, is being considered by policymakers. For example, ECC and local partners are currently undertaking a workspace needs study for the creative industries across the county. This is testing the potential for Essex to accommodate growing demand from firms in the creative industries for start-up or grow-on space, in locations with easy access to Tech City in London, as cited by the Economic Plan for Essex (2014). More generally, the commercial market has been expected to resolve any market supply/demand issues: the implicit model is that firms move on from incubators/enterprise centres directly into the commercial property market.

Local policy framework

Existing evidence base around grow-on space

2.21 A literature review of current Essex local plans and supporting documentation found little detailed consideration of grow-on space. There is, however, some evidence that it is emerging as an issue in some areas, particularly where Local Plans are backed by Employment Land Reviews and Employment Land Needs Assessments, but this interest remains limited. Grow-on space is considered directly in:

- ***Braintree***: it is acknowledged that the provision of high quality small office units has recently expanded, but there is a lack of grow-on office space and where there is grow-on space, it is generally of low quality
- ***Castle Point***: it is reported that local firms may find it hard to expand or upgrade premises without moving out of the Borough
- ***Maldon***: it is reported that there is a shortage of good quality business accommodation, with little new-build office development over the past 10 years. This has meant that there is unfulfilled potential in the employment market. Rural farm business centres are reported to have filled part of this gap, but are reported here as tending not to cater to businesses looking for grow-on space.

2.22 In the case of most districts, there is no direct mention of grow-on space in their latest Local Plan evidence bases or draft Local Plans. Given the importance of grow-on space in providing a 'whole lifecycle' of business accommodation, from start-up all the way to large enterprises, this is an omission.

2.23 Annex F presents a district-by-district breakdown of the current evidence around grow-on space. It also highlights the timeframe for the development of Local Plans, and identifies where each district is up to in developing their new Local Plan. Some are not expected to be adopted until 2018 or 2019, but most are expected to be adopted in 2017. With many at draft or consultation stage, now is the time to influence future policy provision for grow-on space across the county, particularly in light of the relative lack of focus on this at the national and LEP level.

2.24 In some cases, whilst grow-on space is not tackled directly in Local Plan inputs, the development of new business accommodation more broadly is at least acknowledged as being potentially necessary to enable economic growth and to enable businesses to expand. For example:

- Tendring Council's recent *Employment Land Review (2016)* stated that the authority would support the redevelopment of sites where this would lead to improved quality of employment floor space, more suited to modern day needs, and permit existing firms to expand.
- in Epping Forest, it is reported that, in order to enable and encourage growth in the life science sector, it may be necessary to develop more modern business premises *(Economic and Employment Evidence to Support the Local Plan and Economic Development Strategy, 2015).*

2.25 Although identification of grow-on space is limited in the evidence presented by most districts, significant employment growth is expected. Grow-on space, in different forms, is in some cases seen as an explicit part of growing and improving the districts' employment space offer.

New settlements, 'garden communities'

2.26 One emerging policy is the development of garden communities to tackle housing shortages. Three schemes are currently being put forward in Essex: one in Braintree; one on the Braintree/Colchester border; and one on the Colchester/Tendring border. Each would include significant housing elements, but also employment space, focused in particular on the needs of their residents. However, master-planning has yet to start, and these will not contribute to the supply of grow-on space in the short term.

2.27 Within the local planning horizon, these major developments may, however, offer interesting scope to test innovative ideas and new mechanisms. They will also provide an opportunity, at the initial planning stages, to put grow-on space on the agenda, as part of a graduated range of accommodation sizes and types for business development and growth.

Essex Growth and Infrastructure Framework

2.28 The ongoing development of a Growth and Infrastructure Framework may help to guide the development of infrastructure in order to enable the housing and employment growth expected across Essex. Reflecting emerging local plan strategies, the Framework reports that housing and employment growth will be concentrated in particular locations. In terms of employment sites, the Framework cites the locations across Essex with more than 1,000 sq m of capacity: the largest numbers of such sites are in Basildon (17), Uttlesford (15) and Colchester (14).

The influence of London: spatial dynamic and policy

2.29 The onward march of London's economy shows no sign of abating, applying considerable pressure onto residential and commercial property markets in London. These pressures have driven some firms to look to move to Essex from London. With a new Mayor of London elected in 2016, Essex will be examining policy changes affecting housing and employment land, and considering their potential impact. In recent years, as elsewhere in the UK, the focus has been on achieving housing targets. As development land is scarce, this constrains the availability of employment land, and Essex, in particular the West of the county, stands to gain from businesses moving out. Indeed, the Greater London Authority is reported, by the Deputy Mayor for Planning, Regeneration and Skills, to be considering an industrial land with neighbouring areas, to free up industrial land in the city for new homes.

Summary

- For this analysis of business grow-on space, the salient characteristics of local economies in Essex, and demand, supply and potential across the county, has been assessed within four quadrants, the Haven Gateway, the Heart of Essex, South Essex and West Essex.

Businesses and business space

- The Haven Gateway has the largest amounts of industrial space and warehouse space, whilst West Essex has the most office space. The Heart of Essex accounts for the least space in each category; this is not surprising given it only includes one district, Chelmsford.
- The proportion of businesses in most sectors is broadly consistent between the four areas. However, notably, the South has a relatively higher proportion of construction businesses than the other three quadrants.
- The Haven Gateway has the most businesses but the West has the most businesses per 10,000 working age population (WAP) and is also the most enterprising area (measured by business starts per 10,000 WAP).

Socio-economic context

- West Essex and the Heart of Essex perform better on most socio-economic indicators than South Essex and the Haven Gateway:
  - The Haven Gateway has the largest population, WAP and number of jobs
  - The Heart of Essex is expected to see largest percentage growth in employment in the next 15 years (14%), with South Essex growing slowest (5%)
  - GVA growth over the next 15 years is forecast to be strongest in the Heart of Essex (47%)
  - West Essex and the Heart of Essex have higher skill levels and lower deprivation levels than South Essex and the Haven Gateway.
- Health is the largest sector in the county and is particularly important in the Heart of Essex and the Haven Gateway, whilst the proportions of employment in Business Support and Administration Services and Construction are higher in the West than elsewhere.

Policy context

- It is apparent from a review of national and regional policy in the South East, that grow-on space has not, to date, been a significant concern.
- There is no direct mention of grow-on space in most districts' latest Local Plan evidence bases or draft Local Plans: given its potential importance as part of well-functioning local economies, this should be addressed, as the Plans are finalised
  - There are exceptions: the districts of Braintree, Castle Point and Maldon already consider grow-on space.

3. Extent and causes of the grow-on space issue

3.1 This Section considers the extent to which there is a shortage of grow-on space in Essex, including the scale and scope of the issue, and also considers the causes. It is underpinned by data on the supply and demand of grow-on space across Essex, as well as findings from qualitative research with stakeholders, agents, centre operators, representatives of the business community, and businesses themselves.

Supply of, and demand for, grow-on space

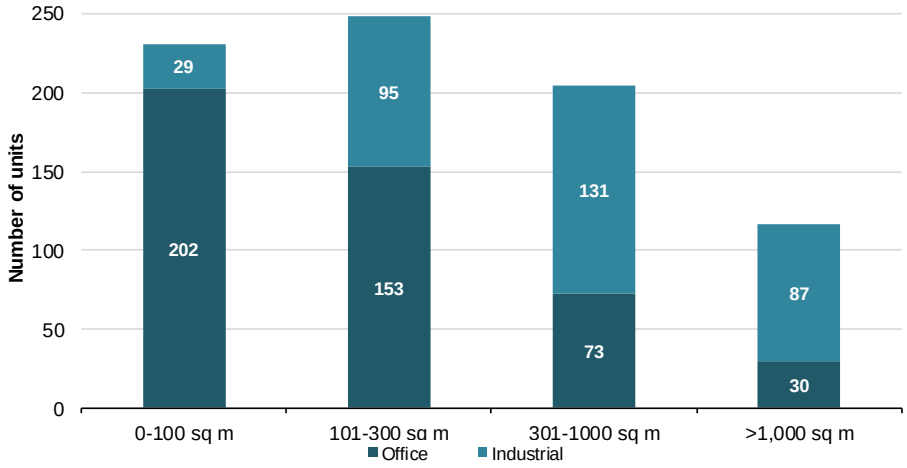
3.2 The first question to ask is whether there is indeed an issue around the supply of grow-on space in Essex. To do so, we consider available data on supply of, and demand for, grow-on space across Essex.

Supply

3.3 In July 2016, EGi[9] recorded 560k sq m of available commercial floorspace across Essex, within 800 B-class units on the market. Of these, 458 are office space (B1-class units), totalling 152k sq m of accommodation, whilst the remaining 342 are industrial units, totalling 409k sq m.

3.4 Some 33% of available office units (153 units) are in the 100 to 300 sq m size bracket[10]: this totals 25k sq m, including business park accommodation, R&D space and managed/serviced workspace. Similarly, 28% of all available industrial units (95 units) provide accommodation in the 100 – 300 sq m size bracket, with a total of 19k sq m across Essex.

Figure 3-1: Availability of office and industrial units across Essex, by size, July 2016



Source: EGi (2016); BBP Regeneration analysis (2016)

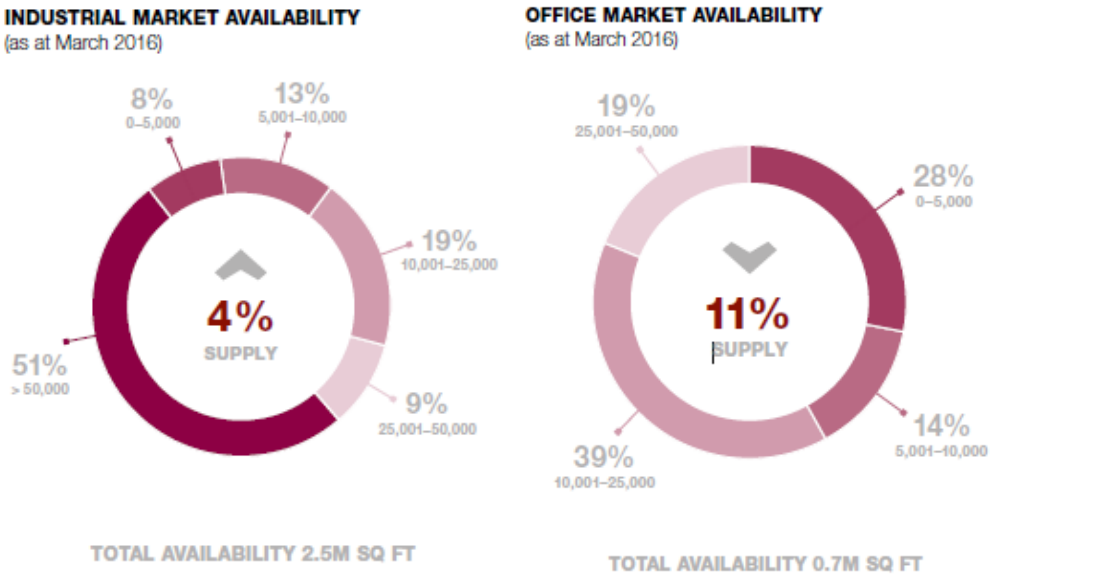
[9] Estates Gazette information, a subscription-based database of commercial market information
[10] As noted in Section 1, we have used this range as a working definition for the scale of grow-on space

3.5 Glenny's undertake analysis covering the Essex commercial market[11], showing the changing supply and demand for commercial property, split into industrial and office markets. In the industrial market, supply rose by 4% between December 2015 and March 2016, to 2.5m sq ft, although this remained the second lowest level of floorspace on offer in the past five years. The figure in June 2012 was over 6.5m sq ft.

3.6 In the office market, supply fell by some 11% between December 2015 and March 2016, to 0.7m sq ft. Glenny's figures show this is a lower level of supply than at any point over the last five years, and less than half the 1.8m sq ft available in December 2011. The majority of grade A office space available is in Chelmsford, which provides 82% of the grade A stock on the market, with the largest building being the 23,000 sq ft Hyatt Place in the city. The overall availability rate in the Essex office market stands at 4.1%.

3.7 Some development of new supply is evident, including recent and pipeline developments such as Parkside Office Village at the University of Essex, and proposed grow-on space in Braintree and Ongar.

Figure 3-2: Commercial space supply in Essex, March 2016, including quarter-on-quarter change for the most recent quarter



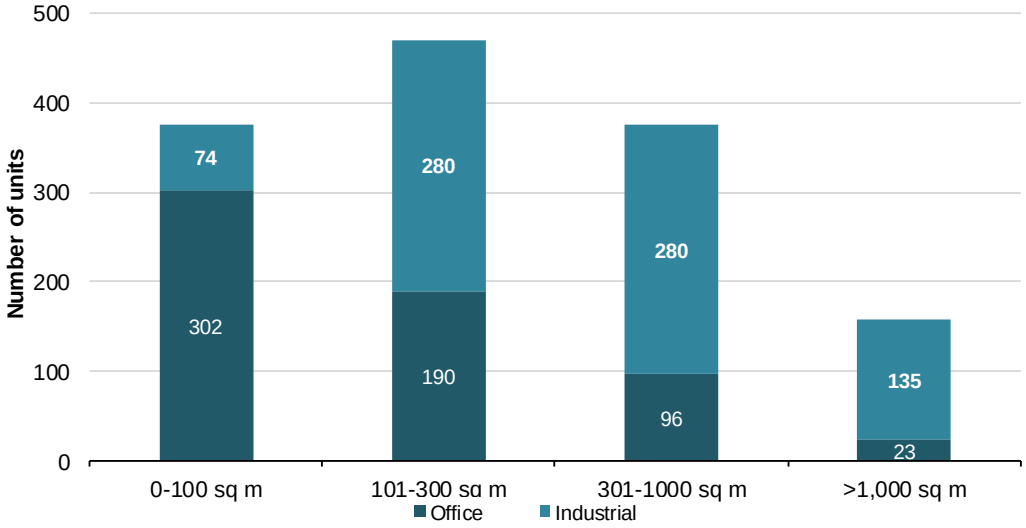
Source: Glenny (2016)

Demand

3.8 Analysis of recorded transactional data on EGi for the period July 2013 to July 2016 shows that the majority of commercial take-up was in the grow-on space size bracket of between 101 and 300 sq m, with 470 transactions across Essex.

[11] Note that Glenny's research covers the wider Essex area, including the major commercial market areas of Thurrock and Southend-on-Sea, which are outside the scope of this study

Figure 3-3: Total take-up of commercial units across Essex between July 2013 and July 2016, by size



Source: EGI (2016); BBP Regeneration analysis (2016)

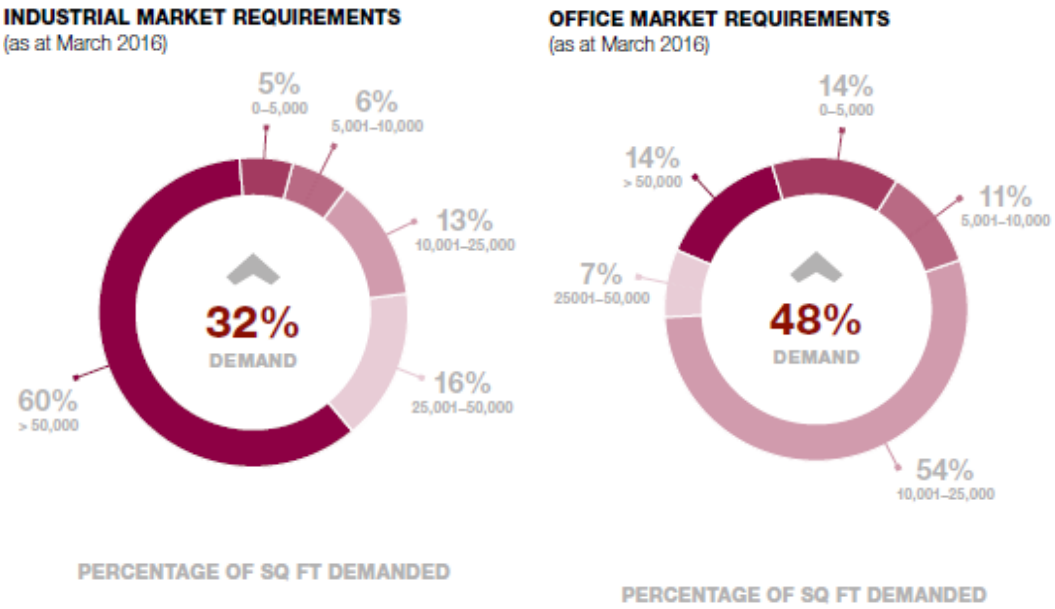
3.9 Glenny's report that demand, or identified existing market requirements, for both industrial and office space was very strong in 2015. Although demand for both categories was relatively subdued in December 2015, it rebounded in the first quarter of 2016. For industrial space, demand increased by 32% between December 2015 and March 2016, to over 6m sq ft.

3.10 The strongest surge in demand has been for larger units, of 25,000 sq ft (2,300 sq m) and above[12]. Lambert Smith Hampton[13] noted earlier this year that, across the UK, grade A industrial/logistics supply is tight across all size classes, although analysis reveals that demand for small units (<10,000 sq ft/929 sq m) has replaced demand for mid-sized units (10,001sq ft/929 sq m to 49,999 sq ft/4,565sq m) as the most imbalanced segment of the market. However, this was largely driven by a strong rise in small unit demand in London and the Midlands, with mid-sized units seeing a less pronounced, but more geographically spread, rise in demand.

3.11 Take-up of office space in Essex for 2015 was below Glenny's expectations, although it was still ahead of the previous peak in 2009. Lower than expected take-up was also experienced in the first quarter of 2016. However, demand remains strong. Indeed, demand for office space increased by 48% between December 2015 and March 2016, although it remains below the highs of June 2014 and 2015. The most significant upturn in demand is in units of between 10,001 sq ft/929 sq m and 25,000 sq ft/2,322 sq m[14].

[12] Glenny (2016) Glenny Databook Q1 2016
[13] Lambert Smith Hampton (2016) Industrial & Logistics Market 2016
[14] Glenny (2016) Glenny Databook Q1 2016

Figure 3-4: Commercial space demand in Essex, March 2016, including quarter-on-quarter change

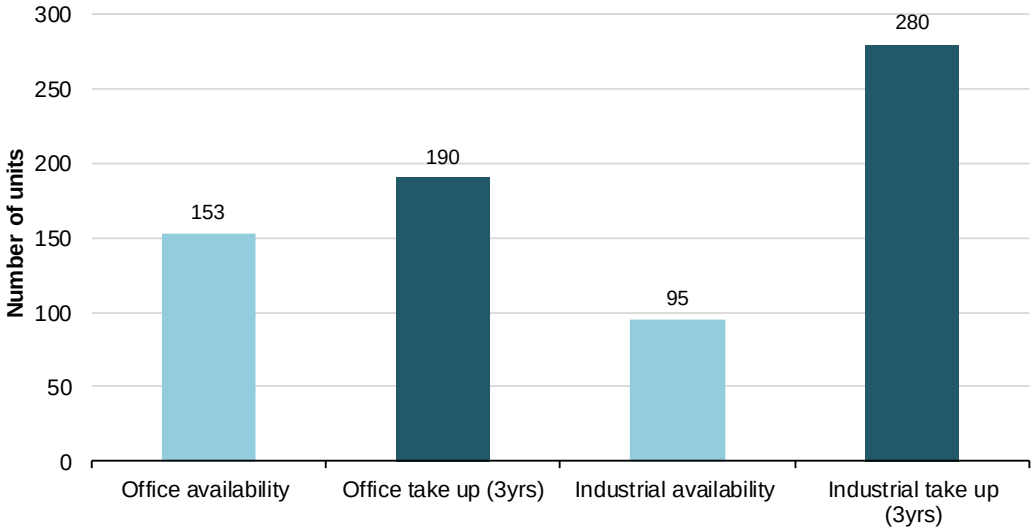


Source: Glenny (2016)

Supply and demand of grow-on space

3.12 When the currently available supply of grow-on space (100 to 300 sq m) is set against take-up over the past three years, there is around one year's industrial space available, and around 2.5 years of office space.

Figure 3-5: Difference between total office and industrial unit take-up between July 2013 and July 2016, and current availability



Source: BBP Regeneration analysis of EGi (2016) data

3.13 From this analysis, there is clearly an issue around tightening supply of grow-on space across the county, across both industrial and office space, despite some development of new supply. But why is there an issue? Consultations with stakeholders, agents, representatives of business, and indeed businesses themselves, reveal a broad consensus that there is a shortage of grow-on space across Essex. The research pointed to a number of contributory, and intertwined, factors.

3.14 The overarching issue appears to be that grow-on space does not deliver sufficient returns for developers to be interested in providing this type of space. As such, the commercial property market is not offering grow-on space on the scale and range required to accommodate Essex's firms. This is the case across Essex, for both industrial and office space, and spanning the types of space that are needed by different sectors and activities. There are a number of reasons that developers are not interested in developing grow-on space:

- Relatively high build costs, due to the construction of multiple units, rather than a smaller number of large units, limits the potential rental returns for the developer
- With this in mind, in some parts of Essex, land values are too high for the development of a grow-on space scheme to be viable. Land values are high due to the demand for housing land, and limited availability of land, particularly in those districts constrained by the Metropolitan Green Belt
- In other areas, rental values are too low for grow-on space schemes to be viable, particularly in more impoverished places, such as the Tendring coast
- Grow-on space is focused on meeting relatively short-term needs. Indeed, from a business perspective, consultees perceive that growth businesses particularly cherish flexibility. As grow-on businesses, they typically want short term, easy-in-easy-out leasing arrangements, something of a half-way house between the total flexibility of incubator space, and the long term leasing of the commercial property market. As such tenants may move on more quickly than long leaseholders, the income stream is less certain, and the developer/owner may face additional transition costs. It is far more appealing to develop a scheme that needs just a small number of large tenants, on long term leases
- Other classes of space are more appealing to build. Higher returns can be secured from residential development and retail. From a developer perspective, employment space is low down the hierarchy of potential returns, with grow-on space low on the potential returns hierarchy for types of employment space. In the past, Industrial Buildings Allowance would have helped to encourage some developers to develop space, but these were phased out in 2011.

***The issue in focus* – case study firm A**

A firm set up 11 years ago and operating in the social care industry, had moved around within a business centre over the course of nine years, expanding from a two-person office initially, to take on much more space, ultimately adding a mezzanine floor to increase floorspace.

They felt that the support services on offer were good, and that the short term tenancy arrangements were helpful for young firms, although less so for older more established firms. However, they bemoaned a lack of parking.

When the firm came to expand further, beyond the available space at the business centre, they had requested that the business centre, which was itself expanding, lease a third of the new space to their business. However, the landowner, the local

Council, wished to retain the space for small, early stage occupiers. As such, the firm had to look elsewhere to expand.

Two years ago, the firm relocated to a 300 sq m building that they purchased, using 80% as office space, and 20% as storage. The firm was fortunate in being able to put a 35% deposit on the new building. However, they only purchased a building due to no other suitable options being available. Having to release liquidity from the business to purchase their building has limited their ability to grow, as resources have had to be spent on property costs, rather than staff costs.

This space itself was not ideal, as the building was predominantly storage space, and so the firm had to apply for a change of use, and undertake refurbishment before taking occupancy. In addition, there is poor digital infrastructure. However, there were no other options for them locally – they wished to remain local, and accessibility was a key requirement.

The consultee felt that the business centre would benefit from an expansion to incorporate space for larger firms to move into (around 300 sq m plus), with longer term tenancies of perhaps five years – shorter tenancies than would typically be found in the commercial market.

3.15 In addition, the development landscape is now dominated by pension funds, which are only interested in very large employment schemes, often distribution/logistics, if not residential. Earlier, a significant proportion of development was accounted for by smaller, often family-owned, firms, developing small industrial units on small estates.

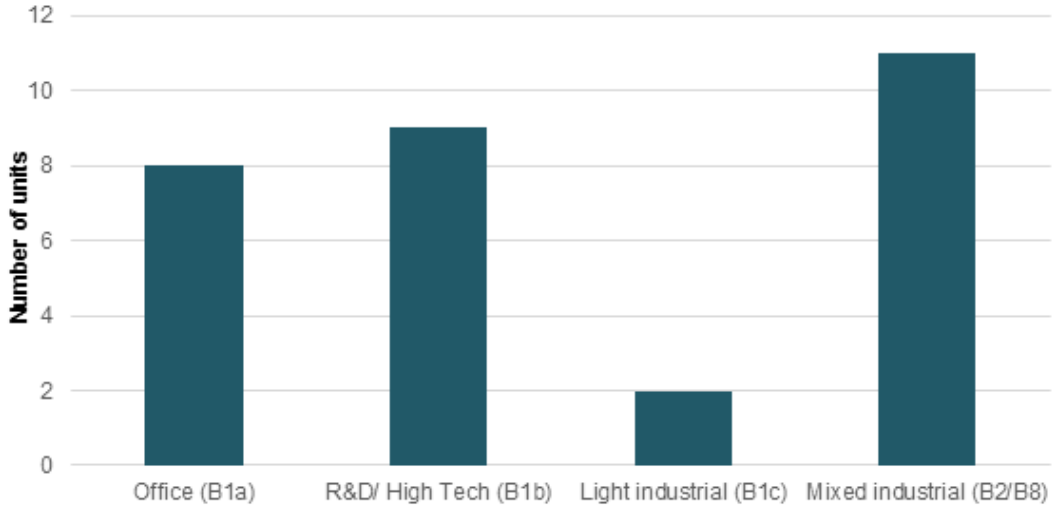
3.16 From a planning perspective, this would be less of an issue if employment space/land could only be developed/used for employment uses. In reality, some districts face the challenge of losing business accommodation altogether, particularly to housing, but also to retail and leisure. Subject to defined conditions and limits, permitted development rights enable change of use without the need for specific planning permission. The effect is that there is considerable freedom to switch employment sites to residential. In Chelmsford, for example, some recent schemes that were expected to cater for employment uses were developed as residential space instead. Across the county, and particularly in some of the larger and more economically successfully towns, this relaxation in planning rules has led to considerable amounts of office space being refurbished into residential space.

3.17 While District Councils may challenge the loss of employment space, the changes nevertheless help local authorities to meet their housing growth targets. This is a significant consideration where they face Green Belt constraints, and where demand is very high. At a local level, such changes can also add vitality to city/town centres.

3.18 This is not to say that there is no new activity at all in this part of the market. In July 2016, EGi statistics identified 30 new-build (either completed or under construction) grow-on space units (between 100 to 300 sq m in size) across the county. Of the 30, 11 were general/mixed industrial uses (B2/B8) and 17 were offices (B1a/ B1b uses). A further 25 units across the county were currently undergoing refurbishment.

3.19 This newly developed space provides a total of 5,600 sq m, concentrated around Witham (Bellcroft Park, Eastways), Colchester (Parkside and Knowledge Gateway, University of Essex) and Harlow (Peartree Business Centre). All research and development (R&D)/high tech units (B1b uses) are located in the newly developed Knowledge Gateway scheme as part of the University of Essex.

Figure 3-6: Number of new-build grow-on space units, either completed or under construction, by use class



Source: BBP Regeneration analysis of EGi (2016) data

Location of grow-on space

3.20 As part of our analysis, we reviewed the supply of current start-up and small business space accommodation across the county on the basis that businesses emerging from these centres may require grow-on space at some stage of their development. The majority of these centres are located within Harlow, Chelmsford, Colchester and Epping.

3.21 There are also several rural developments and centres based in business parks, industrial estates or converted farm buildings. The lack of grow-on space, and indeed space more generally across the county, has resulted in a large number of rural employment development schemes, with land owners taking the opportunity to refurbish/redevelop their buildings/land for other employment uses.

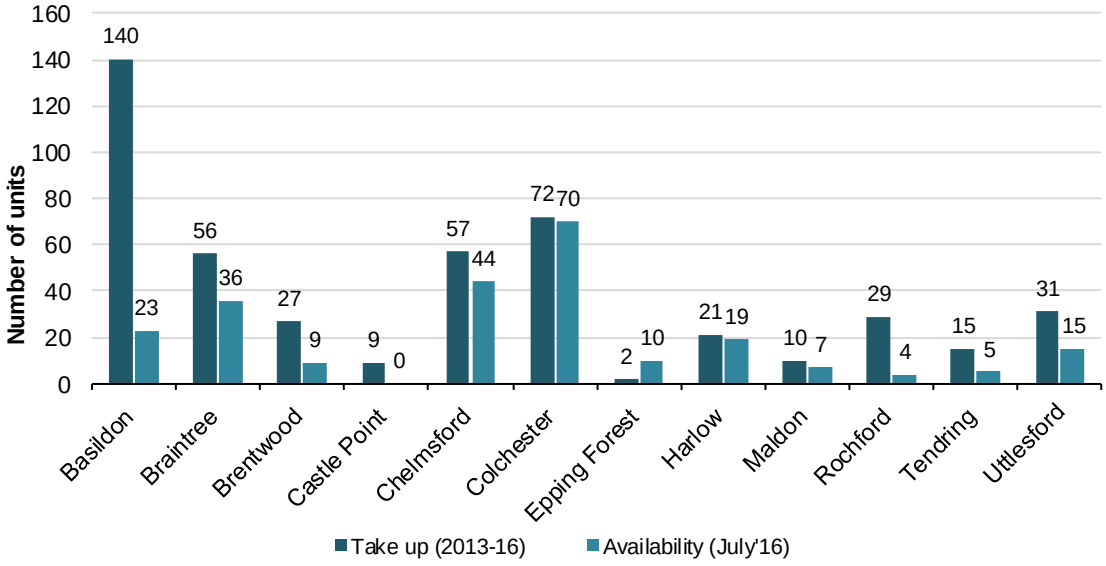
> ***The issue in focus* – case study firm B**
>
> This company, operating in the construction industry, has recently moved into older space on a rural business park in Essex. The company had outgrown its original space in the north of Essex, where they had 80 sq m of office space; they needed 120 sq m. The firm struggled to find space initially, with none available locally. Unfortunately, the firm was not able to grow on its original site in Essex, as the owners of the site decided to pursue a residential redevelopment of the site.
>
> After a four to five month search, the company did find space. However, the new facility is 15 miles away from where the firm was based initially, and is far from ideal, in particular due to high business rates. The firm feels that there is a lack of high quality facilities, with good infrastructure, in the local area.

3.22 A summary table of start-up and small business accommodation is provided in Annex C. Consistent with consultation findings, we find that: the centres are for the most part in and around the main urban areas in Essex; they have high occupancy rates, with little available space; demand for this space exceeds supply; demand is wide ranging in terms of use, type and size requirements; there is low churn of businesses due to lack of scaling up options.

3.23 Not surprisingly, the available grow-on accommodation at present is also concentrated around the larger commercial hubs of Chelmsford, Colchester, Braintree and Basildon. There are also spaces on offer in Maldon, Witham and Clacton-on-Sea.

3.24 Comparing the EGi availability listings (for July 2016) with the recorded transactional data for each district in the three-year period between July 2013 and July 2016, it becomes apparent that there is an imbalance between the potential demand and supply for grow-on accommodation across almost all districts, particularly notable in Basildon, Braintree, Brentwood, Rochford and Uttlesford – as seen in Figure 3-7. Only Epping Forest has more than a three year supply of space, but this is based on very low levels of activity overall in the district. It should be noted that, whilst in some districts the greatest demand pressures are on industrial space, in others the limited office space offer presents a greater challenge.

Figure 3-7: Take-up of grow-on space between July 2013 and July 2016 and availability in July 2016, by district



Source: BBP Regeneration analysis of EGi (2016) data

3.25 To some extent, this lack of supply may be mitigated by new developments coming forward, although the market response to date has been limited, for reasons documented above. But there are some schemes in the pipeline which should provide for employment growth, including: East Link 120 in Braintree; the Airport Business Park in Rochford; development of 52 acres of mixed-use commercial space in Brentwood (a development by St Modwen's close to the M25); a MedTech Science Park in Harlow; two sites in Tendring (Tendring Europark and Harwich Valley) with a total of 43.3 acres (albeit currently experiencing viability issues); the TriSail Tower development in Stansted, Uttlesford, which is now underway. Further details about these schemes, and the extent to which they might be expected to contribute to solving the shortage of grow-on space, are provided in Annex E.

Quality of Space

3.26 However, in many areas, the issue is not simply around the quantum of grow-on space available, but rather also about its quality. Looking at the overall supply of both office and industrial accommodation, of any size, we see that Essex is dominated by second hand space. A small proportion of both office and industrial supply is grade A space, with a slightly higher proportion of industrial space in this category than is the case for offices. Even whilst the overall supply of office and industrial space has fallen over the past few years, and although grade A office and industrial space is only a relatively small proportion of the total supply, supply of grade A space is at around the highest levels seen since at least 2012 in the case of office supply, and earlier for industrial space.

3.27 Looking at the characteristics of available grow-on space a similar pattern emerges:

- The majority of units are offices, with B1a uses. Of this office space, only one building, in Chelmsford, offers grade A accommodation, with a further 36 units providing new-build or refurbished space. The majority of office units are second-hand grade B standard.
- There are nine new-build Research & Development (B1b) units available, all in Colchester. This represents low availability against the take-up of 37 units in the last three years.
- An acute shortage of supply is also observed in the industrial market, where the take-up of mixed/general industrial units over the past three years is three times the currently availability of space. Again, second-hand grade B units dominate, with 74 of 85 units being of this grade.

3.28 A summary of the recorded EGi data for different uses is presented in Table 3-1.

Table 3-1: Quality of space by use class – availability vs overall take-up

Use	Grade A	Newly Built	Newly Refurbished	Second Hand - Grade B	Total Available Units	Take up Units (3yrs)
Office (B1a)	1	17	19	96	133	150
Office (B1b)	-	9	-	-	9	37
Light Industrial (B1c)		3	-	9	12	13
Mixed/General Industrial (B1/2/8)	-	11	-	74	85	266
Total	**1**	**40**	**19**	**179**	**239**	**466**

Source: BBP Regeneration analysis of EGi (2016) data

3.29 The issue around grow-on space is not just about the quantum of grow-on space; quality is an issue too. With new space not being built, much of the space that is available is of poor quality and in old buildings. Quality can be an important factor for any firm, but may be a particular issue for those businesses that might be graduating from high quality, highly professional-looking incubators or enterprise centres. In addition, the issue with some accommodation that is available, and indeed some of the existing occupied stock, is the poor parking provision,

which severely limits the appeal of moving in to this space. Moving into inappropriate accommodation is simply not an appealing option for many firms, and may limit the opportunities for businesses to expand in Essex.

***The issue in focus* – case study firm C**

A utilities firm that has been located on a rural business park since 2003, has recently moved into larger space at the same facility. It occupies a larger area than that which we classify as grow-on space for the purposes of this study, as it has a large operational yard for lorries, with a small office and warehouse. Nevertheless, the firm's experience is relevant.

The yard space was a recent acquisition, in 2015. The firm had been trying to find space that would satisfy this need. Although they could find warehouses and offices, they found that much of this targeted start-ups specifically, or internet-based businesses, with lower vehicle requirements. As such, the combination of office and warehouse with a yard was difficult to find. Struggling to find space, the firm looked into purchasing their own land and develop premises there. They spent almost a year looking for space, and had they not found anywhere, it would have held back the expansion of the business. Fortunately, eventually, another firm moved out of the business park they were on, enabling them to move into that space.

This firm identified a significant gap in the market in Essex for suitable accommodation for grow-on firms that require haulage facilities, stating that some firms have relocated to the Midlands to satisfy such requirements.

***The issue in focus* – case study firm D**

This company offers transcription services, in particular to make financial statements and other official documents visible/legible for the partially sighted/disabled. The principal had operated as part of the University for many years before setting up her own business, which is still linked into ARU. She has more recently become part of a major company, which specialises in communications in many different forms.

The on-costs attached to start-ups and small businesses were the major concern from the outset; she was fairly confident that her stream of business would be maintained, but aware that her clients were facing pressures to demonstrate cost-efficiency. In looking for property, on or off the University campus, her ability to provide the requisite data and document security was/is a major factor. This must be to the level required for ISO verification: the company's growth potential now includes opportunities to win work as an integral part of its owner's business offer, and increasingly it will need to demonstrate how it handles security to prestigious clients.

***The issue in focus* – case study firm E**

The principal of this architectural practice had initially operated from home, first from the kitchen table, then from a garden room. He worked very long hours for three years to grow his business, and put himself in a financial position where he could cross the 'lone practitioner' threshold, recruiting others and taking on property commitments. This meant taking on substantial risk: he took on three more people in the first six weeks after moving to his current location, outgoings increased at least fourfold, and he recognised the danger of over-trading. These outgoings include £2k for off-site (and therefore inconvenient) parking permits for two of his employees, who need to visit clients on a daily basis.

For his next stage of growth, more space is now needed: key requirements are accessibility (in/close to the centre of Chelmsford, allowing him to walk to work) and with adjacent parking. He has been looking in the last year for a distinctive property, in line with the image he wanted to project as a building design professional. He did not really want to be a small occupant in a much larger building, and was keen to buy, for reasons of control and as an investment. His search was protracted, taking over eight months even with the use of a specialist search agency, although he has now found somewhere, subject to final completion. Within that time, only two other properties were brought to his attention. He is taking on more space than he currently requires – 1000 sq ft – but regards this as sensible, if, as expected, the practice grows to employ 8-10 people.

Other issues with the grow-on space offer

3.30 The lack of supply of suitable grow-on space could be because firms are unable or unwilling to pay the going market rate. However, our consultations with intermediaries and with the small number of businesses that we spoke to directly, did not support the idea that affordability was a major issue. The space that businesses are looking for is not currently available at any price.

3.31 In theory, the market would respond to the gap by increasing supply at a markedly higher cost, in order to cover the developers' perceived overheads and risk. But this is not happening, and there are particular features in the property market that make it unlikely. If it did begin to come about, it would be in the form of a short-term, partial fix, and would be highly unlikely to provide a sustainable solution across the numbers and types of businesses involved.

3.32 Support services appear to be less of an issue for tenants. Businesses requiring grow-on space are by their nature already established businesses. As such, whilst they may have needed a lot of support in their early days, that is diminished by the time they reach grow-on space. That said, flexible tenancies are still appealing to firms, as they continue to grow. Indeed, this is one of the factors that prevents the development of grow-on space from being desirable for developers, as covered previously. As such, flexible tenancy terms and high quality space appear to be primary concerns when it comes to the 'offer': the business support offer is not.

Summary

- Using available data and consultation evidence, we are able to build a picture of the extent to which there is an issue around grow-on space in Essex, including how this relates to overall supply and demand, and whether this is the same situation across the county, and also the extent to which this relates to wider issues around a mismatch of space available and the space for which there is demand.

Supply and demand of grow-on space

- From the available data, it is clear that there is a mismatch between the supply of, and demand for, grow-on space across Essex, for both office and industrial space. There is currently just one year's worth of supply of industrial space available in Essex, and 2.5 years' worth of office space.
- Various reasons are posited for this shortage. Essentially, there is a market failure in Essex, whereby the development of grow-on space is not an attractive proposition for the private sector: the returns on their investment are more favourable with other types of development, the risks are too high, given the penchant towards short tenancies, and the less established nature of businesses in this space when compared to larger space.
- In addition, a shortage of available land has in many places pushed land values up to the extent that development of this space would not be viable in much of Essex, due to significant pressures on land for housing growth.

Quality of space available

- It is notable that much of the grow-on space available is older space, of grade B standard. This is the case across both industrial and office space. This is likely in part due to the lack of new space being built, due to the reasons set out previously. However, the effect of this is that, whilst in some locations there may space available, it is often not of sufficient quality to meet the demand from growing firms. This is not only about the fabric of the buildings in question, but also the facilities, including digital infrastructure and parking. As such, where firms are taking this space, it can be a sub-optimal solution.

Other factors

- Affordability seems to be less of an issue than the supply of space and its quality. However, this does not mean that affordability is not an implicit concern. If developers were able to charge more for space, they most likely would – there is little point developing space that no-one can afford. As it is, they are unable to charge rents sufficiently high enough to make development viable, and so development is not taking place at all.
- Support services appear to be less of an issue for tenants. Businesses requiring grow-on space are by their nature already established businesses. As such, whilst they may have needed a lot of support in their early days, that is diminished by the time they reach grow-on space.
- That said, flexible tenancies on the other hand, are still appealing to firms, as they continue to grow. Indeed, this is one of the factors that makes the development of grow-on space undesirable for developers, as covered previously.
- As such, whilst flexible tenancy terms and high quality space appear to be primary concerns when it comes to the 'offer', the support that businesses can receive is not.

4. Impact of addressing the grow-on space issue

4.1 In earlier Sections, we have assessed the evidence for a shortage of grow-on space across Essex, and set out our understanding of the causes. In Sections 5 and 6, which follow, we consider how the shortfall could be addressed, informed by policies and initiatives elsewhere. First, in this Section we assess what this shortage means to economy of Essex. On the basis of our qualitative findings for a shortage of grow-on space, and what we see as conservative assumptions for an indicative quantification of the scale of this impact, we estimate its effect in constraining business and economic growth in the county.

Qualitative assessment of impacts

4.2 We have developed a qualitative, illustrative understanding of the impact of the shortage of grow-on space across Essex, through consultations with agents, stakeholders, centre operators, and businesses across the county. These impacts are wide-ranging, including impacts on the business base, on Council revenues, and on the local economy:

- Without appropriate accommodation to move into, the lack of space can have a detrimental effect on businesses' abilities to grow. A lack of space to grow into means that some businesses may miss out on growth opportunities presented to them, which can affect their long term viability and prospects. It has been suggested that this leads to businesses being reactive, only changing when they need to, rather than proactively seeking out new opportunities, due to the inability to find appropriate space in which to expand and make the most of these opportunities.

- Anecdotal evidence also suggests that some businesses have looked outside Essex for space, due to the lack of appropriate grow-on space in Essex. No firm examples have been highlighted in the consultations, but a couple of consultees talked of firms mentioning this to them.

- In addition, because firms cannot find the space to grow into, they are staying in accommodation that they ought to move out of in order to embrace their opportunity for growth. By staying in smaller accommodation for longer, this then limits the availability of space for very small and start-up businesses that need the type of managed workspace and business support often on offer in incubators and enterprise centres. As such, a lack of grow-on space affects not only the firms that cannot find grow-on space, but also smaller and start-up businesses.

- Naturally, this has a wider effect on the local economy; with firms not able to make the most of opportunities by expanding into grow-on space, opportunities for economic growth and growth in business rates returns are diminished, and the ability to foster a more entrepreneurial culture is weakened.

- In addition, a lack of appropriate grow-on space also limits the opportunity to attract smaller-scale inward investment. Whilst Invest Essex and others can undertake efforts to attract businesses, if there is no appropriate grow-on space to move into,

there is limited opportunity to accommodate them. In addition, the lack of start-up space resulting from firms 'hogging' the space that ought to move into grow-on space, adds challenges in attracting the smallest inward investment projects, including those looking for a temporary trial base, or 'listening post'.

***The issue in focus* – case study firm F**

This business moved into grow-on space from accommodation in a business centre four years ago. A manufacturing firm, it was six years old at the time of the move. The business had been in various sizes of units at the business centre, and felt that the easy-in-easy-out tenancy terms, and the support on offer, was valuable. However, it needed to move out in order to extend the space available for manufacturing and storage. It was important to the firm that the new site should have good parking and accessibility.

When searching for suitable premises, the firm found that many of the options were old, or had poor facilities. Moreover, it found that industrial space was often more aligned with warehousing uses rather than manufacturing. The shortage of decent manufacturing space was specifically cited in the grow-on space category.

The firm did manage to move eventually, but considered itself lucky to have found space. Even still, it took more space than required: a 600 sq m building was purchased, while only 300 sq m was needed. The firm currently operates the other half as a mini-business centre, split into 10 units.

Having been able to expand, the firm has seen positive impacts for their business, and it is now looking to expand again.

Quantitative assessment of impacts

4.3 Following on from the consultations with key commercial agents, centre operators and local businesses that highlighted the impacts above, and based on an analysis of available property data, a forecasting model was developed in order to project a potential range of floorspace requirements linked to the demand for grow-on space across the county. However, rather than considering this in terms of the negative implications, here we consider the potential *positive* impacts that could be achieved by addressing the issue.

4.4 The evidence points to the grow-on space being an issue across the whole of Essex. However, within the parameters of this study, it would be impractical to undertake a modelling exercise for each of the 12 individual districts of Essex. Based on the commonalities in different areas of the county, established through other studies and highlighted above, we selected five locations distributed across Essex, with each of the four quadrants represented. The locations where the model was run were Basildon, Braintree, Chelmsford, Colchester, and Harlow.

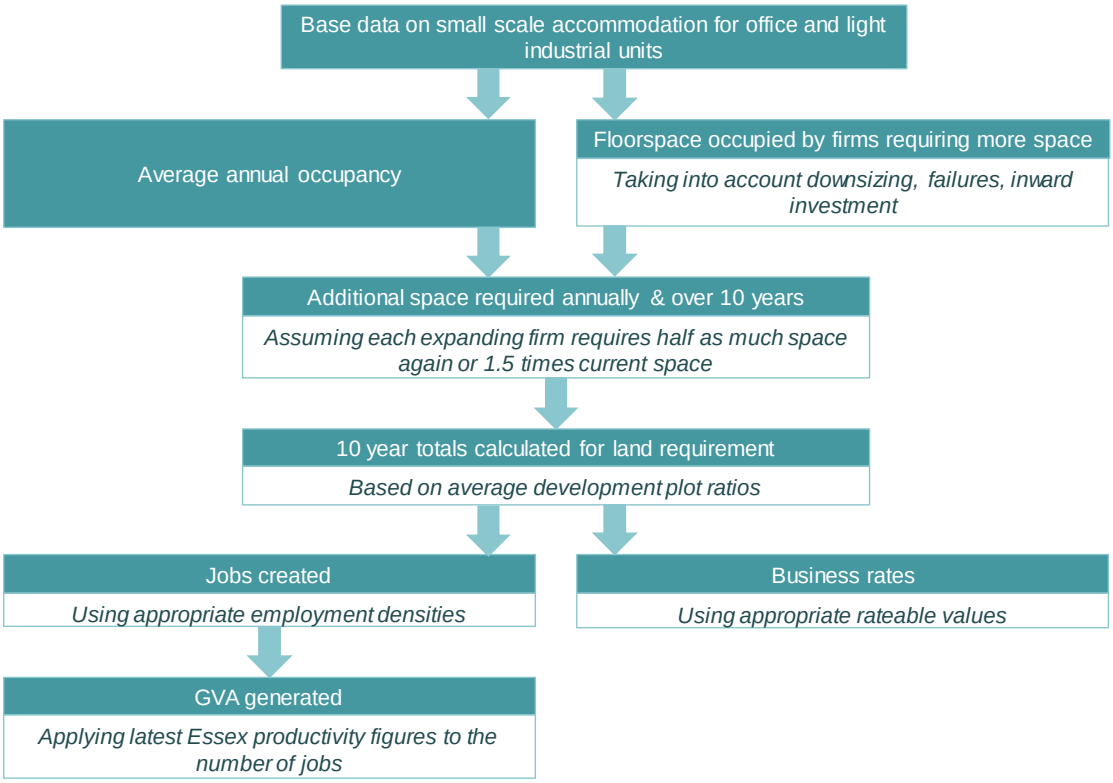
How the model works

4.5 While the property market specifics and drivers in each of the quadrants are clearly different, the model is based on the premise that, in each of these areas, a certain proportion of businesses, occupying "small unit" accommodation (for the purposes of this exercise defined

as units of around 100 sq m or less), will outgrow their existing provision and therefore have a need to move to larger premises on an annual basis. Evidence from our consultations with stakeholders, agents, and centre operators across the county point to this as being a sensible assumption.

4.6 The model we have developed is captured in the flow-chart in Figure 4-1, representing the key elements of our model.

Figure 4-1: Flowchart for modelling the impact of resolving the shortage of grow-on space



Source: SQW/BBP

4.7 As a starting point, we have established the base data available in each district, in respect of the main enterprise centres and employment estates offering small scale accommodation for new and growing companies, grouped by use category (we have used two categories – premises for light industrial and office uses). Clearly, not all spaces are captured; in particular, some individual accommodation units of this size and type will not be identified through this method of research, for example, commercial accommodation in standalone buildings or in more rural locations (e.g. farm conversions), for which there is limited data available. In addition, we do not attempt to model how the amount of this type of space will change over time, and the estimated impacts are based on an average size for each space category. However, we have sought to capture the greater part of those premises that currently provide the type of space and facilities for smaller companies with the capacity to grow in the future.

4.8 In terms of base data – we have provided the total net lettable area of each scheme and applied a "steady state" letting rate to this figure, in order to provide an annual average occupancy that represents the rolling letting rate that might apply to schemes of this sort (e.g. 90%).

4.9 To this we have applied a further rate that represents an estimate of the annual floorspace occupied by firms who have reached the point where they will require more accommodation

and need to leave their existing premises. We have initially used a range from 10% to 20%, based on anecdotal information provided through our consultations, as well as experience over a number of years.

4.10 It should be emphasised that there are a number of factors at play in identifying this range, as the natural churn that occurs within a typical business estate/enterprise centres will usually include a proportion of companies downgrading and business failures, as well as relocations outside of the area. In addition, there is also a level of inward investment that occurs annually (e.g. companies moving out of London into Essex). As a result, we have taken the lower end of the range (10%) as a realistic annual projection, with the upper 20% estimate representing the prospects in times of high economic growth.

4.11 Based on the above analysis – we have then calculated the "additional" space that companies will need in order to satisfy their growth requirements, by applying an additional factor on top of the amount of space occupied at present. This provides an indication of the total amount of space that these businesses will require in terms of a new letting. Again we have used a range of assumptions, with firms needing either half as much space again as they currently occupy for our most conservative scenario, up to 1.5 times as much space as currently occupied for our high growth scenario. This analysis therefore enables a calculation of how much space would be required annually, and over 10 years.

4.12 On the basis of the 10-year totals, we have then applied factors to calculate:

- The land areas required to meet the estimated supply of space (calculated using appropriate/typical development plot ratios)
- The number of likely jobs to be created (gross) from this floorspace (using appropriate employment densities)
- GVA derived from the businesses accommodated, based on the jobs numbers and applying the latest available Essex-wide productivity per job figure (£46,819 in 2014)
- In addition we have calculated the business rates that could be generated, annually and also cumulatively over a 10-year period, as a result of facilitating the grow-on accommodation (using appropriate rateable values and multipliers)[15].

4.13 In order to compare our projections against actual transactions, we used EGi figures from the last three years to verify our thinking. It is important to note that EGi's datasets rely upon local commercial property agents recording property availability and although a very useful guide to the current market, it is not necessarily a comprehensive data source; it is, nevertheless, the best available.

4.14 Note that these results present only a *gross* assessment of the impacts of developing the grow-on space that each of these areas requires. We do not asses the *net* impacts. Our assumption is that, due to a shortage of grow-on space, and the market failures preventing the resolution

[15] Small Business Rates Relief is currently available at 100% for properties with Rateable Values of less than £12,000 with tapering relief to £15,000 for 2017/18.

of this issue, a great deal of the impact would be net additional, but we do not attempt to quantify that here.

4.15 Moreover, we do not use any impact multipliers here to quantify those broader economic impacts that our qualitative research suggests would follow the resolution of the issue, nor indeed the potential for a 'step change' in the growth prospects of the local economy. Given the number of assumptions used in the model, it was felt that to attempt to assess gross-to-net or whole-economy impacts would be heroic.

4.16 In addition, we do not account for how the improved business accommodation would impact on the longer term growth prospects of the businesses accommodated. It may well be the case that firms survive for longer, and grow further, due to having the optimal accommodation to meet their requirements at a crucial time of growth, than they would ever have achieved without appropriate grow-on space.

4.17 With these caveats in mind, these impact figures should be treated with care; they are indicative, rather than definitive. More detailed research may be required to hone the numbers for each area.

4.18 Nevertheless, we feel that the model demonstrates the substantial impact that bringing forward the required grow-on space could achieve in Essex. Moreover, as the locations modelled are spread across the quadrants, and all show substantial impacts, it is reasonable to assume that we could see similarly significant impacts elsewhere across the county, given the evidenced shortage of grow-on space across the whole of Essex.

Impacts of resolving the grow-on space shortage

4.19 The results of our modelling are presented in Tables 4-1 and 4-2, below. The first table shows the model inputs, including our assumptions for the grow-on space requirement across the five areas; in Annex G, we demonstrate how we arrived at the requirement figures for each district area. The second table then shows the impacts of developing this amount of grow-on space. We only present here the information from our most conservative assessment of impacts. This assumes that 10% of firms requiring grow-on space each year, and that they need half as much space again as they currently occupy. Whilst this is our most conservative estimate, it still shows substantial direct gross job, GVA and business rates impacts.

- In terms of jobs impacts, providing sufficient grow-on space across the five districts for growing businesses is expected to **accommodate some 4,800 jobs over a 10-year period**. Of this, 3,700 jobs would be accommodated in office space, with the remaining 1,200 accommodated in industrial space. The highest number of office jobs would be accommodated in the grow-on space developed in Colchester (1,200 jobs), whilst the highest number of industrial jobs would be accommodated in Harlow (300). Whilst we recognise that not all of these jobs would be net additional for Essex, it is likely that a high proportion of them would be, given the ability to accommodate expansion, and provide businesses with the optimal space for their requirements.

- GVA impacts are also notable. Across the five districts, **businesses accommodated within grow-on space could contribute direct gross GVA of £227m** per year to the local economy, by year 10, assuming development continues at the same rate for 10

years. This includes £172m of GVA from firms in office space, and £55m from firms in industrial space. GVA derived from businesses in grow-on space developed to meet the requirement of firms locally would be highest in Colchester, where firms accommodated could reach £64m, followed by Basildon, with GVA of £52m.

- The potential for increased business rates income should also be highlighted. Across the five districts, **business rates to be collected from those businesses accommodated could increase by around £330,000 per annum**. Income from office premises would comprise the largest share of this income, with some £246,000 increase per annum from firms accommodated in this space, and £84,000 from the industrial space. The highest income increase could be seen in Colchester, where annual income would be expected to increase by £110,000, followed by Harlow, which could see an annual income increase of around £95,000.

- We can also reasonably assume that some of the firms that would be accommodated, would be those **inward investment** firms that have previously not been able to find accommodation in Essex. It appears from the qualitative research that districts close to London, like Harlow, could benefit more from this demand and growth opportunity than, for instance, districts like Tendring and Maldon, which are much more remote from London. Depending on policy developments in London, there could be ever greater pressure on firms to move out of London to lower cost locations such as Essex. In the case of Harlow, it was noted that firms wanting to leave London have indeed looked for space in the district, but have been unable to find the accommodation they required. As such, ensuring that sufficient space to accommodate the requirements of businesses exists, will help to bring this inward investment into Essex. Indeed, where such enquiries are highest, this may well increase the grow-on space requirement relative to other areas, and beyond the requirement of those businesses indigenous to each district.

- Notably, according to our model, the positive impact of addressing the grow-on space shortage is greatest, per sq m, where this space is office, rather than industrial. Overall, 55% of the floorspace requirement across the five districts we modelled is for office space. However, assuming the shortage of both types of space were remedied in these districts, around 75% of jobs, business rates and GVA impact achieved would be from resolving the shortage of office-based grow-on space specifically. This is due to the higher job densities achieved in office space. In areas where there is only limited space, but where there is demand for both office and industrial space, the implications of this may be worth further thought. This will need to be balanced against local economic priorities, taking into account opportunities for sectoral development, and skills availability.

Table 4-1: Model inputs, conservative growth scenario – 10% of firms needing half as much space again as they currently occupy

	Annual space occupied by firms needing to grow (sq m)	Annual grow-on space requirement (sq m)	Grow-on space requirement over 10 years (sq m)	Deals (averaged) over last 3 years (EGi)		Current availability (EGi)		Land Required over 10 year period (ha)
				<100sqm	100-300sqm	<100sqm	100-300sqm	
Basildon								
Industrial	248	371	3,714	322	4,981	434	3,661	1.0
Offices	788	1,182	11,817	767	2,066	739	3,287	3.6
Braintree								
Industrial	424	636	6,359	178	3,519	92	756	1.7
Offices	147	220	2,202	178	489	427	4,812	0.7
Chelmsford								
Industrial	574	861	8,606	255	2,384	-	2,774	2.3
Offices	566	849	8,493	627	2,234	2,215	16,389	2.6
Colchester								
Industrial	417	625	6,253	410	3,519	334	1,862	1.6
Offices	923	1,385	13,848	1,781	3,202	2,874	13,265	4.3
Harlow								
Industrial	688	1,031	10,314	257	2,749	329	2,780	2.7
Offices	513	769	7,690	70	426	474	1,799	2.4

Source: BBP analysis

Table 4-2: Model outputs, conservative growth scenario – 10% of firms needing half as much space again as they currently occupy

	Annual increase in business rates revenue from accommodated firms (£k, 2016 prices)	Assumed business rates revenue from accommodated firms in 'Year 10' (£k, 2016 prices)	Cumulative business rates over 10 years (£k, 2016 prices)	Annual increase in jobs in firms accommodated in grow-on space	Jobs in firms accommodated in 'Year 10'	Annual increase in GVA in firms accommodated in grow-on space (£m, 2016 prices)	Annual GVA derived from firms accommodated in 'Year 10' (£m, 2016 prices)
Basildon							
Industrial	6.4	64	352	12	124	0.6	5.8
Offices	63.7	637	3,504	99	985	4.6	46.1
Total	***70.1***	***701***	***3,856***	***111***	***1,109***	***5.2***	***51.9***
Braintree							
Industrial	10.7	107	590	21	212	1.0	9.9
Offices	0	0	0	18	183	0.9	8.6
Total	***10.7***	***107***	***590***	***40***	***395***	***1.9***	***18.5***
Chelmsford							
Industrial	16.1	161	888	29	287	1.3	13.4
Offices	28.0	280	1,540	71	708	3.3	33.1
Total	***44.2***	***442***	***2,429***	***100***	***995***	***4.7***	***46.6***
Colchester							
Industrial	8.4	84	461	21	208	1.0	9.8
Offices	102.2	1,022	5,618	115	1,154	5.4	54.0
Total	***110.5***	***1,105***	***6,079***	***136***	***1,362***	***6.4***	***63.8***
Harlow							
Industrial	42.1	421	2,315	34	344	1.6	16.1
Offices	52.6	562	2,893	64	641	3.0	30.0
Total	***94.7***	***947***	***5,208***	***99***	***985***	***4.6***	***46.1***

Source: BBP analysis

4.20 Findings from our highest growth scenario are presented in Annex G. As expected, given that the high growth scenario suggests that twice as many firms will be seeking grow-on space, and that they will require three times the additional space per firm than those in our most conservative scenario presented previously, the impacts are much higher. Impacts for this scenario total some 16,000 jobs accommodated over 10 years, £756m GVA p.a. by year 10, and £1.7m increase per annum in business rates income.

Summary

- Both consultation evidence, and available data on grow-on space, highlight a shortage of grow-on space in Essex has a number of damaging impacts:
  - Without appropriate grow-on space, firms hold back on expansion plans, and do not move from their current space. If they do, it is possible that they will do so outside of Essex.
  - Apart from these firms themselves not expanding, this also prevents other businesses from taking the start-up space that would help them to survive and grow.
  - In addition, due to the lack of appropriate grow-on space to move into, Essex also misses out on potential inward investment opportunities.
  - As a result, the shortage diminishes the potential to secure increased business rates income, jobs and GVA for Essex.
- Modelling the impacts of meeting the demand for grow-on space illustrates the benefits that Essex could see from doing so. Even on the most conservative estimates, the potential for substantial benefits is obvious:
  - In terms of jobs impacts, if sufficient grow-on space for growing businesses were provided across five districts, this could accommodate over 4,800 jobs over a 10-year period. Of this, approaching 3,700 jobs would be accommodated in office space, with the remaining 1,200 accommodated in industrial space.
  - GVA impacts are also notable. Across the five districts, businesses accommodated in grow-on space could contribute direct gross GVA of £227m per year to the local economy, by year 10, assuming development continues at the same rate. This includes £172m of GVA from firms in office space, and £55m from firms in industrial space.
  - The potential for increased business rates income is also significant. Across the five districts, business rates to be collected from those businesses accommodated could increase by around £330,000 per annum. Income from office premises would comprise the largest share of this income, with some £246,000 increase per annum from firms accommodated in this space, and £84,000 from the industrial space.
  - We can also reasonably assume that some of the firms that would be accommodated, would be in-movers that have previously not been able to find business premises in Essex. It appears from the qualitative research that districts close to London, like Harlow, could benefit more from this demand and growth opportunity than, for instance, districts like Tendring and Maldon, which are much more remote from London.
- Notably, according to our model, the positive impact of addressing the grow-on space shortage is greatest, per sq m, for offices rather than industrial development, as might be expected with higher job densities in office space. In areas where there is only limited space but where there is demand for both office and industrial space, the implications of this may be worth considering.

5. What are other areas doing to address the issue?

5.1 Having assessed the extent of the grow-on space gap in Essex, and the potential benefits of addressing the issue, in this Section we consider what other areas are doing to provide for grow-on space. This is then used in the final Section (6) to inform our thinking on an indicative action plan.

Comparator areas

5.2 Three comparator areas are considered. They were selected as they each share some characteristics with Essex, and have sought to address issues around grow-on space.

- **Cambridgeshire**. Cambridge, and the area around it, is seen as the 'go-to' case study for how to develop an indigenous, high value economy through the development of start-ups and continued accommodation of growing firms; Cambridgeshire looks to provide an environment in which businesses of any size can thrive. Cambridge has been particularly at the forefront of development of various accommodation sizes for high value, innovative businesses, including through the development, over decades, of the St Johns Innovation Park, which started off as the St John's Innovation Centre, the first business incubator for knowledge-based businesses in Europe. But, as a rapidly growing economy, Cambridgeshire still has a shortage of grow-on space.
- **Warwickshire**. Grow-on space is an acknowledged issue, with the Coventry and Warwickshire LEP identifying a lack of grow-on space as a barrier to growth. Some established grow-on space exists, including at the University of Warwick Science Park. In addition, the LEP has been driving the development of more grow-on space, having secured LGF monies for a scheme at Ansty Park.
- **Kent**. The county has some similarities with Essex. As with Essex, there is a shortage of supply of grow-on space, and indeed commercial space more generally. And, as in Essex, investment from the private sector has been less evident than might be expected, given the proximity to London. Pressures on land for housing also present Kent with challenges in providing space and facilities to meet the needs of grow-on firms.

5.3 As elsewhere, the desk-based evidence on the grow-on space issue in these areas is limited. Nevertheless, sufficient documentary evidence exists to briefly show how grow-on space is an issue in each area, what impact this is having, and how the issue is being addressed.

Comparator 1 – Cambridgeshire

What is the issue in Cambridgeshire?

5.4 Cambridgeshire has been something of a special case within the UK context for commercial property development, with a strong, and long term, drive behind the development of

business space for knowledge economy firms, including being the place where Europe's first knowledge economy-focused business incubator was set up. With a rapidly growing economy, a highly skilled workforce, and with highly innovative businesses, investors have been keen to bring forward development in Cambridge. A large number of facilities that cater to innovative firms, with numerous science parks and innovation centres, have been developed in recent decades, including the Cambridge Science Park, St Johns Innovation Park and Cambridge Business Park. This growth continues.

5.5 However, despite the development of a considerable amount of business accommodation, Cambridge continues to grow rapidly, with high levels of demand for space. Indeed, overseas investors have been unable to find space locally, and have instead opted to invest outside of the UK entirely[16].

5.6 In addition, although the extensive development that has taken place in recent years means that Greater Cambridge is reasonably well served by incubation and innovation space on its science parks[17], it continues to suffer from a shortage of appropriate grow-on space. Local agents and stakeholders indicate that there is a lack of grow-on space within Cambridgeshire, and a particular shortage of grow-on space for companies requiring specialised wet-lab facilities[18]. This represents a serious gap in provision, given the importance of the bioscience sector to the Cambridge high tech cluster specifically, and economic growth prospects more generally.

5.7 Apart from having an impact on those firms unable to find space, by limiting their opportunities to grow, it is also acknowledged that this has an impact on the provision of start-up space too; incubators can only fulfil their function if successful tenants move to larger premises elsewhere, allowing new firms to move in.

5.8 The Babraham Research Campus's model of operation is to 'grow-and-go'; that is, firms should incubate at the Babraham Research Campus, and then relocate to commercial space, for instance at Granta Park. However, firms are often hesitant to leave their space here, either because there is no alternative space in the region, the disruption of laboratory relocation would be too severe, or they do not expect to grow sufficiently quickly to occupy a full building on their own. As firms stay put for longer than intended, there is limited opportunity to bring in new high growth-potential businesses.

What has been/is being done to resolve the issue?

5.9 Acknowledging the requirement for additional space, one of the LEP's Strategic Economic Plan priority intervention packages was to respond to existing pressure for the growth and retention of businesses, through facilitation of the provision of additional commercial space. To date, this focus has secured Growth Deal funding for the Cambridge Biomedical Innovation Centre, but not specifically for grow-on space.

5.10 Additional grow-on space is, however, still being sought, to meet the continuing strong demand for it. The LEP sees potential for the two EZs – Cambridge Compass and Alconbury

[16] http://www.gcgp.co.uk/wp-content/uploads/2013/10/GCGP-Growth-Deal-3-Submission-July-2016-1.pdf
[17] http://www.gcgp.co.uk/wp-content/uploads/2013/10/GCGP-Growth-Deal-3-Submission-July-2016-1.pdf
[18] Cambridge Cluster at 50, SQW, 2011

Weald – to accommodate such space, recognising the positive role that these can play in capitalising on, and positively exploiting, Cambridgeshire's innovation and technology cluster:

- The **Alconbury Weald EZ** is situated to the north of Huntingdon, and will provide space for businesses from 150 sq ft to 500,000 sq ft, including grow-on space. This will focus on life sciences, advanced engineering, and high value manufacturing, sitting close to both the concentration of manufacturing found in the north of Cambridgeshire, as well as the Cambridge high tech cluster itself. The flagship building for the EZ is the Incubator, providing space for start-ups, but potentially also grow-on firms, with space of between c.600 and 4,000 sq ft of R&D, production, and office accommodation.

- The **Cambridge Compass EZ**, started in April 2016, comprises a number of sites across Cambridgeshire and beyond, with the aim of spreading the reach of Cambridge's growth and high tech cluster to surrounding market towns of Waterbeach, Haverhill, Ely, Cambourne and Northstowe; the last, if realised, will be the largest new town in the country since Milton Keynes.

5.11 Addressing grow-on space shortage in these locations will, in part, address the issue. But the LEP recognises that more may be needed; the LEP is considering whether there is a particular need for intermediate or specialist accommodation, which could be provided through later stages of the Growth Deal, so as to facilitate a 'whole lifecycle' approach for the Cambridge Innovation Ecosystem, specifically aimed at retaining its considerable talent, skills, and GVA within Cambridgeshire.

5.12 Other public-sector backed development of grow-on space is occurring. The **Babraham Research Campus** is an important site for the development of bioscience companies, with office and laboratory space. As noted above, it has faced issues of companies wishing to remain on the campus rather than move elsewhere, in part because of the lack of suitable alternative space in the area. The development of an Imperial College London-backed facility should help address this issue. This new 50,000 sq ft facility, managed by Imperial College's ThinkSpace, will provide space for firms to grow. Construction started on the facility in December 2015. Importantly for Cambridgeshire, the focus here is on bioscience, a key growth sector for the county.

Comparator 2 – Warwickshire

What is the issue in Warwickshire?

5.13 As is the case elsewhere, Warwickshire is currently suffering from a well-attested shortage of commercial spaces.

- At the broadest level, the 2015 Employment Land Use Study for Coventry and Warwickshire reported that supply of business accommodation of any kind was at a critical level in Warwickshire, with less than two years' worth of supply available across the area, much of it in smaller, ageing and unsuitable units.

- Recent growth in demand for space has been marked, particularly in advanced manufacturing, notably automotive and logistics, encompassing B1, B2 and B8 uses.

In the cities of Coventry and Warwick, there is insufficient suitable accommodation to meet the needs of the R&D business base and spin-offs.

- Moreover, according to the same study, in terms of employment land, projections of future demand have increased since previous assessments, whilst supply of land is at very low levels. The development of all the sites identified in that study, would leave supply at the lower end of the forecast requirement.

- This finding is corroborated by Coventry and Warwickshire Chamber of Commerce: Warwickshire is "running out of space for firms to grow"[19]. The Chamber states that there is insufficient employment land being brought forward, and that this is having an impact on businesses: it means that growth, change, and investment plans for businesses, including both SMEs and large businesses, are being curtailed. At the same time, there is considerable demand for space. The Chamber report that SMEs want to expand, but cannot find the appropriate space[20].

5.14 The lack of suitable and affordable premises that allow for business growth and inward investment is recognised by the LEP. Indeed, in the LEP's Strategic Economic Plan, this is identified as one of the barriers to growth for the area.

What has been/is being done to resolve the issue?

5.15 Recognising the grow-on space issue, the LEP identified, as priority investments, two sites for the provision of grow-on space: Ansty Park and Coventry University Technology Park. Taken in turn:

- To the north of Coventry, close to both the M6 and M69, Ansty Park is a 1.5m sq ft technology park, focused on advanced manufacturing, and spanning a range of industry sectors including aerospace, automotive, rail, healthcare and ICT. The technology park sits within an Assisted Area, giving some discretionary grant assistance, helping to encourage growth of the park. The Manufacturing Technology Centre (MTC) opened at Ansty Park in 2011, and brings together the University of Birmingham, Loughborough University, University of Nottingham and The Welding Institute, operating a wide research portfolio around advanced manufacturing. Large employers on site include Sainsbury's, the London Taxi Company and FANUC. However, grow-on space is also being developed, to address a lack of immediately adjacent and available floorspace for smaller firms. Combining office and workshop accommodation, the **Ansty Park Advanced Manufacturing Engineering Grow On Space** is intended to complement the work of the MTC, including providing space for potential spin outs generated from the MTC itself, as well as from academic partners. It was reported in the SEP that, in the present economic climate, this scheme would not proceed without public sector funding, as the private sector would not like to develop premises of this nature, due to the restricted use and flexible lease terms. The SEP states that the development of the facility will assist 20 businesses, support 240

[19] http://www.cw-chamber.co.uk/news/coventry-and-warwickshire-companies-are-close-to-running-out-of-space-to-grow/
[20] https://issuu.com/benham/docs/c__w_-_1440

gross jobs, and generate £43.2m of GVA by 2025. In the July 2014 Growth Deal, the LEP secured £7.1m of LGF monies for the scheme, matched with £2.3m from the LEP.

- Within the SEP, the LEP also sought funding for the development of 8,000 sq ft of grow-on space at **Coventry University Technology Park**, at a cost of £8m, to address capacity constraints on the technology park, and to support the start-up and growth of businesses. In total, £4m was sought from the Local Growth Fund. This was reported to have the potential to assist 15 businesses, support 173 gross jobs, and generate £31m of GVA by 2025. However, this scheme did not achieve a funding commitment from Government. As such, the future of this scheme is unclear, and it may not go ahead.

5.16 Another scheme seeking to develop quality employment space, including space for firms to grow into, is the **Leamington Spa Creative and Digital Quarter**, a £31m programme for the regeneration of an underdeveloped area of Leamington Spa's Old Town. The intention is to develop the area in order to grow the 'Silicon Spa', the third largest cluster of gaming studios in the UK. As part of the regeneration programme, land is to be acquired and existing buildings transformed, to provide growth space for gaming and other digital firms to help retain them within the local area. The scheme was promoted at the MIPIM property show in Cannes, France, in 2016, in order to attract investment.

5.17 The county also has some existing notable grow-on space for high value firms. For instance, the **University of Warwick Science Park** has a wide variety of office space, to accommodate various sizes of businesses, from start-up firms through to large established firms, and including space specifically for grow-on firms. There are twelve buildings comprising grow-on space, offering a range of office, laboratory and workshop space, in order to accommodate expanding businesses of different sizes, including: Riley Court, containing units of between 230 sq ft and 1,500 sq ft; the Viscount Centres, with space of between 2,153 sq ft and 3,767 sq ft; Sovereign Court, with space of between 2,000 sq ft and 3,000 sq ft.

Comparator 3 – Kent

What is the issue in Kent?

5.18 Much like Essex, Kent has suffered from a shortage of supply of commercial space, including grow-on space, in recent years. Despite demand for grow-on space being strong, not enough is being developed to satisfy this demand. Many of Kent's existing serviced office facilities are near capacity. One of the major issues the county is facing is competing demand for land. Much like Essex, Kent is expected to see substantial housing growth in the coming years, with 7,000 new homes to be built each year until 2031, and investment in infrastructure to enable this. With high demand for housing land, and with land initially intended for employment space being reallocated to housing land to meet this demand, viable employment land is in short supply.

5.19 With this context as a backdrop, Kent saw a rapidly reducing supply of commercial property, both office and industrial, in 2015, whilst demand continued to increase[21]. In a survey of property agents and developers/investors by Locate in Kent, in the summer/autumn of 2015, some 40% of respondents reported that the supply of office space had reduced by more half, with similar numbers reporting an even larger decline in supply in industrial space. Meanwhile, demand for offices was said to have increased by 75% of agents, and for industrial property by 65% of agents. As a result, it has been harder for firms to find space; 65% of agents said that finding offices was harder than the previous year, and 55% reported that it was harder to finding industrial property.

5.20 Property was particularly difficult to find in the grow-on space size bracket. Locate in Kent data showed that, at the end of June 2015:

- There were 108 firms seeking industrial space, with total demand at 2.8m sq ft. A third of these enquiries were in Maidstone, Ashford and the Thames Gateway, with 19% in the west of Kent, and 17% in the east. The highest demand was for grow-on space, of between 1,000 and 5,000 sq ft, with this size class accounting for 24% of all enquiries. Demand was highest for construction/property (59%), followed by manufacturing, food and agriculture, environmental technologies, and retail and wholesale.
- There were 89 firms seeking office space, with total demand at 1.0m sq ft. A third of these were for the east of Kent, with Maidstone, Ashford and the Thames Gateway comprising 20% of demand, and the west accounting for 17% of enquiries. Grow-on space was the most sought after across Kent; some 80% of office demand was for space of under 5,000 sq ft. Demand was highest for manufacturing (25% of office demand), followed by food and agriculture, construction and property, and life sciences.

5.21 Moreover, some 62% of agents reported that the quality of offices did not meet clients' needs, and 42% reported the same for industrial property.

5.22 The primary reasons for the lack of development of commercial property, were reported in the Locate in Kent survey as being, in this order: lack of sufficient sites, insufficient land values, difficulty in obtaining planning permission and lack of finance. Despite the challenges though, some 74% of developers and investors did feel that Kent had become more attractive to developers and investors in the past five years.

What has been/is being done to resolve the issue?

5.23 Although the issue has not been resolved as yet, some schemes do exist, or are coming forward, that offer grow-on space for Kent's firms. However, unlike in Warwickshire and Cambridgeshire, the LEP has not been the driving force behind this:

- Numerous business incubator facilities exist across the county, with schemes to support the development of further incubator facilities, such as **Workspaces Kent**. Funded by the Growing Places Fund, Workspaces Kent offers loans at 0% interest of

[21] http://www.kentpropertymarket.com/wp-content/uploads/2013/10/kent-brochure-2015.pdf

up to £700,000 towards the development of start-up incubator space. Operated by SELEP, the Growing Places Fund acts as a revolving infrastructure fund, allowing it to continue supporting additional schemes even when the initial funding has been allocated. This is helping to address the requirement for incubator space, but does not resolve the shortage of grow-on space. Nevertheless, it shows one solution being adopted to encourage the development of business accommodation for small firms.

- Kent has had some success in planning for and accommodating grow-on firms, and indeed firms of any size, on its science parks:

  - **Discovery Park**, on the Kent coast at Sandwich, and one of two EZs in Kent, is a large science park comprising some 1.5m sq ft of business accommodation, focusing on life science, pharmaceuticals, biotechnology, science and technology, utilising the heritage of the site as a former Pfizer facility. When Pfizer announced they were to leave Sandwich, the facility was bought by a private consortium. Since then, various improvements have been made: SELEP provided £4.6m of funding to improve infrastructure; Dover District Council adopted a Local Development Order for the site which grants planning permission for certain types of development and adaption of premises on the site; and buildings have been refurbished. This includes a range of office and laboratory accommodation sizes, from start-up space to established business space, and with targeted support for start-ups.

  - With success Discovery Park has found it increasingly difficult to meet rising levels of demand, and more diverse requirements. An expansion of the EZ, to include Manston Business Park and Betteshanger Business Park, is being sought by SELEP. Part of the rationale for this expansion is: "*growth of the market for space for growing R&D-intensive small businesses is starting to increase demand for lower-cost start-up premises which could 'grow into' space offered at Discovery Park itself.*"[22] It is proposed that Betteshanger can provide a complementary offer to Discovery Park by focusing on smaller units with business and training support for early stage and start-up businesses, which could later take space at Discovery Park. It is intended that Manston will also be complimentary by offering industrial floorspace, especially in the manufacturing sector, which could accommodate those who are interested in locating at Discovery Park but could not be accommodated onsite, with the majority likely to be SMEs.

  - Set up 20 years ago, the **Kent Science Park** has grown to be a 500,000 sq ft science park, aimed at scientific research, technology, environmental, engineering, ICT and wider knowledge sectors, located to the south of Sittingbourne. The science park has a wide variety of business accommodation, starting from very small space for start-up firms, with space available from 180 sq ft and upwards. Grow-on space exists on site, in order

[22] Discovery Park Enterprise Zone, Business Case – Consideration of Enterprise Zone asks relating to incentives or extensions, DCLG

to accommodate growing businesses, with the intention that firms can flourish and grow on site.

- At the opposite end of the scale, some small private development has also occurred elsewhere. For instance, the Gallagher Group is developing **Nepicar Park**, a small, 15-unit, grow-on space facility, comprising industrial and trade counter units (B1/B8), starting at 1,500 sq ft, close to the M26 at Wrotham. However, it took three years to design a viable scheme, with the development coming forward in 2015, and these units were for sale, which would not suit many grow-on businesses that would prefer short term leases.

- Other developments that may offer opportunities in the future to address shortages of employment space include the development of the **Ebbsfleet Garden City**. However, as in Essex, this is in the early stages of development; any plans that come forward to build grow-on space are perhaps many years away from being realised.

- In addition, the **Kent Developers Group** provides a forum in which the issues that developers are facing can be discussed with the public sector, helping to bring to the attention of all stakeholders any issues that are holding Kent's developers back. This should provide for issues around grow-on space to be discussed, and potential solutions explored. As the Kent Developers Group part-owns Locate in Kent, the county's inward investment support agency, information about the scale and type of investment enquiries, at the smaller as well as the larger end, should be readily available to inform these discussions.

Summary

- Three comparator areas were considered, to show how other areas are dealing with a shortage of appropriate grow-on space, and in order to flag possible options in addressing the grow-on space issue in Essex:
  - **Cambridgeshire**. Cambridgeshire is characterised by an indigenous, high value economy with successive generations of start-ups and provision to accommodate growing firms, in an environment in which businesses of any size can thrive. But the city and surrounding area has experienced, and continues to experience, strong growth pressures on business accommodation, including grow-on space. As such, measures are being taken to ensure that grow-on space is developed, so as to not hold back the county's economic potential. The local LEP has given some emphasis to the issue, and has pushed for inclusion of grow-on space on its two enterprise zones, emphasising the role that this could play in supporting the growth of Cambridgeshire's high tech cluster.
  - **Warwickshire**. Grow-on space is an acknowledged issue, with the Coventry and Warwickshire LEP identifying a lack of grow-on space as a barrier to growth. Whilst some established grow-on space exists, including at the University of Warwick Science Park, there is a recognition that more is needed. The LEP has taken a strong role in driving the development of more grow-on space, and sought LGF monies to develop grow-on space at two sites. The LEP secured funding for space at one of those: Ansty Park.
  - **Kent.** As might be expected, there are some marked similarities with the situation in Essex. In both counties, there is a shortage of grow-on space, and indeed of commercial space more generally. In Kent, as in Essex, investment interest from the private sector has been limited, despite proximity to London. Kent is also within SELEP, and the grow-on space issue has not had the same exposure as elsewhere. However, expansion of the Discovery Park EZ may point to a way forward, and it is notable that Growing Places Fund monies are being used to encourage the development of incubator space through 0% interest loans.

6. Summary and indicative Action Plan

6.1 In this Section, we summarise the key findings from earlier Sections, in order to inform an indicative action plan. Having shown that there is indeed an issue around supply of desirable grow-on space in Essex, and explored how other areas are addressing this issue, we explore the potential options for Essex County Council and stakeholders.

The extent, causes and impact of 'the grow-on space issue'

To what extent is there a grow-on space issue in Essex?

6.2 It is clear from the evidence base that there is an issue of a lack of grow-on space for firms in Essex. This is shown in both data evidence, and from a series of consultations undertaken with stakeholders, agents, centre operators, businesses, and representatives of the business community. The evidence portrays a shortage of grow-on space across Essex, both for industrial and office uses. This is not to say that no development is happening at all. Indeed, recent and pipeline developments including Parkside Office Village at the University of Essex, and grow-on space being sought in Braintree and Ongar show that some development is occurring. However, supply coming forward is currently insufficient to meet demand.

6.3 The quantum of space is not the only issue facing the county around grow-on space. Due to this shortage, and the limited appetite in the private sector for this type of development, the available space across Essex for firms in this category is often old, and of poor quality. Parking is also cited as an issue for much of the available stock. There is a clear mismatch between business aspirations and what is available.

What are the causes of the shortage?

6.4 From consultation evidence, it appears that the lack of grow-on space in Essex constitutes a market failure: developers are not interested in developing grow-on space on the scale required by businesses, and to the quality which would meet their requirements. There are a number of reasons for this. Ultimately though, higher, and easier, returns can be achieved through development of other types of space – residential accommodation, large employment space – with grow-on space low down the list in terms of potential returns. Grow-on space is also higher risk for developers, given the generally flexible lease terms required and the lack of pre-lets from clients which typically have limited resources and shorter time horizons than well-established, larger firms. Stakeholders, agents, and others, believe that the current under-provision is not going to change without public sector backing.

6.5 Whilst a market failure in the delivery of incubator space for start-ups has been recognised, market failure in the provision of grow-on space is much less widely acknowledged. Strong public sector backing has to an extent addressed the lack of incubator space across the county, but the issue around grow-on space has not received the same exposure and concentration of public sector resource.

What is the impact of this shortage?

6.6 While Essex is not homogenous, and the 'grow-on space issue' is manifested in different ways across the county, the lack of grow-on space has adverse impacts across the county. It reduces the opportunities for securing business rates income and inward investment, and reduces the potential positive economic impact of helping Essex's firms to grow. In addition, firms often stay in incubator facilities for longer than they ought to, as a result of the lack of quality grow-on space to move into. This itself then has a detrimental impact on start-ups, as incubators are unable to accommodate interested firms. Indeed, waiting lists for some facilities are directly attributable to this. There may also be consequent and 'second-order' effects, as the constrained growth of a particular cohort of businesses prevents the further growth of these firms in subsequent phases, and also impacts on the effectiveness of local supply chains and business networks, limiting the growth of other firms in the county.

6.7 Resolving the grow-on space issue, therefore, could have a substantial positive effect on: the businesses accommodated; on the businesses that require access to incubator facilities, with space freed up for them as firms move out; for local authorities, through business rates growth and increased opportunities for inward investment; and for overall economic growth prospects across the county.

6.8 For the five districts included in our model, the conservative estimate of the positive impact that could be derived from developing the grow-on space required over the next ten years is that such developments would accommodate 4,800 jobs, bring in £330k in business rates income, and directly contribute £227m to Essex's GVA.

6.9 We have not attempted to model all 12 districts in the county, given the scope of the study. And simple arithmetic scaling-up would be unwise, given the range of local characteristics and experience. However, the fact that significant impacts are evident across each of these five districts, in different parts of the county, demonstrates that broadly similar impacts are likely across the county as a whole.

6.10 The model results indicate that the positive impact of addressing the grow-on space shortage is greatest, per sq m, where this space is office, rather than industrial. Overall, 55% of the floorspace requirement across the five districts we modelled is for office space. However, assuming the shortage of both types of space were remedied in these districts, some 75% of jobs, business rates and GVA impact achieved would be achieved through resolving the shortage of office-based grow-on space. This is a consequence of the higher job densities achieved in office space.

What grow-on space is needed in Essex?

6.11 Acknowledging the need for action, we sought to assess what grow-on space is required in Essex, including the type of space, the sectoral requirement, and in which locations.

What type of space is needed?

6.12 It is evident from the review of the current commercial market, that both office and industrial space are required. Across both office and industrial, high demand, and low supply, is evident. Supply of industrial space for grow-on firms is particularly tight, with only around one year's

worth of grow-on space supply available across Essex. Office supply is still in short supply, but here there is around 2.5 years' worth of supply.

6.13 Within Essex more specifically, the shortage of supply, compared to recent take-up, is particularly notable in Basildon and Rochford, where availability of grow-on space in July 2016 was just 16% and 14% of the three-year take-up to July 2016, respectively. Only in Epping Forest was availability higher than the three-year take-up total, but from a very low base. As such, the shortage of supply is an issue right across Essex.

6.14 From discussions with stakeholders, centre operators and agents, there is strong consensus that grow-on space should offer fairly flexible accommodation, with short term leases. It should also be of good quality, particularly given that many businesses will be leaving high quality business incubators to relocate to grow-on space. We found evidence of a notable requirement for high quality space, including sufficient parking, across the county. In some locations, there is a large supply of space, but of low quality. Places such as Basildon or Harlow are prime examples of this, where a significant amount of stock is old and no longer fit for purpose. In other locations, there may be little space at all. For instance, Braintree and Colchester are both rapidly growing districts, experiencing significant population growth in recent decades.

6.15 Space, of course, also needs to be affordable. Whilst not cited by stakeholders as a specific problem, affordability is likely a 'hidden issue'. For instance, if it was possible for higher rents to be charged than are currently charged across Essex, it would be more viable for developers to deliver the grow-on space required across the county. The fact that space is not being developed suggests that, if space were expensive enough that it would be viable for commercial operators, it would be unaffordable for prospective tenants. As such, rather than having space developed that no-one can afford, the space is not being developed to begin with.

Which sectors should we focus on?

6.16 Grow-on space appears to be an issue across all sectors, across the county. As such, in many cases, it may be reasonable to develop grow-on space that does not target particular sectors. In addition, consultations with stakeholders did not reveal that any one sector was most in need of grow-on space.

6.17 Nevertheless, some sectoral targeting for grow-on space may be justified. From experience elsewhere, grow-on space has been considered important for those sectors that are important to the local economy and have great growth potential. The same mind-set could also be used in Essex, playing to different areas' strengths, and future potential. This could help the development of businesses in these growth sectors, but also help encourage inward investment in these sectors, thus helping these growth sectors to reach their potential. Across Essex, these vary. For instance, based on documentary, data, and consultation evidence:

- in Colchester, Creative and Digital grow-on businesses could be a specific focus, given the strength, and growth potential, of the sector here, given the Council's commitment to developing the sector, as one of its priority sectors, shown by commitment to the development of the sector through the Creative Colchester strategic framework, through which recent investment in the Creative Business Centre is a key part

- in Basildon, a focus could be to develop grow-on space for Advanced Manufacturing firms, given Basildon's prominence in that sector in the South of England
- in Harlow, an appropriate focus of development may be on Life Science and Advanced Manufacturing-focused grow-on space, particularly with Public Health England due to move research functions to Harlow by 2024, linking into the Life Science cluster to the north around Cambridge, and exploiting the town's legacy of Manufacturing. The vision for the EZ is to develop some 51 ha of land to create a high tech cluster focused on Health and Allied Industries, Advanced Manufacturing and ICT
- in Uttlesford, Life Sciences may similarly be a focus, given linkages to the Cambridge cluster, and existing assets including the Chesterford Research Park; a Commercial Workspace Study undertaken for the District Council in 2015 identified a significant capacity for growth at that location
- in Chelmsford could also be the focus of Life Science-focused grow-on space, building on the success of ARU's MedTech campus and Business Innovation Centre. A partnership between ARU, Chelmsford, Harlow and Southend-on-Sea Councils, the MedTech campus aims to provide up to 50 ha of space for innovative Life Science firms across Essex.

6.18 Looking across broader areas of the county, the development of grow-on space targeting growth sectors could help Essex to achieve the aims of SELEP in developing identified growth corridors along the A127, A12, M11 and A120 through Essex, based on the development of specific sectors.

6.19 The socio-economic context in different areas across the county is also relevant. Where skills levels are higher, in the West and North in particular, there may be a case for more targeting of businesses in knowledge-focused sectors than elsewhere. This may also be the case based on the type of space in demand in each area and district i.e. whether the focus is on industrial or office space or both.

Where should ECC and partners focus their efforts?

6.20 As above, grow-on space is a common requirement across the county. Availability, based on recent transactions and current availability, seems to be particularly tight in Basildon and Rochford, but the grow-on space shortage appears to be an issue that needs to be addressed across the whole county.

6.21 Looking across Essex, there are some locations that show markedly higher levels of entrepreneurship than others – in broad terms, the West and North are more enterprising. There may be greater scope to develop a 'conveyor belt' of businesses coming through incubator space into grow-on space in these locations than elsewhere, as more new businesses are being created.

6.22 At the micro-level within districts, certain locations are likely to be particularly strong contenders for the development of grow-on space. Evidence from stakeholder consultations indicated that grow-on space can best be utilised, and potential positive impacts maximised, by developing space close to existing start-up space and other space, thus creating a 'whole lifecycle' ecosystem for businesses in a local area. It is important for many businesses to stay

locally, whilst some may require continued support, meaning that proximity to both business support from incubator facilities, as well as access to larger space to ultimately move on into is useful.

6.23 Given this scope, likely locations to focus on include the EZ at Harlow, the Knowledge Gateway, and potential University EZ, in Colchester, science parks and business parks, and close to existing incubators and other start-up facilities across the county, perhaps working with operators of these facilities to bring forward development.

6.24 The 'where' should also be considered in relation to the sector and type of space under consideration. Where the grow-on space is to target knowledge-intensive businesses, it may be worthwhile targeting science parks, for instance. Equally, whether the space to be developed is industrial or office should also be a factor in considering where best to build specific grow-on space.

What action or actions might be appropriate?

6.25 As a result of the evident differences in characteristics and circumstances across Essex, there is not a single set way to resolve the grow-on space issue; what might be needed, or what might work in one place, may not be needed, or may not be an option or indeed may not resolve the issue, in other parts of the county. As such, we do not prescribe a single solution, but discuss first the strategic options – 'do nothing', 'indirect actions', 'direct actions' – then provide a list of possible interventions which could be used to address the issue. Note that development of grow-on space does not necessarily mean new-build: in some areas, it may be cost-effective to refurbish vacant existing office/industrial space as grow-on space.

6.26 The options and possible interventions set out below were developed from discussions with stakeholders, agents, and centre operators from across Essex and beyond, and are informed by the solutions used by comparator areas. They are put forward for discussion, further work is required to test them, and ascertain which options would be viable to take forward in which locations. They have not been fully costed at this stage, and further research will be required to ascertain which options should be pursued, and in which locations. This high level assessment includes indicative levels of cost, risk and potential economic impact, but should be seen essentially as providing pointers, and suggestions as to where interventions may be most applicable, for specific sites and the quadrants more generally. It remains, however, broadly indicative: it should not be taken as ruling out these options, or a combination of options, in other locations.

Do nothing

6.27 We first consider the implications of not taking action. One option would be for the public sector to do nothing at all, and allow the market to address the shortage of grow-on space. However, as evidenced earlier in the report, the market is unlikely to address what is essentially a market failure in the provision of this space in Essex:

- The private sector does not want to develop this space, as more favourable returns can be found from developing other types of space – housing in the first instance, and if employment space has to be delivered, developers want to develop large accommodation, not small space for grow-on firms.

- Moreover, development land is in short supply, and there are other, less risky, and easier options for developers to take than to develop grow-on space. Developing this space is riskier due to the lack of pre-let activity, the generally short term leases required, and the nature of these businesses as less established firms.
- In addition, build costs are higher per sq m than for other types of employment space, with higher marketing costs, and potentially higher management/maintenance costs.
- Therefore, there is a clear market failure in the provision of this type of space, despite the strong demand for this sort of space from firms across the county.

6.28 As such, whilst 'doing nothing' would involve no direct cost to the public sector, the negative impacts of lack of grow-on space would continue. Indeed, these are likely to be exacerbated, as growth across the county will continue, but be focused to an even greater extent on housing, with a growing jobs deficit, more and longer commuting journeys, and increased demands on transport infrastructure. **Indicative financial cost to public sector: low.**

Indirect intervention

6.29 Indirect intervention by the public sector in the development of grow-on space may provide some possibilities including the following:

- On larger sites, it may be viable to develop grow-on space as part of a larger scheme, although developers may still be hesitant given higher returns to be found elsewhere. Nevertheless, on these sites, the **development of grow-on space might be secured by working with developers to include grow-on space as part of the employment space offer**. This may not be an option in many sites across Essex, given the lack of large sites, but there could be some instances where this could be encouraged. This approach could be appropriate across all quadrants, and might include developments such as the Airport Business Park in Rochford, the Essex University Knowledge Gateway, in the Harlow EZ, and at the Chesterford Research Park in Uttlesford. **Indicative cost to public sector: low.**
- **As plans emerge for new communities, grow-on space could be featured as a central tenet of their development**. This might then complement start-up space and larger space, creating a 'whole lifecycle' ecosystem for businesses in these communities. Building this into the plans for the communities from the outset could be key in ensuring that grow-on space is ultimately developed, especially as each community is likely to feature substantial business space developments. This approach would be most appropriate for the Haven Gateway quadrant, where three garden communities are expected to be created, in Braintree, Colchester and Tendring. **Indicative cost to public sector: low, but potentially medium, if looking for early intervention (which might then involve direct intervention).**
- **Planning allocations for specific sites as grow-on space.** This would ensure that specific sites are reserved for the development of grow-on space, ensuring that they cannot be developed for more lucrative uses. This allocation may also suppress land values on these sites, given the limits on the use of the land, which may make grow-on space deliverable on site, although if this occurred the existing landowner would

lose out. This would be an option across all quadrants, and might form part of the site allocation efforts for the development of each District Council's Local Plan. **Indicative cost to public sector: low.**

- **Rent guarantees from the councils, or empty space rates relief**. One of the reasons that the private sector may be hesitant to develop grow-on space is uncertainty around achieving returns. Typically, firms wanting this type of space want flexible, potentially short-term leases. In addition, these types of firms are unlikely to pre-let space. As such, investing in developing in grow-on space is inherently riskier than investing in larger space, with pre-lets secured or long term leasing arrangements more likely. As such, to reduce this risk, the public sector could look to provide some rent guarantee for the space, or provide rates relief based on empty space. This would then de-risk the development of grow-on space, and may provide the impetus needed to push the private sector into funding the development of grow-on space. Moreover, given the evidenced demand for this type of space across Essex, the risk to the public purse can be expected to be low, provided developments are of appropriate quality, and in the right places. This approach could be used across all quadrants of the county. **Indicative cost to public sector: low if space is taken, but potentially high if space remains unfilled.**

- **Interest-free loans to the private sector to develop grow-on space**. This would help to push the costs of developing grow-on space into the future, rather than having high upfront costs for developers. This may encourage some developers to come forward with the development of grow-on space. Although it would not de-risk the development, or indeed reduce the costs, by pushing the costs into the future, it could nevertheless help to bring forward the development of grow-on space, particularly if there are developers that are more inclined to develop this space, regardless of better returns to be had elsewhere, but that do not have the monies up-front to develop space. This model has been used in Essex, for instance, on the development of the Parkside Office Village grow-on space at the University of Essex, and could be applied to any quadrant. **Indicative cost to public sector: low, in the long term.**

- **Gifting land to developers to build grow-on space**. Where Councils own land, they could gift the land to developers, in order to make the development of grow-on space viable. Viability could be improved further if the Council invests in getting key enabling infrastructures in place on site. There might also be a case for land swapping, rather than gifting, where the Council owns prime land, and a developer is willing to develop grow-on space if a swap for their land can be agreed. The applicability of this approach is likely to vary substantially by district, with some owning very little land. However, where they do, this approach could be appropriate across all quadrants. **Indicative cost to public sector: potentially high, in terms of sunk costs.**

Direct intervention

6.30 Direct intervention by the public sector in the development of grow-on space may be a desirable option in some instances. It could also potentially deliver a revenue stream for councils, helping achieve corporate aims as well as economic benefit. There are a number of possible approaches, which could be relevant in particular situations:

- **Using business rates retention as a way of securing loan funding to fund the development of grow-on space**. The intention would be for the public sector to secure a loan based on the future income that the grow-on space would bring, helping to repay the loan. Currently, the only place where this would be an option would be within the Harlow EZ, as this is the only area in Essex that can retain business rates increase currently. Indeed, this is already being trialled at the EZ; permission has been secured from the SELEP board to borrow against future business rate uplift on the site to fund investment. This could act either as a pilot of a model that could then be rolled out across the county in the long run, or as a demonstrator to the private sector that such developments can work. It has been mooted that, ultimately, all local authorities will be able to retain increases in business rates income. As such, this may be an option across Essex in the long-run. Monies from the Public Works Loan Board would be one option as a funding mechanism. This intervention will only be applicable in West Essex initially, and specifically Harlow EZ, but may be an option for all quadrants ultimately. **Indicative cost to public sector: low if space is taken, but potentially high if space remains unfilled.**

- **Funding the development of sites directly**. In some areas, especially where market failures are strongest, it may be impossible to encourage private sector developers bring forward space, regardless of incentives, or indeed for the public sector to be able to secure loan funding. As such, it may be necessary for the public sector to invest directly into development of space, either directly from the Council purse, or by applying for public sector funding from other sources, such as the Local Growth Fund. The ability for Councils to do this from their own funding will vary considerably across Essex. Braintree has access to a £28m fund for development. Here, grow-on space is seen as a way of driving economic growth and developing a revenue base for the Council, which is already on site with one scheme in Braintree itself. But in other areas, access to funding is more limited. Nevertheless, whilst high cost, the potential positive impact, in areas where market failures are strongest, could be considerable. This may best be done close to existing public sector assets, as a natural extension to existing start-up facilities, with the potential for additional revenue helping to make these other facilities themselves more viable. One potential example here might be a site adjacent to Essex County Council's Clacton Enterprise Centre. This approach is likely to be most appropriate where Councils have money for development, or where market failures are particularly entrenched. This approach may be most applicable to the Haven Gateway. **Indicative cost to public sector: high.**

- Where there are no development sites available on which it is possible for the public sector to drive the development of grow-on space indirectly, or indeed sites owned by the Council that can be developed directly, it may be necessary to **acquire land**. Some District Councils may lack the funding to do this. As such, in some parts of the county, it may be necessary to provide additional backing for site acquisition efforts. Once sites are in public sector ownership, it would then be easier to drive forward the development of grow-on space through indirect or direct intervention. This might include the public sector leading the development of grow-on space itself, or perhaps then gifting land to a developer, or developing just the necessary enabling infrastructures, on the proviso that developers then build grow-on space on the site. Acquisition of land alone will not necessarily lead to the development of grow-on

space. This would be appropriate where indirect interventions alone will not work due to the extent of the market failure in developing grow-on space, but where Councils do not have land to drive forward for development as grow-on space already. This might be most applicable in some parts of the Haven Gateway and South Essex. **Indicative cost to public sector: high.**

Summary of options

Table 6-1: Summary of options for addressing the shortage of grow-on space across Essex, including indicative costs, potential adverse impacts to the public purse, the likelihood of this adverse impact occurring, and the potential economic impact of implementing each option[23]

	Indicative level of cost to public sector in Essex	Potential adverse impact on public sector finances	Likelihood of adverse impact on public sector finances	Likely economic impact of adopting option
Do nothing	Low – there would be no direct cost to the public sector of doing nothing.	Low – given the lack of costs, the risk incumbent on public sector finances is also low.	Low – again, no risk, due to lack of cost.	Low – with the evident market failure in the supply of sufficient grow-on space across Essex, 'doing nothing' is unlikely to lead to the issue being resolved.
Indirect intervention				
Planning on large sites	Low –minimal cost to the public sector (apart from cost of meetings).	Low – given the minimal costs, the risk incumbent on public sector finances is low.	Low – again, low risk, due to minimal cost.	Medium – this may have an impact where large sites exist. However, there are few of these in large parts of the county. Moreover, grow-on space will likely be amongst the last space developed, if at all.
Master-planning for new communities	Low – zero cost, unless the intention is to bring forward development early – given the likely desire amongst developers to develop this late on, direct intervention may be required to bring forward.	Low – given the lack of costs, the risk incumbent on public sector finances is low.	Low – again, no risk, due to lack of cost.	Medium – high impact for communities implicated, as would ensure optimal provision. However, will only be relevant in a handful of situations (garden communities), and will take years to implement.

[23] Green denotes low cost, low potential adverse impact on public sector finances, low likelihood of any adverse impact on public finances occurring, and high economic impact (i.e. the most desirable of each category); red indicates the opposite

	Indicative level of cost to public sector in Essex	Potential adverse impact on public sector finances	Likelihood of adverse impact on public sector finances	Likely economic impact of adopting option
Planning allocations in Local Plans	Low – there would be no direct cost to the public sector.	Low – no risk, as there are no costs involved.	Low – again, no risk, due to lack of cost.	High – will make grow-on space more deliverable, and will ensure land can only be brought forward for grow-on space development.
Rent guarantee/ empty space rates relief	Low – not having to invest directly into development would spare the public sector substantial costs.	High – if space is not taken, the cost of maintaining the facility could be high.	Low – demand is clear across the county, so securing tenants should not be a problem.	Medium – will have an impact where the reason that space is not being developed is primarily due to risk around level of returns on the investment. However, returns would still be higher on larger space, costs lower, and residential development would still be a more attractive prospect than employment space.
Interest-free loans for developers of grow-on space	Medium – although this would involve zero cost ultimately, as loans are paid off, providing loans would have implications for the public sector funding pot in the shorter term.	High – it is possible that developers could default on loans.	Low – demand is clear across the county, so there should be little risk of developers not being able to service their loans.	Medium – the impact of each individual scheme would be high, whilst this could also bring developments forward. However, one of the major issues is that many developers are not interested in grow-on space due to low returns on their investment. This option is unlikely to change that equation, and will appeal most to the few developers that might pursue this type of development

	Indicative level of cost to public sector in Essex	Potential adverse impact on public sector finances	Likelihood of adverse impact on public sector finances	Likely economic impact of adopting option
Gift land to developers	High – although gifting land will not directly cost Councils anything, it would involve disposing of assets of potentially significant monetary value. There would therefore be high sunk costs.	High – gifting land and putting in place enabling infrastructures will be difficult to justify if development does not come forward, when land might have been sold or retained otherwise.	Low – Councils may insist that grow-on space is built as part of the land gift.	High – taking land acquisition costs out of the viability equation could encourage developers to come forward to build schemes
Direct intervention				
Secure loan funding	Low – by securing loan funding, the cost to the public purse would be minimised, although interest would be a cost to consider.	High – if space is not filled, servicing any loan could prove costly.	Low – demand is clear across the county, so securing tenants should not be an issue, as long as demand for each specific facility is well-established.	High – by directly ensuring the development of grow-on space, there would be a substantial positive impact, with this option potentially pursued across much of the county.
Directly fund development	High – developing grow-on space directly would be costly. However, this could be reduced if monies are secured from government/LEP.	High – if space is not filled, the costs of having built the facility may not be justifiable.	Low – demand is clear across the county, so securing tenants should not be an issue, as long as demand for each specific facility is well-established.	High – by directly ensuring the development of grow-on space, there would be a substantial positive impact, with this option potentially pursued, particularly where funding from government can be secured, across much of the county.

	Indicative level of cost to public sector in Essex	Potential adverse impact on public sector finances	Likelihood of adverse impact on public sector finances	Likely economic impact of adopting option
Land acquisition	High – it could prove costly to purchase land, particularly the closer to London this is; costs involved would likely be lower further away from London.	High – securing land will not necessarily mean that funding for grow-on space will be available to then build on land acquired.	Low – acquisition could be undertaken only where there is a clear commitment to grow-on space.	Medium – there would be no direct impact of land acquisition support. However, this would enable those areas without land, large developments, or money, to pursue grow-on space on particular sites, perhaps through the other direct intervention options

Source: SQW analysis

Wider requirement – making the case for intervention

6.31 It is clear that there is a substantial grow-on space shortage in Essex, that holds back the local economy, but is not recognised in local policy or strategy, and is not currently being addressed in LEP strategy. Evidence from this study, including a selective assessment of actions taken elsewhere, indicates that in addition to any indirect or direct action to realise or support the development of business grow-on space, the **County Council has an important role to play in highlighting this issue. This is not only to District Councils, which need to do more to recognise the issue and propose actions in local plan employment policies, but also to the LEP, which has not acknowledged the issue and prioritised its resolution to the same degree as other LEP areas, where funding has been secured for grow-on space.**

6.32 This study is in itself insufficient to identify specific sites and specific cases for investment, but it is the first step in acknowledging and exploring this issue across the county. If the broad extent of the issue, and the parameters for action are accepted by the County Council, **further research should be undertaken to ascertain which initiatives should be pursued, on what terms and in which locations.** This could include: a larger survey of local businesses to see what they require; consultation with developers, to explore further why they are not developing grow-on space, and ask them what it would take to make them do so; further modelling of the potential benefits in specific locations, both to existing firms and from in-movers.

Annex A: Consultee list

A.1 The following people have been consulted for the study.

Table A-1: Consultations completed

Organisation	Consultee	Role
Essex-wide public sector stakeholders		
Essex County Council	Simon Hughes	Essex Property and Facilities
	Matthew Jericho	Spatial Planning Manager
Invest Essex	Simon Papworth	Invest Essex Manager
District Councils		
Basildon Council	Gunilla Edwards	Economic Development Manager
Braintree Council	Janet Whyte	Economic Development Officer (Infrastructure)
Chelmsford Council	Mike Smith	Inward Investment, Economy & Growth Officer
Colchester Council	Fiona Duhamel	Economic Growth Manager
	Jim Leask	Economic Development Practitioner
Harlow Council	Julie Houston	Strategy and Economic Development Manager
	Andrew Bramidge	Project Director – Enterprise Zone
Essex-wide private sector stakeholders		
Essex Chambers of Commerce	David Burch	Director of Policy
Agents		
Ayers & Cruiks	Darrell Clarke	Commercial Negotiator
Glenny	Daniel Wink	Commercial Surveyor
Kemsley	Tim Collins	Commercial Property Surveyor
Lambert Smith Hampton	Paul Fitch	Commercial Property Manager
Whybrow	Mark Mannering	Head of Commercial Agency
Business centre operators		
Anglia Ruskin University	Paul Thomas	MedBIC Manager (Interim)
Colbea	Bob Baggalley	Chief Executive
Earls Colne Business Park	Malcolm Hobbs	Manager
Essex Enterprise Centres (Basildon, Ongar, Clacton)	Richard Bailey	Inward Investment Manager
Ignite (Braintree)	Liz Storey	Chief Executive Officer
Lynderswood Farm	Fiona Waugh	Estates Director/Manager
Oxford Innovation	Chris Allington	Managing Director
Strutt & Parker Farms (Chelmsford)	Patricia Fulcher	Property Manager

Organisation	Consultee	Role
Essex-wide public sector stakeholders		
Whitbreads Business Centres	Patricia Fulcher	Property Manager
Businesses		
Six businesses consulted, as business case studies		

Source: SQW and BBP

Annex B: Additional data analysis

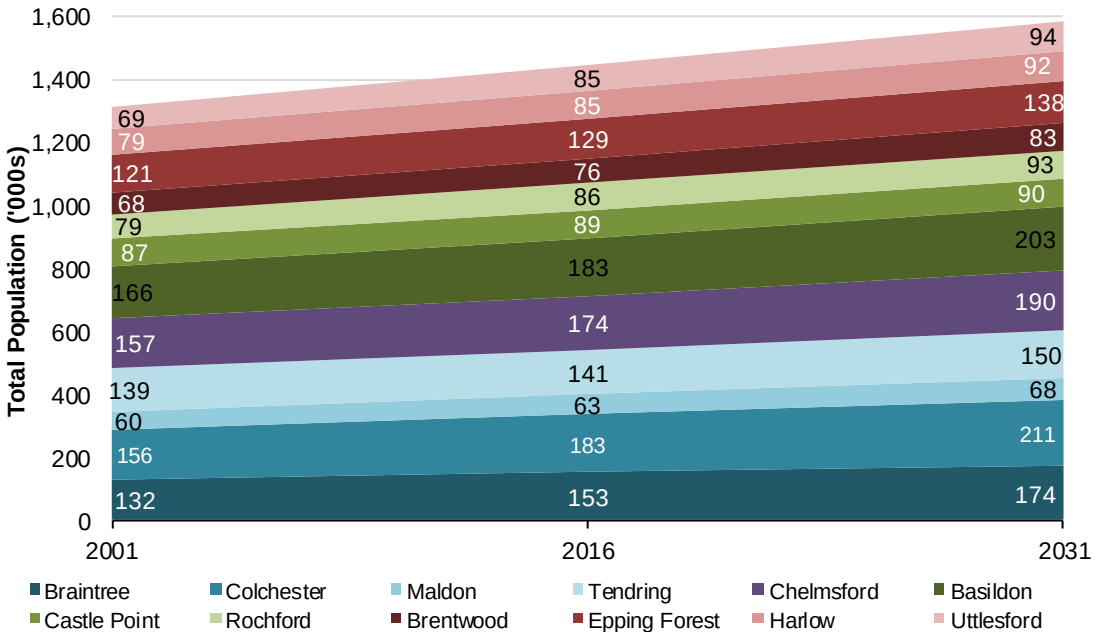
Socio-economic context

Population

B.1 In 2016, the total population of Essex is just under 1.5m. This is focused on the districts which contain Essex's largest towns and cities: Colchester, Chelmsford, Basildon and Braintree together account for almost half of the county's population. Most growth in the past 15 years has also been in these locations, with growth particularly strong in Braintree (16%) and Colchester (18%). The exception is rural Uttlesford, where the population grew by 23% between 2001 and 2016, but from a very low base. By comparison, the UK grew by 11%.

B.2 Looking forward, the population is expected to continue to grow strongly; growth of 9% between 2016 and 2031 is expected, compared to 8% in the UK overall. Growth is expected to continue to be focused on the major towns and cities, with growth of 15% expected in Colchester, 13% in Braintree, and 11% in Basildon. Again Uttlesford is expected to see high levels of growth, at 11%, despite its rural nature.

Figure B-1: Total population of districts in Essex County Council area, 2001 to 2031



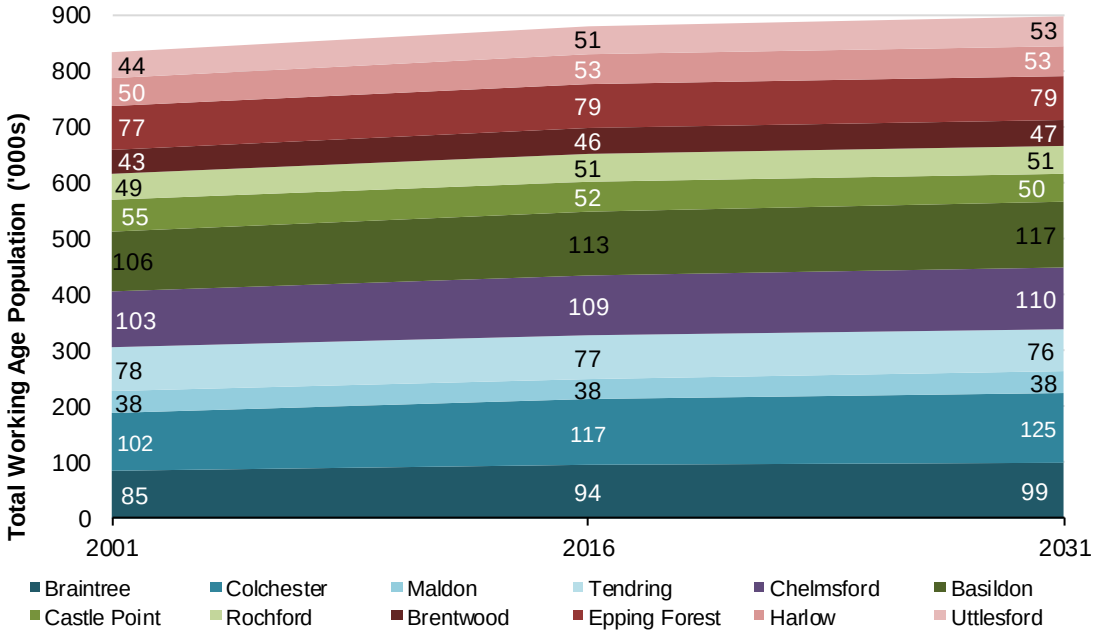
Source: SQW analysis of Cambridge Econometrics data

Working Age Population

B.3 The working age population (WAP) of Essex in 2016 totals some 881k. As would be expected, this is concentrated on the districts with the main towns and cities: Colchester, Basildon, Chelmsford and Braintree contain almost half the county's working age population. Perhaps more surprisingly, the WAP of Essex grew by only 6% between 2001 and 2016, compared to 9% for the UK. However, growth in the past 15 years has been concentrated in the same locations (Uttlesford witnessed growth of 16%, Colchester 14%, Braintree 11%).

B.4 Over the next 15 years, growth in WAP is forecast to slow to 2% in Essex, compared to 1% in the UK overall. Growth will be highest in Colchester (7%) and Braintree (5%), with the WAP actually shrinking in four of the 12 districts.

Figure B-2: Total Working Age Population (WAP) of districts in Essex County Council area, 2001 to 2031



Source: SQW analysis of Cambridge Econometrics data

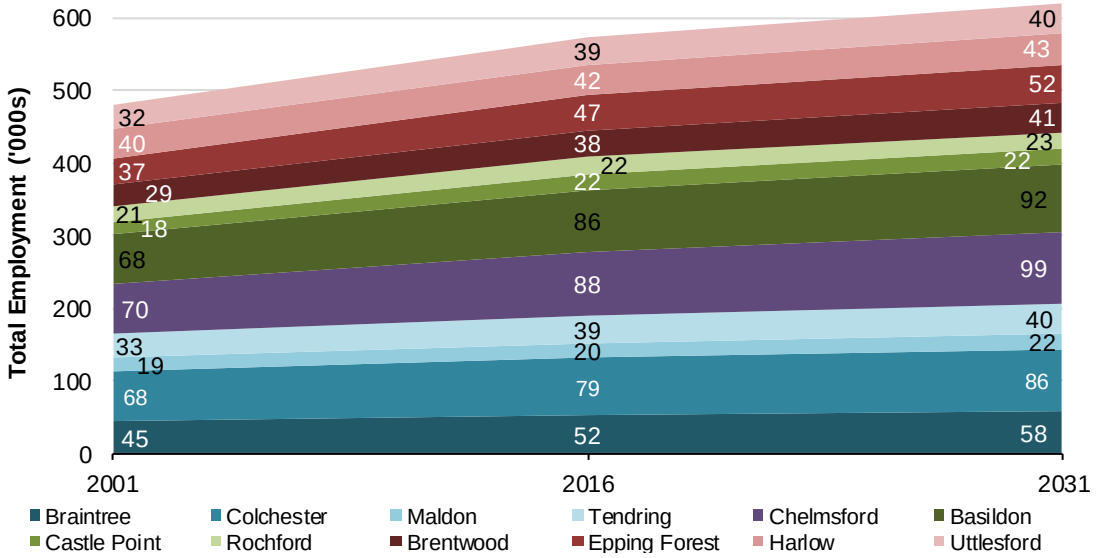
Employment total

B.5 As of 2016, employment in Essex stands at 574k. It is highest in Chelmsford, Basildon and Colchester, which together account for 44% of the total.

B.6 The Essex total has increased by almost 100k since 2001 – a growth of c.20% compared with the WAP increase of c. 6%. In the intervening period employment has fluctuated in line with changing economic health, and in particular with the recession, but it now stands at its highest level. This impressive rate of growth was well above the UK average of 8%. In some districts growth was even higher, notably those districts closest to London and on the main arterial routes into London; growth was highest in Brentwood (29%), followed by Epping Forest (28%), Basildon and Castle Point (both 26%), and Chelmsford (25%), demonstrating that, even as London boomed, some parts of Essex was able to achieve significant jobs growth. By comparison, districts in the east, and Harlow in the west, grew by much lower rates than the Essex average, with the latter growing by only 4%.

B.7 Growth is expected to continue over the next 15 years, although at a lower rate of 8%, compared to growth in the UK overall of 7%. This is equivalent to an increase of 45k jobs by 2031. The most significant growth in both absolute and proportional terms is expected to be in Chelmsford, where growth of 14% is forecast, with 12k additional jobs. Again, the districts of the east and Harlow are expected to see the lowest growth rates, alongside Castle Point, which is the only district expected to have lower employment in 2031 than 2016.

Figure B-3: Total employment of districts in Essex County Council area, 2001 to 2031



Source: SQW analysis of Cambridge Econometrics data

Industry

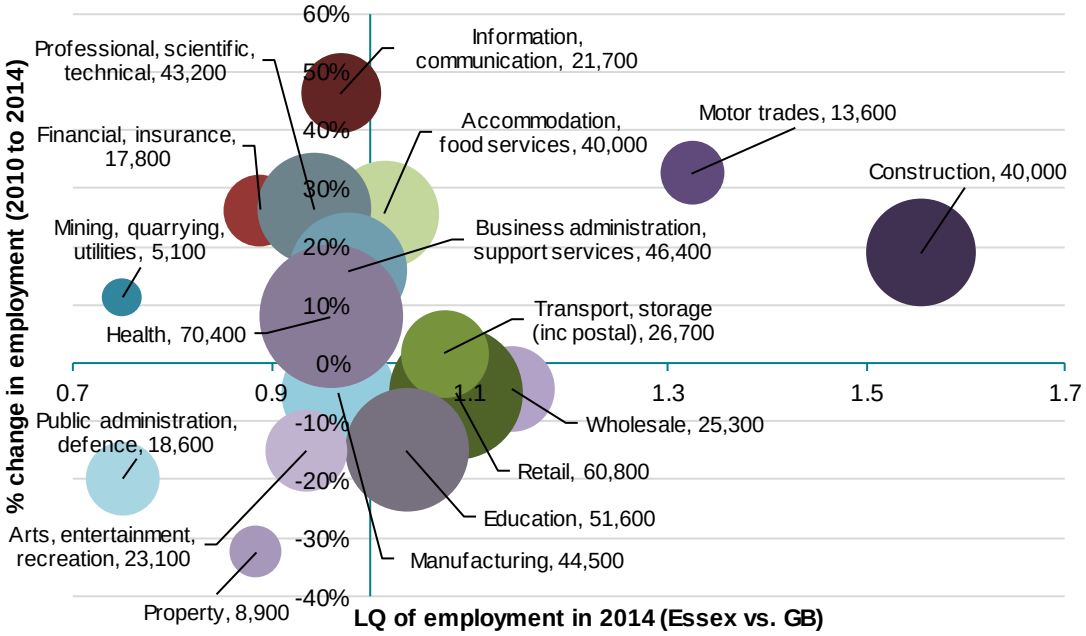
B.8 Looking at employment by sector, Health is by far the largest sector in Essex, with 70,400 jobs in 2014. It is, however, still slightly underrepresented in Essex (using location quotients (LQs) for Essex versus Great Britain[24]). Retail is the next most important sector, with 60,800 jobs and an LQ of 1.09.

B.9 The sector that is most concentrated in Essex, when compared to elsewhere, is Construction, with an LQ of some 1.56 and 40,000 jobs. Despite only having 8% of all jobs in Essex, Epping Forest accounts for 16% of all Construction jobs in the county, with 6,500.

B.10 The Motor trades sector is also particularly concentrated in Essex relative to elsewhere (LQ 1.32), whilst Public Administration and Defence and the sector including Mining, Quarrying and Utilities are relatively underrepresented (LQs of 0.75).

[24] The LQ is calculated by calculating the proportion of each workforce (Essex and Great Britain) that is made up of workers in each sector, and dividing the two results for each sector, to see where sectors comprise a higher proportion of the total workforce in one geography than the other. In this instance, an LQ figure over 1 = more concentrated in Essex than Great Britain.

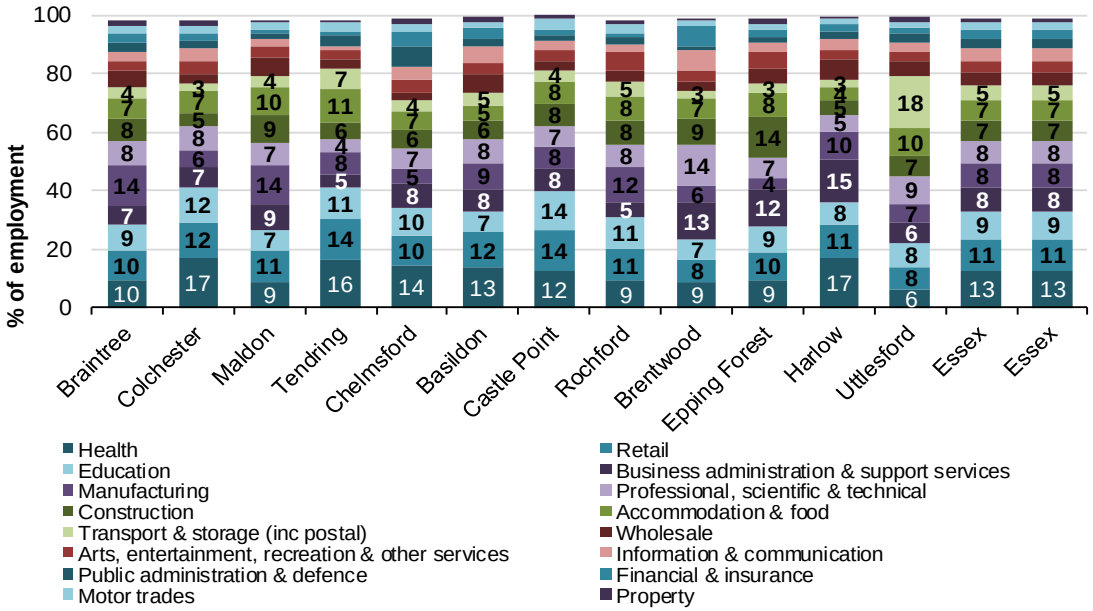
Figure B-4: Total employment (2014), growth in employment (2010 to 2014) and LQ for employment (2014, Essex versus Great Britain) by sector[25] [26]



Source: SQW analysis of Business Register and Employment Survey data

B.11 Within this overall employment, the individual districts present different pictures. For example, the eight sectors shown make up a much higher proportion of employment in Maldon (62%) than they do in Tendring (44%).

Figure B-5: Percentage of employment in given sectors (2014)[27]



Source: SQW analysis of Business Register and Employment Survey data

[25] X-axis = LQ of workplace-based employment in Essex, by sector 2014 (LQ figure over 1 = workplace-based employment in these sectors more concentrated in Essex than the UK). Y-axis = change in workplace-based employment between 2010 and 2014. Size of bubble = total workplace-based employment in each sector in 2014

[26] Chart excludes Agriculture, Forestry and Fishing

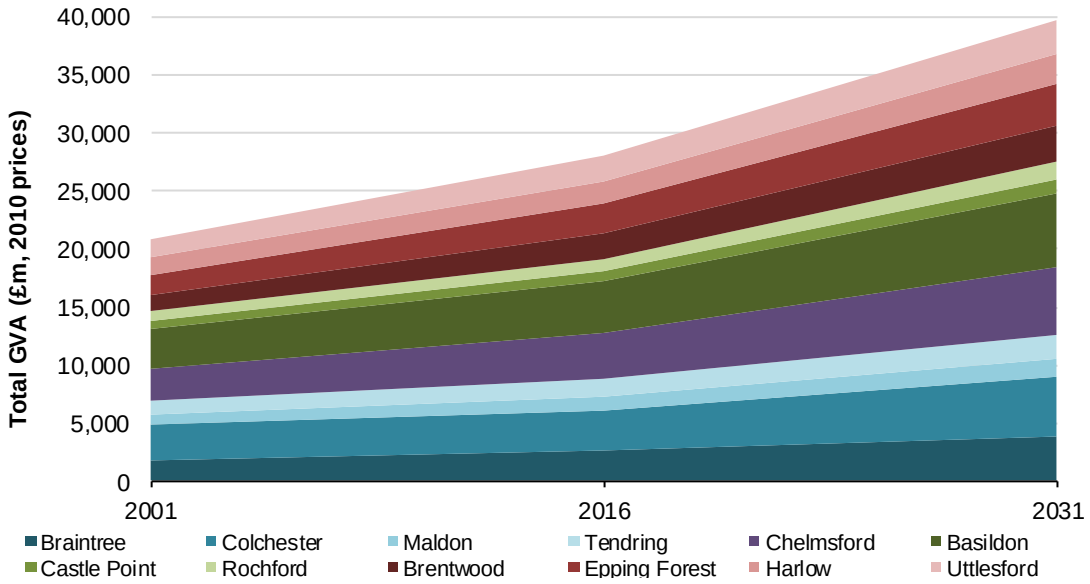
[27] Chart excludes Agriculture, forestry and fishing, and Mining, quarrying and utilities

GVA

B.12 In 2016, GVA in Essex stands at £28bn. Basildon, Chelmsford and Colchester comprise 43% of the total. Since 2001, GVA has grown considerably, despite the recession in the late 2000s. Overall, GVA grew by 34% between 2001 and 2016, slightly higher than the 32% growth seen in the UK overall. Growth rates were particularly high in the south west of Essex, in those districts closest to London, with growth of some 50% in Brentwood and 47% in Epping Forest. Growth was much lower in the east of Essex and Harlow, with growth lowest in Colchester (16%). The highest growth in absolute terms was seen in Basildon and Chelmsford; both economies grew by over £1.8bn between 2001 and 2016.

B.13 Growth between 2016 and 2031 is expected to be higher than the previous 15 years, at 42% across Essex, just slightly slower growth than the UK overall (43%). The strongest growth is expected in Braintree (49%) and Chelmsford (47%), with the lowest growth rate in Castle Point (29%) and Tendring (31%).

Figure B-6: Total GVA of districts in Essex County Council area, 2001 to 2031



Source: SQW analysis of Cambridge Econometrics data

Productivity

B.14 Labour productivity across Essex averages £40k, somewhat lower than the UK average of £44k. However, average productivity varies greatly across Essex; labour productivity is much higher than the Essex average, and above the average for the UK, in Brentwood (£48k), Basildon and Uttlesford (£45k), but is much lower in Tendring (£31K) and Castle Point (£32k).

B.15 Between 2001 and 2016 labour productivity in Essex grew by just 8%, compared to growth of 17% in the UK overall. As with labour productivity overall, productivity growth varied greatly across Essex, rising by some 19% in Braintree and 16% in Harlow, but falling by 1% in Colchester.

B.16 Looking forward, labour productivity is expected to increase by 32% between 2016 and 2031 across Essex, slightly below the increase expected in the UK. The increase will vary across Essex: it will be as high as 35%, in Basildon, and as low as 27%, in Tendring.

Table6-2: Labour productivity (£'000s, 2010 prices) by district

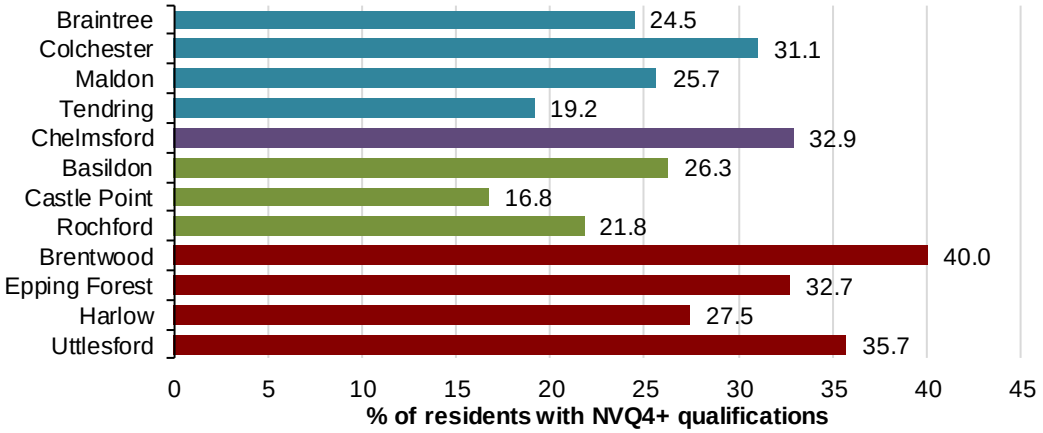
	2001	2016	2031	% increase 2001-2016	% increase 2016-2031
Braintree	33	40	52	19	32
Colchester	38	38	50	-1	33
Maldon	39	44	58	13	32
Tendring	29	31	40	8	27
Chelmsford	36	38	50	7	29
Basildon	44	45	61	3	35
Castle Point	32	32	42	3	29
Rochford	31	35	45	12	31
Brentwood	43	48	64	11	34
Epping Forest	37	41	53	9	31
Harlow	35	40	53	16	31
Uttlesford	42	45	58	8	30
Essex	37	40	53	8	32
UK	37	44	58	17	34

Source: SQW analysis of Cambridge Econometrics data

Skills

B.17 At 28%, the proportion of residents in Essex with high level skills (NVQ4+ qualifications[28]) is much lower than across the UK overall (35.9%). There is also significant variation between the districts of Essex. Averaged across 2013-2015, the proportion of residents with NVQ4+ qualifications was highest in Brentwood (40%), which was the only district with a higher proportion than the UK average, and lowest in Castle Point, at just 16.8%.

Figure B-7: Proportion of residents with NVQ4+ qualifications, three-year average for 2013 to 2015, by district



Source: SQW analysis of Annual Population Survey data

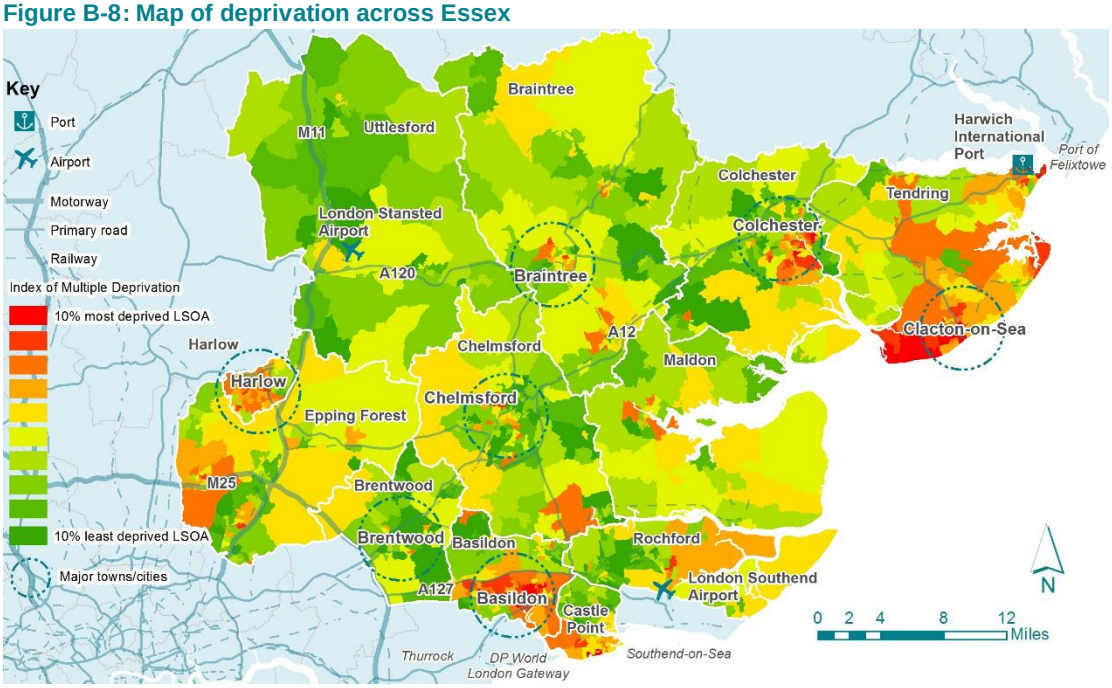
Deprivation

B.18 Levels of deprivation vary greatly across Essex. Severe deprivation is found along the Tendring coast and around Basildon and in pockets elsewhere, but much of the rest of the county is relatively affluent, particularly the north west and large parts of the central area.

[28] All NVQ4+ analysis undertaken as a three-year average for 2013 to 2015

Whilst some 28% of lower super output areas (LSOAs) in Tendring, and 24% of those in Basildon, are in the 20% most deprived in England, no LSOAs in Uttlesford, Maldon or Brentwood fall into this category. At the opposite end of the scale, some 49% of LSOAs in Rochford and 48% in Brentwood are in the 20% least deprived LSOAs in England, compared to 2% in Tendring and 6% in Harlow.

Figure B-8: Map of deprivation across Essex



Source: Produced by SQW (2016). Contains Index of Multiple Deprivation data (2015). Contains Ordnance Survey data © Crown Copyright and database rights (2015) Licence number 100030994.

Business Demography

B.19 The number of businesses across Essex varies greatly by district, as does business churn; some parts of south west and central Essex are highly enterprising, but coastal areas of east Essex are much less so.

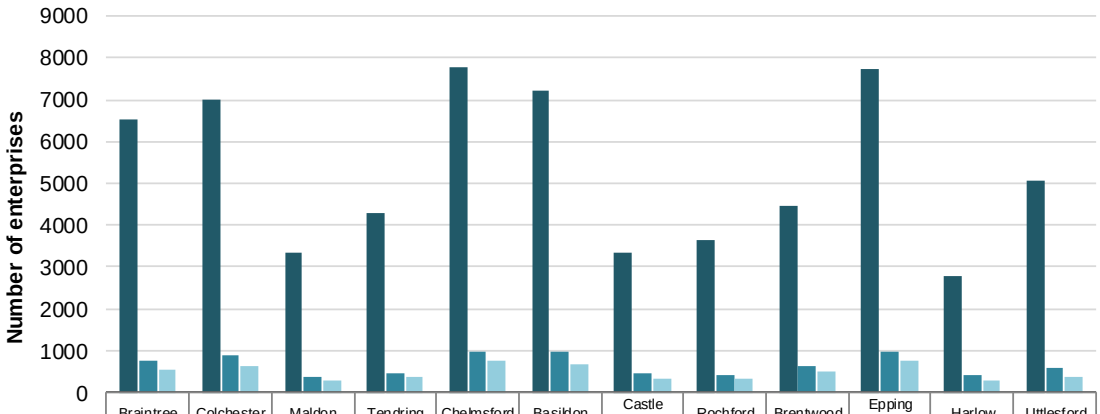
- There were over 63,000 businesses in Essex in 2014, out of 2.6m across the UK 2.5% of the total. The largest number of businesses were based in Chelmsford (7.8k), Epping Forest (7.7k) and Basildon (7.2k), with the smallest number in Harlow (2.8k), Maldon and Castle Point (both 3.3k).

- In 2014, when GDP was growing fairly consistently but also fairly slowly (0.5% to 0.8% per quarter) 8,000 businesses were created in Essex, 2.3% of the total number of businesses created in the UK in that year. The highest number of business starts was in Epping Forest, Basildon and Chelmsford (1.0k), with the lowest in Maldon, Harlow and Rochford (0.4k). The highest start-up rates were in Brentwood and Harlow (where business starts were equivalent to 14.4% of active enterprises), with the lowest in Tendring (10.8%).

- In total, 5,900 businesses ceased operation in 2014 in Essex, 2.4% of the total number of business closures in the UK in that year. Some 800 of these were in Epping Forest and Chelmsford.

- Businesses founded in Essex in 2011 have been more likely to survive than those across the UK overall. Overall, 62.3% of businesses survived for at least three years in Essex, compared to 60.5% in the UK overall. The survival rate varied substantially across the county: it was particularly high in Maldon (71.0%), Colchester (65.4%) and Castle Point (65.2%), but low in Harlow (56.1%) and Basildon (57.5%).

Figure B-9: Number of active enterprises, enterprise births and deaths in 2014, by district



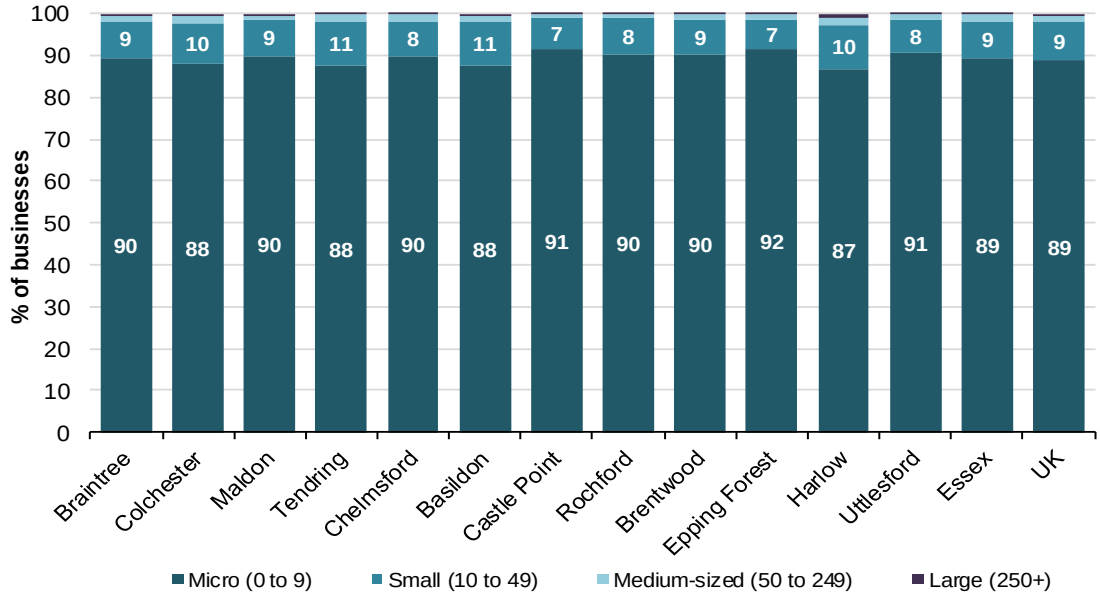
	Braintree	Colchester	Maldon	Tendring	Chelmsford	Basildon	Castle Point	Rochford	Brentwood	Epping Forest	Harlow	Uttlesford
Active	6550	7005	3325	4300	7760	7240	3345	3650	4480	7725	2780	5045
Births	780	890	375	465	985	990	450	435	645	995	400	595
Deaths	555	650	270	375	760	675	340	330	480	770	265	385

Source: SQW analysis of Business Demography data

Business Characteristics

B.20 The vast majority of businesses across Essex are micro-businesses (89%), in line with the UK overall. There is very little variation between districts; a slightly higher proportion of businesses are micro-businesses in Epping Forest (92%), Castle Point and Uttlesford (91%), with a slightly lower proportion in Harlow (87%). Across Essex, there are 180 large businesses (employing 250+ people), 0.3% of the business base, with 30 of these in Colchester, 25 each in Basildon and Chelmsford, and 20 in Braintree.

Figure B-10: Size of businesses in 2015, by district



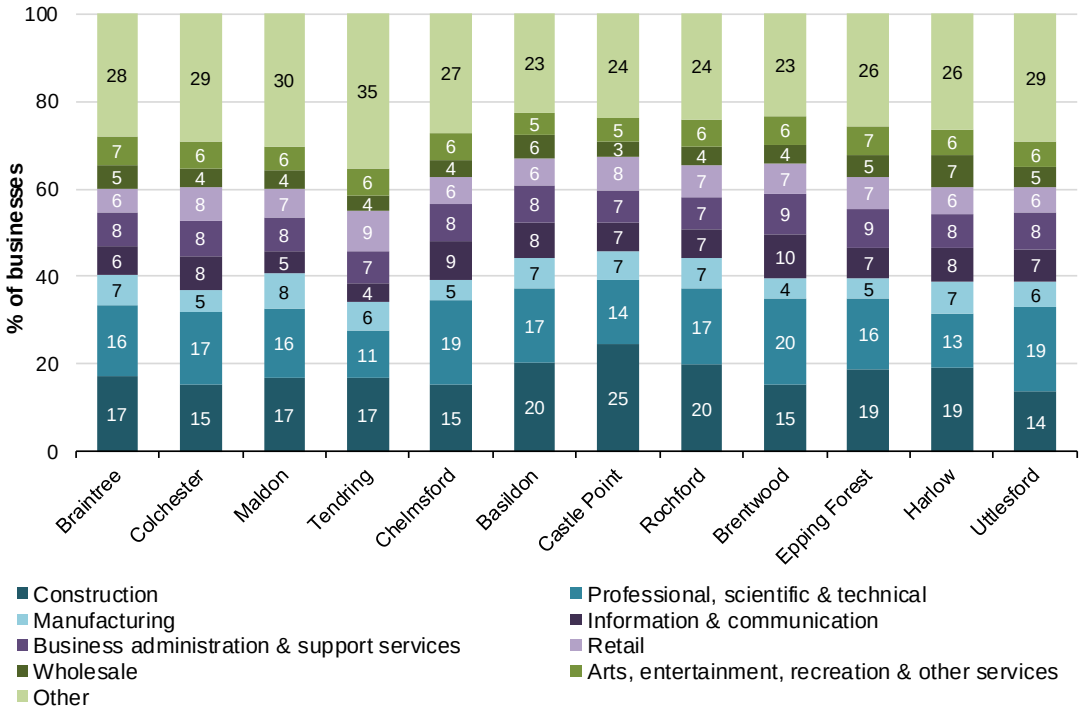
Source: SQW analysis of Business Counts data

B.21 Construction is the most common sector of business activity in Essex, in 2015, with 17.4% of all businesses operating in this sector, followed by Professional, Scientific and Technical activities (16.6%). Construction is the most common sector in eight districts, with Professional, Scientific and Technical activities most common in four (Brentwood, Chelmsford, Colchester and Uttlesford).

B.22 Construction businesses are particularly concentrated in Castle Point (24.7% of all businesses), more than twice the proportion across the UK (11.6%). Although just 13.5% of businesses in Uttlesford are in the Construction sector, this is still above the UK average.

B.23 Brentwood is particularly concentrated in Professional, Scientific and Technical activities, with 19.7% of businesses in that sector, compared to 16.6% across the UK overall, but just 11.0% of businesses in Tendring operate in this sector.

Figure B-11: Sector of business activity, by district, 2015



Source: SQW analysis of Business Counts data

Business Space

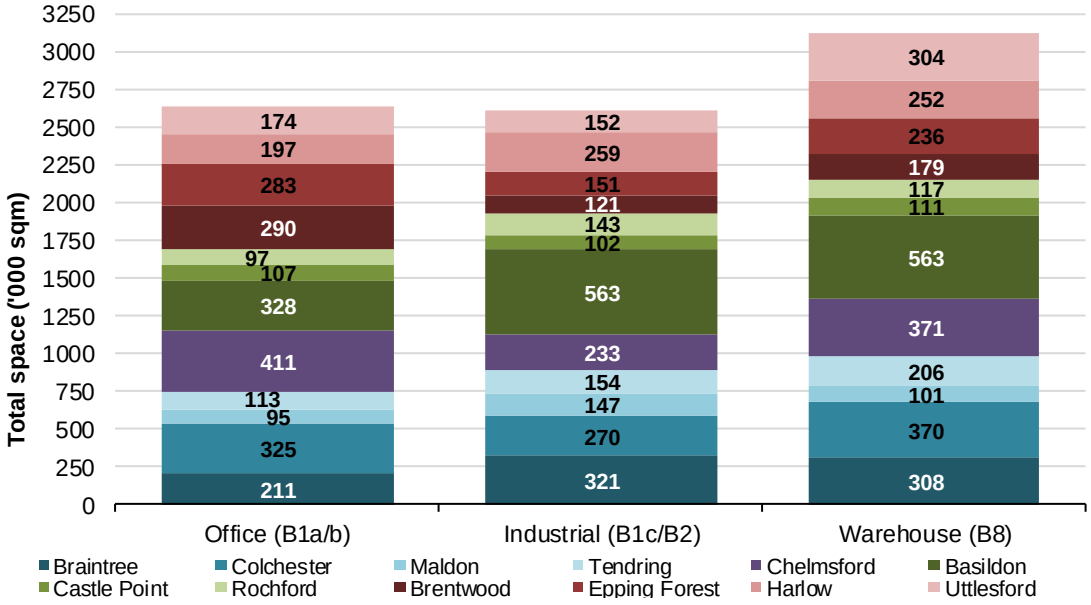
B.24 Overall, in 2016, there is some 8.36m sq m of B1/B2/B8 floorspace across the county. The largest category is B8 (warehousing), comprising 3.12m sq m, followed by B1a/b (office) at 2.63m sq m and B1c/B2 (industrial), at 2.61m sq m.

B.25 The distribution of this floorspace across Essex varies greatly by district. Basildon dominates in provision of industrial and warehousing provision, with 1.13m sq m of floorspace across the two categories in 2016. Amongst office space, Chelmsford is the most significant district, with 0.41m sq m of floorspace. Across the county:

- Warehousing space dominates in Basildon, Castle Point, Colchester, Tendring and Uttlesford

- Industrial is the largest space category in Braintree, Harlow, Maldon and Rochford
- Offices comprise the largest share of floorspace in Brentwood, Chelmsford and Epping Forest.

Figure B-12: Provision of office, industrial and warehouse floorspace across Essex, 2016, by district



Source: SQW analysis of Cambridge Econometrics data

B.26 Since 2001, total B1/B2/B8 floorspace has grown by 9.8% across Essex, driven by net growth in Basildon (198.8k sq m), Brentwood (159.6k sq m) and Epping Forest (146.8k sq m). Over the same timeframe, Harlow, Rochford and Maldon lost employment space (55.5k sq m, 14.5k sq m, and 6.5k sq m, respectively).

B.27 Provision of both office and warehousing floorspace has increased considerably across Essex (by 36.1% and 18.0%, respectively). Office floorspace grew by some 93.5% in Brentwood, 66.7% in Epping Forest and 62.3% in Uttlesford, although it fell in Harlow (by 16.6%) and Rochford (by 13.0%). Warehousing grew by some 46.5% in Basildon, and 29.8% in Uttlesford, but fell by 0.7% in Brentwood.

B.28 However, industrial floorspace has shrunk considerably across Essex, with total provision of B1c/B2 floorspace 14.1% lower in 2016 than 2001. The greatest proportional loss was in Uttlesford (34.7%) and Maldon (26.5%). Only in Brentwood and Epping Forest did industrial floorspace increase (21.0% and 3.9%).

B.29 Looking forward, employment space is expected to continue to grow across Essex, but at a lower rate than previously, with employment space growing by 5.4% by 2031. This will be driven by growth in Braintree (151k sq m) and Chelmsford (148k sq m), whilst Harlow and Rochford are expected to continue losing employment space, together with Tendring and Castle Point.

Annex C: Accommodation for small businesses in Essex

C.1 This Annex comprises details on start-up and small business centres across Essex currently, including name, location, and description.

Table C-1: Start-up/small business centres

Facility	Location	Description
Basildon Enterprise Centre	Basildon	34 managed workspaces from 13 to 36 sq m (144 to 392 sq ft).
Bassett Business Units	North Weald, Epping	Office/light industrial units of 250 sq ft and 500 sq ft in size. They enjoy secretarial and administrative back-up from the friendly staff who offer a full range of services from telephone answering by way of typing and invoicing, to taking in deliveries.
Brickfield Business Centre	Epping	35 serviced offices with meeting room facilities, fully staffed Reception and Communal kitchen.
Clacton Enterprise centre	Clacton, Tendring	22 managed workspaces from 14 to 30 sq m (148 to 325 sq ft). Basic quality space in a dated industrial building. The surrounding industrial space is also poor/dated.
Colbea Centre Colchester	Colchester	Serviced offices – 62 serviced offices – ranging from 197sq ft to 439 sq ft on flexible 'easy in, easy out' terms.
Colbea North Colchester	Colchester	Decent quality small office space offer with parking facilities, based in a residential area – no potential for expansion on the site.
CR@TE	Loughton, Epping	CR@TE is home to 36 creative workspaces fitted out to meet the needs of the modern business. The site is well located in Loughton within close proximity to the Central Line and M11. The flexible terms encourage entrepreneurs to make the bold leap from their bedroom into a fully serviced community.
Creative Business Centre	Colchester	Being built as part of wider regeneration master-plan. The Creative Business Centre will facilitate flexible working alongside spaces for meetings, networking, business incubation and showcases - with approximately 20,000 sq. ft. of lettable space. There will be a restaurant and café on the ground floor. Importantly for digital and software businesses, the Creative Business Centre will have state-of-the-art connectivity, provided as a benefit of the Council's on-going project to deploy ultra-fast fibre optic infrastructure to the town centre.
Croxtons Mill, Little Waltham	Chelmsford	Grade II listed converted water mill located in Little Waltham, located approximately 15 minutes from Chelmsford City centre. Offering a range of managed office space from 114 sq ft to 1,026 sq ft. Smaller managed suites perfect for one to three people are also available. Single monthly licence payment in advance via Direct Debit covers all occupation.
Dragon Enterprise Centre	Witham, Braintree	22 premium offices.
Dunmow Business Centre	Dunmow, Uttlesford	Serviced office space for existing or start-up businesses.
Earls Colne Business Centre	Colchester	The Centre offers accommodation to more established businesses from 400 sq ft office space to 50,000 sq ft warehouse units.

Facility	Location	Description
Elizabeth House – Mantle Business Centre	Colchester	Serviced offices.
Endeavour Business Centre	Stansted, Uttlesford	Decent quality building with parking facilities, located within the airport site. Potential for expansion.
Greenway Business Centre (Capital Space)	Harlow	Offices/ Workshops/ Studios for start-ups and growing businesses – monthly licences.
Harlow Business Centre	Harlow	The Centre has 53 business units of various sizes from 240sq.ft. to 2,000 sq ft.
Harlow Enterprise Hub	Harlow	54 individual office units, ranging in size from 161 to 1,635 sq ft, all available on flexible, 'easy-in, easy out' tenancy terms. A new addition to the hub is the 'Enterprise Incubation Units' comprising of shared office space with four workstations and printing facilities to use free for the first three months. On-site Business Advisor will be on hand to support along with trainers offering free courses.
Harlow MedTech Innovation Centre	Harlow	Due to open during autumn 2018, will support start-up businesses, small and medium-sized enterprises (SMEs) as well as international companies, in the MedTech and associated fields of Advanced Manufacturing.
Ignite in Braintree	Braintree	Provision of managed workspace for start-up businesses or those working from home wanting their first commercial premises, extended in 2016. The newly built Ignite House offers an additional 11 mixed use units as well as conference facilities and a hot desk café area. The original centre has 30 'starter' units and two office spaces, which range from 140 sq ft to 476 sq ft (plus mezzanine floor in some cases). The new building has five office units starting from 215 sq ft and six light-industrial units that are 430 sq ft.
Landswood Park Business Centre	Colchester	Phase 2 with 28,000 sq ft to have completed in late 2015.
Latton Bush Centre	Harlow	The Latton Bush Centre, managed by Harlow Council, provides accommodation for businesses, voluntary organisations, NHS services and community groups. Facilities are also available to hire for conferences, training, workshops, exhibitions, dance classes and other functions.
Loughton Seedbed Centre	Loughton, Epping	A modern, purpose built complex of small business units to rent on 'easy-in-easy-out' terms. Units from 250 sq ft to 1,480 sq ft.
Lynderswood Farm Business Park	Braintree	Alternative farm uses sought in 1989, now it comprises 6,500 sq m of business space and light industrial units housing 47 successful businesses and employing over 150 local people.
MedBIC	Chelmsford	As a key entrepreneurial hub for Essex, The MedBIC, Anglia Ruskin Business Innovation Centre for Medical and Advanced Engineering, offers 1,000 sq m of purpose built business accommodation via hot desks, shared space or private office.
Technology & innovation Centre in Ongar	Ongar, Epping	30 managed workspaces from 14 to 57 sq m (150 to 620 sq ft).
University of Essex Knowledge Gateway	Colchester	Planning approved for 38,000 sq ft £10 million Innovation Centre, at the heart of the Knowledge Gateway, that will accommodate more than 50 growing start-ups with work anticipated to start on-site as early as summer 2016. Further 5,500 sq ft of office space on Parkside Office Village will be

Facility	Location	Description
		available from summer 2016, with potential for a further development phase. Parkside is already home to 20 successful and growing SMEs.
Waterhouse Business centre (Capital Space)	Chelmsford	Comprises over 80 managed workspaces, across a range of sizes.
Weston Business Centre	Colchester	Serviced offices.
Whitbread Business Centre	Rural locations	Rural farm conversions in four locations – 'high spec' and environment.

Source: BBP Regeneration analysis

Annex D: Pipeline of grow-on space in Essex

D.1 This Annex comprises details of the pipeline of grow-on space currently proposed/under development in Essex, including key details on each scheme. In some cases, these facilities are being developed as part of wider schemes. For instance, the Parkside Office Village is being developed as part of the Knowledge Gateway initiative in Colchester, a scheme being driven by the University of Essex.

Table D-1: Pipeline of grow-on space developments across Essex

Address	Town	Size (sq m)	Tenure	Use	Grade
6-8 Southernhay, Basildon, SS14 1EL	Basildon	115	Leasehold	Office	New - Refurb (under construction)
Eastgate Business Centre, Southernhay, Basildon, SS14 1EB	Basildon	125	Leasehold	Office	New - Refurb (existing)
Lakes Innovation Centre, Lakes Road, Braintree, CM7 3AN	Braintree	158	Leasehold	Light Industrial / Business Units	New - Refurb (existing)
Williams House, Rayne Road, Braintree, CM7 2QU	Braintree	246	Leasehold	Office	New - Refurb (existing)
Majesty House, 200 Skyline 120, Braintree, CM77 7AA	Braintree	259	Leasehold	Office	New - New-build (existing)
Bellcroft Park, Eastways, Witham, CM8 3YU	Witham	292 - 584	Leasehold or Freehold	Mixed Industrial - B1, B2, B8	New - New-build (under construction)
Clocktower House, Station Road, Brentwood, CM13 3XL	Brentwood	161	Leasehold	Office	New - Refurb (existing)
New North House, 78 Ongar Road, Brentwood, CM15 9BB	Brentwood	291	Leasehold	Office	New - Refurb (existing)
Regency House, 16 Victoria Road, Chelmsford, CM1 1NZ	Chelmsford	107	Leasehold	Office	New - Refurb (pre-construction)
Ford House, 31-34 Railway Street, Chelmsford, CM1 1QS	Chelmsford	137	Leasehold	Office	New - Refurb (existing)
Summit House, Waterloo Lane, Chelmsford, CM1 1BD	Chelmsford	143 - 578	Leasehold	Office	New - Refurb (existing)
Threadneedle House, Market Road, Chelmsford, CM1 1XA	Chelmsford	149	Leasehold	Office	New - Refurb (existing)

Address	Town	Size (sq m)	Tenure	Use	Grade
Greenwood House, 91-99 New London Road, Chelmsford, CM2 0PP	Chelmsford	173	Leasehold	Office	New - Refurb (existing)
Coppleston Court, 1 Wells Street, Chelmsford, CM1 1HH	Chelmsford	263	Leasehold	Office	New - Refurb (existing)
Threadneedle House, Market Road, Chelmsford, CM1 1XA	Chelmsford	279	Leasehold	Office	New - Refurb (existing)
Hall Farm Business Centre, Church Road, Colchester, CO7 8AB	Colchester	281	Leasehold	Light Industrial / Business Units	New - New-build (under construction)
Parkside, Nesfield Road, Colchester, CO4 3ZL	Colchester	111 – 1,505	Leasehold	Office - R&D/High Tech	New - New-build (existing)
Office Building, Crown Lane South, Colchester, CO7 7PL	Colchester	144	Leasehold	Office	New - New-build (under construction)
1 Head Street, Colchester, CO1 1NX	Colchester	144	Leasehold	Office	New - Refurb (existing)
The Business Centre, Airfield, Colchester, CO6 2NS	Colchester	167	Leasehold	Office - Business Park	New - Refurb (existing)
The Business Centre, Airfield, Colchester, CO6 2NS	Colchester	214	Leasehold	Office - Business Park	New - Refurb (existing)
Office Building, Crown Lane South, Colchester, CO7 7PL	Colchester	217	Leasehold	Office	New - New-build (under construction)
Peartree Business Centre, South Road, Harlow, CM20 2BD	Harlow	139 – 1,454	Leasehold	Mixed Industrial - B1, B2, B8	New - New-build (existing)
23 Chandlers Quay, Maldon, CM9 4LF	Maldon	159	Leasehold	Office	New - Refurb (existing)
Barn Building, Fambridge Road, Maldon, CM9 6PE	Maldon	230	Freehold	Office	New - Refurb (pre-construction)
Beckingham Street, Maldon, CM9 8LZ	Maldon	257	Leasehold or Freehold	Mixed Industrial - B1, B2, B8	New - New-build (existing)

Source; BBP Regeneration analysis of EGi data

Annex E: Development sites

E.1 This Annex consists of a review of key future development sites across Essex, including details on size, and timeframe for development, where available.

Table E-1: Key future development sites across Essex

Site	Planned space ('000 sq ft)						Total ('000 sq ft)	Jobs ('000)	Timeframe	Comment
	Office	Industrial	Warehouse	Lab	Creative	Retail/ Other				
Harlow Ent Zone, Harlow (34 acres)	100	250	80	50	0	20	500	2.5	Development to commence in end of 2016	Greenfield land with planning consent for a Science Park, working with Anglia Ruskin University to create a Med Tech Campus, bringing together research, innovation and manufacturing. In March 2016, Harlow Council appointed Vinci UK Developments as its preferred development partner working in partnership with Discovery Park Ltd, the owners and developers of the former Pfizer site in Sandwich, Kent. Development to commence in end of 2016.
East-Link 120, Braintree (45 acres)	100	300	300	0	0	50	750	2.5	from 2016	700,000 sq ft (65,032 sq m) Proposed Regional Employment Park (Freehold & Leasehold) Design & Build / Land Sale Opportunities from 2016 - including Office, Light Industrial / Warehouse and Hybrid Business Units ranging from 3,000 to 80,000 sq ft (279 to 7,432 sq m). Units of over 80,000 sq ft (7,432 sq m) will be considered in an individual basis.
Colchester Northern Gateway Colchester (18 acres)	50	50	0	0	0	200	300	0.6	PC in spring 2018	The complex will include twelve 'gold list' restaurants, a 12-screen cinema with IMAX and 4DX provision, extreme sport facilities and an 80-bed hotel. Work will begin in September 2016 with completion in spring 2018. The first phase of Easter Park is now open offering 132,100 sq ft of small to medium-sized high quality industrial units, twenty per cent of which has already been let. Site at Tuffnell Way near Colchester North Station is now

Site	Planned space ('000 sq ft)						Total ('000 sq ft)	Jobs ('000)	Timeframe	Comment
	Office	Industrial	Warehouse	Lab	Creative	Retail/ Other				
										being developed with a mix of residential and commercial.
St. Modwen, Brentwood (58 acres)	750	100	50	0	0	10	910	5.5	Development agreement signed in summer 2015; Local Plan allocation expected	St. Modwen has signed a development agreement to partner the landowners, S and J Padfield, to promote through the planning system, and then to develop a strategic 58-acre site situated at the junction of the M25 and A127. The strength of this location will lead to the site becoming a major employment hub. Much of it is currently in use by contractors as a depot for maintenance work for the motorway and highway network. St. Modwen's proposals will deliver around 1 million sq ft of B1, B2 and B8 floor space including supporting amenities.
Airport Business Park Southend, Rochford/ Southend (52 acres)	500	350	0	100	0	50	1,000	5	Granted planning in March 2016	Henry Boot Developments Limited has been granted an Outline Planning Consent in March 2016 for the 78,000 sq m development, which could include an Anglian Ruskin MedTech Campus, an innovation centre, hotel and space for local engineering and aviation businesses, together with 'high spec' office space. The Council also granted Detailed Planning Permission for the necessary site infrastructure works and it was recently confirmed that £3.2m of Government funding will help towards these works.
Essex University Parkside (Phase 2), Colchester (6 acres)	60	0	0	0	0	0	60	0.15	PC summer 2016	Parkside is part of major development by the University of Essex, the Knowledge Gateway, on their Colchester Campus. Parkside phase one has become a hugely successful community of 18 innovative SMEs. To meet demand, work is now underway to develop a **further phase of Parkside office space, offering an additional 4,000 sq ft** and opening summer 2016.

Site	Planned space ('000 sq ft)						Total ('000 sq ft)	Jobs ('000)	Timeframe	Comment
	Office	Industrial	Warehouse	Lab	Creative	Retail/ Other				
Essex University Innovation Centre, Colchester (3 acres)	40	0	0	0	0	0	40	400	2017	A major 40,000 sq ft Innovation Centre for 2017 that will accommodate more than 50 new start-ups, and **give them space to scale-up**.
TriSail Towers, Stansted (10 acres)	75	0	0	0	0	15	90	400	PC second quarter of 2016	UK property investor and developer Cheergrey Properties has begun construction on the office-led second phase of its mixed-use Tri-Sail Towers at London Stansted with delivery expected in the **second quarter of 2016**. Tri-Sail Towers will provide a further 90,000 sq ft of offices arranged across three interconnected buildings (Tri-Sail East, West & Center respectively) as Cheergrey looks to develop a new economic hub at the 44 acres' site. **TS West** - Six Storeys comprising Corporate Office Suites, an Executive Suite, Reception Lobby and Ground Floor Spa, Salon and Fitness Centre, **TriSail Center** - Seven Storeys comprising Corporate Suites, TriSail Duplex Executive Suite, Reception Lobby and Ground Floor Restaurant, Cafe and Champagne Bar; **TriSail East** - Five storeys comprising Corporate Suites, an Executive Suite, Reception Lobby and supporting Food Retail Convenience. **Corporate office space - financial sector.**
Tendring Europark, Tendring (27.7 acres)									Outline planning secured	Outline planning permission for B2 and B8 floorspace at a key junction between the A120 and B1035 at Horsley Cross. It is also within the Tendring Assisted Area. Tendring Europark will offer bespoke design and build packages for occupiers, on a freehold or leasehold basis. Premises will be provided to exact individual requirements, with any level of internal fit-out required. **Larger serviced plots/ bespoke buildings.**

Site	Planned space ('000 sq ft)						Total ('000 sq ft)	Jobs ('000)	Timeframe	Comment
	Office	Industrial	Warehouse	Lab	Creative	Retail/ Other				
Harwich Valley, Tendring (15.6 acres)									Proposed	The site will offer a range of opportunities to promote manufacturing and service industries to enable Harwich to benefit from new opportunities in the Maritime and Low Carbon and Renewables sector. This site is within the Tendring Assisted Area.
Totals	**1,675**	**1,450**	**1,830**	**150**	**500**	**445**	**6,050**	**32,550**		

Source: Invest Essex (2016); BBP Regeneration (2016)

Annex F: Emerging local policy response to the need for grow-on space

F.1 This Annex comprises an analysis of the emerging evidence base for Essex District Councils' Local Plans, specifically in relation to employment space, and availability of employment space, including grow-on space.

Table F-1: Emerging policy acknowledgement of employment space need, including availability of space and grow-on space specifically

District	Documents	Date of documents	Total space requirement	Any comments on availability of space	Strategic sites for employment growth
Basildon	Employment Land and Premises Study Housing and Economic Land Availability Assessment Review Draft Local Plan	July 2013 November 2015 January 2016	49ha of employment land is required for B1, B2 and B3 uses.	Employment B-class floor space is predominantly general/light industry (38%). Office floor space (B1a) accounts for 24% of the total share of floor space, warehousing accounts for 20%, and research and development, 18%.	Underutilised land within existing employment areas, 38ha, (B1, B2 or B3 class). Eastern and western extensions to the A127 Enterprise Corridor, 11ha, (B1, B2 or B3 class).
Braintree	Employment Sites Viability Review Employment Land Needs Assessment Draft Local Plan	2012 August 2015 2016	Between 53,400 sq m and 66,800 sq m of additional office space is required, as is a minimum of 20ha of B1 business space.	The majority of employment land is industrial, and is characterised by large and functional areas where vacancy is generally observed to be very low. However, there is a threat of industrial land being converted to residential uses. **At the same time provision of higher quality small office units has recently expanded, but there is a lack of grow-on office space and where there is grow-on space, it is generally of low quality.**	Springwood Drive industrial area, 15ha, (general use business park/ industrial estate). Eastlink 120, a site west of the A131 near Great Notley, 18.5ha Innovation and Enterprise Business Park, (B1, B2, or B8 class). Eastways Industrial Estate, Witham, 6.8ha, (general use business park/ industrial estate). Bluebridge Industrial Estate, Halstead, up to 11ha, (general

District	Documents	Date of documents	Total space requirement	Any comments on availability of space	Strategic sites for employment growth
					use business park/ industrial estate). Major Business Park on the West Braintree Garden Community, (scale and focus TBC). Major Business Park on the Marks Tey Garden Community, (scale and focus TBC).
Brentwood	Employment Land Review Brentwood Economic Futures 2015-2030 Draft Local Plan	September 2010 December 2014 January 2016	A total of 48.2ha of new employment land is to be allocated. Excluding new allocations with existing employment uses on site (15.39ha) this totals 32.81ha.	Between 2006 and 2013, modest floor space gains were recorded for B1c/B2, B8 and mixed uses while there was a net loss of 2,170 sq m of B1a/b floor space. New employment land in the Borough is constrained by its Green Belt location, and as such, the current availability of undeveloped allocated employment land is limited.	Two sites at Brentwood Enterprise Park: 1. Former M25 Works Site, 23.5ha, (B1, B2 and B8 class). 2. Codham Hall, 6.6ha, (B2 and B8, with B1 where appropriate).
Castle Point	Castle Point Employment and Retail Needs Assessment New Local Plan	2012 2015	For industrial space, requirements may fall between -3.3 ha and +4.4 ha. For office space a requirement of between 0.6 ha and 2.5 ha is indicated.	B class space has been lost over the past decade, as has almost all industrial space in the borough. The stock of employment space is aging and there is a lack of modern business premises relative to other parts of the region. **There are indications that local firms may find it hard to expand or upgrade premises without moving out of the Borough.** Vacancy of office space is at normal levels but industrial vacancy is very low. The level of new development has been very low and most of this has been manufacturing space, with only a	Manor Trading Estate, 4ha, (B1b, B1c, and B2 class). Charfleets Industrial Estate, 7ha, (B class). Land for employment south of Northwick Road, 8ha, (B1b, B1c, and B2 class).

District	Documents	Date of documents	Total space requirement	Any comments on availability of space	Strategic sites for employment growth
				modest amount of offices. However, losses to other uses have been low.	
Chelmsford	Employment Land Review Chelmsford Local Plan Issues and Options Consultation Document	January 2015 November 2015	232,000sq.m. of additional floor space between 2013 and 2031 is required.	There is a high degree of vacant office stock in as it is often of lower grade, and not suited to modern day businesses which look for Grade A accommodation. Industrial and warehousing floorspace has not had a high level of vacancy, as flexible planning policy has allowed B class space to be converted to other uses including D1 and D2.	Former ARU Central Campus, 5927sq.m. (Office/DI, and mixed commercial space). Former Marconi site, 10158sq.m. (Office and mixed commercial space). Chelmsford Business Park, 304sq.m. (Office). Springfield Business Park, 17,070sq.m. (B1/B8 class). CM2, Colchester Road, 4459sq.m. (Office). Essex Regiment Way, 24000sq.m. (B2/B8 class). Greater Beaulieu Business Park, 40000sq.m. (B1 class). Greater Beaulieu park adjacent station, 9000sq.m. (B1 class). Britvic factory site, 21,250sq.m. (A1, B1, B2 and B8 class). County Hotel car park, 1,700sq.m. (B1/C1). Civic Centre car park, 10000sq.m. (B1).
Colchester	Preferred Options Local Plan Employment Land Needs Assessment	July 2005 January 2015	Gross space requirements range from -60,075sq.m to 247,130sq.m of all types of employment space to 2032, implying a need for between -21.0ha and 55.8ha of employment land. The majority of this spatial requirement relates to office (B1a/b) uses.	The majority of sites accommodate a combination of both office (B1a/b) and industrial (B1c/B2/B8) uses, although some specific, single use sites are also evident. Generally, the range of sites comprises good quality, well maintained stock with low vacancy levels. However, the Borough has been losing significant	Northern Gateway/Severalls Strategic Economic Area, 17ha, (B1 class). Knowledge Gateway and University Strategic Economic Area, 7ha, (B class). Stanway Strategic Economic Area, 21.4ha, (B1 class).

District	Documents	Date of documents	Total space requirement	Any comments on availability of space	Strategic sites for employment growth
				amounts of B1, B2 and B8 class space in recent years due in part to the introduction of Permitted Development rights for change of use from office to residential.	Total Employment Land (B1 class): 45.4 ha. The scale and focus of University Garden Village (East) and West Colchester Garden Community developments to be informed by master-planning.
Epping Forest	Community Choices: Issues & Options for the Local Plan	September 2015	The employment site area target, identified by the Employment Land Review and Town Centres Study, stands at 21.5ha. Of this, 8.75ha is required for B1a/B1b space and B1c/B2 space combined.	Because so little previously developed land outside the Green Belt becomes available for development, it tends to be used for residential rather than commercial development, as this is more valuable. This means that finding suitable land for commercial development is more difficult. There are several designated employment areas throughout the district, although some stand empty as they have outdated and dilapidated facilities. **The life science sector shows significant growth potential, but the development of more modern facilities may be necessary to encourage growth in the sector.**	Not identified in this document.
Harlow	Employment Land Review	January 2013	1.9ha - 6.2ha extra land is needed for offices between 2011 and 2031, while forecasts imply an overall reduction of around 5.6 ha in demand for industrial land.	The property stock in Harlow is dominated by industrial and warehousing uses. There has been a decline in office space in the district, possibly due to the fact that the units available are poor quality and poorly aligned with businesses' needs, but also because there is little critical mass from which to	London Road EZ Site, at least 160,000.sq.m, (medical technologies and advanced manufacturing). Templefields EZ Site, scale undefined, (production activity). GSK (TBC).

District	Documents	Date of documents	Total space requirement	Any comments on availability of space	Strategic sites for employment growth
				grow, and because of the socio-economic profile of the town.	
Maldon	Employment Land Review Employment Evidence and Policy Update Local Development Plan	May 2015 July 2015 December 2015	B1a requirement ranges from 1ha - 2.4ha. B1b and B1c requirement is 0.3ha combined. B2 requirement is 3.3ha, and B8 is 1.3ha.	**There has been, and still is, a shortage of good quality employment areas, with little new-build office development over the last 10 years. This has meant that there is unfulfilled potential in the employment market. Rural farm business centres have somewhat filled this gap in the market but tend not to cater to businesses looking for grow-on space.**	Extension to the Burnham Business Park, Burnham-on-Crouch, 3.4ha, (B1, B2 and B8 class). Wycke Hill (north), Maldon, 0.5ha, (B1 and B2 class). South of Limebrook Way, Maldon, 4.5ha, (B1, B2 and B8 class).
Rochford	Employment Land Study Tendring District Local Plan 2013-2033 and Beyond Preferred Options Consultation Document	February 2014 July 2016	Office space requirements range from 1.3ha to 2.3ha. Industrial space requirements range from -1.2ha to 1.8ha. Warehouse space requirements range from 3ha to 5ha. Together, total employment land requirements range from 3.1ha to 8.8ha.	Property market analysis has shown that the district's employment space market is of a relatively modest scale in all three areas (office, industrial and warehouse space) with a particular orientation towards smaller scale businesses. This provision of smaller scale offices over larger scale offices may be a reflection of demand patterns in the area.	Land West of the A1245, 8.8ha, (class unspecified). Land South of Great Wakering, 3.2ha, (class unspecified). Eldon Way, Hockley, 1.2ha, (class unspecified). Land North of Southend Airport, 27.1ha, (class unspecified).
Tendring	Employment Land Review	May 2016	A minimum net increase of 139.1ha of employment land up to 2033 is planned (B1/B2/B8 class).	In order to maintain an adequate level of employment land to meet the needs of the local economy, the Council wants to protect defined employment areas from uses which would be better located in other areas of the district. **It will be supportive of the redevelopment of sites which would lead to an improvement in the quality of employment floor space suited to modern day needs, so that**	Horsley Cross / Tendring Europark, scale undefined, (B2/B8). Harwich Valley / Pond Hall Farm, scale undefined, (B1/B2/B8). Weeley, scale undefined, (B1/B2/B8). Oakwood Extension / Land North of Gorse Lane, scale undefined, (B1/B2/B8).

District	Documents	Date of documents	Total space requirement	Any comments on availability of space	Strategic sites for employment growth
				existing firms will be able to expand.	Stanton Europark, scale undefined, (B2/B8). Mercedes Site, scale undefined, (B2/B8). West Tendring, scale undefined, (B1/B2/B8). Frating, scale undefined, (B1/B2/B8). Hartley Gardens / Clacton Gateway, scale undefined, (B1/B2/B8).
Uttlesford	Employment Land Review Employment Land Monitoring Commercial Workspace Study Local Plan Issues and Options Consultation Document	April 2011 October 2014 June 2015 October 2015	Between 2011 and 2031, total space requirement is -13.6ha for factories, 11.6ha for warehousing, and 9.7ha for office space.	Employment stock in Uttlesford is generally of a small to medium scale and tightly held. There is very limited workplace stock currently being marketed, with a particular shortage of industrial space. Also, office accommodation is being lost to residential development through changes to the General Permitted Development Order which allows change of use to residential without the need for planning permission. However, new employment allocations are being put forward in the emerging Local Plan which will more than meet the anticipated need for employment floor space and jobs during the plan period. These will provide a range of facilities from small rural workshop units to high quality office and R and D accommodation. The allocations are also spread through the district to offer choice in terms of locational requirements.	None

Source: SQW analysis

F.2 The table below shows the timeframe for the adoption of the local plans for each of the Essex districts, as well as the stage they are currently at, and the time period that the Local Plans are expected to cover. Each of these differs by district.

Table F-2 Timeline for Local Plans

District	Current stage in Local Plan process	Local Plan adoption date	Time period that the Local Plan is relevant for
Basildon	Analysing comments made on draft Local Plan, reviewing/updating evidence base ready for Pre-Submission Plan consultation	Late 2017	2014-2034
Braintree	Analysing comments made on draft Local Plan, reviewing/updating evidence base ready for Pre-Submission Plan consultation	Early 2018	2016-2033
Brentwood	Analysing comments made on draft Local Plan, reviewing/updating evidence base ready for Pre-Submission Plan consultation	Early 2017	2013-2033
Castle Point	Local Plan Submitted. Responding to Planning Inspector's Questions	February 2017	2014-2031
Chelmsford	Preparation of the Preferred Options document	November 2018	Up to 2036
Colchester	Analysing comments made on draft Local Plan, reviewing/updating evidence base ready for Pre-Submission Plan consultation	Early 2018	2013-2033
Epping Forest	Draft local plan – preferred approach	October 2018	2011-2033
Harlow	Local Plan Pre-submission consultation	End 2017	2011-2033
Maldon	Local Plan examination in progress	Early 2017	2014-2029
Rochford	Issues and Options Document public consultation	Spring 2019	TBC
Tendring	Analysing comments made on draft Local Plan, reviewing/updating evidence base ready for Pre-Submission Plan consultation	Early 2018	2013-2033
Uttlesford	Local Plan Pre-submission consultation	End 2017	2011-2033

Source: SQW analysis

Annex G: Impact model for five locations

G.1 This Annex offers details on the inputs used for the grow-on space impact model, as applied to the five towns: Basildon, Braintree, Chelmsford, Colchester and Harlow.

Model inputs

Basildon

G.2 Basildon is an important industrial hub with a number of large occupiers including Ford, Selex and Case New Holland. Our consultations revealed that there is a very limited new provision of any type of commercial floorspace in any size bracket, especially grow-on accommodation.

G.3 Although there are some key industrial parks along the A127, availability of start-up/ SME accommodation appears to be very limited with a few centres offering small scale/ early stage business space (particularly industrial premises) in the area.

G.4 Reflecting these characteristics and using the assumptions set out above, we have estimated:

- an industrial requirement of 370 – 1,238 sq m per year or 1,857 – 6,190 sq m over five years; and 3,714 - 12,380 sq m over ten years
- an office requirement of 1,182 – 3,939 sq m per year or 5,908 -19,694 sq m over five years; and 11,817 – 39,289 sq m over 10 years.

G.5 We sense-checked these findings against EGi data, which shows an average annual take up of nearly 5,000 sq m in the industrial grow-on space category, compared with current availability of c. 3,700 sq m. The data shows a healthier ratio of take-up versus availability for office space with c. 2,000 sqm average annual take up and a current availability of 3,300 sq m.

Table G-1: Recent transactions and current availability of start-up and grow-on space in Basildon

EGI data summary	Sq m per annum	
Deals (less than 100 sq m) – averaged over last 3 years	Industrial	322
	Offices	767
Availability (less than 100 sq m) - now	Industrial	434
	Offices	739
Deals (100 sq m to 300 sq m) - averaged over last 3 years	Industrial	4,981
	Offices	2,066
Availability (100 sq m to 300 sq m) - now	Industrial	3,661
	Offices	3,287

Source: BBP analysis of EGi data (2016)

G.6 This discrepancy is largely due to the lack of data to input into our model and we expect that demand will be much higher than the findings of our model in this instance, particularly for industrial units.

G.7 There is an image problem with Basildon as an office centre which is largely a result of its industrial roots, as it is not perceived as an office location and the nature of the town centre, which is not seen as an obvious location to office users. Potential occupiers looking for office space in the North East quadrant of the M25 would most likely locate to Chelmsford or Brentwood, which are seen as more established office locations. Hence, the data produced by our model is likely to reflect the lower end of demand for office space in Basildon.

Braintree

G.8 Braintree's commercial stock is reported to be slightly dated, however, most of the industrial estates in the district are full. There are opportunities around new developments at Skyline in Braintree, but these are focused on large scale units rather than grow-on space. This is consistent across the whole district, including Witham, Braintree and Halstead. In Braintree itself, the focus is more on industrial premises, due to demand for such space.

G.9 The buoyancy of the local market is particularly well recorded by Ignite Braintree Enterprise Centre, which is full and has recently developed new small business units to address existing demand. Most of the other schemes in the district, which cater for new and growing companies, appear to be almost 100% full, with the majority of these schemes having no industrial units available and a small number of office units on the market.

G.10 Reflecting these characteristics and using the assumptions set out above, we have estimated:

- an industrial requirement of 636 - 2,120 sq m per year, which translates to 3,179 - 10,598 sq m over five years; and 6,359 - 21,195 sq m over ten years
- an office requirement of 769 - 2,563220 - 734 sq m per year or 3,845 - 12,8161,100 – 3,670 sq m over five years; and 7,690 - 25,6322,200 – 7,340 sq m over 10 years.

G.11 These figures are largely supported by EGi take-up and availability data as summarised below.

Table G-2: Recent transactions and current availability of start-up and grow-on space in Braintree

EGI data - summary	Sq m per annum	
Deals (less than 100 sq m) - averaged over last 3 years	Industrial	178
	Offices	178
Availability (less than 100 sq m) - now	Industrial	92
	Offices	427
Deals (100 sq m to 300 sq m) - averaged over last 3 years	Industrial	1,179
	Offices	489
Availability (100 sq m to 300 sq m) - now	Industrial	756
	Offices	4,812

Source: BBP analysis of EGi data (2016)

Chelmsford

G.12 The tightening of supply and the loss of office space to other land uses, most predominantly residential because of permitted development rights, is resulting in a lack of available high quality office space in Chelmsford. The city has historically attracted back office functions from central London occupiers, primarily because of the fast train links (35 minutes to Liverpool Street) into central London and the highly skilled local workforce.

G.13 Existing grow-on schemes tend to be fully occupied, such as the Waterhouse Business Centre run privately by Capital Space, however, this is not sufficient and there is latent demand for good quality and flexible grow-on accommodation. In most cases, the available space is too large or not suitable for growing firms. These issues are evident not only for offices but also for workshop/ industrial spaces.

G.14 Chelmsford has a very limited stock of industrial properties, which drives rental values up. Demand for such units is very hard to gauge due to the general lack of such units, there are no enquires. New commercial/ industrial developments are primarily focused on trade counter uses as these usually achieve highest industrial values.

G.15 Our model estimates the following floorspace requirements:

- Industrial requirement: 861 – 2,869 sq m per year, or 4,303 – 14,344 sq m over five years and 8,606 – 28,688 sq m over 10 years.
- Office requirement: 849 – 2,831 sq m per year, or 4,246 – 14,155 sq m over five years and 8,439 - 28,310 over 10 years.

G.16 Sense-checking against EGI data and considering the local market characteristics, we believe that floorspace requirements are at the higher rate of our ranges for both office and industrial accommodation.

Table G-3: Recent transactions and current availability of start-up and grow-on space in Chelmsford

EGI data summary	Sq m per annum	
Deals (less than 100 sq m) – averaged over last 3 years	Industrial	255
	Offices	627
Availability (less than 100 sq m) - now	Industrial	0
	Offices	2,215
Deals (100 sq m to 300 sq m) – averaged over last 3 years	Industrial	2,383
	Offices	2,234
Availability (100 sq m to 300 sq m) - now	Industrial	2,774
	Offices	16,389

Source: BBP analysis of EGi data (2016)

G.17 We expect that demand for grow on office space to be particularly strong in Chelmsford due to its proximity to London, compared to other large centres such as Colchester, and its image as an established office location, compared to Basildon.

Colchester

G.18 Colchester has a strong office market, however, there is a trend of losing employment space to housing over recent years, with the exercise of permitted development rights. Consultations reveal that there is high demand for office space in the 100 to 500 sq m bracket, but there is insufficient supply of space to satisfy this demand. Similar to the other districts considered in this Section, Colchester has a particular lack of small industrial units, however, the market is facing less pressure than areas with closer proximity to London.

G.19 There are a number of good quality enterprise centres, serviced office centres and business parks with light industrial/mixed industrial units available in both urban and rural locations to serve the demand of new and growing businesses.

G.20 As a result, we have estimated the following range of floorspace requirements:

- an industrial requirement of 625 - 2,084 sq m per year or 3,127 - 10,422 sq m over five years; and 6,253 - 20,844 sq m over ten years
- an office requirement of 1,338 - 4,459 sq m per year or 6,688 - 22,293 sq m over five years; and 13,376 - 44,586 sq m over 10 years.

G.21 Our office requirement range is largely supported by EGi's recorded take-up data for offices, although there is currently over 13,000 sq m of available grow-on office accommodation. Our expected industrial requirement is lower than suggested EGi data, particularly since current industrial availability is under 2,000 sq m.

Table G-4: Recent transactions and current availability of start-up and grow-on space in Colchester

EGI data summary	Sq m per annum	
Deals (less than 100 sq m) – averaged over last 3 years	Industrial	410
	Offices	1,781
Availability (less than 100 sq m) - now	Industrial	334
	Offices	2,874
Deals (100 sq m to 300 sq m) – averaged over last 3 years	Industrial	3,519
	Offices	3,202
Availability (100 sq m to 300 sq m) - now	Industrial	1,862
	Offices	13,265

Source: BBP analysis of EGi data (2016)

Harlow

G.22 Harlow experiences relatively high business activity due to opportunities associated with the EZ status. However, a lot of the business accommodation in Harlow is relatively old and poor quality, which result in high vacancy rates, with very little of the available space being modern.

G.23 As in the other four areas, there appears to be an issue for both start-up and grow-on space. The Enterprise Hub, run by the Council, as well as the other similar schemes in the area are at

full capacity and with little churn in the businesses. According to agents, there is demand for good quality grow-on space of 150+ sq m, which tends to be rapidly 'snapped up'.

G.24 Reflecting these characteristics and using the assumptions set out above, we have estimated:

- an industrial requirement of 1,031 - 3,438 sq m per year or 5,157 - 17,190 sq m over five years; and 10,314 - 34,380 sq m over ten years
- an office requirement of 769 - 2,563 sq m per year or 3,845 - 12,816 sq m over five years; and 7,690 - 25,632 sq m over 10 years.

G.25 Our findings for industrial floorspace requirement are largely supported by EGi take-up data as shown below. We believe there is a discrepancy in EGi's recorded availability and transactional data for office space, since the average take-up of small workspace (up to 100 sqm) is at c. 70 sqm per annum, and c.430 sqm for grow-on space. This may largely explain the difference in both data sets as our model estimates a much higher requirement than the recorded take-up data.

Table G-5: Recent transactions and current availability of start-up and grow-on space in Braintree

EGI data summary	Sq m per annum	
Deals (less than 100 sq m) - averaged over last 3 years	Industrial	257
	Offices	70
Availability (less than 100 sq m) - now	Industrial	329
	Offices	474
Deals (100 sq m to 300 sq m) - averaged over last 3 years	Industrial	2,749
	Offices	426
Availability (100 sq m to 300 sq m) - now	Industrial	2,780
	Offices	1,799

Source: BBP analysis of EGi data (2016)

Model results – high growth scenario

Table G-5: Model inputs, high growth scenario – 20% of firms needing 1.5 times as much space again as they currently occupy

	Annual space occupied by firms needing to grow (sq m)	Annual grow-on space requirement (sq m)	Grow-on space requirement over 10 years (sq m)	Deals (averaged) over last 3 years (EGi)		Current availability (EGi)		Land Required over 10 year period (ha)
				<100sqm	100-300sqm	<100sqm	100-300sqm	
Basildon								
Industrial	495	1,238	12,380	322	4,981	434	3,661	3.2
Offices	1,576	3,939	39,389	767	2,066	739	3,287	12.2
Braintree								
Industrial	848	2,120	21,195	178	3,519	92	756	5.5
Offices	294	734	7,340	178	489	427	4,812	2.3
Chelmsford								
Industrial	1,148	2,869	28,688	255	2,384	-	2,774	7.5
Offices	1,132	2,831	28,310	627	2,234	2,215	16,389	8.7
Colchester								
Industrial	834	2,084	20,844	410	3,519	334	1,862	5.4
Offices	1,846	4,616	46,161	1,781	3,202	2,874	13,265	14.2
Harlow								
Industrial	1,375	3,438	34,380	257	2,749	329	2,780	9.0
Offices	1,025	2,563	25,632	70	426	474	1,799	7.9

Source: BBP analysis

Table G-6: Model outputs, high growth scenario – 20% of firms needing 1.5 times as much space again as they currently occupy

	Annual increase in business rates revenue from accommodated firms (£k, 2016 prices)	Assumed business rates revenue from accommodated firms in Year 10 (£k, 2016 prices)	Cumulative business rates over 10 years (£k, 2016 prices)	Annual increase in jobs in firms accommodated in grow-on space	Jobs in firms accommodated in Year 10	Annual increase in GVA in firms accommodated in grow-on space (£m, 2016 prices)	Annual GVA derived from firms accommodated in Year 10 (£m, 2016 prices)
Basildon							
Industrial	49.7	497	2,736	41	413	1.9	19.3
Offices	307.4	3,074	16,906	328	3,282	15.4	153.7
Total	***357.1***	***3,571***	***19,642***	***370***	***3,695***	***17.3***	***173.0***
Braintree							
Industrial	84.3	843	4,635	71	707	3.3	33.1
Offices	46.3	463	2,549	61	612	2.9	28.6
Total	***130.6***	***1,306***	***7,184***	***132***	***1,318***	***6.2***	***61.7***
Chelmsford							
Industrial	111.5	1,115	6,298	96	956	4.5	44.8
Offices	219.8	2,198	12,091	236	2,359	11.1	110.5
Total	***334.3***	***3,343***	***18,390***	***332***	***3,315***	***15.5***	***155.2***
Colchester							
Industrial	85.6	856	4,707	70	695	3.3	32.5
Offices	391.3	3,913	21,526	385	3,847	18.0	180.1
Total	***476.9***	***4,769***	***26,233***	***454***	***4,542***	***21.3***	***212.6***
Harlow							
Industrial	153.8	1,538	8,458	115	1,146	5.4	53.7
Offices	198.3	1,983	10,907	214	2,136	10.0	100.0
Total	***352.1***	***3,521***	***19,365***	***328***	***3,282***	***15.4***	***153.7***

Source: BBP analysis