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Isle of Wight Employment Land Study

2022 Update

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Iceni Projects Limited on behalf of

Isle of Wight Council

January 2022

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1. EXECUTIVE SUMMARY

1.1 The Isle of Wight Council (the Council) commissioned Iceni Projects and Justin Gardener Consulting to undertake an update to their Employment Land Study (ELS) considering the 2021-2038 period.

1.2 This study provides evidence to inform local planning and development policy, particular regarding the provision of employment land and floorspace but also the level of housing required to support economic growth. It should be noted that the report assumes a 'Freeport Off' position. This means that the impacts of the planned Solent Freeport have not been considered as, at present, they are highly uncertain. These impacts will be considered in future updates at a time when they can be assessed with greater certainty. The findings of this study are summarised below.

Socio-Economic Context

1.3 The Isle of Wight has an enterprising population with high levels of self-employment and a high concentration of businesses. Despite this, the Island faces a number of socio-economic challenges.

1.4 The IoW's population has grown at a slower rate than England's over the last 10 years. This population is ageing and over half the population are over 51 years old compared to 36% in England.

1.5 The Island's labour market is relatively weak with a low economic activity rate and high unemployment suggesting more needs to be done to get residents into work. Furthermore, employment on the Island is skewed towards lower skilled occupations. This reflects relatively low skills levels and low wages from to higher than average proportions of employment in lower wage economies such as tourism and healthcare and social work (due to the Island's elderly population). This suggests more high quality training provision is required.

1.6 However, in terms of GVA, Manufacturing and Real estate activities have a stronger representation on the Island than the country as a whole. The marine and maritime sub-sector is nearly three times as large on the Island than the UK as a whole and has seen strong growth since 2010. The mining and quarrying, construction and arts, entertainment and recreation sectors are declining in terms of GVA.

1.7 The impact of the pandemic on unemployment on the Island was comparable to the impact nationally but unemployment is still above to the long-term average suggesting the economy has not yet fully recovered.

1.8 At the peak of the pandemic furlough rates were above the national average but were on par by the end of the scheme in September 2021. Higher peak rates of furlough were driven by the Island's large tourism sector heavily impacted hospitality and retail sectors.

Property Market Review

Office

1.9 The Island has a small but growing office market. It is likely that this market may be undersupplied but the evidence on this is not clear. It is recommended that land is allocated to meet any potential existing undersupply but with the flexibility to change use if this demand does not materialise.

1.10 There is strong demand for low to middle grade stock but limited demand for high grade stock suggesting new stock should be built to basic specifications.

1.11 The picture of demand by size is unclear but there is potentially demand for a range of sizes and allocations should be flexible enough to accommodate a range of sizes including for a large development of ~2,000 sqm or above.

1.12 Most demand for office space is in the Medina Valley and Ryde but small allocations would be beneficial in West Wight and the Bay area. Furthermore, it may be beneficial to allocate some smaller sites solely for office development. There are no significant issues with the cost of commercial premises on the Island although low rents may be constraining speculative development. Council support may be needed to unlock development.

Industrial

1.13 The IoW has a moderately sized industrial market which is growing at a similar rate to England's. There is an undersupply of industrial floorspace with a particular undersupply of logistics space.

1.14 New space needs to be delivered to increase the vacancy rate to a healthy level to allow for choice and churn in the market. There is likely to be demand for units of varying quality but the majority of demand is likely to be for basic units.

1.15 The overall demand by different sizes is unclear but there is likely to be demand for smaller units. There is evidence of demand for larger units including a live requirement necessitating a larger allocation but this should be flexible enough to accommodate other uses if the live requirement does not materialise.

1.16 Demand is relatively well distributed across the island, albeit with more demand in the Medina Valley and Ryde. For reasons of accessibility, it is recommended to concentrate future industrial development in the north and north-east of the Island.

1.17 No significant affordability issues were identified but low rents may be constraining speculative development and council support may be needed.

Employment Growth Forecasts

1.18 Oxford Economics' Baseline labour demand scenario shows the total number of jobs on the Isle of Wight is expected to increase by around 350 (at a rate of 0.03% per annum) up to 2038. This is a slower rate of growth than since 2001 but this is something which can also be seen at a national level.

1.19 In the Baseline scenario a number of sectors, including manufacturing, are forecast to see jobs decline significantly whilst a number of sectors, including professional, scientific and technical, are forecast to see strong growth.

1.20 A more optimistic Growth scenario which aims to better reflect the Island's strengths, known investment and policy targets has been constructed. This scenario forecasts 2,280 jobs growth (a rate of 0.2% per annum) by 2038 which is significantly higher than the Baseline scenario and slightly higher than an extrapolation of past trends.

1.21 A key aspect of this study has been to understand what level of jobs might be supported by different levels of housing delivery (labour supply). With constrained delivery of 486 dpa it is estimated that around 1,900 additional jobs could be supported across the plan period. Under the Standard Method level of housing delivery (665 dpa), there would be an increase of around 5,600 additional jobs to 2038.

Future Employment Land Needs

1.22 We have estimated demand for additional employment floorspace based on labour demand, labour supply and by extrapolating past trends in the delivery of floorspace.

1.23 In the labour supply and demand scenarios, jobs are converted to floorspace and then land by applying assumptions regarding full-part time working, split of employment in commercial typology, employment densities and plot ratios. Adjustments to these forecast needs are then applied to account for potential forecasting error, to help provide flexibility and replacement demand.

1.24 A sensitivity which assumes greater levels of home working in office jobs has also been calculated which is represented by the lower end of the ranges presented.

1.25 This economic forecasts result in a need for 3.1-3.4 ha of land in the Baseline scenario and 16.4-16.7 ha of land in the Growth Scenario.

1.26 In the labour supply scenarios, the same assumptions are applied to convert jobs to floorspace/land, and an increased homeworking sensitivity is also ran. This results in a total need for 3.3-3.6 ha of employment land in the Delivery Constrained scenario and 23.3-44.1 ha in the Standard Method scenario.

1.27 It can be seen that the Capacity Constrained labour supply scenario yields a similar amount of need to the labour demand Growth scenario.

1.28 Historic trends are also extrapolated to estimate future needs. Based on local authority monitoring data of net completions, adjusted to account for forecasting error, a margin of flexibility and replacement demand, there is a need for 22 ha of employment land.

1.29 The table below shows the forecast need for floorspace and land by use class in each scenario. The Baseline labour demand scenario has been excluded as it does not fully reflect the local economy and the Standard Method labour supply scenario has also been excluded as it is not realistic to deliver this amount of housing on the Island.

	Net Completions Trend		Labour Demand - Growth		Labour Supply - Capacity Constrained	
	Sq M	Ha	Sq M	Ha	Sq M	Ha
Office	16,932	3.4	**17,000 – 18,600**	**3.4 - 3.7**	16,400 – 17,800	3.3 - 3.6
Factory	44,744	11.2	**29,000**	**7.2**	28,000	7.0
Warehouse	24,548	4.9	**28,800**	**5.8**	26,900	5.4
Total	86,224	19.5	**74,845 – 76,500**	**16.4 - 16.7**	71,300 – 72,680	15.7 - 15.9

1.30 The labour demand Growth scenario is deemed to be the most representative of actual need as it provides a more balanced need for factory and warehouse space in comparison to the commercial market analysis. The labour demand Growth scenario aligns closely with the labour supply scenario thereby giving further credence to the findings.

Supply Position

1.31 The supply position refers to the amount of future supply of employment floorspace made up of unimplemented permissions and development opportunities within employment allocations and Employment Opportunity Area (as set out in the draft Local Plan).

1.32 In total there are 17,194 sqm (GIA) of pending office and light industrial floorspace applications and 14,638 sqm industrial applications across all allocations and Opportunity Areas. There is also around 11.8 Hectares of further flexible development opportunities.

1.33 Unimplemented permissions would result in a net loss of around 7,500 sqm of office and light industrial space and 2,700 sqm of warehousing space. In contrast, around 13,000 sqm of B2 (industrial) floorspace would be delivered.

Supply-Demand Balance

1.34 Bringing together supply and demand, there is a nominal oversupply of 6.85 ha of industrial land and a nominal undersupply of 0.36 ha of office land. This is nominal as typologies have been assigned to land based on its most likely/appropriate use.

1.35 However, given that there is an aggregate oversupply of employment land and flexibility in this supply, there is enough to meet all needs without allocating further sites to those identified in the draft Local Plan.

1.36 The aggregate oversupply identified allows the existing undersupply of floorspace to be met. It is recommended that this land should be allocated flexibly to allow it to come forward for multiple uses should existing demand for specific uses not materialise. However, it should be remembered that a lack of delivery may not represent a lack of demand for space, but that speculative development is unviable. This means that public sector support may be needed to fulfil unmet demand.

1.37 Drawing on the office market assessment and office supply-demand balance, allocations should focus on the Medina Valley and Ryde, with some smaller allocations in the Bay Area and West Wight.

1.38 Drawing on the industrial market assessment and industrial supply-demand balance, small industrial allocations should be spread across the Island but concentrated in the Medina Valley and Ryde for accessibility reasons.

1.39 At least one allocation should be made to accommodate a large office development (~2,000 sqm or larger) and at least one allocation should be made to accommodate a large industrial development. The location of these allocations should be determined through engagement with potential occupiers including those with live requirements on the Island but are likely best placed in the accessible north-east of the Island, close to one of the main towns. Importantly, the allocations should be flexible enough to be able to come forward for other uses if large industrial and/or office demand does not materialise.

Economic Led Housing Need

1.40 We have also considered the level of housing delivery which might be required to meet job growth forecasts. This estimates the change in the economically active population required to fill additional jobs and the resulting number of homes required to accommodate this workforce growth.

1.41 For the Baseline labour demand scenario jobs growth of around 350 there is a need to provide 408 dwellings per annum up to 2038, whilst the Growth scenario of around 2,300 jobs would necessitate 504 dwelling per annum.

1.42 The Growth scenario housing need is higher than the Delivery constrained requirement set out in the draft Local Plan suggesting the need for an upwards revision of this requirement.

1.43 However, the draft Local Plan requirement is not a target or ceiling and that additional housing can come forward if mechanisms for increasing delivery capacity are found. Therefore, given this flexibility, there is no need to increase the overall level of housing being planned for.

2. INTRODUCTION

2.1 The Isle of Wight Council (the Council) commissioned Iceni Projects and Justin Gardener Consulting to undertake an update to their Employment Land Study (ELS) considering the 2021-2038 period.

2.2 This report responds to the broad objectives of the ELS being:

- An update on the baseline evidence to ensure that the local plan is based on relevant economic information;
- Understanding the implications of the planned housing number on the labour supply and economic outlook;
- Consider the economic effects of Covid 19 and Brexit on the local economy and employment land demand;
- Assess the employment land provision; and
- Review economic policies

2.3 It should be noted that the report assumes a 'Freeport Off' position. This means that the impacts of the planned Solent Freeport have not been considered as, at present, they are highly uncertain. These impacts will be considered in future updates at a time when they can be assessed with greater certainty.

Relevant Policy Context

2.4 This section reviews the main policy and strategy documents relevant to the National and Isle of Wight economies.

National Planning Policy Framework

2.5 The National Planning Policy Framework (NPPF) is the overarching document by which all planning documents must adhere to. Chapter 6 of the NPPF deals with building a strong competitive economy. It notes that "Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development."

2.6 The NPPF also requires local authorities to develop Planning policies which should:

"a) set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;

b) set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;

c) seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and

d) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances."

2.7 It adds that "Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for storage and distribution operations at a variety of scales and in suitably accessible locations."

Planning Practice Guidance

2.8 The Planning Practice Guidance in relation to housing and economic needs assessments sets out[1] how the NPPF should be translated into practice.

2.9 The PPG requires local authorities to prepare a "robust evidence base to understand existing business needs, which will need to be kept under review to reflect local circumstances and market conditions" (Paragraph: 025 Reference ID: 2a-025-20190220).

2.10 It goes on to add that "In gathering evidence to plan for business uses, strategic policy making authorities will need to liaise closely with the business community, taking account of the Local Industrial Strategy, to understand their current and potential future requirements. They will need to assess:

- the best fit functional economic market area
- the existing stock of land for employment uses within the area;
- the recent pattern of employment land supply and loss – for example based on extant planning permissions and planning applications (or losses to permitted development);
- evidence of market demand (including the locational and premises requirements of particular types of business) – sourced from local data and market intelligence, such as recent surveys of business needs, discussions with developers and property agents and engagement with business and economic forums;
- wider market signals relating to economic growth, diversification and innovation; and

1 https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments

- any evidence of market failure – such as physical or ownership constraints that prevent the employment site being used effectively." (Paragraph: 026 Reference ID: 2a-026-20190220)

2.11 Estimating the scale of future needs will need to be broken down by different market segments, such as different B use classes (now E-use class). The PPG (paragraph: 027 Reference ID: 2a-027-20190220) recommends the use of a range of data to forecasts future need such as:

- Sectoral and employment forecasts and projections which take account of likely changes in skills needed (**labour demand**)
- Demographically derived assessments of current and future local labour supply (**labour supply** techniques)
- Analysis based on the **past take-up of employment land** and property and/or future property market requirements
- Consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.

2.12 Finally, the PPG (Paragraph: 030 Reference ID: 2a-030-20190220) provides guidance as to how employment land requirements can be derived stating "When translating employment and output forecasts into land requirements, there are 4 key relationships which need to be quantified. This information can be used to inform the assessment of land requirements:

- Standard Industrial Classification sectors to use classes
- Standard Industrial Classification sectors to type of property
- employment to floorspace (employment density) and
- floorspace to site area (plot ratios based on industry proxies)"

2.13 The approach in this ELS responds to this.

Solent Local Enterprise Partnership Strategic Economic Plan (March 2014)

2.14 The Strategic Economic Plan (SEP) set out our future ambitions for the Solent LEP area which includes the Isle of Wight. The SEP shows how these ambitions would be achieved; through developing business support, enabling infrastructure, investment in skills, developing our strategic sectors, encouraging inward investment and supporting innovation in the Solent."

2.15 The Vision for the local economy includes achieving a number of objectives including:

- *"Maximise the economic impact of our economic assets in the area and sectors with the potential for growth. Promoting the area as the UK's leading growth hub for advanced manufacturing, marine and aerospace both at home and, more importantly, in the global marketplace. Developing the advanced engineering and manufacturing sector through a business-led approach and supporting the visitor economy.*

- *Unlock critical employment sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy, to expand.*

- *Provide new housing to support our growing workforce.*

- *Ensure people have the right skills to access employment and support our growing sectors.*

- *Provide effective support to our small and medium-sized enterprises (SMEs) to enable them to grow – including marine and maritime SMEs; and*

- *Unlock innovation led growth to engage more businesses in knowledge exchange and innovation, develop links to wider Higher Education Institutions (HEIs) and demonstrate the benefits of working with knowledge based partners."*

2.16 The SEP sets out a series of ambitious economic targets to 2020 which has now passed. The targets included 15,500 additional jobs, GVA growth of 3% and improvements to productivity, employment and business creation. In order to meet the growth targets six strategic priorities have been identified, these include:

"Supporting new businesses, enterprise and ensuring SME survival and growth.

Enabling infrastructure priorities including land assets, transport and housing, reducing flood risk and improving access to superfast broadband.

Establishing a single inward investment model to encourage companies to open new sites in the region, supported by effective marketing.

Investing in skills to establish a sustainable pattern of growth, ensuring local residents are equipped to take up the jobs that are created and businesses can source local skills and labour to underpin growth.

Developing strategic sectors and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses,

low carbon, digital and creative and the visitor economy – establishing the area as a business gateway, at both local and international levels and developing local supply chains.

Building on our substantial knowledge assets to support innovation and build innovative capacity in the Solent area to stimulate growth in Solent businesses and in new high growth sectors, particularly linked to our HE excellence."

2.17 The SEP makes a number of Isle of Wight specific plans and statements including a note that Island already has "difficult economic conditions" which will be further inhibited without improved links to the mainland. Without this there will be damage to the visitor economy (which is one of the largest in the Solent) and jeopardise jobs and acting as a barrier to business growth and investment.

2.18 To address this the SEP sets out its Red Funnel project which seeks funding for the highways infrastructure needed to move the Red Funnel Ferry terminals on each side of the Solent. The project removes existing connectivity & capacity constraints on the visitor economy, while unlocking major employment sites at East Cowes. Specifically, the scheme asks the Solent LEP to fund the terminal access roads, cycling and walking routes, high quality waterfront areas, and a new 'floating bridge' between East and West Cowes.

2.19 Red Funnel ferries have separately applied to the Growing Places Fund for a loan to fund the purchase of land from the Council in East Cowes. Beyond that, Red Funnel ferries will pay for the new terminals and ferry upgrades. This scheme provides funding for the enabling public infrastructure needed to re-locate the Red Funnel Ferry terminals on each side of the Solent.

2.20 Recognising that the Island has a low GDP significant area of the Isle of Wight has been provisionally designated as an Assisted Area within the current review.

2.21 The SEP propose to designate a portfolio of sites for a local Enterprise Zone within Cowes and East Cowes and establish an Isle of Wight Infrastructure expansion fund to assist companies coming forward with suitable investment which will create needed jobs on the Isle of Wight.

2.22 The scheme will combine with other schemes to provide a comprehensive package to support the growth of the key strategic Solent industries of marine, aerospace, renewable energy and advanced manufacturing on the Isle of Wight.

2.23 The SEP also reiterated the importance of tourism stating that it supports 20% of jobs on the island and generates £500m in expenditure. To boost this the SEP sets out plans for a marketing campaign.

2.24 It also recognises other sector specialisms including an emerging cluster of renewable energy, composite materials and marine technology businesses.

2.25 In response, the SEP sets out a proposal is to develop a new Centre of Excellence for Composites, Advanced Manufacturing and Marine Technology led by GKN. The centre will be an industrial training centre, led by GKN, at Island Technology Park, Whippingham, East Cowes (adjacent to GKN Research and Development facility), which will enable this site to be opened up to other employment opportunities.

2.26 As the training centre is designed to support the LEP's priority industry sectors of marine, composites and advanced manufacturing this would naturally lead to further inward investment and business start-ups. This new training facility would accommodate 550-600 learners.

2.27 In addition, funding will be used to carry out refurbishment to targeted facilities at the Isle of Wi that fulfil the needs of LEP and priority local industrial sectors at a cost of £2,976,700. There would be refurbishment of facilities like hospitality and construction alongside creation of new ones such as a new Isle of Wight Business Communications and Conferencing Hub established within a new Business and HE Centre.

Solent Local Enterprise Partnership Delivery Plan

2.28 The Delivery Plan in part updates the SEP to set strategic objectives in support of Solent 2050 which is currently under development. The delivery plan sets out seven priority areas to realise the ambition to make the Solent area prosper. These are:

- A world-leading marine and maritime economy, building on our existing assets and global competitive advantages to strengthen the UK's international trading relationships;
- Pioneering approaches to climate change adaptation and decarbonisation and establishing real expertise which other regions – nationally and globally – can learn from;
- The UK's capital of coastal renaissance, harnessing new technologies and approaches to revitalise coastal communities and ensure growth is inclusive
- A thriving visitor, creative and cultural economy, capitalising on the Solent's superb natural beauty and rich maritime history
- Developing a world-class talent base, helping people at all stages of their career build the skills they need to respond to new technology and drive an innovative knowledge-based economy
- An outstanding business environment that encourages innovation, fosters collaboration and enables businesses of all sizes and sectors to thrive
- Put health and wellbeing at the heart of economic success.

2.29 Specifically on the Isle of Wight Delivery Plan includes assisting the ongoing development of Branstone Farm which will provide 42 affordable housing units and commercial space in new and renovated buildings with a £2.225m investment.

2.30 There has also been a £700,000 investment to re-instate a passing loop at Brading station to make rail a more attractive and sustainable travel option. These works have recently been completed and the Island Line is now operational.

Draft Island Planning Strategy Development Plan, July 2021

2.31 The Draft Planning Strategy[2] sets out the Council's vision and objectives for the Island as well as the policies to help delivery it. The Strategy notes that the Island's employment base has grown over "recent years, increasing at a similar rate to the Solent. This is driven by a variety of sectors including accommodation and food services and real estate. It notes that workforce productivity is lower in comparison to the mainland and needs to be improved.

2.32 The strategy is based on forecasts from Oxford Economics (pre-pandemic) which this report updates. The forecasts expected an increase of 4,600 jobs between 2015 and 2036, a growth rate of nearly eight per cent which is broadly similar to the LEP average.

2.33 The sectoral growth was focused on health and social care, admin and support services, construction and recreation, reflecting both the ageing population trend and tourism sectors. More traditional sectors such as manufacturing and agriculture are expected to decline in overall terms.

2.34 In broad terms the Policy around the local economy is to protect as many existing jobs as possible and also make it easy for new jobs to be created. The Draft Plan's policies make sure that land is secured and available for a range of businesses to maintain and increase the number of jobs.

2.35 Section 8 of the strategy focuses on the Island's economy. This includes a recognition that supporting the rural economy and maintaining employment sites with water access respond to specialised areas of the Island's economy.

2.36 The draft plan also includes a suite of policies dedicated to support the Island's tourism offer. These include supporting high quality tourism, The Bay tourism opportunity area and Ryde tourism opportunity zones.

2 https://www.iow.gov.uk/azservices/documents/2981-Draft-Island-Planning-Strategy-July-2021.pdf

2.37 There are eleven specific policies. These include:

Supporting the growing economy - Through the allocation of 6 sites with a combined area of around 30 hectares and supporting the intensification and expansion of four additional sites;

Supporting sustainable economic growth – by supporting proposals on allocated sites or the re-use of previously developed land and resisting loss greater than 0.1 Ha or has access to water unless it would support wider regeneration and would not compromise the local economy;

Upskilling the Island – by supporting development proposals that improve workforce skills and employability and support skills in existing sectors especially within the construction, digital, high tech, renewable and marine sectors;

Supporting the rural economy – By, among others, supporting the conversion of redundant buildings for employment use;

Maintaining sites with water access – To ensure the sustainability of the maritime economy;

Future proofing digital infrastructure – By enhancing digital connectivity and facilitating modern working practices;

Supporting and improving town centres - By encouraging and supporting proposals for commercial uses that can contribute to the diversity, choice, vitality and viability of town centres;

Supporting the evening economy – by supporting proposals that seek to increase the footfall into the town, local and village centres in the evenings; and

Supporting high quality tourism – supporting sustainable growth through niche tourism product and increase the quality of existing tourism destinations and resisting the loss of accommodation in core tourism area.

Planning for Sustainable Development and Growth – Policies Background Paper (Nov 2018)

2.38 Background papers[3] produced to accompany the draft Island Planning Strategy summarise and explain the issues faced within each policy. The paper firstly states that development economics on the Isle of Wight are slightly different to those on the mainland. Specifically, there are higher costs

3 https://www.iow.gov.uk/azservices/documents/2981-Explainer-Planning-for-Sust-Dev-and-Growth.pdf

associated with transporting materials to the Island, and there is a lack of indigenous skills so tradesmen need to be imported in.

2.39 As well as additional costs there are also lower values on the Island compared to the mainland, as a result those making a decision between investing in a site on the mainland or on the Island the latter often misses out.

The Isle of Wight Retail Study Update (April 2021)

2.40 The retail study[4] focuses on other employment uses outside the scope of this study. The key findings include a recognition that expenditure forecasts for convenience goods have been revised have downwards post-pandemic, while the market for online food shopping has continued to grow. This has resulted in lower forecast future demand for additional convenience goods floorspace but likely to be demand for warehousing floorspace.

2.41 For comparison goods the report notes that the development on the former Newport (IOW) Football Club site for a new retail and leisure park will provide approximately 7,600 sq.. additional floorspace. This will also absorb some of the headroom across the island in capacity terms.

2.42 In addition changing consumer behaviour coupled with the impact of the ongoing Covid 19 pandemic result in reduced forecasts expenditure growth and higher internet expenditure.

Isle of Wight Economic Profile and Business Survey (2019)

2.43 These are two separate documents[5] the key findings of which are set out below.

2.44 In relation to the labour market the profile notes historically low economic activity rates but the fastest increase in activity (and reduction in unemployment) among the comparator areas and now 77% of the Isle of Wight residents of working age are economically active, however this is still below average.

2.45 Close to one in five of all residents of working age are self-employed and this is much higher than in the Island's comparator areas. Self-employment in the Rural West is over 27% or almost double the national average. The growth of tourism and care-related activities are factors that have contributed to this. There is also a significant percentage of part-time employment on the island.

4 https://www.iow.gov.uk/azservices/documents/2981-IoW-Retail-Study-Update-Combined-Report-and-Appendices.pdf

5 https://www.iow.gov.uk/Council/OtherServices/Economic-Development/Economic-Profile

2.46 In relation to skills and occupations the profile notes the large skills gap with a below average number of residents of a working age with a degree. Conversely there is a high concentration of people with no qualifications. This profile impacts on the ability to attract inward investment into the Island.

2.47 In relation to the Islands business structure there is a large number of enterprises but very few medium and large businesses. This relates to the high percentage of self-employed. Overall the number of business started on the island has been relatively low which has impacted economic growth.

2.48 There is also an under-representation in high-productivity businesses. The largest sectors are wholesale and retail, hospitality and construction. Since 2010 there has been some sectoral shift with employment increasing in business administration, ICT, other services, accommodation & food and real estate and falling in professional services.

2.49 The Marine and Maritime sector is also relatively strong. Although growth in businesses has been slow, employment has been strong in the sector. The tourism sector is of strategic importance again business growth has been slow but employment growth was relatively strong.

2.50 The Island's economy is worth £2.8bn accounts for around 10% of total GVA for the Solent LEP area. This makes it a medium sized economy for the LEP area. This is driven by health and social care and manufacturing.

2.51 Economic growth was faster than most comparable areas although it has slowed. Productivity growth makes a strong contribution to economic growth on the Island. This has closed the gap in labour productivity with the national average.

2.52 The island has a large wage gap with the national average although it is above Southampton and Portsmouth but below the South East. Median salary of the Isle of Wight residents working full-time was £25,500 in 2018 or 13.9% below the national average.

2.53 The latest data suggests that over the long-term economic growth on the Isle of Wight appears to be more sustainable. The labour market participation rates and employment rates have increased, economic structure has shifted towards higher value private services, there has been a strong growth in both productivity and economic prosperity. In a number of areas the growth is more inclusive.

2.54 The survey has a number of outputs including how the business has performed over the 12 months prior to the survey date. Turnover was stable, although more firms were growing than contracting.

2.55 Business prospects were largely unchanged compared with the previous survey but fewer businesses were confident now. Less than half of businesses (42%) had recruited in the past 12

months but 80% were successful in filling the vacancy. Where businesses faced difficulties recruiting the most common reasons given were 'too few or no applicants' and 'lacks skills or experience.'

2.56 In looking forward over the next 12 months just over half of all businesses were looking to expand. The primary mechanism for expansion is by developing new products or markets. A large majority of businesses expected to stay in their current premises over the next 12 months, while only 6% are planning to remove their business by relocating off the Island.

2.57 In relation to business use of business support tools it is clear from all respondents that access to good broadband and mobile phone networks are pivotal to the Island's businesses.

2.58 Approximately 9 in 10 businesses surveyed reported at least one significant barrier to developing their business. The most common reason given by businesses was the additional costs associated with operating on the Island. Just over half of businesses thought a dedicated website for Island businesses would be useful.

Hampshire & Isle of Wight Monthly Intelligence Dashboard (Nov 2021)

2.59 The most recent dashboard[6] was from November 2021 and covered the period to October 2021 and sets out a range of statistics relating to the Economy in Hampshire and the Isle of Wight.

2.60 Economic growth in the area has slowed in the latest quarter and is now below the UK level of growth. The largest growth was in the accommodation and food and arts and entertainment sectors have been the fastest growing. However, business activity, new orders and exports (including to the EU) have increased across the South East. This is despite continuing product and labour shortages. The growth in business activity is linked to new orders from improved conditions and increased footfall.

2.61 Employment has increased and unemployment decreased and there has been a substantial increase in job postings (22% month on month). On the Ilse of Wight claimants have decreased by 0.2% in the last month but remains at 4.2% which is around average for the study area.

2.62 Business investment grew although at a much slower rate than the previous quarter. Investment is now 12.4% below pre-pandemic levels. Growth prospects remain positive in the South East, with the overall degree of optimism little-changed from the previous month. Sentiment among firms in the South East was the second strongest of all UK regions.

6 https://documents.hants.gov.uk/hampshire2050/LRF-HIOW-monthly-intelligence-dashboard.pdf

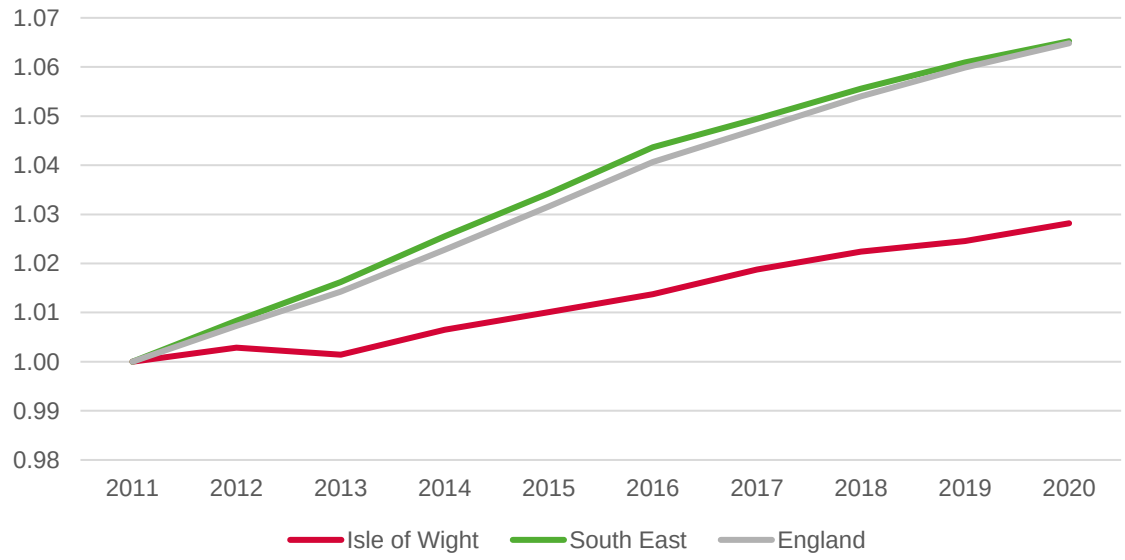
3. SOCIO ECONOMIC CONTEXT

3.1 This section provides an overview of the Isle of Wight's social and economic context in relation to the South East and England as a whole (or Great Britain in some instances). It draws on a range of data from the Office for National Statistics (ONS). Unless otherwise stated, all data covers the 2011 to 2020 period, and 2020 or 2021 for single-year datasets.

Demographics

3.2 In 2020, the Isle's population was 142,300 people. Over the last decade, the Isle of Wight's population has grown at a significantly slower rate than in the South East and England. The following graph shows the indexed population growth rate.

Table 3.1 Population growth 2011 to 2020 (indexed 2011 = 1)



Source: ONS, MYE

3.3 In the last 10 years, the Isle of Wight gained an additional 3,900 inhabitants, which equates to a 2.8% growth rate for the last decade. By contrast, the South East and England grew at a rate of 6.5%.

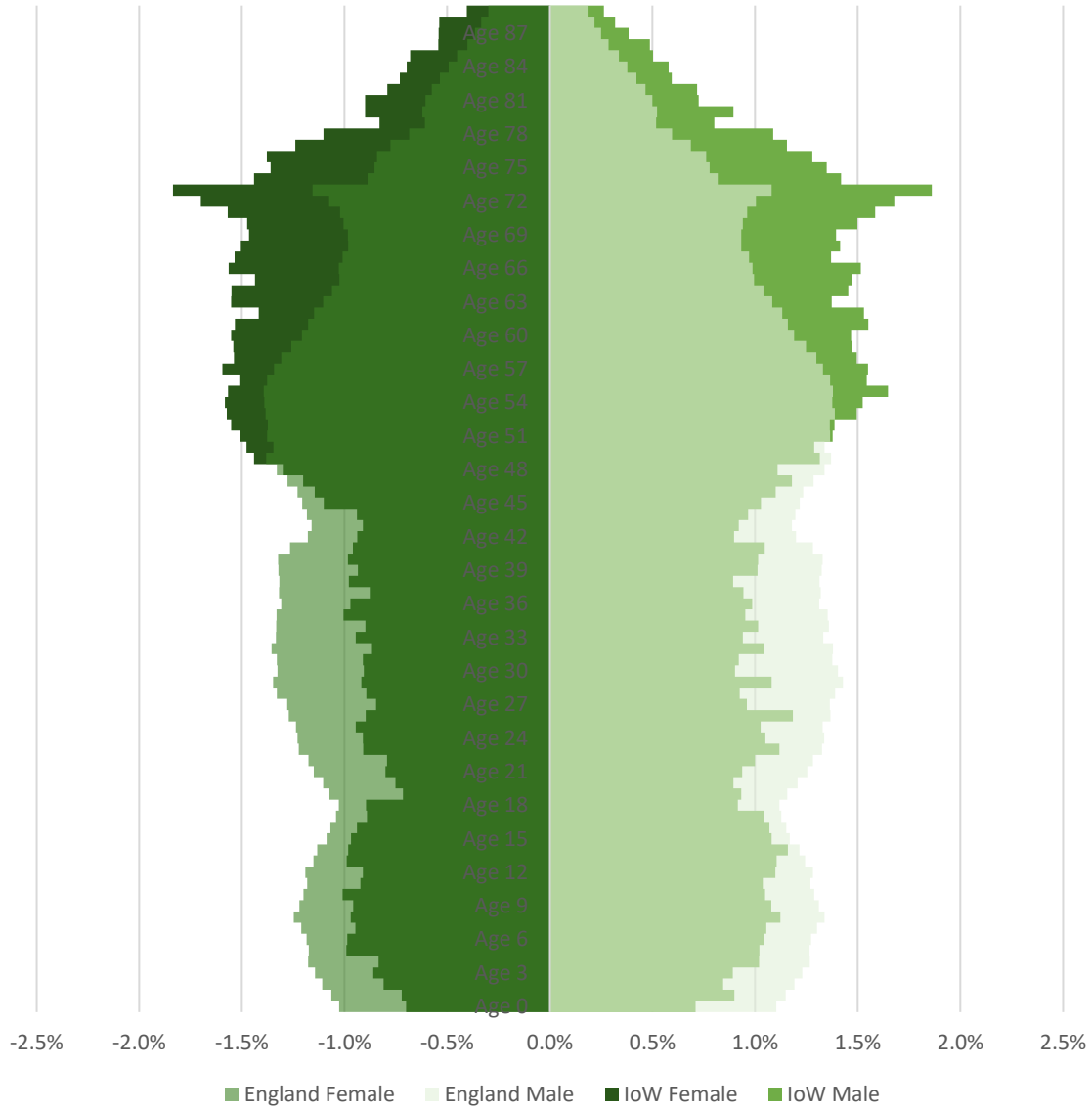
Table 3.2 Population change, 2011 vs. 2020

	2011	2020	Net gain	% Growth
Isle of Wight	138,400	142,300	3,900	2.8%
South East	8,652,800	9,217,300	564,500	6.5%
England	53,107,200	56,550,100	3,442,900	6.5%

Source: ONS, MYE

3.4 The IoW's population age profile differs widely from England. Half of the population is older than 51 years old, compared to 36% in England. As a result, the share of working age population is much smaller as seen in figure 1.3.

Table 3.3 Population age profile Isle of Wight vs. England, 2020

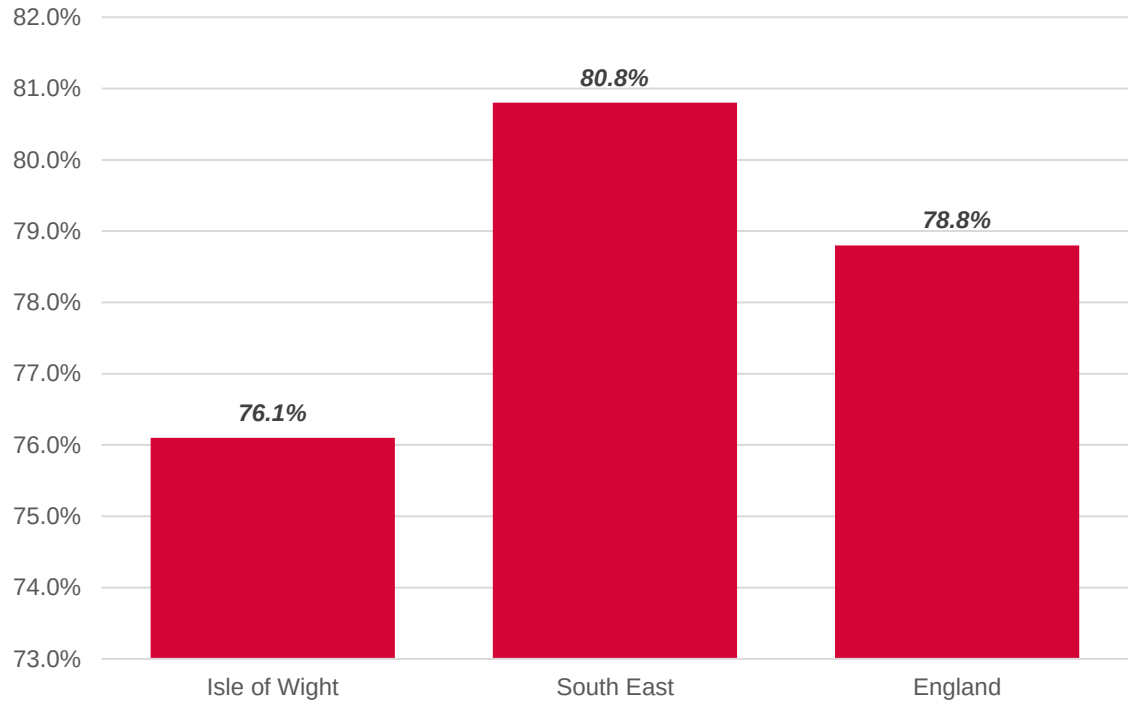


Source: ONS, MYE

Labour Force

3.5 A key measure of an area's labour force is the percentage of economically active population. This is defined as those in employment plus those who are unemployed. In England, this rate stands at 78.8% and has been growing in the last decade. The South East has a higher share of economically active population at 80.8%. By contrast, the IoW rate of 76.1%, close to 3 percentage points lower than the national average.

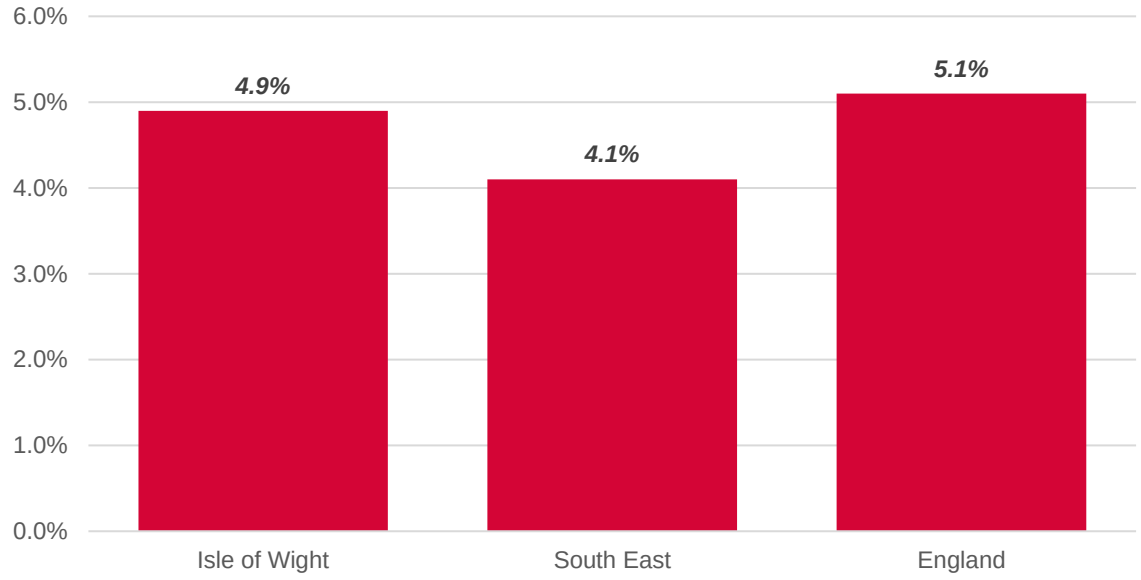
Table 3.4 Economic activity rate, 2021



Source: ONS

3.6 The headline measure of unemployment for the UK is the unemployment rate for those aged 16 and over. Unemployment rates are calculated as the number of unemployed people divided by the economically active population. At 4.9% the IoW has a higher unemployment rate than the South East (4.1%) in 2021 but is more in line with England's figure (5.1%).

Table 3.5 Unemployment rate, 2021



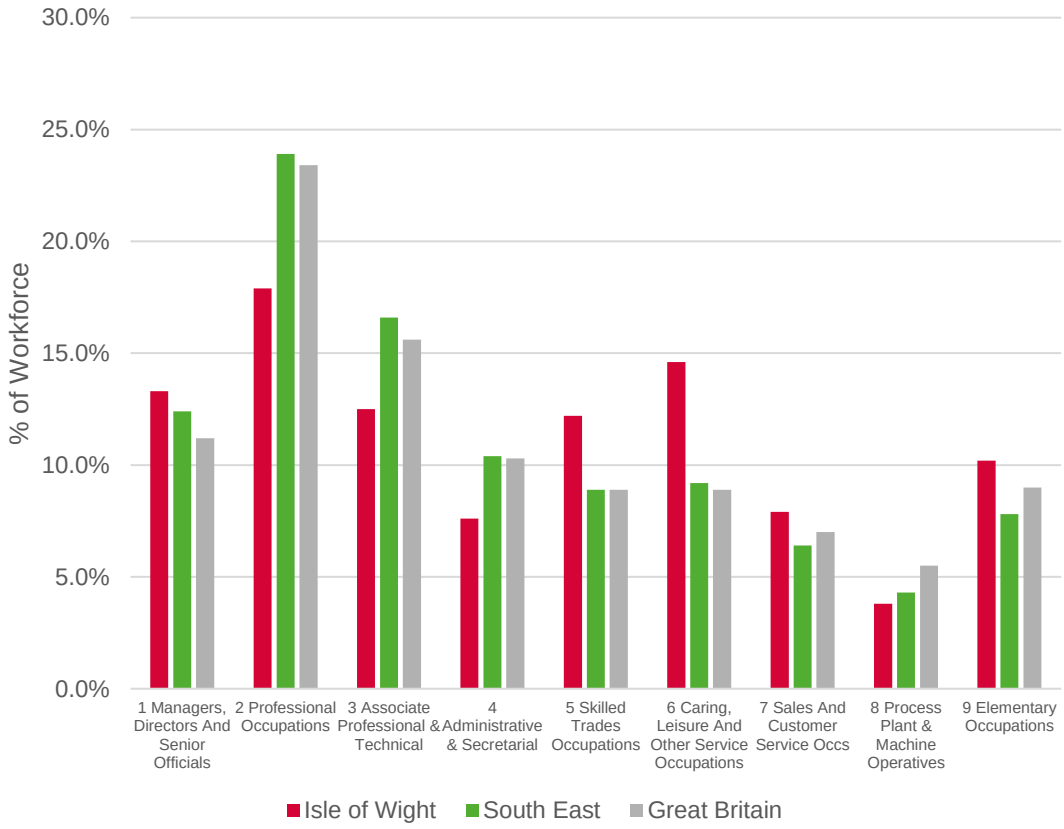
Source: ONS

Skills and Qualifications

3.7 The IoW exhibits similar proportion of workers to wider comparators in certain occupational groups, but it also shows some key differences with the national average such as:

- A lower proportion of professional occupations and associate professional and technical occupations: respectively 5 and 3 percentage points lower than in England
- A higher proportion of skilled trades occupations and other services occupations: 4 and 5 percentage points higher than in England
- Higher proportion of the workforce in Sales and Customer Service, and Elementary Occupations
- The occupational split reflects the demand linked to an older population, tourism and manufacturing industries which drive the high level of workforce in caring, elementary and skilled trades roles respectively.

Table 3.6 Occupation Level, 2021

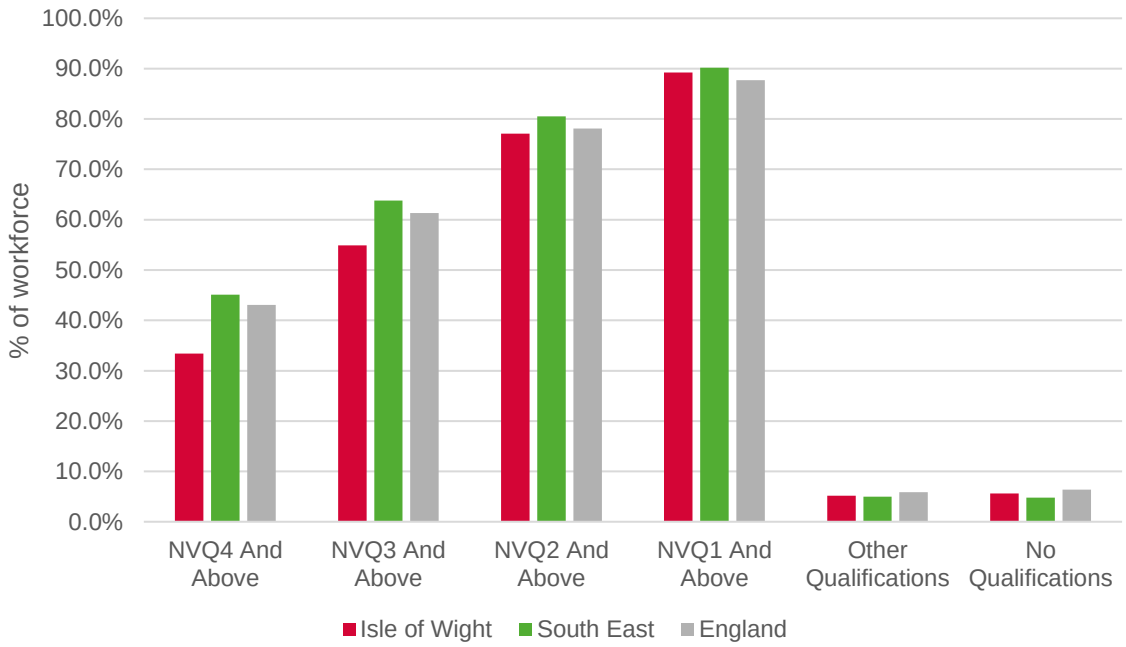


Source: ONS, APS

3.8 Although there is a high percentage of managers, directors and senior officials this can be linked to high levels of self-employment. Overall, there is a lower than average proportion of workers in the

top three occupation groups. This disparities is closely tied with the educational level. The IoW's workforce has far fewer degree educated workers (NVQ4+) than national and regional figure.

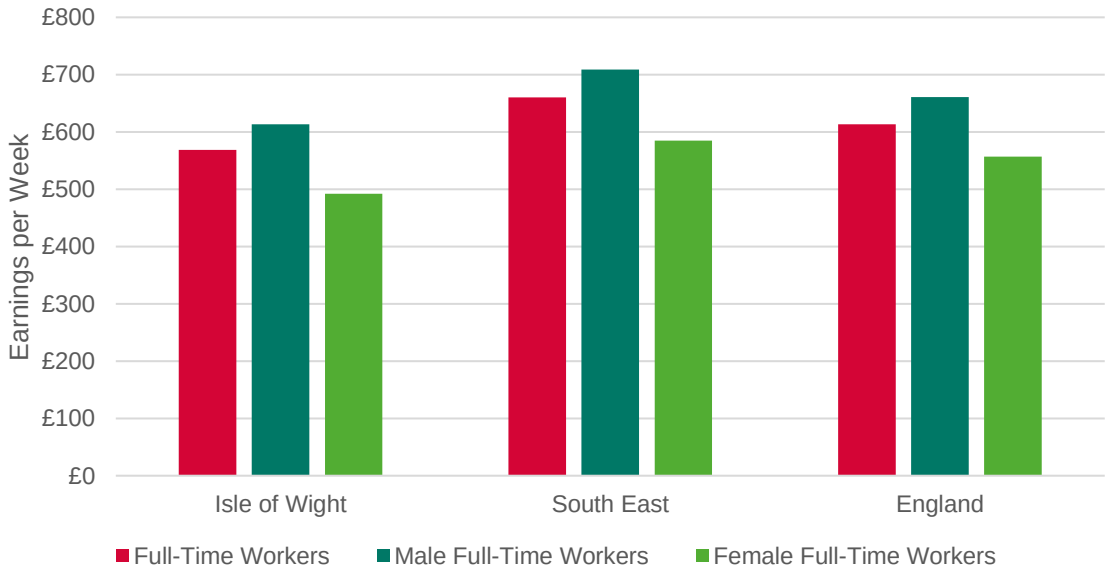
Table 3.7 Education level, 2020



Source: ONS, APS

3.9 This also feeds into lower earnings for those living on the island in comparison to the wider region and country. Place of residence average earnings in 2011 stand at £569 per week on the Island compared to the national average of £613 per week and £660 in the South East.

Table 3.8 Residence Based Earnings, 2021



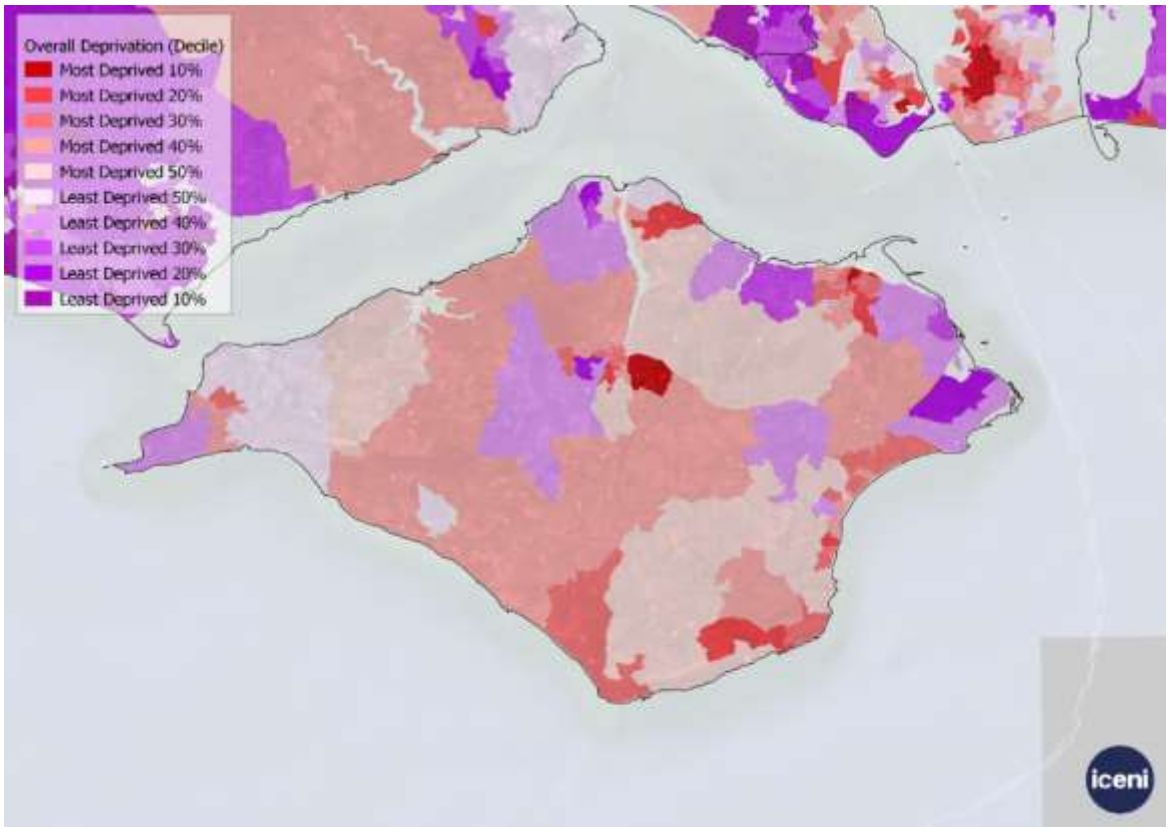
Source: ONS, ASHE

Deprivation

3.10 The Index of Multiple Deprivation[7] (IMD) is a national indicator of relative deprivation of an area and ranks each of the 32,000 Lower Super Output Areas (LSOAs) in England. The Index combines information from seven domains to produce an overall relative measure of deprivation. The domains are Income; Employment; Education; Skills and Training; Health and Disability; Crime; Barriers to Housing Services; Living Environment.

3.11 The IoW is split into 89 LSOAs, out of which three are ranked within the top 10% of most deprived areas in the country and a further nine in the 20% most deprived in England. As illustrated in the map below these include areas in Newport, East Cowes, Ryde and Sandown. This information is provided as an indicator of where intervention could occur to relieve the deprivation in these areas and across the Island. Overall, around 13% of LSOAs on the Island are in the top 20% most deprived and is hence not particularly deprived by this metric.

Table 3.9 Overall Index of Multiple Deprivation, 2019



Source: IMD and Iceni Projects mapping

7 English indices of deprivation, 2019. Available at: https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019

Covid-19 pandemic impact

3.12 This section looks at claimant counts and furlough figures to shed light on the impact of the Covid-19 pandemic on the Island's economy.

3.13 The latest data available shows a claimant count rate of 4.2% for the IoW, compared to 4.8% for the UK as a whole indicating lower levels of unemployment than the national average.

3.14 The chart below shows the impact of the pandemic in unemployment (sharp rise in early 2020) and then a progressive recovery from 2020 – early 2021. It can be seen that the claimant rate of the Island rose closely tracks the national average and continued to do so during the pandemic. Whilst now below the national average, rates are still some way above the longer-term average for the Island meaning there is so way to go for the economy to fully recover.

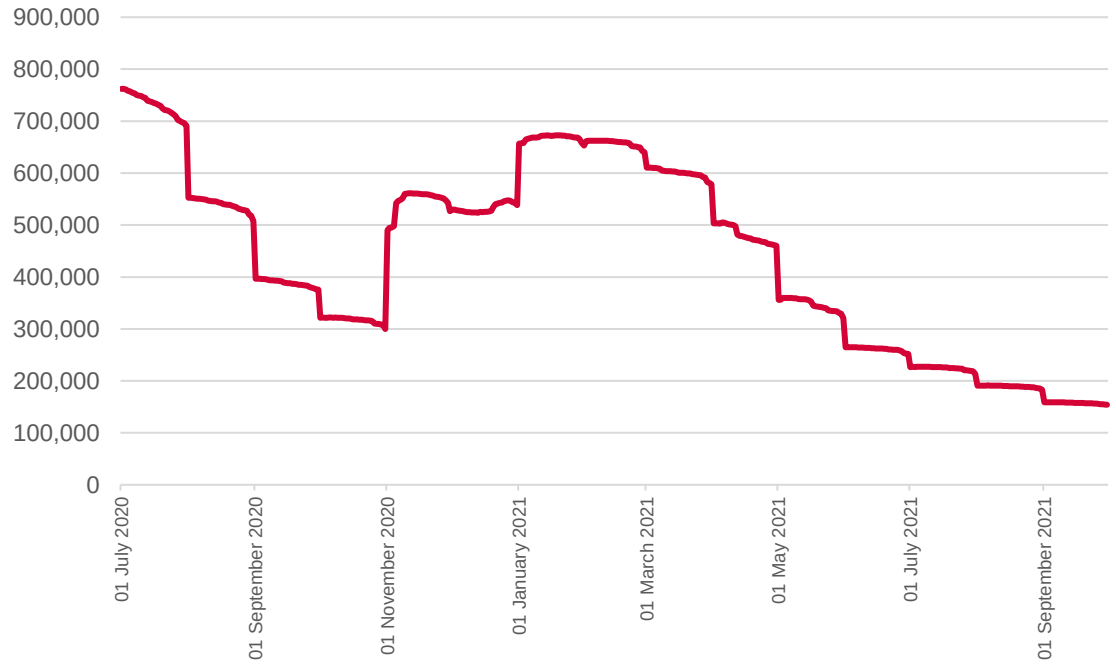
Table 3.10 Claimant counts, 2011 to 2020.

Source: ONS

3.15 The graph below shows the furlough counts from July 2020 to September 2021 for the South East, with a peak in July 2021 and in the winter of 2020-21 when the second lock-down occurred. The number on the scheme eased into the spring and summer until the scheme was terminated.

3.16 By comparison the IoW had a furlough rate of 18% at the July 2021 peak which compared to 17% in the South East and nationally. By the scheme end in September 2021 all three areas had a furlough rate of 4%.

Table 3.11 Furlough count in the South East, July 2020 to September 2021

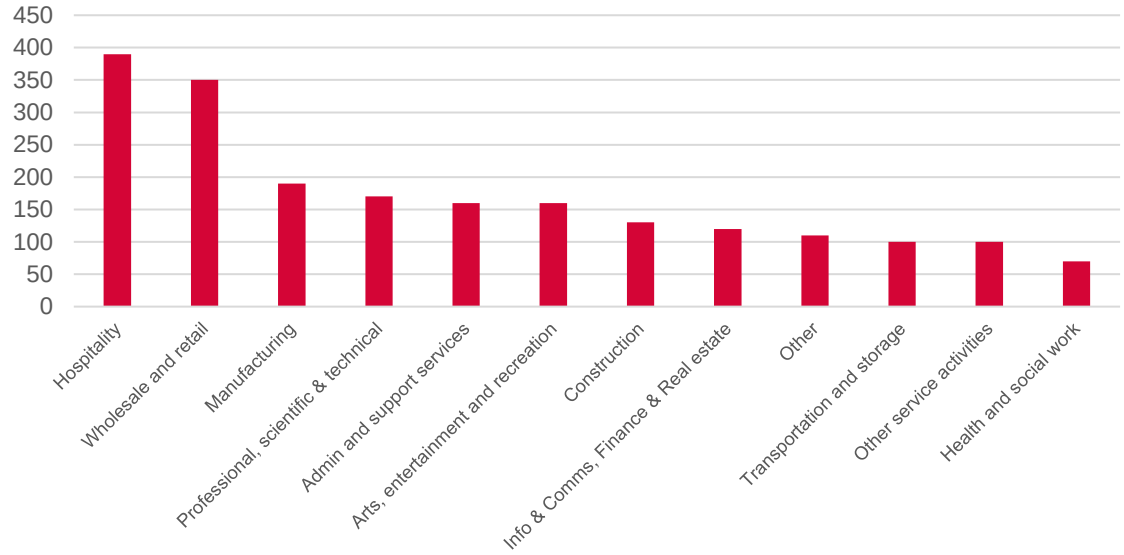


Source: Coronavirus Job Retention Scheme statistics[8]

3.17 In the Isle of Wight specifically, the most affected sectors were hospitality (19%) and wholesale and retail (17%) trades predominantly. This is typical across the country as they were most impacted by movement restrictions. However, because of the scale of the tourism sector on the Island the impact was felt more keenly.

8 Coronavirus Job Retention Scheme statistics. Available at: https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-4-november-2021/coronavirus-job-retention-scheme-statistics-4-november-2021

Table 3.12 Furlough count by sector in the IoW, 31 August 2021

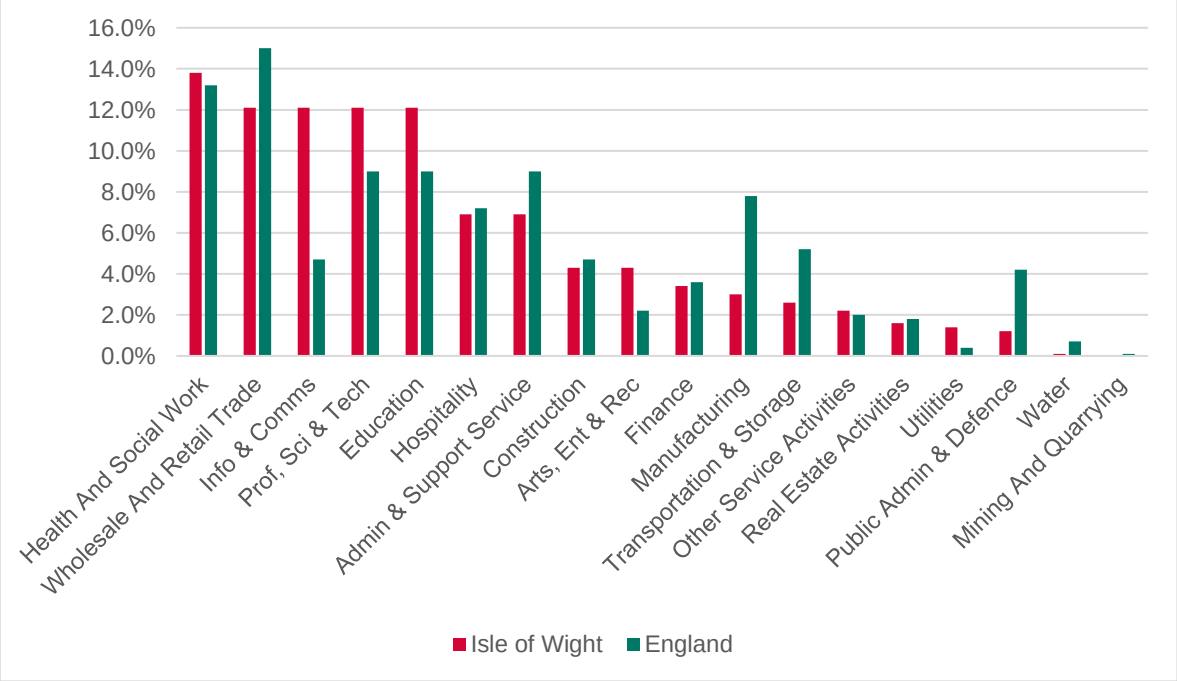


Source: Coronavirus Job Retention Scheme statistics

Sectoral structure & business base

3.18 The Isle of Wight's economy is characterised by higher proportions of employment in tourism related sectors such as and accommodation and food service activities (15%) and also wholesale and retail trade (17%). Employment in human health and social work activities are also predominant in the area due to an older population.

Table 3.13 Business count by sector, 2021



Source: ONS

3.19 Aside from these broad categories, the marine & maritime sector saw strong growth in employment since 2010. It was reported in 2019[9] that *"marine & maritime business are about 3.8 times as concentrated on the Island as in the UK."*

3.20 As is the case in most areas, the IoW is predominantly home to micro businesses (86.8%), followed by small businesses (11.5%) and far behind medium and large businesses. There are only 10 large businesses on the Island with more than 250 employees. These proportion are broadly in line with the South East aside from a higher proportion of small businesses (10 to 49) which is linked to the importance of food and accommodation services.

Table 3.14 Business count by size, 2021

	Isle of Wight	South East	Isle of Wight (% total)	South East (% total)
Micro (0 To 9)	3,940	379,565	*86.8%*	*90.3%*
Small (10 To 49)	520	33,060	*11.5%*	*7.9%*
Medium (50 To 249)	70	5,965	*1.5%*	*1.4%*
Large (250+)	10	1590	*0.2%*	*0.4%*
Total	**4,540**	**420,185**	**100%**	**100%**

Source: ONS

3.21 The lack of large businesses on the island can be attributed to the Islands difficulty in attracting inward investment. This can be attributed to a range of factors including its island location and also the lack of highly qualified populace.

3.22 The Isle of Wight's business base can be interpreted in terms of its business density per working age population. There is quite a significant difference between the IoW and the South East, which has a higher proportion of businesses at 75 per 1,000 working age people compared to 57 per 1,000 for the Island.

Economic performance: GVA, employment & productivity

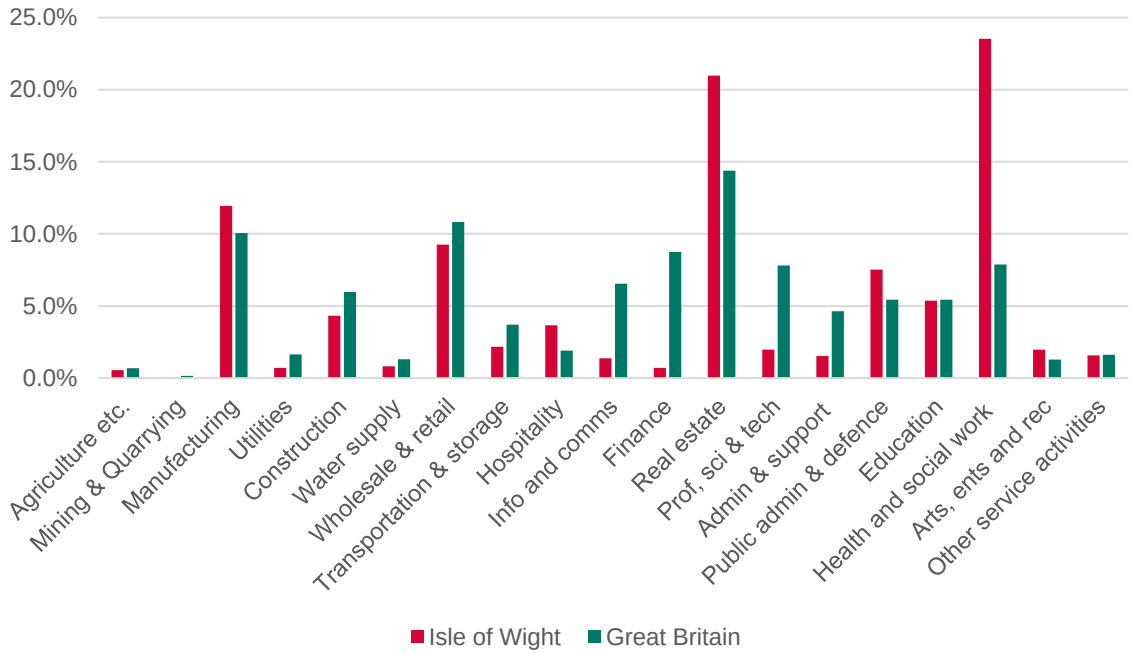
3.23 This section considers Gross Value Added (GVA), a measure of the increase in the value of the economy due to the production of goods and services. The difference in relative GVA per sector in the following graph shows which sectors dominate in the IoW in 2020 and how that differs to the

9 Isle of Wight Economy profile, 2019. Available at: https://www.iow.gov.uk/azservices/documents/1433-Isle-of-Wight-Economic-ProfileFinalFebruary2020.pdf

country's average. It is clear that the Isle of Wight's economy is dominated by a distinct set of industries:

- Manufacturing, which represents 11.9% of total GVA and almost 2 percentage points higher than Great Britain;
- Wholesale and retail trade, which represents 9.3% of total GVA;
- Real estate activities, at 21%, close to 6 percentage points higher than Great Britain; and
- Human health and social work, at 23.5%, close to three times the national average

Table 3.15 Proportion of GVA per sector out of total GVA, IoW vs. Great Britain, 2020



Source: ONS

3.24 The following table details how much each sector has grown in the last two decades, from 2001 to 2020. As in many places across country, GVA in information and communication has multiplied fivefold in the past two decades, albeit starting from a very low base.

3.25 Other sectors have grown significantly, with 20-year growth rates ranging from 20% to 100% including: Manufacturing, Administrative and Support, Real estate activities, and Human health and social work.

3.26 Conversely, some sectors have shrunk such as Mining & quarrying, Construction, or the Arts, entertainment, and recreation among others.

Table 3.16 GVA per sector in IoW, growth from 2001 to 2020

	2001	2020	Change	% Growth
Agriculture, forestry & fishing	17	13	-4	-25.8%
Mining & Quarrying	6	1	-4	-74.2%
Manufacturing - Total	164	282	118	72.3%
Electricity, gas, steam, and air	23	17	-6	-26.7%
Construction	144	102	-42	-29.0%
Water supply	27	19	-7	-27.3%
Wholesale and retail trade	218	218	0	0.1%
Transportation and storage	98	51	-47	-48.0%
Accommodation and food	114	86	-27	-24.1%
Information and communication	5	32	27	507.5%
Financial and insurance	22	17	-5	-23.1%
Real estate activities	399	495	96	24.1%
Professional, scientific and tech	59	46	-13	-21.4%
Administrative and support	23	36	13	56.8%
Public administration and	226	177	-48	-21.4%
Education	185	127	-58	-31.5%
Human health and social work	336	555	219	65.3%
Arts, entertainment, and rec	70	46	-23	-33.3%
Other service activities	36	37	1	3.2%
Total	**2,045**	**2,359**	**314**	**15.4%**

Source: Oxford Economics & Iceni Projects analysis

3.27 When compared to the South East, the IoW features some level of specialisation, certain sectors are disproportionately large eventually leading to sectoral agglomeration which can result in increased efficiency, savings, cross-fertilisation, and profit – all together contributing to a heightened productivity, which areas like the Isle of Wight need.

3.28 Amongst the sectors which have grown faster in the IoW than across the South East are:

- Manufacturing grew by 72.3% in GVA while it only grew by 11.4% in the South East.
- Information and communication grew by 507.5%% in GVA while it only grew by 379.4% in the South East.
- Administrative and support grew by 56.8% in GVA while it only grew by 23.9% in the South East.
- Human health and social work grew by 65.3% in GVA while it only grew by 17% in the South East.

Table 3.17 GVA growth per sector, IoW vs. South East, 2001 to 2020

	IOW Change	SE Change	IOW % Growth	SE % Growth
Agriculture, forestry & fishing	-4	348	-25.8%	42.5%
Mining & Quarrying	-4	-205	-74.2%	-50.2%
Manufacturing - Total	118	2,308	72.3%	11.4%
Electricity, gas, steam, and air	-6	776	-26.7%	17.9%
Construction	-42	635	-29.0%	17.8%
Water supply	-7	-3,623	-27.3%	-18.0%
Wholesale and retail trade	0	3,279	0.1%	10.4%
Transportation and storage	-47	-1,258	-48.0%	-11.5%
Accommodation and food	-27	-1,684	-24.1%	-26.9%
Information and communication	27	18,936	507.5%	379.4%
Financial and insurance	-5	1,630	-23.1%	13.2%
Real estate activities	96	12,122	24.1%	37.3%
Professional, scientific and tech	-13	2,639	-21.4%	14.5%
Administrative and support	13	2,271	56.8%	23.9%
Public administration and	-48	1,914	-21.4%	18.5%
Education	-58	-3,247	-31.5%	-18.3%
Human health and social work	219	2,612	65.3%	17.0%
Arts, entertainment, and rec	-23	-110	-33.3%	-3.2%
Other service activities	1	-552	3.2%	-10.1%
Total	**314**	**53,275**	**15.4%**	**25.0%**

Source: Oxford Economics & Iceni Projects analysis

3.29 Productivity, measured here as GVA per job, shows how efficient the production of goods and services is. The following table shows how productivity has evolved in the IoW against the South East over the last two decades.

3.30 The IoW has gained some productivity in the last two decades in a number of sectors including manufacturing (131.5%), information and communication (270.1%), and human health and social work (39.4%). These sectors could be further supported in order to generate additional productivity gains and eventually create jobs and raise average earnings.

Table 3.18 Productivity growth per sector, IoW vs. South East, 2001 to 2020

	Change	Change	% Growth	% Growth
Agriculture, forestry & fishing	-2	11	-23.8%	74.7%
Mining & Quarrying	-46	-10	-67.1%	-15.8%
Manufacturing	32	29	131.5%	62.0%
Electricity, gas, steam, and air	-245	-180	-55.5%	-41.7%
Construction	-625	-13	-58.0%	-9.0%
Water supply	0	-22	-6.7%	-31.0%
Wholesale and retail trade	3	5	17.1%	11.7%
Transportation and storage	-25	-15	-50.0%	-25.2%
Accommodation and food	-10	-12	-47.4%	-45.4%
Information and communication	24	64	270.1%	281.2%
Financial and insurance	7	34	23.7%	44.7%
Real estate activities	-613	-114	-58.5%	-17.0%
Professional, scientific and tech	-17	-12	-53.1%	-21.1%
Administrative and support	-6	5	-37.6%	20.2%
Public administration and	8	20	9.2%	41.4%
Education	-16	-25	-38.4%	-43.8%
Human health and social work	16	-10	39.4%	-24.0%
Arts, entertainment, and rec	-11	-4	-35.7%	-14.6%
Other service activities	-6	-5	-23.5%	-12.4%
Total	**3**	**5**	**7.2%**	**10.2%**

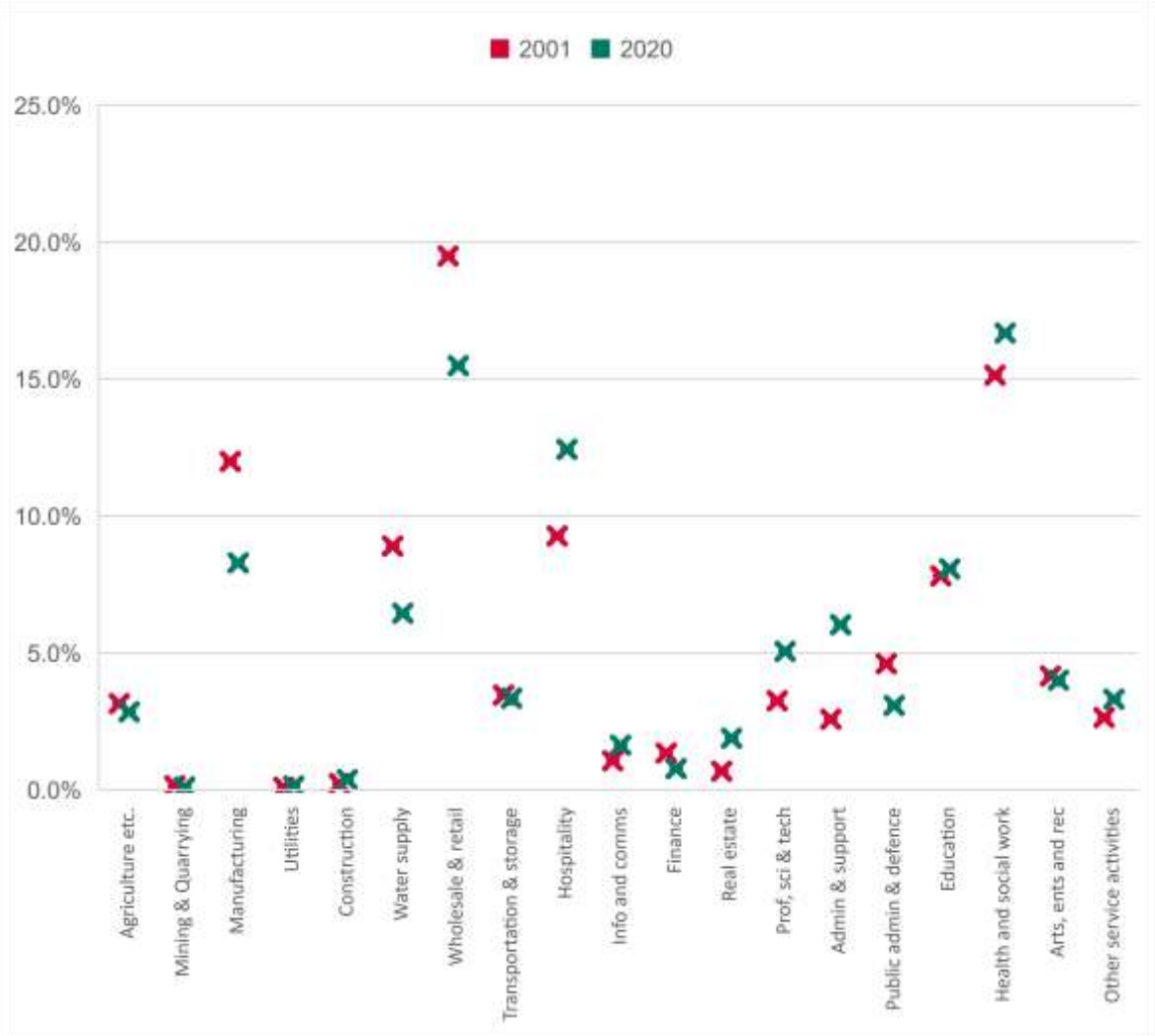
Source: Oxford Economics & Iceni Projects analysis

3.31 Finally, the following graph shows how employment per sector has evolved in the last two decades, expressed a proportion of total employment on the Island. While many sectors have remained stable, some have seen drastic changes in their relative importance.

3.32 Manufacturing accounted for 12% of total employment in 2001, but only about 8% in 2020. Wholesale and retail trade has decreased slightly, as well as transportation and storage.

3.33 However, some sectors have gained importance such as accommodation and food services, administrative and support jobs and human health and social work. However this does demonstrate a shift away from higher value employment.

Table 3.19 Employment per sector in the IoW, 2001 vs. 2020



Source: Oxford Economics & Iceni Projects analysis

4. PROPERTY MARKET REVIEW

4.1 This chapter provides an assessment of the commercial property market in the Isle of Wight (IoW). It is split into two sections – one on the office market and one on the industrial market (where industrial refers to general industrial, light industrial and warehousing).

4.2 The assessment combines quantitative analysis with qualitative analysis to build up of a picture of the level and nature of demand. The quantitative analysis uses Valuation Office Agency data which provides the best indication of the amount of commercial floorspace in the area.

4.3 All other quantitative analysis uses CoStar – one of the UKs largest providers of commercial property data. However, this database does not cover all properties/transactions (owner-occupier properties, smaller transactions and properties/transactions in rural areas are a particular issue). It is hence backed up by qualitative analysis.

4.4 This qualitative analysis draws on engagement with local property agents (Gully Howard Commercial and BCM), key employers and the Council's economic development team.

Office

4.5 This section provides an assessment of the IoW's office market. This will be used to inform the scale and type of future need which is identified later in this report.

UK Office Market Overview

4.6 CoStar report that "increasing optimism surrounding the vaccine rollout and the economic recovery has resulted in a pick-up in office leasing in recent months. Office take-up reached its highest level in more than two years in the third quarter of 2021. September was particularly busy, with firms increasingly pressing the button on moves as they decide upon space needs in a post-pandemic world."

4.7 However, in the context of historic levels "the overall demand picture remains subdued" with negative net absorption for the sixth quarter in a row as businesses continue to release space. Combined with continued strong net deliveries, this has led to a continued increase of the national vacancy rate, "nudging above 6% for the first time in three years". Furthermore, there is a significant amount of under construction space, much of which is due to be delivered in the next 18 months. Assuming subdued levels of demand continue, this will cause vacancy rates to rise further.

4.8 CoStar go on to state that "Office asking rents tend to be quite slow to respond to downturns, but the effects of falling demand and rising vacancy are now coming through. Annual rent growth currently

stands at -0.3%, with further losses in the next couple of years. Prime buildings should outperform secondary ones as firms pivot to better-quality, well ventilated space—to attract staff and welcome clients—even if they take less space overall amid a more permanent rise in home working. This could lead to the accelerated removal of older stock."

South Coast Office Market Overview

4.9 CoStar define a number of distinct office markets across the UK. The IoW falls within the South Coast Office Market which can be seen in the map below.

Figure 4.1 - South Coast Office Market Area

Source: CoStar

4.10 With regards to the South Coast office market, CoStar report that the pandemic brought activity to a near standstill, halting 2019's momentum and bringing widespread uncertainty for both occupiers and investors.

4.11 They go on to state that, "while the impact of the coronavirus on South Coast's office market remains unclear, the eventual outcome rests on how businesses weather the storm and how government policy responds to the ongoing pandemic."

4.12 CoStar also report that, "Prior to the pandemic, the South Coast's office sector had strong momentum and was riding a wave of optimism. Confidence was running high on the back of strong demand from professional and business and TMT [Technology, Medial and Telecommunications] firms and co-working providers. Owners were having little trouble finding tenants amid restricted availability, and a lack of speculative construction and office-to-residential conversions were helping to drive vacancies down near historic lows."

IoW Office Stock

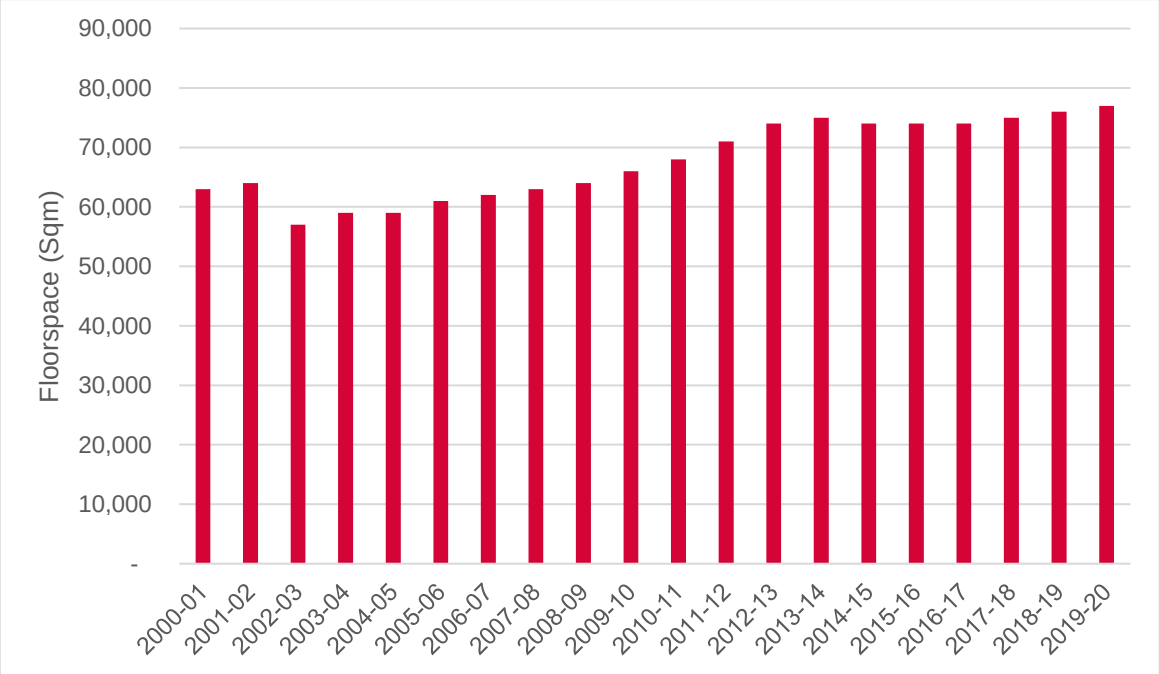
4.13 The VOA[10] provides information on the amount of office floorspace by administrative area. In the IoW at the end of FY 2019/20, there was 77,000 sqm of office floorspace in total. This is the 10th smallest out of 66 local/unitary authorities in the South East region suggesting that the study area has a small office property market.

4.14 Co-star suggests that the IoW had 44,970 sqm of office floorspace in 2020 which is 42% lower than the VOA data suggests. This difference is due to a number of reasons including that the definition of office space used by CoStar differs to that used by the VOA and the fact that data is collected in a different manner by each organisation.

4.15 Given the fact that analysis of CoStar data is likely to not take into account a significant proportion of the Island's stock, the quantitative findings should be treated with caution and considered in the context of qualitative evidence.

4.16 The figure below shows the amount of floorspace in the IoW between 2000/01 and 2019/20. It can be seen that the amount of floorspace has increased gradually since 2002/03 (although there was a small decrease between 2013/14 and 2014/15).

Table 4.1 Office Floorspace (2000/01 – 2019/20)

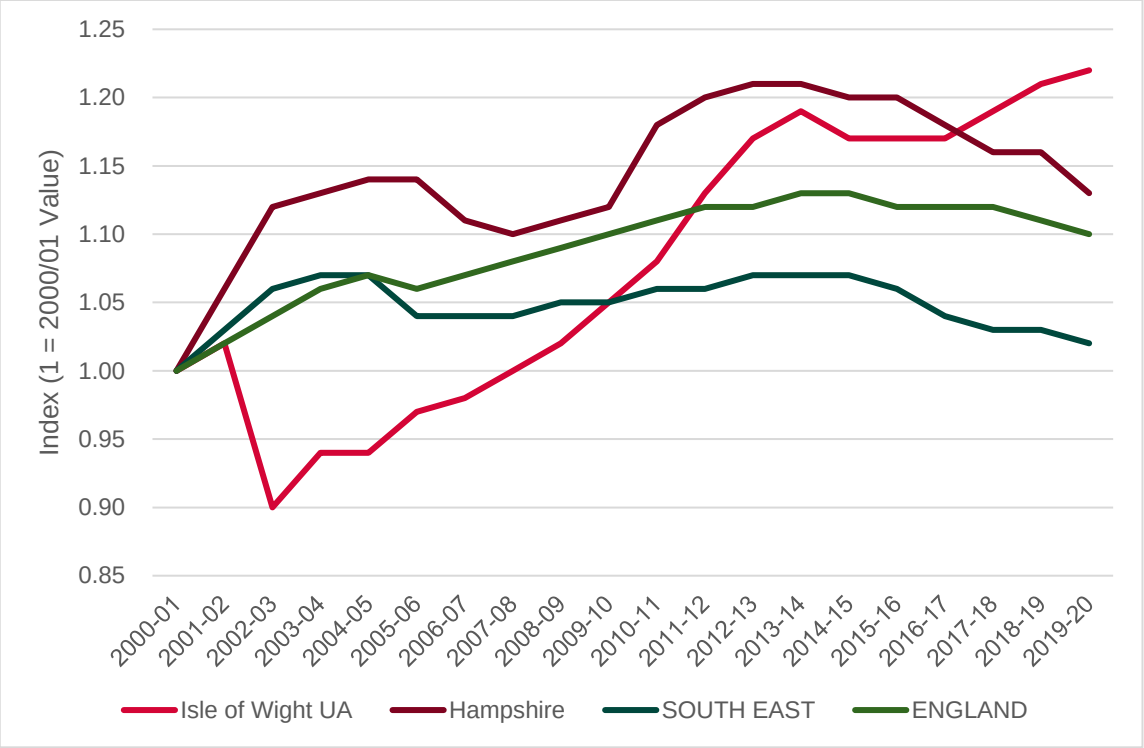


Source: Iceni analysis of VOA data

10 VOA: Non-domestic rating: stock of properties including business floorspace, 2019

4.17 The figure below shows how the amount of floorspace has changed in the Isle of Wight relative the county, the region and England. It can be seen that since 2002/03 the IoW office floorspace has grown much more rapidly than across Hampshire, the South East and England. Since 2000/01 the difference in growth is less marked due to losses in the IoW between 2000/01 and 2002/03.

Table 4.2 Indexed Office Floorspace Change (2000/01 – 2019/20)



Source: Iceni analysis of VOA data

4.18 Since 2013/14, there were declines in office floorspace across each of the comparator areas. However, the amount of office space in the Isle of Wight grew.

4.19 Overall, whilst small, the IoW's office market has been growing in both the long-term (past 20 years) and more recently (since 2013/14).

Overall Supply-Demand Balance – IoW Office Market

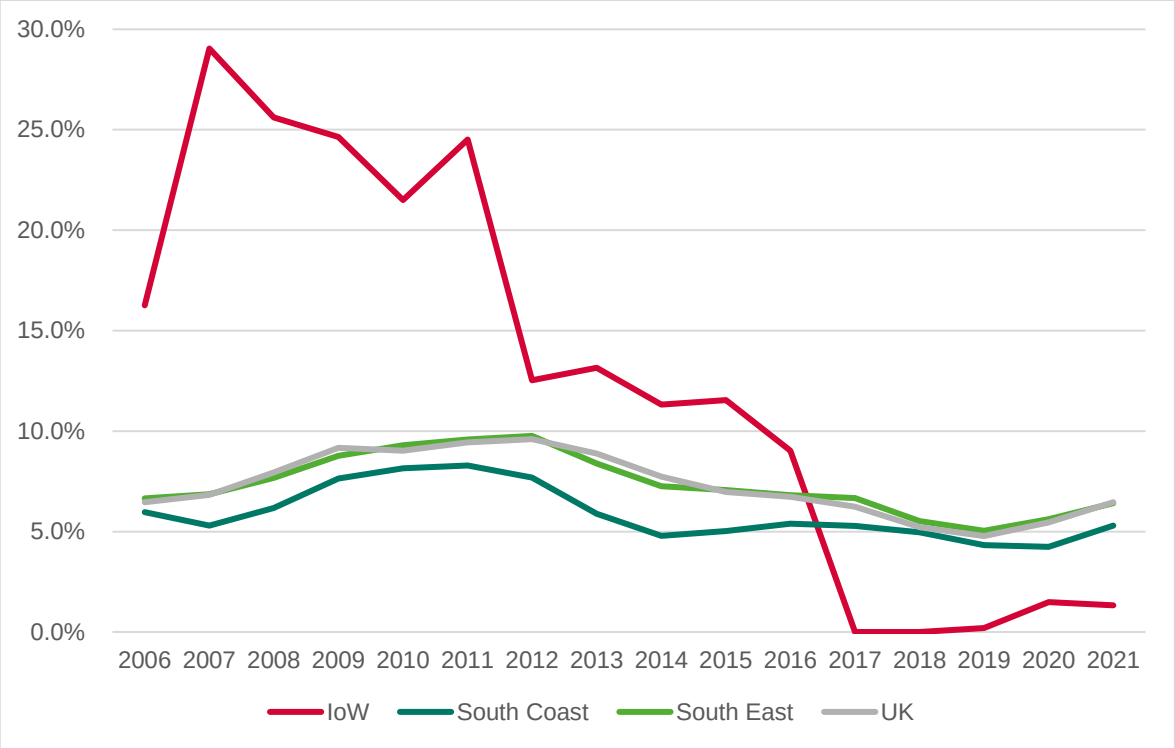
4.20 The overall supply-demand balance has been assessed by looking at headline indicators – namely vacancy rates and rents. The drivers of changing vacancy rates, supply and demand have also been assessed by looking at net absorption and net deliveries.

Vacancy Rates

4.21 The figure below shows how the vacancy rate on the IoW has changed over time compared to the south coast, the region and the UK. The current (December 2021) vacancy rate in the IoW is 1.3%. This significantly lower than between 2006 and 2016. Since then, vacancy rates have been extremely

low. The IoW's current vacancy rate is also significantly lower than for the comparator areas (all of which are lower than their historic averages).

Table 4.3 Vacancy Rate



Source: Iceni analysis of CoStar data

Supply-demand Indicators

4.22 CoStar provides data on net absorption. This is the balance between the amount of space moved into and moved out of (i.e. Net absorption = Move ins – Move outs). It provides an indicator of the strength of demand. Net deliveries are the difference between floorspace delivered (i.e. constructed and brought onto the market) and demolished (or otherwise taken out of use and removed from the market).

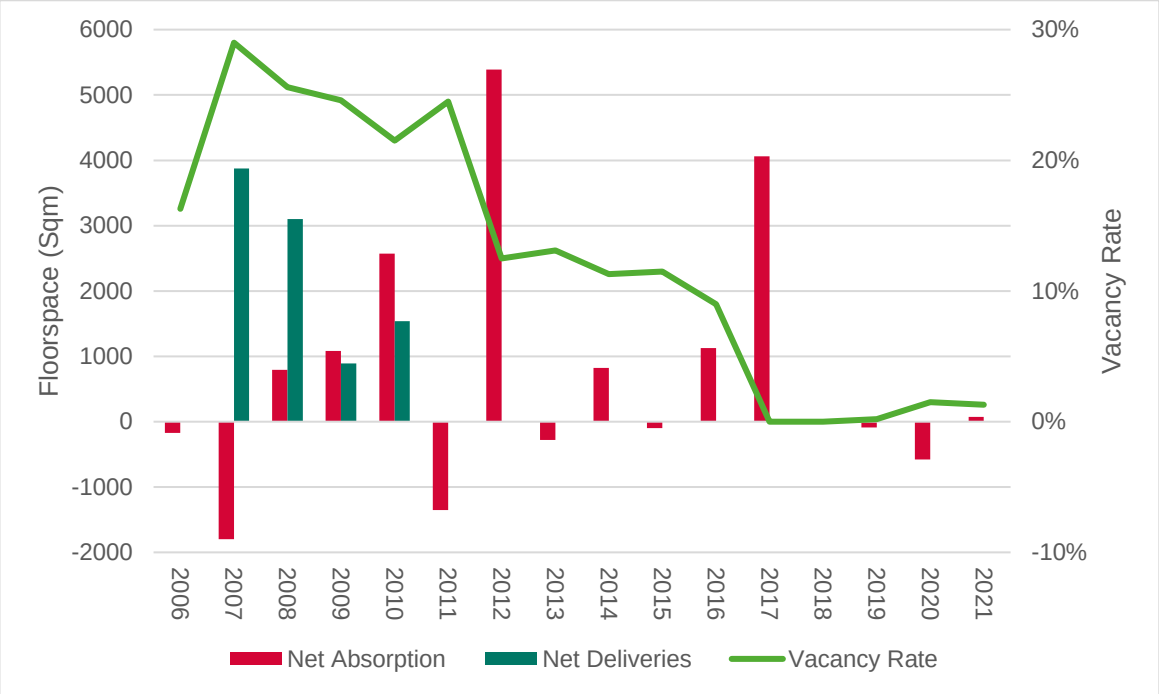
4.23 A positive net absorption figure indicates strong demand and leads to a falling vacancy rate (unless it is outweighed by net deliveries). On the other hand, a negative net absorption figure indicates weaker demand and leads to a rising vacancy rate (unless it is outweighed by negative net deliveries).

4.24 The figure below shows net absorption, net deliveries and their resulting impact on vacancy rates in the IoW. It can be seen that net absorption has been highly variable. Overall net absorption has been positive.

4.25 Since 2010 there has been minimal delivery of floorspace. Positive net absorption and a lack of deliveries both contributed to the sharp decline in vacancy rates between 2011 and 2017. Since then,

extremely low vacancy rates have constrained net absorption. This suggests that new office floorspace needs to be delivered in order to support churn and choice in the market which will be achieved through increase supply including vacant supply.

Table 4.4 Net Absorption, Net Deliveries and Vacancy Rates



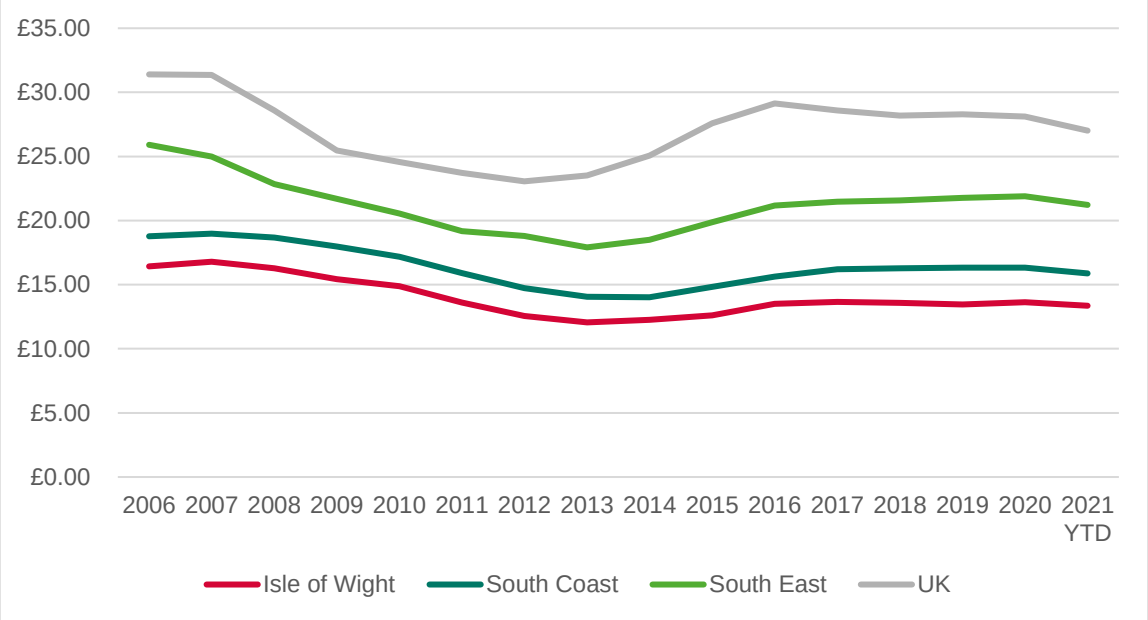
Source: Iceni analysis of CoStar data

Rents

4.26 The figure below shows how inflation adjusted average rental prices in the IoW have changed over time compared to the South Coast, the region and the UK. At present (December 2021) the average office rental price in the IoW is £13.37 per sqft. This is below each of the comparator areas.

4.27 However, this has been the case since 2006 (and likely further in the past) suggesting that current rents do not reflect a supply-demand imbalance but simply the Island's geographic context and business base. The Council's Economic Development team suggest that businesses tend to want the cheapest possible space and some typically office-based businesses are occupying industrial space. This is potentially driving office rents down.

Table 4.5 Inflation Adjusted Average Rental Price (£ per Sq ft)



Source: Iceni analysis of CoStar data

4.28 Both commercial agents do not feel there are significant affordability issues on the Island. BCM feel that there is a good range of stock to suits most budgets. Gully Howard feel that existing stock is relatively affordable and that rents are at about the right level (or even too low). Both agents felt that there was no clear need for subsidised rents or affordable workspaces.

4.29 Both commercial agents feel that low rents are constraining speculative development as build costs are generally higher than potential returns. Gully Howard go on to suggest that it is owner-occupiers who are more likely to invest to develop new space. BCM suggest that many developers build industrial space and convert to office if the right tenant comes along. They agreed that council support would be beneficial (for example by taking pre-lets or investing themselves). However, the Economic Development team suggested that the Council sometimes struggle to make the case for borrowing to develop, even when they own the land.

Stakeholder View

4.30 Gully Howard believe that there is generally the right amount of office supply on the Island. This contrasts with the findings of the quantitative analysis above which suggests that more floorspace needs to be delivered to relieve supply issues.

4.31 The presence of typically office-based businesses in industrial premises (which was suggested by the Economic Development team) may point towards a lack of office space (as well as businesses just wanting the cheapest space. Given the undersupply of industrial space (detailed below), this would suggest need for more office space.

4.32 However, the Economic Development team also state that the Council is looking to rationalise the large amount of public sector space on the island under the One Public Service agenda. This may free up office space for the private sector, although this is likely to be of a low quality.

Conclusions on Supply-Demand Balance

4.33 Overall, given the uncertainty of the current supply-demand balance and the uncertainty of the wider office market going forward, it would be sensible to allocate land to alleviate any potential existing undersupply of office floorspace but for this allocation to be flexible meaning it can be used for other purposes in the event it is not required for office development.

Supply-demand balance by Quality and Age

4.34 It is important to understand if overall vacancy rates are reflected when considering vacancy rates for stock of varying quality/age. It is particularly important to understand vacancy rates in high quality stock as this provides a good indicator of demand for new, high quality stock.

4.35 The figure below shows the vacancy rate for office stock by quality (in terms of CoStar's Building Rating System[11]). It can be seen that vacancy rates are low across the board but that practically all vacancy that does exist is for 2-star space.

Table 4.6 Vacancy Rate by Star Rating

Star Rating	Vacant Space (Sqm)	Total Space (Sqm)	Vacancy Rate
1	-	834	0.0%
2	580	18,078	3.2%
3	14	26,059	0.1%
4	-	-	0.0%
5	-	-	0.0%
Overall	594	44,970	1.3%

Source: Iceni analysis of CoStar data

4.36 However, there is no 4-5 star stock on the island. This may reflect low demand for such high quality floorspace or challenging viability for the higher build costs. Given the market is untested there may be some demand.

4.37 The table below shows the vacancy rate for office stock by age band. It can be seen that all vacant stock was built before 1940. This suggests that there is strong demand for newer stock. However,

11 The Building Rating System is explained here - https://www.costar.com/docs/default-source/brs-lib/costar_buildingratingsystem-definition.pdf?sfvrsn=12a507a4_2

no stock has been built within the last 5 years meaning that there is no evidence of the strength of demand for brand new stock.

Table 4.7 Vacancy rate by age

Age Band	Sum of Vacant SQM	Sum of NIA SQM	Vacancy Rate
Pre 1940	594	18,356	3.2%
1940-1959	-	97	0.0%
1960-1979	-	3,518	0.0%
1980-1999	-	8,435	0.0%
2000-2009	-	12,808	0.0%
2010-2014	-	1,756	0.0%
2015-2019	-	-	-
2020	-	-	-
Overall	594	44,970	1.3%

Source: Iceni analysis of CoStar data

4.38 BCM believe that there is a lack of demand for high grade office space and the Council's Economic Development team suggest that office occupiers tend to be looking for the cheapest space possible.

4.39 Overall, it can be seen that there is strong demand for stock of varying quality and age. However, there is likely to me limited demand for high grade stock. This suggests that new stock should be built to basic specifications.

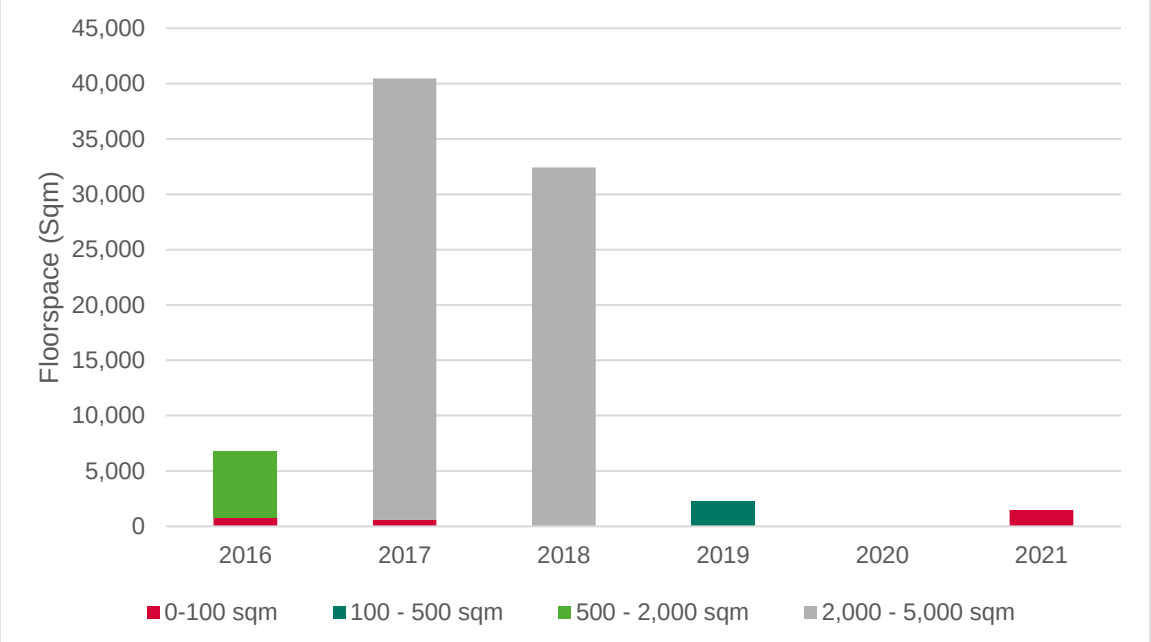
Demand by Size

4.40 The amount of leasing activity which has occurred in various size bands has been assessed to provide an indication of demand by size. However, it should be remembered that leasing activity is constrained by the size of available stock. Therefore, our assessment of demand by size has been considered together with information from stakeholders.

4.41 Leasing activity differs from absorption in that it refers to the amount of space which is leased (i.e. signed for rather than physically moved in to).

4.42 The figure below shows the amount of leasing activity (sqm) by size band which has occurred over the last 5 years. There are no clear trends in leasing activity over time in the IoW office market. This is likely to be due to the fact that the market is small.

Table 4.8 Leasing Activity Over Time by Size Band (Sqm)



Source: Iceni analysis of CoStar data

4.43 Given the lack of trends over time, demand by size has been derived by looking at the percentage of floorspace leased in each sized band over the last 6 years. It can be see that the majority of demand has come from leases of 2,000-5,000 sqm with a small portion of demand for smaller space.

Table 4.9 Percentage of Leasing Activity by Size Band (2016-2021)

	0-100 sqm	100 - 500 sqm	500 - 2,000 sqm	2,000 - 5,000 sqm
2016-21	3%	3%	7%	87%
2021	100%	0%	0%	0%

Source: Iceni analysis of CoStar data

4.44 Gully Howard suggest that there is generally a steady flow of demand for small 'easy in, easy out' office space for 2-6 people (up to ~100-300 sqm) driven by those wanting to move from homeworking. They believe that there is currently about the right amount of this. However, the Council's Economic Development team suggest that there is a tendency for small businesses to work from home or to use premises on the mainland. Therefore, the provision of more small business space may help to retain/generate business activity and employment on the Island.

4.45 In response to this, the Council are using Rural Development Fund grant money to redevelop around 1,700 sqm of space (leased from BAE systems) for use as an incubator (Spokes). This will provide serviced, flexible co-working space for small businesses at an affordable rate. It is then planned to re-develop more existing buildings to provide network of incubator/co-working spaces including on the mainland. However, both commercial agents note that co-working has never really taken off on

the island even though it has been tried. They don't think there is much demand for co-working on the Island. Gully Howard believe that businesses tend to want their own space and BCM believe that demand for co-working space (including at Spokes) is likely to be low "due to the economic structure on the Island".

4.46 Gully Howard suggest that there is not much demand for larger office space but also not much supply meaning (partially due to conversion to smaller space) there is some unmet demand. They go on to state that larger office occupiers tend to want premises with parking which is often difficult to find.

4.47 The Economic Development team suggest that demand for large space from inward investors is hard to predict but that there has been one larger office occupier moving to the Island in the last 20 years (Ascensos, a contact centre operator, taking around 1,900 sqm of space and creating 200-300 jobs with more zero hours contracts). Given the economic impact of these type of investments, it may be prudent to allocate a large site to allow for large scale office development but with the flexibility to allow other uses if interest did not come forward. The location of such a site should be considered carefully and potential occupiers could be engaged.

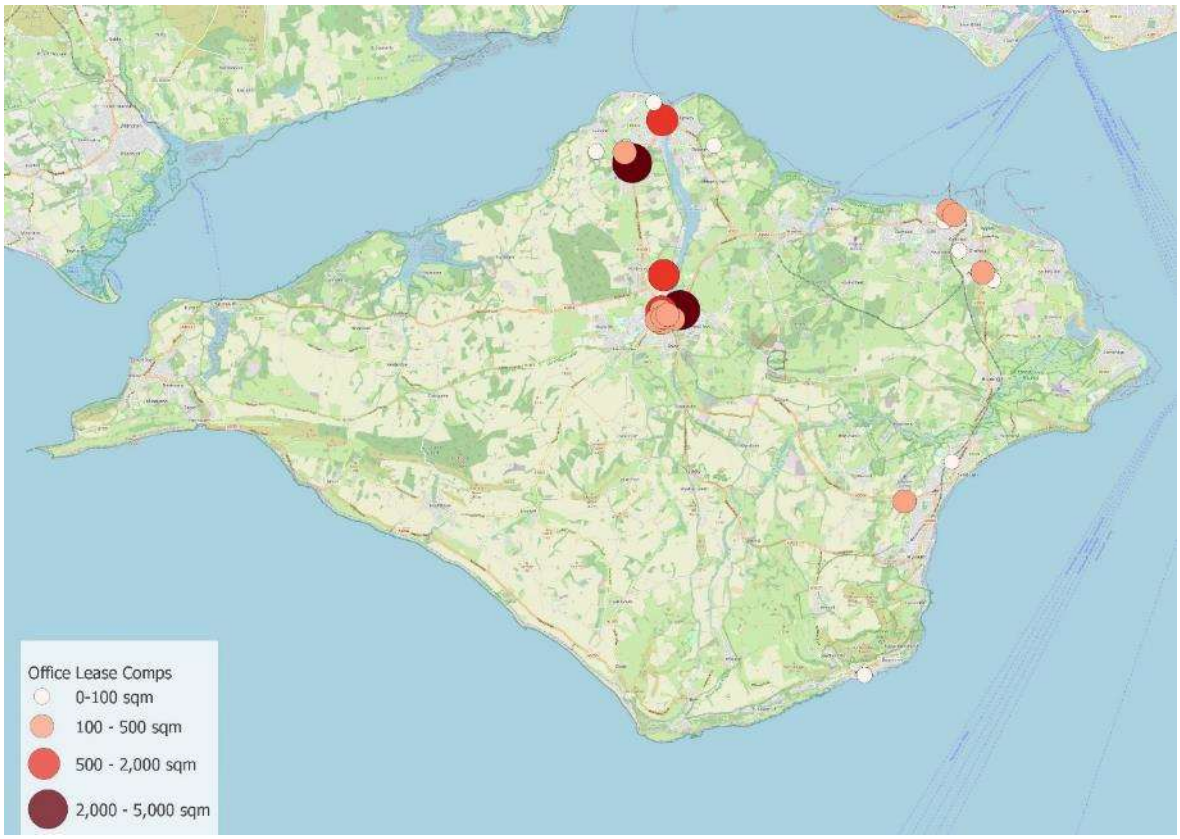
4.48 BCM suggest that there is more demand for small (as opposed to larger) new office space which has the potential for organic growth as businesses grow.

4.49 Overall, the picture of demand by size is unclear but there is potentially demand for floorspace of a range of sizes. Policy controlling development on allocations should be flexible enough to accommodate a range of property sizes. There should be an allocation which is large enough to accommodate a large office development of ~2,000 sqm or above.

Demand by Location

4.50 The map below shows the locations of leases in the IoW (by size) over the last 10 years. It can be seen that demand is concentrated in the Medina Valley and particularly Newport and that all leases of greater than 500 sqm occur here. There are handfuls of leases in and around Ryde and in the Bay Area. There are no lease completions in West Wight.

Table 4.10 Lease Completions by Size (2011-2021)



Source: Iceni analysis of CoStar data

4.51 Gully Howard believe that providing more office space in West Wight and the Bay Area would be beneficial as opposed to concentrating on Newport, East Cowes and Ryde. However, the Council's Economic Development team suggest that at present there is slightly more demand in Newport/Cowes than Ryde and in turn other parts of the Island which is in agreement with our analysis of lease completions.

4.52 BCM suggest that a greater number of smaller allocations should be favoured over fewer large allocations. They believe that these small allocations (for smaller office units) should meet specific needs and encourage clustering of similar activities. They go on to suggest that more office space which is not in industrial estates for certain brand-aware businesses. Therefore, it is recommended that some small allocations should be set aside for office use only.

4.53 Looking specifically at the north and north east of the Island, Gully Howard believe that new space should be focussed towards the East of the Medina which is more accessible and benefits from better links to the mainland.

4.54 BCM believe that the Council should be cautious about development at Newport Harbour as this is likely to 'suck out' more central areas of Newport which could see the end for the town centre.

4.55 Overall, most demand for office space is in Newport and Cowes, followed by Ryde. However, the allocation of land for small office units in the Bay Area and West Wight could help spread economic benefits across the Island and attract inward investment (for example from small business looking to live and work on the island). Furthermore, it may be beneficial to allocate some small sites solely for office development.

Conclusions

4.56 The following key conclusions can be made from this office market assessment;

- At the national level, the office vacancy rate is at a three-year high and is likely to continue to rise given the amount of space under construction.
- Whilst small, the IoW's office market has been growing in the long-term (past 20 years) and also more recently (since 2013/14).
- Analysis of CoStar data suggests that the IoWs office market is under supplied and that new office floorspace needs to be delivered to allow for churn and choice in the market.
- However, a prominent local commercial agent believes that there is about the right amount of office supply and with greater working from home office demand may well slow..
- It is recommended that land is allocated to meet any potential existing undersupply but with the flexibility to change use if this demand does not materialise.
- There is strong demand for low to middle grade stock but limited demand for higher grade stock. This suggests that new stock should be built to basic specifications.
- The picture of demand by size is unclear but there is potentially demand for floorspace of a range of sizes. Policy controlling development on allocations should be flexible enough to accommodate a range of property sizes. There should be an allocation which is large enough to accommodate a large office development of ~2,000 sqm or above. However, this should be flexible to meet other commercial requirements should the office market not require it.
- Most demand for office space is in the Medina Valley, followed by Ryde. However, the allocation of land for smaller office units in the Bay Area and West Wight could help spread economic benefits across the Island and attract inward investment. Furthermore, it may be beneficial to allocate some small sites solely for office development.
- There are no significant affordability issues on the Island although low rents may be constraining speculative development. Council support may be needed to unlock development.

Industrial

4.57 This section provides an assessment of IoW's industrial market. This will be used to inform the scale and type of future need which is identified later in this report.

UK Industrial Market Overview

4.58 CoStar report that "industrial demand conditions have rarely been stronger. The accelerated shift to e-commerce brought about by the pandemic has fuelled the expansion of retailers and third-party logistics firms, while the UK's exit from the EU single market and customs union is leading to increased inventory holding, resulting in the need for additional warehousing. At the same time, a diverse mix of other industrial-using businesses including modular housebuilders, lithium-ion battery makers, data centre operators and film production companies are competing for a relatively limited supply of stock."

4.59 They go on to state that, "Developers are responding with record amounts of new construction, though there is virtually no risk of overbuilding" as requirements outweigh pipeline supply by around a third (and two thirds of pipeline supply is pre-let).

4.60 They also state that historically low vacancy rates and strong occupier demand have fuelled accelerated rent growth in recent months. This means that industrial rents have grown faster than for other major property types, such as offices and retail, meaning investor appetite is at an all-time high.

South Coast Industrial Market Overview

4.61 CoStar defines a number of distinct industrial markets across the UK. IoW falls within the South Coast Industrial Market which can be seen in the map below.

Table 4.11 South Coast Industrial Market Area

Source: CoStar

4.62 CoStar report that "the South Coast has a significant industrial property market. The market has one of the largest industrial inventories in southern England, one of the largest urban conurbations, and good connectivity by road, rail, air and sea. Its location at the western end of the M3 and M27 corridors makes it a key industrial and logistics hub. Portsmouth and Southampton port container terminals are also located in the market. The latter is the UK's second-largest container terminal and one of the 15 busiest container ports in Europe".

4.63 CoStar go on to report that the market was strong prior to the pandemic and has experienced minimal COVID-19 related impacts. A sustained positive demand/supply balance has caused the vacancy rate to decline from 8% in 2012 to 2.7% in November, despite a wave of construction in recent years. This demand has been for logistics space in particular.

4.64 However, a significant amount of further space is under construction, half of which was still available going into Q4 2021, which should increase vacancies in the short term.

IoW Industrial Stock

4.65 The VOA[12] provide information on the amount of industrial floorspace by administrative area. In the IoW at the end of FY 2019/20, there was 574,000 sqm of industrial floorspace in total. This makes

12 VOA: Non-domestic rating: stock of properties including business floorspace, 2019

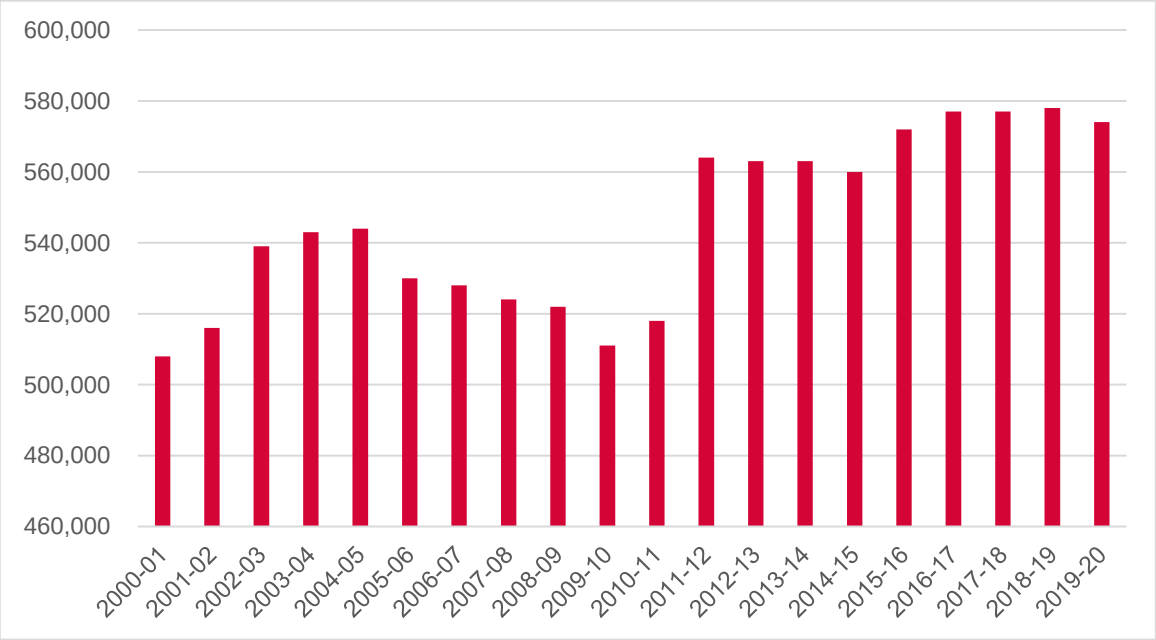
the IoW the 22nd largest industrial market out of the 66 South West unitary/local authorities. This suggests that the study area has a moderately sized industrial property market.

4.66 Co-star suggests that the IoW had 234,452 sqm of industrial floorspace in 2020 which is 59% lower than the VOA data suggests. This difference is due to a number of reasons including that the definition of office space used by CoStar differs to that used by the VOA and the fact that data is collected in a different manner by each organisation.

4.67 Given the fact that analysis of CoStar data is likely to not take into account a significant proportion of the Island's stock the qualitative findings should be treated with caution and considered in the context of qualitative evidence.

4.68 The figure below shows the amount of floorspace on the IoW between 2000/01 and 2019/20. It can be seen that the amount of industrial floorspace has risen significantly since 2000/01, particularly due to a spike in net completions in 2011/12. Since then floorspace growth has been steadier.

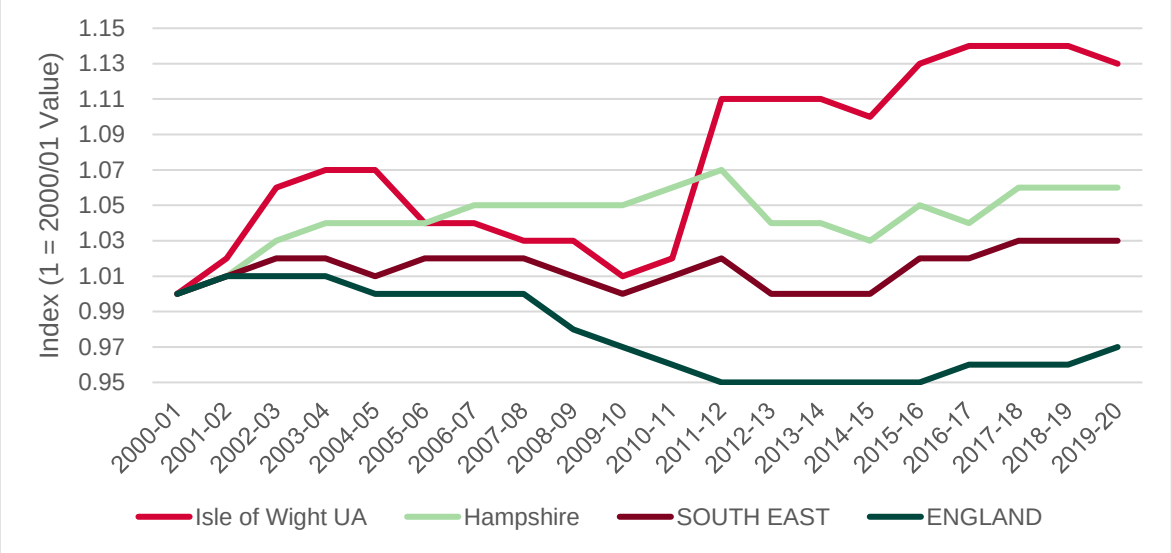
Table 4.12 Industrial Floorspace (2000/01 – 2019/20)



Source: Iceni analysis of VOA data

4.69 The figure below shows how the amount of floorspace has changed in the IoW relative the county, the region and England. It can be seen that growth of industrial floorspace across the IoW has been much greater than Hampshire and the South East over the last 20 years and bucks the national trend of decline. Since 2011/12 industrial floorspace growth in the IoW was similar to that seen across England but stronger than across Hampshire and the South East.

Table 4.13 Indexed Industrial Floorspace Change (2000/01 – 2019/20)



Source: Iceni analysis of VOA data

4.70 Overall, the IoW has grown into a moderately sized industrial market over the last 20 years and is keeping up with current rates of growth seen across England as a whole.

Overall Supply-Demand Balance – IoW industrial Market

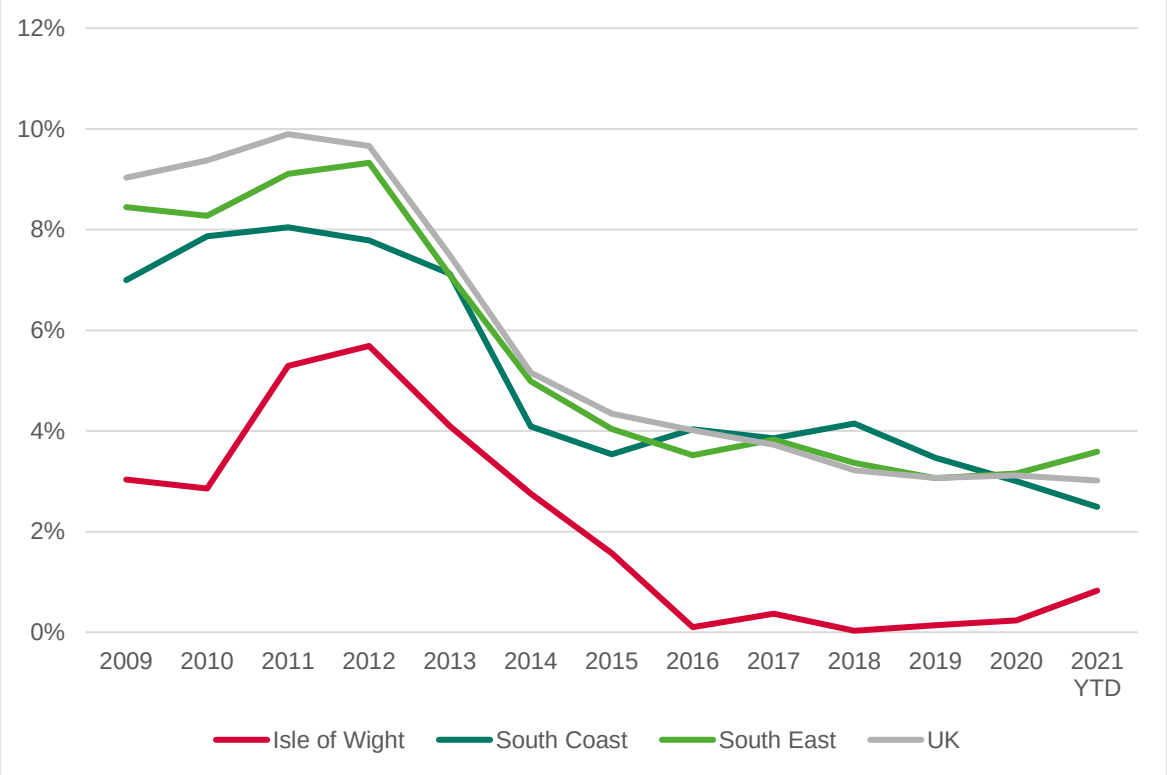
4.71 The overall supply-demand balance has been assessed by looking at headline indicators – namely vacancy rates and rents. The drivers of changing vacancy rates, demand and supply have also been assessed by looking at net absorption and net deliveries.

Vacancy Rates

4.72 The figure below shows how the vacancy rate in the IoW has changed over time compared to the south coast, the region, and the UK.

4.73 The current industrial vacancy rate on the IoW is 0.8%. This is below the historic average for the Island (since 2009) and below the vacancy rates for the comparator areas (which are all near or below historic lows). This highlights the fact the IoW's industrial vacancy rate is extremely low suggesting the market is heavily undersupplied.

Table 4.14 Vacancy Rate



Source: Iceni analysis of CoStar data

Supply and Demand Indicators

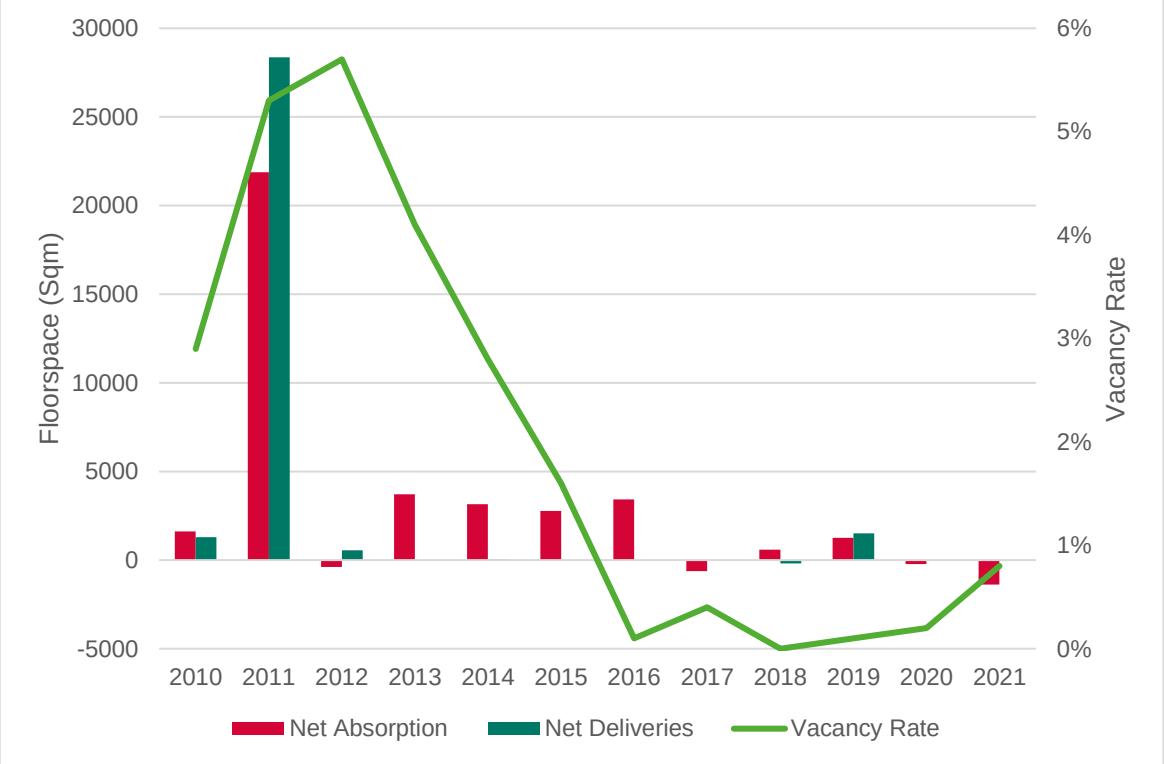
4.74 CoStar provides data on net absorption. This is the balance between the amount of space moved into and moved out of (i.e. Net absorption = Move ins – Move outs). It provides an indicator of the strength of demand. Net deliveries are the difference between floorspace delivered (i.e. constructed and brought onto the market) and demolished (or otherwise taken out of use and removed from the market).

4.75 A positive net absorption figure indicates strong demand and leads to a falling vacancy rate (unless it is outweighed by net deliveries). On the other hand, a negative net absorption figure indicates weaker demand and leads to a rising vacancy rate (unless it is outweighed by negative net deliveries).

4.76 The figure below shows net absorption, net deliveries and their resulting impact on vacancy rates in the IoW. It can be seen that after a net absorption of over 20,000 sqm of floorspace in 2011, net absorption has been relatively low. This has especially been the case since 2017 - net absorption has been negative in 3 out of the last 5 years. These low levels of net absorption are likely to be due to extremely low vacancy rates which are constraining take-up of space.

4.77 Since a spike of nearly 30,000 sqm of net deliveries in 2011 there has been little industrial floorspace delivered on the IoW. This is maintaining low vacancy rates and is likely to be constraining business activity.

Table 4.15 Net Absorption, Net Deliveries and Vacancy Rates



Source: Iceni analysis of CoStar data

Rents

4.78 The figure below shows how inflation adjusted average rental prices in the IoW have changed over time compared to the South Coast, the region and the UK. The current (December 2021) average rental price in the IoW is £8.33. This is the highest it has ever been due to the steady growth which has occurred since 2013.

4.79 A similar rental growth trend can be seen across the comparator areas. These trends reflect declining vacancy rates and increased demand for industrial space.

Table 4.16 Inflation Adjusted Average Rental Price (£ per Sq ft)

Source: Iceni analysis of CoStar data

4.80 Both commercial agents do not feel there are significant affordability issues on the Island. BCM feel that there is a good range of stock to suits most budgets. Gully Howard feel that existing stock is relatively affordable and that rents are at about the right level (or even too low). Both agents felt that there was no clear need for subsidised rents or affordable workspaces.

4.81 Both commercial agents feel that low rents are constraining speculative development as build costs are generally higher than potential returns. Gully Howard go on to suggest that it is owner-occupiers are more likely to invest to develop new space. BCM suggest that many developers build industrial space and convert to office if the right tenant comes along. They agreed that council support would be beneficial (for example by taking pre-lets or investing themselves). However, the Economic Development team suggested that the Council sometimes struggle to make the case for borrowing to develop, even when they own the land.

Stakeholder Views

4.82 Both commercial agents suggest that there is strong demand for industrial premises in the IoW. BCM specifically state that the demand for distribution space is extremely strong.

Conclusions on Supply-Demand Balance

4.83 There is an undersupply of industrial floorspace on the IoW with a particular undersupply of logistics space. New space needs to be delivered to support churn and choice, before addressing future needs.

Supply-demand balance by Quality and Age

4.84 It is important to understand if overall vacancy rates are reflected when considering vacancy rates for stock of varying quality/age. It is particularly important to understand vacancy rates in high quality stock as this provides a good indicator of demand for new, high quality stock.

4.85 The figure below shows the vacancy rate for industrial stock by quality (in terms of CoStar's Building Rating System[13]). As shown, vacancy rates are extremely low for 1-3 star stock. There is no 4-5 star stock which may reflect a lack of demand for high quality floorspace, although the market is untested.

Table 4.17 Vacancy Rate by Star Rating

Star Rating	Vacant Space (Sqm)	Total Space (Sqm)	Vacancy Rate
1	-	959	0.0%
2	-	79,932	0.0%
3	1,934	153,561	1.3%
4	-	-	-
5	-	-	-
Overall	1,934	234,452	0.82%

Source: Iceni analysis of CoStar data

4.86 The table below shows the vacancy rate for office stock by age band. It can be seen that the vacancy rate is extremely low across all age bands aside from 1980-1999 and 2015-2019. The high vacancy rate for stock built between 2015 and 2019 suggests that new demand for new space may not be as high as overall vacancy rates suggested. However, there is very little space of this age which is only likely to be within one building and therefore does not necessarily reflect levels of demand for new industrial space across the Island.

13 The Building Rating System is explained here - https://www.costar.com/docs/default-source/brs-lib/costar_buildingratingsystem-definition.pdf?sfvrsn=12a507a4_2

Table 4.18 Vacancy rate by age

Age Band	Sum of Vacant SQM	Sum of NIA SQM	Vacancy Rate
Pre 1940	-	107,282	0%
1940-1959	-	-	0%
1960-1979	-	30,006	0%
1980-1999	1,166	22,955	5.1%
2000-2009	401	42,087	1%
2010-2014	-	30,243	0%
2015-2019	367	1,879	19.5%
2020	-	-	0%
Overall	1,934	234,452	0.8%

Source: Iceni analysis of CoStar data

4.87 Gully Howard believe that there is a broad variety of industrial space whilst the Council's Economic Development team believe that most demand comes for basic units.

4.88 Overall, there is likely to be demand for units of varying quality but the majority of demand is likely to be for basic units.

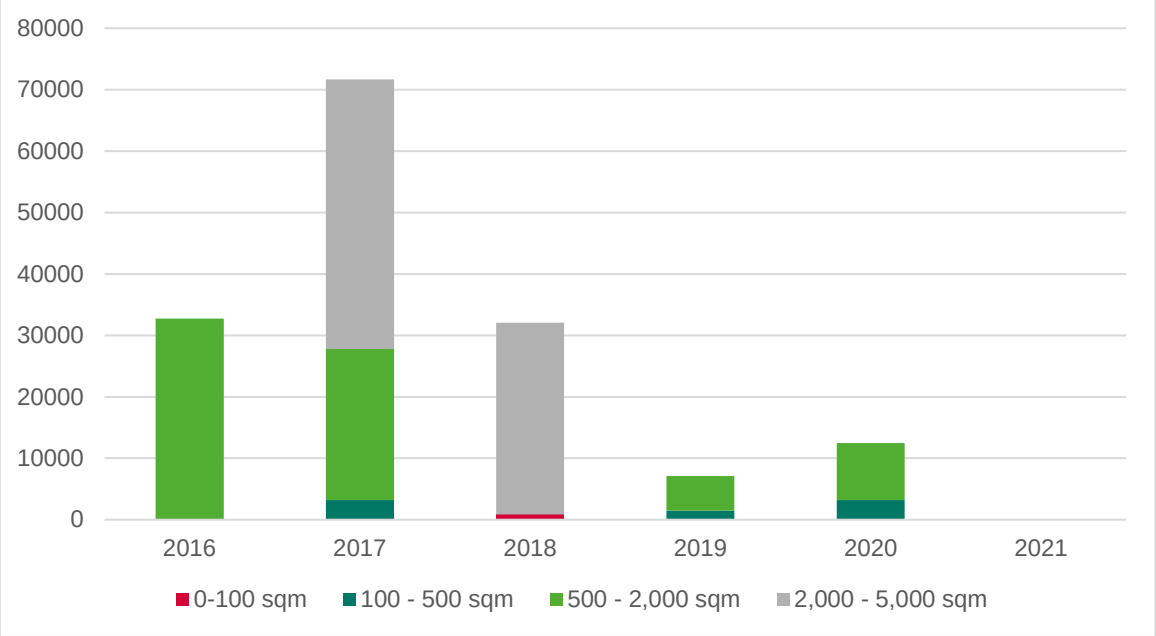
Demand by Size

4.89 The amount of leasing activity which has occurred in various size bands has been assessed to provide an indication of demand by size. However, it should be remembered that leasing activity is constrained by the size of available stock. Therefore, our assessment of demand by size has been considered together with information from stakeholders.

4.90 Leasing activity differs from absorption in that it refers to the amount of space which is leased (i.e. signed for rather than physically moved in to).

4.91 The figure below shows the amount of leasing activity (sqm) by size band which has occurred over the last 5 years. It can be seen that there is no clear trends in leasing activity by size over time.

Table 4.19 Leasing Activity Over Time by Size Band



Source: Iceni analysis of CoStar data

4.92 Given the lack of leasing activity by size over time, we have provided an indication of demand by size based on the percentage of leases in each size band over the last 5 years. It can be seen that nearly half of floorspace leased was in the 500-2,000 sqm size band and nearly half were in the 2,000-5,000 sqm. Around 5% of leasing was in the 100-500 sqm category with very little in the 0-100 sqm category. It should be noted that there was no leasing of space over 5,000 sqm.

Table 4.20 Percentage of Leasing Activity by Size Band

	0-100 sqm	100 - 500 sqm	500 - 2,000 sqm	2,000 - 5,000 sqm
2016-21	1%	5%	46%	48%

Source: Iceni analysis of CoStar data

4.93 Gully Howard believe that demand for 100 to 250 sqm space is in very strong demand. They suggest that there is demand for larger space but that these occupiers tend to want lots of parking space and outside areas. This is backed up by BCM who state that there is more demand for small space. They go on to suggest that Teemill/Rapanui are the only business who want a large amount of space. They believe that they are looking for a large campus and would have to look to the mainland if there was nothing suitable on the mainland. Furthermore, the Council's Economic Development team note that there has only been one large industrial investment in the last 20 years (by Vestas, a wind turbine company, to the north of Newport).

4.94 The overall demand by size picture is unclear but there is likely to be plenty of demand for small units. There is evidence of demand for large units including a live requirement. However, this demand

is uncertain. Allocations should therefore be focused on small units. A large allocation should be made in order to provide space for large scale a requirement, but this should be able to come forward for other uses if this requirement were not to materialise. The location of this allocation should be carefully considered based on engagement with potential occupiers.

Demand by Location

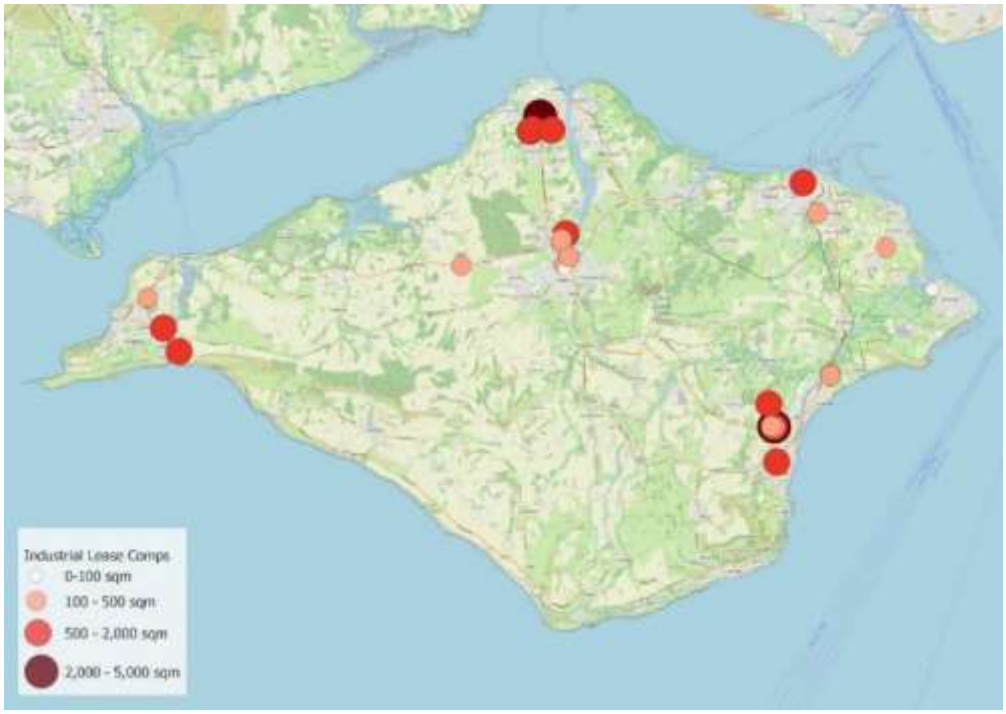
4.95 The map below shows the locations of leases in the IoW (by size) over the last 10 years. It can be seen that demand is spread between Cowes, Newport, the Bay Area and to a lesser extent West Wight and Ryde.

4.96 Gully Howard believe that providing more industrial space in West Wight and the Bay Area would be beneficial as opposed to concentrating on Newport, East Cowes and Ryde. However, the Council's Economic Development team suggest that a present there is slightly more demand in Newport/Cowes than Ryde and in turn other parts of the Island.

4.97 Looking specifically at the north and north east of the Island, Gully Howard believe that new space should be focussed towards the East of the Medina which is more accessible and benefits from better links to the mainland. This is particularly important for logistics development.

4.98 Overall, demand is relatively well distributed across the island, albeit with more demand in Newport, East, Cowes and Ryde. For reasons of accessibility, it is recommended to concentrate future industrial development in the north and north-east of the Island.

Table 4.21 Lease Completions by Size (2011-2021)



Source: Iceni analysis of CoStar data

Conclusions

4.99 The following key conclusions can be made from this industrial market assessment;

- Nationally, industrial floorspace demand is at an all-time high; this is particularly driven by demand for warehousing space.
- Overall, the IoW has grown into a moderately sized industrial market over the last 20 years and is keeping up with current rates of growth seen across England as a whole. Unlike the national picture this has been driven my factory floorspace but latterly warehousing.
- There is an undersupply of industrial floorspace on the IoW with a particular undersupply of warehousing/logistics space. New space needs to be delivered to a healthy level to allow for churn and choice in the market, before addressing future needs.
- There is likely to be demand for units of varying quality but the majority of demand is likely to be for small to medium basic units.
- There is evidence of demand for large units including a live requirement. However, this demand is uncertain particularly in the long term. Allocations should therefore be focused on smaller units. A large allocation should be made in order to provide space for a large scale requirement but this should be flexible enough able to come forward for other uses if this requirement were not to materialise.
- Overall, demand is relatively well distributed across the island, albeit with more demand in the Medina Valley and Ryde. For reasons of accessibility, it is recommended to concentrate future industrial development in the north and north-east of the Island.
- There are no significant affordability issues on the Island although low rents may be constraining speculative development. Council support may be needed to unlock development.

5. EMPLOYMENT GROWTH FORECASTS

5.1 This report has drawn on baseline economic forecasts from Oxford Economics to inform this study. These forecasts are a top down model whereby national forecasts are cascaded to regional and local forecasts based on past trends.

5.2 To align with the plan period we have examined the growth over the 2021 to 2038 period. The choice of a particular start date can be problematic particularly with uncertainty around Covid. Even without the pandemic there have been notable year on year fluctuations with the data which can in part be attributed to the survey nature of some of the data sources OE draw on for their forecasts.

5.3 To address this when looking at historic data we have applied a rolling average. Note this is not applied to future growth as the model already incorporates a smoothing effect therefore using a rolling average on projected data would be redundant.

5.4 Building on the baseline forecasts we have made a series of adjustments to reflect our understanding of the structure of the local economy and how it is likely to perform. This adjusted scenario is referred to as the growth scenario. Collectively the growth scenario and baseline scenarios are referred to as the labour demand scenarios.

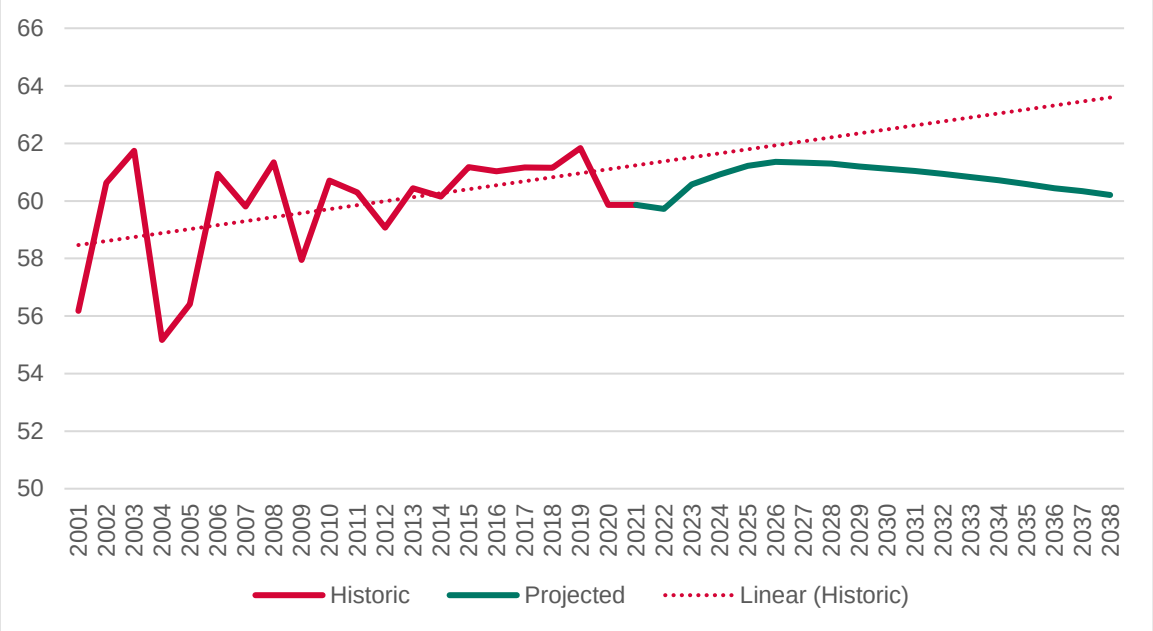
5.5 In addition we have also modelled the number of jobs which could be supported by the increased labour supply linked to the standard method housing need and the capacity constrained housing need. These are referred to as the labour supply scenarios.

Baseline Forecasts

5.6 The baseline model is the lowest hierarchical level of the OE framework of forecasting models with any event which impacts the international and national economy trickling down to regional and local economies based on their structure and past performance. This framework ensures that the forecasts are more than just an extrapolation of past trends.

5.7 Oxford Economics Baseline scenario shows the total number of jobs on the Isle of Wight is expected to increase from approximately 59,850 in 2021 to 60,200 in 2038. This is a total forecast growth of around 350 which equates to an annual growth rate of 0.03%. As illustrated below, the Baseline forecast is slower than the long-term historic (since 2001) level of jobs growth.

Figure 5.1 - Employment in Isle of Wight Historic and Forecast (2001-2038)



Source: Oxford Economics, 2021

5.8 The slower rate of growth going forward as compared to previous economic cycles is not confined to the Isle of Wight but is expected regionally and nationally. This reflects the twin impacts of Brexit and the pandemic but also the fact that the national economy has been strong historically.

Sectoral Growth

5.9 The projections also set out employment growth by each sector. As shown in the figure below there are diverging outlooks for a range of sectors.

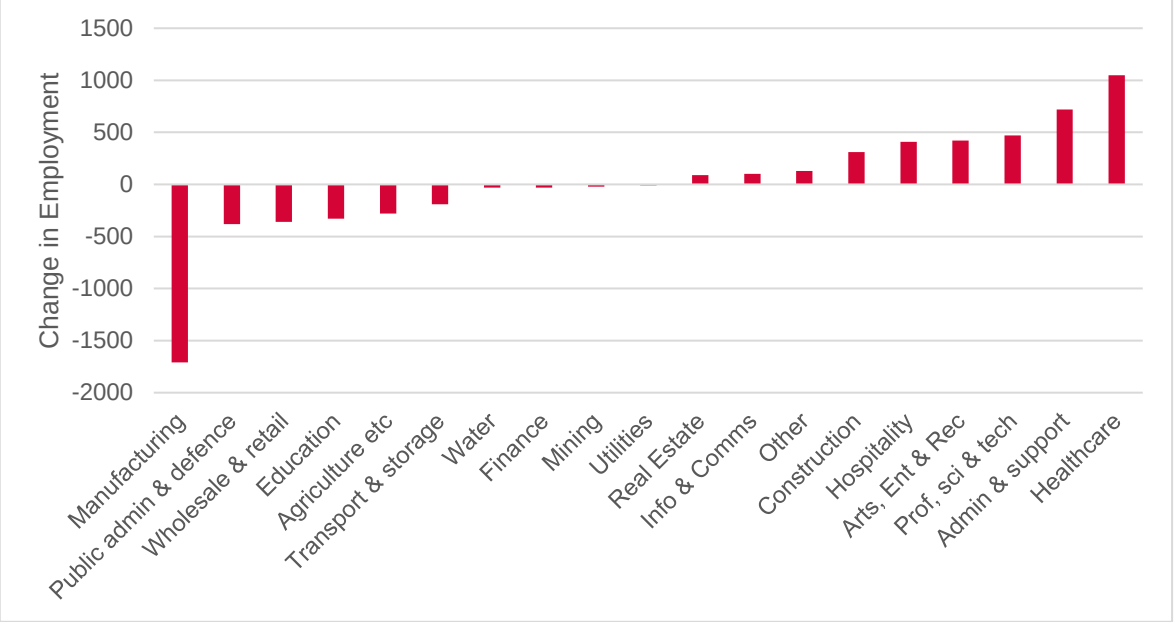
5.10 Reflecting national trends (cheaper imports and automation) in the sector, the manufacturing sector on the Isle of Wight is expected to see the most significant decline of around 1,700 jobs.

5.11 In addition, there is also forecast to be significant job losses (-200 jobs or more) in the Public Administration & Defence, Wholesale & Retail, Education and Agricultural sectors.

5.12 In contrast, a number of other sectors are expected to see significant growth (+200 jobs or more), these include; Construction, Hospitality, Arts, Entertainment & Recreation, Professional, Scientific & Technical, Administration & support and Healthcare.

5.13 The largest growth sector is the healthcare sector which is expected to increase by around 1,000 jobs. This reflects the requirements of the ageing population on the Island.

Figure 5.2 – Employment Change By Sector in Isle of Wight (2021-2038)



Source: Oxford Economics, 2021

Growth Forecasts

5.14 The OE baseline models means that the forecast in some sectors may more closely resemble the regional trends which OE considers will be less positive than the historic trends at a regional level. For example, the manufacturing sector has been in long term decline nationally but because the sector on the Isle of Wight is unusually dominated by advanced manufacturing and food production this is unlikely to reflect national or regional trends.

5.15 We have therefore considered adjustments to the Baseline Forecast for the certain sectors to reflect our understanding of local and sub-regional (Local Enterprise Partnership) policy as well as discussions with local stakeholders, commercial property agents and the commercial property market review.

5.16 Where adjustments have been to specific sectors we have sought to either halt or slow projected declines or to benchmark future growth to historic levels. Collectively these adjustments are known as the growth scenario.

5.17 Within the manufacturing sector we have only adjusted certain sub-sectors including food production, textiles, metal and non-metal products, machinery and equipment and transport manufacturing. While a decline is still expected in the manufacturing sector the growth forecasts is around 1,000 jobs more positive than the baseline forecast.

5.18 As shown in the table below, we have adjusted the forecast for six sectors which increase the forecast job growth by 1,930 jobs giving the total growth scenario a growth of around 2280 jobs. This equates to an annual growth rate of around 0.2% per annum compared to 0.03% per annum in the baseline forecast.

Table 5.1 Adjusted Sectors in the Growth Scenario

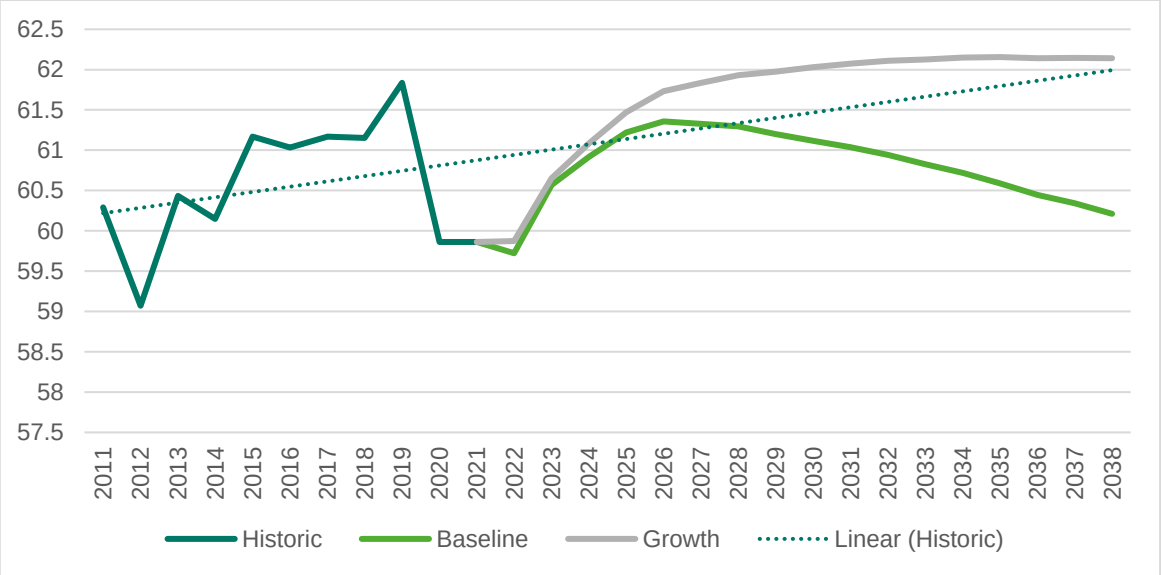
Sector	Adjustment	Rationale	Baseline	Growth	Difference
Agriculture, Fishing and Forestry	Losses halved	There have been recent declines and further expected - But local produce is still strong and the council are supporting the rural economy	-280	-140	140
Manufacturing	Losses halved or flatlined in a number of specific sub-sectors	The manufacturing sector on the Island is strong and has not declined at the same rate as nationally. There is a particular policy focus on advanced manufacturing including aerospace and renewables.	-1,710	-770	940
Utilities	Flatlining expected decline	The renewable energy sector is strong locally and the predicted decline may not materialise	-10	0	10
Transport & storage	Applied a growth of 0.8% pa	Agents not an increased demand for warehousing locally and nationally - Reverting to midway between baseline and recent growth	-190	290	480
Hospitality	Future Losses from 2031 onwards flatlined	Revival of Hospitality in the short term expected although this is countered with some Hotel losses due to shift towards Air BnB type accommodation	410	440	30
Education	Flatlining expected decline	Population Growth expected including people with children returning to the island, College developing links to local businesses	-330	0	330
Total			350	2,280	1,930

Source: Iceni Projects analysis of OE Data

5.19 Where we either agree with the sector outlook e.g. strong growth in healthcare or there is no evidence for alternation e.g. mining we have kept the baseline forecast. The figure below illustrates the growth in each sector for both the baseline and growth scenario.

5.20 As shown in the figure below, the growth scenario is significantly higher than the baseline scenario and is slightly higher than if past trends from 2011 onwards are projected forwards.

Figure 5.3 - Employment in Isle of Wight Historic and Forecast by Scenario (2011-2038)



Source: Oxford Economics, 2021

Labour Supply

5.21 The analysis below considers the link between housing and economic growth; seeking to understand what level of jobs might be supported by changes to the local labour supply (which will be influenced by population change which in turn will to some extent link to levels of housing delivery).

5.22 To look at estimates of the job growth to be supported, a series of stages are undertaken. These can be summarised as:

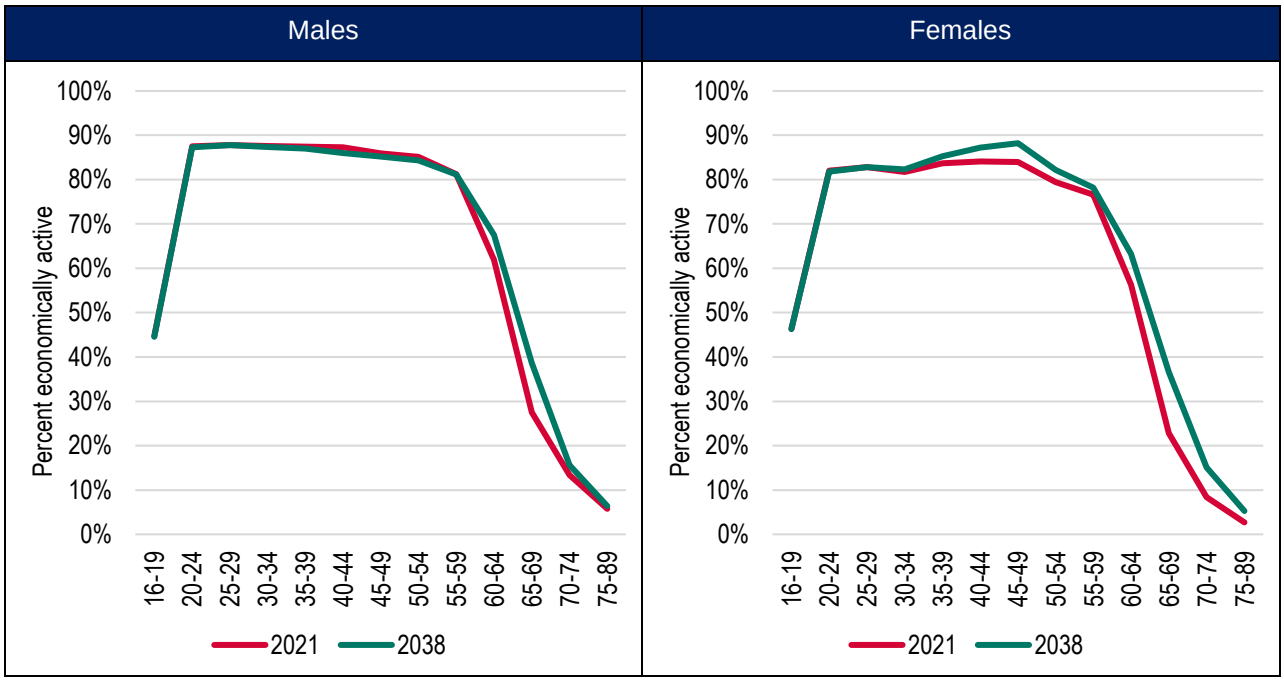
- Estimate changes to the economically active population (this provides an estimate of the change in labour-supply);
- Overlay information about commuting patterns, double jobbing (i.e. the fact that some people have more than one job) and potential changes to unemployment; and
- Bringing together this information will provide an estimate of the potential job growth supported by the population projections

Growth in Resident Labour Supply

5.23 The approach taken in this report is to derive a series of age and sex specific economic activity rates and use these to estimate how many people in the population will be economically active as projections develop. This is a fairly typical approach with data being drawn in this instance from the Office for Budget Responsibility (OBR) – July 2018 (Fiscal Sustainability Report).

5.24 The figure below show the assumptions made (for the Isle of Wight). The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision).

Figure 5.4 - Projected changes to economic activity rates (2021 and 2038) – Isle of Wight



Source: Based on OBR and Census (2011) data

5.25 Working through an analysis of age and sex specific economic activity rates it is possible to estimate the overall change in the number of economically active people on the Island – this is set out in the table below.

Table 5.2 Estimated change to the economically active population (2021-38) – Isle of Wight

	Economically active (2021)	Economically active (2038)	Total change in economically active	% change
Delivery constrained (IPS – 486 dpa)	66,323	66,031	-292	-0.4%
Standard Method (665 dpa)	66,323	69,532	3,210	4.8%

Source: Derived from demographic projections

5.26 The analysis shows that with constrained delivery of 486 dwellings per annum (8,262 over the 2021-38 period) there would be an estimated decrease in the economically active population of around 292 people (a 0.4% decrease over 17-years).

5.27 With the higher population growth associated with the Standard Method this number increases to a positive change of around 3,200 economically active people (a 5% increase over 17-years).

Linking Changes to Resident Labour Supply and Job Growth

5.28 The analysis above has set out potential scenarios for the change in the number of people who are economically active. However, it is more useful to convert this information into an estimate of the number of jobs this would support. The number of jobs and resident workers required to support these jobs will differ depending on three main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs; and
- Unemployment – if unemployment were to fall then the growth in the economically active population would not need to be as large as the growth in jobs (and vice versa).

Commuting Patterns

5.29 Commuting data to and from Isle of Wight as at the 2011 Census shows a small level of net out-commuting for work with the number of people resident in the area who are working being about 5% higher than the total number who work in the area.

5.30 This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live).

Table 5.3 Commuting patterns in Isle of Wight

	Number of people
Live and work in Local Authority (LA)	42,139
Home workers	7,457
No fixed workplace	5,337
In-commute	2,109
Out-commute	4,802
Total working in LA	57,042
Total living in LA (and working)	59,735
Commuting ratio	1.047

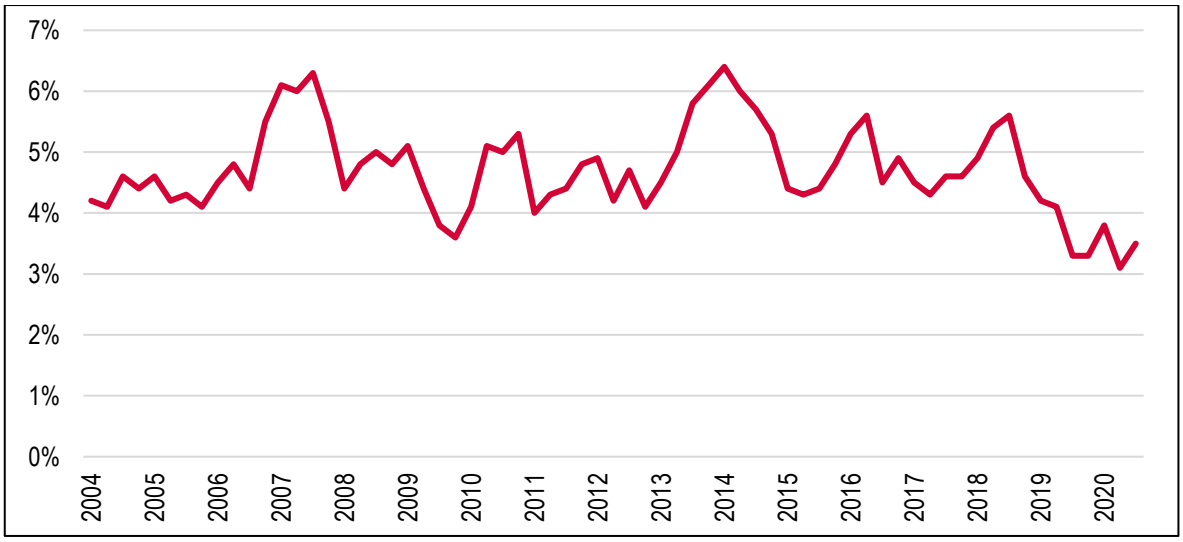
Source: 2011 Census

5.31 In translating the commuting pattern data into growth in the labour-force, we can assume that the commuting ratio remains at the same level as shown by the 2011 Census. However, given the island geography and the cost of commuting on and off the island and in the context of Covid-19 with the likelihood is that a greater proportion of people will work from home (or mainly from home) in the future it is more useful the increase in the number of people working on the Island is equal to the number of people living on the Island who are working. This is referred to as a 1:1 scenario.

Double Jobbing

5.32 The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs.

Figure 5.5 - Percentage of all people in employment who have a second job (2004-2020)



Source: Annual Population Survey (from NOMIS)

5.33 Data from the Annual Population Survey (available on the NOMIS website) suggests across the Island that typically about 4.7% of workers have a second job – levels of double jobbing have been variable over time (due to the accuracy of data at a local level).

5.34 For the purposes of this assessment it has been assumed that around 4.7% of people will have more than one job moving forward. A double jobbing figure of 4.7% gives rise to a ratio of 0.953 (i.e. the number of jobs supported by the workforce will be around 4.7% higher than workforce growth). It has been assumed in the analysis that the level of double jobbing will remain constant over time.

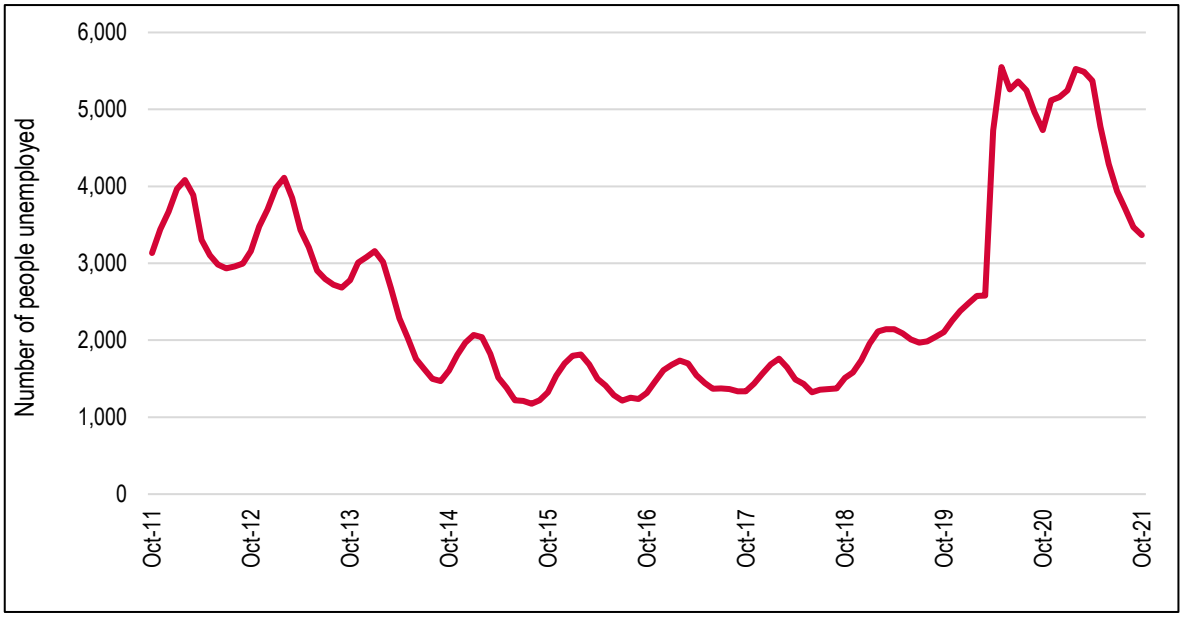
Unemployment

5.35 The last analysis when looking at the link between jobs and resident labour supply is a consideration of unemployment. This is considering if there is any latent labour force that could move back into employment to take up new jobs.

5.36 This is particularly important given there have been notable increases in unemployment due to Covid-19, although it will be difficult to be precise about numbers, particularly as the impact of the ending of the furlough scheme are unknown.

5.37 The figure below looks at Claimant Count data (described as the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit who are out of work). This will not give a full picture of unemployment as not all those that are unemployed will be a claimant, but it will certainly help to provide an indication. Claimant count data is available up to October 2021 with the data below showing a trend for the previous decade.

Figure 5.6 - Number of out-of-work benefit claimants (2011-2021) – Isle of Wight



Source: NOMIS

5.38 The analysis shows a clear increase in the number of claimants (presumably as a result of the pandemic) – rising from around 1,000-2,000 to in excess of 5,000 during 2020 and early 2021. Figures have dropped over the most recent months for which data is available. It should be noted that the data is not seasonally adjusted and it is clear that there are notably seasonal patterns on the Island.

5.39 Given that demographic projections and economic forecasts tend to use a mid-year position, the change in unemployment based on claimant count data has been calculated by looking at averages for June/July 2019 compared with June/July 2021.

5.40 In 2019, there were 1,990 claimants and two-years later the figure had risen to 4,110 – therefore there are potentially 2,120 people not working in 2021 who might be expected to return to employment in the future (taken to be over the period to 2038 for consistency with other analysis in this report).

Jobs Supported by Growth in the Resident Labour Force

5.41 The table below shows how many additional jobs might be supported by population growth under the two dwelling-led scenarios. Given commuting patterns and estimates about double jobbing, it is estimated that around 1,900 additional jobs could be supported by the changes to the resident labour supply in the delivery constrained scenario (IPS). Under the Standard Method the number of jobs potentially supported is notably higher at 5,600 jobs.

Table 5.4 Jobs supported by demographic projections (2021-38) – Isle of Wight

	Total change in economically active	Plus 2,120 returning to employment	Allowance for net commuting	Allowance for double jobbing (= jobs supported)
Delivery constrained (IPS)	-292	1,828	1,828	1,918
Standard Method	3,210	5,330	5,330	5,593

Source: Derived from a range of sources as described

5.42 It is notable that the delivery constrained scenario (IPS) at 1,918 jobs would support a number of jobs which is slightly below the 2,280 jobs set out in the growth scenario.

5.43 This level of jobs is not distributed across the different sectors. Our approach is therefore to take and redistribute the 3,311 additional jobs that the standard method above the growth scenario to the positive sectors in that scenario on a pro-rata basis. Any negative sectors have been left untouched.

5.44 For the capacity constrained scenario the growing sectors in the growth scenario have been rounded down by a total of 364 jobs on a pro-rata basis. Any negative sectors have been left untouched.

5.45 However, this is not done without some misgivings as the increase in population would not necessarily drive employment in the same way as the baseline. For example additional population is unlikely to drive demand in national sectors such as professional, scientific and technical sector. However, it is likely to increase demand for population driven sectors such as retail, education and healthcare.

Summary

5.46 The baseline economic forecasts show a modest growth of 350 additional jobs over the 2021 - 2038 period.

5.47 The growth scenario makes adjustments based on intelligence about the local structure and prospects of a range of sectors on the Isle of Wight. Combined these adjustments add an additional 1,930 jobs to the baseline forecasts taking the growth from 0.03% per annum to 0.2% per annum (2,280 additional jobs).

5.48 We have also examined the link between housing and employment growth. These labour supply scenarios show that around 1,900 additional jobs could be supported by the delivery constrained scenario increasing to 5,600 jobs under the standard method.

6. FUTURE EMPLOYMENT LAND NEEDS

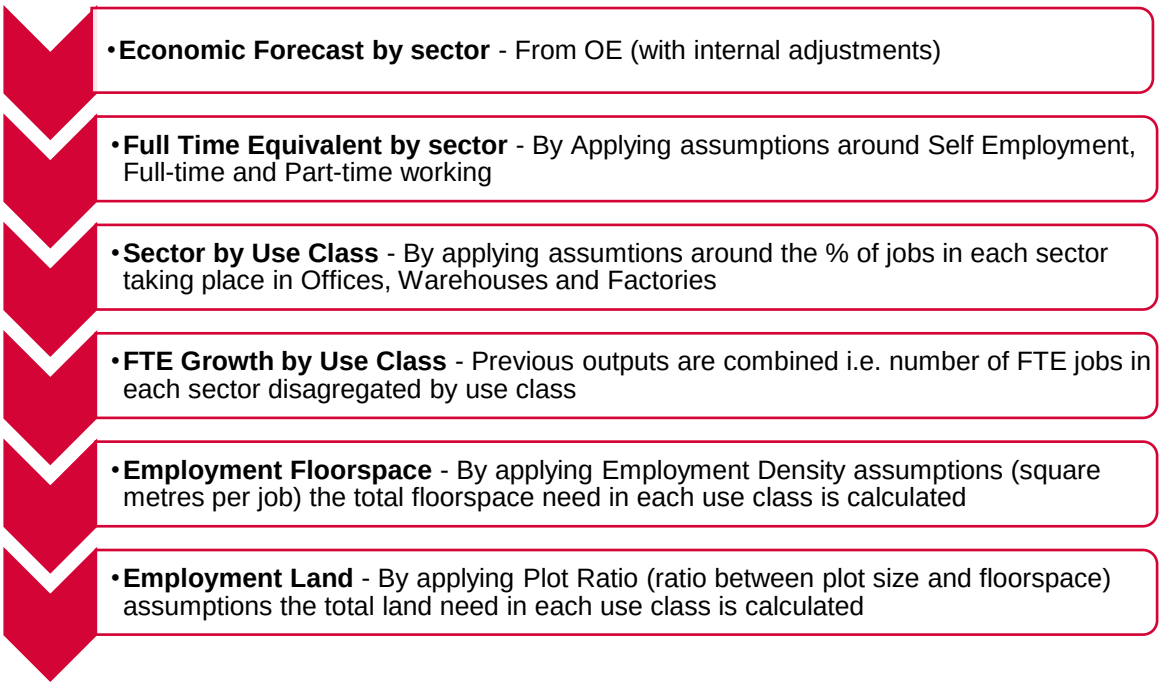
6.1 This section of the report considers the demand for employment land and floorspace over the period from 2021-38. When considering the scale of employment land need the Planning Practice Guidance recommends the use of a number of different techniques to estimate future employment land requirements, namely assessments based on:

- Historic Trends - past completions and past take-up of floorspace
- Labour Demand – based on econometric forecasts; and
- Labour Supply – based on the potential growth in population linked to housing delivery.

6.2 The guidance does not point to a preference for any of these techniques nor does it say they should be uses consistently across the different use classes. We therefore look at each of the techniques in turn before examining their appropriateness for each use class.

Labour Demand

6.3 As set out in the previous chapter the Baseline forecast result in a jobs growth of 350 and the adjusted Growth forecast results in a growth of 2,280 jobs. This is translated to employment floorspace through a series of steps which are illustrated below.



6.4 As shown above, the first step is to translate total employment from the economic projections into FTE jobs. This is required as the employment densities that are used are to be applied to FTE jobs. The number of FTE jobs is calculated by looking at the number of self-employed, full-time and part-time employees in each sector. Full-time and part time jobs equate to 1 FTE while part time jobs equate to half an FTE.

6.5 As shown in the table below the FTE jobs growth is around 44 in the baseline scenario and 1770 in the growth scenario. The conversion is made on a sector by sector basis but overall FTE jobs are around 82% of total employment. This is not reflected in the Baseline scenario which has a much lower of FTE jobs to total jobs. This is because sectors in which employment grows significantly have low FTE-total jobs ratios (e.g. Hospitality [75%] and Arts, entertainment and recreation [74%]) and sectors in which employment falls significantly have high FTE-total jobs ratios (e.g. Manufacturing [95%], Wholesale and retail [86%] and Admin and support [90%]).

Table 6.1 Total Jobs and FTE Jobs Growth by Period

Scenario	Total Jobs	FTE Jobs
Baseline	350	45
Growth	2,280	1,770

Source: Oxford Economics and Iceni Projects

6.6 The next step translates the number of FTE jobs into the different types of employment. For the purposes of this study we have proportioned the number of FTE jobs in each sector into those in Office, R&D Offices, Light Industrial, Industrial and Warehousing floorspace.

6.7 This was previously known as B-class jobs, however due to changes in the use class order and for a greater level of clarity we refer to these as offices (which includes R&D), factories (which includes light industrial) and warehouses.

6.8 To translate the number of FTE to floorspace we have assumed a set of employment densities[14] and plot ratios[15] are set out below. These are informed by the HCA Employment Density Guide third edition.[16]

14 Employment Densities are the assumed floorspace per FTE e.g., for R&D offices it is assumed that every FTE will have 60 sq. m of floorspace

15 Plot Ratio is the assumed ratio of plot taken to employment floorspace e.g. for Warehouses it is assumed that only 50% of a plot would be taken up by the warehouse itself with the other 50% used for a variety of uses including storage, turning circles, plant, parking, landscaping etc.

16 https://www.kirklees.gov.uk/beta/planning-policy/pdf/examination/national-evidence/NE48_employment_density_guide_3rd_edition.pdf

6.9 The densities for office are slightly more nuanced as we have apportioned the jobs growth to corporate, professional services, public sector, technology, media and telecoms and finance and insurance offices, each of which have a different density.

Table 6.2 Employment Densities and Plot Ratio Assumptions

	Office	R&D Office	Light Industrial	Industrial	Warehouse
Employment Density	14.2	60.0	49.4	37.8	70.7
Plot Ratio	0.5	0.5	0.4	0.4	0.5

Source: HCA Employment Densities Guide: 3rd Edition (Drivers Jonas Deloitte, 2015) & Iceni Projects

6.10 Applying these employment densities to the FTE forecasts generates a net change in employment floorspace of 54,558 sq. metres in the baseline scenario and a growth of 4,086 sq. metres in the growth scenario.

Table 6.3 Employment Floorspace and Land Requirement by Scenario– 2021-2038

	Baseline		Growth	
	Employment Floorspace Requirement (sq. m)	Employment Land Requirement (Ha)	Employment Floorspace Requirement (sq. m)	Employment Land Requirement (Ha)
Office	4,903	0.98	5,445	1.09
Industrial	-48,759	-12.19	-16,094	-4.02
Warehouse	-10,732	-2.15	14,735	2.95
Total	-54,588	-13.36	4,086	0.01

Source: Iceni Projects based on OE data

6.11 Once plot ratios are applied to the floorspace growth the total need for employment land on the Isle of Wight over the 2021-2038 period is calculated as a decline of 13.36 Hectares in the baseline scenario and a small growth (0.01 Ha) in the growth scenario.

6.12 However, looking at the total need masks the need for individual typologies. In both the baseline and growth scenario there is a small, identified need for office floorspace and land and in the growth scenario a need for warehousing. In both cases this is offset by a significant reduction in demand industrial land.

Working from Home Sensitivity

6.13 As sensitivity to the need for office floorspace we have run a further scenario which assumes a greater level of working from home post-pandemic. This assumes that office floorspace demand is reduced by 30%.

6.14 The 30% is derived from examples of major corporate activity in this regard including: HSBC cutting its global office space by 40%; Lloyds cutting desk numbers by 20%; Alphabet developing a model where staff work three days in the office and two days from home; and Facebook allowing ‘complete

flexibility'. Although these are large corporate entities that may not represent the Isle of Wight businesses they are an indicator of one scenario that could be considered.

6.15 As shown in the table below this results in a reduced need to 0.69 Ha of office space for the baseline scenario and 0.76 Ha for the growth scenario. It would be practical to treat these levels of demand as a range when considering the demand for office space.

Table 6.4 Employment Floorspace and Land Requirement by Scenario– 2021-2038

	Baseline		Growth	
	Employment Floorspace Requirement (sq. m)	Employment Land Requirement (Ha)	Employment Floorspace Requirement (sq. m)	Employment Land Requirement (Ha)
Office	4,903	0.98	5,445	1.09
Office – WFH	3,432	0.69	3,812	0.76

Source: Iceni Projects based on OE data

Flexible Margin

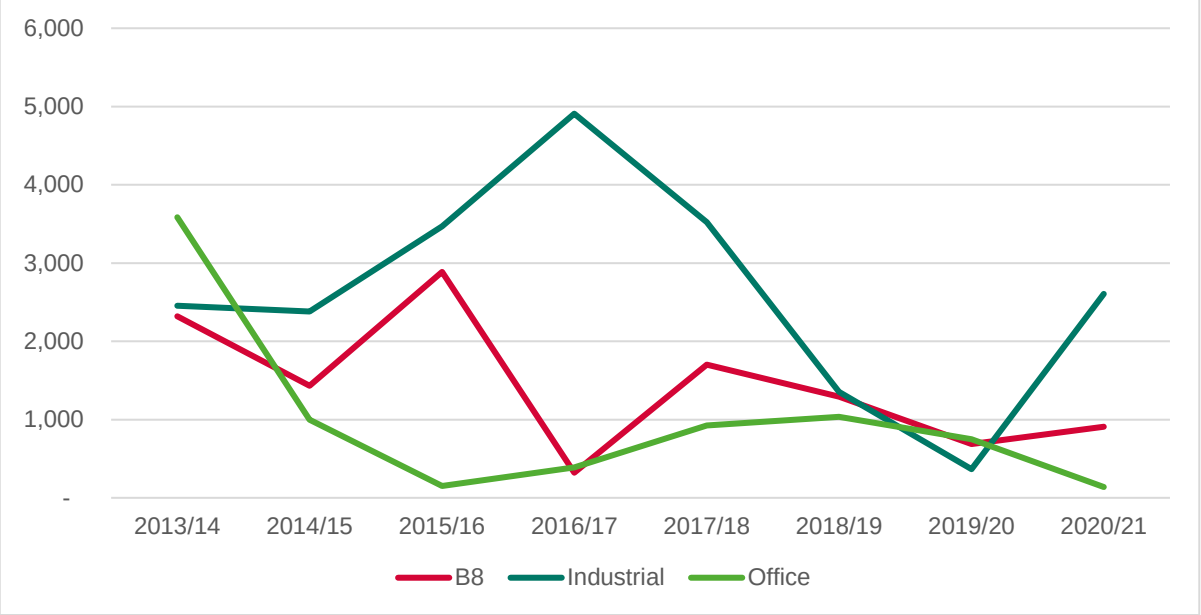
6.16 It is considered good practice to include a margin of employment land need in addition to floorspace modelling based on labour demand scenarios. The flexible margin is included to account for:

- The potential error margin with the forecasts;
- Providing a choice of sites to facilitate competition; and
- Providing flexibility to allow for any delays in sites coming forward

6.17 Typically the flexible margin is comprised of between 2 and 5 years of average gross completions. Given the market signals in the IOW which display low vacancy rates and the known demand for industrial and warehousing space we have used the higher end of this range.

6.18 Using Council monitoring data we have examined gross completions between 2013/14 and 2020/21. This data shows average gross completions of around 5,000 sq. m per annum the majority of which is for industrial space.

Figure 6.1 Gross Completions by Typology (2013/14 – 2020/21)



Source: IOW and Hampshire CC monitoring Data

6.19 Taking 5 years' worth of average completions gives a flexible margin of around 25,000 sq. m of floorspace. We have again applied the same plot ratios to translate this in to a need for an additional 5.73 hectares of which 1.00 would be office space, 1.4 Ha would be for warehousing and 3.29 ha would be for industrial space.

Table 6.5 Average Gross Completion and Flexible Margin

Typology	Gross Completions Total 2013/14 - 2020/21	Annual Average	Flexible Margin (5 Year of Average) Sq M	Flexible Margin (5 Year of Average) Ha
Office	7,965	996	4,980	1.00
Industrial	21,059	2,632	13,160	3.29
Warehouse	11,550	1,444	7,220	1.44
Total	40,574	5,072	25,360	5.73

Source: IOW and Hampshire CC monitoring Data

Replacement Demand

6.20 While employment in manufacturing employment is expected to decline in both the baseline and growth scenario, there is clearly still demand for industrial floorspace as demonstrated by the commercial property market and confirmed by local agents.

6.21 This demand is driven by existing companies seeking newer accommodation to move and/or grow into. Automation also means that while employment in manufacturing is falling the value of the sector is growing even in the baseline scenario.

6.22 It is also coupled by the loss of existing space to alternative uses. We have therefore made a final adjustment to account for floorspace or land that has been lost from business activity in the past and may continue to be lost in the future.

6.23 The losses are comprised of redundant sites that are no longer desired by the market, taking into account changing industrial patterns and structural shifts in the economy, and losses due to permitted development rights to residential use.

6.24 As shown in the table below since 2013/14 there has been approximately 22,100 sq. m of employment floorspace lost to other non-employment uses on the Island. This is an average rate of around 2,800 per annum. Because there is little new or high quality stock on the Island we have concluded that this level of replacement demand is likely to continue.

6.25 If this trend continues there will be a replacement demand for almost 47,000 sq. m across the plan period the majority of which will be factory floorspace. This is the equivalent of replacing around 7% of the total employment floorspace on the Island.

Table 6.6 Replacement Demand – 2019-36

	Total Employment Floorspace Lost to Other Uses 2013/14 - 2020/21 Sq M	Annual Average Employment Floorspace Lost to Other Uses 2013/14 - 2020/21 Sq M	Replacement Demand Total 2019 - 2036 Sq m	Replacement Demand Total 2019 - 2036 Ha
Office	3,863	483	8,208	1.64
Factory	15,035	1,879	31,950	7.99
Warehouse	3,235	404	6,874	1.37
Total	22,133	2,767	47,032	11.00

Source: IOW Monitoring and Iceni Analysis

6.26 Applying the same plot ratios as before results in an additional need for 11 Ha of employment land. The majority of this demand is for factory floorspace at around 8 Ha.

Labour Demand Conclusion

6.27 Drawing the core analysis (with and without adjustment for greater working from home) together with the flexible margin and replacement demand we can conclude on the need for employment land within the Isle of Wight.

6.28 As shown in the table below for the baseline scenario there is a concluded need for between 3.1 and 3.4 Hectare of employment land. For the growth scenario the concluded need is for between 16.4 and 16.7 Ha of employment land.

Table 6.7 Labour Demand Employment Land Need – 2021-2036

Baseline	Labour Demand sq. m	Flexible Margin sq. m	Replacement Demand sq. m	Total Need (sqm)	Total Need (Ha)
Office	3,432 – 4,903	4,980	8,208	16,620 – 18,091	3.3 - 3.6
Factory	-48,759	13,160	31,950	-3,648	-0.9
Warehouse	-10,732	7,220	6,874	3,362	0.7
Total	-56,059 – -54,588	25,360	47,032	16,333 – 17,804	3.1 - 3.4
Growth	**Labour Demand sq. m**	**Flexible Margin sq. m**	**Replacement Demand sq. m**	**Total Need (sqm)**	**Total Need (Ha)**
Office	3,812 – 5,445	4,980	8,208	17,000 – 18,633	3.4 - 3.7
Factory	-16,094	13,160	31,950	29,017	7.3
Warehouse	14,735	7,220	6,874	28,829	5.8
Total	2,453 – 4,086	25,360	47,032	74,845 – 76,478	16.4 - 16.7

Source: Iceni Projects based on monitoring and OE data

6.29 For the baseline scenario the majority of the need is for office accommodation while in the growth scenario the majority of the demand is for industrial and warehousing use. While this is not reflected in the expected level of jobs growth it does reflect the recent demand on the Island.

Labour Supply Scenario

6.30 The final scenario is to examine the need for employment land based on the supply of labour on the island. As set out in the previous chapter this ranges from 1,918 jobs to 5,593 additional jobs for the delivery constrained and standard method scenarios respectively.

6.31 As shown in the table below, applying the same steps and assumptions to the labour supply growth scenario results in an overall need for around 16 Ha in the Delivery Constrained scenario and 24 Ha in the Standard Method scenario.

Table 6.8 Labour Supply Employment Land Need – 2021-2036

Delivery Constrained	Labour Supply sq. m	Flexible Margin sq. m	Replacement Demand sq. m	Total Need (sqm)	Total Need (Ha)
Office	3,236 – 4,623	4,980	8,208	16,423 – 17,810	3.3 - 3.6
Factory	-17,152	13,160	31,950	27,958	7.0
Warehouse	12,818	7,220	6,874	26,912	5.4
Total	-1,098 - 289	25,360	47,032	71,294 – 72,680	15.7 - 15.9
Standard Method	**Labour Supply sq. m**	**Flexible Margin sq. m**	**Replacement Demand sq. m**	**Total Need (sqm)**	**Total Need (Ha)**
Office	9,052 – 12,931	4,980	8,208	22,240 – 26,119	4.4 - 5.2
Factory	-6,451	13,160	31,950	38,659	9.7
Warehouse	32,190	7,220	6,874	46,284	9.3
Total	34,791 – 38,670	25,360	47,032	107,183 – 111,062	23.3 - 24.1

Source: Iceni Projects based on monitoring and OE data

6.32 As shown, the difference between the capacity constrained labour supply and the growth scenario is marginal as both are driven by the identical replacement demand and flexible margin rather than employment growth.

6.33 The standard method does provide a greater level of demand for employment floorspace. This is of course dependent on additional population growth and also assumes the same sectoral split as the growth scenario which is not without reservation.

Historic Trends

Past Completions

6.34 Recent net completions have been considered and projected forward to provide an indication of future floorspace needs. This draws on two sources of net completions data:

- Local Authority Monitoring; and
- Valuation Office Agency (VOA)

Local Authority Monitoring

6.35 Local Authority Monitoring data is available for the years 2013/14 - 2019/20. This can be examined as net and gross completions. Gross completions were set out in Figure 6.1 and Table 6.5. if these were to be extrapolated as shown in the table below this would result in a need for around 19.5 Ha.

Table 6.9 Employment Need based on Gross Need (2021 – 2038)

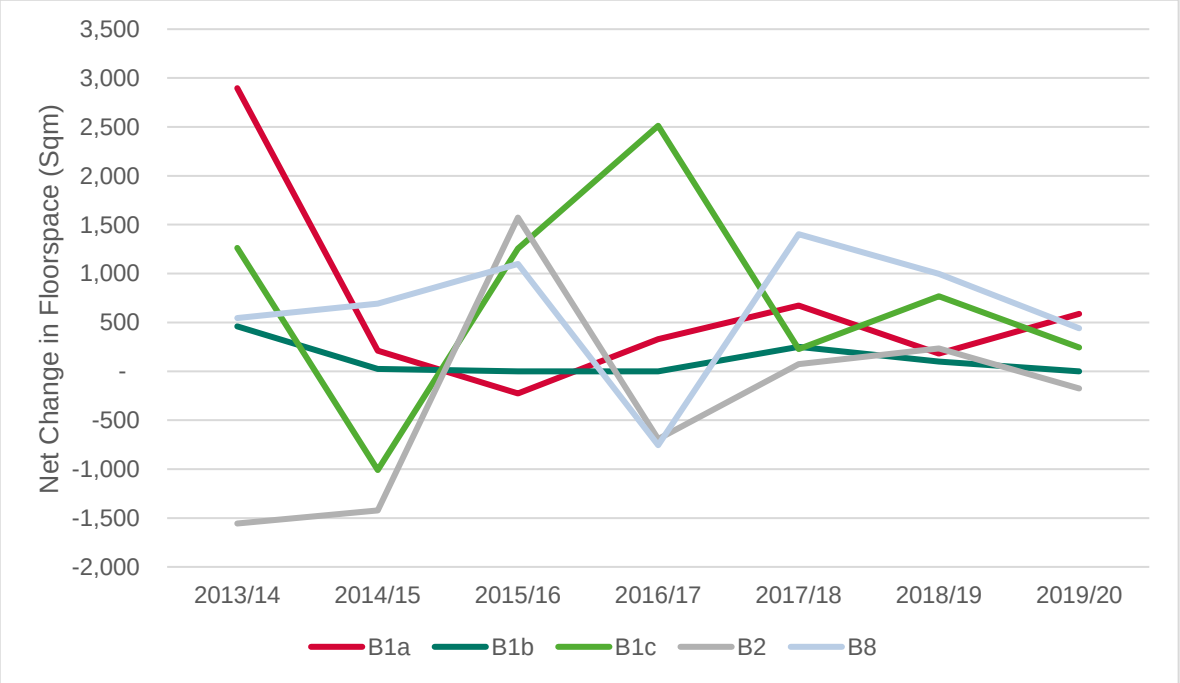
Typology	Gross Completions Total 2013/14 - 2020/21	Annual Average	Employment Floorspace Need Ha	Employment Land Need Ha
Office	7,965	996	16,932	3.4
Factory	21,059	2,632	44,744	11.2
Warehouse	11,550	1,444	24,548	4.9
Total	40,574	5,072	86,224	19.5

Source: Iceni analysis of Hampshire County Council monitoring data

6.36 Gross trends represent all completions without accounting for recycling of sites. This is not the case with net trends which are therefore more useful in predicting growth

6.37 The figure below shows the net change in floorspace completions of each use class[17] over this period. As shown, B1a floorspace growth was anomalously high in 2013/14 and has been stable since[18]. Therefore, future projections are based on the 2014/15 – 2019/20 yearly average.

Figure 6.1 - Net Floorspace Completions



Source: Iceni analysis of Hampshire County Council monitoring data

6.38 B1b floorspace growth has been stable since 2013/14. Therefore, future projections are based on the 2013/14 – 2019/20 yearly average. B1c floorspace growth has been highly variable but peaks

17 Legacy use classes have been used here as monitoring data uses these classifications.

18 The B1a floorspace in 2013/14 is likely to be inflated by the mis-apportionment of an Anaerobic Digestion (Non-B) to B1a

and troughs balance each other out. Therefore, future projections are also based on the 2013/14 – 2019/20 yearly average. The same can be said for B2 and B8 floorspace.

6.39 The table below shows the average net completions of floorspace in each use class over the appropriate period for which to base the forecast (as identified above). It then extrapolates these trends to presents the forecast need for the 2021-2038 period.

Table 6.10 Past Net Completions-Based Forecast Floorspace Needs (Sqm)

Use Class	2013/14-2019/20 Average Net Completions	2014/15-2019/20 Average Net Completions	2021-2038 Forecast Needs
B1a		293	4,983
B1b	119		2,025
B1c	752		12,781
B2	-281		-4,777
B8	632		10,738

Source: Iceni analysis of Hampshire County Council monitoring data

6.40 These trends should also include a margin for flexibility and replacement demand. As shown in the table below this results in an overall need for 22.3 Ha the majority of which is for industrial employment land.

Table 6.11 Overall Need Based on Past Trends (2021 – 2038)

Use Class	Forecast Need	Flexible Margin	Replacement Demand	Total Sq M	Total Ha
Office	7,008	4,980	8,208	20,196	4.0
Factory	8,004	13,160	31,950	53,114	13.3
Warehouse	10,738	7,220	6,874	24,832	5.0
Total	25,750	25,360	47,032	98,142	22.3

Source: Iceni analysis of Hampshire County Council monitoring data

Valuation Office Agency

6.41 Alternatively VOA business floorspace data is available for the years 2000/01 – 2019/20. However, the data is only broken into office and industrial space. Office space aligns best to use classes B1a and B1b. Industrial space aligns best to use classes B1c, B2 and B8. Given this lack of detail, the VOA data has been used to provide a check of the Local Authority Monitoring based forecast needs.

6.42 The table below shows the average net completions of office and industrial floorspace (according to VOA data) over the appropriate period for which to base the forecast (as identified above). It then presents the forecast need for the 2021-2038 period.

6.43 As shown, the forecast office need at 8,500 is slightly higher than the Local Authority Monitoring based need of 7,008 sqm (B1a and B1b needs combined). However, at 31,161 sqm the forecast

industrial need is much higher than the Local Authority based need of 18,743 sqm (B1c, B2 and B8 needs combined).

Table 6.12 VOA Past Net Completions-Based Forecast Floorspace Needs (Sqm)

	2013/14 to 2019-20 Average Net Completions	2014/15 to 2019-20 Average Net Completions	2021-2038 Forecast Needs
Office		500	8,500
Industrial	1,833		31,161

Source: Iceni analysis of VOA data

6.44 The VOA data also allows us to study longer-term past trends. The table below shows the average net completions of office and industrial floorspace (according to VOA data) between 2001/01 and 2019/20.

6.45 As shown, based on these longer-term trends, projected need is even higher than when based on the shorter-term VOA trends. This is particularly the case for industrial needs which come out at almost 60,000 sqm.

Table 6.13 Long-term VOA Past Net Completions-Based Forecast Floorspace Needs (Sqm)

	2000/01 to 2019/20 Average Net Completions	2021-2038 Forecast Needs
Office	737	12,529
Industrial	3,474	59,058

Source: Iceni analysis of VOA data

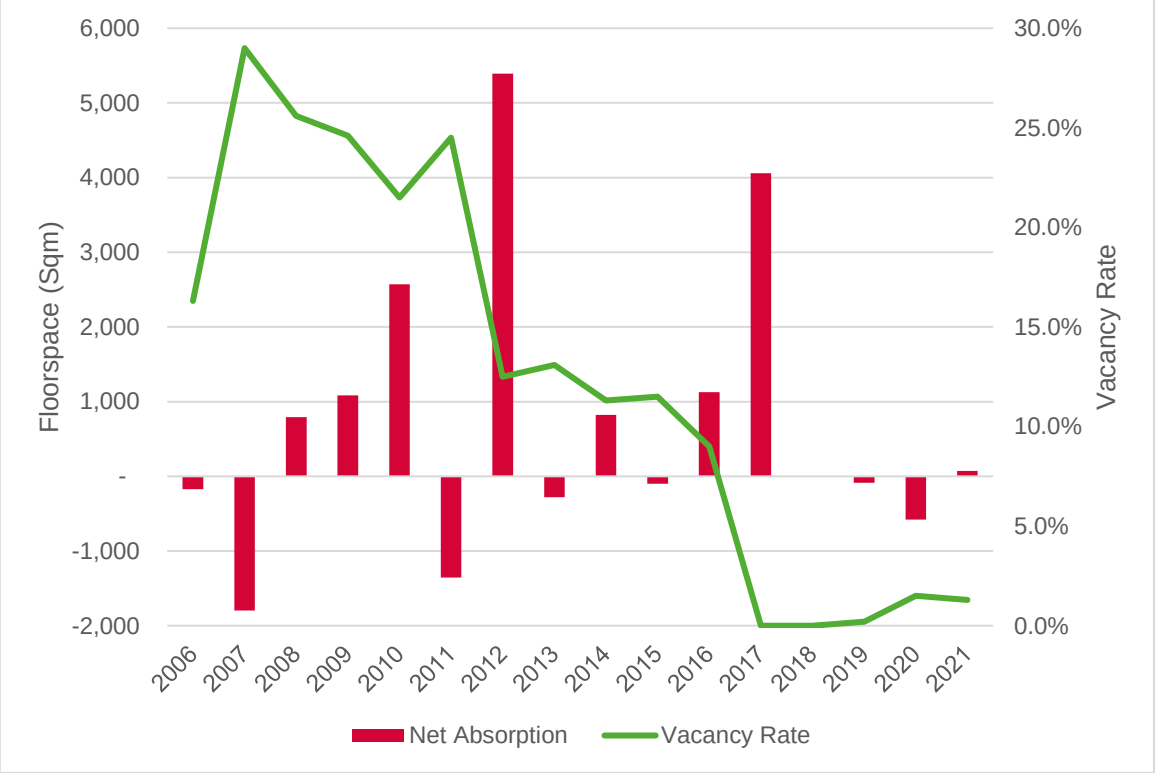
Past Take-Up

6.46 A third supply-based calculation looks at past take-up of space measured by net absorption. As explained in the Property Market Review chapter this is the balance between the amount of space moved into and moved out of (i.e. Net absorption = Move ins – Move outs). This differs from the above scenarios in that it examines all space not just new space.

6.47 The figure below shows the net absorption of office floorspace in the IOW between 2010 and 2021 to date (December). It also shows the office vacancy rate over this period. It can be seen that the vacancy rate was extremely low between 2018 and 2021 constraining net absorption meaning it is not likely to represent true levels of demand.

6.48 Between 2006 and 2017 vacancy rates were high meaning net absorption was unconstrained. Therefore, this period is deemed appropriate to be indicative of future office floorspace need.

Table 6.14 Office Net Absorption and Vacancy Rate



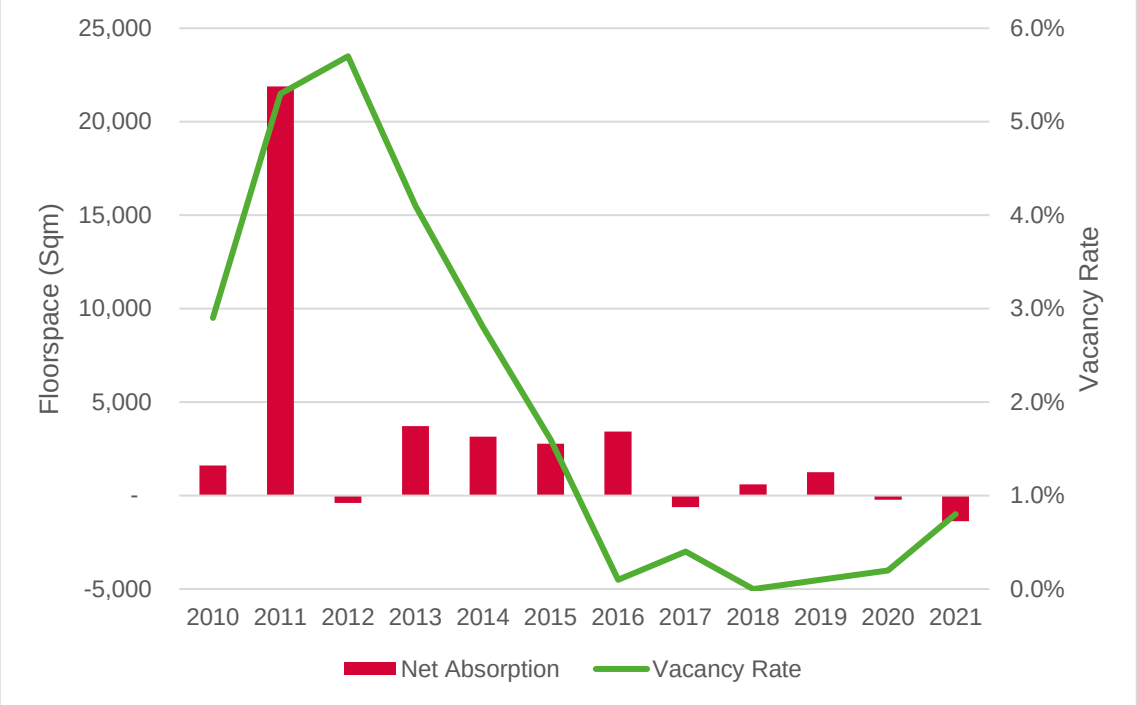
Source: Iceni analysis of CoStar data

6.49 Between 2006 and 2017 the average yearly net absorption was 1,012 sqm indicating a future need of 17,207 sqm between 2021 and 2038.

6.50 The figure below shows the net absorption and vacancy rate of industrial floorspace on the Island between 2010 and 2021 to date (December). It can be seen that vacancy rates have been extremely low since 2016 but have been low (5-10% is generally considered to be healthy) since 2010.

6.51 Therefore, net absorption is likely to have been constrained for most of the period for which data is available, masking true levels of demand. Accordingly, this historic data is not likely to be indicative of future floorspace need.

Table 6.15 Industrial Net Absorption and Vacancy Rate



Source: Iceni analysis of CoStar data

Overall Need Conclusions

6.52 As set out above we have examined a range of ways to determine the future need for employment land on the Island. The most reasonable of each of these approaches have been collated in the table below.

6.53 We have not included the VOA trends (shorter or longer term) which while reasonable lack granularity. We have also not included the baseline labour demand scenario as for many sectors this does not reflect what we know about the local economy.

Table 6.16 Collated and Rounded Employment Land Need (2021-2038)

	Net Completions Trend		Labour Demand - Growth		Labour Supply - Capacity Constrained	
	Sq M	Ha	Sq M	Ha	Sq M	Ha
Office	16,932	3.4	17,000 – 18,600	3.4 - 3.7	16,400 – 17,800	3.3 - 3.6
Factory	44,744	11.2	29,000	7.2	28,000	7.0
Warehouse	24,548	4.9	28,800	5.8	26,900	5.4
Total	86,224	19.5	74,845 – 76,500	16.4 - 16.7	71,300 – 72,680	15.7 - 15.9

Source: Iceni Projects based on monitoring and OE data

6.54 Similarly we have not included the scenario linked to the standard method. However, if further housing can be delivered this should be revisited. That said assumptions around the sectoral split of

these additional jobs are questionable. It is more likely that the overall need would resemble the growth scenario as most of the additional jobs would be pushed to sectors such as healthcare, retail and education which do not typically occupy offices, factories and warehouses.

6.55 We have concluded that the employment land need should be linked to the growth scenario in the labour demand modelling. This identifies a need for up to 16.7 Ha of employment land across the Island.

6.56 While this is slightly lower than the net completions trend it shows a different profile of demand. For office space the scenarios are directly comparable. However for industrial uses there is a greater balance which results in a slightly higher level of need for warehousing. Given the commercial market signals and local agent engagement both of which suggest an unmet demand for warehousing space then our conclusion based on the labour demand growth scenario is justified.

6.57 Furthermore, the labour demand Growth scenario aligns closely with the labour supply scenario.

Table 6.17 Rounded Employment Land Need (2021-2038)

	Sq M	Ha
Office	16,932	3.4
Factory	44,744	7.2
Warehouse	24,548	5.8
Total	86,224	16.4

Source: Iceni Projects based on monitoring and OE data

6.58 The overall need for 19.5 Ha of employment land can be broken down into a need for between 3.4 and 3.7 Ha of office space with the smaller number assuming greater working from home and around 13 Ha of industrial uses including factories (7.25 Ha) and warehousing space (5.77 Ha).

6.59 This compares to the previous employment land review[19] which identified a need for between 5.0 ha up to 9.8 ha of office space and between no net loss and up to 15.4 ha of industrial and warehousing space. Which is a total between 5.0 ha up to 25.3 ha.

6.60 We are therefore in a position where the office demand has slowed slightly and the industrial and warehousing demand remains within the same range. This is overall reduction is also reasonable given in the interim period the twin impacts of Brexit and the Pandemic on the economy.

19 https://www.push.gov.uk/wp-content/uploads/2018/05/IOW-employment-land-study.pdf

7. SUPPLY POSITION

7.1 The supply position refers to the amount of future supply of employment floorspace. This is made up of two components;

- Development Opportunities - Vacant space within draft Allocated employment sites and Employment Opportunity Areas (set out in the draft Local Plan[20]) which has a realistic chance of coming forward and can hence be classed as a reliable source of employment land.
- Unimplemented Permissions – Permitted employment floorspace which has not yet been completed.

7.2 These two components are combined to estimate the future supply of employment floorspace. Where unimplemented permissions occur within Development Opportunities, the amount of vacant space is adjusted as appropriate to avoid double counting.

Development Opportunities

7.3 The amount of reliable vacant space within draft Allocated Employment Sites and Employment Opportunity Areas is determined based on site assessments. These assessments draw on information from physical site visits, aerial photography, Isle of Wight Council's planning application portal and existing documentation. Full site assessments can be found in Appendix A.

7.4 The table below provides a summary of the site assessments. For each site, it shows the draft Local Plan policy position as well as our recommendation on whether this policy position is appropriate.

7.5 The table then presents any development opportunities on each site which constitutes a reliable source for employment. Where there is a pending application, the square meterage of proposed floorspace has been presented (Pending Applications)[21]. Where a planning application has not been submitted, but there is vacant land which constitutes a reliable source for employment, the hectarage of vacant land has been presented (Further Development Opportunities).

20 It should be noted that two allocated sites within the existing Core Strategy have not been taken forward to the draft Local Plan. Two allocated sites have been taken forward and further sites have been added.

21 It is deemed that this provides a more realistic estimate of the amount of floorspace (by use class) which is likely to come forward on a site than applying a plot ratio to the hectarage of vacant land.

Table 7.1 Site Assessment Summary and Development Opportunity Supply

Site	Location	Draft Policy	Recommendation	Pending Application(s) - Floorspace (sqm GIA)					Further Development Opportunities - Land (Ha)			Note
				Eg(i)	Eg(ii)	Eg(iii)	B2	B8	Class E	B2	B8	
Kingston Marine Park	East Cowes	Allocated for Class E, B2 and B8 uses	Retain Allocation									There is a permitted application for up to 15,000 sqm of Class E/B2/B8 floorspace covering the whole site.
Somerton Farm	Cowes	Allocated for Class E, B2 and B8 uses	Review Boundary						2 Ha of identified site which is likely to be in E(g)(iii), B2 and B8 (1.0 Ha given to each). A further 1.6 Ha within the mixed allocation should also be allocated to office and light industrial			It is recommended that the site is merged with the draft housing allocation to the south forming a mixed-use allocation of 14.5 Ha of which around 25% could be in employment uses
Pan Lane	Newport	Allocated for Class E and B2 uses	Retain Allocation						1.8 Ha split between offices and light industrial			Site more suitable for Class E given residential nature of area
Nicholson Road	Ryde	Allocated for Class E, B2, B8 and Community uses	Retain Allocation	4,746	5,072		14,638					4,746 sqm of Office and 5,072 sqm of Research and Development space.
Lowtherville	Ventnor	Allocated for Class E and B8 uses	Release Allocation									Does not constitute a reliable source of employment land -

												Highly constrained and likely to be unviable.
Sandown Airport	Sandown	Allocated for Class E and B2 uses	Retain Allocation			7,376						Class E space is E(g)(iii) Light Industrial
Land at Afton Road	Freshwater	Employment Opportunity Area	Retain Support									No space for development at present.
Golden Hill Industrial Estate	Freshwater	Employment Opportunity Area	Retain Support						0.8 to light industrial and Industrial			0.8 ha of this are much more suitable for Class E(g)(iii) and B2 than other uses.
Cowes Industrial Estate	Cowes	Employment Opportunity Area	Retain Support and Protect Existing Employment						3.3 of which 1.1 to industrial and 1.1 to Warehousing and 1.1 to offices			0.9 ha of this area not likely to be suitable for B Class uses.
College Close Industrial Estate	Sandown	Employment Opportunity Area	Retain Support and Protect Existing Employment						1.15 to industrial and 1.15 to warehousing			This is a former water treatment site which may constrain development. However, there is no evidence of this at present.
Total				**4,746**	**5,072**	**7,376**	**14,638**	**-**	**2.8**	**5.75**	**3.25**	Opportunities are nominally split but in reality will be more flexible

7.6 In total there are 17,194 sqm (GIA) of pending Class E floorspace applications and 14,638 sqm B2 applications across all of the sites.

7.7 There is also around 11.8 Hectares of further development opportunities which have been identified. These have nominally been split as 2.8 ha of suitable for the development of offices and 9.0 ha of vacant land which is suitable for the development industrial uses. However, in reality there is likely to be flexibility between these uses.

Unimplemented Permissions

7.8 Unimplemented permissions have been determined using local authority monitoring data. The table below shows the amount of permitted floorspace by use class which was unimplemented as of 30th June 2021.

Table 7.2 Unimplemented Permissions

Use Class	Net Permissions (Sqm)
Eg(i)	-6,987
Eg(iii)	-78
Class E	447
B2	13,179
B8	-2,700
Mixed	-7,624

Source: Iceni analysis of Hampshire County Council monitoring data

7.9 As shown, if implemented this would result in the net loss of around 7,500 sqm of Class E space and 2,700 sqm of B8 (warehousing) space. In contrast around 13,000 sqm of B2 (industrial) floorspace would be delivered.

7.10 The next chapter of this report (Supply and Demand) bring together the supply position with the future needs assessment to determine whether the scale of surplus / deficit of employment land supply in the IoW.

8. SUPPLY-DEMAND BALANCE

8.1 Drawing the previous chapters together it is possible to understand the balance between supply and demand on the Island. The table below sets this out in a series of steps. To minimise the use of plot ratio assumptions we have taken floorspace area from applications and permissions and netted this off from the floorspace need. We have then translated the residual need in to a hectarage and netted of any further development opportunities from this.

8.2 To reiterate, the split of land supply by typology from allocations is only nominal and in reality, much of this land could be used for various typologies. To better reflect this, the table below merges the factory and warehouse supply and demand calculation. This is also helpful as this demand has similar locational attributes.

8.3 As shown in the table below, there is a nominal oversupply of industrial land and a nominal undersupply of office land. However, given that there is an aggregate oversupply of employment land and the flexibility of this supply, there is enough to meet all needs without allocating further sites.

Table 8.1 Supply-Demand Balance – Further Land Needs

	Office	Factory	Warehouse	Industrial (Factories and Warehousing)
Floorspace Need (sq. m)	18,633	29,017	28,829	57,845
Unimplemented Permissions (sq. m)	-6,987	13,101	13,179	26,280
Pending Applications (sq. m)	9,818	22,014	-2,700	19,314
Residual Floorspace Need (sq. m)	15,802	-6,098	18,350	12,251
Residual Land Need (Ha)	3.16	-1.52	3.67	2.15
Further Development Opportunities (Ha)	2.80	5.75	3.25	9.00
Supply and Demand Balance – Further Land Needs (Ha)	0.36	-7.27	0.42	-6.85

Source: Iceni Projects based on IOW Data

8.4 As set out in the Property Market Review chapter there is a need to increase the existing floorspace supply to allow for churn and choice in the market. The aggregate oversupply of land allows the existing undersupply to be met but it is recommended that this land should be allocated flexibility to allow it to come forward for multiple uses should existing demand for specific uses not materialise.

8.5 The office supply should be focused on basic specifications in a range of sizes but with at least one site large enough to accommodate an office development of ~2,000 sqm or above. Again, this should be flexible to meet other commercial requirements should the office market not require it.

8.6 Office provision should be focused in the Medina Valley and Ryde. However, the allocation of land for smaller office units in the Bay Area and West Wight could help spread economic benefits across the Island and attract inward investment.

8.7 New industrial space also needs to be delivered to a healthy level to allow for churn and choice in the market. There is likely to be demand for units of varying quality but the majority of demand is likely to be for basic, small to medium units.

8.8 At least one large allocation should also be made in order to provide space for a large scale industrial requirement but this should be flexible enough able to come forward for other uses if this requirement were not to materialise.

8.9 Industrial demand is relatively well distributed across the island, albeit with more demand in the Medina Valley and Ryde. For reasons of accessibility to wider markets, it is recommended to concentrate future industrial development to this area.

9. ECONOMIC LED HOUSING NEED

9.1 We next consider what level of housing delivery might be required to meet job growth forecasts; this looks at the labour supply calculations in Chapter 5 in reverse order – considering what level of change in the economically active population is required to fill additional jobs and then to estimate the number of homes required for the changing workforce.

9.2 The analysis below considers what level of housing delivery might be required to provide alignment with future jobs (as forecast). As previously noted this methodology is identical to that for the labour supply analysis but completed in reverse to get to a population growth.

9.3 Household formation rates are then applied to this level of population growth to get to household growth. A final adjustment to reflect a level of vacancy in the housing stock is applied to the household growth to get to a dwelling's growth figure.

9.4 To undertake these calculations a series of assumptions have been made. These are summarised below:

- Base population from the 2018-based subnational population projections (SNPP) – alternative internal migration
- Projections run from 2020 to 2038
- Population data for 2020 fixed by reference to 2020 mid-year population estimates (MYE)
- Population to 2021 derived from assumptions in the 2018-based SNPP rolled forward from 2020 MYE base
- Household Representative Rates (HRRs) from the 2014-based subnational household projections (SNHP) with an uplift to younger age groups (up to age 44) to follow a part-return to trend scenario
- Vacancy rate of 3% to convert households into dwellings
- Office for Budget Responsibility (OBR) economic activity rates (adjusted for local situation in Isle of Wight (from 2011 Census data) – July 2018 Fiscal Sustainability Report figures
- Commuting ratio fixed to a 1:1 ratio.
- Double jobbing ratio from the Annual Population Survey (APS) – ratio of 0.953 used

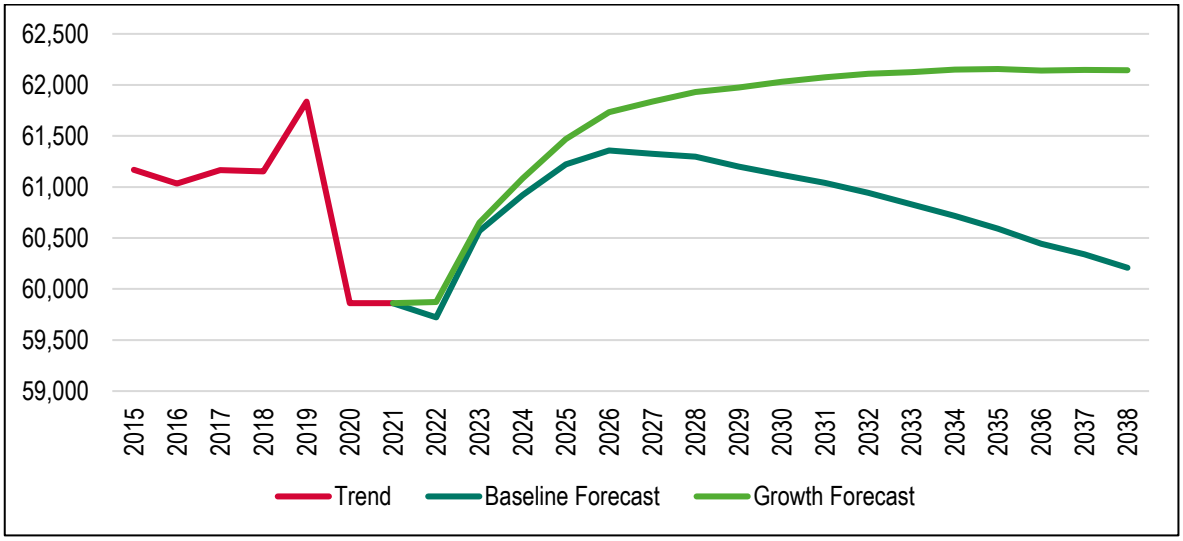
- Assume 2,120 people will return to the labour supply having lost employment through the Covid-19 pandemic

9.5 These assumptions have been applied to the baseline and growth forecasts to look at jobs supported. In both cases the analysis links to estimates of total jobs growth in the 2021-38 period. The jobs growth assumed is:

- Baseline – 348 additional jobs
- Growth – 2,282 additional jobs

9.6 The figure below shows the trajectory of the forecast and also past trends in the number of jobs back to 2015. One feature to note is the job trend shows a loss of around 2,000 jobs from 2019 to 2021, similar to the estimates of the change in unemployment from the claimant count data.

Figure 9.1 - Job growth forecasts and recent trends – Isle of Wight



Source: Oxford Economics

9.7 The table below shows the estimated change in the number of economically active workers for each of the scenarios. This takes account of commuting (where relevant), double jobbing, and an allowance to bring people back into work following the Covid-19 pandemic.

Table 9.1 Change in economically active population needed to meet job forecasts (2021-38)

	Total additional jobs	Allowance for double jobbing	Allowance for net commuting	Minus 2,120 returning to employment (=change in economically active)
Baseline	348	332	332	-1,788
Growth	2,282	2,174	2,174	54

Source: Derived from a range of sources as described

9.8 The following table takes the growth in economically active population and translates this into household growth and dwellings need. As shown in the table shows the baseline growth would require 408 dwellings per annum to support job growth, but these figures increase to 504 dwellings per annum when looking at the higher economic forecast.

Table 9.2 Projected housing need – range of job growth forecasts – Isle of Wight (2021-38)

	Households 2021	Households 2038	Change in households	Per annum	Dwellings (per annum)
Baseline	66,180	72,918	6,738	396	408
Growth	66,180	74,498	8,318	489	504

Source: Derived from a range of sources as described

9.9 At 504 dpa the economic led housing need for the growth scenario is slightly higher (18 dpa) than the Delivery Constrained figure within the IPS of 486 dpa. This would therefore necessitate the Council to consider increasing the overall housing requirement set out in the draft Island Plan.

9.10 That said this capacity figure is derived from the capacity of the construction industry to delivery greater numbers of homes rather than land capacity. As the draft Island Plan states “this is not a ‘target to aim for’ or a ceiling on development, rather the plan still allows for other sites to come forward providing they adhere to the policies and represent sustainable development. This also means that additional housing can come forward if mechanisms for increasing delivery are found over the Plan period, including significant public sector intervention.”

9.11 Therefore, while this flexibility remains in place there may be no need to increase the overall level of housing being planned for.

A1. SITE VISIT SUMMARIES

Kingston Marine Park	
Address	Saunders Way, East Cowes
Policy Reference	Draft Island Planning Strategy E1, EA4 – Allocated for Class E Offices, B2 and B8 uses. E5 - Maintaining employment sites with water access.
	
Gross Site Area (Ha)	6.2
Overview	Brownfield, largely undeveloped land. Primed for development including access road and flood defence.
Clustering (activity / Use Class)	N/A
Adjacencies / issues	Residential across road to east. Marina, storage and Industrial uses including electricity power -station to north and River Medina to west.
Accessibility	Good road access. Close to major employment site which has good HGV access. ~5 minute drive to ferry port. Just over 15 minutes' walk to nearest bus stop.
Circulation / parking	N/A

Age and quality of buildings	N/A
Vacancy Rate	No Vacancies
Developments / applications	A planning application has been approved for the development of a marine business park on the site. The site will comprise of up to 15,000 sqm of workshop space for boat building and will cover the whole site.
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Reasonable to Very Good – High quality residential but industrial adjacencies
Market Attractiveness (Low, Medium, High)	High for occupier requiring waterfront access. Medium/high for other occupiers. Some interest in occupying a portion of the site.
Development Opportunities	No further opportunities to the permitted development which cover the whole site.
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Retain Allocation**. This is the only allocation with marine access and should be encouraged for marine use particularly on the west of the site.

Somerton Farm	
Address	Newport Road, Cowes
Policy Reference	Draft Island Planning Strategy E1, EA3 – Allocated for Class E Offices, B2 and B8 uses. Development proposals at the site should be designed in conjunction with housing allocation HA022. It should also provide a mix of small to medium scale employment uses and complement existing employment uses to the north.
	
Gross Site Area (Ha)	2
Overview	Greenfield land
Clustering (activity / Use Class)	N/A
Adjacencies / issues	Cowes Industrial Estate adjacent to the north. Agricultural land to south and east. Cemetery and wooded area to east. The site to the south is allocated for housing
Accessibility	Adjacent to road network but direct access not in place. The existing network is suitable for HGVs. ~10 minute drive to ferry port via the

	floating bridge but ~20 minutes without floating bridge. ~5 minute walk to nearest bus stop.
Circulation / parking	N/A
Age and quality of buildings	N/A
Vacancy Rate	N/A
Developments / applications	None
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Reasonable – Largely industrial area
Market Attractiveness (Low, Medium, High)	High – Good location with high levels of occupation in a reasonable environment.
Development Opportunities	Whole site – Class E or B. However, the site is sloped which may constrain development opportunity/viability.
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Review Boundary –** To provide maximum flexibility the site should be merged the draft housing allocation HA022 and should become a mixed-use allocation. 14.5 ha mixed-use allocation with 25% allocated for employment use (Class E).

Pan Lane	
Address	Pan Lane, Newport
Policy Reference	Draft Island Planning Strategy E1, EA1 – Allocated for a mix of Class E Offices, B2 uses.
	
Gross Site Area (Ha)	2.8
Overview	Brownfield, largely undeveloped land. Small industrial area in north of site.
Clustering (activity / Use Class)	B Class - Garages
Adjacencies / issues	Residential to north and east. Country Park to south. Large supermarket to south-east. Football stadium (although this has permission for a retail park development) and open land to west.
Accessibility	No direct access on to site but is adjacent to the strategic road network including for HGVs). ~15 minute drive to ferry port. Bus stop adjacent to site (at the supermarket).

Circulation / parking	Pan Lane is one way, making moving from north to the south of the site impossible. Furthermore, it is a narrow road with overhanging trees which is not likely to be suitable for HGVs. Godric Road (west to east) is better although it is a largely residential street with no turning points
Age and quality of buildings	~1970-1989. Poor quality.
Vacancy Rate	Low
Developments / applications	None
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Reasonable for opportunity areas but poor for existing industrial site.
Market Attractiveness (Low, Medium, High)	Medium. However, the site has steep slopes and may be difficult/unviable to develop.
Development Opportunities	1 –Sloped brownfield land north of Godric Road. (1.2 ha – more suitable for Class E) 2 – Sloped brownfield land south of Godric Road (0.6 ha – more suitable for Class E)
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Retain Allocation –** Despite its difficulties it is the only allocation in Newport and may be required to serve the sub area

Nicholson Road	
Address	Nicholson Road, Ryde
Policy Reference	Draft Island Planning Strategy E1, EA2 – Allocated for Class E Offices, B2, B8 and community uses.
	
Gross Site Area (Ha)	14.7
Overview	Greenfield land
Clustering (activity / Use Class)	N/A
Adjacencies / issues	Residential to east. Country Park to south. Existing industrial estate to north. Agricultural land to west and east. The site is bounded by the Island line to the west.
Accessibility	The site is close to the strategic road network although direct access would need to be created (probably through the existing commercial uses to the north). Wider access is through a built-up residential area meaning increased HGV movements and general traffic may limit development potential. ~15 minute drive to ferry port. ~20 minutes to

	Ryde Hoverport/Pier by public transport. Bus stop adjacent to existing industrial site (5 minute walk from top of the site).
Circulation / parking	N/A
Age and quality of buildings	N/A
Vacancy Rate	N/A
Developments / applications	An outline application has been submitted for mixed use community hub and business park comprising retail (A1), restaurant/cafe (A3), dwellings (C3), GP surgery (D1), leisure (D2), business (B1 [Now E(g)]), general industrial (B2). The amount of E(g) and B Class space proposed is as follows; - Office (Class E(g)(i)) – 4,746 sqm - Research and development (Class E(g)(ii)) – 5,072 sqm - General industrial (B2) – 14,638 sqm The development would cover the whole site but would be phased – starting from the north and spreading to the south-west and then south-east of the site.
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Very Good
Market Attractiveness (Low, Medium, High)	Medium to High – Good quality environment and with moderate accessibility. Existing units have high occupancy level.
Development Opportunities	Whole site – but likely to be phased. (Class E or B)
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Retain Allocation.** Phased development is recommended as per the outline application submitted for the site.

Lowtherville	
Address	Lowtherville Road, Ventnor
Policy Reference	Draft Island Planning Strategy E1, EA5 – Allocated for Class E Offices and B8 uses.
	
Gross Site Area (Ha)	0.7
Overview	Developed, mostly used for open storage with some small industrial units
Clustering (activity / Use Class)	B Class – Garage, Roofing business, Boat building business
Adjacencies / issues	Residential to south and east. School to west. Agricultural land to north.
Accessibility	Poor road access – difficult to find and only accessible via a new housing estate. Road not appropriate for HGV access as narrow and residential. Not within close proximity to ferry port. ~5-minute walk to nearest bus stop.

Circulation / parking	Poor circulation – part of site not accessible from the rest of site, poor surfaces and difficulties turning a car. Informal parking only.
Age and quality of buildings	~1940-1969. Poor quality.
Vacancy Rate	No Vacancies (Based on conversation with business owner at site)
Developments / applications	None. The Council, along with Ventnor Town Council, have previously considered mixed use development at the site (which is council owned) but there was no appetite for this (likely to have been unviable).
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Very poor – Lack of infrastructure, informal and overgrown in areas. Known to have ground contamination issues because of previous military uses (based on conversation with business owner at site).
Market Attractiveness (Low, Medium, High)	Low – the few existing units are occupied but unlikely to appeal to new occupiers given poor quality and accessibility. Ground contamination and topography is likely to make new development unviable.
Development Opportunities	None
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Release Allocation** - The site does not provide a reliable source of additional employment land. Intensification of the site could be supported under policy E1 or left to the market.

Sandown Airport	
Address	Scotchells Brook Lane, Sandown
Policy Reference	Draft Island Planning Strategy E1, EA6 – Allocated for Class E Offices and B2 uses. B8 Storage and Distribution should be avoided due to access issues.
	
Gross Site Area (Ha)	3
Overview	Greenfield, agricultural land
Clustering (activity / Use Class)	N/A
Adjacencies / issues	Sandown Airport to the east. Two residences and camp site to south. Agricultural land to west and north (with a holiday park beyond that).
Accessibility	Good road access via A3056 (suitable for HGVs) but there are issues with congestion as the site is close to supermarkets and existing commercial uses. Scotchells Brook Lane is potholed and would require improvement if the site were to be developed. Not within close

	proximity to ferry port. Opposite airport, however, this is likely to be of limited operational use in terms of logistics. Bus stop adjacent.
Circulation / parking	N/A
Age and quality of buildings	N/A
Vacancy Rate	N/A
Developments / applications	An outline application by Island Airport LLP (who own the site) for a commercial and leisure park covering the whole site was rejected in 2018. This was due to highways issues, being detrimental to rural character and lack of demonstration that a preferable location could not accommodate the proposed development. A revised outline application was submitted in 2019 which is currently awaiting decision. This proposed 7,376 sqm of B1(c) light industrial [now Class E(g)(iii)] space and over 1,740 sqm of D1 non-residential institutions.
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Very Good – Rural area with high amenity value.
Market Attractiveness (Low, Medium, High)	Medium – Good quality environment and reasonable accessibility. Neighbouring commercial uses function well. However, many industrial/logistics occupiers may prefer space to the north of the island with better access to mainland.
Development Opportunities	Whole site – More suitable for Class B
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Retain Allocation** - The site is the most realistic source of additional employment land in a single location (i.e. not infill) within the Bay Area.

Land at Afton Road	
Address	Afton Road, Freshwater
Policy Reference	Draft Island Planning Strategy, E1 - The council will also support the principle of intensification and/or expansion of existing employment uses [in employment opportunity areas such as this], including improving the range and flexibility of commercial uses that may be located within them.
	
Gross Site Area (Ha)	1
Overview	Developed, mixed employment use.
Clustering (activity / Use Class)	B class – Former retail unit operating as a Textile Manufacturing and Warehouse facility and Garage. Other Employment Uses – Cafe and Garden Centre
Adjacencies / issues	Residential to north, west and south. Electricity sub-station and supermarket to the south.
Accessibility	Direct road access and close to SRN.. 5-10 minute drive to ferry port. Bus stops adjacent.

Circulation / parking	No internal roads. Adequate parking. Loading and unloading on roadside.
Age and quality of buildings	Mixed age between ~1940 and ~1999. Reasonable quality.
Vacancy Rate	No Vacancies
Developments / applications	An application for alterations and extensions to the existing unit (+875 sqm) at Rapanui/Teemills Clothing Warehouse has been permitted. –
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Very Good
Market Attractiveness (Low, Medium, High)	Medium – High quality environment but on a relatively remote part of the island which may not be suitable/attractive to many businesses.
Development Opportunities	None/Limited - Potential for expansion unlikely as surrounded by residential uses and Flood Zone 3 (High probability/Functional Floodplain) to the east of the site. May be potential for intensification through development of car park but this seems well used at present.
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Retain Support.**

Golden Hill Industrial Estate	
Address	Hill Lane, Norton Green, Freshwater
Policy Reference	Draft Island Planning Strategy, E1 - The council will also support the principle of intensification and/or expansion of existing employment uses [in employment opportunity areas such as this], including improving the range and flexibility of commercial uses that may be located within them.
	
Gross Site Area (Ha)	4.3
Overview	Developed industrial estate.
Clustering (activity / Use Class)	B class – Building supplies business, garages and repair shop
Adjacencies / issues	Residential to west and north-west. Wooded area to south and east. Agricultural land to north-east. Golden Hill Fort which is a Grade 1 Listed Building is located to the South East of the site.
Accessibility	Good road access. However, the junction between the site and is on a corner and could be improved. 5-10 minute drive to ferry port. Bus stops adjacent.

Circulation / parking	Poor circulation which may not be adequate for existing users and particularly HGVs, especially to the east of the site. Some formal parking but mainly informal parking which may not be adequate.
Age and quality of buildings	Mostly ~1970-1989, some ~1990-1999. Mostly reasonable quality, some poor quality.
Vacancy Rate	No Vacancies
Developments / applications	None
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Reasonable
Market Attractiveness (Low, Medium, High)	Low – Site with poor circulation and parking infrastructure in a relatively inaccessible part of the Island. However, the existing units are fully occupied. The site may suit some local businesses serving the west of the Island.
Development Opportunities	Three opportunities for intensification of the site (none of which are likely to be suitable for B8 uses); 1 – Brownfield site. (0.2 ha – More suitable for Class E(g)(iii) and B2 uses) 2 – Brownfield site. Some works underway. May be groundwater issues. (0.4 ha – More suitable for Class E(g)(iii) and B2 uses) 3 – Flat greenfield land. Shape may not be practical for development. (0.2 ha – Class E or B2)
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Retain Support**

Cowes Industrial Estate	
Address	Three Gates Road, Cowes
Policy Reference	Draft Island Planning Strategy, E1 - The council will also support the principle of intensification and/or expansion of existing employment uses [in employment opportunity areas such as this], including improving the range and flexibility of commercial uses that may be located within them.
	
Gross Site Area (Ha)	43
Overview	This area is a cluster of developed industrial estate/mixed employment site with a large specific occupier (BAE Systems) which covers much of the site.
Clustering (activity / Use Class)	B class – Manufacturing, Logistics, Defence Infrastructure, Garages and Workshops. Class E – One small Office. Other employment uses – Retail, Community and Leisure
Adjacencies / issues	Residential to north and west. Primary School to north. Agricultural land to west, south and east.
Accessibility	Good road access. Limited HGV access in some parts of site, particularly the north-west corner (although this part of the site

	does possess a logistics company). ~10 minute drive to ferry port via the floating bridge but ~20 minutes without floating bridge. A number of bus stops within and adjacent to site.
Circulation / parking	On-street parking limits circulation. Formal parking lacking (although there is a Park and Ride).
Age and quality of buildings	Mixed age between 1940 and 1989. Lots of older stock in the north-west corner of the site (Between the Liz Earle building, Place Road and Highfield Road). Some older stock in the north-east corner of the site, north of Mariners Way. Some reasonable quality, some poor quality.
Vacancy Rate	Low – Office units were available.
Developments / applications	A – Permission granted for 1,720 sqm of B8 Storage or distribution space with 86.2 sqm of B1(a-c) [now Class E(g)] Office space. B – Permission granted for 91 sqm of B1(c) [now Class E(g)(iii)] Light Industrial space. C – Permission granted for 20 self-storage (B8) shipping containers to be located on the site. The Former Newton Reservoir (in the north-east of the site) is subject to an application for residential development (146 units including 44 assisted living units) and hence has not been identified as an intensification area.
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Poor-Reasonable
Market Attractiveness (Low, Medium, High)	Medium to High – Good location with evidence of market demand but some areas of poor-quality stock and environment. Some HGV accessibility issues in places.
Development Opportunities[22]	Three opportunities for intensification of the site; 1 – Greenfield site. Not under lease by BAE systems but owned by the same freeholder. (2.2 ha – Class E or B)

22 Opportunities on BAE leased land have not been included. It is assumed that the space requirements from any jobs growth that may come from BAE operations is covered by unimplemented permissions or would have to be accommodated outside of the land they currently lease.

	2 – Greenfield site (0.9 ha – More suitable for Class E given the presence of the adjacent primary school i.e. not likely to be suitable for B Class uses) 3 – Greenfield site (0.2 ha – Class E or B)
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Retain Support and Protect Existing Employment** – This is a key employment site and should be protected from conversion to residential (and other uses).

College Close Industrial Estate	
Address	College Close, Sandown
Policy Reference	Draft Island Planning Strategy, E1 - The council will also support the principle of intensification and/or expansion of existing employment uses [in employment opportunity areas such as this], including improving the range and flexibility of commercial uses that may be located within them.
	
Gross Site Area (Ha)	8.7
Overview	Developed industrial estate/mixed employment site
Clustering (activity / Use Class)	B class – Garages, workshops and some manufacturing. Class E – Some Offices. Other employment uses – Retail, Community, Leisure, Car Showroom and Fire Station
Adjacencies / issues	Residential to north, west and south. Agricultural land to east. Water treatment works to east (however, planning permission has been granted for a Fire Training centre on this site).
Accessibility	Good road access. HGV access reasonable but through residential area may be difficult to access some areas. ~20 minute drive to ferry port. Bus stop adjacent to west of site.

Circulation / parking	No internal access between north and south of the site requires exiting and re-entering the site via a residential street. On-street parking limits circulation. Formal parking lacking. Poor circulation for larger HGVs likely
Age and quality of buildings	Mostly 1970-1989 but some slightly newer stock. Most stock is of a reasonable quality, but there is some poor stock in the north of the site.
Vacancy Rate	Low
Developments / applications	A – Permission granted for 27 self-storage containers (B8) in existing storage yard. B – Permission granted for six small units (290 sqm – B8 Storage and Distribution)
Quality of Environment (Very Poor, Poor, Reasonable, Very Good)	Reasonable
Market Attractiveness (Low, Medium, High)	Medium to High – Good location with evidence of market demand and a reasonable quality environment.
Development Opportunities	Brownfield/Previously Developed Land (2.3 ha - Class E or B). This is a former water treatment site which may constrain development. However, there is no evidence of this at present.
Overall Recommendation	
Recommendation (Retain, Protect, Release, Review Boundary)	**Retain Support and Protect Existing Employment** – This is a key employment site and should be protected from conversion to residential (and other uses).