

Appendix A: Employment Land Review (ELR) Update 2012 – Initial Findings

Projected Demand for Employment Space and Employment Land

The ELR 2012 has taken the Cambridge Econometrics (CE) baseline and policy-led forecasts of job growth in Cambridge and South Cambridgeshire and translated them into land requirements. Of note is that both jobs forecasts for Cambridge are significantly higher than jobs growth in the City over the last 10 years. Much of the forecast job growth in the two districts is in professional services (including R&D), computing services, health and social work and “other” business services.

	Cambridge baseline forecast	Cambridge policy-led forecast	South Cambridgeshire baseline forecast	South Cambridgeshire policy-led forecast
Jobs growth 2011-31	14,740	19,600	22,350	23,110
Of which in B use classes	5,700 (39%)	7,000 (36%)	11,800 (53%)	12,000 (52%)
Of which in B1a offices	3,800	5,000	8,100	8,200
Of which in B1b R&D	1,600	1,600	4,100	4,100
Of which in B1c/B2 industrial	0	0	-700	-700
Of which in B8 warehouses	300	400	300	300

The direction of travel in the guidance used to get to land requirements is towards higher densities, with less space provided for each worker. This is due to increased homeworking.

	Cambridge baseline forecast	Cambridge policy-led forecast	South Cambridgeshire baseline forecast	South Cambridgeshire policy-led forecast
Office floorspace demand	45,000m ²	59,000m ²	98,000m ²	100,000m ²
R&D floorspace demand	19,000m ²	20,000m ²	50,000m ²	50,000m ²
Industrial floorspace demand	700m ²	1,500m ²	-27,000m ²	-27,000m ²

Warehouse floorspace demand	18,000m ²	21,000m ²	18,000m ²	19,000m ²
Total floorspace demand	83,000m ²	101,000m ²	139,000m ²	143,000m ²
Office and R&D “city” land demand	9.4 ha	11.5 ha	-	-
Office and R&D “out of city” land demand	-	-	45.2 ha	45.9 ha
Industrial land demand	0.2 ha	0.4 ha	-6.4 ha	-6.4 ha
Warehouse land demand	3.6 ha	4.3 ha	3.6 ha	3.8 ha
Total Land demand	13.1 ha	16.2 ha	42.4 ha	43.3 ha

The ELR equates projected growth in Cambridge with “city” offices / R&D, and that in South Cambridgeshire with “out of centre” (see rows 6 & 7 of the above table). These have differing land requirements, with “city” being built at a higher density. In practice, some of the demand within Cambridge will relate to “out of centre” provision and hence the employment land requirements will be somewhat higher than shown in the table.

The demand for employment land in the ELR update 2012 is roughly half that identified in the ELR 2008. This is largely due to changes in the density assumptions.

Changes with regard to the supply of employment land and premises

The ELR identifies that at the present time, development, investment and occupier interest has contracted into the most popular locations: Central Cambridge (particularly the Hills Road / Station Road area, including CB1) and the northern fringe (around Cambridge Science Park, Cambridge Business Park and St John’s Innovation Centre).

Currently, the rest of the northern and western fringe of Cambridge is less popular (e.g. Vision Park, Histon). West Cambridge was not sufficiently attractive to retain Microsoft, and the whole of the West and North West Cambridge sites will develop according to the University’s timescale. Elsewhere, there is almost no land or premises availability on the eastern or southern fringes except on the Cambridge Biomedical Campus (which is highly specialised and restricted).

Outside Cambridge, viability issues are constraining new development.

Over the past two decades, office and R&D completions have totalled in excess of 368,000m², or an average of 18,400m² per annum. In the early 2000s completions averaged 31,740m² per annum, after 2007 they only averaged 9,200m² per annum.

Due to ongoing economic concerns, it is difficult to see take up over the coming period to quickly return to the rates achieved in the early 2000s.

On the face of it there is currently a good development pipeline, see table below showing projects under construction or with planning permission and it is envisioned that development will occur in the short term.

Location	Grade A offices	R&D space	Total
Prime city centre	19,206m ²	-	19,206m ²
Northern Fringe	-	19,228m ²	19,228m ²
Wider area – business parks	66,460m ²	60,352m ²	126,812m ²
Wider area – other	3,825m ²	844m ²	4,670m ²
Addenbrooke's	-	147,200m ²	147,200m ²
Total	89,493m ²	227,624m ²	317,117m ²

Based on the long term (20 year) average take-up rate, there is in total enough office and R&D space in the pipeline to last 17 years, however there are some nuances to be explored:

- 72% of the pipeline comprises R&D space; and the Biomedical campus accounts for two thirds of the R&D pipeline and 46% of the total office and R&D pipeline in the area. This is highly constrained in terms of acceptable uses, and there is no speculative development.
- The city centre and northern fringe, the two most popular areas with firms, each account for 6% of the total pipeline.
- Most of the office space in the pipeline is located in Cambourne, and most of the R&D space (excluding the Biomedical Campus, is at Cambridge Research Park and Granta Park. Take-up at both Cambourne and Cambridge Research Park have been slow.

The information based on locational preferences and the viability of development in different locations suggests that at least for the next ten years, issues concerning the quality and choice of sites and premises are likely to be more important to firms than the overall quantity of space. End user demand is narrowly focussed on the city centre and core northern fringe and relatively weak elsewhere.

Within the centre of Cambridge, particularly within walking distance of the station and the Guided Busway, occupiers are becoming more accepting limited parking provision. This will give confidence to developers looking to redevelop central sites and intensify the density of development. Outside the central areas, parking remains an issue.

The bicycle culture often results in firms refusing to move outside the city boundary for fear of losing staff.

There is very little availability of office space in the prime city centre location of Hills Road / Station road. In the wider area (e.g. Castle Hill, Westbrook Centre, Clifton Road etc), three-quarters of the vacant space is in secondary offices. In total the central area accounts for less than a quarter of the total vacant office and R&D space in the area.

The northern fringe accounts for just over a quarter of total vacancies, half of which is R&D space on Cambridge Science Park and St John's innovation Park.

Nearly half the grade A office space in the Cambridge area is located on business parks in South Cambridgeshire, mainly at Cambourne. Similarly, nearly 40% of the vacant R&D space is on science parks in South Cambridgeshire.

The loss of potential new employment land on Cambridge Airport may not be detrimental to the supply of new employment land in the area due to the lower rates of commercial activity. However in the longer term there may be significant implications of the loss of this quality of land on the edge of Cambridge.

Re-enforcing the safeguarding policy for employment land will not necessarily better protect employment land. Many city employment sites are either in fragmented ownership or housing older buildings which are unviable for redevelopment with a comparable (albeit new) product. In many cases the costs of clearance, remediation and improved infrastructure, has made it impossible to fund redevelopment unless it is for a higher value activity.

A key issue appears to be the quality and location of existing provision rather than the overall quantity of available land.

Planning employment provision for the economy of the Cambridge area, 2011-31

The above findings observed ample supply of employment land across Cambridge and South Cambridgeshire across most use classes, *other than* with regard to the provision of office space in prime, city-centre, locations. However it also noted that the redevelopment of employment sites for employment uses often appears to be unviable and that as a result, a good number of sites are being lost, principally to housing.

The below table, comparing demand with supply, confirms the findings linked to possible under-provision in relation to offices but reasonable provision overall. However it provides no real evidence in relation to the future supply of industrial and warehouse uses.

	B1a	B1b	B1c/B2	B8	Total
Demand: CE baseline	144,000m ²	69,000m ²	-26,000m ²	36,000m ²	222,000m ²
Demand: CE policy-led	160,000m ²	170,000m ²	-25,000m ²	41,000m ²	244,000m ²
Supply – currently available	45,200m ²	26,200m ²	N/a	N/a	71,400m ²
Supply – pipeline	89,500m ²	227,600m ²	N/a	N/a	317,100m ²

The ELR derived four long term imperatives in relation to the dynamism of the Cambridge area's spatial economy:

- *Recognise the importance – but also the challenges – of manufacturing provision:* Manufacturing's importance to the long term vibrancy of the Cambridge economy is growing. Rising shipping costs, reliability of supply and increased bespoke manufacturing are clear signs of increased demand for more manufacturing in the UK. Yet manufacturing sites are being increasingly lost to housing, due to expensive redevelopment costs and low land values associated with manufacturing. This is a clear market failure and policy should respond. The increased incidence of hybrid (multi-purpose) buildings is important: potentially, this could provide the basis for an evolving approach to 21st century provision.
- *Recognise the far higher incidence of home working:* The number of homeworkers has increased significantly over recent years, particularly among professionals. Working from home is much easier, more accepted and increasingly necessary (as offices have less floorspace per worker). For standard offices, average employment densities appear to have increased by 50% in six years, and this trend seems set to continue. This has implications for the supply of land required to meet demand.
- *Acknowledge the increasingly social character of work and the crucial importance of access to London, and the significance of both vis-à-vis the city centre:* The premium attached to a city centre location is growing, partly to facilitate social interaction and partly because of the need for good access to London. The London economy has been buoyant throughout the recent recession; many firms in Cambridge crave good London connectivity and are willing to pay a premium for it. Occupiers near the station are increasingly accepting of the need for intensification and associated loss of parking, the acceptability of intensification is crucial to enable more of the demand for central office space to be met. Intensification of the popular northern fringe area, especially once Chesterton Station is complete, should also be possible.
- *Acknowledge that the University of Cambridge will continue to shape the Cambridge economy profoundly, through long term investment:* The University will have a major influence on the spatial economy, directly and indirectly, over the period 2011-31. West Cambridge will develop and emerge as a real hub in its own right for a global University whose

economic reach is growing. It will be important that other employment provision and infrastructure is planned with the timescales of the university in view.

The ELR makes a number of high level conclusions and recommendations:

- There will be considerable pressure for B1a space in the city, and particularly in the city centre, where there is no more land. The only way around this is to intensify existing uses; allocating more land in peripheral locations will not help core dynamic growth for the high tech cluster. There is, therefore, a need to look systematically at the potential for intensification of use in the city centre in order to create, over time, more office space.
- There is also a need to focus on bringing forward the land that is allocated (e.g. Northstowe), which is probably sufficient for the foreseeable future. The higher employment densities and lower jobs growth projections mean that there is no immediate imperative to compensate for the loss of new employment land at Cambridge East.
- It will be important to ensure that there is sufficient land for manufacturing in the area. Where possible, existing manufacturing sites within and close to Cambridge should be protected from loss to housing or retail, but equally it is important to recognise that market factors dictate that this will not be possible in all cases. Therefore alternative provision is necessary, including at Northstowe and other places not previously considered, e.g. Cambridge Research Park. The increasing importance of hybrid buildings which enable flexibility of use needs to be recognised in the way in which sites are designated for different uses.
- Regarding Alconbury's designation as an Enterprise Zone (EZ), the market view currently is that (i) the EZ designation is not a particularly important incentive to firms, and (ii) initially, at least, firms will be reluctant to go there because it is isolated. This view may change over time, but even in the longer term it is likely to become attractive only relative to the periphery of South Cambridgeshire, not the area close to the city.
- It will be important to reappraise the role and potential of sites on the edge of Cambridge. As it stands, Cambridge East is ruled out while West Cambridge is under the university's control and will be developed, but gradually. To the north there is scope for intensification on Cambridge Science Park and / or finding a way to use Chesterton Sidings and / or the sewage works for high density employment uses.

Review of Selective Management of Employment Policies

The ELR is also looking at the policy of selective management of the economy to see how this is working and if it should be reviewed. Currently the policy reserves employment for those firms that support the high tech Cambridge economy or provide a local service. This is to ensure that Cambridge's restricted land supply is reserved for those firms that best support the Cambridge high tech cluster. These firms, if they did not locate here would be likely to go overseas.

Initial thoughts within the ELR are:

- National policy is more supportive of manufacturing now. It is particularly desirable to support the local development of high value manufacturing related to R&D activities.
- The maximum of 1,850m² for new industrial units is arbitrary and too low; it prevents new manufacturing related to the high tech sector locating to the area.
- Demand for office space in the central area is very different from demand for offices outside the centre of Cambridge.
- Local user restrictions on offices over 300m² should only apply to the area within the inner boundary of the Cambridge Green Belt, and they should exclude the national and international headquarters of high technology firms.
- More permissions should be granted for B1a space and higher plot ratios should be allowed in the central area (except the most environmentally sensitive areas) and northern fringe – which are accessible by public transport.