Greater Exeter Economic Development Needs Assessment

Final Report

Prepared for Greater Exeter Strategic Plan authorities

Devon County Council
East Devon District Council
Exeter City Council
Mid Devon District Council
Teignbridge District Council

and for
Dartmoor National Park Authority

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Contents

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HJA

Executive Summary

0.1 Background

0.1.1   This document sets out an Economic Development Needs Assessment (EDNA) for Greater Exeter and Dartmoor National Park. Greater Exeter comprises East Devon District Council, Exeter City Council, Mid Devon District Council and Teignbridge District Council. Devon County Council and Dartmoor National Park Authority are also partners in commissioning this work. The EDNA will be used to inform the Greater Exeter Strategic Plan (GESP), the City Council and Districts' subsequent Local Plans and the Local Plan for Dartmoor National Park. The work will also provide an evidence base that may inform wider Council and partner body work.

0.2 Functional Economic Market Area

0.2.1   The first task in developing this document has been to establish the Functional Economic Market Area (FEMA) for Greater Exeter. The Housing Market Area (HMA) for Greater Exeter has historically been defined as the four districts described above, including that part of Dartmoor National Park that falls in these districts[1]. A broad range of additional data has been considered to test whether the FEMA is geographically consistent with the HMA, including: local Travel to Work Areas; additional commuting data; property market assessments; qualitative and quantitative data on retail; local administrative boundaries; catchment areas for local media; and transport networks.

0.2.2   The analysis concludes that the four local districts that comprise the HMA are a Functional Economic Market Area. This includes the part of Dartmoor National Park that is contained within Teignbridge and Mid Devon.

0.3 Socio-economic baseline

0.3.1   A wide range of socio-economic data has been reviewed to develop a picture of the Greater Exeter economy.

0.3.2   The City of Exeter is the greatest contributor to the economy of the Greater Exeter area in terms of GVA and jobs. It has seen a significant growth in working age population since 2010, which is not seen elsewhere in the sub-region. Exeter has a high density of jobs, which is not seen outside the city. The city is the heart of the Greater Exeter economy. The distribution of businesses, rather than jobs, is more evenly spread across the Greater Exeter area. Exeter has the lowest number of micro businesses, but the highest number of large businesses of the four districts. In sector composition, Exeter shows many hallmarks of a typical UK city. Exeter has a concentration of employment in Public Administration, Real Estate, Education, and Health & Social Work. Manufacturing and Construction are less

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[1] Exeter Housing Market Area, Strategic Housing Market Assessment: Final Report 14/15, DCA

concentrated in Exeter, and Financial & Insurance employment is also lower than the national average (LQ = 0.79)[2].

0.3.3   Mid Devon is a mainly rural district with a number of market towns. Tiverton, Cullompton and Crediton are the largest towns. Mid Devon includes a very small section of the Dartmoor National Park. Manufacturing and Wholesale & Retail are strong in Mid Devon, and Construction is also an important sector. The district has lesser employment concentrations in Information & Communications, and Finance & Insurance.

0.3.4   East Devon is characterised by a number of market towns, a large rural area, and large coastal areas. The District has seen strategic investment and growth in housing and employment on its western edges close the City of Exeter. The largest towns in East Devon are Honiton, Axminster, Sidmouth, and Exmouth. Wholesale & Retail, Transport & Storage, and Accommodation & Food Services show high employment concentrations. Construction is also an important sector in East Devon. The district has less employment concentrations in Manufacturing, Information & Communications, and Finance & Insurance.

0.3.5   Teignbridge includes part of the south west edge of Exeter, and is characterised by rural market towns and coastal areas. Newton Abbott is the biggest town in Teignbridge, with Kingsteignton and Teignmouth being the other main settlements. Teignbridge includes a large section of the Dartmoor National Park. Manufacturing, Wholesale & Retail Trade, Accommodation & Food Services, and Real Estate all display high employment concentrations. Construction is also an important sector in Teignbridge. The district has lower employment concentrations in Information & Communications and Finance & Insurance.

0.3.6   Dartmoor National Park covers parts of Mid Devon, South Hams, Teignbridge, and West Devon District Councils. It is a semi-natural upland area, characterised by small, dispersed settlements. Ashburton and Buckfastleigh are the largest of these settlements, with populations of around 3,500. Dartmoor has a high concentration of employment in Mining & Quarrying, Construction, Accommodation & Food, and Real Estate. Manufacturing, Wholesale & Retail, and Finance & Insurance are less concentrated in Dartmoor.

0.4   Economic growth plans and aspirations

0.4.1   There is already an established area-wide approach to developing a new economic strategy for Greater Exeter, through the partnership for Exeter and the Heart of Devon. The Economic Development Strategy for this area seeks to deliver growth in the economy through both productivity growth and growth in the size of the business base and employment. Productivity growth may drive the need for new, modern premises that are fit-for-purpose for high value, high productivity activities, and growth in the business base and employment is likely to generate demand for new employment land and premises.

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[2] See Section 3.11 for more information on sector concentrations.

0.4.2 Historically Exeter has been the driver of economic growth in the Greater Exeter area. This is the main office location in Greater Exeter, and has many higher value employers including those associated with the Met Office and University. Whilst the regeneration of brownfield sites and conversion of buildings will continue to deliver economic growth, the city has a limited supply of employment land for future development, and recent and future growth is taking place to the east of the city, close to Junction 29 of the M5. Establishment of an Enterprise Zone in East Devon is intended to increase economic growth in this area. Much of Greater Exeter's planned future growth in high-value research, innovation and office-based employment will take place to the east of the city, along with manufacturing and distribution that is attracted by the accessibility of the location. There will be additional development of sites for manufacturing and distribution, which are likely to be in close proximity to Exeter and the M5/A38/A380 corridor where market demand is greatest, but not exclusively.

0.4.3 The four Districts together create a diverse and resilient economy, forming a collaborative environment that supports investment. Each District has their own economic growth aspirations which look to contribute to the economic growth of the whole area:

- **East Devon**: the western part of East Devon will be a focal point for development, which will accommodate wider growth aspirations including employment growth attracted by and associated with the success and role of Exeter, including a new Exeter Science Park associated with the University of Exeter.
- **Exeter**: the Innovation Exeter Programme is setting a long term framework for the future growth of Exeter's economy in terms of transformational changes towards a knowledge economy, based around its strengths as recognised by the Government's Science and Innovation Audit (namely: applied environmental science, digital innovation, data analytics, and high performance computing). Exeter City Futures is also part of this overarching framework.
- **Mid Devon**: the economic focus is on attracting higher skilled employment, and this will be achieved by up-skilling the workforce. In particular the Council wants to support and encourage technical and scientific businesses.
- **Teignbridge**: economic growth aspirations focus on successful, growing local businesses providing a good range of jobs. The Council is particularly keen to encourage growth in smaller businesses because of the greater resilience that a diverse business base has in any future economic downturn. There is also a focus on providing viable and attractive town centres, as well as delivering sustainable transport.
- **Dartmoor National Park**: economic aspirations are centred on supporting appropriate economic growth rooted in the quality of landscape and place, increasing productivity through the development of the National Park productivity network and rural enterprise zone, increasing international tourism, and further developing a strong food and drink offer.

0.4.4 There are aspirations to invest in the market towns that surround Exeter. Much of this investment will facilitate leisure, residential and some employment development. The surrounding town centres are unlikely to grow into more significant employment locations.

0.4.5 The existing local plans for each of the Greater Exeter districts identify a significant amount of land to accommodate future economic growth. These include:

- Over 90 ha of allocations in the west of East Devon (i.e. the Growth Point area), plus 1 ha of employment land for every 250 new homes built, which could amount to an additional 70 ha in East Devon over the plan period
- 40 ha of employment land in Exeter, plus 20 ha that has already been completed during its Local Plan period
- Land to accommodate over 150,000 sq m of commercial development in Mid Devon over its plan period
- 3 ha per year over a 20 year plan period in Teignbridge, which could amount to 60 ha of employment land

0.5 Employment land supply

0.5.1 Each of the four local authorities and the Dartmoor National Park Authority has provided data on the current stock of employment land in their area and any future allocations. Data on current stocks is not consistently available across the districts. Current allocations of further development land include more than 300 ha. However, delivering this land is not necessarily straightforward and not every site is commercially viable.

0.5.2 Where possible, data has been gathered on the completion of employment developments in each of the Districts in previous years. In total, local data for the four districts are showing completions of approximately 30,700 sq m of B Use Class employment floorspace per year in between 2006-16.

0.6 Future employment growth scenarios

HMA

0.6.1 There are currently 210,500 jobs in the Greater Exeter area. Economic forecasts have been sourced from two leading forecasters, Experian and Cambridge Econometrics.   In consultation with the Greater Exeter local authorities, a hybrid[3] of these two forecasts has been developed, and three further alternative scenarios have been developed in addition:

- The first alternative scenario takes account of more robust employment in Manufacturing, particularly in Mid Devon; a more optimistic view of Construction than the hybrid scenario; a more optimistic view of employment in Transport & Storage; and takes the higher baseline assessment of employment in the tourism sector
- The second alternative scenario makes uplifts linked to the potential impacts of the Innovation Exeter programme, a new Exeter Science Park and Enterprise Zone. This includes specific uplifts to the Business Services sector (including R&D and Professional Services sectors) and Information & Communications sector.
- A third alternative scenario, which combines the adjustments from the first and second alternatives.

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[3] OBR predicts growth of 3.2% between 2015-21. The hybrid scenario developed for this study is very much in line with this.

0.6.2   The two forecasters' baseline assessments are for employment growth of between 1,400 and 1,700 new jobs per year over the period from 2015 to 2040. The hybrid and alternative scenarios push this rate up to between 1,600 and 2,000 new jobs per year. The main sectors experiencing the highest levels of absolute growth under the baselines and alternative scenarios are:

- Construction
- Accommodation & Food Services
- Business Services
- Health

0.6.3   Manufacturing and Public Administration in particular are expected to see a decline in employment over the period to 2040.

0.6.4   When these sectors are allocated to Planning Use Classes[4], the largest growth in employment is seen in jobs which do not require any employment property provision (i.e. those people that work from home, are peripatetic, or who work in service roles in others' premises). Use Classes A and C are next largest, closely followed by Use Class D. Jobs in Use Class B only account for between 4% and 12% of total employment growth (based on the hybrid and three alternative scenarios), although this is heavily influenced by the decline in employment in Manufacturing.

Greater Exeter Strategic Plan (GESP) area

0.6.5   The two forecasters' baseline assessments are for employment growth of between around 1,400 and 1,600 new jobs per year over the period from 2015 to 2040. The hybrid and alternative scenarios push this rate up to between 1,500 and 1,900 new jobs per year. The main sectors experiencing the highest levels of absolute growth under the baselines and alternative scenarios are the same as the wider HMA.

0.6.6   When these sectors are allocated to Planning Use Classes, the profile is very similar to the wider HMA.

Dartmoor National Park

0.6.7   In Dartmoor, the hybrid scenario forecasts growth of 1,710 net additional jobs over the 25-year period. This equates to approximately 70 jobs per annum. This equates to around 17% growth over the entire period.

0.7   Labour market dynamics

0.7.1   Economic activity rates across East Devon, Mid Devon and Teignbridge are forecast to rise. In Exeter overall economic activity rates are forecast to decline.   The rising student population which is forecast appears to be the primary driver of these falling rates.

0.7.2   Occupational and skills data shows a move towards a higher skilled workforce.

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[4] A useful guide to Use Classes can be found here: http://nlpplanning.com/uploads/ffiles/2015/08/776168.pdf

0.7.3   The Experian model shows a rising trend towards commuting into Exeter and out from the other three districts. However, in reality this will be influenced by the location of new employment accommodation.

0.8   Forecast employment land requirement

HMA

0.8.1   Focusing on future employment land requirements in Use Class B, it is important to note that future requirements are driven by more factors than just future employment growth. These are:

- Replacement of employment space as it becomes outdated and no longer fit-for-purpose. This is an important factor in the Manufacturing sector, where employment is declining, but there is still a healthy demand for new workspace
- Some replacement of employment developments will take place on existing sites which are re-used, but other development will need to take place on new employment sites
- An allowance for choice and flexibility must be made, ensuring that businesses have a choice of possible properties to meet their needs, and that there is sufficient flexibility in the employment property stock to allow businesses to upgrade or downgrade their requirement dependent on their particular circumstances

0.8.2   The main employment space requirements in the B Use Classes over the period 2040 are:

- Between 190,000 sq m and 220,000 sq m of gross additional office space depending on which scenario is considered
- Between 465,000 sq m and 540,000 sq m of industrial space (covering both manufacturing and distribution), depending on which scenario is considered

0.8.3   When allowances for delivery on allocated sites, flexibility and choice are included, the B Use Class requirements become:

- Between 165,000 sq m and 190,000 sq m of offices – equivalent to 6,700 sq m to 7,600 sq m per year
- Between 410,000 sq m and 475,000 sq m of industrial – equivalent to 16,500 sq m to 19,000 sq m per year

0.8.4   In terms of sites, this means:

- Between 19 ha and 27ha for offices over the period to 2040 – depending on the scenario considered and the density at which the offices are developed (i.e. in-town or out-of-town). This equates to between 0.8 ha and 1.1 ha per year across the HMA
- Between 103 ha and 119 ha for industrial over the period to 2040 – depending on which scenario is considered. This equates to between 4.1 ha and 4.7 ha per year across the HMA

0.8.5   It appears that there is a significant amount of allocated land in the current Local Plans for the Greater Exeter districts. However, East Devon District Council officers have raised questions about the deliverability of some of this land, due both to site-specific barriers and constraints, and also the difficulty of delivering viable development. Delivering employment

land has proved to be challenging in all locations, including central Exeter. This is driven by competing alternative land use values and market failure, as well as difficulties in delivering utility connections and opening-up costs. This suggests a potential role for public sector involvement in site enabling and pump priming, as well as an approach that encourages mixed-use development where employment land can be cross-subsidised by residential development. Whilst this issue needs to be considered on a site-by-site basis, it is imperative that any site allocations in future local plans give strong consideration to the likely deliverability of those sites. Allocating undeliverable sites will constrain future economic growth.

Greater Exeter Strategic Plan (GESP) area

0.8.6   Identical analysis has been completed for the GESP area, and the results are very similar to that for the HMA. There are marginally lower totals in the GESP area, reflecting the small proportion of economic activity which lies outside the GESP area, within the Dartmoor National Park. Under the highest scenario a requirement for up to 6 hectares of B Use Class land per annum is identified – around 1 ha of office development and just under 5 ha of industrial development.

Dartmoor

0.8.7   Forecast growth in Dartmoor National Park will require between 4 ha and 5 ha of new employment land in total over the period to 2040.

0.9   High level property market trends

0.9.1   In the office market there is a trend of reducing average space per employee, but offices remain important for interactions, networking and collaboration. The service sector is strong in the UK, so there remains a robust demand for offices. This is exacerbated by the growth in knowledge-based businesses, which are a future focus for Greater Exeter.

0.9.2   In the industrial and manufacturing sector there is a trend towards smaller but more flexible units to allow businesses to accommodate technological changes.

0.9.3   In distribution and logistics there is an increasing move towards online retailing. This has led to an increasing demand for large distribution centres, but also smaller units to service local markets.

0.9.4   In research and development, activities are increasingly clustering together and creating 'spin in' business activity, with further development likely to occur in the shape of science and technology parks.

0.10 Location of future development

0.10.1   Exeter is a very strong office location. Market sentiment is towards sites in the city centre and close to the motorway junctions, in particular sites close to key transport networks. Office-based, R&D, industrial and distribution businesses are all interested in being located in this area. This fits well with the Growth Point status and Enterprise Zone status which are helping to progress and deliver sites here. Market signals suggest that industrial and, to a slightly lesser extent, distribution businesses are also interested in sites close to motorway junctions within Greater Exeter.

0.10.2   Viability is strongest and therefore deliverability of employment sites is easiest close to Exeter and sites with strong transport links. It is more difficult further away from here. Delivery models such as public intervention or mixed-use with residential should be considered for harder to deliver sites.

0.10.3   Sustainable access to new employment developments needs to be given significant consideration in the process of allocating any further employment sites, and in broader economic development strategy.

1 Introduction

1.1 Background

1.1.1 The Local Authorities in the Greater Exeter area are starting work on aligned planning policy and development strategy. As part of this there are moves towards preparing a joint Strategic Plan for the area. The Joint Strategic Plan will cover:

- East Devon
- Exeter
- Mid Devon
- Teignbridge

1.1.2 The parts of Teignbridge and Mid Devon that fall inside the Dartmoor National Park boundary are not included in the Joint Strategic Plan area.

1.1.3 Dartmoor National Park is preparing its own Local Plan, and analysis from this EDNA report will be used to inform that plan. Therefore analysis for the whole of DNP is included in this report.

1.1.4 Devon County Council is also a partner in this joint planning work. Dartmoor National Park Authority likewise has a number of interests, both as an adjoining planning authority, and as an authority within the Exeter Housing Market Area.

1.1.5 In this context these partners have commissioned an Economic Development Needs Assessment (EDNA) for the Exeter Housing Market Area (HMA) and Dartmoor National Park including areas of West Devon and South Hams, which looks ahead to 2040. This will provide a key piece of evidence for informing the future development and direction of the joint Greater Exeter Strategic Plan and the Dartmoor Local Plan, and will provide the economic element of a Housing and Economic Development Needs Assessment as referred to in National Planning Practice Guidance.

1.1.6 The Exeter HMA is defined by the Strategic Housing Market Assessment (SHMA) as the geographic area covered by East Devon District Council, Exeter City Council, Mid Devon District Council, Teignbridge District Council and the part of Dartmoor National Park falling within Teignbridge and Mid Devon Districts. The Dartmoor National Park falls within 2 HMA's, Exeter and Plymouth.

1.1.7 The different spatial scales under consideration in this report are shown in Figure 1.1 below.

Figure 1.1 – EDNA Spatial definitions
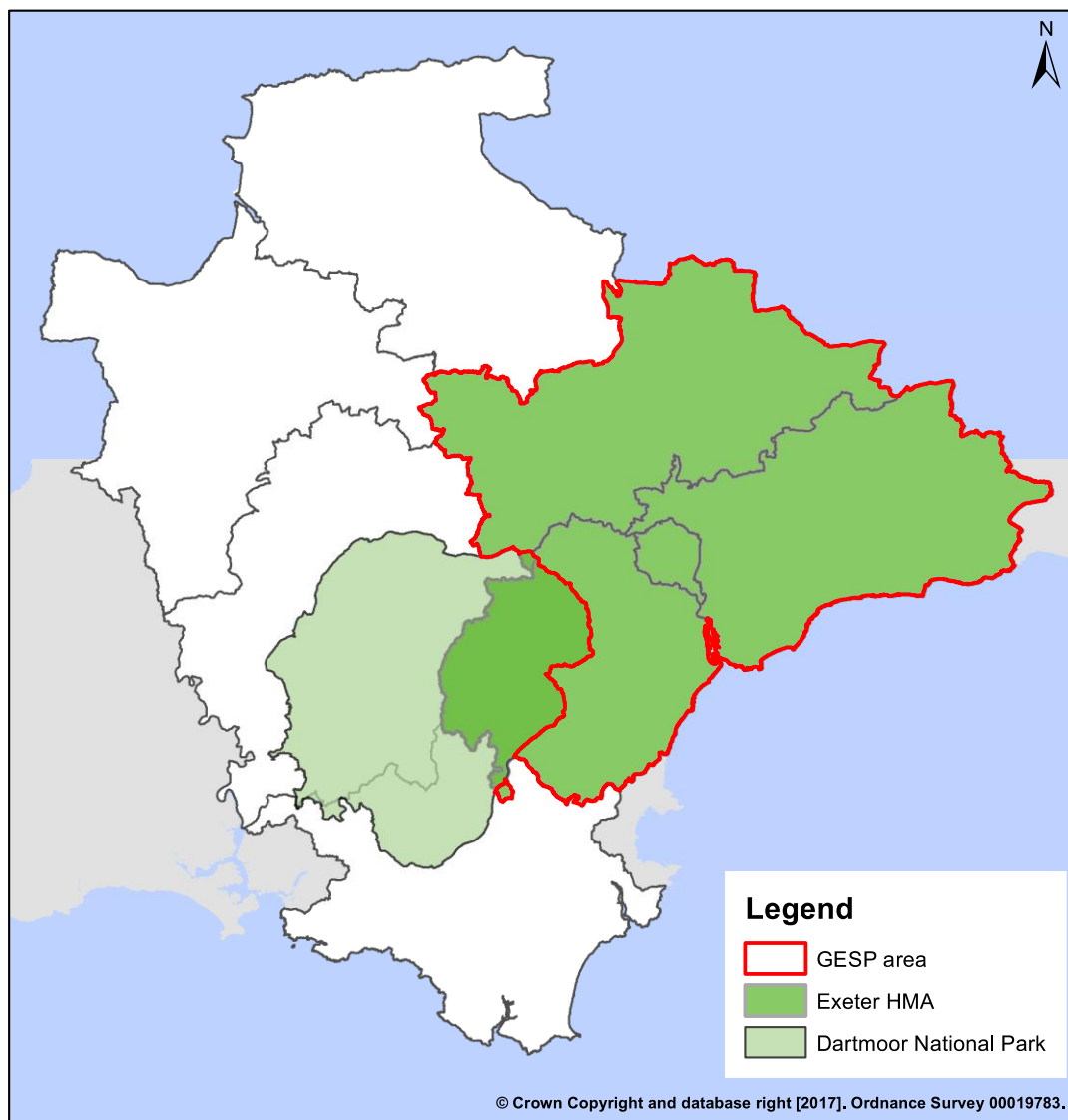
Source: Devon County Council Planning, Transport, and Environment Group

1.2   Scope of the report

1.2.1   This report sets out an economic development needs assessment for the Greater Exeter area and Dartmoor National Park. The assessment covers the period from 2015 to 2040 i.e. 25 years. This will inform the development of a Joint Strategic Plan for the four local authorities in the Greater Exeter area, who will use it as part of their Local Plan process. It will also inform the development of the Dartmoor National Park Authority's Local Plan. There is some overlap in these geographies, and the economic development needs assessment sets out evidence on:

- The Greater Exeter Housing Market Area (HMA) which comprises the four Local Authorities (including the parts of Dartmoor National Park that fall within Mid Devon and Teignbridge District boundaries)

- The Joint Strategic Plan area (i.e. the HMA less that part of it covered by Dartmoor National Park)
- Dartmoor National Park area separately

1.2.2   This economic development needs assessment will help to identify the future scale and location of employment land needed to enable the four Greater Exeter local authorities and the Dartmoor National Park Authority to reach their economic growth aspirations and potential. This assessment is based on quantitative analysis including economic growth forecasts, and also on qualitative evidence from consultations with the local authorities, the business community and other important local stakeholders. The approach is compliant with the National Planning Policy Framework, Planning Practice Guidance, other relevant guidance and current best practice.

1.2.3   The report includes:

- A definition of the Functional Economic Market Area
- A review of the local economy and recent trends
- A set of future growth scenarios which are informed by 'baseline' future growth projections from Cambridge Econometrics and Experian. These have been developed in consultation with the client steering group, and draw on qualitative evidence from consultations as well as quantitative evidence
- The scenarios include future employment projections and estimates of economic activity rates, commuting ratios and unemployment
- An assessment of the scale and location of future economic growth and therefore employment land
- Coverage of the three main geographical areas of interest: the Greater Exeter HMA, the Joint Strategic Plan area and Dartmoor National Park.

1.3   Structure of the report

1.3.1   The rest of this report comprises the following chapters:

Chapter 2 set out the consideration and definition of the Functional Economic Market Area for Greater Exeter

Chapter 3 sets out the socio-economic baseline for the Greater Exeter area

Chapter 4 considers the economic growth aspirations for the area

Chapter 5 considers the current supply of employment land in the Greater Exeter area, and the historic rate of employment land take-up

Chapter 6 sets out the future economic growth prospects for the Greater Exeter area, including the baseline economic growth forecasts and scenarios

Chapter 7 converts the economic growth prospects into a demand for employment land over the period to 2040

Chapter 8 sets out high-level trends in the property market which may influence future demand in Greater Exeter

Chapter 9 sets out the conclusions to the study

1.3.2   There are also a number of appendices to this report:

1.   Overview of the methodology
2.   Consideration of the Functional Economic Market Area in support of Chapter 2
3.   Baseline socio-economic analysis in support of Chapter 3
4.   Current employment land supply and recent take-up in support of Chapter 5
5.   Appendix to Chapter 6 on future employment growth
6.   Appendix to Chapter 7 on future sites and premises requirements
7.   High level property market trends in support of Chapter 8
8.   Dartmoor National Park data and analysis
9.   Greater Exeter Strategic Plan area data and analysis
10. Property industry workshop notes
11. Growth scenario setting workshop notes

2   The Functional Economic Market Area

2.1.1   The purpose of this chapter is to review the definition of the Functional Economic Market Area (FEMA) for Greater Exeter and consider its relationship with the HMA boundary that is driving the Joint Strategic Plan, to consider whether this needs any amendment. More information behind the analysis in this chapter is set out in detail in Appendix 2.

2.2   Working definition

2.2.1   A working definition of the FEMA for Greater Exeter is that area covered by:

- East Devon District Council
- Exeter City Council
- Mid Devon District Council
- Teignbridge District Council

2.2.2   This is defined according to Local Authority boundaries because it is used to gather socio-economic data, which is predominantly available at this level.

2.3   Defining the Functional Economic Market Area

2.3.1   Policy guidance is clear on the need to, and value of, preparing evidence at the appropriate functional geographical area. This ensures that policy is based on evidence that better reflects the real world, rather than being necessarily constrained by administrative boundaries.

2.3.2   The guidance is also clear that there is no definitive approach to assessing FEMAs, and as a result there is no definitive map of FEMAs. However, there is broad consistency about the nature of evidence that should be considered where available, and the need for multiple datasets to be assessed wherever possible. The guidance is also clear that there is a need for a mix of quantitative and qualitative assessment when defining FEMAs. This particularly reflects the fact that much of the data that would be ideal to assess FEMAs does not exist or is not readily available.

2.3.3   The approach used to inform this analysis draws on both quantitative and qualitative evidence, considering existing FEMA research, analysing available relevant data and testing the emerging findings through consultations with stakeholders.

2.3.4   Planning Practice Guidance[5] states that there is no standard approach, but makes a suggestion on the factors that can be used in the definition of functional market areas. These are considered in the analysis below.

Extent of LEP

2.3.5   The LEP area covers Devon, Plymouth, Somerset, and Torbay councils. The full Heart of the South West LEP boundary covers a significantly larger area than Greater Exeter, and therefore clearly does not help in defining the FEMA.

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[5] Functional Economic Market Areas: An economic note, Communities and Local Government (2010)

Figure 2.1 – HoSW LEP area extent

*Source: Heart of the South West Growth Hub*

Travel to Work Areas (TTWA)

2.3.6   The local transport network converges on Exeter, with the M5 motorway, primary roads and rail network all coming into the city. Figure 7 in Appendix 2 shows that Exeter is the centre of the transport network. The transport network does not help with the determination of the boundary of the FEMA.

2.3.7   Consultations undertaken to inform this report, including with property industry professionals and District Council officers, discussed the newly opened South Devon Link Road which increases accessibility between Exeter, the southern part of Teignbridge and Torbay. Consultees suggest that this is more likely to draw commuters from Torbay into Exeter than it is to attract commuters from Greater Exeter into Torbay.

2.3.8   Latest ONS[6] TTWAs are based on 2011 Census data. In 2011 there is an Exeter TTWA which covers a large area and a Sidmouth TTWA that covers part of the study area. The two TTWAs cover a larger area than the proposed HMA. However, FEMAs can overlap and official TTWAs don't allow this. To investigate this further, we have looked at the travel to work data from the 2011 Census to understand the patterns that underlie the TTWA definitions.

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[6] Further information on TTWAs can be accessed here:
http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/other/travel-to-work-areas/index.html

2.3.9   Travel to Work Areas (TTWAs) are defined to approximate self-contained local labour market areas, where the majority of an area's resident workforce work, and where the majority of the workforce live. The criteria used for defining TTWAs is that generally at least 75% of an area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area. The area must also have a working population of at least 3,500. However, for areas with a working population in excess of 25,000, self-containment rates as low as 66.7% are accepted.

Figure 2.2 – The Exeter TTWA
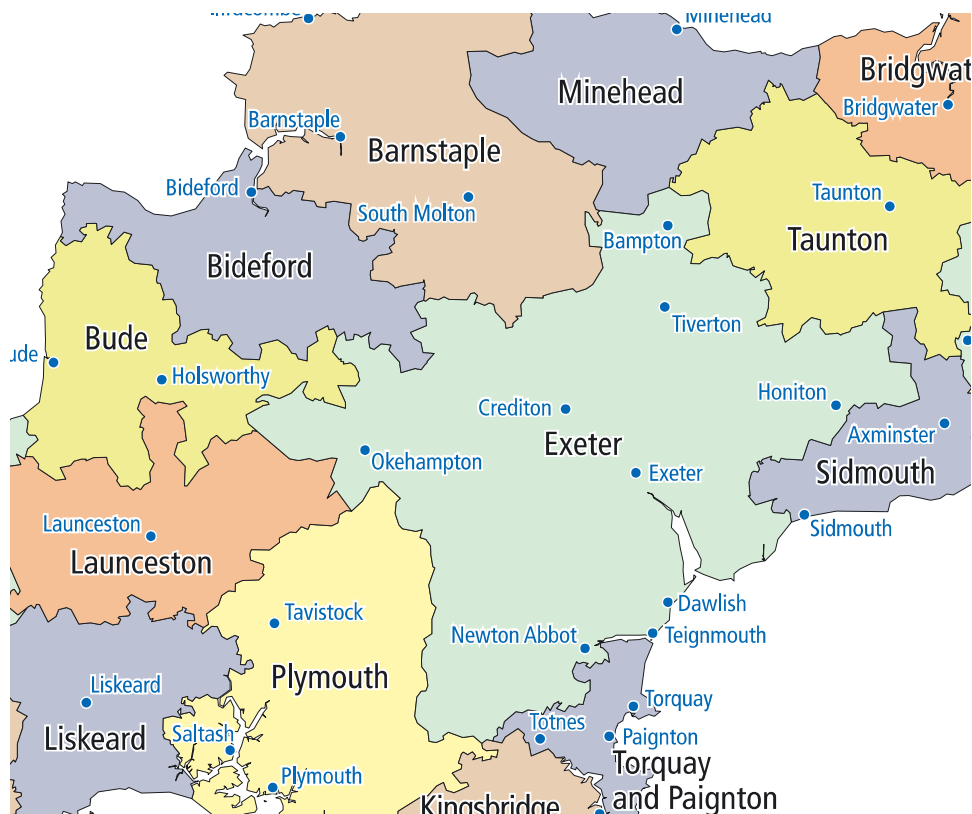
Source: ONS

2.3.10   In general, the commuting patterns in Greater Exeter, seen in Figure 2.3 below, show that the City of Exeter is at the heart of the functional economic market area, and the broad boundaries align well with the District boundaries, particularly in East Devon and Mid Devon. Teignbridge to the south shows a strong flow into Exeter, but there are also strong net flows of commuters between the south of Teignbridge and Torbay. With the exception of Torbay the four Districts all show a strong coalescence around Exeter and not their neighbours further out.

Figure 2.3 - Net Commuting Flows Between Wards in Greater Exeter and Surrounding Districts
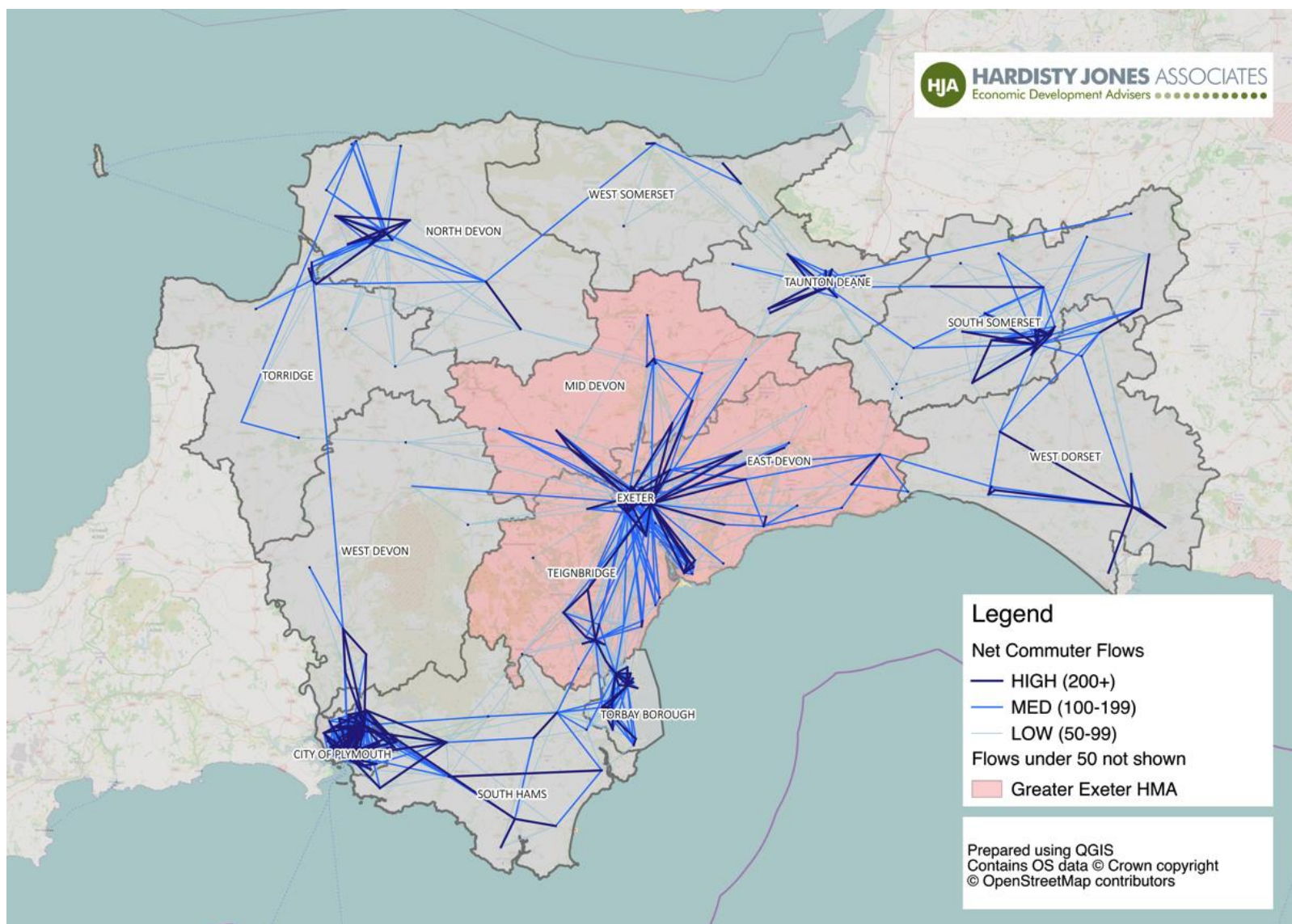
Source: HJA

2.3.11   Exeter City Council has commissioned research into commuting patterns into the city, and this has concluded that commuting patterns are unlikely to change significantly in the foreseeable future. Any significant future changes are likely to be driven by two factors:

- Exeter's shortage of employment land and its tightly drawn boundaries is pushing new development out of the city
- The development of new employment sites in the Growth Point in East Devon, some of which is providing new employment space for Exeter

Property market area

2.3.12   The housing market area has been defined as part of the strategic housing market assessment[7] (there is also a new SHMA currently being produced). This report describes how a housing market area is determined, primarily using data on household migration and travel-to-work patterns. The report concludes that there is sufficient self-containment within the four Districts of East Devon, Exeter, Mid Devon and Teignbridge to form a housing market area.

2.3.13   When considering employment sites and premises, local property professionals have stated during a consultation workshop held in November 2016[8] that the Greater Exeter region is a reasonable approximation of a property market area. However, they do note that Torbay is a separate area of search to Exeter, although Newton Abbot might be included in a property search in Torbay.

Flow of goods, services and information, and service market for consumers

2.3.14   No quantitative data is easily available, but we have gathered qualitative information through stakeholder consultations. In consultation it has been suggested that Teignbridge residents use the retail facilities on Torquay's edge-of-town retail parks, but there is little travel into the Torbay town centres. Higher-order flows are towards Exeter. The most recent adopted work on retail catchment was carried out in 2008[9], but there is also an updated retail study currently underway. A retail catchment is the area drawn upon by a retail centre i.e. where consumers travel from to do their shopping. The summary map of the retail catchment area for Exeter, in Appendix 2, shows a catchment area that is larger than the Greater Exeter area. This is a function of the largely rural nature of surrounding areas and the lack of nearby competitor retail centres.

2.3.15   VenueScore is an annual survey compiled by Javelin Group, which ranks the UK's top circa 3,500 retail venues including town centres, stand-alone malls, retail warehouse parks and factory outlet centres. VenueScore rankings are based on a scoring system which seeks to measure the overall attraction of each venue compared to other venues across the country. On this basis, Exeter city centre is by far the highest ranking retail centre in the Greater Exeter area. It is actually one of the highest ranking retail centres in the whole of the UK, ranking 22nd overall for 2016/17. Newton Abbott and Exmouth are also strong performers,

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[7] DCA (2014) Exeter Housing Market Area: Strategic Housing Market Assessment 2014/15
[8] Full notes found in Appendix 10
[9] DTZ (2008) Exeter Retail Study

ranking in the first quartile. St Thomas district centre, Sidmouth, Honiton, and Seaton all rank in the second quartile of national retail centres.

Administrative area

2.3.16   The HMA has already been defined using the boundaries of four local authorities, so these are established as a baseline area for this study. During consultation to inform this study, Mid Devon District Council officers[10] stated that it has considered its functional linkages with North Devon, but has concluded that its most functional relationship is with Exeter. Mid Devon does not have a strong link northwards to Taunton, and sees Exeter as its hub for higher level services. Exeter City Council officers also stated that it cannot accommodate much further economic growth within the city boundaries, so is reliant on working with its neighbouring authorities to accommodate the future growth of the city.

2.3.17   In the final draft of the Regional Spatial Strategy (2008), 21 places were identified as Strategically Significant Cities and Towns (SSCTs) i.e. places which play a critical strategic role regionally or sub-regionally. They were chosen because they are a focal point for economic activity. In the area being considered, Exeter, Newton Abbot and Torquay are identified as SSCTs. This is helpful in emphasising the distinctive difference between Newton Abbott and Torquay. On balance, Newton Abbott is more Exeter-facing than it is Torbay-facing.

Catchment area for cultural and social facilities

2.3.18   There is limited information available on these factors. Most of the higher order cultural and social facilities are concentrated in Exeter:

- Exeter Phoenix
- Spacex
- Northcott Theatre
- Bike Shed Theatre
- Exeter Cathedral
- Exeter Quayside
- Royal Albert Memorial Museum

2.3.19   There is some data on the circulation areas of local newspapers (published by DC media) in the local area. The local titles are:

- The Express & Echo. The circulation area is centred around Exeter and covers as far as Tiverton, Exmouth, Honiton and villages in East Devon
- The Mid Devon Gazette series includes four newspapers covering Tiverton, Crediton, Culm Valley, Bampton, Dulverton and surrounding villages
- The Herald Express is centred on Torquay, and the circulation area includes Paignton, Newton Abbot, Brixham and other towns and villages in South Devon

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[10] Please note that these are the views of officers and not necessarily of elected members

2.3.20   These local newspaper circulation areas have some overlap. The Express & Echo circulation area is an indication of the Exeter market area. This includes Tiverton, which is also covered by the Mid Devon Gazette series. In the south of the proposed FEMA, Newton Abbot is included in the Herald Express circulation area which is centred on Torbay rather than Exeter.

Conclusion: The Functional Economic Market Area

2.3.21   There is strong evidence to conclude that the best approximation of the functional economic market area for Greater Exeter comprises the four Districts of East Devon, Exeter, Mid Devon and Teignbridge. The only place where this boundary is less clear-cut is between Newton Abbot and Torbay. There are strong commuting flows between these places, and they have a shared local newspaper circulation area. However, consultation evidence suggests that Newton Abbot looks more strongly to Exeter than it does to Torbay. Consultation evidence from the local authorities and property industry also substantiates the inclusion of Newton Abbot in the Greater Exeter FEMA, and the exclusion of Torbay. There is self-containment within much of Torbay, seen in the definition of a Torquay and Paignton TTWA, which supports the case that Torbay is distinct from Greater Exeter. There is a strong case to be made for Torbay to be considered as a separate FEMA, and therefore it is not considered as part of this study. In terms of Dartmoor National Park, it spans two FEMA areas including Greater Exeter – the methodology in this report considers the whole National Park as a separate entity because of the unique nature of this area.

3 Socio-Economic Baseline

3.1.1   This chapter sets out a baseline understanding of the study area, including recent trends. The data will enable us to develop an overview of the local economy, to inform the assessment of the future growth prospects. More detail on the socio-economic baseline set out in Appendix 3.

3.2 Value and competitiveness

3.2.1   Within the four Local Authorities in the FEMA, Exeter is the most significant economic driver. Gross value added (GVA) measures the contribution to an economy of an individual producer, industry, sector or region. Exeter generates the most GVA of all of the Greater Exeter districts (£3.7 billion of a combined £7.9 billion for Greater Exeter). East Devon and Teignbridge both generate about half the level of Exeter. Mid Devon generates about half of this value, or one-quarter of the Exeter GVA.

Figure 3.1 – GVA for Devon districts

Area	2012 (£m)
East Devon	1,681
Exeter	3,679
Mid Devon	871
Teignbridge	1,650
Total	7,881

Source: HJA adapted from Devonomics series of Area Profile reports

3.2.2   Dartmoor National Park is estimated to have a GVA of £292m[11]. This is an estimate, however, as GVA figures are not available at the local level.

3.2.3   Data on the competitiveness of local economies can be found in the UK Competitiveness Index[12]. This work measures the competitiveness of places in the UK according to a number of factors, which are summarised in the Figure below. These factors are combined to produce a score of 100 for the UK. A score below 100 indicates a less competitive place than average, and a score above 100 suggests a more competitive place.

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[11] Valuing England's National Parks, National Parks England (2013)
[12] Huggins, R and Thompson, P (2016) UK Competitiveness Index

Figure 3.2 - The Factors of Competitiveness

Input Factors
Economic activity rate
Business start-up rate
Number of businesses
Proportion of working-age population qualified to NVQ4
Proportion of knowledge-based businesses
Output Factors
GVA per head
Productivity (output per hour worked)
Employment rate
Outcome Factors
Gross weekly pay
Unemployment rate

Source: Huggins & Thompson, 2013

3.2.4   Exeter is the most competitive of the four districts in the Greater Exeter area. It ranks at 156 out of 379 districts and unitary authorities in the UK, with a score of 93.5. East Devon is the next most competitive with a score of 88.3, followed by Mid Devon (85.8) then Teignbridge (85.7). These three have all risen in the national rankings of competitiveness between 2013 and 2016.   All four Districts have a score below 100, indicating a lower level of competitiveness compared to the national average. Exeter is ranked at 22 out of 46 cities in the UK, falling from 21st in 2013.

3.3   Population[13]

3.3.1   The working age population of Exeter has grown significantly between 2010 and 2015 – by 11% (compared to national growth over the same period of 1.5%), but the other three districts in Greater Exeter have seen little growth or a fall in working age population over this period.   In Exeter the working age population has grown at a greater rate than the population as a whole, but in the other three Districts the working age population has grown at a slower rate than the population as a whole. Over the period 2010-2015, growth in student numbers accounted for approximately 41% of Exeter's working age population growth. This helps explain the positive growth in working age population seen in Exeter over recent years.

3.3.2   Dartmoor's population, based on 2011 Census data, is 33,596. Population growth in Dartmoor National Park has been much lower than that seen in Devon or England over the inter-Census period from 2001 to 2011.

3.4   Economic activity rate

3.4.1   Although it is difficult to discern any patterns, Mid Devon and Teignbridge appear to be showing a reasonable increase in economic activity, as does East Devon which has started from a lower base. Only Exeter appears to have seen an overall decline in economic activity rate over the period from 2011 to 2015, which is due to its increasing student population.

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[13] Source: ONS population estimates – local authority based by single year of age. Accessed 31 August 2016.

3.4.2   The economic activity rate in the National Park has remained close to that of Devon, and increased at a similar rate.

3.5   Earnings

3.5.1   A residents analysis of earnings estimates the average pre-tax earnings of people living in a particular area. Resident's earnings in all the Greater Exeter Districts are below those of the UK[14]. All four Districts are experiencing a similar growth rate in earnings compared to the UK average. East Devon is showing the highest level of residents' earnings (£25,500 p.a.), and all Districts are clustered around the Devon figure (£24,800 p.a.).

3.5.2   A workplace analysis of earnings estimates the earnings of people working in a particular area. In terms of workplace earnings, Exeter stands out, with a level of earnings similar to that of the UK (over £27.000 p.a.). The other three Districts have lower levels of workplace earnings which are very similar to those of Devon (£24,000 p.a.). East Devon has seen the highest growth in workplace earnings.

3.5.3   A similar analysis is not available for Dartmoor National Park, but £33,039 is suggested as an estimate of household income in Dartmoor[15]. This is 1.8% below the South West average.

3.6   Jobs density

3.6.1   Jobs density is a measure of the number of jobs divided by the number of working age residents within each area. Exeter has a very high jobs density figure (1.2 jobs per working age resident), well in excess of the other Districts and the national average (0.8). This is indicative of in-commuting into Exeter. The other three Greater Exeter Districts are slightly below the UK figure, indicating out-commuting. These figures support other evidence showing commuting into Exeter from the surrounding Districts.

3.7   Employment

3.7.1   Exeter has significantly higher levels of total employment than the other three Greater Exeter Districts (c.92,000). It has employment of twice that seen in East Devon and Teignbridge and four times that seen in Mid Devon. This pattern is almost exactly the same as that seen for GVA in the four Districts. Over the period from 2011 to 2015 there has been a fall and then recovery in total employment in three of the four Districts, with only Exeter experiencing a continual rise mirroring the picture at the national level. The national economy recovered from recession quicker than the economies of the Greater Exeter Districts. Therefore, the patterns in the figure below generally show some decline followed by recovery in Greater Exeter (with Exeter proving to be more resilient having not experienced any decline).

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[14] ONS Annual Survey of Hours and Earnings
[15] Valuing England's National Parks, National Parks England (2013)

Figure 3.3 – Total employment in Greater Exeter and Benchmark Areas

	2011	2012	2013	2014	2015
East Devon	46,500	45,800	44,400	47,300	46,500
Exeter	84,100	85,500	88,700	91,100	91,600
Mid Devon	24,000	23,300	23,700	24,500	25,200
Teignbridge	46,100	44,400	45,000	47,500	47,200
HMA	200,700	199,00	201,800	210,300	210,500
Devon	314,200	311,400	314,100	325,400	325,600
HOSW	692,600	683,400	691,600	708,200	710,200
GB	27,796,500	27,905,400	28,217,500	28,970,00	29,545,600

Source: HJA adapted from Business Register and Employment Survey (ONS)

3.7.2   Based on 2011 Census data, Dartmoor National Park provides 9,580 jobs[16]. It is difficult to determine the level of growth over time, but using figures provided in *Valuing England's National Parks*, it would appear that employment growth is occurring at a rate of 2.8% per year in Dartmoor.

3.8   Unemployment and benefits claimants

3.8.1   There is a marked difference between the patterns seen for claimants of Job Seekers Allowance (JSA) and Department of Work and Pensions (DWP) benefit claimants over the period from 2011 to 2016. The former fell dramatically in all the Greater Exeter Districts over the period 2011 to 2016 whilst the latter increased. This suggests a decline in claimants who are most work-ready, and therefore capacity in the potential labour force, but an increase in those claimants who are least likely to be able to participate in the workforce.

3.8.2   In Dartmoor National Park, DWP benefit claimants have not fallen as far as all benchmark areas over the period from 2011 to 2016, although this is based on a very small population size.

3.9   Skills and qualifications

3.9.1   Higher levels of working age residents of each District are qualified to NVQ4+, NVQ3, NVQ2 and NVQ1 than the national average. East Devon has the highest proportion of residents qualified to NVQ4[17].

3.9.2   Dartmoor National Park has a much higher proportion of the population qualified to NVQ4 than Devon or England.

3.10 Business base

3.10.1   In 2015 there were 17,400 micro businesses (0-9 employees) in Greater Exeter. East Devon has the highest number (5,500), and Exeter the lowest (3,200) of all of the Greater Exeter Districts.   The rate of growth in micro businesses is lower in all the Greater Exeter Districts than the national rate of growth between 2011 and 2015.

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[16] Dartmoor's Sector Outlooks – Final Report to Dartmoor National Park Authority, SERI (2013)
[17] https://www.gov.uk/what-different-qualification-levels-mean/list-of-qualification-levels for more information on what qualification levels mean in England

3.10.2 There were 2,300 small and medium sized businesses (10-249 employees) in Greater Exeter in 2015. East Devon and Teignbridge have the highest number (660 and 655), and Mid Devon the lowest (345). East Devon has seen a rate of growth above that of the UK over the period 2011 to 2015, Teignbridge has seen a rate of growth similar to the UK, and Mid Devon and Exeter have seen a rate of growth below that of the UK.

3.10.3 In 2015 there were 55 large businesses (250+ employees) in Greater Exeter. Exeter has the highest number of large businesses (30). Overall, the highest levels of growth have been in micro businesses, then small and medium sized businesses, then large businesses.

Figure 3.4 – Business size counts in study area and benchmarks (2015)

	Micro (0-9)	**SME (10-249)**	**Large (250+)**
East Devon	5,485	660	10
Exeter	3,200	600	30
Mid Devon	4,040	345	5
Teignbridge	4,710	655	10
Devon	32,180	3,865	85
HOSW	61,470	7,535	180
UK	2,173,355	266,710	9,350

Source: HJA adapted from UK Business Counts (ONS)

3.10.4 Such detailed data is not available for Dartmoor National Park, but *Valuing England's National Parks* provides an average distribution of business sizes in National Parks. These averages indicate that 91% of businesses in National Parks are Micro, 9% are SME, and less than 1% are Large. Overall, therefore, businesses in Dartmoor are likely to be smaller in profile than the rest of the Greater Exeter area.

3.10.5 Business births per 1,000 residents have been consistently below the UK level in all four of the Greater Exeter Districts, but have followed a similar trajectory of increase over the period from 2010 to 2014.

Figure 3.5 – Business births per 1000 residents (2014)

Area	**Business births**
East Devon	4.33
Exeter	3.66
Mid Devon	3.66
Teignbridge	4.00
Devon County	3.99
United Kingdom	5.43

Source: HJA adapted from Business Demography (ONS)

3.11 Employment by Industry

3.11.1 Location quotients (LQs) show the concentration of employment in each sector[18] in the Greater Exeter Districts. Sector LQs are calculated by comparing the industry's share of local employment with its share of national employment. An LQ of 1.0 means the same concentration of employment in a sector as the national average. Less than 1.0 is a lower concentration of employment than the national average, and greater than 1.0 is a higher concentration.

Figure 3.6 – Sector composition by LQ (UK = 1.00)

Sector	District	LQ	Commentary
Manufacturing	East Devon	0.74	In Manufacturing, Mid Devon has an LQ of nearly 2.0, so a high concentration of employment in manufacturing. Teignbridge is above 1.0, East Devon below 1.0, and Exeter has a very low figure of 0.5
	Exeter	0.36	
	Mid Devon	1.94	
	Teignbridge	1.11	
Construction	East Devon	1.69	In Construction, Exeter has dropped from a figure of greater than 1.0 to a figure below 1.0. The other three Districts have a concentration greater than the national average. Both Teignbridge and East Devon have LQs of about 1.7
	Exeter	0.84	
	Mid Devon	1.44	
	Teignbridge	1.71	
Wholesale and retail	East Devon	1.26	In Wholesale & Retail three of the four Districts have a greater concentration than the national average, but Exeter is just below 1.0
	Exeter	0.98	
	Mid Devon	1.32	
	Teignbridge	1.26	
Transportation and storage	East Devon	1.28	In Transport & Storage most of the Districts have seen a decline in the importance of the sector over the period 2010 to 2014. East Devon and Mid Devon have a concentration of employment below the national average
	Exeter	0.64	
	Mid Devon	1.07	
	Teignbridge	0.62	
Accommodation and food service activities	East Devon	1.77	In Accommodation & Food, East Devon and Teignbridge have a concentration of employment significantly greater than the national average. Mid Devon has fallen below the national average over the period 2010-2014, and Exeter has been consistently below the national average
	Exeter	0.80	
	Mid Devon	0.93	
	Teignbridge	1.56	
Information and communication	East Devon	0.67	Information & Communications is strongest in Exeter, although it is around the national average. The other three Districts are below the national average
	Exeter	1.04	
	Mid Devon	0.32	
	Teignbridge	0.47	

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[18] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/455263/SIC_codes_V2.pdf

Sector	District	LQ	Commentary
Financial and insurance activities	East Devon	0.30	In Financial & Insurance, all four Districts have a concentration of employment below the national average
	Exeter	0.79	
	Mid Devon	0.19	
	Teignbridge	0.42	
Real estate activities	East Devon	1.04	In Real Estate, three of the four Districts have an LQ greater than 1.0 with Mid Devon remaining below the national average
	Exeter	1.34	
	Mid Devon	0.96	
	Teignbridge	1.25	
Professional, scientific and technical activities	East Devon	0.72	In Professional, Scientific & Technical, Exeter has the highest concentration of employment, close to the national average. The other three Districts are below the national average
	Exeter	0.98	
	Mid Devon	0.63	
	Teignbridge	0.67	
Public administration and defence; compulsory social security	East Devon	0.67	In Public Administration & Defence, Exeter has a concentration of employment significantly greater than the national average, with the other three Districts being below the national average
	Exeter	1.70	
	Mid Devon	0.57	
	Teignbridge	0.80	
Education	East Devon	0.87	In Education, all of the Greater Exeter Districts have a concentration of employment around the national average
	Exeter	1.15	
	Mid Devon	1.06	
	Teignbridge	0.80	
Human health and social work activities	East Devon	1.07	In Human Health & Social Work, Exeter has a concentration of employment significantly above the national average whereas the other three Districts have a concentration close to the national average
	Exeter	1.52	
	Mid Devon	1.02	
	Teignbridge	1.05	
Arts, entertainment and recreation	East Devon	1.12	In Arts, Entertainment & Recreation, Exeter has a larger number in employment than the other three Districts, but the relative concentration of employment is lower than the national average and the other three Districts
	Exeter	0.82	
	Mid Devon	1.20	
	Teignbridge	1.20	
Other service activities	East Devon	1.41	In Other Services, East Devon has a concentration of employment significantly higher than the national average whereas the other three Districts have a figure around or just below the national average
	Exeter	0.86	
	Mid Devon	0.88	
	Teignbridge	0.98	

Source: HJA adapted from Business Register and Employment Survey

3.11.2   Dartmoor has a very high concentration of employment in Mining & quarrying. It is one of the features that has traditionally been associated with Dartmoor, and the LQ analysis supports this. Employment in Construction, Accommodation & Food, and Real Estate is also above average. The LQ figures for Dartmoor should be treated with some caution, however, as employment levels are low in the National Park which can distort results (most sectors have less than 1000 jobs).

Figure 3.7 – Dartmoor National Park sector composition by LQ (UK = 1.00)

Sector	LQ
Agriculture, forestry and fishing	0.41
Mining and quarrying	12.57
Manufacturing	0.44
Construction	1.66
Wholesale and retail	0.83
Transportation and storage	1.17
Accommodation and food service activities	2.26
Information and communication	1.01
Financial and insurance activities	0.10
Real estate activities	1.73
Professional, scientific and technical activities	0.91
Public administration and defence; compulsory social security	1.01
Education	1.04
Human health and social work activities	0.81
Arts, entertainment and recreation	1.01
Other service activities	1.37

Source: HJA adapted from Business Register and Employment Survey

3.12 Conclusion: Socio-economic analysis

3.12.1   Exeter is the greatest contributor to the economy of the Greater Exeter area in terms of GVA and jobs. It has seen the greatest growth in working age population in recent years, which is not seen elsewhere in the sub-region. Exeter has a high density of jobs, which is not seen outside the city. The city is the heart of the Greater Exeter economy. The distribution of businesses, rather than jobs, is more evenly spread across the Greater Exeter area. Exeter has the lowest number of micro businesses, but the highest number of large businesses of the four local authorities.

3.12.2   In sector composition, Exeter shows many hallmarks of a city, and the other districts less so, in keeping with their geography. Manufacturing is strong in Mid Devon, but less so in Exeter and East Devon. Outside Exeter, Construction is an important sector. Information & Communications is strongest in Exeter, at close to the national concentration, but weaker elsewhere. Financial & Insurance is less concentrated than the national average anywhere in Greater Exeter. Exeter has a greater concentration of Public Administration than the national average, but the other three have a lesser concentration. Exeter has a higher number in employment, but a relatively lower concentration of employment in Arts, Entertainment & Recreation, and Other Services.

Figure 3.8 – Most concentrated sector by District (sectors above LQ = 1.00)

Sector	East Devon	Exeter	Mid Devon	Teign-bridge
Manufacturing			1.94	1.11
Construction	1.69		1.44	1.71
Wholesale and retail trade	1.26		1.32	1.26
Transportation and storage	1.28		1.07	
Accommodation and food service activities	1.77			1.56
Information and communication		1.04		
Financial and insurance activities				
Real estate activities	1.04	1.34		1.25
Professional, scientific and technical activities				
Administrative and support service activities		1.02		
Public administration and defence; compulsory social security		1.70		
Education		1.15	1.06	
Human health and social work activities	1.07	1.52	1.02	1.05
Arts, entertainment and recreation	1.12		1.20	1.20
Other service activities	1.41			

Source: HJA adapted from Business Register and Employment Survey

4 Economic Growth Plans and Aspirations

4.1.1 This Chapter considers the future growth plans and aspirations for the local authorities in Greater Exeter and the implications of this for future employment land demand. In the past, the Greater Exeter districts have produced their own economic growth plans, but the recognition that together they form a functional economic area has led to the establishment of an area-wide approach where issues and objectives are often shared.

4.2 Greater Exeter Strategic Plan Area

Exeter and Heart of Devon Economic Strategy

4.2.1 The four local authorities have developed a joint economic development strategy. Their economic vision is to:

- Strengthen the sub-regional economy, securing sustainable smart growth through more, higher-value jobs
- Improve collaboration and maximise leverage
- Share sub-regional growth, and delivery of local economic priorities

4.2.2 This is a three year document, and shared economic growth priorities will be developed around:

- Business transformation
- Inward investment
- Employment and skills
- Strategic planning and infrastructure

4.2.3 The shared economic objectives are to:

- Improve productivity
- Attract and retain investment in high value priority sectors
- Create attractive jobs
- Deliver the infrastructure to support economic growth
- Ensure local skills meet current and future needs of businesses
- Rejuvenate and regenerate key growth towns and locations

4.2.4 At the time of writing no numerical targets have been put into this emerging strategy.

4.3 Dartmoor National Park

4.3.1 In Dartmoor National Park the local economy has remained resilient in recent years, benefitting from a diverse economic base. The National Park Authority's economic aspirations support appropriate economic growth rooted in the quality of landscape and place, increase productivity through the development of National Park productivity network and rural enterprise zone, increase international tourism, and further develop a strong food

and drink offer[19]. The role of National Parks, however, is not to support great levels of job growth, so the relatively unchanged profile of the Dartmoor economy is unsurprising. Dartmoor is recognised as an important environmental asset that aids inward investment to the region and retaining existing businesses.

4.3.2 The Dartmoor Local Plan[20] sets a sustainability objective on the economy, which is: to promote sustainable economic growth, particularly of key business sectors, and to utilise employment land and premises effectively and efficiently. The core strategic aim for employment is: to assist in the provision of local employment and business opportunities, particularly in the Local Centres, and in the diversification of the rural economy in ways that are beneficial to the National Park and its community.

4.3.3 Policy COR18 states: Local employment and business opportunities will be sustained by the provision of new employment sites within and adjoining the Local Centres where there is evidence that demand cannot be met by existing or permitted sites.

4.3.4 The Local Plan does not set any targets for the delivery of employment sites or premises to accommodate future economic growth.

4.4 East Devon

4.4.1 A growth Point has now been established for 10 years, which covers western parts of East Devon district and all of Exeter and parts of Teignbridge as well. The western part of East Devon will be a focal point for development which will accommodate wider growth aspirations including employment growth attracted by and associated with the success and role of Exeter. East Devon contains most of the Growth Point's future employment sites, including a new Exeter Science Park associated with University of Exeter.

4.4.2 The availability of suitably skilled labour is a constraint to economic growth in the rest of East Devon. This does not mean the same as a lack of skills in general. A low level of suitable skills which meet business needs has been recognised as a problem by East Devon District Council officers, but there is little activity in place to address this. Broadband roll-out across the district may attract businesses that need good connectivity and would like to be located in a high quality environment.

4.4.3 The East Devon Local Plan (2016) confirms the aspiration for strong growth in the west of the District (i.e. the Growth Point). The key plan objectives for the whole of the District's economy include:

- Improve average income levels
- Diversify the sectors where jobs can be found
- Improve local job opportunities
- Reduce the need to travel by car to secure work and jobs.

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[19] 8 Point Plan for National Parks, Dartmoor & Exmoor Rural Productivity Network Proposal, Dartmoor & Exmoor Economic prospectus
[20] Dartmoor National Park Authority (2008) Local Development Framework Core Strategy Development Plan Document 2006-2026

4.4.4   In terms of the allocation of employment land to enable this economic development aspiration, the Plan states:

4.4.5   *East Devon's West End will be a focal point for job provision with a particular focus on encouraging strategic inward investment. We are allocating 21.4 hectares of employment land in the West End which will be in addition to sites with planning permission that already exist for development of the following proposals: a) Land at Cranbrook - 5 hectares already committed. b) Land at [Exeter] Science Park - 25 hectares already committed. c) Land at Skypark - 40 hectares already committed.   [our emphasis]*

4.4.6   *In the rest of East Devon employment provision will mostly be geared to serving local needs with a view to securing jobs close to existing homes so that people have the option of not needing to commute long distances to work. Local employment provision will be made at East Devon towns with an expectation that larger scale housing allocations will be matched with new jobs (around 1 for each home built). We estimate that, roughly speaking, 250 new homes could generate the need for around 1 hectare (or 2.5 acres) of employment land[21]. [our emphasis]. The plan sets out a target of 17,100 new homes over the plan period[22], which could mean up to 68 ha of additional employment land.*

4.5   Exeter

4.5.1   The Exeter Core Strategy, adopted in 2012, suggests that a further 40 ha of employment land could be allocated in the city during the plan period, 2006 to 2026 (in addition to 20 ha already completed during the early part of this period).   Locations for employment development in the city identified by the Exeter Core Strategy include:

- 1.5 ha of land for offices in the city centre
- 21 ha of employment land to the east of the outer bypass
- 5.5 ha in the Pinhoe area
- 15 ha in the Matford area

4.5.2   Historically there has been a high level of interest from businesses in investing in Exeter. The City Council typically receives around 1,000 enquiries per year, of which around 50% are local, 1% from overseas, and the rest from elsewhere in the UK. A new collaboration facility is being established sitting alongside the computer hall to facilitate engagement with external organisations and businesses looking to work with the Met Office to utilise the data produced and their "big data" modelling expertise. A further supercomputer in being planned for five years' time. The University and Medical School are also a big draw of knowledge, talent and economic activity to the city. Marsh Barton has a significant concentration of car sale businesses and showrooms.

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[21] This ratio applies to market towns and not the plan as a whole.
[22] This number includes dwellings in the West End.

4.5.3   Exeter has established a City Futures programme to set the direction for future growth in the local economy, develop a smart city and focusing on areas such as data analytics, big data and the knowledge economy. The programme has an aspiration for Exeter to become carbon neutral by 2025, largely driven by the use of data and technology such as environmental pollution monitors, leading to smart traffic management.

4.5.4   The Innovation Exeter Programme is setting a long term framework for the future growth of the area's economy in terms of transformational changes towards a knowledge economy, based around its strengths as recognised by the Government's Science and Innovation Audit. These strengths are particularly: applied environmental science, digital innovation, data analytics, and high performance computing. Exeter City Futures is part of this overarching framework. The main projects in Innovation Exeter are:

- The establishment of an Institute for Environmental Risk
- The Exeter Centre for Data Science
- The establishment of the Environmental Futures and Big Data Impact Lab to stimulate inward investment and productivity led growth
- Securing an open source High Performance computer
- The development and implementation of a series of skills escalators to link HE/FE and school provision to address skills issues and build capacity
- The establishment of an Institute of Technology to raise attainment and address the supply of relevant key skills
- Scaling up of business start-up and growth support including access to finance for knowledge based businesses

4.5.5   The Exeter Adopted Core Strategy (2012) sets out the following economic development objectives:

- *Diversifying the Exeter economy with particular focus on knowledge-based activities and low and zero carbon technology;*
- *Providing sufficient land and an appropriate range of accommodation for businesses particularly in the Monkerton/Hill Barton, Newcourt and Matford areas;*
- *Providing opportunities for high quality office development within the City Centre;*
- *Supporting training and education including a bespoke facility at Monkerton; and,*
- *Improving, in partnership with others, economic inclusion and productivity,   particularly in areas of deprivation such as Newtown and Priory.*

4.6 Mid Devon

4.6.1   The district has a high number of niche businesses, and lots of manufacturing, engineering and distribution. In future the economic focus will be on attracting higher skilled employment, and training of the workforce is needed to achieve this. In particular the Council wants to support and encourage technical and scientific businesses. Mid Devon District Council is meeting with businesses to understand their general and skills-specific needs. The Council is not expecting much change in the nature of the Mid Devon economy in the future. In the main the Council is looking to promote indigenous growth in Mid Devon – helping existing local businesses to grow.

4.6.2   A major high quality regional tourism, leisure and retail allocation is proposed in the Mid Devon Local Plan Review at Junction 27. It could create approximately 1,000-1,200 jobs.

4.6.3   One of the objectives of the Mid Devon Local Plan Review (2013-2033) is to support sustainable economic success through:

- A good range of jobs in urban and rural areas
- Growth that respects Mid Devon's relationship with Exeter and Taunton
- Profitable and expanding local businesses, attracting inward investment
- Attractive, lively and successful town centres
- Tourism and leisure enterprises that benefit the whole district
- Recognition of the role of heritage as a tourism attraction

4.6.4   Identified in the spatial plan are:

- Urban extensions at Cullompton and Tiverton, including business premises
- Town centre enhancements to improve vitality
- Development of underused brownfield sites in the towns
- Junction 27 allocation

4.6.5   The location of this development is summarised in the figure below.

Figure 4.2: Commercial completions since 2013, existing commitments, and allocations

Location	Completions (sq m)	Commitments (sq m)	Local Plan allocations (sq m)
Tiverton	1,550	805	37,000
Cullompton	3,598	19,669	57,000
Crediton	520	2,052	9,820
Junction 27	0	0	42,550
Rural areas	4,119	20,733	13,000
Total	9,787	43,259	159,370

Source: Local Plan Review 2013-2033 Proposed Submission (incorporating proposed modifications) (Mid Devon District Council)

4.7   Teignbridge

4.7.1   Teignbridge, in common with the other districts, does not have its own economic development strategy, intending to use the strategy for Exeter and the Heart of Devon (which is discussed further below). Teignbridge does not have a sectoral focus to its growth ambitions, preferring to support the delivery of sites that are suitable for a wide range of users. The Council is keen to encourage growth in smaller businesses because of the greater resilience that a diverse business base has in any future economic downturn.

4.7.2   Teignbridge is capturing some new investment from businesses that cannot find sites in Exeter, but are happy to be located nearby.

4.7.3   The latest Local Plan[23] sets out some economic prosperity aspirations:

- Successful, growing local businesses providing a good range of jobs
- Vital, viable and attractive town centres
- All year round quality tourism
- Sustainable transport

4.7.4   Policy S3 of the Local Plan states that the Council will promote an improved balance of jobs to working population by supporting the delivery of B Use Class employment in sustainable locations.   The Council aims to create about 300 jobs per year through the allocation of about 3 ha of employment land per year, with a deliverable supply of 15 ha of employment land available at any one time.   The distribution of employment development will be:

- 60%+ in the Heart of Teignbridge (Kingkerswell, Kingsteignton and Newton Abbot)
- 5%+ in South West Exeter
- 3%+ in Dawlish
- 3%+ in Bovey Tracey
- 3%+ in Chudleigh
- Remainder to be delivered in other locations in the district

4.8   National and Regional issues

4.8.1   Brexit is creating the biggest uncertainty to future growth of the local economy.   Concerns have been expressed by a number of stakeholders about the potential loss of future inward investment into the city and surrounding area.   There are concerns about the future supply of labour in some sectors (such as hospitality and education[24]), which are dependent on foreign skilled labour, and which struggle to recruit locally given the shortage of available skilled labour.

4.8.2   A new nuclear power station is being built at Hinkley Point in Somerset. This is likely to draw on labour and suppliers from across the South West. This could lead to a lack of available labour and some specialist suppliers in the Greater Exeter Area.

4.8.3   Major issues identified with regard to the delivery of future employment land in the Greater Exeter area include[25]:

- Poor access and delivery of access improvements affects the viability of some developments.
- Broadband availability to new sites is often poor
- Difficulties establishing power connections to the National Grid via Western Power, with concerns expressed about the time taken to connect sites into the grid.   It has been suggested that the area is losing potential investments because power cannot be delivered to sites

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[23] Teignbridge District Council (2013) Teignbridge Local Plan 2013-2033
[24] University of Exeter has raised issues around migration and research resulting from Brexit.
[25] Issues identified at Local Authority workshop held during October 2016, with Devon County Council, Dartmoor National Park Authority, East Devon District Council, Exeter City Council, Mid Devon District Council, and Teignbridge District Council, and Heart of the South West representatives all present.

Heart of the South West strategies and plans

4.8.4   Greater Exeter is located within the Heart of the South West Local Economic Partnership (LEP) area.

4.8.5   A Strategic Economic Plan (SEP) plan covers the whole of the Heart of the South West area. Written in 2014 it sets out a baseline employment growth of 82,000 jobs by 2030, but this could be doubled under an aspirational growth scenario. The central strategy is about:

- Overcoming barriers to productivity
- Creating jobs where opportunities are few
- Bringing growth to rural and urban people, businesses and places

4.8.6   The delivery of employment sites and facilities is highlighted as being particularly important in support of both the major transformational opportunities in the Heart of the South West economy and in helping to address rural market failure.

4.8.7   The key to unlocking transformational levels of growth, is the need for 'transformational investment in our enabling infrastructure'; resilient and faster road and rail infrastructure, digital connectivity and housing and employment sites (p.19) [our emphasis]

4.8.8   Unlocking housing and employment land growth is highlighted as one of five integrated proposals that are core to the Growth Deals for the Heart of the South West. A devolution prospectus was recently prepared for negotiation with national Government, and this uses the same aspirational jobs targets as the SEP[26].

4.9   Conclusions: Future growth aspirations

4.9.1   The Local plans for each of the Greater Exeter districts already identify a significant amount of land to accommodate future economic growth. These include:

- Over 90 ha of allocations in the west of East Devon (i.e. the Growth Point area), plus 1 ha of employment land for every 250 new homes built, which could amount to an additional 68 ha in East Devon over the plan period
- 40 ha of employment land in Exeter during its Local Plan period
- Land to accommodate over 150,000 sq m of commercial development in Mid Devon over its plan period
- 3 ha per year over a 20 year plan period in Teignbridge, which could amount to 60 ha of employment land

4.9.2   Historically Exeter has been the driver of economic growth in the Greater Exeter area. Although this is recognised by the Greater Exeter districts, there is an established area-wide approach to developing a new economic strategy for the whole Greater Exeter area through the partnership for Exeter and the Heart of Devon. This economic strategy for the area is clearly seeking to deliver growth right across the Greater Exeter economy through both productivity growth and growth in the size of the business base and employment. The

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[26] Further information available here: http://heartofswlep.co.uk/about-the-lep/strategies-and-priorities/strategic-economic-plan/

productivity drive may well push the need for new, modern premises that are fit-for-purpose for high value, high productivity activities. The drive for growth in the size of the business base and employment is likely to generate demand for new employment land and premises.

4.9.3   Exeter has tended to be the main office location in the sub-region, and has many higher value employers including those associated with the Met Office and University. Whilst the regeneration of brownfield sites and conversion of buildings will continue to deliver economic growth, the city has a limited supply of employment land allocated in the Exeter Core Strategy for future development, and recent and future growth is taking place to the east of the city, close to key transport networks. Establishment of an Enterprise Zone in East Devon is intended to increase economic growth in this area. Much of Greater Exeter's future growth in high-value research, innovation and office-based employment will take place to the east of the city, along with some manufacturing and distribution that is attracted by the accessibility of the location. There will be additional development of sites for manufacturing and distribution, which are likely to be in close proximity to Exeter and the M5/A38/A380 corridor.

4.9.4   District Councils have aspirations to attract investment to the market towns that surround Exeter. Much of this investment is set to facilitate leisure, residential and a small amount of employment development.

5 Employment Land Supply

5.1.1   In this chapter we set out an overview of the current provision of employment land in the study area, and qualitative commentary on this. This exercise is based on existing data and consultations with local stakeholders. It is desk-based and does not involve the primary assessment of sites. This is a quantitative rather than qualitative exercise i.e. the report does not look at the quality of current supply.

5.1.2   More detail on the sites and take-up discussed in this chapter can be seen in Appendix 4.

5.2 Current stock and allocations

5.2.1   Each of the four local authorities and the Dartmoor National Park Authority has provided data on the current stock of employment land in their area and any future allocations. This is set out in the sections below. In addition we have included the latest data produced by the Valuation Office Agency (VOA), although this covers the period from 2000 to 2012 and no later.

Dartmoor National Park

5.2.2   A list of current employment sites has been derived from the Employment Sites Survey of 2012 (set out in Appendix 4), estimated site sizes are provided.

5.2.3   While there are some larger employment sites within the National Park generally on its periphery and benefitting from good access to arterial roads of A30/A380 such as Linhay Business Park at Ashburton, much of the employment land/premises supply is in small units such as those created through farm conversions. These are more important to the local supply than in other areas. No speculative build of employment space is taking place, other than at Buckfast Abbey, which is a unique case and not representative of the wider market. Generally, speculative build of employment units is not viable, as the risk is too high. Consultations with Dartmoor National Park officers revealed that many of the small businesses in the National Park do not want and cannot afford new-build premises.

5.2.4   There is some mismatch between supply and demand of employment space, particularly in terms of the quality of units. Food producers need high quality modern units, and there is limited supply of these.

5.2.5   As mentioned in the previous chapter, the Local Plan does not set any targets for the delivery of employment sites or premises to accommodate future economic growth but allows for limited growth to meet locally identified need.

East Devon

5.2.6   VOA data from 2012 shows a stock of 533,000 sq m of industrial floorspace and 83,000 sq m of office floorspace in East Devon.

5.2.7   According to East Devon District Council's data there are 57 existing employment areas in East Devon[27] of at least 0.25 ha and/or buildings of at least 100 sq m; or vacant plots with development potential; or with a range of occupiers/users. In total, these sites provide approximately 415 ha of employment land.

5.2.8   The latest Employment Land Review for East Devon shows around 190 ha of further employment land that is being developed, has planning permission or is allocated for development. Most of the available land is located in the West End of the District (i.e. the Growth Point) and this is a focal point for future development and job creation. Key sites include:

- The inter-modal interchange comprising 43.4 ha
- Skypark Business Park at 35.6 ha
- Provision at the Exeter Science Park of 30.8 ha
- Extension to Exeter Airport Business Park with 5 ha
- Policy provision at Cranbrook for 18.4 ha of employment land.

5.2.9   These sites could provide a total in excess of 133 hectares of land. Although there is a significant amount of employment land allocated in the current Local Plan, Council officers are concerned that sites are not being developed (and past delays in delivery have occurred) because of issues such as the difficulty and cost of getting highways access to sites, and also it could be that some landowners are holding out in the hope of achieving higher value land uses in the longer-term.

Exeter

5.2.10   VOA data from 2012 shows a stock of 603,000 sq m of industrial floorspace and 360,000 sq m of office floorspace in Exeter.

5.2.11   Exeter City Council has identified a number of retained employment areas in Exeter, namely:
- Southernhay
- Matford
- Marsh Barton
- Pinhoe
- Sowton
- Exeter Business park
- Pynes Hill
- Peninsular Park

5.2.12   None of these employment areas have significant vacant units. However, there are a few undeveloped sites within these areas which were allocations or part of allocations made in the Local Plan First Review (2005):
- East of Exeter Business Park – 0.72ha

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[27] East Devon District Council (2015) East Devon Employment Land Review 2014-2015

- Peninsular Park – 0.60ha
- Pynes Hill – 0.71 ha

5.2.13   Other available employment land includes:

- Exeter Business Park 3.60 ha (provision in Core Strategy and proposed allocation in Development Delivery Development Plan Document[28])
- St David's Station 0.40 ha (allocated in Local Plan)
- Newcourt 13.00 ha (part allocated in Local Plan, part proposed allocation in DD DPD)
- Matford Green 11.3 (provision in Core Strategy)

5.2.14   There is total available supply of approximately 30 ha as identified by Exeter City Council. As mentioned in the previous chapter there is a Local Plan aspiration to deliver up to 40 ha of employment land over the plan period (to 2026). However, Exeter does not have a five year housing land supply. This is putting pressure on the small amount of employment land that is available in the city, and some sites previously allocated for employment have been granted for residential development.   Exeter has also lost office accommodation to residential use under Permitted Development Rights (PDR).

Mid Devon

5.2.15   VOA data from 2012 shows a stock of 473,000 sq m of industrial floorspace and 32,000 sq m of office floorspace in Mid Devon.

5.2.16   A long-list of sites provided by Mid Devon District Council can be seen in Appendix 4. These sites currently provide over 1 million sq m of employment space. Mid Devon District Council officers indicate there is generally a good supply of premises in the District. Landlords are able to fill all sites that are available. There are no significant vacant sites that aren't taken up. Much of the demand is coming from outside the local area.

5.2.17   Allocations and proposed allocations in Mid Devon amount to some 58 ha of further employment land. This includes 25 ha (out of a total of 70 ha) at the proposed regional tourism, leisure and retail destination at Junction 27 of the M5. The Local Plan aspiration is to deliver over 150,000 sq m of employment space over the plan period (to 2033).

Teignbridge

5.2.18   VOA data from 2012 shows a stock of 542,000 sq m of industrial floorspace and 76,000 sq m of office floorspace.

5.2.19   According to the District Council, Teignbridge has approximately 150 ha of currently developed employment sites. Most employment sites in Teignbridge are full. The District Council is trying to bring forward new sites to increase the supply. However, the greatest barriers to the development of new sites are landowners 'holding out' for alternative land uses (and associated higher values), the need to get power to new sites, and the time taken to do this. Lack of highways access into sites is also a constraint. Local planning officers

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[28] Development Delivery Development Plan Document (DDDPD) is an emerging plan which has yet to be submitted to the Secretary of State.

indicate that limited speculative development is taking place, and allocated sites are not being brought forward. It is suggested that this is due to concerns about the viability of speculative development, and the difficulty securing investment to undertake this.

5.2.20 Local Plan allocations amount to approximately 59 ha of further employment land. In addition there is scope for more land to be permitted or allocated in the future, for example at the Peamore site, South West of Exeter. The Local Plan aspiration is to deliver 3 ha of employment land per year over a 20 year plan period, so around 60 ha in total.

General points

5.2.21 A number of more general points have been raised, particularly through the consultations that were undertaken to inform this report. When discussing the supply of employment land, it was noted that few new business parks have been established in recent years, with Mid Devon Business Park being the most recent, in 2006. Development industry consultees suggest that the public sector (e.g. English Partnerships and the South West RDA) used to put the infrastructure in place, which allowed developers to build out plots. Public sector direct intervention is not happening any more, leading to a decline in the rate of development.

5.2.22 During a consultation session with local property professionals in November 2016, it was suggested that there is a shortage of supply of industrial premises in the local area, e.g. occupiers looking for 2,000 sq m (20,000 sq ft) in Exeter will now have to look further afield. The stock of high quality space in particular is very limited. If occupiers have a six month window for search and occupation then they are likely to be disappointed, with a typical search taking 18 months to two years to find a new facility.

5.3 Historical rate of employment land take-up

5.3.1 Where possible data has been gathered on the take-up of employment land in each of the Districts in previous years. Where available, gross and net figures are presented on the basis of local records. VOA data is also presented. It is important to highlight some issues around comparison of the data. Firstly, the VOA dataset was an experimental one, meaning it is a helpful but not definitive guide. Secondly, the method used for producing the VOA data differs from the local completions datasets, and each dataset covers a different time period, which means they are not directly comparable. Allowing for these factors, this analysis needs to be given consideration when assessing the future need for employment land. Further details on the rate of take-up are set out in Appendix 4.

East Devon

5.3.2 Local data on employment land development in East Devon from 2007/8 to 2014/15 amounts to a gross provision of 28.6 ha, which equates to 3.6 ha per year. This has led to a net delivery of approximately 61,000 sq m of B Use Class employment space, which equates to just over 7,600 sq m per year over this period.

5.3.3 Gross[29] figures and B-use duplication[30] figures are not currently available for East Devon due to insufficient data.

5.3.4 VOA data for the period 2000 to 2012 shows the change in stock of offices and industrial premises in East Devon. Over this period the office stock in East Devon increased by 26,000 sq m or around 2,000 sq m per year. The industrial property stock increased by 142,000 sq m or 12,000 sq m per year. This covers a different period, and is not directly comparable to that shown in the paragraph above.

Exeter

5.3.5 Local data on completions in Exeter over the period from 2006/7 to 2011/12 amount to a gross provision of 17 ha, which equates to 2.8 ha per year. Since 2012 monitoring of completions has not been comprehensive, and approximately 4.2 ha of gross completions have been identified over a three year period, so approximately 1.4 ha per year.

5.3.6 Further analysis of local data indicates a net provision of 5.4 ha from 2006/7 to 2011/12, which equates to a net gain of around 0.9 ha per year. This has led to the delivery of approximately 54,100 sq m of B Use Class employment space, which equates to just over 9,000 sq m per year over this period.

5.3.7 B Use duplication figures are not currently available for Exeter due to insufficient data.

5.3.8 VOA data for the period 2000 to 2012 shows the change in stock of offices and industrial premises in Exeter. Over this period the office stock in Exeter increased by 86,000 sq m or around 7,000 sq m per year. The industrial property stock increased by only 8,000 sq m or less than 1,000 sq m per year.

Mid Devon

5.3.9 Local data on completions in Mid Devon over the period from 2006/07 to 2014/15 amount to a gross provision of 11 ha, which equates to around 1.2 ha per year. This has led to the delivery of approximately 53,000 sq m of B Use Class employment space, which equates to nearly 5,900 sq m per year over this period.

5.3.10 Net figures and B-use duplication figures are not currently available for Mid Devon due to insufficient data.

5.3.11 VOA data for the period 2000 to 2012 shows the change in stock of offices and industrial premises in Mid Devon. Over this period the office stock in Mid Devon increased by 7,000 sq m, or less than 1,000 sq m per year. The industrial property stock increased by 25,000 sq m or 2,000 sq m per year. Whilst noting that it covers a different period, this is a lower rate than that suggested in the paragraph above.

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[29] Gross take up measures the total sq m of B use floorspace developed over the relevant period, regardless of the land's previous use class.

[30] Duplicate take up measures the net gain in B use floorspace, accounting for instances where a B use development replaces existing B use floorspace.

Teignbridge

5.3.12 Local data on completions in Teignbridge over the period from 2010/11 to 2015/16 amounts to a gross provision of approximately 41,900 sq m of B Use Class employment space, which equates to nearly 7,000 sq m per year over this period.

5.3.13 Further analysis of local data indicates a net provision of approximately 16,100 sq m of B Use Class employment space, which equates to nearly 2,700 sq m per year over this period.

5.3.14 Information on change of use class indicates that 22% of new B Use Class floorspace provision over this period was simply replacing historic B Use Class floorspace.

5.3.15 VOA data for the period 2000 to 2012 shows the change in stock of offices and industrial premises in Teignbridge. Over this period the office stock in Teignbridge increased by 17,000 sq m or more than 1,000 sq m per year. The industrial property stock increased by 93,000 sq m or 8,000 sq m per year. Again the local data and VOA data show different period, but do vary considerably.

Greater Exeter

5.3.16 In total, local data for the four districts are showing completions of approximately 30,700[31] sq m of B Use Class employment floorspace per year in recent years[32].

5.3.17 More historic data from the VOA shows the change in total stock of employment premises over the period from 2000 to 2012 of an additional 136,000 sq m of office space (c.11,000 sq m per year, of which 7,000 sq m per year was located in Exeter), and 268,000 sq m of industrial property (c.22,000 sq m per year, of which 12,000 sq m per year was located in East Devon and 8,000 sq m per year was located in Teignbridge).

5.4 Conclusions: Current employment land

5.4.1 Comparable up-to-date local data on the current stock of employment land across all of the Greater Exeter districts is not good quality. The local authorities have been able to provide some data, but this is not all up-to-date or comprehensive. VOA data, which is more comparable across the Greater Exeter area, has not been compiled since 2012.

5.4.2 Data on recent take-up of employment space is also inconsistent, but we have identified take-up of around 30,000 sq m of B Use Class employment space per year in recent years.

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[31] Figure should be treated with caution – gross figures are unavailable for East Devon, so the net figure from this District has contributed to the Greater Exeter total, as opposed to gross figures from the other four Districts.
[32] Site completions data for Teignbridge was unavailable in hectares, meaning a Greater Exeter total in ha is not available.

6   Future Employment Growth Scenarios

6.1.1   This chapter sets out a summary of technical work undertaken to develop robust future employment growth scenarios for the Greater Exeter area. Further detail is set out in the appendices, including detailed data tables for the HMA, GESP area and Dartmoor National Park.

6.2   Baseline Forecasts and Scenario Development

6.2.1   Economic forecasts have been sourced from two leading forecasters, Experian and Cambridge Econometrics (CE). The most recent SHMA for the Exeter Housing Market Area used both Cambridge and Experian projections to inform the jobs led housing projections, and therefore it was decided to use these two models once again to maintain consistency. Forecasts were sourced for each local authority area relevant to the study[33]. The forecasts were prepared using demographic projections data provided by Devon County Council in order to align with the Strategic Housing Market Assessment (SHMA). The local authority level forecasts were then adjusted to align to the HMA, GESP and DNP geographic areas[34].

6.2.2   There is often discussion as to whether such forecasts should be termed 'policy on', 'policy off', 'baseline' or 'business as usual'. Each of these terms has both helpful and unhelpful connotations. Nevertheless, there is a need to use some form of terminology within this report. We therefore clarify the following:

- The forecasts as initially provided by the forecasters are referred to in this report as *baseline* forecasts. This enables a contrast between the original forecast scenarios and any adjusted scenarios that are considered.
- However, the forecasters' 'baselines' draw on historical economic performance of the area as one of the determining factors. They also draw on detailed analysis of national economic potential. The forecasts are not therefore developed in a policy vacuum or absence. Whilst they are not developed with explicit reference to future local policy, the historic period on which they draw also included efforts from national, regional and local economic development stakeholders to deliver a prosperous economy.   A level of economic development action is therefore inherent within the forecasts.   For this reason, the term 'business as usual' can appear more helpful. However, this implies no consideration is taken of wider economic factors, which will determine the economic prospects of the UK economy. This would be a misinterpretation.
- Nevertheless, the local baseline forecasts do not take account of any specific local policy initiatives.

6.2.3   In order to validate the baseline forecasts they have been tested against:

- Historical economic performance of the area;
- Existing policy and strategy ambition; and

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[33] East Devon, Exeter, Mid Devon, South Hams, Teignbridge and West Devon.
[34] This was based on existing shares of employment by sector.

- Local intelligence on economic drivers and sectoral prospects.

6.2.4 Following this review, including workshops with both public and private sector stakeholders it was determined that four[35] alternative scenarios should be developed for the study area.

- A hybrid scenario, which is an average of the Experian and CE forecasts to provide a central view.
- A first alternative scenario (Alt 1), which adjusts the hybrid scenario to take account of:
  - Consultations with local authorities which suggest the baseline forecasts were overly pessimistic for the Manufacturing sector, particularly in Mid Devon;
  - Adopting a position above the mid-point of the Experian and CE scenarios for the Construction sector to reflect the ongoing growth plans for the Greater Exeter area;
  - Adopting the higher estimate (i.e. Experian) for the Transport & Storage sector to reflect the strong demand from logistics and distribution operators in the Greater Exeter area; and
  - Adopting the higher estimate (i.e. Experian) for the tourism sector (Food Service & Accommodation) to reflect economic development aspiration for the sector.
- A second alternative scenario (Alt 2), which makes uplifts linked to the potential impacts of the Innovation Exeter programme, a new Exeter Science Park and Enterprise Zone. This included specific uplifts to the Business Services (including R&D and Professional Services sectors) and Information & Communications sectors.
- A third alternative scenario (Alt 1+2), which combines the adjustments from the first and second alternatives.

Note: the scenarios are not mutually exclusive, but neither are they dependent on one another e.g. it is possible for the second alternative scenario to occur without the first etc.

6.3 Brexit

6.3.1 The CE baseline forecasts contained within this report were prepared in advance of the leave vote in the referendum on the UK's membership of the EU. Therefore, they do not take into account the potential implications of the leave vote. The Experian forecasts were prepared shortly after the referendum, and whilst some account of 'Brexit' was taken, very little was known as to the full implications. The Experian forecasts are based on a 'soft-Brexit' which mutes any effects on the long-term performance of the UK economy, but does allow for uncertainty in the period to 2021.

6.3.2 Nine months after the referendum the potential economic implications of Brexit remain hotly debated and disputed. There is considerable uncertainty as to the exact timing and nature of the terms on which the UK will leave the EU. This creates substantial uncertainty for economic forecasters when assessing future growth trajectories.

6.3.3 The majority of debate at the current time points to downside risks to the UK economy, not least due to the high degree of uncertainty in the short term. There is no substantive body of

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[35] The hybrid scenario only was prepared for the Dartmoor National Park area, because the alternative scenarios were concerned with adjustments for manufacturing and science park activity, which aren't likely to take place in the Dartmoor National Park.

evidence suggesting any major risks to the growth trajectory of either the UK or the Greater Exeter economies from a higher growth rate than forecast. There may be local opportunities to strengthen infrastructure, with the national government looking to improve infrastructure to prepare the economy for life outside the EU. Manufacturing could see a strong return to the UK as local production of goods could become more cost effective that importing them. Growth is especially likely to be biased towards higher value manufacturing. As access to migrant workers diminishes after leaving the EU, labour supply will be tested, particularly in food & drink production and health & social care. With risks to farming subsidies, it is unclear whether or not these losses will be offset by increased opportunities to provide a greater share of domestic supply. The tourism sector could do well, taking advantage of likely increases in domestic holidays. Public services are likely to be widely unaffected by Brexit (apart from health & social care).

6.3.4   In light of the above, HJA has discussed this matter with economic forecasters and with Council officers. It has been determined that due to the level of uncertainty it is appropriate to continue with the analysis as set out at this stage. However, an update of the EDNA is planned for 2018 which will allow for more explicit account to be taken of Brexit, when further details are available to feed in to forecasting models.

6.4   Baseline Scenarios

6.4.1   The analysis contained within this section is based on the full Greater Exeter HMA, comprising the districts of East Devon, Exeter, Mid Devon and Teignbridge.   This allows comparison of the Experian and CE baseline positions. CE also provides modelled historic data which is also illustrated within the charts to allow comparison of historic and future forecast performance.

Gross Value Added (GVA)

6.4.2   Figure 6.1 shows a comparison of forecast GVA growth over the period 2015-40 for each of the two baseline forecasts and the historic growth between 1990 and 2015. This shows a higher forecast GVA growth for the HMA arising from the CE model. The Experian forecast follows a similar long term trend, but with slower growth in the early period. This discrepancy is likely to reflect the timings of the forecast before and after the EU referendum.

Figure 6.1 – Historic and Forecast GVA Growth 1990-2040
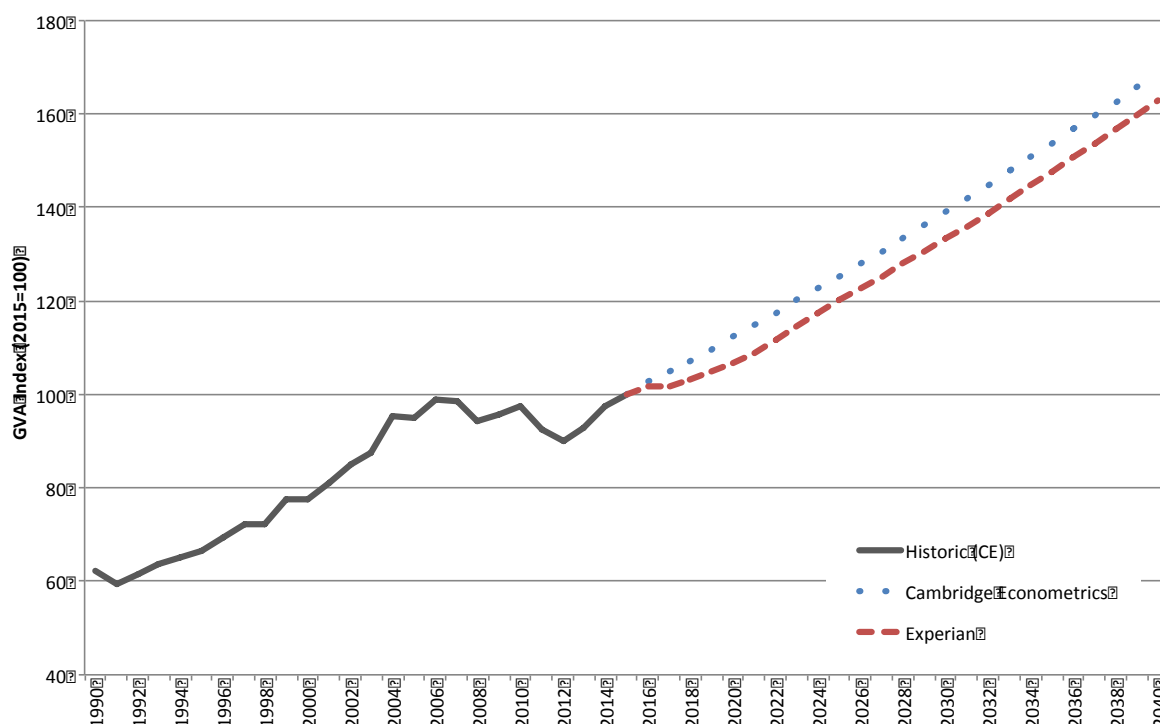
Source: HJA based on Experian and Cambridge Econometrics

Employment

6.4.3   Figure 6.2 shows the historic and forecast changes in total employment across the HMA. Comparing the Experian and CE forecasts shows a very similar pattern to the GVA analysis above.   The forecast trend is shallower than that experienced since 1997, but close to the long-term trend when looking back 25-years.   This reflects the forecasters expectations of both global and national economic growth potential and the future labour supply.

6.4.4   Figure 6.2 details the absolute employment change.   This provides a range of 36,200 – 41,900 net additional jobs over the forecast period. This equates to around 1,400 – 1,700 jobs per annum.

Figure 6.2 – Headline Employment Forecasts 2015-40

	Absolute Employment Change	Percentage Employment Change
Cambridge Econometrics	41,900	16%
Experian	36,200	14%

Source: HJA based on Experian and Cambridge Econometrics

Figure 6.3 – Historic and Forecast Employment Growth 1990-2040
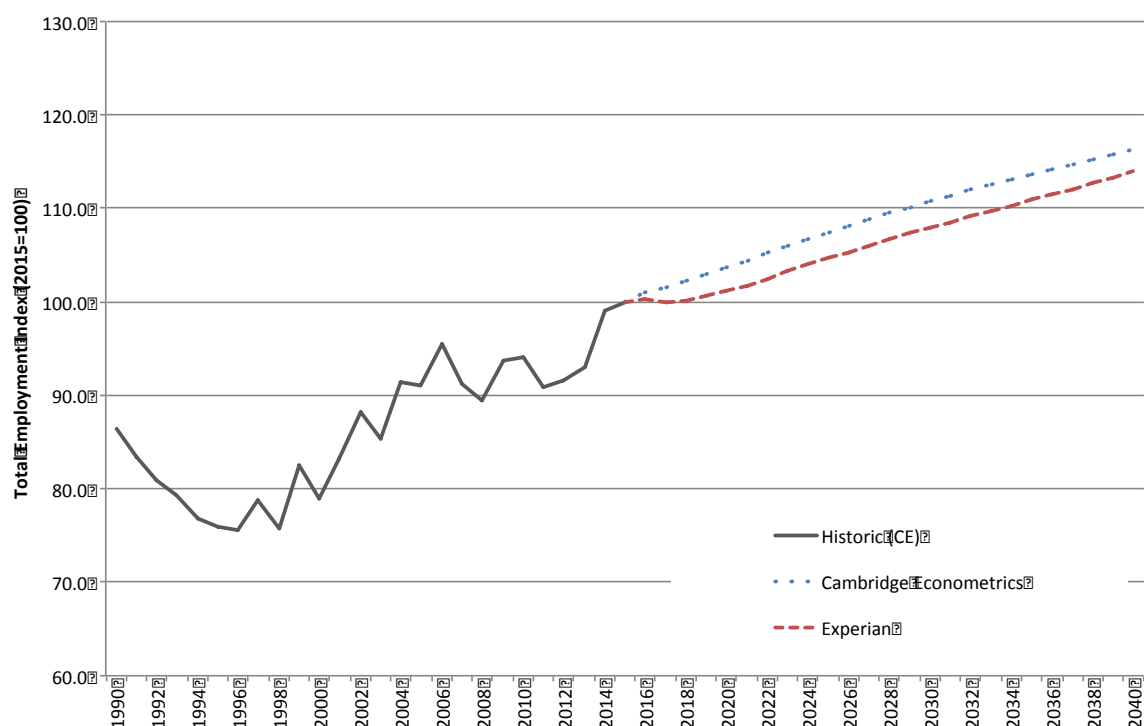
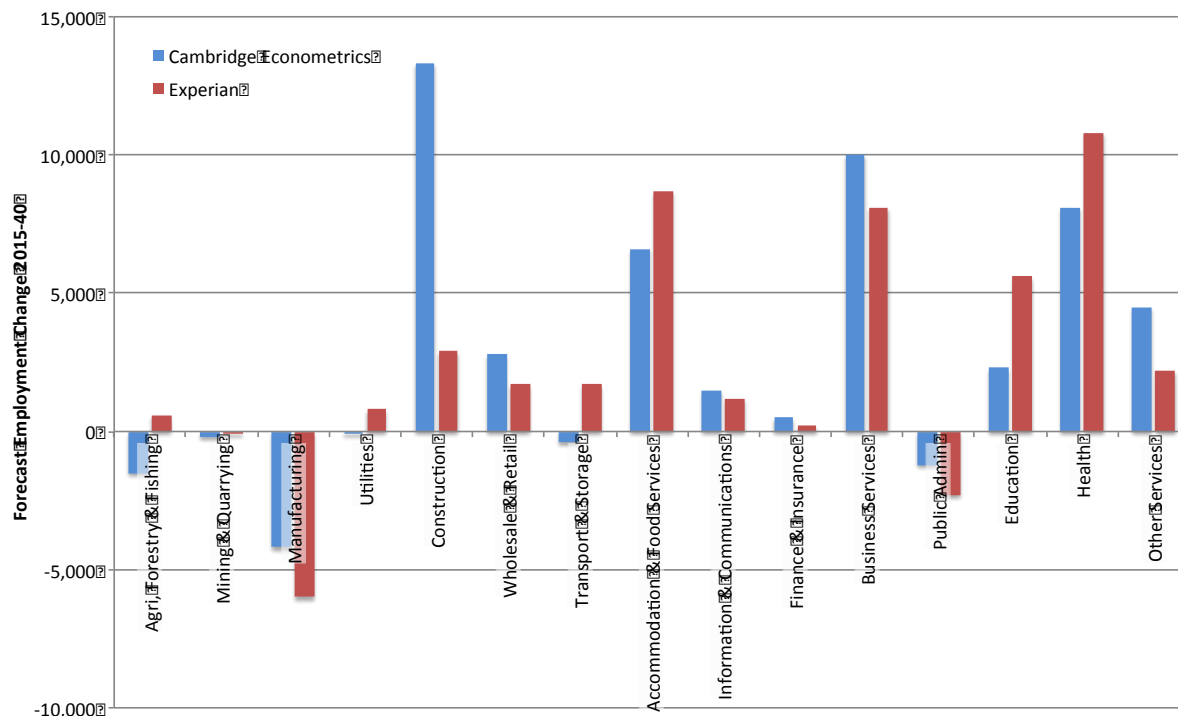*Source: HJA based on Experian and Cambridge Econometrics*

Labour Supply

6.4.5   The baseline forecasts were prepared using the population projections that were prepared to inform the Greater Exeter SHMA in order to ensure alignment. These were higher than the inherent population projections developed by the forecasters themselves, and so led to higher levels of forecast employment and GVA growth than would have otherwise been the case.

Employment Change by Sector

6.4.6   Figure 6.4 sets out a comparison of employment change by sector over the period 2015-2040. This shows a notable degree of variation between the sectoral distribution of forecast employment growth arising from the Experian and CE modelling. The most notable discrepancy is within the Construction sector, with CE forecasting a substantially higher rate of employment growth. This difference is a result of the varying approaches to modelling taken by the two forecasting houses.

6.4.7   Figure 6.4 presents the same data but with percentage change. This allows more direct comparison between sectors by removing the effects of the overall size of each sector.

6.4.8   Employment growth is forecast across the majority of sectors, most notably within Accommodation & Food services (which includes a large part of the tourism sector), Business Services, Education and Health.

6.4.9   Employment declines are forecast in the Mining & Quarrying, Manufacturing and Public
         Administration sectors.   There are conflicting opinions between the two forecasters as to
         whether the Agriculture, Utilities and Transport & Storage sectors will grow or decline.

Figure 6.4 – Forecast Employment Change 2015-40 – Absolute Numbers

*Source: HJA based on Experian and Cambridge Econometrics*

Figure 6.5 – Forecast Employment Change 2015-40 – Percentage Change
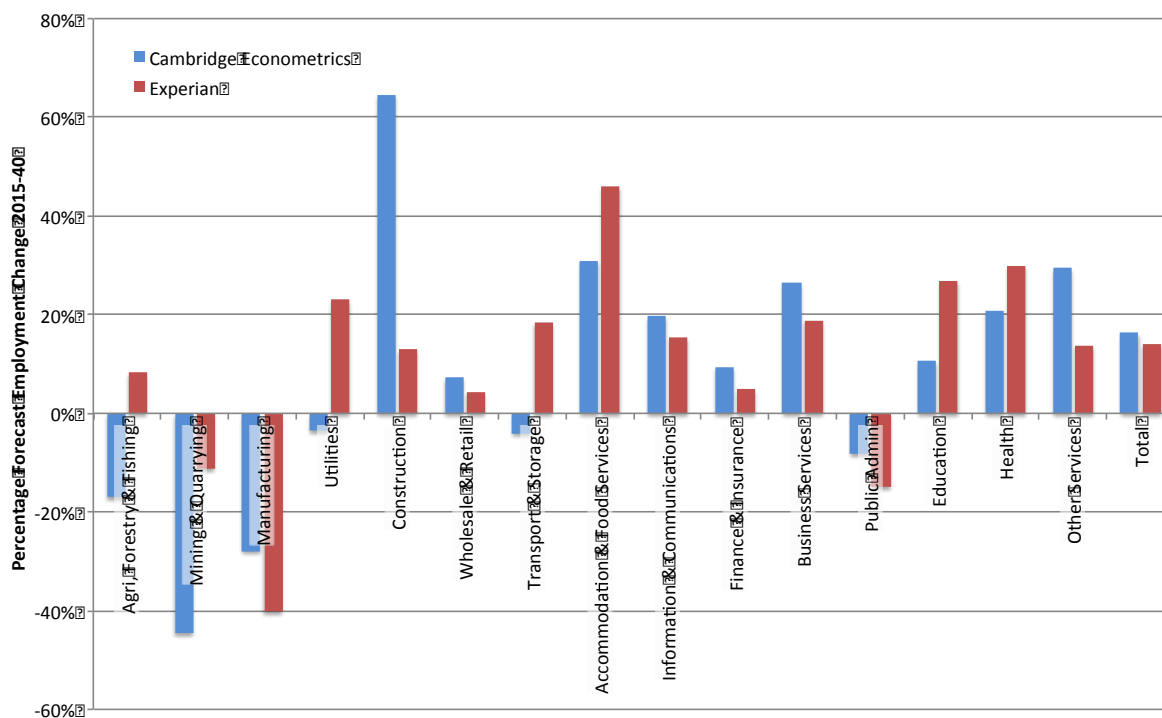

Source: HJA based on Experian and Cambridge Econometrics

6.4.10 A workshop with both economic development and planning officers from across the Greater Exeter area was held to discuss the baseline forecasts. This considered each sector in turn, in order to capture local intelligence related to future growth prospects. This process was used to inform the development of alternative scenarios. It was agreed that:

- A hybrid or average scenario should be developed based on the two sets of forecasts. This would provide a central view combining the differing outlooks of the two forecasting houses.
- Three alternative scenarios should be developed reflecting local evidence.
  - A first alternative hybrid scenario which took account of potential within the manufacturing, construction, logistics and tourism sectors to perform ahead of the hybrid average position.
  - A second alternative scenario, which makes uplifts linked to the potential impacts of the Innovation Exeter programme, a new Exeter Science Park and Enterprise Zone. This includes specific uplifts to the Business Services (including R&D and Professional Services sectors) and Information & Communications sectors.
  - A third alternative scenario, which combines the adjustments from the first and second alternatives.

6.4.11 Figure 6.6 and Figure 6.7 illustrate the hybrid and alternative scenarios in terms of both headline employment change and sectoral employment change. The most notable sectoral boost in absolute terms is within the business services sector, recognising the potential of Innovation Exeter and the Enterprise Zone to attract additional high value knowledge intensive jobs to the area.

6.4.12 The three alternative scenarios include employment growth beyond the highest of the baseline options with 43,500, 44,200, and 48,700 net additional jobs respectively. Whilst these scenarios are indicative they will require additional labour supply. These scenarios should be considered as illustrative.

Figure 6.6 – Total Employment Change 1990-2040 – Alternative Scenarios
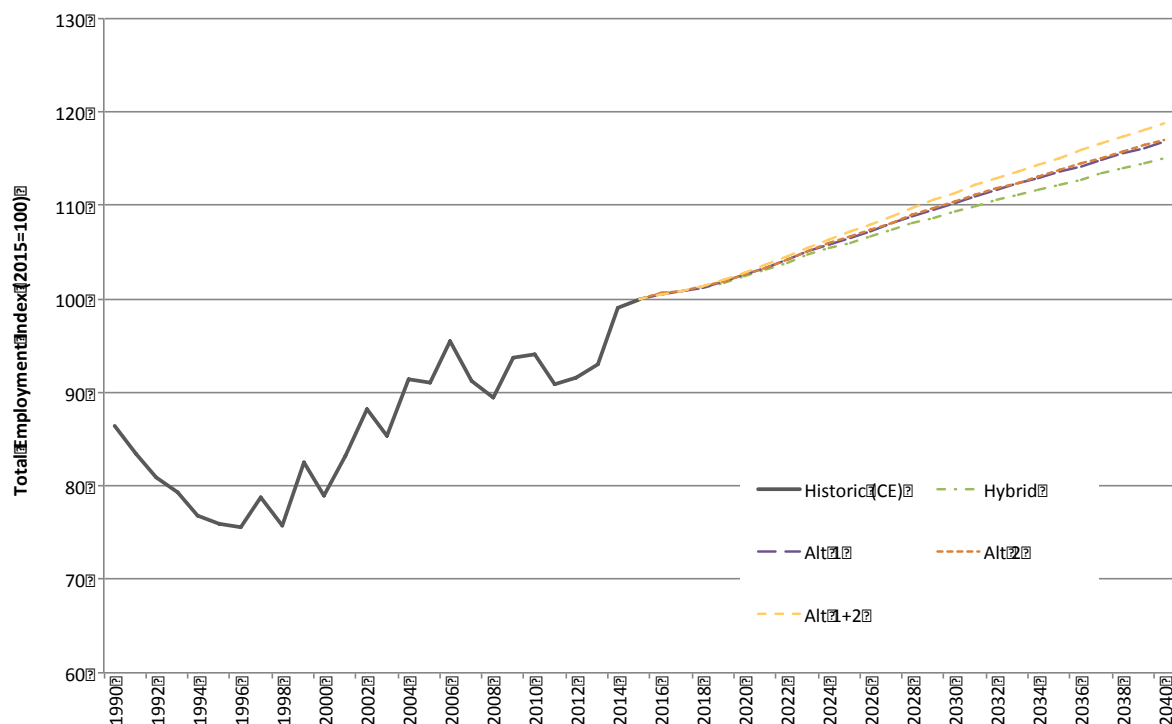
Source: HJA

Figure 6.7 – Employment Change by Sector 2015-40 – Alternative Scenarios
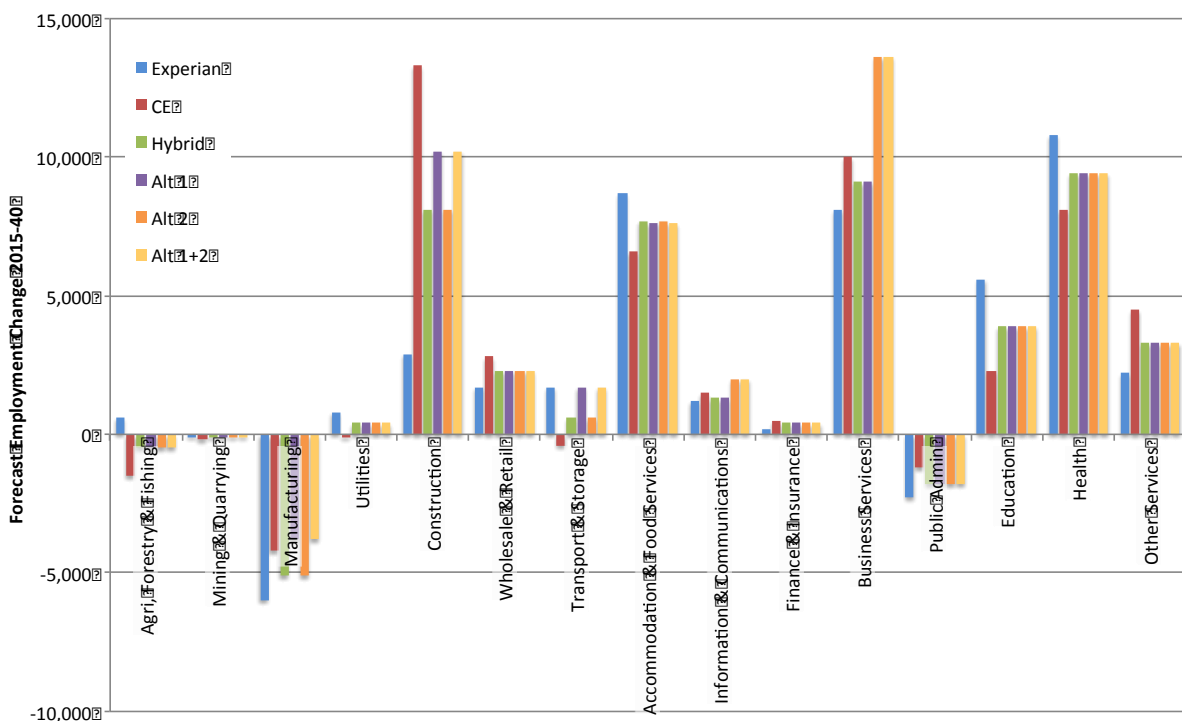
Source: HJA

Employment Change by Use Class

6.4.13   The analysis above has focused on employment by sector within the economy. In beginning to understand the implications for future sites and premises requirements it is helpful to consider how future employment change will be spread across Use Classes.

6.4.14   The sectoral employment projections have been converted to Use Classes using the conversion matrix set out at Appendix 5 to this report. This matrix has been developed using fine-grained employment data for the Greater Exeter area from the ONS Business Register and Employment Survey to ensure it captures the nature of sectoral strengths in the study area. A headline schedule of the various Use Classes is provided below.

Figure 6.8 – Use Classes Summary

Use Class	Description
A1	Retail
A2	Financial and Professional Services
A3	Restaurants and Cafes
A4	Drinking Establishments
A5	Hot Food Takeaways
B1a	Offices (other than those within A2)
B1b	Research and Development
B1c	Light Industrial
B2	General Industry
B8	Storage and Distribution
C1	Hotels
C2	Residential Institutions
C3	Dwellings
D1	Non Residential Institutions
D2	Assembly and Leisure
Sui Generis	

6.4.15   The B Use Class includes business, industrial and storage/distribution uses.   These have often been viewed as the primary employment Use Classes. However, many jobs fall within other Use Classes including jobs in retail, customer services, hotels, leisure and catering, health, education and construction. Some jobs are entirely mobile and require no sites or premises base at all.

6.4.16   Figure 6.9 shows that there is net growth in each of the broad Use Classes. These figures are based on total jobs forecasts. The greatest concentration of growth is employment that does not require its own property provision, such as homeworking, itinerant workers e.g. construction trades, and those jobs accommodated within other workplaces such as security and cleaning.

Figure 6.9 – Net Additional Jobs by Use Class (2015-2040)

Use Class	Hybrid	Alt 1	Alt 2	Alt 1+2
A	+6,700	+6,700	+7,200	+7,200
B	+2,000	+3,400	+4,500	+5,900
C	+6,900	+6,900	+7,000	+7,000
D	+6,400	+6,400	+6,500	+6,500
Sui Generis	+1,600	+1,700	+1,900	+2,000
None[36]	+15,300	+18,300	+17,200	+20,100
Total	+39,000	+43,500	+44,200	+48,700

Source: HJA Analysis

Figures may not sum due to rounding

6.4.17   Figure 6.10 shows the growth in each of the broad Use Classes based on FTE jobs forecasts. This analysis will be used to inform employment land forecasts in the next chapter.

**Figure 6.10 – Net Additional FTE Jobs by Use Class (2015-2040)**

Use Class	Hybrid	Alt 1	Alt 2	Alt 1+2
A	+5,100	+5,100	+5,400	+5,400
B	+1,100	+2,500	+3,400	+4,700
C	+5,200	+5,200	+5,200	+5,200
D	+4,800	+4,800	+4,800	+4,800
Sui Generis	+1,300	+1,400	+1,600	+1,600
None	+13,300	+16,100	+14,900	+17,700
Total	+30,800	+34,900	+35,200	+39,400

Source: HJA Analysis

Figures may not sum due to rounding

6.4.18   Figure 6.11 sets out the spread of forecast employment by Use Class in more detail. This shows that five categories dominate: growth in employment within the A3-A5, B1a office, C2 and D1 Use Classes as well as that which falls outside of all fixed property requirements. The forecast decline in manufacturing employment leads to a net decline in jobs within the B2 Use Class which therefore mutes the overall growth within the B Use Class shown in the table above. Growth in C2 and D1 employment relates to the strong forecast growth in education and health sectors.

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[36] This category accounts for jobs that do not use any employment space.

Figure 6.11 - Forecast Change in Employment by Use Class 2015-40 –Hybrid Scenario (HMA)
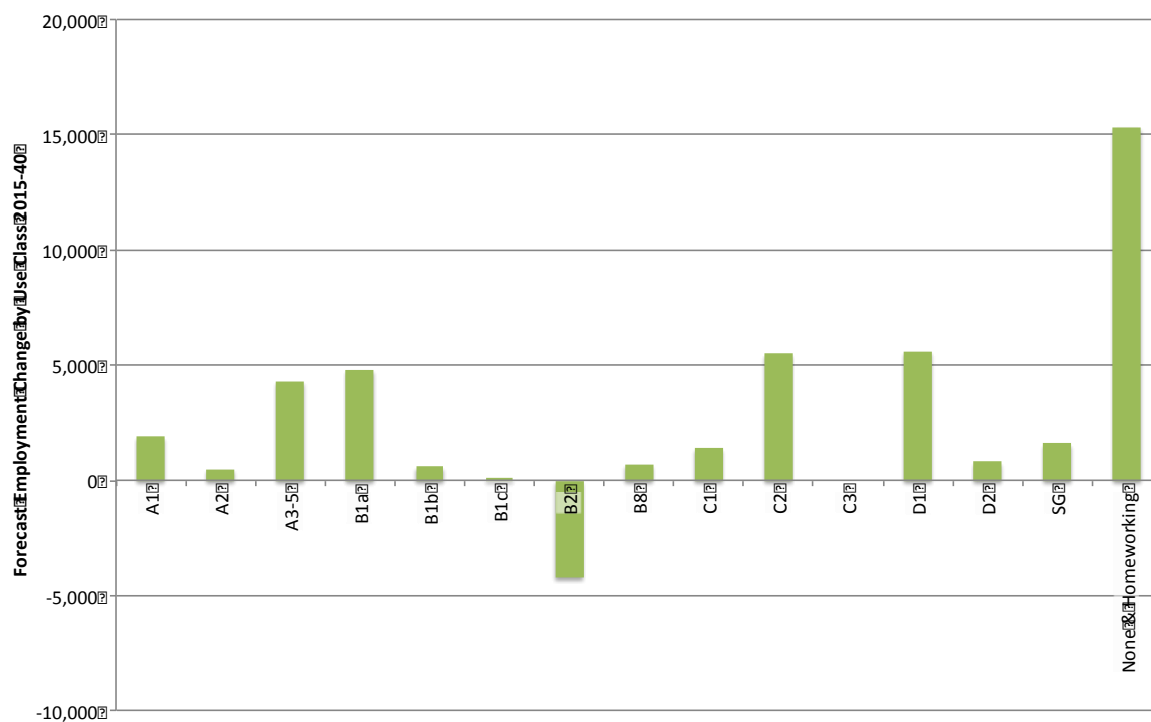
Source: HJA Analysis

6.5   Greater Exeter Strategic Plan Area Analysis

6.5.1   The preceding analysis relates to the HMA in its entirety. The following sets out the headline results for the GESP area. This excludes those parts of Mid Devon and Teignbridge that fall within the Dartmoor National Park (DNP).

6.5.2   In economic terms the GESP area covers the vast majority of the HMA. An LSOA level definition of the DNP was provided by the DNP Authority. On this basis the GESP accounts for 97.5% of employment within the HMA.

6.5.3   The analysis for the GESP area follows an identical methodology to that of the HMA. The results are very similar as illustrated in Figure 6.12.

Figure 6.12 – Forecast Change in Employment by Use Class 2015-40 – Hybrid Scenario (GESP)
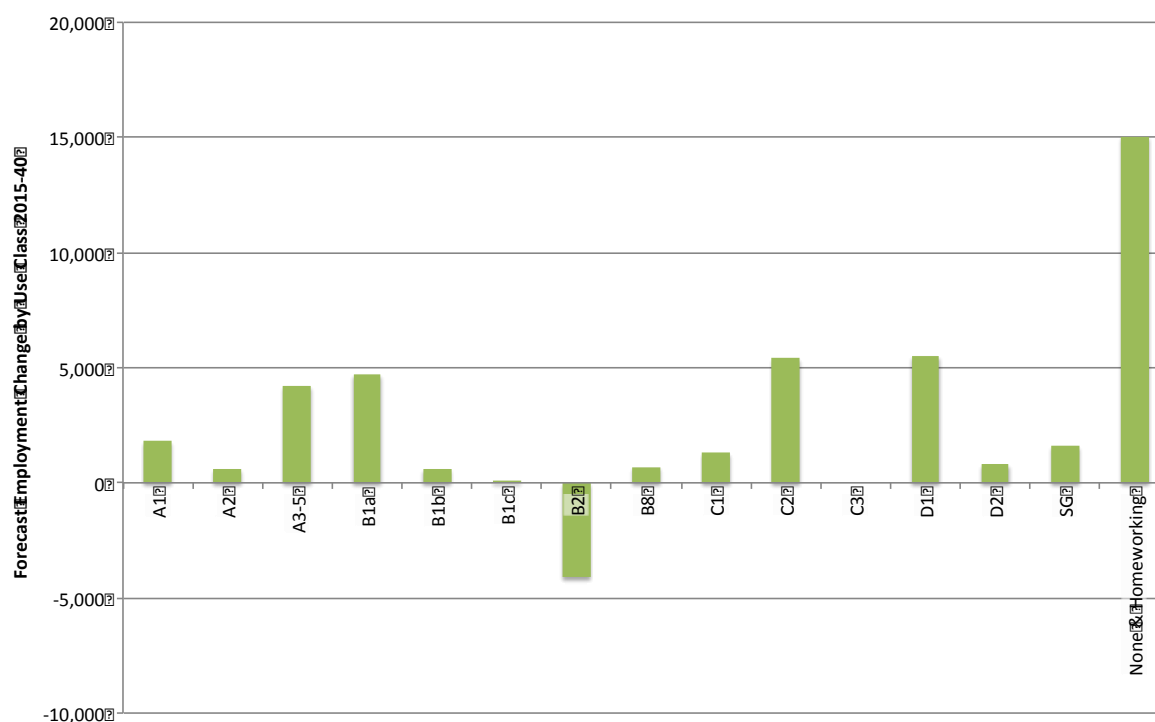
Source: HJA Analysis

6.6 Dartmoor National Park

6.6.1   Analysis has also been completed for the Dartmoor National Park area. This has considered the Experian, CE and Hybrid scenarios only. Forecast employment change by sector for the three considered scenarios is set out in Figure 6.13. Experian forecast total employment growth of 1,060 jobs across the 25-year period, compared with 2,370 by CE. The differing views of the construction sector account for half of this difference. The remainder is distributed across a range of other sectors. In percentage terms Experian forecast 10% employment growth compared with 24% from CE.

6.6.2   The hybrid scenario forecasts growth of 1,710 net additional jobs over the 25-year period. This equates to approximately 70 jobs per annum. This equates to 17% growth over the entire period.

Figure 6.13 – Forecast Change in Employment by Sector 2015-40 – DNP
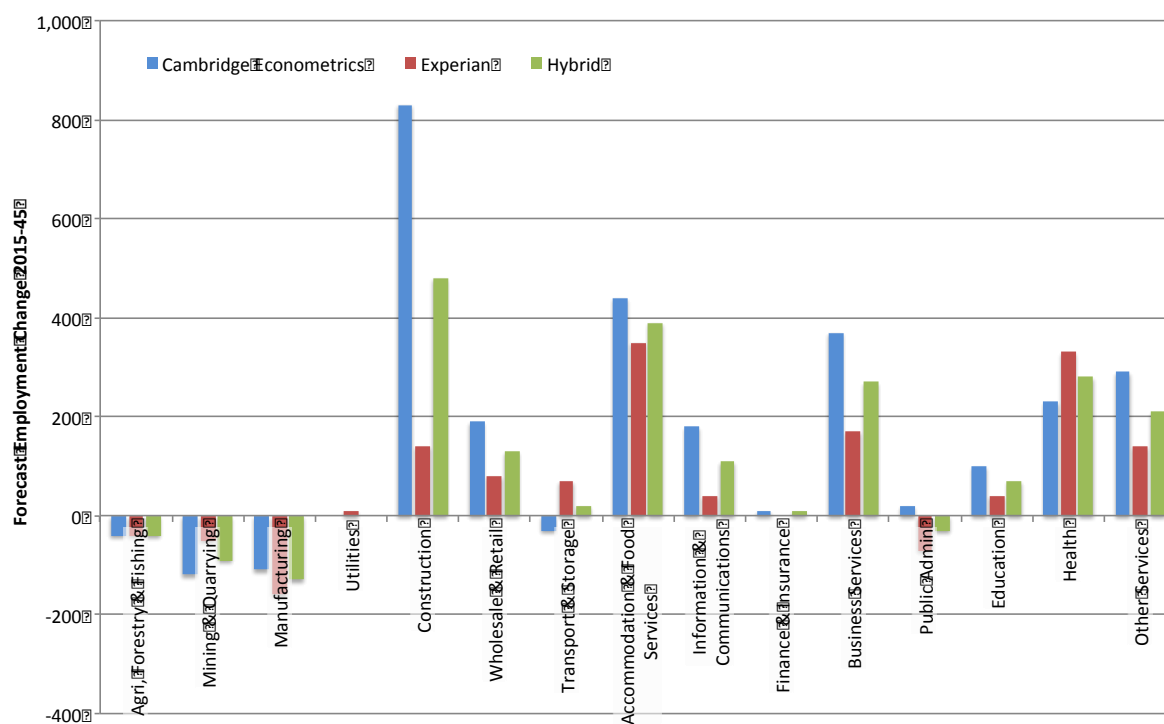
Source: HJA Analysis based on Experian and Cambridge Econometrics

6.6.3   Employment change by Use Class is shown in Figure 6.14. This indicates a broadly similar pattern to the GESP area, but with higher proportions within the A1, A3-5 and C1 Use Classes. This reflects the stronger tourism and related activity within the DNP area.

Figure 6.14 – Forecast Change in Employment by Use Class 2015-40 – Hybrid Scenario (DNP)
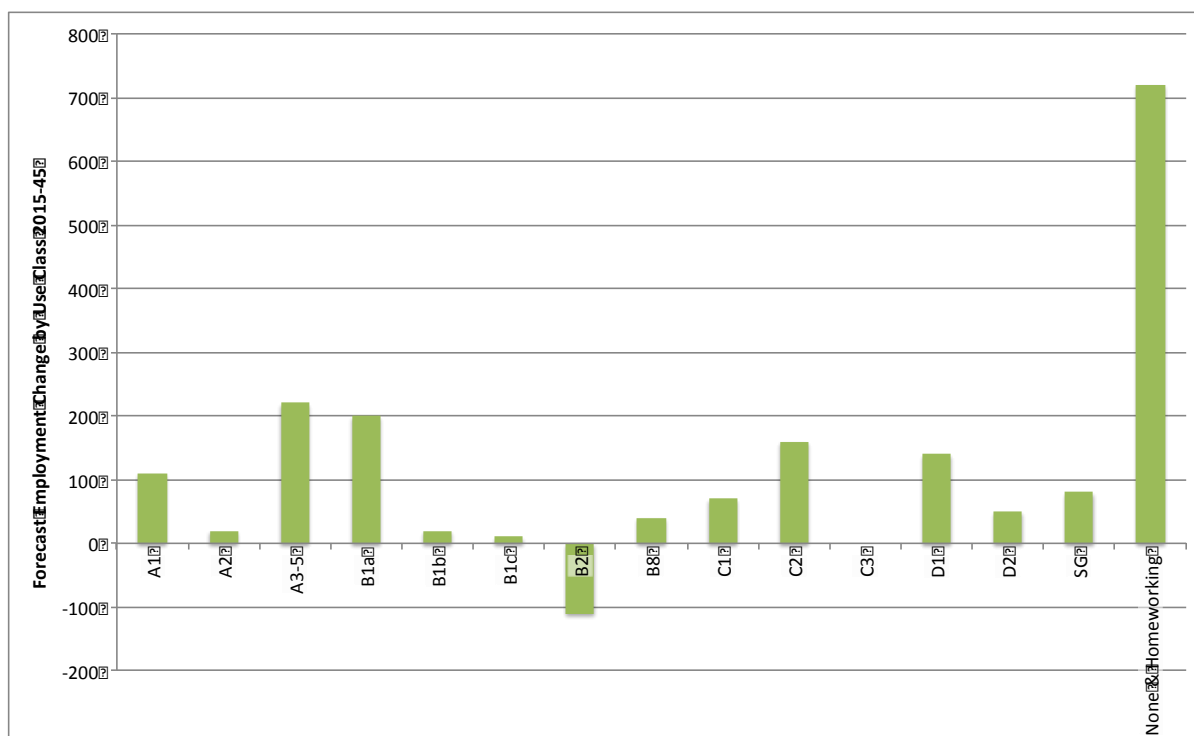
Source: HJA Analysis

7 Future Sites and Premises Requirements

7.1.1 This chapter builds on the preceding analysis to develop an understanding of likely future employment sites and premises requirements across the Greater Exeter area.

7.2 Methodology

7.2.1 The assessment of future requirements contained within this report is not designed to be a detailed prediction of exactly what will happen in the future. Any exercise which includes an element of forecasting includes substantial risk and uncertainty. Therefore, the results of this exercise are not intended to be the basis of a 'predict and provide' policy response. Rather, the approach is designed to bring together available evidence in order that there is a clear basis on which to consider policy options, in conjunction with other complementary, or potentially competing evidence. In particular, the method has been designed in line with national policy and best practice guidance to help inform the development of the Greater Exeter Strategic Plan and local plans for the constituent authorities and Dartmoor National Park, specifically to inform policies around the provision of land for employment. Policies should be regularly reviewed in the light of new evidence and the passing of time as part of the on-going planning policy development and review process. There is a separate comprehensive retail study underway for the GESP area, which should be given more weight than this approach.

7.2.2 Slightly different methodologies are used for considering the land and floorspace implications of employment change within different Use Classes. These result from the varying availability of robust evidence to inform assumptions and the level of maturity of assessment techniques.

A Use Classes

7.2.3 There is some available information to make a headline assessment of net additional floorspace requirements using the employment density method for A Use Classes. However, there are also other more traditional methods for assessing future floorspace requirements, particularly for retail use. As a result, the assessment for the A Use Class is set out as indicative. It should also be noted that for retail uses the guidance on floorspace per worker includes a wide range. The employment forecasts do not segment the changing structure of retail activities and therefore detailed retail analysis will provide more comprehensive consideration of future requirements.

B Use Classes

7.2.4 Our approach to assessing the scale of growth within the B Use Class is summarised in the figure below and supporting text. Further details of assumptions are set out within Appendix 6.

Figure 7.1 - Assessing employment in the B Use Class
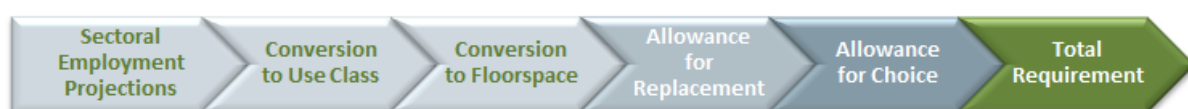
7.2.5   The sectoral employment projections are converted to Use Class and then to property and land requirements using employment and development density assumptions. This provides the first element, reflecting the projected net change in the economy.

7.2.6   The second stage then considers wider market factors, particularly the need to recognise the churn in the economy and the associated need to replace and upgrade property stocks. For example, whilst the manufacturing sector as a whole has experienced well-documented decline in its employment base, there has been a continued demand for new premises within which to operate. This demand can be driven by existing companies needing more/less space, a different location, or a different type of premises. It can also be driven by new companies in the market, which may not find the right type of property available in the right location within the market. As a result, whilst overall a sector may be in decline (although this still applies to growing sectors too), there are changes beneath the surface that continue to drive demand. This can be a particular issue where existing stocks are ageing or where vacant sites are no longer in the locations that are suitable to modern occupiers.

7.2.7   The third element of the assessment builds in an allowance for choice and flexibility. This element needs to take account of offering location choice as well as choice in terms of the type of property and setting.

7.2.8   Within the detailed assumptions employed as part of this model, local evidence has been used to ensure the approach is appropriate to the Greater Exeter area.

C and D Use Classes

7.2.9   Outside the A and B Use Classes the information available to allow the translation of jobs to floorspace is limited and generally insufficient to complete a full and robust assessment of future requirements. There is a very wide range of activities within these Use Classes with hugely varying sites and premises requirements, and therefore other more qualitative approaches are required.

7.2.10   Sectoral employment projections are translated into Use Class with the results set out in the previous chapter. This is an important step in understanding the scale and nature of change of employment within each Use Class.

Validation

7.2.11   The results of the quantitative assessment are tested against historic patterns of activity and other available evidence of a more qualitative nature to aid interpretation of the results and set the results in a wider context.

7.3   Net Additional Requirements

7.3.1   The following analysis provides brief headlines by Use Class. All totals are reported as gross external area (GEA). Best practice guidance[37] on plot ratios use a mix of net internal area (NIA), gross internal area (GIA) and gross external area (GEA). Density assumptions quoted

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[37] Homes and Communities Agency, Employment Density Guide 3rd Edition, November 2015.

in the text align to those in the guidance document. To convert to GEA an uplift is provided, +20% to convert NIA to GEA and +5% to convert GIA to GEA.

7.3.2   The analysis presented below assumes a direct link between employment and floorspace required. It is appropriate to caveat this approach with two important points. Firstly, if there is capacity within the existing stock of premises there will be the opportunity to accommodate some employment increases without the need for new space. Secondly, if there are changing working practices the ratio between workers and floorspace could change over time. The first of these issues is dealt with via consideration of vacancy and under-utilisation, which has been tested through consultations. No specific evidence relating to under-utilisation has been cited in our research. It is therefore assumed that whilst some occupiers may well be under-utilising their current facilities others may well be operating above capacity. Over the course of the plan period there is an opportunity for adjustment. We are not aware of particularly high vacancy rates at the current time, so there is no substantial capacity within the existing stock to accommodate future growth. A frictional vacancy rate of 5-10% is usually normal to enable the efficient workings of the market. There is also the fact that some stock is unsuitable. Secondly, the issue of changing working practices is considered at Appendix 6. In summary this concludes that whilst within the office sector there has been a trend towards occupation at increasing density, there is some evidence that this trend has now levelled off.

7.3.3   The following commentary relates to the hybrid scenario, based on the average of the Experian and CE baseline forecasts for the HMA. Floorspace requirements are provided on the basis of FTE jobs. Figure 7.1 also sets out the data for the three alternative higher growth scenarios for comparison purposes.

A1 Retail

7.3.4   Future retail floorspace requirements are traditionally assessed based on future expenditure patterns compared with current and planned capacity. The approach considered in this assessment is based on employment projections within the retail sector and therefore differs to the more traditional approach that is considered in other evidence.

7.3.5   Growth in employment within A1 retail is forecast at 1,900 net additional jobs across the HMA. This is equivalent to 1,500 net additional FTE jobs. Floorspace per worker varies from 15-20 sq m (NIA) for high street and foodstore retailers to 90 sq m (NIA) for retail warehouse activities. Using a figure of 20 sq m (NIA) to create a lower end estimate suggests a requirement for around 36,400 sq m of net additional new floorspace.

7.3.6   Given the differing nature of retail requirements, and the associated parking requirements for in-town and out of town locations, there will also be a broad range of plot ratios relating to such uses, with higher density development in settlement centres and much lower density development for food superstores and out of town retail warehouses. This creates challenges in converting outline floorspace estimates into land requirements. Any conversion would exaggerate the range of outcomes with both higher density of development and occupation in settlement centres and lower densities of both indicators out of town.

7.3.7   As stated previously, there is a comprehensive retail study underway for the GESP area. Conclusions on retail demand should not be made using the above employment forecasts alone. The emerging retail work should be heavily cross referenced.

A2 Financial & Professional Services

7.3.8   Growth in employment within A2 is forecast at around 500 net additional jobs. This is equivalent to 450 net additional FTE jobs. A2 jobs are primarily accommodated within settlement centres and district/local centres. Based on average floorspace per worker of 16 sq m (NIA) a total net additional requirement of around 8,800 sq m is forecast.

A3-A5 Food & Drink Uses

7.3.9   The A3-A5 Use Classes cover a range of settings including restaurants, cafes, pubs, bars and takeaways.   An additional 4,300 jobs in the A3-A5 Use Classes is forecast across the HMA. This is equivalent to 3,100 net additional FTE jobs.

7.3.10 Best practice guidance indicates a range of 15-20 sq m (NIA) of floorspace per worker, for this assessment the middle of the range has been adopted. On this basis a net additional requirement for 65,000 sq m is forecast.

B1a Offices

7.3.11 Some 4,800 net additional jobs are forecast within the B1a office Use Class.   This is equivalent to 4,000 net additional FTE jobs. Best practice guidance indicates a range of 8 to 13 sq m (NIA) depending on the nature of office use. A figure of 11 sq m (NIA) has been used to inform the analysis. On this basis a net additional requirement for 52,700 sq m of net additional B1a office space is forecast.

7.3.12 The land requirement for this quantity of office development will depend on the type of developments coming forward. Having reviewed historic take up in East Devon, Mid Devon, and Teignbridge (Exeter data not available), the proportion of out-of-town office development is in the 80-99% range. A figure as high as 99% for the whole HMA is unrealistic. Furthermore, the urban profile of Exeter and the likelihood that it will be where a significant proportion of new office space will be developed means this range needs adjusting. A range of 70-90% is the most reasonable estimation of out-of-town office development.

7.3.13 Where offices are developed within settlement centres, either as dedicated office developments or above retail uses, plot ratios of 1:1 (100%) or above are achievable. In edge of centre and out-of-town business park developments a plot ratio of around 40% is more typical, reflecting the requirement for car parking and landscaping. The emerging HELAA methodology supports the use of a 40% plot ratio. In reality, a mix is likely to be achieved. At the two extremes the associated land requirement ranges from 19 to 24 ha across the HMA.

B1b Research and Development

7.3.14   Growth of 600 jobs within the B1b Use Class is projected. This is equivalent to 500 net additional FTE jobs. Best practice guidance suggests a range of 40 to 60 sq m (NIA) per worker. A figure of 50 sq m (NIA) has been used in the analysis.   On this basis a net additional requirement of around 29,000 sq m is forecast.

7.3.15   It is anticipated that B1b developments would be primarily based in business park type environments with plot ratios of around 40%. This would lead to a land requirement of 7.5 ha.

B1c Light Industry

7.3.16   The economic forecast analysis suggests a low level of growth in B1c type activities, with a total of 100 net additional jobs across the area. This is equivalent to around 100 net additional FTE jobs.

7.3.17   Best practice guidance notes a floorspace per worker of 47 sq m (NIA) for B1c. On this basis a net additional requirement of 3,700 sq m is calculated.

7.3.18   It is anticipated that B1c developments would be primarily based in business park type environments with plot ratios of around 40%. This would lead to a land requirement of around 0.9 ha.

B2 Industry

7.3.19   The economic forecast analysis suggests a decline in employment in the HMA of 4,200 jobs. This is equivalent to around a 4,000 net reduction in FTE jobs. Best practice guidance suggests a density of 36 sq m (GIA) per worker. On this basis a reduced floorspace requirement of 150,700 sq m across the HMA is forecast.   This does not mean there will be no B2 industrial development.   Further discussion is set out in the consideration of replacement demand.

B8 Storage & Distribution

7.3.20   The economic forecasting suggests a net additional 700 jobs within the B8 Use Class. This is equivalent to around 600 net additional FTE jobs. Best practice guidance[38] indicates a range of 70 to 95 sq m (GEA) per worker depending on the nature of storage and logistics activities. An average of 80 sq m (GEA) has been used to inform the assessment. On this basis a requirement for 47,600 sq m of net additional floorspace within the HMA is forecast.

7.3.21   On the basis of a development density of around 40% this requirement equates to 11.9 ha of land required.

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[38] Employment Density Guide, Homes & Communities Agency (2015)

C Use Classes

7.3.22   The C Use Classes cover a broad range of activities including hotels, guesthouses, care homes, boarding schools and colleges, hospitals, prisons and detention centres, and barracks.

7.3.23   The economic forecast analysis suggests around 1,400 jobs in the C1 (Hotels) Use Class. This is equivalent to around 1,000 net additional FTE jobs. Some data is available within best practice guidance for hotels, showing varying levels of employment depending on the quality of the hotel. This would suggest additional hotel capacity of 2,000 to 10,000 beds across the HMA depending on the hotel quality mix. The best estimate is likely to be in the middle of this range. Assuming a mix of budget, mid-scale, upscale and luxury hotels would suggest an average figure in the middle of the range. However, typically hotel demand is assessed via other market driven assessments. More detailed hotel market assessment would be required to inform detailed policy planning.

7.3.24   Growth of 5,500 jobs is projected within the C2 Use Class covering residential institutions. This is equivalent to around 4,200 net additional FTE jobs. This will incorporate the care home sector. The requirement for care home provision is likely to be driven in part by demographic change as well as commercial market pressures. Demand for such facilities should not be assessed using employment forecasts alone.

7.3.25   No growth is assessed within C3 residential property. However, consideration of homeworking is set out below.

D Use Classes

7.3.26   The forecasts suggest an additional 5,600 jobs within the D1 Use Class covering non-residential institutions. This is equivalent to around 4,200 net additional FTE jobs. This captures projected growth in health and education employment. Requirements for floorspace for such uses are not particularly driven by employment change but rather by service delivery plans and demographic changes. Provision will need to be planned alongside future housing development and through discussion with key education and health stakeholders.

7.3.27   A growth in employment of around 800 jobs is projected within the D2 Use Class. This is equivalent to around 600 net additional FTE jobs. This covers a range of leisure uses including cinemas, concert halls, bingo halls and casinos, dance halls, swimming pools, skating rinks, gyms and other sports grounds.

Sui Generis Uses

7.3.28   Sui Generis covers a range of activities that do not fall within the specified Use Classes order. These include theatres, amusement arcades, funfairs, laundrettes, sale and repair of motor vehicles and many other activities.

7.3.29 Economic forecasts suggest some 1,600 additional jobs across activities that fall within the Sui Generis category. This is equivalent to around 1,300 net additional FTE jobs. The range of activities is very broad. There are no robust assumptions to generate floorspace estimates for this category given the variance in activities. However, it should be noted that some of these uses are often located within traditional B Use Class dominated employment areas.

Homeworking and Itinerant Working

7.3.30 The economic forecasting suggests around 15,300 net additional jobs outside the Use Classes and Sui Generis. This is equivalent to around 13,300 net additional FTE jobs. This includes itinerant workers, home workers, and those that work in client premises and do not require their own workspace, such as cleaners and security personnel.

Summary

7.3.31 Figure 7.1 summarise the results of analysis to estimate net additional future property requirements for the various employment accommodating Use Classes.

7.3.32 This suggests some growth in A Use Class requirements that are likely to be located in settlement centres, but may also feature out of town retail provision. More detailed sector research is required to understand trends in these markets, and it is likely any trends will fluctuate throughout the life of the plans.

7.3.33 The analysis of net changes within the B Use Class shows a continuation of the shift towards office based activities with a continued growth in employment within warehousing based activities, whilst manufacturing based employment is projected to decline.

7.3.34 There will be growth in employment within the C and D Use Classes. The health and education elements of this will be primarily driven by demographic changes and through new models of service delivery (particularly in health care).

7.3.35 There will be substantial growth in employment that does not require dedicated property provision.

Figure 7.1 - HMA Net Additional Floorspace and Land by Use Class, based on FTE jobs 2015-40

Use Class	Hybrid		Alt 1		Alt 2		Alt 1+2	
	Add. Jobs	Add. Floorspc. (sq m)	Add. Jobs	Add. Floorspc. (sq m)	Add. Jobs	Add. Floorspc. (sq m)	Add. Jobs	Add. Floorspc. (sq m)
A1	1,500	36,400	1,500	36,400	1,600	38,800	1,600	38,800
A2	500	8,800	500	8,800	600	12,000	600	12,000
A3-5	3,100	65,000	3,100	64,900	3,100	65,700	3,100	65,600
B1a	4,000	52,700	4,100	53,600	5,900	78,200	6,000	79,100
B1b	500	29,000	500	29,000	700	41,600	700	41,600
B1c	100	3,700	100	4,100	100	3,800	100	4,300
B2	-4,000	-150,700	-3,000	-111,700	-3,900	-149,000	-2,900	-109,900
B8	600	47,600	800	63,000	600	50,400	800	65,800

Source: HJA

7.4 Churn and Replacement

7.4.1 The following analysis relates only to the B Use Classes. It is assumed that the majority of A, C and D Use Class redevelopment activity that would be required would take place at existing locations and no major new provision of sites is required to facilitate such replacement activity e.g. town centre redevelopment would take place at current centres and not require a major town centre relocation.

7.4.2 The methodology employed for estimating the level of replacement demand assumes that a proportion of the total existing stock of employment property is replaced each year to ensure the overall stock of premises is appropriate to modern needs, in terms of both building quality and site characteristics. This is particularly important for the manufacturing sector where on-going development of industrial premises has been observed, despite a decline in employment in the sector over many years. With Permitted Development Rights (PDR) now in place there is increasing pressure for redevelopment of office stocks to other uses. It is important that this does not hamper the growth of the economy.

7.4.3 HJA estimates a replacement requirement equivalent to 1% of stock per annum across all areas[39]. Data on commercial property stocks is available up to 2012. Commercial stock data is only split by office and industrial, and does not therefore allow fine-grained analysis by Use Class. This estimate of commercial stocks is used to calculate replacement requirements in the future.

7.5 Re-Use of Employment Sites

7.5.1 The analysis of both net additional and replacement requirements set out above do not consider whether the development activity takes place on existing employment sites (replacing or refurbishing one building with another on the same plot of land) or whether currently unoccupied land needs to be made available. The evidence and market observation suggest there will be elements of both, particularly as former industrial sites are lost to residential uses.

7.5.2 For the purposes of this analysis we assume that 80% of employment development activity requires appropriate supply to be made available through allocated sites. This assumption is drawn from HJA analysis of past completions data in a range of geographic settings[40], which indicates that around 20% of employment development took place on land previously used for employment use.

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[39] See Appendix 6 for details.

[40] Previous HJA analysis in Hampshire and Wiltshire has identified a replacement rate of around 20% on B Use Class sites. Detailed completions data for Teignbridge has been made available which identifies a similar figure. No comparable data is available for other districts within the Greater Exeter HMA.

7.6   Development Density

7.6.1   A development density of 40% is assumed for industrial premises development. For offices a range is used to address the differing nature of development at 'in-town' and 'out-of-town' locations. A figure of 40% is used for out-of-town and business park type development. A figure of 100% is used to capture the higher densities achieved in town. If high-rise development is accommodated this can lead to higher densities being achieved.   As a result the land requirement range for the office sector is wide and the floorspace figure may be a more suitable metric.

7.7   Choice and Flexibility

7.7.1   A percentage uplift of the combined requirement for net additional and churn/replacement is applied to ensure an allowance for range and choice is incorporated. This uplift also builds in some additional flexibility to allow the normal frictional movement in the market. As such, in line with industry standards, an uplift of 10% has been applied.

7.8   Combined Results

7.8.1   Figure 7.2 sets out the results for the hybrid and three alternative scenarios. Floorspace and land requirement outputs are gross requirement figures that do not take into account land that is already allocated in local plans.

7.8.2   For office space gross completions are estimated at approximately 190,000 – 220,000 sq m over the 25-year period, i.e. up to 8,000 sq m per annum. After making allowance for delivery on existing employment sites and flexibility the net requirement is estimated at around 165,000 – 190,000 sq m. Plot ratios could vary, suggesting a land supply of 19 to 27 hectares for office development should be identified across the HMA, up to 1.1 hectares per annum.

7.8.3   When considering industrial space in its various forms gross completions are estimated at approximately 465,000 - 540,000 sq m over the 25-year period, i.e. up to 16,500 sq m per annum.   After making allowance for the delivery of existing employment sites and for flexibility and choice the net requirement is estimated at around 410,000 to 475,000 sq m. On this basis a land supply of 103 to 119 hectares should be identified for industrial (including logistics) uses, up to 5 hectares per annum.

7.8.4   Whilst annual average estimates are provided, the variable nature of the commercial development market will mean an uneven delivery of this requirement is highly likely. However, it does provide a tool to inform phasing of land release.

7.8.5   The estimates are prepared without constraint, in line with PPG. Whether the market is willing and able to deliver the level of requirement is a separate matter.

7.8.6   No allowance has been included for accommodating non B Use Class activities within B Use Class allocations.   This could include both complementary uses, as part of mixed use development, as well as non B Use Class activities which increasingly look to locations in employment and business park type settings, such as motor trades (including vehicle sales, hire and repair), large scale play and leisure activity centres. This would require additional provision.

Figure 7.2 - Estimates of Floorspace and Land Requirements 2015-40 at HMA Level

	Hybrid Scenario		Alt 1 Scenario		Alt 2 Scenario		Alt 1+2 Scenario	
	Office	Industrial	Office	Industrial	Office	Industrial	Office	Industrial
Total Stock[41]	551,000	2,151,000	551,000	2,151,000	551,000	2,151,000	551,000	2,151,00
Churn and Replacement (A)	137,750	537,750	137,750	537,750	137,750	537,750	137,750	537,750
Net Additional Requirement (B)	52,700	-70,400	53,600	-15,600	78,200	-53,200	79,100	1,800
Total Requirement / Gross Completions (C = A+B)	*190,450*	*467,350*	*191,350*	*522,150*	*215,950*	*484,550*	*216,850*	*539,550*
Re-use of Employment Sites (D)	38,090	93,470	38,270	104,430	43,190	96,910	43,370	107,910
Net Requirement (E = C-D)	152,360	373,880	153,080	417,720	172,760	387,640	173,480	431,640
Flexibility Allowance (F=Ex10%)	15,236	37,388	15,308	41,772	17,276	38,764	17,348	43,164
Total Requiring Provision (G=E+F)	**167,596**	**411,268**	**168,388**	**459,492**	**190,036**	**426,404**	**190,828**	**474,804**
Average Annual Requirement (sq m)	*6,704*	*16,451*	*6,736*	*18,380*	*7,601*	*17,056*	*7,633*	*18,992*
Total Land Requirement (ha)	**19 - 24**	**103**	**19-24**	**115**	**21 - 27**	**107**	**21 - 27**	**119**
Average Annual Requirement (ha)	*0.8-1.0*	*4.1*	*0.8-1.0*	*4.6*	*0.8 - 1.1*	*4.3*	*0.8 - 1.1*	*4.7*

Source: HJA

7.9 Historic Employment Completions

7.9.1   Historic employment land monitoring data has been gathered from the constituent authorities within the HMA. The time periods and recording mechanisms vary between the

[41] Valuation Office Agency, 2012

different authorities which make it very difficult to build a comprehensive and detailed picture of the overall levels of employment property development activity across the area.

7.9.2   HJA analysis of the data that is available provides an indicative estimate of average annual total completions of 30,700 sq m across the HMA. However, the data for East Devon includes only net completions so this may slightly under-estimate the requirement.

Figure 7.3 - Indicative Historic Completions

Geography	Gross completions (sq m)	Annual average (sq m)	Period start	Period end
East Devon*	61,000	7,600	2007	2015
Exeter	54,100	9,000	2006	2012
Mid Devon	53,100	5,900	2006	2015
Teignbridge	41,900	7,000	2010	2016
Total		**30,700**		

*Source: HJA based on Local Authority Monitoring Data   *No gross figures available for East Devon. Figures shown are net.*

7.9.3   HJA analysis above forecasts estimated gross completions of up to 26,600 sq m per annum[42].

7.10 Conclusions

7.10.1   The future requirement for land to accommodate employment needs to be considered in broad terms. The analysis in Chapters 6 and 7 of this report has shown the spread of employment growth across all Use Classes and none.   However, there are differing methodological approaches to assessing the scale of those future requirements.

7.10.2   Indicative estimates have been provided for the A Use Class; however, more traditional market based analysis should also be used to assess retail requirements. The variance in uses within the C and D Use Classes precludes quantification of floorspace and land implications. Within the B Use Class a detailed analysis has been set out which captures both the forecast future shifts in the economy and the need to continually upgrade the commercial property stock.

7.10.3   The HJA analysis estimates a gross level of B Use Class completions of up to 6 hectares per annum, discounted to 5 to 6 per annum to allow for direct replacement activity.

7.10.4   Historic data on gross completions is incomplete but suggests a level of activity broadly comparable to the forecast analysis prepared by HJA.

7.10.5   On this basis provision should be made for around 5 to 6 hectares of land per annum.

7.11 Greater Exeter Strategic Plan Area

7.11.1   As with the previous chapter, the analysis above relates to the HMA in its entirety. Identical analysis has been completed for the GESP area, with the results summarised in Figure 7.4. The results are very similar, with marginally lower totals reflecting the small proportion of

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[42] Derived from Figure 7.2 Value C for Alt 2 over 25 years

economic activity which lies outside the GESP area, within the Dartmoor National Park. Under the highest scenario a requirement for up to 6 hectares of B Use Class land per annum is identified.

Figure 7.4 - Estimates of Floorspace and Land Requirements 2015-40 at GESP Level

	Hybrid Scenario		Alt 1 Scenario		Alt 2 Scenario		Alt 1+2 Scenario	
	Office	**Industrial**	**Office**	**Industrial**	**Office**	**Industrial**	**Office**	**Industrial**
Total Stock[43]	541,120	2,115,770	541,120	2,115,770	541,120	2,115,770	541,120	2,115,770
Replacement Provision (A)	135,300	528,900	135,300	528,900	135,300	528,900	135,300	528,900
Net Additional Requirement (B)	52,300	-69,100	53,100	-15,700	77,400	-52,000	78,300	1,300
Total Requirement / Gross Completions (C = A+B)	**187,600**	**459,800**	**188,400**	**513,200**	**212,700**	**476,900**	**213,600**	**530,200**
Delivered on Existing Employment Sites (D)	37,520	91,960	37,680	102,640	42,540	95,380	42,720	106,040
Net Requirement (E = C-D)	150,080	367,840	150,720	410,560	170,160	381,520	170,880	424,160
Flexibility Allowance (F=Ex10%)	15,008	36,784	15,072	41,056	17,016	38,152	17,088	42,416
Total Requiring Provision (G=E+F)	**165,088**	**404,624**	**165,792**	**451,616**	**187,176**	**419,672**	**187,968**	**466,576**
Average Annual Requirement (sq m)	6,604	16,185	6,632	18,065	7,487	16,787	7,519	18,663
Total Land Requirement (ha)	**18 - 24**	**101**	**18 - 24**	**113**	**21 - 27**	**105**	**21 - 27**	**117**
Average Annual Requirement (ha)	0.7 - 1	4.0	0.7 - 1	4.5	0.8 - 1.1	4.2	0.8 - 1.1	4.7

Source: HJA

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[43] Valuation Office Agency, 2012

7.12 Dartmoor National Park Area

7.12.1   Analysis has also been completed for the Dartmoor National Park area. Figure 7.5 sets out the results for the three baseline scenarios. Emerging B Use Class requirements are low, with a requirement to provide up to 4 hectares of employment land over the 25-year period 2015-40.

Figure 7.5 - Estimates of Floorspace and Land Requirements 2015-40 at DNP Level

	Experian		Cambridge Econometrics		Hybrid	
	Office	**Industrial**	**Office**	**Industrial**	**Office**	**Industrial**
Total Stock	20,700	66,350	20,700	66,350	20,700	66,350
Replacement Provision (A)	5,200	16,600	5,200	16,600	5,200	16,600
Net Additional Requirement (B)	1,290	-1,290	4,110	2,150	2,700	420
Total Requirement / Gross Completions (C = A+B)	**6,490**	**15,310**	**9,310**	**18,750**	**7,900**	**17,020**
Delivered on Existing Employment Sites (D)	1,298	3,062	1,862	3,750	1,580	3,404
Net Requirement (E = C-D)	5,192	12,248	7,448	15,000	6,320	13,616
Flexibility Allowance (F=Ex10%)	519	1,225	745	1,500	632	1,362
Total Requiring Provision (G=E+F)	**5,711**	**13,473**	**8,193**	**16,500**	**6,952**	**14,978**
Average Annual Requirement (sq m)	228	539	328	660	278	599
Total Land Requirement (ha)	**1**	**3**	**1**	**4**	**1**	**4**
Average Annual Requirement (ha)	*< 0.1*	*0.1*	*< 0.1*	*0.2*	*<0.1*	*0.1*

Source: HJA

8   High Level Property Market Trends

8.1.1   In this chapter we look at the high level trends in the demand for employment land and premises. This will then be used to inform the thinking about the demand and location of employment sites in Greater Exeter in the future.   The following analysis provides a summary of latest research on changing property market trends within the core employment property sectors of:

- Offices
- Industrial and manufacturing
- Distribution and logistics
- Research and Development

8.1.2   Further detail behind this analysis is set out in Appendix 7.

8.2   Offices

8.2.1   Office space in the UK market can be categorised as urban core, peripheral, and out-of-town. Current and future trends in these categories are discussed below, followed by concluding comments. These categories refer to:

- Urban core: central office market areas with high levels of employment density (Exeter).
- Peripheral: edge of town and suburban employment centres, offices interspersed with residential areas (market towns).
- Out-of-town: business parks and science parks located on the edge of urban settlements and rural areas.

Urban Core

8.2.2   Developments in recent years have seen a market shift towards urban core office space. Jones Lang LaSalle (2013) suggests six drivers of this trend: demographics; immigration and globalisation; working practices; sustainability; policy; and transport improvements. A discussion of these drivers is set out in Appendix 7.

Periphery

8.2.3   Good access to the urban core provided via improving public transport links make peripheral locations a promising alternative to urban core areas. The strengthening of urban core areas as business centres, and the inevitable rising rents in those areas, will ensure a market for peripheral office spaces. With better land availability, the increasing popularity of mixed-use developments makes peripheral office space a viable option. This land availability also provides increased opportunities for 'future proofing' developments, ensuring flexibility to change capacity in order to meet the needs of a changing economy, and capitalise on city-centre spill-over (JLL, 2014). There is predicted to be an improved performance from peripheral office markets over the next five years, with higher yields encouraging investment at a comparative discount compared to urban core areas.

Out-of-town

8.2.4   Despite the trend towards urban core relocation, occupier demand for out-of-town office space has remained steady, and there is no evidence of a decline in demand for business park space (JLL, 2014). They offer the large, flexible floorplates that more central locations can't always provide, and space to expand, which is also more problematic in urban centres. Their connectivity to motorways and airports are also attractive, particularly for sales firms (JLL, 2014).

Conclusions

8.2.5   Despite the reduction in average office space per employee, and the increase in flexible working, business behaviour still reflects the importance of office space in encouraging interaction, networking and collaboration (NLP, 2015). Prevailing market conditions generally support the UK's office market, due to the importance of the services sector to economic growth and its contribution to job creation (LSH, 2016). Furthermore, even though office densification is on the increase, this doesn't necessarily lead to smaller overall floorplates. Smaller workspaces are in many cases offset by meeting spaces and on-site provision of cafés, gyms, crèches and other facilities.

8.2.6   Sectoral growth will also play an important role in the provision of office space. Employment growth in the UK is primarily driven by the knowledge economy, with differing office space needs from sector to sector. Media and technology companies tend to value combinations of dedicated workspaces and collaborative areas, whereas many businesses in professional services sectors prefer a more traditional, formal workspaces with large floorplates (NLP, 2015).

8.2.7   Flexibility of covenant will be important for emerging businesses, whilst established firms can commit to the long-term covenants desired by investors.

8.2.8   It will be important to ensure that peripheral and out-of-town office locations are attractive to employees as well as the businesses that locate there. The provision of leisure facilities (e.g. bars, cafes, restaurants, gyms) and retail facilities (both food and non-food) will help to make these locations more attractive to employees, and therefore to the businesses that employ them.

8.2.9   Essentially, demand for office space in the UK is not in decline, but there is an ongoing shift in the areas that businesses are choosing to locate themselves, and the way they choose to use that space.

8.3   Industrial and manufacturing

Technological Advancements

8.3.1   Technological advancements have changed, and will continue to influence, the way the manufacturing industry behaves. Increased connectivity is making it possible to reduce costs

and boost productivity through the development of 'smart factories'[44]. Similar to the office property market, connectivity is making remote operations more possible in manufacturing (Piers Masons, 2015).

Possible Impacts on the Manufacturing and Industrial Property Market

8.3.2   Market trends and technological advancements have implications for the manufacturing and industrial property market. These ongoing changes are resulting in new industries which have different property needs to traditional occupiers. As a result, there will be an increasing mismatch between supply and demand of premises, with many older sites becoming economically and functionally obsolete (DTZ, 2009).

8.3.3   The trend towards localised operations will be facilitated by the technological advancements that are emerging. The factories of the future will be more varied and more distributed than those of today. There is general consensus that the manufacturing and industrial property market will trend towards smaller local and urban sites, with mobile and domestic 'factories' becoming more prevalent as well. This will allow for increasing supply chain integration, which will also impact the manufacturing property market. Products dependent on process-driven innovation benefit from the co-location of different parts of their production systems, which may lead to clustered hubs. Although large sites are set to become less prevalent, there is scope for a 'hub and satellite' model, with large, centralised premises supplementing a proliferation of smaller, decentralised ones (GoS, 2013a). This may lead to a broader distribution of localised manufacturing operations throughout the GESP area.

8.3.4   The trend towards smaller premises will be further prompted by a drive towards sustainability, with the need to make efficient use of land becoming ever more important. Advancements in automation and robotics will also reduce the footprint of sites (GoS, 2013a).

8.3.5   The need for these smaller decentralised sites to be flexible and reconfigurable may require a re-categorisation of land use. Businesses are likely to desire less space for production and more space for offering access to customers, clients, suppliers, universities, and other bodies i.e. non-industrial uses. This trend will create a demand for premises that are attractive places in which to work.

8.4   Distribution and logistics

8.4.1   Recent research suggests there are some emerging trends in the distribution and logistics market that will influence the property market over the coming years.

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[44] 'Smart factories' have the potential to boost UK manufacturing productivity by up to 30% (Pinsent Masons, 2015).

Increased Online Retailing

8.4.2   The UK is the global leader for online consumer spending, with around 15% of sales made via the Internet (Colliers, 2015). It is expected this figure will rise to 20-25% by 2020 (Page, 2013). This continued rise in retail demand has fuelled growth in large distribution centres, a trend which is set to continue as ecommerce increases its market share. Increasingly, companies that have a good approach to ecommerce are receiving better covenant strength in their lease arrangements, with investors keen to support property ventures in the online retailing market.

8.4.3   Online grocery shopping in particular is set to be the primary driver of an increased demand for logistics assets and infrastructure. utilising 'dark stores[45]' instead. This growth will generate new requirements for logistics facilities.

Changing Supply Chain Models

8.4.4   The increase in online retail will change the supply chain models adopted in the distribution and logistics market. The market is changing from a 'business-to-business' model to a 'business-to-customer' one. Businesses are focusing more on 'first-mile' and 'last-mile' logistics[46], as distribution is becoming more complex under this new 'business-to-customer' model.

Possible Impacts on the Distribution and Logistics Property Market

8.4.5   The above shifts in supply chain models will have an impact on the land and property requirements of the distribution and logistics sector. The changes in 'last-mile' logistics will almost certainly place increased demand for smaller, localised distribution centres either on the periphery of towns and cities, or located within urban areas (Colliers, 2015). Demand for more traditional, large distribution centres with a regional focus will be maintained in order to support a network of smaller, local units. As access to land in and around UK cities tightens, 'skyscraper sheds' may become more common. In metropolitan centres with premium land costs and availability, such developments will enable logistics firms to locate themselves closer to where the majority of online consumers reside, reducing the time, cost, and carbon footprint of their distribution networks.

Conclusions

8.4.6   Distribution and logistics make up a large proportion of transport greenhouse gas emissions. Significant reductions in emissions will be required to meet the UK's climate change targets and carbon budgets (DfT, 2011). Despite this pressure on the industry, it looks set to experience growth over the coming years as a result of increasing ecommerce sales and the demand this will create for new supply chain models. In particular, the need for large, regional distribution centres will be maintained in order to support the development of smaller, local units located on urban peripheries that will meet the growing demands of online consumers

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[45] Distribution warehouses closed to the public which focus on online orders only
[46] As a rule, the shipment of a good begins with the so-called 'first-mile' and ends with the 'last-mile'.

8.5 Research and Development

Current Performance of UK Research and Development

8.5.1   Research suggests that R&D spending in the UK has declined as a proportion of GDP over the last three decades. As a result, the UK trails competitor locations in R&D expenditure (GOS, 2013a). This can be explained, in part, by the increasing proportion of British manufacturing which is foreign-owned, since multinational companies tend to concentrate R&D activity in their 'home' market (PwC, 2009). There has also been a change in the sectors which make up R&D expenditure in the UK, with a significant increase in R&D related to pharmaceutical activities. R&D activity has also become more concentrated amongst larger firms. Large businesses (250+ employees) created 88% of R&D expenditure in 2009, with the 10 largest R&D performers accounting for one third of total R&D activity (GOS, 2013b). Conversely, only 3.5% of R&D expenditure was undertaken by SME businesses (UKIRC, 2012).

Future Prospects for UK Research and Development

8.5.2   If low-value manufacturing processes continue to be outsourced to emerging markets, the activities that remain in the UK will tend to be higher-value ones like R&D (PwC, 2009). This is because of difficulty in transplanting expertise and tacit knowledge to alternative, often more affordable locations. This point relates to cluster theory, which dictates that innovative knowledge and skills tend to be geographically 'sticky'. This has two consequences. Firstly, it means R&D activities are likely to be clustered together. The property market will need to respond to this by providing space which can accommodate multiple R&D activities in the same location. Secondly, many production processes benefit from the co-location of different parts of their production system due to the knowledge spillovers that occur. As such, future R&D activities are likely to be co-located with other aspects of the production process, which means new premises will have to accommodate a wide variety of processes, with sites housing large scale manufacturing facilities to small scale research facilities.

8.5.3   One way in which R&D activities have tended to cluster is in the form of science and technology parks. The purpose of science and technology parks is to perform a key function acting as an interface between businesses and centres of knowledge such as universities, laboratories, and hospitals, (UKSPA, 2017). There are now over 100 locations in the UK, spanning incubators, innovation centres, and small and large science parks. In the South West there are science parks at Bristol and Bath, Plymouth, Salisbury, Winfrith, and Exeter.

8.5.4   The UK sectors which have benefitted most from agglomeration and are most likely to see further clustering are life sciences, digital technology, and aerospace. In a South West context, aerospace is a particularly promising sector, with 14 of the 15 world-leading aerospace companies located in the region (JLL, 2014). The cluster's success is based around strong connections with four local universities which specialise in aerospace research, and a strong labour pool from which draw workers. The University of Exeter and Met Office are likely to be the main R&D drivers in the Greater Exeter area. There is a question over whether such knowledge intensive activities 'spin-in' or 'spin-out' business activity. It is generally more common for spin-in activity to take place, meaning site demand is more likely to grow around existing sites.

9   Conclusions

9.1   Historic economic change in Greater Exeter

9.1.1   The Greater Exeter FEMA, and the City of Exeter and its immediate environs in particular, have seen strong economic and job growth in recent years. The working age population of the city has grown, and the rate of JSA claimants is very low, indicating little spare capacity currently in the labour force.

9.1.2   The City of Exeter is very clearly the core of the FEMA, being the location of over 40% of all jobs in Greater Exeter and the generator of just under half of all GVA. Although this is recognised by the Greater Exeter districts, there is an established area-wide approach to developing an economic strategy for the whole Greater Exeter area. This economic strategy clearly seeks to deliver growth right across the Greater Exeter economy.

9.1.3   Exeter is the location of more than half of the FEMA's large businesses, but its micro and SME business base is far more evenly distributed throughout Greater Exeter. In terms of sectors, Manufacturing is strong in Mid Devon; Construction is strong outside Exeter; Accommodation & Food is strong in East Devon and Teignbridge; and the higher value knowledge-intensive sectors are more concentrated into the City of Exeter.

9.2   Future growth aspirations

9.2.1   There are strong growth aspirations in the City of Exeter and the Growth Point, in particular in the western part of East Devon. Much of this new growth will be driven by the ambition to increase knowledge intensive employment and productivity by promoting research and innovation activities through initiatives such as *Innovation Exeter*. A FEMA-wide economic development strategy has been developed under the auspices of the Exeter and Heart of Devon partnership. There are ambitions to invest and promote employment growth in many of the market towns throughout Greater Exeter, to complement the core development in the Growth Point. Growth ambitions are more conservative in Dartmoor National Park.

9.2.2   To accommodate the overall scale of growth a significant area of potential employment land has been allocated in the Growth Point area of East Devon. This is enhanced with forthcoming Enterprise Zone status, which will make these sites even more attractive to developers and occupiers.

9.3   Quantitative assessment of future economic growth

9.3.1   Economic forecasts have been sourced from two leading forecasters, Experian and Cambridge Econometrics. In consultation with the Greater Exeter local authorities, a hybrid of these two scenarios has been developed and three further alternative scenarios have been developed in addition:

- The first alternative scenario takes account of: more robust employment in Manufacturing, particularly in Mid Devon; a more optimistic view of Construction than the hybrid scenario; a more optimistic view of employment in Transport & Storage; and taking the higher baseline assessment of employment in the tourism sector

- The second alternative scenario makes uplifts linked to the potential impacts of the Innovation Exeter programme, a new Exeter Science Park and Enterprise Zone. This includes specific uplifts to the Business Services (including R&D and Professional Services sectors) and Information & Communications sectors.
- A third alternative scenario, which combines the adjustments from the first and second alternatives.

9.3.2 The two forecasters' baseline assessments are for employment growth of between 1,400 and 1,700 new jobs per year over the period from 2015 to 2040. The hybrid and alternative scenarios push this rate up to between 1,600 and 2,000 new jobs per year. The main sectors experiencing the highest levels of absolute growth under the baselines and alternative scenarios are:

- Construction
- Accommodation & Food Services
- Business Services
- Health

9.3.3 Manufacturing and Public Administration in particular are expected to see a decline in employment over the period to 2040.

9.3.4 When these sectors are allocated to Planning Use Classes, the largest growth in employment is seen in jobs which do not require any employment property provision (i.e. those people that work from home, are peripatetic, or who work in service roles in others' premises). Use Classes A and C are next largest, closely followed by Use Class D. Jobs in Use Class B only account for between 4% and 12% of total employment growth (based on the hybrid and three alternative scenarios), although this is heavily influenced by the decline in employment in Manufacturing.

9.4 Labour Market Dynamics

9.4.1 Experian was commissioned to provide additional information in respect of the labour market. This data relates to the period 2015-35 and covers the HMA only. However, this gives us a clear indication of the likely trends at work which cover the entire period to 2040.

Economic Activity

9.4.2 All of the Greater Exeter Districts currently have an economic activity rate greater than the UK. Although it is difficult to discern any patterns, Mid Devon and Teignbridge appear to be showing a reasonable increase, as does East Devon which has started from a lower base. The three districts have all increased at a greater rate than the national average over the period. Only Exeter appears to have seen an overall decline in economic activity rate over the period from 2011 to 2015. The data is collected from the Annual Population Survey, so caution should be taken when extrapolating trends from small survey samples in local areas.

9.4.3 Economic activity rates across East Devon, Mid Devon and Teignbridge are forecast to rise. In Exeter overall economic activity rates are forecast to decline. It appears that the rising student population which is forecast within the model is the primary driver of these falling rates.

9.4.4   Economic activity rates amongst older age groups within the workforce are forecast to rise. This reflects rises to the State Pension Age (SPA) within the analysis period. There are also uncertainties as to the returns from many private pensions which may cause older workers to remain within the workforce. There have been recent suggestions in the press that proposals for the SPA to rise more quickly than is currently agreed could be brought forward. This may increase economic activity rates even more quickly.

Unemployment

9.4.5   There is a marked difference between the patterns seen for claimants of Job Seekers Allowance (JSA) and Department of Work and Pensions (DWP) benefit claimants over the period from 2011 to 2016. The former fell dramatically in all the Greater Exeter Districts over the period 2011 to 2016 (in-line with national trends) whilst the latter increased (also in-line with national trends). This suggests a decline in claimants closest to the labour market, and therefore capacity in the labour force, but an increase in those claimants furthest from the labour market.

9.4.6   The Experian model forecasts rising unemployment in the short-term. This is likely a result of the slower growth forecast as a result of Brexit uncertainty. Rates then gradually decline over the remainder of the period, but not rapidly. Unemployment is shown to be persistently higher in Exeter than in other districts.

9.4.7   Overall unemployment rates are generally shown to be 3.5% - 4% across East Devon, Mid Devon and Teignbridge and closer to 6% in Exeter. Whilst there will always be some unemployment in an area as a result of frictional movements in the economy, economic development policies should seek to minimise additional unemployment as a result of structural issues. The Experian model also shows that unemployment is higher as a result of modelling the higher population growth scenarios prepared by DCC as part of the work to inform the SHMA. This suggests some additional capacity within the labour force. Analysis of the Experian data suggests that if unemployment was set to 3% across the HMA an additional 3,700 people would be in work at 2035. Assuming a straight-line extrapolation this could increase to around 5,500 by 2045.

Occupations and Skills

9.4.8   Occupational and skills data shows a move towards a higher skilled workforce.

9.4.9   There is a substantial rise in the proportion of the workforce requiring skills at NVQ4 and above (equivalent to degree level and above). There are declines across all other skill levels, but most notably in the requirement for those with no qualifications or level 1 qualifications. Falls at levels 2 and 3 are more modest. For level 3, whilst the proportion of the workforce at this level falls, there is an absolute rise in the number of workers.

9.4.10   Occupational data shows a fall in the proportion of the workforce within lower order occupations including manual, administrative and customer service occupations. There is however a rise in the requirement for caring personal service workers. There are also rises in the proportion of the workforce in higher order occupations including business and healthcare related activities.

9.4.11   It should be noted that whilst the above show net changes the replacement demand for labour within each occupation group will mean a continued requirement at all skill and occupational levels.

Commuting Patterns

9.4.12   The Experian model shows a rising trend towards commuting into Exeter and out from the other three districts. However, in reality this will be influenced by the location of new employment accommodation.

9.5   Forecast employment land requirement

9.5.1   Focusing on future employment land requirements in Use Class B, it is important to note that future requirements are driven by more factors than just future employment growth. These are:

- Replacement of employment space as it becomes outdated and no longer fit-for-purpose. This is an important factor in the Manufacturing sector, where employment is declining, but there is still a healthy demand for new workspace as older stock becomes less fit-for-purpose, and new premises are required to accommodate new machinery and processes
- Some replacement of employment developments will take place on existing sites which are re-used, but other development will need to take place on new employment sites
- An allowance for choice and flexibility must be made, ensuring that businesses have a choice of possible properties to meet their needs, and that there is sufficient flexibility in the employment property stock to allow businesses to upgrade or downgrade their requirement dependent on their particular circumstances

9.5.2   The main employment space requirements in the B Use Classes over the period 2040 are:

- Between 190,000 sq m and 220,000 sq m of gross additional office space depending on which scenario is considered
- Between 465,000 sq m and 540,000 sq m of industrial space (covering both manufacturing and distribution), depending on which scenario is considered

9.5.3   When allowances for delivery on allocated sites, flexibility and choice are included, the B Use Class requirements become:

- Between 165,000 sq m and 190,000 sq m of offices – equivalent to 6,700 sq m to 7,600 sq m per year
- Between 410,000 sq m and 475,000 sq m of industrial – equivalent to 16,500 sq m to 19,000 sq m per year

9.5.4   In terms of sites, this means:

- Between 19 ha and 27 ha for offices over the period to 2040 – depending on the scenario considered and the density at which the offices are developed (i.e. in-town or out-of-town). A range of 70-90% is the most reasonable estimation of out-of-town office development. This equates to between 0.8 ha and 1.1 ha per year across the HMA
- Between 103 ha and 119 ha for industrial over the period to 2040 – depending on which scenario is considered. This equates to between 4.1 ha and 4.8 ha per year across the HMA

9.5.5   The results for the GESP area are very similar to that for the HMA. There are marginally lower totals in the GESP area, reflecting the small proportion of economic activity which lies outside the GESP area, within the Dartmoor National Park.

9.5.6   It appears that there is a significant amount of allocated land in the current Local Plans for the Greater Exeter districts. However, questions have been raised about the deliverability of some of this land, due both to site-specific barriers and constraints, and also the general difficulty of delivering viable development any distance from the city of Exeter and main transport routes. This suggests a potential role for public sector involvement in site enabling and pump priming, as well as an approach that encourages mixed-use development where employment land can be cross subsidised by residential development. Whilst this issue needs to be considered on a site-by-site basis, it is imperative that any site allocations in future local plans give strong consideration to the likely deliverability of those sites. Allocating undeliverable sites will constrain future economic growth.

9.6   Location of future development

9.6.1   Exeter is a very strong office location. Market sentiment is towards sites close to the motorway junctions, in particular sites close to Junction 29 of the M5. Office-based, R&D, industrial and distribution businesses are all interested in being located in this area. This fits well with the Growth Point status and Enterprise Zone status which are helping to progress and deliver sites here. Market signals suggest that industrial and, to a slightly lesser extent, distribution businesses are also interested in sites close to motorway junctions further northwards within Greater Exeter.

9.6.2   Current Local Plans have identified growth in:

- The larger towns of Mid Devon
- The Growth Point in East Devon, and some limited development in Honiton and the other market towns in the district
- The city centre of Exeter, and some potential for development to the east of the city
- A south-west urban extension to the City of Exeter, the majority of which is located within Teignbridge
- The heart of Teignbridge i.e. Newton Abbot and surrounding towns

9.6.3   Viability is strongest and therefore deliverability of employment sites is easiest close to Exeter and main transport routes. It is more difficult further away from here. Historically, organisations such as English Partnerships and the South West RDA have helped to facilitate larger employment developments through the delivery of infrastructure to service plots of new industrial estates. Without this sort of intervention, new employment development and particularly speculative build is far harder to make viable any distance from Exeter.

9.6.4   In addition, property industry professionals have flagged up the need from small start-up units and grow-on units for new and growing businesses throughout Greater Exeter. The ability of the market to deliver such employment space on flexible terms is very limited. This is attributable to several factors. New-start and growing businesses can rarely afford high rents, so there is a limit to the income potential of these units, and therefore a limit to how much the private sector will invest in delivering them. New-start and growing businesses

also desire flexible rental terms rather than long-term contracts, and the lack of certainty of income with flexible rental terms also makes the investment less attractive. The delivery of good quality units with reasonable rents and flexible occupancy terms is often achieved with support from the public sector. Public sector intervention can be justified on the basis of addressing a market failure and realising the benefits to the local economy of supporting new start and growing businesses which create jobs and wealth locally. Evidence of market failure and the potential benefits of the investment are needed to make the case for public funding. The ability to invest will also depend on what public funds are available for this purpose in any particular location. Typically, local authorities have invested their own funds, sought funds from Government (e.g. Growth Deal), or from EU structural funds (although these will cease to be available).   The availability of funds and the criteria for their availability is constantly changing, so needs to be carefully monitored.

9.6.5   Sustainable access to new employment developments needs to be given significant consideration in the process of allocating any further employment sites, and in broader economic development strategy. Sites near existing public transport routes (both bus and rail) will be more sustainable, and likely more attractive to occupiers. With the development of significant amounts of employment land to the east of Exeter, close to key transport networks, more reliance needs to be placed on sustainable modes of transport including public transport, cycling and walking. Without initiatives to manage traffic volumes, new employment developments will place further pressure on the transport infrastructure, leading to congestion and a potential decline in the attractiveness of these sites to businesses. Sustainable access to employment areas across Greater Exeter also needs consideration. Much of Greater Exeter's hinterland is rural and the population is highly dependent on transport by car. As a FEMA, it is to be expected that people will commute from the rural areas to concentrated employment areas, including the larger towns, and so steps need to be taken to make this commuting as sustainable as possible (e.g. park and ride, traffic management, car-sharing solutions etc).

9.7   Dartmoor National Park

9.7.1   Dartmoor National Park has a relatively stable economy. It has seen a lower growth in population than the rest of the HMA, and economic activity rates are on a par with the rest of Greater Exeter.

9.7.2   Economic aspirations are centred on supporting appropriate economic growth rooted in the quality of landscape and place, increasing productivity through the development of National Park productivity network and rural enterprise zone, increasing international tourism, and further developing a strong food and drink offer.

9.7.3   Growth of 1,710 net additional jobs is forecast in Dartmoor over the 25-year period. This equates to approximately 70 jobs per annum. This equates to around 17% growth over the entire period.

9.7.4   Forecast growth in Dartmoor National Park will require approximately 5 ha of new employment land in total over the period to 2040.

Glossary

CE	Cambridge Econometrics
DNP	Dartmoor National Park
DWP	Department for Work and Pensions
EDNA	Economic Development Needs Assessment
EHOD	Exeter and Heart of Devon
FEMA	Functional Economic Market Area
GEA	Gross External Area
GESP	Greater Exeter Strategic Partnership
GIA	Gross Internal Area
GVA	Gross Value Added
HMA	Housing Market Area
JSA	Job Seekers Allowance
LEP	Local Economic Partnership
LQ	Location Quotient
NIA	Net Internal Area
ONS	Office for National Statistics
PDR	Permitted Development Rights
R&D	Research and Development
SEP	Strategic Economic Partnership
SHMA	Strategic Housing Market Assessment
SME	Small or Medium (size) Enterprise
SSCTs	Strategically Significant Cities and Towns
TTWA	Travel to Work Area
VOA	Valuation Office Agency