

Reading Borough Council READING EMPLOYMENT LAND REVIEW



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1 INTRODUCTION

Study Brief

- 1.1 This study was commissioned in December 2005 by Reading Borough Council, to inform the employment land¹ policies in their forthcoming Local Development Frameworks (LDF).
- 1.2 The broad objectives of the study are to identify:
- i) The amount of additional employment land needed;²
 - ii) Employment area and sites that should be retained; and
 - iii) Areas and sites which can be used for alternative uses.
- 1.3 The potential release of employment land for housing is a key issue for the study, due to both central government priorities and to local circumstances. Planning Policy Statement 6 states that
- “an assessment of the need for new office floorspace over the development plan period should be carried out as part of the plan preparation and review process”.*
- 1.4 The recent update to Planning Policy Guidance Note 3 indicates that employment land should be considered for re-allocation to housing, except for sites that are shown by an up-to-date review to be still suitable and needed for employment. Reading borough has pressures for such re-allocation because its tight boundary restricts development capacity and it aspires to be the capital of the Thames Valley and therefore needs to accommodate more people and jobs. There is also a notion that the lack of housing, particularly affordable housing, is resulting in difficulties for accommodating workers in the borough, particularly in lower value occupation and employment sectors.
- 1.5 With the exception of Chapter 4, throughout the report references to Reading relate to the borough (shown in Map 1.1) and not the continuous urban area. In Chapter 4 we reflect on the Reading market area, which covers the continuous urban area, including some employment parks in West Berks and Wokingham districts.

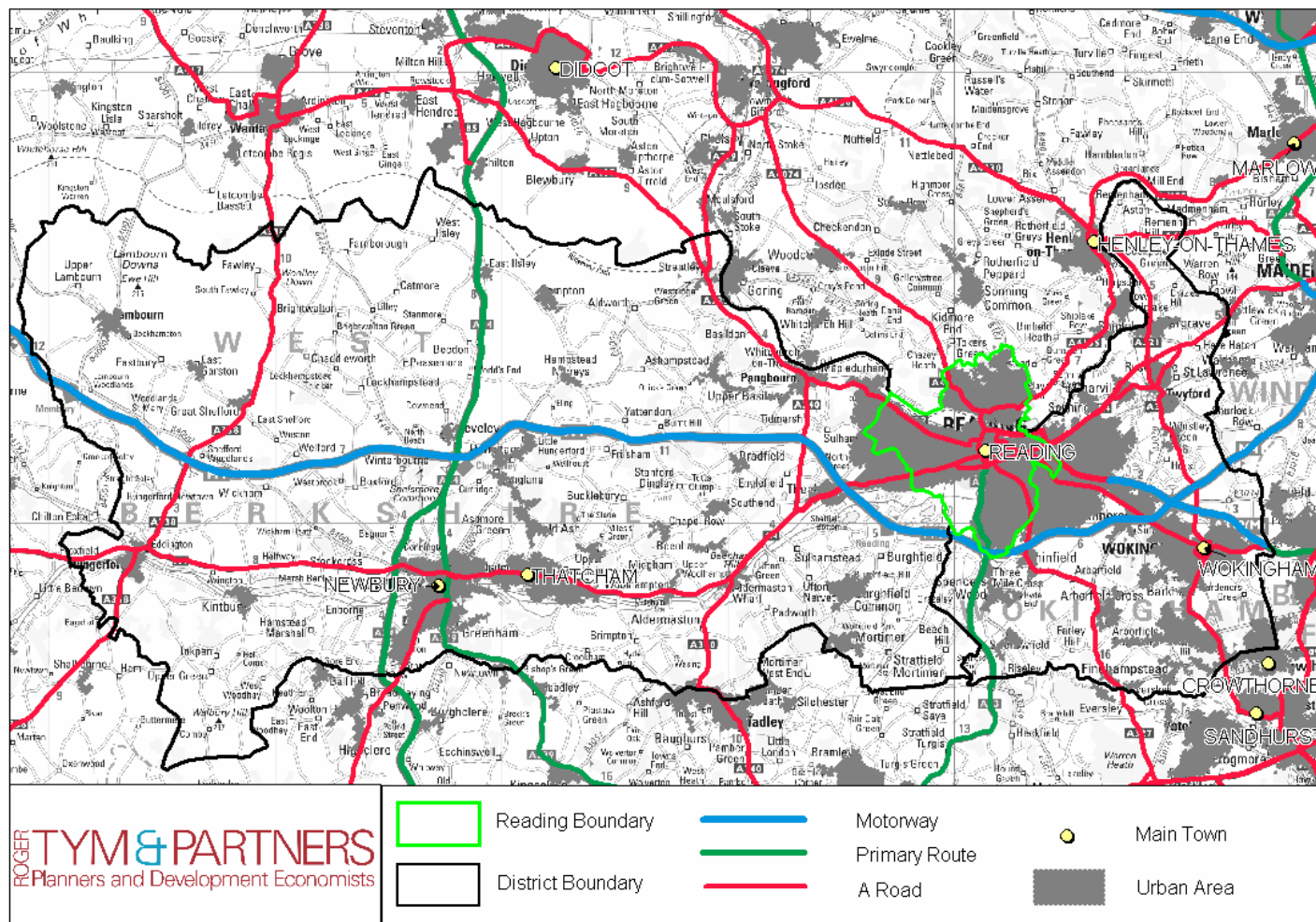
The Report

- 1.6 Following this Introduction:
- Chapter 2 sets out the policy background, showing the wider objectives Reading Borough Council needs to consider, and the strategic guidance they need to follow, in deciding on their employment land policies.
 - Chapters 3 and 4 analyse the present condition of the borough's economy and property markets, establishing the baseline for future change.
 - Chapter 5 deals with the quantity of employment land, forecasting demand and comparing it with supply.
 - Chapter 6 audits the supply in qualitative terms.
 - Conclusions are in Chapter 7.

¹ Employment space (property and land) in this study refers to the Business Use Classes, B1, B2 and B8 and sui generis uses which occupy similar space. It covers offices, industrial and distribution space. It excludes many activities that do provide employment but operate in other kinds of space, such as retail, leisure, education and health.

² We were advised by RBC that this would cover the period to 2020.

Map 1.1: Reading Borough and the Wider Reading Area including West Berks and Wokingham Districts



2 POLICY CONTEXT

Introduction

2.1 In this chapter, we summarise:

- National policies and strategic employment land policies (in the Structure Plan and Regional Spatial Strategy), to which the Borough's new LDF will be required to conform;
- Local employment land policies currently in force, which in preparing the LDF the Borough will need to reconsider; and
- Other relevant research, reports and policy initiatives that are not directly related to Reading but may have a bearing on its future employment land policies.

National Guidance

PPS1: Delivering Sustainable Development

2.2 The Government set out four aims for sustainable development in its 1999 strategy³, which are:

- Social progress which recognises the needs of everyone;
- Effective protection of the environment;
- The prudent use of natural resources; and
- The maintenance of high and stable levels of economic growth and employment.

2.3 The development plan is the obvious means by which planning authorities can deliver sustainable development. Paragraph 27 of PPS1 sets out the general approach to delivering sustainable development, which planning authorities should adopt when preparing their development plans. The relevant considerations for this study require planning authorities to:

- i) Bring forward sufficient land for housing and industrial development, which is of suitable quality and in appropriate locations, to meet the expected needs.
- ii) Allocate sites on the basis of their accessibility and sustainable transport needs, and the provision of essential infrastructure, amongst other issues.
- iii) Provide improved access to jobs by ensuring that new development is located where everyone can access services on foot, bicycle or public transport rather than having to rely on access by car.
- iv) Focus developments that attract a large number of people, including offices, within existing centres to promote their vitality and viability, social inclusion and more sustainable patterns of development.
- v) Reduce the need to travel and encourage accessible public transport provision by actively managing urban growth to make full use of opportunities for increasing public transport patronage.
- vi) Promote the more efficient use of land through higher density, mixed use development and the reuse of suitably located previously developed land and buildings.

2.4 Paragraph 2.15 of PPS12 clarifies the role of the development plan, and states that *"the identification of sites should be founded on a robust and credible assessment of the suitability, availability and accessibility of land for particular uses or mix of uses"*.

³ A Better Quality of Life - A Strategy for Sustainable Development for the UK (May 1999)

Therefore, a number of factors should be taken into account when planning authorities allocate sites for development, and those decisions must be supportable by evidence. This employment land study provides Reading Borough Council with that evidence.

PPG4: Industrial, Commercial Development & Small Firms

- 2.5 PPG4 was published in November 1992, but it remains relevant in terms of the delivery of overall sustainable development objectives, allocating employment land, and the re-use of urban land. In summary, planning authorities should:
- i) Aim to ensure that there is sufficient land available which is readily capable of development and well-served by infrastructure;
 - ii) Ensure that there is a variety of sites available to meet differing needs;
 - iii) Consider the locational needs of business and the potential implications for transport; and
 - iv) Seek to bring under-used or vacant land back into beneficial use to aid the regeneration of urban areas.
- 2.6 In May 2004, a research report “Planning for Economic Development” was published, which will eventually influence updated guidance for employment and planning - PPS4. No date has been set for the publication of the new guidance, but consultation is expected shortly. The primary aim of the research study was to survey and assess current practice in order to improve the approaches to, and understanding of, planning for economic development.
- 2.7 The research report recognised that the assessment of the demand and supply of employment land, and the allocation in development plans, is an important part of the process of planning for economic development. It made a number of recommendations for future national guidance, which were as follows:
- Recommend that the assessment of the demand and supply of employment land is co-ordinated at the regional level. RPBs should take a lead in standardising techniques to ensure greater consistency across sub-areas.
 - Provide guidance to RPBs and local planning authorities on the criteria that should be used in assessing the need and allocation of employment land. The principal considerations should be market realism and sustainability considerations. The allocation of sites should be based on clear criteria, such as use classes, size, location, accessibility, spatial distribution and priorities, regeneration needs, economic potential, environmental protection, types of sectors, firm size, market availability and sustainability.
 - Recommend that planning departments undertake the assessment of the quality of employment sites at least every three years. The assessment should consider issues such as ownership, market readiness and site constraints.
 - Set out a requirement for planning departments to undertake a wholesale review of employment land allocations as part of reviewing LDFs. A simple rolling forward of allocations without review should be avoided.
 - Recommend that planning departments de-allocate or change the use of allocated employment land as part of reviewing the LDF if there is no reasonable chance of the site coming forward in the medium term.
 - Continue to support the identification of economic development sites of national, regional and sub-regional importance in RSS, including sites for inward investors. Other employment sites should be allocated through the LDF in the context of clear strategic guidance provided by the RSS.
 - Recommend that planning bodies safeguard employment land. This should be supported by a clear policy in the RSS and LDF, setting out the reasons for the

safeguard policy and the criteria by which the planning authority will consider a change in use. This should not be used as a means to hoard employment land and should be reviewed regularly.

- Ensure that economic development considerations continue to form an important part of the process of determining applications as part of the overall aim of promoting sustainable development.
- Provide clear advice on the use of S106 agreements to support the practice of planning for economic development. This should set out the ways in which S106 agreements can be used to support economic development objectives.
- Set out the role of SPG in supporting planning for economic development, including the ways in which SPG can be used on a site basis and as an articulation of policy.

- 2.8 It is fair to assume that most, if not all, of these recommendations will be carried forward to the consultation draft of PPS4. In summary, the recommendations in the research report provide support for the allocation of employment sites, but those decisions need to be based on a robust and credible assessment of evidence - as set out in PPS12.

PPG3: Housing

- 2.9 PPG3 was published in March 2000 and mostly relates to the provision of land for housing. However, Paragraph 42 of the original guidance required planning authorities to review all their non-housing allocations (including employment) when up-dating their development plans, to assess whether such sites could be re-used for housing instead.
- 2.10 In January 2005, Paragraph 42 was updated. The 2005 amendment introduced a presumption in favour of applications which propose a change of use away from employment and towards housing. It states "*Local planning authorities should consider favourably planning applications for housing or mixed use developments which concern land allocated for industrial or commercial use... but which is no longer needed for such use*".
- 2.11 The amendment was introduced mostly in response to criticisms that the redevelopment of underused and poor employment land for housing was being constrained by protective employment land policies. The change in policy does not however introduce a free for all attack on the employment land stock. The policy is balanced with three criteria which can support retaining land in employment use.
- 2.12 Firstly authorities are reminded that not all employment land is suitable for housing. Secondly they are cautioned that in some markets the release of employment land could trigger or exacerbate excess housing supply. The third criteria is however particularly relevant - that local authorities can continue to safeguard employment land and premises if they can prove that the loss of employment would undermine regional and local strategies for economic development and regeneration. An up to date review of employment land can demonstrate the need for employment land - this study provides that evidence for Reading Borough Council.
- 2.13 In December 2005 a consultation draft of new housing guidance was published - PPS3. The draft PPS3 not surprisingly proposes to continue with the recent policy amendment i.e. that planning authorities review all their non-housing allocations, and should consider favourably applications for housing on allocated sites or previously used for industrial or commercial use, but which are no longer required for that use.

Regional Planning Guidance

The Regional Spatial Strategy - The Draft South East Plan

- 2.14 The South East England Regional Assembly (SEERA) submitted the draft South East Plan (2001-26) to the Government in March 2006. The Plan will ultimately provide a regional framework for development to 2026.
- 2.15 The Plan's overall vision is:
- "Through the Plan and other measures, the South East will show a sustained improvement in its quality of life over the period to 2026, measured by the well-being of its citizens, the vitality of its economy, the wealth of its environment and the prudent use of natural resources."*
- 2.16 The key issues set out in the Plan relevant to the economy are:
- i) Planning for the development of strong economic networks and business clusters, especially in major urban areas;
 - ii) Providing a good range of employment sites and premises to reflect economic needs;
 - iii) Giving high priority to improved skills training and re-training;
 - iv) Positively promoting the provision of technology enabled development and suitable sites, premises and facilities; and
 - v) Addressing economic performance along the coast and supporting continued dynamism of the best performing parts of the region.
- 2.17 The Thames Valley is recognised as an area of international economic significance. Within this area there is a need to provide more affordable housing and ensure that economic growth continues without unreasonably increasing the pressure on resources and the natural environment.

Policies

- 2.18 The Plan offers little in the way of guidance on the quantity and quality of employment that should be set aside. Below we identify the policies that have an application in planning for employment land.
- Policy CC8a seeks to direct development, including employment uses, to urban areas, so that opportunities to re-use previously developed land and accessible locations are maximised.
 - Policy CC8b seeks to support and develop the role of regional hubs. Reading is identified as a regional hub. The policy seeks to support measures to:
 - Increase accessibility by public transport, walking and cycling;
 - Encourage high density land uses or mix of uses that contribute to high levels of accessibility; and to
 - Develop high quality transport interchange facilities.
 - Policy RE1 requires local authorities to support regionally significant and locally important sectors and clusters, by ensuring that land and premises are available to meet their specific requirements.
 - Policy RE2 seeks to allocate employment land in appropriate locations to provide a range of sites and premises to meet the needs of new business start-ups, growing businesses and inward investors.
- 2.19 It is clear that the South East Plan identifies the Thames Valley, and Reading as its capital city, as an important area for the economy of the region. The economic role of the Thames Valley should continue.

The South East Regional Economic Strategy

- 2.20 In addition to a number of regional policy document and strategies, the South East Plan draws on the Regional Economic Strategy (RES) for the South East. The RES is published by SEEDA and was approved by Government in 2002. It sets out a 10-year framework for economic development and proposes that "...by 2012 the South East will be recognised by all as one of the world's 15 top performing regional economies". (Its current status is 31st on GDP per head and 34th on productivity measures.)
- 2.21 SEEDA's Regional Sustainable Development Framework sets a vision of:
"A prosperous region delivering high quality of life and environment for everyone, now and in the future".
- 2.22 The RES comprises five objectives:
- Competitive business;
 - Successful people;
 - Vibrant communities;
 - Effective infrastructure; and
 - Sustainable use of natural resources
- 2.23 The RES identifies the main problems of success in the region as transport congestion, skills shortage and a lack of affordable housing. The RES stresses the importance of sustainable development in economic growth. Its strategy is for the region's economy to support the protection of environmental assets, the prudent use of natural resources, social inclusion, and a strong, diverse and dynamic economy.
- 2.24 The strategy is therefore seeking to promote the concept of "smart growth", which is growth driven by productivity gains and high value activities that require disproportionately fewer resources such as people and land. This is particularly important as the driver for growth in the Thames Valley.
- 2.25 The RES also recognises that if the South East is to remain a top performing region it needs to encourage enterprise and increase business birth rates. The RES also sets about developing key sectors through improving skills and infrastructure, as well as specific aspects of business performance. This support includes ensuring the region has a strong service sector, and a public sector capable of supporting sustainable growth of the knowledge economy. The key sectors are:
- Aerospace and Defence
 - Environmental Technologies
 - Healthcare Technologies
 - Freight Logistics and Transport
 - Marine Industries
 - Media Technologies and Telecoms
 - Construction
 - Tourism

Development Plan

Berkshire Structure Plan

- 2.26 The Berkshire Structure Plan was prepared by the six Unitary Authorities⁴ of Berkshire through the Joint Strategic Planning Unit (JSPU). The plan was adopted on 15 July 2005.
- 2.27 The Structure Plan develops the policies contained in RPG9 (March 2001), covering the period 2001 - 2016. However, changes in the planning system (Planning and Compulsory Purchase Act 2004) will mean the Structure Plan remains a part of the development plan only until 2007 and only if it is not in conflict with the provisions of the Regional Spatial Strategy - The South East Plan. After 2007, the Structure Plan will be abolished and Reading's development plans will need to conform to the South East Plan (RSS 9).
- 2.28 The Structure Plan's overall vision is for sustainable development with a local focus: providing homes with jobs. The Plan sets out to establish managed growth in the economy, to minimise any impacts on the environment and maximise the use of existing resources, including previously developed land and the local labour supply.
- 2.29 Reading, as one of the defined major towns in Berkshire, is a principal focus for new development. The Structure Plan vision for Reading can be summarised as follows. It will:
- have good access to a range of local facilities, services, housing, and employment;
 - continue to develop as a regional centre serving the wider Thames Valley;
 - provide headquarters for a number of major national and international companies and will be an environment where new business can start up and flourish; and
 - transform the centre by high quality large scale mixed use development providing major expansion of employment, retail, leisure and housing in a highly accessible location.
- 2.30 The Structure Plan claims that with falling household sizes and an aging population, the housing provision in this Plan (Policy H1) would support a workforce by the end of the Plan period of approximately the same size as the current one. The Plan contends that the continuation of current rates of employment growth and labour supply would not be sustainable in the longer term.
- 2.31 The Structure Plan makes no strategic allocation of employment sites but does seek to regenerate more of the older industrial areas and generate higher value activities. It supports existing industries and only allows changes to employment land that will not impact negatively on key business activities supporting the local economy.
- 2.32 The context for employment growth reflects the concern of the past, stating:
- "There are already signs that the surge in employment growth during the 1990s has led to at least two undesirable consequences - the escalation of house prices and an increase in the average length of journeys to work."*
- 2.33 In terms of employment land, the Berkshire Structure Plan does not identify any employment growth areas in the county. The Plan is seeking spaceless growth where possible, with growth focussed in town centres through intensification. Therefore the employment policies of the Plan, covering office, industrial, storage and distribution activities, including research and development, seek to:
- i) direct job-creating development to those locations which best meet the aims of RPG9;

⁴ These are the districts of Bracknell Forest, Reading, Slough, Windsor & Maidenhead, West Berkshire and Wokingham.

- ii) look for forms of development that will help to achieve local and central Government's common wish to bring about an urban renaissance. Priority will be given to those developments, which can ameliorate the pressures that further growth will bring. There is potential for increasing employment through: (a) the development of remaining Greenfield employment commitments and (b) the re-use and intensification of sites within existing urban areas, without needing to release further Greenfield land. The first roll-forward of this Plan, in about 2006, would have considered whether there is a need for further Greenfield releases; and
- iii) support the retention of those businesses which are essential to the smooth running of the local economy, but which may find it difficult to find suitable accommodation in the area without some assistance from the planning system.

2.34 The key Structure Plan policy aims relevant to Reading and this study are as follows:

- Reading, as a defined Major Centre, should be the principal focus for all new development, and major office development;
- Town centres should include a variety of land uses in close proximity which are well-related to each other, are attractively designed, and easily accessible by public transport and walking and cycling;
- The scale of housing development should be determined by, among other issues, the availability of employment;
- Major employment development should consider its impact on the demand for housing, labour and skills, and on the transport network;
- There should be an adequate supply of employment space and accommodation, to support the local economy and meet a range of needs;
- To ensure that the amount and character of employment land and premises is appropriate; and
- Acknowledge the role of the University of Reading as both Berkshire's major higher education institution and a promoter of research and development in collaboration with the commercial sector. Allowance should be made for industries and services closely associated with the University to be accommodated outside the main Campus.

2.35 The overall Structure Plan strategy in relation to employment land is to protect existing sites, and not over-provide sites which will exacerbate existing problems i.e. housing supply and travel patterns.

Reading Local Plan

2.36 The Reading Borough Local Plan was adopted in October 1998. It identified five main objectives. The relevant objective for this study is:

"to enable the local economy to provide a range of jobs, concentrating on areas of the economy which are growing, but without becoming dependent on any one sector."

2.37 The employment objectives of the Plan are:

- i) To provide opportunities for continued economic growth within the environmental, traffic, labour market and housing constraints of the area;
- ii) To maintain and enhance the variety of economic activities and jobs in the Borough;
- iii) To locate employment activity in areas which are best served by public transport and which have good links to the strategic highway network. Further growth will be expected to offset its effects on traffic by helping to improve the highway network and the operation of public transport;

- iv) To protect small firms and make provision for their future needs; and
- v) To promote wider benefits for the town in conjunction with commercial development.

2.38 The adopted Local Plan policies relevant to this study are as follows:

- identify sites for major employment generating development (Policy EMP1);
- require major development proposals to demonstrate that they will not adversely impact on the transport network, housing supply, or physical and social infrastructure (Policy EMP2);
- allow B1, B2 and B8 uses subject to certain criteria (Policy EMP3);
- maintain a variety of employment premises (Policy EMP4);
- to not perpetuate or intensify bad neighbour activities, and give favourable consideration to the redevelopment of such sites for housing (Policy EMP5);
- encourage the provision of small industrial units, and protect existing small units, particularly those in defined locations (Policy EMP6);
- allow employment development in defined Major Industrial Areas subject to certain criteria (Policy EMP7); and
- retain B8 floorspace in the Basingstoke Road Industrial Area (Policy EMP8).

2.39 It is clear from the Local Plan objectives and policies that continued growth in the economic development of Reading is encouraged, but this growth should be directed to the most appropriate locations.

2.40 The review of the adopted Local Plan has started, which will determine whether it is appropriate to continue with the current employment policies and strategy.

Reading Core Strategy Document - Preferred Spatial Options

2.41 In March 2006 Reading published the first draft of their Core Strategy Document - the preferred spatial options. This document will become the spatial strategy for the area, comprising a vision, objectives, and core policies. Of particular relevance to this study are the attempts to direct future employment growth in the borough. This study will provide the evidence to further refine this strategy. Below we identify the key employment themes set out in the draft Core Strategy which are relevant to this study.

2.42 The relevant statements in the draft Core Strategy Vision are:

- Reading's communities will be sustainable and have good access to a range of local facilities, services, housing and employment.
- The quality of the environment will improve to make Reading a desirable place to live, work and visit.
- Reading will continue to develop as a regional centre serving the wider Thames Valley.
- It will provide headquarters for major national and international companies.
- Reading will have an environment where new business can start up and flourish.

2.43 The new vision for Reading is similar to past approaches i.e. carefully managed growth. The three key principles underpinning the direction of that growth are as follows:

- i) Major development should be located in areas of high accessibility where it does least harm to the environment and delivers most benefits to the wider community;
- ii) Development should be directed to those areas in most need of physical, economic or social regeneration; and

- iii) Development must have excellent access to effective and efficient public transport.
- 2.44 On the basis of these key principles, the draft Core Strategy then identifies a strategy for four locations for future development: Reading Central Area; South West Reading; District / Local Centres; and Existing Employment. The proposed strategy for each area will have an impact on future employment provision. This study will provide the evidence to support the proposed strategy, and identify the scale, extent, and appropriate direction for future employment growth.
- 2.45 The key elements of the spatial strategy relevant to this study can be summarised as follows:
- Reading Central Area - three major development areas are identified so that uses which attract a significant number of journeys are directed to the most accessible locations:
 - West Side & Chatham Street area for mixed use comprising housing, commercial and leisure uses;
 - Station / River Project Area for rail interchange plus housing, commercial, leisure, retail and community facilities; and
 - East Side for residential.
 - South West Reading - development sites along the new A33 corridor in conjunction with improved public transport provision (rail and Mass Rapid Transport System) and existing park and ride facilities. The two broad development areas are:
 - Reading Southside for regeneration including residential, business and hotel. In the longer term this may include the regeneration of the employment area between Rose Kiln Lane and Elgar Road for mixed use with a substantial amount of housing.
 - Green Park for an extension to the existing business park with a substantial element of housing, a new rail station and transport interchange.
 - District / Local Centres for redevelopment, where appropriate, to provide a higher density mix of houses, shops and employment.
 - Existing Employment Areas - three principal employment areas are identified for regeneration and environmental enhancement so that they can continue to meet business needs:
 - Portman Road Industrial Area should be retained in employment use, but has potential for some residential uses;
 - Cardiff Road / Richfield Ave for mixed use with potential for an extension of the existing residential area westwards;
 - Basingstoke Road Industrial Area to be retained in employment use in the South but with regeneration of older commercial areas for additional housing.
- 2.46 As recognised in the draft Core Strategy, this study will assess whether these proposed land use changes should be carried forward.
- 2.47 The Core Strategy policies broadly have similar aims to those of the existing adopted Local Plan i.e. in accessible locations and of high design quality. The draft employment policies, of particular relevance for this study are as follows:
- Policy CS9 - encourages employment development that contributes towards Reading's status as capital of the Thames Valley; directs major office development to the centre of Reading and along the A33 corridor; directs other major employment uses to existing areas or the A33 corridor; and directs employment development to Reading Gateway in conjunction with major transport improvements.

- Policy CS10 - identifies Basingstoke Road, Richfield Avenue and Portman Road as Major Industrial Areas, and also identifying and protecting the smaller industrial areas. Basingstoke Road north of Rose Kiln Lane will be investigated for redevelopment for mixed use, including housing.
- Policy CS11 - seeks to maintain a variety of employment premises, so that a range of types and sizes of units are provided including start-up and, and storage and distribution uses are retained south of Basingstoke Road.
- Policy CS12 - only allows new employment development where mitigation measures are included to overcome its impact on the demand for housing, labour and skills, and on the transport network.

Other Strategies, Research and Policy Initiatives

Employment Issues in Neighbouring Authorities

- 2.48 The neighbouring authorities of Wokingham and West Berkshire have also started to prepare their Core Strategies. Like Reading, each authority will set out their future employment objectives within the Core Strategy. We briefly highlight the emerging objectives that are likely to impact Reading through the policy approach eventually adopted by the neighbouring authorities.
- 2.49 Wokingham had an employment land study undertaken to inform their draft Core Strategy. The study concluded that there is no need to identify additional areas within the District for employment development. On this basis Wokingham proposes to protect the existing Core Employment Areas, but allows for the expansion or intensification of buildings within these areas. In addition, Wokingham's Core Strategy refers to a proposed 20,000 sq m science park within the district to provide floorspace for knowledge based businesses, possibly in association with a higher education institution. However, since the employment land study concluded that there is no need for additional employment floorspace, Wokingham proposes to only allow the development of a science park if it is linked to the loss of employment land within the defined Core Employment Areas.
- 2.50 One of the key objectives of the West Berkshire draft Core Strategy is to help maintain a strong, diverse and sustainable economic base in the district. West Berkshire has not undertaken an employment land study to inform their emerging policies⁵, but the overall strategy for employment development has two strands: direct industrial and warehouse uses to existing protected employment sites; and direct new office development to Newbury town centre. Newbury, as an identified Major town in the Berkshire Structure Plan, is proposed as the principal focus for most development in the district.
- 2.51 Although Reading's neighbouring authorities do not have an adopted core strategy, it can be inferred from their draft strategies that there are no strong aspirations for further expansion of economic activity and, therefore, the allocation of significant more business space within the areas surrounding Reading. The approach taken by both authorities is similar to the managed growth strategy set by the Berkshire Structure Plan.

Reading 2020 - RBC Community Strategy

- 2.52 Reading 2020 is the Community Strategy for the borough, and provides a framework for improving everyone's quality of life. The emerging Core Strategy is key to the delivery of the Community Strategy by setting out the land use implications arising from it.

⁵ We understand that they intend to do so in the near future.

- 2.53 The Core Strategy identifies seven key themes. One theme relevant to this study is *"make it flourish" - to build on Reading's successful urban renaissance, enabling a healthy mix of businesses - small and large - and ensuring employment opportunities for all.*
- 2.54 This theme will basically be delivered through the emerging Core Strategy employment policies i.e. protect existing employment areas, regenerate some older industrial areas, and retain a variety of premises, and through the Sustainable Economic Development Strategy.

Reading Sustainable Economic Development Strategy

- 2.55 In April 2006, RBC published their Sustainable Economic Development Strategy 2006-2009 (SEDS), which is aligned with the aims of the Regional Economic Strategy (prepared by SEEDA) but reflects the local borough-wide circumstances. The SEDS reflects how the Council can continue to contribute, in association with its partners, to maintaining and enhancing Reading's vibrant sustainable economy across six key strategic themes. These are:
- Building competitive businesses;
 - Attracting and retaining investment;
 - Maintaining and enhancing environmental quality;
 - Creating 21st century skills;
 - Achieving economic inclusion; and
 - Developing sustainable infrastructure.
- 2.56 The underlying issue of the SEDS that is relevant for this study is the need to retain those existing employment sites that can support the delivery of the strategic themes. This requires protecting a range of employment sites which are suitable for both major employers, and small and medium sized enterprises.
- 2.57 Retaining sites for small businesses is important since they often provide the service needs of the major employers in the borough. As such, small businesses should be encouraged to remain within the borough rather than be forced to locate elsewhere because of a lack of suitable and available sites. It is equally important to retain employment sites which meet the needs of business that provide job opportunities for local people with low or no qualifications, or those from disadvantaged communities. The loss of suitable sites may further restrict the opportunity for such groups to participate in the local economy.

Regional Futures Report: a Vision for England in 2030

- 2.58 This report looks at the economic and demographic trends that are likely to shape the way in which the English regions develop over the next 25 years. It is a report for the English Regions Network and the Office of the Deputy Prime Minister (ODPM - now the DCLG). The report goes on to discuss the possible interventions that could lead to a different outcome, and then a number of scenarios which could provide a framework for action.
- 2.59 The report notes a strong correlation between the percentage of graduates and earnings in the economy. Therefore regions with the highest skill levels are likely to be more prosperous.
- 2.60 The 2003-based population forecasts (trend based on the previous five years), 2001-2021, show the South East will grow by 14.1%, the fourth highest region behind the East, South West and London regions, and higher than England overall (11.1%).
- 2.61 Manufacturing will continue to decline and business services will continue to grow mainly in the south. With growing prosperity, employment in local services will also

grow gradually, but more strongly in the wealthiest regions and the wealthiest parts of regions.

- 2.62 The South East ranks second in highest change in GVA (1971-2004), and only marginally loses out to the East. GVA per worker (2001) shows the South East has the second highest GVA per head (after London) but employee earnings are only just above average.
- 2.63 Productivity levels in the South East fall below that of the best regions in the EU and the US. SEEDA estimate the South East could accommodate 28% more growth if the region's productivity levels were the same as the average level of the top 40 global regions; and importantly this will impact only marginally on local infrastructure.⁶
- 2.64 The report identifies the South of England as the powerhouse of the national economy, and further growth in England's economy is predicated on growth in London and the South East. The report analyses potential intervention policies to rebalance the distribution of growth more evenly among all regions, mindful of the Government's PSA2 target on Regional Economic Performance that targets growth in the national economy with targets for reducing regional disparities. However, the latter must not occur at the expense of the UK economy as a whole.
- 2.65 Three scenarios are identified (that could make a difference) for regional development and change over the next 25 years:
1. **Constraining growth in the South:** failing to plan for full potential employment growth, and restricting numbers of new dwellings, on the assumption that growth would be diverted to the Midlands and the North instead.
 2. **Planning for growth in the South:** accommodating population and employment growth, delivering regeneration, and extending the London and the South East mega-city region to locations it does not currently reach.
 3. **City-region renaissance in the North, Midlands and peripheral parts of the South West:** a step change in rates of economic and population growth in the North and Midlands.
- 2.66 Scenario 1, Constraining growth in the South is considered to have adverse impacts. It would fail to deliver the intended benefits to the North and Midlands, and also cause a worsening of standards of living in the South. Importantly, there is a serious risk that it would jeopardise the national economic growth target which is heavily dependant on continuing growth in the South.
- 2.67 Scenario 2, Planning for growth in the South, would raise levels of national economic performance by reflecting market demands. It has the potential to accommodate further population and economic growth in the South, but only if sufficient public investment is made in physical and social infrastructure.
- 2.68 Scenario 3, City-region renaissance in the North, Midlands and peripheral parts of the South West should positively impact on the UK economy. It will entail public sector relocation, transport investment and other interventions, and may need to be focused on the most successful core cities and other economic hot spots, with adjacent areas playing a supporting role.

New Growth Point Initiative

- 2.69 In response to the Barker review of housing supply with the intention of building more homes, the Government announced the New Growth Points Initiative In December 2005. The initiative is to provide funding and support for local communities who wish to pursue large scale and sustainable growth, including new housing. As part of the initiative, local authorities were invited to submit proposals for housing growth linked to

⁶ Arup, *An Assessment of Potential Housing Growth Scenarios in Wokingham District*, April 2005

their wider strategies for economic growth and meeting local need for homes. The Government are offering funding for overcoming local infrastructure problems, unlocking sites for new housing and enhancing the local environment. In the first round (to 2007-08) of infrastructure projects, £40m has been made available.

- 2.70 Over 20 proposals were received covering more than 50 local authorities; Reading was one of the authorities. As part of the initiative, Reading is proposing a housing build target of 572 dwelling per annum (dpa). In Chapter 5, as one of our scenario options, we test the impact of this initiative for employment land in Reading.
- 2.71 In October 2006 the Government will announce where it proposes to undertake long-term partnership for growth.

Augmenting the Evidence Base for the SE Plan

- 2.72 Roger Tym & Partners (RTP) were commissioned by ODPM and GOSE to provide independent technical advice for the forthcoming Examination in Public (EiP) of the Draft South East Plan. RTP were asked to develop and appraise alternative options for accommodating housing and associated infrastructure requirements, additional to the amount proposed in the Draft Plan submitted to the Government on 31st March 2006.
- 2.73 Two alternative approaches to forecasting were taken. The first took a demographic approach forecasting increases in household numbers based on long term and short term migration patterns with an allowance for a backlog of housing needs. This generated the following alternative growth options:
- Option A - 4,100 dwellings per annum (dpa) above the Draft Plan dwelling figure. Under this scenario, increases in dpa were distributed on a pro rata basis in line with the distribution put forward in the SEP. Consequently, under this option Reading is forecast to accommodate 595 dpa - 74 dpa above the Draft Plan figure.
 - Option B - 8,100 dpa above the Draft Plan dwelling figure. Again, this was distributed based on pro rata increases, with Reading forecast to accommodate 667 dpa - 146 dpa above the Draft Plan figure. In this study's Chapter 5, as one of our scenario options, we test this higher growth option for impact on the future requirements for employment land in Reading. We also test the impact of this option on a Wider Reading area including West Berks (672 dpa) and Wokingham (669 dpa) authorities, where an additional 439 dpa above a Draft Plan summed figure of 1,569 dpa would be accommodated.
 - Option C - is a re-distribution of Option B concentrated on the Functional Urban Areas (FUR) in the South East. Under this option Reading is forecast to accommodate 1,057 dpa - more than double the Draft Plan figure.
- 2.74 The second approach is economic based, identifying sufficient dwellings to meet the demand for labour which would maximize economic growth. This generated the following scenario:
- Option D - 17,100 dpa above the Draft Plan dwelling figure, including 965 dpa in Reading, which is 444 dpa above the Draft Plan figure.
- 2.75 These alternative levels of growth and spatial scenarios were subject to 'sustainability appraisals', but are considered by the authors as 'high level' and should be subject to detailed local examination.

Conclusion

- 2.76 The above guidance and emerging strategies should inform the future allocation of employment sites within Reading's planning system. The key points are:
- 2.77 Revisions to PPG3 and draft PPS3 require planning authorities to review their employment land sites, to see how far they are still suitable and needed for

employment. Any employment site whose retention is not supported by an up-to-date review may be considered available for re-allocation to housing.

- 2.78 PPG 4 recommends that planning bodies safeguard employment land but only if there is evidence supported by a clear policy setting out the reasons for the safeguard policy and the criteria by which the planning authority will consider a change in use.
- 2.79 Regional guidance identifies the Thames Valley and Reading as a key part of the sub-region, to support future growth in the South East. It is likely that the sub-region will be a driver of this growth, with implications for the regional and national economy.
- 2.80 Reading's own planning documents encourage an environment where new business can start up and flourish, supporting the provision of and protecting small industrial units. The provision of headquarters for major national and international companies are also encouraged, particularly those in defined locations. But, major development proposals need to demonstrate that they will not adversely impact on the transport network, housing supply, or physical and social infrastructure since ultimately Reading's planning policies are seeking carefully managed growth.
- 2.81 In keeping with plans for managed growth, the Council is proposing higher levels of dwelling growth, above the Draft South East Plan figures, under the New Growth Initiative, where the Government is offering funding for infrastructure improvements to achieve increases in dwelling growth levels. We test the implications of this for employment land in Chapter 5.
- 2.82 The neighbouring authorities of Wokingham and West Berkshire take more conservative approaches towards expansion of economic activity within their areas.

3 READING ECONOMY

Introduction

- 3.1 In this chapter we profile Reading's economy under three main headings:
- The workplace economy, comprising of the businesses and jobs located in the Reading Borough;
 - The residents, comprising of population and the workforce that live in Reading borough; and
 - The labour market, which brings together the labour demand generated by the workplace economy with the labour supply provided by the resident population.
- 3.2 The analysis is shaped by three broad questions:
- What are the growth prospects for the borough's workplace economy?
 - What is the character of the economy, and what does it imply about the demand for employment space?
 - How well off are the borough's working residents, and how does their economic well-being relate to the performance of the district's economy?
- 3.3 Throughout this chapter we benchmark Reading's economy against the neighbouring districts of Wokingham and West Berkshire, the Thames Valley sub region⁷, the South East and Great Britain.

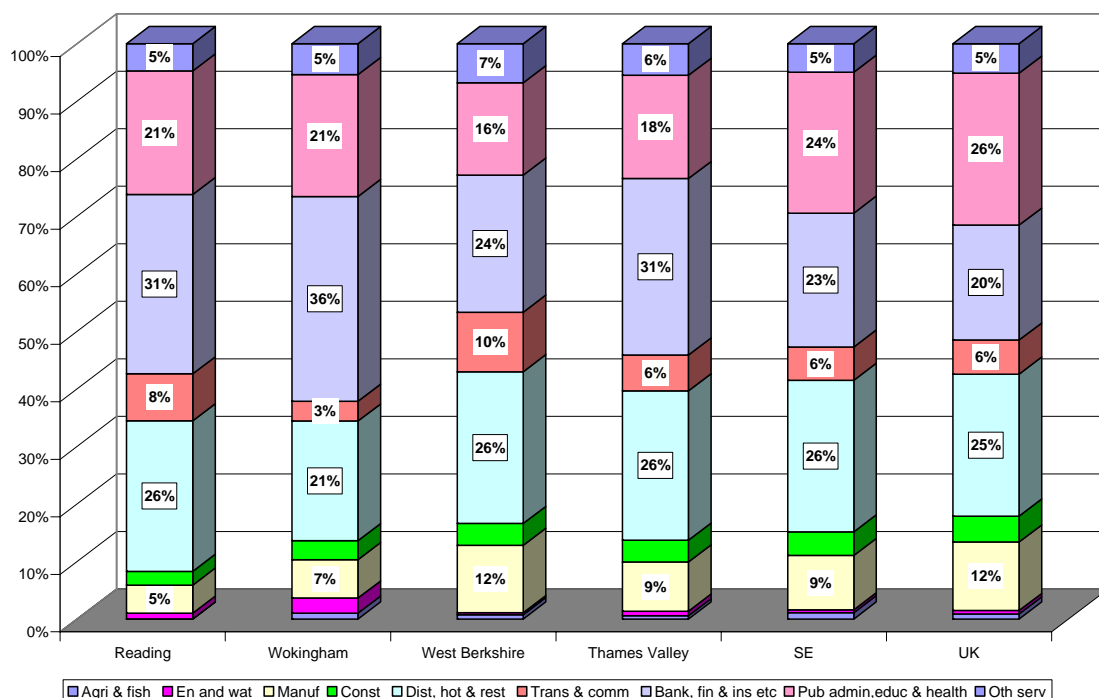
Industrial Structure

- 3.4 According to the 2004 statistics, the latest data available, there are approximately 99,100⁸ employee jobs in Reading.
- 3.5 The broad economic structure reveals (Figure 3.1)
- The South East differs from the national average with a higher proportion of jobs in Distribution, Hotels and Restaurants (largely made up of retail) and Financial and Business Services (FBS), and under representation in manufacturing and public administration.
 - With a higher proportion of FBS, the Thames Valley sub region differs to the South East. And the proportion of Public Administration (inc: Education and Health) jobs is lower than the South East average.
 - Reading's employment structure is similar to the Thames Valley sub region, except for Manufacturing and Public Administration. Reading's Manufacturing sector accounts for 5% of total jobs which is below the sub regional average of 9%. Additionally, Public Administration accounts for 21% of jobs in Reading - 3% greater than the sub regional average.
 - Of the neighbouring districts, Reading shares similar characteristics with Wokingham in having a high share of FBS jobs, and with West Berkshire with a high share of Transport and Communication jobs. It differs from the neighbouring authorities most noticeably in the share of manufacturing jobs; in West Berks manufacturing accounts for 12% of the total employment, which is double the Reading average of 5%.

⁷ The Thames Valley sub region comprises of the districts of Basingstoke and Deane, Bracknell Forest, Hart, Reading, Runnymede, Slough, South Buckinghamshire, South Oxfordshire, Spelthorne, Surrey Heath, West Berkshire, Windsor and Maidenhead, Wokingham and Wycombe.

⁸ Annual Business Inquiry 2004

Figure 3.1 Employment Structure, 2004



Source: Annual Business Inquiry

- 3.6 Table 3.1 examines well represented employment sectors in Reading. The table lists those activities which have more than 500 employees and the location quotient is greater than or equal to 1.3, thereby indicating that the share of employment in the borough is 30% or more above the national average.

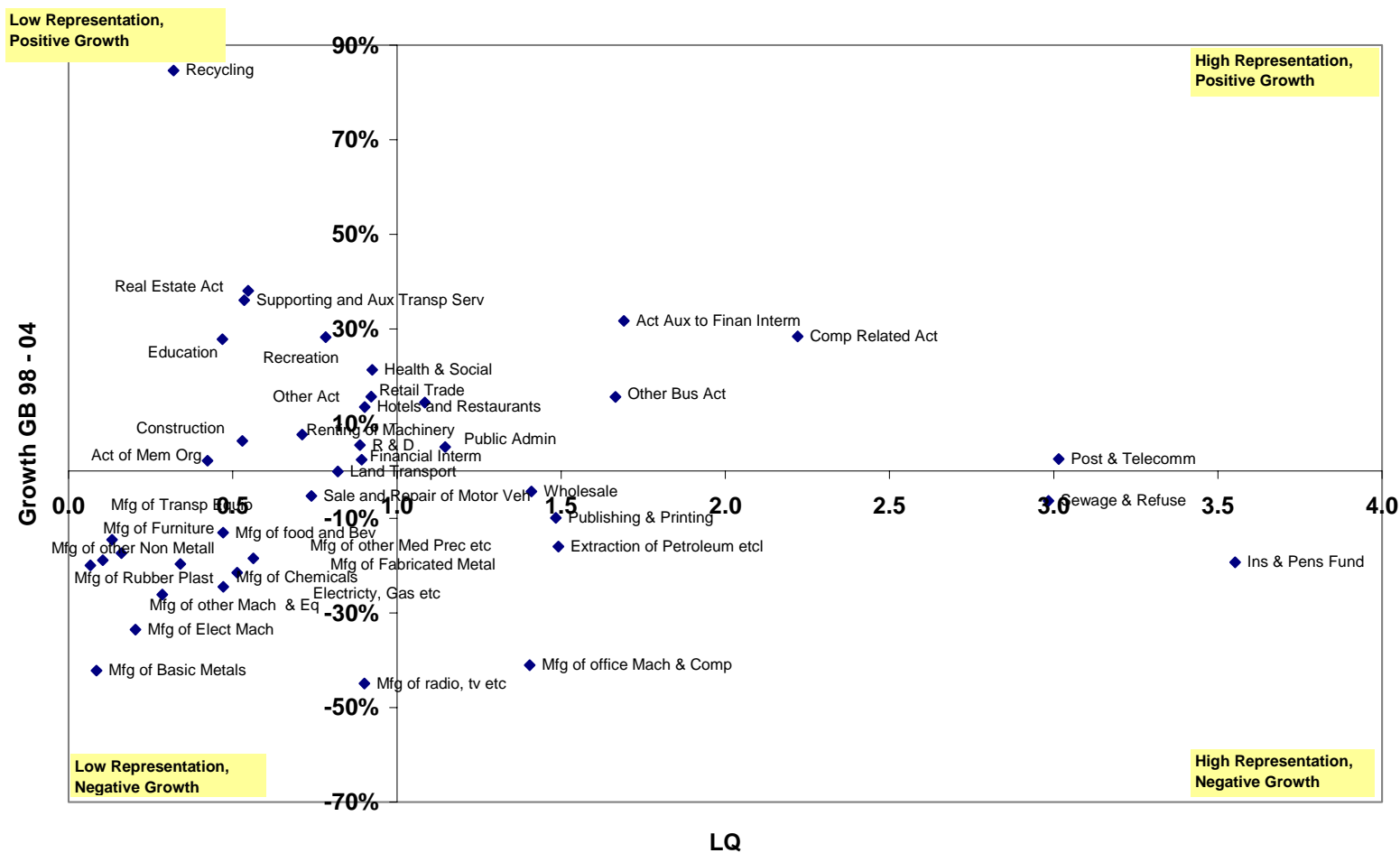
Table 3.1 Location Quotient, 2004

	No of Jobs in	
	Reading	LQ
22 : Publishing, printing and reproduction of recorded media	1,820	1.5
41 : Collection, purification and distribution of water	706	7.5
51 : Wholesale trade and commission trade, except of motor vehicles and	5,902	1.4
64 : Post and telecommunications	5,583	3.0
66 : Insurance and pension funding, except compulsory social security	2,534	3.6
67 : Activities auxiliary to financial intermediation	1,751	1.7
72 : Computer and related activities	4,074	2.2
74 : Other business activities	18,852	1.7
90 : Sewage and refuse disposal, sanitation and similar activities	1,114	3.0

Source: Annual Business Inquiry

- 3.7 With the exception of 41 and 90, in broad terms all these activities occupy business space land; the majority being in offices.
- 3.8 By contrast, sectors which are least represented in Reading, with the lowest LQ's are those in manufacturing. These under represented sectors include manufacture of basic metals, rubber and plastics, and transport equipment. Figure 3.2 below shows the location quotient for each of the industries and plots them against that industries recent national growth rate (1998-2004).

Figure 3.2 Industrial Structure and Growth, Reading, 2004⁹



Source: Annual Business Inquiry

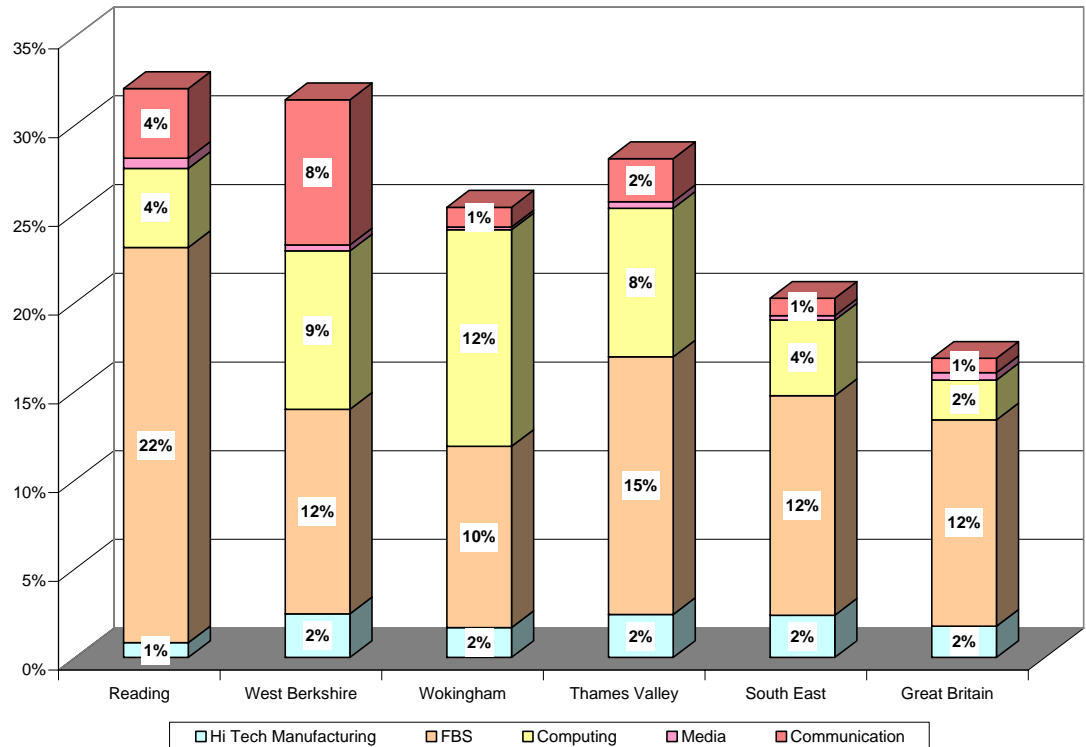
⁹ The graph excludes the sector of collection and purification of water.

- 3.9 Figure 3.2 shows industries above the horizontal axis are those that have encountered growth between 1998 and 2004. The higher up the relevant point, the faster the growth has been over the 6 year period. These growing sectors can be subdivided into two groups
- The north east quadrant of the chart, are sectors that are over represented and provide a greater number of jobs within the borough than nationally. The further to the right the point is located, the greater the sectors over representation. In general, industries within this quadrant occupy business space (with the majority of sectors occupying office space). The only exception is hotel and restaurants which can be classified as retail and recreation and serves local demand.
 - The industries in the north west quadrant are sectors that have grown in the national economy but are under represented in Reading. Sectors within this quadrant tend to be distributed between industries that occupy business space and sectors that occupy shops, restaurants and cafes and educational institutions.
- 3.10 Below the horizontal axis are sectors that have experienced negative growth nationally. Most tend to be in the manufacturing and utility sector however distribution and insurance and pension funding have also been losing jobs. Most of these declining sectors are in the south west quadrant; therefore sectors declining nationally are underrepresented in Reading. A small number of sectors are in the south east quadrant; hence some declining sectors are overrepresented in Reading.
- 3.11 Reading appears favourable to employment growth that will stimulate demand for business space. Sectors that are growing nationally are office based and these are well represented in the borough. By contrast sectors that are declining are in manufacturing and are underrepresented in Reading. As demand for business space from manufacturing firms falls, this will be offset by demand for office space within the borough.

Knowledge Based Employment

- 3.12 Employment in knowledge-based sectors is a key measure of economic competitiveness, which is a determinant of current and future prosperity. The thinking behind this view is summarised in a quote from the Government White Paper *Our Competitive Future: Building the Knowledge Economy*:
- “In a knowledge-driven economy....the generation and exploitation of knowledge has come to play the predominant part in the creation of wealth. Companies in countries with higher labour costs, such as the UK, therefore have to innovate and adapt continuously to retain their competitive edge.”
- 3.13 Figure 3.3 shows employment in knowledge based sectors using the OECD definition.

Figure 3.3 Knowledge Based Sectors, 2004



Source: Annual Business Inquiry

- 3.14 In the Thames Valley 28% of jobs are in knowledge based sectors - greater than both the South East and GB average of 20% and 17% respectively.
- 3.15 Compared with benchmark economies, Reading has the highest proportion of knowledge based sectors; which at 32% is double the national average.

Business Space Occupiers

- 3.16 In this study we focus on jobs that occupy business space, comprising office, warehousing and industrial jobs, jointly referred to as B-space occupiers. We identify B-space jobs using specific sectors from the Standard Industrial Classification (SIC) 2003 (see Appendix 1). Industrial jobs comprise manufacturing industries and parts of the construction industry, motor repairs/ maintenance and sewage and refuse disposal. Warehousing is occupied by a variety of transport and distribution activities which are widely spread across the Standard Industrial Classification.
- 3.17 The definition of offices is led by the ODPM (now the DCLG) definition. In addition to the sectors identified by the ODPM, we also include public administration and temporary workers.
- 3.18 The correspondence between sectors and types of space is not perfect and hence our definitions of office and industrial/warehousing jobs are approximations. But they are the best approximations, developed through a series of employment space studies.
- 3.19 B-space employment (Table 3.2) accounts for approximately 49% of total employment within Reading borough, which is slightly above the national average. Industrial and warehousing employment account for 17% of total jobs in Reading (5 % below the national average); while approximately 32% of jobs in Reading are Office related (in comparison to the national average of 18%).

Table 3.2 Business Space Employment in Reading, 2004

	Jobs in Reading	% of all jobs in Reading	% of all jobs in GB	Location Quotient
Industrial	7,496	8%	14%	0.5
Warehousing	8,957	9%	7%	1.2
Office	31,908	32%	18%	1.8
B Space	48,361	49%	39%	1.2
Non B Space	50,801	51%	61%	0.8
Total Employment	99,162	100%	100%	

Source Annual Business Inquiry

Size of Establishments

- 3.20 Table 3.3 shows the size of employer establishments (units)¹⁰, measured in numbers of employees.

Table 3.3 Employment Units by Size, 2004

	Reading	West Berks	Wok'ham	Thames V	SE	GB
1-10 Employees	80%	86%	88%	86%	85%	83%
11-49 Employees	15%	11%	9%	11%	11%	13%
50-199 Employees	4%	3%	2%	3%	3%	3%
200 +	1%	1%	1%	1%	1%	1%

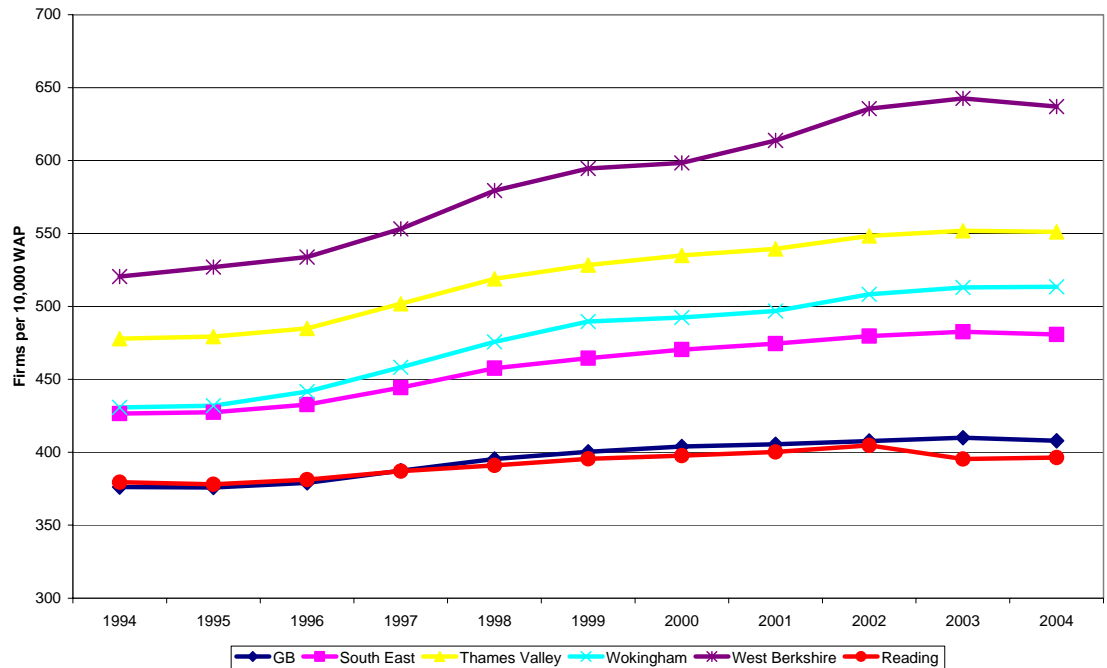
Source: Annual Business Inquiry

- 3.21 Similarly across all areas, over 80% of all firms employ less than 10 employees and no more than 5% employ greater than 50 employees. Unit sizes in the South East and the Thames Valley are the same and very similar to the national average.
- 3.22 When comparing all areas, Wokingham has the highest proportion of small firms and lowest share of large firms. By contrast, Reading has the lowest proportion of small firms and the highest share of medium sized firms.

¹⁰ Units are not the same as firms. A company may have several branches and offices in a town, each of which would be counted as a separate unit, even though they are the same firm. A single work place may also be counted as two data units where there are two distinct business activities at the same site.

Entrepreneurship

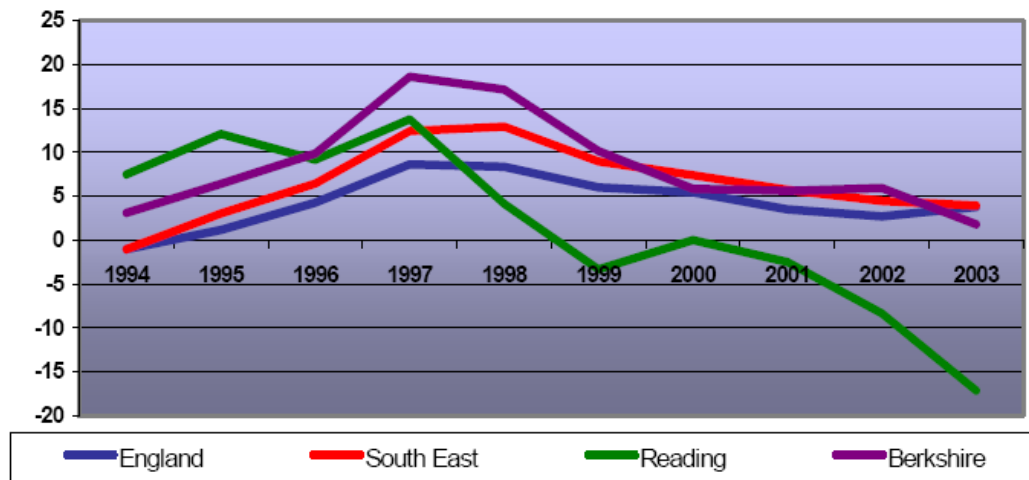
Figure 3.4 Stock of VAT Registered Companies, 1994-2004



Source: Annual Business Inquiry

- 3.23 Figure 3.4 shows a similar cyclical pattern of growth in new businesses over the last ten years for which data is available. The South East performs better than the national average and the Thames Valley ranks above the regional average. Reading's growth of VAT registered companies is below the regional and sub regional average but similar to the national average, except in the last two years where the borough encountered a slight downturn. Reading ranks below all comparator economies.
- 3.24 A lack of entrepreneurial growth and the survival of small businesses is highlighted to be a problem in the Reading Sustainable Economic Development Strategy; it was also regularly highlighted in our consultations with key stakeholders. Analysis by Reading BC, shown in Figure 3.5, found that since 1997, Reading has encountered a significant downturn in net VAT registered businesses; and since 1999 Reading has seen more businesses deregistering than registering. Although the graph does not identify the size of the businesses, the Small Business Service refer to 99% of VAT-registered businesses employing less than 50 people, so the impact of negative changes in business numbers is likely to be mainly from the loss of small and medium sized businesses.

Figure 3.5 Net Change in VAT registrations per 10,000 population

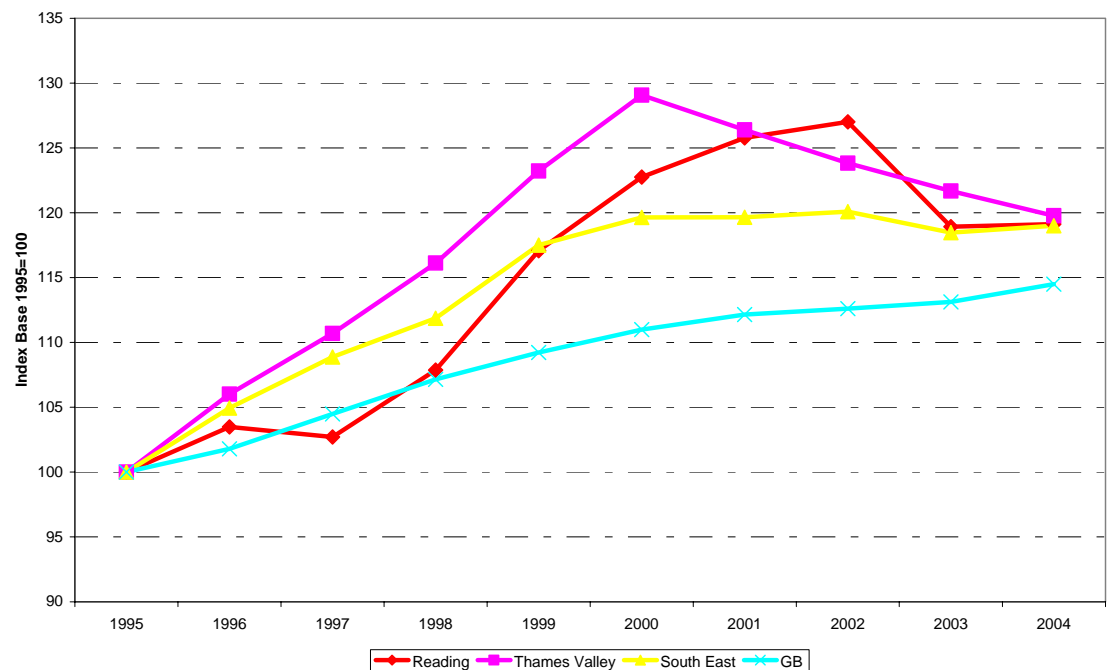


Source: Reading BC's *Sustainable Economic Development Strategy 2006 - 2009*.

Employment Change

- 3.25 Figure 3.6 shows employment change in Reading compared to the sub regional, regional and national average, Figure 3.7 shows employment change amongst the local authorities.

Figure 3.6 Employment Change, 1995-2004



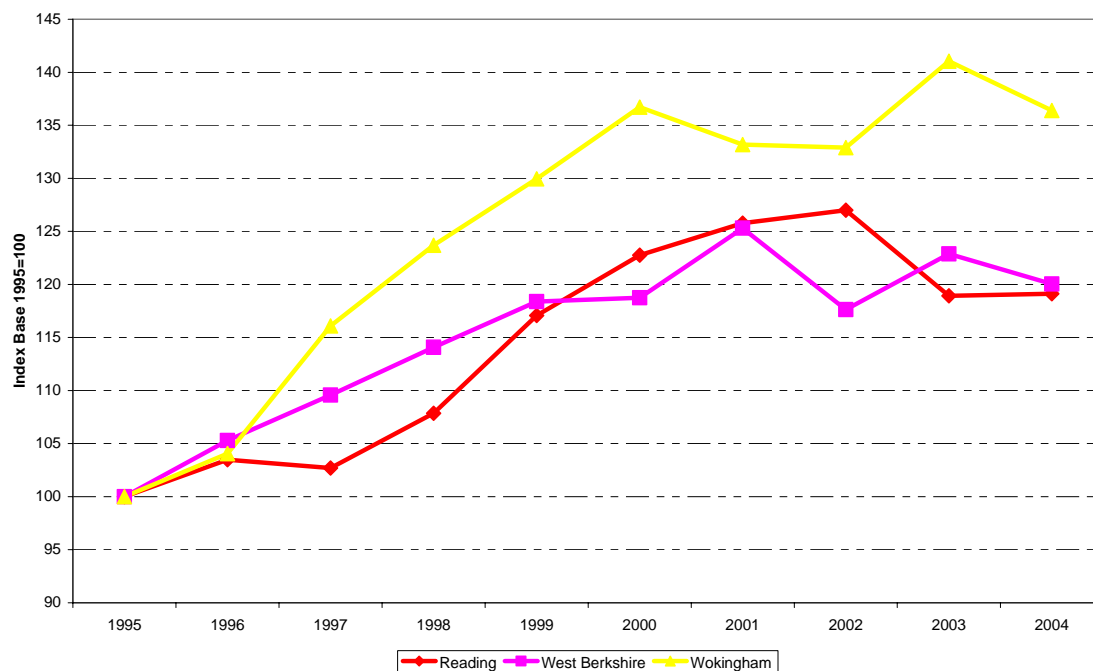
Source: Annual Business Inquiry and Annual Employment Survey Rescaled.

- 3.26 Over the long term, all areas show an upward trend, and all areas except for GB encountered cyclical growth. The South East and the Thames Valley had identical employment growth patterns, peaking in 2000 and thereafter declining.
- 3.27 Reading's strong growth in the 1990s can be explained by the growth in the ICT sector as foreign investment firms, particularly US based firms established European bases in Reading. These companies include Microsoft, Veritas Software and Oracle. Since 2002, macro-economic factors and competition from other East European and South East Asian economies has led to foreign investment in

Reading subsiding, consequently leading to employment decline as the graph shows.

- 3.28 Figure 3.7 shows that amongst the local authorities, growth rates appear to be volatile after 2000. Wokingham outperforms both the neighbouring local authorities and Reading's growth rates are similar to West Berkshire's.

Figure 3.7 Employment Change in Neighbouring LA's, 1994-2004.¹¹



Source: Annual Business Inquiry, Annual Employment Survey Rescaled.

The Residents

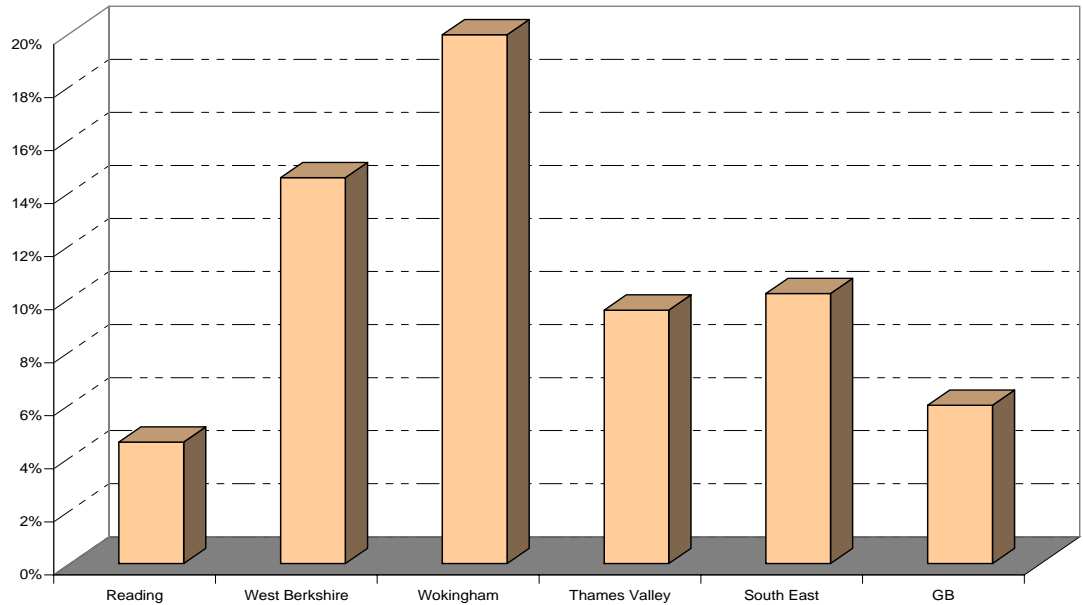
- 3.29 The analysis thus far has focused upon the workplace economy, considering the activities of people who work in Reading, regardless of where they live. In this section we focus on the attributes of the resident population of the borough regardless of where they work.

Population Change

- 3.30 Figure 3.8 shows that between 1984 and 2004 the South East and Thames Valley experienced population growth of around 10%, which is 4% higher than the national average. The local area level growth rates vary significantly. Reading's growth rate was 5%, the lowest of all the economies and just a quarter of the growth experienced in Wokingham.

¹¹The kink in 2003 for both Reading and Wokingham is explicable to data changes rather than any economic change, because there has been a geographical alteration to several companies previously registered in the Park ward of Reading now falling under the Bulmershe and Whitegates ward of Wokingham.

Figure 3.8 Population Change, 1984-2004

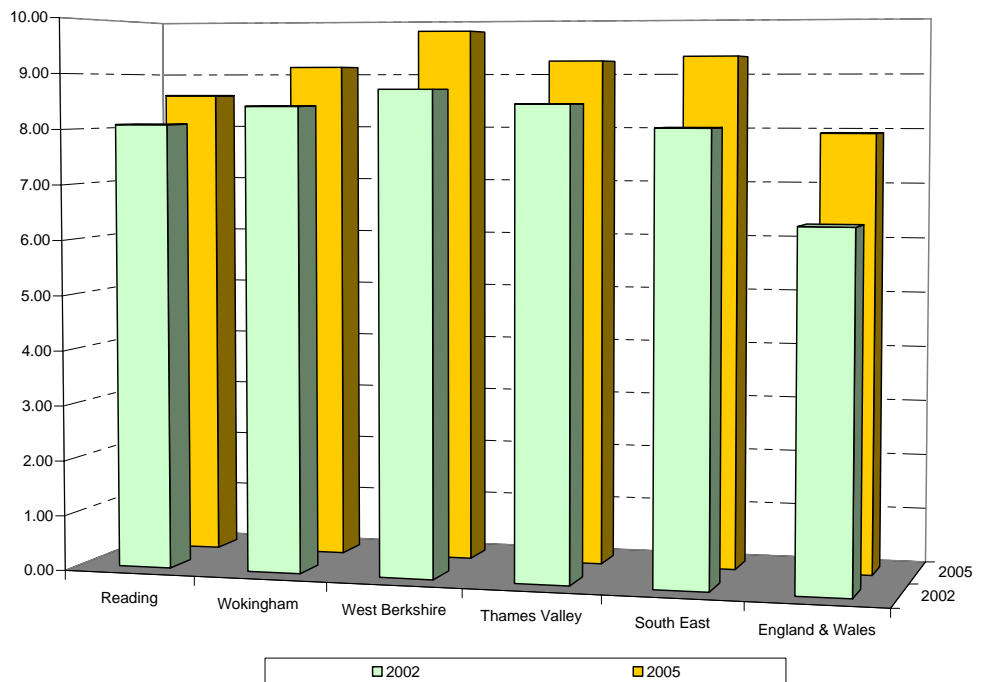


Source: ONS Mid-Year Population Estimates

Housing Affordability

3.31 Figure 3.9 compares housing affordability by dividing the average house prices with resident incomes. The graph would suggest that Reading has a considerable affordability problem in relation to the national ratio; but this problem is greater in neighbouring districts, the Thames Valley sub-region and the region. The affordability problem has also worsened far less in Reading over time (ie, 2002 to 2005) compared with its benchmark areas.

Figure 3.9 Housing Affordability, 2002 and 2005



Source: Annual Survey of Earnings and Hours and Land Registry.

Deprivation

- 3.32 Table 3.4 shows the rank of each local authority area based on the average Index of Deprivation (IoD04). With 1 being the most deprived and 354 the least, Reading ranks higher on the deprivation index than most of the other former districts of Berkshire, except for Slough. The table indicates that Reading has a middling ranking in comparison to the local authorities of England and Wales.

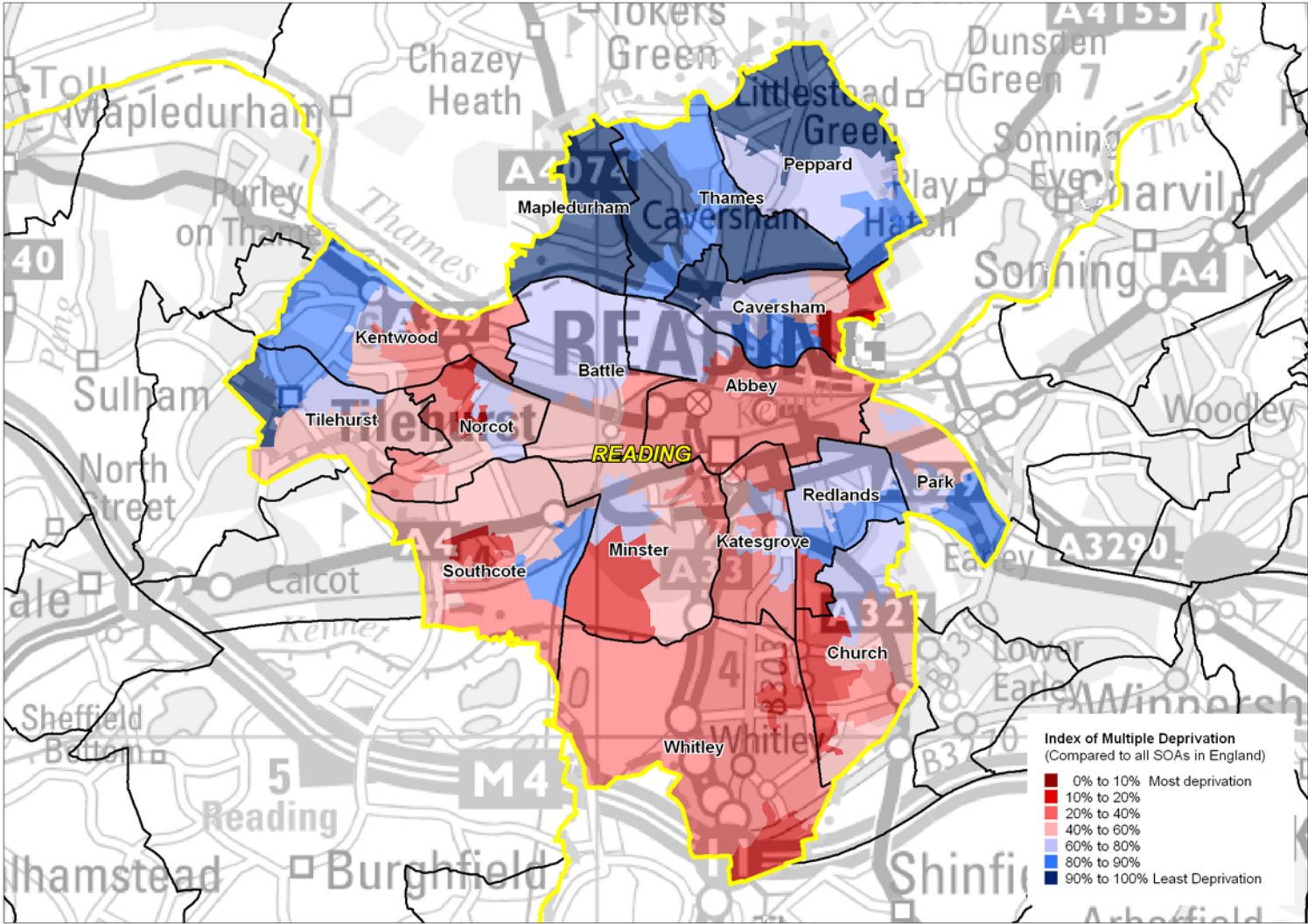
Table 3.4 Index of Multiple Deprivation 2004

Rank of Average Ranking	
Slough	129
Reading	153
Bracknell Forest	319
Windsor & Maidenhead	326
West Berkshire	329
Wokingham	352

Source: ONS, ODPM (now the DCLG)

- 3.33 Figure 3.10 below shows the geography of deprivation within Reading borough. This shows deprivation mostly occurring in the town centre, the west and south of the borough.

Figure 3.10 Index of Derivation in Reading (based on Super Output Areas), 2004

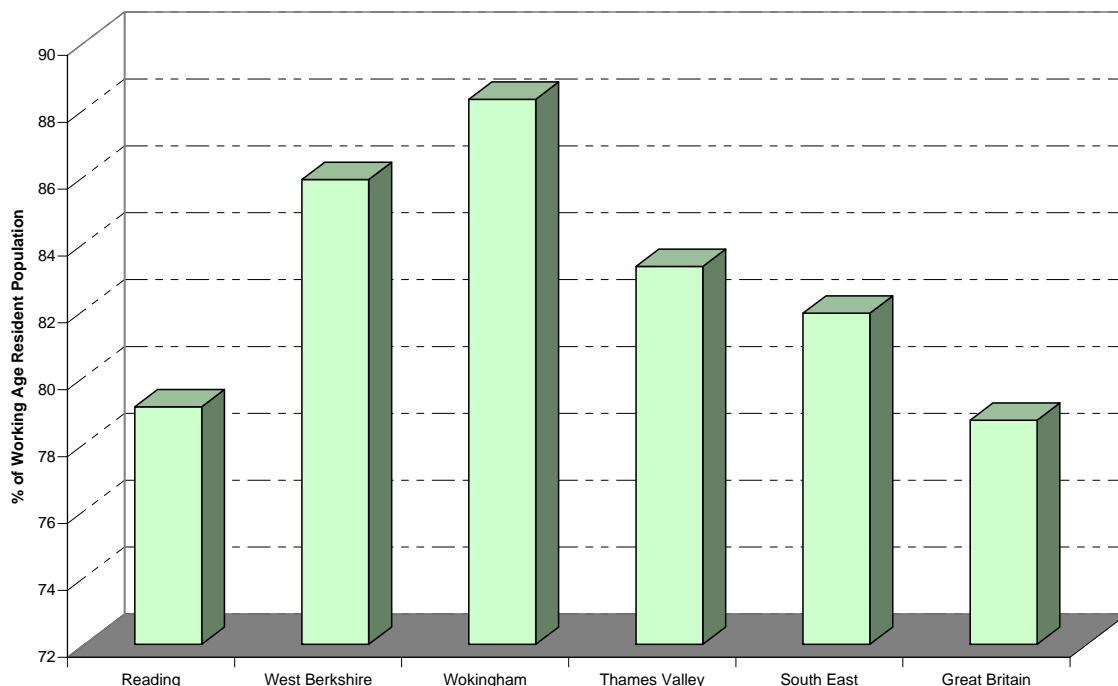


Source: ONS, RTP

Economic Activity

- 3.34 Figure 3.11 provides an indication of labour supply since it incorporates working age residents in employment or those not in employment but are available and willing to commence employment within two week. The data shows Reading's economic activity at 79%, which is below most benchmark economies except for the national economy. By contrast Wokingham has the highest economic activity rate of approximately 88% of working age residents.

Figure 3.11 Economic Activity Rates, 2005



Source Labour Force Survey

Unemployment

- 3.35 Unemployment in Reading is around the same as the GB average; which although not worryingly high, at 4.9% it is above the sub regional and regional averages, and is double the unemployment rate found in Wokingham.

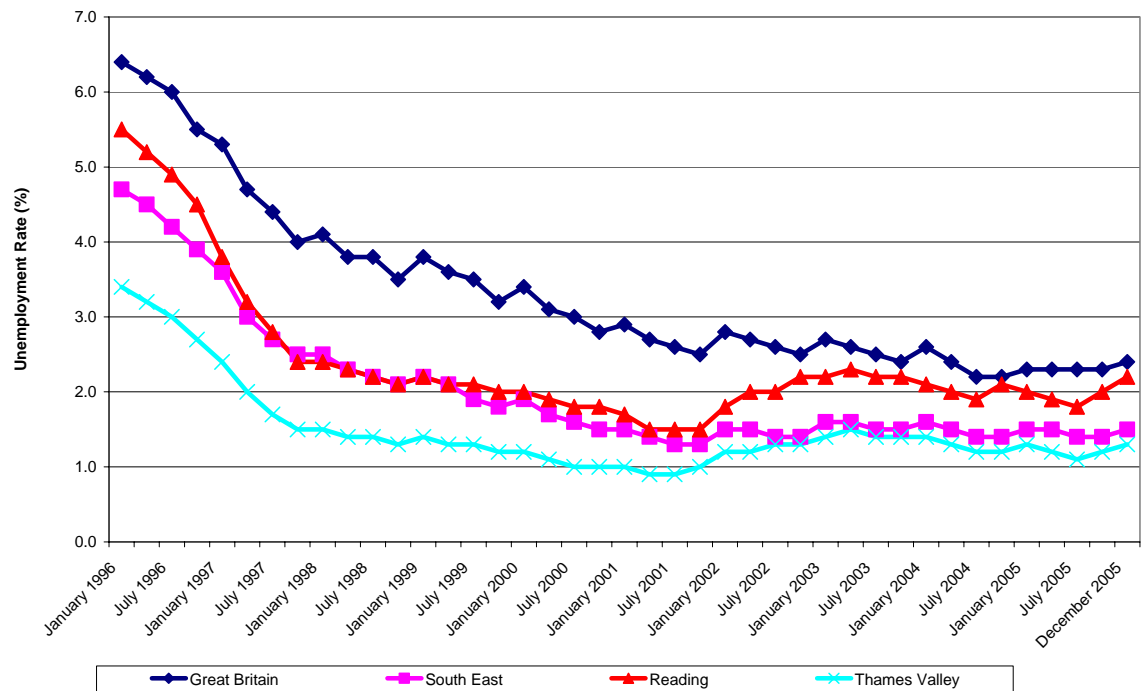
Table 3.5 ILO Unemployment Rate, 2004-05

GB	4.8%
South East	3.7%
Thames Valley	3.3%
Reading	4.9%
West Berks	3.4%
Wokingham	2.4%

Source: Annual Population Survey

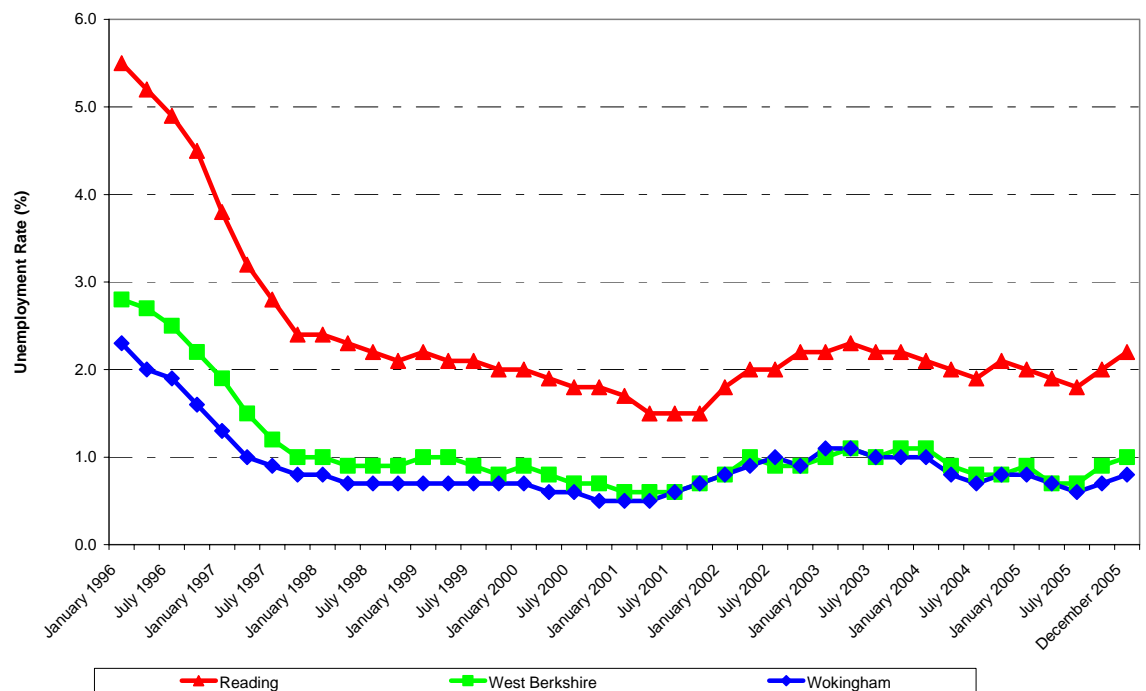
- 3.36 Using the Claimant Count, Figure 3.12 and Figure 3.13 show unemployment in Reading over time compared with the benchmark areas. Since 1996, unemployment in all economies have converged (possibly to their long run steady state of full employment), but the rankings remain the same, with Reading fairing less well than neighbouring authorities, sub region and region, but better than the national average.

Figure 3.12 Unemployment Rate - comparison with Thames Valley, SE and GB



Source: Labour Market Trends - Claimant Count

Figure 3.13 Unemployment Rate - comparison with Neighbouring LA's



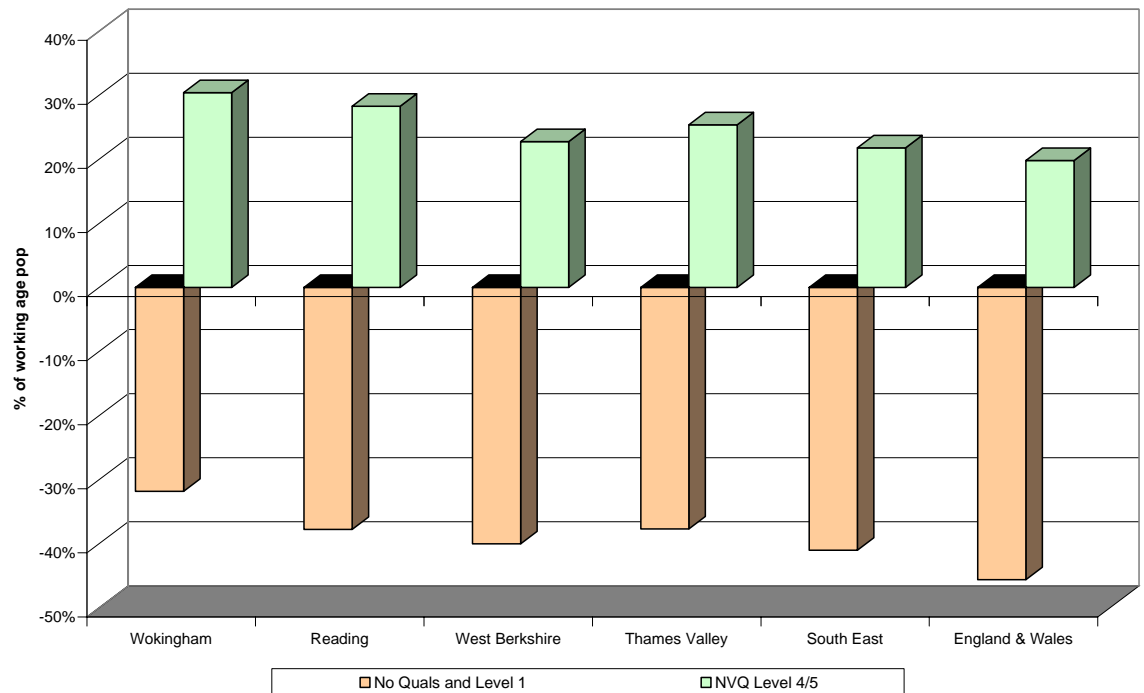
Source: Labour Market Trends - Claimant Count

Qualifications

3.37 Figure 3.14 shows Reading resident qualifications levels compared with benchmark areas. The positive bars represent the proportion of working age residents who have obtained an NVQ level 4/5 education. The negative bars show the proportion of

working age residents who have no qualifications or have obtained entry level (NVQ level 1) qualifications.

Figure 3.14 Qualifications of Residents, 2001



Source Census 2001

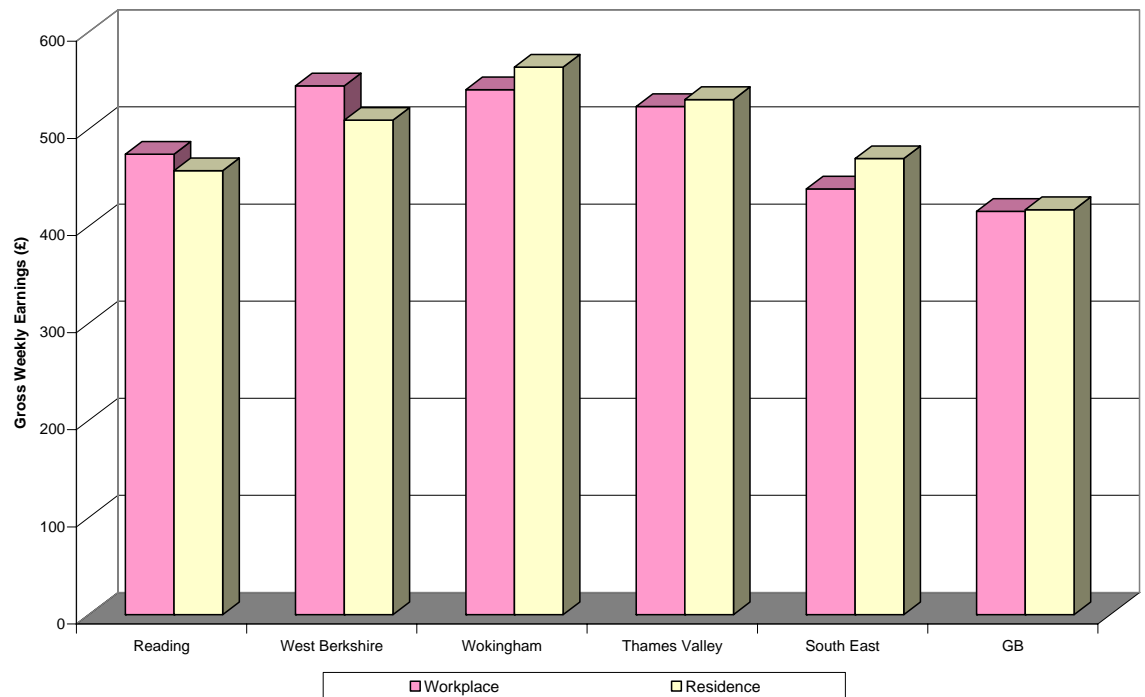
- 3.38 The graph shows that residents in the Thames Valley are on average better qualified than residents in the South East and nationally. Amongst the local authorities, Wokingham's followed by Reading's residents are the 'most qualified' of all the benchmark economies.

The Labour Market

Earnings

- 3.39 Figure 3.15 shows Reading's resident gross weekly earnings are £460, (£23,800 pa) and workplace gross weekly earnings are £474 (£24,700 pa). Both resident and workplace average earning levels in Reading are marginally and significantly more than the regional and national averages respectively. Yet they are significantly below the averages for the Thames Valley sub region and neighbouring districts of Wokingham and West Berks.
- 3.40 In Reading and West Berks, resident earnings are below workplace earnings, while in Wokingham the reverse is not only true, but residents' earnings are considerably higher.

Figure 3.15 Gross Weekly Earnings, 2004



Source: Annual Survey of Hours and Earnings

Travel to Work

- 3.41 In this section we analyse the travel to work data based on the Census 2001, the latest information available. We describe the travel to work flows for Reading and compare it with other districts of the former Berkshire County.
- 3.42 Table 3.6 shows the commuting balance of all the former Berkshire districts for 1991 and 2001. The data indicates that in 2001 Reading has net in commuting of approximately 20,300, equivalent to 28% of resident workers.
- 3.43 Over the ten year period, out-commuting in Reading has grown, although the net balance of out- and in- commuting has improved with the recent growth in workplaces in Reading. The table also shows that Bracknell Forest, West Berkshire and Windsor and Maidenhead have switched from being exporters to importers of labour.

Table 3.6 Commuting Balance, 1991 and 2001

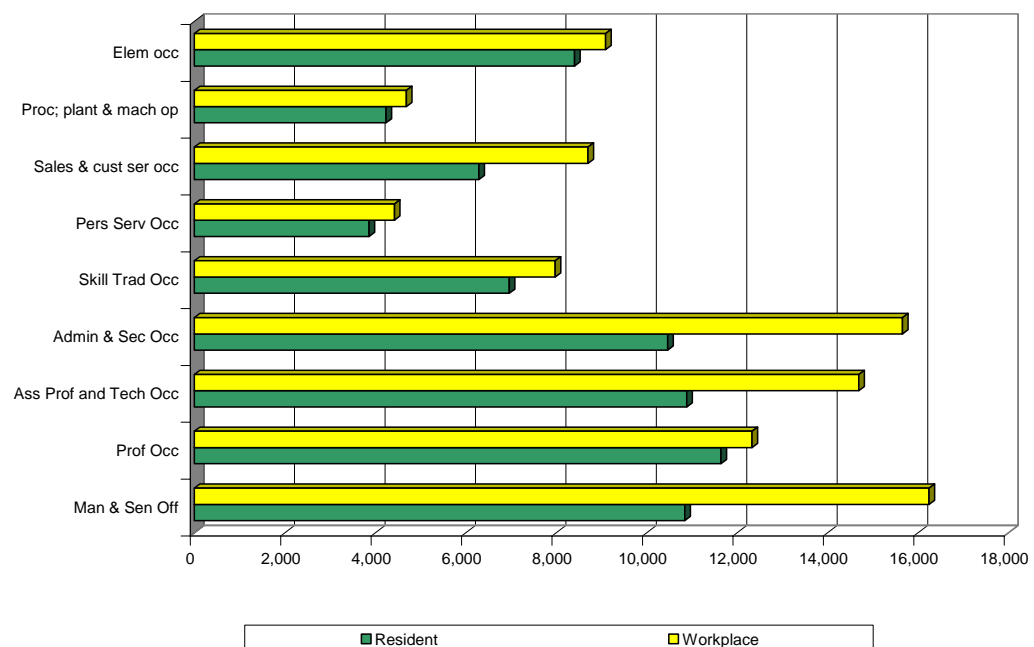
		Resident	Workplace	Live and Work	Net	Self-containment Rate	
		Workers	Workers	in District	Balance	Resident	Wkplace
2001	Bracknell Forest	60,032	61,702	30,840	1,670	51%	50%
	West Berkshire	57,239	78,711	49,520	21,472	87%	63%
	Reading	73,481	93,792	46,210	20,311	63%	49%
	Slough	65,709	72,072	32,381	6,363	49%	45%
	Windsor&Maidenhead	68,516	70,433	35,033	1,917	51%	50%
	Wokingham	75,463	65,396	35,606	-10,067	47%	54%
		Resident	Workplace	Live and Work	Net	Self-containment Rate	
		Workers	Workers	in District	Balance	Resident	Wkplace
1991	Bracknell Forest	48,310	43,780	24,310	-4,530	50%	56%
	West Berkshire	69,850	65,830	44,350	-4,020	63%	67%
	Reading	60,700	84,750	41,820	24,050	69%	49%
	Slough	46,140	57,870	27,500	11,730	60%	48%
	Windsor&Maidenhead	64,650	61,980	34,170	-2,670	53%	55%
	Wokingham	71,940	47,810	29,950	-24,130	42%	63%

Source: Census of Population

Commuting and Occupational Structure

- 3.44 Figure 3.16 shows the occupation of Reading's resident and workplace working age population. In every occupation group in Reading there are more jobs than residents. The difference is more prominent in the skilled occupations, which implies the higher skilled jobs in Reading to have a higher share of in commuters.

Figure 3.16 Commuting by Occupational Category, 2001

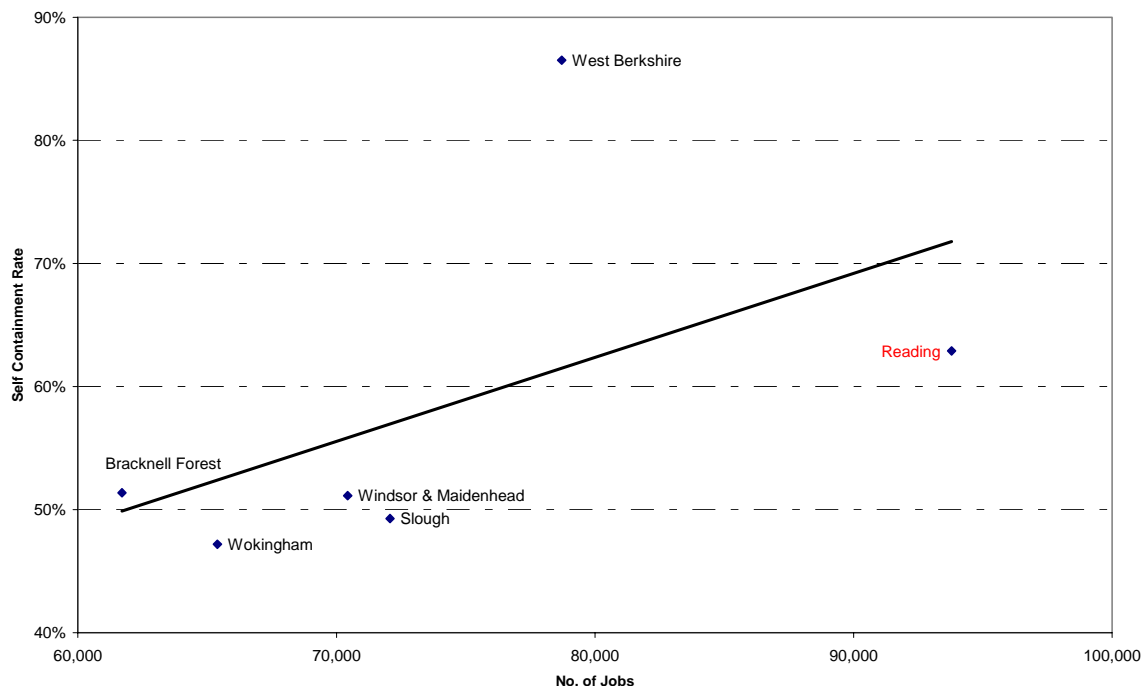


Source: Census 2001

Self Containment

- 3.45 The self containment rate is the percentage of working age residents who work in the borough and is used as a measure of sustainability. Figure 3.17 shows that Reading's self containment rate (at 63%) is greater than most of the former Berkshire districts except for West Berkshire. But its self-containment rate may be judged to be lower than one might expect given the high number of jobs within the borough, since it falls below the regression line shown in Figure 3.17 which is used to indicate a positive relationship between the number of jobs in the Berkshire districts and their self containment rate.

Figure 3.17 Self Containment Rates of (former) Berkshire County Districts, 2001



Source: RTP, Census 2001

Commuting Between Local Authorities

- 3.46 According to the Census 2001, there were approximately 73,500 working age residents in Reading (Table 3.7). 63% of them work in the borough, 10% commute to Wokingham, 7% to West Berkshire and the remaining 20% are spread amongst other local authorities in the South East and London.

Table 3.7 Workplaces of Reading Residents, 2001
Live In Reading,
Work In:

Total	73,481	100%
Reading	46,210	63%
Wokingham	7,088	10%
West Berkshire	4,948	7%
Bracknell Forest	2,204	3%
South Oxfordshire	2,037	3%
Central London	1,958	3%
Rest of South East	1,429	2%
Windsor & Maidenhead	1,209	2%
West London	1,150	2%
Slough	909	1%
Surrey	890	1%
Basinstoke & Deane	835	1%
Rest of Hampshire	791	1%
Rest of London	551	1%
The South West	542	1%
Other	730	1%

Source: Census 2001

- 3.47 Table 3.8 identifies Reading's workers' places of residence. Almost half live in the borough, 16% commute from Wokingham, 12% live in West Berkshire and the remaining 23% are spread amongst other local authorities in the South East, London boroughs, the South West and the East of England..

Table 3.8 Residences of Reading Workers, 2001
Work in Reading
Live in:

Total	93,792	100%
Reading	46,210	49%
Wokingham	14,576	16%
West Berkshire	11,463	12%
South Oxfordshire	3,246	3%
Basingstoke & Deane	2,442	3%
Rest of Hampshire	2,017	2%
Bracknell Forest	1,989	2%
The South West	1,810	2%
Surrey	1,391	1%
Rest of London	1,284	1%
Buckinghamshire	1,201	1%
Windsor & Maidenhead	1,171	1%
Rest of Oxfordshire	1,154	1%
West London	1,086	1%
Rest of South East	1,078	1%
East of England	564	1%
The Midlands	484	1%
The North	424	0%
Other	202	0%

Source: Census 2001

Distance and Travel Mode

- 3.48 Long journeys to work can have various adverse impacts. They may affect the quality of life and real incomes, put pressure on infrastructure and - especially if made by car - they may cause traffic congestion and environmental damage. The earlier analysis on inter-district commuting do not tell us much about these adverse affects, because they are based on local authority areas: a journey which crosses a local authority is not necessarily longer or more undesirable than one that does not.
- 3.49 As measures of the possible adverse impact of commuting, Table 3.9 shows average distances travelled to work and Figure 3.18 shows mode of travel.

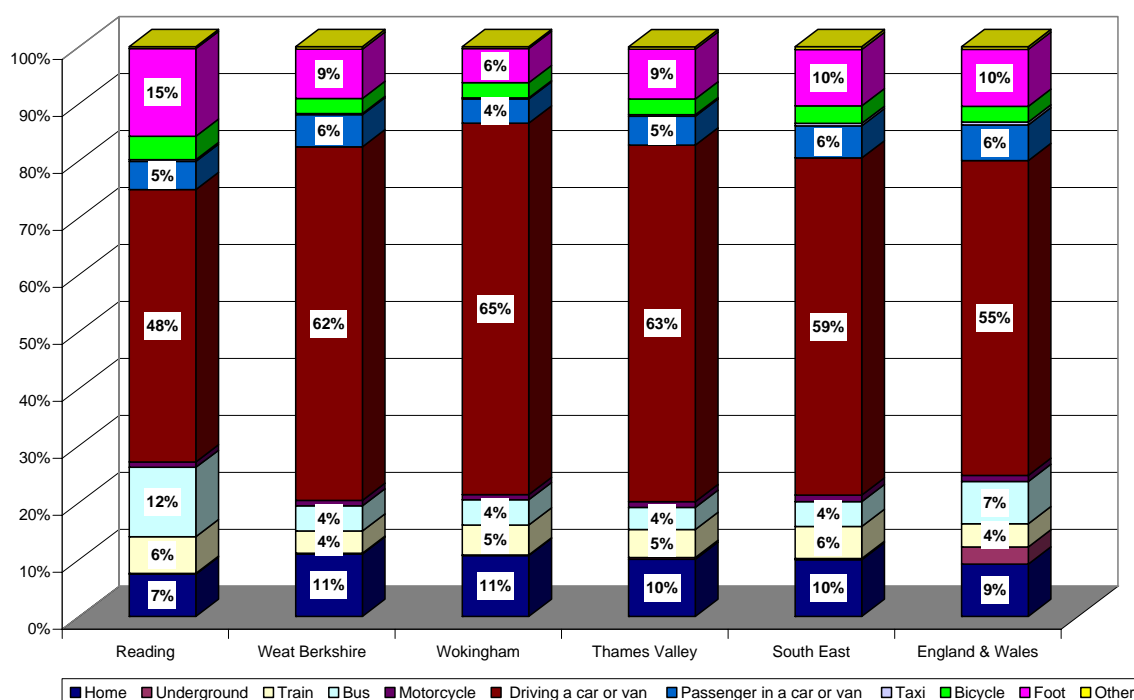
Table 3.9 Residents' Average Journey to Work, 2001

	km
West Berkshire	11.3
South East	11.1
Wokingham	11.0
Thames Valley	10.7
England & Wales	9.4
Reading	9.2

Source: Census 2001

- 3.50 Table 3.9 shows that working residents in the South East commute further to work than the national average, although this is slightly less than in the Thames Valley. Reading's residents have the shortest commute to work of all benchmark areas, including the national average.

Figure 3.18 Mode of Transport, 2001



Source: Census 2001

- 3.51 Figure 3.18 shows that in comparison to the national average, a higher proportion of residents in the South East commute to work by car. In the Thames Valley the structure of the mode of transport is much the same as the South East.

- 3.52 Less than half of Reading's residents commute to work by car, compared to more than 60% in the neighbouring districts. Reading also has a far higher share of public transport users than its neighbours.

Conclusion

- 3.53 By national and regional standards, Reading's economy has encountered significant employment growth over the last ten years. Importantly, its economy has shifted towards the knowledge based sectors and is therefore likely to be conducive to further growth in the future. This is most likely to impact on the office based sectors. Additionally, industrial employment is under represented in the borough, and these are the nationally declining sectors.
- 3.54 Reading's working residents show signs of well being, with good qualification levels and low unemployment indicating good job opportunities. There is some deprivation within the central, west and south of the borough but, for the borough as a whole, deprivation is not a particular problem.
- 3.55 There is a net-balance of in-commuting, and 37% of Reading's working residents commute out to work. But the journeys to work are short and sustainable and self containment levels are above most former Berkshire districts. But the high growth in jobs has led to the containment rate falling since 1991.
- 3.56 There are areas where Reading could do better. Areas of relevance to this study include:
- The number of business registration and recent trend of annual net de-registrations shows that Reading is performing poorly in the growth of new businesses. This is considered to be particularly true of small businesses, which make up a smaller share than the national and regional norm.
 - Despite the Census showing a high proportion of highly qualified residents, there does appear to be a skills gap, with the higher skilled occupations most likely to be filled by in-commuters.
 - Both resident and workplace earnings are lower in Reading than in the neighbouring districts and the sub-region.

4 PROPERTY MARKET

Introduction

- 4.1 This chapter considers the markets for employment floorspace and land in the Reading market area. The next two sections deal with the office and industrial/warehousing sectors in turn.
- 4.2 As far as occupiers are concerned, the Reading Market consists of not only the town centre but also the out of town stock in business parks, particularly those on junctions 10, 11 and 12. Large parts of this stock, whilst perceived by the occupier as forming an integral part of the Reading Market, fall under Wokingham and West Berkshire. This deviates from the other chapters in this report where we refer to Reading as the local authority area. Since occupiers are oblivious to these government areas and the designated district boundaries when making location decisions and are more concerned with market dynamics, our overall market assessment refers to statistics that are most relevant to occupiers, landlords and developers.
- 4.3 The property market profile is guided by two main questions. First, continuing the analysis in the last chapter, we look at qualitative aspects of the demand for land and property, considering for what kinds of businesses Reading borough is an attractive location and what kinds of land and property these businesses will require.
- 4.4 The second issue for this chapter is the balance of demand and supply. We consider the availability and cost of property and land against the requirements of occupiers and developers, both to provide a baseline for the quantitative forecasts that follow and to add the qualitative dimension, considering what kinds of property and land are under or over-supplied.
- 4.5 In measuring the comparative advantages of the Reading market area we will consider the neighbouring areas that compete for occupiers and investment, principally Wokingham, Newbury and Bracknell.

Office Market

Market Geography and Competing Locations

- 4.6 With a built stock of around 1.022m sq m (11 m sq ft in town centre and out of town), the Reading market area is the main office location in (former) Berkshire; this is equivalent to stock found in Wokingham, Bracknell and Newbury which have stocks of 416,000 sq m (4.5m sq ft), 482,000 sq m and 102,000 sq m respectively (5.2m sq ft and 1.1m sq ft). The nature of the stock on offer in Reading is also different given that it is predominantly head quarter style accommodation.
- 4.7 The out of town office supply is principally provided within several large business parks such as Green Park, Thames Valley Park and Winnersh Triangle. This stock is predominately made up with modern high specification office buildings. It caters for larger occupier needs since, other than via serviced & flexible office providers, this office stock is not readily compatible to smaller office demand. The town centre offers a much more diverse mix of commercial office product, both in terms of size specification and style (age).
- 4.8 Considering the attributes of the town centre and out of town stock there is a broad overall range of space to provide office occupiers with a wide choice. There is also a significant provision of mixed use and hybrid office/high-tech/R&D type space just outside the town centre and within the business parks.

Recent Market Trends

- 4.9 Over the last three years the supply side of the office market has stabilized. The lack of occupier demand has discouraged investors and developers building new speculative office developments. The watchword for developers is still caution but this may change as the market dynamic and confidence improves.
- 4.10 The sudden end of the “Dot Com” boom caught many businesses by surprise. More relevant to Reading, the deceleration experienced in the TMT (Telecom Media Technology) business sector was fairly brutal. Some businesses were trying to manage steep growth curves and in doing so committed themselves to leases upon offices that have since proved surplus to their needs. Unfortunately for many of these companies’ requirements, post the bursting of the dotcom and telecoms bubble, turned out to be “virtual” requirements. Much of the space they procured has been placed straight back on the market, never having been occupied. Accordingly, rather than empty new speculatively built developments, the majority of available accommodation constitute surplus space offered by occupiers who are already committed to long leases. For the most part, businesses have now reorganised themselves and so the pace of supply from this source has slowed.
- 4.11 Our focus has therefore to be on office demand if we are to understand the market dynamics and forecast market trends. Over the last 10 years we have seen the Thames Valley become a region with an ever increasingly skilled but more expensive workforce and this has seen manufacturing being squeezed out and relocated to other regions (or overseas to places like China) where land and labour costs are much lower. This has led to a steady change of commercial land use from industrial to office throughout the region, whilst the remaining industrial stock is increasingly used for logistics (warehousing) rather than manufacturing. The office market is not immune from these trends and we are now seeing many international technology companies expanding their businesses in Asia and perhaps most notably within the Indian sub-continent.
- 4.12 The demand for offices in Reading and the Thames Valley has historically been from the TMT business sector; very often businesses with parent companies based in the USA. Notwithstanding the challenges from other regions, countries and continents, businesses are still attracted to this location due to the skilled labour force, proximity to Heathrow and London plus the living and working environment.
- 4.13 Despite the recovery in the US economy, and the improvements in the technology and telecoms sector, investment by US companies has been on the decline. The depreciation of the dollar in 2003-4 contributed to this by increasing their UK costs despite actual costs within the UK remaining static. For many businesses the de-valued dollar meant that they have had to run faster just to stand still in the UK. This has directly impacted on the Thames Valley.
- 4.14 It is perhaps not surprising that few if any of the major lettings over the past two to three years have been to US based companies. The market has faced difficult times as a result because US parented technology companies are a dominant force amongst the existing occupier base. They have been the main driver of demand for offices over the last 10 years.
- 4.15 But the future is looking better. The dollar has been recovering its value through 2005 and if this continues there is likely to be an improved business environment and higher demand in 2006. And the opening of Heathrow’s Terminal 5 is likely to benefit the Thames Valley office demand, since research shows that increased air traffic enhances the commercial property market within an acceptable drive time of the airport.

Take Up

- 4.16 Office take up in Reading has averaged just over 48,200 sq m (518,750 sq ft) per annum over the last 10 years. Take up levels fell sharply in the downturn of 2001-2003, but have since recovered, although still significantly below average. Overall, take-up (in town centre and out of town) in 2005 totalled 21,000 sq m (226,445 sq ft).

Table 4.1 Office Take Up in 2005

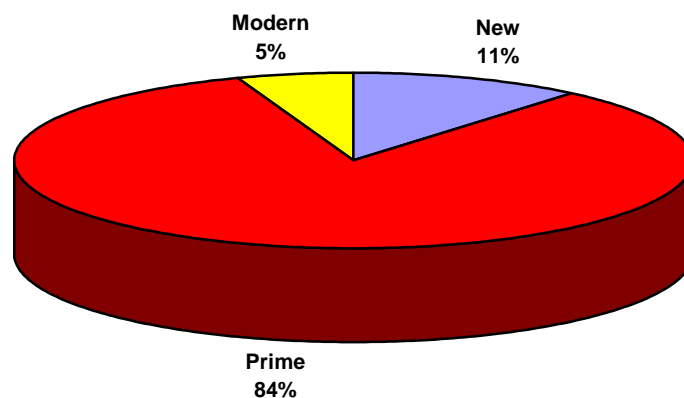
	Sq m	Sq ft
Wokingham	5,194	55,913
Reading Town Centre	9,971	107,329
Reading Out of Town	11,066	119,116
Bracknell	14,981	161,254
Newbury	12,964	129,860

Source: LSH Research

- 4.17 The most significant office deals in Reading during 2005 include:
- Probation Service acquiring 21,664 sq ft at Greyfriars House (Town centre);
 - Defra acquiring 12,000 sq ft at Davidson House (Town centre);
 - Quantum acquiring 13,115 sq ft at Abbey Gate (Town centre);
 - Intermec acquiring 12,586 sq ft at Verizon Park (Out of town);
 - Intechology acquiring 18,750 sq ft at 1320 Arlington Business Park (Out of town);
 - Aspentech acquiring 12,500 sq ft at Verizon Park (Out of town);
 - AS UK Ltd acquiring 10,974 sq ft at Cadogan House (Out of town);
 - Baxter Storey acquiring 10,900 sq ft at Thames Valley Park (Out of town); and
 - NG Bailey Organisation acquiring 15,000 sq ft at Theale Lakes (Out of town).

Figure 4.1 Reading Town Centre Take-up Over 5,000 sq ft by Category

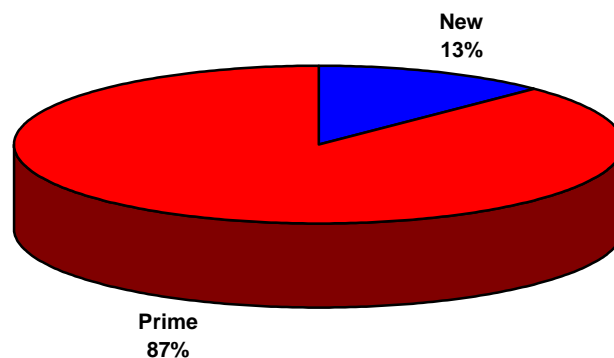
(total 107,329 sq ft)



Source: LSH Research

Figure 4.2 Reading Out of Town Take-up Over 5,000 sq ft by Category

(total 119,116 sq ft)



Source: LSH Research

Available Space

- 4.18 Table 4.2 summarises immediate available floorspace in Reading compared with Newbury, Wokingham and Bracknell. Total space on the market in the Reading market area (both town centre and out of town) stands at 1.52m sq ft - representing an overall vacancy rate of 13.8%. This can be compared to 15.8% in Bracknell and 21.5% in Newbury. This 'official' supply statistic excludes other potential supply where buildings are not being formally marketed yet are known to be available. This grey market probably amounts to another 750,000 sq ft.
- 4.19 However, the figure shows a drop in vacancy rate in both town centre and the out of town market compared to a year earlier (down from 16.2% to 15.2% in the town centre

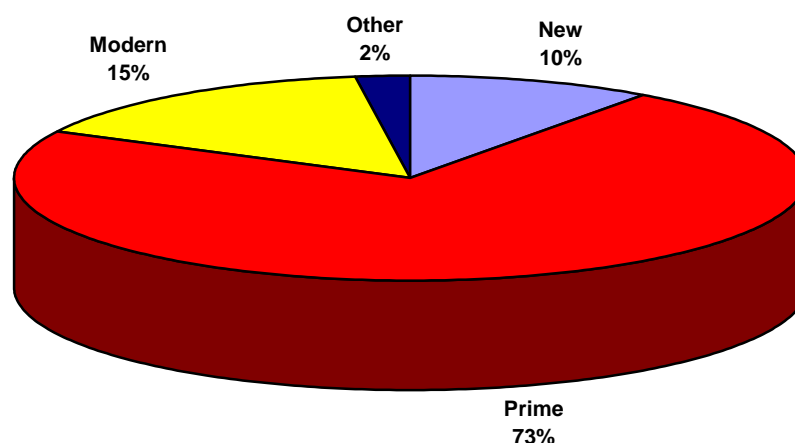
and from 15.1% to 12.7% out of town). These falls are due not only to open market take up but also some significant corporate re-occupations, such as BG reoccupying 68,000 sq ft on Thames Valley Park.

Table 4.2 Available Office Space, 2006

	Sq m	Sq ft
Wokingham	31,682	341,029
Reading Town Centre	70,715	760,259
Reading Out of Town	70,863	762,772
Bracknell	76,369	822,037
Newbury	21,927	236,025

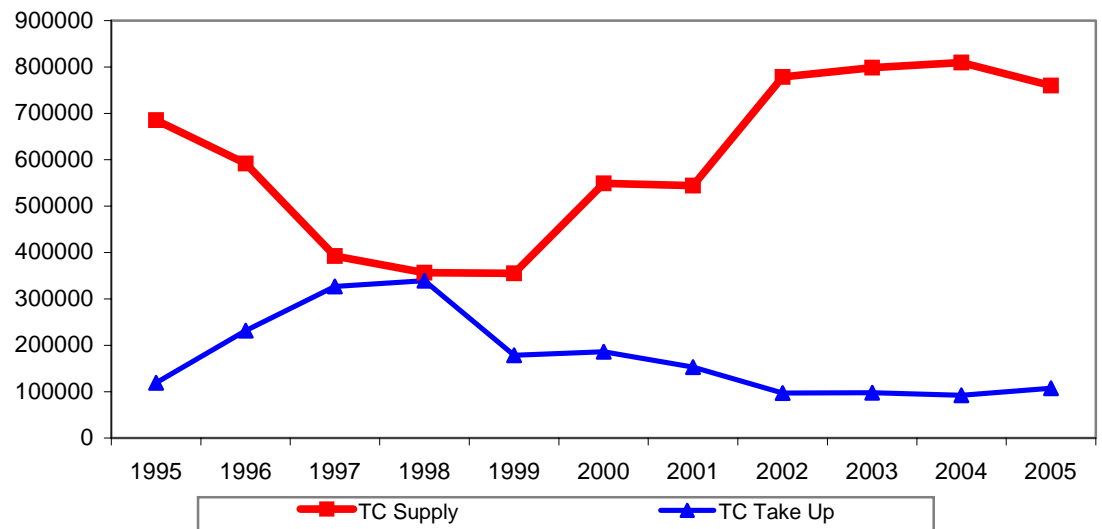
Source: LSH Research

Figure 4.3 Reading Town Centre Supply Over 5,000 sq ft by Category, 2006
(Total 760,259 sq ft)



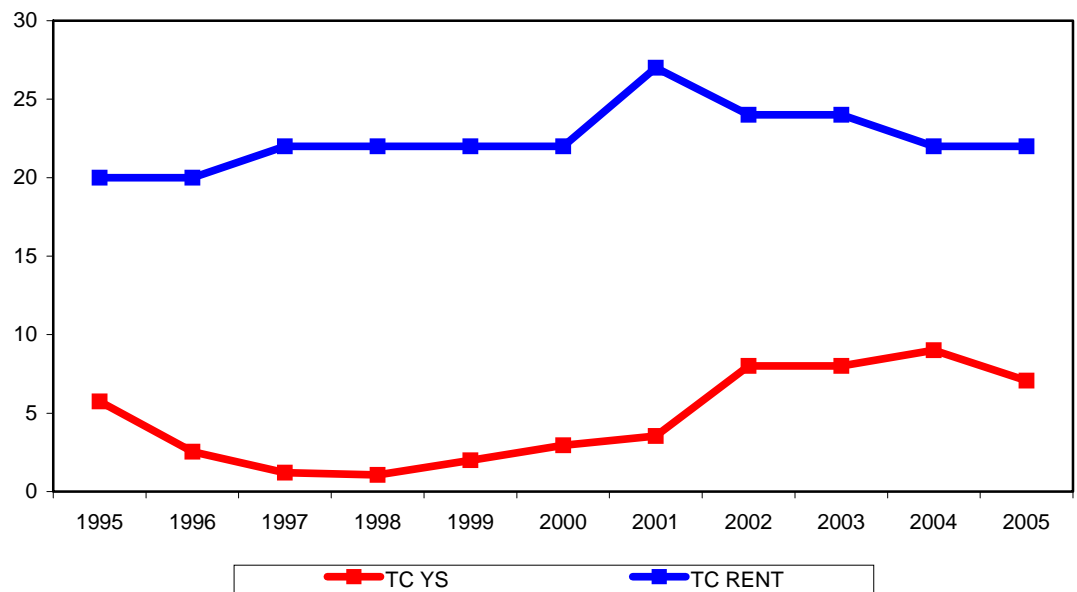
Source: LSH Research

Figure 4.4 Reading Town Centre Office Supply and Take Up, 1995 -2005



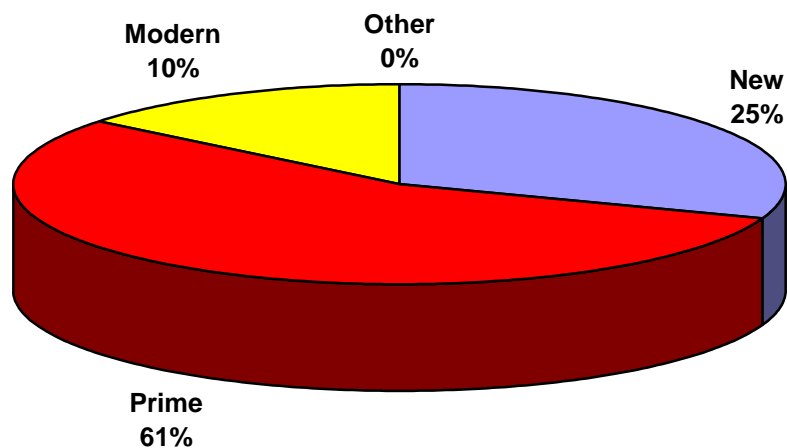
Source: LSH Research

Figure 4.5 Reading Town Centre Office Analysis of Years Supply and Rent, 1995-2005



Source: LSH Research

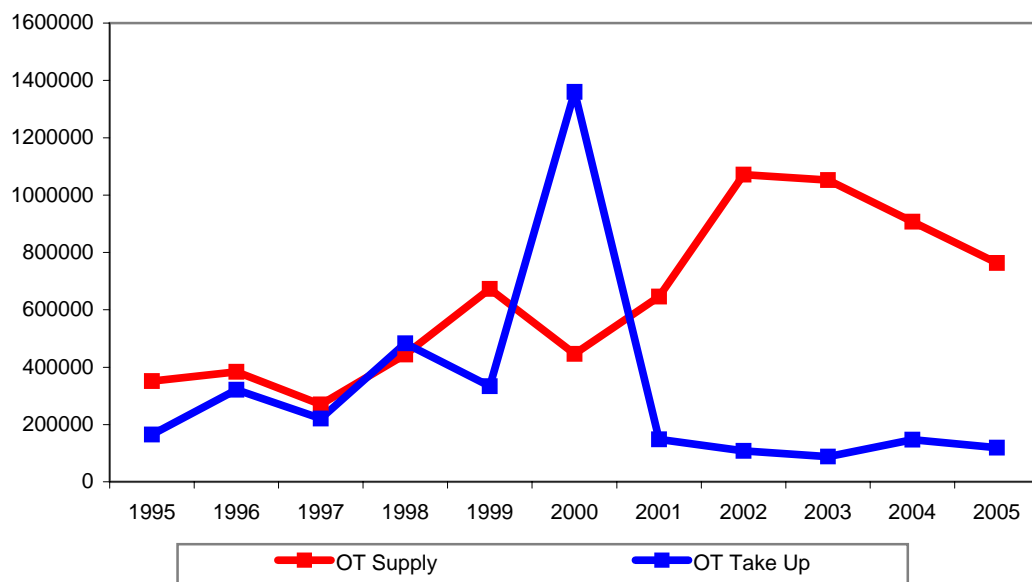
Figure 4.6 Reading Out Of Town Supply Over 5,000 sq ft by Category, 2006
(Total 762,772 sq ft)



NB: Excludes 4 Cisco buildings on Green Park that are not formally available

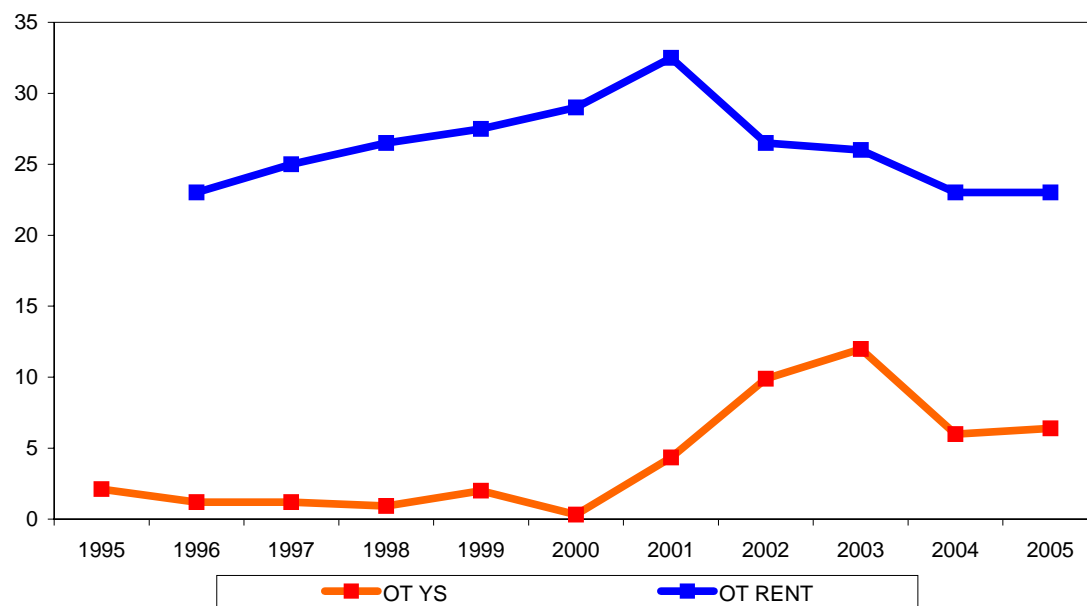
Source: LSH Research

Figure 4.7 Reading Out of Town Office Supply & Take Up, 1995-2005



Source: LSH Research

Figure 4.8 Reading Out of Town Offices, Years Supply and Rent, 1995-2005



Source: LSH Research

- 4.20 Despite approximately similar amounts of vacant space, there are two important differences in the quality of supply in the town centre and out of town. Firstly, the amount of Grade A space in the town centre is limited compared with out of town, where a significant proportion of space is Grade A. Secondly, in the town centre the office stock is far more varied in size, specification and style (age) compared to the out of town stock where large modern high specification buildings predominate.

- 4.21 Recent property deals and prospects are identified in Appendix 2.

Rental Values

- 4.22 Out of town locations have historically recorded a differential of around 20% on Grade A space compared to the town centre. However, with the smaller amount of Grade A accommodation in the town centre and the downward pressure on out of town rents in the past 2-3 years, prime rents have converged.
- 4.23 Prime headline rents in the town centre are currently around £22 to £23 per sq ft. We expect rents to improve slightly this year and growth to accelerate in the medium term as demand strengthens and activity levels pick up. The new town centre schemes are anticipated to set rental values last seen at the peak of the market in 2000.
- 4.24 Out of town, the improvement in the market has helped rental values to stabilise. Prime headline rents are currently at £23.00 per sq ft. We expect this level of rents to be maintained this year.
- 4.25 Despite the recent downturn, prime rental values in the Reading market remain higher than its neighbouring towns. Both Newbury and Wokingham are at a discount. Rents for Grade A office space are around £17 per sq ft in Wokingham and Newbury are around £17.00 per sq ft.

Table 4.3 Town Centre and Out of Town Grade A Rents, £ per sq ft

Year	Town Centre	Out of Town
1995	£20.00	£22.00
1996	£20.00	£23.00
1997	£22.00	£25.00
1998	£22.00	£26.50
1999	£22.00	£27.50
2000	£22.00	£29.00
2001	£27.00	£32.50
2002	£24.00	£26.50
2003	£24.00	£26.00
2004	£22.00	£23.00
2005	£22.00	£23.00

Source: LSH Research

Table 4.4 Current Grade A Rental Values

Location	£ per sq ft
Reading Town Centre	£23.00
Reading Out of Town	£23.00
Wokingham District	£18.50
Wokingham Town Centre	£17.00
Bracknell	£22.00
Newbury	£17.00

Source: LSH Research

- 4.26 Office rental growth forecasts from Investment Property Databank (IPD) show that South East office rents will over the next five years grow by an average of 3.0% per annum. Average rents in Reading are forecast to rise by 2.6% per annum, with Bracknell and Newbury showing a growth rate of 5.8% and 2.3% respectively over the same period.

Industrial Market

Introduction

- 4.27 Occupiers define the Reading Industrial Market as including the main Reading area and also extending to Winnersh Triangle J10 of M4 (Wokingham District Council), and Theale J12 of M4 (West Berks District Council). The Reading District stock competes within this location, and this analysis considers the market forces prevalent within this overall context.
- 4.28 Over the last 10 years the Thames Valley has seen a shift away from Industrial uses as the economy has been driven by businesses within the TMT (Technology, Media, and Telecoms) sector. This has resulted in a land use shift with obsolete older industrial buildings being redeveloped or adapted into office or high-tech units. Although the Thames Valley has historic links to technology related activity, high tech manufacturing has not been a strong market. The smaller end of the market in the Thames Valley, which is most likely to cater for such firms, has seen mixed demand frequently from the service sector.
- 4.29 Increasing land and labour costs have driven manufacturers to other geographical locations. As a result most of the larger "Industrial" units are in use for small and medium sized distribution functions, not production. This is an issue for some occupiers who have found themselves with liabilities for large modern "Industrial" units,

which are unsuitable for logistic warehouse uses, which are increasingly becoming the key driver of the industrial market and the main source of demand.

- 4.30 Most occupiers are small distributors or companies who have outsourced their production overseas but carry out sales, R&D and final assembly in smaller high quality buildings. Hybrid units with more than 50% office content are particularly attractive to R&D, computer and pharmaceutical companies.

Recent Market Trends

- 4.31 The historic demand for industrial space has been considerably less dynamic than for the office market. This has resulted in a more steady supply of space rather than the “boom and bust” approach. Consequently, supply of industrial stock more closely matches demand.

Take Up

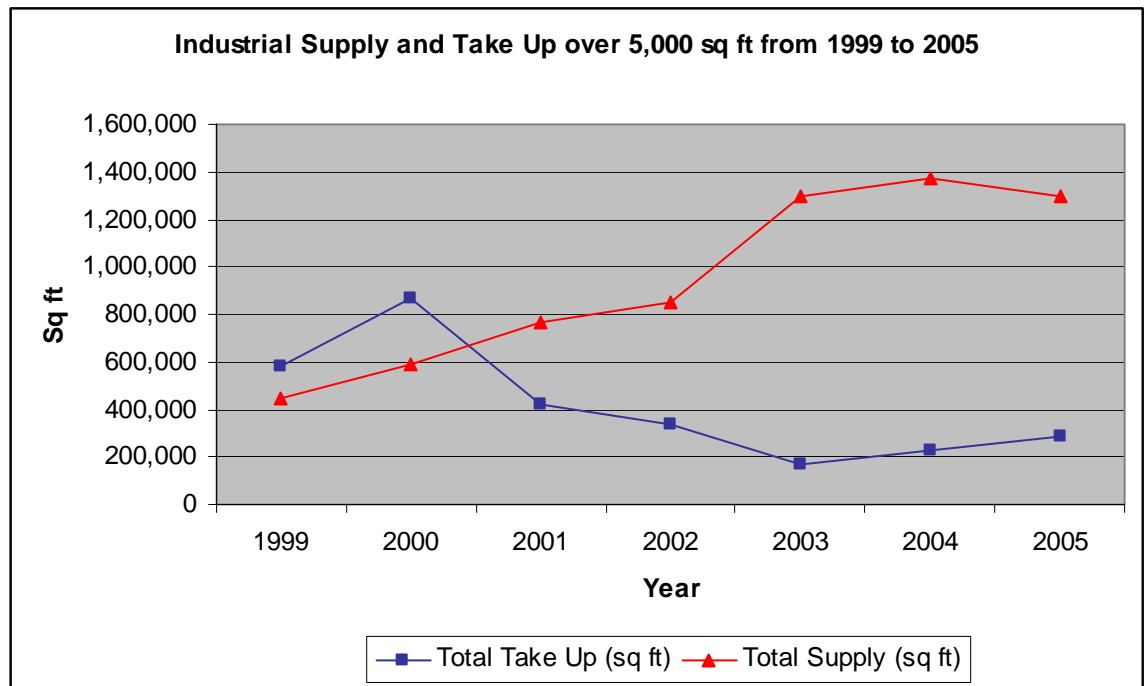
- 4.32 It is estimated that industrial take up in Reading in 2005 was 284,000 sq ft; an increase of 23% from 2004. The average level of take up in Reading over the past seven years has been 413,700 sq ft, with the highest recent peak being in 2000 when take up reached nearly 900,000 sq ft. Wokingham, Newbury and Bracknell have annual average industrial take up of 4,924 sq m (167,000 sq ft), 15,112 sq m (162,000 sq ft) and 9,850 sq m (106,000 sq ft) respectively. Demand is very dependent on size and location.
- 4.33 Take up in Reading had fallen since 2000, reaching its lowest level in 2003. This continued decline in demand has been partly a reflection of the slowdown in the manufacturing and high-tech sectors and partly due a relatively controlled amount of space available on the market, which constrained the level of transactions.
- 4.34 The Berkshire market reflects the national trend for demand for big distribution units at one end of the scale and small freeholds at the other. Demand for medium sized buildings, usually associated with high tech companies has been the weakest, while small industrial schemes offering freeholds are doing well. The strength of the freehold market is reflected in prices, which are around £140 per sq ft.

Table 4.5 Reading Take Up Trends, Sq ft

Year	Total Take Up	Total Supply
1999	584,000	445,000
2000	871,000	591,000
2001	417,000	769,000
2002	338,000	849,000
2003	172,000	1,300,000
2004	230,000	1,370,000
2005	284,000	1,295,000

Source: LSH Research

Figure 4.9



Source: LSH Research

- 4.35 In 2005, there were a total of 20 deals above 5,000 sq ft. Of these, 43% of the space transacted was in buildings of 20,000 sq ft or more.
- 4.36 There were a significant number of freehold transactions, to owner occupiers. These deals represented 32% of the total take up.
- 4.37 There were also a significant number of short term transactions completed, with 13% of the total space transacted being attributable to leases running no more than two years. Flexibility is becoming increasingly important.
- 4.38 Of the total space transacted in 2005, only one third was in conventional leasehold deals. The remaining 66% of space was either sold freehold, let on short leases or a result of landlords being able to relocate tenants within their business parks. Hence, a significant part of the take-up was not due to new inward investment but rather occupiers expanding or contracting from existing warehouses.

Available Space

- 4.39 Total industrial floorspace in Reading stands at around 8.8 m sq ft. This is marginally lower than Newbury with a stock of 9.3 m sq ft, but significantly higher than Bracknell and Wokingham with 3.7m sq ft and 5.4 m sq ft of stock respectively.
- 4.40 There was an estimated available stock of just less than 1.3 million sq ft in Reading at the end of 2005, which is a slight reduction on the previous year. The level of current available supply equates to a vacancy rate of 14%.
- 4.41 This compares with a total supply of 1.4 m sq ft for the Berkshire area - which in our definition includes Newbury, Bracknell and Wokingham.
- 4.42 Recent property deals and prospects are identified in Appendix 2.

Table 4.6 Available Industrial Space

	Sq m	Sq ft
Reading	79,000	1,300,000
Wokingham	13,347	143,669
Bracknell	28,141	302,915
Newbury	11,250	121,090

Source: LSH Research

Rental Values

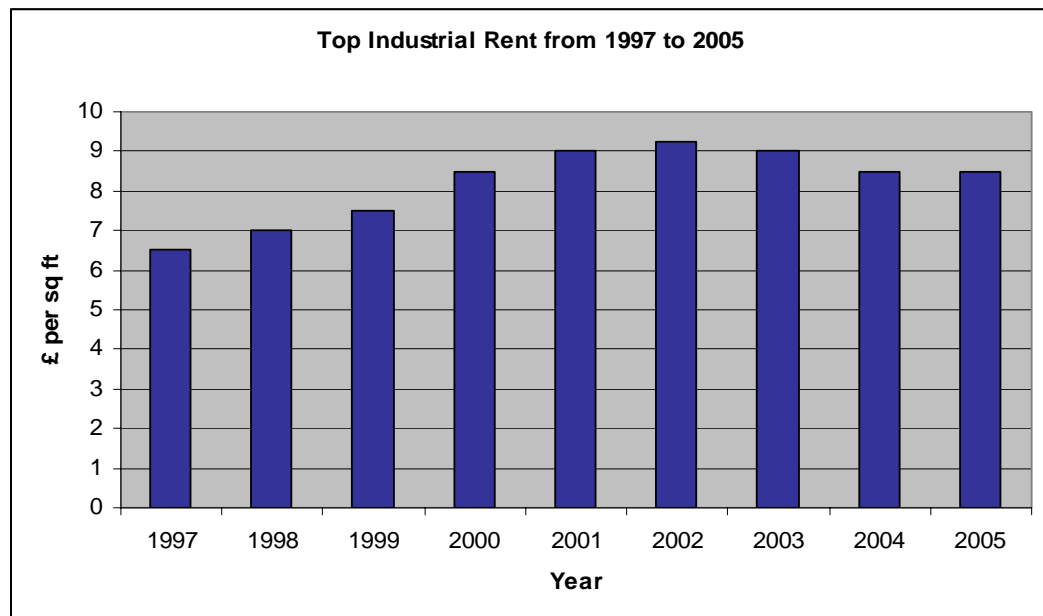
- 4.43 The town's manufacturing base is located to the north of the town on the older established industrial estates commanding lower rental values at around £5-£5.50 per sq ft. The majority of the larger warehouse occupiers are located in the south which offers better access to the M4 via the relatively new A33 relief road and therefore commands higher rent at around £8.50 per sq ft; this level shows no movement on the previous year. This is evidenced by the letting of the Graham Unit on Craddock Road.
- 4.44 Rents for second hand units are between £5.00 and £7.50 per sq ft although with the increase in second hand stock, tenant incentives are inevitably rising along with softening of rents for some properties.
- 4.45 Grade A industrial rents of £8.50 per sq ft in Reading are similar to Bracknell but higher than Newbury at £7.00 per sq ft and Wokingham at £8.50 per sq ft. Secondary rents are £6.75 per sq ft in Reading and around £5.50 per sq ft in Newbury and £6.00 per sq ft in Wokingham.
- 4.46 Industrial rental growth forecasts from IPD show that over the five years South East industrial rents will grow by an average of 1.5%. Reading and Bracknell are forecast to growth at a higher rate at 1.9% and 2.6% respectively.

Table 4.7 Current Grade A Rental Values

Year	Pounds per Sq ft
1997	6.50
1998	7.00
1999	7.50
2000	8.50
2001	9.00
2002	9.25
2003	9.00
2004	8.50
2005	8.50

Source: LSH Research

Figure 4.10



Source: LSH Research

Conclusions

Offices

- 4.47 Reading's business parks notably Thames Valley Park and Green Park effectively operate within the larger regional Thames Valley / M4 markets, and have historically captured the larger requirements. The stock offered in the town centre has provided more choice in terms of size, accommodation style and specification and has catered for a more diverse occupier base.
- 4.48 Overall, the office market in Reading is currently over-supplied, with office stock exceeding demand. The dynamic nature of the office market, especially with its reliance on the IT and telecoms sectors, means occupancy should gradually recover however notwithstanding future improved take up the market, is likely to remain oversupplied in the next 2-3 years.
- 4.49 If increased take-up levels fail to materialise, that is to say the lower levels of demand witnessed from 2001 to 2005 continue, the market oversupply could remain for as long as double this period. Even if this worst case scenario applies, the supply of quality accommodation will still decrease, with the over-supply mainly being represented by poorer quality stock in less sustainable locations.
- 4.50 We also believe that changing social patterns and taxation will see a shift from occupiers in their location strategies.
- 4.51 A big driver for occupiers' choice of location in the 1980s and 90s was the availability of offices on business parks with generous car parking provisions. Providing a member of staff with a company car and space to park it at work was seen as important in a highly competitive Thames Valley labour market. With recent changes in taxation policies and more employees are forgoing the perk of a company car, opting instead for a cash alternative. This will cause a shift towards town centres as staff will find public transport hubs (which tend to be in town centre locations) as more important.
- 4.52 The rapid growth of residential development in town centres will mean that a labour force, often of younger people, will be based in the town centre. We predict that some businesses will want to tap into this workforce by moving closer to this resource. Allied

to this aspect is the renaissance of town centres. In Reading's case the improved infrastructure into the town centre, the improved shopping and leisure areas such as the Oracle, Broad Street pedestrianisation, and Forbury Garden's improvements are contributing to this renaissance.

- 4.53 All of these issues will make Reading town centre a much more attractive and viable office location and will create real challenges to the out of town office parks.

Industrial/Warehousing

- 4.54 On the basis of historic trends and statistics, going forward into 2006 we envisage both a continuing and consistent take up married with a slow erosion of supply. The extent of the oversupply means that the rate of take up will need a significant boost before prospects for genuine rental growth and a significant speculative developments return.
- 4.55 Reading is particularly reliant on the technology, IT and telecoms sectors and these occupiers are either adequately accommodated, or still have surplus space that they are committed to under historic leases. The demand for industrial space, other than the limited requirements from this sector, is from high value distribution or light production. The high labour costs are generally prohibitive to older industries, and large distribution sheds favour more central locations elsewhere within the UK with better road accessibility. Accordingly whilst the industrial sector has seen less oversupply than the office sector, the market is less dynamic. However, steady demand means there remains a more than adequate level of choice and options available for the medium to long term.

5 QUANTITATIVE ASSESSMENT

Introduction

- 5.1 In this chapter, we forecast the *market requirement* for industrial/warehousing and office space, based on existing business needs and employment forecasts, and compare it with *planned supply* - comprising the land currently identified by the planning system for B-class development (including redevelopment), together with any existing vacant space surplus to requirements.
- 5.2 The requirement for business space is based on future demand for jobs that occupy business space. The definition comprises office jobs, industrial and warehousing jobs and is often referred to as business or B-space jobs. To identify these jobs we use a range of economic sectors based on the Standard Industrial Classifications (SIC03), shown in Appendix 1.
- 5.3 Broadly, our analysis assumes that offices (which include R&D) are occupied by financial and business services, a sub section of public administration, and publishing. Industrial space is occupied by manufacturing, sewage and refuse disposal, some parts of construction, and motor repairs and maintenance. Warehousing is occupied by a variety of transport and distribution activities.
- 5.4 The 'goodness of fit' between sectors and types of space is not perfect; hence our definitions of office and industrial/warehousing jobs are no more than approximations. But these are the best possible estimators we have for B-space employment and have developed these through a series of employment space studies. Government Guidance on Employment Land Reviews (ODPM, 2004) endorses this approach.
- 5.5 The analysis is in four stages. First, we identify employment change based on the Experian Business Strategies (Experian) forecasting model. Second, we translate employment change into a space requirement. Third, we calculate planned supply based on allocations and applications identified in the planning system, and finally we assess market balance - the relationship between forecast demand and planned supply for employment space.
- 5.6 The analysis in this chapter focuses on a 16 year planning horizon, from 2004 to 2020. We treat 2004 as the starting base because this is the latest year for known information about the number and type of jobs in the Borough. Any year after 2004 is considered a forecast year.
- 5.7 As a final technical point, it is important to note that all calculations refer to net change. Net change in employment (the stock of jobs) is the difference between jobs lost and jobs gained. The corresponding net change in the floorspace stock is the difference between floorspace gained, mostly from new development, and floorspace lost (for example where industrial sites are cleared and redeveloped for housing and other uses).

Future Employment and the Demand for Space

Forecasting Method

- 5.8 To inform our understanding of future B-space needs we rely on recent Experian employment forecasts for Reading.¹² This is based on their spring 2006 model, including Experian's own population projections for estimating labour market participation rates as an input to the model; we treat this as the Base Case.
- 5.9 In addition, employment forecasts are produced for three scenarios based on population projections (which in turn generate different participation rates) relating to

¹² The forecasts are derived using the Experian Spring 2006 model databank.

different future housing growth targets. We provided Experian with the dwelling-led population projections to derive participation rates which informed the scenario employment forecasts.¹³ The three scenarios for Reading are:

- **Scenario 1: Draft South-East Plan** target dwelling completions per annum in Reading between 2005 and 2020.
- **Scenario 2: Growth Point** dwelling completions figures proposed by Reading BC under the Government's New Growth Point initiative described in Chapter 2. Target housing completion numbers for Reading under this initiative are higher than those in the current draft SE Plan.
- **Scenario 3: Option B** target dwelling completions figures proposed in the work for GOSE undertaken independently by RTP,¹⁴ which we refer to in Chapter 2. Target housing completion numbers are also higher than those proposed by Reading in the Growth Point initiative.

5.10 Table 5.1 compares the target dwelling numbers under the three scenarios.

Table 5.1 Scenario Dwelling Completions, 2004-2020

	Annual		Total 2004-2020
	2004-2005*	2005-2020	
Scenario 1 - South East Plan	1,177	521	8,992
Scenario 2 - Growth Point	1,177	573	9,772
Scenario 3 - Option B	1,177	667	11,182

*Actual completions

Source: RBC; APU

5.11 Using Experian's forecasts by employment sector for Reading, we translate jobs into demand for employment space. To this end:

- i) We first translate jobs by sector into jobs by type of space, using the sector-to-space mapping described in paragraph 5.3 above.
- ii) For each type of space, we then translate jobs into floorspace using assumed employment densities (sq m of built floorspace per head) to arrive at forecast *market demand* for space.
- iii) To this market demand, we add a margin, or buffer, to produce a forecast *planning requirement* for employment space.

5.12 To translate these employment forecasts into demand for space, we use the standard employment densities based on a 1997 study by Roger Tym & Partners for SERPLAN¹⁵:

- Offices: 21 square metres (18 sq m net) per worker;
- Manufacturing: 30 sq m per worker;
- Warehousing: 40 sq m per worker; and
- Industrial space (manufacturing and distribution): 32 square metres per worker.

¹³ . The population projections were provided by the Population and Housing Research Group at Anglia Ruskin University (APU) using the Chelmer Model adjusted to reflect the annual housing completion rates for each of the dwelling led scenarios (scenarios 1, 2 and 3).

¹⁴ "Augmenting the evidence base for the Examination in Public of the South East Plan", June 2006, produced by Roger Tym & Partners for GOSE.

¹⁵ Roger Tym & Partners for SERPLAN, The Use of business space: Employment Densities and Working Practices in South East England, 1997.

- 5.13 We merge production and distribution space (factories and warehousing) into one category, called 'industrial'. This is because our experience suggests that data on the supply of space - such as DCLG floorspace statistics and planning data on completions and commitments - do not distinguish accurately between factories and warehouses. This is not surprising, since production and distribution can generally operate in the same buildings, and furthermore, subject to size limitations, space can be transferred between production and distribution without planning permission.
- 5.14 We prefer the densities above to the available alternatives, including those put forward by DTZ Pieda for SEERA¹⁶, because they are supported by a large and statistically rigorous survey.
- 5.15 It is often asserted that employment densities are rising, especially in offices, because of changing working practices such as hot-desking, teleworking and homeworking, and increasing competitive pressure on corporate occupiers to use space cost-effectively. There is some evidence to support these views, with examples such as IBM and BP seeking ratios of 10-11 sq m per person, and the HM Treasury building refurbishment, which aims for a good, modern standard for use by the public sector, has around 8 sq m of space per job through use of flexible working patterns.
- 5.16 However, the view that office employment densities are rising overall - as opposed to rising in particular businesses or groups of businesses - is not supported by statistically reliable evidence so far. Indeed a recent study by DTZ Pieda for SEERA¹⁷ concludes that employment densities have not changed significantly from those in the SERPLAN study.
- 5.17 Certainly it is possible that the average office density will increase substantially in the future. But, on the evidence available to date, it would not be right to incorporate such an increase into our forecasts. Even if we wanted to create a contingent 'worst-case' scenario to explore the impact of a possible rise in densities, from the data currently available we would not know what size of increase we should test. Therefore, our calculations below are based on constant employment densities. We suggest later that demand forecasts should be reviewed at least every five years, and more often in the case of economic shocks. If convincing evidence of changing densities emerges in future, it should of course be incorporated in these reviews.
- 5.18 As the final step in the calculation, and in accordance with the Government Guidance on Employment Land Reviews (2004), we allow for friction in the use of sites and premises. At minimum, this provides a safety margin for allocating future sites.
- 5.19 The main function of this margin is to allow for frictional vacancy - the land that at any one time is identified in planning terms for B-class development or redevelopment but in practice is not yet capable of producing built floorspace because it is in the process of gaining permission or undergoing site preparation, or under construction. Logically, this 'sterilised' supply equals annual gross take-up (the amount of land developed in any one year) times the number of years required from allocation of a site to building completion on that site. In calculating the required margin, we assume that the average time required for achieving planning consent, site preparation and construction should be no more than two years. We then multiply this against the annual average (for the past 10 years) gross completion of floorspace in Reading.

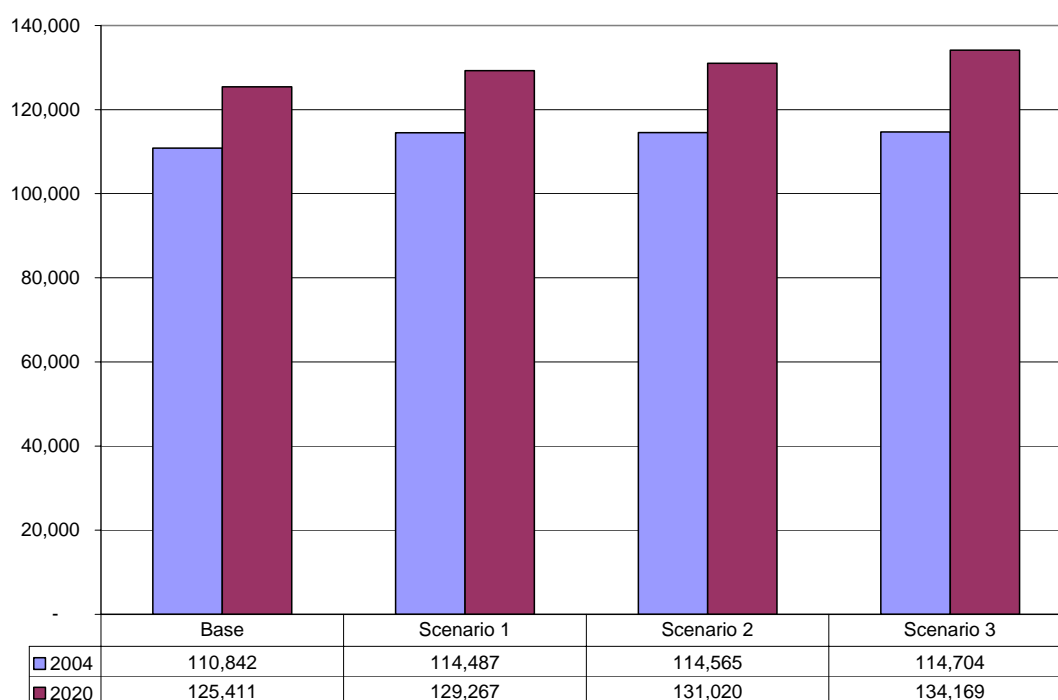
Employment Projections

- 5.20 The employment projections for Reading, based on Experian's Spring 2006 base forecast and the three scenario projections, are summarised in Figure 5.1.

¹⁶ The DTZ Pieda (2004) study for SEERA found similar densities in Berkshire (18.9 sq m net for B1 and an average of 31.2 sq m for B2 and B8).

¹⁷ DTZ Pieda, Use of Business Space and Changing Working Practices in the South East, May 2004.

Figure 5.1 Total Employment Forecasts for Reading Borough, 2004 - 2020



Source: Experian Business Strategies Limited ©.

- 5.21 Over the 16 year planning horizon, employment in Reading is anticipated to grow by between 13 per cent (+14,600 jobs) under the Base Case to a high of 17 per cent (+19,500 jobs) under Scenario 3.
- 5.22 With each scenario employment grows faster due to the increase in dwellings leading to increases in resident working age population (ie, labour force). The projections indicate that Reading is a strong economic area where jobs will be encouraged by additional population growth. In addition, Reading has significant net in-commuting, and in the Experian model the net commuting assumptions are kept constant to reflect the Council's aspiration for improving Reading's economy. So the change in residence-based employment as a result of the higher working age population levels leads to increased levels of net in-commuting. These are supply side factors which can only accelerate growth if the economic prospects for Reading's economy are good; Experian's forecasts show to be the case.
- 5.23 The next step was to translate forecast jobs using a breakdown of economic sectors into jobs likely to occupy employment space. For this we use the sector-to-space mapping described above.
- 5.24 As shown in Table 5.2, in all projections B-space jobs in Reading account for slightly more than half of all jobs in 2004, and grow at a slightly higher rate than non-business space jobs to 2020. Conversely, industrial/warehousing jobs are shown to fall by 4 to 5 per cent largely due to strong declines in manufacturing and to a lesser extent wholesale. In all projections Office jobs account for two-thirds of B-space jobs in 2005 and around 74 per cent of B-space jobs in 2020.

Table 5.2 Projections for Employment by Space Type in Reading, 2004-2020

	2004	2020	Change '04-20	
			#	%
Base Case Projection				
Manufacturing	5,675	3,480	-2,195	-39%
Other industrial	3,702	3,766	64	2%
Wholesale	6,335	5,624	-711	-11%
Other warehousing	3,451	4,107	655	19%
Industrial/whsing activities	19,163	16,977	-2,186	-11%
Office activities	37,445	48,068	10,623	28%
Total B-space	56,608	65,045	8,437	15%
Total non B-space	54,234	60,366	6,132	11%
Total jobs	110,842	125,411	14,569	13%
Scenario 1 Projection				
Manufacturing	5,862	3,587	-2,274	-39%
Other industrial	3,824	3,882	58	2%
Wholesale	6,543	5,797	-746	-11%
Other warehousing	3,565	4,233	668	19%
Industrial/whsing activities	19,793	17,499	-2,294	-12%
Office activities	38,676	49,546	10,870	28%
Total B-space	58,469	67,045	8,575	15%
Total non B-space	56,018	62,223	6,205	11%
Total jobs	114,487	129,267	14,780	13%
Scenario 2 Projection				
Manufacturing	5,865	3,636	-2,229	-38%
Other industrial	3,826	3,934	108	3%
Wholesale	6,547	5,875	-672	-10%
Other warehousing	3,567	4,291	723	20%
Industrial/whsing activities	19,807	17,736	-2,071	-10%
Office activities	38,702	50,218	11,515	30%
Total B-space	58,509	67,954	9,445	16%
Total non B-space	56,056	63,066	7,010	13%
Total jobs	114,565	131,020	16,455	14%
Scenario 3 Projection				
Manufacturing	5,873	3,723	-2,149	-37%
Other industrial	3,831	4,029	198	5%
Wholesale	6,555	6,016	-539	-8%
Other warehousing	3,572	4,394	822	23%
Industrial/whsing activities	19,831	18,162	-1,668	-8%
Office activities	38,749	51,425	12,675	33%
Total B-space	58,580	69,587	11,007	19%
Total non B-space	56,124	64,582	8,458	15%
Total jobs	114,704	134,169	19,466	17%

Source: Experian Business Strategies Limited ©; RTP

Demand for Business Space

- 5.25 Table 5.3 translates employment change in Table 5.2 into changing floorspace requirements. The result is falling demand for industrial/warehousing and significant increases in demand for office space. Again, the three scenarios generate higher projections in floorspace demand than in the Base Case, with Scenario 3 topping the demand for B-space.

Table 5.3 Projections for Floorspace Demand in Reading, 2004-2020

	Change (sq m)	Change to flsp stock
Base Case		
Industrial/warehousing	-65,509	-8%
Offices	223,081	32%
All B-space	157,572	11%
Scenario 1		
Industrial/warehousing	-68,954	-9%
Offices	228,265	33%
All B-space	159,311	11%
Scenario 2		
Industrial/warehousing	-60,965	-8%
Offices	241,819	35%
All B-space	180,855	12%
Scenario 3		
Industrial/warehousing	-46,602	-6%
Offices	266,183	39%
All B-space	219,581	15%

Source: RTP; Experian; DCLG/VOA floorspace stock figures, 2004¹⁸

Frictional Requirement

- 5.26 In our last stage of estimating future requirements, Stage III, we allow for frictional land vacancy (see paragraph 5.19). Based on an average gross annual take up over ten year to 2004/05, multiplied by two years to achieve planning consent, site preparation and construction, the resulting frictional margins are 18,400 sq m for industry and warehousing and 61,000 sq m for offices. This applies to all projections.

Total Requirement for Employment Space

- 5.27 We add the employment space demand forecasts and frictional space margins together to translate forecast *market demand* into a 16-year *planning requirement* - the amount of space that should be provided comfortably to meet expected demand from 2004 to 2020. For Reading, these planning requirements are summarised in Table 5.4.

¹⁸ Because this analysis focuses on the Reading Borough we use the ODPM/VOA floorspace stock figures instead of the identified stock figures in Chapter 4 which relate to the perceived Reading market area.

Table 5.4 Forecast Floorspace Requirements, 2004-2020

	Forecast jobs to space	Friction (2yrs gross take up)	Total Requirement
Base Case			
Ind/Whsing	-65,509	18,393	-47,116
Offices	223,081	60,998	284,079
All B-space	157,572	79,391	236,963
Scenario 1			
Ind/Whsing	-68,954	18,393	-50,561
Offices	228,265	60,998	289,263
All B-space	159,311	79,391	238,702
Scenario 2			
Ind/Whsing	-60,965	18,393	-42,571
Offices	241,819	60,998	302,817
All B-space	180,855	79,391	260,246
Scenario 3			
Ind/Whsing	-46,602	18,393	-28,209
Offices	266,183	60,998	327,181
All B-space	219,581	79,391	298,972

Source: RTP; Experian

Historic Comparison - Reality Checks

- 5.28 As a reality check, Table 5.5 compares the employment forecasts with past change, covering the period 1998-2004. Both past and future changes are expressed as annual changes.
- 5.29 In industry and warehousing, future employment change follows a similar pattern as the recent past, but resulting in marginally greater annual losses. In offices, there is positive growth similar to the recent past, but in all projections the rate of growth increases by more than three times the past, with the highest rate under Scenario 3.

Table 5.5 Annual Employment Change, Past and Future

		Ind/Whsing		Offices	
		#	%	#	%
1998-2004*	Past trend	-97	-0.59%	179	0.51%
	Base Case	-137	-0.75%	664	1.57%
2004-2020**	Scenario 1	-143	-0.77%	679	1.56%
	Scenario 2	-129	-0.69%	720	1.64%
	Scenario 3	-104	-0.55%	792	1.78%

Source RTP; *ABI & APS; **EBS

- 5.30 Overall, the pattern is for future employment change to follow the recent past, but the growth in office employment projected to be considerably greater.
- 5.31 Using JSPU monitoring data, we also compare the past with the future in terms of net floorspace change (ie, gains minus losses). Over 1991/2 to 2004/5, Reading lost an average of some 7,100 sq m of industrial/warehousing space and gained 8,200 sq m of office floorspace per year. Past gains in offices almost exactly match losses in industrial/warehousing spaces, with the sum being little change in the stock of B-space over the past 13 years.

- 5.32 Future demand follows the same direction as the past. Industrial/warehousing space is estimated to continue to fall; although annual losses are only around half that of the past. Demand for office space continues to grow but with some 50 to 100 per cent more space demanded per annum compared with the previous 13 years.
- 5.33 The sum of the two shows that demand for B-space in Reading will grow by around 10,000 sq m per year from 2004 to 2020 under the Base Case and scenario 1, 11,300 sq m under scenario 2 and 13,700 sq m under scenario 3.

Table 5.6 Annual Net Completions, Business Space, Past and Forecast

		Ind/Whsing	Offices	All B-space
1991/2-2004/5*	Past trend	-7,104	8,220	1,116
	Base Case	-4,094	13,943	9,848
2004-2020**	Scenario 1	-4,310	14,267	9,957
	Scenario 2	-3,810	15,114	11,303
	Scenario 3	-2,913	16,636	13,724

Source: JSPU*; RTP, EBS**

- 5.34 Overall, the forecast follows the same pattern of growth as the past, but the quantum of change differs greatly.

Planned Supply of Space

Method

- 5.35 Planned supply is the net physical capacity identified by the planning system for future change in the occupied business floorspace. Planned supply at 2004 is the sum of:
- Net completions* of floorspace over 2004 to 2005;
 - Current *surplus floorspace* stock, which is the difference between vacant floorspace and an estimated equilibrium vacancy of 7.5% of the stock; and
 - Outstanding net *planning commitments* (soft and hard allocations and permissions) at 1st March 2005.
- 5.36 Any of these components of total planned supply can be either positive or negative, indicating either an increase or a fall in the occupied floorspace stock.
- 5.37 Data on supply at 2004 is sourced from the following:
- Vacancy rates are from LSH in-house data, 2005;
 - Planning completions and commitments from the Berkshire JSPU monitoring system, March 2005;
 - Built stock figures from the latest DCLG/VOA Commercial and Industrial Floorspace Statistics, 2004.¹⁹

Surplus Vacant Supply

- 5.38 The purpose of the surplus space calculation is to incorporate in the space requirement a margin of vacant space which is required for frictional vacancy and choice; so that the market operates smoothly. Through discussions with local and national property agents, the frictional supply of vacant space is estimated at around 7.5 per cent.²⁰

¹⁹ We use ODPM/VOA stock figures since they relate to the built stock within Reading's local authority area, and not the LSH provided stock figures in Chapter 4 which cover the wider Reading Market area.

²⁰ This is supported by empirical evidence in a recent study by Kings Sturge, *European Office Property Markets, 2005*, which found the mean average office vacancy for Western Europe has been 7.2% over the last 15 years.

Space above this level is generally likely to be surplus to requirements, which we carry forward into future supply. It should be noted that in this study we have not been asked to assess the stock of vacant supply and we are therefore unable to comment on the quality of this space for meeting future space requirements; however, Reading Council will need to consider the suitability of this surplus space when deciding how much future space there should be.

- 5.39 Table 5.7 shows floorspace stock, vacant floorspace and the surplus floorspace calculation for Reading. We estimate virtually no vacant industrial/ warehousing space and 40,000 sq m of vacant office space (5.8% of built stock) should be carried forward into future supply.

Table 5.7 Vacant and Surplus Floorspace in Reading, 2004

Stock (sq m)	Ind/whsing	771,000
	Offices	687,000
Vacant space (%)	Ind/whsing	7.6%
	Offices	13.3%
Surplus space (%)	Ind/whsing	0.1%
	Offices	5.8%
Surplus space (sq m)	Ind/whsing	632
	Offices	40,120

Source: ODPM/VOA; LSH and RTP

Total Planned Supply

- 5.40 Table 5.8 shows the total planned supply of future B-space is some 278,200 sq m; the outcome of an insignificant gain of 6,000 sq m of industrial space (largely the result of completions during 2004-2005, otherwise there would be a net loss) and a significant gain of 272,300 sq m of office space.

Table 5.8 Planned Supply of Business Space in Reading, 2004 - Sq m

	Ind/Whsing	Office	All B-Space
Net completions 2004-05	9,173	-8,699	474
Net Commitments 2005	-3,825	240,837	237,012
Surplus Vacant	632	40,120	40,752
Total Supply	5,980	272,258	278,238

Source: Berkshire JSPU; LSH and RTP

- 5.41 Commitments in four areas account for most of the committed supply of office space in Reading. These are shown in Table 5.9.

Table 5.9 Large Commitments for Office Space in Reading, 2005

Area/Site	Committed Office Flsp, sq m (net change)	% of Committed Flrsp (240,840 sq m)
Chatham Street Car Park Complex - AMEC Developments	98,321	41%
Green Park (3 commitments)	65,518	27%
Forbury Road - Energis House	35,660	15%
Worton Range - Akeler Developments Ltd	33,910	14%
Total	233,409	97%

Source: Berkshire JSPU; RTP

- 5.42 Chapter 6 below will look more closely and qualitatively at employment areas in Reading. But first we consider the quantitative balance of planned supply and forecast demand requirements in the borough followed by reviewing the market balance for the Wider Reading area covering Reading, West Berks and Wokingham local authority areas.

Market Balance in Reading

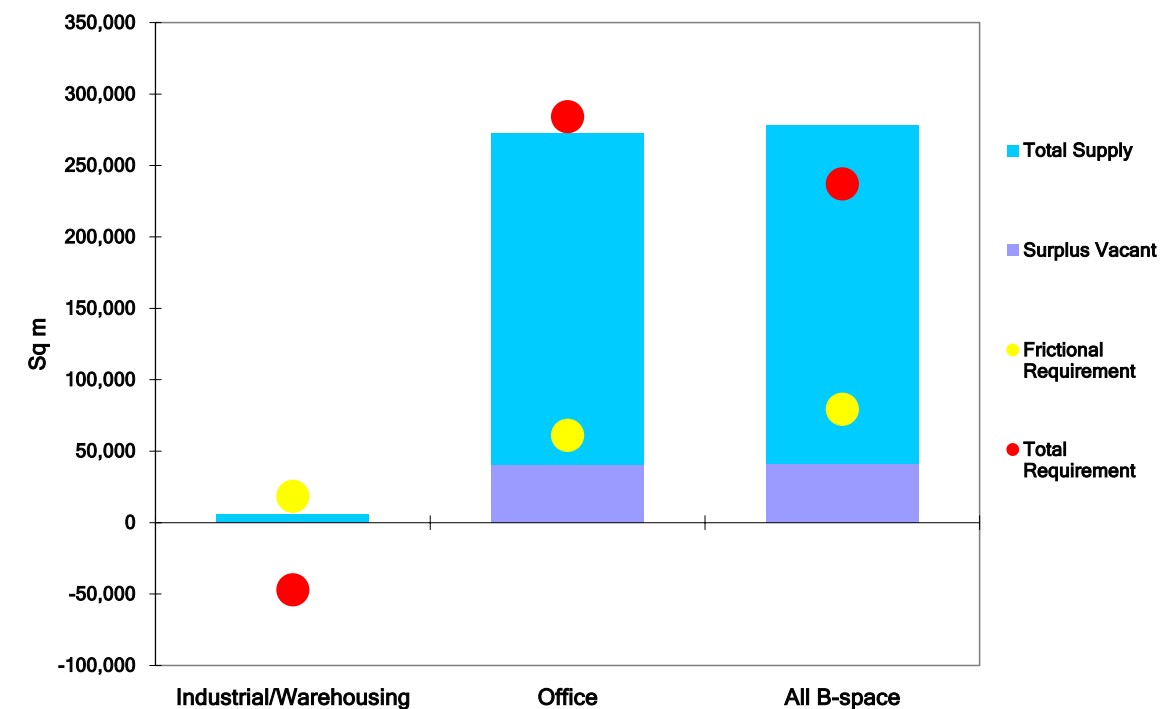
Method

- 5.43 In this section, we bring together earlier results to compare the forecast demand for space under the different housing-led scenarios with the supply of land currently identified by the planning system.
- 5.44 Throughout the analysis, calculations relate to floorspace capacity, expressed in square metres. Should it be necessary to translate floorspace into site areas, as a broad guideline, likely plot ratios are in the region of 40 per cent (4,000 sq m of floorspace per hectare of site area) for industrial/warehousing space and out-of-town office parks. But plot ratios in practice will vary widely, especially for offices, where tall buildings with reduced car parking may deliver two or three times as much floorspace per hectare. This is why, in this analysis, we consider that floorspace capacity is a more reliable currency than site areas.
- 5.45 The following charts provide summaries of the market balance for business space under the different scenarios. In the charts:
- The circles represent the future space requirements, with
 - The yellow circles identifying how much space is required to cover natural churn (frictional land vacancy); and
 - The red circles showing total requirement to meet demand from natural churn plus future changes in employment.
 - The vertical bars representing the floorspace capacity of planned supply, with
 - The blue bars identifying the surplus vacant built stock; and
 - The turquoise bars showing the total supply of surplus vacant space plus net completions 2004-05 and net commitments currently identified by the planning system.
 - Vertical distance between the bars and red circles measure over or under-supply.

Base Case

- 5.46 Figure 5.2 shows that, over the plan period, the Experian model Base Case identifies a surplus supply of industrial/warehousing space, which is the result of a significant loss in industrial/warehousing jobs, coupled by a marginal net increase in industrial/warehouse space. The gap reduces with the inclusion for frictional space need to keep the market running smoothly. The gap is equivalent to 53,000 sq m; around 7 per cent of the Reading industrial/warehousing stock. This suggests that after allowing for space to meet frictional land supply (the natural churn) there is scope for releasing some industrial/warehousing space for other uses.
- 5.47 For offices, Figure 5.2 shows there to be a marginal undersupply of office space to meet future requirements. This gap is only 12,000 sq m, which is less than 2 per cent of the current office stock in Reading.
- 5.48 Together industrial/warehousing and office space generate a small oversupply of 41,000 sq m, which is equivalent to 3 per cent of the total B-space stock in 2005. This is not significant.

Figure 5.2 Base Case Supply and Requirement in Reading, 2004-2020

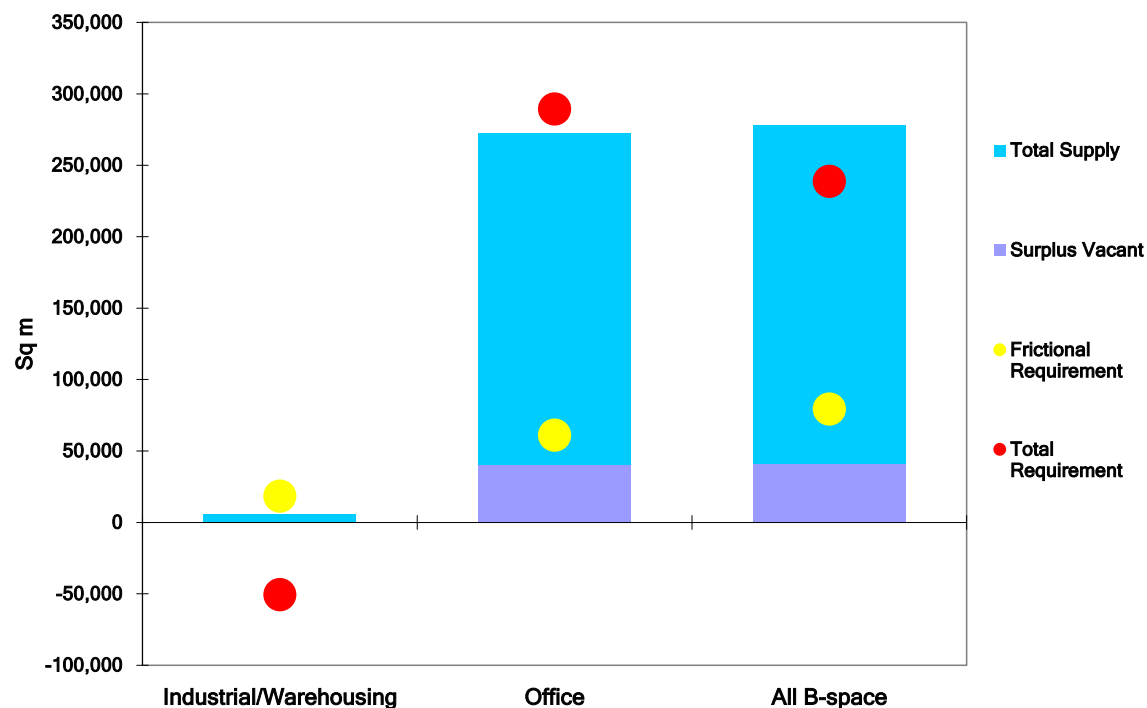


Source: RTP; LSH; JSPU

Scenario 1 - Draft SE Plan

- 5.49 The market balance for Scenario 1 is almost the same as the Base Case. There is slightly more oversupply of industrial/warehousing space, which at 56,500 sq m is a moderate 7 per cent of the total industrial/warehousing stock at 2004.
- 5.50 For offices, the undersupply of space increases to 17,000, which is still relatively insignificant - accounting for just 2 per cent of all existing office space in the borough.
- 5.51 The market balance for all B-space is roughly in line with Scenario 1, with a small oversupply of 39,500 sq m, equivalent to 3 per cent of the total stock.

Figure 5.3 Scenario 1 Supply and Requirement in Reading, 2004-2020

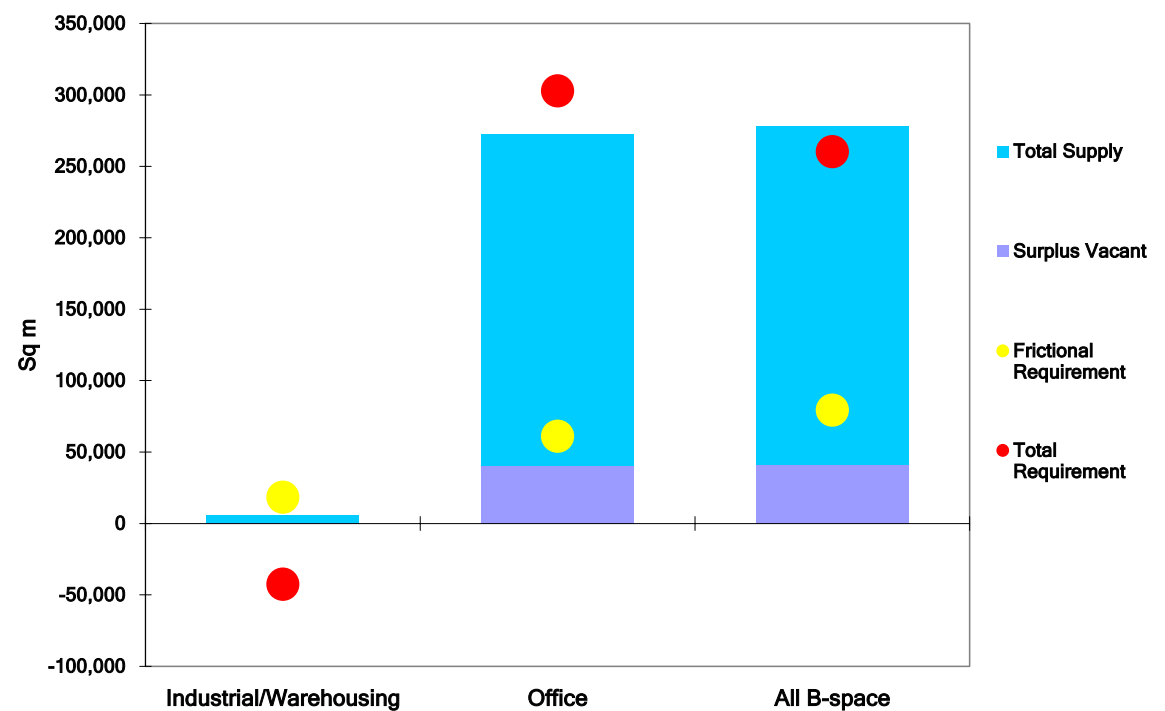


Source: RTP; LSH; JSPU

Scenario 2 - Growth Point

- 5.52 Relative to the Base Case, Scenario 2 marginally reduces the gap between the requirement for and planned supply of industrial/warehousing space in Reading. However, the oversupply is still a moderate 48,500 sq m, which is equivalent to 6 per cent of existing stock.
- 5.53 For offices the undersupply increases under Scenario 2 when compared with Scenario 1 and the Base Case. The gap is 30,500 sq m - equivalent to 4 per cent of existing office stock.
- 5.54 For all B-space there is a near perfect fit between requirement for and planned supply of space in Reading. The gap is a very small oversupply of 18,000 sq m, which is only slightly more than 1 per cent of all B-space stock.

Figure 5.4 Scenario 2 Supply and Requirement in Reading, 2004-2020

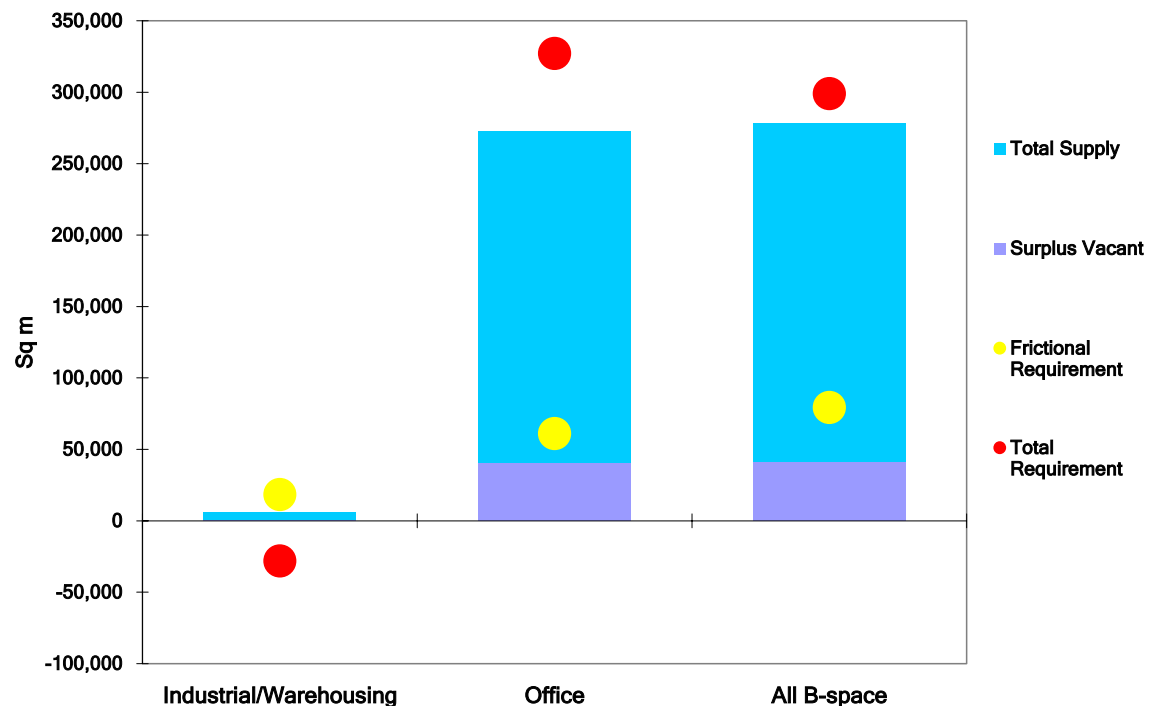


Source: RTP; LSH; JSPU

Scenario 3 - Option B

- 5.55 Scenario 3 generates the smallest oversupply of industrial/warehousing space, with a gap of 34,000 sq m - 4 per cent of existing stock.
- 5.56 But it generates the largest gap between requirement and demand for office space, with a moderate gap of 55,000 sq m, which is 8 per cent of the total office stock in Reading.
- 5.57 Like Scenario 2, this scenario generates an almost perfect fit when we look at industrial/warehousing space together. The market balance for all B-space is roughly in line, except for an undersupply of 21,000 sq m; equivalent to just over 1 per cent of the stock in 2004.

Figure 5.5 Scenario 3 Supply and Requirement in Reading, 2004-2020



Source: RTP; LSH; JSPU

Market Balance in Wider Reading

- 5.58 As Chapter 4 observes, business space demand is likely to be footloose across local authority boundaries, and many occupiers will consider Reading with West Berks and Wokingham in their search for space; this is particularly applicable where business parks (such as Green Park and Arlington) are astride or near to the boundary between the authorities. It is also likely that businesses would be willing to locate in different areas of Berkshire or even the Thames Valley. Employers in these areas will often draw on the same labour catchment area regardless of which district they are in. Therefore, before drawing practical conclusions from the analysis and discussing policy implications, we consider the market balance over the wider Reading, West Berks and Wokingham local authority areas.
- 5.59 We undertake the analysis for the Base Case, Scenario 1 and Scenario 3 employed when looking at Reading. In the Base Case we use Experian's Spring 2006 model forecasts for the three local authorities; in Scenario 1 Experian's forecast are adjusted to reflect housing targets for each authority in the draft SE Plan²¹; and in Scenario 3

²¹ Draft SE Plan annual dwelling completion targets are 525 for West Berks and 523 for Wokingham.

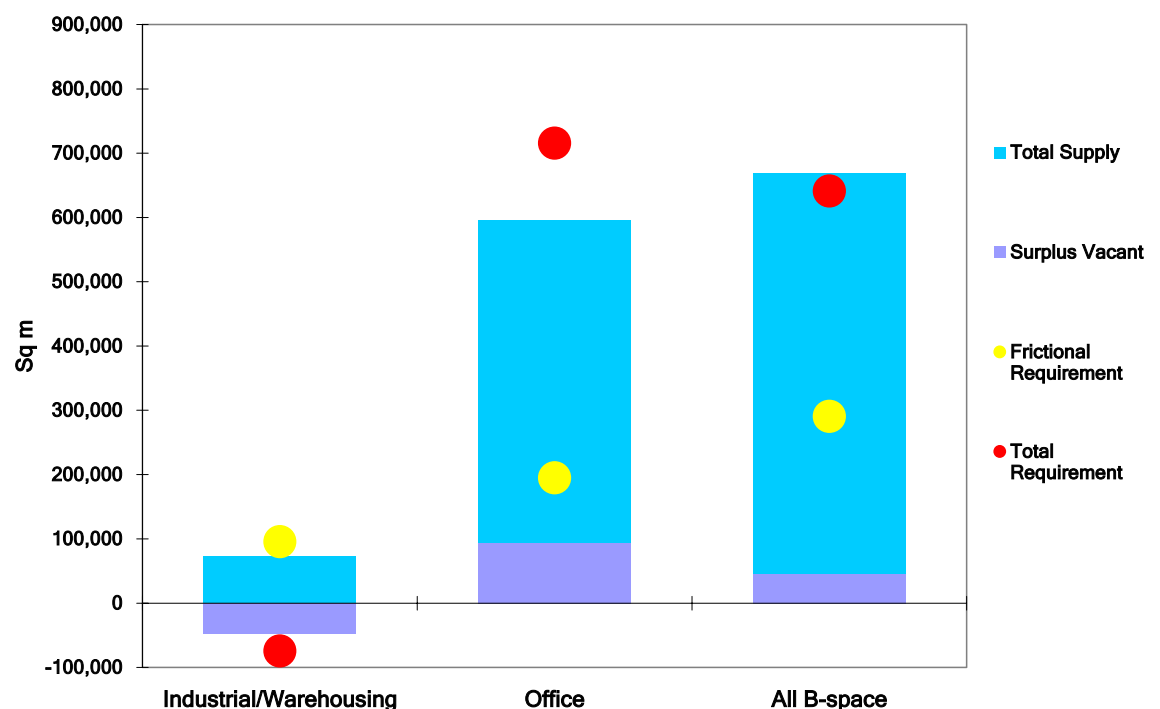
Experian's forecast are adjusted to reflect Option B housing targets for each authority identified by RTP in a study for GOSE²². Since neither West Berks nor Wokingham have submitted housing target figures under the New Growth point Initiative, we exclude Scenario 2 from this analysis.

- 5.60 Following the same approach in estimating Reading's market balance, the following charts summarise the market balance for Wider Reading.

Base Case

- 5.61 Figure 5.6 shows that the Experian model Base Case results in an oversupply of industrial/warehousing space of around 7 per cent of all existing industrial/warehousing space in Wider Reading. Besides the scale, which increases proportionally with stock, this is a similar result to the Base Case just for Reading. The gap would be larger if it were not for there being a considerable lack of vacant industrial/warehousing space across the three areas. With a joint vacancy rate of 5.2 per cent, to generate optimal market conditions some 48,000 sq m of the planned supply should be built to increase the vacancy rate to the proposed 7.5 per cent frictional level. Overall, the gap is 148,800 sq m. This suggests that after allowing for space to meet demand for natural churn, there is scope for releasing some industrial/warehousing space for other uses.
- 5.62 In offices the Wider Reading area has a significant undersupply 120,000 sq m, equivalent to 8 per cent of the stock in 2005. This gap is significantly greater than for Reading on its own, indicating a greater undersupply of office space for meeting future requirements in the neighbouring areas.

Figure 5.6 Base Case Supply and Requirement in Wider Reading, 2004-2020



Source: RTP; LSH; JSPU

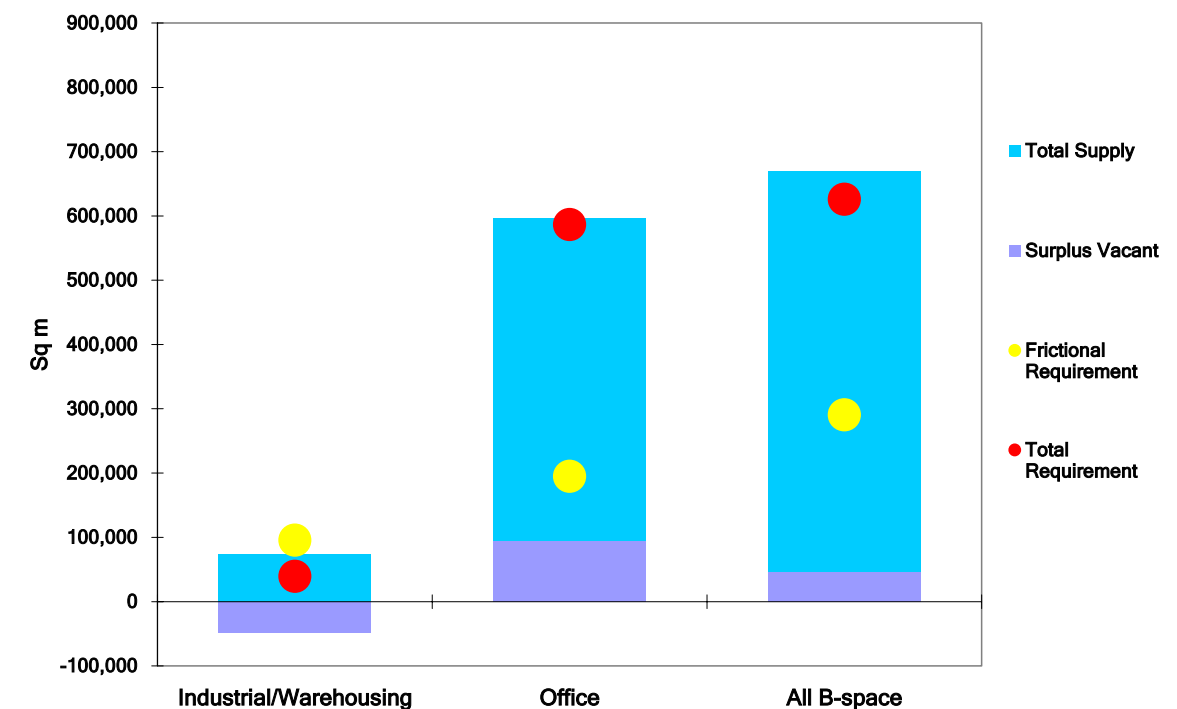
- 5.63 For all B-space, the market balance is almost aligned, with a small oversupply equivalent to less than 1 per cent of the existing stock.

²² Roger Tym & Partners for SERPLAN, The Use of business space: Employment Densities and Working Practices in South East England, 1997. Option B annual dwelling completion targets are 672 for West Berks and 669 for Wokingham.

Scenario 1 - Draft SE Plan

- 5.64 Scenario 1 generates a very different pattern from the Wider Reading Base Case. The oversupply of industrial/warehousing space is reduced to an insignificant 3 per cent of stock, which is largely the result of allowing for a supply of frictional land space to cover natural churn in stock. This would also suggest that demand in Reading's neighbouring authorities may pick up the surplus supply found in Reading.
- 5.65 And there is a perfect match in the requirement for and supply of office space across Wider Reading. Under this scenario there is small oversupply of planned office space in Reading's neighbouring authorities that may pick up the small excess requirement found in Reading.
- 5.66 Overall under Scenario 1 the market balance is roughly in line for all B-space, with a very marginal oversupply of 43,000 sq m - equivalent to just 1 per cent of existing space.

Figure 5.7 Scenario 1 Supply and Requirement in Wider Reading, 2004-2020

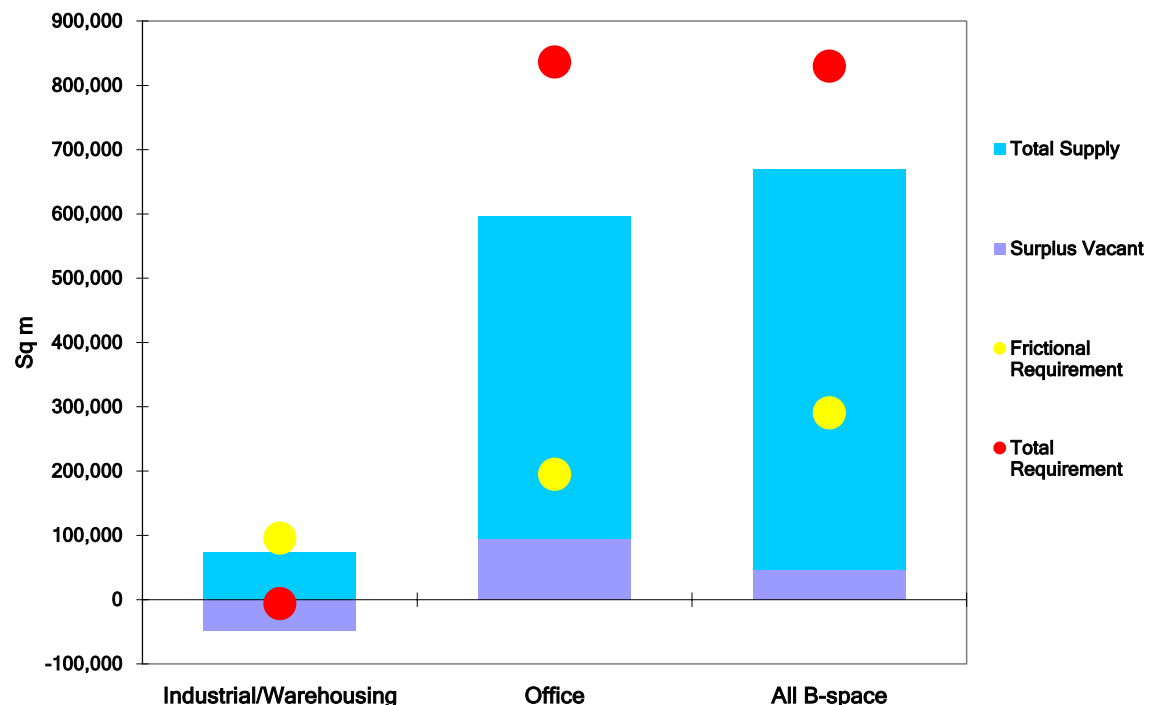


Source: RTP; LSH; JSPU

Scenario 3 - Option B

- 5.67 Scenario 3 has a dramatic impact on market balance across the three authority areas.
- 5.68 With virtually no requirement for more industrial/warehousing space and an increase in planned industrial/warehousing space, there is an oversupply of 80,000 sq m, which is 4 per cent of existing stock.
- 5.69 For offices the requirement significantly outgrows the planned supply by an excess of 240,000 sq m. Consequently, under Scenario 3 the market is significantly misaligned and there would be a need to identify further sites to bring the market into balance over the 16 year planning horizon. Under this scenario it would not only be Reading that is significantly undersupplied to meet requirement for office space for the future.
- 5.70 With the oversupply in industry/warehousing counteracting the undersupply of office space, the overall market balance for B-space is inline, with an undersupply of 161,000 sq m - a more modest equivalent of 4 per cent of the total stock of B-space in 2004.

Figure 5.8 Scenario 3 Supply and Requirement in Wider Reading, 2004-2020



Source: RTP; LSH; JSPU

Conclusion

Results

- 5.71 Table 5.10 below summarises our calculations on market balance to 2020. Below we set out principal conclusions and policy implications for Reading. These figures provide a snapshot view based on the recent Experian employment growth forecasts and projections based on different housing targets, recent vacancy levels and completions of Business floorspace, and committed net space at 2005.

Table 5.10 Over(under) Supply of B-space, 2004-2020

	Reading		Wider Reading	
	Sq m	% of stock in 2004	Sq m	% of stock in 2004
Base Case				
Industrial/Warehousing	53,000	7%	148,000	7%
Office	-12,000	-2%	-120,000	-8%
All B-space	41,000	3%	28,000	1%
Scenario 1				
Industrial/Warehousing	57,000	7%	34,000	2%
Office	-17,000	-2%	10,000	1%
All B-space	40,000	3%	43,000	1%
Scenario 2				
Industrial/Warehousing	49,000	6%		
Office	-31,000	-4%		
All B-space	18,000	1%		
Scenario 3				
Industrial/Warehousing	34,000	4%	80,000	4%
Office	-55,000	-8%	-240,000	-16%
All B-space	-21,000	-1%	-161,000	-4%

NB: A positive figure denotes oversupply and a negative figure denotes undersupply.

Source: RTP

Industrial/warehousing

- 5.72 Industrial/warehousing space is oversupplied in all scenarios. For Reading the gap ranges from 34,000 to 53,000 sq m, or 4 to 7 per cent of the existing stock. We would therefore conclude that if Reading is to meet the demand for space in the years to 2020, it can afford to release some of its industrial/warehousing space capacity for other uses. The quantum of release will depend on the likely scenario Reading Council adopt; and provided of course that there is a requirement for other uses of these sites.
- 5.73 Looking at the balance for a Wider Reading (covering Reading, West Berks and Wokingham local authority areas) and Reading on its own, the patterns are the same under scenarios 1 and 3, but in Scenario 1 the gap to lessen to just 2 per cent of existing stock.

Offices

- 5.74 In reverse to industrial/warehousing space, offices show an undersupply of planned space to 2020. The undersupply is insignificant under the Base Case and Scenario 1, but more moderately significant under scenarios 2 and 3. If the plan is to build more dwellings, as in Scenario 2 or 3, then the Council will need to allocate additional capacity for office employment use if it is to meet demand. The quantum of additional floorspace is some 31,000 sq m under scenario 2 and 55,000 sq m under scenario 3.

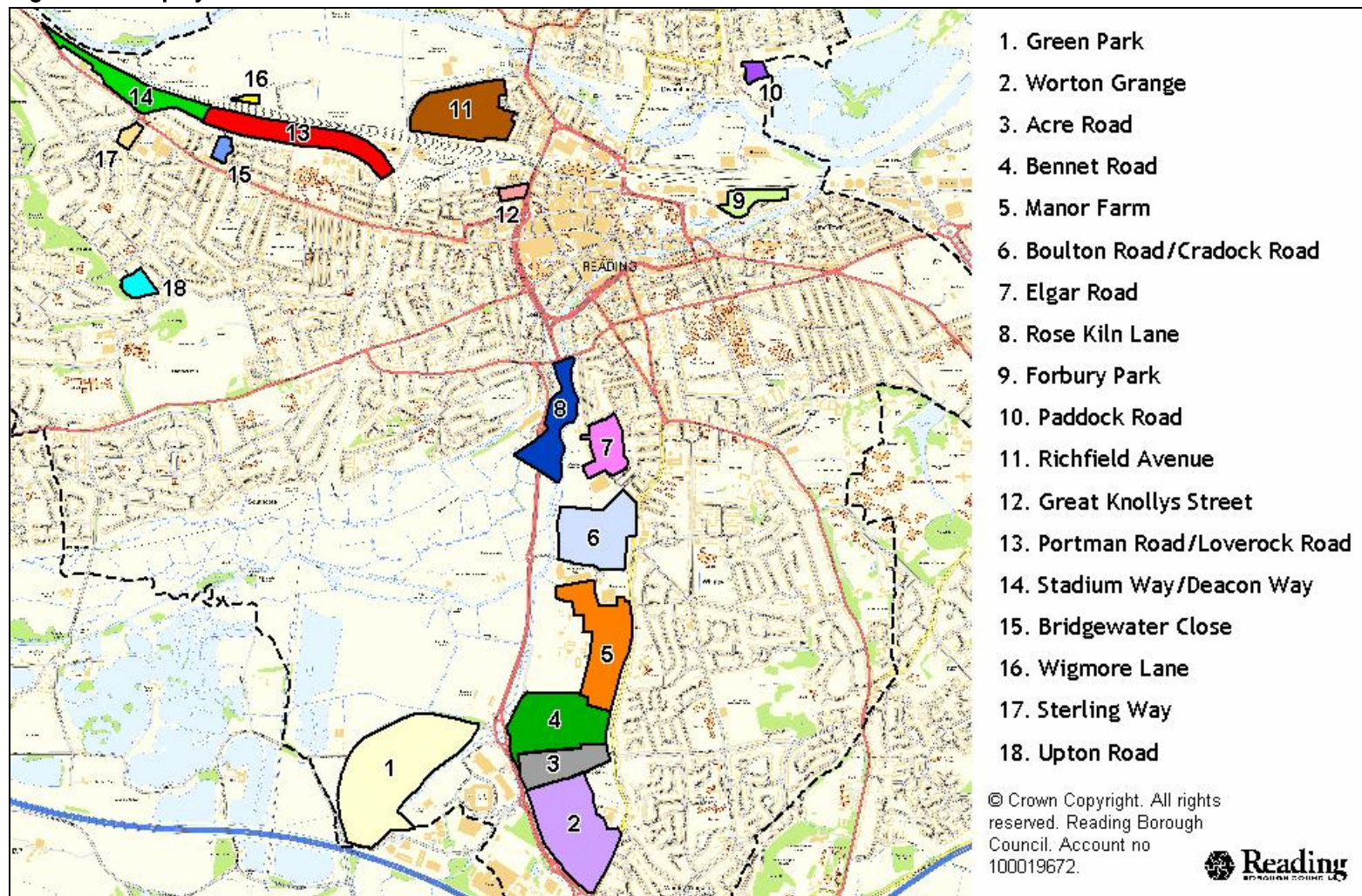
- 5.75 The balance for a Wider Reading shows that the Base Case and Scenario 3 would generate significant levels of undersupply of office space. Depending on which scenario is followed, if the Wider Reading area is to achieve market balance in the years to 2020, then three authorities between them should identify and allocate a further 120,000 to 240,000 sq m of office space depending on which scenario is adopted. The exception is Scenario 1 where there is almost near perfect balance between future requirement and planned supply; we therefore would recommend that under this scenario the currently committed office space capacity should not change.
- 5.76 The discussion in this chapter has been purely quantitative and has focused on net change - the difference between gains and losses of each type of employment space based on the current snapshot in time. But real-life planning decisions will be about gross changes, comprising both gains and losses of employment space, and will take account of qualitative features as well as the quantity of space. Before making policy recommendations, therefore, we need to consider the qualitative profile of land supply in relation to expected demand. This is the subject of the next chapter.

6 QUALITATIVE ASSESSMENT

Introduction

- 6.1 In this chapter, we assess how far Reading borough's employment land supply matches the market requirements of business occupiers. The assessment covers the key employment areas in Reading borough, which are identified on the map overleaf. There are 18 'employment character areas' where employment sites are grouped based on policy, access, and location.
- 6.2 The purpose of the analysis is to help the Borough Council to decide:
- Which areas and sites should be retained for employment uses;
 - Of these employment sites, which need infrastructure or other improvements to fulfil this function successfully; and
 - Which might be considered for release to other uses?
- 6.3 It is not the aim of the exercise to comment on the quality of the built stock, but rather to provide an overview on the commercial quality of employment areas as a whole. Nevertheless, in certain circumstances, it will be necessary to comment on particular elements of the stock, for example where age or condition provides an indication as to the ripeness of all or part of the area for redevelopment.
- 6.4 As recommended in the Government's guidance on Employment Land Study's (2004), we have assessed areas on the basis of the following criteria:
- Strategic accessibility - this criterion takes account of the proximity of a site to the strategic highway network, principally the M4 motorway, and good quality A roads, which is an important locational factor both for industrial and office occupiers.
 - Local accessibility - this criterion considers the quality of the area/site in terms of its local access characteristics, for example, whether it is located on unclassified roads, or constrained by congestion or other physical factors.
 - General location - here we consider the location of the area from a sustainability perspective, assessing its location relative to a major urban centre. For example, whether it is in an edge of centre or out of town location, its accessibility by a choice of means of transport and the proximity of facilities that would be of benefit for existing or future occupiers.
 - External environment - this criterion takes account of the nature and extent of the area's neighbouring uses and in particular, considers the likely risk of conflict arising from existing or potential future employment uses of the area.
 - Internal environment - this criterion takes account of the shape, topography, prominence and internal layout of the employment area. It also considers whether there are potential areas of risk that are likely to influence the cost of future development, such as contamination, environmental or conservation issues (eg, listed status, floodplain, area of landscape value, etc).
 - Market conditions/perception and demand - looking at recent market activity, likely market demand and the level of vacancy within the area, in terms of either vacant floorspace or land that is disused or derelict.
- 6.5 We assessed each area on the basis of a visual inspection together with desk research and conversations with planning officers, local agents and other local stakeholders.

Figure 6.1 Employment Character Areas



Land Values

- 6.6 Industrial land values in Reading are determined by many different variables. The land values generated may not be a correct reflection of a particular site's merits, but rather depend on planning density, that is whether B1/B8 mix is permitted, s.106, Highways issues and decontamination costs.
- 6.7 These factors mean that values can vary dramatically, and the lack of specific land sales within the last 5 years means it is unrealistic and even misleading to issue broad guidelines or to provide exact figures for each site. Instead we believe that the tone of rental values given below is a more accurate means of setting out the relative land values.
- 6.8 A broad guide for land values for industrial development is £1 million per acre, whilst for high density office development values as high as £3million per acre have been achieved.

Employment Areas

Green Park (43 ha)

Key data

Take-up 2005	11,496 sq ft (1,068 sq m)
Stock including sites	951,550 sq ft (84,011 sq m)
Available Supply incl. sites	341,477 sq ft (31,724 sq m)
Availability as a percentage	38%
Rents (£ per sq ft)	£24.00 Office; £9.00 Industrial
Access	There is good car access to the M4, and the bus services from the centre are good and regular. Access may improve still further with provision of a Green Park station and mass rapid transit.

Overview

- 6.9 This area is allocated in the Local Plan for development including business, industrial, storage and distribution. Between 1999 and 2002, over 904,176 sq ft (84,000 sq m) of office floorspace has been completed in the Reading borough portion of Green Park. 710,424 sq ft (66,000 sq m) of office and 36,598 sq ft (3,400 sq m) of storage and distribution remains on hold, mostly at the southern end of the area.
- 6.10 It is in a business park layout, around a central lake and with large amounts of car parking.

Agent's (LSH) assessment

- 6.11 Green Park represents a "flag ship" development for Reading, providing a mixture of large HQ, intermediate and nursery accommodation. The quality of the landscaping and access to both private and public transportation routes is excellent. However, in the future this location's performance is constrained by the capacity of J11 of the M4, and relies on the construction and funding of the proposed extension. Notwithstanding this, the site is clearly important in safeguarding employment and B1 uses and, whilst there have already been some mixed uses on site, is an obvious primary B1 location. A greater mix of uses on this site may help the B1 uses because it would make the location more sustainable and attractive to occupiers and staff seeking on-site amenities.

Worton Grange (27 ha)

Key data

Take-up 2005	10,656 sq ft (990 sq m)
Stock	1,230,766 sq ft (114,341 sq m)
Supply	0 sq ft (0 sq m)
Availability as a percentage	0%
Rents (£ per sq ft)	£18.00 Office £7.50 Industrial
Access	Access to the M4 is very good, and this is key in the location of B8 uses found in the area.

Overview

- 6.12 This area is within the Basingstoke Road major industrial area. It was constructed on the site of Worton Grange Farm during the 1980s and early 1990s. Apart from a handful of mixed-occupier office buildings along Imperial Way, the area is mostly used for storage and distribution and industrial uses, with relatively large sites. Occupiers include national distribution firms such as Eddie Stobart and TNT.

Agent's (LSH) assessment

- 6.13 Worton Grange is a well managed site for primarily B8 warehouses but also incorporates some modern office buildings. The good motorway access has made the location popular with distribution sector occupiers, and whilst reliance on car and road networks may ultimately constrain future growth in this location it is an important and relatively self contained commercial area which is anticipated to continue to offer occupiers high quality accommodation and an accessible location for the long term. This location also appeals to B1 office occupiers. However, industrial occupiers value this location as an important site which needs to be protected from encroaching office use.

Acre Road (11 ha)

Key data

Take-up 2005	0 sq ft (0 sq m)
Stock	484,724 sq ft (45,032 sq m)
Supply	69,363 sq ft (6,444 sq m)
Availability as a percentage	14%
Rents (£ per sq ft)	£7.50 Industrial
Access	Road access is good, but the entrance onto the A33 is one-way only, meaning that certain journeys have to go via the Bennet Road gyratory to the north. Public transport is good, with bus access via the buses to the stadium (to the west) and the Basingstoke Road corridor (to the east).

Overview

- 6.14 This area is within the Basingstoke Road major industrial area. It also contains a number of large B8 sites, some of which are relatively modern; and also some complexes of smaller uses, including the RBC run Acre Business Park with 41 start-up and expansion units.

Agent's (LSH) assessment

- 6.15 This location has similar attributes to Worton Grange and is performing quite well. The mix of accommodation sizes and the proximity to the motorway means this location is viable for many industrial occupiers. The location is less appealing to emerging occupier sectors such as hi-tech and public facing businesses, but it is seen as a

useful location for the larger traditional industries. The smaller units provided are rare in out of town locations near the motorway.

Bennet Road (22 ha)

Key data

Take-up 2005	8,148 sq ft (757 sq m)
Stock	778,862 sq ft (72,358 sq m)
Supply	91,774 sq ft (8,526 sq m)
Availability as a percentage	12%
Rents (£ per sq m)	£7.50 Industrial £14.00 Trade Counter and Office
Access	Road access from Bennet Road onto the A33 is good, and regular buses run along Basingstoke Road.

Overview

- 6.16 This area is within the Basingstoke Road major industrial area. It includes Bennet Road, Commercial Road and Darwin Close. The area is something of a mix of building styles and sizes, although it is primarily in industrial, storage and distribution use. Some civic functions are located here including the Reading Education and Training Centre, and RBC also has offices and depots here. Most of the buildings date from the 1960s and 1970s, but there has been more recent redevelopment on the A33 and Basingstoke Road frontages to the west and east. The Commercial Road and Darwin Close areas are largely untouched by any new development.

Agent's (LSH) assessment

- 6.17 The Bennet Road area has increasingly shifted from a traditional industrial occupier base to hi-tech mixed use occupiers, and more recently trade counter and higher value storage and distribution. This location also provides a selection of smaller and older stock that, whilst of mixed quality, fulfils a relatively poorly serviced market for the smaller business sector. This location is constrained by a high proportion of more dated stock and a less well managed micro environment. Increasingly, newer development in this location has focussed on occupiers requiring an element of public accessibility and trade. We expect this trend to continue, due to a combination of demand from trade counter type occupiers and the older stock failing to meet the needs of today's occupiers. Nonetheless, its very mix of unit sizes and quality fulfils an important role for smaller occupiers seeking less expensive accommodation.

Manor Farm (21 ha)

Key data

Take-up	5,091 sq ft (473 sq m)
Stock	1,261,379 sq ft (117,185 sq m)
Supply	65,047 sq ft (6,043 sq m)
Availability as a percentage	5%
Rents (£ per sq ft)	£7.50 Industrial £12.00 Office
Access	Access to the network of main roads is reasonable, although not as good as the areas to the south. Access to buses along Basingstoke Road is good.

Overview

- 6.18 Manor Farm is within the Basingstoke Road major industrial area. It is a relatively narrow strip, sandwiched between Basingstoke Road and Whitley to the east and the former sewage works, where 850 homes have been permitted, to the west. There are some very large single-occupier sites in this area, particularly the Gillette site. Uses are very mixed, including offices, industry, storage and distribution, with large-format retail

to the north and a bingo hall. There is also a small number of small units within the area.

- 6.19 There are small groups of houses along the eastern side of the area, both old and new. This area could potentially face pressure for housing. This employment area could sever the proposed community on the former sewage works from any other housing areas, so there may be advantages in terms of integration of the community by allowing some housing use.

Agent's (LSH) assessment

- 6.20 During the peak of the market in the 1980s, several larger office and mixed use B1 hi-tech units were constructed in this location. These have since proven less popular with tenants, compounded by the A33 Relief Road removing arterial routes. The location is regarded as "marginal" and "off pitch" by image conscious occupiers, which has hampered take up levels. The development of superior schemes nearby such as Green Park has resulted in Manor Farm losing its ranking amongst occupiers. For this reason, the case for considering alternative uses and housing, rather than B1 and B8, is strong for this site.

Boulton Road/Craddock Road (19 ha)

Key data

Take-up	22,572 sq ft (2,097 sq m)
Stock	736,903 sq ft (68,460 sq m)
Supply	129,997 sq ft (12,077 sq m)
Availability as a percentage	18%
Rents (£ per sq ft)	£7.00 Industrial £12.00 Office
Access	Access to the main road network is reasonable, and there are regular bus services along Basingstoke Road.

Overview

- 6.21 This area is within the Basingstoke Road major industrial area. It is made up of a core of 1960s and 1970s small factories and warehouses on Boulton Road, Craddock Road and Arkwright Road, mostly of a similar format. There is some vacancy in this area, although it is not overwhelming. Recently, some individual sites on Craddock Road have been redeveloped for more modern factory and warehouse accommodation; and there are outstanding permissions for other sites to come forward.
- 6.22 The Issues Paper for the review of the Local Plan (2003) talked of the possibility of this area for 'long-term regeneration to mixed-use, including housing'. It was also one of the areas indicated as having potential for 'reallocation and restructuring' in the Core Strategy issues and options paper. It is in closer proximity to housing than the areas to the south.

Agent's (LSH) assessment

- 6.23 Comprising a larger degree of older stock, this location has recently seen the greatest concentration of new industrial development. New recently completed schemes include Connect 33 (50,000 sq ft) and Reading Approach (115,000 sq ft), Rugby Estate's new 50,000 sq ft unit pre-let to Jewson and Chancery Gate's 30,000 sq ft. The new development is symptomatic of the older existing stock nearing obsolescence and land values being constrained for alternative uses.
- 6.24 It gradually lost its original appeal to occupiers as other more modern and better landscaped areas have been developed. Serving older industrial occupiers, and office occupiers seeking less expensive accommodation, the discount in the values for better locations has meant the oversupply is particularly noticeable in this location. We can therefore acknowledge the case of mixed use and alternative developments,

particularly if they can raise the profile of this location which has become more marginal for most inward investors and occupiers.

Elgar Road (8 ha)

Key data

Take-up	3,079 sq ft (286 sq m)
Stock	326,752 sq ft (30,356 sq m)
Supply	20,441 sq ft (1,899 sq m)
Availability as a percentage	6%
Rents (£ per sq ft)	£6.00 Industrial
Access	Car access to the major road network is not good, with access only to the south (Elgar Road is blocked to the north). However, there is a bus stop with a regular service at the end of Elgar Road.

Overview

- 6.25 This area is not within a major industrial area. It is mainly made up of a couple of estates of small and medium-sized units for industry and storage and distribution uses. These were built in the 1970s and the 1980s. There are some larger, and sometimes older, plots along Elgar Road. There is a large Makro wholesaler to the south. The area is surrounded by housing on almost all sides, although housing to the east is on a higher level.
- 6.26 The Issues Paper for the review of the Local Plan (2003) talked of the possibility of this area for 'long-term regeneration to mixed-use, including housing'. It was also one of the areas indicated as having potential for 'reallocation and restructuring' in the Core Strategy issues and options paper.

Agent's (LSH) assessment

- 6.27 Comprising a larger degree of older and predominantly smaller unit stock, this location has gradually lost its original appeal to occupiers as other more modern and better landscaped areas have been developed. Whilst some are more modern, the location lacks visibility and prominence which is increasingly important to today's occupiers. The site offers valued accommodation for small occupiers (1,500-3,000 sq ft) which is generally rarer on the market. Notwithstanding this, demand has been poor with continued over-supply. The road access is poor due to Elgar road being split. Its location within a residential area also encourages consideration for alternative use. We expect the attraction of this area to reduce as current businesses relocate or upgrade to properties elsewhere.

Rose Kiln Lane (13 ha)

Key data

Take-up	38,976 sq ft (3,621 sq m)
Stock	408,000 sq ft (37,905 sq m)
Supply	137,887 sq ft (12,810 sq m)
Availability as a percentage	34%
Rents (£ per sq ft)	£7.50 Industrial, £16.00 Offices, £15.00 Trade Counter
Access	Access to major roads is good. Access by bus is difficult, especially to the south, but much of the area is within easy walking distance of the centre.

Overview

- 6.28 This area is not within a major industrial area. However, it was designated under policy EMP1 of the Local Plan for B1 business use, B8 storage and distribution, car

showrooms and housing. The housing element of this allocation has been built out, and is not included within the area defined here. A planning brief was adopted for this site which gives greater detail. About half of the buildings on this site date from the 1980s and 1990s, although there are some older buildings. Some of the buildings have been refurbished more recently. There are offices and storage uses in the area, and it is gradually becoming Reading's primary cluster of car dealerships.

- 6.29 This area is kept very distinct from nearby housing by the waterways and roads. But there is a proposal for housing on the most northerly of the sites (Lok N Store) and there is continued pressure for car dealerships.

Agent's (LSH) assessment

- 6.30 The prominence to the A33 Relief Road has led to this location being very attractive to companies seeking passing trade, hence the self storage and motor-trade uses. We envisage the quasi-retail businesses continuing to favour this location, and whilst traffic flows may ultimately constrain future development in this location for the mid term, it represents a valuable site for many occupiers.

Forbury Park (4 ha)

Key data

Take-up	0
Stock	168,392 sq ft (15,644 sq m)
Supply	127,898 sq ft (11,882 sq m)
Availability as a percentage	76%
Rents (£ per sq m)	£7.00 industrial
Access	Road access is via the centre and the IDR, and Reading station is within walking distance.

Overview

- 6.31 This area is not within a major industrial area, but it is within the designated town centre. It is currently occupied by a mix of industry and offices. However, much of the area is now vacant ahead of proposed redevelopment. Despite the oldest building in the area dating from 1982 and the rest being 1990s developments, this whole area may come forward for redevelopment within the LDF period. An adopted Design Concept Statement SPG for the area sets out design principles should it come forward (without going so far as to endorse redevelopment), and this would include housing and commercial uses. It is likely to be designated as a major redevelopment area in the Reading Central Area Action Plan. The eastern part of the area has planning permission for over 500 homes, and there are a number of adjacent recent high-density housing developments.

Agent's (LSH) assessment

- 6.32 Forbury Park is increasingly becoming a residential, leisure and retail destination. The industrial park has suffered from the "back water" location. The lack of new businesses coming to this site has meant that it suffers from some stigma and is failing to serve occupiers' needs effectively. If new investment from both landlords and occupiers were to come forward, this could re-vitalise this location. However the mixed use aspect of the site suggest an alternative use for the site, since it does not in serve an important role in accommodating the requirements of today's occupiers. From an access point of view this location suffers from a "bottleneck" due to the retail traffic, and heavy traffic on the IDR leading to this location. We are already seeing residential development on previous commercial stock in this location, and continued pressure from developers to obtain residential consents here.

Paddock Road (1.7 ha)

Key data

Take-up	0
Stock	92,194 sq ft (8,565 sq m)
Supply	22,000
Availability as a percentage	23%
Rents (£ per sq ft)	£6.00 Industrial
Access	All access is via residential areas.

Overview

- 6.33 Paddock Road is a small group of 1960s or 1970s industrial and warehouse buildings. It is not within a major industrial area, but is the largest concentration of employment uses north of the Thames. It is surrounded by residential use, and is entirely within the flood plain.

Agent's (LSH) assessment

- 6.34 Notwithstanding the age of the stock, this has proven to be a surprisingly sustainable location, perhaps due to being in Caversham, hence a slightly separate market. Occupiers favour the inexpensive accommodation and cul-de-sac design, insulating it to a degree from other uses. The site may fall within the flood-plain which further supports its continued use for value commercial accommodation rather than alternative uses such as residential. That said, it is surrounded by residential uses already and therefore does represent an in-fill opportunity. The constraints of the narrow access and residential neighbours significantly limits further development here for employment uses.

Richfield Avenue (20 ha)

Key data

Take-up	2,099 sq ft (195 sq m)
Stock	1,066,465 sq ft (99,077 sq m)
Supply	226,227 sq ft (21,017 sq m)
Availability as a percentage	21%
Rents (£ per sq m)	£6.00 Industrial £14.00 Offices
Access	The area is within good walking distance of the centre. Road access is, however, poor, and is gained either through the centre to the east or to the south west via the bottleneck of Cow Lane bridges. Residential roads to the east are blocked to through traffic. Road access may, however, improve through the one-way IDR and planned improvements to the Cow Lane bridges.

Overview

- 6.35 This area is the Richfield Avenue major industrial area. It is made up of mainly 1960s warehouse and industrial units, particularly along the Richfield Avenue and Cremyll Road frontages. Along the south side of Cardiff Road are a number of small 1950s and 60s units, used for industry and warehousing, including car servicing. Some of the sites have been redeveloped throughout the late 1980s and 1990s, for warehousing and industrial uses, and there is an outstanding permission for light industrial redevelopment of the large Lynx distribution depot. There are rows of small business units on Milford Road.
- 6.36 There is some housing actually within the designated industrial area, and there is no real clear division between housing and industrial areas at the eastern edge. This may be one of the areas where pressure for housing will build, and some industrial sites in

the east have already been developed for housing. There is also likely to be pressure for leisure uses, with some industrial units currently used for a casino and a sports bar/snooker hall. These uses may link in with the adjacent Rivermead Leisure Centre.

Agent's (LSH) assessment

- 6.37 Attracting an increasingly trade-counter orientated occupier mix, the location offers refurbished industrial stock as well as road-side B1 and trade counter uses (along Richfield Avenue). Cardiff Road has some of the oldest and poorest quality industrial stock within Reading. The location suffers from severe congestion which has already restricted its success, together with a height restriction on the railway bridge which is impassable to tall vehicles. This site has witnessed a constant over-supply during the past 10 years. That said, the occupiers who have chosen to locate here do find the mix of unit sizes offered and lower rental values attractive, and once invested in this location tend to be loyal to it. Given the proven constant over-supply of particularly B8 units in this location, alternative uses should be considered. Some of the oldest industrial units back on to residential uses, so it could be redeveloped to this use.

Great Knollys Street (1.5 ha)

Key data

Take-up	0
Stock	182,041 sq ft (16,912 sq m)
Supply	3,993 sq ft (371 sq m)
Availability as a percentage	2%
Rents (£ per sq ft)	£4.00 to £5.00 Industrial

Overview

- 6.38 The site is not within a major industrial area. It comprises a collection of small units, most of which were built in the 1980s, within the designated town centre. As such it is relatively rare and well-occupied. But, it is likely to come under pressure for high-density redevelopment, particularly for housing, as part of the wider 'west-side' area covering the land along the western sector of the IDR, which also includes the Cattle Market, the Chatham Street area and the Civic Centre/Hexagon area. There are therefore some policy issues to address on this site.

Agent's (LSH) assessment

- 6.39 The poor quality environment and limited accessibility has means this location has a poor track record in attracting success. Smaller businesses, with a need to be accessible to customers and the public favour (e.g. motor mechanics etc) its central location. However, this site appears well suited to alternative uses and it is of marginal importance for significant occupiers in Reading.

Portman Road/Loverock Road (16 ha)

Key data

Take-up	20,032 sq ft (1,861 sq m)
Stock	696,334 sq ft (64,691 sq m)
Supply	196,012 sq ft (18,210 sq m)
Availability as a percentage	28%
Rents (£ per sq ft)	£6.50 Industrial
Access	The eastern part of the site is within good walking distance of Reading West station. Oxford Road has regular bus services, but pedestrian access from the parallel Portman Road is not always good. Access to the major road network is poor for all directions except the A329 towards Oxford.

Overview

- 6.40 This area is within the Portman Road major industrial area. It consists of a very narrow and long strip of industrial and warehousing sites, sandwiched between Portman Road and the railway. It dates mainly from the 1960s and 1970s, with little change, although more recently a few sites have been redeveloped around Broughton Close and Caxton Close. Vacancy in this area is very high - at the time of the survey, around one third of floorspace was vacant, particularly on the areas fronting Loverock Road. The environment of Loverock Road is poor, with fly-tipping a problem along the railway. The environment of Portman Road is better, with housing and grassed areas opposite the industrial area, and the redevelopment of Battle Hospital for housing and a food superstore is planned. Development in this area is constrained by much of it being within the flood plain.

Agent's (LSH) assessment

- 6.41 This location includes a comprehensive mix of distribution, trade-counter and even car showroom uses. The overall quality stock is poor, albeit with some recently refurbished units. The location suffers from severe congestion and accessibility issues for HGV's to the motorway. This has already restricted its success, and resulted in consistent over-supply during the past 10 years. That said, the occupiers who have chosen to locate here do find the mix of unit sizes offered and lower rental values attractive, and once invested in this location tend to be loyal to it. However, alternative uses can be considered due to the proven constant over-supply of particularly B8 units in this location, and particularly in the light of the forthcoming impact of the redevelopment of the Battle Hospital site.

Stadium Way/Deacon Way (12 ha)

Key data

Take-up	40,591 sq ft (3,771 sq m)
Stock	404,942 sq ft (37,620 sq m)
Supply	2,906 sq ft (270 sq m)
Availability as a percentage	1%
Rents (£ per sq ft)	£6.00 Industrial
Access	Some of the site is within walking distance of Tilehurst station, and there are regular buses along Oxford Road. Road access is reasonable, although access to the east and south is difficult.

Overview

- 6.42 This area is within the Portman Road major industrial area. It is a long narrow strip sandwiched between Oxford Road/Portman Road and the railway. It is made up mostly

of warehousing and industrial buildings dating from the 1970s and 1980s, which are in reasonable condition. The Stadium Way estate at the eastern part is a distinct area with restricted vehicle access. There is some limited vacancy, but no cause for concern. There has been some pressure for housing on the Reading Cold Store site, with an application for 180 units withdrawn in 2005 (which would likely have been refused on the grounds of employment policies). The site is now being redeveloped for employment uses.

Agent's (LSH) assessment

- 6.43 Despite several units being subject to refurbishment and limited supply of current space, the location has demonstrated constant over-supply during the past 10 years. That said, the occupiers who have chosen to locate here do find the medium sized unit sizes (8,000 to 20,000 sq ft) offered here and lower rental values attractive. Traffic congestion and poor access to the M4 are increasingly a hindrance to attracting occupiers relative to other locations. Access would certainly frustrate future larger development due to delayed staff journey times and the distance from both the rail station and motorway. Alternative uses can be considered due to the proven constant over-supply of particularly B8 units in this location. This is reflected by iO's small unit trade counter scheme with a quasi-retail appeal.

Bridgewater Close (1.5 ha)

Key data

Take-up	0
Stock	89,976 sq ft (8,359 sq m)
Supply	52,927 sq ft (4,917 sq m)
Availability as a percentage	59%
Rents (£ per sq ft)	£5.00 Industrial
Access	Oxford Road has regular bus services, and is easily accessible by foot. Access to the major road network is poor for all directions except the A329 towards Oxford.

Overview

- 6.44 This is not within a major industrial area. It is a small area comprising a handful of industrial and warehouse buildings dating from the 1960s and 1970s. The area adjoins the Portman Road area to the north, housing to the east and west, and mixed commercial uses along Oxford Road to the south.

Agent's (LSH) assessment

- 6.45 Last year Porcelanosa relocated from here to Rose Kiln Lane where they took 18,000 sq ft. This reflects a sustained flight from this location of several key occupiers. This is an obvious location to consider for alternative uses. The main constraint for continued commercial use is congestion and the surrounding residential.

Wigmore Lane (0.7 ha)

Key data

Take-up	0
Stock	15,963 sq ft (1,483 sq m)
Supply	0
Availability as a percentage	0%
Rents (£ per sq m)	£4.00 Industrial
Access	Access to a bus corridor is over 800 metres on foot. The railway bridge restricts HGV access.

Overview

- 6.46 This area is not within a major industrial area. It consists of a very small collection of buildings for industrial uses. It is located to the north of the railway, and is otherwise surrounded by open land, including farmland. It is accessed via a narrow lane leading under the railway and into the Portman Road industrial area. It is of generally poor environmental quality, with fly-tipping and haphazard parking, and, although within 200 metres of the rest of the Portman Road area, it feels very isolated from the rest of Reading.

Agent's (LSH) assessment

- 6.47 An isolated location, this area does not cater for any specific or key market sector for occupiers, but merely offers very inexpensive space and larger yard areas (generous and stand alone yard areas are very rare in Reading). Viable alternative uses are not immediately obvious for this site either, as access and public transport is so poor.

Sterling Way (1.5 ha)

Key data

Take-up	16,523 sq ft (1,535 sq m)
Stock	72,765 sq ft (6,760 sq m)
Supply	0
Availability as a percentage	0%
Rents (£ per sq m)	£6.00 Industrial
Access	Road and bus access to this site are reasonable.

Overview

- 6.48 This area is not within a major industrial area. It is a small site of six industrial/warehouse units dating from the 1960s or 70s to the south of Oxford Road opposite part of the Stadium Way/Deacon Way area. It is bounded to the west and south by housing, and by a retail park and shopping parade to the east and north respectively.

Agent's (LSH) assessment

- 6.49 Inexpensive accommodation with motor trade and storage occupiers currently, this site if used for alternative/residential uses would not remove valuable industrial stock as the units are older and it is a marginal site.

Upton Road (2.8 ha)

Key data

Take-up	0
Stock	101,956 sq ft (9,472 sq m)
Supply	0
Availability as a percentage	0%
Rents (£ per sq ft)	£6.00 Industrial
Access	Road access is primarily via residential roads. It is on a bus route along Dee Road.

Overview

- 6.50 The Upton Road (or Marcus Close) area is not within a major industrial area. It is a small site of nine industrial and warehouse units, dating mainly from the 1960s or 1970s. It is bounded on three sides by residential and by woodland on the other. It is near the Dee Park area, which is one of the most deprived areas in the Borough. Proposals for regeneration of the Dee Park area are ongoing, and a planning brief will form part of this, although this will not cover the industrial area. It may be considered important to retain this small employment area, as it provides easy access to local jobs.

Agent's (LSH) assessment

- 6.51 A well established older style smaller unit scheme. Due to new developments rarely catering for this kind of occupier, we suggest this location is retained for its current purpose.

7 CONCLUSION

Context

- 7.1 Over the latter half of the last century, Reading has shifted from being a manufacturing economy to one dependent on business services and offices jobs. Through this shift, jobs in Reading have grown at a higher rate than the number of working age residents, and Reading's economy has become very prosperous. With this growth there has been the construction of large office buildings, both in the town centre and within business parks on the very edges of Reading Borough Council's administrative boundary.
- 7.2 National and regional strategies and reports, sets out the aspiration for Reading to be a driving force in the Thames Valley. This would have far wider benefits for Reading if the conclusions from a report by Arup²³ are correct. This report assessed possible national and regional growth scenarios. One of the scenarios was to constrain growth in the South (includes the South East, South West and London), and it was identified that to do so would be detrimental to the UK economy. The South East is an economic powerhouse and arguably a driver of growth in the UK. The Thames Valley is a big part of the South East economy, and Reading could be a big contributor to the future of the Thames Valley.
- 7.3 Local strategies take a more managed approach to growth, through encouraging economic development but without adversely impacting on the quality of life and environment of its residents.
- 7.4 The purpose of this study is to inform the emerging planning strategy (LDF) for Reading on how much employment land should be planned to meet requirements to 2020; and to recommend to the Council what the objectives of employment land policies should be.
- 7.5 Our analysis of broad economic trends suggests that, measured against national and regional standards, Reading has no major disadvantages or deficiencies that employment land policy should aim to rectify.
- 7.6 However, there are two issues of potential concern, which relate to the future economic health of the borough. The first is the comparative low number of new business start ups and loss of small businesses identified through net loss of VAT registered businesses. This may be due to a lack of suitable and available small business space. The second is housing affordability and the long term consequences for the labour supply and potential skill shortages for employers, which is exacerbated by an endemic housing affordability problem in the neighbouring districts.
- 7.7 Overall, the analysis suggests that the objectives of Reading's employment land policy should focus on preserving and enhancing existing advantages and making the most of future opportunities, rather than correcting disadvantage. More specifically, the Council might consider setting out three broad objectives:
- To embrace further economic growth that complies with the objectives of the SE Plan and RES to be one of the top performing global regions.
 - To maximise the current and future economic well-being of the area's residents, so far as is compatible with environmental quality and sustainability objectives; and
 - To encourage the formation and survival of small businesses.
- 7.8 There should be some caution regarding the third objective in that growth in the South East is seen as a double edge sword, bringing heavily congested infrastructure, more pressure on housing supply and a potentially worsening quality of life. A solution is to

²³ Arup, *Regional Futures Report: A Vision for England in 2030*, 2005

encourage smart growth, which is growth driven by productivity gains and high value activities that require disproportionately fewer resources such as people and land. According to SEEDA, South East productivity levels fall below that of the best regions in the EU and the US, and there could be 28% more growth if the region's productivity levels were the same as the average level of the top 40 global regions.

Property Market

Industrial/Warehousing

- 7.9 The property market analysis identifies demand for industrial space is mainly from high value distribution or light production, since the high labour costs are generally prohibitive to older industries, and large distribution sheds favour more central locations elsewhere within the UK with better road accessibility. Regarding the type of space, medium sized industrial buildings, usually associated with high-tech companies, has seen the weakest demand while small industrial schemes offering freeholds are doing well.
- 7.10 The industrial sector has seen less oversupply than the office sector, but the market is less dynamic, and the steady demand indicates there is more than an adequate level of choice and options available for the medium to long term in this B-space sector.

Offices

- 7.11 The outlook for offices is different. Reading's business parks, notably Green Park, effectively operate within the larger regional Thames Valley/M4 markets, and historically have captured the larger requirements. But with recent changes in taxation deterring take-up of company cars, there is shifting emphasis in the location requirements of occupiers towards town centres with good public transport access. And the growth of residential development in town centres will mean that a labour force, often of younger people, will be close by. We predict that some businesses will be attracted to town centres to tap into this workforce. Also, the stock offered in the town centre has provided more choice in terms of size, accommodation style and specification and has catered for a more diverse occupier base. The town centre stock is also more suited to offering small and medium sized space for existing and new businesses.
- 7.12 The property market analysis generally considers the current office slump to be a manifestation of the property cycle, and expect growth to resume in the near future. But some commentators argue that the office market is undergoing a fundamental and far-reaching change, with demand permanently lowered because of new working practices and corporate strategies to save space and money.
- 7.13 In our view, this 'end of the office' view is not supported by the available evidence so far, and it would be imprudent to make any recommendations based on it. Therefore, our demand calculations are based on traditional economic forecasting and constant employment densities. It is possible of course that we are wrong, and office demand is in fact undergoing a major downward shift. If so, future monitoring will indicate this and policies for Reading - along with most other parts of the country - will have to be radically reviewed.

The Quantity of Employment Land

Quantitative Guidelines

- 7.14 In Table 7.1 we set out space requirements for meeting the forecast growth for Reading for 2004-20, and three scenarios for projected growth based on changing dwelling targets. Scenario 1 is based on a dwelling completion target of 521 homes per year, as identified in the draft SE Plan; Scenario 2 has 573 dwelling completions per year, which is a proposed target under the government's New Growth Point Initiative;

and Scenario 3 proposes a completion of 667 dwellings per year, which is an estimated figure for meeting higher housing growth in the South East based on Option B in a recent paper produced by RTP for GOSE. A safety margin allowing for frictional space has been included.

Table 7.1 Change in Floorspace Requirements in Reading, 2004-2020

Sq M	Ind/Whsing	Offices	All B-space
Base Case	-47,116	284,079	236,963
Scenario 1	-50,561	289,263	238,702
Scenario 2	-42,571	302,817	260,246
Scenario 3	-28,209	327,181	298,972

Source: RTP

- 7.15 In the absence of RSS employment forecasts, site-specific policies and decisions should collectively fit within these quantitative guidelines, which of course should be kept under review because they only provide a snapshot based on today's market conditions.
- 7.16 To see how much land should be added to the planned supply, or alternatively could be released for other uses, we have compared this requirement with the identified planned supply in Table 7.2. The supply is estimated from completions in 2004/05, current planning commitments at March 2005 and built vacant floorspace deemed surplus to requirements.

Table 7.2 Planned Supply of Floorspace in Reading at 2004

Sq M	Ind/Whsing	Office	All B-Space
Total Supply	5,980	272,258	278,238

Source: Berkshire JSPU; RTP and LSH

- 7.17 Consistently, industrial/warehousing space is found to be in oversupply in the Base Case and all three scenarios. There are only marginal differences between the Base Case and three scenarios, with the forecast Base Case market balance for industrial/warehousing showing an oversupply of 53,000 sq m, decreasing with each scenario to a minimum oversupply of 34,000 sq m.
- 7.18 This suggests that, if the planning system did not release any more land to other uses, the industrial/warehousing land market in future would move towards oversupply, with land lying vacant as market demand falls short of planned supply. However, due to low vacancy levels currently in the market, we would expect that this gap would not become apparent until the later years of the planning period. Based on this analysis, our recommendations would be for the Council to consider the managed release of some existing commitments for other uses through the Local Development Framework (LDF) process. The quantum of release will depend on the likely scenario Reading Council adopt; and provided of course that there is a requirement for other uses of these sites.
- 7.19 In the Base Case and the three scenarios, the office market is more closely balanced but consistently undersupplied. The undersupply is most prominent under Scenario 3, which generates a moderate supply deficit of 55,000 sq m, which is equivalent to 8 per cent of the current office floorspace stock. The Base Case generates the smallest gap, with an insignificant oversupply of 12,000 sq m.
- 7.20 In effect, if these figures are correct, then under the Base Case and Scenario 1, we recommend that current office commitments be retained but with scope for allocating marginally more land. The Council can afford to lose little or none of its office space capacity, and if any land is to be transferred to other uses, all or most of the development capacity will need to be replaced, either by new employment land or by

intensification at existing sites. Under scenarios 2 and 3 the office supply deficit is more significant, and therefore the recommendation for the Council is to consider allocating more sites for office uses, over and above existing commitments, through the Local Development Framework (LDF) process.

- 7.21 Because demand for space is likely to be footloose across local authority boundaries, we assessed how the balance would change if we included Wokingham and West Berks local authorities in the calculations. We were able to do this for the Base Case, and scenarios 1 and 3. We refer to this sub area as Wider Reading.
- 7.22 The results for Wide Reading showed differences in the market balance for industrial/warehousing under scenario 1, with the oversupply falling from 57,000 sq m (7 per cent of total stock) in Reading to just 34,000 sq m across the whole of Wider Reading (equivalent to 2 per cent of stock in the Wider Reading area).
- 7.23 The change in the level of market balance for offices was more dramatic. Under the Base Case the undersupply increased from 12,000 sq m in Reading (2 per cent of Reading's stock) to 120,000 sq m in Wider Reading (8 per cent of the Wider Reading stock). Under Scenario 3 the undersupply of offices increases from 55,000 in Reading (equivalent to 8 per cent of Reading's stock) to 240,000 sq m in Wider Reading (equivalent to 16 per cent of the Wider Reading stock). Consequently, the Base Case and the dwelling completion targets identified for the three local authorities under Scenario 3 would suggest the requirement for a considerable amount of additional office space above and beyond that already committed in the Wider Reading area.
- 7.24 Each of the local authorities takes its own view on how future market should be achieved within its own administrative boundaries. But employment markets and labour supply are flexible and mobile and pay little heed to local authority boundaries. There are good reasons for the three authorities to take a sub-area approach to employment space which focuses employment growth in those locations which are best for the sub-area and allows sites to switch to other uses in the light of sub-area needs. But if a sub-area approach to employment space were to be pursued, it would need to be mirrored by a sub regional approach to labour supply and hence housing supply.

Specific Sites and Areas

- 7.25 To inform planning decisions on individual sites and areas, our qualitative review of employment areas provides the following advice and observations to help identify land for safeguarding and replacing in Reading through the LDF as part of a whole borough strategy.
- 7.26 A key task of the planning system will be the management of existing employment sites and areas, to ensure that enough land is protected from the pressure of higher-value uses and to facilitate the renewal or replacement of space which becomes obsolete. With increasing dwelling growth proposed in the three scenarios tested above there is greater requirement for employment space. Therefore in considering the appropriateness of sites for housing the Council will need to bear in mind the need for further employment.
- 7.27 Overall, the planning strategy for employment land should be to protect existing sites and seek to direct new employment development to sites which are:
- well-located;
 - meet the needs of businesses;
 - are well served by public transport; and
 - make a positive contribution to the sustainable development of Reading.

- 7.28 What clearly emerges from the adopted Local Plan, the draft Core Strategy, and the Sustainable Economic Development Strategy is the need to retain a supply of employment sites for small businesses, and retain employment opportunities suitable for local people and those from disadvantaged communities. In these circumstances it is clearly not appropriate to allow for the loss of existing employment sites, without at least first exploring the possibility of redeveloping them for other more appropriate types of employment, or if that proves unviable, for a mix of uses including an element of business space.
- 7.29 Most of the currently designated employment areas function well and serve their purpose. Most are in reasonable condition and vacancy rates are low. But since the forecasts and scenario projections suggest a managed release is required for industrial/warehousing sites there is room for removing some business space over the plan period, particularly if new (better) sites are brought forward. Likewise, there is need for identifying additional space for offices, particularly if more dwellings are to be built beyond that identified in the Draft SE Plan.
- 7.30 We have not been able to establish an obvious hierarchy of the existing sites, but based on the findings of the qualitative site assessment and the quantitative need for employment land in Reading, we make broad recommendations on potential for release and intensification within the following employment areas:
- **Manor Farm** provides some very large single-occupier sites, and a mixture of offices, industry, and storage and distribution uses. The A33 relief road has meant that employment sites in Manor Farm are less visible, and it is now considered to be marginal and off-pitch location. Furthermore, superior schemes, such as Green Park, are proving more attractive to occupiers than Manor Farm. Therefore, we recommend that Manor Farm should no longer be protected solely for industrial uses but instead should provide a greater mix of uses, including residential where appropriate.
 - **Boulton Road/Craddock Road** mostly comprise small factories and warehouse. It generally serves businesses seeking older industrial units and office occupiers seeking less expensive accommodation. Other employment locations tend to offer better value, which has led to an over-supply of accommodation in this location. Boulton Road/Craddock Road are now seen as more marginal locations for inward investors and occupiers. As such, there is a strong case for allowing a greater mix of uses in this location.
 - **Elgar Road** mainly provides older style small business units, and offers good value accommodation for small occupiers. This type of accommodation is rare in the Reading industrial market; although Elgar Road has lost some of its appeal to occupiers with more modern and better landscaped areas that have been developed. Elsewhere, we recommend that some of the small business units are retained in this location because they clearly meet the needs of some occupiers. This could be achieved by consolidating the units into a smaller appropriately defined area, and allowing other sites to be redeveloped for a mix of other uses.
 - **Rose Kiln Lane** provides accommodation for office and storage uses, but is also an attractive location for sui generis uses such as car showrooms. In fact there is continued pressure for car dealerships and other companies seeking to attract passing trade, largely because of its prominent location on the A33 relief road. It would make sense to accept that this site is attractive to quasi-retail uses, and it may be appropriate to direct such uses to this location rather than allow them in other less suitable locations. We recommend that Rose Kiln Lane is identified for a mix of uses, including sui generis uses.
 - **Forbury Park** represents a largely vacant town centre redevelopment site. The remaining industrial stock fails to meet the needs of occupiers and consequently suffers from significant vacancy periods. The fact that residential development has

been approved on previous commercial sites further reflects the lack of interest in Forbury Park as a primarily industrial location. We recommend that this location is allocated for a mix of uses, including some employment uses since it is in a sustainable town centre location. This approach has already been suggested in the emerging Core Strategy and Reading Central Area Action Plan.

- **Richfield Avenue** is mainly occupied by warehouse and industrial units. It is within easy walking distance of the town centre but suffers from severe traffic congestion which has restricted its success as an industrial location. As such there has been a constant oversupply of space, particular B8 space, during the past 10 years. Despite this, the site does offer a mix of unit sizes at low rents. We recommend that the existing employment uses are concentrated into a smaller defined area, and the remainder of the site is redeveloped for a mix of residential and leisure uses. This approach recognises the fact that the poor vehicular accessibility will continue to deter new businesses from locating here.
- **Portman Road/Loverock Road** provides a range of industrial and warehousing units, which offers lower rent accommodation. However, the overall quality of the stock is poor, and despite some recent refurbishments, the area has a high level of vacancy. This location generally suffers from congestion and poor accessibility to the M4. We recommend that because of the high proportion of vacancies and poor quality accommodation in this location it should be allocated for redevelopment to provide a mix of uses. Industrial uses could be concentrated into smaller more appropriate pockets within the overall site, while other areas are re-used. The proximity of the railway line and the unattractiveness of the environment are very likely to make this area unattractive for residential development.
- **Stadium Way/Deacon Way** is within the Portman Road industrial area, and mostly consists of warehousing and industrial buildings. It provides medium sized units with low rental values. But there is a constant oversupply of B8 units in particular. This is largely the result of traffic congestion and poor accessibility to the M4, which hinders the ability of this location, and others in the surrounding area, to attract major occupiers. As for the wider Portman Road area, we recommend that this area is redeveloped for a mix of uses, with industrial units concentrated into smaller defined areas.
- **Bridgewater Close** is a small area containing industrial and warehouse buildings. Recently, key occupiers have relocated from Bridgewater Close to other industrial areas in Reading. The main constraint in this location is congestion, which also affects other industrial sites in the vicinity, coupled with the fact that it is surrounded by residential uses. We recommend that it would be appropriate for Bridgewater Close to be redeveloped for other uses.
- **Sterling Way** is a small site of older industrial and warehouse premises, and is surrounded by residential and retail uses. It provides inexpensive accommodation, mostly for motor trade and storage type uses, and is considered a marginal industrial site. Furthermore, Sterling Way is in close proximity to other industrial areas, which we have suggested are redeveloped to consolidate the employment uses within them. As such, there are very likely to be opportunities for businesses at Sterling Way to relocate to other nearby sites. Therefore, we suggest that Sterling Way is reallocated for other more appropriate uses.

7.31 The releasing of sites will need to be a Council decision based on the quantified assessment in paragraphs 0 and 7.19 and be guided by the broad approach set out in the draft Core Strategy, which can be summarised as follows:

- directs major office development to the centre of Reading and along the A33 corridor;
- direct other major employment uses to existing areas or the A33 corridor;

- directs employment development to Reading Gateway in conjunction with major transport improvements;
- Basingstoke Road, Richfield Avenue and Portman Road should continue to be defined as Major Industrial Areas;
- identify and protect the smaller industrial areas;
- maintain a variety of employment premises, so that a range of types and sizes of units are provided including start-up; and
- storage and distribution uses are retained south of Basingstoke Road.

New Sites

- 7.32 For the plan period up to 2020, Reading needs to, at a minimum, retain the quantity of committed office space as at 2005; but if it were to embark on higher housing targets as proposed in our scenario testing, then Reading will need to identify more employment land to meet future requirements for offices. Coupled with this is the need to continue to plan for the long term, beyond 2020, if Reading is to become a 'Thames Valley City'.
- 7.33 To put together a product of sites that would probably meet requirements beyond the plan period, or to support any drive towards higher employment growth over the plan period, we suggest further allocations should focus on a **town centre** office quarter. Previous research we have undertaken has shown the unique role of central areas in producing the externalities for the knowledge based and consumer service activities that locate in town centres. Urban success is based on the spatial concentration of activities in a mix and density that produces the beneficial externalities of face-to-face contact, inter-trading, competitive intensity and labour market spillovers that are uniquely achievable in the central area.
- 7.34 The existing office core in the town centre is located around the station. This would provide the best location for a city centre office quarter, not least for sustainability reasons. Land is limited, as it is everywhere in the borough, but the Reading Station area does appear to have some redevelopment potential.

Retained Sites

- 7.35 And based on the findings of the qualitative site assessment and the quantitative need for employment land in Reading, we recommend the retention of the following employment areas for future employment purposes:
- Green Park;
 - Worton Grange;
 - Acre Road;
 - Bennet Road;
 - Paddock Road;
 - Great Knollys Street;
 - Wigmore Lane; and
 - Upton Road

Criteria

- 7.36 Development plan documents should also provide more general guidance, to cover sites that are too small to be identified individually. To help decide which sites should be retained, which should be released for other uses and which are suitable for mixed use, future development plans should provide formal criteria. Key criteria should include the factors covered by our qualitative site assessment, which are strategic

access, local access, general location, external environment, internal environment and current vacancy rates.

- 7.37 The Councils should also consider commercial viability criteria. National Planning Policy (Draft PPS3/PPG3) requires that vacant employment sites be considered for release if they do not have realistic prospects of being developed as such within the period of development plans. In practice, a site whose development is not financially viable of course will generally not have realistic prospects of development.
- 7.38 Where commercial viability is a criterion in the decision to safeguard or release sites, this viability should not be judged on the basis of current rental values and market conditions alone. Indicative appraisals need to consider how far development is likely to be viable in future.

Plan, Monitor and Manage

- 7.39 As is well known, forecasts reflect a snapshot in time, and are never certain and often wrong. Nevertheless, we must use them because no other tools are available to help you plan for the long term - which you are required to do by national and regional guidance. There is another, and less obvious, difficulty in planning for the long term: while forecasts and Plan periods have a definite end date, in reality time will not end abruptly at that date. Good planning has to take account of both the near and the far future, in different ways and with different degrees of precision, with no hard and fast dividing lines between distinct periods.
- 7.40 The best way to deal with these difficulties of course is to Plan, Monitor and Manage. In this approach, analysis and forecasting and the resulting policies are periodically reviewed and rolled forward. Policy is always based on the best knowledge available at the time, and the end of the planning period is never reached or even approached closely.
- 7.41 Government guidance on monitoring LDFs²⁴ should help to guide future monitoring processes of employment land in the borough. In this spirit, Reading Council should consider the following approach to monitoring and review of employment land policies:
- A review of employment forecasts and the resulting demand forecasts at 3-5 year intervals and when there are major step changes in the economy or strategic guidance;
 - Continuous monitoring of key economic data, especially employment change by sector;
 - Continuous monitoring of demand, supply and market balance, covering:
 - Development completions (land demand) and commitments (land supply), focusing on net floorspace change (both negative and positive);
 - Vacancy rates (both for land and floorspace), rentals and land values compared to competing areas, which provide a direct measure of the balance;
 - Insofar as possible, business relocations and expansions into and out of the borough, together with enquiries for business space.

²⁴ ODPM, Local Development Framework Monitoring: A Good Practice Guide, March 2005

APPENDIX ONE

Economic Sectors and Business Space

Offices Space Employment - ODPM (now the DCLG) definition based on the Centre for Advanced Spatial Analysis, UCL report on Producing Boundaries and Statistics for Town Centres, 2002.

NB: Some of Labour Recruitment (SIC group 745) has been added to the definition to reflect temporary jobs)

SIC 2003 class (4 digit)

- 7460 : Investigation and security activities
- 7485 : Secretarial and translation services
- 7486 : Call centre activities
- 7487 : Other business activities not elsewhere classified
- 9111 : Activities of business and employers organisations
- 9112 : Activities of professional organisations
- 9120 : Activities of trade unions
- 9132 : Activities of political organisations
- 9133 : Activities of other membership organisations not elsewhere classified
- 9211 : Motion picture and video production
- 9212 : Motion picture and video distribution
- 9220 : Radio and television activities
- 9240 : News agency activities

SIC 2003 group (3 digit)

- 221 : Publishing
- 741 : Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; holdings
- 742 : Architectural and engineering activities and related technical consultancy
- 743 : Technical testing and analysis
- 744 : Advertising
- 745: Labour recruitment (*share of - based on South East share of office sectors*)
- 751 : Administration of the State and the economic and social policy of the community
- 753 : Compulsory social security activities

SIC 2003 division (2 digit)

- 65 : Financial intermediation, except insurance and pension funding
- 66 : Insurance and pension funding, except compulsory social security
- 67 : Activities auxiliary to financial intermediation
- 70 : Real estate activities
- 72 : Computer and related activities
- 73 : Research and development

Industrial and Warehousing Space Employment - RTP definition

NB: Some of Labour Recruitment (SIC group 745) has been added to the definition to reflect temporary jobs)

Industrial Sectors

SIC 1992 group (3 digit)

- 222 : Printing etc
- 223 : Reproduction of recorded media
- 453 : Building installation
- 454 : Building completion
- 502 : Maintenance and repair of motor vehicles
- 504 : Sale/maintenance/repair of motorcycles
- 745: *Labour recruitment (share of - based on South East share of industrial sectors)*

SIC 1992 division (2 digit)

- 15 : Manuf food products and beverages
- 16 : Manuf tobacco products
- 17 : Manuf textiles
- 18 : Manuf apparel;dressing/dyeing fur
- 19 : Tanning/dressing of leather, etc
- 20 : Manuf wood/products/cork, etc
- 21 : Manuf pulp, paper and paper products
- 23 : Manuf coke, refined petroleum products
- 24 : Manuf chemicals and chemical products
- 25 : Manuf rubber and plastic goods
- 26 : Manuf other non-metallic products
- 27 : Manuf basic metals
- 28 : Manuf fabricated metal products, etc
- 29 : Manuf machinery and equipment nec
- 30 : Manuf office machinery and computers
- 31 : Manuf electrical machinery/apparatus nec
- 32 : Manuf radio, tv/communications equipment
- 33 : Manuf medical,precision instruments,etc
- 34 : Manuf motor vehicles,trailers,etc
- 35 : Manuf other transport equipment
- 36 : Manuf furniture; manufacturing nec
- 37 : Recycling
- 90 : Sewage/refuse disposal, sanitation, etc

Warehousing sectors

SIC 1992 class (4 digit)

- 6024 : Freight transport by road
- 6311 : Cargo handling
- 6312 : Storage and warehousing
- 6321 : Other supporting land transport activ.
- 7482 : Packaging activities

SIC 1992 group (3 digit)

- 641 : Post and courier activities
- 745: *Labour recruitment (share of - based on South East share of warehousing sectors)*

SIC 1992 division (2 digit)

- 51 : Wholesale trade/commission trade, etc

APPENDIX 2

Recent and Prospective Property Deals in the Reading Market Area

Office Market

There has been no speculative development since 2003. But this might change. A number of important schemes have been earmarked for the town centre. PMB Holdings have almost agreed a £40m forward funding with Morley Fund Management that may enable construction of the first new speculative office building to begin in Reading in five years. Abbey Mill House is planned to total 108,000 sq ft of office space as well as a nine storey residential block providing housing for key workers. Rents of around £26 per sq ft are quoted for floor plates of around 8,000 sq ft. Completion is scheduled for 2007/8. There is no other Grade A space currently available in the town centre, as the market continues to recover.

The Abbey Mill development is part of a wider office development programme in Reading, which includes 2 m sq ft of offices over the next decade. Among major schemes is the Station Hill project by Sackville Properties. This proposes 670,000 sq ft of offices as well as 140,000 sq ft of retail and 660 flats on a site next to the railway station.

Amec's Chatham Place is also in the pipeline. The 11 acre site will accommodate 37,700 sq ft of ground level retail, up to 360,000 sq ft of offices and 278,000 sq ft of residential. The first phase to be constructed this will be residential. The development is seen as an important part of the regeneration of the town centre.

Out of town, new development activity has returned as developers demonstrate greater confidence in the market.

Southside, a mixed use development on a 100 acre site is to the south west of the town centre and is planned to comprise 1 million sq ft of offices. The commercial office elements of this scheme are unlikely to be developed speculatively.

Prudential Property Investment Managers is about to submit planning application(s) for two speculative buildings of around 30,000 sq ft, both on Green Park. It plans to commence on the sites this year. One of the buildings will be marketed to small business occupiers looking for units of between 2,000 sq ft to 5,000 sq ft, while the other building will be targeted at the larger end of the market.

A possible new railway station at Green Park and the planned upgrade of junction 11 of the M4 are seen as positive factors in favour of Green Park and future demand in this location.

Arlington Securities' speculative development at Lakeview, Arlington Business Park near Theale J12 is another positive sign of confidence. The developer has originally consent for a 100,000 sq ft office scheme, but this has now been revised to include three office buildings of circa 45,000 sq ft, 30,000 sq ft and 25,000 sq ft. Construction is likely to start this year subject to planning permission.

Against this Countryside have now sought a residential solution for the Lakeside Business Park in Theale; symptomatic of the days of large scale new developments being over, due to over hang of supply and weak occupational demand.

Industrial Market

The two largest deals within Reading during 2005 totalled 78,000 sq ft. These had no effect on reducing total supply as one unit comprising 50,000 sq ft was pre let and another comprising 28,000 sq ft was sold off market as a result of a back to back surrender of the previous tenants' lease, thus releasing their previous unit.

There are two new speculative schemes currently being developed that will complete in 2006. The Io Trade Centre, Deacon Way, off Oxford Road in West Reading will consist of 10 units between 2,600 and 4,600 sq ft (totalling 31,500 sq ft). The units are being developed by Teesland iDG and will be available either leasehold or freehold.

Chancerygate Business Centre, Craddock Road is a joint development with Friargate Developments. The scheme will consist of 4 units from 6,000 to 11,000 sq ft (totalling 30,000 sq ft).

The larger distribution occupiers are more demanding in terms of specification, eaves heights and loading facilities. New developments in the south of the town have taken place to respond to this demand. Examples are the recently completed Reading Approach scheme, a development by Chancerygate and Morley, providing 7 units totalling 112,000 sq ft. Prosper Park is another example, where three units have been developed by Easter developments totalling 19,000 sq ft, while Connect 33 has been developed by Frontier Estates totalling 29,000 sq ft.

In addition, there are new schemes currently under construction at Craddock Road and Oxford Road, while planning permissions are pending on new schemes in Basingstoke Road, Headley Road East, Woodley and the A33.

