

# Sutton Employment Land and Premises Study

## Final Report

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## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Atkins was commissioned by the London Borough of Sutton to undertake an employment land and premises study in 2005. The primary purpose of the study was to inform the Borough's employment policies in the emerging Local Development Framework (LDF) and to provide an input to sub-regional policy issues. Consequently, the key objectives of the study were to establish a robust evidence base in respect of:

- the provision of baseline information on employment levels and examine trends in employment development in the industrial and business sectors up to 2016;
- the likely scale of demand for available employment and business land and premises within the Borough up to the end of the forthcoming LDF period;
- the appropriate property mix in terms of type, size and location required in order to meet the needs of existing businesses and potential occupiers in the Borough;
- the extent to which the existing and potential stock of premises / workspace can provide opportunities for enterprise and employment which reflect the employment potential and local needs within the Sutton economy; and
- supporting policy recommendations aimed at the delivery of an appropriate portfolio of employment sites and premises to meet future business requirements.

In addition to providing a strong evidence base to inform the preparation of the Sutton LDF, the study provides a response to calls by national and regional government for local authorities to undertake local needs assessments in order to establish the quantity, quality and type of employment facilities required to meet future needs in their areas. These strategic policy requirements are supported by advice recently produced by the ODPM which sets out detailed guidance on the approach which should be adopted by local authorities in conducting their employment land reviews. This study has been conducted in accordance with the ODPM guidance.

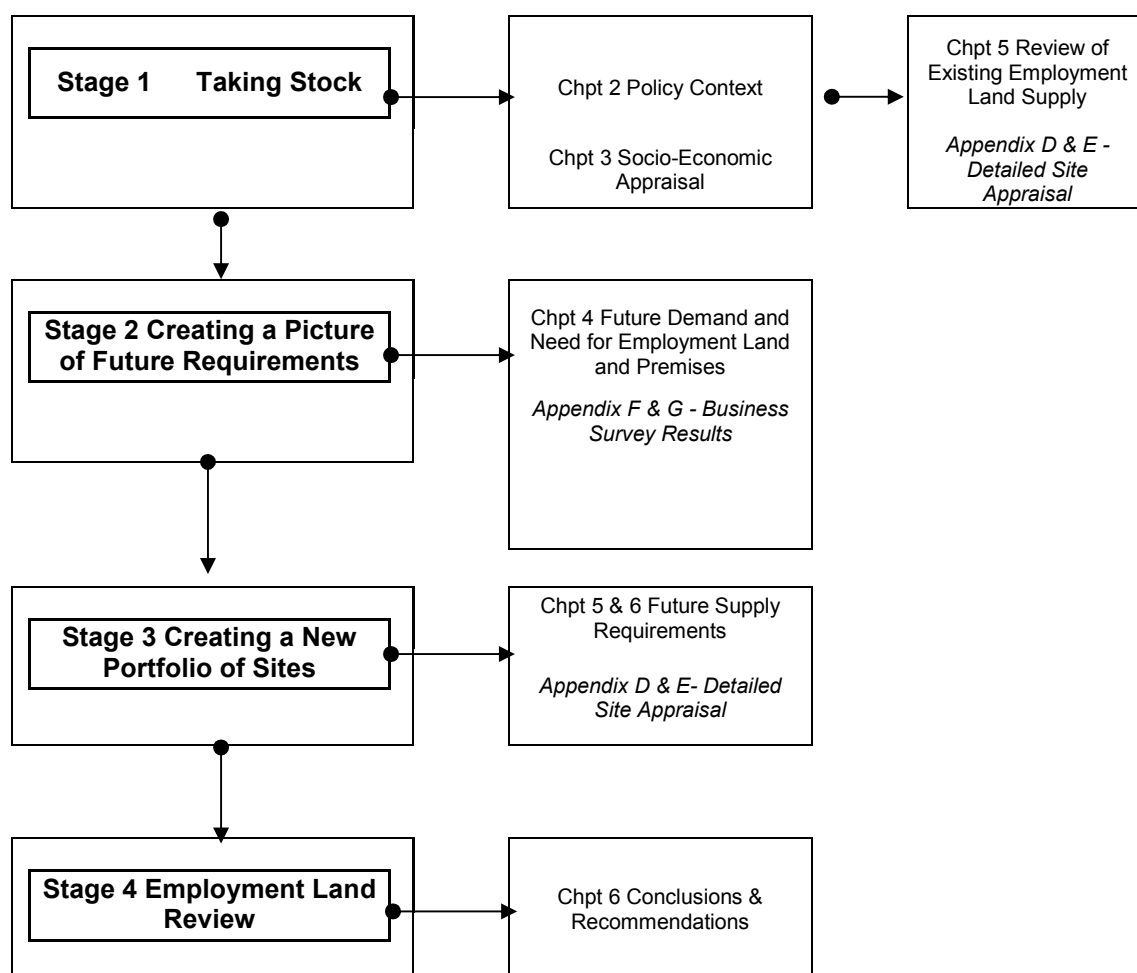
### **APPROACH OF THE STUDY**

The study approach involved a comprehensive assessment of the demand for and supply of employment land and premises in the Borough. Focusing on the needs of businesses which typically occupy B use class premises, the study made use of a variety of quantitative and qualitative methods to ensure that it resulted in a rounded and fully informed assessment. This included:

- a detailed site-by-site criteria-based assessment of existing and potential employment sites and premises in the Borough;
- analysis of socio-economic conditions, employment trends and property market conditions and characteristics;
- the preparation of employment and business floorspace forecasts up to 2016; and
- an empirical and statistically significant survey of existing B use class occupying businesses in the Borough.

Figure S1 below summarises the research process which shaped the study approach.

**Figure S1 - Summary of Research Process**





## POLICY CONTEXT

### PPG3

National policy guidance (PPG3, para 42a) requires local authorities to undertake an assessment of existing and allocated employment land sites. The aim of the assessments is to promote positive planning, ensure that existing and allocated sites are suitable for employment use, and where not suitable, to highlight options for transfer to other uses.

### The London Plan and draft SPG

The London Plan and the draft SPG on Industrial Capacity in London (GLA, 2003) highlights that London Boroughs should provide a range of premises of different types, sizes and costs to meet the needs of different sectors of the economy. Strategic Employment Locations (SELs) are identified in the London Plan as major areas for accommodating industrial activities and should be safeguarded by Boroughs for such uses in their UDPs / LDFs. Two such SELs are identified in LB Sutton, namely: Kimpton industrial area; and Beddington industrial area which falls within the Purley Way SEL (shared with LB Croydon). The London Plan and the draft SPG also highlight that local authorities should adopt a criteria-based approach in order to identify 'locally important industrial sites'. It states that UDPs should:

*'...protect locally important, viable industrial sites which lie outside the SEL Framework after testing them in the light of evidence of local and strategic demand and against the criteria [set out in the draft SPG]...'*

In addition to ensuring a sufficient supply of appropriate industrial land to meet business needs, the draft SPG (and the London Plan) encourages Boroughs to 'plan, monitor and manage' and release of '*genuinely surplus*' industrial land to alternative uses. The employment land review process is central to establishing the extent to which the existing stock of sites and premises in the Borough are genuinely surplus to requirements and/or unsuitable for employment use.

The draft SPG identifies three categories of protection against the loss of industrial land to alternative uses, whereby the 'restricted' classification indicates that sites should be strongly safeguarded for employment with only a very limited amount to be considered for transfer<sup>1</sup>. The GLA places LB Sutton within the most 'restricted' category.

Despite the classification of LB Sutton within the most restrictive transfer category within the draft SPG, research undertaken on behalf of the GLA postulates that the Borough and LB Croydon should together be moved to the middle, 'Limited' category. This potentially raises the expectations amongst developers that significant amounts of employment land in LB Sutton will be available for development for higher value uses. In the course of this study, our findings strongly indicate that LB Sutton should remain within the restricted category:

- (i) The GLA-sponsored report included data which is now out of date and misleading. In particular, the report indicated that vacancy levels were relatively high whilst rental levels were relatively low. Based on empirical analysis, our study has shown that vacancy rates for land and premises are low whilst industrial rents are higher than many other parts of the South London sub-region.

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<sup>1</sup> Restricted – most protective category; Limited – middle category; Managed – least protective category.

- (ii) The GLA report excludes smaller developments and relates only to industrial land and floorspace (offices are not included). Our study highlights the significance of demand for smaller premises and takes an holistic approach by including an analysis of offices and industrial uses (i.e. all B use class categories).
- (iii) Given the strategic nature of the analysis which supported the research, the report is unable to provide a true indication of local considerations. In particular, the recommendation that LB Sutton should be moved to the middle transfer category may be influenced by local conditions in LB Croydon where, it is reported to be, a significant surplus supply of employment land and premises.

### **Draft Sub-Regional Development Framework (SRDF)**

The draft SRDF for South London highlights the potential for the release of up to 90ha of industrial and warehousing land in the sub-region in the period up to 2016. However, it does not provide guidelines for individual authorities. Indeed, it places the onus on local authorities to test the scope for the release of employment land and to develop proactive policies aimed at providing for, and managing the stock of employment land.

### **LB Sutton UDP**

The existing UDP promotes policies which aim to safeguard and upgrade the existing stock of employment land in the Borough although mixed-use development may be acceptable in areas outside preferred industrial locations if certain criteria are met. Despite this, a significant amount of employment land has been lost to other uses over the past 10 years which indicates that some employment policies have not been successfully implemented. It will be important for the LDF to ensure policies are clearly defined and supported by a robust evidence base. This evidence base should identify the balance between anticipated demand of and supply of employment land and premises in the Borough.

At the time of writing, LB Sutton is at the 'Issues and Options' stage of the LDF. Building on the findings of this report and other work streams, the preferred options are programmed to be put out to consultation in early 2006.

### **Role of the Study**

The study has provided the primary mechanism for establishing the scale and nature of local and strategic demand for the period up to 2016. Moreover, it also tested the existing supply of employment sites in the Borough using criteria which were fully consistent with those outlined in the draft SPG and the ODPM's Guidance Note. Consequently, the findings of the study provide a comprehensive response to the call of the London Plan and the draft SRDF to assess local demand and supply factors.

## **KEY FINDINGS**

### **Strengths and Weaknesses of the Local Economy**

Our analysis of socio-economic conditions, local economic prospects and property market characteristics revealed a number of key issues of particular relevance to the demand for and supply of employment land and premises in LB Sutton:

- The Borough has experienced strong employment growth over the last decade, particularly within the business services and construction sectors. Of particular importance has been the expansion of small businesses providing producer and consumer services which serve the local and sub-regional markets.
- The three main industrial areas within LB Sutton provide an important concentration of manufacturing, light industry, logistics and waste disposal activities.
- Land and floorspace vacancy rates within the industrial property sector are low whilst rental levels are relatively high compared to many other parts of the South London sub-region. This reflects the strong role of the Borough as a suburban industrial location and indicates a stable industrial and warehousing property market where supply conditions are tight relative to demand.
- Office floorspace vacancy rates are relatively high in LB Sutton although much of the unoccupied premises are concentrated within a limited number of large buildings, particularly in Sutton town centre. A significant proportion of this space is unsuitable for current and emerging demand in the Borough, which comes largely from small businesses many of which require flexible and affordable premises.
- Whilst unemployment rates and levels of deprivation in Sutton are relatively low, there are a number of local communities which fall within the top 20% most deprived area in London. Creating local job opportunities for local residents should be an important regeneration objective for the Council.
- There is a mismatch between the wage levels and occupational profile of Sutton residents compared to those that work in the Borough. This reinforces the importance of pursuing employment land policies which encourage a better choice and range of job opportunities for local residents.

## **Forecasts of Demand**

Our assessment of demand has been based on an analysis of existing economic conditions, outputs of the economic forecasting scenarios and results of the empirical survey of established business in LB Sutton.

Adopting a range of forecasting scenarios, we estimate that:

- (i) total employment in the Borough will increase by 7,000 – 9,000 between 2001-2016; and
- (ii) future gross demand for employment premises in LB Sutton will amount to between **170,000 sqm and 270,000 sqm** for the period 2001 to 2016 (includes all B Use Class except public administration). This equates approximately to the equivalent of 30.5ha – 48.5 ha of employment land by applying plot ratio assumptions<sup>2</sup>.

Future estimates of demand for floorspace derived from our economic forecasts are supported by findings of the empirical business survey. This indicates the potential for up to 327,000 sqm of additional B use-class floorspace. However, given the optimism factor, it is realistic to assume that not all the expansion plans will be taken forward within the Borough.

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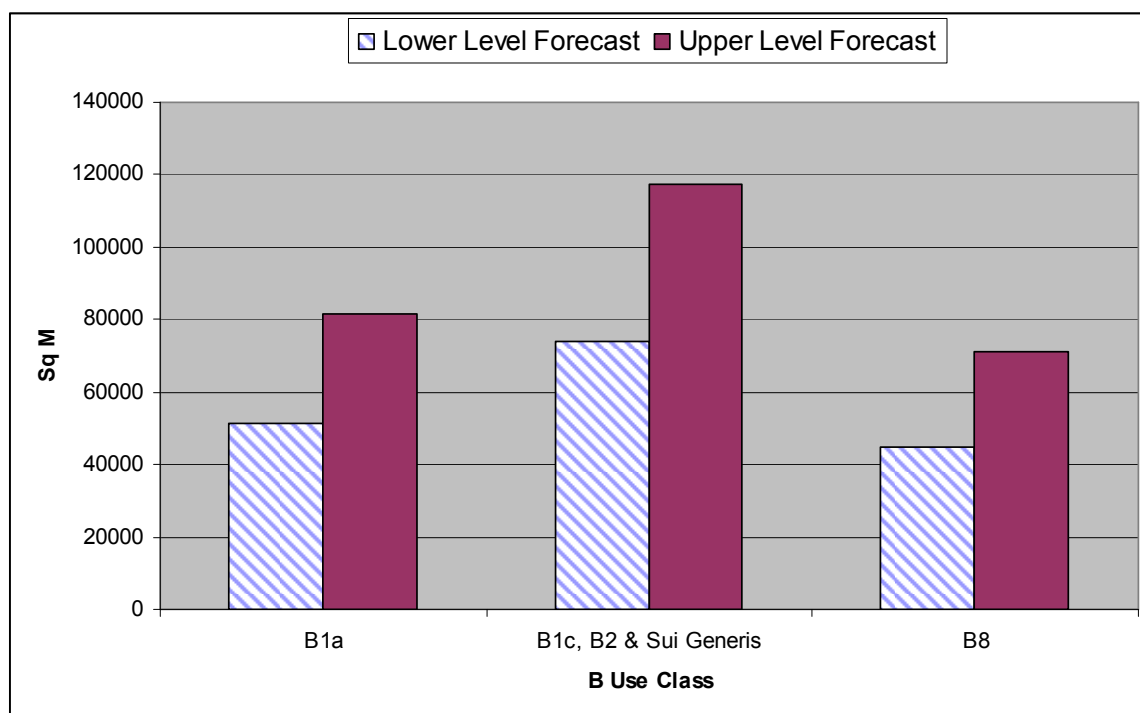
<sup>2</sup> Based on plot ratio of 75% for B1a and B1b and 50% for B1c, B2 and B8.

Our forecasts of future need reflect gross needs which assumes that a significant proportion of demand may be accommodated through the intensification and redevelopment of existing sites and those allocated for employment use.

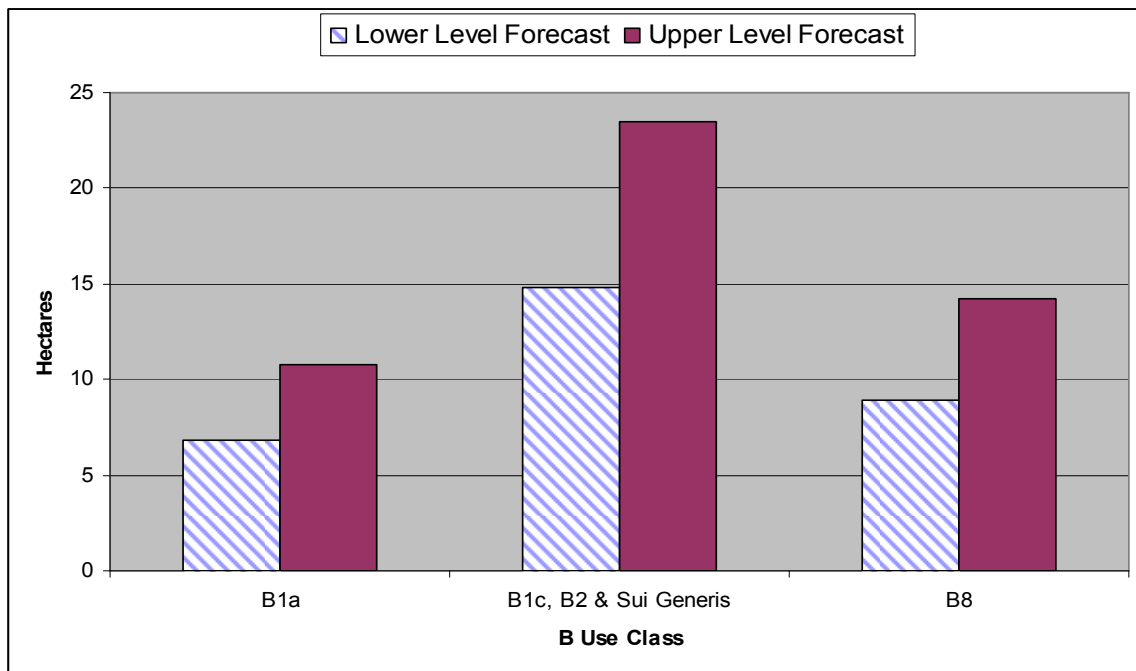
Provision of new office and industrial premises suitable to modern occupiers over the next 15 years will be central to the provision of a wide variety of jobs aimed at the local and regional labour market. The LDF will be essential to ensuring that a balanced approach is taken to facilitating the diversification of the local economy and to preventing the loss of employment opportunities which are very accessible to local communities (particularly the most deprived communities).

Reflecting the findings of our empirical business survey in respect of future property needs, Figures S2 and S3 provide an indication of the distribution of future demand for floorspace and land by use class. Figure S4 sets out an illustration of future demand by size of premises.

**Figure S2 - Estimated gross additional floorspace needs by use class**

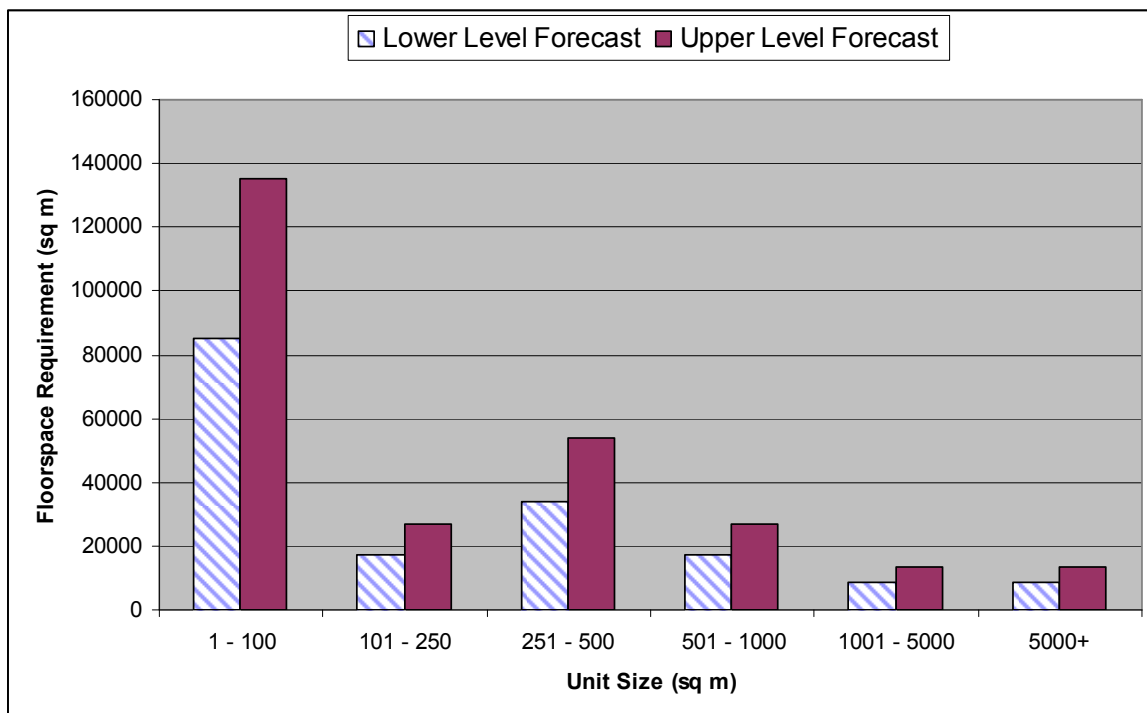


**Figure S3 - Estimated gross additional employment land needs by use class**



Based on plot ratio of 75% for B1a and B1b and 50% for B1c, B2 and B8

**Figure S4 - Additional floorspace needs by premises size**



## Assessment of Existing Supply of Employment Land

Our assessment of the existing supply of employment sites in the Borough commenced with the identification of a long-list of 83 clusters. After an initial review of these sites, the number for detailed review was reduced to 40 after discounting those which did not contain established B-class uses, have already been transferred to other uses or where judged clearly not to be suitable for employment use.

A comprehensive site-by-site appraisal was undertaken using a range of criteria which assessed the following key attributes of each site:

- Location and site type.
- Size of site, and any vacant employment land.
- Total number of premises, number of vacant premises and vacant floorspace.
- The site typology, economic role and the balance of premises at each site.
- The condition of premises and percentage of premises developed in the last five years.
- Appraisal of access and transport issues including external and internal access and parking arrangements.
- Environmental condition and quality including provision of amenities.
- Market attractiveness and realism for take-up over the plan period based on a composite assessment including physical and economic features set out above, current and forecast scale and patterns of demand. This aspect of the assessment had regard to immediate and potential market opportunities offered by the site in question;
- Other issues affecting the marketing and management of the site from an occupier perspective.

Section 5 and Appendix E of the full report provides a detailed account of the site appraisal findings.

Table S1 shows that the 40 sites collectively provide around 316ha of employment land, the majority of which is located in the existing Preferred Industrial Locations (identified in the UDP) and the Borough's town centres. Only 5ha (1.6%) of this land was assessed as being vacant which indicates tight conditions in the employment land market. This finding contrasts strongly with the vacancy estimates provided in the GLA report on industrial and warehousing land demand (11.4ha and 9.2% respectively).

**Table S1 - Employment Land and Vacancy**

	Employment Land (ha)	Vacant Employment Land (ha)	% Employment Land Vacant	Actively Marketed
Preferred Industrial Location	198.32	4.19	2.1	2
Town Centre	95.23	0.36	0.4	0
Edge of Town Centre	6.80	0.54	7.9	2
Local Centre	11.72	0.00	0.0	1
Other	3.48	0.00	0.0	0
<b>SUTTON TOTAL</b>	<b>315.54</b>	<b>5.09</b>	<b>1.6</b>	<b>5</b>

In total 770 premises were appraised as part of the assessment, of which 70 (9%) were identified as being vacant (see Table S2). These vacant premises contained some 60,418 sq metres of floorspace. This equates to a borough-wide employment floorspace vacancy rate of 9.7% based upon Valuation Office floorspace data. However, this vacancy estimate

includes the Beddington Strategic Industrial Area (Site 65) which contains a number of newly built warehousing and general industrial units which are awaiting occupation. On the assumption that these new units become occupied, the total Borough-wide vacancy figure falls to 27,990 sq m (reducing the vacancy rate to 4.5%).

A significant proportion of vacant floorspace was recorded in office premises in the town centres. This included 14 vacant premises in Sutton town centre (12,175 sqm), 6 in Wallington town centre (3,896 sqm) and 3 in Cheam town centre (1,415 sqm).

**Table S2 - Number of Premises/Vacant Premises**

	Total Number of Employment Premises		Number of Vacant Employment Premises		Vacant Employment Floorspace (Sq m)	
	No.	%	No.	%	No.	%
Preferred Industrial Location	496	64	34	7	39171 <sup>3</sup>	65
Town Centre	109	14	27	25	18368	30
Edge of Town Centre	20	3	5	25	1608	3
Local Centre	137	18	4	3	1270	2
Other	8	1	0	0	0	0
<b>SUTTON TOTAL</b>	<b>770</b>	<b>100</b>	<b>70</b>	<b>9</b>	<b>60418</b>	<b>100</b>

As for vacant employment land, our empirical assessment of current floorspace vacancies indicates that the vacancy rate in the Borough is significantly lower than the estimates reported in the GLA industrial and warehousing land demand report. The GLA report suggested that the industrial vacancy rate was 15.1% compared to our reported range of 4.5%-9.7% as described above. This raises important local and strategic policy implications particularly in respect of proposed policies for safeguarding employment land and those aimed at releasing employment for alternative uses. These issues are explored in more detail in the final section of this report.

The sites were assessed according to their current economic and business role and were classified according to the following typology:

- “General Industrial/Business Areas” (44.7% of sites);
- “Established or Potential Office Locations” (36.2%);
- “Sites for specific operators” (10.8%);
- “Warehouse/Distribution Parks” (2.8%);
- “Research and Technology/Science Parks” (2.5%);
- “Incubator/SME Cluster Sites (0.3%)
- Specialist Freight Terminals (0.1%);
- “Recycling/Environmental Industries” (0.1%).

Table S3 summarises our criteria-based assessment of the employment sites in terms of their suitability for safeguarding and/or intensifying their employment function. The

<sup>3</sup> Beddington Strategic Area accounts for 32,428 sq m of this figure. The remaining PILs therefore contain 6,703 sq m of vacant floorspace.



assessment is also used to identify sites which have a more marginal employment role. The table provides ranked scores for each site.

**Table S3 - Ranking of Employment Locations**

Site ID	Site Name	Size of Site (Ha)	Accessibility Score	LSES Score	Employment Consolidation	Market Factors Score	Overall suitability score %
052	Restmor Way/Felnex Trading Estate	11.2	5	4	5	5	76.00
065	Beddington Strategic Industrial Area <sup>a</sup>	150	5	5	5	4	76.00
051	Land to East of London Road, Hackbridge	1.83	5	3	5	5	73.33
062	Paynes Chocolate Works	3.92	5	4	5	4	70.67
063	Stafford Cross Business Park Silver Wing Ind Est	5.92	4	4	5	4	70.67
010	Kimpton Industrial Estate	19.4	4	4	5	4	69.33
075	Depot, Ewell Road, Cheam	0.65	5	3	5	4	66.67
021	Oldfields Road Trading Estate	0.71	4	4	5	4	66.67
059	Wallington Town Centre	15	5	4	5	3	66.67
030	Lind Road, Sutton	0.96	3	4	5	4	65.33
006	Hamilton Avenue, Stonecot	1.73	4	3	5	4	64.00
029	Sutton Town Centre	49.8	5	3	5	3	62.67
067	Woodmansterne Road, Carshalton South.	1.16	2	4	5	4	58.67
012	Gander Green Lane	1.38	4	3	3	5	58.67
037	Mill Green	0.34	4	4	3	4	57.33
040	St Andrews Road	0.73	3	4	3	5	57.33
032	Westmead Road Local Centre	2.49	3	5	3	3	56.00
036	Wandle Valley Trading Estate	3.17	4	3	3	4	56.00
003	McMillan House, Farm Way, Worcester Park	0.59	3	4	1	5	50.67
016	Station Approach, Cheam	0.59	4	3	3	3	50.67
002	Worcester Park Town Centre	7.4	4	3	1	4	48.00
046	Carshalton Park Road, Carshalton	0.35	4	2	3	3	46.67
004	North Cheam Town Centre	9.04	4	2	5	1	46.67
015	Cheam Town Centre	5.14	5	2	1	3	44.00
074	Denmark Road Council Offices	1.65	3	2	3	3	44.00
070	Brighton Road, Belmont	1.29	5	2	1	3	42.67
048	Carshalton Town Centre North Street.	3.45	4	1	3	3	42.67
050	B277 Carshalton	0.2	4	1	3	3	42.67
017	Upper Mulgrave Road	1.16	4	1	1	4	40.00
071	Station Road, Belmont	2.17	4	2	1	3	38.67
020	Gander Green Sutton West	0.22	3	1	1	4	36.00
023	St Helier District Centre	5.37	4	2	1	1	34.67
083	Park Road, Hackbridge	0.12	3	2	3	1	33.33
060	Stafford Road, B271, Wallington South	1.73	4	1	1	1	29.33
044	Beeches Avenue, Carshalton	1.09	3	1	1	1	25.33

<sup>a</sup> Includes land to west of Beddington Lane in Metropolitan Open Land.



Site ID	Site Name	Size of Site (Ha)	Accessibility Score	LSES Score	Employment Consolidation	Market Factors Score	Overall suitability score %
082	Westmead Corner Local Centre	0.4	2	2	1	1	24.00
013	Church Hill Road, North Cheam	1.34	3	1	1	1	22.67
043	Banstead Road South (Carshalton)	1.12	3	1	1	1	22.67
061	Sandy Lane North	0.13	3	1	1	1	22.67
080	Stanley Park Road Local Centre	0.87	3	1	1	1	22.67

Source: Appendix F.

### Creating a Portfolio of Sites for the Future

Having undertaken our assessment of existing and future demand, and carried out a detailed appraisal of the 40 employment sites, we considered options for ensuring the Borough's future supply can meet anticipated needs. The first key step was to identify the scope for change within existing employment sites. This included the identification of vacant or under-utilised land that was suitable for development and floorspace that was suitable for re-occupation.

The second key step was to identify areas that offered potential for accommodating employment expansion through site improvement, intensification or redevelopment through the consolidation of existing operations ('consolidation areas'). In total, approximately 57ha of potential consolidation land was identified on 17 sites (including the vacant gas works site of 1.26ha to the north west of Sutton town centre). The consolidation areas also include the identification of two potential windfall sites not currently used for employment (St. Helier hospital and land to the north of Wandle Valley Trading estate).

Table S4 provides a summary of the floorspace capacity from our identified potential sources of supply. The table shows that suitable vacant floorspace and available vacant land has the potential to accommodate up to 115,000 sqm (82% of which is located within the preferred industrial locations). Given its availability, this potential floorspace should be considered as a proxy estimate of short to medium term supply. Compared to our estimates of demand requirements, this potential supply falls short of even our lower level estimates (170,000 sqm).

In terms of potential sources of supply from sources other than vacant land and floorspace, our analysis indicates that:

- (i) 128,000 sqm. from intensification / redevelopment / improvement of land and premises within consolidation areas (excluding vacant land readily available for development); and
- (ii) 68,600 sqm. from the potential allocation of St. Helier hospital and land to the north of Wandle Valley Trading Estate for employment purposes.

Excluding (ii) above, this raises the potential supply in the Borough to 243,000 sqm. which meets the lower of our forecast estimate but not the upper level estimate. Indeed, inclusion of the two potential 'new' employment sites is required to raise overall supply to above the higher forecast estimate. However, the identification of the two sites as potential employment locations is subject to a range of constraints which would impede them being

brought forward for development. Consequently, these sites are only likely to have the potential to contribute to medium / long term supply. Indeed, this is also the case for much of the potential supply arising from the redevelopment and improvement of developed land within consolidation areas.

**Table S4 - Potential Sources of Employment Floorspace and Land Supply**

Source	Preferred Industrial Locations	Town Centres	Edge of Town Centre & Local Centres	Other Sites	Total
(1) Vacant floorspace available & suitable for re-occupation (m <sup>2</sup> )	39,171	7,770	804	1,270	49,015
(2) Estimated floorspace available on vacant land within consolidation areas (m <sup>2</sup> )	55,392	5,915	4,821	0	66,128
<b>(3) Sub Total</b>	<b>94,563</b>	<b>13,685</b>	<b>5,625</b>	<b>1,270</b>	<b>115,143</b>
(4) Potential additional floorspace from intensification / improvement / redevelopment of consolidation areas (m <sup>2</sup> )	100,000	25,000	0	3,000	128,000
(5) Floorspace capacity from potential sites (St. Helier Hospital (29) & Land north of Wandle Valley Trading Estate (m <sup>2</sup> ))	25,100	43,500	0	0	68,600
<b>(6) Sub Total</b>	<b>125,100</b>	<b>68,500</b>	<b>0</b>	<b>3,000</b>	<b>196,600</b>
<b>(7) Overall Total</b>	<b>219,663</b>	<b>82,185</b>	<b>5,625</b>	<b>4,270</b>	<b>311,143</b>

(1) Existing vacant floorspace assessed to be suitable for re-occupation. 50% of total existing vacant floorspace in town centres and local centres assumed to be redeveloped for other uses.

(2) Potential floorspace capacity of existing vacant sites within consolidation areas available for development for employment uses.

(3) (1)+(2)

(4) Potential floorspace capacity of under-utilised land and premises within consolidation areas with opportunity for redevelopment / improvement etc. Estimates represent floorspace potential which is additional to that already provided within consolidation areas (i.e. takes account of potential loss of floorspace through redevelopment). This excludes available vacant land which is included in (2) above.

(5) Total floorspace capacity arising from two potential / new employment sites.

(6) (4)+(5)

(7) (3)+(6)

### Potential Transfer to Alternative Uses

In assessing the scope for change within employment sites, and in accordance with PPG3 (para 42a) and other policy requirements, we also identified areas with the potential for consolidation for alternative uses ('Opportunity Sites'). This potential was found to be particularly evident for sites with a high level of vacant employment floorspace and those where the consolidation of existing employment uses could provide for a mix of other uses that would enable a more efficient use of the land whilst improving the marketability of the employment component.

The study highlights that there are a number of specific sites within and close to the town centres which should be considered for transfer to mixed-use. Whilst this may result in a net

reduction in office accommodation within the town centres, the mixed-use options for these sites should include a significant component of employment generating floorspace (particularly downsized but more appropriate office accommodation). Demand for small and medium sized office premises in Sutton and other town centres is likely to be forthcoming if the market is pitched in relation to the needs of occupiers. These will include local consumer and producer service activities which are required to support the growing local business and population base.

We estimate that the key vacant premises in Sutton and other town centres amount to around 17,150 sqm. of which approximately 50% (8,600 sqm) could reasonably be transferred to non-employment uses / housing through redevelopment and refurbishment. Given the accessible locations of these opportunity sites, they provide scope for high density development options to be considered.

In addition to unsuitable town centre office blocks which could be considered for part-transfer, we have identified the area around Hackbridge Station (sites 51 and 52) as an opportunity site which could benefit from comprehensive redevelopment for mixed-use. However, we consider that at least 60% of the site area should be retained for employment development. Given that two sites together cover an area of 13ha, this provides scope for a maximum of around 5ha which could potentially be considered for transfer to non-employment use.

## **KEY CONCLUSIONS AND POLICY IMPLICATIONS**

Overall, our assessment of the potential sources of supply to meet the estimates of future demand concludes that:

- In the context of our assessment of future qualitative and quantitative property market requirements, LB Sutton is likely to face a shortfall in supply to meet identified need before the end of the LDF period unless measures are taken to improve the medium and long term supply in the Borough.
- Measures to improve supply should be prioritised in terms of re-utilising suitable vacant premises, developing vacant land within consolidation areas and intensifying / redeveloping existing land and premises within consolidation areas. The prospect for the market being incentivised to deliver much of this investment is supported by recent property market performance and our assessment of medium to long term market demand.
- The majority of future supply can be sourced from within the preferred industrial locations. Consequently, in meeting future business requirements it will be essential that LB Sutton adopts a strong and proactive approach to safeguard and improve these locations for on-going employment use. Fundamental to this will be measures which improve the qualitative offer of sites (including access, environmental conditions, security, building type and condition, parking and landscaping).

Whilst there is some very limited scope for the transfer or consolidation of unsuitable employment sites and premises to mixed-use, our analysis indicates that the ongoing loss of employment land to housing at rates experienced over the last 10 years would result in a significant shortfall of land to meet requirements. Such a 'do-nothing' scenario is likely to constrain future employment growth, economic diversification, the expansion of indigenous industry and the attraction of potential inward investment to the Borough. Consequently, we consider that, in planning for future business requirements, it is imperative that LB Sutton

adopts a strong approach to the safeguarding of existing employment land in order not to compromise local and sub-regional economic need. The evidence provided by this employment land review strongly supports the retention of LB Sutton within the 'Restricted Transfer' category.

Our assessment of the suitability of, and demand for, the remaining employment land resource in LB Sutton for on-going employment use concluded that the collection of sites within the Borough will provide feasible re-use, development and redevelopment opportunities for developer, occupier and investor markets. This conclusion is based on a holistic assessment of market demand and supply factors including:

- recent and current property market performance based on evidence provided by local and national property agents;
- medium and long-term Borough-wide development opportunities arising from strategic economic considerations including indigenous business demand; and
- an appraisal of individual sites which assessed their latent as well as immediate opportunities for development for employment occupiers.

However, it is critical to highlight that the future feasibility of sites will, in part, be determined by the requirement of the Council to implement strong, proactive economic planning policies which support the protection and reinvestment in existing employment sites in the Borough.

The Council should take a leading role in facilitating the restructuring of key sites within the Borough. Of particular importance will be the need to distinguish between provision for key market segments and different types of businesses. In particular, we consider it essential that the LDF harness the growth potential of the diverse small business base. These businesses have shown strong demand for suitable premises despite supply being limited. This is reflected by the empirical survey of established B Use Class businesses in the Borough. The demand for small to medium sized premises is apparent in both office and industrial markets and for a diverse range of economic activities.

## **1. INTRODUCTION**

### **BACKGROUND**

1.1 Atkins was commissioned by the London Borough of Sutton to undertake an employment land and premises study. This primary purpose of the study is to inform the Borough's emerging Local Development Framework (LDF). Consequently, it aims to:

- Provide baseline information on employment levels and examine trends in employment development and the accommodation in the industrial and business sectors up to 2016;
- Determine the likely demand for available employment and business land and premises within the Borough up to the end of the forthcoming LDF period;
- Establish the appropriate property mix required in order to meet the needs of existing businesses and potential occupiers where possible; and
- Examine how the existing and potential stock of premises / workspace can provide opportunities for enterprise and employment which reflect the employment potential and skill base of Sutton residents.

1.2 Recent guidance produced by the ODPM and the GLA has provided detailed advice on the approach which should be adopted by local authorities in conducting their employment land reviews. Fundamental to the guidance is the need for local planning authorities to ensure that policies:

- provide for a sufficient supply of land of appropriate quality to meet the varied needs of businesses throughout the plan period;

- protect suitable existing employment land and premises which are required by the market in the short and long term;
- where appropriate, identify new employment allocations if the current stock of land and premises falls short of meeting future needs (in quantitative and qualitative terms); and
- where appropriate, facilitate the transfer of existing employment sites and allocations to alternative uses if they are unsuitable for employment use and/or are genuinely surplus to requirements

1.3 Consequently, the primary purpose of this study is to provide a robust evidence base for development employment land and related policies in the Borough's emerging Local Development Framework (LDF). This will eventually replace the existing Unitary Development Plan. The assessments undertaken as part of this study are fully consistent with the ODPM's guidance notes.

## **STRUCTURE OF REPORT**

1.4 The main findings of our research are set out in this report. This is supplemented by series of detailed appendices which are provided in a separate document.

1.5 This report is structured as follows:

- Section 2 sets out the national, regional and local policy context to the study;
- Section 3 provides an assessment of existing and potential demand and need for employment sites and premises in Sutton;
- Section 4 provides an assessment of existing and potential supply of employment sites and premises in Sutton;
- Section 5 sets out our conclusions and policy recommendations to inform the emerging Local Development Framework having particular regard to the balance between supply and demand side factors.

## **2. POLICY CONTEXT**

### **INTRODUCTION**

- 2.1 This section provides a review of the key issues arising from our appraisal of planning and economic development policies and strategies relevant to this study. Consideration is also given to important research documents which aim to inform regional and national policy initiatives.
- 2.2 The primary purpose of this section is to identify and examine the main strategic policy drivers which:
- determine the requirement for local authorities to assess employment land and premises needs in urban areas;
  - define the regional and sub-regional objectives to which Sutton should contribute in the development of their emerging employment land policies; and
  - highlight the key local economic, social and regeneration objectives and initiatives which should be complemented by emerging employment land policies.

### **NATIONAL POLICY**

#### **PPG3 – Supporting the Delivery of New Housing**

- 2.3 In January 2005, the ODPM introduced new paragraph 42(a) to PPG3. It highlights that local planning authorities should consider favourably planning applications for housing or mixed use developments which concern land allocated for industrial or commercial use unless:

*'it can be demonstrated, preferably through an up-to-date review of employment land, that there is a realistic prospect of the allocation being taken up for its stated use in the plan period...'*

## **PPG4**

- 2.4 PPG 4 notes that policies within development plans should provide for choice, flexibility and competition in allocating land for industry and commerce. The guidance recommends that planning authorities should be realistic in their assessment of the needs of business.

## **Planning for Economic Development**

- 2.5 In May 2004, the ODPM published a consultancy report which aimed to inform the development of PPS4 (to replace PPG4). It highlighted that a culture of proactive planning for economic development is not firmly embedded in the current planning system. A number of important recommendations were made in respect of the policy development and implementation aspects of planning for economic development:

- There is a need for greater integration between the planning system and wider economic strategies, programmes and initiatives.
- All local authorities should undertake an assessment of the demand for and supply of employment land with regular reviews at least every three years.
- The approach to the allocation of employment land should be guided at the regional level by the application of standard techniques to assessing demand and supply. Guidance should also be provided in respect of the criteria for assessing the quality of employment sites. This should focus on factors of market realism and sustainability.
- Following the demand-supply assessments and reviews, local authorities should consider de-allocating or allowing change of use of allocated employment land if there is no reasonable chance of the site coming forward in the medium term.
- Guided by reasoning and appropriate criteria, local authorities should adopt policies to safeguard employment land. This should not be used



as a means to hoard employment land and should be subject to regular review (see above).

- The Use Class Order can hinder policies aimed at supporting particular sectors or types of businesses. However, local authorities should consider identifying sites for specific activities and types of organisations (e.g. small firms) where this is consistent with economic and regeneration priorities for the area.
- Comprehensive monitoring systems should be introduced, not only to assess the stock of employment land but also evaluations of the effectiveness of economic policies.

### **Employment Land Reviews: Guidance Notes (ODPM, 2004)**

- 2.6 In December 2004, the ODPM issued a guide for planning authorities in respect of assessing the demand for, and supply of, land for employment. The guide is particularly aimed at helping authorities assess the suitability of sites for employment development, safeguard the best sites in the face of competition from other higher value uses and help identify those which are no longer suitable for employment development which should be made available for other uses.
- 2.7 The guide identifies a three step process in undertaking employment land reviews:
- Stage 1 – Taking stock of the existing situation, including an initial assessment of ‘fitness for purpose’ of existing allocated employment sites;
  - Stage 2 – Creating a picture of future requirements by using a variety of means to assess the scale and nature of likely demand for employment land and the available supply in quantitative terms<sup>4</sup>;
  - Stage 3 – Identifying a ‘new’ portfolio of sites through a more detailed review of site supply and quality and identify and designate specific

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<sup>4</sup> Assessment methods identified include economic forecasting, consideration of recent trends and/or assessment of local property market conditions).

new employment sites in order to create a balanced local employment land portfolio.

2.8 During Stage 1, the guide suggests undertaking an initial appraisal process. Depending on local circumstances, the purpose of the Stage 1 appraisal is to:

- Confirm a selection of 'high quality' employment allocations which should, without doubt, be safeguarded for future employment use; and/or
- Assess the suitability of large, underused or vacant industrial sites for redevelopment or upgrading (for continued employment use); and/or
- Identify employment sites which clearly could be released for other uses.

2.9 In boxes 4.5 and 4.6, the guide identifies sets of criteria which can be applied to guide the Stage 1 appraisal. These are set out in Tables 2.1 and 2.2 below.

**Table 2.1 - Criteria to Assess Whether Employment Sites are to be Released**

Criteria	Issues
Market Attractiveness Factors	<p>Has the site been formally identified for employment for at least 10 years?</p> <p>Has there been any recent development activity, within the last 5 years?</p> <p>Is the site being actively marketed as an employment site?</p> <p>Is the site owned by a developer or other agency known to undertake employment development?</p> <p>Is the site in multiple ownership/occupation, or owned by an organisation unlikely to bring forward for development ?</p> <p>Is there a valid permission for employment development, likely to meet market requirements? Or for an alternative use?</p> <p>Would employment development on this site be viable, without public funding to resolve infrastructure or other on-site constraints?</p>
Sustainable Development Factors	<p>Would the site be allocated today for employment development, measured against present sustainability criteria (including public transport and freight access, environmental impacts and brownfield/greenfield considerations)?</p> <p>Is employment the only acceptable form of built development on this site (e.g. because of on-site contamination, adjoining uses or sustainable development reasons)?</p>
Strategic Planning Factors	<p>Is the site within an area identified as of strategic importance to the delivery of the RSS/RES?</p> <p>Is the site identified or likely to be required for a specific user or specialist use?</p> <p>Is the site part of a comprehensive or long term development or regeneration proposal, which depends on the site being developed for employment uses?</p> <p>Is there public funding committed (or likely to be provided) sufficient to overcome infrastructure or on-site constraints to make employment development viable?</p> <p>Are there any other policy considerations, such as emerging strategic objectives or spatial vision, which should override any decision to release the site?</p>

Source: ODPM, 2004

**Table 2.2 – Criteria to Identify ‘High Quality’ Allocated Employment Sites**

Criteria	Issues
Market Attractiveness Factors	<p>Has there been any recent development activity, within the last 5 years?</p> <p>Is the site being actively marketed as an employment site?</p> <p>Has there been any recent market activity?</p> <p>Is the whole site owned by a developer or another agency which undertakes employment development?</p> <p>Is development for employment viable, with any public funding if it is committed?</p> <p>Is the site immediately available?</p>
Sustainable Development Factors	<p>Does the site meet present (and expected future) sustainability criteria (including public transport and freight access, on and off-site environmental impacts)?</p>
Strategic Planning Factors	<p>Is the site within an area identified as of strategic importance to the delivery of the RSS/RES?</p> <p>Is the site identified or likely to be required for a specific user or specialist use?</p> <p>Is the site part of a comprehensive or long term development or regeneration proposal, which depends on the site being developed for employment uses?</p> <p>Is the site important in delivering other economic development objectives or the spatial strategy?</p>

Source: ODPM, 2004

- 2.10 The outcome of Stage 1 is to grade sites so that the ‘best’ sites definitely to be retained, other sites for further appraisal and those sites to be released are clearly defined.
- 2.11 Stage 2 identifies a range of complementary techniques to provide a quantitative estimate of future requirements for employment land and premises. It is stated that any quantitative assessment of employment land requirements, particularly for individual authorities, needs to be informed by the use of forecasts and surveys. The guide sets out a selection of methods for forecasting future employment levels and the translation of these forecasts to land and/or floorspace requirements. It is highlighted that quantitative assessment of employment land requirements are not reliable over the time horizons of RSSs. It is recommended that they be updated regularly, at no more than five yearly intervals.

2.12 Stage 3 of the appraisal process represents the detailed site assessment and search. This stage should confirm which sites are likely to respond well to the expectations of occupiers and property developers and also meet sustainability criteria. The objective is to undertake a review of the existing portfolio of employment sites, against defined criteria. Table 2.3 sets out the criteria for assessing the quality, market demand and availability of existing employment sites.

**Table 2.3 – Detailed Appraisal Criteria (Quality, Market Demand & Availability)**

Criteria	Issues
Base Information	Site area, floorspace, vacant land etc
Quality of Existing Portfolio & Internal Environment	Age & quality of buildings Noise and other obvious pollutants State of the external areas and public realm Parking, internal circulation and servicing
Quality of the Wider Environment	Adjacent land uses constraining operations or quality of uses on site Perception of the wider environment quality Local facilities for workforce
Strategic Access	Ease of access to main road network Proximity to rail, sea and air freight
Market Conditions/Perception & Demand	Strength of local demand in segment Recent market activity on site Likely market demand and viability of development without intervention
Ownership and User Constraints on Development/ Redevelopment	Identify and number freehold owners Identity of leasehold or other occupiers, length of lease etc Ransom strips or other known constraints on development
Site Development Constraints (undeveloped sites only)	Site access Topography, size and shape Utilities On-site environmental (nature conservation, trees, cultural heritage, landscape) Contamination/ land stability/ on-site structures Amenity of adjacent occupiers
Accessibility	Workforce catchment Access by public transport
Sequential test and Brownfield / Greenfield	Urban, urban edge or outside urban Previously developed in whole or part
Social and Regeneration Policy	Availability of other jobs locally Deprivation in local communities Priority regeneration designation Potential availability of 'gap' funding to develop Ability of site of support particular economic development priority
Other Policy Considerations	Alternative uses if no longer allocated for employment Other material policy considerations.

Source: ODPM, 2004

- 2.13 The detailed site appraisal should indicate whether or not there is a shortfall in the supply of land and premises for particular market segments. If this is the case, the criteria should be adjusted and used to identify 'new' employment sites. Paragraph 6.24 identifies the type of shortfalls likely to be identified. These included sites for high quality accommodation, for new service industries; better access, particularly for large scale distribution and, in some areas, additional sites to provide a choice between suppliers.

## REGIONAL AND SUB-REGIONAL POLICY

### The London Plan

- 2.14 Objective 3 of the London Plan aims to:

*'...make London a more prosperous city with strong and diverse economic growth.'*

- 2.15 This includes:

- Creating incentives and opportunities to stimulate the supply of suitable floorspace in the right locations to accommodate economic growth; and
- Releasing employment land that is no longer needed in its current use for new uses.

- 2.16 Policy 3B.1 recognises the importance of providing 'a range of premises of different types, sizes, and costs to meet the needs of different sectors of the economy and firms of different types and sizes and to remove supply side blockages for key sectors'.

- 2.17 The Plan complements the Mayor's Economic Development Strategy, supporting the use of the planning system to secure suitable and affordable premises (see below).

- 2.18 Table 3B.1 highlights that projected demand for office based employment in the South London sub-region (including Sutton) has the potential to amount to 23,000 additional jobs. The table also indicates that demand for office floorspace in the sub-region could amount to an additional 400,000 sqm. With the exception of the north sub-region, the London Plan estimates of future

office growth (in terms of jobs and floorspace) are significantly lower than the other sub-regions in London.

- 2.19 Policy 3B.2 seeks to renew and renovate existing office stock and to provide a variety of premises in terms of type, size and cost to meet the needs of all sectors, including SMEs. Policy 3B.3 supports the rejuvenation of office supply in strategically specified locations, particularly Opportunity Areas and Areas for Intensification. However, no such designations are made in Sutton. Despite this, the policy does seek to rejuvenate office-based activities in view of their contribution to rejuvenated suburban town centres.
- 2.20 No Areas for Regeneration (Policy 2A.4 / Map 2A.2) are identified for Sutton within the London Plan. Despite this, it is acknowledged in the Plan that parts of the Borough suffer from particular problems of deprivation, including St. Helier and Roundshaw.
- 2.21 Policy 3B.5 addresses Strategic Employment Locations (SELs) in London which are aimed primarily at meeting London's strategic needs for industrial and wholesale distribution activities. Boroughs are encouraged to identify SELs in their Proposals Maps. Within the SEL framework, Beddington forms part of the Purley Way Preferred Industrial Location (PIL). Kimpton Industrial Area is also identified as a PIL. The designation as a PIL reflects the role of industrial areas which serve the needs of firms with less demanding environmental requirements.
- 2.22 It is important to note that the London Plan does not identify any Industrial Business Parks (IBPs) in this part of London. Given that IBPs are identified separately from PILs in terms of their potential offer to occupiers requiring a higher quality business environment, the lack of IBPs in Sutton reflects the need for investment in the employment land stock in the Borough to meet a proportion of this type of local and sub-regional need.
- 2.23 Policy 3B.5 highlights that Boroughs should identify SELs in UDPs, and develop local policies for employment sites outside SELs, having regard to the following criteria:
- the locational strategy of the London Plan;

- accessibility to the local workforce, public transport and where appropriate, freight movement;
- quality and fitness for purpose of sites;
- the release of surplus land for other uses in order to achieve the efficient use of land in light of strategic and local assessments of industrial demand.

2.24 Policy 5F.1 identifies the strategic priorities for the South London sub-region. These include the following objectives which aim to:

- Promote opportunities to increase employment and housing to secure increased self-sufficiency;
- Identify capacity to accommodate new job and housing opportunities and appropriate mixed-use development (especially Croydon town centre and Wandle Valley); and
- Improve the variety, quality and access to available employment sites, especially within SELs, to meet the identifiable demands for employment land.

2.25 Policy 3B.9 states that UDPs should support the development of clusters of creative industries and related activities with particular emphasis on priority regeneration areas. Factors which are highlighted as important in influencing the development of these clusters include the availability of low cost workspace. It is noted that there is a strong link between creative industries and new leisure infrastructure, including bars, restaurants and clubs. These are vital to sustaining a high value evening economy.

2.26 Knowledge transfer and innovation are also identified as important drivers of the London economy. Consequently, local authorities are encouraged to ensure an adequate supply of high quality and affordable premises, incubator units and sites for synergy between business and research and academic institutions.

2.27 The London Plan highlights the strategic importance of the Wandle Valley which includes a number of key employment sites in LB Sutton such as the



Beddington / Purley Way industrial area. The Plan identifies the ongoing role of the Wandle Valley as mixed industrial area which offers good potential for the provision of jobs which are accessible to deprived inner London communities as well as residents within the sub-region.

### **Sustaining Success – Strategy for the London Economy**

- 2.28 Published in January 2005, this document represents the economic development strategy prepared by the London Development Agency (LDA) on behalf of the Mayor of London. The strategy supports the London Plan including sub-regional priorities and objectives for regeneration areas identified in the Plan. The Strategy states that there is a need for a strategic, planned and managed approach to protection or release of former employment land. Paragraph 3.1.5 highlights that:

*‘A realistic view will need to be taken of the likelihood of reuse, taking into account not only changes to economic structure, but also demand for other uses (including warehousing and logistics, on which London relies for provision of essential goods and services) and linkages to the needs of the surrounding communities.’*

- 2.29 Key objectives of the Strategy include the need to:

- (i) Deliver an improved and effective infrastructure to support London’s future growth and development;
- (ii) Tackle barriers to employment;
- (iii) Reduce disparities in labour market outcomes between groups;
- (iv) Address the impacts of concentrations of disadvantage;
- (v) Address barriers to enterprise start-up, growth and competitiveness;
- (vi) Maintain London’s position as a key enterprise and trading location.

- 2.30 The Strategy highlights the importance of providing suitable workspaces for SMEs. Paragraph 5.1.3 states that:

*'London's enterprises, especially Small and Medium Sized Enterprises (SMEs), need an adequate supply of suitable workspaces. Pension funds and other large property investors have traditionally been reluctant to invest in certain types of SME workspace. In recent years, SME property has been more attractive than other forms of commercial development...'*

### **Industrial Capacity – Draft SPG**

- 2.31 In September 2003, the Mayor issued draft SPG on industrial capacity in London. The SPG defines industrial employment as that relating to manufacturing and wholesale distribution activities.
- 2.32 The SPG aims to supplement the policies of the London Plan. The primary aims of the draft SPG are to:
- Ensure that there is an adequate stock of industrial employment capacity to meet the future needs of different types of industry in different parts of London, including that for good quality and affordable space; and
  - Plan, monitor and manage the release of genuinely surplus industrial land so that it can better contribute to strategic and local planning objectives, especially those to provide more housing and particularly affordable housing. In appropriate locations where it can contribute to town centre renewal, offices, leisure and retailing as well as high density housing will be appropriate.
- 2.33 The 'plan-monitor-manage' approach to planning for industrial land aims to bring demand and supply into closer harmony. It also allows for the stock of premises to be managed so that it provides a competitive offer for different types of occupier which requires both improving the quality of provision to meeting users' different needs and maintaining lower cost capacity (SGP1).
- 2.34 The draft SPG highlights the success of the SEL Framework<sup>5</sup> in protecting London's principal industrial locations. However, it also acknowledges that the Framework could run the risk of fossilising land as 'industrial' when there is no longer demand for this use. The requirement (of the SPG) is to monitor closely demand and supply relationships and to review the framework in light of these aims to keep the framework in tune with market requirements and

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<sup>5</sup> Strategic Employment Locations.

broader planning objectives. SPG2 (Strategic Employment Locations Framework) requires UDPs to identify components of the SEL Framework and promote these sites as the prime industrial locations for industrial activity in London. The differing offers of PILs and IBPs should be managed to meet the different types of industry appropriate to each.

- 2.35 Other than as part of a strategically co-ordinated process of mixed-use intensification, the draft SPG states that development of non-business uses within the SEL should be resisted except where they provide local, small scale, 'walk to' services for industrial occupiers (e.g. workplace crèches).
- 2.36 With regard to smaller industrial sites, which lie outside the SEL Framework, the SPG seeks to protect such sites for industrial activity where they continue to meet industrial requirements. However, it also recognises that historic policy was unrealistic in seeking to prevent the transfer to other uses. The SPG advocates a more flexible, criteria-based approach to industrial capacity. UDPs should demonstrate that there is local demand for these sites to remain in industrial use. SPG3 states that UDPs should:

*'protect locally important, viable industrial sites, which lie outside the SEL Framework after testing them in the light of evidence of local and strategic demand and against the criteria in paragraphs 6.12-6.15. These sites should be identified on UDP proposals maps'.*

- 2.37 The criteria approach distinguishes between strategic factors, site characteristics and industrial demand factors. These are summarised in Table 2.4 below.

**Table 2.4 - SPG Criteria (Paragraphs 6.12-6.15)**

Strategic Factors	<ul style="list-style-type: none"> <li>• Meets short term and/or strategic demand for industrial development;</li> <li>• Forms part of larger area of existing industrial activity;</li> <li>• Supports clusters of industrial activity;</li> <li>• Meets needs of new or emerging industry;</li> <li>• Well located to take advantage of existing or proposed infrastructure;</li> <li>• Offers potential for the provision of small industrial units serving local residential and commercial areas;</li> <li>• Contributes to local employment objectives and local economic diversity.</li> </ul>
Site Characteristics	<ul style="list-style-type: none"> <li>• Well located in relation to the strategic highway network or local highway network, causing minimal traffic impact in residential areas;</li> <li>• Offers potential for transport of goods by rail or water;</li> <li>• Located within or adjacent to a town centre (for high trip generating uses);</li> <li>• Well located in relation to public transport facilities (for high trip generating uses such as offices, leisure and retail);</li> <li>• Offers potential for 24-hour working, or provides facilities for 'bad neighbour' without detriment to residential amenity;</li> <li>• Offers potential for space intensive activities;</li> <li>• Provides lower cost industrial accommodation suitable for small, start-up or lower-value industrial uses or other businesses important to the local economy;</li> <li>• Provides sufficient space for adequate parking and turning space for goods vehicles.</li> </ul>
Industrial Demand Factors	<ul style="list-style-type: none"> <li>• Adequately marketed at realistic prices for a reasonable period (normally at least two years) and with potential for industrial redevelopment where this is required to meet the needs of industrial users;</li> <li>• Has been vacant for a considerable period (normally two years, and up to five years of generally strong demand), without realistic prospect of industrial re-use.</li> </ul>

Source: GLA, 2003

2.38 For other industrial sites not shown on UDP Proposals Maps and lying outside the SEL Framework, SPG4 states that local authorities should develop criteria-based policies to manage the release from or retention in industrial use. Such policies should take account of demand and the criteria set out in the SPG (see Table 2.4 above). The policy also highlights that sites released from industrial use should meet strategic as well as local planning concerns. The first priority should be to meet the need for housing including affordable housing. Increasing capacity for town centre related development is also considered important in appropriate locations.

2.39 The SPG highlights that there will be sub-regional differences in the demand for and supply of industrial space. Along with the other five London Boroughs

in the South sub-region, Sutton is classified for 'restricted transfer'. This is the most protective of the three categories by encouraging those local authorities to adopt a particularly restrictive approach to the transfer of industrial sites to other uses.

- 2.40 SPG5 (Industrial Capacity and Mixed Use Development) allows for the re-development, intensification and selective support for higher density, mixed uses in appropriate locations so long as this does not compromise the strategic and local reservoirs of industrial capacity.
- 2.41 The guidance states that Preferred Industrial Locations (PILs) and some appropriately located sites outside the SEL framework will continue to provide the most sustainable home for industrial uses which would not benefit from being mixed with other activities.
- 2.42 The SPG identifies the edge of town centres and locations where industrial developments can be closely integrated with a wider mix of surrounding uses as appropriate for mixed use and intensified development. This may include the accommodation of industrial uses on lower floors of mixed use developments (vertical integration). In some cases, there may be scope to redevelop and upgrade some PILs in appropriate locations (e.g. on the periphery of PILs near stations or town centres). It is noted that complementary, sensitive relocation arrangements are likely to be necessary to avoid loss of industrial employment of different types through the redevelopment process.
- 2.43 It is highlighted by the SPG that the need to increase housing provision, especially affordable housing, will be an important priority on permissible mixed use redevelopments. Leisure, retail, civic and other town centre uses will also be appropriate if the mixed use development can be integrated with broader proposals for town centre renewal. However, other than to provide small scale, local convenience services, such uses will not be appropriate outside town centres. However, provision should be made for small scale, walk to facilities, particularly A1 and A3 uses and specialist services like crèches, which serve the needs of people working within industrial areas. Such provision is likely to be particularly important in larger industrial areas, including SELs.
- 2.44 Mixed-use development should only be permitted where it will support the central policy objective of ensuring an adequate stock of industrial

employment capacity and the wider objective of encouraging better use of land such as that which can be brought about by mixed use redevelopment.

- 2.45 SPG7 (Small Industrial Enterprises) encourages boroughs to protect industrial sites which meet demonstrable demand for lower cost industrial accommodation and promote the provision of small businesses and start-up companies. Authorities should also seek to secure provision of small and affordable industrial units in appropriate locations as part of larger mixed-use schemes.
- 2.46 Recognising the importance of storage and distribution industries to the London economy, SPG8 requires provision to be made for large scale distribution activities in environmentally acceptable PILs with good access to the strategic road network, and generally resist such development elsewhere. Smaller warehouse facilities and mixed industrial / warehouse units should generally be accommodated with the SEL framework in line with strategic road capacity.

### **Draft SPG – Housing Provision**

- 2.47 In December 2004, the GLA issued a draft SPG on Housing Provision. This provides guidance on maximising London's housing capacity whilst making the most efficient use of the stock of land. Similar to the Industrial Capacity guidance, the draft SPG highlights that economic restructuring and more efficient use of land can justify the continued release of approximately 50ha of industrial land per annum (3 hectares per annum in the West sub-region). It reiterates the need to protect Strategic Employment Locations (SELs) and Locally Significant Industrial Sites and highlights that the main components of industrial land use change to other uses are expected to be:
- Releases of smaller industrial sites either planned through LDFs that take account of SPG criteria or in response to proposals which are tested against these criteria;
  - Selective mixed use re-development and intensification of parts of SELs in appropriate locations (where a significant net loss of industrial employment capacity does not occur);

- Consolidation and re-configuration of parts of SELs through the SRDF process;
- Wider scale review of and revision to the SEL framework leading to the re-designation of SELs;
- Exceptional, strategically important releases for strategic infrastructure projects (such as the 2012 Olympics), which may have a residential component.

### **Industrial and Warehousing Land Demand in London (GLA, 2004)**

2.48 In August 2004, the GLA published a research report on industrial and warehousing land demand in London. The project was carried out primarily to inform the emerging strategic and local employment land policy context in London. This includes:

- The final version of the GLA Supplementary Planning Guidance on Industrial Capacity (see above); and
- Sub-Regional Development Frameworks (see below).

2.49 The report was commissioned to fulfil commitments given in the London Plan and to the EIP Panel to investigate issues regarding surplus industrial land allocations in parts of London. Whilst the report provided a strategic overview of potential demand and supply issues, it did not provide detailed policy guidance to individual local authorities. Consequently, it was highlighted in the report that London Boroughs should carry out studies to provide detailed assessments of demand and supply circumstances at the local level. In the case of LB Sutton, the Council commissioned an employment land and premises study, which is the subject of this report.

2.50 The GLA research focused on two key issues:

- to assess the London-wide balance of demand and supply for industrial and warehousing land testing a previous estimate that some 50ha per year London wide could be released to other uses and providing guidance for individual sub-regions and boroughs; and

- to provide an assessment of current and future requirements for warehousing space, and recommend strategic planning policies for meeting these requirements.
- 2.51 The report highlights that the occupiers of industrial and warehousing land are drawn from a wide spread of SIC sectors including elements of transport and storage, construction, recycling and refuse disposal. The consultants concluded that:
- the inclusion of these sectors results in a significant increase in total demand for industrial and warehousing space compared to traditional estimates; and
  - the additional sectors have better prospects for growth compared to manufacturing.
- 2.52 Using a revised definition of industrial and warehousing employment (to include a wider selection of SIC codes in addition to simply manufacturing activities), the report highlights that the revised estimates:
- ‘...substantially alters our [previous] estimates of total demand for space. More important, it alters our forecasts of future change: because the additional sectors have better prospects of employment growth than manufacturing, we now forecast a slower reduction in the demand for industrial / warehousing land than we did in the The Demand and Supply of Business Space [Report].’ (GLA / Roger Tym & Partners, para 4, August 2004).*
- 2.53 Despite accepting that the rate of decline in industrial and warehousing demand is likely to be lower than previously estimated, the Mayor’s report sticks to the consultant’s original conclusion that London can release 50 ha of industrial / warehousing land per annum up to 2016.
- 2.54 An important conclusion of the Mayor’s research is that London performs a specialised and relatively high value role within the industrial warehousing sector. It is reiterated that industries which find London a competitive location are those which:
- Serve London markets.



- Are near the end of the physical production process, producing final goods rather than capital equipment or intermediate goods.
- Produce time-sensitive goods and services.
- Are high-productivity and high-value-added, but not necessarily high-technology.
- Are at the borderline of industry and services, with 'tertiary' content.

2.55 Whilst the report highlights that net demand for industrial / warehousing land in London has been falling for many years and that the planning system has been reducing supply accordingly, it is emphasised that:

*'...the high and rising pressure of demand in large areas of London suggests that, in these areas, there is a risk that the reduction in planned supply may run ahead of the reduction of market demand – so that the shift to other uses drives the contraction of industry and warehousing, rather than responding to it' (para 11 Executive Summary).*

2.56 Although the importance of the warehousing and logistics sector is often underplayed in London and the South East, the report highlights that it provides a vital support to the London economy and supports a wide range of spatial, economic and transport policy objectives for London.

2.57 The report concludes that LB Sutton and LB Croydon should be reclassified from 'Restrictive Transfer' to 'Limited Transfer' (the middle category). This is based on a limited assessment of market indicators (Table 2.5) that imply:

- a relatively high vacancy rate for industrial and warehousing floorspace (15.1%) and land (9.2%) reported at the time; and
- relatively low rents reported at the time (£8.50 / sq.ft).

2.58 Given the call of the GLA report for individual Boroughs to carry out detailed local assessments of demand and supply, this study provides an empirical assessment of current employment land and premises vacancy rates and updates prevailing demand indicators, including average office and industrial rents. These indicators are provided in later sections of this report.

**Table 2.5 - ODPM Industrial and Warehousing Property Market Indicators**

Indicator	Sutton	South Sub-Region	London
Vacant Floorspace (%)	15.1	9.0	8.2
Vacant Land (%)	9.2	4.1	12.2
Vacant Land (ha)	11.4	30.7	854
Prime Rents (£/sq.ft.)	£8.50	£7.50 - £10.25	-
Prime Land Values (£'000 / acre)	£0.75m - £0.8m	£0.65m - £1.25m	-
Avg Industrial & Warehousing land take-up (ha per annum 92-01)	1.542	6.11	46

Source: RTP / GLA Industrial and Warehousing Land Demand, 2004 / ODPM 2004

- 2.59 Despite the recommendation that Sutton should be moved to the 'Limited Transfer' category, the report highlights that demand for warehousing uses is generally increasing in London. Indeed, the report shows that in Sutton the amount of warehousing floorspace increased from 268,000 sq.m. in 2000 to 303,000 sq.m. (+13%) in 2003.
- 2.60 The consultant's preferred scenario of meeting future industrial and warehousing land requirements is strongly influenced by policy driven assumptions which redistribute growth to the east sub-region where is a substantial supply of employment land. We consider that more robust evidence would need to be provided to properly support this recommendation. Our analysis of all types of employment land provides a more detailed, locational assessment of property indicators (see Section 3).
- 2.61 It is also important to highlight that the draft SPG (and the GLA report) relates only to industrial and warehousing land (i.e. excludes offices). We consider that it is not always appropriate to plan for industrial and warehousing demand separately to B1 / offices especially at the local level. In particular, it is important for future requirements to allow for the upgrading of existing industrial and warehousing land to accommodate modern business activities (including those that require small offices outside of town centres). The approach we have adopted in this study takes a holistic assessment of all B use class requirements and is not constrained by an artificial separation of demand for and supply of industrial and warehousing land from that of offices. We consider this to be important in terms of allowing for the transfer of uses within the B use class and avoiding the over-reliance on assumptions which translate SIC employment data into land-use categories.

2.62 The report sets out a calculation of the approximate years supply of industrial land in each Borough. This is based on the relationship between estimates of vacant industrial land at December 2003 (provided by local authorities) and the average take-up of industrial land over the 10 year period prior to December 2003<sup>6</sup>. Importantly, the latter indicator is taken from London Development Monitoring System (LDMS) which can be significantly misleading at the local level given that the data quoted excludes:

- office development; and
- all forms of industrial and commercial developments of less than 1,000 sqm.

2.63 Consequently, the exclusions make it is reasonable to assume that the take-up figures under-estimate future rates of demand, particularly in suburban locations such as Sutton where demand from small occupiers (requiring less than 1,000 sqm.) is significant.

2.64 Despite the likely underestimation of average rates of past take-up (of industrial and warehousing land) in Sutton, the GLA report concludes that the Borough has only 7 years potential supply. Given the potential underestimation of average take-up rates, it is possible that the Borough's years supply is less than 7 years. Indeed, the potential limited supply of industrial and warehousing in the Borough is reflected by the position taken by the Council in the 2003 UDP<sup>7</sup>.

### **London Office Policy Review (LOPR)**

2.65 Published in August 2004, the London Office Policy Review provides estimates of future requirements for office floorspace in each of the London Boroughs which are compared to current and committed supply. For Sutton (2001-2016) these are as follows:

- projected floorspace demand amounts to 553,000 sq.ft;

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<sup>6</sup> The LDMS indicates an average take-up of industrial and warehousing land in LB Sutton of 1.542 ha / per annum.

<sup>7</sup> see Schedule 6.2, Land for Business, Industry and Warehousing, Appendix to Written Statement

- committed office development amounts to 20,000 sq.ft.
- 2.66 This indicates a potential major shortage in current supply to meet future demand although this conflicts with the perceptions of some property professional operating in the Borough.
- 2.67 Despite the apparent discrepancy between potential demand and supply, the consultants do not support the conclusion that this situation justifies planning policies which protect existing space and promote new space. This is based on the assessment that LB Croydon alone has sufficient pre-application capacity of 3 million sq.ft. which would meet all requirements for the south sub-region as a whole (total capacity for the sub-region including pre-application sites is estimated to be over 7 million sq.ft / 1.8 million sq.ft excluding pre-application sites).
- 2.68 The consultants concluded that standalone speculative office development is unlikely to be viable anywhere in the borough and that the office development pipeline in the Borough was almost 'invisible'. It was stated that there is no strategic case to promote offices in Sutton.
- 2.69 The report promotes residential-led regeneration in town centres as the most effective way of making these centres more attractive as office locations, despite the 'occasional loss of office buildings and permissions'.
- 2.70 With regard to the report's conclusions, we consider that the following points should be emphasised:
- (i) the report focuses on major (strategic) office activities and does not give sufficient attention to meeting the needs of small office/B1 occupiers. This sector will be particularly important to Sutton's economy during the LDF period;
  - (ii) the report underplays the potential for redeveloping / refurbishing existing office accommodation;
  - (iii) whilst we agree that clearly targeted mixed-use development will be appropriate in town centres, this should not always be residential-led. In many cases, such an approach represents current differentials in values and the 'easiest option' for developers. In providing for existing

and latent unmet business needs, we consider that the public sector has a major role to play in:

- working closely with the development market to facilitate the provision of premises for SMEs including the promotion of employment-led mixed used schemes;
- where appropriate, pursuing direct development and joint ventures with the private sector to meet SME needs; and
- making innovative use of planning agreements to cross-subsidise SME floorspace provision by harnessing the uplift in value obtained from permissions for residential and other uses on all or part of some existing employment sites.

## **SUB-REGIONAL POLICY**

### **Draft South London Sub-Regional Development Framework (2005)**

2.71 The draft South London SRDF was issued in June 2005. Three key challenges were identified as follows:

- (i) addressing the balance between significant population growth and projected limited employment growth;
- (ii) managing growth with a focus on meeting the needs of deprived areas;
- (iii) identifying a clear direction and re-energising the sub-regional economy, which is located strategically between the growth areas of Central London, Wandle Valley, Heathrow Airport and the Gatwick Corridor.

#### *Employment and Offices*

2.72 With regard to employment and offices, the SRDF stresses the need to consolidate strengths and re-invent the offer of the South London office market. This should include an imaginative approach to mixed-use town centre redevelopment. The SRDF notes that

- London Plan indicates employment growth of 36,000 (to be revised);
- Importance of SMEs;
- Substantial capacity in town centres to meet office demand; and
- The sub-region aspires to growth in innovation, high tech and tourism services.

2.73 Boroughs and other partners are asked to promote the consolidation and re-positioning of the sub-regional office market in appropriate, viable locations. Despite this the draft SRDF (Annex 4) postulates that there is limited need for new offices in Sutton's centres. However, it is our view that the SRDF should consider the potential future role of Sutton's centres (including Sutton town centre, Wallington and Cheam) in providing suitable locations for small businesses requiring small premises. Indeed, the SRDF does state that the Mayor will work with the LDA, boroughs and other stakeholders to encourage the market to provide and enhance viable, affordable provision for SMEs in appropriate locations and to meet their specific needs for business support and training.

#### *Industry and Warehousing*

2.74 With regard to industry and warehousing, the SRDF states the need for careful management of, and improvements to, existing stock. This should include provision for logistics and provide scope for limited release to other uses, especially housing. The document highlights that:

- Land required for these uses is likely to decrease slightly, particularly industrial land (10% reduction in factory space between 2000 and 2003) – however, most of this loss occurred in Bromley, Croydon and Merton rather than Sutton;
- There is the potential for up to 90ha loss / release of industrial and warehousing land in South London between 2001 and 2016;
- Boroughs should consider the potential for 'location substitution' making more efficient use of the most accessible sites;

- Stakeholders are asked to identify Locally Significant Industrial Sites;
- In Croydon and Sutton, demand and supply should be monitored to test whether the potential reclassification to the 'Limited Transfer Category' is justified.

2.75 Boroughs are encouraged in the SRDF to:

- test the sub-regional benchmark (release of 90ha of land);
- develop policies to manage stock to meet future industrial needs and other land-use priorities;
- demonstrate how they intend to develop a more positive and proactive approach to the accommodation of warehouse provision in appropriate locations;
- not to release significant industrial sites (over 0.5ha) until these are tested against local and strategic assessments and against the need for waste management facilities and for land for transport.

### **South London Office Capacity Study (2003)**

2.76 This report provides an analysis of demand for and supply of office accommodation in the sub-region. With regard to LB Sutton, the following observations were made in respect of the existing stock:

- limited space for office occupiers requiring space for more than 50 staff;
- No Grade A quality offices (majority – Grade B);
- Most provision in or on edge of Sutton Town Centre (particularly near the Railway Station);
- Price (Grade B) - £12-£15 / sq.ft.
- Vacancy rate of 8% (11,000 sq.m.) excluding Surrey House;

- Low level of permissions and applications (13,000 sqm.);
- Potential office development sites: Sutton Station (3.1ha); Former Gas works site, Crown Road (1.05ha); and redevelopment of non-strategic industrial estates which are under-utilised; and
- Opportunities exist for the redevelopment of existing stock especially in the vicinity of the station;

2.77 Key commercial and industrial property market indicators in Sutton are updated in Section 3 of this report.

2.78 The South London Office Capacity report concluded that:

- (i) Up to 700,000 sq.ft (70,000 sqm.) gain to stock in Sutton could be realistic. This would accommodate an additional 4,000 office jobs;
- (ii) Very healthy demand for small, flexible space, particularly serviced accommodation is evident in Sutton;
- (iii) Sutton Town Centre is unlikely to be able to support large scale speculative development, which is partly due to relatively poor public transport access;
- (iv) The area (like the rest of the sub-region) must be actively promoted if office development is to accelerate;
- (v) Residential-led development is required in many town centres (including Sutton) to help cross-subsidise uses and stimulate wider regeneration.



## LOCAL POLICY

### Sutton UDP

2.79 The Sutton UDP was adopted in April 2003.

#### *Employment Policies and Provision*

2.80 With regard to employment, the UDP sets out three key objectives:

- Promote sustainable economic regeneration within the Borough and achieve a diversified employment opportunities for local residents;
- Minimise levels of unemployment among residents of the Borough; and
- Improve quality of strategic and established industrial locations. Consequently, the UDP aims to safeguard employment land and buildings which meet the need for business and industrial uses (Policy G/EM1). Also the Council seeks to maintain and enhance the role of Sutton Town as the primary office centre of the Borough and for London (Policy G/EM2).

2.81 The UDP highlights that, since 1991, the supply of available space in Sutton for business purposes has fallen by around 30%. Moreover, sustained economic activity since the mid 1990s has reduced vacant and available space for business and industry in the Borough. In this context the UDP highlights the need to ensure that suitable areas are left available for employment uses. The Appendix to the UDP includes a number of schedules including 5.2 (Opportunity Sites) and 6.2 (Land for Business, Industry and Warehousing). These indicated that there was only limited scope in the Borough in terms of existing provision and opportunity for the development of new employment floorspace. Indeed, this scope has since been reduced given that some of these sites with potential for employment uses have been completed since 2003 for employment and other uses. Table 2.6 provides a summary and up-date of employment development opportunities identified in the UDP.

**Table 2.6 – Opportunity Sites and Land for Employment: UDP 2003**

<b>Schedule</b>	<b>Site / Location</b>	<b>Size</b>	<b>Comment</b>
<i>Town Centre Opportunity Sites (Schedule 5.2)</i>	Sutton Station	3.1 ha	Opportunity for large-scale town centre mixed use development including offices.
	Land adjacent to Police Station, Carshalton Rd	0.62 ha	Police HQ Completed
	Former Gas Works, Crown Rd	1.05 ha	Significant redevelopment opportunities for mixed-use scheme.
	Former Sainsbury's site, Beddington Gdns	0.33 ha	Suitable for retail and mixed-use development.
	Clark & Smith site, Melbourne Rd	0.41 ha	Mixed-use scheme completed.
	Wallington Square	0.5 ha	Potential for mixed-uses including commercial.
<i>Land for Employment (Schedule 6.2)</i>	Former Cooling Towers site, Beddington Farm Rd	0.6 ha	Planning permission (3,115 sqm) for business / warehousing use as expansion of adjacent sorting office.
	Anchor Business PK, 102 Beddington Lane	0.8 ha	Planning permission for office use.
	Former refuse tip, Beddington Lane	6.1 ha	Warehousing development completed (Prologis Pk).
	Extension to Anchor Business Pk, 102 Beddington Lane	0.4 ha	Used for open storage.
	Part of Beddington Farmlands	3.62 ha	Forms part of Beddington Strategic Industrial Area.
	Council land to North West and East of Minden Rd + land on north of Kimpton Industrial Area + Thames Water Ltd, Kimpton Industrial Area.	6.9 ha	Previously identified wholly as potential employment land, area now committed to extension of Tesco store, development of access road and provision of some employment land. This includes planning permission for approximately 3,000 sq m of employment floorspace.

Source: LB Sutton UDP Appendix / Atkins.

## 2.82 The UDP identifies three 'Strategic Industrial Areas' (Policy G/EM4):

- Beddington;

- Kimpton; and
- Imperial Way.

2.83 In addition to the three Strategic Industrial Areas, seven 'Established Industrial Areas' are identified in the UDP. These areas are considered as 'preferred industrial locations' where industrial development should be encouraged in order to promote a consolidation of the existing industrial activity:

- Gander Green Lane and Abbotts Road;
- East Side of London Road; adjoining Hackbridge Station;
- Oldfield Road Trading Estate;
- Payne's Chocolate Works;
- Restmor Way/Felnex Trading Estate;
- St Andrews Road/Plumpton Way Industrial Estate; and
- Wandle Trading Estate.

*Mixed Use Developments and Loss of Employment Land*

2.84 The UDP is intended to take a strong approach to the safeguarding of employment land for employment uses based on the assessment that there is a limited supply of available industrial land. Consequently, it UDP advocates a 'highly restrictive' approach to the transfer of industrial land to other uses.

2.85 Policy EM13 aims to protect against the loss of industrial sites in areas outside Strategic and Established Industrial Locations. The policy makes the requirement that proposals for the redevelopment of such sites to non-employment uses must be accompanied by evidence that the site in question is 'no longer suitable for employment-generating uses'. Paragraph 10.110 of the UDP states that such evidence should include:

- marketing activity or a vacancy period covering at least one year;

- realistic marketing price in view of the market conditions at the time of the proposal.
- 2.86 Where evidence is provided which supports the assertion that industrial uses are not a viable alternative, the Council encourages the redevelopment of the site for a mix of uses including residential and business or other employment-generating uses. On sites where the loss of an employment use is considered acceptable, the Council will consider favourably affordable housing as part of a mixed-use scheme.
- 2.87 Despite the intentions of the UDP to take a strong approach against the loss of employment sites to other uses, on-going evidence indicates that the policies are not being implemented effectively. Consequently, it may be appropriate for the LDF to define more clearly a number of policies which should be based on a robust and sound evidence base. This study should provide an important source such source of evidence.
- 2.88 Table 2.7 provides a summary of the remaining key employment policies set out in the Sutton UDP.

**Table 2.7 – Summary of Sutton UDP Employment Policies**

Policy	Key Aims & Objectives
EM4	Promotes high tech industry, light industry, general industry and warehousing or similar industrial uses at Strategic Industrial Locations and Established Industrial Areas.
EM5	Resists non-employment uses in Preferred Industrial Areas.
G/EM2	Seeks to maintain and enhance the role of Sutton Town Centre as a major office location within London.
EM1	Promotes major offices in areas of high public transport accessibility (particularly Sutton Town Centre) and small offices in district and local centres and other appropriate locations.
EM3	Allows change of use of surplus offices to mixed use <i>outside</i> preferred and established industrial locations, subject to defined criteria (vacancy, marketing, suitability).
EM6	Promoting environmental improvements for preferred / established industrial locations.
EM14	Favourable consideration given to warehousing, storage and distribution in Preferred Industrial Locations.
EM15	Encouraging provision of small units as part of new employment related development or redevelopment proposals.

Source: Sutton UDP, April 2003.

2.89 Clearly, in recommending the most appropriate policy approach for the Sutton LDF, it will be important to consider the extent to which existing policies should be continued or changed. Particular issues which are given consideration in Section 6 of this report include:

- The use of terminology which is consistent with the London Plan / draft SPGs;
- Revisiting the employment site typology to reflect varying roles of sites / locations;
- Strong justification for policies aimed at safeguarding key employment sites identified in LDF;
- The extent to which there is a potential shortfall (or oversupply) of employment land in the Borough to meet future need;
- Potential release of unsuitable and genuinely surplus employment sites through a managed, criteria-based approach (including specific marketing criteria); and
- The development of more proactive policies to meet local business needs and regeneration priorities.

*Progress of Local Development Framework (LDF)*

2.90 At time of writing, the Council is at the 'Issues and Options' stage in the preparation of the LDF. Coming into effect on 29 July 2005, the Council has prepared a Local Development Scheme (LDS) which sets out the range of local development documents which will comprise LB Sutton's LDF. The consultation on preferred options is programmed to commence in June 2006. Adoption of the Core Strategy is expected to take place by September 2008. This will contain the Council's planning strategy, general policies and objectives.

**KEY MESSAGES**

2.91 The key messages for the development of the Sutton LDF arising from the policy appraisal are as follows:

- (i) National and regional policy guidance requires local authorities to undertake an assessment of existing and allocated employment land sites using a criteria-based approach. The aim of the assessments is to promote positive planning, ensure that existing and allocated sites are suitable for employment use and, where not suitable and/or 'genuinely surplus', to highlight options for transfer to other uses.
- (ii) The recent revision to PPG3 (Housing) highlights the importance of local authorities undertaking employment land reviews in order to demonstrate the degree of local need for employment sites and to assess their suitability for such uses. Paragraph 42(a) indicates that planning proposals for housing development on industrial land should be considered favourably unless it can be demonstrated (through an employment land review) that there is a realistic prospect of the land being taken up for employment purposes during the plan period.
- (iii) The London Plan and draft Supplementary Planning Guidance highlight the need for London Boroughs to identify Strategic Employment Locations (SELs) and locally important industrial sites and to develop appropriate policies to safeguard them for employment use. The GLA advocates the application of the criteria-based approach to identify site suitable for safeguarding.
- (iv) The London Plan, the draft Sub-Regional Development Framework, the South London Office Capacity Study and the Sutton UDP highlight the importance of adopting policies which cater for the needs of SMEs. Employment land policies should also have particular regard to the needs of regeneration areas and communities subject to high levels of deprivation.
- (v) Research undertaken on behalf of the GLA postulates that Sutton should be moved from the 'Restricted' transfer category to the middle 'Limited' transfer category. This potentially raises the expectations amongst developers that significant amounts of employment land in the Borough will be available for development for higher values uses. However, the conclusions of the GLA report are founded on statistics which are not necessarily reflective of true market conditions in Sutton:
  - the data is now out-of-date and in most cases is at least two years old;

- the report excludes the office element of employment land supply and demand and therefore provides only a partial picture;
  - the data excludes developments of less than 1,000 sqm despite the importance for local authorities in meeting the needs of small businesses; and
  - the consultant's preferred scenario is based on an aspirations policy assumption which redirects future demand to the East sub-region.
- (vi) The London Office Policy Review (LOPR) indicates a potentially significant shortfall between projected demand for office space and committed supply. Despite this, the consultants do not support policies aimed at protecting existing space and promoting new space given the scale of potential supply in Croydon. We consider that the LOPR does not distinguish sufficiently between meeting the needs of large occupiers and those of a wide variety of SMEs.
- (vii) The South London Office Capacity Study reiterated the LOPR's assessment that there was a limited amount of potential office supply in the development pipeline. It also highlighted the need to consider redevelopment of some exiting offices, particularly in the vicinity of Sutton station. It concluded that an addition of 70,000 sqm to the stock office space in the Borough would be realistic and that there is strong demand for small, flexible units (including serviced accommodation).
- (viii) The draft Sub-Regional Development Framework for South London highlights the need to upgrade much of the office stock in the South sub-region. Whilst it highlighted the potential for release of up to 90 ha of industrial and warehousing land in the sub-region, it does not provide guidelines for individual boroughs. Indeed, it places the onus on local authorities to test the scope for release of employment land and to develop proactive policies aimed at providing for, and managing the stock of employment land.
- (ix) The UDP promotes policies which aim to safeguard and upgrade the existing stock of employment land in the Borough although mixed-use development may be acceptable in areas outside preferred industrial

locations if certain criteria are met. Despite this, a significant amount of employment land has been lost to other uses over the past 10 years which indicates that some employment policies have not been successfully implemented. It will be important for the LDF to ensure policies are clearly defined and supported by a robust evidence base. This evidence base should identify the balance between anticipated demand of and supply of employment land and premises in the Borough.



### **3. SOCIO-ECONOMIC APPRAISAL**

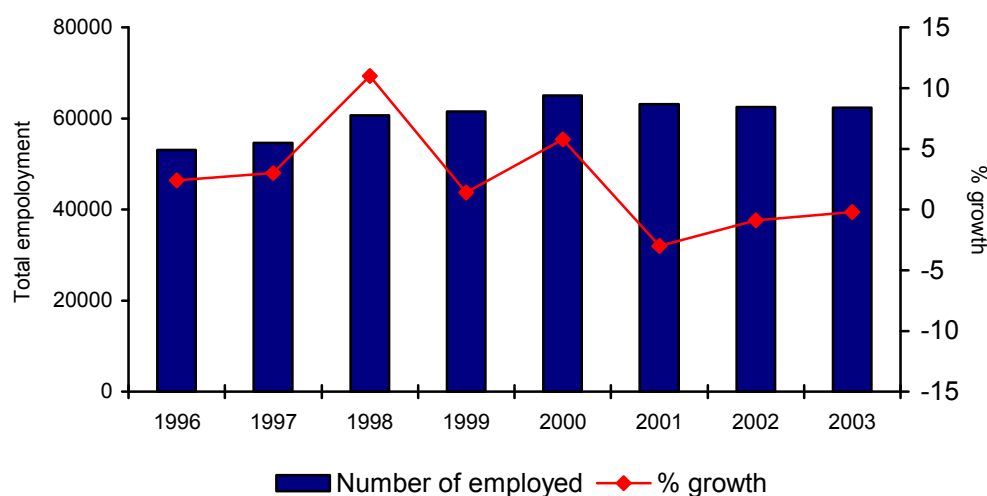
#### **INTRODUCTION**

- 3.1 This Section provides a review of trends in socio-economic conditions in the London Borough of Sutton. It includes an up-to-date assessment of property market demand indicators in the Borough compared to other parts of the South London sub-region.
- 3.2 The socio-economic analysis contained in this Section forms one of the strands of work used to inform our overall assessment of future business needs in the Borough. Consequently, it should be considered alongside the findings of our employment and business floorspace forecasts and the empirical business survey. These findings are set out in Section 4. This approach follows the ODPM guidance notes on employment land reviews which advocates a range of research tools to inform estimates of future demand rather than relying solely on a single methodology.
- 3.3 The socio-economic appraisal provides an important context to understanding the key priorities and challenges in the local economy. The following analysis sets out a comprehensive assessment of local economic conditions compared to wider sub-regional and regional trends.

#### **EMPLOYMENT STRUCTURE**

##### **Overview**

- 3.4 In 2003 there were just over 62,400 jobs provided in Sutton (excluding self-employment). This represents an increase of 27.5% since 1993, equating to an additional 9,300 jobs. This is a strong performance when compared to the 26.5% achieved in London as a whole and 21.8% in Great Britain overall. As shown in Figure 3.1, the total number of jobs has contracted marginally each year since 2000. This mirrors the overall trend in London.

**Figure 3.1 –Total Employment**

Source: NOMIS, Annual Business Inquiry (1996-2003)

### Broad Sector Analysis

- 3.5 The broad sector employment pattern of Sutton is set out in Table 3.1. This shows that in 2003 employment in Sutton was dominated by three main sectors: distribution, hotels & restaurants (23.8% of the total); banking, finance & insurance (26.2% of the total) and public administration, education & health (23.2% of the total).
- 3.6 Banking, finance & insurance has been the major growth area in absolute terms, with an additional 5,127 jobs being provided since 1993. In percentage terms employment was up by an average 3.8% per annum, and by 45.6% over the ten year period.
- 3.7 The strongest annual average percentage growth has been in the construction sector, up by an average of 6.4% per annum and by 85.7% over the ten year period. This is well above the regional and national averages, as Table 3.2 shows. As a result the construction sector now accounts for 8% of all employment in Sutton, up from 5.5% in 1993.

**Table 3.1 – Employment by Sector**

Industry Sector	1993		1998		2003		Average Annual growth (1993-2003)	Total % growth ('93-'03)
	No.	% of total	No.	% of total	No.	% of total		
Agriculture & fishing	82	0.2	57	0.1	63	0.1	-2.6	-23.2
Energy & water	374	0.8	55	0.1	29	0.0	-22.6	-92.2
Manufacturing	5 091	10.4	4 251	7.0	4 251	6.8	-1.8	-16.5
Construction	2 679	5.5	5 108	8.4	4 974	8.0	6.4	85.7
Distribution, hotels & restaurants	11 616	23.7	16 546	27.3	14 870	23.8	2.5	28.0
Transport & communications	3 760	7.7	3 761	6.2	4 554	7.3	1.9	21.1
Banking, finance & insurance, etc	11 247	23.0	12 946	21.3	16 374	26.2	3.8	45.6
Public administration, education & health	11 937	24.4	15 399	25.4	14 494	23.2	2.0	21.4
Other services	2 175	4.4	2 567	4.2	2 802	4.5	2.6	28.8
<b>TOTAL</b>	<b>48 961</b>	<b>100</b>	<b>60 689</b>	<b>100</b>	<b>62 411</b>	<b>100</b>	<b>2.5</b>	<b>27.5</b>

Source: NOMIS, Annual Business Enquiry (1993, 1998, 2003)

3.8 Only energy & water and manufacturing have seen contractions in employment levels between 1993 and 2003. Notably however, in 2003 agriculture & fishing and energy & water only accounted for 0.1% of employment in Sutton, whilst manufacturing accounted for 6.8%.

3.9 The proportion of total employment accounted for by the manufacturing sector has fallen since 1993 when it was 10.3% as the total number of jobs has declined by 16.5% (-1.8% per annum). However, the decline in employment levels in the manufacturing sector reflects a national trend and is not just an isolated experience of Sutton. Overall in 2003 manufacturing employment in Great Britain was down by 15.2% on the 1993 level and in London it was down by 20.6% over the same period.

**Table 3.2 - Employment Growth Rates 1993-2003 (annual average % pa)**

Industry Sector	1993	1998	2003
Agriculture & fishing	-2.6	-6.7	-3.7
Energy & water	-22.6	-10.1	-4.8
Manufacturing	-1.8	-2.3	-1.6
Construction	6.4	3.9	3.1
Distribution, hotels & restaurants	2.5	3.4	3.1
Transport & communications	1.9	0.7	1.7
Banking, finance & insurance	3.8	3.9	4.0
Public administration, education & health	2.0	1.5	2.0
Other services	2.6	3.1	3.4
TOTAL	2.5	2.4	2.0

Source: NOMIS, Annual Business Enquiry (1993, 1998, 2003)

### Detailed Sector Analysis

- 3.10 In understanding the dynamics of the local economy, it is useful to examine changes in employment in some specific sub-sectors (2-digit SIC code). A selection of the key sectors is set out below in Table 3.3.

**Table 3.3 - Employment in LB Sutton (2 Digit SIC selected sectors)**

Industry sub-sector	1993	2003		Actual change ('93-'03)	Avg annual growth ('93-'03)	Total % growth ('93-'03)
	No. of jobs	No. of jobs	% of total			
Other business activities	6 456	11 340	18.2	4 884	5.8	75.7
Health & social work	7 132	8 587	13.8	1 455	1.9	20.4
Retail trade, except motor vehicles & motorcycles & repair	7 034	7 899	12.7	865	1.2	12.3
Construction	2 679	4 974	8.0	2 295	6.4	85.7
Education	2 734	3 733	6.0	999	3.2	36.5
Hotels & restaurants	1 745	3 340	5.4	1 595	6.7	91.4
Wholesale trade & commission trade, (not motor vehicles & motorcycles)	1 860	2 510	4.0	650	3.0	34.9
Publishing, printing & reproduction of recorded media	1 933	2 285	3.7	352	1.7	18.2
Public admin & defence; compulsory social security	2 071	2 174	3.5	103	0.5	5.0
Post & telecommunications	615	1 715	2.7	1 100	10.8	178.9
Land transport; transport via pipelines	1 055	1 589	2.5	534	4.2	50.6
Recreational, cultural & sporting activities	1 047	1 578	2.5	531	4.2	50.7
Financial intermediation, except insurance & pension funding	1 347	1 259	2.0	-88	-0.7	-6.5
Supporting & auxiliary transport activities; activities of travel agencies	2 076	1 245	2.0	-831	-5.0	-40.0
Sale, maintenance & repair of motor vehicles & motorcycles & fuel	977	1 122	1.8	145	1.4	14.8
Computer & related activities	624	984	1.6	360	4.7	57.7
Real estate activities	582	898	1.4	316	4.4	54.3
Other service activities	603	859	1.4	256	3.6	42.5
Insurance & pension funding, except compulsory social security	227	621	1.0	394	10.6	173.6
Activities auxiliary to financial intermediation	1096	486	0.8	-610	-7.8	-55.7
Research & development	631	458	0.7	-173	-3.2	-27.4
Manufacture of rubber & plastic products	123	356	0.6	233	11.2	189.4
Renting of machinery & equipment without operator & of personal & household goods	284	327	0.5	43	1.4	15.1
Manufacture of fabricated metal products, except machinery & equipment	391	322	0.5	-69	-1.9	-17.6

Source: NOMIS, Annual Business Enquiry (1993, 1998, 2003)

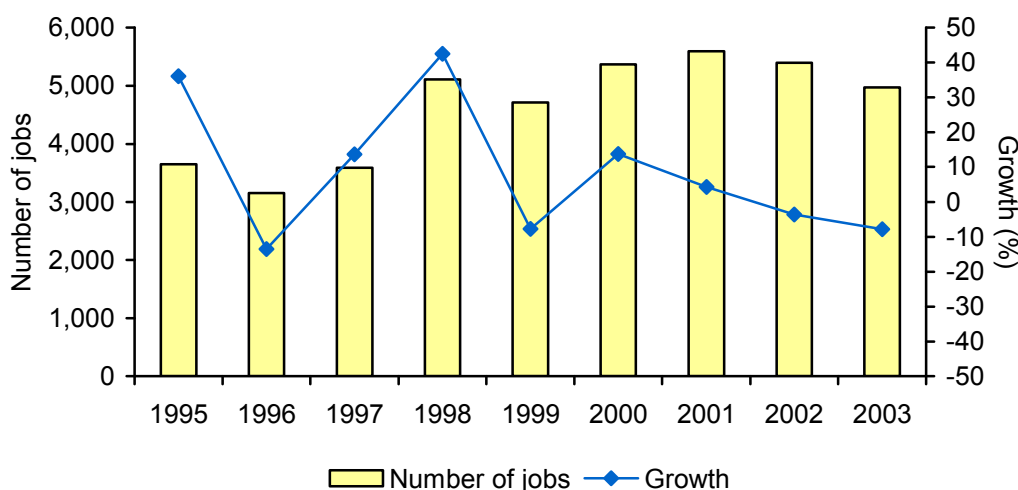
- 3.11 The largest sub-sector source of employment comes from other business activities. This category includes a range of services such as professional services, management consultancy, renting of vehicles and equipment, software consultancy, repair of office machinery, advertising, industrial cleaning and labour recruitment. Many of these services support core business activities and thus have a range of locational requirements (for example, proximity to their customer base). Nevertheless, a variety of these activities are suited to locations which are cost efficient with good access to central commercial areas and a labour supply with varied occupational characteristics. Consequently, many of Sutton's employment sites are likely to provide an important opportunity to accommodate many of these services. Employment within this sub-sector has grown by over 75% during the last ten years, with the bulk of the growth coming in the last five. In terms of the number of jobs, this sector has seen the largest level of job creation, with 4,884 new jobs being generated between 1993 and 2003. Many of these activities require small (and affordable) B1 premises in a variety of locations.
- 3.12 Employment growth has been particularly strong in the post & telecommunications sector, at nearly 11% per annum between 1993 and 2003 and as a result it has doubled the proportion of total employment that it accounts for to 2.7%. Insurance & pension funding and manufacture of rubber & plastic products have also shown strong percentage growth.
- 3.13 Table 3.3 also shows the importance of the retail sub-sector in making the distribution, hotels & restaurants sector the second largest sector in Sutton. The retail sector accounts for 12.7% of total employment. Similarly, within the public administration, education & health sector, which is the third largest sector, health & social work and education are key sub-sectors.

#### *Construction Sector*

- 3.14 Figure 3.2 shows annual growth and total employment figures for the construction sector since 1995. The London Borough of Sutton has performed a strong sub-regional role in the construction sector over the last decade.
- 3.15 Growth in construction sector employment was strong through the late 1990s, despite two years of contraction in 1996 and 1999. However employment seems to have peaked in 2001 and since then 2002 and 2003 have both

recorded small contractions and the total employment level has fallen. In 2001 there were 5,595 jobs and by 2003 this had fallen to 4,974. Despite this, the level was still well up on 1993. This can be better seen in Table 3.4.

**Figure 3.2 – Construction Sector Employment**



Source: NOMIS, Annual Business Inquiry

- 3.16 Table 3.4 shows employment in the construction at the 4-digit SIC level, as well as the total construction employment figures. It also shows the net change in jobs and percentage change between both 1993 and 2003 and 2001 and 2003. It shows only those sub-sectors that accounted for more than 1% of total construction employment in 2003.
- 3.17 The construction sector is dominated by two key sub-sectors; installation of electrical wiring & fittings and general construction of buildings. Between them they account for over 60% of all employment in the sector, although this figure has fallen slightly since 1993 when it was over 70%.
- 3.18 Between 1993 and 2001 employment in all of the sub-sectors listed in the Table 3.4 grew and the increase in job numbers was greatest in the main two sub-sectors. However since 2001 five of the sub-sectors have contracted and total construction employment has fallen by just over 11%. In particular employment in general construction of buildings has fallen by over 600 (35.7%).

- 3.19 In absolute terms, the installation of electrical wiring & fittings sub-sector has shown the greatest increase in employment since 2001, with an extra 171 jobs being provided.

**Table 3.4 – Construction sector employment: 4-digit SIC analysis**

Construction sub-sector	1993		2001		2003		Total change	Change ('01-'03)	Total % growth	% growth ('01-'03)
	No.	%	No.	%	No.	%				
Installation of electrical wiring & fittings	1 038	38.7	1 832	32.7	2 003	40.3	965	171	929.7	9.3
General construction of buildings etc	905	33.8	1 694	30.3	1 090	21.9	185	-604	204.4	-35.7
Plumbing	164	6.1	573	10.2	467	9.4	303	-106	1 847.6	-18.5
Other constr. involving specialist trades	53	2.0	314	5.6	335	6.7	282	21	5 320.8	6.7
Other building completion	28	1.0	221	3.9	277	5.6	249	56	8 892.9	25.3
Joinery installation	157	5.9	180	3.2	172	3.5	15	-8	95.5	-4.4
Other building installation	31	1.2	164	2.9	169	3.4	138	5	4 451.6	3.0
Erection of roof covering & frames	100	3.7	140	2.5	146	2.9	46	6	460.0	4.3
Painting & glazing	93	3.5	177	3.2	139	2.8	46	-38	494.6	-21.5
Floor or wall covering	25	0.9	49	0.9	69	1.4	44	20	1 760.0	40.8
Construction of highways, roads etc	1	0.0	183	3.3	62	1.2	61	-121	61 000	-66.1
TOTAL construction	2 679	100	5 595	100	4 974	100	2 295	-621	387.4	-11.1

Source: NOMIS, Annual Business Enquiry

- 3.20 Overall it has been very small businesses that have driven the growth of the construction sector (particularly businesses with less than 5 employees).



**Table 3.5 - Construction sector employment and establishments by establishment size 1993-03**

Size Band	1993	2001	2003	Absolute change		% change	
	Empl	Empl	Empl	'93-'03	'01-'03	'93-'03	'01-'03
<i>Employment</i>							
Micro	604	2,082	1,692	1 088	-390	180.1	-18.7
Small	811	1,193	943	132	-250	16.3	-21.0
Medium	457	414	911	454	497	99.3	120.0
Large	807	1,906	1,428	621	-478	77.0	-25.1
TOTAL	2,679	5,595	4,974	2 295	-621	85.7	-11.1
Micro, 1 – 4 empl.	341	1,435	1,157	816	-278	239.3	-19.4
Micro, 5-10 empl.	263	647	536	273	-111	103.8	-17.2
<i>Business units</i>							
Micro	210	815	823	613	8	291.9	1.0
Small	40	59	49	9	-10	22.5	-16.9
Medium	5	5	10	5	5	100.0	100.0
Large	2	3	2	0	-1	0.0	-33.3
TOTAL	257	882	884	627	2	244.0	0.2
Micro, 1 – 4 empl.	172	729	747	575	18	334.3	2.5
Micro, 5-10 empl.	38	86	76	38	-10	100.0	-11.6

Source: NOMIS, Annual Business Enquiry

## Regional Comparison

3.21 Table 3.6 and Figure 3.3 provide a local benchmark for Sutton employment as it compares to London, whilst Table 3.5 and Figure 3.3 look at Sutton compared Sutton to the National economy. The employment location quotients shown in table 3.4 below give the relative representation of each category in Sutton compared to the relative representation in London. An employment location quotient of over 1.0 implies that Sutton is over-

represented relative to London, and similarly one of less than 1.0 implies that Sutton is under-represented.

- 3.22 Sutton is significantly over-represented in the construction sector and has become more so since 1993.
- 3.23 Sutton is slightly under-represented in the banking, finance & insurance sector and the other services sector. It is significantly under-represented in the energy & water sector but this is a very small sector, making up just 0.1% of total employment in Sutton.

**Table 3.6 – Employment Location Quotients Sutton vs London**

Industry Sector	1993	1998	2003
Agriculture & fishing	1.0	1.0	1.6
Energy & water	0.9	0.3	0.2
Manufacturing	1.1	0.9	1.2
Construction	2.0	2.3	2.5
Distribution, hotels & restaurants	1.2	1.2	1.0
Transport & communications	0.8	0.8	0.9
Banking, finance & insurance, etc	0.8	0.7	0.8
Public administration, education & health	1.0	1.3	1.1
Other services	0.7	0.7	0.7
TOTAL	1.0	1.0	1.0

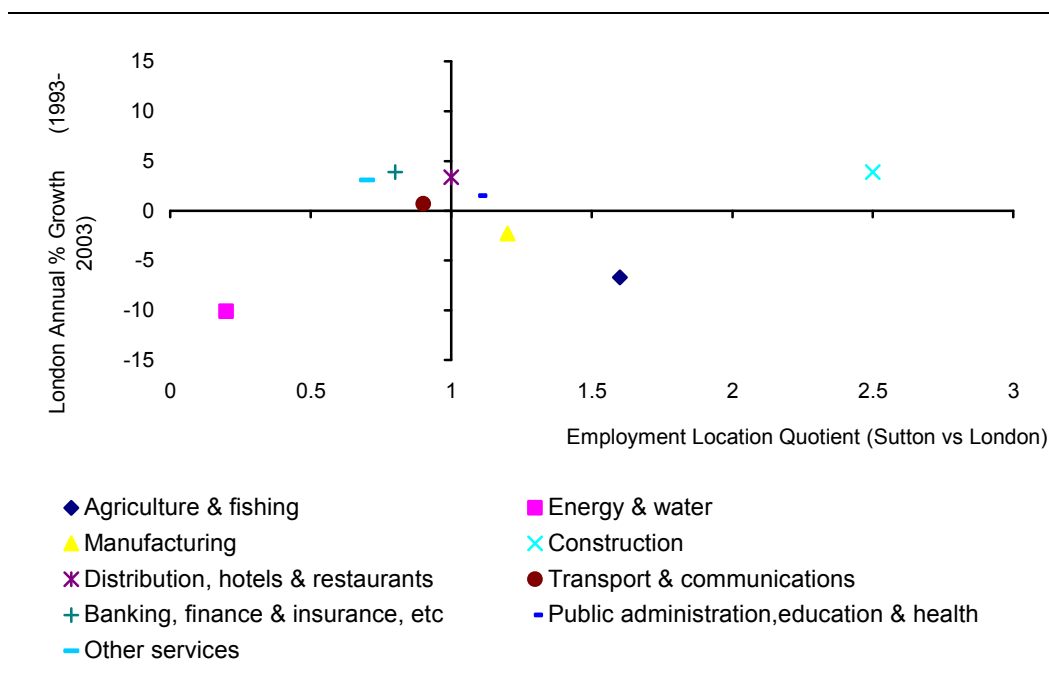
Source: NOMIS, Annual Business Enquiry

- 3.24 Figure 3.3 shows how Sutton's existing employment structure is placed relative to the growing and declining sectors in London.
- 3.25 Industries identified in the upper right quadrant are those which have experienced growth in the London economy and are also over- represented in Sutton. As already shown in Table 3.6, Sutton is extremely well represented in the construction sector. Annual average growth in London has been 3.9% over the past decade compared to 6.4% in Sutton. Sutton is also well represented in public administration, education & health which is also a growth sector.
- 3.26 In the lower left quadrant can be found industries that are under-represented in Sutton, but have been experiencing a decline in London. Only the energy and water sector falls into this quadrant. Average annual growth over the past

ten years was -22.6% in Sutton and -10.0% in London. Because the rate of decline is greater in Sutton than London, this signals that the sector is likely to become even less represented in the future if the current trend continues.

- 3.27 The upper left quadrant includes those industries which are growing in the London area but are under-represented in Sutton. Sectors within this quadrant are growing but are not finding Sutton as attractive a destination as other London areas. Transport & communications, banking, finance & insurance and other services all fall into this quadrant. However, all three are only marginally under-represented, with other services being the lowest of the group with an employment location quotient of 0.7.
- 3.28 Finally the bottom right quadrant includes those sectors that are experiencing a decline within London and that are over-represented in Sutton. Manufacturing is a key sector here. Whilst demand is likely to continue to decrease within this sector, it is likely to be at a lesser rate than during the 1990s. Due to the over-representation of manufacturing within Sutton, it is therefore likely that Sutton will continue experiencing quite a high rate of industrial restructuring.

**Figure 3.3 - Sutton Location Quotients and Sectoral Change in London**



- 3.29 Table 3.7 shows that compared to the national economy, Sutton is significantly under-represented in manufacturing and energy & water. Sutton

is significantly over-represented in construction and to a lesser extent banking, finance & insurance and transport & communications.

**Table 3.7 - Employment Location Quotients (Sutton compared to Great Britain)**

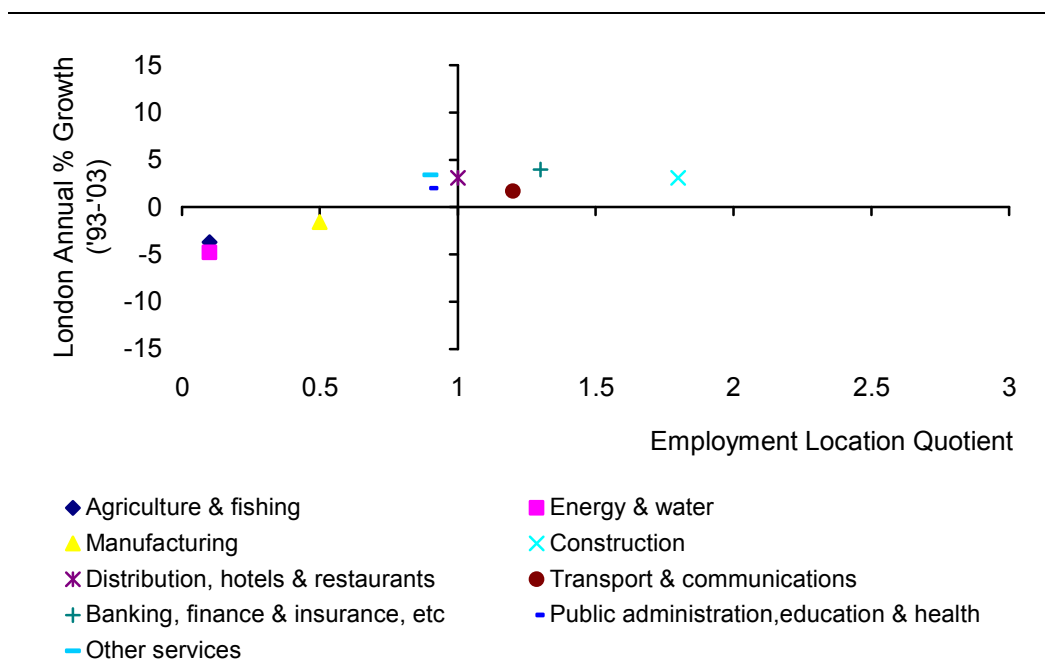
Industry Sector	1993	1998	2003
Agriculture & fishing	0.1	0.1	0.1
Energy & water	0.6	0.1	0.1
Manufacturing	0.6	0.4	0.5
Construction	1.4	1.9	1.8
Distribution, hotels & restaurants	1.1	1.1	1.0
Transport & communications	1.2	1.1	1.2
Banking, finance & insurance, etc	1.4	1.1	1.3
Public administration, education & health	0.9	1.1	0.9
Other services	1.0	0.9	0.9
TOTAL	1.0	1.0	1.0

Source: NOMIS, Annual Business Enquiry

3.30 Figure 3.4 illustrates the idea that in comparison to the national economy, Sutton's employment structure appears more oriented towards current growth sectors. In particular, the construction sector and the banking, finance & insurance sector have both experienced growth between 1993 and 2003 and are well represented in Sutton. This represents an important element for the long-term sustainability of the Sutton economy.

3.31 Only the other services sector and the public administration, education & health sector are in the top left quadrant. However both are only marginally under-represented in the Sutton economy with employment location quotients of 0.9 each.

3.32 As most of the industry groups fall into either the upper right quadrant or the lower left quadrant, compared to the national economy, Sutton tends to be under-represented in those industries which are contracting and over-represented in those that are growing.

**Figure 3.4 – Sutton Location Quotients and Sectoral Change in Great Britain**

Source: Atkins / Annual Business Survey

## BUSINESS STRUCTURE

- 3.33 Table 3.8 sets out the total number of business units in Sutton by broad industrial group, and looks at the rate of change between 1993 and 2003.
- 3.34 By far the largest growth in percentage terms has been in the construction sector. Between 1993 and 2003 the number of units has increased by 244%, or by 13.1% per annum. As a result the construction sector now accounts for 13.4% of the total of business units in Sutton, up from 7.3% in 1993. This mirrors the employment analysis, which showed that the construction sector was the strongest growing sector and increased the proportion of total employment that it accounted for to 8.0%.
- 3.35 The largest sector is banking, finance & insurance. In 2003 it accounted for 33.3% of all business units in Sutton. It has also seen strong growth, with the number of units up 113.8% since 1993. When looking in more detail, we can see that it is 'other business activities' (which includes a range of services such as professional services, management consultancy, renting of vehicles

and equipment, software consultancy, repair of office machinery, advertising, industrial cleaning and labour recruitment) that has been driving growth in this sector. This is also reflected in the employment structure analysis.

- 3.36 Despite a fall in manufacturing employment in Sutton, the number of business units has increased, up nearly 50% between 1993 and 2003. However, we can see that in 2003 it accounted for only 6% of all units, compared to 7.6% in 1993. This indicates that despite growing, the relative weight of the sector has been in decline over the same period.
- 3.37 Overall, total business growth in Sutton averaged 6.5% per annum between 1993 and 2003. This compared to per annum employment growth of 2.5% over the same period. This was very much in line with the London average, where growth rates were 6.8% in terms of business units and 2.4% in terms of employment.

**Table 3.8 – Sutton, Business Establishments by Sector**

Industry Sector	1993		1998		2003		Average Annual growth (1993-2003)	Total % growth ('93-'03)
	No.	% of total	No.	% of total	No.	% of total		
Agriculture & fishing	9	0.3	8	0.1	10	0.2	1.1	11.1
Energy & water	10	0.3	5	0.1	4	0.1	-8.8	-60.0
Manufacturing	268	7.6	429	6.8	400	6.0	4.1	49.3
Construction	257	7.3	851	13.5	884	13.4	13.1	244.0
Distribution, hotels & restaurants	1 066	30.4	1 761	28	1 780	26.9	5.3	67.0
Transport & communications	131	3.7	215	3.4	242	3.7	6.3	84.7
Banking, finance & insurance, etc	1 031	29.4	2 033	32.3	2 204	33.3	7.9	113.8
Public administration, education & health	450	12.8	414	6.6	483	7.3	0.7	7.3
Other services	287	8.2	572	9.1	609	9.2	7.8	112.2
<b>TOTAL</b>	<b>3 509</b>	<b>100</b>	<b>6 288</b>	<b>100</b>	<b>6 616</b>	<b>100</b>	<b>6.5</b>	<b>88.5</b>

Source: NOMIS, Annual Business Enquiry (1993, 1998, 2003)

- 3.38 The following two tables look at the business unit location quotients for Sutton relative to London. Table 3.9 shows banking, finance & insurance sector is

only slightly under-represented with a quotient of 0.8. However the trend shows that it has been becoming increasingly under-represented compared to London as a whole.

**Table 3.9 – Business Unit Location Quotients (Sutton with London)**

Industry sector	1993	1998	2003
Agriculture & fishing	1.3	1.3	1.8
Energy & water	1.1	0.7	0.9
Manufacturing	0.9	1.0	1.1
Construction	1.7	2.4	2.4
Distribution, hotels & restaurants	1.0	1.0	1.0
Transport & communications	0.8	0.8	1.0
Banking, finance & insurance	1.0	0.9	0.8
Public administration, education & health	1.0	1.0	1.0
Other services	0.9	0.8	0.8
TOTAL	1.0	1.0	1.0

Source: NOMIS, Annual Business Enquiry (1993, 1998, 2003)

## Business Size

3.39 This section looks at the business establishment structure of Sutton by four key size bands. These are:

- i. Micro (1 to 10 employees);
- ii. Small (11 to 49 employees);
- iii. Medium (50 to 199 employees);
- iv. Large (200 & over employees).

3.40 The micro businesses are then broken down further into two smaller size bands. These are:

- ii. Micro of 1 to 4 employees;

iii. Micro of 5 – 10 employees.

3.41 Table 3.10 illustrates that micro businesses of 1 to 10 employees make up the vast majority of businesses in Sutton. In 2003 they accounted for 87.3% of all businesses, nearly 10% more than they did ten years previously. The small, medium and large businesses have all seen the share of total businesses units that they account for decrease since 1993.

3.42 Table 3.10 also shows that micro businesses of 1 to 4 employees make up nearly  $\frac{3}{4}$  of all business units in Sutton. The percentage of the total that they account for has increased rapidly since 1993 when it was 55.1%. This highlights the growing importance of the micro sector in Sutton.

**Table 3.10 – Business Units by Employment Size Band in Sutton**

Size band	1993		1998		2003	
	Number	% of total	Number	% of total	Number	% of total
Micro	2 747	78.3	5 478	87.1	5 777	87.3
Small	605	17.2	652	10.4	667	10.1
Medium	124	3.5	118	1.9	134	2.0
Large	33	0.9	40	0.6	38	0.6
TOTAL	3 509	100	6 288	100	6 616	100
Micro, of 1 to 4 employees	1 934	55.1	4 628	73.6	4 925	74.4
Micro, of 5 to 10 employees	813	23.2	850	13.5	852	12.9
TOTAL Micro	2 747	78.3	5 478	87.1	5 777	87.3

Source: NOMIS, Annual Business Enquiry (1993, 1998, 2003)

3.43 Table 3.11 shows that Sutton compared well to the London economy in terms of its representation of micro and small businesses (with a location quotient of 1.0). However, medium and large businesses are slightly under-represented in Sutton.



**Table 3.11 – Size band quotients (Sutton vs London)**

Size band	1993	1998	2003
Micro	1.0	1.0	1.0
Small	0.9	1.0	1.0
Medium	0.8	0.7	0.7
Large	0.8	0.9	0.8
TOTAL	1.0	1.0	1.0
Micro, of 1 – 4 employees	1.0	1.0	1.0
Micro, of 5 – 10 employees	1.0	1.0	1.0

Source: NOMIS, Annual Business Enquiry (1993, 1998, 2003)

3.44 Table 3.12 shows that the banking, finance & insurance sector is a key employer across all size bands, but particularly in the micro and large bands. Distribution, hotels & restaurants also have a strong representation at all levels. The public administration, education & health sector is a key employer at the mid-range level (small and medium).

3.45 Table 3.13 looks in further detail at the micro sector. In particular it shows that the micro businesses of 1 to 4 employees accounts for well over a third of the total.

**Table 3.12 - Sutton, Size band proportions by broad category (2003)**

Industry sector	Size band			
	Micro	Small	Medium	Large
Agriculture & fishing	0.1	0.3	0	0
Energy & water	0.1	0.1	0	0
Manufacturing	5.8	7.6	8.2	2.6
Construction	14.2	7.3	7.5	5.3
Distribution, hotels & restaurants	27	27.3	21.6	26.3
Transport & communications	3.5	3.9	7.5	15.8
Banking, finance & insurance	34.9	21.4	23.1	28.9
Public administration, education & health	4.5	27	26.9	18.4
Other services	9.8	4.9	5.2	2.6
TOTAL	100	100	100	100

Source: NOMIS, Annual Business Enquiry

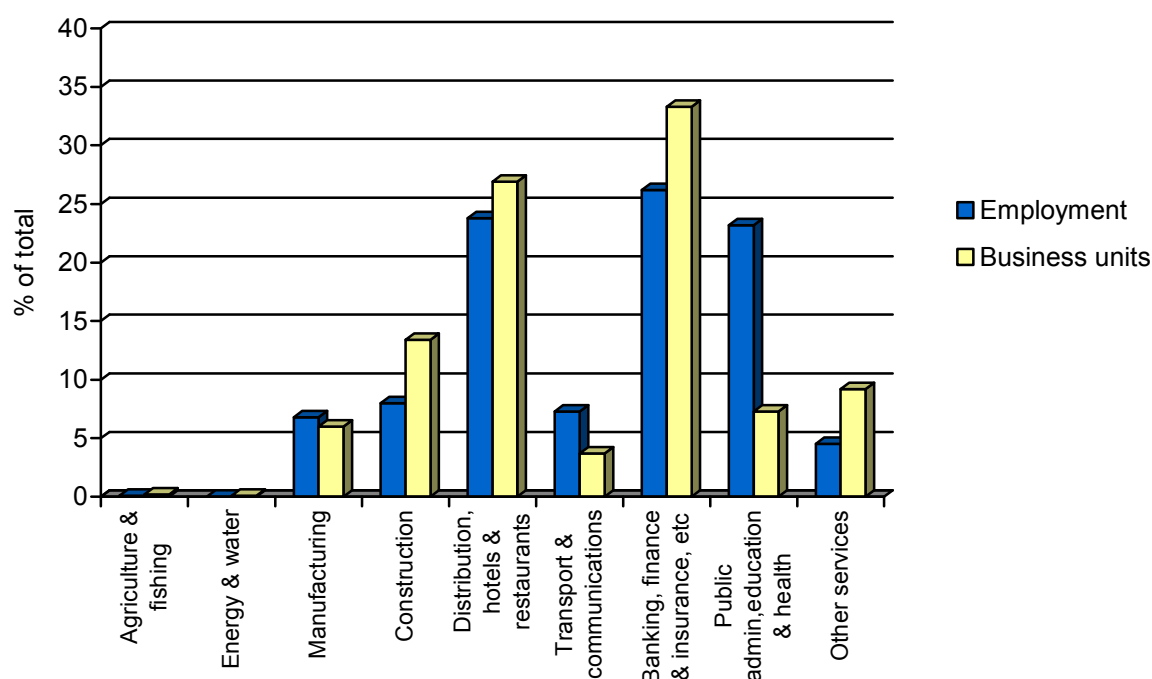
**Table 3.13 – Sutton, size band proportion by industry – micro businesses further analysis**

Industry sector	Size band	
	Micro, of 1 – 4 employees	Micro, of 5 – 10 employees
Agriculture & fishing	0.1	0.2
Energy & water	0.0	0.1
Manufacturing	5.7	6.5
Construction	15.2	8.9
Distribution, hotels & restaurants	25.1	37.9
Transport & communications	3.4	3.9
Banking, finance & insurance	36.8	24.1
Public administration, education & health	3.3	11.5
Other services	10.3	6.9
TOTAL	100	100

Source: NOMIS, Annual Business Enquiry

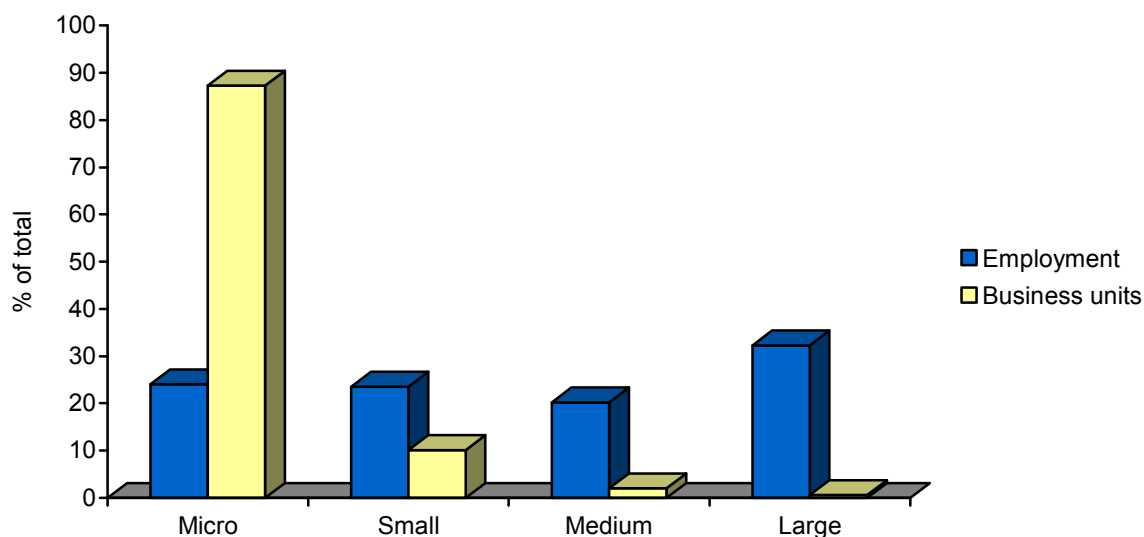
- 3.46 Figure 3.5 compares the proportion of total employment with that for total business units in each broad sector. The banking, finance & insurance sector accounts for the largest proportion of both employment and business units. Public administration, education & health accounts for a particularly high proportion of total employment compared to the proportion of total business units. This highlights the structure of the sector which is geared towards larger establishments.

**Figure 3.5 - Employment and business units by sector (2003)**



Source: NOMIS, Annual Business Inquiry

- 3.47 Figure 3.6 compares the percentage of total employment and of total business units that each size band accounts for. It shows that whilst the micro businesses account for nearly 90% of all business units, they only account for 24% of total employment. Conversely, large businesses account for only 0.6% of all business units but 32.3% of total employment.

**Figure 3.6 – Employment and business units by size band**

Source: NOMIS, Annual Business Inquiry

- 3.48 Tables 3.14 and 3.15 compare the employment location quotients and business unit location quotient with respect to London and Great Britain.
- 3.49 Table 3.14 shows that the business unit and employment location quotients for Sutton with London are all very similar. Only the energy & water sector shows some divergence, with business unit location quotient of 0.9% and an employment location quotient of just 0.2%, suggesting that the business units do not employ many people compared to those in the rest of London. This is confirmed through the analysis by size band.

**Table 3.14 - Business Units and Employment Location Quotients, Comparison (Sutton vs London, 2003)**

Industry Sector	Business unit location quotient	Employment location quotient
Agriculture & fishing	1.8	1.6
Energy & water	0.9	0.2
Manufacturing	1.1	1.2
Construction	2.4	2.5
Distribution, hotels & restaurants	1.0	1.0
Transport & communications	1.0	0.9
Banking, finance & insurance	0.8	0.8
Public administration, education & health	1.0	1.1
Other services	0.8	0.7
TOTAL	1.0	1.0

Source: NOMIS, Annual Business Enquiry (2003)

3.50 Comparing the business unit and employment location quotients as in Table 3.15 shows that there is some divergence within the manufacturing sector. The lower employment quotient indicates that manufacturing in Sutton is either on a smaller scale or is less capital intensive. Conversely the construction sector is more over-represented in terms of employment than business units. The transport & communications sector also shows some divergence, being over-represented in terms of employment, but under-represented in terms of business units.

**Table 3.15 – Comparison of business unit and employment location quotients (Sutton vs Great Britain, 2003)**

Industry Sector	Business unit location quotient	Employment location quotient
Agriculture & fishing	0.3	0.1
Energy & water	0.3	0.1
Manufacturing	0.8	0.5
Construction	1.5	1.8
Distribution, hotels & restaurants	0.9	1.0
Transport & communications	0.8	1.2
Banking, finance & insurance	1.1	1.3
Public administration, education & health	0.8	0.9
Other services	1.0	0.9
TOTAL	1.0	1.0

Source: NOMIS, Annual Business Enquiry (2003)

## **B USE CLASS EMPLOYMENT**

- 3.51 This sub-section examines B-use class activities in the borough. Estimates of B use class employment have been derived from ABI data by detailed SIC codes. Appendix A sets out the SIC codes which have assumed as a proxy for B use class employment.
- 3.52 It should be noted that public administration employment has been excluded from this analysis. This type of employment is more likely to depend on strategic policy decision rather than by market forces. It has also been excluded given to the need for planning policy to respond to the needs of the private sector in Sutton.
- 3.53 Table 3.16 sets out employment in B-use class establishments in Sutton, which amounted to just over 35,700 in 2003, up from 27,186 in 1993.

**Table 3.16 - B Use Class Employment in Sutton (1993-2003)**

B-Use Class Activity	1993		1998		2003		Average annual growth ('93-'03)	Total % growth ('93-'03)
	No.	%	No.	%	No.	%		
B-use banking, finance & insurance	11 247	41.4	12 946	40.0	16 374	45.8	3.8	45.6
B-use construction	2 679	9.9	5 108	15.8	4 974	13.9	6.4	85.7
B-use distribution & wholesale	2 837	10.4	4 510	13.9	3 632	10.2	2.5	28.0
B-use manufacturing	5 091	18.7	4 251	13.1	4 251	11.9	-1.8	-16.5
B-use other services	1 572	5.8	1 777	5.5	1 944	5.4	2.1	23.7
B-use transport & communications	3 760	13.8	3 761	11.6	4 554	12.7	1.9	21.1
TOTAL	27 186	100	32 352	100	35 728	100	2.8	31.4

Source: NOMIS, Annual Business Inquiry

3.54 In 2003, B-use employment accounted for approximately 57% of all employment in Sutton, up from 55.5% in 1993. This compares to 59.5% in London, where the proportion is unchanged from 1993 and 53.1% the national economy, where the proportion has fallen slightly since 1993.

3.55 Table 3.16 highlights the increasing importance of the banking, finance & insurance sector, which accounted for 45.8% in 2003 of all B-use class employment in Sutton, up from 41.4% in 1993. Within this sector is 'other business activities', which is the largest sub-sector in Sutton in terms of employment. It including activities such as professional services, management consultancy, renting of vehicles & equipment, software consultancy, repair of office machinery, advertising, industrial cleaning and labour recruitment.

### **B-Use Business Units by Size and Sectors**

3.56 Table 3.17 illustrates the evolution in the B-use class business units in Sutton between 1993 and 2003. Banking, finance & insurance is the most represented sector accounting for over 47% of all establishments in 2003. It has also been the fastest growing sector in Sutton, up by almost 8% per annum over the period considered.

3.57 The construction sector has seen the strongest growth with an average annual growth rate of 13.1%. This has resulted in its representation of total business units increasing from 11.7% in 1993 to 19.1% in 2003. However it should be noted that nearly all of the growth in establishments came between 1993 and 1998.

3.58 All of the other sectors have grown since 1993. Manufacturing has seen the weakest growth (4.1% pa) and as a result it has seen its share of total establishments fall from 12.2% in 1993 to 8.6% in 2003.

**Table 3.17 – Sutton Establishment in B-Uses Buildings by Sector**

B-Use Class Activity	1993		1998		2003		Average annual growth ('93-'03)
	No.	%	No.	%	No.	%	
B-use banking, finance & insurance	1 031	47.1	2 033	45.9	2 204	47.5	7.9
B-use construction	257	11.7	851	19.2	884	19.1	13.1
B-use distribution & wholesale	328	15.0	621	14.0	598	12.9	6.2
B-use manufacturing	268	12.2	429	9.7	400	8.6	4.1
B-use other services	175	8.0	279	6.3	309	6.7	5.9
B-use transport & communications	131	6.0	215	4.9	242	5.2	6.3
TOTAL	2 190	100	4 428	100	4 637	100	7.8

Source: NOMIS, Annual Business Inquiry

3.59 Table 3.18 illustrates the dominance of micro business units within the B-use establishments. In 2003 just over 90% of establishments were classified as micro (having between 1 and 10 employees). Breaking the micro establishments down further we can see that establishments of 1 to 4 employees account for 79.9% of the B-use total.

3.60 Only the medium-sized establishments have seen any decline since 1993, however the proportion of all B-use establishments that small, medium and large establishments account for has fallen over the period covered.



**Table 3.18 – Sutton Establishment in B-Uses Buildings by Size Band**

Size Band	1993		1998		2003	
	No.	%	No.	%	No.	%
Micro (1 – 10 employees)	1 771	80.9	3 989	90.1	4 206	90.7
Small (11 – 49 employees)	322	14.7	361	8.2	334	7.2
Medium (50 – 199 employees)	80	3.7	53	1.2	75	1.6
Large (200+ employees)	17	0.8	25	0.6	22	0.5
TOTAL	2 190	100	4 428	100	4 637	100

Source: NOMIS, Annual Business Inquiry

3.61 Table 3.19 completes the information on B-Use establishments. The highest proportion of business units for all size establishments are in the banking, finance & insurance sector. In particular, 50% of the large B-use establishments are in this sector. The transport & communications sector has a reasonably high representation of large establishments at 27.3%.

**Table 3.19 – Sutton, Establishment in B-Uses Buildings by Sector & Size Band**

Industry Sector	Size Band			
	Micro	Small	Medium	Large
B-use banking, finance & insurance	48.0	42.8	41.3	50.0
B-use construction	19.6	14.7	13.3	9.1
B-use distribution & wholesale	13.0	12.9	8.0	4.5
B-use manufacturing	8.0	15.3	14.7	4.5
B-use other services	6.6	6.6	9.3	4.5
B-use transport & communications	4.8	7.8	13.3	27.3
TOTAL	100	100	100	100

Source: NOMIS, Annual Business Inquiry

## Industrial and Warehousing Employment

3.62 Recent research commissioned by the GLA on industrial and warehousing demand in London highlighted that the occupiers of industrial and warehousing land are drawn from a wider spread of sectors (defined according to SIC codes) than identified in most traditional definitions<sup>8</sup>. The adoption of a wider definition results in a significant increase in total demand for space also because it includes sectors which have much better prospects for growth compared to manufacturing. Using the SIC definitions provided in the GLA study, Table 3.20 and 3.21 set out the level of industrial and warehousing related employment in Sutton compared to London. It also sets out location quotients for these activities providing a measure of the extent to which employment in each activity compares to the London-wide benchmark.

**Table 3.20 – Industrial Sector Employment in Sutton**

Industry Sector	1993		2003		Average annual growth ('93-'03)	Total % growth ('93-'03)	Location quotient with London
	No.	%	No.	%			
Manufacturing	3 669	74.1	2 646	57.3	-3.2	-27.9	1.0
Some construction	505	10.2	1 317	28.5	10.1	160.8	2.7
Motor vehicle activities	580	11.7	538	11.7	-0.7	-7.2	1.3
Sewage & refuse disposal	200	4.0	115	2.5	-5.4	-42.5	0.6
TOTAL	4 954	100	4 616	100	-0.7	-6.8	1.2

Source: NOMIS, Annual Business Inquiry

3.63 Employment in industrial and warehousing related sectors are well-represented in Sutton when compared to London as a whole. Employment in the warehousing sector has been growing steadily although employment in the industrial sector has fallen slightly. However, there has been significant growth in certain sub-sectors.

<sup>8</sup> Industrial & Warehousing Land Demand in London, GLA (2004)

**Table 3.21 - Warehousing Sector Employment in Sutton**

Industry Sector	1993		2003		Average annual growth ('93-'03)	Total % growth ('93-'03)	Location quotient with London
	No.	%	No.	%			
Wholesale	1 860	43.1	2 510	48.6	3.0	34.9	0.9
Freight transport by road	490	11.3	839	16.3	5.5	71.2	3.1
Cargo handling	0	0.0	0	0.0	0.0	0.0	0.0
Storage & warehousing	1 493	34.6	90	1.7	-24.5	-94.0	0.6
Other supporting land transport activities	64	1.5	442	8.6	21.3	590.6	2.1
Post & courier activities	413	9.6	1 281	24.8	12.0	210.2	1.6
<b>TOTAL</b>	<b>4 320</b>	<b>100</b>	<b>5 162</b>	<b>100</b>	<b>1.8</b>	<b>19.5</b>	<b>1.3</b>

Source: NOMIS, Annual Business Inquiry

- 3.64 Industrial sector employment accounts for 7.4% of all employment in Sutton. This proportion has fallen over the past ten year from 10.1%. This is a similar pattern to London, where the proportion of industrial employment has fallen from 9.4% to 6.0% over the same period. The sector is marginally over-represented within Sutton compared to London, shown by a location quotient of 1.2%.
- 3.65 Manufacturing accounts for the majority of industrial employment in Sutton, although the relative weight of the sub-sector has been falling. In 1993 manufacturing employment accounted for 74% of total industrial employment and this figure has fallen to 57% in 2003. Overall however, the employment location quotient for manufacturing in Sutton compared to London is 1.0%, showing that it is perfectly represented. Construction employment (within the industrial sector) has seen a large increase, with employment in the sector up 160.8% over the last ten years.
- 3.66 In contrast, the proportion of total employment in Sutton attributed to the warehousing sector has remained reasonably constant over the same period. It currently accounts for 8.3% of total employment in Sutton, compared to 6.6% in London overall. Sutton is marginally over represented, with an employment location quotient of 1.3%.

- 3.67 Wholesale employment accounts for nearly half of all warehousing employment in Sutton. Growth in wholesale employment, averaging 3% per year over the last ten years, has outperformed that of London, where the average has been 2.8% per annum. As a result the employment location quotient for this sub-sector has remained unchanged at 0.9%, showing that Sutton is reasonably represented. The two growth areas have been 'other supporting land transport activities' and 'post and courier services', and as a result both sectors are considerably over represented with employment location quotients of 2.1 and 1.6 respectively

### **PROPERTY MARKET INDICATORS**

- 3.68 This sub-section provides a review of prevailing market rents for office and industrial (including warehousing) premises in LB Sutton compared to other parts of the South London sub-region. The analysis of rental data provides an important indicator of the relative balance between demand and supply of premises in different locations.
- 3.69 The data on current property market performance set out below is based on consultations with and information provided by national and local property agents in the Borough. These include Lambert Smith Hampton, Stiles Harold Williams, DTZ, King Sturge, Bridger Bell, Frost Commercial, Centro, Baxter Phillips and Cattaneo Commercial.
- 3.70 Table 3.22 sets out the prevailing range of typical rents being sought for office accommodation in key centres within the Borough. These are compared to other centres in selected Boroughs within the sub-region. The table also provides the average prevailing office rental level for good quality premises in LB Sutton compared to other South London Boroughs.

**Table 3.22 - Prevailing Prime Office Rents in LB Sutton and South London Centres 2005**

Town / District Centre	Range on Market (£/sq.ft)	Current Average (£/sq.ft)
Sutton TC	14-17	15
Wallington	12-15	12
Carshalton	10-13	11
Croydon TC	14-19	16
Wimbledon TC	22-34	29
Kingston TC	16-22	20
Surbiton TC	12-18	15
Bromley TC	15-26	20

Source: Commercial Property Agents

- 3.71 It can be seen from Table 3.22 that office market rents in Sutton Town Centre are positioned in the low to midway point between the least and most expensive locations in South London. Wimbledon and Bromley town centres achieve the highest rents whilst Wallington and Carshalton town centres are amongst the least expensive locations in the sub-region. Whilst the office market in Sutton town centre has suffered in recent years, the current indicators suggest that there is current demand for premises, particularly for businesses seeking an affordable town centre location compared to more prime areas such as Wimbledon and Bromley.

**Table 3.23 - Prevailing Prime Industrial Rents in LB Sutton and Selected South London Boroughs 2005**

London Borough	Range on Market (£/sq.ft)	Current Average (£/sq.ft)
Sutton	10-15	11
Croydon	8-12	8
Kingston	8-14	10.5
Bromley	8-10	9

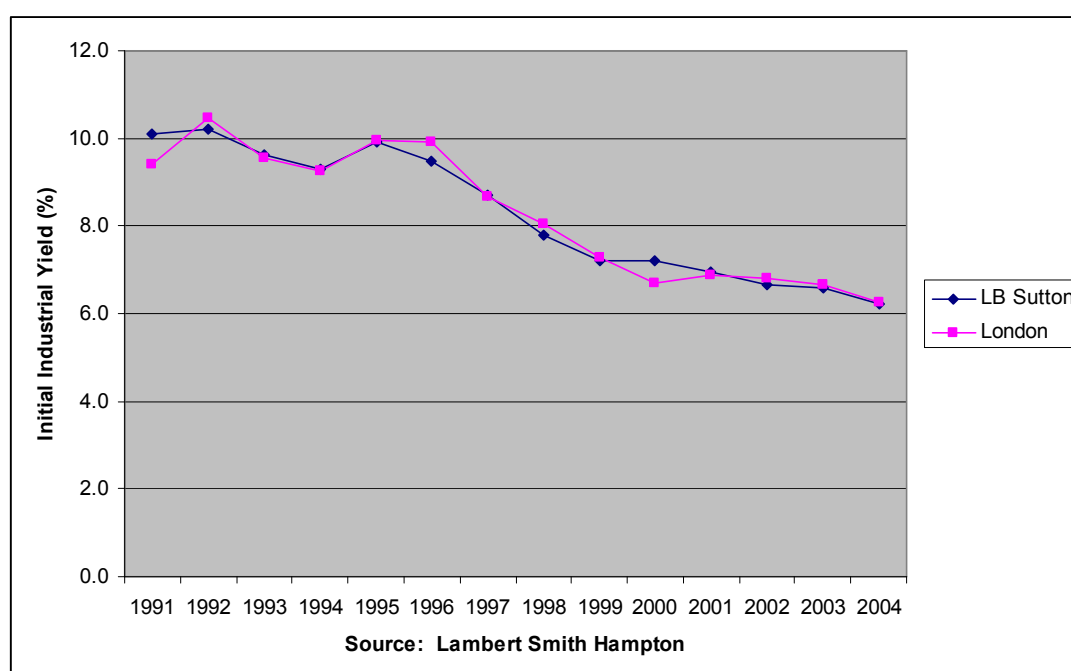
Source: Various Commercial Property Agents

- 3.72 Table 3.23 sets out similar rental information for industrial premises. It can be seen from the table that LB Sutton performs relatively strongly in the industrial sector. Indeed average rents currently are marginally higher in the Borough compared to neighbouring Boroughs. Our research indicates that average industrial rents in September 2005 (£11/sq.ft) are significantly higher than the

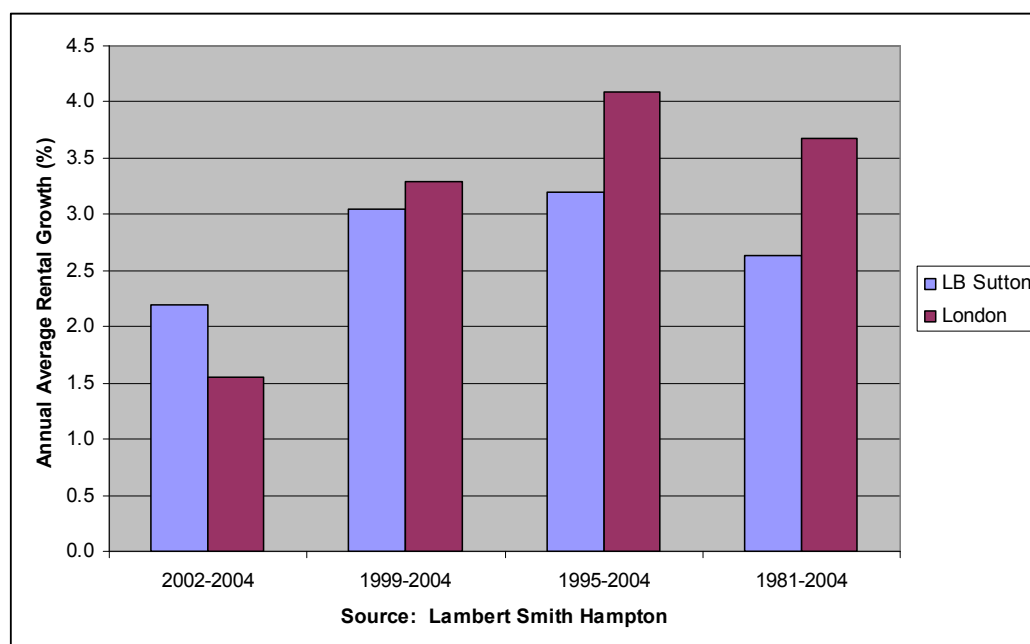
estimates provided by the GLA research report on industrial and warehousing demand which indicated that in 2003/04 average industrial rents in Sutton were £8.50 / sq.ft. (see Table 2.5, Section 2) The relative strength of the industrial market in LB Sutton reflects the Borough role as an important suburban industrial location. Moreover, the rental information indicates that demand is relatively strong in the Borough compared to supply.

- 3.73 The relative strength of the investment sector of the industrial market in LB Sutton is shown in Figure 3.7. This highlights how initial yields in Sutton have fallen in line with the wider industrial market in London. A falling yield represents increasing investor confidence in the growth in rental / capital value over time from any given industrial scheme. In other words, over the last 10 years, investors in Sutton have experienced and continue to anticipate improving commercial return from industrial property.

**Figure 3.7 – Initial Industrial Yields 1991-2004**



- 3.74 The improving attractiveness of LB Sutton as an industrial location is also illustrated in Figure 3.8. This shows that average rental growth in recent years has outstripped that of London as a whole which contrasts with historical trends when the opposite occurred.

**Figure 3.8 – Average Annual Industrial Rental Growth**

3.75 Section 5 of this report provides further details on other key property market indicators relating to employment land. This provides an empirical and site specific assessment of current land and floorspace vacancies in the Borough.

3.76 In assessing the 'market attractiveness' of existing and/or potential employment sites in the Borough (Sections 5 and 6), it is critical to consider a range of economic, property market and land-use features. Such a composite approach to the assessment of market realism is particularly important given the role of the LDF in planning for future needs during the period up to 2016. Whilst an appraisal of current and recent property market trends provides a useful starting point in assessing market attractiveness, the role of this study is to provide a strategic and holistic appraisal of the need for, and suitability of, sites for long-term employment use. Consequently, it is as important for this study to assess the latent or potential demand for and suitability of sites as it is to assess their attractiveness in terms of current market conditions.

## POPULATION AND LABOUR MARKET

3.77 Between 1991 and 2001 Sutton's population increased by nearly 11,000, taking the total to just under 180,000 (see Table 3.24). This represents a growth rate of 6.4%, slightly lower than the London average of 7.4%.

**Table 3.24 – Total population (Sutton)**

	1991		2001		Total % growth (‘91-‘01)
	Number	% of total	Number	% of total	
Males	80 701	47.8	86 878	48.3	7.7
Females	88 179	52.2	92 889	51.7	5.3
TOTAL	168 880	100.0	179 762	100.0	6.4

Source: NOMIS, Census of population (1991, 2001)

- 3.78 By looking at the age distribution of the Borough’s population (Table 3.25), It can be seen that it is similar to the overall London distribution. The changes in the distribution that have taken place since 1991 have been small with the largest source of growth being amongst 35-39 year olds.



**Table 3.25 – Population by age band (Sutton)**

Age band	1991			2001			Total % growth
	Number	% of total	Cumulative %	Number	% of total	Cumulative %	
0 – 4	11402	6.8	6.8	11671	6.5	6.5	2.4
5 – 9	9978	5.9	12.7	12094	6.7	13.2	21.2
10 – 14	9400	5.6	18.2	11708	6.5	19.7	24.6
15 – 19	9848	5.8	24.1	10276	5.7	25.4	4.3
20 – 24	12761	7.6	31.6	9920	5.5	31.0	-22.3
25 – 29	15816	9.4	41.0	13805	7.7	38.6	-12.7
30 – 34	13068	7.7	48.7	15426	8.6	47.2	18.0
35 – 39	11153	6.6	55.3	15888	8.8	56.1	42.5
40 – 44	12733	7.5	62.9	13175	7.3	63.4	3.5
45 – 49	10252	6.1	68.9	11183	6.2	69.6	9.1
50 – 54	8959	5.3	74.2	11764	6.5	76.2	31.3
55 – 59	8414	5.0	79.2	9184	5.1	81.3	9.2
60 – 64	8156	4.8	84.0	7530	4.2	85.5	-7.7
65 – 69	7655	4.5	88.6	6874	3.8	89.3	-10.2
70 – 74	6216	3.7	92.3	6323	3.5	92.8	1.7
75 – 79	5766	3.4	95.7	5463	3.0	95.8	-5.3
80 – 84	4277	2.5	98.2	3783	2.1	97.9	-11.6
85 – 89	2160	1.3	99.5	2465	1.4	99.3	14.1
90 +	866	0.5	100.0	1230	0.7	100.0	42.0
TOTAL	168880	100		179762	100		6.4

Source: NOMIS, Census of population (1991, 2001)

### Working Age Population

3.79 For the purposes of this study, working age population has been defined as those persons aged between 16 and 64 years old. The working age population in Sutton make up 64.5% of all the total population (Table 3.26). This is broadly aligned with the regional and national average. Since 1991 the working age population has grown at an annual rate of 0.6%. However the proportion of Sutton's population that are of working age has remained

relatively unchanged. London however has seen its proportion increase slightly.

**Table 3.26 - Working age population (16-64)**

	1991		2001		Annual average % growth	Total % growth
	Number	% of total	Number	% of total		
Sutton	109 393	64.8	115 979	64.5	0.6	6.6
London	4 411 749	66.0	4 832 265	67.4	0.9	9.5
England & Wales	31 832 791	63.8	33 240 406	63.9	0.4	4.4

Source: NOMIS, Census of population (1991, 2001)

### Economic Activity

3.80 The level of economic activity, often referred to as the available workforce, is the sum of working age population who are either in employment, or registered as unemployed. The economic activity rate is calculated by the quotient of workforce to working age population, and can be regarded as a measure of economic participation.

3.81 Sutton has an above average rate of economic activity. Table 3.27 shows that the economically active population has increase by 6.9% between 1991 and 2001 whilst the activity rate has increased from 79.0% to 79.7%. This compares with both the London and National average where activity rates have fallen slightly.

**Table 3.27 – Economic activity levels and rates**

	1991		2001		Annual average % growth	Total % growth
	Number	% of working age	Number	% of working age		
Sutton	86 454	79.0	92 448	79.7	0.7	6.9
London	3 350 141	75.9	3 527 262	73.0	0.5	5.3
England & Wales	23 955, 558	75.3	24 641 559	74.1	0.3	2.9

Source: NOMIS, Census of population (1991, 2001)

## Unemployment

- 3.82 Unemployment in Sutton has fallen significantly since 1991 to reach 3.5% of the economically active working age population in 2001, as shown in Table 3.28. Over the same period, the levels and rates of unemployment in the Borough have been considerably lower than those of both London and England & Wales.
- 3.83 This information confirms the role of Sutton as an important employment generation centre in the London area. On the other hand a low level of unemployment could pose some problems in the future in terms of labour supply.

**Table 3.28 – Unemployment levels and rates**

	1991		2001	
	Number	%	Number	%
Sutton	5 806	6.7	3 256	3.5
London	393 794	11.8	228 842	6.5
England & Wales	2 227 267	9.3	1 250 093	5.1

Source: NOMIS, Census of population (1991, 2001)

## Wages

- 3.84 An assessment of wages by occupation provides an indication of the balance in the type of jobs provided locally in LB Sutton to those that can be accessed by Sutton residents in other parts of London. This can inform the extent to which employment land and premises policies may need to assist in ensuring a balanced local profile of jobs and occupation types in the Borough. Employment land policies have an indirect role to play in:
- providing jobs which are suitable to local people;
  - raising the prosperity of local people; and
  - encouraging more sustainable patterns of commuting.

- 3.85 Average wage levels in Sutton are somewhat lower than in the rest of London although they are higher than the National average. Table 3.29 shows workplace based figures for wage levels in Sutton. In particular, wages are low for managers and senior officials, both compared to London and the whole country. Administrative & secretarial occupations have low average wages compared to London. However, sales & customer service occupations have higher average wages than London and nationally.
- 3.86 Wages have been growing strongly since 1999. The average wage level in Sutton has increased by just 24.9%, compared with 20% in London and 16.9% nationally. All but two professions have seen very strong growth in wages. In particular the personal service occupations and professional occupations have seen strong growth. Sales & customer service occupations have seen wages fall slightly, but this is in line with the rest of London and the country.

**Table 3.29 – Average weekly gross wage levels**

	Level (£)			Total % growth ('99-'02)		
	Sutton	London	GB	Sutton	London	GB
Managers & senior officials	656	971	722	11.3	36.6	25.0
Professional occupations	637	730	595	41.8	22.1	19.8
Associate professional & technical occupations	532	632	474	24.9	6.0	14.9
Administrative & secretarial occupations	281	371	285	21.9	24.7	20.0
Skilled trade occupations	451	473	397	16.2	14.3	13.7
Personal service occupations	271	303	212	39.6	4.6	1.8
Sales & customer service occupations	220	197	191	-2.1	-5.8	-4.7
Process, plant & machine operatives	415	420	357	27.8	19.7	16.7
Elementary occupations	262	238	216	40.1	9.9	18.1
AVERAGE	437	546	395	24.9	20.0	16.9

Source: NOMIS, New Earnings Survey (1999,2002)

- 3.87 Table 3.30 compares residence-based wages and workplace-based wages in Sutton for 2003. Average wages are higher when looking at the residence based figures. In particular wages for managers & senior officials are considerably higher when looking at the residence based figures.

**Table 3.30 - Average weekly gross wage levels: Residence and workplace based for Sutton**

	Residence based (£)	Workplace based (£)
Managers & senior officials	793	656
Professional occupations	596	637
Associate professional & technical occupations	539	532
Administrative & secretarial occupations	334	281
Skilled trade occupations	446	451
Personal service occupations	268	271
Sales & customer service occupations	237	220
Process, plant & machine operatives	471	415
Elementary occupations	224	262
AVERAGE	480	437

Source: NOMIS, New Earnings Survey (2002)

3.88 Table 3.31 looks at the place of work of Sutton residents. The majority (64.0%) work within 20km of their home, implying that they work within Sutton. A further 23.2% work between 20km and 40km of their home, implying that they probably work within the boroughs surrounding Sutton. The remainder work more than 40 km from their home in Sutton.

**Table 3.31 – Place of work**

Place of work	Number of people	% of people
In Sutton (includes working at home at <20km from home)	57 796	64.0
Near to Sutton (between 20km & 40km from home)	20 963	23.2
Not near Sutton (>40km from home)	11 531	12.8
TOTAL	90 290	100

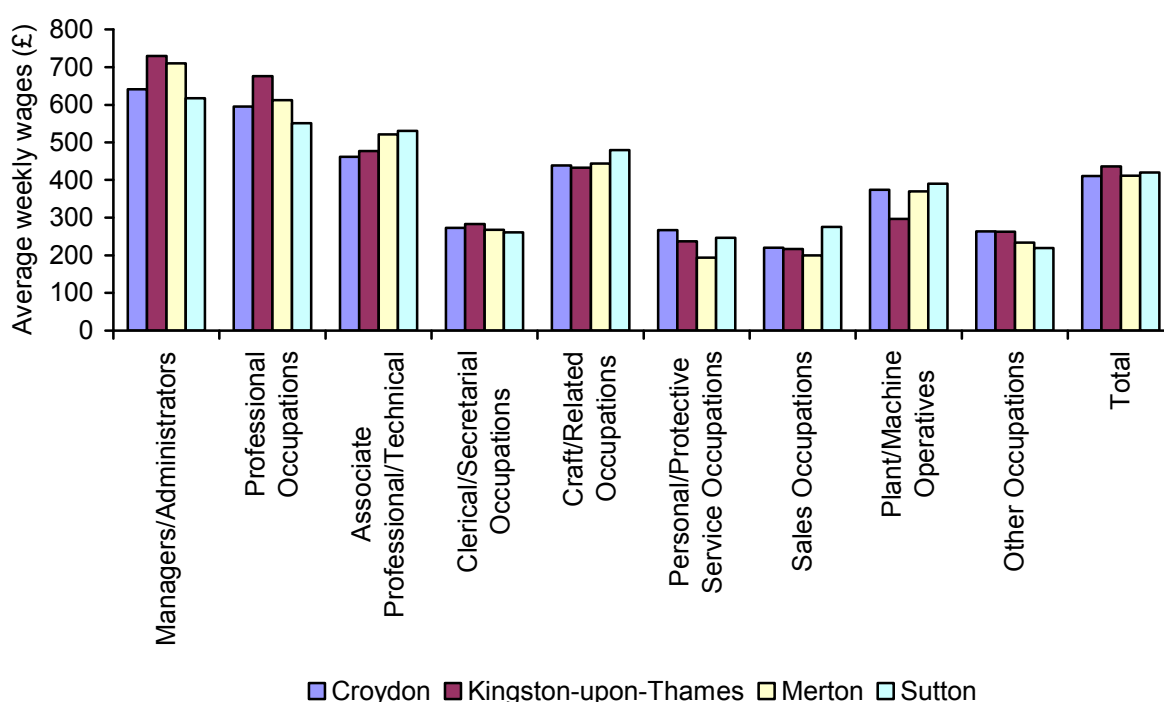
Source: Census 2001

3.89 Figure 3.9 compares the workplace based wages in Sutton to those in the neighbouring boroughs of Kingston-upon-Thames, Merton and Croydon. The

average wage is very similar in all four of the boroughs. Kingston-upon-Thames has the highest at £436 whilst Croydon has the lowest at £410.

- 3.90 However, average wages in Sutton are clearly lower than the other boroughs in the higher paid profession of managers/administrators and professional occupations. Wages in Sutton do lead the others in associate professional/technical occupations and craft/related occupations.

**Figure 3.9 – Average weekly wages: neighbouring borough comparison**



## Qualifications

- 3.91 Table 3.32 shows that approximately 23% of the Sutton population have no qualifications. This is marginally lower than the London average and well below the national average. However, when looking at the level of qualification, only 21.2% are qualified to level 4/5. Whilst this is slightly above the national average, it is well below the London average of 31%. This shows that the majority of Sutton's qualified population fall into the lower levels of qualifications, and in particular levels 1 and 2, at which nearly 40% are qualified.

**Table 3.32 – Qualifications as a % of the resident population (2001)**

	No qualifications	Level 1	Level 2	Level 3	Level 4/5	Other (level unknown)
Sutton	23.3	18.2	21.6	8.9	21.2	6.8
London	23.7	13.0	17.1	9.8	31.0	5.4
England & Wales	29.1	16.6	19.4	8.3	19.8	6.9

Source: NOMIS, Census of population (2001)

**ENTERPRISE**

3.92 Tables 3.33-3.35 set out VAT registrations, de-registrations and the change in Sutton's net stock of VAT companies over time. This data can be used as a proxy for measuring enterprise activity and business survival rates. Table 3.31 show that new registrations were greatest in the wholesale & retail sector and real estate sector. However new registrations increased most significantly in the education & health sector. Overall new registrations were up 9.4% in Sutton between 1995 and 2003 (Table 3.30).

**Table 3.33 – Sutton, Number of VAT registrations**

Industry sector	1995	1997	1999	2001	2003
Agriculture; fishing	0	0	0	0	5
Mining; energy/water	0	0	0	0	0
Manufacturing	30	45	20	35	25
Construction	55	100	95	65	100
Wholesale & retail	145	100	100	80	105
Hotels & restaurants	30	35	40	50	30
Transport & communications	20	20	30	25	25
Finance	5	5	5	0	10
Real Estate	155	215	210	210	200
Public administration; other	65	60	35	40	30
Education; health	0	5	5	10	15
TOTAL	505	585	540	515	545

Source: NOMIS, VAT Registrations &amp; Stocks

3.93 Whilst wholesale & retail and real estate both had a large number of VAT registrations, they also had large number of de-registrations (Table 3.32), indicating a high turnover rate of businesses within these sectors. The stock of wholesale & retail registrations actually fell by just over 8% between 1995 and 2003. On the other hand the net stock of real estate registrations grew by just over 29% during the same period.

**Table 3.34 – Sutton, Number of VAT de-registrations**

Industry sector	1995	1997	1999	2001	2003
Agriculture; fishing	5	0	5	0	5
Mining; energy/water	0	0	0	0	0
Manufacturing	35	40	35	30	45
Construction	95	90	85	75	85
Wholesale & retail	120	110	100	105	130
Hotels & restaurants	45	30	25	40	30
Transport & communications	20	20	20	15	30
Finance	5	0	10	5	0
Real Estate	125	110	125	165	210
Public administration; other	65	55	35	40	45
Education; health	5	5	5	5	5
TOTAL	520	460	445	480	585

Source: NOMIS, VAT Registrations & Stocks



**Table 3.35 – Percentage Change in net Stocks in Sutton**

Industry sector	1995-1997	1997-1999	1999-2001	2001-2003	Total % growth ('95-'03)
Agriculture; fishing	0.0	-14.3	0.0	16.7	0.0
Mining; energy/water	0.0	0.0	0.0	0.0	0.0
Manufacturing	3.7	-5.9	-2.5	-5.1	-9.8
Construction	2.0	4.5	0.6	3.1	10.5
Wholesale & retail	1.2	-0.8	-5.7	-3.0	-8.1
Hotels & restaurants	2.4	11.9	8.5	2.0	26.8
Transport & communications	0.0	5.9	5.6	0.0	11.8
Finance	11.1	-20.0	0.0	37.5	22.2
Real Estate	11.7	15.6	2.6	-2.6	29.2
Public administration; other	1.1	1.1	2.2	-2.2	2.2
Education; health	0.0	11.1	20.0	8.3	44.4
TOTAL	4.6	5.3	0.4	-1.1	9.4

Source: NOMIS, VAT Registrations &amp; Stocks

3.94 Compared to the change in net stocks in London (Table 3.35), Sutton experienced weaker growth, up 9.4% over the period compared to 19.4% in London (Table 3.36). In particular, growth in the real estate sector was much weaker. However in finance, a very important sector in the Sutton economy, growth was strong at 22.2% compared with a 7.8% contraction in London overall.

**Table 3.36 – Percentage Change in net Stocks in London**

Industry sector	1995-1997	1997-1999	1999-2001	2001-2003	Total % growth ('95-'03)
Agriculture; fishing	-9.1	-14.2	-9.2	-0.7	-29.7
Mining; energy/water	15.8	-2.3	-14.0	2.7	0.0
Manufacturing	1.7	-3.3	-4.1	-8.0	-13.2
Construction	0.1	2.9	2.2	3.4	8.8
Wholesale & retail	-0.1	-0.2	-1.4	1.1	-0.5
Hotels & restaurants	6.0	5.0	5.1	2.9	20.4
Transport & communications	4.7	4.0	2.3	-1.0	10.3
Finance	-1.7	1.2	-0.8	-6.5	-7.8
Real Estate	18.8	17.8	6.7	1.7	52.0
Public administration; other	3.9	3.5	5.0	0.5	13.6
Education; health	4.9	5.3	6.9	8.5	28.2
TOTAL	7.2	7.2	3.2	0.7	19.4

Source: NOMIS, VAT Registrations &amp; Stocks

## DEPRIVATION

- 3.95 The ODPM multiple deprivation ranks for Sutton (2004 composite index) show that Sutton ranks very low in terms of deprivation compared to other London Boroughs, 30<sup>th</sup> out of 33, as well as compared to the rest of England, 236<sup>th</sup> out of 543 (where 1 is the most deprived). Compared to the other London Boroughs, Sutton performed well in all four of the domains featured in Table 3.37. Compared to the rest of England there was a slight dip in terms of income and employment deprivation with the borough's ranking falling to 113<sup>th</sup> and 144<sup>th</sup> respectively.

**Table 3.37 – Sutton Deprivation Index**

Domain of Deprivation	Rank in London (out of 33; 1=most deprived)	Rank in Eng. (out of 354)
Composite IMD	30	236
Extent	29	202
Local concentration	28	202
Income	30	113
Employment	30	144

Source: ODPM, Indices of Deprivation (2004)

3.96 Despite the strength of the deprivation scores for Sutton as a whole, the statistics conceal significant local concentrations of disadvantage within the Borough. Figure 3.10 provides a detailed illustration of the distribution of deprivation in Sutton. This is based on ODPM Indices of Deprivation (2004) by Super Output Area. The map shows that a number of Sutton's communities fall within the top 20% most deprived areas in London. These include Sutton Town Centre, St. Helier and Carshalton.

**Figure 3.10 – Distribution of Deprivation within LB Sutton 2004**

INSERT

## **4. FUTURE DEMAND AND NEED FOR EMPLOYMENT PREMISES**

### **INTRODUCTION**

- 4.1 This section sets our quantitative forecasts of workplace employment in LB Sutton in the period up to 2016. These are derived from a series of econometric and trend-based scenarios for the local economy. Based on our forecasts of employment change, this Section also sets out our estimates future demand for employment floor space and land which are derived from the employment forecasts.
- 4.2 Our economic and employment land scenarios are set in the context of recent forecasts prepared on behalf of, and published by the GLA / Mayor of London. In testing the robustness of our estimates of future employment land and premises requirements, these are assessed in light of empirical evidence provided by the results of the Sutton business survey.

### **EMPLOYMENT FORECASTS**

#### **GLA Population and Employment Forecasts**

- 4.3 A range of employment forecasts have been undertaken on behalf of the GLA and have provided an input to the London Plan. The results of these forecasts, which were updated in 2005, are summarised in Table 4.1 below.
- 4.4 Table 3.36 indicates that the average employment growth in London between 2001 and 2016 is expected to be approximately 0.74% per annum<sup>9</sup>. This compares to the previous forecasts of 0.93% per annum<sup>10</sup>.

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<sup>9</sup> GLA Working Paper 11, November 2004.

<sup>10</sup> GLA, Technical Report 8, 2002

**Table 4.1 - GLA Employment Forecasts 2001/02-2016**

Indicative Forecast	2001/02-2016	Source
London 2001-16 %	11%	GLA Working Paper 11 (Nov 04)
London 2002-16	12%	"
London % pa (2001-16)	0.74%	"
London % pa (2002-16)	0.86%	
South Sub-Region 2001-16 %	-1%	GLA Current Issues Note 4 (May 05)
South Sub-Region 2002-16 %	1%	
LB Sutton 2001-16 %	4%	"
LB Sutton 2002-16 %	6%	
LB Sutton 2001-16 % pa	0.27%	
LB Sutton 2002-16 % pa	0.43%	
Sutton (2001-2016)	3,000	"
Sutton (2002-2016)	4,000	"

Source: GLA - Various (see Table)

\*70:30 Scenario – Disaggregation of Volterra employment forecast for London to borough and ward level which were weighted 70% in terms of local development proposals in the supply pipeline and 30% by existing employment/economic structure).

- 4.5 The borough forecasts reflect the distribution of a single fixed forecast for London (499,000) over the period 2001 to 2016. Moreover, the London forecast is constrained by the assumption that the economy will grow by 2.5% per annum (in terms of output / GDP). A series of scenarios were produced which tested variations in the balance between the existing economic structure of boroughs (demand) and the supply pipeline of employment generating development commitments (supply). The GLA preferred the scenario of forecasts being weighted 70% in favour of the development supply pipeline and 30% for structural economic factors.
- 4.6 Table 4.1 shows that the GLA forecasts for the South London sub-region are particularly low compared to London as a whole. Indeed, a small decline is forecast for the period 2001-16 (although a small increase is indicated for the period 2002-16).
- 4.7 Whilst the Sutton forecasts are higher than the average for the South London sub-region as a whole, they remain significantly lower than those produced for London. Indeed, the GLA forecasts appear particularly conservative when they are compared to past annual rates of growth in Sutton:

- 1984-2003 trend: 1% per annum;
- 1991-2003 trend: 0.95% per annum.

### Methodology

4.8 We have prepared a series of economic forecasts for the London Borough of Sutton for the period 2001 to 2016. Forecasts have been prepared using three distinct techniques which conform to latest guidance from ODPM on employment land review. The techniques are:

- Firstly, the extrapolation of historical trends in sectoral employment over the forecasting period. This technique provides an estimate of the future growth of the sectors represented in Sutton economy based upon the historical performance of each sector. The key difference between this approach and that used by Volterra / GLA is that overall performance of the Sutton economy is not constrained to a overall control total set for the performance of London as a whole. On this basis it is anticipated that the outcomes of this exercise would be higher than the outcomes of GLA work.
- Secondly, a more complex economic model of the economy has been prepared which relates changes in the working age population to changes in employment, labour force and unemployment. This is effectively a labour supply constrained model of the economy which limits the growth in employment to the availability of labour within the local area. The core of this modelling approach consists of three equations which relate population growth to a time trend, employment in Sutton to London GDP in real terms, and London GDP to the rate of growth in population. To ensure consistency with the supply side constraints the relationship between growth in population and growth in GDP is held constant. The long run relationships that summarise this model are:

$$\log X_t = \alpha_x + \beta_x \log Y_t + \delta_x \text{time} + \varepsilon_{x,t} \quad (\text{A})$$

$$\log Y_t = \alpha_y + \beta_y \log P_t + \delta_y \text{time} + \varepsilon_{y,t} \quad (\text{B})$$

$$\log \Delta P_t = \alpha_{p,1} + \sum_{j=1}^q \beta_{p,j} \Delta \log P_{t-j} + \delta_p \text{time} + \varepsilon_{p,t} \quad (\text{C})$$

where X is employment in Sutton (from the Annual Business Inquiry), Y is London GDP (at constant prices), and P is working age population in London. This approach differs from the first technique as it limits growth to changes in labour supply and the outcomes are anticipated to be lower than those experienced in the trend based analysis.

- Finally, the business survey undertaken as part of this commission collated information on the future expansion plans of a representative sample of business in the London Borough of Sutton. This information has been aggregated for the survey sample and expanded to reflect the quantified demand for employment land and premises for the population of existing B use class business in Sutton. This information reflects the medium term aspirations of the business community for the short to medium term (see below).

4.9 It is important to highlight that an increase in local demand for jobs and associated floorspace arises from a variety of complex reasons. These include the expansion of existing firms, new start-up and the decision by firms to locate / re-locate in a local area. Clearly, the existing and future structure of a local economy is an important factor which shapes the scale and type of demand, which is in turn, related to economic changes occurring within the regional and national economies.

4.10 Housing policies and demographic changes can also have an important impact on the demand for jobs. On one hand, the growth of the local working age population generates a large local labour force which will require jobs. On the other the growth of the local population generates additional demand for goods and services which are provided locally. Indeed, this is reflected in the draft South London SRDF which states that:

*‘...increasing population will tend to create demand for services and thus extra jobs. Generally an increase in suburban population of 1,000 has, on average, the potential to generate 230 serviced based jobs in a locality. This underscores the importance of policies aimed at revitalising the town centre network’ (draft SRDF, para 121).*

4.11 Consequently, in preparing employment demand forecasts, it is important to have regard to housing policies which will shape the population and demographic profile of local areas.



## Forecasting Results

### *Employment Forecasts*

- 4.12 The results of the economic modelling process indicate a net increase in total employment of between 7,000 and 9,000 jobs (excluding self-employment) for the period 2001-2016. This resembles an average annual increase of between 0.75% and 0.95%. It is important to highlight that the forecasts, unlike those prepared by the GLA, are not constrained by a regional or sub-regional total control figure. This approach is considered most appropriate to LB Sutton as it factors in both national economic trends and prospects as well as local supply-side considerations such as the anticipated growth in the Borough's population over the forecasting period.

### *Business Survey Results*

- 4.13 The full business survey results are set out in Appendix C. The survey involved a 15 minute telephone call of 255 B use class established businesses in the Borough. This represents over 8% of all B use class establishments in the Borough.
- 4.14 In terms of premises, the survey found that:
- the average amount of floor space occupied by respondents was 363 square metres. In total, just over 41,000 square metres of floor space was occupied by the respondents;
  - just over a third (33.7%) of respondents dedicate between 75% and 100% of their premises to office activities. Less than 6% of respondents reported having any vacant floor space;
  - nearly 20% of respondents consider their current location and premises to be good value for money and a further 46.5% consider their current location and premises to be fair value for money. Nearly 19% considered their premises poor value for money;
  - around 80% of respondents consider their current premises to be suitable for the ongoing operation of their business (however, this figure drops to 50% for large businesses); and

- By far the most common reason for respondents' current premises being unsuitable was that they were considered too small.

4.15 In terms of businesses expansion plans, the survey reported that:

- 25% of respondents are planning to expand their business in the next 10 years;
- of those businesses which are planning to expand, 58% stated that additional floorspace will be required; and
- on average, 478 square metres will be needed to accommodate a respondent's expansion plans;

4.16 By applying the sample results to reflect the total number of B-use class businesses in LB Sutton by size, estimates can be provided of the total expansion requirements of indigenous businesses in the Borough. These estimates are provided in Table 4.2: floorspace (A) in the table applies only positive responses from the business survey whilst (B) makes an allowance for those that did not know how much additional floorspace would be required.

**Table 4.2 - Floor space expansion requirements of Sutton businesses (extrapolation of sample results)**

Sample	Small	Medium	Large	Total
Floor space (A) excluding don't knows	62 890	117 965	32 400	213 225
Floor space (B) including don't knows	117 267	145 140	64 800	327 208

4.17 The table shows that up to 327,000 sqm is potentially required to meet the needs of established B Use Class businesses in the Borough. Given that the survey was limited to existing businesses, it is important to highlight that the expansion plans indicated in Table 4.2 exclude latent demand from potential inward investors.

*Future Demand for B Use Class Employment*

- 4.18 The scenarios of future employment change by SIC were classified according to assumed B use class occupiers as defined in Appendix A<sup>11</sup>. These were then converted to estimates of employment floorspace by applying standard worker:floorspace ratios as defined for urban areas by English Partnerships in 2002<sup>12</sup>.
- 4.19 Reflecting the results of the forecasting scenarios, we estimate that future gross demand for employment premises in LB Sutton will amount to between **170,000 sqm and 270,000 sqm** for the period 2001 to 2016 (includes all B Use Class except public administration). This equates approximately to the equivalent of 30.5ha – 48.5 ha of employment land by applying plot ratio assumptions<sup>13</sup>.
- 4.20 It is important to highlight that our forecasts of future need reflect gross needs which assumes that a significant proportion of demand may be accommodated through the intensification and redevelopment of existing sites and those allocated for employment use.
- 4.21 Provision of new office and light industrial premises over the next 15 years will be central to the provision of a wide variety of jobs aimed at the local and regional labour market. The LDF will be essential to ensuring that a balanced approach is taken to facilitating the diversification of the local economy and to preventing the loss of employment opportunities which are very accessible to local communities (particularly the most deprived communities). As highlighted in Section 2, LB Sutton is, at the time of writing, at the 'Issues and Options' stage of the LDF. Building on the findings of this report and other work streams, the preferred options are programmed to be put out to consultation in June 2006.

<sup>11</sup> The definition of SICs falling within the B use class used in this report is broader than the proxy used by Roger Tym & Partners in SDS Technical Report 21 (GLA, August 2002).

<sup>12</sup> Offices: 19 sqm / worker; Industry: 29-34 sqm / worker; warehousing: 50 / sqm.

<sup>13</sup> Based on plot ratio of 75% for B1a and B1b and 50% for B1c, B2 and B8.

## **KEY MESSAGES OF DEMAND ASSESSMENT**

- 4.22 Our assessment of demand has been based on an analysis of existing economic conditions, outputs of the economic forecasting model and results of the empirical business survey for Sutton.
- 4.23 Our forecasts of employment indicate that there will be demand for an additional 7,000 – 9,000 jobs in the Borough between 2001 and 2016.
- 4.24 Our forecasts of demand for additional B use-class floorspace in the Borough is estimated to be between approximately 170,000 sqm and 270,000 sqm.
- 4.25 Future estimates of demand for floorspace derived from our economic forecasts are supported by findings of the empirical business survey. This indicates the potential for up to 327,000 sqm of additional B use-class floorspace. However, given the optimism factor, it is realistic to assume that not all the expansion plans will be taken forward within the Borough.

## **5. ASSESSMENT OF EMPLOYMENT LAND SUPPLY**

### **INTRODUCTION**

- 5.1 A review of employment land within Sutton has been undertaken. A series of employment site “clusters” were initially identified based on agglomerations of B-class uses. Where possible clusters were defined using existing boundaries taken from the Unitary Development Plan. Other clusters were defined by identifying concentrations of employment uses. These cluster boundaries were later verified on site, and through discussions held with Council Officers.
- 5.2 In total, 83 employment clusters were initially identified using this process. A comprehensive site appraisal was then undertaken of each cluster. The main attributes were:
- Location and site type;
  - Size of site, and any vacant employment land;
  - Total number of premises, number of vacant premises and vacant floorspace;
  - The site typology, including the balance of premises at each site;
  - The condition of premises and percentage of premises developed in the last five years;
  - Appraisal of access and transport issues including external and internal access and parking arrangements;
  - Environmental condition and quality including provision of amenities;

- Short and long term development and redevelopment opportunities based on assessment of occupier, development and investor market demand; and
  - Other issues affecting the marketing and management of the site.
- 5.3 The factors used in the appraisal of clusters are consistent with the criteria set out within the advice from the ODPM – Planning: Employment Land Reviews: Guidance Note – December 2004, together with advice proposed by the GLA’s draft SPG on Industrial Capacity and the findings of the PPG4 review entitled “Planning for Economic Development” ODPM, 2004.
- 5.4 In order to ensure a consistent and robust assessment of the 83 employment clusters, a site appraisal pro-forma was developed. This incorporated a variety of closed tick-box style questions and open ended questions. Adopting this approach has enabled a mixture of qualitative and quantitative analysis to be undertaken.
- 5.5 To ensure that reliable and consistent data was collected, a set of pro-forma guidelines was prepared which established how each of the different questions should be completed. A copy of the site pro-forma and pro-forma guidelines can be found in Appendix D. The site surveys were undertaken during June 2005 by a team of town planners. For reference purposes a photograph was taken at each employment cluster.
- 5.6 A number of sites were discounted during the site surveys due to a lack of established B-class use. Of the 83 clusters initially identified, 40 were found to contain B-class uses.
- 5.7 This section comprises an assessment of the current supply of employment stock within the London Borough of Sutton. The appraisal considers the quantity, type, size, condition and age of employment sites and premises. A full site-by-site breakdown of the appraisal findings can be found in Appendix E, Tables E-1 to E-7..
- 5.8 This section should also be read in conjunction with Figure 5.1 which illustrates the initial employment site clusters visited as part of the assessment and Figure 5.2 which illustrates the 40 sites that were actually found to include B-class employment land. Figure 5.3 provides a graphic illustration of the

existing floorspace balance (by type) based upon Valuation Office floorspace data.

- 5.9 As these figures indicate the largest proportion of employment sites are found concentrated in preferred industrial locations in the northern half of the borough.
- 5.10 In assessing the 'market realism' of sites for the purposes of informing LDF policies, it is important to have regard to existing and potential supply and demand side factors. It was highlighted in Section 3 that, for forward planning purposes, it is important to consider a range of economic, property market and land-use features. Whilst an appraisal of current and recent property market trends (as set out in Section 3) provides a useful starting point in assessing market attractiveness, the role of this study is to provide a strategic and holistic appraisal of the need for, and suitability of, sites for long-term employment use. Consequently, it was a fundamental objective of this study to assess the latent or potential demand for and suitability of sites as it is to assess their attractiveness in terms of current market conditions.

## **LOCATION AND SITE TYPE**

- 5.11 Table 5.1 identifies the employment sites included within the assessment in accordance with their location. The greatest proportion of sites were in Preferred Industrial Locations (PILs), safeguarded for employment uses in the existing UDP and generally located in self contained, single use locations. Nearly a quarter of employment locations were found in Local Centres (LCs) which are usually located within predominantly residential areas and comprise a mix of employment and retail uses. These locations accounted for a large proportion of those sites disregarded due to a lack of B-class land. Seven sites were identified as the existing Town Centres (TCs) within the Borough, whilst a further seven were classified as being on the Edge of Town Centres (ETCs). "Other" sites included neighbourhood centres and employment land utilised by the public sector. Where appropriate data included in this section will be analysed according to these groupings.

**Table 5.1 - Location Type**

	<b>No.</b>	<b>%</b>
Preferred Industrial Location	11	27.5
Town Centre	7	17.5
Edge of Town Centre	7	17.5
Local Centre	9	22.5
Other	6	15
<b>SUTTON TOTAL</b>	<b>40</b>	<b>100</b>

5.12 Table 5.2 illustrates the breakdown of established employment sites and sites allocated within the UDP, together with potential scope for change. This information is displayed on a site-by-site basis in Table E-1. Seven of the existing employment allocations were judged as providing potential for future development or intensification of employment uses. These were as follows:

- Kimpton Industrial Estate (site 10);
- Oldfields Road Trading Estate (site 21);
- Wandle Valley Trading Estate (site 36);
- Land to East of London Road (site 51);
- Restmor Way/Felnex Trading Estate (site 52);
- Paynes Chocolate Works (site 62);
- Stafford Cross Business Park and Silver Wing Industrial Estate (site 63)

5.13 Four of the existing employment land allocations were assessed as having little scope for change.

5.14 Of the sites identified as being established employment locations, although not allocated in the UDP specifically for employment, six were assessed as having scope for change in terms of intensification of employment uses. The majority were found to be in Town Centre, or ETC locations.



5.15 Of the non allocated, established employment locations, twenty were assessed as having little scope for change in terms of intensification of employment uses. This accounts for half of the entire sample. This was particularly the case in more peripheral locations, notably local centres.

**Table 5.2 – Scope for Change of Allocated and Established Employment Locations**

	Employment Land Allocation (Scope for Change)		Employment Land Allocation (Little Scope for Change)		Established Employment Location (Scope for Change)		Established Employment Location (Little Scope for Change)	
	No.	%	No.	%	No.	%	No.	%
Preferred Industrial Location	7	17.5	4	10	0	0	0	0
Town Centre	0	0	0	0	4	10	3	7.5
Edge of Town Centre	0	0	0	0	2	5	5	12.5
Local Centre	0	0	0	0	1	2.5	8	20
Other	0	0	0	0	1	2.5	5	12.5
<b>SUTTON TOTAL</b>	<b>7</b>	<b>17.5</b>	<b>4</b>	<b>10</b>	<b>8</b>	<b>20</b>	<b>21</b>	<b>52.5</b>

## EXTENT OF EMPLOYMENT LAND AND VACANCY

5.16 Table 5.3 and Table E-2 illustrate the total extent of employment land assessed within the appraisal process together with the amount of employment land that is currently vacant at each location. Overall 315.54ha of employment land was assessed as part of the appraisal process and some 5.09 ha was judged to be vacant (equating to 1.6% of all employment land assessed). Figures 5.4a, 5.4b and 5.4c illustrate the extent of vacant employment land on a visual basis across the borough.

5.17 The 5.09 ha of vacant employment land was found in just six employment areas. Paynes Chocolate Works (Site 62), which is allocated as a Preferred Industrial Location accounted for a large proportion of the total vacant employment land figure, totalling 3.92 ha. Other sites containing vacant employment land were as follows:

- Site 2 - Worcester Park Town Centre (0.11 ha);
- Site 4 – North Cheam Town Centre (0.25 ha)
- Site 21 – Oldfields Road Trading Estate (0.16 ha);

- Site 52 – Restmor Way/Felnex Trading Estate (0.11 ha);
- Site 75 – Depot, Ewell Road, Cheam (0.54 ha).

**Table 5.3 - Employment Land and Vacancy**

	<b>Employment Land (ha)</b>	<b>Vacant Employment Land (ha)</b>	<b>% Employment Land Vacant</b>	<b>Actively Marketed</b>
Preferred Industrial Location	198.32	4.19	2.1	2
Town Centre	95.23	0.36	0.4	0
Edge of Town Centre	6.80	0.54	7.9	2
Local Centre	11.72	0.00	0.0	1
Other	3.48	0.00	0.0	0
<b>SUTTON TOTAL</b>	<b>315.54</b>	<b>5.09</b>	<b>1.6</b>	<b>5</b>

### Comparison with GLA Vacancy Estimates

5.18 Table 5.3 provides an empirical, site specific assessment of current employment land vacancy levels in LB Sutton. For the purposes of informing both the LDF and strategic industrial land policy, it is important to compare our findings with previous vacancy estimates. In Section 2 of this report, Table 2.5 summarised the estimated amount and proportion of vacant industrial land in LB Sutton (11.4ha and 9.2% respectively). This compares to our findings for all types of employment land of 5.09ha and 1.6% respectively. Consequently, our assessment indicates that the GLA estimates provide a significant over-estimate of vacant industrial land in the Borough. Therefore, our empirical findings raise significant policy implications for consideration by the GLA and the South London sub-region. In other words, our findings support the assertion that conditions in the industrial land market in LB Sutton currently are tight in terms of the balance between demand and supply. This is supported by the evidence provided in Section 3 which demonstrated that industrial rents in LB Sutton are relatively high compared to other South London Boroughs.

### EMPLOYMENT FLOORSPACE AND VACANCY

5.19 Figure 5.3 and Table 5.4 show the spread of B-class floorspace across Sutton Wards, extracted from the ODPM and Valuation Office Commercial and Industrial Floorspace Statistics. The Borough comprises 1,517 B-class hereditaments containing some 618,000 sq m of floorspace. Currently offices

account for 52% of B-class premises and 30% of the floorspace; Factory premises account for 22% of premises and 65% of the floorspace; and warehousing accounts for 26% of premises and 42% of the floorspace.

- 5.20 The highest concentration of Office floorspace is in Sutton Central which has 71,000 square metres in 221 office hereditaments; the highest concentration of factory and warehousing floorspace is in Beddington North which has 78,000 square metres of factory and 130,000 square metres of warehousing floorspace in 2003. Beddington North has over twice the amount of total B-class floorspace as Wandle Valley, the ward with the second greatest amount of B-class floorspace – 210,000 sq metres compared to 101,000 sq metres. St. Helier has the least amount of B-class floorspace with only 1,000 sq metres in mainly office accommodation.

**Table 5.4 - B-Class Floorspace 2003**

Ward	Offices		Factory		Warehousing		Total	
	No.	Fl'space 000m2	No.	Fl'space 000m2	No.	Fl'space 000m2	No.	Fl'space 000m2
-- Unknown Ward --	44		15		24		83	0
Beddington North	14	2	41	78	120	130	175	210
Beddington South	17	1	26	14	19	9	62	24
Belmont	12	1	11	3	3		26	5
Carshalton Central	78	11	31	7	23	7	132	25
Carshalton South and Clockhouse	13	2	11	5	6	3	30	9
Cheam	60	12	7	1	13	4	80	17
Nonsuch	31	6	6	2	4		41	8
St Helier	7	1	3		1		11	1
Stonecot	20	4	24	18	41	17	85	38
Sutton Central	221	71	31	5	47	7	299	84
Sutton North	5		25	4	12	6	42	10
Sutton South	28	10	1		1		30	10
Sutton West	33	4	8	1	5		46	5
The Wrythe	8	4	26	4	16	2	50	9
Wallington North	48	22	10	2	15	4	73	28
Wallington South	76	16	17	2	9	1	102	20
Wandle Valley	34	5	28	26	32	70	94	101
Worcester Park	36	11	12	2	8	1	56	14
<b>SUTTON TOTAL</b>	<b>785</b>	<b>183</b>	<b>333</b>	<b>175</b>	<b>399</b>	<b>260</b>	<b>1,517</b>	<b>618</b>

Source: ODPM/Valuation Office Commercial and Industrial Floorspace Statistics

## QUANTITY OF EMPLOYMENT PREMISES

5.21 Tables 5.5 and E-4 illustrate the number of premises assessed in the various employment areas, together with the number of vacant premises in each location.

**Table 5.5 - Number of Premises/Vacant Premises**

	Total Number of Employment Premises		Number of Vacant Employment Premises		Vacant Employment Floorspace (Sq m)	
	No.	%	No.	%	No.	%
Preferred Industrial Location	496	64	34	7	39171 <sup>14</sup>	65
Town Centre	109	14	27	25	18368	30
Edge of Town Centre	20	3	5	25	1608	3
Local Centre	137	18	4	3	1270	2
Other	8	1	0	0	0	0
<b>SUTTON TOTAL</b>	<b>770</b>	<b>100</b>	<b>70</b>	<b>9</b>	<b>60418</b>	<b>100</b>

5.22 In total 770 premises were appraised as part of the assessment, of which 70 (9%) were identified as being vacant. These vacant premises contained some 60,418 sq metres of floorspace. This equates to a borough-wide employment floorspace vacancy rate of 9.7% based upon Valuation Office floorspace data. It should be noted that the Beddington Strategic Industrial Area (Site 65) contains a number of newly built warehousing and general industrial units which are awaiting occupation. These premises amount to some 32,428 sq m. If these units are not included within the assessment the total Borough-wide vacancy figure is 27,990 sq m, which would reduce the vacancy rate to 4.5%.

5.23 As for vacant employment land, our empirical assessment of current floorspace vacancies indicates the vacancy rate in the Borough is significantly lower than the estimates reported in the GLA industrial and warehousing land demand report (see Table 2.5, Section 2). The GLA report suggested that the industrial vacancy rate was 15.1% compared to our reported range of 4.5%-9.7% as described above. This raises important local and strategic policy implications particularly in respect of proposed policies for safeguarding employment land and those aimed at releasing employment for alternative uses. These issues are explored in more detail in the final section of this report.

<sup>14</sup> Beddington Strategic Area accounts for 32,428 sq m of this figure. The remaining PILs therefore contain 6,703 sq m of vacant floorspace.

*PILs*

5.24 The highest number of premises were in Preferred Industrial Locations (496), accounting for 64.4% of the total employment stock assessed. Thirty-four premises were judged to be vacant in PILs accounting for 7% of all premises in these areas and 49% of the total vacant employment stock assessed in the Borough. The following PIL's had the largest amounts of vacancy:

- Beddington Strategic Industrial Area (Site 65) – 19 vacant premises (32,428 sq m) – comprising newly built light industrial premises ready for occupation;
- Kimpton Industrial Estate (Site 10) – 8 vacant premises (5,031 sq m) – comprising various sized light industrial units and office accommodation;
- Stafford Cross/Silver Wing Industrial Estate (Site 63)– 1 vacant premises (1069 sq m) - comprising one standalone warehouse;

*Town Centres*

5.25 Town centres also had a high proportion of vacant employment premises, the majority of which were office stock. A quarter of total employment premises in town centres (25%) were identified as vacant. The following town centres had particularly large amounts of vacant floorspace:

- Sutton Town Centre (Site 29) – 14 vacant premises (12,175 sq m) – range of office accommodation including offices above shops and refurbished suites in high-rise tower blocks;
- Wallington Town Centre (Site 59)– 6 vacant premises (3,896 sq m) – number of large-scale office blocks, much of which is ageing;
- Cheam Town Centre (Site 15) – 3 vacant premises (1,415 sq m) – comprising modern purpose built office accommodation.

*Edge of Town Centres*

5.26 Edge of Town Centre locations accounted for just 3% of the total stock assessed during the process. Despite this a quarter (25%) of the stock assessed in Edge of Town Centre locations was identified as being vacant. Notable Edge of Town Centre areas with high levels of vacancy were:

- Hamilton Avenue, Stonecot (Site 6) – 1 vacant premises (835 sq m) – comprising office suite in older purpose built office block;
- Station Approach, Cheam (Site 16) – 2 vacant premises (672 sq m) – comprising older purpose built offices;

*Local Centre*

5.27 Local centres accounted for 17.8% of all premises, with 137 premises identified in Local Centres during the assessment. Local centres had much lesser amounts of vacancy than other areas with just four premises identified within the nine local centres assessed as part of the appraisal.

*Other Locations*

5.28 “Other” locations accounted for just eight of the total employment premises in the assessment, none of which were identified as being vacant.

**BALANCE OF EMPLOYMENT USES**

5.29 Tables 5.6 summarises the balance of uses in employment focussed areas. It illustrates that the following employment uses are found in the Borough:

- “General Industrial/Business Areas” (44.7%);
- “Established or Potential Office Locations” (36.2%);
- “Sites for specific operators” (10.8%);
- “Warehouse/Distribution Parks” (2.8%);

- “Research and Technology/Science Parks” (2.5%);
- “Incubator/SME Cluster Sites (0.3%)
- Specialist Freight Terminals (0.1%);
- “Recycling/Environmental Industries” (0.1%).

5.30 71% of uses in Preferred Industrial Locations were identified as being “General Industrial/Business Areas”, although PILs also included warehouse/distribution, office and specific occupier uses.

5.31 Office uses dominated Town Centre and ETC sites accounting for 79% and 64% respectively. Both types of location contained approximately one fifth of their employment uses as general industrial/business.

5.32 The assessment indicated local centres being dominated by general industrial/business uses (48%) with office (37%) and sites for specific occupiers (15%) also accounting for large proportions of employment uses in such areas.

5.33 Assessment of “Other” locations indicated general industrial/business accounting for half of the uses, whilst office, research and technology and sites for specific occupiers all accounting for 17%.

Table 5.6 - Balance of Uses

Sub Area	Established or Potential Office Locations	High Quality Business Parks	Research and Technology/ Science Parks	Warehouse/ Distribution Parks	General Industrial/ Business Areas	Heavy/ Specialised Industrial Sites	Incubator /SME Cluster Sites	Specialist Freight Terminals	Sites for Specific Operators	Recycling/ Environmental Industries Sites	Farm Based Employment Location	No. of Clusters
	Av%	Av%	Av%	Av%	Av%	Av%	Av%	Av%	Av%	Av%	Av%	
Preferred Industrial Location	34.5	0.0	9.1	10.0	44.5	0.0	0.9	0.5	0.0	0.5	0.0	11.0
Town Centre	66.6	0.0	0.0	0.0	19.1	0.0	0.0	0.0	14.3	0.0	0.0	7.0
Edge of Town Centre	26.4	0.0	0.0	0.0	59.3	0.0	0.0	0.0	14.3	0.0	0.0	7.0
Local Centre	40.7	0.0	0.0	0.0	55.6	0.0	0.0	0.0	3.7	0.0	0.0	9.0
Other	8.3	0.0	0.0	0.0	41.7	0.0	0.0	0.0	33.3	0.0	0.0	6.0
<b>SUTTON TOTAL</b>	<b>36.2</b>	<b>0.0</b>	<b>2.5</b>	<b>2.8</b>	<b>44.7</b>	<b>0.0</b>	<b>0.3</b>	<b>0.1</b>	<b>10.8</b>	<b>0.1</b>	<b>0.0</b>	<b>40.0</b>



## CONDITION OF EMPLOYMENT SITES AND PREMISES

5.34 Part of the appraisal process included a condition assessment of each site cluster. Table 5.7 shows the average condition of premises in each employment category. It illustrates that overall the vast majority of employment stock in Sutton is in a “Good” or “Fair” state of repair, with just 7% of the stock on average being assessed as Poor.

5.35 Premises in best condition were on average found in Edge of Town Centre or Local Centre areas, both of which had over two thirds of stock assessed as “Good”. PILs had the poorest quality stock – two thirds of stock in these locations was assessed as “Fair”, whilst a further 14% were assessed as “Poor”.

**Table 5.7 - Condition of Premises**

	Good Av%	Fair Av%	Poor Av%
Preferred Industrial Location	20	66	14
Town Centre	45	43	12
Edge of Town Centre	68	21	11
Local Centre	69	31	0
Other	30	70	0
<b>Sutton Total</b>	<b>46</b>	<b>46</b>	<b>7</b>

## Age of Employment Premises

5.36 The percentage of premises developed within the past five years was also assessed as part of the appraisal process. Only Restmor Way/Felnex Trading Estate (Site 52); Beddington Strategic Area (Site 65) Cheam Town Centre (Site 15) and Sutton Town Centre (Site 29) were judged to have newly constructed employment premises of less than five years old..

## DEVELOPMENT CONSTRAINTS

5.37 Site appraisals provided an assessment of the following development constraints:

- Evidence of Parking Difficulties;

- Access/Servicing Inadequate for Existing Occupiers;
- Potential to Support 24 hour working;
- Introduction of non-B class uses may compromise the effective operation of the site;
- Existing operations incompatible with sensitive neighbouring uses.

5.38 As Table 5.8 indicates few of the above development constraints were noted in the employment sites subject to assessment.

**Table 5.8 - Development Constraints**

	Evidence of Parking Difficulties		Access/Servicing Inadequate for Existing Occupiers		Potential to Support 24 hr Working		Introduction of non-B Class Uses May Compromise the effective Operation of the Site		Existing Operations Incompatible with Sensitive Neighbouring Land Uses	
	No.	%	No.	%	No.	%	No.	%	No.	%
Preferred Industrial Location	4	10	1	14	4	36	1	9	0	0
Town Centre	0	0	0	0	0	0	0	0	0	0
Edge of Town Centre	0	0	0	0	0	0	0	0	0	0
Local Centre	0	0	0	0	1	11	0	0	0	0
Other	1	3	0	0	0	0	1	17	0	0
<b>SUTTON TOTAL</b>	<b>5</b>	<b>13</b>	<b>1</b>	<b>14</b>	<b>5</b>	<b>13</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>0</b>

*Parking Difficulties*

5.39 Parking difficulties would appear to be apparent in the following employment areas, all except site 61 are PILs:

- Site 21 – Oldfields Road Trading Estate;

- Site 51 – Land to the East of London Road;
- Site 52 – Restmor Way/Felnex Trading Estate;
- Site 61 – Sandy Lane North;
- Site 65 – Beddington Strategic Industrial Area.

*Access and Servicing*

- 5.40 Access and servicing was judged to be an issue at just one site – Restmor Way/Felnex Trading Estate (Site 52) which was judged to be inadequate for existing occupiers.
- 5.41 Table E-5 in Appendix E summarises the accessibility issues associated with each site.

*Potential for 24 Hour Working*

- 5.42 The following sites were judged to have the potential to support 24 hour working:
- Site 10 – Kimpton Industrial Estate;
  - Site 32 – West Mead Road Local Centre;
  - Site 51 – Land to the East of London Road;
  - Site 52 – Restmor Way/Felnex Trading Estate;
  - Site 65 – Beddington Strategic Industrial Area.

*Compatibility with Other Uses*

- 5.43 The introduction of non-B class uses at Sites 10 and 61 were judged to compromise the effective operation of the sites. None of the sites appraised as part of the assessment were judged to have operations incompatible with neighbouring land uses.

- 5.44 Table E-6 in Appendix E summarises issues of environmental associated with each site.

## **SCOPE FOR CHANGE**

### **Consolidation Areas for Employment**

- 5.45 As well as identifying existing vacant land within the employment areas, the appraisal process identified a number of areas that would provide scope for improvement or intensification of employment areas through consolidation of the existing operations. Such areas include vacant land and premises, or land and premises that are currently under-utilised, and areas that could accommodate future employment expansion.
- 5.46 Figures 5.4a, 5.4b and 5.4c illustrate areas of consolidation throughout the borough. Details of each of the Consolidation Sites are illustrated in Table 5.9 below.

**Table 5.9 – Consolidation Sites**

Site ID	Site Name	Site Area (Ha)	Consolidation Area (Ha)	%
2	Worcester Park Town Centre	7.395	0.05	1
4	North Cheam Town Centre	9.044	0.25	3
10	Kimpton Industrial Estate	19.395	9.89	51
21	Oldfields Road Trading Estate	0.706	0.71	100
29	Sutton Town Centre	49.833	1.26	3
	North of Wandle Valley Trading Estate	2.51	2.51	100
40	St Andrews Road	0.732	0.52	71
51	Land to East of London Road	1.833	1.37	75
52	Restmor Way/Felnex Trading Estate	11.249	11.65	104
59	Wallington Town Centre	14.996	3.89	26
62	Paynes Chocolate Works	3.924	3.92	100
63	Stafford Cross Business Park Silver Wing Ind Est	5.919	1.79	30
65	Beddington Strategic Industrial Area <sup>a</sup>	150.271	13.09	9
67	Woodmansterne Road, Carshalton South.	1.159	1.16	100
74	Denmark Road Council Offices	1.65	0.10	6
75	Depot, Ewell Road, Cheam	0.645	0.54	83
	St. Helier Hospital	4.35	4.35	100
<b>Total</b>		<b>285.611</b>	<b>57.06</b>	<b>20</b>

Source: Atkins.

5.47 As Table 5.9 and Figures 4.4a, 4.4b and 4.4c illustrate there is some 57.06 ha of land throughout the Borough which could be consolidated to provide for new employment sites and premises. This equates to some 18% of all land assessed (although this includes three sites outside of identified employment site boundaries). Significant sites which provide a potential consolidation area of over 1.0 ha include the following:

- Site 10 – Kimpton Industrial Estate – an area. An application has been submitted that will enable a new access road from Oldfields Road and development of some 9.89 ha around the periphery of the existing estate for employment development. This application is estimated to yield approximately 30,000 sqm. of industrial floorspace.

<sup>a</sup> Includes land to west of Beddington Lane in Metropolitan Open Land.

- Site 29 – Sutton Town Centre – the 1.26 ha gas terminal site to the north west of the town centre provides the only significant site within Sutton Town Centre that could be utilised for future employment development.
- St. Helier Hospital – although this site was not included in the employment land and premises appraisal process, it would provide significant potential for future employment development if medical operations were to cease. The site covers an area of 4.35 ha.
- The area to the north of the Wandle Valley Trading Estate (Site 36) covers an area of 2.51 ha. Although this land is at present used for recreational purposes it would provide an accessible extension to the employment allocation in the future.
- Sites 51 and 52 – Hackbridge – The current employment areas to the east and west of London Road incorporating the Restmor Way/Felnex Trading Estate provide a large area for potential employment redevelopment of some 13.02 ha, which could incorporate other uses.
- Site 59 - Wallington Town Centre - provides several areas that could be consolidated for future employment uses. The area to the south west of the site currently occupied by premises including a medical centre and church may provide scope for future town centre employment uses, whilst the area to the north of the railway line currently occupied by older vacant office premises may provide scope for remodelling and refurbishment. Wallington Town Centre includes some 3.89 hectares of land which may be consolidated for employment development.
- Site 62 - Paynes Chocolate Works - as previously indicated provides the only significant area of vacant land in any of the existing Preferred Industrial Areas within the Borough. The site comprises 3.92 ha of land that provides immediate scope for new employment development.
- Site 63 - The Beddington Strategic Industrial Area - has provided a key focus for employment development in the Borough in recent years. There remain several areas that could be further consolidated for employment, notably to the northern perimeter of the site which is

presently occupied by poor quality, older employment stock, as well as the area identified to the south west of the site. Future scope for development exists outside the identified site boundary to the west of Beddington Lane (Metropolitan Open Land) and to the south of Jessops Way. The latter locations offer particular opportunities for environmental industries.

- Site 67 - The former research centre on Woodmansterne Road, Carshalton South - provides a vacant opportunity of some 1.16 ha for consolidation into employment uses for example, campus style office developments.

### **Other Opportunity Sites**

5.48 Several areas included within the assessment may provide scope for consolidation for alternative uses. This is particularly the case where there high levels of employment vacancy exists, or where consolidation of existing employment areas could provide for a mix of uses that would enable a more efficient employment function.

5.49 The following sites show such potential:

#### *Site 29 – Sutton Town Centre*

5.50 The area to the south of Sutton Town Centre includes a number of 1960's/70's high-rise office accommodation with large amounts of vacancy. The following buildings currently have more than 1,000 sq m of vacant office floorspace within them:

- The Quadrant (3,356 sq m);
- Copthall House (1,976 sq m);
- Old Inn House (1,226 sq m);
- Chancery House (1,858 sq m);
- Sutton Nine (1,059 sq m).

- 5.51 Such high levels of vacancy within the town centre's offices would suggest that restructuring and improvement to the office stock may be required to ensure the quantity of supply matches demand to a more reasonable degree, and the type of office accommodation meets market needs. Any major surplus office stock will require consolidation. This may include alternative employment uses such as conversion and subdivision of premises into smaller start up/SME business units. However, alternative uses may be more suitable occupiers. The conversion of a former office block on Throwley Way into residential apartments exemplifies recent consolidation of underutilised employment premises. Such development may be appropriate for some of the above buildings where long term vacancy would suggest that reoccupation of offices for employment is unlikely. The loss of employment floorspace in this location may assist in offsetting pressure to redevelop other employment areas within the Borough for alternative uses.

*Other Town Centres*

- 5.52 Like Sutton, other town centres in the Borough would appear to have high levels of vacancy within standalone office buildings. Cheam Town Centre (including Station Approach) includes over 2,000 sq m of vacant office floorspace at present, whilst Wallington Town Centre has approaching 3,900 sq m.
- 5.53 Selective redevelopment of less successful office developments within these areas into alternative uses may also provide a more appropriate utilisation of land, provide a more efficient employment function; and offset pressure to develop other employment areas within the Borough.

*Sites 51 and 52 – Hackbridge*

- 5.54 Although Hackbridge provides a significant opportunity for employment led redevelopment, a recent application (subsequently withdrawn) was submitted for a mix of supermarket/non-food retail, B1, housing and leisure development. The introduction of other uses on the site could enable a more efficient employment component as part of the development, or elsewhere through planning gain mechanisms.



## LOSS OF EMPLOYMENT LAND TO OTHER USES

- 5.55 The GLA recently issued the 2004 London Housing Capacity Study (LHCS, July 2005). The study has revised downwards the estimated house building targets in LB Sutton from 370 per annum to 345 per annum. Based on the concerns of LB Sutton that a number of 'locally important' industrial sites were subject to extreme pressure for housing redevelopment, the LHCS indicates that such sites over 0.5ha are assumed not to contribute to future housing targets. In maintaining a robust position on all employment sites, it is important for this study to test the Borough's full portfolio of both large and small employment sites in terms of being locally important or not.
- 5.56 In assessing the assumption that past rates of housing development achieved through the redevelopment of employment sites can be sustained into the future, it is important to measure the scale of transfer that has occurred during the recent past. Table 5.10 provides estimates of total employment land redeveloped for housing in LB Sutton the period 1996-2003. The full list of sites is provided in Table E9 in Appendix E. and separately identifies the proportion of which occurred on small sites. The table also includes a projection of potential loss for the period 2005 – 2016/17 based simply on the historical trend.

**Table 5.10 - Employment Land Transferred to Housing - LB Sutton 1996-2003**

	1996-2003 (actual)
Total Loss of Employment land to housing	41.86 ha
Total Loss on small sites	15.19 ha

Source: LB Sutton, 2005 (see Table E9, Appendix E for site details).

- 5.57 It is particularly important for this study to test the extent to which past rates of employment sites being transferred to housing could potentially be sustained in the future. Table 5.11 provides a theoretical illustration of the potential loss of employment land in the Borough if past rates were to continue. Effectively, this represents a 'do-nothing scenario' whereby current policies continue with priority being given to the provision of housing. It demonstrates that the trend over the last decade would imply the potential loss of 78ha in the period 2005-2016/15.

**Table 5.11 – Potential Loss of Employment Land: ‘Do-Nothing’ Scenario**

	2005-2016/17
Total Loss of Employment land to housing	78 ha
Total Loss on small sites	29 ha

Illustration of potential future loss of employment land to housing based on past rates of transfer (see Table 5.10)

5.58 In light of our assessment of the scale and nature of future demand / need for employment land (Section 4) coupled with our assessment of supply of available employment land (this Section), we consider that the ‘do-nothing’ scenario would run the risk of significantly compromising economic and employment priorities in the Borough. In particular, opportunities for indigenous employment growth would likely to be constrained and the provision of local jobs for local residents limited. Consequently, in providing for the Borough’s future employment needs, we consider that the core strategy and supporting employment land policies to be developed in the LDF, should include:

- more robust policies to strengthen the provision and safeguarding of suitable employment sites for employment use;
- a restrictive approach to the transfer of large and small employment sites to other uses with limited losses potentially occurring only in clearly defined, site specific circumstances;
- encouragement of initiatives for the public and private sector to invest in existing industrial area in order to improve their attractiveness to businesses; and
- the identification of some ‘new’ areas of land in the Borough which potentially could accommodate employment development in the future.

5.59 These issues are explored further in Section 6.

## **6. CONCLUSIONS AND POLICY RECOMMENDATIONS**

### **INTRODUCTION**

6.1 This study has provided a comprehensive and empirically based assessment of the demand for and supply of employment land and premises in the London Borough of Sutton. Importantly, acting on behalf of the Council, Atkins have undertaken this research as a response to the call of the GLA and the Government for Boroughs to undertake local employment land assessments. Consequently, the primary purpose of the research was two-fold:

- (i) to provide recommendations for the employment land policy approach to directly inform the development of the Sutton Local Development Framework; and
- (ii) to provide robust local evidence to inform the development of sub-regional and London-wide policies specifically relating to the safeguarding of employment land and potential transfer of employment land to alternative uses.

6.2 The remainder of this Section sets out our conclusions and recommendations to LB Sutton and the GLA. Our recommendations are based on a comprehensive process of evidence gathering and analysis which included:

- Analysis of the baseline socio-economic and property market context (Table 6.1 sets out a SWOT<sup>15</sup> analysis which summarises the key features of the local economy);
- Examination of trends in current and future demand for employment land and premises;

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<sup>15</sup> SWOT: Strengths, Weaknesses, Opportunities and Threats.

- Analysis of existing and future employment needs of the residents and businesses of Sutton;
- Assessment of all key sectors of the local business base, having regard to the needs of different types and sizes of B use class occupiers; and
- Appraisal of the existing employment land and premises supply in light of the feasibility and viability of sites meeting current and future occupier requirements.

**Table 6.1 - SWOT Analysis of Sutton Economic Conditions & Prospects**

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<p><i>Strategic location and good transport - within Greater London, good access to M25, M4, Gatwick airport, Heathrow airport.</i></p> <p><i>Strong employment growth over last decade, particularly within the business services and construction sectors.</i></p> <p><i>Increasing thriving and rapidly growing small business base serving local and sub-regional markets.</i></p> <p><i>Structure of the economy broadly reflects that of Greater London which resembles reasonable diversification (including balance between office, industrial and warehousing based employment).</i></p> <p><i>A high proportion of the Sutton population have good qualifications.</i></p> <p><i>Relatively low unemployment and overall low level of deprivation, particularly in terms of income and employment.</i></p> <p><i>Important concentrations of manufacturing, logistics and waste disposal activities at the Boroughs 3 largest industrial areas.</i></p> <p><i>Emerging strength in LB Sutton and South London include business and professional services, ICT and new media (all of which largely require B1 floorspace).</i></p> <p><i>Low industrial land and floorspace vacancies and relatively high rents indicate stable market.</i></p>	<p><i>Relatively weak public transport access</i></p> <p><i>Average wage levels in Sutton are somewhat lower than in the rest of London, so decreasing relative spending power.</i></p> <p><i>Mismatch between the wage levels of Sutton residents and those of workers employed in the Borough.</i></p> <p><i>Concentrations of high levels of deprivation in parts of the Borough.</i></p> <p><i>A low proportion of the Sutton population are qualified to level 4/5, which may detract employers requiring a highly skilled workforce.</i></p> <p><i>Sutton is slightly under-represented in some growth industries, e.g. banking, finance &amp; insurance.</i></p> <p><i>Lack of new, modern and affordable office and light industrial supply in planning pipeline, particularly for small businesses.</i></p> <p><i>Shortage of high quality employment premises – need for significant qualitative improvements..</i></p> <p><i>Poor office space image</i></p>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<p><i>Despite having relatively low wages, significant growth has taken place since 1999, outstripping the London and national rate (therefore increasing spending power amongst the resident population).</i></p> <p><i>Strong growth prospects in business and professional services.</i></p> <p><i>Healthy demand from the local SME base and those migrating out from inner London Boroughs.</i></p> <p><i>Growth in demand for small land medium sized offices in town centres from expansion of local and sub-regional service activities (consumer and producer services)</i></p> <p><i>Strong industrial market conditions will encourage further business investment in the Borough.</i></p> <p><i>Growth in warehousing / logistics activities.</i></p> <p><i>The existing office, industrial and warehousing stock provides a number of opportunities for redevelopment and/or refurbishment</i></p> <p><i>Employment and residential-led mixed-use development may facilitate the provision of good quality B1 space whilst bringing increased vitality to town centres.</i></p> <p><i>Office and industrial/warehouse land and rental values are more competitive than most other parts of the South Sub-Region.</i></p> <p><i>Town Centre redevelopment and premises upgrade will be important in raising the profile of Sutton and may improve prospects for encouraging inward investment.</i></p>	<p><i>Lack of readily available, affordable premises for SMEs (including serviced / managed workforce) whilst the area is perceived as having an oversupply of office accommodation.</i></p> <p><i>Sutton is slightly over-represented relative to London in some declining industries (manufacturing).</i></p> <p><i>Potential for increasing economic polarisation within the Borough as reflected by disparities in resident and workplace wages and concentrations of high levels of deprivation.</i></p> <p><i>Image of Sutton town centre in terms of retail and investment prospects (falling from 5<sup>th</sup> to 7<sup>th</sup> in the London retail hierarchy within 2 years).</i></p> <p><i>Decline of district and local centres in terms of vitality and employment.</i></p> <p><i>Competition from low-cost national and international locations, particularly for back-office functions.</i></p> <p><i>Competition for land with pressure for residential uses to replace employment uses. Potential future imbalance driven by political commitment to increasing housing supply.</i></p> <p><i>Competition from other more modern office developments in Outer London, in particular Epsom, Reigate and Croydon.</i></p> <p><i>GLA research does not emphasise importance of meeting employment floorspace demand from small, locally important businesses.</i></p>

## **THE EXISTING UDP**

- 6.3 An important starting point for considering the most appropriate policy approach to meeting Sutton's current and future employment needs is to evaluate the existing approach as set out in the Adopted UDP. The UDP was adopted in April 2003 and is set in the context of important policy changes which were taking place at the regional level. Of particular importance was the publication of the London Plan. However, since the UDP was adopted, there are a number of important other regional and national policy (and related) initiatives that need to be considered when reviewing the Plan and developing the new LDF. These include:
- Modification to PPG3 (requiring local authorities to review all their non-housing allocations);
  - Draft SPG on Industrial Capacity;
  - GLA report on Industrial and Warehousing Land Demand;
  - ODPM Guidance on Employment Land Reviews;
  - ODPM Planning for Economic Development (informing review of PPS4); and
  - Sustainable Success (LDA - London Economic Development Strategy).
- 6.4 Central to all the recent policy initiatives highlighted above, is the need for local authorities to review their stock of existing and allocated employment sites in order to ensure that supply is suited to demand. Moreover, the Government is promoting a proactive and more flexible approach to employment land policy. Local authorities must now ensure the provision of an adequate stock of employment capacity to meet the future needs of different types and sizes of businesses. There is a need to ensure that the qualitative needs of different businesses are met including the provision of good quality and affordable space for start-ups and small firms. In addition, local authorities are required to plan, monitor and manage the release of genuinely surplus employment land which is not suitable for the intended use and can assist in meeting other local and/or strategic planning objectives (e.g. such as the provision of affordable housing).

- 6.5 The application of a criteria-based assessment is fundamental to the employment reviews now required of local authorities. In summary, criteria should reflect factors of market demand, sustainable development and strategic policy considerations. This study has provided a comprehensive appraisal of employment sites and premises in Sutton.
- 6.6 The UDP highlights that, since 1991, the supply of available employment space in the Borough has fallen by around 30%. Indeed, Section 5 of this report has indicated that if the past rate of transfer of employment sites to housing was to continue, this would raise serious implications for the future supply of employment land in the future (see below). Consequently, this study has been critical to assessing the extent to which the remaining portfolio of employment sites in the Borough are suitable and required for meeting future business needs.
- 6.7 The UDP identifies three 'Strategic Industrial Areas' and seven 'Established Industrial Areas'. Together these areas are designated as 'Preferred Industrial Locations' where industrial development should be promoted. Policies in the UDP seek to safeguard the Preferred Industrial Locations for employment uses and to resist transfer to other uses. Other policies seek to enhance the role of Sutton Town Centre as a major office location and promote major offices in areas of high public transport accessibility (particularly in Sutton Town Centre). The provision of small offices are encouraged in district and local centres and other appropriate locations.
- 6.8 Despite strong employment safeguarding policies, the UDP allows (through a criteria-based approach) the transfer of employment sites outside the Preferred Industrial Locations to other uses. As highlighted above, this has taken place to a significant scale over the last decade.
- 6.9 In responding to changing economic circumstances and recent strategic policy initiatives, we recommend that the Council refine the policies in order to ensure consistency with the new strategic policy context and to encourage a reasonable balance between supply of employment land and anticipated future needs. These recommendations are founded on our appraisal of emerging strategic policies and our comprehensive assessment of local demand and supply side factors. In particular, it is important for the LDF approach to:

- Include a review of the local and strategic economic priorities to support the employment policies in the Plan which should be considered alongside other planning objectives;
- Define a clear typology of employment sites and premises which are consistent with strategic policy guidance and reflect the current and future economic roles of Sutton;
- Identify clear criteria for defining and justifying the employment allocations contained within the typologies;
- Identify key sites where the consolidation of employment-related development should be concentrated in light of future economic needs;
- Introduce an allocation type which promotes employment-led mixed use development in clearly defined circumstances;
- Include specific policies which make provision for affordable workspace, small businesses and key sectors;
- Identify key mechanisms for implementing the plan;
- Provide a framework for reviewing the criteria (including marketing) which establish the only circumstances where non-employment development will be considered on employment sites; and
- Develop a comprehensive monitoring system in order to evaluate the impact of policies and to inform the review of policies.

### **SHORTFALL OR SURPLUS OF EMPLOYMENT LAND?**

- 6.10 A critical component of the study was to assess the extent to which the existing supply of employment sites in the Borough are sufficient to meet the future requirements of business in the period up to 2016.
- 6.11 Our demand analysis included a forecast of demand for B use class which indicated that the local economy has a need for the provision of 170,000 – 270,000 sq m of gross additional floorspace (B1, B2, B8). This is estimated to be equivalent to approximately 30.5ha – 48.5 ha of land.



- 6.12 Our assessment of supply relative to need and future demand indicates that the on-going loss of employment land to alternative uses (particularly housing) at rates experienced over the last 10 years would result in a significant shortfall of land to meet future requirements. Indeed, the continuation of these trends would result in a 25% decline in the provision of employment land in the Borough by 2016/2017. In light of our estimates of future demand, this scenario would constrain future employment growth, the expansion of indigenous industry and the attraction of potential inward investment to the Borough.
- 6.13 Consequently we consider that, in planning for future business requirements, it is imperative that LB Sutton adopts a strong approach to the safeguarding of existing employment land in order not to compromise the supply of land required to meet business needs in the future. Whilst there is scope for the restructuring aspects of the employment land portfolio in the Borough through improvements to existing industrial estates and through the transfer of a selection of employment sites to mixed use, a net loss of employment land in the Borough during the plan process may compromise local economic priorities and business needs.
- 6.14 The Council should take a leading role in facilitating the restructuring of key sites within the Borough. Of particular importance will be the need to distinguish between provision for key market segments and different types of businesses. In particular, we consider it essential that the LDF harness the growth potential of the diverse small business base. These businesses have shown strong demand for suitable premises despite supply being limited. This is reflected by the empirical survey of established B Use Class businesses in the Borough and is supported by evidence provided by other research studies (such as the South London Office Capacity Study). The demand for small to medium sized premises is apparent in both office and industrial markets and for a diverse range of economic activities. There is also evidence to indicate that demand is significant for warehousing and waste disposal activities which are suited to outer London locations such as Sutton.
- 6.15 Despite the apparent lack of quantitative and qualitative premises for SMEs in Sutton, the Borough is perceived as having an overhang in terms of vacant office floorspace. This is reflected by relatively high levels of vacant employment floorspace, particularly in Sutton Town Centre, which accounts for over 45% of all vacant employment floorspace in the Borough. A further

22% of vacant floorspace is located at edge of town centre location. Consequently, we conclude that, whilst there is a potential shortfall in the supply of suitable employment land and premises to meet current and forecast business need, there is an oversupply of large office premises of poor quality in concentrated locations. This strategic mismatch requires a proactive and flexible policy response.

6.16 Prevailing property market indicators support our broad conclusions in respect of the demand-supply balance in the Borough. Indeed, we have shown that:

- average prime office rents are relatively low compared to other parts of South London although demand clearly exists for smaller and more affordable premises in the Borough's town centres;
- industrial rents in LB Sutton are relatively high compared to other parts of South London and over recent years have been rising at a rate greater than London as a whole;
- anticipated returns from investment in the Sutton industrial market have been increasing steadily as reflected by falling initial yields;
- industrial rents are significantly higher than purported by the GLA industrial and warehousing land demand report; and
- employment land and floorspace vacancies are substantially lower than the estimates provided in the GLA industrial and warehousing land demand report.

6.17 Consequently, our research raises important policy considerations for LB Sutton, the sub-region and the GLA. These implications are discussed later in this section.

6.18 Before considering the policy implications of our conclusions, it is important to provide an indication of the likely profile of future demand in terms of use, size and location. These issues are discussed below.

## Breakdown of quantitative requirements

### *Requirements by use class*

- 6.19 An estimate has been derived of the broad types of premises required within the Borough by use class by considering current floorspace utilisation and future premises needs (derived from the business survey) and local property market indicators and applying this information to the additional floorspace requirements needed up to 2016 (refer to Table 6.2 below). Table 6.3 provides the site area (land) equivalent of requirements by use class based on the application of assumed plot ratios.

**Table 6.2 – Estimated gross additional floorspace needs by use class**

Use Class	Estimated Floorspace Requirement %	Lower level forecast (sq.m)	Upper level forecast (sq.m)
B1a Offices	30.1	51 218	81 347
B1c, B2 and Sui Generis	43.5	73 942	117 438
B8	26.4	44 839	71 216
<b>Total</b>	<b>100</b>	<b>170 000</b>	<b>270 000</b>

**Table 6.3 - Estimated gross additional employment land needs by use class**

Use Class	Lower level forecast (ha)	Upper level forecast (ha)
B1a Offices	6.8	10.8
B1c, B2 and Sui Generis	14.8	23.5
B8	8.9	14.2
<b>Total</b>	<b>30.5</b>	<b>48.5</b>

Based on plot ratio of 75% for B1a and B1b and 50% for B1c, B2 and B8

- 6.20 It should be recognised that the above estimates provide only a guide to how the additional floorspace needs are likely to be broken down by sector. The exact proportions will depend on (for example) how much useable vacant floorspace is comes onto the market from firms who cease trading and the success of initiatives to upgrade the quality of the existing B-class building stock. It should also be noted that well located, flexible and adaptable premises may be suitable for occupation by a range of B-class activities.

### *Requirements by size of premises*

- 6.21 It is possible to identify the likely size of premises needed by existing and future occupiers by considering several different indicators namely:

- The sizes of existing premises occupied by businesses in the Borough (see Appendix C);
- The floorspace requirements identified by firms seeking to relocate (see Appendix C);
- Business start up and survival rates to identify the space requirements of new firms; and
- Qualitative indicators gained from property market intelligence.

6.22 Based upon the consideration of existing and potential occupancy requirements of existing firms it is possible to estimate the approximate size requirements relating to indigenous business needs in terms of the size of individual premises (refer to Table 6.4).

6.23 The Council should seek to promote developments where unit sizes are less than 2,000 sq.ft in size and are capable of subdivision. This could apply to new premises or adaption of existing employment premises. A shift towards the provision of small and medium sized units is necessary to address the current mismatch in supply and the requirements of indigenous businesses.

**Table 6.4 – Additional floorspace needs by premises size**

Size of premises (sq.ft.)	Premises size requirements (average % derived from business survey)	Lower level forecast (sq.m)	Upper level forecast (sq.m)
1 – 100	20	85 000	135 000
101 – 250	10	17 000	27 000
251 – 500	20	34 000	54 000
501 - 1 000	10	17 000	27 000
1 001 - 5 000	5	8 500	13 500
5 000+	5	8 500	13 500
<b>Total</b>	<b>100</b>	<b>170 000</b>	<b>270 000</b>

### Providing for Future Demand

6.24 Having identified the scale and profile of demand, it is important to consider how this can potentially be met in terms of location. Drawing on the site assessments described earlier in this report. Table 6.5 provides an indicative

illustration of the capacity of different locations within the Borough to meet future demand. The table provides estimates of the capacity of vacant premises and consolidation sites to meet future demand.

**Table 6.5 – Potential Sources of Employment Floorspace and Land Supply**

Source	Preferred Industrial Locations	Town Centres	Edge of Town Centre & Local Centres	Other Sites	Total
(1) Vacant floorspace available & suitable for re-occupation (m <sup>2</sup> )	39,171	7,770	804	1,270	49,015
(2) Estimated floorspace available on vacant land within consolidation areas (m <sup>2</sup> )	55,392	5,915	4,821	0	66,128
<b>(3) Sub Total</b>	<b>94,563</b>	<b>13,685</b>	<b>5,625</b>	<b>1,270</b>	<b>115,143</b>
(4) Potential additional floorspace from intensification / improvement / redevelopment of consolidation areas (m <sup>2</sup> )	100,000	25,000	0	3,000	128,000
(5) Floorspace capacity from potential sites (St. Helier Hospital (29) & Land north of Wandle Valley Trading Estate (m <sup>2</sup> ))	25,100	43,500	0	0	68,600
<b>(6) Sub Total</b>	<b>125,100</b>	<b>68,500</b>	<b>0</b>	<b>3,000</b>	<b>196,600</b>
<b>(7) Overall Total</b>	<b>219,663</b>	<b>82,185</b>	<b>5,625</b>	<b>4,270</b>	<b>311,143</b>

(1) Existing vacant floorspace assessed to be suitable for re-occupation. 50% of total existing vacant floorspace in town centres and local centres assumed to be redeveloped for other uses.

(2) Potential floorspace capacity of existing vacant sites within consolidation areas available for development for employment uses.

(3) (1)+(2)

(4) Potential floorspace capacity of under-utilised land and premises within consolidation areas with opportunity for redevelopment / improvement etc. Estimates represent floorspace potential which is additional to that already provided within consolidation areas (i.e. takes account of potential loss of floorspace through redevelopment). This excludes available vacant land which is included in (2) above.

(5) Total floorspace capacity arising from two potential / new employment sites.

(6) (4)+(5)

(7) (3)+(6)

6.25 Based on our assessment of existing employment sites in the Borough, Table 6.5 shows that suitable vacant floorspace and available vacant land has the potential to accommodate up to 115,000 sqm. (82% of which is located within the preferred industrial locations). Given its availability, this potential floorspace should be considered as a proxy estimate of short to medium term supply. Compared to our estimates of demand requirements, this potential supply falls short of even our lower level estimates (170,000 sqm).

6.26 We have assessed the capacity of a number of key potential sources employment floorspace supply:

- (i) 128,000 sqm. from intensification / redevelopment / improvement of land and premises within consolidation areas (excluding vacant land readily available for development); and
- (ii) 68,600 sqm. from the potential allocation of St. Helier hospital and the gas works site north of Wandle Valley Trading Estate for employment purposes.

6.27 Excluding (ii) above, this raises the potential supply in the Borough to 243,000 sqm. which meets the lower of our forecast estimate but not the upper level estimate. Indeed, inclusion of the two potential 'new' employment sites is required to raise overall supply to above the higher forecast estimate. However, the identification of the two sites as potential employment locations is subject to a range of constraints which would impede them being brought forward for development. Consequently, these sites are only likely to have the potential to contribute to medium / long term supply. Indeed, this is also the case for much of the potential supply arising from the redevelopment and improvement of developed land within consolidation areas.

6.28 Overall, our assessment of the potential sources of supply to meet the estimates of future demand concludes that:

- LB Sutton is likely to face a shortfall in supply to meet identified need before the end of the LDF period unless measures are taken to improve the medium and long term supply in the Borough.
- Measures to improve supply should be prioritised in terms of re-utilising suitable vacant premises, developing vacant land within consolidation areas and intensifying / redeveloping existing land and premises within consolidation areas.
- The majority of future supply can be sourced from within the preferred industrial locations. Consequently, in meeting future business requirements it will be essential that LB Sutton adopts a strong and proactive approach to safeguard and improve these locations for on-going employment use.

## **POLICY IMPLICATIONS**

6.29 Our assessment of the demand-supply balance in LB Sutton raises three critical issues which should be addressed by the LDF's employment land policies:

- Firstly, **there are very limited options for the transfer of employment sites to alternative**. Our analysis has shown that there is a potential shortfall of employment land and premises to meet future demand, particularly for industrial and small business occupiers. Indeed, empirical property market indicators show that market conditions are tight which is contrary to the findings of the GLA industrial and warehousing demand report: this is partly due to the erosion of employment land supply over the last decade which has resulted from the redevelopment of employment sites for housing use. Despite the shortfall of suitable employment land to meet demand requirements, there are a number of specific office sites which are unsuitable for their intended use. These sites are concentrated in the Borough's town centres and provide opportunities for managed transfer to mixed use. Despite this, the evidence provided by this study, from both demand and supply perspectives, indicates that the forthcoming SPG on Industrial Capacity should retain LB Sutton within the 'Restricted' transfer category.
- Secondly, **the LDF should facilitate the provision of employment land and premises which reflects the key strengths and roles of the Sutton economy**. This should have particular regard to the provision of a range of small and medium sized premises including the provision of managed, serviced and affordable workspace (for both office and light industrial occupiers). The LDF should also provide for the Borough's strategic role as a location for population growth. This population growth will require the provision of an adequate supply of small and medium sized business accommodation to provide for an increase in the need for serviced-based industries to serve local residents.
- Thirdly, there is a need for the Council to take a strongly proactive approach to facilitating the **qualitative improvement in the supply of employment land and premises in the Borough**. This will be important in maximising the scope for meeting the Borough's future



business requirements from within the existing stock of employment land. This may involve the redevelopment and/or refurbishment of existing sites and premises; the consolidation of under-utilised employment for more intensive employment use; and promoting a new approach to creating employment-led mixed use developments in specific locations.

- 6.30 The evidence and justification for pursuing policies which address these three issues are considered below.

### **Restricted Transfer of Industrial Land**

- 6.31 Subject to ongoing monitoring and review, there is a significant body of evidence to suggest that the transfer of employment land to alternative uses should be restricted during the period as indicated by the draft SPG on industrial capacity:

- (i) Statistics provided by the GLA in 2004 have been up-dated by our site-specific assessments of employment land supply in the Borough. The Industrial and Warehousing Land Demand report indicated that vacant floorspace and land in Sutton amounted to 15.1% and 9.2% respectively. Including all aspect of B Use Class employment site and premises, our assessment indicates that vacancy rates are significantly lower than previously indicated: at 9.7% (or 4.5% given assumptions stated in Section 5) and 1.6% respectively. This reflects a healthy level of demand from a variety of industrial activities and the effects of significant restructuring in the industrial property market over the last 10 years (including the release of significant amount of industrial land to alternative uses). Vacant floorspace remains concentrated in relatively large office buildings, particularly in Sutton Town Centre. These sites provide an important opportunity for encouraging diversification of both the town centre economy and its commercial property offer.
- (ii) In addition to vacant land and premises in LB Sutton being significantly lower than that indicated by the GLA in 2004, current property market indicators show that industrial rents are higher in the Borough compared to most other parts of the South London sub-region. This reinforces our conclusion that their demand is relatively strong relative to supply in the Borough. In developing local and strategic policies

which influence the supply of employment land and premises in LB Sutton, it is particularly important for these to have regard to local circumstances and how these differ from neighbouring authorities.

- (iii) Industrial restructuring in Sutton is at a mature stage and the scope for the transfer of existing employment land arising from ongoing industrial restructuring is unlikely to result in a significant decline in demand for employment land and floorspace. In 2003, industrial employment in Sutton accounted for only 7.4% of total employment compared to 6.1% in London. Consequently, there is only limited scope to release employment land on the industrial restructuring argument.
- (iv) Similar to many other Boroughs in London, warehousing-related employment in Sutton has increased. Indeed, the warehousing sector in the Borough is now more important than the industrial sector, accounting for 8.3% of total employment. Many warehousing activities are likely to continue expanding over the next decade and will require appropriate development opportunities to accommodate this demand. The growth in warehousing-related demand will be driven by the anticipated growth in London's economy and increase in population.
- (v) The Mayor's draft SPG on industrial capacity states that Borough's should protect locally important, viable industrial sites which lie outside the SEL Framework having tested them in light of local and strategic demand and against the criteria set out in the guidance. This process has been conducted as part of this study. The results of which are summarised below.

### **Balancing Supply with Demand and Need**

6.32 The LDF should protect and facilitate the Borough's key economic functions including:

- Strategic industrial and warehousing activity in Beddington and Kimpton (including environmental and construction related industries);
- A diversifying small business base comprising a wide range of service-based and light industrial activities emerging from expansion of existing enterprise and through the relocation of businesses from inner London; and

- Sutton and Wallington Town Centres as a location for a range of office-based service activities;

6.33 This will require:

- Justified and well defined policies aimed at the safeguarding of Preferred Industrial Locations and the identification of key consolidation sites to meet the current and future needs of industrial and warehousing activities;
- Proactive policies to promote the increased provision of small and medium sized office and light industrial premises in a variety of locations including town centres. This should be supported by key initiative to support affordable, managed workspace which builds on existing success in the Borough (such as Sutton Business Centre, Westmead Business Centre and Mill Green Business Centre); and
- Restructuring and improvement of the Sutton Town Centre office in terms of:
  - Quantity: bringing the amount of supply closer to the scale of demand;
  - Quality: ensuring the type of supply more closely meets identified needs; and
  - Stimulating regeneration: facilitating town centre renewal through the redevelopment of key sites for a mix of uses.

6.34 Whilst this study has highlighted the potential shortfall of suitable employment land provision to meet future business requirements, it has also demonstrated that aspects of the market are characterised by a mismatch in terms of supply characteristic relative to demand. This is particularly the case in the office markets where there is an oversupply of large, unsuitable office buildings in Sutton Town Centres and, to a lesser degree, other centres in the Borough whereas demand is predominantly for small and medium sized offices. Indeed, this type of demand is likely to continue during the plan period.

- 6.35 Consequently, we have highlighted that there are a number of specific sites within and close to the town centres which should be considered for transfer to mixed-use. Whilst this may result in a net reduction in office accommodation within the town centres, the mixed-use options for these sites should include a significant component of employment generating floorspace (particularly downsized but more appropriate office accommodation). Demand for small and medium sized office premises in Sutton and other town centres is likely to be forthcoming if the market is pitched in relation to the needs of occupiers. These will include local consumer and producer service activities which are required to support the local business and population base. Indeed, with the growth of LB Sutton's population implied by the GLA's housing strategy, it is reasonable to anticipate that demand from consumer services occupiers will increase significantly over the plan period.
- 6.36 We estimate that the key vacant premises in Sutton and other town centres amount to around 17,150 sqm. of which approximately 50% (8,600 sqm) could reasonably be transferred to non-employment uses / housing through redevelopment and refurbishment. Given the accessible locations of these opportunity sites, they provide scope for high density development options to be considered.
- 6.37 In addition to unsuitable town centre office blocks which could be considered for part-transfer, we have identified the area around Hackbridge Station (sites 51 and 52) as an opportunity site which could benefit from comprehensive redevelopment for mixed-use. However, we consider that at least 60% of the site area should be retained for employment development. Given that two sites together cover an area of 13ha, this provides scope for a maximum of around 5ha which could potentially be considered for transfer to non-employment use.

### **Improving the Qualitative Supply**

- 6.38 In responding the needs of Sutton's existing and future business base, there is a strong case for the LDF to facilitate the improvement in the qualitative supply of sites and premises. This is particularly important regarding the need to:
- Modernise older and uncompetitive sites and premises; and

- Providing premises for business start-ups, small companies and those requiring affordable workspace.
- 6.39 Increasing the qualitative component of supply can be achieved through a combination of the following measures:
- Intensifying the use of some existing employment locations;
  - Introducing complementary ancillary employment uses that fall outside the B use class;
  - Redevelopment of some existing sites for continued employment use;
  - Redevelopment of some existing employment sites for employment-led mixed use development; and
  - Redevelopment of windfall and/or other key sites with opportunities for mixed-use development with a significant employment component.
- 6.40 These initiatives should be supported by LDF policies which are guided by a criteria-based approach as recommended by the draft SPG (see below). The implementation of policies to upgrade the qualitative supply of employment land and premises to match need should take place as part of a process aimed at monitoring and managing the Borough's stock of sites and premises.
- 6.41 A particularly important element of qualitative need relates to the role of the LDF and associated public sector regeneration initiatives in facilitating a significantly increased supply in affordable workspace. This should include the adoption of innovative approaches to finding land-use and financial solutions for the provision of additional workspace for small businesses. In doing so, it is important to highlight that many small businesses and start-ups with the potential for financial self-sufficiency have particular needs that often cannot be met by the market. In particular, the need for affordable rents may not be provided by the market either because this is unviable for the developer or is below a standard expectation of return. Consequently, LB Sutton should take a leading role in:
- Persuading developers and landlords to see the benefits of accepting lower short-term returns in exchange for achieving lower risk, more

sustainable returns from the provision of small workspaces aimed at key small business sectors;

- Directly investing in the provision of managed workspace and/or providing a capital subsidy to local development trusts / social enterprise agencies that can operate and manage the facilities within a commercial context. Importantly, consideration should also be given to options for transferring the ownership / property assets to the provider. This would enable providers to grow a capital investment base which can be used to secure further income or loans for reinvestment in the service;
- Utilising Planning Agreements to secure capital funding for the provision of additional managed workspace and business support services in the Borough. The capital could be either invested directly by the Council or placed in a ring-fenced fund for distribution as grants to managed workspace providers. There is an increasing view amongst workspace providers and local regeneration agencies that the need for managed workspace and the associated market failure context is comparable to the situation that has led to a shortage of affordable housing in London. It is argued that similar funding mechanisms should be made available for managed workspace.
- In key locations promoting mixed-use as a mechanism for achieving the provision of affordable workspace in appropriate locations (on or off-site). The transfer of some existing employment sites to residential or for mixed-use development should be supported by a policy requirement to pay for or subsidise the cost of providing affordable workspace. Importantly, this should include the transfer of ownership to identified workspace providers and/or local development trusts. Otherwise, there is the risk that the B1 floorspace provided as part of mixed-use schemes may be either unsuitable for local businesses and/or marketed at rents which are not affordable for these businesses. Accountability for the transfer of land and property assets to third parties will need to be carefully defined and should include the adoption of conditions which control the tenants and types of businesses which will occupy the premises.

## CRITERIA BASED POLICY APPROACH

6.42 A typology of employment locations has been derived which considers the existing and future floorspace requirements for the Borough up to 2016 and the capability of existing sites and premises to meet these requirements. The typology of locations is shown in Table 6.6 which builds on the existing planning policy approach relating to employment land and premises in Sutton. However, importantly the criteria and rationale for the policies have been updated to reflect recent strategic policy guidance and findings of the employment land appraisal and future employment land and premises requirements.

**Table 6.6 – Typology of Employment Locations**

Designation Type	Description
Strategic Employment Location (SEL)	SEL's represent London's strategic reserve of industrial capacity. These sites are mostly more than 20 ha in size and represent Preferred Industrial Locations (PILs) and Industrial Business Parks (IBP's). SEL's are designated at the regional level and are defined in the London Plan. This designates Beddington and Kimpton Industrial areas as Preferred Industrial Locations (PILs). No Industrial Business Parks are identified in Sutton (designated for firms which need better quality surroundings than those located in PILs).
Locally Significant Employment Sites	<p>Locally Significant Employment sites encompassing viable and suitable locations for supporting B1, B2 and B8 land uses which are necessary to meet current and anticipated levels of demand in existing and target growth sectors. Within Sutton these sites should normally meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Form part of established area of existing industrial, warehousing or office-based activity. Sites should normally include more than 4,000 sq.m (43,000 sq.ft.) of employment floorspace. In addition, employment floorspace should represent a minimum of 50% of the total ground floor floorspace within the site;</li> <li>• Support clusters of economic activity which is of particular importance to the future growth of Sutton economy. Those clusters should include business and professional services, other business services, manufacturing, storage / distribution, creative and cultural industries, environmental industries, construction;</li> <li>• Well located in proximity to the road network and are normally accessed directly from a Strategic Route, London Distributor Road or Borough Distributor Road;</li> <li>• Well located in relation to public transport facilities including railway stations and major public transport interchanges;</li> <li>• The quality of the employment building stock and the state of the physical environment and public realm are attractive to business or have the physical potential to be upgraded to meet those needs;</li> <li>• Provides an existing role or offers potential with regard to the provision of premises serving small and medium sized businesses (including start-up,</li> </ul>

Designation Type	Description
	expanding and relocating businesses);
	<ul style="list-style-type: none"> <li>Provides lower cost accommodation suitable for small, start-up or lower-value industrial, warehousing or office uses or other business important to the local economy;</li> <li>Contributes to local employment objectives and local economic diversity.</li> </ul> <p>Some sites were identified because they offer potential for 24 hour working, or provide facilities for 'bad neighbour' uses without detriment to residential amenity.</p>
Town Centre and Main shopping Area	Town Centres represent Locally Significant Employment sites encompassing viable locations for supporting B1a land uses due to their accessibility by public transport. Sites on the periphery of town centres are also established locations selected B1c and Sui Generis employment generating uses. Employment uses within town centres should normally be protected. The same policies and criteria applicable to EZs are also appropriate for use in relation to town centre employment uses.
Other Employment Locations	Other Employment Locations represent areas of employment uses which do not meet the criteria of either a Strategic Employment Location or Locally Significant Employment Site but which still provides employment floorspace which meets the needs of the Borough or has the potential to provide such space.
Site Specific Proposals (Consolidation and Opportunity Areas)	<p>A site specific proposal designation has been proposed in relation to SELs, Locally Significant Employment Sites or Town Centres where there is a need to secure improvements in the quantity and/or quality of the employment building stock through upgrading or redevelopment in order that employment premises meet existing/future floorspace requirements. The designation could relate to all or part of the employment site.</p> <p>Figures 5.4a-5.4c identify the sites (or parts thereof) are justified for designation as a Consolidation Area.</p> <p>The potential opportunities for improvement and consolidation identified in relation to these sites include:</p> <ul style="list-style-type: none"> <li>Intensification of the existing employment premises (for example through extension or subdivision of existing premises);</li> <li>Redevelopment of existing sites for continued employment use; and</li> <li>Redevelopment of existing employment sites for employment-led mixed use development.</li> </ul> <p>Where the potential for employment-led mixed use has been identified the purpose has been to secure improvements in the type and quality of the employment building stock. These are identified as Opportunity Areas and may include a significant element of non-employment uses. However, the designation should aim to result in the employment floorspace being improved and/or replaced to meet the qualitative requirements of businesses in the Borough. At each site the quantity of enabling non-employment floorspace should be limited to the quantity necessary to secure provision of appropriate employment premises.</p>



## **COMPOSITE ASSESSMENT OF SITES**

- 6.43 A composite assessment of the forty sites has been undertaken with a view to identifying those sites most suitable for safeguarding and intensification of employment functions, as well as identifying those that have a more marginal employment role. .
- 6.44 A criteria based matrix has been used as the basis to evaluate the employment sites identified in this study (see Appendix F for site-by-site assessment). Four main groups of criteria identified are:
- Access requirements;
  - The sites ability to meet the Locally Significant Employment Sites criteria (see Table 6.6 above)
  - Employment Consolidation/Availability; and
  - Market factors.
- 6.45 Within each of the 4 main groups a range of indicators were derived to address different issues and constraints (see below and Appendix F). A score for each indicator was derived for each location depending based upon assigning a number of points based on the descriptive criteria which most accurately reflected the site. A composite percentage score was derived which equally weighted the results of the 4 groups of indicators outlined above. The 40 employment locations were then ranked according to composite site score. Each indicator under the four main headings is described below. Table 6.7 summarises the results of the evaluation and provides the ranked scores for each site.

Table 6.7 – Ranking of Employment Locations

Site ID	Site Name	Size of Site (Ha)	Accessibility Score	LSES Score	Employment Consolidation	Market Factors Score	Overall suitability score %
052	Restmor Way/Felnex Trading Estate	11.2	5	4	5	5	76.00
065	Beddington Strategic Industrial Area <sup>a</sup>	150	5	5	5	4	76.00
051	Land to East of London Road, Hackbridge	1.83	5	3	5	5	73.33
062	Paynes Chocolate Works	3.92	5	4	5	4	70.67
063	Stafford Cross Business Park Silver Wing Ind Est	5.92	4	4	5	4	70.67
010	Kimpton Industrial Estate	19.4	4	4	5	4	69.33
075	Depot, Ewell Road, Cheam	0.65	5	3	5	4	66.67
021	Oldfields Road Trading Estate	0.71	4	4	5	4	66.67
059	Wallington Town Centre	15	5	4	5	3	66.67
030	Lind Road, Sutton	0.96	3	4	5	4	65.33
006	Hamilton Avenue, Stonecot	1.73	4	3	5	4	64.00
029	Sutton Town Centre	49.8	5	3	5	3	62.67
067	Woodmansterne Road, Carshalton South.	1.16	2	4	5	4	58.67
012	Gander Green Lane	1.38	4	3	3	5	58.67
037	Mill Green	0.34	4	4	3	4	57.33
040	St Andrews Road	0.73	3	4	3	5	57.33
032	Westmead Road Local Centre	2.49	3	5	3	3	56.00
036	Wandle Valley Trading Estate	3.17	4	3	3	4	56.00
003	McMillan House, Farm Way, Worcester Park	0.59	3	4	1	5	50.67
016	Station Approach, Cheam	0.59	4	3	3	3	50.67
002	Worcester Park Town Centre	7.4	4	3	1	4	48.00
046	Carshalton Park Road, Carshalton	0.35	4	2	3	3	46.67
004	North Cheam Town Centre	9.04	4	2	5	1	46.67
015	Cheam Town Centre	5.14	5	2	1	3	44.00
074	Denmark Road Council Offices	1.65	3	2	3	3	44.00
070	Brighton Road, Belmont	1.29	5	2	1	3	42.67
048	Carshalton Town Centre North Street.	3.45	4	1	3	3	42.67
050	B277 Carshalton	0.2	4	1	3	3	42.67
017	Upper Mulgrave Road	1.16	4	1	1	4	40.00
071	Station Road, Belmont	2.17	4	2	1	3	38.67
020	Gander Green Sutton West	0.22	3	1	1	4	36.00
023	St Helier District Centre	5.37	4	2	1	1	34.67
083	Park Road, Hackbridge	0.12	3	2	3	1	33.33
060	Stafford Road, B271, Wallington South	1.73	4	1	1	1	29.33
044	Beeches Avenue, Carshalton	1.09	3	1	1	1	25.33
082	Westmead Corner Local Centre	0.4	2	2	1	1	24.00
013	Church Hill Road, North Cheam	1.34	3	1	1	1	22.67
043	Banstead Road South (Carshalton)	1.12	3	1	1	1	22.67

<sup>a</sup> Includes land to west of Beddington Lane in Metropolitan Open Land.

Site ID	Site Name	Size of Site (Ha)	Accessibility Score	LSSES Score	Employment Consolidation	Market Factors Score	Overall suitability score %
061	Sandy Lane North	0.13	3	1	1	1	22.67
080	Stanley Park Road Local Centre	0.87	3	1	1	1	22.67

Source: Appendix F.

### *Accessibility Criteria*

6.46 A scoring system was devised to assess accessibility factors at each site. This was based on the proximity of each site to rail and bus routes; and local road hierarchy. The accessibility scoring system used is therefore as follows:

- If a railway station was located within a site or within immediately adjacent, the site was judged to be “Excellent” (5 points); Those sites within 400m of a station were deemed “Good” (4 points); sites within 800m of a station were judged to be “Fair” (3 points); and sites further than 800m from a station were judged to be “Poor” (1 point). Distances were measured using multimap information;
- Proximity to good bus routes was assessed in a similar format: An “Excellent” score of 5 was given to site that had a bus interchange within the site, or a number of routes servicing the site. A “Good” score of 4 was given to sites on primary bus routes; a “Fair” score of 3 was given to those sites within 100m of a bus route; and one point was allocated to sites further than 100 metres away from primary bus routes.
- In terms of access to the road network, points were awarded to the employment locations on the following basis: Sites were judged to be “Excellent” (5 points) if accessed directly via a Strategic Route; “Good” if accessed via a LDR (4 points); “Fair” if accessed via BDR (3 points) and “Poor” if accessed via other lesser routes. (1 point).

### *Locally Significant Employment Sites Criteria*

6.47 A scoring system was formulated based on the criteria for locally significant employment sites as defined in Table 6.6. The following assessment criteria were used:

- Ability of the site to form part of established area of existing industrial, warehousing or office-based activity. Sites that include more than 4,000 sq.m (43,000 sq.ft.) of employment floorspace were judged to be “Good” (5 points); sites of between 1,000 and 4,000 sq m were judged to be “Fair” (3 points); and sites of less than 1,000 sq m were judged to be “Poor” (1 point)
- Car parking is a particular issue in Sutton and sites were judged on parking capacity and problems. Sites with spare parking capacity were judged “Good” (5 points); those with constrained parking were judged “Fair” (3 points); and those with parking difficulties were judged “Poor” (1 point);
- The quality of the employment building stock and the state of the physical environment and attractiveness of the public realm to businesses was assessed. Sites with high quality business accommodation and environment were judged “Good” (5 points), those with physical potential to be upgraded to meet those needs were judged to be “Fair” (3 points); and those requiring significant work to attract new occupiers were judged to be “Poor” (1 point);
- The scope of the site to provide provision of premises serving small and medium sized businesses (including start-up, expanding and relocating businesses); for SMEs formed part of the assessment. Those which provide an existing role were judged “Good” (5 points); those offering a potential role were judged “Fair” (3 points); those offering little future scope were judged “Poor” (1 point)
- Provision on site for lower cost accommodation suitable for small, start-up or lower-value industrial, warehousing or office uses or other business important to the local economy was assessed. Those currently providing accommodation were judged “Good” (5 points); those with potential accommodation were judged “Fair” (3 points); those with little or no scope were judged “Poor” (1 point);
- Bad neighbour issues were also assessed. Sites with potential to offer 24 hour working were judged “Good” (5 points); sites with few impacts on neighbouring uses were judged “Fair” (3 points); and sites which are in conflict with neighbouring uses were judged “Poor” (1 point).

- 6.48 Each of these scores was then factored to provide an overall “Locally Significant Employment Sites Criteria” score out of 5.

*Employment Consolidation*

- 6.49 The likely scope for future employment consolidation is seen as a key factor in this assessment. Therefore a scoring system was devised which could utilise the appraisal information contained in Chapter 4. A score was assigned to each site on its ability to accommodate future employment intensification:

- Those sites judged to provide scope for employment development immediately were deemed “Excellent” (5 points);
- Those sites that could accommodate intensification or development in the short term (within 3 years) were judged to be “Good” (4 points);
- Those sites that could provide employment consolidation in the medium term (within 5 years) were judged “Fair” (3 points);
- Those which may be able to be redeveloped in the long term for employment were judged “Poor” (2 points); and
- Those providing little or no scope for employment development were deemed “Poor” (1 point).

*Market Factors*

- 6.50 Market factors were also judged to be important to this assessment. Sites were therefore judged on the following basis:

- Sites with no vacant employment floorspace, likely to be immediately reoccupied if existing occupiers were to vacate were judged “Excellent” (5 points);
- Sites where the majority of vacant premises within the site are likely to be occupied in the short term (within 12 months) were judged as “Good” (4 points). This score was also applied where short to medium term market factors were considered to generate significant demand for refurbishment and / or redevelopment opportunities;

- If the majority of vacant premises within the site are likely to be occupied in the medium term (within 3 years) sites were judged to be “Fair” (3 points). This score was also applied where medium to long term market factors were considered to generate significant demand for refurbishment and / or redevelopment opportunities;
- Sites where the majority of vacant premises are unlikely to be occupied without significant work, or if the occupied buildings on the site were unlikely to attract employment uses should current occupiers vacate were judged Poor (1 point). This score was also applied where market factors were considered to yield only limited refurbishment and/or redevelopment activity.

### **Marketing/viability Test**

- 6.51 With regard to establishing the criteria for assessing proposals for non-employment uses at ‘Other Employment Sites’, the LDF should adopt an approach which provides a robust means for assessing the extent to which developers or landowners have tested the suitability of the site or premises for employment-related occupiers. Importantly, policy should highlight the need for applicants to demonstrate the land and rental values being sought through the marketing process. It is important that these are appropriate in light of local and sub-regional market conditions and in relation to the specific characteristics of the site or premises being offered to the market.
- 6.52 Also of particular importance, the approach should require developers or landowners to demonstrate that sites have appropriately been offered to the market in terms of potential redevelopment opportunities for employment use. It is critical that the marketing process is not constrained by the current condition and/or specification of the buildings on the site.
- 6.53 It is also appropriate for LB Sutton to consider identifying criteria which can be used to test the viability of sites for employment use. This could include the potential intervention of public bodies to ensure viability for key sectors and/or types of businesses (e.g. start-ups).
- 6.54 Issues of viability should be considered in the light of the recommendations presented to GLA in the latest Industrial and Warehousing Land Demand report. This states that:

- *‘An industrial / warehousing site might be deemed viable if it can be developed at normal industrial/warehousing land values as set by benchmark data for the sub-region, adjusted for any abnormal costs or other particular characteristics. This would help distinguish activity that is not competitive in London from activity that is driven out by higher value land uses.’* This is an appropriate policy consideration assuming a reasonable and reliable system of benchmarking can be established (see below). In addition, it is reasonable for the policy to include reference to the role of the local authority, the LDA or regeneration partners in facilitating employment related development even where development is not wholly viable on its own. Cross reference should be made to policies and initiatives which promote the provision of affordable workspace which should be identified as a specific local need. The role of the public sector may include direct development, joint ventures or gap funding (subject to State Aid rules).
- *...‘if a site needs infrastructure or reclamation which cannot be paid for by industrial and warehousing land values, this might constitute an argument against protecting it for purely industrial/warehousing use’.* This is reasonable unless the site provides the opportunity to bring identified benefits where the public sector can commit to taking a financial role in facilitating employment development.

6.55 In guiding the viability of development proposals, it will be important that applicants have regard to guidance prepared by the local authority. Benchmarks should be established having regard to variations in:

- Location;
- Size;
- Type / quality of premises (fit for purpose);
- Lease length and conditions;
- Business sector;
- Affordability.

- 6.56 Critically it will be essential for benchmarks to compare like with like. Moreover, a standard monitoring and review process should be established to account for changing local, sub-regional and regional market conditions. Partnerships between the property, economic development and planning departments of different local authorities will need to be established as will formal dialogue with local and regional property agents.
- 6.57 With regard to developing the marketing criteria to be included in the LDF, these should have particular regard to agreed and monitored value benchmarks. Appropriate rental levels will vary for offices, industrial and warehousing premises according to the factors outlined above.
- 6.58 The marketing criteria should be definitive in terms of the time frame and marketing channels to be explored. In accordance with the draft SPG, the time frame should relate to vacancy for at least two years (para 6.15). Marketing channels should include: a selection of appropriate local and sub-regional agents; local property press; and local authority property database. As highlighted above, it will be critical for the assessment of marketing to examine not only the rental levels at which the property is on offer, but also the quality of the premises and the target occupier type.