

Torbay
Employment Land Review

Executive Summary



UPE
Urban Property Economics
Consultancy Ltd.

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BACKGROUND

This study was commissioned by Torbay Council to *'review of employment land to inform the emerging Local Development Framework (LDF) and Regional Spatial Strategy (RSS), and to provide guidance on wider regeneration issues'*. Specifically, the review provides:

- Guidance on the appropriateness and feasibility of existing employment land allocations;
- Advice on the scope to unlock the economic development potential and to increase the productivity of existing employment areas, particularly the Business Investment Areas and Small Business Areas identified in the Local Plan;
- Advice on the availability of additional sites that have potential for employment use;
- An indication of the scope for job creation within Torbay from allocated and new sites, and;
- The consequence for the development plan strategy of the loss of employment land to other uses.

The study complements a wide range of research on the evidence base for the emerging LDF and RSS (including sub-regional studies) on a range of topics.

CHAPTER 2: POLICY CONTEXT

Much of the current evidence base at the regional level is not directly relevant to Torbay. There needs to be greater emphasis on raising the specific needs of Torbay in future research.

Economic growth is critical to the Government's objectives and central to the notion of sustainable communities.

The PPS 1 emphasis upon choice and competition in sites and the need to adapt to a changing economy flexibly echo some of the concerns of the second Barker review.

There are potentially significant shifts underway in the ways in which Government approaches the promotion of economic development through the planning system, which may occur during the life of the LDF for Torbay.

Such changes emphasise a culture change in authorities towards the 'active' model, where the delivery of development becomes more of a responsibility of councils. It also highlights the need for much greater integration and cooperation between authorities to plan and deliver development at a functional or sub-regional level.

Such changes are likely to lead to a review of PPG 4 and changes in the context within which authorities plan for employment within the lifespan of the Torbay LDF.

Thinking and research at the national and regional level is highlighting the need for greater horizontal and vertical policy and evidence integration and is raising the importance of sub-regional planning.

Current and emerging regional policy identifies Torbay as a Principal Urban Area (PUA) and underpins the objectives of growth and diversification.

Research on regional employment issues recommends the need for flexibility in site provision and policy development given uncertainty over future economic prospects.

The JSA submission is an important step towards functional level planning though greater consideration should be given to further joint work including evidence gathering.

Torbay's continued designation as a Principal Urban Area in the emerging RSS and JSA gives the authority the scope to address some major local issues through future development. The evidence base provides a firm foundation for taking forward the LDF. However, the success of the LDF strategy in tackling local issues is not entirely in the hands of the authority.

While the JSA work rightly emphasises the sub-regional or functional nature of employment, housing and other issues in Torbay, the LDF process and supporting evidence has, necessarily, focused more on the immediate needs of the authority.

The move at the regional level towards a common evidence base between RSSs and RESs and the national, regional and local support for sub-regional studies is a necessary move towards functional planning. However, the logic of this approach points towards the development of a common, sub-regional evidence base (e.g., joint housing need, employment and urban capacity studies). The JSA report goes some way to developing a vision and bringing together evidence.

CHAPTER 3: THE LOCAL ECONOMY

Overall, the local economy in Torbay has experienced significant growth over the past decade. This has been associated with job losses in some areas, while there have been gains elsewhere.

Between 1995 and 2004, the Torbay economy grew at around the rate of the UK economy as a whole. Relative to other areas in the region, however, growth was somewhat slower, though whether this constitutes a problem is debateable. Long-term growth occurred, despite the loss of a major employer, Nortel, in 2002-4 and other problems in the local economy occurring at the same time.

Economic expansion in Torbay is also forecast to continue at approximately the same level over the next fifteen years as during the past decade. This is similar to the UK Treasury's assumption of a national trend growth rate of 2.75%.

As a small economy, Torbay is inevitably subject to fluctuations in economic activity that are significantly greater than those of the national economy as a whole. Such variations are exacerbated by events such as the closure or expansion of particular large employers.

Such volatility is important as it suggests that employment land-use cannot be perfectly predicted at any point in time. It also points to the need to have a reserve of employment land on which good quality modern premises can be erected across a range of employment types in order to be able to take advantage of any potential upswings in employment.

Torbay's economic specialisms have been around for a long time. It has a mature economy, so it can only be changed slowly over time. While its major economic activities have brought general prosperity, they also are characterised by significant

numbers of relative low wage, semi-skilled jobs and of having comparatively low rates of productivity change.

At least 75% of employment is in activities likely to serve primarily the local population. So, although export industries are of importance, changes in employment are mainly driven by how much of local demand is captured by local employment activities. Strategies to keep the local employment component of service sector activities are consequently important elements for sustaining growth and jobs in Torbay.

The traditional core sectors of the local economy have performed well. Education has experienced the strongest growth, followed by hotels, construction, health professional services and retailing.

The worst performing industries over the longer-term were electronics and agriculture & fishing. Although it has shrunk over the long-term, the fishing industry has seen a significant employment increase in recent years, along with fish processing.

CHAPTER 4. THE POPULATION AND RESIDENT WORKFORCE

Like the South West as a whole, Torbay's population has grown faster than the national average largely due to net in-migration. Such migration shows a bias towards older age groups further reinforcing an already aged population, with 23% 65 and above and 44% 50 and above, somewhat higher than the South West average.

The occupational structure of the people living in the district who are in work (not all of whom work there) is very similar to that of the rest of the South West and Britain as a whole.

There are 0.77 jobs available for every person of working age living in Torbay, which is slightly less than in the South West region (0.87) and Britain (0.83).

Many of the local labour-force has below average qualifications in a country that already suffers internationally from skills deficits. Moreover, Torbay has fallen further behind, as it has not kept up with educational improvements happening elsewhere in Britain in recent years; although the South West as a whole has managed to.

Torbay's employment future is likely to be based on the current symbiosis between the local industrial structure and the workforce and further developments built onto that relation. Transformation is likely to be at the margins rather through a radical shift in the area's economic structure.

After a downturn in the early 2000s, there has been an upswing in the employment rate in Torbay that has been better than that for the region as a whole.

Many of Torbay's jobs are part-time. Earnings in part-time tend to be less than for full-time work because of pay rates as well as the total number of hours worked. So, high levels of part-time work contribute towards the existence of a relatively low wage economy.

Torbay is probably at or near full-employment. That was likely not to have been the case a few years ago when there was a severe local recession. Such rapid

adjustment indicates underlying strengths in the local economy, indicating a flexibility and ability to respond to demand shocks.

Earnings are low in Torbay relative to both regional and national averages. The earnings gap has improved slightly since the late 1990s. Given that Torbay is such an open economy, attracting labour from a wide range of locations, earnings are only likely to rise significantly with improvements in the skills base of the resident labour force.

CHAPTER 5. TORBAY'S PROPERTY MARKETS

The market context and recent performance of the residential and commercial-industrial sectors of the property market contrast strongly.

Housing has boomed, while performance in the others sectors has been muted and activity limited, despite buoyant national and regional markets.

Average house prices in Torbay were over £150,000 in 2005, while average individual gross incomes were around £18,000. This sharp divergence creates barrier problems for new entrants to owner occupation.

The local house price entry barrier affects the ability of young people to stay in the neighbourhood. It also constrains skills supply, which is noted by many knowledgeable commentators as an important local labour supply issue.

One of the issues raised by interviews undertaken as part of this study was the difficulty in achieving affordable housing provision through the development of sites, given the small size of many developments.

House building in Torbay has been averaging 480 units per annum or less, an annual building rate of only 0.08% of the stock. This is far lower than even the average for England, which itself is already unacceptably low. The reasons for this are unclear. Further investigation into the causes of the low level of housing supply may throw additional light on these issues.

The total value of the private housing stock in Torbay is around £10bn. Such housing wealth can have a significant impact on local consumption patterns. Many studies have shown that higher housing wealth increases people's consumption levels.

While housing land commands higher values than employment land, there are strong arguments for protecting employment land.

Views on the financial viability of additional commercial investment in Torbay were generally pessimistic. The commercial property market is relatively small, parochial and inward-looking. The majority of commercial occupiers are focused upon servicing the local or sub-regional markets and, so, have limited horizons and space requirements.

Torbay suffers from significant relative locational disadvantages against areas more close to the main regional axis, limited good quality accommodation and has little new development or refurbishment. So, the quality of the existing commercial and industrial stock is slowly deteriorating, building up problems for existing users as a result.

At current rental levels and levels of demand, speculative development of commercial property in Torbay is not viable in isolation from public sector initiative, either in terms of public expenditure on such items as infrastructure or terms of a planning policy that enables mixed-uses on sites.

The public-sector had a passive attitude to commercial development, responding to private enterprise initiatives on a 'as they arise' basis, rather than creating the appropriate business environment and general investment conditions. It is not 'developer friendly'.

Because market conditions in Torbay do not support any great degree of speculative office construction, there is no volume of available space overhanging the market and vacancy rates are very low.

The industrial market is active for small to medium-sized units, say up to 3,000 square feet, demand being driven mainly by local companies. For larger units, however, the market is very weak.

CHAPTER 6. EMPLOYMENT FORECASTS

Employment will continue to increase over the period 2005-2016, although not at the rate of the past few years when the economy recovered rapidly from its early 2000s downswing.

The core scenario forecasts an overall jobs increase of around 6,000 between 2005 and 2016, with most of the growth coming from the area's main employment sectors, health, hotels, retailing and construction. However, manufacturing and wider industrial activities remain strong, if relatively minor, parts of the economy.

Areas of growth include hotels, professional services, health and social work, and computing services.

CHAPTER 7. FUTURE NEEDS

Commercial property markets in Torbay have underperformed regional and national markets over the past five years.

Infrastructure constraints and active competition from other localities render it unlikely that significant inward investors can be attracted to boost employment numbers over the next decade. However, provision should be made for the possibility of 'wild card' inward investment.

Nevertheless, there is potential for development based upon the existing industrial structure and current occupiers of commercial space.

There is a more than adequate supply of land in Torbay for commercial development.

Around 47 acres (19 hectares) of employment land should be allocated for employment uses over the period to 2016. This represents demand of around 4.3 acres (1.74 hectares) per year under the core employment forecast of this study. Just under half of the land is required for future office developments and just over a third for light industrial; the remainder going to distribution - although there are significant overlaps between the last two sectors.

Further land should be allocated for contingencies and policy initiatives, bring the total up to 60 to 70 acres (24-28 hectares), depending on the policy stance taken. This is significant less land than the roughly 100 acres (40 hectares) currently allocated. However, there are quality and development potential problems with many sites in the existing allocation.

Current values do not support the speculative development of commercial floorspace in Torbay without mixing in other, higher value uses.

Given the current over-supply of employment land, local problems with housing affordability and high site development costs could simultaneously be addressed through allowing mixed use development. This would bring forward employment land cross-subsidised through housing development, which itself would help deliver the recommendations of the Growth Points agenda and of the Barker Review of Housing Supply.

Future provision needs to ensure that growing local companies have the capacity to expand within Torbay for which developments in all size categories are required. Currently, in the industrial context, attention needs to be directed to the provision of more medium-sized industrial units (2,500 to 3,000 square feet: 230 – 280 square metres) to ensure that a local growth path exists.

Future provision should also facilitate serviced units small enough to attract incubator type uses yet that are flexible enough to facilitate subsequent firm growth.

A serious barrier to industrial space creation is that it is unlikely that these types of facility will ever be profitable enough to attract commercial developers to Torbay. One solution is to seek public funding to facilitate the coming on-stream of specific sites or, alternatively, to look for a market response by releasing part of the land for alternative, higher value uses to pay for site servicing and development facilitation.

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

There is a need for a pro-active employment land-use development policy. A passive, permit or deny, planning policy in relation to development needs to be changed to one that tries to encourage development to improve local growth and jobs.

Facilitating growth. Overall policy frameworks should recognise the importance of mobilising private and non-government agency initiative rather than seeing local government as the leading source of inventiveness in the local economy. The watchword should be 'facilitating' rather than 'directing' growth.

Employment strategies should focus on building on existing characteristics and successes. Some types of employment are far more likely to grow than others. Our forecasts, for example, suggest that few extra manufacturing jobs are likely to be forthcoming but considerably more may arise within the broad service sector.

There are limits to diversification. Each component of an employment diversification strategy needs careful evaluation in terms of the aggregate costs and benefits to the existing community. The case for focusing on diversification is not as clear cut as it seems to some.

Torbay should aim to succeed in a competitive policy environment. Torbay exists within sub-regional, regional and national environment of highly competitive

political bodies, many with a focus on raising employment and public expenditure in their locality, even if at the expense of social welfare elsewhere.

Torbay needs more promotion within regional and national policy arenas. It is unclear whether the current myriad of regional and sub-regional planning strategies and agencies actually recognise the distinctiveness of the Torbay economy and its problems. More commitment to action with respect to the Torbay economy higher up the planning and other policy tiers is desirable and should be campaigned for at both the regional and national levels.