

Gloucestershire First/SWRDA

**Gloucestershire
Workspace Policy
Framework
Technical Appendix 4:
Property Supply &
Demand**

March 2005

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Gloucestershire Workspace Policy Framework Technical Appendix 4: Property Supply & Demand

A Final Report

by

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4 TECHNICAL APPENDIX 4: PROPERTY SUPPLY & DEMAND

4.1 INTRODUCTION

This Technical Appendix provides an overview of the current supply of and demand for employment sites and premises in Gloucestershire. An adequate supply of sites and premises is crucial in order to satisfy the needs of growing firms, start up businesses and potential investors.

4.2 EMPLOYMENT LAND

4.2.1 Supply

In October 2003, each of the District and Borough Councils produced a detailed list of employment sites that were either allocated in the respective Local Plans or had existing planning consents and were identified as having employment development potential. These sites represent the potential future supply of employment land in Gloucestershire. In total, 121 sites were provided by the six District Councils, equating to nearly 500 hectares. Table 4.1 summarises the distribution of sites by District.

Table 4.1: Distribution of Employment Sites in Gloucestershire

District	Number of Sites	Total Supply (ha)
Cheltenham	9	8.71
Cotswold	17	40.91
Forest of Dean	22	76.91
Gloucester	34	148.59
Stroud	21	101.80
Tewkesbury	18	101.48
Total	121	478.40*

** Please note some of the site sizes are unknown*

The table reinforces the acute shortage of land within Cheltenham Borough for future employment development with a total of 8.7 hectares (a proportion of which is likely to be for mixed use schemes), compared to Gloucester, in particular, which has approximately 150 hectares of land for development and redevelopment.

DTZ Pieda Consulting reviewed the type of sites in the County using definitions based on the guidance set out in RPG10. The definitions are as follows:

1.	<i>Strategic Sites</i>	Generally of 12 hectares plus, available and ready for development with excellent accessibility, communications linkages, appropriate labour skills and with linkages to other key employment sites. Such sites will generally be in high profile locations.
2.	<i>Locally Significant Sites - Sub Regional Sites</i>	Generally between 2 hectares and 12 hectares and capable of accommodating smaller scale investment and company expansions with strong sub-regional linkages.
3.	<i>Locally Significant Sites - Rural/Local Sites</i>	Generally less than 2 hectares predominately servicing locally generated requirements created by the expansion of existing firms or indigenous business start ups.

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Table 4.2 shows the distribution of these types of sites by District. The supply of sites is heavily weighted towards 'Locally Significant Sites', especially rural/local with a total of 69 sites. The nine strategic sites represents parcels of land within the three Major Strategic Employment Sites at RAF Quedgeley/Waterwell's Business Park, Gloucester Business Park and Tewkesbury Business Park. The total amount of land available within these three principal employment areas is 142 hectares or 30% of the total amount of land available in the County.

Table 4.2: Assessment of Employment Sites by Type

Type	Chelt	Cots	Forest	Glouc	Stroud	Tewks	Total
Strategic	-	-	-	5	1	3	9
Sub-regional	4	5	7	8	12	7	43
Rural/local	5	12	15	21	8	8	69
Total	9	17	22	34	21	18	121

An assessment of the quality of the employment sites identified was undertaken in association with economic development and local plan officers at the six District Councils. The analysis has identified site constraints and areas of weak market demand. Table 4.3 sets out some of the local market issues from our analysis.

Table 4.3: Qualitative Issues of Employment Land Allocations in Gloucestershire

Districts	Sub-Areas/Site Issues	Demand	Viability
Cheltenham	Remediation and infrastructure costs	Strong for Offices and Industrial	Abnormal costs may make development unviable
Cotswold	Cirencester – small number of sites, environmental constraints with AONB	Local market churn from local service providers and hi-tech office occupiers	Viable
	Market Towns/Villages – some issues of contamination, access and setting with the Cotswold AONB	Localised demand	Viable in large market towns/villages to cater for local demand
Forest of Dean	Lydney – Flood risk defences, mitigation of traffic impacts, ownership constraints, with Greenfield and brownfield sites	Localised demand	Greenfield sites more attractive to the market, mixed-use development may enable employment uses to come forward
	Cinderford – Brownfield sites with poor accessibility, contamination, and ecology issues	Localised demand	Abnormal costs may prohibit development
	Coleford – Brownfield sites, poor accessibility	Localised demand	Abnormal costs may prohibit development
	Newent – Drainage and access arrangements, ownership issues	Localised demand, but stronger market location	Abnormal costs may prohibit development
	Villages – brownfield, contaminated sites with accessibility	Weak demand	Abnormal costs, location and weak market demand prohibit development
Gloucester	Western Waterfront –	Weaker demand for	May require intervention

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	brownfield sites with issues of flood risk, contamination and access	industrial but potential for offices	through URC or mixed-use to bring sites forward
	Barnwood – Small brownfield sites	Good secondary office location, good access for industrial	Costs of development higher than at Quedgeley
	Quedgeley – Large Greenfield sites close to M5 Junction 12	Strong demand for industrial and offices	Available and viable
Stroud	Stonehouse – Sites around Stroudwater Business Park offer Greenfield sites	Good demand for Distribution and industrial	Available and viable
	Stroud – Older industrial sites requiring renewal with access and contamination issues	Localised demand	Abnormal costs may prohibit renewal
	Sharpness Docks – Flood risk and contamination	Limited development due to existing Distribution location, development of freight may increase demand	Limited demand prohibits site development
Tewkesbury	Tewkesbury/Ashchurch – Large Greenfield Sites close to M5	Strong demand for Distribution, industrial and offices	Available and viable
	Gloucester Business Park – Large Greenfield sites close to the M5	Strong demand for Distribution, industrial and offices	Available and viable
	Villages – Greenbelt issues, environmental setting of AONB, accessibility	Good demand in areas such as Staverton and Bishops Cleeve, in more rural areas weak demand.	Viable in business locations such as Staverton In smaller villages costs of development or conversion and limited demand may prohibit development

Our qualitative analysis of employment allocations identified 26 sites in the County that are immediately available for development. These sites are evenly spread across the County with the exception of Cheltenham Borough, where no sites are readily available for development.

According to Gloucestershire First, there was a total of 113.4 hectares of development land on the market as at April 2004. A review of available land on the market by District reveals that Cheltenham Borough has the lowest amount of land with only 2.29 hectares being marketed at Tewkesbury Road, where sites are constrained by contamination and infrastructure issues. Stroud and Tewkesbury have the largest amounts of employment land on the market around the principal business parks of Tewkesbury Business Park, Gloucester Business Park, Waterwell’s Business Park and Stroudwater Business Park. There is additional land with planning permission or allocated around these business parks enabling future expansion.

The majority of land is being marketed on a design and build basis with flexibility for B1, B2 and B8 uses in the main.

4.2.2 Demand

Past take-up trends provides an indication of the level of demand for employment land in the County, taken from the Gloucestershire County Structure Plan and Monitoring Reports. It should be acknowledged that the figures used for planning purposes are based on the development of ‘new’ employment land, which is usually greenfield. The monitoring process does not deal adequately with the redevelopment of brownfield land, such as old derelict vacant sites. For example, a brand new office building developed on a former vacant manufacturing site would not be accounted for in the monitoring figures. The adoption of Use Classes B1, B2 and B8 is also restrictive, as a change of use from say B2 manufacturing to D2 Assembly and Leisure will be identified as a loss of employment land through the monitoring process, although in reality the leisure use may be more important to the growth of the economy than the existing use.

In this regard, the use of take-up rates as a sole basis for planning future employment development is inadequate, and needs to be evaluated against the level of employment land renewal and the nature of losses to other uses.

Gloucestershire’s Structure Plan requirement is for 507 hectares of employment land between 1991-2011. The forecast was based on the combination of past trends of land take up and expected performance. Table 4.4 shows the breakdown by District.

Table 4.4: Structure Plan Target 1991-2011

District	Total Requirement
Cheltenham	12
Cotswold	65
Forest of Dean	75
Gloucester	95
Stroud	100
Tewkesbury	160
Total	507

Source: Gloucestershire Structure Plan

This represents a need for over 25 hectares of land to be taken up per annum throughout the plan period. Due to the differing monitoring procedures adopted by the District Councils, it is difficult to judge the level of take-up for the last ten or so years. Based on the completions data presented in Table 4.5 and taking each District individually, the level of take-up was around 15 hectares per annum in total for Gloucestershire during the 1990s. However, the lack of data especially in regards to the Forest of Dean suggests that this take-up rate is likely to be an under-estimate.

Table 4.5: Take Up of Employment Land By District

District	Take – Up (ha)	Time Period
Cheltenham	5.60	1991-2002
Cotswold	38.51	1991-2002
Forest of Dean	4.30	1991-1996
Gloucester	25.17	1991-2001
Stroud	20.41	1991-2000
Tewkesbury	53.45	1991-2001
Total	147.44	-

Source: Gloucestershire County Council Monitoring Report 2003

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In addition to the take up of land, 449 hectares of land was committed in the early 2000s for employment uses. Table 4.6 shows the breakdown of these commitments by District.

Table 4.6: Employment Land Commitments by District

District	Commitments (ha)	At Date
Cheltenham	3.63	2002
Cotswold	46.62	2002
Forest of Dean	78.10	2002
Gloucester	48.68	2001
Stroud	97.72	2000
Tewkesbury	173.98	2001
Total	448.739	-

Source: Gloucestershire County Council Monitoring Report 2003

With the exception of Cheltenham Borough, the other Districts in Gloucestershire have a healthy level of employment land committed. Cheltenham together with Gloucester forms part of the draft Joint Study Area within which major development should be located. However, the town is physically constrained with a shortage of land to designate for employment uses. In this regard, the identification and renewal of existing brownfield employment sites for the development of activities within the target growth sectors should be undertaken.

With the current data available, past take up rates are lower than the projected take up rates in the Structure Plan which could be attributed to a number of factors, including the changing nature of business space requirements, the focus of the commercial property market on smaller requirements, and the policy focus on brownfield regeneration.

Unsurprisingly, the County has experienced some loss of employment land during the past ten or more years, as presented in Table 4.7. Assessing each individual District, there has been an average loss of 10 hectares per annum over the 1990s and early 2000s, although this is likely to be an under-estimate due to the lack of data for the Forest of Dean. The loss of employment land is expected to increase with the impact of the Government's Sustainable Communities agenda and guidance on the release of previously developed land contained within Planning Policy Guidance Note 3: PPG3 Housing, March 2000. Historic employment sites are often located close to town centres and have specific development problems in terms of infrastructure provision, with issues such as contamination, requiring a proportion of higher value uses to facilitate their development e.g. housing and retail.

Table 4.7: Loss of Employment Land by District

District	Losses (ha)	At Date
Cheltenham	18.98	1991-2002
Cotswold	3.84	1991-2001
Forest of Dean	No data	-
Gloucester	14.91	1991-2001
Stroud	16.91	1991-2000
Tewkesbury	40.94	1991-2001
Total	95.58	-

Source: Gloucestershire County Council Monitoring Report 2003

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The use of mixed-use developments to deliver new employment opportunities will be a key feature of bringing forward such sites. For example, some sites in and around Gloucester Docks are likely to be developed in this manner.

4.2.3 Review

The assessment of supply and demand dynamics of employment land in the County reveals some areas of shortage and issues of quality that are important to be addressed through the Workspace Strategy.

Table 4.8 presents a simplistic ‘Years Supply’ analysis to evaluate quantitatively how long the supply of employment will take to run out. For Gloucestershire as a whole, there is approximately a 30 years supply of employment land, although our qualitative assessment reveals that a number of employment sites are constrained, and therefore this ‘years supply’ is likely to be lower.

In terms of Districts, the analysis again reinforces the short supply of land in Cheltenham Borough with 7 years of supply remaining and losses of employment land per annum higher than take-up per annum. Our qualitative assessment of employment sites highlights that the available employment sites in Cheltenham Borough are brownfield with viability issues, and therefore the amount of ‘ready-to-go’ available land for development is likely to be very low indeed.

In terms of the Major Strategic Employment Sites at RAF Quedgeley/Waterwell’s Business Park, Tewkesbury Business Park and Gloucester Business Park, the level of take-up here is approximately 5 hectares per annum¹, and with an estimated 142 hectares available for development, there appears to be a sufficient supply of 25-30 years to cater for demand up to 2016 and beyond.

Table 4.8: Gloucestershire Employment Land - Years Supply Analysis

District	Take-up per annum (ha)	Commitments (ha)	Years Supply Remaining	Loss of Employment Land per annum
Cheltenham	0.5	3.63	7	1.7
Cotswold	3.5	46.62	13	0.4
Forest of Dean	0.9	78.10	87	-
Gloucester	2.5	48.68	19.5	1.5
Stroud	2.3	97.72	42.5	1.9
Tewkesbury	5.4	173.98	32	4.1
Total	15.1	448.74	29.7	9.6

Note: the Years Supply figures start from between 2000-2002, based on the latest data available from local authorities

In other locations across the County there are issues of quality, location and viability, which is likely to mean that the ‘years supply’ figures are lower than those presented in Table 4.8. The emphasis in some towns is likely to be on the renewal of existing stock where the release of new allocations for development is restricted. This is particularly the case in historic market towns in Cotswold, and parts of Stroud, and the Forest of Dean.

¹ Taken from Annual Monitoring Reports produced by Gloucester CC/Tewkesbury BC

4.3 INDUSTRIAL AND WAREHOUSING MARKET

4.3.1 National Trends

The key national market trends influencing the supply and demand for industrial and warehousing include:

- Industrial property market is increasingly dominated by component suppliers and service providers as traditional manufacturing activities continue to decline;
- Large manufacturing processes requiring significant labour resources continue to be relocated overseas;
- Foreign Direct Investment has declined globally, which has impacted directly on the levels of schemes brought forward in the UK;
- Flexible lease terms are becoming the norm for contract-based occupiers;
- Growth continues in managed workspace supported by the public sector;
- Hi-tech industry and R&D has been hit hard by the downturn in the telecommunications sector and global economic slowdown, restricting venture capital with a knock-on effect on demand for incubator and science park space;
- The retail market continues to drive the market for distribution, with labour requirements becoming increasingly important in location decision making; and
- Rail freight provides a long-term distribution opportunity in the UK, with the recent approval by ODPM for a freight hub at Alconbury airfield, Cambridgeshire.

4.3.2 Supply

According to the ODPM ‘Commercial and Industrial Floorspace and Rateable Value Statistics 2003’, the stock of industrial and warehousing floorspace in Gloucestershire at this time totalled 4.4M square metres with 63% (2.8M sq.m.) classified as factory space and 37% (1.6M sq.m.) classified as warehouse space.

There was a total of 6,193 industrial and warehouse units in Gloucestershire as at 2003 with 60% (3,736) of all them classified as factories and 40% (1,614) classified as warehouses.

The principal industrial/warehousing locations in Gloucestershire are set out in Table 4.9.

Table 4.9: Principal Industrial/Warehousing Locations in Gloucestershire

District	Estate/Business Park
Cheltenham	Kingsditch Trading Estate
Cotswold	Love Lane Industrial Estate, Cirencester
Forest of Dean	Lydney Industrial Estate Forest Vale Industrial Estate, Cinderford Forest of Dean Industrial Estate, Coleford Vantage Point Business Village, Mitcheldean
Gloucester	Waterwells Business Park Gloucester Trading Estate, Hucclecote
Stroud	Stroudwater Business Park, Stonehouse Sharpness Docks
Tewkesbury	Tewkesbury Business Park Ashchurch Estate Gloucester Business Park, Brockworth

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The table includes the three Major Strategic Employment Sites RAF Quedgeley/Waterwell's Business Park, Tewkesbury Business Park, and Gloucester Business Park at Brockworth/Hucclecote.

In terms of the available supply as at April 2004, data from Gloucestershire First indicates that there was a total of 454,207 sq.m. of industrial and warehousing floorspace on the commercial market. This represents 10% of the total stock of industrial and warehousing floorspace in Gloucestershire, which in quantitative terms is sufficient to cater for demand. However, there are likely to be some gaps in the market in relation to spatial distribution, size and quality of premises².

In terms of spatial distribution, the level of floorspace per District area has been considered as set out in Table 4.10.

Table 4.10: Available Industrial and Warehousing Floorspace in Gloucestershire

District	Available Floorspace Apr. 2004 (sq.m.)	Floorspace Stock at 2003	% Vacancy compared to Stock at 2003
Cheltenham	39,341	483,000	8.1
Cotswold	48,249	519,000	9.3
Forest of Dean	149,507	724,000	20.6
Gloucester	64,389	881,000	7.3
Stroud	115,769	965,000	12.0
Tewkesbury	36,952	854,000	4.3
Gloucestershire	454,207	4,426,000	10.3

Source: ODPM, Gloucestershire First

The table shows that Tewkesbury Borough has the lowest proportion of industrial and warehousing floorspace – 4.3% reflecting the good levels of take-up, but also the amount of development land on the market for design and build purposes. At the other extreme, the Forest of Dean has the largest proportion of available floorspace at 20.6% of the total stock. Whilst this is a high vacancy rate, the recent redevelopment at Vantage Point, Mitcheldean accounts for a large proportion of this floorspace. Gloucester and Cheltenham also have relatively low vacancy rates.

The available stock has been assessed in terms of the size of units being offered to the market. Table 4.11 sets out this assessment for Gloucestershire as a whole. These figures should be treated with caution as a number of larger premises could be sub-divided to increase the unit supply.

The table shows that the highest number of available units is within the 100-500 sq. m. sizeband, accounting for 45% of the total number of available units in the County. The number of small units, below 100 sq. m. is relatively low at just 51 units or 12.5% of the total. In assessing the spread of small units across the County, there appears to be shortages in most Districts, with the exception of Forest of Dean where there are 16 units available below 100 sq. m.. The new Churcham Business Park development, 4 miles from Gloucester accounts for 50% of these 16 units indicating shortages in other parts of the

² An analysis of vacancy rates has been undertaken using the ODPM data at 2003 and the Gloucestershire First data on availability at 2004. The vacancy rates produced should be treated as approximations, as the total floorspace figures for 2003 will not include any new, recently developed space.

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District. This small level of supply would indicate a need in certain parts of Gloucestershire for additional schemes to cater for start-up firms in particular. The Churcham Business Park will help to cater for demand in this part of the Forest, but others are needed.

Table 4.11: Size of Industrial and Warehouse Units Available in Gloucestershire

Sizeband (sq.m.)	Available Units April 2004	% of Total
<100	51	12.5
100-500	184	45.0
500-1,000	86	21.0
1,000-2,000	31	7.6
2,000-3,000	19	4.6
3,000-4,000	12	2.9
4,000-5,000	5	1.2
5,000-10,000	16	3.9
>10,000	5	1.2
Total	409	100

Source: Gloucestershire First

An indication of the quality of industrial and warehouse premises can be gleaned from the ODPM 'Age of Commercial and Industrial Property Stock 2000', which assess the proportion of units and floorspace under 20 years old. Table 4.12 presents this assessment.

The table reveals the spatial differences in the age of the stock in Gloucestershire. Tewkesbury Borough has the largest proportion of stock under 20 years old, with over 40% of all industrial and warehouse units having been built within the last 20 years.

Stroud, Cheltenham and Forest of Dean have issues regarding the quality of the industrial and warehousing stock, with less than 20% of unit or floorspace stock built out over the last twenty years. In Cheltenham Borough, this possibly reflects the lack of available sites for new development. In Forest of Dean District, this probably reflects the restructuring of the manufacturing sector and weak areas of demand in certain parts. In Stroud District, this may well reflect the number of old mills and farm buildings to be found in this area.

Table 4.12: Proportion of Industrial and Warehouse Stock Under 20 Years Old

District	Units		Floorspace	
	Factories	Warehousing	Factories	Warehousing
Cheltenham	<20%	20-30%	<20%	30-40%
Cotswold	20-35%	20-30%	20-30%	30-40%
Forest of Dean	20-35%	<20%	<20%	20-30%
Gloucester	20-35%	20-30%	20-30%	20-30%
Stroud	<20%	<20%	20-30%	<20%
Tewkesbury	>40%	>40%	20-30%	>40%

Source: ODPM

4.3.3 Demand

A snapshot of enquires taken from the Gloucestershire First enquiry database for the period April 2003-March 2004 provides some indication of the level of demand in the County for industrial and warehousing space, although it is recognised that established firms or start-

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up businesses would also contact commercial agents and other organisations in their search for property.

The total number of industrial and warehousing enquiries registered by Gloucestershire First over the 12 month period was 102. Table 4.13 presents the breakdown of 96 enquiries, which specified a size requirement.

The size of premises in demand varies from small to very large, although the greatest level of demand appears to be for units of between 100-500 sq.m.

A comparison between the supply of and demand for industrial and warehousing premises reveals the shortage of small units of less than 100 sq.m. with only 51 units being available for occupation. Quantitatively, this appears to be a low provision in terms of choice and quality of units across the County. This finding is supported by the report ‘Study of Small Business Units in Gloucestershire, April 2002’ prepared on behalf of Gloucestershire First by King Sturge, which identified latent demand for small units up to 93 sq.m. (1,000 sq.ft.).

Table 4.13: Industrial and Warehousing Property Enquiries

Sq. m.	Number of Enquiries
<100	15
100-500	32
500-1,000	10
1,000-2,000	13
2,000-3,000	4
3,000-4,000	7
4,000-5,000	2
5,000-10,000	8
>10,000	5
Total	96

Source: Gloucestershire First, 1st April 2003-31st March 2004

Commercial agents confirm the strong demand for small units in the County with requirements up to 464 sq.m. (5,000 sq.ft.). There are good examples of small unit developments catering for small and start-up businesses at Innsworth Technology Park, Bath Road Trading Estate and Stroud Enterprise Park at Stroud. Commercial agents suggest that there is a lack of land available for developing starter units, with some landowners focusing on developing out larger unit schemes in excess of 929 sq.m. (10,000 sq.ft.).

At Waterwells Business Park, the change in strategic company policy by Crest Nicholson to dispose of land holdings has enabled commercial developers, such as Duo Build Ltd to purchase land and speculatively build out small unit schemes to cater for the market. It is important that new business parks are planned to have a range of choice of sites and premises from starter units to medium-sized ‘move on’ space to distribution units.

Freehold land and premises are in high demand for small business seeking units of up to 5,000 sq.ft. due in part to the lower costs of borrowing and interest from sub-regional and national operators. A review of the industrial and warehousing units available in the County as at April 2004 indicates that there is a low proportion of freehold units on the market. Taking the County as a whole, as at April 2004, 14% of all industrial and warehousing premises were being marketed freehold, the remaining 86% of properties were being marketed as leasehold. Gloucester City and Tewkesbury Borough had higher

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rates of freehold properties, over 20%, reflecting the strength of the industrial market in these two Districts, where all three major strategic employment sites are located. For the other Districts, there appears to be a shortage of choice of freehold premises.

The industrial market has a number of key strengths, such as the lack of sites in Worcestershire and around Bristol, as well as free access via M50/A48 to Wales. The majority of the country can be accessed within 5-6 hours from a base in Gloucestershire making sites in close proximity to the major roads attractive for B8 uses.

Commercial agents identify the strongest areas of market activity in the County as being Gloucester, Cheltenham, Tewkesbury and Stroud Valleys, all with good accessibility to the M5. Cirencester has a healthy market, but there is a shortage of new space coming to the market due in part to small number of sites within the town and scale of demand.

Gloucester Market

The Gloucester market has been characterised in recent years with the development of out-of-town business parks, such as Waterwell's Business Park at Quedgeley and Gloucester Business Park at Brockworth. Motorway connections remain key for inward investors with immediate access to the M5.

Crest Nicholson has disposed of land at Waterwell's for commercial developers and owner-occupiers to develop out units and schemes. Arlington Securities control development at Gloucester Business Park and offer design and build packages. Commercial agents indicate that there is a general lack of small units within the City area for starter firms even with the development of new small units at Waterwell's. In addition, agents highlight the industrial market around the City Centre catering for well established firms with localised labour forces that do not want to relocate to the edge of the City within a business park environment. They raise concerns regarding the redevelopment plans of the URC, suggesting that some form of improvements scheme would be more beneficial to the City's economy than potential displacement of local firms.

Rental values for small units in the City are around £6.50 per sq.ft.³ with rents for large space of 5,000 sq.ft. or more at around £5.75-6.00 per sq.ft.

Cheltenham Market

The Cheltenham industrial market is restricted by the lack of employment land within the town. Anecdotal evidence from local agents indicates that demand remains strong, but some companies have relocated to other locations to find modern industrial stock. For example PMF Corus relocated to Tewkesbury Business Park in 2004 and Stoneridge Pollak relocated to Vantage Point, Mitcheldean in 2004/05.

The principal industrial estate in the town is Kingsditch Trading Estate, which is a tired 1950s estate. Commercial agents indicate that due to the lack of land for development, the commercial viability of redeveloping sites does not stack up financially, with not enough return from the uplifts in rents to cover the development costs. Rental values in Cheltenham are around £4.50-5.00 per sq.ft. for secondary space.

³ All reference to rental values are quoted in £ (pounds) per square foot per annum exclusive terms unless stated otherwise

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Tewkesbury Market

The Tewkesbury/Ashchurch market is well established with Ashchurch the traditional location for manufacturing in the town. Tewkesbury Business Park centres around Cowfield Farm developed out by Robert Hitchins representing the focus of the town's commercial market in recent years with industrial, office and most notably distribution occupiers taking space. Its proximity to Junction 9 of the M5 has attracted speculative development of a distribution shed of 10,590 sq.m. (114,000 sq.ft.) as well as the development of PVCU windows manufacturer Duraflex, who has taken a pre-let on a 5 hectare site at Tewkesbury Business Park to build out a 25,000 sq.m. (270,000 sq.ft.) industrial and head office scheme. Group 4 has also developed out a new HQ at the business park.

Outside of Tewkesbury, the market at Staverton and Bishops Cleeve remains good with demand from local suppliers of Smiths Industries and Messier Dowty, the two principal aerospace companies in Gloucestershire, with Innsworth Trading Estate providing one of the County's premier locations for small business.

Demand is more limited in the rural parts of the Borough.

Stroud Market

The Stroud Valleys market caters for more localised firms, with start-up and small business expansions. The demand for space is predominantly B1 light industrial and B2 general industrial with limited development of B8 distribution. Javelin Park, located adjacent to junction 12 of the M5 provides the most attractive site for major regional and national distributors. The market in the Valleys is split between the new employment sites and stock, at locations such as Stroudwater Business Park, Bath Trading Estate and others on the western side at Stonehouse, and the older mill and factory stock within Stroud town and moving eastwards at locations such as Thrupp and Chalford.

Commercial agents highlight the difficulty of developing within the Valleys with a lack of flat land, and the need for readily available sites at locations such as Stroudwater and Bonds Mills. Demand remains strong, with a shortage of starter units up to 93 sq.m. (1,000 sq.ft.). Some schemes have been successful, such as Industrious' Bath Road Trading Estate and Stroud Enterprise Centre, but at £6 per sq.ft. this can be expensive for small/starter firms with the older stock to be found at locations such as Phoenix Trading Estate, Thrupp; a cheaper alternative. Whilst there remains a need to supply new, higher quality stock to develop the business base, the availability of cheaper accommodation is also essential to nurture business start-ups. The demand for freehold properties in the Stroud Valleys remains high, with supply very limited. The upgrading of commercial stock will become increasingly important in time with the shift away from traditional manufacturing in the Stroud Valleys to more hi-tech activities.

Ashton Down, a former MOD base has also increased in popularity, although it is located some way from the M5. The size of hangar units to be found here is attractive to local storage and distribution firms, especially with rents as cheap as £2.50 per sq.ft.

Beyond the Stroud Valleys, Sharpness Docks has experienced some distribution expansion in recent years, due to the principal occupier – Howard Tennens, which leases out space and operates a haulage business from Sharpness. The Docks is viewed as a longer term opportunity for an integrated distribution hub comprising shipping, rail and road freight,

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although at present, there are better located sites in the County, at Tewkesbury and Waterwells to cater for road distribution requirements in the short term.

Rental values for new premises are around £6 per sq.ft. with secondary space around £4.50-5 per sq.ft.

Cotswolds Market

The Cirencester market is not as active as the aforementioned locations, due primarily to a small supply of sites and the demand dynamics of the market.

The market in Cirencester is local, and the town has some important employers, such as Corin Medical, manufacturer of Orthopaedic devices, British Autogard (UK) Ltd and Acoustic Energy.

There is demand, especially for small units of 93-325 sq.m. (1,000-3,500 sq.ft.) with the recent development at Chesterton Link, a small unit scheme of sub-3,000 sq.ft. achieving rents of £6.75 per sq.ft., where take-up has been brisk. In addition, the recent development of Cirencester Business Park four to five years ago demonstrates opportunities to redevelop brownfield sites. More modern workshop schemes are required to replace the ageing stock within the town's established industrial estates, such as Love Lane.

Commercial agents suggest that most of the enquiries in Cirencester are for leasehold properties, although they recognise that the supply of freehold units is very limited.

Rental values for prime space is around £6.75 per sq.ft. with secondary space £4-6 per sq.ft. in the town.

Recent development has also taken place at locations around Cirencester. At South Cerney, new units have been developed at South Cerney Business Estate for local occupiers and additional land remains available for development. In addition, Kemble Business Park (former MOD site) is a popular business location for larger storage and distribution requirements and for un-neighbourly uses. The size of hangars available and the inexpensive cost (£2.50 per sq.ft.) means that companies like Rapid Racking find Kemble an ideal location.

In the other market towns in the South Cotswolds, such as Tetbury, Fairford and Lechlade the market is more limited with little recent investment.

In the North Cotswolds area demand for space is localised, but strong enough to enable local developers to build out small unit schemes in locations such as Bourton-on-the-Water, where Bourton Link was built out four to five years ago and four new units at Bourton Business Park offering units between 148-175 sq.m. (1,595-1,889 sq.ft.) are currently being marketed for sale or to let. At Andoversford, the recently built Andoversford Link development at Andoversford Industrial Estate has been followed by new units at Coln Business Park offering units of approximately 139-232 sq.m. (1,500-2,500 sq.ft.).

Rental values for new space at Bourton-on-the-Water are between £6.00-6.50 per sq.ft.

At Rissington Business Park (former MOD site) located adjacent to Bourton-on-the-Water there is approximately 40,000 sq.m. (430,000 sq.ft.) of space for business use, and little availability at present demonstrating good local demand. The site incorporates the

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Cotswold Innovation Centre operated by Oxford Innovation Ltd providing specialist space for high growth start-ups.

Another dynamic of the market is the demand for converted farms across the Cotswolds. These are very popular with companies prepared to move further out to get the space.

Forest of Dean Market

The market in the Forest of Dean is more sensitive to price with speculative new build development often not financially viable in certain parts.

In the north of the District access to Gloucester and Cheltenham and the M5 has stimulated several new schemes to be built out including 20 new business units at Churcham, constructed in three blocks providing units of 84 sq.m. (900 sq.ft.), 167 sq.m. (1,800 sq.ft.) and around 265 sq.m. (2,850 sq.ft.) at respective rents of £5.75 per sq.ft., £4.50 per sq.ft. and £4.20 per sq.ft.

Local developers in other locations have attempted to build new units for the market, such as at Lydney Industrial Estate and at Forest Vale Industrial Park, Cinderford with varying success. At Lydney Industrial Estate, three units of around 5,000 sq.ft. were speculatively built at the front of the estate, although only one unit has been let at £4 per sq.ft. with the managing agent reporting weak levels of demand. By way of comparison, second hand space at Lydney Industrial Estate is being marketed for around £2.50-3.50 per sq.ft. At Forest Vale Industrial Estate, Cinderford, a local developer speculatively built out three units, one of which the developer owner occupied with the other two units now occupied, which demonstrates some small scale demand for new units in certain market towns. By way of comparison, in Cinderford, there are a number of industrial estates offering second hand space at around £3.50 per sq.ft. There has been recent investment at Forest Vale Industrial Estate by local firms such as the Dezac Group with the development of a new building of 3,750m² bringing together separate functions of the business located in three individual buildings in and around Cinderford.

The price sensitive nature of the market can be demonstrated by the SWRDA development at Bream where rental values at the new 8 unit scheme of high quality units comprising small units of 169 sq.m. (1,815 sq.ft.) and 211 sq.m. (2,275 sq.ft.) started at around £5 per sq.ft. and are now being advertised at £4 per sq.ft.

The District has a number of brownfield sites requiring redevelopment for employment uses to provide higher quality buildings. Speculative development on some brownfield sites with high abnormal costs is not commercially viable and requires agencies such as the SWRDA to intervene to bring forward sites as ultimately the return on investment from the rental values is likely in the current market to be low at just £4 per sq.ft.

One of the most successful employment areas in the District is Vantage Point Business Village at Mitcheldean (the former Xerox occupied site). The business village is a key commercial centre for the Forest and provides a range of industrial and office space for small and some large firms with a total floorspace of 1.3 million sq.ft. (121,000 sq.m.). The critical mass to be found at Vantage Point and the quality of the workspace demonstrates that the right product in the right location can be successful. The owners of the site have undertaken extensive refurbishment, as well as enabling fibre optical ICT connectivity offering unlimited broadband width. The type of industrial occupiers to be found at Vantage Point vary from a silversmith, through to tool making and furniture

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manufacture to hi-tech automotive electronics and engineering. The competitive rental values (£3.00-3.75 per sq.ft.) for good quality space, combined with the skilled manufacturing staff and the need for fair, but not immediate access to the national road network has made Vantage Point attractive to inward investment from other parts of the County and beyond. Large firms have been attracted into the Forest as a result of this development, such as Stoneridge Pollak (340 staff) which relocated from premises at Cheltenham/Northampton and Cooper Security (200 staff) which relocated from London. The business village also accommodates the test laboratories for Casella CRE Energy. In addition, Xerox still occupies approximately a quarter of the site.

Vantage Point is rapidly filling up with 90% of the site now occupied (under contract). The owners of the site are seeking to build out some new industrial units for rental values of £4 per sq.ft. and upwards, which may include some speculative development, although larger units may be uneconomical given the high costs of development compared against the low rental values that are likely to be achieved. This indicates potential market failure in the District in terms of providing new build 'move on' larger units for firms.

4.3.4 Industrial and Warehousing Occupier Requirements

Locational Features

Occupier requirements for industrial and warehousing premises is determined by two key factors – access to the strategic road network and proximity to pools of labour and markets.

Gloucestershire benefits from the M5, M50 and A417/9, with the majority and industrial and distribution occupiers wanting to locate close to the M5 with immediate or good access. The prime industrial locations in the County at Tewkesbury/Ashchurch, Gloucester, Cheltenham, and Stonehouse all have good access to the M5.

The availability of skilled staff is an important factor that industrial and distribution occupiers will consider, especially specialist engineering companies. An accessible location for staff, principally by road will be considered, as well as the general level of available labour for labour intensive industries.

Site-specific Features

Distribution

For large distribution units, immediate motorway access, via an all-ways junction is a vital site specific requirement, together with sites to accommodate large units of over 9,290 sq.m. (100,000 sq.ft.) and eaves heights for high bay space.

The quality of the estate on which the units are situated is not a key site specific requirement, although most of the sites being developed close to the M5 are on good quality, newly developed business parks.

General Industrial Uses

Access remains a key consideration for industrial occupiers, but with less need for immediate access to the national road network. The most important requirement is access to good roads that link with strategic roads, such as the M5, A417/9 and M50 that are free from congestion and bottlenecks.

Industrial occupiers require sites that enable 24-hour operations. Sites located adjacent to non-compatible uses, particularly residential areas are not attractive due to the potential for congested roads, weight restrictions and restrictions on use and hours of operation.

Purpose-built industrial parks, away from residential areas with good levels of car and lorry parking and turning circles are core requirements for industrial occupiers.

4.3.5 Review

The review of industrial and warehousing supply and demand dynamics indicates that there is a shortage of small units across the County to cater for demand, especially premises of up to 100 sq.m. (around 1,000 sq.ft.). The lack of land or the control of land in certain locations may be preventing small unit schemes from being developed out, and this needs to be addressed in the Workspace Strategy.

Quality is becoming more of an issue across the County with the need to upgrade/redevelop a proportion of the ageing industrial stock in parts of Forest of Dean District, Stroud District and Cheltenham Borough, especially for local firms wishing to expand. In Cheltenham Borough, the lack of sites for development is constraining new stock being developed, as the redevelopment of older stock is currently not financially viable. For some businesses the need for low quality, affordable premises remains important, as demonstrated by the good demand for units at former MOD sites, such as Kemble and Ashton Down. In out-of-town locations, there is a plentiful supply of high quality land to cater for a wide range of design and build requirements with evidence of speculative development at both Waterwell's Business Park, Gloucester and Tewkesbury Business Park.

4.4 OFFICE MARKET

4.4.1 National Trends

The key UK market trends influencing the demand for B1 office space include:

- the downturn in the telecommunications sector, which has released a large quantity of office space onto the market in recent years, especially in the south east of England;
- decreasing space requirements of occupiers due to advances in new technology and improved communications;
- globalisation of markets providing service sector companies with an increasing flexibility over location, although access to skilled labour markets remains a key locational pull;
- larger corporate call centres, back offices and other functions such as R&D are increasingly being relocated overseas;
- lease structures that are more flexible in terms of break clauses, type and length are increasingly becoming the norm to cater for the growing small and medium enterprise (SME) market;
- the growth of the SME market with the need for a pool of shared services and facilities, such as a fax, meeting room etc. has led to the increase of serviced office suites throughout the UK. Companies such as Regus continue to target the higher end of the market, whereas other players in both the private and public sector have entered the market to satisfy demand;

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- growth in the virtual organisation with ICT advancements means the outsourcing of business functions, such as payroll, customer billing, banking activities and basic procurement is increasing; and
- the Lyons Review of Government offices in London and the South East recommends the relocation of 20,000 civil service jobs to a number of strategic towns and cities throughout the UK. This relocation may provide a strong impetus to the office market and regeneration in certain localities.

Changes in working practices will have a large impact on the office market in future years. The increase in home working, hot-desking (provision of workstations in a workplace on a first come, first served basis), hotelling (a system of reservation of workstations with full support) and the wireless communication (with reduced need for cabling) will create flexi-working in flexi-locations. The increase in wireless communication in terms of email and internet link-up, should enable older, less adapted buildings to become attractive again, as the need for raised floors and suspended ceilings decreases.

It is difficult to forecast with any certainty what impact these changes will have on the overall need for office floorspace across the UK. However, it is likely that offices will remain a key feature of the business environment, yet their internal structure and layout will continue to change.

4.4.2 Supply

According to the ODPM 'Commercial and Industrial Floorspace and Rateable Value Statistics 2003', the stock of office floorspace in Gloucestershire at this time totalled 895,000 sq. m. with a total of 3,736 office units.

The principal locations for commercial offices in Gloucestershire are Cheltenham Town Centre and Gloucester City Centre, as well as locations such as Barnwood and the new business parks.

In terms of the available supply as at April 2004, data from Gloucestershire First indicates that there was a total of 119,939 sq.m. office floorspace available on the commercial market.

This amount of available supply represents 13% of the total stock of office floorspace in Gloucestershire, which in quantitative terms is sufficient to cater for demand. However, there are likely to be some gaps in the market in relation to spatial distribution, size and quality of premises.

In terms of spatial distribution, the level of floorspace per District area has been considered as set out in Table 4.14. The table shows a wide variation in the vacancy rate. There appears to be limited office space within the Districts of Gloucester, Cheltenham and Stroud, and a good supply in Tewkesbury and the Forest of Dean in particular. Tewkesbury has a high vacancy rate due to several new developments coming to the market, such as The Lancaster Centre, Meteor Business Park, Staverton, and Montpellier Court, Gloucester Business Park. The high vacancy rate in the Forest of Dean can be accounted for by the refurbishment and redevelopment at Vantage Point, Mitcheldean (at this point in time).

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Table 4.14: Available Office Floorspace in Gloucestershire

District	Available Floorspace Apr. 2004 (sq.m.)	Floorspace Stock at 2003	% Vacancy compared to Stock at 2003
Cheltenham	24,735	282,000	8.8
Cotswold	11,196	92,000	12.2
Forest of Dean	15,726	39,000	40.3
Gloucester	26,869	311,000	8.6
Stroud	8,018	85,000	9.4
Tewkesbury	23,362	87,000	26.9
Gloucestershire	119,939	895,000	13.4

Source: ODPM, Gloucestershire First

In relation to size, the available stock has been assessed in terms of the size of units being offered to the market. Table 4.15 sets out this assessment for Gloucestershire as a whole. These figures should be treated with caution as a number of larger office buildings could be sub-divided to increase the unit supply.

The Table shows a good spread of unit sizes across the County, with the exception of small suites of less than 25 sq. m.. The number and proportion of these small units is relatively low at just 18 units or 5.5% of the total. In assessing the spread of small units up to 50 sq. m. across the County, there appears to be shortages in most Districts, although the number of available units in Stroud, Gloucester, Forest of Dean and Cotswold is particularly low. This small supply would indicate a need in some parts of Gloucestershire for additional schemes to cater for start-up firms in particular.

Table 4.15: Size of Office Units Available in Gloucestershire

Sizeband (sq.m.)	Available Units April 2004	% of Total
<25	18	5.5
25-50	50	15.1
50-100	72	21.8
100-200	61	18.5
200-500	81	24.5
500-1,000	22	6.7
1,000-2,000	15	4.5
2,000-5,000	10	3.0
>5,000	1	0.3
Total	330	100

Source: Gloucestershire First

Cheltenham Borough has the largest number of office units of any District in Gloucestershire with 83 available at April 2004, reflecting the town's role as a major commercial centre, especially for office based services. Within these 83 units, there are serviced units at Cheltenham Film Studios for creative firms active in this sector, and at Cheltenham Business Village within Eagle Tower within the town centre.

An indication of the quality of office premises can be gleaned from the ODPM 'Age of Commercial and Industrial Property Stock 2000', which assesses the proportion of units and floorspace under 20 years old. Table 4.16 presents this assessment.

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Table 4.16: Proportion of Office Stock Under 20 Years Old

District	Units	Floorspace
Cheltenham	10-20%	20-30%
Cotswold	10-20%	20-30%
Forest of Dean	10-20%	30-40%
Gloucester	20-30%	30-40%
Stroud	10-20%	20-30%
Tewkesbury	20-30%	>40%

Source: ODPM

The table reveals that the majority of stock across Gloucestershire is more than 20 years old, reflecting the historic urban fabric of principal towns, which are viewed as prestigious locations for many companies. Older buildings in prime locations that can accommodate the ICT requirements of a modern business in terms of suspended ceilings and raised floors, and with dedicated car parking remain attractive to the market. In the future, with the growth of wireless technology, the attractiveness of older buildings may increase. In terms of companies seeking brand new hi-tech B1 space, the older stock to be found in and around the town centres in Gloucestershire is unlikely to fulfil that requirement in the short term, with edge-of-centre, out-of-town business parks with good levels of car parking fulfilling this demand.

Where new build development is not viable in many rural parts of the County, the conversion of former redundant buildings can reduce to some extent these costs and create an attractive business environment suitable for many companies utilising remote forms of communication. There may be opportunities to increase the supply of these types of office conversions in the more rural parts of Gloucestershire.

4.4.3 Demand

A snapshot taken from the Gloucestershire First enquiries database between April 2003 and March 2004 provides some indication of the level of demand for offices in the County.

The total number of office enquiries made to Gloucestershire First during the 12 month period was 88, 30% of which were for serviced office suites. Table 4.17 sets out the number of office enquiries, which specified the size of unit required. These enquiries totalled 70.

Table 4.17: Office Property Enquiries

Sq.m.	Number of Enquiries
<25	6
25-50	25
50-100	12
100-200	8
200-500	9
500-1,000	2
1,000-2,000	3
2,000-5,000	4
>5,000	1
Total	70

Source: Gloucestershire First, 1st April 2003-31st March 2004

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The table reveals that suites of between 25-50 sq. m. are most in demand in Gloucestershire. If the demand is compared to the supply, it can be seen that the supply of suites between 25-50 sq. m. totals 50 in number, representing a limited range of choice and office type to enquirers seeking space across the County.

With regards to very small suites of less than 25 sq. m., the number of enquiries is small at just 6, although the demand is likely to be higher than specified. Due to the latent demand, that is difficult to quantify, the level of supply is equally low at just 18 units. There may be an opportunity to increase the supply of small units to cater for latent demand from self-employed home workers in particular that are seeking a small suite or workstation for their business.

Several of the office enquirers seeking accommodation require broadband connectivity, which demonstrates the increasing need for high speed bandwidth to conduct business effectively and efficiently.

The market dynamics are changing regionally, with smaller requirements becoming the norm and larger companies becoming less dominant. The majority of enquiries for space are now up to 464 sq. m. (5,000 sq.ft.) although there remain several enquiries for units of up to 25,000 sq.ft. (2,323 sq.m.).

Freehold units are popular at present due to the low rates of borrowing. Units up to 3,000 sq.ft. are in demand for purchase for owner-occupation serving the SME market.

Commercial property agents suggest that Cheltenham remains the focal point of the service-based office market in Gloucestershire. Advantages include the range of town centre facilities, prestigious period properties and train services to London and the north of England. Secondary space take-up in Cheltenham totals around 100,000 sq. ft. (9,290 sq. m.) per annum with rental values of around £14 per sq. ft. (£151 per sq. m.).

Commercial agents also report strong demand for small serviced offices with many schemes in the Gloucester and Cheltenham area full most of the time.

The structural changes in the financial services sector has led to some significant changes in the office market in Cheltenham. In particular, the release of Eagle Tower in the centre of Cheltenham by Zurich Financial Services Group is providing office space for a wide range of requirements. Whole floor plates, half or quarter floor plates are available for sale or to let individually creating a degree of flexibility in the market place. Eagle Tower also incorporates Cheltenham Business Village; a managed serviced office scheme on two floors of the building, offering units of 150-695 sq.ft. on flexible leases from three months at £2.58 per sq.ft. per month. The object of the Business Village is to provide a seed-bed for businesses to grow and develop and eventually take long term leases within Eagle Tower.

The continuing structural changes in the financial services sector with the global shift of many back office operations to countries such as India, and the growth in internet banking may release more office stock, particularly in central areas onto the market in future years to support SME development in Gloucestershire.

In contrast to Cheltenham, the market in Gloucester City Centre is not as strong with rental values around £10 per sq. ft. (£108 per sq. m.) and a limited supply of modern stock. The most recent speculative development occurred in the 1980s. The majority of requirements at present in Gloucester are public sector driven. With a lack of modern stock, companies

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are increasingly seeking out-of-town accommodation at the premier business parks. In addition, Barnwood remains a good secondary location with rents of £12-13 per sq.ft. (£129-140 per sq.m.).

The new Gloucester URC and development of Gloucester south west bypass will help to provide impetus to the office market in the City Centre. The balance between new investment in office space between the city centre and out-of-town business parks, such as Waterwell's, needs to be carefully balanced to ensure that appropriate development in both locations can provide mutual benefits.

The prime out-of-town business developments are Lansdowne Court and Montpellier Court at Gloucester Business Park and Aquarius at Waterwells Business Park. Lansdowne Court comprises seven two-storey office buildings arranged in a courtyard setting totalling 2,973 sq. m.. Take-up at this development has been slow, as investors have been reluctant to provide small units on flexible lease terms, originally marketing the office suites on 15 year leases at £14.50 per sq. ft. (£156 per sq. m.). Since the lease terms have relaxed to include 5 year break clauses, there has been an increase in take-up, which reflects the need for flexibility in the market to stimulate demand. Additional land is available at Gloucester Business Park, Waterwell's Business Park, and Tewkesbury Business Park for B1 offices.

Within the wider sub-regional market, North Bristol remains the principal location for larger office occupiers. However, as land starts to become increasingly scarce in North Bristol, Gloucestershire with its strategic sites and more competitive prices/rents may provide an attractive alternative.

The market in the remainder of the County caters for local demand. Market towns such as Cirencester and Stroud have several key employers, such as Stroud and Swindon Building Society, QA Training, Brann Ltd, St. James Place etc. that have developed in the area. In addition, converted farm and mill buildings can offer an attractive setting for lifestyle, remotely-based practices and businesses involved in the environment. These types of developments remain important to help sustain towns and villages across Gloucestershire.

The level of demand in smaller market towns such as Stroud and Cirencester is small office suites of up to 2,000 sq.ft. for firms harnessing ICT or start-ups. Most market towns generally lack quality offices, with period buildings dominating. Rents are around £10 per sq.ft. (£108 per sq.m.). However, there is movement in the market with the development of the new Cirencester Office Park at Tetbury Road offering self-contained units of 1,300-4,688 sq.ft. (121-435 sq.m.) within Phase One at rents of £16 per sq.ft. (£172 per sq.m.). This development demonstrates the confidence in the market in Cirencester to cater for predominantly local firms requiring better quality stock.

In the Forest of Dean, Vantage Point has been very successful with large and serviced space for Government bodies and start ups. The business park has a critical mass of buildings that makes it popular for self contained office units and service space. Small self contained offices with air conditioning achieve rental values of £8-10 per sq.ft. (£86-108 per sq.m.) with serviced office space achieving rental values of £30-35 per sq.ft. inclusive of all services and costs (323-377 per sq.m.). The flexibility in floorplate size and presence of state-of-the-art ICT connectivity, conference facilities and canteen make Vantage Point attractive to firms active in IT software and support, film, accountancy etc. In addition, recent speculative development at Aylburton near Lydney to provide four office units demonstrates the demand that exists in more rural parts of the County for office based activities.

In the short term, the number of large requirements will continue to diminish with increasing need to provide small, quality flexibility office suites in a range of locations. In the longer term, the reducing opportunities in North Bristol may offer new opportunities for the Gloucestershire market.

4.4.4 Office Occupier Requirements

Locational Features

The key locational requirements for major office occupiers are proximity to urban areas that are established office centres offering a prestige location; the provision of high quality executive housing; and access to mainline rail services, especially to London and Heathrow.

Gloucester and Cheltenham offer this product to occupiers, with Cheltenham in particular offering a prestige location, a high quality housing stock and a more cultural offer in comparison to Gloucester.

For smaller occupiers, quality of life factors can be very important, with the market towns across the County, such as Cirencester offering a high quality business image, as well as a high quality of life for staff and Directors.

Site Specific Features

For town centre based office occupiers, the typical requirements are for dedicated car parking; with good access to a mainline station; and accommodation that provides flexibility in terms of ICT installation and a prestige image in modern and newly refurbished units.

The office stock in Cheltenham town centre is predominantly Regency and Georgian and provides prestige to occupiers. In contrast, Gloucester's city centre stock is dominated by 1960s buildings with a lack of more modern, high quality space. The city centre environment is improving in Gloucester City Centre, which has been the poorer relation in comparison to Cheltenham.

For more hi-tech office occupiers, a high quality business park environment is an important site-specific requirement, together with a good provision of car parking. A high quality specification of building is equally as important with raised floors and suspended ceilings with broadband connectivity and attractive landscaping. The business parks should be free from bad neighbour uses that create noise and congestion.

The lack of modern stock in the centre of Gloucester, had led to the growth of brand new office stock on the edge of the City, which offers a more attractive environment for businesses, although without the retail and leisure offer. Businesses, such as Alder King, Chartered Surveyors have relocated out of Gloucester City Centre to Gloucester Business Park.

4.4.5 Review

There remains good demand for offices for a range of size requirements, although most of the new stock is to be found in out-of-town business parks, which has resulted in some companies relocating from town/city centre accommodation.

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Cheltenham and Gloucester remain the two key office locations, with the Gloucester URC area and south west bypass providing new impetus to the market for both small and large requirements. A balance between investment in “pure” offices in Gloucester City Centre and the new business parks on the edge of the City is required to enable the regeneration of sites within the URC area to increase the vitality and viability of the centre.

Flexible space will become increasingly important across the County. At present, there appears to be a shortage of small units of up to 50 sq.m. (around 500 sq.ft.) to cater for demand. The good demand for serviced accommodation and growth in new products nationally such as workstation space is likely to lead to a greater demand for small units or workstation space with state-of-the-art ICT connectivity for the start-up and micro-businesses.

4.5 SCIENCE PARKS

4.5.1 Supply

According to SWRDA’s Incubation and Science Park Strategy, a science park can be defined as: ‘...a business support and technology transfer initiative that provides an environment where larger and international businesses can develop specific and close interactions with a particular centre of knowledge creation for their mutual benefit. It also has formal and operational links with centres of knowledge creation such as universities, higher education institutions and research organisations.’

The essential features that define a Science Park are as follows. According to SWRDA’s strategy an initiative that does not feature all the essential features is usually referred to as a ‘technology park’.

Table 4.18: Features of a Science Park

Essential Features	Important Features
Formal operational links to world class research org.	Communal areas
Access to networks	Focal point or physical presence
Mission statement/strategy/objectives	On site management and daily contact
Access to finance and mentors	
Company selection policy	
Guidance/assistance available	
Flexibility of space and terms	
Reflects local science base speciality	
Access to specialist facilities	
Singular or complementary sector focus	
International research company facility on-site	

Source: SWRDA Incubation and Science Park Strategy

There are no Science Parks in Gloucestershire and none are planned under SWRDA’s Incubation and Science Park Strategy. The development of an incubator to nurture technology-based firms would be the first phase in developing a Science Park product in the County.

4.5.2 Demand

The enquiries to Gloucestershire First highlighted a small level of interest for Science Park/innovation space within the County with three enquiries logged with Gloucestershire First between April 2003 and March 2004.

The County does not have a world-class research institution or R&D facility, such as Oxford or Cambridge, although its position on the edge of the Cambridge-Oxford Arc of Innovation provides some future opportunities.

There is potential to develop specialist space for high-tech companies in the County building on the newly established University of Gloucestershire, and other higher education institutions such as GlosCAT, Royal Agricultural College, and expertise in defence-related industries, food, medical equipment, and intelligence (GCHQ), although this is viewed as a long term opportunity dependent on the growth of key sectors and knowledge transfer from key centres of learning/excellence.

4.5.3 Review

In the short to medium term the prospects of delivering a Science Park appear to be slim with no established world-class centre of learning or research facility. However, in the long term there maybe opportunities to cluster high growth sectors such as advanced engineering, biotechnology and environmental technology, ICT etc. linked to centres of learning and major companies. This is unlikely to take the form of a large scale Science Park but may be a small-scale Technology Park/Enterprise Park with incubation and ‘move on’ specialist R&D and production space.

4.6 BUSINESS INCUBATION UNITS/MANAGED WORKSPACE

4.6.1 Supply

Business Incubation Units are intended to provide a physical base for the development and growth of innovative, very early stage businesses that have the potential to make a worthwhile, long term contribution to economic growth. The overall aim is to reduce the failure rates of businesses and encourage business start up and growth.

There are a few examples of managed workspace schemes in the County, including Barton and Tredworth Enterprise Centre at Gloucester, and Mitcheldean Enterprise Workshops (The MEWS) at Vantage Point Business Park providing 44 starter units. Flexible space can also be found at Cheltenham Film Studios, which provides a hub for start-up firms within the media sector, Quedgeley Enterprise Centre and Bond’s Mill at Stonehouse.

There is currently one innovation centre in Gloucestershire, located in the heart of the Cotswolds. The Innovation Centre is managed by Oxford Innovation Ltd, a specialist provider of innovation centres within the Oxford knowledge hub. The innovation centre seeks to develop and grow high growth innovative companies. There are opportunities for several more, focusing on the emerging sectors within the County.

There appears to be a lack of managed workspace in other parts of the County offering subsidised rents and business support services. This type of supply would help to nurture start-up businesses, enhancing survival rates and enabling companies to grow in more

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isolated parts of the County in need of economic development, such as the other parts of the Forest of Dean.

The development of additional business incubation units in Gloucestershire is achievable given the key features of Business Incubation Units defined by SWRDA. Table 4.18 summarises the key features of Business Incubation Units. If all of the essential features are not present, then the space is defined as managed workspace.

Table 4.19: Features of Business Incubation Units

Essential Features	Important Features
Access to networks	Communal areas
Mission statement/strategy/objectives	Focal point or physical presence
Access to finance and mentors	On site management and daily contact
Company selection and exit policy	Access to specialist facilities
Direct guidance/assistance available	
Flexibility of space and terms	
Realistic and sustainable business plan	
Singular or complementary sector focus	

Source: SWRDA Incubation and Science Park Strategy

Traditional managed workspace schemes tend to be focused on profit and shareholder value through property appreciation and rental income with limited focus on innovation, learning and mentoring; entry screening; access to technical, managerial and financial resources. Traditional managed workspace schemes usually do not provide a requirement for businesses to move out. Business incubator space is specifically designed to increase business survival and growth rates and enable entrepreneurs to concentrate on business. This type of space differs from innovation centres that are often sector specific linked to a higher educational institution with more flexibility in allowing mature businesses to enter and remain in the centre.

4.6.2 Demand

The King Sturge report on small business units identifies strong demand for managed workspace schemes with support services. The supply of managed workspace is low in Gloucestershire and offers a market opportunity. In addition, commercial agents identify strong demand for serviced offices in Gloucester and Cheltenham with many of the existing schemes full most of the time.

The future changes in the economy with the move to high growth sectors of the economy is likely to result in demand for specialist incubator/innovation centre space to nurture business start-ups as detailed in our sectoral analysis in Technical Appendix 2.

Discussions with the University of Gloucestershire highlight some potential opportunities for incubator space to nurture knowledge transfer from ICT and digitally-based creative industries such as film, photography, multi-media etc. Affordable incubator space provided on campus would help to retain business start-ups in the area. The University of Gloucestershire is investigating the potential for developing incubation space on site.

In terms of the demand for an Innovation Centre that incorporates small and established businesses, specific centres of learning, such as University of Gloucestershire are unlikely to deliver such a product on their own with its current areas of expertise. The right product needs to be developed that offers affordable, flexible space with a range of business

mentoring and academic advice to nurture businesses in a variety of high growth sectors. The development of the Sub-regional Knowledge Exchange incorporating other Universities in the wider sub-region (see Technical Appendix 2) would enable entrepreneurs in Gloucestershire to tap into advice and expertise available in other Universities in the sub-region. This would be a model of sustainable economic development with the County helping to retain businesses and skills in the area.

4.6.3 Review

The provision of managed workspace and incubators is low across the County. More specialist incubators for high growth sectors of the economy may be required in the future for advanced engineering, biotechnology, environmental technology, ICT and creative industries (see Technical Appendix 2). The County only has one such facility, the Cotswold Innovation Centre in the Cotswolds, and there is an opportunity to provide more specialist incubators to develop the economy.

4.7 RURAL WORKSHOPS

4.7.1 Supply

The conversion of redundant farm buildings in Gloucestershire increased considerably during the mid-1990s through the Rural Development Commission's 'Redundant Buildings Grant Scheme', which was available under the Countryside Employment Programme between 1993-1996.

Examples of successful rural conversion schemes can be found at Bond's Mills, Stonehouse, Steadings Business Centre, Maisemore, The Hawthorns and Staunton Court at Staunton, Twigworth Court Business Centre, Dovecot Workshops, Barnsley Park, and Whiteway Workshops at Cirencester to name just a few.

Rural workspace can provide a sustainable and attractive approach to regenerating rural communities, which is a key aim of the County's Rural Economic Strategy and SWRDA's Rural Renaissance Initiative. Creating sustainable travel-to-work patterns is also a key aim of the Government's 'Planning for Economic Development' agenda.

4.7.2 Demand

Commercial agents indicate that converted rural schemes remain popular in the County due to the free car parking that these schemes offer, the attractiveness of the working environment and accessibility to and from major commercial centres.

The conversions themselves are still perceived by developers and investors as high financial risk in some parts of the County, due to the type of businesses seeking to occupy such space, which tends to be lifestyle businesses or business start-ups, which do not have strong covenant strength to provide a safe return on the investment for the developer or investor.

Where there is a critical mass of existing buildings, of various types and size and infrastructure, such as at former MOD bases (e.g. Little Rissington and Kemble) or the facility of a larger occupier, such as Xerox at Mitcheldean, the market is more responsive to conversion.

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The advancements in ICT and the growth in SMEs in the County indicate that rural workshops should become more attractive as a location for business activity in future years. The changes to the EU Common Agricultural Policy with the ‘decoupling’ process may lead to more farmer’s diversifying their farm businesses into other areas of activity and converting their physical building assets to offer business premises of visitor accommodation or attractions.

4.7.3 Review

Future trends suggest that workspace in rural areas should become more attractive with changes in flexible working patterns and lifestyle, although in the short term the viability gaps in some areas needs to be addressed.

The provision of additional rural workspace schemes is important for the development of the creative industries sector, identified as a key sector of the Gloucestershire economy, as well as providing workshop and office space for a range of other sectors.

4.8 LIVE/WORK

4.8.1 Supply

The emerging concept of live/work units originated in the USA and describes the combination of living space and workspace in a single, purpose-designed unit of accommodation. It is therefore distinct from the traditional ‘working from home’. To our knowledge, there are no such examples of live/work schemes in the County.

In planning terms, live/work units are generally classed as B1 as long as 50% of the total space is workspace. Until recently, there has been little enforcement of the employment use within live/work units but increasingly local councils are pre-designating the amount of space allocated for work, rather than allowing owners to decide. Normally the split is 50/50 but this can vary. This means the property can be used as an office or as a studio for researching and developing products. Live/work may become increasingly popular in the future, with increasing congestion on the roads and further developments in ICT.

Although there is the potential for the home to increasingly fill the dual role as a place of work with advances in technology there have been very few purpose built live/work developments outside London and other major cities. There is a reluctance amongst developers to include this use in housing schemes due to uncertain demand although the drive towards mixed-use development may change this.

Live/work has a poor perception from both mortgage companies, that find it difficult to evaluate, and can often be used as a ‘backdoor’ to securing a residential consent on a site, with the ‘work’ element of the live/work scheme not being used, and subsequently changed to full residential over time. The enforcement of live/work schemes also appears to be difficult with constant checks required to ensure that the property has a business function, although innovative designs can make developments easier to alter to create a separation between the office and residential elements where required.

4.8.2 Demand

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Home-working is becoming increasingly popular. The proportion of workers using their home as their base of work has increased every year over the past two decades. In 2002, it was estimated that one in thirteen employed people carried out their work in a variety of places using home as their base (Based on Labour Force Survey data, Felstead and Jewson 2003)

There is also an increasing trend for more home-based businesses, utilising the technological advancements in ICT and increasing broadband coverage. The quality of the environment and 85% regional broadband coverage provides incentives for people seeking to set up lifestyle businesses of self-employed people who can operate from a 'virtual office' using a laptop, mobile phone and transport (public or private).

4.8.3 Review

Live/work as an emerging concept provides flexible space for lifestyle businesses seeking a balance between home-working and office-working. The development of sectors, such as creative industries requires flexible space. Live/work units could be developed in locations that could maximise the creative industries market and suitable planning policies need to be put in place to positively promote these developments.

4.9 PRINCIPAL FINDINGS

There is a large amount of good quality employment land in locations along the M5 such as Waterwell's Business Park, Tewkesbury Business Park, Gloucester Business Park and Stroudwater Business Park offering design and build options and some speculative units to local and national companies. There appears to be sufficient land within the three Major Strategic Employment Sites to cater for demand over the next 25-30 years.

Outside of this prime area, the quality of employment sites is generally poorer with issues of contamination, infrastructure and accessibility.

There remains an acute shortage of 'readily available' employment sites within Cheltenham Borough, with only 3.63 hectares committed (as at 2002) and the majority of this land constrained by issues of contamination etc. Cheltenham, along with Gloucester form part of the Joint Study Area and therefore it remains important to deliver new commercial stock to develop the economy for the wider benefit of the County.

In terms of industrial and warehousing premises, there appears to be a shortage of small units to cater for identified demand and latent demand, particularly for units of up to 100 sq.m. (around 1,000 sq.ft.).

The quality of stock is becoming an increasingly important issue with ageing stock in parts of the County requiring upgrading or redevelopment to satisfy requirements. New stock is required in parts of the Forest of Dean, Stroud and Cheltenham Borough, although for many sites, ground conditions and other constraints make redevelopment commercially not viable.

The office market in the County is changing due to the structural changes in the financial sector and the growth of the micro-business base. There appears to be a shortage of a wide choice of small units up to 50 sq.m. (around 500 sq.ft.), especially serviced units.

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The out-of-town market has developed significantly in recent years with the development of business park accommodation at a number of locations. The level of out-of-town growth needs to be balanced with opportunities for new investment and regeneration especially within Gloucester URC, which is a key priority for the County.

Currently, there are no Science Parks in Gloucestershire and none are planned in the short term. The growth of key growth sectors coupled with the presence of major employers and institutions such as the University of Gloucestershire and others within the sub-region suggests that there maybe more long-term opportunity to create a small-scale facility to cluster hi-tech R&D and knowledge-based industries through the development of an Enterprise Park/Technology Park rather than a large scale Science Park depending on the nurturing of innovative firms.

Currently, the provision of specialist incubators for developing growth sectors of the economy is low with only the Cotswold Innovation Centre at Upper Rissington established. There is a distinct opportunity to address this limited provision through the Workspace Strategy.

There are a number of good examples of converted rural buildings for business use located across the County and these types of development remain popular for a range of business activities taking advantage of dedicated car parking and the attractive environment. There is scope to increase provision of this type of workspace, especially with advances in ICT.

Live/work remains a conceptual product in Gloucestershire with potential to be developed in locations to enable the development of sectors such as creative industries that promote lifestyle working practices. It is important that any live/work schemes granted planning permission are enforced rigorously or designed initiatively to ensure that the workspace element does not revert to residential over time. This requires effective planning policies to be formulated.