

# **Shepway Employment Land Review Final Report**

Shepway District Council

May 2017

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# Contents

<b>1.0</b>	<b>Introduction</b>	<b>1</b>
	Scope of Study	1
	Methodology	2
	Report Structure	3
<b>2.0</b>	<b>The Shepway Economy</b>	<b>4</b>
	Spatial Overview	4
	Economic Overview	5
	Summary	12
<b>3.0</b>	<b>Overview of Employment Space</b>	<b>14</b>
	Stock of Employment Space	14
	Spatial Distribution	15
	Historic Development Rates	17
	Summary	20
<b>4.0</b>	<b>Commercial Property Market</b>	<b>22</b>
	Overview	22
	Market Perceptions of Shepway	23
	Office Market	24
	Industrial Market	27
	Inward Investment	30
	Summary	30
<b>5.0</b>	<b>Review of Employment Sites</b>	<b>32</b>
	Overview	32
	Folkestone Urban Area	35
	Folkestone Town Centre	37
	Hythe and Lympe	40
	Romney Marsh	42
	North Downs	44
	Summary	45
<b>6.0</b>	<b>Future Requirements for Employment Space</b>	<b>48</b>
	Methodology	48

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A. Forecast Job Growth	48
B. Past Development Rates	53
C. Future Labour Supply	55
Net Employment Space Requirements	56
Net Land Requirements	56
Planning Requirement	57
Historic Comparison	58
Summary	59
<b>7.0 Demand/Supply Balance</b>	<b>61</b>
Quantitative Balance	61
Qualitative Factors	66
Summary	67
<b>8.0 Conclusions and Policy Implications</b>	<b>69</b>
Overview of the Economy	69
Approach to Meeting Future Needs	70
Office Market	71
Industrial Market	73
Other Policy Issues	75
Monitoring	76

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## Appendices

Appendix 1: Consultees

Appendix 2: Site Plans

Appendix 3: Site Assessment Criteria

Appendix 4: Site Assessment Matrix



## 1.0 Introduction

- 1.1 **Shepway District Council (“the Council”) commissioned Nathaniel Lichfield & Partners (“Lichfields”) to prepare an updated Employment Land Review (“ELR”) for Shepway District.** This report follows the 2011 Shepway Employment Land Review also prepared by Lichfields, and will be part of the evidence base to inform and support implementation of policies **contained within the Council’s Core Strategy Local Plan<sup>1</sup>** in respect of employment land. The ELR will also provide a key input to the development of the next stage of the Places and Policies Local Plan.
- 1.2 The study provides the Council with an assessment of the current position and recent trends **within the District’s economy, and the potential scale and type of future economic growth and** business needs. The study has been prepared in the context of requirements set out in the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) with **regards to planning for economic development needs. Specific items within the Council’s brief** for consideration within the ELR include:
- 1 the economic growth prospects of the District;
  - 2 the stock, use of, and take up, of existing employment land, sites and premises;
  - 3 the needs for and role of additional employment land; and
  - 4 the most appropriate broad location and specific locations best suited to support and enable employment and business growth.

### Scope of Study

- 1.3 The purpose of this ELR is to provide the Council with updated evidence relating to the current and future requirements for B-class employment space in Shepway to 2026. Longer-term needs beyond the current Core Strategy Local Plan period to 2031 are also considered. The assessment incorporates a range of scenarios for how the economy could change in the future, with the employment space and land implications for the following B class uses considered in this study:
- 1 **B1 Business:** offices (B1a), research & development (B1b) and light industrial (B1c).
  - 2 **B2 General Industrial**
  - 3 **B8 Storage and Distribution:** warehouses, wholesale and distribution.
- 1.4 The study also considers forecasts of growth in other non B class sectors in Shepway to set out how the economy as a whole could change in the future. However, it does not specifically assess the space implications of these sectors which are planned for using different methodologies and are considered by other technical evidence.

### Shepway Economic Development Strategy

- 1.5 The Council published an Economic Development Strategy in 2015 which set out ambitions for economic growth in the District for the period to 2020.<sup>2</sup> The key priority is to boost the local economy and increase local job opportunities through a number of actions including increasing the supply and quality of employment land within the District:

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<sup>1</sup> Shepway Core Strategy Local Plan, Adopted September 2013, [http://www.shepway.gov.uk/media/1811/Core-Strategy-Local-Plan-2013/pdf/Core\\_Strategy\\_Local\\_Plan\\_2013\\_v2.pdf](http://www.shepway.gov.uk/media/1811/Core-Strategy-Local-Plan-2013/pdf/Core_Strategy_Local_Plan_2013_v2.pdf)

<sup>2</sup> Shepway Economic Development Strategy 2015-2020, [https://www.shepway.gov.uk/media/1697/Shepway-Economic-Development-Strategy-Final/pdf/Shepway\\_Economic\\_Development\\_Strategy\\_Final.pdf](https://www.shepway.gov.uk/media/1697/Shepway-Economic-Development-Strategy-Final/pdf/Shepway_Economic_Development_Strategy_Final.pdf)

- 1 **Building on existing economic strengths** – promoting key sectors such as financial services, creative industries, business and professional services, transport and logistics, energy, tourism and culture, and advanced manufacturing.
- 2 **Boosting productivity and supporting business growth** – encouraging more business start-ups, supporting businesses to grow, attracting new businesses and providing infrastructure such as high-speed broadband.
- 3 **Promoting further investment** – identify and bring forward appropriate sites for commercial development, particularly around the three M20 junctions and within Folkestone Town Centre, encourage new and higher quality employment space, maximising **use of the Council’s property and other resources as well as scope for public sector intervention to help bring forward development sites.**
- 4 **Improving education and skills attainment** – extend the Council’s apprenticeship scheme and work with education and training providers to meet employers’ needs.

## Methodology

- 1.6 In March 2014 the Government released the Planning Practice Guidance (PPG) to provide technical guidance for practitioners and inform the implementation of the National Planning Policy Framework (NPPF). In regard to assessing economic development needs, the PPG states that local authorities should:
  - 1 consider the prevailing stock of land, identify the demand for and supply of employment land, and determine the likely business needs and future market requirements;
  - 2 consider the locational and premise requirements of particular types of business and sectors;
  - 3 consider projections to help identify where sites have been developed for a specific economic use;
  - 4 analyse supply and demand to identify whether there is a discrepancy between quantitative and qualitative supply and demand for employment sites; and
  - 5 identify where gaps in local employment land provision exists by comparing the available stock of land with the requirements of the area.
- 1.7 The methodology that has been used to undertake the ELR conforms to the requirements of the NPPF and PPG. It should be noted that there are a range of factors to consider when objectively assessing the future business needs of a local economy. The study uses a combination of quantitative and qualitative analysis to examine these issues in the context of Shepway, and synthesises these to draw overall conclusions and policy implications for long-term planning in the District.
- 1.8 An important consideration for any technical work of this type is that the study is inevitably a point-in-time assessment. The study post-dates the outcome of the UK referendum on membership of the European Union (EU) in June 2016, but does not give specific consideration **for how the timing and basis for the UK’s future exit from the EU could impact national or local economic change given current uncertainty regarding these arrangements.** The study has used the latest available data and other evidence available at the time of drafting in late 2016, while the accuracy of third party data has not been checked or verified by Lichfields.
- 1.9 The study has also undertaken consultation with a range of local stakeholders, including commercial property agents, economic development agencies and business organisations. A list of consultees is provided in Appendix 1.

## Report Structure

1.10

The report is structured under the following sections:

- 1 **Economic Context (Section 2.0):** a review of economic conditions and recent trends in the District, and the strengths and weaknesses of the local economy that may influence the future need for employment space.
- 2 **Overview of Employment Space (Section 3.0):** an analysis of the existing stock and trends of employment space in the District in terms of the range of B class uses, past development rates and gains and losses.
- 3 **Commercial Property Market Intelligence (Section 4.0):** a review of the local commercial property market including the supply of and demand for different types of B class employment space, and the needs of market segments in the District.
- 4 **Review of Employment Sites Portfolio (Section 5.0):** an assessment of current and potential employment sites in the District, including the market attractiveness of these sites and their ability to meet future need.
- 5 **Future Requirements for Employment Space (Section 6.0):** an estimate of future employment space requirements for B class sectors in quantitative terms drawing upon employment forecasts and other factors.
- 6 **Demand / Supply Balance (Section 7.0):** an assessment of the balance between existing land supply and future requirements in both quantitative and qualitative terms.
- 7 **Conclusions and Policy Implications (Section 8.0):** a consideration of planning policies and other strategic measures required to support future economic growth and business needs in the Shepway economy.



2.4 Shepway can be characterised as having three distinct economic sub-areas: Folkestone and Hythe, Romney Marsh, and the North Downs. The majority of the economic activity in Shepway is undertaken in the Folkestone and Hythe sub-area, which benefits from excellent transport connections. This sub-area supports the most significant concentration of business activity in Folkestone, while Hythe is also home to a number of well-established firms. The Romney Marsh sub-area is mostly rural in nature with a long tradition in tourism, while the Dungeness Power Station and Lydd Airport situated in this sub-area also represent important economic assets. Finally, the North Downs sub-area is predominately rural in nature, comprising the rural areas north of the M20 motorway. This sub-area benefits from its outstanding natural environment, which provides specific business opportunities in tourism and leisure.

### Economic Overview

2.5 Recent economic conditions and trends in Shepway are summarised below, with comparisons made, where appropriate, with regional and national levels.

### Employment Trends

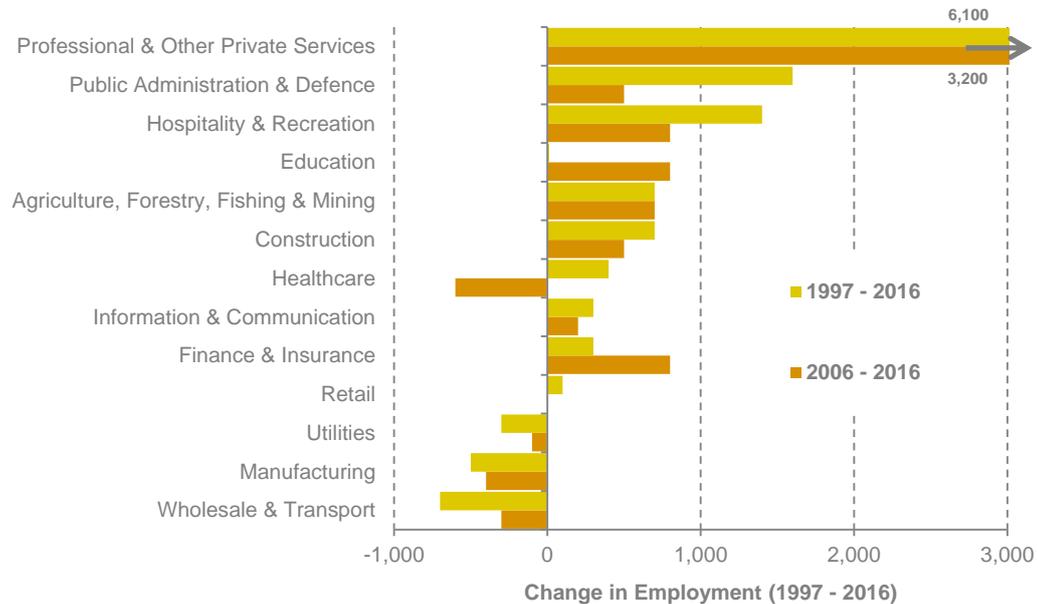
2.6 Based on Experian data, Shepway supported around 48,200 jobs in 2016, which represented an employment growth of 27% over the period from 1997. This employment growth was much higher than the growth recorded in Kent (22%), the South East (19%) and the UK (19%). The number of jobs in the District in 2006 (i.e. the base year of the Shepway Core Strategy Local Plan) was about 42,600 jobs, meaning growth in Shepway over the period 2006 to 2016 was equivalent to 13%. This level of growth was also higher than in Kent (8%), the South East (8%) and the UK (8%) during this period.

2.7 The current largest employment sectors in Shepway are set out below, with the figures showing the share of total employment supported by these specific sectors. When compared to the share of employment in the South East, the District is over-represented in employment terms in public administration & defence, agriculture, forestry & fishing, finance & insurance, and utilities, while being under-represented in manufacturing, professional & other private services, and information and communication.

1	Professional & Other Private Services	22%
2	Healthcare	11%
3	Hospitality & Recreation	10%
4	Retail	10%
5	Wholesale & Transport	9%
6	Education	9%
7	Public Administration & Defence	8%

2.8 As shown in Figure 2.2, employment growth in the District between 1997 and 2016 was mainly driven by professional & other private services (representing growth of 6,100 jobs), public administration & defence (1,600 jobs), hospitality & recreation (1,400 jobs) and education (1,100 jobs). At the same time, employment losses were recorded in wholesale & transport (representing a loss of 700 jobs), manufacturing (500 jobs) and utilities (300 jobs). The decline in manufacturing jobs in Shepway has been proportionately less than Kent and the wider South East over the same period. It should be noted that about 67% of the employment growth registered in the professional & other private services sector in Shepway during this period related to the administrative & supportive services sub-sector.

Figure 2.2 Changes in Employment by Sector in Shepway, 1997 - 2016



Source: Experian / Lichfields analysis

- 2.9 Figure 2.2 also shows that the majority of the highest growing and declining employment sectors in Shepway during the period 1997 to 2016 were also the highest growing and declining over the period 2006 to 2016. However, some notable differences between these periods includes stronger growth in finance & insurance over the period 2006 to 2016, as well as losses of employment in healthcare over this period contrasting with gains between 1997 and 2016.
- 2.10 In this context, the overall employment change in Shepway between 1997 and 2016 is set out in Table 2.1 including the estimated change during the first part of the Core Strategy Local Plan period from 2006 to 2016.

Table 2.1 Changes in Total Employment and B Class Jobs in Shepway, 1997-2016

Use	Total Jobs		1997 - 2016		2006 - 2016	
	2006	2016	Total	Annual	Total	Annual
<b>Total Employment</b>	<b>42,600</b>	<b>48,200</b>	<b>10,200</b>	<b>535</b>	<b>5,600</b>	<b>560</b>
B Class Jobs	10,300	12,100	2,200	115	1,800	185
Office Jobs (B1a/B1b)	4,700	7,200	3,400	180	2,500	245
Industrial Jobs (B1c/B2/B8)	5,600	5,000	- 1,200	- 60	- 600	- 60

Source: Experian / Lichfields analysis

- 2.11 The productivity of employment in Shepway can also be measured by Gross Value Added (GVA) per job. This indicates the level of productivity in Shepway in 2016 was lower than the average for Kent, the South East and the UK, which reflects the over-representation of such lower value sectors in the District as public administration & defence, agriculture, forestry & fishing, and utilities. The respective growth in GVA per job in Shepway over the period 1997 to 2016 and 2006 to 2016 was higher than that recorded regionally and nationally, with the productivity gains between 2006 and 2016 particularly strong (Table 2.2).

Table 2.2 Changes in GVA per Job in Shepway, 1997 - 2016

Area	GVA per Job		Change in GVA per Job	
	2006	2016	1997 - 2016	2006 - 2016
Shepway	£41,800	£42,300	12%	13%
Kent	£42,100	£44,500	13%	8%
South East	£46,600	£51,100	10%	8%
UK	£45,700	£47,700	11%	8%

Source: Experian / Lichfields analysis

### Business Base

2.12 The local business base in Shepway is characterised as having a similar share of micro firms (0 to 9 workers) and a slightly higher share of small-sized firms (10 to 49) compared to regional and national levels. Shepway also supports a much lower rate of business start-up compared to the regional and national average, while the share of working-age persons in Shepway that are self-employed is slightly higher than in Kent, the South East and Great Britain (Table 2.3).

Table 2.3 Key Characteristics of the Business Base in Shepway

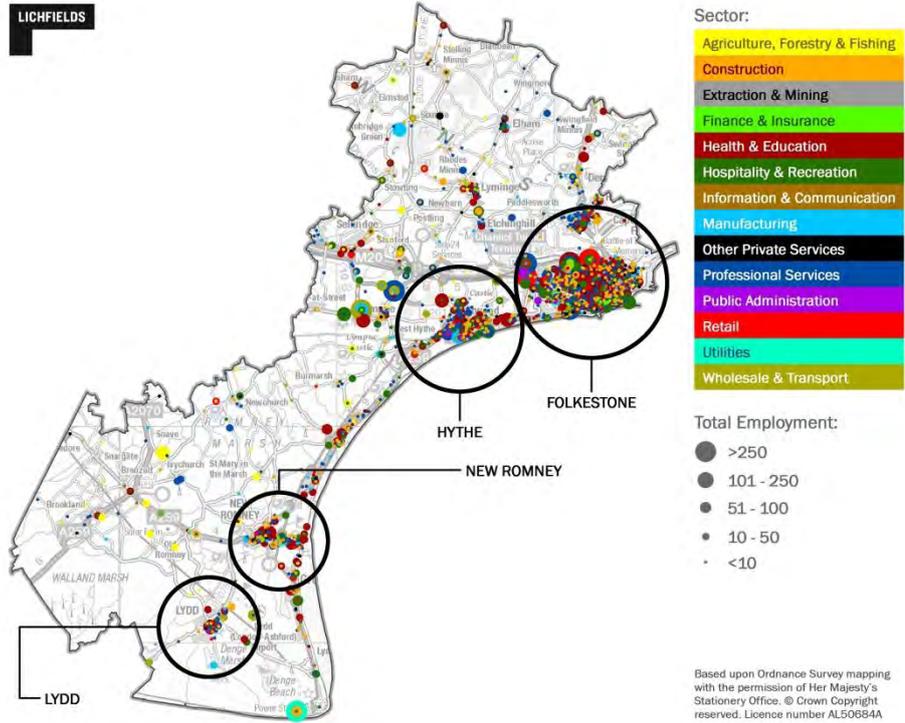
Metric		Shepway	Kent	South East	Great Britain
Business Size (2015)	Micro (0 to 9)	88.5%	89.1%	89.4%	88.7%
	Small (10 to 49)	9.9%	9.0%	8.7%	9.3%
	Medium (50 to 249)	1.5%	1.5%	1.5%	1.6%
	Large (More than 250)	0.3%	0.4%	0.4%	0.4%
Business Births per 10,000 Working-Age Persons (2014)		69	83	93	87
Self-Employment (2015)		13%	11%	12%	10%

Source: Inter-Departmental Business Register (ONS) / Business Demography Statistics (ONS) / Annual Population Survey (ONS) / Lichfields analysis

2.13 Drawing upon Inter-Departmental Business Register (IDBR) data, the spatial distribution of business sectors in Shepway can be illustrated (Figure 2.3). This underlines the significant concentration of business activity in Folkestone, with only smaller business clusters situated outside the town in Hythe, New Romney and Lydd. More is also found across the more rural areas of the District in the New Romney and North Downs sub-areas.

2.14 Figure 2.4 provides a more detailed map showing the spatial distribution of businesses sectors in and around Folkestone. This highlights the presence of a diverse mix of business sectors in the town, with the most significant clusters of businesses located in Folkestone town centre. In particular, the town centre supports a concentration of retail and hospitality & recreation businesses, while also supporting a range of office-based sectors (e.g. professional services, finance & insurance, and public administration & defence).

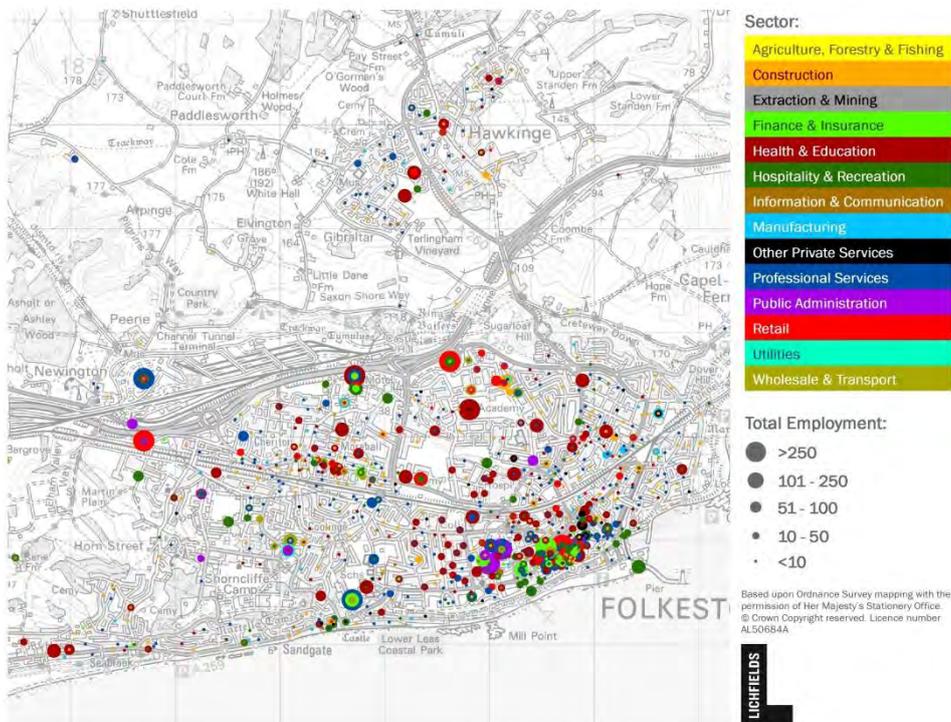
Figure 2.3 Spatial Distribution of Business Sectors in Shepway, 2015



Source: Inter-Departmental Business Register / Lichfields analysis

Note: IDBR data does not record micro businesses that fall under the VAT threshold.

Figure 2.4 Spatial Distribution of Business Sectors in Folkestone, 2015



Source: Inter-Departmental Business Register / Lichfields analysis

Note: IDBR data does not record businesses that fall under the VAT threshold.

2.15 Other large business premises are also found in the main out-of-centre employment areas in Folkestone, including in Park Farm, Shearway Business Park and Cheriton Parc, amongst others. These significant employment areas, for the most part, are strategically located in close proximity to the M20, which makes them more attractive for businesses that require larger sites with good road access. However this spatial illustration of business sectors in Folkestone also points towards much of these employment areas in the town supporting a mix of sectors, including B class sectors as manufacturing, wholesale & transport, and professional services, but also non B class sectors as hospitality & recreation and retail.

### Labour Market

2.16 The Shepway labour market is characterised by a higher share of the working-age population being economically active and claiming out-of-work benefits compared to Kent, the South East and Great Britain. In addition, the resident labour force has achieved a much lower level of NVQ4 and above qualification attainment compared to the regional and national benchmarks, which points towards a less highly skilled workforce in the District (Table 2.4).

2.17 This less skilled working-age population in Shepway aligns with a lower share of residents in the District being employed in higher skilled occupations that are represented by SOC Major Group 1 - 3 compared to Kent, the South East and Great Britain, while a higher share are employed in more elementary roles represented by SOC Major Group 8 - 9. In this context, the level of earnings in Shepway is also lower than the regional and national averages, with the level of earnings for residents living in Shepway about 5% lower than the South East average and the level of earnings for workers employed in Shepway about 15% lower than the South East average.

Table 2.4 Key Characteristics of the Labour Market in Shepway

Metric		Shepway	Kent	South East	Great Britain
Economic Activity Rate (2015)		83%	79%	81%	78%
Out-of-Work Benefits Claimant Count (2016)		2.0%	1.5%	1.0%	1.8%
Resident Qualification Level (2015)	NVQ4 and Above	23%	34%	40%	37%
	NVQ3 and Above	31%	21%	21%	20%
	NVQ2 and Above	15%	18%	16%	16%
	NVQ1 and Above	19%	14%	12%	11%
	Other or No Qualification	12%	13%	11%	15%
Resident Occupation Group (2016) <sup>1</sup>	SOC Major Group 1 - 3	37%	45%	49%	45%
	SOC Major Group 4 - 5	24%	22%	21%	21%
	SOC Major Group 6 - 7	17%	18%	16%	17%
	SOC Major Group 8 - 9	22%	16%	14%	17%
Earnings by Residence (2015)		£544	£552	£575	£530
Earnings by Workplace (2015)		£468	£504	£552	£529

Source: Annual Population Survey (ONS) / Annual Survey of Hours & Earnings (ONS) / Lichfields analysis

Note: 1 SOC 2010 Major Group 1 - 3 includes managers, directors and senior officials; SOC 2010 Major Group 4 - 5 includes administrative and trade occupations; SOC 2010 Major Group 6 - 7 includes service and sales occupations; and SOC 2010 Major Group 8 - 9 includes machinery, plant & process operatives and elementary occupations.

2.18 Examining commuting flows can also help to identify the extent of the labour market for the District which is an important component for defining a functional economic market area (FEMA) for a local economy. Using latest travel-to-work flow data from the 2011 Census, the patterns for Shepway can be considered.

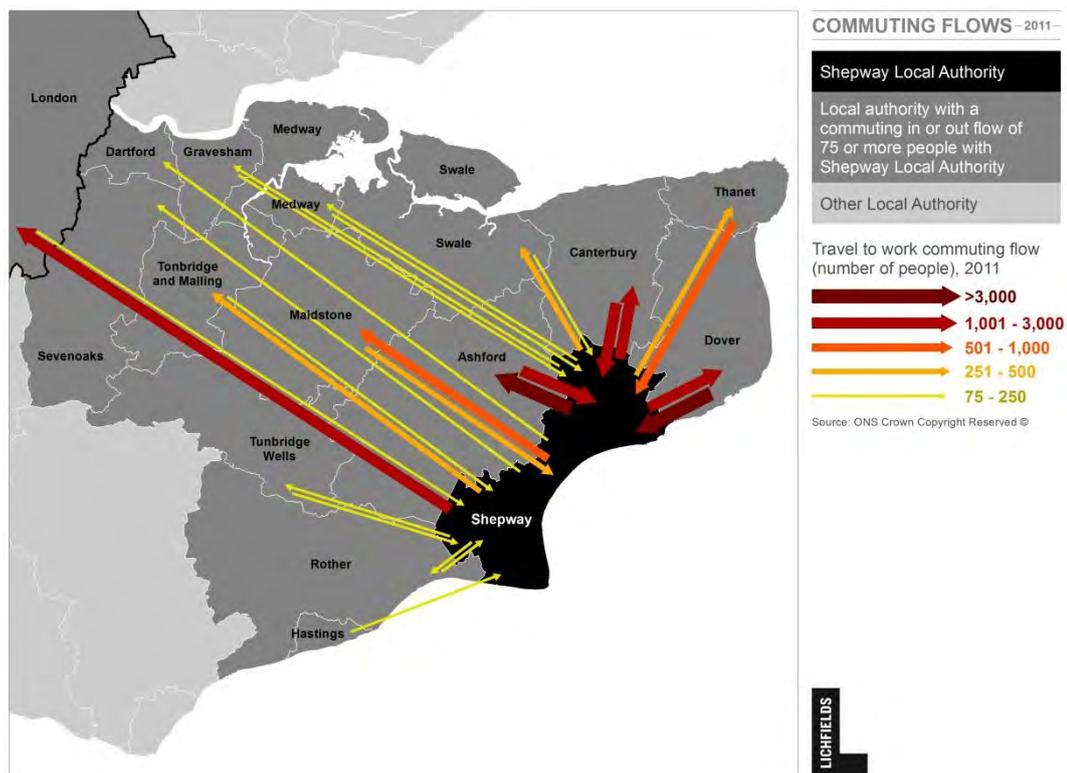
2.19 In 2011, around 31% of working residents in Shepway travelled outside the District for their work. The self-containment rate for Shepway (i.e. the share of residents who also work in the District) was therefore equivalent to about 69% in 2011, which is similar to the rate of 70% for the District at the time of the 2001 Census. The most significant travel-to-work flows for Shepway based on 2011 Census data are shown in Table 2.5 and Figure 2.5.

Table 2.5 Key Out-Commuting and In-Commuting Flows for Shepway, 2011

Worker Flow	Total	Key Commuting Destinations (% of Total Commuter Flow)
Out-Commuting Residents	24,600	Ashford (32%), Dover (18%), Canterbury (13%), Maidstone (5%), City of Westminster (4%)
In-Commuting Workers	23,800	Dover (42%), Ashford (24%), Canterbury (10%), Thanet (6%)

Source: 2011 Census (ONS) / Lichfields analysis

Figure 2.5 Travel-to-Work Flows for Shepway, 2011



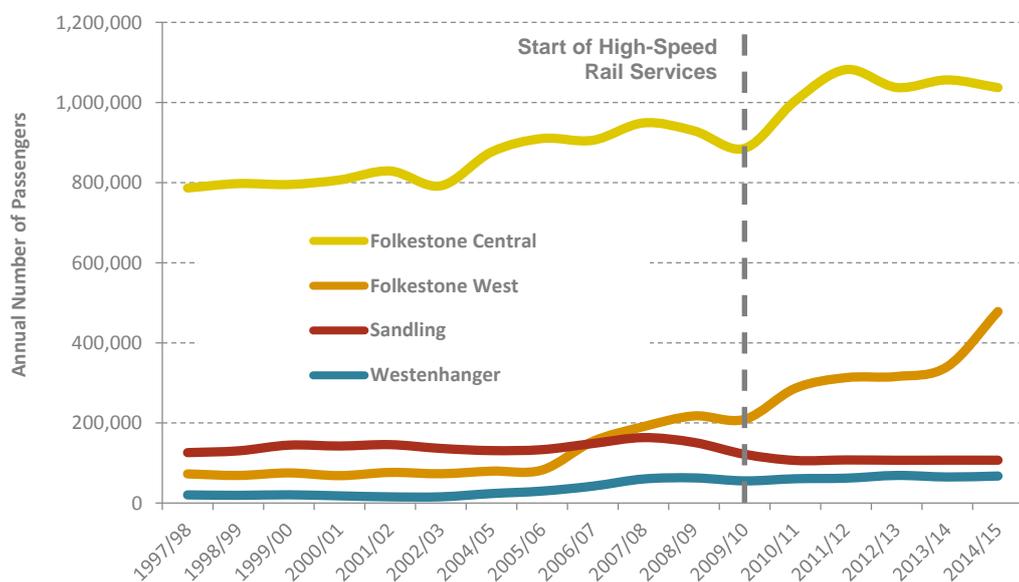
Source: 2011 Census (ONS) / Lichfields analysis

2.20 On this basis, Shepway is characterised as being a net exporter of labour with a net outflow of approximately 3,900 workers, which was equivalent to about 8% of all resident workers in the District at the time of the 2011 Census.

2.21 Between 2001 and 2011, the District continued to operate as a net exporter of labour with the net outflow of workers from Shepway remaining relatively stable over this period. However, it

should be noted that at the time of the 2011 Census, the high-speed rail services to Folkestone had only been operating for around 18 months, which means the effects of the improved rail infrastructure on the commuting patterns for the District are unlikely to be fully reflected in the 2011 Census data. In this context, data from Southeastern trains shows that the number of passengers using train stations in Folkestone grew significantly after the introduction of high-speed rail connections in 2009, which could **impact the District’s commuting patterns and** destination of out-commuters. Between 2009/10 and 2014/15, the passenger numbers using Folkestone Central increased by 17% and Folkestone West by 129% from a relatively low base, both of which are served by high-speed rail services (Figure 2.6). It is reported that some people have relocated to Folkestone for lifestyle factors and travel to London several times a week for business but also increasing demand for small business space locally.

Figure 2.6 Number of Passengers using Shepway Train Stations, 1997/98 – 2014/15



Source: Southeastern Trains / Lichfields analysis

- 2.22 In addition, the ONS defines labour market areas as those areas where the majority of the resident population is also employed. Defining the labour market area requires an analysis of commuting flows data to identify Travel-to-Work Areas (TTWAs) for a local economy. The **current criteria for defining TTWAs is for at least 75% of an area’s** resident workforce to be employed in the area and at least 75% of the people who work in the area to also reside in the area. This area must also have a working population of at least 3,500 persons.
- 2.23 In 2015, the ONS used 2011 Census data on home and work addresses to define 228 TTWAs that covers the whole of the UK. The assessment identified a Folkestone and Dover TTWA that includes all of Shepway and the south part of Dover (Figure 2.7).

Figure 2.7 Folkestone and Dover Travel to Work Area, 2011



Source: 2011 Census (ONS)

## Summary

2.24

The following key findings and conclusions can be drawn:

- 1 Shepway is situated on the south-east coast of Kent, and benefits from strong transport links to London and west Kent from the M20 motorway and direct rail services from Folkestone. The recent introduction of high-speed rail connections from Folkestone to London has further enhanced the strategic accessibility to the District.
- 2 Shepway can be characterised as having three distinct economic areas: Folkestone and Hythe, Romney Marsh and the North Downs, with the majority of the economic and business activity undertaken in the District taking place in the Folkestone and Hythe sub-area. The Romney Marsh and North Downs sub-areas are generally more rural in nature.
- 3 Recent employment growth in Shepway has been at a higher level than the growth registered at the regional and national levels, with the majority of this growth associated with non B class sectors. The increase in office jobs has been strong in the District historically, but offset to a degree by losses in industrial jobs. The most substantial growth sector in Shepway between 1997 and 2016 was professional & other private services, with a large share of the growth achieved in this sector related to employment gains in the administrative & supportive services sub-sector.
- 4 Shepway supports a lower share of micro firms (0 to 9 workers) and higher share of small-sized firms (10 to 49) compared to the regional and national benchmarks, with few large employers located within the District. The main focus of businesses in the District is supported in Folkestone, with other small business clusters found in the smaller settlements of Hythe, Lydd and New Romney. Several larger employers are positioned in close proximity to the M20 in the northern edge of Folkestone, which is likely to reflect these businesses sub-regional focus.

- 5 Local workers in Shepway tend to have achieved a lower level of NVQ4 and above qualification attainment compared to the regional and national average, which points towards a less highly skilled resident labour force in the District. This less highly skilled local workforce aligns with a smaller share of residents being employed in higher skilled occupations and a higher share of residents with lower levels of earnings.
- 6 Shepway remained a net exporter of labour between 2001 and 2011, with the net outflow of workers remaining stable at around 4,000 persons. The most significant commuting relationships for the District are with Ashford and Dover, while the self-containment rate for Shepway equated to 69% in 2011. However, commuting patterns could have changed since the introduction of high-speed rail services to Folkestone, with the 2011 Census data unlikely to have fully captured these effects.

3.0

## Overview of Employment Space

3.1

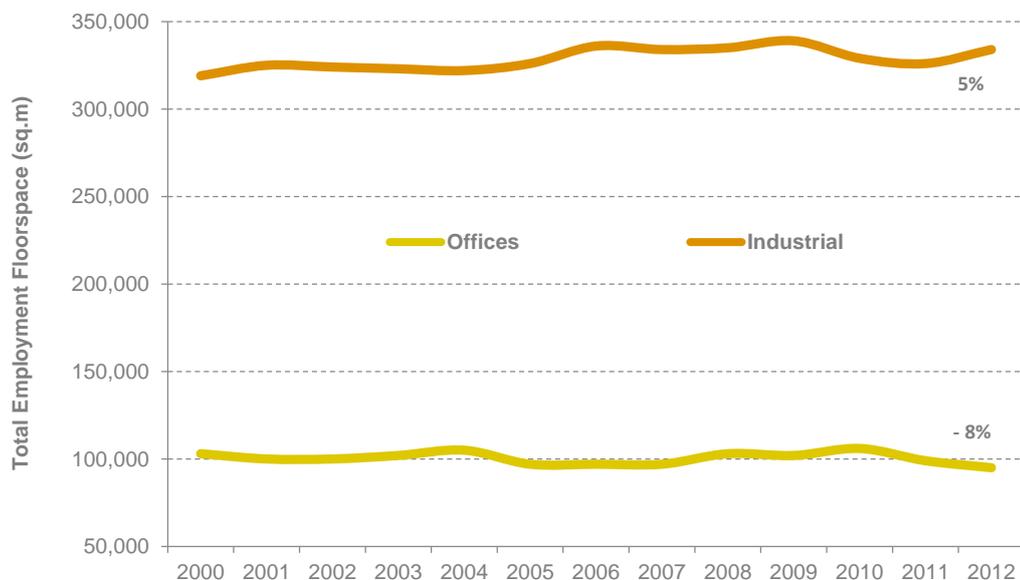
This section provides an overview of the current stock of B class employment space in Shepway, as well as the recent trends and changes to this stock of employment space. This analysis considers the amount of employment space across the three main types of B class employment use: offices (B1a/B1b), manufacturing (B1c/B2), and warehousing and distribution (B8). The main data sources referred to are the Valuation Office Agency (VOA)<sup>3</sup> and Kent County Council monitoring data.

### Stock of Employment Space

3.2

Shepway contained approximately 429,000sq.m of B class employment space in 2012 which was split between 78% in industrial use (i.e. manufacturing and distribution uses) and 22% in office use. The total stock of employment space in Shepway increased by 2% between 2000 and 2012, which compared with a growth of 5% in the South East. The increase in industrial space during this period was somewhat offset by a decrease in office space (Figure 3.1).

Figure 3.1 Changes in Employment Space in Shepway, 2000 - 2012



Source: VOA Business Floorspace Data / Lichfields analysis

3.3

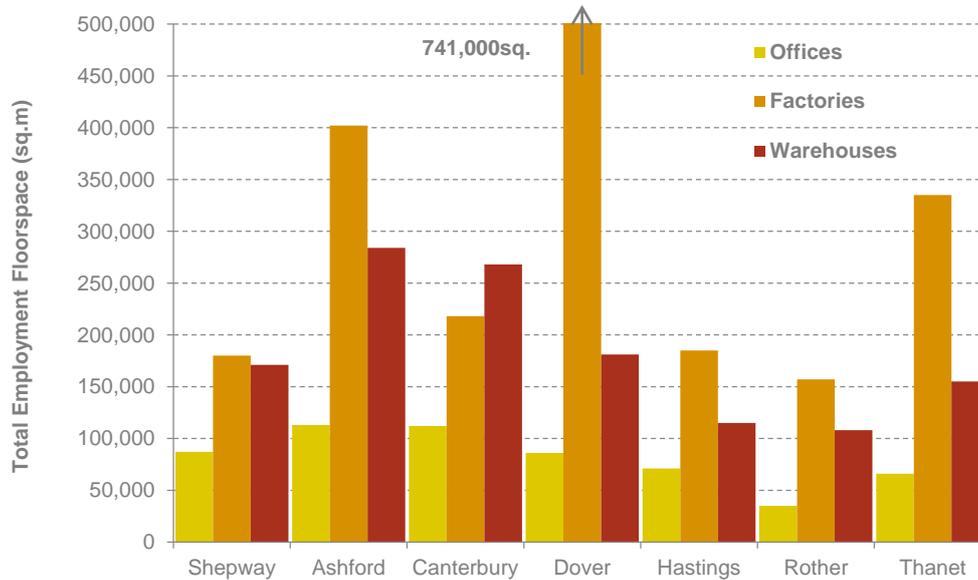
A more detailed breakdown of B class employment space in Shepway is presented in Figure 3.2, including a comparison with the stock of employment space in other local authority areas located within the surrounding sub-region.

3.4

This analysis indicates the stock of industrial space in Shepway is evenly split across factories and warehouses. Shepway contains the second smallest stock of factory space and the fourth smallest stock of warehouses in the sub-region, with Dover containing the largest stock of factories, and Ashford and Canterbury the largest stock of warehouses. Shepway also supports the third largest stock of offices in the sub-region, with Ashford and Canterbury supporting the largest stock of offices (Figure 3.2).

<sup>3</sup> VOA business floorspace analysis presented in this section draws upon a number of VOA datasets published at different time periods (2008, 2010, 2012) reflecting the latest data available for the different types of analysis.

Figure 3.2 Composition of Employment Space by Local Authority, 2008

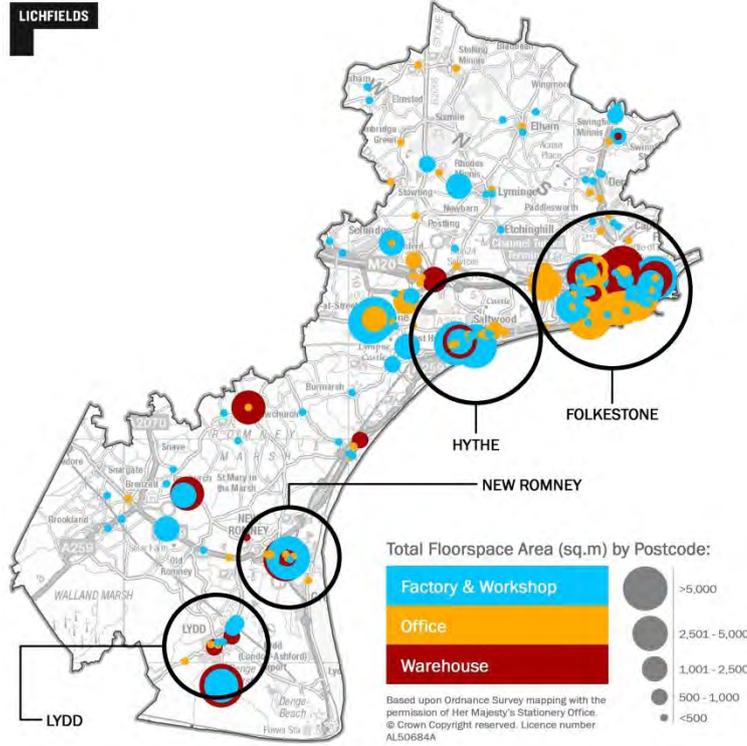


Source: VOA Business Floorspace Data 2008 / Lichfields analysis

### Spatial Distribution

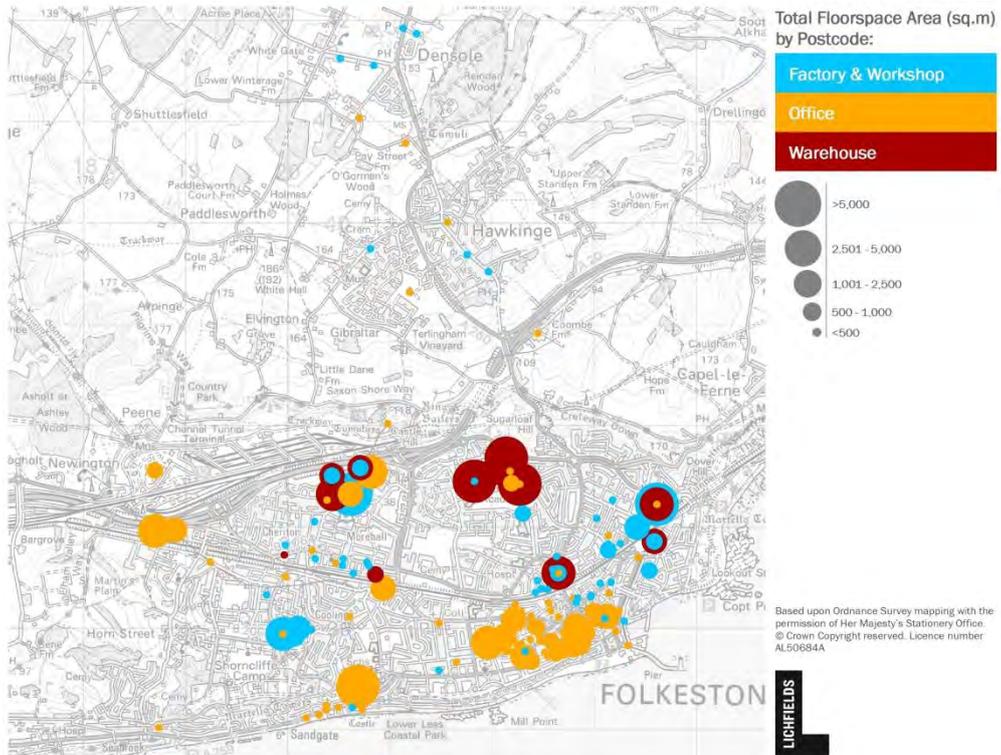
- 3.5 The spatial distribution of employment space in Shepway using latest available data from the Valuation Office Agency (VOA) is presented in Figure 3.3. This indicates that employment space in the District is overwhelmingly focused in Folkestone, with only small clusters found outside the town in the settlements of Hythe, Lydd and New Romney, while some large floorplates are also found in Lympe Industrial Estate to the west of Hythe. In this context, the majority of the employment space located outside Folkestone is industrial in nature, with nearly all the existing office space in the District supported in Folkestone.
- 3.6 Figure 3.4 provides a more detailed map showing the spatial distribution of employment space in Folkestone. This highlights the significant presence of office space in and around Folkestone town centre, with approximately 42% of all office space in the District located in the town centre. Outside Folkestone town centre, other large office floorplates are supported in Shearway Business Park in the northern fringe of the town, and at the two sites occupied by Saga outside Folkestone town centre at Enbrook House and Cheriton Parc. It should be noted that in addition to these two sites, Saga occupies a third office site in Folkestone town centre, with the total amount of office space occupied by Saga making it the largest office occupier in the District.
- 3.7 The existing industrial space in Folkestone is heavily concentrated in a few key employment areas including Park Farm, Shearway Business Park, Bowles Well Gardens and Highfield Industrial Estate. These industrial estates are characterised by strong access to the M20, which makes them attractive to a range of businesses that require good strategic road access. The existence of large industrial floorplates in Folkestone is also shown in Figure 3.4, with particularly sizeable warehouses supported at Park Farm.

Figure 3.3 Spatial Distribution of Employment Space in Shepway, 2010



Source: VOA Business Floorspace Data / Lichfields analysis

Figure 3.4 Spatial Distribution of Employment Floorspace in Folkestone, 2010



Source: VOA Business Floorspace Data / Lichfields analysis

- 3.8 Based on the latest available VOA data, it is estimated that around half of all B class employment space in Shepway is supported in and around Folkestone. This includes around 76% of offices, 31% of factories and 60% of warehouses. Outside Folkestone, approximately 26% of employment space in the District is found in the Hythe area, 17% in the Romney Marsh area and 3% in the North Downs area (Table 3.1).

Table 3.1 Breakdown of Employment Space in Shepway by Sub-Area, 2010

Use	Folkestone	Hythe	Romney Marsh	North Downs
Offices (B1a/B1b)	76%	15%	4%	5%
Factories (B1c/B2)	31%	41%	23%	5%
Warehouses (B8)	60%	19%	21%	0%
<b>Total B Class Space</b>	<b>53%</b>	<b>26%</b>	<b>17%</b>	<b>3%</b>

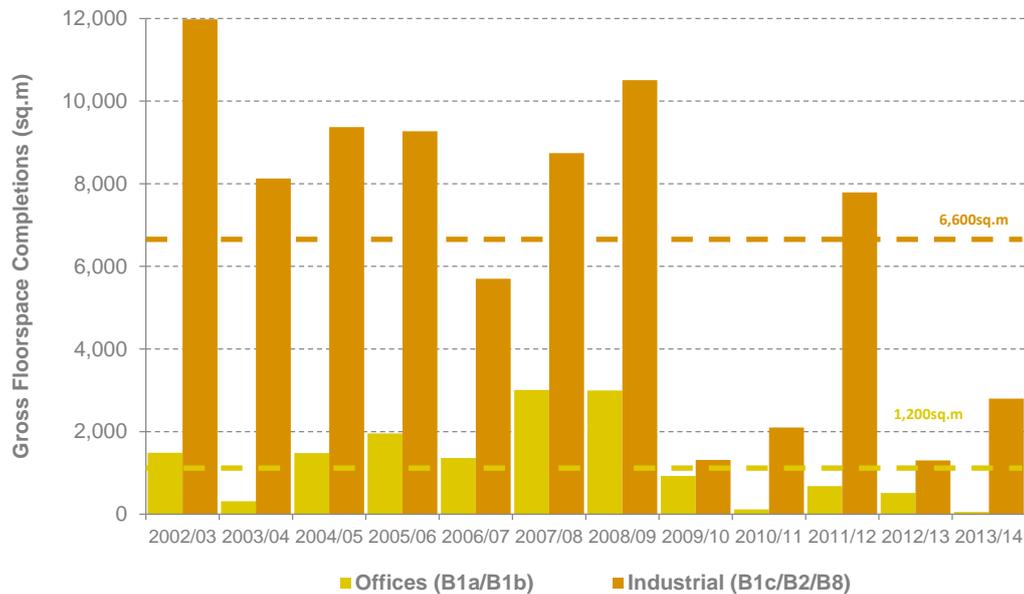
Source: VOA Business Floorspace Data / Lichfields analysis

## Historic Development Rates

### Gross Completions

- 3.9 The gross amount of B class employment space developed in Shepway over the period 2002/03 to 2013/14 equated to approximately 93,900sq.m, which is equivalent to an annual average gross completion rate of 7,800sq.m over this twelve year monitoring period. The majority of the B class employment space developed in Shepway during this period was in industrial use (84%) including 49% in factory use (B1c/B2) and 35% in warehouse and distribution use (B8).
- 3.10 It should be noted that where the monitoring data identifies gross completions of employment space that contains multiple B class uses, this assessment has assumed an even split across these B class uses. For example, a new office and warehouse development would assume a 50:50 split of gross employment space across these two B class uses. In addition, gross completions of A2 and B1 space were not disaggregated in the data until 2008/09 so this assessment has retrospectively assumed how much of this A2 and B1 space would likely be attributed to A2, B1a, B1b and B1c uses based on the more detailed monitoring data from 2008/09 to 2013/14.
- 3.11 As shown in Figure 3.5, the level of new development in Shepway was at its highest over the period 2002/03 to 2008/09, with the level of new development significantly declining after this period. This drop-off in gross completions in Shepway appears to coincide with the onset of the economic downturn in 2008 with development levels seemingly yet to recover to pre-recession levels in the District. In this way, the first seven years of this twelve year monitoring period accounted for more than 80% of the total employment space developed in Shepway over this period.

Figure 3.5 Gross B Class Employment Space Completions in Shepway, 2002/03 - 2013/14



Source: Kent County Council / Shepway District Council / Lichfields analysis

3.12 The annual average gross completion of industrial space in Shepway over this period equated to 6,600sq.m, which was much higher than the annual average gross completion of office space of 1,200sq.m. The gross completion of industrial space in Shepway over this period was relatively constant, although some notable years of development included 2002/03 and 2008/09, with more than 10,000sq.m of industrial space completed in these two years respectively. In terms of gross office completions, the most notable years of development in the District were in 2007/08 and 2008/09, with around 3,000sq.m of office space developed in each of these two years.

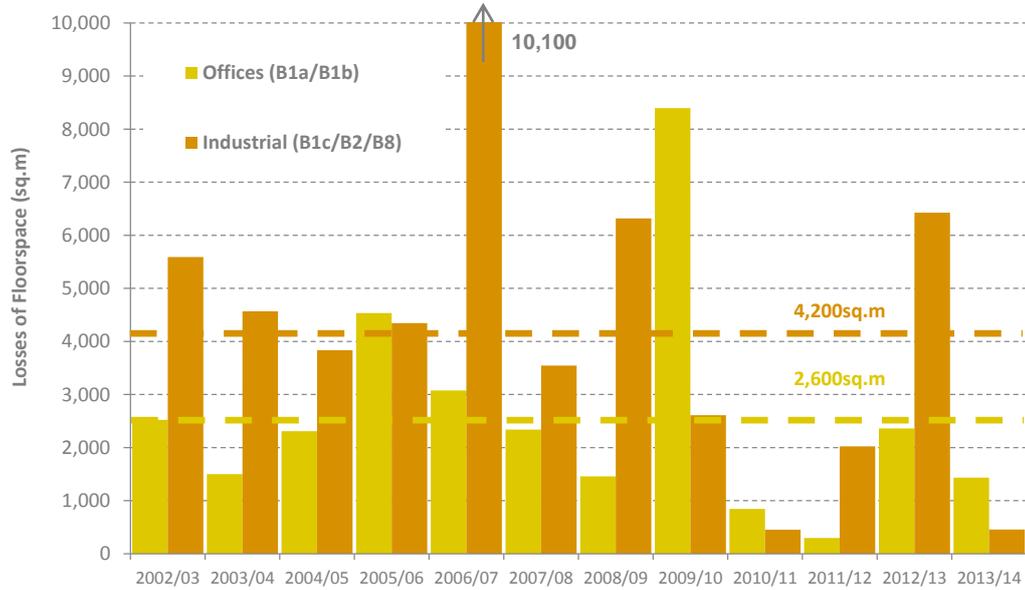
### Losses of Employment Space

3.13 Losses of B class employment space in the District over the period 2002/03 to 2013/14 equated to around 81,300sq.m, which is equivalent to an annual average loss of 6,800sq.m during this period. This loss of B class employment space in Shepway was mainly related to industrial (62%) uses, with around 38% of the losses over this monitoring period related to office uses.

3.14 As with the analysis of gross completions in Shepway, where the monitoring data identifies losses of employment space that contains multiple B class uses this assessment has assumed an even split across these B class uses. In addition, this assessment has assumed a breakdown for the combined A2 and B1 space losses recorded in the monitoring data up to 2008/09 in the same way as the analysis of the gross completions in the District (see above).

3.15 As illustrated in Figure 3.6, the most significant years for losses of employment space in Shepway between 2002/03 and 2013/14 were in the reporting years of 2006/07 and 2009/10. More than 11,000sq.m of employment space was lost in the District in each of these years, which together represents around 30% of the total losses of employment space in the District between 2002/03 and 2013/14. In this context, the most substantial losses of industrial space through the monitoring period was in 2006/07, while the most significant losses of office space was in 2009/10.

Figure 3.6 Losses of B Class Employment Space in Shepway, 2002/03 - 2013/14

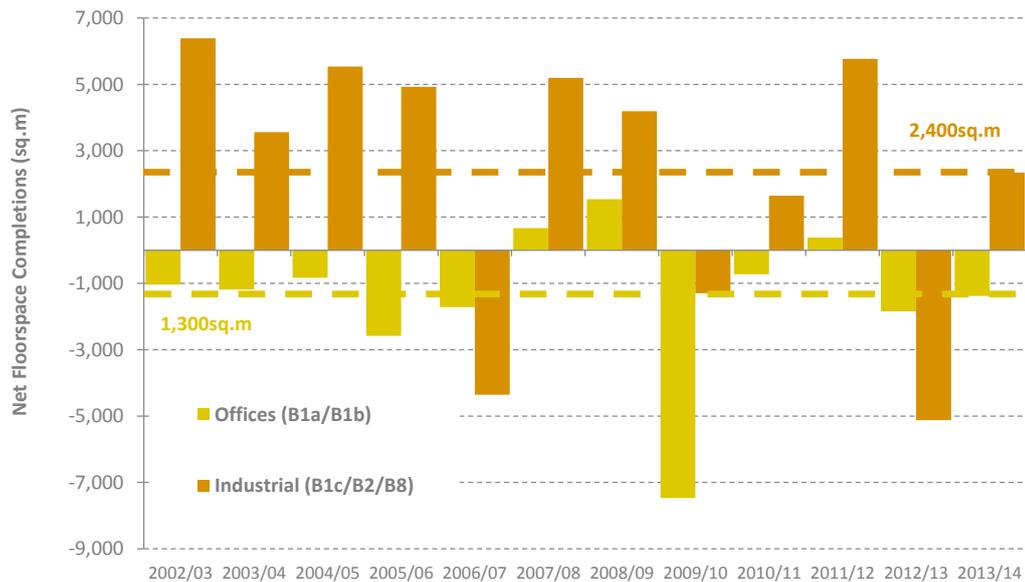


Source: Kent County Council / Shepway District Council / Lichfields analysis

### Net Completions

- 3.16 The net completion of B class employment space in Shepway during the period 2002/03 to 2013/14 remains positive after taking account the losses of B class employment space (Figure 3.7). During this period, the District recorded a net completion of about 12,600sq.m, with an annual average net completion rate of 1,000sq.m. This net completion of employment space in Shepway through this period included an annual average loss of 1,300sq.m for office space and an annual average gain of 2,400sq.m for industrial space.
- 3.17 This means that the gross completion of industrial space exceeded the losses of industrial space in Shepway through this monitoring period, whilst the losses of office space exceeded the gross completion of office space in the District. This resulted in an increase to the stock of industrial space and a decrease to the stock of office space in the District. As shown in Figure 3.7, the net gains in industrial space over this period were relatively constant, while the most significant losses of office space were in 2009/10.

Figure 3.7 Net B Class Employment Space in Shepway, 2002/03 - 2013/14



Source: Kent County Council / Shepway District Council / Lichfields analysis

### Permitted Development Rights

- 3.18 In 2013, the Government introduced Permitted Development Rights (PDR) to consent the change of use from office to residential without the need to obtain planning permission from the local planning authority (LPA). In October 2015, the Government confirmed that temporary PDR would be made permanent. In this context, the effect of the new PDR is anticipated to be an increase in the level of office losses over historic levels.
- 3.19 Although no specific monitoring data was available at the time of the analysis to consider in quantitative terms the impact of PDR to the local office market in Shepway, the feedback from local property agents did point towards the newly introduced PDR starting to have an effect on the supply of office space in the District. The most significant effect was seen by property agents to be focused in and around Folkestone town centre where a number of office units had been converted into residential use. However, property agents also considered that developments thus far had been beneficial, with most conversions helping to remove more redundant premises from the local market.
- 3.20 In this context, the introduction of PDR is expected to have a significant effect on the supply of office space in local authorities across the UK, but particularly in those local authorities with higher residential land values and pressure on lower value uses (e.g. office space). With PDR now confirmed as permanent, it will clearly be necessary for the Council to carefully monitor the future loss of office space to determine whether additional provision becomes necessary over and above the requirements set out in Section 6.0.

### Summary

- 3.21 The following key findings and conclusions can be drawn:
  - 1 Employment space in Shepway is dominated by industrial uses (i.e. manufacturing and distribution uses), with long term trends indicating a gradual erosion of office space in the District and a gradual growth in industrial space. These recent development trends have resulted in the stock of B class employment space in Shepway remaining relatively static over recent years.

- 2 The stock of industrial space in Shepway is evenly split across factories and warehouses, with the District containing the second smallest stock of factories and the fourth smallest stock of warehouses in the sub-region. Shepway also supports the third largest stock of offices in the sub-region, with Ashford, Canterbury and Dover supporting the largest stock of office and industrial space, reflecting their profile as more established commercial office centres.
- 3 Available monitoring data confirms that the net completion of B class employment space in the District has been positive during recent periods, including a net gain of industrial space and a net loss of office space. The level of new development in Shepway was at its highest over the period 2002/03 to 2008/09 with the level of new development falling significantly after this period, which appears to coincide with the onset of the economic downturn.
- 4 The existing employment space in Shepway is overwhelming focused in Folkestone, with only smaller clusters of space located outside the town in the smaller settlements of Hythe, Lydd and New Romney, as well as at Lympne Industrial Estate to the west of Hythe. The majority of the B class employment space located outside Folkestone is industrial in nature, with nearly all the existing office space in the District found in Folkestone.
- 5 A significant share of the current office space in Folkestone is clustered in the town centre, while Saga also occupies some sizeable office sites outside the town centre at Enbrook House and Cheriton Parc. Industrial space in the town is highly clustered in Park Farm, Shearway Business Park, Bowles Well Gardens and Highfield Industrial Estate, with each of these industrial sites benefitting from good strategic access to the M20. Some particularly large warehouse floorplates are supported in Park Farm in the northern fringe of Folkestone.
- 6 The recent introduction of Permitted Development Rights (PDR) for the change of use from office to residential uses has started to have an effect in the District, with feedback from property agents indicating that offices in and around Folkestone town centre were the most likely candidates for conversions. Local property agents also indicated that conversions thus far had been beneficial as it has helped remove the more redundant premises from the local market.

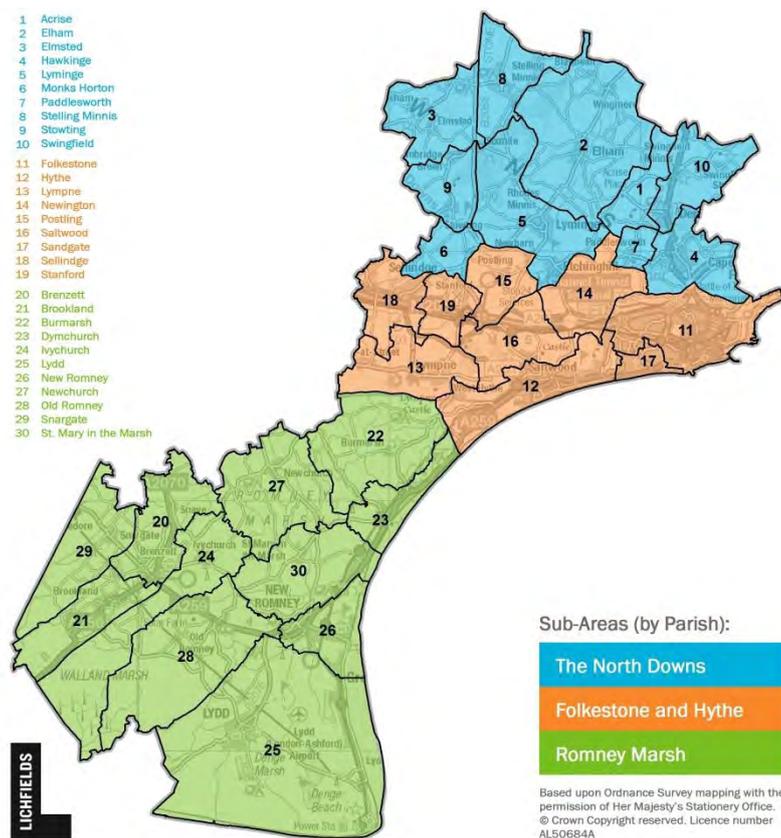
## 4.0 Commercial Property Market

4.1 This section provides an overview of the commercial property market in Shepway, including recent trends in the level of demand and supply within the District. These findings are mostly based on discussions with commercial property agents that are active in the local market (see Appendix 1) but is also supplemented with data and information sourced from publicly available databases and reports.

### Overview

4.2 Shepway can be characterised as being fairly self-contained in commercial property market terms, with the District comprising three relatively distinct sub-market areas: Folkestone and Hythe, Romney Marsh, and the North Downs (Figure 4.1). As stated in Section 2.0, the principal focus for economic activity in the District is in the main settlement of Folkestone, which benefits from its strategic location adjacent to the M20 motorway and Channel Tunnel terminal, as well as from the enhanced rail connectivity to the town from the recently introduced high-speed domestic rail services.

Figure 4.1 Property Market Sub-Areas in Shepway



Source: Lichfields analysis

4.3 Outside the main concentration of business activity in Folkestone and Hythe, Romney Marsh and the North Downs can generally be characterised as being mainly rural in nature, with more limited economic activities. Romney Marsh supports the settlements of New Romney and Lydd, although this part of the District is fairly remote and deficient of strategic road access. This has resulted in this area becoming relatively localised and self-contained in commercial property market terms, with non-local firms less likely to operate in this part of Shepway. In addition, the

North Downs sub-area lies in the Kent Downs AONB, which has the effect of limiting economic developments in this part of the District.

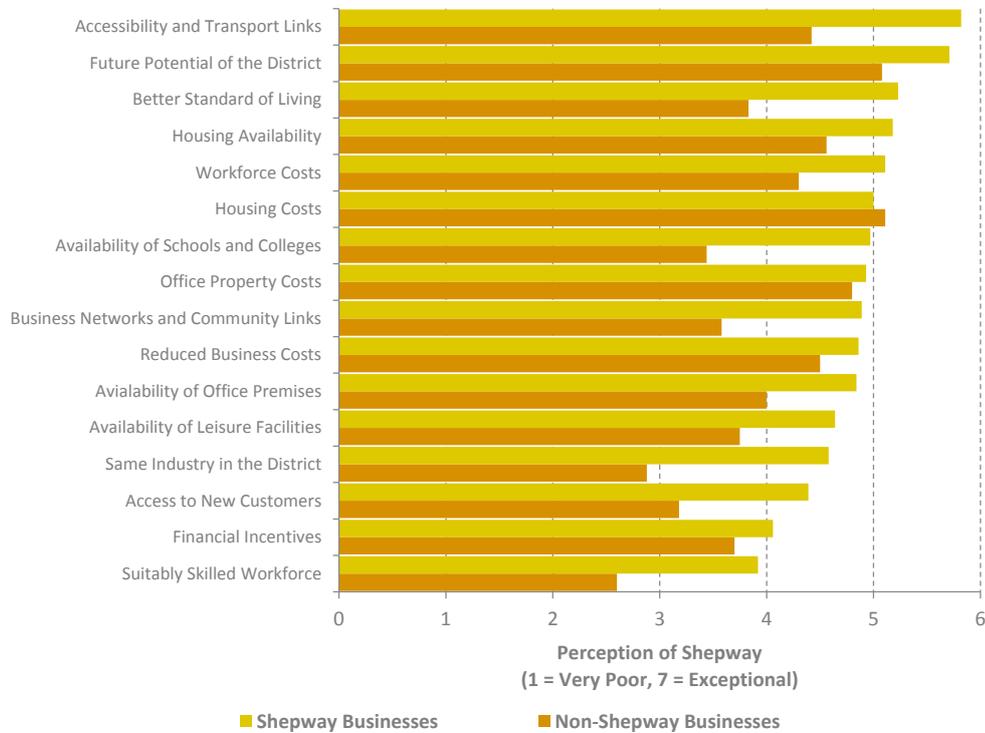
- 4.4 Given the location of Folkestone in the M20 corridor, the town has some commercial property market overlap with Ashford to the west and Dover to the north. In particular, the feedback from agents indicated that Ashford plays a dominant role in the sub-region in regards to capturing footloose enquires for office and industrial space, which tends to draw many prospective occupiers away from Folkestone. The competitive advantages of Ashford were generally seen to be its good provision of high quality commercial space that meets the requirements of modern firms, as well as its excellent transport links and market perception as the principal commercial centre in Kent.
- 4.5 Alongside the commercial property market overlap with Ashford, Folkestone also has some property market overlap with Dover. This particularly relates to industrial enquiries, with agents highlighting some relocation of industrial businesses between Dover and Folkestone over recent years. The key competitive advantage of Dover as an industrial centre relates to its good provision of industrial space and proximity to the port, while industrial rents in Dover can also be slightly lower than in Folkestone. Outside these property market overlaps, it is considered that Shepway does not have strong commercial market links with other parts of Kent, such as Canterbury or Maidstone, which largely operate in separate commercial property markets.
- 4.6 In this context, one of the main attractions of Shepway as a business location relates to the lower rental costs in the District compared to many other parts of Kent and the South East. This feature of the local market provides a particular advantage in terms of attracting and retaining occupiers, although does have the opposite effect on speculative developments and delivery of new space in the District due to viability issues. The strategic access of Folkestone to the M20 and the proximity of the Channel Tunnel terminal were also seen as core strengths of the District although the introduction of high-speed rail services was not considered by agents to have had a significant impact on the overall attractiveness of Folkestone as a business location to date particularly in terms of larger businesses. However, anecdotally it is reported that there has been some positive impact on the retention and attraction of some smaller businesses in Shepway now that journey times to London are reduced.
- 4.7 Some potential drawbacks of the District as a business location relates to the lack of good quality office and industrial space to meet modern occupier needs, a shortage of skilled labour supply, an absence of strategic road access in parts of the District, and the generally poor market perception of Shepway as a business location. These weaknesses have contributed to the local commercial property market in Shepway being largely self-contained, with the vast majority of the demand for office and industrial space coming from existing local businesses.

## Market Perceptions of Shepway

- 4.8 A survey conducted by Locate in Kent between December 2013 and January 2014 suggested the majority (70%) of businesses surveyed outside Shepway would not consider relocating their business to the District. Reasons cited by respondents included the **District's remoteness from** established markets and clients, a lack of new development and quality infrastructure and an unsuitable local labour supply to meet business needs, amongst others.
- 4.9 In this context, the survey indicated that Shepway was more highly rated as a business location by existing Shepway businesses compared to non-Shepway businesses. Generally, the surveyed businesses in Shepway rated the District highest on accessibility & transport links, future potential of the District, a good standard of living, housing availability and low labour costs. In the same way, the businesses surveyed outside Shepway rated the District highest on its low

housing, commercial space and business running costs alongside the potential of the District in the future and its accessibility & transport links (Figure 4.2).

Figure 4.2 Perception of Shepway as a Business Location, 2013/14



Source: Locate in Kent

4.10 In addition, the most substantial drawbacks of Shepway as a business location was identified by both Shepway and non-Shepway businesses to be a lack of an appropriately skilled local workforce and limited access to new customers in the District, amongst others (Figure 4.2).

4.11 Overall, the survey highlighted that businesses outside Shepway are much less positive about the District as a business location compared to businesses that already operate locally. This market perception may have contributed to limited levels of inward investment and business relocation to Shepway during recent years which has resulted in the local office and industrial markets in the District principally being driven by local business demand. In this context, the office and industrial markets in Shepway are considered in turn below.

### Office Market

4.12 Shepway is not considered to be a particularly significant office location, with relatively limited levels of demand, take-up and supply generally characterising the local market. As detailed in Section 3.0, the office market in the District is almost exclusively focused in Folkestone, with no major demand or supply of office space evident in the rest of the District. Despite some clustering of office space in Folkestone, the town still generally lacks the necessary critical mass to attract and sustain sizeable office occupiers particularly given the increasing competition facing the town from the established office centre in Ashford that has a provision of larger, modern office premises.

4.13 A notable exception to this local market condition is Saga, a large finance and insurance company that has based its corporate headquarters in the town for a number of years. Saga occupies a total of three office buildings in Folkestone, including at Enbrook House, Cheriton

Parc, and Middelburg Square, with these office sites representing a significant share of the total stock of office space in the District.

- 4.14 Another key driver has been the creation of the Creative Quarter around Tontine Street and Old High Street which has significantly enhanced the profile of the town centre and led to a cluster of start-up businesses including digital industries. For example, The Workshop located on Tontine Street provides office space including separate units as well as self contained floor space and serviced desks.
- 4.15 In this context, the majority of the current supply of office space in Folkestone comprises medium-sized office buildings constructed in the town centre over the 1970/80s (e.g. Europa House and Castle House) alongside conversions of older Victorian buildings in the western part of the town. Generally, the supply of modern office accommodation in the District is limited although some recent office space has been delivered in Folkestone at Shearway Business Park (e.g. the Basepoint Centre and Concept Court) and in Newingreen to the north of Hythe at the Holiday Extras site, while some small refurbished office units have also been delivered in the Creative Quarter of the town centre.
- 4.16 The lack of office developments and refurbishments in Folkestone, as well as in the wider District, has resulted in much of the available stock of offices being largely unsuitable to meet the requirements of occupiers that are looking for more modern premises. Feedback from agents indicated that the lack of quality office space in Folkestone acts as the main deterrent to attracting new firms to the local market, with any enquiries for such modern office accommodation increasingly difficult to satisfy in the town.
- 4.17 Given the lack of new office development in Folkestone over recent periods, agents indicated that the level of demand for office space in the town is difficult to measure. This is due to the local market not currently providing the type of office products that would be expected to create strong demand from occupiers meaning the limited levels of demand that currently characterise the office market could be more of a reflection of the existing supply position as opposed to the absence of demand. In any case, the lack of certainty around demand coupled with low rental values serves to discourage investors from engaging in Folkestone, and the District more widely, which feeds into the cycle whereby speculative office developments are not realised in the local market.
- 4.18 Overall, the feedback from agents indicated that the existing market conditions in Folkestone has resulted in the vast majority of the demand for office space coming from local businesses looking for small office premises up to 90sq.m (1,000sq.ft), although reasonable demand also exists in the local market for premises up to 460sq.m (5,000sq.ft). As shown in Table 4.1, the majority of the available office supply in Shepway in October 2015 based on data from Locate in Kent related to office premises up to 460sq.m (5,000sq.ft), with almost no supply or demand of offices exceeding this floorspace size.

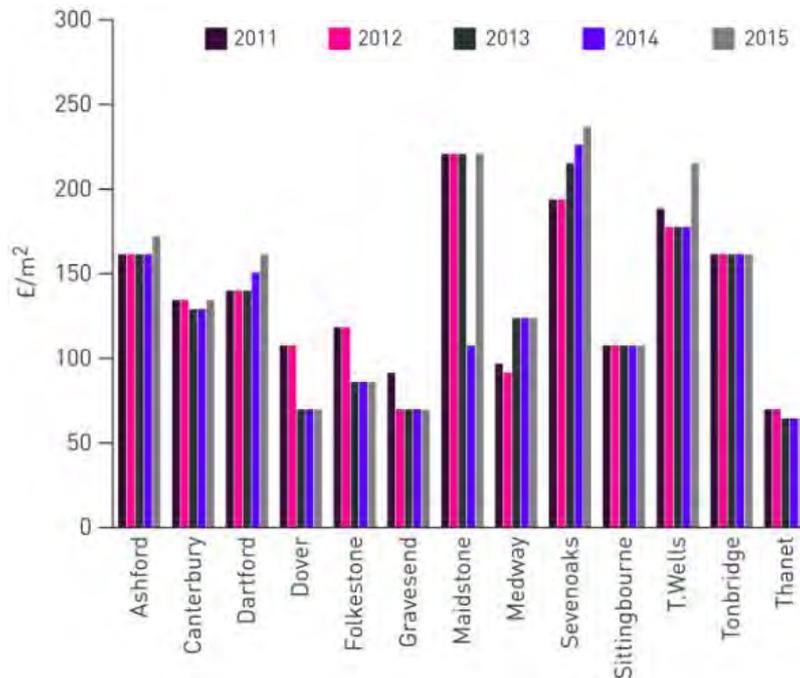
Table 4.1 Supply and Demand of Office Space in Shepway, October 2015

Office Floorspace (sq.ft)	Supply (No of Properties)	Demand (No of Inquiries)	Shortage / Surplus
0 - 1,000	14	3	+ 11
1,001 - 5,000	7	5	+ 2
5,001 - 10,000	1	1	0
10,001 - 20,000	0	1	- 1
20,001 - 30,000	1	0	+ 1
30,001 - 40,000	0	0	0
40,001 - 50,000	0	1	- 1
<b>Total Availability / Enquiries</b>	<b>23</b>	<b>11</b>	<b>+ 12</b>

Source: Locate in Kent

- 4.19 In this way, nearly all the demand for office space in the market is related to the churn of existing businesses in Shepway, with agents suggesting that few enquiries are received from prospective new entrants to the District. In addition, the feedback from agents emphasised the importance of car parking provision to office occupiers in Folkestone, with the limited provision in the town centre seen as a constraint on some town centre office sites.
- 4.20 Feedback from agents indicated that a key challenge for Shepway relates to the need to provide a better supply of quality office premises in the market that meets the needs of existing and prospective occupiers. In the absence of such modern office space coming forward in the local market, the risk remains that Folkestone, and the District more widely, would be unable to retain firms within Shepway, or capture enquiries from prospective entrants to Shepway.
- 4.21 In this context, the change in office rents across local authorities in Kent between 2011 and 2015 is shown in Figure 4.3. This indicates that office rents in Folkestone equated to about £85 per sq.m in 2015, which was much lower than the rental levels in more established Kent office centres as Ashford, Maidstone, and Tunbridge Wells. This highlights the cost advantage of Folkestone as an office location, but also reflects the type and scale of demand for office space in the market, and the lack of modern accommodation, which has contributed to Shepway being regarded as a secondary office location in the wider sub-region office market.

Figure 4.3 Changes in Office Rents by Local Authority, 2011 - 2015



Source: Caxtons / Locate in Kent

## Industrial Market

- 4.22 Although demand for industrial space in Shepway is generally higher than the equivalent demand for office space, the levels of industrial demand in Shepway have remained relatively steady, if not particularly high, over recent years. This is perhaps best reflected by the number of employment sites across the District that have remained undeveloped for a number of years now, which reflects the limited level of demand in the market that acts to discourage the speculative development of new industrial space at these sites. Some sites have also faced to barriers to deliver such as high development costs which have created means industrial development is not viable.
- 4.23 In this context, the industrial market in Shepway is also characterised by the demand for space being almost exclusively from current local businesses, with agents indicating that few enquiries are received from potential new entrants to the District. However, in contrast to the office market, the provision of industrial space in Shepway is much more widespread across the District. As detailed in Section 3.0, each of the smaller settlements of Hythe, Lydd and New Romney support at least one industrial estate, which tend to provide industrial space for small businesses operating in local sub-markets. The majority of the non-local industrial businesses in Shepway are located in close proximity to the M20 in the Folkestone and Hythe sub-area.
- 4.24 Generally, the existing supply of industrial space in Shepway can be characterised as older stock in need of improvement with limited availability of modern, high quality premises evident across the District. Some of the more recent industrial developments in Shepway are located at Shearway Business Park such as Glenmore Centre and Concept Court, and Mountfield Road, New Romney. Planning permission was also granted in 2015 for the development of thirty mixed industrial units in Shearway Business Park on land adjacent to Concept Court. In addition, future development of Enterprise Way at Link Park would deliver a significant amount of industrial space if brought forward.

- 4.25 However, much of the existing industrial space in Shepway faces ongoing pressure from competing, higher value land uses, such as new residential and retail developments. This local market trend is most evident from the recent conversion of industrial sites formerly supported at Park Farm to other non B class uses (e.g. retail warehouses and trade counters). The result of this trend is that some industrial estates are increasingly becoming mixed employment sites supporting a variety of B class and non B class uses.
- 4.26 In terms of distribution uses specifically, the District has traditionally seen relatively low levels of demand for large-scale distribution activities despite the strategic location of Folkestone alongside the M20. The feedback from agents confirmed the view that the town is generally considered to be located too close to Dover to act as a natural staging point for import or export freight associated with the port, with freight more likely to journey further inland given drivers are able to rest during ferry or Eurotunnel crossings. In addition, a shortfall of large industrial sites available in the District has tended to deter such developments in Shepway, which contrasts with the significant industrial land that has historically been available in Dover.
- 4.27 Overall, the feedback from agents indicated that the current market conditions in Shepway has resulted in the majority of demand for industrial space coming from local firms looking for small to medium-sized premises up to 460sq.m (5,000sq.ft), while some demand is also evident for industrial premises up to 930sq.m (10,000sq.ft). However, enquiries and availability data from Locate in Kent also suggests there has been some enquiries for larger accommodation in the local industrial market in recent periods, although such enquiries are relatively infrequent in the District (Figure 4.2).
- 4.28 In this context, it is considered that there is a need in Shepway to ensure a good range of industrial sites and premises are delivered across the District to better support the industrial space requirements of existing and prospective businesses in the market. Although most agents considered that there was an adequate amount of industrial space available in Shepway to meet the extant demand, there was concern that much of the available space is not of the type or quality to meet modern requirements (and hence can remain on the market for long periods). There was also a concern that new speculative developments were unlikely to come forward in Shepway over the short to medium-term, which will continue to limit the market performance. **In this context, the Council's Economic Development Strategy indicates that** it is actively seeking to intervene in the market to bring forward sites to help offset the lack of private sector investment.

Table 4.2 Supply and Demand of Industrial Space in Shepway, October 2015

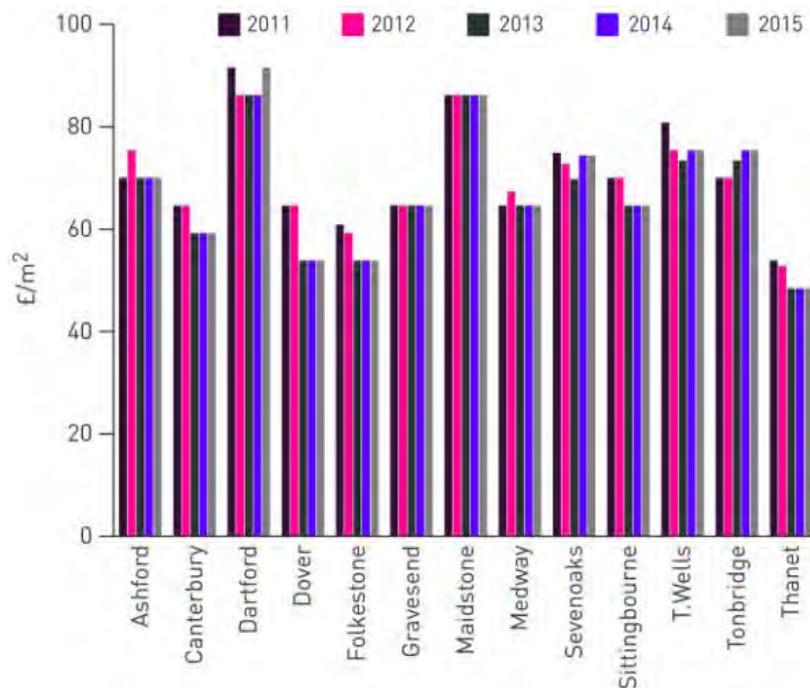
Industrial Floorspace (sq.ft)	Supply (No of Properties)	Demand (No of Inquiries)	Shortage / Surplus
0 - 1,000	10	2	+ 8
1,001 - 5,000	26	2	+ 24
5,001 - 10,000	9	4	+ 5
10,001 - 20,000	2	3	- 1
20,001 - 30,000	0	0	0
30,001 - 40,000	0	0	0
40,001 - 50,000	0	1	- 1
50,001 - 60,000	0	1	- 1
60,001 - 70,000	0	1	- 1
<b>Total Availability / Enquiries</b>	<b>47</b>	<b>14</b>	<b>+ 33</b>

Source: Locate in Kent

4.29

Finally, the change in industrial rents across local authorities in Kent between 2011 and 2015 is shown in Figure 4.4. This indicates that industrial rents within Folkestone equated to about £55 per sq.m in 2015, which was similar to Dover but much lower than the rental levels in other commercial centres in Kent (e.g. Ashford and Maidstone). As with the local office market, this points towards Folkestone, as well as the broader District, being a cost competitive location for industrial occupiers, although the lower rental levels also reflects the type and scale of demand for the generally older industrial stock in the District.

Figure 4.4 Changes in Industrial Rents by Local Authority, 2011 - 2015



Source: Caxtons / Locate in Kent

## Inward Investment

- 4.30 Within the context of the existing commercial property market conditions in Shepway, the District has had limited success in attracting new investments in recent years. As described earlier, the District is perceived to be a peripheral commercial location in the sub-region, particularly compared to larger, more established commercial centres like Ashford, which has resulted in the level of inward investment to Shepway being relatively low over recent times.
- 4.31 In terms of enquiries by potential investors to Kent over the period 2014 to 2015, the latest data from Locate in Kent indicates that only 2% was captured by Shepway. This ranks the District as the equal lowest in Kent in so far as capturing enquiries for inward investments, with Tonbridge & Malling and Tunbridge Wells also capturing 2% of enquiries. The associated job creation from the inward investments captured by Shepway over this period equated to around 60 additional jobs to the economy, which was equivalent to 2% of all job creation in Kent from new inward investments (Table 4.3).
- 4.32 In the same way, the latest data from Locate in Kent indicates that the District has attracted 26 inward investments since 1997, which is equivalent to around 2% of all enquiries to Kent over this period. These inward investments have created 1,260 jobs in Shepway over this period, which equated to about 3% of all new jobs associated with captured investments in Kent over this period.

Table 4.3 Inward Investment Successes by Local Authority, 2014 - 2015

Area	Inward Investment Successes		Jobs Created from Inward Investment	
	Total	% of Kent Total	Total	% of Kent Total
Dover	10	22%	775	23%
Thanet	6	13%	165	5%
Dartford	5	11%	1,065	32%
Maidstone	5	11%	90	3%
Medway	4	9%	125	9%
Gravesham	3	7%	580	17%
Ashford	3	7%	95	3%
Canterbury	3	7%	35	1%
Swale	2	4%	280	8%
Sevenoaks	2	4%	60	2%
<b>Shepway</b>	<b>1</b>	<b>2%</b>	<b>60</b>	<b>2%</b>
Tonbridge & Malling	1	2%	15	0%
Tunbridge Wells	1	2%	15	0%
<b>Total Inward Investments for Kent</b>	<b>46</b>	<b>100%</b>	<b>3,325</b>	<b>100%</b>

Source: Locate in Kent

## Summary

- 4.33 The following key findings and conclusions can be drawn:

- 1 Shepway has three distinct sub-market areas: Folkestone and Hythe, Romney Marsh and the North Downs. The main focus of economic and business activity in the District is in the largest settlement of Folkestone, whilst the rest of Shepway can be characterised as being mostly rural in nature with limited opportunities for new economic developments.
- 2 Although the District is relatively self-contained in commercial property market terms, the location of Folkestone along the M20 means the town does have some market overlap with Ashford and Dover. The feedback from agents indicated that Ashford plays a dominant role in the sub-region, whilst the key strength of Shepway as a business location is related to its lower rental costs compared to other locations in Kent.
- 3 Shepway is not considered to be a particularly significant office location, with limited levels of demand, take-up and supply characterising the local market. The office market in the District is almost exclusively focused in Folkestone, although the town still lacks the necessary critical mass to attract and sustain sizeable office occupiers from such larger, established office locations as Ashford. A lack of office development has left much of the stock in Shepway being largely unsuitable to meet the needs of larger modern occupiers, with agents indicating the lack of quality office space in the District acts as the main deterrent to attracting new firms.
- 4 Although the District supports a stronger industrial market, the level of demand in Shepway has remained steady, if not particularly high, during recent periods. This is best reflected by a number of employment sites in the District remaining undeveloped for a number of years, which is likely to reflect limited levels of demand. A lack of industrial development in the District has resulted in much of the current stock being older and in need of improvements with limited availability of higher quality premises. Much of the existing industrial space in Shepway faces ongoing pressure from higher value land uses, such as residential and retail developments.
- 5 A lack of new office and industrial development in Shepway over recent periods makes it difficult to measure levels of demand in the local market, given the type of modern commercial space that would be expected to generate demand is not presently readily available in Shepway. A lack of certainty around levels of demand in the market coupled with lower rents, serves to discourage investors from the District, which contributes to speculative developments not coming forward in the market.
- 6 Feedback from agents indicated that the majority of demand for office and industrial space in Shepway comes from local businesses looking for smaller commercial premises, with relatively few enquiries received from potential new entrants to the District. The Creative Quarter has been an important recent stimulus to demand for small workspace and increasing the profile of Folkestone more widely. Most demand for commercial space in Shepway is related to the churn of existing businesses in the District, with agents identifying a need to deliver a better supply of quality office and industrial premises to attract and retain firms. The Council has indicated through its Economic Development Strategy that it will play a more active role in intervening in the market to help bring forward new sites and higher quality premises.

## 5.0 Review of Employment Sites

5.1 This section presents the findings of an assessment of employment land supply in the District and considers the characteristics and quality of existing and potential employment sites across Shepway and their suitability to meet future employment development needs.

### Overview

5.2 In line with Planning Practice Guidance (PPG) it is important that Local Planning Authorities identify a future supply of land which is suitable, available and deliverable for economic development uses over the plan period. Identifying such a supply will help enable the District to respond to business requirements and meet its objectively assessed economic development needs

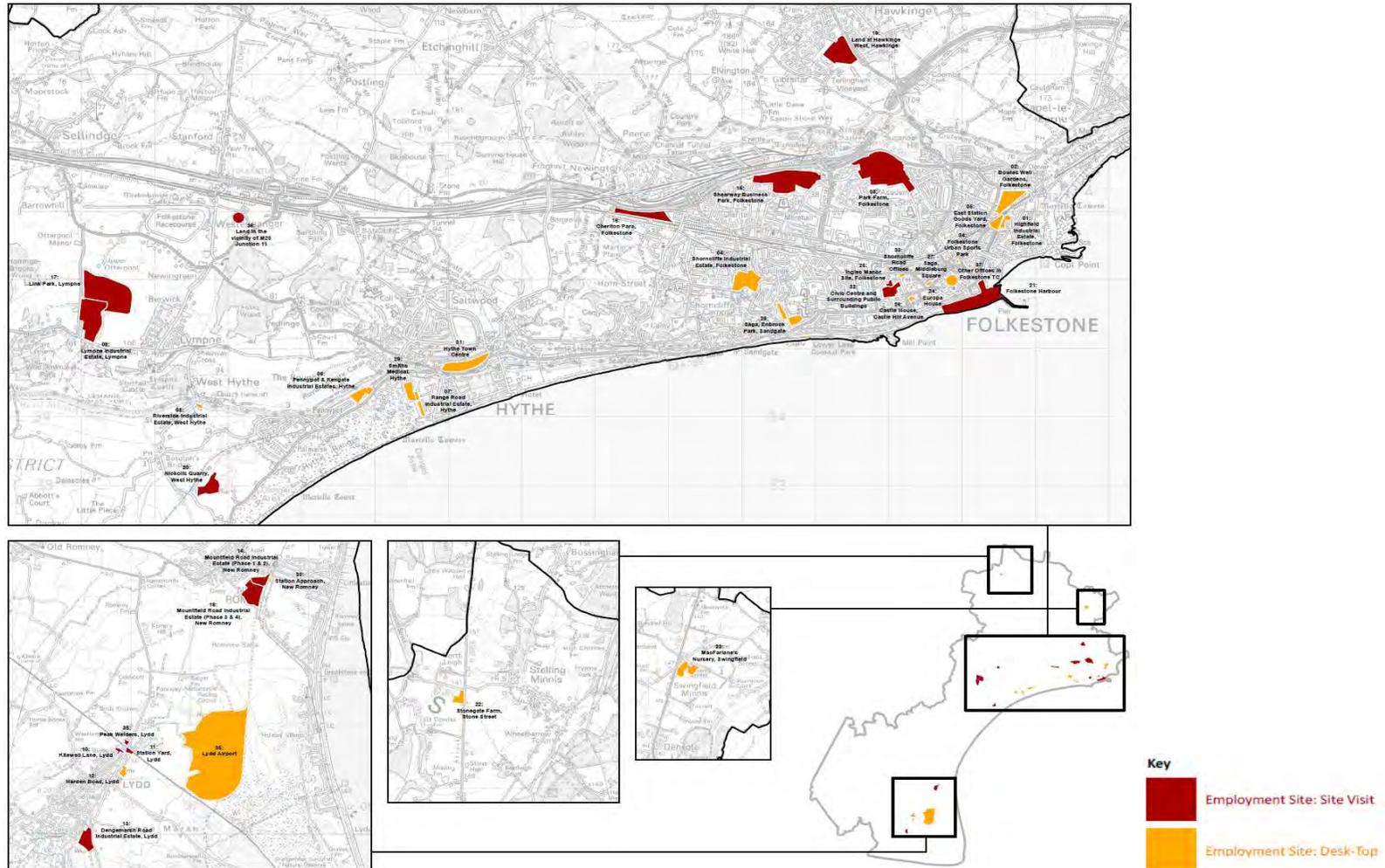
5.3 **At the Council's request, a total of 38 sites that are** currently developed, allocated or have been identified as possible future employment sites have been considered as part of the study. These sites equate to about 356ha of land; not including the significant potential employment site in the vicinity of M20 Junction 11 at Westenhanger which was also considered as part of the assessment but only in general locational terms (i.e. there is currently no defined site boundary for the site). In addition, office premises within Folkestone town centre have been assessed more generally given the assortment of premises and lack of one specific office site. These sites and broad locations are shown in Figure 5.1, with more detailed plans included in Appendix 2.

5.4 Each of the identified employment sites have been assessed in terms of a range of site characteristic, planning and market factors to determine their suitability for potential or continued employment use. These include their policy status, planning constraints, suitability for specific uses, and any key barriers to delivery. Although flood risk is also considered as part of this assessment, it is recognised that being in a flood zone does not necessarily preclude some types of commercial uses from coming forward for development at these employment sites. Sites were either subject to a visit or desk-top review. Full details of the criteria used to assess sites are in Appendix 3.

5.5 The headline results from the assessment process are summarised below with site references **indicated in square brackets [ ]**, and with more detailed site specific analysis provided at Appendix 4. It should be noted that the assessment process in itself does not necessarily give a complete picture of the local significance of certain sites. For example a site could be assessed to have the potential to satisfy particular business and sector needs (i.e. which can be important reasons for retaining the site) or may be in long-standing employment use even if it does not perform well against conventional site assessment criteria.

5.6 It is also important to note that the assessment is based on current conditions and intrinsic qualities of the sites and that the associated scoring has been derived on this basis. It is possible that the scoring and relative rankings of sites could change in the future if measure were put into place to enhance their functioning as employment sites (e.g. through new infrastructure and servicing).

Figure 5.1 Location of Employment Sites Assessed in Shepway



Source: Lichfields



## Folkestone Urban Area

### Highfield Industrial Estate [1]

- 5.7 The Highfield Industrial Estate (1.4ha) sits immediately to the east of the former railway goods yard site and is accessed via Warren Road. The site is narrow, with limited access, particularly within the site with sloping and tight roads.
- 5.8 Despite the fairly limited access and generally poor quality of the industrial units, there appears to be very low vacancy on the site which suggests that the site is meeting a local need for low cost units. It would appear appropriate that the site is retained for employment use, although it would benefit from some upgrading over time.

### Bowles Well Gardens [2]

- 5.9 Bowles Well Gardens (6.9ha) sits opposite the East Station Goods Yard on the Northern side of the railway lines. It comprises two linked industrial estates to form a single large industrial area, with multinational company Church & Dwight being one of the significant occupiers. Similarly to Highfield Industrial Estate there are a wide range of unit types on site, albeit with some more modern units. Despite the scale of the estate, it is adjacent to residential use and therefore the buildings are low profile with both access points to the site leading onto residential roads. The primary access onto Bowles Well Gardens is reasonable but the second access is onto Dover Road is narrow and slopes sharply which results in the site receiving a lower score for access. The site appears to operate reasonably well as an industrial location meeting local needs and should be retained on this basis, however any future intensification or expansion would be highly constrained due to the adjacent residential use and limited access.

### Park Farm [3]

- 5.10 Park Farm (28.3ha) is positioned on the northern edge of Folkestone just to the south of Junction 13 of the M20. The site encompasses both a retail park (i.e. supporting such occupiers **as McDonalds, Homebase, and Sainsbury's**) and an industrial estate. **The industrial estate covers 12.9ha of land, which equates to around 46% of the total site area.** Access to the site as a whole is very good as Junction 13 of the M20 provides excellent access to the strategic road network. However, access within the industrial estate is somewhat more constrained due to narrower roads and large traffic flows accessing the retail uses.
- 5.11 Public transport services to the site are also relatively poor, with bus services running only every half hour to the site, and Folkestone Central station and the town centre located about a 25 minute walk away. Residential properties are found adjacent to the industrial estate to the south-east, **although this doesn't impact most occupiers operating from the site. The site itself is prominent with the McDonalds drive thru attracting high levels of traffic.** However, as stated above, the amount of B class space at the site has now dropped below 50% of the total site area as other non B class employment uses have taken up space at the site which has resulted in Park Farm becoming a mixed employment site.
- 5.12 In this context, the recent demolition of the former Silver Spring factory at Park Farm has resulted in a large vacant plot equivalent to around 3.8ha. The Silver Spring site has come under increasing pressure from retail-led and residential developments. However, it would seem from market feedback that there remains demand for industrial uses within strong locations in the District, particularly in parts of Folkestone that benefit from good access to the M20. In this way, specific policy consideration should be given to safeguard and support some B class development opportunities at Park Farm to ensure demand for industrial space can be

adequately provided for in the future, taking into account that there are limited currently identified options notably in the Folkestone urban area to support new industrial development.

### **Shorncliffe Industrial Estate [4]**

- 5.13 The Shorncliffe Industrial Estate (9.1ha) sits within the western suburbs of Folkestone, and contains a wide variety of B class uses. Local road access is relatively good from Military Road, although other roads into the site are predominantly residential in nature. The site is fully developed with no remaining developable land. Residential areas are located to the north and south of the site, and Shorncliffe barracks are located to the east of the site which could provide land for further expansion should that site become available in the future. As it currently stands however, the site performs reasonably and should be retained in employment use.

### **East Station Goods Yard [5]**

- 5.14 The former East Station Goods Yard (2.2ha) is a plot of land that sits between railway lines on the north-eastern fringe of Folkestone town centre. Originally a railway goods yard, the site has been used for a number of commercial and open storage uses but has been vacant for a number of years. The steeply sloping site is located adjacent to the A260; a fairly busy road that provides reasonable access to the strategic road network. The relatively good access to the site and proximity of local services means the site could perform well as an industrial location to serve local needs in this part of Folkestone and is close to the existing Highfield industrial estate. The site is not particularly attractive as it stands and may require remediation work to make it suitable for any future development.
- 5.15 In this context, outline planning permission was granted in 2009 for new medical uses on a section of the East Station Goods Yard site but this has now expired. Planning permission was subsequently granted in 2014 for a new mixed-use development consisting of 41 dwellings and 1,000sq.m of employment space (B1/B8 uses). However, at the time of drafting no development has yet come forward. Given the long-term vacancy of the site and potential remediation issues, a residential-led mixed use development with some element of B-class provision is considered appropriate.

### **Shearway Business Park [15]**

- 5.16 The Shearway Business Park (21.1ha) is a significant employment site located at Junction 13 of the M20. It incorporates a range of uses, including office and industrial space as well as leisure use with a prominent Bannatyne Gym. There appears to be low vacancy rates and in conjunction with a number of high quality modern units suggests that the site is highly attractive to the market. A small part of the site is yet to be built out but predominantly, the site is now fully developed. As it stands the site is an attractive and established employment area that serves the needs of the Folkestone area, with a mix of modern space which can accommodate a variety of uses. The site should be retained for employment uses.

### **Cheriton Parc [16]**

- 5.17 Cheriton Parc (6.1ha) is a site located adjacent to Junction 13 of the M20 that can be accessed from Cheriton High Street. The site is fairly long and narrow, and is divided into two sections that are separated by an internal road. The eastern part of the employment site currently contains a modern office building occupied by Saga, which sits adjacent to a Holiday Inn Express. Planning permission on the adjoining vacant land was granted in early 2017 for a mixed B1/B8 scheme. The western part of the site has existing hardstanding surfaces, alongside an office and conference centre that was originally the Eurotunnel exhibition centre building.

- 5.18 The employment site benefits from its excellent strategic location and access to the M20, as well as having few barriers to future development, and therefore should be retained for employment uses. With the eastern part of the site either developed or subject to a recent planning permission for B1/B8 uses, the western part of the site comprising the former Eurotunnel exhibition centre and adjoining vacant land is now the substantive development opportunity. This would appear a suitable location for a mix of B1/B8 uses, but would benefit from some masterplanning to achieve an optimal layout on the site and subject to access arrangements.

### **Land at Hawkinge West [19]**

- 5.19 Hawkinge West is a 11.7ha site located on the edge of the village of Hawkinge, north of Junction 13 of the M20. Some development has already taken place on the northern part of the site, with a Lidl superstore development, surrounded by small quantities of residential development. There is subsequently 8.6ha of developable land remaining. Strategic road access is good, with direct access onto the A260, leading onto Junction 13 of the M20. The local area around the development appears to be recent and the roads are wide and of high quality. Bus services are relatively frequent, with four buses per hour to Central Folkestone via bus routes 16 and 73 and the general high level of access has enabled the site to have a relatively high profile. However, the site is subject to AONB landscape constraints which limit the potential to accommodate larger-scale uses.
- 5.20 **In addition to the retail and residential development, a care home, doctor's surgery and pharmacy** have all been completed on the western part of the site, with further residential development coming forward. A planning application for a mix of retail, care homes and 11,000 sqm of B class uses was approved in 2010. However, this has recently been amended to 2,366 sqm of B1/B8 space in five blocks together with the erection of 47 dwellings with associated car parking.
- 5.21 Overall this is a good potential site for employment uses which is well located in terms of strategic road access and potentially able to service the wider Folkestone area as well as any local needs in Hawkinge which has expanded significantly in recent years. Some specific policy status for the employment element may be required in this regard.

### **Saga, Enbrook Park [28]**

- 5.22 The headquarters for Saga comprises of two purpose-built office buildings set within the sloping grounds of Enbrook Park (3.6ha). This office accommodation is of Grade A standard designed to meet the needs of the current occupier. The proximity of the site to local services is reasonable, with the closest services located a short distance away along Sandgate High Street. Public transport services to the site are stronger with several bus routes stopping at the entrance while Folkestone West train station is located within one mile of the site. Access to the strategic road network is reasonable from the site, with direct access to the A259 ensuring that the site is only a short drive from the M20. This is one of the premier office sites within the District for a significant local employer and should be retained in employment use.

## **Folkestone Town Centre**

### **Europa House [24]**

- 5.23 Europa House (0.1ha) is a relatively large, 9 storey office tower that sits adjacent to the High Street, with ground floor retail use. The 1970s building is in reasonable condition and the office space appears to be well occupied. On-site parking is limited, with some spaces to the rear of the building accessed via Pound Way. There is however, reasonable parking provision elsewhere in the town centre. Overall, this is a good location for office space with access to town centre

amenities and services within walking distance. While it is likely that the building may require future upgrading and investment, it would appear appropriate that the site remain in employment use as part of the town centre office market.

### **Ingles Manor Site [25]**

- 5.24 Ingles Manor is a 0.7ha site located in the western fringe of Folkestone town centre in close vicinity to the Shepway Civic Centre. The site falls within the Central/West Development Arc, with the saved Policy FTC3 from the Local Plan (2006) allocating the site for a mix of employment and housing uses. The Channel Business Centre is currently accommodated at the site in a converted house and other associated buildings. Access to services from the site is good, with the site located in close proximity to the town centre and bus stops found along Jointon Road helping to connect the site. The site also benefits from two separate access points along Jointon Road and Castle Hill Avenue respectively, which offer good access into and out of the site.
- 5.25 The site has planning permission for 46 dwellings and 1,400 sqm of B1a office floorspace. Whilst a phase of residential dwellings has since been constructed, the office element is yet to commence. This is a sustainable location close to town centre shops and services, and is also within walking distance of Folkestone Central train station. On this basis it would appear to be a good location for small-scale office uses.

### **Castle House, Castle Hill Avenue [26]**

- 5.26 Castle House (0.5ha) is a purpose-built five storey 1980s office block that is centrally located in Folkestone town centre along Castle Hill Avenue. The site is located in close proximity to residential uses, which are compatible with the stand-alone office building that is largely self-contained from nearby houses.
- 5.27 Castle Hill Avenue provides good access to the site, although its central location means that access to the M20 is found some distance away from the site. Public transport serving the site is also strong, particularly with Folkestone Central station providing High Speed rail services within walking distance. The site supports good levels of on-site parking, whilst the apparent full occupancy of the office block indicates good levels of market attractiveness and highlights the strength of the site as an office location. It should be retained in employment use and a form of policy protection may be appropriate.

### **Saga, Middelburg Square [27]**

- 5.28 Saga is one of the most significant employers in Folkestone, with their primary office location centrally located at Middelburg Square in Folkestone town centre. The office building is located on a 0.4ha island site located in the town centre, with the seven storey 1980s office building presently fully occupied by Saga. The building is relatively modern and has excellent on-site car parking provision via an adjoining multi-storey car park, while the location of the site in the town centre means that access to local services is strong.
- 5.29 This is a highly sustainable location, and accommodates one of the larger office buildings in Folkestone town centre and one of the District's **major employers**. **Given** the significance of the site it should be retained in employment use and a form of policy protection may be appropriate.

### **Civic Centre & Surrounding Public Buildings [32]**

- 5.30 The Civic Centre site is 3.6ha site located on Castle Hill Avenue and mainly comprises a single storey flat roofed building at the front of the site with a 1970s tower block behind which has a mix of both Council space and some which has been sub-let to other organisations. Across the

wider site, there is a mix of public buildings **including a magistrate’s court and job centre**. The buildings are dated in appearance but in reasonable condition, although there is currently good provision of on-site parking and some on-street parking.

- 5.31 The site is identified within the Central West Development Arc (Policy CSD6) in the 2013 Core Strategy for mixed use development. Road access is reasonable, with a variety of access points, although all of these lead onto roads within residential neighbourhoods. However, this would not necessarily be incompatible with any future office space development on the site and public transport links are good with Folkestone Central within a short walking distance providing train links to London including High Speed 1. Should the site come forward for redevelopment, it would be appropriate location for new office space provision and is in close proximity to other office buildings on Castle Hill Avenue.

### Shorncliffe Road Offices [33]

- 5.32 Shorncliffe Road Offices (0.4ha) comprise a red brick building (Frontier House, occupied by the Home Office Reporting Centre) and car park and some adjoining Victorian villas (3-5 Shorncliffe Road, previously occupied by East Kent Housing) converted to office use located on the edge of the town centre. The site is in a prominent location at the junction with Castle Avenue and the buildings appear in reasonable condition. The site benefits from being located within a short walking distance to Folkestone Central train station. In addition, local town centre services are also close, and strategic road access is relatively good although this is via suburban roads.
- 5.33 Part of the site (3-5 Shorncliffe Road) is now proposed by the Council for allocation to residential use. Frontier House and the car park to the rear is self-contained and therefore is able to continue in office use, although the buildings would likely require significant alteration and investment if the current public sector occupier was to vacate in the future.

### Folkestone Urban Sports Park [34]

- 5.34 This is cleared ‘**island**’ site (0.2ha) located at the junction of Dover Road and Tontine Street within Folkestone town centre and walking distance of the Old High Street and harbour. The site was granted planning permission in 2016 for the development of a multi-storey sports park which is currently under construction. Therefore it is not considered that the site is likely to contribute to meeting future employment needs.

### Other offices in Folkestone Town Centre [37]

- 5.35 This comprises offices primarily located above retail units within the town centre, a number of Victorian buildings along the Old High Street and Tontine Street a particular cluster of office **space within Folkestone’s** Creative Quarter. While varied in nature, all benefit from proximity to town centre services and amenities, and reasonable strategic and local access including car parking provision within the town centre.
- 5.36 The units within the Creative Quarter such as The Workshop at 32 - 40 Tontine Street are generally the most modern accommodation and well occupied, reflecting their recent development and the growing success of Folkestone’s **start-up** economy which has been the focus of recent investment. Beyond this, for example towards Sandgate Road, vacancies are much higher which can be attributed to the lower quality of space and general need for upgrading in many cases. Overall, as a collection of different premises this indicates average scores, albeit the cluster of refurbished premises within the Creative Quarter performs more highly.

## **Folkestone Harbour [21]**

- 5.37 Folkestone Harbour is a large site (17.4ha) that presently consists of a mix of retail and leisure uses and significant areas of hardstanding encompassing the former port complex. A number of the retail units at the site are vacant, with the majority of the remaining units in food and beverage use. Public transport currently serving the site is average, with no train station within walking distance. However, the number 72 bus route does serve the Harbour and there is enough space at the site to support a quantum of parking that will allow ease of access for private transport users. In this context, significant infrastructure improvements are ongoing and proposed as a part of the mixed-use residential and commercial developments at Folkestone Harbour, which will enable some employment uses at the site as part of the regeneration plans.
- 5.38 The Folkestone Harbour Company (FHC) has obtained outline planning permission for up to 1,000 dwellings and 10,000 sqm of commercial space at the site, distributed across A1, A3, A4, A5, B1, D1 and D2 uses. The scheme represents an important regeneration project for Folkestone and work commenced on site in February 2017. Although Folkestone Harbour has a limited profile for commercial employment development at present, there is an opportunity for the site to develop a stronger employment proposition as the proposed mixed-use development comes forward.

## **Hythe and Lymgne**

### **Pennypot & Kengate Industrial Estates [6]**

- 5.39 The Pennypot and Kengate Industrial Estates (3.6ha) are located directly off the A259 (Dymchurch Road) and occupy sites which are closely bounded by residential uses. Strategic road access is relatively poor although local access is relatively good with bus routes operating along Dymchurch Road connecting Folkestone to Hythe, albeit the access into both sites is constrained. The units are low quality but are generally well occupied which would suggest that these sites are meeting a need for low cost industrial units in Hythe. On this basis, the two estates appear to be meeting local needs and should be retained for employment uses.

### **Range Road Industrial Estate [7]**

- 5.40 This is a small estate (1.8ha) that sits on the periphery of the Hythe urban area, with the site running the length of Range Road. Residential properties sit to the east, with a firing range located to the west of the site. The Smiths Medical site [29] is situated to the north. Road access to the site is very poor, with narrow roads through residential areas providing access to Dymchurch Road. However, the site appears well occupied and the site therefore appears to be meeting local needs and should be retained for employment uses. There may be an opportunity to secure upgrading of the site in conjunction with any future redevelopment of the adjoining Smiths Medical site.

### **Riverside Industrial Estate [8]**

- 5.41 Riverside Industrial Estate (0.5ha) is located in West Hythe and comprises a number of small industrial and workshop units. The site is accessed directly from West Hythe Road, but Lymgne Hill which connects the area to the strategic road network is narrow and features a steep incline. The units on the site are older and in fairly poor condition, although vacancy levels appear to be low indicating that they are fulfilling a local function and should be retained.

### Nickolls Quarry [20]

- 5.42 This site is a former quarry (5.8ha) that is currently the subject of a residential led development which will include 1050 dwellings, 15,000 sqm of B1 space, a local centre with 1,000 sqm of **A-class space and a community centre. This development is referred to as 'Martello Lakes' and was granted planning permission in 2010. Phase 1 of the development for which reserved matters were approved in 2013 is for 192 homes, with no employment space having been completed at the time of drafting. Work has now progressed on site where the first phase residential is currently being marketed.**
- 5.43 The site has limited strategic access but adjoins the A259 coast road to Folkestone. The new housing and planned local centre will provide additional facilities in this location, and there are bus connections to Hythe. The site offers potential for some modern good quality units although the remote and unproven location may make it difficult to attract demand for the proposed level of employment space. Overall, and subject to future delivery and phasing, the proposals should deliver some employment space subject to market demand.

### Smiths Medical, Boundary Road [29]

- 5.44 The Smiths Medical site (3.1ha) is located on Boundary Road on the southern edge of Hythe. The site comprises a range of purpose-built buildings of varying age and condition. Historically there has been a mix of uses on the site comprising offices, research and development facilities, industrial and some manufacturing operations. However, the attractiveness of the facilities has declined in recent years, which has resulted in a decline in use of the site. The site is adjoined by a residential area to the north and the Range Road industrial estate to the south. Local road access is constrained via residential roads, but is in relatively close proximity to the main A259 coast road. The site is a sustainable location with a range of services nearby.
- 5.45 Overall the site performs reasonably but requires significant investment and given the location is likely to be suited to B1 uses only. An option may be a future mixed-use development which allows appropriate masterplanning of the site for residential and some modern small-scale employment uses.

### Hythe Town Centre [31]

- 5.46 Hythe Town Centre (7.8ha) currently supports a small quantity of office space, mostly located above ground floor retail units. The High Street itself contains a number of period properties that could be converted into office use. However, given much of the town centre falls within a Conservation Area, there is likely to be significant constraints to such development related to townscape and the retention of building features.
- 5.47 Strategic road access to and from the town centre is relatively poor, with the town centre located about 3 miles from Junction 11 of the M20 via narrow and sloping roads that traverse the northern periphery of Hythe. Taking into account the nature of the road access and the minimal office stock in Hythe at present, it is considered that Hythe town centre is a small-scale employment location in market terms despite having relatively good bus routes linking the area to Folkestone.

### Lympne Industrial Estate [9] and Link Park [17]

- 5.48 Lympne Industrial Estate (16.3ha) and Link Park (26.8ha) comprise an existing industrial estate and adjoining expansion land located on Otterpool Lane (B2067) to the west of Lympne. Both are located on the site of the former Lympne airfield. The site has relatively good strategic road access via the A20 which links to M20 Junction 11, and the Otterpool Lane/A20 junction has been upgraded in recent years. The site is within a rural setting remote from main services and

amenities although there are a number of villages nearby as well as the motorway services at Junction 11.

- 5.49 The existing industrial estate primarily caters for large scale warehousing and distribution uses served by a dedicated estate spine road. The existing buildings are generally in good condition and the site appears well occupied by a range of uses.
- 5.50 Land to the north and east of the existing industrial estate has been subject to a number of phased planning permissions, notably an outline planning permission in 2007 for 52,000 sqm of B1-B8 floorspace and a new access road Enterprise Way which has since been completed. No other construction has occurred on the site although there have been recent applications to extend the original planning permissions. The slow take-up to date of the expansion land is understood to reflect recent economic conditions. In 2015, a planning application for a combined heat and power station was submitted but later withdrawn.
- 5.51 In overall terms, both the existing industrial estate and potential expansion land provide a significant employment location in this part of the District offering additional capacity for development close to the M20.

## **Romney Marsh**

### **Lydd Airport [35]**

- 5.52 Lydd (London Ashford) Airport (137.4ha) is a small scale airport which is home to a number of flying schools and Lydd Aero Club, as well as handling private jets, helicopters and other light aircraft.
- 5.53 The site is accessed via a dedicated road which connects to the B2075 which leads directly onto the A259. This ensures that strategic road access is relatively good although the site is approximately 18 miles from Junction 10 of the M20.
- 5.54 Planning permission has been granted for a 294m extension of the existing runway and a new terminal building which will facilitate a significant expansion of the airport, with projections suggesting that the airport will be able to accommodate 500,000 people a year. There may be associated employment development such as airport-related uses (e.g. maintenance and repair) and logistics/warehousing units if air freight volumes increased. However, this appears unlikely to require a large scale employment designation.

### **Kitewell Lane [10]**

- 5.55 Kitewell Lane is a small industrial site (1.0ha) that contains four single industrial units and a larger single storey unit to the rear of the site. Local access to the site is fairly good, although the turning into the site is a tight corner on a busy T junction, whilst Kitewell Lane is narrow with a poor road surface.
- 5.56 The site lies within the residential fabric of the town ensuring that basic amenities are within walking distance; however the site adjoins some residential uses. The industrial units are of relatively low quality; however all appear to be fully occupied and are therefore meeting a local need which should be retained. The site would, however, benefit from some upgrading.

### **Station Yard [11]**

- 5.57 Station Yard has dedicated road access although this is off a busy junction. The site covers an area of 1.1ha and is currently vacant, with the exception of a dilapidated former station building towards the north of the site. The site is relatively self-contained but adjoins some residential uses, and is within walking distance of some local services within Lydd.

- 5.58 The site has not been in active employment use for some time, and it is less clear that there is a sufficiently strong market in Lydd (which is also serviced by a number of other sites) to yield significant new employment development. The site may be suitable for lower value open storage uses or workshops if the existing station buildings can be reused. However the Council is proposing that this site be allocated for residential uses, and therefore it is unlikely that the site will have any significant future employment role.

### **Harden Road [12]**

- 5.59 The site covers 1.8ha and is accessed directly off Harden Road. The site consists of a used car showroom at the front, with a variety of industrial units located towards the rear. Local access is relatively good, with the nearest bus stop within five minutes walking distance and all of the town centre amenities are also within walking distance. To the south of the site there is some residential development which would act as a constraint on any future expansion. The existing units are generally of low quality but with occupied, suggesting that they are meeting a local need and should be retained.

### **Dengemarsh Road Industrial Estate [13]**

- 5.60 The site enjoys multiple direct access points off Dengemarsh Road and covers a relatively large area (7.4ha). However, Dengemarsh Road itself has a fairly poor road surface and strategic road access is very poor, **with the nearest motorway junction located over 30 minutes' drive away.**
- 5.61 Local services are fairly strong due to the close proximity of Lydd, although public transport is relatively poor with no rail links, and whilst a bus stop is five minutes away, this would require walking along a narrow road with no pavement provision. The site is characterised by low quality industrial units, however there are a low number of vacancies which suggest that the site is meeting a local need and should be retained.

### **Peak Welders [38]**

- 5.62 Peak Welders is a small site (0.7ha) that lies adjacent to the B2075 on the edge of Lydd. The site subsequently has direct access onto the main road, and the nearest bus stop lies within a 5 minute walk from the entrance to the site. The site is occupied by a number of older industrial buildings and a large area of hardstanding/yard. At the time of assessment the existing units on site did not appear to be in active employment use, and are generally of poor quality. It is therefore difficult to gauge the level of market interest in the site which was most recently used for small-scale storage uses and car sales/repairs. The Council is proposing that this site be allocated for residential uses, and therefore it is unlikely that the site will have any future employment role.

### **Mountfield Road Industrial Estate Phase (Phase 1 & 2) [14], (Phase 3 & 4) [18] and Station Approach [30]**

- 5.63 The four phases of the Mountfield Road Industrial Estate cover an area of 15.8ha, which means that Mountfield Road in totality is one of the largest employment sites in the south of the District. However, the site does not enjoy strong strategic road access and local road access is particularly constrained given the need to pass through junctions in the centre of New Romney. However the close proximity of the site to New Romney means there are amenities and bus routes nearby, although there is no mainline railway station.
- 5.64 The quality of units on the site are mixed, with the newer units located in phases 3-4 being of fairly high quality and slightly larger floorplates. Units within the first two phases of the scheme are generally older but across all phases vacancy appears to be low. On this basis, the site should

be retained for employment uses recognising the role that the site has in meeting needs in this part of the District.

- 5.65 It should be noted that the southern edge of New Romney is currently subject to proposals for significant new residential development (400 dwellings) and community facilities which could also support an improved access to Mountfield Road via a new distributor road linked to Lydd Road. This would give the estate much improved access to the A259 and alleviate some of the local road access constraints noted above. If this were to be delivered, this could support development on some of the vacant plots within the site and might also raise the market profile to attract greater levels of demand.
- 5.66 Station Approach (0.4ha) is adjacent to the Mountfield Estate but is physically separated by the Romney Hythe and Dymchurch Railway and has a separate road access from the B2071. The stock of units is generally of lower quality and a number of residential dwellings are adjoining. The site is small and can be considered to be of low quality, however vacancies are low and therefore it would appear to be meeting a local need for small scale units.

## North Downs

### MacFarlane's Nursery [23]

- 5.67 **MacFarlane's nursery** covers an area of 7.3ha and is located in Swingfield Minnis. The nursery **was previously a successful visitor attraction which included a 'world of butterflies' garden** centre with ancillary restaurant and gardens. However, the site has become increasingly run down, with the primary unit now in a poor state of repair, and the entire site ceased trading towards the end of 2015. The site has now subsequently been sold to the chain of Grovewell garden centres which plans to reopen the site as an attraction with a proposed aquatic centre and associated coffee shop and restaurant.
- 5.68 The site enjoys a relatively strong local road network with the Canterbury road (A260) running along the front of the site. However access to the strategic road network is relatively poor, as there is significant distance between the site and the M2, whilst access to the M20 requires travelling through the centre of Hawkinge. Overall this is not a significant current employment location and therefore it is less clear that the site would prove attractive to employment uses.

### Stonegate Farm, Stone Street [22]

- 5.69 Stonegate Farm covers about 3.2ha on a small plot of land situated directly off of Stone Street. The site is characterised by fairly poor strategic road access, with the site situated around 7 miles from Junction 11 of the M20 which is only accessible via narrow B roads.
- 5.70 The site is currently comprised of a number of light industrial and distribution uses whose last known use included an egg farm. Planning permission was granted in 2015 for demolition of buildings and structures, remediation of land and the erection of 30 houses and two B1 office units of 465m<sup>2</sup> floor area, plus the closure of existing access to Stone Street and creation of new access to Thorn Lane. This is an appropriate small-scale employment use to meet rural needs for office accommodation.

### Land in the vicinity of M20 Junction 11, Westenhanger [36]

- 5.71 Land in the vicinity of M20 Junction 11 is a large area situated to the west of Folkestone around the small village of Westenhanger that is subject plans to develop a new garden settlement (Otterpool Park) that would deliver up to 12,000 new homes along with community facilities and new employment land. In November 2016 the Government announced its support and

funding for the development of a Garden Town at Otterpool Park in response to an expression of interest submitted by Shepway District Council.<sup>4</sup>

- 5.72 From an employment perspective, the location benefits from excellent strategic access to Junction 11 of the M20, which mean that it could be attractive to a broad range of strategic employment uses as well as those required to support the functioning of a new settlement. At present this is not a significant location for employment uses other than the nearby Lympne Industrial Estate and adjoining expansion land. In this context, the profile and potential of the area is likely to evolve significantly once the Garden Town proposals come forward. The proposed new settlement will invest significantly in the area and has the potential to deliver new B class employment development of a strategic type and quality that is not currently available elsewhere in the District. The future employment role of this location will require more detailed consideration as part of the detailed masterplanning work for Otterpool Park.

## Summary

- 5.73 Overall, the assessment of existing and potential employment sites within Shepway indicates the District contains a reasonable range of sites of differing condition and type, although a large share of the existing employment sites do support ageing premises and infrastructure. In total, the sites assessed as part of the study totalled around 356ha, which includes Lydd Airport which in itself covers about 137ha but does not include land in the vicinity of M20 Junction 11 which does not have a defined site boundary for the purposes of the assessment.
- 5.74 Generally, the range of employment sites in Shepway displays good activity and low vacancy despite the quality of the commercial stock varying widely on a site-by-site basis. In particular, a low level of vacancy was evident amongst industrial sites, which demonstrates that much of the current industrial stock is meeting a need in the market. This includes good occupancy at lower quality sites that are typically characterised by poor access and quality of premises, but are clearly still highly demanded at the lower end of the rental market. In terms of office sites in Shepway, these tend to be limited to Folkestone, and in particular Folkestone town centre, with much of the existing office premises in the District also of older stock, although the level of occupancy appeared to be much lower in the local office market when compared to occupancy levels in the local industrial market.
- 5.75 In this context, the overall rating and ranking of the employment sites that were considered as part of this analysis is summarised in Table 5.1, which should be read in conjunction with the qualitative analysis of the sites set out above.

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<sup>4</sup> [https://www.shepway.gov.uk/media/3726/Otterpool-Park-Expression-of-Interest/pdf/Shepway\\_District\\_Council\\_EoI.pdf](https://www.shepway.gov.uk/media/3726/Otterpool-Park-Expression-of-Interest/pdf/Shepway_District_Council_EoI.pdf)

Table 5.1 Overall Site Ratings

Ref	Site Name	Area (ha)	Rating (out of 30)
26	Castle House, Castle Hill Avenue	0.5	27
28	Saga, Enbrook Park	3.6	26
15	Shearway Business Park	21.1	25
16	Cheriton Parc	6.9	25
27	Saga, Middelburg Square	0.4	25
37	Other offices in Folkestone Town Centre	-	24
18	Mountfield Road Industrial Estate (Phase 3 & 4)	11.4	21
19	Land at Hawkinge West	11.7	21
33	Shornccliffe Road Offices	0.4	21
34	Folkestone Urban Sports Park	0.2	21
5	East Station Goods Yard	2.2	20
9	Lympne Industrial Estate	16.3	20
17	Link Park	26.8	20
36	Land in the vicinity of M20 Junction 11	-	20
4	Shornccliffe Industrial Estate	9.1	19
14	Mountfield Road Industrial Estate (Phase 1 & 2)	4.4	19
38	Peak Welders	0.7	19
24	Europa House	0.1	19
29	Smith's Medical, Boundary Road	3.1	18
3	Park Farm	28.3	18
10	Kitewell Lane	1.0	18
12	Harden Road	1.8	18
32	Civic Centre & Surrounding Public Buildings	3.6	18
1	Highfield Industrial Estate	1.4	17
2	Bowles Well Gardens	6.9	17
11	Station Yard	1.1	17
21	Folkestone Harbour	17.4	17
25	Ingles Manor Site	0.7	17
31	Hythe Town Centre	7.8	17
35	Lydd Airport	137.4	17
13	Dengemarsh Road Industrial Estate	7.4	16

Ref	Site Name	Area (ha)	Rating (out of 30)
23	MacFarlane's Nursery	7.3	<b>16</b>
6	Pennypot & Kengate Industrial Estates	3.6	<b>15</b>
7	Range Road Industrial Estate	1.8	<b>15</b>
30	Station Approach	0.4	<b>15</b>
20	Nickolls Quarry	5.8	<b>14</b>
8	Riverside Industrial Estate	0.5	<b>12</b>
22	Stonegate Farm, Stone Street	3.2	<b>12</b>

Source: Lichfields analysis

## 6.0 Future Requirements for Employment Space

6.1 This section assesses future economic growth needs in Shepway drawing on several methodologies that are contained in the PPG. These methodologies produce a wide range of scenarios that are used to inform the assessment of the potential scale and type of future economic growth in the District, and the employment land requirements that flow from these.

### Methodology

6.2 The NPPF requires local authorities to, *“set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth”* [paragraph 21]. In evidence base terms, this should be underpinned by a *“clear understanding of business needs within the economic markets operating in and across their area”* [paragraph 160].

6.3 In this context, a number of potential economic growth scenarios have been produced to provide a framework for assessing the B class employment space requirements for Shepway during the Core Strategy Local Plan period from 2006 to 2026 (i.e. identifying the residual requirement from 2016 to 2026), and beyond to 2031. These scenarios reflect the PPG and draw on the following:

- a forecasts of employment growth in B class sectors (**labour demand**) derived from economic forecasts produced by Experian in March 2016;
- b consideration of **past trends in completions of employment space** based on available monitoring data from Shepway District Council; and
- c estimates of future growth of the **labour supply** based on the population assumptions underpinning the objectively assessed need for housing for Shepway from the Shepway Strategic Housing Market Assessment (SHMA).

6.4 All of these approaches have some limitations and consideration needs to be given as to how appropriate each is to the future circumstances in Shepway. In order to be robust, the growth potential and likely demand for employment space in the District should be considered under a variety of future scenarios to reflect both lower and higher growth conditions that could arise in the future.

6.5 It should be noted that the final decision as to the level of need for which the District should plan for is not purely quantitative as there are qualitative factors that should be considered alongside the modelled scenarios set out in this section. These qualitative aspects are discussed in other sections of this study.

### A. Forecast Job Growth

6.6 The forecasts of employment growth in Shepway during the period to 2026, and beyond to 2031, were obtained from the March 2016 release from Experian, which takes account of recent regional and national macroeconomic patterns to estimate future economic growth at the local authority level.

6.7 It should be noted that there are limitations to the use of economic projections of this type, particularly in the context of changes to the economy. The national macroeconomic assumptions are taken as the starting point and then modelled down to the regional and local levels by reference to the existing economic profile and sector make-up of an area. For this reason, data at the local level is less reliable than at the national and regional levels.

- 6.8 Similarly, the top-down economic forecasts do not take into account specific issues at the local level that could influence employment growth. However, the forecasts are recognised to be a valuable input to indicate the broad scale and direction of future economic growth for different sectors, which helps to assess the future land requirements for an economy. It should also be noted that the economic projections generated by Experian in March 2016 pre-dates the UK referendum on membership in the European Union and assumes no **change to the UK's existing** membership arrangements.
- 6.9 The forecasts produced by Experian draw upon 2012 based SNPP data developed by ONS to estimate future changes to population profiles in the UK. Such projections are just one of several inputs used to produce economic forecasts in terms of both changes to the working-age population (i.e. generates demand for jobs) and total population (i.e. generates demand for consumption activities). It is important to note that the population forecast data is frequently revised, as are assumptions around the working-age population, economic activity levels and the pension age.

### **Scenario 1: Labour Demand**

- 6.10 The economic forecasts obtained from Experian indicate total employment growth of 8,900 jobs in Shepway between 2006 and 2026. Table 6.1 shows the highest growing and declining sectors in Shepway in employment terms over this period with the sectors forecast to see the highest growth classified as part B class sectors (i.e. administrative & supportive services) or full B class sectors (i.e. professional services and finance). Outside the three sectors projected to see the highest employment growth over this period, the remaining growth sectors in Shepway are classified as non B class sectors.
- 6.11 In addition, the forecasts indicate total employment growth of 3,300 jobs in Shepway over the period 2016 to 2026, with the highest growing employment sectors during this period generally reflecting those identified for the period 2006 to 2026 (Table 6.1). However, other growth sectors in the District during this period that are not identified in Table 6.1 include residential care & social work (600 jobs) and specialised construction activities (400 jobs).
- 6.12 The sectors forecast to see the largest employment losses in Shepway during the period 2006 to 2026 includes a range of B class and non B class sectors, with the manufacturing sector projected to record the largest losses during the period to 2026 (Table 6.1). These declining employment sectors are expected to also record the largest losses over the period 2016 to 2026.

Table 6.1 Highest Growing and Declining Employment Sectors in Shepway, 2006 - 2026

Sector	Use Class	Change in Jobs	
		2006 - 2026	2016 - 2026
<b>HIGHEST GROWING EMPLOYMENT SECTORS</b>			
Administrative & Supportive Services	Part B Class	3,100	800
Professional Services	B Class	1,500	600
Finance	B Class	1,100	300
Education	Non B Class	900	100
Construction of Buildings	Non B Class	700	200
Agriculture, Forestry & Fishing	Non B Class	700	0
Recreation	Non B Class	600	200
<b>HIGHEST DECLINING EMPLOYMENT SECTORS</b>			
Manufacturing	B Class	- 600	- 200
Other Private Services	Non B Class	- 300	- 100
Wholesale	B Class	- 300	- 200
Land Transport, Storage & Post	Part B Class	- 300	- 100

Source: Experian / Lichfields analysis

6.13

The overall employment change in Shepway resulting from these forecasts is set out in Table 6.2 alongside the forecast growth in the main B class sectors. This includes an allowance for jobs in other non B class sectors that normally would occupy some office or industrial space, such as in construction, vehicle repairs, courier services, road transport and cargo handling, and some public administration activities.

Table 6.2 Forecast Employment Change in Shepway, 2006 - 2026

Use	Number of Jobs			Change in Jobs	
	2006	2016	2026	2006 - 2026	2016 - 2026
Offices (B1a/B1b)*	4,700	7,200	8,500	3,700	1,300
Manufacturing (B1c/B2)**	3,500	3,100	3,100	- 500	0
Distribution (B8)***	2,000	1,900	1,700	- 300	- 200
<b>Total B Class Jobs</b>	<b>10,300</b>	<b>12,100</b>	<b>13,300</b>	<b>3,000</b>	<b>1,100</b>
<b>Total Jobs in All Sectors</b>	<b>42,600</b>	<b>48,200</b>	<b>51,500</b>	<b>8,900</b>	<b>3,300</b>

Source: Experian / Lichfields analysis Note: totals rounded

Note: \* Includes publishing and a proportion of government offices

\*\* Includes vehicle repairs and some construction activities

\*\*\* Includes parts of transport and communication sectors that use industrial land

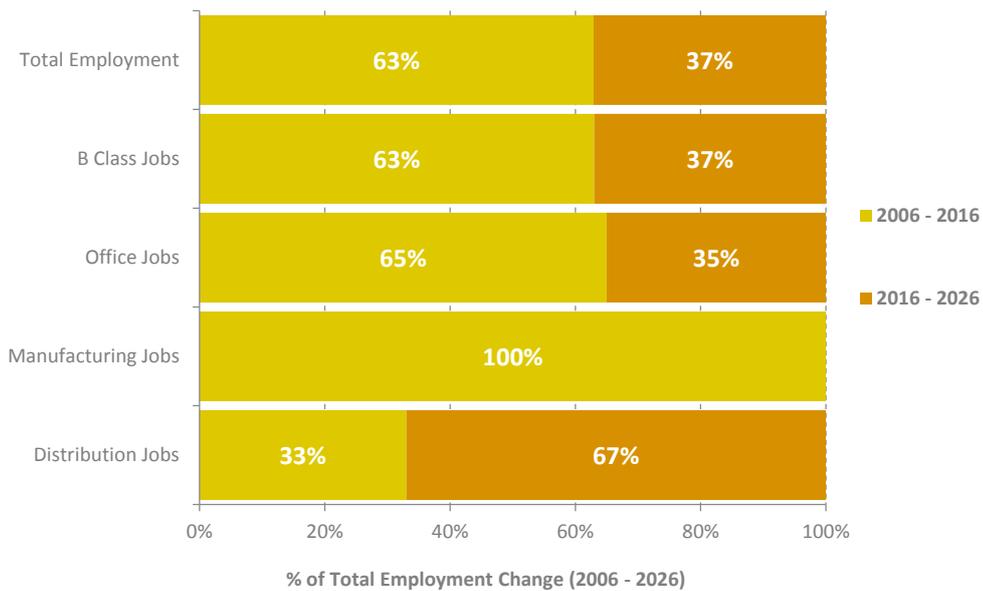
6.14

This analysis indicates a range of employment forecasts for B class sectors in Shepway over the period 2006 to 2026, with strong growth in office jobs and a small decline in manufacturing and distribution jobs respectively. This is in the context of total employment growth of 8,900 jobs in

the District over the period which outside B class sectors will predominately be in education, construction of buildings, agriculture, forestry & fishing, and recreation.

6.15 In this context, the economic forecasts indicate that a large share of the total employment growth forecast for Shepway over the period to 2026 was realised by 2016, with around 63% of the total forecast employment growth for Shepway achieved by this mid-point year of the Core Strategy Local Plan period. This includes a large share of the projected growth in office jobs and all the projected losses in manufacturing jobs, whilst only a third of the projected losses in distribution jobs had occurred by 2016 (Figure 6.1).

Figure 6.1 Share of Forecast Employment Change in Shepway Realised by 2016, 2006 - 2026

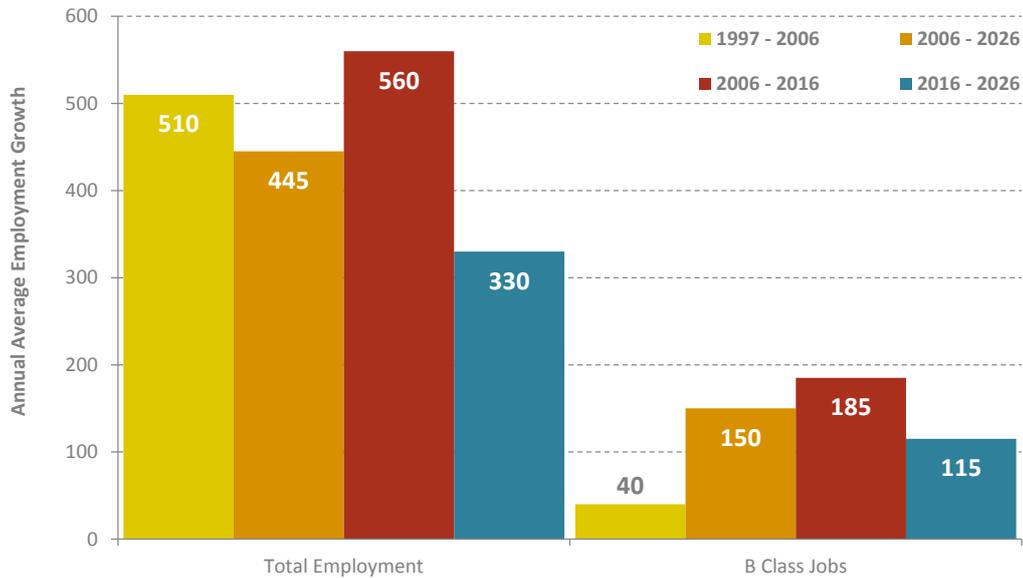


Source: Experian / Lichfields analysis

6.16 The forecast growth in B class jobs in Shepway between 2006 and 2026 is equivalent to an annual average growth of about 150 jobs. As shown in Figure 6.2, this forecast B class job growth represents a large increase over the B class job growth recorded in Shepway over the period 1997 to 2006. However, this higher rate of B class job growth forecast for the District is most significant over the period 2006 to 2016, with the forecasts suggesting B class job growth in Shepway will slow down between 2016 and 2026 when compared to the preceding decade.

6.17 In addition, total employment growth in Shepway over the period 2006 to 2026 is forecast to be at a slower rate compared to the rate achieved between 1997 and 2006. However, as with the projected B class job growth in Shepway, total employment growth in the District is forecast to be highest between 2006 and 2016, with total employment growth between 2016 and 2026 also forecast to be at a much lower rate compared to the preceding decade (Figure 6.2).

Figure 6.2 Historic vs Forecast Annual Employment Growth in Shepway, 1997 - 2026



Source: Experian / Lichfields analysis

- 6.18 Overall, this analysis points towards total employment growth in Shepway being at a lower growth rate between 2006 and 2026 compared to the level of growth recorded historically, although B class job growth over this period is projected to be at a higher rate compared to historic levels. In this context, the most significant employment growth forecast for Shepway during the period to 2026 is estimated to have already occurred, with employment growth over the remaining ten year period to 2026 forecast to be at a lower growth rate when compared to between 2006 and 2016.
- 6.19 In this context, the forecasts from Experian also indicate total employment growth of 1,400 jobs in Shepway during the period 2026 to 2031, with the level of employment in the District in 2031 equating to around 52,900 jobs. This forecast employment growth includes an increase of 400 B class jobs which is equivalent to an additional 85 B class jobs each year over this five year period. The B class job growth forecast for Shepway during this period includes strong growth in office jobs (700 jobs), and negligible changes in industrial jobs (-200 jobs) and distribution jobs (no significant change) respectively.
- 6.20 These employment forecasts can be converted to future B class employment floorspace requirements for Shepway by assuming the following normal ratios of jobs to floorspace for different types of B class uses:
- Offices: 1 job per 12.5sq.m for general office space;
  - Industrial: 1 job per 43sq.m as an average for light industrial and general industrial space; and
  - Warehousing: 1 job per 65sq.m for general, small scale warehouses (assumed to account for 90% of all requirements) and 1 job per 74sq.m for large scale, lower density warehouses (assumed to account for 10% of all requirements).
- 6.21 These assumptions are based on the latest Homes and Communities Agency (HCA) guidance on job density ratios produced in 2015. This guidance takes account of recent trends in terms of changing utilisation of employment space, with the key change being the more efficient use of office floorspace due to a higher frequency of flexible working and hot-desking. This has

resulted in a reduction in the amount of floorspace per office worker assumed when compared to earlier guidance.

- 6.22 An allowance of 10% is also added to all positive space requirements to reflect a normal level of market vacancy in employment space. From this assessment, the net employment floorspace requirements for Shepway over the period to 2026 based on the labour demand scenario are set out in Table 6.3.

Table 6.3 Net Employment Floorspace Requirements based on Labour Demand, 2006 - 2026

Use	Net Floorspace Requirement (sq.m)	
	2006 - 2026	2016 - 2026
Offices (B1a/B1b)	51,400	17,800
Manufacturing (B1c/B2)	- 10,100	100
Distribution (B8)	- 9,400	- 5,100
<b>Total B Class Floorspace</b>	<b>31,800</b>	<b>12,800</b>

Source: Lichfields analysis

Note: totals rounded

- 6.23 In addition to the estimated requirements for Shepway to 2026, it is estimated that the forecast growth of 400 B class jobs in the District over the period 2026 to 2031 converts into a net employment floorspace requirement of 3,700sq.m. This includes a positive requirement for 9,000sq.m of office space through this five year period, and a negative requirement for 4,400sq.m of manufacturing space and 800sq.m of distribution space.

## B. Past Development Rates

- 6.24 Given they reflect market demand and development patterns on the ground, in some cases long term completion rates of B class employment space can offer a good basis for informing future space needs. The completion of employment space over such a period as ten years should even out demand fluctuations in a business cycle, and provide a reasonable basis for estimating future needs, given that land supply has not been constrained. Although forecasts show job growth in net terms past trend based analyses take account of historic patterns in employment space development and the role that recycling of sites plays in terms of supporting employment uses in an economy.

### Scenario 2: Past Completion Rates

- 6.25 Past completions monitoring data by B class use was provided by Shepway District Council for the period 2002/03 to 2013/14. This data indicated that the District recorded an average annual net completion of office space that was equivalent to a loss of 1,500sq.m over the first few years of the Core Strategy Local Plan period from 2005/06 to 2013/14, while the average annual net completion of industrial space (i.e. manufacturing [B1c/B2] and distribution [B8] space) over this period equated to a gain of 1,500sq.m. Table 6.4 shows that the gross completion of employment space in Shepway was higher during this period, although this masks the losses of employment space that also occurred in the District.

Table 6.4 Past B Class Employment Floorspace Completions in Shepway, 2005/06 - 2013/14

Use	Gross Annual Completions (sq.m)		Net Annual Completions (sq.m)	
	Total	Annual	Total	Annual
Offices (B1a/B1b)	11,600	1,300	- 13,100	- 1,500
Manufacturing (B1c/B2)	28,400	3,200	7,000	800
Distribution (B8)	21,200	2,400	6,300	700
<b>Total B Class Floorspace</b>	<b>61,100</b>	<b>6,800</b>	<b>200</b>	<b>0</b>

Source: Shepway District Council / Lichfields analysis Note: totals rounded

6.26 One view of future growth in Shepway could therefore simply assume that the B class employment space completion rates achieved in the District during the first part of the Core Strategy Local Plan period carry on over the remainder of the period to 2026, and beyond to 2031. If it were assumed that the average annual net completion rates for Shepway over the period 2005/06 to 2013/14 were to be the average development rates in the District over the period 2006 to 2026, this would equate to a decrease of 29,200sq.m of office space and an increase of 29,500sq.m of industrial space (Table 6.5).

Table 6.5 Net Employment Floorspace Requirements based on Past Completion Rates, 2006 - 2036

Use	Net Annual Completions (sq.m)		Net Floorspace Requirement (sq.m)	
	2005/06 - 2013/14		2006 - 2026	2016 - 2026
	Total	Annual	Total	Total
Offices (B1a/B1b)	- 13,100	- 1,500	- 29,200	- 14,600
Manufacturing (B1c/B2)	7,000	800	15,600	7,800
Distribution (B8)	6,300	700	13,900	7,000
<b>Total B Class Floorspace</b>	<b>200</b>	<b>0</b>	<b>400</b>	<b>200</b>

Source: Lichfields analysis Note: totals rounded

6.27 Based on these net annual completion rates for Shepway it is also possible to estimate that the decrease in office space over the period 2016 to 2026 would equate to 14,600sq.m and the increase in industrial space to 14,800sq.m (Table 6.5). In addition, the application of these net annual completion rates to the five year period from 2026 to 2031 results in a further decrease in office space by 7,300sq.m and an increase in industrial space by 7,400sq.m.

6.28 Using the standard ratios of jobs to floorspace set out earlier, it is possible to estimate that these forecast changes in employment space in Shepway would result in a loss of 1,800 B class jobs over the period 2006 to 2026. This decrease in B class jobs is equivalent to a loss of 90 B class jobs each year on average during this period, which contrasts with the annual average B class job growth of 150 jobs estimated under the labour demand scenario. It should be noted that the annual average loss of B class jobs in Shepway over the periods 2016 to 2026 and 2026 to 2031 also equates to around 90 jobs.

### C. Future Labour Supply

6.29 The number of jobs and the associated requirement for employment space that would be necessary to match the forecast growth of the resident workforce in Shepway is also an important consideration. In contrast to the other scenario approaches, this approach emphasises the future supply of labour rather than the demand for labour. It identifies the number of jobs that would be required to match the future supply of economically active persons, as well as the amount of new employment space required to support these new B class jobs.

#### Scenario 3: Labour Supply

6.30 The labour supply scenario has been compiled based on the population growth assumptions associated with the objectively assessed need for housing for Shepway from the Shepway SHMA. The population forecasts that underpin this assessment are summarised in Table 6.6, alongside associated workplace job growth assumptions provided by the SHMA consultants.

Table 6.6 Forecast Labour Supply and B Class Job Requirements for Shepway, 2006 - 2026

Use	Population and Job Change			
	2006 - 2026		2016 - 2026	
	Annual	Total	Annual	Total
Working-Age Population	415	8,300	320	3,200
Workplace Labour Supply (Workforce Jobs)	430	8,600	320	3,200
Office Jobs (B1a/B1b)	183	3,650	129	1,290
Manufacturing Jobs (B1c/B2)	-27	-530	0	0
Distribution Jobs (B8)	-16	-320	-15	-150
<b>Total B Class Jobs</b>	<b>141</b>	<b>2,810</b>	<b>114</b>	<b>1,140</b>

Source: Lichfields analysis

Note: totals rounded

6.31 The number of jobs required to support the increase in economically active persons in the District assumes one additional job would be required for each additional person. The share of employment in B class sectors takes account the existing and forecast share of B class jobs to total jobs in Shepway based on the economic forecasts produced by Experian (March 2016).

6.32 Table 6.6 also summarises the need for B class jobs in Shepway to support the forecast increase in the workplace labour supply between 2006 and 2026. This analysis suggests a need for 141 new B class jobs in Shepway each year during this period to support the labour supply growth forecast in the District, with a strong need for office jobs and a declining need for manufacturing and distribution jobs.

6.33 In the same way, the estimated need for B class jobs in Shepway to support the forecast increase in the workplace labour supply between 2016 and 2026 is also set out in Table 6.6. This analysis suggests that the forecast growth in the workplace labour supply in Shepway through this period would require a further 1,140 B class jobs which is equivalent to 114 new B class jobs each year. Overall, the future labour supply growth in Shepway is forecast to slow down over the period 2016 to 2026 when compared to the preceding decade.

6.34 The forecast requirement for employment floorspace for these B class jobs can be estimated by applying the same job density ratios set out previously, while also adding a 10% allowance for

typical vacancy levels. From this analysis, the net employment floorspace requirements for Shepway over the period to 2026 based on the labour supply scenario are set out in Table 6.7.

Table 6.7 Net Employment Floorspace Requirements based on Labour Supply, 2006 - 2026

Use	Net Floorspace Requirement (sq.m)	
	2006 - 2026	2016 - 2026
Offices (B1a/B1b)	50,240	17,760
Manufacturing (B1c/B2)	-11,375	0
Distribution (B8)	-10,510	-5,100
<b>Total B Class Floorspace</b>	<b>28,350</b>	<b>12,660</b>

Source: Lichfields analysis Note: totals rounded

6.35 Beyond 2026, it is forecast that the workplace labour supply in Shepway will increase by 1,500 to 2031 generating a requirement for about 450 B-class jobs. This is largely driven by growth of office-based sectors (+670 jobs), and continuing declines in industrial and distribution sector jobs (-220 jobs). This would imply a requirement for about 7,000 sq.m of B1a office floorspace between 2026-2031 and no requirements for additional industrial floorspace during that period in net terms.

6.36 This labour supply based estimate provides a useful benchmark for comparing with the demand approaches. Based on the latest population projections used as part of the Shepway SHMA, this forecast produces a positive space requirement that is similar to the baseline employment growth scenario.

### Net Employment Space Requirements

6.37 Drawing together the results from each of the future growth scenarios for Shepway the net B class employment floorspace requirements for the District over the period 2006 to 2026 reflect a wide range of potential scenarios, as summarised in Table 6.8 below.

Table 6.8 Net Employment Floorspace Requirements for Shepway by Scenario, 2006 - 2026

Use	1. Labour Demand		2. Past Completion Rates		3. Labour Supply	
	2006 - 2026	2016 - 2026	2006 - 2026	2016 - 2026	2006 - 2026	2016 - 2026
Offices (B1a/B1b)	51,400	17,800	- 29,200	- 14,600	50,240	17,760
Industrial (B1c/B2/B8)	- 19,600	- 5,000	29,500	14,800	- 21,885	- 5,100
<b>Total B Class Floorspace (sq.m)</b>	<b>31,800</b>	<b>12,800</b>	<b>400</b>	<b>200</b>	<b>28,350</b>	<b>12,660</b>

Source: Lichfields analysis Note: totals rounded

### Net Land Requirements

6.38 The final step, for all three scenarios, is to translate floorspace into land requirements for both office (B1a/B1b) and industrial (B1c/B2/B8) uses. This has been calculated by applying appropriate plot ratio assumptions to the net floorspace estimates presented above using the following assumptions and local adjustment factors to reflect the pattern of development in Shepway:

- Industrial (B1c/B2/B8) – a plot ratio of 0.4 is applied so that a 1 ha site would be needed to accommodate a footprint of 4,000sq.m of employment floorspace; and
- Offices (B1a/b) – it was assumed that 50% of new office floorspace would be in lower density, out-of-centre sites with a plot ratio of 0.4, while 50% would be in higher density, town centre sites with a plot ratio of 2.0.

6.39 The resulting net land requirements for the three scenarios up to 2026 are set out in Table 6.9.

Table 6.9 Net Employment Land Requirements for Shepway by Scenario, 2006 – 2026 (ha)

Use	1. Labour Demand		2. Past Completion Rates		3. Labour Supply	
	2006 - 2026	2016 - 2026	2006 - 2026	2016 - 2026	2006 - 2026	2016 - 2026
Offices (B1a/B1b)	7.7	2.7	-4.4	-2.2	7.5	2.7
Industrial (B1c/B2/B8)	-4.9	-1.3	7.4	3.7	-5.5	-1.3
<b>Total B Class Floorspace</b>	<b>2.8</b>	<b>1.4</b>	<b>3.0</b>	<b>1.5</b>	<b>2.0</b>	<b>1.4</b>

Source: Lichfields analysis

Note: totals rounded

## Planning Requirement

6.40 Whilst the net employment space requirements presented above represent the minimum recommended quantum of employment floorspace to plan for within Shepway over the study period, the Council will need to take a view on the extent to which additional space should be planned for over and above the net requirements to allow for factors such as delays in development coming forward, for replacing employment space that is lost in future and to take account of other market factors.

6.41 The former South East England Partnership Board (SEEPB) guidance on employment land assessments recommended an allowance that is equivalent to the average time for a site to gain planning permission and be developed, typically about two years. This is equivalent to around 10% of the total 20 year study period 2006-2026. Table 6.10 provides an illustration of **indicative ‘gross’ land requirements by scenario for Shepway to 2026 after applying this 10% buffer or margin**. A proportionate 5% buffer is added to the 10 year 2016-2026 study period.

Table 6.10 Indicative Gross Land Requirements by Scenario (ha)

Use	1. Labour Demand		2. Past Completion Rates		3. Labour Supply	
	2006 - 2026	2016 - 2026	2006 - 2026	2016 - 2026	2006 - 2026	2016 - 2026
Offices (B1a/B1b)	8.5	2.8	-4.4	-2.2	8.3	2.8
Industrial (B1c/B2/B8)	-4.9	-1.3	8.1	3.9	-5.5	-1.3
<b>All B Uses</b>	<b>3.6</b>	<b>1.5</b>	<b>3.7</b>	<b>1.7</b>	<b>2.8</b>	<b>1.5</b>

Source: Lichfields analysis

Note: totals rounded

6.42 Equivalent gross floorspace figures are summarised in Table 6.11.

Table 6.11 Indicative Gross Floorspace Requirements by Scenario (sq.m)

Use	1. Labour Demand		2. Past Completion Rates		3. Labour Supply	
	2006 - 2026	2016 - 2026	2006 - 2026	2016 - 2026	2006 - 2026	2016 - 2026
Offices (B1a/B1b)	56,540	18,690	- 29,200	- 14,600	55,260	18,650
Industrial (B1c/B2/B8)	- 19,600	- 5,000	32,450	15,540	- 21,885	- 5,100
<b>All B Uses</b>	<b>36,940</b>	<b>13,690</b>	<b>3,250</b>	<b>940</b>	<b>33,375</b>	<b>13,550</b>

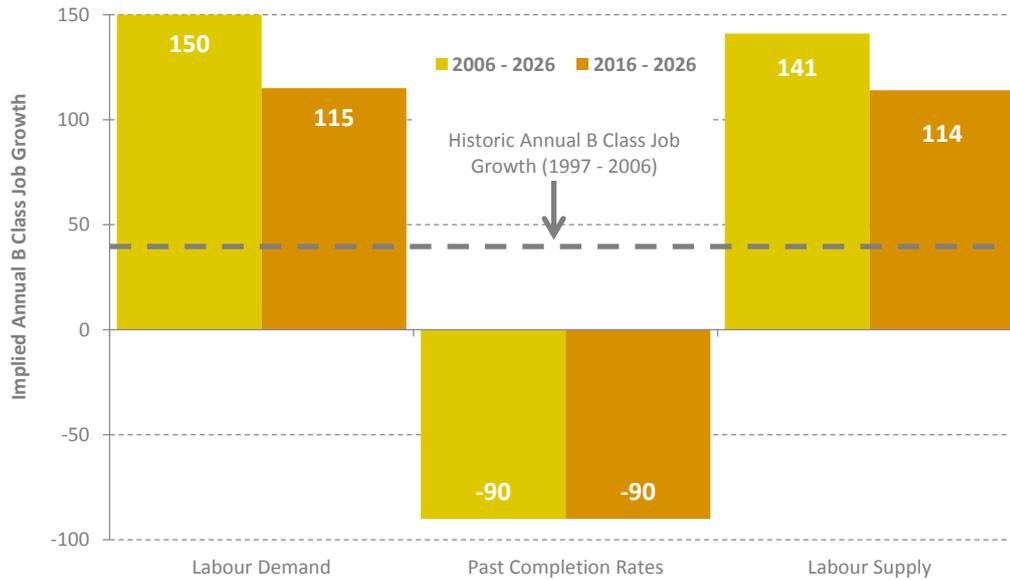
Source: Lichfields analysis

Note: totals rounded

### Historic Comparison

- 6.43 Given the breadth of the potential requirements for office and industrial space in Shepway from the growth scenarios, it is important to consider how suitable each requirement appears to be against recent growth levels in the District. In this context it is useful to compare the B class job growth implied by the space requirements under each scenario against the historic B class job growth recorded in Shepway over recent periods.
- 6.44 As illustrated in Figure 6.3, the analysis indicates the lowest estimate of B class job growth for Shepway is based on the past completion rates scenario, which implies a decrease of 90 B class jobs per year over the period 2006 to 2026. These implied losses include a significant decrease in office jobs and a small increase in industrial jobs. In the same way, the highest estimate of B class job growth for Shepway over this period is based on the labour demand scenario, which implies an increase of 150 B class jobs per year. This implied growth includes a significant increase in office jobs and a small decrease in industrial jobs in the District.
- 6.45 In addition, the analysis indicates the lowest estimate of B class job growth for Shepway over the period 2016 to 2026 is also based on the past completion rates scenario, with an equivalent loss of 90 B class jobs each year estimated over this period. The highest estimate of B class job growth for Shepway over this period is based on the labour demand scenario, which implies an increase of 115 B class jobs each year. In this context, it is clear the estimated B class job growth for the District during the period 2016 to 2026 is at a lower level than that recorded during the prior decade (Figure 6.3).
- 6.46 The implied B class job growth in Shepway associated with each of the growth scenarios compares with an annual average growth of 40 B class jobs between 1997 and 2006. This suggests that the labour demand and supply scenarios predict a much stronger rate of B class job growth compared to the historical level, with the past completion rates scenario implying a much lower rate of growth.

Figure 6.3 Implied Annual B Class Job Growth for Shepway by Scenario, 2006 - 2026



Source: Lichfields analysis

Note: The estimated B class job growth under each scenario is based upon the net B class floorspace requirements and do not take into account the additional floorspace associated with the safety margin and replacement allowance, which are identified for planning purposes only and may not actually be developed in the future.

## Summary

6.47

The following key findings and conclusions can be drawn from this section:

- 1 Regard should be had to guidance from the PPG when interpreting the outputs of this section, with the PPG stating that local authorities should develop an idea of the future economic needs of their area based on a range of data and forecasts of quantitative and qualitative requirements. In this respect, planning for growth should avoid relying on using single sources of data or projections, which tend to rely on different variables that are inevitably subject to change.
- 2 Modelling assumptions under any of the future scenarios of growth in Shepway will inevitably have uncertainties and limitations. For example, there are some inherent limitations to the use of local level economic forecasts, particularly in the context of significant recent changes to the economy and the outcome of the UK referendum on membership of the European Union. Such economic projections are also regularly updated so resulting outputs will change over the course of the Core Strategy Local Plan period for Shepway.
- 3 Various scenarios of future B class employment space requirements in Shepway over the period 2006 to 2026, and beyond to 2031, have been considered based on different approaches that reflect economic growth, past completion rates and labour supply factors derived from the SHMA. The indicative gross employment land requirements from these scenarios range from 2.8ha to 3.7ha for the period 2006 to 2026, with a residual requirement for 1.5ha to 1.7ha estimated for Shepway over the period 2016 to 2026. The equivalent gross floorspace figures range from 3,250sq.m to 36,940sq.m between 2006 and 2026.
- 4 Under the labour demand and labour supply scenarios, all of the floorspace requirements are for office uses, while the recent losses of office space in the District resulted in the

majority of the floorspace requirements under the past completion rates scenario being for industrial uses.

- 5 Lower end requirements for offices estimated for Shepway are based on the past completion rates scenarios which reflect the past losses of office space in the District. However, the forecast employment growth in office-based sectors in the Shepway economy based on the Experian forecasts suggest that it would be unsuitable for the Council to plan for a negative requirement for new office space over the Core Strategy Local Plan period.
- 6 The labour demand and labour supply approaches both point to reducing future requirements for industrial and warehousing space at similar levels. These contrast to the past development rates scenario which indicates that, based on recent completions being carried forward, the requirement up to 2026 would be 32,450 sq.m with the residual for 2016-2026 being 15,540 sq.m. **Notwithstanding that jobs in Shepway's industrial sectors** have been in long-term decline, recent development activity indicates there remains a requirement for some industrial floorspace at relatively modest levels and therefore this scenario may provide a better basis for future planning.
- 7 A positive planning approach adopted by the Council to support higher requirements for office and industrial space in the District during the Core Strategy Local Plan period to 2026, and in turn to 2031, will need to be considered within the context of the constrained land supply in Shepway, particularly in and around Folkestone. This is particularly relevant given a strong demand from other competing land uses in the District for development opportunities.

## 7.0 Demand/Supply Balance

7.1 This section draws together the forecast requirements for B class employment space in Shepway with estimates of the amount of employment space that is currently available in the District from extant planning permissions and land allocations. This analysis identifies any requirements for employment space in Shepway over the period 2016 to 2026 in both quantitative and qualitative terms.

### Quantitative Balance

#### Demand for Employment Space

7.2 Based on the potential growth scenarios considered in Section 6.0, it is estimated that there is a requirement for between 3,250sq.m and 36,940sq.m of gross employment floorspace in Shepway over the period 2006 to 2026. The residual requirement for the period 2016 to 2026 is equivalent to between 940sq.m and 13,690sq.m of gross employment floorspace.

7.3 In this context, the potential growth scenarios for the District reflect variations in the level of future growth that could be generated in Shepway, particularly in terms of the specific requirements for office and industrial space. The following assessment of the current supply of B class employment space in Shepway is considered in this context.

#### Supply of Employment Space

7.4 The current supply of employment space in the District includes both extant planning permissions (i.e. permissions yet to be implemented at March 2016) and undeveloped land allocations made in the Core Strategy Local Plan (2013) (i.e. allocations yet to be developed at March 2016).

#### Extant Planning Permissions

7.5 Based on information from Shepway District Council, the extant planning permissions in Shepway as at March 2016 represent about 20,700sq.m of net additional B class employment space. This includes an increase in both office and industrial space (Table 7.1). Based on the average annual gross completion of employment space in the District between 2002/03 and 2013/14 of around 7,800sq.m, the outstanding planning permissions in Shepway are equivalent to around two and a half years of historic gross completions.

Table 7.1 Net Employment Space from Extant Planning Permissions in Shepway (at March 2016)

Planning Permission	Area	Office (B1a/B1b)	Industrial (B1c/B2/B8)	Total
Folkestone Harbour	Folkestone	500	0	<b>500</b>
Nickolls Quarry	Hythe	7,500	7,500	<b>15,000</b>
Shearway Business Park	Folkestone	1,020	2,030	<b>3,050</b>
Plot 1 Hurricane Way	Hawkinge	1,000	1,120	<b>2,120</b>
<b>Total Employment Space from Extant Planning Permissions (sq.m)</b>		<b>10,020</b>	<b>10,650</b>	<b>20,670</b>

Source: Shepway District Council / Lichfields analysis

Note: Allocations with mixed B class uses have been evenly split across the relevant B class uses (e.g. Nickolls Quarry and Shearway Business Park).

- 7.6 The largest gain in employment space associated with these planning permissions relates to the mixed-use development scheme at Nickolls Quarry, which has permission for 15,000sq.m of B1 space (i.e. assumed to be evenly split between office [B1a] and light industrial [B1c] uses) alongside 1,050 dwellings, a local centre and community facilities. This outstanding permission accounts for almost three-quarters of the total B class employment space that could be delivered from extant planning permissions in Shepway.
- 7.7 Outside the planning permission at Nickolls Quarry, the other three extant permissions that could deliver new employment space in the District represent relatively small development opportunities in comparison. These permissions would deliver a mix of B class employment space at Shearway Business Park, as well as part of new mixed-use schemes along Hurricane Way in Hawkinge and at Folkestone Harbour. It should be noted that there is no guarantee that these outstanding planning permissions in Shepway will be implemented in full during the period to 2026, or beyond to 2031.

### **Undeveloped Land Allocations**

- 7.8 In addition to the outstanding planning permissions, the District has a number of employment land allocations from the Core Strategy Local Plan (2013) that were yet to be developed at March 2016. The quantum of B class employment space that these allocations could support is detailed in the 2014/15 Commercial Information Audit (CIA) prepared by Kent County Council for the District.
- 7.9 This monitoring data indicates that these undeveloped land allocations have the potential to support about 127,900sq.m of employment space in Shepway. Given that much of this undeveloped land has been allocated for a mix of B class uses, it has been assumed that these allocations would support an even split across the different types of B class uses allocated (i.e. an allocation for mixed B1 use is assumed to evenly support both office [B1a/B1b] and light industrial [B1c] space). Based upon this assumption, it is estimated that undeveloped land allocations in Shepway could support around 40,800sq.m of office space and 87,100sq.m of industrial space (Table 7.2).

Table 7.2 Net Employment Space from Undeveloped Land Allocations in Shepway (at March 2016)

Land Allocation	Area	Office (B1a/B1b)	Industrial (B1c/B2/B8)	Total
Ingles Manor / Jinton Road	Folkestone	1,000	1,000	<b>2,000</b>
East Station Goods Yard	Folkestone	1,125	3,375	<b>4,500</b>
Harden Road	Lydd	615	225	<b>840</b>
Shearway Business Park	Folkestone	3,880	7,770	<b>11,650</b>
Dengemarsh Road, Lydd	Lydd	5,860	5,865	<b>11,725</b>
Cheriton Parc	Folkestone	15,000	0	<b>15,000</b>
Link Park (Areas A & C)	Hythe	11,845	61,330	<b>73,175</b>
Mountfield Road (Phase 3 & 4)	New Romney	1,480	7,530	<b>9,010</b>
<b>Total Employment Space from Undeveloped Land Allocations (sq.m)</b>		<b>40,805</b>	<b>87,095</b>	<b>127,900</b>

Source: Kent County Council / Lichfields analysis

Note: Allocations with mixed B class uses have been evenly split across the relevant B class uses, with all the undeveloped allocations including mixed B class uses other than at Cheriton Parc.

- 7.10 The largest allocation of B class employment space in Shepway from the Core Strategy Local Plan (2013) that had yet to be developed at March 2016 was at Link Park (Areas A & C). This allocation is estimated to have the potential to deliver 73,200sq.m of B class employment space, which is equivalent to about 57% of the total employment space that could be delivered by undeveloped land allocations in Shepway. In addition, the allocation at Link Park (Areas A & C) supports 70% of all industrial space and 30% of all office space that could come forward from these allocations.
- 7.11 Outside the significant land allocation at Link Park (Areas A & C), the next largest allocations in the District that are yet to be developed include Cheriton Parc (15,000sq.m), Dengemarsh Road, Lydd (11,700sq.m) and Shearway Business Park (11,700sq.m). Together, these land allocations, alongside the allocation at Link Park (Areas A & C), support about 87% of the employment space that could be delivered by undeveloped land allocations in Shepway. These undeveloped allocations also represent 86% of all industrial space and 90% of all office space that could be delivered by the employment land allocations in Shepway that have yet to be developed.
- 7.12 Based on the average annual gross completion of B class employment space in Shepway between 2002/03 and 2013/14 of 7,800sq.m, the undeveloped allocations in the District could support approximately sixteen years of historic gross B class employment space completions.

### Total Supply of Employment Space

- 7.13 Together, the combined B class employment space that could be delivered in Shepway from extant planning permissions and undeveloped land allocations equates to 148,600sq.m. The majority of this existing supply of employment space in Shepway is expected to support new industrial space (Table 7.3).

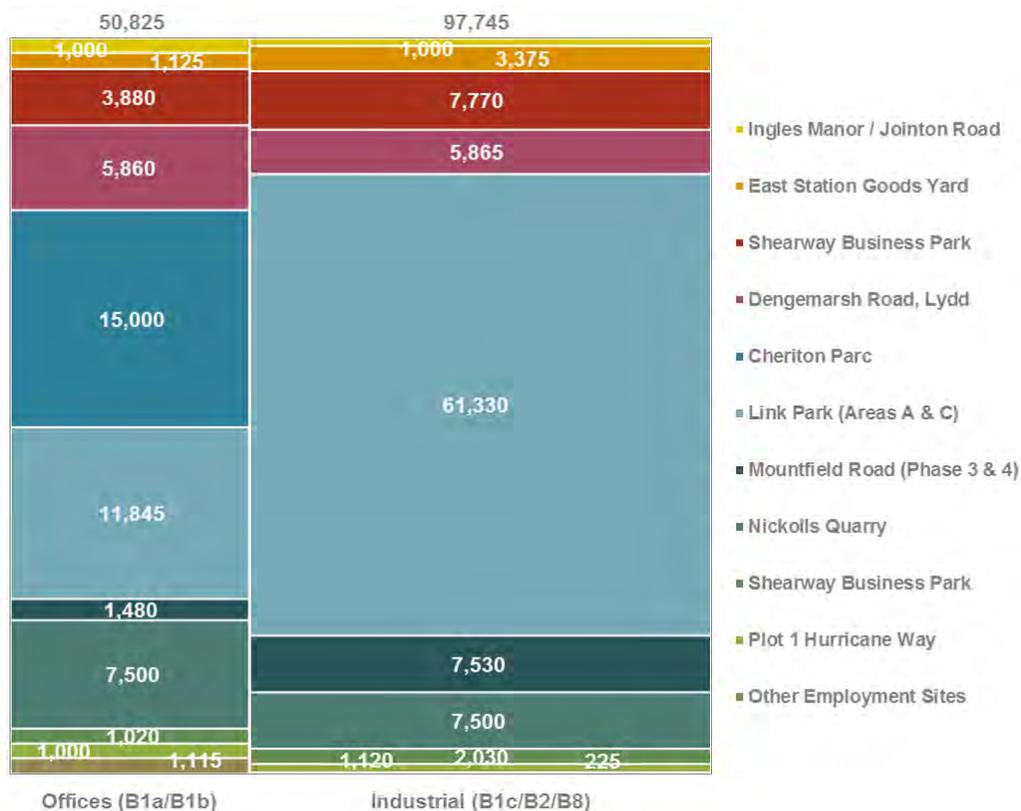
Table 7.3 Total Existing Supply of Employment Space in Shepway (at March 2016)

	Net Additional Employment Space (sq.m)		
	Offices (B1a/B1b)	Industrial (B1c/B2/B8)	Total
Extant Planning Permissions	10,020	10,650	<b>20,670</b>
Undeveloped Land Allocations	40,805	87,095	<b>127,900</b>
<b>Total Employment Space</b>	<b>50,825</b>	<b>97,745</b>	<b>148,570</b>

Source: Lichfields analysis

7.14 As illustrated in Figure 7.1, a few key development sites in Shepway support a significant proportion of the existing supply of B class employment space in the District. These considerable development opportunities for new employment space in Shepway includes at Link Park (Areas A & C) (49% of the total supply of B class employment space), Cheriton Parc (10%), Nickolls Quarry (10%), Dengemarsh Road, Lydd (8%) and Shearway Business Park (8%), which together support 85% of the total supply of employment space.

Figure 7.1 Total Existing Supply of Employment Space in Shepway by Site (at March 2016)



Source: Lichfields analysis

7.15 In spatial terms, the majority of the current supply of employment space in the District is located in the Hythe area (59%) which is due to the large permission at Nickolls Quarry and the large undeveloped allocation at Link Park (Areas A & C). The next largest concentrations of supply in Shepway are found in and around Folkestone (25%), Lydd (9%), New Romney (6%), and Hawkinge (1%).

7.16 Beyond this existing supply of employment space in Shepway, the existing levels of vacancy in the local office and industrial markets in the District appear to be lower than the ‘normal’ vacancy rate of 10%, which typically allows some churn and choice within a property market. For this reason, no surplus capacity in terms of existing vacant space has been added to this supply position for Shepway.

### Demand / Supply Balance for Employment Space

7.17 A broad comparison of the forecast requirements for employment space in the District over the period 2016 to 2026 with the existing supply from outstanding planning permissions and undeveloped land allocations in Shepway is set out in Table 7.4.

Table 7.4 Demand / Supply Balance for Employment Space in Shepway, 2016 - 2026

	1. Labour Demand	2. Past Completion Rates	3. Labour Supply
Requirements for B Class Space	<b>13,690</b>	<b>940</b>	<b>13,550</b>
Current Supply of B Class Space	148,570		
<b>Surplus / Shortage (sq.m)</b>	<b>+ 134,880</b>	<b>+ 147,630</b>	<b>+ 135,020</b>

Source: Lichfields analysis

7.18 This comparison implies that the District has a sufficient supply of B class employment space in quantitative terms to meet the forecast needs estimated under each of the potential growth scenarios for Shepway over the remaining years of the Core Strategy Local Plan period to 2026. In this context, it would appear that the District also has enough surplus capacity over the period to 2026 to have a sufficient supply of employment space to meet the additional requirements arising between 2026 and 2031.

7.19 The availability of a choice of sites in a market is also important for meeting the needs of different types of sectors, particularly in terms of accommodating a mix of employment opportunities across a range of skill sets. In this context, the current supply of B class employment space in Shepway for both office and industrial uses are compared with the forecast requirements for these different B class uses under each of the future growth scenarios (Table 7.5).

7.20 This analysis indicates there is a sufficient supply of office space in Shepway to meet the forecast requirements for office space, purely in quantitative terms, under all three potential scenarios of future growth in the District during the period 2016 to 2026. The surplus supply of office space in the District during this period would range from 32,135sq.m under the labour demand scenario to 65,425sq.m under the past completion rates scenario.

Table 7.5 Demand / Supply Balance for Office and Industrial Space in Shepway, 2016 - 2026

	1. Labour Demand	2. Past Completion Rates	3. Labour Supply
<b>OFFICES</b>			
Requirements for B Class Space	18,690	- 14,600	18,650
Current Supply of B Class Space	50,825		
<b>Surplus / Shortage (sq.m)</b>	<b>+ 32,135</b>	<b>+ 65,425</b>	<b>+ 32,175</b>
<b>INDUSTRIAL</b>			
Requirements for B Class Space	- 5,000	15,540	- 5,100
Current Supply of B Class Space	97,745		
<b>Surplus / Shortage (sq.m)</b>	<b>+ 102,745</b>	<b>+ 82,205</b>	<b>+ 102,845</b>

Source: Lichfields analysis

7.21 In addition, the analysis indicates that there would be a sufficient supply of industrial space in the District to support the forecast requirements under each of the potential growth scenarios for Shepway over the period 2016 to 2026. The potential surplus supply of industrial space in the District during this period is estimated to range from 82,205sq.m under the past completion rates scenario to 102,845sq.m under the labour supply scenario.

7.22 It should be noted that this demand and supply assessment for Shepway assumes that the entire supply of B class employment space identified for the District will come forward for development by 2026. However, in reality, it is likely that a share of the undeveloped land allocations in the District will face some sort of delivery challenge that could affect their ability to be delivered by 2026. This particularly relates to any allocation that needs extensive upfront infrastructure work to unlock the development site. In any case, any deviation from the assumption that the entire supply of employment space in Shepway will be available and deliverable by 2026 will affect the quantitative demand and supply balance for office and industrial uses in the District.

### Qualitative Factors

7.23 Alongside the quantitative need for B class employment space in Shepway, there may be qualitative factors generating requirements for additional employment space. This includes to:

- improve the choice of premises and sites for occupiers;
- meet gaps in the supply of specific types of sites or premises;
- enhance and modernise the quality of the current provision which will help to attract more occupiers, as noted by some of the market feedback in section 4.0; and
- provide a better spatial distribution of employment sites to meet the needs of different areas of the District.

### Office Market

7.24 The preceding analysis indicates that only around 44% of the available office supply in the District is currently located in Folkestone, which market feedback identifies as the focus for nearly all the demand for office space in Shepway. In this context, it is possible that the existing supply of office space in the District is not presently situated in the best areas to meet the

strongest concentrations of demand in Shepway, specifically in Folkestone where the majority of office take-up over the Core Strategy Local Plan period is likely to occur.

- 7.25 Although the town benefits from a sizeable office allocation at Cheriton Parc, the site has remained undeveloped for a number of years, and continues to face delivery challenges related to uncertain levels of demand for large out-of-centre office developments in the town. This in part reflects the fact that the local market has not traditionally accommodated large office occupiers that would be more likely to demand such an office development within Folkestone with these larger office occupiers typically drawn to other established office locations in the sub-region like Ashford.
- 7.26 In this context, the feedback from agents suggested that a key challenge for the local market relates to the need to provide a better supply of quality office premises in Folkestone that meets the needs of existing and prospective occupiers. In the absence of such modern office space coming forward in the local market, the risk remains that Folkestone, and the District more widely, would be unable to retain firms within Shepway, or capture enquiries from prospective entrants to Shepway.

### **Industrial Market**

- 7.27 Although demand for industrial space in Shepway is more widespread than in the local office market, the majority of the demand is still generally focussed in Folkestone. In this context, the existing supply of industrial space in the town only equates to around 15% of the total supply in Shepway, which suggests a potential imbalance in the current spatial distribution of industrial supply across the District. A lack of industrial space in Folkestone in the Core Strategy Local Plan period has the potential to constrain growth in industrial businesses in the town, as well as deter new industrial businesses from locating in Folkestone.
- 7.28 Outside the demand for industrial space in Folkestone, each of the smaller settlements of Hythe, Lydd and New Romney also accommodates at least one industrial estate that provide accommodation for small businesses operating in highly self-contained local markets. Although demand for industrial space in these parts of the District tend to be weaker than in Folkestone the provision of a mix of factory and warehouse premises at these industrial estates remains important to ensure the needs of local firms in these areas are supported.
- 7.29 In this context, it is considered that there is a need in Shepway to ensure a good range of industrial sites and premises are delivered across the District to better support the industrial space requirements of existing and prospective businesses in the market. This new industrial space should primarily consist of small-to-medium sized industrial premises that meet the requirements of small local occupiers, although there may also be scope to deliver larger floorplates that meet the requirements of non-local firms that operate in markets that extend beyond the District. Such industrial space is most likely to be delivered in close proximity to the M20 in the Folkestone and Hythe area of the District, although a lack of deliverable sites within the area could act as a principal constraint to such development in the market.

### **Summary**

- 7.30 The following key findings and conclusions can be drawn:
- 1 Based on the current supply of B class employment space in Shepway from extant planning permissions and undeveloped land allocations from the Core Strategy Local Plan (2013), the demand and supply balance for the District suggests there is a sufficient supply of B class employment space in quantitative terms to meet the estimated office and industrial requirements under all three future growth scenarios over the period 2016 to 2026, and also beyond to 2031.

- 2 From a purely quantitative perspective, the potential surpluses of B class employment space in the District during the remaining years of the Core Strategy Local Plan period to 2026 ranges from 134,880sq.m under the labour demand scenario to 147,630sq.m under the past take-up scenario. It would appear that the District has enough surplus capacity to also meet the additional requirements arising in Shepway during the five year period from 2026 to 2031.
- 3 Although the District has a significant surplus capacity of employment space to meet its forecast requirements, any deviation from the assumed delivery of the entire supply of B class employment space in Shepway would affect the demand and supply position for both office and industrial space in the market. In particular, if some of the larger undeveloped land allocations in Shepway were not to come forward by 2026 due to a range of possible delivery barriers, the demand and supply balance for B class employment space in the District would begin to deteriorate.
- 4 The emerging supply of office space in Shepway appears to be suitable to meet the forecast requirements estimated by all scenarios for future office growth in the District (i.e. labour demand and labour supply scenarios) over the residual Core Strategy Local Plan period. This includes a potential surplus of office space in the District between 2016 and 2026 that ranges from 32,135 sq.m to 65,425 sq.m.
- 5 The emerging supply of industrial space in Shepway appears to be sufficient to meet the forecast requirements estimated by all scenarios for future industrial growth in the District to 2026 (namely based on past completions). This indicates a potential surplus of industrial space between 82,205 sq.m to 102,845 sq.m.
- 6 The majority of the demand for office and industrial space in Shepway during the Core Strategy Local Plan period will be concentrated in Folkestone, which represents the central commercial hub in the District. However the analysis indicates only 44% of the available office supply and 15% of the available industrial supply is located in Folkestone, which could result in a spatial imbalance in the District in terms of accommodating the future requirements for employment space in the town.
- 7 A key challenge for the local market in Shepway is the ability to deliver new office and industrial space in an environment where values are fairly low and demand is uncertain. However, it will be important for the District to develop new space to ensure existing firms are retained and any footloose enquiries can be suitably captured. In this way, feedback from local agents indicated that the majority of demand for office and industrial space comes from local businesses looking for small to medium-sized premises, with areas that benefit from good access to the M20 recognised to be premier locations in the District.

## 8.0 Conclusions and Policy Implications

8.1 This section draws together the overall conclusions of the study and considers potential policy approaches to delivering suitable levels of employment space in Shepway during the Core Strategy Local Plan period to 2026, and beyond to 2031. This includes the consideration of other measures that may be required to support the economic growth objectives of the District.

### Overview of the Economy

8.2 Shepway is positioned on the south-east coast of Kent, with the District bound by Canterbury to the north, Ashford to the west, Dover to the north-east and Rother to the south-west. Despite the relative isolation of Shepway in geographic terms, the District does benefit from good strategic transport links to the western parts of Kent and central London via the M20 motorway and high-speed domestic rail services, whilst the entrance to the Channel Tunnel is also located within the boundaries of Shepway.

8.3 In particular, these strategic transport connections benefit Folkestone, which is the largest settlement in the District and represents the main hub for economic and business activity in Shepway. Broadly, the District can be characterised as having three distinct economic and market sub-areas: Folkestone and Hythe, Romney Marsh, and the North Downs. Outside the central commercial hub in Folkestone and Hythe, other parts of the District can be characterised as being mostly rural in nature, with more limited opportunities for new economic developments.

8.4 The Shepway economy has recorded relatively strong employment growth over recent years when benchmarked against the regional and national growth levels. This includes buoyant job creation in the District between 2006 and 2016, which represents the first half of the Core Strategy Local Plan period for Shepway up to 2026. Recent employment growth in Shepway has largely been driven by non B class sectors, such as hospitality & recreation, education, and public administration & defence, although the District has also recorded gains in office jobs that have been stimulated by strong job growth in the professional & other private services sector. The historic growth in office jobs in Shepway have been offset, to a degree, by losses in local industrial jobs.

8.5 An over-representation of lower value employment sectors in the District (e.g. public administration & defence, agriculture, forestry & fishing, and utilities) has contributed to the Shepway economy being less productive compared to the regional and national average. The lower value employment base in Shepway aligns with a less skilled resident workforce capturing lower levels of earnings compared to other parts of Kent, while the existing employment mix in the local economy is likely to have contributed to a proportion of the resident workforce choosing to commute outside the District for their employment.

8.6 In this context, one of the key drawbacks of Shepway as a business location relates to a shortage of skilled labour in the District to support the requirements of local businesses. Other identified weaknesses of the local economy include a lack of good quality commercial space that meet modern occupier needs and an absence of strategic road access to much of the District outside of Folkestone. These drawbacks have contributed to the District being highly self-contained in terms of local businesses operating in mostly local markets, with few inward investments attracted to the Shepway economy.

8.7 These identified weaknesses of Shepway as a business location have reduced the ability of the District to compete with other established commercial centres in the sub-region, such as Ashford and Dover, particularly in terms of capturing footloose occupier enquiries in this part of

Kent. In contrast to this, one of the main strengths of Shepway as a business location relates to its lower business and rental costs compared to other locations in Kent and the wider South East, which brands the District a cost competitive location for occupiers. However, the lower rental values in Shepway also have the opposite effect on speculative developments due to viability issues.

- 8.8 Overall, these recent conditions and trends in the Shepway economy will have had a significant effect on how the commercial property market in the District has performed over recent years. In this context, the long term trends for the District suggest a gradual decline in office space and an increase in industrial space since 2000. These development trends in Shepway sit in contrast to recent employment trends which indicate growth in office jobs and a decline in industrial jobs. This divergence in trends is likely to reflect a more efficient use of the existing office space in the District, as well as the delivery of some new industrial space in the District supporting fewer jobs in industrial sectors (e.g. the trend towards automation reduces the traditional number of jobs supported by industrial space).
- 8.9 As noted in section 1.0, the Council through its published Economic Development Strategy has identified actions to boost the local economy in terms of growth sectors and increase local job opportunities through a number of actions including increasing the supply and quality of employment land within the District. A more active programme of intervening in the market is likely to help address some of the issues which have traditionally acted as a barrier to commercial development in Shepway (e.g. site infrastructure, viability) but also potentially help stimulate greater levels of market demand as business growth increases. Alongside this, the proposed Garden Town at Otterpool Park which is currently subject to masterplanning proposals provides a major opportunity to deliver a new focus for well-located strategic employment development within the District.

### **Approach to Meeting Future Needs**

- 8.10 The future growth scenarios considered in this study indicate the broad scale and type of growth associated with a range of approaches to modelling B class employment space requirements for Shepway over the period 2006 to 2026, and beyond to 2031. To varying degrees, these future scenarios reflect both indigenous growth needs in the District and the potential for some footloose demand in the sub-region to be captured by Shepway over the Core Strategy Local Plan period. In the context of the NPPF and PPG, the policy approach by the Council should aim to positively plan to support the employment needs in Shepway so that the economy is not unduly constrained, but also recognising the issues around limited land supply and the competing pressure on available development sites from other non B class uses.
- 8.11 In order to ensure a flexible and responsive policy framework for the District it will be necessary to not just concentrate on meeting the forecast quantitative requirements for office and industrial space in Shepway, which will fluctuate over time, but to reflect on the opportunities and risks that flow from particular policy approaches. This could include how the delivery of B class employment land can be prioritised in particular areas and for particular uses, or how scope can be created to deliver new inward investment opportunities for Shepway. In this context, the Council should also consider the scope to which existing legacy employment areas or allocations in the District are no longer productive for employment use, and could be better placed to support other non B class uses in the future.
- 8.12 Overall, it is important that planning for future B class employment growth in Shepway is balanced against pressure from other land uses. This includes an increasing competition for developable land in the District from other non B class employment generating uses such as retail or sui generis developments, which also provide benefits to the local economy or have

identified needs that the NPPF outlines should be duly supported by local planning authorities (LPAs).

- 8.13 To meet the future requirements for office and industrial space in Shepway it will be necessary for the Council to make choices in the Places and Policies Local Plan around which employment sites to protect or allocate for employment developments or which to bring forward as mixed-use sites either in part or in full. These judgements by the Council must ultimately take into account the following:
- 1 the local benefits of B class employment sectors and the need to sustain a diversified and resilient economy that is able to capitalise on economic growth opportunities as they arise, and particularly if the Council proposes to intervene in the market to assist delivery;
  - 2 the economic and market outcomes that would arise if particular sectors become displaced from the economy, or are otherwise constrained from expanding in the District;
  - 3 the need to promote growth in high value sectors in Shepway that meet the aspirations of local workers and helps improve productivity levels of the local economy as set out in the Council's **Economic Development Strategy**; and
  - 4 the requirement to set targets for delivery of new B class employment space, particularly on large employment sites to provide more clarity and certainty for developers, which requires a practical assessment of what the market can deliver at employment sites across the District at any one time.
- 8.14 The policy choices ultimately adopted by the Council should, as far as possible, seek to plan for a choice of employment sites and locations within the District to support the requirements of particular businesses and sectors. In this context, some further commentary around the potential options for supporting the needs of the local office and industrial market in Shepway during the period to 2026, and beyond to 2031, is set out in turn below.

## Office Market

### Current Position

- 8.15 Shepway is not considered to be a particularly significant office location, with relatively limited levels of demand, take-up and supply generally characterising the local market. The existing supply of office space in the District is almost exclusively concentrated in Folkestone, the largest settlement in Shepway, with no major demand or supply of office space identified in the rest of the District.
- 8.16 Although Folkestone supports a substantial cluster of office space relative to the rest of the District, the town still generally lacks the necessary critical mass to attract and sustain sizeable office occupiers. This is particularly given the increasing competition facing the town from the larger established office centre in Ashford, which has a strong provision of large, modern office space that is able to attract and retain significant office occupiers. The exception to the local market condition is Saga, a major financial services company that has based its headquarters in Folkestone, although the location of Saga in the town is primarily a legacy of its origins in the District.
- 8.17 Generally the supply of office space in Folkestone comprises small-to-medium sized offices of older stock, with a limited supply of new office accommodation available in the local market to meet the demand for higher quality office space. Where new office developments have occurred in Folkestone, this new space has mainly been delivered on out-of-centre sites that provide strong road access and car parking provision (e.g. Cheriton Parc and Shearway Business Park),

while some small refurbished office units have also recently become available in the Creative Quarter in Folkestone town centre and have proved successful.

- 8.18 In this context, the feedback from agents suggested the limited development of new office space in Folkestone, as well as in the wider District, has resulted in much of the available stock being increasingly unsuitable to match the demand from occupiers searching for higher quality office facilities. Such a shortage of high quality office space in Folkestone is seen by agents as the main barrier to attracting new firms to the local market, as well as retaining existing firms in the local market as they look to expand or relocate. This includes small home-based businesses and remote-workers that require flexible access to modern office facilities. The absence of a good supply of modern offices in Shepway is likely to mean that future enquiries for such office space, could be lost to other locations in the sub-region.
- 8.19 Overall, the current demand for office space in Shepway comes from local businesses looking for smaller office premises up to 90sq.m (1,000sq.ft), whilst reasonable demand also exists in the local market for slightly larger premises up to 460sq.m (5,000sq.ft). The vast majority of this demand is focused in Folkestone, while nearly all the demand for office space relates to the churn of existing businesses in the local market. However, the agent feedback indicated that it is difficult to measure levels of demand in the District given that the type of office space that would be expected to generate demand from occupiers is not currently available to any great extent in the local market (e.g. Grade A office accommodation).

### **Future Requirements**

- 8.20 Against this backdrop, the growth scenarios considered in Section 6.0 estimate a requirement for office space in Shepway over the Core Strategy Local Plan period from 2006 to 2026 that ranges from a loss of 29,200sq.m to a gain of 56,540sq.m. The residual requirement for office space in the District over the second half of the Core Strategy Local Plan period from 2016 to 2026 was estimated to be between a loss of 14,600sq.m and a gain of 18,690sq.m.
- 8.21 However, the lower end requirements for office space estimated for Shepway are based on the past completion rates scenario that reflects the recent losses of office space in the District. In the context of the forecast employment growth in office-based sectors in Shepway from the Experian economic forecasts, it would be unsuitable for the Council to plan for a negative requirement for new office space in Shepway in the future. There is reasonable consistency between the labour demand and labour supply approaches which indicate a total office floorspace requirement of about 55,000 sq.m, of which just under 19,000 sq.m relates to the period 2016-2026.
- 8.22 Against this backdrop, the emerging supply of office space in Shepway from extant planning permissions and undeveloped land allocations appears to be suitable to meet the forecast requirements to 2026. Based on the assessment in Section 5.0, there is a potential surplus of office floorspace which would also be sufficient to meet the additional demand arising during the five year period from 2026 to 2031.
- 8.23 However, only 44% of the available office supply in the District is currently located in Folkestone, which market feedback identifies as the focus for nearly all the demand for office space in Shepway. In this context, if it was assumed that all the forecast requirements for office space in Shepway was for space in Folkestone, the 22,500sq.m of office supply identified in the town would only just be sufficient to meet the requirement of about 19,000sq.m for the period from 2016 to 2026.
- 8.24 Although it is unlikely that all future demand for offices in Shepway would be solely concentrated in Folkestone, this analysis does suggest that the existing supply of offices in the

District is perhaps not located in the best areas to meet the strongest demand in the local market. This includes 38% of the existing office supply in Shepway being found in and around Hythe, including from the outstanding planning permission at Nickolls Quarry (where no employment development has yet come forward) and the undeveloped land allocation at Link Park (Areas A & C). Neither are currently established office locations when compared to Folkestone and are therefore only likely to support relatively modest levels of demand for space. This suggests that, in reality, additional capacity for offices may be required in and around Folkestone where market demand is currently focused.

- 8.25 In addition, a key challenge in terms of the future potential office capacity in Folkestone revolves around the delivery of the sizeable office land allocation at Cheriton Parc on the western fringe of the town. This undeveloped allocation represents about 65% of the total office supply in Folkestone and about 30% of the total office supply in Shepway as a whole. This employment allocation has remained undeveloped for a number of years, which in part reflects limited levels of demand for a large out-of-centre office development in Folkestone. An absence of sizeable office occupiers in the town has contributed to this lower level of demand for such an office development in Folkestone, with much of the demand for larger floorplates in the sub-region accommodated in Ashford.
- 8.26 In this way, the undeveloped office allocation at Cheriton Parc represents a large share of the total office supply in Folkestone and the wider District but the delivery of the site during the Core Strategy Local Plan period to 2026 faces significant challenges. This mainly relates to the lack of certainty around levels of demand for out-of-centre office developments in the market, which coupled with lower rental values, serves to discourage speculative developments in the town. For this reason, the delivery of the site over the short to medium term will need to overcome challenges, with the possibility that office space at Cheriton Parc is delivered beyond the Core Strategy Local Plan period, which could lead to a shortfall of office space to accommodate the forecast requirements in Folkestone over the period to 2026. The Council should consider intervention to assist with delivery for the site, for example by preparing a development brief/masterplan for the site to help establish a clearer concept in terms of the optimal scale, mix and layout of employment uses (to include new B1a office provision) that can be taken to the market and/or assist with public funding bids.
- 8.27 Overall, a key challenge for the Council relates to the delivery of new, modern office space in Shepway that meets the needs of both existing and prospective occupiers in the local market. In the absence of modern office space coming forward in the local market, the risk remains that Folkestone, and the District more widely, would be unable to retain firms in the District, or attract new firms to the District. For this reason, existing office allocations in Folkestone such as at Cheriton Parc represents important development opportunities if the town is to meet its forecast requirements during the Core Strategy Local Plan period, while the provision of office space in Folkestone town centre should also continue to be a focus for the Council. Consideration should also be given for how the Otterpool Park proposals could provide higher quality strategic employment provision.

## **Industrial Market**

### **Current Position**

- 8.28 Shepway has traditionally recorded steady levels of demand for industrial space although this demand has never been particularly high when compared with levels of demand seen in other industrial locations in the sub-region (e.g. Ashford and Dover). The limited demand for industrial space in the District is best reflected by a number of employment allocations in Shepway remaining undeveloped for a number of years, while other industrial sites have

gradually been taken-up as mixed employment sites in part given the constrained levels of demand for industrial space within the District (i.e. a mix of industrial uses delivered alongside retail warehouse and trade counter uses).

- 8.29 As with the local office market in Shepway, the lower levels of demand in the local industrial market acts to discourage the speculative development of new industrial space in the District. This ultimately exacerbates the limited market interest for industrial space in the District as there is a shortfall of high quality industrial accommodation available in the market to support greater levels of demand from both existing and prospective firms to Shepway. In this context, the assessment of latest monitoring data in section 3.0 showed that industrial developments in Shepway dropped-off significantly after 2008, which appears to coincide with the onset of the economic downturn, with development rates within the District seemingly yet to recover to pre-recession levels.
- 8.30 In contrast to the office market, the provision of industrial space in Shepway is much more widespread across the District with each of the smaller settlements of Hythe, Lydd and New Romney supporting at least one industrial estate. For the most part, these industrial estates support the space requirements of small industrial firms that operate in highly self-contained local markets, with most of the non-local firms in Shepway that operate in markets that extend beyond the District located in the Folkestone and Hythe sub-area. This area provides good strategic access to the wider sub-regional economy via the M20.
- 8.31 Generally, the supply of industrial space in Shepway can be characterised as older stock in need of improvements, with limited availability of modern, higher quality premises evident within the District. In this context, much of the current industrial space in Shepway faces ongoing pressure from competing land uses that has contributed to the erosion of some industrial space in the District and the formation of more mixed sites that support a range of employment uses. However, the steady demand for industrial space in the District has contributed to a net gain of industrial space during recent periods, with some of the more recent space brought forward in Shearway Business Park and Highfield Industrial Estate.
- 8.32 Overall, the prevailing demand for industrial space in Shepway comes almost exclusively from local businesses with few enquiries received from prospective new entrants to the local market. This local demand for industrial space mostly relates to small-to-medium sized premises up to 460sq.m (5,000sq.ft), while some demand is also evident for industrial space up to 930sq.m (10,000sq.ft). However enquiries data also points towards some demand for larger industrial accommodation in the local market, although such enquiries are infrequent.

### **Future Requirements**

- 8.33 Section 6.0 estimated a requirement in Shepway over the Core Strategy Local Plan period from 2006 to 2026 that ranges from a loss of 21,855 sq.m to a gain of 32,450 sq.m. More specifically, the residual requirement for industrial space in the District over the second half of the Core Strategy Local Plan period from 2016 to 2026 was estimated to between a loss of 5,100sq.m to a gain of 15,540sq.m under the three potential growth scenarios.
- 8.34 In this context, it is recommended that the Council should plan to meet the relatively modest floorspace needs implied by the past completions scenario to ensure that some market needs are provided for (as indicated by recent development activity). Whilst industrial jobs have been in general decline in Shepway over recent years, and this trend is forecast to continue to some degree, some space needs are likely to be required to support the functioning of the local economy.

- 8.35 In any event, the emerging supply of industrial space in Shepway from extant planning permissions and undeveloped land allocations appears sufficient to meet the forecast requirements for the period 2016 to 2026. Based on the assessment in Section 5.0 the potential surplus of industrial space within Shepway between 2016 and 2026 would range from 82,205 sq.m to 102,845 sq.m.
- 8.36 As with the local office market, the supply of industrial space in Shepway is heavily reliant on a small number of larger undeveloped land allocations in the District. In particular, the undeveloped industrial allocation at Link Park (Areas A & C) represents more than 60% of the overall supply of industrial space in Shepway. Although the District would still have sufficient industrial supply to meet the forecast requirements through the Core Strategy Local Plan period to 2026 if the 61,300sq.m of available industrial space at Link Park (Areas A & C) was not to come forward over this period, if the site was not delivered, it would have a significant effect on the potential industrial capacity of the District to meet future demand for industrial space.
- 8.37 Although demand for industrial space in Shepway is more widespread than in the local office market, the majority of the demand is still generally focused around Folkestone. In this context, the existing supply of industrial space in the town only equates to around 15% of the total supply in Shepway, which suggests a potential imbalance in the current spatial distribution of industrial supply across the District. This available industrial space in Folkestone includes small sites in Shearway Business Park and East Station Goods Yard. Assuming a large share of the forecast requirements for the District will need to be taken-up in Folkestone there is the potential that the 14,200sq.m of available industrial space in the town will not be sufficient to meet demand, meaning other industrial sites in Folkestone could be necessary.
- 8.38 Overall, whilst it is clear from the demand and supply equation that Shepway has sufficient industrial space coming forward in the development pipeline to meet the forecast requirements, it will be important for the Council to ensure a good range of industrial sites and premises are provided across the District to better support the requirements of local businesses in the market. In the absence of higher quality industrial space coming forward, there is the risk of the District losing businesses to other locations in Kent due to the existing industrial space not being of the type or quality to meet modern requirements. The Council therefore needs to focus potential interventions in overcoming barriers to delivery of the key industrial sites, including resisting proposals for alternative uses other than where these are able to assist with delivery of new industrial floorspace. The Council will also want to explore the potential for Otterpool Park to provide higher quality strategic employment provision.

## **Other Policy Issues**

### **Delivery Trajectory for Employment Sites**

- 8.39 As set out above, the pipeline supply of employment space in Shepway appears to be sufficient to support demand over the Core Strategy Local Plan period to 2026, and beyond to 2031, for both the office and industrial market. However, many of the employment allocations in the District that form a major part of the emerging supply have remained undeveloped for a number of years now in part due to uncertain demand levels in the local market acting as significant delivery barriers to developments at these sites. In addition, there appears to be a spatial imbalance between where the strongest demand for B class employment space is concentrated in Folkestone and a potential shortage in the amount of space being delivered in the town.
- 8.40 In this context, there is a need to assess whether there is a sufficient supply of readily available sites across Shepway to meet the business expansion needs of local office and industrial occupiers during the Core Strategy Local Plan period to 2026, and beyond to 2031.

- 8.41 Accordingly it is recommended the Council should evidence how its portfolio of allocations and other development opportunities would support the delivery of new office and industrial space over the short, medium and longer term. This is in accordance with the approach set out within the former SEEPB guidance on employment land assessments, which encourages local authorities to identify a five-year rolling supply of employment land. Where any gaps are identified, the Council will want to consider options for how this can be addressed. It would therefore be helpful for sites to be assessed on a consistent basis to determine at broadly what point in the Core Strategy Local Plan period they may become available, and how important any individual sites are for supporting either office or industrial needs within any rolling five-year period.
- 8.42 In determining the likely timing and availability of B class employment space in Shepway, this delivery trajectory should have regard to the following:
- a the planning status of sites including any extant planning permissions, allocations and development briefs;
  - b development constraints and costs, and any known requirements for infrastructure;
  - c current developer or landowner aspirations; and
  - d market delivery and viability factors.
- 8.43 Such an assessment offers the opportunity to identify and map out the Core Strategy Local Plan's 'when', 'whom' and 'how' of employment space delivery actions for sites in the District. It would also provide a basis to continually assess the potential role of a site in meeting employment space and other Council objectives (and, inter alia, the policy benefits that would accrue if earlier delivery of the site was encouraged). The trajectory should be linked to the annual monitoring process (i.e. it could be reported through the Annual Monitoring Report) and periodically updated to ensure the rolling supply of employment space over the period to 2026, and beyond to 2031.
- 8.44 It is also possible this process indicates that some of the existing undeveloped employment allocations in the District are most likely to be available to meet business needs over a longer term period, which would place additional pressure on existing employment allocations to accommodate demand over the short to medium term. The potential demand and supply mismatch resulting from the removal of any of the employment space in Shepway over the Core Strategy Local Plan period would require a comprehensive review of the land delivery trajectory for the District.

## Monitoring

- 8.45 Reflecting guidance set out in the PPG, it will be important to monitor future change in the demand and supply of employment space to identify changing patterns in the District, and inform any policy responses that will be required. This is particularly significant given the scale of office losses in Shepway in recent years, and the further losses that could result from the new Permitted Development Rights (PDR) in the market converting office uses to residential.
- 8.46 In this way, some specific items that could be useful to monitor in the future are identified below:
- 1 levels of future demand for office and industrial space, and which of the estimates of future requirements produced in this study this best relates;
  - 2 how much of the identified supply of employment space are likely to come forward, and whether any new sites are subsequently identified;

- 3 the extent and type of any losses of existing employment land to non B uses, particularly residential (part of the on-going monitoring of prior approvals under PDR) and in a more detailed format than existing monitoring arrangements (i.e. recording the quantum of office floorspace lost); and
- 4 any on-going deficiencies in provision for specific types of employment premises (e.g. small, low cost, business or industrial units).

## Appendix 1: Consultees

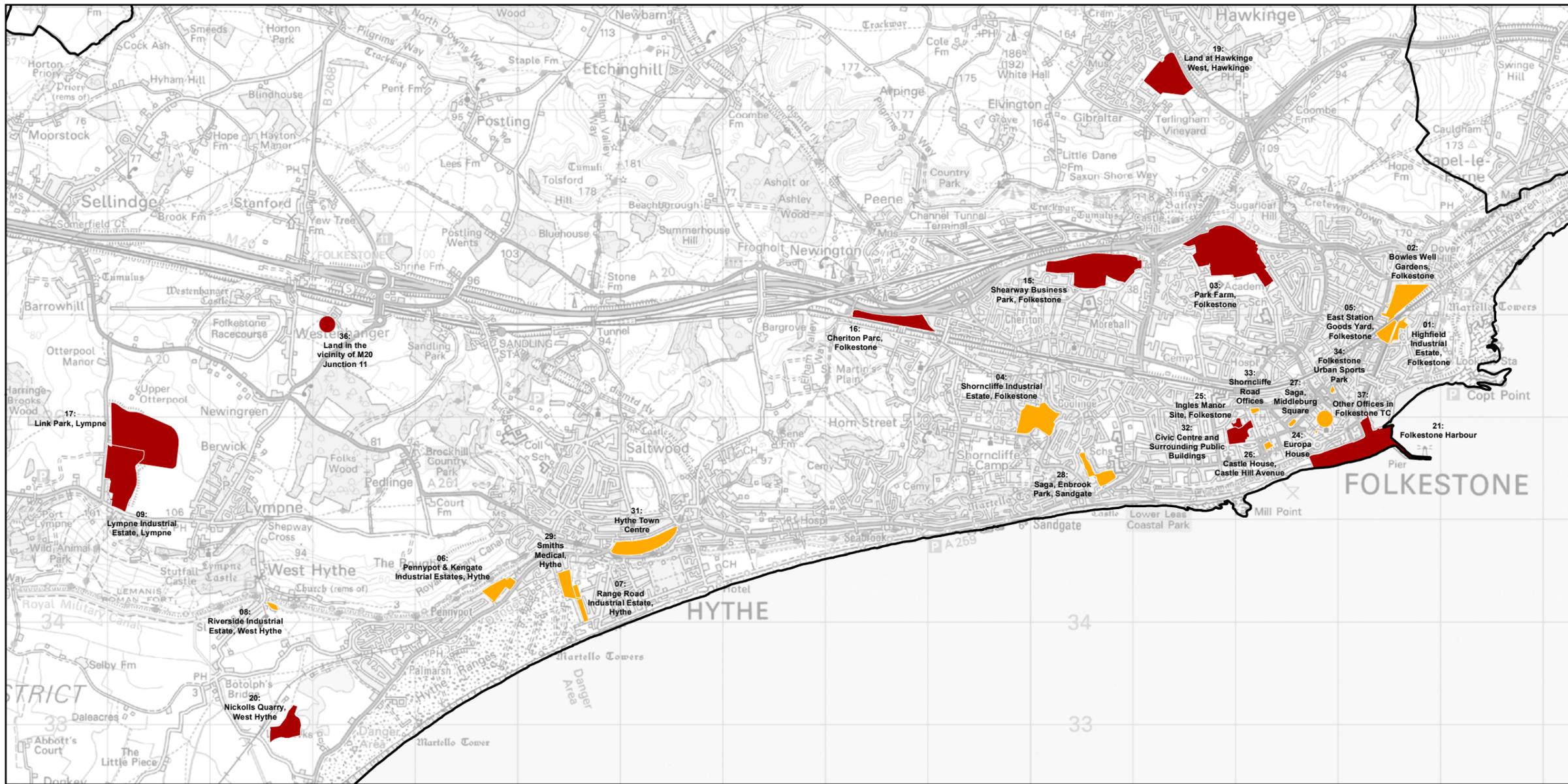
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Kris Foster, Smith Woolley

Colin Greenstreet, Fell Reynolds Chartered Surveyors

Mandy Bearne, Locate in Kent

# Appendix 2: Site Plans



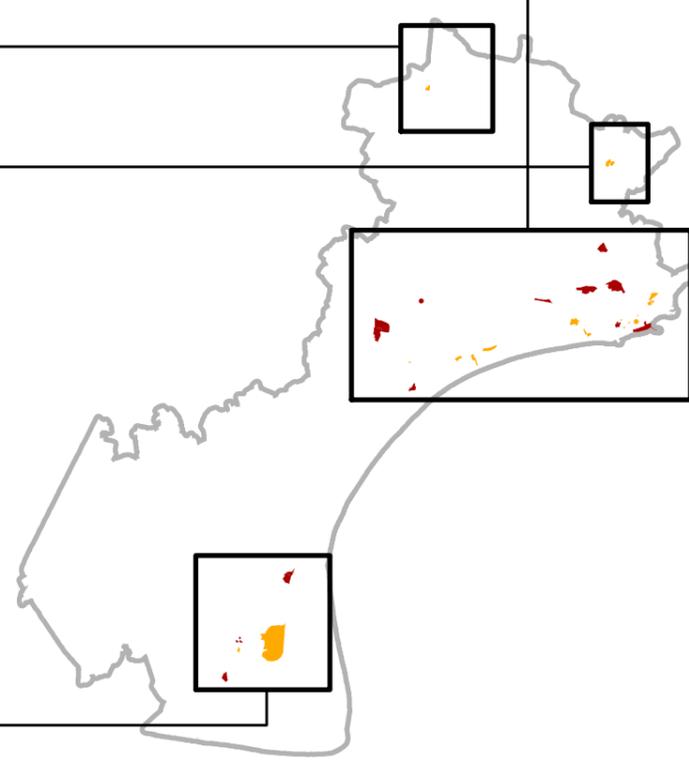
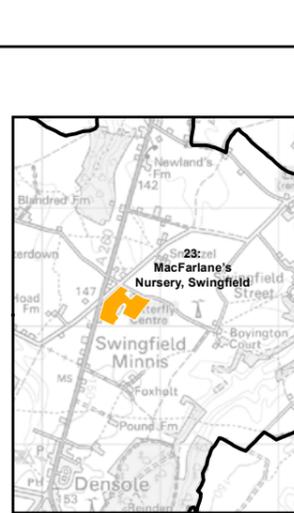
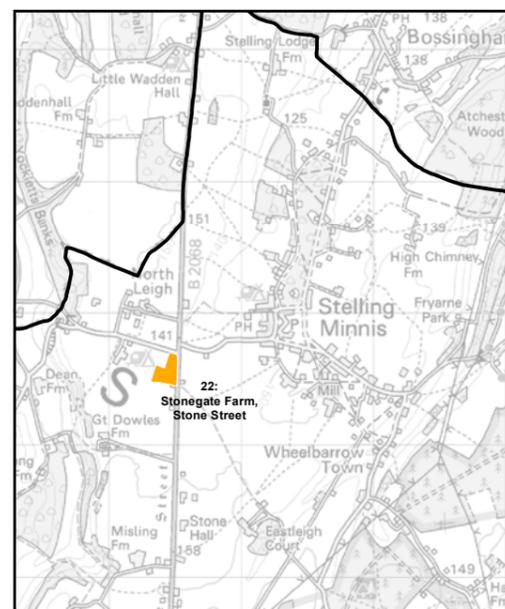
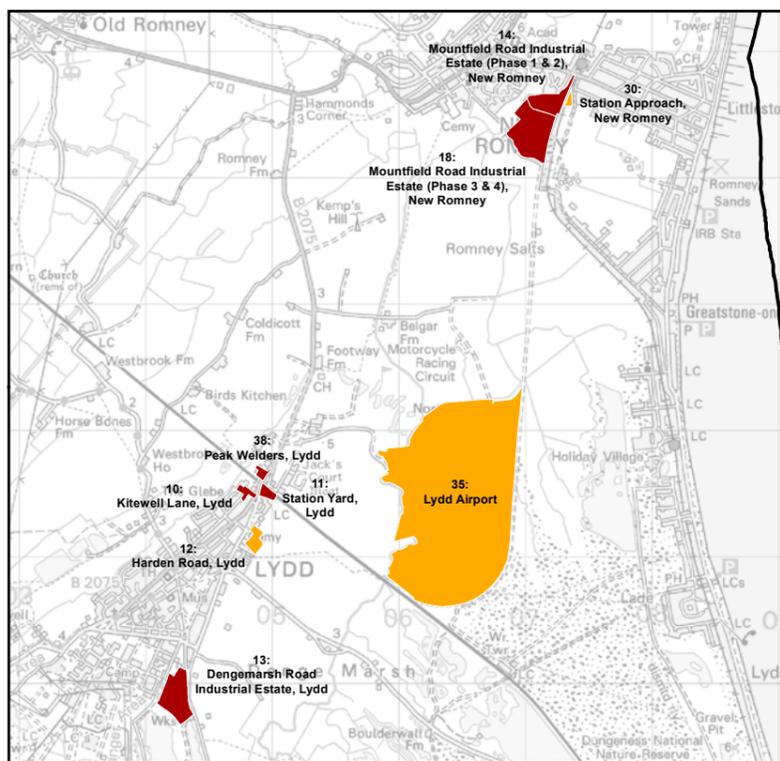
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Employment Site: Site Visit



Employment Site: Desk-Top



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# LICHFIELDS

Project Shepway ELR

Title Employment Sites

Client Shepway District Council

Date 19.05.2017

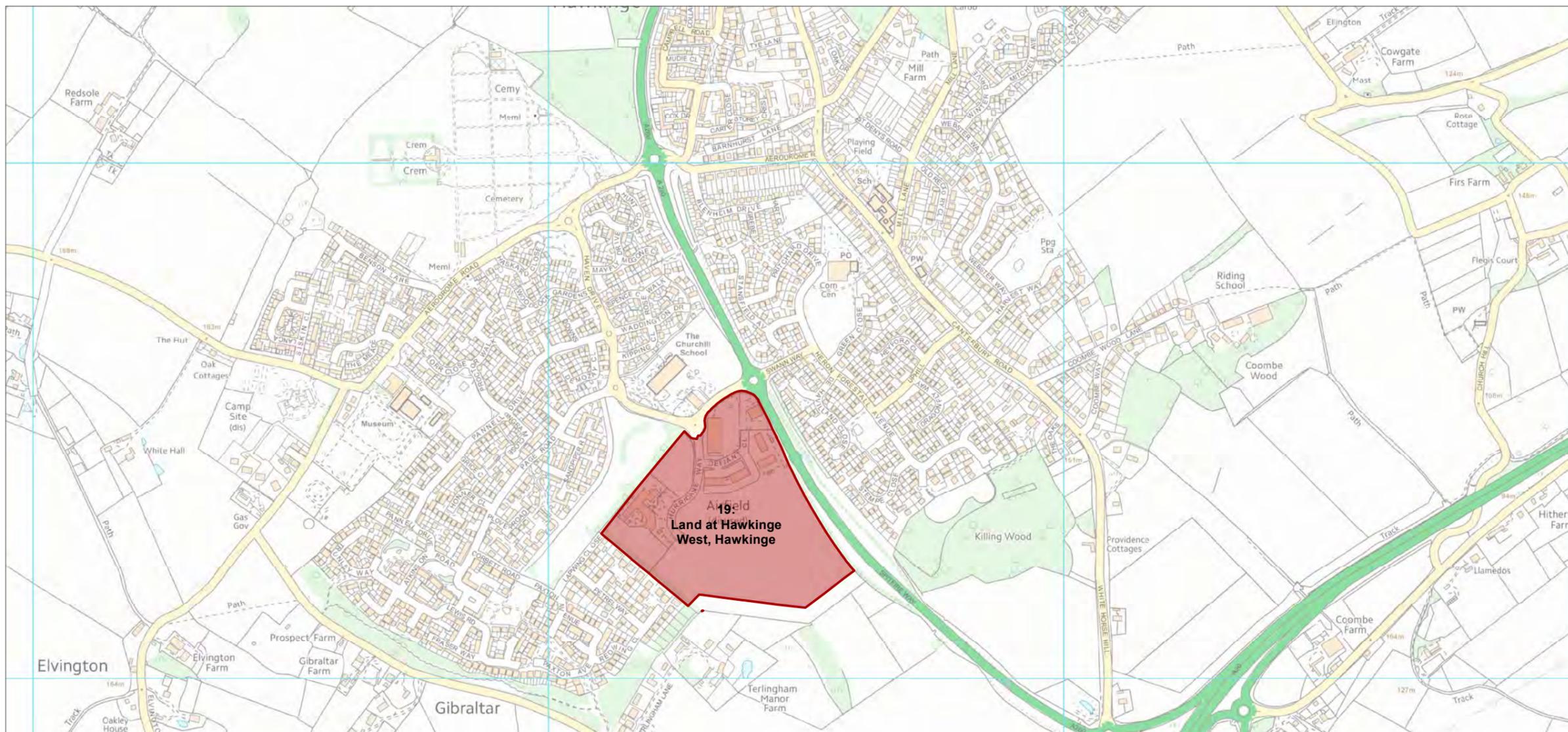
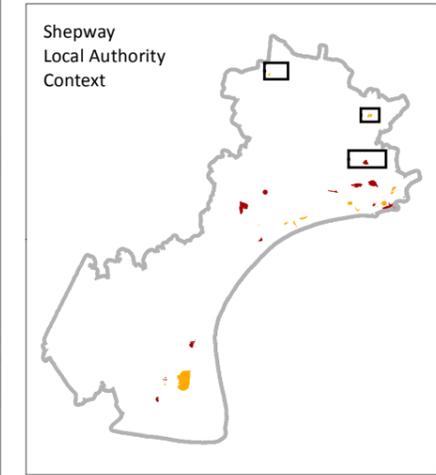
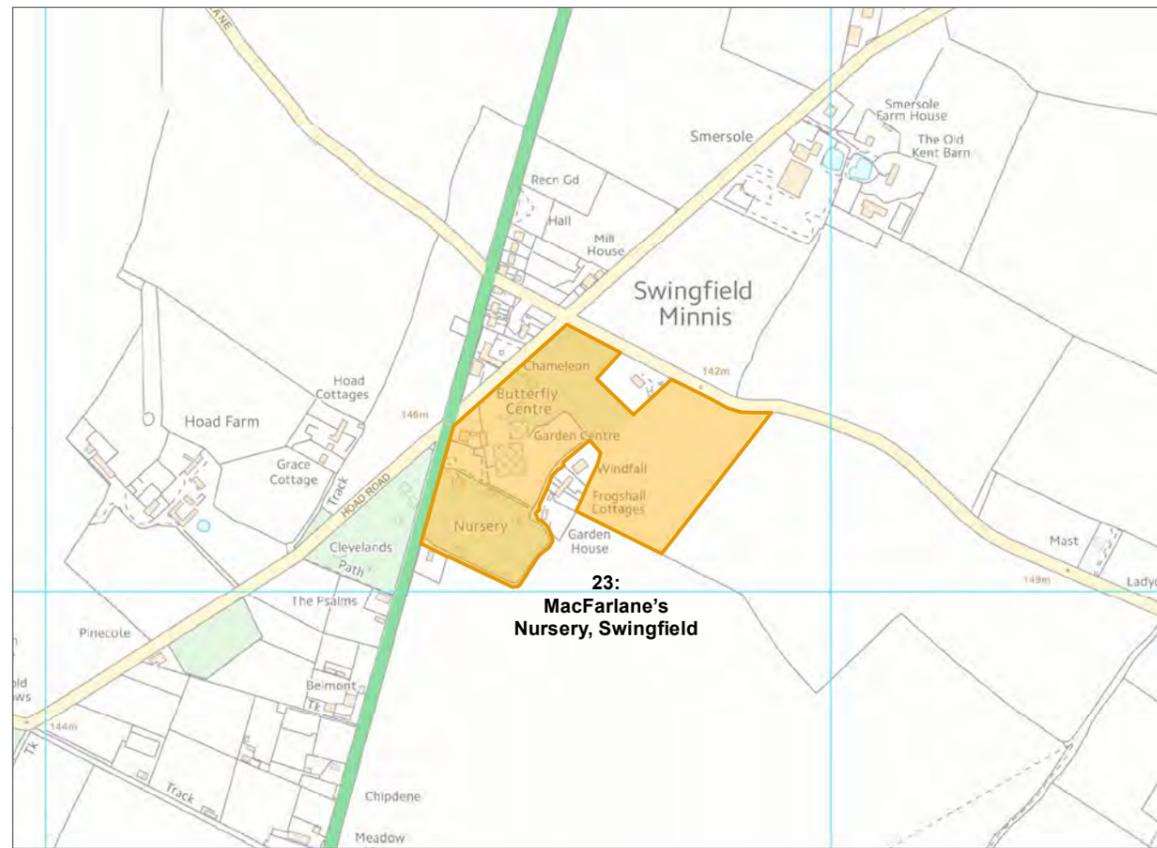
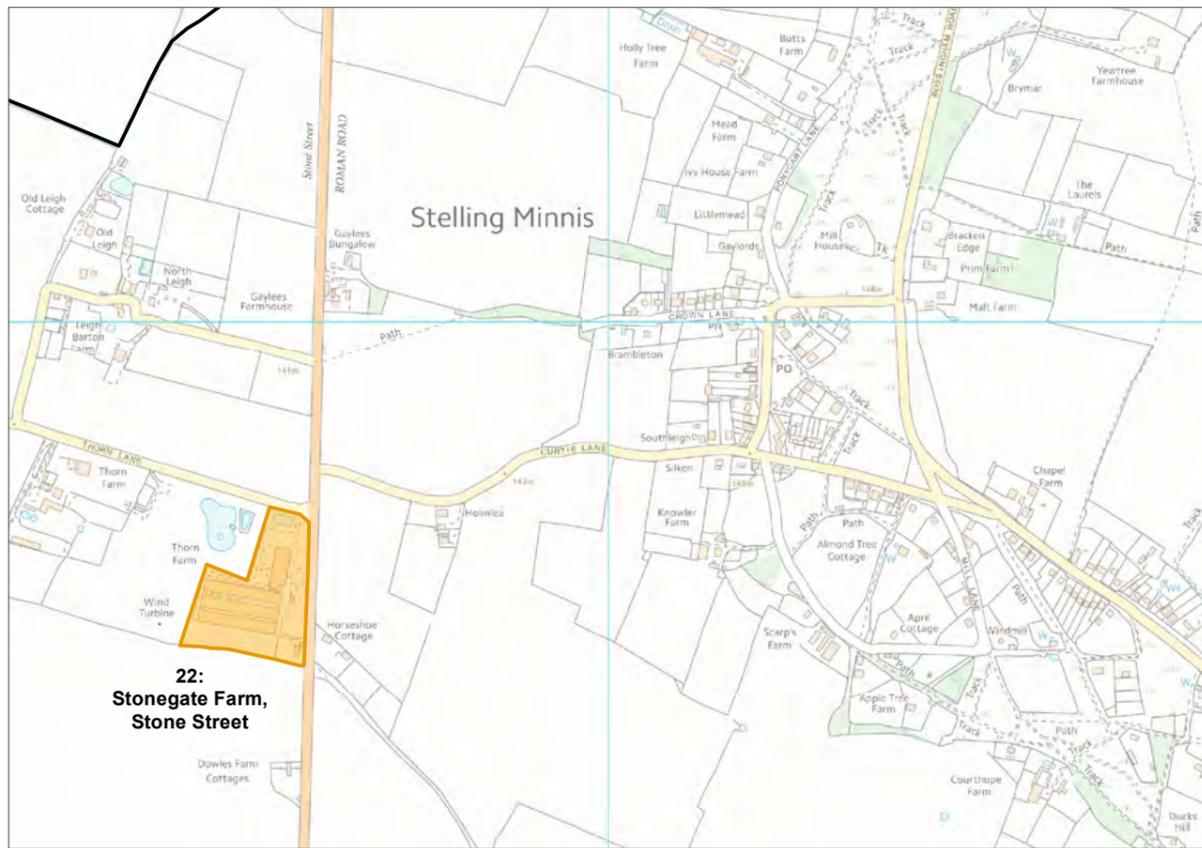
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**Folkestone**  
Hythe & Romney Marsh  
Shepway District Council

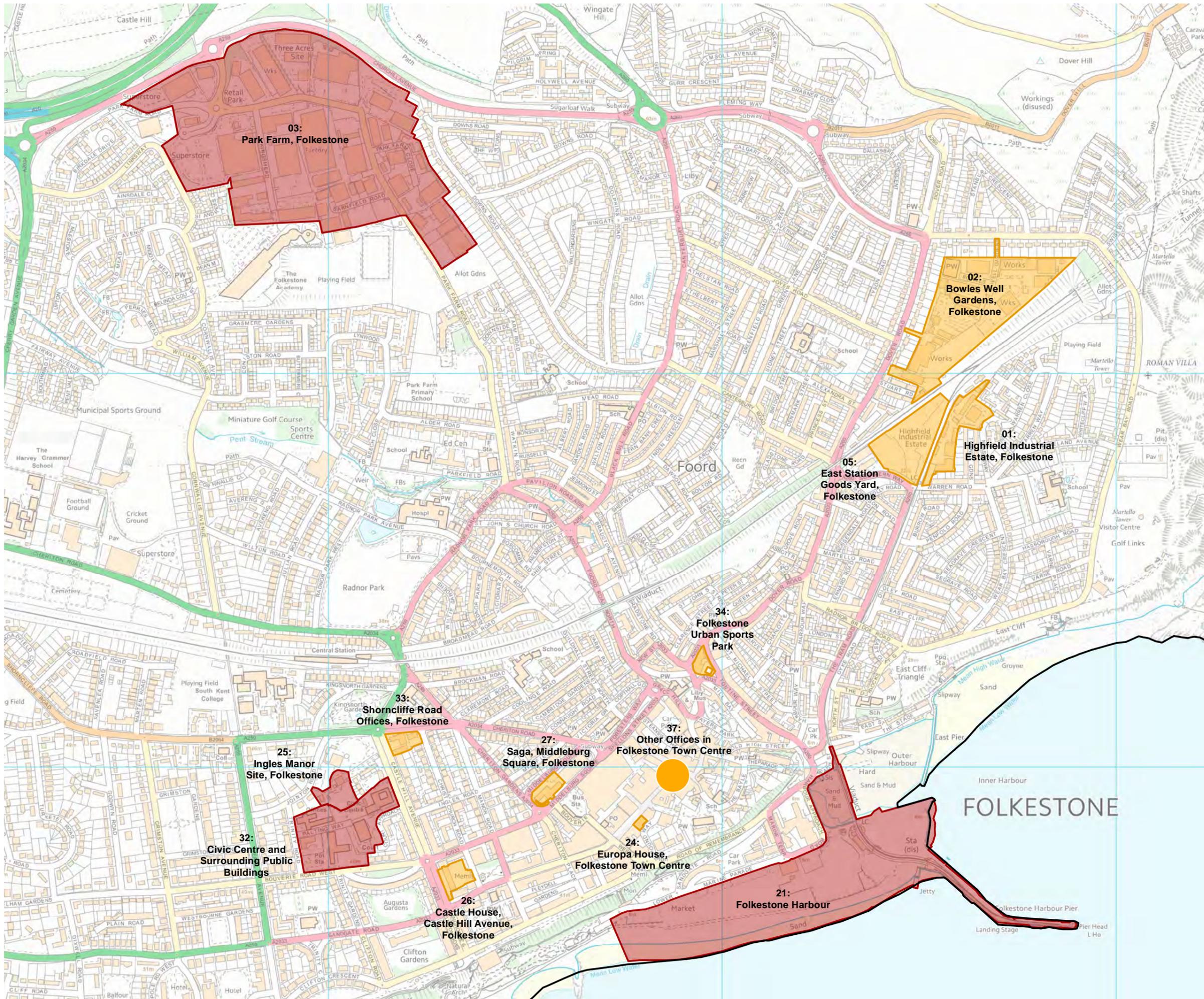
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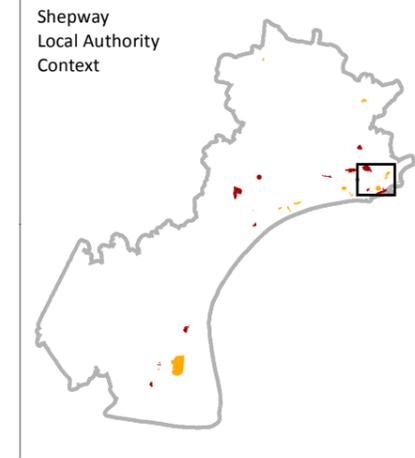
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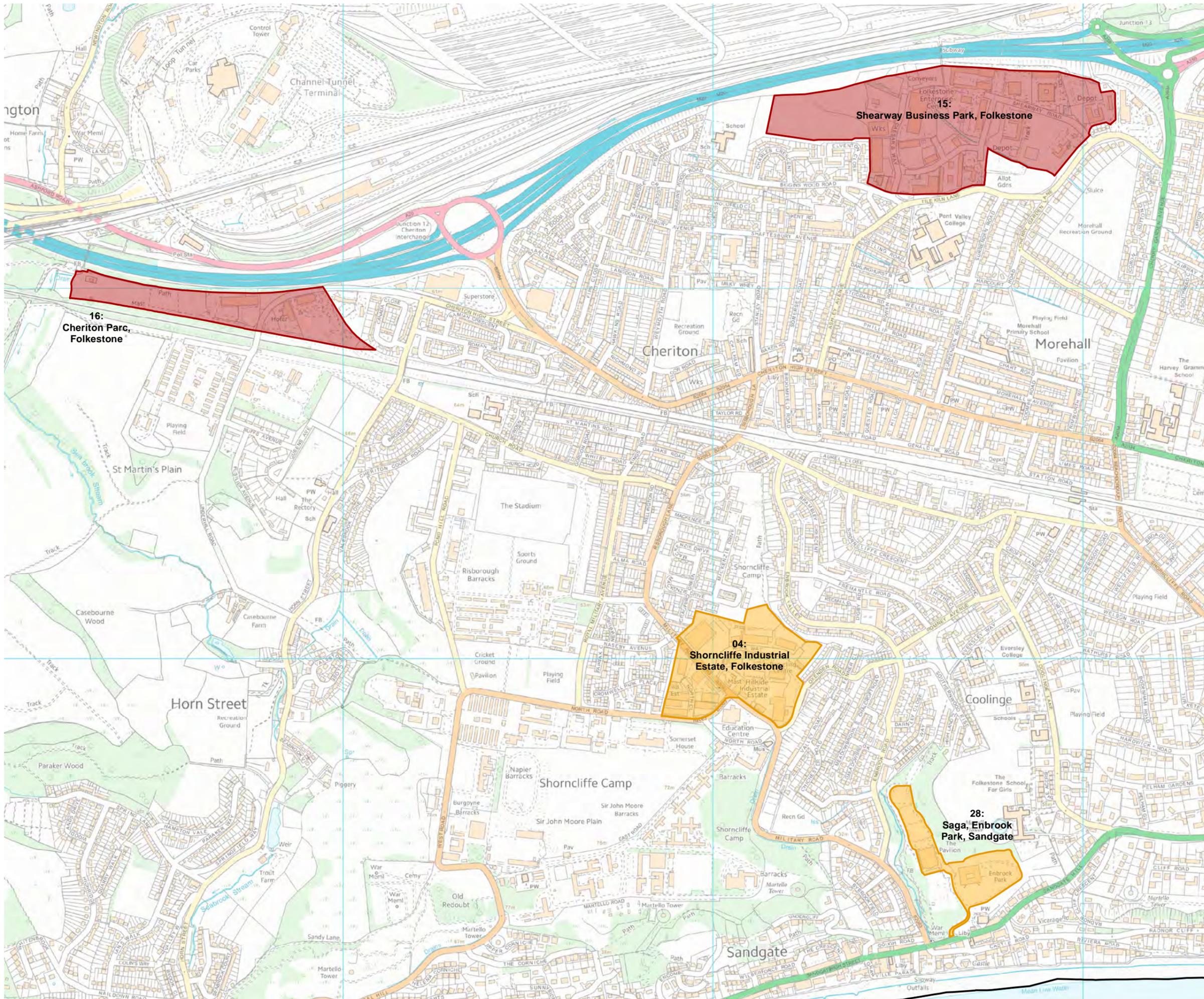
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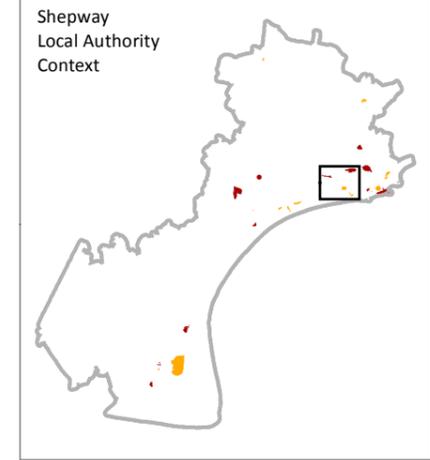
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**Folkestone**  
Hythe & Romney Marsh  
Shepway District Council

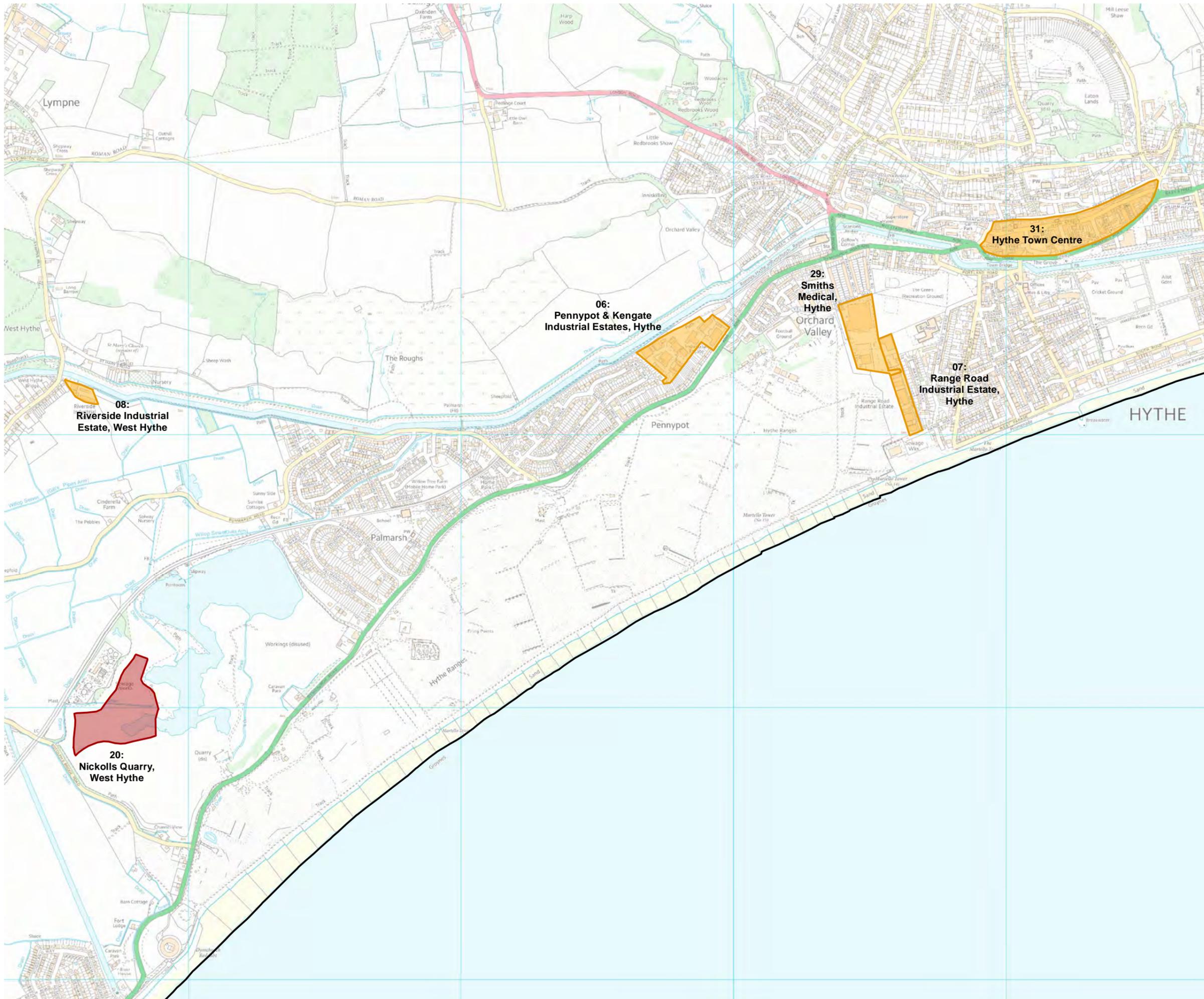
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Project	Shepway ELR
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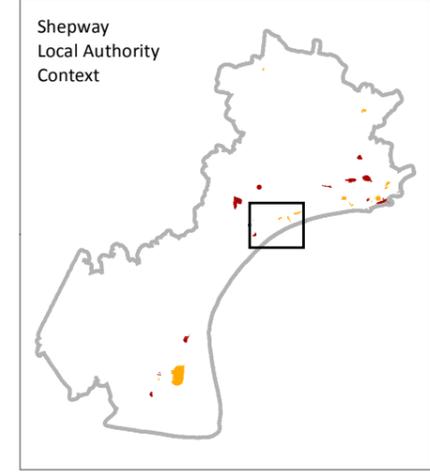
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**Key**

- Employment Site: Site Visit
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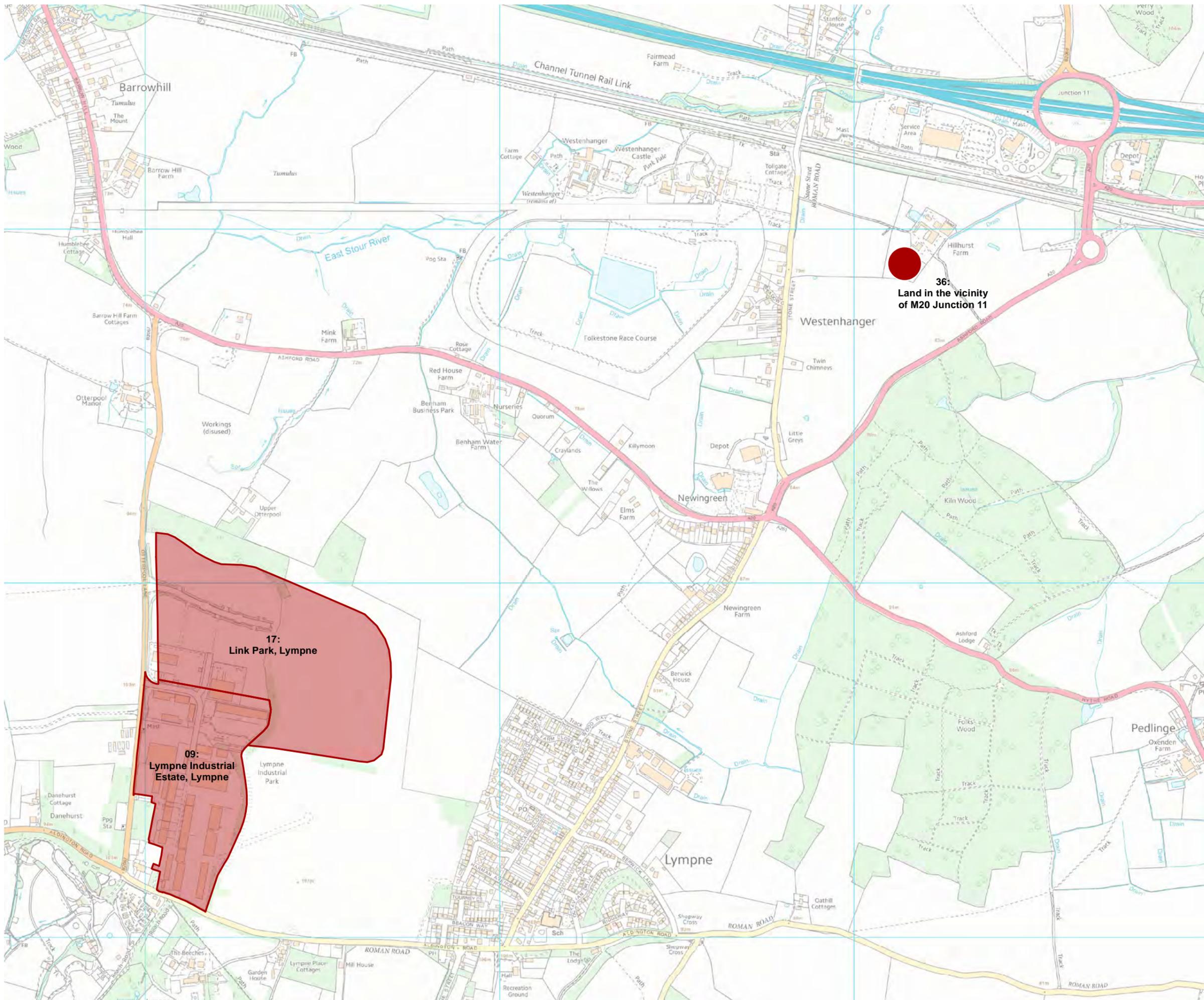
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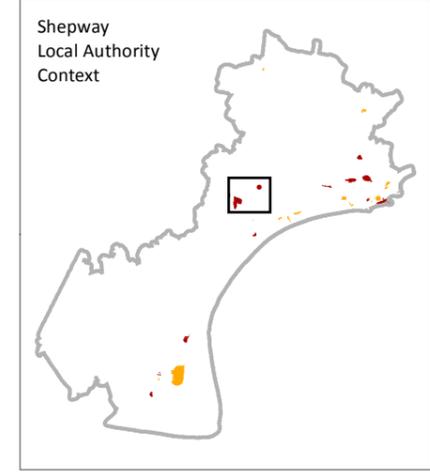
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**Key**

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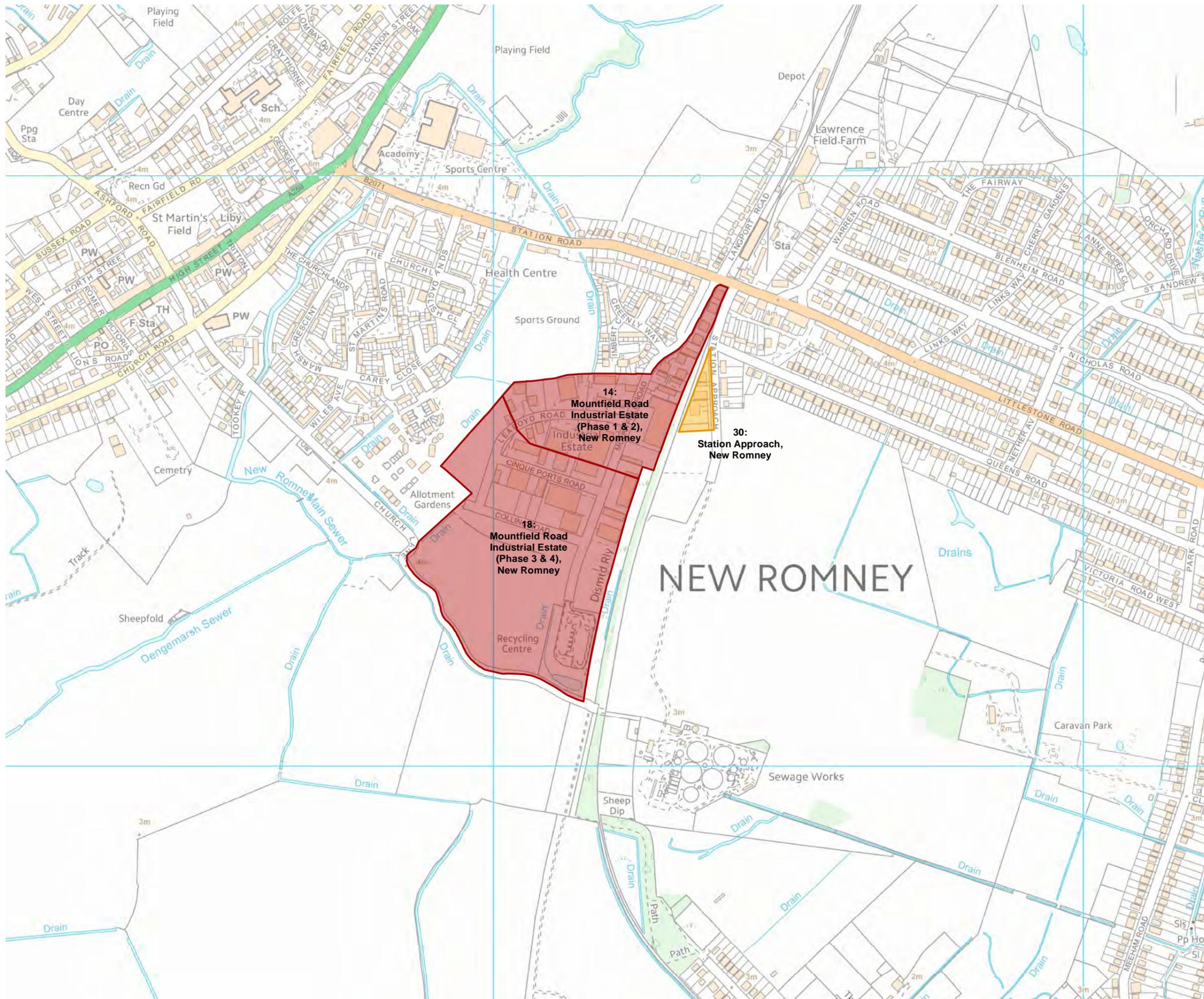
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Title	Employment Sites
Client	Shepway District Council
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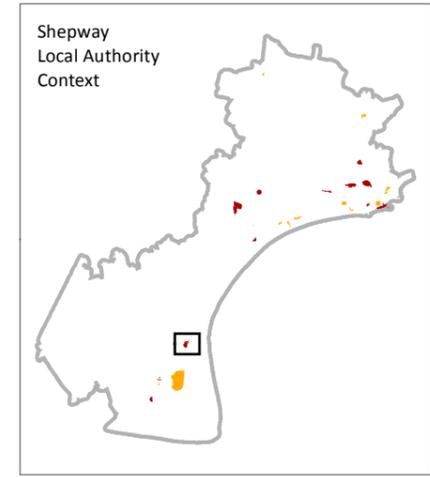
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**Key**

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- Employment Site: Desk-Top



# NEW ROMNEY

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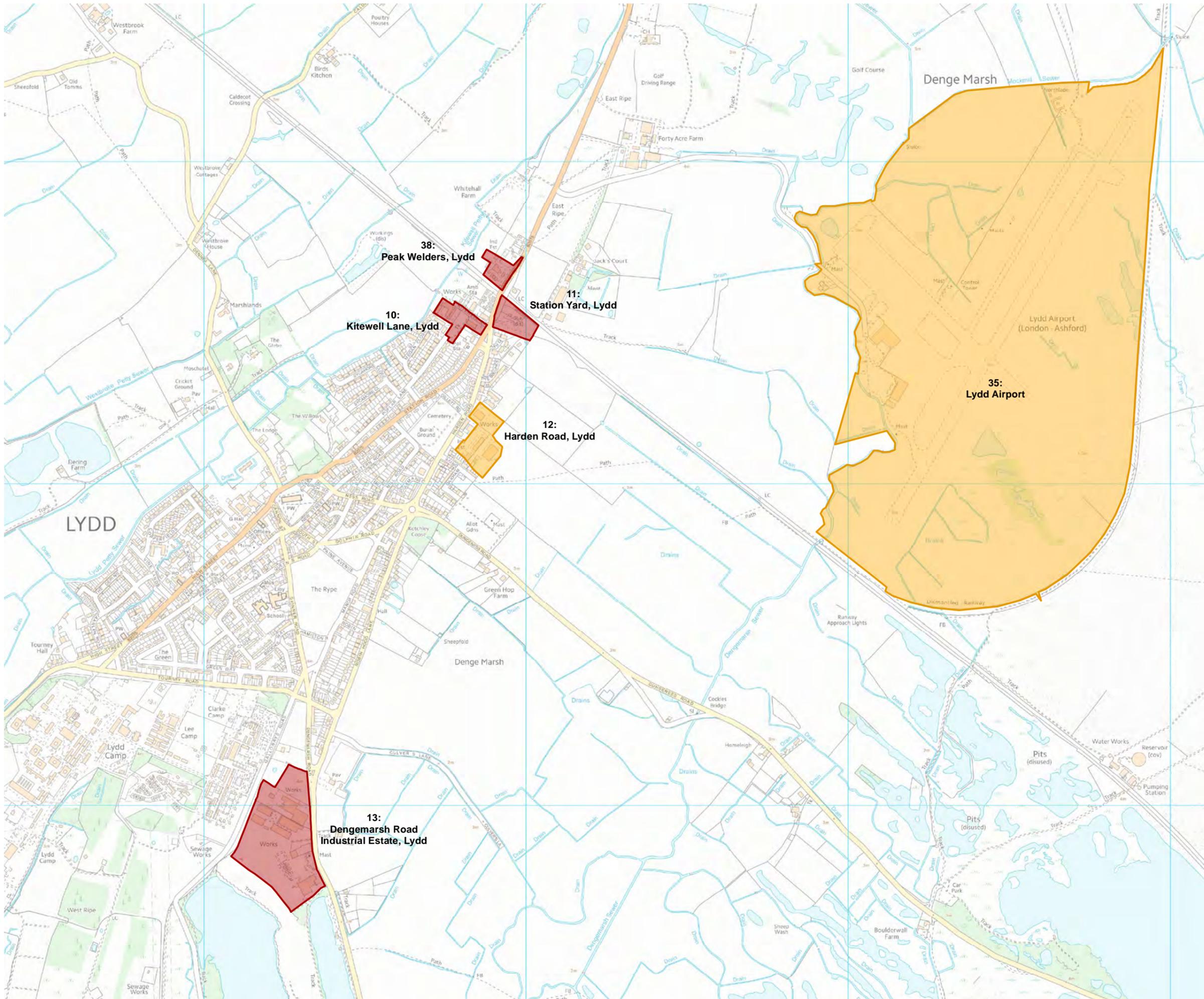
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## LICHFIELDS

Project	Shepway ELR
Title	Employment Sites
Client	Shepway District Council
Date	19.05.2017
Scale	-
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Drg. No	GIS\CL\15084\01-03

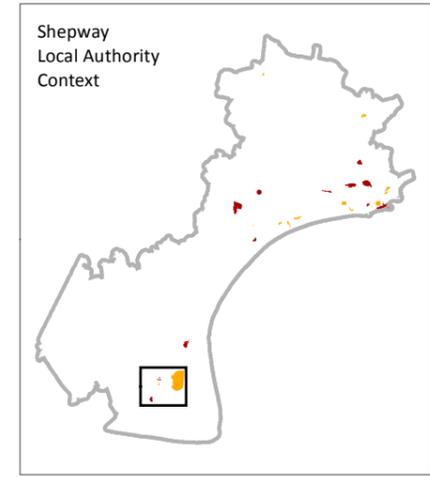
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**Key**

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Client	Shepway District Council
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Scale	-
Drawn by	MAR
Drg. No	GIS\CL\15084\01-02

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## Appendix 3: Site Assessment Criteria

The criteria used to assess the quality and condition of employment sites in Shepway is set out below. These criteria principally relate to the inherent value of a site rather than its current conditions, although such characterises are also considered as part of the assessment.

Each site is given a score between 1 and 5 against each assessment criteria, with 1 representing a poor score and 5 a very good score. No individual weight is attached to different criteria. Scoring can reflect a combination of different factors applying to the same criteria, which means a balanced judgement need to be made on an appropriate overall score.

### Strategic Road Access

5 = Very Good: within 2km of a strategic road junction or access through good unconstrained roads.

1 = Poor: more than 5km from a strategic road junction or access, and/or through constrained roads, and/or through town centre or residential areas.

**NB: A strategic road is typically defined as a motorway or 'A class' trunk road.**

### Local Accessibility

5 = Very Good: via free moving, good roads that avoid residential areas and difficult junctions; unconstrained vehicle access to the site with good visibility and lack of queuing; close to a range of town centre public transport routes.

1 = Poor: via difficult and narrow roads; through residential areas; difficult site access junctions with congested road; minimal range and/or infrequent public transport services nearby.

### Proximity to Urban Areas and Access to Labour and Services

5 = Very Good: near centre of urban area with wide range of services nearby; proximity to sizeable residential areas that provide a strong local labour supply.

1 = Poor: remote and isolated site with no local services and/or residential areas nearby.

### Site Characteristics and Development Constraints

5 = Very Good: generally level site, regular shape and over 3ha in size; low flood risk (Zone 1); no conservation or landscape constraints on development; no adverse ground conditions or abnormal development costs; no other major constraints on the scale of new development.

1 = Poor: sloping and/or uneven site under 0.5ha in size with an irregular and/or narrow shape; high flood risk (Zone 3); conservation and/or landscape constraints on scale of new development; adverse ground conditions or other abnormal development costs.

### Proximity to Incompatible Uses

5 = Very Good: within a large employment area with no incompatible land uses in the surrounding area.

3/4 = Average: B1 uses adjoining residential or other sensitive uses.

1 = Poor: B2 or B8 uses adjoining residential or other sensitive uses.

### **Market Attractiveness**

5 = Very Good: high profile and/or high quality appearance; managed site with good environment and quality of occupiers; under 10% vacancy; viewed as an attractive location by agents and occupiers; recent investment or development activity with strong demand and units rarely available.

1 = Poor: run-down and unattractive appearance and/or location; attracts low end occupiers; more than 25% vacancy; vacant units not marketed and remain vacant for lengthy period of time; no recent investment or development activity.

### **Sequential Status**

Only applies to prevailing office locations within the District. This assessment identifies whether a site is located in a town centre, edge-of-centre, or out-of-centre location in NPPF terms.

### **Barriers to Delivery**

This assessment identifies any factors that would constrain development of the site for future B class employment uses, such as a fully occupied site and need for enabling infrastructure.

### **Planning Factors**

This assessment identifies any planning designations or policy constraints that could affect development of the site for future B class employment uses.

# Appendix 4: Site Assessment Matrix

Site Ref	Site Name	Area (ha)	Existing Uses	Site Assessment Criteria							Future Potential				Sequential Status (where applicable)
				Strategic Access	Local Access	Proximity to Labour & Services	Compatibility of Adjoining Uses	Development & Environmental Constraints	Market Attractiveness	TOTAL SCORE (out of 30)	Planning Factors	Key Barriers to Delivery	Timescale for Delivery	Potential Uses	
1	Highfield Industrial Estate	1.4	Industrial	3	2	4	2	3	3	17	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Surrounding residential use	Medium to long term	B2, B8	-
2	Bowles Well Gardens	6.9	Industrial	3	2	4	2	3	3	17	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Surrounding residential use	Long term	B2, B8	-
3	Park Farm	28.3	Industrial / Retail	5	4	3	2	2	3	18	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Edge of site subject to Flood Zone 2 designation	Short term	A1, A3, B1, B2, B8	-
4	Shorncliffe Industrial Estate	9.0	Industrial	3	3	4	3	3	3	19	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Surrounding residential use	Medium to long term	B2, B8	-
5	East Station Goods Yard	2.2	Industrial	3	3	4	4	3	2	20	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Surrounding residential use	Medium term	B2, B8	-
6	Pennypot & Kengate Industrial Estates	3.6	Industrial	2	3	2	2	2	4	15	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Subject to Flood Zone 3 designation, although does benefit from flood defences	Medium to long term	B2, B8	-
7	Range Road Industrial Estate	4.9	Industrial	2	3	3	2	1	4	15	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Surrounding residential use	Medium term	B2, B8	-
8	Riverside Industrial Estate	0.5	Industrial	1	2	2	3	2	2	12	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Subject to Flood Zone 3 designation, although does benefit from flood defences	Long term	B2, B8	-
9	Lympne Industrial Estate	16.3	Industrial	3	2	2	4	4	3	20	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	No major barriers identified	Short to medium term	B2, B8	-
10	Kitewell Lane	1.0	Industrial	3	3	4	2	2	4	18	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Surrounding residential use	Medium term	B2, B8	-
11	Station Yard	1.1	Industrial	3	2	2	4	3	3	17	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Surrounding residential use	Medium term	B2, B8	-

Site Ref	Site Name	Area (ha)	Existing Uses	Site Assessment Criteria							Future Potential				Sequential Status (where applicable)
				Strategic Access	Local Access	Proximity to Labour & Services	Compatibility of Adjoining Uses	Development & Environmental Constraints	Market Attractiveness	TOTAL SCORE (out of 30)	Planning Factors	Key Barriers to Delivery	Timescale for Delivery	Potential Uses	
12	Harden Road	1.8	Industrial	3	2	4	3	2	4	18	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Surrounding residential use	Medium term	B2, B8	-
13	Dengemarsh Road Industrial Estate	7.4	Industrial	2	3	3	4	2	2	16	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Subject to Flood Zone 2 designation	Long term	B2, B8	-
14	Mountfield Road Industrial Estate (Phase 1 & 2)	4.4	Industrial	2	4	3	3	3	4	19	Saved Policy E1 of the Local Plan and SS4 of the Core Strategy	Subject to Flood Zone 3 designation, although does benefit from flood defences	Medium to long term	B1, B2, B8	-
15	Shearway Business Park	21.0	Industrial / Office	5	3	3	5	5	4	25	Saved Policy E2 of the Local Plan and SS4 of the Core Strategy	No major barriers identified	Long term	B1, B2, B8	Out of Centre
16	Cheriton Parc	6.9	Office	5	3	5	5	5	2	25	Policy SS4 of the Core Strategy	No major barriers identified	Short term	B1, B2, B8	Out of Centre
17	Link Park	26.8	Industrial	3	2	2	5	4	4	20	Link Park Industrial Estate SPD	No major barriers identified	Short to medium term	B1, B2, B8	Out of Centre
18	Mountfield Road Industrial Estate (Phase 3 & 4)	11.4	Industrial	2	4	3	3	4	5	21	Policy CSD8 of the Core Strategy	Subject to Flood Zone 3 designation, although does benefit from flood defences	Long term	B1, B2, B8	-
19	Land at Hawkinge West	11.7	Retail / Residential	3	4	4	5	3	2	21	Hawkinge West SPD	No major barriers identified	Short to medium term	B1, B2, B8	-
20	Nickolls Quarry	5.8	Residential	3	3	3	2	1	2	14	Policy CSD2 of the Core Strategy	Subject to Flood Zone 3 designation, although does benefit from flood defences	Short term	B1, B2, B8	-
21	Folkestone Harbour	17.4	Retail / Leisure	2	2	3	5	2	3	17	Policy SS6 of the Core Strategy	Subject to Flood Zone 3 designation	Short to medium term	B1	-
22	Stonegate Farm, Stone Street	3.2	Industrial	1	2	2	2	2	3	12	Policy SS3 of the Core Strategy	Requires improvements to access and infrastructure	Short term	B2, B8	-

Site Ref	Site Name	Area (ha)	Existing Uses	Site Assessment Criteria							Future Potential				Sequential Status (where applicable)
				Strategic Access	Local Access	Proximity to Labour & Services	Compatibility of Adjoining Uses	Development & Environmental Constraints	Market Attractiveness	TOTAL SCORE (out of 30)	Planning Factors	Key Barriers to Delivery	Timescale for Delivery	Potential Uses	
23	MacFarlane's Nursery	7.3	Leisure	2	3	2	4	4	1	16	Policy CSD3 of the Core Strategy	No major barriers identified	Short term	B1, B2	-
24	Europa House	0.1	Office	2	3	5	2	2	4	18	Policy SS6 and CSD6 of the Core Strategy	No major barriers identified	Medium term	B1	Town Centre
25	Ingles Manor Site	0.7	Office	2	2	3	2	4	4	17	Policy SS6 and CSD6 of the Core Strategy	No major barriers identified	Short to medium term	B1	Town Centre
26	Castle House, Castle Hill Avenue	0.5	Office	3	5	4	5	5	5	27	Policy SS6 and CSD6 of the Core Strategy	No major barriers identified	Medium term	B1	Town Centre
27	Saga, Middleburg Square	0.4	Office	4	2	3	5	4	5	23	Policy SS6 and CSD6 of the Core Strategy	No major barriers identified	Long term	B1	Town Centre
28	Saga, Enbrook Park	3.6	Office	5	3	3	5	5	5	26	Policy CSD6 of the Core Strategy	No major barriers identified	Long term	B1	Town Centre
29	Smith's Medical, Military Road	1.6	Industrial	3	2	4	4	3	2	18	Policy CSD7 of the Core Strategy	Surrounding residential use	Short to medium term	B1, B2	-
30	Station Approach	0.4	Industrial	1	2	3	3	2	4	15	Policy CSD8 of the Core Strategy	Subject to Flood Zone 3 designation	Short to medium term	B1, B2	-
31	Hythe Town Centre	7.8	Office / Retail	2	4	5	1	1	3	17	Policy CSD7 of the Core Strategy	Subject to Flood Zone 3 designation, although does benefit from flood defences	Medium to long term	B1	Town Centre
32	Civic Centre & Surrounding Public Buildings	3.6	Office	3	3	3	3	2	4	18	Policy SS6 and CSD6 of the Core Strategy	No major barriers identified	Short to medium term	B1	Town Centre
33	Shornccliffe Road Offices	0.4	Office	3	4	2	4	4	4	21	Policy SS6 and CSD6 of the Core Strategy	No major barriers identified	Long term	B1	Town Centre
34	Folkestone Urban Sports Park	0.2	Community	3	5	3	3	3	4	21	Policy SS6 and CSD6 of the Core Strategy	No major barriers identified	Short to medium term	B1	-

Site Ref	Site Name	Area (ha)	Existing Uses	Site Assessment Criteria							Future Potential				Sequential Status (where applicable)
				Strategic Access	Local Access	Proximity to Labour & Services	Compatibility of Adjoining Uses	Development & Environmental Constraints	Market Attractiveness	TOTAL SCORE (out of 30)	Planning Factors	Key Barriers to Delivery	Timescale for Delivery	Potential Uses	
35	Lydd Airport	137.4	Sui Generis	4	2	2	2	3	4	17	Saved Policy TR15 of the Local Plan	Subject to Ramsar designation on Romney Marsh and Flood Zone 2 & 3 designation	Short to medium term	B1, B2, B8	-
36	Land South-West of M20 Junction 11	-	Greenfield	5	2	2	4	3	4	20	Policy SS8 of the Core Strategy	Located in a Special Landscape Area	Short term	B1	-
37	Other Offices in Folkestone Town Centre	-	Office	3	5	5	3	3	5	24	Policy SS6 and CSD6 of the Core Strategy	No major barriers identified	Medium to long term	B1	Town Centre
38	Peak Welders	0.7	Industrial	2	3	3	3	4	4	19	Policy CSD8 of the Core Strategy	Developed and occupied site	Short term	B2, B8	-







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