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David Jobbins BSc (Hons) TP, Dip TP, Dip EM, Date: 4 May 2022
MRPTI, Director
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Our Ref: MRC/sh

Your Ref:

Dear David

RE: LAND AT TODDINGTON LANE, LITTLEHAMPTON

Thanks for the email and for providing the comment from The Arun Economic Development Unit.

I have reviewed our report to you dated 23/01/2020, and our subsequent update letter dated 21/07/2021 as well. The original outline planning permission from January 2013 for the wider Hampton Park development included up to 13,000m² of B1 employment space which significantly pre-dates current economic conditions, particularly post covid. The approved parameters plan also allows for development of up to 3 - 4 storeys on the site which suggests that it was envisaged that the proposals would relate to an office development. To accommodate this on such a small site with differing levels and divided by a road, it would be necessary to build a multi-storey building of considerable scale and mass with attendant car parking and commercial vehicle parking, turning and servicing all of which would have a significant impact on the size of site available for development/viability along with a very different character of development at this entrance to Littlehampton.

With the introduction of the new Use Classes Order, B1 now falls into Class E and so the building that can be imagined could therefore be considered for various employment uses within Class E, such as creche/medical/retail/restaurant/financial & professional and sport and leisure, and it is important therefore to be mindful of those uses.

I have reviewed the statement from the Arun EDU and also spoken to David Martin, who is quoted in the statement. David Martin is a partner here at SHW and has dealt with industrial and warehouse property for SHW since he joined in 1986.

I will respond to all the comments from the EDU individually below, but, overall, the uses in Class E that a multi-storey building in this location could accommodate would have so little demand, and produce such long marketing voids, low rents and short (in time) commitments from occupiers that the value created is far less than the cost of provision. It is this overarching point that needs to be held in mind, and this lack of financial viability means that left with the consent as is, the site will yield no jobs and simply be uneconomic to develop.

Some Class E uses are often housed in existing office buildings – in Littlehampton particularly, demand for offices is very weak meaning that second hand vacated space is readily available, but because this space was aimed at the office market originally, and because there is such weak

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demand for offices here, other employment users within Class E can negotiate low rent, short lease deals, and this of course means that the value created is low, and lower than the cost of provision.

Taking the statement, attached, I show the EDU comment in blue italics and respond to each paragraph as follows.

“...Our growing business population that has increased by 15% in five years shows that there is strong demand for employment space in Arun. We have a good mix of affordable premises and room to develop more. Our aim is to increase local employment opportunities to redress the balance between residential development and jobs for local people. We want new residential development matched by employment space to ensure that there are new local employment opportunities for local people.”

It will be necessary to ask the EDU what “growing business population” means – number of businesses, number of people of working age? It is certainly not the number of square feet demanded by the office/Class E markets, nor has it resulted in registered demand for office/Class E markets increasing nor in office/Class E market occupiers making it known that they will commit to leases on buildings for lengths and at rents that make creating new office/Class E space in Littlehampton commercially viable.

“Finding more space for businesses which are growing in the Coastal West Sussex region, and for businesses looking to move here, is an ongoing challenge. Local Authorities and partners across the Coastal West Sussex region are always looking for ways to increase and develop new commercial space encouraging existing businesses to stay and grow whilst attracting new businesses to move to the area. The pandemic has made people rethink their work-life balance, and realise the benefits of living and working locally. Reducing the need for long commutes has obvious environmental and well-being advantages so we need to make sure there is the space for companies to operate.”

Given the number of sites that have an allocation for employment space, and buildings that are failing to attract occupiers, this should not really be a challenge. The reason that it is a challenging matter for the EDU is not finding the allocated sites or buildings, it is finding businesses with a requirement and prepared to procure buildings at a price that reflects the land and the build cost, which is far more than the value of the asset created. The much vaunted “reduce commutes due to pandemic” has resulted in WFH, not the acquisition of new offices outside of London, however much people with sites in the provinces wish it to be true.

“What we are short of is land for development, especially in the industrial sector which often heads to Crawley instead. So, it’s good to see councils are now focusing on solving that issue. “Rents here are not sufficient to justify building new premises without an end user in place, but the flip side is that rents are far more affordable than in London or Brighton, and so businesses are taking up space here. The biggest recently was in Worthing where the Inland Revenue took 80,000 sq ft. It’s a pre-let situation but nevertheless shows confidence in the region.”

This comment from David Martin, an industrial specialist surveyor and agent, which, other than the detail of the HMRC transaction, relates to industrial, not office demand. Within the umbrella term “Industrial” there is also Classes B2, and B8 plus Trade Counter. Having spoken to David, I can

confirm David is referring specifically to demand for Class B8 and Trade Counter uses when he refers to Industrial. Developers only wishing to build space for which there is reliable demand,

We have seen no worthwhile demand for office/Class E markets in Arun since our two reports on this matter on 23/01/2020 and 21/07/2021. The pre let in Worthing by HMRC was for 80,000 sq ft, a remnant of the Barrington Road site which had housed c250,000 sq ft, which has been reduced/relocated to the hub in Croydon at the Schroder/Stanhope scheme. So, although there is a letting in Worthing of 80,000 sq ft, the net effect was a reduction in office floorspace used, not a “take up”. The HMRC Worthing matter is illustrative of an occupier moving away from a coastal location to somewhere with better access to the staff it requires. Other examples of occupiers leaving are NU/Aviva, NTL, Nissan, with their land/buildings often going to uses such as residential due to lack of commercial employment demand.

What would you like decision makers to do?

“We need to identify sites where businesses can come and grow. We need greenfield sites where a company can take 50,000 sq ft – but know if they need 100,000 sq ft in future it’s possible.

“Rolls Royce was probably the last big company to move into our region and they started off with 300,000 sq ft in Chichester and then built another 100,000 sq ft on top in the space of three years.”

Has the commercial property industry been impacted negatively by the pandemic?

“It’s been very tough for retail but the flip side is that a lot of retailers have focused on internet sales and been successful – and so they need bigger premises as a result.”

Here David Martin is making the point that although High Street retail property has suffered, with retail purchases transferring to the internet, vendors need warehouse space to service that demand. Within Class E, retail, café and restaurant rents have declined. It is a feature of the market that tenants with lease expiries or break clauses are negotiating rent reductions. This point that David Martin is making explains why warehouse demand – not the office/Class E markets demand – has been strengthened by the pandemic. I do not believe the site (which is divided by a road), would offer suitable potential for Class B2 or Class B8 development and would very likely cause significant issues with nearby residential property owing to the requirement for large vehicle servicing and 24/7 operations.

“It is interesting to note that the remaining land at Salt Box in Bognor Regis has recently changed hands, is being built out with commercial units on a speculative basis and significant numbers of enquiries are already being received. In addition Rolls Royce has recently expanded its operation at Bognor Regis with an extension to its existing premises.”

Both Salt Box and the Rolls Royce matters concern Class B8/B2 warehouse and industrial property and are not related to office/Class E market demand.

“The Economic Development Team is aware that there is a lower demand for office space in Arun and that the pandemic has further affected that. However, what the pandemic has also brought forward is entrepreneurs who started small businesses as a result of being furloughed or made redundant. Many of these started at home, have now outgrown that space and are looking for small units in which to continue to grow their business. We are currently unable to satisfy those requirements.”

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The EDU is right that the pandemic has significantly reduced demand. Most occupiers are now thinking of utilising hybrid working, often halving their requirement when lease breaks/expiries allow. The demand described from entrepreneurs and small businesses has not materialised into enquiries for office/Class E space at rental/purchase levels that would justify the construction of a new building at Toddington Lane. If such requirements do exist they can be accommodated at the Biz Space unit, where c8,000 sq ft of Class E/Office remains unlet despite a year of marketing effort.

“The Economic Development Team would be willing to discuss alternatives to office development on the land allocated for commercial use but we object strongly to this current application.”

The local authority approved in 2013 a development of 13,000 sq m of Class B1 (now Class E) space. This is not economically viable and it is almost certain that this will never be built. Alternative employment use would be Class B8 trade counter/warehouse. This would provide very little in the way of numbers of jobs – and would very likely cause significant issues in terms of design/amenity on this gateway site into the town.

It is perhaps also very important to note that, whilst the Local Plan allocates 2 ha (gross) of employment land at North Littlehampton, there remains land for a 100-bed hotel, 60 bed care home and local centre which in themselves will create employment and satisfies the 2.0 ha allocation with a far more appropriate and viable employment related use.

In addition, the supporting text to Policy EMP SP3 rightly advises;

Strategic Employment Land Allocations

8.6.17 *Policy EMP SP 3, shows the strategic employment land allocations and their gross areas. The actual floorspace and employment capacity of each site will need to be determined as development proposals are worked up in detail. Local environmental constraints, the eventual use class of occupiers and design issues will be important determinants for each site.*

In the light of the above and our earlier reports, we remain very firmly of the view that a new-build development within Class E would not be attractive or viable given the commercial market in Littlehampton and that alternative employment uses within Class B2 or B8 would be highly inappropriate and unattractive to such users/investors.

Yours sincerely

A handwritten signature in black ink that reads 'Martin Clark'.

Martin Clark FRICS
Partner
for and on behalf of
Stiles Harold Williams Partnership LLP