



Elmbridge

Borough Council

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Strategic
Industry
Sites Offices
Jobs
Functional

Economic Area Baseline Review

Functional
Employment
Development
Warehouses

Elmbridge Local Plan

Baseline Review and Functional Economic Area

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1 Introduction

Purpose

- 1.1 As part of the preparation or review of any Local Plan it is essential to understand the potential demands being placed on land from new development. Whilst for an area such as Elmbridge residential development is a major part of any local plan, it is also vital to understand the needs arising from businesses and the land and development required to support the growth expectations within both the national and regional economy.
- 1.2 This report sets out the functional economic area (FEA) within which the Council believes Elmbridge is located and outlines the boroughs and districts that the Council will need to work in order to ensure an effective supply of employment land to meet the needs of business.

Background

- 1.3 One of the key evidence bases used to prepare the Core Strategy was the 2008 Employment Land Review (ELR). This set out the growth expectations for the area as well as identifying key sites which could be developed to support the development of employment uses across the Borough. However, prior to the examination of the Core Strategy the Council undertook a review of the projections supporting this evidence. The review was undertaken as many of the projections were based on pre 2008 growth projections which predated the recession in 2007. Following analysis of vacancy levels and the turnover of employment stock at that time it was decided that the growth projections should be revisited. This led to an addendum being produced with projections based on 2010 estimates of growth and taking into account the significantly higher vacancy levels compared to the 2008 ELR.
- 1.4 Further evidence on local commercial property markets was commissioned in 2013 to inform work on the use of Article 4 directions. As well as assessing the impact of changes to PD rights in the Borough, the Commercial Property Market Study also included further growth projections for employment floorspace. However, the study did not examine the functional economic links between Elmbridge and other areas or advise on the functional economic market area within which the Borough is located.
- 1.5 Following the adoption of the Core Strategy in 2011 it was the Council's intention to prepare a series of settlement based plans that would allocate sites for development and designate key areas for protection. However, due to changes in planning policy alongside key legal and planning decisions at a national level, the Council agreed at the end of 2014 to review the evidence supporting its Local Plan. This would inform the decision whether to continue with an allocations plan, undertake a partial review of the Core Strategy or prepare a new local plan. The key parts of the evidence base being reviewed included the Strategic Housing Market Assessment, Retail Study, Open Space, Green Belt and the Employment Land Review, in particular defining the Functional Economic Market Area within which the Borough is located.

Approach

- 1.6 Any review of employment land needs to ensure that the Local Planning Authority (LPA) is not only able to understand the current economic situation within the area, but also examine what the future growth expectations and supply potential are for the Borough. In order to understand these fully Elmbridge Borough Council will use a three stage approach as set out in figure 1.

Figure 1: Approach to preparing ELR



Review of the local and regional economy

- 1.7 This first section of the Employment Land Review will examine the composition of the Borough's economy using a range of secondary data to understand the labour market, the key sectors and industries within the Borough as well as the demand and supply for the existing commercial floorspace. This assessment will outline where the Borough sits in relation to other local authorities and sub regions in terms of its FEA.
- 1.8 In reviewing the baseline economic trends the Council examined those areas as set out in Planning Practice Guidance (PPG) as well as other trends such as the nature of local employment, the skills within the labour market, the types of industry sectors present within the area and whether there are any significant industry clusters within the area. The principle base data has been obtained from sources such as ONS, VOA as well as research commissioned by the authority such as the 2013 Commercial Property Market Study and annual monitoring reports.
- 1.9 The study also examines whether there are any similarities within neighbouring authorities or those authorities linked through existing

arrangements such as the County Council and, where evidence is available, the Enterprise M3 Local Economic Partnership (EM3 LEP). This assessment will be used to inform the Council's approach to co-operation with these organisations in relation to employment uses. When examining the FEA the Council has looked primarily at those areas that border the Borough (the study area) to understand the cross border relationships between these authorities. Alongside this, the Council has also looked at authorities within Surrey and the EM3 LEP to understand the wider more strategic economic relationships that effect Elmbridge. No single data set will give a definitive view of the functional economic area given the complexity of the relationships between areas in Surrey and South West London. As such the FEA for the Borough will be derived from a synthesis of all the data to give an approximate FEA and an indication of the key authorities where there are strategic and cross boundary concerns with regard to employment land.

Review of Demand

- 1.10 This section to be completed in the coming months examines the drivers of demand and provides projections as to how economic growth will impact on demand for land and buildings in order to support that level of economic growth. Alongside growth, this section will also examine where demand is falling and set out where the Council may well experience a surplus of land in some uses as the local, national and even global economy shifts.
- 1.11 The Council last reviewed its employment land forecasts in 2013 as part of a Commercial Property Market Study that was commissioned to consider the potential for the use of Article 4 directions within the Borough to remove permitted development rights to convert offices to residential units. These forecasts are currently being used as the basis for assessing the need for employment land. However, it will be necessary to review this assessment to examine whether the floorspace requirements set out within the 2013 study remain appropriate and are a sound basis for plan preparation.

Review of sites

- 1.12 The final element to be completed will be the review of existing sites and whether these are sufficient to meet the growth expectations within the Borough and wider FEA. A key element of this section will be a review of strategic sites and given the economic situation within the Borough, an assessment of which sites remain of strategic importance and must be protected in the long term.



2 Current national and local policy context for employment land provision

Plan for growth

- 2.1 In 2015 the Government published its Plan for Growth. This document set out their objective to achieve strong, sustainable and balanced growth that is more evenly shared across the Country. The Plan contained four overarching ambitions:
- To create the most competitive tax system
 - To make the UK one of the best places in Europe to start, finance and grow a business
 - To encourage investment and exports as a route to a more balanced economy and
 - To create more educated workforce that is the most flexible in Europe
- 2.2 The Plan is clear in its ambition for the planning system, stating that it should be changed to support job creation by introducing a presumption in favour of sustainable development and the need to open up more land for development. Measures such as the further liberalisation of the use class system, the use of Enterprise Zones and quicker decision making on planning applications were put forward in the Plan. It is also clear within the Plan that the Government see a strong link between economic growth and house building. Low levels of house building are seen as a barrier to further economic growth particularly in high demand areas such as the south east.

National Planning Policy Framework

- 2.3 The National Planning Policy Framework (NPPF) was published in March 2012, providing a consolidated national planning framework, which also sets out national economic, environmental and social priorities. Through the NPPF, Local Planning Authorities (LPA) are required to set a clear economic vision and strategy based on an understanding of the existing business needs, likely changes in the market and any barriers to investment.
- 2.4 The third core planning principle set out in paragraph 17 of the NPPF is clear on the need to proactively drive and support economic development. This is backed up in paragraph 18 and 19, which set out the Government's ambition to securing economic growth in order to create jobs and prosperity and that the planning system does everything to support this ambition. In particular the NPPF is clear in paragraph 21 that LPAs should:
- identify strategic sites for inward investment to meet anticipated needs
 - support existing business sectors taking account of whether they are expanding or contracting
 - identify and plan for emerging sectors
 - plan positively for the location, promotion and expansion of knowledge driven, creative and high technology industries
 - identify priority areas for regeneration and enhancement
 - facilitate flexible working practices

- 2.5 Whilst encouraging further economic development and the allocation of key new sites for development, the Government have been explicit in paragraph 22 that LPAs should avoid the long term protection of sites allocated for employment use where there is no reasonable prospect of that site coming forward. This paragraph goes on to state that any sites allocated for employment uses should be regularly reviewed.
- 2.6 With regard to the evidence required to support the development of a Local Plan, the NPPF is clear that it should be proportionate and take account of the relevant market and economic signals. In terms of business the NPPF sets out in paragraph 160 that the LPA should have a clear understanding of business needs within economic markets operating in and across their area. This paragraph also states that LPAs should work with Local Enterprise Partnerships and neighbouring authorities to prepare and maintain robust evidence as well as working closely with the business community to understand the changing needs and address barriers to investment.
- 2.7 In relation to employment uses paragraph 161 sets out that the evidence base should be able to assess:
- The needs for land or floorspace for economic development
 - Existing and future supply of land available for economic development and its sufficiency and suitability to meet the identified needs.
- 2.8 It is also clear in the second bullet point of paragraph 161 that reviews of land available for economic needs should be undertaken at the same time as, or combined with, Strategic Housing Land Availability Assessment (SHLAA). These should include a reappraisal of the suitability of previously allocated land.

Planning Practice Guidance

- 2.9 The National Planning Practice Guidance (NPPG) was published in March 2014. This follows on from the NPPF and gives more direct guidance on assessing economic development needs. It explains that any assessment of need should be realistic in taking account of the particular nature of the area (for example the nature of the market area). By looking at the wider functional economic area, authorities will be better placed to make strategic decisions on economic development.
- 2.10 Building on paragraph 160 of the NPPF the PPG is clear that local authorities must work with other authorities in assessing their economic needs and as well as building on the evidence collected by partner authorities or organisations such as the Local Enterprise Partnership. In particular the PPG sets out that needs should be assessed in relation to the relevant functional area. In the case of assessing the economic needs of the area, this requires the authority to examine and understand the FEA within which it is located.

Elmbridge Core Strategy 2011

- 2.11 The Elmbridge Core Strategy was adopted by the Council in July 2011, to cover the period 2011 to 2026. The Core Strategy includes 18 objectives for the Borough which include maintaining a thriving economy by providing

an adequate supply of land and buildings, in the right places, to support a diverse range of business and commercial activity. This should not be to the detriment of the Green Belt and should improve sustainability by reducing the need for car journeys and in so doing, reducing congestion and pollution caused by traffic.

- 2.12 Policy CS1 of the Core Strategy states that any new development will be directed towards previously developed land within the existing built up areas, taking account of the relative flood risk of available sites, and the potential impact on Thames Basin Heaths Special Protection Area (SPA). Location, use and scale will need to take account of the existing characteristics, role and function of individual settlements and sites; access to existing or committed services and infrastructure; and the availability of developable land. Depending on the nature of employment to be provided, economic growth will be focused within the Borough's town centres, strategic employment sites and in close proximity to the variety of visitor attractions the Borough has to offer.
- 2.13 Policy CS23 covers employment land provision in the Borough and states that the Council will:
- Protect Strategic Employment Land (SEL) in order to make the most efficient use of land to support sustainable economic growth, and to satisfy the different location requirements of businesses that are not considered as main town centre uses. These uses must be suitable to the characteristics of the site and the surrounding area, and be in accordance with PPS4. Proposals for alternative uses will only be allowed where development does not result in an overall loss of employment provision and where a surplus of SEL is identified. The introduction of an alternative use should not detract from the integrity and function of the site for employment purposes.
 - Retain other employment sites for employment uses unless redevelopment for other purposes provide wider benefits to the community;
 - Encourage a greater diversity of use within town centres. Offices will be directed to the most sustainable locations within or on the edge of town centres, or close to public transport. Mixed use development, that includes office use, will be promoted where this makes a positive contribution to the character of the town, and does not reduce the provision of retail floorspace;
 - Promote sustainable and flexible working practices through the provision of workspace as an integral part of residential development, where appropriate;
 - Encourage employment uses that are more reliant on convenient access to the strategic road network to locate within SEL away from residential areas with good access to the strategic road network;
 - Work in partnership with the Elmbridge Community Partnership and the business community to promote smart growth and ensure the necessary infrastructure, specifically communications technology, is provided to support business development;

Elmbridge Development Management Plan 2015

- 2.14 The Development Management Plan was adopted in April 2015 and sets out the detailed policy against which applications will be assessed. The Plan replaced all the remaining policies in the Replacement Elmbridge Borough Local Plan 2000. In relation to employment uses policy DM11 – Employment seeks to encourage the development of employment uses where they have a positive impact on the local area and supports:
- Sustainable economic growth
 - Existing business sectors
 - Knowledge driven, creative or high technology industries
 - The vitality and viability of town and district local centres.
- 2.15 With regard to the loss of employment land DM11 only considers the approach to be taken with regard to non-strategic employment sites. The policy outlines that any applicants seeking to replace employment uses with an alternative use will be required to demonstrate that the site has been marketed unsuccessfully for employment purposes and an appropriate period of time at a reasonable market rate. The policy also states that the benefit to the community from the loss of the site should be proportionate to the loss of the use and the contribution it would make in achieving the objectives of the Core Strategy.

3 Economic baseline and functional economic area

3.1 This section examines the economic context for the Borough looking at the composition of the local economy and the wider south east economy. It seeks to highlight the strengths and weakness of the economy in Elmbridge and the factors that influence both people and business in the area in relation to labour markets and the supply of land and buildings.

Regional/ sub regional overview

- 3.2 The Borough of Elmbridge is surrounded by the Surrey authorities of Spelthorne, Runnymede, Woking, Guildford and Mole Valley and the London Boroughs of Kingston-upon-Thames and Richmond-upon-Thames. The area has excellent transport links with access to the M3 and M25, easy access to both Heathrow and Gatwick airports and rail connections to the capital.
- 3.3 The Borough is based in the Enterprise M3 Local Enterprise Partnership (LEP). LEPs are partnerships between local authorities and businesses set up to help determine local economic priorities and lead economic growth and job creation within the LEP area. They carry out some of the functions previously undertaken by the Regional Development Agencies which were abolished in 2012.

Figure 2: Enterprise M3 LEP area



3.4 LEPs were intended to better reflect the natural economic geography of an area, rather than simply reflecting local and regional boundaries. The Enterprise M3 LEP comprises 14 local authorities in Hampshire and South

West Surrey located along or near to the route of the M3 motorway. The other Surrey authorities that fall within the Enterprise M3 area are Guildford Borough Council, Runnymede Borough Council, Spelthorne Borough Council, Surrey Heath Borough Council, Waverley Borough Council and Woking Borough Council.

- 3.5 As an area, Enterprise M3 has one of the highest performing economies in the UK with high employment rates, levels of skills, output per head and household income. There is a high incidence of knowledge-based industries and Enterprise M3 quotes particular sector strengths in ICT & digital media, pharmaceuticals, aerospace & defence and professional & business services.
- 3.6 The Government's Spending Review in June 2013 saw LEPs asked to develop multi-year local Strategic Economic Plans (SEPs), which would be used for negotiations on 'Growth Deals' with the Government. These plans would also be used as the basis for allocations from the £2 billion a year Single Local Growth Fund that was created in the Spending Review. This Single Local Growth Fund has allocated funding to skills, housing and transport since 2015/16.
- 3.7 The resulting SEP produced by Enterprise M3 in March 2014 sets out the vision, key objectives and investment strategy for the LEP area. Interventions contained within the SEP aim to achieve results across the following themes:
- **Innovation and Enterprise:** To support the creation of 200 new high growth companies, 8,000 additional jobs and £2bn of new export markets from businesses in the Enterprise M3 area by capitalising on opportunities arising from new technology.
 - **Skills:** To change the operation of the skills system to better meet the needs of the economy, particularly through the development of capability in science, technology, engineering and maths subjects (STEM) and achieving full participation in the labour market for young people.
 - **Transport and Infrastructure:** To deliver and improve connectivity through transport investments across the Enterprise M3 area – particularly within and around Growth Towns and Step-up Towns – to increase journey-time reliability, increase the capacity of our transport network and unlock new housing and business sites
 - **Housing:** To accelerate the delivery of housing by up to 25% above the baseline (2003-13 delivery) meaning that, with Government support, over the next 10 years up to 11,500 new homes will become available more quickly
 - **Visitor Economy and Major Events:** A gap analysis within Enterprise M3 has identified the lack of a high quality international standard major event venue.
- 3.8 The SEP also identifies a number of Growth Towns within the LEP area, which are to be the focus of proposed growth packages to help address congestion, housing and specific infrastructure issues. It is argued that the continued success of the Growth Towns of Basingstoke, Farnborough, Guildford and Woking is fundamental to the success of the LEP area.
- 3.9 The SEP also identifies a number of Step-up Towns which are classed as areas of latent economic potential which currently experience significant

barriers to growth. Aldershot, Andover, Whitehill & Bordon, Camberley and Staines-upon-Thames are therefore the focus of proposed growth packages which include a series of catalytic transport and infrastructure measures.

- 3.10 Located on the edge of the LEP area and with significant out commuting to London, it could be argued that Elmbridge is much closer linked to the London LEP area. However, given the growing remit of the LEPs and the increasing amounts of Government funding for skills, transport and housing that are being allocated through LEP areas, the LEP boundaries are an important focus when considering the economic geography of the area.

The Greater London Authority

- 3.11 The capital's sheer economic scale means that it plays a significant role on Elmbridge's economy, arguably more so than for the LEP. Projections prepared for the London Plan¹ suggest that the total number of jobs in London could increase from 4.9million in 2011 to 5.8 million by 2036, growth of 17.6%. At 49% of net new job growth forecast, professional, real estate, scientific and technical activities are likely to see the largest increase. As part of the Surrey commuter belt, job growth within the capital will impact on the employment patterns of Elmbridge residents.
- 3.12 The London Office Policy Review 2012 reinforces the constrained nature of the office market, with a recommendation to focus on the best sites. In terms of outer London boroughs, Richmond upon Thames continues to be identified as a flourishing office centre. The 2015 London Plan places particular emphasis on supporting the greater contribution outer London can make to the capital's economic success.
- 3.13 The neighboring Borough of Kingston upon Thames contains two employment sites identified as Strategic Industrial Locations (SILs) within the London Plan. These are areas intended to reconcile the demand for, and supply of productive industrial land in London. The sites in question are:
- Barwell Business Park, which is identified as an Industrial Business Parks (IBP), for businesses requiring a high quality environment.
 - Chessington Industrial Estate, which is identified as a Preferred Industrial Locations (PIL), for businesses with less demanding requirements.

Transport connectivity

- 3.14 The Borough benefits from excellent transport links and proximity to Heathrow and Gatwick airports. The main highways through Elmbridge are the A3 which runs through the middle of the Borough and the M25 (junctions 9-12), which circumnavigates the southern and western boundaries of the Borough, although the M25 has no junctions within the Borough's boundaries. Several other significant routes such as the A244, A309 and A245 also run through the Borough and connect to the A3 or M25.
- 3.15 The Borough is well served by the South West Main rail line providing frequent and fast services to London Waterloo. Stations within Elmbridge

¹ London Plan March 2015 (Further alterations to the London Plan 2015)

are amongst the busiest in Surrey and there has been considerable growth in the number of recorded journeys to and from Elmbridge stations since 2002.

- 3.16 Crossrail 2 is the proposed new high-frequency, high-capacity rail line running through London and into Surrey and Hertfordshire. The proposed Crossrail 2 route includes south west branches extending to Shepperton, Hampton Court, Chessington South and Epsom. The Elmbridge stations of Thames Ditton and Hampton Court are therefore included in the route. The proposed extensions will deliver significant accessibility improvements locally and in surrounding boroughs, although Crossrail 2 will not be operational until 2030 at the earliest.
- 3.17 The Borough as a whole is considered to have a relatively good bus network providing services to a number of destinations within and outside of the Borough. A number of routes are run by Transport for London and play a role in connecting areas such as Esher and Thames Ditton to neighboring south west London boroughs.

Economic analysis for Neighbouring Boroughs and Districts

- 3.18 Surrounding boroughs have carried out their own assessments of economic linkages locally.

Table 1: Summary of assessments by Neighbouring Authorities

Report	Conclusions
Runnymede 2035 Functional Economic Area Analysis, (June 2015) Draft Employment Land Review (March 2016)	The FEA report suggests that Runnymede is most likely to sit on the edges of two different FEAs. The northern part of the Borough is considered to sit within a wider FEA with Heathrow airport at its centre. The southern parts of the Borough, in particular the Addlestone and Chertsey areas are considered to sit on the edge of a South West London / M3 / A3 corridor market. Within this wider FEA, Runnymede has the strongest links with Woking and Elmbridge and it is recommended that Runnymede engages with these areas as it progresses its economic work.
Royal Borough of Kingston upon Thames Economic Analysis Study, (May 2014)	The report summarises that Kingston upon Thames falls within the wider economic area of Greater London, with a strong functional relationship with south / central London in particular. The significant in-commuting from Elmbridge is referenced.
London Borough of Richmond upon Thames, Local Economic Assessment, (2010)	The study refers to economic linkages at a sub-regional level, specifically strong links with South and South West London
Woking Borough Council, Employment Position Paper (2010)	Produced for the Employment Land Review, the paper makes comparisons between Woking and Reigate/Redhill which both operate as regional hubs in economic terms. The 2009 SHMA incorporates Woking, Guildford and Waverley.
Spelthorne Borough Council Draft Functional Economic Area Analysis,	The report concludes that Spelthorne sits within a Heathrow focussed FEA and shares its strongest links with Runnymede and the London Boroughs of

(February 2016)	Hillingdon and Hounslow. It is acknowledged that other identified FEAs will overlap and the strength of the links to Elmbridge is highlighted, particularly the commuter links.
Guildford Borough Council	The Borough Economic Strategy 2013 – 2031 highlights the sector clusters that Guildford demonstrates which are of regional significance.
London Borough of Hounslow, Local Economic Assessment update, (January 2014)	The document provides an overview of the borough's economy. The study refers to economic linkages at a sub-regional level, specifically strong links with West London and Spelthorne, particularly based around Heathrow Airport.

Economic conditions and trends

Employment in Elmbridge

3.19 Within Elmbridge there are 57,800 employee jobs having increased by 3,700 (just under 7%) from 2009. This growth is significantly higher than the South East average growth of 4.9% and Surrey average of 4.25% and indicates the relative strength of the job market in Elmbridge following the banking crisis in 2008 and subsequent recession. Over the longer term growth rates have been higher with the number of jobs in the Borough increasing by 7,400 in the period 1997-2013, equating to a growth of 12.4%. However, over this longer period the rate of job growth has been much more similar (though slightly lower) than the national (12.8%) and regional levels of growth (13.5%).

Table 2: Jobs numbers and density

Authority	Employee Jobs	Job density
Guildford	77200	0.98
LB of Richmond Upon Thames	75900	0.76
RB of Kingston Upon Thames	71100	0.72
Reigate and Banstead	64400	0.85
Elmbridge	57800	0.85
Runnymede	53800	1.02
Surrey Heath	52600	1.08
Waverley	50900	0.83
Woking	46400	0.83
Mole Valley	43100	0.98
Spelthorne	35800	0.68
Tandridge	30900	0.81
Epsom	29600	0.7

Source: ONS NOMIS 12 January 2016

3.20 In a ranking of Surrey authorities and neighbouring London boroughs, Elmbridge has the fifth largest job market. Both London boroughs and Guildford have significantly larger number of jobs compared to other boroughs within the study area. However, the number of jobs is likely to be a factor of both population size and physical scale of each borough and

requires job density² to be examined. This shows that the London boroughs to the north have a relatively low job density with the highest job densities being Runnymede and Surrey Heath. Most interestingly Guildford has both a high number of jobs but also a relatively high job density with the number of jobs being almost equally to the working age population. It is also evident that those areas that adjoin London tend to have lower jobs densities than areas further out such as Guildford, Runnymede and Surrey Heath.

- 3.21 Job numbers and job density in Hampshire authorities of the LEP are on average higher than those in Surrey and tend to reflect the densities of the outer Surrey authorities rather than those on the edge of London. The data therefore suggests that there is a link between proximity to London and the relative job density.
- 3.22 Job growth across neighbouring and other Surrey authorities since 2009 has been positive with an average growth across these areas of 3.46%. Job growth has been highest in those authorities on the edge of the study area in Tandridge and Waverley, both of which have experienced growth of over 5%. The lowest level of growth has been seen in Kingston and Mole Valley at just over 2%. Elmbridge's growth is similar to neighbouring authorities of Epsom and Ewell, Richmond, Guildford and Spelthorne which have all seen an increase in jobs of around 4%.

Table 3: Job growth 2009 to 2014

Borough	2009	2014	Growth (%)
Elmbridge	54075	56125	3.65
Epsom and Ewell	27696	28811	3.87
Guildford	72033	75147	4.14
Kingston upon Thames	75645	77359	2.22
Mole Valley	42152	43076	2.15
Reigate and Banstead	60409	62221	2.91
Richmond upon Thames	68391	71233	3.99
Runnymede	50656	51969	2.53
Spelthorne	35799	37298	4.02
Surrey Heath	49786	51096	2.56
Tandridge	30948	32655	5.23
Waverley	49779	52767	5.66
Woking	46221	47637	2.97
Total	663590	687394	3.46

Source: BRES ONS from NOMIS 12 January 2016

- 3.23 Outside of this main study area growth has been similar to the Enterprise M3 LEP at around 3.46%. Within the LEP area the figures for Hampshire and Surrey authorities are similar, with job growth of 3.79% and 3.68% respectively.

Key sectors and clusters

- 3.24 The main strength of the Elmbridge economy is in the professional services sector. This comprises a range of activities such as legal, architectural and

² The number jobs compared to working age population shown as a base.

engineering services. Table 4 shows that this sector accounts for over 15% of all jobs in the Borough. Other sectors with a strong presence include wholesale activities, retail, education and health services.

Table 4: Employee jobs in Elmbridge by industry

Industry ³	Jobs	Proportion (%)
Agriculture, forestry and fishing	100	0.17
extraction, mining and fuel refining	2	0.00
Manufacturing	2268	3.85
Utilities	321	0.54
Construction	3172	5.39
Wholesale	4500	7.64
Retail	5606	9.52
Air and Water Transport	308	0.52
Land transport, storage and post	2117	3.59
Accommodation and food services	4404	7.48
Recreation	2553	4.33
Media Activities	393	0.67
telecoms	526	0.89
computing and information services	3041	5.16
Finance and insurance	1195	2.03
Real Estate	1418	2.41
Professional Services	8893	15.10
Administrative and Support Services	2315	3.93
Other private services	1806	3.07
Public Admin and Defence	692	1.17
Education	4734	8.04
Health	5302	9.00
Residential Care and Social Work	3236	5.49
Total	58902	100

Source: BRES ONS from NOMIS 12 January 2016

3.25 However, whilst these services are prominent sectors for Elmbridge it is important to understand whether there are specific sectors that are particularly prominent in Elmbridge when compared with other areas within the South East or sub regional areas such as those covered by the LEP. Set out in the table below is a locational quotient analysis for different regional and sub-regional areas. Any industry sector showing a score of greater than one shows that there is higher proportion of jobs in this sector than for the South East as a whole.

Table 5: Industry location quotient analysis

Industry	Elmbridge	EM3 LEP	Surrey
Agriculture, forestry and fishing	0.23	0.35	0.25
extraction, mining and fuel refining	0.00	0.01	0.01
Manufacturing	0.69	1.09	0.75
Utilities	0.54	1.40	1.49
Construction	1.24	1.27	1.32

³ Industry clusters defined by LA based on BRES categories

Wholesale	1.71	1.18	1.13
Retail	1.04	0.99	0.92
Air and Water Transport	0.27	0.07	0.09
Land transport, storage and post	0.95	0.88	0.79
Accommodation and food services	1.12	1.08	0.97
Recreation	1.47	1.23	1.29
Media Activities	0.82	0.78	0.87
telecoms	1.06	1.13	0.61
computing and information services	1.44	1.34	1.29
Finance and insurance	0.69	0.96	1.36
Real Estate	1.63	1.09	1.15
Professional Services	1.84	1.40	1.22
Administrative and Support Services	1.05	0.85	0.87
Other private services	0.73	0.70	0.76
Public Administration and Defence	0.38	0.43	0.46
Education	0.88	0.92	0.92
Health	0.83	0.83	0.74
Residential Care and Social Work	1.16	1.06	1.00

Source: BRES ONS from NOMIS 12 January 2016

3.26 The analysis highlights that the prominent sectors in Borough include professional services, wholesale and transportation. Given that the proportion of jobs in each of these areas is high this is not surprising. The Borough does not have a significant manufacturing presence compared to the South East in general but more surprising is that financial and business services are much less prominent than might be expected from a Borough such as Elmbridge. The location quotient shows the Borough as having a much lower proportion compared to the EM3 LEP area or Surrey.

Table 6: Local authority industry strengths

Industry	Local Authority
Manufacturing	East Hants, Test Valley
Utilities	Runnymede, New Forest
Construction	Mole Valley, New Forest,
Wholesale	Basingstoke and Deane, Elmbridge, Runnymede,
Retail	Kingston
Land transport, storage and post	Spelthorne, Test Valley
Accommodation and food services	Hart
Recreation	Epsom and Ewell, Guildford, Runnymede, Woking
Media Activities	Spelthorne
Telecoms	Hart, Rushmoor, Spelthorne
Computing and information services	Hart, Mole Valley, Runnymede, Rushmoor, Woking
Finance and insurance	Mole Valley , Reigate and Banstead
Real Estate	Elmbridge, Waverley, Richmond upon Thames
Professional Services	Elmbridge, Epsom and Ewell, Guildford, Mole Valley, Waverley, Woking,

	Richmond upon Thames
Administrative and Support Services	Hart, Rushmoor, Surrey Heath, Tandridge
Other private services	Surrey Heath
Public Administration and Defence	Guildford
Health	Reigate and Banstead
Residential Care and Social Work	Reigate and Banstead, Tandridge, Winchester

- 3.27 Many neighbouring authorities share the same sector strengths. Epsom and Ewell, Guildford and Mole Valley all share strong professional service sectors. However, these same boroughs have much stronger finance and insurance sectors, particularly in the eastern half of Surrey and Reigate and Banstead specifically. Elmbridge, along with Richmond and Kingston upon Thames, have a relatively low locational quotient in this area.
- 3.28 There is a very low proportion of jobs and location quotient in manufacturing and construction, with the majority of these sectors underrepresented compared to the rest of the South East. Within the study area, the only non-service industry where there was a notable significance was the concentration of jobs in Energy and Water within Runnymede which was significantly higher than for the other areas.
- 3.29 The patterns of employment however reflect the nature of the area within which Elmbridge is located and the authorities examined. The area has not had a significant industrial base and employment land previously in manufacturing has been redeveloped to support office based service industries, such as the redevelopment of Brooklands Airfield in Elmbridge into a high end office location and large scale warehousing and distribution. It also shows that these areas are largely residential suburban areas with the necessary support services either in retail, leisure, health and public services. It is also a reflection of the proximity to central London and the ease of access to the capital not only for commuters but also for the professional and financial services sectors.
- 3.30 Knowledge driven sectors are also well represented in the Borough and are growing, particularly professional services and Information and Communication. There is consistency across different groupings of authorities with regard to the sectors where growth has been strongest. Real estate, construction, financial services and profession, scientific and technical activities have all seen consistent job growth within Surrey and across the EM3 LEP area. The strong growth in these sectors is also matched in those London boroughs to the north of Elmbridge and Surrey.

Business demography

- 3.31 The Elmbridge business base is predominantly small and medium sized enterprises, with around 85% of employment in companies with less than 250 staff and 92% of all companies in the Borough employing under 10 people. Runnymede has the largest proportion of larger companies of more than 250 employees. The proportion in Elmbridge is similar to its neighbouring authorities in London (Kingston and Richmond) and to its Surrey neighbour of Epsom and Ewell.

- 3.32 The sectors in which the largest companies are found across the study area include administrative and support services and in wholesale and retail. Together these make up 22% of all major businesses across the study area. However, other notable areas include professional services and manufacturing which both account for 9% (18% in total) of major businesses.
- 3.33 Elmbridge has a relatively high level of business start-ups with 1255 new enterprises in 2014. Business births equated to 13.6% of active enterprises. This proportion is above the Surrey and South East trend of 12.6% but slightly lower than the national average of 14%. At 93.1% the one year business survival rate for 2013 start-ups within the Borough is slightly lower than the Surrey and South East average of 94% and comparable with the national average of 93.5%. Two year survival rates of 75.9% for 2012 start-ups within the Borough exceed Surrey and England averages of 73% and the South East rate of 74.9%.
- 3.34 In Elmbridge 17.1% of the workforce between 16 and 64 are self-employed, significantly above local and regional averages. In the authorities examined within this study only Test Valley, Waverley and East Hampshire in Hampshire has a higher rate. The rate of self-employment in Elmbridge is considerable higher than in Surrey neighbours of Runnymede (9.7%), Spelthorne (7.7%), Mole Valley (9.7%) and Guildford (10.8%). However, it is closer to both Richmond and Kingston which have self-employment rates of 14.7% and 14.1% respectively.

Summary

- 3.35 In general the Elmbridge economy reflects that of the surrounding EM3 and Surrey area with a strong service economy and a relatively small manufacturing base. Areas of strengths across the sub regional areas include professional services, utilities, computing and information services and recreation. Key differences between Surrey and the EM3 LEP area (in particular the Hampshire element of the LEP) is the strong performance in Surrey with regard to the finance and insurance sector and the stronger representation of manufacturing in the LEP and Hampshire authorities.
- 3.37 The Elmbridge economy is strongly focussed on professional services. This sector makes up a significant proportion of the jobs within the local economy and far more than would be expected for other areas in the South East. This sector of the economy is also strong in neighbouring authorities examined as part of this study. Epsom and Ewell, Guildford, Mole Valley, Woking and Richmond upon Thames all border Elmbridge and show a similarly strong professional services sector. Other sectors such as real estate and wholesale are prominent within the local economy, which are also strengths for the neighbouring authorities of Richmond upon Thames and Runnymede respectively.
- 3.38 Employee job growth has been consistent across the study area with all authorities experiencing recent growth of between 2.5% and 5.6%. Highest growth has been seen by those authorities outside of the immediate London fringe with Guildford, Waverley and Tandridge showing the strongest growth.
- 3.39 In general the study area shows significant similarities in terms of growth and the prominent service sector. However, there does appear to be some

clustering of industry sectors across the study area. It would appear that authorities in the north and west of Surrey have a strong professional services sector with East Surrey having a much stronger focus on Finance and Insurance services, particularly in Reigate and Banstead. Outside of these sectors there are individual authorities showing certain strengths but less clustering of sectors when examined against regional strengths.

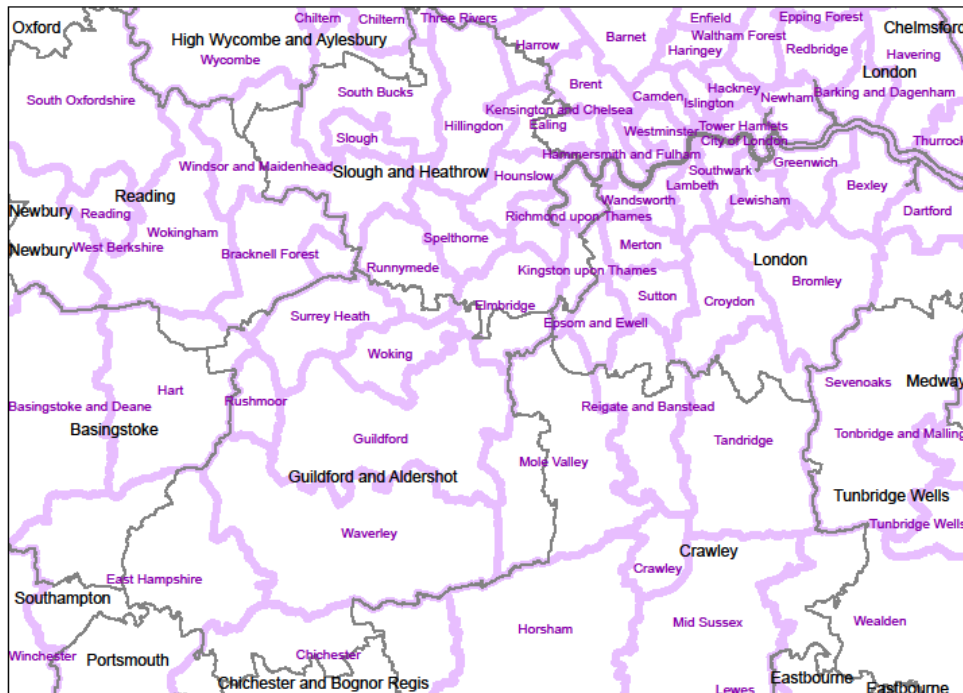


Labour Market Areas

Travel to Work Area

- 3.40 One representation of the sub regional labour market area is the official analysis of Travel to Work Areas (TTWAs). TTWAs can provide information about commuting flows and the spatial structure of the labour market. They represent areas where the bulk of the resident population also works within the same geographical area. They are typically a key definer of an economic area.
- 3.41 In August 2015 The Office for National Statistics (ONS) released TTWAs across the UK based on 2011 Census data. The assessment defines a TTWA as being an area where at least 75% of an area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area. The area must have a working population of at least 3,500. For areas with a working population in excess of 25,000, self-containment rates as low as 66.7% are accepted.

Map showing 2011 TTWAs covered by Surrey Local Authorities



Contains Ordnance Survey data © Crown copyright and database right 2015

- 3.42 The map shows that the northern part of the Borough falls within the Slough and Heathrow Travel to Work Area, whilst the southern part lies within the Guildford and Aldershot Travel to Work Area. This differs to the 2007 Travel to Work Areas, in which Elmbridge fell entirely within a London TTWA along with Epsom and Ewell, Spelthorne, parts of Guildford, Mole Valley, Reigate & Banstead and Tandridge. The 2011 TTWA analysis has reduced the size of the London TTWA and introduced additional areas such as the Slough and Heathrow TTWA in order to provide a more detailed analysis of local

patterns. Being included with Kingston upon Thames and Richmond upon Thames reinforces Elmbridge's economic linkages with the south west London boroughs. The analysis also highlights the impact Heathrow has on employment patterns within the wider area.

2011 Census Commuting Patterns

3.43 The 2011 Census provides information on the place of work of residents of an area and also place of residence of the workforce in an area.

Table 7: In-commuting to Elmbridge

Place of work	Usual place of residence	Number of commuters	% of commuters	Cumulative %
Elmbridge	Elmbridge	14,404	28	28
Elmbridge	Mainly work at or from home	10,110	20	48
Elmbridge	Kingston upon Thames	3,145	6	54
Elmbridge	Runnymede	2,908	6	60
Elmbridge	Woking	2,831	5	65
Elmbridge	Spelthorne	1,774	3	68
Elmbridge	Guildford	1,579	3	71
Elmbridge	Mole Valley	1,274	2	73
Elmbridge	Richmond upon Thames	1,054	2	75
Elmbridge	Epsom and Ewell	1,017	2	77
Elmbridge	Merton	829	2	79
Elmbridge	Sutton	775	2	81
Elmbridge	Hounslow	728	1	82
Elmbridge	Wandsworth	688	1	83
Elmbridge	Other Surrey authorities	1,665	3	86
Elmbridge	Other London authorities	2,322	5	91
Elmbridge	Other Local Authority (UK)	4,462	9	100
Total workforce population		51,565	100	

Source: ONS Census 2011 – Location of usual residence and place of work (dataset WU01UK)

3.44 The Census figures identify a total workforce population of 41,455. This figure excludes people who work mainly at or from home, or have no fixed workplace. If figures for Elmbridge home workers are included, the total workforce population increases to 51,565. In terms of self-containment there are 24,514 people living and working within the Borough, which represents 48% of the 51,565 people working within the Borough.

3.45 The pattern for those commuting into Elmbridge for work purposes shows that people are commuting from a relatively confined area, with the neighbouring Surrey and London authorities of Kingston upon Thames, Runnymede, Woking, Spelthorne, Guildford, Mole Valley and Richmond upon Thames and Epsom and Ewell providing the bulk of in-commuters. Together these seven authorities provide 27% of the total workforce population, meaning that when combined with the total for Elmbridge residents working within the Borough, 77% of the workforce either reside in Elmbridge or travel from these 8 local authority areas.



Table 8: Out-commuting from Elmbridge

Usual place of residence	Usual place of work	Number of commuters	% of commuters	Cumulative %
Elmbridge	Elmbridge	14,404	22	22
Elmbridge	Mainly work at or from home	10,110	15	37
Elmbridge	Westminster, City of London	7,005	11	48
Elmbridge	No fixed place	5,317	8	56
Elmbridge	Kingston upon Thames	3,947	6	62
Elmbridge	Richmond upon Thames	2,083	3	66
Elmbridge	Runnymede	2,077	3	69
Elmbridge	Hounslow	1,487	2	71
Elmbridge	Spelthorne	1,404	2	73
Elmbridge	Guildford	1,204	2	75
Elmbridge	Tower Hamlets	1,149	2	77
Elmbridge	Mole Valley	1,131	2	79
Elmbridge	Camden	1,086	2	80
Elmbridge	Woking	1,031	2	82
Elmbridge	Other London authorities	7,183	11	93
Elmbridge	Other Surrey authorities	1,380	2	95
Elmbridge	Other Local authority (UK)	3,281	5	100
Total residents in Employment		65,279	100	

Source: ONS Census 2011 – Location of usual residence and place of work (dataset WU01UK)

3.46 24,514 residents live and work in Elmbridge, but 40,765 commute out of Elmbridge. Taking in-commuting and out-commuting into account, there is a net commuter outflow from Elmbridge of 13,714 people. In terms of out-commuting, the Borough has the strongest relationship with the City of London and Westminster with 11% of the Borough's working age population commuting to these areas. Overall there is a strong London focus to out commuting figures, with 37% of residents commuting to London boroughs and only 13% commuting to other Surrey authorities.

Summary

3.47 The pattern for those commuting into Elmbridge for work purposes shows that people are commuting from a relatively confined area, with the neighbouring Surrey and London authorities of Kingston upon Thames, Runnymede, Woking, Spelthorne, Guildford, Mole Valley, Richmond upon Thames and Epsom and Ewell providing the bulk of in-commuters. These areas form the strongest labour market ties. However, it must also be recognised that there are significant commuting patterns to central London authorities and in particular the City of London.

- 3.48 In general the patterns show a northerly commuting pattern with Elmbridge seeing significant out-commuting to Kingston and central London Boroughs with in-commuting coming from Boroughs to the south of Elmbridge. This pattern of commuting is unsurprising given the cost of housing in the Borough and excellent rail links into the capital and the high quality of life. However, despite the high cost of living a significant proportion of the population do still live and work in the Borough reflected in the high proportion of self-employed residents and those working from home.
- 3.49 These commuting patterns reflect the nature of employment in areas adjoining the capital. The quality and high salaries offered within the London job market means that it has a significant influence on commuting patterns with a significant influence beyond the capital's borders. However, the in commuting patterns reflect quite a compact employment market for the Borough focused on neighbouring authorities within easy commuting distance of key employment areas such as Brooklands.

Housing Market Areas

- 3.50 The NPPF requires that Local Planning Authorities use their evidence base to meet the "...full, objectively assessed needs for market and affordable housing in the housing market area...." As a consequence, Elmbridge Borough Council has commissioned work to establish the Housing Market Area (HMA) within which Elmbridge sits.
- 3.51 A HMA is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. HMAs can be broadly defined by using the following sources of information:
- House prices and rates of change in house prices
 - Household migration and search patterns
 - Contextual data (for example travel to work area boundaries, retail and school catchment areas)
- 3.52 Research into HMAs in and around London requires consideration of the wide range of inter-relationships between localities both within and outside London. A number of recent studies have suggested that there is strong evidence of a large SHMA covering the Greater London area and other sites in the South East but with no definitive boundary to its area.
- 3.53 The most significant national level study was commissioned by the former National Housing and Planning Advice Unit (NHPAU) from Newcastle University and published by CLG in 2010⁴. A 'gold standard' analysis was undertaken at 2001 Census ward level, producing a two tier system of strategic and local HMAs. Elmbridge was included in a large London Strategic HMA covering the London wide area and parts of surrounding authorities. At a local HMA level, Elmbridge fell within a Guildford HMA, but with two wards included in a London West HMA. The University also produced an alternative single tier of HMAs based on wards. Again that concluded that Elmbridge and a number of surrounding Boroughs were included in a very large London wide HMA.
- 3.54 More recently the 2013 London Strategic Housing Market Assessment identifies Greater London as the HMA⁵. Whilst the study recognised that the London housing market extends beyond this area for practical considerations the study considered the Greater London area to be an effective Housing Market Area for the purposes of strategic planning in the Capital.
- 3.55 In 2015 the Boroughs and District of Elmbridge, Epsom & Ewell, Kingston upon Thames and Mole Valley commissioned Cobweb Consulting⁶ to carry out a Strategic Housing Market Assessment or Assessments covering their areas. As set out in Planning Practice Guidance, the study examined evidence on house prices, migration and other indicators to identify HMA boundaries. Both of the studies are considered in this work to identify the

⁴ C Jones, M Coombes and C Wong, Geography of housing market areas, November 2010

⁵ The 2013 London Strategic Housing Market Assessment: Part of the evidence base for the Mayor's London Plan.

⁶ Cobweb Consulting

HMA within which Elmbridge sits and the report highlights that the research is focusing on a sub section of a London/ South East England market.

- 3.56 The work concluded that the four authorities of Kingston upon Thames, Elmbridge, Epsom and Ewell and Mole Valley do form a coherent and self-contained HMA as identified through strong migration linkages and supported by evidence on house price patterns and commuting links. As with other SHMAs, the study does also recognise the strength of linkages to adjoining areas outside the HMA. In particular it identified the links between Runnymede and Elmbridge. The study identified that in terms of both commuting patterns and migration there were relatively strong links but that both authorities had stronger links to other areas.

Other SHMAs

- 3.57 A number of other local housing market areas have been identified by other Boroughs as part of the preparation of their Strategic Housing Market Assessments. These are:
- The West Surrey SHMA completed in 2014 and covering Guildford, Woking and Waverley. The study did also identify interactions between the HMA and Rushmoor, East Hampshire, Runnymede, Elmbridge and Kingston upon Thames.
 - November 2015 SHMA covering Runnymede and Spelthorne. The analysis identifies strong migration, commuting and house price linkages between the authorities with secondary linkages to other London, Surrey and Berkshire authorities.
 - 2014 SHMA covering Surrey Heath, Rushmoor and Hart. This area has also been identified as their Functional Economic Area.
- 3.58 The studies recognise that all authorities have strong links with other areas outside of the identified Housing Market Area. This reflects the complex pattern of migration and commuting within the South East of England. The impact that London has on the region is recognised by the wider studies outlined at the beginning of this section.

Summary

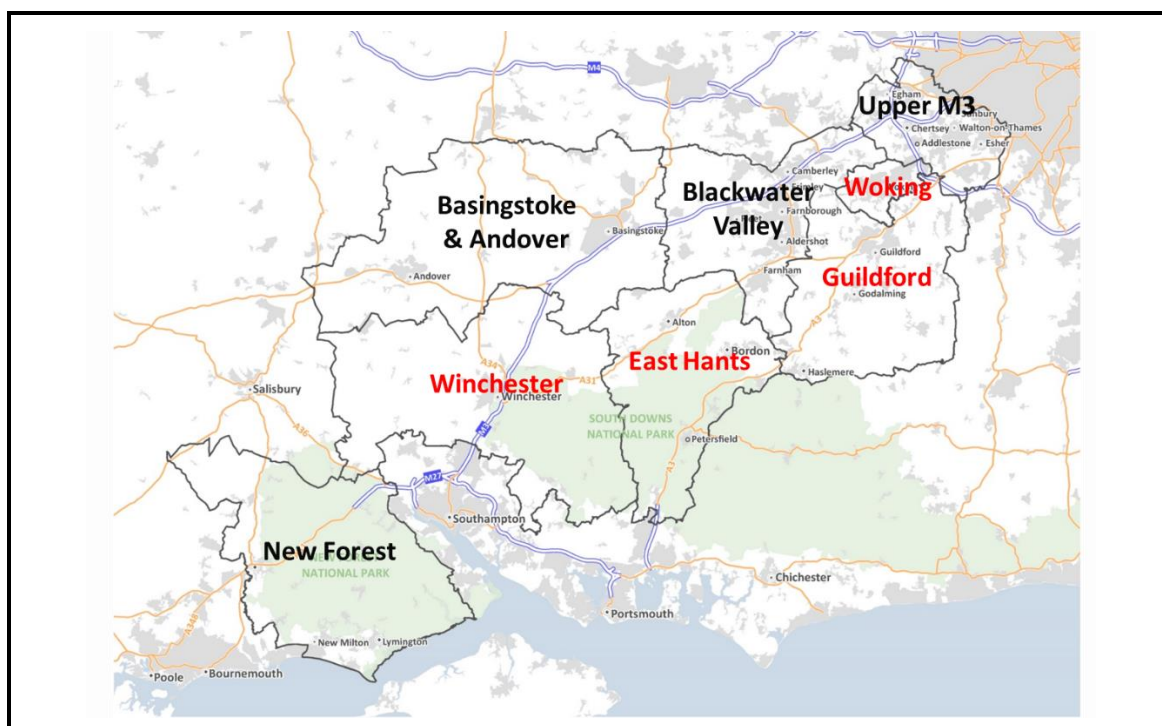
- 3.59 It is clear that Elmbridge has strong links to both the housing market in the south west of London as well as to authorities in the north of Surrey. There is a clear pattern of commuting and migration with a central focus around Kingston and as such linking Elmbridge to the Surrey authorities of Epsom and Ewell and Mole Valley who also border Kingston. However, there are also important links with Runnymede, Woking, the London Borough of Richmond upon Thames and Guildford.
- 3.60 It is evident from the range of studies that the market for housing across the area is complex and impossible to define precisely on administrative boundaries. There is a clear trend of commuting and migration along transport corridors such as the A3 and the rail lines to Waterloo from both Woking and Guildford. These have led to a broad similarity of house price and commuting patterns that allow people to live and work across a relatively broad geographical area.



Commercial Property Markets

3.61 In April 2013 the Enterprise M3 LEP produced a Commercial Property Market Study⁷ covering the entire LEP area. This original report identified 6 market areas with distinct characteristics. This study has recently been updated⁸ and makes a number of changes to the market areas originally identified. The specific changes involved dividing Central Hampshire into Winchester and East Hampshire market area and also dividing Guildford and Woking into separate market areas. The 2016 report continues to identify an Upper M3 market area.

Figure 3: Revised Market Areas for the EM3 LEP area



Source: Enterprise M3, Commercial Property Market Study, 2016

3.62 The report sets out that the commercial property market areas “..identify a set of geographies which broadly reflect the search areas of businesses in different parts of the LEP, and the locational criteria that influence these search areas”. The update continues to place Elmbridge within an Upper M3 market area, which also covers Runnymede and Spelthorne Boroughs in their entirety. The 2016 report highlights a number of specific characteristics of this market area:

- The Upper M3 area is characterised as a high demand office market which is working efficiently

⁷ Enterprise M3, Commercial Property Market Study, April 2013

⁸ Regeneris Consulting, Enterprise M3 Draft Commercial Property Market Study, 2016

- Between 2012 – 2015 the vast majority of deals for larger office deals (over 1000 sq m) were in the four market areas in the north east of the LEP area, with the greatest concentration in the Upper M3 area.
- Transaction data shows the Upper M3 area as having the largest take-up of Grade A office space between 2013 and 2015 (55,000 sq m) due to strong demand at a number of new, high quality office developments in Staines and the Heights in Weybridge
- Of all the market areas, the Upper M3 area has the largest amount of office space/ mixed B-use development with planning permission.
- This north east area of the LEP area is identified as an area more likely to attract displaced investment from London. Areas such as Staines upon Thames are identified as having seen significant investment in new, Grade A stock in recent years. There has been a corresponding rise in rental values since 2012, with a significant increase in the number of deals taking place at in excess of £25 per sq ft.
- Loss of floorspace through permitted development has been poor quality, mainly unoccupied and has been largely counterbalanced by provision of new, high quality space.
- Key growth locations include the market areas of Guildford, Upper M3 and Woking. The Upper M3 market has seen very strong rates of growth in the business base. There is a strong concentration of ICT and Digital industries, particularly larger businesses and multinationals.
- For the industrial market within the Upper M3, commercial agents report a high number of enquiries for sites offering access to the M25, M3 and M4. However take-up is constrained by a shortage of sites, particularly for B8.

3.63 The original study also assessed over 100 employment sites within the LEP area, considering their viability and deliverability. This analysis identified a number of prime Market Ready Sites that are attractive to the market and immediately available to the market and also Investment Potential Sites that could be the focus of intervention and support.

3.64 As the map below shows, a number of sites within Elmbridge were included in the initial site assessment. From the analysis, no Market Ready Sites or key Investment Potential sites were identified within Elmbridge; however three Market Ready Sites were identified in Staines-upon-Thames which forms part of the Upper M3 Market Area.



Figure 4: Employment sites initially assessed in the Upper M3 Market Area.



Source: Enterprise M3, Commercial Property Market Study, April 2013

3.65 Research produced by commercial agents Knight Frank distinguishes between the following commercial markets:

- M25,
- M3 (incorporating the main South West London boroughs and Leatherhead, Guildford, Basingstoke and Farnborough)
- M4 (Hammersmith to High Wycombe, including Staines upon Thames and Bracknell to the South)

3.66 Across these areas new and grade A take up has accounted for a high proportion of take up of space in 2015.⁹ Office take-up rates in 2015 have moved ahead of the 10 year average. Rents continue to rise supported by a lack of supply with further rental growth forecast. The M3 market within which Elmbridge is located shows falling vacancy rates and a continued focus on new and Grade A space.

Office market

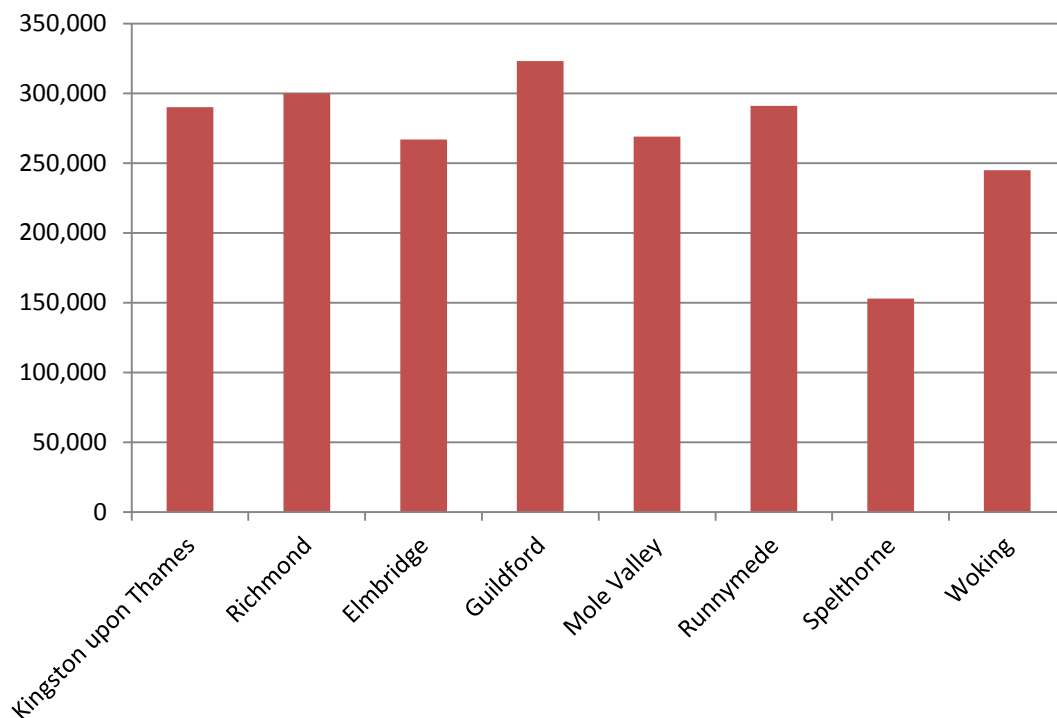
3.67 There is a large office stock in the boroughs surrounding Elmbridge with the Borough's 2014/15 Annual Monitoring Report setting out that there is 252,900 m² of B1 (Office, R&D and Light Industrial) space within the Borough. This floorspace total has remained largely stable with losses offset by new developments such as the Velocity Building in Brooklands. Over the last four years losses have tended to be from lower grade office floorspace in town centres. Much of these losses are a result of the changes to permitted development rights introduced by the Government to

⁹ Knight Frank M25 Offices Investment, Development & Occupier markets Q1 2015

promote the conversion of poor, underused and vacant office floorspace into housing.

3.68 Elmbridge has a similar level of office space to neighbouring authorities. The graph below, based on the most recent Valuation Office figures, shows that there are significant levels of office provision in and around Elmbridge. This clearly reflects the nature of the economy with the focus on services industries and the professional services sector in particular. Only Spelthorne of those authorities neighbouring Elmbridge has significantly less office stock.

Figure 5: Office stock by Local Authority ('000s sq.m)

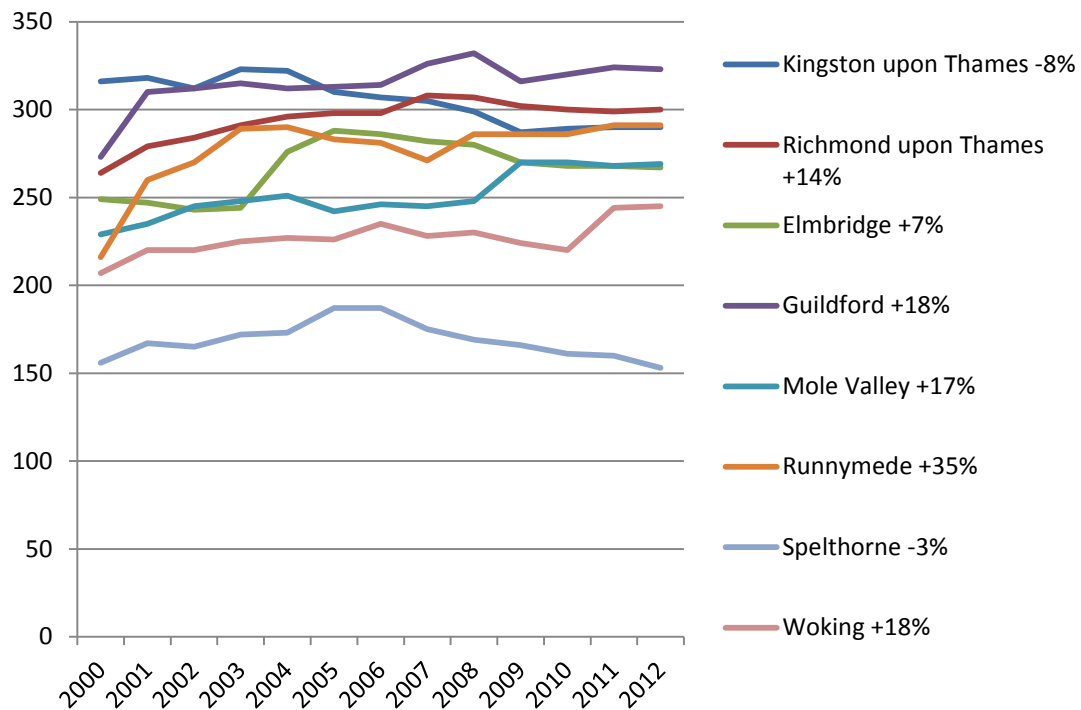


Source: Valuation Office Agency 2012 Business Floorspace statistics

3.69 Whilst Elmbridge has experienced a growth in its office market since 2012 this growth has not been as strong as some of its neighbours. The chart below highlights how office floor space provision has altered since 2000, with Runnymede seeing a significant rate of increase and Mole Valley and Richmond upon Thames all having significantly higher growth in their office floorspace than Elmbridge. However, it must be noted that this data does not include the period during which permitted development rights have changed. In particular the London Borough of Richmond upon Thames has indicated significant losses in office floorspace as a result of these changes.



Figure 6: Change in office floor space 2000-2012 ('000sqm)

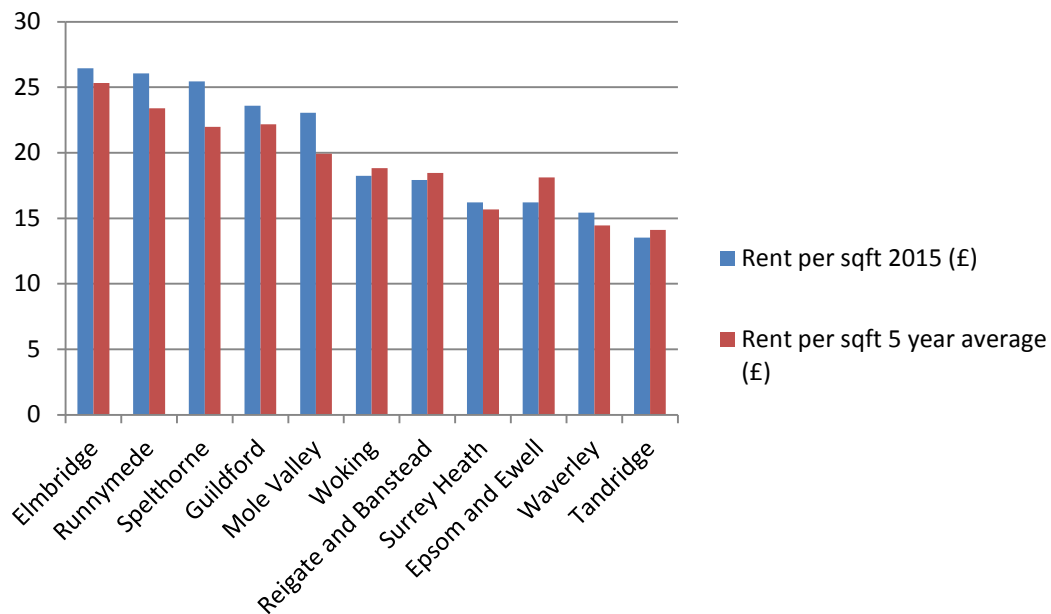


Source VOA 2012 Business Floor space statistics

3.70 Trend data for Surrey from the CoStar commercial property database shows a trend for average office rental rates in excess of £23 per sqft in Elmbridge and the surrounding Surrey Boroughs of Guildford, Mole Valley, Runnymede and Spelthorne. 2015 data also suggests low levels of availability (under 5%) in Elmbridge and Runnymede and a relative quick take up of marketed office properties (on average under 10 months on the market) within Elmbridge and Guildford. Trends such as these highlight the strength of this Surrey section of the upper M3 office market with its close proximity to London.



Figure 7: Office rental rates for Surrey Boroughs surrounding Elmbridge



Source CoStar Property Market database, 2015

3.71 Recent feedback from local commercial agents on the Elmbridge office market has suggested increasing interest, return of rental values and confidence that remaining space will be taken up as the recovery continues. Grade A office space leased in 2015 at Velocity, Weybridge have leased at rates in excess of £30 per sqft “in line with growing demand for high quality office space in the South East” Source Exton Estates.

Industrial Market

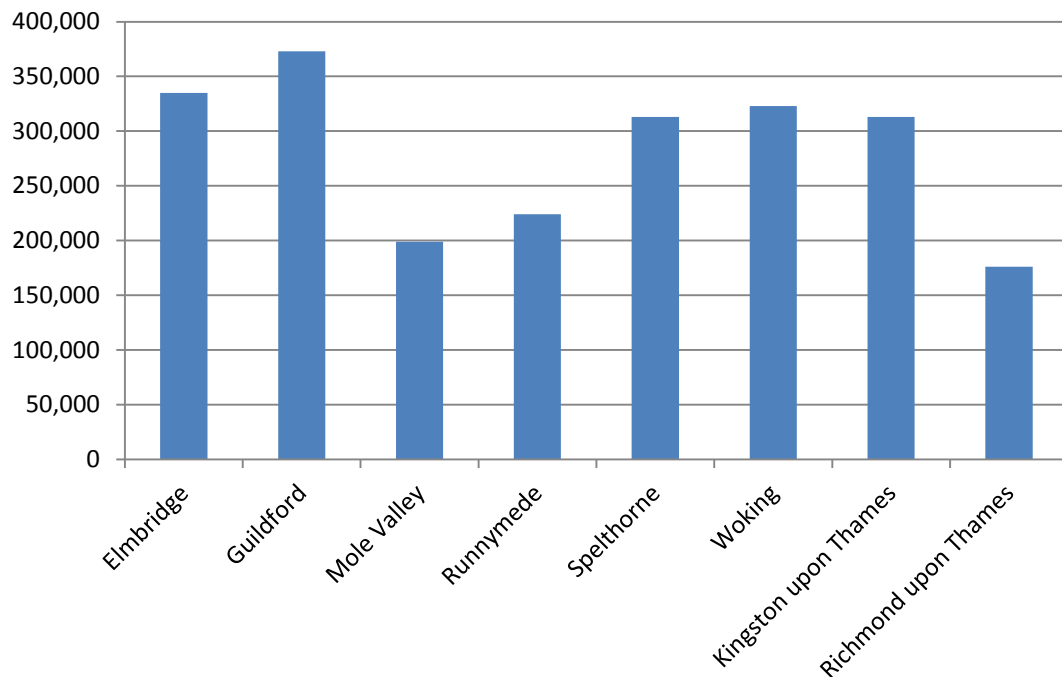
3.72 Research undertaken for Elmbridge by GL Hearn in 2013 suggested that the industrial market within which the Borough sits is more closely aligned to the LEP area than the office market. It covers Surrey and Hampshire and extends along the A3 and M3. Discussions at that time with the LEP suggested that the demand for B8 uses locally is likely to be limited due to the high land values in Elmbridge. The market within the LEP area for B8 is expected to be in Hampshire.

3.73 The Borough’s 2014/15 Annual Monitoring Report sets out that there is 144,137m² of B2 (General Industrial) and 162,666m² of B8 (storage and distribution) space within the Borough. The industrial market in Elmbridge is mainly provided through the Brooklands Industrial Estate in Weybridge, which provides modern larger warehouse accommodation and the Molesey Industrial Estate, West Molesey which comprises smaller scale, lower quality premises. The review of sites section of this ELR looks in detail at the quality and availability of premises within the borough.

3.74 When compared with the surrounding Boroughs, Elmbridge does have significant levels of industrial stock. The chart below highlights the more limited industrial supply in Richmond upon Thames, Mole Valley and Runnymede.



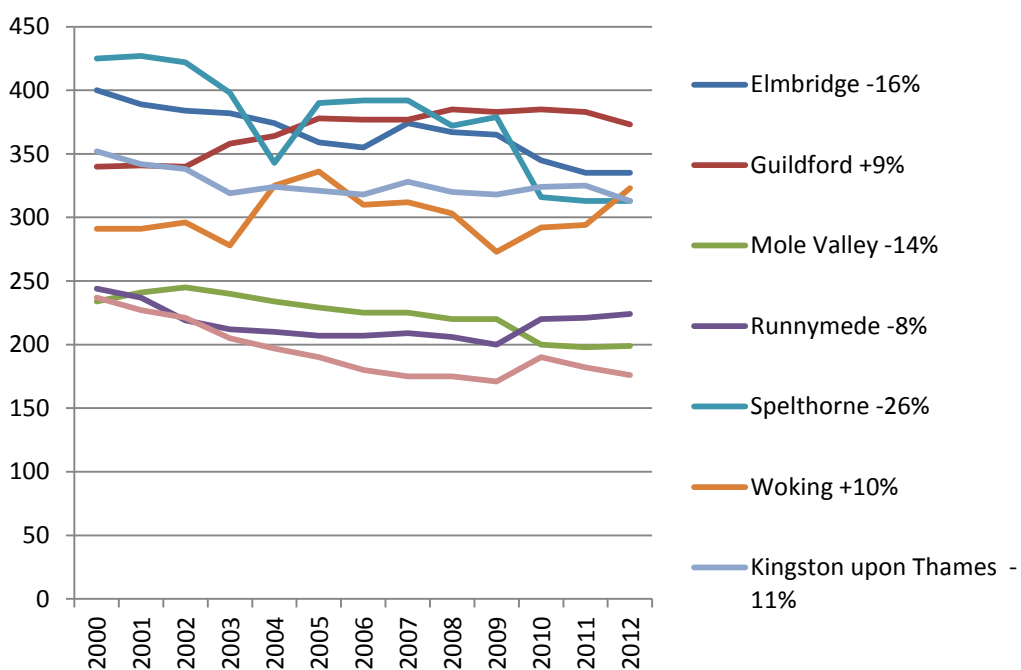
Figure 8: Industrial floor space by local authority ('000sqm)



Source: VOA 2012 Business Floor space statistics

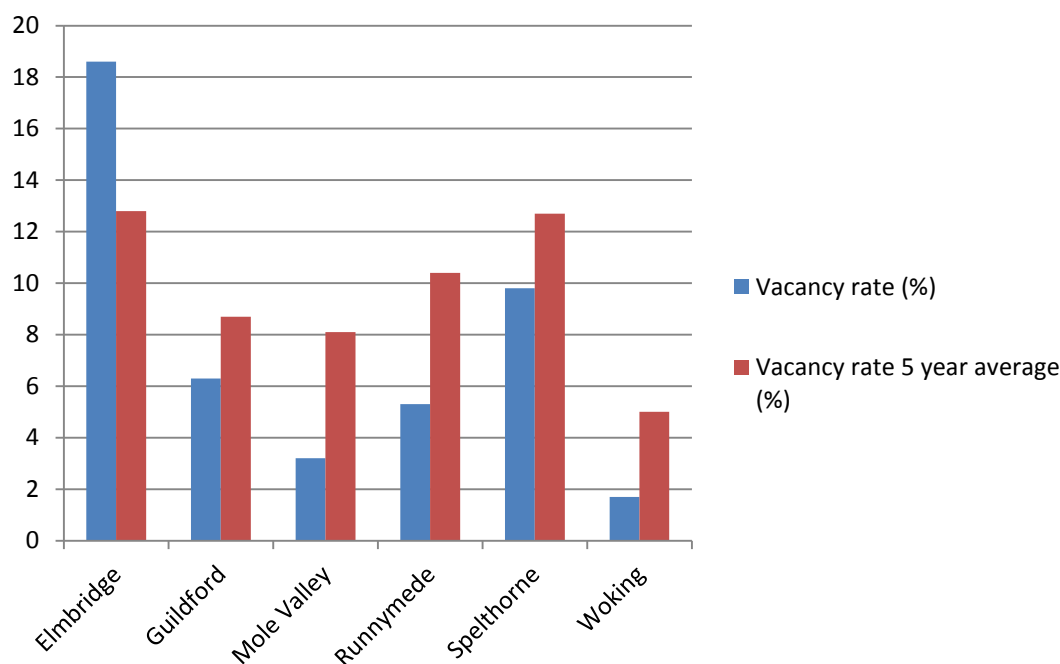
3.75 Guildford and Woking are the only areas that have seen an increase in industrial floor space over the period from 2000. This contrasts with the decline experienced elsewhere throughout the local area.

Figure 9: Change in industrial floor space 2000-12 ('000sqm)



3.76 For the Surrey Boroughs surrounding Elmbridge the highest industrial rental rates are achieved in Runnymede and Woking, averaging in excess of £10 per sq ft in 2015. However, the variation throughout this area is not huge, with only Spelthorne averaging under £7 per sq ft in 2015. Areas such as Woking and Mole Valley have low vacancy rates of under 3.5%, demonstrating demand. In comparison, the high vacancy level in Elmbridge is due to the availability of large warehouse units in Brooklands Business Park, possibly highlighting the lower demand for B8 uses locally.

Figure 10: 2015 Industrial vacancy rates for Surrey Boroughs surrounding Elmbridge



Source CoStar Property Market database, 2015

Retail and Consumer Market Areas

3.77 The Borough undertook a Retail Study in 2015¹⁰ to bring its evidence base up to date. Household surveys included in the study highlight the importance of Kingston upon Thames as a significant centre for comparison shopping (over a quarter of all comparison goods spending). These findings are further evidence of the Borough's strong economic linkages with Kingston upon Thames.

3.78 The higher order centres of Woking, Staines upon Thames and Guildford all also act as significant centres for comparison. Of the three, Guildford has the greatest influence on comparison shopping patterns for Elmbridge. Kingston upon Thames, Guildford and Woking all have aspirations to enhance their retail offer in the short to medium term. The nearby Addlestone One £90 million town centre redevelopment scheme in Runnymede will boost the daytime and evening economy for the town and

¹⁰ Bilfinger GVA Elmbridge Retail Assessment 2015

could potentially impact on future retail and leisure patterns locally through the provision of cinema, retail units and restaurants.

- 3.79 The study concludes that whilst the retail provision in Walton on Thames has improved significantly in recent years, the retail centre will only ever capture a limited proportion of comparison spend given the proximity of strong higher order retail centres.

Summary

- 3.80 Unsurprisingly Elmbridge has a significantly stronger market for office floorspace compared to its market for industrial uses. The office market has high rental values with vacant offices having a relatively short period on the market before being re-let. This is in stark contrast to the Borough's industrial stock which has relatively low rental values, high vacancies and is slow to re-let once vacant.
- 3.81 The features of the office market within the Borough are similar to that of surrounding areas. In particular rents are very similar to both Runnymede and Spelthorne, though these rates are not significantly different to other neighbouring authorities, with only Woking seeing rental values of under £20 per sqft. Take up rates are also relatively strong with Guildford and Elmbridge in particular having relatively short period of vacancy before properties are re-let.
- 3.82 Industrial markets across surrounding authorities are similar with rental rates varying minimally. The highest rates are £10 per sqft in Runnymede and Spelthorne compared to £7 in Elmbridge. Whilst vacancy rates are significantly higher at present in Elmbridge than for other areas, there has been some change in the ownership of buildings in the Brooklands Industrial Estate. The area has still seen a higher average vacancy compared to areas such as Woking, Mole Valley and Guildford and is more comparable to Runnymede and Spelthorne.

4 Conclusions

- 4.1 It is evident from the available evidence that there are a series of complex interrelationships between different authorities in this part of the south east. The interactions with and influence of the capital on the area is significant, especially in relation to housing and labour markets. A significant proportion of the population across the authorities considered in this study work in London, commute in each day on quick and convenient transport corridors. High house prices also play a significant part in the functional linkages between Elmbridge and other areas and create fundamentally different market areas for housing and employment.
- 4.2 Functional economic areas and housing market areas will not necessarily be conterminous within this area. The number of jobs in the capital, the higher salaries and the ease of commuting from Elmbridge and its neighbouring authorities mean that a significant proportion of the population travel into London for employment. In Elmbridge 37% of the population commute into the capital for employment with at least 13% commuting into central London.
- 4.3 The evidence that was prepared as part of the Council's SHMA indicates the strong linkages between London and Elmbridge with regard to both commuting and migration. In particular it shows that there are significant linkages between Kingston upon Thames and the Surrey authorities of Epsom and Ewell, Mole Valley and Elmbridge. However, the study recognises that there are also strong linkages with other areas. The relationship between Runnymede and Elmbridge is identified, with strong migration and commuting patterns between the two authorities being highlighted.
- 4.4 The pattern for those commuting into Elmbridge for work purposes shows that people are commuting from a relatively confined area, with the neighbouring Boroughs of Kingston, Richmond, Runnymede, Guildford, Spelthorne, Mole Valley and Epsom and Ewell providing, alongside Elmbridge residents, 77% of the local workforce.
- 4.5 In terms of prominent sectors the knowledge driven sectors are well represented in the Borough, with professional services and computing and information services being key for the Borough and also being dominant in the neighbouring Boroughs of Mole Valley, Runnymede, Woking, Guildford and Richmond upon Thames. This evidence suggests some clustering of the knowledge driven sector across these Boroughs. However, the prominence of distribution and warehousing functions within the Borough are more reflective of the LEP area as a whole and the good transport connections available in this area.
- 4.6 On the commercial market supply side, Elmbridge forms part of a wider buoyant sub-regional office market. There are clear similarities between the office markets for Elmbridge, Spelthorne and Runnymede in Surrey as well as with the London Boroughs of Kingston and Richmond upon Thames. The Borough also shares a similar market for industrial floorspace with these Boroughs with lower rents and a lower level of demand for such floorspace compared to other Borough's, especially those in the LEP.
- 4.7 These findings suggest that Elmbridge functions within a south west London north Surrey economic area. This area is similar to that identified by the

Enterprise M3 LEP as the upper M3 commercial market area but also recognises the clear linkages between north Surrey and the London Boroughs that are adjacent to Surrey. Therefore primary authorities the Council will need to work with in relation to its policies on employment land are Runnymede, Spelthorne and the London Borough of Kingston upon Thames. However, it will be important to engage the London Borough of Richmond upon Thames, Woking, Epsom and Ewell, Mole Valley and Guildford as part of a wider economic area when seeking to secure sufficient floorspace to meet business needs. It will also be important to continue to consult with Surrey County Council, Enterprise M3 LEP and the London LEP on economic and employment issues.