

Employment Land Review Update for Sheffield Final Report

Sheffield City Council

3 September 2021

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1.0 Introduction

Scope

- 1.1 Sheffield City Council ("The Council") consulted on a 'Regulation 18' Issues and Options version of a draft local plan between September and October 2020. The intention is to consult on a full, 'Regulation 19' draft plan. This will propose draft site allocations, including land for economic uses, in line with the requirements of the National Planning Policy Framework [NPPF] and national Planning Practice Guidance [PPG].
- 1.2 As part of the preparation of evidence to support the Local Plan, the Council commissioned an Employment Land Review [ELR] which was undertaken by Lichfields and published in 2020. A Technical Note on Employment Land Need and Supply was also produced by the Council that interpreted the findings of the ELR and set out its implications for the emerging plan.
- 1.3 The ELR recommended a level of need for economic land of between 141 ha and 248 ha up to 2036. This equated to the Experian REM baseline at the lower end of the range, to the 'Policy On' 1% jobs growth scenario at the upper end. Of this range, it was recommended that greater weight could be given to a figure of around 200 ha gross (i.e. 11.11 ha per annum), as this broadly aligned with long term past take up rates (198 ha); the labour supply scenario and also the mid-point between the Experian REM baseline and the Policy On 1% jobs growth (195 ha). The ELR also analysed potential employment sites in order to balance need with supply.
- 1.4 There is now a need to update the 2020 ELR for a number of reasons, particularly those relating to the envisaged new economic 'normal' arising from the Covid-19 pandemic and changes to Government planning and economic policy.
- 1.5 In this regard, updated national PPG on local plan-making¹ was published in July 2020. This sets out the requirements for the evidence base for local plans. It states that policy-making authorities will need a clear understanding of business requirements in their area. The PPG goes on to say² that authorities can use this evidence to assess the need for land or floorspace for economic development, including both the quantitative and qualitative needs for all foreseeable types of economic activity over the plan period. The LPA should also assess existing and future supply of land available for economic development and its suitability to meet the identified needs and the likely availability and achievability of employment-led development, taking into account market signals.
- 1.6 This 2021 study also takes account of the Government's guidance contained in the PPG on Housing and Economic Development Needs Assessments [HEDNAs], updated in December 2020³. This sets out how authorities should assess economic need and determine what type of employment land is required.
- 1.7 The main tasks of this 2021 ELR Update are therefore to:
- update the assessment of economic land need as set out in the 2020 ELR in line with new Government Guidance;
 - critically appraise the potential employment supply;
 - assess the specific need for logistics as set out in Government Guidance;
 - assess the impact of new housing need calculations on job requirements and economic land need; and,

¹ <https://www.gov.uk/guidance/plan-making> see Paragraph: 040 Reference ID: 61-040-20190315

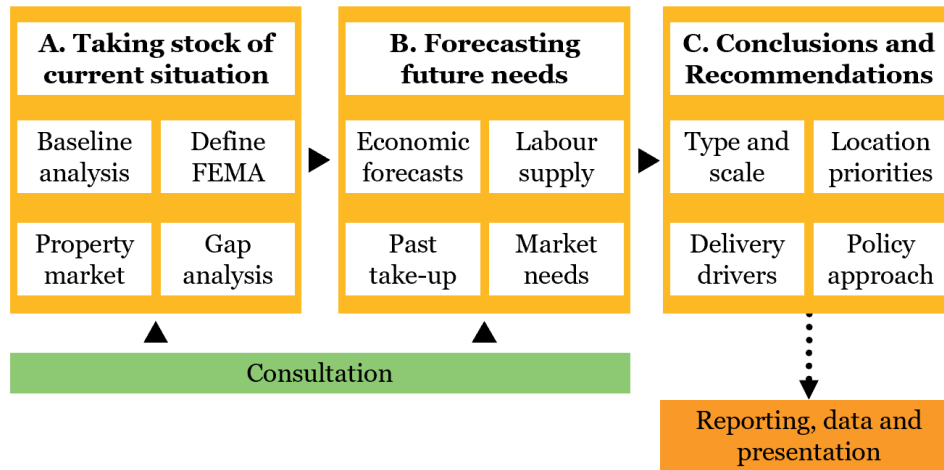
² PPG: 041 Reference ID: 61-041- 20190315

³ <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

- consider the impact of changes to the Use Classes Order and new permitted development rights on the ability to deliver economic land in local plans to meet the identified need.
- 1.8 The scope of this ELR Update includes consideration of economic development based upon the typologies set out in the former ‘B’ Use Classes as outlined below, but drawing on other evidence base information that is available to ensure that there is consideration of other (non B-use) industries insofar as they form economic and employment growth opportunities:
- **Office:** including offices in Eg(i)– former B1(a) - Use Class and research & development in Eg(ii) – former B1(b) - Use Class.
 - **Industrial:** including light industrial in Eg(iii)– former B1(c) - Use Class and industrial and manufacturing space in B2 Use Class.
 - **Distribution:** including storage and distribution, warehousing and wholesale uses typically in B8 Use Class.
- 1.9 References to ‘employment space/uses’ and ‘employment-based sectors’ refer to all the above uses.
- 1.10 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 three lockdowns due to the health crisis, which commenced in March 2020 and occurred again in November 2020 and January 2021. The Brexit deal has also been included within the econometric forecasts used in this report (which are dated April 2021). The qualitative factors and the engagement with the stakeholders also attempt to capture these recent developments.
- 1.11 This ELR Update will need to align with current and emerging planned housing growth, as well as other economic policy documents and employment-related development on the fringes of Sheffield City, to ensure the evidence dovetails together.
- 1.12 To this end, the study:
- 1 Provides an up-to-date and robust evidence base to inform options for employment growth (beyond total numbers) to underpin the land proposals in the Regulation 19 draft Local Plan being undertaken by the Council;
 - 2 Sets out the economic context which frames the ELR Update including the dynamics of the commercial and industrial market;
 - 3 Assesses the requirement for specific sector-led economic growth relevant to Sheffield City;
 - 4 Identifies the future demand over the plan period 2018-2038, based on both past trends as well as economic and household projection forecasts within the context of Sheffield City and identifies where gaps exist in both quantitative and qualitative terms;
 - 5 Demonstrates linkages between the economic analysis and the emerging local housing need requirements and how it will be drawn together to inform the overall policy conclusions;
 - 6 Sets out the NPPF and PPG; the Government’s Industrial Strategy: Building a Britain fit for the future; as well as the Sheffield City Region [SCR] Local Enterprise Partnership’s [LEP] latest 2021 Strategic Economic Plan Vision and other relevant strategies;
 - 7 Engages with relevant stakeholders including the local business and business groups, the Chamber of Commerce developers, land promoters, and local property agents.
- 1.13 This Update does not deal with Strategic B8 logistics, which will be subject to a separately commissioned assessment. The rationale behind this is expanded upon in Section 7.0 of this report.

1.14 This study’s methodology conforms to the requirements of the Framework and the updated PPG and is summarised in Figure 1.1.

Figure 1.1 Employment Land Review Methodology



Source: Lichfields

Report Structure

1.15 This ELR Update report is structured as follows:

- **Section 2 sets out the latest policy context**, including a review of relevant national and local policy documents, employment studies and economic development strategies;
- **Section 3 outlines the updated socio-economic context** including current (post-pandemic) economic conditions and trends that may affect future needs for employment space;
- **Section 4 considers the implications of Covid-19 on future growth scenarios**, including whether the current shift in working patterns is likely to persist into a longer-term change in people’s willingness to commute to offices and new ways of working;
- **Section 5 outlines the commercial property market**. Incorporating the results of our consultation with key commercial stakeholders operating in Sheffield and the wider City Region, this comprises a review of the local commercial property market, including the supply of and demand for different types of employment space within Sheffield and the needs of the different market segments. It also provides an updated overview of employment space across the City, including the mix of uses, development rates, completions and losses, supply and demand and the needs of different market segments;
- **Section 6 assesses the future requirements for Employment Space** including estimates of future employment space requirements for office, industrial and distribution sectors in quantitative terms, drawing on April 2021 employment forecasts and other factors;
- **Section 7 assesses the balance between current land supply and future needs**, an assessment of the balance between existing land supply and future requirements in both quantitative and qualitative terms; and,
- **Section 8 summarises the key conclusions** of the study along with policy recommendations, focusing on the potential planning and economic strategy responses for framing employment land policies, highlighting key issues/decisions that SCC will need to make.

2.0 Policy Context

Introduction

- 2.1 This section provides a summary of the relevant policies relating to employment land and economic development within Sheffield City since the previous Sheffield ELR was published in 2020.

National

National Planning Policy Framework

- 2.2 The revised National Planning Policy Framework [NPPF] was published in February 2019 and is unchanged from the version that was reviewed in depth in the 2020 ELR Update. It has recently been updated again, in July 2021, following a detailed consultation in 2020. Ultimately, the NPPF requires LPAs to have up-to-date and comprehensive evidence to inform their judgments about the need for, and relative importance of, the employment land in their areas, particularly in the face of added pressure for release to other uses.
- 2.3 A fuller review of the Framework is likely to be required in due course, depending on the implementation of the government’s proposals for wider reform of the planning system in its emerging Planning Bill, expected later this year.
- 2.4 The most recent textual changes relating to employment include changes to paragraph 11 a):
- a) all plans should promote a sustainable pattern of development that seeks to: meet the development needs of their area; align growth and infrastructure; improve the environment; mitigate climate change (including by making effective use of land in urban areas) and adapt to its effects;;*
- 2.5 Paragraph 22 has also been amended to extend a Plan’s vision to at least 30, rather than 15 years in certain circumstances:
- “Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.”*
- 2.6 No textual changes have been made to Section 6 ‘Building a strong, competitive economy’.

National Planning Practice Guidance

- 2.7 On 6th March 2014 CLG launched the Planning Practice Guidance [PPG] web-based resource⁴. This website brings together many areas of English planning guidance into a new format, linked to the Framework and replaces the previous Office of the Deputy Prime Minister [ODPM] *Employment Land Reviews: Guidance Note* from 2004 (although this arguably remains a source of good practice).
- 2.8 The PPG has two much-shortened sections in ‘Plan Making’:
- What are the steps in gathering evidence to plan for business?***
- Strategic policy-making authorities will need a clear understanding of business requirements in their area. The steps in building up this evidence include:*

⁴ <http://planningguidance.planningportal.gov.uk/>

- *working together with county and neighbouring authorities, Mayors, combined authorities and with Local Enterprise Partnerships to define the most appropriate geography to prepare policies for employment;*
- *preparing and maintaining a robust evidence base to understand both existing business needs and likely changes in the market, with reference to local industrial strategies where relevant; and*
- *engaging with the business community to understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.⁵*

How can authorities use this evidence base to plan for business?

Authorities can use this evidence to assess:

- *the need for land or floorspace for economic development, including both the quantitative and qualitative needs for all foreseeable types of economic activity over the plan period, including for retail and leisure development;*
- *the existing and future supply of land available for economic development and its suitability to meet the identified needs. This should be undertaken at the same time as, or combined with, Strategic Housing Land Availability Assessments and should include a reappraisal of the suitability of previously allocated land.*
- *the likely availability and achievability of employment-led development, taking into account market signals;*
- *the role, capacity and function of town centres and the relationship between them, including any trends in the performance of centres;*
- *locations of deprivation which may benefit from planned remedial action; and*
- *the needs of the farming and food production industries, including the location and extent of the best and most versatile agricultural land, and the ways in which planning could support investment in those industries⁶.”*

2.9 The Government has updated the PPG regarding the assessment of housing and economic development. It states that plan makers should liaise closely with the business community to understand their current and potential future requirements⁷.

2.10 Plan-makers should also assess:

- the best fit functional economic market area [FEMA];
- the existing stock of land for employment uses within the area;
- the recent pattern of employment land supply and loss – for example based on extant planning permissions and planning applications (or losses to permitted development);
- evidence of market demand (including the locational and premises requirements of particular types of business) - sourced from local data and market intelligence, such as recent surveys of business needs, discussions with developers and property agents and engagement with business and economic forums;
- wider market signals relating to economic growth, diversification and innovation; and,
- any evidence of market failure – such as physical or ownership constraints that prevent the employment site being used effectively.

⁵ 61-040-20190315

⁶Practice Guidance Reference 61-041-20190315

⁷ Practice Guidance Reference 2a-026-20190220

- 2.11 In terms of using market signals to help forecast future needs, the PPG⁸ advises that a range of data which is current and robust should be used, such as:
- sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand);
 - demographically derived assessments of current and future local labour supply (labour supply techniques);
 - analysis based on the past take-up of employment land and property and/or future property market requirements; and,
 - consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.
- 2.12 In terms of how market demand can be analysed, the PPG⁹ advises that plan makers should note that:
- “The available stock of land can be compared with the particular requirements of the area so that ‘gaps’ in local employment land provision can be identified.*
- It is important to consider recent employment land take up and projections (based on past trends) and forecasts (based on future scenarios), and to identify instances where sites have been developed or sought for specialist economic uses. This will help to provide an understanding of the underlying requirements for office, general business and distribution space, and (when compared with the overall stock of employment sites) can form the context for appraising individual sites.*
- Analysing supply and demand will allow policy makers to identify whether there is a mismatch between quantitative and qualitative supply of and demand for employment sites. This will enable an understanding of which market segments are over-supplied to be derived and those which are undersupplied”.*
- 2.13 In order to derive employment land requirements, the PPG¹⁰ states that when translating employment and output forecasts into land requirements there are four key relationships which need to be quantified:
- Standard Industrial Classification sectors to use classes;
 - Standard Industrial Classification sectors to type of property;
 - Employment to floorspace (employment density); and,
 - Floorspace to site area (plot ratio based on industry proxies).
- 2.14 The PPG has also added in two new sections on how authorities can assess need and allocate space for logistics¹¹ and how specific locational requirements of specialist or new sectors be addressed¹².
- 2.15 Regarding the former, the PPG recognises that the logistics industry plays a critical role in enabling an efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities, and has distinct locational requirements

⁸ Practice Guidance Reference 2a-027-20190220

⁹ Practice Guidance Reference 2a-029-20190220

¹⁰ Practice Guidance Reference 2a-030-20190220

¹¹ Practice Guidance Reference 2a-031-20190722

¹² Practice Guidance Reference 2a-032-20190722

that need to be considered in formulating planning policies (separately from those relating to general industrial land). To address this, the PPG states that:

“Strategic facilities serving national or regional markets are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to appropriately skilled local labour. Where a need for such facilities may exist, strategic policy-making authorities should collaborate with other authorities, infrastructure providers and other interests to identify the scale of need across the relevant market areas. This can be informed by:

- *engagement with logistics developers and occupiers to understand the changing nature of requirements in terms of the type, size and location of facilities, including the impact of new and emerging technologies;*
- *analysis of market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies;*
- *analysis of economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector; and*
- *engagement with Local Enterprise Partnerships and review of their plans and strategies, including economic priorities within Local Industrial Strategies.*

Strategic policy-making authorities will then need to consider the most appropriate locations for meeting these identified needs (whether through the expansion of existing sites or development of new ones).”

2.16

Regarding the latter, the PPG states that when assessing what land and policy support may be needed for different employment uses, it will be important to understand whether there are specific requirements in the local market which affect the types of land or premises needed:

“Clustering of certain industries (such as some high tech, engineering, digital, creative and logistics activities) can play an important role in supporting collaboration, innovation, productivity, and sustainability, as well as in driving the economic prospects of the areas in which they locate. Strategic policy-making authorities will need to develop a clear understanding of such needs and how they might be addressed taking account of relevant evidence and policy within Local Industrial Strategies. For example, this might include the need for greater studio capacity, co-working spaces or research facilities.

These needs are often more qualitative in nature and will have to be informed by engagement with businesses and occupiers within relevant sectors.”

Given the scope of this study, and the scale and urgency of the Big Box logistics e-commerce issue nationwide (discussed in detail below), if the opportunity arises the Council may wish to give consideration to participating in a further strategic study to quantify the likely extent of strategic B8 logistics need across the wider sub-region including Rotherham, Doncaster and Barnsley.

Build Back Better – Our Plan for Growth

- 2.17 The March 2021 Budget was accompanied by the publication of “*Build Back Better: our plan for growth*”, a policy paper which sets out the Government’s plans to support economic growth through investment in infrastructure, skills and innovation. It provides a new framework that supersedes the 2017 Industrial Strategy as a central policy reference point.
- 2.18 The plan for growth focuses on three pillars of investment to act as the foundation on which to build the economic recovery, uniting and levelling up the country:
- 1 *“High quality **infrastructure** is crucial for economic growth, boosting productivity and competitiveness. The UK has historically underinvested in infrastructure, but we are fixing that, starting with £100 billion of capital investment in 2021-22.*
 - 2 *The best way to improve people’s life chances is to give them the **skills** to succeed. The UK has a strong foundation of advanced skills, but lags behind international comparators on technical and basic adult skills. The government is transforming Further Education, encouraging lifelong learning through the Lifetime Skills Guarantee, and building an apprenticeships revolution.*
 - 3 ***Innovation** drives economic growth and creates jobs. The UK has a world-leading research base, which will be boosted by the government’s significant uplift in R&D investment and the creation of the Advanced Research & Invention Agency to fund high-risk, high-reward research. However, too few businesses are able to access the tools they need to translate new ideas into new products and services and to challenge established businesses. We will make the UK the best ecosystem in the world for starting and growing a business. That means having the best access to capital, skills and ideas, as well as a smart and stable regulatory framework.”*
- 2.19 The paper details a series of new funding arrangements and confirms that the long-awaited UK Shared Prosperity Fund will arrive in 2022 to replace European Union structural funds as they expire after 2022-23.
- 2.20 The Infrastructure Core Pillar will be supported by the following interventions:
- Stimulate short-term economic activity and drive long-term productivity improvements via record investment in broadband, roads, rail and cities, as part of capital spending plans worth £100 billion next year.
 - Connect people to opportunity via the UK-wide Levelling Up Fund and UK Shared Prosperity Fund, as well as the Towns Fund and High Street Fund, to invest in local areas.
 - Help achieve net zero via £12 billion of funding for projects through the Ten Point Plan for a Green Industrial Revolution.
 - Support investment through the new UK Infrastructure Bank which will ‘crowd-in’ private investment to accelerate progress to net zero, helping to level up the UK. This will invest in local authority and private sector infrastructure projects, as well as providing an advisory function to help with the development and delivery of projects.
- 2.21 Page 38 of the Plan states that the Integrated Rail Plan for the Midlands and the North will ensure that Phase 2b of HS2, Northern Powerhouse Rail and other planned rail investments in the North and Midlands are scoped and delivered in an integrated way, bringing transformational rail improvements more quickly and to more places.
- 2.22 The growth is focused on driving the Government’s levelling up agenda, which aims to regenerate struggling towns in all parts of the UK via the UK Shared Prosperity Fund and the UK-wide Levelling Up Fund, with Freeports across the country including the freeport centered

around the Humber estuary and the freeport based around the East Midlands Airport and Gateway Industrial Cluster [EMAGIC] in North West Leicestershire, Uniper's Ratcliffe-on-Soar Power Station site in Rushcliffe Borough in Nottinghamshire, the East Midlands Intermodal Park (EMIP) in South Derbyshire.

- 2.23 The Plan goes on to set out the Government's long-term vision for every region and nation to have at least one globally competitive city at its heart to help drive prosperity. This includes City and Growth Deals, £4.2 billion in intra-city transport settlements from 2022-23, and continued Transforming Cities Fund investment to 2022-23. It also aims to catalyse centres of excellence, supporting individuals across the country to access jobs and opportunities by ensuring digital and transport connectivity, by establishing a new UK Infrastructure Bank in the North of England and by relocating 22,000 Civil Service roles out of London.

Sub-Regional Evidence Base

Sheffield City Region Mayoral Combined Authority and Local Enterprise Partnership 20-year Strategic Economic Plan (SEP) 2021

- 2.24 The revised Sheffield City Region [SCR] Strategic Economic Plan [SEP] sets out what needs to be done to grow the economy and transform the lives and wellbeing of local residents. It focuses on the communities of Barnsley, Doncaster, Rotherham, and Sheffield and will inform what the SCR will do over the next 20 years to 2041.

- 2.25 The 2021 SEP's vision is to:

“grow an economy that works for everyone. We will develop inclusive and sustainable approaches that build on our innovation strengths and embrace the UK's 4th Industrial Revolution to contribute more to UK prosperity and enhance quality of life for all.”

- 2.26 In the new landscape after Covid-19, the SCR states that it is not pursuing growth at any cost, but aims to prioritise growth that helps create a better society that supports and rewards innovation, enterprise and hard work. With this focus on growth, inclusion and sustainability, the SCR aims for the following:

- 1 *We will be a net contributor to the national economy, supporting innovation and entrepreneurship, retaining talent rather than exporting it, and attracting new investors to locate in the region;*
- 2 *Our people will be happier, healthier, better off, better qualified and better able to access good opportunities;*
- 3 *We will have a high-quality natural environment which will contribute to an improved quality of life and wellbeing.*
- 4 *We will build a zero-carbon future through hydrogen, nuclear fusion, carbon capture utilisation and storage, and other clean energy technologies;*
- 5 *We will lead the world in testing, developing and commercialising ideas emerging from our research community and businesses;*
- 6 *We will have vibrant town and city centres with rich sporting, cultural and leisure offers attracting people and visitors from across the country.*

- 2.27 Of particular relevance to Sheffield City, the SEP states that the LEP will build on the successful Advanced Manufacturing Innovation District. The LEP will enable the development of emerging clusters and maximise opportunities in modern methods of construction, intelligent mobility, lightweighting, clean energy, digital and health. This will open up the business base and supply chains so that SCR becomes more outward facing and international.

- 2.28 As a result, the intention is that by 2041 the SCR will look very different:
- *Inclusive growth, underpinned by productivity gains will drive an extra £7.6bn;*
 - *33,000 extra people in higher level jobs;*
 - *People will live longer, healthier lives, improving by 3 years for men and women in the SCR at birth;*
 - *A net zero carbon city region;*
 - *The region's investment in R&D will be trebled, from £323m to £1.1bn;*
 - *30,000 more people with higher levels skills and 9,000 people fewer with no skills or low qualifications;*
 - *Reducing income inequality whereby wages will have raised, particularly among the lowest-paid, by over £1,500.*

- 2.29 The particular objectives for Sheffield City are:
- *Creating an inclusive wellbeing economy;*
 - *Increasing 'good' jobs and boosting business growth;*
 - *Supporting the growth of productive and competitive businesses;*
 - *Recognising the importance of place;*
 - *Consolidating Sheffield as a Magnet City to attract innovators, visitors and investment;*
 - *Transformed transport connectivity linking people to jobs and cities to each other;*
 - *Housing that provides quality, choice and affordability across the city;*
 - *Growing an environmentally sustainable, more resilient economy.*

2.30 In terms of the SEP's relevance for this ELR update, it is clear that the SCR LEP has moved away from absolute job targets. There is no mention of the previous 70,000 job growth target in the previous SEP; although the SEP references the '33,000 extra people in higher level jobs'. However, this is not a target; it is an indication into the outcomes of delivering the SEP by 2041 that aims to see a higher proportion of employees in managerial, technical & professional occupations.

2.31 It was derived from an ambition to see the SCR achieve parity with the UK average rate of employees in technical, professional and managerial occupations (SOCs 1-3) by 2040. The proportion of UK workers employed in these SOC1-3 higher occupation groupings was estimated to grow to 60.2% by 2040, whilst the SCR's rate was estimated to grow to just 55.5% to 2040. By achieving the target of 60.2% by 2040 (as a share of the projected workforce jobs under the baseline Experian forecast – 697,600) in absolute terms this could result in the number of employees in SOCs 1-3 increasing to approximately 420,230, compared to 386,920 under the baseline scenario (using the baseline Experian forecast). The effect, therefore, of achieving the SEP target is to increase the number of employees in technical, professional and managerial occupations by 33,310¹³. As such, the number is live and changes in relation to performance of the national economy.

Sheffield City Region Renewal Action Plan

2.32 This document, published in July 2020, sets out SCR's road map for how South Yorkshire can recover from the tragedy caused by the Coronavirus pandemic, and put itself on the path to

¹³ Lichfields (August 2020): *Strategic Economic Plan: Benefits of Delivery Sheffield City Region Mayoral Combined Authority*, page 25

social and economic renewal. It aims to provide immediate help for local people, employers and places, while also contributing to SCR’s longer-term goals and the transformation of the City Region. It must make the SCR:

- Stronger – an economic transformation to create not just a bigger economy but a better one: higher-tech, higher skill, and higher-value;
- Greener – a green transformation to decarbonise our economy, improve our environment, and revolutionise our transport; and
- Fairer – a transformation of wellbeing and inclusion, raising our quality of life, reducing inequality, and widening opportunity.

2.33

The document sets out the SCR’s request for very significant levels of investment from Government that would create wide-ranging benefits: mitigating the worst socio-economic impacts of COVID-19, getting 55,000 people in work or training, helping 25,000 businesses to adapt and innovate, and accelerating key strategic objectives like decarbonisation. To achieve this ambitious vision, the SCR requires £1.72bn of investment, of which some will come from SCR’s own funds as part of this, but further support is needed as follows:

SUPPORT PROGRAMME OBJECTIVES	INVESTMENT REQUIRED ²	TARGETS AND OUTCOMES
Help people find jobs and adapt to the new economy.	£770m	Helping 35,000 people re-engage with labour market, creating benefits such as: <ul style="list-style-type: none"> • 3,000 apprenticeships and other training positions. • NEET levels below national average. • Higher share of leavers/graduates in education or work within 12-18 months.
Support employers to adapt, survive and thrive despite COVID-19.	£380m	Over 25,000 businesses supported: <ul style="list-style-type: none"> • COVID-19 adapted working environments. • Reduced carbon emissions. • 15,000 jobs created through supply chain re-shoring / localising. • Invoice and cashflow support • Investment to innovate and thrive.
Infrastructure investment to level up our economy, create jobs, and transform our communities.	£570m	Strengthened communities and urban centres underpinned by: <ul style="list-style-type: none"> • Maintained cycling and walking rates • Uplift in urban footfall and spend. • Created/supported across 6,000 new jobs across infrastructure programmes. • Improved local economy resilience and health and wellbeing.

Source: Sheffield City Region (July 2020): SCR Renewal Action Plan, page 8

Local Policy / Evidence Base

Sheffield Local Plan Issues and Options (September 2020)

2.34

The Sheffield Plan will be the City’s new Local Plan and will guide development in the City until 2038. It will cover the whole of Sheffield City Council area, except for the area within the Peak

District National Park. The Issues and Options report is the start of creating the new Sheffield Plan.

- 2.35 The Plan sets out that over the next 18 years Sheffield needs nearly 40,000 new homes (2,185 dpa) to meet the needs of our growing population and to replace a small number of homes that we predict will be demolished or converted to other uses.
- 2.36 Aim 4 of the emerging Plan envisages a City with a strong economy based on lifelong learning, innovation and enterprise that delivers decent living standards for everyone. The Plan recognises that the SCR's SEP aims to create 70,000 additional jobs across the city region between 2015 and 2025, with an additional 25,550 jobs set to be created in Sheffield. *“Whilst more jobs are needed to cater for the city's growing population, an important aim is to increase the overall number of skilled and better paid jobs. These new, higher value jobs are needed to develop a strong and growing economy. They need to focus on the city's strengths of advanced manufacturing, creative and digital industries, financial and professional services, higher education, the outdoor city, and health and medical services.”* [page 29]
- 2.37 **The Sheffield Plan aims to support jobs and economic growth in Sheffield by making 140 hectares of employment land available.**
- 2.38 The emerging Plan makes special reference to the importance of the Advanced Manufacturing Innovation District in this regard:
“The Advanced Manufacturing Innovation District (AMID) covers much of the Lower Don Valley and extends into Rotherham. It is rapidly becoming Europe's leading innovation led, advanced manufacturing cluster where world-class manufacturers collaborate and co-locate alongside a concentration of skilled engineers, high-tech firms and applied research facilities. It is a place where new technologies and operating methods are explored, and industry relevant research and development can be turned into products that can be sold across the world. The city will also seek to build on the strengths of the AMID by looking to expand its area where appropriate.” [page 29]
- 2.39 The Plan estimates that the amount of land required to accommodate the new jobs in the City Centre is around 2 ha per annum generally, although the amount of land estimated to accommodate new businesses in other parts of the city is around 8 ha per year. As a consequence, *“we can meet our employment land need and supply requirements for around 10 years but will need to identify further employment land when reviewing the plan in 5 years' time. The city's employment needs will continue to be met within the main established employment area, particularly the City Centre, the Lower and Upper Don Valley, Smithy Wood and Halfway/Oxclose”.* [page 30]
- 2.40 The draft economic objectives for Sheffield City are as follows:
- *“To enable more and better quality jobs to be created in the city's economy in order to raise average incomes and build a future based on Sheffield's competitive advantages in the areas of advanced manufacturing; education, learning and knowledge; creative and digital industries; advanced technology; research and innovation; medical technology and services; sports science; outdoor leisure*
 - *To ensure there is a sufficient range of locations and premises available for new businesses and those relocating from within the city and elsewhere*
 - *To support the growth and development of the city's universities, colleges and training providers to enable an increase in the skills and capacity of the workforce”.* [page 31]

3.0 Socio-Economic Context

3.1 This section provides an update to the economic context outlined in the 2020 ELR, having particular regard to the impact of the Covid-19 pandemic on both national macroeconomic trends and the Sheffield economy.

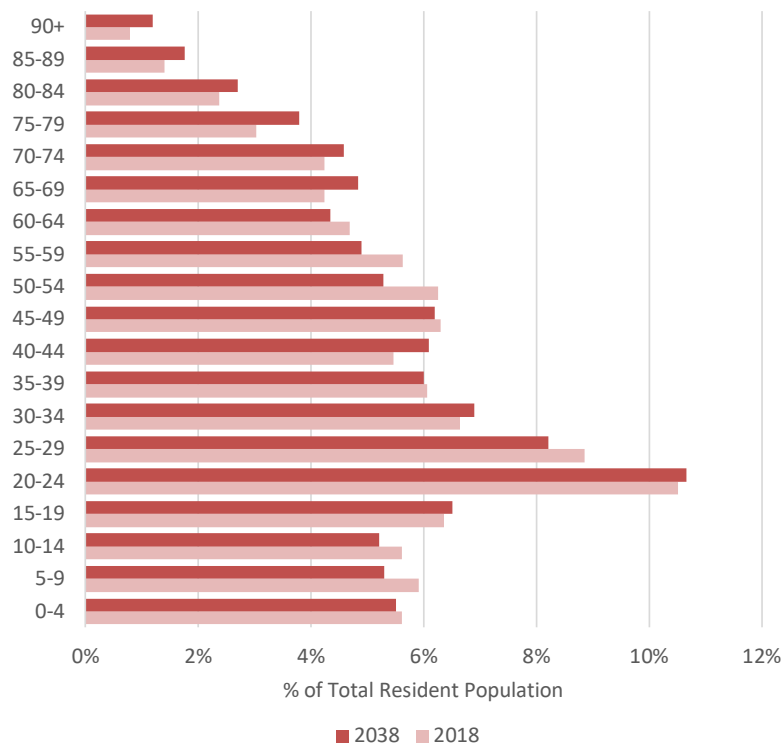
Demographics

3.2 The population of Sheffield stood at 584,853 in 2019, having grown by 46,468 people (+8.6%) since 2009. This is a higher level of growth than experienced by SCR (6.4%) or nationally (7.8%) over the same period. 67.5% of the City’s population was of working age (16-66) in 2019, having grown by 7.9% since 2009 – more than double the increase across the SCR (3.7%) and nationally (3.8%).

3.3 Focussing on the Local Plan period, the latest 2018-based Sub-National Population Projections [SNPP] indicate that Sheffield’s population will increase by 55,450 people or 9.5% between 2018 and 2038. This is a higher level of population growth than forecast across the SCR (8.9%) and England (8.6%). Over this period, the working-age population of the City is forecast to increase by 7.0%, higher again than the SCR and national forecasts of 4.8% and 3.6% respectively.

3.4 As can be seen in Figure 3.1, the proportion of Sheffield’s residents aged 14 or under is projected to decline by 2038, which is a trend that can also be observed for almost all of the key working age cohorts between 25 and 64. In contrast, the proportion of Sheffield’s residents in every 5-year age cohort over the age of 65 is expected to increase over the next 20 years, which will bring with it further challenges as the dependency ratio steadily increases over time.

Figure 3.1 Sheffield City Population Age Structure 2018 and 2038

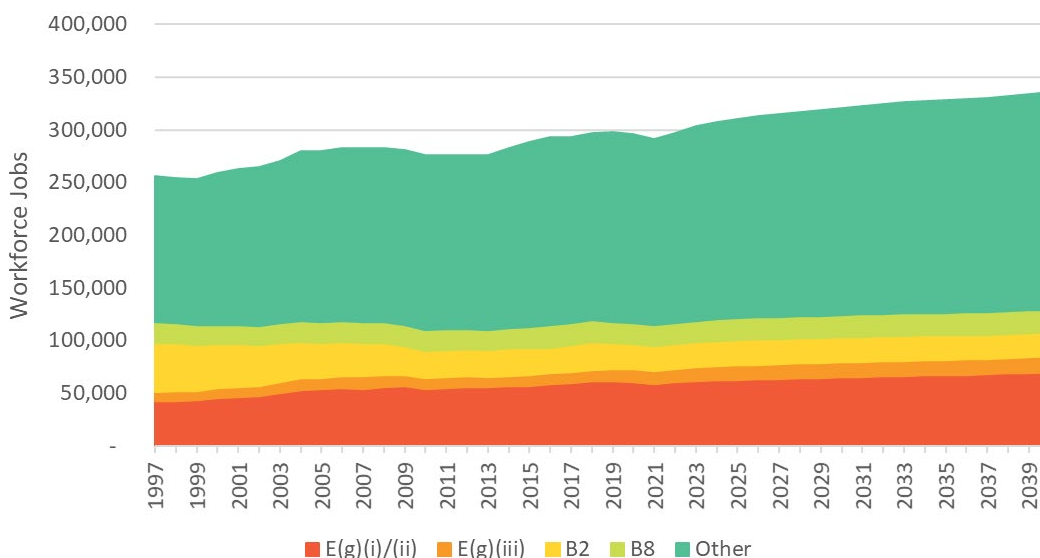


Source: ONS 2018-based SNPP / Lichfields Analysis

Employment

- 3.5 The latest Experian data for April 2021 indicates that Sheffield accommodated a total of 291,300 workforce jobs in 2021, having grown by 35,700 jobs or 14.0% since 1997. This is a higher level of growth than experienced across Yorkshire and the Humber (12.7%) but below the UK growth rate of 19.9%.
- 3.6 As shown in Figure 3.2, the majority of past and future job growth is in non B-Class sectors, so whilst 41,400 jobs were gained in this period 19,886 B2 class jobs were lost whilst B8 jobs increased by just 951. Meanwhile, Class E(g)(i)/(ii) jobs increased by 19,307, at a Compound Annual Growth Rate [CAGR] of 1.78%, whilst jobs in other use classes increased by 39,756 (at a CAGR of 1.21%). This reflects a continued restructuring of Sheffield City’s economy away from manufacturing and the growing importance of office-based roles. Most notably, the number of workers employed in the City’s traditional manufacturing heart, metal manufacturing, fell from 24,100 in 1997 to 8,900 by 2021, a fall of 15,200 or -63%.
- 3.7 Going forward, class E(g)(i)/(ii) jobs are projected by Experian to grow at a slower rate from 2018 to 2038, increasing by 7,156 or a CAGR of 0.55%, whilst Class E (g)(iii) jobs are projected to increase by 4,380 (1.76% CAGR). B2 employment is projected to continue to fall albeit at a much slower rate, with a further decline of 3,879 jobs (a CAGR of -0.79%) whilst B8 jobs will increase at a slower rate (CAGR of 0.69%). Jobs in other classes are projected to increase by 34,800 over the period 2018-2038 (CAGR of 0.56%).

Figure 3.2 Workforce Job Growth implied by the Experian April 2021 forecasts by Use Class



Source: Experian April 2021 / Lichfields Analysis

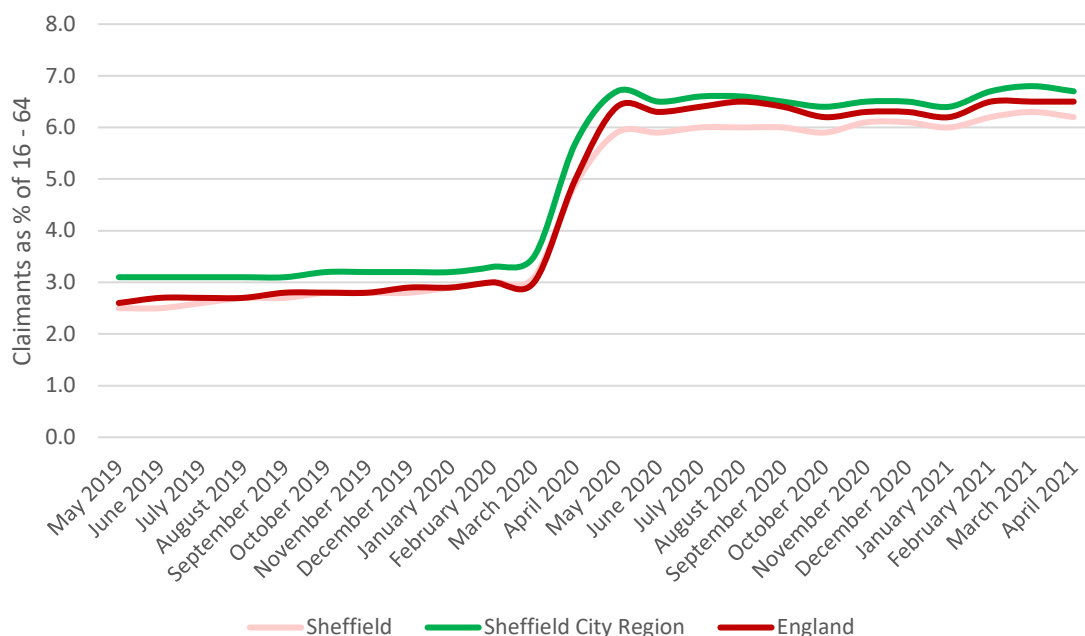
Labour Market

- 3.8 In 2020, 295,100 people or 75.1% of Sheffield’s population aged 16-64 were economically active, meaning they were either in or seeking employment. This is lower than the rate of economic activity in the SCR (76.4%) and England (79.5%). Economic activity in Sheffield had fallen by 2.6 percentage points on the 2019 rate of 77.4%, a much higher fall than seen across the SCR (-0.6) or England (+0.3). It is likely that Covid-19 has had an impact on these figures – the total of economically inactive residents increased to 95,400 from 88,700 if one compares the 12 months to December 2020 with the 12 months to September 2020, an increase of 6,700 economically inactive residents. Furthermore, Sheffield City has a very high number of

economically inactive students, at 30,500 (Jan 2020-Dec 2020), comprising 32.0% of all economically inactive residents, compared to 26.0% regionally and 27.0% nationally.

- 3.9 However, if the economic activity rate is extended to include all residents aged over 64, the economic activity rate is brought much closer into line with the national rate. For the period Jan 2020-Dec 2020, the economic activity rate for all residents aged over 16 was 63.9% in Sheffield, which is higher than the regional rate of 62.3% and very similar to the England rate of 64.1%.
- 3.10 The unemployment rate in Sheffield stood at 5.0% in 2020 with a total of 14,600 people registered as unemployed. This is lower than the SCR rate 5.4% but above the England rate of 4.6%. The unemployment rate in Sheffield had increased by 0.7 percentage points from 4.3% a year previous, higher than the SCR increase of 0.2 but in line with the national increase of 0.7.
- 3.11 In April 2021 there were 23,905 residents aged 16+ claiming benefits in Sheffield, accounting for 6.2% of residents aged 16-64. This is a slightly lower rate of claimants than across the SCR (6.7%) and England (6.5%). As shown in Figure 3.3, the initial lockdown in April 2020 had a significant effect on the number of claimants, increasing from 11,825 people (3.1%) in March 2020 to just under 23,000 (5.9%) in May 2020. Subsequent periods of lockdown have meant that the level of claimants has remained around this level throughout 2021, peaking at 24,125 or 6.3% in March 2021.

Figure 3.3 Benefit Claimants - % of residents aged 16+

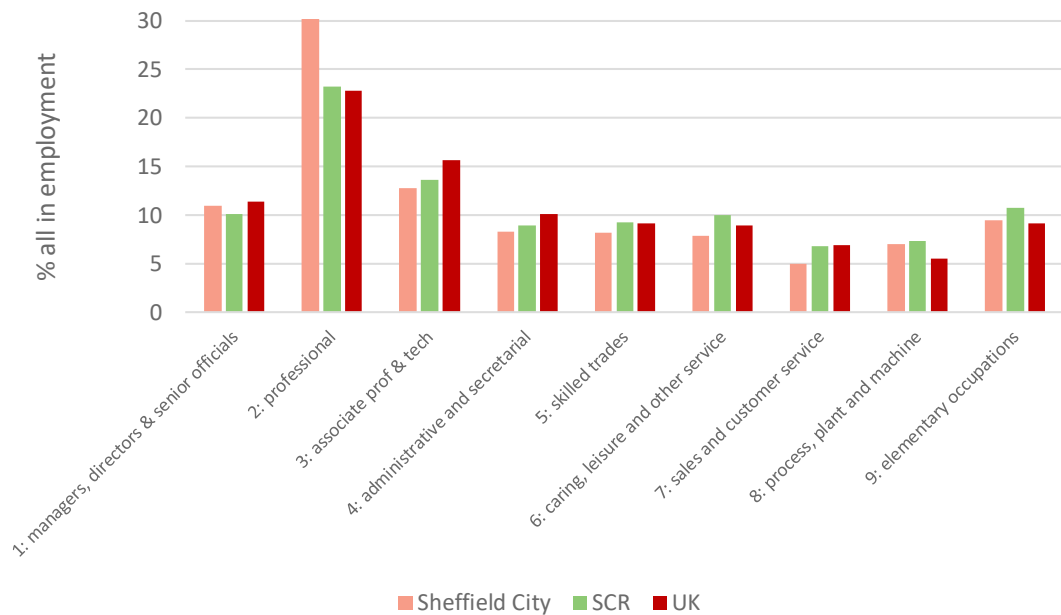


Source: ONS (2021): Claimant Count

Occupations

- 3.12 Figure 3.4 presents the workforce occupations based in Sheffield City compared to the Sheffield City Region and the UK. The profile of occupations is similar across all three areas, although with the notable exception of SOC2: Professional occupations, which is very high for Sheffield at 30.2% compared to 23.2% for the SCR and 22.8% for the UK as a whole. In contrast to the SCR and UK, Sheffield has a much lower proportion of residents working in sales and customer service occupations.

Figure 3.4 Workforce Occupations (2020)

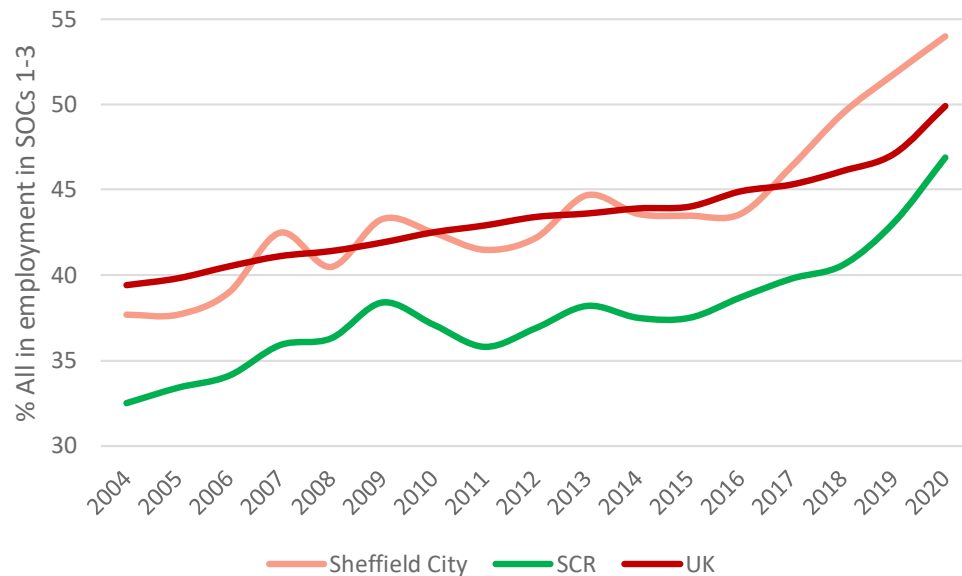


Source: ONS (2021) Annual Population Survey

3.13

Figure 3.5 illustrates that the proportion of workers in Sheffield City based in the higher SOC Occupations 1-3 (managers, directors & senior officials; professionals; and associate professionals & technical occupations) has generally been in line with the rate of UK growth over the past 15 years or so. It has generally fluctuated either side of the UK’s figure until around 2017 after which point the proportion of workers in SCC in the higher level occupations has increased at a much faster rate, to 54% - over 4% higher than the UK rate and over 7% higher than the consistently lower SCR figure (which would be considerably lower if the Sheffield contribution were removed and only Doncaster, Barnsley and Rotherham remained).

Figure 3.5 Change in SOC1-3 in Sheffield, SCR and UK

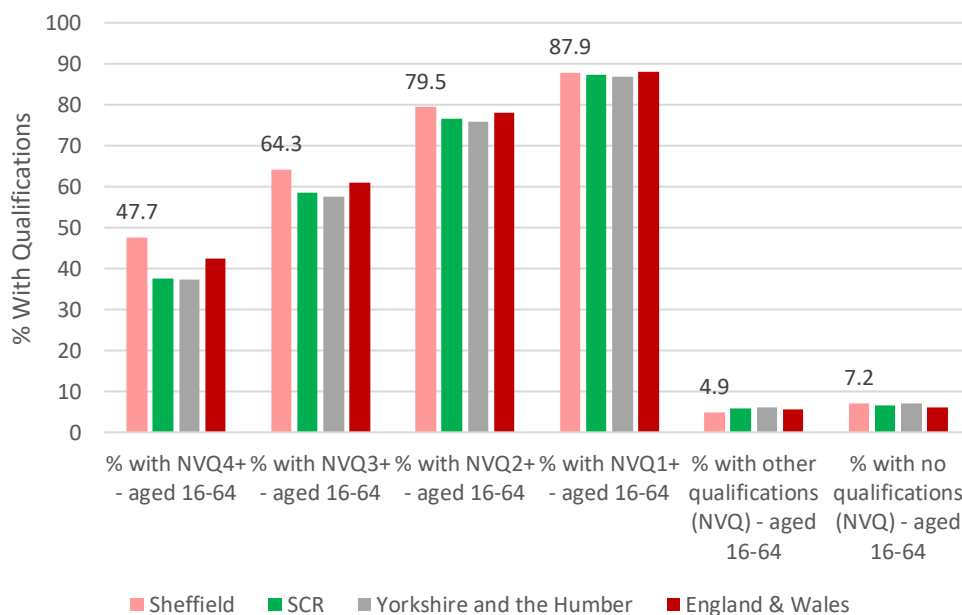


Source: ONS (2021) Annual Population Survey

Skills and Qualifications

- 3.14 Figure 3.6 presents the qualification levels of residents aged 16 to 64 for Sheffield City and comparator areas. It indicates that Sheffield City has a well-qualified resident workforce when compared to the rest of the SCR, Yorkshire and the Humber and England & Wales. The City has a high proportion of qualified residents when compared to the regional and national statistics; especially when considering residents educated to degree level and above. Almost 48% of Sheffield City’s residents are educated to degree level and above, compared to just 37% for the SCR and across the wider region, whilst the England & Wales rate of 42.6% is still 5 percentage points behind the City. The gap is also significant for NVQ3 attainees (i.e. with a diploma/A/AS level) and above, with Sheffield City having a rate of 64.3%. However, the picture is not all positive, with 7.2% having no qualifications at all – a rate higher than all of the comparator areas and most particularly England and Wales (at 6.2%).
- 3.15 This is problematic as residents lacking any formal qualifications often find it much more challenging to find a well-paid job and disproportionately end up either in menial occupations or remain outside of the job market altogether. For Sheffield City, which has aspirations for strong growth in technical industries such as advanced manufacturing (which typically require higher level qualifications), a persistently high proportion of local residents that are effectively excluded from these job opportunities represents a clear barrier to growth and boosting productivity in these key sectors.

Figure 3.6 Qualifications of People Aged 16-64: Sheffield City and Comparator Areas, January-December 2020



Source: ONS (2021): Annual Population Survey

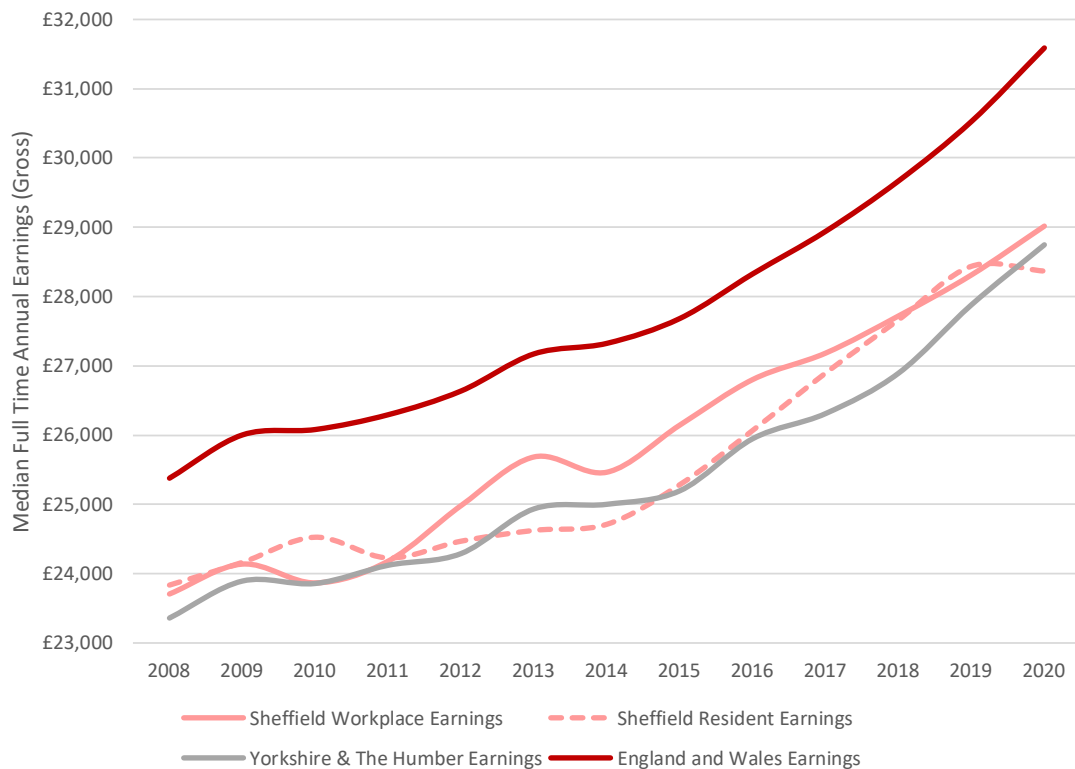
Earnings

- 3.16 Figure 3.7 compares changes to the gross median annual earnings in Sheffield City, Yorkshire and the Humber and England and Wales between 2008 and 2020¹⁴.
- 3.17 Earnings for Sheffield’s residents (Figure 3.7) have been consistently lower than the national average over the last 12 years, although there was a pronounced increase between 2014 and 2019 which has brought them back into line with the generally higher workplace-based earnings

¹⁴ ONS (2021): Annual Survey of Hours and Earnings

for the City. Sheffield’s workplace earnings have generally been above the Yorkshire and Humber gross median annual earnings, although the gap has narrowed in recent years. As of 2020, Sheffield’s median annual resident-based earnings equates to £28,369, slightly below the equivalent workplace-based earnings of £29,016. The median annual earnings for England and Wales are currently £31,580, significantly above Sheffield City’s figures and those of Yorkshire and the Humber more generally (£28,800).

Figure 3.7 Sheffield City Resident and Workplace Gross Median Annual Earnings 2010-2020



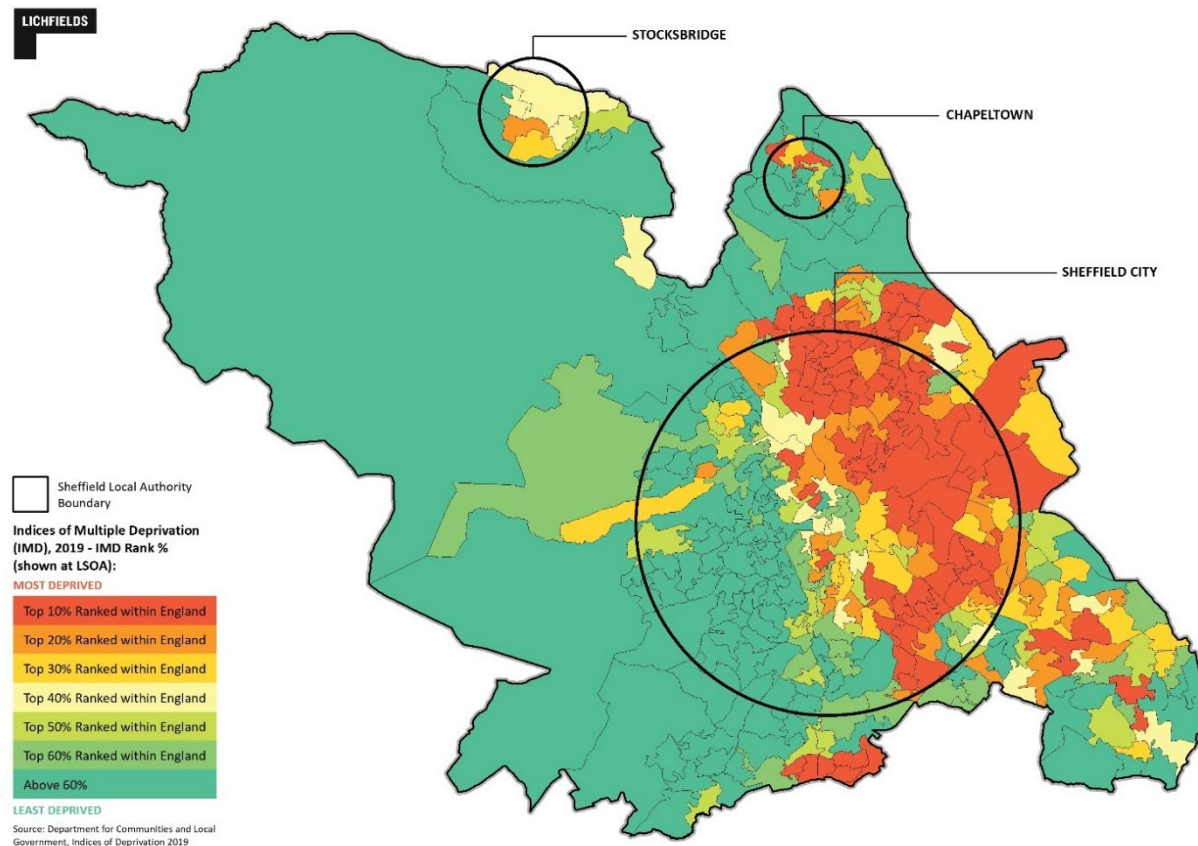
Source: ONS (2020): Annual Survey of Hours and Earnings

Deprivation

3.18

Figure 3.8 identifies high concentrations of deprivation in Sheffield and particularly to the east and north of the City Centre. There are also pockets of deprivation to the north Chapeltown and to the far south of the City. The Peak District National Park, the South West and the Rural Upper Don Valley, to the far north and east of the City, are ranked as the least deprived areas.

Figure 3.8 Deprivation in Sheffield City



Source: MHCLG (2020): Index of Multiple Deprivation 2019

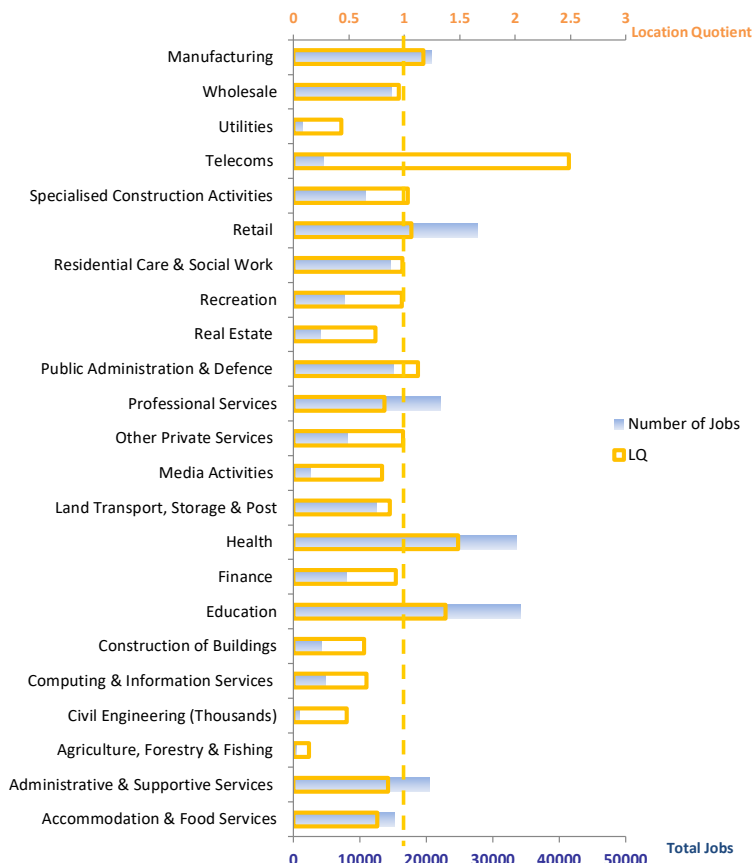
Location Quotients

- 3.19 Whilst Government policy has focused on spatial-led growth models, there is an increasing need for, and shift towards, sector-based growth models.
- 3.20 In order to identify the full economic potential of Sheffield City, it is important to revisit which industrial sectors are best placed to drive future growth. This is informed by an understanding of which sectors are under or over-represented in terms of local employment and their recent growth performance.
- 3.21 Figure 3.9 assesses Sheffield City’s current sectoral strengths through the use of location quotients, which measure the proportion of employment in an industry at the local authority level relative to the regional average. In the graph, the location quotients are shown using an orange bar. A value above 1.0 denotes a higher local representation of a sector compared to the UK average, whilst anything below 1.0 signifies an under-representation. The further the orange bar is from 1.0, the greater the extent of any over or under-representation. In addition, the blue bars show the absolute level of employment accounted for by each sector.
- 3.22 Figure 3.9 indicates that (as of 2021) Sheffield City has a very strong employment representation in Health (33,600 employed, with an LQ of 1.48), Education (34,200 employed, with an LQ of 1.37), Telecoms (only 4,600 employed, but a huge LQ of 2.48), and to a lesser extent, Manufacturing (20,800 employed, with an LQ of 1.17) compared with the rest of the UK. Retail, Professional Services and Administration & Support Services also employ very high levels of workers in absolute terms. Within this, the manufacturing of Metal Products now employs 8,900 workers and has an LQ of 2.675 which is very high, but well below what it was in 1997

(when 24,100 workers were employed predominantly in steel manufacturing and the industry had an LQ of 4.32).

3.23 Conversely, the chart also illustrates the relatively low rate of employment in some white-collar service sectors; with Professional Services, ICT and media under-represented when compared to the UK, alongside utilities, construction and civil engineering.

Figure 3.9 Location Quotients of Economic Sectors in Sheffield City, 2021



Source: Experian 2021 / Lichfields' Analysis

Business Demography

3.24 Table 3.1 summarises the business stock in Sheffield and compares it to Yorkshire & The Humber and the UK. Sheffield City has around 16,075 business enterprises, and, as is common across Yorkshire & The Humber and the UK in general, the vast majority of these are classified as Small and Medium Enterprises [SMEs] with up to 249 employees¹⁵.

Table 3.1 Size of Enterprises (2020)

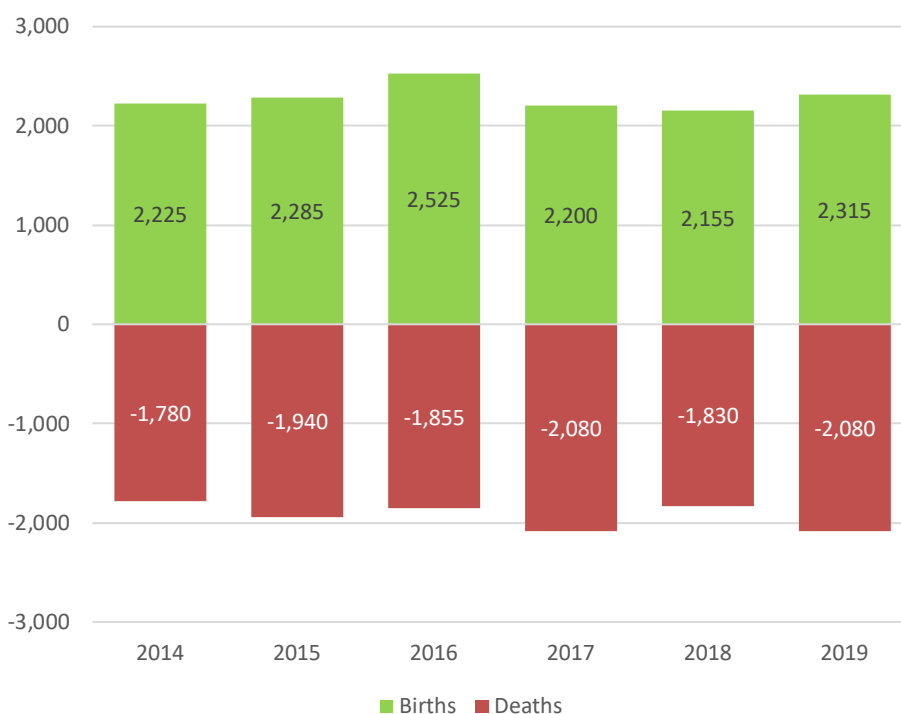
	Sheffield City		SCR		Yorkshire & The Humber	UK
Total	16,075	100.0%	39,455	100.0%	100.0%	100.0%
Micro (0 to 9)	13,935	86.7%	34,695	87.9%	88.3%	89.6%
Small (10 to 49)	1,750	10.9%	3,855	9.8%	9.5%	8.5%
Medium (50 to 249)	320	2.0%	730	1.9%	1.7%	1.5%
Large (250+)	70	0.4%	170	0.4%	0.4%	0.4%

Source: ONS (2021) Business Counts / Lichfields Analysis

¹⁵ ONS (2021): UK Business Counts

3.25 Figure 3.10 illustrates the number of business births and deaths in Sheffield City between 2014 and 2019. It indicates that from 2014 to 2019 the stock of businesses in Sheffield City increased year on year¹⁶. This was caused by a greater number of business births than business deaths, resulting in a net increase for all of these years. This was particularly notable in 2016, where there was a net growth of 670 businesses. Most recently, in 2019, there were 2,315 new businesses compared with 2,080 failures, resulting in a net growth of 235 companies.

Figure 3.10 Business Births and Deaths in Sheffield City (2014-2019)



Source: ONS (2021) Business Demography - 2019: Enterprise Births, Deaths and Survivals

3.26 Between 2014 and 2019, Sheffield City’s business stock grew at a weaker rate (12.6%) than either the Yorkshire and The Humber (14.2%) or the UK (17.2%). The number of active enterprises based in Sheffield City increased by 2,055 over that period, which accounted for 8.1% of Yorkshire and The Humber’s total net gain.

Table 3.2 Annual Change in Active Enterprises

	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2014-2019
Sheffield City	3.6%	5.8%	1.6%	0.2%	0.9%	+12.6%
Yorkshire and the Humber	4.1%	6.2%	1.4%	-0.4%	2.2%	+14.2%
UK	4.7%	6.1%	3.0%	-0.1%	2.5%	+17.2%

Source: ONS (2021) Business Demography - 2019: Enterprise Births, Deaths and Survivals

3.27 As shown in Table 3.3, businesses that locate in Sheffield City tend to have slightly higher survival rates than might be expected elsewhere. Of the 2,285 companies that began trading in 2015, 1,125, or 49.2%, were still around 4 years later, compared to 46.3% regionally and 46.0% across the UK as a whole.

¹⁶ ONS (2021) Business Demography – 2019: Enterprise Births, Deaths and Survivals

Table 3.3 Births of units in 2015 and their survival

	Births	1-year survival	1-year percent	2-year survival	2-year percent	3-year survival	3-year percent	4-year survival	4-year percent
Sheffield City	2,285	2,055	89.9%	1,630	71.3%	1,315	57.5%	1,125	49.2%
Yorkshire and the Humber	25,140	22,810	90.7%	18,055	71.8%	13,950	55.5%	11,650	46.3%
UK	382,755	343,520	89.7%	273,035	71.3%	211,495	55.3%	176,065	46.0%

Source: ONS (2021) Business Demography - 2019: Enterprise Births, Deaths and Survivals

3.28

Table 3.4 presents Sheffield City’s business composition when compared to the rest of Yorkshire and The Humber and the UK. Generally, Sheffield has a similar business composition when compared to elsewhere in the UK. However, the health sector (5.3%) is over-represented when compared to the rest of the region (4.1%) and the UK (3.8%). The City also has a comparatively high proportion of retail, wholesale, hospitality and recreational enterprises compared to the national level. Conversely, the agricultural, forestry & fishing sector is (unsurprisingly) significantly under-represented (1.1%) when set against the comparators which is to be expected due to urban nature of much of Sheffield. Several of the white-collar service sectors (such as Professional services and ICT) are also under-represented in Sheffield.

Table 3.4 UK Business Counts - enterprises by industry (2020)

Industrial Sector	Sheffield City		Sheffield City Region	Yorkshire & The Humber	UK
Agriculture, forestry & fishing	180	1.1%	2.3%	6.1%	5.4%
Mining, quarrying & utilities	85	0.5%	0.6%	0.6%	0.5%
Manufacturing	1,210	7.5%	7.0%	6.5%	5.0%
Construction	1,940	12.1%	14.7%	12.6%	12.8%
Motor trades	545	3.4%	3.9%	3.6%	2.8%
Wholesale	745	4.6%	4.3%	4.1%	3.7%
Retail	1,320	8.2%	8.2%	8.1%	7.6%
Transport & storage	790	4.9%	8.4%	6.5%	4.5%
Accommodation & food services	1,180	7.3%	7.2%	7.3%	5.9%
Information & communication	1,135	7.1%	5.3%	5.3%	8.2%
Financial & insurance	315	2.0%	1.9%	2.0%	2.3%
Property	605	3.8%	3.2%	3.6%	3.7%
Professional, scientific & technical	2,430	15.1%	12.9%	13.9%	17.0%
Business administration & support services	1,225	7.6%	7.2%	7.4%	8.6%
Public administration & defence	10	0.1%	0.2%	0.3%	0.3%
Education	325	2.0%	1.9%	1.6%	1.6%
Health	850	5.3%	4.4%	4.1%	3.8%
Arts, entertainment, recreation & other services	1,185	7.4%	6.5%	6.3%	6.4%
Total	16,075	100%	100%	100%	100%

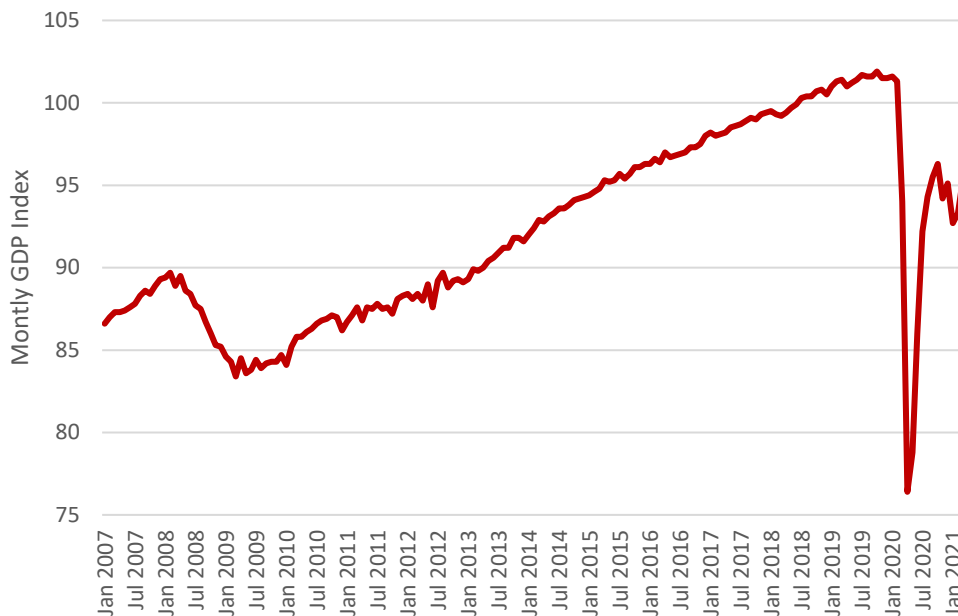
Source: ONS (2021) UK Business Counts / Lichfields’ Analysis

4.0 Implications of Covid-19 on future growth scenarios

Macroeconomic outlook

- 4.1 When considering future employment land needs, it is vital that the Council take account of the current macroeconomic situation as a result of Covid-19 and the impacts this may have on the need for new employment land. The Covid-19 pandemic represents a major economic shock, evolving quickly to a global-scale demand-side shock as economies across the world were progressively locked down. These lockdown measures led to unprecedented shutdowns of large parts of the economy and changes in consumer behavior simultaneously, with effects being transmitted rapidly across all sectors and weighing on economic activity throughout much of 2020 and the start of 2021.
- 4.2 Following a fall of 6.9% in March 2020, UK GDP fell by 20% in April 2020, the largest fall since monthly records began in 1997, reflecting record widespread falls in services, production and construction output as the negative impacts of social distancing and the first lockdown kicked in. The economy rebounded by 2.4% in May, 8.7% in June and 6.6% in July 2020.
- 4.3 Following a third period of Lockdown throughout the start of 2021, the vaccine rollout is now enabling the UK economy to recover rapidly. UK GDP is estimated to have grown by 2.3% in April 2021, the fastest monthly growth since July 2020 and largely driven by the full re-opening of hospitality and consumer-facing services. This puts GDP at 3.7% below the pre-pandemic levels seen in February 2020 but 1.2% above the initial recovery peak in October 2020.

Figure 4.1 UK GDP Monthly Index Jan 2007 – April 2021 (2018 = 100)



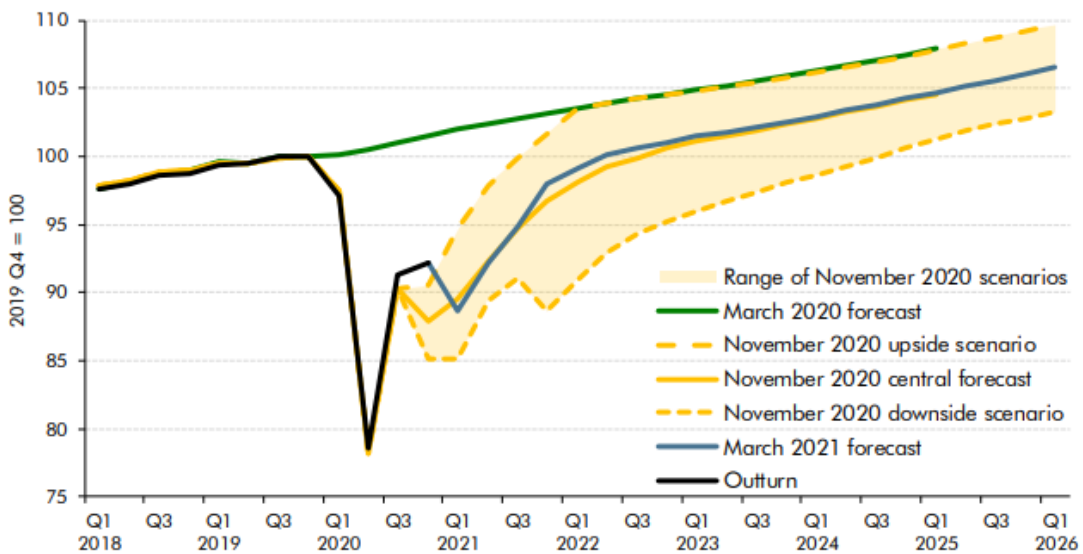
Source: ONS GDP Monthly Estimate April 2021

- 4.4 The Office for Budget Responsibility’s [OBR] March 2021 economic forecast is in line with the Government’s Roadmap, which envisages the removal of restrictions through late June and assumes a rapid rollout of vaccines, enabling the economy to recover more quickly. It also assumes greater clarity over the implications of Brexit and growing business and consumer

confidence over the medium-term. This was broadly borne out by the Government ending the vast majority of lockdown restrictions on 19th July 2021.

- 4.5 The OBR forecasts an initial boost to the economy following the end of restrictions in June whilst recovery slows towards the end of 2021, being dampened by winter. Beyond March 2022 it is anticipated that the lingering effects of the virus will be felt predominantly through supply-side capacity as well as a reduction in population forecasts due to falls in net migration. The OBR therefore concludes that the pandemic will lower output in the medium term by around 3% compared to the pre-pandemic path, with GDP returning to pre-pandemic levels towards the end of 2022. However, it is important to note that under the latest OBR projections, the March 2020 projection of growth is never returned to. Therefore, while we get back to pre-pandemic levels of GDP eventually, the estimated trend from March 2020 is never reached.

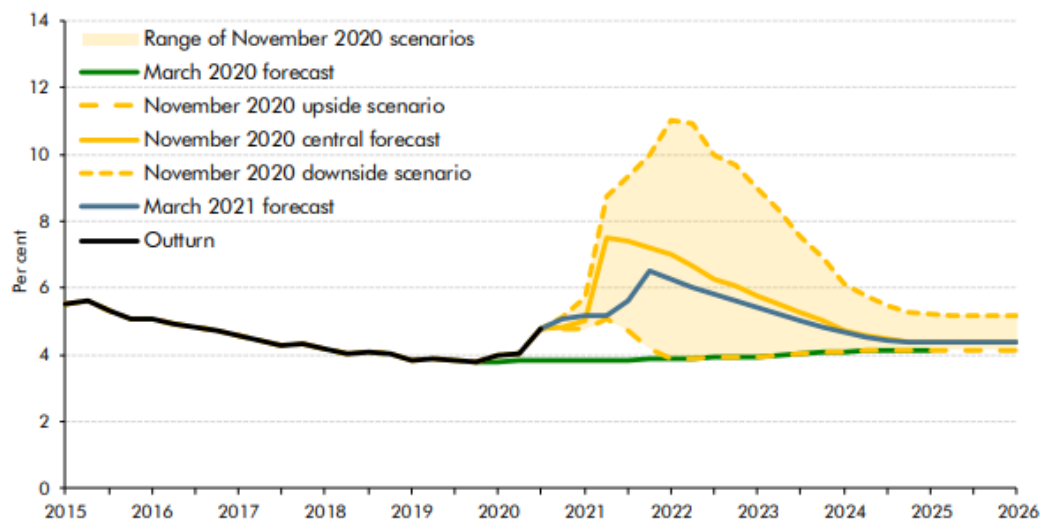
Figure 4.2 Medium-term economic outlook: Real GDP forecast and scenarios



Source: OBR (2021): Economic and Fiscal Outlook March 2021

- 4.6 The OBR also predicts that this faster recovery in output, alongside the extension to the Coronavirus Job Retention Scheme [CJRS] and the package of fiscal support announced in the Budget, will help to limit the rise in unemployment to levels below those previously forecast in November 2020. Unemployment is anticipated to rise to a peak of 6.5% or 22 million by the end of 2021, equating to a rise of 490,000 over the year. This is, however, 340,000 fewer than forecast in November 2020.

Figure 4.3 Medium-term economic outlook: Unemployment Rate



Source: OBR (2021): Economic and Fiscal Outlook March 2021

- 4.7 The spread of Covid and slow growth over the past 18 or so months has kept inflation low following the initial lockdown measures, with CPI inflation reaching 0.5% in Q4 2020. The vaccine rollout and associated easing of restrictions have seen inflation rise by 0.7% in April 2021 following a rise of 0.2% in March, contributing to a total rise of 1.6% in the 12 months to April. The Bank of England forecasts that inflation will return to the 2% target in Q3 2021 and should not go much beyond this before settling. The OBR on the other hand believes that inflation will rise to just below the 2% throughout 2022 being subdued by low wage growth as a result of high unemployment, whilst it will rise gradually back to target by 2025.

Implications of Covid-19 on Future Growth and new Ways of Working

- 4.8 The ongoing Covid pandemic will continue to have significant impacts on the economy and businesses, with impacts varying dependent on the employment sector and the nature of the post-Covid recovery. Coupled with the considerable economic uncertainty over the longer-term impact of Brexit, Lichfields considers that future growth projections could be subject to significant change. The SCR LEP's recent work on economic recovery in its 2021 SEP will be a helpful reference point for this work.
- 4.9 The most recent macro-economic forecasts for the City were released by Experian at the end of April 2021. These include a base case 'delayed V-shaped' recovery scenario which provide a revised view on the areas of future economic growth across the country. The forecasts assume that the recovery will follow a delayed-V shape, with a substantial drop in output in Q2 2020 as economic activity was highly restricted due to lockdown measures to contain the virus.
- 4.10 Though viewed as a temporary shock, the forecasts imply a significant impact on almost all sectors of the economy. Although there are continued uncertainties regarding the economic recovery profile of the country, it is important that reliable and robust datasets are utilised to underpin the ELRU. The Experian forecasts remain a valuable input in respect of understanding future land needs by indicating the broad scale and direction of economic growth in different sectors.
- 4.11 A further implication of the ongoing Covid pandemic is a shift in working patterns following the Government's advice to work from home if possible. The prevalence of this type of working had historically been rising, with the 2015 HCA Employment Guidance noting that 2014 ONS data indicated that almost 14% of the workforce worked from home at least some of the time, up from

11% in 1998. However, the pandemic has (at least temporarily), increased this to a peak of around 30% across the UK, although this has been falling as we move towards an end of lockdown in July 2021.

- 4.12 At the time of writing, clearly the third national lockdown has prevented a great many service staff from returning to the office, although it is unclear as to whether the current shift in working patterns will transform into a longer term change in people's willingness to commute to offices in far off towns and cities on a daily basis. At present the extant 2015 HCA Employment Density Guidance note provides employment densities associated with different types of property use, and it has been found to be robust as a rule of thumb guide to employment land densities underpinning numerous ELRs across the country. As a part of this, an element of home working and 'hot-desking' is already factored into the employment densities, although nowhere near current levels. This will have an important impact on Sheffield City Centres' office market as we go forward and it will be vital that the Council is as flexible as possible when it comes to bringing forward complex brownfield sites for commercial development in this area.

5.0 Commercial Property Market

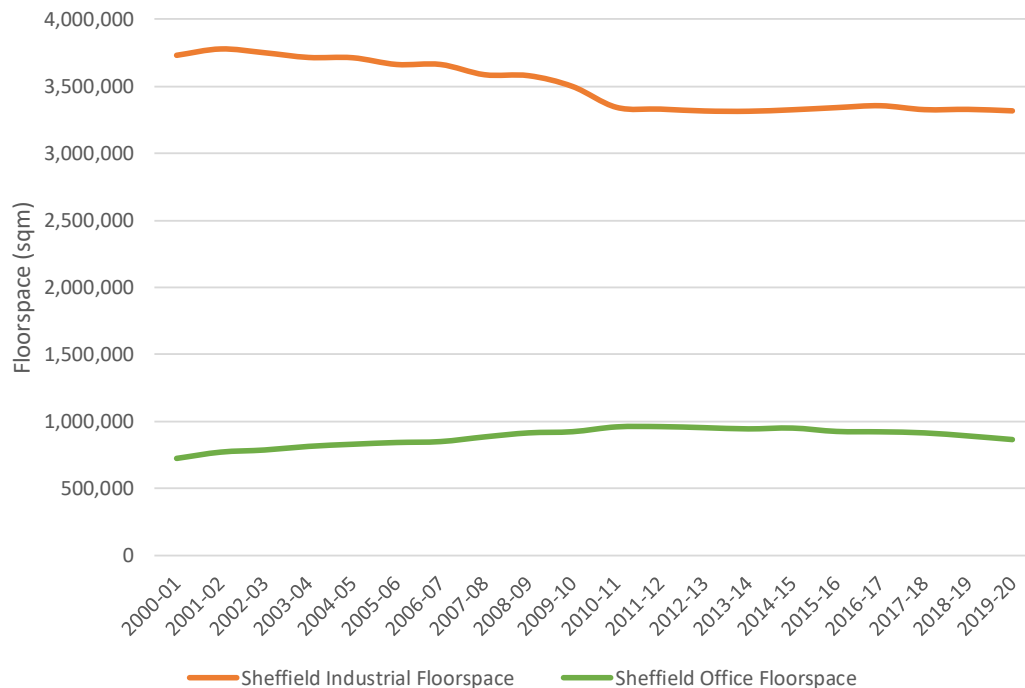
Introduction

5.1 This section provides an update of the current stock of employment space in Sheffield, while also summarising recent trends and changes to the supply of this employment space. The amount of employment land and floorspace has been considered across the three main types of employment uses (i.e. office, manufacturing and warehouse and distribution). It then proceeds to provide a qualitative overview of the commercial property market based on our discussions with agents and other key stakeholders and supplemented by an analysis of Co-Star and the latest data on employment land take up and losses from SCC Officers.

Floorspace Trends

5.2 In total, Sheffield has approximately 4.18 million sqm of employment floorspace, of which approximately 79% is factories/warehouses and 21% offices. Figure 5.1 shows that over the period 2000/01 to 2019/20, commercial office space in Sheffield increased by 20% to approximately 862,000 sqm. In comparison, the increase across the South Yorkshire sub-region as a whole was 23%. Over the same period, the total amount of industrial floorspace decreased by 11%, to approximately 3,320,000 sqm compared with an increase of 15% across South Yorkshire as a whole, driven by strong growth in Rotherham and Doncaster in particular.

Figure 5.1 Stock of Employment Space (2000/01 to 2019/20)



Source: Valuation Office Agency (2020) Floorspace Statistics

5.3 Table 5.1 compares floorspace growth in Sheffield against other districts within the Sheffield City Region. In terms of office space growth, Sheffield saw higher absolute growth than any of the other three districts, albeit given that the office market started from a much larger base the proportionate growth was lower than both Barnsley and Rotherham and was much higher than the national rate of growth. Regarding industrial floorspace, Sheffield was the only SCR area to experience negative growth (-11.0%) albeit it followed the national trend of declining industrial floorspace over the past 20 years or so.

- 5.4 It should be noted that comparisons between the VOA data and the Council’s own data on actual completions should be treated with a degree of caution, as these data are collated differently, and discrepancies may reflect the fact that the VOA data includes changes that take place outside the planning system and which may not be picked up by Council monitoring.

Table 5.1 Employment Floorspace Growth

	Offices			Industrial		
	Floorspace (sq.m) (2020)	Absolute Change (2001-2020)	% Change (2001-2020)	Floorspace (sq.m) (2020)	Absolute Change (2001-2020)	% Change (2001-2020)
Sheffield	862,000	141,000	19.6%	3,320,000	-412,000	-11.0%
Barnsley	156,000	47,000	43.1%	585,000	227,000	14.1%
Doncaster	239,000	28,000	13.3%	867,000	980,000	55.3%
Rotherham	230,000	60,000	35.3%	3,320,000	524,000	30.6%
SCR	1,487,000	276,000	22.8%	8,092,000	1,319,000	14.9%
England & Wales	87,909,000	8,372,000	10.5%	330,262,000	-10,711,000	-3.1%

Source: VOA (2021): Total Commercial floorspace by administrative area, data to 31st March 2020

Age of Industrial/Commercial Premises

- 5.5 Table 5.2 compares the age of premises in Sheffield with the corresponding data for Yorkshire and The Humber and England & Wales as a whole. From this it can be seen that 70% of all B-class units in Sheffield were built before 1970. This is quite high - the stock of space comprises a larger proportion of older premises than Yorkshire and The Humber (67% of units built prior to 1970) and England and Wales (63%). Sheffield does have particularly high volume of industrial units constructed before 1940, with 47% of factories dating from before WWII, a rate that is considerably higher than both the Yorkshire and The Humber and England & Wales averages.
- 5.6 The age of office units in Sheffield is more in keeping with the level that might be expected at a regional level, with around 29% of units constructed after 1970 compared to 27% regionally and 31% nationally. It is important to note that DCLG’s data on the age of stock is only provided up to 2004 and therefore it does not provide an indication of more recent floorspace replacement trends.

Table 5.2 Proportion of units built up to 1970

		Pre-1940 Units	Units built 1940-1970	Total Units Pre-1970
Sheffield	Office	51.4%	19.9%	71.3%
	Factory	47.4%	25.5%	73.0%
	Warehouse	38.8%	24.9%	63.7%
	Total B Class	46.5%	23.4%	69.9%
Yorkshire and the Humber	Office	57.7%	15.0%	72.7%
	Factory	42.4%	21.3%	63.7%
	Warehouse	42.5%	21.5%	64.0%
	Total B Class	47.8%	19.1%	67.0%
England and Wales	Office	51.0%	18.3%	69.2%
	Factory	32.7%	28.2%	60.9%
	Warehouse	32.1%	26.7%	58.8%
	Total B Class	40.0%	23.8%	63.8%

Source: DCLG (2004): Age of commercial and industrial stock: local authority level 2004: Table 3.1: Number of hereditaments by LAD and age for each bulk class/ Lichfields’ analysis

Quality of Premises

- 5.7 CoStar's star rating system uses market-tested criteria which allows for analysis of the quality of existing office and industrial stock. CoStar's criteria takes account of architectural design, structures/systems, amenities, site/landscaping/exterior, and certifications.
- 5.8 As shown in Table 5.3, all types of stock across Sheffield are predominantly rated as being of 3-star quality, with most of the remainder being stock rating either 1 or 2 stars (the lowest quality grading). The number of highly-rated 4 and 5 star properties is just 1% to 3% across all property types. General and Light Industrial premises have the highest share of 1 or 2 star graded properties at 49%, which accounts for 17% of the total floorspace. In contrast, the 31 office properties rated 4 or 5 stars for quality account for 15% of all floorspace. Set against England as a whole, Sheffield City tends to have a slightly lower share of properties rated as 4 or 5 star; however, the difference becomes starker in terms of floorspace, indicating a lack of large, high-quality office and industrial properties. Interestingly, Sheffield has proportionately less very poor quality stock rated 1 and 2 stars, but a very high proportion of medium-quality stock.

Table 5.3 Quality of Existing Premises in Sheffield City (2021)

	Properties			Floorspace		
	#	% of Total	England %	#	% of Total	England %
Office						
1-2 Stars	381	43%	47%	3,034,980	21%	18%
3 Stars	483	54%	47%	9,439,593	64%	53%
4-5 Stars	31	3%	6%	2,242,852	15%	29%
Total	895	100%	100%	14,717,425	100%	100%
General & Light Industrial						
1-2 Stars	341	49%	60%	3,110,885	17%	28%
3 Stars	356	51%	39%	15,081,415	80%	66%
4-5 Stars	6	1%	1%	545,824	3%	6%
Total	703	100%	100%	18,738,124	100%	100%
Storage & Distribution						
1-2 Stars	168	38%	35%	3,789,571	23%	21%
3 Stars	259	59%	61%	10,213,188	61%	65%
4-5 Stars	13	3%	4%	2,675,938	16%	14%
Total	440	100%	100%	16,678,697	100%	100%
Grand Total	2038			50,134,246		

Source: CoStar (2021) / Lichfields

Floorspace Availability

- 5.9 In terms of the current availability of existing floorspace, Table 5.4 suggests that just 4.2% of total employment floorspace is currently available. Office space has the highest current availability at 8.1%, whereas General and Light Industrial appears to be particularly constrained, with just 1.5% of existing stock is currently available.

Table 5.4 Floorspace Availability

	Supply (sq. ft)	Available (sq. ft)	% Available
Office	14,717,425	1,188,890	8.1%
General & Light Industrial	18,738,124	322,008	1.5%
Storage & Distribution	16,678,697	604,283	4.8%
Total	50,134,246	2,115,181	4.2%

Source: CoStar (2021) / Lichfields

5.10 Table 5.5 shows available supply (essentially space which is currently being marketed as available for lease or sale, which can include space which is currently occupied, available for sublease or available at a future date) set against 10-year average take-up (based on the amount of floorspace leased). Based on this, for office floorspace there is 3 years’ supply whereas there is just 0.8 years’ worth of industrial supply currently available across the City. This is a very low level of forward supply for industrial floorspace in particular and risks a situation whereby potential industrial occupiers have to look elsewhere to meet their floorspace requirements.

Table 5.5 Years of Available Supply in Sheffield City

	Annual Average Take-up 2011-21	Available Supply	Years of Available Supply
Office	392,886	1,188,890	3.03
Industrial	1,151,410	926,291	0.80

Source: CoStar (2021) / Lichfields

Industrial Stock – Commercial Overview

5.11 Agents reported that the quality of available industrial stock is generally low and unsuitable for many of the businesses looking to locate in the City. Similarly, indigenous firms looking to move to larger or higher quality premises often struggle, leading to a ‘stagnant’ market wherein businesses want to move but are unable to do so.

5.12 This is leading to falling price sensitivity amongst potential occupiers and rising rents, with values said to have risen by around 75p per sq. ft over the last 18 months. Build costs were also said to have increased, making viability a key barrier to potential development.

5.13 In contrast, the logistics market has recovered strongly with high levels of demand in the market, which has seen rents rise over the past 18 months. This has had the effect of improving viability on large design and build projects which are increasingly the option of choice for occupiers seeking modern premises.

5.14 However, the sector was said to be severely constrained within Sheffield due to a lack ‘big shed’ development over the past decade and a lack of land for design and build projects. Agents noted that the lack of appropriate stock is causing many firms to instead locate into other less desirable areas such as Doncaster, Rotherham and Barnsley. Enquiries from large occupiers including notable firms such as Amazon were said to be “queuing up” to locate in the City but are mostly forced to look elsewhere. There was a sense from stakeholder discussions that the City risks missing big opportunities from the sector in the near future, as whilst the offer is ideal with good transport links, availability of skills and a wider leisure offer for workers, the sites are not there.

5.15 This is borne out by data provided by Invest Sheffield which shows 6 enquires for industrial sites that they were unable to fulfil over the past 5 months, with the largest request being for a site of 80 acres. This data is presented in Table 5.6.

Table 5.6 Unfulfilled Industrial Enquiries: February - July 2021

Company	Origin	Enquiry	Response
Aero Tech	FDI	60 Acres	Nil Response
Automotive	FDI	300,000sq ft	1 response (Bessemer Park)
DIT Enquiry	FDI	80 Acres	Nil Response
Electric Vehicle Chargers	FDI	400,000sq ft	Nil Response
Advanced Manufacturing	FDI	45 Acres	Nil Response
Advanced Manufacturing Company	FDI	110,000 sq ft	1 Response (Shepcoat – now taken)

Source: Invest Sheffield (2021)

- 5.16 On AMID, stakeholders expressed that whilst the area is fairly disjointed geographically, it has a strong brand and USP that should be leveraged. Ultimately, agents expressed concerns at the low amount and quality of available stock when set against the kinds of enquiries they are receiving, with needs said to be shifting towards higher-tech firms who require modern, purpose-built, ‘trendy’ premises of which there is little or no available supply. Agents suggested that the demand is there to justify an ‘AMID 2’ and allocating sites must become a priority to avoid missed opportunities.
- 5.17 It was also noted that AMID’s offer is fairly niche in terms of the wider industrial sector and is unsuitable for many businesses with an appetite to move premises. It was acknowledged that there remains a need to house more traditional manufacturing firms for whom low rents are often the deciding factor. Efforts to redevelop this type of older industrial land for residential uses often leads to businesses moving outside the City due to the lack of similarly-priced units.
- 5.18 Stakeholders stressed that bold decisions and an aspirational approach to industrial land from the Council are needed to ensure that investment is not lost elsewhere. Speaking to representatives from the SCRCA, it was stressed that the B8 logistics sector is seen as key area of opportunity for the sub-region going forward as demand extends northwards from the East Midlands. It was noted that whilst Councils within the sub-region are generally aware of the need to plan positively for growth in the sector, there may be a need to further investigate and evidence the scale of potential future demand across the sub-region as a whole.
- 5.19 Analysis of CoStar data indicates that Sheffield City’s current vacancy rate is 8.4% for industrial stock against a ten-year average of 6.2%. Going forward over the next five years, Co-Star anticipates vacancy rates to stabilise around 8-9% for the foreseeable future. However, agents stressed that much of the available stock is not suitable for the current needs of the market.
- 5.20 As can be seen in Figure 5.2, average rents for industrial units are £5.60 per sq. ft (as of Q2 2021), having grown by 3.2% in the past year. Co-Star expects this growth to continue to increase on a similar trajectory as the past 10 years, potentially reaching as much as £6.18 by Q1 2026.

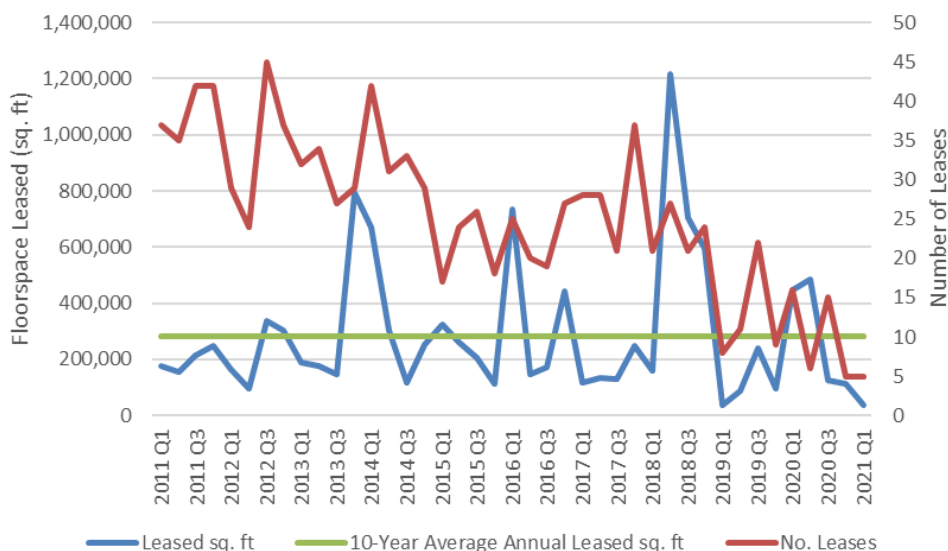
Figure 5.2 Vacancy Rate and Average Rent - All Industrial Stock



Source: CoStar (2021) / Lichfields analysis

5.21 As shown in Figure 5.3, whilst there has been significant fluctuations in annual lease take-up over the past decade (averaging just under 284,000 sq. ft per year), the overall number of deals has fallen over time. For example, 2020 saw a total of 42 deals for 1.17m sq. ft, compared to 85 deals for just under 900,000 sq. ft in 2015, indicating that demand is increasingly skewed towards larger units. It should be noted that ‘take up’ in this context refers to ‘leases signed’, rather than the amount of floorspace constructed (which is how we use the term later in this section).

Figure 5.3 Industrial Leases, 2011-21



Source: CoStar (2021) / Lichfields

Office Stock – Commercial Overview

5.22 Turning to Sheffield’s office market, agents reported that the market ground to halt throughout much of the first lockdown period as firms adjusted and took time to re-evaluate their future needs. The market had, however, returned to full speed by the third lockdown period starting in 2021 and has stayed strong through the gradual lifting of restrictions. In general, the market for sub-3,000 sq. ft office space has recovered strongly whilst the market for larger space has been slower to respond. It was suggested that this was down to the longer-term planning of owner-occupiers against the more short-term view of larger firms.

5.23 Whilst views on the long-term effects of the pandemic on the office requirements of firms were generally mixed, stakeholders were in agreement that there is not expected to be a mass movement towards smaller office space by the majority of established firms. Instead, amongst the usual stream of firms in need of more space, agents reported that many firms are now demanding ‘better’ space, rather than simply more or less. This may mean improved access to public transport links, increased flexibility in how space can be used, proximity to amenities and hospitality, or simply the quality of the office environment. This in turn will boost a companies’ image, improve recruitment, retention of staff and office morale throughout the economic recovery.

5.24 For larger firms, this movement is being constrained principally by a lack of Grade A office floorspace within the City Centre, with the quality of available stock said to be generally low, with land for new office development in short supply. Similarly, land and building costs are making this market particularly challenging for potential investors in terms of viability.

Furthermore, suitable parcels of land that are available were said to suffer from issues of fragmented ownership, with strategic decision making and intervention needed to unlock. Inevitably, the prospect of building upwards rather than outwards was raised as a necessary solution by some, although it is recognised that disrupting the City’s low-rise skyline is a politically-sensitive issue.

5.25 Many stakeholders discussed the need to establish knowledge hubs and clusters of varied but high-quality space within the City. It was noted that this is starting to emerge, with the City now growing in a more structured and organised fashion compared to a less joined-up approach in the past. Castlegate and Fargate were highlighted as significant opportunities in this regard, alongside the possibility of further development at the Digital Campus, Cathedral Quarter, Kelham and Park Hill to provide a diverse offer that caters to clustering of firms.

5.26 According to a report produced on behalf of the City Council by Aspinall Verdi with Colliers in 2020¹⁷, City Centre office stock within Sheffield is generally bound by the A61 ring road; however there is a spread of office development with both Grade A and more tertiary space. In recent years there has also been a polarisation of the office market, with poorer quality stock failing to attract office occupiers who increasingly require modern high-quality accommodation to meet their business needs (a trend apparent across all the UK’s main commercial centres).

5.27 In terms of how the City should position its commercial offer going forward, the report recognises that Sheffield has a relatively compact CBD which can be seen from its relatively small financial and business services sector (FBS). As a result, other than at St Pauls Place and the upcoming Heart of the City II, the City Centre is considered to lack the concentration of commercial activity in which to create the sense of place and ‘buzz’ which acts as a catalyst to attracting further FBS businesses to Sheffield.

“Sheffield also needs a pipeline of well-located Grade A office schemes in order to capture footloose national enquiries (including government/public sector relocations) as well as local demand. This will require office rents to increase to over £28/ sq ft in order for development to be both viable and sustainable for developers and investors. Any intervention in the office development market by the public sector should be targeted at boosting rents to a level which is commercially sustainable (this will change over time) by providing office accommodation to a high specification in the right location and in an appropriate setting where FBS businesses are able to cluster together.” [page 56]

5.28 The report supports the promotion of mixed use developments to create a ‘destination’ that acts as a catalyst of activity across a range of sectors, including office. Furthermore, the agents consider that Sheffield has the opportunity to continue to focus on providing schemes aimed at the media, digital and tech sectors. The city has a number of growing businesses in these sectors and also benefits from two major universities within the city centre. According to the report, developments like Electric Works and Kollider demonstrate the need to provide grow-on space for these types of business as they look to establish themselves in larger, sometimes more mainstream office buildings in areas with a sense of buzz and community:

“A key factor in developing a sustainable place is its public realm; real estate value can be created or enhanced by placemaking in the public realm. This can be accomplished through the following key themes:

I. Altering the image of an area.

II. Creating a new destination for visitors and residents in the vicinity.

III. Adding an element of versatility to an area so that it can be used for events.

¹⁷ Aspinall Verdi with Colliers (2020): *Sheffield Residential Market Review – Commercial Market*

IV. Establishing the character of a newly developed area.

Sheffield has already established a strong reputation for its public realm in the City Centre and a continuation of this policy will aid the development of quality residential and commercial development.” [page 57]

- 5.29 In terms of inward investment, enquires for Grade A office space were reported to be strong in the City, whilst stakeholders also noted a recent rise in the number of newly-established firms looking for small but modern spaces to accommodate up to 10 people. These are likely to be established businesses that have operated remotely through lockdown but which are now looking for flexible spaces as people begin to return to the office environment.
- 5.30 In this sense, it was noted that shared office and co-working spaces are likely to play an increasing role in the market, against the initial expectations of some that these spaces predominantly catered to a pre-Covid office culture. Similarly, there is an opportunity to convert the empty upper floors of redundant City Centre buildings into just these types of spaces.
- 5.31 There was no real concern over the new E Class and permitted development rights in terms of eating into the office market, with any effects expected to be gradual and limited in scale. It was also mentioned by multiple stakeholders that the market for student accommodation, which has benefitted from the conversion of old buildings in the recent past, is now at a widely recognised point of saturation. It is understood that the Council has now commissioned a student accommodation study from Cushman & Wakefield, ‘*Purpose Build Student Accommodation (PBSA) Market Study*’, which will examine the issue in detail.

Figure 5.4 Vacancy Rate and Average Rent - All Office Stock



Source: CoStar (2021) / Lichfields’ Analysis

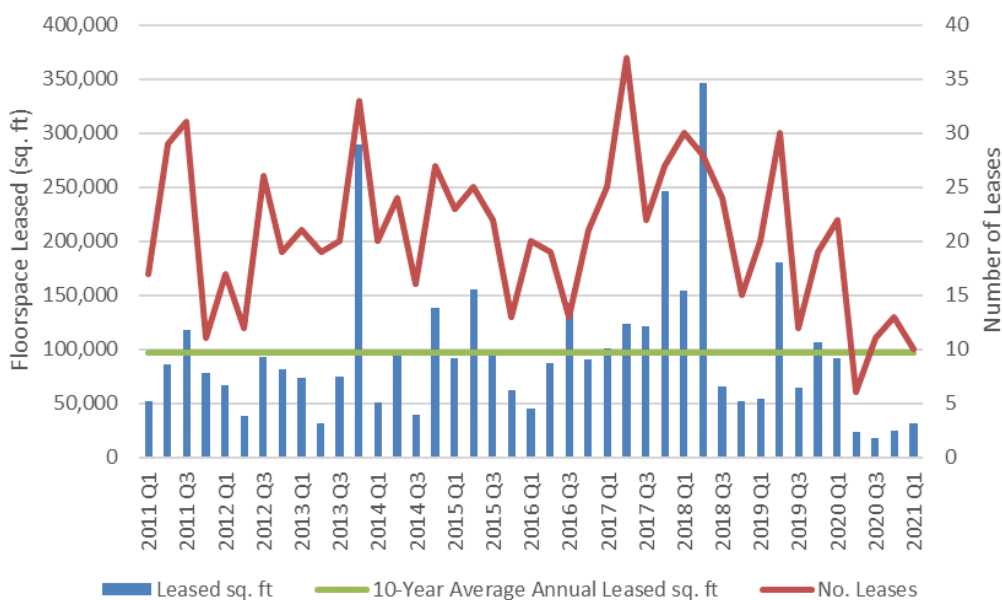
- 5.32 In terms of rents, agents suggested that rents had certainly held up throughout the pandemic, but are expected to increase, with current prime rents for Grade A office rising from £25/26 per sq. ft now to upwards of £30 within a few years. Rents for 2nd-hand space in the city are expected to rise slightly from the current levels of £15-£20 per sq. ft whilst out-of-centre rents are expected to remain around the £10 - £15 per sq. ft mark. CoStar data shows an average rent

of £12.92 across Sheffield as of Q2 2021, rising to £13.65 for office space within the City’s central business district.

5.33 Views on vacancy rates differed, with some suggesting vacancy as low as 1% in the City and that 1% being in need of refurbishment. Other suggested vacancy of around 10% for office, but that many vacant properties are not suitable for the current market and in need of investment. CoStar data shows an office vacancy rate of 5.1% across the City in Q2 2021, against a 10-year average of 7.5%. This vacancy rate falls to 3.8% for office within the City’s central business district.

5.34 Figure 5.5 shows that the past four quarters have seen the lowest levels of office lease take-up since 2011, with 97,447 sq. ft taken compared to 106,800 sq. ft in Q4 2019 alone. Even prior to the pandemic take-up has been relatively low following steady growth between 2016 and 2017. The number of deals has fluctuated but fallen overall since early 2017, with 40 deals being made in the past four quarters.

Figure 5.5 Office Leases Take-up, 2011-21



Source: CoStar (2021) / Lichfields

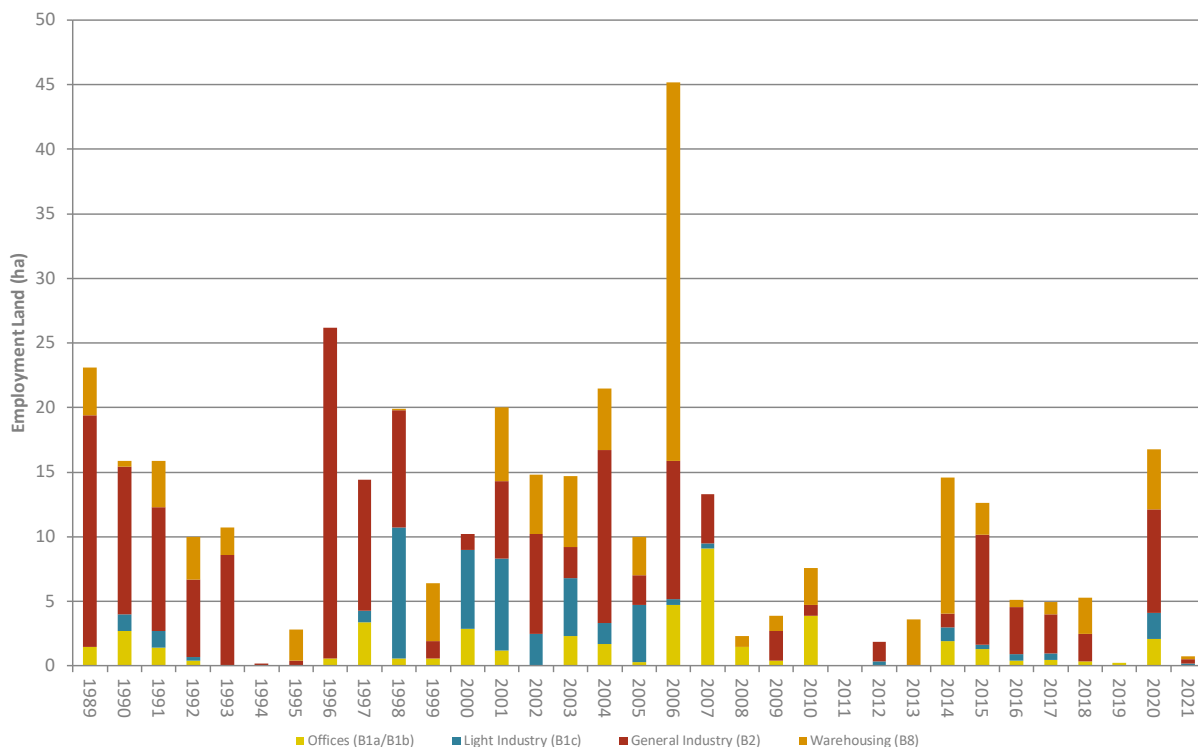
Gross Completions

5.35 SCC collates data on the development of employment land for annual monitoring purposes. Monitoring data on past completions of B-Class land uses between 1989 and 2019 was provided by SCC to inform the previous ELR; to this has been added newly released data for 2019/20 and 2020/21. Data provided by SCC indicates that an impressive 16.75 ha of employment land was developed in 2019/20 (97,037 sqm), although just 0.74 ha was brought forward for B-Class uses in 2020/21 (of which the Covid-19 lockdown no doubt played some part in suppressing growth).

5.36 Over the period 1989 and 2021, average annual gross completions for B-Class uses in Sheffield City amounted to 11.36 ha of employment land, or 374.79 hectares in total. However, as can be seen in Figure 5.6 there have been significant fluctuations in development rates across this time period, with a marked reduction in the years immediately following the 2008/09 recession (with take up effectively falling to virtually zero in 2014), whereas it was as high as 45.2 ha in 2006. The recent contrast between the very high level of growth in 2020 (16.75 ha) with the historic low of 0.74 ha in 2021 exemplifies these fluctuations.

- 5.37 As noted in the previous ELR, since that 2006 peak, development rates have dropped off although there was a recovery in 2014/15. For the dozen years prior to the recession (1996-2007 inclusive), 216.6 ha of B-Class employment land was completed, at an average of 18 ha annually. In the 14 years since, completions have fallen to 79.59 ha, an average of 5.7 ha – a substantial fall of 68%.
- 5.38 It can therefore be concluded that gross annual completion rates have averaged 11.36 ha over the long term (1989-2021), compared to 6.57 ha over the past decade (2010-2019).
- 5.39 It can also be seen from Figure 5.6 that rates of development for office, industrial and warehousing schemes have varied considerably. Data for 2020/21 was not broken down by SCC by Use Class. Overall, there has been 44.1 ha of land developed for offices since 1989 (1.42 ha annually, compared to 43.87 ha for B1c light industry (1.42 ha per annum); 170.49 ha for B2 general industry (5.50 ha p.a.); and 98.86 ha for B8 warehousing (3.19 ha p.a.).

Figure 5.6 Take-Up of B-Class employment land in Sheffield City, 1989 - 2021



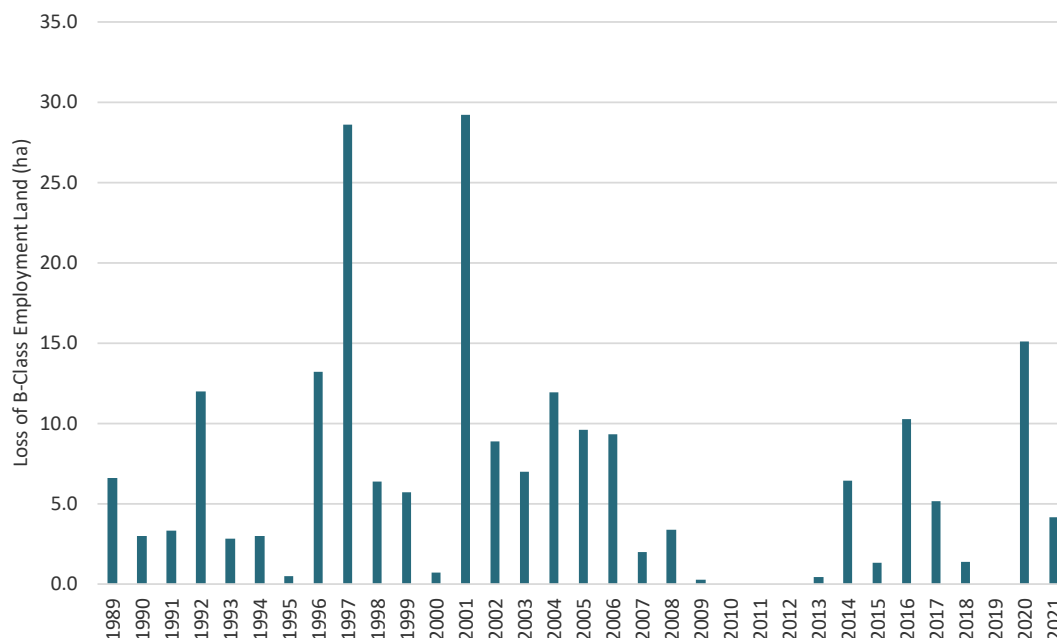
Source: SCC/ Lichfields Analysis. Note – the data for 2020/2021 only related to an overall figure for general employment rather than broken down for B1, B2 and B8 as with previous years. As a consequence, the breakdown is purely indicative and based on the average rate of development for each use class based on the previous 31 years of data.

Losses

- 5.40 In terms of losses, SCC Officers reported that in 2019/20 a total of 15.1 ha of employment land was lost to alternative uses, of which 14.2 ha related to industrial/warehousing land, with the remaining 0.9 ha office sites. As with completions, the volume of losses also decreased sharply in 2020/21, with 4.13 ha of B-Class land being lost to alternative uses of which 1.3 ha related to industrial/warehousing land, and 2.83 ha related to office land.
- 5.41 Figure 5.7 indicates that these have fluctuated very significantly over the 33-year period to 2021 peaking at 29.2 ha in 2001, with a low of zero in the years 2010-2012. Overall, 211.6 ha of B-Class land has been lost to alternative uses in the 33 years to 2021 at an average of 6.41 ha

annually. Over the short to medium term, 44.2 ha was lost in the 10 years to 2021 at a much lower annual rate of 4.42 ha.

Figure 5.7 Losses of B-Class Employment Land in Sheffield City, 1989-2021



Source: SCC/ Lichfields Analysis

Net Analysis

5.42 Taking account of all employment developments and losses to other uses, Sheffield has seen an overall net completion of 4.95 ha over the full 1989-2021 period for which data is available. This falls to 2.15 ha net if a shorter period is analysed (10 years 2012-2021) as shown in Table 5.7.

Table 5.7 Gross/Net Annual Net Completion Rates of Employment Land in Sheffield City

	Average Annual Gross Completions (ha)	Average Annual Gross Losses (ha)	Average Annual Net Completions (ha)
1989-2021 (33 years)	11.36	6.41	4.95
2012-2021 (10 years)	6.57	4.42	2.15

Source: SCC / Lichfields' Analysis

Development Pipeline

5.43 CoStar data indicates that at the time of writing (July 2021) a total of 176,217 sq. ft [NIA] of industrial floorspace is currently under construction at 4 properties across Sheffield. The two largest developments comprise units at Total Park which total 170,448 sq. ft.

5.44 A total of 945,800 sq. ft [NIA] of industrial floorspace is currently proposed¹⁸ in the City across 16 developments. The largest of these include Eckington Way, Mosborough Business Park (300,000 sq. ft); and Europa Close, Sheffield Business Park (244,678 sq. ft).

5.45 For office space, CoStar data indicates that a total of 458,046 sq. ft is currently under construction across 6 properties in Sheffield City. The largest of these include Pinstone Street at

¹⁸ CoStar defines 'proposed' developments as: "land considered for a particular future use or a building that has been announced for future development. The project is not expected to start construction in the next 12 months."

Heart of the City II (189,684 sq. ft); Sheaf Street, Endeavour (67,000 sq. ft); and Concourse Way, Vidrio House (62,345 sq. ft).

- 5.46 A total of c.1.5 million sq. ft office floorspace is currently proposed across 5 developments. The majority of this is accounted for by Europa at Europa View (1.13m sq. ft), with other contributors being at Furnival Gate (130,038 sq. ft) and West Bar Square (100,000 sq. ft).

6.0 Future Employment Land Requirements

Introduction

6.1 This section considers the quantitative future economic growth needs in Sheffield City. It updates the scenarios previously modelled in the 2020 ELR and extends the modelling period from 2018-2036 by two years, to 2038. These scenarios consider the need for office and industrial (i.e. manufacturing and warehousing) floorspace. The final requirements are specified in floorspace (sqm) for E Class office (incorporating R&D), and land (in hectares) for E-Class light industrial, B2 and B8 uses.

6.2 As well as considering the baseline forecast growth using Experian’s most recent, Covid-19 adjusted April 2021 econometric projections, we have also compared this more pessimistic model run with the (pre-Covid) March 2020 iteration as well as a regeneration, or ‘policy on’ scenario, as well as taking into account past delivery of employment space and the potential labour supply generated by housing growth scenarios (based on data provided by Icen).

6.3 The forecast demand scenarios are based on a quantitative requirement and do not take into account qualitative factors that may influence the actual requirement.

Methodology

6.4 The Government’s Planning Practice Guidance advises on how to calculate future employment land requirement. The Guidance¹⁹ sets out that strategic policy making authorities will need to “develop an idea of future needs based on a range of data which is current and robust, such as:

- *sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand)*
- *demographically derived assessments of current and future local labour supply (labour supply techniques)*
- *analysis based on the past take-up of employment land and property and/or future property market requirements*
- *consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.*
- *Authorities will need to take account of longer-term economic cycles in assessing this data and consider and plan for the implications of alternative economic scenarios.”*

6.5 An aspirational ‘regeneration-led’ scenario has been included which takes into account additional demand that could be generated by key growth sectors, private sector developments and interventions.

6.6 The forecast employment land scenarios covering the 20-year Plan period from 2018 to 2038 are:

- 1 Baseline employment forecasts (**labour demand**), using Experian’s Local Market Quarterly Forecasts for April 2021 (compared to the pre-Covid 19 March 2020 projection);
- 2 Trending-forward **past jobs growth** experienced in the City over the long term, from 1997-2018;
- 3 **Regeneration-led** econometric model, equal to 2,550 jobs (net) per annum.

¹⁹ Planning Practice Guidance – Reference ID: 2a-027-20190220

- 4 Estimated growth in the **local labour supply** and the jobs and employment space that this could be expected to support. This is based on Sheffield City’s Housing, Economic Growth and Demographic report (June 2021) which modelled the level of job growth that might be expected to be sustained under a series of demographic projections aligned with the Government’s Standard Methodology for calculating housing need; and,
- 5 Consideration of **past trends in completions of employment space** based on monitoring data collected by the Council, and how these trends might change in the future.

6.7 All these approaches reflect different factors and careful consideration needs to be given as to how appropriate each is to Sheffield’s particular set of circumstances and the policy aspirations of the Council. In addition, to be robust, the economic growth potential and likely demand for employment space needs to be assessed under different future sensitivities, to reflect lower or higher economic growth conditions arising in future.

6.8 The ultimate judgement regarding the level of employment need that SCC should plan for is not, therefore, simply shaped by a consideration of quantitative analysis. A range of qualitative factors should be taken into account, that would typically consider the quality and demand for existing premises, the spatial distribution of supply and demand for premises, and insights from commercial property agents and local businesses.

A. Econometric Job Forecasting

6.9 Experian econometric job forecasts were obtained by Lichfields to underpin this analysis. It should be emphasised that such forecasts tend to be most reliable at regional and national scales and consequently less so at the local economy level. Nevertheless, they provide a valuable input in respect of understanding future land needs by indicating the broad scale and direction of economic growth in different sectors.

Scenario 1: Experian Baseline April 2021

6.10 Experian’s model takes account of the existing economic structure of each Local Authority (broken down by economic sector) and the historical relationship between the regional performance of an industry and the performance observed at the Local Authority level. The forecasts of job growth by sector used here reflect recent trends and economic growth projections at national and regional level, and how economic sectors in Sheffield City have fared relative to the Yorkshire & the Humber’s growth in the past. They are not constrained by either labour supply or land availability.

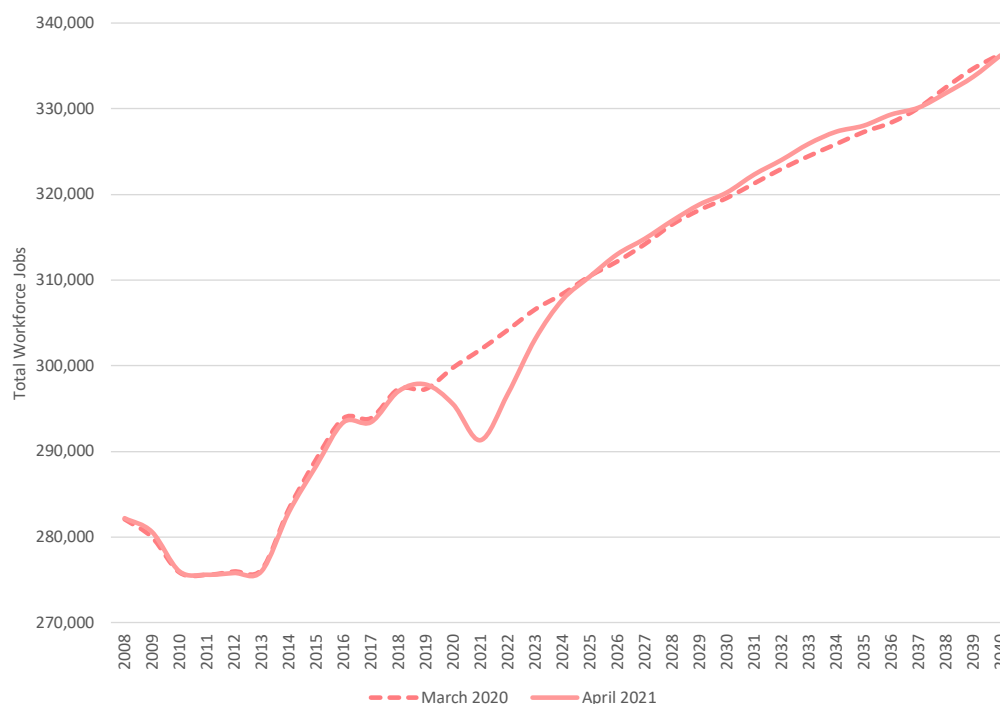
6.11 Before presenting the job growth outcomes from the scenarios it is worth highlighting in broad terms, limitations in how these were generated:

- 1 They are predominantly trend-based estimates projecting historic growth patterns into the future.
- 2 For the projections, the population data that underpinned the modelling comprises the ONS 2016 mid-year estimates [MYE] for 1997-2016. 2016-based sub-national population projections [SNPP] for England were also used by Experian.
- 3 The forecasts do not take into account policy influences and unforeseen impacts of individual business decisions.
- 4 There is not always a clear-cut relationship between employment change and employment land needs. Additional employment space may be required even if employment itself is falling; for example, if a manufacturing firm requires more space to enable greater automation and achieve job reductions through productivity gains.

6.12 Local area forecasts released by Experian in April 2021 provide an up-to-date view on the impact of Covid-19 for Sheffield City. Though viewed as a very significant, albeit hopefully temporary shock, the forecasts imply a significant impact on all sectors of the economy and all parts of the HMAs. As discussed in detail in Section 4.0, the forecasts are based on the assumption that the recovery will follow a delayed-V shape, with a substantial drop in output in Q2 2020 as economic activity was highly restricted due to lockdown measures to contain the virus.

6.13 Figure 6.1 compares Experian’s pre- and post-Covid projections for Sheffield. They indicate that the later projection not only factors in a very significant fall in the total number of workforce jobs in 2020 and 2021 (of -6,500 from 2019 levels), but that it won’t be until 2023 that we see a recovery to 2019 job levels. However, the projections indicate that there is unlikely to be a permanent ‘scarring’ of the economy, with job growth ultimately catching up to the pre-Covid employment levels by 2025 and following a virtually identical path for the remainder of the Plan period.

Figure 6.1 Change in Total Workforce Jobs in Sheffield City (historic and projected) 2008 to 2038



Source: Experian UK Macro Economic Forecasts April 2021 / March 2020

6.14 A detailed breakdown of the various projections is provided in Table 6.1 for Sheffield City (and comparator areas). Over the longer term, the Table indicates that the April 2021 Experian baseline workforce employment projections reported a period of sustained employment growth since the depths of the last recession. Between 1997 and 2018, the City’s economy grew by 41,400 jobs, equal to a Compound Annual Growth Rate [CAGR] of 0.72%. This is a similar level of growth to the Yorkshire & the Humber rate of 0.70% over the same time period, albeit lower than the UK-wide figure of 0.94%.

6.15 In contrast however, over the Plan period of 2018-38 the April 2021 projections reverse the growth trends with Sheffield City forecast to experience a growth rate of 0.56% overall (in excess of both the Yorkshire and the Humber and UK rates). This growth rate is only very slightly below the March 2020 Experian econometric projection, which forecast growth of 35,200 over the next 20 years at a growth rate of 0.56%. This is higher than the level of growth previously

projected in the 2019 Experian REM baseline, which forecast a growth rate of 0.53%, or 23,220 FTE jobs over the shorter time period 2018-2036.

Table 6.1 Workforce Jobs Growth for Sheffield City and comparator areas

	1997-2018		Experian April 2021 Projections 2018-2038		Experian March 2020 Projections 2018-2038	
	Net Jobs Growth	CAGR	Net Jobs Growth	CAGR	Net Jobs Growth	CAGR
Sheffield City	41,400	0.72%	16,400	0.63%	34,800	0.56%
Yorkshire and the Humber	374,820	0.70%	194,740	0.82%	203,420	0.36%
UK	6,264,980	0.94%	3,379,480	1.13%	3,544,280	0.48%

Source: Experian UK Macro Economic Forecasts April 2021 / March 2020

6.16

Table 6.2 summarises those sectors expected to experience the largest absolute increases or decreases in employment for Sheffield City over the Plan period. Experian project a growth equal to 34,800 net jobs between 2018 and 2038, driven in particular by Health (+12,500); Construction (+5,900); Residential Care and Social Work (+3,100); Education (+3,300); and Professional Services (+3,900), with only the latter sector likely to see a significant amount of employment based on traditional ‘employment’ land. Job losses are predominantly concentrated in one sector – manufacturing – which is projected to fall by 3,700 jobs over the next 20 years, with significant job losses also projected in Accommodation & food Services (-1,600) and Wholesale (-2,000).

Table 6.2 Job Change across Sheffield City (2018 to 2038)

Sector	2018	2038	Difference
Accommodation & Food Services	18,300	16,700	-1,600
Admin & Supportive Services	21,700	24,500	2,800
Agriculture, Forestry & Fishing	500	500	0
Air & Water Transport	0	0	0
Computing & Information Services	5,800	5,800	0
Construction	13,500	19,400	5,900
Education	35,400	38,700	3,300
Extraction & Mining	0	0	0
Finance	8,900	8,600	-300
Fuel Refining	0	0	0
Health	30,500	43,000	12,500
Insurance & Pensions	900	1,100	200
Land Transport, Storage & Post	12,700	14,900	2,200
Manufacturing	25,300	21,600	-3,700
Media Activities	2,300	3,100	800
Other Private Services	7,100	9,800	2,700
Professional Services	23,900	27,800	3,900
Public Administration & Defence	14,100	15,100	1,000
Real Estate	3,800	5,000	1,200
Recreation	8,200	8,900	700

Sector	2018	2038	Difference
Residential Care & Social Work	14,600	17,700	3,100
Retail	28,200	28,900	700
Telecoms	4,100	4,800	700
Utilities	1,600	1,400	-200
Wholesale	15,600	14,500	-1,100
TOTAL	297,000	331,800	34,800

Source: Experian (September 2020) / Lichfields' analysis
 Key: **PURPLE** = Office/Industrial sector **GREEN** = Part Office/Industrial sector

6.17 In translating these jobs into employment land requirements, the analysis includes an allowance for jobs in other non-employment sectors that typically utilise industrial or office space, such as some construction uses, vehicle repair, courier services, road transport and cargo handling and some public administration activities. This is because a certain proportion of these jobs will occupy premises falling within the office/industrial sectors.

6.18 Using Experian’s baseline forecasts (which are based to an extent on past trends and current representation across the industrial classifications relative to the national and regional averages), Table 6.3 indicates significant growth in E(g)/B-class jobs for Sheffield City, equal to 8,407 between 2018 and 2038, although this level of growth is outstripped by more than 3-times this level of growth in the non-B uses (notably Health, Education and Residential Care and Social Work). As would be expected, there is strong growth in office-based activities of 7,156, and strong gains in light industrial jobs growth; declining manufacturing employment as previously; and modest gains in distribution jobs (with the decline in wholesaling jobs moderating the strong growth of land transport, storage & post).

Table 6.3 Forecast Employment Change in Sheffield City 2018-2038 – Experian April 2021 Baseline Total Workforce Jobs

	Office*	Light Industrial**	B2 General Industrial***	B8 Warehousing****	Total Office / Industrial / Distribution Jobs	Other Jobs	Jobs in All Sectors
Sheffield City	7,156	4,380	-3,879	750	8,407	26,393	34,800

Source: Experian April 2021 / Lichfields Analysis.
 * includes a proportion of public sector employment and administration & support services
 ** includes some manufacturing, vehicle repair and some construction activities
 *** includes manufacturing and some construction/utilities
 ****includes elements of transport & communications sectors

6.19 In order to translate the resultant job forecasts into estimates of potential employment space it is necessary to allocate the level of employment change forecast for office, industrial, and wholesale / distribution uses as follows:

- 1 The office floorspace requirement is related to job growth / decline in the financial and business service sectors²⁰;
- 2 The light industrial floorspace requirement is related to job growth / decline in some manufacturing sectors, specialised construction activities and some wholesale trades²¹;

²⁰ i.e. Majority of BRES Sectors 58-74, Office administration and support, some activities of membership organisations and a proportion of Public Administration and Defence

²¹ Some printing and recording media; manufacture of computer and electronic products; some manufacture of furniture and repair & installation of machinery & equipment; majority of Specialised Construction Activities, plus car repair.

- 3 The general industrial floorspace requirement is related to job growth / decline in the majority of manufacturing sectors²²; and,
 - 4 The wholesale / distribution floorspace requirement is related to job growth / decline in the industrial sectors of wholesale and land transport, storage and postal services.²³
- 6.20 Lichfields has then translated the resulting figures into employment land projections using standard employment densities that have been applied to the forecast job change figures (based upon the latest HCA²⁴ Guidance on employment densities). These translate FTEs into workforce jobs, and plot ratios by use class.
- 6.21 For the purposes of this ELRU it has been assumed that:
- 1 One general office workforce job requires 12.5 sqm of employment floorspace (Gross External Area [GEA]);
 - 2 One light industrial job requires 54 sqm of employment floorspace [GEA];
 - 3 One general industrial workforce job requires 36 sqm of employment floorspace [GEA];
 - 4 One job per 64.5 sqm for general, smaller scale warehousing (assumed to account for around 35% of future space) and 1 job per 79 sqm for large scale, lower density units (assumed to account for 65% of future space, based on discussions with agents)²⁵. This was derived on the basis that during the stakeholder consultation exercise, agents repeatedly suggested that the bulk of inward investment demand is for large, modern, design and build warehousing units. Analysing Sheffield City's past 5-years industrial construction starts in Co-Star indicates that around 34.5% were under 100,000 sq. ft and 65.5% were over this threshold, which fully supports this supposition.
- 6.22 The HCA Guidance takes account of recent trends in terms of the changing use of employment space, the main change being the more efficient utilisation of office space due to increased flexible working and hot-desking. This has resulted in a decrease in the amount of floorspace per office worker compared to previous guidance.
- 6.23 It is accepted that the current Covid-19 pandemic has dramatically altered working patterns, with the number of people working from home rising exponentially since the lockdown began in March 2020. UK-wide, 24% of people in employment are currently working exclusively from home instead of their usual place of work²⁶. Many commentators are suggesting that there will be a permanent shift towards home working and the greater flexibility this affords people, with the need for office space in particular falling significantly.
- 6.24 Whilst in our view it is quite likely that there will be some long-term shift in working patterns as a result of the pandemic, at the time of writing (July 2021) it is still too soon to say what the scale of that change on home working is likely to be. Until robust data is available later this year, we therefore propose to retain the aforementioned job densities, particularly as the HCA work already factors in an element of home working / hot desking into the calculations. That said, we have explored the potential impacts of any future need for Covid/health related measures in the sensitivity testing at the end of this chapter.
- 6.25 An adjustment has also been made to reflect the fact that a proportion of employment floorspace will always be vacant. Commercial and Industrial Property Research published by the VOA in

²² Remaining Manufacturing sectors, plus some construction and waste and remediation activities.

²³ Wholesaling less car repairs retail car sales, plus post/couriers and land transport

²⁴ HCA (November 2015): *Employment Densities Guide, 3rd Edition*

²⁵ Strategic, or large-scale warehousing is generally defined as a distribution unit over and above 100,000 sq ft (9,290 sqm+).

²⁶ Source:

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheconomyandsocietyfasterindicators/1october2020>

2005 indicates that for 2004/05, estimated vacancy rates for employment land totalled 8% for Yorkshire and the Humber; 9% for England; and 9% for Sheffield.

- 6.26 Other more recent sources are also now suggesting that a figure of around 7.5%²⁷ / 8% should be used to calculate the normal, or equilibrium vacancy rate. This approach is validated by CoStar data which indicates an industrial vacancy rate of 8.4% in Q2 2021 and forecasts a short-term rise into the low 9% range between Q3 2021 and 2024 before falling back towards 8%. For office floorspace, CoStar data suggests that rates are lower, at around 5.1% as of Q2 2021 with this likely to remain the level for the next few years.
- 6.27 Based on this data and discussions with local agents (see above), it is reasonable to suggest that a return towards the lower end of the 8-10% ‘ideal’ vacancy rate typically used for ELRs across the country represents a robust benchmark for an appropriate level of available floorspace going forward, which reflects the longer-term equilibrium before the recession (both locally and nationally).
- 6.28 As per the previous 2020 ELR, where a reduction in jobs is forecast (e.g. manufacturing), the associated negative floorspace was halved (in line with common methodological practice amongst ELRs undertaken elsewhere across the country), to reflect the fact that job decline at a particular company does not automatically translate into a comparable loss of floorspace, at least not in the short-medium term, due in part to companies being locked into leasing agreements etc.
- 6.29 The resultant floorspace estimates are provided in Table 6.4. They indicate an overall net gain of office/industrial floorspace in Sheffield City of 342,077 sqm between 2018 and 2038. This is driven by an increased demand for office, B8 warehousing and particularly light industrial (due to strong growth in Specialised Construction Activities), with a continued fall in demand for industrial floorspace.

Table 6.4 Forecast Net Floorspace Change (sqm) in Sheffield City 2018-2038

	2018	2038	Net Requirement
Office	767,630	857,085	+96,612
Light Industrial	567,464	803,963	+255,418
B2 General Industrial	956,834	817,191	-69,821
B8 Logistics	1,531,936	1,587,369	+59,868
Total Office / Industrial / Distribution	3,823,863	4,065,608	+342,077

Source: Experian April 2021 / Lichfields Analysis

- 6.30 This contrasts with the 199,594 sqm net floorspace requirement reported for the Experian REM baseline in the 2020 ELR, albeit this was over a slightly shorter time period. The large difference is due to a variety of reasons, not least the fact that the previous modelling work (which was 2018-based) had a net gain of only 23,220 FTE jobs compared with a net gain of 34,800 in this Update, aligned with a higher proportion of the job growth being related to B-Class sectors in the April 2021 figures (24.1%) than before (4.2%). This shift is large, but reflects the fact that the growth in office jobs is much higher under the latest Experian scenario than before (+7,156 compared to +4,548); whilst the growth in light industrial jobs is also projected to be much greater under the latest set of projections. For example, Professional Services was only projected to grow by 2,070 FTE jobs in the previous set of projections, whereas the latest forecast increases this to +3,200 jobs to 2036 (net). Real estate jobs growth is also more than twice as high as the previous set of projections (+1,100, compared to +550). Furthermore,

²⁷ Welsh Government (August 2015): Practice Guidance – Building an Economic Development Evidence Base to Support a Local Development Plan

Specialised Construction Activities, which contributes much of the light industrial job growth in the latest set of projections, is forecast to grow by 4,300 net (to 2036), compared to just 1,170 previously. Conversely the growth of some non B-Uses is much weaker in the latest set, most notably for residential care and social work, which was previously projected to grow by 6,090 FTEs to 2036, whereas the comparable figure now is ‘just’ 3,000.

6.31 In addition, this Update is planning for a longer time period, of 20 years to 2038, compared to an 18-year plan period previously.

Scenario 2) Pre-Covid Experian March 2020

6.32 As a sensitivity, this scenario mirrors the approach set out above, but instead of using Experian’s April 2021 model run, it uses the equivalent from 1 year earlier. Crucially, this is pre-Pandemic and therefore factors in a more optimistic economic outlook, not just over the short term to 2023, but over the whole of the Plan period to 2038.

6.33 As can be seen from Table 6.5, the level of job growth across Sheffield City is 35,200 over the 20 year plan period, just 400 jobs higher than the re-calibrated April 2021 model, whilst the net E/B class job growth is 8,640 (233 higher than the Pandemic-adjusted forecast). However, interestingly the split is very different, with a minimal growth in light industrial jobs (+583 compared to 4,380 in the April 2021 projections) and a much stronger growth in office jobs (for example, ICT jobs are projected to grow by +2,317 and Professional Services by +4,896 jobs in the March 2020 projections, compared to zero growth and +3,819 jobs respectively in the more up to date forecasts).

Table 6.5 Forecast Employment Change in Sheffield City 2018-2038 – Experian March 2020 Baseline Total Workforce Jobs

Use class	Sheffield Jobs		Change
	2018	2038	2018-38
Office*	61,658	72,550	+10,892
Light Industrial**	10,240	10,822	+583
B2 General Industrial***	26,489	22,459	-4,030
B8 Logistics****	20,447	21,642	+1,195
Total Office / Industrial / Distribution	118,833	127,473	+8,640
Non B Class Jobs	178,467	205,027	+26,560
Jobs in All Sectors	297,300	332,500	+35,200

Source: Experian March 2020 / Lichfields Analysis.

* includes a proportion of public sector employment and administration & support services

** includes some manufacturing, vehicle repair and some construction activities

*** includes manufacturing and some construction/utilities

****includes elements of transport & communications sectors

6.34 As before, the resultant floorspace estimates are provided in Table 6.6. Paradoxically, even though Experian’s March 2020 model run projected a higher level of job growth than the April 2021 forecast, this equates to a significantly lower employment floorspace requirement. This is because the growth was directed towards the much higher density office jobs than light industrial, resulting in an overall net requirement of 203,878 sqm of which well over half relates to office. The light industrial net requirement, at 33,983, almost pales into insignificance compared to the more recent forecast, which indicated a net requirement of 255,418 sqm.

Table 6.6 Forecast Net Floorspace Change (sqm) in Sheffield City 2018-2038

	2018	2038	Net Requirement
Office	770,721	906,870	+147,041
Light Industrial	552,944	584,410	+33,983
B2 General Industrial	953,595	808,532	-72,531
B8 Logistics	1,511,537	1,599,857	+95,386
Total Office / Industrial / Distribution	3,788,797	3,899,669	+203,878

Source: Experian March 2020 / Lichfields Analysis

Sensitivity Test: Past Trends Job Growth

- 6.35 This sensitivity test looks at past trends in jobs growth experienced in Sheffield City over the long term (1997-2018) and trends the resultant Compound Annual Growth Rate [CAGR] over the Plan period from 2018-2038.
- 6.36 As set out above, over the long term, Sheffield's economy has experienced particularly strong growth levels over the past 20 years or so, with the expected blip in the immediate aftermath of the recession in 2009/10-2010/11. Over that period (1997-2018), the number of jobs in Sheffield City increased by 0.72% per annum [CAGR], slightly above the regional rate of 0.70% but below the national rate of 0.94% over the same time period.
- 6.37 Applying this CAGR rate annually from 2018 onwards for Sheffield City equates to a net job growth of 45,647 to 2038. Assuming the same sectoral representation for each industry in 2038 as the April 2021 Experian baseline, constrained to the aforementioned overall net job growth figures, would result in a strong office/industrial job growth of 12,579 to 2038 as summarised in Table 6.7.

Table 6.7 Forecast workforce jobs change in Sheffield City 2018-2038 – Past Trends

Use class	Sheffield Jobs		Change
	2018	2038	2018-38
Office*	61,410	70,808	+9,398
Light Industrial**	10,509	15,375	+4,866
B2 General Industrial***	26,579	23,442	-3,137
B8 Logistics****	20,723	22,175	+1,452
Total Office / Industrial / Distribution	119,221	131,800	+12,579
Non B Class Jobs	177,779	210,848	+33,068
Jobs in All Sectors	297,000	342,647	+45,647

Source: Experian April 2021 / Lichfields Analysis.

* includes a proportion of public sector employment and administration & support services

** includes some manufacturing, vehicle repair and some construction activities

*** includes manufacturing and some construction/utilities

****includes elements of transport & communications sectors

- 6.38 The resultant floorspace estimates are provided in Table 6.8. They indicate a very significant overall net gain in employment floorspace of around 470,130 sqm between 2018 and 2038 in Sheffield. The employment floorspace need is driven by a strong past growth in office jobs, B8 warehousing and particularly, light industrial in recent years (with the restructuring of the general industrial manufacturing sector continuing apace).

- 6.39 **It is considered that only limited weight can be attached to this modelling exercise as the past rates of job growth, are of a different magnitude to the weaker Experian projections for 2021, which factor in the likely impacts of Brexit and Covid-19.**

Table 6.8 Past Trends workforce job growth net employment floorspace requirements 2018-2038

	2018	2038	Net Requirement
Office	767,630	885,105	+126,874
Light Industrial	567,464	830,247	+283,805
B2 General Industrial	956,834	843,908	-56,463
B8 Logistics	1,531,936	1,639,264	+115,915
Total Office / Industrial / Distribution	3,823,863	4,198,523	+470,130

Source: Experian April 2021 / Lichfields Analysis

Scenario 3) SCR Policy On

- 6.40 An alternative job-based estimate of future needs has been compiled which was termed the SCR 'Policy-On' scenario.
- 6.41 The previous version of the SCR Strategic Economic Plan [SEP] (2014) sets out the economic ambitions for the City Region over the period 2015-2025. It sought to create 70,000 new jobs to narrow the gap with other parts of the country and an additional 6,000 businesses to reduce the enterprise deficit. It is accepted that these targets are dated (set as long ago as 2013) and that to an extent, they have already well on the way to being achieved given that (based on the REM data) between 2014 and 2018 the City Region's economy grew by an impressive 24,640 FTE jobs.
- 6.42 For the purposes of the 2020 ELR we modelled a scenario that persists with the overall growth trajectory, with the City accommodating 25,550 jobs, 36.5% of the SCR total and more than double the next largest contributor (Doncaster, at 11,825).
- 6.43 As set out in Section 2.0, the revised 2021 SCR LEP has moved away from absolute job targets and there is no mention of the previous 70,000 job growth target. The SEP instead references the '33,000 extra people in higher level jobs'. However, this is not a target; it is an indication into the outcomes of delivering the SEP by 2041 that aims to see a higher proportion of employees in managerial, technical & professional occupations.
- 6.44 It was derived from an ambition to see the SCR achieve parity with the UK average rate of employees in technical, professional and managerial occupations (SOCs 1-3) by 2040. Having run the numbers, this is less applicable to Sheffield City as it is to the other 3 districts that comprise the Sheffield City region, as the City already has a higher proportion of workers employed in senior level occupations SOC 1-3 than the UK as a whole, and has experienced a faster rate of growth over the past few years also. As such, bringing Sheffield into line with the national rate of change in SOC3 would actually see a reduction in jobs growth based on that methodology, which is clearly not in keeping with a pro-growth policy on scenario.
- 6.45 **As an alternative, SCC Officers requested that Lichfields model a net annual job growth figure of 2,550.** This was derived from a report prepared on behalf of the SEP by Ekosgen, which sought to distribute the 70,000 SEP jobs target by local authority and also by industrial sector²⁸. The assumptions were developed following a wide-ranging literature review and analysis of a variety of datasets. They were tested with city region partners at a planners

²⁸ Ekosgen: *Sheffield City Region Integrated Infrastructure Plan: Sectoral and Local Authority Distribution of SCR 70,000 jobs target – assumptions report*

meeting and an Officer Workshop, and have been refined following comments and advice on the scale of employment impacts expected from existing investments within the city region, including the Innovation District, FARRRS and the SCRIF-funded schemes.

- 6.46 Ekosgen estimated that Sheffield City would have the largest share of the SCR net additional job growth of 70,000. It was expected to accommodate 25,550 jobs, 36.5% of the SCR total and more than double the next largest contributor (Doncaster, at 11,825). The bulk of the job growth is projected to take place in office-related jobs, namely Financial & Professional Services; Business Services; and Creative & Digital Industries, which are collectively forecast to contribute a net employment growth of 13,950. Over ten years, this equates to 2,550 annually.
- 6.47 When SCC consulted on the Issues and Options for the emerging Local Plan in 2020, Officers justified the 2,550 figure as having been largely achieved already, so SCC considered that it was reasonable to extrapolate it further at that stage by applying the annual figure to the whole of the plan period. Officers wish to retain this figure as an ‘upper end’, aspirational figure that also aligns with the work that has been undertaken by their housing consultants currently undertaking the Housing, Economic Growth and Demographic Modelling report.
- 6.48 Applying this annual growth rate from 2018 to the total jobs growth for Sheffield City equates to a net job growth of 51,000 to 2038. Assuming the same sectoral representation for each industry in 2038 as the April 2021 Experian baseline, constrained to the aforementioned overall net job growth figure, would result in a strong office/industrial job growth of 14,638 to 2038 as summarised in Table 6.9.

Table 6.9 Policy-on job change in Sheffield City 2018-38

Use class	Sheffield Jobs		Change
	2018	2038	2018-38
Office	61,410	71,915	+10,504
Light Industrial	10,509	15,615	+5,107
B2 General Industrial	26,579	23,808	-2,771
B8 Logistics	20,723	22,521	+1,798
Total Office / Industrial / Distribution	177,779	214,141	+36,362
Non B Class Jobs	119,221	133,859	+14,638
Jobs in All Sectors	297,000	348,000	+51,000

Source: Experian April 2021 / Lichfields Analysis.

* includes a proportion of public sector employment and administration & support services

** includes some manufacturing, vehicle repair and some construction activities

*** includes manufacturing and some construction/utilities

****includes elements of transport & communications sectors

- 6.49 These employment forecasts were then converted to floorspace requirements in the same manner as the Experian baseline forecast. The resulting forecasts are significantly more optimistic in terms of office job growth, with job growth across all industrial/commercial sectors (with the exception of B2). These are set out in Table 6.10.
- 6.50 Overall, they forecast substantial levels of employment job growth in Sheffield City by 2038, with a significant net increase in the requirement for industrial and commercial floorspace of over 533,000 sqm.

Table 6.10 Policy On jobs based (net) employment space requirements in Sheffield City 2018-2038

	2018	2038	Net Requirement
Office	767,630	898,932	+141,806
Light Industrial	567,464	843,216	+297,812
B2 General Industrial	956,834	857,091	-49,872
B8 Logistics	1,531,936	1,664,871	+143,571
Total Office / Industrial / Distribution	3,823,863	4,264,109	+533,317

Source: Lichfields Analysis

B. Labour Supply

- 6.51 It is also important to take into account how many jobs, and hence how much employment space, would be necessary to broadly match the forecast growth of the resident workforce in the City. In contrast to the other approaches, this scenario focuses on the future supply of labour rather than the demand for labour. It indicates the amount of new jobs needed to align with the future working-age population, and how much employment space would be needed to accommodate these jobs.
- 6.52 SCC Officers have requested that Lichfields model the jobs growth figures that have been generated by their housing consultants (Iceni) during the production of Sheffield City's *Housing, Economic Growth and Demographic Report* (June 2021). As part of their assessments of housing need, Iceni modelled the level of job growth that might be expected to be sustained under a series of demographic projections aligned with the Government's Standard Methodology for calculating housing need.
- 6.53 According to the report, to look at estimates of the job growth to be supported, a series of stages were undertaken. These can be summarised as:
- Estimate changes to the economically active population (this provides an estimate of the change in labour-supply)
 - Overlay information about commuting patterns, double jobbing (i.e. the fact that some people have more than one job) and potential changes to unemployment.
 - Bringing together this information will provide an estimate of the potential job growth supported by the population projections
- 6.54 Table 6.11 shows how many additional jobs might be supported by population growth under the Standard Method 2 [SM2] (2,923 dwellings per annum [dpa] on average from the 2021-38 period). The modelling firstly analyses the 2018-based Sub-National Population Projections [SNPP], which is equal to a net population growth of 45,490 and equates to 1,523 dwellings per annum [dpa] with the 2018-based SNHP headship rates, rising to 1,731 dpa with an adjustment to the formation rates of the population aged under 35.
- 6.55 The housing need derived from the Government's Standard Method, converted to population and then employment growth, equates to 2,923 dpa. This is a 976 dpa uplift from the baseline household projections. While this is calculated over a ten-year period it can be applied across the whole plan period, this equates to a total need of 49,691 homes over the period 2021-2038 [paragraph 2.18]. Overall, in the 2021-38 period, delivery of 2,923 dpa is projected to see an increase in population of 16.2% (96,838 more people) compared with a 7.7% increase (45,490) in the 2018-based SNPP. This is because of assumed higher levels of migration.
- 6.56 As a further sensitivity Iceni also developed a projection linking to the housing requirement set out in the Sheffield Plan Issues and Options document (September 2020). This set out a

housing requirement of 2,131 dpa based on the previous version of the standard method without the application of the urban centres uplift.

6.57 As can be seen in Table 6.11, given current commuting patterns and estimates about double jobbing, IcenI estimates that for the SM2 just under 63,600 additional jobs could be supported by the changes to the resident labour supply, with a slightly lower figure of 59,400 if commuting is assumed to be on a 1:1 ratio for new jobs. These figures exclude any additional jobs resulting from people returning to work following the pandemic. The 2018-based SNPP figures are much lower and range from 28,553-30,552, whilst the Issues/Options scenario produces jobs targets between 38,217 and 40,893 over the 17-year period.

Table 6.11 Jobs supported by demographic projections (2021-38) – Sheffield

		Total change in economically active	Allowance for net commuting	Allowance for double jobbing (=jobs supported)
2018-based SNPP	Census Commuting	27,471	29,395	+30,552
	1:1 Commuting	27,471	27,471	+28,553
Standard Method	Census Commuting	57,164	61,167	+63,575
	1:1 Commuting	57,164	57,164	+59,414
Issues/Options	Census Commuting	36,769	39,344	+40,893
	1:1 Commuting	36,769	36,769	+38,217

Source: IcenI (June 2021): Sheffield City’s Housing, Economic Growth and Demographic report

6.58 As IcenI’s figures begin in 2021 rather than 2018, we have made an assumption that job growth for the intervening 3 years will actually decline, from 297,000 in 2018, to 291,300 as per the Experian April 2021 forecast. Therefore, the figures in Table 6.11 have been reduced by 5,700.

6.59 To translate this job growth into employment floorspace requirements, similar assumptions concerning vacancy rates and employment densities as per the econometric demand side forecasting work were applied to the job projections. It has been assumed that the projected floorspace split of B1a/B2 and B8 jobs will mirror the Experian April 2021 projections in 2018 and 2038.

6.60 Under these scenarios, addressing the future employment requirements of local residents would result in a requirement of between 202,042 to 615,476 sqm of employment floorspace (net) between 2018 and 2038 in Sheffield City depending on the scale of housing provided.

Table 6.12 Sheffield net employment floorspace required from labour supply growth scenario 2018-2038 (sqm)

		Offices	Light Industrial	General Industrial	Warehousing	Total
2018-based SNPP	Census Commuting	68,859	229,386	-82,072	8,468	+224,641
	1:1 Commuting	63,282	224,155	-84,533	-861	+202,042
Standard Method	Census Commuting	160,986	315,803	-41,405	179,093	+614,476
	1:1 Commuting	149,378	304,914	-46,529	157,593	+565,356
Issues/Options	Census Commuting	97,708	256,447	-69,337	61,898	+346,716
	1:1 Commuting	90,243	249,444	-72,633	48,072	+315,126

Source: Lichfields analysis

Estimating the Land Requirement

6.61 The next step involves translating floorspace into land requirements for office, industrial and warehousing uses. Land requirements have been calculated by applying appropriate plot ratio assumptions to the floorspace estimates:

- **Industrial/Warehousing:** a plot ratio of 40% was applied, so that a 1ha site would be needed to accommodate 4,000 sqm of employment floorspace; and
- **Offices:** as with the 2015 Joint Sheffield/Rotherham ELR and the 2020 Sheffield ELR, it was assumed that 65% of new floorspace would be provided in higher density City Centre developments with an average plot ratio of 2.0 (200%), with the remaining 35% of space provided on lower density developments with a plot ratio of 0.4 (40%), which is typically observed on business park developments. Having reviewed all office developments that have started construction within the past 5 years in Sheffield City, the share of the floorspace located in the central business district [CBD] indicates that 64% was located in the CBD and the remaining 36% was out-of-centre. It therefore seems reasonable to retain the 65/35 split used previously.

6.62 The resulting net land requirements for the labour demand and labour supply scenarios are set out in Table 6.13.

Table 6.13 Sheffield City net land requirements by labour demand and supply led scenarios (ha) 2018-38

Scenario	Offices	Light Industrial	General Industrial (B2)	Warehousing (B8)	Total
1) Experian April 2021 Baseline	11.59	63.85	-17.46	14.97	+72.96
2) Experian pre-Covid March 2020 Baseline	17.64	8.50	-18.13	23.85	+31.85
3) SCR Policy On Jobs Growth	17.02	74.45	-12.47	35.89	+114.89
4a) 2014-based SNPP Census Commuting	8.26	57.35	-20.52	2.12	+47.21
4b) 2014-based SNPP 1:1 Commuting	7.59	56.04	-21.13	-0.22	+42.28
5a) Standard Method Census Commuting	19.32	78.95	-10.35	44.77	+132.69
5b) Standard Method 1:1 Commuting	17.93	76.23	-11.63	39.40	+121.92
6a) Issues / Options Census Commuting	11.72	64.11	-17.33	15.47	+73.98
6b) Issues / Options 1:1 Commuting	10.83	62.36	-18.16	12.02	+67.05

Source: Lichfields Analysis

C. Past Development Rates

6.63 Because they reflect market demand and actual development patterns on the ground, in some situations long term completion rates of employment floorspace can provide a reasonable basis for informing future land needs, particularly where land supply or demand has not been unduly constrained historically. However, the future demand picture may not necessarily reflect past trends and some adjustments may be needed.

Scenarios 7) and 8) Past Developments Rates

6.64 Monitoring data on past completions by B-Class uses between 1989 and 2021 was provided by SCC Officers. Between the period 1989 and 2021, average annual gross completions for B-Class uses in Sheffield City amounted to 11.36 ha of employment land, or 374.79 hectares in total. The majority of this has come forward for either General Industrial Use (48%) and B8 warehousing (28%) with around 12% coming forward for office/R&D and a similar level for light industrial.

6.65 As noted in the previous 2020 ELR, the very high level of take up observed in 2006 was partly driven by the delivery of over 29 ha for B8 warehousing use, and particularly the Sheffield

International Rail Freight Terminal [SIRFT] on a 17 ha site on the former Tinsley Marshalling sidings.

6.66 Since that peak, development rates have dropped off although there was a slight recovery in 2014/15. In the 10 years to 2021, completions have fallen to 65.69 ha, an average of 6.57 ha – a substantial fall of 42%.

6.67 **It can therefore be concluded that gross annual completion rates have averaged 11.36 ha over the long term (1989-2021), compared to 6.57 ha over the past decade (2012-2021).**

6.68 Losses have also fluctuated very significantly over the 33-year period to 2021, peaking at 29.2 ha in 2001, to a low of zero in the years immediately following the recession of 2008/09. Overall, 211.6 ha of B-Class land has been lost to alternative uses in the past 33 years, at an average of **6.41 ha annually**. Deducted from the 11.36 ha p.a. gross completions, this equates to **4.95 ha net** per annum.

6.69 Over the short to medium term, 44.2 ha was lost in the 10 years to 2021 at a lower annual rate of 4.42 ha. Deducted from the 6.57 ha p.a. gross completions over the same time period, this equates to just **2.15 ha net** annually.

6.70 Table 6.14 presents the net annual take-up for the City by Use class and projects these rates forward over the 20-year plan period. The losses data is not broken down by E(g) (i)/(ii)/(iii), B2 or B8 consistently over the past 33 years, hence in this instance it is considered unreliable to disaggregate the net figure accordingly.

6.71 The data suggests that if past trends were replicated in future, this could justify the provision of between 43 ha and 99 ha (net) in Sheffield City.

Table 6.14 Sheffield City Net Employment Space Requirements Based on Past Completions Trends, 2018-2038

	Scenario 7) Long Term (1989-2021)		Scenario 8) Short Term post-recession (2012-2021)	
	Annual Net Land Change (ha)	Total Net Land Requirements (2018-2038) (ha)	Annual Net Land Change (ha)	Total Net Land Requirements (2018-2038) (ha)
Total Net	4.95	98.92	2.15	42.98

Source: SCC / Lichfields Analysis

6.72 This approach assumes that past trends of development would continue unchanged, which may not fully reflect changes in the economy as it returns to growth. On the other hand, future development rates for industrial space may be lower than has been achieved historically as the sector rationalises and/or makes more efficient use of space. Clearly the recession and prolonged economic downturn and decline in steel manufacturing had a significant effect on the development of B-Class space in Sheffield City in recent years.

6.73 In addition, all of the following suggest that past take up rates may not significantly increase in the future:

- 1 The move towards a more Business Services-orientated economy with significantly higher employment densities;
- 2 The drive towards lower density logistics, with e-commerce and the retreat from the High Street pivotal;
- 3 The continued restructuring of the traditional manufacturing economy with the potential for ‘recycling’ of older sites;

- 4 The new E Class use, which includes office, R&D and light industrial uses alongside retail, and the potential for greater levels of losses as a result without the need for planning permission (although conversely this could potentially increase the need for new floorspace);
- 5 The long-term impacts of the economic downturn as we emerge from the Pandemic and the continued uncertainty surrounding the long-term economic fallout from Brexit;
- 6 The significant reduction in public sector spending available to deliver difficult brownfield sites; and,
- 7 The need to consider alternative uses for existing employment sites (i.e. for Sui Generis uses).

6.74 On balance, for Sheffield City, it is suggested that the 4.95 ha long term net annual past take up rate (Scenario 7) represents a more realistic figure going forward over the remainder of the plan period. This should be regularly monitored by SCC Officers and amended as necessary, hence as a comparator we have retained the short/medium term rate of 2.15 ha net take up figure (Scenario 8) as a comparator.

Flexibility Factor

6.75 To estimate the overall requirement of employment space that should be planned for in allocating sites, and to allow some flexibility of provision, it is normal to add an allowance as a safety margin for factors such as delays in some sites coming forward for development. This margin, or flexibility factor, is a contingency adjustment, providing a modest additional land buffer so that supply is not too tightly matched to estimated demand, and so that shortages of land do not arise if future demand turns out to be greater than the forecasts. Such flexibility is sensible given the uncertainties in the forecasting process and the scope for delays in developing employment space.²⁹

6.76 As with the previous 2020 ELR and its predecessors, given the scale and complexity of the commercial property market in Sheffield, it is considered appropriate to allow for a safety margin **equivalent to five years of net take-up**. This has been selected having regard to the following factors:

- 1 The industrial legacy of Sheffield gives rise to considerable uncertainty regarding the availability and deliverability of some employment sites. Sites are held as expansion land and may only come forward in the event that a particular occupier requires additional floorspace over the Plan period. In addition, the City's employment land supply includes a number of sites that require extensive clearance and remediation prior to any redevelopment. This increases lead –in times for the provision of employment space, creating further uncertainty regarding delivery; and
- 2 Sheffield is a large City with a commercial property market that is characterised by numerous individual and localised markets within the authority's boundaries. It is important to ensure that Sheffield's portfolio of land provides an adequate range of choice of sites within each of these localised markets to ensure that the City's growth potential is not constrained by a lack of available land in a particular local market.

6.77 For Sheffield City, the margin set out in Table 6.14 was added for employment uses, based on five years of average gross take-up and is considered to be an appropriate level relative to the estimated scale of the original requirement.

²⁹ This safety margin is separate from the consideration of vacancy rate.

Table 6.15 Sheffield City Safety Margin Allowances

Uses	Net Average Annual Take-up (ha)	5-year Safety Margin Added 2018-2038
Total	4.95	24.73

Source: Lichfields' Analysis

- 6.78 Drawing together the results from each of the future economic scenarios, the following table summarises the net floorspace requirements across the Plan period factoring in 5-years of flexibility uplift (equal to 24.7 ha). They range from 56.58 ha (Scenario 2 Experian March 2020) all the way up to 157.42 ha (Scenario 5a Standard Method Census Commuting Rate).

Table 6.16 Net Land Requirements for Sheffield City (including flexibility factor) for 2018 to 2038

		Offices / R&D (ha)	Light Industrial (ha)	General Industrial (ha)	Warehousing (ha)	Total (ha)
1) Experian April 2021 Baseline	Net	11.59	63.85	-17.46	14.97	+72.96
	+ Flexibility Factor					+97.69
2) Experian pre-Covid March 2020 Baseline	Net	17.64	8.50	-18.13	23.85	+31.85
	+ Flexibility Factor					+56.58
3) SCR Policy On Jobs Growth	Net	17.02	74.45	-12.47	35.89	+114.89
	+ Flexibility Factor					+139.62
4a) 2014-based SNPP Census Commuting	Net	8.26	57.35	-20.52	2.12	+47.21
	+ Flexibility Factor					+71.94
4b) 2014-based SNPP 1:1 Commuting	Net	7.59	56.04	-21.13	-0.22	+42.28
	+ Flexibility Factor					+67.01
5a) Standard Method Census Commuting	Net	19.32	78.95	-10.35	44.77	+132.69
	+ Flexibility Factor					+157.42
5b) Standard Method 1:1 Commuting	Net	17.93	76.23	-11.63	39.40	+121.92
	+ Flexibility Factor					+146.65
6a) Issues / Options Census Commuting	Net	11.72	64.11	-17.33	15.47	+73.98
	+ Flexibility Factor					+98.71
6b) Issues / Options 1:1 Commuting	Net	10.83	62.36	-18.16	12.02	+67.05
	+ Flexibility Factor					+91.78
Scenario 7) Long Term (1989-2021)	Net					+98.92
	+ Flexibility Factor					+123.65
Scenario 8) Short Term (2012-2021)	Net					+42.98
	+ Flexibility Factor					+67.71

Source: Lichfields' Analysis

Planning Requirements

- 6.79 While the net employment space requirements presented in Table 6.13 and the past take up scenarios in Table 6.14 represent the minimum recommended quantum of employment space to plan for in Sheffield City over the plan 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, in order to allow for replacement of ongoing losses of employment space during the Local Plan period.**
- 6.80 There is usually a need to ensure a reasonable allowance that provides for some flexibility but avoids over-provision of land. Sheffield City Council may wish to make an allowance for the replacement of future losses of employment space that may be developed for other (non-office/industrial) uses over the plan period. Where such an allowance is factored into future employment space needs, it seeks to ensure that sufficient space is re-provided to account for employment space that could be lost moving forwards. It is intended, therefore, to provide

some protection against the erosion of employment space over the plan period. This is a widely accepted approach in planning for future employment land needs.

- 6.81 Not all losses need necessarily to be replaced as some will reflect restructuring in the local economy as less space may be needed in some sectors in future. However, some replacement is needed to refresh the quality of the stock, provide choice and to avoid the employment land supply continually declining. This would be on the basis that the stock of employment land in Sheffield contains some older sites, particularly manufacturing, that are less likely to meet future needs and is of a scale that reflects past industrial patterns rather than the amount of land needed in future.
- 6.82 However, against this argument is the likelihood that other sites may also be lost by 2038, and these will represent losses to the overall land portfolio, reducing choice within the market.
- 6.83 As set out in Section 5.0, data provided to Lichfields by SCC Officers indicates that losses have averaged **6.41 ha** per annum over the period 1989 to 2021, although this has reduced in recent years, with the past 10 year trend falling to **4.42 ha** per annum.
- 6.84 A further point to note is whether the past losses generally reflect the size of Sheffield City's economy, and whether this should be adjusted to allow for a degree of refurbishment to prevent the portfolio becoming increasingly unattractive to the market.
- 6.85 This alternative approach analyses the rate of 'churn', which would be equivalent to a proportion of Sheffield City's existing stock per annum. A number of other ELRs have used a replacement figure of around 1% per annum³⁰, which would be the equivalent of the area's entire stock being replaced over a period of 100 years. This has been acknowledged as a valid alternative approach (to adjusting for anticipated future losses) when translating net employment land needs into a gross planning requirement. A 0.5% replacement level would be the equivalent of the entire stock being replaced over 200 years. To put this into context, a widely used rule of thumb in the development industry suggests that high bay logistics units often have a much shorter shelf life of just 30-35 years before they become obsolete to modern distribution occupiers and require substantial refurbishment if not demolition and rebuild.
- 6.86 Other ELR studies³¹ have noted that approximately 20% of historic completions have been achieved through (former) B-Use Class redevelopment (i.e. the re-use of formerly B-Use Class employment sites), with the remainder requiring new sites. This suggests that there will likely be a requirement for a high proportion of replacement activity on new sites to deliver new employment land supply to meet modern occupier needs.
- 6.87 Table 6.17 compares the rate of replacement needed for Sheffield City's office/industrial stock. It assumes that 0.5% / 1% of the existing commercial / industrial floorspace would be replaced per annum (based on the existing floorspace for each district using the latest Business Rates VOA data for 2020) and netting off a further 20% (assuming that 1 out of 5 sites will be recycled for employment use).

³⁰ See, for example, Lichfield District Council's Employment Land Review 2014 Update and work covering the areas of: The West of England Updated Employment Evidence (Bath & North East Somerset, Bristol, North Somerset and South Gloucestershire) November 2018; Greater Exeter Economic Development Needs Assessment (Devon County, East Devon, Exeter, Mid-Devon, Teignbridge and Dartmoor National Park) March 2017 and Dartmoor National Park Employment Land Review, January 2018.

³¹ West of England Joint Spatial Plan Area Updated Employment Evidence (2018)

Table 6.17 Sheffield City Replacement Rate Analysis (2020)

	Annual Replacement at 0.5%*	Annual Replacement at 1%*	% of Units built prior to 1940 (as at 2003)
Office	3,448 sqm (0.42 ha)	6,896 sqm (0.82 ha)	51.4%
Industrial & Warehousing	13,280 sqm (3.32 ha)	26,560 sqm (6.62 ha)	43.9%
Total	16,728 sqm (3.74 ha)	33,456 sqm (7.46 ha)	46.5%

Source: Lichfields analysis/VOA Business Floorspace (2021) / DCLG (2004): Age of commercial and industrial stock: local authority level 2004 (Table 3.1) *Using a standard 40% plot ratio to translate industrial floorspace to land, and a combination of 200%/40% plot ratio to translate office floorspace to land where appropriate as set out above.

The Table indicates that the long-term rate of losses, 6.41 ha, is broadly in line with the level that might be expected given the size of Sheffield's economy. Given its size, the City would need to be replacing almost 7.5 ha of employment land per annum to refresh all of the stock in 100 years, whilst redeveloping 3.74 ha per annum would take 200 years to regenerate all of Sheffield's current stock, which is clearly a less than desirable outcome.

Furthermore, as set out in the Table (and acknowledging that this is based on rather dated 2003 VOA information), Sheffield City has a comparatively high proportion of older stock, with 46.5% of all office/factory/warehousing units dating from before WWII. This compares to 47.8% across the Yorkshire and The Humber and 40.0% for England and Wales. This could suggest a higher rate of churn may be required to address the high proportion of older stock that is less likely to be fit to meet the needs of modern-day occupiers.

- 6.88 There are also 174 housing sites in employment areas (totalling 79.91 ha gross, 58.74 ha net for housing) that have planning permission for residential use with many of these already under construction.
- 117 sites in employment areas (totalling 26.09 ha gross) have Full Permission for residential use although constructed has not yet started;
 - 46 sites in employment areas (totalling 47.32 ha gross) are under construction for residential use;
 - 4 sites in employment areas (totalling 3.47 ha gross) have Outline Permission for residential use although constructed has not yet started; *and*,
 - 7 sites in employment areas (totalling 3.03 ha gross) have seen construction for residential use suspended.
- 6.89 Balancing these considerations, it is accepted that factoring an element of future losses is not an exact science. The proposed Permitted Development Rights streamlining 'office and light industrial E Classes to residential' conversion may exacerbate losses over the long term. As noted in the 2015 ELR, losses in the City have not simply comprised of poor-quality manufacturing sites that are no longer fit for purpose. It was estimated that almost a third (55ha) of the land lost was previously allocated or occupied by office users.
- 6.90 The following factors have therefore been balanced in reaching a judgement as to the appropriate level of loss replacement:
- Pressure for non-B class development on allocated employment land has been observed from a variety of sectors. Since 1989, for instance, Sheffield has lost: 69 ha of land to residential development; 55 ha of land to retail-led development; 45 ha of land to Sui Generis development; and 14 ha to leisure development. Such broad-based demand makes it less likely that the pressure to release employment sites will decline over the Plan period;
 - Historic losses have included a number of relatively large employment sites, rather than simply the piecemeal development of small infill parcels (a recent example including, for

example, the redevelopment of the 9.37 ha industrial Corus And Outokumpu Works, Ford Lane / Manchester Road / Hunshelf Road for residential uses in 2015/16). The loss of larger sites has a potentially greater impact on the demand-supply balance at the local level;

- Current rates of loss, at 6.41 ha per annum (over the longer term), would be broadly in line with the level of employment land that would need to be replaced if around 0.69% of the entire City's stock were replaced annually;
- Movements between the range of uses that fall within the new E use class no longer require planning permission because they no longer constitute 'development', which could result in more office/light industrial land being lost than previously;
- There are 174 sites in employment areas (totalling 79.91 ha gross, 58.74 ha net for housing) that have planning permission for residential use with many of these already under construction;
- Pre-recession losses data demonstrates a high level of demand for employment land from non-B class uses with average losses of 8.4 ha per annum. Indeed, after several years of negligible losses between 2009 and 2013, activity appears to have increased significantly, with 6.44 ha of land lost to non-B class activity in 2014, 10.26 ha in 2016, 5.15 ha in 2017 and 15.1 ha in 2020. Whilst losses have declined to 4.13 ha in 2021, it is difficult to disentangle this latest figure from the unprecedented economic crisis resulting from the Pandemic.

6.91 Mindful of the factors outlined above, it is considered that on balance, and, given the uncertainties involved, it is prudent to plan for a replacement figure of around two thirds of long term past rates (6.41 ha 1989-2021), which equates to **4.23 ha**. This should be monitored by SCC over the coming years and adjusted as necessary. This is very similar to the shorter term trend (4.42 ha); the replacement of around 0.5% of the total stock; and takes into account the views of agents and developers on the need to replace and rejuvenate Sheffield's existing floorspace over the course of the plan period. Over 20 years, this would see the replacement of **84.6 ha** (of which 20.61 ha – nearly a quarter - has already been lost to alternative uses at the time of writing, in 2018, 2019, 2020 and 2021 whilst 58.74 ha net of employment areas could also be lost to residential uses on the basis of extant planning permissions).

6.92 In summary, the demand-led range of total gross land requirements to 2038, factoring in a 5-year margin of choice, results in the following demand projections for Sheffield. These are broadly in line with the findings of the 2020 ELR (in brackets), which we would expect to be slightly lower given that this was based on an 18 year, rather than 20-year, plan period:

- 1 Econometric demand-led Projections: 141.22 ha – 224.26 ha (*previous 2020 ELR: 141.2 ha – 248.2 ha*);
- 2 Labour Supply Projections: 151.65 ha – 242.05 (*previous 2020 ELR: 201.8 ha*); and,
- 3 Past Take Up: 152.34 ha – 208.82 ha (*previous 2020 ELR: 157.9 ha – 198.0 ha*).

Table 6.18 Sheffield Gross Employment Land Comparisons 2018-2038

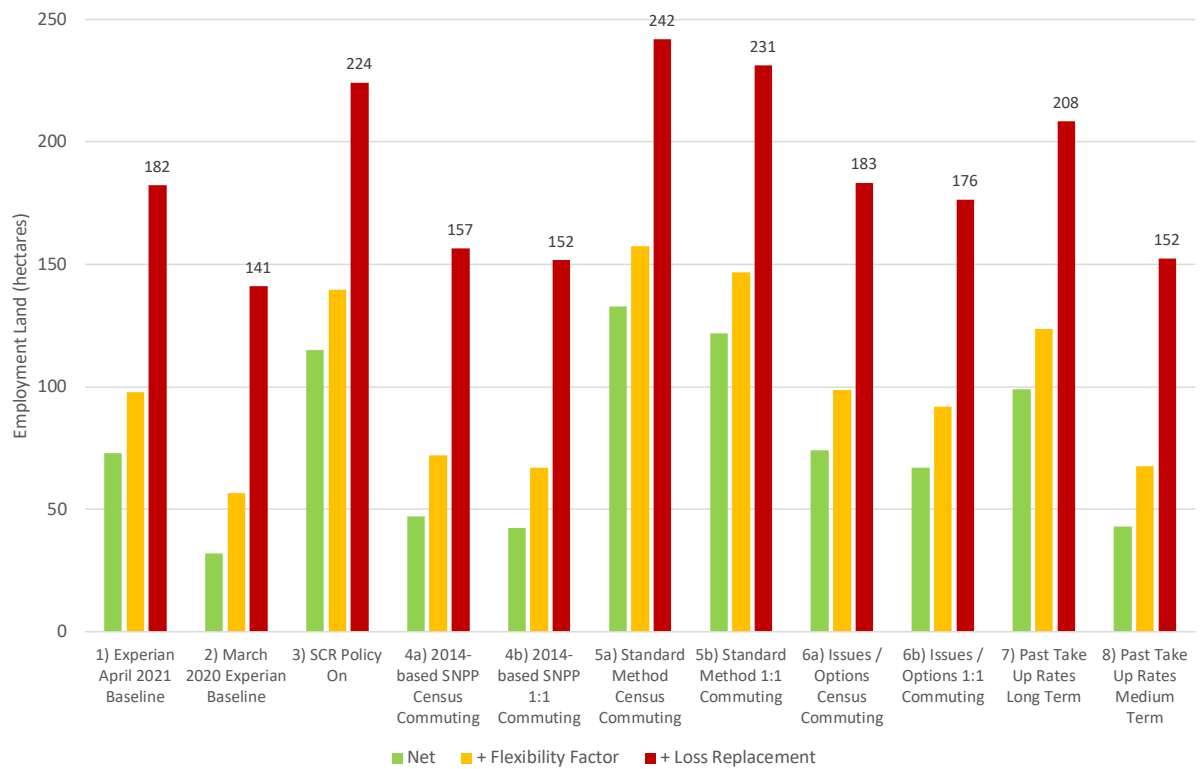
		Offices / R&D (ha)	Light Industrial (ha)	General Industrial (ha)	Warehousing (ha)	Total (ha)
1) Experian April 2021 Baseline	Net	11.59	63.85	-17.46	14.97	+72.96
	+ Flexibility Factor					+97.69
	+ Loss Replacement					+182.32
2) Experian pre-Covid March 2020 Baseline	Net	17.64	8.50	-18.13	23.85	+31.85
	+ Flexibility Factor					+56.58
	+ Loss Replacement					+141.22
3) SCR Policy On Jobs Growth	Net	17.02	74.45	-12.47	35.89	+114.89
	+ Flexibility Factor					+139.62
	+ Loss Replacement					+224.26
4a) 2014-based SNPP Census Commuting	Net	8.26	57.35	-20.52	2.12	+47.21
	+ Flexibility Factor					+71.94
	+ Loss Replacement					+156.57
4b) 2014-based SNPP 1:1 Commuting	Net	7.59	56.04	-21.13	-0.22	+42.28
	+ Flexibility Factor					+67.01
	+ Loss Replacement					+151.65
5a) Standard Method Census Commuting	Net	19.32	78.95	-10.35	44.77	+132.69
	+ Flexibility Factor					+157.42
	+ Loss Replacement					+242.05
5b) Standard Method 1:1 Commuting	Net	17.93	76.23	-11.63	39.40	+121.92
	+ Flexibility Factor					+146.65
	+ Loss Replacement					+231.28
6a) Issues / Options Census Commuting	Net	11.72	64.11	-17.33	15.47	+73.98
	+ Flexibility Factor					+98.71
	+ Loss Replacement					+183.34
6b) Issues / Options 1:1 Commuting	Net	10.83	62.36	-18.16	12.02	+67.05
	+ Flexibility Factor					+91.78
	+ Loss Replacement					+176.41
Scenario 7) Long Term (1989-2021)	Net					98.92
	+ Flexibility Factor					123.65
	+ Loss Replacement					+208.82
Scenario 8) Short Term (2012-2021)	Net					42.98
	+ Flexibility Factor					67.71
	+ Loss Replacement					+152.34

Source: Lichfields Analysis

6.93

The various projections for Sheffield City are illustrated in Figure 6.2 with a **range of between 141 ha and 242 ha.**

Figure 6.2 Comparison of scenario requirement for Employment land 2018 to 2038 (hectares)



Source: Lichfields' Analysis

Reality Check

6.94 Clearly the levels of future demand for employment land projected by the various projections differ. The projections are largely trend-based; in particular, the past take up has been (at least partly) recorded during an unprecedented recession in the commercial market nationally. It is likely that the actual performance of Sheffield's economy and commercial property market will lie somewhere between the econometric and past trends projections.

6.95 In order to provide a clearer steer as to what level of growth Sheffield should be planning for, it is important to apply reality checks.

Take Up Rates

6.96 As previously discussed, the high level of take-up observed in 2006 was driven – in part – by the delivery of c.17ha of logistics and distribution space at SIRFT. Whilst take-up is recorded as having occurred in 2006 (upon commencement of construction) it is recognised that the space at SIRFT was not occupied immediately. As such, the take-up of the space, which could be viewed as the indicator of 'effective demand' did not occur until some time later.

6.97 If this were to be excluded, then this would reduce the long-term average gross completions from 11.36 ha to 10.84 ha (and the net completions from 4.946 ha to 4.431 ha). It would have a significant impact on the long term take up scenario, which would be reduced by 12.9 ha to 195 ha; but the impact across the other scenarios would be very modest at just -2.6 ha.

6.98 Furthermore, this issue was examined in depth as part of the previous 2020 ELR. At an earlier workshop event attended by a variety of stakeholders, the general consensus was that the development of SIRFT should be included within Sheffield's overall take-up figures, for two key reasons:

- Take up should be used as a measure of demonstrable demand and should capture all activity that has taken place in a given period; and
- A failure to factor developments of this scale into the assessment of demand carries a risk of translating into a failure to allocate sufficient land to accommodate similar schemes moving forward. This in turn constrains the authority's ability to compete for large scale logistics demand in future.

6.99 It is therefore considered that the past take up rate analysis should include the SIRFT development.

Replacement of Losses

6.100 The scenarios considered in the preceding paragraphs include an allowance for the replacement of losses at 66% of past trends. This is considered to be appropriate, having regard to the scale and nature of historic losses.

6.101 Nevertheless, it is helpful to understand the impact of this assumption on the overall level of forecast demand. For each of the scenarios considered elsewhere in this section, increasing the replacement of losses from 66% to 100% would see the total requirement increase by a substantial 43.6 ha. This would see the range of requirements rise from between 141 ha and 242 ha to between 185 ha and 286 ha.

Post Covid impact on employment densities

6.102 As set out earlier in this chapter, it is accepted that the current Covid-19 pandemic has dramatically altered working patterns, with the number of people working from home rising exponentially since the lockdown began in March 2020. Many commentators are suggesting that there will be a permanent shift towards home working and the greater flexibility this affords people, with the need for office space in particular falling significantly. Examples could include the need for social distancing in terms of desk-spacing and layouts, less sharing of desks, and more communal space. Conversely, the impact may actually be to increase densities, with a higher proportion of the workforce working from home, and rotating the use of desk space to minimise the number of people in the office at any given point in time, which may actually have the effect of increasing densities.

6.103 The modelling currently assumes that one general office workforce job requires 12.5 sqm of employment floorspace [GEA]. If employment densities were to decrease by, say, 20%, to 15 sqm, then the land requirements would only increase by a maximum of 4 hectares (Scenario 5a Standard Method Census Commuting). Conversely, if more people were to work from home but still come into the office a few days a week, perhaps to a smaller office but with a similar number of staff as before, and employment densities actually increased by 20% (to 1 job per 10 sqm), then this would reduce the level of employment land needed by a similar amount (c.4 ha maximum).

6.104 Either way, our view remains that it is likely that there will be some long-term shift in working patterns as a result of the pandemic, it is still far too soon to say what the scale of that change on home working is likely to be. The sensitivity test demonstrates that we would have to see a fairly profound shift in office employment densities to have a significant impact on the level of employment land needed overall.

Scale of Growth

- 6.105 As set out in Section 5.0, Sheffield currently contains an estimated 4.18 million sqm of employment floorspace, comprising of 3.32 million sqm of industrial stock and 862,000 sqm of office space. Translated to employment land (and working on the basis of 40% plot ratios for industrial and warehousing land, whilst 65% of new office floorspace is assumed to be in higher density City Centre developments with an average plot ratio of 2.0 (200%), with the remaining 35% of space provided on lower density developments with a plot ratio of 0.4 (40%)) this equates to 933 hectares of employment land in total. This provides a useful benchmark for assessing the scale of change (in gross terms) implied by each of the scenarios considered in the preceding paragraphs.
- 6.106 In relation to the future demand for employment land:
- Scenario 1) Experian April 2021 Baseline generates a requirement for 182 ha (gross) of employment land. This would be equivalent to an 19% increase in stock;
 - Scenario 2) March 2020 Experian Baseline generates a requirement for 141 ha (gross) of employment land. This would be equivalent to an 15% increase in stock;
 - Scenario 3) SCR Policy On generates a requirement for 224 ha (gross) of employment land. This would be equivalent to an 24% increase in stock;
 - Scenario 4) 2014-based SNPP Census Commuting / 1:1 Commuting: generates a requirement for between 152 ha and 157 ha (gross) of employment land. This would be equivalent to an increase in stock of between 16% and 17%;
 - Scenario 5) Standard Method Census Commuting / 1:1 Commuting: generates a requirement for between 231 ha and 242 ha (gross) of employment land. This would be equivalent to an increase in stock of between 25% and 26%;
 - Scenario 6) Issues / Options Census Commuting / 1:1 Commuting: generates a requirement for between 176 ha and 183 ha (gross) of employment land. This would be equivalent to an increase in stock of between 19% and 20%;
 - Scenario 7) Long Term Past Take Up generates a requirement for 208 ha (gross) of employment land. This would be equivalent to an 22% increase in stock;
 - Scenario 8) Medium Term Past Take Up generates a requirement for 152 ha (gross) of employment land. This would be equivalent to an 16% increase in stock.
- 6.107 This range, between 15% and 26%, may seem quite high; however, this has to be set against the fact that SCC is planning for a 20-year period. At the lower end of the range, and if continued at that rate, it would take Sheffield 132 years to replace all of its stock, falling to 81 years at the upper end of the range. These do not look unreasonable. Furthermore, and as we have demonstrated elsewhere in this report, Sheffield's stock of industrial units is rapidly ageing, with 73% dating from pre 1970 compared to 64% across Yorkshire and The Humber and 61% nationally. This might suggest that such units are more likely to become obsolete sooner rather than later, hence a more rapid rate of replacement of stock could be advocated.

7.0 Demand/Supply Balance

Introduction

7.1 This section draws together the forecasts of future employment land needs in Section 6.0 and sets this against the estimates of land available on the area's potential employment sites to identify whether there is any need for additional employment space, or whether there is a surplus of it, in both quantitative and qualitative terms.

The Need for Employment Land in Sheffield

7.2 This report has appraised a range of employment land projections for Sheffield using a variety of methodologies in accordance with the PPG. It has used the latest modelling data from Experian; labour supply scenarios including the recently updated standard methodology for calculating housing need; and updated past take up rates and losses data.

7.3 In interpreting the outputs of Section 6.0, regard should be had to the PPG which states that LPAs should assess the need for land or floorspace for economic development, including both the quantitative and qualitative needs for all foreseeable types of economic activity over the plan period. It is also important to recognise that there are inevitable uncertainties and limitations associated with modelling assumptions under the future growth scenarios considered. For example, there are some inherent limitations to the use of local level economic forecasts, particularly in the context of significant recent changes in the economy and the unforeseeable ongoing issues concerning the Covid-19 pandemic and Brexit. Economic forecasts are regularly updated and the resulting employment outputs will change over the plan period.

7.4 Similarly, there can be limitations to planning on the basis of past take-up. Whilst such data does reflect demonstrable demand it is based upon historic trends and it cannot automatically be assumed that these will be replicated moving forwards. This is particularly the case in locations where development activity may have been constrained in the past due to a limited availability of land.

7.5 Mindful of the inherent limitations of each forecasting approach, it is important to interpret the range of scenarios having regard to local economic and commercial market intelligence. This can help to identify those scenarios that are most appropriate to the particular local context.

7.6 As set out in Section 6.0, the wider range is between 141 ha and 242 ha, a difference of just over 100 ha which is quite large. However, this can be narrowed by excluding the outdated March 2020 Experian baseline (Scenario 2, at 141 ha) and the medium term past take up rate (Scenario 8, at 152 ha, with greater weight to be attached to the longer term take up projection). It is considered that the 2014-based SNPP labour supply scenario(s) can also be excluded from the range, given that it is likely that the Council will need to plan for a level of housing growth at least as high as that consulted on in the Issues and Options report and potentially as high as the Standard Methodology figure. This would further remove the 157 ha and 152 ha scenarios 4a) and 4b).

7.7 **Consequently, on the basis of these considerations, it is recommended that Sheffield City's employment land OAN should be in the range of between 176 ha (Labour Supply Scenario 6b, Issues/Options 1:1 commuting) and 242 ha (Labour Supply Scenario 5a, Standard Method Census commuting) up to 2038.**

7.8 This could of course change depending on the labour supply scenario that the Council wishes to pursue in its emerging Local Plan. This compares with the 141 ha – 248 ha range set out in the 2020 ELR Update (which was over an 18-year rather than 20-year plan period).

- 7.9 In terms of how the 176-242 ha employment land range for Sheffield City could be split between the office, light industrial, general industrial and warehousing uses, it is not possible to directly translate the net split into gross requirements, as the data is not sufficiently robust to enable a precise breakdown of land lost/margin of choice by use type. Nevertheless, the following quantitative and demand-based factors can be taken into account to understand the potential requirement for different employment space:
- 1 Historical changes to the stock of existing employment space show that the level and share of office space has increased by 20% in recent years to more than 140,000 sqm between 2000/01 to 2019/20, whilst the level of industrial space has decreased by 11% over the same period. However, despite this strong growth, just 21% of Sheffield’s total floorspace in 2020 comprises office floorspace;
 - 2 The decreasing stock of industrial premises in recent years is highlighted by vacancy rates for industrial premises being around 8.4%, compared to just 5.1% for office premises;
 - 3 Co-Star data indicates that across Sheffield City, as of June 2021, there is around 2.99 years’ available supply of office floorspace based on past take up, falling to just 0.79 years’ worth of industrial supply currently available across the City.
 - 4 Since 1989, just 12% of employment land completions have related to office space, compared to 12% for light industrial land, 48% for general B2 industrial land and 28% for B8 warehousing and logistics. More recently, there has been a gradual shift towards higher levels of warehousing floorspace, with 39% of all employment land taken up over the past decade comprising B8 uses compared to 10% for office; 7% for light industrial and 43% for general industrial uses;
 - 5 By 2038 approximately 54% of commercial/industrial jobs are projected to be in the higher employment density office space, compared to 46% in lower density industrial space (E(g)(iii), B2 and B8). However, due to the much higher densities of office floorspace in Sheffield, this only translates to a net increase of 11.6 ha to 2038, or 16.1% of the total requirement;
 - 6 The prioritised sectors identified in the review of key growth drivers in the SCR suggests that demand will be particularly focussed towards office-based sectors such as Creative & Digital, Financial and Professional and Business Services, although it is noted that industrial sectors such as Advanced Manufacturing and Logistics are also targeted.
- 7.10 Taking the above factors into account, it is suggested that the following indicative split of employment space could be appropriate for Sheffield over the period 2018 to 2038:
- 25% for office (Class E(g)(i)/(ii)); and,
 - 75% for light industrial (E(g)(iii) / general industrial (B2) / distribution (B8).

This report does not seek to make a planning or policy judgement; this is a matter for SCC when taking account of the information before it. The report therefore represents a first stage for further consideration of all relevant factors through the Local Plan process.

On this basis, the recommended employment land requirement range for SCC is:

176 ha – 242 ha between 2018 and 2038

Of this range, it is recommended that greater weight could be given to a figure of around **230 ha gross**, as this broadly aligns with the labour supply Standard Method scenarios (231 ha/242 ha) long term past take up rates (208 ha); and also the Policy On jobs growth (222 ha).

It is further recommended that around 25% of land be allocated for office (E(g)(i)/(ii), with the remaining 75% for E(g)(iii)/B2 and B8 industrial/logistics.

7.11 This balances the strong levels of industrial land that have come forward for development in recent years (c.88% of the total amount of employment land take up since 1989, and 89% over the past ten years), the strong recent net growth in office floorspace recorded by MHCLG against the stronger growth prospects for traditionally office-based sectors (with the Experian Baseline April 2021 Scenario identifying a net requirement for around 16% of floorspace for office uses). The considerable uncertainty regarding changing work practices presented by the Pandemic and further uncertainties concerning the implications of Brexit means that these conclusions should be revisited by the Council and monitored as and when new data on the fallout from the ‘new economic normal’ becomes more clearly apparent in the years to come.

7.12 The selection of the final employment land requirement will depend upon the preferred level of employment growth for Sheffield and the extent to which Officers consider that this aligns with the Council’s economic aspirations and housing targets. The selection of the job target will be based upon the identification of policy aspirations relating to the promotion of key sectors in accordance with the economic and spatial vision for the area.

The Need for Strategic B8 Distribution

7.13 As set out in Section 4.0, Logistics is a fast-moving sector and one that has seen an unprecedented level of change and growth over the past 12 months or so. In recent years it has changed beyond all recognition and been a key driver of commercial property markets – maintaining significant levels of demand and activity. However, the Covid-19 pandemic has greatly accelerated these trends and according to one logistics operator we spoke to, the past 9 months have accelerated trends that would otherwise have taken five years or more to occur.

7.14 The issue facing this study, however, is that as a relatively recent phenomenon, the needs of strategic large-scale B8 Distribution are not easily revealed via the methodology recommended for forecasting employment land needs by the Government in the PPG. The approach does not distinguish between small scale and large scale B8 other than through the use of different employment land densities, but any approach that essentially relies on past trends for forecasting future needs is by its very definition going to struggle to accurately project new or emerging trends in the market.

7.15 This is an issue for Sheffield City Council, as with one or two notable exceptions such as SIRFT, there has been a lack of strategic ‘big box’ B8 allocations that have come forward in recent years in the City. Therefore, large scale logistics is not reflected in the take-up data, and given the recent shift towards e-commerce, it is arguably not reflected in the Experian modelling either. For example, the April 2021 Experian model run suggests that there will be a net growth of only 750 B8 jobs between 2018 and 2038, compared to 1,452 jobs over the same time period, if the past job growth rates [CAGR] are trended forward.

7.16 For Sheffield, the total (net) B8 requirement ranges from -0.2 ha and 45 ha, with the lower end of the range clearly insufficient to meet likely needs. These projections are likely to relate to localised distribution requirements only.

7.17 As set out in Section 5.0, agents reported that the sector was said to be severely constrained within Sheffield due to a lack ‘big shed’ development over the past decade and a lack of land for design and build projects. Agents noted that the lack of appropriate stock is causing many firms to instead locate into other less desirable areas such as Doncaster, Rotherham and Barnsley. Enquiries from large occupiers including notable firms such as Amazon were said to be “queuing up” to locate in the City but are mostly forced to look elsewhere. There was a sense from stakeholder discussions that the City risks missing big opportunities from the sector in the near future, as whilst the offer is ideal with good transport links, availability of skills and a wider leisure offer for workers, the sites are not there.

7.18 This is borne out by data provided by Invest Sheffield which shows 6 enquires for industrial sites that they were unable to fulfil over the past 5 months, with the largest request being for a site of 80 acres.

7.19 Given the scale and urgency of this issue nationwide, if the opportunity arises the Council may wish to give consideration to participating in a further strategic study to quantify the likely extent of strategic B8 logistics need across the wider sub-region, including the other South Yorkshire districts Doncaster, Barnsley and Rotherham. This future study should seek to quantify the exact scale of large-scale strategic B8 in the wider area and identify specific sites where this need could be allocated.

Existing Supply

7.20 In terms of how the employment land requirements relate to the current employment land portfolio, various factors make any such quantitative analysis an inexact science. On the supply side of the equation the total amount of land available at any given point in time is indeterminate. The exact amount depends upon:

- 1 The size of private reserves (i.e. industrial land held with existing buildings for expansion). These are normally excluded from the analysis as they are not generally available for development;
- 2 The number of windfall sites arising which are not presently allocated for employment uses, but which may become available for such uses in future; and,
- 3 The number of further sites becoming available through the recycling of land currently in industrial use.

7.21 This section compares actual levels of available land with anticipated requirements to understand the extent to which new allocations may be required.

7.22 In this regard, SCC's *Sheffield Plan Issues and Options Employment Land Need and Supply Technical Note* (ELNS, September 2020) reports the findings of the 2020 Sheffield ELR, which recognised that it is vital that LPAs identify a future supply of land which is suitable, available and deliverable for economic development uses over the plan period. The ELR analysed 81 potential sites for their suitability for employment use.

7.23 The 2020 ELR identified **145 ha of employment land supply across 72 sites**. Against a need of 200 ha, this represented a shortfall over the whole plan period of around 55 hectares.

7.24 The 2020 ELNS has revisited this site assessment work and suggests that the amount of land that may be available for economic development is 137.2 ha. A further 50.4 ha may potentially arise from sites identified through the Council's subsequent Call for Sites process. Together this amounts to **187.6 ha**.

7.25 The HELAA further reports that there is further potential to add to future economic land supply through the identification of new planning permissions on sites not already included in the HELAA. These could be considered as future potential windfall sites. There are also potential future sites to be identified through the various sources identified in the PPG. For example, the city region SELA and the ELR (paragraph 5.34) suggested an extension to the Advanced Manufacturing Innovation District (AMID), which has been proposed in the Issues and Options consultation [paragraphs 6.10-6.11].

7.26 The ELNS concludes the following:

"Given the above, we consider that the overall methodology for assessing the need for land for economic development, coupled with initial estimates of potential supply of land means that

the Sheffield Plan should be able to identify sufficient land to meet the city's economic development needs. This gives a need figure for economic development land of around 11 hectares / year, close to the higher figure proposed in the 2015 Citywide options consultation of 10 hectares/year." [paragraph 3.4]

- 7.27 This analysis was used to inform the assessment of sites in the Council's *Sheffield Housing and Economic Land Availability Assessment* [HELAA] (September 2020), which was then used to produce an estimate of a portfolio of sites that could make up the City's supply. This refreshes the previous versions published in 2015, and interim reports in 2016, 2017, 2019 and March 2020. It has been prepared from a base date of 1st April 2020.
- 7.28 The HELAA reviewed the ELR assessment and identified 56 sites that could potentially contribute to the city's economic land supply, totalling 137.2 hectares of net developable employment land on brownfield land. These are sites that may either be suitable for economic development only, or for both economic and housing uses³².
- 7.29 The latest data provided by SCC Officers refines the 145 ha appraised in the 2020 ELR to **146.77 ha across 56 sites**. However, it should be noted that not all of this will be suitable/deliverable for office, industrial or warehousing in isolation. From reviewing the ELR evidence and subsequent updates by Officers, it is suggested that for ten of these sites, a mix of uses (including non-employment uses) is likely to come forward. **These ten sites comprise 28.16 ha.**
- 7.30 In addition to the ELR sites, a further 11 sites were put forward as part of the Call for Sites process, resulting in a further potential 50.4 ha of net economic development land.
- 7.31 **In summary therefore, it is estimated that Sheffield City has 67 sites that may potentially be suitable for employment use, totalling 197.17 ha, with a base date 1st April 2020. This includes 11 sites put forward as part of the Call for Sites totalling 50.4 ha – but these sites require further evaluation. As noted above however, 10 of the 67 sites are likely to include an element of non-employment uses, relating to 28.16 ha. Therefore, the Council's employment land portfolio could comprise up to 169.01 ha, plus a further 28.16 ha of sites that are likely to contain an element of office, industrial and warehousing land.**
- 7.32 Furthermore, the Plan period is 2018-2038. Up to the 1st April 2020 base date, the Council has recorded that 0.25 ha of employment land was delivered in 2019 and 16.75 ha in 2020; i.e. **17.0 ha of employment land in total**. Adding this to the 197.17 ha (base dated 1st April 2020) above brings the total to **214.17 ha**.
- 7.33 There is also a very substantial volume of employment land in the development pipeline for Sheffield that has extant planning permission for either office, industrial or warehousing use. According to the Council, as of 1st April 2021, there were 23 employment sites in Sheffield City with extant planning permission, **totalling 440,700 sqm, or 74.6 hectares, although some of this will be mixed use. It is estimated that the office, industrial and warehousing component will be in the order of around 400,000 sqm (c. 65 ha).**
- 7.34 These include:
- **River Don District, Meadowhall:** Up to 100,000 sqm of flexible employment floorspace including office (maximum 40,000 sqm), industrial use (primarily B1, B2 and B8 floorspace), a car showroom (sui generis) of up to 9,130 sqm, a hotel (C1) of up 7,500 sqm floorspace, retail (including A1, A3, A4 and A5) (up to 2,495 sqm) and leisure (D2) (up to

³² See SCC Sheffield Housing and Economic Land Availability Assessment (September 2020), paragraph 6.9

2,000 sqm). The overall scale of floorspace of the development is capped at 100,000 square metres (17.07 ha).

- **West Bar Square:** Mixed use development of Grade A offices, residential (368 units), public space and a 450 space multi-storey car park. The floorspace of the whole development will be up to 140,000 sqm (3.01 ha). Exact amounts are yet to be finalised, but there will be up to 85,000 sqm of offices. A deal for funding was signed with Legal & General in April 2020. The total value of the development is £350 million.
- **Translational Energy Research Centre [TERC],** on Land Between Europa Link and Europa Court, Europa Link: TERC is located on the Advanced Manufacturing and Research Centre Campus (AMRC2), to include up to 66,983 sq.m. B1(b) and B1(c) advanced manufacturing and research floorspace, up to 37,551 sq.m. of C2 residential training and conferencing floorspace and up to 450 sq.m. of D2 indoor and outdoor recreation space (14.1 ha in total).
- **Former Smithywood Colliery, Land At Smithy Wood Drive and Cowley Way:** B1, B2 and B8 development. Various plots have been developed under more recent planning permissions. Construction started in Summer 2020 on an industrial warehouse unit with ancillary offices (Use Class B2 - light industrial, B8 - general industrial or B8 - storage & distribution). Floorspace is estimated to total 31,818 sqm, on a plot 6.13 ha in size.
- **Castlegate ('The Square') Phase 3 - Remaining offices (Nos. 2, 3 and 5):** Office development totalling 14,200 sqm.
- **Pennine Foods Ltd, Drake House Crescent:** Demolition of existing buildings and erection of 4 industrial units (use class B1, B2, B8) including warehouse space with entrance cores and offices on the first floor totalling 15,870 sqm or 4.48 ha.
- **Newhall Road Business Park and Former Attercliffe Steel Works, 58 Newhall Road:** Hybrid planning application comprising full planning permission for a new building for B1/B2/B8 purposes (including trade counter use) and alterations and extensions to existing buildings for Use Classes A1/A2/A3/A5/B1/B2/B8 purposes (including trade counter use). Also outline planning permission for the erection of new building with up to 14,000 sqm of flexible floorspace for industrial, warehouse and distribution uses (Use Class B1/B2/B8 including trade counter use) across 4.7 ha.
- **'Bessemer Park', Former Outokumpu Site, Shepcote Lane - Phase 2:** New logistics / distribution park. 3 units proposed of up to 32,000, 21,300 and 7,800 sqm of B1c/B2/B8 floorspace. A reserved matters application was approved in April 2021 for B1c, B2, B8 industrial and logistics development, when Amazon were reported to be considering taking a unit. Phase 1 is completed. 15.8 ha in total.
- **'Victory Park' - Former Gas Site, Upwell Street / Colliery Road - Remaining phase:** Remaining phases of the business park - the earlier phases for 4 buildings for 9,085 sqm of office and B2/B8 use and an application for an extension to Unit 2 are completed. 7,755 sqm remains, across 1.2 ha.

Quantitative Summary

7.35

As set out above, at a high level, there is a need for between 176 ha and 242 ha of employment land, with a clustering around 230 ha. Set against a (maximum) supply of 215 ha, this would suggest at a basic quantitative level, there is either a need for an extra 27 ha, or an over-supply of 39 ha (Table 7.1). Set against the recommended level of need, the under supply would be considerably more modest, at around 15 ha. As noted above, the supply is likely to be diluted down as ten of the sites included in the supply, totalling 28 ha, are likely to come forward for a mix of uses, of which office/industrial/warehousing are only likely to be a modest component.

Table 7.1 Demand/Supply Balance of Employment Space 2018-2038 for Sheffield City

	Supply	Need	Quantitative Balance
Gross	215 ha	176 ha – 242 ha (230 ha recommended)	+39 to -27 (-15 ha recommended)

Source: Lichfields’ analysis / SCC

7.36 This suggests that further sites may need to be allocated (dependant on the scale of loss replacement that the Council decides to allow for).

7.37 This demand/supply analysis assumes that the authority’s undeveloped employment allocations come forward in their entirety for employment development over the plan period, and that all extant employment land planning permissions will be developed. Any significant deviation from this broad assumption would have an impact upon the overall balance, for example by tightening the existing surplus of employment space or resulting in an increase in the shortfall under some of the more optimistic scenarios.

Qualitative Factors

7.38 Even where no quantitative shortfall of employment space is identified, in most circumstances additional land may be needed for qualitative reasons, in order to:

- Improve the choice of provision for occupiers;
- Meet gaps in the supply of particular types of premises;
- Improve or modernise the quality of current provision and so help attract more occupiers; and/or,
- Provide a better spatial distribution of employment sites to meet the needs of different settlements.

Industrial Requirements

7.39 In the short to medium term, agents considered that there is a need to deliver further employment space to accommodate business growth in Sheffield, as well as to facilitate the rapid recent growth in e-commerce.

7.40 There is also a growing trend moving forward for supply chain ‘re-shoring’ whereby a greater emphasis will be placed on sourcing of goods and raw materials closer to the market at the point of consumption in order to reduce supply chain risk. This increase in ‘on-shoring’ could lead to manufacturing companies holding more inventory in the UK, or to source more goods from the UK.

7.41 Both of these factors are likely to have a positive impact on the demand for industrial and logistics premises going forward and present an excellent opportunity for Sheffield to attract occupiers looking for additional floorspace or to facilitate the potential expansion of existing occupiers, particularly those linked to the advanced manufacturing sectors at AMID.

7.42 A key issue at present is the perceived quality of the available industrial stock in the City with agents reporting that the quality of available industrial stock is generally low and unsuitable for many of the businesses looking to locate in the City. Similarly, indigenous firms looking to move to larger or higher quality premises often struggle, leading to a “stagnant” market wherein businesses want to move but are unable to do so.

7.43 In contrast, the logistics market has recovered strongly with high levels of demand in the market, which has seen rents rise over the past 18 months. This has had the effect of improving

viability on large design and build projects which are increasingly the option of choice for occupiers seeking modern premises.

7.44 However, the sector was said to be severely constrained within Sheffield due to a lack 'big shed' development over the past decade and a lack of land for design and build projects. Agents noted that the lack of appropriate stock is causing many firms to instead locate into other less desirable areas such as Doncaster, Rotherham and Barnsley. As reported earlier, enquiries from large occupiers including notable firms such as Amazon were said to be "queuing up" to locate in the City but are mostly forced to look elsewhere, with Invest Sheffield reporting at least 6 major enquiries between February and July 2021 that they were unable to fulfil. There was a sense from stakeholder discussions that the City risks missing big opportunities from the sector in the near future, as whilst the offer is ideal with good transport links, availability of skills and a wider leisure offer for workers, the sites are not there.

7.45 As noted in the 2020 ELR, Sheffield and Rotherham comprise the prime industrial market within the South Yorkshire region and the AMID is recognised as the most important industrial location both in Sheffield and the wider City Region, and is the UK base for a number of globally recognised innovation, research and technology businesses. Agents view was that AMID is fairly disjointed geographically, but has a very strong brand and USP that should be leveraged further. Ultimately, agents expressed concerns at the low amount and quality of available stock when set against the kinds of enquiries they are receiving, with needs said to be shifting towards higher-tech firms who require modern, purpose-built, 'trendy' premises of which there is little or no available supply. Agents suggested that the demand is there to justify an 'AMID 2' and allocating sites must become a priority to avoid missed opportunities.

7.46 Alongside this need for large high-profile sites, there is also a requirement to house more traditional manufacturing firms for whom low rents are often the deciding factor. Efforts to redevelop this type of older industrial land for residential uses often leads to businesses moving outside the City due to the lack of similarly-priced units and there remains a clear need for this type of decanting stock in suitable areas of the City.

Office Requirements

7.47 Sheffield is perceived by the market as being the prime office location in the City Region and the market has recovered by the third lockdown period and has stayed strong through the gradual lifting of restrictions, although the market for larger space has been slower to respond. However, the office market weakens considerably the further one moves away from the City Centre, which justifies the Core Strategy policy approach in CS3 to require 65% of all office development within the City to be in the City Centre.

7.48 Despite the uncertainty regarding the long term impact of the Pandemic, agents remained typically bullish about the strength of Sheffield's office market and there was not expected to be a shift towards smaller office space by the majority of established firms. Instead, amongst the usual stream of firms in need of more space, agents reported that many firms are now demanding 'better' space, rather than simply more or less. This may mean improved access to public transport links, increased flexibility in how space can be used, proximity to amenities and hospitality, or simply the quality of the office environment. This in turn will boost a companies' image, improve recruitment, retention of staff and office morale throughout the economic recovery.

7.49 As was reported in the 2020 ELR, good quality Grade A office space remains difficult to find and therefore there remains a demand for high quality office space within the centre. Similarly, land and building costs are making this market particularly challenging for potential investors in terms of viability. Furthermore, suitable parcels of land that are available were said to suffer

from issues of fragmented ownership, with strategic decision making and intervention needed to unlock.

- 7.50 Whilst stakeholders had previously suggested that there had been a leakage of office space in the centre with a number of low quality office space lost to student-residential conversions (which were directly competing with offices for centrally located sites in the City), agents now considered that the market for student accommodation is now at a widely recognised saturation point. It is understood that the Council has now commissioned a student accommodation study from Cushman & Wakefield, '*Purpose Build Student Accommodation (PBSA) Market Study*', which will examine the issue in detail.
- 7.51 Many stakeholders discussed the need to establish knowledge hubs and clusters of varied but high-quality space within the City. It was noted that this is starting to emerge, with the City now growing in a more structured and organised fashion compared to a less joined-up approach in the past. Castlegate and Fargate were highlighted as significant opportunities in this regard, alongside the possibility of further development at the Digital Campus, Cathedral Quarter, Kelham and Park Hill to provide a diverse offer that caters to clustering of firms.
- 7.52 Shared office and co-working spaces are likely to play an increasing role in the market, against the initial expectations of some that these spaces predominantly catered to a pre-Covid office culture. Similarly, there is an opportunity to convert the empty upper floors of redundant City Centre buildings into just these types of spaces.

Other Employment Land Policy Issues

Implications of the New E Class on Employment Land in Sheffield

- 7.53 As of 1st September 2020, the Government changes to the Use Class Order (UCO) came into effect, with Use Classes A, B1 and D being revoked, and new Use Class 'E' (Commercial, Business and Service) being introduced as well as Use Class F1 (Learning and Non-Residential Institutions) and F2 (Local Community).
- 7.54 This essentially means that shops, financial and professional services (not medical), cafés or restaurants, offices (other than uses within Class A2), research and development of products or processes and for any industrial purposes (which can be carried out in any residential area without causing detriment to the amenity of the area) fall under the new 'E' Use Class. This will allow premises that fall under the 'E' Use Class to change use without needing planning permission.
- 7.55 The Government has stated that the main driver of these changes has been the need to enable the repurposing of buildings in town centres and on high streets, in order to revitalise town and city centres.
- 7.56 It is expected that the new regulations will lead to an increase in premises changing their use. While this could help to bring vacant units back into use, it also poses a risk that instead of creating diversity, less profitable or less valuable uses may be priced out of town centres.
- 7.57 There is also a risk of impacting prime frontages in town centres. Should a large retail unit be repurposed for office use, then there is likely to be a break in the prime frontage, potentially having a negative impact on the attractiveness and coherence of town centres. There is also a risk of retailers being drawn out of town centres to occupy vacant premises on business parks or industrial areas, thus competing with the town centre.
- 7.58 From a Landlord's perspective, the new E Use Class represents an opportunity to secure the most valuable use for their assets. Premises falling into the E Use Class will benefit from being

marketed across a number of sectors, widening the pool of potential tenants, which may give rise to some uplift in land values.

- 7.59 Landlords will likely be assessing whether the current uses of their assets maximise the possible rents that can be achieved through the increased flexibility. This may in turn drive up rents, potentially outpricing smaller businesses.
- 7.60 This was discussed in detail with stakeholders as part of this study. In general, there was no real concern over the new E Class and permitted development rights in terms of eating into the office market, with any effects expected to be gradual and limited in scale. This is likely to be partly due to the fact that many of the older and/or more suitable City Centre office units for conversion have already been redeveloped for student-residential accommodation.
- 7.61 That said, it remains early days and we await the Government's further proposed changes to the planning system in the Planning Bill set for later in 2021. It is possible that the increased flexibility in uses could result in the loss of further sites in the City Centre. If that were to occur, then this will require more land to ensure that we achieve the desired level of diversification of the local economy in addition to the many service sector uses that now largely populate Class E. As is likely to be the case with many districts across the country, this could support an argument to provide a greater degree of flexibility in the land requirement (although the 5-year flexibility, or margin of choice, that is already factored into the requirement should go a long way to ensuring that this is addressed in Sheffield).

Identification of policies to support a range of employment uses

- 7.62 The future growth scenarios considered in this study indicate the broad scale and type of growth associated with different approaches to modelling economic development needs and requirements for Sheffield City over the Plan period 2018-2038. To varying degrees, these scenarios reflect both the indigenous growth needs in Sheffield as well as a degree of footloose demand that operates within a wider sub-regional market (particularly across the wider Functional Economic Market Area, which Sheffield City shares with Rotherham Borough). In the context of the NPPF and PPG, the policy approach adopted by the Council should aim to positively plan to support the economic development needs of Sheffield so that the local economy is not unduly constrained over the plan period, but also recognises the issues around land supply and competing pressures on available development sites.
- 7.63 To meet the future requirements for office and industrial/warehousing floorspace in Sheffield, it will be necessary for the Council to make choices about which employment sites to protect or allocate for employment development or which to bring forward as mixed-use schemes either in part or whole. These judgements need to consider:
- the local benefits of employment sectors and the need to sustain a diversified and resilient economy that is able to capitalise on economic growth opportunities as they arise;
 - the economic and market outcomes that would arise if particular sectors become displaced from the economy, or are otherwise constrained from expanding in the area;
 - in line with the aspirations of the LEP, the need to promote growth in high value, or 'good' quality employment roles / jobs that require a skilled workforce in Sheffield and that meet the aspirations of resident workers; and,
 - the requirement to continue the successful place branding and development of AMID, recognising that due to the global nature of occupiers attracted to the wider site, Sheffield is competing with other sites elsewhere in Europe and around the world, which can place greater onus on the City Council and City Region to attract and secure investment. Agents

suggested that the demand is there to justify an ‘AMID 2’ and allocating good quality sites must become a priority to avoid missed opportunities here.

7.64 In order to ensure a flexible and responsive policy framework for Sheffield, it will be necessary to avoid concentrating solely on meeting the forecast quantitative requirements for office and industrial space in the City, 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 office/industrial employment land can be prioritised in particular areas and for particular uses, or how scope can be created to deliver inward investment opportunities for Sheffield, in particular by drawing on and capitalising on the growth opportunities provided by AMID and the activities of the SCR LEP.

7.65 In this regard, Sheffield has a number of business sectors and clusters that are performing well with extremely successful companies operating in and around the City Region. The Council’s strategy for these key sectors is to work with companies investing in these enterprises and to support their growth in the competitive national and international economy. As per the SCR LEP’s 2021 SEP, the following economic objectives for Sheffield City will need to underpin the Council’s employment land strategy to 2038:

- Creating an inclusive wellbeing economy;
- Increasing ‘good’ jobs and boosting business growth;
- Supporting the growth of productive and competitive businesses;
- Recognising the importance of place;
- Consolidating Sheffield as a Magnet City to attract innovators, visitors and investment;
- Transformed transport connectivity linking people to jobs and cities to each other;
- Housing that provides quality, choice and affordability across the city;
- Growing an environmentally sustainable, more resilient economy.

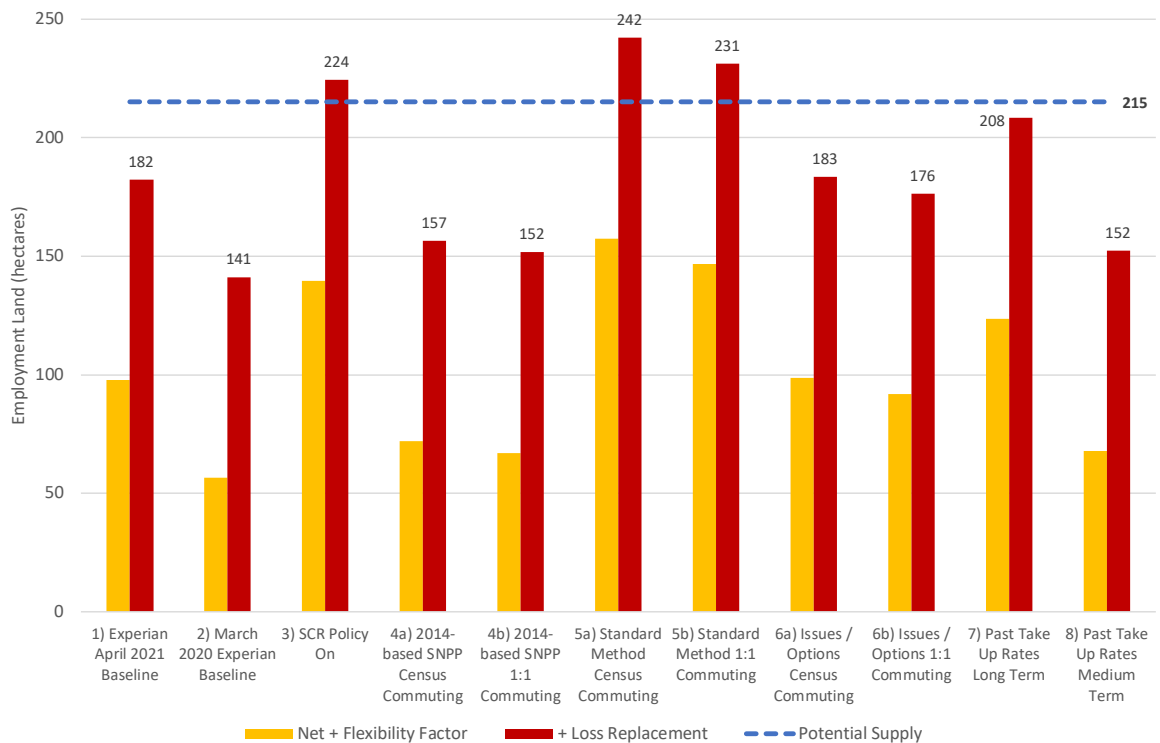
8.0 Conclusions

- 8.1 This report updates Sheffield City Council's employment land development needs evidence base to inform its emerging Local Plan. In light of the Pandemic and the uncertainties surrounding the consequences of Brexit, Lichfields has updated its 2020 ELR by modelling a series of scenarios that factor in the current understanding of the local impacts of the Pandemic within Sheffield, based on the latest available data. This included an analysis of the latest econometric forecasts for how Sheffield's economy may adapt and the effect on different commercial and industrial sectors over the short and medium-term. In line with the Framework, it addresses the requirement set out in paragraph 20 which states that plans and decisions should be based on up-to-date and locally specific evidence.
- 8.2 This report has appraised a range of employment land projections for Sheffield using a variety of methodologies in accordance with the PPG. It has used the latest modelling data from Experian; labour supply scenarios including the recently updated standard methodology for calculating housing need (from SCC's 2021 Housing, Economic Growth and Demographic Modelling report); and updated past take up rates and losses data.
- 8.3 Eight different scenarios of future employment space requirements were considered based on a range of lower and higher growth conditions that could arise in the future, plus a sensitivity test based on past trends jobs growth. The Experian April 2021 baseline scenario (Scenario 1) forecasts a higher level of job growth than has been experienced in recent years, of 34,800 net workforce jobs between 2018 and 2038. This compares to 23,220 net FTE jobs growth that underpinned the 2020 ELR baseline, although it should be noted that this relates to a 2018 projection, for Full Time Equivalents rather than workforce jobs, and over a shorter time period (18, rather than 20, years).
- 8.4 The March 2020 Experian projection forecast a slightly stronger level of jobs growth, equal to 35,200 over the next 20 years, although paradoxically this equated to a much lower level of employment land required due to a much weaker level of growth in light industrial jobs and a stronger level of office-based employment (which has much higher densities, particularly in the CBD). Both forecasts, though strong, are below the level of growth that might be expected if past trends were projected forward which would suggest that up to 45,647 workforce jobs would be needed if trends over the past 21 years are replicated.
- 8.5 The SCR Policy On Scenario involved modelling a net annual job growth figure of 2,550 which was derived from a report prepared on behalf of the SEP by Ekosgen, which sought to distribute the 70,000 SEP jobs target by local authority and also by industrial sector. They have been refined following comments and advice on the scale of employment impacts expected from existing investments within the city region, including the Innovation District, FARRRS and the SCRIF-funded schemes. Applying this annual growth rate from 2018 to the total jobs growth for Sheffield City equates to a net job growth of 51,000 to 2038. Assuming the same sectoral representation for each industry in 2038 as the April 2021 Experian baseline, constrained to the aforementioned overall net job growth figure, results in a strong office/industrial job growth of 14,632 to 2038.
- 8.6 The econometric demand-led modelling ranges from 57 ha to 140 ha net, rising to 141 ha – 224 ha gross with losses factored into the calculation.
- 8.7 The indicative labour supply projections were calculated based upon data provided by SCC's housing consultants from the 2021 Housing, Economic Growth and Demographic Modelling report. IcenI estimates that for the SM2 just under 63,600 additional jobs could be supported by the changes to the resident labour supply, with a slightly lower figure of 59,400 if commuting

is assumed to be on a 1:1 ratio for new jobs. The 2018-based SNPP figures are much lower and range from 28,553-30,552, whilst the Issues/Options scenario produces jobs targets between 38,217 and 40,893 over the 17-year period. These figures were reduced by 5,700 jobs to reflect the fact that there has been a loss of this magnitude between 2018 and 2021 (the start of Icenis’s modelling period). This was due to the drop in jobs in 2020 and 2021 to reflect the impact of the Covid-19 pandemic. The labour supply employment land requirements range from 128 ha to 151 ha (gross).

8.8 Past take up, which aligns with the former ‘predict and provide’ approach to identifying employment land needs, indicates that the Council has been very successful in attracting new companies to the City, with a total of 375 ha of employment land delivered since 1989. This equates to 11.36 ha per annum. Projected forward, this results in a need for 208 ha gross, including an allowance for a flexibility factor/margin of choice. Short term completions have been lower, with an average of 6.57 ha over the past decade (2012-2021). Again, projected forward over the Plan period would suggest that there is a need for 152 ha based on short/medium term trends.

Figure 8.1 Supply/Demand Balance for Sheffield’s Employment Land Portfolio 2018 to 2038 (hectares)



Source: Lichfields’ Analysis

8.9 The commercial market analysis has concluded that there is a shortage of employment land available for development in the short to medium term, with those consulted stating that there is an over-supply of poorer quality, older industrial stock in particular which gives a misleading impression when vacancy rates and availability levels are analysed. As a consequence, the City has missed out on several very large enquiries for industrial / warehousing land in the past 6 months alone. The current rapid growth seen in e-commerce (which is not reflected in the historical record or Experian job growth projections to the fullest extent), combined with increased ‘on-shoring’ has driven demand in the industrial and logistics market across 2020 and is affecting Sheffield City just as it is impacting on most of the larger cities across the UK.

- 8.10 This growth in demand represents an excellent opportunity for Sheffield; however, the lack of land available for industrial development, both for inward investment but also for more modest smaller industrial units in the short to medium term may lead to the City being unable to capitalise on this opportunity, and as a result lead to a further loss of potential occupiers to competing areas.
- 8.11 **Consequently, on the basis of these considerations, it is recommended that Sheffield’s employment land need should comprise a range of between 176 ha to 242 ha between 2018 to 2038 (including flexibility). This range assumes a significant allowance for the replacement of losses. Council officers will need to take a decision regarding the extent to which additional provision should be planned for, and whether the gross requirement should be reduced accordingly. This would be a judgement for SCC to make and hence the gross figures are indicative only.**
- 8.12 This 176-242 ha (gross) range equates to the labour supply Issues/Options 1:1 Commuting scenario (6b) at the lower end, and the labour supply Standard Method Census Commuting scenario (5a) at the upper end, with the Experian baseline/policy on and long term past take up scenarios in between. These land requirements are driven particularly by strong requirements for land for light industrial and office uses and to a lesser extent warehousing, which is consistent with both past completions and sectors forecast to grow strongly in the Experian projections (and key target growth sectors in the SEPs).
- 8.13 Within this range, it is recommended that greater weight could be given to a figure of around **230 ha gross**, as this broadly aligns with the labour supply Standard Method scenarios (231 ha/242 ha) long term past take up rates (208 ha); and also the Policy On jobs growth (222 ha).
- 8.14 This compares with a range of 141 ha to 248 ha (and a preferred OAN of 200 ha) in the 2020 ELR, which was over an 18-year plan period rather than 20 years.
- 8.15 The 230 ha target also aligns with the fact that as at 1st April 2021 there is already a very substantial volume of employment land in the development pipeline for Sheffield with extant planning permission for either office, industrial or warehousing use, with 23 employment sites that could contribute around 400,000 sqm (c. 65 ha) to the portfolio – around 28% of the overall requirement.
- 8.16 It is further suggested that the following indicative split of office/industrial employment space could be appropriate for Sheffield City over the period 2018 to 2038:
- 1 **25% for office; and,**
 - 2 **75% for industrial/distribution.**
- 8.17 This balances the strong levels of industrial land that have come forward for development in recent years (c.88% of the total amount of employment land take up since 1989, and 89% over the past ten years), the strong recent net growth in office floorspace recorded by MHCLG against the stronger growth prospects for traditionally office-based sectors. The considerable uncertainty regarding changing work practices presented by the Pandemic and further uncertainties concerning the implications of Brexit means that these conclusions should be revisited by the Council and monitored as and when new data on the fallout from the ‘new economic normal’ becomes more clearly apparent in the years to come.
- 8.18 The selection of the final employment land requirement will depend upon the preferred level of employment growth for Sheffield and the extent to which Officers consider that this aligns with the Council’s economic aspirations and housing targets. The selection of the job target will be

based upon the identification of policy aspirations relating to the promotion of key sectors in accordance with the economic and spatial vision for the area.

- 8.19 Furthermore, given the scale and urgency of the Big Box logistics e-commerce issue nationwide, if the opportunity arises the Council may wish to give consideration to participating in a further strategic study to quantify the likely extent of strategic B8 logistics need across the wider sub-region including Rotherham, Doncaster and Barnsley. This future study should seek to quantify the exact scale of large-scale strategic B8 in the wider area and identify specific sites where this need should be allocated.
- 8.20 At 1st April 2020, the identified supply within Sheffield currently stands at around 215 ha (at most, as some of this includes 10 sites, totalling 28 ha, which will likely come forward with an element of mixed use). This would suggest at a basic quantitative level (against the 176 ha – 242 ha range), there is either a need for an extra 27 ha, or an over-supply of 39 ha. Set against the 230 ha level of need, the under supply would be considerably more modest, at around 15 ha.
- 8.21 This demand/supply analysis assumes that the authority’s undeveloped employment allocations come forward in their entirety for employment development over the plan period, and that all extant employment land planning permissions will be developed. Any significant deviation from this broad assumption would have an impact upon the overall balance, for example by tightening the existing surplus of employment space or resulting in an increase in the shortfall under some of the more optimistic scenarios.
- 8.22 Whilst relatively modest given the size of the portfolio, there is a risk to the Council in having a portfolio of employment sites that is somewhat below the likely requirements (which itself is likely to be an underestimation given that the need for strategic B8 will be assessed as part of a separate study). It is therefore recommended that steps are taken as soon as practically possible to ensure that additional good quality, sustainably-located employment sites are identified in areas most in need, and that the best existing sites are protected from encroachment from non-employment uses. We have already factored in 5-years’ worth of additional flexibility to the requirement modelling, so it is considered that (setting strategic B8 to one side), identifying additional allocations over and above the requirement would not be necessary at this time.

Policy Implications

- 8.23 To meet the future requirements for office and industrial floorspace in Sheffield, it will be necessary for the Council to make choices about which employment sites to protect or allocate for employment development or which to bring forward as mixed-use schemes either in part, or whole. These judgements need to consider:
- the local benefits of office/industrial employment sectors and the need to sustain a diversified and resilient economy that is able to capitalise on economic growth opportunities as they arise;
 - the economic and market outcomes that would arise if particular sectors become displaced from the economy, or are otherwise constrained from expanding in the City; and
 - the need to promote growth in high value employment roles/jobs that require a skilled workforce in Sheffield and that meet the aspirations of resident workers in line with the SCR LEP’s SEP.
- 8.24 As set out in a 2020 report for the City Council by Aspinall Verdi and Colliers International³³, the Council has been very successful with the Heart of the City, which created a commercial focus which has subsequently attracted major financial institutions and professional companies. We

³³ Aspinall Verdi with Colliers (2020): *Sheffield Residential Market Review – Commercial Market*

would agree with the conclusions of that report, namely that the City Council needs to maintain a strong emphasis on quality and aligning new commercial and residential development, with offices being a key component in the development of mixed-use schemes in the City Centre.

- 8.25 To ensure a flexible and responsive policy framework for Sheffield, it will be necessary to not just concentrate on meeting the forecast quantitative requirements for office and industrial space in the area, which will fluctuate over time, but also to reflect on the opportunities and risks that flow from particular policy approaches. This could include how the delivery of employment land can be prioritised in particular areas and for particular uses, or how scope can be created to deliver inward investment opportunities for Sheffield, in particular by attracting and, capitalising on, the growth opportunities provided by AMID, generated by positive strategic planning policies and promotional activities targeting potential inward investors.

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