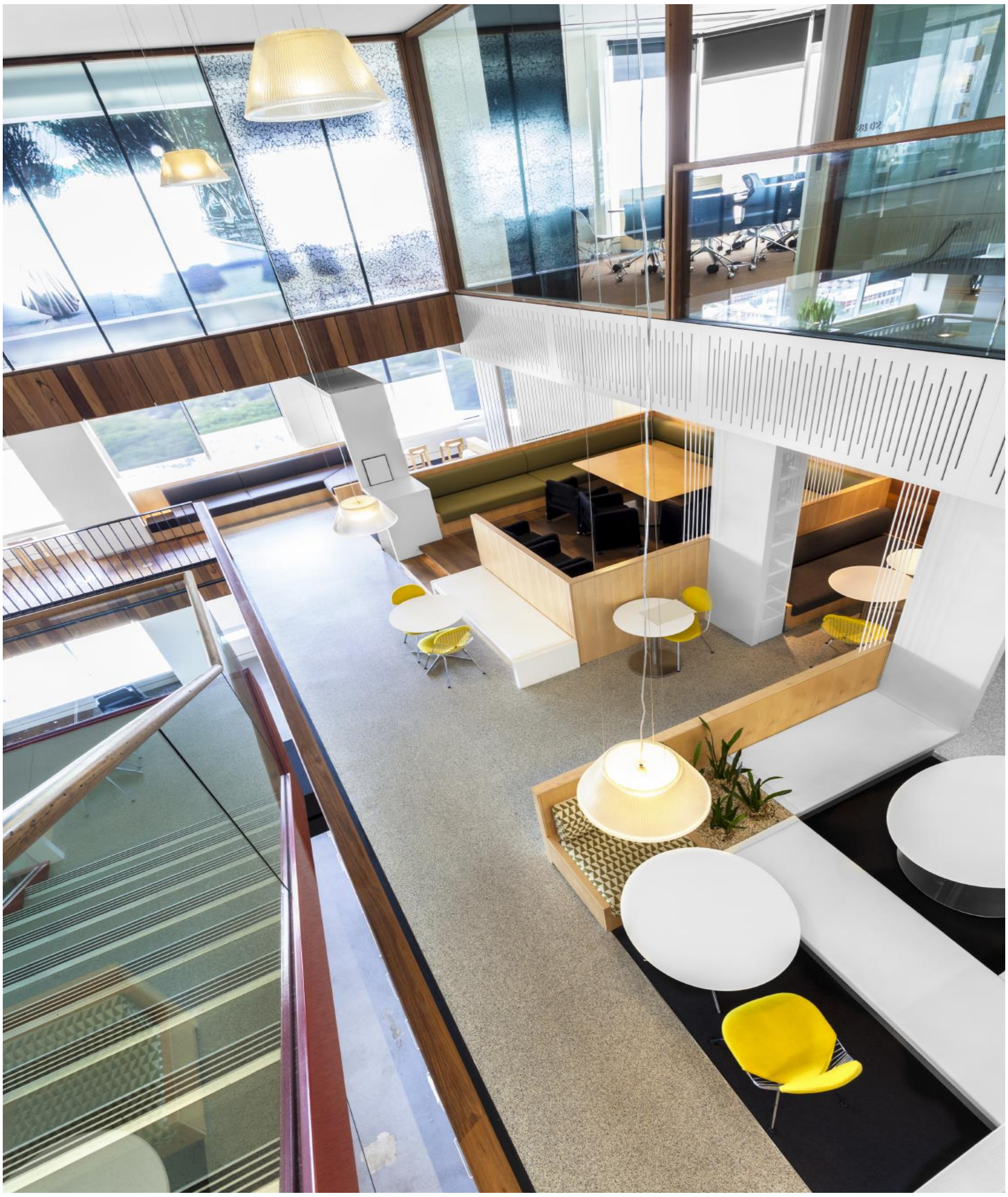
Winchester Workspace Demand Study

A report to Winchester City Council and Hampshire County Council

July 2013



SQW

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Executive Summary

1. Current levels of demand for commercial workspace within Winchester district seem likely to be maintained at least, and possibly increase, although in future more demand may originate from outside the district.

2. The district has relatively high rates of both business births and deaths. Experience elsewhere suggests that easily accessible workspace with on-site business support could help improve business survival and growth rates.

3. The district has comparatively high levels of self-employment and home-based businesses who may only want occasional use of formal workspace facilities.

4. Of Winchester City Council's priority sectors, 'services' are likely to be a major future driver of demand. The Winchester Town area shows signs of continuing to be strong in 'tourism' and the 'knowledge and creative industries' while the South Hampshire Urban Area is likely to see strong demand for retail space.

5. Businesses are concerned about the adequacy and cost of business premises in Winchester district. Other concerns include accessibility to business space, broadband facilities, and the amount of car parking linked to business units.

6. The greatest stock of total commercial property currently lies within the Winchester Town area (where substantial demand already exists). In rural areas supply is limited and vacancy rates are low, especially industrial. There is generally strong demand for commercial property in these areas.

7. There is strong demand and little availability of smaller sized units, especially within the Winchester Town area.

8. Occupiers tend to focus on headline costs (e.g. rent and rates) but ignore other important costs (e.g. energy, management and maintenance costs, including dilapidations charges at the end of a lease). Flexible managed workspace provides greater transparency of total occupier costs, as well as providing business support and networking opportunities.

9. To respond to firms demands and address the current supply constraints, we recommend a hub-and-spoke offer consisting of a managed workspace facility within the Winchester Town area, and a series of linked workhubs (collaborative studio style workspaces) based in rural areas.

10. The main facility and associated workhubs would offer services such as broadband support, networking and social areas, utilities, and reception services. Depending on occupier demand, space could be used for both office and light industrial use.

11. Being in the Winchester Town area, the central managed workspace facility should be easily accessible by public transport and by road. Workhubs should be located close to existing infrastructure and facilities (e.g. major roads and shops) again to improve accessibility and encourage home based businesses to use their facilities and to benefit from the business and social networking they provide.

12. Taken together, the managed workspace and workhubs would provide business support for early stage businesses, act as a landing zone for businesses migrating into the district, and as a focal point of broader business support initiatives and business networks. Flexible easy in easy out terms should also be available.

13. The network could be managed by roughly 4 FTE employees. In principle, the Winchester Town managed workspace could be operated to produce a net surplus which could fund any losses made within the workhub network. As such, this option should be sustainable in the long term as a commercial operation. However, the concept needs to be examined in more detail to test whether this initial assessment is correct.

1. Introduction

1.1 In March 2013, Winchester City and Hampshire County Councils jointly commissioned SQW in collaboration with Hughes Ellard, and with expert input from Oxford Innovation, to undertake a study setting out the nature, scale, and scope of demand for commercial property within Winchester District.

1.2 This entailed a specific examination of:

- the characteristics of the local property market
- the nature of businesses requiring space
- existing provision
- the nature and scale of space required going forward
- the preferred locations within Winchester District
- ancillary facilities desired by local businesses

1.3 This document is the final report of the Workspace Demand Study and its overarching aim is to provide a comprehensive picture of the current demand for business space within Winchester District, with a particular focus on workspace[1], and how this alters in the immediate and long term future.

Purpose of the exercise

Context and rationale for exercise

1.4 As stated in the specification for this project, the Winchester District Community Strategy (2010 to 2020) sets out three overarching outcomes to which Winchester City Council and partner agencies are committed: active communities, economic prosperity, and a high quality environment.

1.5 This research was designed to directly support the Community Strategy with respect to the economic prosperity outcome which involves[2]:

- exploiting the District's cultural strengths, heritage and historic environment, alongside its good transport and communication links and excellent education facilities; all to help stimulate a modern and creative approach to business
- making the most of local opportunities to enhance the skills and ambitions of those who live in the District.

[1] Workspace is defined as accommodation for small businesses provided on flexible terms, often with active management (i.e. managed workspace) and the offer of ancillary facilities such as meeting rooms, shared reception, etc. Workspace includes but is not restricted to business incubators and innovation centres.
[2] *Winchester District Community Strategy 2010-2020*. Available at http://www.wdsp.co.uk/community-strategy/

Objectives

1.6 The SQW-led consortium was asked to use the research to address key questions, namely:

- What models of successful workspace exist?
- What prices can/should be charged?
- What amount of space / occupancy levels makes a workspace centre viable?
- What are the ideal workspace locations in the District?
- What might ideal lease terms look like?

1.7 More specifically, following discussions with the client, we established three key work elements:

- an examination of the underlying socio-economic context of the area and its implications for workspace demand
- a study of the demand side factors that will shape workspace demand in future
- a study of the supply side factors that will determine the nature of workspace demand

Report structure

1.8 The remainder of this report is structured as follows:

- **Chapter 2** outlines the **methodology** used in this study
- **Chapter 3** examines the **contextual issues** shaping the Winchester District economy and associated workspace demand
- **Chapter 4** summarises the **findings from the business survey**, and therefore the **demand side issues** shaping workspace demand
- **Chapter 5** reviews **current workspace supply**
- **Chapter 6** outlines some of the **wider aspects** that needed to be considered when **assessing workspace options**
- **Chapter 7** summarises the **main findings** and offers **recommendations**

2. Methodology

2.1 This section of the report outlines the research methods used, and the parameters of our research.

Scope of study

Sectoral focus

2.2 Although this study looked for trends and insights relating to the full spectrum of economic sectors in Winchester, particular attention has been paid to five core sectors identified by the client group:

- Knowledge and creative industries
- Land based industries
- Services and public administration
- Retail
- Tourism

2.3 In addition, this study also placed particular emphasis on the needs of SMEs and the constraints that they face in relation to current workspace provision.

Geographical focus

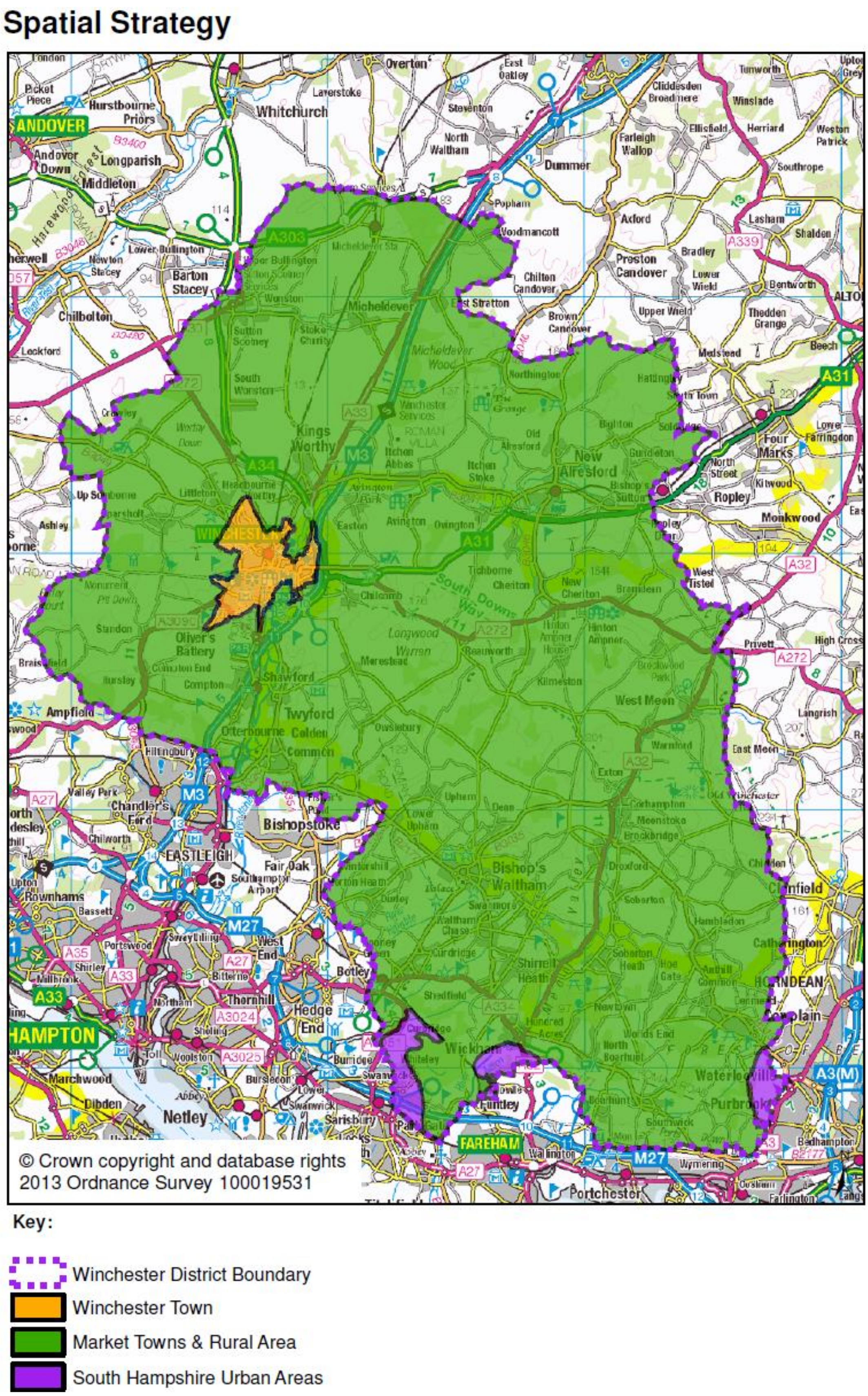
2.4 The research was focused on Winchester District, an area of 250 square miles and including settlements such as New Alresford, Bishop's Waltham, Colden Common, Denmead, Wickham and the city of Winchester.

2.5 Within the District, this research has identified trends within several sub-areas (marked in Figure 2-1) which the client group were particularly keen to learn more about. These are:

- Winchester Town
- South Hampshire Urban Areas that fall inside the District
- Market towns within the District that lie outside of Winchester Town
- Rural areas within the District that lie outside of Winchester Town

2.6 We have also taken into account the views of businesses from outside the District that may look to relocate to within the Winchester district area in the future.

Figure 2-1: The areas of study for the research

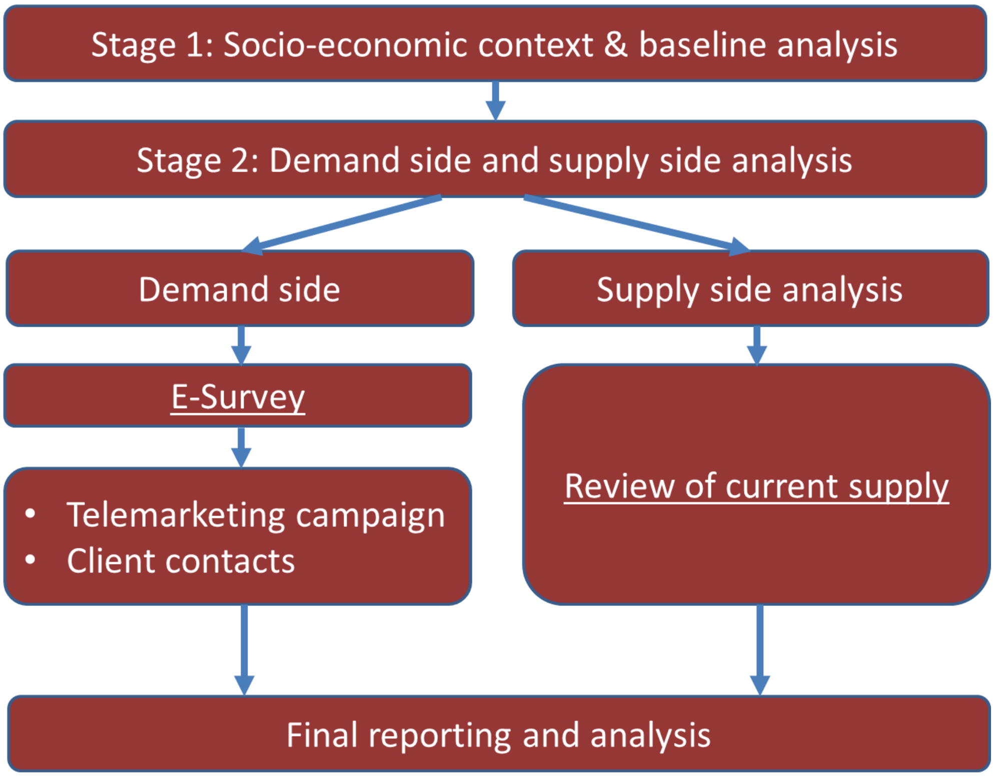


Source: Winchester City Council

Research methods used

2.7 Figure 2-2 provides a summary of the research approach adopted for this study.

Figure 2-2: Diagram summarising the research approach used



Source: SQW

Socio-economic context and baseline analysis

2.8 We have analysed secondary data to serve two main purposes:

- To understand the socio-economic context of the area to better inform all aspects of the study
- To understand the historical trends that are likely to shape future workspace demand.

2.9 Analysis has been used to provide insights into the scale and nature of demand, including information on the total population of firms, their sectoral composition and growth trends, and business starts and deaths. The study has drawn on existing analysis and reports (e.g. *Review of Employment Prospects, Employment Land and Demographic Projections* by DTZ (2011)) but has primarily utilised existing secondary datasets including Neighbourhood Statistics, the Business Registry and Employment Survey, and the Annual Population Survey.

Demand side analysis: e-survey of businesses

2.10 SQW designed and created an e-survey for businesses in the Winchester area in order to better understand the likely future demand for business accommodation in the District. Annex C shows the questions that were asked but in general terms, it was designed to reveal more about:

- the nature of current workspace in the Winchester District
- how much business space is needed in the future, and of what type
- at which locations additional workspace will be required
- what types of facilities firms want in workspace
- the preferred lease terms of commercial property.

2.11 The survey was distributed in two main ways. First, we used a specialist telemarketing company which compiled a purpose designed database that identified firms, their locations, a contact point (managing director or equivalent) and email address. They used this to send two e-shots which directed the reader to the survey link. The survey company also used telephone calls to follow-up the emails in order to increase the response rate. Secondly, the client group sent the survey link to their own business contacts and advertised the study in publications and through social media.

2.12 The responses and results from this survey have been analysed in order to examine patterns in relation to sectors, size of firms, and geographies. Particular emphasis has been placed on understanding the variations in needs and expectations among different types of firm in different parts of the District.

Supply side analysis: Review of current supply

2.13 Led by Hughes Ellard, we have also undertaken analysis to learn about the supply side issues that will shape the demand for commercial workspace in the future. We have reviewed current commercial databases and cross checked with other property agents active in the area in order to form a detailed picture of current and planned supply of managed workspace and other flexible premises for new and small businesses.

2.14 Information has also been collected in relation to the quantity, quality, location, terms (e.g. long lease, short lease, easy in and easy out), prices, and the facilities and services offered.

2.15 This analysis has been supplemented by Oxford Innovation who have drawn on existing knowledge of the area, and on their understanding of the benefits of different types of workspace, to indicate possible areas where future workspace could be located and what form it should take.

3. Socio-economic context & baseline analysis

Introduction

3.1 This chapter presents the findings from the data analysis phase of this study which looked to establish the context in which Winchester businesses have operated, and to understand some of the trends that may shape the demand and nature of commercial workspace within the District. Where appropriate, Winchester has been compared to other comparator areas to help assess the area's relative performance.

3.2 This chapter focuses on four topic areas in particular which will be considered in turn:

- the number of businesses based in Winchester
- employment levels
- sectoral changes
- commuting patterns.

Number of Winchester based businesses

3.3 The following series of statistics examine trends within the Winchester City Council area. This is the lowest spatial level for which the relevant data are available, meaning that trends within specific parts of Winchester cannot be studied. County level (Hampshire) and regional level (South East) data has been collected for comparison.

Table 3-1: Total births of new enterprises

	2008		2009		2010		2011	
	Total	% change	Total	*% change*	Total	*% change*	Total	*% change*
Winchester	**580**	**-**	**540**	***-7%***	**640**	***19%***	**635**	***-1%***
Hampshire	5,860	-	5,015	*-14%*	5,300	*6%*	5,640	*6%*
South East	40,365	-	36,320	*-10%*	36,910	*2%*	40,775	*10%*

Source: IDBR

3.4 Table 3-1 shows the total number of births[3] of new enterprises in the listed geographical areas. As shown, between 2008 and 2011 (a period including a prolonged economic downturn) the total number of enterprise births in Winchester fluctuated greatly. There were similar fluctuations in Hampshire and the South East, but the year-on-year changes in Winchester have generally compared favourably to these comparators. Between 2008 and 2009, the percentage fall in births was lower than for the other two areas, and between 2009 and 2010, the percentage rise in births was greater than the comparators.

3.5 As Table 3-2 shows, the number of new enterprises per 1,000 population in Winchester increased slightly between 2008 and 2011, whereas in both Hampshire and the South East it declined over this period.

[3] A birth is identified as a business that was present in year t, but did not exist in year t-1 or t-2

Table 3-2: Births of new enterprises (per 1,000 population)

Date	Winchester	Hampshire	South East
2008	**5.17**	4.57	4.82
2009	**4.77**	3.89	4.31
2010	**5.60**	4.09	4.33
2011	**5.44**	4.27	4.71

Source: IDBR, Mid-Year Population Estimates

3.6 Table 3-3 and Table 3-4 provide details on enterprise deaths[4] within Winchester and the two comparator areas. As shown, in all three areas there was a sharp rise in business deaths between 2008 and 2009, unsurprisingly given the economic climate at the time. Since 2009, there have been year-on-year falls in the number of business deaths.

3.7 The year-on-year percentage changes in business deaths within Winchester has broadly matched both regional and local trends across the time period. However, as Table 3-4 shows, the number of business deaths per 1,000 population in Winchester was virtually the same in 2011 as in 2008, and has historically been higher than in Hampshire and the South East.

Table 3-3: Total deaths of enterprises

	2008		2009		2010		2011	
	Total	*% change*	Total	*% change*	Total	*% change*	Total	% change
Winchester	**580**		**720**	***24%***	**645**	***-10%***	**605**	**-6%**
Hampshire	5130		6270	*22%*	5685	*-9%*	5270	-7%
South East	33790		42550	*26%*	38345	*-10%*	35915	-6%

Source: IDBR

Table 3-4: Deaths of enterprises (per 1,000 population)

Date	Winchester	Hampshire	South East
2008	**5.17**	4.00	4.04
2009	**6.35**	4.86	5.04
2010	**5.64**	4.38	4.50
2011	**5.18**	3.99	4.15

Source: IDBR, Mid-Year Population Estimates

3.8 Table 3-5 and Table 3-6 provide information on the number of active[5] enterprises in Winchester, Hampshire, and the South East. Between 2008 and 2011 the number of active businesses in Winchester increased slightly, compared with a small decline in Hampshire and almost no change regionally.

3.9 Table 3-6 indicates that Winchester has historically had a higher number of active enterprises per 1,000 population than the county and regional comparators.

Table 3-5: Total number of active enterprises

	2008		2009		2010		2011	
	Total	*% change*	Total	*% change*	Total	*% change*	Total	% change
Winchester	**6,200**		**6,650**	***7%***	**6,795**	***2%***	**6,810**	***0%***

[4] A death is defined as a business that was on the active file in year t, but was no longer present in the active file in t+1 and t+2. In order to provide an early estimate of deaths, an adjustment has been made to the latest two years deaths to allow for reactivations

[5] The starting point for demography is the concept of a population of active businesses in a reference year (t). These are defined as businesses that had either turnover or employment at any time during the reference period.

Hampshire	56,880	56,925	*0%*	57,080	*0%*	56,445	*-1%*
South East	372,810	375,595	*1%*	377,315	*0%*	376,380	*0%*

Source: IDBR

Table 3-6: Number of active enterprises (per 1,000 population)

Date	Winchester	Hampshire	South East
2008	**55.3**	44.3	44.5
2009	**58.7**	44.1	44.5
2010	**59.4**	44.0	44.3
2011	**58.3**	42.7	43.5

Source: IDBR, Mid-Year Population Estimates

What this may mean for workspace demand in Winchester

- There has been a small increase in the number of active businesses within Winchester since 2008, which suggests that the demand for workspace should also have increased slightly. Additionally, the concentration of businesses in Winchester is higher than for both Hampshire and the South East more generally. Taking both points together, one can infer that workspace demand in Winchester is likely to be maintained in the future and may possibly increase

- The rates of business start-up and failure in Winchester are both higher than the county and regional averages. This suggests a relatively high rate of 'churn' in Winchester, which may lead to changes in the composition of the business population. Consequently, workspace may need to become more flexible (both in terms of the sectors it caters for, and in terms of lease terms) in order to take this into account.

- The high rate of business births and deaths also suggests that workspace which provides support services which help businesses to survive and grow could play a significant part in boosting economic growth in the district. This is because there is evidence collected nationally[6] and also by Oxford Innovation[7] to suggest that the support provided in business incubators and innovation centres helps firms survive and grow.

Winchester Employment

3.10 The following series of data show historic trends in employment within Winchester (and the comparator areas of Hampshire and the South East) as well as likely future trends which may impact upon workspace demand.

3.11 As shown in Figure 3-1, between 2008 and 2011, the proportion of Winchester's total population aged 16-64 (used as a proxy for the working age population) declined slightly, as it did in Hampshire and the South East.[8]

[6] Incubation for Growth: A review of the impact of business incubation on new ventures with high growth potential; NESTA, 2011
[7] Based on a survey of firms in business and innovation centres run by OI, and also of firms which have graduated from these centres over the last five years
[8] The projections only model demographic change and do not take into account outside factors that might alter the nature of the working age population

Figure 3-1: Proportion of population of working age

Source: Business Registry and Employment Survey (please note the 16-64 age bracket used as a proxy for the working age population cohort)

3.12 As Figure 3-2 shows, the decline in Winchester's total working age population (15-64 age group) is expected to continue. The fall will be especially steep within the next decade or so. In contrast, the South East working age population is projected to see steady year-on-year rises over the same period (5,525,700 in 2010 to 5,755,800 in 2035). [9]

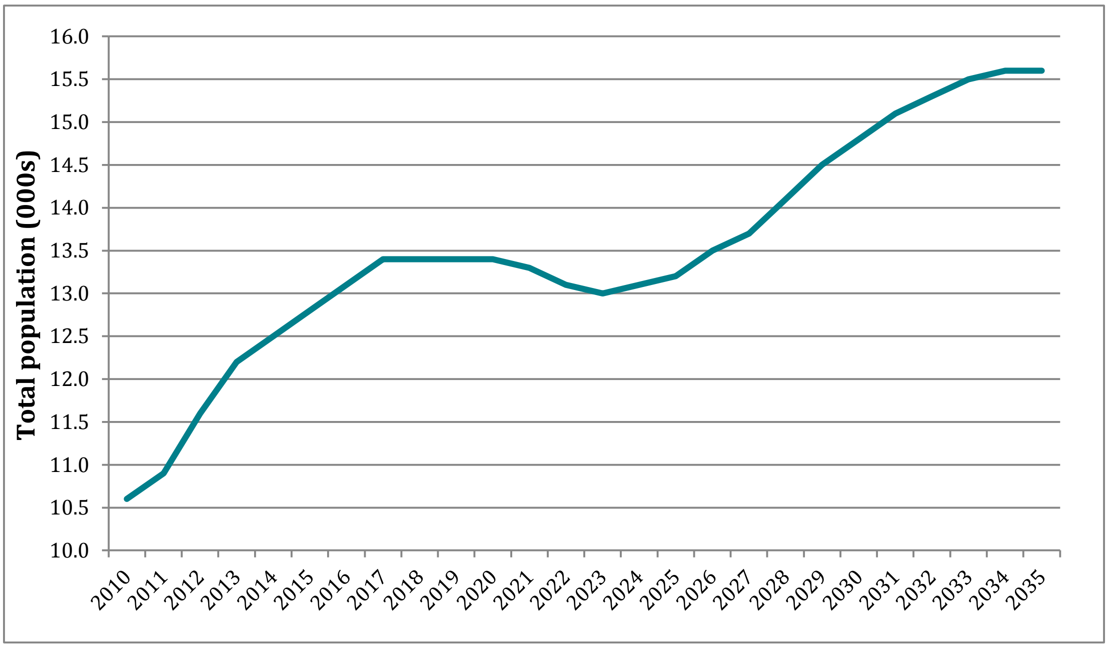
3.13 The impact on the workforce of the forecast decline in the 16-64 age group is likely to be partially offset by more numbers of older people working longer. Figure 3-3 shows that in Winchester, the size of the population aged 65-74 is projected to steadily rise between 2010 and 2035. It is likely that an increasing proportion of this age group will choose to work.

[9] The projections only model demographic change and does not take into account outside factors that might alter the nature of the working age population

Figure 3-2: Projection of Winchester working age population (000s)

Source: ONS Population Projections (please note 15-64 age group used as proxy for working age population)

Figure 3-3: Projection of Winchester population aged 65-74 (000s)



Source: ONS Population Projections

3.14 It is also worth considering that Winchester as an area has traditionally had high levels of self-employment. This is borne out by the statistics below. As these are generated from Census data, it is not possible to produce meaningful trend data. Nevertheless, it shows that in 2011, self-employed persons accounted for 19 per cent of all full-time workers. This proportion is higher than those for Hampshire and the South East, and may in part reflect a different sectoral mix in Winchester (e.g. a high proportion of agricultural and construction workers tend to be self-employed).

Table 3-7: Self-employment figures in 2011

	Winchester	Hampshire	South East
Total full-time employees	54,075	642,371	4,095,333
Total self employed	10,302	99,446	691,572
Self-employment as a proportion of all full-time workers	19%	15%	17%

Source: Census 2011

What this may mean for workspace demand in Winchester

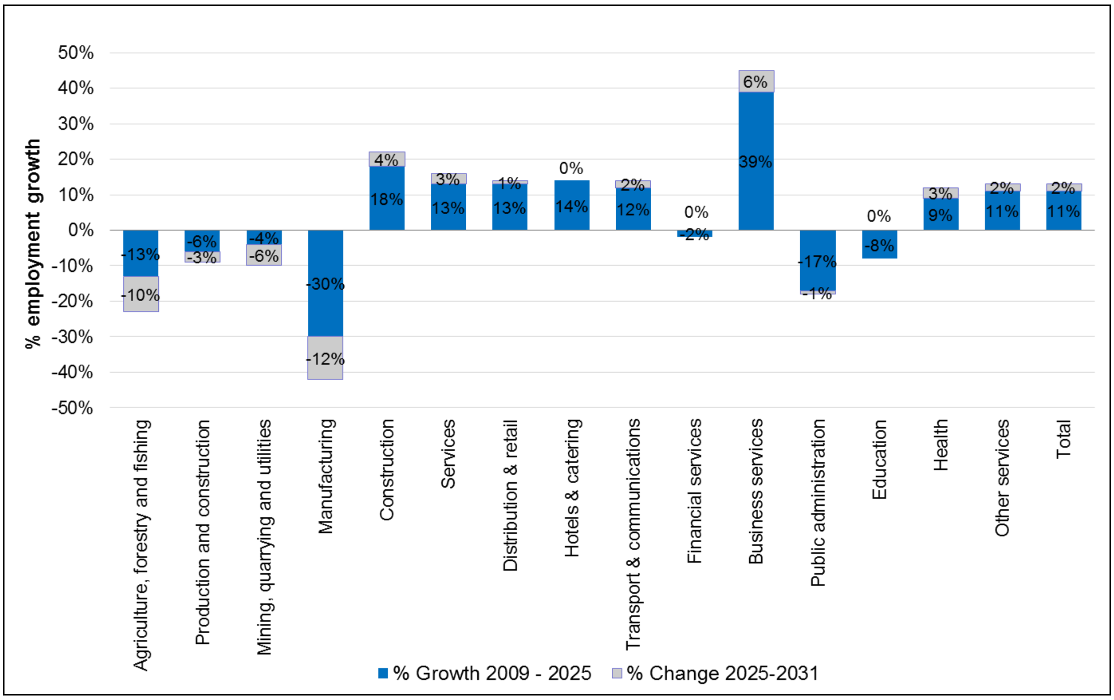
- Winchester is likely to see a decline in its working age population in both the short and long term future, whereas the reverse is true for the south east region as a whole. This could result in a decline in workspace demand from local residents although the extent of this decline will be dependent on how far individuals choose to work beyond the age of 65.
- If there is an overall fall in the number of Winchester residents that work, this may also result in more in-commuting from surrounding areas to jobs in Winchester district, which in turn would mean that the proximity of workspace to transport links could become more important.
- The Winchester working age population has a higher level of self-employment than at a regional and county level. This could result in a relatively high proportion choosing to run home-based businesses, or to want occasional use of formal workspace.

General sectoral change

3.15 This section examines how the sectoral make-up of the Winchester district is likely to change in the future, both in terms of sources of employment, and sources of workplaces.

3.16 Figure 3-4 shows that between 2009 and 2031 the business services sector is forecast to grow by the largest proportion (45 per cent) with substantial rises also expected in construction employment. In contrast, manufacturing is projected to lose a large proportion of its jobs (42 per cent) over the same period, with steep falls in employment levels also likely to be seen in agriculture and public administration.

Figure 3-4: Projection of employment growth by sector in Winchester (2009-2031)



Source: BRES, OEF, DTZ

3.17 These expected future changes are based primarily on past trends, and may not adequately reflect particular local circumstances (for example, significant closures or inward investment) or relatively new factors (for example, there is some evidence that the trend to move production and low value service activities offshore is reducing as firms reassess the balance of advantage in the light of problems such as quality assurance, complex and expensive logistics, and the separation of production from R&D).

3.18 As shown by Table 3-8 below, in terms of the number of workplaces in Winchester for 2012, 'Professional, scientific and technical' formed the largest group, accounting for 19 per cent of all Winchester workplaces (1,385 of 7,155). Retail accounted for the next highest proportion, standing at 12 per cent (835).

Table 3-8: Number of workplaces[10] in the Winchester LA by sector, 2012

Sector	Number of workplaces	Total proportion
Professional, scientific & technical	1,385	19%
Retail	835	12%
Construction	665	9%
Information & communication	610	9%
Business administration and support services	475	7%
Arts, entertainment, recreation and other services	460	6%
Agriculture, forestry & fishing	420	6%
Health	385	5%
Production	330	5%

[10] Considered to be an individual site (for example a factory or shop) in an enterprise that is VAT and/or PAYE registered.

Sector	Number of workplaces	Total proportion
Accommodation & food services	330	5%
Wholesale	270	4%
Property	255	4%
Motor trades	180	3%
Education	175	2%
Finance & insurance	160	2%
Transport & storage (inc. postal)	130	2%
Public administration and defence	90	1%
TOTAL	7,155	100%

Source: ONS (PAYE Based Enterprises). Based on UK 2007 SIC codes

What this may mean for workspace demand in Winchester

- Winchester is projected to see employment growth in business services and construction, and declines in manufacturing and public administration. Future workspace provision will need to take these trends into account and ensure that facilities and terms are appropriate to the sectors likely to be driving demand.
- Looking at the District as a whole, currently the two industries with the largest share of Winchester workplaces are 'professional, scientific, and technical' and 'retail.' In the short term, these sectors will drive the demand for commercial property at a District level.

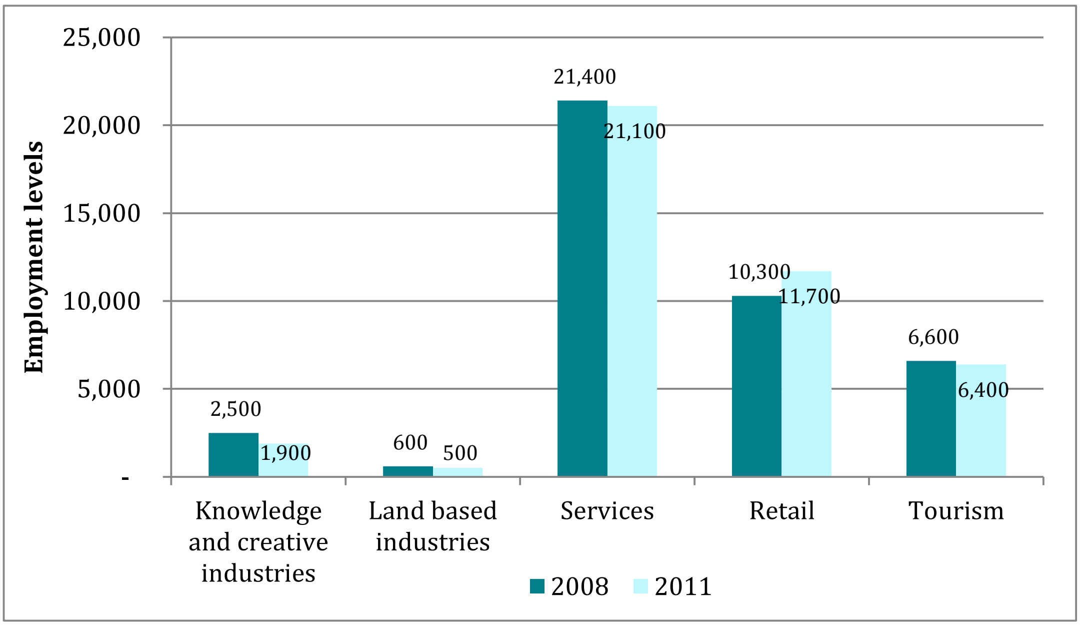
Trends within Winchester's key sectors

3.19 This section analyses business and employment trends in Winchester City Council's priority sectors.

3.20 A primary focus for this study is the trends within five priority sectors identified by Winchester City Council: knowledge and creative industries; land based industries, services, retail, and tourism. The categories used in Table 3-8 do not all match these priority sectors and as a result, SQW has used more detailed SIC code classifications to produce definitions for each of the five priority sectors. These definitions are detailed in Annex A.

3.21 Based on these definitions, we have been able to assess the employment levels in Winchester for each of the five priority sectors. As indicated in Figure 3-5, in both 2008 and 2011, 'services' accounted for by far the largest share of all employment within Winchester District (30 per cent in 2008 and 29 per cent in 2011). Figure 3-4 demonstrated the retail sector's strong presence within the Winchester economy and this is reinforced by the data in Figure 3-5 which shows 'retail' accounting for the second largest proportion of Winchester jobs (of all the priority sectors). Indeed, the 'retail sector' was the only sector to see a net rise in employment levels between 2008 and 2011 (equal to 13 per cent)

Figure 3-5: Employment levels within Winchester District for each for the key sectors (2008 and 2011)



Source: BRES. All figures rounded to the nearest 100. Total Winchester employment across all sectors is 70,160 (in 2008) and 72,627 (in 2011)

3.22 Between 2008 and 2011, there were net falls of 26 per cent (600 jobs) in employment within 'knowledge and creative industries', and of 12 per cent (100 jobs) in 'land based industries'.[11]

Spatial analysis

3.23 Aside from the focus on specific sectors, this study has also analysed trends in the following sub-areas within Winchester District:

- Winchester Town
- South Hampshire Urban Areas that fall inside the District
- Market towns within the District that lie outside of Winchester Town
- Rural areas within the District that lie outside of Winchester Town

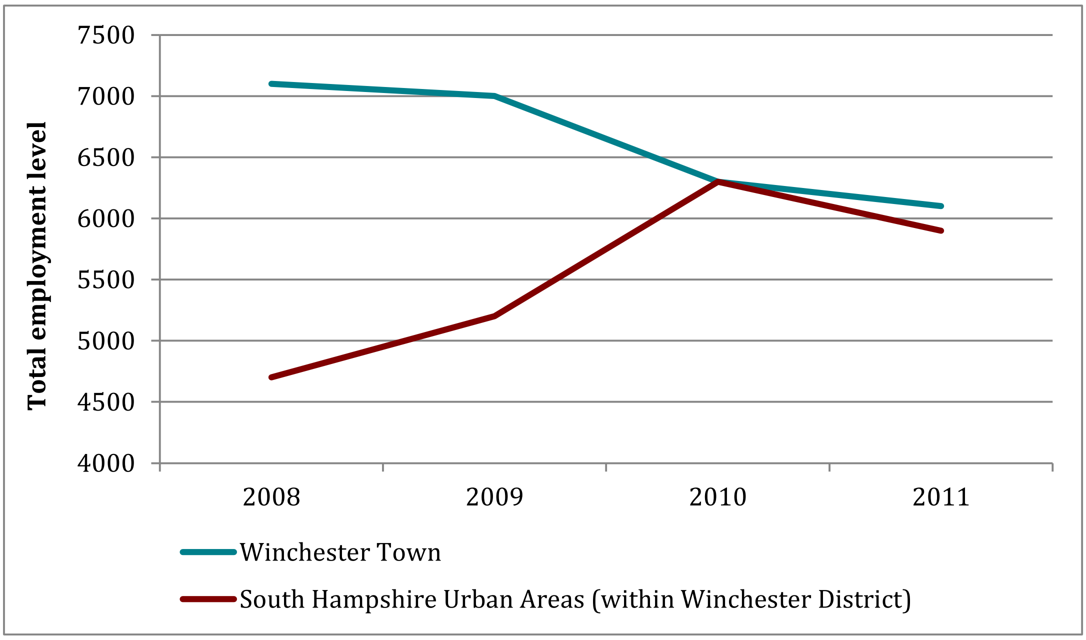
3.24 In undertaking this data analysis, we have only been able to collect data in relation to the first two spatial areas. For the remaining two, robust employment data do not exist owing to the small numbers present in the rural areas, and the difficulties in producing reliable geographies for the market towns. There are standard statistical geographies that adequately cover Winchester Town and the South Hampshire Urban Areas so SQW has developed proxy geographies for which definitions are included in Annex B.

[11] These changes are quite stark. One factor for such large falls may have been the economic downturn but conversely, may be caused by statistical anomalies (e.g. misreporting of figures in the original dataset) and therefore may not accurately depict true trends.

3.25 The following series of charts show recent employment trends in Winchester Town and the South Hampshire Urban Areas for each of the priority sectors.[12]

3.26 As indicated in Figure 3-6, between 2008 and 2011, employment levels within the services sector have steadily risen in the South Hampshire Urban Areas, albeit with a drop between 2010 and 2011. In contrast, services sector employment levels within the Winchester Town area saw year-on-year falls. One of the key points to note is that employment levels in the services sector have converged fairly rapidly between the two areas. Although by 2011 employment levels were still higher in Winchester Town, it has become apparent that those parts of South Hampshire Urban Areas within the district are attracting an increasing amount of services sector employment.

Figure 3-6: Employment levels within the 'Services' priority sector



Source: BRES. Figures to the nearest 100. Geographies defined by SQW and Winchester City Council

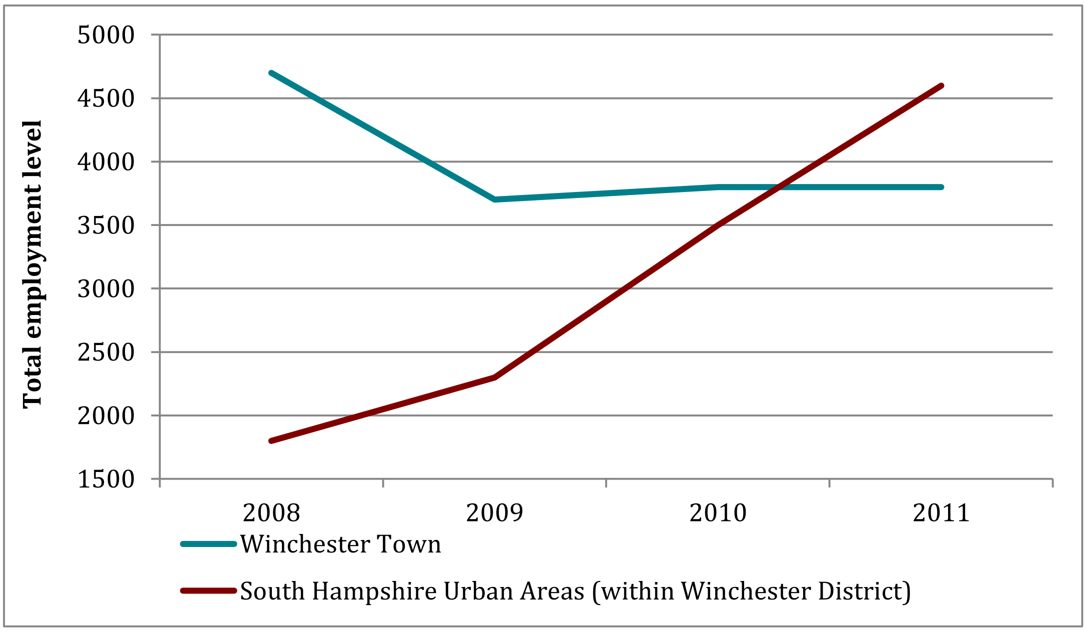
3.27 A similar story is seen with retail sector employment as depicted in Figure 3-7. Again, there was a strong disparity in employment levels in 2008 but by the end of the period, the levels in Winchester Town and the South Hampshire Urban Areas had converged. Following a sharp decline between 2008 and 2009, for the remainder of the period retail employment within Winchester Town remained fairly static. In contrast, throughout the whole period 2008 to 2011, retail employment within the South Hampshire Urban Areas has risen quite steadily, to

[12] In some cases there are instances, especially with 'services' where the combined employment levels in Winchester Town and the South Hampshire Urban Areas only make up a small proportion of the total Winchester LA employment levels indicated in Figure 3-5, suggesting that the rural areas and market towns account for the bulk of employment. For 'services' at least this might be explained by the large number of offices based at the Solent Business Park, a site that straddles the South Hampshire Urban Areas and the District's rural areas.

In other cases however, the small levels of employment attributed to the Town and South Hampshire Urban Areas is likely to be unrealistic. The ONS sources used are generally trustworthy so they have not been disregarded. However, given the possible accuracy issues, we only able to comment on broad l trends in each area as the specific values if used on their own may not be robust.

the point that by 2011, its retail employment levels were higher than that of the Winchester Town area.

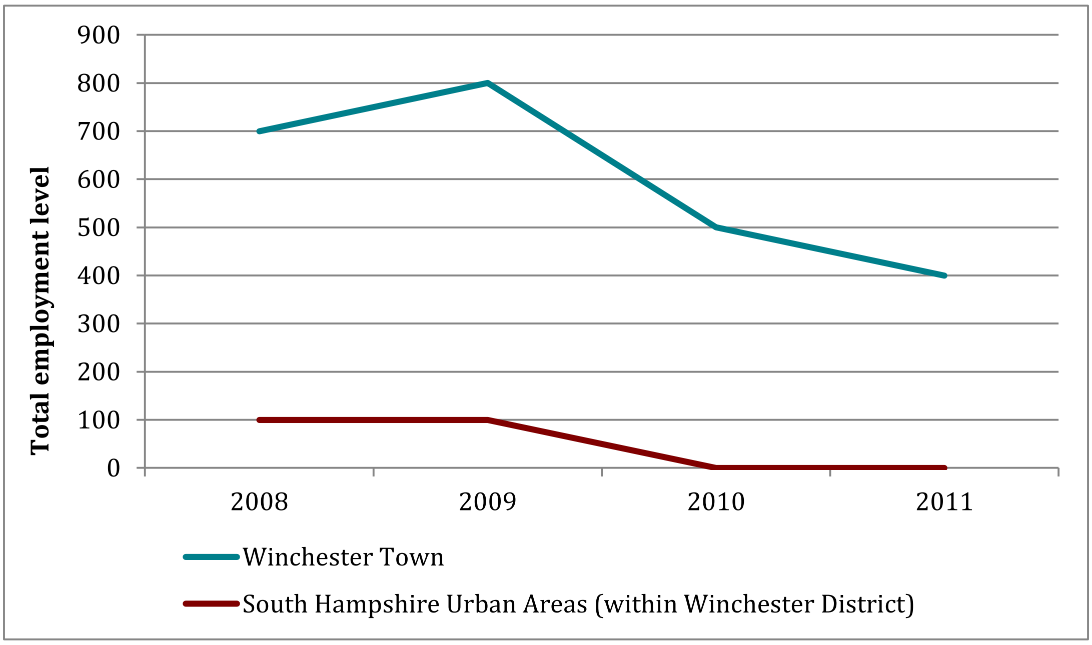
Figure 3-7: Employment levels within the 'Retail' priority sector



Source: BRES. Figures to the nearest 100. Geographies defined by SQW and Winchester City Council

3.28 However, in some of the other priority sectors, Winchester Town has retained its dominance in terms of employment levels. This is indicated in Figure 3-8 which shows that throughout the whole period, employment within the knowledge and creative industries has been substantially higher in Winchester Town than in the South Hampshire Urban Areas. Indeed for 2010 and 2011, The South Hampshire Urban Areas only had a very small number of people employed in the sector. The chart also indicates that between 2009 and 2011, employment levels in the knowledge and creative industries declined in both areas.

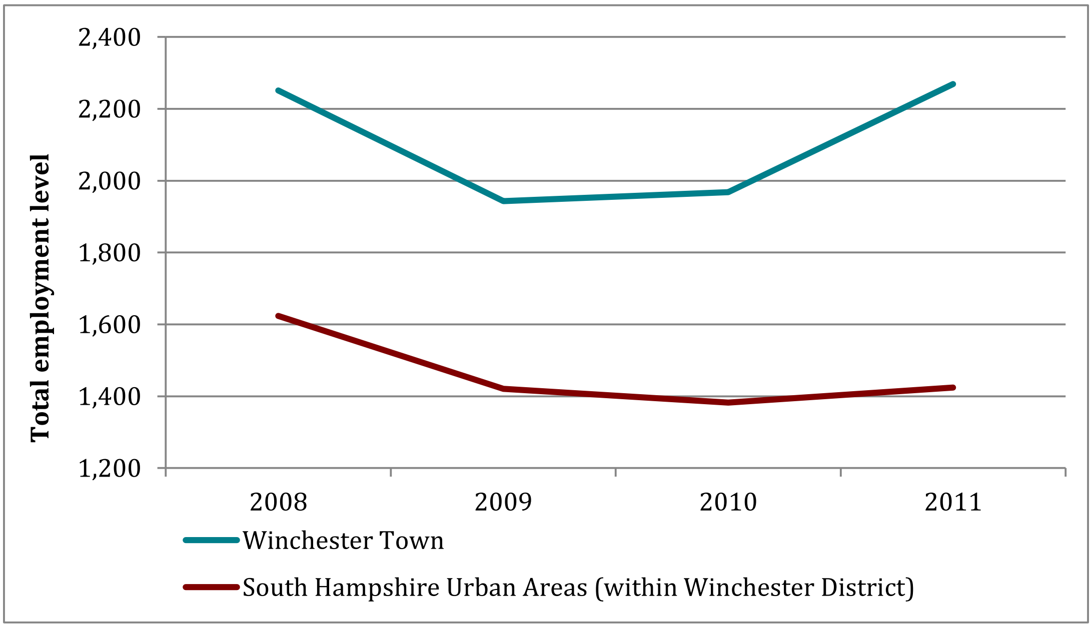
Figure 3-8: Employment levels within the 'knowledge and creative industries' priority sector



Source: BRES. Figures to the nearest 100. Geographies defined by SQW and Winchester City Council

3.29 Figure 3-9 indicates Winchester Town's comparative strength in tourism. Over the 2008 to 2011 period, employment in tourism was considerably higher in the Town area than within the South Hampshire Urban Areas. In both areas though, employment levels have fluctuated, making it difficult to identify long term trends in the sector.

Figure 3-9: Employment levels within the' tourism' priority sector



Source: BRES. Figures to the nearest 100. Geographies defined by SQW and Winchester City Council

3.30 The one priority sector where the South Hampshire Urban Areas has provided considerably more employment than Winchester Town has been the land based industries. As shown in Table 3-9, the Town between 2008 and 2011 had no employment within this priority sector.

In contrast, The South Hampshire Urban Areas recorded employment in this sector for each of the four years concerned. However, under the terms of usage for BRES data, figures have had to be rounded to the nearest 100, meaning that totals of 0 are stated for 2009-2011.

Table 3-9: Employment levels within the 'land based industries' priority sector

	2008	2009	2010	2011
Winchester Town	0	0	0	0
South Hampshire Urban Area (within Winchester District)	200	0	0	0

Source: BRES. Figures to the nearest 100. Geographies defined by SQW and WCC.

What this may mean for workspace demand in Winchester

- Of the priority sectors, 'services' accounts for by far the largest share of total employment within the District. Again, this sector is likely to be a key driver of workspace demand within Winchester in the short term
- Within the South Hampshire Urban Areas, in recent years employment levels have risen particularly amongst the 'retail' and 'services' sectors. These rises has been very rapid and may indicate a broader change in the types of businesses that are now based in South Hampshire Urban Areas
- Employment within 'tourism' and 'knowledge and creative industries' has historically been much higher in Winchester Town than in the South Hampshire Urban Areas. Given the importance of these sectors to the local economy, there may be a case for specialist workspace provision in the Winchester Town to address this demand.

Commuting patterns

3.31 This section examines recent commuting trends in Winchester and compares them to other nearby urban centres: Basingstoke & Deane and Southampton

Table 3-10: Commuting patterns within the Winchester District

Outward from Winchester Commuting Flows			
	Number of Winchester residents who commute out	Number of Winchester residents in employment	% of Winchester residents that work elsewhere
2010	26,712	54,774	48.8%
2011	25,306	54,929	46.1%
Inward to Winchester Commuting Flows			
	Number with Winchester as their workplace	Number who work in Winchester but live elsewhere	% of Winchester workforce that live elsewhere
2010	58,337	30,275	51.9%
2011	61,293	31,670	51.7%

Source: Annual Population Commuter Flows

3.32 As demonstrated by Table 3-10, for 2010 and 2011, the number of people commuting into Winchester district to work was higher than the number of Winchester residents commuting to work outside the district. Winchester is not the only district in the region to experience this phenomenon with the same also occurring in Southampton. In Basingstoke & Deane in contrast, more people commute out than commute into the area to work.

It is also worth noting that compared to Southampton and Basingstoke, the overall proportions of inward and outward commuting are higher for Winchester. This suggests that compared to other nearby urban centres, the Winchester workforce is considerably more mobile (or at least is prepared to be more mobile).

Table 3-11: Commuting patterns for Southampton

Outward from Southampton Commuting Flows			
	Number of Southampton residents who commute out	Number of Southampton residents in employment	% of Southampton residents that work elsewhere
2010	40,073	114,772	34.9%
2011	40,208	121,230	33.2%
Inward to Southampton Commuting Flows			
	Number with Southampton as their workplace	Number who work in Southampton but live elsewhere	% of Southampton workforce that live elsewhere
2010	132,374	57,675	43.6%
2011	142,980	61,958	43.3%

Source: Annual Population Survey Commuter Flows

Table 3-12: Commuting patterns for Basingstoke & Deane

Outward from Basingstoke Commuting Flows			
	Number of Basingstoke residents who commute out	Number of Basingstoke residents in employment	% of Basingstoke residents that work elsewhere
2010	31,730	85,201	37.2%
2011	38,755	89,030	43.5%
Inward to Basingstoke Commuting Flows			
	Number with Basingstoke as their workplace	Number who work in Basingstoke but live elsewhere	% of Basingstoke workforce that live elsewhere
2010	80,593	27,122	33.7%
2011	77,365	27,090	35.1%

Source: Annual Population Survey Commuter Flows

3.33 In 2010, of those living in Winchester but working elsewhere, 11.8 per cent (3,164) worked in Southampton, 10.4 per cent (2,765) worked in Portsmouth, and 10.0 per cent (2,679) worked in Fareham. In 2011, the three most popular work destinations for residents of

Winchester district were Portsmouth (18.1 per cent, 4,572), Fareham (3,766, 14.9 per cent), and Eastleigh (6.6. per cent, 1,681).[13]

3.34 Of those working in Winchester but living elsewhere, a quarter lived in the Test Valley (25.1 per cent, 7,859 in 2010; and 23.5 per cent, 7,101 in 2011). In both years, Southampton and Eastleigh were the two next most popular areas of residence.

What this may mean for workspace demand in Winchester

- More people commute into Winchester district than commute out. This willingness to travel into Winchester for work suggests there is likely to be continued demand for commercial property within the District
- Both residents of and workers in Winchester seem to be mobile, especially when compared to nearby urban centres. Therefore demand for workspace in the future may not necessarily come from Winchester residents
- With notable numbers of those working in Winchester actually living in the Test Valley, Southampton and Eastleigh, it may be appropriate to locate future workspace in areas that are easy to reach from there.

3.35 Having established the economic context in which Winchester businesses operate in, and how this might affect the overall demand for commercial workspace, we now consider the response to the survey of businesses undertaken as part of the work programme.

[13] Annual Population Survey commuting flows are derived from sample surveys which seek to capture 1 per cent of the working population. However, these sample surveys can be subject to sampling errors and incorrect coding of responses, both of which may affect the trends depicted.

4. Assessment of demand side factors affecting workspace demand

Introduction

4.1 This section of the report examines the demand side factors that will affect current and future workspace demand. It primarily draws on the results of an online survey distributed to Winchester based businesses between 4th April and 29th May 2013. Annex C provides a list of the questions asked.

4.2 A total of 52 respondents provided complete responses to the survey and using these, this chapter looks at:

- the types of firms that have responded to the survey
- the type and size of workspace that respondents currently operate in
- the adequacy of respondents' current workspace
- respondents' ideal workspace
- respondents' views on the availability of suitable workspace within Winchester District

The respondents and survey sampling

4.3 The results described in this chapter should be treated with a degree of caution given that the respondents only account for a small proportion of the total business community within Winchester. Furthermore, respondents are 'self-selected' rather than being part of a representative sample[14].

4.4 Taking these points into account, the results here can only be said to accurately represent the views of the 52 respondents involved and may not in all cases reflect the views of Winchester businesses as a whole. Where possible, we have indicated how likely the results are likely to equate with views across the whole Winchester business community.

Profile of respondents

Location

4.5 By and large, the respondents are located in postcodes that are generally within urban areas and/or market towns. Of the 52 respondents, a quarter (25 per cent, 13) were based in either SO23 or SO21 (encompassing the Winchester Town area). Additionally, 21 per cent (11) came from either PO15 or PO7 (encompassing the South Hampshire Urban Areas), 15 per cent (8)

[14] It is not possible to judge how the mix of respondents differs from the mix of firms in the whole population of Winchester businesses due to a lack of relevant information on the whole population (e.g. in relation to their size, and sector they operate in)

from SO32 (encompassing Bishop's Waltham) and 13 per cent (7) from SO24 (encompassing New Alresford).

4.6 Of all the respondents, eight (15 per cent) stated that they were not currently based within Winchester district. The majority of the survey respondents are therefore located within the primary area of study.

Age of businesses

4.7 Respondents were asked to state the year in which their business was established. A total of 48 respondents provided valid answers with Table 4-1 showing the categories they fell into.

Table 4-1: When respondents stated their businesses had been established

	Number of respondents	Per cent
Pre-1980	6	13%
1980-1984	4	8%
1985-1989	3	6%
1990-1994	7	15%
1995-1999	3	6%
2000-2004	7	15%
2005-2009	9	19%
2010-2013	9	19%

Source: SQW. Base = 48

4.8 As shown. 38 per cent (18) of respondent firms have been established since 2005, and half of these since 2010. In addition, 21 per cent of respondent businesses (10) were established in the period 1990-1999.

Size of respondent firms

4.9 Respondents were asked to state the total number of FTE (full-time equivalent) employees in their firms. In all, 47 provided valid responses with Table 4-2 showing the categories that they fell into.

Table 4-2: Number of FTE employees that respondents stated they had

	Total number of FTE employees	Per cent
Less than 1	1	2%
1-5	22	47%
6-10	11	23%
11-15	4	9%
16-20	1	2%
21-25	1	2%
26-30	1	2%
31-35	1	2%

	Total number of FTE employees	Per cent
36-40	2	4%
40+	3	6%

Source: SQW. Base = 47

4.10 As shown, the respondents have largely been small organisations with 72 per cent (34) having ten or less FTE employees

Sector of respondents firms

4.11 All respondents were asked to state from a list of options, what their primary business sector and activity was. Fifty-one offered a response to the question and as detailed in Table 4-3 below, of which 25 (49 per cent) stated that they were part of an 'Other' sector. Of those that classified themselves as 'other,' 20 per cent (5) stated in an open response question that they were involved in IT or software. Additional answers included machinery sales, self-storage, creative events, and management consultancy.

Table 4-3: Responses to the question 'What is your primary business activity / sector?'

	Number of respondents	Per cent
Other	25	49%
Knowledge and creative industries	10	20%
Manufacturing	6	12%
Construction	3	6%
Retail	3	6%
Other services	2	4%
Agriculture, forestry and fishing	1	2%
Tourism	1	2%
Public administration	0	0%
Wholesale trade	0	0%
Finance, insurance and real estate	0	0%
Transportation and public utilities	0	0%

Source: SQW. Base = 51

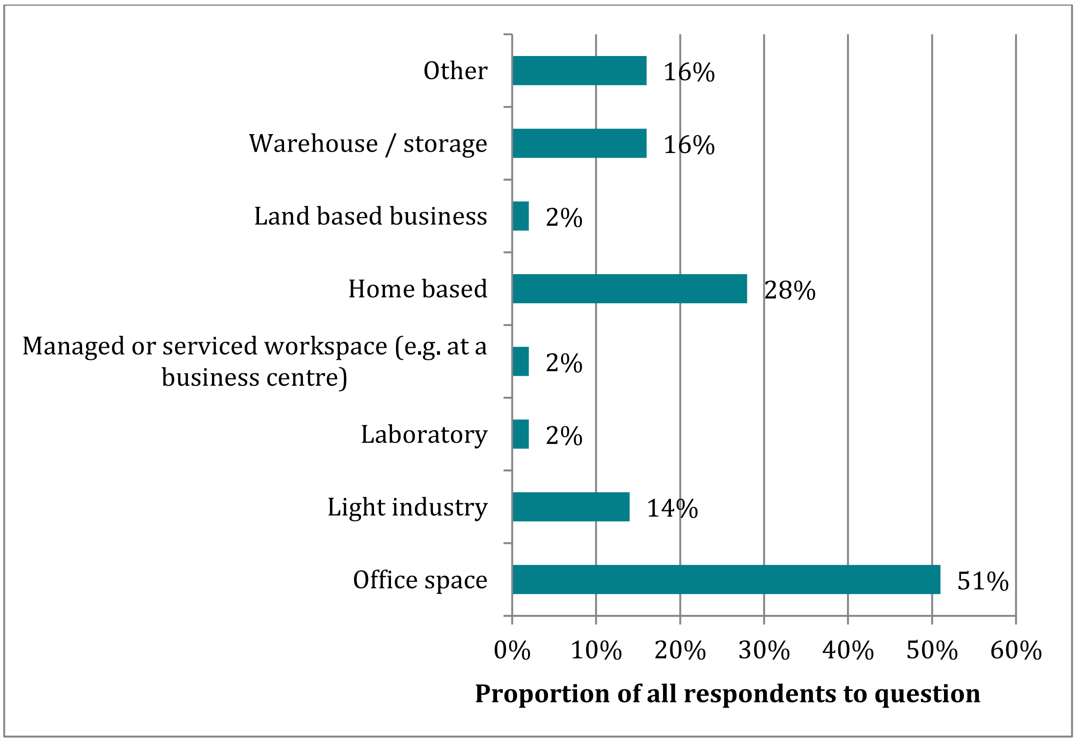
4.12 Other sectors that accounted for a large proportion of respondents were the knowledge and creative industries (20 per cent, 10) and manufacturing (12 per cent, 6).

Nature of respondents' current workspace

4.13 Overall, 31 respondents provided details on the size of their current workspace within Winchester. Of the 31 that answered the relevant question 39 per cent (12) said that their workspace was less than 100 sq m in size and 23 per cent (7) being property that was 500 s qm or larger.

4.14 Respondents were also asked to comment on the type of workspace they currently operate in and were able to select multiple options from a list provided. A total of 43 respondents provided valid responses to this question. As Figure 4-1 shows, over half the respondents here stated that they were in office space (51 per cent, 22) and 28 per cent (12) said that they were home based.

Figure 4-1: Answers provided by respondents when asked 'What type of workspace do you currently operate in?'



Source: SQW. Base = 43

4.15 A range of 'other' responses were provided including 'artist studio', 'garage' and 'manufacturing.'

Facilities and quality

4.16 Amongst the respondents, lease terms of commercial property vary considerably. Although 31 per cent (12 of 39) have freehold ownership, the remaining responses were distributed more or less equally between "easy in/out" leases, short leases, medium leases, and long leases. In addition, only one respondent said that their business accommodation was less than five years old, with 56 per cent (23) being in property that was relatively old.[15]

4.17 As Table 4-4 shows, respondents were divided as to how suitable they believed their workspace to be. Just over half (51 per cent) that answered the relevant question, believe that their current workspace is adequate but 23 per cent (10) stated that they are keen to relocate to new premises in the immediate future.

[15] More than 20 years old.

Table 4-4: Responses when asked 'Thinking about the adequacy of your current business accommodation, which of the following statements is true

	Total no. of responses	Per cent
Our current workspace size is appropriate for our foreseeable needs	22	51%
Our current workspace is large enough for our current needs but we will need more space in the next 1-2 years	11	26%
Our current workspace is too small and we are actively looking for more space	10	23%

Source: SQW. Base = 43

4.18 The responses here suggest a level of concern amongst respondents surrounding the state of existing commercial workspace. This is supported by responses to another question, in which 40 per cent (17 of 42) indicated that their present site lacked appropriate facilities. There is some concern in particular about the state of broadband connectivity at present. Only 45 per cent (19 of 42 responses to the appropriate question) stated that they were satisfied with the availability of broadband connectivity while several others highlighted the inadequacy of existing broadband in an open text question.

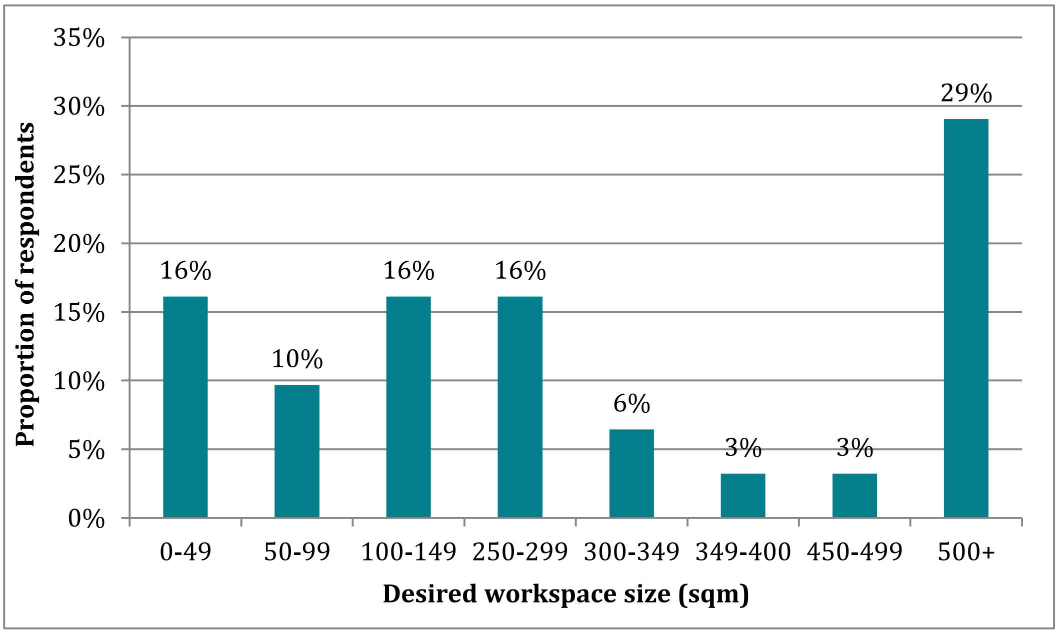
Respondents' ideal workspace

Size, type, and terms

4.19 Respondents were asked to comment on the size of their ideal workspace. Thirty-one provided a valid response to the question and the results are summarised in Figure 4-2 below. Workspace larger than 500 sq m was required by 30 per cent of respondents (9).

4.20 Nearly half (ten of 24) the responses indicated that they would want space for fewer than five desks, which is consistent with the finding that half the respondents have five or fewer FTE employees.

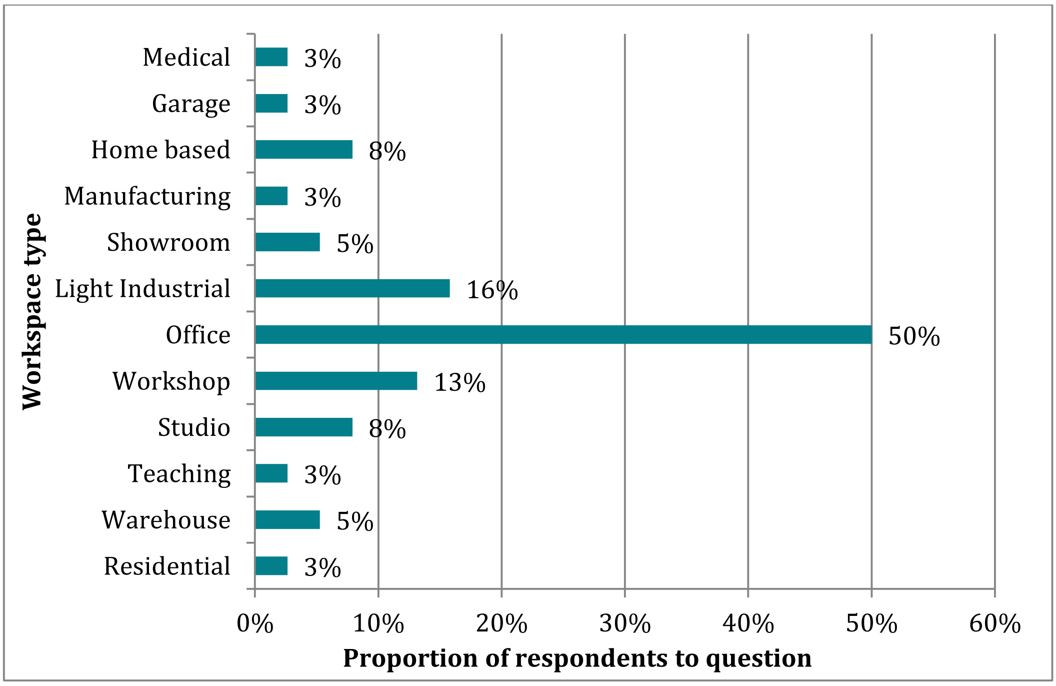
Figure 4-2: Desired workspace size amongst respondents



Source: SQW. Based = 31

4.21 As well as the size of their ideal workspace, respondents were also able to comment on the particular type of workspace that they would like to be located in. Figure 4-3 summarises the responses to an associated question, made by 38 individuals via an open text question. As shown, among those that responded, there is strong demand for office space (50 per cent). There is also reasonable demand for light industrial and workshop space (cited by 16 and 13 per cent respectively).

Figure 4-3: Summary of responses when asked about their preferred workspace type



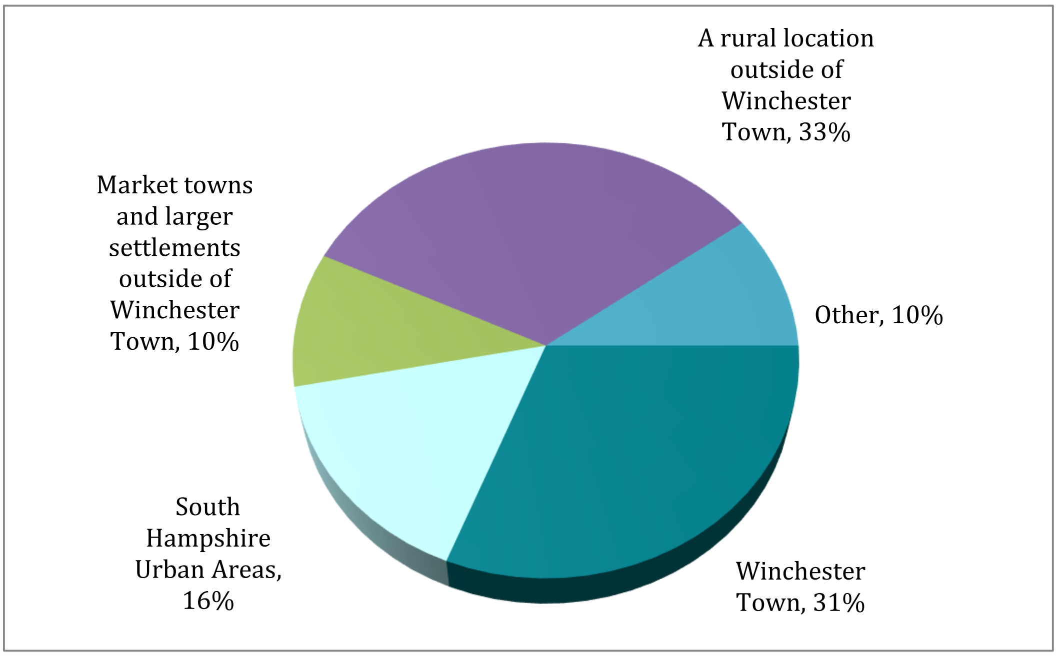
Source: SQW. Base = 38

4.22 Generally speaking, the respondents stated a preference for having workspace where they could be based for a longer term period. Fifty provided valid responses to the question 'What would be your preferred basis of occupation?' with most frequently cited responses being 'freehold ownership' (40 per cent, 20) and 'medium lease (3-10 years)' (20 per cent, 10). Only 16 per cent of responses (8) stated a preference for "easy in/out" licences (in contrast, 12 firms stated a desire for easy in-easy out terms in their response to a later question – see Table 4-5).

Location

4.23 Amongst the respondents, the two most popular areas for locating workspace are within Winchester Town (31 per cent, 15) and rural locations outside of Winchester Town (16, 33 per cent) with both attracting similar levels of response. As shown by Figure 4-4, five respondents would prefer to be based in the market towns outside Winchester Town, and eight within the South Hampshire Urban Areas.

Figure 4-4: Responses when asked 'What would be your preferred location within Winchester?'



Source: SQW. Base = 49

Desired features and facilities

4.24 Respondents were asked to select the features and factors listed in Table 4-5 that they felt were most important when choosing workspace. Fifty respondents answered this question. As shown, there are three factors that they considered to be especially important in comparison to the others: the level of property and running costs, the availability of high speed internet, and having car parking spaces for all employees.

Table 4-5: Factors and features that respondents said would be most important in their choice of workspace

	Total	Per cent
Property costs (e.g. rent, rates, utilities)	38	76%
High speed internet	33	66%
Car parking spaces for all employees	29	58%

	Total	Per cent
Proximity to Winchester	16	32%
Having on-site kitchen facilities	15	30%
Proximity of customers	13	26%
Availability of "easy in/out" terms	12	24%
Easy access to London	9	18%
Access to meeting rooms	8	16%
Quality and availability of local labour	8	16%
Costs of wider services (e.g. building maintenance, cleaning, security)	6	12%
Proximity to Southampton and Portsmouth	5	10%
Cost of living (e.g. house prices, tax rates, cost of fuel and food)	5	10%
Proximity to suppliers	4	8%
Availability of conference facilities	2	4%
Provision of on-site business support	0	0%
Virtual PA services	0	0%

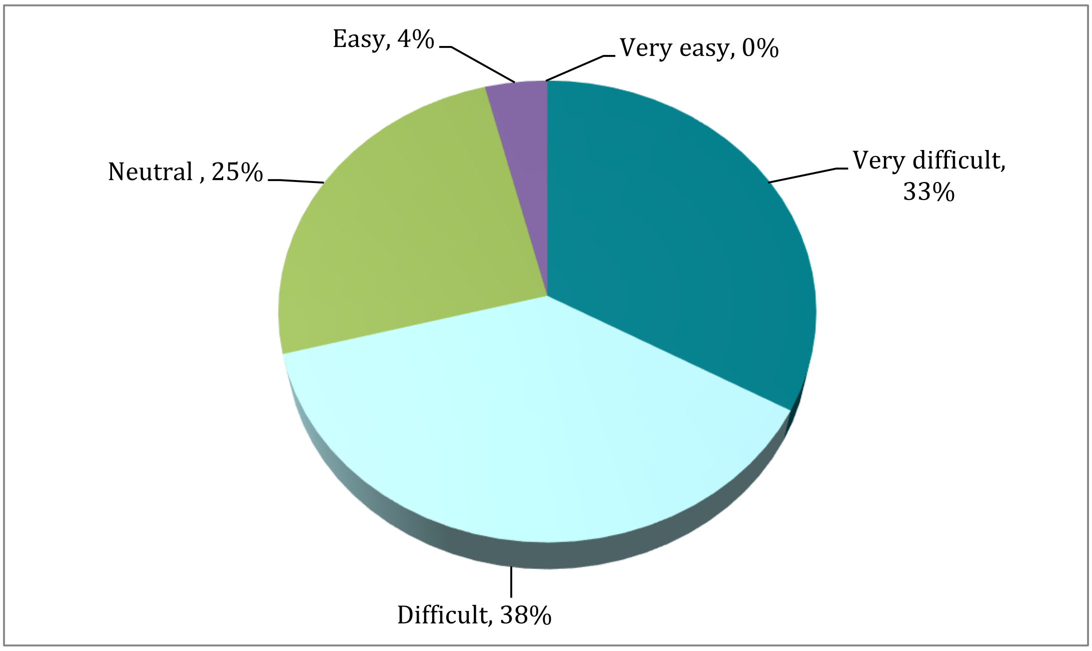
Source: SQW. Base = 50

4.25 In addition to this, respondents were also able to add any additional facilities that would be important in determining their choice of workspace. A recurring theme amongst those providing an answer was the need to be based somewhere that was easily accessible. Firms in the creative sector typically wanted easy access to trading partners and collaborators, others wanted to be close to transport infrastructure such as motorways and public transport facilities.

Availability of suitable property in Winchester

4.26 All the survey respondents answered a question relating to how easy it would be to find suitable commercial property in Winchester district at a cost that they would be willing to pay. These responses are summarised in Figure 4-5. As shown, the overwhelmingly majority have voiced concerns over the suitability and affordability of Winchester workspace with 71 per cent selecting either ‘very difficult’ or ‘difficult’ to the question. Only four cent selecting ‘easy’ and nobody selected ‘very easy’,

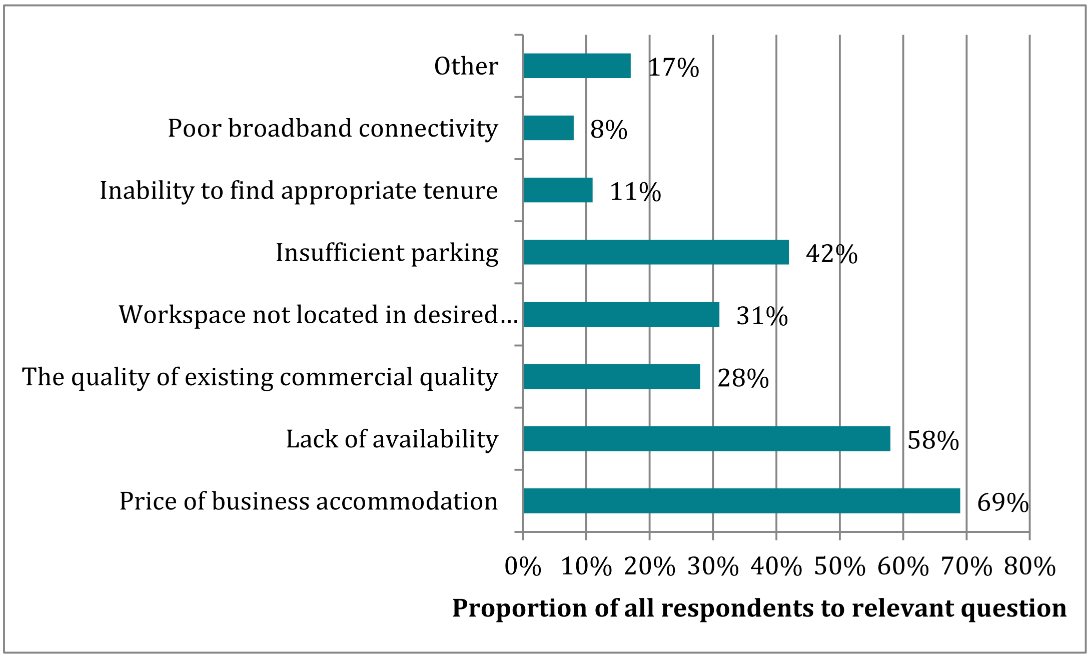
Figure 4-5: Respondents' thoughts on how easy it would be to find suitable commercial property within the Winchester district for a price they would be willing to pay



Source: SQW, Base = 52

4.27 Those that responded with either 'difficult' or 'very difficult' were offered the chance to say what constraints they faced in finding suitable and affordable workspace in the Winchester District. As indicated in Figure 4-6, a sizeable proportion of the responses stated the price of business accommodation was a barrier in finding appropriate workspace within the district. A lack of workspace availability and insufficient parking were also highlighted b as important barriers.

Figure 4-6: Responses to the question "You said that it would be difficult to find suitable property for a price that you are willing to pay. What are the factors behind this?"



Source: SQW. Base = 36

Summary

- The majority of respondents have businesses based within Winchester. Although the profile of respondents varied, many shared the following characteristics:
  - respondents have largely been small firms
  - many are young firms
  - they have predominantly been based in either in the Winchester town area, or in the South Hampshire Urban Areas
- Respondents' current business accommodation has broadly speaking:
  - been small in size
  - in premises that are not especially new or modern
  - been in many cases, office space
  - been in many cases, home-based
- Roughly half the respondents thought their current workspace would be inadequate in either the short or medium-term future. There were particular issues surrounding the lack of appropriate facilities, and inadequate broadband connectivity.
- In terms of ideal workspace, respondents generally wanted the following:
  - small units
  - primarily for office, light industrial, and workshop usage
  - freehold ownership
  - access to high speed internet, affordable property costs and rates, and car parking availability
- The most popular locations for the ideal workspace are within Winchester Town, or within the District's rural areas
- Nearly all respondents thought it would difficult to find suitable commercial property in Winchester District at a cost that they would be willing to pay. Price, lack of availability, and insufficient parking were cited as major factors behind this.

5. Supply side issues affecting workspace demand

Introduction

5.1 This section considers the supply-side issues impacting the market for workspace in the Winchester District Council administrative area. We have undertaken both primary and secondary research to assess supply-side conditions in the commercial property market.

5.2 The Enterprise M3 Commercial Property Market Study (April 2013)[16] identifies a district-wide floorspace stock of:

- Offices – 300,000 sq m
- Industrial – 400,000 sq m

5.3 A key consideration in assessing commercial property supply is whether the district has a particularly high or low vacancy rate within the overall stock of premises. A common benchmark for vacancy rates considered to be within a normal range is a figure of between 5 to 10% of the total built stock. If availability is lower than 5%, this would be indicative of a supply constraint, which could be a brake on business growth; availability of more than 10% of the floorspace stock would be indicative of oversupply and whilst this would exert downward pressure on pricing, it would also inhibit the delivery of new workspace to the market.

Overview of availability

5.4 The Enterprise M3 report considered current property availability within the LEP boundary only and noted office property vacancy of 10% (28,609 sq m) and industrial of 3% (12,311 sq m). However, vacancy within the Solent LEP area of the district was not included within this assessment, which would be necessary for a complete and accurate supply side picture of the district. In addition, the data collection for the Enterprise M3 report was undertaken in late 2011, since when new supply will have come onto the market and, indeed, some space will have been taken off the market because of take-up or withdrawal.

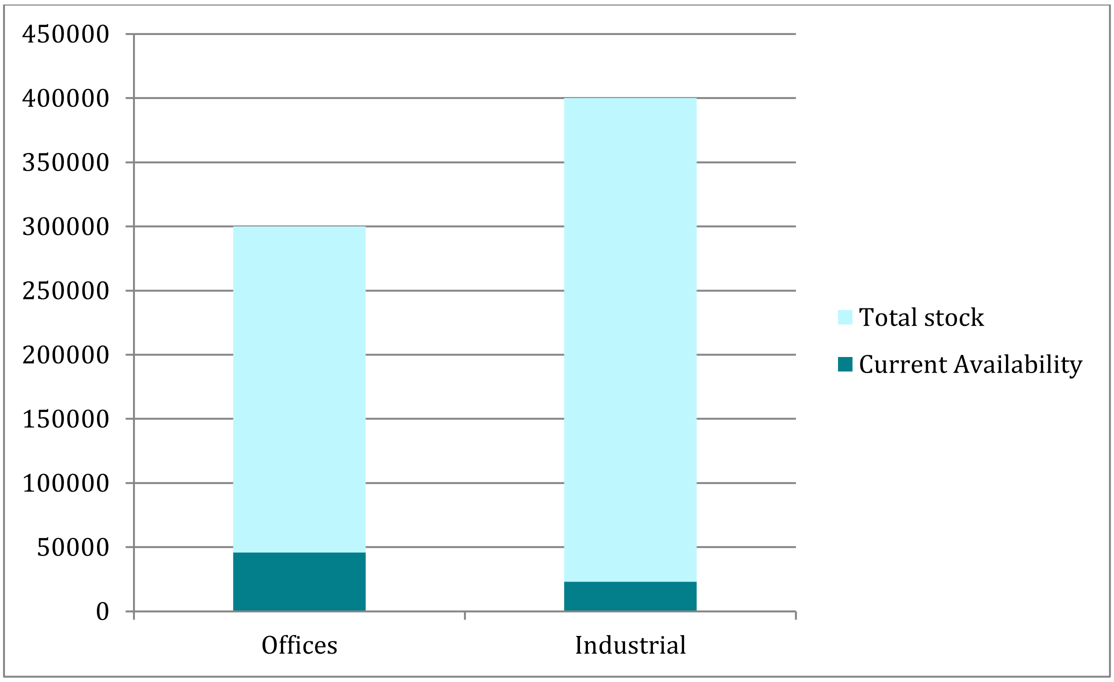
5.5 Our primary research has therefore focused on current supply trends. We have identified district-wide availability as follows:

- Offices – 45,771 sq m (15.2%)
- Industrial – 23,037 sq m (5.7%)

5.6 Figure 5-1 shows this availability in the context of total stock.

[16] Available at http://www.enterprisem3.org.uk/commercial-property-market-study/ (Accessed 3 June 2013)

Figure 5-1: Current property availability in Winchester as a proportion of total stock



Source: Hughes Ellard Research

5.7 Our initial overview, therefore, is that the industrial property availability is at the lower end of the normal range but that, district-wide, there is currently an oversupply of available office space.

5.8 The following sections consider the supply position by location within the district and, for the office markets in Winchester and Whiteley, by size range.

Principal Market Areas

5.9 The Winchester administrative area does not function as a single property market. Covering an area of 250 square miles and bordering Havant to the east and Fareham to the south, we identify the following principal commercial property sub-markets within the district:

- The Winchester Town area, including the industrial estates to the north.
- Whiteley
- Rural central Hampshire, including the three largest settlements outside the Town (Bishops Waltham, Denmead and New Alresford)

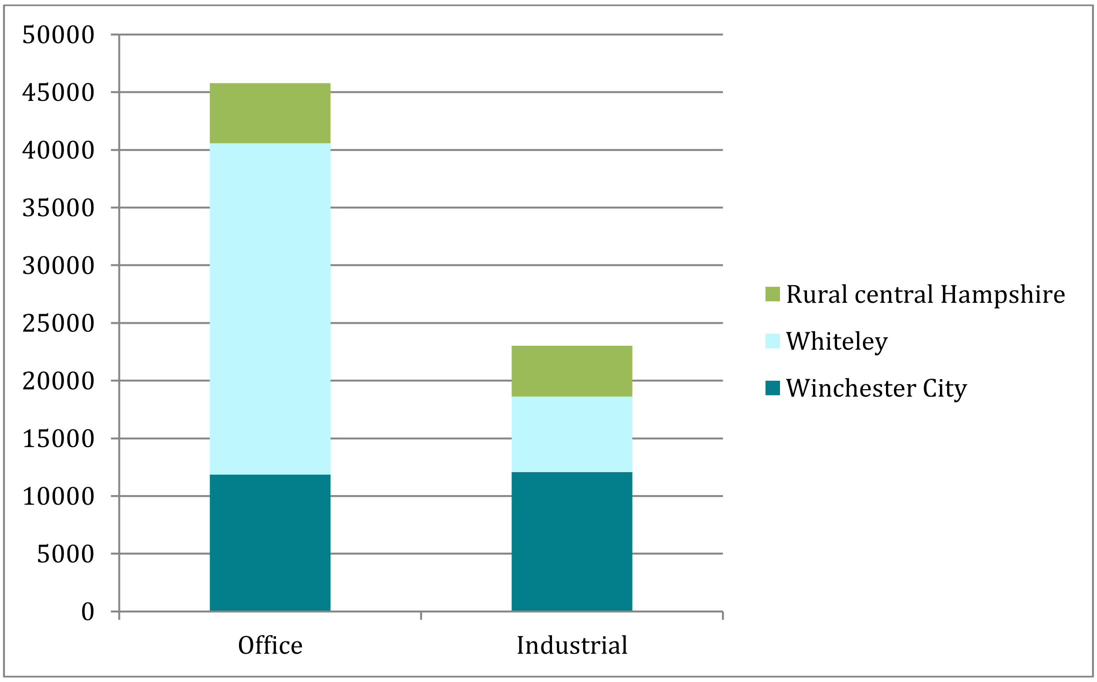
5.10 Table 5-1 and Figure 5-2 below show the geographic distribution of the overall floorspace stock and space currently on the market in the district. They look more generally at stock relating to industrial and office floorspace although more specific trends relating to the two types of space are discussed in greater detail later on in this chapter.

Table 5-1: Geographic distribution of floorspace stock and space across Winchester district

Area	Industrial			Office		
	Availability	Total Stock	% available	Availability	Total Stock	% available
Winchester Town	12,088 sq m (52.5% of total available space	120,000 sq m	10%	11,858 sq m (26% of total available space)	105,000 sq m	11.3%
Whiteley	6,517 sq m (28.3%)	73,000 sq m	8.9%	28,725 sq m (63%)	130,000	22.1%
Rural Central Hampshire	4,432 sq m (19.2%)	207,000 sq m	2.1%	5,188 sq m (11%)	65,000 sq m	8%

Source: Hughes Ellard Research

Figure 5-2: Total stock availability across the three property markets



Source: Hughes Ellard Research

Analysis by sector: offices

5.11 Whiteley represents a significant hotspot of office supply. Current availability of 28,725 sq m represents 63% of district-wide availability (75% of which comprises large buildings or suites of 2,000 sq m or more). The office property stock at Whiteley is approximately 130,000 sq m (source: Hughes Ellard Research), representing 43% of the district-wide stock of space, and 22% is currently available.

5.12 The total stock of office floorspace and availability at Whiteley by size range is shown in the Table 5-2 below.

Table 5-2: Current office floorspace and availability at Whiteley

Size range	<100 sq m		101-250 sq m		251-500 sq m		501-1000 sq m		1001 sq m +	
Number/size of buildings/suites	6	352	47	8,155	31	10,851	13	8,450	29	90,332
Current availability – number/total size	2	111	7	1,204	5	1,701	4	2,598	7	22,669
% availability by floor area	31%		14.7%		15.7%		30.7%		25.1%	

Source: Hughes Ellard Research

5.13 Table 5-2 shows a current oversupply of available space across all size ranges at Whiteley. This is particularly acute for buildings/suites of 500 sq m or more. Furthermore, the floorspace stock and availability of small units (of under 100 sq m) is understated as the Regus serviced office facility comprises a single Rating assessment.

5.14 The high level of vacancy at Whiteley means that the average office vacancy rate is 10% (within the normal range) throughout the rest of the administrative district of Winchester, although this is not evenly distributed throughout the district. The rural areas are relatively undersupplied, with current availability standing at 8%.

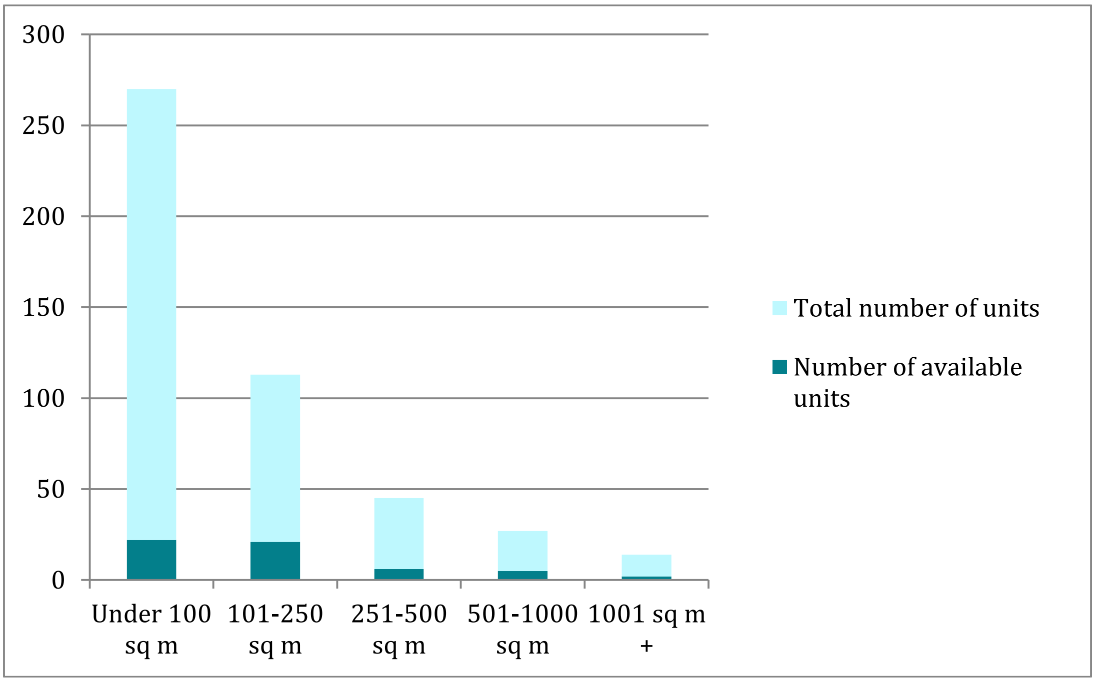
5.15 The office property stock in the Winchester Town area is approximately 105,000 sq m (source: Valuation Office Agency), currently comprising 470 "live" Rating assessments in the size ranges illustrated in the table and charts below, with overall current availability of 11.3%.

Table 5-3: Current office floorspace and availability within the Winchester Town area

Size range	<100 sq m		101-250 sq m		251-500 sq m		501-1000 sq m		1001 sq m +	
Number/size of buildings/suites	270	11,755	113	17,663	45	15,695	27	17,074	14	43,115
Current availability – number/total size	22	1,158	21	3,071	6	1,853	5	3,459	2	2,317
% availability by floor area	9.8%		17.4%		11.8%		20%		5.4%	

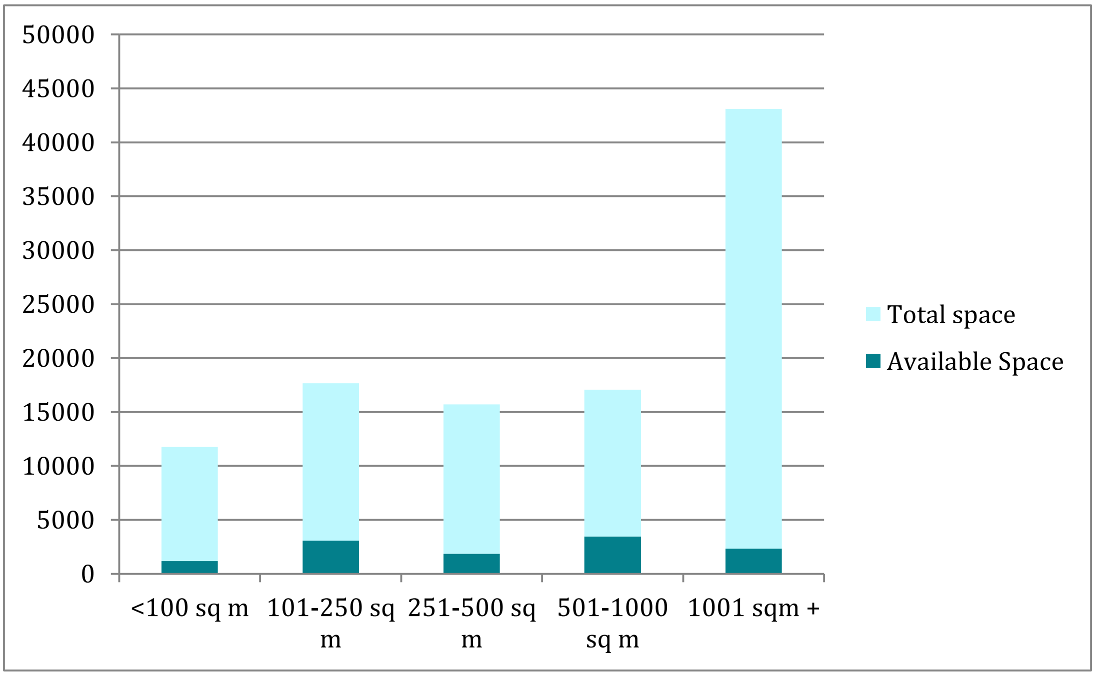
Source: Hughes Ellard Research

Figure 5-3: Availability of office units in Winchester Town



Source: Hughes Ellard Research

Figure 5-4: Availability of office floorspace in Winchester Town



Source: Hughes Ellard Research

5.16 These data indicates that, in the Winchester Town market area, there is an oversupply of available space within the 100 sq m to 1000 sq m size range (and especially for units between 101-250 sqm) with 32 of 153 units being available, a vacancy rate of 21 per cent). There is availability within the normal range for buildings/suites of under 100 sq m and over 1000 sq m, albeit there is evidence of an emerging supply constraint within the largest size category.

Analysis by sector: industrial

5.17 The Winchester and Whiteley market areas combined account for approximately half of the stock of industrial (including workshop and warehouse) space in the district. The other half is widely spread throughout the rural parts of the district and the settlements of Bishops Waltham, New Alresford and Denmead.

5.18 The Winchester and Whiteley areas both have availability within the normal market range, at 10% and 8.9% respectively. There is, however, a significant supply constraint throughout the rest of the district, with only 2.1% of built floorspace currently available, which is clearly a significant constraint for workshop-based businesses located outside of the district's urban areas.

Other market areas

5.19 The analysis in the previous section considers only the built and available supply in the office and industrial property markets, rather than land allocated for development. It should be noted that there is a significant allocation of land for development, within the District Council's administrative area, west of Waterlooville, which does not, therefore, feature in this analysis.

5.20 It is understood that construction of the road and enabling infrastructure to open up the commercial allocation west of Waterlooville will commence in early 2014. However, it is very unlikely that workspace for occupiers with smaller space requirements will be delivered before the end of 2015.

Provision of serviced business accommodation in the district

5.21 Basepoint Business Centre, situated on Winnall Valley Road, is the largest serviced accommodation provider within the Winchester Town area. The scheme comprises a total of sixty-five business suites ranging from a minimum floor area of 108 to a maximum of 692 square foot. Lettable accommodation within the centre amounts to a total of 18,304 sq ft, based on information obtained from the Valuation Office Agency website.

5.22 Further to a discussion with the centre manager in May 2013, it is understood that total vacancy within the scheme stood at 3,450 square foot –a vacancy rate of approximately 18.85%. This vacancy rate is typical for serviced accommodation that is in reasonable demand. With flexible leasing arrangements and "easy in/out" tenancy arrangements, there will usually be some "churn" of occupiers meaning that managed workspaces will rarely have occupancy levels higher than 80 per cent,

5.23 Available suites ranged in size from 188 to 383 square foot while analysis of the quoting rents suggested an applicable rate of between £30.00 and £32.50 per square foot (per annum), inclusive of all occupational costs but exclusive of VAT.

Summary

- Across the district there appears to be an oversupply of office space and a marginal undersupply of industrial property
- Winchester Town currently has the largest stock of industrial floorspace but the largest stock of available office space is in Whiteley.
- There is relatively little space available in the rural areas of the District, especially for industrial space
- Within Winchester Town, availability of small sized office units is limited (although as seen earlier there is demand for such sized workspace in the area)
- Outside of Winchester Town and Whiteley, there is limited availability of industrial workspace
- The Basepoint Business Centre, the largest serviced accommodation provider in Winchester Town, currently has a vacancy rate of around 19 per cent – a fairly typical rate for serviced managed workspace

6. Wider considerations for workspace options

6.1 Having established the demand and supply side issues that might affect the type and location of future workspace, this section now outlines some of the workspace models that could be adopted and some of the wider considerations that would need to be taken into account.

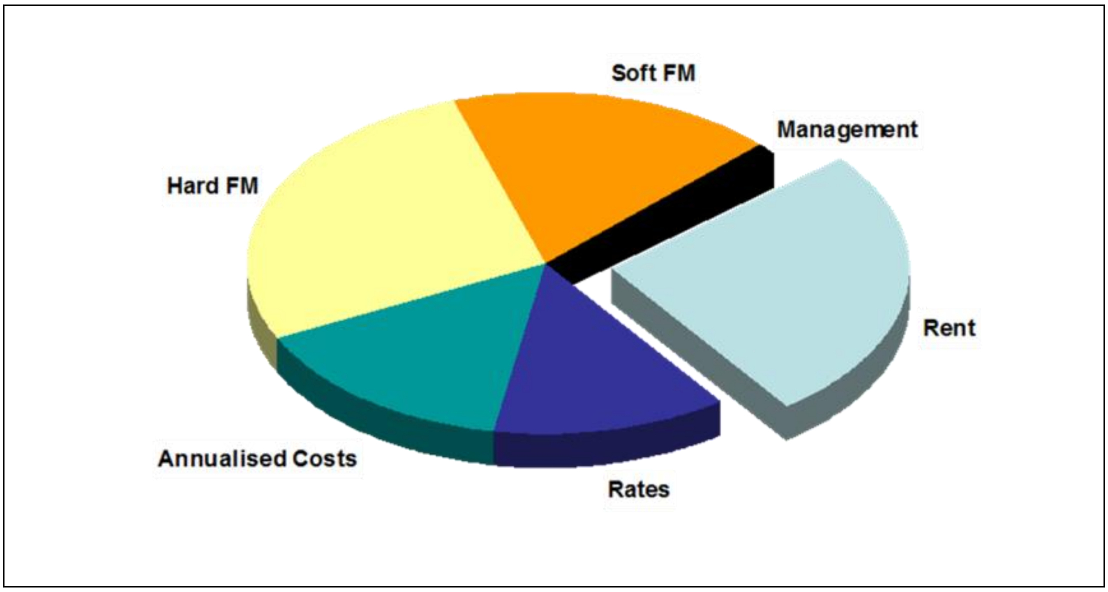
Wider factors that shape workspace demand

6.2 It is appropriate to consider the property industry in its widest context as this informs the later questions relating to deliverability of suitable workspace (types of tenure, pricing, location and terms of occupation).

6.3 When businesses select their commercial property solution there is a high degree of subjectivity in the decision making process such as location, look and feel. The market also tends to split into those companies that, for example, prefer town/city locations (café society); out-of-town business park environments; or rural locations.

6.4 It is important when analysing business survey results to understand that there is a tendency with occupiers to focus on headline costs such as rent, rates and the landlord's estate service charge rather than the total 'value-add' proposition. As illustrated in Figure 6-1 these costs typically only represent 30% of total occupancy costs. This inevitably means that many cost sensitive occupiers will focus on low rent and rates solutions but may then, for example, incur high maintenance and energy costs or damage their company image through visitors' perceptions of their premises. This is not just an issue for occupier education but it can lead to a broader quality issue that significantly influences the subjective components of the decision making process.

Figure 6-1: Typical costs associated with commercial property occupancy[17]



Source: Oxford Innovation

[17] FM refers to facilities management

6.5 One of the most significant things that occupiers, particularly early stage or high growth companies, will consider are the annualised costs. These are up-front capital costs such as furniture, IT infrastructure, office fit-out, telephony that, if purchased by the occupier, will be depreciated over a number of years. These costs will be minimal when moving into a Service Office environment but could be very high in a dilapidated building or a new building that has been finished to a developer's specification.

Possible occupancy models

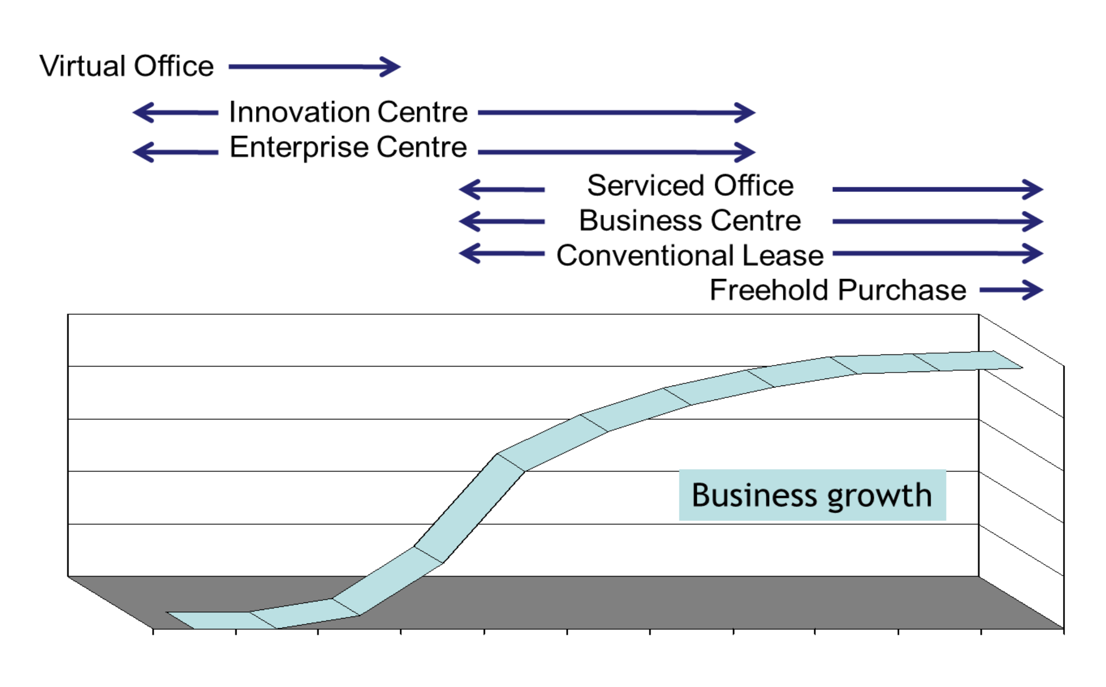
6.6 Figure 6-2 below summarises the broad range of property models that are on the market today. The two bars under each heading indicate the typical total occupancy cost ranges for good quality property solutions in Winchester District.

Figure 6-2: Property models available on the market today

Source: Oxford Innovation

6.7 The way these property models are packaged and branded varies widely but from Oxford Innovation's research the property products that companies purchase are most strongly related to their financial strength and access to cash (Figure 6-3). This is called 'covenant strength' in the property industry.

Figure 6-3: Diagram demonstrating the 'covenant strength'



Source: Oxford Innovation

6.8 In determining the right solutions from the workspace demand analysis it is therefore important to consider where growth is to be stimulated or most likely to come from:-

- Encouraging new business formations and supporting their growth
- Providing solutions to encourage the growth of the District's existing business community
- Encouraging migration into the District of established businesses
- Competing more effectively with business locations outside the District

Implications for future workspace location

6.9 There are therefore more dynamics than simply understanding current workspace demand within the District. Factors that need to be considered to retain and attract businesses in the District include:

- Cost competitiveness
- Location, transport links and subjective 'destination attractiveness' criteria
- Competing business locations outside of the District, but within a reasonable travel to work distance.
- The brand image of the District
- Attractors such as proximity to a centre of research excellence; an established sector cluster or; the availability of a workforce with a particularly strong skill set

- The strength of the business community such as business networks and supporting supply chains.

6.10 The availability of appropriate workspace is therefore only part of an economic prosperity strategy and cannot be the sole basis for informing our conclusions. We can say for certain that if there is insufficient availability it will constrain growth. However, we cannot simply conclude the converse. If there is availability of appropriate workspace then economic prosperity will not necessarily follow.

6.11 As a result, out proposed conclusions and recommendations for workspace types and location have not only considered demand and supply side issues, but also the wider factors that would contribute to the success of commercial areas.

7. Conclusions and recommendations

7.1 This chapter summarises the main findings from the research, and offers recommendations relating to possible workspace solutions within the district.

Conclusions

- Current levels of demand for commercial property within Winchester District are likely to continue into the future, and various factors suggest that they could increase
- The high rate of business births and deaths in the area suggests a high business 'churn', and an opportunity to support a higher survival and growth rate among new starts
- Levels of self-employment and home-working are relatively high within the district
- Our research has indicated a preference amongst businesses for office space and light industrial workspace. There is however, some tightness in availability of the latter within rural areas in particular
- Price affordability, internet connectivity, and car parking facilities are key determinants in the choice of workspace
- At present, the greatest stock of commercial property is in Winchester Town and our research has stated a clear demand for office and light industrial workspace here
- The research also indicated a strong demand for workspace in rural areas although there is an under supply of commercial property in those areas
- Supply side analysis has indicated that there is little current availability of small sized workspace even though there appears to be demand for this. A managed workspace may help in this regard if it is able to offer a mix of office and workshop units, and can be used flexibly for service and light manufacturing activities
- Although there is currently some provision of serviced business accommodation in the district (namely through the Basepoint facility), occupancy rates are reasonably high and there is little spare capacity

Our recommendation

7.2 Based on our findings there is a case for:

- Managed workspace in the Winchester Town area
- Workhubs to support rural communities

The offer

7.3 Having debated the key factors our recommendation is that a good quality managed workspace facility together with a number of rural workhubs (collaborative studio style workspaces) should be developed. These facilities would be operated as a collective to provide a combined offer that was financially sustainable and delivered the following:

- A range of workspaces (that can flexibly be used for office, workshop and light industry activities) in the Winchester Town area in a building of circa 3,000m^2. The workspaces would vary in size, catering for those wanting small units and those wanting larger space. From Oxford Innovation's experience of the optimal room mix, the Winchester Town managed workspace would provide the following:-

Conference, Studio, Café, Business Lounge	297 m^2	
Office/workshops (8m^2/wk.stat.)	*Unit Size*	*Quantity*
2 workstation Rooms	16 m^2	20
3 workstation Rooms	24 m^2	15
4 workstation Rooms	32 m^2	15
5 workstation Rooms	40 m^2	6
6 workstation Rooms	48 m^2	5
7 workstation Rooms	56 m^2	3
8 workstation Rooms	64 m^2	2
9 workstation Rooms	72 m^2	2
10 workstation Rooms	80 m^2	2

- A number of rural work-hubs that replicated the Conference, Studio, Business Lounge space of the Winchester Town managed workspace. These would be well connected:
  - With good transport links (road, bus, rail)
  - Digitally (broadband with sufficient bandwidth for video).
  - Close to existing infrastructure and facilities (e.g. services on main roads, and shops)

7.4 Workhubs provide flexible business accommodation for new and small firms, and in particular for people who work most of their time from home. They are physical facilities which provide a business address, reception and response facilities, access to meeting rooms and to shared desk/bench space, access to social and business events and activities and networking support. They also provide access to business support, both directly through the management function and indirectly through signposting to specialist services in the area.

7.5 Workhubs are different from conventional small business centres because they provide facilities and services as much to support networking and interaction, as to accommodate small businesses on a permanent basis. They are particularly appealing and valuable to home workers, because they reduce isolation and encourage social and business networking.

7.6 Taken together, the managed workspace and the collection of workhubs would essentially offer a hub-and-spoke service that would be differentiated from what is currently available in Southampton, Whiteley, Havant, and Basingstoke. It could provide:

- Business support for start-up and early stage businesses
- A landing zone for businesses migrating into the district
- A focal point for the broader business support initiatives and business networks
- Connectivity to research, Winchester University, and skills development

7.7 Based on research carried out by Oxford Innovation (see Annex D), this proposed workspace model would be sustainable and profitable in the long-term. Rural workhubs still form a relatively untested market and alone might not be able to attract private sector investment. The Winchester Town area managed workspace almost certainly can. Consequently, if the Winchester Town centre is operated to make a net surplus, this could cover as losses made by the rural workhub network.

7.8 However, further assessment will still be required to determine who would build and develop the facilities, who could run them, and where specifically the managed workspace in particular could be located.

Centre services at the Town area managed workspace

7.9 The following chargeable and non-chargeable services would be provided at the managed workspace centre.

- Data and broadband support
- Meeting rooms with hosting support
- Networking and social areas (e.g. kitchenette and coffee lounge)
- Office equipment (e.g. photocopiers) – on a 'pay-as-you-use' basis
- Reception area – a 'professional front door'
- Full reception service including 'meet and greet' and telephone answering in customer name
- Telephone and video conferencing facilities
- Utilities
- Security processes - occupiers may have valuable ideas, intellectual property and expensive equipment. In order to protect these assets the managed workspace needs to be safe and secure and occupiers need to trust that their interests are being protected.

7.10 The rural workhubs would have fewer facilities but would nevertheless provide some of the services listed above.

Management structure

7.11 The management structure to provide the network of managed workspace, including business support, with work hubs would be:

- Centre Manager (1.0 FTE) – An empowered manager with responsibilities for the management of the facility; customer liaison; customer retention; and attracting new companies.
- Assistant Centre Manager (1.0 FTE) –The key responsibility of this role is customer care and ensuring that problems are dealt with expediently. This role must also be empowered to ensure that the services sold to the businesses in occupation are delivered and maintained.
- Reception Staff (1.2 FTE) – This is a crucial front-of-house role for any business centre. For the pilot it will be shared with the current reception but there will need to be training given in dealing with business customers and their visitors.
- Incubation Director (0.6 FTE) – A senior role to provide Innovation and Business Support Services. which include:
  - ➢ Business planning
  - ➢ Assistance with access to and raising finance
  - ➢ Product, process and service development, including IP advice and technology transfer where appropriate
  - ➢ Marketing, PR and brand development
  - ➢ Signposting to relevant partner organisations e.g. Solutions for Business providers and professional services companies (e.g. Lawyers, Accountants)
  - ➢ Organising events, seminars and workshops.

Ideal lease terms

7.12 The default position, particularly for start-up and high growth businesses, is to offer flexibility of tenure (licences). This has to be balanced with the need to manage churn within the centre so as occupiers of the centre get larger and financially stronger then longer licence periods and leases can be agreed.

7.13 We therefore recommend a range of tenure terms:

- 1 to 3 month licenses for small and start-up business.
- 3 to 12 month licences for businesses with less than 10 workstations
- >12 month serviced leases for the larger office/workshops (move-on space where available)

7.14 For the studio spaces a membership, or desk license, should be used.

Annex A: SIC code definitions for priority sectors

A.1 Listed below are the SIC codes (2007 classifications) which have been used to define each of the priority sectors studied in this report.

Retail

- G: Wholesale and retail trade and repair of motor vehicles and motorcycles

Land based industries

- A: Agriculture, forestry and fishing
- B: Mining and quarrying
- D: Electricity, gas, steam and air conditioning supply
- E: Water supply, sewage, waste management and remediation activities

Tourism

- I: Accommodation and food services
- 79 : Travel agency, tour operator and other reservation service and related activities
- 91 : Libraries, archives, museums and other cultural activities
- 93 : Sports activities and amusement and recreation activities

Services

- K: Financial and insurance activities
- J: Information and communication
- L: Real estate activities
- M: Professional, scientific and technical activities
- N: Administrative and support service activities
- S: Other service activities

Knowledge and creative industries

- 18 : Printing and reproduction of recorded media
- 58 : Publishing activities

- 59 : Motion picture, video and television programme production, sound recording and music publishing activities
- 60 : Programming and broadcasting activities
- 90 : Creative, arts and entertainment activities
- 91 : Libraries, archives, museums and other cultural activities
- 731 : Advertising
- 7111 : Architectural activities
- 47781 : Retail sale in commercial art galleries
- 47791 : Retail sale of antiques including antique books, in stores
- 78101 : Motion picture, television and other theatrical casting

Annex B: Geographical definitions of the areas examined during data analysis

B.1 This study has examined trends that have occurred within the areas of Winchester Town, and South Hampshire Urban Areas falling inside the Winchester District. However, the data we analysed in Chapter 3 was not available for these precise geographies. Therefore, based on guidance from Winchester City Council, data was collected for proxy areas. The lists below outline the wards that made up each proxy area:

Winchester Town

- E05004661 : Littleton and Harestock
- E05004662 : Olivers Battery and Badger Farm
- E05004664 : St Barnabas
- E05004665 : St Bartholomew
- E05004666 : St John and All Saints
- E05004667 : St Luke
- E05004668 : St Michael
- E05004669 : St Paul

South Hampshire Urban Areas

- E05004653 : Boarhunt and Southwick
- E05004657 : Denmead
- E05004663 : Owslebury and Curdridge
- E05004675 : Whiteley
- E05004676 : Wickham

Annex C: Questions used as part of e-survey to businesses

Winchester City Council and Hampshire County Council has commissioned SQW (in collaboration with Hughes Ellard and Oxford Innovation) to carry out a study to understand more about the levels and nature of demand for workspace in Winchester District.

As part of this we are keen to gather the views from individual firms to better understand their likely future demand for business accommodation in the district, so that the Council can seek to ensure that there is appropriate provision. More specifically, we would like to know how much business space is needed, of what type, in which locations, for what kind of activities, and on what terms.

We would therefore be grateful if you could complete this short survey which will take no more than 10 minutes. All your responses will be kept strictly confidential: results will be reported anonymously and in aggregate. The survey will remain open until 17th April.

Thanking you in advance for your time.

Completing the survey

Each time you press the 'next' button at the bottom of the page your responses are saved to our system. If you cannot complete the survey all at once, you can continue from where you left by clicking on the link in the original email invite.

Once you have completed the survey, please remember to press the 'submit' button on the final page. You can review your responses before you submit them, and go back to change them using the 'back' button.

If you require technical assistance or have any questions about the study more generally, please contact <<SQW contact details here>>

The survey begins on the next page.

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Company details

Name

Company name (mandatory)

Company address

Postcode (mandatory)

Telephone

Email

Company website

Company background

Year established

Number of employees (Total FTE)

1) What is your primary business activity / sector? (select one)

- Agriculture, forestry and fishing
- Manufacturing
- Construction
- Retail
- Wholesale trade
- Finance, Insurance, and real estate
- Transportation and public utilities
- Knowledge and Creative Industries
- Tourism
- Other services
- Public administration
- Other, please specify

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Working in Winchester

<<Map of Winchester District inserted here>>

2) Is your business currently based within Winchester district (as defined in the map above)? (select one)

- Yes (*selecting this routes to 'Your current workspace' section*)
- No (*routes to next page*)

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3) Would you like to move your business premises to Winchester district in the future?

- Yes
- No

(After this question, route to 'Your ideal workspace' section)

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Your current workspace

4) What is the size of your current business property / workspace?

Square feet

And/or number of desks

5) What type of workspace do you currently operate in? (select all that are applicable)

- Office space
- Light industrial
- Laboratory
- Managed or serviced workspace (e.g. at a business park or innovation centre)
- Home based
- Land based business
- Warehouse/storage
- Other (please specify)

6) On what basis do you occupy your commercial property? (select one)

- Freehold ownership
- Long lease (10 years+)
- Medium lease (3-10 years)
- Short lease (less than 3 years)
- "Easy in/out" licence (1 to 12 months)

7) In terms of the age and quality of your current workspace, would you describe it as: (select one)

- Grade A – new / completely refurbished (less than 5 years old)?
- Grade B – modern (5-20 years old)?
- Grade C – more than 20 years old?

8) Thinking about the adequacy of your current business accommodation, which of the following statements is true? (select one)

- Our current workspace size is appropriate for our foreseeable needs
- Our current workspace is large enough for our current needs but we will need grow on space in the next 1-2 years
- Our current workspace is too small and we are actively looking for more space

9) What would you say about the facilities available at your current business accommodation? (select all that are applicable)

- Our current site doesn't have appropriate facilities
- Our current landlord provides facilities management services (e.g. building maintenance, catering, security services, reception and switchboard etc.)
- We are responsible for purchasing services we need (e.g. utilities, cleaning, office supplies etc.)
- We have access to additional conference and meeting rooms that can be hired as and when required
- We are satisfied with the quality and availability of broadband connectivity
- None of these (please add comments below)

10) Please feel free to elaborate on your answer to Q9 below

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Your ideal workspace

If you were able to specify your ideal workspace, how would you describe it?

11) Size of accommodation

Square Foot

And/or number of desks

12) Type of workspace (e.g. office, light industrial, laboratory)

13) Based on the map below, what would be your preferred location within Winchester district? (select one)

<<Map of Winchester District inserted here>>

- Winchester Town
- South Hampshire Urban Areas
- Market towns and urban settlements outside of Winchester Town
- A rural location outside of Winchester Town
- Other, please specify

14) What would be your preferred basis of occupation? (select one)

- Freehold ownership
- Long lease (10 years+)
- Medium lease (3-10 years)
- Short lease (less than 3 years)
- "Easy in/out" licence – purchasing own facilities management services
- "Easy in/out" licence – inclusive of facilities management services

15) Using the list below, which of the following features and factors would be most important in choosing your workspace? (please select a maximum of five)

- Access to meeting rooms
- Having on-site kitchen facilities
- High speed internet
- Availability of conference facilities
- Provision of on-site business support
- Virtual PA services
- Car parking spaces for all employees
- Availability of "easy in/out" terms

- Proximity to higher education institutions
- Proximity to Winchester
- Proximity to Southampton and Portsmouth
- Easy access to London
- Property costs (e.g. rent, rates, utilities)
- Costs of wider services (e.g. building maintenance, cleaning, security)
- Cost of living (e.g. house prices, tax rates, cost of fuel and food)
- Quality and availability of local labour
- Proximity to customers
- Proximity to suppliers

16) Are there any other facilities or factors that would be important? (Open text)

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Finding suitable workspace

17) How easy or difficult would it be to find suitable commercial property in Winchester district at a cost you would be willing to pay?

- Very difficult (*routes to next question)*
- Difficult *(routes to next question)*
- Neutral (*routes to next page)*
- Easy (*routes to next page)*
- Very easy (*routes to next page)*

18) You said that it would be difficult to find suitable property for a price that you are willing to pay. What factors are behind this? (select all that are appropriate)

- Price of business accommodation
- Lack of availability
- The quality of existing commercial property

- Workspace not located in desired locations
- Insufficient parking
- Inability to find appropriate tenure
- Poor broadband connectivity
- Other (please specify)

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If you would like to talk in more detail about your requirements for future workspace then please contact <<Wessex Economics details here.>>

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Thank you for taking the time to complete this survey.

Annex D: Business plan considerations for our workspace recommendation

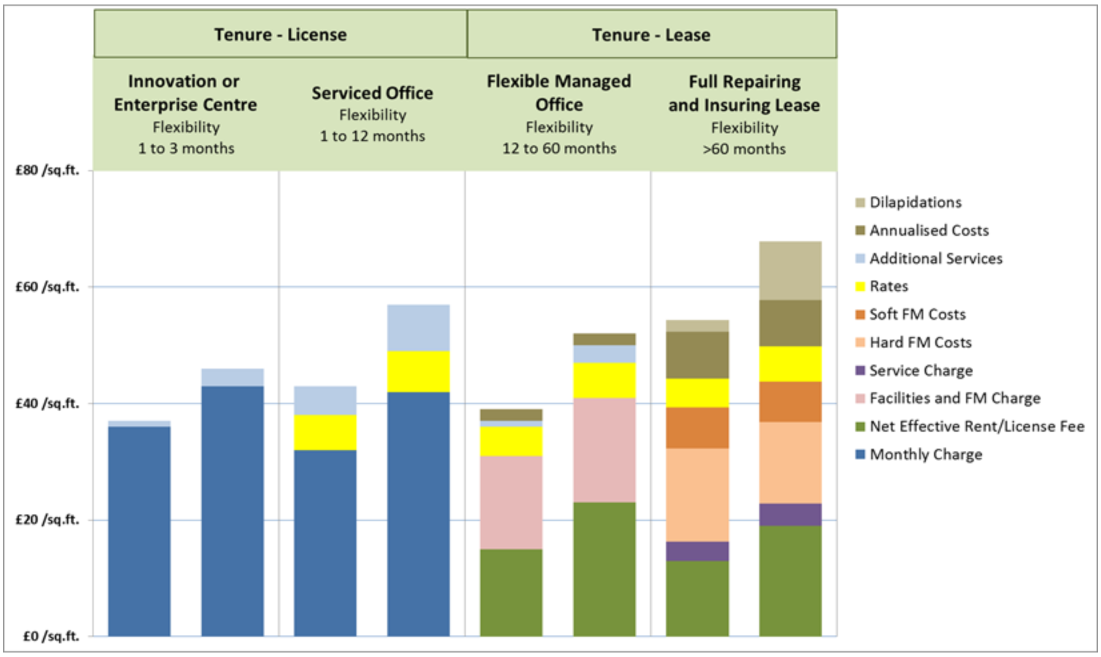
D.1 It is not within the scope of this report to provide a detailed business plan. Nor is it practical without a specific building. Notwithstanding this Oxford Innovation has considerable experience working for both public and private sector clients in developing financially sustainable business plans for Business and Innovation Centres.

D.2 The development of rural work-hubs is an emerging, and relatively untested, market. We believe that it is unlikely that, standing alone, the rural hubs can attract private sector investment whereas the Winchester Town Managed Workspace certainly can. For the purposes of this report it has therefore been assumed that the Winchester Town Managed Workspace will be operated to produce a net surplus which could fund any losses that may be made within the workhub network.

What prices can/should be charged?

D.3 To achieve financial sustainability pricing would need to be consistent with that shown in Figure D-1 for Innovation/Enterprise Centre and Flexible Managed Office.

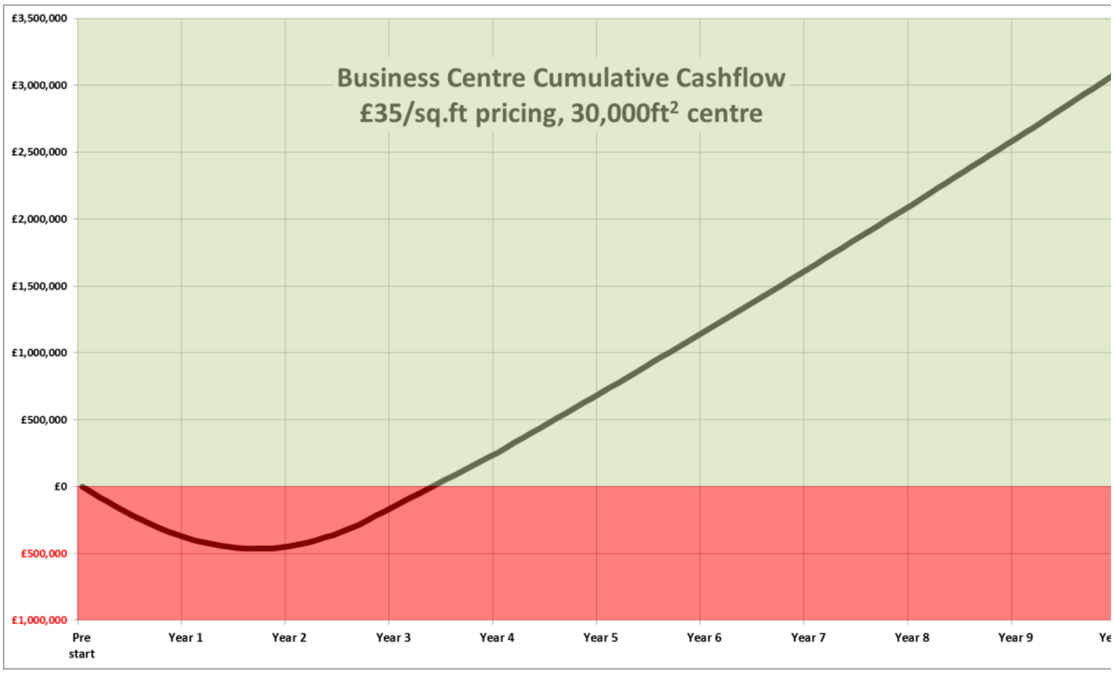
Figure D-1: Possible workspace options



Source: Oxford Innovation

D.4 Based upon recent private sector business plans prepared by Oxford Innovation this would yield a cumulative, operational, cash-flow (net of all management fees) similar to that shown in Figure D-2:

Figure D-2: Forecast cashflow for the managed workspace offer



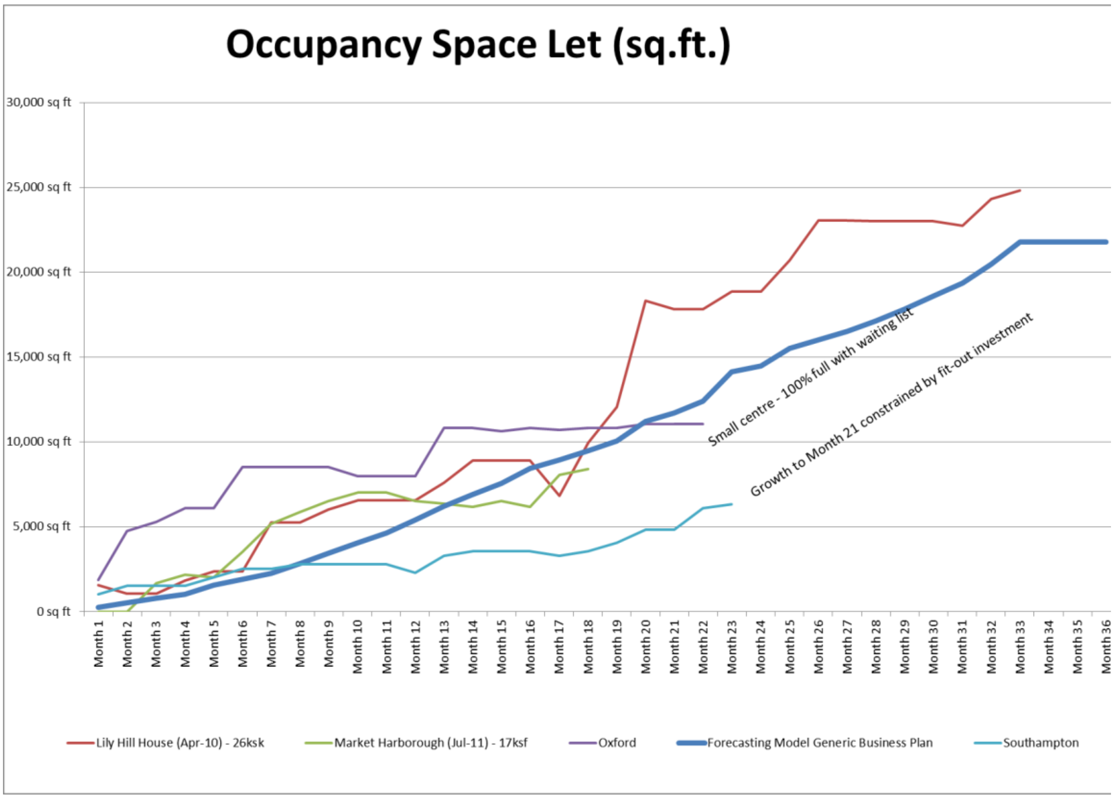
Source: Oxford Innovation

What amount of space / % occupied makes a centre viable?

D.5 Typically the size range for a financially sustainable centre is 20,000ft² to 30,000ft². Due to the relationship between fixed and variable costs it is recommended that the higher end of this range is targeted.

D.6 The occupancy assumptions, with some Oxford Innovation centres for comparison, are shown below. Target occupancy is 85% (year average) to accommodate churn:

Figure D-1: Basis for occupancy level assumptions



Source: Oxford Innovation

D.7 Churn is the largest challenge for such centres as when large occupiers grow out of the centre (a success in economic terms) the centre loses one of its high revenue customers. Well managed centres therefore push for occupancy levels in the range 90% to 100% knowing that natural, and positive churn will bring the year average to nearer 85%.