



OCTOBER  
2024

# Solent Business Park: Winchester District Local Plan Reg19 Consultation

Employment land matters

Iceni Projects Limited on behalf of  
Kennedy Wilson

October 2024

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ICENI PROJECTS LIMITED  
ON BEHALF OF KENNEDY  
WILSON

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# 1. INTRODUCTION

1.1 This short report considers:

- The latest market signals for offices and industrial in Winchester, south Winchester and for Solent Business Park.
- A review of the district employment evidence and resulting consultation version Plan position.

1.2 Key findings from this report are:

- The office market across Winchester remains weak, with very high vacancy rates and ongoing reductions in occupation. Rents are insufficient to justify viable new build. The office market is operating best within the City, with other areas, such as the south, showing very high vacancy. There is no indication the current situation is likely to change.
- The industrial market is performing well in Winchester. Rents continue to rise and are above average for the area. There are a range of smaller and mid sized deals for tech and logistics operators requiring 'mixed B' type spaces.
- Solent Business Park has ongoing high vacancy in its existing premises. The park managers are working hard to fill space. The prospect of delivering more office space is unrealistic.
- Inquiries for space at Solent Business Park are from a diverse range of employment generating uses, including mixed B type occupiers as well as healthcare, that would require a broader use class designation than E(g).
- The 2020 Employment Study for Winchester recognised there was already an oversupply of office / employment space in the south of the district, even before COVID-19.
- The 2024 Employment Study lacks detail around a number of key issues - such as lacking analysis of spatial market dynamics across the district; does not include market signals in terms of rents and vacancy; and makes no reference what actual supply is available by type / location. As such the recommendations fail in part to meet the Planning Practice Guidance on economic needs assessment.
- The regulation 19 Local Plan itself includes a significant over allocation of office space and as such may not all come forward.
- Ultimately the policy designation of Class E(g) is too narrow for Solent Business Park to deliver economic growth. A more flexible policy including B2, B8 and other employment generating uses is necessary to ensure job creating development at this location.

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## 2. MARKET UPDATE AND MARKET SIGNALS

2.1 Icenii undertook work in 2023 to look at market signals in Winchester particular in terms of the office market. The section below provides a short update to the market and the relevant market dynamics for Winchester district and particularly to the south for industrial and offices.

### **Winchester office market**

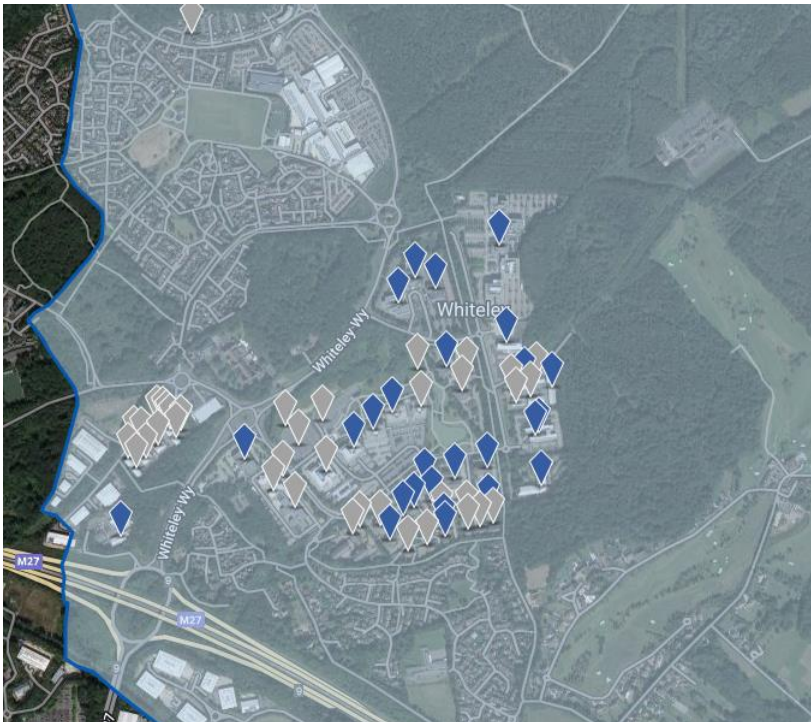
2.2 CoStar report at October 2024 that the Winchester District office sub market has a vacancy rate of **16.1%**. This is above the preferred typical trading position of up to 10% - and suggests excess supply against demand. The highest rated 4 and 5\* buildings in the area report a vacancy rate of 22%, which in itself is unusual as quality premises are usually better let. This suggests that even quality stock often found in larger floorplates are not currently being sought. For comparison the South Coast office vacancy average is 7%, suggesting the Winchester is underperforming against other areas.

2.3 For the year up to Oct 2024, there has been 110,000 sqft of negative absorption across Winchester – move outs – leading to the increased vacancy.

2.4 Rents are averaging £19.70 psf with best properties at £21 psf. In reality, new build would require rents at near to £30 psf to make development viable, suggesting that in most instances office development will not occur unless cross subsidised by another development form or for an owner occupier.

2.5 Looking at the south Winchester / Whitely cluster, the map below reports on vacancy (blue markers) alongside occupied property (grey markers). Very many of the properties in the sub area are vacant. This contrasts with Winchester City (Figure 2) where occupancy of offices is much stronger.

**Figure 1 South Winchester / Whitely Office occupancy**



Source: CoStar (blue = vacant)

**Figure 2 Winchester City Office occupancy**



Source: CoStar (blue = vacant)

2.6 For the last 6 years (2018-2023 inclusive) the average Winchester district office absorption rate (total floorspace leased) has been -30,600 sqft or around 3,000 sqm per annum. Even going back ten years it is still negative at -12,000 sqft on average. So there are continual move outs for office space.

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2.7 Demand is expected to remain very muted for the medium term. Standalone office development will not be viable for the foreseeable future outside of mixed use development.

### **Winchester industrial market**

2.8 CoStar report at October 2024 that the Winchester industrial sub market has a vacancy rate of **9.1%** which remains healthy being below 10%; and is forecast to fall in the medium term. This vacancy has increased over the last year due to a combination of new space being delivered and some move outs. Rents have increased strongly over the last 3 years at a total of 18.4%. Rents are higher than the South Coast average (£11.90 psft vs £10.60 psf).

2.9 A number of the large vacant industrial buildings are in more rural locations or older stock, with newer stock near to the urban centre or strategic road network performing well.

2.10 Industrial units on Solent Way in Whiteley that have been built in recent years are fully let.

2.11 Absorption (space occupied) has been positive for all of the last 6 years to end 2023 with the exception of 2018. The industrial market is relatively buoyant.

2.12 Leasing has been particularly strong in recent years in south Winchester District around the M27. Examples of deals include:

- Porvair Filtration Group Ltd; Concorde Way, Fareham, PO15 5RL; 26,000 sqft, 2018
- Solent Automation Limited; Units 4-12 - Fulcrum 4, Solent Way, Fareham, PO15 7FT; 3,000 sqft 2021
- E-Globe Limited; Unit 3 - Logistic City Whiteley, Solent Way, Fareham, PO15 7FT; 9,000 sqft, 2021

### **Positioning Solent Business Park**

2.13 The development of new offices at Solent Business Park is not viable at prevailing rents. Demand is muted and rental rates are below what is realistic to develop out new offices. The allocation for Class E (g) alone in the emerging Plan will mean that the remainder of the employment site is likely to remain undeveloped. This is an unnecessary constrain on economic growth.

2.14 Demand is very much focused on the industrial sectors. Occupier activities go beyond Class E (g) use class designation and need to include Class B2/B8 to attract tenants. There are also opportunities for wider employment generating uses.

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2.15 Key facts for Solent Business Park at present are:

- **Amount of floorspace** – the total space on the park is 254,466 sq ft. 1,380 sq ft of this is allocated to a café which services the park and the wider public.
- **Vacancy rate** – vacancy has varied in recent years with an average of 17% 2021-2023 complete years. The current rate remains at over 10%.
- **What happens when space becomes vacant** - Forum 3 became vacant in October 2023 whilst Forum 4 became vacant in April 2023. There has been no active interest in the space since.
- **Measures taken to attract new tenants** – Tenant events are held throughout the year which are arranged by the lifestyle manager. These are well attended events and form part of the ambition for placemaking across the park. SBP promote ESG across the park with cycle racks, beehives and are liaising with other buildings across the Solent Park to look to provide a shuttle bus service running throughout the park to Fareham and Swanick train stations.
- **Inquiries for space** – inquiries for office space are limited. The Solent Business Park management team are concerned with the ability to let existing premises. The notion of developing further office type space is not realistic for the foreseeable future. Inquiries in recent years have been much more concentrated on non E(g) employment generating uses. These include ancillary activities such as gym or healthcare as well as those with mixed B requirements (which would include some E(g)/B2/B8 space) that go beyond class E(g) into B2/B8. Examples of high quality successfully let industrial development can be found nearby at Solent Way (Fulcrum 4 for example).

#### **Way forward for Solent Business Park**

2.16 In commercial terms there is no limited ability of developing further office / E(g) space. The market for new out of town office build is weak and not viable, as is the case for much of the UK. There are a wider range of high quality employment generating opportunities that can be achieved within a more flexible planning policy environment. Maintaining the proposed Reg19 Class E(g) designation is considered to stifle development which could instead be creating new employment opportunities for local residents.



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### 3. WINCHESTER LOCAL PLAN EMPLOYMENT EVIDENCE

3.1 Winchester has produced several documents relating to their employment evidence base in recent years. This includes:

- Winchester City Council, Employment Land Study, April 2020 (Stantec with Aspinall Verdi)
- Employment Land Study, Winchester City Council, July 2024 (LSH)

3.2 These are considered below.

#### **2020 ELS Study**

3.3 The 2020 study includes a commercial property review, forecasts of demand and a demand supply balance. It was prepared pre COVID-19 so its findings are limited in their usefulness in the current market at 2024, but it does provide a helpful background.

3.4 The supply assessment includes a number of mixed use sites, plus 20 ha at Bushfield Camp Winchester, as well as land at Solent Business Park and Solent Way.

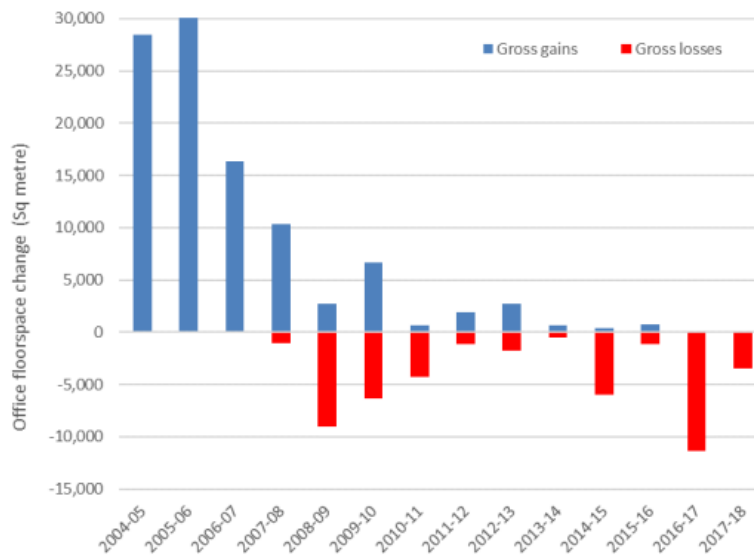
3.5 The study notes that for the South of the District “we would expect these offices to take the format of flexible, B1c type uses, as opposed to traditional out of town offices (so ‘business units’ or workshops)” (Para 6.20). The study notes that there is technically an oversupply of employment land in the south, although this may potentially be met by adjacent authorities identifying unmet need.

3.6 The study recommends that “as a guide 50% of the industrial need should be provided for in the South and 25% of offices” although the justification for this distribution is not clearly evidenced.

3.7 Regarding the office stock change over time, the 2020 study reports a clear trend for losses – as set out below - and this is pre COVID-19 before further reductions.

**Figure 3 Winchester District Office gains / losses 2004/05-2017/18**

**Figure 5.1 Office gains and losses**



Source: Winchester City Council, Employment Land Study, April 2020 (Stantec with Aspinall Verdi)

- 3.8 The 2020 Study provides a market narrative which includes reporting that “occupiers are attracted to Solent Business Park due to co-location of other office occupiers, quality and size of units matching national firm requirements, and good access to the M27, and surrounding south coast cities”. However such narrative needs revisiting in the post covid market place.

### 2024 ELS Study

- 3.9 The 2024 study provides a post COVID-19 update for Winchester. The study is considered to have shortcomings and its overall usefulness in Plan making terms is questionable. Concerns are raised against its ability to meet key elements of the PPG such as:

- Lacking a clear market review / assessment of market signals.
- Lack of spatial analysis of market sub areas (PPG Paragraph: 028 Reference ID: 2a-028-20190220).
- Lack of analysis between market supply and demand by market segments (PPG Paragraph: 029 Reference ID: 2a-02920190220).

- 3.10 The study does not include a dedicated market review. Market narrative is provided by stakeholders and covered in 3 paragraphs 4.1.5 – 4.1.7. This focuses very much on the City Centre rather than the district as a whole. No reference is made to the viability of delivering new office space, vacancy rates, rental rates or the pattern of demand around the district. These omissions weaken the plan

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making advice in the report. The sister study “Winchester: Town Centres Study 2024” also does not review the commercial property market and focuses only on the town centre.

- 3.11 Section 5 looks at patterns of supply and loss. However the VOA change analysis runs from 2000/01 to 2022/23 without analysing more recent trends. Para 5.3.1 reports on a VOA office map with the supporting text suggesting that *72.4% of offices stock has been delivered outside of the City Centre* – however this is misleading as it is an ‘all time’ historic delivery, rather than a recent pattern of demand.
- 3.12 Where gross completions / losses are analysed, there is no spatial component, so different parts of the district’s market are not assessed. However it is clear overall that (table 21) losses far outweigh gains for offices, whilst for industrial the opposite is true with recent deliveries far exceeding losses (table 19).
- 3.13 Much of the report is dedicated to labour demand modelling, culminating in table 54. The modelling for B1 / E(g) shows great divergence from past trends projections. There is limited ‘sense checking’ of modelled outcomes against market signals or stakeholder feedback. Plan makers should be guided as to why the future forecasts would be expected to be so different from past trends. No single specific recommendation is made in terms of office need quantum, with large range of 3.3-12.2ha provided for future office requirements.
- 3.14 The study reports an overall total need for 27.6ha – 38.9 ha for all employment land. Industrial demand makes up the vast majority of this need.
- 3.15 A total supply of 49.9 ha is reported for Winchester district. The supply is not disaggregated by typology, meaning no analysis is not undertaken in terms of how supply meets market segment types or particular locational needs.

### **Regulation 19 Plan – Employment provision**

- 3.16 It is important to note that in the Regulation 19 Plan itself, the authority recognises (page 264, table C) that the supply of offices (where known) appears to far exceed the demand, with 17.29 ha of supply against a need of 3.3-12.2 ha of demand. Even at the upper end of demand this is an oversupply of some 50%. This indicates that some of the existing supply may not come forward. It would be appropriate for the authority to make clearer recommendations or provision regarding its demand supply balance and interrogate the realistic role of different employment sites.