

# 4. A PICTURE OF GROWTH IN KENT AND MEDWAY

This chapter provides the context for growth across Kent and Medway to 2031. It gives an overview of the projected growth in population, employment and housing for Kent and Medway and explores the demographics and economics of that growth. In doing so, it sets out key trends and projections that will affect the distribution of growth and planning to support infrastructure to 2031.

In order to illustrate how Kent and Medway is changing in terms of population, demographics and housing growth, the figures in this section represent the period 2011-2031, unless stated otherwise.

## 4.1 POPULATION FORECASTS

### GIF POPULATION FORECAST

The GIF uses the KCC Housing Led Forecast, produced by KCC Strategic Business Development & Intelligence, to establish a population forecast directly linked to (and constrained by) the planned housing identified for this framework. As districts are at various stages in the Local Plan process, housing trajectories can be volatile. The GIF forecast takes housing trajectories at a set point in time (September 2017) provided by Local Authorities to perform a consistent analysis of growth and need across the County.

**The GIF forecast shows a 2031 population of 2,127,600 – an increase of 396,300 from 2011, equivalent to 23% growth**

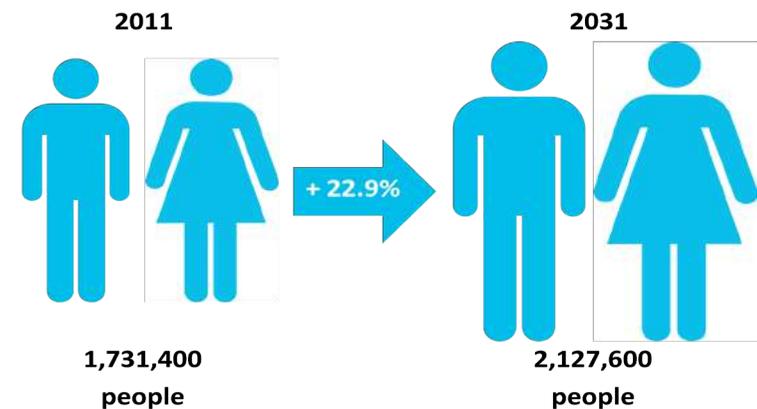


Figure 4.1: Forecast population change 2011 to 2031 (Source: KCC GIF Forecast 2017)

Houses in Sevenoaks, Sevenoaks DC

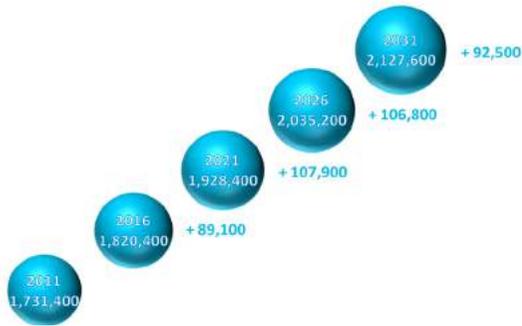


Figure 4.2: Forecast population change in five-year blocks (Source: KCC Housing Led Forecast 2017)

## 4.2 MIGRATION

Migration is the main driver of population growth for Kent and Medway. Between 2007 and 2016, net inward migration accounted for 72% of total population growth during this period.

In 2016, there were a net 7,500 migrants into Kent and Medway from other UK areas and 7,300 international migrants, resulting in a net inward flow of 14,800 into Kent and Medway.

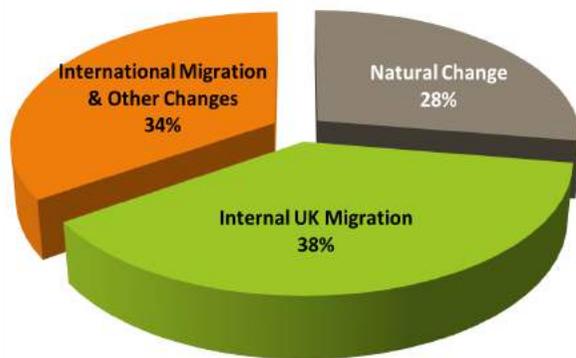


Figure 4.3: Causes of population change 2006/07 – 2015/16 (Source: ONS August 2017)

Net international migration accounted for approximately a third of this net flow into Kent and Medway, and continues a general trend of the last decade. Net migration into Kent and Medway has increased across all population age groups with the exception of 16-24 year olds.

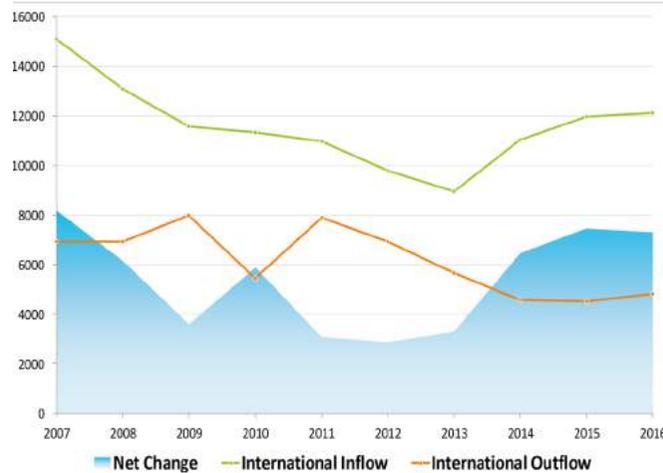


Figure 4.4: International migration to and from Kent and Medway 2006/07 - 2015/16 (Source: ONS August 2017)

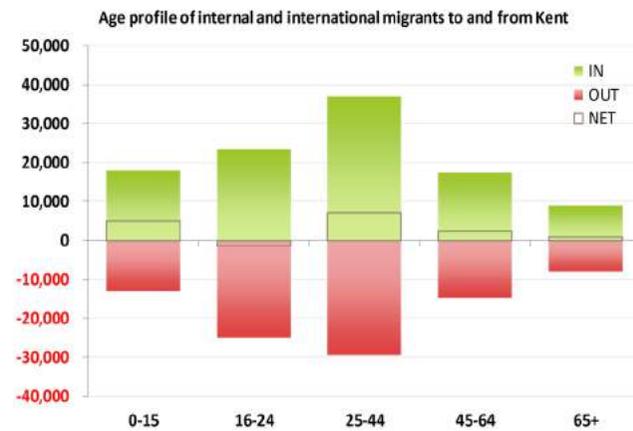


Figure 4.5: 2016 age breakdown of all migration to and from Kent and Medway (Source: ONS August 2017)

The majority of people who move into Kent and Medway come from London. In 2016, this was 29,200 people. In contrast, 13,400 people moved to London, giving a net gain of 15,800 people from London into Kent and Medway.

**Therefore, Kent is a net importer of migrants from London and a net exporter to all other regions and countries in the UK.**

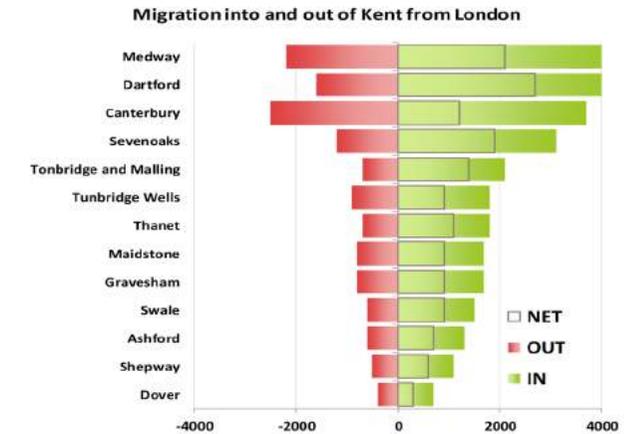


Figure 4.6: 2016 Migration flows to Kent and Medway from London (Source: ONS August 2017)

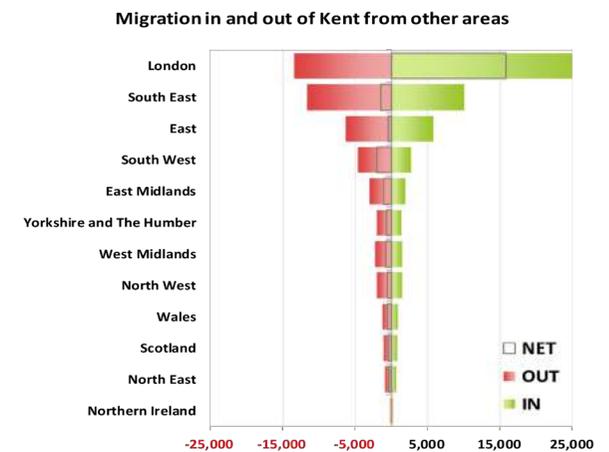


Figure 4.7: 2016 Migration flows to Kent and Medway from all UK regions (Source: ONS August 2017)

At a district level, all districts have experienced net inflows of internal (within UK) migration from 2011 to 2016, with the exception of Tonbridge and Malling. The largest flows have been into Canterbury, Swale and Maidstone.

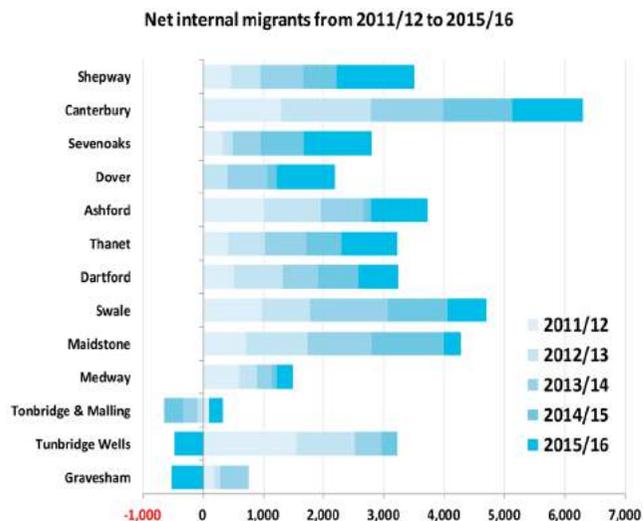


Figure 4.8: Internal migration flows to districts and boroughs from 2011/12 to 2015/16 (Source: ONS August 2017)

### 4.3 DEMOGRAPHIC HEADLINES

Similar to the rest of the UK, the population of Kent and Medway is ageing. Those aged 65 and above are forecast to increase by **64%**, and those aged 80+ are forecast to increase by **94%**.

An ageing population presents its own challenges and will alter infrastructure demands in Kent and Medway. These challenges include changing requirements for house types to be more adaptable and the increasing need for better healthcare and accessible infrastructure.



Figure 4.9: Forecast percentage population growth by 5-year age band between 2011 and 2031 (Source: KCC Housing Led Forecast 2017)

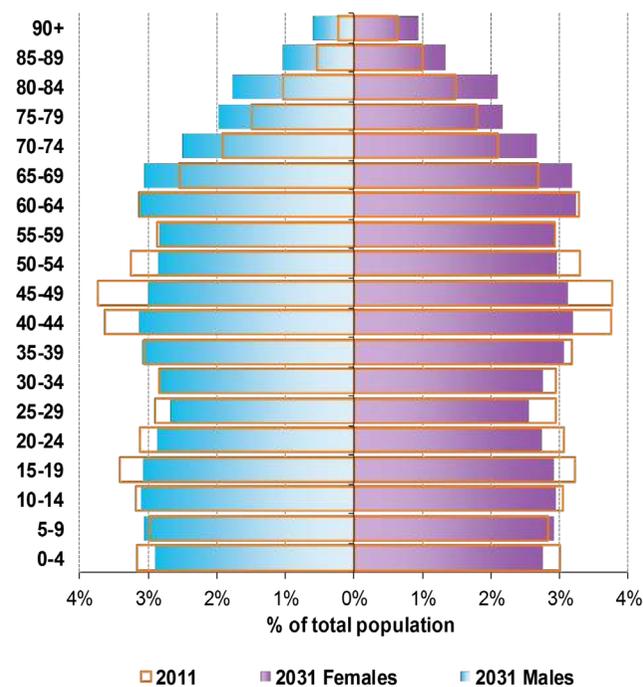


Figure 4.10: Population pyramid showing forecast differences between 2011 and 2031 (Source: KCC Housing Led Forecast 2017)

Traditional assumptions on the working age population age range will likely need to be revised as the population continues to get older. As an approximate measure of the working age population, those aged 20-64 will decline by 5% in their total share of the population by 2031, whereas those aged 65+ will increase their share by 6% of the population (Figure 4.11).

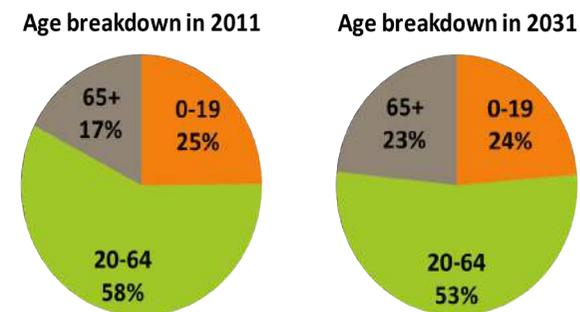


Figure 4.11: Forecast differences in population by age group between 2011 and 2031 (Source: KCC Housing Led Forecast 2017)

### 4.4 DEPRIVATION

Relative to the rest of England, quality of life is generally high across Kent and Medway.

Yet there are clear pockets of deprivation in urban areas such as Chatham, Gillingham, Ashford, Folkestone and Dover as well as peripheral coastal and estuarial areas, including the Isle of Sheppey and parts of Thanet (Figure 4.12).

There are variations in the causes of deprivation across Kent and Medway, ranging from a lack of access to healthcare and skills training, to poor access to potential job markets.

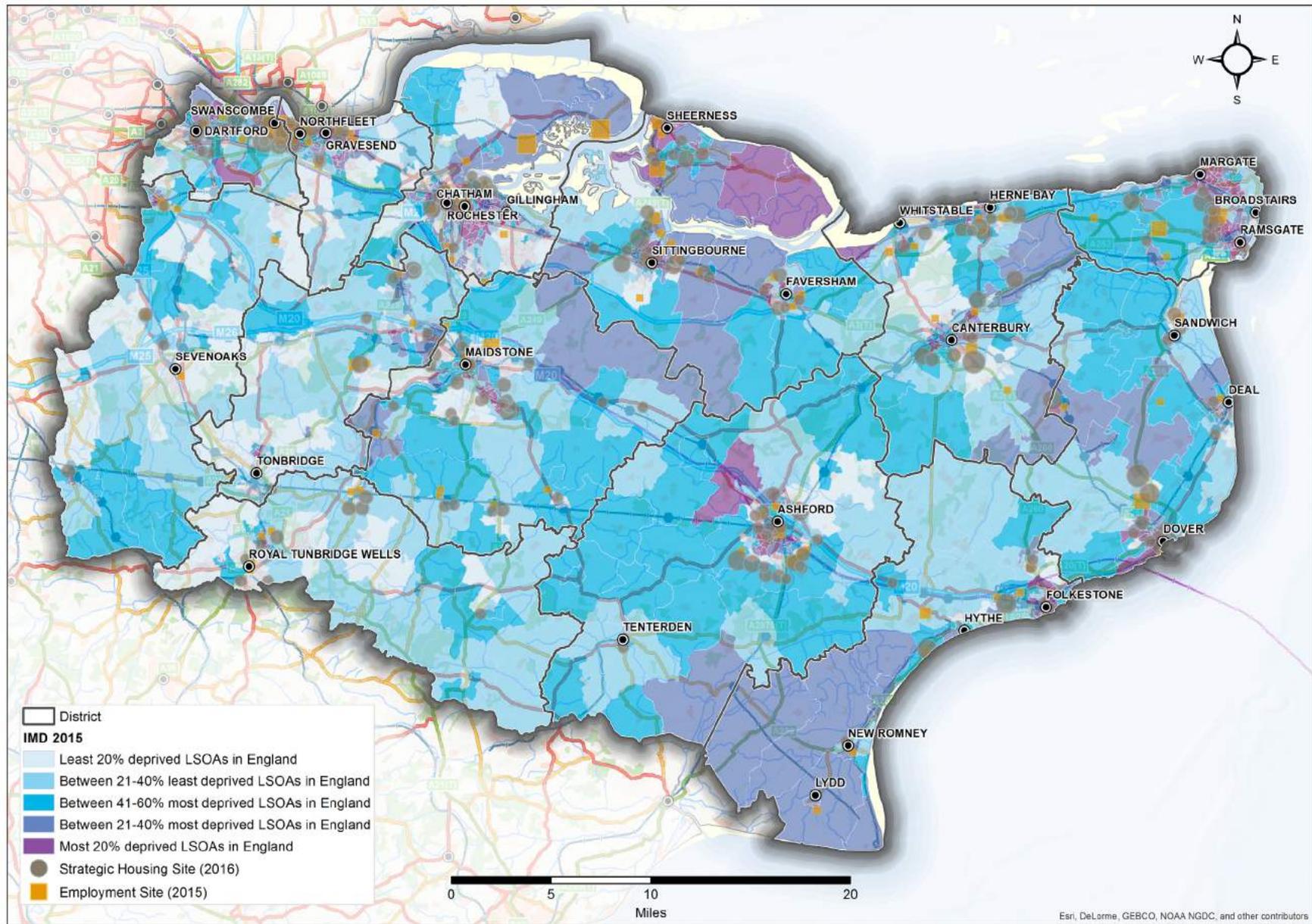


Figure 4.12: Map showing Indices of Multiple Deprivation 2015 (Source: ONS 2016)

## 4.5 HOUSING DELIVERY

There are approximately 770,000 existing housing units across the County. To accommodate the forecast increase in population, local authority housing forecasts indicate that some 178,600 housing units are planned across Kent and Medway between 2011 and 2031. Housing forecasts used within the GIF have been sourced from Kent and Medway's districts and boroughs as at September 2017. These sources are summarised below. Forecasts are adjusted to match the 2011-2031 period, where required.

DISTRICT	SOURCE
Ashford	Reg 19, 2011 - 2030
Canterbury	Adopted Local Plan 2011 - 2031
Dartford	Core Strategy 2006 - 2026
Dover	Core Strategy 2006 - 2026
Gravesham	Core Strategy 2011 - 2028
Maidstone	Main Mods, Reg 19, 2011 - 2031
Medway	2014 Housing position statement
Sevenoaks	Issues and Options, 2015-2035
Shepway	Core Strategy 2006 - 2031
Swale	Adopted Local Plan 2014-2031
Thanet	Draft Local Plan, 2011 - 2031
Tonbridge and Malling	Issues and Options, 2011-2031
Tunbridge Wells	Issues and Options, 2011-2031

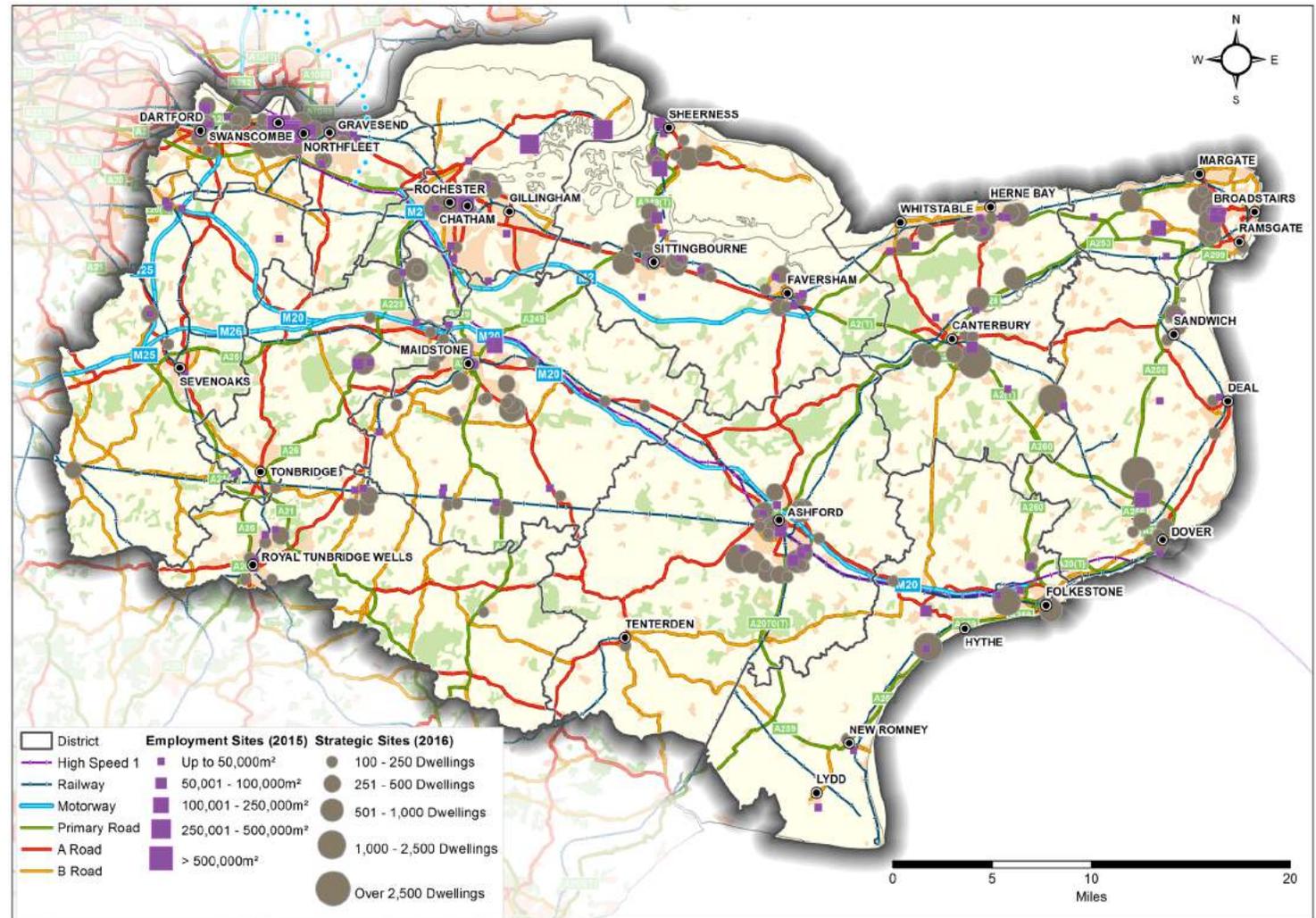


Figure 4.13: Kent and Medway growth context

## CURRENT PICTURE AND PLANNED GROWTH

As the UK economy has improved since the height of the financial crisis, the pace of housing delivery has increased. The Government recorded that housing starts for the December quarter of 2015 were at their highest point for 7 years, nearly double the low point of 2009<sup>1</sup>. Between 2011/12 and 2016/17, a total of 30,537 houses were constructed across Kent and Medway. There were 7,300 housing completions in Kent and Medway in 2015/16.

Despite increases in housing delivery over recent years, there remains a significant challenge in delivering at the planned rate of required growth, as shown in Figure 4.15.

The scale of development varies across the County, with much of the planned housing growth tending to be more focused in areas in the north and east of the County (Figure 4.14).

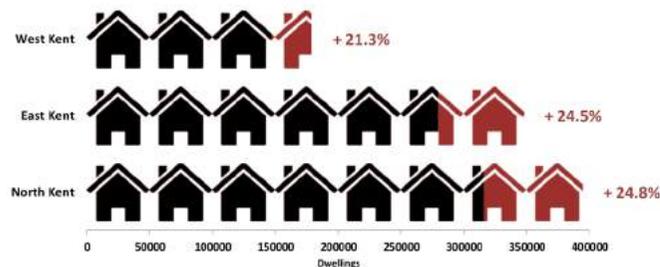


Figure 4.14: Planned additional housing growth by sub-county from 2011 to 2031 (Source: KCC September 2017)

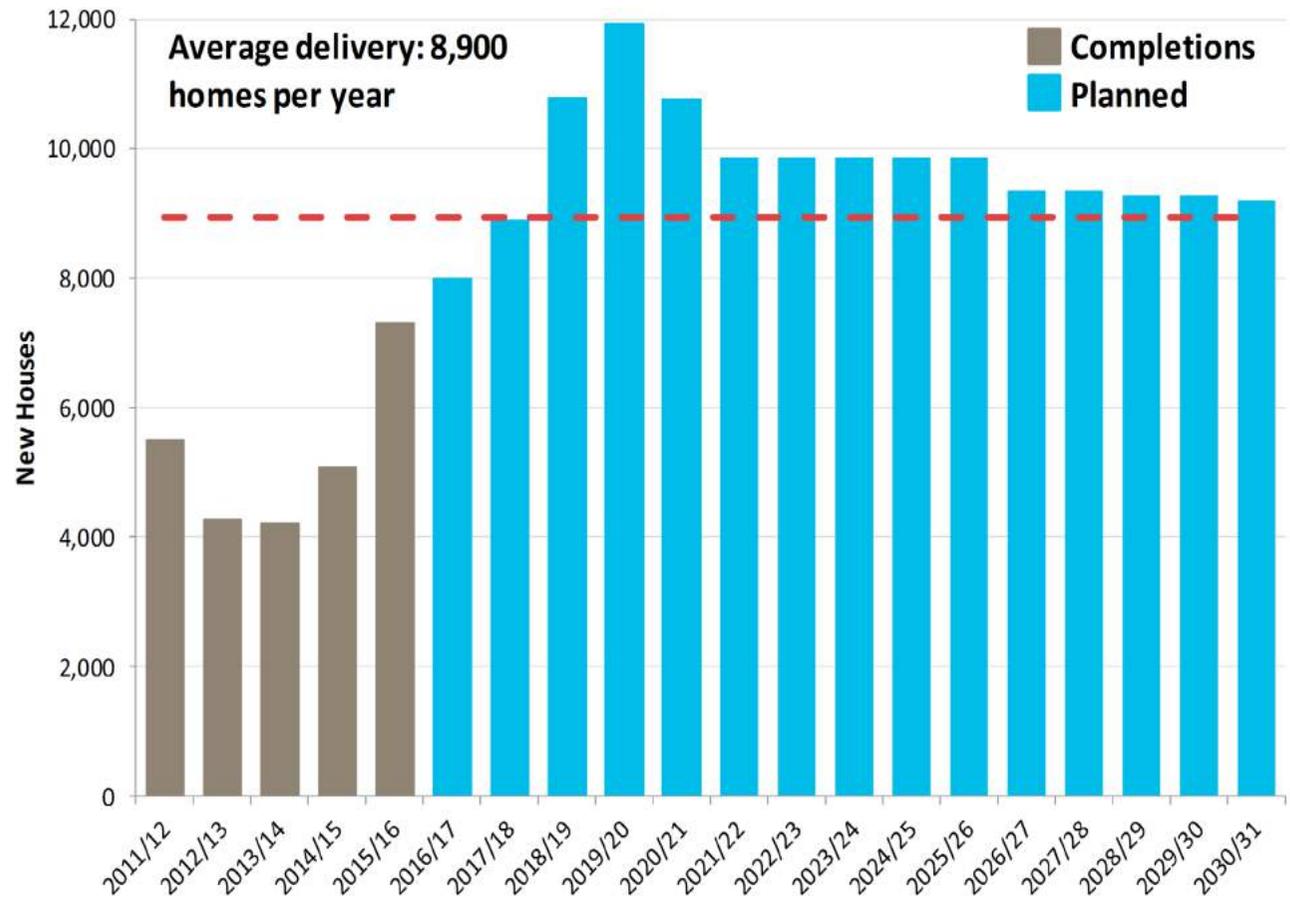


Figure 4.15: Developed and planned housing growth in Kent and Medway from 2011 to 2031 (Source: KCC September 2017)

<sup>1</sup><https://www.gov.uk/government/news/housing-starts-and-completions-hit-7-year-high>

## 4.6 AN ECONOMIC PORTRAIT

Kent and Medway play a critical role in the wider UK economy. The County is home to the Port of Dover, Eurotunnel and High Speed 1 access, ensuring many of the economic hubs in Kent and Medway are within an hour of London, and within two hours of Europe.

The Kent and Medway economy has transformed over the last twenty years. The core of the County continues to focus on service sectors including distribution, public administration and real estate. The traditional manufacturing industries of Kent and Medway's past - such as paper and cement manufacture - have declined, and whilst other sectors continue to expand and new industries emerge, there remains a legacy of an economy which continues to lag behind not only the South East, but the national economy.

Since 1998, Kent and Medway's GVA has grown by 84.6% to nearly £38bn in 2015. However, this is a lower rate of growth than that of the South East and the UK economy. In particular, the measure of GVA per head in Kent and Medway in 2015 was £20,977, which was 18% lower than the UK figure of £25,601 and

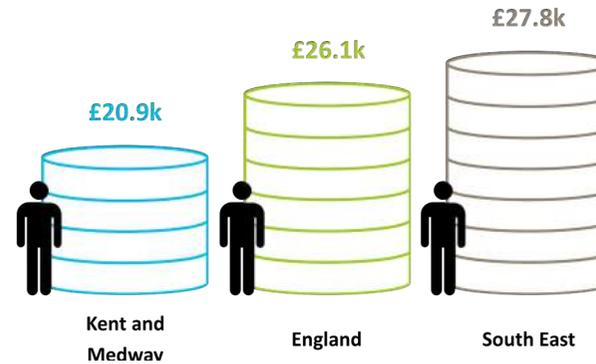


Figure 4.17: GVA per head in Kent and Medway

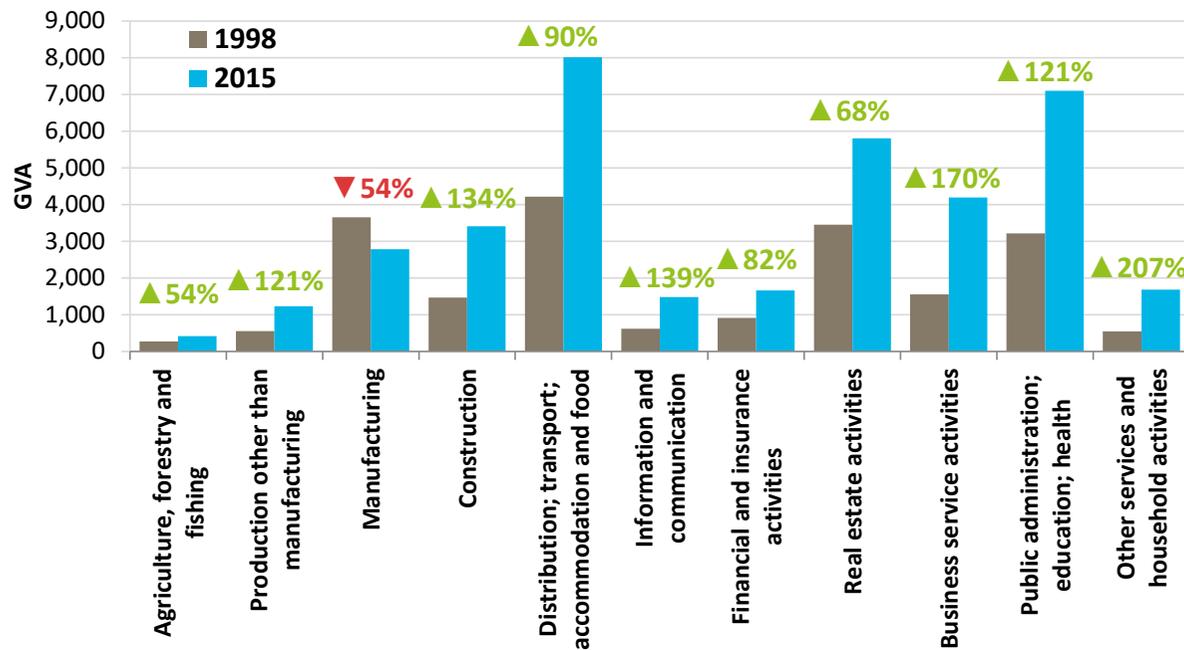


Figure 4.16: Changes in Kent and Medway's industries 1998 against 2015. (Source: ONS)

25% below the figure of £27,847 for the South East. GVA per head across the County highlights a clear east/west split, suggesting that those with good access to strong economic centres, such as London, benefit from increased average productivity.



Figure 4.18: GVA per head across Kent and Medway

One of the key challenges facing the growth agenda for Kent and Medway is how to provide the environment that enables the business character of the area to evolve. This is to enable and promote indigenous business growth, whilst attracting inward investment in the sectors of the future, thereby creating employment opportunities which can enable the area to move further up the value chain in key industries.

### WORKFORCE

The available workforce in the County continues to be challenged by a growing retired population against a shrinking proportion of those of traditional working age. This is in conjunction with a decline in the availability of training opportunities/appropriately skilled workers as more Kent and Medway residents travel to take up employment opportunities outside of the County, especially commuting to London.

Employment in Kent and Medway is currently less 'knowledge intensive' than the national average (Figure 4.19).

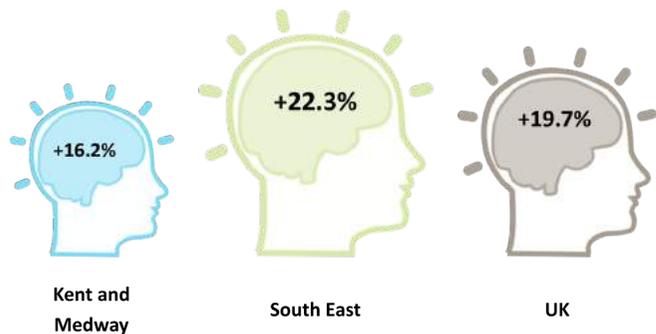


Figure 4.19: % of employees in the knowledge economy

Nonetheless, there are strong signs that there are changes in the structure of Kent and Medway's workforce – with the growth in knowledge intensive industries outstripping that of the national and South East average (Figure 4.20).

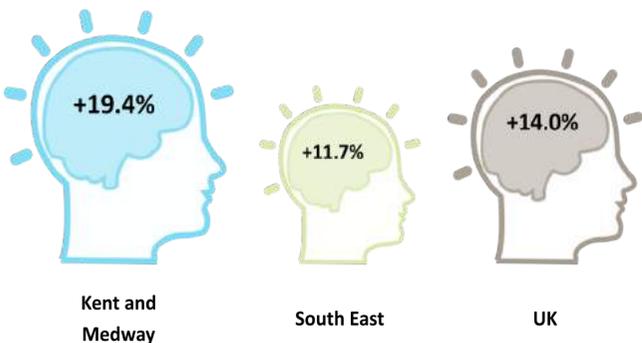


Figure 4.20: Growth in knowledge economy employees, 2009-2015

Although less of Kent and Medway's workforce holds an equivalent NVQ4+ qualification than both the South East and the rest of England, there has been significant growth of those in a highly skilled occupation.

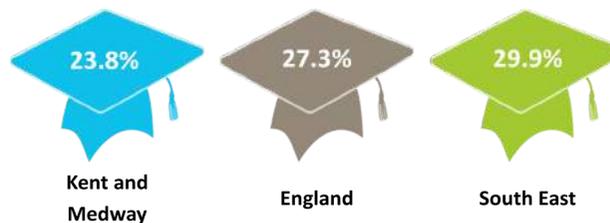


Figure 4.21: % of workforce with NVQ4+



Figure 4.22: Growth in highly skilled occupations 2004-2016

Within the County, average full-time earnings are below those of England and the South East.



Figure 4.23: 2016 Annual average fulltime earnings (median) - workplace based

## COMMERCIAL PROPERTY

If Kent and Medway are to overcome the economic challenges and realise the economic opportunities presented above, there is a clear need for the local economy to provide the right space in the right location at the right specification to enable businesses to set up and grow in the area. Available, modern, flexible properties in the right location are needed to satisfy demand and business needs, with adequate space on site for businesses to grow and develop. However, whilst the Government focuses on resolving the housing crisis, there is less being initiated to support commercial development across the whole country.

There is an opportunity to attract businesses out of London into Kent and Medway, where such businesses can arguably achieve greater value for money in the space that they occupy and with the workforce they employ. There is clear opportunity for any county within reach of the capital that can create an attractive environment for business growth.

However, there is growing evidence as to the fact that this suitable commercial space is in limited supply. This limited supply could be hindering the growth of new and existing businesses in Kent and Medway.

There are several obvious consequences of the gap between demand and supply, including the loss of potential inward-investing businesses, but also the potential loss of indigenous businesses to neighbouring counties or further afield where more suitable properties may be available.

## COMMERCIAL PROPERTY AND THE ECONOMY

Together, the current economic and political uncertainty is being viewed as an impediment to commercial property market activity.

However, despite the current uncertainties affecting the economic market, there has been a marginal increase over the last twelve months in the South East in the level of occupier demand for commercial space. The largest proportion of growth is demand for industrial property<sup>2</sup>.

Demand for commercial space is driven by

- Local transport connections;
- Quality of space;
- Access to local workforce with relevant skills and knowledge;
- Facilities available with the commercial space, eg. receptionist, welfare etc;
- Opportunities for growth / expansion.

Case study examples include Nepicar Park, an industrial park in Wrotham which provides high-quality industrial spaces, with easy access to the M20 and M26, as well as a workforce with the relevant skills.

### Nepicar Park

Gallagher Properties created speculative warehouse space at its Nepicar Park site in Wrotham and the industrial estate sold nearly all units in just 18 months after planning permission was secured.

Nepicar Park as a case study indicates there is strong confidence among small and medium-sized businesses in the county for well-designed, highly specified and well-located industrial units that are close to the motorways.

Future commercial supply is planned for within a Borough's Local Plan Employment Space Allocations.

In line with the NPPF, districts within Kent and Medway therefore identify sites suitable for commercial development during the Local Plan process. These will include sites for a diverse range of supply, allocated in consideration of the commercial demand attributes such as accessibility to local transport connections.

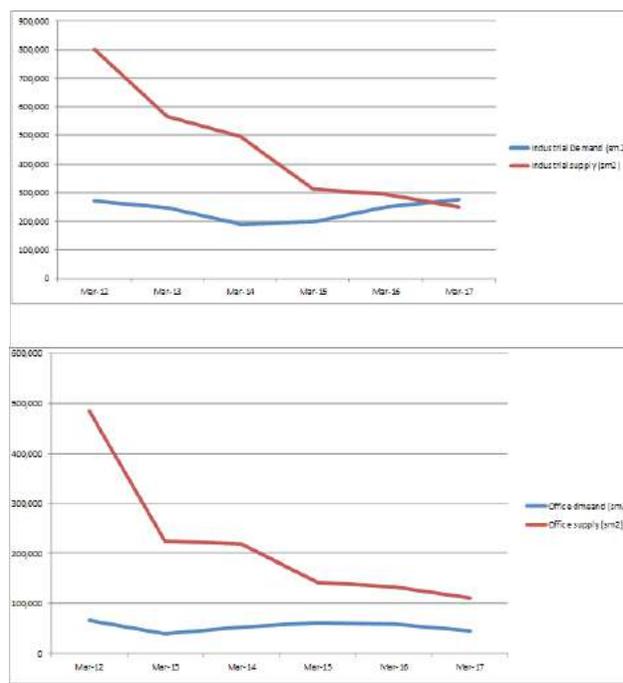


Figure 4.24: Supply and demand for industrial and office property (Source: LIK Property Portal, May 2017)

## CURRENT SUPPLY IN KENT AND MEDWAY

There is a varied supply of commercial space within Kent and Medway, both operating as standalone spaces as well as estates. Kent's inward investment agency, Locate in Kent (LiK), notes that the overall level of supply of industrial and office space in Kent and Medway has been declining since 2012<sup>3</sup> as demonstrated in Figure 4.24.

There is generally a limited supply available for occupation – creating a limited supply to enable new business growth. Whilst there are several hubs of commercial space that have been developed over recent years, these have limited vacancies – having generally been faced with more demand than can be met with these available spaces. These opportunities include Ebbsfleet, which is providing an anchor for business growth, as well as Chatham Maritime university campus, Rochester Airport Technology Park, the Kent Science Park, the University of Kent and Canterbury Christ Church University campuses in Canterbury and the Discovery Park at Sandwich.

In fact, as of May 2017, from a total of 31 marketed sites on LiK's Property Portal, only 5 properties were readily available.

This imbalance between demand and supply is part of a trend over recent years, which threatens to worsen if some of the fundamental causes of this imbalance are not addressed. As shown in Figure 4.24, in 2017, in Kent and Medway, the level of demand for industrial property overtook that of supply. In March 2017, almost 300,000 sqm of industrial space was demanded from occupiers against c. 250,000 sqm of supply of industrial space.

<sup>2</sup>RICS Q2 2017: UK Commercial Property Market Survey; <sup>3</sup>LiK Commercial Development Presentation, 10 May 2017

Latest figures show that industrial demand companies are increasingly looking for larger industrial units where there is little supply across Kent and Medway – for both office and industrial properties (over 25,000 ft<sup>2</sup>) and few very large size industrial units (over 50,000 ft<sup>2</sup>).

The figures also suggest that there is sufficient office supply to cope with current demand. However, for both office and industrial there are difficulties matching the appropriate property at the required quality and size, as well as meeting other clients' requirements (location, new build, internet speed, infrastructure, flexible lease arrangements, etc.).

Finally, nearly one-third of all commercial properties (office and industrial) across Kent and Medway are not available for new companies to locate into due to reasons such as the property has not been developed, does not have planning permission or is under offer to another company. There are however significant variations across districts in terms of available property and premises being developed.

These issues are making it difficult to meet all the demand for industrial and office properties and limit investment opportunities in Kent.

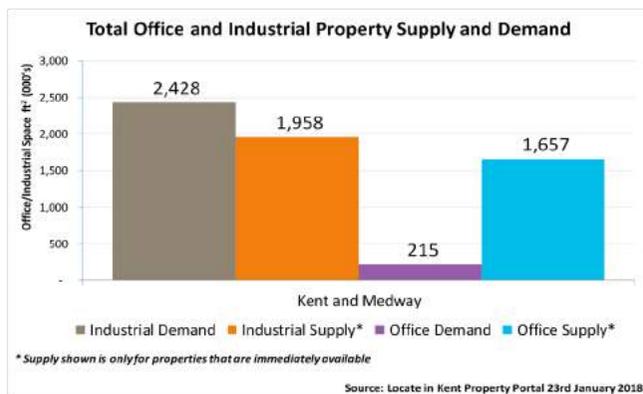
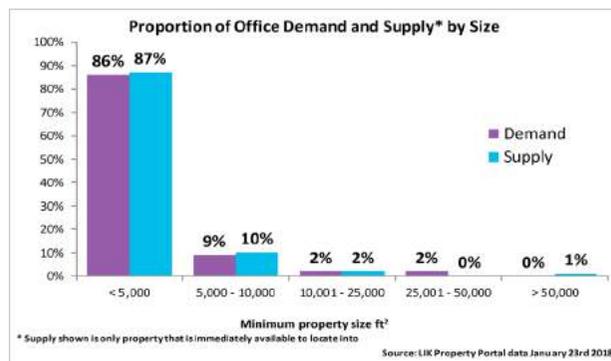
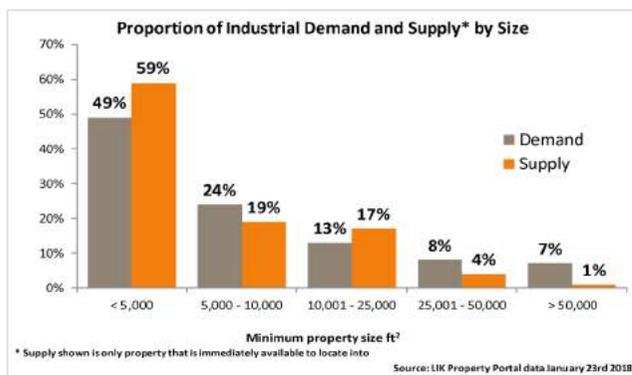


Figure 4.25: Supply and demand for industrial and office property (Source: LIK Property Portal, January 2018)

### SUPPLY AND DEMAND BALANCE FOR COMMERCIAL SPACE: THE CHALLENGES?

There are a number of causes as to this emerging crisis in commercial property in Kent and Medway.

### PERMITTED DEVELOPMENT RIGHTS

Permitted development (PD) rights allow certain changes of use to take place without needing detailed planning permission. Specific PD rights allowing conversion from office space, introduced as a temporary measure in 2013, were extended in 2016. A new temporary PD right has also been created for change of use from light industrial to residential (with limitations on floor space), which took effect from 1 October 2017.

The County has seen a very high level of PD conversions to residential, which is resulting in a significant loss of office space.

Whilst the total loss of floor space and its employment quality across Kent and Medway is not calculable, from 2012-13 to 2015-16 there have been a total of **295 dwellings** created through conversions from offices, storage and agricultural use under permitted development rights<sup>4</sup>.

Conversions of former commercial offices are making a much needed contribution to the County's housing supply, but this is at the risk of no longer being able to fully accommodate business growth to meet demand – which in turn is fundamental to provide jobs for residents, and crucial in creating sustainable communities.

### MARKET, RISK AND PROBLEMS ACCESSING EXTERNAL FINANCE

However, the issue is not solely down to planning policy. In fact, many sites across Kent and Medway have been granted planning permission for commercial development – but the market has been unable to deliver. Issues of viability and access to finance are causing blockages in developing sites. Also, opportunities to attract companies and support expansions are limited. As a result, in recent years, residential development is generally viewed as delivering a higher rate of return at a lower risk than commercial development.

<sup>4</sup> <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants> (Table 123)

Specific issues relating to the market viability of commercial development that have been noted by stakeholders in Kent and Medway include:

- A shortage of commercial tenant pre-letting (especially an unwillingness to sign new commercial leases for more than ten years)
- A sense of business and economic uncertainty in relation to future corporate expansion plans (“wait and see”)
- A general reluctance for businesses to expand into new, untried locations - even if total occupational costs are reduced by over 50% by moving to a new location.

These factors all result in overall development risk being regarded as too high for new commercial schemes, and development funding from internal cash or banks is not available for this purpose.

### **FIT-FOR-PURPOSE, MODERN WORKSPACE**

The demand is for well-positioned, high-quality flexible spaces and the need for faster broadband, particularly in its rural areas, is a key issue.

### **SPECULATIVE DEVELOPMENT**

Ashford is one of a few locations in the County that is attracting and filling speculative development, with its commercial quarter in Station Road offering office space and several thousand jobs. In a perception study carried out by LiK, Ashford was identified as the best place in Kent to do business, with strong attractions being its rail links, road links, proximity to Europe and London, location and availability of sites.

Although in Kent and Medway, there are a couple of examples of successful speculative commercial development, there is generally a very small amount of this type of development. Risk and cost for the developer is attributed to commercial units which

### **Questor**

Questor is a long-established business estate in Dartford, located one mile from J1B M25. Two further development sites for up to a further 52,400 sq. m. of industrial and office space have been speculatively developed, with completion in August 2017.

are developed and not occupied. Therefore, there is an inherent preference for pre-letting of commercial space ahead of construction. Pre-letting also allows for individual occupiers' requirements to be met as opposed to speculative development, where the units tend to be constructed to a more generalised specification to attract a diverse range of occupiers.

The need for business rates to be paid on empty commercial properties is a disincentive for speculative commercial development.

### **SOLUTIONS AND MOVING FORWARD**

In light of these challenges, it is important to note where there are opportunities for stimulating a redress of the mismatch between supply and demand of commercial space.

### **PLANNING FOR GROWTH CLUSTERS**

Businesses are increasingly making location decisions based on proximity to other businesses – either in the same or complementary sectors – hence the rising popularity of growth clusters. Such hubs of commercial space provide a supportive environment and the opportunity for collaboration and innovation.

There are several examples of successful clusters in Kent and Medway already. However, more of this kind of thinking and approach could be fostered in order to overcome the risks associated with speculative development, as such clusters can create a

### **EDGE Hub**

Working with Canterbury Christ Church University (CCCU), the Kent and Medway EDGE Hub is an industry-led initiative to drive economic growth in the engineering and technology industry.

This has been achieved through the establishment of a transformative teaching and research centre, satellite facilities at the Discovery Park and CCCU's Medway Campus.

It was awarded £6 million from the Local Growth Fund. The Hub will add a suite of new technical and professional education opportunities and provide support to businesses with research projects, prototype development and CPD opportunities.

This project is highly needed in Kent and Medway, where fewer young people enter higher-level engineering and technology courses, and where businesses are held back by skills shortages and the lack of infrastructure to support innovation and research.

locus for inward investment.

An Enterprise and Productivity Strategy for Kent and Medway will draw upon the GIF evidence and start with a robust analysis of the economic and social characteristics of the County. It will develop specific actions to set out a framework for investment in infrastructure, technology and skills up to 2050, adapting to the changing national framework and within the context of the Industrial Strategy.

Three proposals for new facilities for postgraduate medical training have been identified in Ebbsfleet, Canterbury and Maidstone. These would all help serve Kent's rapidly growing population and

provide a focus for the integration of the health and social care economy, which is significant to Kent's economy. Not only would they fulfil an identified need to train more medical and social care practitioners, they would also provide the catalyst for clusters of health technology (medtech) and life science companies.

The recently established, employer-led Kent and Medway Skills Commission could have an important role in working alongside the Growth Commission to consider how clusters of high-value activity in the area can be supported.

### THE ROLE OF THE PUBLIC SECTOR IN FORWARD FUNDING FOR COMMERCIAL DEVELOPMENT

One of the fundamental issues in the delivery of commercial space is the "chicken and egg" scenario – i.e. a developer will not develop speculatively without a pre-let, but a business often cannot commit to a new commercial development so far in advance to enable that developer to invest. There is a need to bridge the gap between the developer and the eventual business tenant.

Central Government could help bridge this gap by making forward funding mechanisms available to enable local authorities to intervene in helping pump prime local commercial development.

### THE ROLE OF THE PUBLIC SECTOR AS ANCHOR TENANT

The level of risk in speculative commercial development is high and seeking ways to lower the level of risk may encourage further supply of available commercial spaces. Suggested routes to reducing developer risk could be through a Public Authority offering themselves as Head Leasehold of the commercial space or as a guarantor<sup>5</sup>. This is an example where Central Government could stimulate local growth by relocating Government agencies, arms-length bodies or cultural institutions, as suggested in the final pillar of the Industrial Green Paper.

### THE ROLE OF THE PUBLIC SECTOR IN TARGETED BUSINESS FINANCE SCHEMES

The other opportunity to help connect demand for commercial space to the supply would be to enable businesses themselves to more readily finance their relocation. KCC's successful RGF loan schemes demonstrate how local authorities are already working with businesses that have growth potential to help to tackle this barrier.

The private sector has a crucial role in the delivery of commercial sites. Issues of viability and access to finance are critical in delivery of commercial space. Working with the private sector to examine this viability issue is fundamental and needs to be addressed to prevent the County's economic outputs lagging behind the South East. It will also ensure that a place-based approach enables greater co-ordination of investment in homes, infrastructure and jobs, to build sustainable communities. Work on the viability of sites will be progressed, alongside working with local partners, including Kent Developer Group and Locate in Kent, to develop key actions to respond to gaps identified between supply and demand of commercial space.

### MOVING FORWARD

In order to increase the level of commercial supply in Kent and Medway, a more detailed analysis will be undertaken in response to the imminent Enterprise and Productivity Strategy for Kent and Medway. This Strategy will be identifying the future economic trajectory for Kent and Medway, and will identify the particular economic characteristics and sector opportunities that Kent and Medway will aim to realise over coming years – and with this strategy in mind, a finer-grain picture of the particular geographic opportunities for intervention will be developed. This work stream would seek to focus on how to increase the level of quality commercial supply within Kent and Medway.



*Nepicar Park, Tonbridge & Malling BC*

<sup>5</sup>The Development of Speculative Business Accommodation in East Kent, September 2017