Luton Functional Economic Market Area Study

Presentation of Emerging Findings

11th February 2016
Agenda

Introduction and Welcome (LBC) 10.00am
Presentation of Emerging Findings (NLP) 10.10am
Refreshment Break 11.00am
Group Discussion 11.10am
Group Discussion Feedback (NLP) 11.40am
Next Steps (NLP) 11.55am
Close 12.00pm
Purpose of Workshop

1. Introduce the approach and methodology to the Luton FEMA Study
2. Present the emerging findings
3. Identify job growth forecasts
4. Questions for discussion about the emerging findings
5. Next steps
1. Approach and Methodology
Approach

1. Developing a Methodological Framework
2. Defining Functional Economic Market Area
3. Evidence Review and Updated Forecasts
4. Identify Employment Floorspace Requirements across the FEMA
5. Consideration of Demand/ Supply Balance
6. Conclusions and Recommendations
FEMA Methodological Framework

Stage 1: Developing a Methodological Framework
- Methodology Design
- Methodology Confirmation

Stage 2: Review Existing Economic & Policy Evidence
- Local Evidence Base
- Sub-Regional Evidence Base
- Planning Policy Context

Stage 3: Establishing the Functional Economic Market Area
- A: Baseline Economic Trends
- B: Employment Land Supply
- C: Travel-to-Work Flows
- D: Property Market Signals
- E: Other Economic and Market Analysis

Stage 4: Conclusions and Recommendations
- Recommendations on the Extent of Luton’s FEMA
- Identify Employment Requirements across the FEMA
- Draft Report including Emerging Findings
- Final Report

Luton Functional Economic Market Area Study
2. Economic Context and Trends
Luton’s workforce jobs have grown at a rate of 20% between 1997 and 2016, which is broadly comparable with the 21% average across the neighbouring authorities (excl Milton Keynes).

Source: EEFM, 2014
Luton retains a strong GVA per employment job figure compared with neighbouring authorities, at just over £47,000.

Source: EEFM, 2014
Employment data shows the marked decrease in manufacturing and subsequent increase in administrative and professional services.
Key points

• Luton has seen average levels of job growth over the past two decades

• Luton’s local economy has experienced a significant shift in the structure of its economy resulting in a decrease in manufacturing, with simultaneous growth in administrative, support and professional services and the health sector

• Luton out-performs neighbouring authorities in terms of GVA per employment job reflecting the presence of high value activities
3. Labour Market Areas
The extent of the ONS Luton TTWA has remained broadly consistent between 2001 and 2011.
The TTWA can be refined further using local commuting analysis...

<table>
<thead>
<tr>
<th>Destination</th>
<th>Luton</th>
<th>Aylesbury Vale</th>
<th>Bedford</th>
<th>Central Bedfordshire</th>
<th>Dacorum</th>
<th>Milton Keynes</th>
<th>North Herts.</th>
<th>St Albans</th>
<th>Stevenage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total working residents</td>
<td>89,590</td>
<td>91,250</td>
<td>76,270</td>
<td>132,765</td>
<td>73,920</td>
<td>128,240</td>
<td>65,405</td>
<td>71,820</td>
<td>42,935</td>
</tr>
<tr>
<td>Total workplace workers</td>
<td>90,495</td>
<td>75,940</td>
<td>75,040</td>
<td>98,965</td>
<td>66,795</td>
<td>144,715</td>
<td>52,920</td>
<td>62,110</td>
<td>45,130</td>
</tr>
<tr>
<td>Live and work in the Local Authority</td>
<td>56,095</td>
<td>56,070</td>
<td>53,630</td>
<td>66,430</td>
<td>42,945</td>
<td>100,195</td>
<td>32,560</td>
<td>35,250</td>
<td>24,360</td>
</tr>
<tr>
<td>Self-containment rate</td>
<td>63%</td>
<td>61%</td>
<td>70%</td>
<td>50%</td>
<td>58%</td>
<td>78%</td>
<td>50%</td>
<td>49%</td>
<td>57%</td>
</tr>
<tr>
<td>Out-commuting workers</td>
<td>33,495</td>
<td>35,180</td>
<td>22,640</td>
<td>66,335</td>
<td>39,905</td>
<td>28,040</td>
<td>32,845</td>
<td>36,570</td>
<td>18,575</td>
</tr>
</tbody>
</table>

### Top out-commuting destinations
- Central Beds, St Albans, Dacorum, Welwyn Hatfield, Milton Keynes
- Milton Keynes, Wycombe, Dacorum, South Oxfordshire, Cherwell
- Central Beds, Milton Keynes, Luton, Huntingdons hire, Westminster, City of London
- St Albans, Watford, Westminster, City of London, Three Rivers, Aylesbury Vale
- Central Bedfordshire, Aylesbury Vale, Westminster, City of London, Bedford, Northampton
- Westminster, City of London, Welwyn Hatfield, Dacorum, Hertsmere, Camden
- Westminster, City of London, Welwyn Hatfield, Dacorum, Hertsmere, Camden

### In-commuting workers
- 34,400
- 19,870
- 21,410
- 32,535
- 23,852
- 44,520
- 20,360
- 26,860
- 20,770

### Top in-commuting destinations
- Central Beds, St Albans, North Herts, Bedford, Milton Keynes
- Milton Keynes, Central Beds, Wycombe, Dacorum, South Oxfordshire
- Central Beds, Huntingdons hire, East Northamptonshire, Milton Keynes, Luton
- Central Beds, Aylesbury Vale, Luton, St Albans, Three Rivers
- Central Beds, South Northamptonshire, Aylesbury Vale, Northampton, Bedford
- Central Beds, Stevenage, South Cambridge, Luton, East Herts
- Dacorum, Luton, Welwyn Hatfield, Central Bedfordshire, Hertsmere
- North Herts, Central Beds, East Herts, Welwyn Hatfield, Luton

### Net flow of workers
- 905 (outflow)
- 15,310 (outflow)
- 1,230 (outflow)
- 33,800 (outflow)
- 16,055 (outflow)
- 4,070 (inflow)
- 12,485 (outflow)
- 9,710 (outflow)
- 2,195 (inflow)

Source: Census 2011, Origin-Destination
The strongest out-commuting flows are to Central Beds and North Herts with some flows to the key centres including Milton Keynes, Welwyn, Stevenage, Hemel and St. Albans.

<table>
<thead>
<tr>
<th>Destination</th>
<th>Proportion (%) of Luton’s Out Commuters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hertfordshire</td>
<td>35%</td>
</tr>
<tr>
<td>Former Bedfordshire</td>
<td>29%</td>
</tr>
<tr>
<td>Buckinghamshire</td>
<td>8%</td>
</tr>
<tr>
<td>Northamptonshire</td>
<td>1%</td>
</tr>
<tr>
<td>Total out-flow</td>
<td>33,495</td>
</tr>
</tbody>
</table>

Source: Census 2011, Origin-Destination
In contrast to the ONS TTWA, in-commuting flows from the south are limited beyond St Albans.

<table>
<thead>
<tr>
<th>Origin</th>
<th>Proportion (%) of Luton’s In Commuters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Former Bedfordshire</td>
<td>42%</td>
</tr>
<tr>
<td>Hertfordshire</td>
<td>19%</td>
</tr>
<tr>
<td>Buckinghamshire</td>
<td>6%</td>
</tr>
<tr>
<td>Northamptonshire</td>
<td>2%</td>
</tr>
<tr>
<td>Total in-flow</td>
<td>34,400</td>
</tr>
</tbody>
</table>

Travel to work in-commuting flow (number of people), 2011 by MSOA.
This results in a relatively more contained labour market area
Despite having a net out-flow of workers overall, the occupational profile of commuters shows that Luton is a net importer of higher skilled workers…

<table>
<thead>
<tr>
<th>Occupation</th>
<th>In-commuters</th>
<th>Out-commuters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Professional/ Managerial Occupations</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Intermediate/ Small Employers/ Lower Supervisory Occupations</td>
<td>28%</td>
<td>31%</td>
</tr>
<tr>
<td>Semi-routine/ Routine Occupations</td>
<td>17%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: Census 2001
Key points

- The spatial extent of the ONS Luton TTWA did not change significantly in the inter-Census period (2001-2011)
- Luton has a self-containment rate of 63%
- Luton’s has a relatively localised labour market area, with a strong functional relationship, in commuting terms, with Central Beds, St. Albans and North Herts in particular
- In-commuters tend to originate from areas to the north while out-commuting flows also extend south of Luton
- Luton is a net importer of higher skilled workers that hold top-tier occupations
- Local commuting analysis broadly substantiates the ONS Luton TTWA
4. Housing Market Areas
Recent SHMA position

- HMAs in Bedfordshire and surrounding areas – December 2015
- Luton and Central Bedfordshire – Summer 2015
- Bedford – December 2015
- Stevenage and North Hertfordshire – Summer 2015
- Aylesbury Vale – March 2015
- Milton Keynes – December 2015
- Dacorum – January 2016 (South West Hertfordshire SHMA)
- St. Albans – October 2015
The ‘HMA in Bedfordshire and surrounding areas Study’ (Nov 2015) confirms the spatial extent of the Luton HMA

Source: ORS, 2015
Key Points

• Luton forms one of four main HMAs in Central Bedfordshire which also include Milton Keynes, Bedford and Stevenage HMAs.

• Only 13% of the total land within the Luton HMA is located within the local authority boundary. Some 68% of the remaining land in the HMA falls within Central Bedfordshire administrative boundary, and 20% in other local authorities.

• Outside of Luton and Milton Keynes, the local authority boundaries and HMA areas are primarily aligned.
5. Commercial Property Market Areas
Luton has a larger quantum of supply of employment space than most of the nearby authorities with the exception of Milton Keynes and Central Beds.

Employment Floorspace in Luton and Neighbouring Authorities

- Luton has 1.4m sq.m of B Class floorspace:
  - 44% factory space
  - 34% is warehousing
  - 22% comprises offices
- Amounts to about 11% of floorspace stock within the area

Source: VOA, 2008
There are clusters of industrial floorspace in Luton, Milton Keynes, Stevenage and Bedford

- Luton accounts for 13% of the area’s manufacturing space and 8% of warehousing
- Manufacturing space is focused around the key centres
- Warehousing is typically located close to strategic transport networks (M1, A1 corridors)

Source: VOA, 2010
Office floorspace is clustered within the key centres of Milton Keynes, Luton and Dacorum accounting for the majority of space

- Luton accounts for 13% of the area’s office stock
- This is comparable with the quantum of office floorspace in Dacorum
- Milton Keynes is the only local authority in the area with a greater level of office floorspace providing 28% of the area total

Source: VOA, 2010
Luton’s industrial market has been traditionally strong though limited supply is impacting on take-up levels

- Luton forms a single market with Dunstable and Houghton Regis in industrial property market terms
- Luton has seen good levels of take-up within the industrial and logistics market in recent years in part due to a shortage of availability in locations closer to London
- Luton provides a cost advantage over competing locations along the M1 corridor, though this is partly linked to the quality of the stock available
- Occupier demand is primarily driven by local businesses (seeking move-on space) though there has been an increase in the number of firms coming into the area from other constrained locations
- As a result available supply is at record low levels (c. 6 months of pipeline supply) with particular shortage of small floorplate units (<50,000sq.ft)
Luton is not traditionally regarded as an office location

- There are two distinct office markets in Luton:
  1. The town centre - typified by the older and poorer quality of its office stock which tends to accommodate smaller, lower value and customer facing businesses;
  2. Out of centre - modern and higher quality office parks which provide larger floorplates (e.g. Butterfield and Capability Green)

- Access and parking are identified as constraints in town centre
- Office occupiers are typically price sensitive
- Permitted Development Rights have had the effect of removing some obsolete office stock
- Take-up of office space within mixed-use developments has been slow
- The viability of building new office stock is questioned as rental values and therefore margins are tight
Commercial property market evidence indicates that Luton has a relatively localised market, but also operates within the wider M1 corridor.
Key points

• Luton has approximately 1.4sq.m of employment floorspace which is a larger stock than most of the neighbouring authorities

• 78% of the Borough’s stock comprises industrial space which reflects why Luton is not traditionally regarded as an office location

• Rental values make Luton an attractive industrial location which has resulted in good levels of take-up in recent years

• Occupier demand is driven by indigenous companies and firms relocated from other constrained locations

• There is approximately 6 months of pipeline supply with a particular shortage of smaller units

• Luton has a two tier office market; Permitted Development Rights have removed some obsolete stock but viability remains a barrier
6. Other Functional Economic Market Area Factors
Luton has a relatively localised retail catchment. Despite recording a relatively high retail ranking, Luton struggles to compete with Milton Keynes and Watford.
The catchment areas show that Luton Airport has a particularly strong draw from North London and neighbouring areas though its catchment also stretches into the Midlands

Source: CAA 2009 Annual Passenger Survey

<table>
<thead>
<tr>
<th>County</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater London</td>
<td>37.7%</td>
</tr>
<tr>
<td>Hertfordshire</td>
<td>12.8%</td>
</tr>
<tr>
<td>Bedfordshire</td>
<td>9.5%</td>
</tr>
<tr>
<td>Buckinghamshire</td>
<td>7.4%</td>
</tr>
<tr>
<td>Northamptonshire</td>
<td>4.2%</td>
</tr>
<tr>
<td>Cambridgeshire</td>
<td>3.7%</td>
</tr>
<tr>
<td>Oxfordshire</td>
<td>2.8%</td>
</tr>
<tr>
<td>Essex</td>
<td>2.2%</td>
</tr>
<tr>
<td>Berkshire</td>
<td>2.1%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>1.7%</td>
</tr>
<tr>
<td>Other counties</td>
<td>16.0%</td>
</tr>
</tbody>
</table>

Source: CAA 2009 Annual Passenger Survey
Good strategic road infrastructure results in high levels of drivetime accessibility from Luton.
Key points

• The Luton retail catchment area is relatively localised reflecting the current scale and mix of retail provision within the town centre, and proximity of competing higher order centres such as Milton Keynes and Watford.

• Luton has good levels of transport accessibility by road, rail and air.

• Luton Airport draws in just over 1/3rd of passengers from the Greater London area, with its catchment area extending as far North as the Midlands.

• Peak and off-peak drivetimes include Greater London and large areas of the South East/south East Midlands

• Transport factors taken in isolation imply a much wider catchment area but unlikely to be practical when weighed against other factors for planning purposes.
7. Synthesis
Labour Market Area

[Map of Luton Functional Economic Market Area Study showing Labour Market Area and ONS Travel to Work Area.]
Housing Market Area

Luton Functional Economic Market Area Study
Commercial Property Market Area

Luton Functional Economic Market Area Study
Luton Functional Economic Market Area Study

Consumer Market Area

[Map depicting the Consumer Market Area with various locations such as Bedford, Luton, Dunstable, Stevenage, etc.]

Luton Functional Economic Market Area Study

[Map legend indicating Consumer Market Area]
Core Functional Economic Market Area Study

![Map of Core Functional Economic Market Area for Luton](image)

Legend:
- **Green**: Housing Market Area
- **Blue**: Consumer Market Area
- **Purple**: Commercial Property Market Area
- **Blue**: ONS Travel to Work Area
- **Red**: Core Local Travel to Work Area
- **Red**: Core Functional Economic Market Area for Luton

Luton Functional Economic Market Area Study
8. Scale of Future Growth
Job growth in Luton is expected to exceed past trends over the Local Plan period to 2031, though a similar trend is expected in Central Bedfordshire

### Past-trend and Forecast Job Growth - EEFM 2014

<table>
<thead>
<tr>
<th></th>
<th>Luton</th>
<th>Luton's Share</th>
<th>Central Bedfordshire</th>
<th>Central Bedfordshire Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>90,458</td>
<td>49%</td>
<td>92,822</td>
<td>51%</td>
<td>183,280</td>
</tr>
<tr>
<td>2011</td>
<td>95,200</td>
<td>48%</td>
<td>104,791</td>
<td>52%</td>
<td>199,991</td>
</tr>
<tr>
<td>Change 1991-2011</td>
<td>4,742</td>
<td>28%</td>
<td>11,969</td>
<td>72%</td>
<td>16,711</td>
</tr>
<tr>
<td>% Change 1991-2011</td>
<td>5%</td>
<td>~</td>
<td>13%</td>
<td>~</td>
<td>9%</td>
</tr>
<tr>
<td>2031</td>
<td>106,522</td>
<td>45%</td>
<td>131,531</td>
<td>55%</td>
<td>238,053</td>
</tr>
<tr>
<td>Change 2011-2031</td>
<td>11,322</td>
<td>30%</td>
<td>26,740</td>
<td>70%</td>
<td>38,062</td>
</tr>
<tr>
<td>% Change 2011-2031</td>
<td>12%</td>
<td>~</td>
<td>26%</td>
<td>~</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: EEFM, 2014

- Luton is forecast to record a 12% increase in jobs between 2011 and 2031.
- Together with Central Beds job growth is forecast to equate to 19%.
- The proportion split of job growth forecast for the two local authorities corresponds with past-trends.
Despite recording a decline in recent years, the number of B Class jobs is expected to increase by 15% by 2031

Past-trend and Forecast B Class Job Growth - EEFM 2014

<table>
<thead>
<tr>
<th></th>
<th>Luton</th>
<th>Luton's Share</th>
<th>Central Bedfordshire</th>
<th>Central Bedfordshire Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>47,090</td>
<td>50%</td>
<td>47,984</td>
<td>50%</td>
<td>95,074</td>
</tr>
<tr>
<td>2011</td>
<td>43,052</td>
<td>47%</td>
<td>48,243</td>
<td>53%</td>
<td>91,295</td>
</tr>
<tr>
<td>Change 1991-2011</td>
<td>-4,038</td>
<td>107%</td>
<td>259</td>
<td>-7%</td>
<td>-3,779</td>
</tr>
<tr>
<td>% Change 1991-2011</td>
<td>-9%</td>
<td>~</td>
<td>1%</td>
<td>~</td>
<td>-4%</td>
</tr>
<tr>
<td>2031</td>
<td>49,499</td>
<td>43%</td>
<td>64,715</td>
<td>57%</td>
<td>114,214</td>
</tr>
<tr>
<td>Change 2011-2031</td>
<td>6,447</td>
<td>28%</td>
<td>16,472</td>
<td>72%</td>
<td>22,919</td>
</tr>
<tr>
<td>% Change 2011-2031</td>
<td>15%</td>
<td>~</td>
<td>34%</td>
<td>~</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: EEFM, 2014

- Luton is forecast to record a 15% increase in B Class jobs between 2011 and 2031
- Together with Central Beds. B Class job growth is forecast to equate to 25%
- The proportion split of B Class job growth forecast for the two local authorities significantly surpasses with past-trends
The 2012 EEFM forecasts imply a higher level of forecast job growth, partly due to a lower 2011 base figure

<table>
<thead>
<tr>
<th>Past-trend and Forecast Job Growth- EEFM 2012</th>
<th>Luton</th>
<th>Luton’s Share</th>
<th>Central Bedfordshire</th>
<th>Central Bedfordshire Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>89,764</td>
<td>49%</td>
<td>93,320</td>
<td>51%</td>
<td>183,084</td>
</tr>
<tr>
<td>2011</td>
<td>96,214</td>
<td>46%</td>
<td>111,269</td>
<td>54%</td>
<td>207,483</td>
</tr>
<tr>
<td>Change 1991-2011</td>
<td>6,450</td>
<td>26%</td>
<td>17,949</td>
<td>74%</td>
<td>24,399</td>
</tr>
<tr>
<td>% Change 1991-2011</td>
<td>7%</td>
<td>~</td>
<td>19%</td>
<td>~</td>
<td>13%</td>
</tr>
<tr>
<td>2031</td>
<td>113,825</td>
<td>47%</td>
<td>129,305</td>
<td>53%</td>
<td>243,130</td>
</tr>
<tr>
<td>Change 2011-2031</td>
<td>17,610</td>
<td>49%</td>
<td>18,036</td>
<td>51%</td>
<td>35,646</td>
</tr>
<tr>
<td>% Change 2011-2031</td>
<td>18%</td>
<td>~</td>
<td>16%</td>
<td>~</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: EEFM, 2012

- Luton was forecast to record a 18% increase in jobs between 2011 and 2031.
- 2012 forecasts suggest c.1,000 more jobs in base year compared with the 2014 forecasts.
- In contrast, forecast job growth in Central Beds was lower(16%).
- Together with Central Beds job growth was forecast to equate to 17% which is slightly lower than 2014 forecasts (19%)
EEFM 2012 recorded a lower number of B Class jobs in 2011 by 2,440 jobs compared with EEFM 2014

### Past-trend and Forecast B Class Job Growth - EEFM 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Luton</th>
<th>Luton's Share</th>
<th>Central Bedfordshire</th>
<th>Central Bedfordshire Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>44,097</td>
<td>48%</td>
<td>47,962</td>
<td>52%</td>
<td>92,059</td>
</tr>
<tr>
<td>2011</td>
<td>40,612</td>
<td>46%</td>
<td>46,962</td>
<td>54%</td>
<td>87,574</td>
</tr>
<tr>
<td>Change 1991-2011</td>
<td>-3,485</td>
<td>78%</td>
<td>-1,000</td>
<td>22%</td>
<td>-4,485</td>
</tr>
<tr>
<td>% Change 1991-2011</td>
<td>-8%</td>
<td>~</td>
<td>-2%</td>
<td>~</td>
<td>-5%</td>
</tr>
<tr>
<td>2031</td>
<td>48,202</td>
<td>47%</td>
<td>55,095</td>
<td>53%</td>
<td>103,297</td>
</tr>
<tr>
<td>Change 2011-2031</td>
<td>7,591</td>
<td>48%</td>
<td>8,133</td>
<td>52%</td>
<td>15,724</td>
</tr>
<tr>
<td>% Change 2011-2031</td>
<td>19%</td>
<td>~</td>
<td>17%</td>
<td>~</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: EEFM, 2012

- Luton was forecast to record a 19% increase in B Class jobs between 2011 and 2031
- Together with Central Beds. B Class job growth was forecast to equate to 15%
- The proportion split of B Class job growth forecast for the two local authorities more closely aligns with past-trends
Total job growth for Luton was revised downwards from 2011 onwards by the 2014 EEFM forecasts.
Overall job growth trends for Luton & Central Beds has been revised downwards by the EEFM 2014

Total Job Growth 1997-2016 in Luton & Central Bedfordshire


Total Employment Jobs (000s)

EEFM 2014

EEFM 2012
9. Questions for Discussion
Questions for Discussion

1. What are Luton’s economic strengths, weaknesses, opportunities and threats?

2. Does the core area identified within the emerging findings reflect a realistic FEMA?

3. Are there further qualitative considerations that need to be taken into account?

4. Which forecasts could form the most appropriate basis for planning for future economic needs?

5. How might future job growth be distributed across the FEMA to best meet economic needs?

6. What options exist for accommodating future space needs?
10. Next Steps
Next steps

• Define future employment space and land requirements
• Consideration of the demand/supply balance
• On-going consultation
• Submit draft report