BRIDGE RETAIL PARK, HAYES

ECONOMIC BENEFITS STATEMENT

GRAFTONGATE

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EXECUTIVE SUMMARY

Background

This report has been produced on behalf of Graftongate and presents the economic benefits of developing employment floorspace for B2 (manufacturing) or B8 (warehousing) uses (circa 15,995 sq. m.) at Bridge Retail Park, Hayes.

Main Findings

Construction Impacts

- **Direct and indirect construction-related employment:** The Proposed Development will support an estimated **225-255 temporary roles on-site and in the wider economy** over the 1-year build programme.
- **Contribution of construction phase to economic output:** An estimated **£22million - £25million of gross value added** (GVA) will be generated during the 1-year construction period in current prices.

Operational Impacts

- **Gross jobs supported on-site:** The Proposed Development will support **234-444 gross permanent full-time equivalent (FTE) jobs on-site** once it is built and operational.
- **Contribution to economic output:** The GVA attributable to the site once operational is estimated at **£6.7million- £12.5million per annum.**
- **Employee wages:** The proposed scheme will generate an estimated **£9.7million - £15.8million per annum** in wages for on-site employees.
- **Business rates:** It is estimated that annual business rates generated by the scheme could be in the region of **£717,500** per annum.
- **Increased Local spend:** The proposed scheme will generate an estimated £0.22million - £0.43million in additional spend in Hillingdon. This is spend associated with the on-site jobs.

1. INTRODUCTION

Scope and Purpose

1.1 This report has been produced on behalf of Graftongate and presents the economic benefits of developing employment floorspace for B2 (manufacturing) or B8 (warehousing) uses (circa 15,995 sq. m. gross internal area) at Bridge Retail Park, in Hayes.

1.2 The report looks at the following issues:

i. **How has the Hillingdon economy performed in recent years?** The report looks at trends in UK GDP and construction activity and goes on to look at employment trends, business numbers and the number of people claiming benefits in Hillingdon.

ii. **What are the benefits of the construction phase?** Looking at how many temporary jobs will be created and the contribution of the construction phase to economic output.

iii. **How many permanent jobs will the development create?** The report considers how many jobs will be generated by the employment floorspace.

iv. **How much will the scheme contribute to enhancing the prosperity of the economy?** The measure used of prosperity is the contribution the scheme will make once completed and fully occupied in terms of increased gross value added – a measure of economic output.

Report Structure

1.3 The remainder of the report is structured as follows:

- **Section 2** describes the character of the Hillingdon economy, and comparator areas. It presents information on UK GDP, construction activity, employment trends, business numbers, the claimant count and development objectives.

- **Section 3** sets out the construction phase benefits of the Proposed Development, focusing on its contribution to employment and economic output.

- **Section 4** sets out the number of jobs that the scheme will create once fully developed and occupied and presents an assessment of the contribution of the scheme to economic output, measured in terms of gross value added (GVA), as well as estimated wages and business rates.

2. ECONOMIC OVERVIEW

Introduction

2.1 This section presents a profile of Hillingdon's economy, alongside regional and national comparators where appropriate. It examines the following topics:

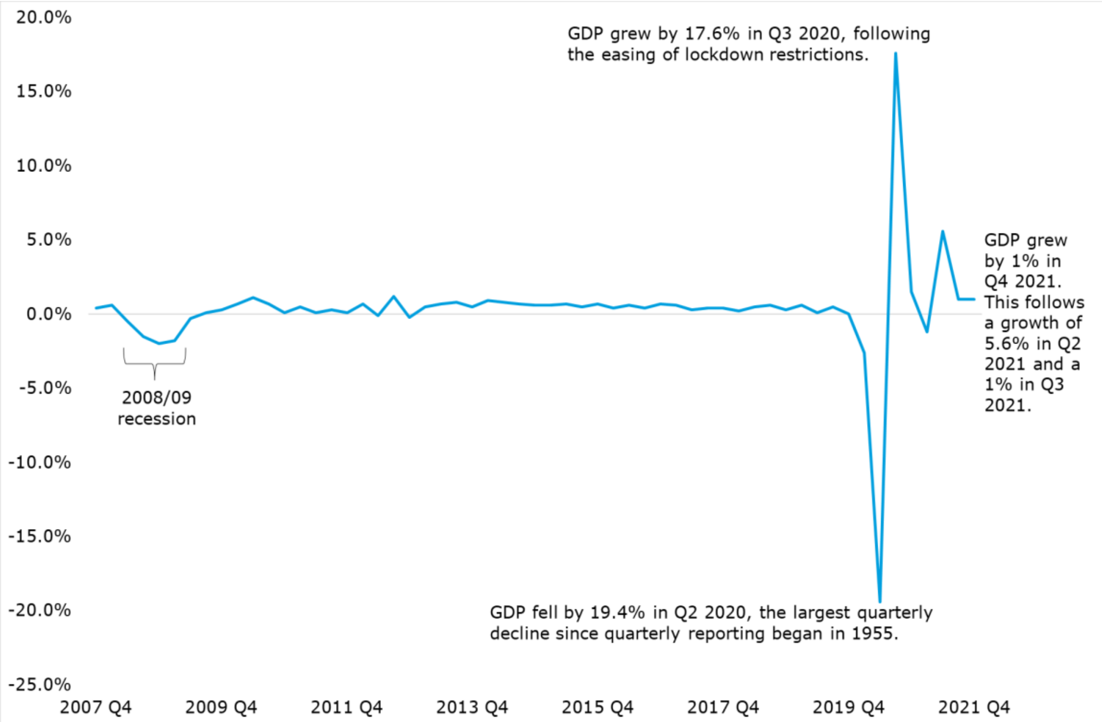
- UK GDP and construction activity.
- Employment – change over time and key sectors.
- Businesses – current numbers and change over time.
- Unemployment – analysing trends in the claimant count.

UK GDP

2.2 UK GDP is estimated to have increased by 1% in Q4 2021 (see Figure 2.1). This represents a smaller rate of growth than that seen in Q2 2021 of 5.4% following the easing of Covid-19 lockdown restrictions and the same rate of growth that was seen in Q3 2021.

2.3 As shown in the chart, GDP fell by 19.4% in the second quarter of 2020, which represents the biggest economic downturn in over 300 years. As the economy begins to recover from the pandemic, it is vital that all areas across the country see new schemes being brought forward that will generate new employment opportunities and support long-term economic growth. The proposed scheme at Bridge Retail Park will do this and the benefits it brings to Hillingdon and the wider area are discussed in further detail in sections three and four of this report.

Figure 2.1: UK GDP Quarter on Quarter Growth, 2007-21



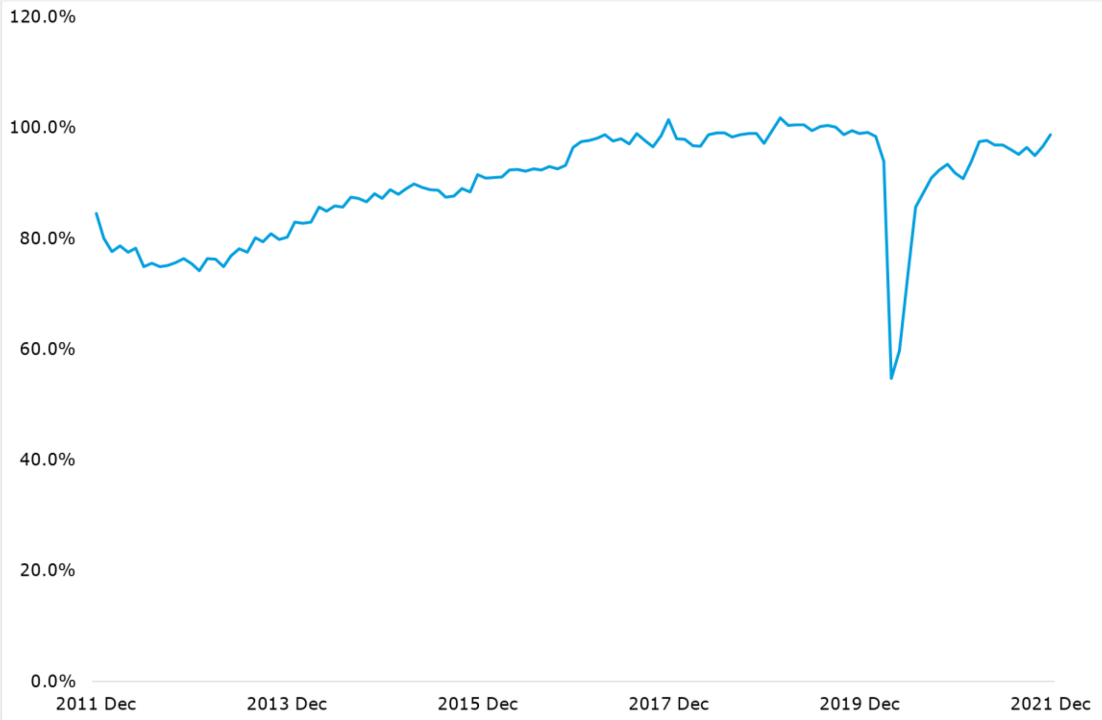
Source: ONS

Construction Activity

2.4 The construction industry was severely affected by the pandemic with a sharp decline in construction activity in April 2020 following lockdown restrictions. Construction output rose 2% between November and December 2021 (see Figure 2.2). This follows a rise of 1.7% between October and November 2021.

2.5 The proposed scheme will generate much needed jobs in construction during the build time of the warehousing.

Figure 2.2: UK Monthly Construction Output Index (2019 = 100)



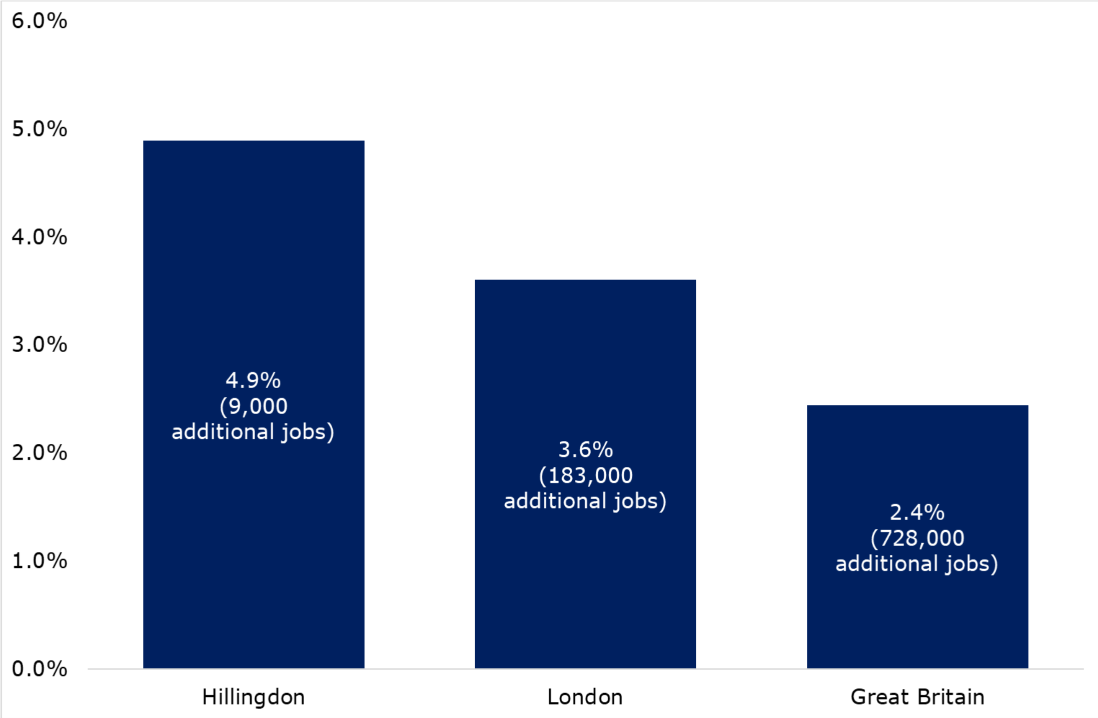
Source: ONS

Employment

2.6 Based on the most recent data from the Business Register & Employment Survey (BRES) published by the Office for National Statistics (ONS), in 2020 around 193,000 people – including the self-employed – worked in Hillingdon.

2.7 Employment numbers in Hillingdon increased by 4.9% between 2015 and 2020, equating to around 9,000 additional jobs (see Figure 2.3). This was higher than the jobs growth seen in London (3.6% - 183,000 additional jobs) and Great Britain (2.4% - 728,000 additional jobs). The proposed scheme at Bridge Retail Park will create employment during the construction phase and permanent employment once it is operational, ensuring employment continues to grow in Hillingdon.

Figure 2.3: Employment Change, 2015-20



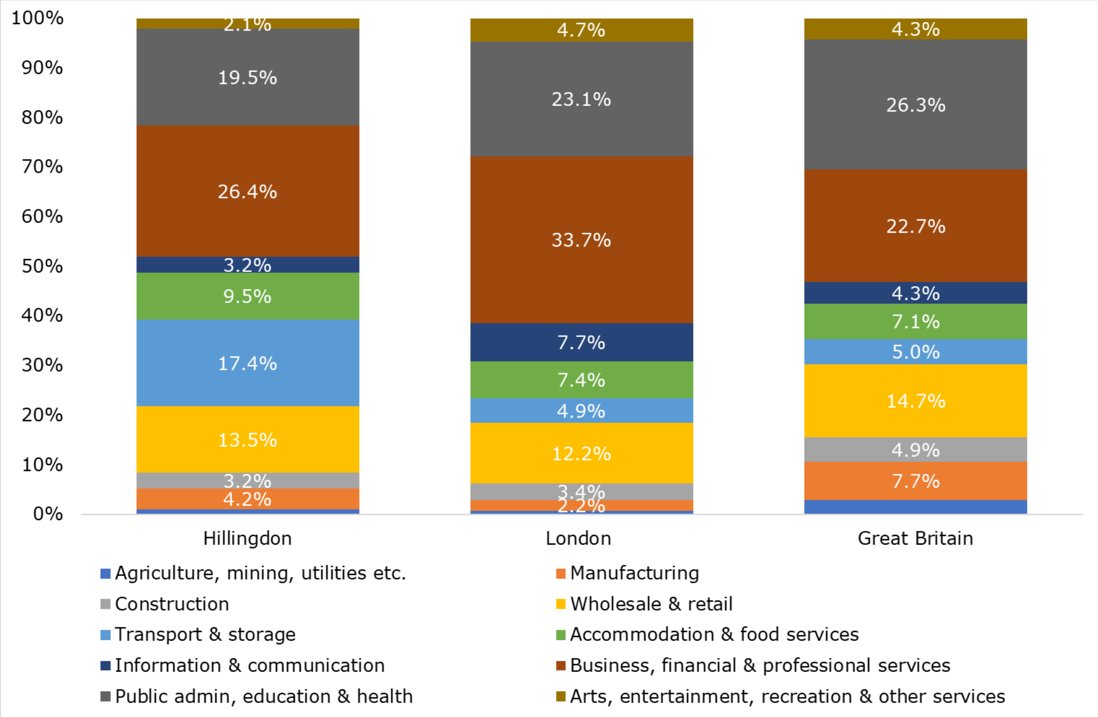
Source: ONS, Business Register & Employment Survey

2.8 The largest employment sector in Hillingdon is the business, financial and professional services sector, which accounts for 26.4% of total employment in the area and supported an estimated 50,000 jobs in 2020.

2.9 The second biggest sector in Hillingdon is the public administration, education and health sector which accounted for around 37,000 jobs and 19.5% of total employment in 2020.

2.10 Transport and storage accounts for 17.4% (33,000) of jobs. This is higher than the corresponding share for the same sector in London (4.9%) and Great Britain (5%) In 2020, manufacturing accounted for 4.2% of employment in Hillingdon and supported 8,000 jobs. However, between 2015 and 2020, the sector grew by 14.3%. Both these sectors could benefit from the scheme in terms of seeing new employment opportunities created.

Figure 2.4: Employment by sector, 2020



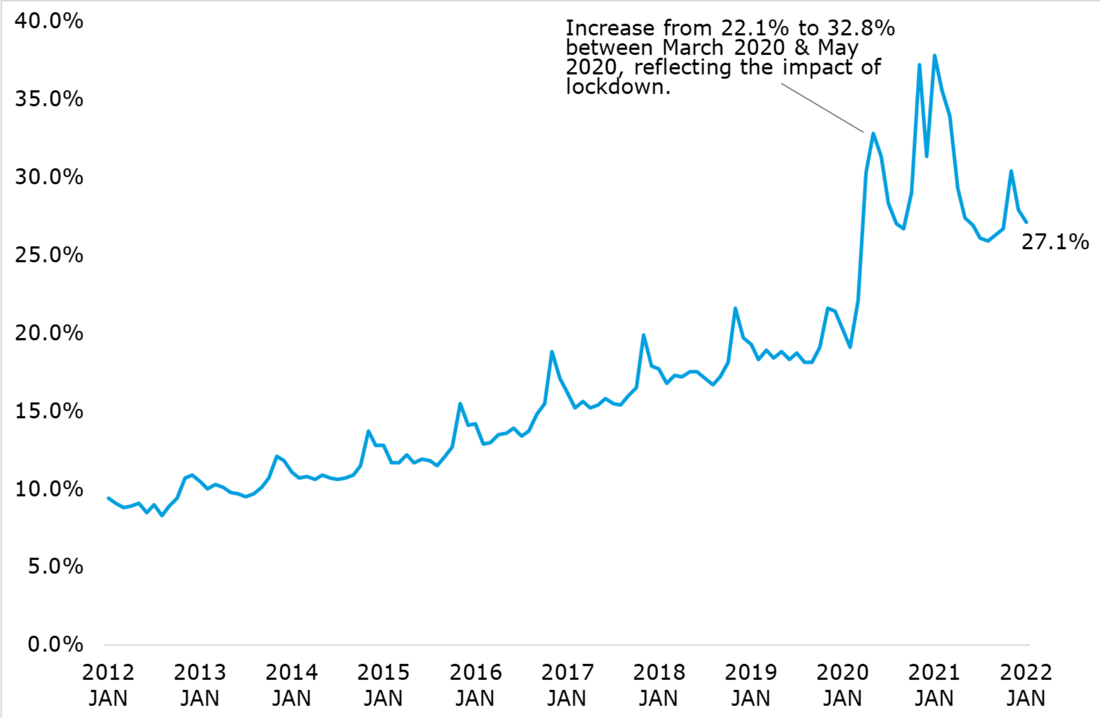
Source: ONS, Business Register & Employment Survey

Growth in Online Shopping and its Impact on Logistics

2.11 The provision of new warehousing space in areas has become even more important as a result of the Covid-19 pandemic, which has led people to spend more money online, which in turn increases pressure on warehousing space. Data published by ONS in February 2022 present internet sales as a percentage of total retail sales up to and including January 2022, showing that internet sales account for 30.1% of the total. This shows a fall on the high of 37.7% recorded in January 2021, which is likely to reflect lockdown restrictions being eased and more people being able to spend in stores again.

2.12 Over the last ten years (from January 2012 to January 2022) the proportion of internet sales has increased significantly by 17.7 percentage points (from 9.4% to 27.1%). There was a notable increase in the proportion of internet sales between March and May 2020 with the proportion increasing by 10.7 percentage points (from 22.1% to 32.8%). This reflects the impact of the first national lockdown, which began in March 2020 (see Figure 2.5).

Figure 2.5: Internet sales as a percentage of total retail sales, Great Britain



Source: ONS

2.13 Analysis by Lambert Smith Hampton (LSH) shows that industrial and logistics take-up in the UK hit a record high of 59.7 million sq. ft. in 2020 and the market continues to go from strength to strength[1]. This record is likely to have been broken in 2021, with Knight Frank[2] estimating that logistics take up hit 66 million sq. ft.

2.14 Research by CBRE[3] found that London and the South East had the third highest share of logistics take up in Q2 2021 at 18.9%, just behind the East Midlands and Yorkshire and the North East. Given the move towards online retail is likely to continue in the long-term, demand for warehousing space is likely to continue to rise. Schemes that have the potential to deliver B8 space such as the Proposed Development in Hillingdon can therefore play an important role in meeting future demand.

Business Base

2.15 As of 2021 there are approximately 16,535 businesses in Hillingdon. Table 2.1 shows that between 2011 and 2021 the total number of companies in the area grew by 5,730. This represents growth of 53%, which is above the growth rate

[1] https://www.lsh.co.uk/industrial-and-logistics-market/overview/occupier-overview
[2] https://www.knightfrank.co.uk/blog/2021/12/21/uk-industrial-logistics-take-up-and-investment-hits-record-high-in-2021
[3] *UK Logistics Snapshot Q2 2021.* CBRE 2021.

seen in London (51.1% - 201,170 businesses) and the growth rate seen in Great Britain (27% - 665,835 businesses) over the same timeframe. The proposed scheme will support new business growth within Hillingdon, helping it to continue performing above regional and national trends.

Table 2.1: Change in business numbers, 2011-21

Area	2011	2021	Absolute Change	% Change
Hillingdon	10,805	16,535	5,730	53.0%
London	394,055	595,225	201,170	51.1%
Great Britain	2,464,265	3,130,100	665,835	27.0%

Source: UK Business Count

Claimant Count

2.16 The claimant count, looks at the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work.

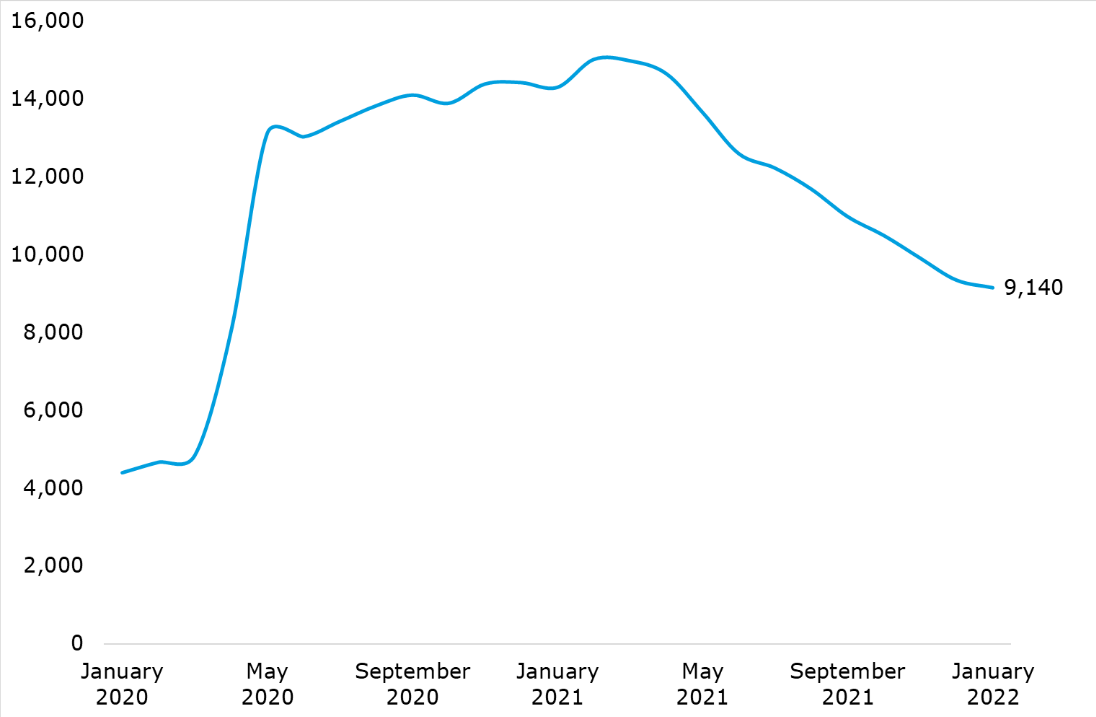
2.17 Figure 2.6 shows the absolute value of the claimant count in Hillingdon for every month from January 2020-January 2022. A sharp rise is evident in the claimant count between March and April 2020, which will be down to the impact of Covid-19. This is down in part to more people claiming unemployment-related benefits and also because of changes made to the system by government which means more people are eligible to claim benefits. Further details on this are provided below.

2.18 ONS state that enhancements to Universal Credit as part of the UK Government's response to the coronavirus mean that an increasing number of people became eligible for unemployment-related benefit support despite still being in work. Consequently, changes in the claimant count will not be wholly accurate because of changes in the number of people who are not in work. It is not possible to identify to what extent people who are employed or unemployed have affected the numbers.

2.19 In January 2020, the claimant count in Hillingdon was 4,390 and by January 2022 it had risen to 9,140. This represents an increase of over 4,750 more people claiming benefits.

2.20 Changes to the benefits system which came into force at the beginning of October 2021 may mean the claimant count starts to drop at a slightly faster rate, however it is still reasonable to assume that the legacy effects of the pandemic mean it will be higher than it was pre-March 2020. This makes it imperative that new job opportunities are created in all parts of the country over the next few years such as the construction jobs associated with the Proposed Development and the permanent employment on-site once the scheme is operational.

Figure 2.6: Claimant Count as % of Residents aged 16-64, 2019-21



Source: NOMIS

Economic Development Objectives

Local Economic Action Partnership (LEAP)

2.21 LEAP is the Local Enterprise Partnership for London that helps identify strategic actions to support and lead economic growth and job creation in London. Working with the Mayor of London an 'Economic Development Strategy for London[4]' was published in December 2018.

2.22 One of the aims in the Strategy is to ensure there is sufficient space for business and work. Large amounts of office and industrial space in London have been lost to redevelopment in residential accommodation and the Strategy outlines the aim to ensure that London has enough industrial land to ensure the economy runs efficiently and to allow businesses to grow.

[4] *The Mayor's Economic Development Strategy for London*: Mayor of London, December 2018.

2.23 The Proposed Development at Bridge Retail Park will contribute towards the Mayor's and LEAP's aim of increasing the supply of industrial employment space in London, contributing to the growth of the local economy and businesses.

2.24 The Proposed Development is also situated in the Hates and West Drayton Corridor which is a key location for employment growth in the Heathrow Opportunity Area. The Heathrow Opportunity area is identified in the Mayor's London Plan as an area with the opportunity for growth with the potential to create 11,000 jobs[5]. The Proposed Development will help towards this goal of job creation through the creation of employment opportunities during the construction phase and once the scheme is fully built and operational.

[5] Available here: https://www.london.gov.uk/what-we-do/planning/implementing-london-plan/opportunity-areas/oa-monitoring/heathrow

3. CONSTRUCTION PHASE BENEFITS

Supporting Construction Employment

3.1 Economic benefits will arise through the provision of temporary jobs during the construction phase of the Proposed Development, which is estimated to be one year.

3.2 For the Proposed Development, construction costs including utilities are estimated to be in the range £19.3million - £21.9million over an approximate one-year build programme depending on the floorspace type (either B2 manufacturing or B8 warehousing). The construction costs have been estimated using the BCIS Online tool[6] and are exclusive of external works, contingencies, supporting infrastructure, fees, VAT, finance charges etc.

3.3 To estimate construction employment supported during the building phase, the total construction cost has been divided by the average turnover per construction employee in London of £231,544[7]. Over the estimated one-year build programme, 83-94 construction jobs could be supported on-site.

3.4 It is widely recognised that construction has knock-on effects for other sectors, which leads to increased demand for building materials and equipment at the construction phase, as well as furniture, carpets etc. following completion. This generates and sustains employment in other sectors. This is known as the 'multiplier effect' and analysis published by the Homes & Communities Agency (HCA – now Homes England) indicates that the employment multiplier for construction activities in the UK is 2.7 – i.e. for every construction job created, a further 1.7 jobs are supported in the wider economy. This suggests that as well as the 83-94 on-site jobs, development could support a total of 142-161 additional jobs during the build phase.

3.5 In total, an estimated **225-255 temporary jobs** on-site and in the wider supply chain could be supported by the one-year build phase.

Contribution to Economic Output

3.6 Another way of looking at the economic impact of the construction phase is to calculate the contribution a development makes to wealth creation, as measured

[6] Accessed: 06/01/2022
[7] Calculated using data for the London's construction sector from the 2021 edition of Business Population Estimates produced by the Office for National Statistics.

by the increase in the value of goods and services generated within an area. This can be done by looking at the increase in gross value added (GVA)[8], a common proxy for economic output. Using ONS data, it is possible to calculate GVA per employee by sector at a regional level[9]. Applying these estimates to the employment estimates outlined above, the construction of the Proposed Development could generate around **£22million - £25million of GVA** over the one-year build timeframe.

[8] Gross value added is the measure of the value of goods and services produced in an area, industry or sector of an economy.
[9] GVA per employee estimates calculated using data from the 2019 Business Register and Employment Survey, as well as regional GVA estimates for 2019 – both published by ONS.

4. OPERATIONAL PHASE BENEFITS

Introduction

4.1 This section outlines the impact of the proposed scheme, in terms of generating permanent employment, economic output, estimated wages and business rates in Hillingdon. The analysis is presented for two scenarios; Scenario 1 considers B2 (manufacturing) floorspace and Scenario 2 looks at the impact of developing B8 (warehousing) floorspace. Job numbers for each scenario are presented in two ways:

- **Gross permanent jobs:** total employment accommodated on-site.
- **Net additional jobs:** the number of jobs which the scheme can be expected to support, over and above what would have happened anyway. This calculation makes allowance for leakage, deadweight, displacement and multiplier factors taken from the Homes & Communities Agency (HCA – now Homes England) 2014 Additionality Guide (see Figure 4.1 for explanations of these terms).

Figure 4.1: Additionality Factors

- **Leakage** is defined as, 'the proportion of outputs that benefit those outside the programme/project area or group'. Leakage is assumed to be high at 50%, as a large amount of jobs in Hillingdon are taken by people living outside of the area, based on community flows data from the 2011 Census.
- **Deadweight** is the term used to identify the output that would have occurred without the project. The existing site is occupied by various retail uses, however a number of units have expressed an immediate interest in terminating their leases and vacating with immediate effect. In addition, two of the occupiers have gone into administration and one other company will be consolidating its interests in a nearby store. This means that while there may remain some employment on-site in the absence of the Proposed Development, it will be considerably less that those created by the new scheme. For completeness, deadweight has been factored into the analysis using HCA guidance and it is assumed to be 20%.
- **Displacement** is defined as 'the proportion of project outputs/outcomes accounted for by reduced outputs/outcomes elsewhere in the target area'. Displacement for the new employment is assumed to be 25%.
- **Economic multipliers** are defined as 'further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases'. For both floorspace types, a multiplier of 1.29 has been used. This is consistent with the HCA guidance.

Source: Homes & Communities Agency (now Homes England), 2014. Additionality Guide, Fourth Edition.

Scenario 1 – B2 (Industrial) Floorspace

Estimated New Employment

4.2 The proposed scheme will create permanent employment opportunities once it is built, many of which are likely to prove attractive to residents of Hillingdon.

4.3 To quantify jobs, a number of assumptions have been made in terms of the density of employment that would normally be expected for potential floorspace types. The majority of this information has been sourced from the Employment Densities Guide (3rd Edition, November 2015), prepared for the Homes and Communities Agency (HCA) by Bilfinger GVA. Using this guidance, a density of one job per 36 sq. m. gross internal area (GIA) has been applied to the B2 floorspace.

4.4 Once fully developed and occupied, it is estimated that the Proposed Development (circa 15,995 sq. m. gross internal area) will support **444 gross full-time equivalent (FTE) jobs on-site**.

4.5 Once allowance is made for the deadweight, leakage, displacement and multiplier effects outlined in Figure 4.1, it is estimated that the scheme will support **172 net additional FTE jobs in the Hillingdon economy**. Table 4.1 shows the impact of each additionality factor on job numbers.

Table 4.1: Impact of Additionality Factors on Jobs[10]

Additionality Factor	Total Jobs
Gross permanent direct jobs created	**444**
Estimated leakage	*222*
Estimated job displacement	*56*
Estimated deadweight	*33*
Net jobs before multipliers	133
Multiplier impacts	*39*
Total net FTEs in Hillingdon	**172**

Gross Value Added

4.6 The contribution of the site to economic output has been calculated by taking the job creation associated with the scheme broken down by floorspace type and multiplying this by an estimate of average levels of GVA per employee for the regional economy for the relevant employment sector, in this case manufacturing.

4.7 It is estimated that, once operational and fully occupied, the additional GVA supported by the Proposed Development will be around **£12.5million per annum**, allowing for multiplier effects[11].

Wages

4.8 Data from the Annual Survey of Hours and Earnings, published by ONS, show that in 2021, the gross median annual salary for full-time workers in London in manufacturing jobs was £35,499.

4.9 Multiplying the relevant figure by the gross FTE jobs associated with B2 floorspace, it is estimated that once the Proposed Development is fully operational, total wages paid to staff on-site would be in the region of **£15.8million** per annum.

[10] Figures may not sum due to rounding.
[11] For the GVA estimate, the same multipliers used are the same as the job multipliers (taken from the HCA 2014 Additionality Guide).

Business Rates Estimates

4.10 Business rates are an important economic contributor to an area. Based on information sourced from the Valuation Office Agency (VOA), high level calculations indicate that the business rates paid by the B2 employment floorspace could be in the region of **£717,500 per annum.**

Increased Local Expenditure

4.11 The gross on-site jobs from the B2 floorspace will generate expenditure in the local area. The level of expenditure on retail goods, convenience and comparison and spend on leisure has been calculated using data from the household spend figures produced by the ONS. Assumptions have then been made in relation to likely levels of retention based on Pegasus Group's experience of undertaking retail impact assessments.

4.12 The 444 gross FTE on-site jobs will generate an estimated spend of £2.93million per annum on retail, leisure and services. Of this, an estimated £0.43million per annum will be retained within Hillingdon which will help support existing businesses and help create demand for new businesses in the local area. Table 4.2 shows this spend in more detail.

Table 4.2: Scenario 1 - Annual Expenditure retained in Hillingdon

	Total Annual Expenditure (£millions)	Total Annual Expenditure Retained in Hillingdon (£millions)
Convenience Retail	£0.99m	£0.25m
Comparison Retail	£1.06m	£0.07m
Leisure & Services	£0.89m	£0.11m
Total Expenditure	**£2.93m**	**£0.43m**

Scenario 2 – B8 (Warehousing) Floorspace

Estimated New Employment

4.13 The employment densities for the B8 floorspace have been calculated in the same way as the B2 floorspace and a density of one job per 70 sq. m. of gross external area (circa 16,359 sq. m. to reflect the fact that GIA is generally around 5% lower than GEA) has been applied to the B8 floorspace associated.

4.14 Once fully developed and occupied, it is estimated that the Proposed Development will support **234 gross full-time equivalent (FTE) jobs on-site**.

4.15 Once allowance is made for the deadweight, leakage, displacement and multiplier effects outlined in Figure 4.1, it is estimated that the scheme will support **90 net additional FTE jobs in the Hillingdon economy**. Table 4.3 shows the impact of each additionality factor on job numbers.

Table 4.3: Impact of Additionality Factors on Jobs[12]

Additionality Factor	Total Jobs
Gross permanent direct jobs created	**234**
Estimated leakage	*117*
Estimated job displacement	*29*
Estimated deadweight	*18*
Net jobs before multipliers	70
Multiplier impacts	*20*
Total net FTEs in Hillingdon	**90**

Gross Value Added

4.16 The contribution of the site to economic output has been calculated by taking the job creation associated with the scheme broken down by floorspace type and multiplying this by an estimate of average levels of GVA per employee for the regional economy for the relevant employment sector, in this case warehousing.

4.17 It is estimated that, once operational and fully occupied, the additional GVA supported by the B8 floorspace in the Proposed Development will be around **£6.7million per annum**, allowing for multiplier effects[13].

Wages

4.18 Data from the Annual Survey of Hours and Earnings, published by ONS, show that in 2021, the gross median annual salary for full-time workers in London in B8 Storage jobs was £41,667.

4.19 Multiplying the relevant figure by the gross FTE jobs associated with B8 floorspace, it is estimated that, once the Proposed Development is fully operational, total wages paid to staff on-site would be **£9.7million** per annum.

Business Rates Estimates

4.20 High level calculations indicate that the business rates paid by the B8 employment floorspace could be in the region of **£717,500 per annum.** This is the same figure as Scenario 1 and reflects the fact that industrial and warehousing floorspace are

[12] Figures may not sum due to rounding.
[13] For the GVA estimate, the same multipliers used are the same as the job multipliers (taken from the HCA 2014 Additionality Guide).

both classified in the same way by the VOA in the data used to calculate the estimates.

Increased Local Expenditure

4.21 The gross on-site jobs from the B8 floorspace will generate expenditure in the local area. The level of expenditure on retail goods, convenience and comparison and spend on leisure has been calculated in the same way as for the B2 floorspace.

4.22 The 234 gross FTE on-site jobs will generate an estimated expenditure of £21.55million per annum on retail, leisure and services. Of this, an estimated £0.22million per annum will be retained within Hillingdon which will help support existing businesses and help create demand for new businesses in the local area. Table 4.4 shows this spend in more detail.

Table 4.4: Scenario 2 - Annual Expenditure retained in Hillingdon

	Total Annual Expenditure (£millions)	Total Annual Expenditure Retained in Hillingdon (£millions)
Convenience Retail	£0.52m	£0.13m
Comparison Retail	£0.56m	£0.03m
Leisure & Services	£0.47m	£0.06m
Total Expenditure	**£1.55m**	**£0.22m**

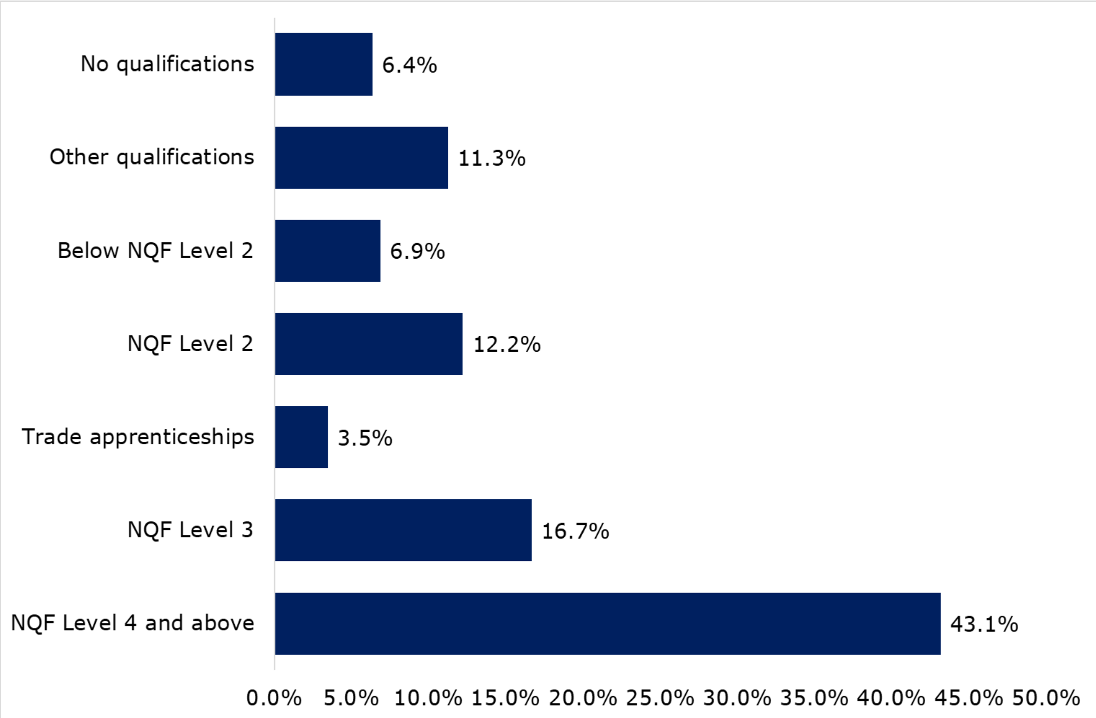
Skills and Occupations – <u>for both development options</u>

4.23 The Proposed Development will provide employment opportunities for people with a range of different skills. In this section, data from the Quarterly Labour Force Survey (August - October 2021) are presented to show the range of skills and occupations in the sectors most relevant to the commercial floorspace delivered by the scheme; manufacturing and storage & distribution.

4.24 In London, 43.1% of workers in the manufacturing and storage & distribution sectors have a degree level of qualification or higher (NQF4+). Around 16.7% have A-levels only (NQF3), and 12.2% have five or more A*-C grade GCSEs (or equivalent – NQF2). LFS data show that 6.9% of workers in the sectors have qualifications below NQF2 (less than 5 GCSEs A*-C grade); 11.3% have other qualifications; 3.5% have trade apprenticeships; and 6.4% have no qualifications.

4.25 If the on-site employment at the Proposed Development follows similar trends to that of the regional employment in the relevant sectors, it will offer a wide range of employment opportunities for people with different levels of skills (see figure 4.2).

Figure 4.2: Level of Skills in Manufacturing and Storage & Distribution, London



Source: Labour Force Survey