



A better future Solent

September 2020

The real estate industry has a once in a lifetime opportunity to bring about real change. The Covid-19 pandemic has forced us into a new way of working and living that will change how we use our built environment forever. There is a growing realisation that we don't need to go back to the way we were – lengthy commutes, long working hours, less time with friends and family – so what does the future look like for our towns and cities?

As part of our 'Future Cities' campaign, Shoosmiths is holding a series of virtual 'think tank' discussions with prominent local stakeholders in different locations across the UK to share insights and ideas around what the future holds for these locations.

Here we discuss the Solent region, with the view from the panel being that, with a number of major new developments coming up and particular strengths in the marine, renewables, tech and manufacturing sectors, as well as the lifestyle benefits it offers to people and companies looking to move out of London, the region really should be shouting more loudly about itself.

We set out below a summary of the discussion, which was chaired by the Solent-based real estate partner, Mehar Patel.

Panelists

- David Fletcher, Assistant Director Economic Development, Hampshire County Council
- Fiona Gray, Project Director, Buckland Development Ltd
- Tim Clark, Partner, Vail Williams LLP
- Stuart Baker, Assistant Director Strategy & Programme Development, Solent Local Enterprise Partnership

How will the Solent region bounce back faster, better, stronger than before?

David Fletcher – The government has done the right thing in throwing lots of resource in the short term at propping up those parts of the economy which have been heaviest hit, but the downside of that is that many of those businesses are delivering services to a largely localised market and, actually, for your economy to be strong for the long-term, there needs to be a second stage of this recovery process to overtly focus on those businesses which support international trade as they will arguably create more jobs and opportunities in the future than retail, tourism and leisure. That's not to say those sectors aren't important – they absolutely are, and they employ a lot of people, but our long-term resilience will be down to companies and sectors that are serving bigger markets.



In terms of the north/south divide, Covid-19 has driven roughshod over the traditional views of there being a divide. Now it is actually coastal communities that are being hardest hit.

Fiona Gray – The thing to consider is how the region is performing now. It has of course been in the depths, but we do have a lot of businesses in marine, renewables, technology, logistics, warehousing etc, which are relatively stable sectors that have done well in this time. The businesses in these sectors will be the ones that will see us through the coming months.

Stuart Baker – The intelligence we are seeing is that there will be a delayed v-shaped bounce back, not rapid but not as elongated as was once feared. We're looking at a short-term impact of about £4.5bn on the Solent economy and 27,000 jobs which, when you consider that the size of the Solent economy is £31bn, is a big chunk. In terms of the north/south divide, Covid-19 has driven roughshod over the traditional views of there being a divide. Now it is actually coastal communities that are being hardest hit. A recent report from the Institute of Fiscal Studies showed that two of the hardest hit areas in the country are Torbay in the South West and the Isle of Wight in Solent, so that gives us a lot of food for thought and a good starting position with government to secure investment into the region.

Tim Clark – One of the things we have seen is interest in occupiers coming out of London towards the regions and companies looking to downsize their London premises. Retail and leisure have clearly been under pressure, but generally inquiry levels have been quite good all the way through the lockdown period and, latterly, we have seen a number of deals moving forward, which is encouraging for the region.

Which industries across the Solent are best placed to thrive in the post-Covid climate and why?

Stuart Baker – Young innovative businesses that are pushing the boundaries of new technologies have thrived throughout this period and, as we now move into a ‘living with Covid’ period, the need for virtual systems has become more apparent. It has been the cultural shift that was needed. The way that I work has completely changed - I’m working harder but getting to spend more time with the family and that is because of technology.

David Fletcher – We’ve had an autonomous technology business take space in Farnborough and are seeing marine businesses and other technology businesses moving into expanded premises in Solent, even in the current climate. Those companies which have international markets, high quality products and are tied to a particular knowledge base will have a sound future. There are certain characteristics that mark those businesses apart and we should disproportionately support and nurture them to ensure they can continue to stay and work here.



Those companies which have international markets, high quality products and are tied to a particular knowledge base will have a sound future.



How can we attract more investment into the region?

David Fletcher – What you need is a very simplified gateway for inquiries and engaging with inward investors. There are probably too many organisations with a stake in that agenda at the moment. A risk we have in terms of inward investment, attracting new businesses and funding for local businesses is that there is not enough money slushing around to support those opportunities. That is a real dilemma for us and, as a region, we probably need to be a bit more aggressive in attracting and retaining those businesses.

Stuart Baker – I agree. Other areas take a more strategic approach to responding to investment opportunities and have more consistency in terms of values. They probably do have the same issues as us, but they are maybe just better at “hiding the wiring”. That said, there is some new funding coming through, such as the Getting Building fund, of which we have been allocated £15.9m. This is great news for the Solent recovery. There is also the Freeport opportunity - the government will come forward later this year with the competition to identify up to ten freeports across the UK and I find it inconceivable if the Solent does not secure a freeport. The government’s proposal will need investment alongside it, which gives us an opportunity to attract public funding but also the fiscal incentives that a freeport could bring, and that would be a real driver for inward investment.



Other areas take a more strategic approach to responding to investment opportunities and have more consistency in terms of values. They probably do have the same issues as us, but they are maybe just better at “hiding the wiring”.

Fiona Gray – Transport and infrastructure are going to be absolutely key in making sure all of these elements knit together. We have two major conurbations in the region in Southampton and Portsmouth and the links are OK at the moment, but they could be significantly improved, notwithstanding the new junction 10 on the M27. Infrastructure projects bring a lot of challenges but will be important to the region going forward.

Stuart Baker – There has been a huge amount of student developments recently, particularly in Southampton, and it will be interesting to see whether the pension funds will continue to see that as an attractive investment, with a potential drop off in international students in the wake of Covid-19.

Tim Clark – We’ve had concerns with the student market. What we are seeing is that the first-generation lower grade student stock is not letting well, and there has been downward pressure on rentals. On office space, an interesting trend we are seeing is that occupiers are increasingly wanting their own front door, rather than being in a multi-let building. This is now a big consideration. It will be interesting to see the impact of Covid-19 on the ‘live/work’ dynamic. We have already started to see it in Southampton with the PRS schemes - young people wanting to live and work in the city centre and being able to walk or cycle to their workplace. At the moment, there is a lack of grade A office space restricting that, but change is coming.

Are there any experiences from the 2008 crash that the region can learn from?

Mehar Patel – It is key not to stifle investment and to continue to lead investment and growth, because one of the lessons we learnt from 2008 was around confidence, and if confidence dissipates in the region then we will begin to see negative growth.

David Fletcher – You have to act really quickly to take the immediate sting out of the crisis. There is not much cash locally, but we can still instill confidence in private investors, and the regeneration project at Fawley Waterside is a good example of this. We need the momentum of schemes such as this continuing as that is the only way we can convince the private sector that this is a region worth investing in. After 2008, we also didn't see a huge change in terms of the banking sector's relationship with business. We need to find a way to get the banking system to back business in a more overt way.

Tim Clark – We did see a dramatic slowdown in funding opportunities for property projects and investments back in 2008 and that is something we want to avoid this time round. It is still too early to gauge the position at the moment, but we do have good levels of activity on the valuation side. There is a tendency for the development cycle to slowdown in a crisis but there are fantastic regeneration opportunities in Southampton and Portsmouth centres, which will change the face of those cities considerably in the next few years. What we don't want to see is for it to grind to a halt and sites remaining flat for the next fifteen years because, if you get the right mix of housing and employment opportunities in there, they could be important generators of business.



There is a tendency for the development cycle to slowdown in a crisis but there are fantastic regeneration opportunities in Southampton and Portsmouth centres, which will change the face of those cities considerably in the next few years.



Fiona Gray – With Welborne (a new Garden Village development in Hampshire), what often gets lost in the headlines is the amount of employment these types of development can bring forward. Around 6,000 jobs will have been created by the end of the Welborne development, and the construction itself brings around 7,300 temporary construction jobs and 300 full time jobs. With the primary school and secondary school likely to bring over 350 jobs in that sector, the importance of maintaining these developments in terms of employment and the economy cannot be under-estimated and has to be a lesson learned from 2008.

Stuart Baker – One notable difference with 2008 is that we have left the EU. The Solent has an unusually high manufacturing output for the south east of England and exports more than a lot of other regions, so we may be more heavily impacted as a result of that. But we've got to talk up the area, something we've never been good at. This area has tremendous potential and tremendous assets, and other areas with far fewer assets than us do a far better job at promoting themselves. We rightly put a lot of our focus into the maritime sector as it is 20% of our economy and we can say we are the best in the world in a whole range of domains in maritime, but Liverpool, for example, probably does a better job than us in promoting itself as a maritime area, which is crazy.

Fiona Gray – If we are looking to build resilience as a region going forward and learn from 2008, there is also a whole piece around training, education and apprenticeships that we need to factor in, and building that base now so that it will provide for the future.



Around 6,000 jobs will have been created by the end of the Welborne development, and the construction itself brings around 7,300 temporary construction jobs and 300 full time jobs. With the primary school and secondary school likely to bring over 350 jobs in that sector, the importance of maintaining these developments in terms of employment and the economy cannot be under-estimated.



How can we encourage young people to stay in the region rather than moving away?

Stuart Baker – One of the big concerns that keeps coming up locally is the lack of opportunities for young people who are coming out of education, and now into an employment market that will be the most competitive it has ever been. It is interesting to see that Rishi Sunak’s ‘Plan for Jobs’ had a big training component as government clearly sees that as important.

Fiona Gray – We have to find ways to create apprenticeships. Welborne is a 25-year build-out and so we are looking at creating a construction skills academy alongside which would provide a young person with an apprenticeship and job on site for a large chunk of their career. Other long-term projects such as this offer similar opportunities to have purpose-built training schools, but it is incumbent on all industries to think about the next generation that is coming through and to find innovative solutions and create opportunities.

David Fletcher – It is also important to recognise that, as important as digital skills will be going forward, some people won’t want to be stuck in front of screen and would rather be outside using their hands and being creative. So, we need to consider the breadth of opportunity for young people. There also needs to be a reset from the universities in terms of their role and making sure they align themselves more closely to the prominent local economies and local employers, particularly if the numbers of overseas students is likely to reduce in the short-term.



It is incumbent on all industries to think about the next generation that is coming through and to find innovative solutions and create opportunities.



Do we need to see changes in how we deliver housing to support job growth?

David Fletcher – We have to recognise that, whilst a worthwhile ambition, there will only be a limited number of people who will be able to live next door to where they live, so you come back to the need to connect your housing developments with the other areas of your economy. Infrastructure connections will continue to be critical.



There will only be a limited number of people who will be able to live next door to where they live, so you come back to the need to connect your housing developments with the other areas of your economy. Infrastructure connections will continue to be critical.

Stuart Baker – The fact that we've got a housing shortage in itself suggests we are not doing enough. We've talked about the challenges around securing funding for developments across the region, but there is also the planning system which can be slow, unresponsive and often localised, as well as environmental consents that come into play, so there are some big challenges.

Fiona Gray – It is the speed of delivery that is the key issue. The intention is there but the planning hurdles you have to go through and the silo mentality of a lot of the regulatory bodies – many of whom have contradictory positions – just slows things down. You just have to maintain the commitment to keep going. A lot of these developments of scale, such as Fawley, Welborne etc, do offer opportunities to plan and create proper ecosystems where there is a balance of housing, employment, open space, retail and leisure, and we need to encourage more. Instead you get the risk of infill with smaller developments being delivered where there isn't the infrastructure to support them.

Tim Clark – There are two PRS schemes currently in Southampton, with the only other comparable projects along the south coast being in Brighton. We have tried to move forward with other sites for PRS in both Southampton and Portsmouth, but a fundamental issue has been funding. The pension funds are not prepared to invest in Southampton and Portsmouth as PRS locations, which is a real concern. We have seen other sites coming through, but they are being targeted for student housing instead rather than PRS. We can debate the rights and wrongs of PRS, but as a part of the overall residential offer, I think it is something we should be seeing more of in our city centres, and it is a worry that the national hedge funds and investors aren't prepared to back Portsmouth and Southampton. The view is that there isn't enough of a young professional population in the region to make it feasible. However, locations such as Leeds, Manchester and Bristol have shown that it can be done. Those locations are of course bigger, but we just need to convince the investors that Portsmouth and Southampton can work as well.

David Fletcher – That reluctance is also linked to a lack of grade A office space. Both of the cities in the region have suffered from the trend to move office space out of town and both have highly successful business parks on the edges of the cities, which means the quality office space is not in the city centres anymore and the young professionals therefore aren't drawn there.



We can debate the rights and wrongs of PRS, but as a part of the overall residential offer, I think it is something we should be seeing more of in our city centres.

Would a shift towards localism and devolution be a step forward for the region?

David Fletcher – You do need a strong conduit back to Whitehall, which is a role a mayor can fulfil. And I think devolution would bring a shift in culture whereby we would actually help to develop the model rather than merely responding to whatever the latest government policy is. We need to get more into that space.

Stuart Baker – We have seen that in Manchester, Bristol and Tees Valley, for example, where the mayors are really strong advocates who can get on the phone to Whitehall and make things happen.

Tim Clark – If we were to get someone in, they would need to take a region-wide view rather than just a particular city, so that decisions are made for the good of the whole Solent region.

How can the Solent become a social champion and embrace the ESG agenda?

David Fletcher – We absolutely need to think across the socio-economic spectrum to ensure that everyone gets opportunities to work and contribute to their communities. The training system needs to equip people leaving school with the skills they need so that everyone can find themselves in a job from which they find fulfilment. Often in the past there has been a tendency to focus on the bigger picture issues and not consider how they will benefit the communities they serve. One of the things local authorities are attuned to is the serving of their local communities, and we just need to make sure that, going forward, we focus on the impact on our people from the interventions that we prioritise.

Stuart Baker – The levelling up agenda from government is helpful in its language as it moves us away from a north/south discussion and on to a more forensic understanding of the complex issues of deprivation. A lot of our coastal communities do feel left behind, with high youth unemployment, poor internet connectivity and 'end of the line' transport connectivity. It is really important that we address that.

How can we incorporate the Isle of Wight into the Solent agenda?

Stuart Baker – The Isle of Wight is a really important part of the Solent economy. It has specific challenges that are different: the fact that it is an island increases costs in terms of manufacturing and getting produce to the island, there is even a construction premium on getting materials across. But it also has lower land values and lower labour costs so there are opportunities as well. But we want to see the renaissance of our coastal economies because they have been left behind and, whilst tourism may not necessarily provide the high value jobs, it does offer entry level jobs which are really important for young people to get on to the labour market. I think we can do a lot more to “broaden the shoulders” of the visitor season, which still focuses on the Easter and summer holiday periods, which has pretty much gone this year. We need to look at opportunities to create a year-round visitor economy; we have some assets that can do that, but other attractions need to think a bit differently.

David Fletcher – The Isle of Wight does not need to change too much. With the potential backlash against London and other major cities from the pandemic, the Isle of Wight may offer opportunities to SMEs and dispersed business hubs. The island is well placed to take advantage of that as a lot of people will aspire to the sort of peace and quiet it offers. It just needs to make sure it doesn't try to become like everywhere else.



We want to see the renaissance of our coastal economies because they have been left behind and, whilst tourism may not necessarily provide the high value jobs, it does offer entry level jobs which are really important for young people to get on to the labour market.






If you have any queries or would like to discuss any of the issues raised in this piece, please contact:



Mehar Patel
mehar.patel@shoosmiths.co.uk
+44 (0) 7808 214 227

or visit our website at www.shoosmiths.co.uk

SHOOSMITHS

 @shoosmiths  shoosmiths  shoosmiths