

# Central South: unlocking capacity for growth





# Harnessing existing strengths

A region with huge potential for growth waiting to be unlocked



Southampton, Bournemouth, Christchurch and Poole (BCP) and Portsmouth are the economic engines of the 'Central South', with a combined conurbation where the South East and South West regions join.

With a population of nearly 950,000 people and around 495,000 jobs, the urban settlements are well placed to deliver growth. However, the similar sized urban centres have often competed with each other, rather than complementing one another. The lack of a clearly defined geographical area has been a further blocker to the collective promotion of the region.

In recent years, there has been a more concerted effort, by businesses and politicians alike, to promote the collective benefits of the region. Despite its advantages, the Central South has numerous physical, land and planning constraints, and therefore currently under delivers, but it has the opportunity to realise its potential and growth ambitions as a region.

Looking ahead, education is undoubtedly a ticket to economic growth with six universities and 83,000 students across the Central South region. Keeping them here is the fundamental challenge. London will always be a draw for many but the Central South region already excels in sectors such as human health and the marine sector whilst has growth ambitions in other high-value industries such as professional, scientific and tech which should help turn the brain drain into a brain gain.

With freeport status sites, excellent national and international transport links and a well-educated workforce, not to mention a quality environment, the Central South region is well placed to deliver growth.

### Higher-value sectors underperform

Across the urban areas of the 'Central South', gross value added (GVA) in higher value sectors, such as 'information & communication' and 'finance and insurance' is set to underperform the national average. Concurrently, growth in lower value sectors such as 'arts and entertainment' and 'administrative & support' are forecast to outpace the UK.

### Housing delivery track record

Despite strong future growth ambitions, the urban centres have a long record of under delivery, fuelled by a multitude of constraints. Housing delivery, measured by net additional dwellings as a proportion of total stock equals 0.2%, 0.5% and 0.6% across Portsmouth, Southampton and BCP respectively for the past 3 years. In all of these hubs, housing delivery has underperformed the national average at 0.9% since 2019. In Portsmouth, housing delivery has consistently failed to meet housing need as per its Local Plan target whilst it has yet to deliver more than 0.5% additional homes as a proportion of stock since 2010.

### Strength of focus

With over 86,000 jobs, human health and social work is the largest employment sector across the three hubs accounting for 17% of all jobs. This is as high as 22% in Southampton, much higher than the 13% across the UK. Southampton is also set to see much higher growth in the number of jobs across human health and social work, with 14% more people employed in the sector expected by 2033 compared to 2023. This is again higher than both BCP and Portsmouth as well as the UK.

Southampton is also a significant hub for the maritime industry. The University of Southampton adds to this with a strong maritime engineering programme. Initiatives have included research projects on maritime technology, workforce development programmes, and efforts to attract maritime-related businesses to the area. Poole also has a strong maritime industry.

Another strength for the region is aerospace and defence. It has been one of the most active in generating business investment, with £6.8bn invested since 2016, equal to 21% of the total.

Whilst some high-value sectors underperform relative to the national average, there are individual successes across the region. BCP for instance has a strong finance and insurance sector making up 7% of all jobs, compared to 3% across the UK. Portsmouth with its historic connection to the British Navy has 13% of its workforce employed in public administration and defence.

### The need for a more strategic approach

Due to their size and location, the combined area of Southampton, Portsmouth and BCP arguably falls 'under the radar' from a national perspective, having to shout louder than most for the ears of those with influence.

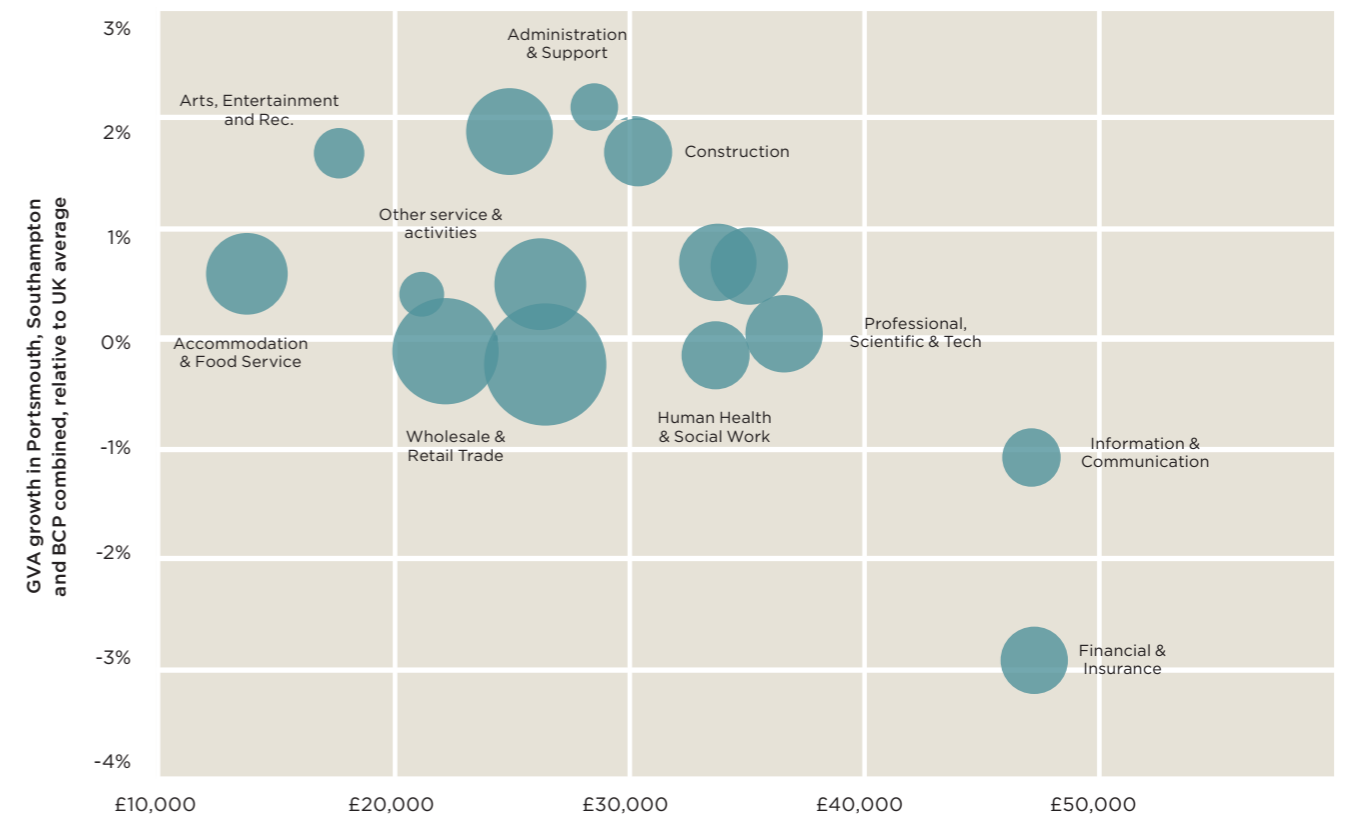
With part of the area in the South East region and the rest in the South West, it falls on the periphery. That is part of the reason for the 'Central South' initiative, a collection of local authorities that straddle both the South East and South West. This is not the first initiative either, far from it. The South Coast Metropole, established in 1993 was a loose union of local authorities designed to promote common interests including Southampton, Portsmouth, Bournemouth, Poole and the Isle of Wight. PFSH (Partnership for South Hampshire) is another collection of local authorities with no statutory powers collaborating with other agencies such as the Solent Local Enterprise Partnership, the Environment Agency and Homes England to give the area a single voice.

Business South also acts to join the dots between business, politics and academia. It lobbies on behalf of the Central South region for the greater good and has been instrumental in the emergence of the Central South concept.

“The Southampton Renaissance Board will work together to make Southampton a pioneering global maritime city that nurtures and inspires talent, innovation and investment. The Board is committed to the future economic development and regeneration of the city and creating a legacy that benefits citizens, environment and the economy.”

Satvir Kaur, Leader of Southampton City Council

Figure 1 Higher-value sectors are set to underperform compared to the national average



Source: Oxford Economics, ONS, HMRC

Median income in South East and South West regions

£60,000



# Turning brain drain into brain gain

Attracting and retaining the best talent is central to creating innovation-led growth in the Central South. How can the region retain the skilled talent required for a diverse workforce?

## Graduate retention misses out on a 1st

With a combined total student population of 83,000 and six major universities, Southampton, Portsmouth and BCP make a huge contribution to both the cultural offer and knowledge-based sectors across the area. They also have a diverse workforce in terms of skills and qualifications, comparable with the national average.

Only 19%, equal to 4,200 graduates end up staying on for work where they studied. All three rank in the bottom half in terms of graduate retention, when compared to all UK cities with student populations of over 20,000 people. However the picture is varied. Bournemouth ranks the highest at 18th with a graduate retention rate of 27%. This compares with Portsmouth and Southampton, who rank 26th and 30th respectively.

Many other regional cities do much better. For example, Manchester retains 50% of graduates each year, Glasgow 41% and Birmingham 34%. However, other cities in the south with similar student populations such as Brighton, Canterbury and Exeter have comparable graduate retention rates to the Central South.

## Graduates in higher-value sectors are moving away

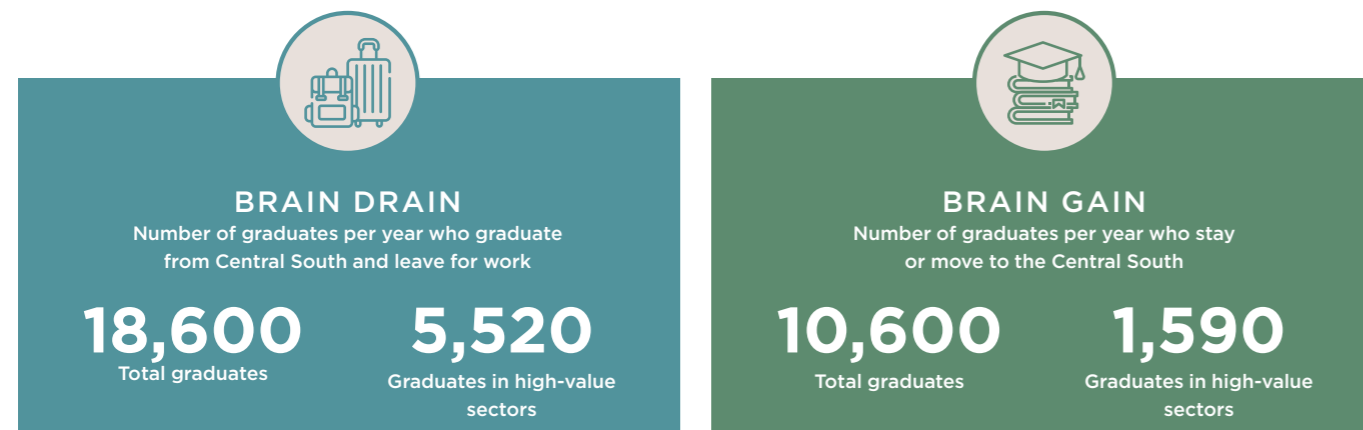
Half of all graduates, around 5,200 graduates, who enter the jobs market

each year across Southampton, Portsmouth and BCP, enter either the human health and social work sector or the education sector, exceeding the national average of 36%.

High-value sectors such as 'professional, scientific & technology', 'information & communication' and 'financial & insurance,' central to innovation-led growth, are all under-represented by graduates, relative to the national average. However there is some variation, with BCP outperforming in 'financial & insurance' with 6% of graduates entering the sector, compared with Portsmouth's 0.6%.

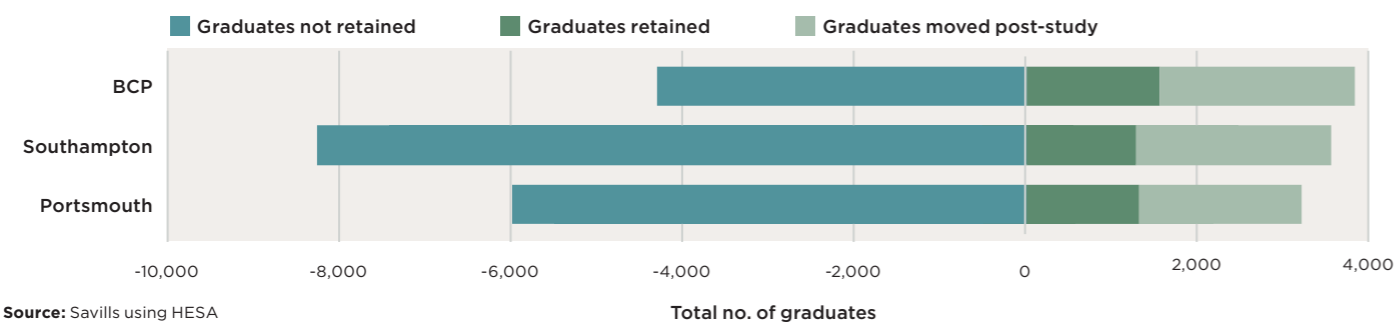
It isn't the case that the universities aren't creating the skilled graduates to enter these high value employment sectors. It is likely the lack of employment opportunities are driving graduates away in search of work elsewhere. Across the three core high-value sectors stated above, around 1,550 graduates are employed in either Southampton, Portsmouth or BCP, per annum. However, 4,900 graduates from those same places, move away and take up jobs in those same high-value industries.

It is no surprise the biggest destination for university leavers is for London. Nearly a quarter of all graduates end up in London for work. In the University of Southampton's case, the 20% of leavers who live in London post-study is more than double the 10% that stay in the city.



Source: Savills using HESA

Figure 2 The Central South retains 19% of graduates each year



Source: Savills using HESA



## Research and innovation

Whilst also providing skills to graduates, universities can play a unique role in business start-up support. Since 2000, the University of Southampton, a leading Russell Group institution with a focus on research has formed 77 ventures and 40 formal 'spinouts'. It does this by providing physical space and support for startups and entrepreneurs through business incubators and innovation hubs.

The Southampton Science Park has benefited from close collaboration with the University of Southampton and local government. This science and innovation park provides a platform for technology and knowledge-based businesses to thrive, with office space and facilities providing for a wide range of technology-focused businesses.

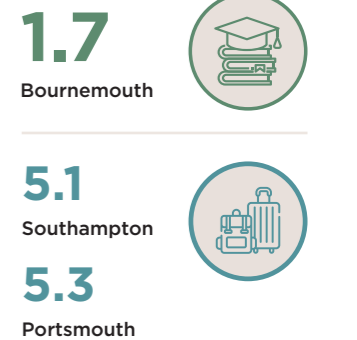
It is also home to Southampton SETsquared, an enterprise partnership between the Universities of Bath, Bristol, Cardiff, Exeter, Southampton and Surrey which helps to maximise the entrepreneurial and commercial potential of these six Universities. It has contributed nearly £15.7bn to the UK economy, supported 6,500 companies and helped create 15,600 jobs since inception in 2002.

Successful collaboration between Southampton University, and local government and economic development agencies often relies on strong communication, a shared vision for the region's economic future, and a commitment to long-term partnerships. These efforts can result in a thriving local economy, increased job opportunities, and a culture of innovation and entrepreneurship in the region.

## The role of the Solent Freeport

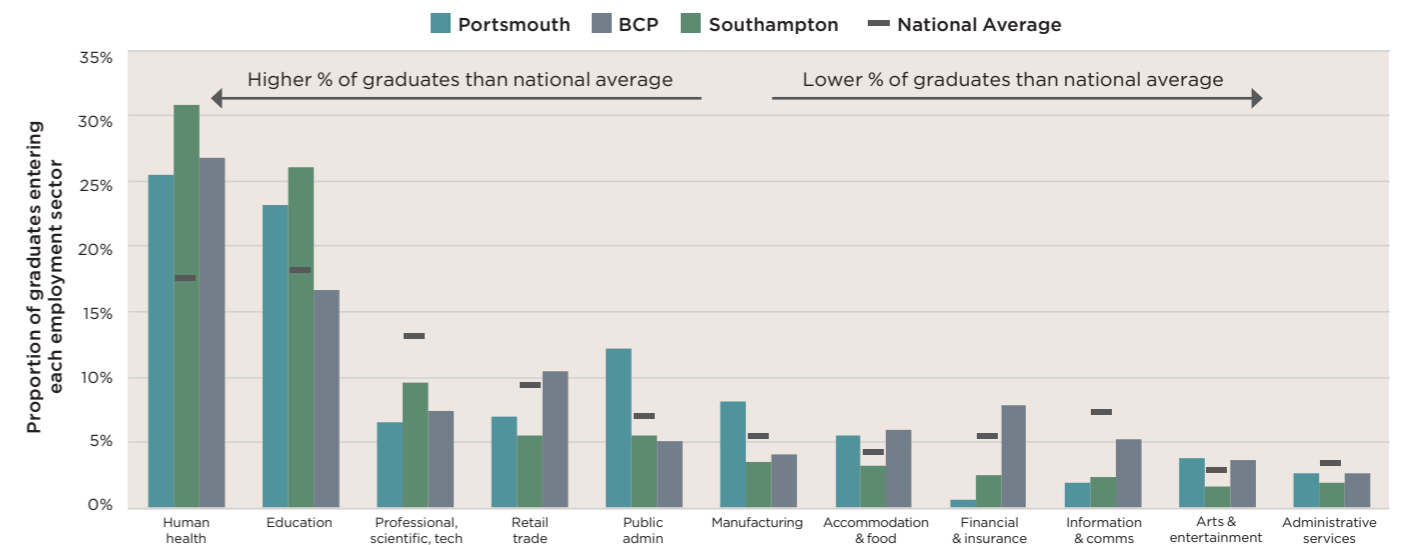
The Solent Freeport has a fundamental role in supporting organisations seeking to tap in to the talent emerging from local universities, other educational bodies and the wealth of skills particularly in the marine and aviation sectors. Within the Freeport, Tax Zone status is designated to a number of sites including Fawley Waterside, Navigator Quarter (at Southampton Airport) and Southampton Docks. This is designed to attract innovative and technology based organisations through incentives including business rates relief amongst others. Attracting these organisations will greatly improve graduate retention within the Central South.

**Number of graduates who move away for every graduate that is employed in the city**



Source: Savills using HESA

Figure 3 The Central South typically retains graduates in human health and education sectors



Source: Savills using HESA

# Future requirements for growth

What are the catalysts to achieving large-scale growth and innovation in the region?  
What are the barriers and constraints to overcome?

The Central South is well-placed to deliver growth. It can do this by focusing on its existing core strengths including its strong maritime economy, six universities with linked science and innovation parks such as the Southampton Science Park, the relative affordability of housing in the Central South in comparison to the wider South East alongside its attractive coastal offer. But in order to succeed, there are clear barriers to overcome to accelerate growth.

Better planning for employment and improvements to infrastructure, facilitating greater connectivity across the Central South, will support existing businesses but also attract new commercial occupiers and inward investment. As a result, an enhanced business offering will create more high-value job opportunities to attract and retain talent in the region.

Building more homes in the right places, across a range of price points and a diverse range of tenures is also key to unlocking growth and supporting the retention of a highly skilled workforce for the long term.

Strategic planning to deliver a more joined up approach to growth across the Central South is fundamental in order to overcome land and planning constraints currently preventing new supply from coming forward.

## Physical land constraints

With the English Channel and the Solent to the south and other planning constraints such as Green Belt and national parks, there is a scarcity of available land for new housing and employment across the Central South. This makes it ever harder to bring forward deliverable sites through planning, particularly at a time when planning consents are falling due to a lack of clarity at the national level.

The Dorset Heathlands are a further constraint on housing growth due to the restrictions on

development within 400 metres of heathland areas.

Nutrient neutrality is a further major planning constraint which has been significantly constraining new development across the region.

As of August 2023, there were 55 sites with a full application submitted but remain undetermined across the Solent in nutrient neutrality catchment areas, with a total combined capacity to deliver 6,982 homes. For sites with full permission granted, this was slightly lower, with 2,631 homes spread across 29 sites, according to data from Glenigan.

There is increasing evidence of mitigation schemes that have been used in some local authorities in the region to unlock development, indicating progress towards overcoming this major development constraint in the region.

## Fail to plan, plan to fail?

Plan-making, or lack of, is equally a major constraint in the region, resulting in reduced levels of housing delivery across the Central South. Local Plans are largely out of date, with Portsmouth's dating back to 2012 and Southampton back to 2010. Both face a presumption in favour of development due to failing their Housing Delivery Test with new plans a long way off from being adopted.

In Bournemouth, Christchurch and Poole, where the three local authorities combined to form a single unitary authority in 2019, a joint Local Plan has stalled with the council announcing a two year delay due to lack of clarity from central government around housing targets and Green Belt release.

A failure to adopt Local Plans across the region and plan for future housing requirements at both a local level and a more joined up strategic level, poses a significant risk to future economic growth in the Central South. A lack of housing supply across a variety of price points and tenures, in particular in the urban centres or within a reasonable commuting distance, makes the region less attractive to both



## PHYSICAL LAND CONSTRAINTS IN NUMBERS

**Bournemouth, Christchurch and Poole**

**37%**

of land designated as Green Belt

**Portsmouth**

**95%**

of new homes built on brownfield land (2019-22)

**Southampton**

**89%**

of new homes built on brownfield land (2019-22)

**New Forest**

**69%**

of land designated as National Park

Source: Savills, DLUHC

👉 **Portsmouth is on track to develop a major marine employment hub at Tipner through City Deal funding that will help secure the marine sector's importance to the UK's economy focussed on the Solent's Centre of Excellence.** 👉

**Councillor Steve Pitt, Leader of Portsmouth City Council**

employees and commercial occupiers.

However, Southampton is leading the way in its plans for future evolution of the city, through the creation of a Southampton Renaissance Board made up of key city stakeholders including local institutions, landowners and businesses. This will be allied to the development of the Renaissance Masterplan setting out a clear vision for the future growth of the city over the coming decades.

## How well connected is existing housing to employment?

The development pipeline needs to be well integrated and connected to the local economy, aligning the delivery of new homes with future economic growth across the Central South. Whilst some jobs are located in 'out of town' employment hubs and business parks, the majority are located in the 'city core.' Beyond the urban centres, there is a gap in public transport provision, with a heavy reliance on car transport in order to access these key employment clusters.

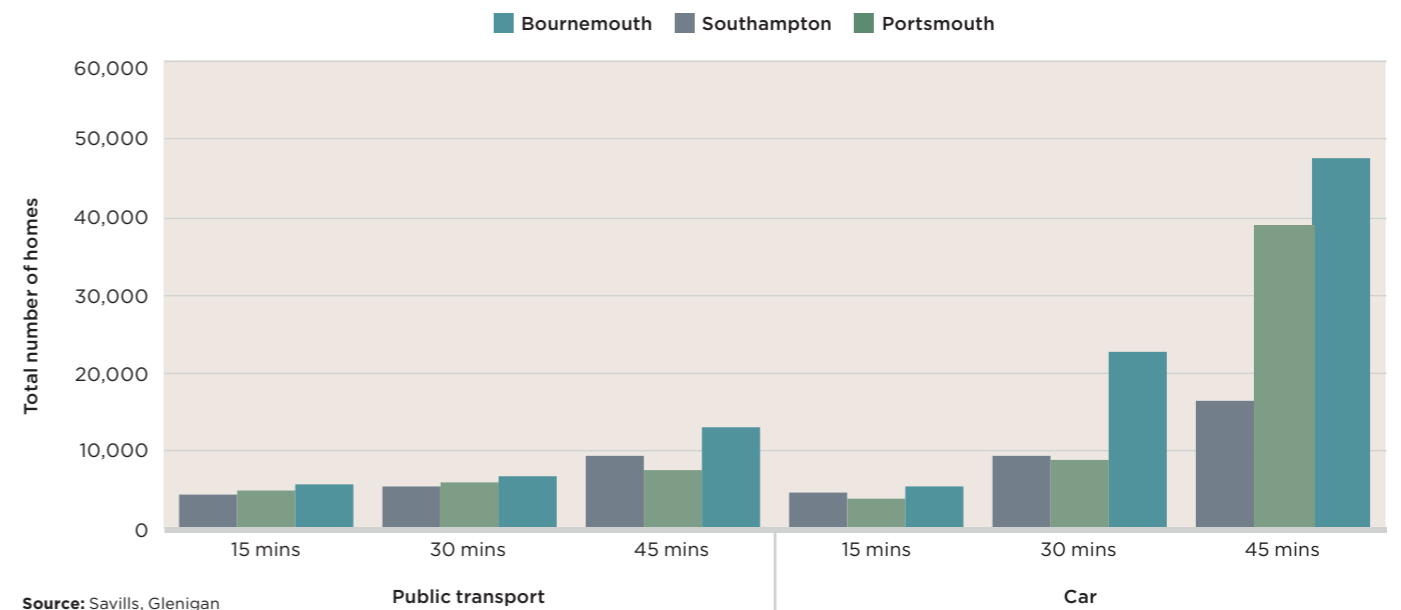
The urban centres of the Central South have sizeable development

pipelines, particularly Portsmouth. There are 5,000 homes located in each city's development pipeline that are accessible within 15 minutes by public transport. This increases substantially by car (within a 45 minute drive), to 16,000 in Bournemouth, 39,000 in Southampton and 48,000 in Portsmouth.

The potential size of the employment markets also follow the same pattern as the development pipeline with a much greater number of people able to access Portsmouth city centre than Southampton and BCP. The latter does have a greater proportion of higher-value jobs within the conurbation and accessible within 15 minutes of public transport.

In order to achieve more sustainable forms of development and to increase the size of the employment markets, public transport infrastructure improvements have a key role to play in order to make more jobs accessible to more people and to unlock more sites with capacity to deliver housing.

**Figure 4** Sizeable development pipelines in the region, but heavily reliant on car transport



Source: Savills, Glenigan

## A climate emergency

In recent years, all three councils have declared climate emergencies and have set targets to meet net zero requirements. Portsmouth City Council declared a 'climate emergency' in 2019 with an objective to be carbon neutral by 2030. BCP and Southampton later followed the same year with targets to achieve carbon neutrality by 2030 and 2040 respectively. A constraint on achieving this lies in the age and inefficiency of existing housing stock. This is particularly pertinent in Portsmouth which has one of the densest and oldest housing stock in the region. Nearly half of its homes were built before 1929 with an average EPC rating of D, compared to just 22% across the South East.

If the Central South were able to attract more employers, this would retain more skilled talent and graduates in the region, potentially living in sustainable city centre locations, kickstarting the regeneration of the urban centres. If the region was able to retain more skilled talent and graduates, as a result this would encourage more employers to relocate

to the Central South and subsequently attract more residents, therefore kickstarting the regeneration of the city centres.

## Connecting to the grid

The expected growth in population and economic activity in the Central South, alongside net zero aspirations, means there is increasing pressure on the electrical grid. The ability to build enough infrastructure to facilitate these growing requirements is hindered by government policy, regulation, skills gaps and local objection. This is resulting in developments across the UK now struggling to secure power connections in a cost effective or timely manner.

Without the ability in the short term to build infrastructure at scale, innovative solutions are needed. This includes using data driven energy calculations to better understand initial power requirements, improved scheduling and planning of needs over time, and utilising smart grid and local generation technologies to alleviate these problems at a local level.



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