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NORTH WARWICKSHIRE BOROUGH COUNCIL
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PLANNING & DEVELOPMENT DIVISION

PLANNING, REGENERATION + INFRASTRUCTURE

EMPLOYMENT LAND ASSESSMENT

LAND BESIDE JUNCTION 9 OF THE M42,
LICHFIELD ROAD,
HAMS HALL,
NORTH WARWICKSHIRE

RICHBOROUGH
JUNE 2024

Lambert Smith Hampton

Applicant Name	Richborough
Local Planning Authority	North Warwickshire Borough Council
Adopted Development Plan	The adopted Development Plan for the site is the North Warwickshire Local Plan ("the Local Plan"), which was adopted in September 2021.
Site Allocation	The adopted Local Plan designates the site as Green Belt. To the east of the site, beyond Lichfield Road, is a safeguarded area for the construction of HS2, with Hams Hall/the Rail Freight terminal employment allocation beyond this.
Site Name	Land at Lichfield Road, Junction 9 of the M42
Site Areas	Southern Parcel – Approximately 19.3 hectares Northern Parcel – Approximately 7.4 hectares
Introduction	This Employment Land Assessment has been prepared by Lambert Smith Hampton on behalf of Richborough ('the Applicant') in support of an outline planning application, with all matters reserved except for access, for employment development at land at Lichfield Road, Junction 9 of the M42.
Type of Planning Application	Outline planning application with all matters reserved (appearance, landscaping, layout and scale) except for access.
Description of Development	Outline planning application, with all matters reserved (except for access), for employment development (Use Class B2/B8 with ancillary E(g)), together with habitat creation, landscaping, parking, service yards, HGV waiting area, footpaths/cycleways, and other associated infrastructure.

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1.0 INTRODUCTION

1.0 Overview

1.0.1 This Employment Land Assessment has been commissioned by Richborough, to support an outline planning application to develop industrial/logistics units on a 19.3 hectare site at Lichfield Road, Hams Hall, and to create mitigating habitat on a separate 7.4 hectare site. These two sites are situated within the borough of North Warwickshire, either side of the roundabout at Junction 9 of the M42 motorway. An illustrative masterplan of the scheme showing how the site could accommodate six units is set out at figure 1, below.

Figure 1. Illustrative Masterplan

Source: nineteen47

1.0.2 The site proposes employment premises (Use Classes B2/B8 with ancillary E(g)) to meet strong demand for large and mid-box logistics premises serving national and regional markets, as well as demand arising within North Warwickshire. The indicative unit sizes are:

Plot	Indicative Floorspace (sq ft)	Indicative Floorspace (sq m)
1	154,235	14,329
2	186,079	17,287
3	138,681	12,884
4	79,302	7,367
5	50,620	4,703
6	84,763	7,875

1.0.3 Our assessment of the market for employment land within this location considers the need for and supply of land for strategic industrial and logistics premises across the functional economic market area (FEMA) as well as the need and supply of land for general industrial purposes in North Warwickshire. This employment land assessment therefore considers separately the supply of and demand for employment land to accommodate B2/B8 premises of more and less than 100,000 sq. ft. or its metric equivalent - 9,290 sq. m.

1.0.4 To express the 100,000 sq ft floorspace threshold as a site area we have applied a 40% plot ratio, this is derived from research into plot ratios set out in Annex D of the government's employment land review guidance note 2004. Floorspace of 9,290 sq. m. converts to a threshold site area of 2.3 hectares. Sites of at least 2.3 hectares are referred to as 'large sites' within this report. The application of a standard site density does create some anomalies; where a unit of more than 9,290 sq m has been developed on a site of less than 2.3 hectares, this has been included within our assessment of take-up of large sites.

1.0.5 Whilst we assess the need for and supply of large sites, particularly for strategic B8 at the level of the FEMA, we also consider the need for, and supply of, employment sites within North Warwickshire. For the analysis of small site, we have adopted a minimum site size of 0.25 hectares, as recommended in Planning Practice Guidance.

1.0.6 The Application Site is not allocated for employment. It is situated in the West Midlands Green Belt.

1.0.7 In this report we:

- summarise planning policy and guidance relating to employment land.
- review the evidence base for the Local Plan and the wider West Midlands
- consider the functional economic market area (FEMA).
- review the Council's economic needs assessment.
- Assess take-up of land for employment

- review the market for large industrial & warehouse premises.
- assess the quantity and quality of available employment sites
- consider the Application Site and its location.

1.1 Site Visits

1.1.1 To ensure an up-to-date understanding of the availability and take-up of employment land we have carried out site inspections across the FEMA. These inspections which covered the supply of large sites were undertaken the week of 1st April 2024.

2.0 PLANNING POLICY

2.0 Introduction

2.0.1 A detailed review of planning policy is set out in the separate Planning Statement. In this section we summarise national planning policy, planning practice guidance, relevant Local Plan policies, and relevant regional studies, to provide the policy context for the proposed development of the Application Site. In this policy review, direct quotes from policies are shown in italics, and words in bold are our emphasis.

2.1 National Planning Policy Framework (NPPF)

2.1.1 The National Planning Policy Framework, revised in December 2023, sets out the Government's planning policies for England and how these should be applied.

2.1.2 Local policies need to be set in the context of the overarching purpose of the planning system, which is *"to contribute to the achievement of sustainable development, including the provision of homes, commercial development, and supporting infrastructure in a sustainable manner."*[1] To genuinely contribute to sustainable development, local planning authorities must have regard to the impacts of development, not just locally, but nationally and even globally. It follows that where a local authority or FEMA is of national importance to a particular sector, then local policies should acknowledge wider national demand.

2.1.3 In achieving sustainable development, the planning system has three overarching objectives – economic, social and environmental. The economic objective is *"to help build a strong, responsive and competitive economy, by ensuring that* ***sufficient*** *land of the* ***right type*** *is available in the* ***right places*** *and at the* ***right time*** *to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure."*[2] The social objective is to support strong, vibrant and healthy communities. The environmental objective is *"to protect and enhance our natural, built and historic environment; including making effective use of land, improving biodiversity, using natural resources prudently, minimising waste and pollution, and mitigating and adapting to climate change, including moving to a low carbon economy."*

2.1.4 It follows that where location is critical to the efficiency of an economic sector, then sustainable development requires local planning policies to ensure sufficient land is available in locations that maximise

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[1] Para 7, ibid

[2] Paragraph 8, ibid.

sectoral efficiencies, improve productivity, minimise pollution, make prudent use of natural resources and limit CO^2 emissions.

2.1.5 Moreover, where strategic infrastructure has been provided, but insufficient land is allocated alongside to accommodate sectors that require proximity to that infrastructure, then land is not being effectively used; and the objective of building a strong, responsive and competitive economy may be undermined.

2.1.6 *"Plans and decisions should apply a presumption in favour of sustainable development. For plan-making this means that:*

*a) all plans should promote a sustainable pattern of development that seeks to: **meet the development needs of their area; align growth and infrastructure; improve the environment; mitigate climate change** (including by making effective use of land in urban areas) and adapt to its effects;*

*b) strategic policies should, as a minimum, provide for **objectively assessed needs** for housing and other land uses."*[3]

2.1.7 *"Plans should be prepared positively, in a way that is **aspirational** but deliverable."*[4] It follows that plans should aim to accommodate sectors that would bring economic growth and are deliverable.

2.1.8 *"Strategic policies should set out an overall strategy for the pattern, scale and quality of development and make sufficient provisions for* (amongst other uses) *employment."*[5] *"Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities."*[6] *"Strategic policies should provide a clear strategy for **bringing sufficient land forward, and at a sufficient rate, to address objectively assessed needs** over the plan period."*[7] *"The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate … and take into account relevant market signals."*[8] *"Policies in local plans and spatial development strategies should be reviewed to assess whether they need updating at least once every five years and should then be updated as necessary."*[9]

2.1.9 Chapter 6 (paragraphs 85 – 87) of the NPPF sets out the following guidance for local planning authorities when formulating planning policies related to economic development:

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3 Para 11, ibid.
4 Para 16, ibid
5 Para 20, ibid.
6 Para 22, ibid.
7 Para 23, ibid.
8 Para 31, ibid.
9 Para 33, ibid.

2.1.10 *"Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future. This is particularly important where Britain can be a global leader in driving innovation, and in areas with high levels of productivity, which should be able to capitalise on their performance and potential.*

2.1.11 *Planning policies should:*

a) set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;

b) set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;

c) seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and

d) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.

2.1.12 *Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for* ***storage and distribution operations at a variety of scales and in suitably accessible locations****".*

2.1.13 In summary, the NPPF sets out the Government's guidance for local planning authorities when formulating employment policies and allocating sites. Local planning authorities should, at the start of the plan, allocate sufficient employment land to meet objectively assessed needs over the plan period. Once the plan is adopted, local planning authorities should undertake regular reviews of need. Local plan policies should be flexible enough to accommodate needs not anticipated in the plan and recognise the specific locational requirements of different sectors.

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2.2 Planning Practice Guidance

2.2.1 Planning Practice Guidance (PPG) was launched in March 2014 and has been periodically updated. PPG provides guidance to local authorities on the assessment of land availability and development needs. The analysis of supply and demand is to enable plan makers to understand where there is over-supply and under-supply.

2.2.2 Planning Practice Guidance (PPG) requires local authorities to produce a robust evidence base identifying future economic growth requirements:

*"Strategic policy-making authorities will need to prepare a **robust evidence base** to understand existing business needs, which will **need to be kept under review to reflect local circumstances and market conditions**."* (Paragraph: 025 Reference ID: 2a-025-20190220)

2.2.3 PPG sets out a number of methods to do this:

"Strategic policy making authorities will need to develop an idea of future needs based on a range of data which is current and robust, such as:

- *sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand)*
- *demographically derived assessments of current and future local labour supply (labour supply techniques)*
- *analysis based on the past take-up of employment land and property and/or future property market requirements*
- *consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.*

Authorities will need to take account of longer-term economic cycles in assessing this data, and consider and plan for the implications of alternative economic scenarios." (Paragraph: 027 Reference ID: 2a-027-20190220)

2.2.4 PPG sets out how strategic policy making authorities can identify the existing stock of employment land and identify the recent pattern of supply and loss:

"A simple typology of employment land by market segment and by sub-areas, where there are distinct property market areas within authorities, can be developed and analysed. This can be supplemented by information on permissions for other uses that have been granted, if available, on sites formerly in employment use." (Paragraph: 028 Reference ID: 2a-028-20190220)

2.2.5 PPG further clarifies:

"It is important to consider recent employment land take-up and projections (based on past trends) and forecasts (based on future scenarios), and to identify instances where sites have been developed or sought for specialist economic uses. This will help to provide an understanding of the underlying requirements for office, general business and distribution space, and (when compared with the overall stock of employment sites) can form the context for appraising individual sites.

Analysing supply and demand will allow policy makers to identify whether there is a mismatch between quantitative and qualitative supply of and demand for employment sites. This will enable an understanding of which market segments are over-supplied to be derived and those which are undersupplied."

(Paragraph: 029 Reference ID: 2a-02920190220)

2.2.6 PPG provides specific guidance regarding how authorities should assess need and allocate space for logistics:

*"The logistics industry plays a critical role in enabling an efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities, and has **distinct locational requirements** that need to be considered in formulating planning policies (**separately from those relating to general industrial land**).*

***Strategic facilities serving national or regional markets are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to appropriately skilled local labour**. Where a need for such facilities may exist, strategic policy-making authorities should collaborate with other authorities, infrastructure providers and other interests to identify the scale of need across the relevant market areas. This can be informed by:*

- *engagement with logistics developers and occupiers to understand the changing nature of requirements in terms of the type, size and location of facilities, including the impact of new and emerging technologies;*
- *analysis of market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies;*
- *analysis of economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector; and*
- *engagement with Local Enterprise Partnerships and review of their plans and strategies, including economic priorities within Local Industrial Strategies.*

Strategic policy-making authorities will then need to consider ***the most appropriate locations for meeting these identified needs*** *(whether through the expansion of existing sites or development of new ones).*

Authorities will also need to assess the extent to which land and policy support is required for other forms of logistics requirements, including the needs of SMEs and of 'last mile' facilities serving local markets. A range of up-to-date evidence may have to be considered in establishing the appropriate amount, type and location of provision, including market signals, anticipated changes in the local population and the housing stock as well as the local business base and infrastructure availability." (Paragraph: 031 Reference ID: 2a-031-20190722)

2.2.7 In assessing land to meet development needs PPG requires *"suitability, availability and achievability"*[10] to be considered to establish if sites are likely to be developed.

2.2.8 PPG states that for sites to be considered suitable, regard should be had to the following factors (Paragraph: 018 Reference ID: 3-018-20190722):

"A site or broad location can be considered suitable if it would provide an appropriate location for development when considered against relevant constraints and their potential to be mitigated. When considering constraints, plan-makers may wish to consider the information collected as part of the initial site survey, as well as other relevant information, such as:

- *national policy;*
- *appropriateness and likely market attractiveness for the type of development proposed;*
- *contribution to regeneration priority areas;*
- *potential impacts including the effect upon landscapes including landscape features, nature;*
- *and heritage conservation.*

Plan-makers need to assess the suitability of identified sites or broad locations for different forms of development where appropriate, taking into account the range of needs for housing, economic and other uses.

When assessing sites against the adopted development plan, plan-makers will need to take account of how up to date the plan policies are and consider the relevance of identified constraints on sites / broad locations and whether such constraints may be overcome. When using the emerging plan to assess suitability, plan-makers will need to account for potential policy changes or other factors which could impact the suitability

[10] Paragraph: 017 Reference ID: 3-017-20190722.

of the site / broad location. For example, an emerging site allocation may enable development to come forward. This will have to be reflected in the assessment of achievability."

2.2.9 PPG states that the following factors should be considered when assessing the availability of sites (Paragraph: 019 Reference ID: 3-019-20190722):

"*A site can be considered available for development, when, on the best information available (confirmed by the call for sites and information from landowners and legal searches where appropriate), there is confidence that there are no legal or ownership impediments to development. For example, land controlled by a developer or landowner who has expressed an intention to develop may be considered available.*

2.2.10 *The existence of planning permission can be a good indication of the availability of sites. Sites meeting the definition of deliverable should be considered available unless evidence indicates otherwise. Sites without permission can be considered available within the first five years, further guidance to this is contained in the 5-year housing land supply guidance. Consideration can also be given to the delivery record of the developers or landowners putting forward sites, and whether the planning background of a site shows a history of unimplemented permissions*."

2.2.11 With regard to achievability, the PPG identifies the following factors that should be considered when assessing the achievability of sites (Paragraph: 020 Reference ID: 3-020-20190722):

"*A site is considered achievable for development where there is a reasonable prospect that the particular type of development will be developed on the site at a particular point in time. This is essentially a judgement about the economic viability of a site, and the capacity of the developer to complete and let or sell the development over a certain period*."

2.2.12 PPG also notes that when constraints are identified that impact the suitability, availability, and achievability of sites "*the assessment will need to consider what action could be taken to overcome them. Examples of constraints include policies in the National Planning Policy Framework and the adopted or emerging development plan, which may affect the suitability of the site, and unresolved multiple ownerships, ransom strips tenancies or operational requirements of landowners, which may affect the availability of the site*." (Paragraph: 021 Reference ID: 3-021-20190722).

2.2.13 In gathering evidence to plan for business uses, PPG states that planning authorities need to liaise closely with the business community, to assess *"evidence of market demand (including the locational and premises requirements of particular types of business)"*. Developers, property agents and businesses are cited as sources of this data.[11]

[11] Paragraph Reference ID: 2a-026-20190220

2.2.14 The needs of new development are to be assessed quantitatively and qualitatively. The location of economic development should be determined by market requirements; analyses of demand and supply should have regard to functional economic market areas. In assessing economic development needs plan makers should consider a wide range of market indicators; these include intelligence from developers, agents & business, rental values, premises requirements, take-up of land, identification of over-supply and evidence of market failure.

2.2.15 PPG notes that in analysing employment land an examination of recent take-up provides *"an understanding of the underlying requirements for office, general business and distribution space and (when compared with the overall stock of employment sites) can form the context for appraising individual sites."*[12] In assessing future needs local authorities should use data which is ***"current and robust"*** and ***"will need to take account of longer term economic cycles."***[13]

2.3 Regional Evidence Studies – West Midlands

2.3.1 The West Midlands Combined Authority Area (WMCA) comprises 18 local authorities and three Local Enterprise Partnerships (LEPs).

2.3.2 The WMCA has produced a range of evidence base documentation, including Strategic Employment Sites Studies which focus on the supply and demand of employment sites in addition to identifying future trends in the economy, specifically with regards to economic development throughout the region. The key findings of the Strategic Employment Site Studies are summarised below.

West Midlands Strategic Employment Sites Study (2015)

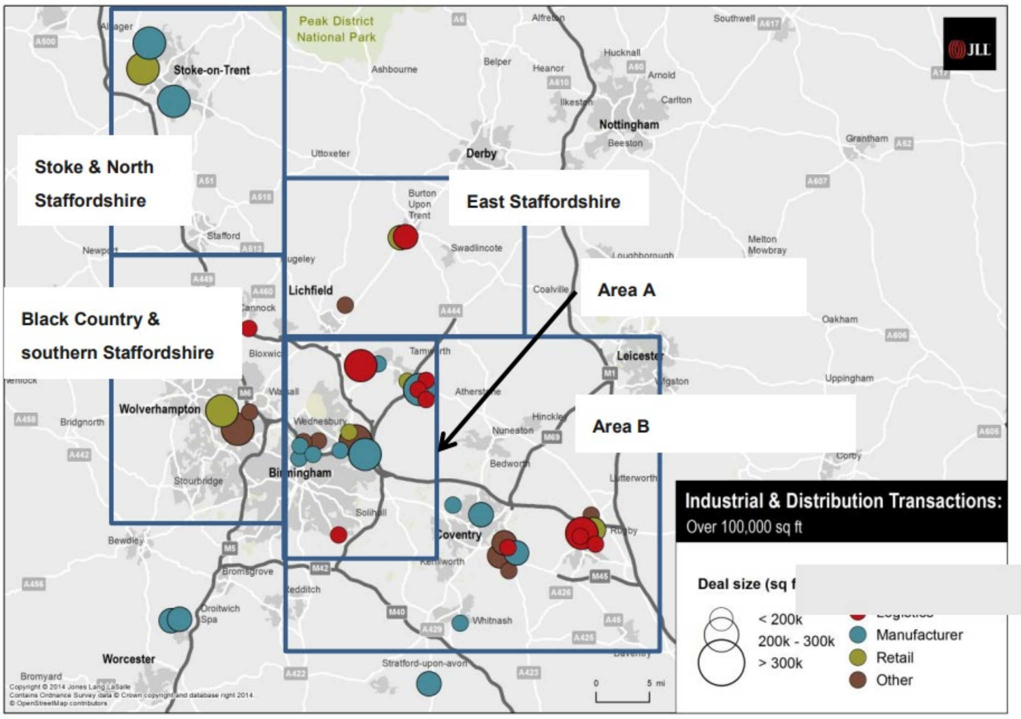
2.3.3 In 2015, a West Midlands Strategic Employment Sites Study (WMSESS) (Phase 1) was produced on behalf of the WMCA Chief Executives by PBA and JLL. This study was completed following the adoption of the North Warwickshire Core Strategy and provides the evidence that was missing at the time of the Core Strategy EiP on what exactly is the strategic employment land need.

2.3.4 The 2015 study highlighted the significant scale of demand for strategic employment land which has eroded the supply of large units (i.e. those greater than 10,000sqm) to a critical level in the West Midlands. Specifically, it highlighted three broad areas of highest demand and the highest pressure on a limited supply of deliverable strategic land. Of these, the M42 Corridor to the east of Birmingham (identified as 'Area A' as shown in the extract below) experienced the highest level of demand. Furthermore, Area A was considered to offer the most accessible location as it offers the best travel times to the UK population, as

[12] Paragraph: 029 Reference ID: 2a-02920190220, ibid.
[13] Paragraph: 027 Reference ID: 2a-027-20190220, ibid.

well as access to multi-modal facilities which benefit logistic operators, in addition to benefiting manufacturers and their suppliers due to the proximity to the main automotive facilities. The application site lies within Area A.

Figure 2. Areas of Demand WMSESS (2015)



Source: JLL

2.3.5 The study recognised demand for large scale industrial floorspace in the West Midlands was most intense along the M42 Corridor, where the boundaries of Birmingham, Solihull, North Warwickshire and Tamworth converge. However, conversely, it had the lowest level of immediate available supply.

2.3.6 The 2015 study concluded that if supply constraints were relieved in these areas this would add to economic growth and employment in the region in the manufacturing as well as distribution centres, but that larger-than-local policies would be a more effective way to bring forward new sites. This is problematic, given the abolition of Regional Strategies in 2013. However, there is the option for Joint Strategic Plans, depending on agreement between LPA's.

West Midlands Strategic Employment Sites Study (WMSESS) (2021)

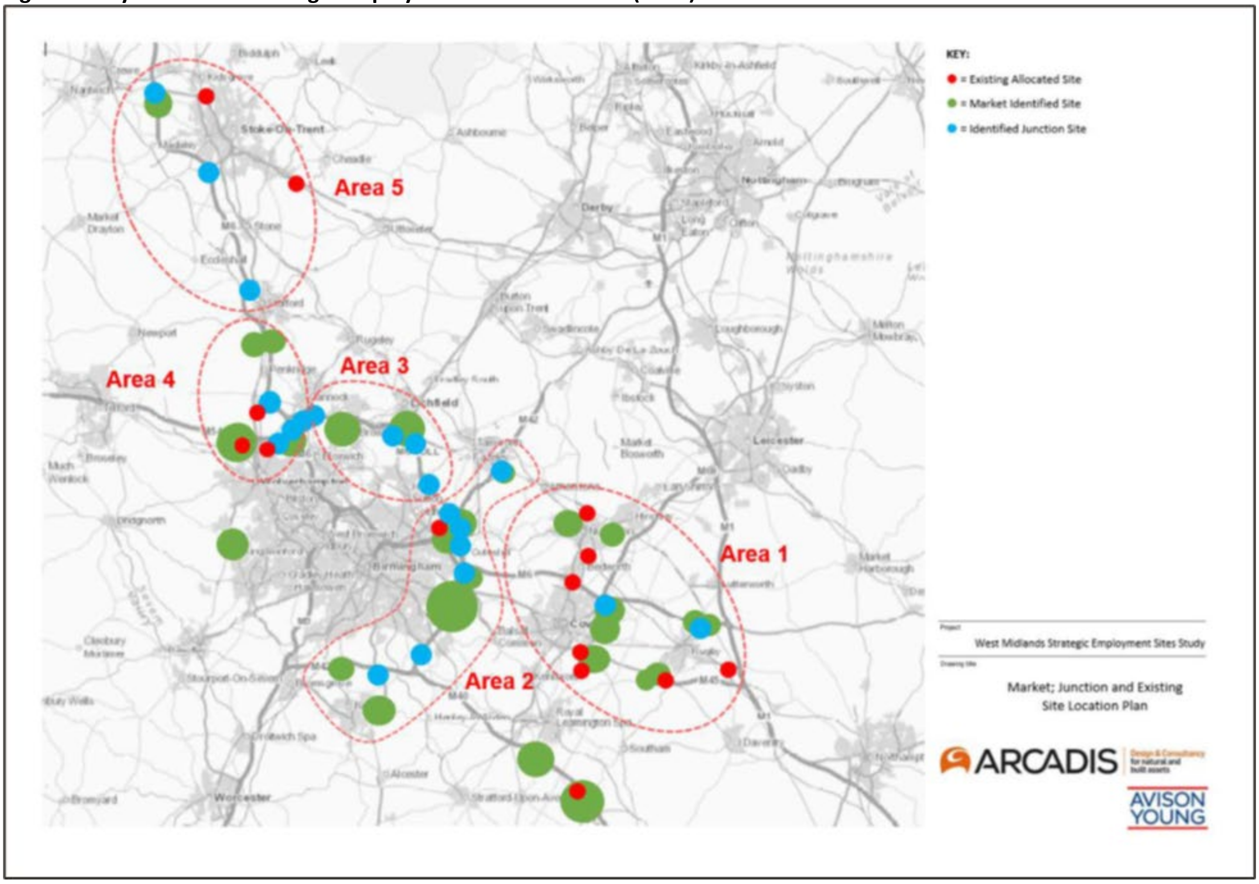
2.3.7 The 2015 WMSESS has since been updated by the WMSESS 2021 (Phase 2) study, which was prepared by Avison Young. The 2021 study provides an audit of existing, allocated and committed sites in the FEMA which meet the definition of 'Strategic Employment Land' (site area of 25+ ha). It considers the 2015 Study conclusions on the locations in the FEMA that have the potential to provide a supply of additional strategic employment sites in the future and provides a high level assessment as to the extent which certain locations/sites might be able to contribute to identified shortfalls in supply. As such, it contributes to the evidence base that informs future Local Plan reviews in North Warwickshire and across the sub region.

2.3.8 The 2021 WMSESS states (at paragraph 6.12 *"It is clear, as was the case in 2015, that there is a very limited supply of available, allocated and/or committed sites across the Study Area that meet the definition of 'strategic employment sites', and an* ***urgent need for additional sites to be brought forward*** *to provide a deliverable pipeline, noting the very substantial lead-in times for promoting and bringing forward such sites."*

2.3.9 From a site receiving adopted allocation status to receipt of planning consent, can take several years, especially given the wide-ranging complexities in respect of large scale strategic employment land. Even once planning consent is received, the delivery of large scale strategic employment sites often requires significant offsite and onsite enabling works over a number of years to create serviced building plots readily available to accommodate demand from occupiers.

2.3.10 The application site falls within Area 2 of the 2021 WMSESS. This Area encompasses the M42 belt east of Birmingham and land covered by the Strategic Gap, designated Green Belt, and is shown on the plan below.

Figure 3. Key Clusters of Strategic Employment Sites - WMSESS (2021)



Source: West Midlands Strategic Employment Sites Study, Avison Young and Arcadis, May 2021

2.3.11 It is understood that a further (Phase 3) study is being undertaken. This was not publicly available at the time of writing; a final version is expected in July 2024. The study's outputs will include looking at the current supply situation; assessment of need; addressing modern industry's requirements; confirming the overall quantum and type of sites required; criteria for identifying sites; identify priority areas for additional provision; stakeholder engagement; and provide additional policy advice.

2.3.12 Despite the urgency identified by the earlier WMSESS studies, progress in allocating additional land sites has been slow.

2.4 North Warwickshire Local Plan

2.4.1 The North Warwickshire Local Plan was adopted in September 2021. It contains planning policies to guide the development and use of land in North Warwickshire, as well as providing detailed policies for individual sites and applications. The Local Plan looks forward to 2033 and gives an indication of where and how development will take place beyond this time frame in order to ensure a continuous supply of land in the

LPA area. North Warwickshire Borough Council does not currently have a site allocation Development Plan Document. However, an emerging Employment DPD (EEDPD) is currently timetabled to be submitted for examination by the end of June 2025. The purpose of the EEDPD is to identify further supply and allocate sites.

2.4.2 The relevant policies of the adopted Local Plan are summarised below:

- Policy LP5 (Amount of Development) states "*Between 2011 and 2033 the Council will make provision for a minimum of … 100 hectares of employment land (subject to policy LP6).*"
- Policy LP6 (Additional Employment Land) states "*significant weight will be given in decision taking to supporting economic growth and productivity, particularly where evidence demonstrates an **immediate need for employment land, or a certain type of employment land**, within Area A on Figure 4.10 of the WMSESS (2015) (or successor study) which cannot be met via forecast supply or allocations. The relevant scheme will be required to demonstrate:*

  (i) access to the strategic highway network is achievable and appropriate;

  (ii) the site is reasonably accessible by a choice of modes of transport; and

  (iii) it is otherwise acceptable, taking account of the living conditions of those nearby."
- Policy L12 (Employment Area) identifies nine existing industrial estates within the Borough. It is expected that the majority of employment generating uses will be concentrated into these areas. But as our analysis shows, these industrial estates, which include Hams Hall and Birch Coppice, have very little capacity. Policy LP12 further states that *"the rail freight terminals at Birch Coppice and Hams Hall are of strategic significance. Development proposals on these two estates will be encouraged to use these terminals."*
- Policy LP39 (Employment Allocations) confirms the location and site areas of the employment allocations contained within the NWBC Local Plan:

Figure 4. Local Plan Employment Land Allocations

LP39	**Employment Allocations**	
		Area (ha)
	Category 1 – Market Towns	
	Atherstone	
E1	Land south of Rowlands Way east of Aldi	6.8
	Polesworth / Dordon	
E2	Land to the west of Birch Coppice, Dordon	5.1
E3	Land including site of playing fields south of A5 Dordon, adjacent to Hall End Farm	3.45
	Category 2 – Adjacent adjoining settlements	
E4	Land to the south of Horiba MIRA Technology Park & Enterprise Zone	42
	TOTAL	**57.35**

2.4.3 The above employment allocations are considered in our assessment of supply at detail at Section 9.

2.4.4 The NWBC Local Plan's principal evidence base is the 2013 Employment Land Review Update produced by G L Hearn. This is now over 10 years old. On the basis of the evidence available at that time, this study identified a need of between 190 hectares and 340 hectares for the Borough, based on labour demand and completions models respectively. Subsequently, in an Addendum to the Employment Land Review Update (April 2016), G L Hearn identified the need for employment land in the Borough would be **538 hectares** (to 2031) based on past completions.

2.4.5 Despite the need identified in the evidence base, the NWBC Local Plan does not seek to accommodate this scale of need for strategic employment development. Instead, it seeks to accommodate only 'locally' arising need, based on an updated labour supply model. The Local Plan identifies a need of a minimum of 100ha of employment land (Policy LP5) of which 81 hectares is for B8 development.

2.4.6 Policy LP39 identifies four sites totalling 57.35ha (just 10.7% of G L Hearn's identified need) as the employment allocations to help meet this need, along with extant planning permissions and allocations. The largest of these allocations is 42ha of land to the south of Horiba MIRA Technology Park and Enterprise Zone, with this site promoted for Class E(g)(ii) (Research and Development) and B2 (General Industrial) uses.

2.4.7 The four employment allocations within the Local Plan do not adequately plan for strategic B8 need. One site is held as expansion and is not available for development. The availability of two other sites is contingent on the relocation of current uses. And the fourth site is reserved for Use Classes B2 and E(g)(ii). This issue was contested during the Local Plan examination in December 2020 with a case being put forward that it was essential for the Local Plan to address this need and to ensure it was prepared in accordance with the NPPF. In order for the plan to be found sound, the Inspector required a Main Modification (ref: MM40) for the inclusion of Policy LP6 so as to provide a policy mechanism to allow strategic employment sites to be delivered, should the need, locational requirements and other considerations be met (i.e. the policy criteria).

2.4.8 The Inspectors Report sets out his reasoning at Paragraphs 177 to 180:

177. [Nevertheless,] various studies were referenced during the examination which point to the paucity of readily available land for large scale employment provision, particularly in respect of storage and distribution. Of particular note is the WMSESS. WMSESS paragraph 4.71 explains that 'demand for large-scale industrial space in the West Midlands is most intense along an 'M42 belt'…' shown on the map overleaf as Area A [Figure 4.10]'.

178. A significant proportion of North Warwickshire falls within WMSESS 'Area A'. Table 4.8 of the WMSESS explains how, at that juncture, land supply stood at around 3.7 years' worth relative to demand (albeit that the WMSESS also indicates that there is a high level of demand for large-scale *facilities across the West Midlands broadly). Other studies corroborate the paucity of storage and distribution facilities at a strategic level. The examination of the Core Strategy in 2014 grappled with similar issues. Whilst I accept circumstances have moved on, there remains no clear evidence as to what level of development should necessarily be delivered in the Borough as opposed to elsewhere.*

179. Nonetheless by consequence, and for consistency with NPPF 2012 paragraph 17 and paragraph 82, the Plan needs to address this issue. That would be achieved via the incorporation of MM40 and MM120. MM40 would provide a clear basis for decision-taking where there is evidence of immediate needs for employment land within WMSESS Area A consistent with NPPF 2012 paragraph 145. In my view it would also not be advantageous to delay the Plan in the expectation of greater clarity emerging in time. MM120 would include a monitoring indicator of the types of employment land provision coming forward, thereby allowing for robust assessment of trends over time in respect of different employment sectors.

180. There was extensive discussion of potential variants to MM40 during the examination hearings. In my view MM40 strikes an appropriate balance between according weight to provision of employment growth whilst not undermining the value accorded to a plan-led system in the NPPF 2012. It must be read in conjunction with other Local Plan policies rather than automatically taking precedence over them (given that Area A encompasses Green Belt land and also land identified as 'Meaningful' or 'Strategic' Gap via Plan policy LP5 as addressed subsequently in this report).

2.4.9 Whilst the Local Plan does not sufficiently address evidence of employment needs by specific allocations, Policy LP6 provides a plan-led mechanism to enable unallocated land to come forward for employment development in a policy compliant manner, in order to meet identified needs.

2.4.10 Following the adoption of the Local Plan, NWBC have published two Annual Monitoring Reports (AMRs) to monitor the effectiveness of the policies and proposals within the Local Plan and the extent to which targets are being met. The latest Annual Monitoring Report provides data from 1st April 2019 up to 31st March 2023. It indicates that as of March 2023 the total land supply for employment land stands at 149.74 hectares. This is detailed in Table 7 of the AMR:

Table 7: Total Land Supply as at 31st March 2022 - 2023

	over 0.4 hectares	*under 0.4 hectares*	*Total*
Total Completions Since 2019/20 – 2021/2022			
2019/20	0	0.39	
2020/21	24.25	0.47	
2021/22	42.79	0.25	
2022/23	0.00	0.25	
Allocations In Local Plan	57.2	0	
Outstanding Sites with Planning Permissions as at 2022/23	23.14		
Total	**147.38**	**2.36**	**149.74**
Loss of employment land	0	0.04	0.04
Overall Total			**149.70**

2.4.11 It is important to note that this "land supply" does not equate to the amount of land currently available for the development of employment premises. It includes sites that have been developed. We consider the amount of available land, later in this Employment Land Assessment. Without details of specific sites, it is difficult to assess whether the Council's calculation of land supply was accurate when last monitored.

2.4.12 In January 2024 NWBC published an Employment Development Plan Document (Scope, Issues and Options) for consultation. It is intended that the document will be submitted to the Secretary of State by June 2025 (in accordance with existing transitional arrangements).

2.4.13 The Emerging Employment DPD (EEDPD) considers whether Local Plan Policy LP5 should be altered or updated in terms of the amount of employment land (it currently requires provision of a minimum of 100 hectares of employment land to be delivered between 2011 and 2033) using data from the Housing and Economic Development Needs Assessment (HEDNA) published in November 2022. The table below is an extract from the EEDPD, which is itself extracted from data within the HEDNA that indicates the employment land requirements for North Warwickshire is as follows:

Table 2: Employment Land Needs for North Warwickshire (hectares)

Hectares	Office	General Industrial (Class E(g)(iii) and B2)	Sub-Total	Strategic B8 (a proportion of)
2021 - 2041	5.3	56.1	61.4	551*
2021 - 2050	7.0	81.4	88.4	735*

*(Source: Extract from Table 2.1 and Table 2.2 of the Coventry and Warwickshire HEDNA Executive Summary November 2022 * Corrected version 29-03-23)*

2.4.14 With regard to Policy LP6, the EEDPD poses the following questions (under Questions 8 and 9):

- What does "immediate" need mean in Policy LP6?
- How can it be demonstrated?
- Should there be a time limit for its expected delivery if it has been identified as an immediate need?
- What happens (or should happen) to the site if this need does not materialise?
- Should the site threshold be the same as the West Midlands Strategic Employment Sites Study i.e. over 25 hectares?
- If not, what should the site threshold be for a 'strategic site' considered as a site falling under the currently adopted Local Plan Policy LP6?

2.4.15 At the time of writing, the EEDPD offers no answers to these questions; and though there may be immediate need, it will be more than a year before the EEDPD is submitted for consideration (end of June 2025), then a further period before any newly allocated employment sites are adopted.

2.4.16 In her proof of evidence on employment land to the appeal relating to Land North East of Junction 10 M42,[14] the Council's expert witness proposes that "immediate need" relates *"to occupiers … actively seeking a suitable site."* She claims that the Council is not *"aware of a specific or named occupier seeking premises 'immediately'."* Her proof refers to the 2015 and 2021 WMSESS but makes no mention of their key finding, that there is an "***urgent need** for additional sites to be brought forward."* In this Employment Land Assessment, we set out evidence of immediate need for more land and premises for both general employment and strategic B8 use. We use a range of methods to identify this need, including economic modelling, past completions and current occupier requirements.

2.4.17 In the market, occupiers with premises requirements will typically consider a range of sites and premises that meet their search criteria, such as size, proximity to markets, access to the strategic highway network, availability of labour etc. If a site does not have a planning consent or an allocation for the occupier's proposed use, then uncertainties about if and when planning consent might be granted, will discourage the business from committing to that site. This is particularly the case where a planning authority is known to be opposing a scheme. Occupiers, for the most part, commit to a scheme once it has planning consent and often only once a building is under construction. Therefore, an absence of scheme specific requirements does not mean that there is no immediate need. That said, Richborough has received an early expression of interest for the proposed scheme; the business's letter of support is included at Appendix 1.

[14] Planning Inspectorate's Reference: APP/R3705/W/24/3336295

2.5 Local Plan Position of the Other Coventry and Warwickshire Councils

2.5.1 Within the Coventry & Warwickshire FEMA, Local Plan reviews could lead to additional employment land allocations. A summary of progress on local plans across the rest of the FEMA is provided below:

- **Nuneaton and Bedworth Borough Council** - The Borough Plan Review was submitted to the Planning Inspectorate in February 2024 with examination anticipated to start in August 2024. Four new employment allocations are proposed, all of which have outline applications pending and/or consents. We have thus included them within our assessment of available employment sites.
- **Rugby Borough Council** – The Local Plan Review Issues and Options Document was published for consultation in November 2023 alongside a Call for Sites. Preferred Options Consultation is anticipated in July 2024 with submission expected in June 2025;
- **Stratford-upon-Avon and Warwick District Councils** – Both local authorities are working together to prepare a new Local Plan for South Warwickshire. The Issues and Options Document was published for consultation in January 2023 alongside a Call for Sites. The next stage of consultation will be the Preferred Options, timetabled for late 2024. The South Warwickshire Economic Development Strategy and Action Plan was adopted by Stratford-on-Avon and Warwick Districts Councils in December 2023. The main objective of the strategy is to co-ordinate economic growth activities across South Warwickshire and highlight South Warwickshire's significance and contribution to the wider regional and national growth plans.
- **Coventry City Council** – The City Council undertook Issues and Options consultation on the Local Plan Review between July and September 2023. Submission to the Planning Inspectorate is timetabled for January 2025.

2.5.2 As summarised above, emerging local plans across the FEMA are generally in their early stages of preparation so no new allocations to increase the supply of employment land in the short term are likely. The exception is Nuneaton and Bedworth Borough Council, which has submitted its Local Plan to the Planning Inspectorate; although its site allocations have not yet been tested through the examination process, planning applications are pending determination or have been granted. These sites are therefore already included within our assessment of available employment sites.

2.6 Key Policy Tests

2.6.1 Having regard to the planning policy context, set out above, we assess the Application proposal against four tests that have a policy basis. They are:

Test 1: Against an objective assessment of needs, has sufficient land of the right type been allocated to build a strong and responsive economy (NPPF)? Is there a clear strategy for bringing sufficient land forward, at a sufficient rate (NPPF para 28)? Is there an immediate need for employment land (LP6)?

Test 2: Does the Local Plan provide for land of the right type in the right place (NPPF para 8)? Do allocations serve to align growth and infrastructure? Is sufficient land available in locations that maximise sectoral efficiencies, improve productivity, minimise pollution, makes prudent use of natural resources and limit CO^2 emissions? Does the scheme meet the three locational requirements of LP6?

Test 3: Are policies in local plans and spatial development strategies up to date? Is sufficient land available at the right time (NPPF para 8)?

Test 4: Is the Application Site suitable, available and achievable for the development of strategic employment premises (PPG)?

3.0 FUNCTIONAL ECONOMIC MARKET AREAS

3.0 Introduction

3.0.1 The Functional Economic Market Areas (FEMAs) aim to capture the spatial level at which an economy operates. FEMAs reflect areas of shared commercial market activity and dynamics. As such their boundaries are often independent of administrative boundaries and FEMAs may cover multiple local authority areas, as set out in PPG:

"Functional economic market areas can overlap several administrative areas so strategic policy-making authorities may have to carry out assessments of need on a cross-boundary basis with neighbouring authorities within their functional economic market area. Local Enterprise Partnerships (and county councils) can play a key role in this process." (Paragraph: 025 Reference ID: 2a-025-20190220)

3.0.1 This reflects the requirement for cooperation between plan making authorities established in the NPPF: *"Effective and on-going joint working between strategic policy-making authorities and relevant bodies is integral to the production of a positively prepared and justified strategy. In particular, joint working should help to determine where additional infrastructure is necessary, and whether development needs that cannot be met wholly within a particular plan area could be met elsewhere."* (NPPF, para 26)

3.0.2 The FEMA provides the most appropriate functional geographical area to gather evidence and develop policies to address strategic planning matters regarding employment need and supply, based on demonstrable cross-boundary relationships.

3.0.3 The PPG provides the following guidance on how FEMAs should be identified:

"Since patterns of economic activity vary from place to place, there is no standard approach to defining a functional economic market area, however, it is possible to define them taking account of factors including:

- *extent of any Local Enterprise Partnership within the area;*
- *travel to work areas;*
- *housing market area;*
- *flow of goods, services and information within the local economy;*
- *service market for consumers;*
- *administrative area;*
- *catchment areas of facilities providing cultural and social well-being; and*

- *transport network."* (Paragraph: 019 Reference ID: 61-019-20190315)

3.1 Existing Evidence on the Functional Economic Market Areas

3.1.1 The Functional Economic Market Areas (FEMAs) within which North Warwickshire is located is established in a number of employment studies produced for the Council and neighbouring authorities. These are set out below:

i) Coventry & Warwickshire Housing and Employment Development Needs (HEDNA) 2022

3.1.2 Commissioned by Coventry and the Warwickshire authorities, this report claims to review the latest data regarding HMA and FEMA geographies, set out in Appendix A1 of the report. However, this appendix is excluded from the publication version. Concluding on the FEMA definition, the HEDNA states:

"Whilst functional geographies do not in reality precisely fit onto local authority boundaries, Coventry and Warwickshire remains an appropriate 'best fit' Housing Market Area (HMA) and Functional Economic Market Area (FEMA). Inevitably functional market areas clearly do not precisely fit to local authority boundaries; and at the borders of any area HMA there are often links with the adjoining areas. Plan making activities should therefore continue to recognise overlaps in North Warwickshire and Stratford-on-Avon with the Birmingham HMA and FEMA; between Rugby and West Northamptonshire; and local links across the A5 with Hinckley and Bosworth (which is in Leicestershire)" (C&W HEDNA, para 1.9).

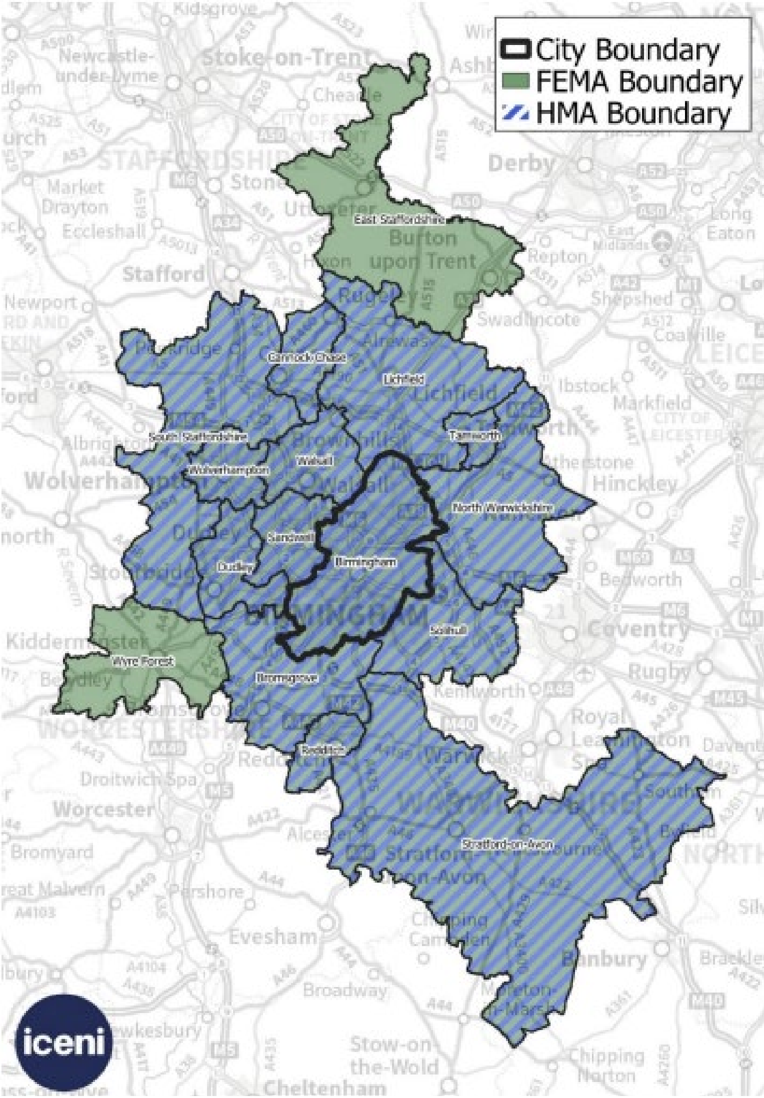
ii) Birmingham Housing and Economic Development Needs Assessment Final Report – Appendix 1 – HMA and FEMA (Iceni, April 2022)

3.1.3 Commissioned by Birmingham City Council, the Birmingham HEDNA sets out the housing and economic development needs for the City of Birmingham. It also defines the Greater Birmingham FEMA covering the wider area:

"That said, there are still parts of Warwickshire, specifically in North Warwickshire and Stratford-on-Avon which have been identified as part of the Greater Birmingham HMA and also have notable cultural, service and economic reliance on Birmingham. Although, there are also clear links to Coventry as well. This would suggest an area of overlap.

In conclusion, the evidence suggests a FEMA consisting of the Greater Birmingham and Solihull LEP (Birmingham, Bromsgrove, Cannock Chase, East Staffs, Lichfield, Redditch, Solihull, Tamworth and Wyre Forest) and Black Country LEP (Dudley, Sandwell, Walsall and Wolverhampton) as well as North Warwickshire and Stratford-on-Avon. There is also a case to be made for South Staffordshire to be included in this definition due to its close links to the Black Country" (Birmingham HEDNA, paras 1.113-1.114).

Figure 5. Greater Birmingham FEMA



Source: Birmingham HEDNA Table 1.20

iii) Solihull Employment Land Review (PBA, 2017)

3.1.4 Commissioned by Solihull Metropolitan Borough Council, the Solihull ELR provides a review of its FEMA concluding there should be a standalone FEMA but that unmet needs should be considered within Birmingham and in the LPAs further up and down the M42 corridor:

3.1.5 *"But in the case of Solihull, the statistical evidence suggests that the borough is split between two sub-regional FEMAs: Birmingham and Coventry. Closer examination of the linkages within the TTWAs indicate that the strength of linkage between Solihull and Birmingham far outstrips those links to Coventry.*

This is further complicated by the market geography. Taking into account the market geography, there is evidence to suggest that Solihull forms part of an M42 corridor market. It is proximity to the strategic road network in a location that is nationally central that is a key driver for demand, with occupiers looking at locations anywhere along this corridor.

As a pragmatic solution we suggest that our labour market balance calculations initially treat Solihull as a standalone FEMA: so both demand (workforce jobs) and supply (the resident labour force) are assessed for the authority area on its own. In the event that Solihull has a surplus of employment land, SMBC could, through the duty to co-operate, ask its neighbours, most notably Birmingham and further up and down the M42 corridor, whether there any unmet needs which could be accommodated within Solihull." (Solihull ELR, paras 3.28-3.30)

iv) Lichfield and Tamworth Housing and Economic Development Need Assessment (GL Hearn, 2019) and Update (2020)

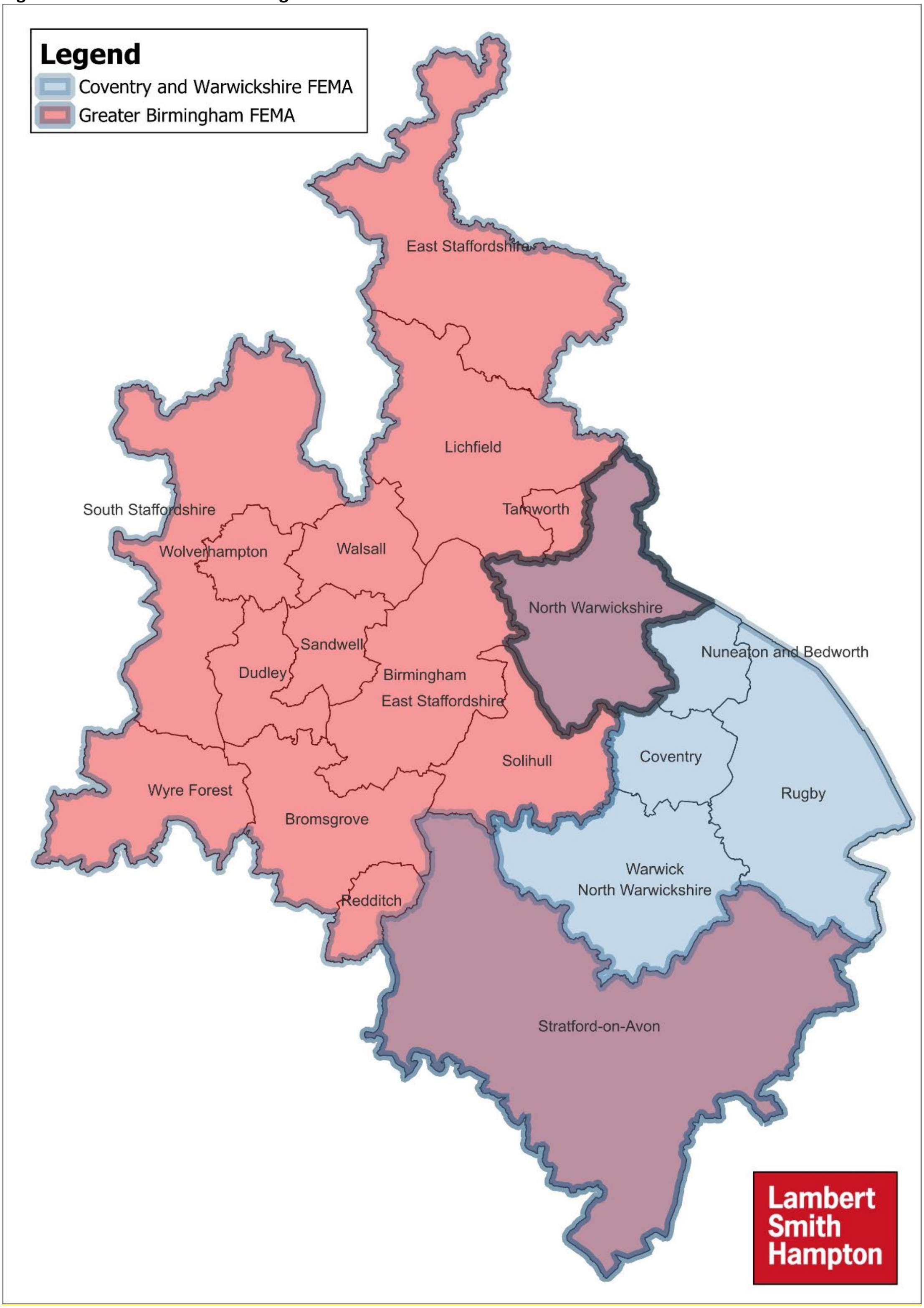
3.1.6 Commissioned by Lichfield and Tamworth Councils, these reports do not consider the HMA or FEMA boundaries for the respective authorities.

3.2 Conclusion on the FEMAs for North Warwickshire

3.2.1 The existing evidence set out in the studies considered above concludes that North Warwickshire is located within two FEMAs – the Coventry and Warwickshire FEMA, and the Greater Birmingham FEMA. The studies defining these FEMAs recognise the overlaps between them and acknowledge North Warwickshire as falling within both FEMAs.

3.2.2 LSH agree with the definition of the two overlapping FEMAs which cover North Warwickshire. This highlights the strong demand for employment land in the district contributing to economic activity across two FEMAs.

Figure 6. The Two FEMAs Covering North Warwickshire



3.3 Meeting the Needs of the FEMAs in the Local Plan

3.3.1 The North Warwickshire Local Plan only considers strategic B8 needs arising within the Coventry and Warwickshire FEMA. The evidence for the Local Plan includes the estimate of Strategic B8 needs within the C&W FEMA, which is identified at a FEMA-wide level in the C&W HEDNA.

3.3.2 However, the North Warwickshire Local Plan makes no reference of the Strategic B8 needs arising within the Greater Birmingham FEMA. There is no equivalent FEMA-wide strategic B8 assessment for this FEMA. There is no evidence within the North Warwickshire Local Plan evidence base which suggests that strategic B8 needs have been considered at a FEMA-wide level across the GB FEMA.

3.4 North Warwickshire Working with Neighbouring Authorities

3.4.1 North Warwickshire has worked with the authorities of the Coventry and Warwickshire FEMA to identify employment land needs within this FEMA. This includes identifying the need for strategic B8 uses at a FEMA-wide level which is additional to the local employment land need identified for each individual authority.

3.4.2 It is notable that the Greater Birmingham FEMA authorities have not taken a similar approach to identifying strategic B8 needs across the FEMA.

3.4.3 The North Warwickshire Local Plan Evidence Base does not include any reference to Greater Birmingham FEMA or employment land evidence. It does include the Greater Birmingham Housing Market Assessment Strategic Growth Study 2018, but nothing regarding the Greater Birmingham Employment Land Needs.

3.4.4 Meeting the strategic B8 needs of the Greater Birmingham FEMA has historically been left to individual authorities to agree between themselves via the Duty to Cooperate.

3.4.5 This issue of joint working across the West Midlands was considered in the Inspector's Report on the Examination of the Birmingham Development Plan (11 March 2016):

"Reference was made to a study of potential large employment sites across the West Midlands, and to proposed developments at Birmingham International Gateway and UK Central, both of which lie outside the BCC area. But I am not in a position to consider whether or not sites outside Birmingham would be suitable for development. Nor would it be acceptable to hold up adoption of the BDP for an indefinite period pending discussions among a wide range of stakeholders on regional priorities for employment development. There is a well-evidenced shortfall of Best Urban land to meet the city's own development needs that should be met as far as possible by this Plan." (Birmingham Development Plan Inspector's Report, para 124)

3.4.6 North Warwickshire has a history of working with neighbouring authorities to meet unmet needs for both housing and employment. The evidence base for the adopted North Warwickshire Local Plan includes a number of Statements of Common Ground / Memorandums of Understanding with neighbouring LPAs:

- There is an MOU (2016) for the Warwickshire authorities to meet Coventry's unmet employment land needs based on available capacity in each district. North Warwickshire agreed to meet zero additional employment land.
- There are SoCGs (2013 and 2018) between North Warwickshire, Tamworth and Lichfield Councils stating North Warwickshire will meet 18ha of unmet employment land from Tamworth.
- There is an MOU (2016) and SoCG (2018) for North Warwickshire to meet some of Birmingham's unmet housing needs. But no similar agreement for employment land.

3.4.7 It is necessary to consider the impact that potential future cooperation with neighbouring authorities within the Greater Birmingham FEMA may have on employment land demand in North Warwickshire, in terms of neighbouring authorities' potential to meet their own employment land needs or require North Warwickshire to meet unmet needs. Section 11 of this report reviews the latest employment needs evidence from neighbouring authorities to address this issue.

3.5 Summary

3.5.1 Existing evidence shows North Warwickshire is located within two FEMAs – the Coventry and Warwickshire FEMA and the Greater Birmingham FEMA. LSH agree with the definition of the two overlapping FEMAs which cover North Warwickshire.

3.5.2 However, North Warwickshire's Local Plan evidence only considers needs arising in the Coventry and Warwickshire FEMA. The current evidence does not take account of any need arising in the Greater Birmingham FEMA – either strategic or unmet local needs from neighbouring authorities.

3.5.3 This is a significant failing and once the needs from the Greater Birmingham FEMA are taken into account by North Warwickshire this will inevitably lead to an increased need in the district. North Warwickshire Council will need to work with authorities within both FEMAs to ensure that strategic needs are met.

3.5.4 For the purposes of this assessment LSH have considered the employment land needs in North Warwickshire taking account of the needs from both FEMAs. This considers the need in across the Coventry and Warwickshire FEMA as well as the unmet needs from neighbouring authorities in the Greater Birmingham FEMA. This reflects historic approaches to cross-boundary working, as set out above, and is considered a realistic approach for North Warwickshire Council to pursue.

4.0 IDENTIFIED NEED FOR STRATEGIC B8 IN COVENTRY AND WARWICKSHIRE FEMA

4.0 Introduction

4.0.1 This section sets out the identified needs for strategic B8 land in North Warwickshire as identified in the Council's own evidence base documents[15]. As set out above, these identify the strategic B8 need within the Coventry and Warwickshire FEMA[16] (CW FEMA).

4.0.2 However, the Council's evidence does not identify the strategic B8 needs arising within the Greater Birmingham FEMA (GB FEMA). The authorities within the GB FEMA have identified their strategic B8 needs on an individual authority (or sub-groups of authorities) basis. The sum of this forming the GB FEMA-wide need. However, North Warwickshire has not done this.

4.0.3 Therefore, this section considers the available evidence for strategic B8 need in the Coventry and Warwickshire FEMA. However, the need for strategic B8 needs in North Warwickshire will also include demand arising from the GB FEMA which will be additional to this.

4.1 Coventry & Warwickshire Housing and Employment Development Needs (HEDNA) 2022

4.1.1 The Coventry & Warwickshire Housing and Employment Development Needs (HEDNA) 2022 provides the evidence base for housing and employment land needs in North Warwickshire along with the other Coventry and Warwickshire authorities.

4.1.2 The HEDNA considers the needs for strategic warehousing (units of over 9,000 sqm) separately from other employment uses – both in terms of methodology and outputs.

4.1.3 The HEDNA identifies demand for Strategic B8 across the CW FEMA. But it does not then disaggregate this by district, nor does it provide need figures for each local authority. The justification in the HEDNA is that demand is relatively footloose in nature and the strategic B8 market operates across a wide area meaning that demand could be met across any of the districts within the FEMA.

4.1.4 For planning purposes each district will need to identify how much of the overall FEMA-wide need they should plan for. This will need to be agreed by the six authorities. This is not done in the HEDNA and

[15] Coventry & Warwickshire Housing and Employment Development Needs (HEDNA) 2022
[16] The Coventry and Warwickshire FEMA covers the districts of Coventry, North Warwickshire, Nuneaton and Bedworth, Rugby, Stratford-upon-Avon, and Warwick. See Figure 6.

currently has not yet been undertaken. The HEDNA recommends this is done on the basis of a supply-led approach.

4.1.5 For strategic B8, the HEDNA concludes that it would be appropriate to plan for future development in line with completions trends over the initial 10-year period (2021-31), with the subsequent decades then seeing potentially slower growth in line with an approach based on replacement demand and freight traffic growth. On this basis, **the HEDNA concludes there is a need for 551ha of land to 2041, and 735ha to 2050** (see Table 3 below).

4.1.6 These elements of the strategic B8 needs forecast are considered in turn below:

4.2 Completions Trends

4.2.1 The HEDNA provides a Completions Trend Scenario which draws upon completions data from the 2011-19 period for most of the Coventry and Warwickshire authorities and 2011-18 for North Warwickshire. This represents the trend from the period immediately prior to the Pandemic lockdowns which started in March 2020.

4.2.2 The completions data is presented in HEDNA Tables 9.12 and 9.13 as a total and a percentage breakdown of strategic B8 for each local authority. This is used to derive the completions trend forecast, as shown below. Strategic B8 totals are derived from the overall employment need figures multiplied by the strategic B8 percentage.

Table 1. HEDNA Completions Trend Forecast

	2011-19 Total	2011-19 Average	2021-41 Need	2021-50 Need	% B8 Strategic Sites
North Warwickshire (2011-18)	121.8	15.2	304.4	441.4	83%
Nuneaton and Bedworth	21.5	2.4	47.9	69.4	19%
Rugby	133.6	14.8	296.9	430.5	53%
Stratford-on-Avon	59.8	6.6	132.9	192.7	0%
Warwick	20.2	2.2	44.9	65.2	0%
Coventry	91.3	10.1	202.8	294.1	19%
CW FEMA Total	**448.2**	**51.5**	**1,029.8**	**1,493.2**	**44%**
Strategic B8			**457.6**	**663.6**	

Source: HEDNA Tables 9.12 and 9.13

4.3 Replacement Demand and Traffic Growth

4.3.1 The HEDNA considers an alternative approach to forecasting strategic B8 growth based on the need to replace existing stock, and additional space due to increased freight throughput, for which forecast increases in traffic flows is used as a proxy.

i) Replacement Demand

4.3.2 This is the quantum of floorspace required to provide replacement for existing stock as it becomes dated and no longer fit for purpose. The starting point is the total stock of strategic B8 in Coventry and Warwickshire based on VOA data (2,244,000 sqm).

4.3.3 It is assumed that a warehouse has a lifespan of 30 years. Therefore, over the period 2021-41, two thirds of current stock will require replacing (as it's a 20-year period). By 2050 the replacement figure will be 97% (29/30). This results in **a replacement demand across Coventry and Warwickshire of 1,496,000 sqm by 2041 and 2,169,200 sqm by 2050**.

4.3.4 The HEDNA then provides a sensitivity scenario based on if the average warehouse lifespan increased to 40 years. This would mean that 50% and 73% of stock would need replacing by 2041 and 2050 respectively. This reduces **the replacement demand to 1,122,000 sqm by 2041 and 1,626,900 sqm by 2050**. These scenarios are labelled in the HEDNA as 'High Replacement' and 'Low Replacement' respectively.

ii) Growth Build

4.3.5 This element considers the quantum of Strategic B8 floorspace required to support the anticipated growth in freight throughput. This has been done by estimating the current volume of goods delivered to strategic B8 sites in Coventry and Warwickshire and the expected volume in 2041 and 2050.

4.3.6 The source of these figures is the 'MDS Transmodal GB Freight Model' from which outputs are provided without further transparency or justification. This 'black box' approach to forecasting is hard to verify.

4.3.7 The outputs of the Growth Build element are relatively small compared to the Replacement Demand element to which they are added. The modelling shows **an additional Growth Build requirement of 125,000 sqm by 2041 and 181,000 sqm by 2050**.

iii) Scenario Outputs

4.3.8 The Replacement Demand and Growth Build elements are added together to estimate the total gross strategic B8 floorspace requirement. This is then converted to land requirement (ha) using plot ratio assumptions of an average 35% built plot area. This identifies the following requirements:

Table 2. Comparison of Strategic B8 Scenarios (ha)

	2031	2041	2050
Traffic Forecast Low Replacement	176	356	517
Traffic Forecast High Replacement	229	463	671
Mid-Point	202	410	594
Completions Trend		**458**	

4.4 Selection of Scenarios and Overall Strategic B8 Needs

4.4.1 The HEDNA takes a mid-point of the High and Low Replacement scenarios on the basis that the factors suggesting how much replacement demand will be warranted *"draw in different directions"*. In practice this means the HEDNA assumes that every large scale B8 unit will require replacing every 35 years (the mid-point between 30 and 40 years).

4.4.2 However, the HEDNA also considers the Replacement Demand and Traffic Growth Scenarios against the completions trend forecast:

"We do however consider that there are factors which point to the potential to see stronger demand than [the Replacement Demand and Traffic Growth Scenarios]. Firstly is the shift towards e-commerce which has arisen from the Covid-19 pandemic, which has accelerated previous trends. Second is the effects of trade disruptions and macro-economic uncertainties, including the effects of Brexit and the blocking of the Suez Canal, on level of stock holding (the impacts of which have been to increase the requirements for warehouse space)." (para 10.41)

4.4.3 The HEDNA therefore concludes that **the completions trend forecast – which yields slightly higher results – should be preferred over the first 10-year period (2021-31) and the Replacement Demand and Traffic Growth Scenario should be used thereafter**.

4.4.4 A standard 5-year flexibility margin is then added to these figures to get the final Strategic B8 need figure:

Table 3. C&W FEMA Strategic B8 Needs (ha)

	2021-41	2021-50
Need 2021-31 (based on completions trend)	229	
Need 2031-41 (based on replacement demand and traffic growth)	207	392
Sub-Total	436	621
5-yr margin	115	
CW FEMA Total Strategic B8 Needs	**551**	**735**

Source: C&W HEDNA

4.5 Summary

4.5.1 This section has provided an overview of the strategic B8 needs identified in the Coventry and Warwickshire HEDNA (2022). The 2022 HEDNA provides the latest evidence on employment land needs in North Warwickshire and all six districts within the Coventry and Warwickshire FEMA. Its findings have not yet been tested at Local Plan examination.

4.5.2 The 2022 HEDNA identifies the strategic B8 needs but only at a FEMA-wide level, i.e. for the whole of Coventry and Warwickshire FEMA. Strategic B8 needs are not identified for each district. The overall distribution of need for each district will need to be agreed by the six authorities. This is not done in the HEDNA and has not yet been undertaken.

4.5.3 **For the Coventry and Warwickshire FEMA, the HEDNA identifies a need for Strategic B8 of 551ha for the period 2021-41 and 735ha for the period 2021-50.**

4.5.4 The strategic B8 need identified in the HEDNA uses a hybrid approach with the first ten-year forecasting period based upon the past completions trend from the period 2011-19. The remainder of the forecast is based on a scenario modelling replacement demand and freight traffic growth which shows a lower demand than the past completions trend. A flexibility margin is then added to derive the total strategic B8 need figure.

5.0 CRITIQUE OF THE COVENTRY AND WARWICKSHIRE HEDNA APPROACH

5.0 Introduction

5.0.1 As set out in the previous section, the HEDNA provides an estimate of future strategic B8 needs based on a combination of past completions trends (2021-31) and an estimate of replacement demand and traffic growth (2031-41 / 2031-50).

5.0.2 This section goes through these forecasting approaches in turn considering their robustness for estimating strategic B8 land needs. The approach of the HEDNA is then considered against the PPG to assess whether the data/approach used is sufficiently robust. This section is summarised as follows:

- The completions trend data used in the HEDNA is incomplete, does not include all data from the period used (2011-19) and does not provide a robust data source for projecting forward future needs.
- The Completions Trend Scenario is based on completions data from the 2011-19 period which is not up-to-date and does not capture significant changes within the sector during and post-pandemic.
- There have been considerable changes in the e commerce sector since 2019 resulting in increased demand for strategic B8 space. Completions data from 2019-23 show a considerably higher growth rate than seen before the pandemic. However, the HEDNA addresses this by using the Completions Trend Scenario based on completions data from 2011-19 for the forecasting period 2021-31. This will not capture the growth in demand since 2020.
- The Replacement Demand and Traffic Growth Scenarios are not based on robust evidence.
- From 2031 onwards the HEDNA uses the Replacement Demand and Traffic Growth Scenarios which shows a lower level of growth than the 2011-19 completions trend. This means that the strategic B8 need identified in the HEDNA is actually lower than the completions trend seen over the pre-pandemic period (2011-19).
- The HEDNA approach does not reflect the wider commercial market dynamics seen within the distribution sector nor does it reflect up-to-date data and evidence. It therefore not PPG compliant.
- To address these issues, Coventry and Warwickshire's strategic B8 needs should be based on corrected completions data, drawing upon post- as well as pre-pandemic data.

5.1 Past Completions

i) The HEDNA uses incomplete data

5.1.1 The HEDNA considers a Completions Trend Scenario based on completions data in Coventry and Warwickshire from 2011-19 (2011-18 for North Warwickshire). This is used to estimate the strategic B8 employment land needs for Coventry and Warwickshire for the period 2021-31. It identifies a need for 229ha of land over this period.

5.1.2 However, the completions data in the table is not comprehensive; it undercounts the quantum of Strategic B8 completions. LSH has undertaken a comprehensive assessment of strategic B8 completions in Coventry and Warwickshire – set out later in this Section and at **Appendix 2** of this report.

5.1.3 The HEDNA does not provide any of the completions data it relies upon or any further evidence to corroborate the data. It is not clear from the data contained within the HEDNA whether this is due to incomplete completions records, or a miscalculation of the percentage of Strategic B8. However, this clearly has an impact on the overall quantum of Strategic B8 completions recorded in the HEDNA, and therefore the findings of the completions trend forecasts.

5.1.4 The only further description of the completions data is two brief paragraphs at 9.46-9.47:

"It is evident that North Warwickshire and Rugby have been key contributors to employment floorspace completions, driven by large units at Hams Hall, Prologis Ryton, Rugby Gateway, Ansty Park and Birch Coppice. Coventry's deliveries are particularly influenced by development south west part of Whitley Business Park (Scimitar Way). Much of the focus of these developments is large scale B8, with B2 at Ansty Park.

Coventry's office floorspace delivery has increased in recent years as Friargate has begun to come forward (2018/19 onwards)." (HEDNA, paras 9.46-9.47)

5.1.5 The HEDNA does briefly describe the process undertaken to gather the data: *"This has involved reviewing data provided directly or through AMRs to consider completions 2011/12 to 2019/20 and projecting that forward as an annualised average.*

In some instances, detail on data has been limited, therefore Iceni has sought to independently verify where possible the completions and their nature through engagement with the Councils." (HEDNA, paras 9.43-9.44).

5.1.6 Clearly, the process used by the HEDNA has resulted in "limited" completions data, and while the HEDNA consultants have sought to *"verify this where possible"* there have been instances where this has not been possible, and this has resulted in an incomplete set of completions data.

5.1.7 This identifies that the HEDNA completions data significantly under-records the quantum of strategic B8 delivered during this period.

5.1.8 LSH has undertaken a comprehensive assessment of strategic B8 completions in Coventry and Warwickshire based on analysis of historical aerial photographs, site visits and cross checking against other data sources such as CoStar. This approach does not rely on incomplete local authority monitoring data. This data provides a complete and transparent record of strategic B8 completions in Coventry and Warwickshire. It is set out in full in Appendix 2 of this report.

5.1.9 The completions data recorded by LSH for the 2011-19 period – the period drawn upon in the HEDNA – is shown in the table below**. This shows completions of 234.2 ha of strategic B8 sites during this period: 40.9 ha more than recorded in the HEDNA**.

Table 4. Strategic B8 Completions – 2011-19 (ha)

	HEDNA	LSH
North Warwickshire	101.1[17]	91.6
Nuneaton and Bedworth	4.1	0.0
Rugby	70.8	89.6
Stratford-on-Avon	0.0	12.4
Warwick	0.0	18.6
Coventry	17.3	22.0
Total	**193.3**	**234.2**

Source: HEDNA, Table 9.12 and LSH data – see Appendix 2 of this report

ii) The HEDNA uses completions data from 2011-19

5.1.10 Further to this, the Completions Trend Scenario in the HEDNA draws upon data from 2011-19 which does not capture structural changes to the sector which occurred during and following the Covid Pandemic starting in 2020.

5.1.11 When identifying which scenario provides the most suitable estimate of future strategic B8 land needs, the Completions Trend Scenario or the Replacement Demand and Traffic Growth Scenario:

"We do however consider that there are there are factors which point to the potential to see stronger demand than [identified in the Replacement Demand and Traffic Growth Scenario]. Firstly is the shift towards e-commerce which has arisen from the Covid-19 pandemic, which has accelerated previous trends. Second is the effects of trade disruptions and macro-economic uncertainties, including the effects of Brexit

[17] HEDNA figures for North Warwickshire cover the period 2011-18

and the blocking of the Suez Canal, on level of stock holding (the impacts of which have been to increase the requirements for warehouse space)." (para 10.41)

5.1.12 The HEDNA responds to this by using the completions trend forecast which is based on data from 2011-19, as the basis for calculating future employment land needs for the next decade. It is not explained in the HEDNA how applying a completions trend forecast based on data from 2011-19 will capture the changes in e-commerce during and following the Covid-19 Pandemic between March 2020 and December 2021.

5.1.13 As set out in the table above, the changes in e-commerce during and following the Covid-19 Pandemic has resulted in a much higher rate of strategic B8 completions than was seen over the period 2011-19. However, the HEDNA completions trend simply doesn't consider this data and draws only from this earlier period. As such the HEDNA completions trend scenario fails to capture the latest demand.

5.1.14 However, it is not the case whereby the HEDNA is simply 'of its time' and has been superseded by more recent economic events since its publication. The HEDNA identifies that there was (at the time of writing the HEDNA) a *"stronger demand"* due to *"the shift towards e-commerce"*. The HEDNA's response to this – to choose a scenario based on pre-pandemic data – is wholly unsuitable at capturing the changes in demand identified at that time.

5.1.15 Having identified that demand within the B8 sector had grown since 2019, the HEDNA should have applied a suitable uplift to the scenario based on 2011-19 data. If no robust data was available at that time to calculate such an uplift, this should have been a key finding of the HEDNA. This is a key failing of the HEDNA.

Table 5. Strategic B8 Completions, 2011-19 vs 2019-23 (ha)

	2011-19	2019-23
Coventry and Warwickshire	234.2	203.8

Source: LSH data – see Appendix 2 of this report

5.1.16 As set out in Appendix 2 of this report, the completions data from 2019-23 shows a significant increase in strategic B8 completions. **Including completions data from 2011-23, shows an average annual take-up rate of 36.5ha per annum. This is 7.2ha higher than the annual average for the pre-pandemic period 2011-19**.

5.1.17 The take-up data from 2011-23 captures recent trends in the sector as detailed in section 8.5; and in particular the spike in activity due to Brexit and Covid in 2020 to 2022. It also includes the longer-term data from 2011-19 when development was slower. It therefore provides a more robust basis for modelling future employment land needs in Coventry and Warwickshire reflecting the economic growth drivers identified, but not adequately addressed, in the HEDNA.

5.2 Replacement Demand and Traffic Growth Scenario

i) Replacement Demand

5.2.1 The Replacement Demand element assumes all units will require replacing between 30 years (High Replacement Scenario) or 40 years (Low Replacement Scenario). These scenarios quantify the amount of land which will be required to support the levels of replacement based directly off these assumed unit lifespans. For the High Replacement Scenario this means that 97% of existing stock will require replacing by 2050, and for the Low Replacement Scenario 73% will require replacing by 2050.

5.2.2 However, no evidence is provided within the HEDNA to support the key assumption that after 30 or 40 years units will require demolition and replacement. After a time period of this length, it is reasonable to expect the unit may no longer be fit for purpose. However, it is also reasonable to expect other options being considered such as replacing the cladding and roofing, rather than simple demolition and replacement.

5.2.3 This is evident by looking at the age profile[18] of the existing largescale B8 stock in Coventry and Warwickshire which shows that 38% of existing largescale B8 units are older than 30 years old, 22% are older than 35 years old, and 17% are older than 40 years old.

5.2.4 Furthermore, the HEDNA calculates the replacement demand figure and uses this to directly calculate the quantum of new land required to support this. This feeds directly into the overall employment land needs figures. In other words, the HEDNA assumes all of this demand will be met at new sites. The High Replacement Scenario means that 97% of existing strategic B8 sites contain units which will no longer be fit for purpose by 2050 AND will have been replaced at new sites.

5.2.5 This implies that 97% of the existing sites will no longer be in use as such and will have been replaced. This is clearly not realistic. In reality, some of the demand will be re-provided for at existing sites which have been freed up through demolition.

5.2.6 However, the HEDNA provides no consideration or data regarding this issue. It is standard practice for employment land studies to consider rates of losses and loss replacement, and consider the proportion of redevelopment at employment sites which is likely to be for continued employment uses and the proportion which will be for alternative (non-employment) uses.

5.2.7 The HEDNA provides no evidence on this issue. The section '*The Potential for Recycling or Reuse of Existing Strategic B8 Sites*' does not address this stating:

"*The work on the HEDNA has not included a detailed assessment of existing sites to assess the ongoing suitability to cater for the needs of this market segment*" (para 10.49)

[18] Source: CoStar, March 2024

"Supply assessments for individual authorities might consider these issues further to further interrogate whether a proportion of the identified need could be met through existing sites… These issues can be picked up through local authorities' land availability assessments." (para 10.50)

ii) New Demand Due to Traffic Growth

5.2.8 This element of the forecasting lacks transparency, and it is unclear from where the data which underpins the modelling has been sourced. The only source provided for the data in this section is 'MDS Transmodal GB Freight Model'. As MDS Transmodal are co-authors of the HEDNA this is essentially referencing themselves. Further analysis of these figures is therefore not possible due to a lack of clear, transparent, information.

5.2.9 However, the New Demand Due to Traffic Growth element produces outputs which are very low. The land requirements (ha) of the Replacement Demand and Traffic Growth Scenario (High Replacement Scenario) are shown in the table below. This shows that the Growth Build element constitutes only 35.7ha of the total 463.1ha forecast land requirement by 2041. In other words, just 7.7% of the identified need will be to provide additional, rather than replacement, floorspace. It is the same percentage to 2050.

Table 6. HEDNA Replacement Demand and Traffic Growth Scenario (High Replacement Scenario) Outputs by Element (ha)

	2031	2041	2050
Replacement Build	213.7 (93.3%)	427.4 (92.3%)	619.7 (92.3%)
Growth Build	15.4 (6.7%)	35.7 (7.7%)	51.7 (7.7%)
Total	229.1	463.1	671.4

Source: Derived from HEDNA modelling

5.2.10 This means that the HEDNA modelling is identifying only 1.8ha of land per annum across the whole of Coventry and Warwickshire to meet the growth needs of the sector. This is an annual growth rate of 0.27% per annum.

5.2.11 **This is a significantly low growth rate**. For comparison, the net growth of industrial floorspace recorded by the VOA in Coventry and Warwickshire over the 2011-19 period was 1.2% per annum. This is net growth and so likewise does not include replacement demand lost and delivered over this period. This figure is for all 'industrial' uses within the VOA definition (i.e. industrial and warehouses) of all sizes.

5.2.12 **This shows that the HEDNA's forecast of new demand for strategic B8 growth is considerably below the general levels of growth seen across all industrial uses**. This contradicts the wider commercial market data set out in Section 3 of the HEDNA, which shows that the strategic B8 market is performing particularly strongly in this area:

“Demand for logistics/distribution space looks likely to remain strong buoyed by the growth in e-retailing in particular. Rents and land values have grown to record levels.” (C&W HEDNA, p57)

iii) Summary of the Replacement Demand and Traffic Growth Scenario

5.2.13 This scenario is based on a series of modelling assumptions for which no evidence is provided in the HEDNA. As demonstrated above many of these modelling assumptions are unrealistic.

5.2.14 Much of the data used in this scenario is unsourced and the approach lacks transparency.

5.2.15 The outputs of the scenario are unrealistic, for example assuming 97% of current large employment sites will need replacing by 2050, or a new growth rate of 0.27% per annum.

5.2.16 For these reasons the Replacement Demand and Traffic Growth Scenario is not considered robust for planning purposes.

iv) Selection of Scenarios and Overall Strategic B8 Needs

5.2.17 When selecting the most suitable scenario the HEDNA considers the Replacement Demand and Traffic Growth Scenario (410ha by 2041) and the Completions Trend Scenario (458ha by 2041).

5.2.18 The HEDNA identifies the increased demand in the e-commerce sector during and following the Covid Pandemic which started in 2020. The HEDNA addresses this by opting to use the Completions Trend Scenario for the 2021-31 period.

5.2.19 However, **using a Completions Trend Forecast based on completions data from 2011-19 cannot be used to estimate the increased growth in demand since 2020.** The changes in the market will not be captured by this scenario. Therefore, the scenario does not provide an up to date assessment of need and is not robust.

5.2.20 However, the HEDNA then reverts to the Replacement Demand and Traffic Growth scenario from 2031 onwards. This means that the needs figures for the later half of the forecasting period are below the trend of past completions for 2011-19. There is no justification in the HEDNA for why this is expected to be the case. This approach is contrary to the commercial market analysis and conclusions within HEDNA which identifies transformational growth within the sector.

5.2.21 This means the HEDNA does not adequately address the commercial market dynamics and demand within the strategic B8 sector, despite identifying this sector as one of considerable growth. This is a critical failing of the HEDNA.

5.3 Summary

5.3.1 The HEDNA approach has resulted in a strategic B8 Needs figure which is not robust for the following reasons:

5.3.2 The Completions Trend Scenario:

- The completions trend data used in the HEDNA is incomplete and does not constitute a robust data source for projecting forward future needs. The HEDNA Completions Trend Scenario is therefore not compliant with PPG. LSH have prepared a forecast based on complete completions data (drawn from the 2011-19 period) which shows a much higher need for strategic B8 land.
- The Completions Trend Scenario is based on completions data from the 2011-19 period. This is the period prior to the Covid Pandemic which started in March 2020 which saw a step change in the e-commerce sector and related demand for strategic B8 space. More recent completions data shows that demand for strategic B8 uses has increased by 74% more than the pre-pandemic trend.
- The HEDNA responded to this by stating that that completions data from 2011-19 should be used for the strategic B8 needs figure. But this data from the pre-pandemic period (as used in the HEDNA) will not capture the changes in the logistics sector over the past 5 years. This is contrary to PPG which requires evidence to consider identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities.

5.3.3 Replacement Demand and Traffic Growth Scenario:

- This scenario is based on a series of unjustified modelling assumptions for which no evidence is provided and many of which are unrealistic.
- Much of the data used in this scenario is unsourced and the approach lacks transparency.
- The outputs of the scenario are unrealistic and results in a very low growth rate.
- For these reasons the Replacement Demand and Traffic Growth Scenario is not considered robust for planning purposes.

5.3.4 Selection of Scenarios and Overall Strategic B8 Needs:

- The HEDNA recommends using the Completions Trend Scenario for the first 10-years to reflect the recent strong market activity in the logistics sector. However, this scenario is based on data from 2011-19 so simply will not capture this. This is an unsuitable response which severely underestimates current and future needs.

- From 2031 onwards the HEDNA uses the Replacement Demand and Traffic Growth Scenarios which shows a lower level of growth than the 2011-19 completions trend. This means that the strategic B8 need identified in the HEDNA is actually lower than the completions trend seen over the pre-pandemic period (2011-19), which is already an under-estimate of needs.
- This means the chosen scenario in the HEDNA does not reflect up-to-date commercial market dynamics seen within the distribution sector, nor does it reflect up-to-date data and evidence. It even fails to reflect the commercial market signals identified within the HEDNA itself. The approach used by the HEDNA is therefore not PPG compliant.

5.3.5 To address the failings of the HEDNA and to identify a strategic B8 need figure for Coventry and Warwickshire that is robust and PPG compliant, the following approach should be used:

- correct completions data for 2011-19 should be used.
- The recent shift in the demand in the e-commerce sector should be appropriately estimated using up-to-date, post-pandemic, completions data.

5.3.6 LSH has undertaken an assessment of strategic employment land needs in accordance with this approach which is PPG compliant. This is set out in the next section of this report. **When robust data is used, the LSH assessment identifies strategic B8 requirements for Coventry and Warwickshire of 678ha (2021-41) and 983ha (2021-50) – notably higher than the HEDNA figures, as shown in the table below**.

Table 7. Comparison of Strategic B8 Land Requirement, Coventry and Warwickshire (ha)

	Forecast 2021-41	Forecast 2021-50
HEDNA Strategic B8 Requirement	551	735
2011-23 Completions Trend	678	983
Difference	**127**	**248**

6.0 COMPLETIONS TREND IN COVENTRY AND WARWICKSHIRE FEMA

6.0 Introduction

6.0.1 As set out in the previous chapters, the HEDNA draws upon completions data which is incomplete. It also draws on completions data from 2011-19 and as such does not capture the significant recent post-pandemic trends in the logistics sector. For these reasons, the completions trend scenario in the HEDNA is not robust.

6.0.2 This section addresses these two failings by providing a completions trend scenario based on comprehensive data for 2011-19 and including data up to 2023. This provides a realistic and robust completions trend scenario which shows a need that is much higher than the completions trend scenario in the HEDNA.

6.0.3 This section provides a Completions Trend Scenario for Coventry and Warwickshire based on comprehensive analysis of completions data from aerial photographs, cross referenced with data from site visits and cross checking against other data sources such as CoStar.

6.1 LSH Assessment of Past Completions Trends in Coventry and Warwickshire

6.1.1 Employment areas have been identified using the Valuations Office Agency Rating List for employment sites over 2.3ha or units over 100,000 sq ft. LSH has then used aerial photographic images from Google Earth to identify the location of past development and the period in which it occurred.

6.1.2 These periods are defined by the dates of the mapping and imaging, which can vary across the districts. The method comprehensively records and accurately measures take-up over identified periods covering several years. In most instances this has been sufficient for producing a forecast (for example a forecast based on completions within the range 2011-19 includes all completions within the range 2011-15). In some instances, where more detail on the specific year of completion has been needed, this has been taken from CoStar property records.

6.1.3 From this, average annual take-up rates can be calculated and understood in the context of macro-economic trends. Boundaries of development sites have been checked against Land Registry title information for greater accuracy.

6.1.4 To understand whether the large sites that are available, are likely to be sufficient for the outstanding Local Plan periods, we have had regard to the amount of land that has been taken-up for development over the period 1999-2023. Take up of large sites are listed at Appendix 2 and summarised by local authority area in the table below. It should be noted that we have excluded from our analysis four compounds that have been taken-up by Balfour Beattie Vinci for construction of the HS2 railway, which total 28.85 hectares and three compounds (9.13 ha) at Coleshill Heath Road for maintenance of the M6.

Table 8. Take-Up of Large Sites, 1999-2023

Local Authority	Number of Sites	Take-up of large sites 1999 - 2023 (ha)	Average Take-Up (ha p.a.
North Warwickshire	43	221.30	8.85
Nuneaton & Bedworth	6	33.28	1.33
Rugby	31	163.27	6.53
Stratford upon Avon	9	27.54	1.10
Warwick	13	68.42	2.73
Coventry	18	87.46	3.50
Total	**124**	**601.27**	**24.05**

6.1.5 Over this 25 year period, some 124 large sites have been taken-up. These have totalled an estimated 601.27 hectares, equivalent to 24.05 hectares per annum. North Warwickshire has experienced greater take-up than the other local authorities (37% of land and 35% of sites). In North Warwickshire take-up of land for industrial buildings in excess of 9,290 sq m has totalled 196.81 hectares, the development of Jaguar Land Rover's National Distribution Centre at Baddesley accounts for a further 18.90 hectares, and two compounds at Hams Hall another 5.59 ha. **Overall take-up of large sites of 221.30 hectares has equated to 8.85 hectares per annum.**

6.1.6 The table below compares these levels of take-up with the amount of available land. Across the CW FEMA there is a 14 year supply of large sites (if the Gigafactory site at Coventry Airport is excluded the implied supply is 9 years). But this supply is spread unevenly, with high levels of implied supply in Warwick and Nuneaton & Bedworth; but only four years supply in North Warwickshire and in Rugby. By this measure, North Warwickshire and Rugby have insufficient land for their remaining plan periods. In North Warwickshire this shortage of supply is exacerbated because none of the land is readily available.

Table 9. Implied Supply of Large Sites

Local Authority	Estimated Net Area (ha)	Average Take-Up (ha p.a.)	Implied Supply (years)	Remaining plan period
North Warwickshire	**42.87**	**8.85**	**4**	**9**
Nuneaton & Bedworth	46.99	1.33	35	7
Rugby	25.74	6.53	4	7
Stratford upon Avon	25.59	1.10	23	7
Warwick	162.32	2.73	59	5
Coventry	32.65	3.50	8	9
Total	**336.16**	**24.05**	**14**	

6.1.7 **Measured against average take-up of 8.85 hectares per annum. North Warwickshire would require an estimated 79.65 hectares of large sites for the remaining nine years of the Local Plan. On this basis the estimated shortfall of available large sites is 36.78 hectares.**

6.1.8 In the table below we compare take-up in each of the six local authority areas to see whether consumption trends are upwards, downwards or static. Because the assessment of take-up has used aerial images that are irregular in their timing, the time periods compared are not identical. The take-up figures used in the table below are therefore annual averages for each period.

Table 10. Annual Average Take-up of Large Sites

	Annual Average Take-up				
Local Authority	**1999-2007**	**2007-15**	**2015-2020**	**2020-2023**	**TOTAL**
North Warwickshire	12.52	5.60	10.40	6.08	8.85
Nuneaton & Bedworth	1.27	0.00	0.00	5.77	1.33
Rugby	1.68	5.23	11.43	12.71	6.53
Stratford upon Avon	0.68	1.38	0.27	2.43	1.10
Warwick	1.26	0.15	4.62	8.51	2.74
Coventry	5.15	0.58	4.40	4.90	3.50
Total	**22.55**	**12.95**	**31.13**	**40.40**	**24.05**

6.1.9 At the start of the millennium the UK was enjoying an unusually prolonged period of economic growth when there was ready access to development finance and rising rents improved the viability of development. Between 1999 and 2007 take-up in the FEMA averaged 22.55 hectares per annum, and in North Warwickshire 12.52 hectares per annum.

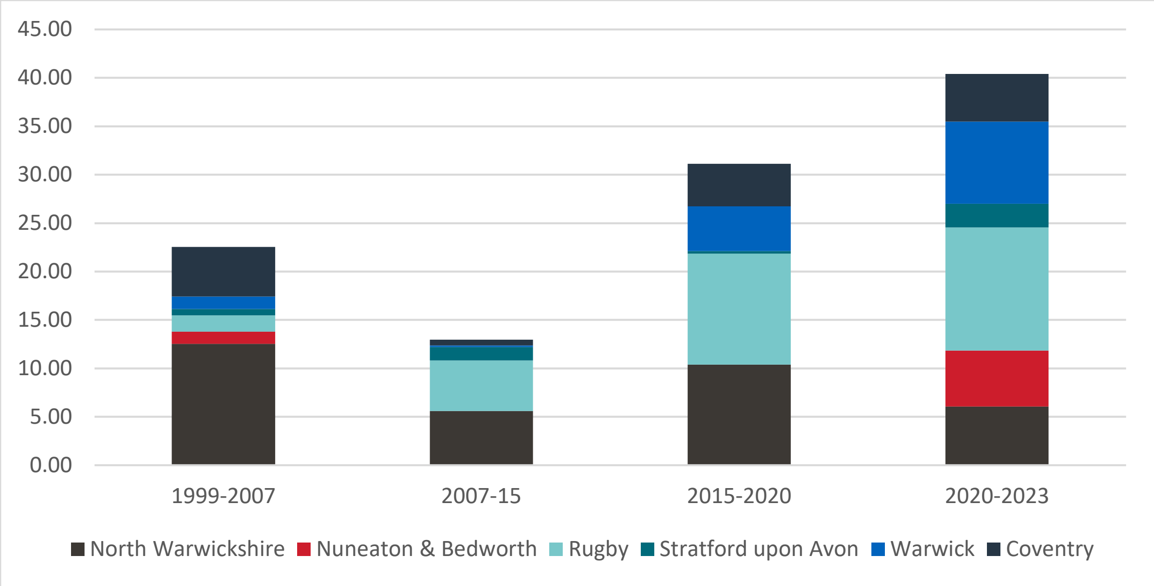
6.1.10 In September 2007, the run on Northern Rock signalled the oncoming credit crunch and the recession of 2008-09. Across the UK, finance for development was withdrawn, development activity ceased, and property values fell. The recession was followed by 'austerity', several years of weak economic growth, when demand for property was weak and values were stagnant. Construction costs continued to increase, and the viability of property development was undermined. Between 2007 and 2015 average take-up rates fell by 43% in the FEMA and by 55% in North Warwickshire where take-up averaged 5.60 hectares per annum.

6.1.11 Property markets started to recover from 2015. The Brexit vote in June 2016 caused a temporary shock to the market, but as the EU exit day (31 January 2020) neared there was increased demand for warehousing as businesses used stockpiling to mitigate disruptions to import and export. **Annual take-up rose to 31.13 hectares per annum in the FEMA and to 10.40 hectares per annum in North Warwickshire.**

6.1.12 The UK's departure from the EU coincided with the start of the COVID-19 pandemic. Lockdowns bolstered demand for logistics premises as the shift to online shopping accelerated and demand for large sites increased, particularly in the Midlands 'golden logistics triangle'. Nationally, record levels of take-up have been recorded; this is reflected in the 40.40 hectares per annum within the FEMA. But in North Warwickshire at the core of the 'golden triangle' the take-up rate fell to just 6.08 hectares per annum. This is a clear sign that the shortage of allocated employment land, and the Council's resistance to granting consents on unallocated sites, has frustrated the market. The supply of plots in established employment areas are now exhausted and new allocations are unable to come forward for development in the short term.

6.1.13 In the chart below, average annual take-up in North Warwickshire is compared with the other districts in the FEMA. Not only is average annual take-up in North Warwickshire low relative to previous performance, but as a proportion of average annual take up within the FEMA it has been steadily declining from 58% to 16% as a) less allocated land is available, and b) even less land is readily available.

Chart 1. Average annual take-up over four time periods



6.1.14 **This steady decline in the take-up of large sites in North Warwickshire suggests that the average take-up of 8.85 hectares per annum has been constrained**. With nine years of the Local Plan remaining, North Warwickshire needs to provide at least 80 hectares. With only 42 hectares currently allocated the borough has a shortfall of at least 38 hectares; but to ensure that there is sufficient land available for the remaining plan period it would be prudent to allow for higher take-up and to make provision for more.

6.1.15 The full list of completions of largescale employment premises in Coventry and Warwickshire since 1999 is included in Appendix 2 of this report. The table below provides a summary of completions over different time periods.

6.1.16 This shows that over the 2011-19 period there was total take-up of 234.2ha of land for largescale B8 uses across Coventry and Warwickshire. This compares to the figure of 193.3ha used in the HEDNA[19].

Table 11. Largescale Completions by District, 1999-23 (ha)

	1999-2011	2011-19	2019-23	2011-23
Coventry	45.8	22.0	19.6	41.6
North Warwickshire	105.4	91.6	24.3	115.9
Nuneaton and Bedworth	10.2	0.0	23.1	23.1
Rugby	13.4	89.6	60.3	149.8
Stratford-on-Avon	5.8	12.4	9.3	21.7
Warwick	13.7	18.6	36.1	54.7
Total	**194.4**	**234.2**	**172.7**	**406.8**
Annual Average	*16.2*	*29.3*	*43.2*	*33.9*

6.1.17 This shows that the completions data used in the HEDNA is incomplete. This is explained in the HEDNA as the process undertaken to gather the data: *"This has involved reviewing data provided directly or through AMRs to consider completions 2011/12 to 2019/20 and projecting that forward as an annualised average.*

In some instances, detail on data has been limited, therefore Iceni has sought to independently verify where possible the completions and their nature through engagement with the Councils." (HEDNA, paras 9.43-9.44).

6.1.18 Clearly, collating data from Annual Monitoring Reports has provided limited data, and while Iceni have sought to verify this where possible, this has evidently resulted in an incomplete set of data. This has resulted in the Completions Trend Forecast in the HEDNA, which draws from this incomplete data, being an under-estimate of future demand based on a continuation of past development trends.

6.1.19 Further to this, LSH's completions data shows data up to 2023, which captures recent trends in the sector as detailed in section 8.5, and in particular the spike in activity due to Brexit and Covid in 2020 to 2022 and subsequent growth in the development of large scale B8 premises.

6.1.20 The Coventry and Warwickshire HEDNA identifies this growth in the e Commerce sector arising during and following the Covid Pandemic and the HEDNA identifies that this is one of several reasons *"which point to the potential to see stronger demand"* for strategic B8 uses (HEDNA para 10.42). The HEDNA therefore concludes that it would be appropriate to plan for future development to be in line with the 2011-19

[19] Derived by multiplying the total completions by the Strategic B8 % in HEDNA Tables 9.12 and 9.13. Note for North Warwickshire the HEDNA completions figures are for 2011-18.

completions trends for the initial forecasting period (2021-31) (HEDNA para 10.43). The HEDNA doesn't consider data post-2019 which would provide evidence of the recent growth trends.

6.1.21 Since 2019, an average of 43.2 ha of large sites have been developed for employment each year – a considerable increase on the 29.3 ha average for the 2011-19 period. This is evidence of the shift in demand within the sector which is not considered within the HEDNA. The average over the whole 2011-23 period is 33.9 ha per annum.

Table 12. Largescale Employment Completions by District, 2011-23 (ha)

	2011-19	2019-23	2011-23
Coventry	22.0	19.6	41.6
North Warwickshire	91.6	24.3	115.9
Nuneaton and Bedworth	0.0	23.1	23.1
Rugby	89.6	60.3	149.8
Stratford-on-Avon	12.4	9.3	21.7
Warwick	18.6	36.1	54.7
Total	**234.2**	**172.7**	**406.8**
Annual Average	*29.3*	*43.2*	*33.9*

6.1.22 This is an important finding, as the completions data since 2019 provide a suitable and appropriate quantification of the increase in strategic B8 demand identified, but not adequately addressed, in the HEDNA.

6.1.23 The take-up data from 2011-23 captures the identified structural changes which have occurred within the e-commerce sector within the past 5 years (since the most recent HEDNA completions data from 2019). This provides up-to-date data which captures the recent changes of demand within the sector, and therefore provides a robust basis for forecasting future demand. It includes the longer-term data, from 2011-19 when development was slower, used in the HEDNA forecasting. It therefore provides a more robust basis for modelling future employment land needs in Coventry and Warwickshire in line with PPG guidance.

6.2 LSH Forecast Based on Take-Up Data

6.2.1 Set out below is a completions trend forecast which addresses the issues with the HEDNA set out above.

- This forecast is based on data which is complete; based on records of aerial photography rather than collated from a range of Council data which the HEDNA describes as *"limited"*.
- The data is robust, and transparent. It is set out in Appendix 2. It can be easily validated; should peer review or third-party scrutiny identify any errors or discrepancies; these can be easily rectified.

- The data is drawn from the period 2011-23 which includes the increased demand due to the growth of the e-commerce sector during and following the Covid Pandemic.

6.2.2 The table below shows forecasts based on data from 2011-19, which is directly comparable with the HEDNA forecasting period. This shows a need for 585 ha of land for largescale B2/B8 uses by 2041 and 849 ha by 2050.

6.2.3 LSH does not consider that the 2011-19 period provides a robust data period for forecasting, however forecasts based on data from this period is included to show the discrepancies in the HEDNA data for this period. This compares to figures of 458 ha and 664 ha in the HEDNA.

Table 13. Completions Trend Forecast based on 2011-19 data, Coventry and Warwickshire (ha)

	Annual Average	Forecast 2021-41	Forecast 2021-50
Coventry and Warwickshire	29.3	585	849

6.2.4 As discussed above, the 2011-23 period provides a robust forecasting period reflecting up-to-date data and capturing the increased demand following post-pandemic structural changes in the sector. This shows a need for 678 ha of land largescale B2/B8 uses by 2041 and 983 ha by 2050.

Table 14. Completions Trend Forecast based on 2011-23 data, Coventry and Warwickshire (ha)

	Annual Average	Forecast 2021-41	Forecast 2021-50
Coventry and Warwickshire	*33.9*	678	983

6.2.5 The table below provides a comparison of the HEDNA Completions Trend Scenario alongside the completions trends forecasts set out above with correct data for 2011-19 and including data up to 2023. This shows that the HEDNA Completions Trend Scenario significantly under-estimates the need for strategic B8 land in Coventry and Warwickshire by 220ha by 2041 and 319ha by 2050.

Table 15. Comparison of Completions Trend Forecasts, Coventry and Warwickshire (ha)

	Forecast 2021-41	Forecast 2021-50
HEDNA 2011-19 Completions Trend	458	664
Actual 2011-19 Completions Trend	585	849
2011-23 Completions Trend	**678**	**983**

6.2.6 Furthermore, the HEDNA doesn't even recommend its 2011-19 Completions Trend Scenario for the whole forecasting period, but only to 2031. For the remainder of the period, the HEDNA uses the lower figure of the Replacement Demand and Traffic Growth Scenario. A flexibility margin is then added which increases the overall Strategic B8 land requirement in the HEDNA.

6.2.7 However, as can be seen below, this HEDNA figure even with the flexibility margin included is considerably lower than the 2011-23 Completions Trend. **The HEDNA significantly under-estimates the need for strategic B8 land in Coventry and Warwickshire by 127ha by 2041 and 248ha by 2050.**

Table 16. Comparison of Strategic B8 Land Requirement, Coventry and Warwickshire (ha)

	Forecast 2021-41	Forecast 2021-50
HEDNA Strategic B8 Requirement	551	735
2011-23 Completions Trend	**678**	**983**

6.2.8 The needs figure identified above should be treated as minimum figures and proposals to provide higher levels of growth further to this should be encouraged to ensure that past constraints to take up which have been seen in parts of the FEMA – such as North Warwickshire – are alleviated. This can also be achieved through the spatial disaggregation and supply – as discussed in the following sections.

6.3 Summary

6.3.1 The HEDNA uses a completions trend forecast for the first 10-years of the forecasting period 2021-31. The HEDNA justifies using the Completions Trend Scenario for this period as it was higher than either of the HEDNA's Replacement Demand Scenarios. The HEDNA justifies this as follows:

"We do however consider that there are there are factors which point to the potential to see stronger demand than this. Firstly, is the shift towards e-commerce which has arisen from the Covid-19 pandemic, which has accelerated previous trends. Second is the effects of trade disruptions and macro-economic uncertainties, including the effects of Brexit and the blocking of the Suez Canal, on level of stock holding (the impacts of which have been to increase the requirements for warehouse space)." (para 10.41)

6.3.2 LSH agree that these factors have resulted in increased demand for B8 uses, particularly the structural changes in the e-commerce sector during and following the pandemic between March 2020 and December 2021. However, using a completions trend forecast based on data from 2011-19 will not capture these changes or the increased demand.

6.3.3 The completions data set out in this report shows that these structural changes have resulted in significantly increased demand for largescale B8 uses. Using completions data for the 2011-19 period – as the HEDNA has done – does not capture this increase. Therefore, the Completions Trend Scenario in the HEDNA does not provide a robust basis for assessing future strategic B8 needs in Coventry and Warwickshire.

6.3.4 Using full completions data for the 2011-19 period and including data from the 2019-23 period provides a robust forecasting period reflecting up-to-date data and capturing the increased demand following post-pandemic structural changes in the sector. **This shows a need for 678 ha of land for largescale B8 uses by 2041 and 983 ha by 2050. This shows that the HEDNA significantly under-estimates the need for strategic B8 land in Coventry and Warwickshire by 127ha by 2041 and 248ha by 2050.**

7.0 IDENTIFIED EMPLOYMENT LAND DEMAND IN THE GREATER BIRMINGHAM FEMA

7.0.1 As set out above (in Section 5 of this report) North Warwickshire is identified as being located within multiple Functional Economic Market Areas (FEMAs) – namely the Coventry and Warwickshire FEMA and the Greater Birmingham FEMA.

7.0.2 The FEMA defines the area in which economic activity occurs. It is important that strategic issues – such as the location of strategic B8 demand and supply – is considered at the FEMA level. Issues such as a shortage of B8 sites in one FEMA authority will affect demand elsewhere in the FEMA. Conversely, increasing demand in one FEMA authority will alleviate pressures elsewhere in the FEMA.

7.0.3 North Warwickshire Borough Council have primarily worked with the authorities within the Coventry and Warwickshire FEMA to identify employment land needs. The Council have also historically recognised the functional economic links with the Greater Birmingham FEMA authorities and have in the past entered into a number of legal agreements to help deliver unmet employment land requirements from these areas:

- There are SoCGs (2013 and 2018) between North Warwickshire, Tamworth and Lichfield Councils stating North Warwickshire will meet 18ha of unmet employment land from Tamworth.
- There is an MOU (2016) and SoCG (2018) for North Warwickshire to meet some of Birmingham's unmet housing needs. But no similar agreement for employment land.

7.1 Identified Supply / Demand Balance in Neighbouring Authorities

7.1.1 Since these legal agreements were signed, these neighbouring local authorities have updated their employment land evidence studies. We summarise below the findings of these updated studies to consider the potential implications for North Warwickshire.

7.1.2 This section does not provide a full assessment of the evidence base documents of neighbouring authorities but is intended to establish the position of each authority's own evidence.

i. Birmingham

7.1.3 The Birmingham HEDNA[20] was published in April 2022 and sets out the employment land needs for Birmingham City Council area from 2020-40. The needs for future industrial and logistics land is estimated using past completions trends.

7.1.4 **The HEDNA identifies a need for 268.7ha of industrial and distribution land and an existing supply of 215.9ha, resulting in a shortfall of -52.8ha in Birmingham**. The HEDNA states there is potential for additional supply to arise at HS2 sites, however it is too early to include any such sites within the employment land supply at this stage:

"This supply figure excludes any impact of sites that may be released from employment subject to further review. A shortfall is apparent when excluding the larger cleared HS2 sites (former LDV Site, Washwood Heath and the former Astrom site). This suggests that the reuse of part of these sites is required in the future to meet industrial needs, although in reality other land use pressures may mean that the scale indicated below cannot be dedicated to industrial." (Birmingham HEDNA, P354)

ii. Solihull

7.1.5 The Solihull HEDNA[21] was published in October 2020 and sets out the employment land needs for Solihull Metropolitan Borough Council area from 2020-36.

7.1.6 The HEDNA identifies that there is a 26,300sqm / 6.5ha shortfall of Industrial and warehouse land in Solihull. (Solihull HEDNA, Table 103). The HEDNA concludes there is *"a shortfall in future industrial needs which in itself will be warehousing driven. The supply has reduced significantly since the 2017 report with take up of supply at Blythe Valley and Birmingham Business Parks and the loss of the TRW (Green) site. There is some concern about the deliverability of the Bickenhall Lane site, as it remains operational for current use, and this puts further pressure on the industrial / warehousing portfolio. As explored below, it may be possible for some of the JLR allocation to be used for general warehousing however this is uncertain at the present time."* (Solihull HEDNA, para 12.37)

iii. Lichfield and Tamworth

7.1.7 The Lichfield and Tamworth HEDNA[22] was published in September 2019 and sets out the employment land needs for the two boroughs for the period 2018-36. The needs for future industrial and logistics land is estimated using past completions trends.

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[20] Birmingham Housing and Economic Development Needs Assessment (Iceni Projects, April 2022)
[21] Solihull Housing and Economic Development Needs Assessment (GL Hearn, October 2020)
[22] Lichfield and Tamworth Housing and Economic Development Needs Assessment (GL Hearn, September 2019)

7.1.8 The HEDNA identifies employment land requirements of 61.1ha for Lichfield, of which 55ha is for industrial and warehouse uses. The Lichfield Employment Land Availability Assessment[23] identifies a total supply of 69.49ha. This results in a surplus supply of 69.49 – 61.1 = 8.4ha.

7.1.9 For Tamworth, the HEDNA identifies a need of 8.8ha, of which 5.8 is industrial or warehouse uses. The new Local Plan is at an early stage of preparation and the Council has no up to date assessment of employment land supply for the district. The Council's latest Authority Monitoring Report (2022/23) (Table 4) shows an existing supply of 10.75ha at existing allocations in the adopted plan, the deliverability of these has not been assessed. This results in a surplus supply of 10.75 – 8.8 = 2ha.

7.2 Conclusions

7.2.1 The neighbouring local authorities' evidence studies show a quantitative shortfall in Birmingham and Solihull and a modest supply in Lichfield and Tamworth.

7.2.2 This section has considered the supply/demand situation in the Greater Birmingham FEMA authorities which neighbour North Warwickshire and therefore might look to North Warwickshire to help meeting their unmet needs. **There is a total unmet need of -48.9ha arising from these authorities**. This is additional to the needs arising in Coventry and Warwickshire FEMA.

7.2.3 This suggests that there may be need for some of North Warwickshire's neighbouring authorities within the Greater Birmingham FEMA to look to North Warwickshire – to meet their unmet needs. Conversely, there is very limited capacity, based on the Councils' own evidence, for these authorities to accommodate unmet needs coming from Coventry and Warwickshire.

Table 17. Identified Supply / Demand Balance in Neighbouring Authorities in GB FEMA

Neighbouring Local Authority	Supply / Demand Balance
Birmingham	-52.8 ha
Solihull	-6.5 ha
Lichfield	8.4 ha
Tamworth	2.0 ha
TOTAL	**-48.8ha**

[23] Lichfield District Council, 2023

8.0 THE MARKET FOR LARGE INDUSTRIAL AND WAREHOUSE PREMISES

8.0 Data Sources

8.0.1 This section compares the market for employment premises in North Warwickshire with other local authority areas within the Warwickshire and Coventry FEMA, through analysis of the stock, availability and demand for large industrial premises. It is acknowledged that North Warwickshire has a role to play in other FEMAs; these are considered in Section 5. However, for the purpose of this market review we have focussed on the Warwickshire and Coventry FEMA. In preparing this report LSH has relied upon various data sources.

8.0.2 The Non-Domestic Rating Business Floorspace statistics are used to compare the stock of employment premises within North Warwickshire with the stock in the wider area. These floorspace statistics are broad brush, derived from Valuation Office Agency (VOA) data as at March 2023 (the most recent dataset at the time of writing). The VOA uses 'bulk' use classes and figures are rounded. We use these for comparing the stock at local authority level, but the data is insufficiently fine grained to allow analysis of the stock of premises within a local authority area, or to allow analysis of specific unit sizes. To carry out more detailed analysis of the stock by market area and size band and to bring it up to date, LSH has used Analyse software to collate and analyse current VOA data.

8.0.3 To ensure a comprehensive understanding of the availability of premises, LSH has compared three commercial property databases: CoStar, Estates Gazette Property Link and Rightmove Commercial.

8.0.4 In setting out a baseline understanding of recent market activity within Warwickshire, LSH has used CoStar, proprietary LSH data and market intelligence, including consultation with other agents active in the regional market. Data referred to in this report was collated in March 2024.

8.1 Stock of Large Industrial & Warehouse Premises

8.1.1 In the table below we compare the industrial stock in North Warwickshire with other local authorities within Warwickshire and Coventry. It should be noted that this data does not distinguish between manufacturing and logistics uses; and it includes all unit sizes.

Table 18. Industrial Units and Floorspace, March 2023

Local Authority	Floorspace (sq m)	Units	Average (sq m)
North Warwickshire	1,825,000	960	1,901
Nuneaton & Bedworth	901,000	1,200	751
Rugby	1,406,000	950	1,480
Stratford-on-Avon	927,000	1,660	558
Warwick	964,000	1,060	909
Coventry	2,227,000	2,260	985

Source: Non-domestic rating: stock of properties including business floorspace, Valuation Office Agency, 2023

8.1.2 Compared with the other five local authority areas, North Warwickshire has relatively few units (only Rugby has less) but the average unit size is much larger. This is testament to the strength of the market for large scale logistics in the borough, which has the second largest amount of floorspace.

8.1.3 In the table below we compare changes in the amount of industrial floorspace over the past twenty years. In North Warwickshire there has been strong demand, the amount of industrial floorspace has increased by 69%. This compares with modest growth of 11%-13% in Rugby & Stratford-on-Avon and reductions in Coventry and Warwick.

Table 19. Industrial Floorspace, 2004-2023

Local Authority	2004 floorspace (sq m)	2023 floorspace (sq m)	Change in floorspace
North Warwickshire	1,078,000	1,825,000	69.3%
Nuneaton & Bedworth	866,000	901,000	4.0%
Rugby	1,258,000	1,406,000	11.8%
Stratford-on-Avon	819,000	927,000	13.2%
Warwick	977,000	964,000	-1.3%
Coventry	2,766,000	2,227,000	-19.5%

Source: Non-domestic rating: stock of properties including business floorspace, Valuation Office Agency, 2023

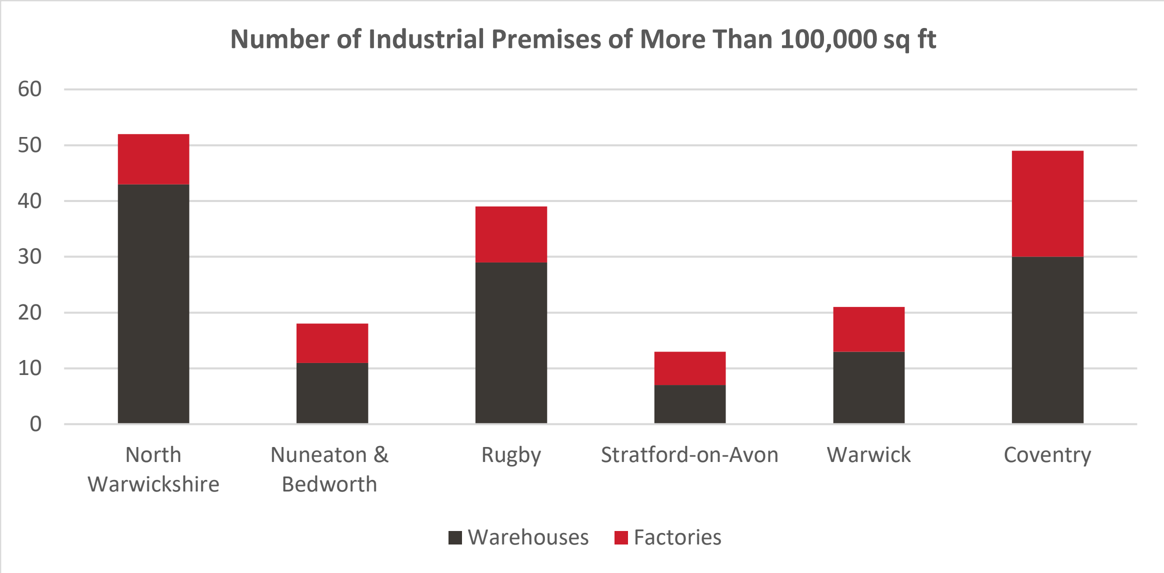
8.1.4 The Rating List provides a comprehensive and regularly updated list of all commercial premises for business rates purposes and distinguishes between various types of industrial premises using use codes. To some extent, the market does not make such distinctions. Buildings can accommodate a range of uses, and even broad categories such as factories and warehouses may be largely indistinguishable. However, properties described as Land for Storage, typically measured by the VOA on a site area basis, have, for the purposes of this analysis, been excluded. Using this Rating List data, we have assessed the stock of industrial premises of more than 100,000 sq ft (9,290 sq m). These are summarised by use in the table and bar chart below.

Table 20. Industrial Premises of more than 100,000 sq ft within the FEMA – March 2023

Local Authority	Warehouses	Factories	Total
North Warwickshire	43	9	52
Nuneaton & Bedworth	11	7	18
Rugby	29	10	39
Stratford Upon Avon	7	6	13
Warwick	13	8	21
Coventry	30	19	49
FEMA	**133**	**59**	**192**

Source: VOA / Analyse / LSH

Chart 2. Number of Industrial Premises of More Than 100,000 sq ft



8.1.5 Premises of over 100,000 sq ft are situated across the FEMA; but more are situated in North Warwickshire than in any of the five other local authority areas. North Warwickshire has more warehouses than the other five districts; Coventry has the most factories. Not only does North Warwickshire have more large warehouses than the other districts but the average size of 27,284 sq m (294,000 sq ft) is greater; this is evidence of the demand for very large warehouses within the district.

Table 21. Average Size of Warehouses of greater than 9,290 sq m (100,000 sq ft) – March 2023

Local Authority	Number of Warehouses	Floorspace of Warehouses (sq m)	Average Unit Size (sq m)
North Warwickshire	42	1,145,934	27,284
Nuneaton & Bedworth	10	217,985	21,798
Rugby	29	603,597	20,814
Stratford Upon Avon	5	73,557	14,711
Warwick	13	238,771	18,367
Coventry	30	714,132	23,804

Source: VOA / Analyse / LSH

8.2 Availability of Large Industrial & Warehouse Premises

8.2.1 From our review of three national commercial property databases, we have identified 14 industrial units of more than 100,000 sq ft that are on the market within the FEMA. These, listed below, are units that are built; those units that are under construction or in the pipeline are considered separately.

Table 22. Available Premises over 9,290 sq m.

Address	LPA	Type	Floorspace (sq m)	Built
Hams 160, Canton Lane, Hams Hall Industrial Park	N Warks	Warehouse	14,931	2003
DC2, Roman Way, Prologis Park, Hams Hall	N Warks	Warehouse	24,261	2022
Trinity Road, Kingsbury Link	N Warks	Warehouse	18,140	Pre 2000
Former 3M, Ratcliffe Road, Atherstone, N Warks	N Warks	Industrial	22,296	1986
Unit 1 Hazell Way, Industrial Estate, Nuneaton	N & B	Industrial	14,343	1960
DC4, London Road, Prologis Park, Ryton on Dunsmore	Rugby	Warehouse	15,498	2014
DC1, Castle Mound Way, Central Park, Rugby	Rugby	Warehouse	41,469	1990
4B, Bubbenhall Road, Gateway South, Coventry	Warwick	Industrial	20,486	2023
4C, Bubbenhall Road, Gateway South, Coventry	Warwick	Industrial	13,059	2023
Integra, Harrison Way, Spa Park, Leamington Spa	Warwick	Warehouse	17,557	2006
Ros. Franklin Lab, Juno Drive, Spa Park, Leamington Spa	Warwick	Laboratory	20,781	2006
Unit 3, Scimitar Way, Puma Park, Coventry	Coventry	Warehouse	11,206	2021
Coventry 245, 1 Banner Lane, Coventry	Coventry	Industrial	22,692	Pre 2000
Sayer Drive, Lyons Park, Coventry	Coventry	Industrial	30,351	Pre 2000

8.2.2 In the tables below we compare vacancy rates by number of units and floorspace in each of the six districts. It should be noted that because the number of vacant properties within individual boroughs are small, vacancy rates are subject to sudden movements as individual properties come on to or leave the market. Comparison of annual vacancy rates over a longer period therefore provides a more reliable indicator at this geographic level, and this is considered below. Across the FEMA some 7.3% of large industrial units are currently vacant.

Table 23. Vacancy Rate of Industrial/Warehouse Units of greater than 9,290 sq m (100,000 sq ft)

Local Authority	Stock of Industrial Units > 9290 sq m	Available Industrial Units > 9290 sq m	Vacancy Rate (%)
North Warwickshire	52	4	7.7%
Nuneaton & Bedworth	18	1	5.6%
Rugby	39	2	5.1%
Stratford Upon Avon	13	0	-
Warwick	21	4	19.0%
Coventry	49	3	6.1%
FEMA	**192**	**14**	**7.3%**

Source: Analyse / LSH / CoStar/ EG Property Link / Rightmove Commercial

8.2.3 An adequate vacancy rate that allows for market churn is generally considered to be around 7% - 8%. This level of vacancy allows for businesses to move in and out of spaces without creating too much upward or downward pressure on rents. The current vacancy rate of 7.3% across the FEMA and 7.7% in North Warwickshire indicate an adequate level of supply.

Table 24. Vacancy Rate of Industrial Floorspace of greater than 9,290 sq m (100,000 sq ft)

Local Authority	Stock of Industrial Units > 9290 sq m	Available Industrial Units > 9290 sq m	Vacancy Rate (%)
North Warwickshire	1,388,393	79,628	5.7%
Nuneaton & Bedworth	317,077	14,343	4.5%
Rugby	891,509	56,967	6.4%
Stratford Upon Avon	157,978	0	0.0%
Warwick	403,006	71,884	17.8%
Coventry	1,097,441	64,250	5.9%
FEMA	**4,255,404**	**287,072**	**6.7%**

Source: Analyse / LSH / CoStar/ EG Property Link / Rightmove Commercial

8.2.4 When calculated on floorspace, vacancy rates are a little tighter: 6.7% across the FEMA and 5.7% in North Warwickshire. There is a mix of ages and property types amongst the available units. The oldest was built in the 1960s, the most recent are speculative units awaiting first occupation. In North Warwickshire two of the available units are more than 25 years old, one is around 20 years old and one was built in the last couple of years.

8.2.5 In addition to currently available industrial premises, there are schemes in the pipeline, which are being marketed. These include speculative units under construction and proposed design and build premises. It should be noted that the proposed floorspace of design and build units can be altered to meet occupiers' requirements and thus these floorspace figures are indicative. Industrial/warehouse schemes in the pipeline are listed in Table 4.8 below. We have excluded the southern extension of the MIRA Technology Park, which is being marketed and could accommodate up to a million sq ft of floorspace, as here major infrastructure is required before units could be brought forward.

8.2.6 Marketing material states that four speculative units (totalling 79,985 sq m) under construction at Ansty Park, are due for completion in the first quarter of 2024, they will thus become available imminently. Three other speculative units (totalling 83,541 sq m) at Tritax's Symmetry Park are due for completion in the third quarter of this year. All this speculative development is taking place within Rugby district.

Table 25. Industrial/Warehouse Premises over 9,290 sq m in the Pipeline.

Address	Floorspace (sq m)	Status / Completion
Plot K, Pilgrims Walk, Prologis Park, Coventry	13,935	Proposed D&B
Unit 5 Tritax Symmetry Park, Coventry Road, Rugby	36,297	U/C – Q3 2024
Unit 6 Tritax Symmetry Park , Coventry Road, Rugby	31,407	U/C – Q3 2024
Unit 7 Tritax Symmetry Park, Coventry Road, Rugby	15,837	U/C – Q3 2024
Apollo 4, Pilot Way, Ansty Park, Rugby	16,017	U/C – Q1 2024
Apollo 5, Pilot Way, Ansty Park, Rugby	28,019	U/C – Q1 2024
Apollo 6, Pilot Way, Ansty Park, Rugby	25,073	U/C – Q1 2024
Apollo 7, Pilot Way, Ansty Park, Rugby	10,877	U/C – Q1 2024
I-01, Alcester Road, Stratford 46 Business Park	9,290	Proposed D&B
I-02, Alcester Road, Stratford 46 Business Park	9,290	Proposed D&B
Unit 1, Bubbenhall Road, Gateway South, Coventry	100,518	Proposed D&B
Unit 2A, Bubbenhall Road, Gateway South, Coventry	29,949	Proposed D&B
Unit 2B, Bubbenhall Road, Gateway South, Coventry	22,719	Proposed D&B
Unit 3B, Bubbenhall Road, Gateway South, Coventry	23,049	Proposed D&B
Total	**372,278**	

8.2.7 The effect of this speculative development will be to increase vacancy rate in the short term. But this speculative development is a clear sign of developers' confidence in current levels of market demand.

8.3 Demand for Large Industrial & Warehouse Premises

8.3.1 Lettings of industrial units of at least 9,290 sq m over the last ten years are summarised in the table below. Across the FEMA there have been 111 lettings or an average of 11 per annum. Measured against this rate, the 14 properties that are currently available represent a little over one year's supply. With those under construction and scheduled for completion this year (7 units) increasing this to nearly two years' supply.

Table 26. Lettings of Large Industrial and Logistics Premises, 2014-2023

Local Authority	2014-18	2019-23	Total
North Warwickshire	20	9	29
Nuneaton & Bedworth	1	3	4
Rugby	21	14	35
Stratford Upon Avon	5	1	6
Warwick	5	7	12
Coventry	14	11	25
FEMA	**66**	**45**	**111**

Source: CoStar

8.3.2 In the table below we compare the number of units currently available or under construction with past lettings within each of the districts. In North Warwickshire, Stratford-upon-Avon and Coventry there is there is a tight supply of premises; this is offset to some extent by larger supplies elsewhere.

Table 27. Availability and Lettings of Large Industrial and Logistics Premises

Local Authority	Available/ Under Construction	Lettings p.a	Implied Supply (years)
North Warwickshire	4	2.9	1
Nuneaton & Bedworth	1	0.4	2
Rugby	9	3.5	2
Stratford Upon Avon	0	0.6	0
Warwick	4	1.2	3
Coventry	3	2.5	1
FEMA	**21**	**11.1**	**1**

8.3.3 Using data from CoStar we compare key market indicators for large industrial units the local authorities within the FEMA. North Warwickshire has the second highest rent of £9.10 per sq ft; higher than the FEMA average of £8.58 per sq ft. Warwick's industrial stock commands the highest rent in the FEMA and Stratford-upon-Avon the lowest. Over the last ten years rental growth has been extremely strong in North Warwickshire; at 84.2% this is the strongest in the FEMA and compares with 80.6% across the FEMA as a whole.

Table 28. Key Market Indicators for Industrial Units of 9,290 sq m or more

Local Authority	Market Asking Rent (£psf)	Growth in Asking Rent over 10 years	10 year average Vacancy Rate	Average Net Absorption (sq m pa)	Average Net Deliveries (sq m pa)
North Warwickshire	£9.10	84.2%	1.67%	35,104	47,378
Nuneaton & Bedworth	£7.64	84.1%	2.73%	12,103	45,768
Rugby	£8.71	79.6%	3.61%	53,431	58,741
Stratford Upon Avon	£7.16	71.7%	3.91%	8,336	19,084
Warwick	£10.22	75.9%	9.85%	5,113	16,623
Coventry	£7.68	80.7%	6.79%	2,073	(5,524)
FEMA	**£8.58**	**80.6%**	**3.76%**	**110,543**	**106,883**

8.3.4 North Warwickshire records the lowest average vacancy rate over this ten year period, which at 1.67% suggests that there have been persistent and severe shortages of large industrial properties over this period. This compares with a 3.76% vacancy rate across the FEMA as a whole, which indicates that these shortages have not been confined to North Warwickshire.

8.3.5 Net absorption is a measure of demand (calculated as move-ins minus move-outs) North Warwickshire has recorded the second highest net absorption since 2014, with an average of 35,104 sq m per annum. Rugby had the highest and Coventry the lowest. Similarly North Warwickshire recorded the second highest net deliveries since 2014, with an average of 47,378 sq m per annum. Again, Rugby had the highest and Coventry the lowest.

8.4 Key Trends in the Industrial and Logistics Sector

8.4.1 Growth in the industrial and logistics sector is being driven by a range of factors. The key trends have been the subject of research and we include at **Appendix 3** Lambert Smith Hampton's most recent industrial and logistics market research report 'Box Clever' and an extract from Savills' analysis which draws from their recent research.

8.4.2 In summary, there was particularly strong take-up of units of more than 100,000 sq ft as the impacts of Brexit and Covid were felt over 2020 to 2022. This led to a tightening supply of premises and a particularly severe shortage of high quality Grade A space. In 2023, inflationary pressures, rising interest rates and growing geopolitical disruption reduced market demand and take-up fell into line with the historic trend, which was arguably respectable in the circumstances. Speculative development activity slowed but design & build remained resilient and there was a clear focus on quality, with Grade A space comprising around 70% of 2023 take-up. Amid this more subdued activity in 2023, the logistics heartlands of the East and West Midlands performed well with continued strong take-up.

8.4.3 Despite this subdued market, rental growth in 2023 remained strong with prime headline rents increasing by 8.7% on average across the UK. Amongst the UK regions the West and East Midlands recorded the strongest rental growth with annual growth of 15% and 14% respectively, indicating the extent to which demand is exceeding supply. Recent occupier requirements for premises of 14,000 – 93,000 sq m (150,000 to 1,000,000 sq ft) within the 'golden triangle' which are currently unsatisfied include M&S, Primark, Tesco, BMW, Selco, Rockwool, Octopus Energy, Stark, AO.com and others whose identity has not been disclosed by their agent. This is evidence of the scale of immediate need. While rental growth has been steep over recent years, property costs are only one part of the cost equation, and many occupiers view much higher rents as a necessary trade-off to secure an optimal location for transport and access to labour. This translates to strong demand for sites at the core of the golden logistics triangle and with easy access to labour.

8.4.4 The key drivers of growth are the steady growth in online retailing and forecast growth in freight. Brexit and Covid highlighted the fragility of international supply chains, which has led to some re-shoring to ensure greater resilience. Take-up of the largest units (in excess of 250,000 sq ft) has been dominated by the retail & wholesale sector, whereas amongst units of 100,000 – 250,000 sq ft third party logistics businesses have dominated take-up.

9.0 QUANTITATIVE ASSESSMENT OF AVAILABLE LARGE EMPLOYMENT SITES

9.0 Introduction

9.0.1 The economic objective of the planning system is *"to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth, innovation and improved productivity"* (NPPF). To understand if there is sufficient land, the need for employment land, as identified earlier in this report is assessed against the supply of available employment land, to understand whether there is a shortage or a surplus, its scale, and how the available sites compare in quality.

9.0.2 To understand whether there is sufficient land available to meet demand for large industrial / warehouse properties we estimate the number of years' supply of land within the six districts by dividing the amount of land presently available for economic development purposes by current take-up rates. This approach has been accepted as appropriate by Inspectors at public inquiries considering similar issues since the 1980s and is endorsed by current Planning Practice Guidance (Reference ID: 2a-027-20190220). However, where there is a lack of suitable sites, take-up can be constrained. Our research (see chart at 6.2.13) identifies a declining proportion of take-up in North Warwickshire, which supports other research findings that the market is constrained.

9.0.3 On the supply side of the equation the total stock of land available at any given point in time is difficult to define with absolute precision. The exact amount available will comprise the known stock together with (i) private reserves (i.e. industrial land held with existing buildings for expansion, none of which is available for development unless and until it is declared surplus to the requirements of the present owner and released to the market), (ii) windfall sites which are not presently allocated for employment uses but which may become available for such uses, and (iii) sites becoming available through the recycling of land currently in industrial use. On the demand side, the calculation of take-up does not allow for consumption of employment land for non-employment uses when, in reality, some of this land will be taken-up for other uses; nor does it allow for the effects of supply constraints, supressing take-up. On balance, the underestimate of the total supply of employment land on the one hand and the underestimate of total consumption on the other, will tend to cancel each other out.

9.0.4 The definition of available employment land and other terms used in this Employment Land Availability Assessment are set out in the Glossary at Appendix 1. It should be noted that not all sites identified for development are immediately available, some will continue in active use until development proposals come forward. Notable in this regard is the proposed Gigafactory site at Coventry Airport, which continues to be used as an airfield in the interim. Within existing employment areas, parts may be underutilised; this is

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most prevalent amongst large businesses occupying a complex of buildings and holding land for expansion. As expansion land is not available to the market it is excluded from our assessment of available sites, unless there is evidence to the contrary. In other situations, "underutilised" land may be performing other functions, such as SUDS balancing ponds, landscaping, mitigation of biodiversity loss or acting as a buffer for more sensitive uses; again, we do not regard such land as available for development.

9.0.5 Recent "call for sites" exercises have identified large amounts of potential development land, some of which is promoted for employment and other for mixed use. Where a site is promoted for mixed use the employment element is not quantified and uncertain. As these sites have neither an employment allocation nor a planning consent, the prospects of development are too remote to include these as available employment land.

9.0.6 The proposal for the Application Site is for employment development (Use Class B2/B8 with ancillary E(g)), with indicative unit sizes ranging from 50,620 to 186,079 sq ft (4,703 – 17,287 sq m). In assessing both availability and take-up of land for strategic B8 within the FEMA we have applied a minimum site size threshold of 2.3 hectares. This is a site size that is capable of accommodating 9,290 sq m (100,000 sq ft) at a site density of 40%. In addition, we have considered the availability of sites to accommodate the needs of local SMEs within North Warwickshire district. We have identified available employment sites through consideration of Local Plan allocations, other evidence base documents, planning permissions and agents' marketing brochures. Our quantitative and qualitative assessments of these available sites use the key criteria of size, proximity to the strategic highway network, availability and land quality.

9.0.7 To identify take-up of land for industrial and warehouse buildings in excess of 9,290 sq m we have used VOA data to identify all units meeting this size threshold, then using Google Earth aerial imagery we have distinguished between sites developed prior to 1999 and those later. Where take-up has occurred after 1999, we have recorded the site size, date of take-up, and location. From aerial images, marketing brochures and planning records, we have identified other recent development that has not yet been included in the Rating List.

9.0.8 In this section we focus on the supply and demand for large employment sites in the FEMA. In Section 11 we consider the supply of demand for small sites within North Warwickshire.

9.1 Assessment of Employment Sites Allocated in the North Warwickshire Local Plan

9.1.1 As noted in Section 2, Table 8 of the Local Plan provides a summary of the employment land supply in the Borough. *"This includes all employment land including the Regional Logistic Sites of Hams Hall and Birch Coppice, and also 36.33ha related to JLR storage facility at the former Baddesley Colliery."* Table 8 is replicated below.

Table 29. Local Plan Employment Land 2011 - 33

		Hectares (Gross)
A	Total Completions – 1/4/2011 to 31/3/2019	167.08
B	Planning Permissions	69.12
C	Allocations E1 – 6.8 E2 – 5.1 E3 – 3.45 E4 - 42.0	57.35
D	Total completions, permissions and forecast supply	293.55

*Row B Planning permissions in the above Table does not count the gross site area for Coleshill Hall although it has extant permission. HS2 has taken 1.88 hectares leaving a site area of 14.5 hectares. This leaves approximately a net figure of around 3 hectares within a parkland setting.

9.1.2 It is important to recognise that the site areas used in the table above are gross. Net areas make for a more robust quantitative assessment (we include a guide to appropriate gross: net ratios at Appendix 1). Within the first eight years of this 22 year period, more than half of the Borough's available gross land supply (57%) had been taken-up. In the five years 2019 to 2024, much, if not all, of the land with planning permission (a further 24%) has also been developed. Currently, with another nine years of the Local Plan still remaining, the four allocations in Row C of the table are the only allocated or consented sites in excess of 2.3 hectares that are available for industrial or logistics use. These four Local Plan allocations, all situated in the A5 corridor, are examined in more detail below.

Table 30. North Warwickshire Local Plan Employment Land Allocations

Site	Site Area (ha)		Comment
	Gross	Net	
E1 Rowlands Way, Atherstone	6.8	-	Owned by Aldi and held for expansion. Not available to the market.
E2 Birch Coppice BP, Dordon	5.1	5.1	Council owned allotments require relocation prior to development.
E3 Birch Coppice BP, Dordon	3.4	3.4	Playing fields require relocation prior to development.
E4 MIRA Technology Park South Site	40.4	34.3	Requires major infrastructure provision. Primary uses are restricted to E(g)(ii) and B2. An outline application for the development of 59 hectares has not been determined.
Total	**55.7**	**42.8**	

9.1.3 None of these allocations have yet been taken-up, nor are any immediately available for development. Site E1 is expansion land adjoining the Aldi UK National Head Office and Atherstone Distribution Centre. In our experience it is very unusual to include expansion land within employment land supply. The reasons for this are set out in our glossary of terms at Appendix 1. This glossary has been used and the definitions accepted in at least 20 planning inquiries.

9.1.4 Sites E2 & E3 cannot come forward for development until new playing fields and allotments have been provided on farmland off Browns Lane; this farmland is not in the Council's ownership. It therefore appears that the owner of this farmland, if willing to sell, has, something akin to a 'ransom strip'. Knowing that development of E2 and/or E3 cannot proceed without his land, he is in a position to negotiate a premium value. The costs and uncertainty of relocating the playing field and allotments will increase the risks of development and reduce its viability.

9.1.5 Sites E1, E2 & E3 are not on the market and apart from their Local Plan allocations are not otherwise being promoted for employment use.

9.1.6 Policy E4 of the Local Plan allocates 42 hectares for an extension of the Horiba MIRA Technology Park. MIRA is the acronym of the Motor Industry Research Association, and the businesses on the established MIRA Technology Park to the north of the A5 are all involved in automotive research, development and testing. The promoters of the South Site are focusing on advanced manufacturing and engineering, but do not appear to be reserving it for the automotive sector. The Local Plan supports this approach by allocating the land "*for E(g)(ii) (research & development) and B2 use classes, with B8 (warehousing & distribution) uses permissible only where ancillary or clearly secondary to the primary use*". There is no restriction to use by a specific sector. As *"B8 (warehousing & distribution) will not be permitted unless it is ancillary to the main use"* this allocation will not meet the high level of demand for warehousing and logistics within North Warwickshire.

9.1.7 The MIRA South Site is not immediately available. The reasons for this are:

a) There is a large stock of development land (40 ha gross / 24.5 ha net) yet to be developed at the MIRA Technology Park on the north side of the A5 (within the neighbouring district of Hinckley & Bosworth) and more land could become available through proposals to redevelop older premises on the park. Against past take-up at MIRA of 0.34 hectares p.a. the implied supply at the North Site exceeds the plan period. It does not appear that the South Site is being brought forward in response to a shortage of development land within the North Site, as there is plenty of land to accommodate demand for automotive businesses requiring research and development premises. The South Site is being promoted to meet demand for larger manufacturing premises.

b) An outline planning application for the South Site, submitted in September 2022, covers the whole of the allocated area and additional land to the west - a total area of 59 hectares. This application has yet to be determined.

c) The South Site is currently farmland. Substantial infrastructure provision will be required to bring the site forward for development, prolonging the period before construction could commence.

9.1.8 In summary, **there is currently no readily available employment land within North Warwickshire to accommodate a unit of 9,290 sq m or more**. Nor 2½ years since the Plan was adopted, is there a clear timescale as to when sites allocated in the Local Plan will come forward. The lack of immediately available employment land at a time of strong market demand has led to landowners and developers identifying other land in North Warwickshire for employment use. Sites that are not allocated, but where employment schemes are being proposed, are summarised below. Within this short list we include the Application Site and the additional land at MIRA South.

Table 31. Unallocated sites proposed for employment use in North Warwickshire

Site	Gross Area (ha)	Comment
South of M42 Junction 9	19.3	**The Application Site**
MIRA Technology Park South Site	18.7	Outline application 22/00882/OUT for the development of the allocated site (E4) and an additional 18.7 ha. Application not determined.
Tamworth Road, Dosthill	6.3	Outline application 0163/2023 for up to 23,000 sq m of employment floorspace. Not determined.
North East of M42 Junction 10	32.4	Appeal against non-determination of outline application PAP/2021/0663 for employment premises and overnight lorry parking facility.
Total	**76.7**	

9.1.9 As these sites have neither an allocation nor planning consent for employment use, they are excluded from our quantitative assessment of available sites.

9.2 Quantitative Assessment of Large Sites in Warwickshire and Coventry FEMA

Available employment sites of more than 2.3 hectares within the FEMA are listed at Appendix 4. The amount in each of the local authority areas is summarised below. There are 32 available sites providing an estimated net area of 336 hectares.

Table 32. Availability of Large Sites in Warwickshire & Coventry

Local Authority	Number of Sites	Gross Area (ha)	Estimated Net Area
North Warwickshire	3	48.9	42.8
Nuneaton & Bedworth	6	56.8	47.0
Rugby	4	27.8	25.7
Stratford upon Avon	4	37.1	25.6
Warwick	10	183.2	162.3
Coventry	5	38.9	32.7
FEMA	**32**	**392.5**	**336.1**

9.2.1 **At face value this is a substantial supply of large sites, but more than a quarter of this supply is one site – the Gigafactory site at Coventry Airfield, which is within Warwick district**. There is a strong case for excluding this site from the supply of available sites. The site has outline planning consent for the development of a battery manufacturing facility with ancillary battery recycling capability. The site is not allocated and does not have planning consent for wider employment uses. PPG advises that the locational requirements of specialist sectors should be independently assessed; and it is normal practice to consider specialist sites separately from general employment sites. In March 2024 it was reported that the Gigafactory promoters were in advanced talks were underway with EVE Energy, a Chinese manufacture, which makes electric vehicle batteries for BMW.

9.2.2 If the Gigafactory site is excluded from the supply, then the gross area of large sites in the FEMA reduces to **279.6ha** gross (**240.1ha** net)**.**

9.2.3 The available sites also include land that is allocated for advanced manufacturing, e.g. the MIRA South Site where B8 would only be allowed *'where ancillary or clearly secondary to the primary uses of E(g)(ii) and B2'*. Illustrative layout plans of some of these available sites, propose a number of smaller premises, but the sites are included in our assessment on the basis that they could alternatively accommodate a building of 9,290 sq m or more.

9.2.4 The table below compares the amount of available land with average take-up. Across the FEMA there is a 14 year supply of large sites. But if the Gigafactory site at Coventry Airport is excluded, the implied supply falls to 9 years. This supply is spread unevenly, with high levels of implied supply in Warwick and Nuneaton & Bedworth; but only four years supply in North Warwickshire and in Rugby. By this measure North Warwickshire and Rugby have insufficient land for their remaining plan periods. In North Warwickshire, this shortage of supply is exacerbated because none of the land is readily available. Unless new sites come forward through the grant of planning consents then development activity in North Warwickshire is likely to be frustrated and the economic needs of the area will remain unmet. Moreover, this analysis makes no allowance for take-up rates being constrained by the shortage in supply. On the basis of an unconstrained supply, higher take-up might be expected to exhaust the employment land supply in North Warwickshire sooner.

Table 33. Implied Supply of Large Sites

Local Authority	Estimated Net Area (ha)	Average Take-Up (ha p.a.)	Implied Supply (years)
North Warwickshire	42.8	8.85	4
Nuneaton & Bedworth	47.0	1.33	35
Rugby	25.7	6.53	4
Stratford upon Avon	25.6	1.10	23
Warwick	162.3	2.73	59
Coventry	32.7	3.50	8
Total	**336.1**	**24.05**	**14**

9.2.5 Measured against average take-up of 8.85 hectares per annum. North Warwickshire would require an estimated 79.65 hectares of large sites for the remaining nine years of the Local Plan. On this basis the estimated shortfall of available large sites is 36.78 hectares.

9.3 Summary

9.3.1 In summary, the only sites available in North Warwickshire for the development of large B8 units are the Local Plan allocations E2 & E3 which amount to just 8.5 hectares and represent just one year's supply when measured against past take-up. As noted earlier past take-up of land for strategic B8 has been supressed by the shortage of available sites and this constraint on the market continues as neither of the sites that comprise this single year's supply in North Warwickshire are immediately available. Applications for the development of employment premises at Tamworth Road, Dosthill and at Junction 10 of the M42, could address this short term need if consents are granted, but with nine years of the Local Plan remaining other sites for the development of strategic B8 are required to address the shortfall.

9.3.2 Across the FEMA the supply of large sites represents around 14 years, but if the Gigafactory site at Coventry airfield is excluded the implied supply falls to 9 years. This supply is unevenly spread with notable shortfalls in North Warwickshire and Rugby.

10.0 QUALITATIVE ASSESSMENT OF AVAILABLE LARGE EMPLOYMENT SITES

10.0 Introduction

10.0.1 The quantitative assessment above has shown a need for 678ha for the period 2021 to 2041 but a supply of only 336ha; and whilst it is important to understand the quantitative case, the qualitative nature of the supply is also important - The economic objective of the planning system is *"to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth, innovation and improved productivity"* (NPPF). To understand if there is sufficient land of the right type in the right places, we assess the available sites against key qualitative criteria.

10.1 Size

10.1.1 It is widely acknowledged that the provision of employment sites of varying sizes is important to the economic competitiveness of a district. In assessing the Application Site it is important to understand the availability of sites of larger than 2.3 hectares. Despite the tight supply of sites in North Warwickshire there is a variety of sizes. Similarly, there is a range of large sites across the wider FEMA.

Table 34. Distribution of Available Sites by Size

Net Area	2.3 – 5 ha	5– 10 ha	>10 ha	Total
North Warwickshire	1	1	1	3
FEMA	12	13	7	32

10.1.2 The table below compares the size of sites taken-up for employment purposes since 1999, illustrating that a range of site sizes is required to meet market requirements. The largest site to be taken-up is Sainsbury's Distribution Centre at Hams Hall; at 19.3 hectares this is the same as the Application Site. It follows that the Application Site is of a size that could accommodate a single user or a range of smaller premises, allowing it to cover a wide range of likely requirements.

Table 35. Distribution of Take-up by Size of Site

Net Area	2.3 – 5 ha	5– 10 ha	>10 ha	Total
North Warwickshire	26	7	6	39
FEMA	66	34	11	111

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10.2 The 'Golden Logistics Triangle'

10.2.1 For national logistics businesses, drive times are of critical importance. As noted above, the Office For National Statistics has identified kilometre grid squares which are within a four hour drive of 90% of the British population. This is the core of the Midlands 'golden logistics triangle'. In the table below we categorise available sites according to whether they are within (or partly within) one of these grid squares. Only two sites within the FEMA are within these ONS defined grid squares; both of these are within Nuneaton & Bedworth. One of these, EMP7, is subject of a planning application that covers the central section, effectively splitting it into three parcels of land, all of which are in excess of 2.3 ha. For the purpose of our site assessments, we have treated EMP7 as three sites. In North Warwickshire the Application Site is the only site amongst the three available sites and four unallocated sites (see table 36) which is within the core of the 'golden triangle' where 90% of the British population is within a four hour drive.

Table 36. Large Employment Sites within the 'Golden Logistics Triangle'

	Within Triangle	Outside Triangle	Total
North Warwickshire	0	3	3
FEMA	4	28	32

10.3 The West Midlands Strategic Employment Sites Study (WMSESS)

10.3.1 The WMSESS May 2021 identifies five key clusters of sites that it considers should be the focus for identifying strategic employment sites. These are based on an analysis of the quantum of supply, market intelligence around areas witnessing considerable demand, and those areas achieving highest land prices. Two of these clusters cover parts of the FEMA. Of 32 large employment sites available in the FEMA, the majority, 25 are within Area 1 or 2. Despite the tight supply of available employment land in the FEMA, the loose demarcation of the WMSESS clusters means that most of the available large employment sites are within Area 1 or 2. The Application Site is not unique by being within one of these clusters.

10.4 Accessibility to Strategic Highway Network

10.4.1 Drive times are a critical factor in the location of industrial and logistics development. Occupiers of employment premises typically want fast routes to market and favour locations in close proximity to motorway junctions. LSH analysis of take-up in other local authority areas has established that it is not unusual to find 80% of take-up, and in some case more, occurring within 2km of a motorway or dual-carriageway junction.

10.4.2 Although the term can be used subjectively, our definition of the strategic highway network (SHN) - see Appendix 1 - is objective and has been accepted by planning inspectors at more than twenty planning inquiries. Within the FEMA the SHN comprises:

- The motorways M6, M6 Toll, M40, M42 and M69
- Dual carriageways: A446 Lichfield Road; A5 Watling Street for 500 metres east of j 10 of M42; A452 Chester Road; A5 & A428 for 1.2km west of j 18 of M1; B4113 Pickards Way; and A444 for 3.7 km north from j3 of M6.

10.4.3 Our analysis of the take-up of large sites identifies that in North Warwickshire 74% of sites taken-up have been within two kilometres of the strategic highway network and a further 15% within two kilometres of the major road network. None of the remaining four sites that have been taken-up in North Warwickshire are much beyond this two kilometre threshold, three at the eastern end of Hams Hall Distribution Park, are within 2.3 km of the Hams Hall roundabout (part of the strategic highway network). The fourth, Jaguar Land Rover's Distribution Centre at Baxterley, is some 2.5 km from the A5.

10.4.4 The three available sites within North Warwickshire all front the A5, two are less than 2km from junction 10 of the M42. These two sites account for 20% of the available land within the district. The other 80% of land is at MIRA South which is further from the strategic highway network and on which B8 development is not permitted.

Table 37. Employment Sites Categorised by Proximity to SHN and MRN

	<2km from SHN	<2km from MRN	>2km	Total
North Warwickshire	2	1	0	3
FEMA	21	4	7	32

10.4.5 Within the wider FEMA, some 22% of available sites are more than 2 km from the strategic highway or major road networks, this compares with only 17% of take-up. The Application Site, which is situated beside a junction serving two motorways, is amongst the most accessible sites in the FEMA.

10.5 Readily Available/Constrained

10.5.1 Where land requires extensive remediation, major infrastructure provision or land assembly before it can be brought forward, this can add costs, delays and uncertainty to the development, impacting on viability and reducing profit. Developers and occupiers will typically avoid sites where there are high levels of up-front costs and opt for land that is serviced and available for immediate development or sites that can be made readily available.

Table 38. Employment Sites Categorised by Availability

	Immediately Available	Requiring Preparation	Total
North Warwickshire	0	3	3
FEMA	18	14	32

10.5.2 Across the FEMA, the majority of large sites are immediately available, but within North Warwickshire there are no large, allocated or consented sites that are immediately available for development. Moreover, the four sites being promoted by developers and/or landowners which do not yet have planning consent also require preparation. The constraints to bring forward allocated sites E2, E3 & E4 are described earlier in this report. The very fact that they have not been taken-up at a time of intense market activity is evidence that the market recognises barriers to delivery. By contrast the Application Site although requiring on-site utilities and highways infrastructure, could be brought forward for development quickly. It is a relatively level site in single ownership, where a developer with an established track record of delivery is prepared to speculatively develop.

10.6 Greenfield/Brownfield

10.6.1 The costs of development can be significantly increased by the need for site clearance and/or remediation. The market therefore prefers high quality sites in landscaped settings, in locations with a good image and which are the least expensive to bring forward for development. In the following table I distinguish between greenfield and brownfield sites.

Table 39. Employment Sites Categorised by Land Quality

	Greenfield	Brownfield	Total
North Warwickshire	3	0	3
FEMA	26	6	32

10.6.2 The overwhelming majority of large employment sites are greenfield sites. The Application Site is also greenfield and thus not disadvantaged in this respect.

10.7 Summary

10.7.1 The Application Site stands out from other available sites within the FEMA. It is of a size that can accommodate a wide range of requirements and it is exceptionally well located. Across the FEMA there are very few large sites within the ONS defined ‘golden logistics triangle’ where drive time advantages are strongest, the Application Site is however one of these. Some 65% of large employment sites within the

FEMA are within 2km of the strategic highway network, but the Application Site is unique in that it has direct access to the strategic highway network and is situated at the junction of two motorways, further enhancing the site's drive time advantages. Unsurprisingly, the Application Site is within one of the key clusters that the WMSESS recommends as being the focus for the allocation of strategic employment sites. The Application Site does not require extensive remediation, major infrastructure provision or land assembly before it can be brought forward. Moreover, as a greenfield site, abnormal costs are expected to be modest.

11.0 THE BALANCE OF NEED AND SUPPLY FOR STRATEGIC B8

11.0.1 As set out in Section 3, North Warwickshire falls within two FEMAs – the Coventry and Warwickshire FEMA (CW FEMA) and the Greater Birmingham FEMA (GB FEMA)[24]. The authorities of the two FEMAs take very different approaches to identifying strategic B8 needs[25]. This can very briefly by summarised as follows:

- CW FEMA – Strategic B8 needs are identified in a single report commissioned by all six FEMA authorities. Strategic B8 needs are not disaggregated by authority and this should be supply-led.
- GB FEMA – Strategic B8 needs are identified for each district in individual employment needs studies commissioned by individual authorities. The authorities then work with neighbouring authorities within the FEMA to ensure total needs are met.

11.0.2 This section draws together the supply/demand balance and identifies any shortfall which will need to be addressed within the FEMAs. We have considered this in accordance with the approaches of each FEMA set out above. North Warwickshire falls within both FEMAs and so will need to contribute to ensure that the strategic B8 needs of both FEMAs are met.

11.1 Supply/Demand Balance in Coventry and Warwickshire FEMA

11.1.1 Our review of the CW HEDNA identifies various weaknesses, which we have addressed by using full completions data for the 2011-19 period and by including data from the 2019-23 period. This provides a robust forecasting period reflecting up-to-date data and capturing the increased demand following post-pandemic structural changes in the sector. Our analysis shows a need for **678 ha** of land for large scale B2/B8 uses by 2041 and 983 ha by 2050.

11.1.2 The amount in each of the local authority areas is summarised below. There are 32 available sites providing an estimated net area of **336 ha**. If the Gigafactory site is excluded from the supply, then the gross area of large sites in the FEMA reduces to **279.6 ha** gross (**240.1 ha** net)**.**

Table 40. CW FEMA – Supply/Demand Balance

	Strategic B8 Need (2021-41)	Large Site Supply	Shortfall
HEDNA	551 ha	336.1 ha	-214.9 ha
LSH	678 ha		-341.9 ha

[24] See map in Figure 6.
[25] As set out in Sections 4 to 7 of this report

11.1.3 The C&W HEDNA does not disaggregate the Strategic B8 need below FEMA level and does not provide need figures for each district. Disaggregation of the FEMA-wide need will need to be agreed by the six local authorities but has not yet been done. The HEDNA recommends this is done on a supply-led basis.

11.1.4 However, it is clear that there is considerable under-supply across the CW FEMA and so 215-342 ha of additional sites will be required to meet demand and so the Councils clearly need to identify a wide range of sites to meet the shortfall. Secondly, analysis of the commercial market signals and past take-up trends data, set out previously in this report, shows that North Warwickshire is a particularly attractive location for strategic B8 within the CW FEMA. Thirdly, analysis of the supply demonstrates that North Warwickshire has a very constrained supply against past completions (which form the basis of the HEDNA's approach to estimating future needs) indicating an acute need for the additional supply to meet the FEMA-wide shortfall should be located within North Warwickshire.

11.1.5 In addition to the under estimation of the need for sites to accommodate large employment premises in the long term, there is an immediate and urgent need to provide land for strategic B8 premises in North Warwickshire. Here just three sites of more than 2.3ha are available for a remaining plan period of nine years. Even when measured against average take-up of 8.85ha per annum (which itself is an underestimation of need, as it fails to reflect that recent take-up has been severely constrained by the lack of readily available sites) the 42.8ha of available employment land represents just four years supply.

11.1.6 Crucially only 20% of this land, some 8.5ha, is available for B8 development. This amounts to less than one year's supply. The remainder is reserved for B2 manufacturing. Despite its location at the core of the 'golden logistics triangle' North Warwickshire has a severe shortage of land for strategic B8. It follows that deliverable schemes that would address this shortfall should be considered favourably by the local planning authority.

11.2 Supply/Demand Balance in Greater Birmingham FEMA

11.2.1 For GB FEMA, the latest evidence of neighbouring authorities to North Warwickshire is set out in Section 7 of this report. This shows that there is a shortfall of 48.8ha. Historically these authorities have looked to North Warwickshire to accommodate unmet employment land need and this will be required again.

11.2.2 This suggests that there may be need for some of North Warwickshire's neighbouring authorities within the GB FEMA to look to North Warwickshire – to meet their unmet needs.

Table 41. Identified Supply / Demand Balance in Neighbouring Authorities in GB FEMA

Neighbouring Local Authority	Supply / Demand Balance
Birmingham	-52.8 ha
Solihull	-6.5 ha
Lichfield	8.4 ha
Tamworth	2.0 ha
TOTAL SHORTFALL	**-48.8ha**

12.0 ASSESSMENT OF GENERAL INDUSTRIAL NEED AND SUPPLY

12.0 Introduction

12.0.1 As well as providing an opportunity to meet strong demand for strategic B8, the illustrative masterplan shows that the Application Site could also accommodate some smaller units to meet general industrial needs. In this section we consider the need and supply for smaller sites (below 2.3ha) within North Warwickshire.

12.1 Need for smaller Industrial Sites in the Coventry and Warwickshire HEDNA

12.1.1 The latest industrial land needs assessment is in the Coventry and Warwickshire HEDNA. Unlike Strategic B8 needs, general industrial needs are calculated in the HEDNA on a district by district basis and industrial needs figures are identified for each individual district.

12.1.2 Industrial needs are calculated as 'All Exc. B1a / Strategic B8'. This is referred to as 'General Industrial' and includes B1b, B1c, B2, and local (non-strategic) B8.

12.1.3 The General Industrial need is calculated using completions data from 2011-19 set out in Table 9.12 (2021-41) and Table 9.13 (2021-50). This is annualised and multiplied by the number of years in the forecasting period. This is then split by percentage of office and strategic B8, with the remainder forming the General Industrial need. This shows a need for 44.9ha of General Industrial land in North Warwickshire for 2021-41 (Table 9.15).

12.1.4 A margin of flexibility is then added based on five years of gross completions for industrial (para 11.14). For North Warwickshire General Industrial, a margin of 11.2ha is added.

12.1.5 This results in a **total need for general industrial land in North Warwickshire of 56.1ha (2021-41) and 81.4ha (2021-50).**

12.2 Critique of HEDNA Approach

12.2.1 The industrial need is based on completions data. It suffers from the same issues as identified in the critique of the HEDNA's strategic B8 assessment:

- The HEDNA's strategic B8 completions data is incomplete, resulting in an under-estimate of future needs. It is likely that the HEDNA completions data for industrial uses is similarly incomplete.

- The forecast is based on completions data for the 2011-19 period. This ignores more recent trends which has a significant impact on strategic B8 needs. It may impact on industrial needs forecasting.

12.2.2 LSH has undertaken an assessment of completions data for general industrial sites in North Warwickshire. The approach taken is the same as used for the Strategic B8 completions data set out in Section 6 of this report. This is based on analysis of aerial photographs, site visits and cross checking against other data sources such as CoStar. This research identifies that between 1999 and 2023 (25 years) take-up of sites for local needs in North Warwickshire has totalled 42.14 ha, which equates to 1.69 ha per annum.

12.2.3 This process broadly corroborates the findings of the HEDNA with regards to the completions trend for general industrial sites in North Warwickshire, which proposes 44.9 ha for the 21 year period 2021-2041, or 2.14 ha per annum. This better alignment may be due to the smaller number of sites (as the analysis is for a single authority) meaning the data used in the HEDNA could be more complete. Moreover, unlike the strategic B8 sector which has seen a step change in demand in the past five years, the newer completions data for general industrial sites does not show such a strong uptick in recent years. This means the older completions data used in the HEDNA still provides a suitable measure of demand.

12.3 Supply of Smaller Sites in North Warwickshire

12.3.1 The supply of smaller industrial sites in North Warwickshire is assessed below. In considering the supply of smaller sites within North Warwickshire it should be noted that larger sites can be subdivided to provide smaller plot sizes, but where marketing brochures and/or planning applications identify that only units in excess of 9,290 sq m (100,000 sq ft) are proposed, we have excluded these sites from the analysis. Two sites have been excluded in this way: MIRA South where the indicative masterplan shows seven factory units ranging from 17,372 to 62,243 sq m; and the land to the north east of junction 10 of the M42 where strategic B8 and a lorry park are proposed on the majority of the site, here the illustrative masterplan includes 1.4 ha for a terrace of smaller units to cater for the needs of local SMEs. This smaller area is included within the table below, which lists available employment sites that could accommodate units of less than 9,290 sq m.

12.3.2 It should be noted that some sites in North Warwickshire (E2 & E3) could accommodate strategic employment premises or general industrial. As a result, they are listed in both the table below and the schedule of large sites at Appendix 4. In assessing the total supply in North Warwickshire, care should be taken to avoid double counting.

Table 42. Available Employment Land in North Warwickshire

Site	Gross Area (ha)	Est. Net Area (ha)	Comments
E1 Rowlands Way, Atherstone	6.8	5.8	Owned by Aldi and held for expansion. Not available to the market.
E2 Birch Coppice BP, Dordon	5.1	5.1	Council owned allotments require relocation prior to development. Local Plan allocates for employment.
E3 Birch Coppice BP, Dordon	3.4	3.4	Playing fields require relocation prior to development. Local Plan allocates for employment.
Core 7, Meridian Drive, Core 42 Business Park, Dordon	0.3	0.3	Planning application PAP/2023/0400 for office (E(g)(i)) and two mixed-use (E(g)(iii) / B2 / B8) units with associated parking, servicing and landscaping. Application not determined
Tamworth Road, Dosthill	6.3	4.3	Outline application 0163/2023 for up to 23,000 sq m of employment floorspace. Not determined.
North East of Junction 10, M42, Dordon	32.4	1.4	Appeal for non-determination of outline application PAP/2024/0024 for development within use class B2, B8, E(g)(iii) and overnight lorry parking. Majority of site for large units but 1.4 ha for local SMEs.
Swansbarn, Station Road, Coleshill IE	0.6	0.6	The western part of this landholding is within the Coleshill Ind Est and provides access to further land and derelict barns on the opposite side of the River Cole, within the Green Belt. Owned by Park Top Limited a local property development and investment company based and operating in North Warwickshire. The land within the industrial estate is unlikely to be developed independently.
South of BSGH Ltd, Station Road, Coleshill IE	0.7	0.7	Wooded plot within industrial estate. Owned by Manton Interlink a local business occupying a factory 40 metres to the north. The site appears to be held as expansion land. It is not being marketed.
Former B Station Site, Rowan Way, Hams Hall Distribution Park	2.1	0	Wooded strip of land beside railway that formerly accommodated part of Hams Hall Power Station. The site is crossed by overhead and underground power lines, severely limiting the developable area of the site.
Old Holly Lane, Holly Lane IE, Atherstone	0.3	0.3	Local Plan Policies Map shows site within an existing employment area (LP12), that is now allocated for housing (H1). The site is within the same ownership as the wider housing allocation.
Coleshill Hall	14.5	3.0	Local Plan states net site area of 3 ha for office development in a parkland setting, whilst acknowledging blighting effect of HS2.
Total		**24.9**	

12.3.3 The eleven sites listed above have a cumulative net area of 24.9ha. But as the comments identify:

- two sites, totalling 6.5 ha are expansion land and therefore not available to the market;
- another provides access to backland and is unlikely to be developed independently;
- 0.3 ha on the edge of Holly Lane Industrial Estate is now allocated for housing;
- one site is allocated for office development, not general industrial
- a site at Hams Hall is effectively rendered undevelopable by the number of electricity cables crossing it;
- two sites totalling 8.5 ha cannot come forward until allotments and playing fields have been relocated to land outside the Council's ownership.

12.3.4 The effect is that **only three sites totalling 6.0 ha could come forward for general industrial development in the short term**. Planning applications have been submitted for all three but at the time of writing had not been determined. Two of these sites are not in allocated employment areas and therefore are more likely to be opposed by the Council (one is subject to an appeal for non-determination). **The only one that is likely to receive consent is small - 0.3 ha of land at Core 42,** of which part is proposed for offices. **Two sites totalling 8.5 ha could come forward for general industrial use in the longer term**, but these could also accommodate strategic B8. The supply of sites for general industrial uses in North Warwickshire is severely constrained and for local businesses choice is very limited.

12.4 Summary

12.4.1 This section has considered the demand and supply of general industrial sites in North Warwickshire. Unlike strategic B8 demand, this is considered at a district level.

12.4.2 LSH have undertaken an assessment of the past completions trend of general industrial sites in North Warwickshire which broadly corroborates the findings of the HEDNA with regards to the need for general industrial in North Warwickshire. The HEDNA identifies a need of 44.9 ha for 2021-2041 before adding a margin for choice. Past completions between 1999 and 2023 totalled 42.14 ha.

12.4.3 Our assessment of the supply of general industrial sites identifies that there are no sites with planning consent that are immediately available for development of general industrial premises; and there are only three sites allocated for employment use that are available. These three sites total 8.8 hectares, but two of these three sites are large enough to accommodate strategic B8 and therefore might not come forward for general industrial development.

12.4.4 Regardless of whether a margin for choice is added, there is a substantial shortfall in the supply of general industrial land in North Warwickshire. Without allowing a margin for choice there is a shortfall of 36 ha. With the addition of a margin for choice the shortfall increases to 47.3 ha.

Table 43. North Warwickshire General Industrial – Supply/Demand Balance

	General Industrial Need (2021-41)	General Industrial Supply	Shortfall
North Warwickshire	56.1 ha	8.8 ha	- 47.3ha

13.0 THE APPLICATION SITE

13.0 Introduction

13.0.1 In assessing the Application Site, Local Plan Policy LP6: Additional Employment Land requires significant weight to be given in decision taking to supporting economic growth and productivity, particularly where evidence demonstrates an immediate need for employment land, or a certain type of employment land, within Area A on Figure 4.10 of the WMSESS (2015) (or successor study) which cannot be met via forecast supply or allocations.

13.0.2 The policy requires schemes to demonstrate that (i) access to the strategic highway network is achievable and appropriate, (ii) the site is reasonably accessible by a choice of modes of transport, (iii) it is otherwise acceptable, taking account of the living conditions of those nearby.

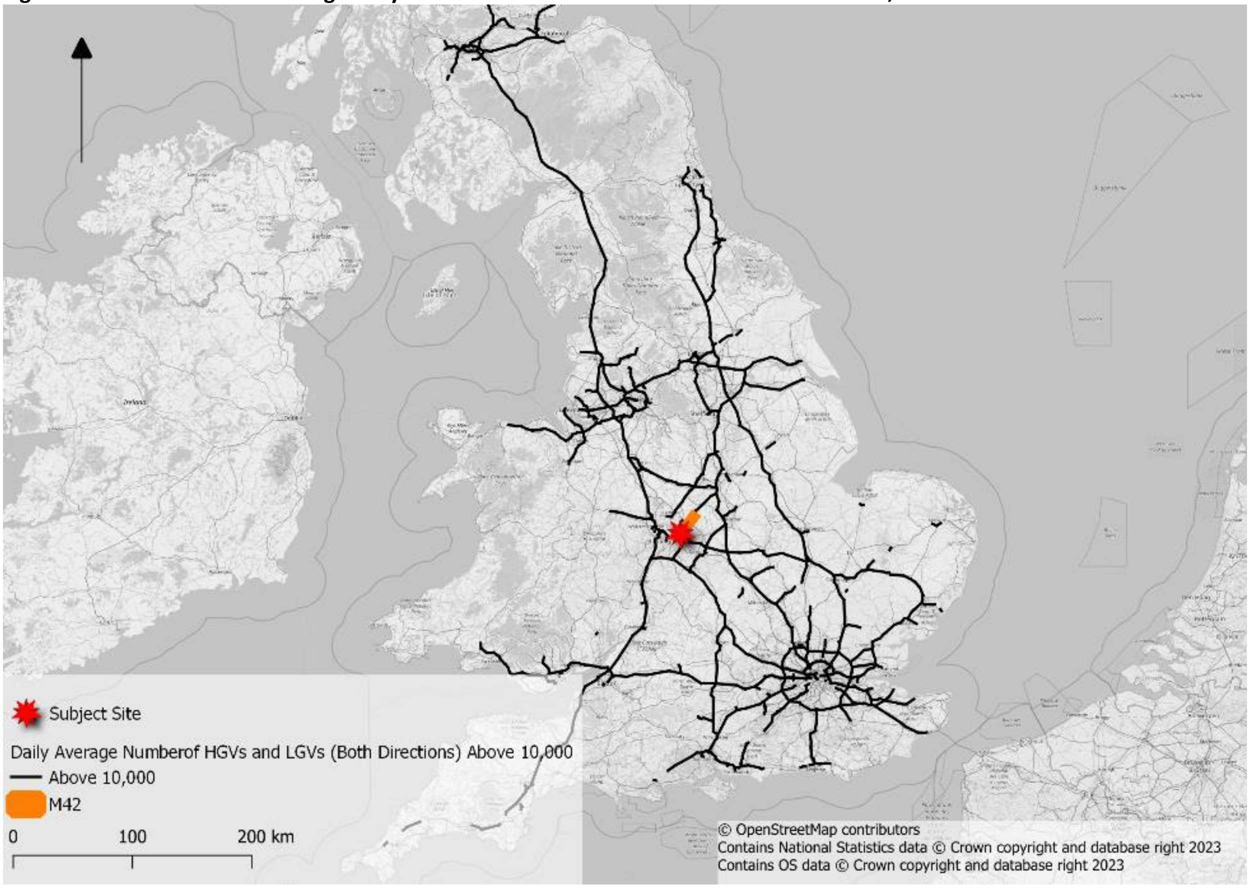
13.0.3 In this section we consider the attributes of the Application Site, which is situated within Area A of the WMSESS (2015) study.

13.1 Location

13.1.1 The Application Site is situated on the eastern edge of the West Midlands conurbation, some 12km north-east of Birmingham city centre, and at the junction of the M6 Toll and the M42 motorways. The Site is within the Midlands 'golden logistics triangle'. The 'golden triangle' is an area of the Midlands where there is strong demand for distribution and logistics properties, because a high proportion of the British population is accessible within a return journey time that complies with drive time regulations. Although the term is often used loosely, the Office for National Statistics has applied some analysis to identify those kilometre grid squares which are within four hours' drive of 90% of the British population. This produces a non-contiguous area of 620 square kilometres roughly centred on Birmingham. The Application Site is within this ONS defined area.

13.1.2 As shown in Figure 3.1, the M42 is a nationally significant motorway that facilitates over 10,000 HGV and LGV movements per day.

Figure 7. Roads where the average daily number of HGV and LGV movements exceeds 10,000.



Source: Savills; DfT, 2023

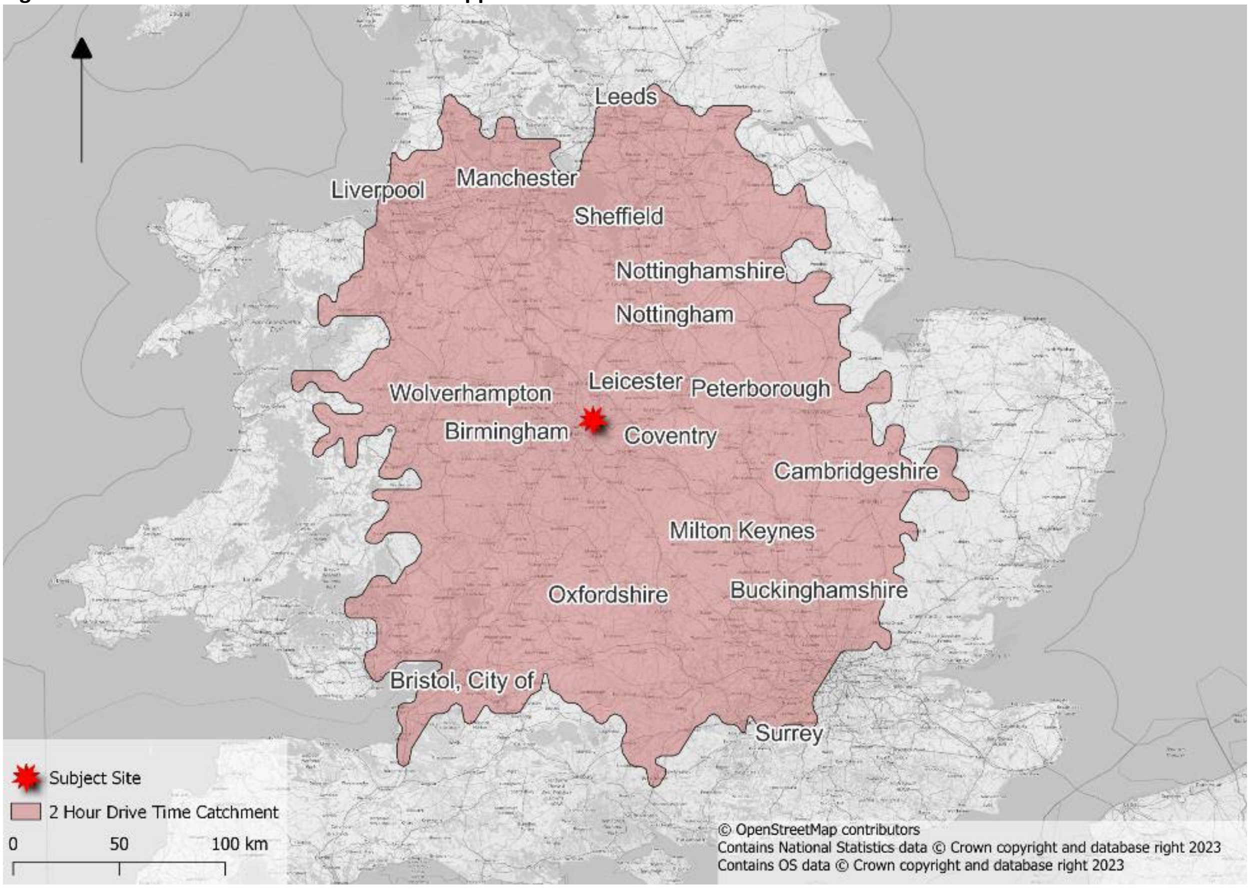
13.1.3 The Application Site is situated between the motorways and Hams Hall Distribution Park. The Distribution Park has been developed on the site of power stations that were demolished in 1993. Although the power stations have gone, substantial electricity sub-stations remain and pylons carrying high voltage electricity cables radiate from these.

13.1.4 Over the last three decades, Hams Hall Distribution Park has seen substantial development of large warehouses; it is now effectively at capacity. On the southern edge of the Distribution Park is the Hams Hall Rail Freight Terminal, an intermodal terminal with customs clearance to handle international traffic via the Channel Tunnel and ports such as Felixstowe. Beyond the Rail Freight Terminal is the Coleshill Industrial Estate where there has also been development of large warehouses and industrial premises; this estate is also effectively at capacity. The Green Belt boundary is drawn tightly around these three established and successful employment locations, preventing their expansion.

13.1.5 The Application Site is situated within a narrow strip of Green Belt, 0.3 km east of the village of Curdworth and 0.7 km west of Hams Hall Distribution Park.

13.1.6 Occupiers of industrial and logistics premises have supply chains links to suppliers and customers. Shorter travel times are typical of small local companies, while longer travel times are more typical of larger companies that do business nationally. Within a 2 hour drive of the Application Site there are over 34.5 million people (58% of England and Wales's population) and 1.5 million businesses (58% of England & Wales's businesses). The Application Site is highly accessible to suppliers and customers.

Figure 8. Two Hour Drive Time Catchment of Application Site

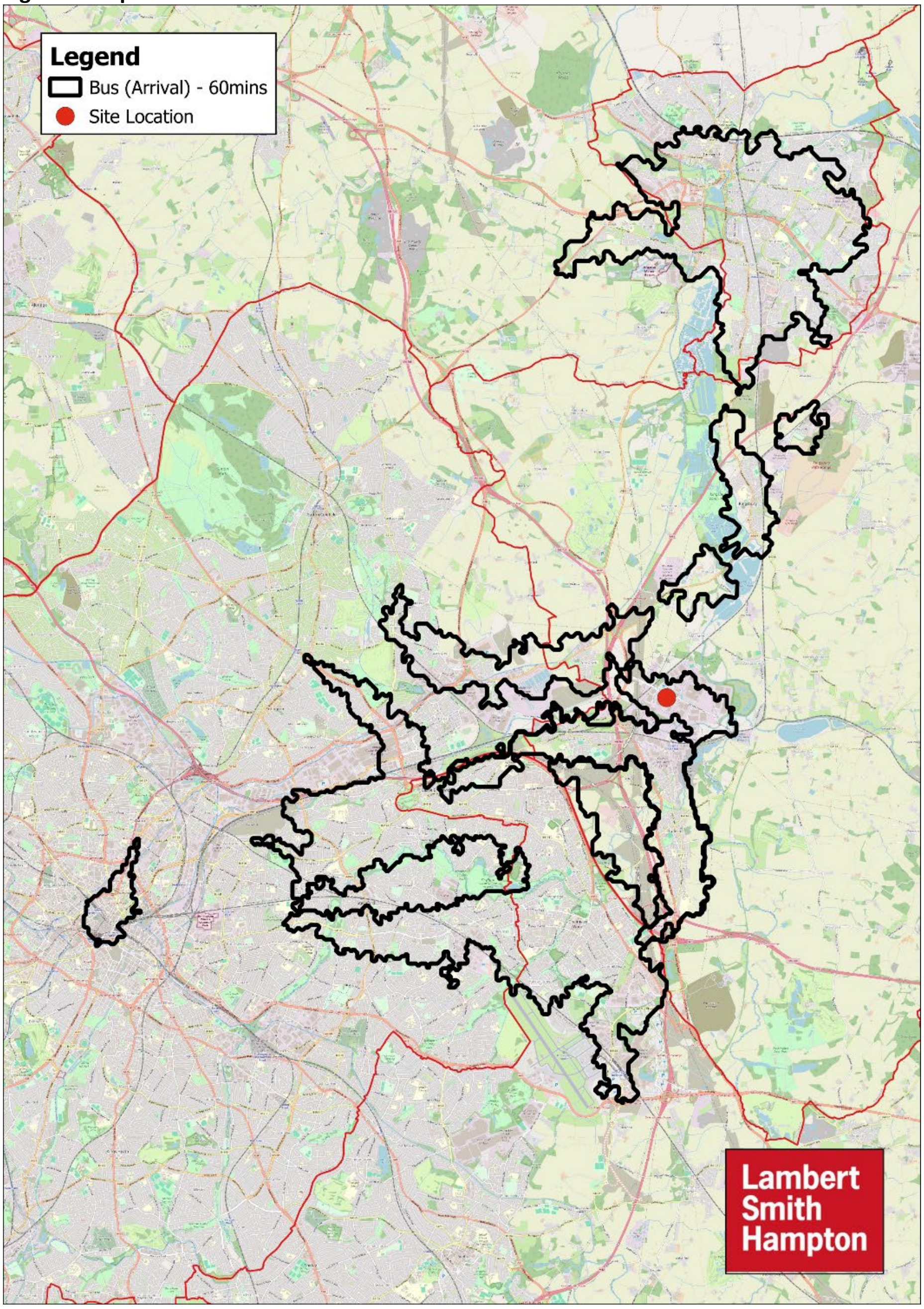


Source: Savills, 2023

13.1.7 The UK unemployment rate is at its lowest level since the early 1970s. The flip side of this is that the availability of labour for UK companies has become increasingly challenging; labour availability has shot up the list of factors impacting investment decision in the industrial and logistics sector. ONS Labour Force Data measures average travel to work times by local authority area. The most recent data identifies that in North Warwickshire this is 24 minutes. Within a 24 minute drive time catchment of the Application Site are the north and eastern parts of the densely populated West Midlands conurbation as well as Coventry and other major towns in Warwickshire. As a result, the Application Site has access to a large labour pool.

13.1.8 Coleshill Parkway railway station has regular passenger services to Birmingham New Street, Nuneaton and Peterborough. The station is also a bus interchange with services to Birmingham city centre, Sutton Coldfield and Tamworth. This gives access to a large pool of labour. With proposed improvements to the public transport network the site will be within a 60-minute bus journey of 226,146 people of which 2,156 are currently unemployed, providing new employment opportunities.

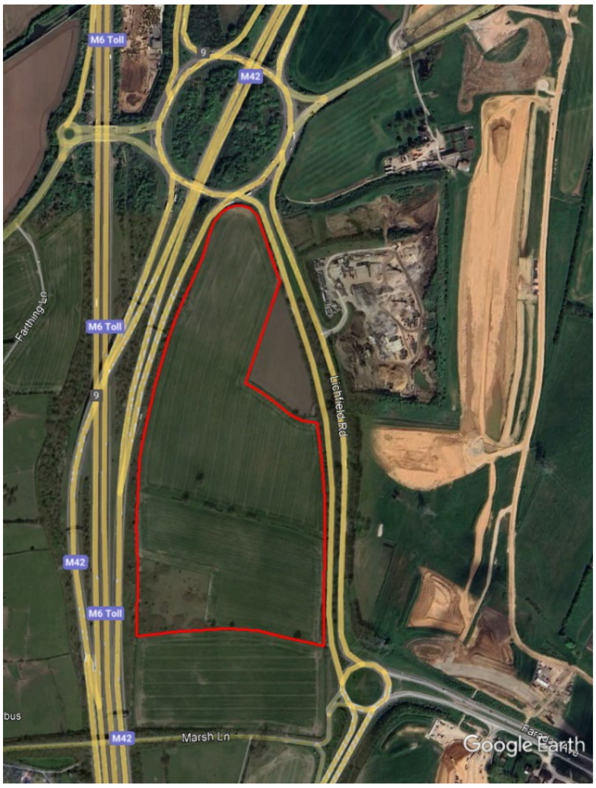
Figure 9. Improved Bus 60-Minute Isochrone



13.1.9 Skills required in the industrial and logistics sector have become more diverse, as the sector has become more automated and supply chains have become more complex. Companies now seek to co-locate their office, R&D and administrative functions with their production, manufacturing and distribution operations, bringing different occupations and specialisms together under one roof. With numerous deprived neighbourhoods within a 24 minute drive of the Application Site, the proposed scheme could provide a range of employment opportunities to residents.

13.2 Description

13.2.1 The Application Site is situated immediately to the south of junction 9 of the M42. The site, shown verged red on this aerial image, is irregularly shaped with roads along much of the perimeter. The motorway junction adjoins the northern tip; the M42 and M6 Toll motorways are in a shallow cutting to the west and the A446 Lichfield Road dual carriageway is to the east. The southern end of the site follows a field boundary.



13.2.2 The site is moderate grade arable farmland with hedgerows and trees to the boundaries and with a square of scrub in the south-west corner. The farmland slopes gently down from the north-east towards the motorways.

13.2.3 The Application Site covers around 19.3 hectares; and, at its widest, is around 370 metres wide. There are two access points from the northbound carriageway of the A446, some 170 metres south of Junction 9 and 60 metres north of the Hams Hall roundabout. The layout plan proposes a new road access around 260 metres to the north of the Hams Hall roundabout where access and egress would be left turn only from and to the northbound carriageway of the A446.

13.2.4 To the east of the Application Site and on the opposite side of the dual carriageway is a concrete batching plant and aggregate recycling facility, which has steadily expanded over the past two decades. Beyond this is the line of the HS2 project, currently a construction site. With top soil removed this construction site is conspicuous on aerial imagery.

13.2.5 The Application Site is noisy, with road junctions at either end of the site, traffic noise is exacerbated by acceleration and deceleration. The default national speed limit applies to the motorways and the dual carriageway. The Hams Hall roundabout, just beyond the south-eastern corner of the site is the main access to the Hams Hall Distribution Park and Rail Freight Terminal and is heavily used by HGVs and LGVs. The Application Site is served by roads designed for HGV use and vehicular access to motorways and rail freight facilities avoids residential areas.

13.2.6 High voltage electricity cables cross the northern end of the site, east to west, with one pylon within the site and another just beyond the boundary. Another line of overhead cables passes just beyond the south-east corner of the site.

13.3 Summary

13.3.1 The Application Site is within the ONS defined 'golden triangle', where drive time advantages are greatest, and demand is therefore strongest. The Hams Hall Distribution Park, the Rail Freight Terminal and the Coleshill Industrial Estate form a contiguous industrial area, with substantial established critical mass, in which high levels of development activity have come to an end as the estates have reached capacity. The road infrastructure serving these estates and linking them to the motorway network are designed for HGVs. The Application Site is favourably located to build upon established demand for sites in this location.

13.3.2 The Application Site has excellent access to the strategic highway network, fronting the Lichfield Road dual carriageway immediately to the south of Junction 9, from which two motorways (M42 and M6 Toll) can be accessed. The road network around the site has been designed for HGV use and avoids residential areas.

13.3.3 The Application Site also has excellent access to the trans-modal rail freight facility at Hams Hall, two kilometres to the south-east. Here Coleshill Parkway railway station has regular passenger services to Birmingham New Street, Nuneaton and Peterborough. The station is also a bus interchange with services to Birmingham city centre, Sutton Coldfield and Tamworth. This gives access to a large pool of labour. With proposed improvements to the public transport network the site will be within a 60-minute bus journey of 226,146 people of which 2,156 are currently unemployed, providing new employment opportunities.

13.3.4 The Application Site does not adjoin incompatible uses; the nearest housing is at Curdworth to the west which is separated from the site by the M42 and M6 Toll motorways. Given existing background levels of traffic noise and a band of trees alongside the motorway embankments that obstructs views of the site from the west, the proposed scheme will have little, if any, effect on the residents of Curdworth.

13.3.5 The Application Site is within the West Midlands Green Belt (WMGB), which was designated in the 1950s. This part of the WMGB is fragmented with Hams Hall, Coleshill, Curdworth and Water Orton all excluded from the Green Belt. The openness and permanence of the narrow strip of Green Belt between Hams Hall and Curdworth, in which the Application Site is situated, has been substantially degraded since designation, it has accommodated two new motorways, an aggregates recycling facility and the construction corridor for HS2. The effect of all this development has been to create a series of barriers between the conurbation and the North Warwickshire countryside. This has undermined the fundamental aim of Green Belt policy, which is to prevent urban sprawl by keeping land open. Here land, including the Application Site, is not open, it is enclosed by strategic road infrastructure. Given the various land uses and the fragmented nature of this part of the Green Belt, urban sprawl has not been effectively prevented.

14.0 CONCLUSION

14.0 FEMAs

14.0.1 Existing evidence shows North Warwickshire is located within two FEMAs – the Coventry and Warwickshire FEMA and the Greater Birmingham FEMA. LSH agree with the definition of the two overlapping FEMAs which cover North Warwickshire. North Warwickshire will need to contribute to ensure that the strategic B8 needs of both FEMAs are met.

14.0.2 However, North Warwickshire's Local Plan evidence only considers needs arising in the Coventry and Warwickshire FEMA. The current evidence does not take account of any need arising in the Greater Birmingham FEMA – either strategic or unmet local needs from neighbouring authorities.

14.0.3 For the purposes of this assessment LSH have considered the employment land needs in North Warwickshire taking account of the needs from both FEMAs. This considers the need across the Coventry and Warwickshire FEMA as well as the unmet needs from neighbouring authorities in the Greater Birmingham FEMA. This reflects historic approaches to cross-boundary working, as set out above, and is considered a realistic approach for North Warwickshire Council to pursue.

14.1 Strategic B8 Need in Coventry and Warwickshire

14.1.1 The C&W HEDNA identifies the strategic B8 needs but at a FEMA-wide level; strategic B8 needs are not identified for each district. The overall distribution of need for each district will need to be agreed by the six authorities. This is not done in the HEDNA and currently has not yet been undertaken.

14.1.2 For the Coventry and Warwickshire FEMA, the HEDNA identifies a need for Strategic B8 of 551ha for the period 2021-41 and 735ha for the period 2021-50.

14.1.3 The strategic B8 need identified in the HEDNA uses a hybrid approach with the first ten-year forecasting period based upon the past completions trend from the period 2011-19. The remainder of the forecast is based on a scenario modelling Replacement Demand and Freight Traffic Growth which shows a lower demand than the 2011-19 past completions trend.

14.1.4 However, the completions trend data used in the HEDNA is incomplete and does not constitute a robust data source for projecting forward future needs. The HEDNA Completions Trend Scenario is therefore not compliant with PPG. LSH have reviewed complete completions data drawn from a separate source than the HEDNA, which identifies the HEDNA completions data is too low.

14.1.5 The Completions Trend Scenario is based on completions data from the 2011-19 period. This is the period prior to the Covid Pandemic which started in March 2020 which saw a step change in the e-commerce sector and related demand for strategic B8 space. More recent completions data shows that demand for strategic B8 uses has increased by 74% more than the pre-pandemic trend.

14.1.6 From 2031 onwards the HEDNA uses the Replacement Demand and Traffic Growth Scenario. This scenario lacks justifying evidence and relies on unsourced data. The outputs of the scenario are unrealistic and results in a very low growth rate. This scenario shows a lower level of growth than the 2011-19 completions trend. This means that the strategic B8 need identified in the HEDNA is actually lower than the completions trend seen over the pre-pandemic period (2011-19), which is already an under-estimate of needs.

14.2 A Robust Approach to Estimating Strategic B8 Demand

14.2.1 To address the failings of the HEDNA and to identify a strategic B8 need figure for Coventry and Warwickshire that is robust and PPG compliant, the following approach should be used:

- correct completions data for 2011-19 should be used.
- The recent shift in the demand in the e-commerce sector should be appropriately estimated using up-to-date, post-pandemic, completions data.

14.2.2 LSH has undertaken an assessment of strategic employment land needs in accordance with this approach which is PPG compliant. Using full completions data for the 2011-19 period and including data from the 2019-23 period provides a robust forecasting period reflecting up-to-date data and capturing the increased demand following post-pandemic structural changes in the sector. This shows a need for 678 ha of land for large scale B8 uses by 2041 and 983 ha by 2050. This shows that the HEDNA significantly under-estimates the need for strategic B8 land in Coventry and Warwickshire by 127ha by 2041 and 248ha by 2050.

Table 44. Comparison of Strategic B8 Land Requirement, Coventry and Warwickshire (ha)

	Forecast 2021-41	Forecast 2021-50
HEDNA Strategic B8 Requirement	551	735
2011-23 Completions Trend	678	983
Difference	**127**	**248**

14.3 Supply of Strategic B8 Sites in Coventry and Warwickshire

14.3.1 LSH have undertaken a quantitative and qualitative assessment of strategic B8 sites across Coventry and Warwickshire. This has considered the suitability and deliverability of these sites and has estimated their potential net development areas to support strategic B8 development.

14.3.2 This has identified a total of 32 available sites providing an estimated net area of **336 ha**. If the Gigafactory site is excluded from the supply, then the gross area of large sites in the FEMA reduces to **279.6 ha** gross (**240.1 ha** net)**.**

14.4 Supply/Demand Balance in Coventry and Warwickshire FEMA

14.4.1 A comparison of the demand for, and supply of, strategic B8 sites across Coventry and Warwickshire is set out in the table below.

14.4.2 It is clear that there is considerable under-supply across the CW FEMA; 215-342 ha of additional sites will be required to meet demand, so the Councils clearly need to identify a wide range of sites to meet the shortfall.

Table 45. CW FEMA – Supply/Demand Balance

	Strategic B8 Need (2021-41)	Large Site Supply	Shortfall
HEDNA	551 ha	336.1 ha	-214.9 ha
LSH	678 ha		-341.9 ha

14.5 Supply/Demand Balance in Greater Birmingham FEMA

14.5.1 For GB FEMA, the latest evidence of neighbouring authorities to North Warwickshire is set out in Section 7 of this report. This shows that there is a shortfall of 48.8ha. Historically, these authorities have looked to North Warwickshire to accommodate unmet employment land need. This is likely to be required again.

Table 46. Identified Supply / Demand Balance in Neighbouring Authorities in GB FEMA

Neighbouring Local Authority	Supply / Demand Balance
Birmingham	-52.8 ha
Solihull	-6.5 ha
Lichfield	8.4 ha
Tamworth	2.0 ha
TOTAL SHORTFALL	**-48.8ha**

14.6 Supply and Demand of General Industrial Land

14.6.1 Unlike strategic B8 demand, this assessment considers the demand and supply of general industrial sites at a district level – i.e. in North Warwickshire.

14.6.2 Our assessment of past completions of general industrial development in North Warwickshire broadly corroborates the findings of the HEDNA. The HEDNA identifies a need of 56.1 ha for 2021-2041. Past completions between 2000 and 2023 totalled 51.27 ha.

14.6.3 Our assessment of the supply of general industrial sites identifies that there are no sites with planning consent that are immediately available for development of general industrial premises. Only three sites allocated for employment use are available, but two of these could alternatively accommodate strategic B8. These three sites total 8.8 hectares.

14.6.4 Overall, with the inclusion of a margin for choice, there is a shortfall of 47.3 ha of general industrial land in North Warwickshire. There is an urgent and immediate need to provide more land for general industrial purposes in the borough.

Table 47. North Warwickshire General Industrial – Supply/Demand Balance

	General Industrial Need (2021-41)	General Industrial Supply	Shortfall
North Warwickshire	56.1 ha	8.8 ha	- 47.3 ha

14.7 Assessment of Evidence by Reference to Key Policy Tests

14.7.1 In conclusion, we refer to the key policy tests set out earlier in this report.

14.7.2 **Test 1: Against an objective assessment of needs, has sufficient land of the right type been allocated to build a strong and responsive economy (NPPF)? Is there a clear strategy for bringing sufficient land forward, at a sufficient rate (NPPF para 28)? Is there an immediate need for employment land (LP6)?**

14.7.3 Logistics are an intrinsic and strategic part of the economy and efficient national distribution networks are essential for a strong economy. The ONS defined Midlands 'golden logistics triangle' is the most efficient location for national distribution facilities where, at least 90% of the British population is within a four hour drive. An objective assessment of needs within the FEMA should recognise the national element of demand for distribution warehouses and prioritise allocating land for logistics in those locations within the grid squares identified by the ONS, as these bring the greatest efficiencies. Of the six local authority areas within the FEMA, North Warwickshire has the most land within the ONS defined 'golden triangle', but North Warwickshire has no available employment sites within this area to meet this strategic demand.

14.7.4 Our quantitative assessment of available employment land identifies a shortfall within North Warwickshire, where the implied supply of four years is less than half the amount required for the remaining plan period. This shortage is exacerbated because a) there is no land immediately available and b) 80% of the supply is allocated for advanced manufacturing with a specific prohibition on B8. There is an immediate need for large employment sites that is readily available and deliverable. Economic modelling, take-up rates and the scale of occupier requirements all point to supressed demand and confirm the findings of the 2015 and 2021 West Midlands Strategic Employment Sites Studies, that there is an urgent need for more strategic sites to be identified, allocated and delivered.

14.7.5 Table 8 of the Local Plan allows us to measure whether sufficient employment land is available at this stage of the plan period. Within the first eight years of the 22 year plan period, more than half of the Borough's available gross land supply (57%) had been taken-up. Over the next five years 2019 to 2024, much, if not all, of the land with planning permission (a further 24%) had also been developed. Given these rates of take-up, the remaining allocations are insufficient for the remaining period. In these circumstances NPPF requires local authorities to review policies in local plans and spatial development strategies and update them as necessary. The emerging shortfall in the employment land supply should have been evident at the time that the Local Plan was adopted. At that point further land should have been allocated to meet anticipated needs to the end of the plan period.

14.7.6 Our assessment of the supply of general industrial sites identifies that North Warwickshire has no sites with planning consent that are immediately available for development of general industrial premises. Only three sites allocated for employment use are available, but two of these could alternatively accommodate strategic B8. These three sites total just 8.8 hectares. Our assessment of past completions of general industrial development in North Warwickshire broadly corroborates the findings of the HEDNA, which identifies a need of 56.1 ha for 2021-2041. Overall, this represents a shortfall of 47.3 ha of general industrial land in North Warwickshire.

14.7.7 There is an immediate and urgent need to identify and deliver more land for both strategic B8 and general industrial needs in North Warwickshire. Policy LP6 provides a mechanism to bring forward sufficient land, at a sufficient rate to address this immediate need, but the Council's strategy (apparent from their proof of evidence on employment land to the public inquiry into Land North East of Junction 10 M42) seems to be to deny the extent and urgency of this need. Insufficient land is allocated to enable a strong and responsive economy.

14.7.8 **Test 2: Does the Local Plan provide for land of the right type in the right place (NPPF para 8)? Do allocations serve to align growth and infrastructure? Is sufficient land available in locations that maximise sectoral efficiencies, improve productivity, minimise pollution, make prudent use of natural resources and limit CO^2 emissions? Does the scheme meet the locational requirements of LP6?**

14.7.9 The Application Site is within the ONS defined 'golden triangle', where drive time advantages are greatest, and demand is therefore strongest. The Hams Hall Distribution Park, the Rail Freight Terminal and the Coleshill Industrial Estate form a contiguous industrial area, with substantial established critical mass, in which high levels of development activity have come to an end as the estates have reached capacity. The road infrastructure serving these estates and linking them to the motorway network are designed for HGVs. The Application Site is favourably located to build upon established demand for sites in this location.

14.7.10 A qualitative assessment of available large sites within the FEMA identifies that allocations EMP4 and EMP7 in Nuneaton & Bedworth are within the ONS 'golden triangle'. Across the FEMA there are no other large sites available that are allocated or have consent for employment use that meet the ONS criteria. Although the North Warwickshire Local Plan may originally have provided land in the right place the quantity has proved insufficient for the Local Plan period. The effect is that sectoral efficiencies are reduced, productivity is reduced, and longer journey times will increase pollution and CO^2 emissions.

14.7.11 Strategic road infrastructure has been built in the Green Belt, but insufficient land has been allocated alongside to accommodate sectors that require proximity to that infrastructure. It follows that allocations in North Warwickshire do not align growth and infrastructure. As the Application Site is not being effectively used, the objective of building a strong, responsive and competitive economy is being undermined.

14.7.12 Policy LP6 relates to applications for additional employment land. The policy states that significant weight will be given to supporting economic growth and productivity, particularly where evidence demonstrates an immediate need for employment land, or a certain type of employment land, within Area A on Figure 4.10 of the WMSESS (2015). The Application Site is within this Area A and our evidence demonstrates an immediate need for employment land to accommodate national distribution warehouses. The Policy further requires the relevant scheme to demonstrate:

(i) access to the strategic highway network is achievable and appropriate;

(ii) the site is reasonably accessible by a choice of modes of transport; and

(iii) it is otherwise acceptable, taking account of the living conditions of those nearby.

14.7.13 Nine years ago, the 2015 West Midlands Strategic Employment Sites Study highlighted the significant scale of demand for strategic employment land, identifying that this was strongest in the M42 corridor. This high level of demand is consistent with ONS research that identifies the drive-time advantages available to logistics operation in this location. As the subsequent Local Plan made limited provision for strategic employment, some requirements have been lost to secondary locations, but the immediate need for land for strategic employment in the M42 corridor has remained strong with the 2021 WMSESS concluding that *"the prime market facing location for Strategic Employment Sites is to the east of Birmingham in an area that covers a geography from J2 of the M42 in the south, north to J10 of the M42 …"*

14.7.14 The Application Site has excellent access to the strategic highway network, fronting the Lichfield Road dual carriageway immediately to the south of Junction 9, from which two motorways (M42 and M6 Toll) can be accessed. The road network around the site has been designed for HGV use and avoids residential areas.

14.7.15 The Application Site also has excellent access to the trans-modal rail freight facility at Hams Hall, two kilometres to the south-east. Here Coleshill Parkway railway station has regular passenger services to Birmingham New Street, Nuneaton and Peterborough. The station is also a bus interchange with services to Birmingham city centre, Sutton Coldfield and Tamworth.

14.7.16 The Application Site does not adjoin incompatible uses; the nearest housing is at Curdworth to the west which is separated from the site by the M42 and M6 Toll motorways. Given existing background levels of traffic noise and a band of trees alongside the motorway embankments that obstructs views of the site from the west, the proposed scheme will have little, if any, effect on the residents of Curdworth.

14.7.17 The proposals for the Application Site comfortably meet all the requirements of Policy LP6.

14.7.18 **Test 3: Are policies in local plans and spatial development strategies up to date? Is sufficient land available at the right time (NPPF para 8)?**

14.7.19 North Warwickshire Local Plan was adopted in September 2021 but covers the period 2011 to 2033. The majority of the Borough's available land supply was taken-up before the plan was adopted. The amount of large sites allocated for employment is now insufficient for the remaining plan period, this is evidence that policies are not up to date. The Local Plan does allow for additional employment land to be brought forward; planning applications are subject to various locational requirements, all of which the Application Site satisfies.

14.7.20 Those allocated sites in North Warwickshire that have not been developed, require preparation and are not readily available. In particular there is insufficient land available to meet requirements for distribution warehouses in the short to medium term. Commercial property market indicators point to a tight supply of sites, that is most pronounced in North Warwickshire. Here strong rental growth and low vacancy rates over the last decade indicate that demand has been outstripping supply for a prolonged period.

14.7.21 There is an immediate need to bring forward large sites to accommodate warehouses, in locations that are highly accessible to the strategic highway network.

14.7.22 The Application Site is a gently sloping greenfield site, at low risk of flooding, with no land assembly issues. Its development is unlikely to involve major abnormal costs. The site is being promoted by a developer that has an established track record of property development. The intention is to build speculative units, allowing it to be developed out quickly to meet the short-term need for employment premises.

14.7.23 **Test 4: Is the Application Site suitable, available and achievable for the development of strategic employment premises (PPG)?**

14.7.24 Planning Policy Guidance sets out factors to consider in assessing suitability, availability and achievability, which we address below. National Planning Policy requires significant weight to be placed on the need to support economic growth and directs LPAs to build on their strengths. A key strength for North Warwickshire is its location at the core of the Midlands 'golden logistics triangle', NPPF requires planning policies and decisions to recognise and address the specific locational requirements of different sectors including providing land *"for storage and distribution operations at a variety of scales and in suitably accessible locations"* and to identify strategic sites for such inward investment as well as for local needs, by providing sites for national logistics.

14.7.25 The Application Site is in a prime location for national logistics operations and is attractive to the market when assessed against other available large sites in the FEMA. The site is an immediately available, greenfield site with direct access to the strategic highway network including two motorways. This proximity to motorways, that make the site so attractive for logistics make it unsuitable for residential development.

14.7.26 Development of the Application Site for employment would bring a range of economic benefits, including providing employment opportunities to nearby areas of deprivation.

14.7.27 The impact of the proposed development on landscape and heritage assets is limited. Although the Application Site is within the West Midlands Green Belt this part of the Green Belt is fragmented and the openness and permanence of the narrow strip of Green Belt between Hams Hall and Curdworth, in which the Application Site is situated, has been substantially degraded since Green Belt designation in the 1950s; it now accommodates two new motorways, the construction corridor for HS2, and an aggregates recycling facility that has been extended over the years. The effect has been the creation of a series of barriers between the conurbation and the North Warwickshire countryside and the enclosure of the Application Site by strategic road infrastructure.

14.7.28 Against these factors the development of strategic employment premises on the Application Site is suitable.

14.7.29 The Application Site is within one ownership and no land assembly is required. There are no legal or ownership impediments to development. Richborough which is based in the West Midlands has been trading for more than twenty years and has a track record of delivering development, having regard to the company's intention to develop, the site should be considered available.

14.7.30 Planning Policy Guidance explains that a site is considered achievable if the proposed development is financially viable. The Application Site is situated in a prime industrial and logistics location, where high values enable the viable development of speculative employment premises. Having regard to the strength of market demand in this location the proposed units are expected to let readily.

14.7.31 Against the criteria set out in Planning Practice Guidance the development of employment premises on the Application Site is suitable, available and achievable.

APPENDIX 1: LETTER OF SUPPORT FROM SCHUMACHER PACKAGING

schumacher

Schumacher Packaging Ltd.
Birmingham Plant
Starley Way, Bickenhill
Birmingham B37 7HB
Great Britain
Telefon +44 121 250 2000
Telefax +44 121 250 2001
birmingham@schumacher-packaging.com
www.schumacher-packaging.com

The Planning Department
North Warwickshire Borough Council
The Council House
South Street
Atherstone
Warwickshire
CV9 1DE

08/05/2024

Dear planning Department

Re. Land South East Junction 9 M42, Lichfield Road

I write to you to formally express my company's interest in the land at junction 9 of the M42. The indicative layout that Richborough Commercial has provided hits our specific requirements. In addition, the site boasts a very attractive location, with it being located in a prime area such as the North Warwickshire, the fact it is located on a junction on a major road such as the M42 only increases our interest. Another reason to why we express our interest to this site is because of the proposed timescales, we would be looking for new premises around 2025/2026 when this site is proposed to have been granted planning permission.

We feel there is a seriously low supply of new Grade A warehouses with North Warwickshire and would like to commit our long term future to Borough.

We therefore encourage you to seriously consider the opportunities that this application could bring to North Warwickshire and support the application.

Yours Sincerely

[redacted]

Mike Owens
Managing Director

APPENDIX 2: TAKE-UP OF LARGE EMPLOYMENT SITES IN THE FEMA

TAKE-UP OF LARGE SITES FOR EMPLOYMENT, 2000-2023

LPA	ADDRESS	POSTCODE	AREA OF PREMISES	YEAR	AREA (ha)
COVENTRY					
	GEODIS UNIT 10, COVENTRY LOGISTICS PARK, CROSSPOINT BUSINESS PARK, RICHARDSON WAY, COVENTRY	CV2 2SY	23,397.78 m²	2022	5.49
	UPS SCS UK LTD, PARKWAY, WALSGRAVE, COVENTRY	CV2 2SY	16,537.90 m²	2001	3.66
	DHL, UNIT 8, COVENTRY LOGISTICS PARK CROSSPOINT BUSINESS PARK, RICHARDSON WAY, COVENTRY	CV2 2TA	86,560.67 m²	2022	7.85
	100, SCIMITAR WAY, COVENTRY	CV3 4GB	25,439.87 m²	2015-16	7.44
	UNIT 3, PUMA PARK, SCIMITAR WAY, COVENTRY	CV3 4GB	12,078.31 m²	2021	1.86
	BATLEYS, UNITS 1 & 2, BROAD LANE TRADING ESTATE, BANNER LANE, COVENTRY	CV4 9GH	23,751.70 m²	2007-10	2.07
	WHITEFURZE LTD, BURNSALL ROAD, COVENTRY	CV5 6BT	10,349.08 m²	2001-06	1.99
	MISSION FOODS, RENOWN AVENUE, COVENTRY	CV5 6UJ	13,792.85 m²	1999-01	2.81
	GOODMANS, 31, SAYER DRIVE, ALLESLEY, COVENTRY	CV5 9DQ	14,897.08 m²	2016	2.68
	AMAZON BHX4 AT 71, SAYER DRIVE, ALLESLEY, COVENTRY	CV5 9PF	76,173.40 m²	2016	11.90
	GUENTHER BAKERIES UK LIMITED AT LYONS PARK 41, SAYERS DRIVE OFF, COUNDON WEDGE DRIVE, COVENTRY	CV5 9PF	9,820.00 m²	2022-24	4.41
	EXEL EUROPE LTD / DHL SUPPLY CHAIN, PLOT D2, CENTRAL BOULEVARD, PROLOGIS PARK, KERESLEY, COVENTRY	CV6 4QA	29,703.90 m²	2001-06	6.00
	PLOT B, CENTRAL BOULEVARD, PROLOGIS PARK, KERESLEY, COVENTRY	CV6 4QB	30,822.54 m²	2001-06	4.74
	CO-OP FOOD, UNIT 2 PLOT D, CENTRAL BOULEVARD, PROLOGIS PARK, KERESLEY, COVENTRY	CV6 4QB	29,129.50 m²	2001-06	5.48
	[HALFORDS] UNIT 12, CENTRAL BOULEVARD, PROLOGIS PARK, KERESLEY, COVENTRY	CV6 4QB	29,026.10 m²	1999-01	5.48
	GEFCO UK, UNIT 13 (PLOT B), CENTRAL BOULEVARD, PROLOGIS PARK, KERESLEY, COVENTRY	CV6 4QB	21,922.10 m²	2001-06	7.26
	[DHL BRIDGESTONE]UNIT 3, WEST AVENUE, PROLOGIS PARK, KERESLEY, COVENTRY	CV6 4QB	17,170.40 m²	1999-01	3.75
	UNIT H2, PILGRIMS WALK, PROLOGIS PARK, KERESLEY, COVENTRY	CV6 4QG	10,836.29 m²	2007	2.59
	TOTAL TAKE-UP IN DISTRICT				**87.46**
NORTH WARWICKSHIRE					
	J SAINSBURY, HAMS HALL INDUSTRIAL PARK, FARADAY AVENUE, COLESHILL, BIRMINGHAM	B46 1AL	74,656.60 m²	2001-03	19.30
	WINCANTON LOGISTICS, FARADAY AVENUE, COLESHILL, BIRMINGHAM	B46 1AL	27,569.40 m²	1999	6.54
	[ARVATO UK] UNIT 10A, HAMS HALL INDUSTRIAL PARK, FARADAY AVENUE, COLESHILL, BIRMINGHAM	B46 1AL	22,252.00 m²	2001-03	5.30
	[THE WORKS] UNIT 10B BOLDMERE HOUSE, HAMS HALL INDUSTRIAL PARK, FARADAY AVENUE, COLESHILL, BIRMINGHAM	B46 1AL	17,572.58 m²	2016	2.89
	[GXO LOGISTICS] UNIT 170, HAMS HALL INDUSTRIAL PARK, FARADAY AVENUE, COLESHILL, BIRMINGHAM	B46 1AL	17,188.44 m²	2006-07	3.22
	[NCF LIVING] UNIT 6B, HAMS HALL INDUSTRIAL PARK, FARADAY AVENUE, COLESHILL, BIRMINGHAM	B46 1AQ	12,394.29 m²	2013-16	2.32
	[SYNCREON] PLOT 6A, HAMS HALL INDUSTRIAL PARK, FARADAY AVENUE, COLESHILL, BIRMINGHAM	B46 1AQ	12,343.64 m²	1999-01	2.86
	PH1, HEADLAM GROUP PLC, GORSEY LANE, COLESHILL, BIRMINGHAM	B46 1AY	28,579.35 m²	1999-01	2.95
	PH2, HEADLAM GROUP PLC, GORSEY LANE, COLESHILL, BIRMINGHAM	B46 1 AY	N/K	2013	1.22
	PLASTIC OMNIUM AUTOMOTIVE LTD UNIT 1A, HAMS HALL INDUSTRIAL PARK, EDISON ROAD, COLESHILL, BIRMINGHAM	B46 1DA	15,562.30 m²	2021	1.22
	EXEL (SELFRIDGES), HAMS HALL INDUSTRIAL PARK, EDISON ROAD, COLESHILL, BIRMINGHAM	B46 1DA	25,769.80 m²	1999-01	3.99
	UNIT 2, ROWAN WAY, HAMS HALL DISTRIBUTION PARK, COLESHILL, BIRMINGHAM	B46 1DS	12,919.78 m²	2020-21	2.44
	[LTS GLOBAL SOLUTIONS] UNIT 1, ROMAN WAY, HAMS HALL DISTRIBUTION PARK, COLESHILL, BIRMINGHAM	B46 1DS	10,267.12 m²	2020-21	1.62
	DC2 ROWAN WAY / CANTON LANE	B46 1DS	24,260.56 m²	2020-21	4.70

APPENDIX 2

LPA	ADDRESS	POSTCODE	AREA OF PREMISES	YEAR	AREA (ha)
	DAVIES TURNER & CO.LTD, WEST MIDLANDS FREIGHT TERMINAL, STATION ROAD, COLESHILL, BIRMINGHAM	B46 1DT	15,856.45 m²	1999-01	3.00
	DC1, JLR BATTERY ASSEMBLY CENTRE UNIT 4, HAMS HALL NATIONAL DISTRIBUTION PARK, CANTON LANE, COLESHILL,	B46 1GA	40,333.31 m²	2018-19	7.26
	[DHL - MANUFACTURING & LOGISTICS] ALPHA 1, HAMS HALL INDUSTRIAL PARK, CANTON LANE, COLESHILL, BIRMINGHAM	B46 1GA	20,356.40 m²	2001-03	4.18
	[BEKO] UNIT 2, HAMS HALL INDUSTRIAL PARK, CANTON LANE, COLESHILL, BIRMINGHAM	B46 1GA	14,902.00 m²	2001-03	3.14
	[SERTEC] WINCASTER HOUSE, HIGHWAY POINT, GORSEY LANE, COLESHILL, BIRMINGHAM	B46 1JU	17,766.76 m²	2001-03	3.00
	[AURIA] INTERNATIONAL AUTOMOTIVE COMPONENTS, GORSEY LANE, COLESHILL, BIRMINGHAM	B46 1JU	14,668.58 m²	2001-03	3.43
	[DB SCHENKER] UNIT B CAESAR PARK, CENTURION WAY, TAMWORTH, STAFFS	B77 5PU	20,131.08 m²	2016	2.89
	UPS LTD UK, BIRCH COPPICE BUSINESS PARK, JIM CASEY WAY, WATLING STREET, DORDON, TAMWORTH, STAFFS	B78 1BF	39,382.06 m²	2006	10.08
	UPS SCS LTD, BIRCH COPPICE BUSINESS PARK, WATLING STREET, DORDON, TAMWORTH, STAFFS	B78 1BF	15,041.89 m²	2015-16	2.97
	INSTARMAC, UNIT W3A, BIRCH COPPICE BUSINESS PARK, DANNY MORSON WAY, WATLING STREET, DORDON, TAMWORTH,	B78 1SE	11,322.50 m²	2006-07	2.34
	OCADO DISTRIBUTION CENTRE, BIRCH COPPICE BUSINESS PARK, DANNY MORSON WAY, WATLING STREET, DORDON,	B78 1SE	93,007.50 m²	2010-13	14.30
	EURO CAR PARTS TAM 2, BIRCH COPPICE BUSINESS PARK, DANNY MORSON WAY, WATLING STREET, DORDON, TAMWORTH,	B78 1SE	92,773.36 m²	2015	12.70
	EURO CAR PARTS LTD, BIRCH COPPICE BUSINESS PARK, DANNY MORSON WAY, WATLING STREET, DORDON, TAMWORTH,	B78 1SE	29,225.54 m²	2007	4.62
	DAU DRAEXLMAIER AUTOMOTIVE UK LTD, BIRCH COPPICE BUSINESS PARK, DANNY MORSON WAY, WATLING STREET,	B78 1SE	16,879.80 m²	2013-15	3.14
	BUNZL UK LTD, BIRCH COPPICE BUSINESS PARK, DANNY MORSON WAY, WATLING STREET, DORDON, TAMWORTH, STAFFS	B78 1SE	15,690.34 m²	2013-15	3.34
	MOBIS PARTS EUROPE, BIRCH COPPICE BUSINESS PARK, ANSLEY HALL DRIVE, WATLING STREET, DORDON, TAMWORTH,	B78 1SQ	28,306.80 m²	2007-10	6.48
	BRISTAN, PLOT E3, BIRCH COPPICE, WATLING STREET, DORDON, TAMWORTH, STAFFS	B78 1SS	26,296.00 m²	2003-06	3.94
	TNT LOGISTICS UK LTD, BIRCH COPPICE, WATLING STREET, DORDON, TAMWORTH, STAFFS	B78 1TA	78,985.50 m²	2003-06	14.00
	BEKO, UNIT 2 BADDESLEY DRIVE, BIRCH COPPICE BUSINESS PARK, WATLING STREET, DORDON, TAMWORTH, STAFFS	B78 1TU	26,602.74 m²	2015-16	5.52
	MAERSK, CORE 1, CORE 42 BUSINESS PARK, MERIDIAN DRIVE, DORDON, TAMWORTH, STAFFS	B78 1TX	32,871.80 m²	2021	6.60
	GREENCORE, CORE 3, CORE 42 BUSINESS PARK, MERIDIAN DRIVE, DORDON, TAMWORTH, STAFFS	B78 1TX	15,311.67 m²	2018-19	3.85
	BOND INTERNATIONAL, CORE 2, CORE 42 BUSINESS PARK, MERIDIAN DRIVE, DORDON, TAMWORTH, STAFFS	B78 1TX	9,964.50 m²	2017-18	2.57
	WINIT UK, UNIT 5, TAMWORTH LOGISITICS PARK, SIGNET WAY, FREASLEY, TAMWORTH, STAFFS	B78 2FG	29,747.25 m²	2019	5.16
	BOX LTD, UNIT 4, TAMWORTH LOGISTICS PARK, SIGNET WAY, FREASLEY, TAMWORTH, STAFFS	B78 2FG	11,032.50 m²	2021	2.47
	MOONPIG, UNIT 7 & 8, TAMWORTH LOGISTICS PARK, SIGNET WAY, FREASLEY, TAMWORTH, STAFFS	B78 2FG	11,012.23 m²	2020-21	2.05
	TOTAL PARK, CARLYON ROAD, ATHERSTONE		13,069.00 m²	2022	3.21
	LAND ADJ, HAMS HALL INDUSTRIAL PARK, FARADAY AVENUE, COLESHILL, BIRMINGHAM	B46 1AL	25,346.73 m²	2013-16	2.53
	STORAGE LAND, HAMS HALL INDUSTRIAL PARK, EDISON ROAD, COLESHILL, BIRMINGHAM	B46 1DA	30,600.00 m²	2001-03	3.06
	JLR NATIONAL DISTRIBUTION CENTRE (NDC) BADDESLEY, THE COMMON, BAXTERLEY, ATHERSTONE, WARWICKSHIRE	CV9 2LH	188,990.00 m²	2015-16	18.90
	TOTAL TAKE-UP IN DISTRICT				**221.30**
NUNEATON & BEDWORTH					
	UNIPART LOGISTICS, PLOT 1, HAMILTON WAY, BERMUDA PARK, NUNEATON, WARWICKSHIRE	CV10 7JS	28,361.90 m²	1999-06	5.97
	HELLO FRESH, NUNEATON 230, BERMUDA PARK, ST GEORGES WAY, BERMUDA, NUNEATON, WARWICKSHIRE	CV10 7JS	21,551.47 m²	2018-20	4.29
	RHENUS WAREHOUSING SOLUTIONS, UNIT 1, DISCOVERY PLACE, COVENTRY ROAD, NUNEATON, WARWICKSHIRE	CV10 7PS	20,714.33 m²	2023	4.50

LPA	ADDRESS	POSTCODE	AREA OF PREMISES	YEAR	AREA (ha)
	BARSAN, UNIT H6, PILGRIMS WALK, PROLOGIS PARK, KERESLEY, COVENTRY	CV6 4QG	9,633.85 m²	2001-06	1.21
	MELVILLE EXHIBITION & EVENT SERVICES LTD, SILVERSTONE DRIVE, ROWLEYS GREEN, COVENTRY [UNIT B32]	CV6 6PA	12,489.20 m²	2001-06	3.01
	RHENUS WAREHOUSING SOLUTIONS, UNIT 2, DISCOVERY PLACE, COVENTRY ROAD, NUNEATON, WARWICKSHIRE		N/K	2023	14.30
	TOTAL TAKE-UP IN DISTRICT				**33.28**
RUGBY					
	3, CASTLE MOUND WAY, RUGBY, WARWICKSHIRE	CV23 0WB	43,078.32 m²	2004-06	8.00
	CONTINENTAL TYRES, 5, CASTLE MOUND WAY, RUGBY, WARWICKSHIRE	CV23 0WB	20,754.88 m²	2004-06	5.44
	6, CASTLE MOUND WAY, RUGBY, WARWICKSHIRE	CV23 0WB	14,805.90 m²	2015-16	3.92
	EVRI. UNIT 1, OVER VIEW WAY, RUGBY, WARWICKSHIRE	CV23 0XE	25,808.42 m²	2016	14.00
	H&M, UNIT 1, WAVER WAY, RUGBY, WARWICKSHIRE	CV23 0XF	63,155.53 m²	2010-15	4.42
	DHL, UNIT 4, WAVER WAY, RUGBY, WARWICKSHIRE	CV23 0XF	22,237.95 m²	2015	4.21
	AMAZON, UNIT 3, WAVER WAY, RUGBY, WARWICKSHIRE	CV23 0XF	17,799.13 m²	2016	6.21
	DHL, UNIT 2, WAVER WAY, RUGBY, WARWICKSHIRE	CV23 0XF	16,710.63 m²	2016	4.19
	FANUC UK LTD, SAPPHIRE WAY, ANSTY, COVENTRY	CV7 9DR	10,690.96 m²	2016-18	2.97
	MANUFACTURING TECHNOLOGY CENTRE, PILOT WAY, ANSTY PARK, COVENTRY	CV7 9JU	32,375.28 m²	2010-12	2.98
	MEGGITT, UNIT 2, PILOT WAY, ANSTY PARK, COVENTRY	CV7 9JU	15,981.91 m²	2018-20	9.45
	APOLLO I, PILOT WAY , ANSTY PARK, COVENTRY		N/K	2020-23	4.71
	APOLLO 4, PILOT WAY , ANSTY PARK, COVENTRY		16,017.10 m²	2023	3.42
	APOLLO 5, PILOT WAY , ANSTY PARK, COVENTRY		28,018.70 m²	2023	5.22
	APOLLO 6, PILOT WAY , ANSTY PARK, COVENTRY		25,072.90 m²	2023	4.84
	APOLLO 7, PILOT WAY , ANSTY PARK, COVENTRY		10,876.80 m²	2023	2.60
	LONDON ELECTRIC VEHICLE COMPANY, LI CLOSE, ANSTY PARK, COVENTRY	CV7 9RF	40,417.13 m²	2015-16	9.57
	DHL PARCEL UK, UNITS 1 & 2, HILLMAN WAY, RYTON ON DUNSMORE, COVENTRY	CV8 3ED	22,286.95 m²	2014-15	8.90
	UNIT DC7, IMPERIAL ROAD, RYTON ON DUNSMORE, COVENTRY	CV8 3LF	30,885.19 m²	2016	6.84
	DHL RWC, UNIT DC2, IMPERIAL ROAD, RYTON ON DUNSMORE, COVENTRY	CV8 3LF	28,022.40 m²	2012-15	6.66
	JLR, UNIT DC3, IMPERIAL ROAD, RYTON ON DUNSMORE, COVENTRY	CV8 3LF	19,387.86 m²	2012-15	4.69
	LEVC, UNIT DC5, IMPERIAL ROAD, RYTON ON DUNSMORE, COVENTRY	CV8 3LF	16,050.98 m²	2012-15	3.41
	UNIT DC4, IMPERIAL ROAD, RYTON ON DUNSMORE, COVENTRY	CV8 3LF	14,878.90 m²	2012-15	3.68
	JLR, UNIT DC1, IMPERIAL ROAD, RYTON ON DUNSMORE, COVENTRY	CV8 3LF	13,652.18 m²	2015	2.91
	FURNOLIC, DC8, IMPERIAL ROAD, RYTON ON DUNSMORE, COVENTRY	CV8 3LF	13,547.62 m²	2021	3.10
	CEVA LOGISTICS, DC9, IMPERIAL ROAD, RYTON ON DUNSMORE, COVENTRY		N/K	2022	5.89
	UNIT 1, TRITAX SYMMETRY PARK, DUNCHURCH, RUGBY [IRON MOUNTAIN]		12,488.00 m²	2022	3.06
	UNIT 2, TRITAX SYMMETRY PARK, DUNCHURCH, RUGBY [IRON MOUNTAIN]		17,304.30 m²	2022	3.52
	UNIT 3, TRITAX SYMMETRY PARK, DUNCHURCH, RUGBY [IRON MOUNTAIN]		36,663.20 m²	2023	7.48

APPENDIX 2

LPA	ADDRESS	POSTCODE	AREA OF PREMISES	YEAR	AREA (ha)
	UNIT 4, TRITAX SYMMETRY PARK, DUNCHURCH, RUGBY [IRON MOUNTAIN]		23,344.80 m²	2023	5.15
	WAGO HQ, CRICK ROAD, CLIFTON UPON DUNSMORE, RUGBY	CV23 0AB	11,505.60 m²	2023	1.83
	TOTAL TAKE-UP IN DISTRICT				**163.27**
STRATFORD UPON AVON					
	AMETHYST HOUSE, FLETCHERS WAY, WELLESBOURNE, WARWICK	CV35 9HD	15,408.61 m²	1999-07	3.84
	UNITS 5 AND 6 WELLESBOURNE DISTRIBUTION PARK, LOXLEY ROAD, WELLESBOURNE, WARWICK	CV35 9JY	21,501.28 m²	2017-21	1.35
	ASTON MARTIN, UNIT 2, WELLESBOURNE DISTRIBUTION PARK, LOXLEY ROAD, WELLESBOURNE, WARWICK	CV35 9JY	12,829.12 m²	2010-17	2.51
	WEALMOOR LTD, ATHERSTONE INDUSTRIAL ESTATE, ATHERSTONE ON STOUR, STRATFORD-UPON-AVON, WARWICKSHIRE	CV37 8DX	12,570.10 m²	1999-06	1.56
	BOMFORD & EVERSHED, STRATFORD ROAD, SALFORD PRIORS, EVESHAM, WORCS	WR11 8SW	14,486.80 m²	2010-17	1.12
	AMETHYST GROUP, UNIT 3 WELLESBOURNE DISTRIBUTION PARK, LOXLEY ROAD, WELLESBOURNE, WARWICK		N/K	2010-17	3.64
	ASTON MARTIN, UNIT 1 WELLESBOURNE DISTRIBUTION PARK, LOXLEY ROAD, WELLESBOURNE, WARWICK		N/K	2010-17	3.80
	UNIT 1, REDDITCH GATEWAY, REDDITCH		26,601.00 m²	2023	5.51
	UNIT 2, REDDITCH GATEWAY, REDDITCH		14,884.00 m²	2023	4.21
	TOTAL TAKE-UP IN DISTRICT				**27.54**
WARWICK					
	REE AUTOMOTIVE, SISKIN DRIVE, COVENTRY	CV3 4FJ	11,936.34 m²	2012-15	1.23
	ZOOPLUS, CARBON 207, MIDDLEMARCH BUSINESS PARK, SISKIN DRIVE, COVENTRY	CV3 4FJ	19,264.76 m²	2016-18	4.95
	FUNKO, UNIT 1, SISKIN PARKWAY WEST, IMPERIAL PARK, COVENTRY AIRPARK, BAGINTON, COVENTRY	CV3 4PW	32,498.47 m²	2016-18	6.16
	MENZIES DISTRIBUTION, UNIT 2 IMPERIAL PARK, SISKIN PARKWAY WEST, COVENTRY	CV3 4PW	15,708.00 m²	2016-18	3.90
	CARBON 103, SISKIN PARKWAY WEST, COVENTRY	CV3 4PW	9,581.06 m²	2016-18	2.35
	DP WORLD, 3A, BUBBENHALL ROAD, SEGRO GATEWAY SOUTH, COVENTRY		55,560.00 m²	2023	12.08
	DHL, 4A, BUBBENHALL ROAD, SEGRO GATEWAY SOUTH, COVENTRY		25,163.00 m²	2023	12.57
	SPEC, 4B, BUBBENHALL ROAD, SEGRO GATEWAY SOUTH, COVENTRY		20,486.24 m²	2023	3.88
	SPEC 4C, BUBBENHALL ROAD, SEGRO GATEWAY SOUTH, COVENTRY		13,059.10 m²	2023	2.59
	BERRY CIRCULAR POLYMERS, SPA PARK, LEAMINGTON SPA		N/K	2022	2.92
	JUNO DRIVE, SPA PARK, LEAMINGTON SPA		N/K	1999-06	7.42
	IRON MOUNTAIN, INTEGRA UNIT, HARRISON WAY, LEAMINGTON SPA, WARWICKSHIRE	CV31 3HJ	14,537.77 m²	2005-06	2.64
	UK BIC, ROWLEY ROAD, BAGINTON, COVENTRY	CV8 3AL	20,813.78 m²	2018-20	5.74
	TOTAL TAKE-UP IN DISTRICT				**68.42**
	TOTAL TAKE-UP IN STUDY AREA				**601.27**

APPENDIX 3: KEY TRENDS IN THE INDUSTRIAL & LOGISTICS SECTOR

Lambert Smith Hampton

BOX CLEVER

ILM2024

INDUSTRIAL & LOGISTICS MARKET

WELCOME

JAMES POLSON
National Head
of Industrial & Logistics

Challenging as 2023 was, the fact that Industrial & Logistics outperformed the wider UK property market once again speaks volumes about the positive influence of structural change in this sector. And, as the market transitions into a new cycle in 2024, significant opportunity remains ready to be exploited.

2023 was a sobering year for the market, certainly compared with the frenzied level of demand that characterised the prior boom. In conversations around the state of demand, the term 'reverting to normal' often comes up, but this only applies to the fact take-up was on a par with the pre-pandemic average.

Conditions have been far from normal to my mind, with inflationary pressures and rising interest rates putting many occupiers onto the defensive. The fact that 2023 delivered what it did, in spite of the circumstances, is testament to the ongoing influence of structural change and the drive for ever greater supply chain efficiencies as a key supporter of demand.

We've seen this reflected in rental growth, which despite spiralling costs and elevated uncertainty forged ahead for yet another year. Even if the market is much slower than it was, developers continue to reap the rewards, with still-low void periods on newly delivered stock reflecting the clear flight to quality in occupier demand.

While risks abound, not least on the geopolitical front, green shoots are just starting to reappear. Granted, the economy has slipped into a mild recession, but, crucially, the fog of uncertainty is beginning to lift. Financial conditions should hopefully improve as the year progresses, bringing more confidence to consumers, occupiers and investors alike.

2024 won't be easy, but as we embark on the early stages of a new cycle, opportunity is out there. As the sector continues to expand, untapped potential remains in certain size-bands and regions. This is already helping to tentatively restore appetite for land and development at rebased levels, while increased consideration to embodied carbon is set to drive appetite for sustainable retrofitting of existing stock.

The theme of this year's report, 'Box Clever', epitomises this thinking, with carefully considered, strategic moves by occupiers and investors alike set to characterise market behaviour over the year ahead. I hope you enjoy our report. If you require any advice or assistance, our team of experts will be delighted to help.

SUMMARY AND OUTLOOK

As the dust settles on a challenging year for the market in 2023, signs of life are tentatively starting to be re-appear. And, while risks continue to swirl, relatively sound fundamentals should see industrial & logistics outperform the wider property market once again in 2024.

FAR FROM NORMAL

Memories of the expansion-driven frenzy that came in the wake of the pandemic faded in 2023. The market reverted to what many have termed 'normal' levels of activity, with UK-wide take-up of in 2023 moving back into line with the pre-pandemic average.

But 2023 was far from normal. Many occupiers were forced onto the back foot in the face of inflationary pressures, rising interest rates and, more recently, growing geopolitical disruption. So, the fact that take-up fell into line with the historic trend was arguably respectable in the circumstances.

The clear focus on quality is another major departure from tradition, with grade A space making up around 70% of 2023 take-up. Occupiers are much more discerning, with modern options allowing for better efficiencies and a demonstrable commitment to ESG. Granted, this has been spurred by better choice, but the fact that design and build was the most resilient part of the market in 2023 speaks volumes.

GETTING BETTER

Amid a pattern of subdued activity generally, there were highlights in pockets of the market over 2023. Mid box activity impressed in some areas, while the logistics heartlands of the Midlands boasted a relatively strong year, capped in Q4 by Amazon's major acquisition in Northampton.

The UK economy recently slipped into a technical recession, but prevailing macro-economic conditions at least now appear more stable. Our analysis of requirements reveals a small but tangible improvement in demand compared with the same time last year, while the first part of 2024 is set to deliver a flurry of major deals. And, though difficult to predict, take-up in 2024 is expected to surpass last year's total.

Key sources of large format demand in 2024 are expected from the automotive industry, in particular EV-related production, the major supermarkets and the 3PLs, following the award of new contacts. While online's penetration of retail will remain a driver of demand, raw expansion has given way to a much more strategic mindset. Brexit, the pandemic and more recently the Red Sea crisis have underscored the need to build more resilience in the supply chain, and gradual moves towards onshoring will shape demand through the new cycle.

GRADE A SUPPLY SURGE

Supply levels have improved markedly over the past 12 months, mostly driven by the speculative development boom, but also partly due to the release of tenant and secondhand stock back into the market. The UK availability rate ticked up markedly from 4.6% to 5.9% over the year, but this still appears relatively tight when viewed in the longer-term context.

What has changed most of all is the underlying quality of supply, with availability of grade A space surging to a record level and making up a record 67% share of the UK's total. While some regions are now home to significant choice, such as Greater London, general fears of looming oversupply are misplaced -current UK-wide supply of 73.2m sq ft is equivalent to only 1.3 years of annual average take-up.

SUPPLY TO INCREASE, BUT ONLY SLIGHTLY

The direction of travel for supply remains upward for 2024, but this will not be as sharp as that seen over the past year. The unravelling of the financial markets in late 2022 has quelled speculative development, with the amount of space under construction falling by 39% from its record level 12 months ago and Q4 seeing new development starts drop to a four-year low of 2.4m sq ft.

The focus of demand on quality should result in a fairly rapid absorption of newly-delivered spec space, especially across the UK's foremost logistics locations. While void rates are likely to increase to some extent, this comes from a relatively low base, with average voids for new spec-builds amounting to an average of only 6.5 months across 2023's transactions.

Indeed, the tentative improvement in financial conditions over recent months is bringing fresh signs of life in the development market. While some developers are still reeling from the correction, especially those that bought land prior to the crash in prices, others are now seeking opportunity to bring fresh supply into the market for 2025, albeit selectively, and reflecting rebased levels.

INCREASED BIFURCATION

As much debate arguably surrounds the supply of secondary space. Given the relative aversion to such product, 2023 saw secondhand supply increase for the first time since 2016. While this is from a very low base, growing bifurcation in demand over quality points to further growth in secondhand supply, as increasing numbers of occupiers relocate out of their existing buildings into high quality product.

This trend is certainly not unique to industrial & logistics, with the term 'flight to quality' typically more synonymous with the office sector. However, the prospect of rising secondhand supply brings enormous opportunity for investors to add value through sustainable retrofits of existing stock, particularly so for product which already provides the necessary physical attributes now demanded. And, in contrast with offices, warehousing is far more conducive to make the necessary interventions.

OCCUPIERS SUCK UP RENTAL GROWTH

Another trait of the market that was far from normal in 2023 was the continuing strength of rental growth. Prime headline rents increased by 8.7% on average across the UK markets in 2023, easing down on each of the two previous years but still very strong given the challenging conditions occupiers have faced and greatly improved supply in parts of the market.

The affordability of rents and the sustainability of rental growth rates are sources of much debate. While growth has been very steep over recent years, property costs are only one part of the cost equation, and many occupiers will view much higher rents as a necessary trade-off to secure an optimal location for transport and access to labour. That said, rents in parts of London and the wider South East appear eye-watering, frankly, and many more cost-sensitive occupiers have had to consider relocation, particularly the manufacturers.

In spite of the challenges, we expect meaningful rental growth to continue across much of the UK in 2024, with UK-wide average prime rental growth of 5% comparing well with other property sectors. However, we expect significant variation, with double-digit rental growth being seen in locations offering headroom for growth, most notably to the north of London and in South Yorkshire. Meanwhile, reflecting a flight to quality of demand, secondary rents are expected to increase by a shallower 4% in 2024, which would represent the greatest underperformance compared with prime on record.

WHERE ARE THE SELLERS?

2023 proved to be a frustrating year for the investment market, not so much due to a lack of demand but rather a lack of willing sellers. Despite this, annual volume of £6.8bn and positive single-digit returns compared well with other sectors of the property market, underscoring the relatively strong occupier market fundamentals associated with industrial and logistics.

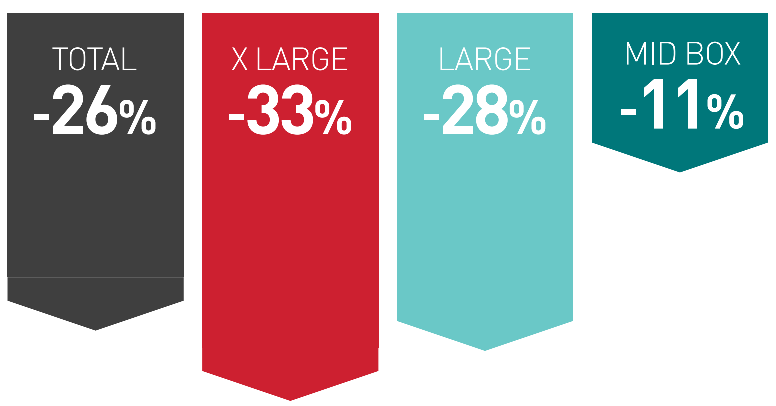
While the market will remain constrained compared with the boom, sentiment is improving thanks to widely-held expectations of a sequence of base rate cuts over the year ahead. There is significant dry powder ready to be deployed into the sector, most notably from the major overseas players, and this weight of money has the potential to drive a degree of yield compression at the prime end of the market.

The main threat to improving activity is currently on the sell-side. The institutions are not expected to provide as much stock as before, largely because so much has already been offloaded. More positively, the burst of M&A activity witnessed in recent months may translate into improving stock levels, while signs of life in the spec funding market should provide an outlet for investors seeking greater exposure to the market.

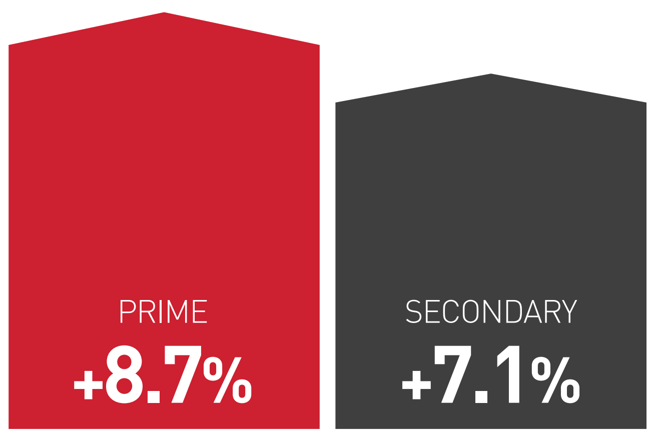
GLIDING INTO THE NEW CYCLE

While the boom of 2021 is unlikely to be repeated, UK industrial and logistics sector demand will continue to be underpinned by structural change, strategic adjustments to supply chains and an increased focus on ESG. As the market transitions into new cycle, logistics property has a secure role to play in supporting economic activity, and stands in contrast with other property sectors, where levels of supply appear to be increasingly out of step with occupier demand.

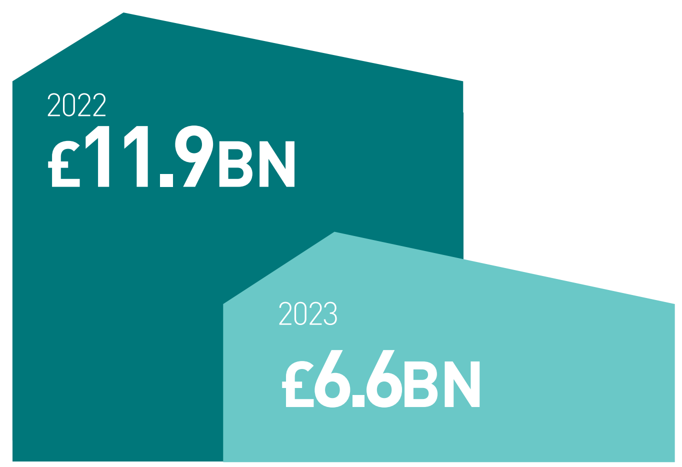
UK 2023 TAKE-UP VS FIVE-YEAR AVERAGE



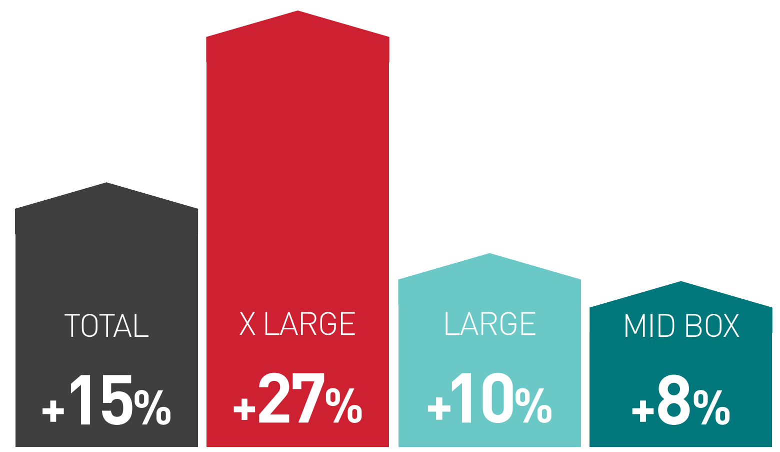
AVERAGE UK RENTAL GROWTH 2023



INVESTMENT VOLUME



UK CHANGE IN SUPPLY, Y-ON-Y



Source for all data unless stated: LSH Research

ECONOMIC BACKDROP

ROAD TO RECOVERY

While 2024 is hardly set to be a vintage year for the economy, a moderate recovery from 2023's mild recession is expected. Lower inflation and less restrictive financial conditions should provide a boost, to both the wider economy and the activities of logistics firms.

COMING OUT OF RECESSION

The UK economy fell into a modest recession in H2 2023, contracting by 0.1% in Q3 and 0.3% in Q4. However, Purchasing Managers' Index surveys have provided evidence of improved business activity in early 2024, with the Flash Composite PMI rising to a nine-month high of 53.3 in February. The services sector is leading the recovery, supported by loosening financial conditions, but its strength is contrasted by a still-contracting manufacturing sector.

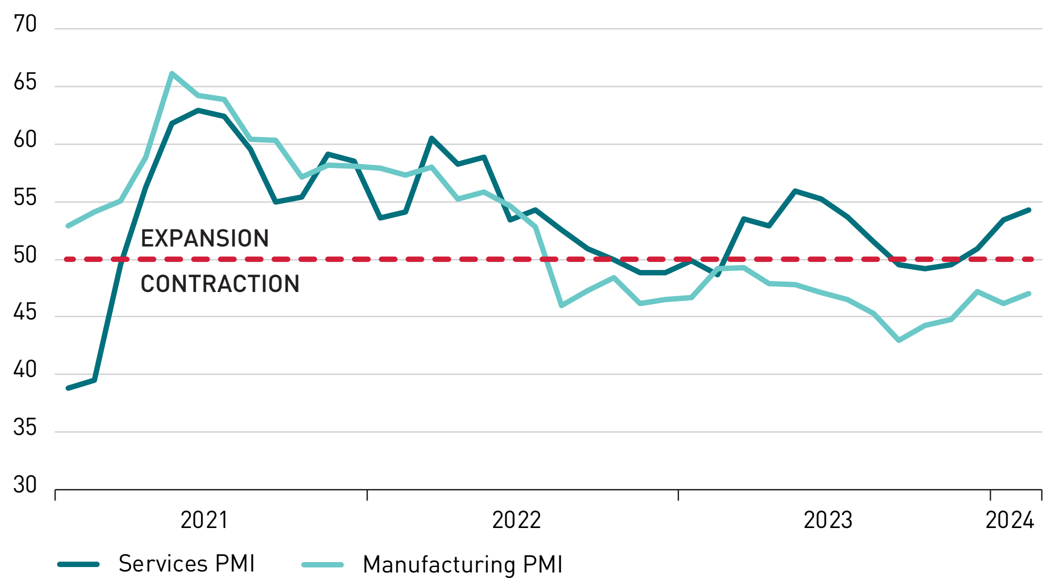
While recent PMI readings are consistent with a return to economic expansion, growth levels are expected to remain very modest for at least the first half of 2024. Lower inflation, real wage increases and interest rate cuts should help the economy to gain stronger momentum in H2 but, nevertheless, even the most optimistic forecasters anticipate that annual GDP growth will be no more than 1.0% this year.

TAMING INFLATION

High inflation was the root cause of the emergence of recession late-on in 2023, but the inflation outlook has improved considerably in recent months. The CPI rate has steadily fallen from a peak of 11.1% in October 2022 to 4.0% in January 2024, and further falls are widely anticipated due to favourable base effects and decreasing utility prices. The Ofgem energy price cap will fall by 12% in April, and this may be enough to push CPI inflation below the Bank of England's 2% target for the first time in three years.

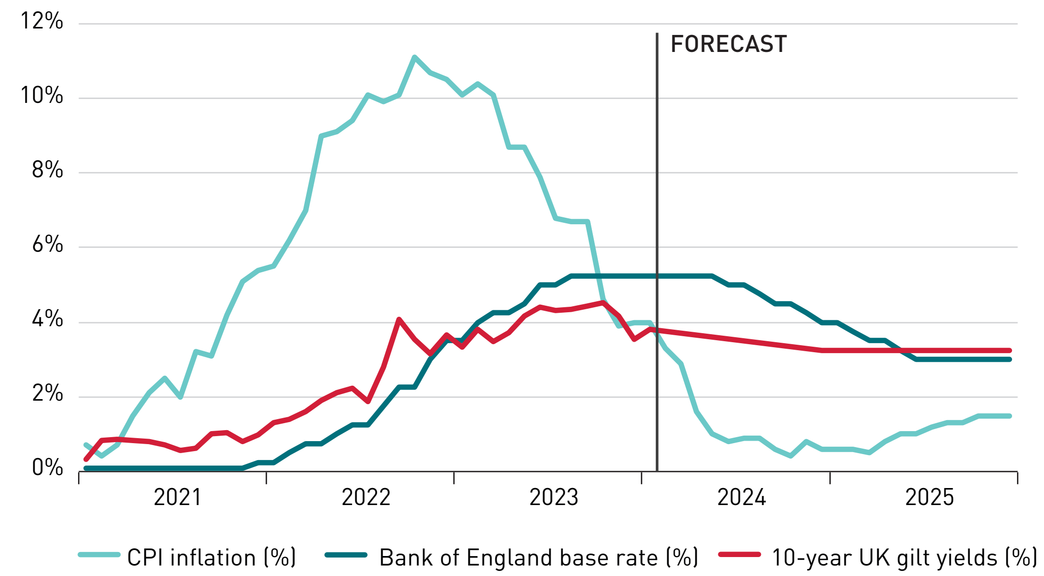
While the Red Sea crisis has created some new price pressures, pushing up shipping costs and lengthening shipping times, this is unlikely to derail the downward path of inflation in the immediate term. As inflation moves closer to 2%, scope should emerge for the Bank of England to start bringing down interest rates over the summer. Most economists expect that the first cuts will come at either the June or August meetings of the Bank's Monetary Policy Committee, with at least two more cuts anticipated by the year-end.

UK PMI INDEX (50 = NO CHANGE)



Source: S&P Global / CIPS

INFLATION, BASE RATE & GILT YIELDS (%)

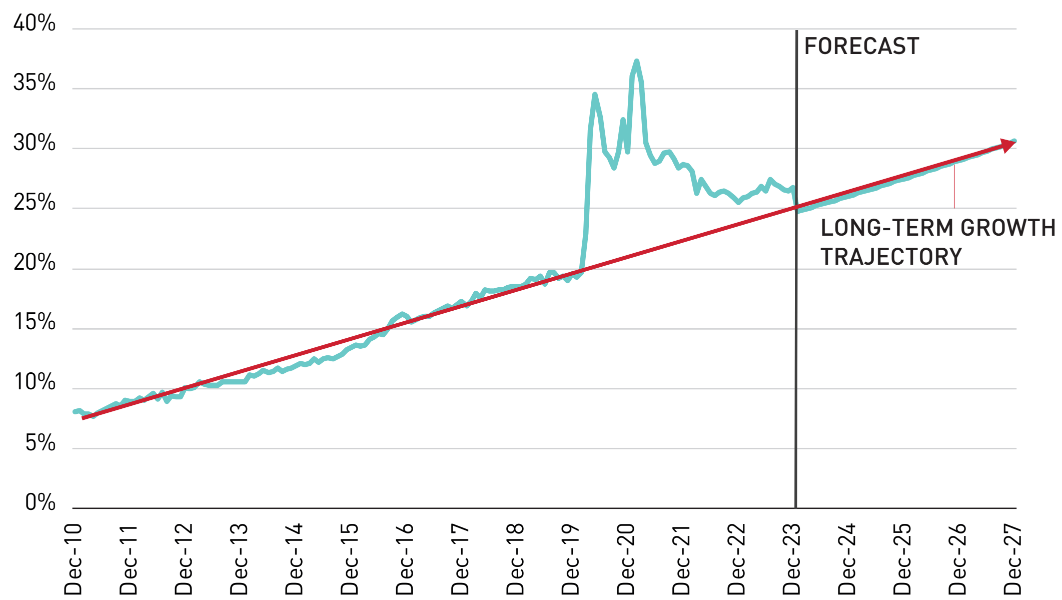


Source: Capital Economics

AVERAGE ANNUAL WAGE GROWTH (%)

Source: Office for National Statistics / Capital Economics

ONLINE SALES AS A PERCENTAGE OF TOTAL RETAIL SALES (%)



Source: Office for National Statistics / ECDB / LSH Research

LABOUR MARKET LOOSENING SLOWLY

Market expectations for the timing of rate cuts have moved outwards slightly since January, partly due to evidence of continued tightness in the labour market. The unemployment rate unexpectedly decreased to 3.8% at the end of 2023, a very low level compared with previous recessions.

Nonetheless, most other indicators point to a gradual loosening of the labour market. Job vacancies have continued to fall, dropping from a high of 1.3m in mid-2022 to 0.9m in January 2024. Wage growth is also clearly past its peak, with annual growth in total earnings falling from 8.5% last July to 5.8% at the end of 2023.

Although wage growth is easing, it remains high enough to remain a significant cost pressure for UK firms. With many logistics companies also disproportionately affected by higher shipping prices, many in the sector may feel that they continue to be impacted by rising costs, to an extent that belies falls in wider headline inflation.

BETTER YEAR FOR CONSUMERS

With wages rising faster than inflation, some of the pressure on household finances should ease over the coming months. Further boosts may also come from potential interest rate cuts and pre-election fiscal loosening. Average real household disposable incomes are forecast to rise this year, albeit they are not expected to recover to the levels seen prior to the cost-of-living crisis.

Real wage growth should support moderate increases in consumer spending in 2024. Signs of a pick-up in consumer activity have already emerged early in the year, with January seeing strong retail spending figures. Sentiment appears to be gradually improving, with consumer confidence indicators reaching their highest levels in more than two years.

ONLINE RETAIL GROWTH STALLS

The rise of online retail has stalled, with the sector remaining in a period of consolidation following the turbocharged growth seen during the pandemic. Online has consistently accounted for roughly a quarter of all retail activity over the last year; its share of total sales in January 2024 was 24.8%, well down on the peak of 37.3% seen in February 2021.

Some of the growth forecasts for online retail produced in the midst of the pandemic now appear wildly unrealistic, but the sector still has the potential to grow at more sustainable levels over the next few years. Industry analyst ECDB projects that UK ecommerce revenues will grow by 4.4% per annum over the next few years, taking online's market share to 30.6% in 2027. Alongside increasing moves towards on-shoring / nearshoring, growth on this scale should continue to steadily underpin ecommerce-driven demand for logistics property over the new cycle.

ELECTION YEAR

The looming general election will grab much attention in 2024, but it may not have a huge immediate impact on the economy. Labour's move towards the political centre ground appears to leave less riding on this election than the last one. The party's large lead in the polls means that a change of government is widely anticipated and unlikely to provoke a particularly strong reaction from financial markets or businesses. Indeed, any fallout from the UK election could be greatly overshadowed by November's US election, depending on its result.

Over the longer term, a new UK government could look to shift several policies affecting logistics companies with, for example, Labour pledging to renegotiate post-Brexit trade deals. However, the biggest concern could be the major fiscal challenges that appear to be lying in wait for whoever is elected, with post-election spending cuts or tax increases potentially needed to balance public finances.

SLOW RECOVERY AHEAD

Despite being an election year, 2024 should be less tumultuous for the economy than many years in recent memory. A recovery from 2023's minor recession may already be underway, but the rebound is likely to be slow with higher interest rates continuing to drag on activity. Economic momentum should gather as the year progresses, and risks to the outlook stem mostly from global geopolitical events, rather than domestic politics.

Source for all data unless stated: LSH Research

UK OCCUPIER MARKET

OCCUPIER MARKET OVERVIEW

While memories of the boom have started to fade, the occupier market nonetheless performed relatively well in the face of notable economic headwinds during 2023. Meanwhile, the marked recovery in supply and improved choice at the quality end of the market will help to stimulate activity into the new cycle.

BACK TO REALITY

At 42.2m sq ft, UK-wide take-up in 2023 was the lowest annual total since 2017, but this arguably reflected a return to more 'normal' levels of activity after the pandemic-induced surge of demand. While 2023's out-turn was significantly below the five-year annual average, it was slightly ahead of the annual average seen over the ten years prior to the pandemic.

2023 was bookended by two healthy quarters, with rising interest rates and heightened economic uncertainty coinciding with notably subdued take-up through the middle of year. Solid take-up of 10.4m sq ft in Q4 2023 was also flattered by Amazon's emphatic return to the big box market, with the ecommerce giant committing to a 2.3m sq ft build-to-suit unit at SEGRO Logistics Park Northampton.

2023 was characterised by a notable drop-off in transactions at the larger end of the market. Amazon's mega deal was 2023's only transaction above 1m sq ft, compared with five in each of the previous three years. XL segment (>250,000 sq ft) take-up was the weakest against trend, standing 33% below the five-year annual average, while the smaller mid box segment (50,000 – 99,999 sq ft) was the most resilient, with take-up in 2023 only 11% below average.

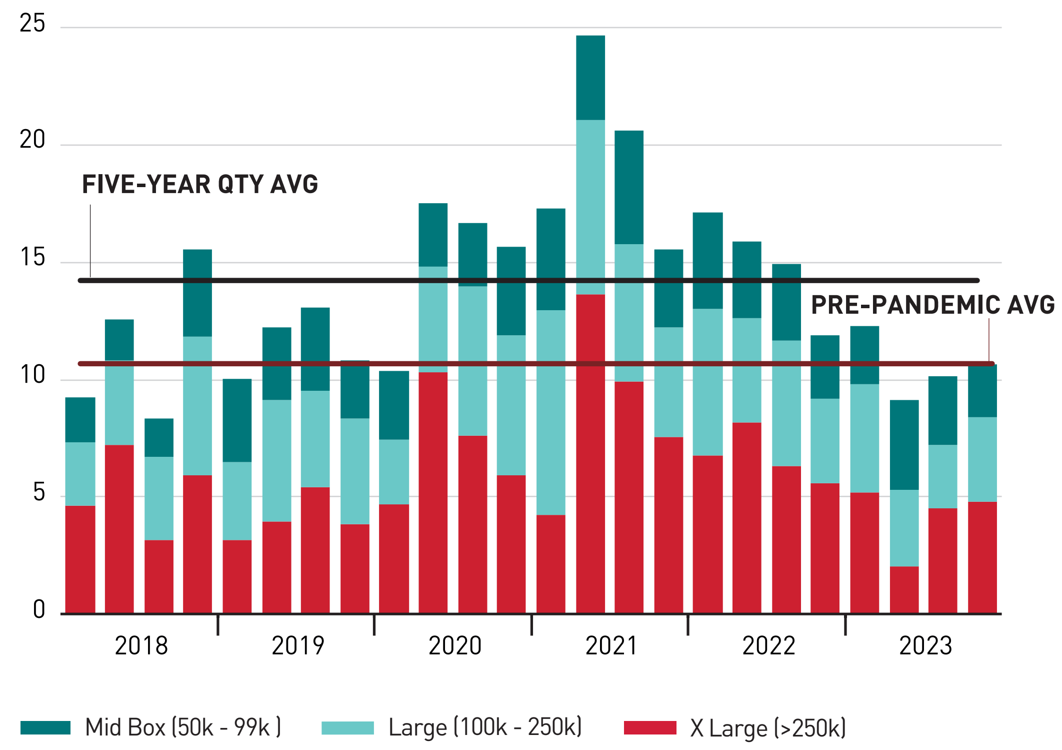
FLIGHT TO QUALITY CONTINUES

Despite the slowdown, activity has remained resolutely focused at the quality end of the market, with grade A space accounting for almost 70% of total take-up in 2023. This reflects a substantial improvement in the supply of quality space in the market alongside occupiers' increasingly discerning attitudes around ESG credentials and energy efficiency. By the same token, increasing aversion towards lower quality product was reflected in secondhand take-up slumping to a record low in 2023.

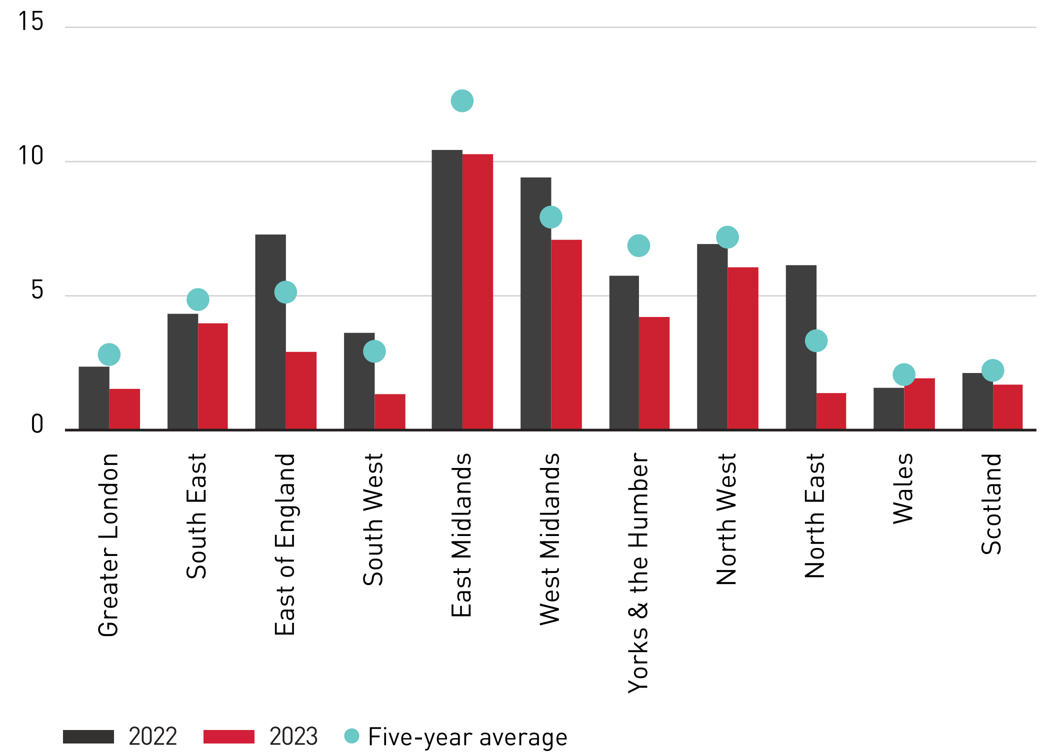
BROADER DEMAND PROFILE

The sectoral breakdown of occupier demand was spread relatively evenly in 2023, having been dominated by retailers and particularly Amazon during the boom period. The retail and wholesale sector still accounted for the largest share of take-up in 2023, but only just, with 30% of the total. This included the Amazon deal and several major deals from the likes of Sainsbury's, Zara and Tesco.

UK TAKE-UP (M SQ FT)



UK TAKE-UP BY REGION (M SQ FT)



The manufacturing sector followed closely behind retail, accounting for 28% of 2023's take-up and rising from a 22% share of the market in 2022. The West Midlands and the North West regions were a key focus of manufacturing demand, while securing production into supply chains and increasing moves towards nearshoring continued to spur activity.

Third party logistics operators were notably active in the first half of the year, with occupiers including Maersk and Syncreon committing to 685,000 sq ft and 598,050 sq ft units respectively at SEGRO schemes in the Midlands. However, fewer deals taking place in H2 pulled 2023's overall share of take-up from third party operators down to 20%, from 26% in 2022.

NO REGION IMMUNE

No region was spared from the slowdown in occupier demand in 2023, with all of them recording take-up below their respective five-year annual averages. That said, some fared better than others, most notably the East Midlands, where annual take-up of 10.3m sq ft was only 2% down on 2022 and 16% below the five-year average. In contrast, the North East was the weakest performing region, with take-up of 1.3m sq ft 59% below average and comprising only nine deals.

SUPPLY RECOVERS

Supply has staged a meaningful recovery from 2021's all-time low, fuelled by a combination of slower take-up, a development boom and an increased volume of existing space coming back to the market. UK-wide supply increased by 15% in 2023, with the availability rate climbing from 4.6% to 5.9% over the year. However, supply remains tight in its historic context, equivalent to only 1.3 years of average annual take-up.

By size-band, the XL segment saw the strongest rebound in supply, rising 27% year-on-year, while mid box saw the shallowest increase, rising 8% year-on-year. In terms of quantum, the large segment is the most well-supplied relative to demand, equivalent to 1.5 years of average take-up, while mid box possesses the highest availability rate, at 7.9%.

Moreover, the underlying make-up of supply has completely shifted following unprecedented levels of speculative development. New and refurbished space now accounts for a record 67% share of total supply, rising from a 41% share in 2019 and a just a 12% share a decade ago.

VOIDS CREEP UP

Inevitably, the calming of demand and a significant influx of new supply has been reflected in rising void periods. For deals transacting in 2023, the average void period across the UK stood at 8.5 months, rising from 7.4 months in 2022.

However, reflecting an emphasis on quality, transactions for new build spec units showed significantly shorter void periods, averaging 6.6 months in 2023 compared with 9.8 months for secondhand units. Void periods also differ according to size. In the XL segment, voids averaged only 4.0 months from the deals done in 2023, which compared with 9.4 months for mid box units, albeit supply in this segment contains a higher proportion of secondhand space.

SPEC DEVELOPMENT EASES

Speculative development activity slowed significantly in 2023, an inevitable consequence of higher finance costs and weaker investor sentiment compared with two years ago. At the end of 2023, 14.3m sq ft was under construction across the UK, down 39% from the record high seen at the end of 2022.

The XL segment led the fall in speculative development, while only two regions recorded a year-on-year increase in speculative development, namely Greater London and Scotland. The East Midlands is once again the UK's most active region for speculative development with 2.6m sq ft underway at the end of 2023.

While more occupier-controlled space is returning to the market, a moderating speculative development pipeline is likely to help keep a lid on supply, placating concerns over possible oversupply.

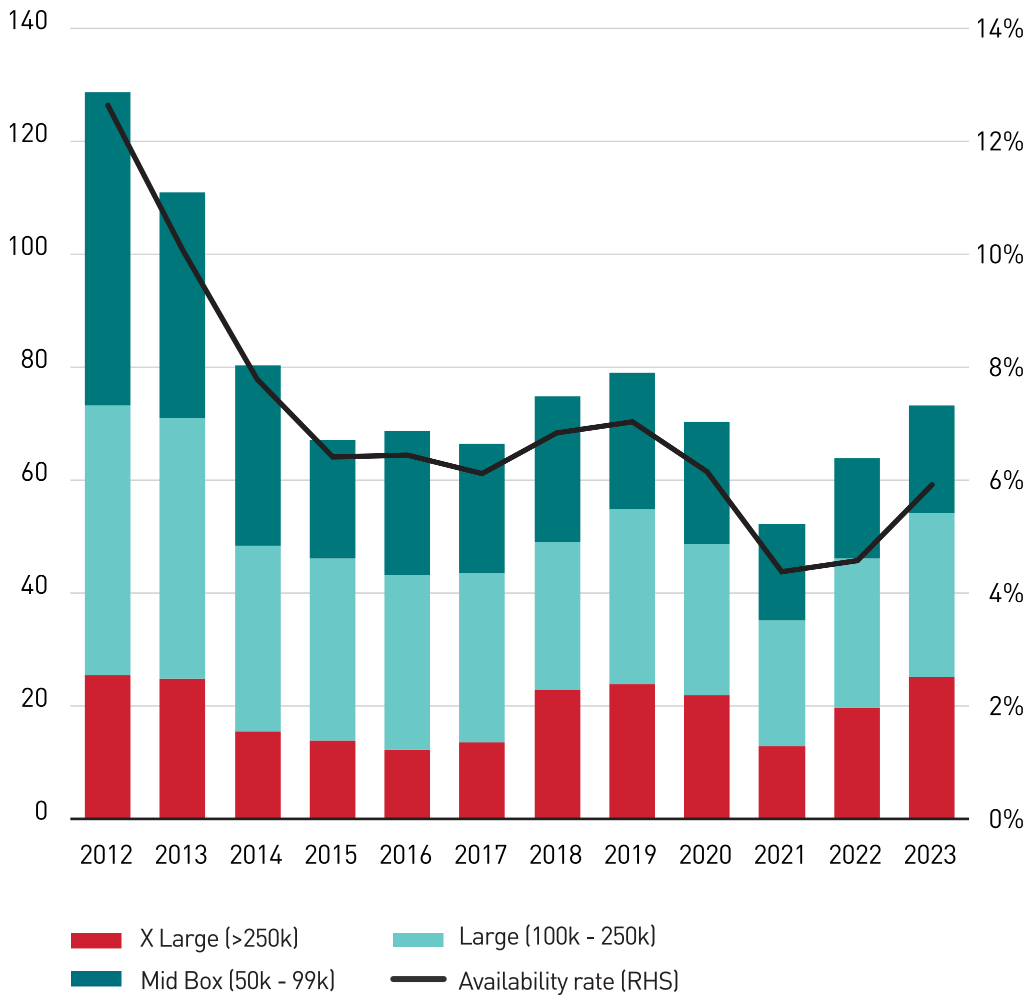
STRONG RENTAL GROWTH

While the pace of rental growth has eased since the heights of 2021, it remained firmly in growth territory in 2023. Across the UK's 60 key markets, average prime rents for circa 50,000 sq ft units increased by 9% over the year to Q4 2023, easing from 13% in the previous year. While the calming of occupier demand and recovering supply levels will lead to a further easing down of growth in 2024, occupiers' willingness to pay a premium for quality space will continue to support growth, especially in key locations where grade A supply is limited.

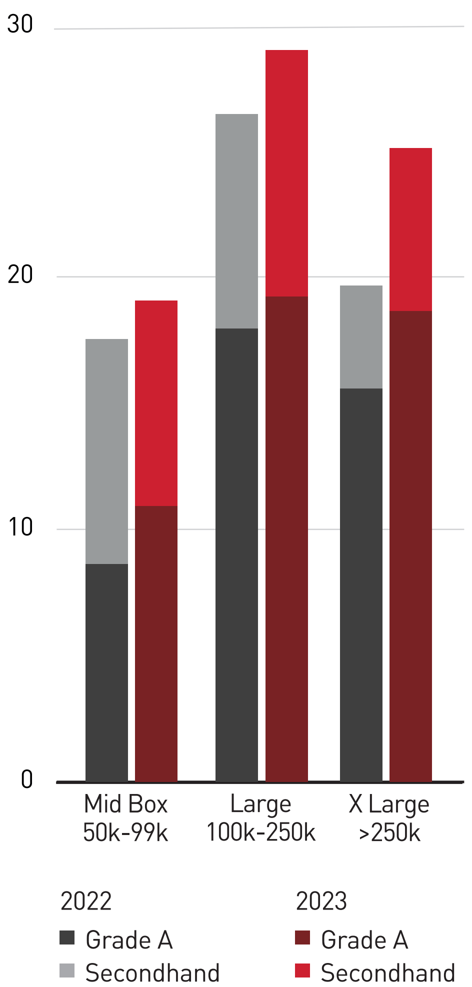
With annual growth of 15% and 14% respectively, the West Midlands and East Midlands recorded the strongest growth at the regional level during 2023. Within the Midlands, Coventry (+28%) and Northampton (+22%) exhibited the strongest growth while, elsewhere, Southampton (+27%) and Manchester (+21%) saw some of the strongest growth among the 60 key markets.

Secondary rents also increased over 2023, albeit to a lesser extent than prime. On average, secondary rents increased by 7% over the year to Q4 2023, down from 13% in Q4 2022. Consequently, 2023 marks the largest outperformance of prime rental growth since 2011, and arguably reflects the growing flight to quality seen in the market.

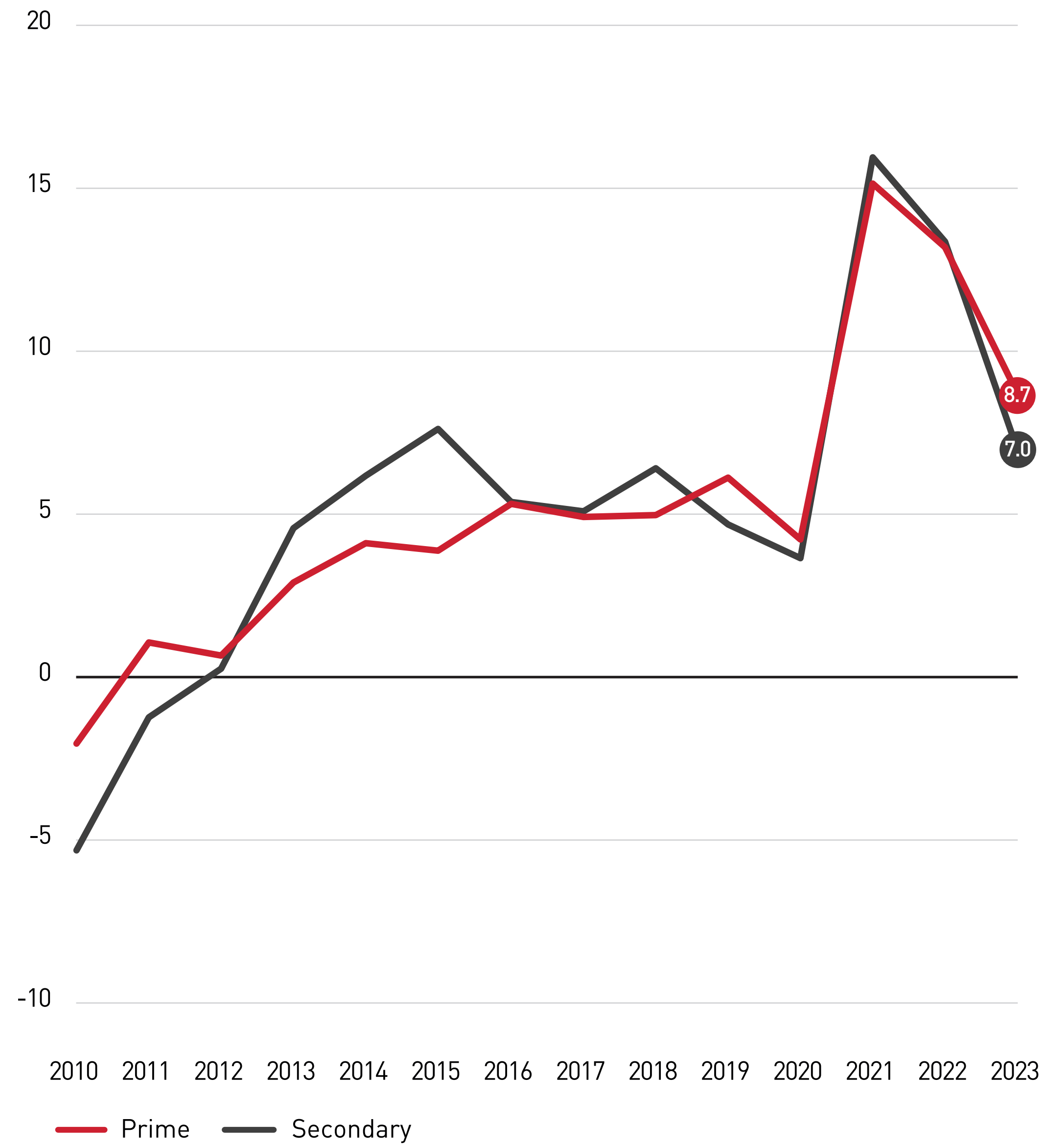
UK AVAILABILITY BY SIZE-BAND (M SQ FT)



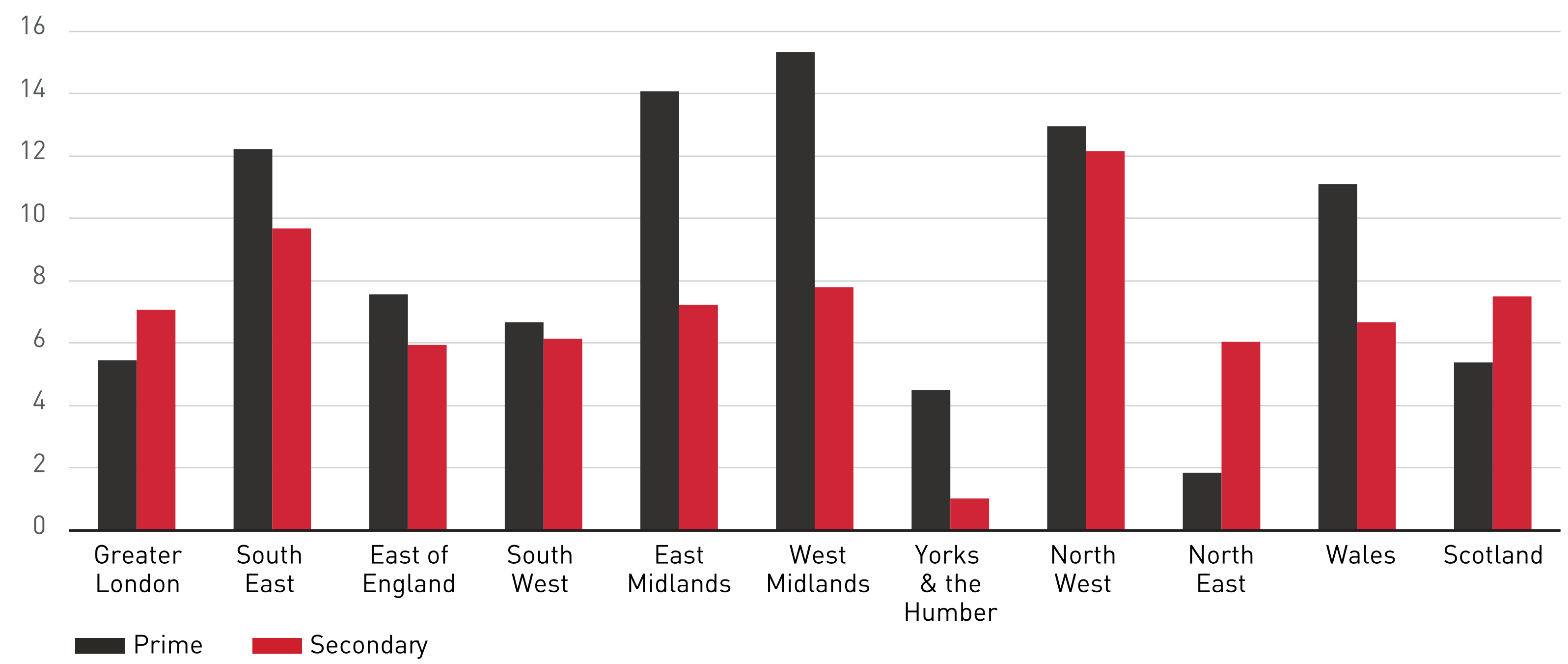
UK AVAILABILITY BY SIZE AND GRADE (M SQ FT)



AVERAGE UK RENTAL GROWTH (%)



REGIONAL AVERAGE RENTAL GROWTH IN 2023 (%), 50,000 SQ FT UNITS



Source for all data unless stated: LSH Research

X LARGE

BIGGER THE BETTER

The XL arena is expected to show the greatest degree of resilience of the three segments, as strategic moves to consolidate operations into larger units and a gradual shift towards onshoring underpin demand over the next cycle.

TAKE-UP (M SQ FT)
16.4

TAKE-UP VS 5-YEAR AVG
-33%

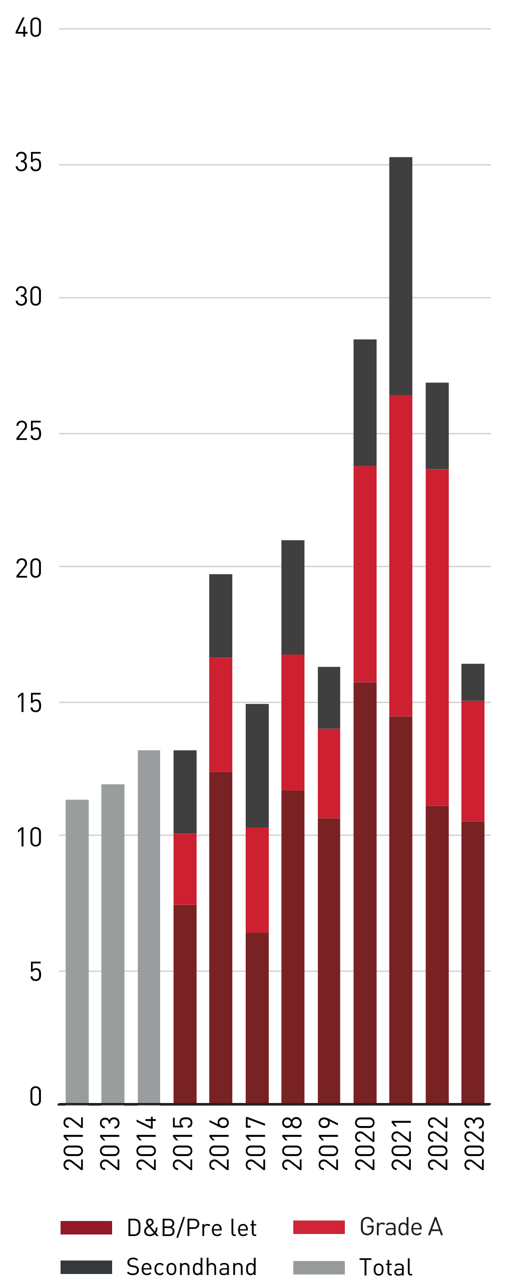
SUPPLY (M SQ FT)
25.1

YEARS OF SUPPLY
1.0

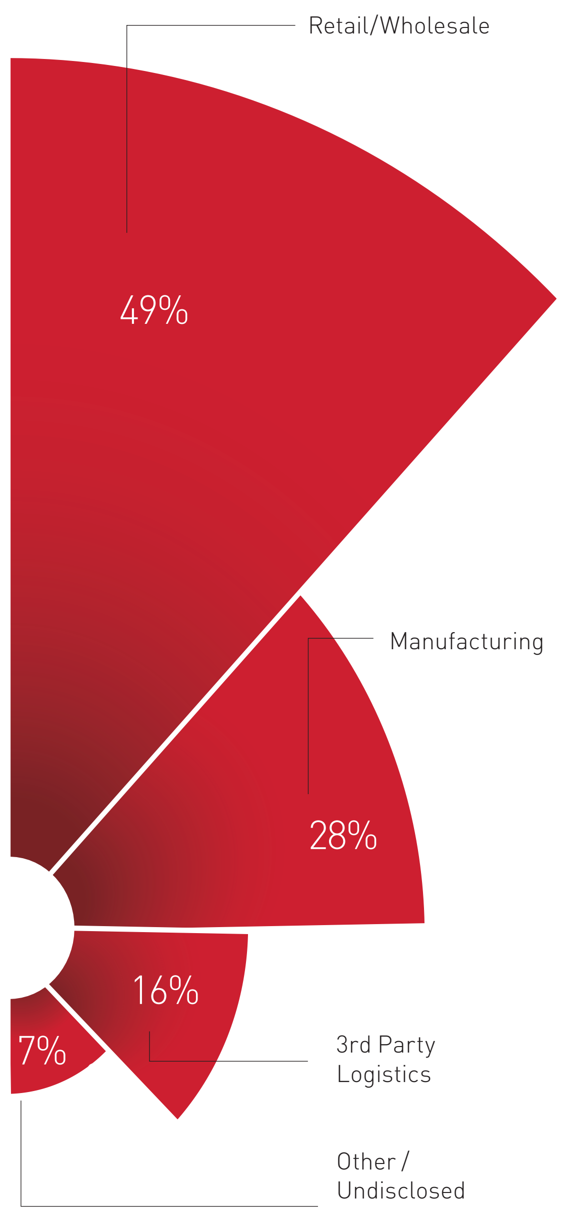
AVAILABILITY RATE
4.4%

SPEC U/C (SQ FT)
4.8m

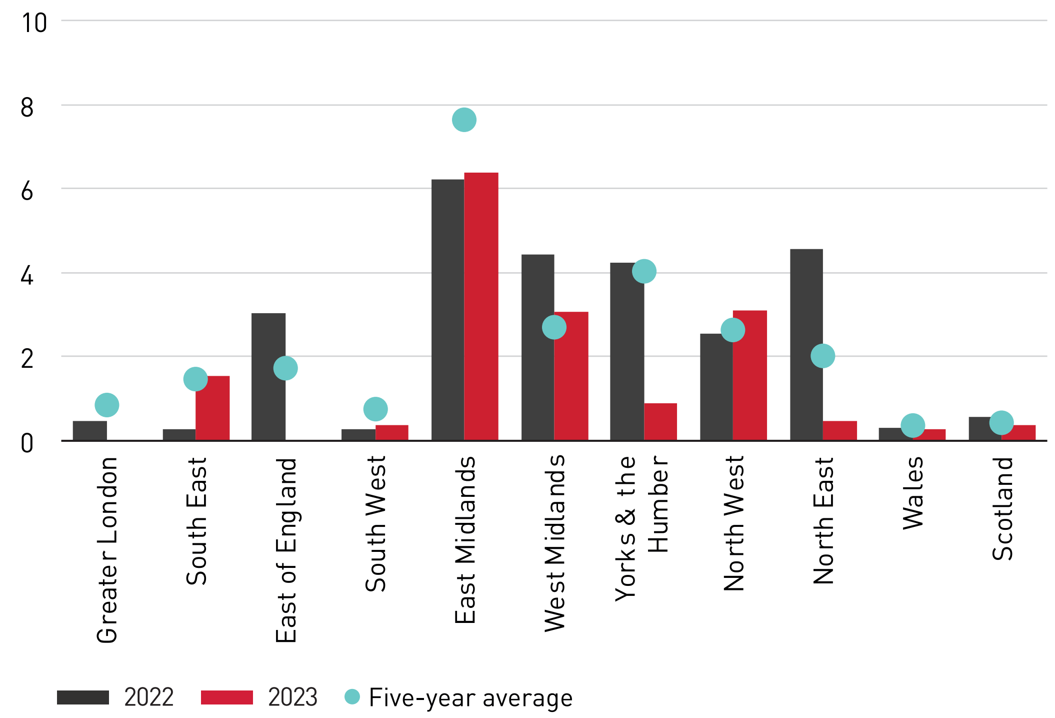
TAKE-UP BY GRADE (M SQ FT)



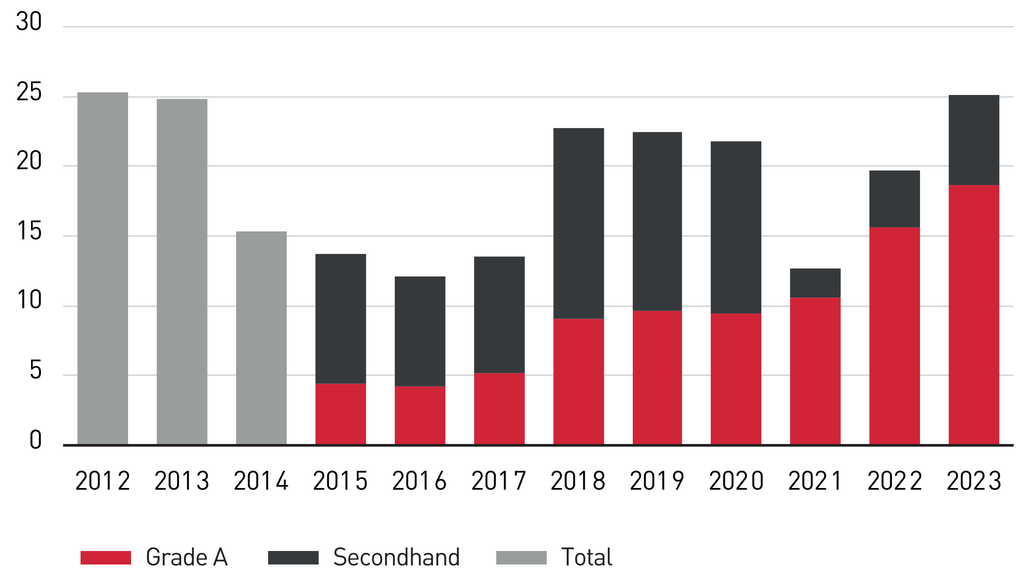
TAKE-UP BY OCCUPIER TYPE (%)



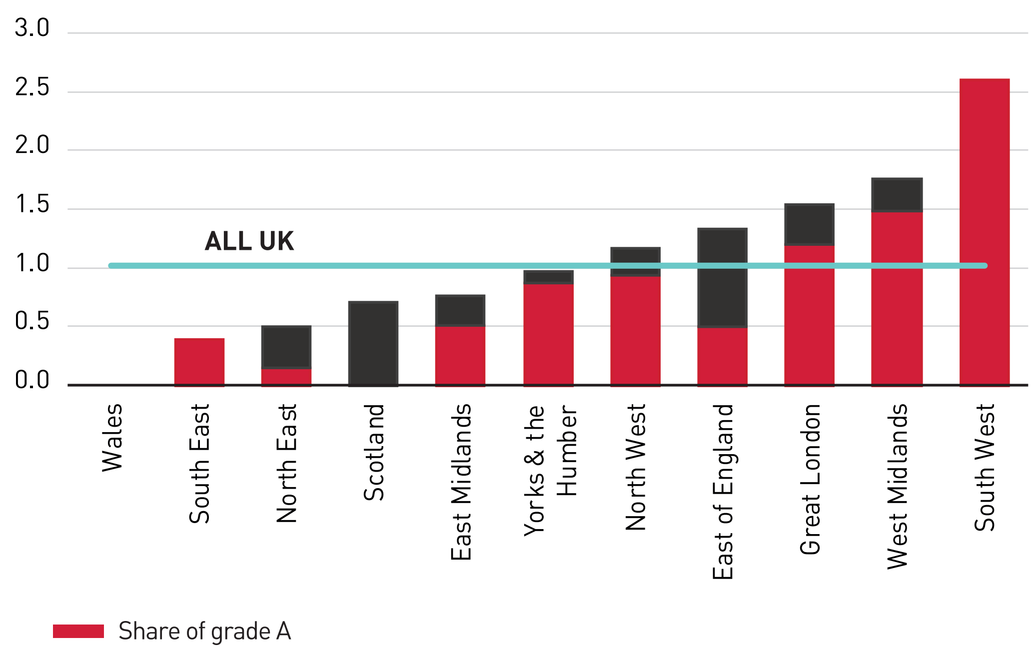
TAKE-UP BY REGION (M SQ FT)



AVAILABILITY BY GRADE (M SQ FT)



YEARS OF SUPPLY BY REGION



DEMAND

XL demand shifted back to pre-pandemic levels in 2023, with UK-wide take-up of 16.4m sq ft the lowest since 2019 and 33% below the five-year annual average. Build-to-suit activity was the most resilient, accounting for a substantial 64% of take-up, albeit Amazon's colossal 2.4m sq ft pre-let in Northampton was key. In contrast, take-up of secondhand space slumped to a record annual low of 1.4m sq ft and comprised only four deals.

Retail and wholesale regained its crown as the most active sector in the XL segment, with its share of take-up rebounding from 2022's low of 23% to 49% in 2023. Despite the scale of the above deal, Amazon was behind only three XL deals in 2023, with other retailers such as Zara and the major supermarket chains being key to activity.

Manufacturing featured prominently again in 2023, accounting for 28% of XL take-up, albeit its share was significantly down on 2022's level. Activity from third-party logistics providers was notably quiet in the largest size bracket in 2023, with its share of the market dropping to account for only 16% of total XL take-up.

While XL take-up in 2023 was below the annual average in the majority of UK regions in 2023, the North West and West Midlands notably bucked the trend, with take-up 18% and 13% ahead of their respective averages. While the logistics heartland of the East Midlands saw XL activity run 16% below average in 2023, it still commanded a leading 39% share of UK take-up in the segment.

SUPPLY

Fuelled by a wave of development, UK XL unit supply has doubled in the space of two years to an 11-year high of 25.1m sq ft. Despite the strong increase, XL remains the tightest-supplied segment, equivalent to only 1.0 years of average take-up and an availability rate of 4.4%.

New spec and refurbished supply increased by 20% year-on-year to a new high of 18.7m, and now accounts for a substantial 75% of the total. While secondhand XL supply is comparatively limited, at 6.4m sq ft, it expanded by 55% year-on-year as an increasing number of occupiers opted to consolidate and /or relocate into better quality accommodation.

Most regions recorded an increase in supply in 2023, the one clear exception being the South East, where availability fell 70% year-on-year. The East Midlands offers the most supply in absolute terms, with 23% of the UK's total, while the South West and the West Midlands are the most well-supplied relative to demand, equivalent to 2.6 and 1.8 years of average take-up respectively.

Speculative development slowed significantly in 2023, with total XL space under construction halving from last year's high to 4.8m sq ft. For the second year running, Yorkshire & the Humber is home to the largest amount of development, with 1.5m sq ft under construction, closely followed by the East Midlands and West Midlands, where 1.4m sq ft and 1.3m sq ft is underway respectively.

Source for all data unless stated: LSH Research

LARGE

SUPPLY REBOUND

An unprecedented development response in this segment has driven a sharp rebound in supply levels. While demand will be drawn towards this high-quality stock, this will unlock a wave of opportunity to undertake sustainable retrofits of older stock.

TAKE-UP (M SQ FT)
14.0

TAKE-UP VS 5-YEAR AVG
-28%

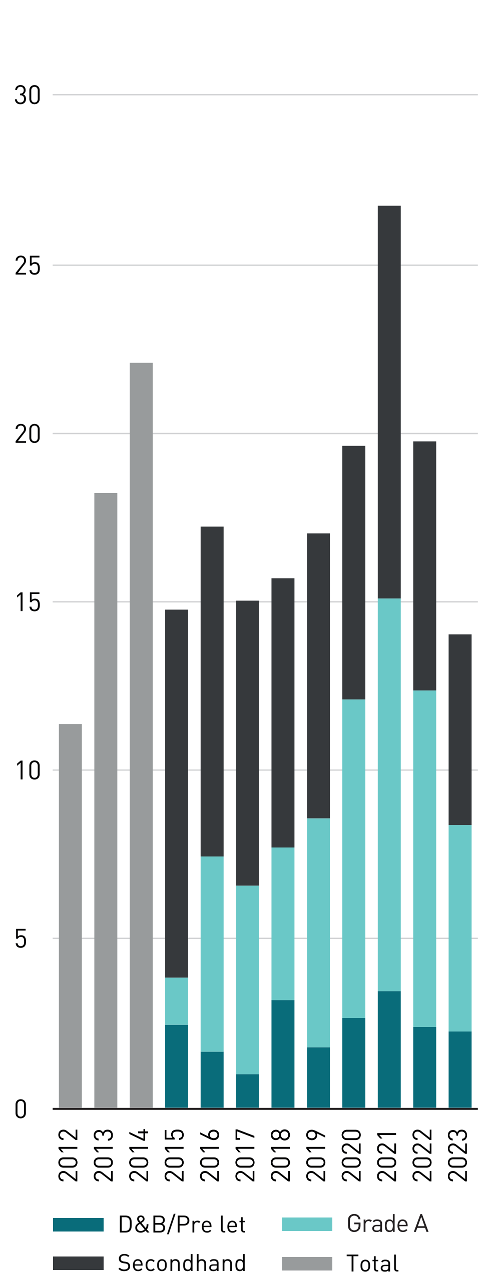
SUPPLY (M SQ FT)
29.0

YEARS OF SUPPLY
1.5

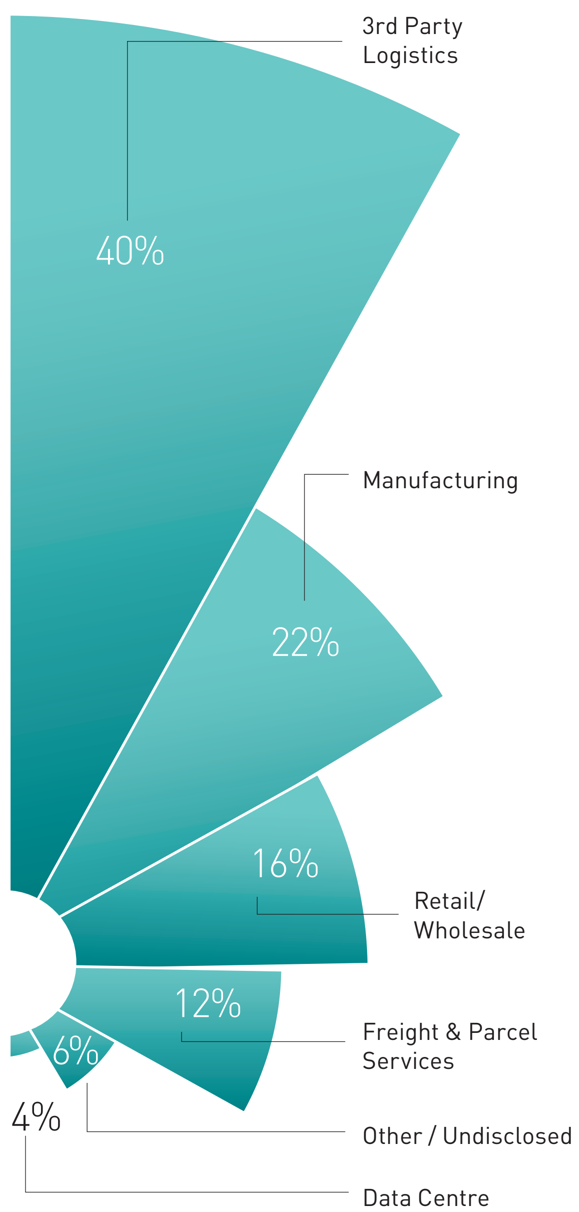
AVAILABILITY RATE
7.0%

SPEC U/C (SQ FT)
6.1m

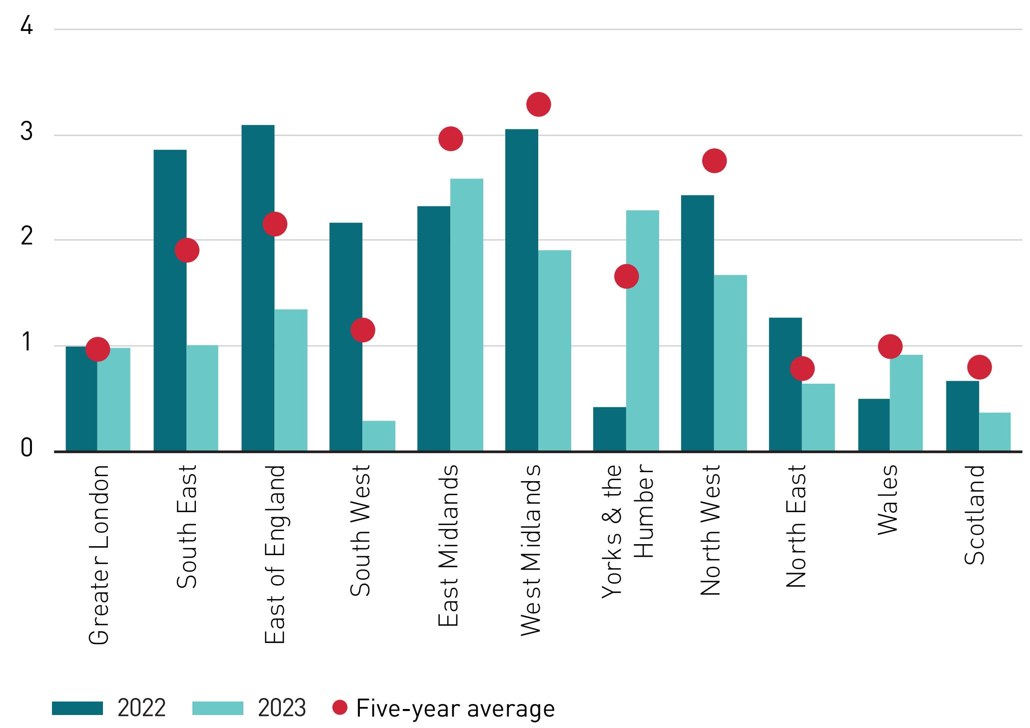
TAKE-UP BY GRADE (M SQ FT)



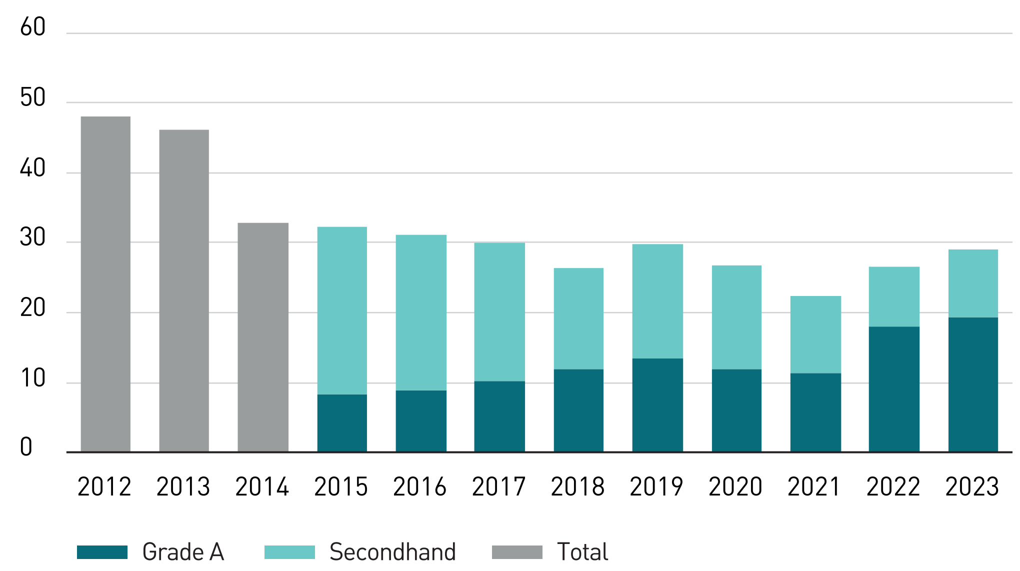
TAKE-UP BY OCCUPIER TYPE (%)



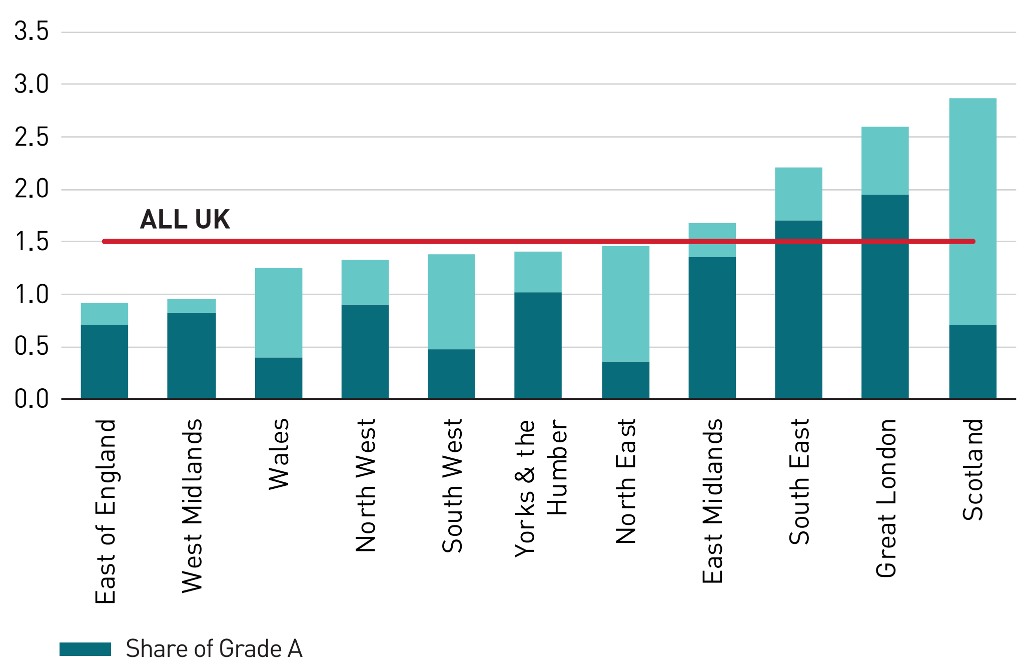
TAKE-UP BY REGION (M SQ FT)



AVAILABILITY BY GRADE (M SQ FT)



YEARS OF SUPPLY BY REGION



DEMAND

While the larger XL segment saw the weakest activity against trend in 2023, large segment take-up of 14.0m sq ft was the lowest annual total since 2012. More positively, take-up in this segment rebounded in Q4 2023, rising 35% from Q3's seven-year low to 3.6m sq ft.

Take-up continued to focus on spec built and newly refurbished space in 2023, accounting for 40% of take-up. However, design and build was the most resilient part of the market in 2023, with take-up of 2.3m sq ft only 9% below the annual average. Conversely, reflecting a flight to quality, take-up of secondhand space slipped to 5.6m sq ft in 2023, down 29% year-on-year and the lowest on record.

Fortunes were very mixed at the regional level. Following a dire year in 2022, Yorkshire & the Humber saw a five-fold year-on-year increase in large segment take-up to hit a record 2.3m sq ft in 2023. While the East Midlands and London both saw large segment take-up broadly in line the annual average, the South West saw take-up slump to a record low and 75% below trend.

Third party logistics emerged as the main driver of demand in this segment during 2023, accounting for an unprecedented 40% of total annual take-up and rising from 29% in 2022. Conversely, retail & wholesale lost its long-held status as the leading source of take-up in this segment, with its share of take-up falling from 35% in 2022 to just 16% in 2023.

SUPPLY

UK large segment supply climbed by a further 10% year-on-year to stand at 29.1m sq ft, its highest level since 2019. Relative to prevailing demand, large segment supply moved fractionally ahead of mid box by the end of 2023, equivalent to 1.5 years of average annual take-up. However, the availability rate in this segment is lower than mid box's, standing at 7.0%.

New spec and refurbished space now accounts for a substantial two thirds of total large segment supply, broadly unchanged from its share a year previously. However, secondhand supply increased at a sharper rate during 2023, rising 15% from 2022's record low level. This is the first annual increase since 2019, and reflects increased occupier moves to consolidate or relocate.

Supply movements varied significantly between the UK regions, ranging from a 30% year-on-year fall in Yorkshire & the Humber to a 55% year-on-year increase in Greater London. The capital is now among the best-supplied UK regions relative to demand, equivalent to 2.5 years of average take-up. This stands in stark contrast with the East region, where less than one year of supply is available.

Development activity in the large segment has eased from an all-time high a year ago, with space under construction down 36% year-on-year to 6.1m sq ft. Well over half of this is situated in broadly equal measure across the East Midlands (1.0m sq ft), South East (1.1m sq ft) and the North West (1.3m sq ft).

Source for all data unless stated: LSH Research

MID BOX

CATCHING UP

Speculative development in the mid box sphere, though not as prolific as seen in the larger segments, has provided a much-needed injection of quality product into the market, in the process driving strong rental growth.

TAKE-UP (M SQ FT)
11.8

TAKE-UP VS 5-YEAR AVG
-11%

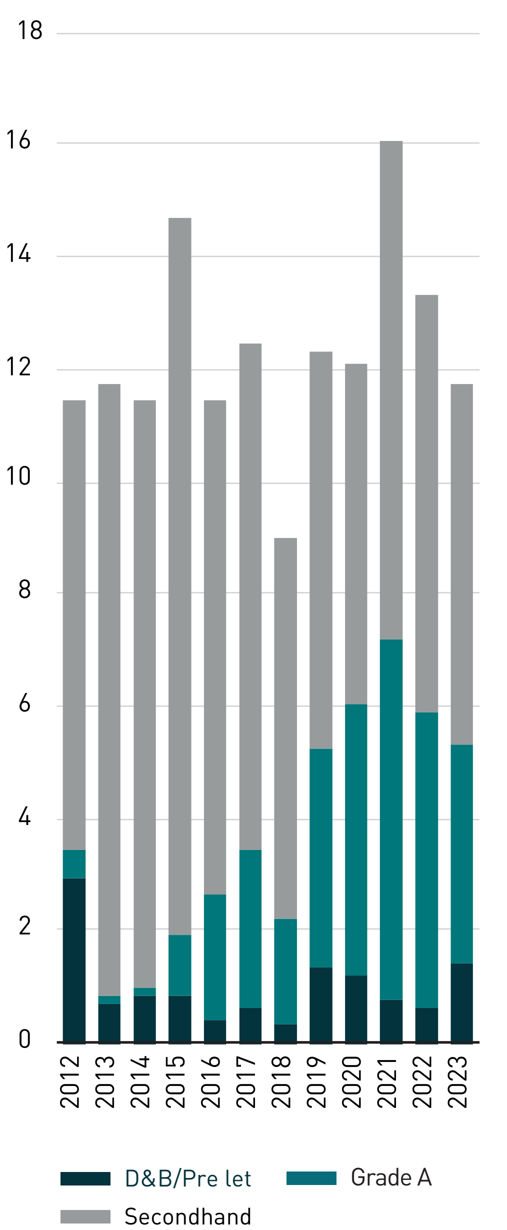
SUPPLY (M SQ FT)
19.1

YEARS OF SUPPLY
1.4

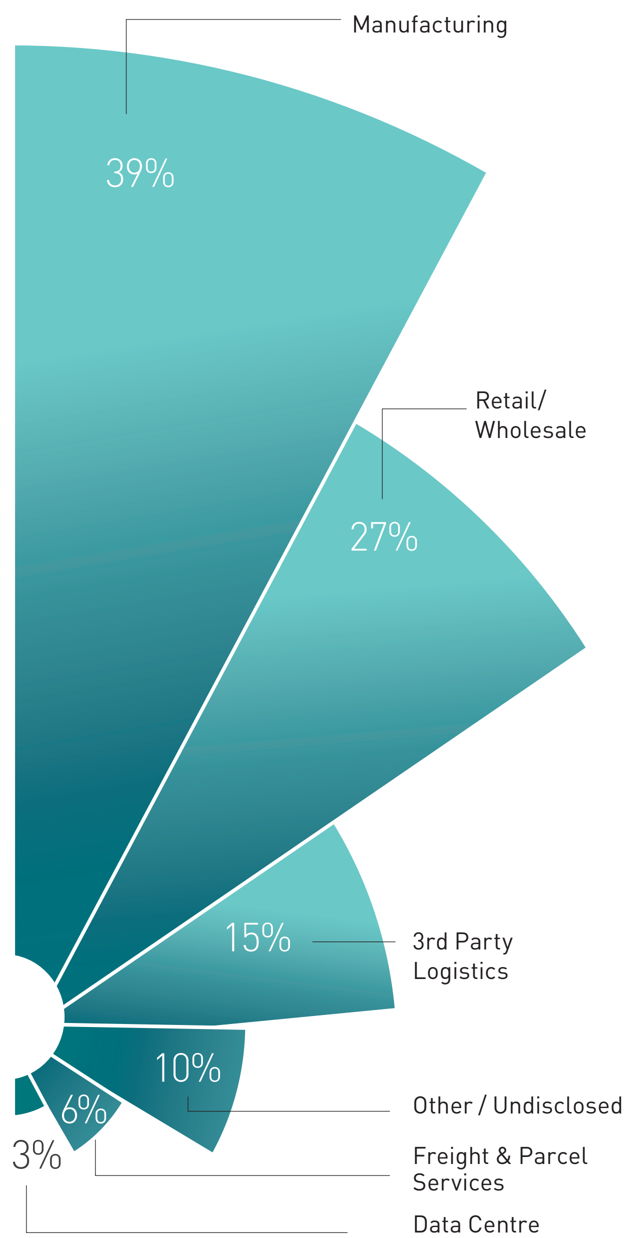
AVAILABILITY RATE
7.9%

SPEC U/C (SQ FT)
3.4m

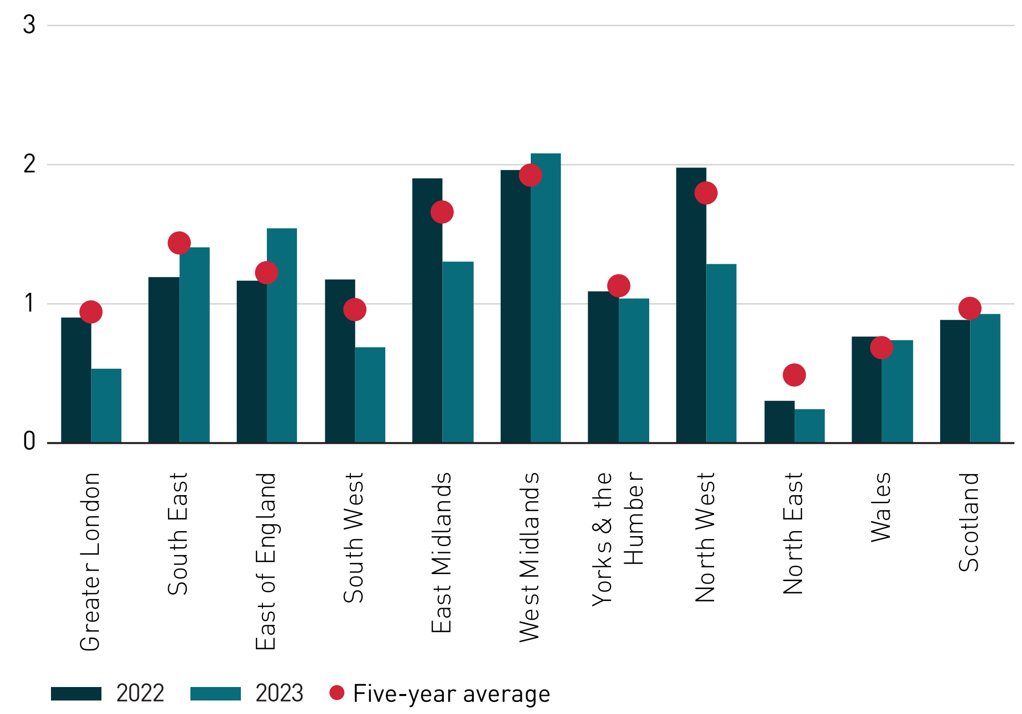
TAKE-UP BY GRADE (M SQ FT)



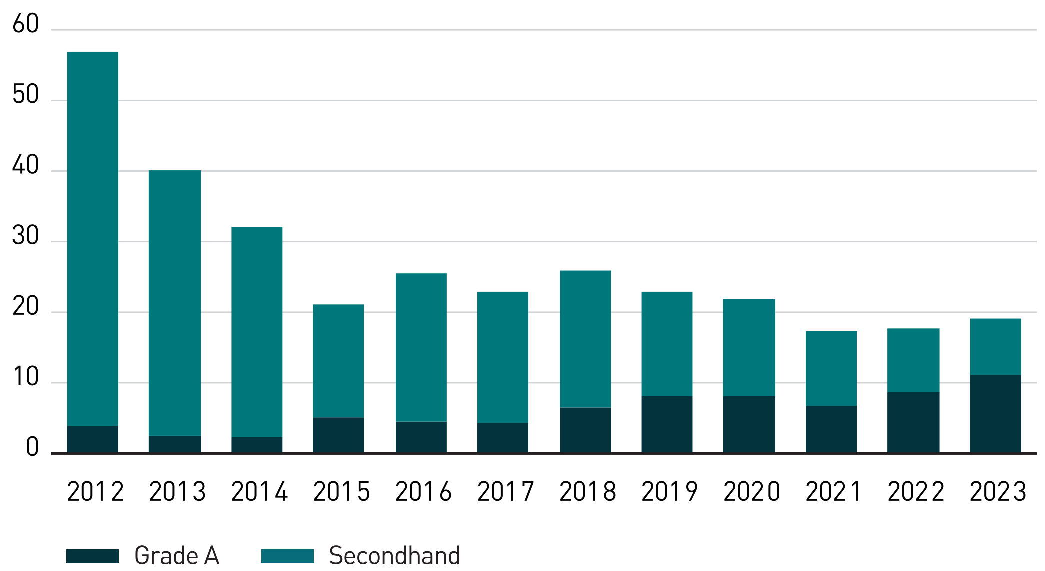
TAKE-UP BY OCCUPIER TYPE (%)



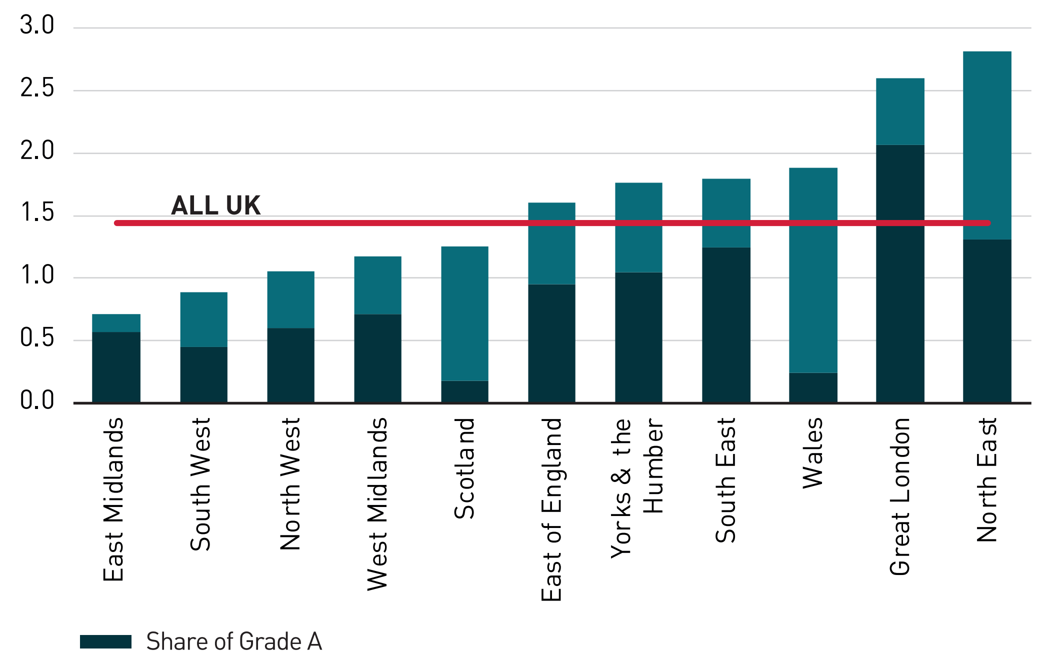
TAKE-UP BY REGION (M SQ FT)



AVAILABILITY BY GRADE (M SQ FT)



YEARS OF SUPPLY BY REGION



DEMAND

Mid box take-up hit 11.8m sq ft in 2023, 12% below 2022's level and 27% below 2021's record. Mid box was the most resilient segment against trend, however, with take-up only 11% below the five-year annual average. Grade A space was prominent once again, accounting for 45% of total take-up and including a record 1.4m sq ft of design and build transactions.

Most UK regions echoed the national pattern in 2023, six of which saw take-up falling below both 2022's level and the annual average. Greater London was the most subdued, with take-up of 530,000 sq ft the lowest in 10 years. Two regions clearly bucked the wider trend; take-up in the West Midlands climbed 6% on 2022's total to a four-year high of 2.1m sq ft, while East region take-up of 1.5m sq ft was 26% above average and just below 2015's record.

Manufacturing's usual preponderance in the mid box segment expanded in 2023 to account for a notable 32% of total take-up, rising from 29% in 2022. Subdued activity across other key sectors largely explained mid box's below-par year, particularly so third-party logistics, whose 12% share of 2023 take-up was approaching half that in 2022. Although the parcel sector rarely accounts for more than 15% of mid box take-up, it was especially quiet in 2023, making up just 5% of the total.

SUPPLY

While UK supply picked up across all segments in 2023, mid box saw the smallest increase, rising by 8% year-on-year to 19.0m sq ft. That said, mid box is the best-supplied of the three segments, with the UK-wide availability rate standing at 7.9%. The underlying make-up of mid box supply has also shifted markedly in response to a wave of development, with speculative and refurbished units accounting for a record 57% share of the total.

The South East saw the biggest rebound in supply over 2023, rising by 79% from 2022's record low. For the first time, the region possesses the leading share of UK mid box supply, with 13% of the total, a trait normally associated with the West Midlands. Meanwhile, the South West was the only region to see a notable downward shift in supply, falling 32% year-on-year to a record low of 854,000 sq ft.

Greater London and the North East possess the highest supply relative to demand, equivalent to 2.7 and 2.8 years of average annual take-up respectively. This contrasts sharply with elsewhere in the UK, most notably the South West and East Midlands, where supply is equivalent to less than one year of average take-up.

Relative to the other segments, speculative development in the mid box space was broadly sustained in 2023, with space under construction down 19% year-on-year to 3.3m sq ft. The direction of activity varied significantly between the UK regions, five of which saw an increase in speculative development year-on-year. The East region is now a key focus of activity, with 728,000 sq ft of speculative space under construction, much of which is in Hertfordshire.

Source for all data unless stated: LSH Research

PLANNING FOR GROWTH

ALEX ROBERTS
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While the boom has long-receded, structural change will continue to drive demand for industrial land. But, is national and local government doing enough to ensure these longer-term needs are met? Alex Roberts, LSH's Head of Economics and Planning Policy, discusses the latest policy positions and how we assist developers to navigate the system.

The latest NPPF (National Planning Policy Framework), published in December 2023, provided no changes on how local authorities should plan for industrial space. This contrasts with a raft of key changes that impact the wider development industry, especially residential.

A healthy supply of industrial land is key to fostering economic growth. It provides space for businesses to expand and relocate to, while land set aside for warehousing and logistics is vital to build resilience and efficiencies in the supply chain. So, what is national and local planning policy doing to address this?

The NPPF contains a rather measly one-and-a-half-page section covering the economy. Entitled Building a Strong and Competitive Economy, it provides succinct direction to local authorities over how planning decisions should be made and what needs to be considered when preparing Local Plans.

Given limited guidance, ensuring that an area's economic needs are adequately assessed and that sufficient supply of land is made available is, all-too-often, given insufficient consideration. This gives developers and occupiers little certainty over where the next tranche of sites will be, with speculative planning applications typically used to bring forward sites that meet the demands of market.

The allocation of land for strategic employment sites, including big box logistics, is often ill-considered. This typically requires several adjoining local planning authorities to collectively agree an approach over how uses are effectively distributed across a wide area. This can cause long delays, potentially leading to heightened risk in the development process and missed opportunities to capture latent demand.

Focusing on three different parts of England, the rest of this piece explores how local authorities are working to ensure industrial and strategic warehousing demand is being properly planned for, and how to best ensure speculative sites can be supported by evidence at planning committee or appeal.

SPOTLIGHT ON LONDON

Consultation on Industrial Land and Uses: London Plan Guidance (LPG)

In December 2023, the GLA announced a consultation on a new Industrial Land and Uses London Plan Guidance. This provides greater clarity on the implementation of industrial land policies (E4-E7) in the London Plan, and gives guidelines for development and the determination of industrial schemes. The GLA recognises that industrial land plays a vital role in supporting London's economy, and this guidance aims to ensure that sufficient industrial space is provided that is fit-for-purpose.

The London Industrial Land Supply study showed that between 2001 and 2020, industrial floorspace declined by 18 per cent or 1,500 hectares, largely to accommodate housing. In response, this new guidance provides advice on key planning aspects for industrial development. This should help to plan to meet demand for industrial land for a variety of industrial uses, supporting developers with scheme design and supporting the local authorities with their assessments.

LPAs will need to provide specific up-to-date intelligence from the real estate sector to ensure that the supply can meet demands. This could cover preferred locations, size of units, building design, height requirements and required ancillary uses. They should also identify industrial supply to inform plan-making and consider the potential for further loss, and deliverability and viability of designated industrial areas. The document also goes on to provide recommendations how the industrial capacity and supply of sites across London can be maintained.

SPOTLIGHT ON THE REGIONS

An expanding logistics network

Fuelled by the rapid expansion of ecommerce, the growth of Transport and Storage business stock in the UK increased by around 88% from 2011 to 2021 and, between 2019 and 2021, it increased by a staggering 21%. On the ground, this has been reflected in a significant expansion of the UK's logistics network, with once secondary locations now deemed close to prime.

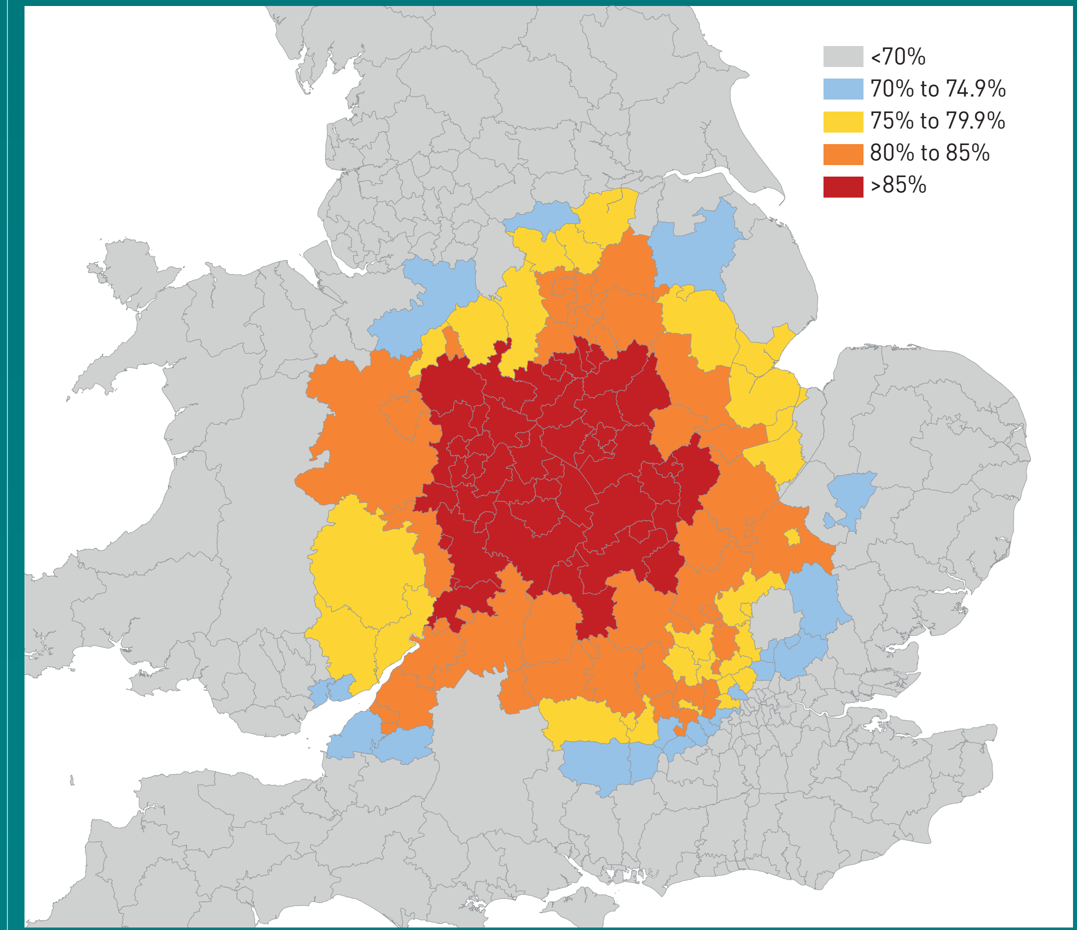
The UK's logistics Golden Triangle covers an area of 290 square miles, and sits within a four-hour drive to 90% of the British population. Much of the recent growth has been accommodated here, with LSH's own figures showing that close to one third of the UK's speculative development completions from the past two years have occurred in and around this prime location.

However, reflecting the surge in demand, other areas have come into play well beyond the Golden Triangle, including parts of Eastern England and Yorkshire & the Humber, such as Peterborough, South Holland and Doncaster. The importance and growth of this sector to other parts of the UK are clear and this must be adequately planned for by Local Planning Authorities.

Leicester and Leicestershire

Authorities in Leicestershire have come together to prepare a growth plan setting out their aspirations up to 2050 The original plan is now being refreshed, including an assessment of additional need and preferred locations for strategic B8 land. While there is some agreement in principle between the authorities, key pieces of evidence relating to where 'big box' sites should be located is an on-going issue. Without the publication of such a study, logistics demand risks going unmet.

% OF UK POPULATION WITHIN 4.5HRS HGV DRIVING TIME



Source: LSH Research

One of the Leicestershire authorities, Charnwood, is currently at the examination stage of its Local Plan. It is argued by some participants at the examination that the Local Plan makes insufficient provision for strategic B8 sites. The outcome of the examination hearings will be known later this year and it will be interesting to see how the inspectors deal with issue.

Coventry and Warwickshire

Similarly to Leicestershire, Warwickshire's local authorities have come together to plan effectively. In 2022, they produced a joint evidence base study which sets out the land needed for strategic B8 sites across the sub-region. However, no further work has been published by the authorities to identify where sites should be across the sub-region.

The North Warwickshire Local Plan was adopted by the Council in 2021. Through its examination by the Planning Inspectorate, the issue of strategic employment land across the West Midlands was a topic of discussion. However, despite this the Inspector resolved to pass the issue down the line. The Council is now consulting on an additional Local Plan, on this issue. This is unlikely to be a quick process and it will take several years to be formally adopted.

Taking the appropriate actions

Our experience tells us that while the need for industrial land is recognised; not enough is being done in policy terms to address key details over the 'how' and the 'where'. Our advice is to promote development opportunity through the Local Plan, reviewing the Council's evidence and, if necessary, preparing your own evidence to support your land interests.

When there is no up-to-date Local Plan it may be necessary to submit speculative planning applications with the expectation that an appeal may be necessary. In our experience the chances of success increase greatly when a robust evidence base is there to support the proposal. The three key strands of evidence are:

- establishing a need for the proposed development within the local area or sub-region
- demonstrating that current supply of available sites is limited or does satisfy latent demand
- demonstrating that the proposal will bring an economic benefit to the area; via job creation and / or expenditure over a sustained period of time.

For more information on how you can navigate the development planning process, please get in touch.

Alex Roberts is the Head of the Economics and Planning Policy team at LSH and specialises in the preparation of evidence to support the promotion of sites through applications and local plans. He is a highly experienced expert witness, frequently appearing at Public Inquiries across the country.

Source for all data unless stated: LSH Research

INVESTMENT & SPECULATIVE DEVELOPMENT

INVESTMENT MARKET

IMPROVING CONFIDENCE

The dust is starting to settle on a tumultuous period for the investment market, with expected cuts to the base rate beginning to pave the way for improving confidence over the year ahead. Meanwhile, as the market enters a new cycle, expectations of continuing rental growth should see industrial once again outperform the wider market.

2023 IN PERSPECTIVE

Total volume across the industrial & logistics sector amounted to £6.6bn in 2023, down 44% on 2022 and paling in comparison with 2021's record high of £15.2bn. However, amid a challenging year for the investment market generally, the sector still managed to outperform in terms of both activity and returns.

Reflecting relatively sound fundamentals in the occupier market, industrial and logistics accounted for 30% of the combined volume across the three core commercial sectors in 2023, significantly ahead of the long-run annual average of 17%. Volume was also 20% above the pre-pandemic annual average, which compares well with other sectors, most notably offices, where 2023 volume sank to a record annual low.

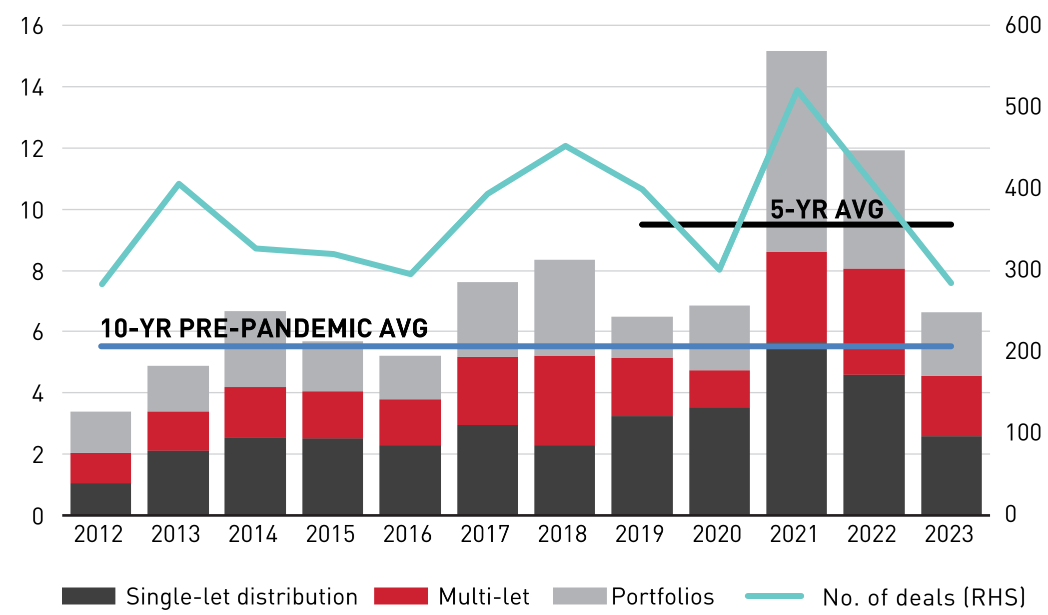
The steep drop in y-on-y volumes also largely reflected a lack of major transactions alongside a significant recalibration in pricing since mid-2022, as opposed to a collapse in transactional activity. 2023 saw only 11 deals over £100m and an absence of transactions in the £200m to £400m lot-size bracket for the first time since 2008. Hence, Blackstone's £480m purchase of the Harbert/Canmoor Portfolio, in Q2 2023, was the year's largest deal by some distance.

DISTRIBUTION STILL DOMINATES

Distribution warehouses continued to dominate overall volume in the industrial sector in 2023, albeit to a lesser extent than seen in the two prior years. At £3.7bn, total distribution warehouse volume in 2023 was 49% down from 2022 and the lowest annual total since 2019, but nonetheless commanded 56% of total volume in the wider sector.

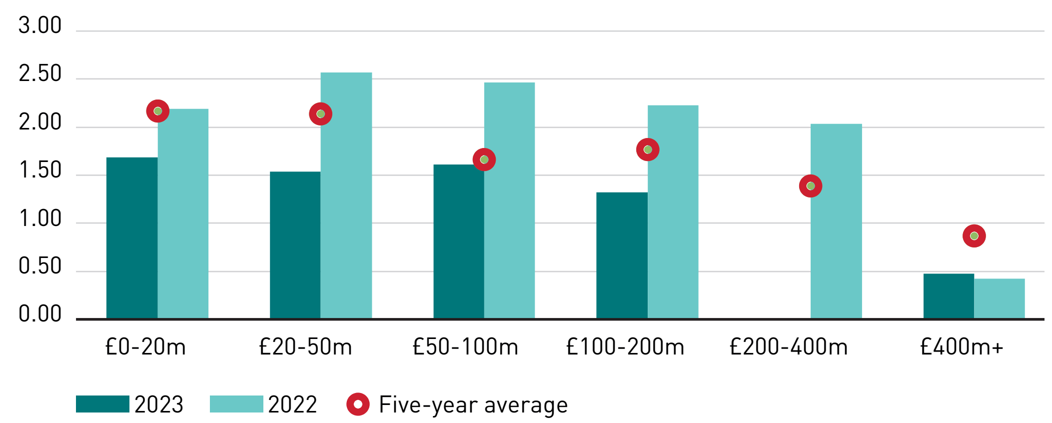
While volume in the multi-let arena also slipped back in 2023 compared with the

INDUSTRIAL INVESTMENT VOLUME (£BN)



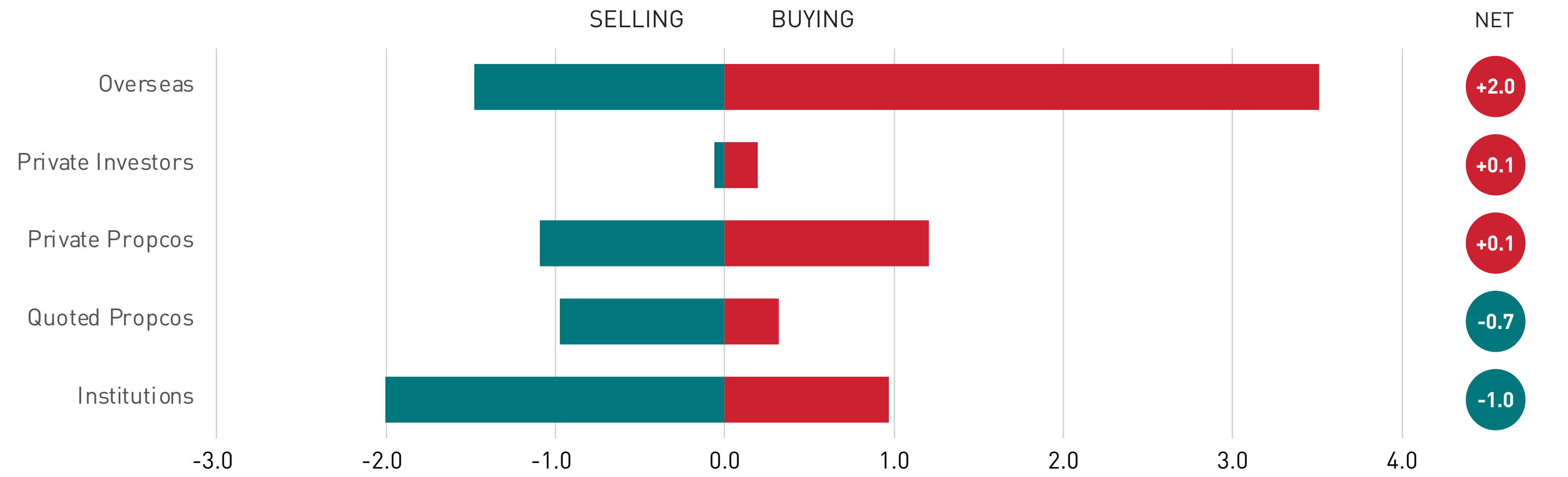
Source: LSH, MSCI RCA, PMA

INDUSTRIAL VOLUME BY LOT-SIZE (£BN)



Source: LSH, MSCI RCA, PMA

2023 INDUSTRIAL VOLUME BY INVESTOR TYPE (£BN)



Source: LSH, MSCI RCA, PMA

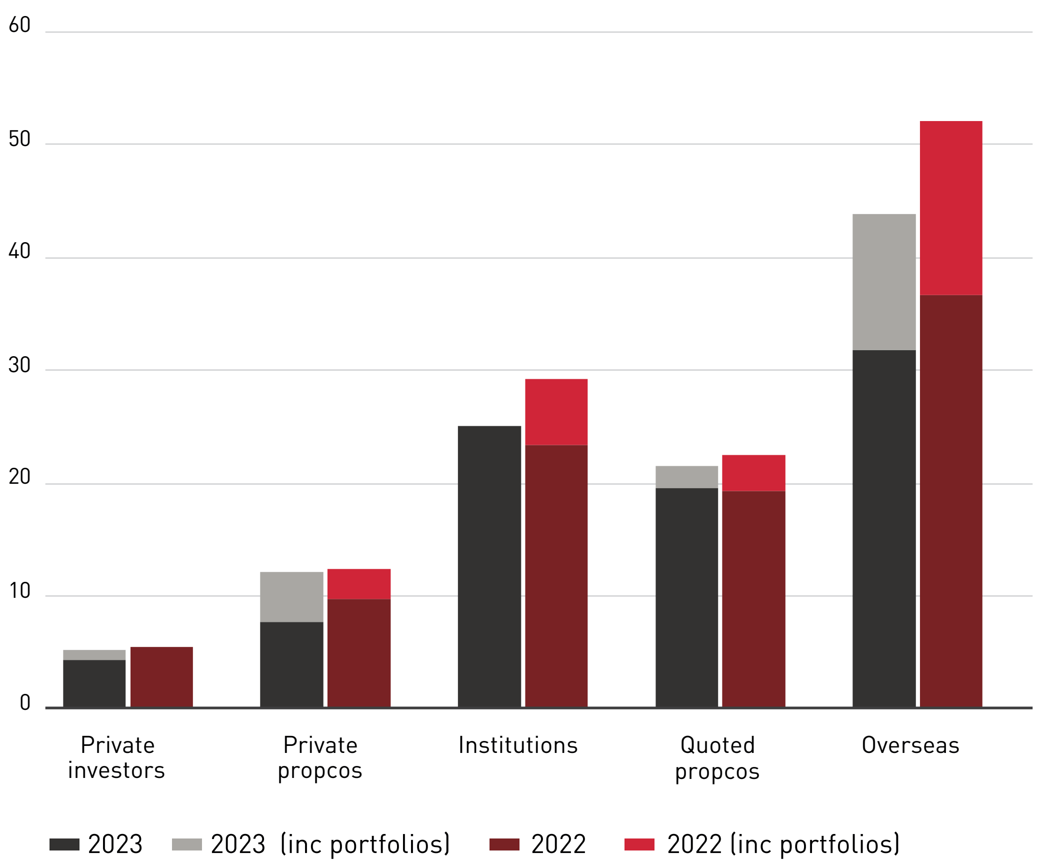
boom years, it was slightly more resilient than distribution relative to trend. Including portfolios, multi-let volume of £2.9bn was only 36% below 2022's level and only 10% below the five-year annual average, albeit this apparent resilience largely reflects the focus of the boom period towards distribution.

THE ONLY WAY IS UP

The improvement in financial conditions seen at the back end of 2023 came too late to be reflected in volume. Q4 2023 saw only £1.2bn of industrial & logistics change hands, the lowest out-turn since in the pandemic-afflicted period of Q2 2020 and 51% below the quarterly average. However, with volume affected in part by a number of key delayed deals and signs of improving sentiment entering the market, Q4 2023 is expected to mark the low-point.

The first half of 2024 should deliver a slight improvement on Q4 2023 volumes, while expectations of a sequence of base rate cuts later in the year should pave the way for a clearer rebound in H2 2024. With a significant amount of dry power looking to invest in UK industrial & logistics, improving financial conditions and more confidence on pricing will be key to bringing more sellers into the market, with total volume expected to climb to circa £7.5bn for 2024 overall, a modest but tangible improvement upon 2023.

AVERAGE LOT-SIZE BY INVESTOR TYPE (£M)



Source: LSH, MSCI RCA, PMA

OVERSEAS BUYERS DRIVE THE MARKET

Much of the weight of money that exists for industrial & logistics sits with overseas buyers, including those already familiar to the UK market and relatively new entrants from Europe and the Middle East that are seeking exposure. Overseas buyers continued to drive volume in the sector, with total purchases amounting to £3.5bn in 2023. And, in typical fashion, overseas buyers were dominant at the larger end of the market, behind seven of 2023's ten largest deals.

2024 promises to be no different, with overseas inflows forecast to account for approximately 60% of volume for the year. Blackstone, through its various vehicles, is likely to continue ramping up its exposure to UK industrials, while the likes of Cabot, Clarion Partners Europe and GIC have raised well over £1bn to invest in the sector. Alongside sound fundamentals in the occupier market, the extent of repricing in the UK industrial sector adds to its appeal, with prime assets offering relative value in a global context.

REIT M&A ACTIVITY SPEAKS VOLUMES

While the market has been quieter on the transaction side, recent months have seen several major corporate moves in the industrial and logistics space, particularly among the REITs. Examples include LondonMetric's merger with LXI REIT and Tritax's takeover of UK Commercial Property REIT, which together amount to a combined capitalisation of over £10bn. Meanwhile, at the time of writing, Urban Logistics REIT is battling out with Custodian REIT to secure a merger with Abrdn Property Income Trust.

The correction impacted heavily on the REITs, reflected in near-record disposals of £974m in 2023. However, the recent burst of consolidations in the REIT space bodes well for activity in the market, with the creation of these new, larger vehicles driving scale and paving the way for fresh strategies of disposals and acquisitions. For example, since its move for LXI REIT, LondonMetric is now underweight to industrial and known to be back in the market for acquisitions.

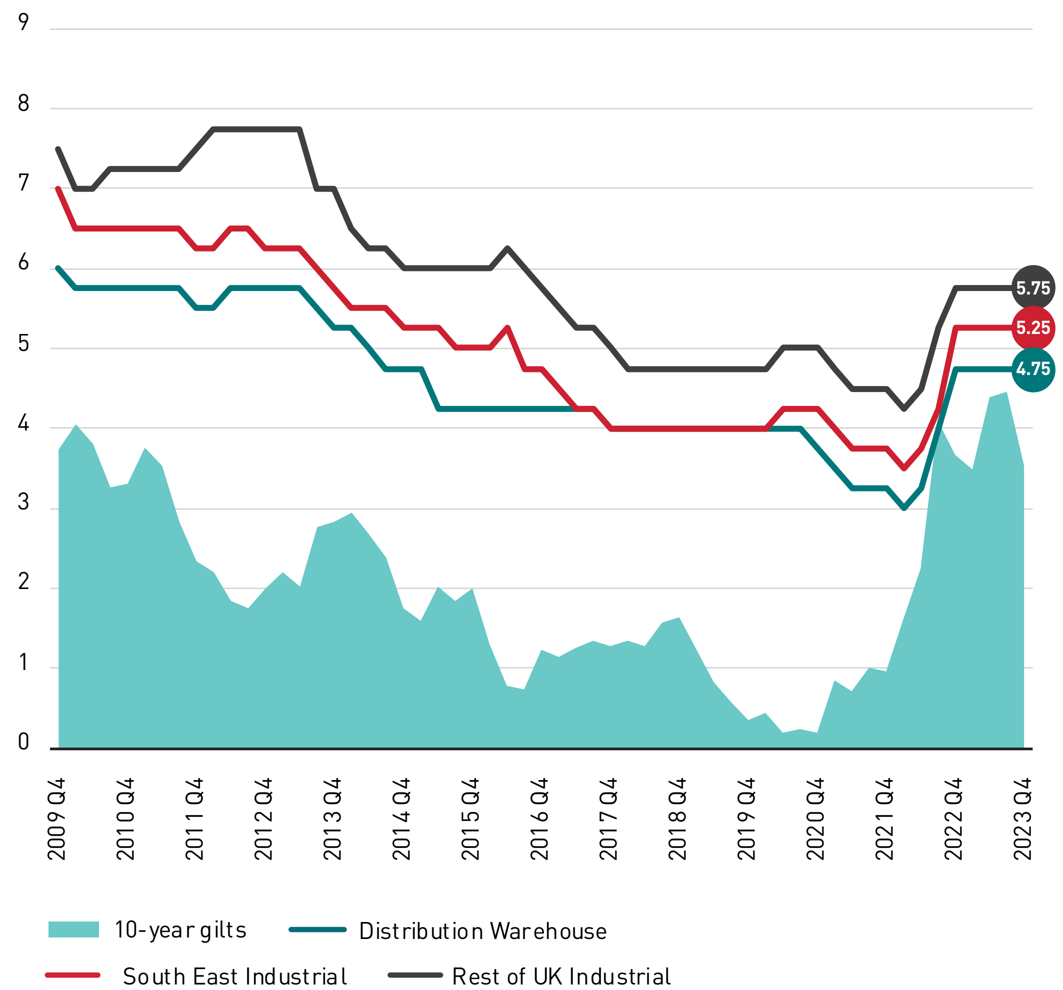
MIXED STRATEGIES FROM INSTITUTIONS

A lack of openly marketed prime stock was key to the subdued volume seen in Q4, a situation frankly not helped by a lack of distress flowing from the recent correction. However, as 2024 progresses, a growing number of investors will come under pressure to decide on their asset allocation strategies. Some will opt to hold and refinance, while others decide that the time is right for selective disposals.

Much is made of the institutions as a ready source of stock for would-be buyers. Given the relative liquidity and strength of buyer demand for UK industrials, many institutions opted to dispose assets in 2023, reflected in total net selling of over £1bn during the year. Even without clear distress, further pressure to sell may come from defined benefit pension funds, as higher interest rates have driven liabilities down faster than asset values.

However, institutions are generally expected to be less inclined to sell over the year ahead, as many have already sold as much as they can without risking under-exposure. Indeed, several well-known institutions were actively buying in 2023, most notably M&G, with £135m of purchases across 10 deals over the year. While Abdrn is still in sales mode, M&G, Aviva

PRIME YIELDS & 10-YEAR GILT YIELD (%)



SELECTED INVESTMENT TRANSACTIONS

BATH ROAD HEATHROW

In September, LSH successfully completed the disposal of a 4-acre site situated on Bath Road, Heathrow on behalf of Aprirose. The asset was acquired by Infinium for £22.5m (NIY 4.10%). The site comprises a car park let to National Car Parks and benefits from planning for a 94,367 sq ft industrial scheme extending across four units.

LOGISTICS CITY FAREHAM

In December, LSH sold Logistics City in Fareham for £10.53m (NIY 5.37%) on behalf of Kier Property, having first acquired the site in 2019 and successfully letting all three units. The estate totals 59,320 sq ft and was purchased by Tritax.

ALPHA PARK EASTLEIGH

In January, LSH successfully completed the disposal of Alpha Park in Eastleigh on behalf of Blackrock. The asset was acquired by Leftfield Capital for £26.1m (NIY 5.00%) and comprises three units totalling 148,331 sq ft.

4100 HURRICANE ROAD GLOUCESTER

In November, LSH acquired 4100 Hurricane Road on behalf of Summit Real Estate, a distribution warehouse measuring 190,037 sq ft. The property is situated on an 8-acre site and is let to GE Aviation Systems for an unexpired term of 10.8 years. The asset was acquired from ARA Europe for £23.18m (NIY 5.71%).

TRITAX PORTFOLIO

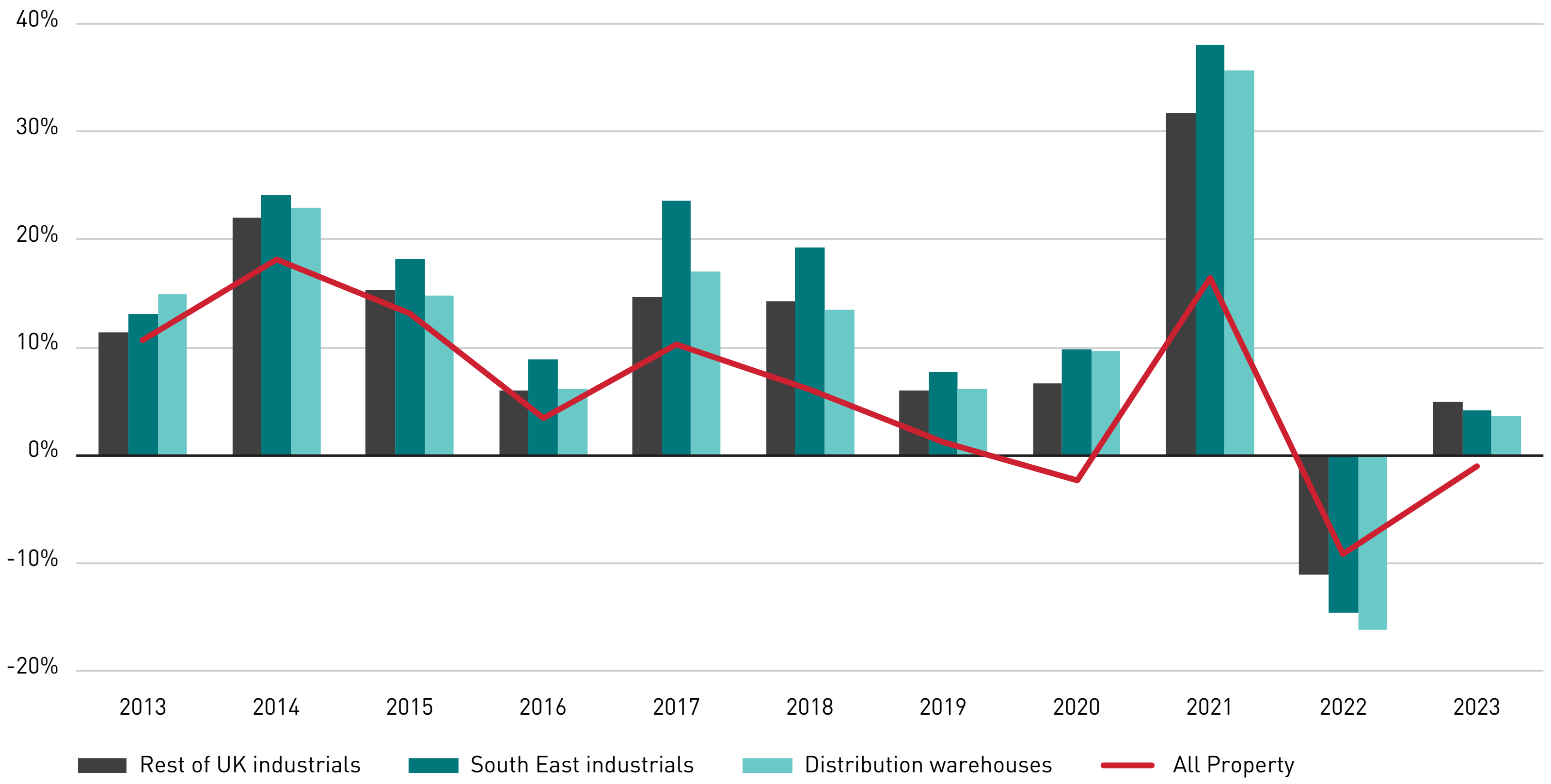
In March, LSH successfully acquired three assets in Knowsley, Skelmersdale and Worksop on behalf of Brookfield / Copley Point. The assets offer significant asset management opportunities and total approximately 1,300,000 sq ft. The portfolio was purchased for c.£125m from Tritax Big Box REIT

LISTER ROAD IND EST BASINGSTOKE

In December, LSH acquired Lister Road Industrial Estate in Basingstoke on behalf of Ares / REIM for £19.8m (NIY 5.48%). The estate is fully let to 14 tenants and totals 133,257 sq ft across 20 units. The site was acquired from Orchard Street and offers a highly reversionary opportunity with a WAULT to break of 1.97 years.

Source for all data unless stated: LSH Research

TOTAL RETURNS (%, Y-ON-Y)



Source: LSH Research, MSCI

and Nuveen are all very much actively seeking opportunities at the current time.

PRICING LEVELS OUT

Amid an extremely challenging year for the investment market in 2023, industrial yet again rose to the forefront of performance. While other sectors saw a continuation of price erosion, most notably offices, a degree of stability returned to the industrial sector after the severe correction in late 2022.

According to MSCI's quarterly index, UK industrial has bounced back from being the worst performing sector in 2022 to the best performer in 2023. While UK industrial saw relatively unspectacular returns of 4.1% in 2023, it was some way ahead of the wider market, with All Property returns of -1%. This outperformance stems largely from relative stability in industrial values, with MSCI reporting flat growth of -0.3% over the year. This picture of stability was also echoed across industrial's key sub sectors, with Rest of UK Industrials (i.e. regional multi-lets) slightly outperforming with annual returns of 4.9% for the year.

OUTPERFORMANCE TO CONTINUE

Positively, the industrial sector is forecast to continue to outperform the market over the medium term, albeit to a far lesser degree than seen in recent years. Latest figures from the independent forecaster RealFor predict that UK industrial returns will strengthen to 8.4% per annum over the period from 2024 to 2028, running marginally ahead of All Property, where returns of 8.0% are forecast.

The main driver behind industrial's ongoing outperformance is a continuation of rental growth, with RealFor forecasting UK Industrial growth of 3.0% per annum up to 2028, compared with 2.2% for All Property. And, reflecting stronger rental growth forecasts for the London area, returns are expected to be led once again by London estates, with forecast average returns of 9.4% per annum.

INCREASED BIFURCATION

The above forecasts are relatively conservative, certainly with regard to rental growth, and are based upon the average position across a range of assets in terms of location, size and quality. Given the focus of demand towards high quality, future-proofed assets, increasing bifurcation in performance is expected to be seen between the best and worst assets into 2024 and beyond. Indeed, at the prime end of the market, a degree of yield compression is expected before the end of 2024, assuming expected cuts to the base rate take place and the improvement in finance costs is sustained.

In contrast, investors are likely to remain more cautious towards secondary assets (in terms of both product and/or location). This reflects a combination of increased perception of risk and concerns over accelerated rates of obsolescence, particularly for assets which fail to meet growing demand for sustainability. As a result, we can expect to see significant variation in return performance at the asset level, both above and below the average forecasts.

CONSIDERATIONS ON CONSTRUCTION

The development market was hit especially hard by the recent correction, but green shoots are already starting to appear thanks to a rebasing of land values, relative stability in build cost inflation and evidence of continuing rental growth. 2024 has already seen several prominent spec fundings agreed at prime locations, from the likes of Mirastar, Logicor and JP Morgan with more to come, albeit with the risks of development more sensibly reflected in appraisals.

Following a £900m torrent of build to suit fundings in 2022, last year yielded just one solitary deal, namely Stoford's £8.3m sale of a Sainsbury's warehouse in Exeter. While build to suit deals are likely to remain dominated by the balance sheet investors, the expected improvement in financial conditions and relative stability in yields is set to drive an improvement in this normally-key part of area market.

Meanwhile, as outlined elsewhere in this report, appetite towards retrofitting of existing assets is set to grow and become a major aspect of the market across the next cycle. Growing considerations of embodied carbon emissions bode well for demand for taking existing assets, while the costs required to restore them to the appropriate standard is relatively attractive compared with other sectors.

FORECAST COMPONENTS OF RETURNS (2023 TO 2028, % P.A.)

Source: LSH Research, RealFor

KEY INVESTMENT TRANSACTIONS IN 2023

	PROPERTY	PRICE (£M)	NIY	MONTH	BUYER	VENDOR
PORTFOLIO	TRAFFORD PARK	£260.00	4.40%	MAY-23	Blackstone	Harbert Management Corporation
PORTFOLIO	PROJECT SPEARS	£152.00	5.44%	JUN-23	Mileway	Blackrock
PORTFOLIO	TRITAX PORTFOLIO*	£125.00	4.85%	MAR-23	Brookfield/Copley Point	Tritax Big Box REIT
PORTFOLIO	JAVELIN PORTFOLIO	£100.90	4.75%	JUL-23	P3 Logistics	SEGRO
PORTFOLIO	PROJECT LIBRA	£95.00	4.59%	MAY-23	Argo Real Estate	Tesco Pension Fund
DISTRIBUTION WAREHOUSE	UNIT 1 MIDLANDS LOGISTICS PARK, CORBY	£92.00	4.25%	NOV-23	P3 Logistics	Tritax Big Box REIT
DISTRIBUTION WAREHOUSE	WARTH PARK, RAUNDS	£84.30	4.03%	AUG-23	AVIVA	Tritax Big Box REIT
DISTRIBUTION WAREHOUSE	WEMBLEY 180, LONDON	£74.00	3.49%	MAY-23	DWS/Covent Garden IP	Abrdn
DISTRIBUTION WAREHOUSE	LOGISTICS NORTH, BOLTON	£41.80	5.00%	FEB-23	Amazon UK Services	AVIVA
DISTRIBUTION WAREHOUSE	UNIT A CENTRUM WEST, BURTON UPON TRENT	£40.00	5.85%	JAN-23	Blackstone/ St. Modwen	Abrdn
MULTI-LET	APOLLO & PHASE II ANSTY PARK, COVENTRY	£180.00	N/A	JUL-23	JD.com	Goldman Sachs/Canmoor
MULTI-LET	FRADLEY PARK, LICHFIELD	£140.50	5.65%	MAR-23	Ares/Canmoor	Legal & General
MULTI-LET	COVENTRY LOGISTICS PARK, COVENTRY	£140.40	4.52%	SEP-23	DTZIM	JP Morgan/Bericote
MULTI-LET	AURIOL DRIVE, GREENFORD	£140.00	3.02%	AUG-23	Valor REP	Lothbury IM
MULTI-LET	LEICESTER DISTRIBUTION PARK (PROJECT SUN)	£102.00	4.97%	DEC-23	AVIVA	Blackrock

*LSH acted

LSH Research, MSCI RCA, PMA

Source for all data unless stated: LSH Research

SPECULATIVE DEVELOPMENT

COMING BACK CALMLY

While development starts slowed to a trickle by the end of 2023, expectations of improving financial market conditions are paving the way for renewed, albeit more selective, appetite to return to the market over the coming months.

Speculative development activity slowed significantly in 2023, an inevitable consequence of higher finance costs, high build costs and weaker sentiment around the strength of occupier demand compared with two years ago. While the early part of 2024 has brought encouraging signs of increasing appetite for spec fundings, development is likely to be comparatively muted compared with the boom.

At the end of 2023, 14.3m sq ft was under construction and available across the UK, down 39% from the record high-water mark seen at the end of 2022. Furthermore, Q4 2023 saw just 2.4m sq ft of new development starts across the UK, the lowest since Q3 2020. By number, 103 units were under construction at the end of 2023, down from 150 units 12 months prior, with the average unit size reducing by 11% to stand at 140,404 sq ft.

XL BEARS THE BRUNT

The XL segment (>250k sq ft) bore the brunt of the fall in overall speculative development, arguably reflecting increased perceptions of letting/void risk at the largest end of the market. Here, the volume of space under construction fell by 51% year-on-year to stand at 4.8m sq ft.

Five UK regions were home to at least some XL development at the end of 2023, falling from seven regions 12 months prior. Yorkshire & the Humber and the East Midlands remain the major focus, accounting for 60% of the UK total, with the UK's largest XL scheme being Panattoni Doncaster 420 (417,570 sq ft), which is due to complete in Q1 2024. While XL unit speculative development was down sharply in most regions, the West Midlands bucked the trend, with development in this segment doubling year-on-year to 1.3m sq ft.

Meanwhile, speculative development of large (100,000 sq ft to 249,999 sq ft) units eased down by a less dramatic 37% year-on-year, with 6.1m sq ft under construction at the end of 2023. The majority of regions saw an easing within the segment, albeit the North West remained a key focus, with 1.3m sq ft under construction and rising 8% year-on-year.

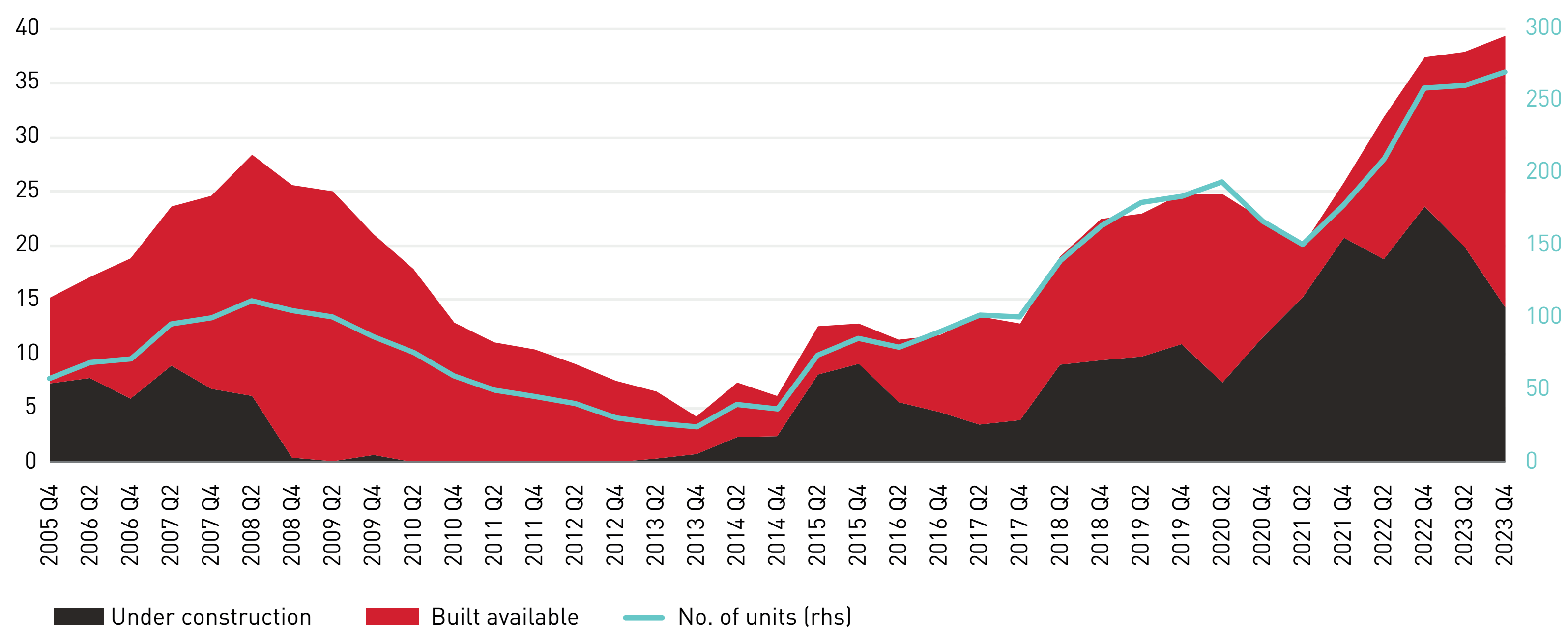
In contrast, speculative development in the mid box segment appears relatively stable compared with the other segments, easing down by only 16% year-on-year to stand at 4.0m sq ft. Indeed, six regions saw increased activity within this segment over the year, most notably the East of England, which increased by 8% year-on-year to stand at a relatively substantial 728,000 sq ft at the end of 2023.

LONDON AND SCOTLAND SPEC RISES

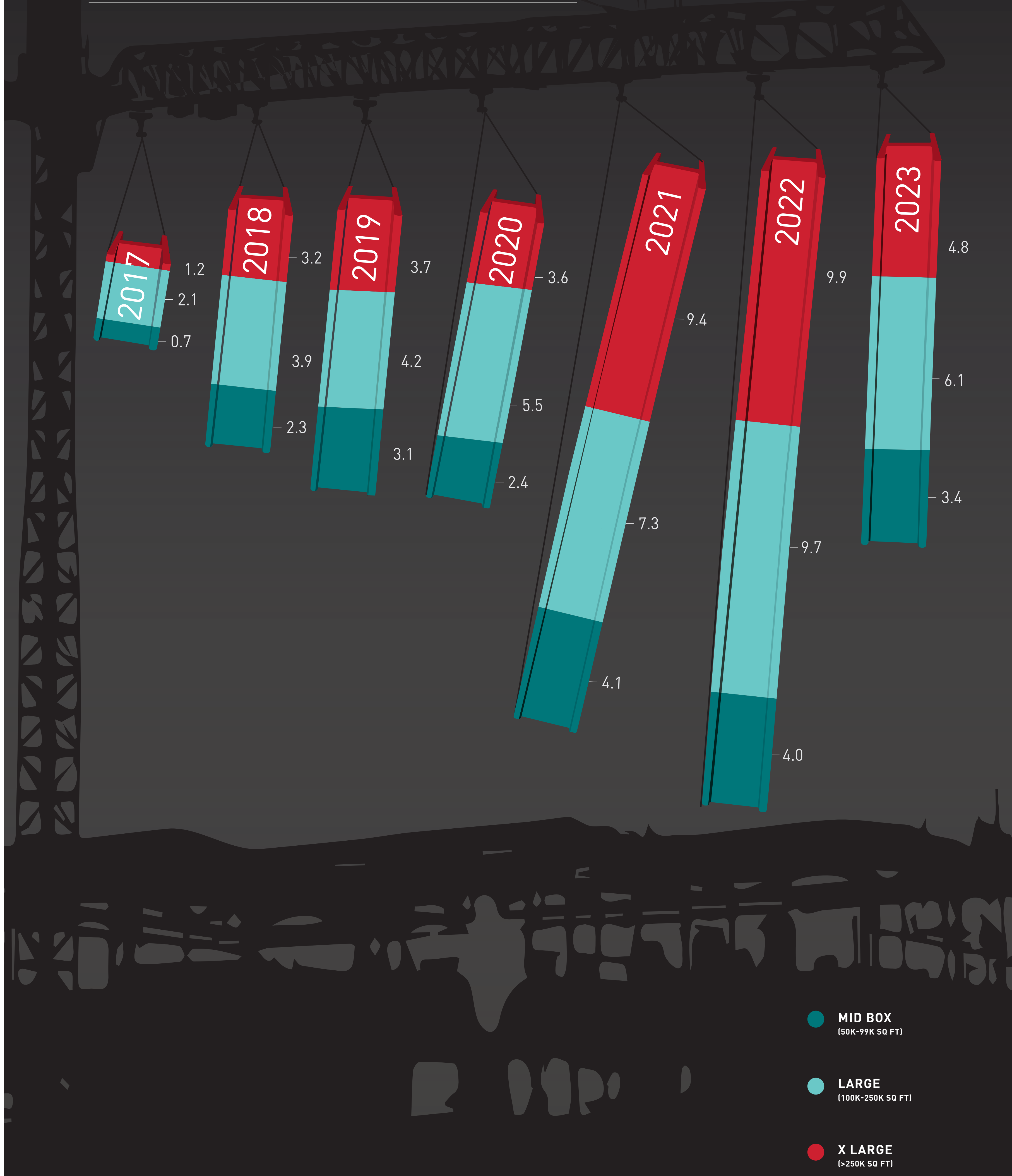
Across the segments combined, only two regions recorded a year-on-year increase in speculative development in 2023, namely Greater London (up 48% to 1.5m sq ft) and Scotland (up 128% to 289,000 sq ft). Notably, despite a 44% year-on-year fall in total speculative development, the East Midlands returned as the UK's most active region for speculative development, with 2.6m sq ft underway.

The North East was the only UK region with no speculative development under construction at the end of 2023, having seen a number of schemes complete at Durham and Washington last year. The South West saw the sharpest decrease in

NEW-BUILD AVAILABILITY OF UNITS ABOVE 50,000 SQ FT (M SQ FT)

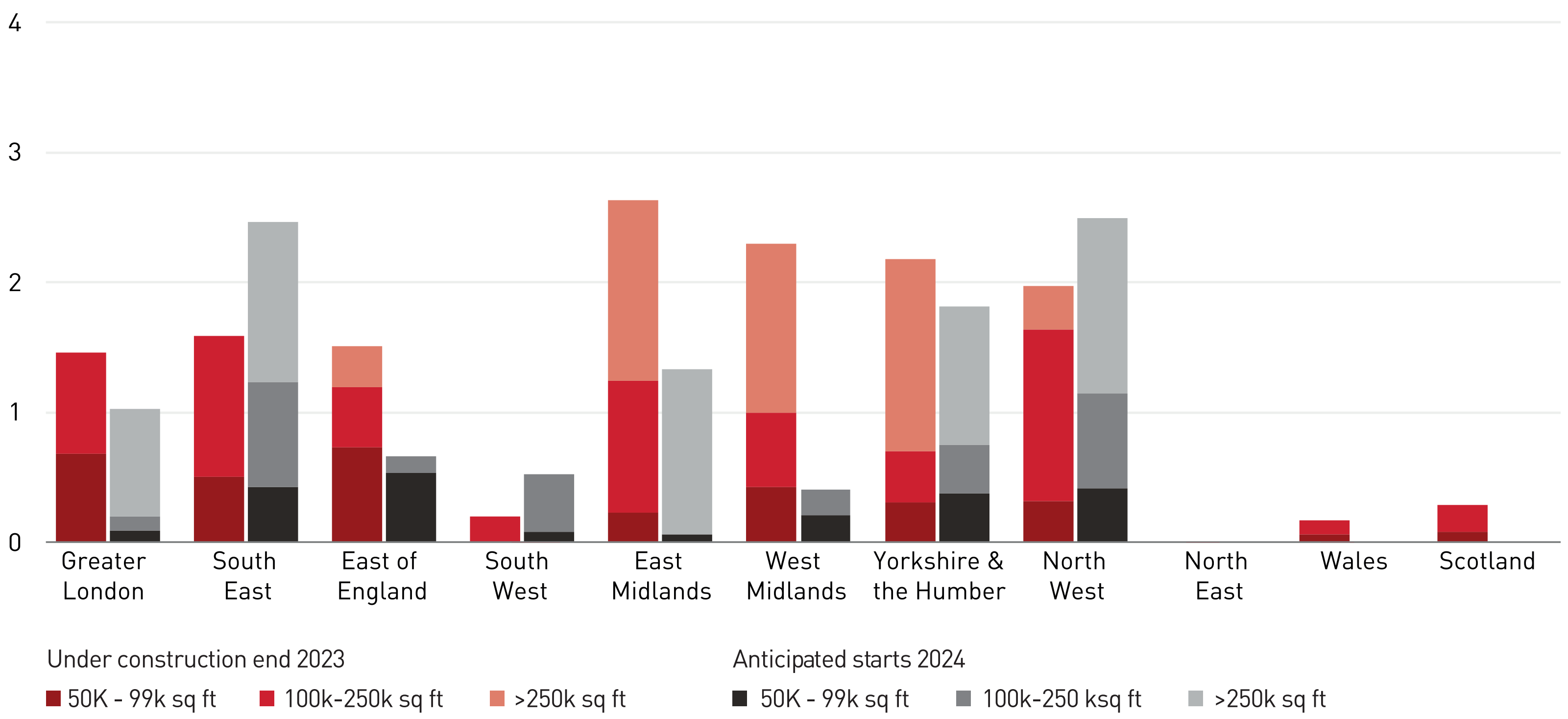


YEAR END SPEC DEVELOPMENT UNDER CONSTRUCTION (M SQ FT)



Source for all data unless stated: LSH Research

SPECULATIVE DEVELOPMENT AND ANTICIPATED STARTS (M SQ FT)



speculative development, albeit this stems from the completion of Panattoni's two-unit scheme at Avonmouth, of which both still remain available.

SPEC TO CONTINUE TO EASE

Despite clear evidence of improving sentiment and growing appetite for spec fundings over recent weeks, certainly with regard to sites at prime locations, speculative development is set to moderate further over the year ahead.

This is reflected in our analysis of anticipated speculative development starts, with only 10.7m sq ft deemed likely come forward in 2024. The majority of regions are set to see a reduction in development from current levels, with the North East, Wales and Scotland unlikely to see anything in excess of 50,000 sq ft come forward. While speculative development is set to continue to ease back in the East Midlands, it is home to the largest anticipated spec scheme for 2024, GLP's MPN5 Magna Park North, Lutterworth, measuring 761,316 sq ft.

Elsewhere, the South West is set to see the sharpest increase in speculative development, albeit from a low base, with a couple of units in Avonmouth and Swindon expected to go on site in 2024. Panattoni's redevelopment of the former Honda site in Swindon contains plans for up to 7.2m sq ft, albeit construction is not expected to commence until 2025 once demolition works have completed.

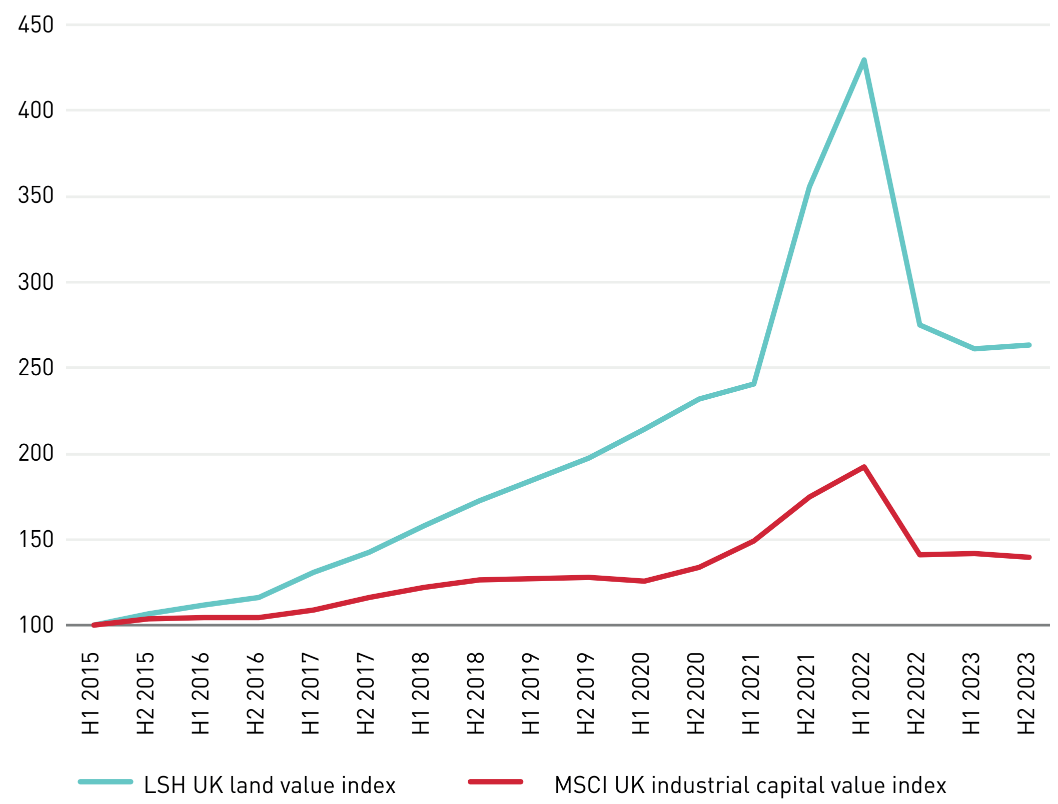
LAND VALUES STABILISE

Following the severe correction in land values in the second half of 2022, stability returned to the market over 2023. According to LSH's UK industrial land value index, average values fell by 4% across the 32 key markets in 2023, a marked improvement compared with the sharp fall of 36% in H2 2022.

Moreover, as the year progressed, improving certainty around interest rates and hence yields was reflected in a partial recovery of land values in H2 2023, albeit focused upon some of the UK's foremost logistics locations. According to prevailing sentiment and anecdotal evidence, Nottingham land values rebounded by 33% to £1.0m per acre while Coventry land values rebounded by 20% to £1.5m per acre, surpassing Birmingham at £1.35m per acre.

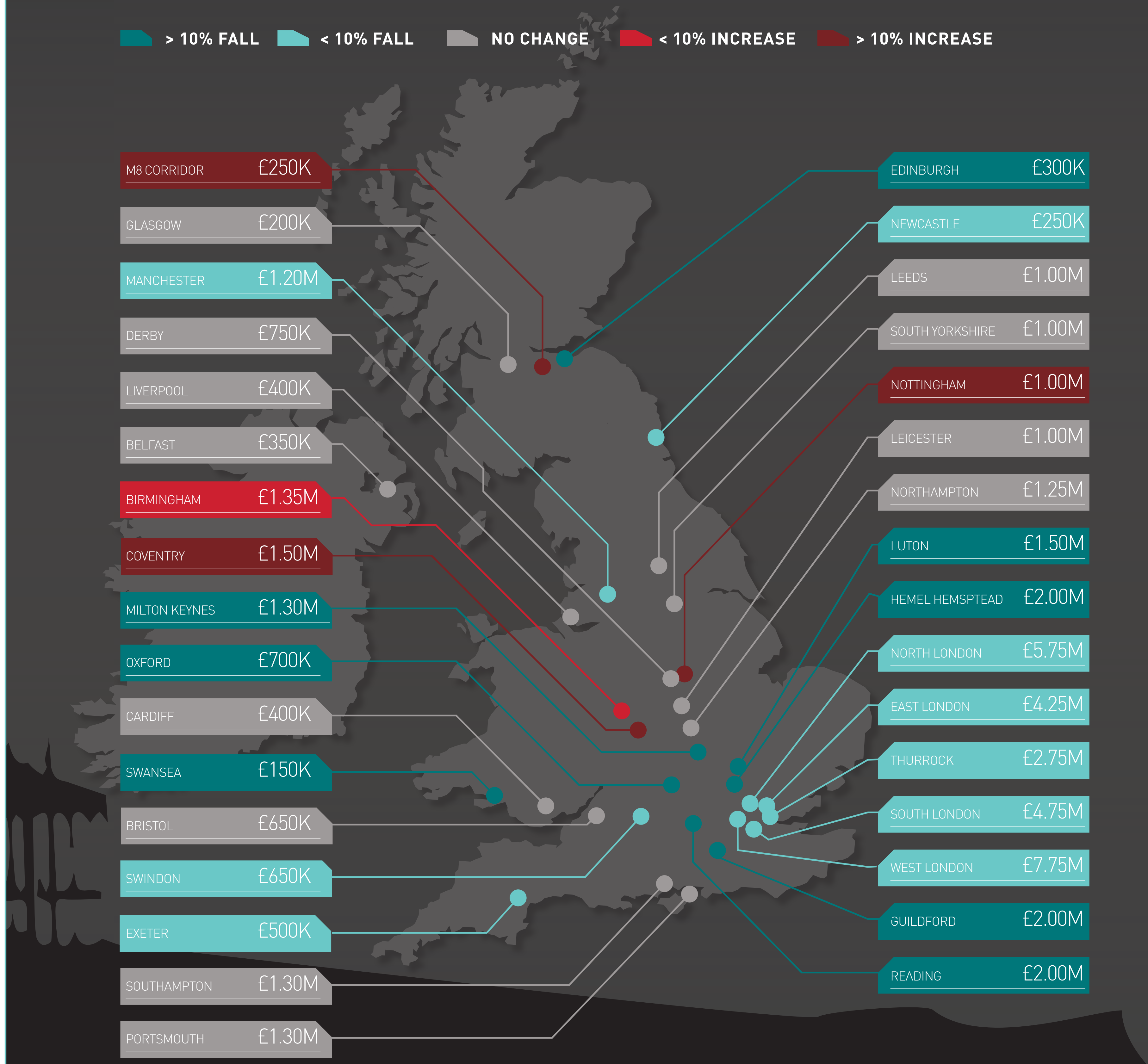
Improving economic conditions and a levelling out of build cost inflation should pave the way for land values to recover more widely into 2024, evidenced by multiple bids being seen for prime sites around the UK and increased moves to secure longer-term plays through acquisitions of strategic land. That said, the recovery is likely to be unevenly distributed, with investors remaining averse to secondary locations and/or peripheral markets.

LAND VALUE INDEX (H1 2015 = 100)



Source: LSH Research, MSCI

2023 LAND VALUES AND PERCENTAGE CHANGE



Land values are quoted on a per acre basis
(reflecting site potential for a minimum of 100,000 sq ft of built stock across one or multiple units)

Source for all data unless stated: LSH Research

LABOUR STRAINS

GUY DOUETIL
Managing Director, EMEA –
Hickey & Associates, LLC

Rising wages and continued skills shortages make it more important than ever that logistics occupiers fully understand labour costs and availability when making location decisions. Guy Douetil from Hickey & Associates outlines the challenges created by a tight logistics labour market.

LARGE AND VARIED WORKFORCE

The logistics workforce is large, with industry body Logistics UK estimating that 2.7m people work in logistics roles, or 8.2% of total employment. This includes staff working in a varied range of positions including drivers, warehouse operatives, mechanics, technicians and management roles. With warehouse occupiers increasingly embracing new automated technologies, the workforce also includes less traditional jobs such as data and digital specialists.

Logistics labour trends have mirrored those seen in the wider UK jobs market over recent years. While labour conditions have loosened moderately, with job vacancies falling from the peaks of the pandemic and wage growth easing from the highs of mid-2023, the market remains tight by historical standards. Those recruiting staff in the sector continue to face significant challenges; and the availability of skills and labour remains a key consideration in all location decisions.

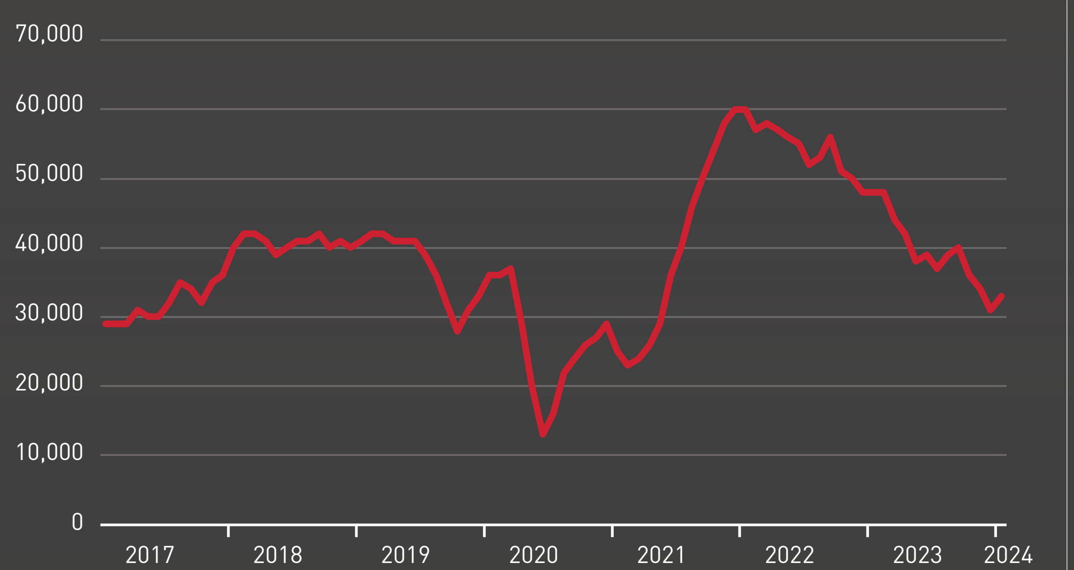
SKILLS SHORTAGES & CHALLENGES

Skills shortages continue to be a major issue within the logistics sector, albeit the acute scarcity of HGV drivers that grabbed national headlines during the pandemic has become less critical. The number of people taking HGV tests has increased significantly, to rise well above pre-COVID levels over the last two years. However, driver shortages have still not been fully resolved, and the age profile of the occupation remains a concern, with more than half of drivers estimated to be over 50 and approaching retirement.

Logistics UK has more recently found that firms in the sector are reporting greater difficulties in recruiting fitters, mechanics and technicians, partly because some workers in these jobs have switched to HGV roles. A diminishing pool of EU workers following Brexit has also had a significant impact, as around a fifth of those in logistics roles are non-UK nationals. Further challenges may be created by the imminent tightening of immigration rules, with the salary threshold for skilled worker visas set to rise from £26,200 to £38,700 in spring 2024.

The logistics sector also continues to suffer from an image problem, lacking appeal as a potential career for young people. It struggles to attract female workers, who account for only about 15% of the logistics workforce, while ethnic minorities are also underrepresented. Warehouse shift patterns do not suit many workers, especially if they include night work; while a further limiting factor on recruitment is the need for most staff to have access to a car to reach logistics parks.

TRANSPORT & STORAGE JOB VACANCIES



Source: Office for National Statistics

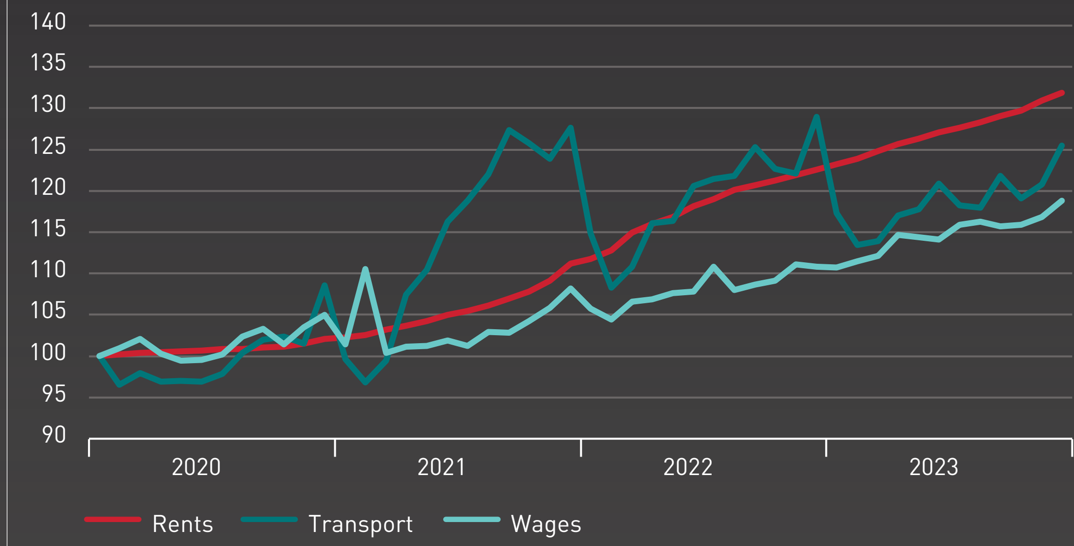
COUNTING THE COSTS

Competition for staff has pushed up logistics wages in recent years. Office for National Statistics data shows that transport and distribution pay has risen by 19% since the start of 2020. Wage growth has eased a little after peaking last summer, but annual growth in regular pay was still as high as 6.3% in December 2023.

Rising wages have had a significant impact on the overall costs of warehouse occupiers, as labour is one of their two biggest operational expenses, alongside transport. While costs vary greatly between firms, labour and transport together account for at least three-quarters of total operational expenses for many in the sector.

Transport costs have risen by an even greater extent than wages since the start of 2020, increasing by 25%, although these have been more volatile and followed the path of fuel prices. A 32% increase in industrial rents over the same period, as recorded by MSCI, has outstripped the rises in both labour and transport prices, but has had a smaller net impact on most firms' overall costs with rents typically accounting for 10-15% of total operational expenses.

LOGISTICS COST INDICES (JAN 2020 =100)



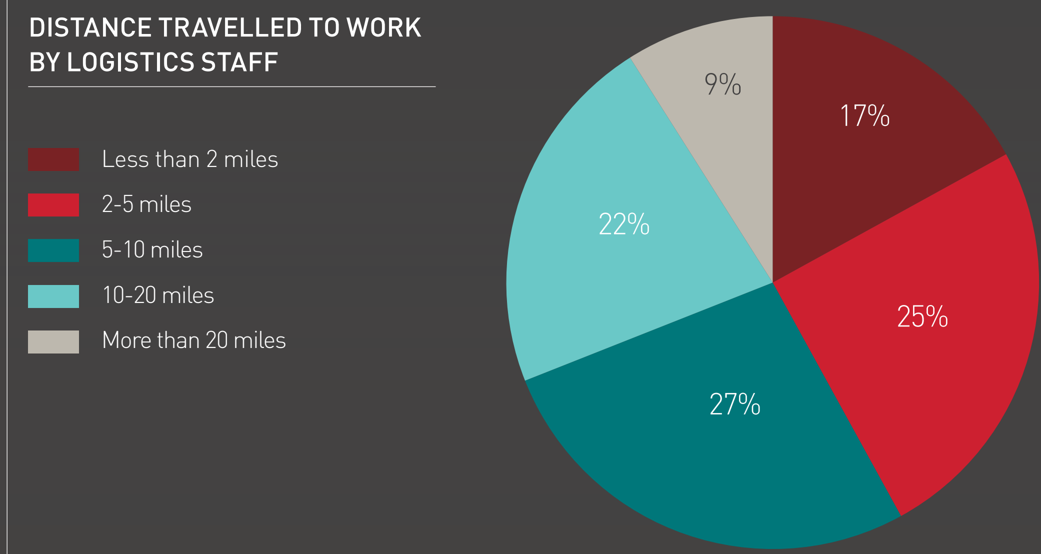
Source: MSCI / Office for National Statistics / Transport Exchange Group / LSH Research

BALANCING ACT

Logistics occupiers' location decisions involve a complex balancing act, weighing up costs and access to transport networks and labour pools against other considerations such as power availability. Firms will usually start by seeking sites that provide optimal access to transport networks, but suitable land or buildings may be in short supply or expensive in such locations. The best 'dots on the map' for transport access may not provide the best labour pools, or they may be in existing logistics hotspots where wages are relatively high.

Access to nearby labour is essential in the logistics sector, as commuting times are relatively short. Research by Prologis indicates that 69% of logistics and warehousing personnel travel 10 miles or less their workplaces. Workers in lower paid roles, in particular, can not be expected to commute much more than 20 minutes, especially if there is competition from other nearby employers offering similar jobs.

DISTANCE TRAVELLED TO WORK BY LOGISTICS STAFF



Source: Prologis

STAFF RETENTION IS KEY

With skills in the sector being relatively transferable, many logistics workers are prepared to move around between jobs on a regular basis in search of higher wages or shorter commuting times. Employees will make their own trade-offs; deciding, for example, whether an extra five minutes of travel time is worth an extra 50p per hour in wages. The fluidity of the logistics labour market leads to high employee attrition rates in many firms, and significant costs are created by the need to regularly recruit new staff.

Staff retention is thus as much, if not more, of a challenge than recruitment within the logistics industry. With employees sensitive to increases in commuting times, firms risk losing large sections of their workforces if deciding to relocate even relatively short distances. Expanding existing operations by, for example, adding mezzanine floors may often be preferable to moving to a new site and having to recruit a new workforce.

IMPROVING WORKING ENVIRONMENTS

Wage increases are the most obvious tool available to companies seeking to recruit and retain staff. Aldi, for example, has increased warehouse workers' basic pay twice in the last six months, to £12.00 an hour (£13.55 inside the M25), bringing it in line with the Living Wage Foundation's National Living Wage.

However, pay increases can only go so far in making logistics roles more attractive. Improvements to working conditions and staff benefits such as pensions are also important, and potentially more crucial to the longer-term retention of staff. Better access to training and the establishment of clearer career paths for those entering the sector may also help to reduce staff attrition.

Staff wellbeing has risen up the agenda of major logistics occupiers. This has led to the introduction of enhanced employee amenities, with gyms, cafés, football pitches and green spaces becoming more commonplace. With logistics workplaces often being hot, cold or noisy, anything that can be done to create a more pleasant working environment can go a long way towards improving staff satisfaction.

Initiatives to support flexible working and better work/life balances are also being explored by logistics employers, albeit their options are restricted as homeworking is not possible for the vast majority of roles. Nascent ideas to improve flexibility include the introduction of 'family contracts', where, for example, a husband and wife commit to working a certain number of hours between them.

FUTURE WORKPLACES

The rise of automation and robotics in warehouses is causing a gradual shift in the labour needs of logistics operators, and some firms that have invested heavily in automated technologies have made significant reductions in staffing costs. As new technologies spread throughout the industry, a move towards smaller, but higher skilled workforces will be seen over time.

For now, though, most logistics operators remain heavily reliant on large manual labour forces. With the UK jobs market likely to remain tight and competition for staff staying strong, the onus will remain both on individual employers and the logistics industry as a whole to take actions that improve the attractiveness of logistics careers.

Source for all data unless stated: LSH Research

RISE OF THE RETROFIT

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Occupiers and investors in the UK logistics market are under increasing pressure to conform to rising standards and industry best practice. Stephen Clayton and Anthony Kerr, resident experts in LSH's ESG and Building Consultancy teams, put the case forward for retrofitting existing buildings

While the market remains tightly supplied in an historical context, the boom in new build speculative development over the past few years has unleashed a greater level of choice at the quality end of the market. The subsequent flight to quality of demand has, inevitably, started to weigh on the letting prospects of older, poorer-quality secondhand stock.

But, with the conveyor of new build spec space slowing down appreciably, a considerable opportunity is opening to upgrade existing stock to a standard more befitting current demand. Moreover, in the longer-term, failure to act risks non-compliance and accelerated obsolescence.

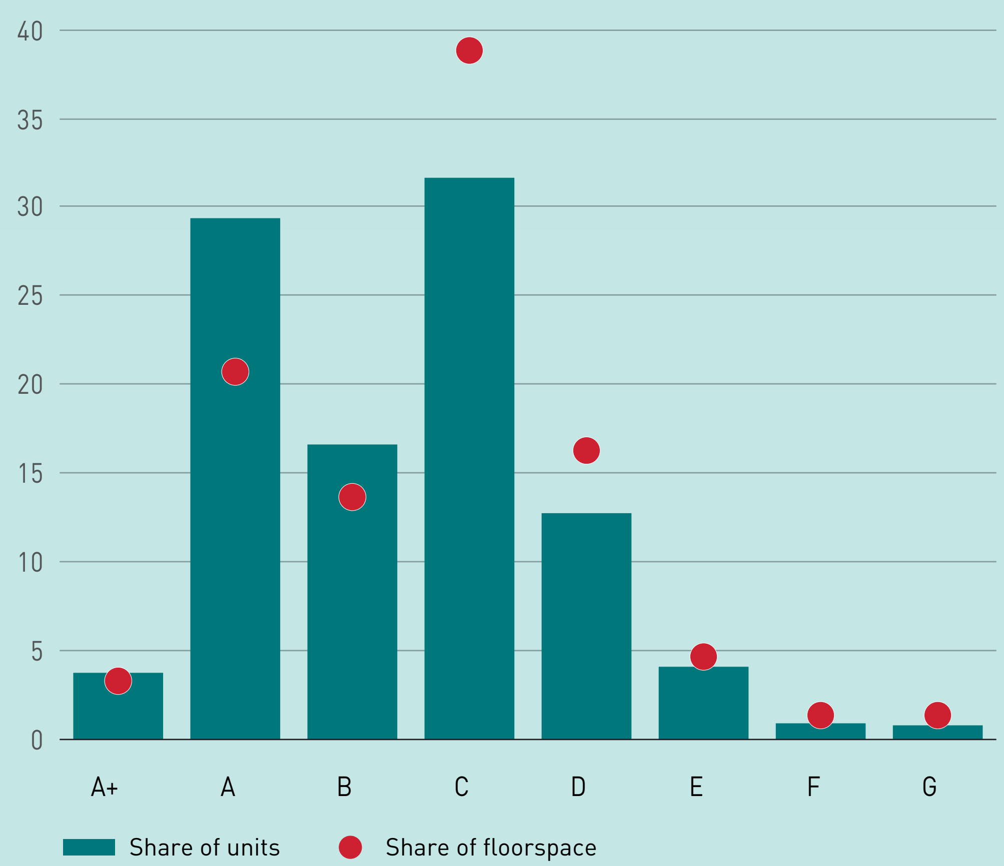
LEGISLATIVE STICKS

Driving improved energy efficiency across the built environment is a key part of the Government's commitment to decarbonise the UK economy. As a result, considerations around Minimum Energy Efficiency Standards (MEES) and building Energy Performance Certificates (EPC) have steadily risen to prominence across all sectors of the commercial property market over recent years.

Two key yardsticks lie ahead in the MEES timetable. In 2027, any commercial property achieving an EPC rating below C will be rendered unlettable and unsaleable. Then, in 2030, the standards are provisionally scheduled to tighten further (currently under consultation), applying to any property with an EPC rating below B. While landlords will be wary of the tightening standards, retrofitting provides an excellent opportunity to meet these standards and future-proof warehouse assets.

Analysis of the EPC Register for the distribution sector (B8 use class properties over 50,000 sq ft) reveals the scale of the challenge. The focus arguably surrounds the second, tougher MEES standard currently proposed in 2030, with the leading share of floorspace in England & Wales (circa 39%) currently in possession of a C-rated EPC certificate. It is however important to note the cost of improvements should have a payback period of below seven years (achieved via reduced running costs), otherwise exemptions can be sought.

BREAKDOWN OF B8 SECTOR BY EPC RATING (ENGLAND AND WALES, %)



Source: LSH Research, EPC Register UK Government Statistics

Initially constructed in 2014, DC4 at Prologis Park Ryton is a brand new comprehensive retrofit with net zero carbon in construction, LED warehouse lighting and EV car charging points. Image provided courtesy of Prologis.

ESG AND SUSTAINABILITY CERTIFICATION

In addition to the legislative drivers, there is a large groundswell of demand for more sustainable, ESG-focused property that delivers on much more than purely energy efficiency.

Especially pertinent to the retrofit opportunity is the growing consideration of embodied carbon emissions. Use of Whole Life Carbon Assessments (WLCA) considers carbon use for the whole life-cycle of the asset, including construction. Crucially, with as much as 40% of a building's whole life carbon emissions stemming from construction, growing use of WLCA arguably gives sustainable retrofitted buildings a marketing advantage against even the greenest of new build projects.

BREEAM is arguably the best-known benchmark used in the UK to certify a building's sustainability credentials, and is increasingly utilised by investors to attract ESG conscious occupiers. Crucially for the retrofit market, BREEAM certification is available for existing buildings via the Refurbishment & Fit-out assessment, and this is quite distinct from its other certifications, namely New construction and In-use.

BREEAM assessments are holistic in nature, encompassing a range of impact areas, including energy and water use, the quality of internal environment (health & wellbeing), Pollution, Transport, Materials, Waste and Ecology. Credits are awarded across each of these sections and added together to give a final rating, ranging from a basic Pass through to Excellent and Outstanding.

Key considerations relating to a sustainable retrofit often include installation of renewable energy generation and ground/air/water-source heat pumps, while schemes to establish a biodiversity net gain around the building's footprint are also important. Also, with regard to the social aspect of the ESG arena, retrofitted schemes can include a significant upgrade to the building's amenities and wellbeing provision for staff, certified through additional accreditations such as Fitwel.

BREEAM RATING	% SCORE
OUTSTANDING ★★★★★	≥ 85
EXCELLENT ☆★★★★	≥ 70
VERY GOOD ☆☆★★★	≥ 55
GOOD ☆☆☆★★	≥ 45
PASS ☆☆☆☆★	≥ 30
UNCLASSIFIED ☆☆☆☆☆	< 30

Source for all data unless stated: LSH Research

THE ROUTE TO RETROFIT

Approaches to retrofitting vary considerably according to the building's existing design, the level of aspiration involved and the amount of work needed raise the property to the required standard.

Before embarking on any retrofitting project, it is crucial to conduct a thorough evaluation of the building's existing infrastructure from which areas of improvement can be identified. Utilising data-driven insights and engaging experts in the field can provide valuable guidance during this evaluation process.

This assessment should include an analysis of energy usage, equipment condition and workflow inefficiencies. Proposed interventions should adopt a 'fabric first' approach, essentially prioritising actions relating to the existing nature of the building, as opposed to 'bolt-ons' through, for example, net biodiversity improvements and installation of renewable energy.

Here we outline the key interventions required to drive a systematic improvement in the quality and environmental impact of the retrofit project. For clarity, the interventions set out below are those typically required to improve the EPC rating from a D to potentially an A, while also demonstrating several of the attributes required to achieve an Excellent rating on the BREEAM Refurbishment and Fit-out assessment.

LIGHTING

Lighting is regularly one of the biggest energy burdens for occupiers, particularly in the storage and distribution sector. Yet, simply replacing high level halogen lights with an LED equivalent can dramatically reduce overall energy consumption, potentially by as much as 50%. In addition, sensor technology that provides lighting only in areas that are being used can also help to optimise energy use.

HEATING

Many industrial units have old, inefficient gas fired heaters which require a lot of energy to generate heat and are more carbon intensive than electrical heating methods. Upgrading to a modern electric heating, ventilation and air conditioning (HVAC) system can generate significant energy savings and this often has a surprisingly short payback period. Key features and benefits of modern HVAC systems include:

- **Zoning Control** – allows for customised temperature settings in different areas of the building, optimising energy usage based on occupancy and specific needs.
- **Energy Recovery Ventilation (ERV)** – these systems recover and utilise heat energy from exhaust air to pre-condition incoming fresh air, reducing the load on heating and cooling systems.
- **Sensors and Automation** – integrated sensors and automation technology can monitor and adjust HVAC settings in real-time, optimising energy consumption.
- **Air Source Heat Pumps** – these are more typical in people-intensive spaces, hence they may be employed to serve the ancillary office space, as opposed to the warehousing area.

BUILDING ENVELOPE

Proper insulation and gap-sealing are critical for improving energy efficiency. By improving insulation in walls, roofs, and doors, as well as making the external fabric less leaky, occupiers can reduce the need for excessive heating or cooling, resulting in lower carbon emissions and energy savings. Use of the most advanced insulation and air sealing can generate energy savings of up to 50% in some cases.

The extent of works to the building envelope depends on the standard and efficiency of the existing system. A thorough analysis of heat leakage via a thermographic and airtightness survey can be used to identify problem areas, with gaps filled or additional insulation provided.

At the more extreme end of the spectrum, a deeper retrofit involving completely new cladding systems and curtain walling can be deployed via a back to frame refurbishment. Modern cladding and insulation materials with high R-values can be incorporated around the steel frame in the same manner as a brand-new development, improving the thermal resistance, or U-value, of the external fabric build up. In addition, energy efficient windows and doors with low U-values can also be incorporated into the retrofit to complement the improvements to the cladding / insulation system.

RENEWABLE ENERGY SOURCES

Integration of renewable energy generation is becoming more common in the logistics sector, with the large expanses of flat roof-space typically associated with warehousing making it highly conducive for the addition of solar PV systems. Furthermore, given the relatively limited disruption associated with installation, works can often be carried out retrospectively with the tenant/s remaining in situ. A thorough assessment of the load capability of the roof prior to installation is recommended.

Retrofitting industrial buildings with solar power systems can generate clean electricity and contribute to a sustainable energy mix. By connecting solar power systems to the grid, excess energy generated during peak production can be fed back to the utility provider, potentially generating revenue. Integration of renewable energy can also contribute towards achieving an improved EPC rating for the building and a higher BREEAM assessment score.

BIODIVERSITY NET GAIN

The decision to proceed with a retrofit often provides an opportunity to improve the biodiversity of the land immediately surrounding the building. Positively, as above, the logistics sector often provides considerable scope for improvements, given the large amount of grassland typically found in the space outside of and between large logistics units.

If there are limited or no opportunities for biodiversity gains on-site, developers can use offsite biodiversity gains through their own land elsewhere or, failing that, buy biodiversity credits from the government whereby funds are used to invest in habitat creation elsewhere.

Examples of interventions to drive biodiversity net gain are wide-ranging. However, notable applications include rewilding of grassy areas with native flowering plants, bug hotels, beehives, bird houses, green walls and roofs. Many of these on-site interventions are designed to attract insects and other pollinators, and in turn, other predacious species.

Originally constructed in 1970, Campus 450 @ DIRFT, Daventry, has recently been subject to a comprehensive retrofit by Logicor. Interventions include installation of PV, EV charging points, LED lighting and Air Source Heat Pumps to the offices (pictured). The three-unit 450,000 sq ft scheme will see the EPC improve to B, with a targeted BREEAM 'very good' in use rating and the addition of new staff amenity areas, both internally and externally. Image provided courtesy of LOGICOR.

WEIGHING UP THE COSTS

While investors are becoming increasingly conscious of environmental and ESG considerations, it is crucial that retrofitted logistics schemes can be delivered viably and profitably.

The table below provides an illustrative guide to the costs associated with delivering a retrofit for a hypothetical 100,000 sq ft logistics unit in a prime location within the East Midlands. Costs are provided for two types of retrofit; a 'deep retrofit', which involves a completely new cladding system around the existing steel structure, and a 'standard retrofit', which involves retention of the original cladding to a large extent. For comparative purposes, costs for delivering a brand-new scheme are also provided.

As the table demonstrates, retrofit schemes can deliver high quality space at a markedly lower cost than new build. Furthermore, experience shows that the costs associated to transform a tired asset into a highly rated asset compare well with the interventions required in other sectors, most notably offices.

While there are many differences between BREEAM's New construction and Refurbishment and Fit-out assessments, the kudos associated with achieving an 'Excellent' certification arguably applies in equal measure.

The achievable rent at a retrofitted scheme is typically (but not always) lower than for a new build equivalent, often due to the functional constraints associated with older buildings. Most notably, 12m+ eaves heights are now typical of new build warehouses but atypical of warehouses constructed, say, 25 years ago. That said, the achievable rent for a retrofitted scheme is not significantly lower than new build, while the existence of a discount arguably boosts the scheme's letting prospects by appealing to more cost sensitive occupiers.

ILLUSTRATIVE COSTINGS TO DELIVER AN EPC A CERTIFIED / BREEAM EXCELLENT WAREHOUSE

	NEW BUILD	STANDARD RETROFIT COST	DEEP RETROFIT COST
TOTAL PROJECT MATERIALS AND LABOUR	£85.00 PSF		-
INSULATION / CLADDING	-	£5.00 PSF	£11.25 PSF
HVAC SYSTEM	-	£4.50 PSF	£7.20 PSF
LIGHTING SYSTEM	-	£2.05 PSF	£2.05 PSF
WINDOWS AND DOORS	-	-	£0.50 PSF
ADDITIONAL PLUMBING AND EXCAVATION	-	-	£1.30 PSF
WATER HARVESTING AND SUSTAINABLE DRAINAGE		-	£0.80 PSF
PV SOLAR ROOF INSTALLATION	£300K	£300K	£300K
BIODIVERSITY NET GAIN INTERVENTIONS	£20K to £50K	£20K to £50K	£20K to £50K
TOTAL COST FOR 100,000 SQ FT UNIT	c. £10.2M	c. £4.9M	c. £8.0M
ACHIEVABLE RENT (PRIME EAST MIDLANDS LOCATION)	£10.50 PSF	£8.75 PSF	£9.75 PSF

RETROFIT – FROM THE EXCEPTION TO THE RULE?

Over the coming years, retrofitting of existing warehouses will play a major role in both re-delivering quality stock to the market and in driving down embodied carbon emissions in the UK logistics industry. Indeed, logistics is arguably the most conducive part of the property market to meet ambitions on sustainability, given the relative simplicity of warehouse building design and the typically expansive roof area to allow for PV installation.

Moreover, entirely rational decisions to completely replace existing buildings for new ones, due to their functional incompatibility with modern demand (e.g. low eaves height, no cross docking etc), should reduce over time because an increasing proportion of existing warehouses will possess the key attributes for a high quality retrofit.

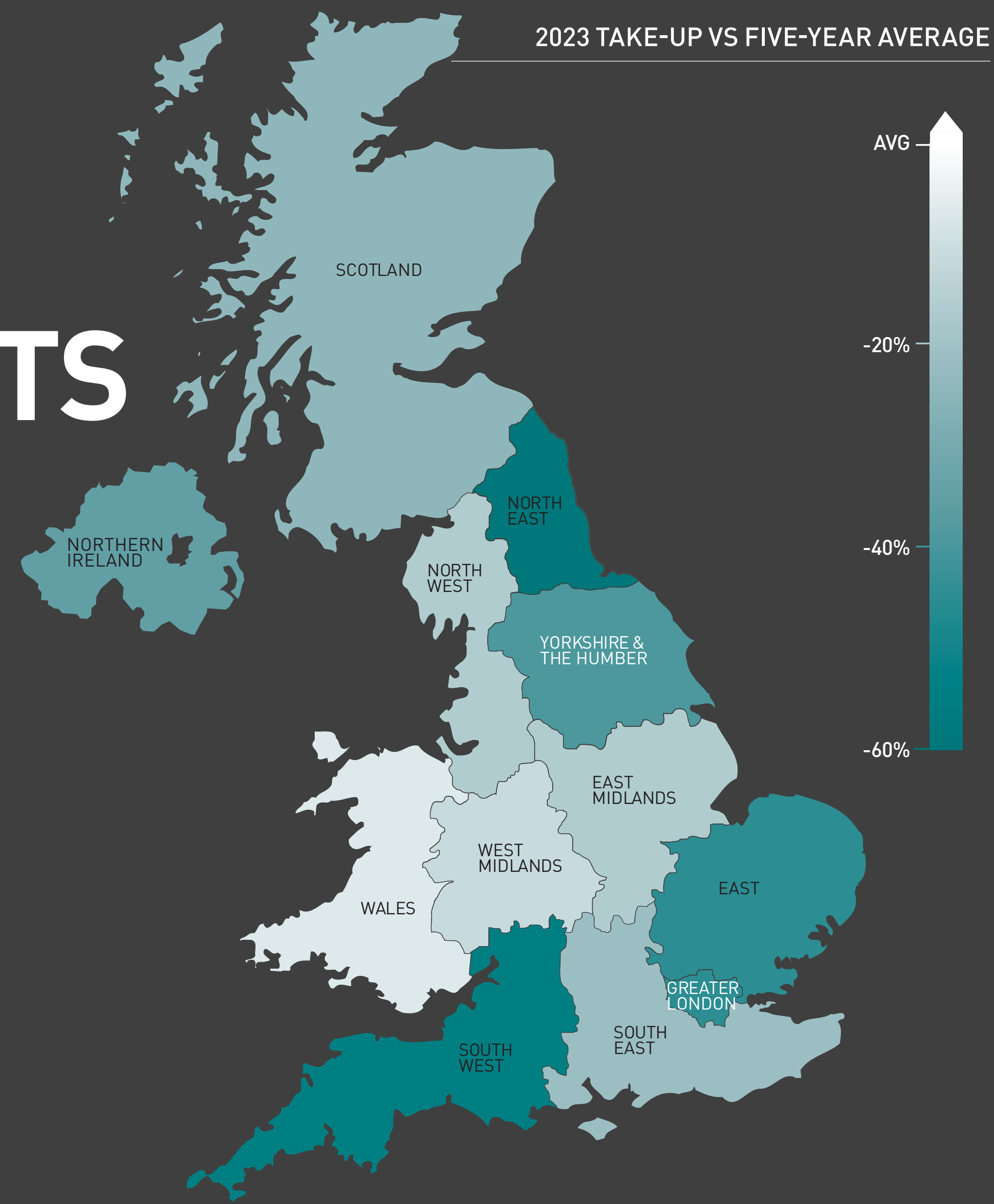
HOW CAN WE HELP?

Over recent years, LSH has built up a wealth of experience advising landlord clients on the retrofit potential of their industrial & logistics holdings, ranging from EPC-related guidance, refurbishment building consultancy and renewable energy installation. Please get in touch with either of us if you would like advice.

Source for all data unless stated: LSH Research

REGIONAL OCCUPIER MARKETS

2023 HIGHLIGHTS



SCOTLAND

- 2023 take-up was 24% below trend driven by a reduction in secondhand activity.
- Supply continued to increase from 2021's record low, rising by 66% y-on-y.
- Two speculatively developed units at Westway saw grade A supply double y-on-y.

NORTH EAST

- 2023 saw the lowest take-up relative to trend of all UK regions, at 59% below average.
- Subdued activity was seen across the board, with just nine deals completing over 2023.
- Supply ticked up by 3% y-on-y, fuelled by an 18% y-on-y rise in mid box grade A availability.

NORTH WEST

- 2023 take-up was 16% below trend reflecting subdued activity in the large and mid box segments.
- Total supply was broadly unchanged y-on-y, but secondhand availability increased by 17%.
- Spec development spurred prime rental growth, with an average uplift of 13% y-on-y.

WEST MIDLANDS

- One of the best performing regions against trend in 2023, with take-up 11% below the average.
- Supply rebounded by 51% y-on-y after four consecutive years of contraction.
- Prime rents increased by an average of 15% y-on-y, the strongest growth of any region.

WALES

- Take-up was only 7% below the average in 2023, the best performance against trend of any region.
- Supply increased by 27% y-on-y, driven by an increase in large segment secondhand availability.
- Spec development continues but is limited to 173,000 sq ft across two units.

YORKSHIRE & THE HUMBER

- 2023 take-up hit its lowest level in five years due to subdued activity in the XL segment.
- Supply decreased by 12% y-on-y, driven by a fall in secondhand availability.
- 2.2m sq ft of spec development is under construction, one of the highest totals among the UK regions.

EAST

- 2023 take-up was the lowest since 2016, reflecting a lack of large transactions.
- However, mid box take-up hit its highest level since 2015.
- Supply hit a four-year high, driven by a threefold increase in XL segment availability.

SOUTH EAST

- 2023 take-up was the lowest in five years, reflecting subdued activity in the large segment.
- Supply continued to increase for the fourth consecutive year, rising 20% y-on-y.
- Spec development activity halved to 1.6m sq ft after 2022's surge.

EAST MIDLANDS

- 2023 take-up was 16% below average, but still accounted for the largest share of national take-up.
- The region is home to the UK's highest share of spec development, with 2.6m sq ft under construction.
- The only region to see an acceleration in prime rental growth from the previous year, averaging 14% in 2023.

GREATER LONDON

- The number of deals hit a record low in 2023, with annual take-up 45% below the average.
- Availability increased by 34% y-on-y to its highest level since 2012.
- Supply is equivalent to 2.3 years of average take-up, the highest of any region.

SOUTH WEST

- 2023 take-up was 54% below average, reflecting very subdued take-up in the large segment.
- One of the few UK regions to see a drop in supply, falling 13% y-on-y.
- The UK's largest ever spec unit completed in late 2023 at Panattoni Park Avonmouth.

Source for all data unless stated: LSH Research

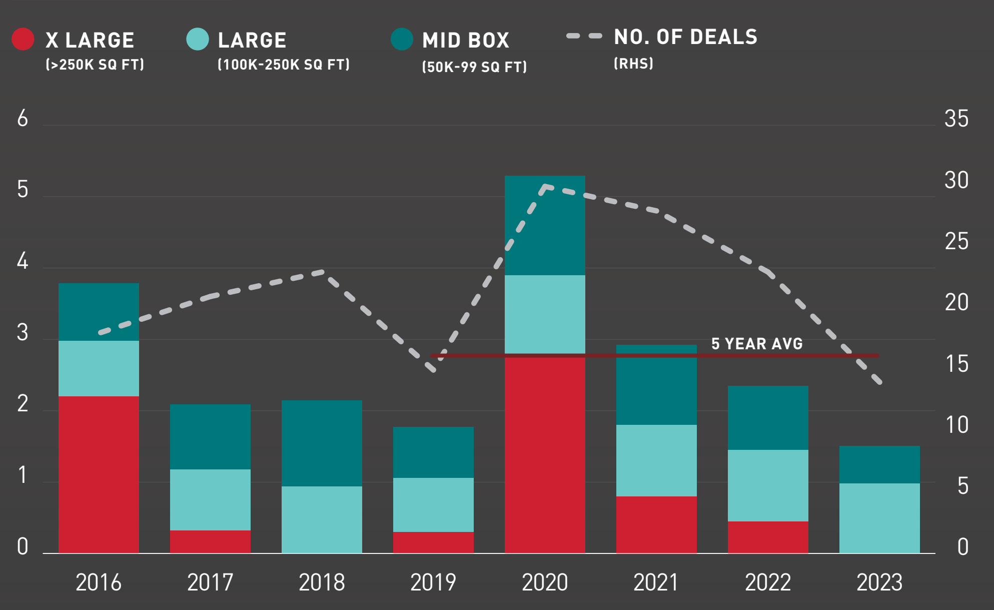
GREATER LONDON

AT A GLANCE

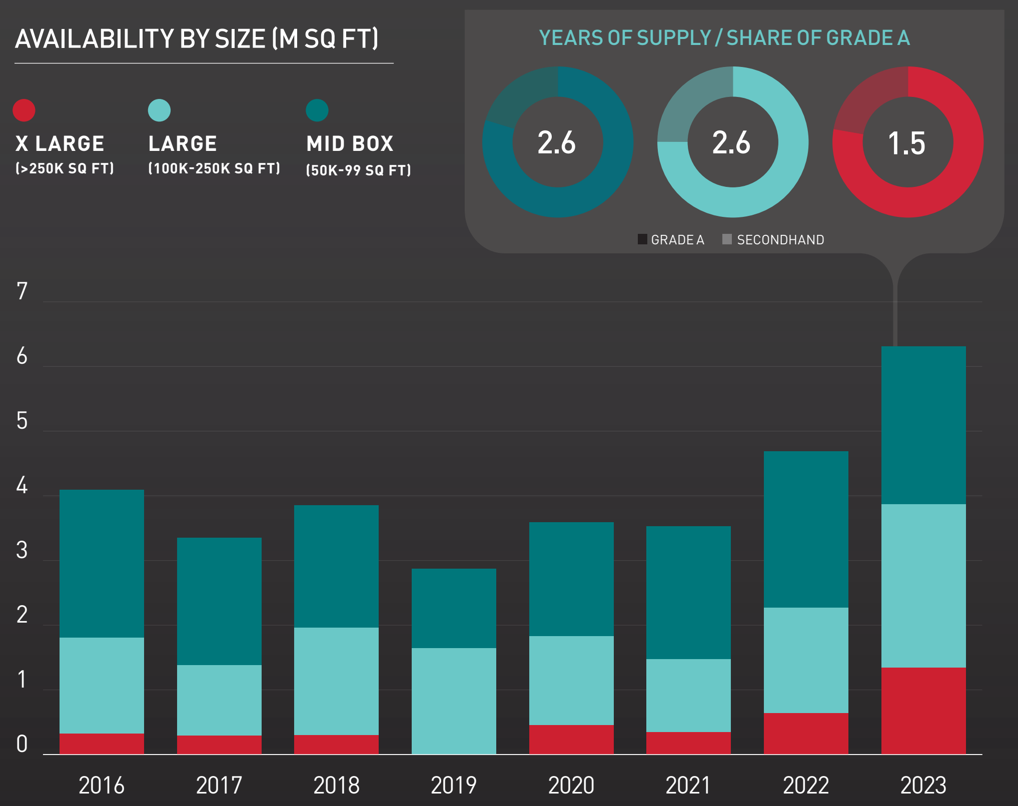
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
1.5m	-45%	4.7m	2.3	11.4%	1.5m (14)

CONTRASTS IN THE CAPITAL

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)



DEMAND

Greater London take-up slipped to a decade-low 1.5m sq ft in 2023, down 35% on 2022's total and 45% below the annual average. The number of transactions also fell to a record low of 14 in 2023, down from 22 in the previous year. 2023 was also very front-loaded in terms of activity, with 76% of take-up taking place in H1 2023 and only four deals completing in H2 2023.

The main drag on take-up was the XL segment, which saw an absence of any transactions for the first time in five years. The mid box segment was also notably subdued in 2023, with take-up of 390,000 sq ft and standing 58% below the annual trend. However, in sharp contrast, take-up in the large segment hit a record annual high of 1.1m sq ft in 2023, up 13% on the five-year annual average. This was predominantly driven by a flurry of grade A activity, most notably DPD's 203,000 sq ft lease of Prologis Park, Bromley-by-Bow.

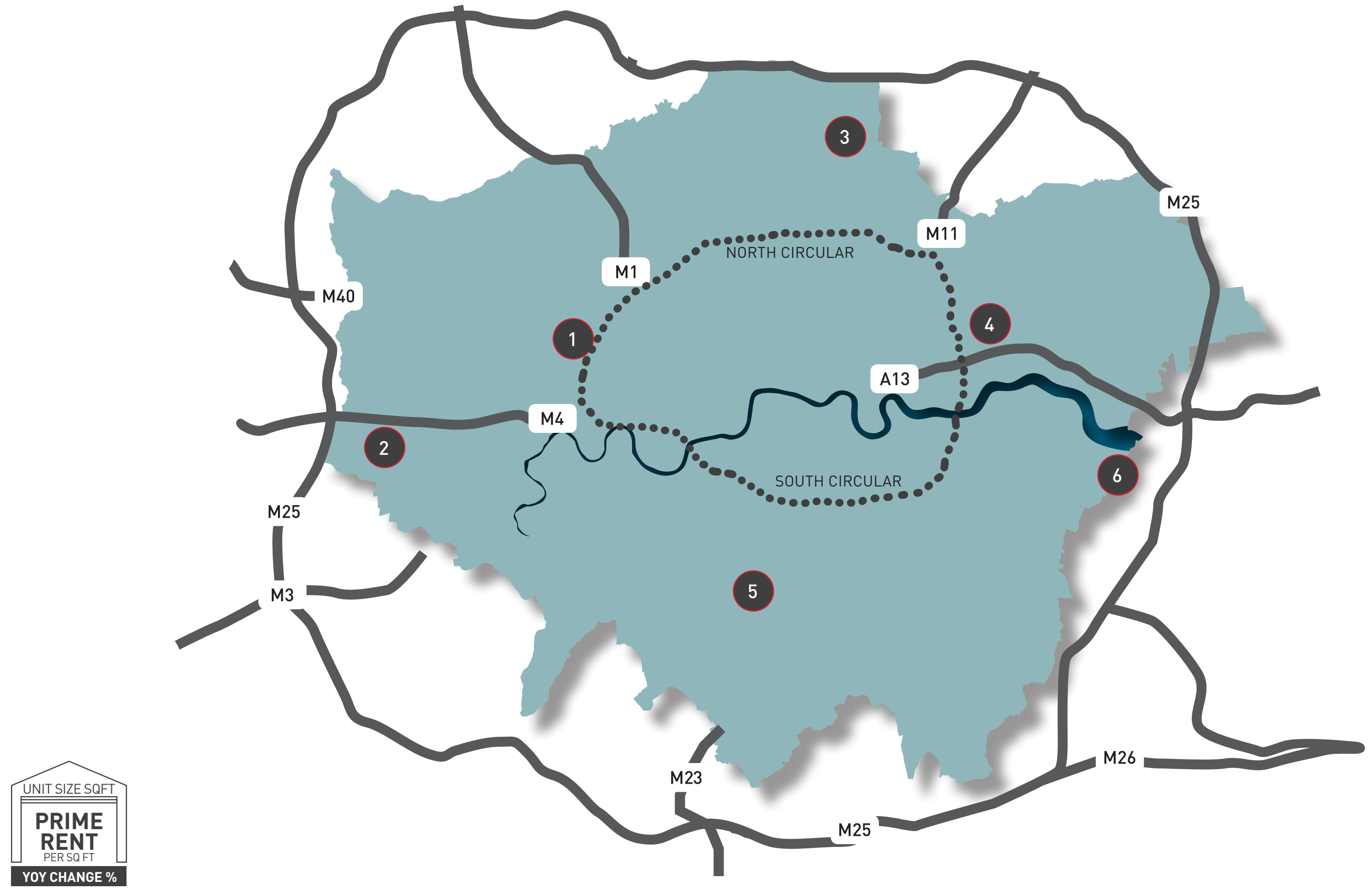
SUPPLY

Greater London supply rose to its highest level since 2012, increasing by 34% year-on-year to 6.3m sq ft. Consequently, London maintained its position at the UK's most well-supplied region, equivalent to 2.3 years of average annual take-up. Large segment availability increased by 55% year-on-year, a result driven by three units returning to the market, the largest of which was Chillbox 196, Thurrock (196,000 sq ft).

XL segment availability doubled year-on-year due to the return of two units to the market, comprising the newly refurbished LG395, DP World London Gateway Logistics Park (395,000 sq ft), and Titan, Prologis Park (297,000 sq ft). Despite this, XL is the most tightly supplied segment, equivalent to 1.5 years of average annual take-up. Speculative development under construction totalled 1.5m sq ft over 14 units, the largest of which is LG200 DP World London Gateway Logistics Park (200,000 sq ft).

RENTS

Following the surge in prime rental growth during 2021 and 2022, the pace slowed in 2023, with an average annual increase of 5.5% across Greater London's key markets. Park Royal continues to boast the UK's highest prime rent, standing at £32.50 per sq ft, and led in terms of growth in 2023, rising 8% year-on-year. Secondary rental growth in the capital was exactly in line with the UK average, at 7% year-on-year, and was led by Enfield, which saw secondary rents rise by 11% year-on-year.



1 PARK ROYAL

20K	50K	100K
£34.00 PER SQ FT	£32.50 PER SQ FT	£31.00 PER SQ FT
+6%	+8%	+11%

Park Royal's proximity to Central London continues to attract demand in spite of the rental cost burden. A number of recent lettings have achieved rents approaching the mid-£30s per sq ft, one example being Classic Fine Foods' 61,611 sq ft lease at PR1, Abbey Road. New development is being planned, with quoting rents in excess of £35.00 per sq ft. While some occupiers are opting to leave Park Royal for more cost effective locations, others, out of necessity, are equally keen to remain. We expect this dynamic to be maintained through 2024, leading to further upwards pressure on rents.

2 HEATHROW

20K	50K	100K
£25.00 PER SQ FT	£24.00 PER SQ FT	£23.00 PER SQ FT
+6%	+7%	+7%

Given current supply constraints at the larger end of the market, the delivery of Panattoni's 80,000 sq ft unit in Poyle and Fiera/Wrenbridge's scheme in Heathrow will provide a welcome boost towards the end of 2024. However, reflecting tougher economic conditions, some occupiers are re-thinking their space needs, notable examples being the assignment of part of Hayes 180 and Unit 1 SEGRO Park Hayes. While supply constraints will continue to support rents, void periods may tick up, reflecting greater caution among occupiers to the prevailing economic environment.

3 ENFIELD

20K	50K	100K
£26.00 PER SQ FT	£24.00 PER SQ FT	£23.00 PER SQ FT
+4%	+4%	+5%

Occupier demand has remained resilient, evidenced by letting of Urban 51 at the end of 2023. However, rental costs are becoming a concern for some occupiers, many of whom are weighing up the case for relocation to cheaper areas around the A1M, M1 and A10. Alternative locations such as Borehamwood, Waltham Cross, Watford, Hemel, Hoddeston and Hatfield suffer from land constraints. We envisage this conundrum will remain for occupiers through 2024, impacting positively on rental tone.

4 BARKING AND DAGENHAM/ THURROCK

20K	50K	100K
£25.50 PER SQ FT	£24.50 PER SQ FT	£23.50 PER SQ FT
+4%	+4%	+4%

2023 saw a notable lack of 50,000 sq ft plus transactions, save for at DP World, which continued to secure occupiers such as Cosco Shipping Crystal Logistics thanks to its freeport status. Activity has been focused on smaller lettings of below 20,000 sq ft. In Barking, Be First welcomed the first tenants to its 45-unit scheme, while Valor commenced speculative construction of Phase 2 East Circular, comprising 215,000 sq ft across four units. Positively, several larger requirements have emerged for the A13 corridor, which should bode well for 2024 and establish rental tones.

5 CROYDON

20K	50K	100K
£21.50 PER SQ FT	£21.00 PER SQ FT	£20.50 PER SQ FT
+5%	+5%	+5%

Croydon experienced a good level of activity through 2023, with the most prominent transaction being Harvest Farm's 139,000 sq ft lease of the last remaining unit at Prologis Park Beddington. More activity will be stimulated by the new speculative scheme at SEGRO Park Croydon, where several units are under offer and approaching the mid-£20s per sq ft. With rents having been pushed heavily in other more established Greater London locations to the North, East and West, we envisage Croydon to follow suit through 2024.

6 DARTFORD

20K	50K	100K
£15.00 PER SQ FT	£14.25 PER SQ FT	£13.75 PER SQ FT
+3%	+4%	+4%

Crossways 242, Powerhouse 300 and Panattoni's Belvedere Wharf all still remain vacant, representing a significant proportion of existing availability within the M25. In partnership with Stoford, ICG recently acquired 12.2 acres in Crayford. This will provide the next significant injection of speculative space into what has become an increasingly constrained part of the market.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
BROMLEY-BY-BOW	UNIT A PROLOGIS PARK	2023 Q1	203,000	LET (REFURBISHED)	£22.50	DPD
CROYDON	DC3 PROLOGIS PARK BEDDINGTON	2023 Q1	139,377	LET (NEW SPEC)	£19.50	HARVEST FARMS LTD
STANFORD-LE-HOPE	LG119 LONDON GATEWAY	2023 Q3	119,050	LET (NEW SPEC)	£12.50	COSTCO LOGISTICS
TOTTENHAM	UNIT 6/7, SEGRO PARK TOTTENHAM	2023 Q2	71,440	LET (NEW SPEC)	£27.50	ROYAL MAIL/ PARCELFORCE WORLDWIDE
ENFIELD	URBAN 51 ENFIELD DISTRIBUTION PARK	2023 Q2	50,145	LET (NEW SPEC)	£21.25	AMAZON

Source for all data unless stated: LSH Research

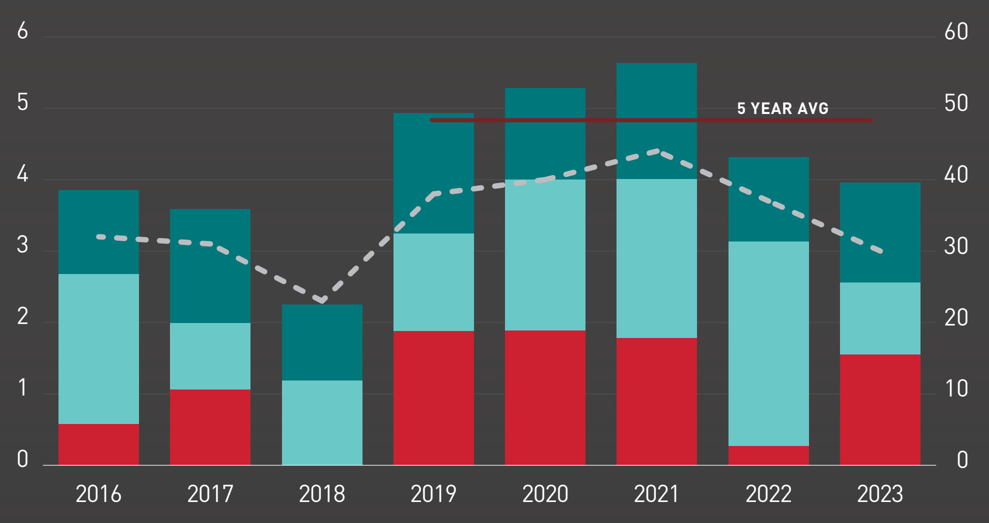
SOUTH EAST

AT A GLANCE

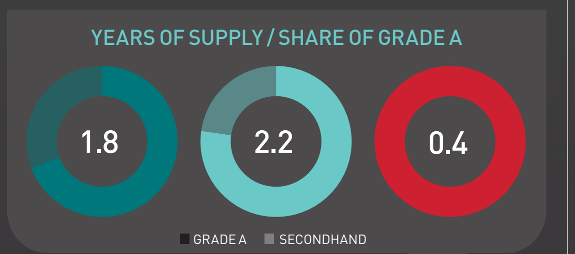
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
4.0m	-18%	7.4m	1.5	7.5%	1.6m (15)

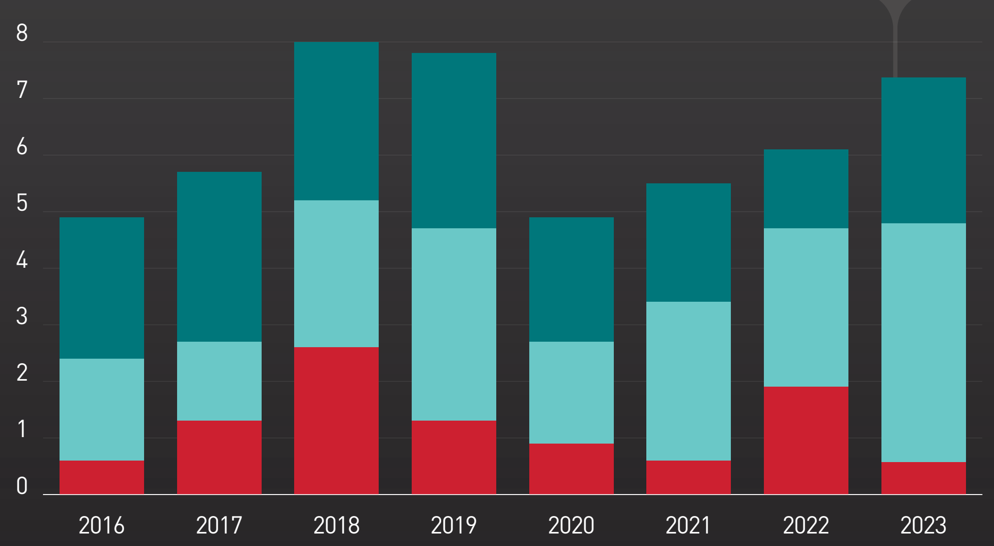
TIGHT AT THE TOP END

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)





DEMAND

Take-up in the South East amounted to 4.0m sq ft in 2023, down 8% year-on-year and the lowest annual total in five years. The large segment was especially subdued in 2023, with take-up of 1.0m sq ft comprising only seven deals, down from 21 deals in 2022. Notably, grade A space accounted for 72% of large segment take-up, bolstered by Allmakes PR2 4x4's 190,000 sq ft purchase of DQ190 at Didcot Quarter for £139 per sq ft.

The other segments fared better in 2023. XL segment take-up was closely in line with the five-year annual average, totalling 1.6m sq ft across three build-to-suit deals. These comprised Tesco at Panattoni Park, Aylesford (621,000 sq ft), Siemens Healthineers at Symmetry Park, Bicester (603,000 sq ft) and Amazon at the Pfizer site in Havant (325,000 sq ft). Mid box activity was also resilient in 2023, with take-up of 1.4m sq ft closely in line with the annual trend and boosted by flurry of activity in Crawley, which was home to four deals totalling 238,000 sq ft over the year.

SUPPLY

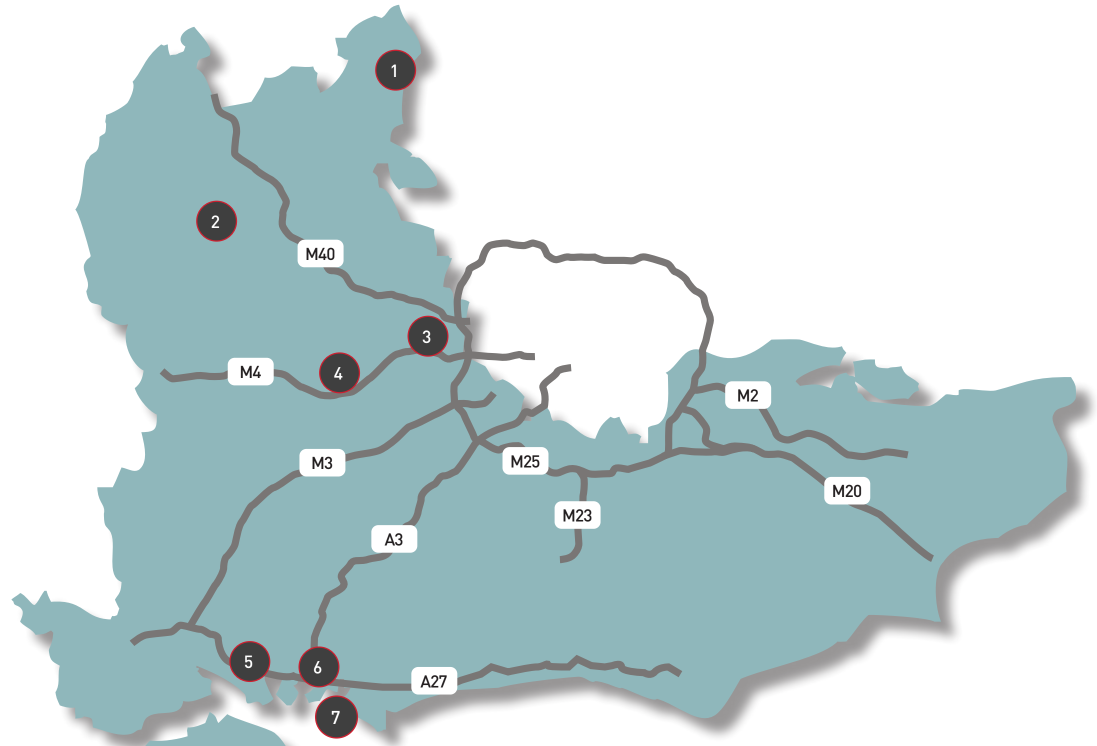
2023 brought a fourth consecutive annual increase in total supply across the South East, increasing by 20% year-on-year to 7.4m sq ft. This was driven by a significant increase in grade A availability within the mid box and large segments, rising by 139% and 56% year-on-year respectively. Consequently, grade A supply now accounts for a substantial 76% of total availability in the region.

In contrast, XL segment supply fell by 70% year-on year, with the larger of the two available units in the region being MLK 311, Milton Keynes (311,000 sq ft). The XL segment is very tightly-supplied relative to demand, equivalent to only 0.4 years of average annual take-up, while the large segment is the most well-supplied of the three segments, equivalent to 2.2 years of average take-up. Speculative development across the region has halved from its peak in mid-2022, with 1.6m sq ft under construction across 15 units, the largest of which is G-Park, Basingstoke (209,000 sq ft).

RENTS

Despite a considerable rebound in grade A supply, 2023 brought another year of strong rental growth across the South East region. For units of 50,000 sq ft, prime rents increased by an average of 12% year-on-year, easing from 15% in 2022. Southampton saw the most dramatic increase, with prime rents rising by 27% year-on-year to £14.00 per sq ft. Meanwhile, secondary rents increased by 10% on average year-on-year, driven by Portsmouth (+16%) and Guildford (+14%).

UNIT SIZE SQFT / PRIME RENT PER SQ FT / YOY CHANGE %



1 MILTON KEYNES

20K	50K	100K
£13.50 per sq ft	£13.25 per sq ft	£13.00 per sq ft
+17%	+15%	+16%

Milton Keynes is now home to a relatively ample supply, including existing secondhand and new build options as well as pipeline development. Core, Code, and several units at PLP Phase 1 have completed, where guiding rents range from £12.00 - £16.00 per sq ft. Elfield Park phase 1 was recently released to the market, with a 41,000 sq ft unit completing in Q2 2024 and quoting £16.00 per sq ft. Spec development will continue in 2024, with 790,000 sq ft at Equites Park commencing in February and anticipated starts at Kingston MK, Greenlight Precedent Drive, Kier's Logistics City and Wolverton 109.

2 OXFORD

20K	50K	100K
£14.00 per sq ft	£11.50 per sq ft	£11.00 per sq ft
+4%	+5%	+5%

While Bicester and Banbury saw assigned space come back to the market from Arrival, a lack of supply and lower passing rents saw this space taken up relatively swiftly. 2023 saw the last unit at Didcot Quarter sell to Allmakes PR2 4x4, a wholesaler of parts and accessories for Jaguar and Land Rover vehicles, at a price reflecting £139 per sq ft. Positively, BMW's plans for a major investment into its Oxford Mini Plant will secure the long-term future of Mini production in the UK and many Oxford based supply chain firms.

3 SLOUGH

20K	50K	100K
£24.50 per sq ft	£23.50 per sq ft	£22.00 per sq ft
+7%	+7%	+7%

Slough's historic discount to locations closer to Central London continues to narrow on the back of strong demand and limited supply. With prime quoting rents now at mid-£20s per sq ft, some occupiers are being forced to look further afield to locations along the M40 or down the M4/M3, which are themselves seeing rental growth in turn. Slough remains a prime location for data centre-related demand and development, albeit this could be constrained over the coming years until the infrastructure is sufficiently upgraded.

4 READING

20K	50K	100K
£18.00 per sq ft	£18.00 per sq ft	£16.75 per sq ft
+9%	+9%	+6%

Supply of mid box and big box units is constrained by a lack of available land. Quoting £16.50 per sq ft, UPS's assigned space at Unit A Island Road is the only building available above 100,000 sq ft. Supply is planned at Arlington's Reading International, Panattoni Park and Reading Urban Hub, albeit the latter two schemes have not yet secured planning consent are unlikely to be delivered until 2025. Local supply pressures and increased demand from London-based occupiers will continue to drive rents in 2024, with Reading and Bracknell already seeing prime quoting rents at over £17.50 per sq ft.

5 SOUTHAMPTON

20K	50K	100K
£13.50 per sq ft	£14.00 per sq ft	£13.00 per sq ft
+8%	+27%	+18%

In Eastleigh, Power Park was fully let prior to its completion in Q4 2023, while Penta Park saw two of the four units taken prior to completion. Rising rents have fuelled confidence for further speculative developments. In Nursling, Oceanic Estates are on site for their next development at AP6, with 21 units totalling 168,736 sq ft completing in Q4, while Graftongate/Bridges are seeking planning consent for a large unit of 135,000 sq ft. Depending on size, quoting rents in the area have increased to £14.00 - £15.00 per sq ft.

6 FAREHAM

20K	50K	100K
£13.00 per sq ft	£12.00 per sq ft	£12.00 per sq ft
+18%	+9%	+17%

Despite the general market headwinds, the Fareham area enjoyed a strong finish to 2023. Unit 6 Crompton Way (30,000 sq ft) sold and then went under offer on a leasehold basis at a rent of £10.00 per sq ft, while Logistics City changed hands in the investment market. Meanwhile, Fareham Borough Council placed three acres under offer at Daedalus, where consent is in place for a new Search and Rescue (SAR) training facility. Another key transaction is the recent sale of the 20-acre site Eaton, Segensworth, which is set to be redeveloped for industrial use.

7 PORTSMOUTH

20K	50K	100K
£13.00 per sq ft	£12.50 per sq ft	£13.00 per sq ft
+8%	+19%	+18%

H2 2023 brought evidence of continuing rental growth, with, for example, 12,000 sq ft at Pioneer Park achieving £12.00 per sq ft and secondhand space at Voyager Park going under offer at £13.00 per sq ft. The period also saw record freehold sale values achieved with the sale of Units 2, 6 and 7 Fishers Grove reflecting £200 per sq ft VP. Meanwhile, speculative development continues, with Wrenbridge's 7-unit Sonar scheme now under construction, offering units ranging from 5,000 sq ft to 35,000 sq ft, with quoting rents in excess of £13.00 per sq ft.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
AYLESFORD	PANATTONI PARK AYLESFORD	2023 Q2	621,000	PRE-LET (BUILD TO SUIT)	£12.50	TESCO
HAVANT	PFIZER SITE, NEW LANE	2023 Q1	325,000	PRE-LET (BUILD TO SUIT)	UNDISCLOSED	AMAZON
ASTON CLINTON	UNIT 6 SYMMETRY PARK ASTON CLINTON, PHASE 2	2023 Q3	116,487	LET (NEW SPEC)	£10.75	LWC DRINKS
CRAWLEY	G115 ST. MODWEN PK GATWICK	2023 Q1	115,000	PRE-LET (BUILD TO SUIT)	£14.25	DHL
CRAWLEY	UNIT 100, ARROW POINT	2023 Q4	65,803	LET (NEW SPEC)	£16.50	BLUELEAF LIMITED

Source for all data unless stated: LSH Research

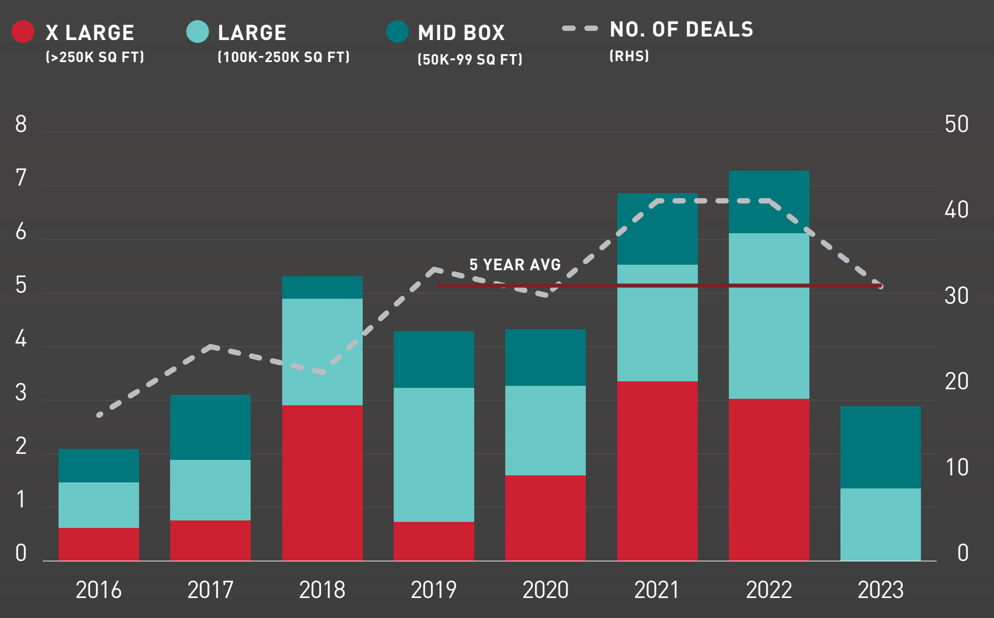
EAST

AT A GLANCE

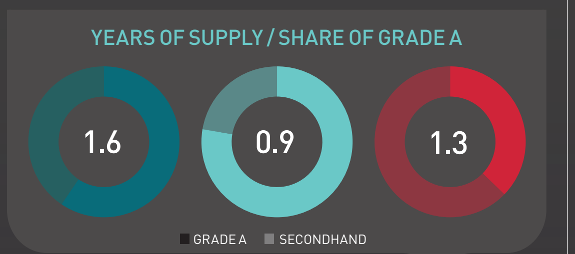
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
2.9m	-44%	6.3m	1.2	5.7%	1.5m (15)

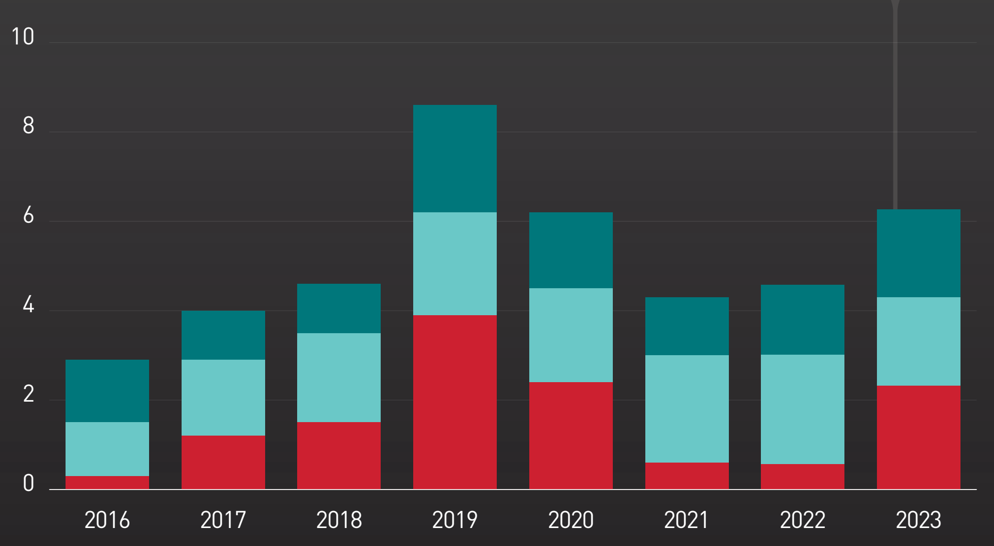
MID BOX GETS BUSY

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)





DEMAND

Take-up amounted to 2.9m sq ft in 2023, slumping by 60% from 2022's record and the lowest annual total since 2016. The year lacked large transactions, with an absence of take-up in the XL segment seen for the first time on record. Additionally, the number of transactions in the large segment halved year-on-year, with only 10 deals totalling 1.4m sq ft. Notably, eight of these came in Q1 2023, the largest being Metro Supply Chain's 161,000 sq ft lease at Unit 3, G-Park Bedford, Wixams.

In sharp contrast, however, the mid box segment experienced its strongest year since 2015, with take-up of 1.5m sq ft, rising 32% year-on-year and accounting for just over half of the East region's total annual take-up. Mid box activity was boosted by a flurry of pre-let deals, with four separate units at Port One Logistics Park, Ipswich transacting in 2023, totalling 268,000 sq ft.

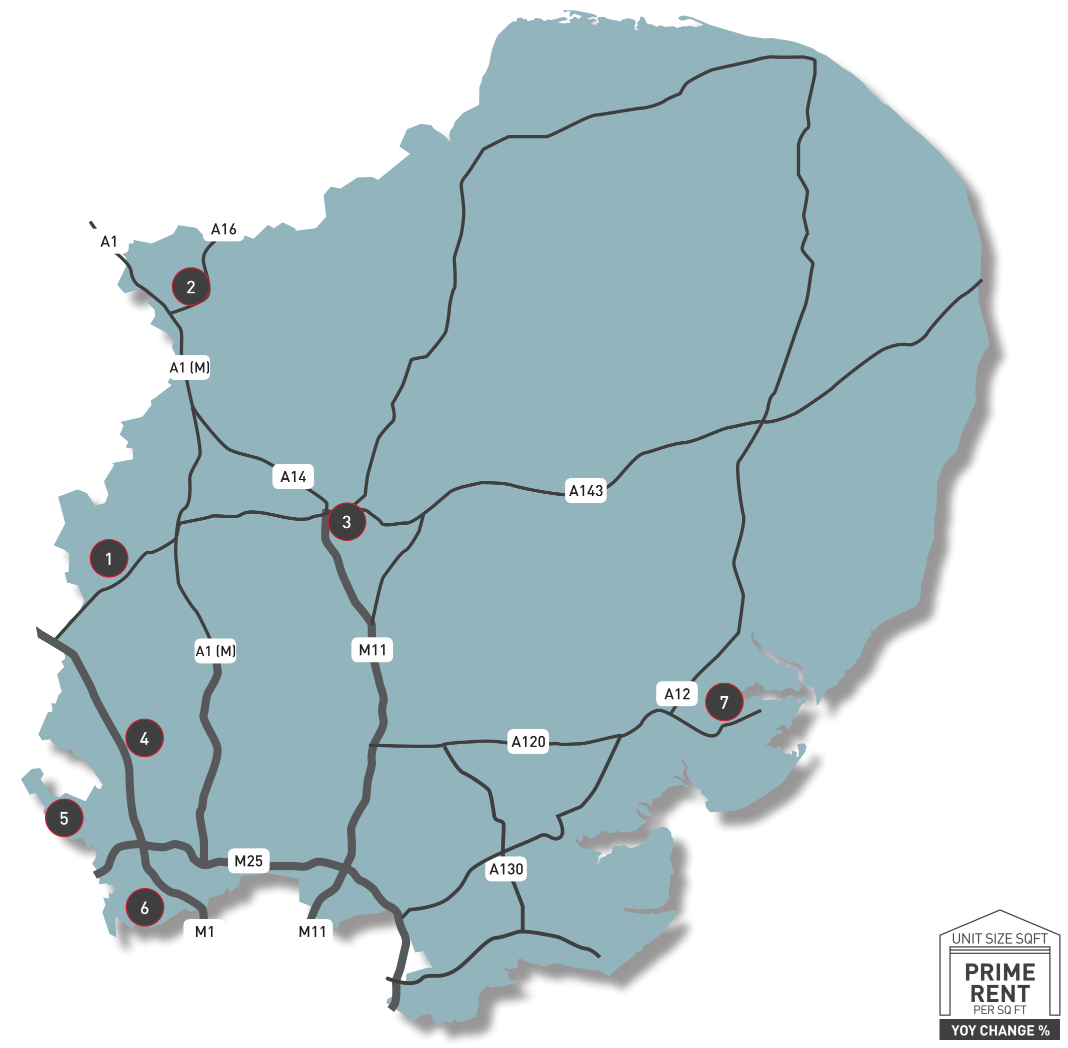
SUPPLY

Total supply in the East region increased by 37% year-on-year to stand at 6.3m sq ft, the highest level since 2019. Having previously had the tightest supply of any UK region, East region supply now equates to 1.2 years of average annual take-up, moving more closely into line with the wider UK average. The overall rise in supply was largely due a threefold year-on-year increase in XL segment supply, which now stands at 2.3m sq ft. This includes two secondhand units, namely Peterborough 736 (736,000 sq ft) and Hemel 465 (465,000 sq ft), Hemel Hempstead.

Meanwhile, reflecting significant speculative development, mix box availability increased by 25% year-on-year, with grade A supply rising 70% over the period and now accounting for 60% of all mid box availability. At the end of 2023, speculative development totalled 1.5m sq ft across 15 different units. A key focus of development is Junction Logistics Park, with 591,000 sq ft underway across three units, accounting for 40% of the region's total.

RENTS

For units of circa 50,000 sq ft, the rate of prime rental growth slowed to an average of 8% across the East's key markets in 2023, closely in line with national trend. Ipswich/Stowmarket boasted the strongest growth, with prime rents increasing by 17% to £10.50 per sq ft, while double-digit prime growth was also recorded in Bedford (+13%) and Cambridge (+11%). Meanwhile, rents for secondary space increased by an average of 6% year-on-year. This was led by Luton, which recorded growth of 10% year-on-year.



1 BEDFORD

20K: £11.25 per sq ft, +13% | 50K: £11.00 per sq ft, +13% | 100K: £10.75 per sq ft, +13%

B70, on Goodman's Bedford Commercial Park was taken up in December 2023 just months after a deal fell through earlier in the year, achieving £10.50 per sq ft. The quick turnaround reflects an acute lack of supply in the mid box segment, with 2C Viking Industrial Estate the only remaining option. Supply is constrained generally, with larger format options limited to 1B Progress Park and two sub-lease opportunities at G-Park Wixams. Hence, as occupiers continue to seek space further along the M1 corridor, upward pressure is expected to remain on rents in 2024.

2 PETERBOROUGH

20K: £8.75 per sq ft, 0% | 50K: £8.25 per sq ft, 0% | 100K: £8.00 per sq ft, 0%

Supply is currently very constrained, with the final unit at Peterborough South (94,225 sq ft) attracting strong interest and Amazon's vast 700,000 sq ft unit still available. Secondhand rents remain strong, with Peterborough 87 available at £7.50 per sq ft and a 100,000 sq ft unit at Cardinal Distribution Park, Godmanchester seeing decent interest at circa £8.75 per sq ft. Meanwhile, Trebor and Hillwood, together with landowner the Church Commissioners for England, continue to market their 1.4m sq ft Flagship Park scheme. While this has outline planning consent, delivery of new units is yet to be confirmed.

3 CAMBRIDGE

20K: £16.50 per sq ft, +10% | 50K: £15.50 per sq ft, +11%

Cambridge's industrial land market continues to grapple with strong competition from more valuable commercial uses, predominantly science and technology. Savills IM's Bourn Quarter scheme has performed extremely well, with only a few units remaining available. Frontier has applied for detailed planning consent for a multi-let scheme at Ely Gateway, which will provide much needed supply in the wider Cambridge market, offering unit sizes up to 55,000 sq ft. With competition for land continuing through 2024, we envisage further upward pressure on the rental tone.

4 LUTON/DUNSTABLE

20K: £14.00 per sq ft, +8% | 50K: £13.50 per sq ft, +8% | 100K: £13.00 per sq ft, +8%

A lack of supply has weighed on take-up at the larger end of the Luton/Dunstable market. The only large format options available are the newly delivered Vision 90 Woodside (90,000 sq ft) and Unit 10 Woodside Industrial Estate (55,000 sq ft), which is currently undergoing refurbishment. Positively, Junction, Luton is now under construction, with the scheme set to provide four units ranging from 42,550 sq ft to 309,794 sq ft upon completion in Q1 2025. Meanwhile, the smaller end of the market has been very active, with a flurry of transactions at Woodside Industrial Estate, Insignia Park and the newly-built Ho11a, Houghton Regis.

5 HEMEL HEMPSTEAD

20K: £18.00 per sq ft, +6% | 50K: £17.50 per sq ft, +6% | 100K: £17.00 per sq ft, +6%

Amazon's two sub-lets of 465,000 sq ft and 161,000 sq ft are both under offer, leaving options over 50,000 sq ft virtually non-existent except for Rise (52,000 sq ft), Maylands Avenue, which is currently under construction. Encouragingly, the third phase of Prologis Park will provide much needed relief in the mid box market, offering five units ranging from 20,000 sq ft to 75,000 sq ft. Given the distinct lack of options, rents of over £20.00 per sq ft are being quoted on new build stock, forcing some occupiers to look further afield.

6 WATFORD

20K: £24.00 per sq ft, +7%

A scarcity of supply remains evident across almost all size brackets in Watford. However, the smaller end of the market has recently benefitted from the completion of Inspire, Watford Business Park, comprising 13 new units ranging from circa 2,000 sq ft to 6,000 sq ft. Construction is also well underway at Watford Logistics Hub, where three units are set to complete in July 2024, including a rare mid box unit of circa 54,000 sq ft. While transactional evidence remains limited due to restricted supply, quoting rents sit around the mid-£20s per sq ft.

7 IPSWICH/STOWMARKET

20K: £11.50 per sq ft, +15% | 50K: £10.50 per sq ft, +17% | 100K: £9.75 per sq ft, +22%

Stock and availability are very constrained, particularly in the mid box size segment. Trebor Developments is speculatively developing five units of up to 53,000 sq ft, with guide rents ranging from £10.75 - £11.95 per sq ft. Given strong interest for the scheme, pre-lets are expected prior to its scheduled completion in May. At the larger end of the market, two speculative units at Orwell Logistics Park (255,000 sq ft and 300,000 sq ft) remain subject to an option agreement across all of Phase 1 and 2.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
BEDFORD	UNIT 3 G-PARK BEDFORD WIXAMS	2023 Q1	161,374	LET (NEW SPEC)	£9.45	METRO SUPPLY CHAIN
BIGGLESWADE	UNIT 2 SYMMETRY PARK	2023 Q1	160,000	LET (NEW SPEC)	£9.25	BIDFOOD LIMITED
PETERBOROUGH	PS140 KINGSTON PARK*	2023 Q1	139,915	LET (NEW SPEC)	£7.50	FRESHLINC
STEVENAGE	UNIT 2 G-PARK	2023 Q4	106,541	PRE-LET (BUILD TO SUIT)	£10.85	BUNZL PLC
HARLOW	UNIT 2 MIDAS	2023 Q4	86,360	LET (NEW SPEC)	£14.40	ALT FOODS

*LSH ACTED FOR THE LANDLORD

Source for all data unless stated: LSH Research

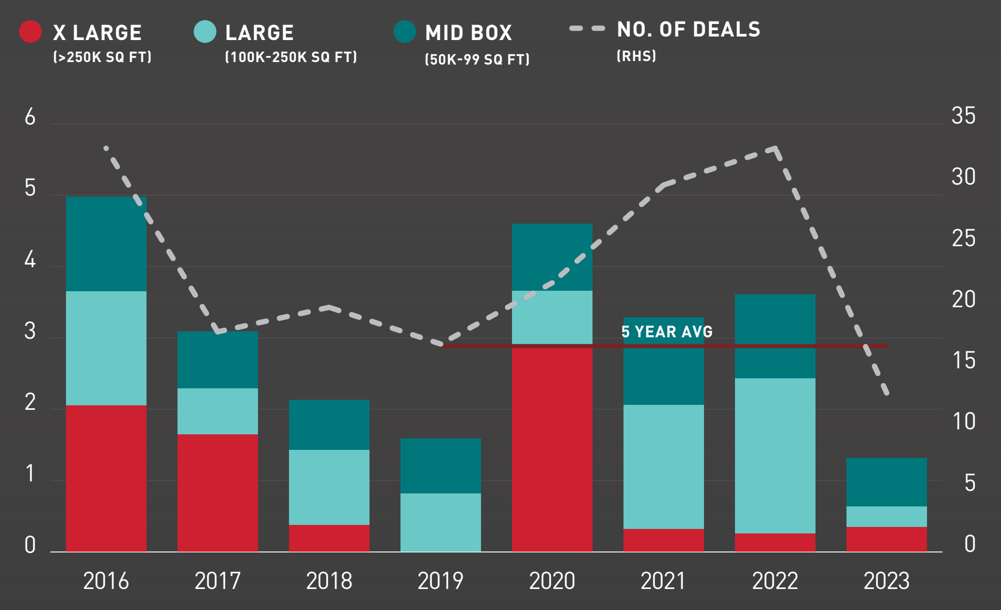
SOUTH WEST

AT A GLANCE

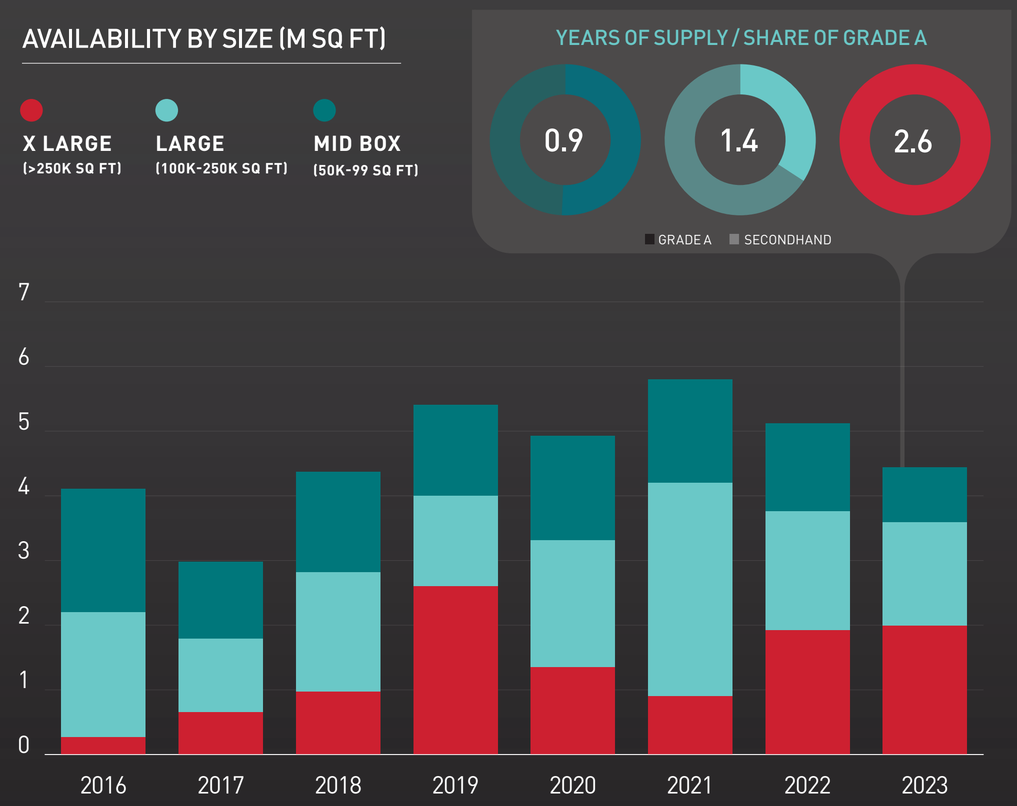
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
1.3m	-54%	4.4m	1.5	6.0%	204k (1)

MID BOX STEALS THE LIMELIGHT

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)



DEMAND

Having been the best performing UK region for take-up in 2022, the South West was among the worst-performing regions in 2023, with take-up of 1.3m sq ft falling 54% below the five-year annual average. 2023 saw only four deals involving brand new space, the largest being GS Yuasa's 175,000 sq ft lease of Unit 8 Ignition Park, Swindon. Secondhand take-up accounted for 68% of the annual total, boosted by EDF Energy's 352,303 sq ft lease at Argos's former premises at Big Box 24, Bridgwater.

The large segment was the main drag on 2023's performance, with take-up of comprising only two deals and down 75% on the five-year average. In contrast, mid box was the most resilient segment, with take-up of 683,000 sq ft standing 29% below trend. This included two notable grade A deals at two St. Modwen schemes, namely Flostream at St. Modwen Park Gloucester (56,262 sq ft) and L'Occitane's at St. Modwen Park Access 18 Avonmouth (50,473 sq ft).

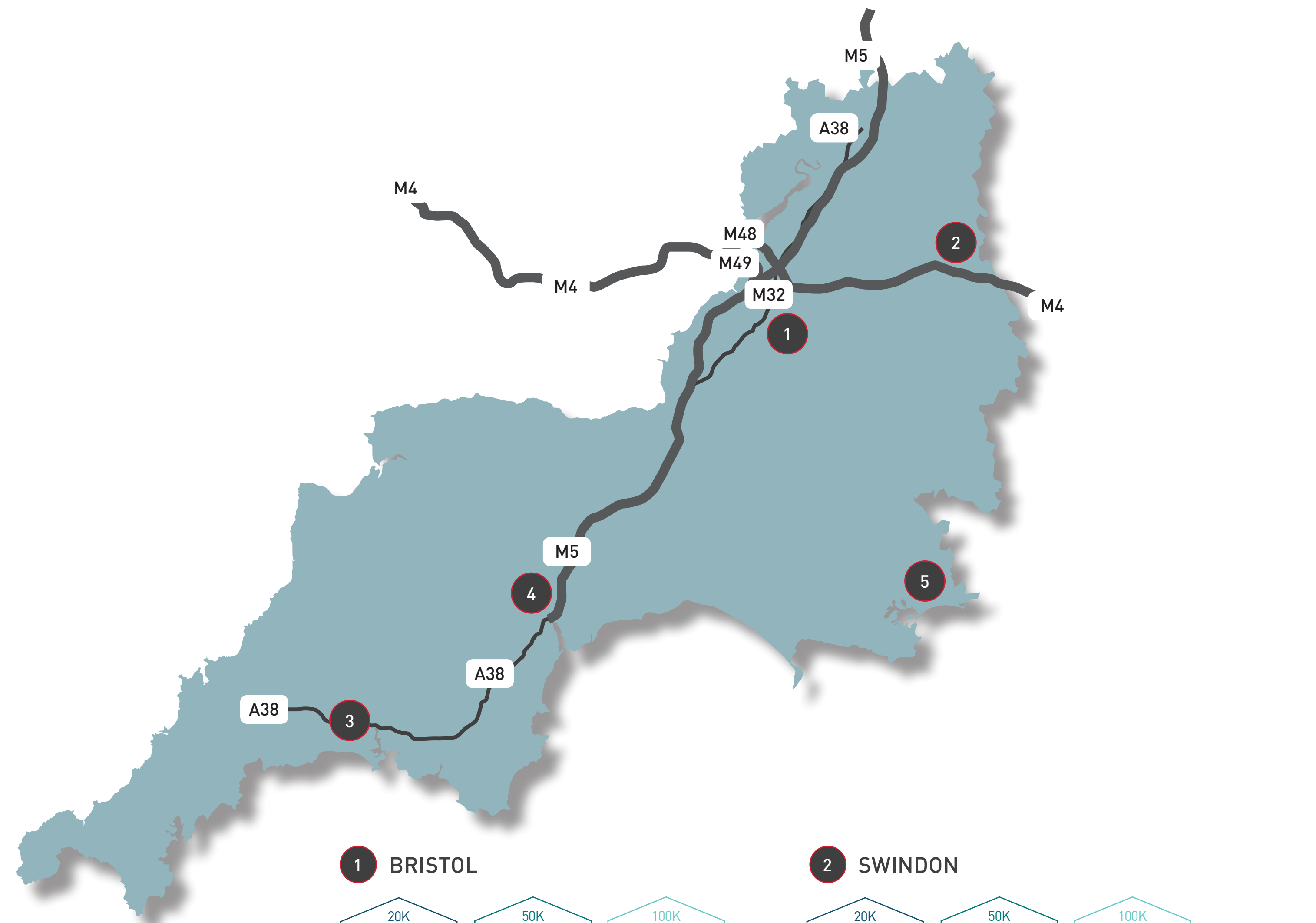
SUPPLY

The South West was one of only two UK regions to see a drop in supply during 2023, falling 13% year-on-year to stand at 4.4m sq ft. The region nonetheless remains relatively well-supplied overall with availability equivalent to 1.5 years of average annual take-up, above the UK average of 1.3 years. However, mid box supply has become notably tight, falling by 37% year-on-year and equivalent to only 0.9 years of average annual take-up.

In contrast, the XL segment supply appears abundant by comparison, albeit this is somewhat skewed by one colossal scheme at Panattoni Park Avonmouth, where two units of 882,000 sq ft and 406,000 sq ft are now built and available. The development pipeline has since cooled and several developers have postponed starts, with Unit 26 St. Modwen Park Access 18 Avonmouth (204,263 sq ft) being the only speculative unit above 50,000 sq ft under construction across the region.

RENTS

Prime rental growth across the South West's key markets averaged 7% in 2023, moderating from 9% in 2022. Swindon saw the strongest growth over the year, rising by 12% to £9.50 per sq ft, while prime rents in Bristol remained stable at £10.00 per sq ft, following strong growth in 2022. Meanwhile, secondary rents increased by an average of 6% across the key markets in 2023. However, this was heavily skewed by Swindon, which saw one of the strongest growth rates in secondary rents of any UK market in 2023, rising by 19% year-on-year to £8.00 per ft.



UNIT SIZE SQFT
PRIME RENT PER SQ FT
YOY CHANGE %

1 BRISTOL

20K	50K	100K
£12.00 PER SQ FT	£10.00 PER SQ FT	£9.00 PER SQ FT
0%	0%	+3%

2023 saw a handful of deals above 50,000 sq ft transact, the largest being Gregory Distribution's 115,000 sq ft letting of the secondhand unit, DC115 at Cabot Park. Despite the market slowdown, supply has remained stable. Three buildings account for more than half of supply, leaving few smaller options for prospective occupiers. Following the completion of Panattoni Park Avonmouth, the only spec scheme under construction is 204,263 sq ft at St. Modwen Park, Access 18 Avonmouth. Equation/ BentallGreenOak's Matrix 49 scheme could deliver 1.1m sq ft across four units, with spec development of one unit likely to commence this year.

2 SWINDON

20K	50K	100K
£10.00 PER SQ FT	£9.50 PER SQ FT	£9.00 PER SQ FT
+5%	+12%	+9%

While activity was subdued among 50,000+ sq ft units in 2023, take-up at the smaller end of the market was healthy. Supply ticked up over the year, driven by the Spectrum Building (230,000 sq ft) returning to the market. While there is currently no spec development underway, Panattoni was recently granted planning approval for the £700m redevelopment of the former Honda site, containing plans for up to 7.2m sq ft. Demolition works are due to commence imminently, with first units anticipated to be available early 2026.

3 PLYMOUTH

20K
£9.00 PER SQ FT
0%

Activity at the small end of the market was buoyant in 2023 but limited supply of larger units continues to hinder take-up levels in Plymouth. Relocation plans are therefore constrained for larger occupiers, with only one unit above 50,000 sq ft available, comprising a 61,063 sq ft secondhand property. Further afield, in Newton Abbot, wholesaler Kitwave is constructing an 80,000 sq ft build to suit unit, due for completion later this year.

4 EXETER

20K	50K	100K
£12.00 PER SQ FT	£10.00 PER SQ FT	£8.50 PER SQ FT
+14%	+5%	0%

While activity in the 50,000 sq ft plus market has been largely absent of late, this reflects acutely low stock and an absence of speculative development. The demand does exist, however, with Exeter Logistics Park home to notable tenants such Amazon and DHL, both of which have secured space here over the past few years. More recently, Argos acquired a bespoke unit of 42,500 sq ft, achieving a new prime rental level of £10.45 per sq ft. Both Power Park and Sky Park bring build-to-suit opportunities to the market, with the former totalling 280,000 sq ft and the latter offering units from 20,000 sq ft to 172,000 sq ft.

5 POOLE/BOURNEMOUTH

20K	50K	100K
£11.50 PER SQ FT	£10.50 PER SQ FT	£9.50 PER SQ FT
+10%	+11%	0%

More speculative development is proposed on the back of consistent demand and rental growth. Northwood Urban Logistics' 26-unit scheme at Bedrock Park Ferndown is 50% taken, with quoting rents ranging from £11.00 - £15.00 per sq ft. Notable schemes in Poole include Marick and L&G's proposed 6-unit scheme (unit sizes from 12,023 sq ft to 30,613 sq ft) and the remaining land at Magna Park, where two spec units of 21,966 sq ft and 31,485 sq ft are proposed. Meanwhile, at Sopers Lane, Kingsbridge Estate purchased a 10-acre employment site which offers scope for redevelopment in the longer term.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
BRIDGWATER	BIG BOX 24, HUNTWORTH BUSINESS PARK	2023 Q1	352,303	LET (SECONDHAND)	UNDISCLOSED	EDF ENERGY
SWINDON	UNIT 8 IGNITION PARK	2023 Q1	175,000	PRE-LET (BUILD TO SUIT)	£7.75	GS YUASA
BRISTOL	DC115 POPLAR WAY EAST, CABOT PARK	2023 Q2	115,505	LET (SECONDHAND)	£6.75	GREGORY DISTRIBUTION
NEWTON ABBOT	UGBROOKE BUSINESS PARK	2023 Q3	80,000	PRE-LET (BUILD TO SUIT)	£10.50	KITWAVE GROUP PLC
BRISTOL	UNIT 1500 WESTERN APPROACH DISTRIBUTION PARK	2023 Q1	66,091	LET (REFURBISHED)	£7.80	PICS TELECOM

Source for all data unless stated: LSH Research

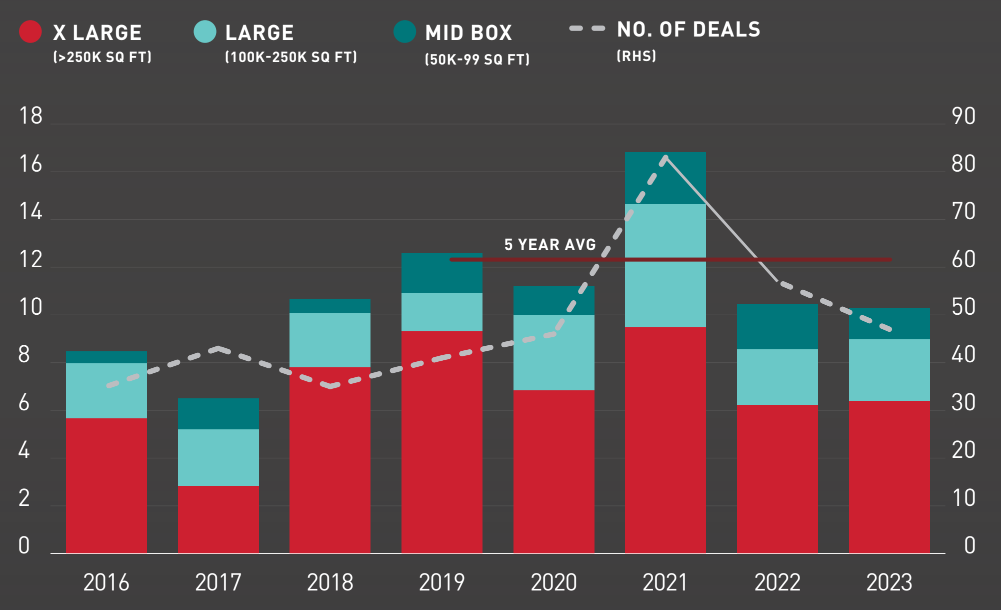
EAST MIDLANDS

AT A GLANCE

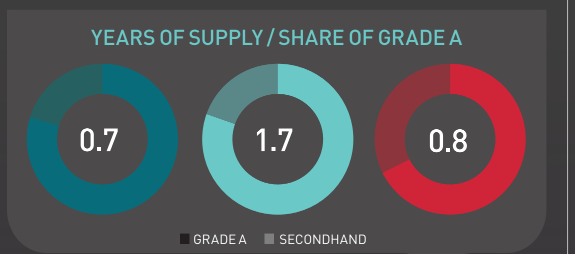
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
10.3m	-16%	11.9m	1.0	6.0%	2.6m (14)

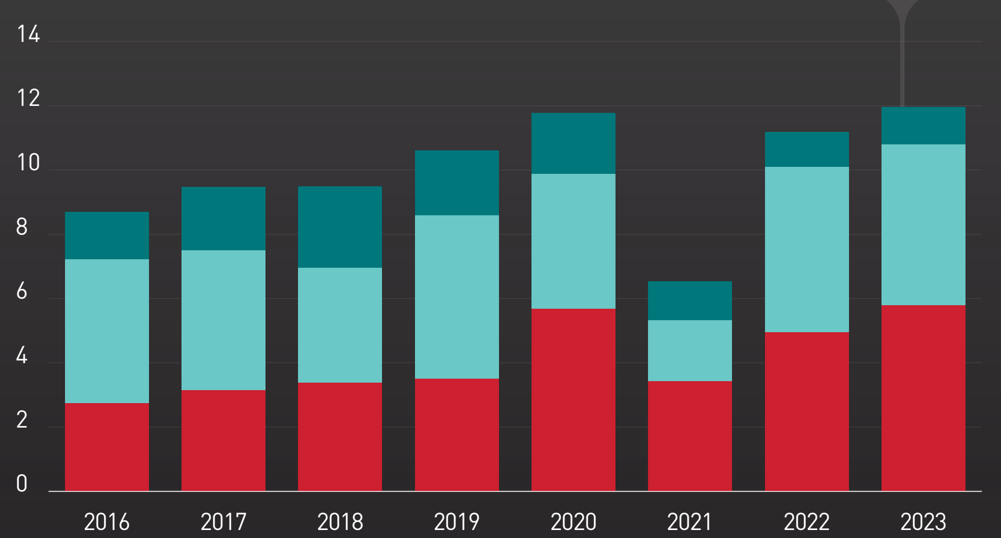
AMAZON DELIVERS

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)





DEMAND

The East Midlands was one of the most robust regions in 2023, with annual take-up of 10.3m sq ft, only 2% down on 2022 and 16% below the five-year average. In typical fashion, the region was home to the largest share of national take-up, accounting for almost a quarter of the UK's total. The East Midlands also recorded the highest proportion of grade A demand of any region, accounting for 84% of total take-up.

Take-up was admittedly given a major boost by Amazon's commitment to a brand new 2.3m sq ft logistics hub at SEGRO Logistics Park Northampton, the UK's largest deal since 2019. That said, the large segment also recorded an 11% year-on-year uptick in take-up, with new speculative units accounting for 11 of 2023's 18 deals. In contrast, at the smaller end of the market, mid box activity appeared less resilient, with take-up of 1.3m sq ft down 32% on year-on-year and 21% below the five-year average.

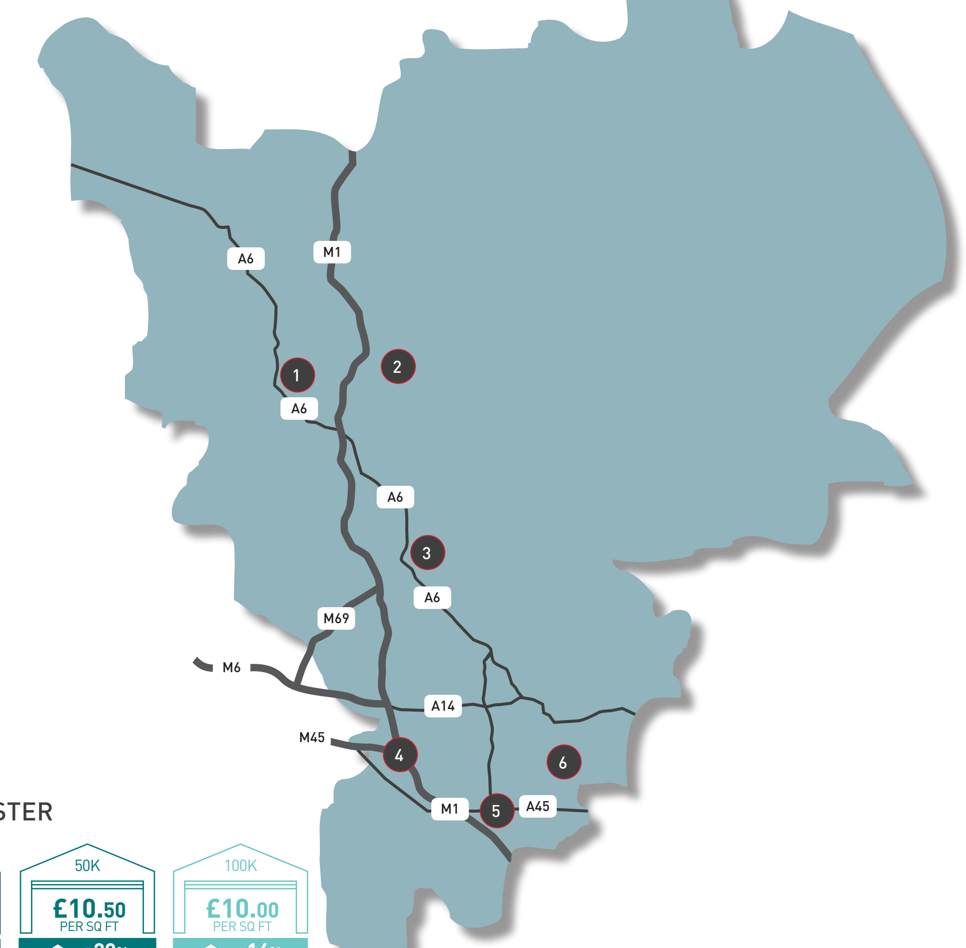
SUPPLY

Availability increased by 7% year-on-year to stand at 11.9m sq ft, with the overall rise driven by an 87% year-on-year increase in secondhand space. This largely reflected the return of the Desford M1 Campus to the market, where 1.3m sq ft is available. Despite the rise in supply, the East Midlands remains amongst the UK's tightest regions, with availability equating to less than one year of average annual take-up.

At 1.7m sq ft, mid box supply is particularly limited, equating to 0.7 years of average take-up and reflecting a lack of new speculative builds in this segment of the market. A total of 2.6m sq ft of speculative development was under construction across 14 units at the end of 2023, down 47% year-on-year. 80% of development is made up of XL and large units, with three units under construction at Logicor Park Daventry totalling 800,000 sq ft and another three at Magna Park South, Lutterworth totalling 650,000 sq ft.

RENTS

Reflecting demand for quality accommodation, prime rental growth across the East Midlands' key markets accelerated to an average of 14% in 2023, rising from 10% in 2022. This is the only UK region to see an acceleration in rental growth on the previous year. This was boosted by exceptionally strong growth in two of the region's key markets, namely Northampton (up 22% year-on-year) and Leicester (up 20% year-on-year). Meanwhile, rental growth moderated for secondary space, with growth across the key markets averaging 7% in 2023, easing from 8% in 2022.



1 DERBY

20K	50K	100K
£9.25 PER SQ FT	£9.25 PER SQ FT	£9.00 PER SQ FT
+12%	+12%	+13%

Phase 2 of St. Modwen Park Derby is under construction, comprising circa 350,000 sq ft across five detached self-contained units with a guiding rent of circa £9.25 per sq ft. The market's largest three voids are DV196 at Dove Valley Park (195,500 sq ft), B295 St. Modwen Park, which is available as a sub lease from Gousto at £7.75 sq ft, and ICG Unit 1 Mercia Park (215,627 sq ft), which is quoting £8.75 per sq ft. Going forward, SEGRO Smart Parc and Infinity Park both offer flagship large-scale new development opportunities.

2 NOTTINGHAM

20K	50K	100K
£8.75 PER SQ FT	£8.50 PER SQ FT	£8.25 PER SQ FT
+9%	+6%	+3%

There is a healthy level of supply around Nottingham on the M1. For example, Power Park offers four units ranging from 44,308 sq ft to 146,321 sq ft, with rents guiding between £8.25 and £8.50 per sq ft, while Nottingham 360 (361,000 sq ft) is available and quoting £8.00 per sq ft. Rula's Fulwood 190 (190,598 sq ft) is currently under construction and will be ready for occupation Q1 2024. Going forward, Newlands is seeking pre-lets at its 850,000 sq ft Equites Park scheme while Aldi's surplus land at Sawley has the potential to provide a further 600,000 sq ft.

3 LEICESTER

20K	50K	100K
£11.00 PER SQ FT	£10.50 PER SQ FT	£10.00 PER SQ FT
+22%	+20%	+14%

Despite more cautious occupier demand, rents continued to increase for prime and secondary stock during H2 2023. Rents above £10 per sq ft have been achieved, most notably Octopus Energy's lease at Hinckley 47 for a term of 10 years at £10.95 sq ft in Q4 2023. IM Properties has one remaining unit at Hinckley Park, with 340,000 sq ft available guiding at £9.75 per sq ft. Elsewhere, at GLP's Magna Park, the spec unit MPS9 (388,444 sq ft) is currently under offer at circa £10.00 per sq ft, while other available big box units at the park are guiding between £10.00 to £10.50 per sq ft.

UNIT SIZE SQ FT
PRIME RENT PER SQ FT
YOY CHANGE %

4 RUGBY/ DAVENTRY

20K	50K	100K
£11.25 PER SQ FT	£10.75 PER SQ FT	£10.00 PER SQ FT
+10%	+8%	+3%

Demand remains strong at this prime location albeit existing new build availability is limited. This has prompted further significant development with six units under construction ranging from 170,000 sq ft to 390,000 sq ft, comprising Logicor's three units in Daventry & Tritax's three units at Symmetry Park, Rugby. At Central Park, Prologis let the refurbished former GAP unit to J Sainsbury (661,000 sq ft) and have received good interest in their DC1 unit (328,000 sq ft). Meanwhile, Barjane Developments recently beat off strong competition to secure a prime five-acre site, offering a new unit of 100,000 sq ft.

5 NORTHAMPTON

20K	50K	100K
£12.00 PER SQ FT	£11.00 PER SQ FT	£10.00 PER SQ FT
+30%	+22%	+11%

Occupier demand has remained strong at this prime location, notable deals in H2 2023 including Yusen Logistics' lease at BETA, Panattoni Park (205,026 sq ft) and Fast Logistics' lease at Brackmills 163 (163,907 sq ft). More recently, in Q1 2024, Yusen Logistics committed to a 1.6m sq ft build to suit unit at SEGRO Logistics Park Northampton, which is awaiting planning consent. Supply remains tight, with limited options including Northampton 250 (250,000 sq ft), a sub-let from 4PX quoting £8.95 per sq ft, and the last remaining unit at Brackmills Gateway (BG180, 180,000 sq ft), which and guiding £9.75 per sq ft.

6 WELLINGBOROUGH/ KETTERING/ CORBY

20K	50K	100K
£8.75 PER SQ FT	£8.75 PER SQ FT	£8.50 PER SQ FT
+13%	+17%	+10%

Demand remains healthy but has not kept up with development. New spec units include EVO 169 (169,000 sq ft), Earlstree 160 (160,800 sq ft) and GLP's new 586,353 sq ft unit Magna Park Corby, which is guiding circa £9.00 per sq ft. Elsewhere, W184 St. Modwen Park (183,624 sq ft), Wellingborough has completed and is quoting rent of £8.50 per sq ft. However, good news is in the offing. In Corby, Ceva Logistics is shortly expected to complete on a 500,000 sq ft freehold build to suit with Mulberry, while Nike is reportedly interested in a 1.0m sq ft build to suit in the area.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
NORTHAMPTON	SEGRO LOGISTICS PARK NORTHAMPTON	2023 Q4	2,329,714	LAND PURCHASE (BUILD TO SUIT)	UNDISCLOSED	AMAZON
DAVENTRY	DC628 PROLOGIS DIRFT	2023 Q3	628,943	LET (NEW SPEC)	£9.75	ZARA (INDITEX)
LUTTERWORTH	XDOCK 163, MAGNA PARK LUTTERWORTH*	2023 Q3	163,423	LET (SECONDHAND)	£8.25	LLOYD FRASER GROUP
LEICESTER	UNIT 1 GRIFFEN PARK, DESFORD	2023 Q2	128,048	LET (NEW SPEC)	£8.40	CATERPILLAR
HINCKLEY	HINCKLEY 47	2023 Q4	47,000	LET (NEW SPEC)	£10.95	OCTOPUS ENERGY

*LSH ACTED FOR LANDLORD

Source for all data unless stated: LSH Research

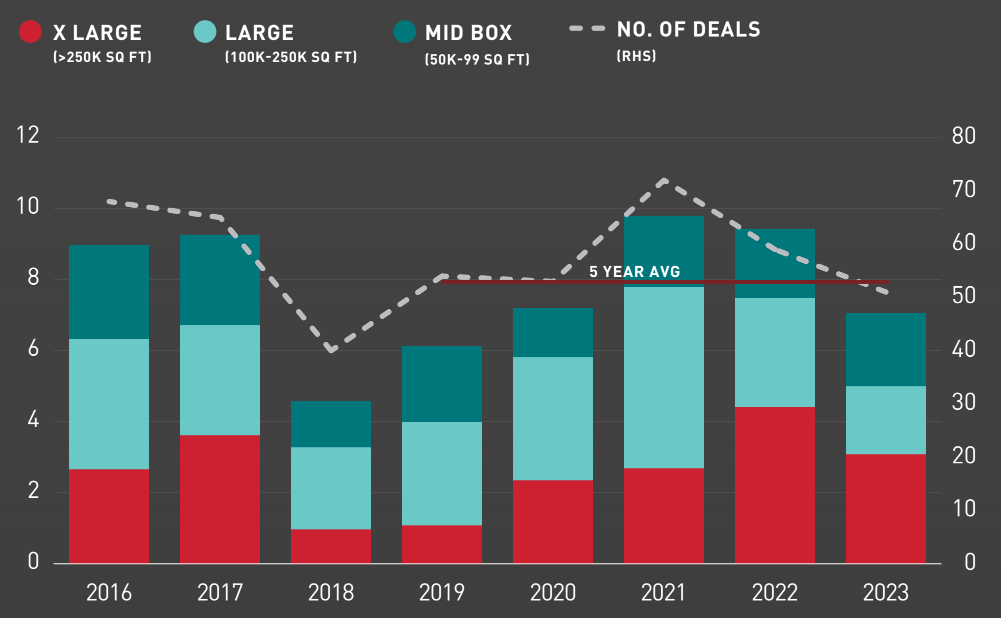
WEST MIDLANDS

AT A GLANCE

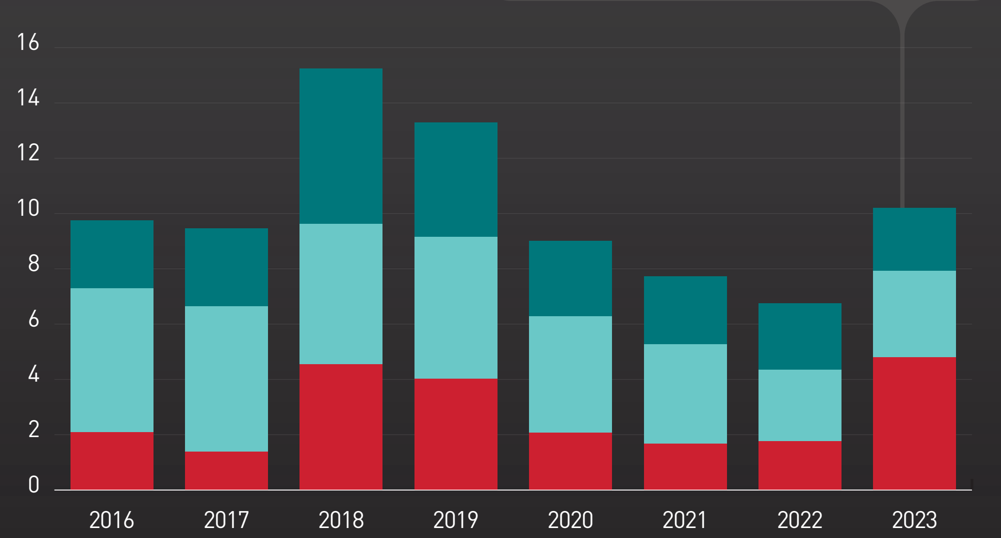
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
7.1m	-11%	10.2m	1.3	5.6%	2.3m (15)

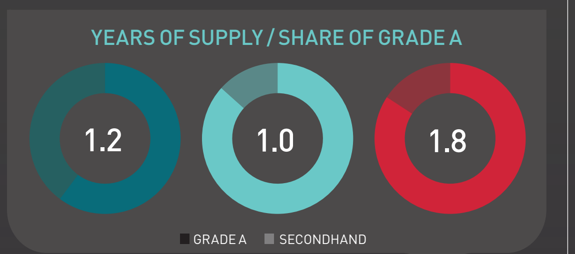
DELIVERING ON QUALITY

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)





DEMAND

The West Midlands was one of the best performing UK's regions relative to trend in 2023, with total annual take-up of 7.1m sq ft only 11% below the five-year average. XL was the strongest performing segment, with take-up 13% above trend. This included several design and build deals, such as Syncreon's 598,050 sq ft lease at SEGRO Park Coventry, and was further boosted by Sainsbury's 661,348 sq ft lease of the former Gap unit at Rugby 661.

At 2.1m sq ft, mid box also recorded healthy take-up in 2023, the strongest year since 2019 and 8% above the annual trend. While several speculative units were successfully let, the rebound in the segment was largely driven by secondhand activity. In contrast, the large segment proved the exception in 2023, with take-up of 1.7m sq ft 47% below the five-year annual average and the weakest since 2012.

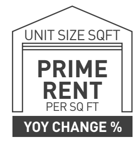
SUPPLY

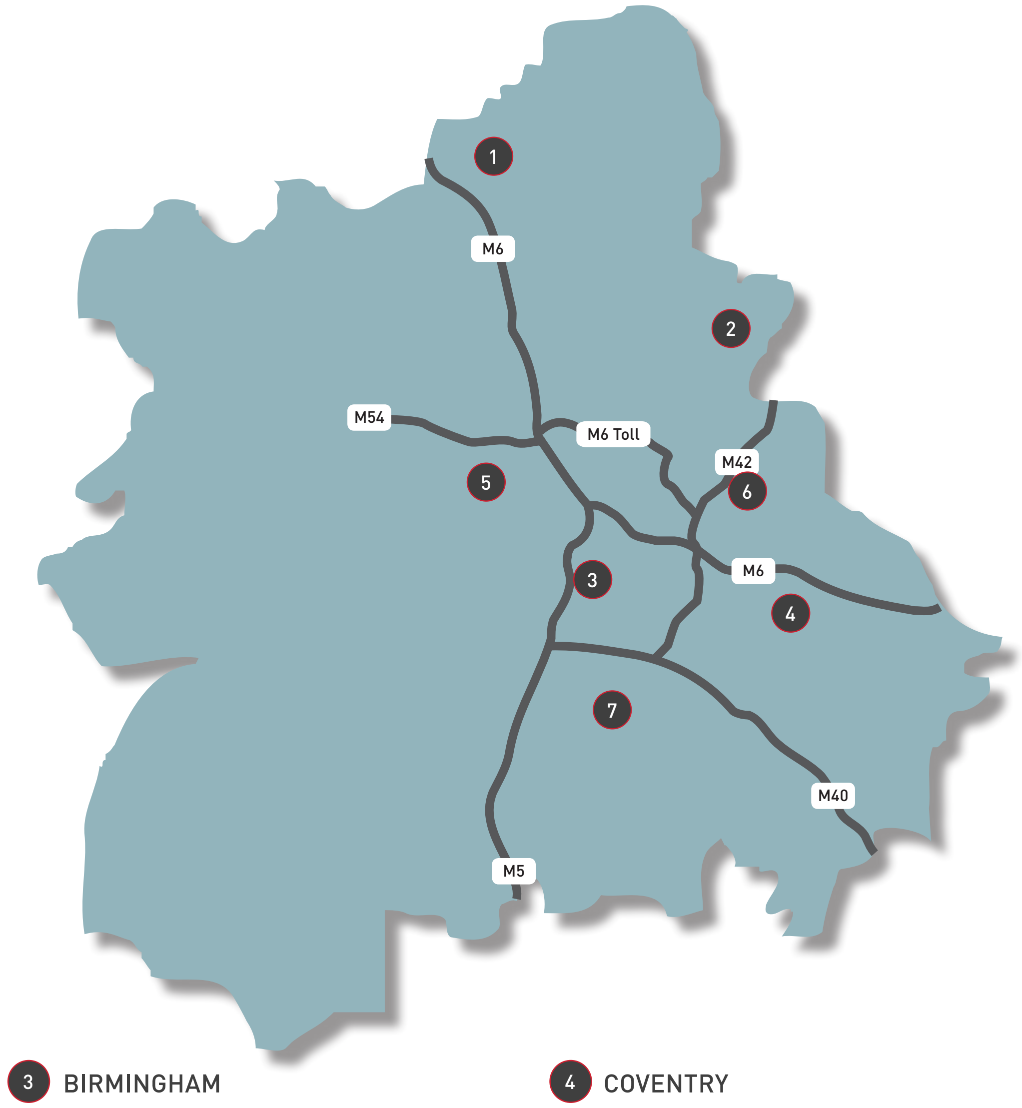
Availability in the West Midlands rebounded by 51% from last year's record low to stand at 10.2m sq ft. Supply is now equivalent to 1.3 years of average take-up, which is in line with the UK average. Supply in the XL segment increased 172% over the year and it is now the most well supplied segment. In contrast, mid box supply continued its downward trajectory since 2018, falling by 5% over the year on the back of strong take-up to stand at 2.3m sq ft.

Reflecting a strong development response in recent years, grade A space now accounts for a considerable 80% of total supply, the highest proportion of any region. At 2.3m sq ft, total speculative development under construction is down only 2% year-on-year, albeit this is focused on large format schemes such as Apollo Phase II, Coventry (556,070 sq ft across three units) and Symmetry Park Rugby (899,231 sq ft across three units). At the smaller end of the market, Canmoor/ Tristan Capital Partners are developing five mid box units at Urban8 in Kings Norton.

RENTS

The West Midlands recorded the strongest prime rental growth of any UK region in 2023, rising by 15% on average. While all four key markets saw growth above the UK average, Coventry stood out, with prime rents increasing by 28% to £11.50 per sq ft. This exceptional growth now puts Coventry on a par with Birmingham, traditionally the region's most expensive location. Secondary rents increased, albeit at a more modest yet respectable rate of 8% year-on-year, with similar rates of growth seen across the region's four key markets.





1 STOKE-ON-TRENT

20K	50K	100K
£8.00 per sq ft	£7.75 per sq ft	£7.75 per sq ft
+10%	+11%	+15%

Stoke had strong occupier demand through 2023, highlighted by one of the largest vacant units in the West Midlands, Ergo's Lymedale 332, going under offer to Boughey Distribution at £8.00 per sq ft. St. Modwen continues to dominate new supply, with further plans to speculatively develop 112,000 sq ft across two units at St. Modwen Park Meadford, and a further 630,500 sq ft available on a build-to-suit basis. Logicor's Stoke 141 is now fully available at £8.00 per sq ft following Pets at Home's vacation of the unit in Q4 2023.

2 BURTON UPON TRENT

20K	50K	100K
£9.00 per sq ft	£8.75 per sq ft	£8.25 per sq ft
+13%	+9%	+6%

Burton saw robust take-up over 2023. Highlights included Kammac's acquisition of 100,000 sq ft at Quintis and LIT Logistics' 104,000 sq ft lease of Super Smart's unit on St. Modwen Park Burton, both of which generated significant profit from their initial lettings. Gousto's assignments at B295 and Ergo 354 are the sub-market's largest vacancies while Goodman's Centrum 93 remains available, quoting at £8.25 per sq ft. Responding to the region's sustained occupier demand, St. Modwen is considering speculative development at the last phase of St. Modwen Park, offering units of up to 175,000 sq ft.

3 BIRMINGHAM

20K	50K	100K
£12.00 per sq ft	£11.50 per sq ft	£9.75 per sq ft
+17%	+12%	+5%

Birmingham remains an area with strong occupier demand, particularly for larger units, evidenced by Tesla's lease at St. Modwen's Birmingham 160 and Alliance Healthcare's pending deal at Abrdn's Gravelly Point. Chancerygate's purchase of the former GKN site, where units ranging from 5,000 sq ft to 60,000 sq ft are planned, and Vengrove's Erdington 100 scheme, Erdington will bring much needed supply to the region. Meanwhile, landlords continue to push rents in the mid box segment with rents in excess of £10.00 per sq ft being sought for refurbished buildings at Merlin Park and Prologis Park, Bromford Gate.

4 COVENTRY

20K	50K	100K
£11.50 per sq ft	£11.50 per sq ft	£10.75 per sq ft
+21%	+28%	+23%

Coventry saw strong occupier demand for new-build space in 2023, highlighted by two deals at Ansty Park totalling 243,000 sq ft and Syncreon's 598,000 sq ft design and build acquisition at SEGRO Park. The refurbished market also continues to perform, with the 80,000 sq ft letting at Unit 1 Chase Point achieving £9.00 per sq ft. JD.com's purchase of Apollo Phase II, Ansty Park has stimulated 856,000 sq ft of new speculative development across four units, with quoting rents of £10.50 per sq ft. Meanwhile, at the smaller end of the market, Chancerygate's Holbrook Park scheme continues to see strong rental growth, with a 22,000 sq ft unit rumoured to be under offer at £12.50 per sq ft.

5 WOLVERHAMPTON

Barberry's Wolf Pack scheme has been successful, with two deals in 2023 leaving only Unit 3 (113,000 sq ft) available. While the Black Country has seen strong rental growth, the area continues to offer value compared with Birmingham and Solihull., Capitalising on this, Canmoor and IPIF speculatively developed two units at Mammoth Drive (42,000 sq ft and 70,000 sq ft), leasing both of them shortly after completion at £9.00 per sq ft. Meanwhile, CEVA's sub-lease of Wolverhampton 450 is the largest available unit in this sub-market, with a quoting rent of £7.50 per sq ft.

6 TAMWORTH

Tamworth's activity has been constrained by a severe shortage of supply, with Super Smart Services' re-occupation of T63 at St. Modwen Park removing it from the market. Tamworth 195, offering 195,000 sq ft of refurbished space, is the only large unit now available, with a quoting rent of £8.25 per sq ft. However, strong occupier demand is at the smaller end of the market, reflected by Ford's lease of 25,000 sq ft at Tungsten Park amid competitive interest at £9.00 per sq ft, and Alcon Components' 38,000 sq ft lease at Borman.

7 REDDITCH/ WORCESTER

Redditch experienced relatively subdued take-up during 2023, albeit due to constrained supply. Positively, the end of the year saw the completion of Stoford's Redditch Gateway, comprising two spec units of 160,000 sq ft and 286,000 sq ft, while mid box units at Alto 60 also completed, quoting £12.00 per sq ft. Meanwhile, Worcester's usual discount to other West Midlands sub-markets has narrowed considerably on the back of strong demand, with Cabot 38 on Stoford's Worcester 6 scheme letting shortly after completion to Stop Start Logistics at a headline rent of £8.50 per sq ft.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
RUGBY	RUGBY 661	2023 Q2	661,348	LET (REFURBISHED)	£9.00	J SAINSBURY
COVENTRY	DC10 PROLOGIS PARK COVENTRY	2023 Q3	328,305	LET (REFURBISHED)	£8.90	IFCO
BIRMINGHAM	GRAVELLY POINT, GRAVELLY INDUSTRIAL PARK	2023 Q4	285,158	LET (NEW SPEC)	£9.70	ALLIANCE HEALTHCARE
BIRMINGHAM	BIRMINGHAM 160, THE COFTON CENTRE	2023 Q4	160,280	LET (NEW SPEC)	UNDISCLOSED	TESLA
COVENTRY	APOLLO I PROSPERO ANSTY PARK	2023 Q4	70,389	LET (NEW SPEC)	£10.95	POLESTAR

Source for all data unless stated: LSH Research

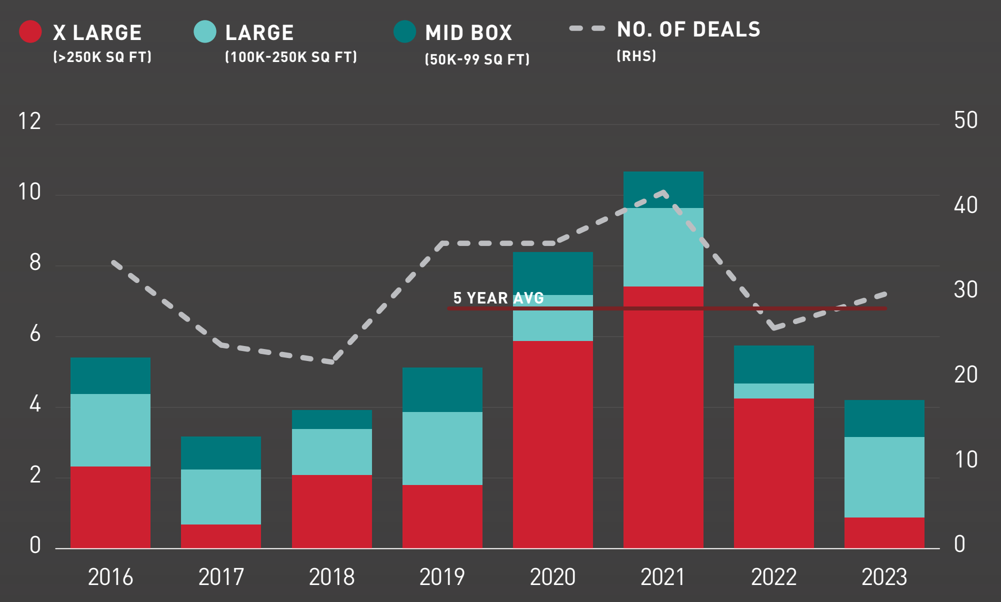
YORKSHIRE & THE HUMBER

AT A GLANCE

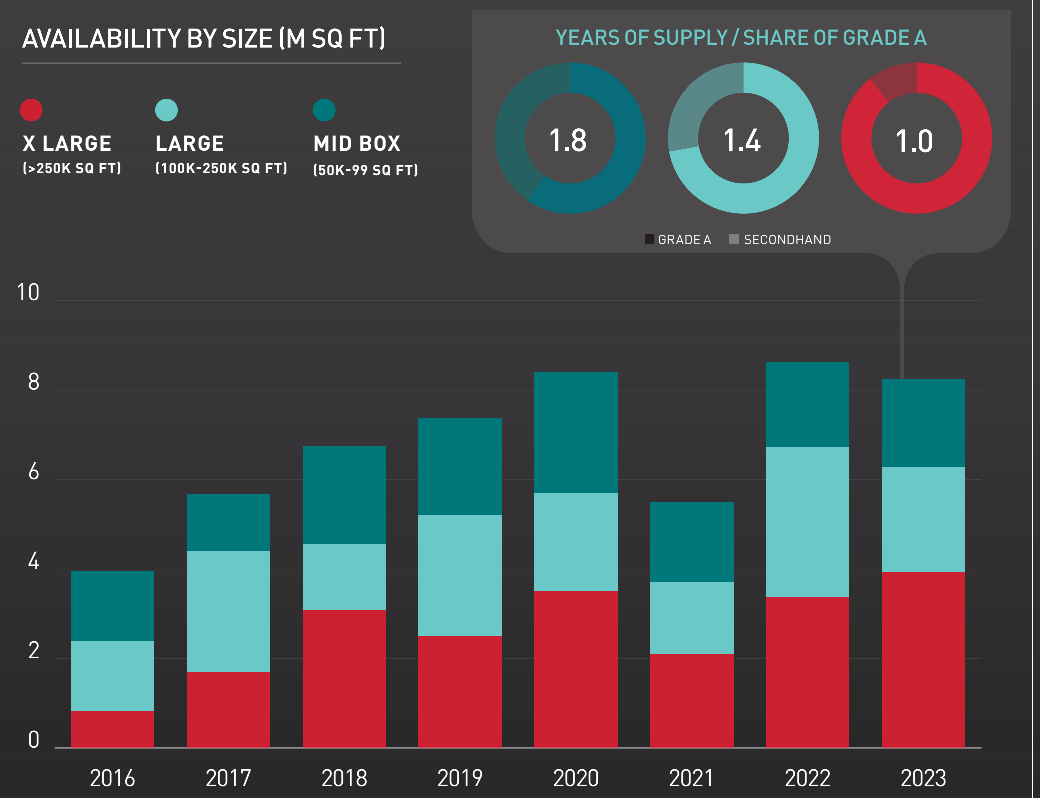
2023TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
4.2m	-39%	8.2m	1.2	5.0%	2.2m (11)

EVERY LIDL HELPS

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)



DEMAND

While take-up in the region fell to a five-year low of 4.2m sq ft in 2023, there were significant contrasts between the segments. This result mostly reflected very subdued take-up in the XL segment, which was down 79% year-on-year and the second lowest annual total on record. It comprised only two deals, namely Lidl's 580,000 sq ft build-to-suit commitment at 62 Leeds (which recently received planning consent) and Yara International's 296,000 sq ft pre-let at Ozone Business Park.

In sharp contrast, having endured record low take-up in 2022, activity in the large segment surged to a record annual high of 2.3m sq ft in 2023. The result stems from a significant injection of spec-built supply into the market, with grade A space accounting for 62% of large segment take-up. Meanwhile, mid box take-up of 1.0m sq ft was resilient and in line with 2022's total. Activity in this segment was boosted by a flurry of activity in Leeds, with six deals in 2023 totalling 385,000 sq ft.

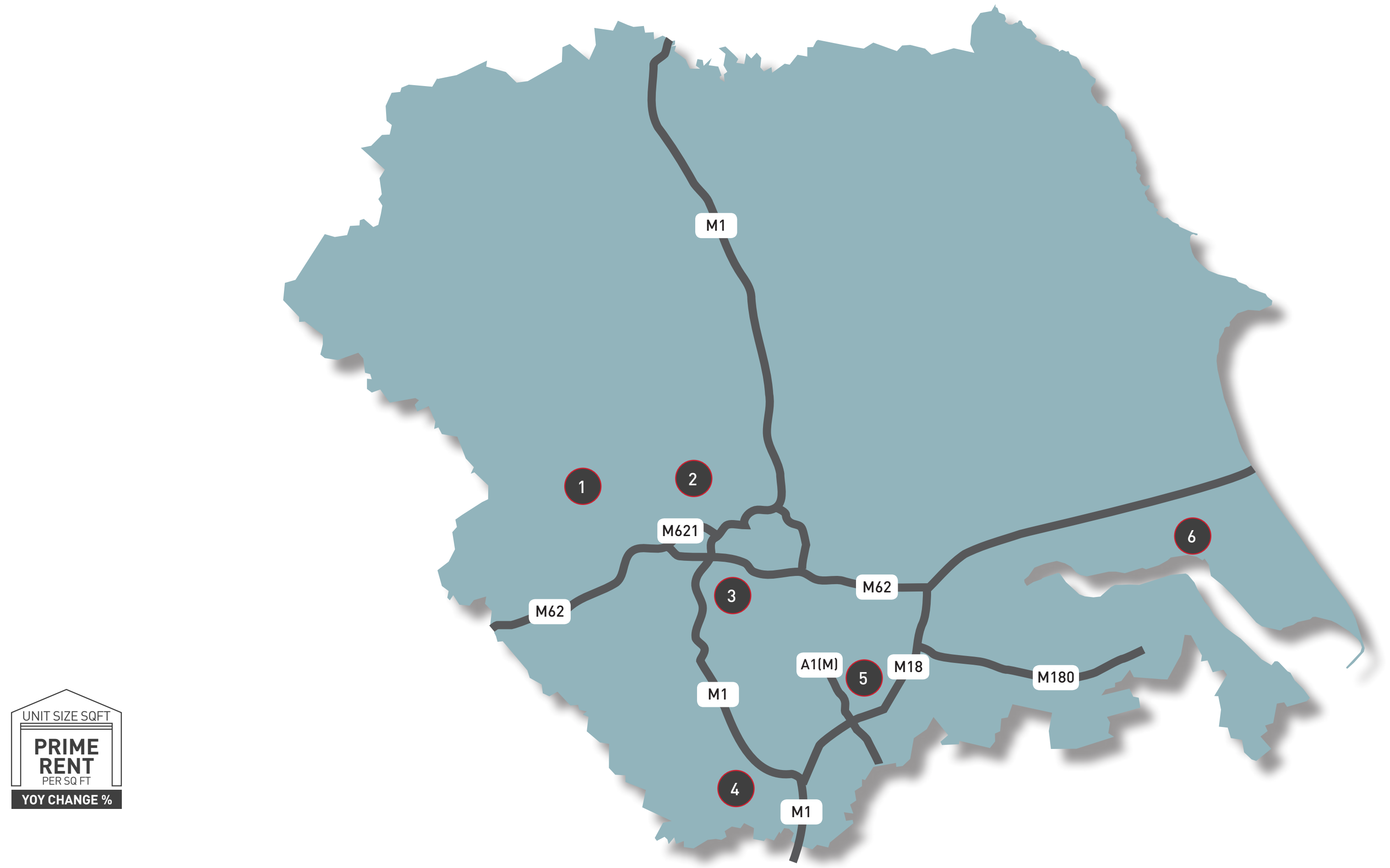
SUPPLY

In contrast with the wider UK trend, total supply decreased by 12% year-on-year to stand at 8.2m sq ft. This largely stemmed from a 41% year-on-year fall in secondhand supply and, while this pattern was seen across the market, it was most apparent in the large segment, where secondhand supply fell by 61% year-on-year. Meanwhile, the deluge of speculative development over recent times has seen grade A space come to account for a substantial 77% of total supply across the region.

XL segment supply edged down 4% year-on-year to stand at 3.9m sq ft, with grade A space accounting for 89% of the total. XL is the tightest segment in the region, with supply equating to one year of average annual take-up. Yorkshire & the Humber is among the regions with the highest quantum of speculative development, with 2.2m sq ft underway across 11 separate units, the largest of which is Panattoni Doncaster 420, Doncaster Sheffield Airport (418,000 sq ft).

RENTS

Prime rental growth slowed considerably across the region's key markets in 2023, with rents for 50,000 sq ft units rising by an average of 4.5% year-on-year, down from 16% in 2022. Bradford was the only location to record double-digit prime rental growth, rising by 10% to £8.50 per sq ft. Meanwhile, secondary rental growth was the lowest of all UK regions, rising by an average of only 1% year-on-year, with Bradford (+4%) and Leeds (+3%) being the only locations to see growth.



1 BRADFORD

20K	50K	100K
£8.50 PER SQ FT	£8.50 PER SQ FT	£8.00 PER SQ FT
+3%	+10%	+7%

Bradford saw a slowdown in activity during 2023, and it was very much a year of false starts. While Amazon failed to obtain planning consent at Cleckheaton, a developer is likely to take the site forward in 2024. A lack of new opportunities on strategic land is likely to drive the focus of demand towards existing new build supply. During 2024, 4th Industrial's new Interchange development is likely to see activity after a significant occupier decided not to proceed with a letting here in 2023.

2 LEEDS

20K	50K	100K
£9.25 PER SQ FT	£8.75 PER SQ FT	£8.25 PER SQ FT
+6%	+3%	+3%

Despite strong underlying demand, a lack of consented land continues to hamper take-up in the big box sector. Supply of grade A space is relatively limited, although Firethorn and Cains' scheme at Sherburn 42 is now complete and provides occupiers with high quality, ESG-rated space. Encouragingly, construction is also now underway at Baytree Leeds, which will bring some much needed supply to the big box arena. Leeds Valley Park and Velocity Point have both seen significant deals in the mid box sector, driving new headline rents for the market.

3 WAKEFIELD

20K	50K	100K
£9.25 PER SQ FT	£8.75 PER SQ FT	£8.25 PER SQ FT
+6%	+3%	+3%

IFCO's lease at Equation's Prism Park set a new headline rent in 2023, while XPO's lease at Melburg's Voltaic was Wakefield's largest single deal of the year. Over in Barnsley, Arrow Capitol secured Gem at Arrow Point. Firethorn's 340,000 sq ft unit has completed and will be one to watch in 2024 alongside the remaining unit at Arrow Point. A lack of consented land is hampering supply, while sites with consent are struggling to progress due to the impact of higher build costs and yield movements on appraisals.

4 SHEFFIELD

20K	50K	100K
£9.25 PER SQ FT	£8.75 PER SQ FT	£8.25 PER SQ FT
+6%	+3%	+3%

Sheffield has experienced healthy take-up on the back of several new developments, helping to establish new headline rents for the South Yorkshire sub-market. Earlier in the year, JLA Group leased 109,000 sq ft at Catalyst, reflecting a rent in excess of £8.00 per sq ft. Supply-wise, Trammell Crow's Core unit, measuring 340,000 sq ft, is now available and provides a welcome injection of big box space to the market, while expected announcements at PLP's Bessemer Park scheme will likely attract established occupiers. Later in 2024, we expect attention will turn to British Land's development for the next wave of stock.

5 DONCASTER

20K	50K	100K
£8.50 PER SQ FT	£8.25 PER SQ FT	£8.00 PER SQ FT
+3%	+6%	+7%

Unlike elsewhere in the county, South Yorkshire has benefitted from a substantial injection of new supply for a range of occupiers to choose from. This in turn is creating competitive proposals for strong covenants and allowing for expansions. Bedding retailer Dusk has expanded at Verdion's iPort scheme, taking another unit measuring 170,000 sq ft, while Butternut box signed for another 130,000 sq ft unit at Tritax Symmetry's Blyth scheme, taking their total occupancy at the site to 280,000 sq ft.

6 HULL

20K	50K	100K
£7.50 PER SQ FT	£7.25 PER SQ FT	£6.50 PER SQ FT
0%	0%	0%

Hull and the East Riding area continue to attract established manufacturing occupiers, with Metsa becoming the latest large manufacturer to commit to Goole. Also favouring Goole, Siemens committed to another unit in the area and has agreed to take Trebor Developments' speculatively built warehouse at Goole 36. Elsewhere across the region, 2023 was a relatively unremarkable year within the context of the Hull and East Riding market.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
BRADFORD	SUPER B	2023 Q1	230,000	LET (NEW SPEC)	£7.50	ADVANCED SUPPLY CHAIN
WAKEFIELD	VOLTAIC, BRINDLEY WAY	2023 Q2	211,364	LET (REFURBISHED)	£6.25	XPO LOGISTICS
WAKEFIELD	UNIT 2 PRISM PARK	2023 Q2	153,323	PRE-LET (BUILD TO SUIT)	£8.25	IFCO SYSTEMS
DONCASTER	UNIT 3 SYMMETRY PARK DONCASTER	2023 Q3	133,606	LET (NEW SPEC)	£7.60	BUTTERNUT BOX
SHEFFIELD	UNIT 1 CATALYST SHEFFIELD	2023 Q2	109,166	LET (NEW SPEC)	£8.20	JLA GROUP

Source for all data unless stated: LSH Research

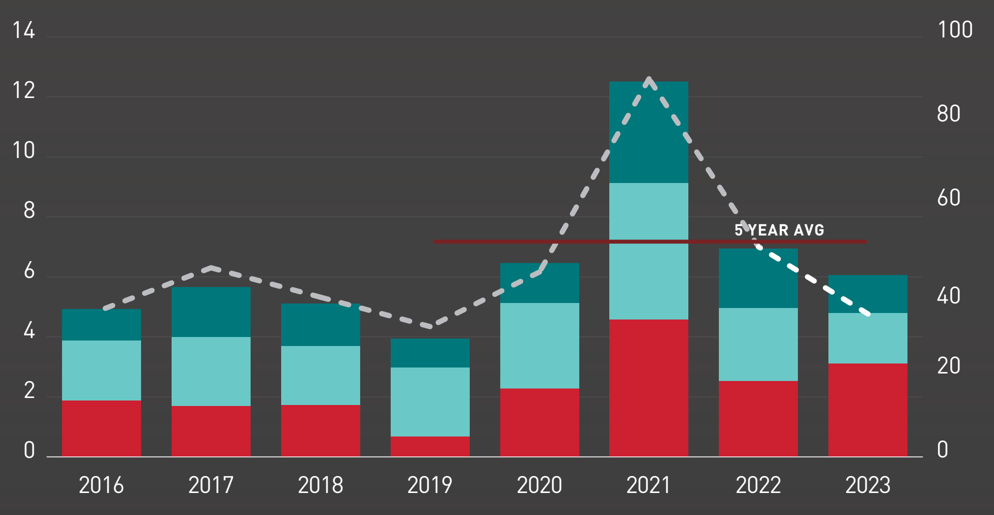
NORTH WEST

AT A GLANCE

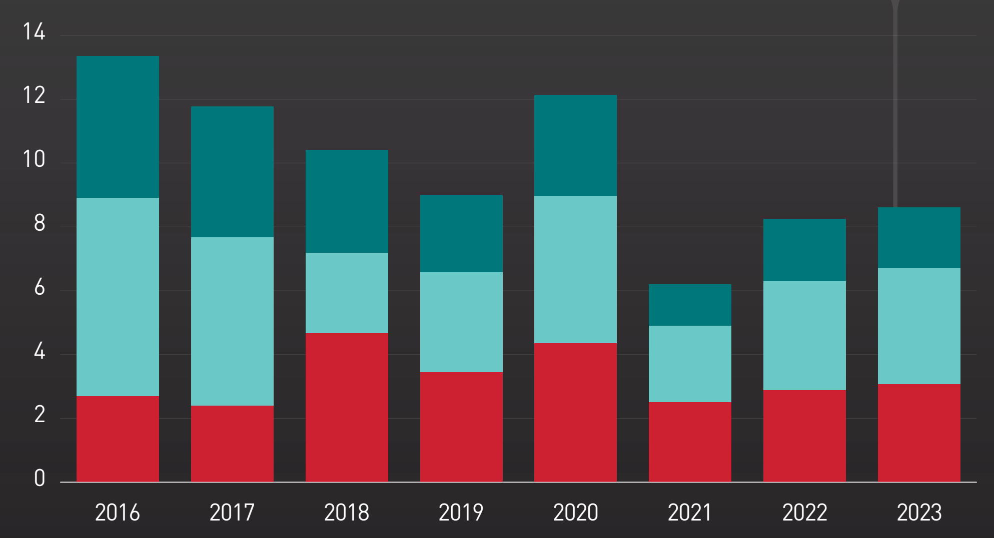
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
6.1m	-16%	8.6m	1.2	5.0%	2.0m (13)

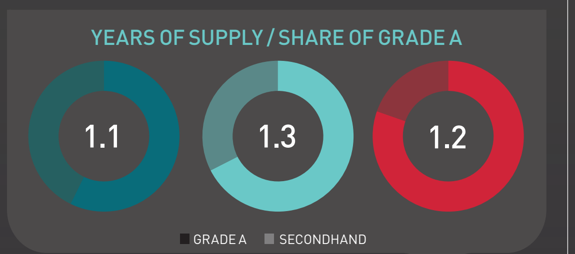
ROCKETING RENTS

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)





DEMAND

Take-up in the North West dropped to a four-year low of 6.1m sq ft in 2023, although it was only 13% below the five-year annual average. Subdued activity in the large segment weighed most heavily on the overall position, with take-up falling to a nine-year low of 1.7m sq ft. Grade A take-up was notably subdued in the large segment, down 58% year-on-year and comprising only five deals. Meanwhile, mid box was the weakest segment relative to trend in 2023, with take-up of 1.3m sq ft falling 35% below the five-year annual average.

In stark contrast, the XL segment boasted a strong year in 2023, with take-up of 3.1m sq ft the second highest on record and 18% above the annual average. This was however boosted by one colossal deal - and the largest ever seen in the region - the Ministry of Defence's 807,000 sq ft build to suit commitment for a new distribution centre in Cumbria. Notably, XL take-up was entirely comprised of grade A space, split relatively evenly between design and build and spec-built units.

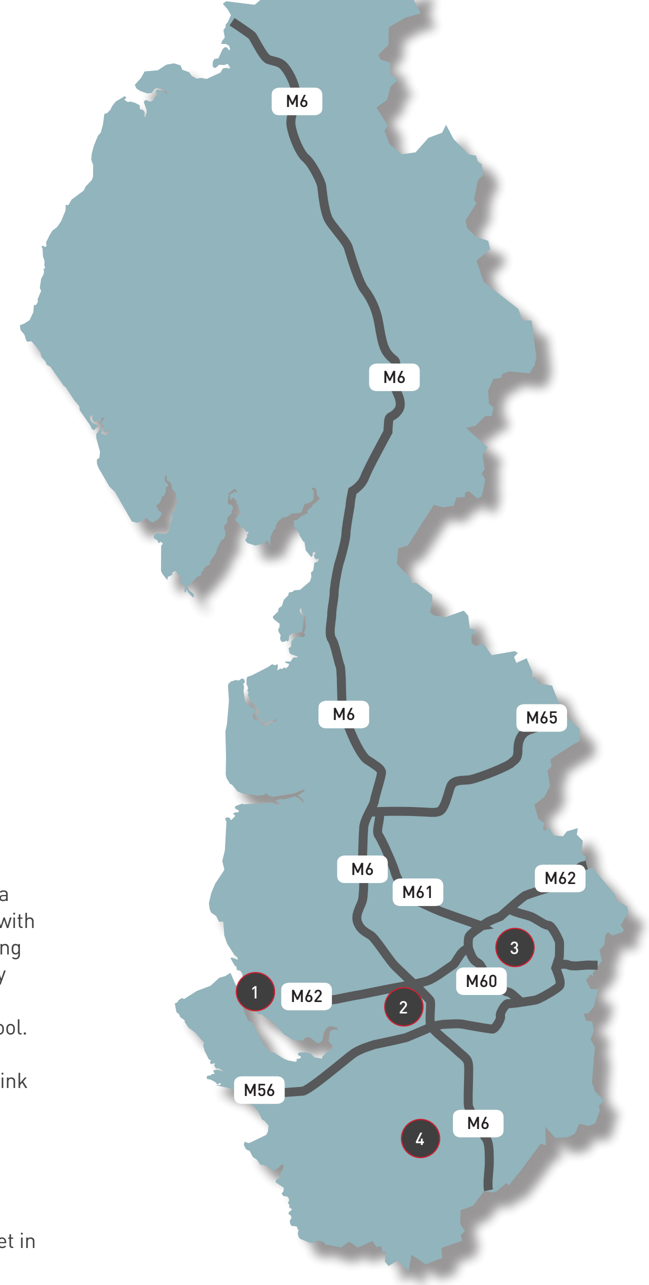
SUPPLY

Total supply was relatively stable in the North West during 2023, rising 4% year-on-year to stand at 8.6m sq ft. This equates to 1.2 years of average annual take-up, which is closely in line with the UK's overall position. While grade A space makes up a commanding 70% share of total supply in the region, the increase was due entirely to increased availability of secondhand space, which climbed by 17% year-on-year.

The underlying make-up of supply shifted slightly towards the larger end of the spectrum, increasing by 7% year-on-year in both the large and XL segments. In contrast, supply in the mid box segment contracted by 4% year-on-year. A total of 2.0m sq ft of space was speculatively under construction across 13 units at the end of 2023, 686,000 sq ft of which is spread across three units at Panattoni Park, Crewe.

RENTS

The key markets of the North West boasted strong growth in prime rents over 2023, rising by an average of 13% year-on-year. This was led by Manchester, where prime rents increased by 21% to £11.50 per sq ft, followed by Warrington, where prime rents increased by 18% to £11.25 per sq ft. Meanwhile, secondary rents in the North West's key markets increased by an average of 12% year-on-year, the strongest of any UK region, fuelled by double-digit growth in Manchester (+19%) and Crewe (+16%).



UNIT SIZE SQFT
PRIME RENT PER SQ FT
YOY CHANGE %

1 LIVERPOOL

20K	50K	100K
£8.50 PER SQ FT	£8.25 PER SQ FT	£7.75 PER SQ FT
+3%	+3%	+3%

Similar to other areas of the North West, there was a dip in take-up across Liverpool and Ellesmere Port with subdued activity across 2023. However, demonstrating the strength of the mid box market in the region, key transactions occurred at K53 and Venus 110 in Knowsley and Bridge 85 and Hurricane 52 in Liverpool. The area boasts some of the largest speculative developments in the region, with Firethorn Trust's Link 655 being immediately available and Tungsten's Ark Royal unit expected to be speculatively developed during 2024. Further positivity can be drawn from Mirastar's speculative commitment to X-Dock 549 bringing further big-box availability into what has become an increasingly significant part of the market in recent years.

2 WARRINGTON

20K	50K	100K
£12.75 PER SQ FT	£11.25 PER SQ FT	£10.25 PER SQ FT
+11%	+18%	+14%

Warrington showed a degree of resilience in 2023 despite a decrease in take-up compared to the heights of previous years. Key deals included Stapleton Tyres' commitment to REAL257 and JW Phillips Haulage's acquisition at Solar 120. REAL257 was the largest deal of the year, with 258,319 sq ft being taken from the market, while the Solar 120 deal showcased the value of developing assets with strong ESG credentials. Currently, Omega Loop 310 is the only new unit available over 100,000 sq ft, highlighting the need for speculative development as and when economic conditions improve.

3 MANCHESTER

20K	50K	100K
£12.75 PER SQ FT	£11.50 PER SQ FT	£10.75 PER SQ FT
+11%	+21%	+19%

Victorian Plumbing committed to 544,000 sq ft at Connect 6, Leyland, marking the region's largest deal in 2022 at £7.50 per sq ft, and the only deal in the XL segment. Additionally, Kao Data Centres' 168,000 sq ft lease of Kenwood Point took place in Q3 2023 and was another significant deal for the region. While there was a clear preference for existing secondhand space across 2023's largest deals, the much-needed delivery of new-build units in 2024 will promote a flight to quality. Supply remains tight in the XL segment, as Oldham 369 continues to be the only available XL unit on the market.

4 CREWE

20K	50K	100K
£8.75 PER SQ FT	£8.25 PER SQ FT	£8.25 PER SQ FT
+6%	+6%	+6%

TK Maxx's 454,130 sq ft lease of PLP's Crewe 460 in Q1 2023 provided a promising start to the year but, while this was not the only deal of note, broader challenges caused many occupiers to put active requirements on hold. Positively, Panattoni committed to speculatively develop two units at Panattoni Park Crewe, totalling 351,300 sq ft, and Trebor progressed with a development at Weston Road, which will bring further big box supply to the market. Meanwhile, further north up the M6, Tritax Symmetry let 149,000 sq ft at Unit 11, MA6NITUDE in Middlewich, however this was the only deal at the scheme throughout 2023.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
LEYLAND	CONNECT 6	2023 Q3	544,000	LET (NEW SPEC)	£7.50	VICTORIAN PLUMBING
CREWE	PLP CREWE 460	2023 Q1	454,130	LET (NEW SPEC)	£7.50	TK MAXX
WARRINGTON	REAL257	2023 Q3	258,319	LET (REFURBISHED)	£7.25	STAPLETONS TYRES
MIDDLEWICH	MAGNITUDE 149	2023 Q2	149,000	LET (NEW SPEC)	£7.50	JET AIR
WARRINGTON	SOLAR 120	2023 Q4	120,360	LET (SECONDHAND)	£8.95	JW PHILLIPS HAULAGE

Source for all data unless stated: LSH Research

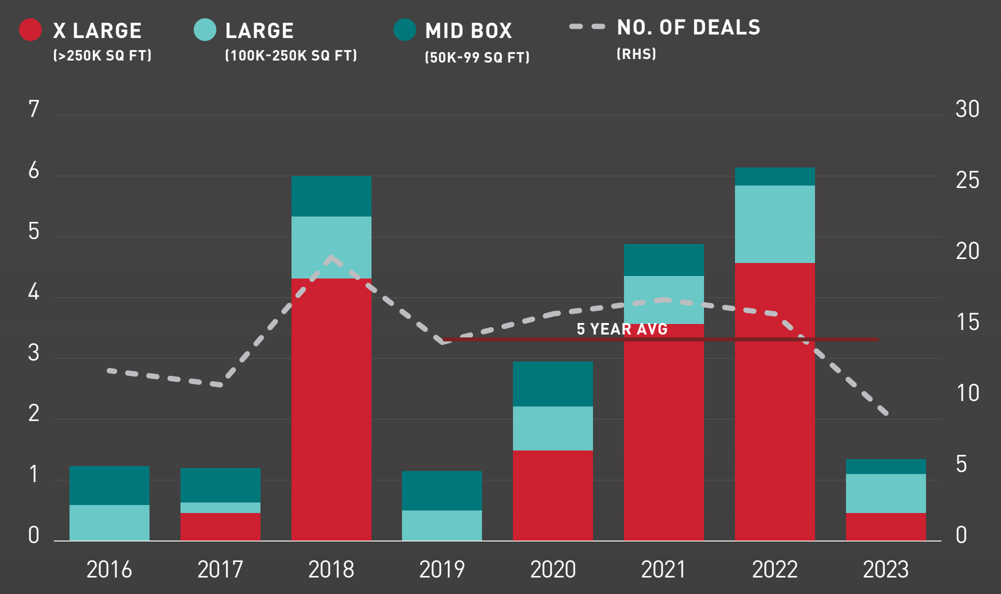
NORTH EAST

AT A GLANCE

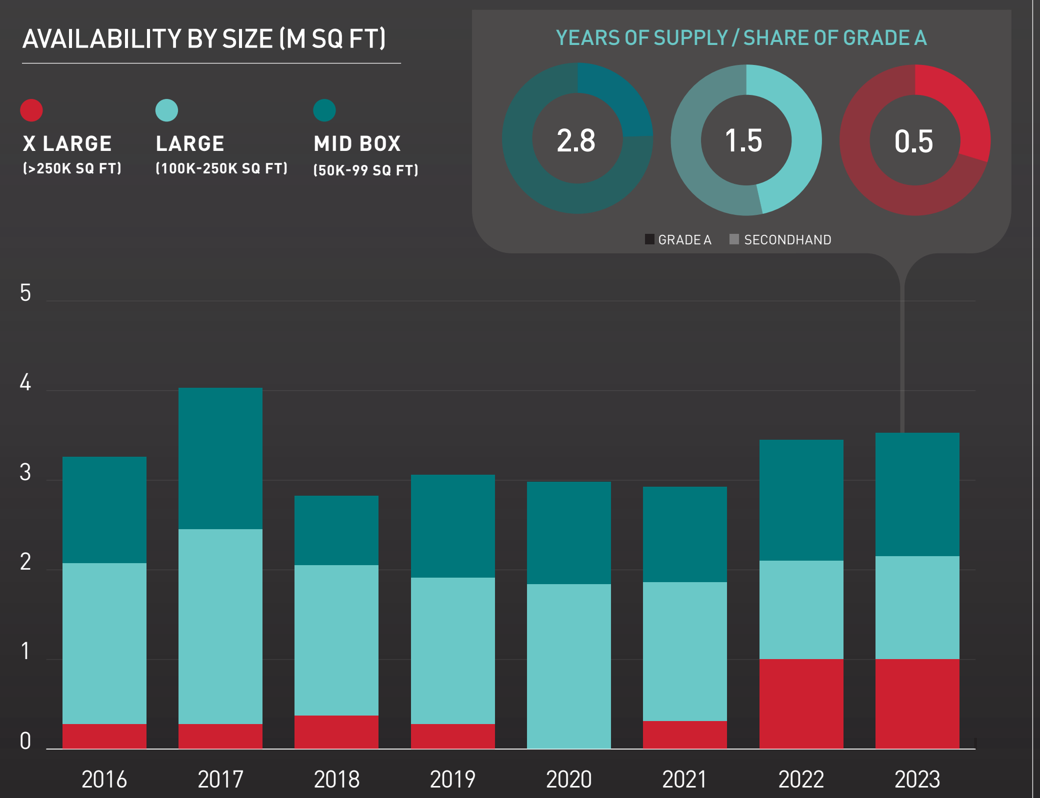
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
1.3m	-59%	3.5m	1.1	6.1%	0

BACK TO EARTH

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)



DEMAND

Having boasted record take-up in 2022, the North East saw the lowest take-up of any UK region relative to trend in 2023. Take-up for the year amounted to only 1.3m sq ft, slumping by 78% from 2022 and 59% below the five-year annual average. There was a clear drop off in activity, with just nine deals completing over the year, down from 16 in 2022. Notably, while secondhand space accounted for 68% of the North East's total take-up, this was still down 15% on the annual average.

Country Style Foods' 464,000 sq ft freehold purchase of the former Nestle complex in Fawdon was the only deal in the XL segment in 2023, and by itself accounted for 36% of total annual take-up in the region. Meanwhile, large segment take-up halved year-on-year to total 640,000 sq ft in 2023. Notably, two build-to-suit deals accounted for half of this total, the largest being Smulders' 160,000 sq ft commitment at Hadrian Yard, Wallsend. Mid box activity was also subdued, with take-up of 240,000 sq ft down 20% year-on-year and 51% below the five-year annual average.

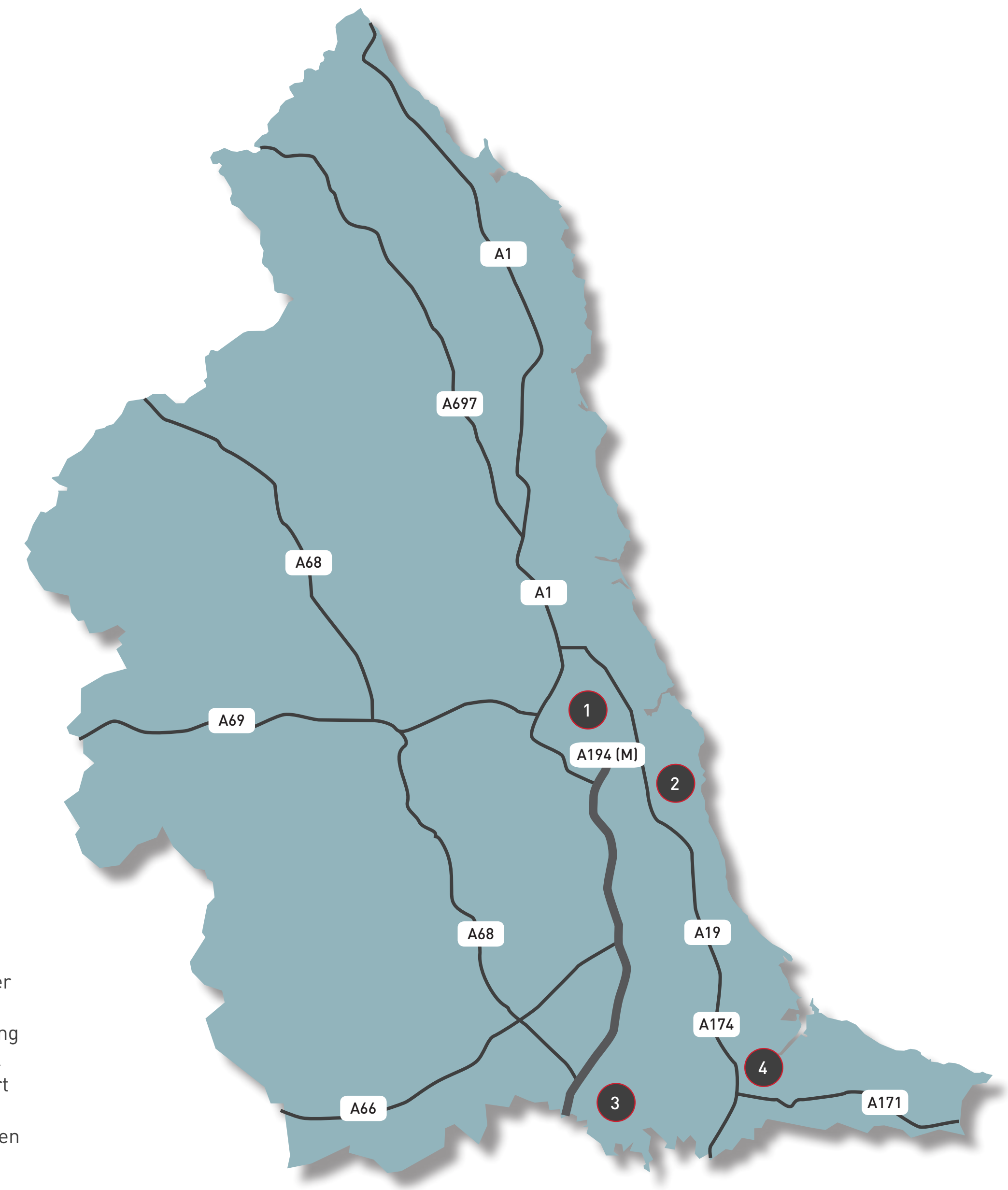
SUPPLY

Total supply in the North East was broadly steady in 2023, rising by 3% year-on-year to stand at 3.5m sq ft. The rise was largely due to an 18% year-on-year increase in mid box grade A supply, to 739,000 sq ft, alongside an 11% increase in secondhand availability within the large segment. This included the return of three units to the market, namely Geo 50, Abbotsford Road (181,000 sq ft), Chainbridge Road, Blayton (147,000 sq ft) and Enterprise House, Viking Enterprise Park (102,000 sq ft).

XL segment availability held steady at 1.0m sq ft, unchanged from the end of 2022, with the 390,000 sq ft unit at Cleveland Bridge, Darlington being the region's largest available unit. The welcome return of speculative development to the region after a long ten-year absence proved to be short-lived, with nothing underway at the end of 2023 following 934,000 sq ft of speculative completions over the year.

RENTS

Rental growth in the North East continued to underperform the UK average, with prime rents for units circa 50,000 sq ft rising by an average of 2% during 2023. Sunderland/Washington was the only location to see prime rental growth, rising by 4% year-on-year to £6.75 per sq ft. Notably, the North East was one of the only UK regions where secondhand rental growth outpaced prime, growing by an average of 6% year-on-year.



UNIT SIZE SQFT
PRIME RENT PER SQ FT
YOY CHANGE %

1 NEWCASTLE-UPON-TYNE / GATESHEAD

UNIT SIZE SQFT	20K	50K	100K
PRIME RENT PER SQ FT	£7.50	£7.00	£6.50
YOY CHANGE %	0%	0%	0%

2023's largest deal by a distance was Country Style Foods' 464,000 sq ft off-market purchase of the former Nestle complex at Fawdon, for an undisclosed sum. While there is some evidence that more stock is coming to the market, there remains a dearth of both grade A and secondary buildings, which should help to support values through 2024. Significant demand remains for freehold space with healthy values being achieved, even for older secondhand buildings, particularly those offering large yards.

2 SUNDERLAND/WASHINGTON

UNIT SIZE SQFT	20K	50K	100K
PRIME RENT PER SQ FT	£7.00	£6.75	£6.50
YOY CHANGE %	+4%	+4%	+4%

The market eagerly awaits announcements on deals rumoured at Hillthorn Park, the area's most significant new scheme. There has been a general lull in enquiries for large boxes, but some notable deals have been achieved further south in Peterlee. At Fiennes Road, The Storage Place took 100,000 sq ft from Buccleuch at £5.00 per sq ft following a void period of only six weeks, Encore acquired 102,000 sq ft at Stephenson Road for £3.5m and Impact Recycling took 71,500 sq ft at Mill Hill, agreed at £3.50 per sq ft.

3 DARLINGTON

UNIT SIZE SQFT	20K
PRIME RENT PER SQ FT	£5.25
YOY CHANGE %	+5%

Greenbox, a JV between Partners Group and Citivale, has acquired 24 acres from Premcor Estates alongside the 1.5m sq ft Amazon fulfilment centre. Premcor obtained consent for the Fabric Darlington scheme, which will deliver much-needed grade A logistics space across three units totalling 402,000 sq ft when complete in 2025. Elsewhere, the first unit of circa 22,000 sq ft south of the runway at Teesside International Airport recently reached practical completion. There is hope that this will kickstart the development of the remaining 2.8m sq ft across 270 acres.

4 MIDDLESBROUGH/ STOCKTON ON TEES

UNIT SIZE SQFT	20K
PRIME RENT PER SQ FT	£6.00
YOY CHANGE %	0%

Unit A of UK Land's new 45,000 sq ft three-unit scheme at Sadler Forster Way, Teesside Industrial Estate has achieved a record rent of 9.00 per sq ft across the ground floor, a significant uplift on the £6.50 per sq ft achieved on TeesAmp three years ago. Teesside has in the past arguably been viewed as the poor relation of Leeds and Newcastle. However, this considerable shift in rental tone demonstrates the price occupiers are willing to pay in a market long-deprived of grade A stock, despite the economic headwinds encountered during 2023.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
NEWCASTLE	1 ROWAN DRIVE, FAWDON	2023 Q4	464,212	FREEHOLD PURCHASE (SECONDHAND)	UNDISCLOSED	COUNTRY STYLE FOODS
NEWCASTLE	HADRIAN YARD, WALLSEND	2023 Q2	160,000	FREEHOLD PURCHASE (BUILD TO SUIT)	N/A	SMULDERS
PETERLEE	STEPHENSON ROAD, NORTH EAST IND ESTATE	2023 Q3	102,940	FREEHOLD PURCHASE (SECONDHAND)	£34.00	ENCORE
PETERLEE	UNIT 1 FIENNES ROAD, NORTH WEST IND ESTATE	2023 Q3	100,340	LET (SECONDHAND)	£5.00	THE STORAGE PLACE
WASHINGTON	UNITS 2 AND 3 STEPHENSON ROAD	2023 Q1	94,079	LET (SECONDHAND)	£3.03	HIGHLY MARELLI UK

Source for all data unless stated: LSH Research

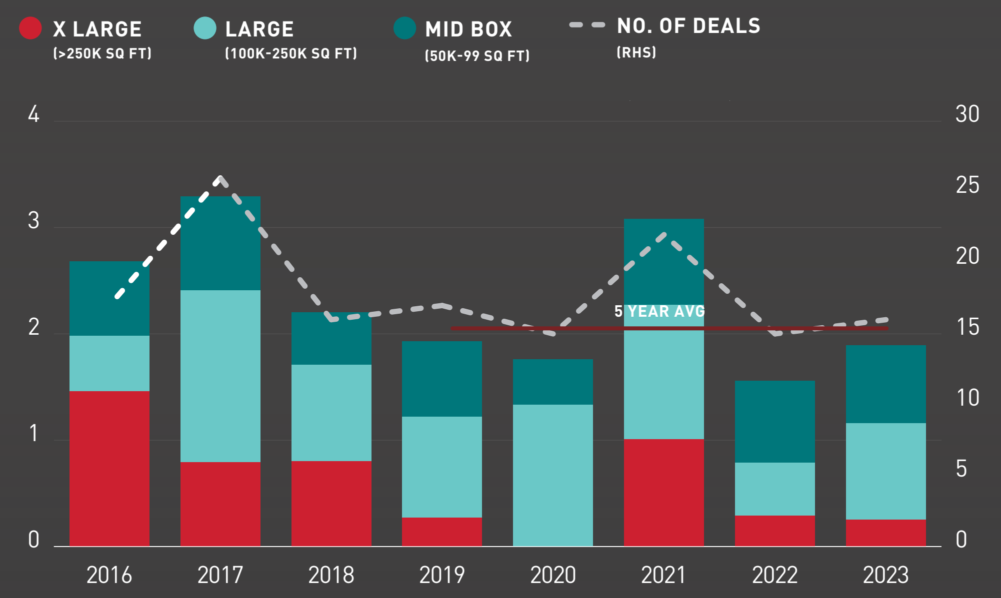
WALES

AT A GLANCE

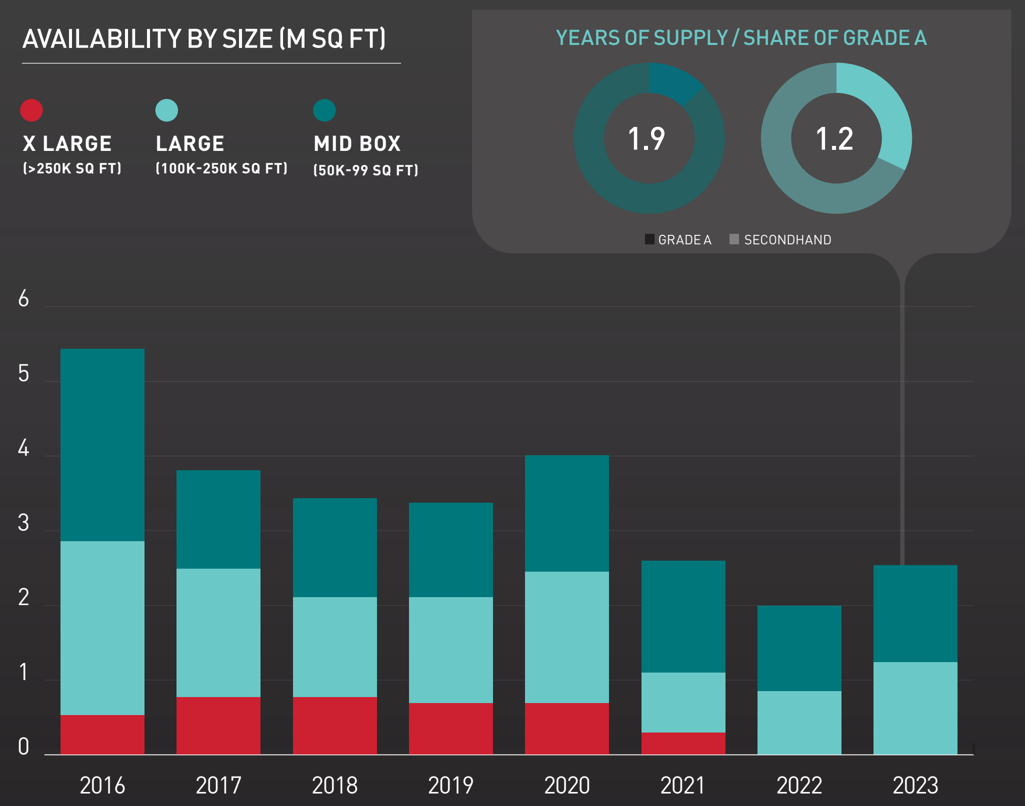
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
1.9m	-7%	2.5m	1.2	5.1%	158k (2)

STRONG SECOND HALF

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)



DEMAND

Wales was the best-performing UK region for take-up against trend in 2023, with total activity of 1.9m sq ft improving by 23% on 2022's total and standing only 7% below the five-year annual average. Notably, 70% of Wales' total annual take-up took place in H2 2023, with H1 devoid of any sizeable deals. Echoing the pattern from 2021 and 2022, Wales saw only one transaction in the XL segment in 2023, namely Jayplas' 255,000 sq ft lease of Toyoda Gosei's former unit in Swansea.

Activity in the large segment rebounded in 2023, nearly doubling from 2022's low to 910,000 sq ft. However, the mid box segment was the best performing segment against trend, with take-up of 730,000 sq ft standing 7% above the five-year annual average but down 4% year-on-year. Mid box saw a revival in grade A activity, with total take-up of 190,000 sq ft boosted by JLI Trading's lease of a 52,000 sq ft spec-built unit at St. Modwen Park, Newport.

SUPPLY

Supply increased by 27% year-on-year to stand at 2.5m sq ft, which is equivalent to 1.3 years of average annual take-up. This was largely driven by a 46% year-on-year rise in large segment supply, which now stands at 1.2m sq ft and includes several spec-built units, including two at St. Modwen Park, Newport. Mid box supply increased by 13% year-on-year and includes 170,000 sq ft of grade A space across three units. In contrast, the XL segment has remained devoid of any supply for two years.

Speculative development continues to take place in South Wales, having made a long-awaited return in 2022. Two schemes currently under construction comprise Unit 10, St. Modwen Park, Newport (106,000 sq ft) and Cubex 67, Cardiff (67,000 sq ft). Notably, South Wales also benefitted from new completions at the end of 2023, with three new units delivered at St. Modwen Park totalling 274,000 sq ft.

RENTS

In a turnaround from 2022's relatively flat rental growth, prime rents for circa 50,000 sq ft units rose by an average of 11% across Wales' key markets in 2023, slightly ahead of the UK average of 9%. Growth was led by Cardiff and Newport, where prime rents increased by 13% in both markets over the year to £8.50 per sq ft. Meanwhile, after having seen flat growth in 2022, secondary rents increased by an average of 7% across Wales' key markets in 2023, led by Newport with double-digit growth of 11%.

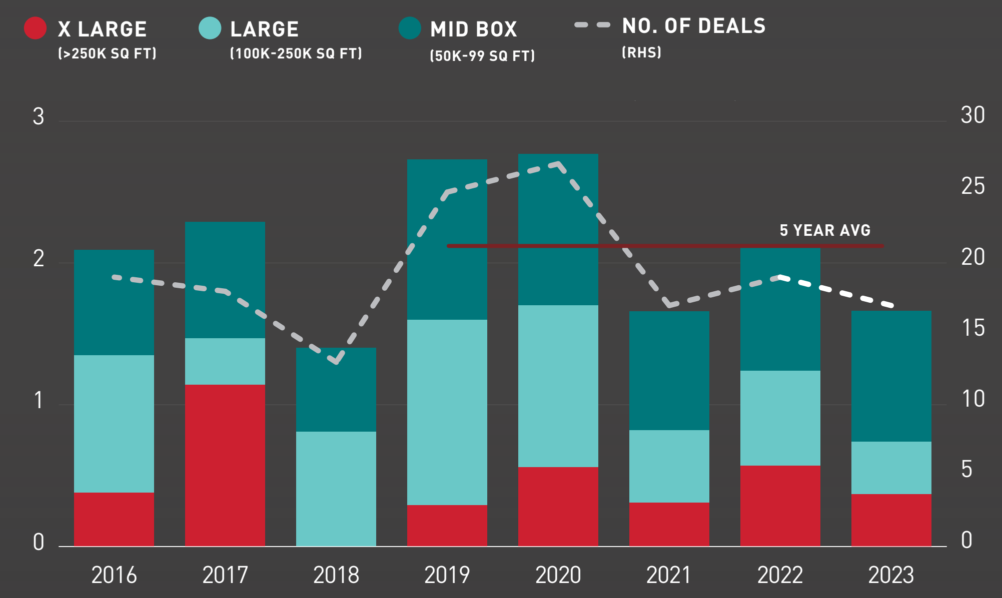
SCOTLAND

AT A GLANCE

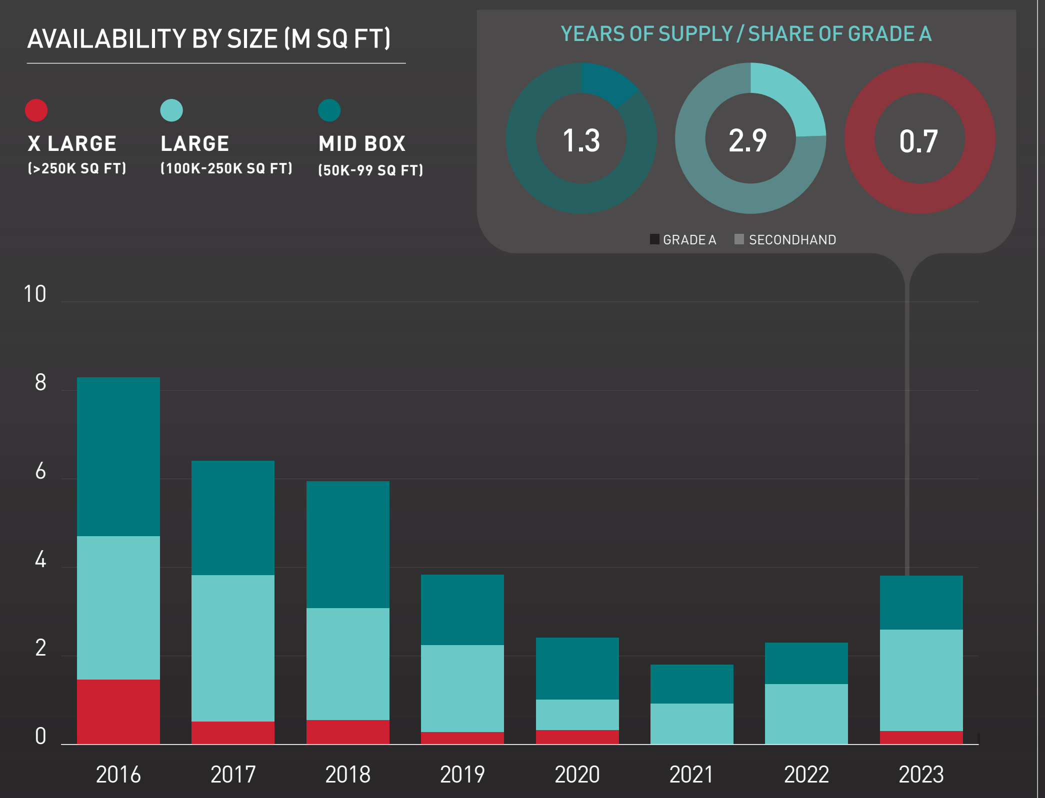
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
1.7m	-24%	3.8m	1.7	5.0%	289k (2)

SUPPLY BOUNCES BACK

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)



DEMAND

Take-up amounted to 1.7m sq ft in 2023, down 22% year-on-year and 24% below the five-year annual average. With only 17 recorded deals, 2023 had the joint lowest number of transactions in five years. While a degree of speculative development has returned to Scotland, take-up was dominated by secondhand space in typical fashion, accounting for 70% of the annual total. Scotland's largest deal in 2023, and the only deal in the XL segment, was Home Bargains' build-to-suit acquisition of a 371,000 sq ft distribution centre at Castle Way, Glasgow.

The large segment was the most subdued relative to trend, with take-up falling 54% below the annual average. Notably, large segment take-up consisted entirely of secondhand space, reflecting a severe lack of quality options on the market. Mid box was the most resilient segment, with take-up only 5% below the five-year annual average. Two of 2023's three transactions involving new-build space were mid box, the largest being Micheldever Tyre & Auto Services' 70,000 sq ft lease of Connect-70, Mossbell Road.

SUPPLY

Scotland's supply has recovered significantly since hitting a record low in 2021, rebounding by 66% year-on-year to stand at 3.8m sq ft, its highest level in five years. As a result, Scotland is the most well-supplied area of the UK after Greater London, with supply equivalent to 1.7 years of average annual take-up. The large segment experienced the most notable rebound in supply, rising 62% year-on-year and driven by the addition of 570,000 sq ft of secondhand space to the market.

2023 also saw the first XL space come onto the market in over two years, albeit this amounts to just a single unit, namely GLA1, Inverclyde (296,000 sq ft). Mid box supply also rebounded by 30% year-on-year, driven by a doubling in grade A availability. Scotland's only speculative development above 50,000 sq ft is at Westway Glasgow, where two units of 202,000 sq ft and 87,000 sq ft are under construction.

RENTS

For units of circa 50,000 sq ft, Scotland's key markets saw average prime rental growth of 5% in 2023, slowing from 15% in 2022. Glasgow/West of Scotland saw the most significant growth, with prime rents rising 12% year-on-year to £9.50 per sq ft, while Edinburgh/Lothian saw growth of 4% and remains Scotland's most expensive market, at £12.50 per sq ft. Secondary rental growth averaged 7% over the year and was slightly ahead of the UK average, with Edinburgh/Lothian seeing secondary rental growth of 13%.

Source for all data unless stated: LSH Research

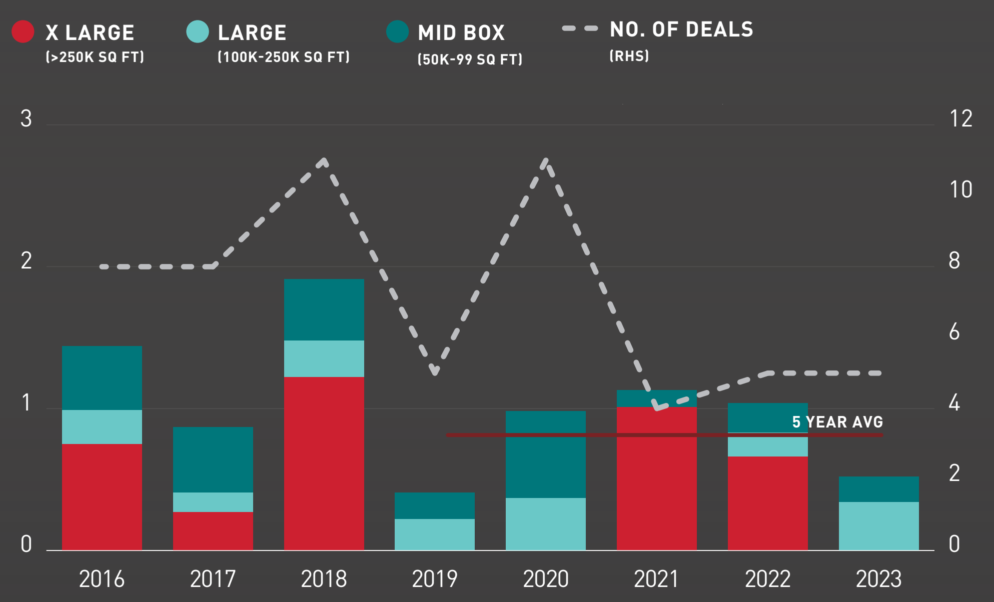
NORTHERN IRELAND

AT A GLANCE

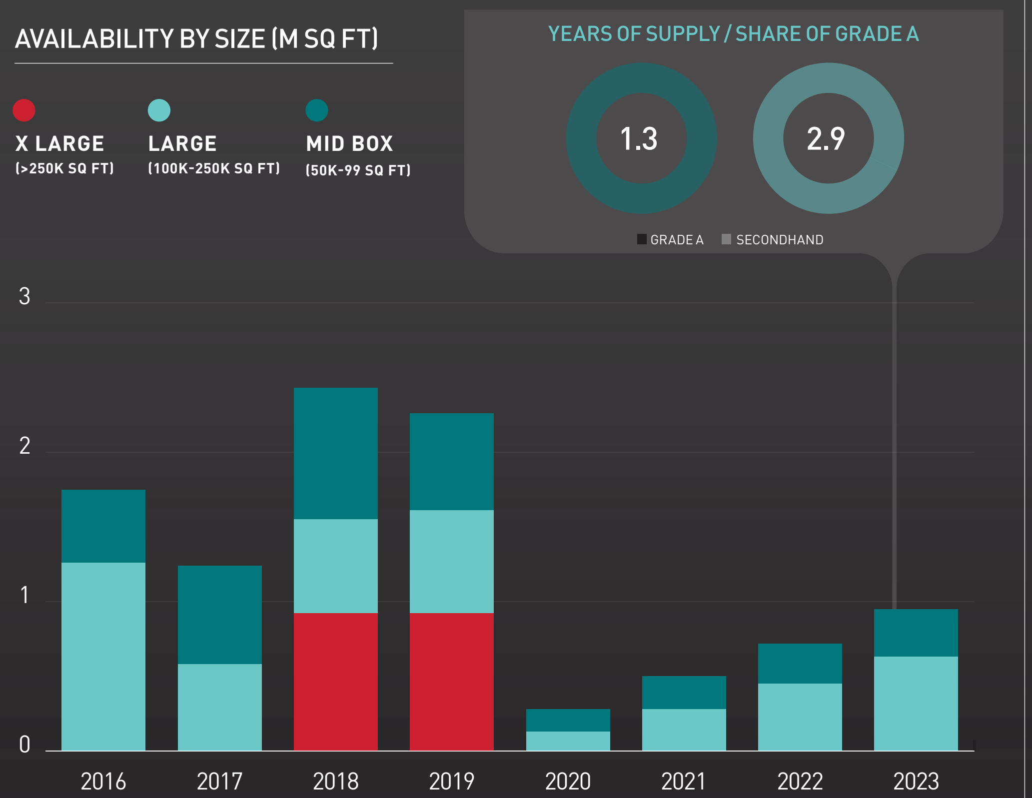
2023 TAKE-UP (SQ FT)	TAKE-UP VS 5-YEAR AVG	SUPPLY (SQ FT)	YEARS OF SUPPLY	AVAILABILITY RATE	SPEC U/C SQ FT (NO. SCHEMES)
0.5m	-36%	1.0m	1.2	N/A	0

DOUBLE-DIGIT RENTAL GROWTH

TAKE UP (M SQ FT)



AVAILABILITY BY SIZE (M SQ FT)



DEMAND

After a strong 2022, take-up across Northern Ireland fell to 522,000 sq ft in 2023, 36% below the five-year annual average. While demand has remained robust, take-up was suppressed by availability. The main drag on take-up in 2023 was limited activity in the mid box segment and, while there was an absence of deals in the XL segment, this is fairly typical given the dearth of stock in the 250,000 sq ft plus bracket.

Activity in 2023 was underpinned by the large segment, with take-up of 339,000 sq ft 53% above trend. This was dominated by Sysco's lease of a 204,213 sq ft new build at Nutts Corner Business Park, Crumlin, and a private buyer's acquisition of 134,452 sq ft at Ballyoran Lane, Belfast. The key deals in the mid box segment were USD Freight's lease of the Logistics Building, Ballymena (76,123 sq ft) and the purchase of 64 Old Moy Road, Dungannon (56,890 sq ft) by an undisclosed purchaser.

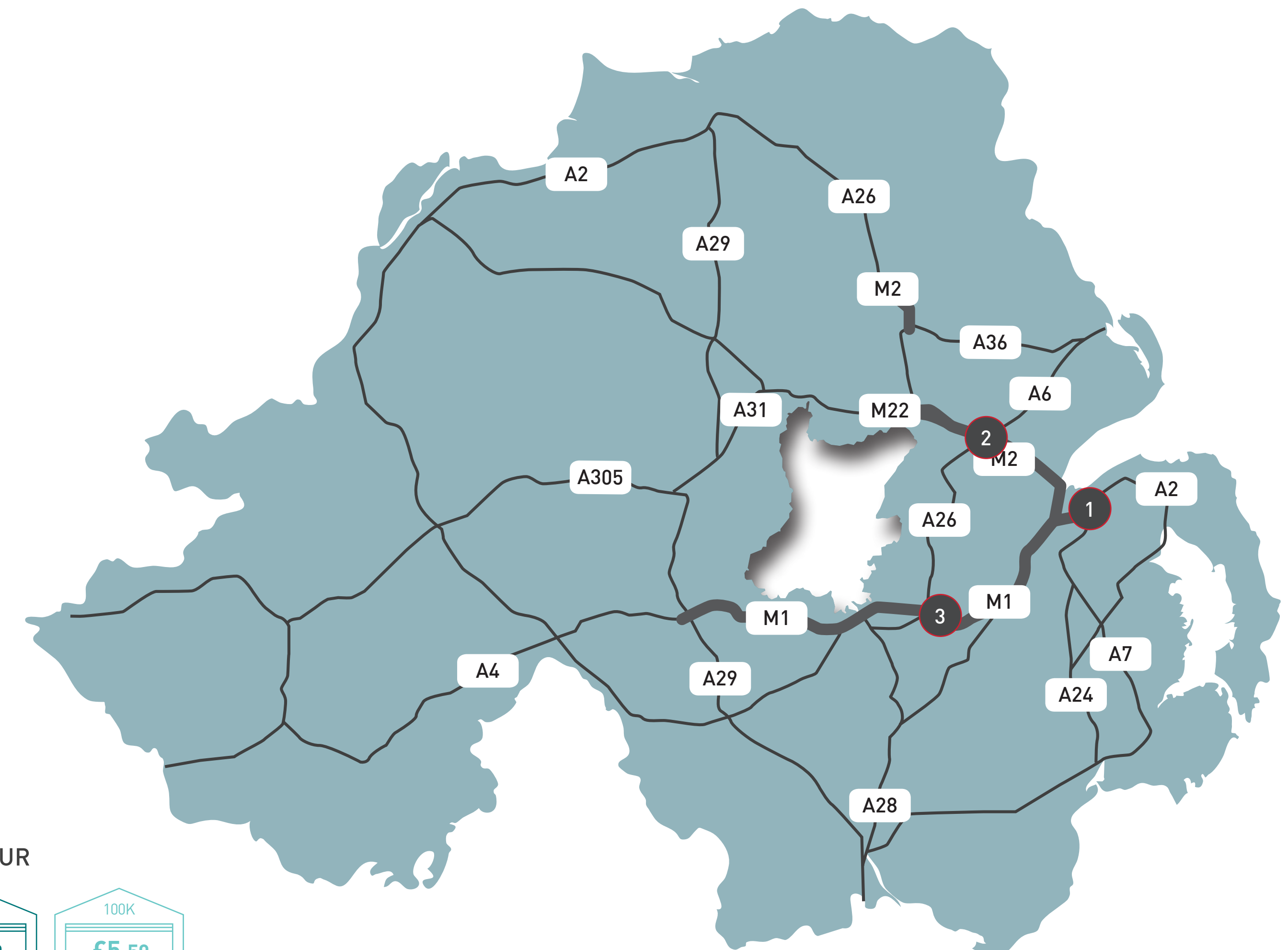
SUPPLY

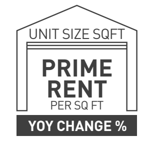
At the end of 2023 total availability stood at 1.0m sq ft, on trend against the five-year annual average and equivalent to only 1.2 years of average annual take-up. While there are no XL units presently available, supply is less constrained in the large and mid box segments. There is a lack of new spec builds over 50,000 sq ft across Northern Ireland, but again this is characteristic of the market, with large format demand typically satisfied via occupier-led design and builds.

At the beginning of 2024, Saica Pack lodged a planning application for a new 485,000 sq ft factory at Carnbane Industrial Estate, Newry, while Savage & Witten's 180,000 sq ft distribution hub in Newry received planning approval. Below 50,000 sq ft there is a degree of speculative development taking place, including Seagoe Road, Portadown (32,289 sq ft), Houston Business Park, Newtownabbey (25,000 sq ft) and Quarry Business Park, Lurgan (22,000 sq ft).

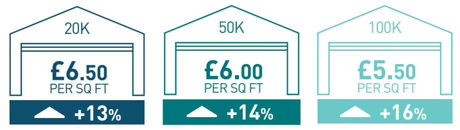
RENTS

Double digit rental growth was recorded across all key markets and all unit sizes driven by tight supply, lack of speculative builds and strong levels of demand. Note, these rents refer to prime existing stock. With the increased level of build costs, new build developments command considerably higher rents than existing stock in order to make the development feasible. There is a two-tier market for existing and new build, albeit with limited evidence, with new build rental levels typically ranging from £8.50 to £10.00 per sq ft.



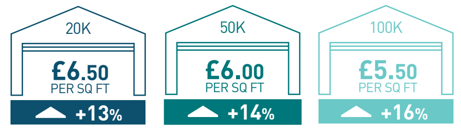


1 BELFAST HARBOUR



While activity in 2023 reflected the wider market headwinds, Manfreight leased a 50,000 sq ft design and build logistics warehouse on West Bank Road from Belfast Harbour. Usually the most constrained market, Harbour's supply is currently 146% above the five-year annual average and sits at its highest level since 2018. However, this is primarily due to 108,219 sq ft being available on Duncrue Street. Once let, supply will fall back to typical levels with only a handful of properties available, most of which are under 10,000 sq ft.

2 GREATER BELFAST NORTH



Supply in the Greater Belfast North market sits at its lowest level since 2020, with approximately two-thirds of supply found in Central Park, Mallusk and the majority of available units below 30,000 sq ft. Demand and local churn remains in this market, but larger occupiers have very limited options. Due to tight supply, take-up is below trend and 2023 was underpinned by Sysco's 204,213 sq ft lease at Nutts Corner Business Park, Crumlin. Elsewhere, Oasis leased 30,000 sq ft at Central Park, Mallusk.

3 GREATER BELFAST SOUTH

Supply in Greater Belfast South is improving, standing 26% above the five-year annual average at the end of 2023. Most of this is clustered in Lisburn, with limited options in Craigavon and Portadown. The largest single existing building currently available in the region is at Moria Road, Lisburn (170,000 sq ft). Take-up during 2023 fell to the lowest level on record, with key deals at Knockmore Industrial Estate, Lisburn to BePerfect (21,600 sq ft) and an undisclosed tenant (32,550 sq ft).

PROVINCIAL

Provincial availability fell by 58% between 2019 and 2020, and since then has remained broadly steady at circa 1.3m sq ft. However, the number of available properties has fallen to its lowest level on record, with large units dominating the supply profile. Key examples include Lisdoart Road, Dungannon (113,550 sq ft) and Ballyhampton Road, Larne (106,941 sq ft). While take-up fell to a record low in 2023, increased activity was seen in the Mid Ulster area, which included an owner-occupier's purchase at Old Moy Road, Dungannon (56,890 sq ft) to an undisclosed buyer.

KEY DEALS

TOWN	BUILDING	DATE	SIZE (SQ FT)	DEAL TYPE	RENT/SALE PRICE (PER SQ FT)	OCCUPIER
CRUMLIN	NUTTS CORNER BUSINESS PARK	2023 Q1	204,213	LET (SECONDHAND)	UNDISCLOSED	SYSCO
BELFAST	BALLYORAN LANE	2023 Q2	134,452	SALE (SECONDHAND)	UNDISCLOSED	PRIVATE
BALLYMENA	THE LOGISTICS BUILDING	2023 Q2	76,123	LET (SECONDHAND)	£4.00	UDS GROUP
DUNGANNON	64 OLD MOY ROAD	2023 Q1	56,890	SALE (INCLUDES LAND)	£90.00	PRIVATE
BELFAST	WEST BANK ROAD	2023 Q1	50,000	LET (SECONDHAND)	UNDISCLOSED	MANFREIGHT

Source for all data unless stated: LSH Research

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HOME OF THE KNOWLEDGE NETWORK

4 Key Trends in the I&L Sector

4.1 Introduction

4.1.1 In this section we discuss some of the key trends that have been driving growth in the I&L sector. We draw upon analysis from Savills' recent publication for the British Property Federation "*Levelling-up – The Logic of Logistics*"[11], Savills' *Big Shed Briefings* and other relevant research.

4.1.2 Not only has the sector been outperforming other commercial sectors in the UK for some time, but it is also 'critical national infrastructure' that supports the functioning of our economy and the way we live our lives. The food we eat, the products and services we purchase, the materials used to build new homes and new infrastructure, even the vaccines that give us protection from Covid-19 are stored, manufactured and distributed from warehouses and factories to 'us' the end customer.

4.1.3 The I&L sector enables the movements of goods across a multi-modal network of road, rail, air, and water routes. Most businesses draw on supply chains - many of which are global in scale - that rely upon these multiple modes of transport and on the transfer between freight nodes (such as ports, airports, rail freight interchanges and road) to warehouses and then finally onto the end customer. Without these facilities and the increasingly efficient supply chains that link them with suppliers and end customers, the delivery of our purchases would be much slower, more expensive and we would have less choice.

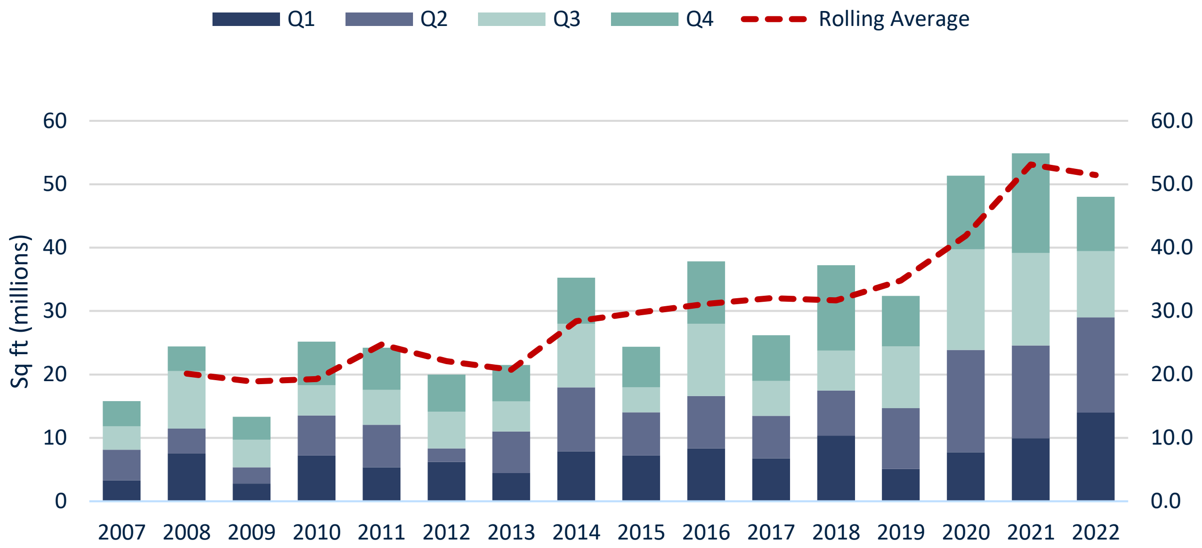
4.2 National and regional property context

4.2.1 Both logistics and manufacturing businesses, which together make up the I&L sector, require similar, shed-type properties (including ancillary offices). In terms of location, they both desire highly accessible sites nearby to motorway junctions and other freight handing infrastructure as well as major population centres.

4.2.2 In 2021, Savills Big Shed Briefing (which assesses I&L premises above 100,000 sq.ft.) found that gross take-up nationally – shown in **Figure 4.1** reached a new annual record of 5.12 million sqm, **86% above the annual average**[12]. The number of transactions nationally was 220, surpassing the previous record of 172 in 2020[13]. The 2022 mid-year findings of the Big Shed Briefing[14] reported that Quarter 2 (Q2) was the second best Q2 on record and that overall take-up for half-year (H1) reaching a new record of 28.6 million sqft., surpassing last year's total and **exceeding the H1 long-term average by 90%**. The full year figures for 2022 showed that despite increasing economic headwinds, it was still the third highest year for take-up on record.

[11] Savills and BPF (2022), *Levelling-up – The Logic of Logistics*
[12] Savills Research (2022), Big Shed Briefing (January 2022) Available at: https://www.savills.co.uk/research_articles/229130/323880-0
[13] Ibid.
[14] Savills Research (2022), Big Shed Briefing (July 2022) Available at: https://pdf.euro.savills.co.uk/uk/commercial---other/spotlight---big-shed-briefing---july-2022.pdf

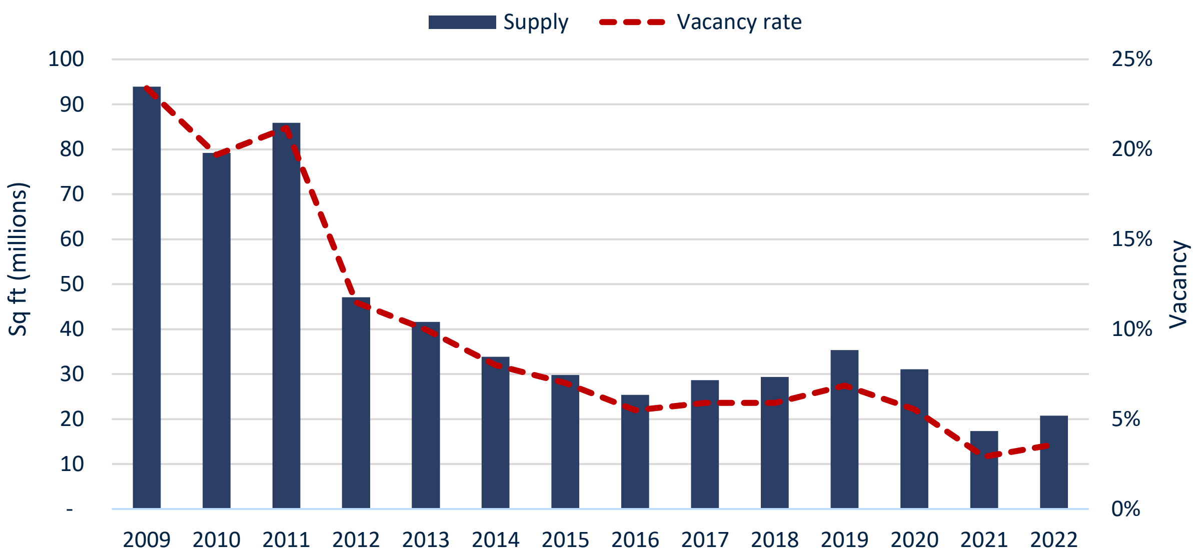
Figure 4.1 I&L Sector National Take-Up for Premises 100,000+ sqft. (2007-2022)



Source: Savills, 2023

4.2.3 Strong take-up has meant that the supply of premises nationwide has fallen at its fastest pace ever, with a national vacancy rate estimated to be 3.94% at the end of 2022 as shown in **Figure 4.2**[15]**.** There is a particularly severe shortage of supply of the high quality Grade A space, and given the increasing costs associated with running warehouses it comes as no surprise that occupiers are gravitating towards better quality buildings with better Environmental, Social and Governance (ESG) features.[16]

Figure 4.2 National supply and vacancy levels – 100,000+ sq.ft. properties (2009-2022)



Source: Savills, 2023

4.2.4 The Big Shed Briefing Paper also covers the West Midlands region, finding that take-up in 2022 has reached 7.43m sq ft across 28 transactions, a 58% rise above the long-term average. Despite a slight decline in activity in 2022 compared to 2021, the average deal size has remained on an upward trajectory, reaching 265,436 sq ft in 2022[17] . Occupier demand continues to revolve around better quality space with 47% being built-to-suit in 2022, 21% speculatively developed space let prior to practical completion, 6% new speculatively developed space and 26% second-hand. Analysing take-up in terms of grade shows 83% of space transacted was grade A, 10% was Grade B and 7% was Grade C.

4.2.5 Supply within the region currently stands at 2.87m sq.ft across 11 units, representing a 23% increase from the previous year. Despite this increase the vacancy rate is still low at just 3.06%. Given the current supply and demand dynamics, rental growth is expected to exceed the 4% forecasts per annum by RealFor in the next five years.

4.3 Current I&L Growth Drivers

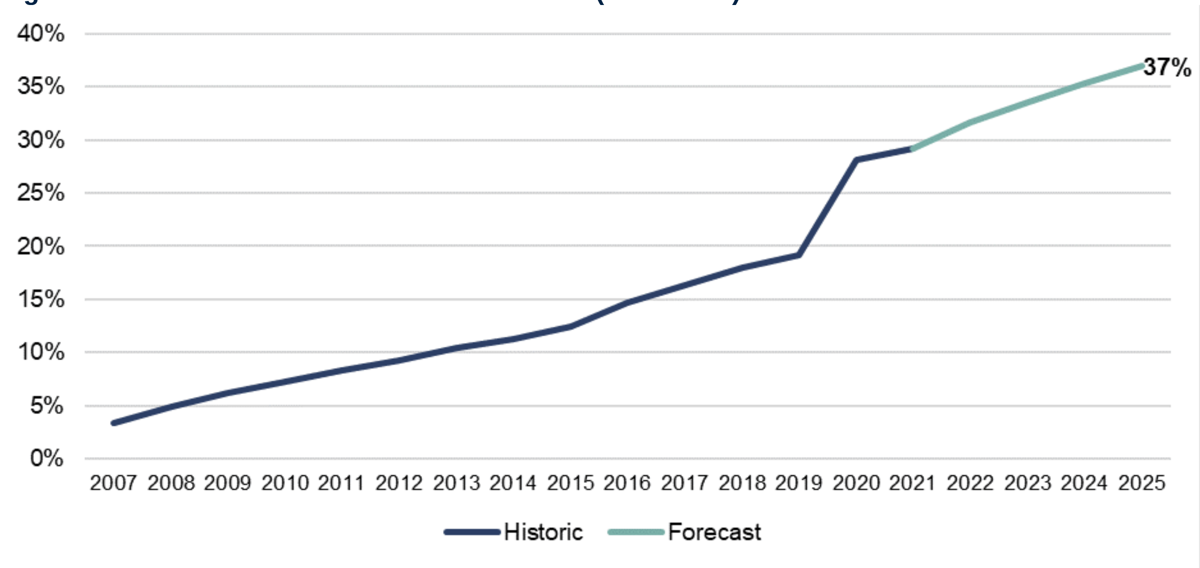
4.3.1 The I&L sector is facing an era of unprecedented change. The past decade has seen the sector undergo a remarkable transformation, reshaping operating models and occupier requirements in ways that are only starting to become recognisable as an industry-wide phenomenon. Logistics uses in particular have shown strong performance for a number of years, but the Covid-19 pandemic has exacerbated existing trends. This has driven demand up even further for logistics floorspace while adversely impacting other commercial sectors such as retail and offices.

4.3.2 We consider the shift in habits we have been witnessing – such as the extraordinary growth in **online retailing** – to be structural rather than temporary. As the country's population continues to grow, so will I&L floorspace needs to support household consumption and other sectors of the economy. Statistics collected by the ONS from November 2006 show that the share of internet sales has consistently increased over time and it was at 19% before the onset of the Covid-19 pandemic. During the pandemic, due to lockdowns and restrictions this figure increased considerably and is around 26.6% as of December 2022[18].

4.3.3 Most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioural changes such as increased home working and continued demand for rapid parcel deliveries. Forrester Research, a respected source of online retail projections, estimate that online retail will continue to grow but from a higher base reaching 37% by 2025 (**Figure 4.3**). While we appreciate these are just future estimates many online retailers and commentors see online growth moving to 50% of total online sales as being inevitable. One such report, 'The Digital Tipping Point, 2019 Retail Report,'[19] estimated retail sales would reach 53% by 2028. While this timeframe appears far too ambitious, the question appears to be more of 'when' rather than 'if.'

[17] Savills Research (2023) Big Shed Briefing: The Logistics Market in the West Midlands. Available at: https://pdf.euro.savills.co.uk/uk/commercial---other/big-shed-briefing-jan-23.pdf
[18] ONS (2022), Internet sales as a percentage of total retail sales (ratio) (%) Data released on: 20-01-2023. https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi
[19] The Digital Tipping Point, 2019 Retail Report, Retail Economics and Womble Bond Dickinson

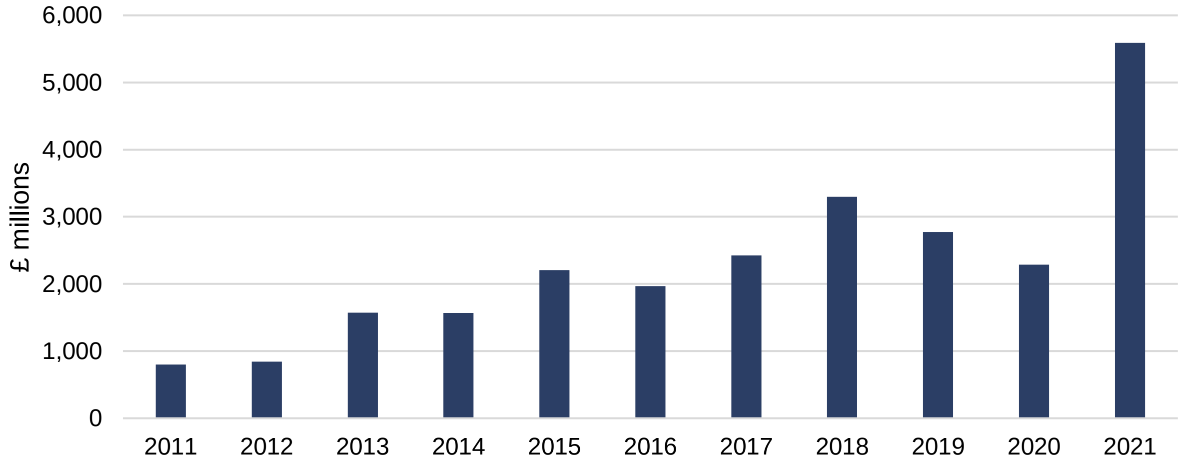
Figure 4.3 Internet Sales as a % of Retail Sales (2006-2025)



Source: ONS, Retail Sales Index Time Series, Forrester Research, Savills 2021

4.3.4 The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers[20]. The link between this growth and warehouse demand is well exemplified by **Figure 4.4** below. As the percentage of online sales reached a record high in 2021, so did the total value of new warehouse projects. The East Midlands and the West Midlands were at centre of this growth, together accounting for one-third (33%) of the spending on warehouse projects in 2021[21] across Great Britain. This data strongly aligns with the Big Shed Briefing' findings discussed above that saw gross take-up for large sheds reaching an annual record in 2021, with the East Midlands and West Midlands playing a prominent role.

Figure 4.4 Value of warehouse new orders for construction, GB (2011 – 2021)



Source: ONS and Barbour ABI — Construction Output and Employment; Savills

4.3.5 Freight flows are another key driver of I&L floorspace demand. Significant growth is forecast across all

[20] Prologis (2016), Global E-Commerce Impact on Logistics Real Estate. Online Article: https://www.prologis.com/about/logistics-industry-research/global-e-commerce-impact-logistics-real-estate. Internet shopping relies on increased choice for the consumer and also increased delivery speeds to a location of people's choosing. This means that more inventory is required to be located nearer to the general population. This in turn has meant that more and more warehouse space is required.

[21] ONS (2022), *The rise of the UK warehouse and the "golden logistics triangle"* – online article available at: https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/articles/theriseoftheukwarehouseandthegoldenlogisticstriangle/2022-04-11

freight modes (**Figure 4.5**). Freight arriving and leaving the UK needs to be sorted, packaged and distributed via a network of freight handling infrastructure (i.e. ports, airports, rail freight interchanges and motorways) and conveniently located I&L premises in order to reach end customers.

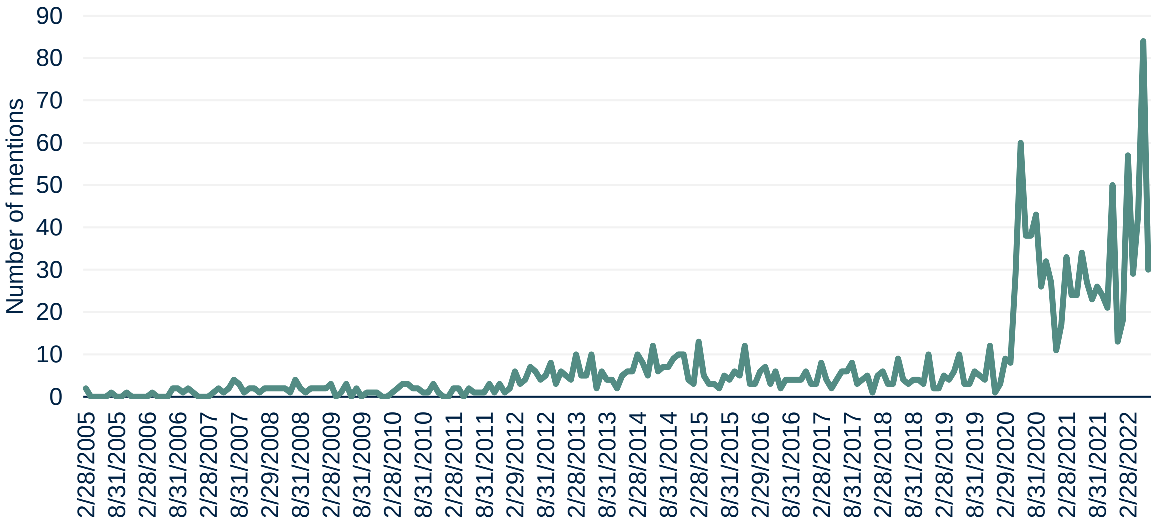
Figure 4.5 Projected growth in freight by Mode

Source: DfT, MDS Transmodal, Boeing, Savills

4.3.6 Brexit and Covid-19 have highlighted the level of interconnectedness of international supply chains and their fragility when one or more links break. Companies have started building up greater resilience in their operating models by moving operations either back to the UK (**re-shoring**) or closer by (**near-shoring**) as a means to minimise future supply-chain-induced disruptions.

4.3.7 According to a survey carried out in July 2020 by the Institute for Supply Management, 20% of firms were planning to, or have already started to, near-shore or re-shore. These findings are corroborated by a survey carried out by Savills[22] whereby over 80% of respondents expected the Covid pandemic to either 'greatly increase' or 'somewhat increase' on-shoring. Recent data from Sentieo, which analyses listed companies' annual reports, has found that mentions of the term 'near-shoring' have risen dramatically in 2022. Savills are starting to observe new occupier requirements directly related to this phenomenon and expect demand to rise as companies come to terms with running 'just in case' supply chains (leading to increased stock piling) rather than 'just in time'.[23]

Figure 4.6 'Near-shoring' on the rise in company reports (2005-2022)



Source: Sentieo, an AlphaSense company

[22] Savills (2020) The impact of Covid-19 on Real Estate. Online Article: https://www.savills.com/impacts/market-trends/the-impact-of-covid-19-on-real-estate.html

[23] https://www.savills.co.uk/research_articles/229130/330619-0?utm_source=ExactTarget&utm_medium=Email&utm_term=5335003&utm_content=8987518&utm_campaign=UK+Commercial+Market+in+Minutes+-+July+2022

Near-shoring definition	Re-shoring definition
Transferring a business operation to a nearby country as opposed to a more distant one (i.e. off-shoring)	Moving a business that had gone overseas back to the country from which it had originally relocated

4.3.8 **Figure 4.7** below provides a visual representation of some of the major growth drivers generating the record breaking demand in the I&L sector. While e-commerce and freight growth are two of the most influential, as discussed above, there are several others at play also.

Figure 4.7 I&L Growth Drivers

Source: Savills

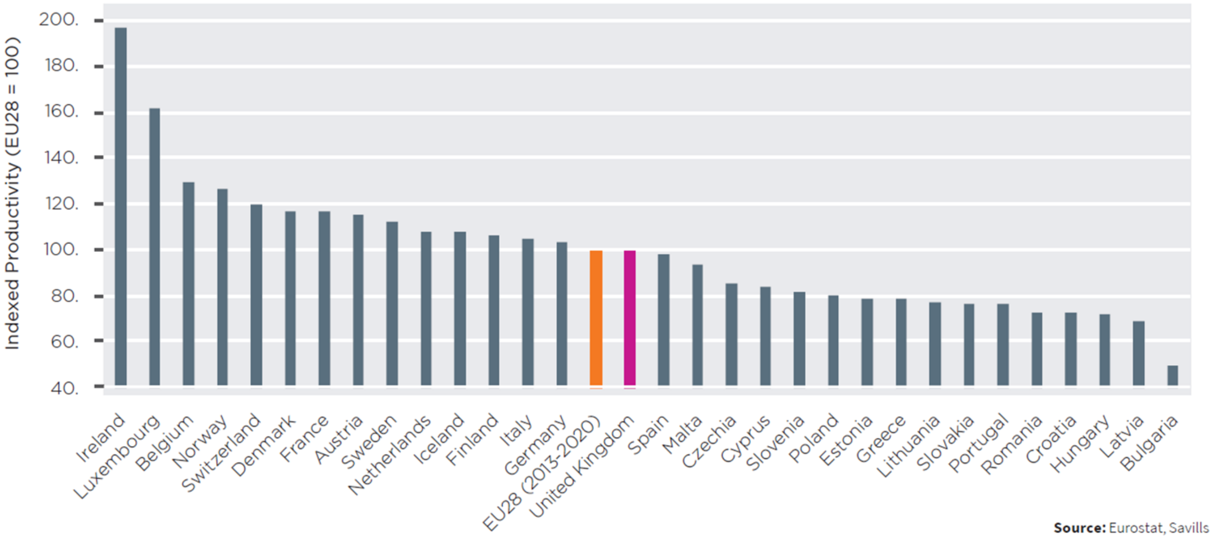
4.4 The I&L sector is a major contributor to the national economy

4.4.1 The I&L sector is a significant employer of at least 3.8 million people in England and produces £232 billion of GVA annually[24]. Gross Value Added (GVA)[25] per job, currently at £58,000, is 12% higher than the average of all sectors. Its productivity is also predicted to grow at a faster pace, increasing by 29% between 2025 to 2039 compared to 18% across the UK economy as a whole[26].

4.4.2 These are extremely important statistics given the UK's labour productivity currently lags many of its western European peers as shown in **Figure 4.8** below. Improving the UK's labour productivity will become increasingly important in a post Brexit world given its important bearing on attracting inward investment, ability to pay higher wages and higher tax revenues for the Government which can be reinvested in critical services and infrastructure.

[24] ONS (2021), Workforce Jobs by Region and Industry - Jobs in Manufacturing, Transportation and Storage for March 2020; ONS (2021) – England, Regional Gross Value Added (Balanced) by Industry – GVA for Manufacturing, Transportation and Storage in 2019 – England
[25] Gross Value Added (GVA) measures the contribution made to an economy by one individual producer, industry, sector or region.
[26] Oxford Economics (2019), GVA by Sector and Employment by Sector for Manufacturing, Transportation and Storage - UK

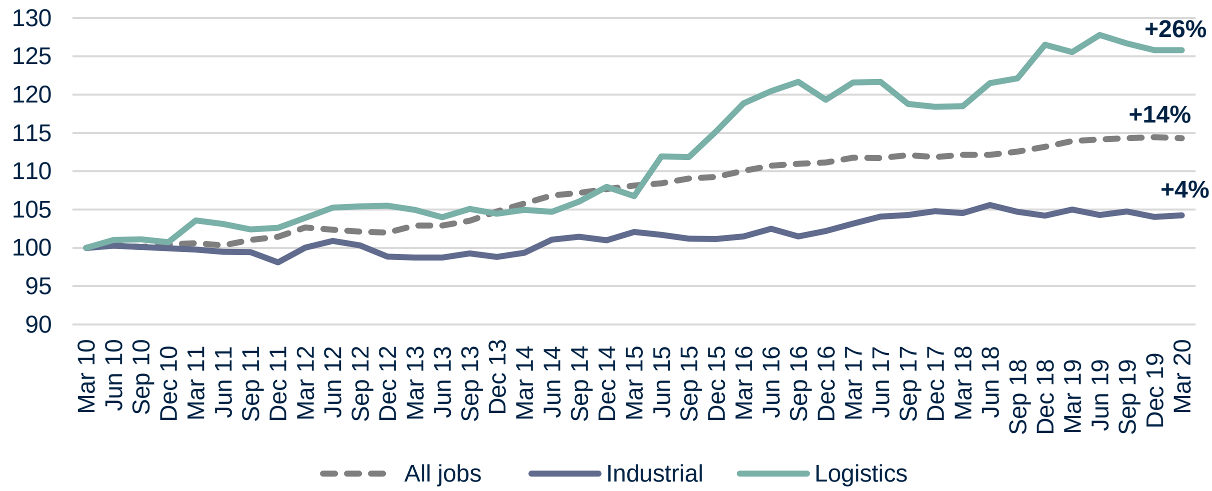
Figure 4.8 Labour productivity per person employed - 2019



Source: Eurostat, Savills

4.4.3 Over the last 10 years the logistics component of the I&L sector has grown by 26% compared to only 14% across the economy as a whole (**Figure 4.9**).

Figure 4.9 Historic Jobs Growth in England (2010-2020)

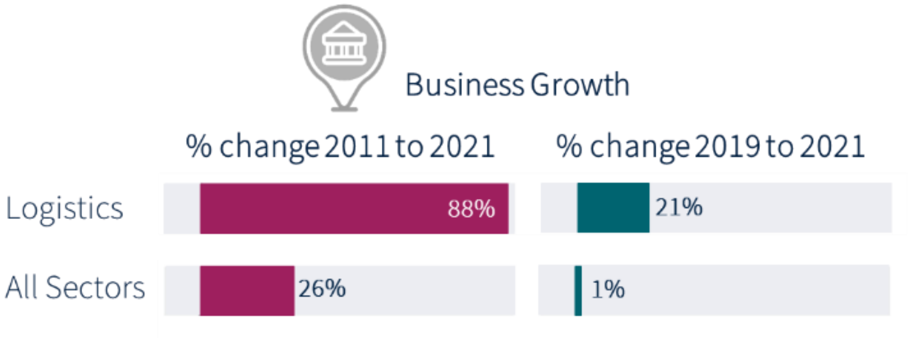


Source: ONS, Workforce Jobs by Industry and Region, Savills

4.4.4 Also in terms of business generation, the logistics sector is the fastest growing segment of our economy, both in recent years and over the long term. Between 2011 and 2021 the number of business premises[27] within the logistics sector went up by 88%, much higher than the 26% growth rate across the whole economy (**Figure 4.10**). Growth in the logistics sector has continued to accelerate over the last couple of years, with the number of business premises increasing by 21% against just 1% across the whole economy.

[27] Business premises refer to local units on the Inter-Departmental Business Register (IDBR), which are individual sites that belong to an enterprise. Only a small minority of businesses operate more than one site (1.5% in transport and storage and 2.1% across all industries). (ONS, 2022)

Figure 4.10 Growth in business premises

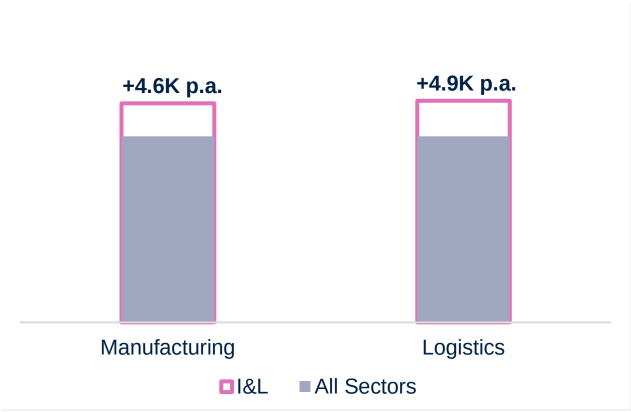


Source: ONS, IDBR: Savills

4.4.5 Notwithstanding its importance in terms of employment and GVA contribution, the sector is subject to a number of misconceptions about average pay levels, skills required and types of spaces provided.

4.4.6 As shown in **Figure 4.11,** average pay is higher than the UK average. Data from the Office for National Statistics (ONS) show wages above average at +£4,600 for Manufacturing and +£4,900 for Logistics. Again, the logistics component of the sector is performing above average, with wages between 2019 and 2020 having increased more than in other sectors (+6% growth in logistics vs +4%) which is important in the current inflationary environment. In addition, entry-level jobs in logistics are relatively well-paid, with median annual pay being 47% higher than across jobs in the same occupational category[28].

Figure 4.11 I&L jobs pay more (2020)

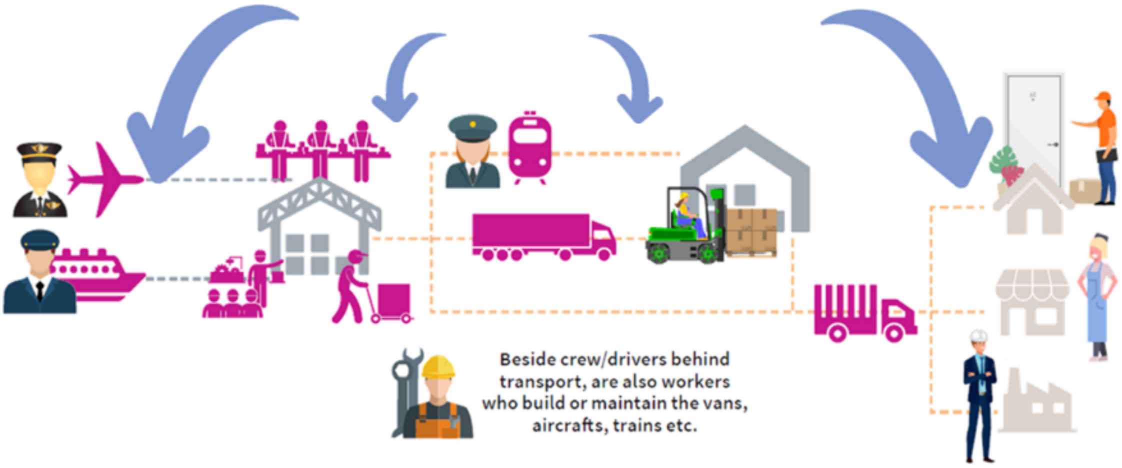


Source: ONS ASHE[29], Savills

4.4.7 I&L's wider supply chain employment is often overlooked in favour of the higher on-site job densities for retail and office uses. I&L premises are a critical link in the chain alongside the key freight modes that allow goods to enter, leave and move around the country (i.e. ports, airports, rail freight interchanges and motorways). Like warehouses and factories, these freight handling facilities generate employment to drive the planes, trains and boats as well as jobs involved in their maintenance and repair. Jobs are also created at ports, airports and rail freight interchanges as part of their operation. The analysis of ONS Type I FTE multipliers for the Warehousing sector suggests that **for every 10 new warehousing jobs created, another 7 to 12 jobs are created offsite across the wider supply chain**.

[28] Frontier Economics (2022), *The impact of logistics sites in the UK*
[29] The ASHE survey for 2021 has been released but we do not report on these figure as we consider them influenced by the Covid-19 economic downturn – e.g. they show that between 2020 and 2021 all sectors employee wages decreased by 0.6%

Figure 4.12 The wide span of supply-chain jobs across the logistics sector



Source: Savills

4.5 Levelling-up and the I&L Sector

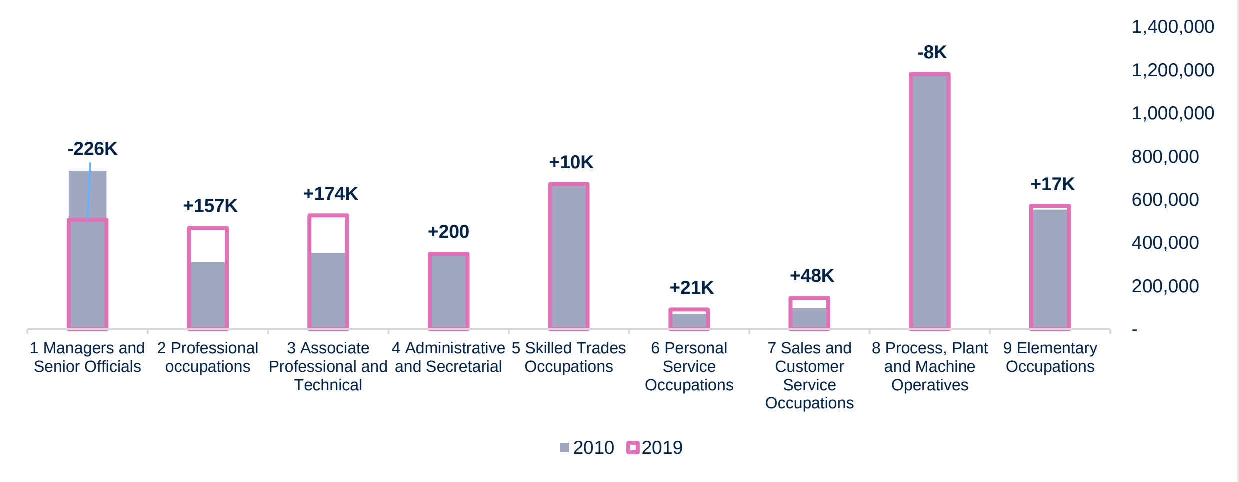
4.5.1 As we discuss in our recent publication for the British Property Federation "*Levelling-up – The Logic of Logistics*"[30], the I&L sector can play a pivotal role as part of the Government's levelling up agenda. In GVA terms, the South[31] accounts for 63% of England's total GVA while the North[32] accounts for only 37%. However, over the last 5 years I&L demand (net absorption) in the North has accounted for 70% of the country's total demand.

4.5.2 Thanks to the I&L sector's higher productivity, wide-range of well paid jobs and training opportunities offered, its growth can help bridge the gap between the North and South. This point is further substantiated by a recent study[33] that looked into the link between logistics density and growth in employment and GDP per capita. The study found that areas with high logistics density have grown faster than other areas of the UK in both GDP per capita and overall employment.

4.5.3 One factor that makes the I&L sector especially well-suited to support levelling-up objectives is the wide-range of occupations offered and their increased diversification across various skill levels. **Figure 4.13** shows the change in the share of occupations in I&L in 2010 and 2019. While at the beginning of the decade we see a more polarised distribution, with a higher share of managers at one end of the spectrum and more routine occupations at the other end, today we see a higher share of Professional and Associate Professional and Technical roles. These roles are typically associated with higher-skilled engineering and technological professions in response to increased automation and robotics in the sector and more advanced supply chain processes. These office-based roles are increasingly co-locating alongside production and logistics uses as it is convenient for these people to be closer to the operations they control and analyse.

[30] Ibid.
[31] London, South East, East of England and South West
[32] North West, West Midlands, East Midlands, Yorkshire and the Humber
[33] Frontier Economics (2022), *The impact of logistics sites in the UK*

Figure 4.13 Occupational Distribution in Manufacturing, Transport & Storage (2010 vs 2019)



Source: ONS APS, Savills

4.5.4 This increased occupational diversity means the I&L sector can play an important role in re-employing people that have lost jobs in other sectors of the economy as a result of the Covid-19 pandemic.

4.5.5 The Government's Coronavirus Job Retention Scheme (CJRS) has helped cushion the impact of economic contraction on the job market. However, in spite of this effort, data on the Claimant Counts remain high in most areas of the country. The Claimant Count measures the number of people claiming benefit principally for the reason of being unemployed. As of December 2022 the Claimant Count in North Warwickshire totalled 1,025 claimants. This is still 21% higher than the Count as of March 2020 (+180 claimants).

4.5.6 The I&L sector also generates significant construction and apprenticeship roles which will increase further as it expands into the future. Savills estimate that if supply-constraints are addressed in the future, the sector could deliver over half a million apprenticeships over the next 10 years.[34] This is extremely important given youth unemployment nationally stands at 12.9%[35]. A number of case studies on the type of employment opportunities, training and research centres that the sector delivers can be found in our recent publication for the British Property Federation "*Levelling-up – The Logic of Logistics*"[36].

4.6 Conclusion

4.6.1 I&L premises facilitate modern lives and therefore should be considered as 'Critical National Infrastructure,' similar to how major roads, ports, airports and rail freight interchanges are. The sector makes a significant contribution to the national economy and supports a diverse range of well paid jobs.

4.6.2 Current demand within the sector is at unprecedented levels being supported by a number of key growth drivers. There is a strong need to support and foster economic growth in order to support the post-Covid recovery and to secure UK's post Brexit future. It is vital to support those sectors which are proving to be resilient (such as logistics) and are therefore well-placed to provide new employment opportunities to mitigate job losses in other sectors and underpin the economic recovery.

[34] Savills and BPF (2022), *Levelling-up – The Logic of Logistics*
[35] ONS (2022), Annual Population Survey – unemployment rate of people aged 16 to 24 in England (January 2021 to December 2021)
[36] Ibid.

APPENDIX 4: GLOSSARY OF TERMS AND DEFINITIONS

Available Employment Land

All available land allocated for employment uses excluding (a) expansion land, (b) land with empty industrial buildings already in-situ, unless those buildings are time expired, and (c) special sites allocated for specific employment uses. For the purposes of this study, we have adopted a minimum size threshold of 2.3 hectares.

Available Industrial Floorspace

All floorspace (other than offices) covering the full range of unit sizes.

Employment Land

Sites that either (a) are allocated for employment use in the development plan, (b) occupied for employment use, (c) have a planning consent for employment use or (d) were formerly in employment use and do not have planning consent, nor allocation, for an alternative use.

Employment Uses

Business, general industry and storage/distribution uses as defined by Classes E(g), B2 & B8 of the Town and Country Planning (Use Classes) Order as amended in April 2021. Land could generally be developed for any type of employment use with no distinction being made between general industrial uses, warehousing and commerce. Employment uses exclude retail, leisure, residential care facilities, mineral extraction and waste disposal.

Expansion Land

Land adjoining the operational site of a business that is owned by that business to accommodate its future expansion. This land is not available to the wider market; having been removed from the market when acquired by the business. Take-up of expansion land therefore occurs when the site is purchased by the business. If and when a business identifies that its expansion land is surplus to requirements, then that land becomes available.

Implied Supply

An estimate of the number of years that it would take to consume available land at prevailing take-up rates. It is calculated by dividing the amount of available land by the average yearly take-up.

Immediately Available

Sites that require minor remediation or infrastructure provision, which can be brought forward for development in less than 12 months.

Major Roads Network

The Department for Transport defined England’s Major Road Network (MRN) in 2017. The MRN forms the middle tier of the country’s busiest and most economically important ‘A’ roads, sitting between the national Strategic Road Network (SRN) and the rest of the local road network.

Requiring Preparation

Sites where major provision of roads and utility services is required and/or where site assembly, demolition and remediation is required, and which are likely to take at least a year to bring forward for development.

Specialist Sites

Land that is reserved for specific industry sectors or purposes. Examples include ports, airports, and major industry clusters. Such sites are considered separately from general employment sites.

Strategic Highway Network

Motorways and dual carriageways to which the national speed limit applies.

Take-up

The development or first occupation of a site. Take-up occurs at the point at which construction of a building commences. Take-up excludes (a) extensions of existing premises unless they occur on land beyond the original boundary of the site and (b) changes of use. Depots used for external storage or yards used for fabrication, dismantling, or other processes are regarded as taken-up when first occupied; subsequent changes in occupation or use are excluded. Where buildings are demolished and a site is redeveloped, this constitutes take-up. Where a site is built out in separate phases (rather than a continuous rolling programme), take-up occurs at the start of each phase.

The application of gross: net ratios

Take-up of employment land is typically recorded on a plot by plot basis, which equates to a net developable area. To be consistent, availability should be measured on the same basis. So for some sites, gross to net adjustments may be appropriate. We have considered each site and estimated the proportion of land likely to be lost to servicing and landscaping, having regard to typical gross:net ratios achieved on a sample of industrial estates and business parks. Research by Lambert Smith Hampton has shown that ratios range from 100% where a site is in single occupation, to 56% for a business park on a sloping site with large areas set aside for landscaping and sloping banks between development plots. A guide to the adjustments appropriate in different circumstances is set out in the following table.

TYPICAL GROSS:NET RATIOS TO BE APPLIED TO EMPLOYMENT LAND		
Type	**Ratio**	**Comment**
Serviced plot on industrial estate fronting road.	100%	
Area of land that could easily subdivide into serviced plots with road frontage.	100%	
Large area of land on industrial estate too big for single scheme, having regard to other buildings on estate.	95%	Provision for spur road.
Major undeveloped part of industrial estate or extension to industrial estate.	90%	Provision for roads and landscaping to one or more sides.
Small local allocation, requiring infrastructure.	90%	Provision for spur road, but landscaping likely to be minimal
Level site allocated for industrial estate	85%	Provision for spur road and landscaping.
Site allocated for industrial estate where terracing or bunding required	80%	Provision for spur road and landscaping.
Land allocated for business park with high landscape quality.	75%	Provision for spur road extensive landscaping, balancing ponds etc.
Land allocated for employment use where a single end user could be in the market.	100%	All land to be taken by single user, surplus areas to be retained for its expansion.

APPENDIX 5: AVAILABLE LARGE EMPLOYMENT SITES IN THE FEMA

APPENDIX 5

AVAILABLE EMPLOYMENT SITES IN EXCESS OF 2.3 HECTARES

SITES WITH AN ALLOCATION OR PLANNING CONSENT FOR EMPLOYMENT

Site Ref	Estate	Postcode	Gross Area (ha)	Net: Gross	Net Area (ha)	GF / BF	IA / RP	Access	Golden Triangle
North Warwickshire									
E2	Birch Coppice Business Park, Dordon	B78 1SE	5.1	100%	5.1	GF	RP	A	N
E3	Birch Coppice Business Park, Dordon	B78 1TU	3.4	100%	3.4	GF	RP	A	N
E4	MIRA Technology Park South Site	CV10 0TU	40.4	85%	34.3	GF	RP	B	N
			48.9		**42.8**				
Nuneaton & Bedworth									
EMP4	Coventry Road, Nuneaton	CV10 7PH	9.1	85%	7.7	BF	RP	B	Y
EMP3	Plot K, Pilgrims Walk, Prologis Park, Coventry	CV6 4QG	5.3	n/a	3.3	GF	IA	B	N
EMP2	Wilsons Lane, Pickards Way, Bedworth	CV6 6PD	18.2	85%	15.5	GF	RP	A	N
EMP7	Bowling Green Lane, Bedworth	CV12 0HT	15.2	85%	12.9	GF	RP	A	Y
EMP7	Goodyers End Lane, Bedworth	CV12 0HP	3.1	85%	2.6	BF	RP	A	Y
EMP7	Bowling Green Lane, Bedworth	CV12 0HX	5.9	85%	5.0	GF	RP	A	Y
			56.8		**47.0**				
Rugby									
ED1	Ansty Park	CV7 9JU	4.9	100%	4.9	BF	IA	A	N
	Coton Park East	CV23 0WB	8.0	85%	6.8	GF	IA	A	N
	Rugby Radio Station north	CV23 0AB	8.1	90%	7.3	GF	IA	A	N
	Rugby Radio Station south	CV23 8YL	6.8	100%	6.8	GF	IA	A	N
			27.8		**25.7**				
Coventry									
JE2:4	Baginton Fields, East of Whitley Business Park	CV3 4EA	25.0	75%	18.8	GF	RP	A	N
JE2:5	A45 Eastern Green	CV5 9GY	3.3	100%	3.3	GF	IA	A	N
JE2:5	A45 Eastern Green	CV5 9GY	4.3	100%	4.3	GF	IA	A	N
JE2:5	A45 Eastern Green	CV5 9GY	3.8	100%	3.8	GF	IA	A	N
	Sayer Drive, Coventry	CV5 9PF	2.5	100%	2.5	BF	IA	A	N
			38.9		**32.7**				
Warwick									
DS9 (E1)	Land at Thickthorn, Kenilworth	CV8 2LP	7.6	90%	6.8	GF	IA	A	N

DS9 (E2)	Land at Stratford Road, Warwick	CV34 6RA	6.6	85%	5.6	GF	RP	A	N
	Stratford Road, Warwick	CV34 6RA	4.5	85%	3.8	BF	RP	A	N
	Segro Gateway South, Coventry Airport	CV8 3BB	19.0	100%	19.0	GF	IA	C	N
	Segro Gateway South, Coventry Airport	CV8 3BB	5.6	100%	5.6	GF	IA	C	N
	Segro Gateway South, Coventry Airport	CV8 3BB	5.1	100%	5.1	GF	IA	C	N
	Segro Gateway South, Coventry Airport	CV8 3BB	4.4	100%	4.4	GF	IA	C	N
	Segro Gateway South, Coventry Airport	CV8 3BB	2.5	100%	2.5	GF	IA	C	N
	Coventry Airport North	CV8 3AL	14.9	90%	13.4	GF	IA	A	N
	Coventry Airport Runway	CV8 3AZ	113.0	85%	96.1	BF	RP	A	N
			183.2		**162.3**				
Stratford-on-Avon									
SUA.4	Atherstone on Stour Airfield	CV37 8BJ	18.7	50%	9.4	GF	RP	C	N
LMA	Long Marston Airfield	CV37 8LP	4.2	100%	4.2	GF	RP	C	N
ALC.3	Land north of Arden Forest Industrial Estate	B49 6HT	5.0	85%	4.3	GF	IA	B	N
SUA.2	Stratford 46 Business Park, Alcester Road, Stratford	CV37 9RJ	9.2	85%	7.8	GF	IA	C	N
			37.1		**25.6**				
TOTAL			**392.5**		**336.1**				

UNALLOCATED SITES WHERE A PLANNING APPLICATION HAS NOT BEEN DETERMINED

North Warwickshire									
	South of M42 Junction 9		19.3	85%	16.4	GF	RP	A	Y
	MIRA Technology Park South Site		18.7	85%	15.9	GF	RP	B	N
	Tamworth Road, Dosthill		6.3	n/a	4.3	BF	RP	C	N
	North East of M42 Junction 10		32.4	85%	27.5	GF	RP	A	N
			76.6		**64.1**				

APPENDIX 6: TAKE-UP OF SMALL SITES IN NORTH WARWICKSHIRE

TAKE-UP OF SITES FOR GENERAL INDUSTRY IN NORTH WARWICKSHIRE, 1999 -2023

SITE	USE	DATE	AREA (ha)
Kingsbury Pallets, Rush Lane, Dosthill	B2/B8	2020	2.00
Remy Automotive, Gorsey Lane, Coleshill IE	B2/B8	2001	0.83
Unit 3, Trillenium Park, Gorsey Lane, Coleshill IE	B2/B8	2001	1.18
Unit 2, Trillenium Park, Gorsey Lane, Coleshill IE	B2/B8	2001	0.81
Bromwich Court, Gorsey Lane, Coleshill IE	Offices	2001	1.10
Unit 27a, Roman Way, Coleshill IE		2001-03	0.28
East of Roman Way, Coleshill IE		2001-03	0.22
Forge Mills Park, Coleshill IE		2005	0.86
Forge Mills Park, Coleshill IE NW plot		2013	0.65
Forge Mills Park, Coleshill IE NE plot		2017	0.40
Roman Park, Coleshill IE		2000-01	2.17
iRob International, 25 Station Road, Coleshill IE		2018	0.13
South of Edison Rd, Hams Hall Distribution Park		2001	1.64
NE of Edison Rd, Hams Hall Distribution Park		2001	1.69
NW of Edison Rd, Hams Hall Distribution Park		2001	1.05
Brandpath, Edison Road, Hams Hall Distribution Park	Warehouse	2006	1.99
Trinity House, Kingsbury Link, Trinity Road, Piccadilly, Tamworth		2000-06	0.46
Units 1-5, Kingsbury Link, Trinity Road, Piccadilly, Tamworth		2006-10	0.37
Unit 1 Tamworth Logistics Park, Rowan Way , Dordon	Warehouse	2019	0.89
Unit 2 Tamworth Logistics Park, Rowan Way , Dordon	Film Studio	2019	0.40
Unit 3 Tamworth Logistics Park, Rowan Way , Dordon	Workshop	2019	0.46
DFS Trading, Centurion Way, Dordon	Warehouse	2016	0.96
Unit 6 Tamworth Logistics Park, Signet Way , Freasley	Warehouse	2021	1.32
Unit W2, Birch Coppice Industrial Estate, Watling Street, Dordon	Van hire	2003-06	0.56
Plot E1a, Danny Morson Way, Birch Coppice BP	Warehouse	2006-07	1.14
Plot E1b, Danny Morson Way, Birch Coppice BP	Warehouse	2006-07	0.82
Unit W1, Arley Drive, Birch Coppice Business Park, Dordon,	Warehouse	2007-10	0.55
Owl Homes, Unit W1a, Arley Drive, Birch Coppice Business Park, Dordon	Offices	2019-20	0.19
Plot 1, East of Danny Morson Way, Birch Coppice BP	Warehouse	2013-16	1.03
Plot E1A, Danny Morson Way, Birch Coppice Business Park, Dordon	Industrial	2010-13	0.79
Alpi, Core 4, Meridian Drive, Core 42 Business Park, Dordon	Warehouse	2020-21	0.64
Core 5, Meridian Drive, Core 42 Business Park, Dordon	Warehouse	2020-21	0.35
Core 6, Meridian Drive, Core 42 Business Park, Dordon,	Warehouse	2021-22	0.55
Unit W3 (B), Danny Morson Way, Birch Coppice Business Park, Dordon	Warehouse	2006	1.02
Unit 7, Phase 3, Birch Coppice, Gipsy Lane, Dordon	Warehouse	2016-17	1.61
Plot 5, Phase 3, Birch Coppice, Gipsy Lane, Dordon	Warehouse	2016-17	1.33
Age UK, Lower House Lane, Birch Coppice		2010-13	0.27
Biffa Waste, Lower House Lane, Birch Coppice	Industrial	2010-13	1.67
N Warks BC, Lower House Lane, Birch Coppice	Offices	2010-13	0.04
N Warks BC, Lower House Lane, Birch Coppice	Parking	2010-13	0.15
Unit 2, Carlyon Road, Atherstone		2000-06	0.31
Prosper De Mulder, Nuneaton Road, Hartshill	Industrial	2010-15	3.50
The Pavilion, Coleshill Manor Office Campus, South Drive, Coleshill	Offices	2003	0.23
The Gardens, Coleshill Manor Office Campus, South Drive, Coleshill,	Offices	2003	0.35
Building A, Phase 2, Coleshill Manor Campus, Coleshill	Offices	2006	1.51
Arley Ind Est, Colliers Way, Arley	Industrial	2000-06	0.77
Compound, Arley Ind Est, Colliers Way, Arley	Compound	2019	0.29
Land on the South West side of Colliers Way, Spring Hill, Arley	Workshop	2000-06	0.19
Dunton Park, Warwick House IE, Minworth		2001-06	0.42
TOTAL			**42.14**