

Commentary on CBRE Market Report and Occupier Overview – June 2024

The CBRE document submitted as part of the Richborough Estates application corroborates the evidence of immediate need provided to the Inquiry by Cushman & Wakefield for the Land NE Junction 10 M42. Also, noting that it is authored by CBRE, the consultancy Ms Barratt refers to in her proof of evidence (CD-D24/A) and appendix to that proof in (CD-24/i) in order to substantiate her case.

We draw the Inspector’s particular attention to the following points made in the CBRE Market & Occupier Overview document:

Page 1: Prime Site in West Midlands & Demand much in excess of supply

Site Overview

- This unparalleled accessibility results in the subject site considered as one of the top prime sites in the West Midlands. It’s location is a crucial connectivity point for Birmingham, Coventry and the wider Midlands region.
- The M42 corridor is notorious for demand to be ‘much in excess’ of supply with an exceptionally tight market. Industrial space immediately surrounds the site and also across the West Midlands, is seriously undersupplied as buoyant demand is frustrated by almost non-existent existing availability and pipeline development.

Page 5: Development Pipeline (under construction) – end Q1 2024

The chart shows the development pipeline (under construction) is lower year on year across the entire country at 19.2m sqft (Q1 2024) compared to 42m sqft (Q1 2023). This chart shows a particularly low level of development pipeline within the West Midlands, which is a symptom of the severe lack of land supply as stated in our Cushman & Wakefield’s evidence to the Inquiry.



CBRE states under the chart:

The lack of new build, high quality availability is heightened even more when looking at the development pipeline which has more than halved since Q1 2023, further constraining supply as less development is brought forward.

Page 5: Lack of Sites constraining supply across the West Midlands – particularly for “Sites of Scale”

The third paragraph of page 5 states in reference to the West Midlands that:

Another factor in the limited pipeline availability within the West Midlands is the lack of “sites of scale”. Occupiers focus has changed over the past three years with a direction of consolidation and modernisation. The West Midlands being a region that has for many years been popular with industrial and warehouse users alike, has meant that the region suffers from any land availability to satisfy these larger requirements. The M42 corridor as mentioned is extremely well placed to satisfy this pent up demand when compared to other areas such as the Black Country and Birmingham.

Page 6: Strong Rental Growth across the West Midlands

The document states that rental growth has been very strong in the West Midlands market and is now at parity or in some cases in excess of the rent levels achieved in the East Midlands (which have historically been slightly higher). See para 1 extracted below.

The West Midlands has seen consistent and sustained rental growth since the beginning of the pandemic. This is most notable when comparing the West Midlands to the East Midlands. Historically the West Midlands lagged c.£0.50 – £1.00 per sq ft behind the East Midlands. However, due to the constrained supply and high demand for the West Midlands, this market now achieves rental values in line and in some cases in excess of the East Midlands. This growth has been fuelled by occupiers desire realign their supply chain in strategic prime locations close to population centres, coupled with a continued shortage of supply.

Page 6: The below text is extracted from page 6:

West Midlands Market Overview

Take-up in the West Midlands totalled 1.1m sq ft across five deals in Q1 2024, almost double that seen in Q4 2023. Demand predominantly came from the 3PL sector, with one deal coming from the manufacturing sector

At the end of Q1 2024 the region saw 4.8m sq ft of available space, decreasing for the second consecutive quarter. Available space was made up of 58% new completed speculative space, 28% second hand, and 14% speculative space under construction. The vacancy rate increased to 4.80% in Q1 (from 4.52% in Q4 2023) due to a 1m sq ft increase of available newly completed speculative stock

Prime big box rents for the West Midlands remained stable at £9.75 psf, as did the prime yield at 5.25%

Page 7: M42 corridor limited supply and occupier conversations on that supply

Looking specifically at the M42 corridor and units over 100,000 sq ft, of the 4.5 million sq ft that has been built over the past 2 years, only just over 600,000 sq ft remains available split across three units, providing one quarters take up of space.

Of the three available units only one is located in the immediate vicinity of the subject site, with a number of interested parties. There are currently no units under construction or identified to begin construction in 2024.

Page 8 : M42 Corridor Analysis

The evidence presented to the Inquiry in the Cushman & Wakefield Employment Land Study June 2024 (CD-29/C) used the definition of M42 Corridor established in WMSESS 2021 being (J3 to J10) – and used take up figures within that area. Whilst it took account of the J11 M42, it makes clear in para 5.33 that:

“It is worth noting that many requirements originated along the M42 Corridor [J3 to J10] will not see junction 11 of the M42 as a viable option for relocation. Moreover, many

requirements will not fit the speculative building layout or design, requiring specialist yard areas, docking standards, and parking/circulation space. For example, pallet network operators or parcel delivery occupiers. **For those occupiers build to suit opportunities on serviced land is necessary.**" (para 5.33 Cushman & Wakefield Employment Land Study June 2024 (CD-29/C)) [Our emphasis]

The CBRE document provides further analysis of supply and demand dynamics and makes a number of key and supportive statements which clearly align with the evidence presented by Cushman & Wakefield to the Inquiry. Some of these points are:

- Occupier demand is extremely strong for the M42 due to its proximity to key transports hubs
- Occupiers seeking "best in class" accommodation is more prevalent than ever due to drive to decarbonisation and need to meet sustainability and ESG (Environmental, Social, and Governance) requirements.
- The M42 corridor has no new build speculative industrial and logistics units under construction, and in addition no new committed pipeline speculative development in the foreseeable future.
- This lack of speculative development coupled with a scarce supply of good quality existing available space is prohibiting occupiers acquiring space in the area and deterring national and international occupiers.

Cushman & Wakefield also note that the severe shortage of land has meant that the last deal completed in Area 2 was in Q2 2022 and no deals were completed in 2023. We therefore provide take up data for the calendar year of 2015, to give a more complete understanding of take up in that year when supply was available.

Take Up within Area A / Area 2 in 2015						
Sign Date	Scheme	Developer	Tenant	Total SF Leased	Area A	Area 2
Q1 2015	Elmdon Trading Estate Birmingham Airport	Prologis	International Automotive Components Group	111,955	Y	y
Q1 2015	J6 Industrial Estate Birmingham	M&G	BSS	106,573	y	N
Q1 2015	Midpoint Park Birmingham	Prologis	Jaguar Land Rover Ltd	470,000	Y	Y
Q1 2015	Midpoint Park Birmingham	Prologis	Asda	127,500	Y	Y
Q2 2015	10 Hedera Road Redditch	N/A	Lear Seating	132,738	N	Y
Q3 2015	Midpoint Park Birmingham	Prologis	Syncreon Automotive (UK) Ltd	120,000	Y	Y
Q3 2015	Edison Rd Hams Hall	Prologis	Plastic Omnium	120,508	Y	Y
Q4 2015	Redfern Rd Birmingham	N/A	Cross Transport Ltd	153,590	Y	Y
				1,342,864		

Page 9 & 10 – Occupier Specifics

These pages include details of occupiers seeking space on the M42 corridor. Whilst Cushman & Wakefield chose not provide such a schedule to the Inquiry for commercially sensitive reasons, we can confirm a similar schedule does exist for the Land NE Junction 10 M42. We can also confirm that some of the conversations being had in relation to the Appeal Site relate to occupiers on the schedule provided by CBRE in this document.

Overview

The CBRE document is very supportive of land coming forward on the M42 corridor and makes many of the same points that Cushman & Wakefield have made in our evidence presented to the Inquiry for Land NE Junction 10 M42.