Market Need Assessment Update Strategic Employment Area Junction 3 M54

Report on behalf of Bradford Estates

savills

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1. Executive Summary

1.1.1. The purpose of this report is to update the J3 Need Assessment (dated September 2020) which was submitted as part of the Shropshire Local Plan Regulation 19 consultation. This report should be read in conjunction with the 2020 report.

1.1.2. There are a number of **factors driving growth** in the manufacturing and logistics sectors (summarised below) which together are driving unprecedented levels of demand. The long term and ongoing increase in on-line retail is one factor which continues to result in significantly increased occupier demand. Most commentators are of the opinion that the **pandemic has generated a step-change** in the level of on-line retail, changing consumer behaviours and spending patterns, and that this trend is unlikely to be reversed.

1.1.3. A review of market indicators demonstrates that there is a **severe undersupply of premises**[1] both nationally and regionally. This is evidenced by vacancy rates considerably lower than the level required for market equilibrium, which will prevent the proper functioning of the market and **hinder economic growth**. The supply of immediately available land to meet occupier requirements (via 'build to suit' opportunities) is therefore vital.[2]

1.1.4. However, the current position, based on our review of supply and take up in the Property Market Area (PMA)[3] is one of a **severe shortage** of such opportunities for occupiers within the Black Country and the M54 Corridor

[1] 9,290 sq. m (100,000 sq. ft) plus

[2] Developers can generally deliver a new unit within c. 9 months from agreeing terms with an occupier if planning is in place and the site is fully serviced, so occupiers will consider this route where there are no suitable premises available, or if the requirement is particularly bespoke.

[3] Encompassing those locations which occupiers may also consider alongside J3.

seeking to serve sub-regional and regional markets (only four immediately available sites which can meet this need). **A choice of sites is essential to maximise investment and this is not provided by the current supply portfolio**.

1.1.5. **The development pipeline[4] of sites is insufficient to address these issues in the medium to longer term** with an over reliance on West Midlands Interchange which can only meet one specific aspect of demand (and in any event, one additional site does not offer sufficient choice). The vast majority of land being promoted through the planning process is suited to local needs by virtue of its scale and/or location.

1.1.6. There is an **increasingly urgent need** for additional land within the PMA which can meet both B2 and B8 larger-scale requirements from occupiers seeking to serve the M54 Corridor, Black Country and wider West Midlands.

1.1.7. There is also a need for land to accommodate **smaller scale opportunities** in an accessible and high quality environment for businesses within Shropshire and the LEP's growth sectors.

1.1.8. The conclusions of our assessment are supported by the sub-regional and regional evidence which demonstrates an **outstanding unmet need for employment land for the Black Country,** which in our view is very likely to be understated by the current evidence base, as well as a well-established and increasing need for additional **strategic employment land to serve the West Midlands**.

1.1.9. The shortage of employment land and premises is **constraining economic growth** as occupiers will either be forced to stay in sub-optimal accommodation, or will locate elsewhere if their business model allows. The provision of a site of strategic scale at J3, in a highly accessible location on the M54 corridor can address these issues. The proposals are deliverable, and will attract significant investment and economic benefits, including high quality employment opportunities including approximately **9,970 on-site jobs**.

[4] Pipeline in this context referring to those sites which are not fully serviced and/or do not have planning permission and so are not available to an occupier with an immediate requirement.

2. Introduction

2.1.1. The purpose of this report is to update the J3 Need Assessment (dated September 2020) which was submitted as part of the Regulation 19 consultation. The update reflects latest market trends and indicators (including supply and take-up) as well as a review of the evidence base documents which have been published since the original report was undertaken. An updated assessment of the economic benefits of the proposals is also provided based on the latest indicative proposals and economic data.

2.1.2. References to the September 2020 report are included where appropriate in order to minimise duplication and the executive summary of the report is included at **Appendix 1** for ease of reference.

2.1.3. This report is structured as follows:

- An update of property market trends in relation to the manufacturing and logistics sectors is set out at Section 3;
- Key market indicators are then reviewed at a national and regional level (Section 4);
- Demand and supply within the defined Property Market Area is reviewed and updated at Section 5;
- The latest Black Country evidence base is reviewed at Section 6 to establish the scale (and characteristics) of the Black Country's unmet need;
- The latest regional evidence base contained within the West Midlands Strategic Employment Site Study is reviewed at Section 7;
- The updated economic benefits of the proposals are assessed at Section 8;
- Conclusions are set out at Section 9.

3. Market Context: Update

3.1.1. This section seeks to update the analysis previously presented at Section 7 of the September 2020 report[5] in relation to market trends within the manufacturing and logistics sectors. It is important to note that whilst the sectors are assessed separately, manufacturing and logistics are inextricably linked within a supply chain - from supply of raw materials to manufacturing and component supply, to delivery of products to consumers. Efficient logistics is at the heart of efficient manufacturing, hence the focus currently on reducing supply chain risk.

3.1.2. Brexit and the COVID pandemic have both impacted on the operation of the manufacturing and logistics sectors in a variety of ways and this has been seen particularly with the steep acceleration in the trend for on-line retail, but also re-shoring/on-shoring and stock-holding capacity as businesses seek to protect their supply chains. The full impact of the war in Ukraine on global supply chains will not be apparent for some time but it has once again highlighted the vital importance of the storage, supply and transportation of goods in both enabling the manufacturing and production process to operate efficiently and ensuring that food and other products reach us, the end consumer.

3.1.3. Savills' recent publication for British Property Federation "*Levelling-up – The Logic of Logistics*"[6] which considers trends in the Industrial & Logistics sector is attached at **Appendix 2.** Figure 3.1 below which was included within the report, summarises the growth drivers impacting on the sector. Combined, these growth drivers are resulting in unprecedented demand.

Figure 3.1 Growth Drivers

Source: Savills

[5] Page 50 (Savills, 2020)

[6] Savills and BPF (2022), *Levelling-up – The Logic of Logistics*

3.2. Logistics Sector Trends

3.2.1. As noted within the previous report, trends within the logistics sector include:[7]

- a **significant increase in demand** overall driven principally by the growth in e-commerce but also by manufacturing growth and investment;
- an increased demand for units in the **most accessible locations** allowing occupiers to compete on fulfilment times;
- demand for increasingly **larger plots and buildings**; and

3.2.2. Impacts of COVID-19 on the logistics sector were noted, including:

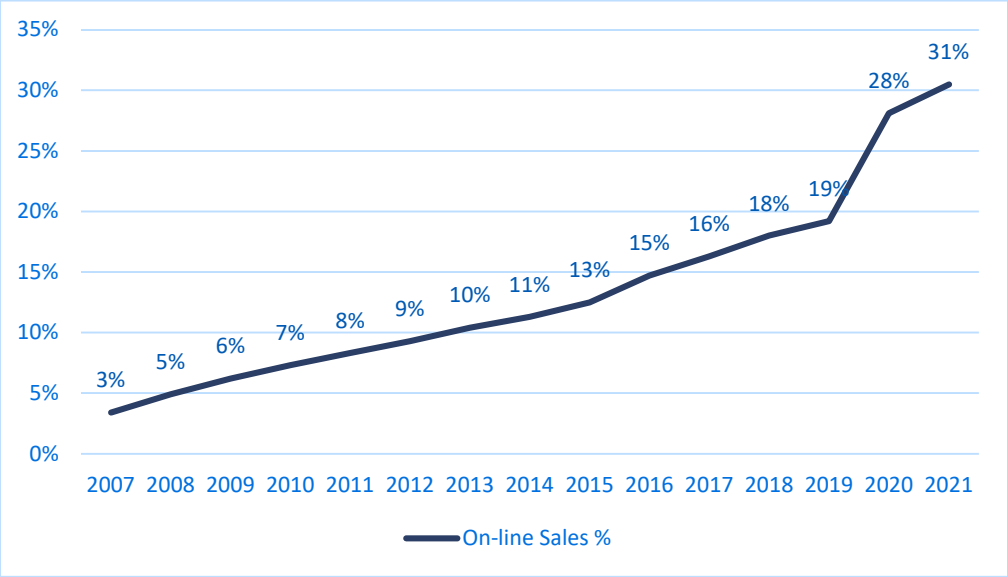
- a significant acceleration of **growth in the on-line retail** and grocery sector and a corresponding increase in demand for logistics warehousing;
- an increase in demand as a result of **'near-shoring'** (moving operations closer) and **'on-shoring'** (moving operations back to the UK), in order to minimise future supply chain disruption, and;
- an increase in **stockholding**, with an associated additional floorspace requirement, in order to mitigate supply chain risks.

3.2.3. These key trends have continued and in general, have accelerated as the structural change within the retail sector has become embedded.

3.2.4. E-commerce remains a key growth driver for the sector. Internet sales as a proportion of total retail sales has continued to increase, as illustrated by the graph at Figure 3.2 below, accounting for 31% of all retail sales in 2021. Forecasts from Forrester Analytics, a respected source of future online retail projections, estimate that online retail will continue to grow steadily, to 37% of total sales in 2025.

[7] Paragraph 7.1.33, page 55 (Savills 2020)

Figure 3.2: Internet Sales as a % of Total Retail Sales



Source: ONS data series

3.2.5. Most commentators are of the opinion that the **pandemic has generated a step-change** in the level of on-line retail, changing consumer behaviours and spending patterns, and that this trend is unlikely to be reversed. The consolidation seen across the retail sector has seen those businesses which can meet the on-line demand survive and grow, whereas those which are less able to adapt have not been able to compete. Retailers have invested significantly in their on-line presence and supporting infrastructure, and consumers have also removed barriers to access through necessity.

3.2.6. These factors mean that the acceleration of the trend towards e-commerce will result in a **long-term economic restructuring** as short-term increases in market penetration are maintained.

3.2.7. The continued growth of e-commerce has a direct and significant impact on demand for warehouse space. Research suggests that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers.[8] It has been estimated that every **additional €1bn** (£739,480,449) of online sales results in on average **an additional 77,000 sq. m** (828,821 sq. ft.) of demand for warehouse space[9]. According to the Forrester forecasts, there will be a total of €182.4 billion in online sales in the UK in 2025, compared to €150.7 billion in 2022 (**an additional €31.7 billion**) which will generate a significant additional requirement for new warehouse space, purely to meet the demands of the online sector in the UK.

[8] 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
[9] Prologis, 'European E-Commerce, E-Fulfilment and Job Creation', October 2015.

3.3. Manufacturing Sector Trends

3.3.1. The analysis within the September 2020 Savills report[10] concluded that there has been a renaissance in the manufacturing sector, driven by growth in advanced manufacturing, based on the UK's R&D capabilities and particularly in key sectors: automotive, electronics, aerospace, textiles, food and drink, and pharmaceuticals.

3.3.2. Implications of these trends for the property market have included an overall increased level of demand; a trend for larger units; increased demand for bespoke build-to-suit facilities; and a focus on high quality facilities with excellent linkages to educational and training establishments.

3.3.3. Sectors of particular relevance for Shropshire include automotive, agri-tech, environmental technologies, and food production.

3.3.4. Both Brexit and the COVID-19 pandemic have impacted on the manufacturing sector. As illustrated by the graph below (Figure 3.3), the sector returned to growth with 6.8% growth over the course of 2021, albeit output is still lower than pre-pandemic levels, after a fall of 9.0% in 2020.

Figure 3.3: Manufacturing Period on Period Growth (annual)

Source: ONS

3.3.5. Whilst the manufacturing sector continues to be impacted by the effects of both Brexit and COVID, it remains a significant source of demand nationally, a significant proportion of which is focused within the Midlands.

[10] Page 51 (Savills 2020)

On average (long term trend) the sector accounts for approximately 30% of take up of larger units (9,290 sq. m plus) in the West Midlands, and 9.8% of all jobs.[11]

3.3.6. Whilst estimates suggest that regionally output remains 82% of pre-pandemic levels[12], there are encouraging signs. HMRC trade statistics show that manufacturing exports from the West Midlands rose 65% in Q2 2021 compared to the same period a year earlier, the biggest increase of all the UK regions. Low Carbon Industries have seen very strong growth as the region's traditional manufacturing industries seek to reduce carbon emissions. The sector grew by 7.0% in the West Midlands over the course of 2020 despite an overall record-breaking economic downturn.

Conclusions

3.3.7. The key trends identified in the September 2020 report, and the conclusions, remain relevant.

3.3.8. The manufacturing and logistics sectors are inextricably linked, with the supply and transportation of parts and goods around the world and the UK essential to the operation of almost every other sector (and directly to us the consumer). Both manufacturers and logistics occupiers are now seeking larger buildings and correspondingly larger plots of land, to support bespoke and increasingly efficient facilities. Excellent accessibility and connectivity have become increasingly important to occupiers within both sectors as businesses seek to maximise efficiencies and drive down fuel costs. This translates in the UK to locations as close as possible to a motorway junction with excellent linkages to labour force and markets, as well as existing supply chain companies and skills base in the case of manufacturers.

3.3.9. Overall, there has been (and continues to be) a significant increase in the level of occupier demand within the logistics sector. This is a long-term trend which has been ongoing for a number of years and has accelerated since the pandemic. The structural change in the retail sector has become further embedded and forecasts are that this will continue and further increases in the level of demand seen within the logistics sector can therefore be expected.

3.3.10. In order to maximise the economic potential of the manufacturing and logistics sectors (and to enable lower costs for consumers on the basis of increased efficiencies), it is vital for the property market to provide the appropriate accommodation to meet the needs of companies seeking efficiency and cost savings.

3.3.11. In the logistics sector, developers are increasingly having to respond to a more sophisticated and demanding client base, providing users with reliability and flexibility in their product. Their requirements therefore are highly diverse, dependent on type and scale of use. It is therefore particularly important that a range of different sites are available which offer flexibility in terms of scale and configuration of unit.

[11] NOMIS, Workforce jobs by industry section (SIC 2007) - seasonally adjusted (December 2021)
[12] Manufacturing Technology Centre Research (HMRC data)

4. National & Regional Market Indicators

4.1.1. In order to provide the market context for the proposals, this section reviews and updates the market dynamics for large industrial and warehousing units (defined as being of 9,290 sq. m/100,000 sq. ft and above) at a national and regional level. Data has been sourced from Savills' national internal database of transactions and availability of units over 9,290 sq. m (100,000 sq. ft).

4.1.2. As part of this market assessment, take-up is analysed as a key market indicator. Take-up is often used as a surrogate for demand but that can be misleading, particularly where land supply or availability of buildings is constrained, as is the case in the West Midlands. Take-up is, in effect, the minimum manifestation of demand and supply, but take-up will be constricted in circumstances where demand (in quantitative terms) exceeds supply and (in quantitative and/or qualitative terms), where the nature of demand (location, use, scale, quality) is not capable of being met by the actual supply of employment land and buildings available. As will be considered below, this is an acute and growing problem nationally and regionally.

4.1.3. Whilst the dominant sector is take-up by distribution warehouses (B8) the statistics used below include industrial and manufacturing (Class E) uses. On average in the West Midlands, the manufacturing sector traditionally makes up 30% of the total take up of larger floorplate units[13], with the remainder from the logistics sector.

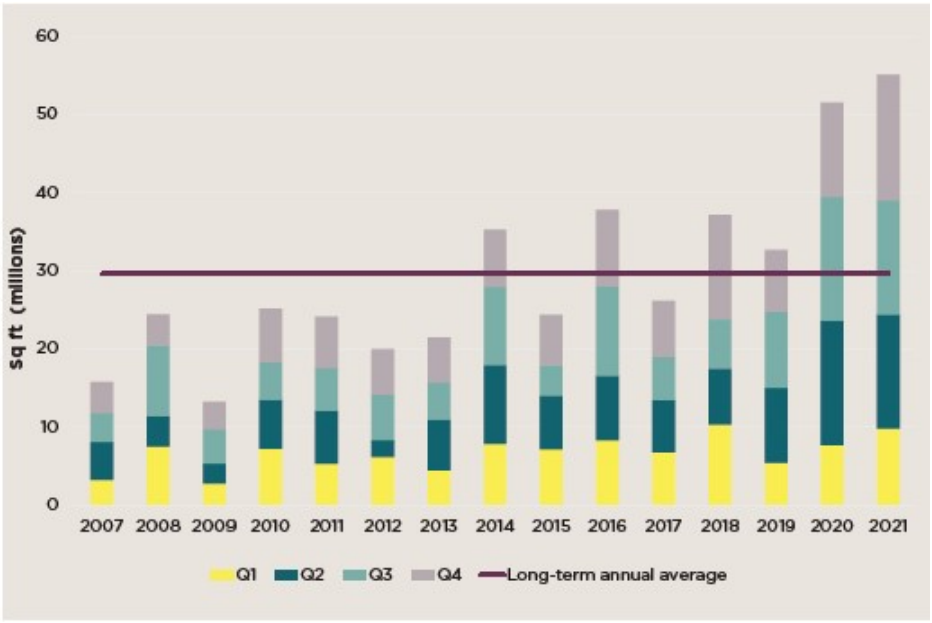
4.2. National Update

4.2.1. As at September 2020 report, take-up of units over 9,290 sq. m was above the long-term average in 2019 and demand was continuing to increase. Key sectors driving demand were retail and manufacturing. Supply of premises had fallen 62% since the peak of 8.73 million sq. m in 2009.

4.2.2. Over the course of 2021, take-up reached a new annual record of 5.12 million sq. m, **86% above the annual average** as illustrated at Figure 4.1, below. The number of transactions nationally exceeded 200 for the first time in 2021 with 220 separate transactions, surpassing the previous record of 172 in 2020.

[13] 9,290 sq. m plus

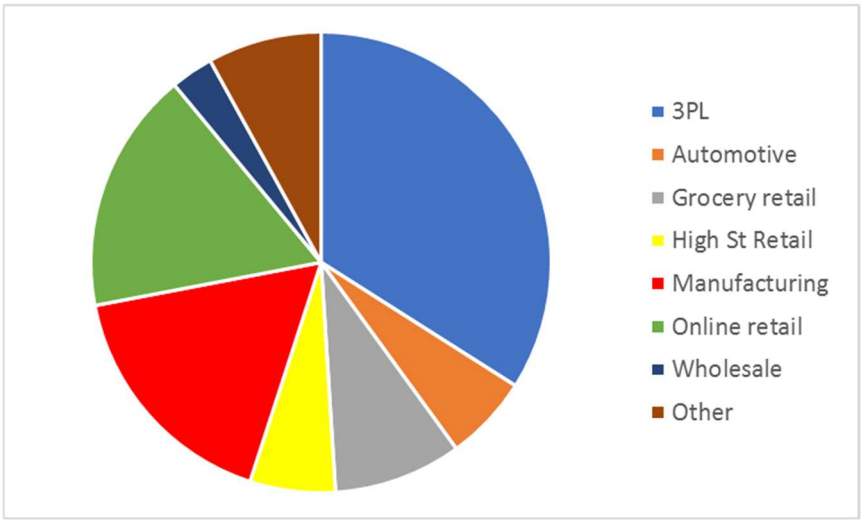
Figure 4.1: National Take up (units of 9,290 sq. m plus)



Source: Savills Research

4.2.3. Whilst online retailers accounted for 35% of take-up, 3PLs[14], automotive, manufacturing and High Street retail companies all increased the amount of space taken in 2021, demonstrating a **wider breadth of demand** when compared to recent averages. This has continued over the first quarter of 2022 as illustrated at Figure 4.2 below.

Figure 4.2: Q1 2022 Take up by sector

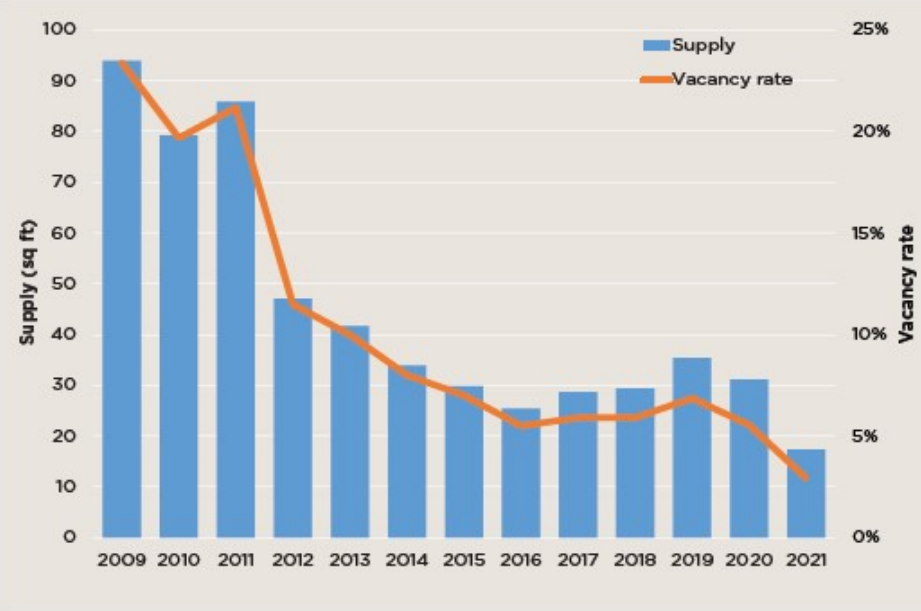


Source: Savills Research

[14] Third Party Logistics Companies (i.e. those that delivery logistics services on behalf of other businesses)

4.2.4. Strong take-up has meant that the **supply of premises nationwide has fallen at its fastest pace ever recorded**. The long-term trend is illustrated at Figure 4.3, below. The fall in supply is reflected by vacancy rates which were estimated to be **2.91%** as at January 2022**,** the lowest levels ever recorded and significantly below the level necessary for market equilibrium. There is a particularly severe shortage of supply of the best quality Grade A[15] space, which has fallen to 0.66 million sq. m, down from 1.83 million sq. m. prior to the onset of Covid-19 in Q1 2020.

Figure 4.3: Supply of Floorspace/Vacancy Rate



Source: Savills Research

4.3. Regional Update

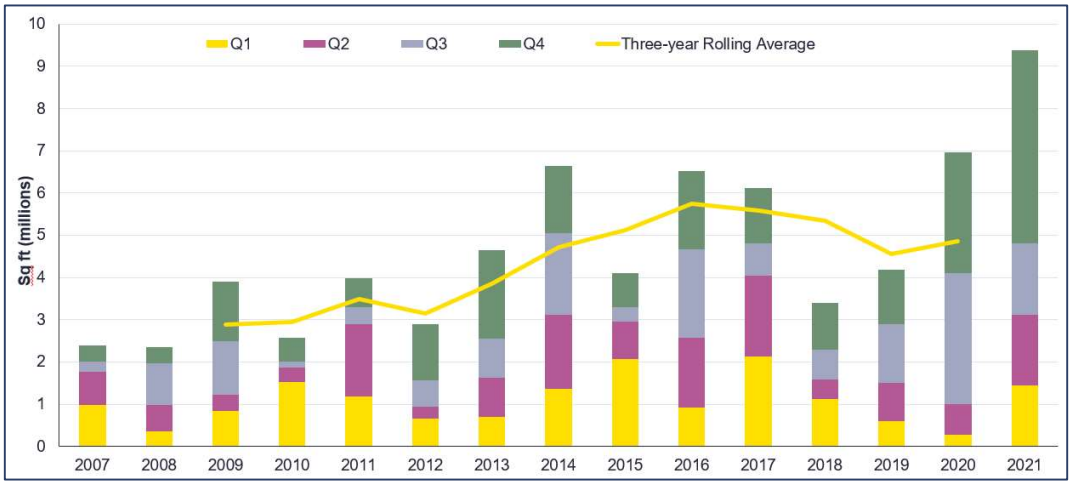
4.3.1. Analysis within the previous report demonstrated that **the West Midlands experiences very strong demand from occupiers within both the logistics and manufacturing sectors** (both direct and via supply chain companies) which has been culminating in a critical shortage of employment land and premises to meet the needs of modern occupiers. Much of the supply was secondary quality and so not able to meet the needs of modern occupiers and was also focused within the smaller size ranges. Supply therefore did not match demand which is increasingly for large units of Grade A quality.

4.3.2. Regional market conditions since this time have been characterised by increasingly strong occupier demand and a corresponding reduction in supply of premises.

[15] Modern units of the highest specification and in prime locations – generally those which are new or almost new.

4.3.3. As illustrated by Figure 4.4, take up has significantly increased. Take-up in 2021 was **35% higher year on year** and reached the highest level ever recorded of 871,430 sq. m across 40 separate transactions, 223,900 sq. m. above the previous highest year in 2020.

Figure 4.4 West Midlands Take-up

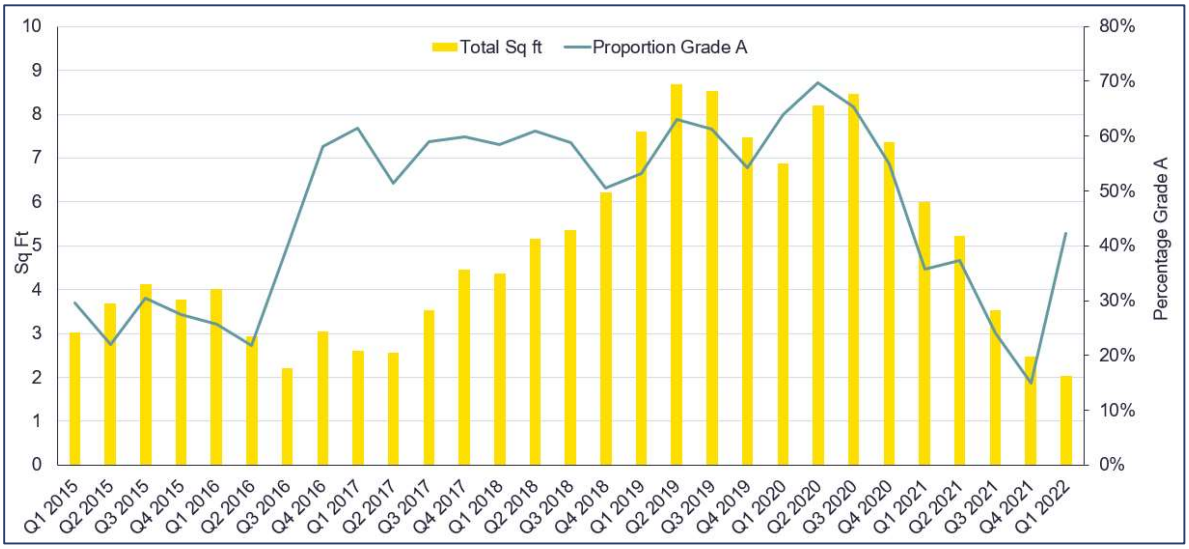


Source: Savills Research

4.3.4. The record levels of take-up have put pressure on regional supply of premises as illustrated at Figure 4.5 (below). There is just 187,665 sq. m. available[16], across 9 units, **a 66% decrease** over the last year. As a consequence of increased speculative development, the proportion of the available floorspace which is Grade A has been increasing over the last 12 months, as illustrated by the trend line on the graph below. **The vacancy rate in the West Midlands has fallen to 2.69%, down from 7.08% a year ago**.

[16] As at January 2022

Figure 4.5 West Midlands Supply



Source: Savills Research

4.4. Conclusions

4.4.1. Market conditions since the previous report, both nationally and regionally, have been characterised by significantly increased, record breaking, levels of take up against a backdrop of a considerable reduction in the supply of premises. This is reflected in the very low vacancy rates being experienced which are some considerable way below that required for market equilibrium, to enable market 'churn' and facilitate the proper functioning of the property market. Occupiers seeking larger or more modern premises will therefore not be able to relocate which will have a knock-on effect as smaller, lower grade and more affordable premises are not freed up and smaller companies and new businesses are therefore not able to find space. Ultimately, investment is lost, and economic growth is hindered.

4.4.2. The severe shortage of premises means that occupiers must rely on 'build to suit' opportunities in order to satisfy requirements and therefore there is a clear and ongoing need for deliverable sites which are capable of accommodating a range of larger unit sizes and are well-located to meet the needs of both the manufacturing and logistics sectors in the West Midlands. The sufficiency of the supply of land within the Property Market Area of J3 is considered further in the following section.

5. Market Area Analysis Update

5.1.1. The previous report considered demand and supply for competing floorspace and land for both larger (defined as 9,290 sq. m plus) and smaller units to reflect the proposals at J3 which comprise two distinct but linked components of large scale B2/B8 units and the Science and Innovation Park, to establish the market need for the proposals. This market analysis is updated below.

5.2. Larger Unit Market Analysis

5.2.1. In order to assess supply and demand of competing floorspace and land for larger B2/B8 units, it is necessary to define an approximate Property Market Area (PMA). This is the area within which occupiers seeking a building or site at J3 may also consider as a potential location and is therefore centred on J3. The PMA was defined within the 2020 report.[17]

5.2.2. Occupiers in the B8 sector can be footloose to a certain extent. However, they are driven by cost efficiency based on their supply chain dynamics. Whilst relatively wide search areas might be initiated by occupiers, they inevitably get narrowed down once the above dynamics are taken into account. The core search area specified will vary between occupiers, depending on individual business needs, locations of suppliers or retail stores etc. It is therefore not possible to provide a definitive area which will cover every possible enquiry. For logistics occupiers in particular (but also manufacturing facilities in many instances), proximity and accessibility to the motorway network is of paramount importance and for those occupiers only those locations within the PMA which offer these connections will be suitable.

5.2.3. Manufacturing occupiers are generally much less footloose than those in the B8 logistics sector. A manufacturing business would be unlikely to locate far from their core search area due to the greater drive times to markets, suppliers and workforce. Accessibility and linkages to supply chain companies and for labour force are vital importance. In order to take a comprehensive approach, we have used the larger, B8 catchment area to inform the market area assessment but in practical terms, the area of search for a manufacturer would be smaller.

5.2.4. The attributes of J3 which will drive demand from larger floorplate logistics and manufacturing occupiers include:

- Excellent accessibility to the national road network (M6 via the M54 giving access to the north west and Birmingham);
- Proximity and accessibility to the Black Country and north Birmingham, conurbation giving access to a high density of potential customers and supply chain companies;
- Proximity to West Midlands manufacturers, including Jaguar Land Rover's engine manufacturing plant at i54, which makes the site very well-placed to meet demand from supply chain companies;

[17] Section 9, page 72 (Savills 2020)

- Access to a high-quality labour pool;
- Proximity to further education and research establishments and potential for synergy: RAF Cosford (engineering); Harper Adams (agri-tech); and University of Wolverhampton's Telford Innovation Campus;
- The scale of the opportunity, which allows for flexibility of layout and requirements of significant scale to be accommodated, including large-scale inward investment opportunities.

5.2.5. Being to the north west of Birmingham, the site will not compete for those requirements seeking space in the 'golden triangle' (Coventry/Rugby/Daventry) but does offer an alternative, highly accessible and more affordable proposition for those occupiers seeking to serve Shropshire, Birmingham and the M6 Corridor to Stoke-on-Trent. Depending on the type of requirement, occupiers may also consider the Black Country and north Birmingham; Stafford; and locations to the south of Stoke-on-Trent, as alternative locations.

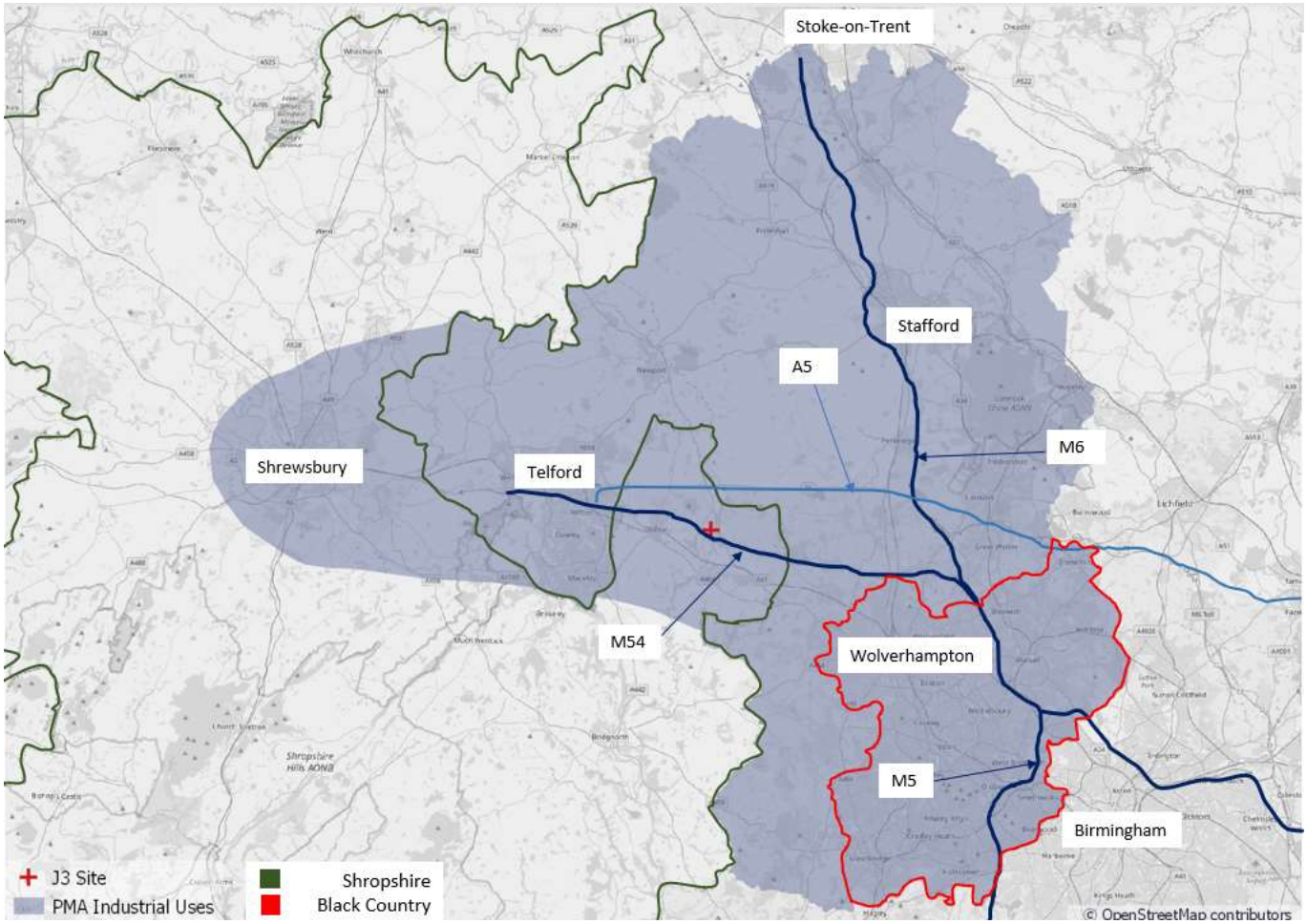
5.2.6. The market area shown at **Figure 5.1** has therefore been used, which includes the A5/M54 corridor, as well as the M6 corridor from north Birmingham to J15.

5.2.7. Locations outside of this area (north of Stoke-on-Trent and east of Birmingham) and those without good motorway accessibility to the West Midlands conurbation (Hereford, Kidderminster) are less likely to be suitable for the majority of occupiers with a preference for a facility at Junction 3. The market area includes those locations which an occupier is likely to consider alongside J3. Occupier requirements are unique, and it is therefore not possible to capture every potential search area, but the proposed area represents the most likely competing area for the majority of occupiers.

5.2.8. Locations on the western periphery of the area will not be suitable for the majority of occupiers seeking to serve the West Midlands and Black Country markets (due to lack of accessibility and poor linkages to markets, labour supply and supply chains) but will compete with J3 for local Shropshire occupiers.

5.2.9. The site offers a clear opportunity for a major inward investment requirement to be accommodated within Shropshire. In the case of such requirements, there is often a UK-wide search remit. These requirements are relatively rare and fall outside the normal demand and supply trends analysed here but could form a key part of the demand seen for the site.

Figure 5.1: J3 Property Market Area (PMA)



5.2.10. The updated position in relation to the supply of, and demand for, units of 9,290 sq. m (100,000 sq. ft) and over in this market area, or sites which can accommodate a unit of at least this size, has been assessed and compared to the previous analysis which was undertaken in Q2 2020.[18]

5.3. PMA Take-up Update

5.3.1. The updated analysis is summarised below (Figure 5.2).

[18] Section 9, page 71 (Savills, 2020)

Figure 5.2: PMA Take-up Analysis (2017-2021)

Year	Take-up (sq. ft)	Take up (sq. m)	Average Unit Size (sq. ft)	Average Unit Size (sq. m)	Number of Transactions
2017	754,964	70,138	188,741	17,535	4
2018	450,000	41,806	450,000	41,806	1
2019	1,180,205	109,645	236,041	21,929	5
2020	2,636,841	244,971	175,789	16,331	15
2021	2,063,710	191,725	206,371	19,172	10
Five year total	**7,085,720**	**658,285**			
Three year total	**5,880,756**	**546,340**			
Five year average per annum (2017 - 2021)	**1,417,144**	**131,657**	**202,449**	**18,808**	**35**
Three year average per annum (2019 - 2021)	**1,960,252**	**182,113**	**196,025**	**18,211**	**30**

5.3.2. Key conclusions are as follows:

- Total take up (all grades) over the five year assessment period in the PMA[19] was **565,519 sq. m** in (2015-2019) and has increased to **658,285 sq. m** using the latest data (2017-2021).
- The five year average take up has increased from 113,104 sq. m **to 131,657 sq. m per annum** (**16% increase**) based on the period 2017 - 2021, and the three year average from 73,863 sq. m to **182,113 sq. m per annum (147% increase)** based on the period 2019-2021 inclusive.
- Approximately **20% of take-up has been for manufacturing** use over the period 2017-2021, compared to 80% for B8 use (35% and 65% in 2020). This is reflective of the very strong market conditions within the logistics sector which has led to significantly increased levels of take up, rather than a reduction in manufacturing take up which has remained stable over the period.
- Take up in the **M54 Corridor has represented c. 25%** of total take up over the five year period, broadly consistent with the previous analysis and demonstrating the continuing importance of this location for manufacturing and logistics occupiers.

[19] Units of 9,290 sq. m plus

- The average size of unit taken up over the period 2017-2021 has been 18,808 sq. m (202,449 sq. ft) which is slightly smaller than the previous average (2015-2019) of 21,750 sq. m (234,123 sq. ft). As with all take-up data, this is driven by the supply and so does not necessarily fully represent occupier demand.

5.3.3. Take up of Grade A space in the PMA is summarised at Figure 5.3 below. The proportion of total take-up which has been Grade A floorspace has varied over the five year period in line with availability of supply. Where sufficient choice of high quality supply is not available, occupiers are forced to seek sub-optimal secondary solutions (as has been the case in 2020 and 2021 where the majority of take up was of second-hand).

Figure 5.3: PMA Grade A Take up

Year	Grade A Take-up (sq. ft)	Grade A Take up (sq. m)	% total
2017	574,864	53,407	76.1%
2018	-	-	0.0%
2019	896,220	83,262	75.9%
2020	2,163,522	200,998	82.0%
2021	834,317	77,511	40.4%
Five year total	4,468,923	415,177	63.1%
Three year total	3,894,059	361,770	66.2%
Five year average per annum (2017 - 2021)	893,785	83,035	
Three year average per annum (2019 - 2021)	1,298,020	120,590	

5.3.4. There has been a significant amount of take-up since the previous analysis was undertaken. Notable take up in the PMA since the September 2020 report includes the following (please note that this list is not exhaustive):

- G Park 275, Stoke-on-Trent, a speculative unit of 25,522 sq. m was let to AO.com in Q3 2020 (on-line retail).
- Unit 3 Pantheon Park, Wolverhampton, a speculative unit of 12,450 sq. m was let to Supersmart in Q1 2021 (on-line retail).
- Wolverhampton 450, Wolverhampton, a speculative unit of 41,628 sq. m was let to CEVA in Q2 2021 (3PL).
- Hortonwood 40, Telford, 11,505 sq. m was taken by Portion Solutions, via a build-to-suit unit in Q2 2021 (manufacturing).

- Bescot Industrial Estate, Wednesbury, 24,247 sq. m of space was taken by Pallet-Track, via two 2nd hand units in Q2 2021 (3PL).

- Unit 2, G Park, Stoke-on-Trent, a build-to-suit unit of 11,928 sq. m was delivered by GLP for Solidor in Q3 2021 (manufacturing).

5.4. PMA Supply Update

5.4.1. The supply of competing land and premises within the PMA has been updated[20] and the results of this analysis are summarised below:[21]

Building Supply

5.4.2. The supply of buildings within the PMA of 9,290 sq. m (100,000 sq. ft) plus is set out at the table below. A plan showing the location of the buildings is included at **Appendix 3**.

Figure 5.4: PMA Building Supply (Q1 2022)

Ref.	Building Name	Size (sq. m)	Size (sq. ft)	Comments
A	Walkmill Lane, Cannock	13,134	141,377	Grade C Secondary.
B	Quadrant Point, Cannock	15,004	161,500	Grade B Secondary.
C	Unit B205 Hadley Castle Works, Telford (J5, M54)	12,014	129,317	Grade C. Second-hand unit on GKN site
D	Unit B410 Hadley Castle Works, Telford (J5, M54)	23,251	250,242	Grade C. Second-hand unit on GKN site
E	Unit C205 Hadley Castle Works, Telford (J5, M54)	25,187	271,109	Grade C. Second-hand unit on GKN site
F	Unit 3, Wolf Pack, Hilton Cross Business Park	10,498	113,000	Spec Unit under construction
G	W426, Wellmans Road, Willenhall	22,944	246,973	Grade B. Second-hand unit
H	Parallel 113, Darlaston Road, Walsall	10,498	113,000	Spec Unit - construction start April 2022, available Q1 2023.
I	Triton 2, Redhill BP, Stafford	10,701	115,185	Spec Unit - due to complete Q2 2022.
J	Stonefield Works, Stone	11,923	128,338	Grade C
Total		155,154	1,670,041	

5.4.3. As at Q1 2022 there was a total of 155,154 sq. m (1.67 million sq. ft) of floorspace available in **10 units** within the PMA within existing units (or units under construction). However, **the vast majority of this floorspace is comprised within secondary units**. Only three units are of Grade A quality (Unit 3 Wolf Pack, Triton2, and Parallel 113 - all speculative units under construction)

[20] Please see page 76 of Savills 2020 report for previous analysis.
[21] Data collected Q1 2022

5.4.4. There has been a **decrease of 14%** compared to the previous review on the basis of floorspace and a reduction in the number of units from 11 at the time of the previous assessment. However, there has been a particularly **significant reduction in Grade A supply which has fallen by 79%** on the basis of floorspace since 2020. The supply of buildings now equates to **1.2 years supply** relative to the five year annual average take-up rate, compared to 1.6 years supply at the 2020 review and the vast majority of this supply is in secondary units, a number of which are Grade C and will therefore not be able to meet the requirements of modern occupiers.

Land Supply

5.4.5. There are 8 sites available within the PMA which could in principle accommodate a unit of 9,290 sq. m plus which have a total capacity of **1,027,071 sq. m** (11.06 million sq. ft) – none of which are in Shropshire. A schedule of available sites (with planning permission) is included overleaf and a location plan is provided at **Appendix 4**.

5.4.6. This is an increase compared to the capacity of the available sites previously assessed which totalled 341,277 sq. m (3.7 million sq. ft). However, the vast majority of the land supply is now located at the recently consented West Midlands Interchange (WMI) Strategic Rail Freight Interchange (SRFI), which has capacity for 743,200 sq. m (8 million sq. ft) of B8 floorspace. **Land supply outside WMI has actually decreased since the 2020 analysis**. Supply excluding WMI now equates to 283,871 sq. m (3.06 million sq. ft) **a reduction of 16.8% since 2020.**

5.4.7. Whilst WMI goes some way towards addressing the demand for the largest scale B8 requirements, it will only provide a partial solution, being limited in terms of use (B8 only) and focused on rail-based requirements. WMI by definition is a Nationally Significant Infrastructure Project and so responds to a national requirement for a network of SRFIs. It meets a regional need for an SRFI and is well-placed to cater for requirements from those occupiers that can benefit from the rail connection (principally the largest logistics requirements). It will not meet the majority of occupier demand within the PMA, for those occupiers who cannot make use of rail due to scale, freight flows or customer location, or for manufacturing uses. Despite its significant scale, the site is likely to only satisfy c. 15 occupier requirements due to the scale of units to be developed (up to 111,484 sq. m).

5.4.8. The extent to which the scheme could meet the needs of the various local authorities has been considered as part of the evidence base for the Black Country Plan and this is reviewed at paragraph 6.3.1 of this report.

5.4.9. Excluding WMI, total capacity in the PMA (including consented land and buildings) equates to c. 3 years supply based on historic take up over the last five years. With the exception of WMI, the portfolio of land is focused on smaller sites. This is a headline figure – the actual amount of available land to meet an occupier requirement is considerably less.

5.4.10. **Only four of the sites are immediately available** to accommodate an occupier requirement:

- WMI and Phoenix 10 both require significant infrastructure (or remediation) works prior to delivery of serviced plots;

- i54 Western Extension and Mucklow Park at i54 are under offer to a number of separate occupiers and if all the transactions complete, we understand that there will be no land remaining.

Figure 5.5: PMA Available Land Supply (Q1 2022)

Ref.	Scheme Name	Developer/ Owner	Immediately Available	Remaining (ha)	Remaining land for 'big sheds' ha	Total Floorspace Capacity for 'big sheds' (sq. m)	Max Unit Size (sq. m)
	Telford & Shropshire						
1	Telford 54, (Junction 4, M54, Telford & Wrekin)	Telford and Wrekin Council/HCA	Y	7.47	7.47	29,880	29,880
	Black Country						
2	Iron Park, Walsall/Former Moxley Tip (adj. Black Country New Road)	Parkhill Estates	Y	11.25	11.25	40,877	40,877
3	Phoenix 10, Darlaston	Henry Boot Developments	N (remediation due to complete 2024)	17.80	17.80	57,599	57,599
	Cannock and South Staffs (J11-12, M6 & M54)						
4	Mucklow Park - i54, Wolverhampton (J2, M54)	Mucklow	Y (under offer)	6.00	6.00	14,864	14,864
5	i54 Phase 2 (J2, M54)	Staffordshire CC	Y (under offer)	24.00	17.60	100,000	tbc
6	Vernon Park Phase 2, Cannock Road, Featherstone (J1, M54)		Y	2.81	2.81	11,387	11,387
7	West Midlands Interchange	Four Ashes Limited	N (buildings available from Q4 2024)	193	193	743,200	111,483
	Stafford/Stone (Junction 13-14, M6)						
8	Meaford Business Park, Stone (A34)	St Modwen	Y	15.83	7.32	29,264	29,264
	Total:			278.16	263.25	1,027,071	
	Total Excluding WMI				70.25	283,871	

5.5. Pipeline Supply

5.5.1. There are also sites in the pipeline which are subject to varying degrees of risk around delivery.

5.5.2. The majority of allocated sites will be suitable for smaller scale development to meet local needs due to their location, scale or accessibility. Allocated sites in the pipeline in the PMA which could compete with the proposals (are likely to have the capability to accommodate B2/B8 requirements of 9,290 sq. m plus by virtue of their scale, configuration, location and accessibility) include:

- I54 Western Extension, South Staffordshire – 16 ha (B1/B2) – a development partner has been selected, planning and site delivery required.
- ROF Featherstone, South Staffordshire – 36 ha developable, a planning application for 158,631 sq. m of B2/B8 development, together with a new access road from the A449 was submitted in December 2020 and is yet to be determined. Subject to planning, infrastructure works will be required prior to delivery of serviced plots.
- Shawbirch, Telford – 30 ha - a recent planning application for 80,000 sq. m of employment floorspace was withdrawn following a third party call-in request so there are deliverability issues to be resolved here).

5.5.3. Draft allocations included within the Shropshire Regulation 19 Plan of 5 ha[22] plus are summarised at Figure 5.6 below and a plan showing their location is included at **Appendix 5.**

[22] Stand-alone allocations which are smaller than 5ha have not been included on the basis that new sites of this scale are very likely to be focused on smaller units and local need.

Figure 5.6: Shropshire Draft Allocations

Policy Reference	Site Allocation	Site Area	Uses
SHF018b & SHF018d	Land east of Shifnal Industrial Estate, Upton Lane, Shifnal	39.0ha	Primarily Class B but with appropriate secondary employment uses and other ancillary service uses.
P58a	Land north of Stanmore Industrial Estate	7.0ha	Primarily B2/B8 and appropriate sui generis.
	Preston Island, Shrewsbury	45.0 ha	Strategic allocation located at the junction of the M54/A5 and A49
BRD030	Tasley Garden Village, Bridgnorth	41.5ha (16ha allocated for employment)	1,050 dwellings, new local centre, 20ha of green infrastructure and a 19ha linear park. Employment land will be located in a gateway location on the site and be of a high-quality design and layout. It provides an opportunity for freehold employment land targeted towards office and research and development uses.
n/a	Ironbridge Gorge Power Station (Harworth Estates)	140ha (6ha allocated for employment)	Employment component of proposed strategic settlement. Very unlikely to accommodate a large unit given location and scale.
	Clive Barracks, Tern Hill	6ha	Employment component of proposed strategic settlement. Very unlikely to accommodate a large unit given location and scale.

5.5.4. These sites principally relate to smaller scale local needs by virtue of their location and accessibility to sub-regional and regional markets, Of these sites, those within the PMA and potentially capable of accommodating similar development to that proposed at J3 are limited to Land East of Shifnal and Preston Island, Shrewsbury. These sites are considered further below:

5.5.5. *Land East of Shifnal* – the site is c. 4.0 km from Junction 3 of the M54, which is accessed via Stanton Road. It is adjacent to an existing industrial estate and is proposed to be released from the Green Belt in order to deliver employment growth in balance with the proposed levels of new housing in Shifnal. Assumptions set out in the Regulation 19 plan are that development will be predominantly single storey at 40% site density with units "expected to largely provide Classes B2 and B8 uses serving the sub regional supply chains on the A5, M54 and M6 corridors"[23]

5.5.6. Whilst the site is relatively close to Junction 3 of the M54, Stanton Road would currently be considered sub-optimal for significant HGV traffic and this will place limitations on demand.

5.5.7. *Preston Island, Shrewsbury* – this site is located to the east of Shrewsbury, approximately 10 km from Junction 7 of the M54 via the A5. It is of strategic scale and is well-placed to meet the needs of occupiers seeking to serve Shropshire and Telford. However, the site is not easily accessible to the Black Country or wider West

[23] Shropshire Regulation 19 Plan, Paragraph 5.212

Midlands (Junction 1 of the M54 is a c. 30 minute drive time from the site) and will therefore not address a strategic need, and will not meet the requirements of occupiers seeking to serve, or maintain linkages with, these wider areas.

5.5.8. Unallocated sites which are being promoted within the PMA include:[24]

- Hilton Cross proposed extension (south west quadrant of J1 M54) – 10.75 ha allocated as Green Belt;
- Hilton Park (west of J11 M6) – 80ha (gross) allocated as Green Belt, with a proposed development capacity of 185,800 sq. m (2 million sq. ft). Access is understood to be subject to and partly dependant on the M54/M6(T) link road which is due to be completed by 2025.
- Vaughan Trading Estate, Tipton - an application has been submitted for two units of 9,476 sq. m and 14,214 sq. m. The site is allocated for residential development but is within an existing employment area.
- Wellington (south of Junction 7 of the M54) – c. 10 ha of employment land across four parcels of land is being promoted via the Telford & Wrekin Local Plan Review. This site is of a comparatively small scale and will therefore be focused on meeting local needs.

5.5.9. These sites are subject to a greater degree of risk around planning and delivery when compared to allocated sites.

5.6. Supply Assessment

5.6.1. Analysis of the available supply of land and premises and the pipeline supply of land for larger manufacturing and logistics units in the PMA demonstrates that:

i) There are very few units available and the vast majority (all but two) are of secondary quality which will not meet the needs of modern occupiers;

ii) Occupiers looking for a manufacturing or logistics facility in the PMA, including occupiers with a requirement for the M54 corridor, or occupiers seeking to serve the Black Country and West Midlands Markets, must consider 'build to suit' opportunities (which means available plots with planning permission which are immediately deliverable to satisfy occupier demand)[25];

iii) There are currently only four sites immediately available to satisfy an occupier requirement for a 'build to suit' unit. The current position is therefore one of a **severe shortage of opportunities** for occupiers within the Black Country and the M54 Corridor. A choice of sites is essential to maximise investment and the current supply does not provide sufficient choice.

[24] Please note that this is not an exhaustive list.

[25] Developers can generally deliver a build to suit unit with 9 months if a site is fully serviced and has planning permission.

iv) WMI and Phoenix 10 will supplement and bolster the available supply once site servicing and infrastructure works are complete but in the case of WMI will only meet a very specific segment of demand, for the largest units and from occupiers who can benefit from the use of rail freight. The addition of these two sites will go some way to improving occupier choice but it will still be severely limited for most occupiers.

v) There are three allocated sites in the pipeline which have potential to supplement the supply of sites offering larger scale B2/B8 to meet sub-regional and regional demands (i54 is limited to B2). Notwithstanding that these sites are allocated, they are still subject to risk around planning and delivery timescales and (assuming planning permission is granted) will not deliver serviced plots to meet occupier requirements for some considerable time.

vi) In terms of draft allocations, Land East of Shifnal could meet a limited amount of demand from occupiers looking to serve the M54 Corridor, Black Country and West Midlands but this will be constrained by the access to Junction 3 which is rural in nature and will restrict the majority of demand to occupiers with a local catchment. Preston Island is located on the periphery of the market area and demand will also be focused on local occupiers.

vii) Site promotions are subject to the greatest degree of risk and sites at this early stage will take a number of years to be delivered, assuming planning promotion is successful.

viii) There is a severe shortage of land immediately available and a very limited choice of sites in the pipeline. There is an urgent requirement for a number of additional sites to supplement the supply of land capable of serving the sub-regional and regional markets and provide choice to occupiers moving forward.

ix) The combination of a relatively low quantitative supply position and the qualitative issues set out above results in supply portfolio which is insufficient to cater for occupier demand and will therefore hinder economic growth.

5.7. Smaller Unit Market Analysis

5.7.1. Those buildings within the Science and Innovation Park are proposed to accommodate a finer grain of development which will include offices, R&D functions and smaller scale light industrial/warehousing capable of meeting demand from:

- Start-up and early stage companies seeking incubator space; and
- Grow-on space for businesses looking to grow and move into larger accommodation.

5.7.2. Demand for accommodation within this part of the SEA will be driven by the key strengths which the area and the proposals offer:

- Proximity to local markets (Telford, Shropshire and the Black Country);

- Proximity to Wolverhampton Science Park, RAF Cosford, Harper Adams University, University of Wolverhampton Telford Innovation Campus;
- Excellent accessibility to the M54 Corridor;
- Critical mass of the wider SEA providing the potential for business clusters and giving the ability to offer shared facilities and amenities, including the Training & Skills Hub.

5.7.3. The market area from which occupiers are likely to be drawn for this element of the proposals will be smaller than that for the larger unit element of the scheme with a focus on local occupiers with strong links to this part of Shropshire (including the education institutions and RAF Cosford), Telford and the M54 Corridor. However, a lack of alternative accommodation also means that demand could be seen from companies based in the Black Country seeking more modern accommodation.

5.7.4. The market for the type of accommodation proposed is diverse and less capable of analysis in comparison to larger units, and the analysis is therefore more qualitative. The previous assessment included a case study review of Telford 54 at Junction 4 of the M54 (T54), which demonstrated that businesses at T54 are all within sectors recognised by both Shropshire and the LEP as being very important to the local economy, and many are within the manufacturing sector.[26] Businesses have relocated to T54 from Shropshire, Herefordshire and the Black Country, further demonstrating the need for a high quality offer within Shropshire (at J3) to ensure that suitable opportunities are available to retain and attract businesses and employment.

5.7.5. It was also concluded that there is very limited supply of similar accommodation (or sites) within the M54 Corridor. Of note, Ni-Park is located at Newport, to the north of J3 and has outline planning permission for 38,720 sq. m R&D/light manufacturing/B2/B8. This scheme is targeted at the agri-tech sector and is being delivered in association with Harper Adams University and so is focused on a very specific area of the market; additional more general provision would therefore be complementary.

5.7.6. The conclusions of the previous analysis are still relevant:[27]

- There is strong demand for high quality sites which offer local companies opportunities for a range of smaller industrial, workshop and warehouse units.
- It is essential to maintain a high quality offer within Shropshire to ensure that suitable opportunities are available to retain and attract businesses and employment.
- There is very little similar supply within the market area.
- There is a need for additional land to deliver this type of smaller scale development and provide accommodation for companies with key growth sectors.

[26] Section 9, page 79 (Savills 2020)

[27] Ibid, page 81

5.8. Conclusions

5.8.1. Take-up across the PMA has been significantly higher than the previous average levels over the last two years, in line with regional and national trends. This has led to a considerable reduction in the supply of Grade A units as speculative units have been taken up by occupiers. Take up has been consistently strong along the M54 corridor demonstrating the importance of this location. Demand has continued to be seen from a range of occupiers across sectors including on-line retail, High Street retail, manufacturing and logistics sectors

5.8.2. Overall, in the PMA there is a severely insufficient supply of larger units and immediately available land to accommodate development of larger units. It is essential to provide a variety of sites (in terms of location, scale, timescales for delivery) in order to provide choice for occupiers and maximise inward investment opportunities, and this is particularly important given the severe shortage of Grade A units in the PMA and of sites capable of delivery 'build to suit' units. The portfolio of sites both available and in the pipeline will not offer sufficient choice for occupiers, being focused heavily in quantitative terms on WMI.

5.8.3. The addition of WMI to the land portfolio has bolstered the supply but will not be able to satisfy demand from the majority of occupiers seeking a unit in the PMA, catering only for the largest logistics units which can benefit from the opportunities for rail freight. The supply of other land within the PMA has fallen by c. 17% over the last two years.

5.8.4. There is a clear need for additional well-located employment land of sufficient scale to meet a range of B2/B8 demand and respond flexibility to occupier requirements in light of the very strong take up which continues to occur.

5.8.5. There is also a clear market need (albeit naturally of a smaller scale) against a backdrop of strong demand and limited supply, for smaller scale accommodation to meet the needs of the R&D, light manufacturing and innovation sectors at well-located, accessible sites which can offer a range of accommodation within a high quality environment, with excellent linkages to educational institutions.

6. Black Country Need Update

6.1.1. A body of evidence has been produced to support the review of the Black Country Plan. The conclusions of the Black Country Economic Development Needs Assessment (EDNA 1) 2017 and the Black Country Urban Capacity Review (December 2019) were reviewed as part of Savills 2020 report.

6.1.2. Since that time, a number of new pieces of evidence/information have been published which are relevant:

- West Midlands Interchange - Employment Issues Response Paper – Whose need will the SRFI serve? (Stantec, February 2021)
- Black Country Economic Development Needs Assessment (EDNA 2) Update (August 2021)
- Black Country Employment Land Supply Technical Paper (July 2021)

6.1.3. Key points from the EDNA 1 and the Urban Capacity Review 2019 previously analysed are summarised below, followed by a more detailed assessment of the more recent evidence base.

6.2. Black Country EDNA 1 & Urban Capacity Review

6.2.1. The Economic Development Needs Assessment (EDNA) published in 2017 found that **an additional 590ha - 800ha of land was required** to meet the needs of the Black Country for the period 2016-2036. The upper requirement was based on meeting the growth aspirations of the West Midlands Combined Authority Strategic Economic Plan (WMCA SEP) whilst the lower requirement was generated using a baseline economic scenario which was robustly discounted by the EDNA 1 as made clear by the extract below:

> *"Firstly, a number of reasons suggest that the Baseline economic scenario is not appropriate for assessing industrial land to meet future regeneration and economic growth requirements in the Black Country. For example:*
>
> - *It implies that the overall demand for industrial-related activities space will be negative. In other words, the Black Country economy needs less employment land in the future than it needs today. But the market strongly indicates the opposite.*
> - *It is not justified by significant investments currently taking place in manufacturing in the area - as it assumes that jobs will be lost in the sector with approximately 400 less FTEs employed by the sector per annum to 2036 (i.e. a total of 9,200 less FTEs, as shown in Figure 6.10).*

- *It represents a 'do nothing approach', which does not correspond to the strategic approach for economic growth that has been agreed by the Black Country local authorities and the Black Country LEP."*[28]

6.2.2. The growth 'Super-SEP' scenario has also been accepted as a reasonable objective by the Examiner and by extension the Secretary of State in the determination of the West Midlands Interchange DCO application.[29]

6.2.3. The Urban Capacity Review subsequently considered land supply up to 2038; 15 years from the anticipated adoption year of 2023.

6.2.4. The land requirement set out in the EDNA 1 was recalculated to reflect the 2038 end date for the Plan, giving an updated employment land need of **870 ha** (590 ha of land to meet the 'basic' requirement (historic trends of 26 ha per annum) plus 280 ha (12.5 ha per annum) to meet the economic growth aspirations set out in the WMCA SEP. Taking into account completions of 75ha reduced the requirement to **595ha – 795ha** and, taking into account a supply of 232ha as at April 2019, this resulted in a significant shortfall of between **283ha and 563 ha.**[30]

6.2.5. In terms of the split of uses, it is stated that "circa 70% of this industrial land will be needed to accommodate the needs of logistics/distribution related economic activities (i.e. B8 Use Class) and 30% manufacturing related activities (i.e. B1c/B2)."[31] This is consistent with the analysis within the EDNA 1 which notes that 30% of enquiries for land received by the local authorities over the period 2011-2013 were specifically for manufacturing use.[32]

6.3. West Midlands Interchange - Employment Issues Response Paper – Whose need will the SRFI serve? (Stantec, February 2021)

6.3.1. In advance of the publication of the EDNA 2, on behalf of the Black Country Authorities, Stantec prepared this note which considers how the West Midlands Interchange (WMI) proposals will address the needs of South Staffordshire and the surrounding local authorities.

6.3.2. Stantec concluded that, whilst the total site area is 297ha, the correct net developable area of WMI is 193 ha. This is on the basis that around a third of the site is required for green infrastructure. DCO documents[33] confirm that 36% of the total area will be required for green infrastructure which leaves c. 190 ha. Looking in more detail at the development plots suggests that the net area is closer to 160 ha. It has consent for 743,200 sq. m of B8 floorspace and the density of development on the basis of 193 ha is consistent with assumptions generally made to

[28] EDNA 1 (2017) paragraph 6.34, page 76

[29] TR050005 Report 27/11/2019, Decision 04/05/2020

[30] Black Country Urban Capacity Review, 2019 (Table 3)

[31] Black Country EDNA 1, Page 77-78

[32] Ibid, paragraph 5.23

[33] WMI DCO Planning Statement

assess site capacity by Local Authorities and so, whilst the actual net area is likely to be less, it is sensible to apply an area of 193 ha for these purposes.

6.3.3. Based on analysis of population change across the market area (the Black Country, Birmingham & Solihull, and Stoke & Staffordshire Local Enterprise Partnership Areas), and assessment of displacement across Birmingham and the Black Country as a result of total floorspace within these areas, Stantec concluded that **72 ha of employment land at WMI will meet the needs of the Black Country**, 98 ha will meet Birmingham's needs and 22 ha will meet the needs of Stoke & Staffordshire.

6.4. Black Country Economic Development Needs Assessment (EDNA 2) Update 2021

6.4.1. The EDNA 2 updates the employment land demand estimates presented in the 2017 EDNA (EDNA 1) in order to inform the objective assessment of employment land needs for the Black Country from April 2020 to March 2039. EDNA 2 was published in August 2021.

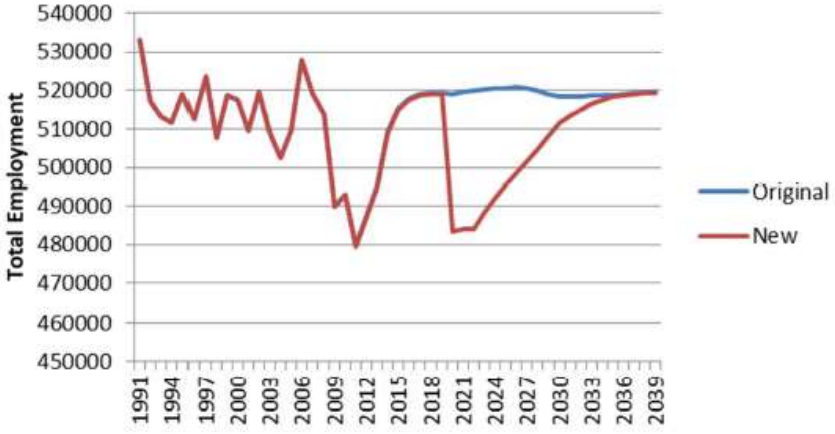
Demand Estimates

6.4.2. Similarly to the EDNA 1, estimates of demand are based on analysis of economic growth projections and average annual development/completions. Despite the strong case for the growth scenario put forward within the evidence base, the forecasts presented in the EDNA 2 relate to the baseline scenario presented in EDNA 1 rather than the Super SEP aspirational economic forecasts.[34]

6.4.3. Revised economic forecasts have been used on the basis of two baseline scenarios, updated to reflect the impact of the COVID pandemic. Estimates of demand are based on Scenario 2 which is considered most likely and includes a drop in GVA over 2020/2021, followed by higher growth over the Plan period (so total growth over the period is at the same level as it would have been had the pandemic not occurred). As illustrated by the graph at Figure 6.1 below, which compares the EDNA 1 baseline scenario with EDNA 2 Scenario 2, there is **no net growth in employment** over the Plan period.

[34] EDNA 1 (2017, paragraph 2.6)

Figure 6.1: EDNA 2 Scenario 2 Black Country Growth to 2039



Source: EDNA 2, Figure 2.3, page 4

6.4.4. As noted above, EDNA 1 discounted using this baseline approach as it does not match market sentiment, evidence or growth aspirations for the Black Country and is a 'do nothing' approach. There is no explanation within the EDNA 2 which supports moving away from the conclusions of the EDNA 1 in this regard.

6.4.5. On this basis, the EDNA 2 concludes that the total estimated land requirement for both logistics and manufacturing uses is **479-591 ha**.

6.4.6. The EDNA 2 then compares this projection to past completions between 2001/02 and 2019/20, which gives a requirement of 433 ha. It is acknowledged by the EDNA 2 that there has been variation over the period and the authors therefore attribute a 95% confidence around the average leading to a range of **364 ha – 502 ha** in total. It is important to note that projecting forward completions in a supply constrained market (as evidenced by analysis in the preceding section of this report) will only continue to perpetuate the shortage of land and premises which has been experienced. A step-change is required over and above past completions to ensure sufficiency of supply going forward.

6.4.7. The authors then combine the two approaches and conclude that the Black Country Plan should seek to provide between **502 ha – 522 ha** of land based on the highest past completions rate and the 'medium GVA-based scenario' and that, of this total, 30% should be for B8 use and 70% should be for B2 use[35]. **The proposed split between B2 and B8 uses represents a fundamental change in position from the EDNA 1** which recommended 70% B8 and 30% B2. We understand that the split of uses is currently under review by the Black Country Authorities.

6.4.8. EDNA 2 considers recent past completions data to support the new position but this should be treated with a great deal of caution as by its very nature, take up (or completions) are a function of supply which has been very constrained, particularly of land capable of meeting the requirements of the logistics sector.

[35] EDNA2, paragraph 2.22

6.5. Black Country Employment Land Supply Technical Paper (July 2021)

6.5.1. This paper has a base date of April 2020 and summarises the employment land supply position, in light of the findings of the EDNA 2 as follows:

- 109ha of land within existing employment area be redeveloped for housing, mainly poor-quality constrained sites where redevelopment would benefit the wider area and enable businesses to relocate to more modern accommodation.
- Due to relatively high vacancy levels in many of these areas, only 63ha of land is required to be provided to directly compensate for this loss.
- This means that the total employment land requirement for the Plan is between **565ha and 585ha**, or 30-31ha per annum.
- Based on EDNA 2's conclusions in relation to the split of uses of 30% of B8 activity and 70% B2 this gives an **overall B8 requirement of between 170-176ha, and a B2 requirement of 396-410ha**.

6.5.2. The Study includes a sequential assessment of supply as follows:

- Existing allocations to be carried forward (based on an assessment of deliverability) – 81 sites (175.6 ha);
- New allocations within the urban area of the Black Country – 13 sites (42.1 ha);
- Consented land outside the Black Country – WMI (72.0 ha);
- Land within the Black Country Green Belt – 5 sites in Walsall (47.3 ha);

6.5.3. Based on consultation by the Black Country with the other local authorities, the Technical Paper concludes that it is likely that the local authorities within the Stoke on Trent area will be able to meet their own employment land needs within their boundaries and therefore may not seek a contribution from WMI, leaving an additional 22 ha available to meet the Black Country's needs. The supply position is summarised at Table 5 of the Technical Paper which is reproduced at Figure 6.2 below.

Figure 6.2: Black Country Technical Paper Supply Position

Table 5 – summary of findings

Source of supply	Total (ha)	Total (cumulative)(ha)	Balance against requirement (565ha) 2020/21-2038/39 (ha)
Local Plan allocations carried fwd.	175.6	175.6	-389.4
Planning permissions to be allocated	14.8	190.4	-374.6
Small sites contribution	4.6	195.0	-370.0
Recycling and intensification	68.4	263.3	-301.7
Other sources of supply (non GB)	42.0	305.4	-259.6
Minimum potential contribution from neighbouring local authorities on consented development*	72.0	377.4	-187.6
Black Country Green Belt	47.3	424.7	-140.3
Shropshire Regulation 19 Local Plan contribution	30.0	454.7	-110.3
Total	454.7	454.7	-110.3

* - West Midlands Interchange, South Staffordshire. Recommended minimum Black Country apportionment from Stantec Report.

6.5.4. In total, 352.7ha of land within the Black Country has been identified, including Green Belt release. Assuming that 72 ha of land at WMI and 30 ha of land in Shropshire also contribute, this leaves a **shortfall of 110.3 ha.**

6.5.5. Other potential sources of supply which are noted include an additional 22 ha at WMI (dependent on Stoke and Staffordshire's requirements) and potential surplus capacity in South Staffordshire (19 ha was identified within the 2017 South Staffordshire EDNA). However, there is a significant degree of uncertainty surrounding these figures at this time.

6.5.6. The South Staffordshire Economic Development Needs Assessment (EDNA) 2018 concluded that there was a requirement for 67 ha – 86 ha of employment land (2018 – 2038). Based on supply at the time, this resulted in a surplus of 19 ha of employment land.

6.5.7. The South Staffordshire Preferred Options consultation (November 2021) set out updated details of the employment land supply, which totalled 340 ha including 232.50 ha at WMI.[36] The correct figure, as noted elsewhere within the Black Country evidence base, is 193 ha, a reduction of 39.5ha, which reduces South Staffordshire's supply

[36] Source: South Staffordshire Preferred Options (November 2021, Table 9, page 63-64)

to 300.5ha and would mean on the basis of the 2018 requirement there was an undersupply and therefore **no land** to meet the Black Country's needs.

6.5.8. An updated EDNA is currently being prepared which will review this position.

6.6. Supply Review

6.6.1. As set out at Figure 6.2 above, the Black Country Authorities estimate that there is a **total supply of 353 ha**, including:

- 175.55 ha of allocations which are carried over from previous Local Plans;
- 104.07 ha of new allocations/sites with planning permission (including 47.29 ha of Green Belt land);
- 68.4 ha of windfall sites (based on an extrapolation of historic trends over the period 2016 – 2020);
- 4.64 ha of sites with planning permission which are not allocated/small sites

6.6.2. It is highly likely that **the supply of land in the Black Country is overstated** for the following reasons:

- A significant amount of land is carried forward from previous Local Plans and this raises questions about deliverability.
- A four year period is used from 2016 – 2020 to assess the contribution of windfall sites.[37] This is too short to provide meaningful data on the contribution of windfall sites. Windfall sites for the purposes of the study are assumed to be existing employment sites which are redeveloped, or their use intensified.
- Savills analysis of the 280 ha of allocated sites demonstrates that the area available for employment development is actually 252 ha when known site constraints are taken into account. **Supply is therefore reduced by 28 ha**.

6.6.3. Qualitative analysis shows that the vast majority of sites are small, with 33% being less than 1 ha in size and a further 52.8% being between 1 ha – 5 ha. In total there are 14 sites (out of a total of 106) that are in excess of 5 ha and there are no sites in excess of 15 ha.[38] Whilst it may not be evidenced by previous completions (due to an ongoing severe shortage of quality employment land of scale within the Black Country) there is significant market demand, and well-documented economic need[39] for strategic employment land in the West Midlands and the portfolio of supply will not be able to meet this demand.

[37] Black Country Employment Land Supply Technical Paper (2021) paragraph 2.14

[38] EDNA (2021) Figure 3.5, page 13

[39] Please see Section 7 of this report.

6.6.4. **Taking all these points into account, the Black Country supply is overstated, and the unmet need is therefore greater than currently suggested.**

6.7. Conclusions

6.7.1. The Black Country has an acknowledged unmet requirement for employment land which has been estimated by the Black Country Authorities to be in the region of 110 ha over the plan period. However, as illustrated by the analysis here, the overall scale of the Black Country's requirement is likely to be higher than assumed, and the supply able to make a contribution to the requirement is also likely to be lower. **Overall, the unmet need could therefore be considerably in excess of the 110 ha identified**.

6.7.2. Furthermore, the details as to the characteristics of the supply required to meet the Black Country's need are poorly defined in terms of both split of uses and scale of sites (which directly impacts on the suitability of various aspects of the supply – for example WMI – to meet this need).

7. Regional Need Update

7.1.1. As noted within the September 2020 report[40], the vital role of strategic employment sites in attracting inward investment and contributing to meeting economic objectives within the region is well-established.

7.1.2. The presumption that it is essential to provide regionally significant, high quality employment sites in order to attract the necessary inward investment to ensure economic regeneration and support the restructuring and diversification of the economy toward higher value, knowledge intensive industries has been a consistent thread running through regional economic policy for the last forty years, dating back as far as the West Midlands County Structure Plan (1982 and 1986).

7.1.3. The thread has continued via various policy documents including PPG10: Strategic Planning Guidance for the West Midlands (1988) which identified a number of 'Premium Employment Sites' and RSS11: Regional Spatial Strategy for the West Midlands (2004) which replaced Premium Employment Sites with a combination of Major Investment Sites, Regional Investment Sites and Regional Logistics Sites in order to address the need for strategic employment land within the region. The RSS Phase 2 Revision (2007), although never formally adopted, continued to focus on linking new economic growth with population and housing growth with employment sites of regional importance.

7.1.4. In some cases, the designations were carried forward through local development plans. Demonstrating the important role that strategic employment sites have played to date, every site proposed within the RSS has now come forward for employment use (examples including Hams Hall, Ansty, Peddimore, and i54).

7.1.5. Whilst regional policy has been revoked, many of the same issues remain, as well as the requirement for strategic sites to address them. The case for strategic employment sites has strengthened further over recent years. As described above at Section 3, overall market trends are for increasingly larger units, with a consequent requirement for larger plots of land to meet occupier demand.

7.1.6. There is therefore an established and growing need for sites of scale, to address the long-standing economic issues within the region, and to maximise inward investment by ensuring that:

- a range of occupier requirements at different scales can be accommodated within the same site and across different geographical locations;
- there is continuity of supply, taking into account the increasing plot size requirements of end users;
- sites are of sufficient scale to enable flexibility around configuration and layout of units; and that
- there is sufficient market choice through geographic distribution of sites within the region.

[40] Section 5, page 23 (Savills 2020)

7.1.7. Scale is also important in ensuring viability and deliverability of high-quality employment land. Sufficient floorspace is required in order to fund the often very significant upfront costs involved in promotion and servicing of strategic sites. The delivery of a large scale, strategic employment site requires a significant amount of on-site and off-site infrastructure, together with promotion costs (design, planning, technical surveys etc.) in order to enable the delivery of serviced plots. The nature and cost of the infrastructure will vary from site to site but in order to fund these upfront costs, a certain critical mass of development is required.

7.1.8. A larger site also enables: the maximisation of the economic opportunity; the flexibility to accommodate a range of uses and requirements and allow expansion for occupiers over time; an increase in job generation and GVA; and an increase in potential revenues.

7.1.9. There is a growing body of evidence which makes clear the urgent need for additional strategic-scale sites in the West Midlands to facilitate future economic growth, including the targets set out within the WMCA Strategic Economic Plan. The West Midlands Strategic Employment Study (2021) is the latest piece of evidence which has been produced on the topic and this has been reviewed below.

7.2. West Midlands Strategic Employment Site Study (May 2021)

7.2.1. This Study was commissioned by Staffordshire County Council, on behalf of The Black Country Local Enterprise Partnership (BCLEP), Coventry & Warwickshire Local Enterprise Partnership (CWLEP), Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) and Stoke-on-Trent & Staffordshire area. The Study updates the West Midlands Strategic Employment Sites Study which was produced by Peter Brett Associates (PBA) and Jones Lang Lasalle (JLL) on behalf of the West Midlands Local Authority Chief Executives in 2015. Whist being recently published, the Study is based on data from 2018/2019.

7.2.2. For the purposes of the Study, a strategic site is defined as:[41]

- "… sites over 25ha which could attract nationally or internationally mobile business activity; and
- sites which meet the strategic needs of the region in relation to specific growth sectors (e.g. Life Sciences) which are economic priorities but do not require extensive land take and will therefore be under the above 25ha threshold."

7.2.3. The Study finds that average annual take up of Grade A floorspace of 9,290 sq. m (100,000 sq. ft) plus in the West Midlands, over the period 2015 – 2018 was 4,327,200 sq. ft. (402,000 sq. m.)[42]

7.2.4. The Study then compares this figure with the total supply of allocated sites across the 24 local authority districts which make up the Study Area and which meet the definition of 'strategic' set out above. The table included within the Study has been replicated below at Figure 7.1.

[41] WMSESS, paragraph 1.18
[42] WMSESS, paragraph 4.55

Figure 7.1: Allocated Strategic Employment Sites by Local Authority Area

Local Authority	Remaining Area (ha)
Birmingham City Council (Peddimore)	71
Coventry City Council (Land at Bagington Fields)	25
Newcastle Under Lyme (Chatterley Valley Phase 2)	38
North Warwickshire Borough Council (Land to the South of MIRA)	42
Nuneaton & Bedworth Borough Council (Faultlands 26 ha and Bowling Green Lane 26 ha)	52
Rugby Borough Council (SW Rugby SUE)	35
South Staffordshire District Council (ROF Featherstone and i54 Western Extension)	76
Staffordshire Moorlands (Blythe Bridge RIS)	45
Stratford on Avon (Gaydon/Lighthorne Heath) - discounted from supply	100
Warwick District Council (Coventry & Warwick Gateway)	110
West Midlands Interchange	247
Total	**841**
Total (minus discounted site)	**741**

Source: WMSESS – Table 6.1 Allocated Strategic Employment Sites

7.2.5. It is assumed by the Study that a site of 25 hectares could accommodate approximately 100,000 sq. m of B-Class development.[43] On this basis, the potential floorspace capacity of the identified allocated sites is 2.96 million sq. m. and, on the basis of historic take-up rates, the Study concludes that there is **7.41 years supply** of allocated strategic sites within the region.

7.2.6. As would be expected, there are a range of strategic sites being promoted across the region which are at various stages of the planning system. The Study concludes that it is not realistic to assume that the majority of these sites will come forward in light of the level of uncertainty surrounding the potential pipeline of land in terms of planning, timescales and deliverability. These sites are therefore excluded from the total supply.

7.2.7. It is noted that a significant element of the supply (equivalent to 2.47 years' supply) is accounted for by West Midlands Interchange[44]. As already noted, this scheme is limited to B8 use and will focus on a specific area of the market, being those occupiers seeking the largest, rail linked/connected units. **At the time of the Study, there was less than five years capacity within the region if this site was excluded.**

7.2.8. It is stated that the **M54 corridor** is likely to have a future role and reference is specifically made to the opportunity for a **strategic employment site at J3** to meet the needs arising from the region and contribute to future supply.[45]

[43] ibid, paragraph 6.10
[44] ibid, paragraph 6.11
[45] WMSESS, paragraph 6.54

7.2.9. The Study does not seek to quantify the additional land requirement but econometric forecasting at a regional level is recommended as a future stage. In conclusion, it is stated that:[46]

"…on the basis of the 'past trends' approach based on completions 2015-18 that has been adopted 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."

7.2.10. There are a number of areas which have been acknowledged by the authors as outside the scope of the WMSESS:

- The Study has not sought to assess the supply on a qualitative basis and has therefore not considered issues such as deliverability, site constraints or market factors which may impact on the contribution that sites make to supply.[47]
- It has also not considered the actual net developable area of the allocated sites, many of which will include significant areas of landscaping or other undevelopable areas within their boundaries.[48]
- As already noted, supply and take-up information within the Study is also now historic.
- These issues are considered further in the following section (9) which seeks to update the findings of the WMSESS and address some of these issues.

7.2.11. In order to address some of these shortcomings, Savills has undertaken a review of the WMSESS which concluded that:

- **The supply position has worsened, with total floorspace capacity now 2.5 million sq. m, a reduction of 15%.**
- **On the basis of updated figures and using a five year assessment period, take up has increased to 444,463 sq. m per annum (an increase of 10%).**
- **Supply of strategic sites has fallen from 7.41 years to 5.65 years across the region.**
- **Excluding West Midlands Interchange, there is only 3.97 years' supply within the region, compared to 4.99 years at the time of the WMSESS.**

[46] ibid, paragraph 6.12
[47] WMSESS, paragraph 6.7
[48] ibid, paragraph 6.8

- **The supply position is likely to underestimate the shortage given that historic take up does not reflect future increases due to structural changes in the market.**

- **A qualitative assessment also demonstrates that the true level of supply is likely to be less when issues of deliverability are reviewed, and a number of the sites are restricted in terms of sector or use.**

7.2.12. The need for additional land to be allocated to meet the regional requirement for strategic sites is therefore **even more urgent** than concluded by the WMSESS in both quantitative and qualitative terms.

7.2.13. Furthermore, basing future requirements on past take-up does not take into account potential future growth or changes in demand, and also perpetuates a shortage of land in a supply constrained market (which has been the case across the region for a number of years). The shortage estimated here will therefore understate the true position and the need for additional land is therefore more urgent.

7.3. Conclusion

7.3.1. There is a longstanding and growing need for strategic employment land to address the severe shortfall regionally. The case for additional strategic employment land regionally continues to grow stronger as demand increases at a rate which is not matched by supply. Additional sites are urgently required in accessible locations within the West Midlands region which can address this growing need.

7.3.2. J3 is outside the Study area of the WMSESS but is specifically identified as a location which is well-placed to meet the needs arising from the region and therefore able to contribute to future supply.

8. The opportunity at J3

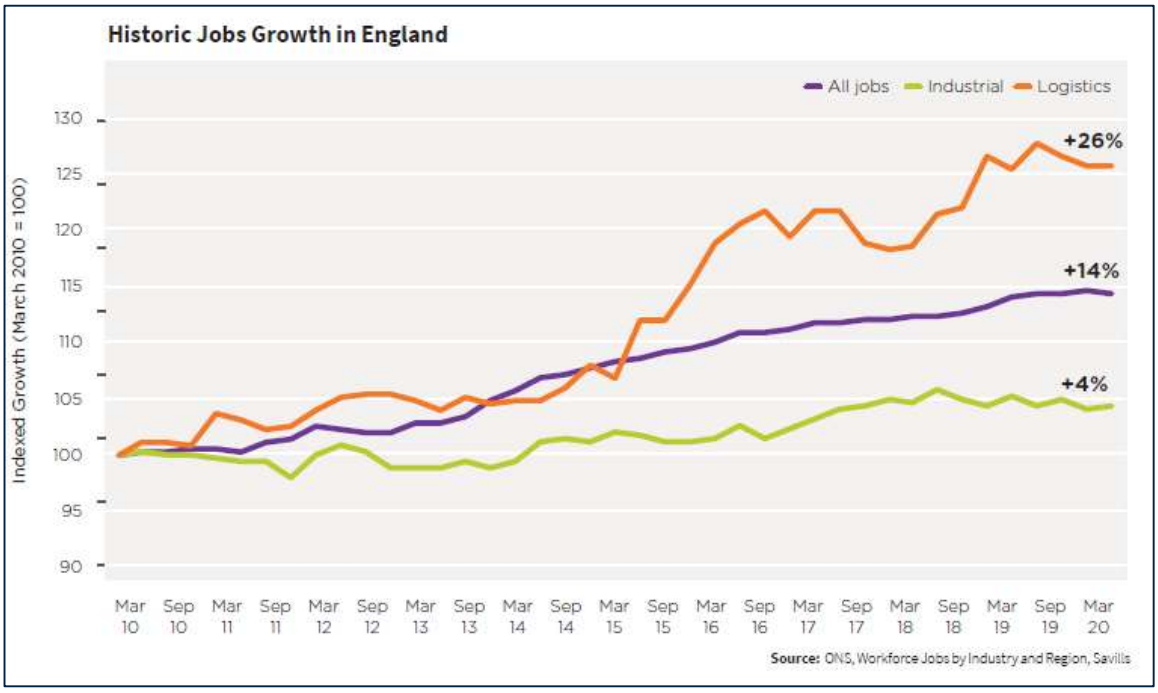
8.1.1. The 2020 report[49] considered the potential economic benefits of the SEA proposals at J3, together with their deliverability. The economic contribution of, and benefits associated with, the logistics sector were also reviewed in light of the misconceptions which often exist, particularly in relation to the type, range and quality of employment opportunities offered. The analysis has been updated here in light of the latest economic data and the updated masterplan proposals.

8.2. Economic Contribution of the Logistics Sector

8.2.1. Logistics development forms a key part of the proposals. The sector is a critical element of national infrastructure which is vital to the national economy and underpins the successful operation of nearly all other sectors. It provides high quality and varied employment opportunities, and this is recognised at a national level, as well as by the LEP. The importance of the sector has been particularly highlighted over recent years by Brexit, the pandemic, the blockage of the Suez Canal, the HGV driver shortage and most recently the war in Ukraine.

8.2.2. Overall, jobs in the logistics sector (and therefore its economic contribution) have grown at a much faster than average rate over the last decade as illustrated by the chart below.

Figure 8.1: Historic Jobs Growth



Source: Source: Levelling up – the Logic of Logistics, page 10 (Savills/BPF)

[49] Section 10, page 82 (Savills 2020)

8.2.3. Jobs in the sector are often unfairly classified as being 'lower skilled occupations' which is misleading. In reality, modern logistics facilities require a range of employees including warehouse workers (some highly skilled operatives), managers, office and administration staff, and drivers. The vast majority of roles in logistics are full time and median salaries in the sector are above average. The chart below shows that logistics wages are on average higher than the UK average and also higher than wages in the manufacturing sector.

Figure 8.2: Gross Annual Pay

Source: Levelling up – the Logic of Logistics, page 16 (Savills/BPF)

8.2.4. It is also important to note that modern warehouses also typically include approximately 5% of the total floorspace as Grade A (often HQ) offices, making up a significant component of overall office supply, particularly where larger units are delivered – often at a level which would not be deliverable as stand-alone office units.

8.3. Economic Benefits of J3

8.3.1. The assessment of economic benefits has been updated to reflect the latest proposals and economic data and the outputs are summarised by the infographic overleaf.

8.3.2. In summary, the benefits include:

- 17,740 permanent direct and indirect jobs, including 9,970 direct jobs (on-site);
- £510 million of net additional Gross Value Added (GVA); and
- £84 million cumulative Local Authority income.

8.3.3. The assessment is based on an assumed split of uses, reflecting the latest proposals which include a total of 436,795 sq. m of employment floorspace across the industrial, logistics, R&D and office sectors, as well as food & beverage and community uses.

J3 M54 (Weston) Development Proposal

Savills Economic Benefits Summary

Savills have been instructed by Bradford Estates to undertake an initial assessment of the economic benefits generated by the Proposed Development at the J3 M54 Site (Weston).

The Proposal

This scheme assumes that the on-site Science Park will have an equal split of Office, Research & Development (R & D) and Light Industrial space.

A full breakdown of the proposed development can be found below.

Total New Homes (split below)
2,851

Market Homes
2,281

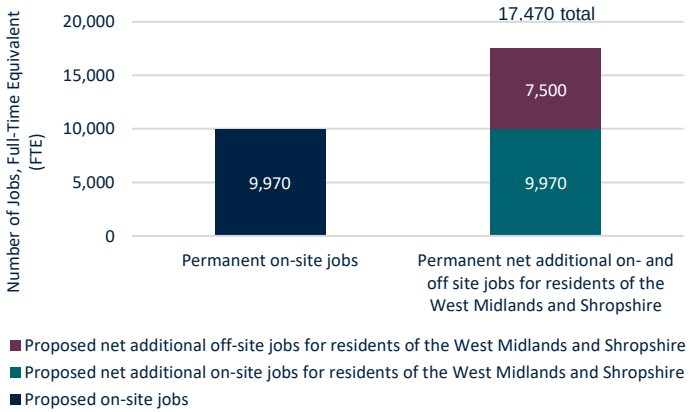
Affordable Homes
570 **(20% Policy Compliant)**

436,795 sq.m of Employment Space Gross External Area (GEA) including:

183,866 sq.m Logistics Space	36,043 sq.m Light Industrial Space
78,800 sq.m Industrial Space	19,200 sq.m Food & Beverage Space
36,043 sq.m R & D Space	21,600 sq.m Retail Space
	3,600 sq.m Leisure Space
36,043 sq.m Office Space	21,600 sq.m Community Space

These figures are based on our understanding of the scheme and a range of assumptions. Estimates of benefits are subject to uncertainties. Our assumptions and calculations are based on good practice, guidance and available data. We estimate that actual impacts are likely to be in a range of +/- 20% of figures given.

Economic Benefits



The scheme will provide direct and indirect job opportunities through the permanent residential and commercial uses. This will include temporary jobs created during the construction period as well as permanent jobs once residents move into the scheme.

AVERAGE CONSTRUCTION JOBS PER YEAR
Over 24 year construction period

210 **JOBS**
On-site construction jobs for Shropshire residents

260 **JOBS**
On-site and off-site construction jobs for Shropshire residents

PERMANENT ON-SITE JOBS

9,970
Permanent direct (on-site) jobs

17,470
Permanent direct and indirect jobs (on / off site)

GROSS VALUE ADDED

£510 MILLION
Net additional Gross Value Added into the economy

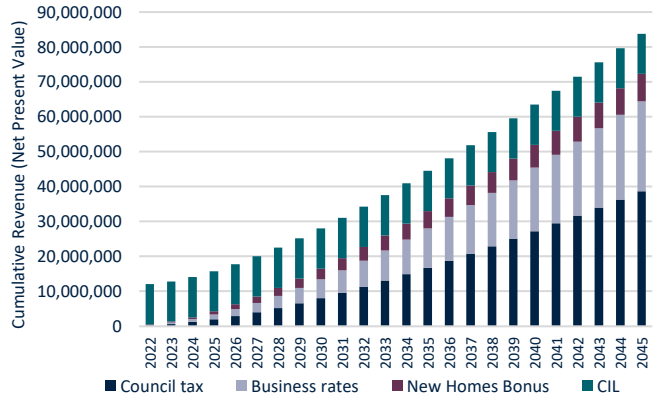
(GVA associated with the additional number of jobs)

Local Retail Expenditure

£34m
Resident spending per annum within the West Midlands

250
Retail, food and beverage FTE jobs created by new resident expenditure in the West Midlands

Local Authority Revenues



Shropshire Council will also benefit from additional local government revenues generated by the scheme. These are: council tax, business rates, new homes bonus and CIL.

Community Infrastructure Levy (CIL):
£11.5 million

Please note: The CIL estimates are based on the Proposed Development falling partly within the 'Shropshire Towns and Key Centre Charging Zones'.

Also note that if the Proposed Development is phased over time, the CIL rate may change.

New Homes Bonus (NHB): (Assuming the NHB programme continues)
£13.1 million

Council Tax Income:
£5.1 million **PER ANNUM**

Business Rates Income (Retained in Shropshire): (Based on an assumed 50% retention rate)
£3.4 million **PER ANNUM**

Cumulative Local Authority Income:
£84 million

Net present value
OVER 24 YEARS

8.4. Deliverability

8.4.1. As previously noted,[50] deliverability is critical in order to underwrite and maximise the employment opportunities and economic growth offered by the proposals. The indicative masterplan proposals are driven by requirements both to directly address market requirements and to ensure deliverability. The proposed mix of employment uses to be included within the scheme is a direct response.

8.4.2. The proposals match analysis of the demand profile of the site, combining manufacturing, logistics and smaller grain accommodation specifically targeted at local companies (capable of providing incubator and grow-on space). The scheme will be targeted towards Shropshire's and the LEP's growth sectors, maximising the potential of the site's location on the M54 Corridor, in close proximity to RAF Cosford (engineering), Harper Adams (agri-tech), University of Wolverhampton's Telford Innovation Campus, as well as being highly accessible to the rest of the West Midlands markets. Closely aligning the site's offer to the identified sectors of market demand will ensure that the proposals are deliverable.

8.5. Conclusion

8.5.1. The proposals will provide significant economic benefits across a range of key growth sectors in a location which maximises linkages to the wider region.

[50] Section 10, page 86 (Savills 2020)

9. Conclusions

9.1.1. The conclusions and analysis contained within the 2020 report remain relevant but the need for additional employment land has now become even more urgent.

9.1.2. Key conclusions of this update review are that:

i) A review of market indicators demonstrates that there is a **severe undersupply of premises** both nationally and regionally. This is evidenced by vacancy rates considerably lower than the level required for market equilibrium which will prevent the proper functioning of the market and **hinder economic growth**. The supply of immediately available land to meet occupier requirements via 'build to suit' developments is therefore vital.

ii) However, the current position is one of a severe shortage of opportunities for occupiers within the Black Country and the M54 Corridor seeking to serve sub-regional and regional markets (only four immediately available sites which can meet this need). **A choice of sites is essential to maximise investment and this is not provided by the current supply portfolio**.

iii) **The pipeline of sites is insufficient to address these issues in the medium to longer term** with an over reliance on West Midlands Interchange which can only meet one specific aspect of demand (and in any event, one additional site does not offer sufficient choice). The vast majority of land being promoted through the planning process is suited to local needs by virtue of its scale and/or location.

iv) There is an **increasingly urgent need** for additional land within the PMA which can meet both B2 and B8 larger-scale requirements from occupiers seeking to serve the M54 Corridor, Black Country and wider West Midlands;

v) There is also a need for land to accommodate smaller scale opportunities in accessible and high quality environments for businesses within Shropshire and the LEP's growth sectors;

vi) There is an **outstanding unmet need for employment land for the Black Country** which is very likely to be understated by the current evidence base;

vii) There is a **well-established and increasing need for strategic employment land to serve the West Midlands**;

9.1.3. The shortage of employment land and premises is **constraining economic growth** as occupiers will either be forced to stay in sub-optimal accommodation, or will locate elsewhere if their business model allows. The provision of a site of strategic scale at J3, in a highly accessible location on the M54 corridor can address these issues. The proposals are deliverable, and will attract significant investment and economic benefits, including high quality employment opportunities via approximately **9,970 on-site jobs**.

Appendices

Appendix 1.0
Savills 2020 Executive Summary

1. Executive Summary

Introduction

1.1.1. J3 is an extensive single land holding with no major development constraints, in a gateway location on the M54/A5/A41 Growth Corridor, well served by existing infrastructure. The employment element of the proposals has the necessary scale and locational credentials to meet a **strategic**, as well as local, need. It is an important opportunity to create a **nationally and regionally significant development**, with potential to drive forward Shropshire s growth agenda and generate considerable socio-economic benefits for the County, which is more important than ever, in light of the uncertain and unprecedented economic impacts of COVID-19.

1.1.2. .As part of the Local Plan Review, the Bradford Estates land at Junction 3 has been considered as a Potential Strategic Site, including the opportunity to deliver a Strategic Employment Area (SEA). **The Council s own evidence base has concluded that the site should be prioritised for strategic employment development**, given its location; accessibility; scale; potential synergy with RAF Cosford; and ability to deliver growth within the County s key growth sectors. It has been acknowledged by the Council that the SEA would be well-placed to assist in meeting the **Black Country s unmet need for employment land**.

1.1.3. However, J3 has not been included within the Regulation 18 Pre-Submission Draft of the Local Plan and there is no alternative provision which meets the clearly identified strategic need, or that can meaningfully contribute to the Black Country s unmet need.

1.1.4. **The delivery of additional high quality strategic employment sites, such as the SEA at J3, is crucial set against this acknowledged very strong need for such sites.**

1.1.5. Achieving a position where the SEA could be started in advance of the residential element of the J3 proposals (not requiring the residential element for viability and deliverability) or be freestanding (if the residential component is not allocated) is therefore very important and will allow a much greater degree of agility, flexibility and certainty around the delivery of the positive economic impacts to the County and the region as a whole.

1.1.6. The purpose of this report is to assist Shropshire Council and other stakeholders in the assessment of J3 s potential as a Strategic Employment Site, setting out the case for the site s allocation based on a review of the key socio-economic, policy and market issues. The report assesses how the deliverability of the SEA (and the economic benefits) can be brought forward in an optimal manner, considering an approach to masterplanning and mix of uses which is very strongly based on market signals, whilst remaining aligned with the economic growth agenda of the County and the wider area.

Site context

1.1.7. The site occupies a strategic location on the M54 Corridor, immediately adjacent to Junction 3, and therefore benefits from excellent accessibility to Shropshire, Telford, the Black Country, Birmingham and the wider West Midlands particularly in terms of access to labour supply; for manufacturing and logistics supply chains (including JLR s engine manufacturing centre at i54); and to Higher Education and Further Education facilities

(including RAF Cosford, Harper Adams University, University of Wolverhampton and its Telford Innovation Campus).

1.1.8. The SEA provides the opportunity to meet sub-regional, regional and national demand, as well as local employment needs, being of a sufficient scale to be classed as a **strategic site** (generally defined as a minimum of 25ha, and often being much larger).

Indicative proposals

1.1.9. In order to enable the SEA to be Freestanding , and also in response to the unprecedented economic and property market impacts of COVID-19, part of Savills role has been to advise on the **evolution of the indicative masterplan** in terms of the type, use, mix and layout of units most appropriate (viable and deliverable).

1.1.10. As a result of the revised SEA masterplanning exercise it has been possible to improve the efficiency of the SEA **and increase the floorspace capacity by c. 10%** compared to the initial indicative masterplan. A **revised mix of employment uses** is proposed, based on a detailed assessment of the site and its capacity and characteristics, updated to take into account latest market indicators and forecasts and to provide for an employment scheme which is deliverable and viable as an early phase of the wider J3 proposals, or as a freestanding proposal, with no cross-subsidy required from the residential element of the scheme.

1.1.11. The revised draft masterplan now provides for a total of **210,158 sq. m (2.26 million sq. ft)** of floorspace on a site of c. 50ha and includes:

- An indicative mix of uses: **B1 (new Use Class E) approximately 15% of floorspace; B2 I approximately 35% of floorspace; and B8 - approximately 50% of floorspace.**
- Smaller scale buildings with a finer grain of development adjacent to Tong and around Vauxhall Farm (to accommodate offices, R&D functions and smaller scale light industrial/warehousing the latter is likely to appeal to more locally based SME companies and it is envisaged it will include incubator and grow-on units targeted at local businesses).
- Larger scale buildings which will be suitable for both manufacturing and logistics within uses B2 and B8 (**noting that an element of office use amounting to between 5-10% of the total floorspace is typical within such buildings**);
- The largest plots: suitable for the largest buildings, again either manufacturing and/or logistics, but which would be particularly attractive to **major inward investors** requiring large scale sites which are in short supply across the West Midlands as highlighted through the policy and market research within this report.
- **Additional amenities** to support the overall scheme are proposed to be located in the area around Vauxhall Farm, including the Training & Skills Hub and other facilities such as co-working space, cafes, restaurants, crèche, gym, small-scale convenience retail, a running track, playing fields and a pharmacy.

1.1.12. The **costs of delivering a large scale strategic employment site** are significant. A larger site (more floorspace) reduces the cost per developable acre of fixed upfront costs but also maximises the economic opportunity (jobs, GVA and revenue for Shropshire Council); allows **flexibility** in responding to occupier requirements; and enables occupier expansion over time. There is a strong argument, therefore, to extend the

area of the SEA at J3, **enhancing its status and its attractiveness for large scale inward investment** into Shropshire and the West Midlands. A further indicative enhanced proposal has therefore also been drawn up which demonstrates that an expanded SEA site could be accommodated, utilising land to the north of the current SEA (within the boundaries of the wider J3 site) and providing up to 347,375 sq. m (3.74 million sq. ft) of employment floorspace on a site of c. 75 ha.

Socio-economic context

1.1.13. Whilst economic activity and employment rates are relatively high in Shropshire and businesses have a good survival rate, there are some key issues which are impacting on economic growth:

- there are low levels of productivity;
- the population is older than the UK average;
- resident wages are low and there is a degree of out-commuting from Shropshire to higher paid jobs elsewhere;
- there is pressure for significant upskilling and
- the retention of talent and skills of young people and graduates.

1.1.14. Of relevance to the proposals at J3, it is therefore very important to ensure provision of attractive well-located employment sites to meet the needs of local businesses; attract inward investment; and provide high quality employment opportunities. Ensuring readily available training/retraining for local residents is also key and is addressed by the proposed Training & Skills Hub.

Policy context

1.1.15. A review of relevant national, regional and local policy and guidance has been undertaken. At all levels, very ambitious growth targets have been set for additional jobs and GVA. The importance of advanced manufacturing and logistics as enabling sectors is a key theme, as is the strategic importance of the M54 Corridor and its ability to provide land and premises to meet demand from the identified growth sectors (by Shropshire Council, Marches LEP and WMCA).

1.1.16. A sufficient supply of strategic employment sites (those sites over 25 ha in size which are capable of meeting demand for large scale manufacturing and logistics facilities) is acknowledged to be essential to the delivery of economic growth in the West Midlands. The evidence base demonstrates that there is a critical undersupply of such sites, with the Black Country being identified as one area of particular need.

1.1.17. In order to enable economic growth across the region and to meet the ambitious targets which have been set, there is therefore a very strong need for additional strategic employment sites across the West Midlands, and a particular need for additional land to meet the needs of the Black Country (in addition to West Midlands Interchange in South Staffordshire). There is a general acknowledgement that it will be necessary to allocate sites from within the Green Belt.

1.1.18. There is also a clear identified outstanding need for additional strategic employment land in order to meet the growth aspirations of Shropshire that is not currently provided for in the Pre-Submission Plan.

1.1.19. Conclusions based on our review of strategy, guidance and the supporting evidence base are that:

- **The M54 corridor in Shropshire is the most appropriate and suitable location for additional strategic employment land to meet the needs of the Black Country, being geographically close and easily accessible.**
- **The M54 corridor is the most logical and suitable location for strategic employment land to meet Shropshire s needs.**
- **Accordingly, the proposals at J3, by virtue of their scale, deliverability and location, are very much in line with the current and emerging economic policy position and offer the opportunity to meet a strategic need, both for additional land to serve the region and the Black Country, as well as to enable Shropshire s growth agenda.**

Macro-economic update

1.1.20. The UK economy is in recession for the first time since 2009, with the economy predicted to shrink by 9.5% in 2020. Unemployment is increasing, pay has fallen and levels of confidence in the market are very low.

1.1.21. The short term impacts of the pandemic and the lockdown have been significant with steep falls in GDP, falling employment, rising unemployment and falling wages. Limited growth is now beginning to return but it is expected that the recovery will take a number of years, with unemployment not expected to return to 2019 levels within the next five years. There are a number of risk factors creating uncertainty around economic growth including the possibility of a second wave and further lockdowns, as well as the ongoing uncertainty around Brexit negotiations.

1.1.22. However, the impact on the various sectors of the property market has not been uniform. Whilst in-store retail has been disproportionally impacted, on-line retail has seen significant growth which has driven very strong growth in the distribution sector. The manufacturing sector has also started to rebound as companies have adapted workplaces to enable production to continue.

1.1.23. The long term impacts of COVID-19 on the office market (which is generally highly cyclical in response to macro-economic conditions) are still unclear and will vary based on business sector, location, and scale of product. Hence there is a large degree of uncertainty around the characteristics and scale of occupier demand going forward.

Sector overview

1.1.24. We have undertaken a review of the key trends in the manufacturing sector (including the key growth sectors) and the logistics sector.

1.1.25. There has been a renaissance in the manufacturing sector, driven by growth in advanced manufacturing, based on the UK s R&D capabilities and particularly in key sectors: automotive, electronics, aerospace, textiles, food and drink, and pharmaceuticals. Implications for the property market are: an overall increased level of demand; a trend for larger units; increased demand for bespoke build to suit facilities; and a

focus on high quality facilities with excellent linkages to educational and training establishments with sectors of particular relevance for Shropshire including automotive, agri-tech, environmental technologies, and food production.

1.1.26. Similarly in the logistics sector, there is an increase in the amount of demand being seen and the trend is for increasingly larger plots and buildings, resulting in a correspondingly quicker absorption rate of sites. Occupiers require higher buildings to maximise building efficiency and demand is for units in the most accessible locations, allowing occupiers to compete on fulfilment times. Whilst e-commerce has been the key driver of growth in the sector, manufacturers also make up a significant amount of demand for warehouse space and investment in the manufacturing sector causes a ripple effect of occupiers seeking to take logistics space close to manufacturing hubs in order to satisfy supply chains.

1.1.27. Whilst there is still a considerable amount of uncertainty around long term impacts of COVID-19, market fundamentals are strong. There has been a significant acceleration of growth in the on-line retail and grocery sector and a corresponding increase in demand for logistics warehousing. The pandemic has highlighted the importance of the logistics sector, and of the resilience of supply chains for all sectors of the economy. In the short term, the fall in consumer spending will have negative impacts for the manufacturing sector but an increase in near-shoring and on-shoring in the longer term may lead to an increase in demand. An increase in stockholding will also drive increased demand for warehousing.

Manufacturing and Logistics Property Market Overview

1.1.28. In order to provide the market context for the proposals, the market dynamics for large manufacturing and warehousing units (defined as being of 9,290 sq. m/100,000 sq. ft and above) have been reviewed at a national and regional level.

1.1.29. Take-up of units was above the long term average in 2019 and demand has continued to increase. H1 2020 saw the best H1 performance ever recorded by Savills, 66% over the long term average. The average unit size transacted has increased and a greater proportion of units are delivered on a built to suit basis. Key sectors driving demand are retail and manufacturing, which is particularly important in areas with an industrial heritage such as the West Midlands.

1.1.30. Supply has fallen 62% since the peak of 94 million sq. ft in 2009 and there is now just **1.10 years l worth of supply remaining nationwide**. Much of the supply nationwide comprises smaller units, an increasing proportion of which are constructed speculatively.

1.1.31. **The West Midlands experiences very high demand from both the logistics and manufacturing sectors** (both direct and via supply chain companies) which is culminating in a critical shortage of employment land and premises to meet the needs of modern occupiers. There is **1.64 years of supply** in the region but much of this is secondary and does not meet the needs of modern occupiers and it is also focused within the smaller size ranges. Supply does not match demand, which is increasingly for large units of Grade A quality. Key sectors of demand in 2019 were manufacturing (37%), Third Party Logistics (3PLs) (27%) and online retailers (26%).

Market area analysis

1.1.32. In this section, the key drivers of demand and the existing supply of competing land and premises are analysed for the SEA (considering separately the market for the larger B2/B8 units, and the smaller grain light industrial/R&D/office/warehouse units).

1.1.33. The market dynamics for the B2/B8 component of the scheme have been assessed by reference to a defined market area which represents the area which would be broadly considered by occupiers alongside the proposals at J3. Demand has been consistently strong for the M54 corridor and increasingly so for Shropshire as supply in the Black Country has diminished, confirming the potential that the County has to help to meet the Black Country s unmet employment land need. Similarly to the wider region, there is a severe undersupply of larger B2/B8 premises in the market area (**only 1.6 years lof supply**).

1.1.34. The supply of immediately available sites is therefore very important. There is only **85 ha of land** available and this headline figure masks the fact that many of the available sites are generally very small, and a significant proportion of the immediately available land available is restricted to B1/B2 use. In the longer term, West Midlands Interchange will go some way towards addressing the demand for the largest scale B8 requirements (although this will only provide a partial solution being limited in terms of use, focused on rail-based requirements, being limited in terms of use and focussed on rail-based requirements).

1.1.35. **There is a clear need for additional employment land of sufficient scale to meet a range of B2/B8 demand and respond flexibly to occupier requirements. It is essential to provide a variety of sites (in terms of location, scale, timescales for delivery) in order to provide choice for occupiers and maximise inward investment opportunities.**

1.1.36. Key points from the analysis of the supply and demand for smaller B1(new Use Class E)/B8 units are as follows:

- There is strong demand for high quality sites which offer local companies opportunities for a range of light industrial, manufacturing and logistics units and when high quality sites have been available there has been very strong take up (for example T54).
- There is very little similar supply within the market area.
- It is essential to maintain a high quality offer within Shropshire to ensure that suitable opportunities are available to retain and attract businesses and employment.
- Key sectors of demand are likely to be agri-tech, environmental technologies; automotive; engineering; metals; plastics; and food production and packaging.
- Occupiers are likely to come from other parts of Shropshire, Telford, Herefordshire and the Black Country (particularly given the shortage of opportunities here).
- Proposals at J3 would be complementary to Ni-Park, focusing on a broader range of sectors and uses.

Economic benefits and deliverability

1.1.37. The proposals offer significant economic benefits for Shropshire both in terms of employment, economic growth and fiscal revenues including:

- **6,000 to 9,100 net additional jobs;**
- **£290m - £440m GVA per annum; and**
- **£4.5 million additional business rates income.**

1.1.38. Logistics development forms a key part of the proposals. The sector is vital to the national economy, underpinning the successful operation of nearly all other sectors and providing high quality and varied employment opportunities and this is recognised at a national level, as well as by the LEP.

1.1.39. Jobs in the sector are often unfairly classified as being lower skilled occupations which is misleading. In reality, modern logistics facilities require a range of employees including warehouse workers (some highly skilled operatives), managers, office and administration staff, and drivers. The vast majority of roles in logistics are full time (85%) and median salaries in the sector are above average. Modern warehouses typically include approximately 5% of the total floorspace as Grade A (often HQ) offices, making up a significant component of overall office supply Often at a level which would not be deliverable as stand-alone office units.

1.1.40. Deliverability is critical in order to underwrite and maximise the employment opportunities and economic growth offered by the SEA. The indicative proposals for the SEA have been driven by requirements both to directly address the SEA to market requirements (including Shropshire and the LEP s growth sectors) and to ensure deliverability predicated on the concept that the SEA should be capable of separate delivery independent of the residential element of the J3 proposals.

1.1.41. In order to fund the significant upfront costs of strategic employment sites, a certain critical mass of development is required. A larger site reduces the cost per developable acre of the fixed infrastructure and promotion costs as well as maximising the economic opportunity; increasing the flexibility to accommodate a range of uses and requirements, and allowing for expansion by occupiers over time.

1.1.42. **There is a strong argument, therefore, to extend the area of the SEA at J3 enhancing its status and its attractiveness to large scale inward investment into the county.**

Conclusions

- **There is a clear socio-economic, policy and market need for additional employment land and particularly strategic sites for larger manufacturing and logistics facilities (including inward investment), which can both address the needs of the Black Country as well as drive forward the delivery of Shropshire s growth agenda.**

- **The SEA at J3 is ideally situated to meet the very strong need for such sites and offers a prime and deliverable opportunity to provide significant economic benefits for Shropshire.**

- **Increasing the scale of the SEA within the boundaries of the J3 site would reinforce the potential economic benefits, further improve viability, and maximise the site s attractiveness for large scale inward investors.**

Appendix 2.0
Savills & BPF 2022 Levelling Up – The Logic of Logistics

Levelling Up - The Logic of Logistics

A report demonstrating the wider economic, social and environmental benefits of the industrial & logistics sector

Contents

Foreword

The Covid-19 pandemic has demonstrated that our industrial and logistics facilities are a key part of the nation's critical national infrastructure.

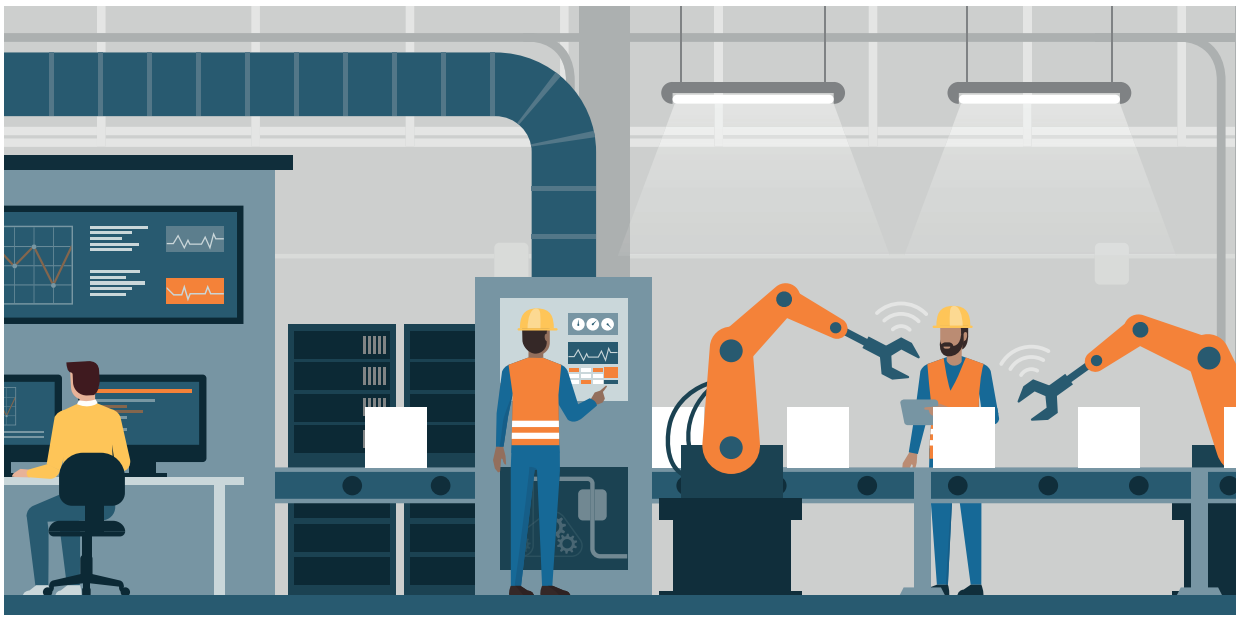
Alongside our supply chains, they support other important and growing sections of a strong economy and the way we live our lives by ensuring we have what we need at the right time. They are as crucial as the roads, rail, airport and port facilities needed to move goods around the country.

The sector also generates significant economic benefits supporting increasing numbers of high-quality jobs across the English regions. A thriving industrial and logistics sector is therefore critical to the government delivering on its ambitions to 'level up' across the UK with over 70% of demand for industrial and logistics space in the North of England and the Midlands.

Enabling the sector to reach its full potential is essential to the government's aspirations to address regional inequalities but our planning system remains a barrier and is restricting growth in the sector by not allocating enough land in appropriate locations. If the industrial and logistics sector is to play its full part in levelling up, it is vital that we create a more agile planning system which is more responsive to the sector's needs.

This latest BPF Industrial Committee report builds on previous research publications advocating for a more responsive planning system to the needs of the industrial and logistics sector. The report also provides a comprehensive overview of the growing economic, social value and environmental credentials of the sector as well as presenting case studies from within the BPF membership to reinforce these qualities.

Gwyn Stubbings
Planning Director, GLP
Chair of the BPF Industrial Committee



Executive Summary

An Economic Powerhouse

I&L facilities are Critical National Infrastructure

Food Supplies

Alongside their supply chains, they support the functioning of our economy and the way we live our lives, by ensuring we have what we need. They are as critical as the roads, rail, airport and port facilities needed to move goods around the country

Fuel Supplies

Vaccines and Medical Supplies

The I&L sector generates significant economic benefits

3.8 million
jobs in I&L in England

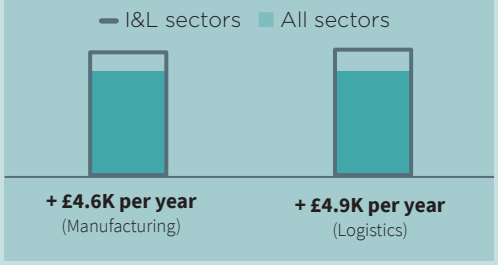
£232 billion
of GVA

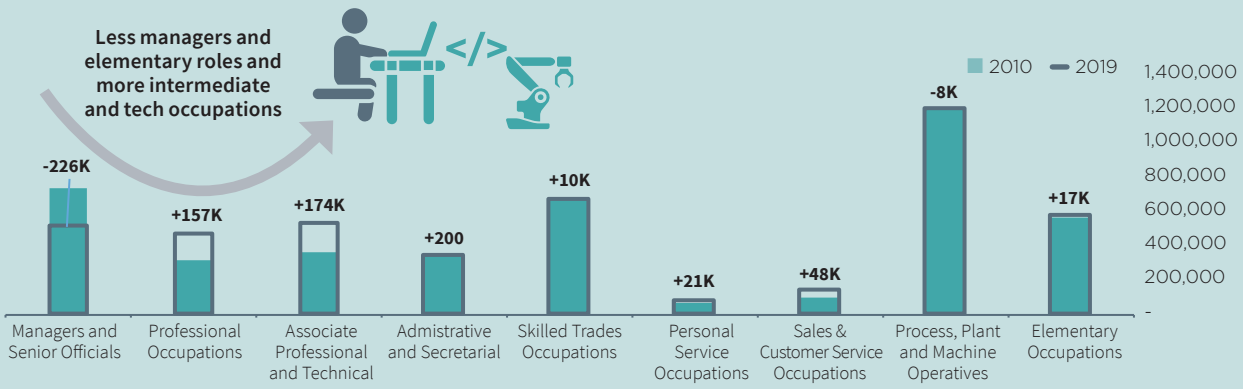
29% productivity
increase between 2025 and 2039

The I&L sector is subject to continuing misconceptions about average pay and skill levels

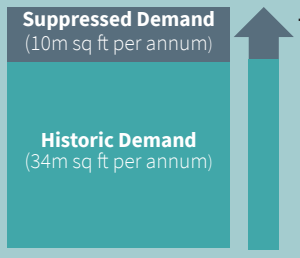
…and the occupations provided are becoming more diverse

…the reality is I&L jobs pay more





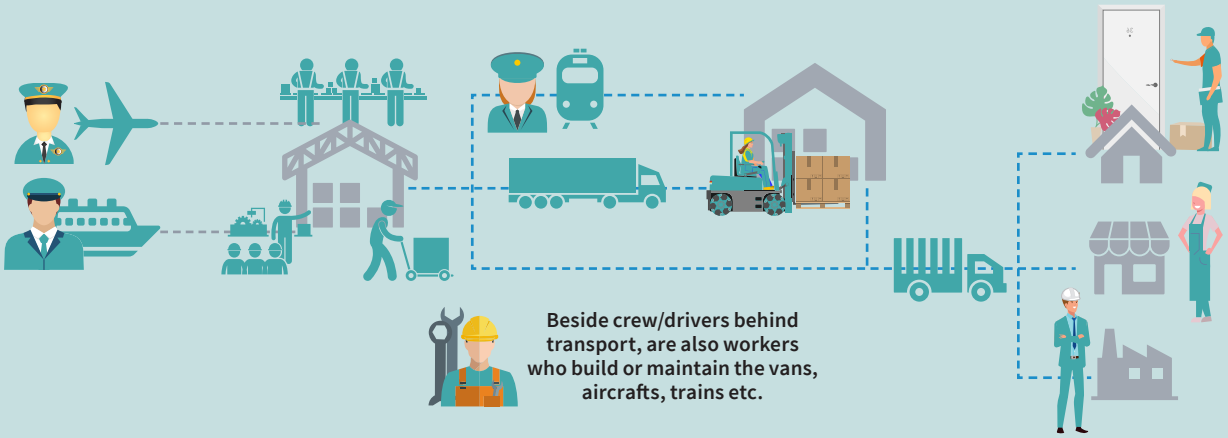
The UK planning system is restricting growth in the I&L sector by not allocating enough land in the right locations



…the historic lack of supply has restricted ('suppressed') demand by 29% nationally which should be provided for in the future. Future demand estimates should also consider housing, e-commerce and freight growth

Growing Social Value Credentials

I&L supply chains are far reaching and provide significant levels of employment in addition to onsite jobs



Beside crew/drivers behind transport, are also workers who build or maintain the vans, aircrafts, trains etc.

Most UK freight comes in via ports and airports

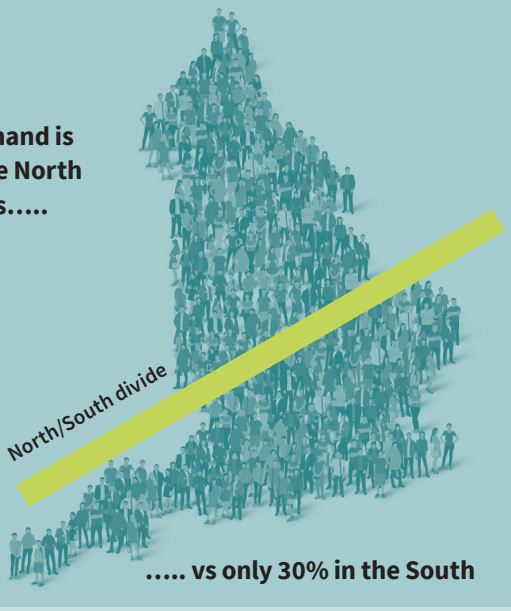
Freight is handled at port / air-side sheds before being distributed

Goods are moved mainly by HGV / LGV or rail to either distribution hubs (sheds) or direct to customers

End customers are either homes or businesses

I&L investment is helping to support the Government's 'Levelling Up' Agenda

70% of I&L demand is generated in the North and Midlands.....

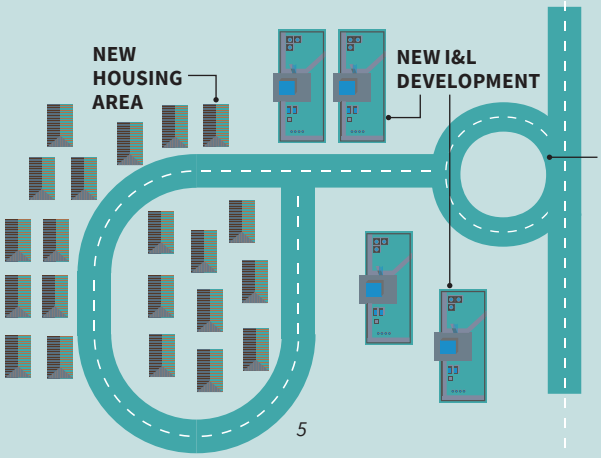


..... vs only 30% in the South

Given the I&L sector's strong economic credentials and growth prospects, future I&L jobs can be crucial in bridging the GVA and productivity gap between the North and South

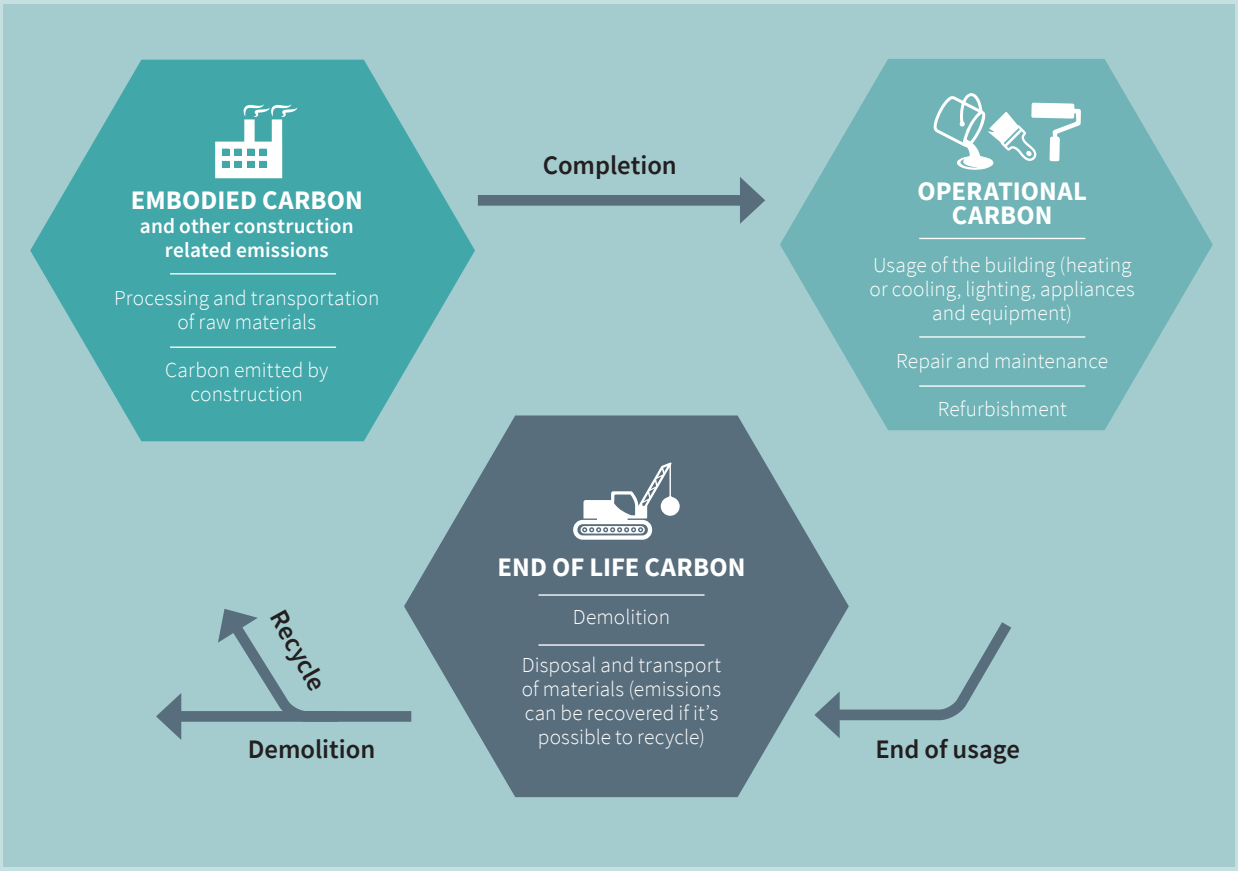
I&L investment can aid the delivery of new housing

I&L development can contribute to the delivery of new homes via the funding of strategic infrastructure such as motorway junction upgrades and link roads



A Green Recovery 'Boxed'

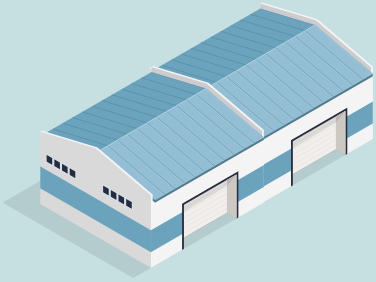
Carbon is present across all three phases of the property life cycle



EMBODIED CARBON
I&L facilities can be built with recycled, low carbon and sustainably sourced materials

I&L buildings are achieving outstanding results for constructions such as Net Zero Carbon recognition, and top EPC and BREEAM ratings

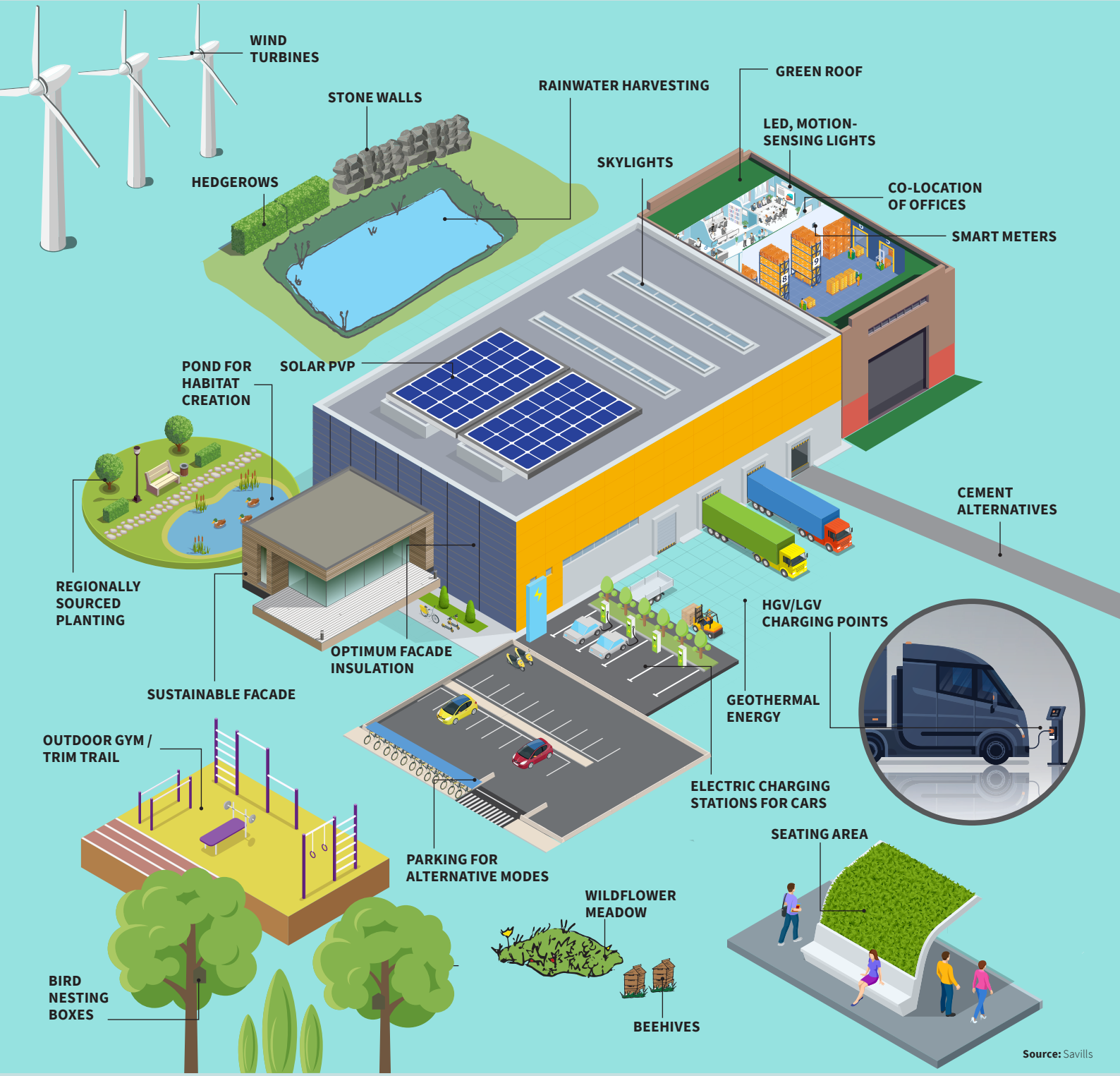
END OF LIFE CARBON
Modern I&L buildings have the advantage to be lightweight structures which are highly adaptable for a large range of uses



The steel frames used in I&L properties are much more easily recycled than concrete which is more common in other commercial uses

OPERATIONAL CARBON

I&L premises are innovating to reduce carbon



Source: Savills

1. Introduction

The I&L sector is not only an economic powerhouse but also delivers significant social value and is embracing innovative ways to reduce carbon

The aim of this report is to evidence the importance of the industrial and logistics (I&L) sector to the UK, not just in terms of it being an 'Economic Powerhouse' but also in terms of its 'Growing Social Value Credentials' and contribution to 'A Green Recovery Boxed'. It is hoped that by reviewing the sector against economic, social and environmental objectives, this report presents a balanced and evidential account of the sector's future growth potential and the critical role it can play in a post Covid and Brexit UK.

The intended audience for the report are those integral to the sector's future growth and success including: national government policy makers, local authority planners, elected members, investors and tenants, as well as those keen to learn more about the sector.

The report is structured as follows:

- **An Economic Powerhouse** focuses on the sector's economic attributes, namely how 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. We also discuss the sector's contribution to the national economy and the key growth drivers that are underpinning recording breaking levels of demand. This chapter finishes by discussing a number of flaws in the way future demand and land needs are currently assessed as part of Local Plans and how these flaws can be addressed by using an alternative method developed by Savills and St Modwen;

- **Growing Social Value Credentials** discusses the sectors contribution to local and regional communities, the Government's 'Levelling Up' agenda and the range of jobs and training opportunities the sector creates as part of its wider supply chains. We also discuss how I&L developments are contributing to strategic infrastructure to the benefit of new housing developments and how modern I&L premises are adopting a more human-centric approach to their design; and

- **A Green Recovery 'Boxed'** outlines how the sector is embracing sustainability via a reduction in carbon across all phases of a property's life cycle. We discuss how buildings are achieving net zero in construction; how carbon can be reduced during operations through clever building design solutions that improve energy supply and reduce energy demand; and we finally consider a property's end of life, exploring how I&L premises can be repurposed for other uses.

Reader's Note

When we refer to the industrial and logistics (I&L) sector we mean Light Industrial (formally B1c use class now part of Class E), General Industry (B2 use class) and Storage and Distribution (B8 use class). Effectively the primary use classes that require warehouses or factories (including ancillary offices) and associated yard spaces. These use classes typically cover the diverse range of industrial, manufacturing and logistics companies that operate within England.

2. An Economic Powerhouse

Recent global challenges have proven that the I&L sector's workers, stock of facilities and distribution networks are unquestionably 'critical national infrastructure'

I&L facilities and their supply chains support 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 are stored, manufactured and distributed from warehouses and factories to 'us' the end customer. Without these facilities and the increasingly efficient supply chains that link them up with suppliers and end customers, the delivery of our purchases would be much slower, more expensive and we would have less choice.

It can be difficult to acknowledge the critical role played by the I&L sector when everything is running smoothly. It is much easier to understand its importance when things don't work quite as well. The six-day blockage of the Suez Canal in March 2021 created a domino effect on global supply chains, which affected not only those sectors relying on container shipping but also the transport sector as fuel vessels were delayed too. The shortage of HGV drivers in autumn 2021 led to fuel shortages in UK petrol stations and forced businesses to close down sites or cut product lines, adding to the backlog of production caused by the Covid pandemic.

These challenges have brought to the fore the importance of supply chain resilience and the need for a sufficient supply of appropriately located I&L premises. For instance, during the recent lockdowns, the I&L sector has been instrumental to ensure the effective delivery of medical stock in hospitals and food supplies on supermarket shelves. As vaccines were made available, the operation of effective distribution networks across transport modes was fundamental to supply vaccination centres while meeting stringent time frames and cold-store requirements. The pandemic has indeed proven that our daily life depends on the I&L sector. Its workers, stock of facilities and distribution networks are unquestionably 'critical national infrastructure.' The sector is also critical to the Government's 'Levelling Up' agenda given it is one of the few large sectors that invests more in the central and northern parts of the country rather than London and the south. We discuss this issue further in the 'Growing Social Value Credentials' chapter.

The sector's growth is critical to the UK's future prosperity

The sector is a significant employer of at least 3.8 million people. However the true number of jobs is likely much higher as this only relates to 'manufacturing, transportation and storage'[1] activities. The wider supply chains of I&L businesses

Key stats: I&L sector

3.8 million
jobs in I&L in England

£232 billion
of GVA

29% productivity
increase between 2025 and 2039

14% the share of I&L in the total economy in terms of GVA

Source: ONS, Oxford Economics, Savills [2]

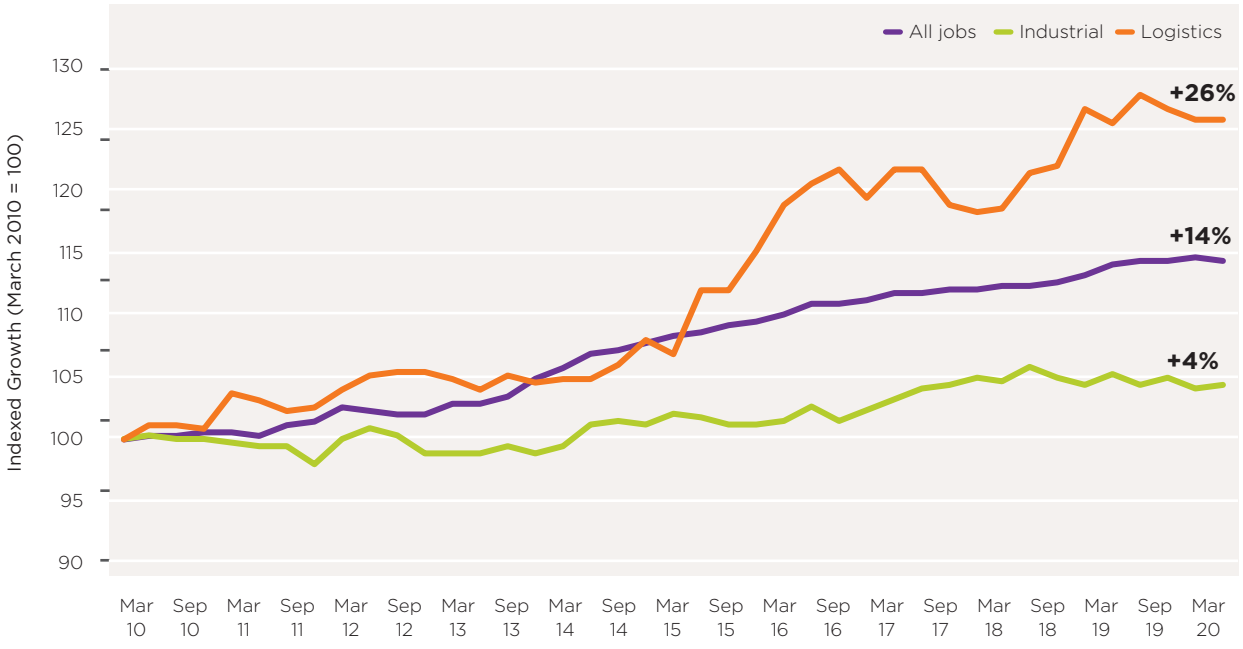
include other types of jobs not covered by this statistical classification. For instance, office based roles and professions such as product design, research & development and engineering are routinely found in I&L companies but fall within the 'professional services' classification.

A prime example of the wider economic impacts of I&L supply chains is Amazon. In addition to the 55,000 staff[3] it employs directly in the UK, the company is reported to have created 175,000 jobs via the 65,000 plus small and medium-sized enterprises (SMEs) who are selling professionally through Amazon[4]. While Amazon's diversity lies primarily in the different products it handles and distributes, I&L companies can differ greatly in terms of their operational characteristics and the activities conducted from their premises.

Not only is the I&L sector large, at 14% of the England economy, it is fast growing too. Over the last 10 years, jobs within the logistics part of the I&L sector have grown by 26% compared to only 14% across the economy as a whole. Its growth profile has been further accelerated by the Covid pandemic and Brexit as we discuss further below.

"Over the last 10 years, jobs within the logistics part of the I&L sector have grown by 26% compared to only 14% across the economy as a whole."

Historic Jobs Growth in England



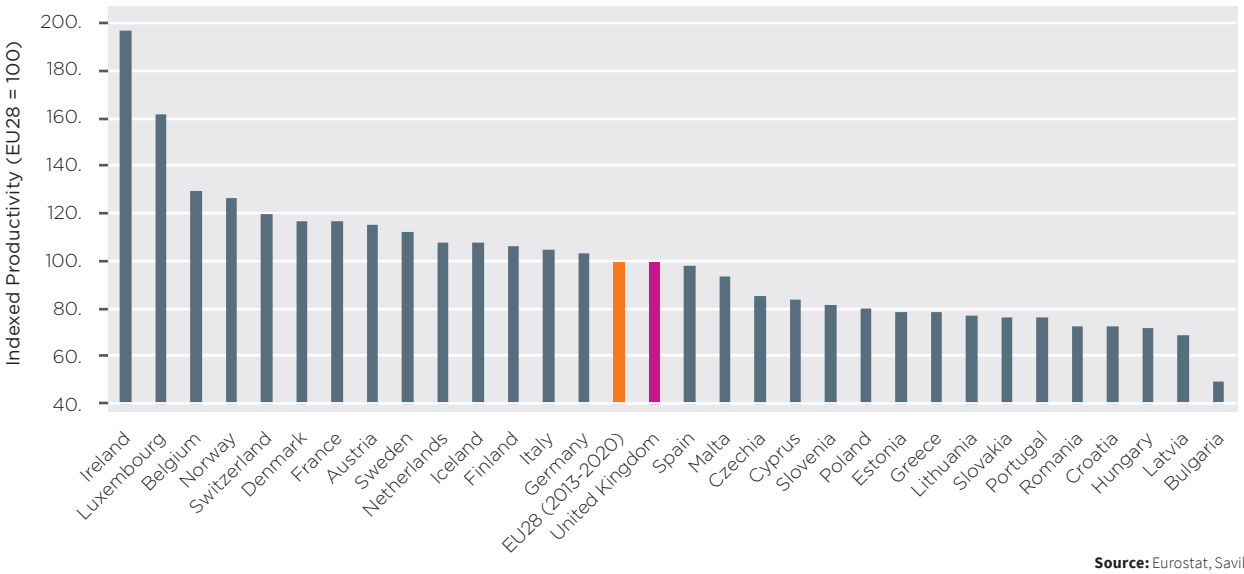
Source: ONS, Workforce Jobs by Industry and Region, Savills

The sector is also highly productive with Gross Value Added (GVA)[5] per job currently at £58,000, some 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[6]. These are extremely important statistics given the UK's labour productivity currently lags many of its western European peers as shown in the chart 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.

The vision of the UK becoming a "high-wage, high-skill" economy was central to Prime Minister Boris Johnson's Conservative Party Conference speech on the 6th October 2021. Essential to achieving this vision will be to increase overall labour productivity, which in turn will require further growth in the more productive parts of the economy which undoubtedly include the I&L sector.

Labour productivity per person employed - 2019



Source: Eurostat, Savills

I&L growth is being driven by numerous factors

Not just e-commerce driving growth

While e-commerce grabs most of the headlines for driving growth in the sector, there are several growth drivers at play as illustrated below. Combined, these growth drivers are resulting in unpreceded demand for I&L premises.

Savills January 2022 Big Shed Briefing[7] reported that 55.1 million sqft (gross) of warehouse space had been transacted in 2021, setting a new annual record for take-up and being 86% above the long-term annual average.

I&L Growth Drivers

Source: Savills

Growth in UK freight

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 optimally located I&L premises in order to reach end customers.

Significant growth is forecast across all freight modes, which will increase demand for I&L space in the future. I&L premises should not be seen as separate from the infrastructure which enables goods to be moved around the UK, but should be considered critical national infrastructure itself.

I&L forecasts

LGV Traffic Forecasts

between +25% and +108% by 2050*

*from 2015 base

Rail Traffic Forecasts

+74% by 2043/44*

*from 2016 base

Global Air Freight Forecasts

+121% by 2039*

*from 2019 base

Port Tonnage Forecasts

+39% by 2050*

*from 2016 base

Source: DfT, MDS Transmodal for Network Rail, Boeing, DfT, Savills

E-Commerce Growth

E-Commerce growth is being driven by two factors.

Firstly, population growth. The UK Government has announced a housing shortage in response to demand consistently outstripping supply. To address this situation, the Government has set an annual housing target of 300,000 homes per annum in England which it is struggling to achieve with less than 225,000 homes delivered per annum over the last five years[8]. Based on current online retail spending data[9] and average household size[10], 300,000 homes per annum equates to an extra £1.3 billion per annum in online retail spending. Using the 'warehouse to homes ratio' discussed in the BPF's 'What Warehouse Where?' report[11], this level of housing growth could generate a warehouse requirement of 21 million sqft per annum on its own.

Secondly, technological improvements coupled with society's increasing preference to purchase goods and services online. Retail spending is growing faster than the rate of population growth (+71%[12] vs +14%[13] over the last 20 years). More of this retail spending is being conducted online, for instance in 2006 online sales accounted for only 3% increasing to 19% prior to the Covid pandemic in February 2020. The Covid pandemic has accelerated this growth with internet sales currently at 26%[14] and forecast to grow to 37% by 2025[15]. The growth in online shopping has significant implications on future I&L demand given that e-commerce requires over three times the logistics space compared to traditional brick-and-mortar retailers[16].

Faster Deliveries

Consumer expectations for same-day or next-day delivery are reshaping the operating models of logistics companies. For instance, the emergence of Zapp, Getir and Deliveroo who deliver groceries "in minutes" while most of the major retailer such as Boots, Next and many more deliver next day. These trends are expected to increase demand for logistics space as reduced delivery times are expected to benefit online retailers.

The Covid pandemic has accelerated this shift: a survey by Bringg[17] found that since the start of the pandemic 27% of retailers added same-day delivery for online orders as a fulfilment option and 1 in 3 retailers are planning to add same-day delivery options in the next 6 to 12 months.

To enable fast deliveries, stock needs to be held near the end customer before it's picked up for the last mile. This requires warehousing space in regional and local distribution hubs nearby to population centres. Large 3PLs like Amazon can more easily fit this model within their existing operations due to the sheer number of deliveries that they fulfil daily and their huge geographic coverage. For most retailers however this move will require investment in technology and upskilling of staff in addition to more warehousing space. In some cases, it could require setting up their own delivery fleet to improve margins, as already done by some large grocery retailers such as Sainsbury's, Tesco and Asda, to cope with the growing demand for online orders.

Near-shoring / re-shoring

The Covid pandemic and Brexit have created major disruptions for the sector's supply chains in the form of border restrictions, lockdowns and access to labour such as HGV drivers. In order to minimise similar disruptions in the future, many UK companies are moving their operations either back to the UK or closer by. Likewise certain I&L activities may be re-shored to the UK as it becomes more expensive to conduct business in the EU as a result of Brexit. According to a survey carried out in July 2020 by the Institute for Supply Management, 20% of firms are planning to or have already started to near-shore or re-shore. These findings are corroborated by a survey carried out by Savills[18] whereby over 80% of respondents expected the Covid pandemic to either 'greatly increase' or 'somewhat increase' on-shoring. This is likely to lead to higher domestic inventory requirements, further increasing long-term demand for I&L space.

Definitions

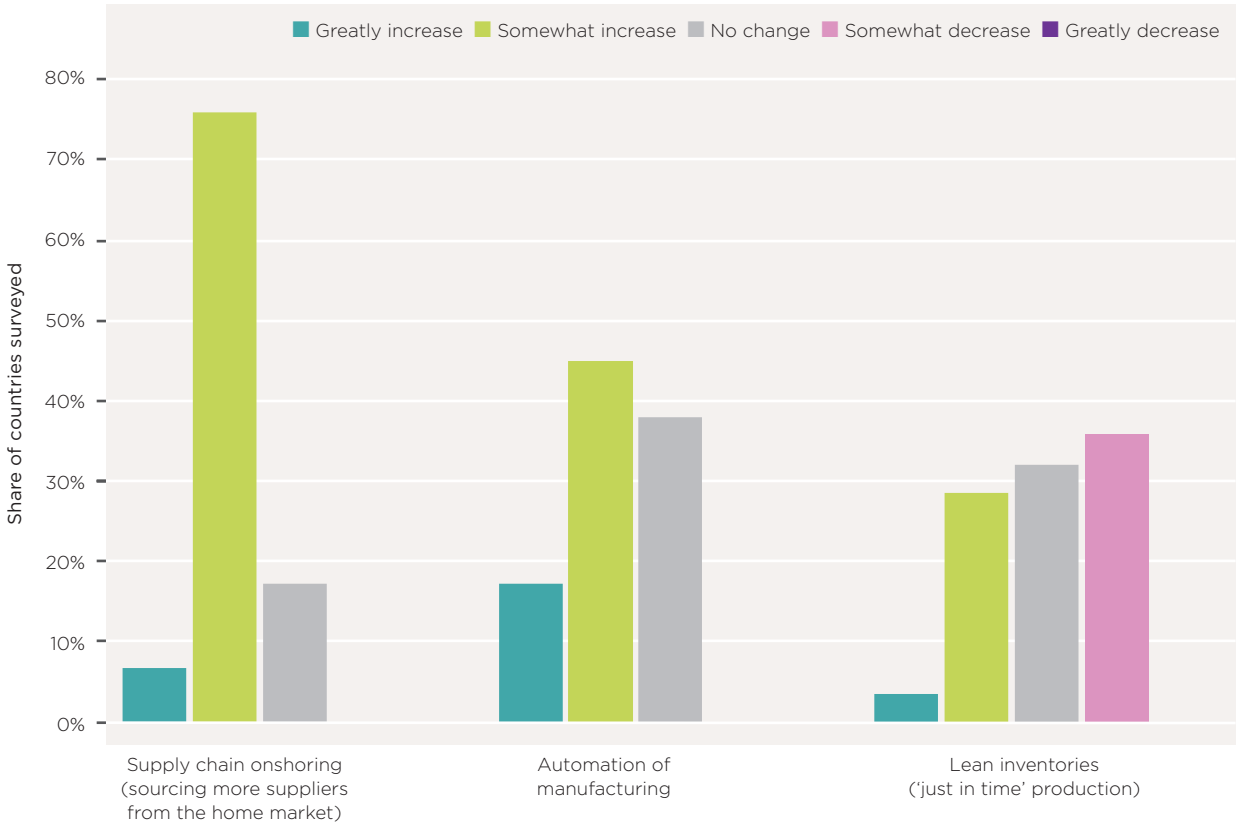
Near-shoring
Transferring a business operation to a nearby country as opposed to a more distant one (i.e. off-shoring)

Re-shoring
Moving a business that had gone overseas back to the country from which it had originally relocated

"To enable fast deliveries, stock needs to be held near the end customer before it's picked up for the last mile. This requires warehousinfg space in regional and local distribution hubs nearby to population centres"

Certain I&L activities may be on-shored to the UK in response to international supply chain disruptions

Impact of Covid-19 on supply chains and manufacturing after pandemic has passed



Source: Savills Research

Co-locating different business functions

As the operations of modern day I&L companies have evolved via investments in automation and technology, so have the types of occupations found in the sector. Alongside traditional roles such as factory / warehouse managers, forklift operators and delivery drivers are a diverse range of new roles such as software engineers in charge of automated systems, supply chain managers and data analysts.

While these new and more diverse occupations are the result of operational changes in the sector, these changes are impacting the design and composition of modern I&L premises. One such change is the increased prevalence of office space being co-located with warehouse and manufacturing facilities to house these new roles, but also as a means of improving operational efficiency, reducing estate costs and fostering stronger collaboration between different business units (see Bidfood case study). Based on Savills data tracking large units over 100,000 sqft across the UK, the amount of office space found in I&L premises has increased over the last five years.

While the external appearance of premises occupied by a manufacturer may look similar to that occupied by a logistics company, their internal fit out, even a building's environmental performance are increasingly tailored to the specific requirements of individual companies. Modern I&L premises are also found to house gyms, cafes, restaurants, game rooms, and even hairdressers and physiotherapy suites. As a result, the types of activities undertaken, the levels of employment generated, and range of occupations found on site are very much company specific. This diversity evident in the sector is not adequately captured via the current planning use classes or standard job densities applied to I&L developments.

As detailed in our Gymshark case study below their diverse operations are being co-located together meaning its premises do not fit solely within either an office (E(g)(i)), research and development (E(g)(ii)), industrial processes (E(g)(iii)), general industrial (B2) or storage and distribution (B8) use class. Nor do any of its different activities operate as ancillary to one another but rather as separate components of a collective whole.

Case Study: Gymshark

Gymshark is a fast growing clothing company which is now expanding across multiple facilities in Blythe Valley Business Park (Solihull) to create a campus style working environment. The large warehouse chosen for their new innovation hub provided Gymshark with the necessary flexibility to house multiple functions, combining production, storage, design studio, innovation and office space, meeting rooms and breakout areas. The building is designed to bring together these diverse uses and the people covering different roles to promote innovation and integration across a number of functions.

Source: GymShark

Case Study: Bidfood

Purpose-built for Bidfood, the 117,400 sqft premises in the Slough Trading Estate include 22,000 sqft of head office accommodation arranged across three floors for marketing, commercial, quality control, finance, IT, customer services and telesales personnel. The remaining floorspace includes a customer presentation suite, temperature-controlled warehouse and distribution facility.

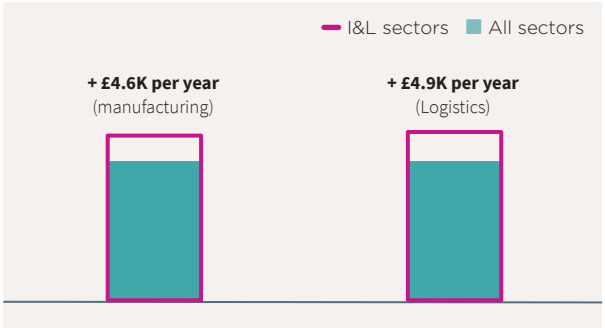
Source: SEGRO

Diverse and better paid occupations

The I&L sector is subject to several misconceptions about average pay levels, skills required, and types of spaces provided. It is not a low paid[19], low skilled employer, in fact, the reality is very different.

Firstly, average pay is higher than the UK average. Data from the Office for National Statistics (ONS) show annual wages above average at +£4,600 for Manufacturing and +£4,900 for Logistics.

I&L jobs pay more



Source: ONS (2021) ASHE, UK Gross Annual Pay in 2020

Secondly, while other sectors have contracted during the Covid pandemic the I&L sector has continued to expand. Data on online job ads tracked by ONS via Adzuna indicate that job postings have increased by three times for transport & logistics roles and two and a half times for manufacturing roles since the start of the pandemic[20]. Two notable examples behind these statistics are the John Lewis Partnership and Amazon:

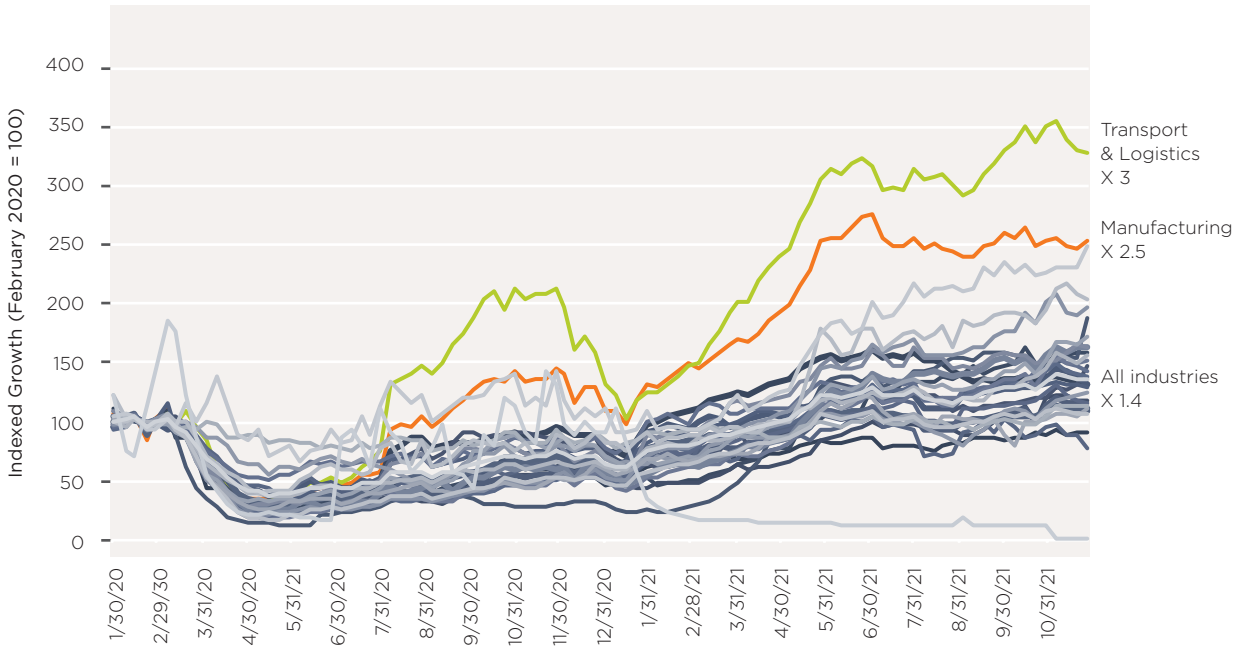
- The John Lewis Partnership is recruiting more than 550 permanent full-time driver and warehouse partner roles across their distribution centres and Waitrose.com and John Lewis.com customer delivery centres[21]; and

- Amazon committed to recruit 20,000 temporary staff for the busy Christmas period across its network of fulfilment centres, sort centres and delivery stations[22]. These are in addition to the 7,000 permanent jobs it announced in September 2021[23].

"The Industrial & Logistics sector is not a low paid, low skilled employer, in fact, the reality is very different"

I&L job adverts have increased during the pandemic

Up to 3 x more I&L job adverts

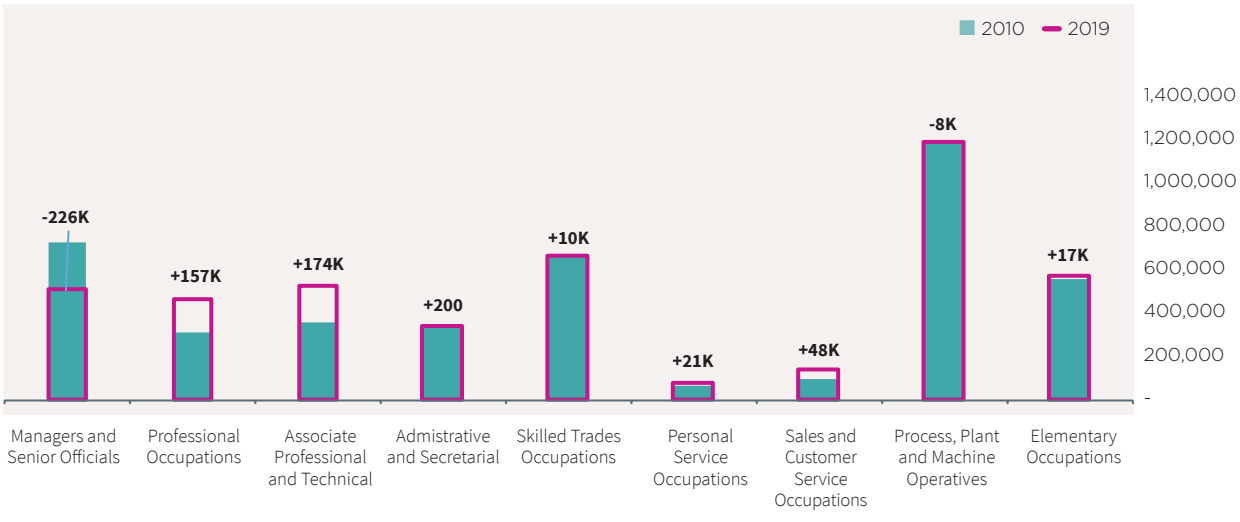


Source: ONS (2021), Online Job Advert Estimates based on Adzuna

Thirdly, I&L jobs have become increasingly diverse over the last decade. At the beginning of the decade the sector had a much more polarised distribution, with a higher share of managers at one end of the spectrum and more plant and machinery operatives and elementary occupations at the other end. Today we see a higher share of Professional and Associate Professional and Technical roles, typically associated with higher-skilled engineering and technological professions.

This is 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. 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 pandemic.

I&L occupations are becoming more diverse



Source: ONS, APS

Case Study: Overclockers

Overclockers are a modern British logistics and e-commerce success story. Initially founded in 1999 as a web retailer of custom 'overclocked' PCs, Overclockers started life trading from a tiny, 400 square foot warehouse in Stoke-on-Trent. It was, in many respects, a precursor to the personalisation and e-commerce boom that has transformed the way Britain likes to shop today. In 2021, following phenomenal business performance during the pandemic, which saw record demand for high performance computers, gaming hardware, and personalisation in the era of working-from-home, Overclockers now employ 107 staff across three areas and will soon move into a new, 100,000 square foot St. Modwen built warehouse.

Overclockers are a traditional logistics business in the sense that they receive and ship products to and from Europe, and all over the world. However, the extreme technical personalisation service that they offer to customers – Overclockers configure some of the world's most powerful personal computers – means its workforce is highly skilled, with a significant proportion of the team hired as apprentices and trained on-the-job.

Employing and nurturing a highly skilled, local workforce is not the only service that Overclockers provides to society. Some of its clientele include police forces, who require especially powerful computers to help them solve crimes, Formula One teams, who operate right at the cutting-edge of technology and data, and universities, who have an increasing need for ever-more-powerful computers to help them find solutions for some of the world's most pressing issues, including climate change.

Source: St Modwen

The UK planning system is restricting growth

The strong growth expected in the I&L sector, and the jobs, investment and productivity it will bring, will not materialise unless sufficient land is allocated in the right locations. The planning system is the guardian for allocating land, therefore it is critical the employment evidence which support Local Plans do a more accurate job at assessing future demand.

This issue has been central to the recommendations of other BPF publications, most recently the BPF's Employment Land Manifesto which recommends:

- Introducing a *Presumption in Favour of Logistics Development* within the NPPG when precise criteria are met. This is needed as Local Plans can take years to be adopted and therefore are completely out of kilter with the pace of market changes;
- Ensuring *Local Plans allocate sites in the right locations* to respond to a broad range of market needs;
- Modernising Employment Land Reviews to allow for the utilisation of 'real time' information so that they can be kept up to date; and
- Introducing an *Employment Land Delivery Test* to ensure that a commensurate amount of employment land is brought forward to counterbalance housing and that any employment land lost to other uses is delivered in the right locations. If a local planning authority failed to meet the delivery test, a presumption in favour of sustainable logistics development could be engaged.

The attributes of an optimal I&L location

Source: Savills

Although the National Planning Policy Framework (NPPF) provides a clear and positive policy context to assessing future economic needs, the Planning Practice Guidance that accompanies the NPPF lacks the same clarity. Economic need plays second fiddle to housing need in the guidance, the latter being subject to a standard methodology with a series of unambiguous steps set out to establish the minimum annual housing need for each local authority area.

There is specific reference to the critical role of logistics and the need for market analysis and engagement with stakeholders, but the guidance fails to provide a clear and robust approach to ensuring I&L needs are met. As a consequence, an array of local authority strategies are being adopted resulting, in most cases, too little land being allocated to meet current and future market demand. This is primarily due to these strategies being backwards looking and projecting forward historic trends as a proxy for future demand. As a result, modern day growth drivers are not taken into account, for example: housing growth, online retailing growth, increasing UK freight volumes and the need for larger premises, all of which generate increased demand for I&L land and floorspace. The main NPPG methods for estimating future land needs and their deficiencies are summarised below.

The UK planning system is restricting growth in the I&L sector by not allocating enough land in the right locations

Current NPPG methods are not fit for purpose

Project forward future demand based on either **historic completions** or **historic net absorption** (take up)	Underestimates future need as the **I&L sector** has been **supply constrained for the majority of the last decade**
Consultations with relevant organisations, studies of business trends, and understanding of innovative and changing business models	Not sufficient on its own, most **agents don't take longer term view** which are essential to forecasting employment land need. Transactional focus, not land focus
Demographically derived assessments of current and future local labour supply > usually look at **housing growth** either within LA or wider FEMA	Housing growth at the local level has no relationship to **I&L markets** which have a **more regional** demand profile. A local focus restricts need
Use **3rd party job projections** such as Oxford Economics, Experian, etc. and translate into floorspace requirement	**No transparency** and therefore limited scrutiny. **Do not have a land focus** which is the core requirement to facilitate I&L growth

Source: Savills

The inadequacies of these models and their application is evident in that supply historically has not kept pace with demand. When demand cannot be fully satisfied occupiers vie for limited available space pushing up rents. This is what we have seen over the last decade with 61% rental growth[24], more than double the rate of inflation.

At the national level, the market equilibrium level where supply and demand are broadly in balance and rents are more stable is around 8% availability. This benchmark rate is found in a number of prominent publications such as the GLA's Land for Industry and Transport Supplementary Planning Guidance (SPG). England's I&L market has been below this level for over seven years clearly demonstrating the failure of the current NPPG methods in estimating demand accurately. Put another Net absorption is a leading measure of demand, comparing occupied space (move-ins) versus vacated space (move-outs).

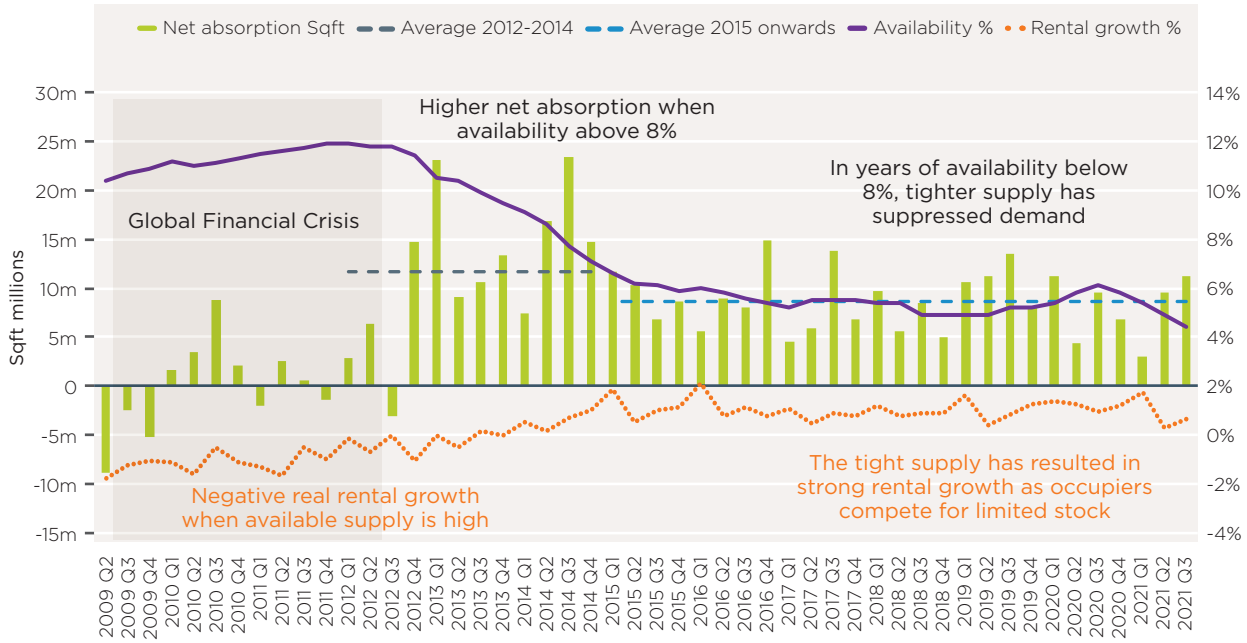
This relationship between supply and demand is clearly shown in the chart below. When available supply was higher at around 10%-12% in 2012-2014 net absorption averaged 47 million sqft per annum (net). This is higher than the average net absorption more recently from 2015-2020 at 34 million sqft (net) despite the UK only having just emerged from the Global Financial Crisis (GFC). The key reason why leasing demand was higher in 2012-2014, despite the impact of the GFC, is that sufficient available supply existed to accommodate demand, even though overall demand was weaker compared to the more recent period post 2015. After 2015, available supply has been well below the equilibrium rate of 8% which has suppressed overall demand as it could not all be accommodated.

A further clear indicator of demand exceeding supply is strong rental growth. As can be seen from the bottom part of the chart real rents[25] have been growing strongly since 2015 when availability dropped below 8%. This is distinct from the period after the GFC (2012-2014) when real rental growth was either negative or zero, indicating there was more than enough supply to meet demand.

Definitions

Net absorption is a leading measure of demand, comparing occupied space (move-ins) versus vacated space (move-outs).

Historic supply constraints have suppressed demand



Source: Savills

To help address the supply / demand imbalance Savills and St Modwen have developed a new methodology built upon the principle of 'suppressed demand' that accounts for demand that has been lost due to supply shortages. The calculation of suppressed demand can then be added to historic demand projections to give a more accurate picture of likely demand into the future.

The high level steps in the Savills / St Modwen employment land estimation model includes:

A. Find a market's equilibrium availability rate: This is around 8% at the national level but can alter slightly from market to market. A market's equilibrium rate is either when rents are broadly stable or when rental growth transitions from being negative or stable to growing strongly year on year.

B. Identify those years when available floorspace was below the equilibrium rate: This involves identifying previous years when availability was below the 8% equilibrium rate.

C. Calculate suppressed demand: Here you calculate how much demand the market should have had in those years of tight supply in order to be at the equilibrium rate. For instance, if the equilibrium rate is 8% but the market had 5% in a given year, the 3% difference needs to be translated into floorspace.

Next, you calculate the average of the ratio between net absorption and available floorspace for every year over the lookback period. This ratio is then applied specifically to the availability uplift that was needed in those years of tight supply to reach the equilibrium rate. This provides a suppressed demand calculation for each year when actual availability was lower than the equilibrium rate. These are then added together to give a total suppressed demand over the lookback period.

D. Add suppressed demand to historic trend: Finally the suppressed demand is added to the historic demand over the lookback period. The annualised figure of this combination can then be projected forward over the Local Plan period to provide a more accurate estimate of future demand.

This methodology when run at the England level estimates future demand will be at least 29% higher than historic levels, equating to a minimum of 44 million sqft per annum (net). A useful cross reference to make here is with the BPF's previous report 'What Warehouse Where?' which estimated each home could generate a need of 69 sqft of warehouse space or 21 million sqft per annum based on the Government's annual housing target of 300,000 homes. While Savills calculations are for both warehousing and industrial demand (i.e. the entire I&L sector), this comparison usefully gives an idea of the significant contribution warehouse needs from new homes will make to overall future I&L demand (of up to 48%).

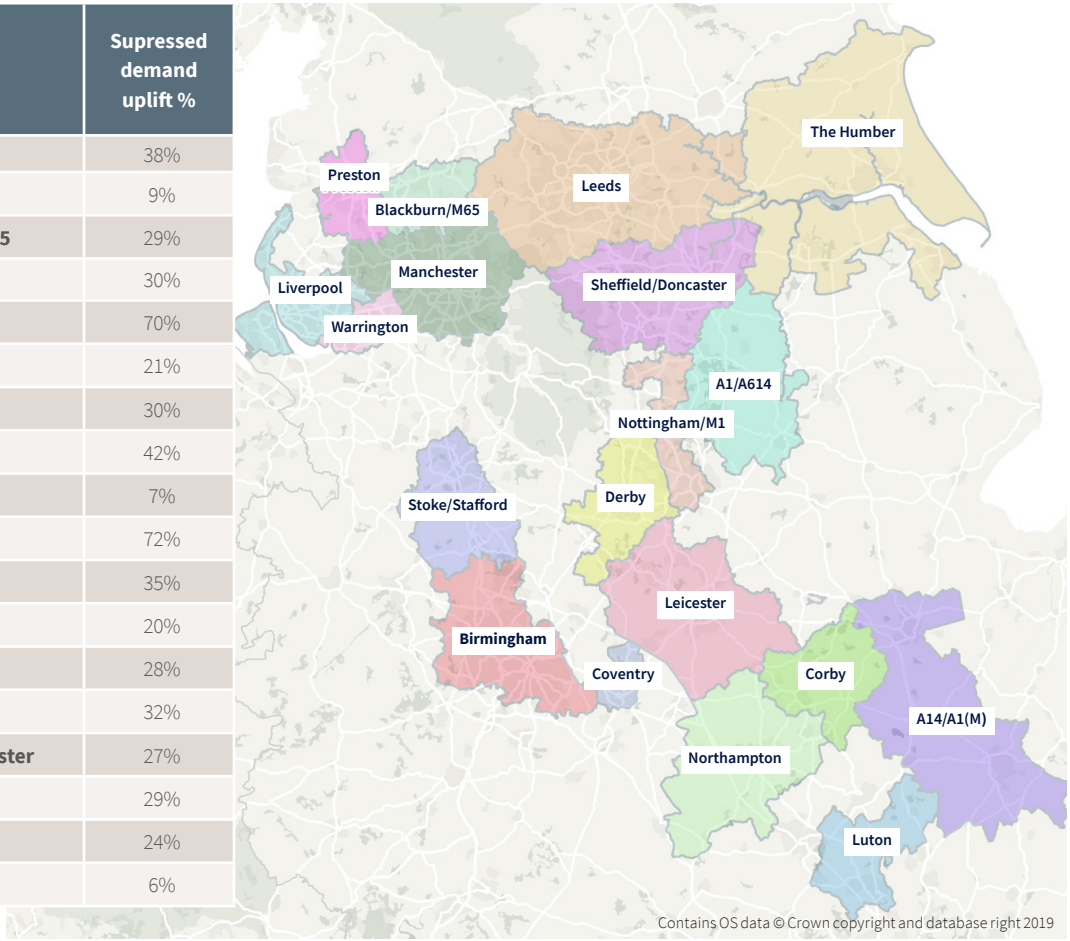
If supply improves in England, future demand p.a. (net) will be at least 29% higher than historic levels

Source: Savills

Savills has tested its suppressed demand model across 19 key I&L markets in England. Many of these markets have historically experienced leasing demand well beyond the supply of available land and floorspace. The percentages on the table indicate how much additional demand (as a minimum) should be planned for in the future within each market above historic levels. While these results are based on wider market areas made up of a collection of local authorities, the model can be run at the national level, the individual local authority level as well as more bespoke market areas.

Markets Tested for Suppressed Demand in England

Market	Supressed demand uplift %
A1/A614	38%
A14/A1(M)	9%
Birmingham/M65	29%
Blackburn/M65	30%
Corby	70%
Coventry	21%
Derby	30%
Leeds	42%
Liverpool	7%
Luton	72%
Manchester	35%
Northampton	20%
Nottingham/M1	28%
Preston	32%
Sheffield/Doncaster	27%
Stoke/Stafford	29%
The Humber	24%
Warrington	6%



Source: Savills 2021

The above suppressed demand figures should be considered minimums as their focus is on correcting past trends by accounting for lost demand due to historic supply constraints. This more accurate historic trend should also be uplifted further to account for current day and future demand drivers, the key ones, as discussed above, being online retailing growth and growth in freight volumes. Savills has developed a method for calculating these factors too (please see below contact details for further information).

For further information on the Savills/St Modwen methodology, please contact either:

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3. Growing Social Value Credentials

I&L development generates direct and indirect jobs and substantial social value in the form of training and apprenticeships

The social value of I&L supply chains

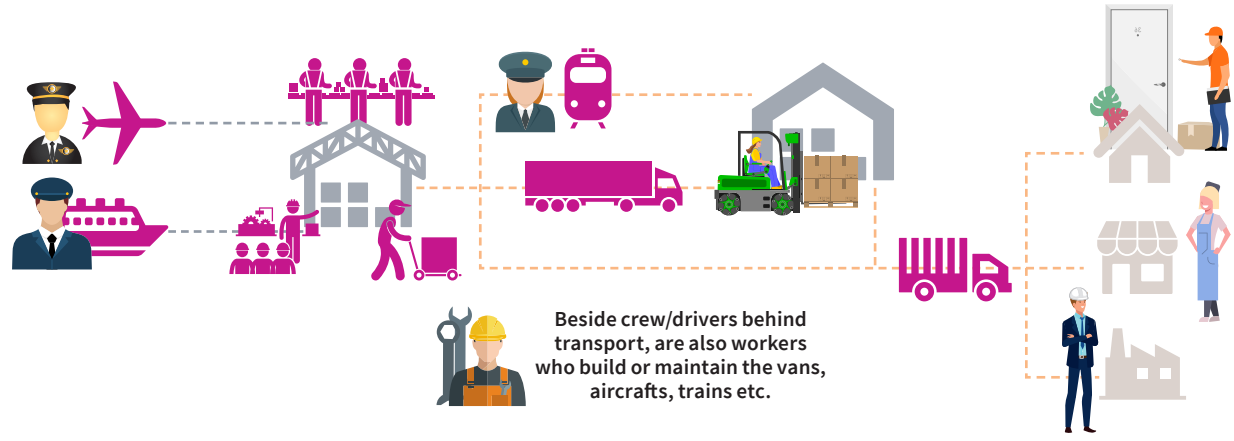
I&L developments generate significant jobs and economic benefits as part of their wider supply chains in addition to onsite employment. In turn, these economic benefits create social value in the form of apprenticeships, training and upskilling opportunities for local people.

I&L jobs range from entry level graduates to highly skilled engineering and management roles. This wider supply chain employment is often overlooked in favour of the higher on-site job densities for retail and office uses. However, in many cases, the office and retail jobs envisaged in Local Plans are not created given these uses are unviable to build in many locations throughout the country.

In terms of wider supply chain employment, production plants and warehouses require goods to be transported and delivered between their suppliers and end use customers. This creates the need for drivers of Heavy Goods Vehicles (HGVs) and Light Goods Vehicles (LGVs). LGV licences alone have increased by 83% over the last two decades[26] in response to the rise in online shopping and subsequent expansion of the I&L sector. This increase in HGVs and LGVs creates jobs involved in their manufacture, maintenance and repair.

The growth of the UK's freight industry also creates significant jobs. 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.

Employment within wider I&L supply chains



Source: Savills

As discussed above, the sector has also increased its share significantly of professional occupations (plus 157k) and associate professional and technical roles (plus 174k) over the last decade. Many of these roles are involved in supply chain management, engineering linked to the sector's increased automation, sales and marketing and even research and development into future advancements such as drone deliveries and autonomous driving vehicles.

The sector also generates significant construction and apprenticeship roles which will increase further as it expands into the future. As discussed earlier, Savills estimate future I&L needs in England to be at least an additional 44 million sqft (net) per annum. This is an uplift of 29% against the historic 10 year trend and accounts for suppressed demand (i.e. demand that has not been accommodated historically due to the lack of available supply). This future demand, if facilitated via the bringing forward of ample land supply, will give rise to a vast construction programme that will support 45,400 jobs per annum. Of these, 400 construction apprenticeships will be created each year, delivering a social value of over £7.8 million per annum[27]. Based on Savills research on local procurement benefits, we expect this construction programme to generate £440 million of social value benefits for local communities[28].

The I&L sector also delivers on average 41,100 apprenticeships starts per annum[29]. This is particularly important given the high levels of youth unemployment in England which currently stands at 14.6%[30]. If the sector is able to expand consistent with Savills estimate of future demand, the number of apprenticeships could grow to 53,000 starts annually; which is equivalent to over half a million apprenticeships over the next 10 years.

Case Study: From unemployed to full-time, permanent employee

Jehan's journey to employment shows her determination to seize the opportunity enabled by I&L development at Hinckley Park and Mercia Park. Below are some excerpts from Jehan's story as told on winvic.co.uk.

"Back in April 2019 I was unemployed and my Jobcentre Plus assessor told me about a jobs fair that was taking place. I spoke to a number of different organisations and businesses there but one offering that really caught my attention was a training course being offered by North Warwickshire and South Leicestershire College, IM Properties, Winvic and a local groundworks subcontractor, which focused on groundworks and health and safety. […]

I was accepted on to the three-week course and in June 2019 I walked into a college classroom as the only female out of 22 attendees – I didn't feel apprehensive about this, but instead, I thought prove you can do it and see what happens. The first week focused on employability skills, such as interview techniques, the second was all about groundworks – and this was all on-site at Hinckley Park as the earthworks were being undertaken there – and the last was back in the classroom for health and safety training, sitting exams and a job interview with a Winvic groundworks subcontractor on the project."

Upon completion of the course, Jehan obtained her CSCS card, an employability certificate and a City and Guilds Level 1 in Health and Safety. The subcontractor she had the interview with passed on her CV to their network and in November 2020 Jehan was invited to an interview with Winvic's HSEQ Director Ian Goodhead, for a Covid Marshall role at the fit-out project at Hinckley Park. A week later she was already on site to start her new job.

After her Covid Marshall role ended she started to look for other options. "When discussing potential options with Ian

Goodhead, a position at IM Properties site, Mercia Park was mentioned to me. I had an interview with my now Project Manager Frank Hayes and HSEQ Manager David Powell, I'm happy to say that I'm now an Assistant Site Manager. I've now undertaken my Fire Marshall, Fire Co-ordinator, First Aid, IPAF, cherry picker, scissor lift and Confined Space Management training and I'm about to undertake my Temporary Works Co-ordinator Training and NEBOSH, which I'm hoping to complete it over six to eight weeks via distance learning.

In one way it's still hard to believe that a three-week training course through attending a jobs fair has really led me to a complete career change, a stable job in an area I was interested in AND that it's with a successful and supportive company!"

Source: https://www.winvic.co.uk/news/how-laying-social-value-foundations-constructs-new-careers-meet-jehan-our-latest-assistant-site-manager/

Case Study: GLP Centre of Logistics Education & Research (CLEAR) at Magna Park Lutterworth

The Centre for Logistics, Education and Research (CLEAR) is a research, innovation, education, and training facility that is being developed through a partnership between industry and education in Magna Park, Lutterworth. CLEAR will provide skills training and professional development at all levels across the spectrum of logistics and supply chain roles, creating training pathways of progression for new entrants and established talent alike. The centre will give students the opportunity to learn while they earn via a portfolio of work based, facility based or online learning options. Delivery of training will be by North Warwickshire and South Leicestershire College (NWSLC) and Aston University, working in partnership to ensure that CLEAR offers training pathways of progression. Together they have complementary skills and expertise that allows for the 'one stop shop' delivery of a fully integrated and holistic programme of applied research, education, training and professional development.

Source: https://www.nwslc.ac.uk/, GLP

Case Study: Prologis Education Hub at DIRFT

The Education Hub is a 9,551 sqft centre for logistics training and education that can be used by occupiers at Daventry International Rail Freight Terminal (DIRFT). The building has three distinct areas, a reception and café, three flexible training rooms and three smaller meeting rooms. The Hub is also home to the Prologis Warehousing and Logistics Training Programme (PWLTP), a digital learning and development programme aimed at training those leaving education and re-skilling the unemployed by equipping them with the knowledge needed to pursue a career in logistics.

Source: Stephen + George[31], Prologis

The I&L sector can play a pivotal role as part of the Government's levelling up agenda

The Levelling Up Agenda

Traditionally, there has been a North-South divide in the UK whereby regions in the South[32] perform better across a number of socio-economic indicators compared to regions in the North[33]. The Government has repeatedly tried to address this issue for a long time with initiatives aimed at 'rebalancing' the economy and a Levelling Up White Paper due to be published in the coming months.

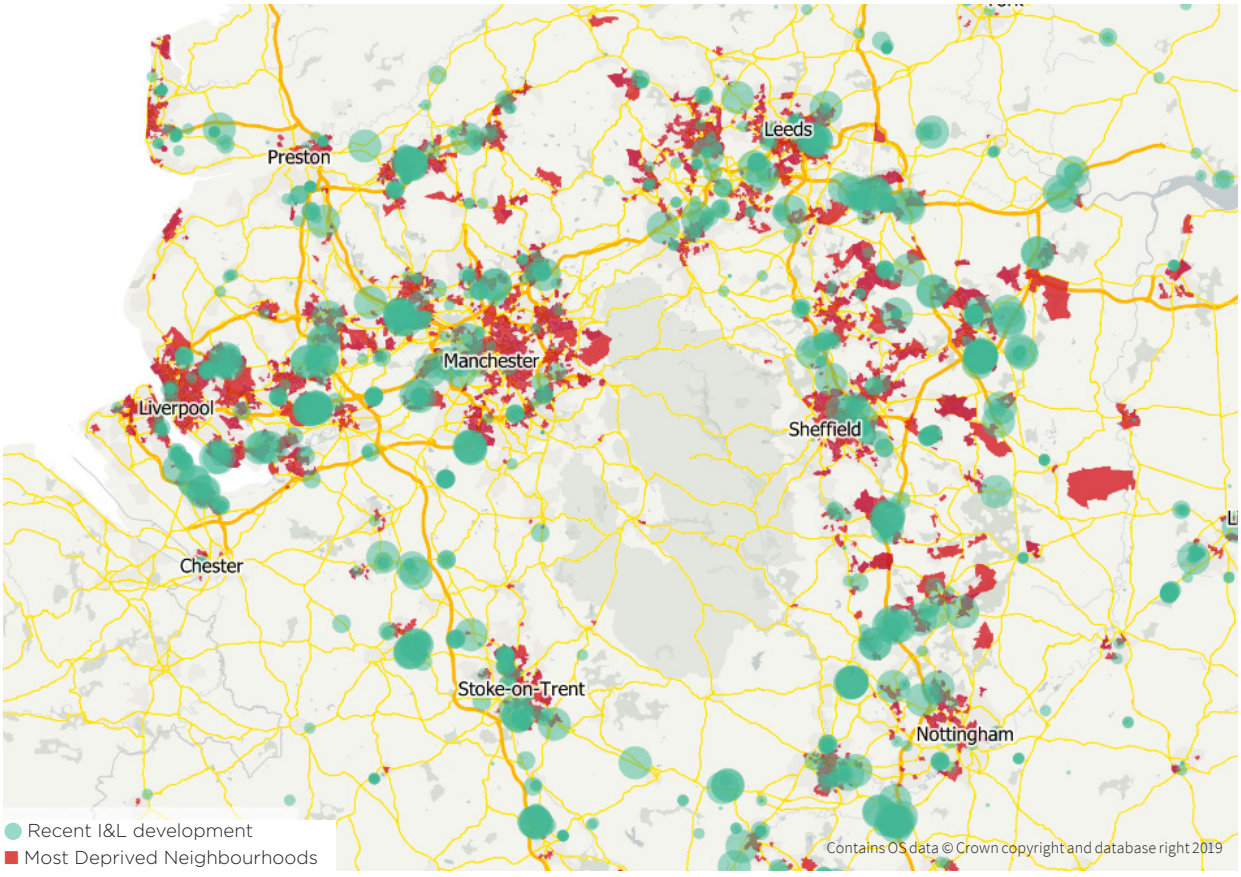
The I&L sector can play a pivotal role as part of the Government's levelling up agenda. In GVA terms, the South accounts for 63% of England's total GVA while the North accounts for only 37%. However, over the last five years I&L demand (net absorption) in the North has accounted for 70% of the country's total demand. Looking at a more granular level, a region such as the East Midlands that accounts for 7% of the country's GVA, has attracted 19% of the country's I&L demand in the last five years.

This strong growth in I&L in the North equates to circa 113 million sqft of net additional floorspace[34] or 117,000 jobs[35] over the last five years. As discussed above the sector provides a diverse range of jobs with higher levels of pay and GVA compared to the 'all sector' average. These jobs will be crucial in bridging the GVA and productivity gap between the North and South.

Another key focus is to provide better job opportunities for deprived communities outside the South East. The chart below show that the hotspots for I&L investment over the last five years are located nearby to deprived communities demonstrating the important role the sector can play in providing access to local jobs.

The Planning System is starting to recognise the link between I&L jobs and helping address deprivation. For example, in a recent called-in decision[36] for an I&L development in St Helens, the Secretary of State agreed with the Inspector that the jobs brought about by the development "would have a tangible benefit to the local economy and would provide an early opportunity to help address […] deprivation issues".

I&L investment is located nearby deprived areas in the North



Source: Savills 2021

I&L investment can aid the delivery of new housing

Tackling the under-supply of homes has now been at the forefront of the planning system's objectives for many years. Major I&L investments are increasingly becoming integral to the delivery of new homes. Some key advantages of bringing forward I&L development alongside residential include:

- The strong I&L market can achieve healthy uplifts in land value and therefore can usefully contribute to funding strategic infrastructure such as new and improved motorway junctions and link roads. This infrastructure is also critical to enabling new residential development. Many other commercial uses on the other hand are viability challenged and in many cases are unable to make an upfront contribution to wider infrastructure provision.

- Given the strength of occupier demand, the I&L component of Garden Villages and other mixed use developments can be delivered quickly creating local job opportunities for the new incoming residential population. This can support higher levels of self-containment (i.e. local people living and working locally) and higher usage of greener modes of transport (i.e. walking, cycling and public transport) given the reduced distances people are travelling to work. The creation of early jobs is also vital given other commercial uses such as office, retail and leisure uses within town centres typically take longer to come forward as they require a critical mass of housing to be in place to underpin their demand.

Some current examples of I&L investment helping to deliver residential development include:

- Linmere in Houghton Regis (see case study box)

- Hayes Nestle Factory (see case study box)

- Milton Keynes East, which has recently gained outline planning permission and is set to deliver 5,000 homes and 105ha of logistics led employment. The delivery of the employment land at J14 will open the site up and deliver the initial supporting infrastructure.

Case Study: Linmere in Houghton Regis

Linmere in Houghton Regis is a 5,100 unit residential development with an infrastructure cost of approximately £100 million and requiring an upfront payment of £45 million towards the M1/A5 link. The infrastructure payments significantly impacted viability and meant the development could not achieve the level of returns required. However, the Site included 1.23 million sq ft of B8 which was sold to Lidl in a £90 million deal facilitated by Savills. This made the development almost cost neutral and enabled the consortium of owners to progress with servicing and selling the residential units.

Source: Houghton Regis News Desk, http://www.hrnd.co.uk/2013/01/green-field-sites-around-houghton-regis.html

Case Study: Hayes Nestle Factory

Following Nestle's announcement in 2012 to close the former coffee factory, the site is being regenerated to deliver over 1,386 new homes, alongside a 240,000 sq. ft industrial park. The scheme is being brought forward by SEGRO and Barratt London and will create at least 500 permanent jobs and deliver over 3 hectares of public open space, a 1.3 km trim trail and 300 m of canal frontage for the community to enjoy.

Source: SEGRO

More than just warehouses and factories

While the office sector has outwardly embraced health and wellness as part of building design for some time, it has raced up the agenda within the I&L sector recently. I&L developers and occupiers are increasingly adopting the WELL Building Standard which is delivering a more human-centric approach to the design of I&L premises.

The Seven Concepts of the WELL Building Standard

1. Air: Optimise and achieve indoor air quality. Strategies include removal of airborne contaminants, prevention and purification.

2. Water: Optimise water quality while promoting accessibility. Strategies include removal of contaminants through filtration and treatment, and strategic placement.

3. Nourishment: Encourage healthy eating habits by providing occupants with healthier food choices, behavioural cues, and knowledge about nutrient quality.

4. Light: Minimise disruption to the body's circadian rhythm. Requrements for window performance and design, light output and lighting controls, and task-appropriate illumination levels are included to improve energy, mood and productivity.

5. Fitness: Utilise building design technologies and knowledge-based strategies to encourage physical activity. Requirements are designed to provide numerous opportunities for activity and exertion, enabling occupants to accommodate fitness regimens within their daily schedule.

6. Comfort: Create an indoor environment that is distraction-free, productive and soothing. Solutions include design standards and recommendations, thermal and acoustic controllability, and policy implementation covering acoustic and thermal parameters that are known sources of discomfort.

7. Mind: Support mental and emotional health, providing the occupant with regular feedback and knowledge about their environment through design elements, relaxation spaces and state-of-the-art technology.

The attractiveness of a work location is largely determined by the presence of green space around it

This includes building design issues such as south facing offices, making best use of attractive views, natural lighting, improved ventilation, drinking water stations, creating break out and relaxation spaces for staff and in some instances the inclusion of health and childcare facilities.

External to the building there is an increasing emphasis on making better use of outdoor amenity areas such as natural spaces for increased biodiversity, sitting and relaxing, or for sports facilities such as running tracks and football courts for exercise. These trends are consistent with the results of Savills What Workers Want survey which found that, generally speaking, the attractiveness of a work location is largely determined by the presence of green space near or around it.

These human-centric design approaches help to attract staff and keep them happy, which in turn drives productivity. As discussed, the sector's growth has meant that some workers who previously worked in other sectors such as office and retail, now work within I&L and demand these types of facilities. While the sector has increasingly become automated it is still very much being driven by people[37].

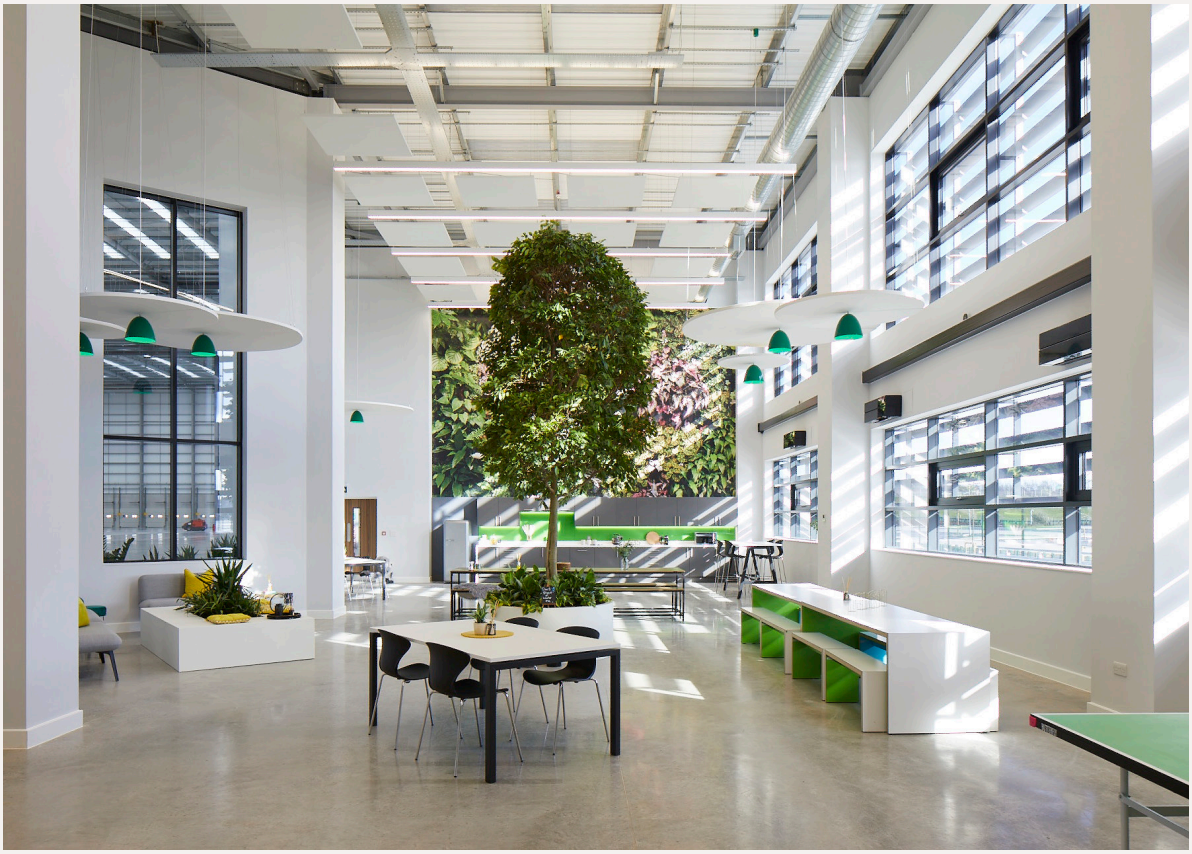
Case Study: Baytree, Dagenham Essex

The scheme is to include a variety of sustainable building features leading to WELL accreditation including external gym equipment, solar photovoltaics linked to battery storage, electric vehicle charging stations, air source heat pumps, enhanced use of recycled and recyclable materials, prefabricated building elements, low energy LED lighting and a super airtight, insulated building envelope, all of which will be constructed within an enhanced landscape environment.

Source: https://www.baytree.com/wp-content/uploads/2017/03/17-03-01-Baytree-commences-first-phase-development-at-its-East-London-....pdf
https://www.chetwoods.com/projects/baytree/

Case Study: DC535 at Prologis DIRFT

DC535 has a living tree as the centrepiece in a light, bright atrium area designed to help employees relax and connect with nature. DC535 also has an employee gym which makes use of natural light, and has a number of green spaces around the building to promote employee wellbeing.



Source: https://prologis.co.uk/wp-content/uploads/2021/01/200226_Prologis_DIRFT_0335.jpg

4. A Green Recovery 'Boxed'

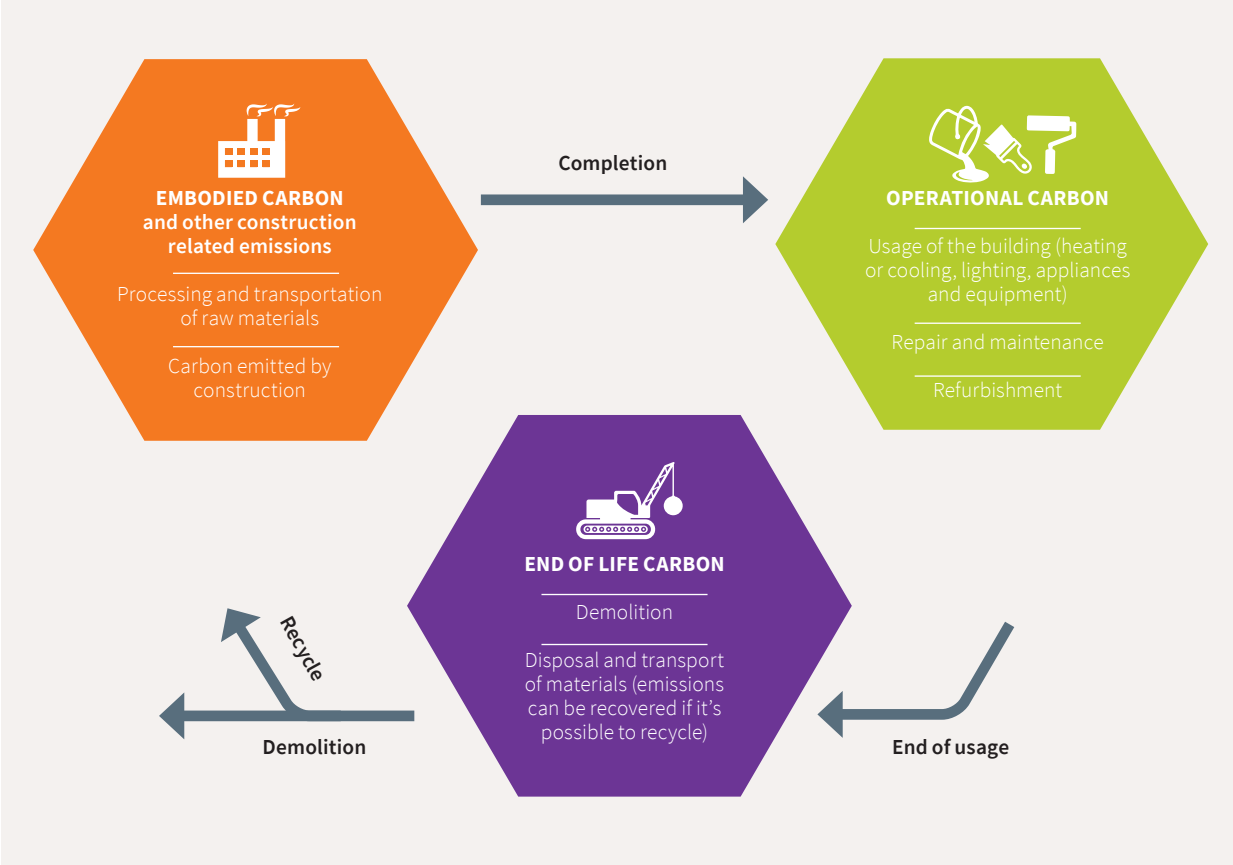
To reduce carbon emissions, interventions have to be made in the construction, operation and demolition of buildings. This is leading to innovations across all phases of an I&L property's life cycle

The Green Evolution of I&L Premises

In 2019, the UK Government and the devolved administrations committed to bring all greenhouse gas emissions to net zero by 2050, in line with recommendations made by the Committee on Climate Change. However, the Government has subsequently clarified this includes shipping and aviation emissions, which means that the rest of the economy needs to decarbonise much sooner, effectively by the very early 2030s. Reaching net zero greenhouse gas emissions requires extensive changes across the economy, and real estate has a key role to play. Every building has embodied, operational and end of life carbon emissions and the built environment contributes 40% of the UK's carbon footprint.

This drive to lower emissions is pushing companies to take a close look at the real estate they occupy to make sure it is in line with Government carbon reduction policies. This is driving a range of innovative solutions that improve the environmental performance of I&L buildings. A Savills survey of logistics occupiers found that 'green/sustainability features' have climbed from 11th to the 6th most important warehouse feature[38].

The Sources of Carbon Across the Cycle of Property



Source: Savills

Embodied Carbon

It is accepted that in today's world, net zero carbon in construction cannot be achieved without an element of carbon offset, but initiatives are under way to further reduce the embodied carbon in construction, including:

- Design for long life, re-use and flexibility
- Using recycled materials or materials that contain a high level of recycled content
- More elegant, efficient design
- Modern methods of construction, off-site manufacture and design for less material and less waste
- Cement alternatives in concrete
- Alternative methods of concrete production
- Increased use of low carbon products, such as cross laminated timber, in lieu of high carbon materials such as steelwork
- Sourcing materials responsibly and as local as possible, with particular consideration to steel
- Using local workforce
- Liaising with contractors and suppliers to reduce their embodied carbon
- Engineering solutions to reduce imported hardcore to site

The embodied carbon footprint of some typically carbon-intensive materials and components can be reduced by using low-carbon building materials. Using cement replacement in concrete and recycled materials in new warehouse construction delivers significant environmental benefits, including minimising transportation-related greenhouse gas emissions and diverting a large percentage of construction waste from landfill. For example, GLP use GGBS (Ground Granulated Blast-Furnace Slag) in concrete as a cement replacement which reduces the embodied carbon of the concrete as GGBS is a bi-product from the steel industry[39].

Case Study: GLP Magnitude 314, Magna Park

Magnitude 314 is 29,200 sqm warehouse with 1,500 m2 of office area located at GLP's flagship logistics park Magna Park Milton Keynes. The development has been officially verified as the world's first Net Zero carbon for construction in line with the UKGBC Net Zero Carbon Buildings Framework Definition. The building was designed to WELL principles and has achieved both a BREEAM Excellent and EPC A rating. Overall, the design has resulted in a 25.8% reduction in embodied carbon compared to a standard logistics building.

Key members of the building supply chain including material manufacturers and component suppliers were asked to provide a complete breakdown and assessment of the products being supplied including details of their origin, embodied carbon value and whether the product can be reused or recycled. Chetwoods, Thrive and Circular Ecology, along with other leaders in their fields were engaged to help the design team and wider supply chain collaborate and reduce as much embodied carbon as possible.

The building was designed to be flexibly adapted by future occupiers. The roof structural capacity allowed for future installation of Solar PV, once an occupier was in place and their energy load was calculated. Magnitude 314 is now occupied by Royal Mail. The delivery of Magnitude 314 also performed high in social value terms, resulting in over 39% of added social value against a contract value of £12 million. This was well above the expectation of 10-15% of social value delivery for similar construction projects.

Source: GLP

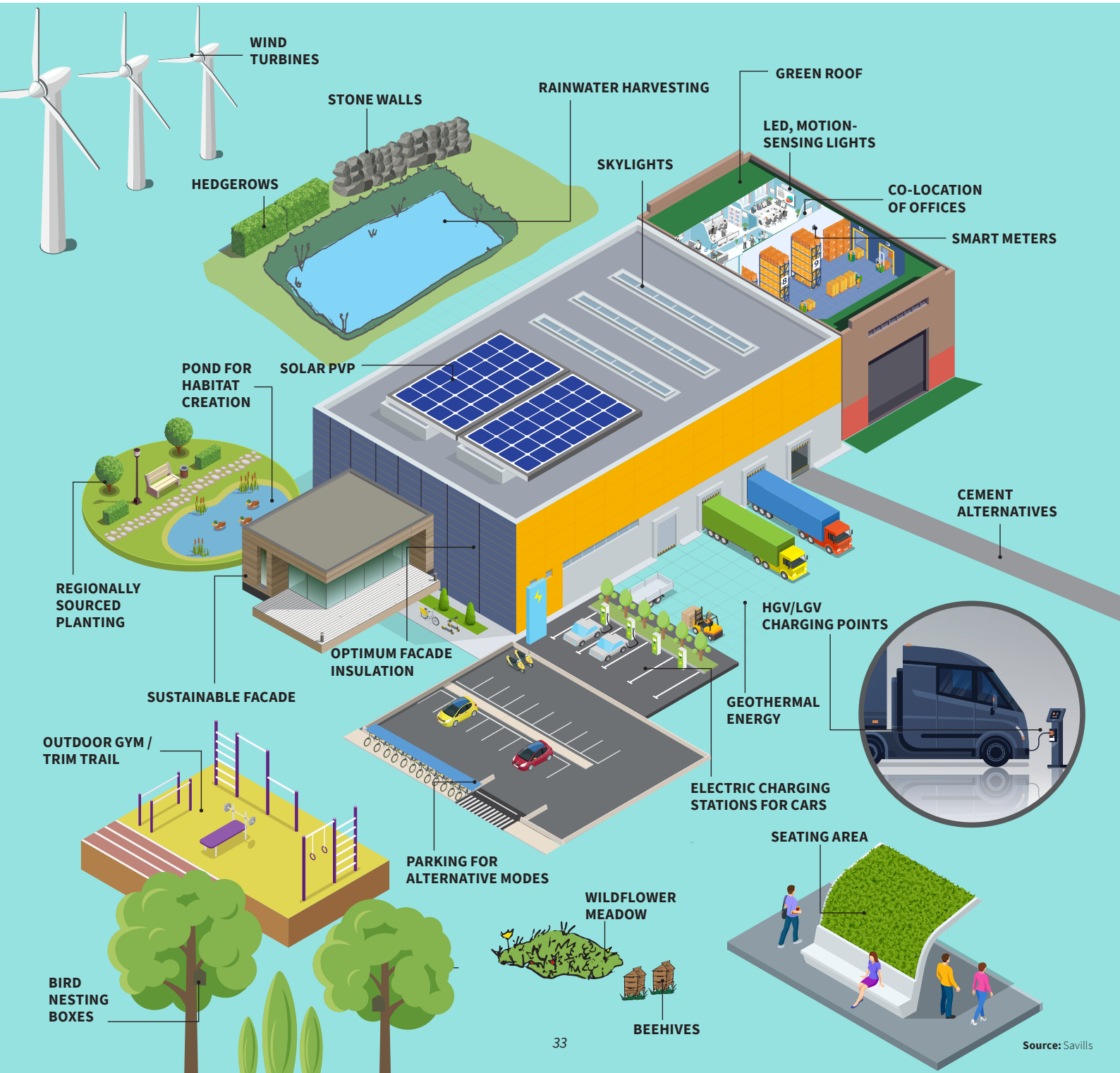
Operations

Energy efficiency during operations can be achieved by addressing both energy demand and energy supply. The former is about reducing the inherent energy demand a building requires to operate, while the latter is about decarbonising the development's energy supply via the use of renewable sources.

The energy demand of large I&L sites has generally been increasing in recent years, driven by growth in certain occupier types such as data centres and cold storage, both of which have heavy cooling demands. This trend is expected to continue over the next decade as we see the increased use of automation and the electrification of transport.

The image below outlines a number of solutions that improve the environmental performance of an I&L building during its operational phase.

The Green Evolution of I&L units



Source: Savills

Lighting is typically one of the largest contributors to a warehouse's energy demand

Reducing Energy Demand

The UK Green Building Council (UKGBC) states that reductions in energy demand and consumption should be prioritised over all other measures prior to implementing on-site renewable energy sources[40]. I&L operators are achieving this in a number of ways.

Lighting is typically one of the largest contributors to a warehouse's energy demand. Below are some popular solutions:

a. Skylights and clerestory windows lower electricity use and associated greenhouse gas emissions and improve indoor environmental quality for warehouse personnel. Skylights avoid light pollution.

b. LED can lower a building's total energy consumption, as well as reduce heat generation. A transition to LED technology can cut consumption between 60-80% compared to other lighting types[41]. LED bulbs also last much longer than all other forms of lighting, which means replacing lighting far less often, resulting in significant cost savings.

c. Sensors, such as motion-sensing lights, as well as sub-meters on machinery, appliances and other equipment. Motion sensors which switch energy-efficient LED lighting on and off as workers move through the space result in a 53% energy reduction from conventional LEDs. For example, all Panattoni buildings include 15% roof lights, and their intelligent lighting systems result in a reduction in electricity consumption by up to 70%[42].

High-reflectance roof membranes such as white thermoplastic polyolefin (TPO) roofing can reduce the building's energy consumption by reflecting more sunlight, with solar gain during the day and loss of heat at night. Benefits include lower indoor temperatures and greater comfort for occupiers, reduced Heating, Ventilation, and Air Conditioning (HVAC) costs, and reduced cost of roof maintenance and replacement.

Compounds and chemicals with non-petroleum bases such as low-emitting sealants, adhesives and carpet systems, also help to conserve non-renewable resources and improve indoor air quality for a healthier working environment.

Parking for alternative modes of transportation, for example bicycle, eScooters and eBikes, EV, hybrid and carpool vehicles, encourages lifestyle choices that reduce carbon emissions and promote health and wellbeing.

Smart meters allow occupiers to track and reduce energy consumption.

Improving Energy Supply

Using renewable energy sources and becoming self-sustainable is increasingly a target for I&L occupiers as it decreases operational costs as well as environmental impacts.

The flat roofs of large I&L buildings are ideal candidates to house solar photovoltaic panels (PV). According to Savills' research and depending on the internal systems, new warehouse development can be nearly energy independent if at least 40% of the roof space is used for PV installation. New development can be designed so that solar PV can achieve a much higher roof coverage. For example Parker Steel's storage facility at Shoreham Port was retro-fitted with around 95% of the roof surface covered by solar PV.

Power resilience is already raised by some occupiers as a growing concern but the full extent of this risk is generally not well understood within the sector. Many organisations overlook the fact that power may not be available at an affordable price without new contract structures or on-site generation. We expect power availability to become a more pressing subject as constraints start to crop up across occupiers' portfolios with the adoption of new technologies that are hungry for electricity, and the roll out of electric vehicles, electric heating and wider decarbonisation.

Distribution Network Operators' (DNOs') strategies tend to respond well to national policy objectives, but lack alignment with local government plans. This can result in a disconnect between where local authorities are planning growth and where DNOs are investing, which can lead to site allocations lacking sufficient energy capacity. This is one area where much more work is needed to align the power grid with opportunities to decarbonise. To this end, engagement in Local Plan making would be welcomed.

While constraints in energy availability can deter development and slow the growth of the I&L sector, they are also pushing developers and occupiers to come up with innovative sustainable solutions to reduce their reliance on the power grid, especially when availability is constrained at peak times. A solution is to decentralise a site's energy supply by building in a private network. This is likely to mean equipping sites with battery storage and on-site energy generation like solar, wind or hydrogen, so that they can more effectively manage on-site demand.

Below are some of the popular solutions:

Solar PVP can be installed on roofs and provide significant energy capacity. For example, DPD's Hub 5 in Hinckley, Leicestershire, has a Solar PV system comprising over 6,000 panels providing an output of 2.4 MW. The power generated by the system enables the hub offices to operate off grid during daytime working hours. Barriers to installation of solar PV will need to be addressed in order to meet net zero targets.

■ **Borehole thermal energy storage** stores heat underground during warm months and pumps it back into the building during winter months to meet heating demands.

■ **Electric air source heat pumps** also offer a solution to drive down the environmental impacts of buildings. They use electricity to move ambient heat energy into or out of a building's interior, enabling Heating, Ventilation, and Air Conditioning (HVAC) systems to operate without burning fossil fuels.

■ In some circumstances, **water source heat pumps** might be attractive where a large water body is nearby and the infrastructure can be installed in the water body without ecological harm.

■ **Hydrogen fuel cells** generate power without carbon emissions – the only emission being water vapour – and can be applied to a broad spectrum of transport vehicles including trucks used for distribution and automated forklifts used to shift goods around within I&L facilities. This technology provides improved energy density and allows for significantly longer driving times compared to electric vehicles.

■ **Wind farms** offer a source of green energy typically generated off-site. Occupiers can supply their site with this form of renewable energy by choosing energy providers that source electricity from wind farms.

Case Study: DPD, Symmetry Park, Bicester

The 60,000 sq ft hub at Symmetry Park, Bicester is Tritax Symmetry, and DPD's, first 'net zero carbon in construction' building, as regulated by the UK Green Building Council (UKGBC).

Locally sourced A and A+ rated construction materials were used wherever possible, with associated low embodied carbon impact. Timber was also sourced from certified and renewable Forestry Stewardship Council (FSC) approved sources. Low energy and zero carbon design principles were incorporated into the scheme from the start. Reduction in energy demand is achieved using efficient fabric and shading design to reduce heating and cooling demand, and natural daylighting to reduce artificial lighting demand.

The unit also implemented smart energy/building management systems to provide automatic monitoring and targeting of all sub-meters to promote energy management and deliver lower consumption. This measure alone reduced the inherent energy demand of the building by approximately 12%, and the carbon dioxide emissions by approximately 40%. The building design incorporates air source heat pumps for heating and cooling, 5,500 sq ft of solar panels (25% of useable roof area), while the design and building materials used help deliver an 82% improvement in airtightness. The remaining useable roof area is designed to take further solar panels as required by any increase in consumption from DPD in the future, most likely through additional EV charging points. The site also boasts 30 electric vehicle (EV) charging points with ducts provided to the service yard and car park for future installation of further car, van and HGV charging points.

The landscape strategy prepared for the development added to the existing ecological resource through the creation of new habitats interconnected with the existing retained habitats. This included the creation of new seasonal wet areas to enhance the local amphibian population, and to provide an aquatic habitat resource on the Site which was previously not present.

Overall, there was a reduction of 500 tonnes of carbon in the construction process, with the remaining carbon being offset through the use of an accredited tree planting scheme in Northamptonshire with over 1,000 trees being planted. In addition, a wind project in India was sponsored, helping develop renewable energy provision in the country.

Source: Tritax Symmetry

Water Management

Solutions to reduce the use of fresh water include:

- motion-activated faucets,
- rain water harvesting,
- grey water recycling,
- low-flow toilets,
- waterless urinals,
- captured rainwater for irrigation.

Towards Greener Distribution Networks

The sector's drive to decarbonise doesn't stop at its facilities. The largest contributing sector to the UK's carbon emissions at 27% is transport[43]. Even though HGVs and vans account for a smaller share of emissions than cars and taxis, they are still linked to over a third of all road transport emissions. This means that the I&L sector can make a significant contribution to the reduction of the UK's carbon emissions by decarbonising its distribution networks.

Policies such as zero and low emission zones, and the recent Government's pledge to phase out the sale of petrol and diesel HGVs by 2040 are strong drivers for the sector's decarbonisation. Based on Savills research we expect that the commercial sector will transition faster to more sustainable transport than private households. This is due to the increasing costs of running commercial vehicles as a result of policy changes discussed above, which will favour the switch from conventional fuel to EVs or alternative fuels such as compressed natural gas.

Compressed natural gas, although a fossil fuel, is considered a low carbon alternative to diesel and is seen as a stepping stone towards hydrogen. This is because of similarities in the type of engines used and the way the gas is handled.

For example, in 2020 John Lewis Partnership announced that they will convert their 600 HGV fleet to biomethane by 2028. CO2 savings from each truck are estimated to exceed 100 tonnes per year. These gas trucks have also the benefit of being quieter, which is especially important for urban deliveries.

The market for HGV EVs is still in its infancy, given the challenges arising from their large size and the considerable distances they travel. However, EVs can be more easily deployed for last mile deliveries, given their smaller load and the shorter distance travelled. They also contribute to make urban areas healthier, improving air quality and reducing noise pollution.

I&L occupiers are driving this change by increasing the adoption of EVs and natural gas powered fleets.

DPD is building the largest all-electric delivery fleet in the UK, with over 700 electric vehicles operating throughout England, Scotland and Wales. In July 2021 Oxford has become DPD's first all-electric city, meaning that all parcels delivered by DPD in the city are carried by EVs. This move is part of DPD's wider initiative that will see them go fully electric in 25 cities by 2025, backed by a £111 million investment in EVs. The initiative will deliver 42,000 tonnes of carbon dioxide savings for the UK[44].

Amazon has committed to reaching net zero carbon by 2040 and has announced that it is on a path to powering its global operations with 100% renewable energy by 2025. The company has over 500 e-vans operating in the UK and has installed more than 800 electric charging stations across its UK sites, with hundreds more to follow.

UPS is investing in 10,000 electric vans to be rolled out across the UK, Europe and the US between 2020 and 2024[45].

DHL Express has pledged to make any purchase of new courier vehicles electric in order to achieve a 100% electric UK-wide fleet by 2030. The company has also been experimenting across different transport modes. In 2020 it launched its waterborne delivery service on the river Thames in London and is currently exploring the use of fully electric cargo planes for regional deliveries.

Hermes' parent company Otto Group has committed to become carbon neutral by 2030. Hermes is making a move to EVs to deal with parcel pick up and deliveries from the Hermes ParcelShop service. It is also increasing its fleet of compressed natural gas fuelled vehicles, becoming the largest fleet of this kind in the UK parcel sector.

Enhancing Biodiversity

I&L developments are increasingly delivering landscape improvements that enhance the biodiversity of an area. The delivery of 'pocket parks' is becoming more and more popular. These are green spaces that can be found within or adjacent to an I&L development that provide outside relaxation space for workers and can also benefit the wider local community. For example, SEGRO's pocket park on the Slough Trading Estate has bee hives, hard standing for street food and solar smart benches which provide free WiFi and USB and wireless charging. At Prologis Park in Hemel Hempstead, a pocket park has been created by rejuvenating a neglected area of land and turning it into a green community space, complete with footpaths, landscaping and benches which can be used by the adjoining nursery and residents[46].

A development delivers biodiversity net gain (BNG) if it contributes to an overall increase in biodiversity value measured using Defra's biodiversity metric. The Environmental Act sets total BNG requirements at 10% above the pre-development level. BNG can be achieved by delivering habitat creation and/or enhancement on-site, off-site or by purchasing credits. Savills' involvement in a number of I&L schemes has shown that:

- There is a shortage of specialist ecological expertise to advise both developers and local planning authorities;
- There is a need to assess biodiversity earlier in the process than has traditionally been the case;
- All land that is developed, even for landscaping, is considered to be a BNG loss and no account is taken of other benefits, such as land remediation;
- It will be necessary to assess whether additional land should be acquired to support BNG strategies, as on-site delivery of BNG is cheaper than off-site solutions or payments; and
- LPAs will need to develop systems for allowing purchase of credits and to identify suitable BNG land.

The I&L sector needs to adapt to the environmental "damage cost" approach. Some local planning authorities are already requiring 20% BNG and Government has been trialling metrics for assessing air quality impacts and will extend this approach to include other natural capital impacts, such as nitrate neutrality, water and waste.

The sector should participate in Government consultations on how these metrics will impact I&L. Development of greenfield sites in particular will become more complex and costly unless it is possible to commit through the planning process to environmental net gains in both building design and operation.

Case Study: Example of Developer's Sustainability Commitments – St. Modwen

Net carbon reduction

What it is

To help achieve the global goal to stop average temperatures rising more than 2 degrees, the UN wants everyone – from individuals to global corporations and governments – to decrease the damage to our planet.

Why it's important

The building and construction industry accounts for around 40% (UN) of the world's carbon emissions. Government, local authorities, partners and customers have expectations and targets which must be met or exceeded but a global step-change is needed.

How can we help

- Target ongoing carbon reduction at a business unit and group level
- Embrace design principles that deliver long-term, low-carbon and low-carbon enabled buildings
- Integrate carbon reduction into business policies.

Overarching ambition

Be operationally net zero carbon by 2025 and fully net zero carbon by 2040.

Biodiversity & sustainable environments

What it is

Population growth and social trends mean humans are impacting our natural environment in unprecedented ways. From the destroying of distant rainforests to dying out UK insect breeds and the way we all handle waste, change is high on the agenda.

Why it's important

Our company changes the landscapes of both brown- and greenfield sites so we are directly impacting nature and the land around us. We want to embrace making a virtue of a progressive approach to our natural environment.

How can we help

- Boost biodiversity at our schemes
- Make positive use of the community spaces we create to improve biodiversity
- Only use materials from sustainably managed sources
- Reduce waste by maximising product and material use throughout lifecycles.

Overarching ambition

Be ready by the end of 2020 to achieve a net biodiversity gain of at least 10% associated with all development activity.

Health & Wellbeing

What it is

Good physical and mental health is something everyone strives towards in the pursuit of a happy life. A healthy body and mind allow us to enjoy our surroundings, feel good about ourselves and achieve more.

Why it's important

We want to play our part in helping to support a healthier, happier and engaged workforce because it drives sustainable performance. We also have the potential to impact our customers and communities – through places and products – to boost their wellbeing and enrich their lives.

How can we help

- Support wellbeing programmes within our workplace
- Address the wellbeing of communities in all development plans
- Consider and plan for the wellbeing of contractors and partners.

Overarching ambition

Be bold in our pursuit of wellbeing to boost the happiness, health and satisfaction of our people. Make a meaningful, positive impact on the health and wellbeing of the communities we operate in and the places we deliver.

Responsible operating practices and partnerships

What it is

Having the right operating practices ensures that our responsible approach to business is reflected in the way we carry out our business. It also means working with and influencing our supply chain and partners to ensure quality, mutually beneficial outcomes.

Why it's important

We are many times larger than ourselves through the activities we carry out and the supply chain we use. This gives us the chance to positively affect working practices, from payment terms and job creation to education and our impact on the natural environment.

How can we help

- Safety first for ourselves, our partners and our customers
- Establish and maintain a framework for supply chain alignment, ensuring we work with partners to collectively meet our responsible business goals
- Build and maintain positive partnerships and effective stakeholder engagement and communications
- Build and maintain a culture.

Overarching ambition

We can only fulfil our approach to responsible business by working with our supply chain. During 2020, launch a charter to our partners to inspire, set goals and underpin responsible ways of working.

Case Study: SEGRO's Bee Hives

SEGRO have made bee hives a common feature of many of their developments, with over 150 hives across their portfolio. Each hive holds as many as 50,000 bees during the peak harvesting season, and these bees visit over two million plants within a two mile radius, assisting with the pollination of local plants and crops.

Source: https://www.segro.com/esg/case_studies/our-environment/boidiversity?sc_lang=en

End of Life

Demolition and rebuilding are carbon intensive activities. Transport and disposal of the old materials produces emissions and wastes the embodied carbon that went into the construction of a property in the first place. Giving a new use to an existing building typically arises as a response to changing economic conditions, so that declining sectors can make space for emerging ones.

Modern I&L buildings have the advantage to be lightweight structures which are highly adaptable for a large range of uses. Since they are built for production or storage purposes, they are not typically visited by the general public and their lighting and interior design requirements are much simpler.

The lack of solid walls means that internal spaces can be easily reconfigured and readapted to host a diverse range of light industrial, manufacturing and logistics companies with limited capital costs. They can also be repurposed to provide lab space, leisure facilities, data centres and even health facilities. Temporary hospitals were an essential component of the Government strategy to counter the Covid pandemic. Examples include Exeter's Nightingale Hospital built on a former Homebase site in Sowton Industrial Estate and Sunderland Nightingale Hospital built as a conversion of a former industrial building.

A well designed I&L building should also be easy to deconstruct at end of life, making materials available for reuse or recycling. Steel frames used in I&L properties are much more easily recycled than concrete which is more common in other commercial uses. When delivering a new building, the cataloguing of its materials and components make it easier to pinpoint and identify items of value that can be captured for potential reuse at the building's end of life.

5. Final Recommendations

This report has evidenced the need for an improved method to estimate future I&L land demand. It is clear that demand within the sector has been much higher than supply for most of the last decade which has resulted in extremely low availability and exponential rental growth as occupiers compete for limited available stock. In order for the sector to grow to its full potential and generate the jobs and investment the national economy needs, the planning system has to better estimate future land demand. It is recommended that the Savills and St. Modwen 'suppressed demand' methodology is incorporated within the NPPG to help inform Local Plans.

The evidence within this report also supports a number of previous BPF recommendations outlined in its Employment Land Manifesto (July 21)[47] as discussed below.

Recommendation 1 of the Employment Land Manifesto

Introduce a Presumption in Favour of Logistics Development within the NPPG when precise criteria are met, such as:

- **Easy access and proximity to the strategic highway network.**
- **Ability to provide effective access by non-private car to suit shift working patterns.**
- **Located away from residential development/where there is no unacceptable impact on residential amenity to allow for uninterrupted 24 hour working.**
- **Capable of accommodating large scale buildings in terms of both footprint and height.**
- **Sites which suit the future occupier's needs.**

The Local Plan process is too slow to respond to significant market changing events, such as the COVID-induced acceleration in the growth of e-commerce. As evidenced in the 'An Economic Powerhouse' chapter, the planning system has failed to provide a sufficient level of I&L land to meet demand. This has resulted in the national I&L market becoming supply-constrained for the last seven years, as signalled by availability dropping below the equilibrium threshold of 8%, and high rental growth at twice the rate of inflation.

Recommendation 2 of the Employment Land Manifesto

Ensuring Local Plans allocate logistics sites in the right locations to respond to a broad range of market needs.

The optimal location for I&L occupiers allows them to be close to their suppliers as well as their end customers. For this reason, access to the strategic road network is critical, as it reduces transportation time, costs, and carbon emissions. The strategic road network also allows a site to expand their catchment of intermodal freight facilities, which are critical nodes within logistics networks. An optimal logistics site is also in easy reach of a workforce with a range of skills, and is close to worker amenities. It also requires good availability of utilities, services, and broadband. A dialogue between Distribution Network Operators (DNOs) and Planning Authorities should be encouraged to ensure power is supplied in locations where I&L development is being planned. Employment allocations should be in locations that allow I&L operators to work 24/7 without impediments.

Recommendation 3 of the Employment Land Manifesto

Ensuring the industrial and logistics sector is recognised for its focus on ESG: making a valuable contribution to the Government's Green Industrial Revolution and generating social value.

As discussed in the 'Growing Social Value Credentials' chapter, the I&L sector supports large and diverse supply chains which generate significant economic and social value benefits. As the sector continues to expand so will the number of apprenticeships and training opportunities it supports. The sector is also heavily invested in the central and northern parts of the country and therefore is playing as critical role as part of the Government's 'Levelling-Up' agenda.

As evidenced in the 'Green Recovery 'Boxed'' chapter, I&L buildings are delivering on ESG objectives across all stages of a property's life cycle. Reduction in embodied carbon is being achieved in numerous ways, such as via the use of recycled materials, cement alternatives in concrete, and reliance on local labour force. During the operational phase, energy efficiency can be achieved by addressing both energy demand and energy supply. The former is about reducing the inherent energy demand a building requires to operate, which can be achieved in numerous ways (for example, improving lightings, or installing smart sensors and sub-meters; while the latter is about decarbonising a development's energy supply via the use of renewable sources such PV, wind, etc.). Finally, with regards to the end of life phase, modern I&L buildings have an advantage of being lightweight structures which can be adapted for other uses. They can also be easily repurposed or materials can be catalogued to allow for potential reuse in the future.

Recommendation 7 of the Employment Land Manifesto

Introducing an Employment Land Delivery Test to ensure that a commensurate amount of employment land is brought forward to counterbalance housing and that any employment land lost to other uses is delivered in the right locations. If a local planning authority failed to meet the delivery test, a presumption in favour of sustainable logistics development could be engaged.

I&L facilities and their supply chains support the functioning of our economy and the way we live our lives. One of the biggest transformations to our lifestyles in the past 15 years has been the rise of e-commerce. In 2006 online shopping was at 3%, while today this share has grown to 26% and is expected to increase even further. The growth in online shopping has significant implications on future I&L demand given that e-commerce requires over three times the logistics space compared to traditional brick-and-mortar retailers. Population growth is a key driver of this rise in e-commerce as more people mean increased online speeding. Based on Savills future I&L demand estimation, Government housing targets and I&L space requirements per housing unit, we know that about half of future I&L demand will be linked to housing growth. This means that Government should not plan for housing growth without also planning for I&L growth.

Acknowledgements

Commissioning Team

The British Property Federation (BPF) represents the real estate sector, an industry which contributed more than £116bn to the economy in 2020 and supported more than 2.4 million jobs.

We promote the interests of those with a stake in the UK built environment and our membership comprises a broad range of owners, managers and developers of real estate as well as those who support them. Their investments help drive UK economic success, provide essential infrastructure and create great places where people can live, work and relax.

UKWA Limited is the United Kingdom Warehousing Association, a trade association with approximately 900 Members. We represent a sector that is worth £20 billion to the UK economy, has grown by 32% in the past six years, and employs over half a million workers. The Voice of the Warehousing & Logistics Industry, UKWA engages with policymakers, the media and other high-profile stakeholders, to represent the views of our Members. We promote and share best practice and our mission is to help Members operate safely, ethically and profitably, while safeguarding industry standards. UKWA Members benefit from a wide range of valuable services from professional business advice and strategic support to networking opportunities and discounted offers from partnering specialists and associates.

GLP is a leading long term global investment manager and business builder in logistics, data infrastructure, renewable energy and related technologies.

Our combined investing and operating expertise allow us to create value for our customers and investors. In the UK, we have over 33 years' experience in developing best in class logistics units and more than £2.3 billion in assets under management in 42 properties in our operating portfolio with key schemes such as Magna Park Milton Keynes, Magna Park Lutterworth, G-Park Biggleswade and G-Park Doncaster.

Across the United Kingdom, our operating portfolio consists of just under 12 million sq ft in key strategic logistic locations which are leased to blue chip customers such as John Lewis, Royal Mail, Amazon, DHL and Bleckmann Logistics.

We are committed to a broad range of environmental, social and governance (ESG) commitments that elevate our business,

protect the interest of our shareholders and investors, support our employees and customers and enhance our local communities. To learn more about our UK operations, please go to eu.glp.com

St. Modwen is a property developer focused on logistics, housebuilding and master developing sites. The St. Modwen Logistics business unit develops and manages urban and big box warehouses on key logistics corridors and conurbations. Our Parks serve the needs of customers to expand their businesses, employ local people and support economic growth. Our customers include global logistics and e-commerce organisations as well as significant national and regional enterprises. The Parks showcase the St. Modwen Swan Standard – a set of industry-leading sustainable development guidelines with a focus on responsible building practices.

St. Modwen is committed to ESG, our Responsible Business approach includes a set of ambitious goals in six strategic areas where we can make a sustained difference to society, our stakeholders and the environment: biodiversity and sustainable environments; net carbon reduction; diversity and inclusion; education and future skills; health and wellbeing; and responsible operational practices and partnerships. This includes our aim to be operationally net zero carbon by 2025, and fully net zero carbon by 2040.

Tritax Symmetry is Tritax Big Box REIT's dedicated logistics developer, specialising in delivering best-in-class greener buildings and an unrivalled choice of locations and scale. With offices in London, Northampton and Manchester, Tritax Symmetry has a land portfolio of 4,150 acres, capable of accommodating 40 million sq ft of logistics space.

The company is dedicated to targeting carbon neutrality on the construction of all new buildings. Its commitment to best-in-class sustainable construction methods will give customers the operational advantages they demand. Further information on Tritax Symmetry is available at www.tritaxsymmmetry.com

Tritax Big Box REIT plc is the only listed vehicle dedicated to investing in very large logistics warehouse assets ("Big Boxes") in the UK and is committed to delivering attractive and sustainable returns for shareholders.

Founded in 1987, IM Properties has established itself as one of the UK's largest privately-owned property companies with an enviable track record of delivery across all sectors of commercial real estate.

Originating from the IM Group, the company has developed over 10 million sq ft of commercial real estate becoming renowned in the industry for the consistent delivery of strategically located, award-winning schemes.

Located in the Midlands, the business is focused on a sustainable future in all sectors in which it invests, develops and manages, including offices, logistics/industrial and residential. Our strategic framework centred on People, Planet and Place is pivotal to our future ambitions for responsible development and innovative growth, to ensure both long-term social and economic value to the communities within which we operate, underpinned by strong environmental credentials.

With a customer-focused approach to development, IM Properties is a market leader in quality building design, place-making and sustainable construction, developing schemes for a wide range of clients, including blue-chip customers from across the globe; all delivered with local market knowledge and expertise.

We are an agile organisation that is committed to securing high quality, long-term investments through a fair approach to business. Our management team uniquely combines the skill set and creativity of a property company with the financial resource of a fund which, over its lifetime, has delivered a diverse and high prized portfolio of institutional standard.

Based in Rugby, Newlands Developments is a specialist industrial and logistics developer with a long history of success and sound professional ethos built up over the last 20 years. It's well-known senior management team, who have worked together for many years, have a solid track record and is responsible for delivering over 50 million sq ft of development.

Newlands expertise is centred around taking large, often complex schemes through the planning process and then using an in-house team of professionals and capital to implement infrastructure contracts, often in excess of £100 million. Newlands are bringing forward numerous sites across the country with a concentration of sites in the East Midlands.

SEGRO is a UK Real Estate Investment Trust (REIT), listed on the London Stock Exchange and Euronext Paris, and is a leading owner, manager and developer of modern warehouses and industrial property. It owns or manages 8.8 million square metres of space (95 million sq ft) valued at £15.3 billion serving customers from a wide range of industry sectors. Its properties are located in and around major cities and at key transportation hubs in the UK and in seven other European countries.

For over 100 years SEGRO has been creating the space that enables extraordinary things to happen. From modern big box warehouses, used primarily for regional, national and international distribution, to urban warehousing and light industrial property located close to major population centres and business districts, it provides high-quality assets that allow its customers to thrive. SEGRO's customers include major businesses such as DHL, Amazon, Mars, Royal Mail, British Airways, Brompton Bike, Ocado, Tesco, Netflix, DPD and Equinix that operate in a range of sectors from parcel delivery to ecommerce, retail to TV and film and manufacturing to date centres.

A commitment to be a force for societal and environmental good is integral to SEGRO's purpose and strategy. Its Responsible SEGRO framework focuses on three long-term priorities where the company believes it can make the greatest impact: Championing Low-Carbon Growth, Investing in Local Communities and Environments and Nurturing Talent.

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Footnotes

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Appendix 3.0
Market Area Building Supply

Market Area Building Supply (9,290 sq. m plus)

Ref.	Building Name	Size (sq. m)	Size (sq. ft)
A	Walkmill Lane, Cannock	13,134	141,377
B	Quadrant Point, Cannock	15,004	161,500
C	Unit B205 Hadley Castle Works, Telford (J5, M54)	12,014	129,317
D	Unit B410 Hadley Castle Works, Telford (J5, M54)	23,251	250,242
E	Unit C205 Hadley Castle Works, Telford (J5, M54)	25,187	271,109
F	Unit 3, Wolf Pack, Hilton Cross Business Park	10,498	113,000
G	W426, Wellmans Road, Willenhall	22,944	246,973
H	Parallel 113, Darlaston Road, Walsall	10,498	113,000
I	Triton 2, Redhill BP, Stafford	10,701	115,185
J	Stonefield Works, Stone	11,923	128,338
Total		**155,154**	**1,670,041**

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Appendix 4.0
Market Area Land Supply

Market Land Supply

Ref.	Scheme Name
1	Telford 54, (Junction 4, M54)
2	Iron Park, Walsall/Former Moxley Tip (adj. Black Country New Road)
3	Phoenix 10, Darlaston
4	Mucklow Park - i54, Wolverhampton, South Staffs (J2, M54)
5	i54 Phase 2 (J2, M54)
6	Vernon Park Phase 2, Cannock Road, Featherstone, South Staffs (J1, M54)
7	West Midlands Interchange
8	Meaford Business Park, Stone (A34)

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Appendix 5.0
Shropshire Draft Allocations

Shropshire Draft Allocations

Reference	Site Allocation
A	Land east of Shifnal Industrial Estate, Upton Lane, Shifnal
B	Land north of Stanmore Industrial Estate
C	Preston Island, Shrewsbury
D	Tasley Garden Village, Bridgnorth
E	Ironbridge Gorge Power Station (Harworth Estates)
F	Clive Barracks, Tern Hill

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Market Need Assessment Update