



Savills on Behalf of Wilson Bowden Developments

Matter 10: Leicester and Leicestershire Housing and Employment Land Needs

Issue 4: The Assessment of Employment Need

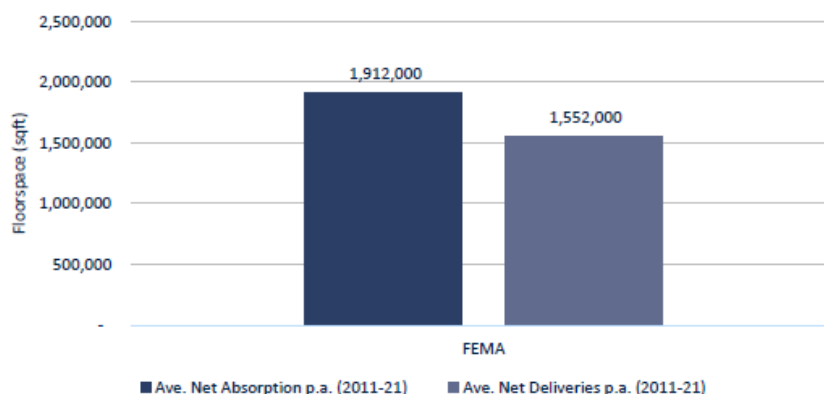
Industrial and Local Distribution and Warehousing (less than 9,000 sqm)

10.19 Is the assumption that older premises will continue to be lost, and thus will need replacing, robust (paragraph 7.33) (HENA)? Is the use of projected gross completions a robust basis for assessing industrial land needs?

We strongly agree with the general thrust of paragraph 7.33 of the HENA (EXAM 44a), which highlights that there is a strong demand for new modern premises to support employment growth and that some older stock will continue to be lost.

A recent Savills report (Savills Future Demand Report, Table 3.1) highlights issues with the methodology used within the HENA (EXAM 44a) to calculate employment land requirements for units of less than 9,000sqm. The methodology is based on labour demand (baseline and growth) and completion trends (which have been calculated using LPA Authority Monitoring Report data). We consider completions to be a supply measure and not a demand measure, which skews the calculation of need because completions are also largely dependent on sufficient sites having been allocated within Local Plans. Completions also typically lag behind actual demand. This lag is clearly shown when comparing net absorption in the FEMA to net delivery (Savills Future Demand Report, Figure 4.7) which clearly shows FEMA-wide under-delivery since 2011. Therefore, completions are not considered to be an accurate measure of the ‘true’ market demand and are not considered to be a robust basis for assessing industrial land needs. If completions were indeed an accurate measure of demand, we consider that FEMA-wide employment land availability would be much higher than its current levels, which are the lowest ever recorded for the region (Savills Future Demand Report, paragraphs 3.1.4 – 3.1.7).

Savills Future Demand Report, Figure 4.7: Net Absorption and Net Deliveries sqft per annum (2011-2021) within the FEMA



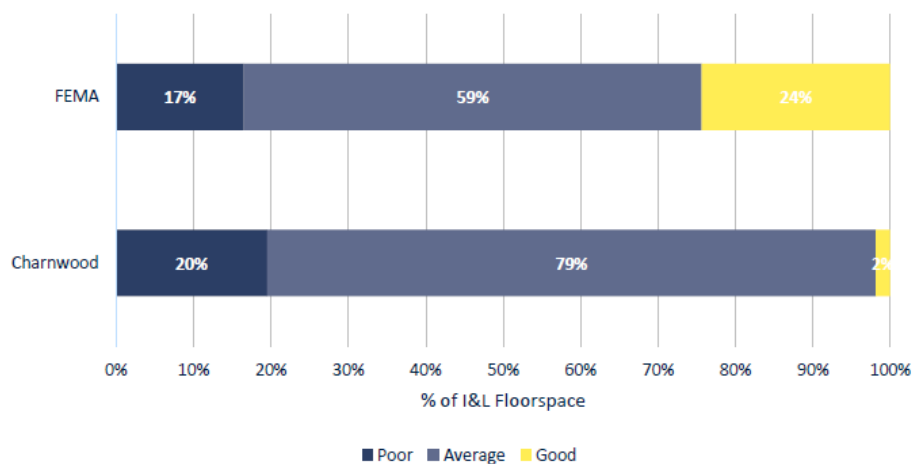
Source: CoStar, Savills

The approach taken by Savills in calculating Charnwood’s employment need (Savills Future Demand Report, paragraph 6.2.1) addresses inadequacies in the current evidence base by

considering historic take up (demand), adjusting for historic under-supply, and the subsequent loss in demand (i.e. ‘suppressed demand’). This is considered to be a more robust methodology through which to truly assess the employment land needs in both Charnwood and the FEMA, whilst taking account of the chronic undersupply of employment land over the last decade.

Recent market research undertaken by Savills (Savills Future Demand Report, Figure 4.4) finds that Charnwood’s Industrial and Logistics floorspace is overwhelmingly (98%) of ‘poor’ or ‘average’ quality, in contrast to a FEMA-wide figure of 76%. We consider that the focus should be on the refurbishment of this poor quality stock and investment in new, high quality stock to meet the needs of modern occupiers.

Savills Future Demand Report, Figure 4.4: Quality of I&L Stock in Charnwood and the FEMA



Source: CoStar, Savills

10.20 What local employment land study work has taken place to date to assess the potential for, and the likelihood of, the recycling of sites on existing industrial areas?

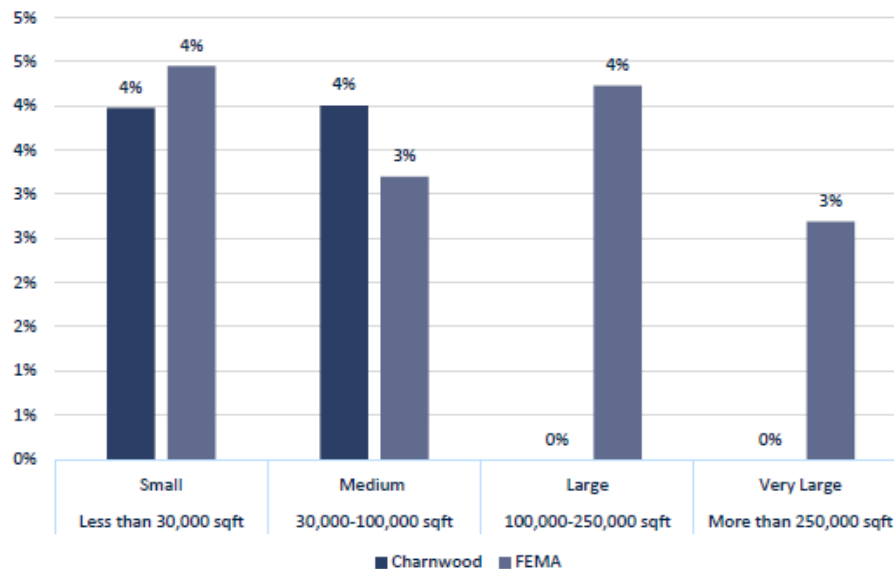
Charnwood’s 2018 Employment Land Review (EB/EMP/2) involved visits to and assessments of existing employment sites (paragraph 4.8), however the report did not draw any conclusions on the recycling of such sites. Although we agree that the refurbishment of existing industrial estates can be of value, the fact remains that 98% of Charnwood’s existing stock is of ‘average’ or ‘poor’ quality, which is significant compared to the wider FEMA which sits at 76% (Savills Future Demand Report, Figure 4.4, already reproduced above).

We also consider that the recycling of existing sites will not assist in easing the suppressed demand in Charnwood which has been perpetuated by historical under-delivery which has led to declining vacancy rates for Industrial and Logistics which currently stand at 1.4% in the East Midlands, the lowest ever recorded (Savills Future Demand Report, paragraph 2.2.4). This issue is particularly acute for larger units. Recent research finds that there are current no available units in Charnwood of 100,000sqft or larger (Savills Future Demand Report, Figure 4.6).

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Based on an Savills' own methodology set out in the Savills Future Demand Report (Section 6), we consider Charnwood should look to plan for a minimum of 107ha of Industrial and Logistics land over the 17 year Plan period (paragraph 1.2.6).

Savills Future Demand Report, Figure 4.6: Availability by Size Band (2022 YTD)



Source: CoStar, Savills

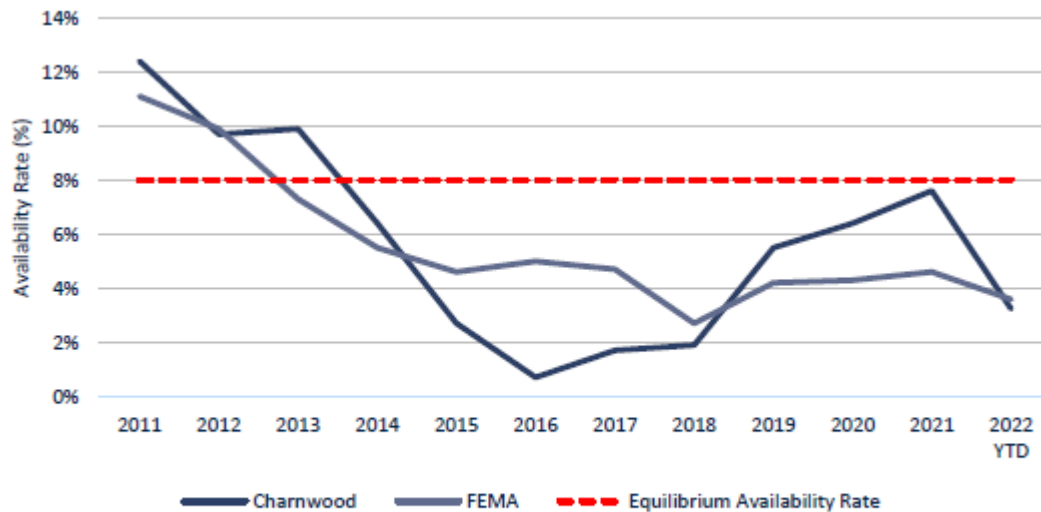
10.21 Is the 7.5% uplift to improve vacancy rates in industrial and local distribution in relation to churn and market choice, robust (paragraph 7.38) (HENA)?

We consider that, as a starting point, any uplift in provision to improve vacancy rates should be viewed in the context of both national and regional vacancy rates for Industrial and Logistics land which are at an all time low (Savills Future Demand Report, paragraphs 2.2.3 – 2.2.4). In order for the market for this type of employment land to function, vacancy levels need to be much higher.

In producing an independent estimation of demand, Savills (Savills Future Demand Report, paragraphs 6.2.7 – 6.2.14) have sought to estimate suppressed demand, concluding that historical under-supply of employment land has led to an overall suppressed demand in the FEMA of 1.1million sqft per annum. In calculating this, an 8% availability benchmark was used. This figure is considered to be the threshold below which real rental growth in the Industrial and Logistics sector starts to grow strongly, which is consistent with historical data for the FEMA (Savills Future Demand Report, Appendix A).

As referred to in our answer to question 10.24 below, the importance of maintaining adequate vacancy rates to allow for churn and market choice is also made clear in the 2018 Employment Land Review (EB/EMP/2) which recommends that a further 10ha be allocated in Charnwood to support this. Research by Savills indicates that employment land availability in Charnwood has been below the 8% threshold since 2013 (Savills Future Demand Report, Figure 4.5). Given various growth drivers in the Industrial and Logistics sector (including post-Covid shifts to online retailing and Brexit impacts on UK supply chains) we consider that this situation is likely to worsen without significant intervention.

Savills Future Demand Report, Figure 4.5: FEMA Availability Rate since 2011



Source: CoStar, Savills

Therefore, we welcome the recommendation for a 7.5% uplift in addition to the core employment land requirement, however we reiterate that in light of significant under-delivery in the FEMA since at least 2011 it is crucial for this to be addressed by making sufficient land available during this Plan period. This should include a significant buffer to allow vacancy rates to recover to a more suitable level.

10.22 How will assessments of market performance and thus the appropriateness of planning policy figures be monitored to ensure planning policy is sufficiently responsive over the plan period?

Paragraph 31 of the NPPF makes clear that the preparation of Local Plan policies should “take into account relevant market signals”. The Savills Future Demand Report (Section 2) outlines the rise of and increasing economic value of the Industrial and Logistics sector in recent years, however this is not reflected in the employment land evidence for either Charnwood or the wider FEMA.

It is also considered that the use of completions data as a measure of demand is fundamentally flawed as a methodology (Savills Future Demand Report, paragraph 3.3.12). It is therefore considered that monitoring of employment land policy is best undertaken using demand-focused methods which take into account historic demand. This approach has been employed by Savills, leading to a conclusion that the employment land need in the FEMA and Charnwood have both been grossly underestimated (Savills Future Demand Report, Section 6).

Issue 5 – Apportionment of the Unmet Need for Employment

10.23 Are the following factors set out in the Employment Distribution Paper (Exam 46) a robust and logical basis for the apportionment of the unmet need for 23 hectares of employment land to 2036:

- **Location of authorities adjoining Leicester given their accessibility to the city and associated supply of labour (Charnwood, Blaby, Harborough, Oadby and Wigston);**
- **Proximity to the City, preferably adjacent to the existing urban area;**
- **Sites well connected to the City by A roads and ideally connected to the wider strategic network (A road/motorway network).**

It is considered that the above criteria represent a robust and logical basis for the apportionment of Leicester's unmet employment need.

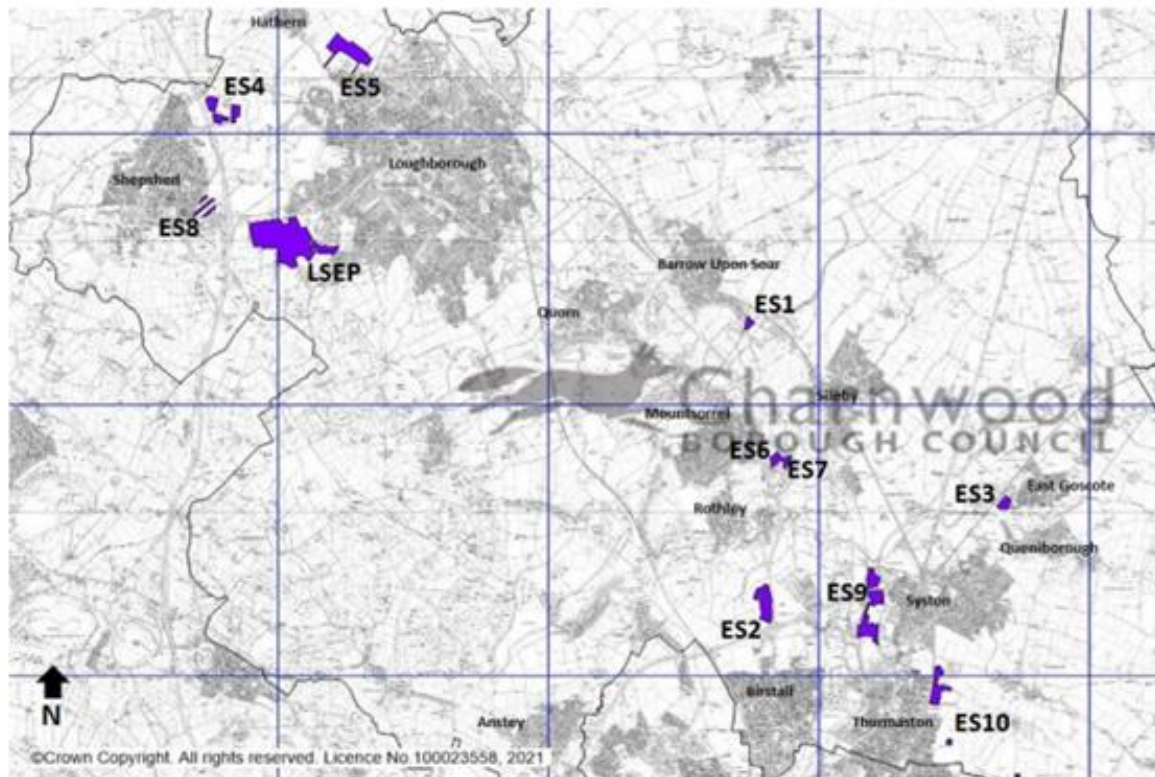
The Planning Practice Guidance (PPG) makes clear that the cities and urban centres uplift, to which Leicester is subject, *"is expected to be met by the cities and urban centres themselves, rather than the surrounding areas, unless it would conflict with national policy and legal obligations."* (035 Reference ID: 2a-035-20201216). The PPG also states that *"Strategic policy-making authorities should explore all available options for addressing strategic matters within their own planning area, unless they can demonstrate to do so would contradict policies set out in the National Planning Policy Framework."* (022 Reference ID: 61-022-20190315). In seeking to accommodate Leicester's unmet employment need within the FEMA, in locations with good proximity to Leicester itself, it is considered that this approach is logical and robust and will contribute towards meeting the employment needs of Leicester's population.

Further to this, Table 4.5 of the HENA Housing Distribution Paper (EXAM 45) finds that the authorities with the strongest functional relationship with Leicester (defined by a number of factors including gross migration flows and commuting patterns) are Blaby, Charnwood and Oadby and Wigston Districts, all of which share significant geographical borders with Leicester. There are also high quality trunk roads and also the M1 motorway connecting Leicester to these authorities, which further supports the strong functional relationships identified by the HENA.

10.24 Is meeting all of the unmet need for 23 hectares of employment land within Charnwood justified? Will it meet the need for different types of employment land in a choice of locations and promote sustainable patterns of development as required by paragraph 11 of the NPPF?

It is considered that the approach taken in apportioning Leicester's unmet employment need is robust and logical given Charnwood's quantitative surplus of Class B2/'small B8' land (which has been defined as units under 9,000sqm). Charnwood's draft Local Plan contains a number of proposed allocations which we consider will primarily serve the Leicester employment market given their proximity to Leicester's urban area. Given that the unmet need to be apportioned is for Class B2/ 'small B8' need only, it is considered that the proximity of proposed allocations such as ES2, ES9, ES10 and ES3 (Figure 1) to Leicester via key trunk roads such as the A46 and A6 means that they satisfy the three criteria set out in the Employment Distribution Paper (EXAM 46) and reproduced in response to question 10.23 above.

Figure 1: Draft Charnwood Local Plan 2021-2037 proposed employment allocations



The shape and size of the current proposed allocations also lends them to the development of smaller-scale units less than 9,000sqm as opposed to larger logistics and warehousing units. Therefore, a number of Charnwood’s proposed employment allocations are suitable to meet the declared unmet need for small warehousing units, and in light of Charnwood’s numerical surplus of this type of employment land this approach is considered to be sensible and logical.

The HENA also states that “*mid sized and smaller stock opportunities should be considered as intensification or extensions of existing estates around the FEMA often in proximity to local settlements*” and goes on to state that “*Urban extensions or other future growth locations such as Leicester south-eastern growth corridor present an opportunity to support the delivery of new employment spaces of smaller and midsized units where well connected to the road network. Smaller units tend to rely on closer proximity to the population centres due to the nature of occupiers.*” (paragraphs 7.53-7.54). Proposed allocations within or adjacent to urban extensions, such as ES2, ES4 and ES10 (see Figure 1), are considered to be ideal locations to contribute towards this.

However, whilst we agree with the distribution of the unmet employment need relating to B2 and ‘small B8’ sites, the fact remains that the local, Charnwood-level requirement identified in Charnwood’s 2018 Employment Land Review (EB/EMP/2) for a large site of at least 10ha with excellent access to the M1 motorway has not been dealt with in Charnwood’s draft Plan. Additionally, the findings of the 2022 Warehousing and Logistics in Leicester and Leicestershire report (EB/EMP/3) have made clear that Junction 23 of the M1 is located within ‘Opportunity Area 4’, a key recommended location for large-scale logistics developments. As stated in our previous representations to this Plan, it is considered that Charnwood’s well-

evidenced need for units of over 9,000sqm should be dealt with within this plan period rather than being deferred to a Local Plan Review which could take a number of years to come to fruition. Delay in providing land for large-scale employment will also have significant implications for Charnwood’s economy in the long term. Existing businesses looking to expand may choose to relocate outside of Charnwood to secure suitable sites or premises.

It should also be noted that Charnwood’s 2018 Employment Land Review (EB/EMP/2) recommended at paragraph 6.16 that an extra 10ha of land be provided on top of the assessed need in order to bring Charnwood’s vacancy rates back up to around 7.5%, which is considered by both the Employment Land Review (paragraph 6.16) and the HENA (paragraph 7.38) to be sufficient to allow for market choice and churn. The Employment Land Review placed vacancy rates in Charnwood at 3.7% at the time of writing in 2018. More recently the 2022 HENA finds that vacancies had fallen to 3.2% in Charnwood by July 2021, and 1.6% across the FEMA (HENA, Table 7.20). We generally welcome this proposed contingency, but maintain that in general Charnwood’s overall employment land requirement has been grossly underestimated and is likely to be in the region of 107ha (Savills Future Demand Report, paragraph 1.2.6). The draft allocations put forward in the draft Plan are nowhere near this figure.

The submitted Charnwood Local Plan (SD/2) breaks down the need and supply of B1 and B2/‘small B8’ (i.e. units under 9,000sqm) in Table 3, as shown below in Figure 2:

Figure 2: Charnwood Local Plan 2021-2037 Pre Submission Draft July 2021, Table 3

	Office (ha)	General Industrial/ Small Warehousing (ha)
Employment Need	11.92	43.55
Employment Supply		
West of Loughborough Sustainable Urban Extension (total 16 ha)	4.0	12.0
North East of Leicester Sustainable Urban Extension (total 13 ha)	1.7	11.3
North of Birstall Sustainable Urban Extension (total 15 ha)	1.5	13.5
Dishley Grange, Loughborough	3.6	5.4
Watermead Business Park	2.5	9.5
Other Employment Land Supply at 31 March 2021	2.5	14.3
Total	15.8	66.0
Balance Need and Supply	3.88	22.45

This table indicates a quantitative oversupply of 22.45ha of B2/‘small B8’ land in Charnwood Borough. In accommodating 23ha of unmet B2/small B8 need, Charnwood’s B2/small B8 oversupply would be reduced to -0.55ha, meaning that the quantitative need for B2/small B8 land would no longer be met through the current identified supply (however it is appreciated that this undersupply is minor). However, this does mean that the 10ha contingency recommended by the Employment Land Review (EB/EMP/2) no longer exists given the accommodation of the unmet need. It is considered that, in addition to the need to identify large-scale employment sites to meet the identified local need in Charnwood, a further minimum 10ha needs to be provided to support market choice and churn as identified in the Local Plan evidence base.

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It is also considered that the overall approach taken will not result in different types of employment land in a variety of locations, simply because the need for large-scale (>9,000sqm) units has not been met by Charnwood's draft Plan. In taking on the unmet need (which diminishes Charnwood's Class B2/small B8 surplus to -0.55ha), CBC are further compounding a situation whereby the needs of Charnwood (and Leicester) for B2 and 'small B8' land are met, but any need for 'large B8' >9,000sqm is effectively ignored.

Overall, we agree with the logic of the decision to apportion 100% of Leicester's unmet need to Charnwood, however the implications of this for other elements of the overall employment provision (namely the need for a contingency/buffer and the need for large-scale Class B8 land) have not been properly assessed. At present, the apportionment of the unmet need, whilst helpful in meeting the needs of Leicester in terms of smaller sized employment units, unfortunately further compounds the issues identified in our previous representations surrounding the lack of provision of large-scale employment to meet Charnwood's own identified need as well as the wider Leicester and Leicestershire need.

10.25 Should some of the unmet need be apportioned to any of the other Leicestershire authorities based on the factors outlined above?

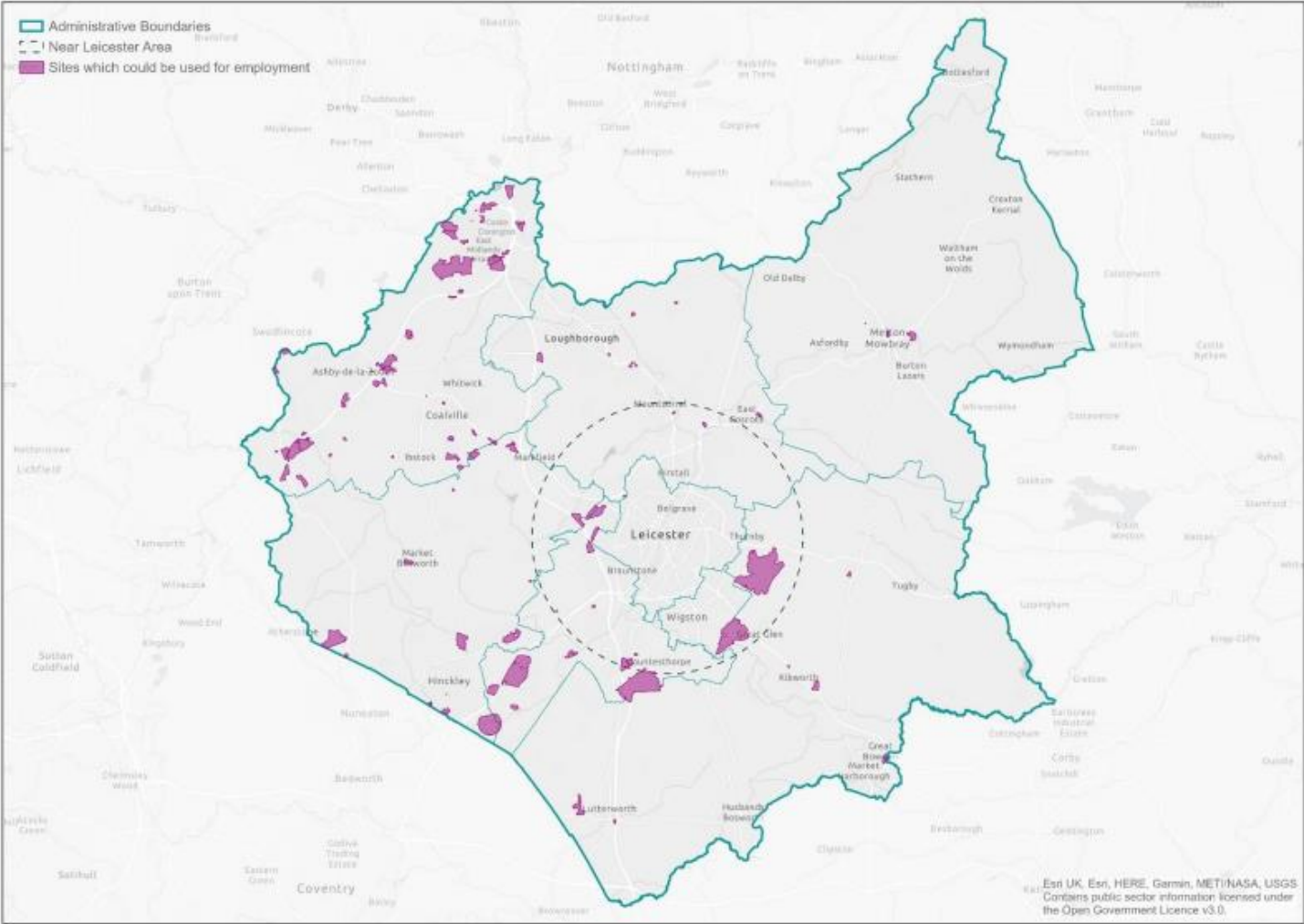
We consider that Charnwood contains a number of allocations (as described in our response to question 10.24 above) which meet all of the criteria set out in the HENA. Charnwood also has a quantitative and qualitative supply surplus for Class B2/'small B8' units less than 9,000sqm, as opposed to other LPAs with a good functional relationship with Leicester such as Blaby where there is currently an identified 15.7ha shortfall.

We also consider that Land east of Junction J23, M1 meets all of the above criteria too, albeit it is more suitable for large-scale employment uses. Land east of J23 was identified on page 47 of the Statement of Common Ground Sustainability Appraisal (EXAM 47a/ Figure 3) as a potential site for employment. However, the Council have failed to link the need for this type of large scale employment site with the proposed allocations in the Plan. We consider this to be a fundamental omission of the Plan which needs addressing as part of this Plan rather than being deferred to a FEMA-wide review.



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Figure 3: Site options that could potentially involve employment land. Statement of Common Ground Sustainability Appraisal



10.27 Is the apportionment of all of the unmet need for employment land to Charnwood justified by the evidence and will this be effective in meeting the employment land needs of the Functional Economic Market Area as a whole? Does this allow for flexibility and choice?

We consider that the apportionment of all of the unmet B2/'small B8' employment need to Charnwood is justified and represents a logical approach. As we made clear in our review of Charnwood's employment allocations (Savills Future Demand Report, pages 48-51), there is a plentiful supply of land identified in Charnwood's draft Local Plan which could satisfy the requirements for sites of less than 9,000sqm.

However, Charnwood still faces a significant local issue which has not been addressed in the submitted Plan. Namely, the lack of consideration of large-scale B8 need and supply of units over 9,000sqm. The 2018 Employment Land Review (EB/EMP/2) makes clear that at minimum, a site of at least 10ha with excellent access to the M1 should be allocated to meet this need.

The historical under-supply, and lack of adequate proposed allocations to meet this need, means that the needs of existing occupiers in Charnwood are not being met. For this reason, flexibility and choice can therefore not be provided in Charnwood through this draft Local Plan, whether Leicester's unmet need is accommodated or not. Vacancies of large industrial units are at an all time low in the East Midlands and Charnwood (Savills Future Demand Report, paragraph 3.1.7). In ignoring this significant element of employment need, we consider that this draft Plan cannot be considered to be positively prepared.

Additionally, Wilson Bowden Developments are aware of a key employer in the Loughborough area who is in need of an expanded, modern premises and is currently unable to find a suitable site to enable the expansion of their business. Therefore, with a clear identified need for the accommodation of growth and expansion of businesses in Charnwood and more locally in Loughborough, we consider that land east of Junction 23, M1 is considered to be the most appropriate site in Charnwood to meet these needs.

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