

Savills on Behalf of Wilson Bowden Developments

Matter 10: Leicester and Leicestershire Housing and Employment Land Needs

Issue 4: The Assessment of Employment Need

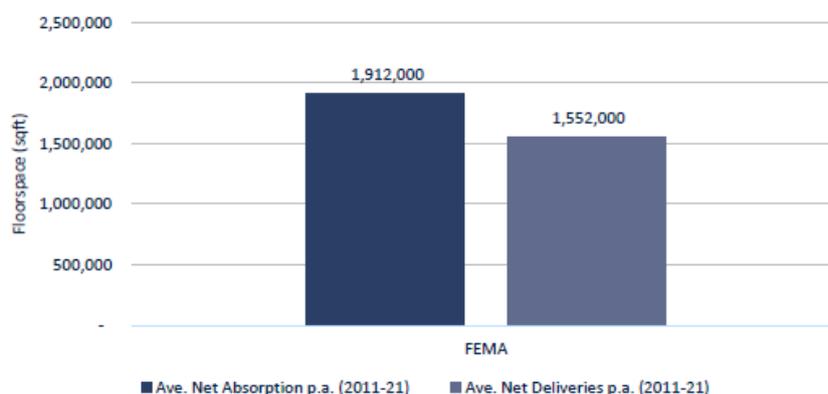
Industrial and Local Distribution and Warehousing (less than 9,000 sqm)

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



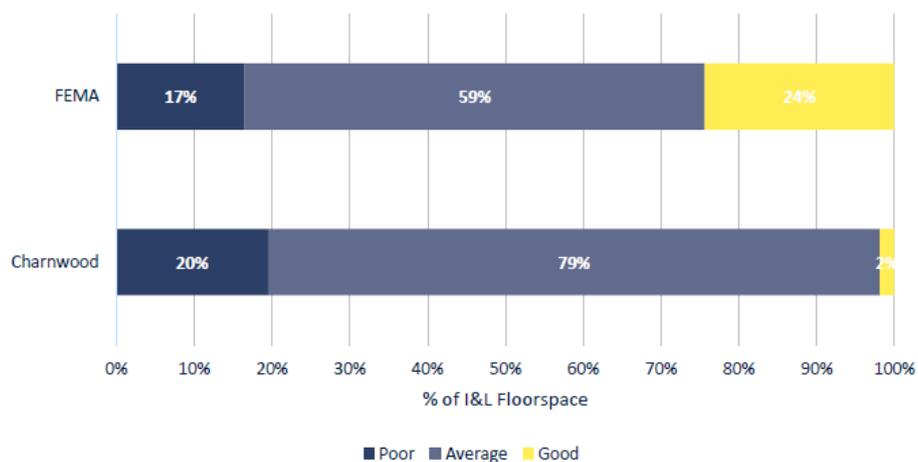
Source: CoStar, Savills

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?

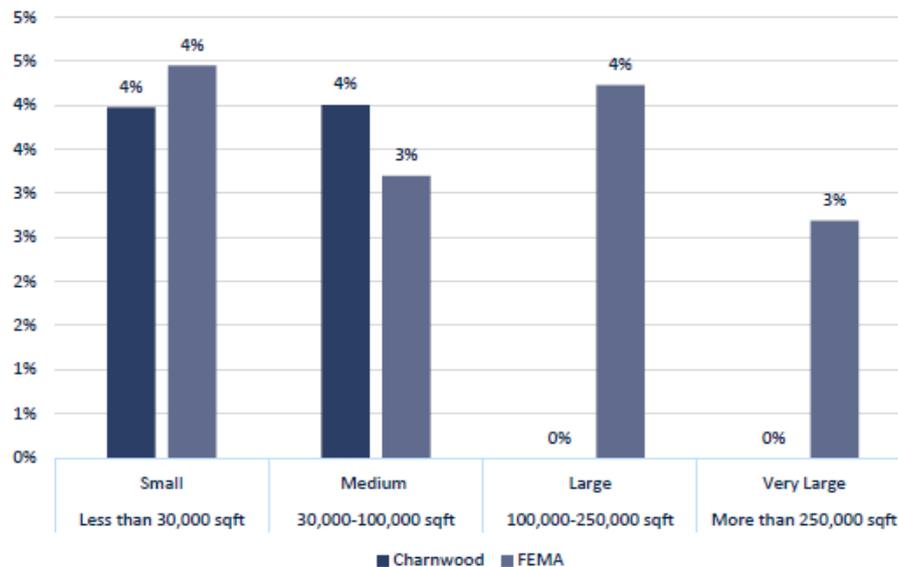
Charnwood’s 2018 Employment Land Review (EB/EMP/2) involved visits to and assessments of existing employment sites (paragraph 4.8), however the report did not draw any conclusions on the recycling of such sites. Although we agree that the refurbishment of existing industrial estates can be of value, 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

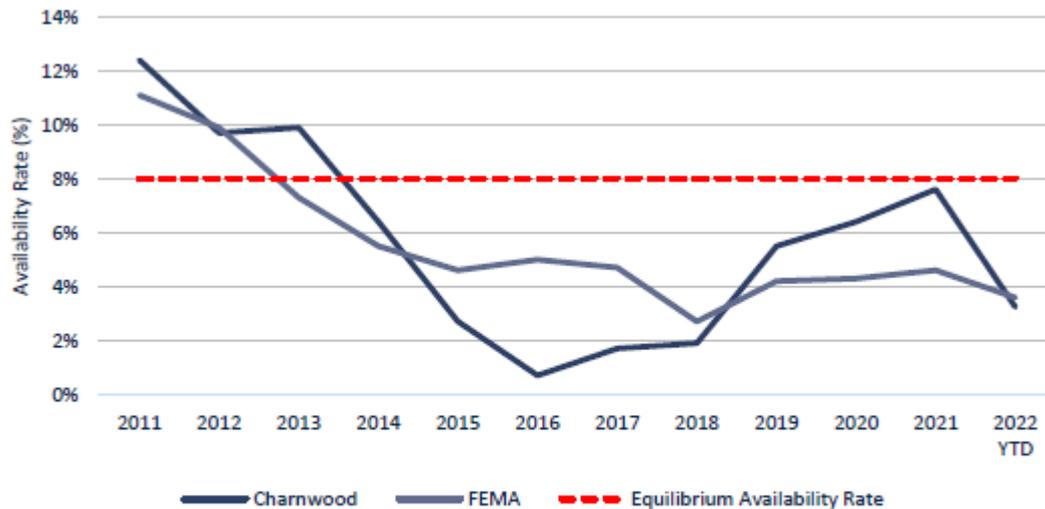
10.21 Is the 7.5% uplift to improve vacancy rates in industrial and local distribution in relation to churn and market choice, robust (paragraph 7.38) (HENA)?

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.

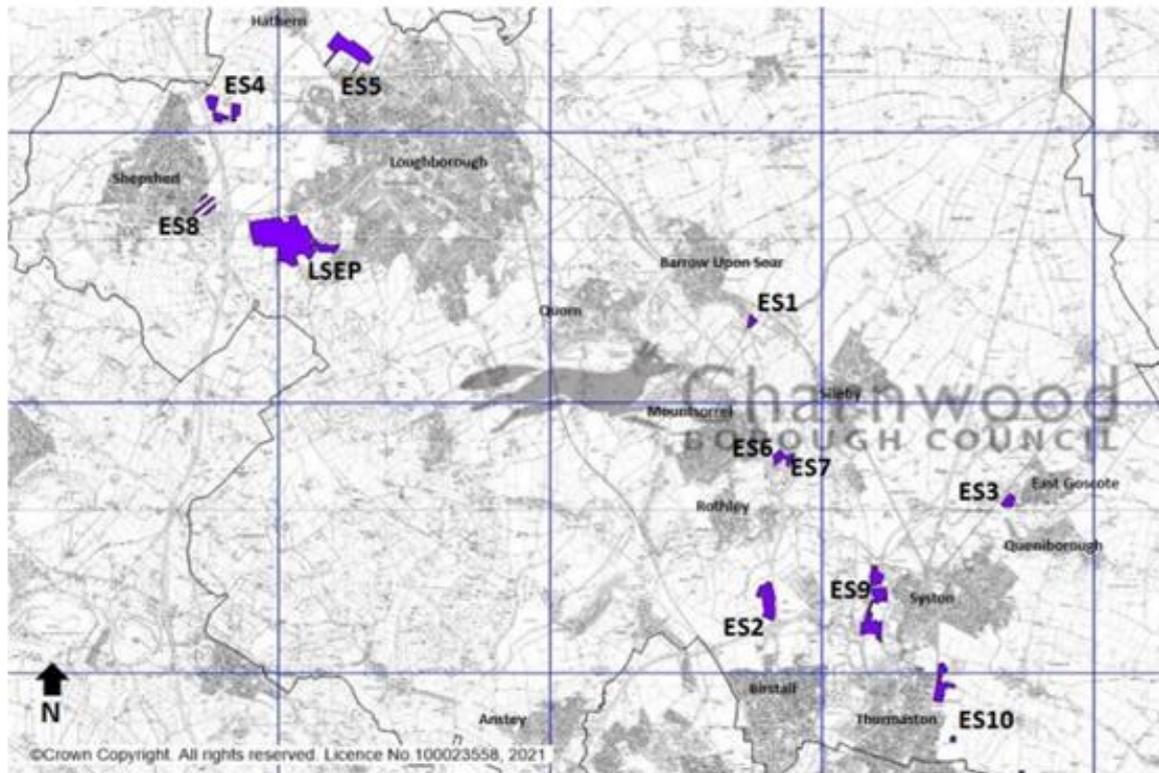
The Planning Practice Guidance (PPG) makes clear that the cities and urban centres uplift, to which Leicester is subject, *"is expected to be met by the cities and urban centres themselves, rather than the surrounding areas, unless it would conflict with national policy and legal obligations."* (035 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 mid-sized 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.

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.

Word count: 2,791

Future Industrial & Logistics Demand

Charnwood and Wider Sub-Region

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Executive Summary

I&L Facilities are Critical National Infrastructure

The I&L sector is a major contributor to the national economy....



3.8 million jobs in England

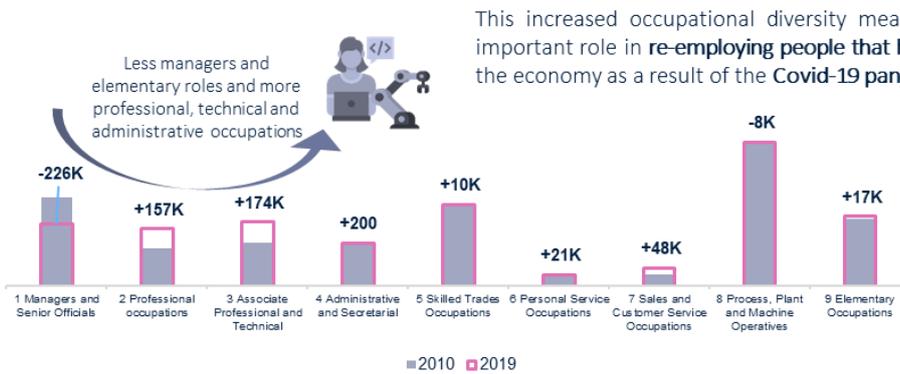


£232 billion of GVA p.a.



29% productivity increase between 2025 and 2039

.....the occupations it provides are becoming more diverse...



This increased occupational diversity means the I&L sector can play an important role in re-employing people that have lost jobs in other sectors of the economy as a result of the Covid-19 pandemic.

Less managers and elementary roles and more professional, technical and administrative occupations

As of August 2022, the Claimant Count across the FEMA totaled 20,960 claimants. This is still 38% higher than the Count as of March 2020.

.....and I&L jobs pay more than the national average



The I&L sector's growth is multi-faceted and likely to remain in place for the foreseeable future



Charnwood's I&L Market at a Glance

9.2 sqft of I&L floorspace

Very low availability at 3%

High rental growth (2011-21) at 63%

Charnwood sits within a FEMA where over the last decade, average levels of net absorption has exceeded the average levels of net deliveries in the FEMA. This explains the low availability and high rental growth.



Charnwood falls within the Leicester and Leicestershire FEMA which also comprises Blaby, North West Leicestershire, Harborough, Hinckley and Bosworth, Leicester City, Melton, and Oadby and Wigston.

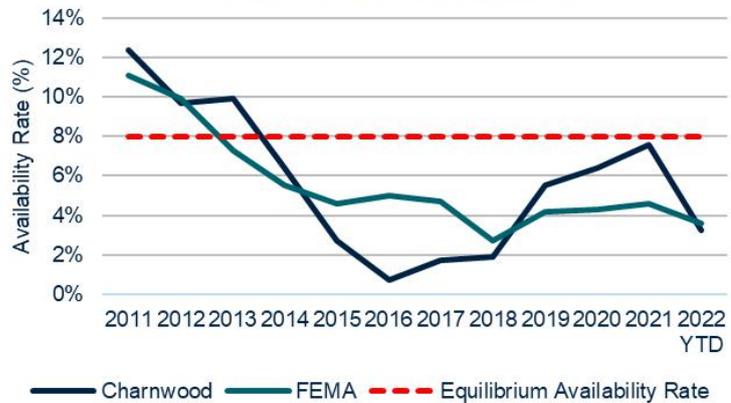
The FEMA is located in the East Midlands, where take-up of I&L premises above 100,000 sqft in 2021 was 113% above the long-term average, the highest on record, accounting for 22.5% of national take-up.

Charnwood accounts for 9% of the FEMA's I&L stock, and has a total I&L inventory of 9.2 million sqft.

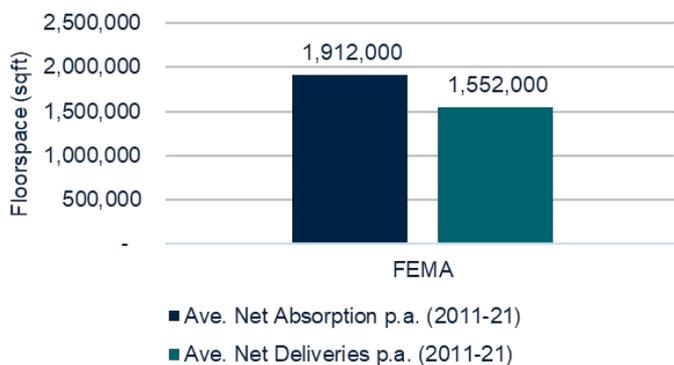
We consider a market to be **supply constrained** when floorspace availability is below 8%. The availability rate across the FEMA is extremely low at just 4%. It is even lower within Charnwood at only 3%.

The FEMA's availability rate has been below the 8% benchmark since 2013, and Charnwood's since 2014, indicating that the I&L market has been supply-constrained for most of the last decade.

Charnwood's and FEMA's Availability (%)



I&L Demand vs. Supply



The lack of new floorspace (supply) has reduced availability and restricted demand (net absorption).

New I&L floorspace across the wider FEMA over the last decade (1.6 million sqft per annum) has lagged demand, as measured by net absorption (1.9 million sqft) between 2011 and 2021.

Charnwood and Wider Sub-region: Future Industrial & Logistics Demand

Previous employment studies have significantly underestimated I&L demand for Charnwood and the FEMA

Several employment need reports have been commissioned within the last 5 years with the aim of understanding future I&L demand and available supply across Charnwood and its wider FEMA.

Study	Geographic Scope	Uses Covered	Time Period	Demand Estimates
Charnwood Borough Council Employment Land Review (Peter Brett Associates, 2018)	Charnwood	B1, B2 and B8. Non-strategic industrial and warehousing (units <9,000 sq.m); Strategic (units > 9,000 sq.m)	2011-2036	Non-strategic Industrial Land 44.5 ha Strategic Industrial Land 10 ha
GL Hearn Study (2021, amended March 2022)	Leicester and Leicestershire FEMA	Strategic B8 (9,000+ sqm)	2020-2041	861 ha (incl. 5-year flexibility margin)

The Savills method first calculates demand at the FEMA-wide level, then apportions it for Charnwood

These studies have a number of methodological issues, resulting in a significant underestimation of future I&L demand in Charnwood and the FEMA. Savills methodology seeks to address these shortcomings and provide a more accurate estimate of future demand.

Savills' methodology is **NPPG-compliant** as it builds on **past trends**, adjusting for historic supply shortages and the subsequent loss in demand. We refer to this as '**suppressed demand**' which is added to the historic demand trend as a top-up. We also factor in **future e-commerce growth**.

Based on Savills demand methodology, over a **17 year plan period**, we estimate **FEMA wide I&L demand to be 1,790 ha of land**. Depending on the level of apportionment, we consider **Charnwood should look to plan for between 107-161 ha of I&L land over this period**.

Savills Total FEMA I&L Floorspace Demand: **67.4 million sqft**

Savills Total FEMA I&L Land Demand: **1,790 ha** (based on 35% plot ratio)



Comparing Savills demand estimate for Strategic B8 against GL Hearn estimate

Using Savills overall demand estimate for the FEMA, we have extrapolated demand for strategic B8 uses in order to compare it to the GL Hearn estimate (which only looks at strategic B8, and not strategic B2 needs).

We estimate demand for **strategic B8 across the FEMA to total 1,293 ha** which is **roughly double** the GL Hearn estimate over a 17-year plan period.

1 Introduction

1.1 Purpose

- 1.1.1 Savills has been instructed by Wilson Bowden to consider the appropriateness of the proposed employment land allocations within the draft Charnwood Local Plan in both quantitative and qualitative terms.
- 1.1.2 This report expands and updates previous reports prepared by Savills and submitted to Charnwood District Council in 2020 and 2021.

1.2 Demand Estimation Methodology

- 1.2.1 In order to estimate future industrial and logistics (I&L) demand we have considered demand within Charnwood and its wider Functional Economic Market Area (FEMA) consisting of Blaby, Charnwood, Harborough, Hinckley & Bosworth, Leicester City, Melton, North West Leicestershire and Oadby & Wigston.
- 1.2.2 We focus on market demand and supply factors as these are the key determinants of how much I&L floorspace and land is needed in the future. From our experience secondary factors such as labour supply, GVA outputs, development completions or similar methods routinely underestimate future demand, especially for strongly performing markets such as England's I&L sector.
- 1.2.3 We calculate overall I&L demand within the FEMA and then apportion this down to Charnwood specifically. As part of this process we make comparisons with the various local and regional employment studies which focus on different geographies (i.e. FEMA vs Charnwood) and different segments of the market (strategic vs non-strategic). This includes a review of the methodologies used to estimate future demand, which we consider to have a number of methodological issues that result in an underestimation of future I&L demand.
- 1.2.4 After building up a picture of current and historic market demand and supply, we detail Savills' methodology for estimating future I&L demand. Our approach addresses the methodological weaknesses of the employment evidence by quantifying the impact which historic supply constraints have had on 'suppressing' demand. We also take account of current day growth drivers such as e-commerce which are not fully accounted for within the evidence base.
- 1.2.5 The Savills approach is to consider overall I&L demand across the entire FEMA first and then apportion this down to individual local authorities via consideration of various demand and supply factors. As part of this we consider both industrial (inclusive of light industrial and manufacturing) and logistics (warehousing) uses together. This is because using a larger pool of data is generally considered more robust in modelling terms, and also because industrial and logistics occupiers desire similar locations and types of premises. Once overall I&L demand has been estimated, the contribution of different segments of the market, either by unit size, type of use or geography, can then be extrapolated.
- 1.2.6 Based on Savills demand methodology, over a 17 year plan period, we estimate FEMA wide I&L demand to be **1,790 ha** of land. Depending on the level of apportionment we consider Charnwood should look to plan for a minimum of **107 ha** of I&L land over this period. If we used the higher existing inventory figure of 9% this figure would rise to **161 ha**.
- 1.2.7 It is clear from these results that we consider the various employment evidence studies to have

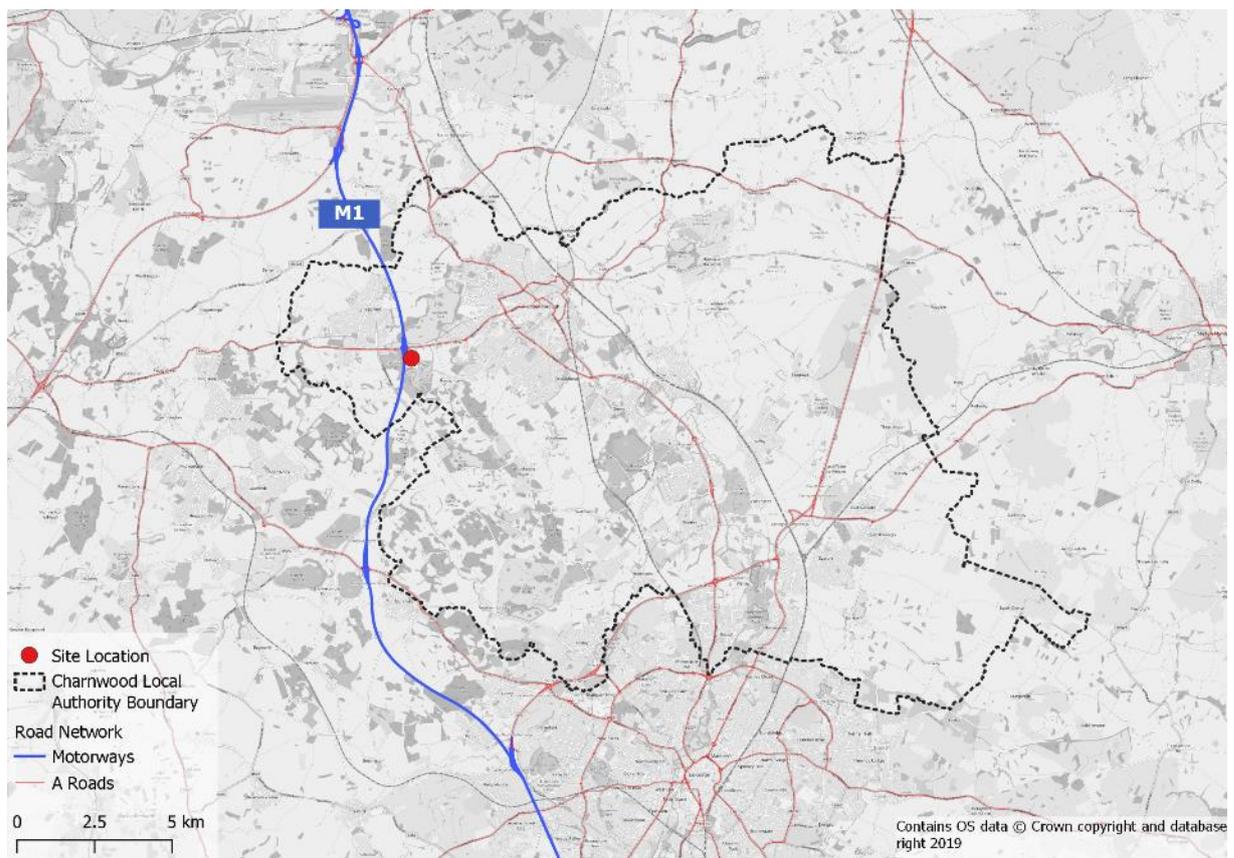
underestimated future I&L demand to a significant degree. Therefore it is recommended that Charnwood seeks to identify more quality sites for I&L uses.

1.3 Subject Site and Proposed Development

Site Description

- 1.3.1 The Subject Site is located at the south east quadrant of Junction 23 of the M1, in Charnwood Borough, approximately 4km to the west of Loughborough via the A512, and 16km to the north of Leicester via the M1. Nottingham and Derby are also easily accessible within 30 minutes' drive time. This Subject Site is broadly rectangular in shape and extends to 22 ha gross (between 15 ha and 16 ha net developable dependent upon the layout of units).
- 1.3.2 Locationally the Site has excellent accessibility to the motorways for national markets, but is also directly accessible to Loughborough to serve the local and sub-regional markets. Accessibility has been further improved by access improvements to Junction 23 and the new A512 dual carriageway which secured public funding via the Local Growth Fund and Get Building Fund. .
- 1.3.3 **Figure 1.1** shows the location of the Subject Site.

Figure 1.1 Subject Site



Source: Savills, 2022

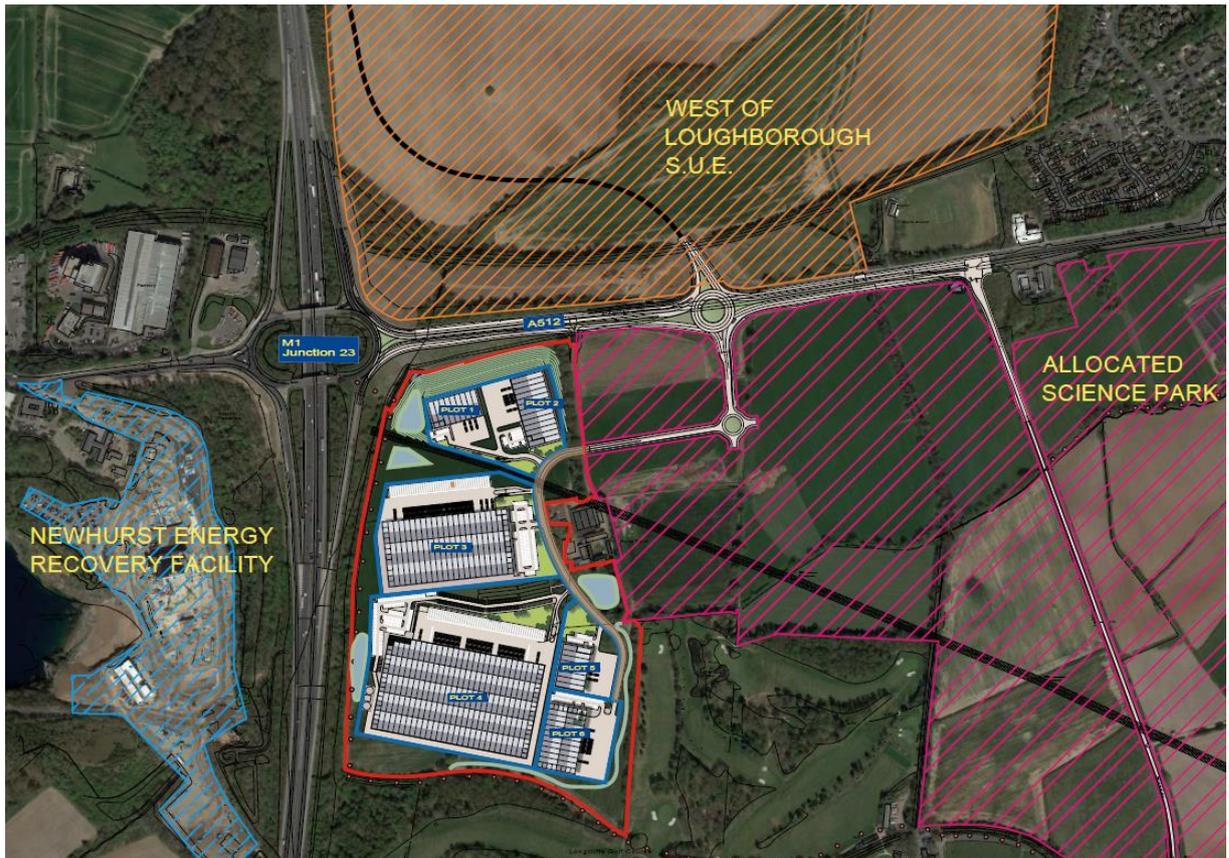
Indicative Proposals

- 1.3.4 Indicative masterplan proposals have been drawn up which demonstrate that the Subject Site is capable

of being accessed from the existing roundabout on the A512 and can accommodate a range of Class E/B2/B8 units to meet market demand, providing the opportunity for a range of unit sizes. **Table 1.1** below presents the indicative unit sizes of each plot, ranging from 30,000 sq.ft to 350,270 sq.ft.

1.3.5 Whilst the mix of unit sizes will be driven by market demand, the indicative masterplan is shown below in **Figure 1.2**.

Figure 1.2 Indicative Masterplan



Source: Savills

1.3.6 **Table 1.1** presents the indicative floor areas for Plot 1-6.

Table 1.1 Plot 1-6 Indicative Floor Areas

Plot	Floorarea (sqft GIA)
1	32,300
2	56,300
3	196,100
4	350,270
5	30,000
6	60,000
Total	724,970

Source: Wilson Bowden, 2022

- 1.3.7 Proposals are indicative only at this stage but demonstrate that the Subject Site can accommodate a range of requirements to meet the needs of both local companies who have outgrown their existing space, and are seeking to benefit from the Site's excellent accessibility to Loughborough and Leicester, as well as occupiers looking to benefit from the Site's location at the heart of the M1 corridor. The proximity of the rail freight interchange at East Midlands Gateway also offers B8 occupiers the opportunity to include rail as part of their distribution strategy.

1.4 Report Structure

- 1.4.1 The report is structured as follows:

- **Section 2** provides an overview of the I&L market nationally and in the East Midlands and Leicestershire;
- **Section 3** reviews previous employment land needs assessments commissioned for the FEMA and Charnwood;
- **Section 4** assesses I&L demand and supply factors in Charnwood and the FEMA;
- **Section 5** provides Savills' review of supply;
- **Section 6** provides Savills' estimate of future demand for I&L floorspace across the FEMA and in Charnwood; and
- **Section 7** summarises the main conclusions.

1.5 Reader Note

- 1.5.1 When we refer to the industrial and logistics (I&L) sector we mean Light Industrial (formerly 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 shed-type units (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 Key Trends in the I&L Sector

2.1 Introduction

- 2.1.1 In this section we discuss some of the key trends that have been driving growth in the I&L sector, drawing on Savills' recent publication for the British Property Federation "*Levelling-up – The Logic of Logistics*"¹, Savills' *Big Shed Briefings* and other relevant research.
- 2.1.2 Not only has the sector been outperforming other commercial sectors in the UK for some time, but it is also 'critical national infrastructure' that supports the functioning of our economy and the way we live our lives. The food we eat, the products and services we purchase, the materials used to build new homes and new infrastructure, even the vaccines that give us protection from Covid-19 are stored, manufactured and distributed from warehouses and factories to 'us' the end customer.
- 2.1.3 The I&L sector enables the movement of goods across a multi-modal network of road, rail, air and water routes. Most businesses draw on supply chains, many of which are global in scale, that rely upon these multiple modes of transport and on the transfer between freight nodes (such as ports, airports, rail freight interchanges and road), to warehouses and then finally onto the end customer. Without these facilities and the increasingly efficient supply chains that link them with suppliers and end customers, the delivery of our purchases would be much slower, more expensive and we would have less choice.

2.2 National and Regional Property Context

- 2.2.1 Both logistics and manufacturing businesses, which together make up the I&L sector, require similar, shed-type properties (including ancillary offices). In terms of location, they both desire highly accessible sites nearby to motorway junctions and other freight handling infrastructure as well as major population centres.
- 2.2.2 Over the course of 2021, Savills Big Shed Briefing (which assesses I&L premises above 100,000 sqft) found that gross take-up nationally, shown in **Figure 2.1**, had reached a new annual record of 5.12 million sqm, **86% above the annual average**². The number of transactions nationally was 220, surpassing the previous record of 172 in 2020³. The 2022 mid-year findings of the Big Shed Briefing⁴ report that Quarter 2 (Q2) has been the second best Q2 on record, with overall take-up for half-year (H1) reaching a new record of 28.6 million sqft, surpassing last year's total and **exceeding the H1 long-term average by 90%**.

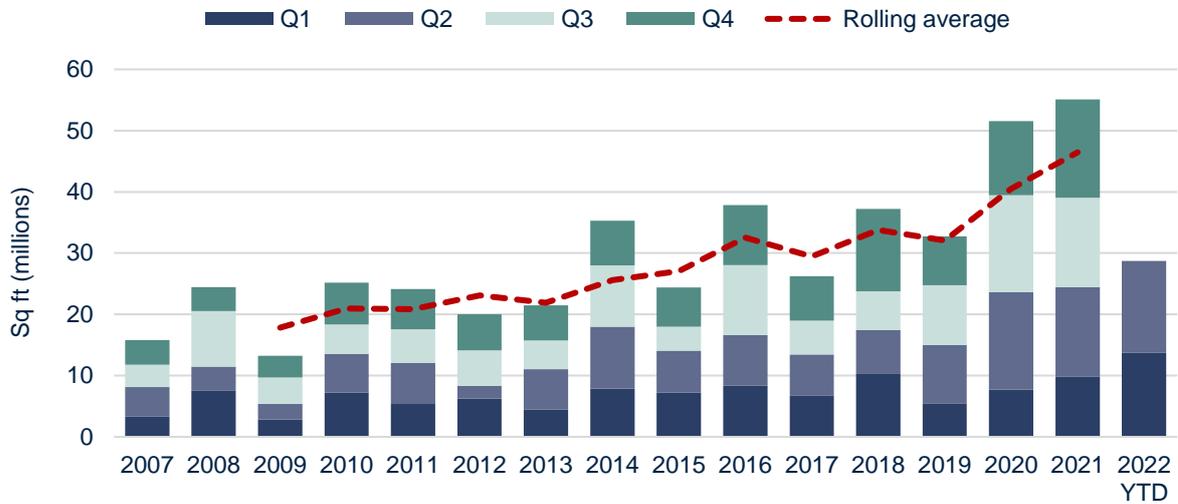
¹ Savills and BPF (2022), *Levelling-up – The Logic of Logistics*

² Savills Research (2022), Big Shed Briefing (January 2022) Available at: https://www.savills.co.uk/research_articles/229130/323880-0

³ Ibid

⁴ Savills Research (2022), Big Shed Briefing (July 2022) Available at: <https://pdf.euro.savills.co.uk/uk/commercial---other/spotlight---big-shed-briefing---july-2022.pdf>

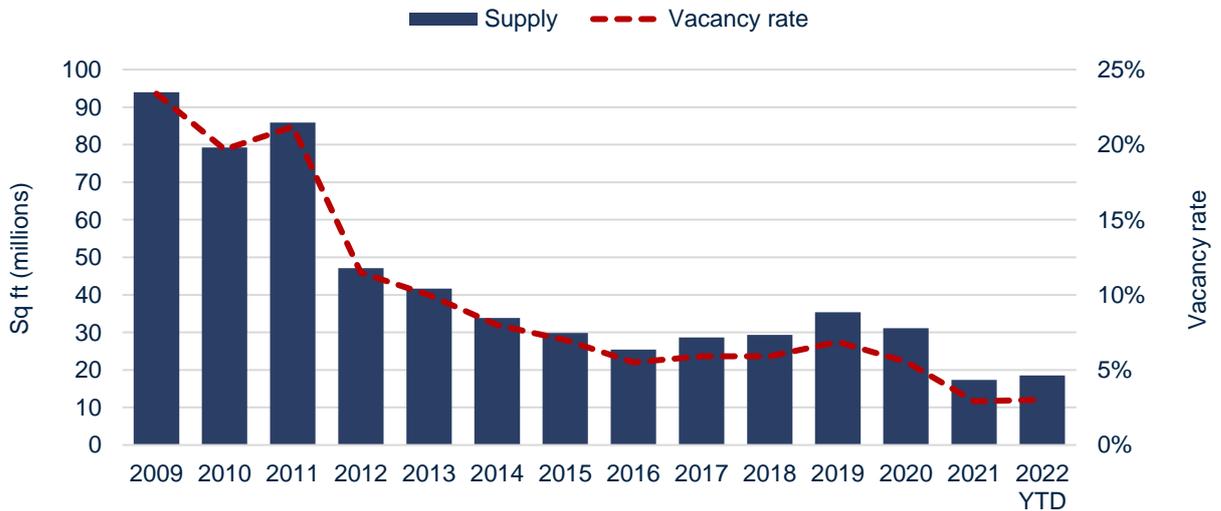
Figure 2.1 I&L Sector Historic National Take-Up – 100,000+ sqft Properties (2007-2022 YTD)



Source: Savills Research

2.2.3 Strong take-up has meant that the **supply of premises nationwide has fallen at its fastest pace ever**, with a national vacancy rate estimated to be 3%⁵ as shown in **Figure 2.2**. There is a particularly severe shortage of supply of the best quality Grade A space, and given the increasing costs associated with running warehouses, it comes as no surprise that occupiers are gravitating towards better quality buildings with better Environmental, Social and Governance (ESG) features⁶.

Figure 2.2 National Supply and Vacancy Levels – 100,000+ sqft Properties (2009-2022 YTD)



Source: Savills Research

2.2.4 Even stronger than the national picture, take-up in the East Midlands was **113% above the long term**

⁵ Ibid
⁶ Ibid

average in 2021 (12.39 million sqft), the highest on record⁷. Take-up in the East Midlands in 2021 accounted for around 22.5% of national take-up, highlighting the strategic importance of the region, and by extension the FEMA, in the I&L market. Again, the supply of premises is at an historically low level as evidence by a regional **vacancy rate which stands at just 1.40%**⁸, **the lowest of any regional nationally**. The average transaction size in the East Midlands has increased substantially in the last year to circa 412,000 sqft, highlighting the shifting occupier demand towards larger units.

2.3 Current I&L Growth Drivers

- 2.3.1 The I&L sector is facing an era of unprecedented change. The past decade has seen the sector undergo a remarkable transformation, reshaping operating models and occupier requirements in ways that are only starting to become recognisable as an industry-wide phenomenon. Logistics uses in particular have shown strong performance for a number of years, but the Covid-19 pandemic has exacerbated existing trends. This has driven demand up even further for logistics floorspace while adversely impacting other commercial sectors such as retail and offices.
- 2.3.2 We consider the shift in habits we have been witnessing, such as the extraordinary growth in **online retailing**, to be structural rather than temporary. As the country's population continues to grow, so will I&L floorspace needs to support household consumption and other sectors of the economy. Statistics collected by the ONS from November 2006 show that the share of internet sales has consistently increased over time and it was at 19% before the onset of the Covid-19 pandemic. During the pandemic, due to lockdowns and restrictions this figure increased considerably and is around 25% as of July 2022⁹.
- 2.3.3 Most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioural changes such as increased home working and continued demand for rapid parcel deliveries. Forrester Research, a respected source of online retail projections, estimate that online retail will continue to grow but from a higher base reaching 37% by 2025 (**Figure 2.3**). While we appreciate these are just future estimates, many online retailers and commentators see only growth moving to 50% of total online sales as being inevitable. One such report, 'The Digital Tipping Point, 2019 Retail Report'¹⁰, estimated retail sales would reach 53% by 2028. While this timeframe appears far too ambitious, the question appears to be more of 'when' rather than 'if'.

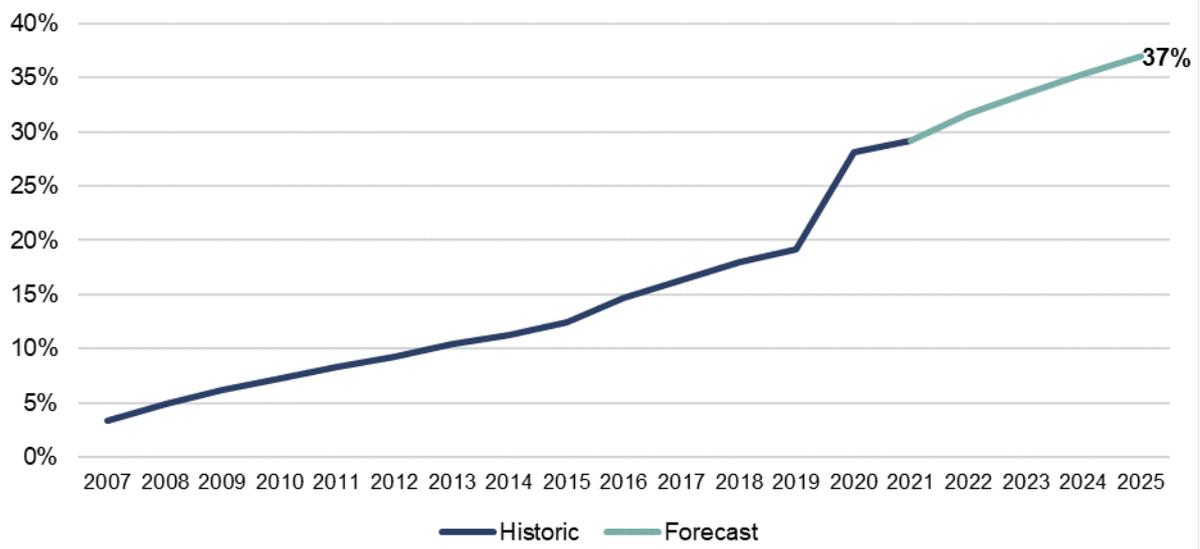
⁷ Savills Research (2022), Big Shed Briefing (January 2022) Available at: https://www.savills.co.uk/research_articles/229130/323880-0

⁸ Ibid

⁹ ONS (2022), Internet sales as a percentage of total retail sales (ratio) (%)

¹⁰ The Digital Tipping Point, 2019 Retail Report, Retail Economic and Womble Bond Dickinson

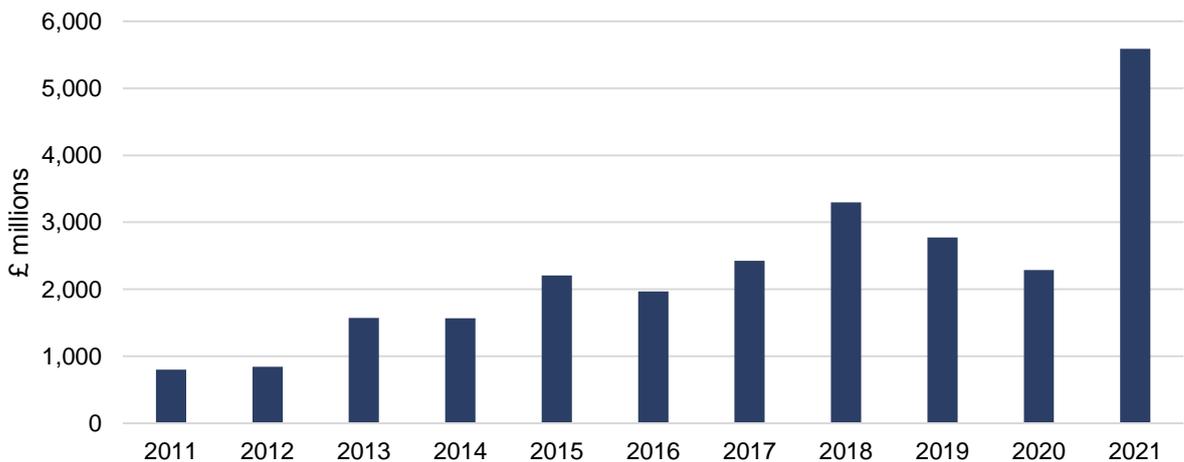
Figure 2.3 Internet Sales as a % of Retail Sales, 2006-2025



Source: ONS, Retail Sales Index Time Series, Forrester Research, Savills 2021

2.3.4 The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers¹¹. The link between this growth and warehouse demand is well exemplified by **Figure 2.4** below. As the percentage of online sales reached a record high in 2021, so did the total value of new warehouse projects. The East Midlands was at the centre of this growth, accounting for one fifth (20%) of the spending in 2021 across Great Britain¹². This data strongly aligns with the Big Shed Briefings’ findings discussed above that saw gross take-up for large sheds reaching an annual record in 2021, with the East Midlands playing a prominent role.

Figure 2.4 Value of Warehouse New Orders for Construction, GB (2011-2021)



¹¹ Prologis (2016), Global E-Commerce Impact on Logistics Real Estate. Online Article: <https://www.prologis.com/about/logistics-industry-research/global-e-commerce-impact-logistics-real-estate>. Internet shopping relies on increased choice for the consumer and also increased delivery speeds to a location of people’s choosing. This means that more inventory is required to be located nearer to the general population. This in turn has meant that more and more warehouse space is required.

¹² ONS (2022), *The rise of the UK warehouse and the ‘golden logistics triangle’* – online article available at: <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/articles/theriseoftheukwarehouseandthegoldenlogisticstriangle/2022-04-11>

Source: ONS and Barbour ABI – Construction Output and Employment; Savills

- 2.3.5 Freight flows are another key driver of I&L floorspace demand. Significant growth is forecast across all **freight** modes (**Figure 2.5**). Freight arriving and leaving the UK needs to be sorted, packaged and distributed via a network of freight handling infrastructure (i.e. ports, airports, rail freight interchanges and motorways) and conveniently located I&L premises in order to reach end customers.

Figure 2.5 Projected Growth in Freight by Mode



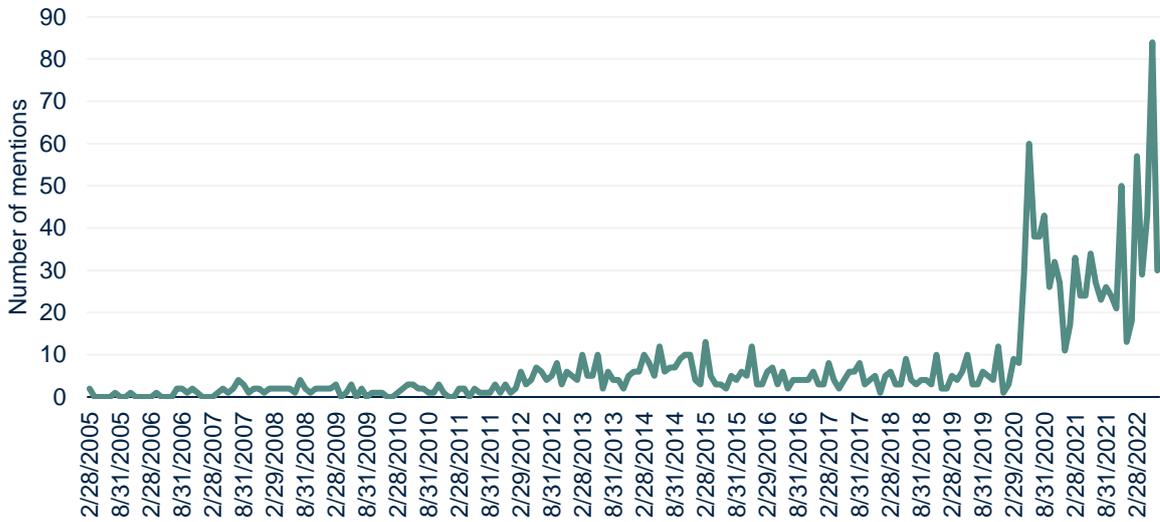
Source: DfT, MDS Transmodal, Boeing, Savills

- 2.3.6 Brexit and Covid-19 have highlighted the level of interconnectedness of international supply chains and their fragility when one or more links break. Companies have started building up greater resilience in their operating models by moving operations either back to the UK (**re-shoring**) or closer by (**near-shoring**) as a means to minimise future supply-chain-induced disruptions.
- 2.3.7 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 Savills¹³ whereby over 80% of respondents expected the Covid pandemic to either 'greatly increase' or 'somewhat increase' on-shoring. Recent data from Sentieo, which analyses listed companies' annual reports, has found that mentions of the term 'near-shoring' have risen dramatically in 2022. Savills are starting to observe new occupier requirements directly related to this phenomenon and expect demand to rise as companies come to terms with running 'just in case' supply chains (leading to increased stock piling) rather than 'just in time'¹⁴.

¹³ Savills (2020) The impact of Covid-19 on Real Estate. Online Article: <https://www.savills.com/impacts/market-trends/the-impact-of-covid-19-on-real-estate.html>

¹⁴ https://www.savills.co.uk/research_articles/229130/330619-0?utm_source=ExactTarget&utm_medium=Email&utm_term=5335003&utm_content=8987518&utm_campaign=UK+Commercial+Market+in+Minutes+-+July+2022

Figure 2.6 'Near-Shoring' on the Rise in Company Reports (2005-2022)



Source: Sentieo, an AlphaSense Company

Near-shoring definition	Re-shoring definition
Transferring a business operation to a nearby country as opposed to a more distant one (i.e. off-shoring)	Moving a business that had gone overseas back to the country from which it had originally relocated

2.3.8 **Figure 2.7** below provides a visual representation of some of the major growth drivers generating the record breaking demand in the I&L sector. While e-commerce and freight growth are two of the most influential, as discussed above, there are several others at play also.

Figure 2.7 I&L Growth Drivers



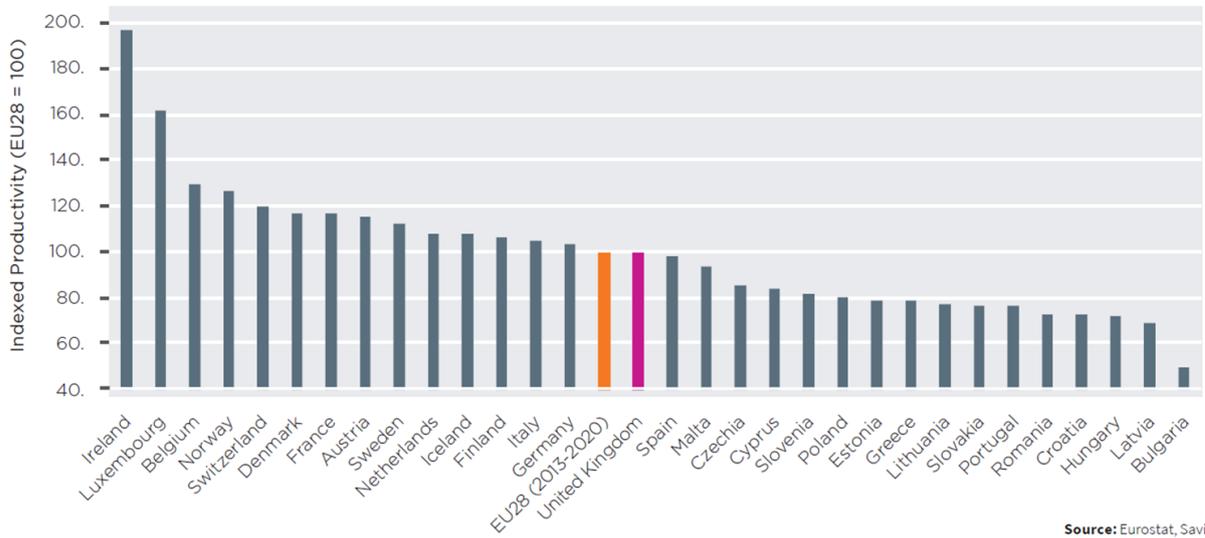
Source: Savills

2.4 The I&L Sector is a Major Contributor to the National Economy

2.4.1 The I&L sector is a significant employer of at least 3.8 million people in England and produces £232 billion of GVA annually¹⁵. Gross Value Added (GVA) per job, currently at £58,000, is 12% higher than the average of all sectors. Its productivity is also predicted to grow at a faster pace, increasing by 29% between 2025 to 2039 compared to 18% across the UK economy as a whole¹⁶.

2.4.2 These are extremely important statistics given the UK’s labour productivity lags many of its western European peers as shown in **Figure 2.8** below. Improving the UK’s labour productivity will become increasingly important in a post Brexit world given its important bearing on attracting inward investment, ability to pay higher wages and higher tax revenues for the Government which can be reinvested in critical services and infrastructure.

Figure 2.8 Labour Productivity per Person Employed – 2019



Source: Eurostat, Savills

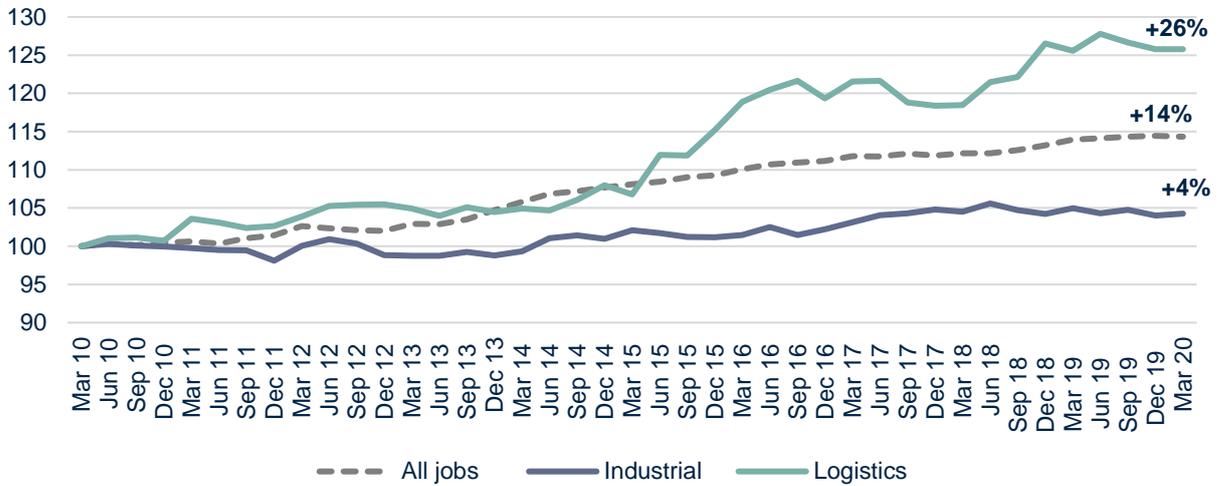
Source: Eurostat, Savills

2.4.3 Over the last 10 years the logistics component of the I&L sector has grown by 26% compared to only 14% across the economy as a whole (**Figure 2.9**).

¹⁵ ONS (2021), Workforce Jobs by Region and Industry - Jobs in Manufacturing, Transportation and Storage for March 2020; ONS (2021) – England, Regional Gross Value Added (Balanced) by Industry – GVA for Manufacturing, Transportation and Storage in 2019 – England

¹⁶ Oxford Economics (2019), GVA by Sector and Employment by Sector for Manufacturing, Transportation and Storage – UK

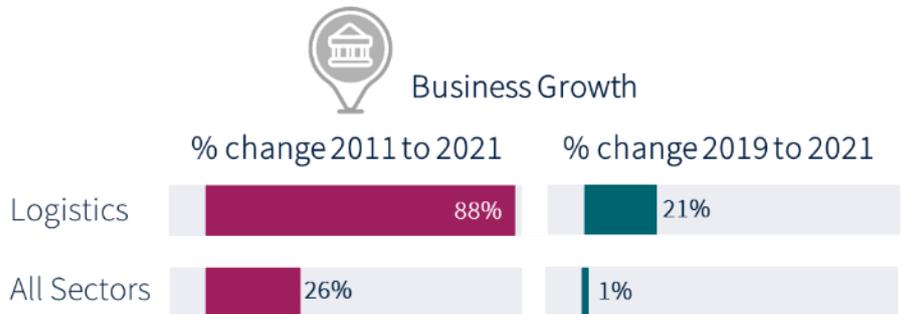
Figure 2.9 Historic Jobs Growth in England (2010-2020)



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

2.4.4 Also, in terms of business generation, the logistics sector is the fastest growing segment of our economy, both in recent years and over the long term. Between 2011 and 2021, the number of business premises¹⁷ within the logistics sector went up by 88%, much higher than the 26% growth rate across the whole economy (Figure 2.10). Growth in the logistics sector has continued to accelerate over the last couple of years, with the number of business premises increasing by 21% against just 1% across the whole economy.

Figure 2.10 Growth in Business Premises



Source: ONS, IDBR, Savills

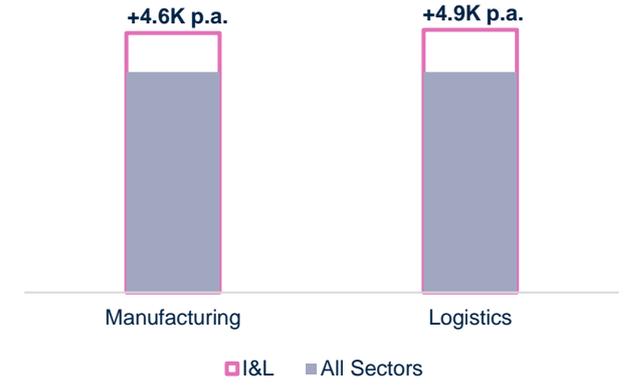
2.4.5 Notwithstanding its importance in terms of employment and GVA contribution, the sector is subject to a number of misconceptions about average pay levels, skills required and types of spaces provided.

2.4.6 As shown in Figure 2.11, average pay is higher than the UK average. Data from the Office for National Statistics (ONS) show wages above average at +£4,600 for Manufacturing, and +£4,900 for Logistics. Again, the logistics component of the sector is performing above average, with wages between 2019 and 2020 having increased more than in other sectors (+6% growth in logistics vs +4%) which is

¹⁷ Business premises refer to local units on the Inter-Departmental Business Register (IDBR), which are individual sites that belong to an enterprise. Only a small minority of businesses operate more than one site (1.5% in transport and storage and 2.1% across all industries). (ONS, 2022)

important in the currently inflationary environment. In addition, entry-level jobs in logistics are relatively well-paid, with median annual pay being 47% higher than across jobs in the same occupational category¹⁸.

Figure 2.11 I&L Jobs Pay More (2020)



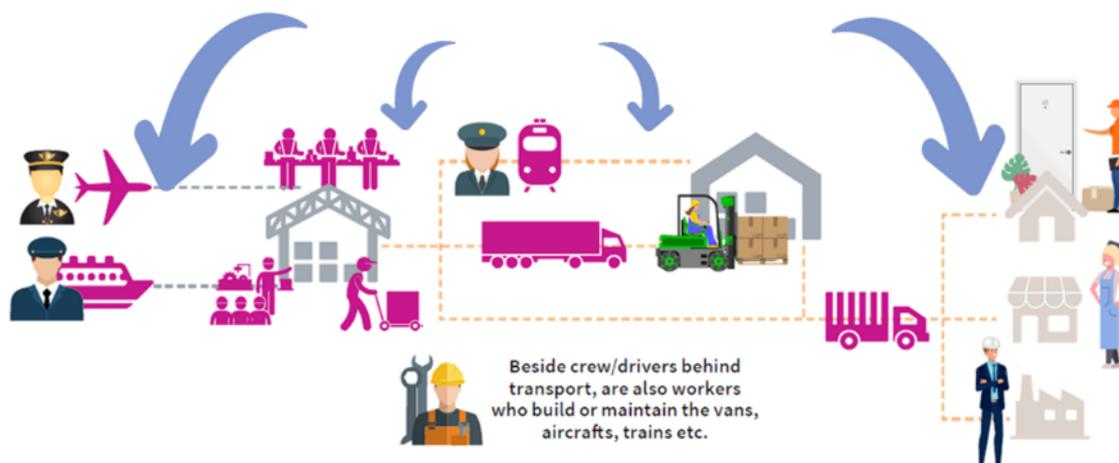
Source: ONS ASHE¹⁹, Savills

2.4.7 I&L's wider supply chain employment is often overlooked in favour of the higher on-site job densities for retail and office uses. I&L premises are a critical link in the chain alongside the key freight modes that allow goods to enter, leave and move around the country (i.e. ports, airports, rail freight interchanges and motorways). Like warehouses and factories, these freight handling facilities generate employment to drive the planes, trains and boats as well as jobs involved in their maintenance and repair. Jobs are also created at ports, airports and rail freight interchanges as part of their operation. The analysis of ONS Type 1 FTE multipliers for the Warehousing sector suggests that **for every 10 new warehousing jobs created, another 7 to 12 jobs are created off-site across the wider supply chain.**

¹⁸ Frontier Economics (2022), *The Impact of Logistics Sites in the UK*

¹⁹ The ASHE survey for 2021 has been released but we do not report on these figures as we consider them influenced by the Covid-19 economic downturn – e.g. they show that between 2020 and 2021 all sectors employee wages decreased by 0.6%.

Figure 2.12 The Wide Span of Supply-Chain Jobs Across the Logistics Sector



Source: Savills

Levelling-Up and the I&L Sector

- 2.4.8 As we discuss in our recent publication for the British Property Federation “*Levelling-up – The Logic of Logistics*”²⁰, the I&L sector can play a pivotal role as part of the Government’s levelling up agenda. In GVA terms, the South²¹ accounts for 63% of England’s total GVA, while the North²² accounts for only 37%. However, over the last 5 years I&L demand (net absorption) in the North has accounted for 70% of the country’s total demand.
- 2.4.9 Thanks to the I&L sector’s higher productivity, wide-range of well paid jobs and training opportunities offered, its growth can help bridge the gap between the North and South. This point is further substantiated by a recent study²³ that looked into the link between logistics density and growth in employment, and GDP per capita. The study found that areas with high logistics density have grown faster than other areas of the UK in both GDP per capita and overall employment.
- 2.4.10 One factor that makes the I&L sector especially well-suited to support levelling-up objectives is the wide-range of occupations offered and their increased diversification across various skill levels. **Figure 2.13** shows the change in the share of occupations in I&L in 2010 and 2019. While at the beginning of the decade we see a more polarised distribution, with a higher share of managers at one end of the spectrum and more routine occupations at the other end, today we see a higher share of Professional and Associate Professional and Technical roles. These roles are typically associated with higher-skilled engineering and technological professions in response to increased automation and robotics in the sector and more advanced supply chain processes. These office-based roles are increasingly co-locating alongside production and logistics uses as it is convenient for these people to be closer to the operations they control and analyse.

²⁰ Savills and BPF (2022), *Levelling-up – The Logic of Logistics*

²¹ London, South East, East of England and South West

²² North West, West Midlands, East Midlands, Yorkshire and the Humber

²³ Frontier Economics (2022), *The Impact of Logistics Sites in the UK*

Figure 2.13 Occupational Distribution in Manufacturing, Transport & Storage (2010 s 2019)



Source: ONS APS, Savills 2020

- 2.4.11 This increased occupational diversity means the I&L sector can play an important role in re-employing people that have lost jobs in other sectors of the economy as a result of the Covid-19 pandemic.
- 2.4.12 The Government’s Coronavirus Job Retention Scheme (CJRS) has helped cushion the impact of economic contraction on the job market. However, in spite of this effort, data on the Claimant Count for the area remains high in most areas of the country. The Claimant Count measures the number of people claiming benefit principally for the reason of being unemployed. **As of August 2022 the Count across the FEMA totalled 20,960 claimants. This is still 38% higher than the Count as of March 2020 (+5,815 claimants).**
- 2.4.13 The I&L sector also generates significant construction and apprenticeship roles which will increase further as it expands into the future. Savills estimate that if supply-constraints are addressed in the future, the sector could deliver over half a million apprenticeships over the next 10 years²⁴. This is extremely important given youth unemployment nationally stands at 12.9%²⁵. A number of case studies on the type of employment opportunities, training and research centres that the sector delivers can be found in our recent publication for the British Property Federation “Levelling-up – The Logic of Logistics”²⁶.

2.5 Conclusions

- 2.5.1 I&L premises facilitate modern lives and therefore should be considered as ‘Critical National Infrastructure,’ similar to how major roads, ports, airports and rail freight interchanges are. The sector makes a significant contribution to the national economy and supports a diverse range of well paid jobs.
- 2.5.2 Current demand within the sector is being driven by a number of key growth drivers. Nationally and regionally there continues to be record breaking levels of demand and consequently rapidly falling supply of stock and very low vacancy rates. Available supply is well below the level which would be considered necessary for market equilibrium.

²⁴ Savills and BPF (2022), *Levelling-up – The Logic of Logistics*

²⁵ ONS (2022), Annual Population Survey – Unemployment rate of people aged 16 to 64 in England (January 2021 to December 2021)

²⁶ Savills and BPF (2022), *Levelling-up – The Logic of Logistics*

- 2.5.3 There is a strong need to support and foster economic growth in order to support the post-Covid recovery and to help soften the impact of current macro-economic factors and the cost of living crisis. It is vital to support those sectors which are proving to be resilient (such as logistics) and are therefore well-placed to provide new employment opportunities to mitigate job losses in other sectors and underpin the economic recovery.

3 Review of Employment Evidence

3.1 Introduction

3.1.1 Several employment need reports have been commissioned within the last 5 years with the aim of understanding future I&L demand and available supply across Charnwood and its wider FEMA consisting of the local authorities of Blaby, Charnwood, Harborough, Hinckley & Bosworth, Leicester City, Melton, North West Leicestershire and Oadby & Wigston. However, these reports, neither as a set, nor individually, give a complete picture of demand and supply across the FEMA as a whole, nor Charnwood specifically.

3.1.2 **Table 3.1** below summarises the different report scopes, the different estimation methods used, their future I&L demand recommendations, and Savills view of each reports’ methodological weaknesses.

Table 3.1 Local and Sub-Regional Employment Studies

Study	Scope	Recommendations	Methodological Issues (Savills View)
Housing & Economic Development Needs Assessment prepared by GL Hearn (HEDNA 2017)	<ul style="list-style-type: none"> Geographic scope: Leicester City and Leicestershire Region Uses: B1, B2, small B8 (<9,000 sqm); Strategic B8 (9,000+ sqm) Time period: 2011-2031 and 2011-2036 	<ul style="list-style-type: none"> B1c/B2 Charnwood: 20.5 ha (2011-31); 25.6 ha (2011-36); FEMA: 131.7 ha (2011-31); 164.6 ha (2011-36); Small B8 (<9,000 sqm) Charnwood: 10.6 ha (2011-31); 13.2 ha (2011-36); FEMA: 93 ha (2011-31); 117 ha (2011-36); Strategic B8 (9,000+ sqm) (FEMA wide): 361 ha (2011-31); 472 ha (2011-36) 	<ul style="list-style-type: none"> Preferred employment needs methodology for B1a/b/c/B2/small B8 is based on past completions. Completions is a supply measure not a demand measure mainly dependent on land being allocated in Local Plans. This is not an accurate measure of ‘true’ market demand. Calculations for B1c/B2/small B8 land do not take into account expected losses of land, completions, or commitments. Does not address strategic needs for B2 floorspace.
Leicester and Leicestershire Housing & Economic Needs Assessment prepared by Icen Projects Limited (April 2022, updated June 2022)	<ul style="list-style-type: none"> Geographic scope: Leicester City and Leicestershire Region Uses: Offices, industrial and local warehousing/distribution units under 9,000 sq.m. Large scale warehousing/distribution unit needs are reported in Warehousing and Logistics in Leicester and Leicestershire: Managing Growth and Change (2021, amended March 2022) Time period: 2021-2036 and 2041 and 2050 	<ul style="list-style-type: none"> Industrial and Distribution Charnwood: 35.7 ha (2021-2036); 43.2 ha (2021-2041); 56.7 ha (2021-2050); FEMA: 302.9 ha (2021-2036); 365.2 (2021-2041); 477.4 ha (2021-2050) 	<ul style="list-style-type: none"> Preferred employment needs methodology is based on labour demand (baseline and growth) scenarios provided by Cambridge Econometrics, as well as completions trends using Local Planning Authority (LPA) monitoring data. Consideration is also given to margins for flexibility, vacancy and replacement demand. Gross completions trend is ultimately chosen for industrial and local distribution (i.e. units less than 9,000sqm) Completions is a supply measure not a demand measure mainly dependent on land being allocated in Local Plans. This is not an accurate measure of ‘true’ market demand.
Leicester & Leicestershire Housing & Economic Needs Assessment – Employment	<ul style="list-style-type: none"> Geographic scope: Authorities within Leicester and Leicestershire Uses: B1, B2/B8 (small) Time period: 2021-2036 	<ul style="list-style-type: none"> Employment need (excluding strategic B8) Charnwood: 35.7 ha (2021-36); FEMA: 297.7 ha 	<ul style="list-style-type: none"> 2021-36 need from HENA 2022

Charnwood and Wider Sub-region: Future Industrial & Logistics Demand

<p>Distribution Paper prepared by Icen Projects (April, amended June 2022)</p>		<ul style="list-style-type: none"> Charnwood is considered to have a surplus of supply of 31.0 ha for B2 / small B8 Therefore Charnwood is considered best able to suitably meet Leicester's unmet need in respect of the identified short/medium-term unmet need to 2036 	
<p>Charnwood Borough Council Employment Land Review prepared by Peter Brett Associates (2018)</p>	<ul style="list-style-type: none"> Geographic scope: Charnwood Uses: B1, B2 and B8. Non-strategic industrial and warehousing (units <9,000 sq.m); Strategic (units >9,000 sq.m) Time period: 2011-2036 	<ul style="list-style-type: none"> Non-strategic Industrial Land (<9,000 sq.m) Charnwood: 44.5 ha (2011-2036) Strategic Industrial (Warehousing) Land (>9,000 sq.m) Charnwood: 10 ha (2011-2036) 	<ul style="list-style-type: none"> Preferred employment needs methodology for B1/B2/B8 is based on past completions. Completions is a supply measure not a demand measure, mainly dependent on land being allocated in Local Plans. This is not an accurate measure of 'true' market demand. Has taken no account of demand that has been lost from Charnwood due to supply constraints, and therefore presents a demand profile based on a supply constrained historic trend (or 'suppressed demand'). The ELR's look-back period for completions is too long, given that over this time the demand drivers underpinning I&L need and the characteristics of the sector itself have changed significantly.
<p>Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change (2021) prepared by GL Hearn, MDS Transmodal and Icen (GL Hearn Study 2021) (Amended March 2022)</p>	<ul style="list-style-type: none"> Geographic scope: Leicester City and Leicestershire Region Uses: Strategic B8 (9,000+ sqm) Time period: 2020-2041 	<ul style="list-style-type: none"> Strategic B8 (FEMA-wide): 861 ha (including 5 year safety margin) 	<ul style="list-style-type: none"> Preferred employment needs methodology results in less demand than historic trend in direct contrast with the strength of the I&L market. Demand estimates per annum are lower than HEDNA's estimates for strategic B8 made in 2017, even with a 5 year safety margin. Again in direct contrast with the strength of the I&L market. Does not address strategic needs for B2 floorspace. Unrealistic apportionment of demand to rail served sites vs road based sites. Does not recommend how the regional need / demand is apportioned amongst local authorities in the region.

Source: Savills (2022)

3.1.3 The above summary clearly demonstrates the various reports 'do not talk to one another' which is a by-product of them using different demand estimation methods, covering different time periods and focusing on different segments of the market (i.e. large warehouse units above 9,000 sqm versus smaller warehouse and industrial units). While the various reports note demand has outpaced supply historically, none have addressed the impact low availability has on 'suppressing' demand as tenants cannot find the space they want.

- 3.1.4 In terms of the estimation methods the various reports use a combination of labour demand, past completions, replacement floorspace and road and rail freight flows to estimate future I&L demand. None of these methods have proved accurate in estimating future demand. If they did, availability would not have trended downwards across the FEMA and Charnwood for most of the last decade as a result of demand outpacing supply. As a result, we have seen above inflation rental growth as occupiers vie for limited available stock.
- 3.1.5 As we discuss further in **Section 4** and **Section 6**, availability has been below the level we consider to represent a balance between supply and demand for most of the last decade. This equilibrium rate is around 8% nationally, a level the FEMA and Charnwood have been below since 2013 and 2014 respectively. As a result, the FEMA has experienced I&L rental growth of 67%, more than twice the rate of inflation (25%) over the last decade²⁷.
- 3.1.6 Below we review in detail the two core I&L demand studies being the Peter Brett Associates Study (2018), focused on demand for non-strategic industrial land, and strategic industrial land at Charnwood level, and the GL Hearn Study (2021, amended 2022) focused on the demand for large warehousing at the FEMA level.
- 3.1.7 As we discuss in detail, both studies have a number of methodological flaws. The Peter Brett Associates Study uses past completions to estimate future demand which is a supply measure not a demand measure, mainly dependent on land being allocated in Local Plans. It also has taken no account of demand that has been lost for Charnwood due to supply constraints, and therefore presents a demand profile based on a supply constrained historic trend. The study's look back period is too long, given that over this time the demand drivers underpinning the I&L need and the characteristics of the sector itself have changed significantly. The GL Hearn Study uses a completely different set of demand estimation methods; its preferred method based on replacement floorspace and road and rail freight flows. While this is an interesting approach, its final recommendations are not sensible given its future floorspace demand estimates are below historic completions. This is completely contrary to market realities whereby demand is currently 86% above long terms trends and vacancy is at the lowest levels since reliable records began (as discussed in **Section 2**).

3.2 Charnwood Borough Council Employment Land Review (2018)

- 3.2.1 Peter Brett Associates with Aspinall Verdi were commissioned in March 2018 by Charnwood Borough Council to produce an Employment Land Review. The ELR was informed by the earlier Housing & Economic Development Needs Assessment prepared by GL Hearn (HEDNA 2017) prepared for the Leicestershire authorities.
- 3.2.2 Non-strategic industrial and warehousing is defined as units below 9,000 sq.m, and strategic warehousing is defined as units in excess of 9,000 sq.m.

The Demand for Non-Strategic Industrial Land (<9,000 sq.m)

- 3.2.3 For non-strategic industrial and warehousing a single scenario of past completions is preferred. The justification for adopting a single scenario is that the labour supply approach shows almost no new floorspace is needed in Charnwood. Setting aside the labour supply scenario, the HEDNA recommends providing land in line with past trends. **For Charnwood this is estimated at 26 ha for industrial users**

²⁷ According to the Bank of England inflation calculator between 2011 and 2021 (<https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>)

(B2) and 13 ha for smaller warehouses below 9,000 sq.m.

- 3.2.4 While the HEDNA presents these separately as two distinct targets, the ELR's market consultation and site inspections show that this is an artificial distinction. In Charnwood smaller warehouses and factories share near identical property and location requirements. **So, the ELR uses 39 ha as the base need for non-strategic industrial land.** This number is updated to 2017 by making an allowance for completions since 2011. There is 34.5 ha still needed up to 2036.
- 3.2.5 As a strategic study, the HEDNA is unable to fully consider local factors in Charnwood. The ELR has tested whether simply providing land in line with past take-up will meet the full market demand. This is fully in line with the HEDNA where the report is clear that the **39 ha, reduced to 34.5 ha once take-up between 2011-16 is considered, must be treated as the minimum number.**
- 3.2.6 The HEDNA report starts from the assumption that the market today is broadly in balance. But the ELR suggests that this is not the case. The ELR has assumed vacancy should be 7.5%. Reflecting the fact that vacancy rates are lower than 7.5%, and agents concerns that the HEDNA estimate of past take-up may be too low, the ELR proposes a small adjustment to the demand estimate. **The ELR estimate that 10 ha of land would enable sufficient floorspace to be accommodated** to allow the vacancy rate to reach a 'healthy' 7.5%. Vacancy is currently 3.8% and so the ELR allows for a further 3.7% of the existing stock to bring vacancy back to a healthier 7.5%. This required around 10 ha at a 42% plot ratio.
- 3.2.7 So, the ELR recommends that the Council provides for at least **44.5 ha of new land for non-strategic industrial uses.**

The Demand for Strategic Industrial (Warehousing) Land

- 3.2.8 For larger unit demand, the HEDNA only presents a county-wide need for a minimum of 472 ha of new land for strategic (<9,000 sq.m units) B1, B2 and B8 units.
- 3.2.9 For Charnwood, a failure to provide any land in response to this 472 ha HEDNA figure would mean that an element of market demand is unaddressed in the next plan. This is because within the 39 ha non-strategic allocation, there is 'no room' for even a single new warehouse unit over 9,000 sq.m. This is regardless of whether the demand is generated by local (to Charnwood) firms growing or consolidating from smaller units into one large unit, or footloose demand.
- 3.2.10 Given that the ELR identified only 16 units larger than 9,000 in Charnwood today, the ELR considers locally driven need for new land to be modest.
- 3.2.11 The ELR considers 10 ha to be the smallest practical size for a site to accommodate large warehousing units. An additional allowance around 10 ha would accommodate, at most, 4 larger units of 10,000 sq.m or fewer if the footprint was larger. **The ELR therefore considers it reasonable to identify a site of at least 10 ha to meet strategic demand.**
- 3.2.12 **Table 3.2** summaries the ELR's I&L Future Demand Estimates for the period 2011 to 2036 in Charnwood.

Table 3.2 Charnwood ELR I&L Future Demand Estimates

Use	Land (ha)
Non-strategic Industrial Land (<9,000 sq.m)	44.5
Strategic Industrial (Warehousing) Land (>9,000 sq.m)	10
Total	54.5

Source: Peter Brett Associates (2018), Savills (2022)

The 39 ha figure has been updated accounting for completions between 2011 and 2017. Therefore the need in Charnwood is updated to 34.5 ha by the ELR.

- 3.2.13 Savills consider the ELR to have a number of methodological weaknesses which have led to it underestimating future I&L demand which we discuss further below.

Completions vs Net Absorption

- 3.2.14 The ELR’s measure of take-up is based on past completion trends (what Savills refer to as net deliveries), rather than actual take-up of floorspace space (what Savills refer to as net absorption).

- 3.2.15 The leading demand measure for floorspace is ‘net absorption’, which indicates the quantum of net floorspace occupied over a period of time (i.e. move-ins minus move-outs) based on leasing deals. Development completions on the other hand is a supply measure (rather than a demand measure) which calculates new floorspace delivered. While new floorspace can be delivered on existing sites through redevelopment and intensification, it mainly depends on new employment sites being made available (allocated) for development via the planning system. For this reason, net absorption is a more accurate reflection of demand than historic completions.

- 3.2.16 In essence, by using historic take-up as a measure of future demand, the Council and its consultants are advancing a case that the Council’s ability, or willingness to allocate land, is a true measure of market demand. This approach does not have regard to market signals and therefore is not considered in compliance with the NPPF and NPPG.

The ELR Does Not Account for Suppressed Demand

- 3.2.17 When supply, as signalled by floorspace availability, is low, demand is ‘suppressed’ as prospective tenants cannot find space in a market. 8% is typically referred to as the equilibrium level at a national level when supply and demand are broadly in balance (as sourced in publications such as the GLA’s Land for Industry and Transport SPG (2012). Below this level, available supply becomes tight and rents increase as strong occupier demand compete for limited available stock.

- 3.2.18 As discussed in relation to **Figure 4.5**, the FEMA has experienced availability below this equilibrium level consistently since 2013. By merely projecting forward historic change in I&L floorspace, the ELR has taken no account of demand that has been lost from Charnwood or the FEMA due to supply constraints, and therefore presents a demand profile based on a supply constrained historic trend (or ‘suppressed demand’).

- 3.2.19 Savills has developed a methodology that estimates a market’s suppressed demand when supply is below the 8% equilibrium rate (i.e. when supply and demand are in balance). This can be added to historic demand projections to give a more realistic picture of future demand. We address this in **Section**

6 below.

The ELR's Look-Back Period is Too Long

3.2.20 The ELR's look-back period for past completions uses the furthest look back period possible for each local authority. This is considered to be far too long, given that over this time the demand drivers underpinning I&L need and the characteristics of the sector itself have changed significantly. These changes have resulted in increasing demand for I&L floorspace. These include online retailing growth, housing growth, increase in re-shoring from Brexit, and the growth in the UK freight handled. We discuss each in turn below.

GROWTH IN ONLINE RETAILING

3.2.21 As discussed in **Section 2**, exponential growth in online retail is probably the most quantifiable of the major changes driving growth in the I&L sector. Statistics collected by the ONS show that the share of internet sales has consistently increased over time, from 2.5% in November 2006 to 19% before the onset of the Covid pandemic²⁸. During the pandemic, due to lockdowns and restrictions, this figure considerable increased and was around 25% as of July 2022²⁹. The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers³⁰. While the proportion of online retailing has softened slightly as the UK economy has opened up, most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioural changes such as increased home working and continued demand for rapid parcel deliveries. Forrester Research, a respected source of future online retail projections, estimate that online retail will continue to grow but from a higher based, reaching 37% by 2025³¹.

HOUSING GROWTH

3.2.22 This exponential growth in online retailing is both a function of the way we now live and the continued housing growth in the UK. As shown in **Figure 3.1**, housing growth at the national level has broadly tracked the growth in online retailing before the onset of the Covid-19 pandemic, during which time online retailing has spiked even higher. Between 2001 and 2021, the number of homes in Charnwood and across the FEMA has increased by 25% and 22% respectively³². Online retailing relies on increased choice for the consumer and also increased delivery speeds to a location of people's choosing. This means that more inventory is required to be located nearer to the general population which has been increasing. This in turn has meant that more and more warehouse space is required, both by online retailers but also traditional bricks and mortar retailers who are adapting their supply chains to compete. Again, this modern day trend will not have been accounted for in the ELR by merely projecting forward the change in employment land in Charnwood which is a supply measure.

²⁸ ONS (2022), Internet sales as a percentage of total retail sales (ratio) (%)

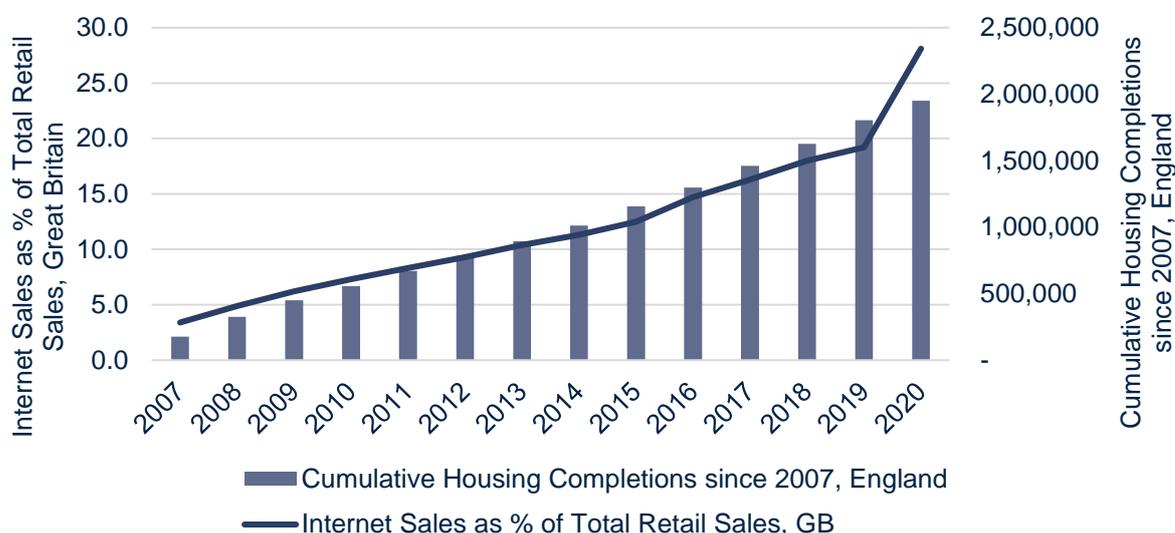
²⁹ Ibid

³⁰ 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>

³¹ Forrester Research (2021) Online Retail Sales by Country, 2002-2025

³² MHCLG (2021): Table 125: Dwelling stock estimates by local authority district, 2001-2021;

Figure 3.1 Internet Sales as a % of all Retail Sales and Dwelling Completions Since 2007



Source: ONS, MHCLG, Savills

COVID-19

3.2.23 Covid-19 has also highlighted the level of interconnectedness of existing international supply chains and their fragility when one or more links break. Companies have started building up greater resilience in their operating models and are preparing to minimise future supply-chain-induced disruptions. This is expected to accelerate near-shoring³³ or re-shoring³⁴ trends which will increase demand for I&L floorspace as discussed in **Section 2**.

BREXIT

3.2.24 As discussed in **Section 2**, Brexit has added further uncertainty surrounding the strength of UK supply chains, influencing the need for further logistics space, especially along key transport routes such as the M1. The impacts of Brexit and the increased levels of re-shoring and near-shoring will not have been accounted for in the historic take-up figures used in the ELR.

GROWTH IN UK FREIGHT

3.2.25 Freight volumes are another key driver of I&L floorspace need. Freight arriving and leaving the UK needs to be stored, packaged and distributed via a network of freight handling infrastructure (i.e. ports, freight handling airports, rail freight interchanges and motorways), and conveniently located I&L premises in order to reach end customers. Freight volumes are forecast to grow significantly which will increase demand for I&L space in the UK, as discussed in **Section 2**. Again, the growth in UK freight volumes will not have been accounted for in the historic take-up figures used in the ELR.

3.3 Leicester and Leicestershire Housing & Economic Needs Assessment prepared by Icen Projects Limited (April 2022, updated June 2022)

3.3.1 This study perpetuates some of the flaws of the (HEDNA 2017) and Charnwood ELR by focusing on

³³ 'Near-shoring' concerns transferring a business operation to a nearby country as opposed to a more distance one (i.e. off-shoring)

³⁴ 'Re-shoring' meaning moving a business that had gone overseas back to the country from which it had originally relocated

past completions as a measure of future demand/need. As we discuss in **Section 3.2** above, floorspace completions, is a supply measure, not a demand measure. For new I&L floorspace to be built it depends primarily on new land supply to be allocated via the planning system. However, the planning system does not determine demand but rather seeks to deliver supply to facilitate demand across a range of competing land use and enabling infrastructure needs. In the case of Charnwood and the wider FEMA, this updated HEDNA notes within the table on p64 that this historic supply trajectory has not kept pace with demand -

'Levels of availability at the current time are relatively low, with the evidence pointing to just 1.3 years of available supply. New space/sites which have been brought to the market, including at Magna Park, have performed strongly with significant levels of market interest. There is therefore a need to bring forward additional space short-term to cater for strong demand.'

3.3.2 We would argue that just 1.3 years of available supply isn't 'relatively low' but in fact 'critically low.' By projecting forward historic supply (land take up trends) the HEDNA is merely continuing the historic trend of supply not keeping pace with demand. This will lead to a continued loss of investment and job creation.

3.3.3 **If the same approach to housing need was adopted (i.e. forecasting forward past housing completions) a plan would be unsound.** For this reason we consider the HEDNA does not estimate objectively assessed employment land needs and therefore is in contravention of the tests of soundness as detailed in Paragraph 35 of the NPPF. Namely the Local Plan is –

- Not positively planned as it does not address the historic supply / demand imbalance it itself states;
- Not justified as the economic evidence base isn't proportionate;
- Not effective as its future needs estimate doesn't reflect current day and future market requirements;
- Not effective as it undermines productivity (the I&L sector being one of the most productive sectors in the UK) and fails to make adequate provision for what is the strongest commercial sector in the UK; and
- Not consistent with national policy as it does not place significant weight on the need to support economic growth and productivity, taking account of local business needs in accordance with Paragraph 81 of the NPPF, nor recognise and address the specific locational requirements of different sectors in accordance with Paragraph 83 of the NPPF.

3.4 The GL Hearn Study (2021, amended 2022), Warehousing and Logistics in Leicester and Leicestershire

3.4.1 The study was prepared by GL Hearn with MDS Transmodal for a consortium comprising Blaby, Charnwood, Harborough, Hinckley & Bosworth, Melton, North West Leicestershire, Leicester City, Leicestershire County Council, Oadby & Wigston and the Leicester and Leicestershire Local Enterprise Partnership.

3.4.2 The study focuses on large scale logistics warehouse facilities (B8) greater than 9,000 sqm³⁵, and

estimates demand across the FEMA over a 21-year period to 2041. **The need for large B2 units of 9,000 sq. m plus across the FEMA is not covered by the study** despite this representing a small but significant component of occupier demand, as we discuss below.

3.4.3 The estimation methods it explores include:

- **Labour demand:** based on Oxford Economics jobs forecasts which are then translated into floorspace using employment densities and then into a land requirement using a 40% plot ratio;
- **Historic trends:** based on historic completions data; and
- **Replacement + Traffic Growth:** based on the need to replace obsolete stock and need to handle freight traffic growth. Traffic growth is translated into floorspace demand, which is then split between road-based and rail-based. Floorspace estimates are translated into a land requirements using a 35% plot ratio for road-based and 25% plot ratio for rail-based.

3.4.4 A summary of the floorspace demand estimates from these methods is tabulated below in **Table 3.3**. The estimates cover the period between 2020 and 2041.

Table 3.3 GL Hearn Estimated Need by Model Type (2020 to 2041)

Type	Model Name	Description	2041 Needs ('000 sqm)
Labour Demand	Labour demand	Assumes the baseline model for all sectors	-50
	Labour demand sensitivity	Assumes baseline model for warehouse and related sectors for growth-only districts	161
Historic Trends	Completions trend	Reflects large warehouse floorspace delivery over the 2012-19 period, projected forwards	2,702
	VOA trend	Models growth-only districts 2011-18 projected forwards, all warehouse and industrial stock including losses	1,941
Replacement + Traffic Growth	High replacement, central traffic growth	30 year stock longevity and baseline traffic growth	2,466
	Low replacement, central traffic growth	40 year stock longevity and baseline traffic growth	2,061
	High replacement, sensitivity test traffic growth	30 year stock longevity and higher traffic growth from heightened e-commerce trading as a result of Covid-19	2,571

	Low replacement, sensitivity test traffic growth	40 year stock longevity and higher traffic growth from heightened e-commerce trading as a result of Covid-19	2,166
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Source: GL Hearn, Savills

3.4.5 **The preferred model is the “High replacement, sensitivity test traffic growth”** which estimates 2,571,000 sqm of floorspace demand by 2041. This model relies on two factors driving future demand:

- **Replacement Build:** requiring new large-scale warehousing to replace existing obsolete buildings.
 1. This assumes the life of a modern warehouse building is 30 years.
 2. Over a 21-year period this corresponds to 70% of existing stock (21 years / 30 years = 70%).
 3. This leads to an estimated demand of **1,620,000 sqm** by 2041.
- **Growth Build:** future demand driven by the need to handle growth in volume of consumer goods handled.
 1. This is derived from growth in annual freight volumes delivered directly to large scale distribution centres.
 2. The chosen model variant assumes higher growth in traffic induced by heightened e-commerce trading occurring since the onset of the Covid-19 pandemic.
 3. The traffic forecasts are then converted into floorspace need “using generally accepted 'conversion factors' which relate annual tonnage throughput and floor space at large scale 'high bay' type warehouses”³⁶.
 4. This leads to an estimated demand of **308,000 sqm** by 2041.

3.4.6 The **Replacement Build and Growth Build** components are then combined as follows:

1. Floorspace demand from the two components leads to a combined demand of **1,928,000 sqm**.
2. A 5 year margin for flexibility is then applied, leading to an overall requirement of **2,571,000 sqm**.

3.4.7 Floorspace demand from the above step is apportioned to rail-served and road-served sites at a 43% and 57% share respectively. Floorspace is then converted to land requirements assuming a 35% plot ratio for road-based and 25% plot ratio for rail-based sites. This equates to demand for **861 ha**.

3.4.8 Below we summarise our views on the methodology adopted in this study.

The preferred model underestimates true demand

3.4.9 A major concern with the preferred model is that its total demand estimate of **2,571,000 sqm** is lower than the historic trend model based on completions at **2,702,000 sqm**. This does not reflect reality given

³⁶ Para 8.25, p.109

I&L demand for large units, as we discussed in **Section 2**, is the strongest its ever been, both nationally and across the region. As a result available stock is nearly completely exhausted with vacancy at just 2.91% nationally and 1.69% in the East Midlands, the lowest levels ever on record.

- 3.4.10 The lack of available supply within the I&L sector is not a recent occurrence but is historic. When supply, as signalled by floorspace availability, is low, demand is 'suppressed' as prospective tenants can't find space in a market. 8% availability is typically referred to as the equilibrium level at a national level when supply and demand are broadly in balance (as sourced in publications such as the GLA's Land for Industry and Transport SPG 2012). **We discuss this further in Section 5.**
- 3.4.11 Below this level, available supply becomes tight and rents increase as occupiers compete for limited available stock. The wider FEMA market has been below the 8% benchmark since 2013, so nearly a decade. The GL Hearn Study notes the lack of supply in several instances (i.e. Sections 3 and 6), however instead of trying to address this issue, and its impact on demand, it appears to further accentuate the issue by recommending less demand than the historic 'supply constrained' (i.e. completions) trend.
- 3.4.12 Not only are historic trends not reflective of the current and future strength of demand in the sector, the Study's use of completions as a demand measure is fundamentally flawed. Development completions is a supply measure, not a demand measure. While new floorspace can be delivered on existing sites through redevelopment and intensification, it mainly depends on new employment sites being made available (allocated) for development via the planning system. The length of time and complexities involved in delivering sites, particularly those of a strategic scale, is why supply measures (completions) typically lag actual demand (net absorption). Therefore the use of a lagging supply measure, and the projection of this forward into the future, results in an underestimate of 'true' market demand.
- 3.4.13 We address these issues as part of the Savills estimation method in **Section 6.**

The Study uses different plot ratios

- 3.4.14 Plot ratios are used to convert floorspace demand to land requirements. The GL Hearn study applies different plot ratios across the different demand models. Such inconsistency is not considered justified. For instance, the historic trend model uses a plot ratio of 40% based on historic evidence but the preferred Replacement + Traffic Growth model uses 35% for road and 25% for rail sites.
- 3.4.15 While we agree these lower plot ratios are more representative of larger unit development, the primary output of each model is their future floorspace demand estimations not plot ratios. By using different plot ratios to translate floorspace to land, the study has removed the ability to compare results from the different models on a 'like for like' basis. For instance the past completions method (including a 5-year margin)³⁷ has a much higher future floorspace demand requirement but only a slightly higher land requirement (3.3 million sqm gives 869 ha) compared to the preferred method (2.6 million sqm gives 861 ha). This is due to the past completions trend being based on a more land efficient plot ratio of circa 40% (which, it should be noted, is too high and does not reflect market realities for many large unit schemes).
- 3.4.16 If the same road and rail plot ratios were also used for the past completions method (including a 5-year

³⁷ A five year margin of flexibility of 643,000 sqm is added to the past completions estimation of 2.7 million in order to compare the preferred method on a like for like basis

margin)³⁸, its land requirement would increase to 1,120 ha (made up of 575 ha (road) and 545 ha (rail)). This is **259 ha higher** than the preferred method (861 ha).

Demand for B2 strategic floorspace is not taken into account

3.4.17 In line with national trends, and as a result of the region's location and accessibility, the vast majority of take-up of larger units is by companies within the logistics sector. However, the East Midlands also continues to account for a significant and above average proportion of UK manufacturing output. Manufacturing accounts for 16% of economic output in the region and 11.1% of jobs, compared to the national average of 10% and 7.4% respectively³⁹.

3.4.18 Leasing activity for strategic I&L floorspace (above 9,000 sqm) between 2012 and 2021 for the East Midlands, shows that B2 floorspace accounted for 21.5% of all deals (or 8% by floorspace)⁴⁰.

3.4.19 Examples of large-scale manufacturing investment in Leicestershire include:

- Countryside Properties took a 359,305 sq. ft build to suit unit at Mountpark, Bardon in March 2020 for the manufacture of its advanced modular panel system that will deliver around 3,250 new homes a year for the company's three Midlands regions when the factory is fully operational. The facility created over 100 jobs, including apprenticeships for the local area.
- Power Towers took a speculative unit of 100,000 sq. ft at Leicester Distribution Park in December 2019. Power Towers are a UK manufacturer founded in 2007.
- Mattel Toys took a new speculative unit of 205,760 sq. ft at Optimus Point, Leicestershire in December 2017.

3.4.20 Given the important role that the manufacturing sector plays in the East Midlands, and that B2 uses occupy similar types of units to B8, their needs should be considered.

Several key assumptions are not substantiated

3.4.21 Based on an assessment of trends within the I&L sector, the study separately quantifies the need for rail-served and non-rail (road-based) floorspace and land.

3.4.22 The Study notes that new warehouses are constructed partly to accommodate growing traffic volumes over the long term – this forms the 'growth build' element of the Study's preferred demand forecasts. The focus is commodities which pass through large scale distribution centres (excluding bulk and semi-bulk cargoes such as aggregates and forest products) – in 2019 and forecast to 2041. These specific commodities are not identified in the Study, but are set out in the Leicester and Leicestershire Strategic Distribution Sector (SDS) Study Part A Interim Report, published in 2014. They include Beverages, Food (fresh, perishable and non-perishable), Furniture, Clothing, Manufactured Articles, Paper and Card (including packaging), Parcels and Wood/Cork Manufactures⁴¹.

3.4.23 The current and forecast freight volumes are produced using the MDS Transmodal GB Freight Model. For those commodities which pass through large scale distribution centres, it estimates the total volume of cargo currently destined for Leicestershire, and the proportion estimated to be delivered directly to

³⁸ Ibid

³⁹ Future of the East Midlands Economy, 3rd September 2021 (House of Commons Library CDP-2021-2033)

⁴⁰ CoStar (2022)

⁴¹ MDS Transmodal & Savills (2014) Leicester and Leicestershire Strategic Distribution Sector Study: Part A Interim Report, para 3.2, footnote 6

large scale distribution centres.

- 3.4.24 As discussed in **Section 2**, significant growth is forecast across all freight modes, with LGV traffic estimated to grow between +25% and +108% by 2050 and rail traffic by +74% by 2043/44. However, in spite of this strong forecast growth, the preferred model, based on freight traffic forecasts, predicts future floorspace demand below past completions. If freight is forecast to grow, and we know freight growth is linked to demand for I&L floorspace, it is therefore not reasonable to expect lower demand for I&L floorspace than past completions – as the preferred model suggests.
- 3.4.25 The Study estimates that 45% of road freight traffic destined for the East Midlands will be delivered to a distribution centre (assumed to be a unit of 9,000 sq. m plus). This is based upon research undertaken as part of the East Midlands Strategic Distribution Study prepared by Savills and MDS Transmodal which was published in 2006. As noted at **Section 2**, there have been significant changes in the sector since this time including the significant growth of e-commerce. The accuracy of this figure now (and even more so in 2041) is therefore questionable.
- 3.4.26 The main issue is likely to be around the assumption for converting freight traffic to floorspace. This key assumption is not explained in the document, its only reference at paragraph 8.25 is to say “*generally accepted conversion factors.*” This is a fundamental assumption in the model and should have been presented with more transparency. In contrast, more detail was provided for the alternative methods not taken forward in the Study. For instance, for the labour demand method, the conversion factor when relating labour demand (jobs) to floorspace was clearly stated as based on densities from the HCA’s 2015 guide, which we recognise as industry standard.

Air freight and LGV freight flows appear to be ignored

- 3.4.27 The growth build element of the preferred model does not appear to take into account the role of air freight and associated I&L demand. This is despite East Midlands Airport (EMA) handling the second-highest volume of air freight in the UK⁴², after Heathrow, and being the UK’s largest dedicated air cargo operation, making it the country’s most important airport for express freight⁴³. EMA was one of the top 10 airports in Europe by air traffic movements during the middle of the Covid-19 pandemic⁴⁴. The Study also fails to account for the Airport’s ambition to treble its cargo activity to 1 million tonnes a year over the next 20 years⁴⁵, which will likely lead to increased demand for I&L premises located near the airport.
- 3.4.28 Similarly, freight moved by LGV appears to have been ignored with only HGV movements considered. Paragraph 8.21 in the Study notes the road freight data is derived from the Department for Transport’s Continuing Survey of Road Goods Transport (CSRGT) which obtains details of domestic activity of GB-registered HGVs⁴⁶. Therefore LGV traffic, which is estimated to grow between +25% and +108% by 2050, as discussed in **Section 3**, is not taken into account. While we appreciate that HGV movements are more linked to larger sheds, to infer LGV traffic has zero relationship is not correct. This omission has likely led to underestimates in future floorspace demand.

Supply Review

- 3.4.29 As at April 2020, the study found that there was 338,000 sq. m of consented rail-served floorspace,

⁴² Civil Aviation Authority (2021) UK Airport Data; Table 14 International and Domestic Freight

⁴³ <https://www.eastmidlandsairport.com/about-us/cargo/>

⁴⁴ Manchester Airports Holdings Limited Unaudited Interim Report and Condensed Consolidated Financial Statements for the Six Months Ended 30 September 2020

⁴⁵ https://www.magproperty.co.uk/app/uploads/2018/10/EMA_2018_Brochure_FinalProof2.pdf

⁴⁶ <https://www.gov.uk/government/statistics/continuing-survey-of-road-goods-transport-gb-respondents-section>

together with 1,073,000 sq. m of consented road-based floorspace⁴⁷.

3.4.30 The supply of land across both categories has fallen significantly since the publication of the Study, as illustrated by **Table 3.4** below. Supply of rail-served floorspace has fallen to 96,000 sq. m. This includes one plot at East Midlands Gateway and one plot at East Midlands Distribution Centre (please note that whilst this is included as rail-served to allow comparison with the Study’s conclusions, the only unit which is rail-served at EMDC is Marks & Spencer, so the remaining supply should technically be included within the road-based figures). The supply at road-based sites has fallen to 676,000 sq. m. **In total, supply has fallen from 1,411,000 sq. m to 772,000 sq. m (a 45% reduction) in less than two years.**⁴⁸

Table 3.4 Supply Update (April 2022)

Scheme	Study Supply (Vacant units & Consented Plots)	Update Supply Position (000's sq. m)	Difference	Comment
EMDC (Rail)	102	32	-70	EMDC 525 let to Buy it Direct
EMG (Rail)	236	64	-172	Plot 5 remaining for strategic B8
Hinckley & Bosworth				
Unit 1 Mountpark Phase II	62	0	-62	Let to VF Corporation
Bardon, Hinckley & Bosworth	0	89	89	Consent on Appeal
Blaby				
Land West of St Johns, Enderby	99	107	8	Application awaiting determination
Charnwood				
Rothley Lodge, Loughborough Rd	11	11	0	Cross Link 646
Former Artform International premises, Loughborough	14	0	-14	U/O
Harborough				
Tornado 186, Magna Park	16	0	-16	Let to Bleckmann
Magna Park South	279	110	-169	MPS5 and MPS7
Magna Park North	320	244	-76	MPN2 (spec), MPN 5, 6 & 7
M1 Access, Lutterworth	11	11	0	Available - 129,012 sq. ft spec
X Dock 377, Magna Park	35	0	-35	Let to Armstrong Logistics
Quantum, Magna Park	38	0	-38	Let to Amazon
Hurricane Warehouse (4400), Magna Park	24	0	-24	Let to Clipper
Leicester				
Leicester Distribution Park	9	14	5	Unit 2 - 150,000 sq. ft spec
North West Leicestershire				
225 @ Interlink, Bardon	21	0	-21	Let to Oakland
Zorro, Ashby-De-La-Zouch	22	0	-22	Let to EV Cargo
Former Coal Lounge	62	70	8	G Park, Ashby - planning 2021
Unit 2 Mountpark Phase II	50	0	-50	Countryside Pre-let
Bardon Hill, Coalville	0	20	20	Under construction
Non-Rail Total	1073	676	-397	
Rail Total	338	96	-242	
Total Supply	1411	772	-639	

Source: Savills

3.4.31 It is clear that the rate of take-up experienced over the course of 2020 and 2021 has far exceeded the historic trend and consequently, supply has been eroded at a much faster rate than anticipated by the

⁴⁷ Ibid, Tables 41 and 43, pages 121 and 124

⁴⁸ Based on study supply date of April 2020

GL Hearn Study. As we evidence in **Section 4** below, both the wider FEMA and NWL are supply constrained and have been for most of the last decade. This lack of available supply has resulted in high levels of pent up demand, which coupled with current day growth drivers means available space in prime locations has been taken up quickly.

3.4.32 The speed at which strategic sites are being taken up is further illustrated by a review of take-up at key schemes within the FEMA:

- **East Midlands Gateway**

A timeline of 10 years was originally envisaged for completion of the scheme but after 4 years there is now only one plot remaining which is capable of accommodating a unit in excess of 9,000 sq. m. Plot 5 can accommodate a unit of 64,000 sq. m. Take up at the scheme has been far quicker than envisaged and has averaged **113,746 sq. m per annum** since serviced plots became available.

- **Magna Park**

Take up across Magna Park North and South has averaged 115,467 sq. m per annum since 2018, increasing to **244,993 sq. m per annum** on average over 2020 and 2021. If this rate of take up continues then the remaining capacity of c. 354,000 sq. m could be exhausted in less than 18 months, considerably less time than envisaged when the planning permission was granted for these schemes.

3.5 Conclusions

3.5.1 This chapter has reviewed the three employment reports commissioned within the last 5 years which address supply and demand issues within the wider FEMA and Charnwood.

3.5.2 The HEDNA, prepared by GL Hearn in 2017 for the FEMA, uses past completions as its preferred employment needs methodology for I&L premises below 9,000 sqm. Past completions is a supply measure, rather than a demand measure, and is thus not an accurate measure of 'true' market demand.

3.5.3 The Peter Brett Associates Study (2018), prepared for Charnwood Borough Council in 2018, looks at non-strategic industrial land (<9,000 sq.m) and strategic industrial (warehouse) land (>9,000 sq.m). The preferred demand estimation method is based on past completions. Completions is a supply measure not a demand measure, and no account has been taken of demand that has been lost from Charnwood due to supply constraints. The study's look back period is also too long given that over time the demand drivers underpinning I&L need and the characteristics of the sector itself have changed significantly.

3.5.4 The GL Hearn and MDS Study, prepared for the FEMA in 2021, and amended in 2022, assesses demand for strategic B8 floorspace (above 9,000 sqm). We consider the Study to present a number of methodological issues, the most concerning of which is that its preferred demand estimation is lower than the past completions trends. Other issues include:

- the use of different plot ratios for different demand models;
- no consideration of strategic B2 floorspace; and
- air freight and LGV traffic are not taken into account.

3.5.5 As a result of the continued strength of the I&L market, supply continues to be depleted at a much faster rate than anticipated. This has a direct implications for the amount of land which is necessary to meet

identified needs over the plan period.

- 3.5.6 Savills addresses these methodological shortcomings and seeks to provide a more accurate estimate of I&L demand for Charnwood in **Section 6**.

4 I&L Market Assessment

4.1 Introduction

- 4.1.1 Within this section we consider supply and demand factors in the I&L markets of Charnwood and the wider FEMA. The aim of this analysis is to gauge the relevant market strength for I&L units within these geographies and by extension the Subject Site.
- 4.1.2 The sub-regional (or FEMA-wide) context is important given that future I&L investors and occupiers will consider the attractiveness of locations within Charnwood against other competing locations within the wider FEMA. New I&L investment and occupier demand will naturally flow to the strongest locations in terms of road, rail and airport freight connectivity and access to population centres. Furthermore, I&L companies typically have supply chains that span 1 to 4 hours travel time, sometimes longer, connecting themselves with their suppliers and end use customers. This again indicates that a sub-regional approach, beyond the individual local authority level, is appropriate for understanding market supply and demand dynamics.
- 4.1.3 Charnwood is part of a wider FEMA that includes neighbouring local authorities. FEMAs are essentially a group of local authorities that share similar characteristics in terms of key economic drivers, housing markets and workforce and consumer flows. The FEMA was defined in the HEDNA 2017⁴⁹ and it covers the eight local authorities of Charnwood, Blaby, Harborough, Hinckley and Bosworth, Leicester City, Melton, North West Leicestershire, and Oadby and Wigston, as shown in **Figure 4.1**. We consider the FEMA defined in the HEDNA as an appropriate geography within which to consider sub-regional supply and demand dynamics.

⁴⁹ GL Hearn (2017), Housing and Economic Development Needs Assessment - Leicester and Leicestershire Authorities and the Leicester and Leicestershire Enterprise Partnership

Figure 4.1 Functional Economic Market Area (FEMA)



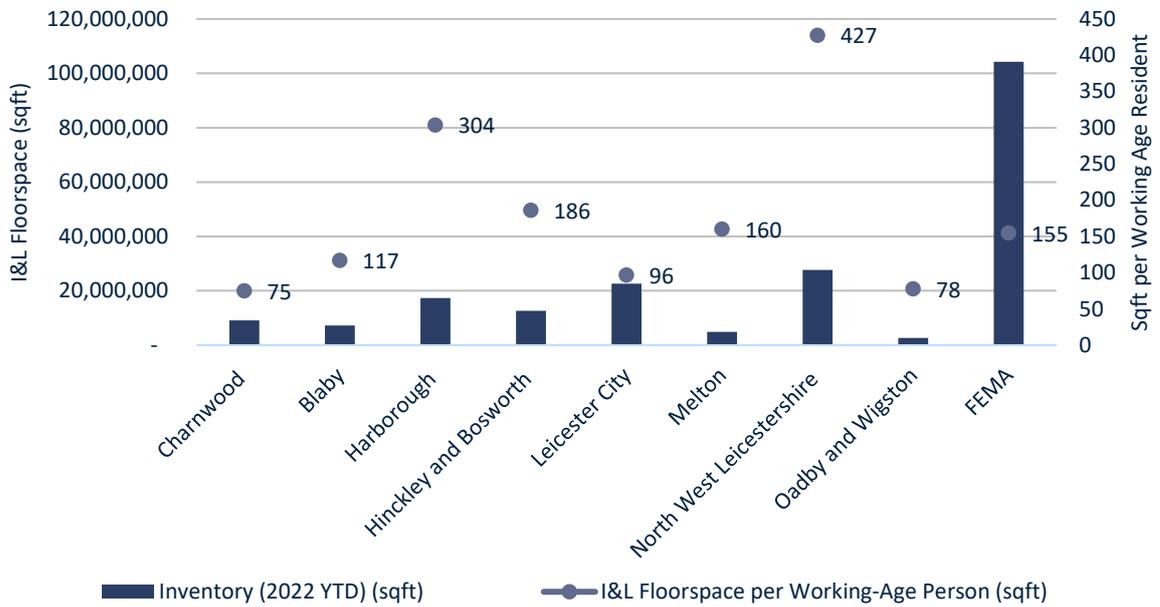
Source: Savills, 2022

4.2 Market Supply & Demand Factors

Existing Stock

- 4.2.1 There is 104 million sqft of I&L floorspace across the FEMA, 9% of which is located within Charnwood, with an I&L inventory totalling 9 million sqft in the local authority.
- 4.2.2 **Figure 4.2** shows how much I&L floorspace each local authority in the FEMA has per working age (w/a) resident. In effect it shows how large, and by extension, how important the I&L sector is relative to the size of the local working age population.
- 4.2.3 **Charnwood has the lowest I&L supply relative to its working age population in the FEMA** as shown in **Figure 4.2**. Charnwood has just 75 sqft of I&L floorspace per working aged resident, which is much lower than the FEMA at 155 sqft. This indicates there is significant potential for further I&L floorspace growth for it to match the wider sub-region.
- 4.2.4 As outlined in **Section 2**, the I&L sector has higher salaries than the national average and is growing faster than other commercial sectors. It is also home to a diverse range of occupations. Having less I&L floorspace relative to the size of its workforce represents a missed opportunity for Charnwood.

Figure 4.2 I&L sqft per Working Age Residents – FEMA Local Authorities

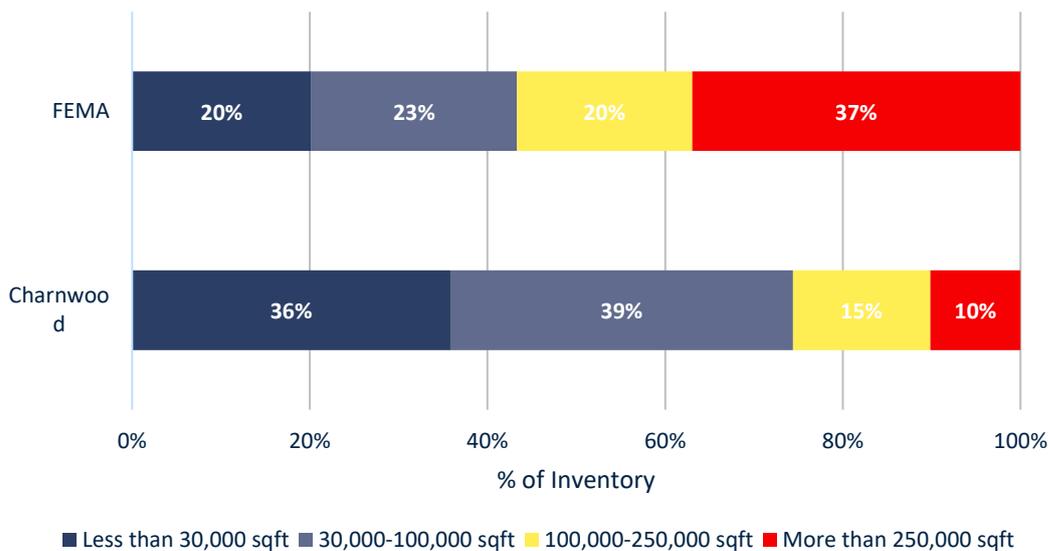


Source: Costar, Savills

Stock by Size Band

4.2.5 In contrast to the FEMA, Charnwood’s I&L inventory is dominated by small (less than 30,000 sqft) and medium (30,000-100,000 sqft) premises, which account for 70% of total stock, compared with only 43% in the FEMA as shown in **Figure 4.3**. Premises of more than 250,000 sq.ft make up a much smaller proportion at 10% of Charnwood’s I&L inventory versus 37% within the FEMA. This indicates Charnwood should seek to accommodate larger units to help meet strong demand in these larger size categories. The Subject Site, by way of its excellent accessibility, could assist in this regard.

Figure 4.3 Charnwood and FEMA Inventory Share by Size Band (2011-2021)



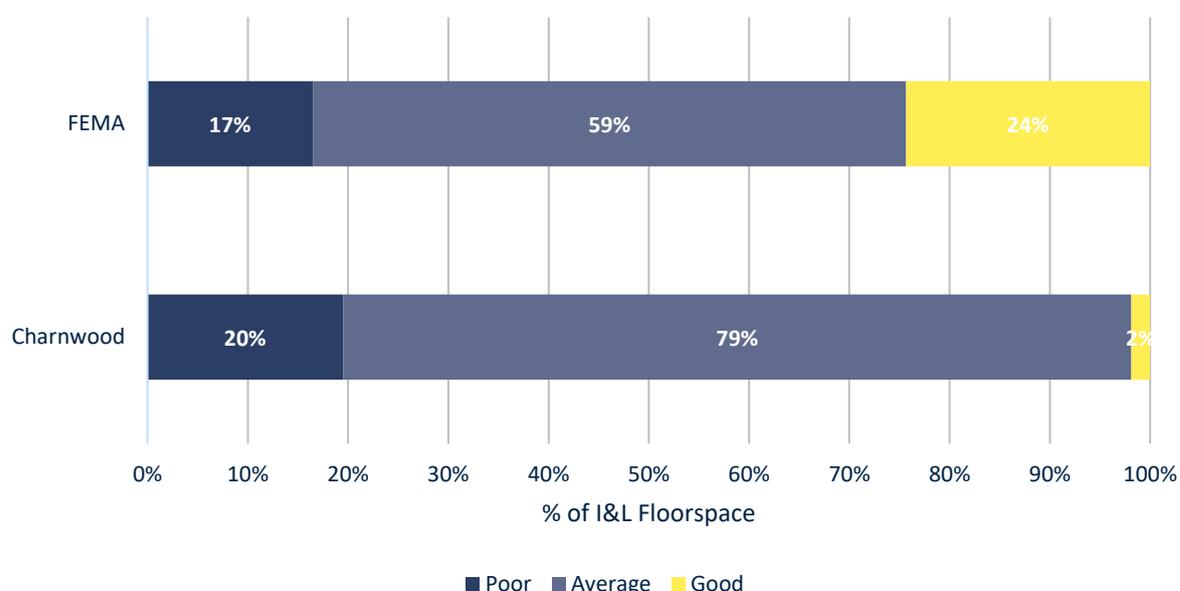
4.2.6

Source: CoStar, Savills

Quality of Stock

- 4.2.7 As mentioned in **Section 2**, given the increasing costs associated with running warehouses, it comes as no surprise that occupiers are gravitating towards better quality buildings, with better Environmental, Social and Governance (ESG) features, with demand concentrated in Grade A (4-5 star) properties.
- 4.2.8 **Figure 4.4** compares the quality of Charnwood’s I&L stock against the FEMA. Quality of stock is assessed using CoStar’s property rating system. A 1 or 2 star rating denotes below average quality, a 3 star rating is average quality, and 4 to 5 star rating is above average quality.
- 4.2.9 **Figure 4.4** shows that **98% of Charnwood’s I&L stock is in poor and average quality**, compared to 76% in the FEMA. Given the predominately average quality of Charnwood’s I&L inventory, the focus should be on refurbishing and redeveloping existing stock of I&L premises, and building new high quality stock to meet the needs of modern occupiers. If this does not happen on a large scale, the situation will continue to worsen as the 3 star stock will also continue to age and may fall into the poor 1-2 star rating.

Figure 4.4 Quality of I&L Stock in Charnwood and the FEMA



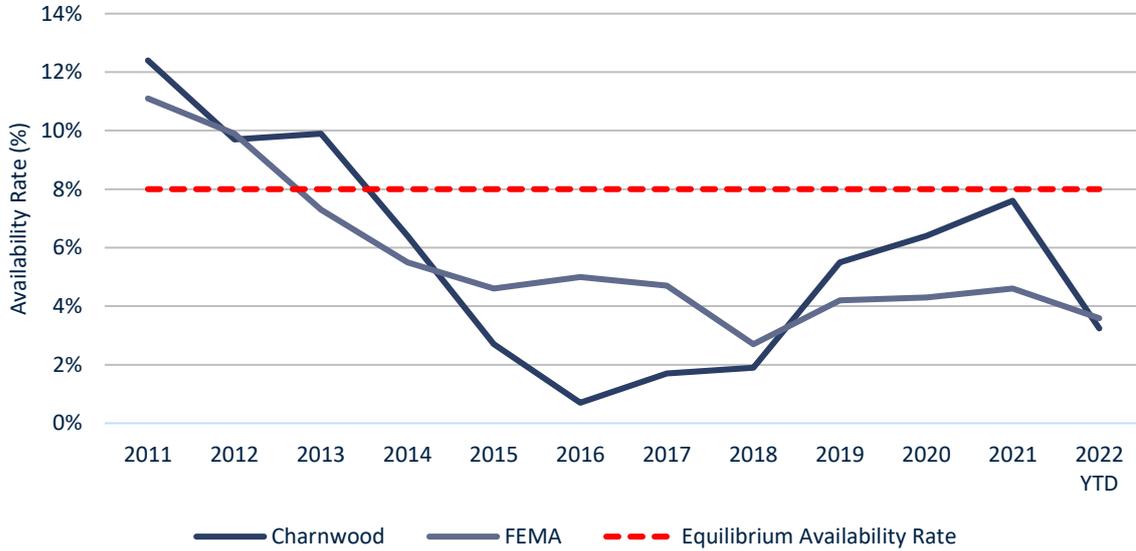
Source: CoStar, Savills

Availability

- 4.2.10 At the national level, 8% availability across all size bands is commonly referred to as the level where a market is broadly in balance (i.e. equilibrium frictional capacity) in terms of supply and demand (as sourced in publications such as the GLA’s Land for Industry and Transport SPG, 2012). Below this level available supply becomes tight and rents increase as strong occupier demand competes for limited available stock. We discuss the evidence behind the 8% equilibrium in **Section 6**.
- 4.2.11 As shown in **Figure 4.5**, availability across Charnwood has been below the 8% equilibrium level since 2014, and since 2013 for the FEMA. This means that the I&L market has been supply-constrained for a considerable period of time, which in turn suppresses demand as not all occupiers can find space to meet their needs. As a result they are either forced to remain in their existing premises, even if not ideal for their operational requirements, or alternatively have to leave the area to find suitable premises

elsewhere, taking the jobs and investment they generate with them.

Figure 4.5 FEMA Availability Rate since 2011



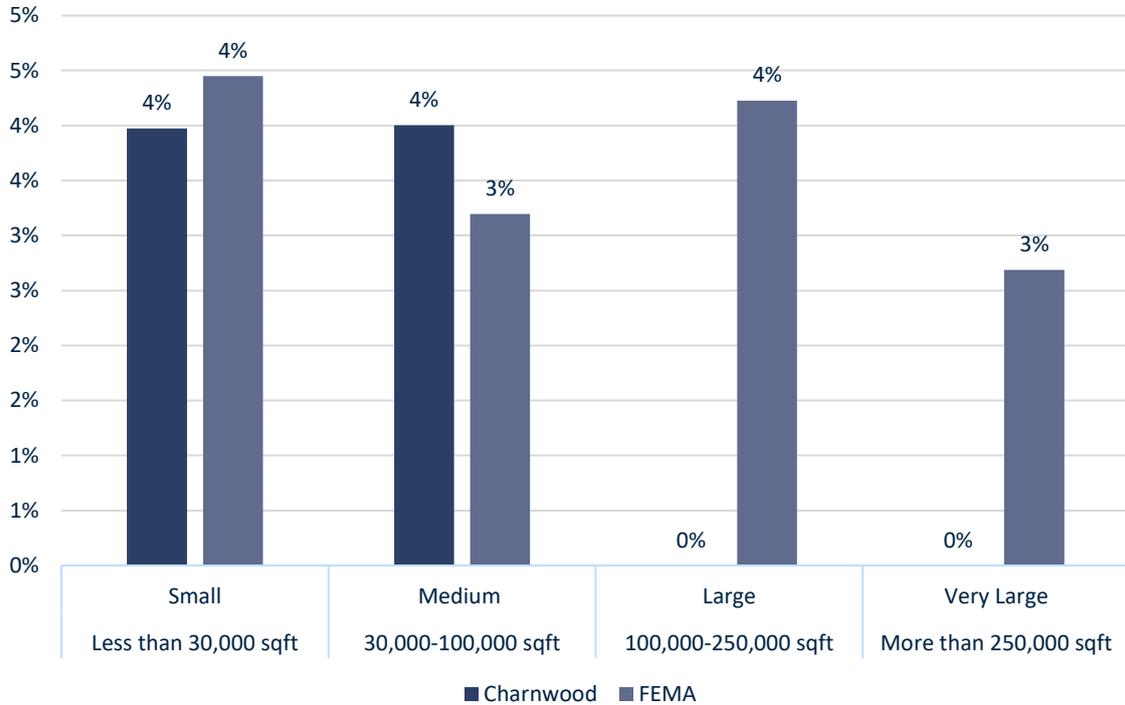
Source: CoStar, Savills

Availability by Size Band

4.2.12 With reference to **Figure 4.6**, it can be seen that availability is low and below 8% across all size categories in Charnwood and the FEMA⁵⁰. Of particular note is that Charnwood currently has no available units in the larger size categories of 100,000 to 250,000 sqft and 250,000 sqft plus. As outlined in **Section 1**, the indicative masterplan proposals demonstrate that the Subject Site can accommodate a range of Class E/B2/B8 units to meet market demand including for larger units where Charnwood has a particular lack of available supply. The indicative unit sizes range from 30,000 sqft to 350,000 sqft.

⁵⁰ CoStar incorrectly states there is more than 300,000 sqft of available floorspace at Meadow Lane. After further investigation and discussion with industrial agents it became apparent there are only 2 units available with a total available floorspace of circa 25,000 sqft.

Figure 4.6 Availability by Size Band (2022 YTD)



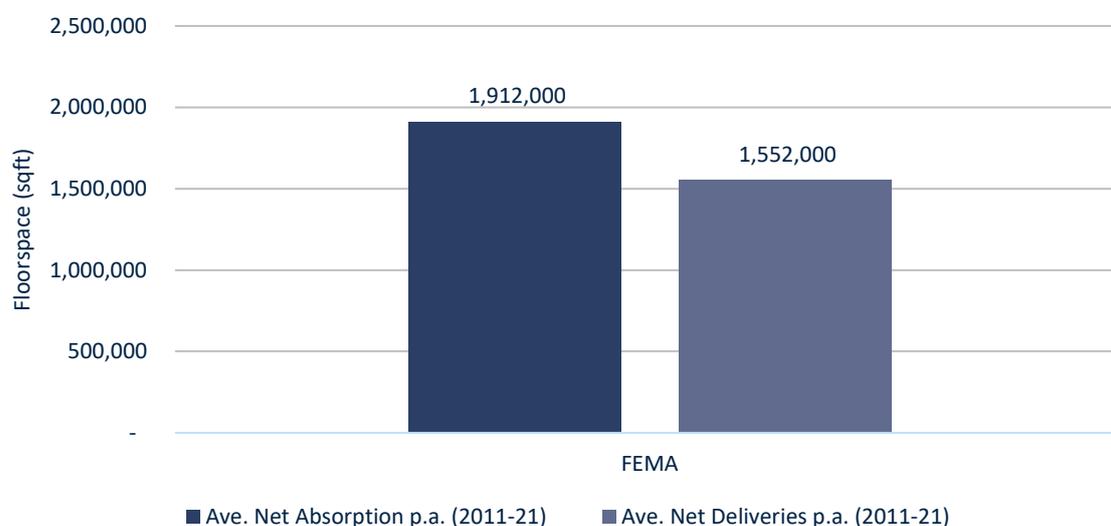
Source: CoStar, Savills

Demand vs Supply

4.2.13 Net absorption is a leading measure of demand based on lease deals. It compares occupied space (move-in) versus vacated space (move-outs). On the other hand, net deliveries are a measure of supply and registers the change in inventory (floorspace).

4.2.14 Charnwood sits within a FEMA where over the last decade, average levels of net absorption has exceeded the average levels of net deliveries in the FEMA. This relationship is shown in **Figure 4.7** which explains the low availability historically.

Figure 4.7 Net Absorption and Net Deliveries sq.ft p.a (2011-2021) within FEMA



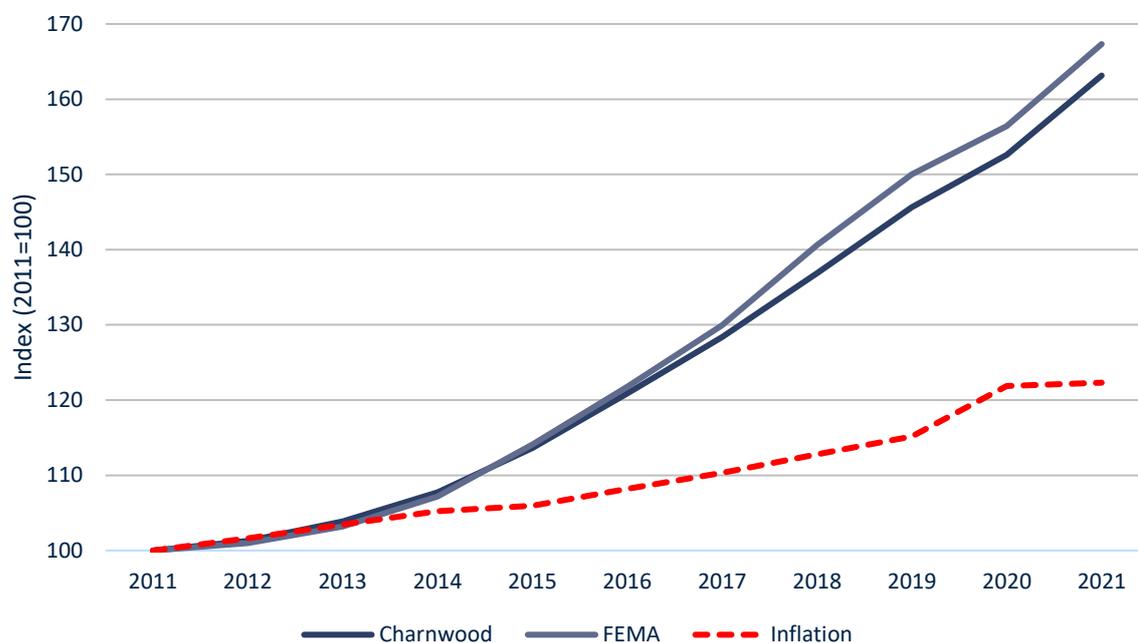
Source: CoStar, Savills

Rental Growth

- 4.2.15 Finally, another key market indicator for understanding the relationship between supply and demand is rental growth. When demand outstrips supply, rental growth is typically higher as occupiers compete for limited available stock. This in turn drives up rents. Conversely, when there is sufficient supply to accommodate demand rental growth is lower, typically tracking inflation more closely.
- 4.2.16 Rents across Charnwood and the FEMA have grown by 63% and 67% respectively between 2011 and 2021, roughly three times the rate of inflation over the same period at 22%⁵¹. This rate of I&L rental growth signifies strong demand, with occupiers competing with one another for limited available stock which has pushed up rents.
- 4.2.17 **Figure 4.8** shows Charnwood's and the FEMA's rental growth against inflation.

⁵¹ According to the Bank of England inflation calculator between 2011 and 2021 (<https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>)

Figure 4.8 Charnwood and FEMA Rental Growth vs. Inflation (2011-2021)



Source: CoStar, Savills

4.2.18 As seen in **Table 4.1**, rental growth has been much stronger in the second half of the decade across all geographies. This further demonstrates that the I&L market has become increasingly supply constrained in recent times, a situation that will only worsen further given the strength of the sector.

Table 4.1 Charnwood and FEMA Rental Growth (2011-2021)

Year	Charnwood	FEMA
2011	£3.88	£4.04
2012	£3.93	£4.08
2013	£4.03	£4.17
2014	£4.18	£4.33
2015	£4.41	£4.61
2016	£4.69	£4.92
2017	£4.98	£5.25
2018	£5.31	£5.68
2019	£5.65	£6.06
2020	£5.92	£6.32
2021	£6.33	£6.76
Ave. YoY Growth (2011-15)	2.9%	3.0%
Ave. YoY Growth (2016-21)	6.2%	6.6%

Source: CoStar, Savills

4.3 Conclusion

- 4.3.1 Charnwood sits within a FEMA which is supply-constrained, with demand being higher than supply over the last decade. As a result, these geographies have availability rates significantly below the 8% equilibrium rate when supply and demand are considered to be broadly in balance.
- 4.3.2 Rents have grown nearly three times the rate of inflation, as strong demand competes for limited available stock.
- 4.3.3 Charnwood has less I&L floorspace per working age resident compared to the wider sub-region. This indicates significant potential for growth, particularly given the I&L sector is the fastest growing commercial sector in the UK, and pays higher salaries compared to the national average, across a diverse range of occupations.

5 Savills Review of Supply

5.1 Introduction

- 5.1.1 This section sets out a qualitative review the supply of employment land in Charnwood, including all allocations and draft allocations.
- 5.1.2 There are currently no additional sites available with planning permission, which are not included within either the adopted or emerging local plan. There is just one site awaiting determination, which is not included within either the adopted or emerging local plan.
- 5.1.3 The Development Plan for Charnwood is made up of the Charnwood Local Plan and the Core Strategy, together with the saved policies from the Borough of Charnwood Local Plan (2004). Each is considered below in relation to employment land allocations.

5.2 Charnwood Local Plan (2004)

- 5.2.1 All the employment allocations totalling 50 ha in the Local Plan were 'saved' as follows:
- E/4 – Loughborough Science Park;
 - E/5(a) – Extension to Hayhill Industrial Estate, Sileby – 2 ha;
 - E/5(b) – Extension to Woodbrook Industrial Park, Belton Road, Loughborough – 6 ha;
 - E/5(c) – Land at Dishley Grange, Hathern – 20 ha;
 - E/5(d) – Granite Way, Mountsorrel – 5 ha;
 - E/5(e) - Land at Rothley Lodge, east of the A6 – 13 ha;
 - E/5(f) – Land at Harrowgate Drive and West of the A6, Wanlip – 4 ha (as part of residential-led development)
- 5.2.2 By 2012 all of the allocated sites had been granted planning permission for development. However, a significant proportion had not been delivered.

5.3 Charnwood Core Strategy 2011 – 2028

- 5.3.1 The Core Strategy was adopted in November 2015. A total of 75 ha of employment land is allocated by Policy CS 1. It is stated that the Leicester Principal Urban Area is the priority area for growth and accordingly 46 ha of land is allocated here; with 22 ha in Loughborough and Shepshed (comprising Watermead Regeneration Corridor and other sites totalling 6 ha); within and adjoining the Service Centres (including Syston, Rothley). The allocations are set out below:

- North East of Leicester SUE: 13 ha
- North of Birstall SUE: 15 ha
- Watermead Regeneration Corridor: 16 ha
- West of Loughborough SUE: 16 ha
- Loughborough and Shepshed: 6 ha
- Service Centres: 7 ha

5.4 Annual Monitoring Report 2020 - 2021 (December 2021)

5.4.1 The Council's latest Annual Monitoring Report covering the period April 2020 – March 2021 sets out the delivery of employment land at the allocated sites against the Core Strategy Policy targets. The position as at 31st March 2021 was as follows:

- 5.7 ha had been delivered in the Principal Urban Area (against a target of 46 ha);
- 2.82 ha had been delivered in/adjoining Loughborough and Shepshed (against a target of 22 ha);
- 7.4 ha had been delivered in/adjoining the Service Centres (against a target of 7 ha).

5.4.2 Very little progress has therefore been made given that there are only 6 years left of the Core Strategy plan period. This is a reflection of a combination of deliverability issues and the fact that the allocated sites do not meet market demand in terms of their location. Despite this, the majority of the sites have been carried forward as allocations in the emerging draft plan.

5.5 Charnwood Local Plan 2021 – 2037

5.5.1 Draft Policy DS1 states in relation to employment land:

“Provision is made for up to 81.8 hectares of employment land between 2021 and 2037. Employment land is identified to meet the economic and regeneration needs of our communities and support the economic success of Charnwood and Leicester. The majority of new employment will be delivered as part of Sustainable Urban Extensions and Watermead Business Park with a smaller proportion allocated in Shepshed, and, within and adjoining Service Centres and Other Settlements.

Provision is made for the extension to Loughborough Science and Enterprise of up to 73 hectares to support the continued role of Loughborough in the knowledge-based sector.”

5.5.2 Site allocations for employment are set out in Policy DS4 (see **Figure 5.1** below).

5.5.3 In total, the Draft policy DS4 provides an 81.8 ha of employment land, plus 73 ha for the expansion of Loughborough Science and Enterprise Park.

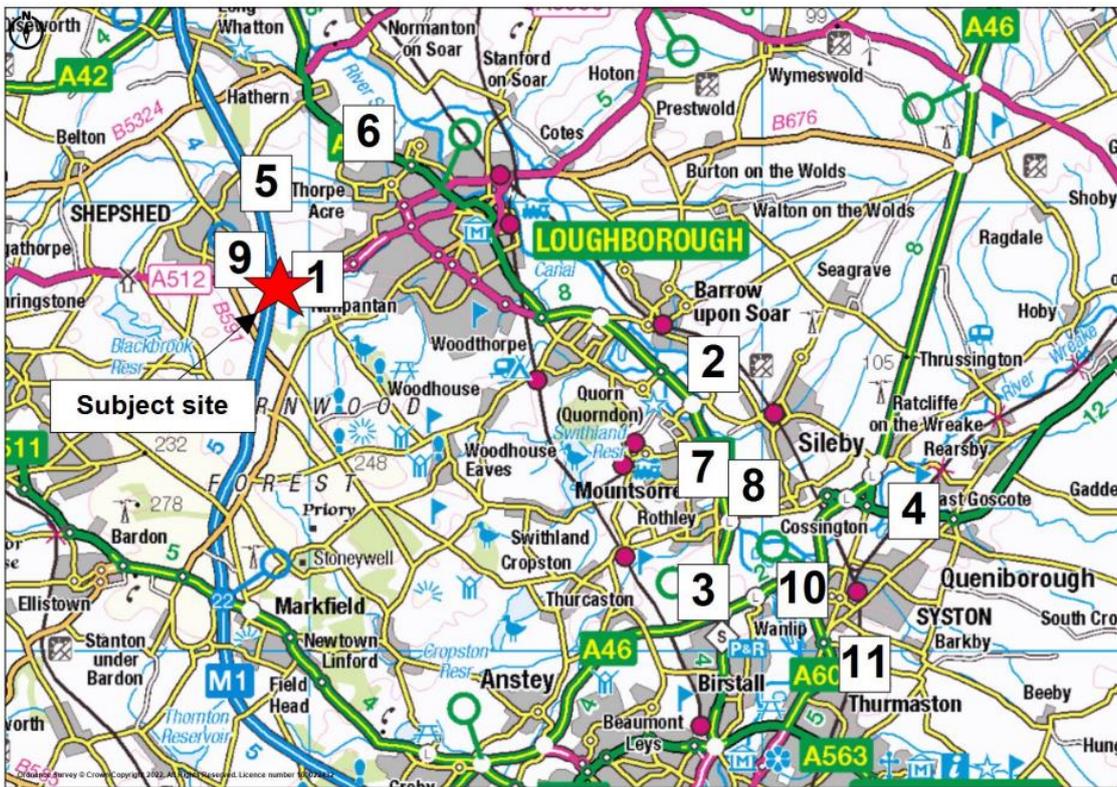
Figure 5.1 Charnwood Local Plan 2021 – 2037 Pre-Submission Draft July 2021 Proposed Employment Allocations

SITE REF	EMPLOYMENT SITE DESCRIPTION	SITE LOCATION	AREA (ha)
LSEP	Loughborough Science and Enterprise Park in accordance with Policy LUC3	Loughborough	73
ES1	Employment land off Sileby Road - Neighbourhood Plan allocation	Barrow upon Soar	2.3
ES2	Employment land at the North of Birstall Sustainable Urban Extension in accordance with Policy LUA3	Birstall	15
ES3	Employment land at The Warren, for industrial uses and small warehouses	East Goscote	3.95
ES4	Employment land at the West of Loughborough Sustainable Urban Extension in accordance with Policy LUC2	Loughborough	16
ES5	Employment land at Dishley Grange	Loughborough	9
ES6	Employment land at Rothley Lodge, for industrial uses and small warehouses	Rothley	3.35
ES7	Employment land at Loughborough Road, for industrial uses and small warehouses	Rothley	2.2
ES8	Employment land off Fairway Road	Shepshed	5
ES9	Employment land at Watermead Business Park	Syston	12
ES10	Employment land at the North East of Leicester Sustainable Urban Extension in accordance with Policy LUA2	Thurmaston	13
			154.8

Source: Draft Policy DS4 (extract)

5.5.4 The allocations are considered individually below and a plan showing the location of each allocation is provided at **Figure 5.2**.

Figure 5.2 Draft Local Plan Employment Allocations Location Plan



Source: Savills/Promap

Loughborough Science and Enterprise Park

5.5.5 Loughborough Science and Enterprise Park (LSEP) is located to the east of J23, with the allocated expansion land immediately adjacent to the subject site. The allocation is split between 31 ha land to the east of Snell’s Nook Lane and 42 ha to the west of Snell’s Nook Lane. LSEP is not comparable to the proposals at J23 and will not provide opportunities for general employment development, as strict user policies dictate the type of occupiers permitted.⁵²

Land off Sileby Road

5.5.6 This site is situated adjacent to existing employment land to the north-east. There are currently no existing planning permissions, nor are there any pending planning applications.

5.5.7 The size of the site means it would not accommodate larger scale industrial and logistics uses.

Land North of Birstall SUE

5.5.8 Now known as Broadnook Garden Village, this site is located to the north of Leicester, with the proposed employment area located at the junction of the A6 and A46 (Leicester Western Bypass), approximately 9 km from the M1 (Junction 21a). An outline planning application has been granted for this SUE and includes 1,950 new dwellings and 15 ha of employment land broken down into the following use classes:

- B1(a) – up to 7,500 sq. m;

⁵² Employment Topic Paper, November 2021, paragraph 5.4

- B1(c) – up to 17,500 sq. m;
- B2 – up to 10,000 sq. m; and
- B8 – up to 15,000 sq. m.

5.5.9 Therefore, there is a maximum of 25,000 sq. m of floorspace in B2/B8 uses which could be accommodated at the site.

5.5.10 A Section 73 variation application to amend the illustrative masterplan and parameter plans is currently awaiting determination. The proposals seek to transpose a residential plot with the employment plot to allow delivery of a first phase of residential. The submitted land use and parameters plan shows 14 hectares (as opposed to the allocated 15 ha) of employment land, the entirety of which is proposed for B1/Class E use.

5.5.11 The employment land is shown as an ‘open phase’ within the application documents and its delivery will be driven by market demand. Use Class restrictions limiting the amount of B2/B8 use on this site will impact on demand and deliverability as these sectors represent the majority of demand and also the largest floorplate requirements. Take up for Class E use is therefore likely to be slower. Latest proposals suggest that the focus is likely to be on offices and/or smaller light industrial uses. A delivery timescale of c. 10-15 years would be realistic, with the employment land being predominantly delivered towards the end of the development (estimated 2030 – 2035).

Land at The Warren

5.5.12 This site is an extension to the existing industrial estate which has planning permission for B2/B8 development and is allocated for industrial and small unit development. It is located to the north east of Leicester in East Goscote. The Charnwood ELR (2018) states that this site is being brought forward in phases, dictated by demand, with 12 small units having been completed by 2018. The site has had planning permission since 2001.

Land at West of Loughborough SUE

5.5.13 Known as Garendon Park, this site is located to the north east of Junction 23 of the M1, immediately to the north of the Wilson Bowden proposals. However, Garendon Park itself (Grade II Listed) is located adjacent to the motorway junction and this area will not be developed. The SUE proposals, which were granted outline planning permission in July 2018, include 3,200 dwellings and 16 ha of employment land over three plots, of which 8 ha is for B8 use.

5.5.14 The area allocated for employment uses on the indicative masterplan is located adjacent to the M1, approximately 2 km to the north of the junction which will be accessed via a new strategic link road through the scheme. The Design & Access Statement envisages that the site could accommodate a total floorspace of 62,100 sq. m with approximately 50% of the site allocated for B8 uses and the remainder split between B1 and B2 use. For B8, units of between 10,000 – 30,000 sq. m were anticipated and for B1/B2, units primarily between 2,000 and 5,000 sq. m. The employment area is split into three plots.

5.5.15 Information on the Council’s website states that it is expected that works to the A6 will begin in mid – late 2021 with dwellings beginning to be made available from late 2022. It is scheduled to take 15 years to complete. The strategic link road must be complete by the time 1,200 houses have been constructed. It would be reasonable to expect the employment land to be provided towards the end of the development programme (estimated 2030 – 2035). The link road is essential in order to facilitate any

meaningful employment development here given the limitations of existing access routes.

Land at Dishley Grange

5.5.16 The site is located on the A6, to the north west of Loughborough, adjacent to the eastern boundary of Garendon Park. It is a longstanding allocation which has not been delivered to date due to site constraints and the level of infrastructure investment required. This will partly be resolved by the Garendon Park proposals which will address some of the issues around the A6.

5.5.17 Outline planning permission for B1 and B8 uses, including a new roundabout on the A6 planning application was granted in 2012 (application submitted in 2008). A reserved matters application by Brackley Property Developments is currently under consideration for Phase 1, comprising three B1 office buildings and two B2/B8 buildings, plus the new roundabout but we understand that there are land ownership issues which could impact on delivery.

Land at Rothley Lodge

5.5.18 This site is located between Leicester and Loughborough on the A6. The site is being brought forward by Rotherhill, with 3.2 ha now remaining which is being marketed as Crosslink 646 and can accommodate a unit of up to 11,890 sq. m (128,000 sq. ft) or a smaller unit scheme, subject to demand. There has been limited take up of the site to date for small scale units.

Land at Loughborough Road, Rothley

5.5.19 This site sits adjacent to allocation ES7 on the Rothley Commercial Park. Full permission was granted in 2020 (P/20/0825/2) for a B8 warehouse unit measuring 90,000sqft (8,361sqm). It is therefore below the threshold of 9,000 sq. m which would be considered capable of meeting strategic demand.

Land off Fairway Road

5.5.20 This proposed allocation is located in relatively close proximity to Junction 23 of the M1 and is allocated for mixed residential and commercial uses. It does not address strategic demand due to its scale, mixed use nature and proximity of existing residential uses.

Land at Watermead Business Park

5.5.21 This site is part of the Watermead Regeneration Corridor which is located immediately to the north of the Leicester administrative boundary. The Council have a long-term strategy to regenerate this area over the next 15 years with a key aim to open up Watermead Park and regenerate Thurmaston. The Watermead Regeneration Corridor Regeneration Framework was published in November 2016 and sets out a number of aspirations for the area, including identifying the potential for a mixed-use development to create an attractive edge to the country park. The accompanying Action Plan schedules the employment development for post-2026.

5.5.22 Draft Policy LP 12 allocates 12.34 ha in total and Draft Policy LP 37 states that the allocation will “provide up to 9,000 sq. m for offices and around 9.5 ha for employment and a hotel accessed off Wanlip Road.”

5.5.23 This is a long-term proposal of which the new employment land is one component. Likely delivery is towards the end of the Plan Period at the earliest. Parts of the site are subject to flood risk.

Land at North East of Leicester SUE

5.5.24 Now known as the Thorpebury Development, the SUE was granted outline planning permission (by

Charnwood Borough Council and Leicester City Council) in August 2016 for proposals including 4,500 houses and 13 ha of employment land (B1/B2/B8) to meet the needs of the local area. The site is located to the east of Thurmaston. The employment area is located to the north of the SUE, adjacent to the railway line, and small units were proposed by the Design & Access Statement in order to be compatible with the surrounding residential areas. Further employment uses are proposed to be located throughout the SUE (no more than 13 ha in total).

- 5.5.25 According to the Council's website, the housing completions are likely to average an estimated rate of 200 units per annum. Based on these figures, the residential element of the SUE, together with community infrastructure, will take 22.5 years to be delivered. On this basis, and assuming that the employment land will be delivered towards the end of the development, it is unlikely that it will be available within this Plan Period (likely 2035 – 2045).

5.6 Additional Sites

Land to the West of Charnwood Edge Business Park

- 5.6.1 This site is not included within either the adopted or emerging local plan but a planning application is currently awaiting determination.
- 5.6.2 The site is located next to Charnwood Edge Business Park and adjacent to the A46.
- 5.6.3 An application for full planning permission was submitted in August 2022 (P/22/1192/2) for the erection of 4 units in B8 use on a site area of 7.58 ha. The Design & Access Statement sets out proposals for one unit of 19,138 sq. m, with the remaining 3 units all below 9,000 sq. m. Subject to planning, the site therefore has potential to make a modest contribution towards addressing the need for strategic and local scale B8 floorspace.

5.7 Land Supply Analysis

- 5.7.1 A number of the draft allocations have been carried forward from the adopted Core Strategy (2011 – 2028) and include two sites (Dishley Grange and Land at Rothley Lodge) which have been carried over from the 2004 Local Plan. Mid-way through the Plan Period there had been very few completions on the Core Strategy allocated employment sites (total of 15.92 ha out of 75 ha which was allocated). This is indicative of the fact that the majority of the sites have significant issues in relation to their deliverability for employment use. Key issues with the proposed supply portfolio are:

Over-reliance on SUEs

- 5.7.2 Some 44 ha of land proposed to be allocated (c. 28%) is employment land being brought forward via the sustainable urban extensions (SUEs). These sites have delivered no employment land so far during the Core Strategy Plan Period and are very unlikely to do so before 2028. The delivery of much of the allocated land within the SUEs is subject to significant infrastructure as part of the wider proposals and delivery within the next Plan Period to 2037 is uncertain in some cases and unlikely in others. There is no certainty around delivery timescales, which are not dictated by submitted phasing plans, but by commercial viability issues and market demand for both residential and commercial properties.
- 5.7.3 However, on the assumption that employment land is generally delivered towards the end of larger residential developments, and based on the size of the developments, planning status and published material, estimates of the timescales for delivery of employment land are:

- Land North of Birstall SUE: 2025 onwards (but subject to market demand, which will be limited due to use restrictions);
- Land at West of Loughborough SUE: 2030 onwards (subject to infrastructure and market demand, which will be limited due to proximity of residential dwellings and the sewage works which detract from the quality of the environment which can be created);
- Land at North East of Leicester SUE: 2035 onwards (subject to market demand, which will be limited by the proximity of residential dwellings)

5.7.4 It is noted in the ELR that the strategy of promoting new employment sites within the large SUEs has contributed to a shortage of deliverable land over the period of the HEDNA which has therefore led to an underestimation of future demand based on past take-up. By their nature, the SUEs have very long lead in times and are promoted by developers whose priority is the delivery of the residential neighbourhoods. Delivery of community facilities and infrastructure are linked to the delivery of residential units, but this is not the case for employment land which, as a consequence, is often left to the final phases.

5.7.5 Furthermore, lack of deliverability is compounded by the fact that land within a residential-led SUE allocation is often not in the optimum location for employment uses and is based on a desire to create jobs for residents of the new development, rather than on market demand (jobs will only be delivered if occupiers can be attracted to the employment areas on commercially viable terms). Commercial occupiers generally seek unconstrained sites and see proximity to residential neighbourhoods as risky due to the potential for complaints and operational limitations being subsequently imposed. So, whilst in some cases the employment components of the schemes will be available, they will only be delivered subject to market demand, which is likely to be limited.

5.7.6 There is a realistic possibility that none of the employment land allocated within the SUEs will come forward prior to 2037, having been allocated originally to provide for the period from 2011 – 2028.

Timescales

5.7.7 In addition to the land within the SUEs, a further 12.34 ha is allocated at Watermead Business Park. The proposals for employment land within the Regeneration Corridor are a long-standing allocation and form part of a long-term aspiration to regenerate the wider area around Watermead Park. There are a number of constraints to this coming forward, including funding, land assembly and planning. It is possible that the employment land will not be delivered within this Plan Period. It is constrained to uses that would add to the creation of an attractive waterside environment which makes industrial and warehousing uses of any scale unlikely to be suitable.

5.7.8 Adding this figure to the SUE land gives a total of over 56 ha which is uncertain or unlikely to be delivered prior to 2030 and potentially post 2037.

Geographical Spread of Sites

5.7.9 *Proposed allocations only serve local markets:* As noted in the ELR, demand for large 'strategic' units of over 9,000 sq. m (both from local and footloose companies) is focused on those locations with excellent accessibility to the M1 corridor. The ELR specifically recognises that **land within the SUEs is therefore not capable of meeting a strategic need**.⁵³ Sites elsewhere will be suitable for smaller unit schemes serving the local market, but these will also be dependent on good access to the road

⁵³ ELR, paragraph 7.4.1 – 7.4.2

network (for example the A6, A46).

5.7.10 Whilst there are two proposed allocations in the vicinity of the M1, neither offer direct access, or the necessary scale to deliver strategic development.

5.7.11 *Proposed allocations do not meet Loughborough's needs*: As illustrated at **Figure 5.3**, the proposed allocations are concentrated to the north and north east of Leicester. There is very little land to meet the needs of Loughborough (only Dishley Grange and Garendon Park, both of which are longstanding allocations which are subject to limitations around delivery of employment uses).

5.8 Conclusion

5.8.1 The portfolio of sites is not well-balanced, has an over-reliance on long term proposals with questionable deliverability, (including land within the proposed SUEs), and sites serving Leicester. It offers very limited opportunities to provide for any sites which can realistically contribute to the need for strategic logistics sites to cater for units of 9,000 sq. m plus, and none which benefit from the direct linkages to the M1 necessary to meaningfully meet this strategic demand.

5.8.2 It will not therefore provide sufficient deliverable land to meet the needs of the Borough to 2037. Additional site(s) are required to address this need and Land at Junction 23 is very well-placed to do so in terms of its location (at the M1 junction), scale and deliverability.

5.8.3 Whilst there is a total of 154.8 ha of land proposed to be allocated, as per the Council's own evidence the Science Park will not contribute to meeting the need for general employment land (including I&L) and so there is a headline figure of **81.8 ha** available to do so.

5.8.4 Considering this in more detail:

- Submitted plans for Broadnook Garden Village show a reduced employment area of 14 ha compared to 15 ha allocated and the area remaining of Land at Rothley Lodge is now 3.2 ha. These adjustments will reduce the overall supply figure for I&L needs to 80.65 ha.
- Watermead Business Park is extremely unlikely to come forward within the Plan Period (12.34 ha);
- Land within the SUEs (total 44 ha) is subject to a high degree of risk around delivery within the plan period based on infrastructure and/or market factors;
- Therefore, a total of 56.34 ha is subject to significant delivery risk.
- The remaining **24.31 ha** of land is made up of predominantly smaller sites, many of which are longstanding allocations, with ongoing deliverability issues.
- There are no sites which are capable of meeting a strategic demand which is acknowledged by the Council's own evidence base to be focused on the M1 Corridor.

6 Savills Future Demand Estimates

6.1 Introduction

- 6.1.1 The purpose of this chapter is to estimate I&L land demand across the FEMA. We then apportion this wider sub-regional demand to Charnwood. This is then compared against the estimated demand from the local (Peter Brett Associates Study) and regional (GL Hearn Study) employment evidence.
- 6.1.2 Based on Savills demand methodology, over a 17 year Local Plan Period, **we estimate FEMA wide I&L demand to be 1,790 ha of land.** Depending on the level of apportionment we consider Charnwood should look to plan for at least **107 ha** of I&L land over this period. If we used the higher existing inventory figure of 9% this figure would rise to **161 ha**. Regardless both demand figures are higher than the 80.65 ha of available land for I&L needs identified in **Section 5**. This shortfall in reality is likely to be much greater considering 56.34 ha of the available land supply outlined in the draft Local Plan is subject to significant delivery risk and may not come forward within the plan period.

6.2 Savills Estimate of Future I&L Demand

- 6.2.1 We present below Savills full methodology for estimating future I&L demand. Our methodology is considered to address the issues we raised against the Peter Brett Associates and GL Hearn studies in **Section 3**. Our methodology is NPPG-compliant as it builds upon historic take-up (demand), adjusting past trends for historic supply shortages and the subsequent loss in demand. We refer to this as 'suppressed demand' which is added to the historic demand trend as a top-up. We also factor in future e-commerce growth which is a key growth driver for the sector.
- 6.2.2 Our overarching approach to demand estimation considers the full market for I&L units, estimating demand for all unit sizes and relevant planning uses classes. This is considered a more robust approach as it relies on a larger pool of data, and based on the fact that industrial and logistics occupiers desire similar types of premises in terms of location and design. After running our model for the full I&L market, it is then possible to segment that demand for different size categories or for industrial versus logistics uses, based on the analysis of market data such as leasing activity.
- 6.2.3 We also take a sub-regional approach to estimating future I&L demand. Charnwood like all local areas is part of a wider sub-regional market, or FEMA, and therefore is subject to supply and demand forces which need to be assessed beyond its local authority boundaries. This is true for many commercial sectors, but it is particularly important for I&L occupiers which typically have distribution networks linking their customers and suppliers of between 1 to 4 hours travel time, sometimes longer, depending on their size i.e. up to 4 hours plus is more typical of very large companies with a national reach, while 1 hour drive time is ideal for the majority of companies.

Step 1: Estimating Demand over the Local Plan period

- 6.2.4 We assume a 17-year plan period which is consistent with the Draft Charnwood Local Plan.

Step 2: Estimation of Historic Demand

- 6.2.5 This is based on the average annualised net absorption for the FEMA (from **Section 4**) at 1.9 million sqft per annum between 2011 and 2021. Savills considers net-absorption to be the leading measure of demand for floorspace as it indicates the quantum of net floorspace occupied over a period of time (i.e. move-ins minus move-outs) based on lease deals.

6.2.6 As discussed in **Section 3**, we do not consider take-up / completions (considered in the GL Hearn study, albeit eventually disregarded) as an accurate measure of demand. Development completions is a supply measure which primarily depends on new land being allocated as part of the Local Plan process followed by the grant of planning permission before new development is constructed. This is a lengthy process which explains why completions (new supply) typically lags demand (net absorption) as it has been the case in the wider FEMA. Using net absorption rather than completions results in a higher historic demand profile. For example, as we discussed in **Section 4**, completions in the wider FEMA averaged 1.6 million sq. ft per annum since 2011, which is lower than average net absorption over the same period at 1.9 million sq. ft per annum.

Step 3: Estimation of Suppressed Demand

6.2.7 The rationale for accounting for suppressed demand is that when sufficient supply is not available, demand cannot be accommodated. This is the top-up figure to be added to the historic demand trend to account for years when the market was supply constrained.

6.2.8 Supply and demand are inextricably linked across all commercial property sectors. Put simply if demand exceeds supply rents typically rise more quickly as occupiers vie for limited available stock. This can have a number of wider implications. For example, new companies aren't able to move into a market area, nor are existing companies able to find new space if their floorspace needs change, for instance due to expansion. It may also happen that some existing local companies get priced out of the market as they cannot afford the increasing rents. As a result, companies have to locate to areas that are not ideal in terms of serving their customer base, thereby increasing travel times and the costs of doing business, not to mention environmental impacts. The lack of supply may also mean companies are forced to occupy space that is not entirely suitable for their operational needs impacting productivity.

6.2.9 We describe a market where supply doesn't keep up with demand as being 'supply-constrained'. Limited supply in a strongly performing market, such as Charnwood and the wider-FEMA's I&L sector, means that demand cannot be fully satisfied, typically resulting in strong rental growth. As demonstrated in **Section 4**, the wider FEMA's I&L rents have increased by 67% since 2011, indicating new supply has struggled historically to keep pace with the strong demand. This is more than three times the rate of inflation over the same period⁵⁴.

6.2.10 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).

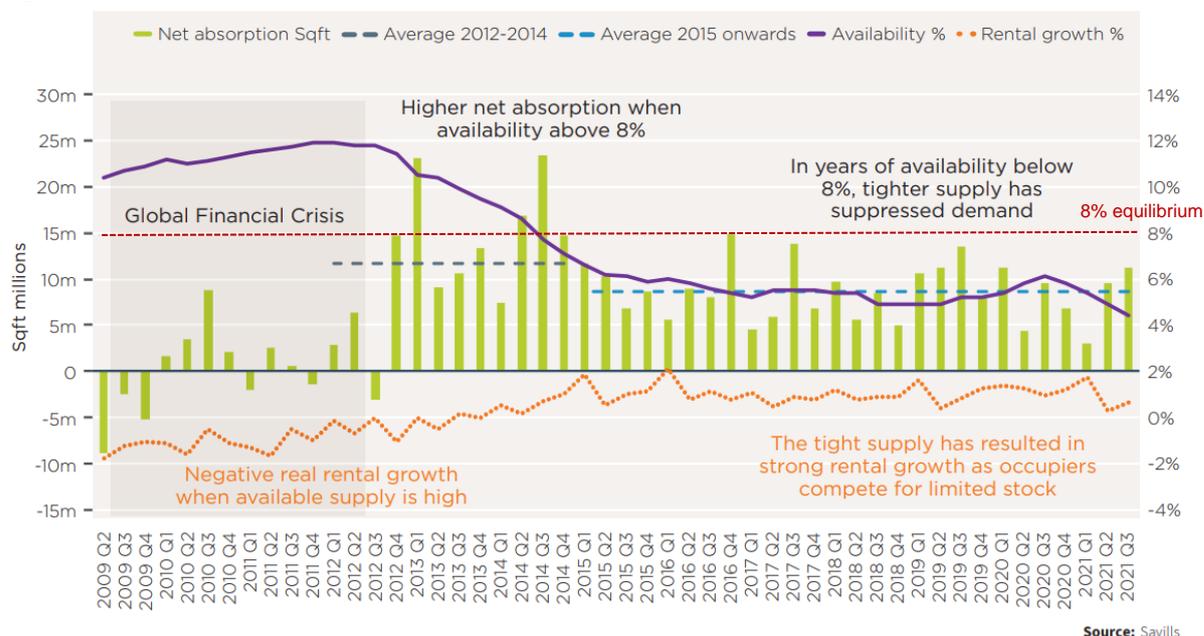
6.2.11 If one studies real rental growth (i.e. rental growth adjusted for inflation) over the past decade at the national level and observes its relationship to availability, it becomes clear that I&L rents begin to grow strongly when availability is below 8%. This relationship is clearly illustrated in **Figure 6.1** below. When availability was above 8% between 2009 and 2014 real rental growth (net of inflation) was either negative or only slightly positive. This enabled demand to be accommodated as sufficient supply was available.

6.2.12 However since 2014, as availability dipped below 8% and has stayed below this level ever since at the national level, real rents have grown strongly year-on-year. During this period net absorption has been

⁵⁴ According to the Bank of England inflation calculator between 2011 and 2021 (<https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>)

lower than the 2009-2014 period despite the I&L sector going from strength to strength. This clearly shows the suppressing nature tight availability (below 8%) has had on I&L demand nationally.

Figure 6.1 Historic Net Absorption (Sq.ft.), Availability (%) and Real Rental Growth (%) in England



Source: CoStar, OBR, Savills

6.2.13 The 8% benchmark is also applicable to Charnwood’s wider FEMA, which is established by looking at real rental changes at regional level. In **Appendix A** we report the quarterly rental change for the East Midlands and the availability rate in each quarter over the last decade. The data presented shows that the transition between negative rental growth and sustained positive rental growth is around 8% availability. When above and below the 8% level rents growth is typically either strongly negative or positive.

6.2.14 The individual steps for calculating the FEMA’s suppressed demand are as follows:

- **Step 3a:** For years where availability has been below the 8% equilibrium threshold, we calculate the quantum of floorspace necessary to achieve 8% availability (Column “Av. To EQ (sqft)” in **Table 6.1**, calculation F);
- **Step 3b:** We then take the average of the ratio between net absorption and available floorspace for every year over the past decade (Calculation E averages 45% based on Column “Net Absorption / Availability”);
- **Step 3c:** We apply this average to the estimated floorspace required to reach 8% availability in each year where the market is below the 8% availability threshold to estimate each period’s suppressed demand (Calculation F*E in Column “Suppressed Net Absorption (sqft)”);
- **Step 3d:** We calculate average suppressed net absorption over the past decade. This gives the annualised suppressed demand figure to be used as a top-up to the historic trend. The estimated average suppressed demand figure for the FEMA is 1.1 million sqft per annum since 2011.

Table 6.1 shows the relevant calculations.

Table 6.1 Suppressed Demand Calculations within the FEMA

	A	B	C=(A*B)	D	D/C	F=(8%-B)*A	F*E
Years	Inventory (sqft)	Availability (%)	Availability (sqft)	Net Absorption (sqft)	Net Absorption / Availability	Av. To EQ (sqft)	Suppressed Net Absorption (sqft)
2021	97,488,486	4.6%	4,484,470	2,905,502	65%	3,314,609	1,505,157
2020	94,150,966	4.3%	4,048,492	4,492,685	111%	3,483,586	1,581,889
2019	90,777,280	4.2%	3,812,646	3,762,645	99%	3,449,537	1,566,428
2018	86,146,506	2.7%	2,325,956	1,610,115	69%	4,565,765	2,073,304
2017	85,228,542	4.7%	4,005,741	786,696	20%	2,812,542	1,277,170
2016	84,764,892	5.0%	4,238,245	689,154	16%	2,542,947	1,154,747
2015	83,070,280	4.6%	3,821,233	859,849	23%	2,824,390	1,282,550
2014	82,833,261	5.5%	4,555,829	1,504,863	33%	2,070,832	940,360
2013	82,546,826	7.3%	6,025,918	2,318,285	38%	577,828	262,390
2012	82,526,965	9.9%	8,170,170	2,286,147	28%	-1,568,012	0
2011	80,895,261	11.1%	8,979,374	-184,374	-2%	-2,507,753	0

E=Average
Suppressed Demand=Average

Source: Savills, CoStar

- **Step 3e:** The final step requires adding the combined annualised historic demand (1.9 million sqft per annum) and suppressed demand (1.1 million sqft per annum) figures totalling 3.0 million sqft per annum, and multiplying this by the number of years in the plan period (3.0 million sqft x 17 years). This gives a total floorspace demand of **50.5 million sqft** over a 17-year period.

Table 6.2 Total Historic and Suppressed Demand Calculations

	FEMA
(A) Annualised historic demand	1,911,961
(B) Annualised suppressed demand	1,058,545
(C) Total annualised demand (A+B)	2,970,506
(D) Total demand over 17 year plan period (C*17)	50,498,596

Source: Savills, figures may not sum due to rounding

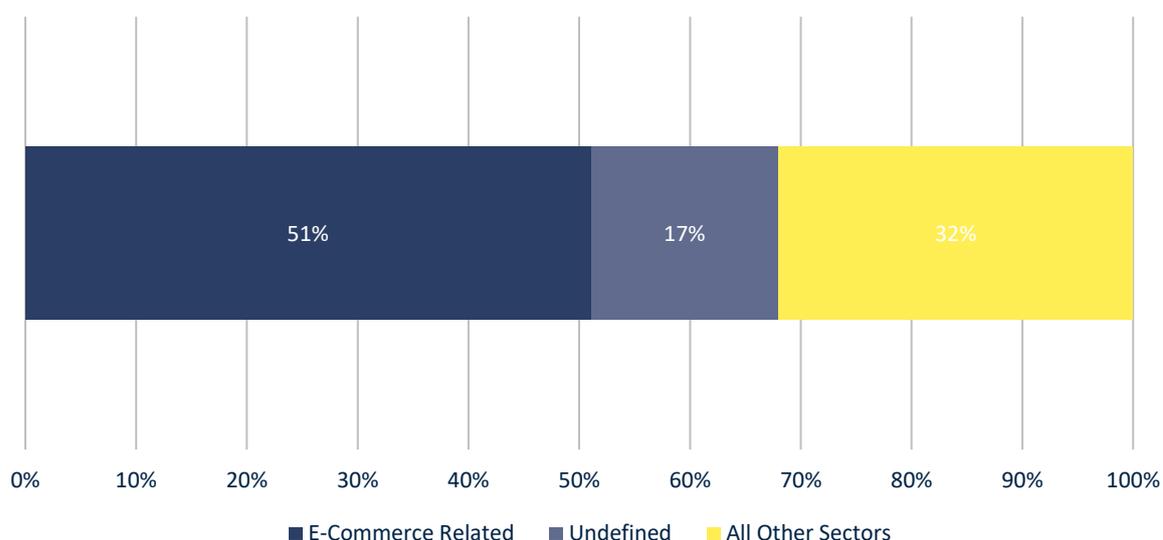
Step 4: Adjusting for Increases in Online Retail

6.2.15 As discussed in **Section 2**, there are a number of factors driving future growth in demand for I&L uses which are not captured by historic trend-based projections. Attempting to factor them all in is a challenging exercise prone to errors and overestimation due to the uncertainty around major events such as Brexit and the risk of double counting the impacts of different growth factors. The strongest growth drivers are population growth and the move to online shopping, which the Covid-19 pandemic has accelerated. We consider demand arising from population growth to be largely captured by increases in online sales which are a function of household spending and household growth. For this reason, in our work we focus on the move to online shopping.

6.2.16 In order to estimate future increases in I&L demand linked to e-commerce growth, we first need to

establish the share of demand that has historically been linked to e-commerce and then determine how much higher this is likely going to be in the future. As discussed in **Section 4** above, the sectors which are typically linked to e-commerce are Retail, Transport and Warehousing and Wholesale, with these sectors accounting for 51% of all floorspace leased in the FEMA between 2011 and 2021.

Figure 6.2 FEMA Leasing Activity by Sector, 2011-2021



Source: Savills (2022); CoStar (2022)

6.2.17 We have considered Forrester’s⁵⁵ online retail forecasts for the UK to 2025 and compared the annual increase in online spending over this period to that seen over the last 10 years. As shown in **Table 6.3**, between 2011 and 2019 online retail sales increased at an average rate of £5.95 billion per annum. 2020 marked a departure from the historic trend, bringing total online sales above £100 billion, up from £79 billion in 2019 (a £26 billion annual increase). If we accept that 2020 and 2021 were exceptional years due to the Covid-19 pandemic and exclude them from our calculations, and focus on the period between 2022 and 2025, online sales growth is predicted to average £9.86 billion per annum. This suggests a 66% uplift from the 2011-2019 trend.

Table 6.3 UK Online Sales Forecasts (£ million)

Year	Online Sales (£m)	Annual Increase (£m)	
2011	£29,946	+£4,337	2011-2019 Average Annual Increase +£5,950 million
2012	£34,417	+£4,471	
2013	£38,908	+£4,491	
2014	£43,905	+£4,997	
2015	£49,212	+£5,307	
2016	£56,549	+£7,338	
2017	£64,505	+£7,955	
2018	£72,014	+£7,509	
2019	£79,157	+£7,143	
2020	£104,827	+£25,670	

⁵⁵ A prominent retail forecasting house

2021	£122,831	+£18,003	Excluded from calculations as these were atypical years due to the Covid-19 pandemic 2022-2025 Average Annual Increase +£9,860 million (+66% uplifted compared to 2011-2019)
2022	£134,005	+£11,174	
2023	£143,267	+£9,262	
2024	£152,722	+£9,455	
2025	£162,271	+£9,549	

Source: Forrester, Savills

6.2.18 Applying this 66% uplift to the historic and suppressed demand from e-commerce sectors yields a future demand of **42.7 million sqft over the plan period**. This equates to an uplift of 16.9 million sqft (**Table 6.4**).

Table 6.4 Adjusting for Current and Future Increases in Online Retail within the FEMA

Demand	Annual (sq. ft)	Over Plan Period (sq. ft)
E-commerce related (51% of historic + suppressed)	1,516,985	25,788,740
E-commerce related after 66% uplift	2,513,964	42,737,394
E-commerce demand uplift	996,980	16,948,653

Source: Savills

Step 5: Savills Estimate of Future I&L Demand across the FEMA

6.2.19 Adding the e-commerce uplift to the combined historic and suppressed demand estimates yields a total demand of **67.4 million sqft** over the plan period, as summarised in **Table 6.5**.

Table 6.5 Summary of Future Demand (over Plan Period) within the FEMA (sqft)

FEMA	
(A) Historic Demand (Net Absorption) over 17 years	32,503,331
(B) Suppressed Demand over 17 years	17,995,265
(C) E-commerce Uplift	16,948,653
(D) Total demand over 17 year plan period (A+B+C)	67,447,249

Source: Savills; figures may not sum due to rounding

6.2.20 The above floorspace figures are translated into land requirements using a plot ratio of 35%. The Peter Bretts Associates study used a 42% plot ratio while the GL Hearn study adopted a 35% for road-based sites and a 25% ratio for rail-based sites. Based on our professional experience and examples of recent developments from across the country, we consider a 42% plot ratio to be too high and not reflective of modern I&L occupier requirements which typically command a ratio in the region of 30-40%. Therefore we consider a 35% ratio as appropriate as evidenced by relevant examples outlined in **Table 6.6**.

Table 6.6 Lower Plot Ratios Case Studies

Local Authority	Site Name	Plot Ratio (%)
Blaby	Optimus Point Plot 80	31%
Bristol	Ocado, St Modwen Park, Avonmouth	36%
Buckinghamshire	Symmetry Park Aston Clinton	31%

Charnwood and Wider Sub-region: Future Industrial & Logistics Demand

Central Bedfordshire	Symmetry Park Biggleswade	30%
Charnwood	Unit 2, Rowena Park - Rothley	33%
Harborough	Symmetry Park, Lutterworth opt.1	29%
Mid Sussex	GAL at St Modwen Park Gatwick	34%
Newport	Amazon, St Modwen Park, Newport	26%
North Kesteven	St Modwen Park, Lincoln	32%
North Northamptonshire	West End, Raunds, Northamptonshire	29%
North Warwickshire	St Modwen Park, Tamworth	26%
North Warwickshire	Land North East of Sewage Works, Atherstone	36%
North Warwickshire	BIFT - Plot 7, Birch Coppice Business Park	34%
Oadby and Wigston	Wigston Industrial Estate	34%
Swindon	Symmetry Park Swindon	30%
Uttlesford	Land north of Taylor's Farm, Takeley Street	29%
Warrington	Mountpark Warrington Omega II	36%
Warrington	The Quadrant South	34%
West Leicestershire	Mountpark Bardon 2	35%
		Average plot ratio = 32%

Source: Savills

6.2.21 Applying a 35% plot ratio to the estimated floorspace demand of 67.4 million sqft translates into a future land requirement of **1,790 ha across the FEMA**.

6.3 Comparing Savills Future Demand Estimate with the GL Hearn & Peter Brett Associates Studies

Future strategic B8 demand across the wider FEMA

- 6.3.1 We first compare our demand estimate to the GL Hearn study, which we consider to have a number of methodological issues as discussed in **Section 3**.
- 6.3.2 The GL Hearn study covers the market for large warehousing (9,000 sqm and above). It excludes B2 uses above 9,000 sqm and smaller I&L premises (which are covered in the Peter Brett Associates study). We consider the exclusion of larger B2 premises to be a significant omission given that, based on Savills analysis, they still represent circa 5% take-up for large sites over the last five years across the FEMA.
- 6.3.3 As discussed at the beginning of this chapter, our approach is to consider overall I&L demand across all segments of the market. This is because using a larger pool of data allows for a more accurate assessment of market trends, plus industrial and logistics occupiers, while having very different operations, have similar preferences in terms of location and the sorts of premises they desire. For these reasons, investigating overall market demand in the first instance and then interrogating the results by market segment or unit size is considered a preferable approach.
- 6.3.4 In order to compare 'like for like' with the GL Hearn study we need to determine what proportion of our overall demand figure relates to large B8 premises over 9,000 sqm. We follow three steps to do this –

- **Step 1, determine proportion of overall FEMA demand to large units over 9,000 sqm:** Over the last decade 1.45 million sqft per annum, or 76% of historic demand (net absorption) in the wider FEMA was for units above 9,000 sqm. This equates to **51.3 million sqft** or **1,361 ha of land for the 9,000 sqm plus category** once Suppressed Demand and e-commerce uplift is added over the 17 year plan period.
- **Step 2, remove demand from B2 occupiers from Step 1 result:** According to Savills take up data, B2 occupiers have leased circa 5% of large unit space over 9,000 sqm across the FEMA since 2017. Removing this demand from the Step 1 result equates to **1,293 ha**.
- **Step 3, match the future time periods:** The GL Hearn study provides future demand estimates for a 21-year period while the Draft Charnwood Local Plan covers a 17-year plan period. To ensure consistency we have annualised the GL Hearn estimates and then multiplied by 17 years to marry up with the Draft Charnwood Local Plan. From our review of the GL Hearn study in **Section 3**, we reported that their estimated demand from their preferred model amounted to 2,571,000 sqm or 861 ha over a 21-year period. These figures correspond respectively to 122,429 sqm p.a. (1.3 million sqft p.a.) and 41 ha p.a. Multiplied over a 17-year period these equate to **2.1 million sqm (22.4 million sqft) and 697 ha of land** at a plot ratio of 25% for rail-based demand and 35% for road-based. **Table 6.7** shows how this compares to the Savills estimate from **Step 2**.

Table 6.7 Comparing Demand Estimates over 17-year plan period

	Sqft	Ha
Savills (B8 9k sqm+)	48,696,914	1,293
GL Hearn (B8 9k sqm+)	22,403,168	697

Source: CoStar, GL Hearn, Savills

6.3.5 In summary, a direct comparison using the Savills methodology results in future demand estimates for strategic B8 land across the FEMA being roughly double that estimated by GL Hearn.

Future I&L demand within Charnwood

6.3.6 As we discussed in **Section 3**, the numerous regional and local employment studies do not operate as a consolidated set and therefore it is difficult to understand what is being recommended for each local authority in the FEMA including Charnwood.

6.3.7 Within this section we seek to apportion the Savills FEMA wide demand estimate to Charnwood. This can be done in a number of different ways as follows:

- Based on Charnwood’s current proportion of I&L inventory across the FEMA;
- Based on Charnwood’s historic proportion of average net deliveries of new I&L floorspace between 2011 and 2021.

6.3.8 The results of this comparison are detailed in **Table 6.8** below. Inventory gives the highest metric at a 9% share while new supply (net deliveries) is lower at 3%. To apportion the Savills FEMA demand estimate to Charnwood, an average of 6% is considered appropriate.

Table 6.8 Charnwood’s Proportion of FEMA

	Charnwood’s % of FEMA
Existing Inventory (2022 YTD)	9%
Avg. Net Deliveries (2011-2021)	3%
Avg.	6%

Source: CoStar, Savills

- 6.3.9 Six percent (6%) of the overall FEMA demand for I&L uses (ie 1,790 ha) is 107 ha that should be planned for in Charnwood as a minimum. If we used the higher existing inventory figure of 9% this figure would rise to 161 ha.

7 Summary & Recommendations

- 7.1.1 The I&L sector is booming nationally. Even before the pandemic the I&L market had been growing strongly with demand outstripping supply. The Covid Pandemic has merely accelerated a number of growth drivers that were already in place such as online shopping and the desire for quick deliveries. Brexit too is increasing I&L demand as companies consider bringing part of their operations back to the UK to guard against future supply chain shocks, as well as increasing their inventory levels. Significant growth is also forecast across all freight modes (which could be increased further by the Government's Freeport programme, which includes East Midlands Freeport).
- 7.1.2 Given the struggles being faced by the office and retail sectors, I&L is likely to be the major generator of jobs for many local economies. As we have evidenced in the report, average pay levels within the sector are nearly £5k per annum higher than the UK average. The diversity of occupations has also been increasing which will enable the sector to play a key role in re-employing people that have lost jobs in other sectors as a result of the Covid-19 pandemic. This is highly relevant to the FEMA where the claimant count is still around 38% higher than the level recorded before the pandemic. Should not enough I&L land be allocated into the future, and subsequently the historic supply constraints continue, I&L demand will remain 'suppressed' as will the jobs and wider economic contribution the sector can make to local and regional economies.
- 7.1.3 Despite the strength of I&L demand, the local and regional employment studies that inform the Charnwood emerging local plan have underestimated future floorspace and land needs. While these studies acknowledge demand has been outstripping supply, their future estimation methods fail to take into account demand that has been lost due to the lack of available supply. The GL Hearn study applies an interesting methodology looking at freight flows, however this approach estimates a lower future floorspace need than historic completion trends. This appears completely at odds with the above market realities of the highest demand on record.
- 7.1.4 As a collective, the current local and regional evidence base studies that support the emerging local plan are disjointed in that they use different estimation methodologies, cover different segments of the market and fail to recommend future I&L demand at the local authority level across both strategic and non-strategic-scale units. In addition the various studies present a number of methodological issues, which in our view, has led them to underestimate future I&L demand.
- 7.1.5 The Savills approach to estimate future demand is aimed at addressing the above methodological issues by focusing directly on market trends rather than secondary factors. Our methodology is NPPG-compliant as it builds upon historic demand (net absorption), adjusting past trends for historic supply shortages and the subsequent loss in demand. We refer to this as 'suppressed demand' which is added to the historic demand trend as a top-up. We also factor in future e-commerce growth which is a key growth driver for the sector.
- 7.1.6 Based on Savills demand methodology, over a 17 year plan period, we estimate FEMA wide I&L demand to be 1,790 ha of land. Savills' FEMA-wide demand estimate can be apportioned to Charnwood in a number of different ways:
- Based on Charnwood's current proportion of I&L inventory across the FEMA at 9%; or

- Based on Charnwood's historic proportion of average net deliveries of new I&L floorspace across the FEMA between 2011 and 2021 at 3%.

- 7.1.7 If we take the average of both at 6% of the overall FEMA demand for I&L uses (ie 1,790 ha), then Charnwood should plan for a minimum of 107ha. If we used the higher % existing inventory figure of 9% this figure would rise to 161ha.
- 7.1.8 These land demand figures are higher than the 80.65 ha of available land for I&L uses identified in **Section 5** based on the draft Local Plan and current planning permissions. This shortfall in reality is likely to be much greater considering 56.34 ha of the available land supply outlined in the draft Local Plan is subject to significant delivery risk and may not come forward within the 17 year plan period.
- 7.1.9 The proposed portfolio of sites is therefore insufficient in quantitative terms but is also subject to considerable qualitative issues. It is not well-balanced, has an over-reliance on long term proposals with questionable deliverability, (including land within the proposed SUEs), and sites serving Leicester. It offers very limited opportunities to provide for any sites which can realistically contribute to the need for strategic logistics sites to cater for units of 9,000 sq. m plus, and none which benefit from the direct linkages to the M1 necessary to meaningfully meet this strategic demand.
- 7.1.10 It will not therefore provide sufficient deliverable land to meet the needs of the Borough to 2037 in either quantitative or qualitative terms. Additional site(s) are required to address this need and Land at Junction 23 is very well-placed to do so in terms of its location (at the M1 junction), scale and deliverability.

Appendix A – East Midlands Market Equilibrium

Year & Quarter	Real Rent £/sq.ft	Rental Growth Q-o-Q	Availability Rate
2021 Q4	£6.47	0.9%	3.1%
2021 Q3	£6.41	0.8%	3.4%
2021 Q2	£6.36	0.5%	4.2%
2021 Q1	£6.33	1.8%	4.7%
2020 Q4	£6.22	1.3%	5.2%
2020 Q3	£6.14	0.8%	5.4%
2020 Q2	£6.09	1.2%	5.4%
2020 Q1	£6.02	1.3%	4.9%
2019 Q4	£5.94	1.4%	4.3%
2019 Q3	£5.86	1.0%	3.7%
2019 Q2	£5.80	0.5%	3.5%
2019 Q1	£5.77	1.8%	3.8%
2018 Q4	£5.67	0.9%	3.8%
2018 Q3	£5.62	0.5%	3.8%
2018 Q2	£5.59	1.1%	4.3%
2018 Q1	£5.53	1.5%	4.4%
2017 Q4	£5.45	1.1%	4.7%
2017 Q3	£5.39	0.7%	4.4%
2017 Q2	£5.35	0.4%	4.5%
2017 Q1	£5.33	1.1%	3.9%
2016 Q4	£5.27	0.6%	4.2%
2016 Q3	£5.24	0.6%	5.0%
2016 Q2	£5.21	0.8%	4.9%
2016 Q1	£5.17	1.6%	4.4%
2015 Q4	£5.09	1.2%	4.3%
2015 Q3	£5.03	0.8%	4.4%
2015 Q2	£4.99	0.2%	4.4%
2015 Q1	£4.98	2.0%	4.9%
2014 Q4	£4.88	0.6%	5.0%
2014 Q3	£4.85	0.4%	5.7%
2014 Q2	£4.83	0.2%	7.1%
2014 Q1	£4.82	0.6%	7.8%
2013 Q4	£4.79	0.0%	8.0%
2013 Q3	£4.79	0.4%	8.5%
2013 Q2	£4.77	-1.0%	9.0%
2013 Q1	£4.82	0.2%	9.3%
2012 Q4	£4.81	-1.2%	9.9%
2012 Q3	£4.87	-0.2%	10.4%
2012 Q2	£4.88	-0.6%	10.8%
2012 Q1	£4.91	-0.2%	10.9%
2011 Q4	£4.92	-1.4%	10.6%
2011 Q3	£4.99	-0.6%	10.1%
2011 Q2	£5.02	-1.4%	9.9%
2011 Q1	£5.09	-1.4%	9.9%

Source: Costar, Savills

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