Policy BE2: Evaluation of Need, Demand and Impact

Final Report

Prepared by Iceni Projects Limited
on behalf of Harborough District
Council

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1. SUMMARY

1.1 The submitted Harborough Local Plan 2011-31 allows up to 700,000 sq.m of Strategic Distribution floorspace at or adjoining Magna Park. About 380,000 sq.m already has planning permission and the policy would therefore support development of up to a further 320,000 sq.m over the plan period.

1.2 This report considers the evidence regarding the need and demand for strategic distribution floorspace to assess whether this supports the allocation of land at or adjoining Magna Park. It assesses the need and justification for 700,000 sq.m of strategic B8 floorspace; the 'headroom' in demand for other rail and non rail-served schemes in the wider market area; and the impact of this level of provision on other projects and public programmes, including local plans in other areas in the wider sub-region.

1.3 Lutterworth sits centrally within the narrow Golden Triangle, defined by the M1, M45/M6 and M69, which is the optimum location for road-based distribution nationally as it sits at the heart of the motorway network, and is the established location of choice for National Distribution Centres (NDCs). The Golden Triangle area traverses three local enterprise partnership areas – Leicestershire, Northamptonshire and Coventry and Warwickshire – and all three LEPs identify logistics as a key priority growth sector, with two identifying a need to bring forward additional land to support it. Maintaining a supply of land for strategic distribution in this area is important in supporting the efficient functioning of distribution networks, which in turn supports the competitiveness and productivity of other economic sectors.

1.4 The Strategic Distribution Sector Study (SDSS) has assessed need across Leicestershire. It identifies need for a minimum of 1,445,000 sq.m of strategic distribution floorspace over the Local Plan period to 2031. The SDSS authors have been clear that the quantum of land allocated for strategic distribution should always exceed the need figures and that authorities should look to ensure that there are multiple strategic sites with vacant 'development ready' plots available at different geographical locations at all times. Iceni's analysis supports this.

1.5 Government policy requires councils to plan proactively to support sustainable economic growth, improve productivity and meet development needs of businesses. It seeks to facilitate modal shift towards sustainable modes of travel, including through growth in the movement of freight by rail and development of an expanded network of Strategic Rail Freight Interchanges (SRFI), but is realistic that road-based distribution will continue to be the dominant means of freight transport for some time. Reviewing the basis of the rail/ non-rail split in the SDSS, the report finds that there is not a clear evidential basis behind this and it should be regarded as indicative only. Furthermore quantitative needs evidence should to be considered alongside market evidence and signals.

1.6 Capacity on schemes with planning consent, together with completions since 2011, would provide approximately 1,340,000 sq.m strategic distribution floorspace – a level close to the minimum requirement. This includes 380,000 sq.m at or adjoining Magna Park. Iceni's analysis however finds very strong levels of market demand, including strong take-up in recent years and healthy rental growth. The evidence points to strong potential for Leicestershire's share of the regional market (and the Golden Triangle's share of the regional market) to grow through occupiers consolidating to optimum locations if the land was available. The evidence points to a strong level of market demand, and indeed rising occupier demand, which would see most current sites with planning consent in the narrow Golden Triangle completed by 2021, and sites fully built out by around 2024. The exception to this is DIRFT III. Plots on other sites across Leicestershire with planning consent could be expected to be built-out within a five year period; and there are just three other sites potentially coming forwards. Rents for new-build stock have grown by 39% of the last six years, providing direct evidence of supply/demand imbalance, with levels of available units in the East Midlands currently representing a 0.85 years' supply position overall with no supply of larger units (> 46,000 sq.m). A clear need to bring forward additional strategic distribution floorspace is therefore shown, which Iceni find would support the allocation of 700,000 sq.m of floorspace at/adjoining Magna Park, Lutterworth.

1.7 The report has then assessed the potential effects of the delivery of 700,000 sq.m of strategic distribution floorspace at Magna Park on other projects and other public programmes, particularly local plans in other areas. It should be noted that around 380,000 sq.m of this total floorspace already has planning permission.

1.8 There are consented SRFI schemes being brought forward at East Midlands Gateway and DIRFT3. East Midlands Gateway is expected to be delivered in the short-term, whereas DIRFT is one of the few schemes considered that is of a scale and with available capacity that it is expected to be built-out across the plan period to 2031. Whilst there will be a degree of competition with these sites for National Distribution Centres, these schemes however cater for a different market segment particularly for occupiers seeking rail connectivity. There is a degree to which additional space at Magna Park will support the functioning of the rail head at DIRFT, with 16% of current HGV trips from Magna Park to its rail terminal.

1.9 Our analysis finds that the effects of delivering 700,000 sq.m of strategic distribution floorspace on most other plans will be low. The total floorspace figure includes 380,000 sq.m on the two schemes which already have planning consent. We find that there will be a moderate effect in a number of areas where there are other strategic distribution schemes being progressed in areas close to Magna Park, including Blaby, Daventry, Rugby, and Nuneaton and Bedworth. The effect is moderate as whilst there will be a degree of competition, most of the schemes in these areas will be delivered in the short-term over the next 5 years taking account of site size, market demand and availability of other sites; and this study finds that there remains a clear need for schemes of a size which will continue to meet development needs and maintain a choice of sites in the medium- to long-term to 2031.

1.10 Further growth at Magna Park will contribute to maintaining supply in the medium/longer-term. What the evidence and analysis shows is that there is an inadequate supply of sites in existing plans to maintain a choice of sites over this period, and to meet market demand overall. Existing sites will largely be built-out in the short-term over the next five years, with essentially very little choice or flexibility in supply in the medium and longer-term. This points to a need to bring forward additional land to maintain a choice of sites with available plots, which is essential if demand is not to be displaced to areas beyond the Golden Triangle. The evidence of the lack of competition from other locations besides Magna Park suggests that that a healthy level of take-up could be sustained at both DIRFT 3 and Magna Park.

1.11 It is important to note that Government does not limit competition between developers, and indeed this competition and a choice of sites is important in giving occupiers a choice of location and keeping property costs down. The planning system should be seeking to maintain a choice of good quality sites and flexibility of supply at all times if economic growth is not to be constrained.

1.12 Whilst Magna Park will have a broad travel to work area, drawing on the evidence in the Magna Park Sensitivity Study, we do not find that its growth will result in additional housing need in other areas in either Leicestershire, Coventry & Warwickshire or Northamptonshire above that which is already anticipated and being planned for.

2. INTRODUCTION

2.1 Harborough District Council has submitted its Draft Local Plan 2011 to 2031 to the Secretary of State for Examination. Hearings were held in October 2018 at which the Planning Inspector appointed to assess the Plan raised issues of soundness relating to Policy BE2: Strategic Distribution.

2.2 The text of Policy BE2 is set out below. The Policy, as currently drafted, allows additional development of up to 700,000 sq.m of strategic distribution floorspace at or adjoining Magna Park, subject to certain criteria, but does not allocate a specific site (or sites) to meet this.

Policy BE2: Strategic Distribution

1. Magna Park, as identified on the Policies Map, is safeguarded for strategic storage and distribution (Class B8). Proposals for redevelopment at the existing site will be permitted where:
   a. each unit has at least 9,000 sq.m. gross floorspace; and
   b. any new building or the change of use of an existing building(s) is for Class B8 and ancillary use only; or
   c. the proposal for any non-strategic storage and distribution use is small-scale, proportionate in scale to the strategic storage and distribution use and ancillary to the use of individual plots.

2. Additional development of up to 700,000 sq.m. for non rail-served strategic storage and distribution (Class B8) use will be permitted where it would:
   a. form an extension of, or be on a site adjoining, Magna Park;
   b. support or at least have no adverse impact on the viability and deliverability of existing or further Strategic Rail Freight Interchanges (SRFIs) within or serving neighbouring authorities and Leicestershire;
   c. increase employment opportunities for local residents, including training and apprenticeships;
   d. include measures to enable an increase in the proportion of the workforce commuting from locations within Harborough District;
   e. not lead to severe traffic congestion anywhere on the nearby strategic and local road network, particularly the A5, whether within Harborough District or outside; and
   f. ensure 24 hour operations do not have an unacceptable environmental, community or landscape impact in the immediate and wider surrounding area.

2.3 At the Examination Hearings, the Inspector expressed concern about managing this level of employment floorspace provision through a 'criteria-based' policy.

2.4 The Council has commissioned Iceni Projects Ltd ("Iceni") to review the evidence regarding the need and demand for B8 strategic distribution space to assess whether this supports the allocation of land at/adjoining Magna Park. As part of this, the brief includes considering a number of key issues raised by representors as part of the Examination.

2.5 The Council's brief sets out that the report should consider and assess:

a. The need and the justification for 700,000sq.m. (or other appropriate amount) of strategic B8 floor-space.

b. The 'headroom' in demand for other rail-served and non rail-served schemes in the wider area; and

c. The impact of provision at this level (700,000 sq.m) on other projects and public programmes in the housing market area/ wider area.

2.6 This is intended to be brought together to inform the Council's decision-making as to what course of action to recommend to the Inspector in regard to amendments to Policy BE2 and, if found appropriate, the allocation of land at Magna Park for strategic distribution floorspace through a main modification to the Plan.

2.7 It should be noted that of the 700,000 sq.m figure referred to in the Council's brief, planning consent has been granted for construction of a new warehouse of 100,844 sq.m for DHL (15/00919/FUL) and for up to 278,709 sq.m on land adjoining Glebe Farm, Coventry Road (15/00865/OUT). These two consented schemes therefore provide around 380,000 sq.m of strategic distribution floorspace. Fundamentally the issue being considered through the Local Plan is therefore whether provision should be made for a further 320,000 sq.m of floorspace.

2.8 This report has been structured to address the three elements of the brief, as set out above. The analysis is brought together in the Summary (Section 1).

3. STRATEGIC CONTEXT

3.1 In this section, Iceni has reviewed national policy and guidance as it relates to the strategic distribution sector and planning for it.

2012 National Planning Policy Framework

3.2 The Local Plan has been prepared, and is being examined against, the **2012 National Planning Policy Framework** (“NPPF”). This sets out that the planning system should proactively drive and support sustainable economic development, through objectively identifying development needs, assessing market signals, and responding to this by allocating sufficient land to meet future development needs (Para 17). It sets out that the planning system should do everything it can to support sustainable economic growth, and that local planning authorities should plan proactively to meet the development needs of businesses and support an economy fit for the 21st century (Paras 19 and 20) including to support specific business sectors, particularly where these are growing, and where appropriate identifying strategic sites for local and inward investment (Para 21).

3.3 The NPPF sets out that evidence and strategies for employment should take full account of relevant market and economic signals (Para 158), and thus market evidence is both a relevant and important consideration in reviewing whether the level of strategic distribution B8 floorspace is justified. This is addressed within the report.

3.4 In seeking to promote sustainable transport, the Framework outlines that encouragement should be given to solutions which support reductions in greenhouse gas emissions and reduce congestion. It encourages planning authorities to support a pattern of development which, where it is reasonable to do so, facilitates the use of sustainable modes of transport (Para 30). It supports joint working through the duty to cooperate to bring forwards rail freight interchanges (Para 31).

3.5 The associated **Planning Practice Guidance** (“PPG”) advises that local authorities should work together to assess employment development needs over the relevant Functional Economic Market Area (FEMA) which in this case is for Leicester and Leicestershire. The necessary collaboration has taken place in preparing both the Leicestershire Housing and Economic Development Needs Assessment (“HEDNA”, HSG8) and the Strategic Distribution Sector Study (“SDSS”, EMP6 and EMP7).

3.6 The Guidance confirms that in assessing employment land needs, market intelligence (including data and discussions with developers and property agents) and market signals (including levels and changes in rental costs and land values) as well as the locational and premises requirements of particular types of businesses are relevant considerations.[1] It outlines that plan-makers can use a variety of different forecasting techniques to consider future development needs, but notes that it is important to consider the needs of different market segments and that both quantitative and qualitative considerations are relevant.[2]

3.7 Whilst the Plan is being examined against the 2012 NPPF, it is of some relevance that Government published a revised National Planning Policy Framework in July 2018. This states that strategic policies should anticipate and respond to long-term requirements and opportunities (Para 22). It states that significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development (Para 80). It outlines that planning policies should have regard to Local Industrial Strategies, and identify strategic sites to match the strategy and meet anticipated needs over the plan period (Para 81). It is clear that planning policies should recognise and address the locational requirements of different sectors, including storage and distribution operations, in suitably accessible locations (Para 82).

National Policy Statement for National Networks

3.8 Strategic rail freight infrastructure projects of over 60 ha in size are defined in the Planning Act 2008 (as amended) as a nationally significant infrastructure project. Government policies for this form of development are set out in the National Policy Statement ("NPS") for National Networks.

3.9 The NPS outlines that there are demand pressures on both the road and rail network and that rail transport can play a crucial role in delivering significant reductions in both pollution and congestion (Para 2.35). It supports SRFI development and the role which rail freight can have in reducing transport's carbon emissions. But it also cautions that there is a need to be realistic about modal shift – if freight carried by rail was to increase by 50% (in terms of tonne kilometres) this would only be equivalent to a reduction in around 7% in goods carried by road.

3.10 The NPS sets out that for many freight movements, rail is unable to undertake a full end-to-end journeys and therefore rail freight interchanges enable rail to be transferred between modes enabling use of rail for the long-haul primary trunk journey. It outlines that Strategic Rail Freight Interchanges ("SRFIs") are a key element in reducing the cost to users of moving freight by rail, and therefore important in facilitating the transfer of freight from road to rail, thereby reducing trip

[1] ID 2a-030-20140306

[2] ID 2a-032-20140306

mileage of freight movements on the national and local road networks (Para 2.44, 2.47). It sets out that:

> *"The logistics industry provides warehousing and distribution networks for UK manufacturers, importers and retailers - currently this is predominantly a road based industry. However, the users and buyers of warehousing and distribution services are increasingly looking to integrate rail freight into their transport operations with rail freight options sometimes specified in procurement contracts. This requires the logistics industry to develop new facilities that need to be located alongside the major rail routes, close to major trunk roads as well as near to the conurbations that consume the goods. In addition, the nature of that commercial development is such that some degree of flexibility is needed when schemes are being developed, in order to allow the development to respond to market requirements as they arise." (Para 2.45).*

3.11 The NPS outlines that the development of additional capacity at Felixstowe North Terminal in Suffolk and London Gateway in Essex will support increased need for SRFI development. It forecasts total tonne kilometre growth by rail of 3% per annum and identifies a need for an expanded network of SRFI (Para 2.56). This growth forecast has fed into the SDSS.

3.12 SRFIs are required to provide rail-connected or rail-accessible buildings for initial take-up, an operational rail network connection and areas for intermodal handling and internal storage; and, as a minimum, be capable of handing four trains per day.

3.13 Whilst the Government, though the NPS, supports the growth of SRFI and rail freight, the NPS does not seek to restrict road freight growth and it is clear that this is likely to remain the dominant means of freight transport for some time.

Economic Strategies

3.14 The UK Government has set out through its **Midlands Engine Strategy** that the Midlands has huge economic potential and Government wants it to become a growth engine for the whole UK. It identifies the Midlands' core strength as its geographical location at the centre of the UK with strong connectivity domestically and internationally, citing that 92% of the UK's population is accessible within four hours, 45% of British rail freight goes through the Midlands, and East Midlands Airport is the second largest freight airport in the country after Heathrow. It is this geographical location and connectivity which underlies its competitive advantage in strategic distribution. Through the Midlands Engine Strategy, the Government sets out a programme of upgrading infrastructure to drive economic growth.

3.15 The **Leicester and Leicestershire Strategic Economic Plan** (SEP) outlines that the area is a £23.4 billion economy[3], which is driven by four key sectors – manufacturing, logistics/distribution, business services and public services – which together account for over three-quarters of the area's economic output.[4] Logistics and distribution is the second largest of these sectors accounting for 22% of the economy and supporting over 50,000 jobs, one which is growing, in which the area has a competitive advantage and one which is identified as a key priority growth sector in the Plan. It is clear therefore that supporting growth in logistics/distribution is important to Leicestershire's overall economic performance; and in this context it is important land supply is not constrained. The SEP is clear that Magna Park, the largest logistics park in Europe, is one of Leicestershire's key economic assets. The SEP specifically identifies a lack of suitable employment land for logistics and manufacturing.

3.16 Logistics is also identified as a priority economic sector in the Northamptonshire and Coventry & Warwickshire LEP's Strategic Economic Plans, with the latter identifying a shortage of strategic employment sites.

Understanding Locational Drivers and Competitive Advantage

3.17 The 2014 Strategic Distribution Sector Study ("SDSS", EMP6) set out that the location of warehouses is important for the efficient functioning of distribution networks for both general cargo, and retail and consumer goods. It identified two types of distribution centres:

- **National Distribution Centres (NDCs)** which act as inventory holding points, particularly for imported goods. These are occupied by retailers or their suppliers who require facilities to consolidate or hold goods, before distribution on to either a Regional Distribution Centre or direct to an end user (such as a shop or household). NDCs are important inventory holding locations and this is an influence on the larger size of such units.

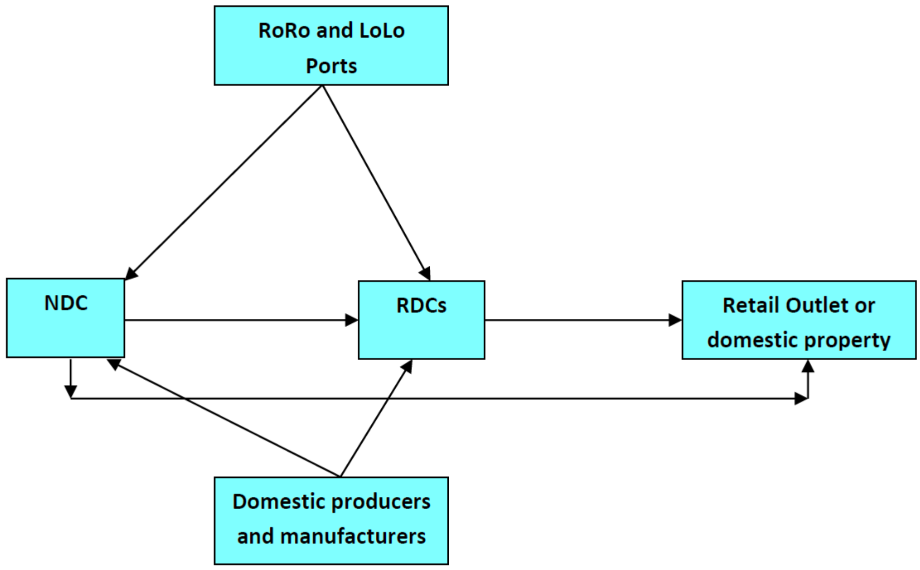
- **Regional Distribution Centres (RDCs)** which are similar, but have a smaller, regional hinterland. The primary role of RDCs is to consolidate and re-distribute goods in shorter periods of time rather than acting as inventory holding locations, and as a consequence dwell times are typically much shorter (and thus units are smaller). The SDSS set out that RDCs are effectively a covered 'cross-docking' facility, where inbound 'bulk' homogenous consignments from NDCs are split into smaller consignments and consolidated with other cargo (including goods delivered direct to the RDC) for re-distribution (often in a matter of hours) in mixed full size unit loads i.e. limited or no storage function.

[3] Updated figure from L&L Local Industrial Strategy Prospectus

[4] Strategic Economic Plan, Table 2.3

3.18 The distribution strategy established by most players in the market for some time is illustrated in the flow diagram below. Goods which are seasonal (e.g. outdoor equipment, summer clothing) and less time-sensitive or perishable (e.g. toys, electricals) are typically distributed from NDCs.

Table 3.1 Distribution Network



3.19 With increasing e-retailing, there is also a growing level of warehousing space dedicated to 'last mile logistics' which distributes good direct to people's homes. These may sit between the NDC and domestic properties in the diagram above.

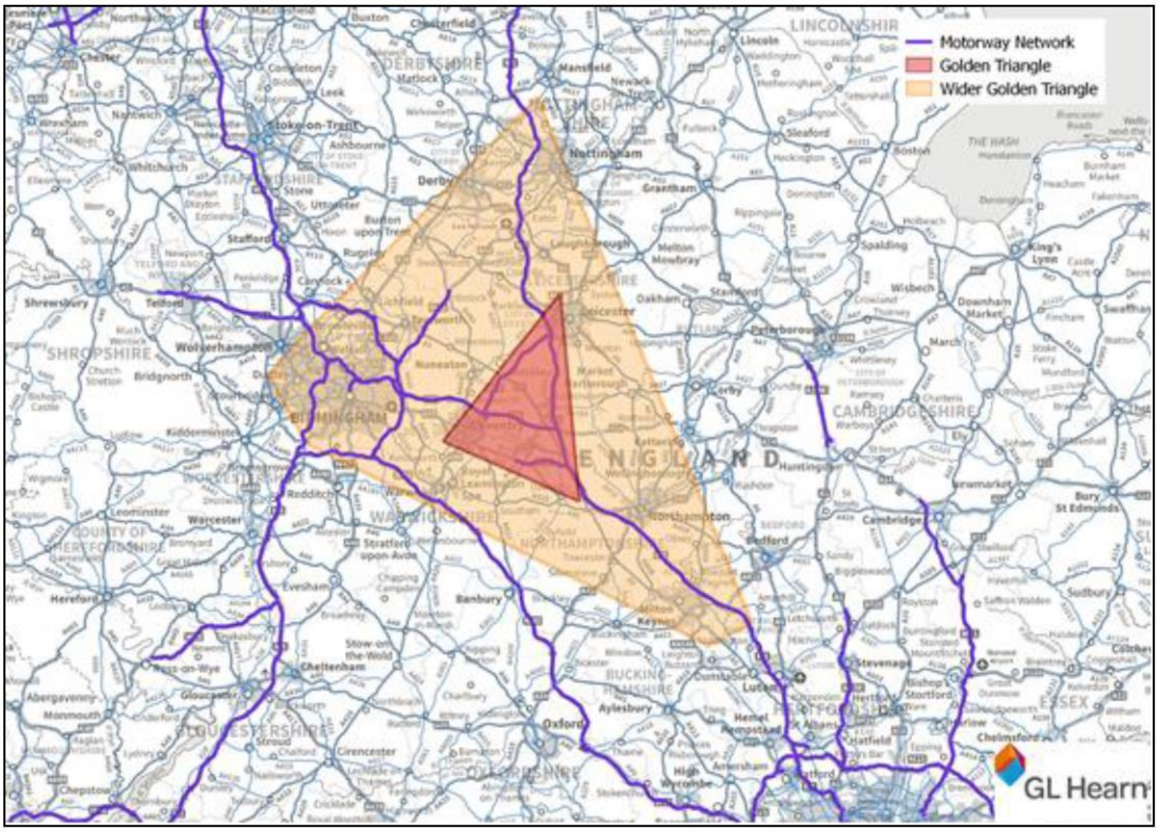
3.20 The logistics sector needs to be thought of as a supply chain or network. Within this, **the Golden Triangle is the established location of choice for National Distribution Centres (NDCs)**. As set out in the SDSS, the reasons behind this are as follows:

- Its **central location** within the UK spatially and on the national motorway network.
    - It is central having regard to the major domestic production sites (where goods are manufactured), the deep-sea and Channel Ports (for imported cargo) and RDCs in other regions (the next stage in the supply chain).
    - The UK's major population centres are within an HGV driver's 4.5 hour drive, time, this being half an HGV driver's daily drive time and the time which a driver can drive without stopping. Consequently an HGV could undertake a round trip within a driver's shift; and the vehicle could undertake at least two round-trips within a 24 hour period.
- Historically the area has had relatively low haulage costs and competitive labour rates. The former is linked to the above. These factors make it a competitive cost location relative to alternatives.

3.21 For these reasons, the Golden Triangle has become the preferred location for, and has the greatest concentration of, National Distribution Centres (NDCs). The above factors essentially mean that it is the **optimal location** for these activities - as the SDSS set outs a “location of choice” (EMP6b Para 2.15). It is the best location in terms of minimising the cost of distribution and in terms of the efficient operation of the supply chain network. Provision of a sufficient supply of land to support the sector in this area is therefore important to the competitiveness of companies which need to distribute goods.

3.22 The definition of the Golden Triangle is not universally agreed, but can be essentially divided into a ‘narrow Golden Triangle’ bounded broadly by the M1, M45/ M6 and M69 motorways alongside land immediately outside but served by junctions on these; and a ‘wider Golden Triangle’ which extends along the M1 corridor from Milton Keynes to north Derbyshire/Nottinghamshire and extending into the West Midlands towards Birmingham. This was shown in the 2016 SDSS (EMP7c).

Table 3.2 Golden Triangle Geography



Souce: SDS 2016 Final Report, Figure 3.1

3.23 Considering the factors above that underlie the competitive advantage of the Golden Triangle, it is reasonable to conclude that the ‘narrow Golden Triangle’ can be considered the optimum location for road-based strategic distribution as it sits at the heart of the motorway network. Magna Park sits at the heart of this.

3.24 The Golden Triangle has essentially expanded due to a lack of land availability within the core locations and rising labour costs, which have resulted in occupiers having to look further afield.

3.25 The Golden Triangle plays a national role in supporting the efficient functioning of distribution networks, which in turn supports the competitiveness and productivity of other sectors in the economy including retail, automotive and other manufacturing sectors. Alongside this it includes RDCs which serve an East and West Midlands market. Maintaining a supply of land for strategic distribution is important in supporting this.

Implications

3.26 Lutterworth sits centrally within the narrow Golden Triangle, defined by the M1, M45/M6 and M69, which is the optimum location for road-based distribution nationally as it sits at the heart of the motorway network, and is the established location of choice for National Distribution Centres (NDCs). The Golden Triangle area traverses three local enterprise partnership areas – Leicestershire, Northamptonshire and Coventry and Warwickshire – and all three LEPs identify logistics as a key priority growth sector, with two identifying a need to bring forward additional land to support it. Maintaining a supply of land for strategic distribution in this area is important in supporting the efficient functioning of distribution networks, which in turn supports the competitiveness and productivity of other economic sectors.

3.27 Government policy requires councils to plan proactively to support sustainable economic growth, improve productivity and meet development needs of businesses. It seeks to facilitate modal shift towards sustainable modes of travel, including through growth in the movement of freight by rail and development of an expanded network of Strategic Rail Freight Interchanges (SRFI), but is realistic that road-based distribution will continue to be the dominant means of freight transport for some time. In assessing development needs, quantitative needs evidence should to be considered alongside market evidence and signals.

4. THE EXISTING NEEDS EVIDENCE

4.1 The Leicestershire Strategic Distribution Sector Study (EMP6 and EMP7) provides a joint evidence base across the FEMA considering the needs of the strategic distribution sector. Iceni has sought to review the SDSS, to consider the needs evidence and supply against this, and the sensitivity of the need figure to some of the assumptions made.

4.2 EMP6 outlined that Leicestershire has an established and distinct competitive advantage in the strategic logistics sector, and that the continued development of commercially-attractive strategic sites across Leicestershire was key to maintaining this competitive advantage. The SDSS found the Golden Triangle to be the most competitive location for NDCs taking account of total supply chain operating costs. A lack of supply in this area would see demand displaced to essentially sub-optimal locations harming competitiveness and productivity.[5]

4.3 The quantitative need for strategic distribution floorspace was originally set out in the 2014 Part B Report (EMP6b). It adopts an appropriate forecasting approach for the sector, which takes account of growth in cargo volume/throughput to derive forecasts regarding the net growth in floorspace which can be expected (the 'growth build' element), informed by forecasts of freight throughput from the GB Freight Model[6]; plus provision for new-build development which replaces existing warehouse stock (the 'replacement build' element). The growth build and replacement components were then added together to forecast growth warehouse new-build development.

4.4 The replacement build element took into account the need for the replacement of older warehouse units which had become physically or functionally obsolete, economies of scale driving demand for larger distribution centres, and changes in market conditions which mean occupiers will seek new facilities in the best locations in order to enhance competitiveness (e.g. relocating to rail sites). The SDSS assumed that warehouse stock has a 25-30 year lifespan based on historical trends, calculating replacement provision on this basis.

4.5 The table below shows the forecasts of gross floorspace and land requirements for both Leicestershire and the East Midlands.

[5] Para 2.30

[6] This forms the freight component of the Department for Transport's National Transport Model

Table 4.1 Gross Floorspace Need identified in the SDSS – Leicestershire and East Midlands

	2021	2026	2031	2036
000 sq.m				
Leicestershire	762	1036	1445	1886
East Midlands	2918	4001	5570	7286
Hectares				
Leicestershire	191	259	361	472
East Midlands	730	1000	1393	1822

Source: Drawn from SDSS

4.6 The figures are built-up from the replacement and growth build elements, and then translated into a requirement for developable land using a 0.4 plot ratio. The figures for Leicestershire can be disaggregated as shown below:

Table 4.2 Gross New-Build Floorspace and Land Demand – Leicestershire

Leicestershire	2021	2026	2031	2036
000 sq.m				
Replacement Build	675	900	1,260	1,643
Growth Build	87	136	185	244
Total	**762**	**1036**	**1445**	**1887**
Land required (ha)	**191**	**259**	**361**	**472**

Source: Drawn from SDSS

Supply Pipeline – Leicestershire

4.7 Within Leicestershire, there is one Strategic Rail Freight Interchange which currently has Development Consent and is being brought forwards – **East Midlands Gateway** at Castle Donnington close to East Midlands Airport. This comprises 557,000 sq.m of B8 floorspace along with a rail terminal. The Development Consent Order (DCO) was approved in January 2016, and the scheme has commenced with Phase 1 under construction. The first 4 units have been let/sold. The developer is Roxhill/SEGRO.

4.8 There are no other SRFIs which currently have either an allocation or DCO consent. However there is one further proposal, Hinckley National Rail Interchange, a scheme for 850,000 sq.m of floorspace at M69 Junction 2 within Blaby District. This is at an early stage, and a DCO application is not expected to be submitted until Q2 2019. There is obviously no guarantee that a DCO will be granted.

4.9 Iceni has reviewed the supply identified in the SDSS Update (Part B). We have then updated this to take account of the supply identified by HDC. There is around 330,000 sq.m of strategic distribution floorspace which has been brought forward and completed on the sites identified in the SDSS/ by the Leicestershire local authorities. This includes development at Magna Park, Lutterworth.

4.10 Looking forwards, there is a total capacity on site with planning consent for development which has yet to be completed of 1.3 million sq.m of strategic distribution space. The effective supply is however lower as a number of units are under construction, including on a build-to-suit basis; and several sites are not at location which Iceni would consider to be particularly attractive locations for larger strategic distribution requirements.[7]

4.11 Bringing the analysis together, the consented strategic distribution floorspace across Leicestershire (some of which has been built and occupied, and some of which is under construction) totals around 1.7 million sq.m. We consider that the effective supply is therefore nearer 1.0 million sq.m. On the basis of recent take-up levels, this equates to around a 5 year supply.

4.12 This generates a modest quantitative shortfall against the minimum need to 2031 identified in the SDSS of around 105,000 sq.m.

[7] Watermead Business Park and Midas 22

Table 4.3 Supply across Leicestershire – Schemes with Planning Consent

Site	Developer	Remaining Floorpace Capacity (sq.m) - Not Completed	Remaining Floorspace Capacity - Available (sq.m
East Midlands Gateway	Segro/Roxhill	557,000	380,300
Optimus Point, Glenfield Road, Leicester	Wilson Bowden/ M&G	9,290	9,290
Leicester Commercial Park, Leicester (New Lubbesthorpe)	Goodman/Wilson Bowden	31,274	31,274
Leicester Distribution Park, Sunningdale Road, Leicester	Blackrock/Graftongate	41806	32516
Mountpark, Bardon (Extension is 'Paragon Development')	Mountpark	119,525	119525
Sawley Crossroads, Castle Donnington (Aldi)	Wilson Bowden	56,711	0
Watermead Business Park, Syston	Raynsway Properties	13935	13935
Midas 22, Bardon	Curtis Hall	93,109	93,109
DHL, Magna Park, Lutterworth	IDI Gazeley	100,844	100,844
Symmetry Park, Lutterworth	DB Symmetry	287,709	287,709
Hickley Park, Hinckley	IM Properties	29583	49,470
Total - Schemes with Planning Consent		1,340,786	1,117,972
Total - Future Supply on Commercially Attractive Sites			1,010,928

Source: Iceni analysis

4.13 The above shows a level of supply in quantitative terms, however not all of the above locations necessarily meet the range of requirements, and particularly the requirements of NDCs and the supply in a number of instances will also cater for larger manufacturing (B2) requirements.

4.14 In addition to these schemes, there are live planning applications for both the expansion of Magna Park[8] and at Land adjoining J11 of the M42 in North West Leicestershire. These two schemes would deliver an additional 664,200 sq.m of strategic distribution floorspace. It should be noted that there is no certainty that either of these will be granted consent. Leaving aside Magna Park, the M42 J11 scheme comprises 345,000 sq.m of floorspace.

Table 4.4 Planning Applications for Further Strategic Distribution Floorspace

Site	Developer	B8 Floorspace (sq.m)
Land adj J11, M42	IM Properties	345,243
Magna Park Expansion, Lutterworth	IDI Gazeley	318,965
Total		664,208

Source: Iceni analysis

4.15 Drawing the above together it is clear that schemes with planning consent do not meet in full the quantitative need for B8 strategic distribution floorspace across Leicestershire identified in the SDSS, but there are proposals coming forwards which – if they were all consented - would exceed this.

4.16 If all schemes came forwards (including the IDI Gazeley expansion of Magna Park, delivering in total an additional 700,000 sq.m strategic distribution floorspace) it would exceed the SDSS minimum requirement to 2031 by around 40%. Whilst this is significantly above the quantitative need identified, it is in itself in part an expression of the level of market demand.

4.17 To consider whether the allocation of 700,000 sq.m of strategic distribution floorspace (of which 320,000 sq.m in addition to the existing consented land) is justified, it is necessary to consider further the SDSS figures, and the latest commercial/ market signals evidence.

The Need Figure as a Minimum

4.18 EM7 has clarified that the quantitative need assessment arising from the SDSS should be regarded as minimum figures in order that a geographical spread of commercially attractive sites is always

[8] Application 15/01531/OUT for consent for up to 419,800 sq.m of distribution space was refused by the Council but an appeal has been lodged

available, and is maintained over time. As EMP7c set out "*In practical terms,* ***the quantum of land allocated to strategic distribution should always exceed the expected demand in order to maintain a competitive market; multiple strategic sites with vacant plots at different geographic locations should always be available****. The demand figures should therefore not be viewed as 'targets' or maximum levels of provision which should not be exceeded*."

4.19 The SDSS is therefore clear that both the figures should be treated as minima, and that a supply of land for strategic distribution should be maintained, with in essence a number of 'development ready' plots at multiple sites in different geographical locations maintained over time.

Could Leicestershire's market share grow?

4.20 As Table 4.1 above shows, of the gross floorspace demand for space across Leicestershire to 2031, 87% arises from replacement build. Iceni note that the replacement build calculation in the SDSS assumes that distribution centre occupiers in Leicestershire and the East Midlands will commission new warehouse facilities in broadly the same location as their redundant building. What it does not provide for is the relative share of floorspace in Leicestershire or the region increasing as companies relocate to larger, better located space. Key trends in the sector show that logistics operators are consolidating into fewer, larger warehouses and concentrating in doing so on locations which are optimal for serving national and regional markets (EMP7c, Section 3.2).

4.21 In November 2012, the then Department for Communities and Local Government (CLG) published statistics showing warehouse floorspace by region. This showed that the proportion of England's warehouse floorspace in England which was in the East Midlands region increased from 10.5% in 1998 to 11.9% in 2008. The growth rate of 3.2% pa in warehouse floorspace the East Midlands was the highest of any region nationally. This points to a position whereby at a regional level, the market share of the national market increased. Unfortunately statistics for latter years for warehouse floorspace are not available.

Table 4.5 Net Growth in Warehousing Floorspace, 1998-2008 (CAGR)

	Annual Growth in Warehouse Floorspace, 1998-2008
East Midlands	3.2%
West Midlands	3.1%
East of England	2.2%
England	2.0%
South East	1.9%
South West	1.9%
Yorkshire and the Humber	1.8%
North East	1.7%
North West	1.6%
London	0.4%

Source: Iceni analysis of Commercial & Industrial Floorspace & Rateable Value Statistics

4.22 Savills Logistics' Market Report (Appendix 1) provides more recent take-up data specific to large logistics units of over 9,290 sq.m / 100,000 sq.ft. Whilst this does not show specifically net growth in floorspace, it indicates that over the 2007-2018 period there was 4.6 million sq.m of space take-up across the East Midlands region which was the largest of any region across Great Britain. We estimate that this accounted for around 17.7% of take-up across England and Wales, whereas at the starting point in 2007, 11.3% of warehousing floorspace nationally was in the East Midlands region.

4.23 This does not provide direct evidence that the SDSS has under-estimated demand (, but highlights a very strong and active market for strategic distribution space in the region and one where the volume of distribution space has been growing comparatively strongly.

4.24 On the evidence available, it seems quite reasonable to expect that Leicestershire's share of distribution space within the region could well grow through occupiers consolidating to optimum locations if the land was made available. Indeed the distribution of future floorspace development between the East and West Midlands could also flex. Market commentaries have pointed towards a historical shortage of land in the narrow Golden Triangle forcing occupiers to look further afield. Rental trends (as this report comes on to consider) have been growing, suggesting that demand has exceeded supply.

4.25 There is a logic whereby if the supply is available, warehouse/distribution operators in determining where to locate new logistics/warehousing space would consider consolidating capacity to optimum locations. This reinforces the basis for considering the SDSS need figures as minima.

Rail/Road Share

4.26 The SDSS sought to disaggregate the overall need figure between rail-served and non rail-served sites. As set out in EMP7a, the split between these was based on an assumption that 58% of the minimum need figures should be on rail-served sites.

4.27 This percentage figure was based on the estimated share of warehouse stock in the East Midlands which was in units of 25,000 sq.m or more (whether on rail or non rail-served sites) in 2014. EMP7a set out that only around 6.5% of existing regional capacity was currently located at a rail-served site. In considering the rail/ non-rail split of floorspace, it set out the assumption that in essence all larger warehousing units (> 25,000 sq.m) would be accommodated on a rail served site which was informed by a number of considerations including the Government policy, growth in the rail freight sector and cost efficiencies associated with rail freight.

4.28 Reviewing this critically, whilst on the basis of the factors set out it is reasonable to assume that the proportion of space delivered on rail served sites will grow, it does not specifically justify the figure of 58%. Iceni consider it unlikely that all larger warehousing units (> 25,000 sq.m) will be delivered on rail-served sites, and indeed this is consistent with the evidence of past take-up shown in EMP7c.

Table 4.6 SDSS Split of Minimum Need Figures between Rail/ Non Rail-Served Sites – Leicestershire

Leicestershire - '000sq.m	2021	2026	2031	2036
Minimum Need - Rail and Non-Rail	762	1036	1445	1886
SDSS Rail Served Need	442	601	838	1094
SDSS Non-Rail	320	435	607	792

Source: 2014 SDSS (EMP6)

4.29 The need figures for non rail-served floorspace are clearly sensitive to the assumed rail/ non-rail split. For example, where a 40/60 split between rail and non-rail served sites is assumed, the minimum floorspace requirement for non-rail sites would rise from 607,000 to 867,000 sq.m to 2031.

4.30 There is not a clear evidential basis justifying the split between rail and non-rail assumed within the SDSS. Iceni conclude that whilst there are clear sustainability benefits from supporting rail-served distribution, the evidence does not suggest that all larger warehousing requirements will seek only rail-served sites or that there is a specific national policy requirement for this. On this basis we conclude that **the rail/ non-rail split within the SDSS should be regarded as indicative only. We consider that greater weight should therefore be placed on the total requirement for strategic distribution space, noting that this is a minimum figure.**

Maintaining a Portfolio of Multiple Strategic Sites with Vacant Plots

4.31 Maintaining a portfolio of 'oven ready' plots on multiple high-quality sites is clearly important if demand is not to be frustrated.

4.32 The SDSS (EMP7b) set out that sites which would be considered appropriate for strategic distribution would have the following criteria:

- Good connections with the strategic highway network - close to a junction with the motorway network or long-distance dual carriageway. Junctions and the approach routes should have sufficient network capacity and be capable of handling significant volumes of HGV traffic. Vehicles should not have to pass through residential areas or past areas with high volumes of pedestrians;

- Appropriately located relative to the markets to be served – which for NDCs would include ideally a small Golden Triangle location or rail access. For developments serving a national market where NDCs can be expected to locate, the SDSS outlines that they should include plots capable of accommodating very large units c. 100,000 sq.m;

- Size – sufficiently large and flexible in configuration so that it can accommodate the size of distribution centre warehouse units now required by the market. The SDSS clarifies this as regularly shaped plots ranging from 3 ha (for a 10,000 sq.m unit) to over 25 ha (for 100,000 sq.m unit) on the basis that floorspace is around 40% of the site footprint.

- Workforce accessibility – is accessible to labour, including the ability to be served by sustainable transport, and located close to areas of employment need. There should be sufficient labour within a reasonable travel to work distance to fill job vacancies; and

- Neighbour Issues – located away from incompatible land uses, in particular residential, as this would limit the ability to operate 24 hours a day. Distribution activity needs to operate 24 hours a day, seven days a week; and can require large flood lights. Commercially attractive schemes are therefore located away from residential areas.

4.33 Influenced by these issues, the market for strategic distribution floorspace is one which crosses local authority boundaries and essentially traverses the East/West Midlands boundary as well. As strategic distribution within the Golden Triangle is serving a national and regional market, it is not either possible or appropriate to determine what 'local share' might be appropriate within a single local authority district, such as Harborough. This is because the need does not relate to individual local authority boundaries, but to a market area; and the market area cuts across both district, county and indeed regional boundaries. Assessments of need in both the East and West Midlands have therefore historically been undertaken jointly across a number of authorities.

4.34 Where development takes place will be influenced by essentially where new supply is brought forward at locations which meet the above criteria. Past take-up and employment growth associated with the sector has been influenced by where major sites have been brought forward.

4.35 An accessible location with strong access to the strategic road network is critical, and it is the central location within the country with good links to the national motorway/ rail networks which underlies demand for strategic distribution space. Schemes are thus meeting a sub-regional need rather than one which is local to a specific local authority, such as Harborough. What this means is it is not possible to precisely ascribe what proportion of a regional or Leicestershire need should be met within Harborough specifically. What needs to be considered instead is the supply and demand across the wider geography and market signals in assessing what provision at Magna Park is appropriate. The next section turns to this.

5. UPDATED DEMAND AND SUPPLY POSITION

5.1 In this section, Iceni considers the latest evidence of demand and commercial market dynamics, together with an assessment of the supply position across the Leicestershire Functional Economic Market Area and the Golden Triangle. This consider both evidence of demand, and considers whether sufficient 'demand headroom' exists.

Overview of Magna Park

5.2 Construction of Magna Park began in 1988 and it has grown to become Europe's largest dedicated logistics park. It accommodates 29 different occupiers across 34 units, which collectively provide around 976,000 sq.m of distribution floorspace.[9] These are set within a landscaped environment, with managed HGV circulation. Occupiers are shown below.

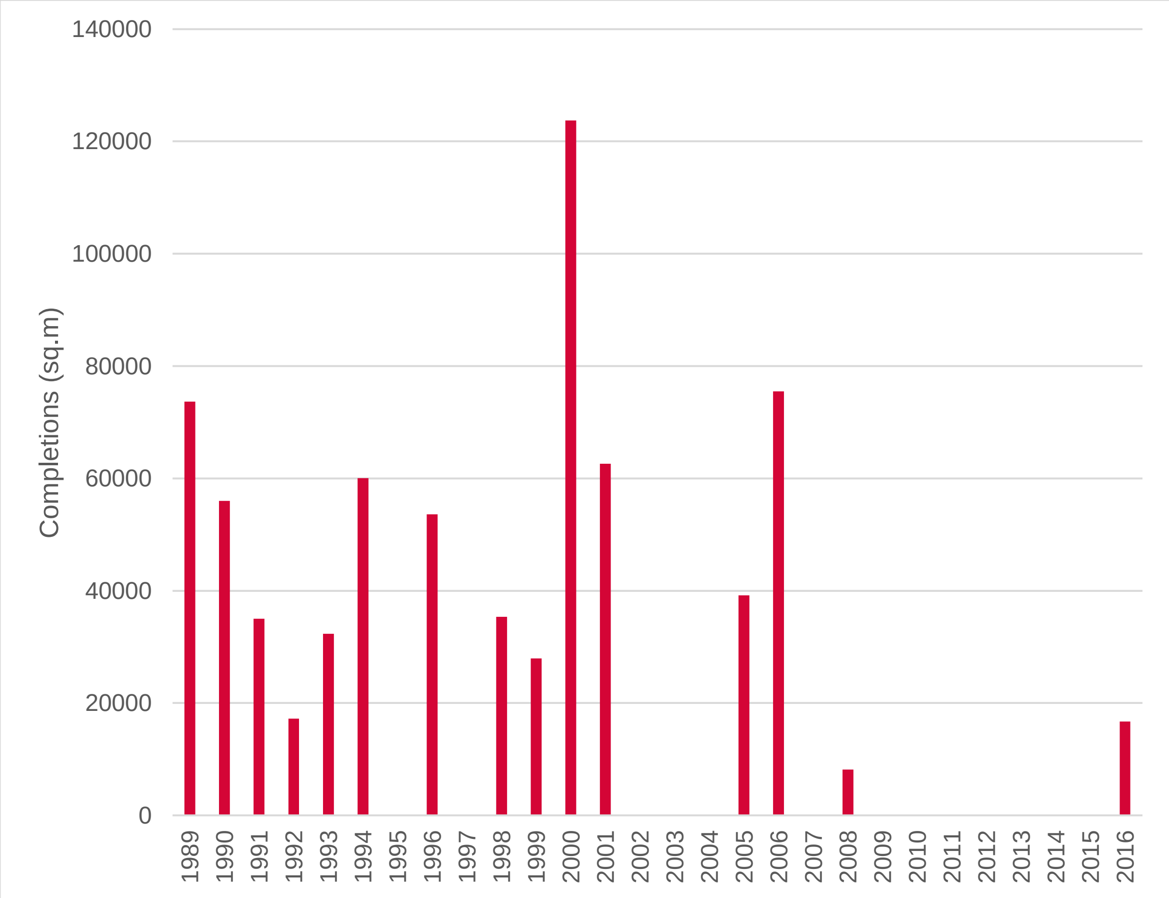
Figure 5.1: Magna Park Occupiers

Source: magnapark.co.uk

[9] Source: VOA Rating List

5.3 Figure 4.2 below shows take-up of space over time. The majority of the site was build-out between 1989-2001, and over this 13 year period 577,500 sq.m of space was delivered (equivalent to an average 44,400 sq.m per annum). The profile of take-up year-on-year is shown in the chart below. Land availability (or lack thereof) has influenced more recent completions.

Figure 5.2: Historical Completions of Distribution Space at Magna Park



Source: Iceni analysis of HBC Completions Data

5.4 In respect of current vacancy levels, this is relatively low. Tornado 180 (an 18,346 sq.m unit) has recently been let. Building 2400 (a 35,396 sq.m unit formerly occupied by Argos being marketed as X Dock 277) is currently being refurbished and is being marketed to let. Building 5320 (a 38,292 sq.m unit) is also currently being marketed. Total availability of 56,638 sq.m of space therefore equates to 5.8% of the total floorspace on the site.

5.5 Magna Park includes a total of 33 units currently, excluding the consented expansion land. Of these 32 units are above the 9,290 sq.m threshold for strategic distribution providing a total of 760,000 sq.m of strategic distribution floorspace. Of these, 13 units exceed the 25,000 sq.m threshold used in the SDSS to disaggregate need for larger units on rail-served sites. This highlights that not all larger units are on rail-served sites.

Table 5.1 Profile of Magna Park Units by Size

Unit Size	Units	Floorspace (sq.m)
9290 - 25,000 sq.m	19	327,285
25,000+ sq.m	13	432,840
Total: Strategic Distribution	32	760,125

Source: Iceni analysis of HDC Data

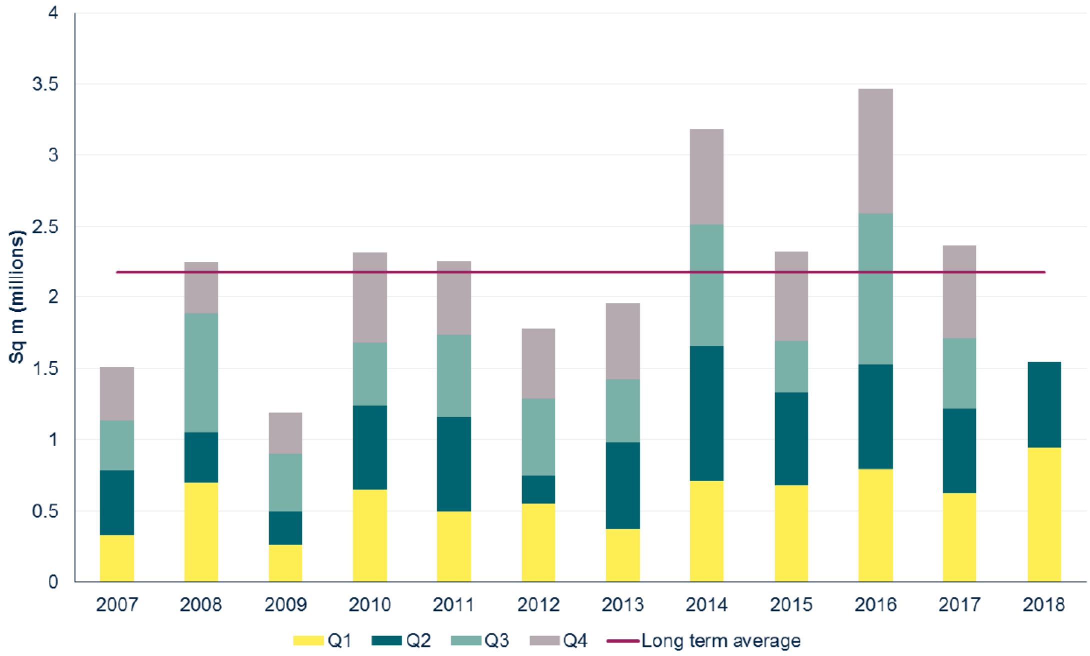
Demand Evidence

5.6 Savills Research provided commercial market inputs which informed the Strategic Distribution Sector Study in 2014, and updated evidence on supply which informed the 2016 refresh of this.

5.7 Savills have more recently prepared a report entitled 'Logistics Market Report – Magna Park Lutterworth' (Appendix 1). The report was commissioned by IDI Gazeley to update a report prepared by Gerald Eve in 2015 to support IDI Gazeley's planning application (15/01531/OUT). Iceni has drawn on this to provide an assessment of the latest demand evidence and supply position.

5.8 The Savills report considers demand for logistics space in respect of units of over 9,290 sq.m (100,000 sq.ft), consistent with the definition of strategic distribution in the SDSS. It identifies a long-term average level of take-up nationally across the UK of 2.3 million sq.m per annum. However as Figure 5.3 below shows there has been an evident upward-trend, with UK take-up levels across the last four years of above the long-term average, with the evidence from the first half of 2018 suggesting that 2018 will be no different. This is consistent with growth in e-commerce.

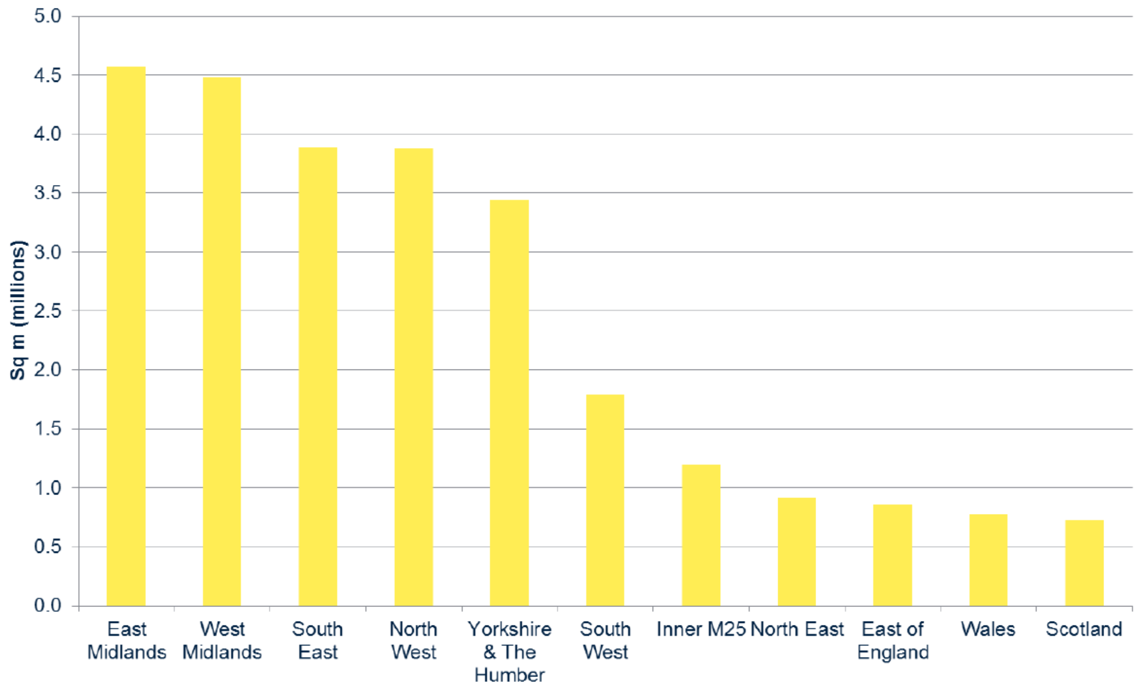
Figure 5.3: UK Logistics Take-Up



Source: Savills Research

5.9 The East Midlands has accommodated the highest level of strategic distribution floorspace take-up of any region, as Figure 5.4 below shows. It has seen 17.2% of total national take-up over the 2007-18 period with total take-up of 4,567,743 sq.m, equivalent to 397,195 sq.m per annum. **The scale of take-up in the region is very significant reflecting its geographical location and connectivity which underlies its competitive advantage in strategic distribution. Set against this level of take-up, provision of a further320,000 sq.m of strategic distribution floorspace would equate to just 0.8 years' take-up.**

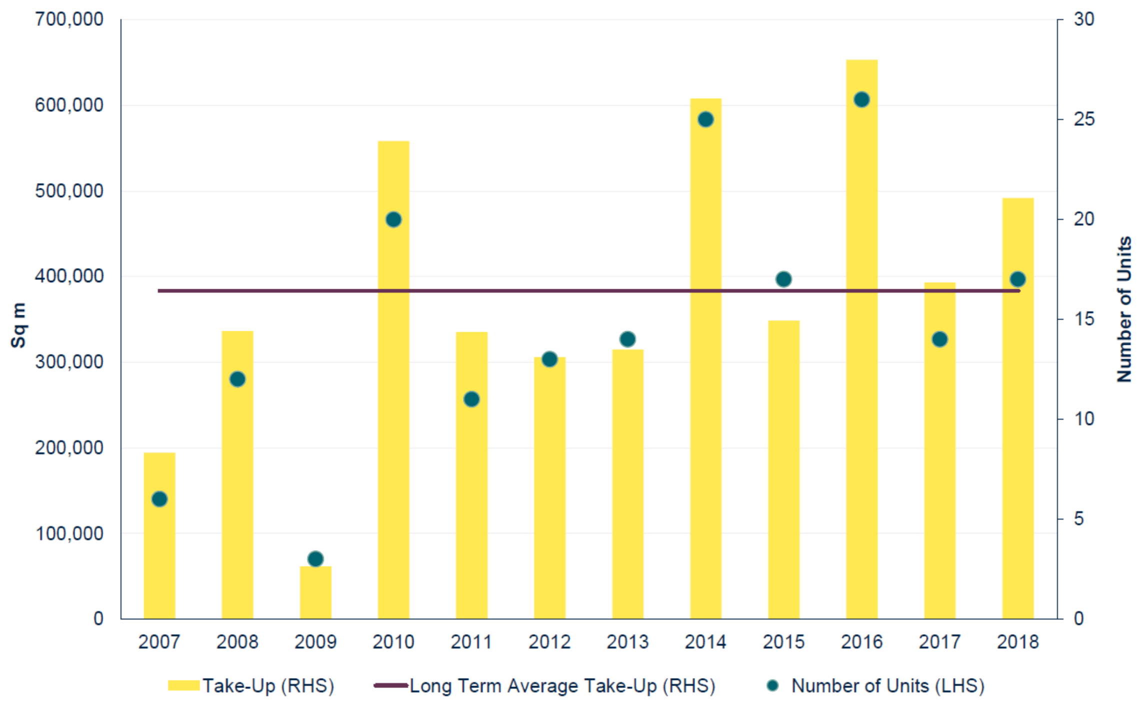
Figure 5.4: Strategic Distribution Take-Up by Region, 2007-18



Source: Savills Research

5.10 Drilling down to look at take-up within the East Midlands over time, the evidence clearly points to a **upward trend in take-up driven by growing occupier demand within the regional market. Take-up has exceeded the long-term average in three of the last four years, and indeed has exceed it in the 1st half of 2018** (H1 2018). Indeed take-up in the East Midlands accounted for 24% of the nationwide take-up in H1 2018.

Figure 45.5: East Midlands Warehouse Take-Up, 2007-2018



Source: Savills Research

5.11 The occupier profile has historically included grocery retail, manufacturing, online retail, 3PL distributors and food production. Over the first half of 2018, the largest proportion of take-up (54%) has been from the online retail sector, in part as a result of Amazon taking a 120,773 sq.m unit on a build-to-suit basis at East Midlands Gateway.

5.12 The Savills Research report also highlights strong demand in the West Midlands, including for NDCs, with take-up in the West Midlands region regularly exceeding 371,600 sq.m per annum in recent years. Again there is a clear upward trend (see Savills Graph 16, p20) with the 9,290 – 18,580 sq.m size band seeing the greatest take-up. Savills however identify a lack of availability of larger units (>46,452 sq.m / 500,000 sq.ft. As in the East Midlands, the online retail sector has become more active in the market; but automotive and manufacturing sectors are also important components of the demand.

5.13 Iceni has used Colliers International data to analyse rental trends. Rental trends for large sheds (18,580 sq.m+) have increased notably in Southern Leicestershire in recent years. Rents for new-build units (prime rents) have increased from £4.50 in 2012 to £6.25 in 2018, an increase of 39% over a six year period. Secondary rents have been growing as well. Influenced by rental trends and the scale of demand, there has been substantial growth in land values. **The rental trend evidence is a direct market signal which indicates an imbalance between supply and demand**.

Table 5.2 Trends in Rents and Land Values for Large Sheds, Southern Leicestershire

	Prime Rents	Secondary Rents	Land Value per Acre
2012	£4.50	£3.25	£275,000
2013	£5.25	£3.75	£375,000
2014	£5.50	£3.75	£375,000
H2 2015	£6.00	£4.25	£475,000
H2 2016	£6.25	£4.25	£500,000
H2 2017	£6.25	£4.25	£625,000
H2 2018	£6.25	£4.25	£625,000
% Change	39%	31%	127%

Source: Colliers International

5.14 A comparative analysis of rents and land values for large sheds indicates that those in Leicestershire are amongst the highest in the Midlands. This is a clear indicator of strong comparative demand.

Table 5.3 Rents and Land Values, H2 2018

	Prime Rent (£ psf)	Land Value/ Acre
Birmingham East	£6.50	£650,000
Leicester	£6.25	£625,000
Birmingham South	£6.50	£625,000
Coventry	£6.50	£600,000
Northampton	£6.25	£500,000
Nottingham	£5.75	£350,000
Gloucester	£6.25	£350,000
Birmingham North West	£5.75	£325,000
Birmingham West	£5.75	£325,000
Derby	£5.75	£300,000
Stafford	£5.25	£250,000
Stoke-on-Trent	£5.00	£200,000

Source: Colliers International

Wider Evidence Base Studies

5.15 A Study commissioned in 2014 by West Midlands Local Authority Chief Executives[10] has shown strong demand for large industrial and logistics units since the end of the last recession, and pointed to sharply falling availability and rising rents. It points to a scarcity of land within the "Golden Triangle" seeing demand displaced outwards, extending the Golden Triangle into the west Midlands as far as the east of Birmingham and Coventry. It identified supply constraints and a lack of medium/long-term supply across this area, in particular as commercially attractive locations often

[10] PBA and JLL (Sept 2015) *West Midlands Strategic Employment Sites Study*

fall within the Green Belt. However a displacement of demand, where land availability is constraining demand and forcing occupiers to extend their area of search and look elsewhere, is not what the planning system should be doing – it should be meeting development needs. Displacement to sub-optimal locations has potential costs to the efficient operation of logistics networks, and in doing so would be contrary to Government's ambitions for productivity growth.

5.16 In Warwickshire, whilst the authorities have successfully collaborated to plan for employment land provision across the FEMA, the Coventry and Warwickshire LEP has expressed concern at recent local plan examinations regarding the small level of "oven ready land" and an absence of large allocations (over 25 ha) that can fulfil a sub-regional role and are likely to be attractive to major inward investors.[11] Within the Golden Triangle area, supply in Warwickshire is in part constrained by Green Belt.

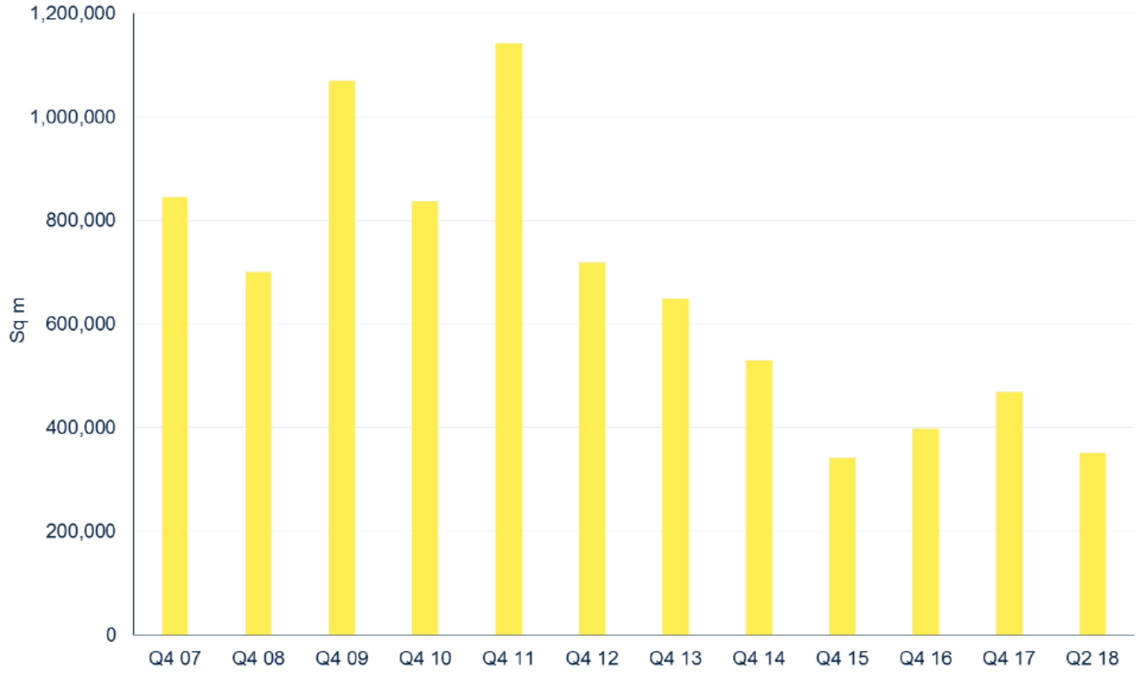
Immediate Supply Position

5.17 As Savills Research shows, the supply of available warehouse units (> 9,290 sq.m) in the East Midlands has fallen sharply in recent years, falling 66% from 1.1 million in 2011 to 350,887 sq.m in mid 2018. In October 2018 it stood at 338,720 sq.m across 17 separate units, of which 4 were Grade A speculatively build units totalling 89,750 sq.m. The vacancy rate was therefore 4.0% of stock.

5.18 In quantitative terms, **the available supply of units across the East Midlands would equate to a 0.85 years' supply position at the current time. This is a very low position, and provides a very clear indication that additional supply needs to be brought forward to ensure that demand is not frustrated.**

[11] CW LEP representations to North Warwickshire Local Plan

Figure 5.6: East Midlands Warehouse Supply



Source: Savills Research

5.19 The Savills report also shows that the available supply is skewed towards smaller size bands. Across the East Midlands, 47% of available units are in the 9,290-18,580 sq.m size range. There is only one unit of over 37,162 sq.m in size which is the Quantum unit at Magna Park (38,240 sq.m/ 411,613 sq.m) with **no available supply of units of over 46,252 sq.m.**

5.20 Supply of vacant units in the West Midlands totals 588,893 sq.m across 34 separate units of which nine are Grade A speculatively built. This equates to around a 1.6 years' supply position which is similarly very low, and highlights a need to bring forward additional warehousing units in the short-term to ensure that demand is not frustrated.

5.21 As Savills indicate **the growth in rents, low supply position and strong demand is supporting a strong market for new development. There has been a recent surge in speculative development activity** with currently a further 196,585 sq.m of space (2,116,031 sq.ft) under construction across the East Midlands. This includes three units of over 37,162 sq.m. This will all be delivered in the last quarter of 2018 and the course of 2019. In the West Midlands there are currently 6 units which together with deliver 113,341 sq.m under construction. This is a clear indicator of market confidence. Given take-up volumes much of this space can however be expected to be occupied in the immediate term.

5.22 Savills has assessed what additional supply is coming forward through new or expanded sites, based on sites which are being actively promoted and have planning permission or an allocation. They have looked at supply within a 50 mile radius of Magna Park, considering sites which could accommodate at least a single unit of over 23,225 sq.m and compared this to historic take-up across this area for units of over 23,225 sq.m. The average size of existing units at Magna Park is 23,300 sq.m Their analysis identifies 21 sites which they consider to be in direct completion with Magna Park which collectively deliver 745 ha of land and which could accommodate 2.4 million sq.m of warehouse space. Based on five year take-up across this geography of 801,322 sq.m for units of over 23,225 sq.m, the existing supply position equates to 2.9 years' supply. If the sites considered indirect competition are included, the supply position increases to 4.75 years. Either way, the **commercial evidence clearly identifies a need for additional sites to come forward to meet the need for larger units, and maintain supply in the medium-to-long term.**

Supply Trajectory

5.23 Iceni has sought to develop the Savills analysis to review schemes in Leicsestershire within the development pipeline. We have considered sites with planning consent, and have engaged with commercial agents to understand the likely build-out period for these.

5.24 Looking first of all at Leicestershire, here are seven sites which have planning consent for strategic distribution space. These are:

- East Midlands Gateway, Castle Donnington – the DCO for this scheme was approved in January 2016. The developer is Segro/Roxhill. Infrastructure works are underway and the first phase of development is under construction. Four units have been pre-let/sold providing 176,000 sq.m floorspace. The total scheme comprises 300,000 sq.m of strategic distribution floorspace plus a rail terminal. Iceni's research suggests completion of the scheme by 2021.

- East Midlands Distribution Centre, Castle Donnington – planning consent for this scheme was granted in April 2016. It will provide once complete 128,477 sq.m of strategic distribution floorspace. Around half the site has been built and occupied so far, with four plots remaining. Take-up to date suggests that the site will complete by 2023.

- Mountpark, Bardon - outline planning consent exists for the second phase of this development which will provide three units (21,200 sq.m, 47,340 sq.m and 50,985 sq.m) and total 119,525 sq.m of strategic distribution space close to M1 Junction 22. This scheme can be expected to be delivered in the short-term.

- Midas 22, Nailstone – this scheme has planning consent for 93,000 sq.m, granted October 2010. The site lies on the B585 close to the A511, which connects to M1 Junction 22. Iceni has spoken to the developer, Curtis Hall, who confirm the site is expected to be completed by 2021.

The accessibility of this site means that it a less attractive commercial location relative to other schemes. It is unlikely to be attractive to national distribution centres.

- Leicester Distribution Park – this is a scheme located off the A563 within the Leicester Urban Area. It is being brought forward by Graftongate/Blackrock. The development has commenced with one unit built and occupied by Samworths Brothers, with a further three units under construction totalling 20,345 sq.m (which includes one unit of 9,290 sq.m). A plot capable of accommodating up to 32,500 sq.m of space is available on a build-to-suit basis. Access from the motorway would be through residential areas. It is unlikely to be attractive to national distribution centres. Informed by discussions with the agent, we anticipate completion of the scheme in 2020.

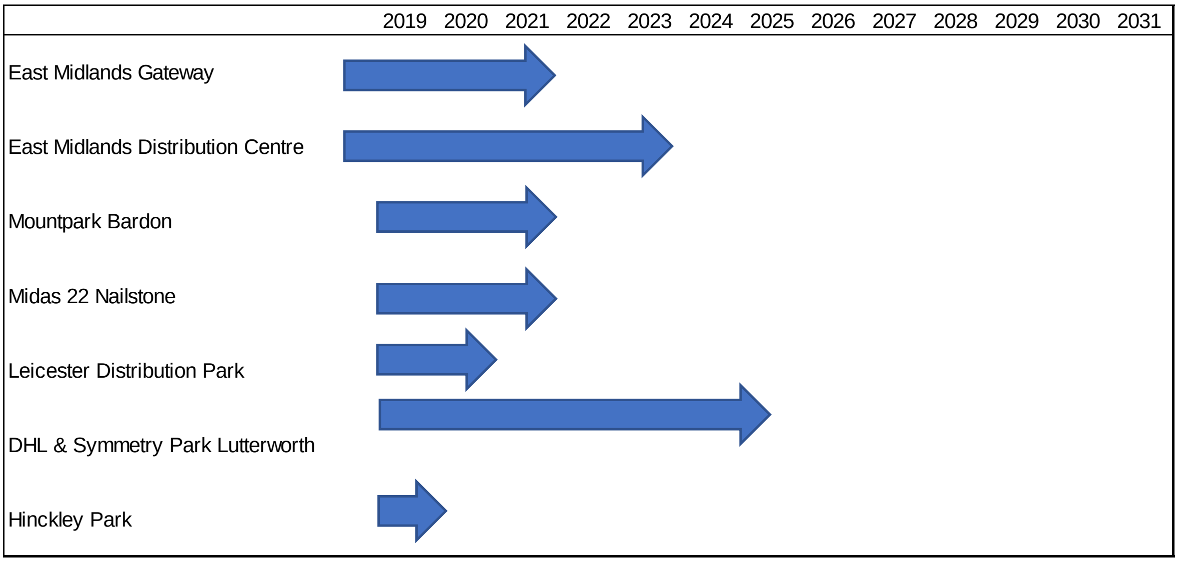
- Hinckley Park, Hinckley – planning permission was granted in June 2018 for 41,806 sq.m of distribution space. The developer is IM Properties. A 25,100 sq.m unit is to be delivered for DPD, with the developer indicating that the scheme is expected to be completed in Q4 2019.

- DHL Magna Park, Lutterworth – IDI Gazeley secured permission for construction of a 100,844 sq.m warehouse for DHL as an extension to Magna Park in October 2017. Construction commenced Oct 2018.

- Symmetry Park, Lutterworth – DB Symmetry received consent for delivery of 278,700 sq.m of strategic distribution floorspace in July 2018. The indicative masterplan shows provision for up to 10 units with sizes of between 15,900 – 44,000 sq.m. Iceni considers that based on past take-up the build-out of this site might continue to the mid 2020s.

5.25 An indicative trajectory for the build-out of these schemes is shown below.

Figure 5.7: Estimated Build-Out of Consented Schemes in Leicestershire



Source: Iceni analysis

5.26 We are then aware of one further potential scheme in the pipeline (subject to planning consent):

- Distribution Campus, Appleby Magna – IM Properties have submitted a planning application for consent for a distribution campus, adjoining M42 Junction 11. This includes a full planning application for 5 units comprising a total of 279,000 sq.m of distribution floorspace; and a further outline application which includes a further large unit of 56,712 sq.m. The application sets out that if consented, construction could commence in 2019, with the entire scheme delivered by 2021.

5.27 On the basis of the criteria in the SDSS, Magna Park, East Midlands Gateway, East Midlands Distribution Centre, Hinckley Park and Appleby Magna would be considered commercially attractive for strategic distribution space and might therefore feature in searches for a national distribution space. The other sites would likely cater for RDC's or smaller/ more local requirements.

5.28 **Iceni considers that besides the recently consented schemes at Magna Park (totalling 380,000sq.m), the supply at other sites could be expected to be built-out within the next five years. It is clear that additional supply in Leicestershire will therefore need to be brought forward to maintain a supply of 'oven ready' plots for development in the medium-term and beyond.** This is shown very clearly if we plot a trajectory of take-up for existing consented schemes Figure 5.7 above.

5.29 Current/ emerging plans make provision for one further allocations of land which would be suitable for strategic distribution space. Enderby Logistics Hub is an allocation in Blaby's emerging Delivery DPD (Policy SA3) which is located on the A47 on the western side of the Leicester urban area. The site is 30 ha (gross) and identified primarily for B8 uses. Access is through Leicester's urban area via M1 J21 or J22. This site can be expected to contribute to supply in the medium-term

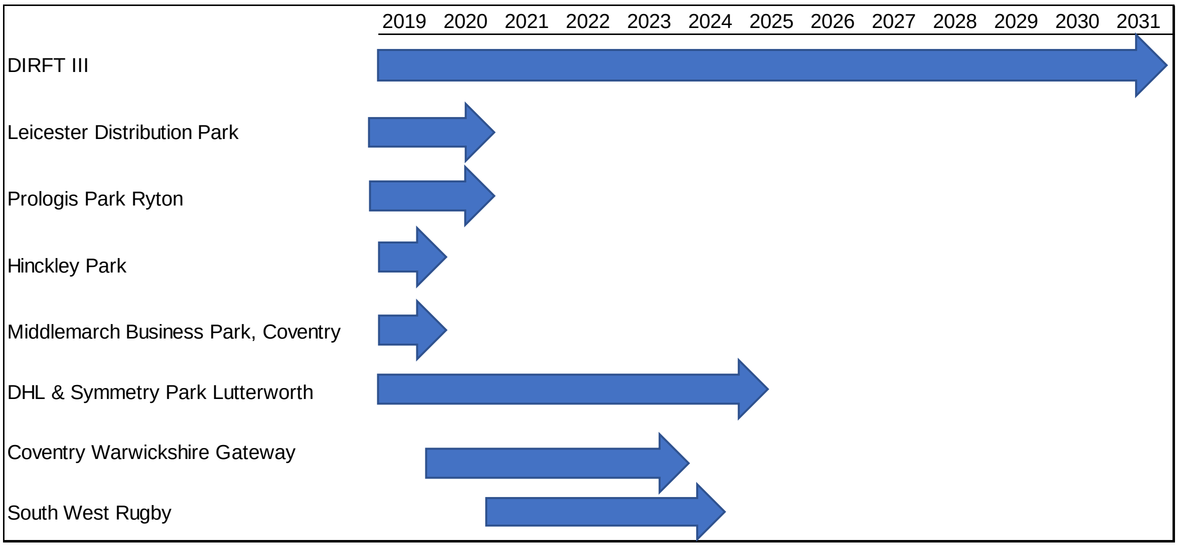
5.30 A similar exercise can be undertaken looking at supply across the narrow Golden Triangle. Looking at both consented schemes and emerging allocations (leaving aside the further potential provision at Magna Park), there are relatively few schemes which are expected to deliver beyond the immediate term. These are:

- DIRFT III - an extension to the existing Daventry International Rail Freight Terminal (DIRFT) which will deliver an additional 622,430 sq.m of strategic distribution space. A range of development plots are defined; the largest of which will accommodate a single warehouse unit of no more than 153,288m² (1,650,000ft²). The scheme includes the relocation of the rail terminal. The developer is Prologis.

- Coventry & Warwickshire Gateway – this is an allocation in Warwick's Local Plan, with provision for 97 ha of manufacturing and distribution space. It is located off the A46 on the south-western edge of Coventry. The developer is Roxhill/Segro.

- South West Rugby – part of a proposed allocation of a Sustainable Urban Extension, provision is included for 35 ha of B8 employment on land accessible from the M45. The developer is DB Symmetry, who has submitted a planning application for 46 ha of land. This is yet to be determined.

Figure 5.8: Estimated Build-Out of Schemes in Narrow Golden Triangle

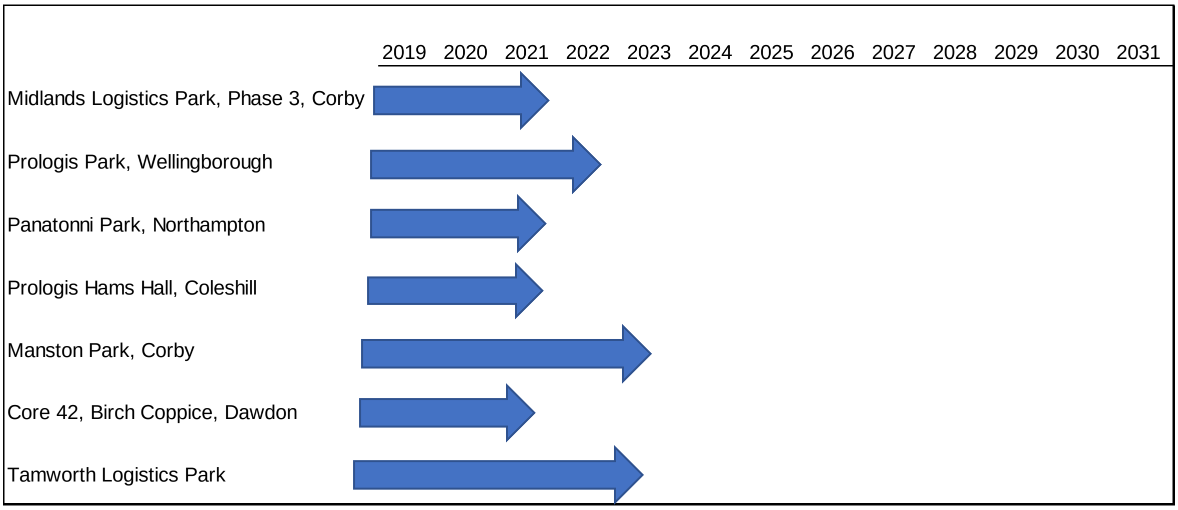


Source: Iceni analysis

5.31 The trajectory above shows the potential build-out of schemes within the narrow Golden Triangle. It shows that most **existing sites with infrastructure in place in the narrow Golden Triangle can be expected to be build-out over the next two years**; and that new land is needed to meet demand beyond this. It shows a number of schemes which have allocations or an outline consent which are expected to support delivery in the short/medium-term – Coventry/Warwickshire Gateway, South West Rugby and the Magna Park extensions – but indicates **limited supply beyond DIRFT III to meet longer-term development needs**. **Again it is clear that additional supply will therefore need to be brought forward to maintain a supply of ‘oven ready’ plots for development in the medium-term and beyond.**

5.32 We have undertaken a similar analysis for the wider Golden Triangle (Figure 5.9). This shows that all of the current schemes within this area are expected to be build-out over the next five years. Again new land is clearly needed to meet demand beyond this.

Figure 5.9: Estimated Build-Out of Schemes in the Wider Golden Triangle



5.33 Drawing the evidence together, it points to potential for Leicestershire's share of the regional market (and the Golden Triangle's share of the regional market) to grow through occupiers consolidating to optimum locations if the land was available. Rents for new-build stock have grown by 39% over the last six years, providing direct evidence of supply/demand imbalance, with levels of available units currently representing a 0.85 years' supply position overall with no supply of larger units (> 46,000 sq.m). The evidence points to strong level of market demand, and indeed rising occupier demand, which would see most current sites with planning consent in the narrow Golden Triangle completed by 2021, and this floorspace fully built out by around 2024. The exception to this is DIRFT. Plots on other sites across Leicestershire with planning consent could be expected to be built-out within a five year period; and there are just three other sites potentially coming forwards. A clear need to bring forward additional strategic distribution floorspace is therefore shown, which Iceni find would support the allocation of 700,000 sq.m of floorspace at/adjoining Magna Park, Lutterworth.

6. THE EFFECT OF ALLOCATING LAND AT OR ADJOINING MAGNA PARK

6.1 The examining inspector has queried whether provision of 700,000 sq.m of strategic distribution space at Magna Park could be accommodated without undermining other projects and public programmes, including the Daventry International Rail Freight Interchange ("DIRFT"). Iceni understands this to mean schemes which are included in other authorities' local plans as well as the delivery and operation of SRFIs. Consideration is also given in this section to issues relating to labour supply/availability and the effects which employment growth might have in influencing housing need.

6.2 Harborough District Council has sought to analyse policies regarding strategic distribution development within other local plans in the wider sub-region. This includes plans both within Leicestershire, and Northamptonshire and Coventry/Warwickshire.

6.3 Firstly it is worth commenting that Government policy does not seek to limit competition, and indeed it considers that exposure to competition is important in improving productivity.[12] As the Government's Industrial Strategy explains:

> *"It is easy to start a new business, and our competition policy is geared to ensuring that almost all sectors are subject to positive competitive forces. Where competition is inadequate, economic regulators promote entry and simulate competitive pressure."*

6.4 Government itself identifies 5 drivers of productivity. Competition is one of these, which improves productivity by creating incentives to innovate and ensure resources are allocated efficiently. Within a functioning property market, competition between firms and between sites is important in giving occupiers a choice of location and keeping property costs (such as land values and rents) down.

6.5 Whilst there are not specific references to competition in respect of employment space in the NPPF, it is clear that the theme remains, with Para 47 referencing a buffer (in respect of housing land supply) to ensure choice and competition in the market for land. The principle of ensuring that a choice of attractive sites for strategic distribution is available, and maintained, at all times was also a clear recommendation in the SDSS. Indeed both the NPPF and National Networks Planning Policy Statement are market-driven; and seek to provide a policy basis for meeting industry needs.

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[12] HM Government Industrial Strategy – Building a Britain fit for the Future

6.6 On this basis, the planning system should be clearly looking to maintain a choice of good quality sites and flexibility of supply at all times. For employment land provision, this is particularly important as different businesses and market segments can have quite different locational requirements – in the simplest terms, a large distributor looking for 30,000 sq.m of space will not be able to locate to plots which are smaller than this, and is unlikely to consider locations which do not benefit from an available workforce and strong accessibility to the strategic road network. Maintaining choice of good quality sites offering a range of plot sizes at all times, as the SDSS set out, is therefore particularly important.

6.7 In considering issues related to competing sites, we would note that key developers of strategic distribution space have historically and are likely to have multiple sites within the Golden Triangle which they are building out concurrently. Prologis have delivered space in Phase 2 at DIRFT concurrently with the build-out of Prologis Park Ryton, a road-based logistics site which is 13.8 miles from DIRFT. Gazeley are bringing forward proposals for an SRFI at M1 Junction 15 which would deliver space concurrently with Magna Park at Junction 20.

6.8 The National Policy Statement for National Networks supports the development of Strategic Rail Freight Interchanges, but as we have considered, recognises that the majority of freight movements will still be by road. It seeks to promote and grow rail-freight distribution, but does not seek to restrict road-based distribution – it recognises that this will continue to be important; and in the context of a growing market (and replacement of older space) there will clearly be a need to bring forward new road-based distribution sites alongside SRFIs.

6.9 Iceni in this section has reviewed the effects of delivery of 700,000 sq.m of additional strategic distribution floorspace at Magna Park (of which 380,000 sq.m already has planning consent) on other local plans identified by Harborough District Council, and allocated sites or proposed allocations within them which would be suitable and commercially attractive for strategic distribution development.

6.10 Our assessment considers the impact which release of land at Magna Park could have on the build out of other sites. In considering this issue it takes account of a) the degree to which sits will complete for similar occupiers (taking account of if rail connected, location with respect of connectivity and the Golden Traingle and degree to which it will be commercially attractive for NDCs), and b) the degree of competition from other sites within the market area (taking account in particular of the build-out trajectories – Figures 5.7 – 5.9).

6.11 We have also considered issues related to labour supply and commuting patterns, and the degree to which the growth of Magna Park could have an impact on the scale of housing need in other authorities, drawing on the evidence in the Magna Park Employment Sensitivity Study (HSG12). Iceni team members have been involved in the preparation of housing need and employment land evidence for local authorities in Leicestershire and across Coventry and Warwickshire, and our understanding of this has informed our assessment.

6.12 Our assessment also takes into account the timescales for the delivery of other sites, on the basis that it is important that a supply of strategic distribution floorspace at commercially attractive locations is maintained not just in the short-term (the next five years), but over the medium-term and longer-term to 2031 as well. It principally addresses existing and emerging plans, but we have also commented briefly on current proposals for new Strategic Rail Freight Interchanges (SRFIs).

6.13 In assessing effects of the growth of Magna Park on other public plans or programmes Iceni have used a four level ranking of impact: low, moderate, significant, and substantial.

Effects on other Leicestershire authorities

6.14 Within the Leicestershire Functional Economic Market Area there are eight local authorities, including the City. Of these, the majority have local plans which are either adopted or at a relatively advanced stage of preparation, with the exception of Leicester City's plan. We consider each of the plans below.

Plan	Assessment
North West Leicestershire Local Plan 2011-31	The Local Plan was adopted in November 2017. It sets out that provision is made for strategic distribution in the District through the East Midlands Gateway SRFI, located to the west of M1 Junction 24 and East Midlands Airport. The first phase of development of this scheme is under construction, with 4 units let/sold thus far. There would then be a further 8 units, which Iceni expects will be delivered by 2022. Expansion of Magna Park may thus overlap, but will likely extend beyond the implementation of this scheme. Units at this site are likely to be attractive to occupiers who seek to use the rail terminal or future proof operations to enable them to do so in the future. The site will therefore function in a different sub-market to Magna Park. There is also a level of differentiation in terms of location. The distance between the sites by road is 33 miles. There is some potential for goods from Magna Park to be transported to the rail head, which could support the viability of this. This site is not in the narrow Golden

	Triangle and therefore a less optimal location for road-based NDCs. The DCO evidence indicated that the workforce catchment area extended to Leicester, Derby and Nottingham and thus overlaps but is substantively different to Magna Park. The Magna Park Sensitivity Study found that 1.1% of the Magna Park's additional workforce would commute from NW Leicestershire, but that it would not have an upward impact on housing need in the District (HSG12, Table 10). North West Leicestershire has initiated a Local Plan Review. The current Issues and Options consultation does not suggest a need to allocate further land for strategic distribution in the District, but notes a shortfall of just over 28 ha of other employment land. Overall we assess effects of growth of Magna Park on this plan as low.
Melton Local Plan 2011-36	Melton's Local Plan was adopted in October 2018. It includes employment allocations in Policy EC1, including 10 ha at Ashfordby and 20 ha as part of the South Melton Sustainable Urban Extension ("SUE"), but these are for general employment. The Plan does not make specific provision for strategic B8 development. The borough's main settlements are located away from the strategic road network and the main economic drivers are growth in food manufacturing and service-related sectors. The Borough's location means that Magna Park would not be expected to draw to any meaningful degree on workforce from Melton. The Magna Park Sensitivity Study found that 0.3% of Magna Park's workforce would be drawn from Melton Borough (HSG12, Table 10). It would not have an upward impact on housing need in Melton. Overall we assess effects of growth of Magna Park on this plan as low.
Charnwood Local Plan Core Strategy 2011-28	Charnwood's Core Strategy was adopted in November 2015. It makes provision for up to 77 ha of land for strategic employment purposes over the plan period (Policy CS6), but the Plan's focus is on expanding the Loughborough Science and Enterprise Park (77 ha additional). A number of other employment land allocations are proposed as part of mixed-use urban extensions, including NE of Leicester (13 ha), North

	of Birstall (15 ha) and West of Loughborough (16 ha). The employment land north-east of Leicester will be connected by a link road to the A607 and Leicester Western Bypass. Its location away from the M1 is likely to mean that it will be more attractive to RDCs than NDCs, limiting competition with Magna Park. This site is not in the narrow Golden Triangle and therefore a less optimal location for road-based NDCs. The Borough's location means that Magna Park would not be expected to draw substantively on workforce from Charnwood. The Magna Park Sensitivity Study found that 2.1% of the additional Magna Park workforce might be drawn from Charnwood; but that it would not have an upward impact on housing need in the Borough. Overall we assess effects of growth of Magna Park on this plan as low.
Blaby Core Strategy & Emerging Delivery DPD	Blaby's Core Strategy was adopted in February 2013. Policy CS4 therein identifies land south of the M69 at Enderby as the preferred location for a strategic employment site of 21 ha (net). The site is identified for B1, B2 and B8 use with the policy seeking a balanced mix of employment types. Blaby's Delivery DPD is at examination. Policy SA3 takes forward the Core Strategy policy to allocate land west of St John's, Enderby for B8 storage and distribution uses. The site is 33 ha (gross) and Iceni understands the developable area to be around 30 ha. Capacity improvements to and around M1 Junction 21 will be required to support the development. The site targets strategic distribution, is located relatively close to the strategic road network and has the ability to draw on a workforce from the Leicestershire Principal Urban Area. There is likely to be a degree of competition with Magna Park for occupiers. The Magna Park Sensitivity Study found that 9.1% of the additional Magna Park workforce might be drawn from Blaby, but that this would not have an upward impact on the scale of housing need for the district identified in the HEDNA.

	Overall we assess effects of growth of Magna Park on this plan as moderate.
Leicester Core Strategy	Leicester's Core Strategy was adopted in July 2014. The Plan does not make specific provision for warehouse and distribution. Work on developing a new local plan is ongoing. The Magna Park Employment Growth Sensitivity Study found spare capacity amongst the workforce in Leicester, and indicated that employment growth at Magna Park would provide employment opportunities for those living in the City. 16% of Magna Park's additional workforce might commute from Leicester. It found that this would not have an upward effect on the scale of housing need for the City assessed in the HEDNA. Overall we assess effects of growth of Magna Park on this plan as low.
Oadby & Wigston Draft Local Plan 2011-31	Oadby and Wigston's draft Local Plan is currently at examination. It allocates a modest 8 ha of employment land to meet local needs over three sites/locations for mixed B-class employment. It does not make provision for strategic B8. The Magna Park Employment Growth Sensitivity Study found that 2.6% of the additional workforce might be drawn from Oadby and Wigston; and that the growth of Magna Park might increase housing need by 3 dwellings per annum in Oadby and Wigston relative to that identified in the HEDNA. It however found this to be within the error margins of any modelling work on housing need, and are of a sufficiently small scale to be considered inconsequential. Overall we assess effects of growth of Magna Park on this plan to be low.
Hinckley and Bosworth	There is no substantive allocated land in Hinckley and Bosworth for strategic distribution which has yet to be built out. Hinckley and Bosworth's Local Plan 2016-36 is emerging. An Issues and Options Consultation was held in Spring 2018. This sets out that preparation of an Employment Land and Premises Study is underway.

	The Magna Park Employment Land Sensitivity Study found that 11.4% of the additional Magna Park workforce might be drawn from Hinckley & Bosworth (HSG12, Table 10). It found that this would not have an upward effect on the scale of housing need for the Borough assessed in the HEDNA. Overall we assess effects of growth of Magna Park on this plan to be low.

6.15 Drawing together the above analysis, Iceni draw the following conclusions regarding other public projects and programmes within Leicestershire:

- There is a Strategic Rail Freight Interchange being developed adjoining East Midlands Airport in the north of the county. However this will be delivered and built-out in the short-term, and falls within a different sub-market to Magna Park which will therefore not directly compete with it. There is limited overlap between the labour market catchments of the schemes.

- Allocation of 30 ha of land for strategic distribution is proposed within Blaby's emerging Delivery DPD. There will be a degree of competition with Magna Park for occupiers, but this is a relatively small site with capacity for c. 75,000 sq.m of space; and given the current level of supply and market take-up there is sufficient demand to accommodate both schemes.

- The Magna Park Sensitivity Study analysis demonstrates that there will not be any substantive impact on housing need in other parts of Leicestershire (beyond Harborough).

6.16 Iceni understands that developer DB Symmetry has proposals for an SRFI near Hinckley with potential for 850,000 sq.m of floorspace. A DCO is not due to be submitted until Q2 2019 and it is unclear whether consent will be given. If this site came forward, it could contribute to supply within the middle-to-later part of the plan period and there would be a degree of competition for NDCs, but as with East Midlands Gateway as considered above this site would be more attractive to occupiers seeking rail-connectivity.

6.17 Iceni is also aware that there is a scheme being promoted close to Blaby for 371,600 sq.m of strategic distribution space as part of a wider Garden Village proposal. This however is not likely to come forward in the short to medium-term as it would require a new motorway junction to support the development.

Northamptonshire

6.18 Within Northamptonshire, there are two adopted Joint Core Strategies which cover the county; together with Part 2 local plans which in a number of cases remain emerging. We have considered these below.

Plan	Assessment
West Northamptonshire Joint Core Strategy 2008-29	The Joint Core Strategy ("JCS"), covering Daventry, Northampton and South Northamptonshire, was adopted in December 2014. Policy E4 supported further strategic distribution space at the Daventry International Rail Freight Interchange (DIRFT), essentially supporting the development of DIRFT III (731,000 sq.m of strategic B8 floorspace) and relocation of the rail terminal. This was consented through the DCO process in July 2014. The Plan sets out that DIRFT is of a scale to be of national and regional importance as a strategic logistics centre, and in respect of its economic contribution. It also outlines that the site will draw on an extensive labour market catchment extending to Rugby, Northampton, Harborough and Coventry. The Plan also allocated a strategic site adjoining M1 Junction 16 (42 ha gross) in Policy E8, limiting units at this site to those less than 40,000 sq.m in size unless exceptional circumstances were found to exist justifying larger units. This site was identified to meet the local needs of Northampton, with B8 space limited to no more than 50% of floorspace. This site is therefore unlikely to be able to accommodate NDCs, limiting competition between it and Magna Park, albeit that there will potentially be some competition for smaller units. As Figure 4.6 has shown, DIRFT falls within the same market area as Magna Park (the narrow Golden Triangle). There will be a degree of competition between expansion of Magna Park and this site across the plan period, but this is likely to be tempered by the fact that the sites are catering for different market segments, with occupiers who want rail access (or seek to future proof their business to enable rail connectivity) likely to prefer DIRFT. It should be borne in mind that the rail head at DIRFT is run and managed by WH Malcolm. The broader site is owned by Prologis. Iceni understands that currently 16% of HGV trips from Magna Park are to the rail terminal at DIRFT. Distribution space at Magna Park therefore currently supports the

	viability and operation of the rail terminal at DIRFT. There is likely to be a degree of labour market overlap between the catchments of Magna Park and DIRFT, given their scale and geographical proximity (8 miles). The Magna Park Sensitivity Study however examined this. It found that 1.7% of Magna Park's additional workforce could be expected to come from Daventry (HSG12, Table 10). It found that this might result in a modest increase in the scale of housing need relative to the JCS by up to 6 dwellings per annum; but that Daventry's current housing trajectory showed an over-provision relative to the housing requirement of around 100 dwellings to 2029. The evidence did not therefore point to an upward impact on housing need in the district. Overall we assess the impacts on this plan to be moderate. There will be a degree of competition for occupiers between Magna Park and DIRFT, but this will be tempered by the different market segments in which the schemes operate; and the evidence indicates that there are currently few other large schemes which are expected to offer available land in the medium-to-longer term. There is also a degree to which the delivery of Magna Park will support throughput at the rail terminal. The evidence does not point to the growth of Magna Park resulting in a need to release additional residential land in Daventry.
Daventry Local Plan Part 2: Settlements and Countryside (2008-2029)	Daventry District Council has recently consulted on a Part 2 Plan (Pre-Submission Version). Policy EC10 within this continues to support strategic B8 development at DIRFT. No further allocations are proposed for strategic distribution. Overall we assess effects of growth of Magna Park on this plan to be low.
Northampton Local Plan Part 2 2008-29	This Part 2 Plan is at an early stage of development, with employment sites under consideration being of a scale which will not support strategic distribution development. The Magna Park Employment Sensitivity Study found minimal commuting to Magna Park from Northampton, indicating that any impact on the labour market or housing demand would be negligible. Overall we assess effects of growth of Magna Park on this plan to be low.
North Northamptonshire	This Joint Core Strategy was adopted in July 2016. It covers Corby, East Northamptonshire, Kettering and Wellingborough. It identifies a sector

Joint Core Strategy 2011-31	strength in logistics in the area, and Policy 24 in the Plan sets out criteria against which proposals for strategic distribution development will be assessed. Modest provision for B8 development is included in Kettering North. The Magna Park Employment Sensitivity Study found minimal commuting to Magna Park from North Northamptonshire, indicating that any impact on the labour market or housing demand would be negligible. Overall we assess effects of growth of Magna Park on this plan to be low.
Part 2 Local Plans in North Northamptonshire	Preparation of Part 2 Local Plans is progressing in each of the four North Northamptonshire local authorities. Wellingborough's Plan is the most advanced, with an Inspector's Report received; the other three are at an Emerging Options or Draft Stage. None of these plans include or are proposing the allocation of land for strategic distribution. Overall we assess effects of growth of Magna Park on these plans to be low.

6.19 Drawing the analysis for Northamptonshire together, we find that that DIRFT falls within the same market area and there will be a degree of competition with the site, but this will be tempered as they will be catering for different market segments and given a lack of supply from other sites in the medium- and longer-term. The expansion of Magna Park provides the potential to support the operation of the rail head at DIRFT. Overall we find a moderate effect of the expansion of Magna Park on Daventry; but find that the effects on plans in other parts of Northamptonshire to be low.

6.20 Further growth at Magna Park will contribute to maintaining supply in the medium/longer-term. What the evidence and analysis shows is that there is an inadequate supply of sites in existing plans to maintain a choice of sites over this period, and to meet market demand overall. Existing sites will largely be built-out in the short-term over the next five years, with essentially very little choice or flexibility in supply in the medium and longer-term. This points to a need to bring forward additional land to maintain a choice of sites with available plots, which is essential if demand is not to be displaced to areas beyond the Golden Triangle. The evidence of the lack of competition from other locations besides Magna Park suggests that that a healthy level of take-up could be sustained at both DIRFT 3 and Magna Park.

6.21 Iceni understands that developer Roxhill has submitted a DCO application for an SRFI (468,000 sq.m)[13] adjacent to M1 Junction 15 ("Northampton Gateway"). This application was accepted by PINS in June 2018. A further application for an SRFI ("Rail Central") was accepted by PINS in November 2018 on land near Blisworth, off the A43 close to M1 Junction 15. This proposal is for 743,000 sq.m of strategic distribution space and a rail terminal. As above it is unclear whether consent will be given for the above schemes, and should they come forwards they would contribute to supply within the Wider Golden Triangle area in the middle-to-later part of the plan period. There would be a degree of competition for NDCs, but as with East Midlands Gateway as considered above these sites would be more attractive to occupiers seeking rail-connectivity.

Coventry and Warwickshire

6.22 Within Coventry and Warwickshire any potential effects would be focused on the northern part of the Functional Economic Market Area, both as this is the location where there is demand for strategic distribution development, and given the distance to Magna Park.

6.23 The current round of local plans across Coventry and Warwickshire look to 2031 and are either adopted or at examination. We have considered the local plans below.

Rugby Borough Local Plan 2011-31	Rugby's 2011 Core Strategy allocated 36 ha of land at Rugby Gateway, close to the M6, for B2 and B8 development. This site has now largely been built out. The Draft Borough Local Plan is currently at examination. This includes an allocation of 35 ha at Cawston Spinney in the south of the borough for strategic distribution development. A planning application has been submitted for 186,500 sq.m B8 development on this site by DB Symmetry. The site is located just off the M45, to the south of the town. The Cawston Spinney allocation is accessible from the strategic road network, sits within the small Golden Triangle and is for road-based strategic distribution. There would therefore be a degree of competition with the expansion of Magna Park for occupiers. The Magna Park Employment Land Sensitivity Study found that 8.4% of the additional Magna Park workforce might be drawn from Rugby (HSG12, Table 10). It found that this would not have an upward effect on the scale of

[13] The illustrative layout shows 7 units and a rail terminal, the units ranging in size from 50,817 – 110,648 sq.m.

	housing need being provided for in the emerging Local Plan. Overall we assess effects of growth of Magna Park on this plan to be moderate.
Coventry Local Plan 2011-31	Coventry's Local Plan was adopted in December 2017. The Plan allocates a total of 107 ha of land for employment, which falls substantively short of meeting the City's employment land needs.[14] No sites are identified for strategic distribution, the City's supply for this sector traditionally relying on land in adjoining authorities (e.g. Prologis Ryton). The Magna Park Employment Land Sensitivity Study found that 6.8% of the additional Magna Park workforce might be drawn from Coventry (HSG12, Table 10). Coventry's housing needs evidence suggested notably stronger workforce growth than growth in expected employment. The Sensitivity Study found that the growth of Magna Park would not have an upward effect on the scale of housing need in Coventry. Overall we assess effects of growth of Magna Park on this plan to be low.
Nuneaton & Bedworth Borough Plan 2011-31	This Local Plan is currently in examination. Main modifications are proposed. The Plan includes proposals for the release of land from the Green Belt for employment including EMP1 Faultlands (26 ha gross, 23 ha net), EMP2 Pickards Way/Wilson Way (18 ha gross as part of a mixed use development immediate to the south of M6 Junction 3. B2/B8 development is expected in the western part of the site, EMP3 Extension to Prologis Park Keresley (5.3 ha), EMP4 Coventry Road (9 ha gross, 8.6 ha net), and EMP7 Bowling Green Lane (26 ha gross). Besides EMP2, these sites are designated for B1, B2 and B8 development, to meet the Borough's needs and contribute to unmet employment land needs from Coventry. EMP1, EMP4, EMP7 are all expected to be delivered within the first 5 years from adoption (i.e. by 2024) and we consider that this is also likely to be the case for EMP3 which is an extension of an existing successful strategic employment site. Access to the strategic road network from EMP7 is poor, limiting its attractiveness for strategic distribution.[15] Overall, there would be a degree of competition from sites in Nuneaton and

[14] This has been addressed through a Memorandum of Understanding with Warwickshire authorities

[15] There is no direct access from the A444 as set out in the Council's Employment Land Study

	Bedworth with Magna Park, however these are general employment sites rather than specifically designated for strategic distribution. The Magna Park Employment Land Sensitivity Study found that 8.4% of the additional Magna Park workforce might be drawn from Nuneaton & Bedworth (HSG12, Table 10). It found that this would not have an upward effect on the scale of housing need being provided for in the emerging Local Plan. Overall we assess effects of growth of Magna Park on this plan to be moderate.
Warwick District Local Plan 2011-31	This Local Plan was adopted in September 2017. It allocates land in the vicinity of Coventry Airport for a major employment site of sub-regional significance. This site (Coventry and Warwickshire Gateway), which adjoins Coventry's urban area includes two development zones. The southern area of 80 ha is capable of accommodating large B2 and B8 units. It is likely that a proportion of the development will accommodate manufacturing development given recent development in and around Coventry. The site will be accessed from the A46. An outline planning application was submitted for this site in March 2018. Phasing details within this envisage first plots available in late 2019 and the on-site infrastructure completed by 2021. The indicative masterplan shows 5 large units, and we would envisage that the site would be fully built-out by 2023. It would not therefore contribute to supply in the medium- and longer-term. The Magna Park Employment Land Sensitivity Study did not expect a notable proportion of Magna Park's workforce to be drawn from Warwick District. On the basis of the Study, the growth of Magna Park would not be expected to have an upwards effect on housing need in Warwick District. Overall we assess effects of growth of Magna Park on this plan to be low.
North Warwickshire Local Plan 2011-33	This Plan is at examination. The submitted Plan includes a modest 5.1 ha extension to the Birch Coppice Regional Logistics Site (an SRFI), together with 3.5 ha South of the A5 at Dordon which is close by. These are modest additional allocations of land. The Magna Park Employment Land Sensitivity Study found that a modest 1.4% of additional workers at Magna Park might be drawn from North Warwickshire. Significant residential growth is planned and this would not

	have any impact on the assessed housing need in the District. Overall we assess effects of growth of Magna Park on this plan to be low.

6.24 Drawing together the analysis for the northern part of Coventry and Warwickshire, we generally find the impacts of expansion of Magna Park to be low for Coventry and North Warwickshire, with moderate effects shown for Nuneaton and Bedworth and Rugby as modestly sized employment sites are being brought forward in these areas which could support road-based strategic distribution and fall within the same market area, the narrow Golden Triangle, as Magna Park. The scale of these schemes means that there is likely to be a degree of competition with Magna Park in the medium-term, but they will not contribute to maintaining supply in the longer-term.

Drawing together the analysis of effects

6.25 Given that a properly functioning market should provide and maintain a choice of sites, and it is necessary to maintain this over the period to 2031, a level of competition between sites in the short- and to some extent the medium-term is to be expected and indeed welcomed.

6.26 Our analysis suggests some moderate effects arising in adjoining areas where there are other strategic distribution schemes – in Blaby, Daventry, Rugby and Nuneaton and Bedworth – but most current development schemes (and those with planning permission) are expected to be built-out in the short/ medium-term, with only DIRFT contributing to supply in the longer-term. To maintain a choice of sites there is a need to bring forward additional sites. The SDSS emphasised the need to consistently maintain a choice of sites over time.

6.27 There are a number of proposals for additional rail freight interchanges coming forwards, both in Leicestershire and Northamptonshire. Iceni considers that these schemes would provide more direct competition for DIRFT than Magna Park.

6.28 Whilst Magna Park will have a broad travel to work area, drawing on the evidence in the Magna Park Employment Sensitivity Study, we do not find that it will result in additional housing need in other areas in either Leicestershire, Coventry / Warwickshire or Northamptonshire above that which is already anticipated and being planned for.

7. APPENDIX 1 – SAVILLS MARKET REPORT

Logistics Market report Magna Park Lutterworth

savills

Contents

1. Introduction

1.1. Research Overview

Savills Research was commissioned in September 2018 to undertake a logistics property market report to provide up to date market information with a view to informing representations at the Harborough Local Plan Examination hearings scheduled to take place in October 2018.

Each chart or table, unless otherwise stated, draws on data from a proprietary database of information held by Savills Research for existing units over 9,290 sq m (100,000 sq ft) or development sites capable of accommodating units to be constructed over 9,290 sq m (100,000 sq ft).

1.2. Scope and structure of the report

Gazeley commissioned Gerald Eve in February 2015 to produce a report determining the relative strength of offering at Magna Park Lutterworth by comparing it to other logistics property schemes in an appropriate area of competition for occupiers based on property market and other criteria important to occupiers when making locational choices for logistics operations.

This report by Savills Research updates section three (Logistics Market Conditions) and section 5.2 (The availability of sites) of the 2015 Gerald Eve report with the most up to date information, correct at the end of the second quarter of 2018.

This report does not provide an up to date version of the scoring criteria Gerald Eve applied to the individual sites.

Section two of this report provides our analysis of the current logistics market conditions an examines the market and both a Nationwide and regional level. The report examines the East and West Midlands market areas in detail in order to ensure that our analysis captures the markets where occupiers who will be considering locating at Magna Park will be conducting their searches.

Section three of this report provides our update of competing sites. As occupier requirements increase in size they generally become more geographically footloose and focus on the deliverability of any future units. We have therefore focussed our analysis in this regard on sites that are capable of delivering a unit of at least 23,225 sq m (250,000 sq ft) or more.

The site will be drawn from our aforementioned database based upon a 50 miles search radius from Magna Park Lutterworth, therefore maintaining consistency with the 2015 Gerald Eve report.

The report uses various industry terminology which is defined as the following:

Golden Triangle:

Broadly the area between Leicester, Coventry and Northampton – is considered the optimal position for national distribution as a result of its geographic location in roughly the centre of Great Britain.

Grade of supply:

BTS: Newly constructed warehouse specifically for an occupier
Spec grade A: Newly constructed warehouse with no occupier in place
Grade A: 2nd hand in prime location, modern unit or extensively refurbished, no issues with yard, height or doors
Grade B: 2nd hand but as above but with one factor compromising unit
Grade C: 2nd hand and either poor logistics location or many compromising factors

Direct and indirect competition:

Direct competition refers to sites within 35-40 miles along the M1/A14/M6 corridors within less than an hour travel time from Magna Park Lutterworth. Indirect completion would include all other sites within the 50 mile catchment used for the study.

2. Logistics Property Market Conditions

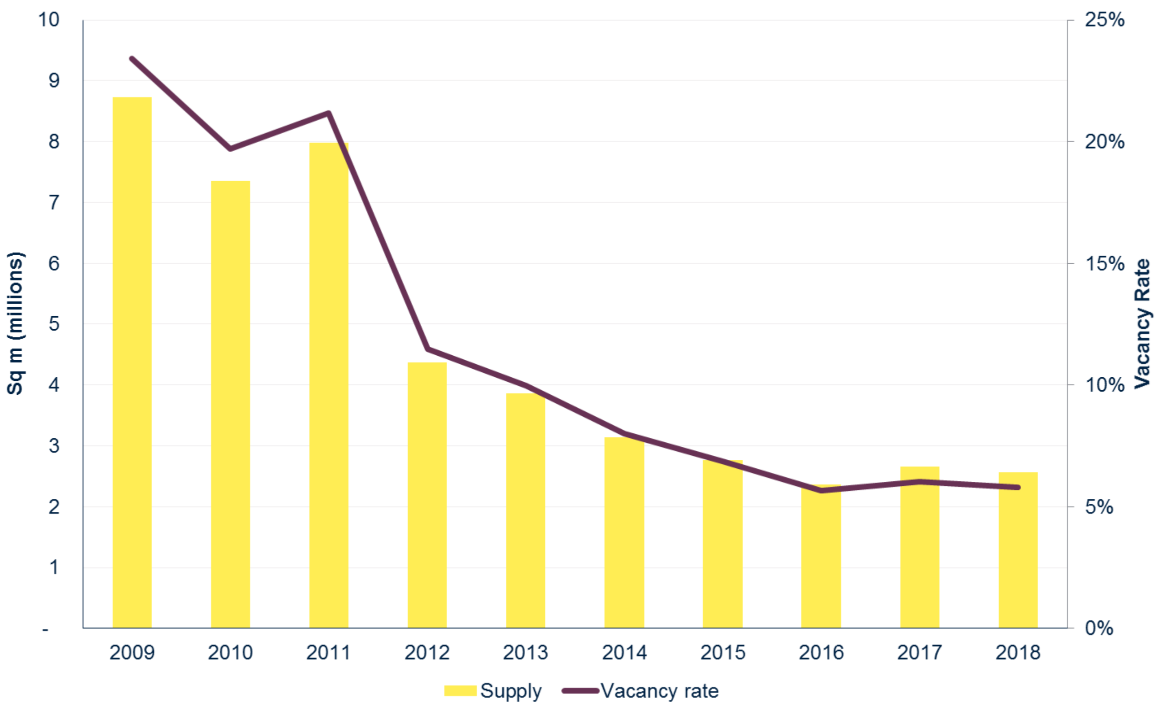
2.1. National overview

2.1.1. Supply

Across the United Kingdom, the supply of vacant existing warehouse units over 9,290 sq m (100,000 sq ft) is currently 2,530,820sq m (27,241,541 sq ft) across 143 separate units. Savills, in conjunction with the UK Warehousing Association, has undertaken an audit of the current UK logistics stock. This study estimates a current supply total stock figure of approximately 44.4M sq m (478M sq ft) and considering the current supply, the nationwide vacancy rate rests at 5.70%.

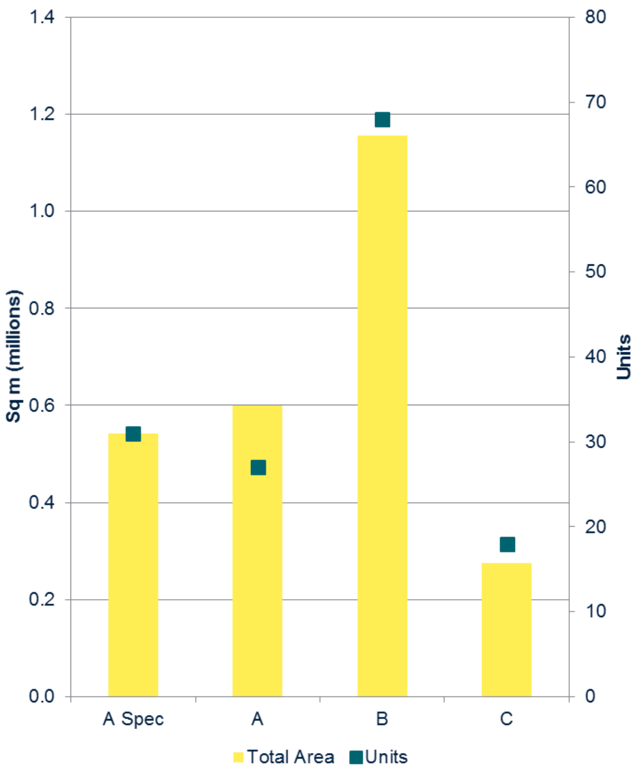
There has been a continued decrease in available supply which is apparent in graph one. Strong occupier demand and high levels of take-up has stimulated this supply shortage in many regions, the chart highlights that supply has decreased 4% since the end of 2017 and has fallen by 71% from the peak of 8.73M sq m (94M sq ft) in 2009.

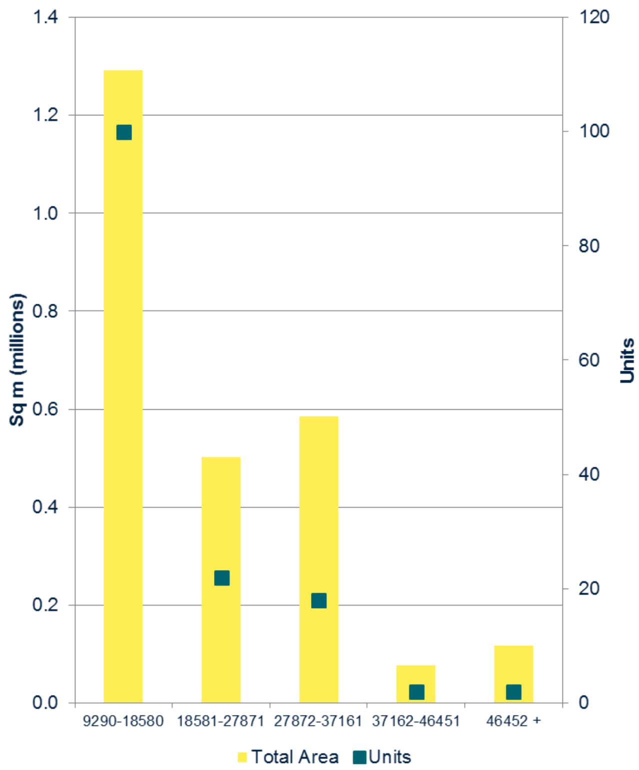
Graph 1: UK Logistics Supply & Vacancy



As demonstrated by graph two the majority of the existing available units are of secondary quality, 55% of the units available are classified as either grade B or C. Moreover, through observations of the current stock levels it is evident that there exists a shortage of units in the larger size bands, with just 31% of total supply by for units over 18,581 sq m (200,000 sq ft) by unit count, which could lead demand being potentially unsatisfied.

Graph 2: UK supply by grade and size band



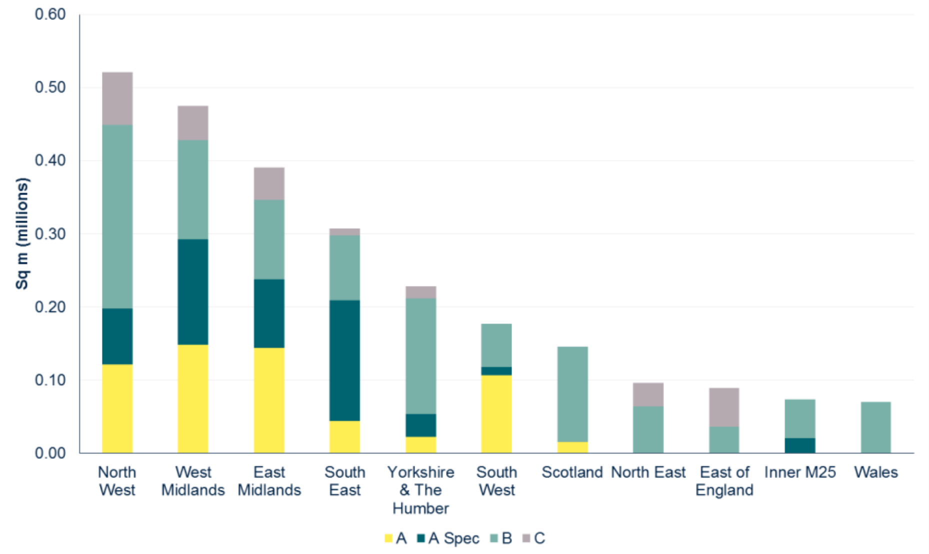


Current supply levels show just 22 buildings on the UK market in excess of 27,871 sq m (300,000 sq ft). Notably, only two of which are between 37,162-46,451 sq m and just two over 46,451 sq m (500,000 sq ft). Moreover, there are only four new grade A units over 27,872 sq m (300,000 sq ft) the largest being Altitude at Milton Keynes comprising of 53,349.9 sq m (574,254 sq ft) and M6DC in Cannock comprising of 34,559.92 sq m (372,000 sq ft).

At a regional level, and as demonstrated in graph four, the North West has the highest amount of supply totalling 521,312 sq m (5,611,360 sq ft). However, it should be noted that the North West also has the highest amount of grade C stock which is arguably not fit for the purpose of the Omni-channel retail supply chain now required in modern society.

The South East has the highest amount of speculatively developed space available across the regions, with 164,793 sq m (1,773,827 sq ft) currently under construction across eight units, notable developers active in the area include Prologis and Gazeley. The largest speculatively developed unit available in the UK is Altitude located at Milton Keynes providing 53,349 sq m (574,000 sq ft) of grade A quality space.

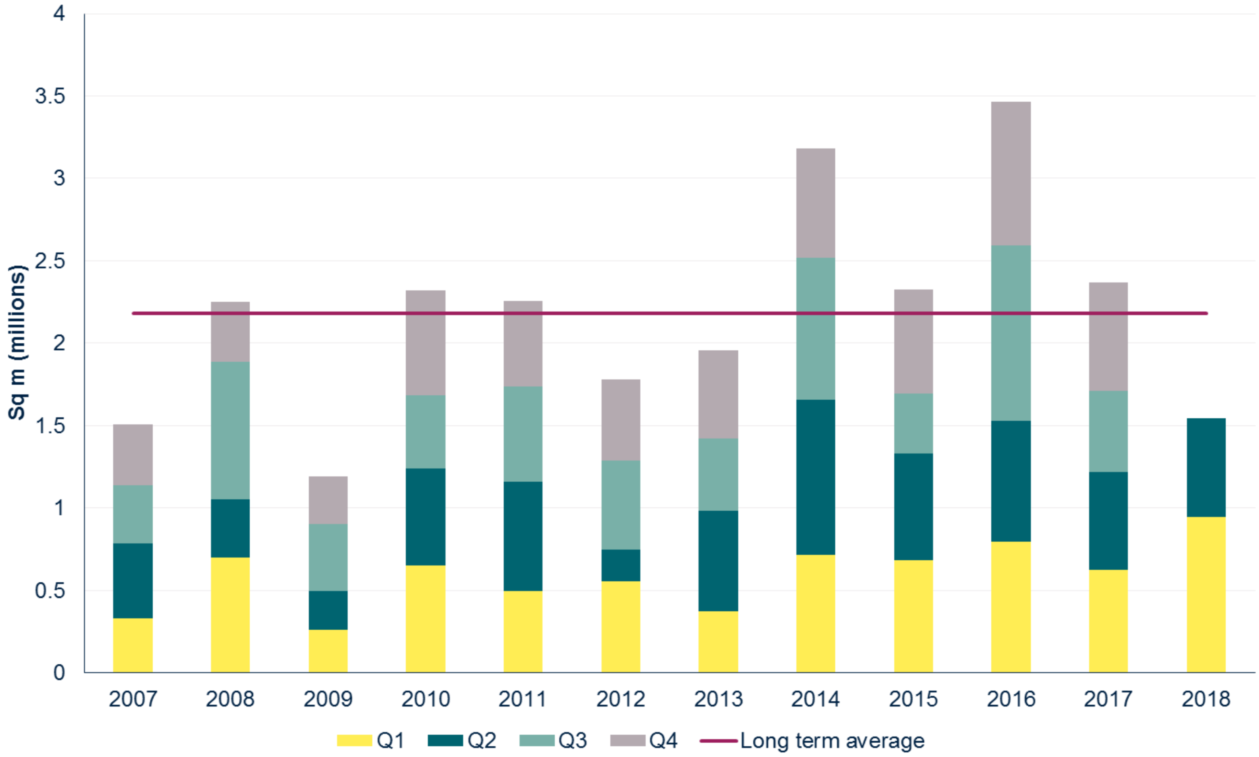
Graph 3: Supply by region



2.1.2. Take – up

Take-up for H1 2018 reached 1,546,567 sq m (16,647,126 sq ft) which is 35% higher than the long-term average for H1 which currently rests at 1,145,665 sq m (12,331,841 sq ft). There were 55 lettings recorded in H1 2018 which is only a single unit less than H1 2017 but is however 3.8% ahead of the long term average of 53 lettings at the half year point. These take-up figures continue to reflect the strong occupier demand that currently exists within the market.

Graph 4: UK Logistics take-up

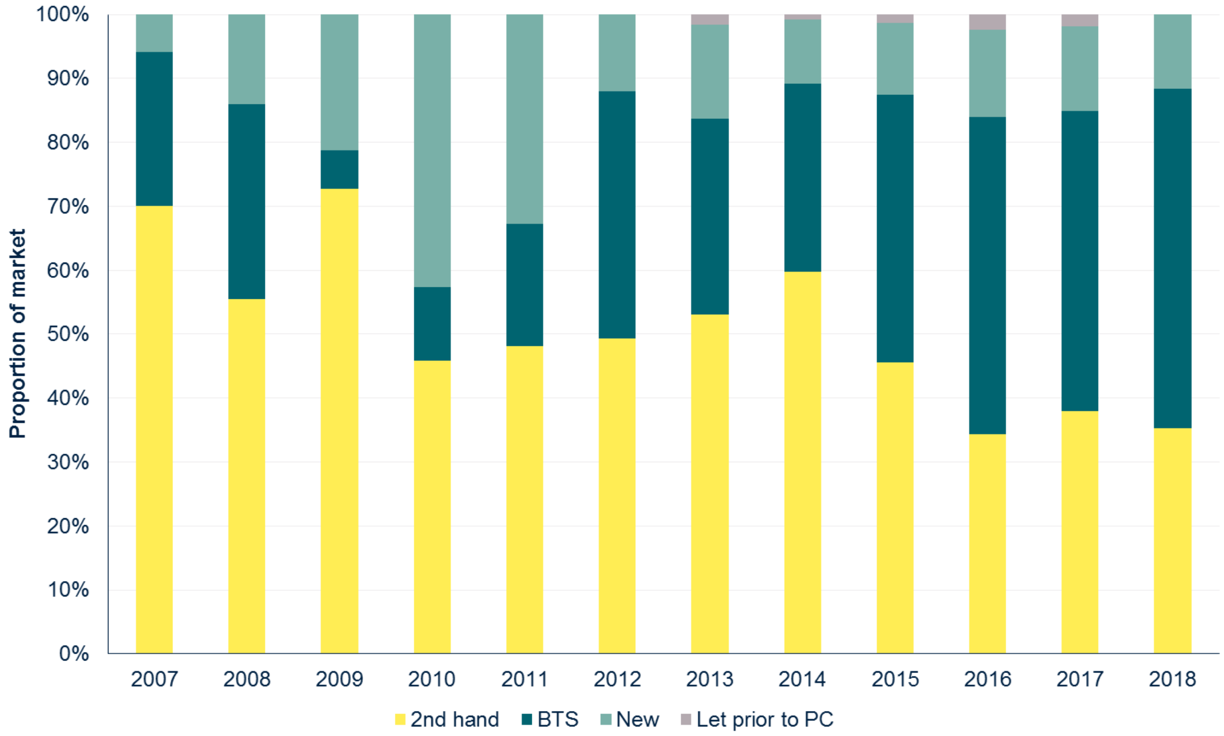


For the first half of 2018 the 46,452 + sq m (500,000 + sq ft) unit size band witnessed the highest amount of transactional activity with 685,007.91 sq m (7,373,367 sq ft) traded, accounting for 43.8% of total space leased. Build-to-suit lettings have counted for all bar one of the deals within the 46,452+ sq m (500,000 sq ft+) size band, the largest deal being Link 66 Darlington where Amazon acquired 140,131 sq m (1,508,367 sq ft) of space.

As supply levels have generally remained stable at a Nationwide level for the last four years occupiers with larger requirements have been driven to take build to suit deals to satisfy said requirements.

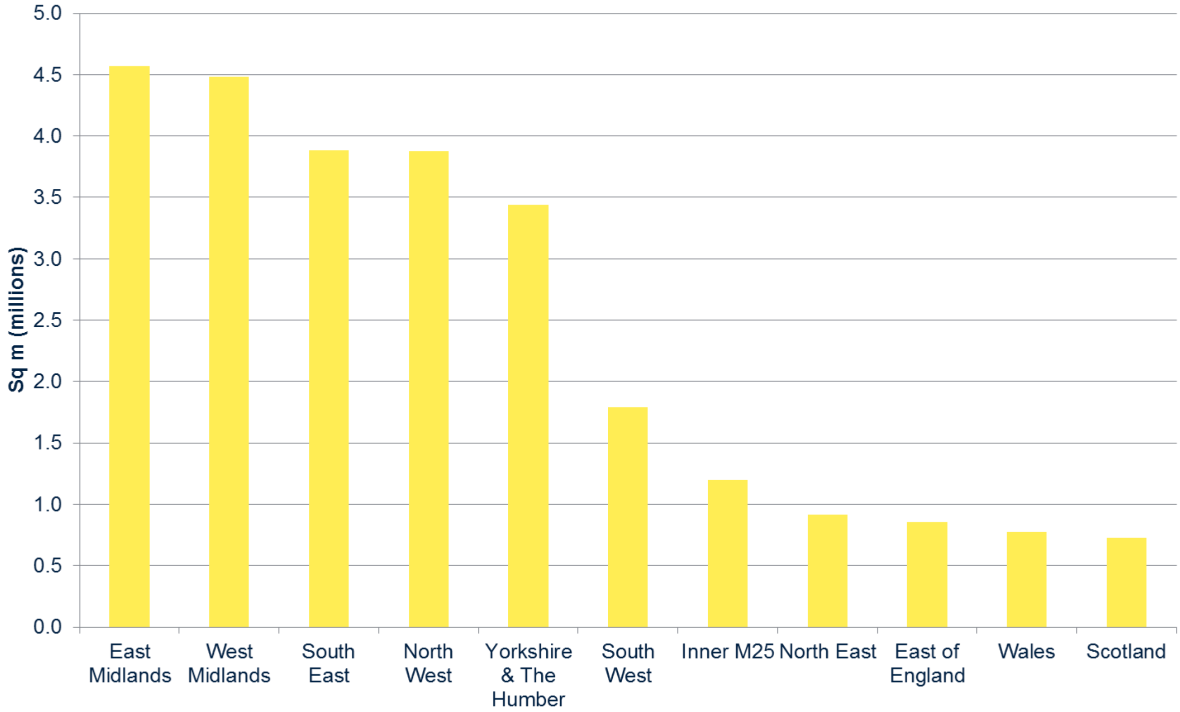
As graph five demonstrates 2018 has seen 53% of all of the floor space transacted accounted for by BTS units, against a long term, average of just 32%.

Graph 5: Take-up by grade



Savills have been recording information on the UK logistics market since 2007 for units over 9,290 sq m and in that period we have recorded 26,513,561 sq m of occupational deals. As demonstrated in graph six, overleaf, the East Midlands market area has seen the most space transacted and making up 17.2% of the market equating to 4,567,743 sq m, compared with its nearest rival the West Midlands at 16.9% of the market.

Graph 6: 2007 – 2018 take-up by region



2.1.3. Committed development pipeline

Responding the current lack of supply and continued strong occupier demand developers and investors have responded accordingly and speculative announcements have increased in 2018.

Savills are currently tracking 45 units accounting for 857,494 sq m (9.23m sq ft) of space due for delivery in the remainder of 2018 and into 2019. Of this committed speculative development 64% of units are under 18,581 sq m. Regionally 29% of these units are in London and The South East as Table one, overleaf highlights.

savills

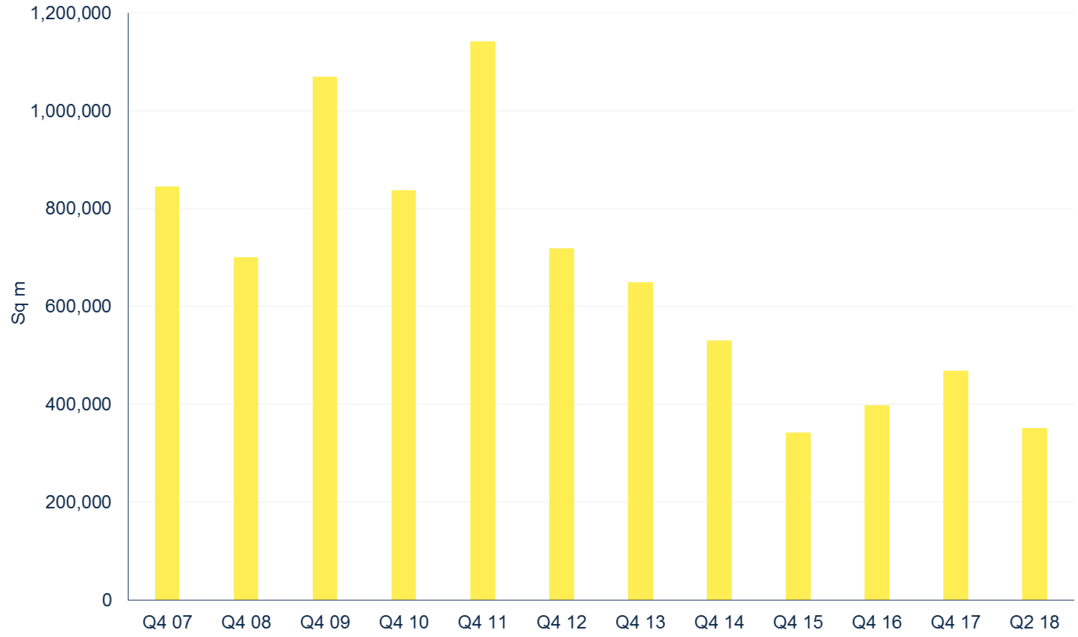
Table 1: UK warehouse development pipeline by region and size

	Size Range(sq m)					
Region	9,290-18,580	18,581-27,871	27,872-37,161	37,162-46,451	46,452 +	Total
South East	8	1	1	1		11
East Midlands	3	2	1		2	8
North West	6	1	1			8
West Midlands	4	2		1		7
Yorkshire & The Humber	3	2				5
East of England	1	1				2
Inner M25	2					2
South West	2					2

2.2. East Midlands Supply

The supply of available warehouse units in the East Midlands has plummeted in recent years falling 66% from a 2011 peak of 1,141,487 sq m to 350,887.72 sq m at the half way point of 2018, as demonstrated in graph seven.

Graph 7: East Midlands warehouse supply

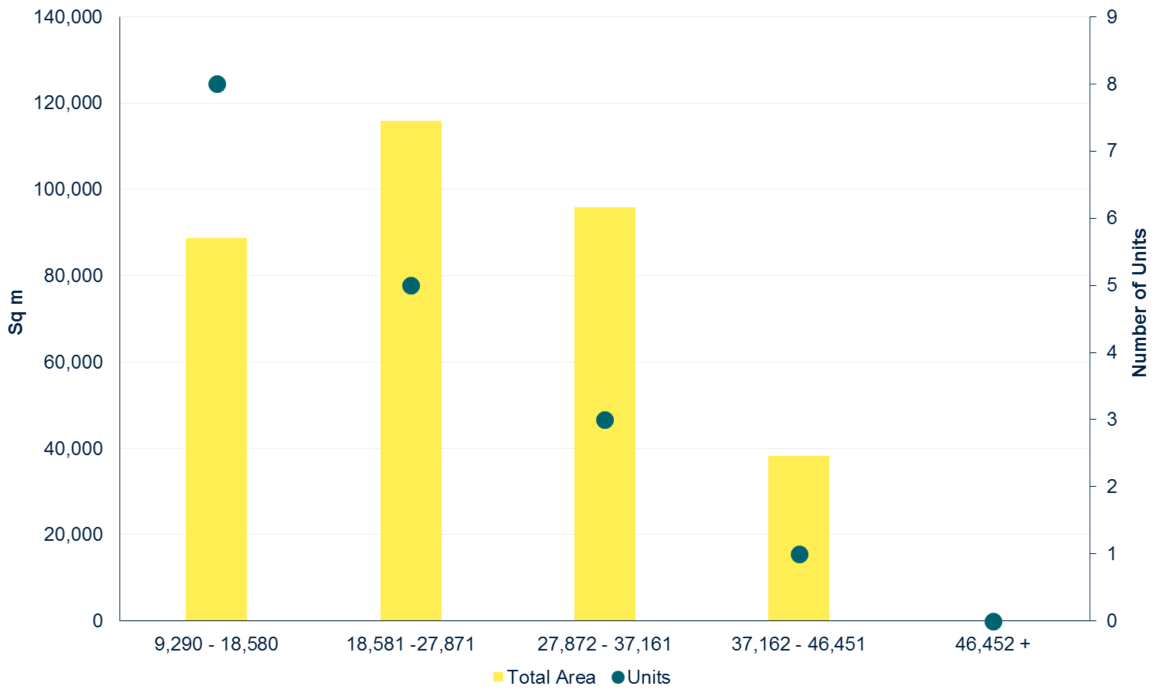


In the East Midlands region, the total supply of existing vacant units over 9,290 sq m (100,000 sq ft) is currently 338,720 sq m (3,645,951.74sq ft) across seventeen separate units which includes four new grade A speculative built units totalling 89,750.47 sq m (966,066.02sq ft). Considering the current supply and with stock levels reaching 8,440,893 sq m (91,279,951 m sq ft) the vacancy rate in the East Midlands rests at 4.01%. Furthermore, out of the current supply, the largest grade A building available is the second hand unit Quantum at Magna Park Lutterworth developed by Segro totalling 38,240 sq m (411,613 sq ft). The second largest unit being X Dock 377 at Magna Park totalling 35,030 sq m (377,070 sq ft), which is being refurbished by Standard Life.

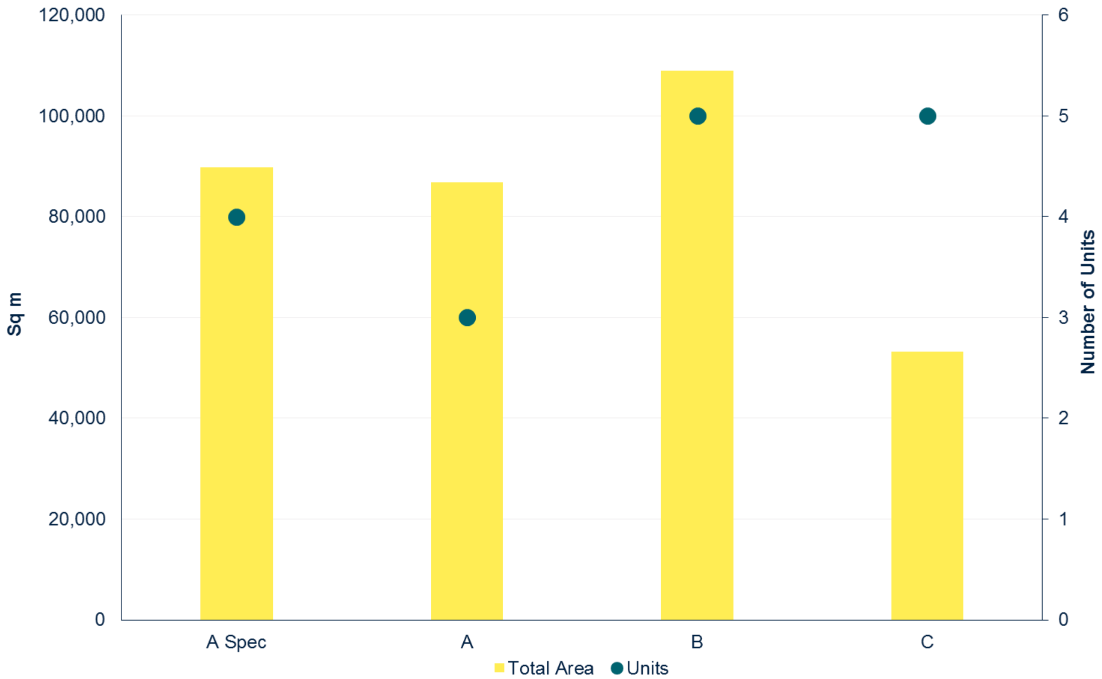
Moreover, as demonstrated in graph eight, the East Midlands supply is skewed towards smaller sized units. The East Midlands area is currently experiencing a supply shortage of larger units, 47.05% of units in the area are within the 9,290-18,580 sq m size range, furthermore there is only a singular unit (5.26% of stock) above 37,162 sq m (400,000 sq ft), which is the aforementioned Quantum at Magna Park totalling 38,240.08 sq m (411,613 sq ft).

Furthermore, as shown in graph nine, the current stock primarily consists of good quality units with only 15.72% of the total space vacant on the market classified as grade C second hand units. The graph notes that 52.11% of the available units are of grade A quality or above, with two out of the seven units located at Lutterworth Magna Park along with numerous other units dispersed across the region.

Graph 8: East Midlands warehouse supply by size



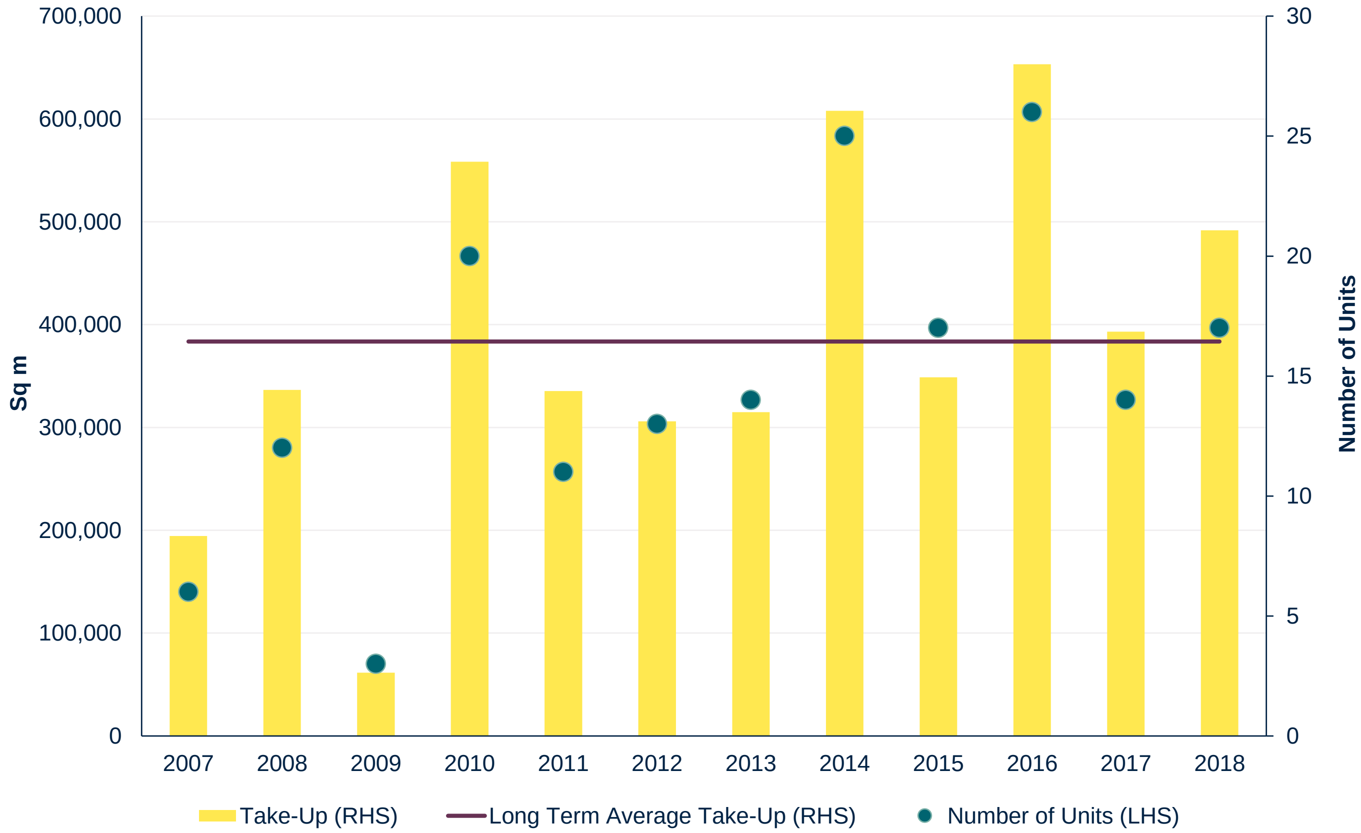
Graph 9: East Midlands warehouse supply by grade



2.3. East Midlands Take-up

Take-up in East Midlands reached 372,103 sq m (4,005,292 sq ft) at the end of H1 2018 which was nearly double that of H1 2015, these levels are just below the long term yearly average at H1 2018 of 375,420.28 sq m (4,040,992 sq ft). Nationwide, the East Midlands accounted for 24% of the nationwide total H1 2018 take-up underlining the strong occupier demand currently present in the East Midlands market. Moreover, by comparing these figures to levels in H1 2009, which saw only a singular transaction, it is evident that there has been an increased strength in occupier demand within the market.

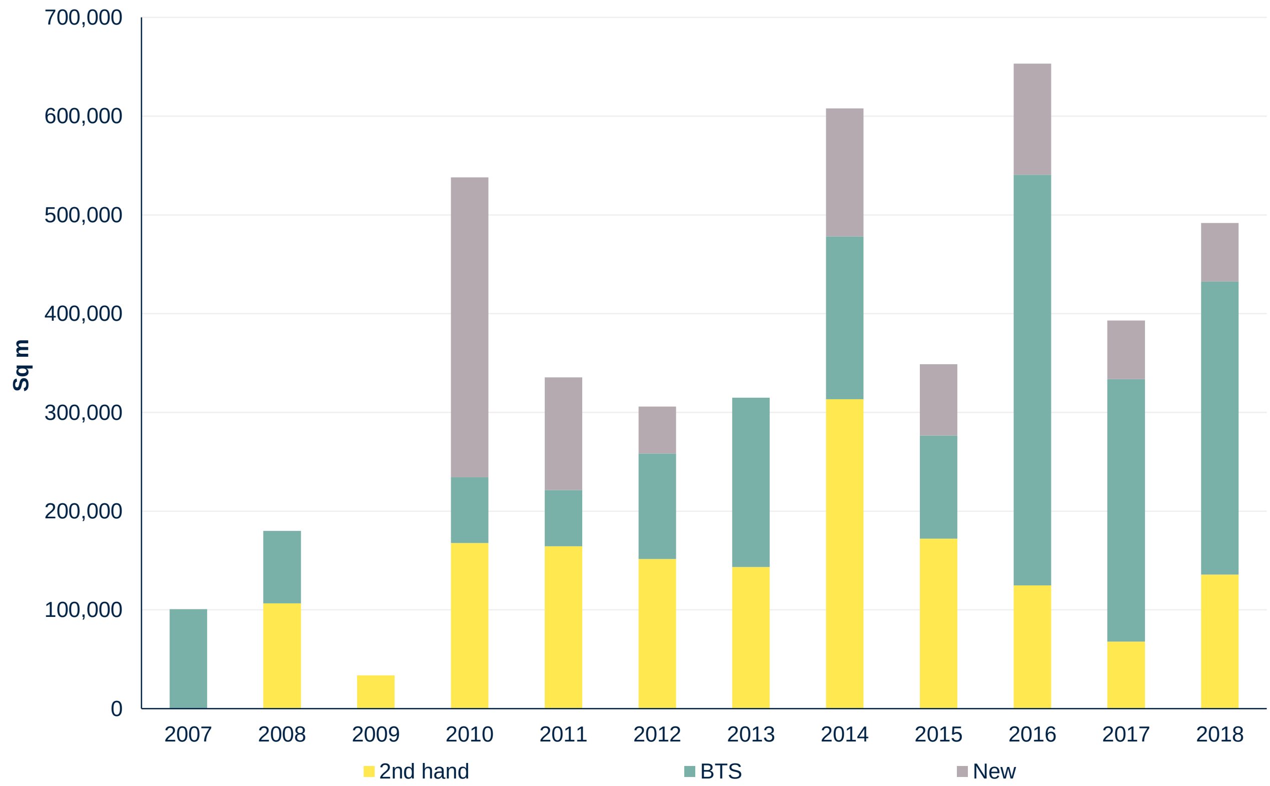
Graph 10: East Midlands warehouse take-up



Traditionally, the Midlands has been the home of larger units as operators have sought to use and gain advantage from the central location and fast access to the national motorway network by locating their national distribution centres within the East Midlands area.

As demonstrated in graph 11, the East Midlands market has historically been relatively balanced in the proportions and levels of Second Hand, BTS, New and Let prior to PC deals. However recently, the build to suit sector has been the most dominant in the East Midlands accounting for 68% of take-up so far in 2018. Analysing trends in the percentage take up suggests that the lack of supply of larger units has resulted in occupiers using the Built-to-Suit option as the only viable alternative when satisfying large requirements. The largest Built-to-Suit letting this year was Amazon acquiring 120,773 sq m (1.3M sq ft) at East Midlands Gateway.

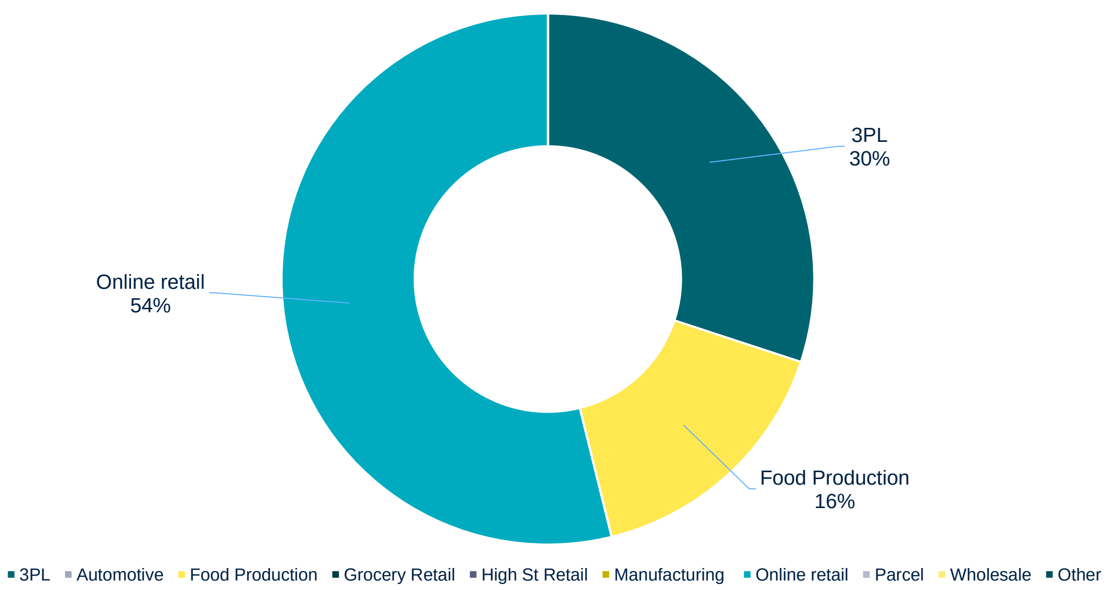
Graph 11: East Midlands take-up by grade



Historically, the market has been relatively balanced with no trend of a particular size band dominating the market however in H1 2018 the 46,452+ sq m (500,000+ sq ft) size bracket has accounted for the highest proportion of space leased accounting for 61% of all space transacted through three separate deals. The largest unit transacted being the aforementioned Amazon letting at the East Midlands Gateway. The 9,290-18,580 sq m (100,000-200,000 sq ft) size bracket also traded well, accounting for 21% of total transactions through five separate deals.

Furthermore, the chart below highlights the volatile nature of the dominant occupier type; with the historically prominent grocery retail and manufacturing taking no extra space in H1 2018. Interestingly, trends which have emerged within the East Midlands market have followed UK wide predictions with 3PL take-up remaining strong (29%) primarily due to the East Midlands geographical location and fast access to the national motorway network. In addition, notable shifts in consumer habits have impacted take-up levels in the region through the evident increase of take-up by online retailers (54%). In H1 2018, the online retail sector accounted for 32% of take-up which was the highest amongst any sectors, this is in part due to the Amazon letting of the East Midlands Gateway. Moreover, Shop Direct is another notable online retailer to acquire space in the midlands in H1 2018.

Graph 12: East Midlands occupier type 2018

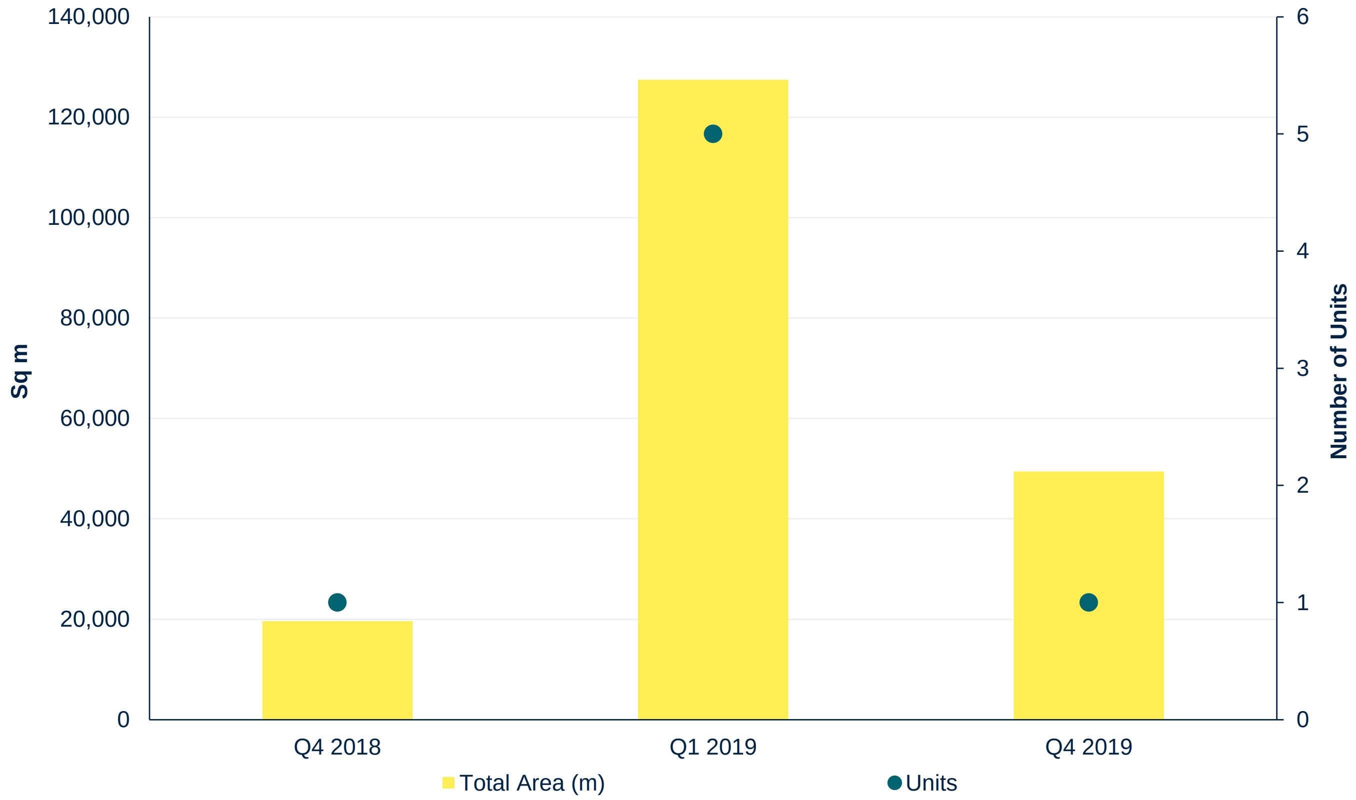


2.4. East Midlands committed speculative pipeline

Savills research track all speculative development announcements through the development pipeline. East midlands is continuing to experience a surge in speculative development with a current 196,585 sq m (2,116,031 sq ft) under construction. Presently, there are three units under construction in the East Midlands area above 37,162 sq m (300,000 sq ft), the largest of which is Nottingham 550 where First Panattoni are speculatively developing 51,096 sq m (550,000 sq ft) due for delivery in March 2019.

Historically there was a dearth of new grade A supply in the region. However, after strong levels of speculative development, the region is witnessing an expansion of the range of units available of varying grades demonstrating an active market and a strong developer confidence in the East Midlands area.

Graph 13: East Midlands speculative development pipeline

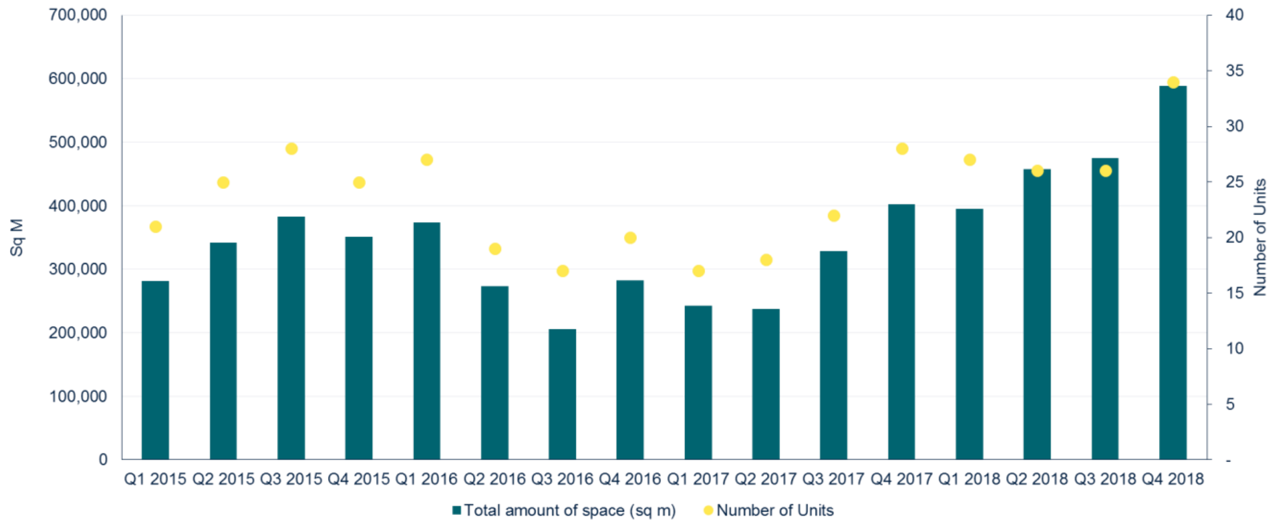


2.5. West Midlands Supply

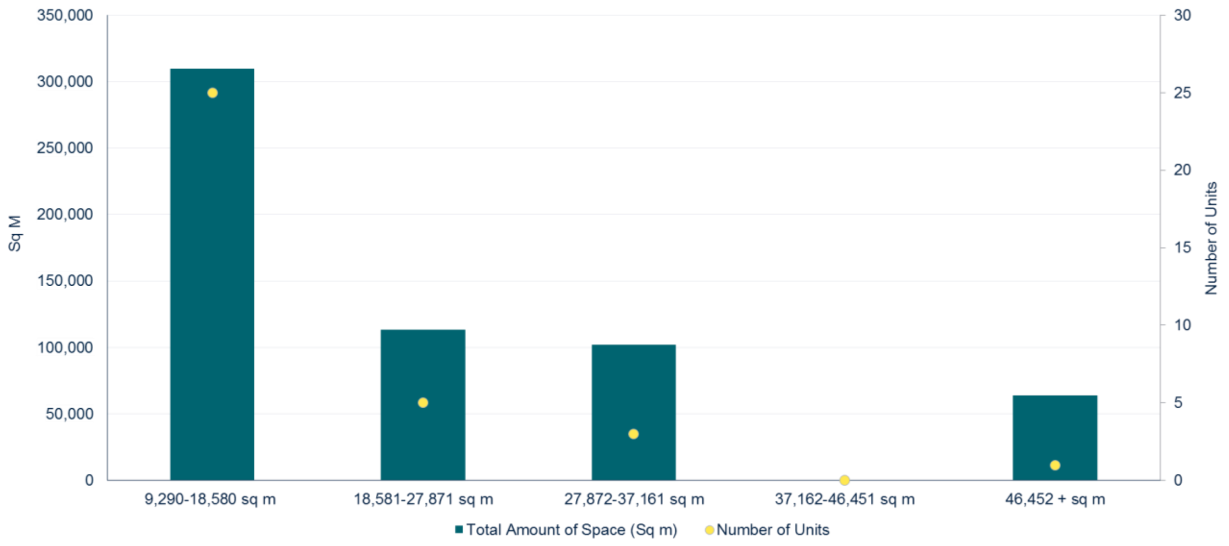
In the West Midlands, the total supply of existing vacant units over 9,290 sq m (100,000 sq ft) is currently 588,892.58 sq m (6,338,787 sq ft) across thirty-four separate units which include nine grade A speculatively built units totalling 155,308.98 sq m (1,671,732 sq ft). Furthermore, based on the current stock levels of 7,162,824.38 sq m, the vacancy rate in the West midlands is 8.2%, the highest it has been for multiple years. This has been driven by strong development stimulated by developer confidence which is reflected in the current supply of 155,148.07 sq m available of vacant grade a speculatively developed space.

The largest new unit available is M6DC Cannock which comprises 34,559 sq m, this unit was speculatively developed by Graftongate and achieved practical completion in July 2017. The current supply in the West Midlands is dispersed across the region, Birmingham and Coventry have the highest concentration of units available in the market area with seven units available each.

Graph 14: West Midlands warehouse supply



Graph 15: West Midlands warehouse supply by size range



The chart above highlights how the current supply in the West Midlands market is heavily weighted towards the 9,290-18,580 sq m (100,000-200,000 sq ft) size band. There is currently 309,480.19 sq m (3,331,217 sq ft) available in this size band which equates to 52.5% of total available supply. There are four units above 27,871 sq m of which two are of second hand quality. A singular unit exists in supply above 46,452 sq m at Cross Point Business Park in Coventry which provides 64,103 sq m of second hand space.

Across the the West Midlands using the long term average for take-up there is currently only 1.49 years of supply which highlights the current supply shortage.

2.6. West Midlands take-up

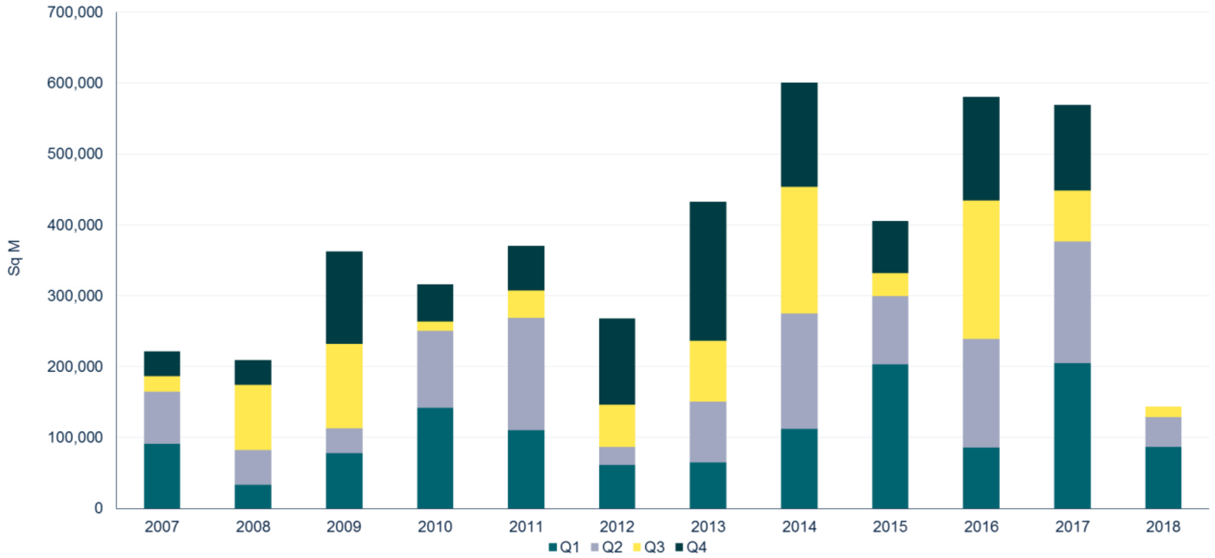
The West Midlands is a key occupational market for the United Kingdom industrial demand, take-up has regularly exceed 371,612.16 sq m (4M sq ft) in recent years, highlighting the strong occupier demand. The fast access to the national motorway network that the region can provide has proven popular amongst occupiers and many have located their national distribution centres in within the region.

Take-up in the West Midlands reached 580,644 sq m (6.25 million sq ft) in 2016 which represented a buoyant year for take-up being the second highest year of take-up in the last ten years.

In 2016 take-up was a 43% increase from 2015 and 54% above the long term average of 376,257.31 sq m (4.05 million sq ft) underlining the strong transactional activity. 2017 mimicked this remaining positive with take up of 568,566.6 sq m (6.12m sq ft) being recorded.

However recently, there has been a lull in take-up with the area seeing take the lowest H1 take-up record since 2012 amounting to 128,970 sq m (1,388,225 sq ft). This may be due to the lack of supply of large units within the region. Furthermore, it is important to understand which size bands are the most liquid and more attractive to occupiers. The graph below illustrates the recent take up by size band as a proportion of the deals signed.

Graph 16: West Midlands warehouse take-up

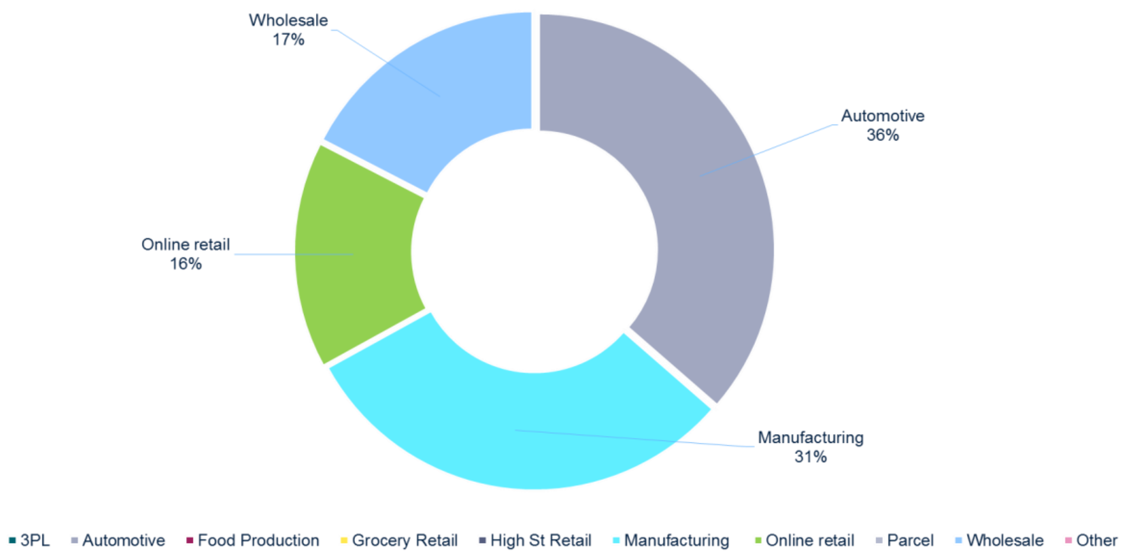


The 9,290 sq m – 18,580 sq m (100,000-200,000 sq ft) size band has historically been the most liquid when compared to the other size bands accounting for an average of 59% of deals recorded. Whilst this is to be expected, the graph above shows that the proportion of deals signed above 37,161 sq m is relatively low, in most years under 20% of deals recorded have been above 27,872 sq m and whilst this can be attributed to a lack of occupier demand in the higher size bands, there has also been a lack of larger units available in the region which has resulted in fewer transactions involving larger units. In 2018, the occupier demand was clearly for smaller warehouses with 6 deals being recorded under 18,580 sq m, which accounted for 67% of total deals highlighting the current strong occupier demand within the smaller size bands.

Whilst the occupier demand is weighted towards the smaller size band, there has still been occupier activity in the larger size bands. There have been ten deals signed over 46,452 sq m since 2008 with the retail and manufacturing sectors being the most active business sectors to acquire large units in the region. Recent examples of occupiers signing for units over 46,452 sq m include Gestamp Talent, Screwfix, XPO Logistics and Jaguar Land Rover. It could be argued that the lack of availability of large units has impeded take-up in these size bands increasing, two recent deals above 46,452 sq m were both agreed off-market.

The occupier type has changed drastically since 2010, historically the retail sector was the most active occupier type this was evident in 2010. The grocery retail and high street retail sector accounted for 69% of take-up in 2010 whilst this reduced to only 9% in 2016. The online retail sector has become more active in the market, in 2016 it accounted for 10% of take-up and the sector has continued to lease space in 2017. Amazon have leased two units in 2017 totalling 730,000 sq ft.

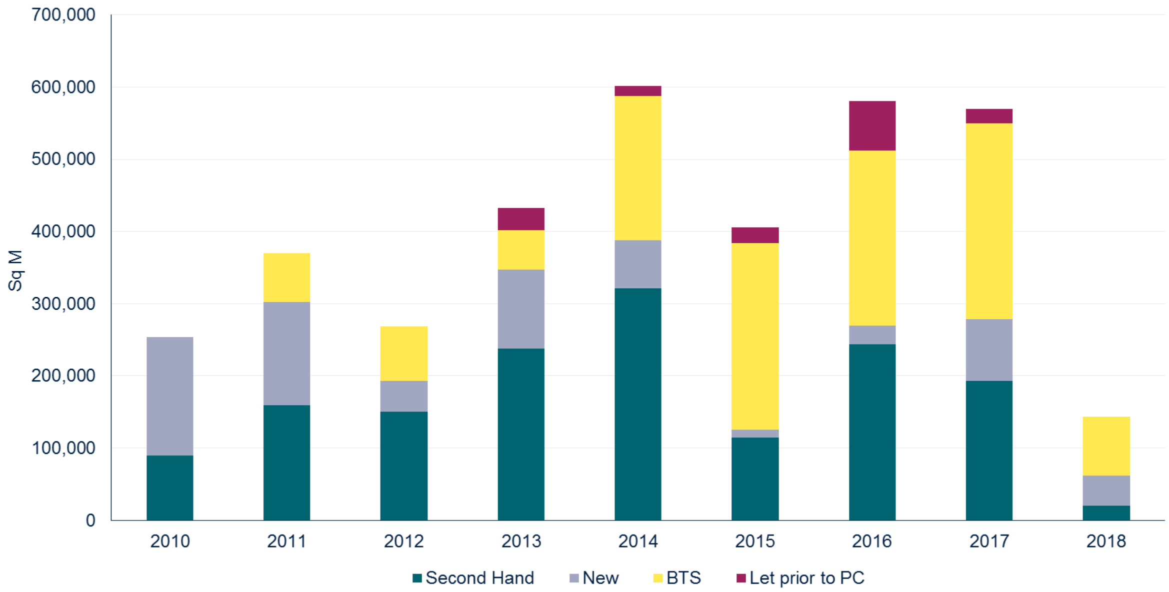
Graph 17: West Midlands warehouse take-up by occupier type (2018)



Jaguar Land Rover have been notably active within the market since 2016, they have leased three units totalling 157,006 sq m, the continued investment into the automotive sector by occupiers and the government has resulted in strong demand from the sector aside from Jaguar Land Rover, Aston Martin and Michelin have both acquired units since 2016 totalling 24,990.9 sq m. However, take-up in the Automotive sectors has recently decreased which may be due to the lack of supply of larger units or additionally uncertainties surrounding Brexit.

In 2018, we see this trend continuing where Automotive and Manufacturing have together accounted for 67% total take-up.

Graph 18: West Midlands warehouse take-up by grade



Accumulatively, Second hand and Build-to-Suit deals accounted for 71% of the total sq ft being transacted so far in 2018 which totalled 102,271 sq m of take-up. The build to suit sector is the most dominant within the West midlands, the current lack of supply of larger units has resulted in occupiers using the build-to-suit option as the only viable alternative when satisfying large requirements.

The lack of speculative development of larger units in the region has resulted in a small amount of new units being acquired, however there is clear demand for new units which is highlighted by the 68,185 sq m of space which was let prior to practical completion in 2016. This was across four separate units which underlines the strong occupier demand for new units.

2.7. West Midlands development Pipeline

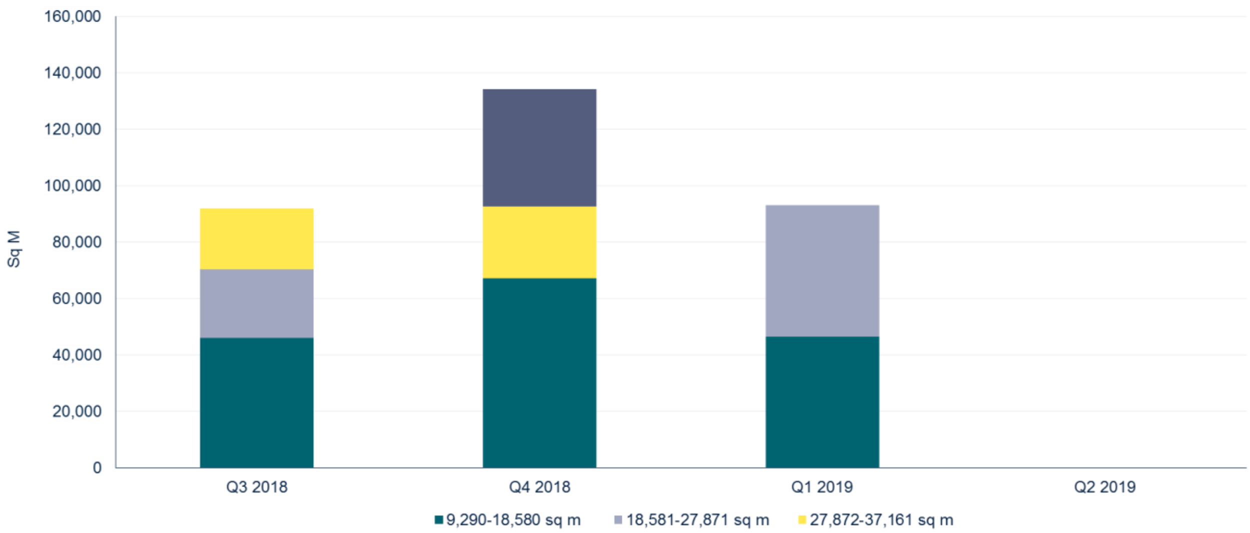
The current supply shortage of larger units in both the West Midlands and Staffordshire market would suggest that the market area would be suitable for speculative development. Developers are responding to the current supply shortage as there is 113,341.7 sq m under construction in the West Midlands market across 6 units.

The chart overleaf illustrates the timescale of new development and which size bands are being catered for in the West Midlands market.

The largest unit set to achieve practical completion in the market area is at Wolverhampton 450, where First Panattoni are speculatively developing 41620.5 sq m.

The smaller size bands have experienced the highest volume of speculative development in the West Midlands, four units under construction are in the 9,290-18,580 sq m size band which accounts for 66.6% of all units under construction.

Graph 19: West Midlands warehouse take-up by grade



The development activity is not particularly dispersed across the wider market, there are two units being speculatively developed in Wolverhampton. The only other markets experiencing speculative development are Stoke, Tamworth, Cannock and Birmingham all experiencing the construction of a singular unit.

3. Competing development Sites

3.1. Overview

Primarily through desk based research and using Savills strong connections in the industrial and logistics market we have built a Nationwide database of development sites for future logistics development.

Our criteria for inclusion in this database is that the sites is being actively promoted, with agents appointed and marketing the scheme and that some form of planning permission or allocation has been achieved. In other words a tenant could expect to sign a deal on the scheme and start construction in a reasonable timeframe after deal completion.

3.2. Competing sites

Using the 50 miles radius from Magna Park Lutterworth and maintaining consistency with the 2015 Gerald Eve report we have identified 45 sites within the boundary that can accommodate at least one single unit over 23,225 sq m (250,000 sq ft).

These sites range in size from 5 to 228 hectares and combined total 1148 hectares which are capable of delivering 3,813,860 sq m (41,052,065 sq ft) of warehouse space.

Working with Savills Industrial agency colleagues we have examined current market occupier trends and flagged which sites we consider to be direct and indirect completion to Magna Park Lutterworth.

This identifies that there are 21 sites considered to be direct competition which total 745 hectares which can accommodate 2,351,054 sq m (25,306,534 sq ft) of warehouse space.

Using the five year average of take-up of 801,322 sq m (8,625,365 sq ft) for units over 23,225 sq m (250,000 sq ft) for 50 mile radius this would provide 2.9 years' worth of supply within the direct competition sites.

Should the indirect sites also be included in the analysis the years of supply figure rises to 4.75 years.

It should however be noted that this analysis assumes that no speculative development takes place on the identified sites.

Moreover it should also be noted that logistics buildings are generally getting larger and therefore sites will be built out at quicker rates than historical analysis would identify.

Indeed, at a Nationwide level the average size deal in 2018 for units over 9,290 sq m (100,000 sq ft) stands at 25,157 sq m (270,790 sq ft), the largest level ever recorded, up from 18,312 sq m (197,117 sq ft) in 2009.

Therefore it would be sensible to assume that the available land within the search radius will decrease as speculative development comes forward and larger buildings deliver less units on sites.

Table 2: Directly competing development sites within 50 miles radius of Magna Park Lutterworth

Site/scheme	Location	Developer	HA available	Acres Available	Potential sq m	Potential sq ft
East Midlands Gateway	Castle Donnington	SEGRO/Roxhill	228	564	300,000	3,229,175
DIRFT III	Daventry	Prologis	163	402	622,430	6,699,784
Midlands Logistics Park - Phase 2	Corby	Mulberry/Frogmore	57	140	135,889	1,462,700
Prologis Park Wellingbourough	Wellingborough	Prologis	45	110	200,000	2,152,779
Kettering Gateway	Kettering	SEGRO/Roxhill	36	90	111,484	1,200,000
EMDC	Castle Donnington	Clowes	30	74	128,477	1,382,916
Mountpark Bardon II	Bardon	Mountpark	29	73	120,000	1,291,670
Midas 22	Nailstone	Curtis Hall	20	50	93,000	1,001,044
Leicester Distribution Park	Leicester	Graftongate/Blackrock	18	45	69,677	750,000
Centrix	Corby	Clowes	16	39	24,155	260,000
Panattoni Park Northampton	Northampton	First Panattoni	14	36	96,619	1,040,000
Prologis Hams Hall	Coleshill	Prologis	14	44	82,400	886,947
Prologis Park Ryton	Coventry	Prologis	14	34	47,769	514,180
Manton Park	Corby	Frenbury	9	23	23,226	250,000
Nucleus Fradley	Lichfield	Evans	9	22	46,452	500,000
Liberty Park	Lichfield	Stoford	9	22	40,877	440,000
Prologis Park Fradley	Lichfield	Prologis	8	20	32,888	354,000
Core 42	Tamworth	Hodgetts Estates	8	19	32,090	345,414
Hinckley Park	Hinckley	IM Properties	7	18	41,806	450,000
Prologis Park Kettering	Kettering	Prologis	6	16	36,817	396,292
Tamworth Logistics Park	Tamworth	St Modwen	5	13	65,000	699,654
Totals			**745**	**1,854**	**2,351,056**	**25,306,555**

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Table 3: Indirectly competing development sites within 50 miles radius of Magna Park Lutterworth

Site/scheme	Location	Developer	HA available	Acres Available	Potential sq m	Potential sq ft
Future Point Newark	Newark	Urban & Civic	45	110	190,017	2,045,322
Castlewood Business Park	Alfreton	Clowes	40	100	77,295	832,000
Meaford Business Park	Stone	St Modwen	34	85	111,484	1,200,000
Stonbridge Cross Phase 2	Droitwich	Stoford	31	77	41,806	450,000
Redditch Gateway	Redditch	Stoford	30	75	85,006	915,000
Ashby Distribution Centre	Ashby-de-la-Zouch	Gazeley	24	59	78,701	847,127
Gateway Peterborough	Peterborough	Roxhill	24	58	79,246	853,000
Symmetry Park	Biggleswade	DB Symmetry	20	50	47,845	515,000
Symmetry Park	Aston Clinton	DB Symmetry	19	46	40,877	440,000
Summit Park	Mansfield	Sladen	18	45	92,903	1,000,000
Infinity Park	Derby	Wilson Bowden	15	38	102,193	1,100,000
Worcester 6	Worcester	Stoford	15	36	46,452	500,000
Burton Gateway	Burton	St Modwen	10	25	65,032	700,000
Kingston Park	Peterbourough	Sladen (u/o)	9	22	41,806	450,000
Magna Park Magnitude	Milton Keynes	Gazeley	9	22	28,986	312,000
Signal Point	Tyseley	Mucklow	8	20	23,226	250,000
Velocity 42	Redditch	St Francis	8	20	37,161	400,000
Derby 515	Derby	First Panattoni	7	18	47,845	515,000
Pantheon Park	Wolverhampton	Stoford	7	18	38,090	410,000
G Park Biggleswade	Biggleswade	Gazeley	6	16	32,150	346,062
Bedford Link	Bedford	London Metric	6	15	39,484	425,000
Panattoni Park Luton	Luton	First Panattoni	6	15	38,090	410,000
Symmetery Park	Bicester	DB Symmetry	5	12	30,658	330,000
Dove Valley Park - Phase 2	Foston	Clowes	5	11	46,452	500,000
Totals			**401**	**993**	**1,462,805**	**15,745,511**

Map 1: UK development sites with 50 mile radius from Magna Park Lutterwoth and Golden Triangle identified

4. The availability of sites and the impact on occupier requirements

This section of the report provides commentary based upon discussions with Savills Industrial and Logistics agency and occupier services teams.

The Golden Triangle emerged in the late 1980's and early 1990's when the evolution of the retail sector, and in particular the supermarket sector, ensured that locations in the geographical centre of the country would be most suitable for store based replenishment.

Whilst it would be fair to say that the retail sector has evolved to the challenges faced by online retailers who deliver direct to consumer it is clear that traditional core markets still very much have a place in the modern supply chain, indeed The Midlands as a whole has accounted for almost a third of all occupier demand in recent times, and within the Midlands 31% of take-up over the last 10 years has been related to Grocery and High St retail.

Occupier requirements have also, over the last 10 years, generally increased in size as supply chains become more efficient and the economies of scale make larger units more attractive.

Whilst it is perceived that requirements over 46,451 sq m (500,000 sq ft) are generally less "locationally sticky" and therefore more geographically footloose it is important to consider what is being undertaken by occupiers of units between 23,225 sq m (250,000 sq ft) and 46,451 sq m (500,000 sq ft).

Typically units of this size within the Golden Triangle and occupied by retailers or 3PL companies will be acting as a Regional or indeed National distribution centre. In this scenario the occupier will be considering where product is coming from and indeed where it is going to, which in many cases will still be the store based replenishment cycle of the past.

In this case it is important to consider the centres of population and where many retail store portfolios are located, it is also key to consider how far can be driven under drivers hours legislation.

In most of these scenarios sites within the Golden Triangle remain key and therefore the availability of sites within the East Midlands and indeed wider regional market are of paramount importance to logistics occupiers.

Should sites in Golden Triangle become drastically undersupplied occupiers will be forced to consider sites which are sub-optimal from a supply chain perspective. These may be in other geographical areas or further away from the desired supply chain location. In most cases these sites would incur additional cost to the occupier, either through higher rents or higher transportation costs. These costs would, in time, be passed on to the consumer.

From an occupiers perspective, therefore, it is of paramount importance that sites continue to be allocated within the Golden Triangle and surrounds in order to satisfy occupier requirements as retail supply chains continue to evolve in the modern retail environment.

5. Conclusions

It is clear from the evidence presented in this report that the supply of available warehouse units in the East Midlands has plummeted in recent years. Evidently, nationwide there is shortage of units in the larger size bands with just 31% of total supply being units over 18,581 sq m (200,000 sq ft) by unit count. The analysis demonstrates that the East Midlands region is also experiencing a supply shortage of larger units with 47.37% of vacant warehouses being within the 9,290-18,580 sq m size range.

Moreover, with take-up at a national level for H1 2018 reaching 1,546,567 sq m (16,647,126 sq ft) which is 35% higher than the long-term average for H1, occupier demand evidently remains strong. In fact, the East Midlands region accounted for 24% of the nationwide total H1 2018 take-up further underlining the strong occupier demand currently present within the region.

Analysing the East and West Midlands together emphasises the importance of the Golden Triangle to the UK logistics sector. Indeed, since 2007 26,513,573 sq m (285,289,729 m sq ft) of warehouse space has been transacted in these two markets, accounting for 34.1% of all of the warehouse space transacted in the country. Indeed this combined importance is getting ever stronger as in 2017 the combined East and West Midlands accounted for 40.7% of the total market, the highest market proportion ever recorded and up from 24.3% in 2008.

Furthermore, the analysis demonstrates that the East Midlands market has historically been balanced with no trend of a particular size band dominating the market. However, in H1 2018 the 46,452+ sq m (500,000+ sq ft) size bracket has accounted for 61% of all space transacted through three separate deals within the East Midlands, demonstrating the shifting occupier demands towards larger units within the area.

This report concludes that there are 21 sites considered to be direct competition totalling 745 hectares which can accommodate 2,351,054 sq m (25,306,534 sq ft) of warehouse space. As aforementioned, using the five year average of take-up up of 801,322 sq m (8,625,365 sq ft) for units over 23,225 sq m (250,000 sq ft) within a 50 mile radius this would provide 2.9 years' worth of supply within the direct competition sites. Furthermore, if the indirect sites should also be incorporated in the analysis the years of supply figure rises to 4.75 years.

It should be stressed that this analysis assumes that no speculative development takes place on the identified sites, however in reality the East Midlands is continuing to experience a surge in speculative development with a current 196,585 sq m (2,116,031 sq ft) under construction.

Additionally, it should be emphasised that logistics buildings are becoming larger and therefore sites will be built out at quicker rates than historical analysis would identify. This can be observed at a nationwide level with the average deal size in 2018 for units over 9,290 sq m (100,000 sq ft) standing at 25,157 sq m (270,790 sq ft), the largest level ever recorded, up from 18,312 sq m (197,117 sq ft) in 2009.

Thus, it is sensible to assume that the available land within the search radius will decrease as speculative development comes forward and larger buildings deliver less units on sites.