Proposed Submission Version Local Plan

PART A - About You

1. Please complete the following:

Please note the email address (if provided below) will be sent a full copy of the submitted response and a unique reference number.

Name of person completing the form: Philip Grant

Email address: [redacted]

2. What type of respondent are you? Please select one option only.
If you are an agent please select the type of client you are representing.

A Developer / Landowner

3. Please provide your contact details:

	Contact details
Organisation name (if applicable)	Avison Young
Agent name (if applicable)	Philip Grant
Address 1	[redacted]
Address 2	[redacted]
Postal Town	[redacted]
Postcode	[redacted]
Telephone number	[redacted]

PART B - Representation Form 1

1. To which part of the Local Plan does this representation relate?

From the drop down list please select one option.

MD6 South East Warrington Employment Area

2. What does your comment relate to? Please select one option.

None of the above

3. Do you consider the Draft Local Plan to be: Please select one option in each row.

	Yes	No
Legally Compliant	X	
Sound	X	
Compliant with the Duty to Co-operate	X	

5. If you answered 'Yes' to any of the options in question 3 then please give details in the box below the reasons why you support the legal compliance or soundness of the Draft Local Plan or its compliance with the duty to co-operate.

Please be as precise as possible.

Please refer to enclosed letter prepared by Avison Young

7. If your representation is seeking a modification, do you consider it necessary to participate at the oral part of the examination? Please select one option.

Yes, I wish to participate at the oral examination

If you wish to participate at the oral part of the examination, please outline why you consider this to be necessary:
We request that we appear at the Local Plan Examination Hearings given our client's land interests within the proposed South East Warrington Employment Area.

8. If you wish to upload documents to support your representation form then please select 'choose file' below. You can upload a max number of 2 files (up to 25MB each).

If you are submitting more than one representation form please note: If this file upload supports more than one representation form then please do not attempt to upload the same file on subsequent forms. On additional representation forms please use the comments/file description box to type in the 'name of the file', or 'see previous form'.

If the file upload is a different document for additional representation forms then please continue to upload the file as normal.

- File: WBC Local Plan Reps re Employment 121121.pdf - [redacted]
- File: Hatch note on Employment Matters.pdf - [redacted]

You have just completed a Representation Form for MD6 South East Warrington Employment Area.

Please select what you would you like to do now?

Submit response (I am a Developer / Landowner / Group / Organisation)

AVISON YOUNG

[redacted]
avisonyoung.com

BEST MANAGED COMPANIES

Our Ref: RW/ES/PG/04C100963
Your Ref: Local Plan

12 November 2021

Planning Policy and Programmes,
Growth Directorate,
Warrington Borough Council,
Town Hall (East Annexe),
Sankey Street,
Warrington WA1 1HU

By email to: localplan@warrington.gov.uk

Dear Sir/Madam

Warrington Updated Proposed Submission Version Local Plan: Representations on behalf of Liberty Properties in relation to land off Barleycastle Lane, Appleton Thorn

We are writing on behalf of our client, Liberty Properties, to provide comments on the Warrington Updated Proposed Submission Version Local Plan, specifically in relation to the five adjoining parcels of land located off Barleycastle Lane in Appleton Thorn illustrated on the enclosed location plans. These parcels of land, which are all controlled by Liberty Properties and available immediately for redevelopment, form part of the South East Warrington Employment Area that is proposed by the Draft Plan (Policy MD6).

Liberty Properties fully supports the Council's ambition to create a major new employment location at the South East Warrington Employment Area and considers that this proposal within the Draft Plan is soundly based.

Our detailed comments, which are provided below, are supported by a note prepared by Hatch on the employment land policies within the Draft Plan, which is enclosed with this letter. This note contains, as an appendix, a recent report by Savills on the current logistics market in both the UK and the North West region.

Overall employment need

The note prepared by Hatch indicates that the Council's approach to estimating employment land need (316.26 hectares over the plan period), which is reflected in the Draft Plan, is largely sound. It does however suggest that this should be viewed as a minimum figure, as it should comprise a larger 'buffer' to provide more flexibility and ensure that at any future point in time there is sufficient land ready to be developed to allow for choice and competition, and to guard against uncertainty.

The value of the logistics sector

As set out in the note prepared by Hatch and in the Savills report appended to this, the logistics sector is a crucial part of the Warrington economy, which has underpinned much of the positive employment growth that has occurred in the Borough over recent years.

AVISON YOUNG

Logistics is undergoing significant growth, both locally and nationally. Within the North West, supply for employment and logistics land is severely constrained (the Savills report indicates that there is currently only 0.62 years of supply) and demand is growing significantly. If this trend continues, in the future there will not be enough land to accommodate occupier requirements in the prime areas of the region. Warrington is the prime logistics location in the North West, mainly because of its accessibility and position in the centre of the region. With the Omega scheme now complete and no other significant development sites available, it will be unable to accommodate the next phase of requirements and job creation which accompanies these occupiers without a significant increase in its supply. It is therefore essential that the majority of the employment need identified by the Draft Plan (316.26 hectares) is met on sites that are well suited to accommodate logistics occupiers.

The logistics sector is often perceived as being low-skilled, but this is a misconception. Occupations vary from those traditionally associated with logistics (e.g. HGV and van drivers) to other highly skilled occupations (e.g. manages and directors in transport and distribution, purchasing, analysts, programmers, software developers, as well as storage and warehouse and IT operatives).

Advances in technology, changing consumer preferences and increased environmental awareness are reshaping the way people live, work and learn in the logistics sector. As a result, the logistics sector is moving quickly towards a high-skills business model.

Workplace amenity is a growing objective for logistics operators, ensuring employees have good working conditions. Attracting skilled staff is one component of this drive to offer high quality amenities, but there is also a wider push in the sector around awards, certification and accreditation (such as BREEAM and WELL) that is prompting many logistics and warehousing businesses to provide gold standard workplace amenities.

Whilst the 2011 Census of Population is somewhat dated, it provides the latest and most complete national snapshot of typical travel to work patterns for people in different industries. Overall, the Census indicates that more than half (i.e. 54%) of all people employed in the transport and storage sector in the UK travel less than 10km for work. Logistics operations therefore create good quality jobs, that are invariably taken by local workers.

In view of the above, Liberty Properties considers that it is critical for the Local Plan to properly provide for the future growth of the logistics sector in Warrington, and the significant economic benefits that will flow from this.

Green Belt

Liberty Properties agrees that “exceptional circumstances” clearly exist which justify the release of Green Belt land that is proposed by the Draft Plan to enable Warrington to meet its employment land need over the plan period. If the Council does not meet this need and provide the employment land that is required, Warrington’s status as a key driver of the North West economy will be placed at risk and potential development and investment could be lost to other areas.

The proposed South East Warrington Employment Area would make a significant and sustainable contribution towards accommodating Warrington’s employment development needs and would clearly meet the test of soundness.

The Green Belt Site Selection report (‘Implications of Green Belt Release’), which forms part of the Local Plan evidence base, is correct in its conclusion that the removal of the South East Warrington

Employment Area from the Green Belt would not harm the overall function and integrity of the Warrington Green Belt. Indeed, an independent Green Belt Assessment Report prepared by Arup for the Council (dated 21 October 2021) concluded in its General Area Assessment Findings that this area makes a 'weak' contribution to the purposes of the Green Belt.

In summary, the proposed release of Green Belt land to help Warrington meet its employment land need, and in particular the South East Warrington Employment Area, is fully supported by Liberty Properties.

<u>Site suitability for employment development</u>

As set out in the note prepared by Hatch, the proposed South East Warrington Employment Area would be ideally suited to meet the key locational requirements of logistics operators (including those looking for large floorplates) given its excellent site credentials, which include the following:

- It is located at the junction of the M6 and the M56, thus offering easy access to the wider North West region and beyond.
- The overall scale and topography of the land lends itself to the logistics sector, with the potential to deliver larger unit sizes to meet the requirements of the market.
- Access to a significant labour pool with the right type of skills that are required by occupiers.

In summary, the South East Warrington Employment Area would be an extremely attractive location for a range of logistics operators, and indeed other industrial sectors.

<u>Highways improvements</u>

The development of the South East Warrington Employment Area would deliver a range of improvements to transport infrastructure in the area, including:

- Provision of a new bus service linking the employment opportunities that would be created by the development to other parts of the town and enhancing opportunities for residents of those areas, including the areas of deprivation;
- Off-site highway improvements on Barleycastle Lane, including road widening to improve safety and visibility, and the creation of a new 3m wide shared cycle/footway to improve non-car access to the South East Warrington Employment Area, which would be a positive and significant improvement;
- Improvements to Junction 20 of the M6 (in accordance with the requirements of Policy MD6 of the Draft Plan), which would deliver additional capacity to the junction and the strategic highway network;
- Improvements to the A50 Grappenhall Lane Roundabout and its approaches;
- Improvements to the public footpaths/cycleways between Barleycastle Lane and Grappenhall Lane; and
- Implementation of a signage scheme to minimise the likelihood of errant HGV drivers taking inappropriate routes on the local highway network.

Liberty Properties and the potential occupiers involved are committed to positively working with the adjacent landowner involved in the South East Warrington Employment Area and the Council to develop the Development Framework that would be required by Policy MD6 of the Draft Plan. Further, our client is committed to working positively with the Council's Travel Planning team, the Warrington & Co investment and regeneration agency and the Cheshire and Warrington Local Enterprise Partnership (LEP) to ensure the site's wider sustainable connectivity (particularly by public transport, cycling and walking) and to ensure its development benefits local people, particularly people living in the Borough's more deprived neighbourhoods, providing jobs for local people. We firmly believe that the development of this site will contribute positively to the Government's 'Levelling-up' agenda.

Summary

In summary, Liberty Properties fully supports the proposal in the Draft Plan to release land from the Green Belt to create a major new employment location at the South East Warrington Employment Area, on the basis that:

- There is a clear need to identify at least 316.26 hectares of employment land over the plan period to ensure that Warrington's status as a key driver of the North West economy is maintained.
- It is essential that the majority of the employment land need identified by the Draft Plan is met on sites such as the land off Barleycastle Lane that are well suited to accommodate logistics occupiers given the significant growth that this sector is undergoing, both locally and nationally, and its movement towards a high-skills business model, which will create good quality jobs for the local population.
- There is clear demand for this site and there is undersupply of such land in both Warrington and in the North west generally.
- The release of Green Belt land is required to meet this employment land need and the proposed South East Warrington Employment Area would make a significant and sustainable contribution in this regard. Independent consultants have found that this area makes a 'weak' contribution to the purposes of the Green Belt and it is clear that "exceptional circumstances" exist to justify the proposal.
- The land is ideally suited to meet the key locational requirements of logistics operators (including those looking for large floorplates).
- The development of the land would deliver a range of improvements to transport infrastructure in the area, including measures to mitigate the impacts of errant HGV drivers taking inappropriate routes on the local highway network.
- Liberty Properties are committed to working with the adjacent landowner and the Council to provide the Development Framework required for the whole of the South East Warrington Employment Area allocation and will work positively with the Council to ensure the development of the site provides sustainable connectivity and job opportunities for local people.

Liberty Properties firmly believes that the South East Warrington Employment Area proposal within the Draft Plan is soundly based as it is fully justified, effective, consistent with national policy and has been positively prepared.

I would be grateful if you could confirm safe receipt of these representations. If you have any queries or require any further information on any of the matters covered, please do not hesitate to contact me.

Yours sincerely

[redacted]

Philip Grant

[redacted]

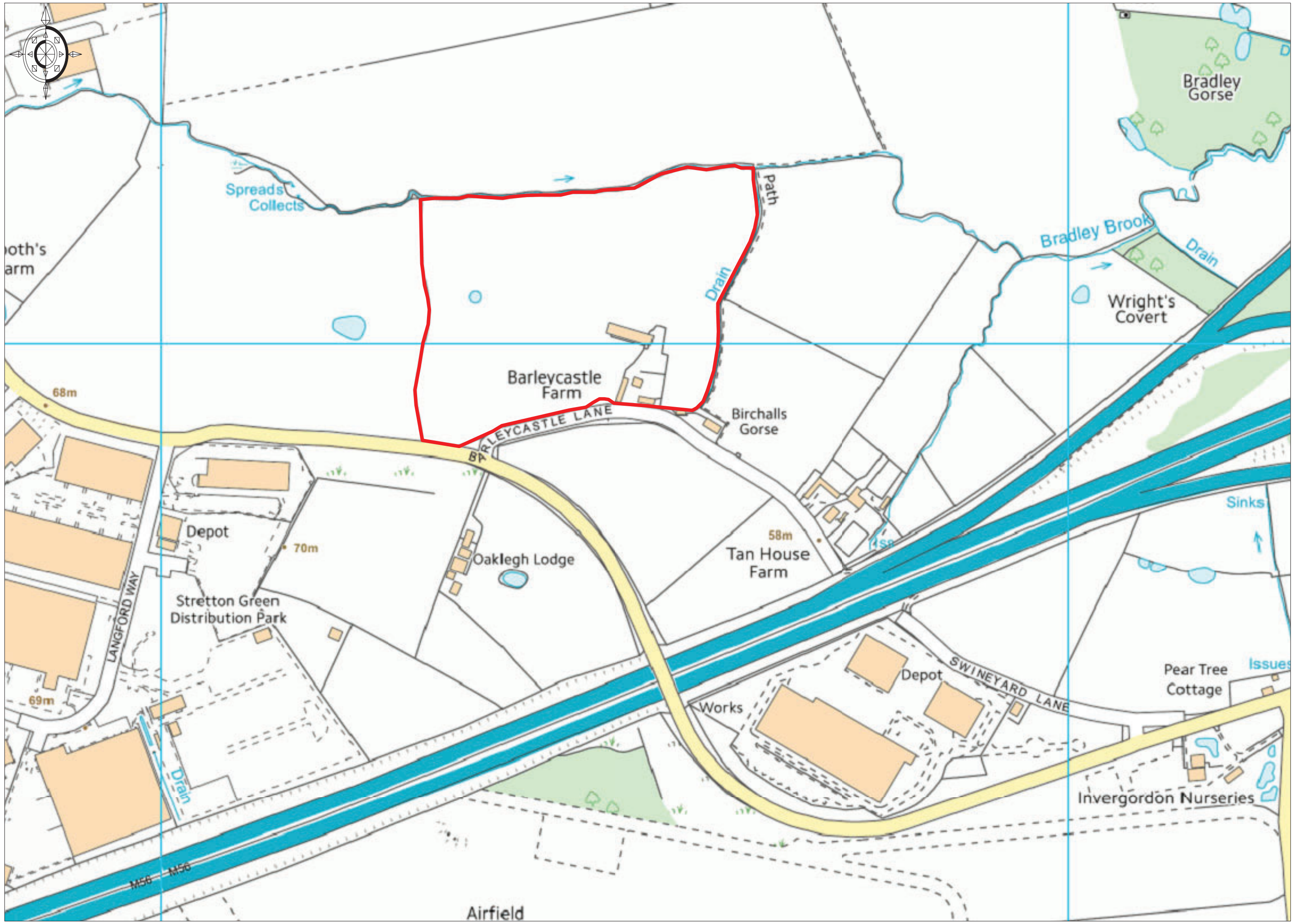
For and on behalf of Avison Young (UK) Limited

Enc: Site Location Plans
Note by Hatch on employment land policies

Land off Barleycastle Lane, Appleton, Warrington

Promap®

Land off Barleycastle Lane, Appleton, Warrington



 Plotted Scale - **1:7500**

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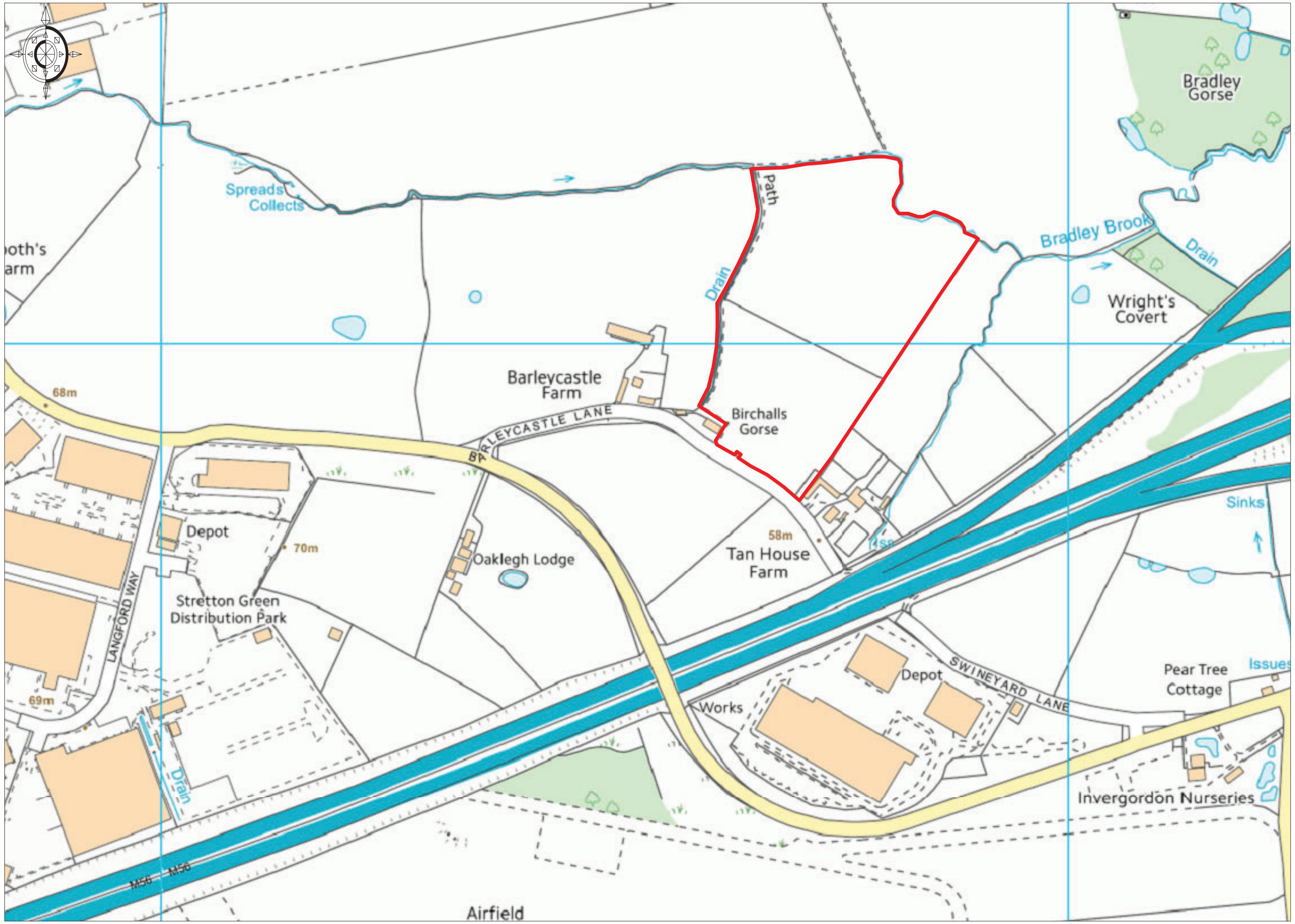

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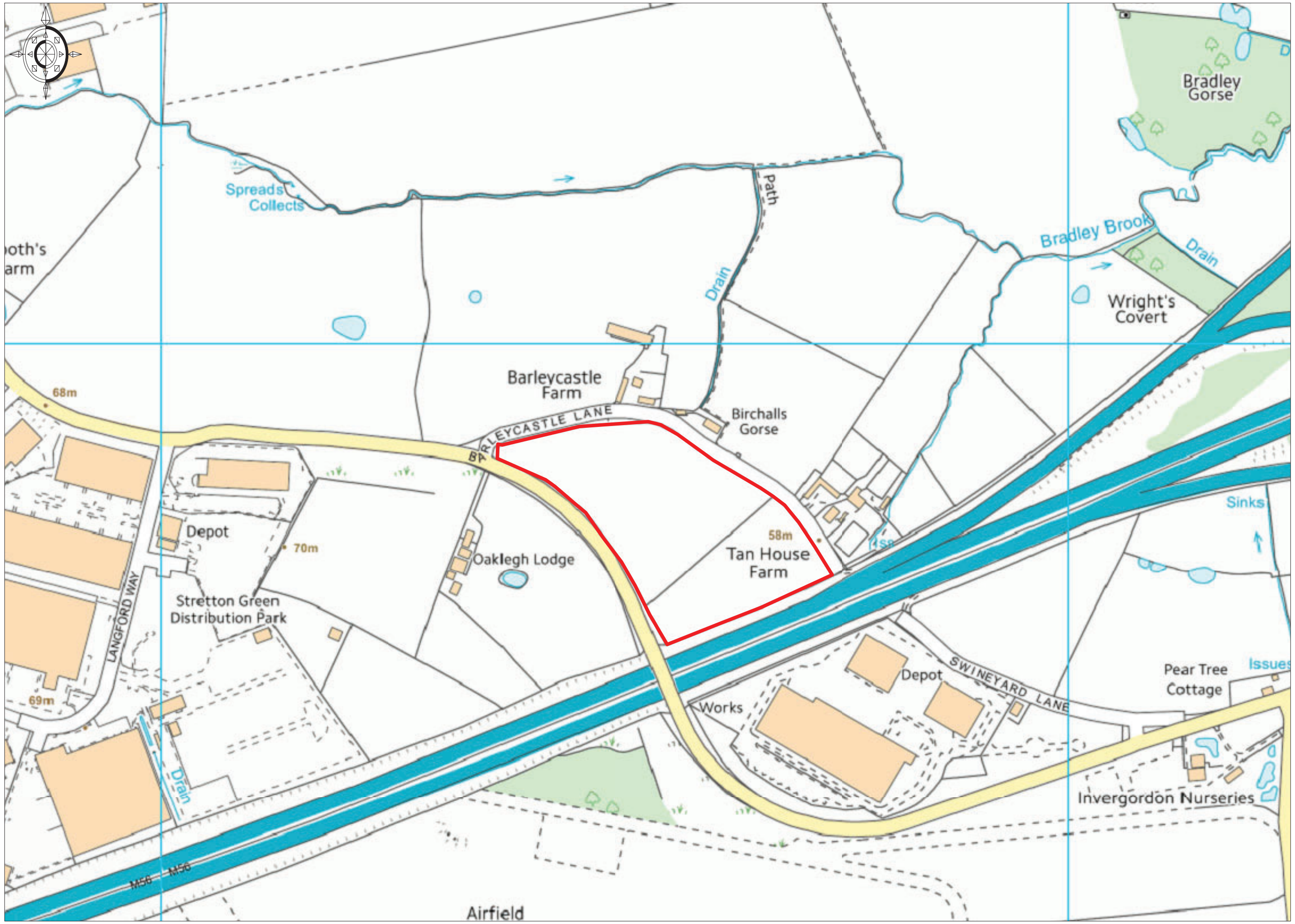

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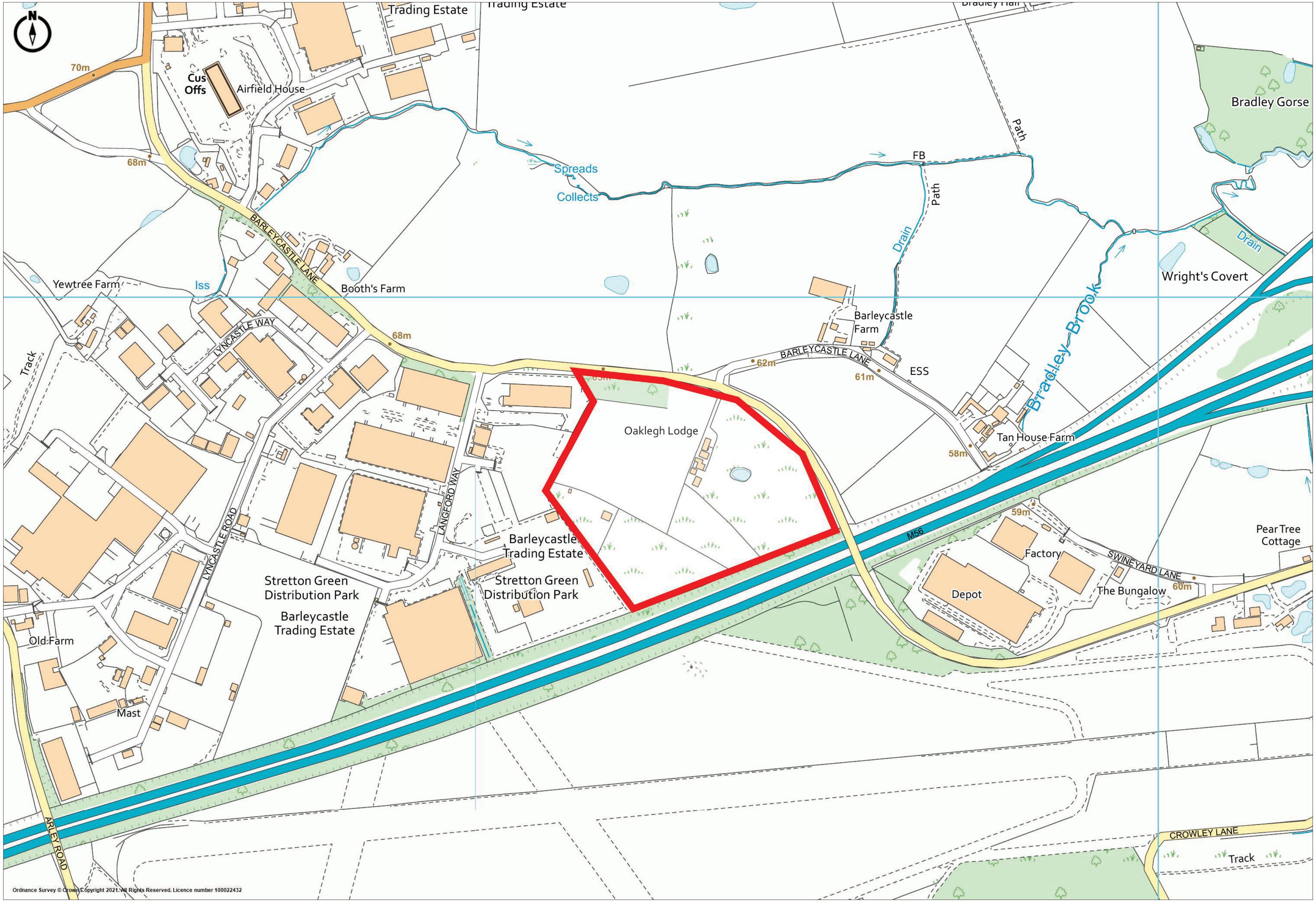
Land off Barleycastle Lane, Appleton, Warrington



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LANDMARK INFORMATION

Plotted Scale - **1:7500**. Paper Size - **A4**

Our Reference: A/0005

Date: 9 November 2021

Email: [redacted]

HATCH

[redacted]

www.hatch.com

Phil Grant

[redacted]

Advice on Warrington Local Plan Representations : Employment Land Matters

Dear Phil

I have been instructed by Liberty Properties to comment on the employment land policies in the Updated Proposed Submission Version Local Plan 2021. The proposed policies that my comments relate to are:

- Objective W1 (supporting Warrington's ongoing economic success by ensuring provision is made to meet the need for 316.26 hectares of employment land between 2021 and 2038)
- Policy DEV4 (which amongst other things, allocates 136.92 hectares of employment land at the South East Warrington Employment Area. The plan states that this allocation will meet a large proportion of the Borough's identified logistics sector requirement).
- Policy MD6 (which reiterates Policy DEV4 and allocates 136.92 hectares of employment land at the South East Warrington Employment Area).

Liberty Properties has control over the sites that comprise the South East Warrington Employment Area.

I append a recent report from Savills – UK and North West Logistics Market Report. October 2021 – that provides useful background evidence for this submission.

Overall Employment Land Need

The employment land policies in the updated Proposed Submission Version Local Plan 2021 are, in large part, formulated on the basis of evidence in the Warrington 2021 Economic Development Needs Assessment (EDNA) which can be found on the Council's Local Plan evidence base portal.

I agree with the EDNA that the best approach to assessing the future demand for employment land is to extrapolate forward historic levels of both strategic and local take-up (see EDNA p139-141). It is this approach that yields the requirement for 316.26 hectares of employment land between 2021 and 2038.

The EDNA also outlines an alternative approach based on the application local economic forecasting models – an approach which would yield a much lower requirement of between 21.0 hectares and 43.50 hectares of employment land between 2021 and 2038.

The EDNA is quick to point out the weaknesses in this alternative approach: "*These forecasts have several limitations. They are based on national and regional trends with some local adjustments for some industry sectors, which means, at a local level economic activity is not always accurately represented*" (EDNA, para 7.3).

I agree with the authors of the EDNA that this alternative approach should be dismissed. I would go further and say that the forecasts both fail to pick up local economic specialisms, and are flawed as a basis for measuring land use requirements. There are fundamental land use shifts occurring *within* sectors that the forecasting model does not grapple with. A classic example is the retail sector. Whilst the sector overall exhibits limited employment growth, this disguises a huge shift away from High Street retailing to ecommerce and online retailing. This shift has land- use requirements that the economic forecasting-based approach is unable to pick up.

Whilst I support the derivation of the employment land requirement based on historic take up, I believe the figure of 316.26 hectares should be viewed as a minimum figure.

Over many years employment land assessment practice has built in the concept of a flexibility factor. The flexibility factor ensures that at any point in time there is sufficient land ready to be developed to allow for choice and competition, and to guard against uncertainty. The flexibility factor involves inflating the need figure over and above historic take up trends – a so-called "buffer" - to ensure there is more choice in the eventual supply portfolio.

The EDNA notes that "there is no set guidance on how long this buffer should be, however, in over 65 employment land studies completed by BE Group over the last 15 years, a buffer of 3-5 years has usually been applied". (para 7.12)

The EDNA has opted for a three-year buffer, the smallest possible buffer it could have factored in. The defence of the three-year buffer – based on limiting the need for green belt release – is simply bringing a pre-determined supply side issue into what should be an objective assessment of need. I would favour a 5 year buffer given the rapid increase in individual plot requirements in the logistics sector in recent years (see commentary below). It is for this reason that the 316.26 hectares should be viewed as a minimum a level of need.

Importance of Supporting Growth in the Logistics Sector

The logistics sector is a crucial part of Warrington economy and has underpinned much of the positive employment growth that has occurred in Warrington in recent years. This is clear from a number of local strategies/plans:

- Cheshire and Warrington Local Industrial Strategy (p17) states - "In close proximity to two major UK cities and with excellent transport links, Cheshire and Warrington is a major logistics hub.

- Warrington and Co publicity material states – "Warrington is one of the best-connected locations in the UK. With junctions to the M6, M62 and M56 - its motorway connections are practically unbeatable".

- Updated Proposed Submission Version Local Plan 2021 states - (p11) "Warrington is identified by the Cheshire and Warrington Local Enterprise Partnership as one of its priorities for growth in its Strategic Economic Plan (SEP). The LEP particularly recognises Warrington's strengths in engineering and the nuclear sector and in logistics (due to its location and connectivity)".

The logistics sector is undergoing significant growth, both locally and nationally. It is essential that the majority of the identified need for 316.26 hectares is delivered on sites that are well suited for logistics occupiers.

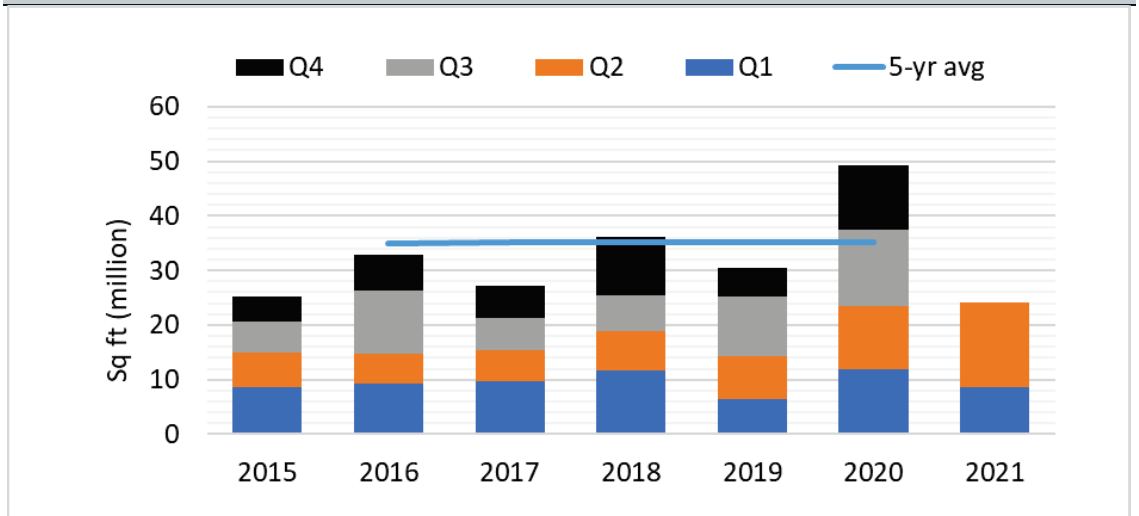
This is summarised in the appended Savills report which states (p2):

"*Rarely has there been as clear a need for Employment and Logistics land allocations in the North--West of England to be made in the short term. Supply is severely constrained and growing demand necessitates proactive measures to improve supply and help sustain economic health and growth*".

The growth in online retail spend is the major factor behind the recent growth in demand for warehousing and ecommerce space. Online retail spending, as a percentage of all retail spend, increased steadily over the last decade, and made a step change increase between 2019 and 2020 as a result of COVID. Online retail spending is forecast to be maintained at its currently high levels and to grow further in volume terms, after a slight dip in 2021.

This growth in online retail spending has flowed directly into a growth for logistics floorspace. National data from Colliers showed that 2020 was a record-breaking year for take-up of larger scale logistics floorspace, with new leases signed for 50.1 million sq ft. The volume of new leases in 2020 was nearly 50% higher than the average of the preceding 5 years (see Figure 1.1). This represents a step change. Most forecasters are suggesting that 2021 will be another record-breaking year, breaking the previous 2020 high.

Figure 1.1 Volume of new UK logistics leases



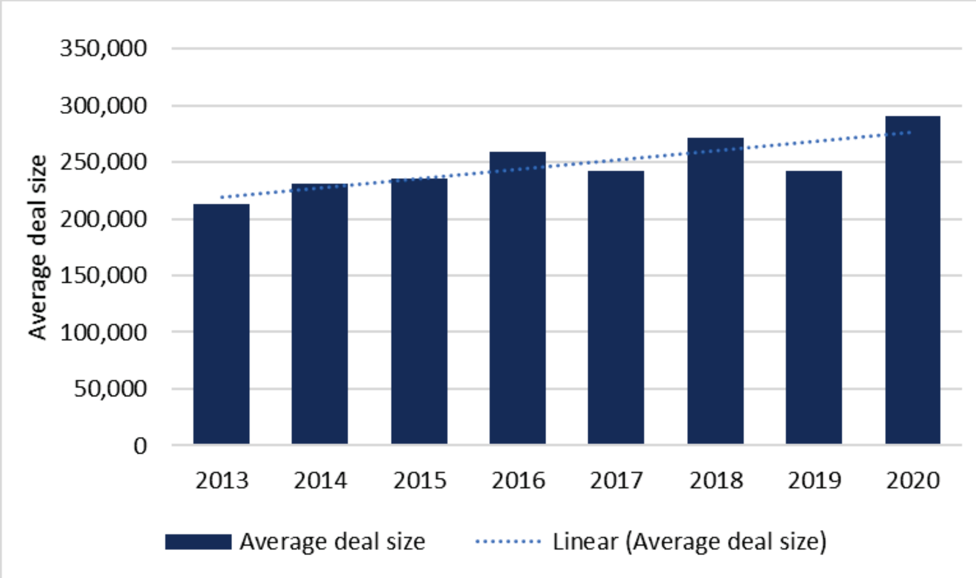
Source: *Colliers Industrial Barometer July 2021. Only includes leases over 100,000sqft. 2021 part year only*

The last year has also seen a move towards larger scale logistics operations, with 25 deals recorded of over 500,000 sq ft. Data from Colliers shows that the average deal size reached a new record at 291,000 sq ft for 2020, compared to 213,000 sq ft in 2013.

Another factor that sits behind the identified need is the increasing preference amongst larger scale logistics operators for new build stock. Data from Colliers shows that 2021 has continued the trend of the last 18 months, with the first half of the year marked by what has become known as a "flight to prime" - with only 26% of take up being of second-hand stock, compared to 55% in 2014.

The majority of occupier demand is for better quality and more energy efficient new build units, which in part is driven by a greater importance of the environmental agenda at Board level.

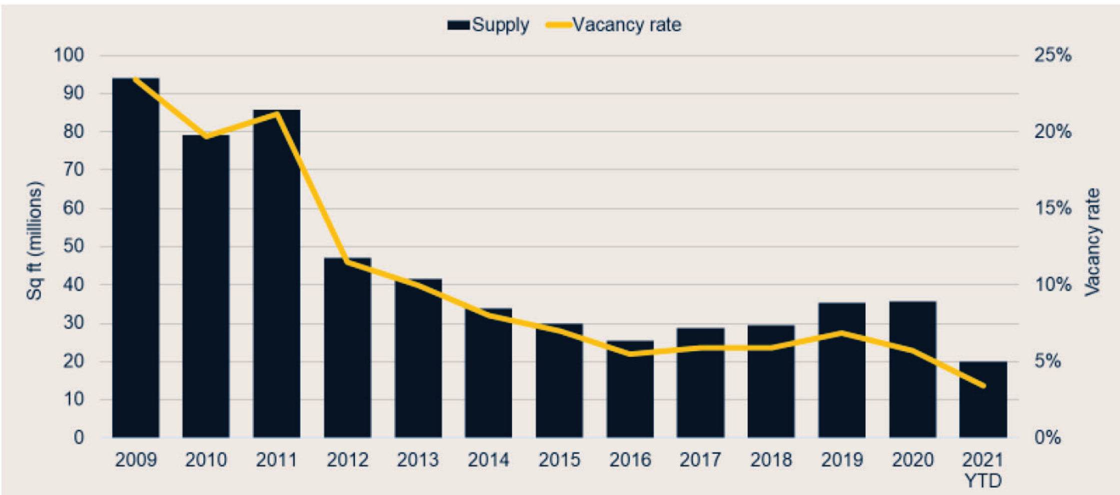
Figure 1.2 Increasing Size of Average Logistics Deal



Source : *Colliers Research and Forecasting Team, published in report Industrial & Logistics Snapshot: A Historic Year For the Industrial Sector – December 2020*

The limited availability and suitability of second-hand stock is also shaping these trends. The UK logistics market currently exhibits the lowest level of second-hand availability on record. The current UK logistics vacancy rate according to Savills stands at 3.4% (see Figure 1.3).

Figure 1.3 National Logistics Supply & Vacancy Rate



Source : Savills UK and North West Logistics Market Report. October 2021

South East Warrington Employment Area - Site Credentials

The following locational requirements are currently driving demand for logistics and e-commerce space and in particular larger floorplates:

- Access to strategic road network

- Flat sites without high abnormal costs
- Ability to deliver large unit sizes
- Space to "onshore" raw materials to avoid business interruption
- Space to hold more inventory to meet demand spikes
- Access to reliable labour markets and substantial transport infrastructure allowing worker access.

In terms of site size it is clear from the analysis above that the average logistics deal for all sites over 100,000 sq ft is now circa 300,000sqft. That is an average number that spans the "mid box" and "big box" categories, and a significant number of deals require unit sizes of well in excess of this average. The larger scale ecommerce occupiers (i.e. the true "big box" occupiers) regularly require units in excess of 400,000-500,000 sq ft.

The South East Warrington Employment Area is ideally suited to meet these needs:

- It is ideally situated at the junction of the M6 and M56.
- The overall scale and topography of the site lends itself to the logistics sector, with the potential to deliver larger unit sizes that the market will require.
- Access to a significant labour pool with the right types of skills that are required by occupiers.

The South East Warrington Employment Area will be an extremely attractive location for a range of logistics operators, and indeed other industrial sectors.

Economic Value of Logistics Sector

The economic value of the logistics sector to local economies is often overlooked. It is a vital sector for the creation of good quality local jobs, as is clear from the points below.

The logistics and distribution sector supports over 2.6 million employee jobs nationally (ONS, BRES), representing just under 9% of all employment. The sector also supports further employment indirectly through its supply chain expenditure. More importantly, logistics is a critical enabler of success across all sectors and businesses nationally, from the independent coffee shops to large retailers and manufacturers.

The sector supports an overall higher proportion of full-time employment when compared with the wider economy. Nationally, 84% of all employee jobs in the sector are full-time compared with only 68% across the whole economy (ONS, BRES).

The logistics and distribution sector supports roles across a wide range of occupations, requiring different skills levels. The sector is often perceived as being low-skilled, however research by the Freight Trade Association (FTA) indicates that only around one in four jobs (26.5%) in logistics are low skilled. A substantial proportion of jobs in logistics and distribution (of 42.7%) are mid-skill levels (FTA, Logistics and Skills Report, 2019)

Occupations vary from those traditionally associated with logistics (eg. heavy goods vehicle (HGV) and van drivers) to other highly skilled occupations (eg. managers and directors in transport and distribution, purchasing, as well as storage and warehouse and IT operatives). Evidence from Working Futures suggests that a quarter of jobs in logistics can be qualified as being high skilled (such as managers and directors, analysts, programmers and software developers).

Rapid technological advances (especially artificial intelligence (AI) and robotics), changing consumer preferences and increased environmental awareness are reshaping the way people live, work and learn in the logistics sector. The logistics sector is quickly moving towards a high-skills business model. This means that by 2022, roles requiring manual dexterity are likely to start declining and be replaced by roles requiring thinking and innovation (eg. software developers) as well as other softer skills (eg. creativity, originality, initiative and emotional intelligence).

Salaries for jobs in logistics and distribution vary based on role, occupation, sub-sector and experience. Median salaries (at £31,600 per annum) are generally higher than the average for all sectors (around £25,000) of the economy (BBF, Delivering the Goods 2020).

Research by the FTA25 indicates that anxiety associated with increased automation is largely unfounded. Automation is likely to increase demand for the upskilling of the current and future workforce, rather than resulting in job cuts. In fact, a survey by the FTA indicates that whilst three-quarters of businesses expect to increase higher skilled roles, two-thirds fear that there is a lack of sufficiently skilled people to fill vacancies. This is especially pertinent for logistics, where vacancies for certain roles (eg. HGV drivers) are hard-to-fill.

Workplace amenity is a growing objective for logistics operators, ensuring employees have good working conditions. This is, in part, a result of high demand for increasingly higher-skilled warehouse and logistics workers. Investors and developers know they need to provide high-quality working environments to ensure that the facility can attract and retain key talent and therefore secure tenancies of sites. Attracting skilled staff is one component of this drive to offer high quality amenities, but there is also a wider push in the sector around awards, certification and accreditation that is prompting many logistics and warehousing businesses to provide gold standard workplace amenities.

Whilst the 2011 Census of Population is somewhat dated, it provides the latest and most complete national snapshot of typical travel to work patterns for people in different industries. Overall, the Census indicates that more than half (ie. 54%) of all people employed in the transport and storage sector[31] in the UK travel less than 10km for work. Logistics operations therefore create good quality jobs, that are invariably taken by local workers.

I trust this letter is helpful. It shows that:

- The Council's approach to estimating employment land need (at 316.26 hectares over the plan period) is largely sound. I would advise on a more generous "buffer" allowance, and would suggest that 316.26 hectares be viewed as a minimum figure.
- The vast majority of the identified need for 316.26 hectares should be delivered on sites that are well suited for logistics occupiers.
- The South East Warrington Employment Area will be an extremely attractive location for a range of logistics operators, and indeed other industrial sectors.
- The logistics sector is vital for the creation of good quality, local jobs.

Yours sincerely

[redacted]

Darren Wisher, Global Director, Hatch Associates

2021

UK and North West Logistics Market Report

Liberty Properties

1. Market Overview

Rarely has there been as clear a need for Employment and Logistics land allocations in the North West of England to be made in the short term . Supply is severely constrained and growing demand necessitates proactive measures to improve supply and help sustain economic health and growth.

The following paper exhibits why.

As 2021 has progressed, it would seem that not a day goes by without reading another news story that relates back to the logistics sector. The property press continues to report information on new occupier requirements and transactions, which in turn creates opportunities for investors to deploy capital in the sector. In the wider market, issues remain about the availability of labour, with HGV drivers in particular currently being in short supply, and macro events such as the recent incident in the Suez Canal have shone a light on the fragility of global supply chains. These macro events are reinforcing the view that, in the medium term, supply chains will shift from operating 'just in time' to a 'just in case' model. Essentially this means holding more inventory than has previously been considered normal, which in turn means having access to more warehouse space.

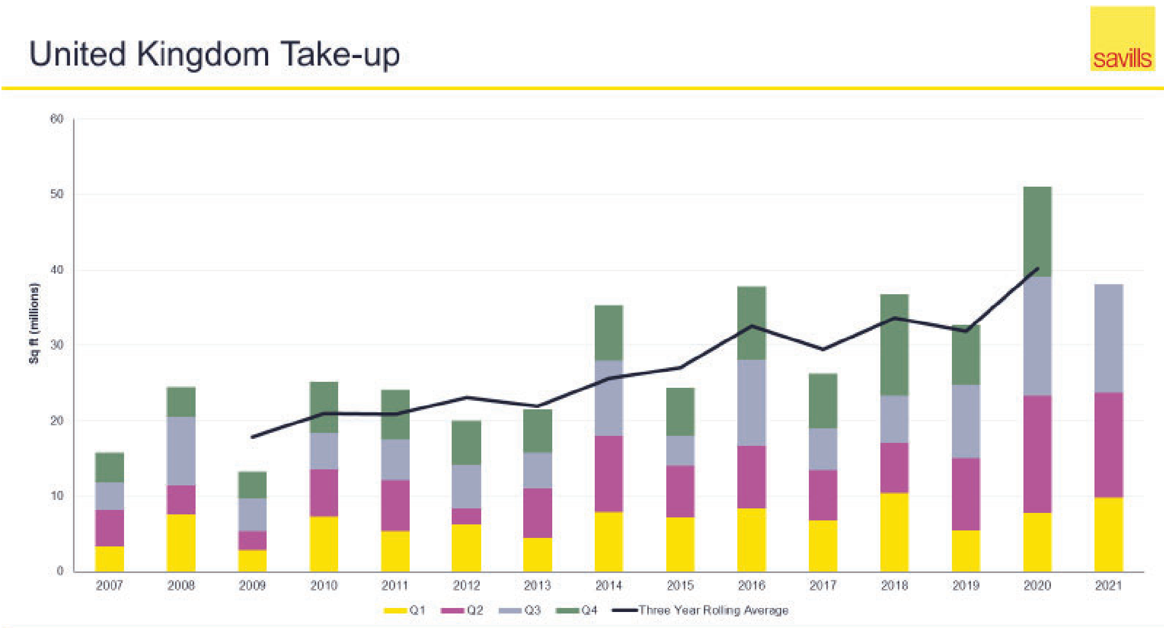
Away from wider supply chain issues, online retail continues to play an important role in the continued health of the sector. Forecasts from Forrester suggest that, whilst fluctuations in the level of online retail should be expected as life returns to normal, overall, the pandemic has accelerated the growth that we were already experiencing. With Forrester suggesting that online retail will reach 37% of all retail sales by 2025, up from 20% before the pandemic, it is clear that more warehouse space will be required.

Furthermore, data from Forrester predicts that total online retail sales are forecast to rise to £128.29 billion by 2024 which equates to 28.3% of all retail sales being online. It is estimated that every additional €1bn of online sales results in on average an additional 72,000 sq metres (775,000 sq ft) of demand for warehouse space. Using the Forrester's forecast above would suggest that by 2024 an additional 42.45 million sq ft of warehouse space is required to meet the demands of the online retail sector alone.

Along with the rise in online retail has been the increased demand for services of parcel delivery companies. As a greater proportion of retail shifts online and increasingly competitive, retailers are having to continuously improve their service to satisfy consumer demands. Consumers are increasing pressures on retailers to improve their delivery infrastructure, this in turn has quickly developed the requirement for accommodation in core logistics locations. Furthermore, in recent years we have seen a huge uptick in the amount the freehold demand for large B8 sites from the Data Centre and Film Industry sectors which have removed Industrial & Logistics sites from the future development pipeline.

2. National Industrial & Logistics market:

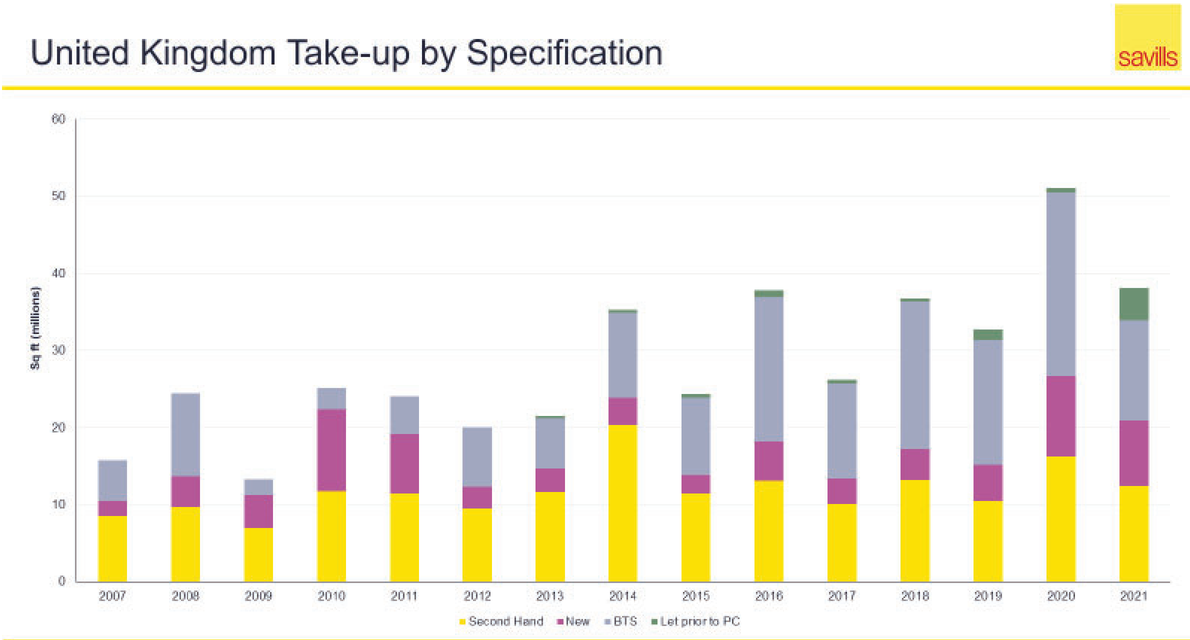
Whichever metric we use, 2020 broke all previous records with new leases signed for 51.2 million sq ft of warehouse space, 12.7 million sq ft ahead of the previous record set in 2016 and also comprising 169 separate transactions, breaking the previous record of 163 set in 2014. Whilst it is important to say we saw a large proportion of space leased to Amazon (25%) and a number of leases on terms less than five years (12%), take-up would still break new records even if Amazon and short-term deals were removed from our time series. Another key factor of 2020 was that there had been a surge in take-up for units over 500,000 sq ft with 25 deals recorded, making it the highest year since our records began and more than the previous two years combined



Currently in 2021, 38.06 million sq ft of warehouse space has been transacted through 158 separate units, already surpassing the average annual take up of 27.75 million sq ft. Last year saw 39 million sq ft of space transacted by Q3 2021 which highlights that 2021 is set to be another record-breaking year. Examining the take-up trends in further detail shows some interesting trends which demonstrate a resilience and strength in the market, which may counter historical perceptions. Firstly, we have logged 158 separate transactions so far this year, which against the annual average of 113 transactions per year shows just how active the market is.

In 2020, 47% of space transacted was been built-to-suit, 22% was speculatively developed and 31% had been second-hand space. More than 10 million sq ft of take-up was for speculatively developed units, the most amount of new space ever taken. The average build-to-suit unit size also increased substantially, in the last ten years it has risen from c. 358,000 sq ft in 2010 to c. 585,000 sq ft in 2020. This highlighted the current severe shortage of supply as occupiers who are seeking larger units are predominantly using the build-to-suit option to acquire stock.

In 2021, occupier preference continues to revolve around better quality units, by sq ft 34% of take-up YTD has involved built-to-suit units whilst 33% has involved speculatively developed space. The remaining take-up involved second hand space. Comparing this to past trends, on average 43% of space transacted per annum is second-hand quality, 20% has been speculatively developed space with the remaining 37% being built-to-suit space.



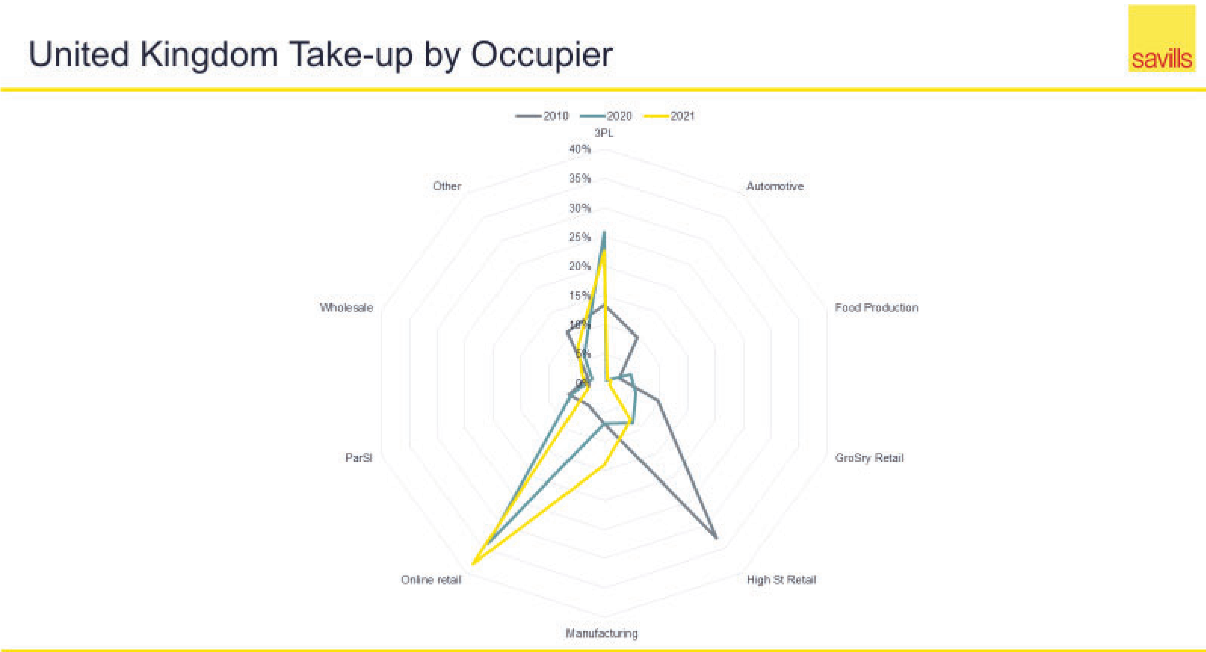
It's important to look at take-up trends in terms of grade as despite a large proprtion being second-hand, it is evident better quality units are still in the highest demand. Currently in 2021, 31% of space transacted has been grade A speculatively developed, 51% has been grade A, 14% grade B with the remainder grade C. Landlords should focus on redeveloping or refurbishing lower quality units in order to receive greater attention from occupiers.

The structural change in retailing has already significantly impacted the UK distribution warehouse market. Third party logistics operators continue to be active acquirer of space as they seek to capitalise on the growth of ecommerce, while simultaneously reaching greater economies of scale (accounting for 26% of total take-up in 2020 and 22% in 2021), the rise in online and budget retail providers acquiring space has also been notable. In 2020 retailers accounted for 48% of the total take-up, increasing to 53% in 2021. In isolation, online retailers have accounted for 38% of take-up so far this year.

Along with the rise in online retail has been the increased demand for services of parcel delivery companies. As a greater proportion of retail shifts online and increasingly competitive, retailers are having to continuously improve their service to satisfy consumer demands. Consumers are increasing pressures on retailers to improve their delivery infrastructure, this in turn has quickly developed the requirement for accommodation in core logistics locations.

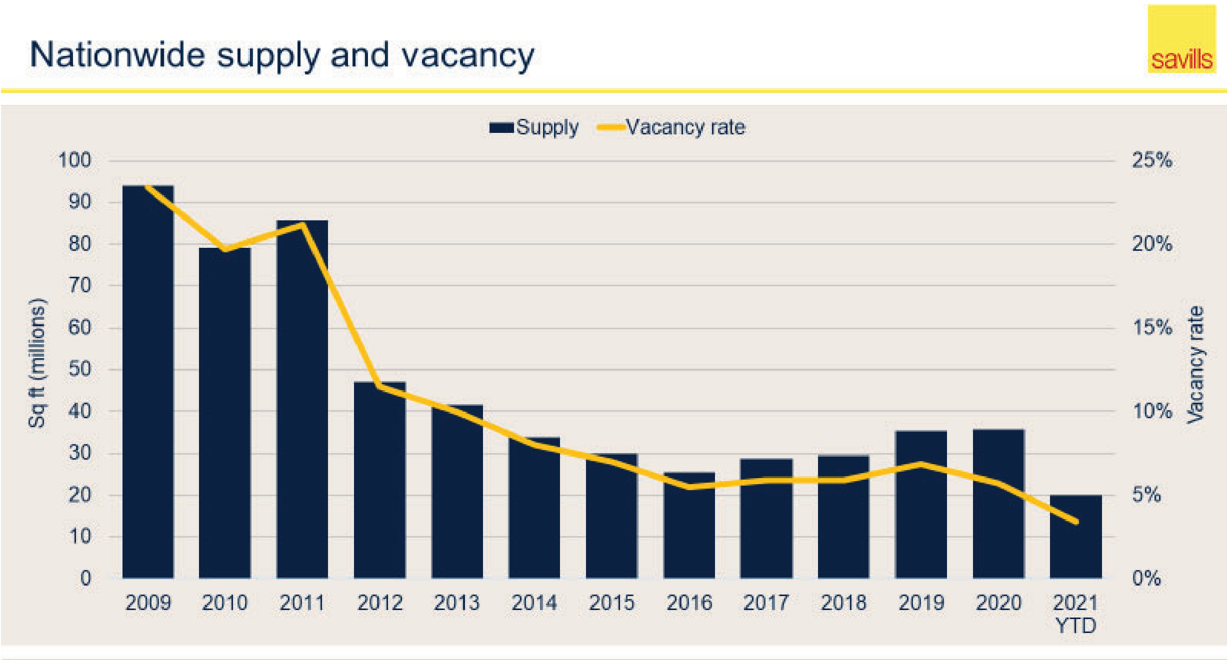
However, demand is still coming from a wide mix of tenants all reacting to wider economic and structural factors to increase or modernise their supply chains. Of particular interest is the rise in take-up stemming from the manufacturing and automotive sector (14% of the total take-up this year). In this sector investment in manufacturing causes a ripple effect of occupiers seeking to take logistics space close to manufacturing hubs in order to satisfy just in time supply chains.

The following chart highlights the volatility of the occupier dominance and demonstrates that in the last eight years the percentage take-up has varied substantially.



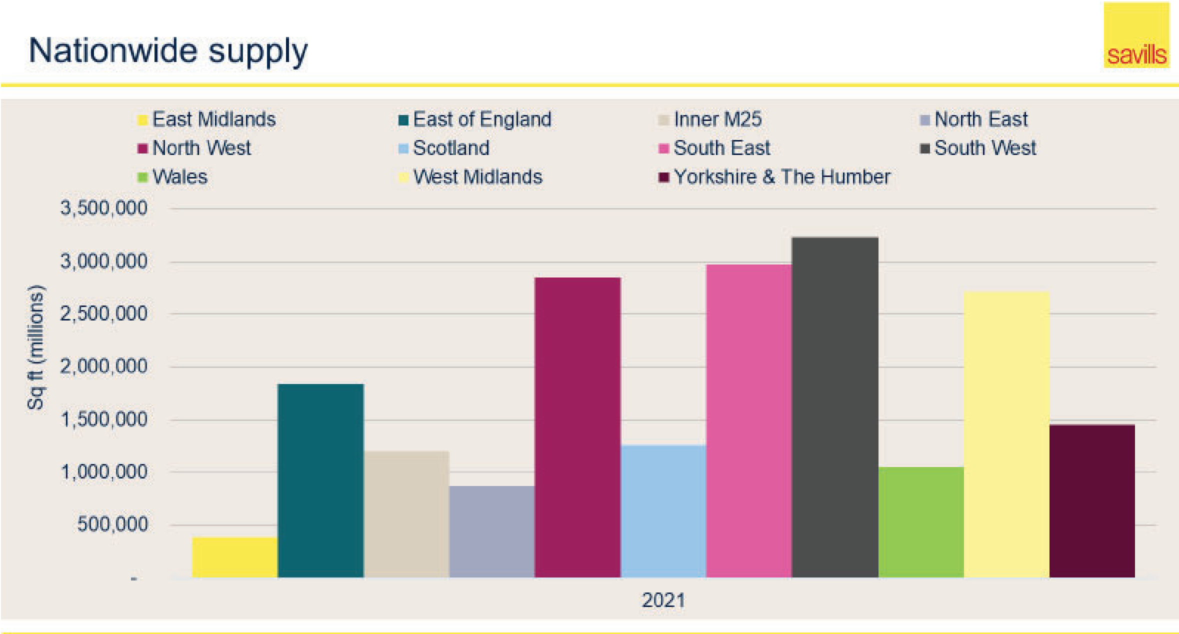
Supply

Given the strong levels of take-up, supply has fallen at its fastest pace ever and now stands at 20.13 million sq ft across 113 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 588 million sq ft and a current nationwide vacancy rate of 3.43%, the lowest level since Savills started recording the metric. Moreover, given the current levels of supply within the UK market and using the three-year rolling average take-up of 40.19 million sq ft there is just 0.5 years' worth of supply left within the whole of the UK.



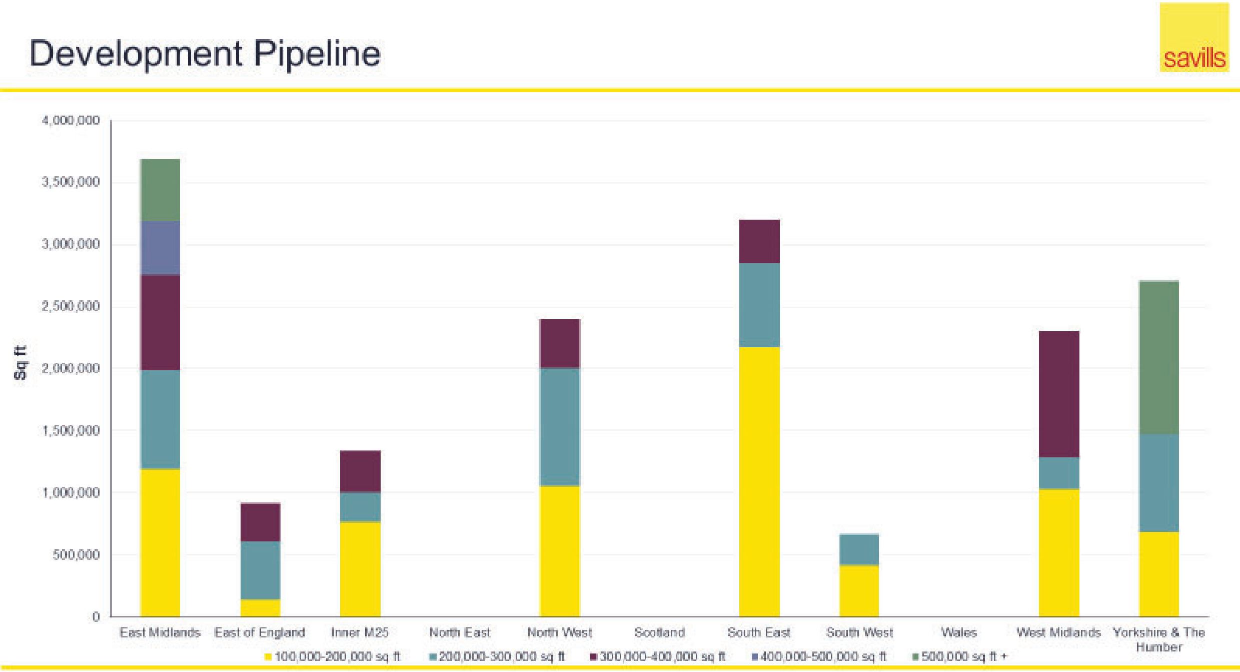
As seen in the above graph, there has been a continued decrease in available supply since the peak of 94 million sq ft in 2009, falling 78% to 2021 levels. Occupier demand towards better quality units has stimulated a shift in the quality balance of the available stock, currently by sq ft 12% of space of the market is Grade A speculatively developed space, 15% is second hand Grade A space, 40% is Grade B space and the remainder Grade C space. On closer analysis, the level of supply could in fact be considered far lower, a large proportion of the Grade C available space could in fact be considered obsolete through not being able to accommodate modern occupier requirements.

The levels of supply are unequal across the country, as the chart below shoes. The South West & Wales has the highest amount of vacant stock with 4.29 million sq ft available, this is followed the South East with 2.98 million sq ft available. The North West has 2.85 million sq ft available, the West Midlands has 2.72 million sq ft and Yorkshire & the North East has 2.32 million sq ft available. Availability in the East of England currently stands at 1.84 million sq ft, Scotland 1.26 million sq ft and the Inner M25 has 1.2 million sq ft available. The East Midlands has the lowest level of supply with just c. 690,000 sq ft available.



The available supply is heavily skewed towards smaller sized units. At present, 73% of the vacant stock by unit count is within the 100,000-200,000 sq ft size band, 18% are within the 200,000-300,000 sq ft size band, 5% within the 300,000-400,000 sq ft size range, 3% in the 400,000-500,000 sq ft size band and 1% over 500,000 sq ft+. There are just 10 units within the United Kingdom above 300,000 sq ft.

We are currently tracking 17.42 million sq ft of speculative development due to reach practical completion in 2021/2022, which, given take up levels will provide some much needed relief to the chronically low levels of supply. The East Midlands has the highest amount of speculative development with 3.69 million sq ft under construction. This is closely followed by the South East with 3.39 million sq ft under construction. There is currently 2.7 million sq ft under construction in Yorkshire & the Humber and 2.4 million sq ft in the North West. There is currently 2.3 million sq ft under construction in the West Midlands. There is 1.34 million sq ft under construction in the Inner M25, c. 920,000 sq ft in the East of England and c. 670,000 sq ft in the South West.



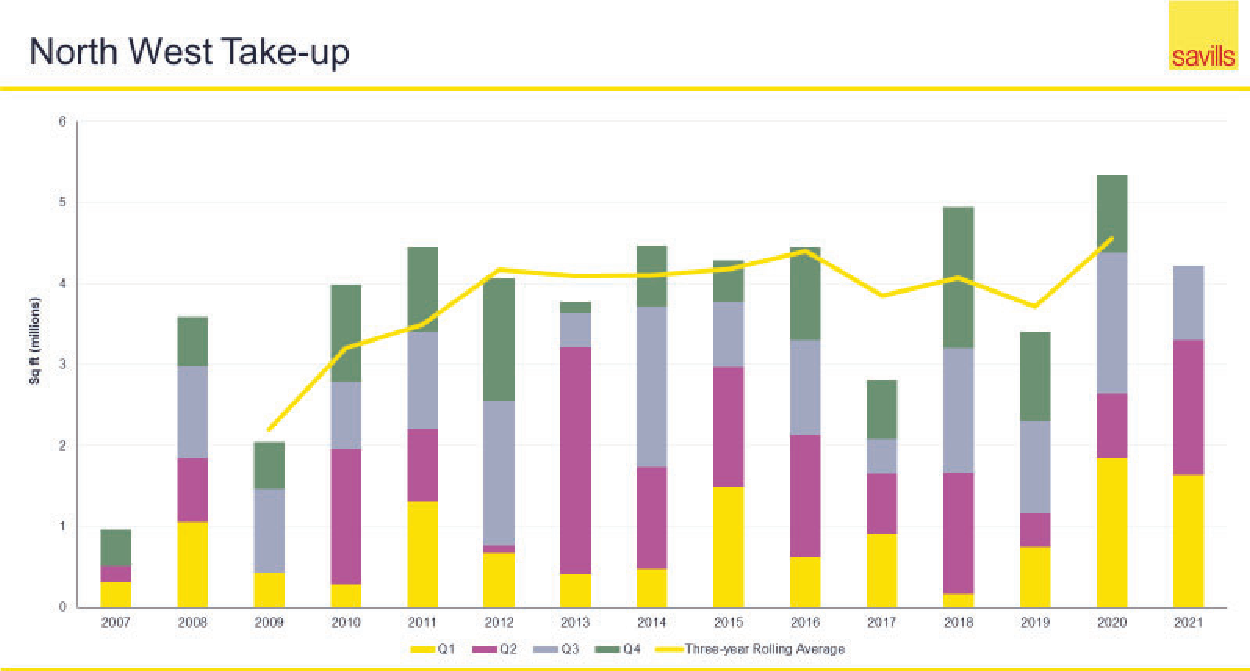
3. North West

The North West has continued to see a huge uptick in enquiries and subsequent transactional activity. The 4.23 million sq ft of take-up seen this year has caused the level of supply to fall to 2.85 million sq ft across 14 separate units. This leaves the region with just 0.62 years' worth of supply. "

Due to the Covid-19 pandemic, all non-essential firms in the UK entered a state of lockdown in March 2020. Many manufacturers temporarily ceased operations entirely, with a number of non-essential distribution firms following suit. Whilst the second half of 2020 saw a resumption of activity across the sector, curtailed business activity has almost certainly had a detrimental impact on many elements of industrial and retail-driven take up over the past few years, particularly for Standard Industrial demand (units <100,000 sq ft).

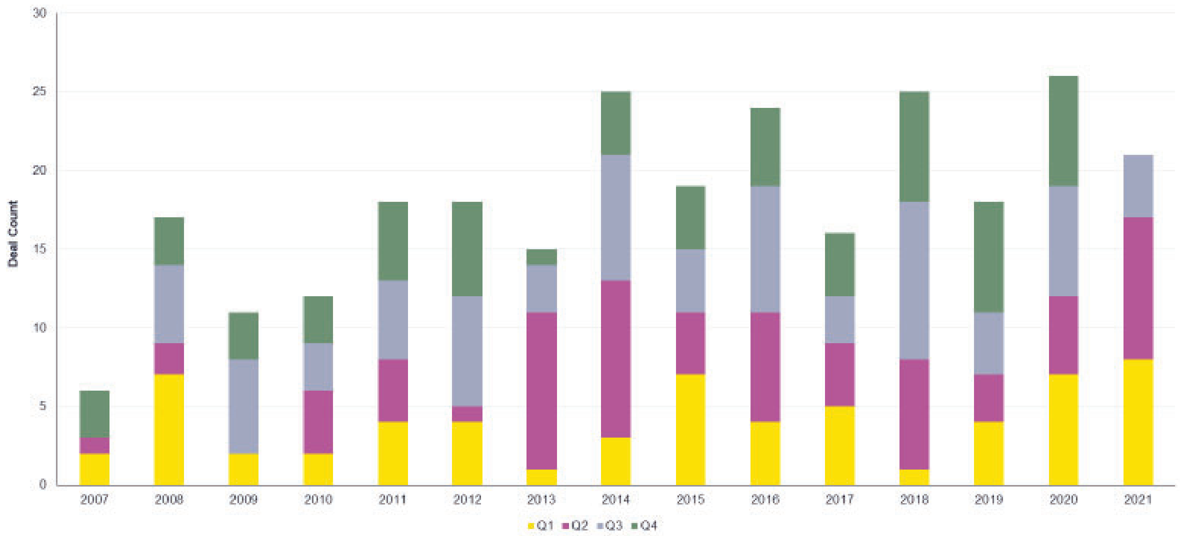
Logistics demand (units >100,000 sq ft) has been far more resilient in many markets. This was initially driven by supermarkets and those involved with the production and delivery of essential food and medical provisions, however we have also seen heightened activity with the accelerated shift to online retail and a number of firms investing in new logistics space to deliver business efficiencies, despite consolidation and business caution at a national level.

North West Take-up



Take-up within the North West in 2020 for units over 100,000 sq ft reached 5.33 million sq ft across 26 separate transactions, it was the best year on record surpassing the long term annual average take-up by 42%. The strength of the market has continued into 2021 with take-up reaching 4.22 million sq ft across 21 separate transactions, this figure is already 12% above the long-term annual average and only 160,000 sq ft shy of the record breaking Q1-Q3 seen last year.

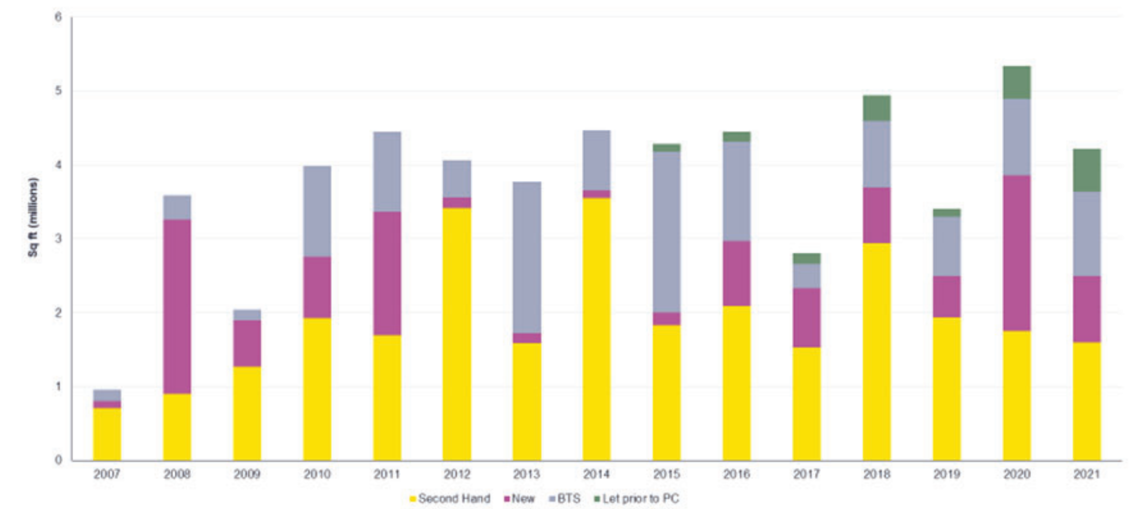
North West Take-up by Deal Count



Despite the level of take-up being slightly lower than last year, looking at take-up by deal count emphasises the continued increase in deal activity in the region. In 2021, there have been 21 separate transactions compared to 26 in the entirety of 2020. Moreover, the annual long-term average deal count is just 18 highlighting the above average activity in recent years.

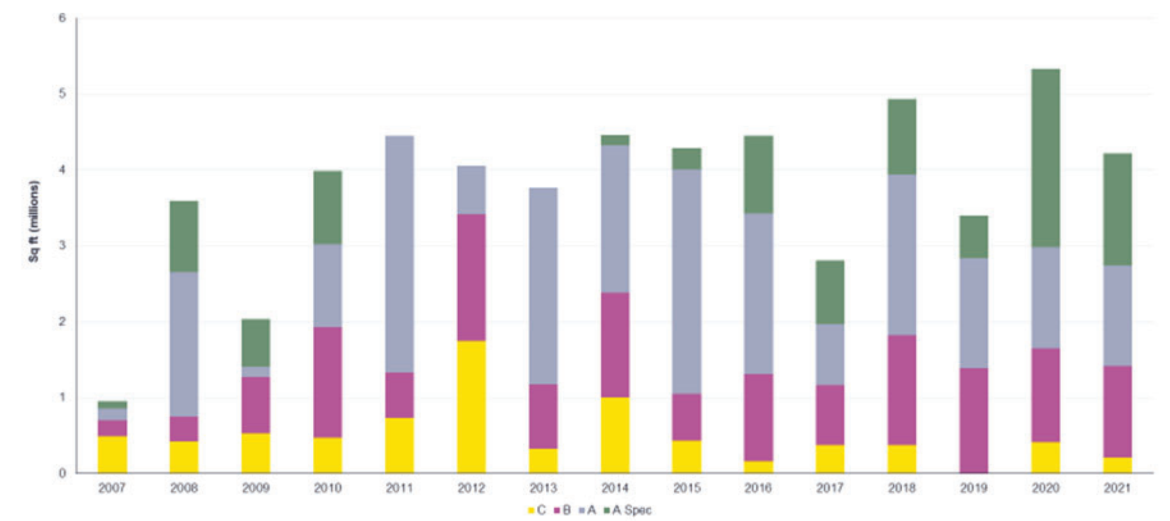
As Covid-19 has delayed construction times, we have seen an increase in take-up of second-hand space in the region to satisfy immediate requirements. In 2021, 38% of space transacted has been second hand, 21% has been speculatively developed space, 27% built-to-suit and the remainder has been space let prior to practical completion. According to the long-term average, 52% of space transacted per annum is second hand, 21% is speculatively developed space, 23% is built-to-suit space and 3% is let prior to practical completion.

North West Take-up by Specification

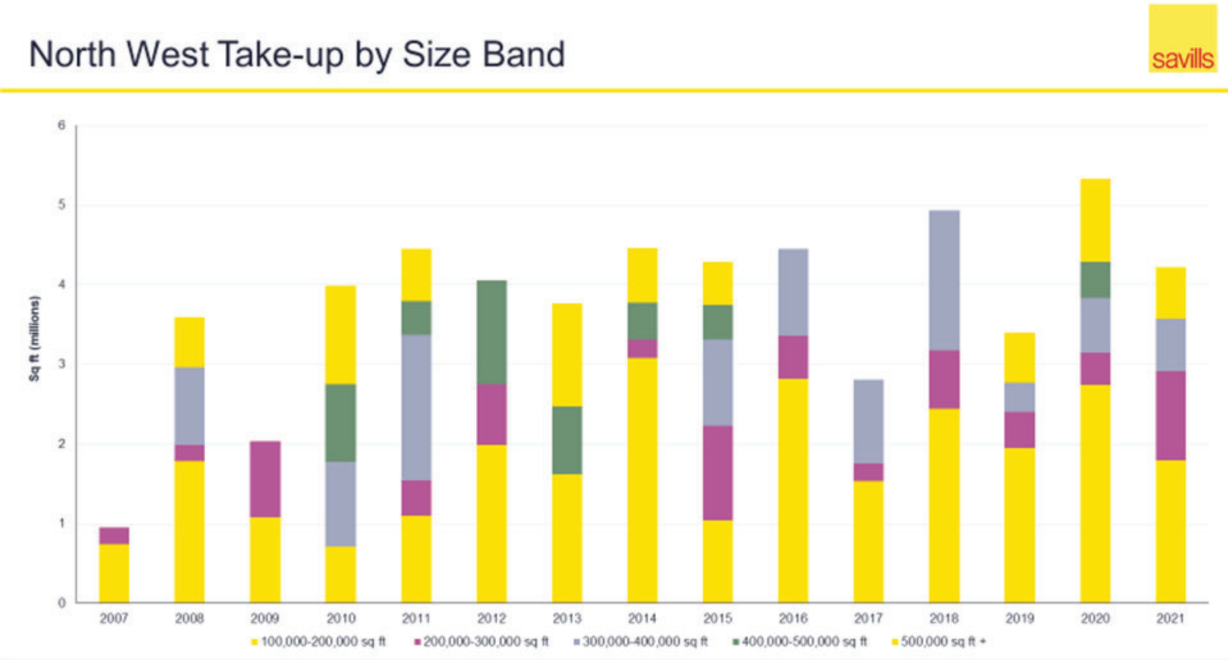


Occupier preference continues to push further towards high quality Grade A space. In 2021, 66% of space transacted has been Grade A, 29% has been Grade B and 5% has been Grade C space. According to the long-term average, 18% of space transacted per annum is Grade A speculatively developed space, 39% is Grade A space, 27% is Grade B space and 16% is Grade C space.

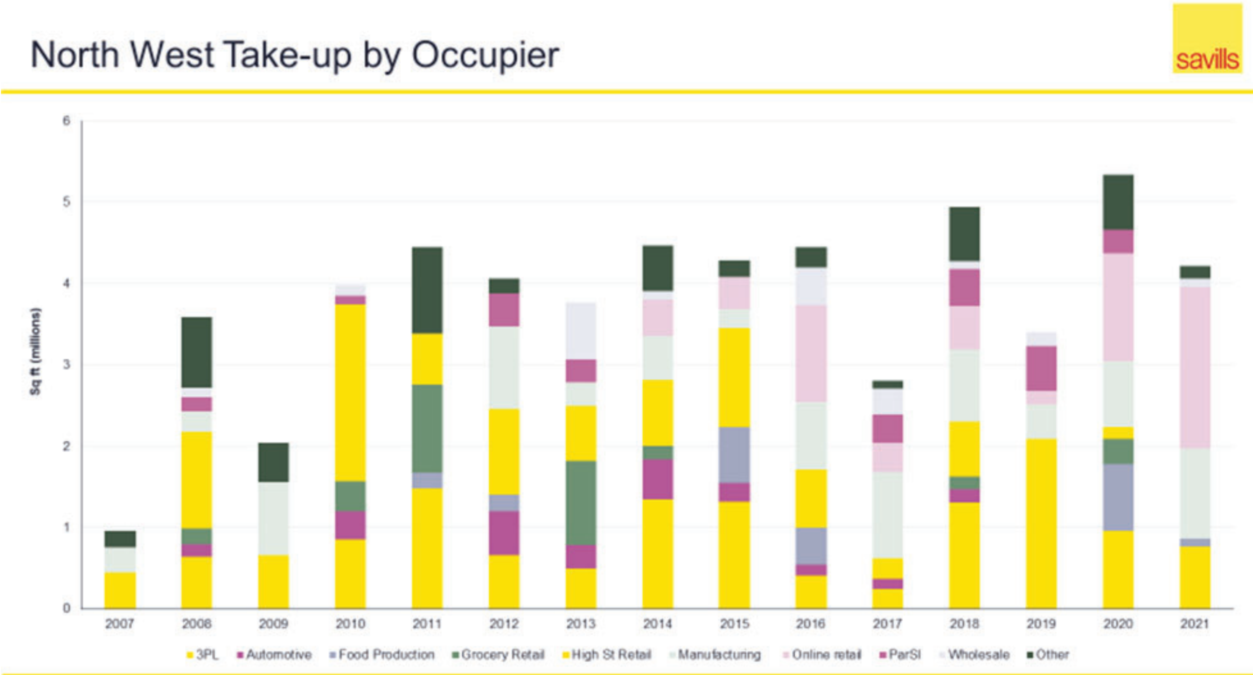
North West Take-up by Grade



Deal volumes have historically centred around smaller size bands, Since 2007, 68% of transactions per annum have been within the 100,000-200,000 sq ft size band, 12% within the 200,000-300,000 sq ft size band, 11% in the 300,000-400,000 sq ft size band, 4% in the 400,000-500,000 sq ft size band and 5% over 500,000 sq ft. This trend has continued into 2021, by unit count 62% of deals were within the 100,000- 200,000 sq ft size band, 24% have been within the 200,000-300,000 sq ft size band, 10% in the 300,000-400,000 sq ft size band and 5% in the 500,000 sq ft+ size band.

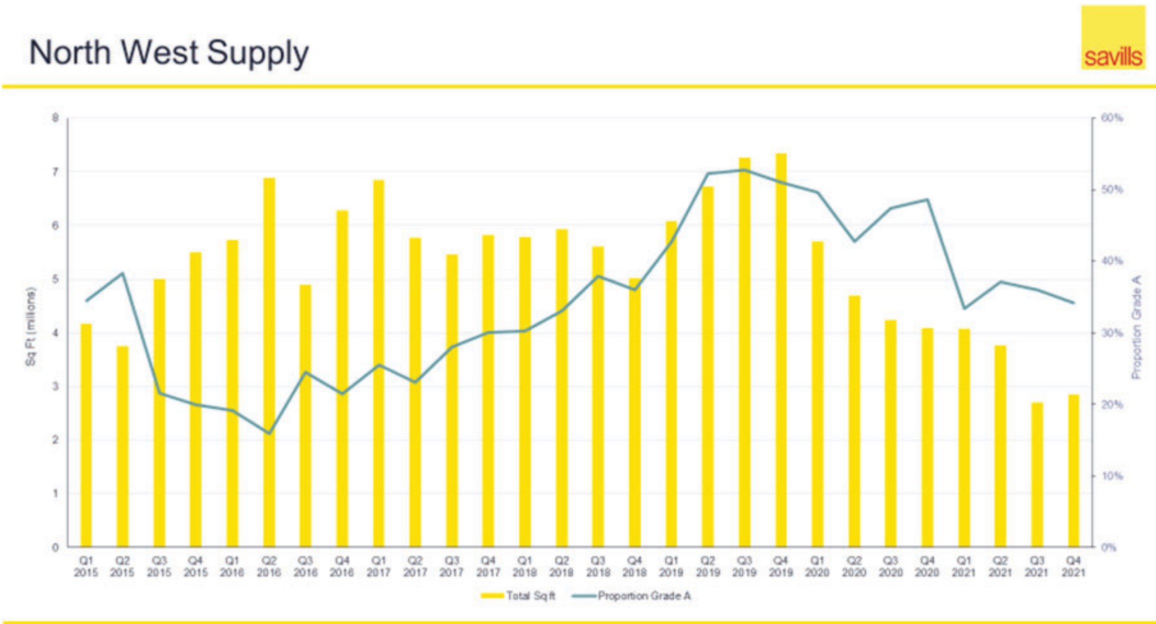


Historically, occupier demand has been incredibly diverse. In 2020, 18% of demand came from 3PL's, 15% from food producers,, 6% from grocery retailers, 3% from high street retailers, 15% from manufactures, 25% from online retailers, 5% from Parcel companies and 13% from the 'other sector'. In 2021, 18% of demand has stemmed from online retailers, 2% from grocery retailers, 26% from manufactures, 47% from online retailers, 2% from wholesalers and 4% from the other sector. According to the long term average 23% of take-up had been from 3PL's, 4% has been from the automotive industry, 4% from the food producers, 5% from grocery retailers, 18% from high street retailers, 18% from manufactures, 10% from online retailers, 5% from parcel companies, 4% from wholesalers and 10% from the 'other' sector.

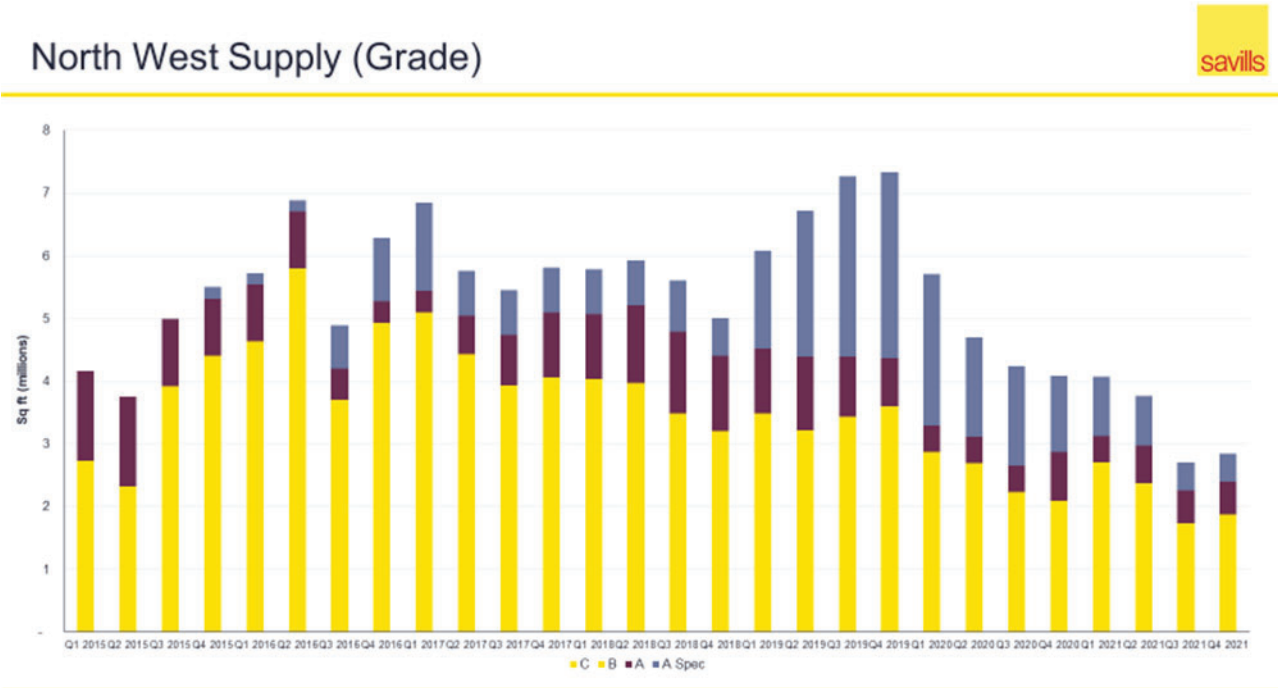


Supply

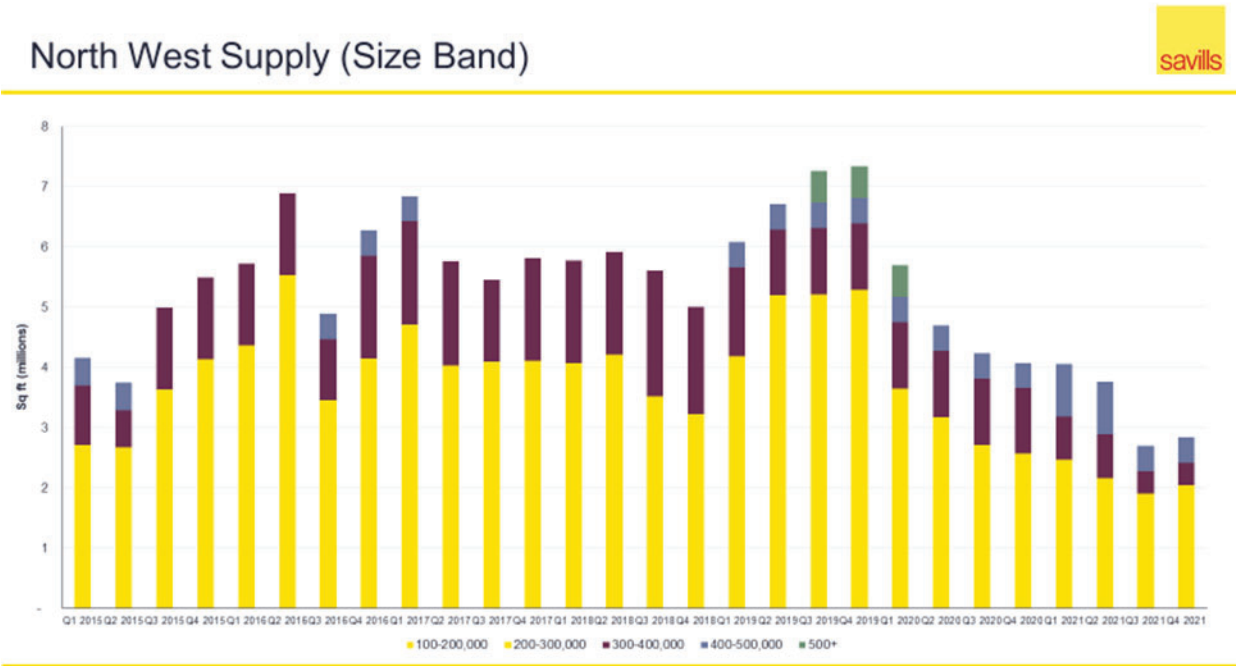
As a result of the strength seen in the occupational market, the level of supply in the North West 2.85 million sq ft across 14 separate units. This has pushed the vacancy rate to 3.51%. Savills undertook analysis using MSCI data which demonstrated that as long as vacancy rates remain below 12% in the region, there will be continued rental growth. RealFor, an economic forecasting house predicts that the region is set to see rental growth of 17.4% until 2025. Whilst these macro-econometric forecasts take into account past performance and wider economic indicators such as GDP, employment and consumer confidence, they do not readily consider localised market conditions. Given that vacancy has hit record low levels in many regions, construction materials are in short supply, and occupier demand remains at record levels, there is a clear case to suggest that actual rental growth will exceed the current forecasts.



The continued occupier preference towards high-quality Grade A space has further shifted the quality balance of the available supply. Now, of the space on the market 34% is classified as Grade A compared to 50% one year ago. Furthermore, 38% is classified as Grade B and the remaining 28% is Grade C.



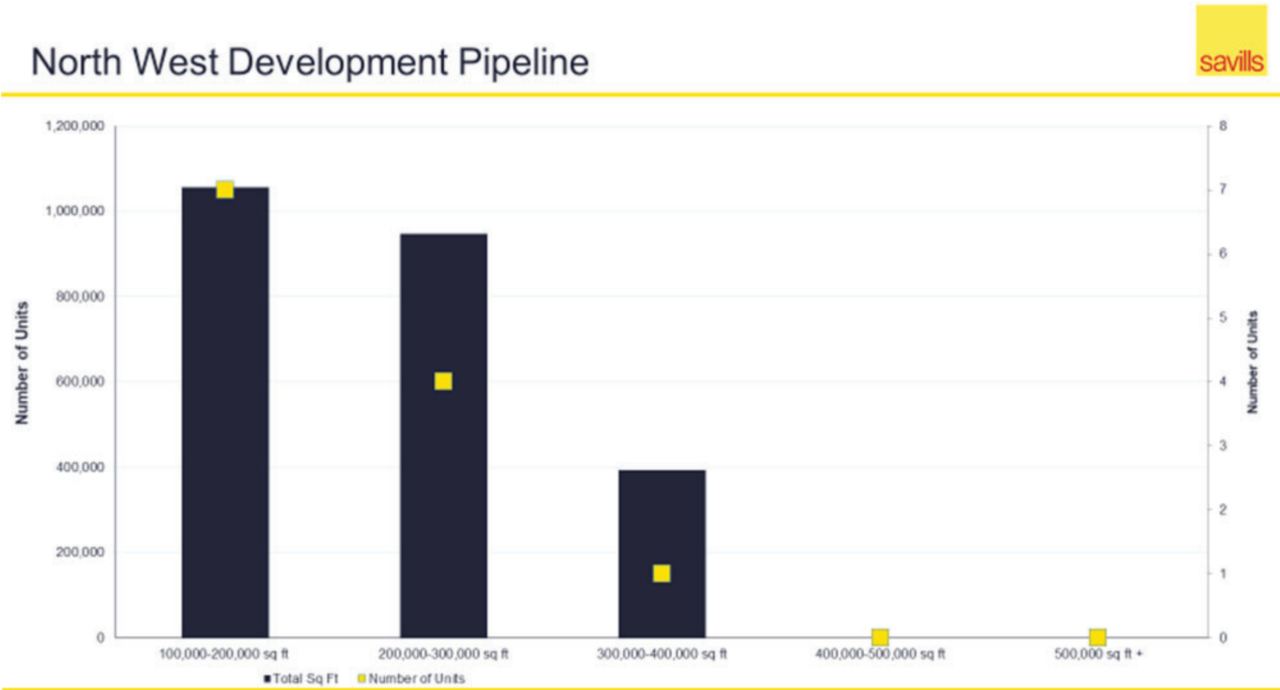
In terms of unit count, 57% of the available supply is within the 100,000-200,000 sq ft size band, 29% are within the 200,000-300,000 sq ft size band, 7% the 300,000-400,000 sq ft size band and 7% the 400,000-500,000 sq ft size band.



Developers have responded to the lack of supply within the market, currently there is 2.34 million sq ft under construction speculatively within the region which should provide some much needed relief to the chronically low levels of supply. There are currently seven units under construction within the 100,000-200,000 sq ft size band, four units under construction within the 200,000-300,000 sq ft size band and a single unit within the 300,000-400,000 sq ft size band.

Occupiers are beginning to understand the scarcity of units, with many committing to new facilities during the build program. Almost unthinkable 18 months ago, we have seen a number of large units go under offer as far out as 6 months before PC. Examples of this are:

- Panattoni Park, Bolton - 280,000 sq ft - UPS
- Crewe 305, Crewe - 305,000 sq ft – AO.com
- Super W, Warrington - 240,000 sq ft – The Hut Group
- Metro190 Trafford Park - 193,000 sq ft - TFS



The graph above highlights the new build units which are on site. There are a number of other schemes that have been proposed but either delayed by the planning process or the shortage of raw materials.

The other factor which has exacerbated this shortage is the call in by the Secretary of State of a number of key development sites in the region, which will continue to impact on the supply of new premises in the region.

One site that has been granted consent is the Tritax Symmetry site in Wigan. The 132 acre site is prominently situated at Junction 25 of the M6 motorway, and is attracting significant interest for the following reasons:

- Accessibility
- Certainty to delivery through a consented planning permission
- Ability to deliver large unit sizes
- Well-funded and experienced developer
- Rare opportunity to acquire a site with immediate access to the M6

The last point is particularly pertinent in respect of the wider North West market. The M6 continues to be the focus of many occupiers attention, but is characterised by a lack of deliverable opportunities for large scale development. As a consequence we are beginning to see end –users considering alternative locations within the North West to satisfy their requirements or indeed in some cases leave the region.

Warrington continues to be the prime logistics location in the North West primarily because of its accessibility and position in the centre of the region. It is remains the focus of a large proportion of all logistics and manufacturing companies seeking to relocate from within and outside the area.

Omega, Warrington is the prime example, providing new build solutions for many of the country's leading Industrial and Logistics companies such as Amazon, Hermes, The Hut and Royal Mail. All have made significant acquisitions, drawn to the location due to its access and connectivity to a motorway junction, oven ready development plots and labour demographics.

Warrington provides a ready and available workforce for many of these companies, with higher than average unemployment, a skilled population and an increasing population size through the provision of further residential development

With the Omega scheme now complete and no other significant development sites available in the Borough, Warrington will be unable to accommodate the next phase of requirements and job creation which accompanies these occupiers.

4. Future Demand

Savills are actively tracking in excess of 10m sq. ft. of new enquiries in the region (over 100,000 sq. ft). With the delays on the next phase of spec units and the uncertainties being experienced in the planning process, the North West will not have enough units or land to accommodate these occupier requirements in the prime areas of the region.

5. Conclusion

With the unparalleled demand being experienced in the industrial sector coupled with record low levels of supply, the North west finds itself in unique position where the region will soon be unable to attract or satisfy occupiers logistics requirements.

It is clear from our analysis that the majority of occupiers have a number of drivers, but location remains their focus and in particular ease of access to a motorway junction. The M6 remains the key focal point, but with access to the wider region via the M56 and M62 is a necessary requirement.

Warrington situated on the axis of these motorways, is often the primary location for occupiers seeking these attributes, and this has been shown in the success at Omega. With the latter development site now almost full, Warrington urgently requires additional sites which can deliver solutions to cater for the unprecedented demand which the sector is experiencing.