



## North West Leicestershire Local Plan Examination

### HEDNA and North West Leicestershire District Council's Statement on the Implications of its Publication on the Employment Land Requirements for the Local Plan

#### Statement by JLL on behalf of IM Properties Plc: Representer No. 27

#### HEDNA

1. Having reviewed this long document, and its appendices, in the limited time available, JLL has three principal criticisms as to its suitability as an evidence base that can be relied upon for the purposes of development plan-making for the District. These are summarised as follows:
  - The evidence presented on take-up industrial (i.e. B1c/B2) land in North West Leicestershire seems to be inconsistent with data on take-up provided in previous background papers of the Council and in new evidence presented (using the VOA database).
  - There is a disconnect between economic and market signals and projected employment land requirement for the District, particularly in terms of the nascent manufacturing sector.
  - The evidence presented and analysis on the requirement for strategic distribution land is extremely limited, unclear, inherently inward looking, does not consider the latest trends and drivers to market demand (e.g. increasing online retailing), and takes no account of a wider strategic need and cross boundary issues with the West Midlands.
2. These three criticisms relate directly to concerns raised by IM Properties in its Position Statements on Matters 1, 2 and 6 (bullet points 2, 3, and 4 to Paragraph 1 to the latter), with these concerns still unresolved. The final concern (fifth bullet point to Paragraph 1 to the Position Statement to Matter 6) - the location and advantages of the District, particularly the M42 Corridor, being underplayed - is also unresolved and is covered below under the heading of 'NWLDC's Statement on the Implications'.

#### ***Take-up of Industrial Land in North West Leicestershire***

3. Table 83 to the HEDNA concludes that employment land needs for North West Leicestershire for 2011-2031 are as follows:

**Table 1 - Summary of Projected Employment Land Requirement for North West Leicestershire**

Type	Use Class	Land Take (Ha)
Offices / Research and Development	B1a/b	46
Industry	B1c/B2	3
Small Warehousing (below 9,000 sq m)	B8	17
<b>Total</b>		<b>66</b>

4. The standout figure is 3 hectares for B1c/B2 for the full 20 year plan period. Apart from Oadby and Wigston, it is by far the smallest entry for B1c/B2. The other local planning authorities in the FEMA range from 14 hectares to 36 hectares for this category.

5. This figure is derived from annualised completions data provided by NWLDC (reference source to Table 80 and Paragraphs 11.19 and 11.20 of HEDNA) and then projected forward over a 20 year period. No breakdown of these figures is provided. However, it can be surmised that the completions data for B1c/B2 for North West Leicestershire provided by the District Council show very little take-up in this sector.
6. This analysis is not, however, backed up by other evidence presented in HEDNA. Table 74 in Section 10 provides statistics from the Valuation Office Agency (VOA) database showing the change in industrial floor space in the period from 2000-2012. North West Leicestershire experienced easily the biggest growth over this 12 year period in the FEMA, with industrial floor space increasing from 881,000 sq m to 1,429,000 sq m – i.e. by 548,000 sq m.
7. Table 74 does not break down industrial floor space by category. Instead, it is a generic term covering manufacturing and distribution. However, we have obtained from the VOA the floor space figures for storage and distribution. This data, as well as the comparable spreadsheet for industrial, is attached as **Enclosure No. 1**. As noted above, the storage and distribution figures are a subset of the wider industrial figures. Table 2 below provides analysis, including the likely resulting land take employing the same assumptions as G L Hearn (i.e. 42% site coverage).

**Table 2 - Changes in Industrial Floor Space in North West Leicestershire shown from 2000-2012**

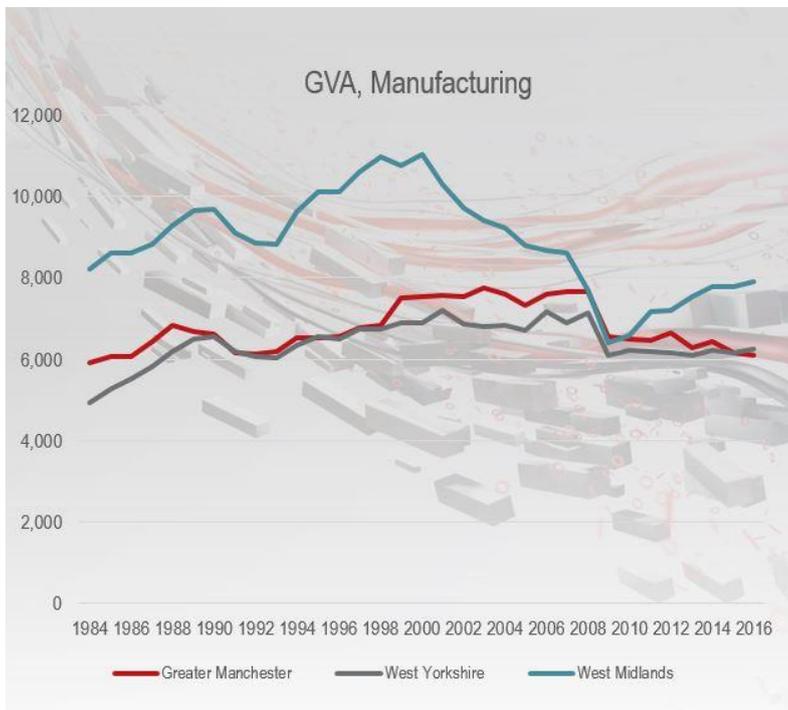
	2000 (sq m)	2012 (sq m)	Difference (sq m)	Assumed Land Take (Hectares)
Industrial	881,000	1,429,000	+ 548,000	130.5
Storage and Distribution	121,000	371,000	+ 251,000	59.5
Industrial (excluding Storage and Distribution)	760,000	1,058,000	+ 298,000	71.0

Source: VOA database

8. It is to be emphasised that these are statistics over a shorter 12 year period. Any projection of these figures over the longer 20 year plan period will be significantly greater.
9. This evidence is completely at odds with the completions data analysed and summarised in Table 80. It shows that the level of industrial land in North West Leicestershire, excluding storage and distribution, has increased significantly over the last decade and to a greater extent than anywhere else in the FEMA. However, it does bear comparison with the gross take-up figures referred to in IM Properties' Matter 6 Position Statement (Paragraph 17) and included in EX/25 (an early iteration of the Council's Background Paper BP/06). This referred to take-up in North West Leicestershire over a longer period - 1991-2011 - of 258 hectares.
10. As such, JLL does not consider safe reliance can be placed on HEDNA in respect of this important aspect. It is clear that there is conflicting evidence on the take-up and growth of industrial floorspace in North West Leicestershire and, as a result, the projection of B1c/B2 land for the District looks to be a total underestimation. JLL recommends that the evidence that supports this projection should be reviewed as a matter of urgency.

**Disconnect with Economic and Market Signals**

11. In any event, it is clear that this very limited projection for industrial floor space does not accord with recent evidence of significant improvement in economic and market conditions. The Matter 6 Position Statement of IM Properties referred to the current renaissance in manufacturing in the Midlands, with this now being actively supported by the Government in the shape of a recently published Industrial Strategy.
12. This is evidenced by a graph below which shows trends in GVA in manufacturing. Following a period of decline from 2000, GVA in manufacturing in the West Midlands has recovered over the last six/seven years. Moreover, this recovery is in marked contrast to other areas - Greater Manchester and West Yorkshire - which have stagnated.



Source: JLL, Oxford Economics

13. A large part of the success is down to the growth of JLR and the automotive sector. The oral representations of JLL at the examination (with regard to Matter 6) referred to the dramatic upturn of this company. JLR has created 12,000 manufacturing and technology jobs in the last three years and invested £2billion, doubled the number of the staff to 10,700 and trebled production in its Solihull plant alone since 2011. In addition, this company sustains indirectly 275,000 jobs in its supply network.
14. Whilst located in Solihull and Castle Bromwich, JLR's influence spreads beyond the West Midlands. North West Leicestershire is extremely well placed to take advantage of growth in this sector due to the M42 motorway. Indeed, Plastic Omnium, an important automotive component supplier to JLR, has a large plant at Measham in the west of the District.
15. In addition, the very limited projection for industrial (B1c/B2) land for North West Leicestershire is at odds with the strong contribution of manufacturing that HEDNA projects for planned growth in GVA. Paragraph 4.39 refers to this sector performing strongly, posting GVA growth of 1.8% pa between 2011 and 2036 – 3 times the historic growth rate of 0.6% between 1994 and 2015.

16. Moreover, whilst commercial agents have been consulted (Paragraph 10.45 - albeit no details are provided), it would appear little or no account has been taken of their comments in projecting floor space and land requirements for North West Leicestershire and the western parts of the FEMA. Paragraph 10.55 refers to speculative new build development becoming viable across all scales of development within the FEMA, particularly in western parts of the County, given the high demand levels. In addition, the key points summarising industrial and warehousing at the end of Section 10 refer to a strong market for industrial and warehouse activity in the FEMA, with growth focussed particularly in North West Leicestershire and Harborough.

***Strategic B8 Sector and Cross Boundary Issues with the West Midlands***

17. HEDNA in Section 11 does not provide any new evidence or a serious analysis of the need for strategic B8 development in the FEMA. This element of the requirement, which is acknowledged elsewhere in HEDNA as a significant sector to the County (reference Paragraphs 1.9, 3.39, 10.26, 10.50-10.54), is dealt with summarily in just 10 paragraphs, of which four are concerned with housing considerations. As reported above, HEDNA does contain some constructive and positive commentary on the strength of this sector of the market, particularly the strength of demand in the Golden Triangle. However, this has not been acted upon.
18. In addition, it is unclear whether the figures on need in the FEMA over the plan period (361 hectares) are derived from the original 2014 Strategic Distribution Sector Study or a review of this document. Reference is made to Harborough District Council commissioning MDS Transmodal in 2016 to refresh elements of 2014 study. However, the link provided to Harborough District Council's website leads only to the original report. JLL understands that this refresh by MDS Transmodal has yet to be published.
19. Significantly, the 2014 Strategic Distribution Sector Study is inherently inward looking. Its methodology is to consider principally the need for replacement stock of existing warehouses within the FEMA. As such, it does not consider how the FEMA interacts with neighbouring areas (such as Warwickshire) which fall also within the Golden Triangle. This seems strange as it is acknowledged by both the Strategic Distribution Sector Study and HEDNA that the strategic distribution sector market goes beyond the FEMA, particularly in terms of its role in serving national and regional distribution centres.
20. As an overall comment, the HEDNA provides very little context about the relationship the FEMA has with surrounding FEMAs. No serious consideration has been given of the wider strategic need in adjoining FEMAs, particularly to the west in the West Midlands. At the Hearing Session for Matter 6, JLL raised the wider need stemming from North Warwickshire, as evidenced by various sources. However, no reference has been made to this need and it would appear (from the list of attendees to the Public Sector Stakeholder Session held on 27 June 2016 - Appendix 8 to the HEDNA) that no one from North Warwickshire Borough Council (or any other Warwickshire Local Planning Authority apart from Rugby Borough Council) participated in the production of this study.
21. Since the production of the Strategic Distribution Sector Study in 2014, there have been significant economic and market changes which have impacted upon this sector. These were reported by JLL at Hearing Session in January and details provided in the Position Statement for Matter 6. Reference at the Hearing was made to the latest JLL Big Box Survey of January 2017 (provided in **Enclosure No. 2**). Facts that were highlighted included:
- Occupier take-up in 2016 was 38% up on 2015 and the second highest level recorded in the past 10 years.
  - East Midlands accounted for the largest share (21% of national take-up), with West Midlands the second largest (at 18%).

- Grade A supply at the end of 2016 was the second lowest recorded over the last 10 years, representing only 8.5 months of demand.
22. Given the importance of this sector to the sub-regional and regional market for employment land, and the wider economy, JLL anticipated that HEDNA would have undertaken a substantial and full review of this sector. This review could have looked at other methods for projecting floor space (e.g. looking at changing levels in online retail - a particular driver demand for new warehousing), considered the latest market data, and placed this market in its proper context – e.g. the Golden Triangle as defined by the M1, M6 and M42 (Paragraphs 1.9 and 10.51 of the HEDNA). With regards to the first point, the JLL Big Box January 2017 Survey identifies retailers as the most active sector in terms of take-up (at 58% of the total for 2016), with Amazon and Lidl particularly acquisitive of national and regional distribution hubs. Unfortunately, the opportunity for review has not been taken and, thus, HEDNA does not give an updated or true picture of this sector.

### **North West Leicestershire District Council's Statement on the Implications for the Local Plan**

23. JLL holds four principal concerns with this Statement. These can be summarised as:
- The total reliance for Council has placed on HEDNA despite only limited stakeholder engagement and no testing through examination.
  - Inconsistency in approach with the issue of strategic B8 with the Publication Plan.
  - The allowance for losses of existing employment land has been under estimated.
  - No consideration has been given to market signals and the particular advantages the District holds, specifically in terms of the M42, in attracting and accommodating demand from the West Midlands.
24. For these reasons, JLL does not agree with the statement made in Paragraph 5.11 of the Council's Statement that there is no immediate urgency to address a perceived shortfall. JLL considers the shortfall is significantly greater than has been perceived, spanning both industrial and strategic B8, and is an issue of concern that needs to be addressed now.

#### ***Reliance on HEDNA***

25. The HEDNA has been taken at full face value by the Council. This is despite limited stakeholder engagement and no formal consultation. HEDNA refers to two stakeholder workshops on 27 June 2016. However, these events were not well publicised, particularly to the development industry involved with employment land.
26. Paragraph 1.2 of the Council's Statement refers to a further stakeholder event that took place on 9 February 2017. It is not clear what the practicable purpose of this event was, although at just over an hour in length, little, if any, interrogation of the detail was possible.
27. It is unclear also what examination the HEDNA will undergo under independent scrutiny. Given JLL's concerns, as summarised above, we consider further detailed scrutiny and subsequent review are required before any reliance can be placed on its principal findings unless an appropriate modification to policy can be found.

28. For example, JLL holds deep reservations about the level of B1c/B2 land projected for North West Leicestershire for the plan period. 3 hectares for the next 20 years for the District does not seem credible given other evidence available, the positive signals emanating from the economy and wider market, and the obvious advantages the District enjoys in terms of communication and infrastructure.

***Inconsistent Approach with Strategic B8 Sector***

29. Strategic B8 is no longer included in the projected employment land need. This is inconsistent with the approach with the Publication Plan. As things stand, the revised policy for S1 makes no allowance for this sector. This is a significant and serious omission given its recognised importance to the District and the wider area.
30. In addition, East Midlands Gateway is now included within the supply figures for strategic B8 - Table 2 - albeit a split is provided in a footnote. East Midlands Gateway is a sub-regional resource whose catchment goes beyond the boundaries of both the District and the FEMA, taking in the M1 and A50 Corridors and the cities of Derby and Nottingham. As with the Publication Plan, it should be treated separately.

***Allowance for Loss of Industrial Land***

31. In Paragraph 5.5, an allowance is made for employment land on the basis of previous land lost (calculated at 1.28 hectares per annum). However, this annualised rate is only factored for the remainder of the plan period (2016-2031) giving an allowance of 19.2 hectares. This approach is inconsistent with the overall approach with current supply (i.e. including permissions and starts as summarised in Table 2) which looks back to the base date of the plan of 2011.
32. Looking back to 2011, the annualised rate of 1.28 hectares per annum will equate to 25.6 hectares over the whole 20 year plan period. This figure equates almost exactly to the 25.8 hectares referred to in Paragraph 5.8 which is made up of the 9 sites assessed (by EC/05) as potentially suitable for release for other uses.
33. The Publication Plan assumed 45 hectares should be allowed for over the plan period for replacement of losses. The Council is now considering a much lower figure (albeit it includes no strategic B8). On this basis, it would be more robust to work on the basis that 25.6 hectares was a minimum figure as much as the 66 hectares bottom line projection.
34. Working on this basis, the net requirement for B1, B2 and small B8 can be summarised as follows:

**Table 3 - Net Requirement for B1, B2 and Small B8 for North West Leicestershire 2011 to 2031**

	<b>Land Take (Hectares)</b>
HEDNA	66.00
Allowance for Losses	25.60
Less Starts	-13.62
Less Permissions	-29.86
Less Money Hill Allocation	-16.00
<b>Total Minimum Shortfall</b>	<b>32.12</b>

35. This shortfall is substantial. In addition, it is not clear if any allowance has been made for the likely loss of the Lounge Disposal Point site. The agent for this scheme (Knight Frank) was very clear at the examination on the minimal prospects of this site coming forward.

***No Consideration or Interaction with the West Midlands and Recognition of the M42 Corridor***

36. The statement from the Council is silent on the interaction with neighbouring Local Planning Authorities, particularly North Warwickshire, on how migrating strategic employment land requirements could be accommodated within the District, particularly given the excellent linkage the M42 gives to the West Midlands. This is strange given that GL Hearn has produced the Employment Land Review for North Warwickshire (EX/28), concluding that there is a significant requirement for strategic distribution land (up to 330 ha) that cannot be existing accommodated in this Borough, and should be aware that the current draft North Warwickshire Local Plan acknowledges that there is a wider than local need for large B8 sites but that this need not necessarily having to be provided for within North Warwickshire (paragraphs 29 to 32 of IM Properties' Position Statement to Matter 6).
37. The linkage for the West Midlands is not just important in connecting the District to the principal sub regional markets (i.e. Birmingham and Solihull), but also the connection it provides to important infrastructure, such as the already established strategic rail freight interchanges at Hams Hall (Junction 9 of the M42) and Birch Coppice (Junction 10 of the M42). This infrastructure is more important than the availability of sites.
38. The HEDNA does actually make some useful and constructive references from contacting commercial property agents about this connectivity. It refers to demand being strongest for sites in the Golden Triangle close to the main junctions, with the Triangle including the M42 (Paragraphs 10.50 and 10.51). The first bullet point of Paragraph 10.52 refers to the importance of high accessibility for logistics companies to sites near the strategic road network, particularly motorway and key junctions, as well as proximity to rail freight facilities. Finally, in Paragraph 10.55, reference is made particularly to the western parts of the County as the area of highest demand. This last reference chimes with the conclusions of an inspector in a recent appeal decision (EX/29) on a site at Junction 10 M42, referred to in IM Properties' Position Statement on Matter 6 (paragraph 33), that there was a demonstrable need for large employment sites which meet a wider than local need.

PJL  
JLL  
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