



Examination of the Warrington Local Plan

Examination in Public Hearing Statement for Matter 5

Hearing Statements prepared by Savills (UK) Limited on behalf of St Modwen Developments Limited

(Respondent No. 1420)

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Appendices

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1. Statement for Matter 5: Economic Growth and Development

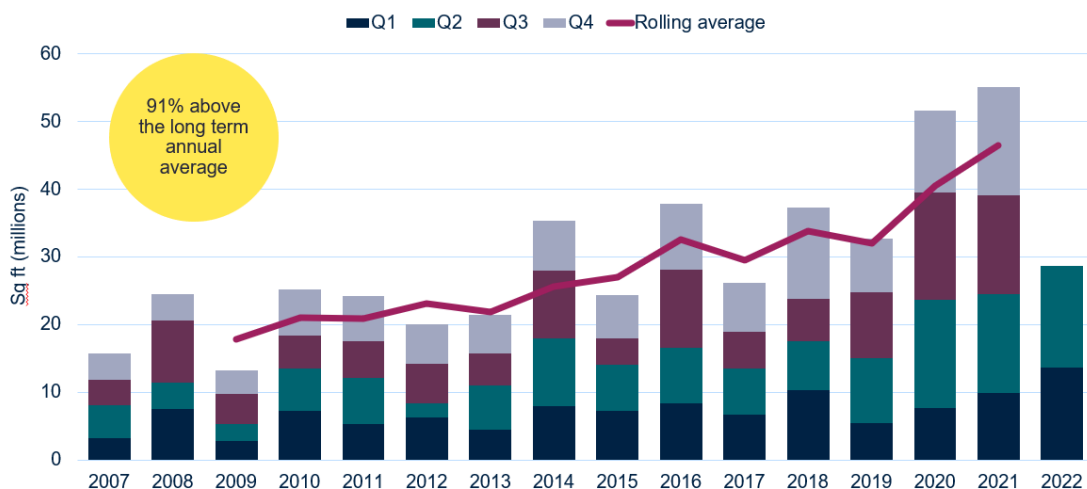
Issue: Whether the Local Plan has been positively prepared and whether it is justified, effective and consistent with national policy in relation to economic growth and development.

Questions and Statement:

1. Is the Economic Development Needs Assessment 2021 justified in basing the need for employment land on historic take up rates rather than jobs growth forecasts?

- 1.1. Our response to Matter 3, Q19, sets out that the EDNA underestimate future demand for I&L development. It is not justified.
- 1.2. The failings of the labour demand model are detailed in Paragraphs 3.3.3 to 3.3.5 of the SENA (Appendix D at **Appendix 1**). Both the Oxford Economics and Cambridge Econometric forecasts were extremely low and are clearly not reflective of the strength of the I&L sector which is the strongest commercial sector in the U.K. This is demonstrated in Figures 1 and 2 from Savills latest 'Big Sheds Briefing'¹ and shows I&L demand is at records levels of 90% above the long term trend. Vacant supply is the lowest on record (3%).

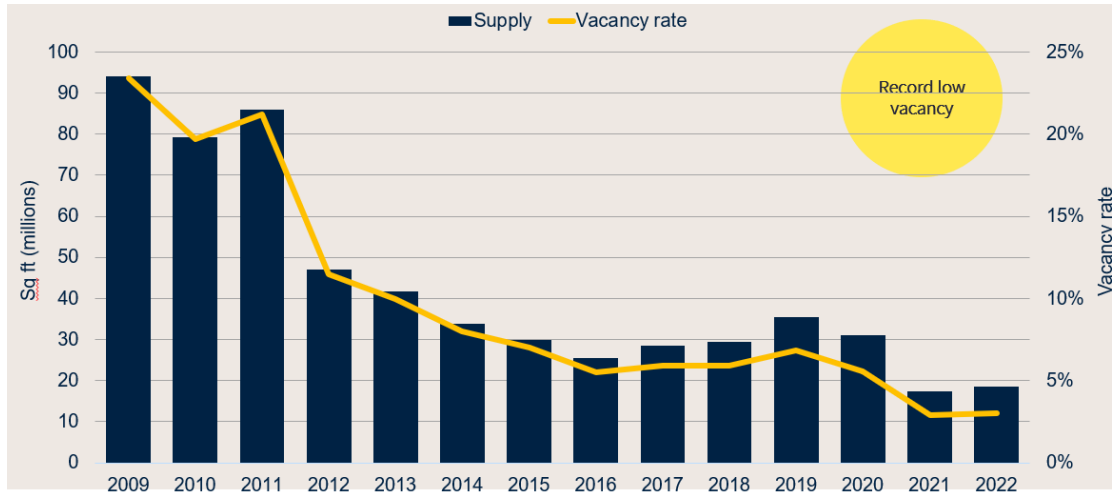
Figure 1: National demand



Source: Savills (2022)

¹ https://www.savills.co.uk/research_articles/229130/330469-0 included at **Appendix 2**.

Figure 2 National vacant supply



Source: Savills (2022)

- 1.3. Labour demand method is not an appropriate evidence base, as employment forecasts often reflect the continued restructuring of the economy away from industry towards services, which underestimate the I&L sector’s performance. Further, changes to the I&L market mean that growth in floorspace/land is not accurately predicted by changes in jobs. The I&L sector does not comprise low skilled and low paid jobs and nor do I&L companies functions neatly fit into Industrial or Logistics.

- 1.4. Appendix A of the SENA (Appendix D at **Appendix 1**) demonstrates that I&L companies are increasingly co-locating office, research & development and administrative functions with I&L operations. Such co-located employment is not estimated by labour demand models. It falls outside warehousing & transport and manufacturing Standard Industrial Classification (‘SIC’) codes for economic activities.

- 1.5. The underestimation of future demand from the labour demand methods is apparent when historic jobs growth in the logistics sector are compared with future job projections from major statistics houses. With reference to Figure 3 below, logistics jobs nationally have grown by 23% over ten years. However, labour forecasting products including Experian, East of England Forecasting Model (‘EEFM’) and Oxford Economics predict much lower levels of growth, including negative growth, over the next 20 years (Figure 4). This is not reality given logistics is performing strongly with recent demand being over 90% above the long term trend.

Figure 3 Historic Growth in Logistics Jobs, England

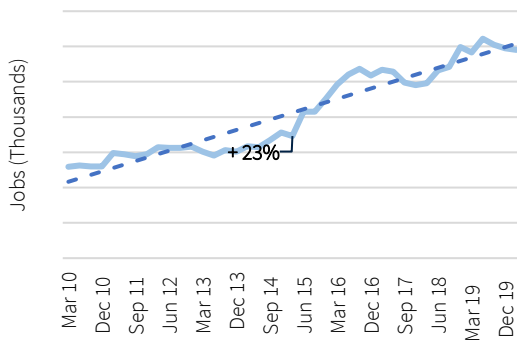
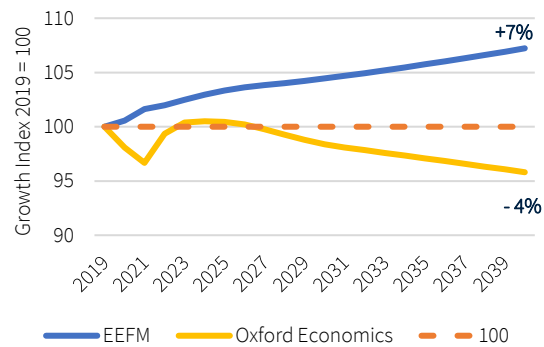


Figure 4 Projected Growth in Logistics Jobs, England



Source: Savills (2022); LFS; EEFM; OE

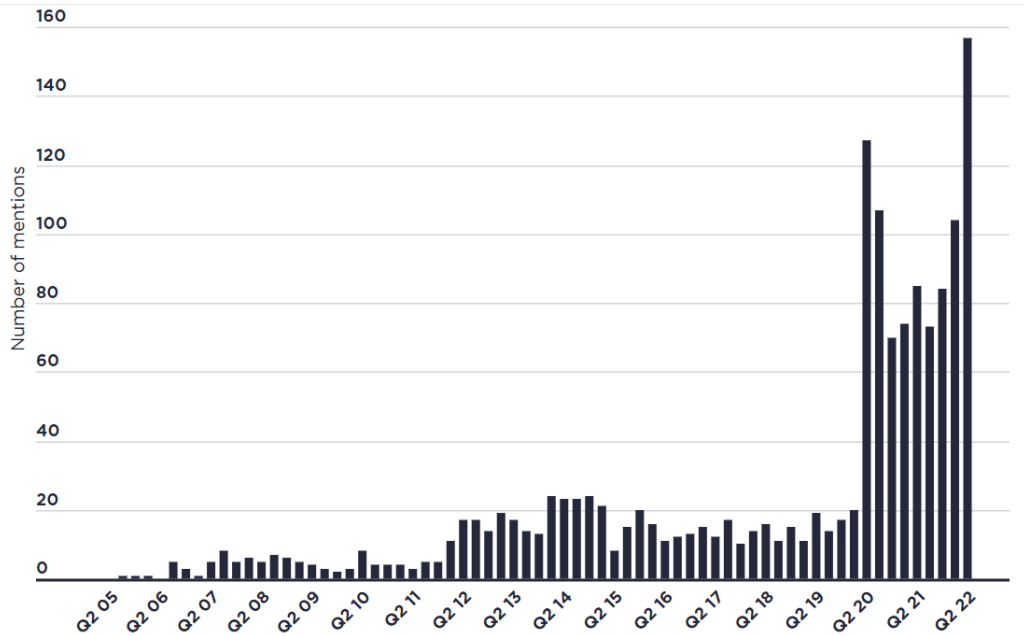
1.6. While the historic completions method generated a higher needs figure and was ultimately preferred in the EDNA, it underestimates market demand, which are discussed at Section 3.4 of the SENA. A summary is provided as follows:

- Past take up is a supply measure, not a demand measure:** (see response to Matter 3, Question 19). The Council’s ability, or willingness, to allocate employment land is not a measure of ‘true’ market demand. The leading measure of demand is net absorption (leasing demand). It measures occupied space (move-ins) versus vacated space (move-outs). Table 3.3 of the SENA sets out that historic net absorption has been higher than past completions. **If the same approach to housing need was adopted (i.e. forecasting on past housing completions) a plan would be unsound.**
- The EDNA’s look-back period is too long:** The EDNA considers past take-up over the period from 1996 to 2020. This is too long. The demand drivers underpinning I&L need, and the characteristics of the sector, have changed significantly. For example, in 2006 internet sales were only at 2.8% versus 26%² today. A long look back period is not representative of today’s growth drivers, let alone the future. A 10-year look back period is soundly representative of market trends and demands.
- Brexit and Covid:** in order to guard against international supply chain shocks many U.K. companies are bringing their operations back to the U.K. (‘reshoring’). Recent data from Sentieo (**Figure 5**), analysed listed

² ONS (2022) Internet sales as a percentage of total retail sales (ratio) (%) Latest Data for May 2022. Available at: <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

companies' annual reports and found that use of the term 'near-shoring' has risen dramatically. Such demand is significantly expected to rise.

Figure 5: 'Near-shoring' on the rise in company reports



Source: Sentieo, an AlphaSense company

- The EDNA doesn't account for 'Suppressed Demand':** When supply is low, demand is suppressed as prospective tenants can't find space. 8% is typically referred to as the equilibrium level at a national level when supply and demand are broadly in balance (as sourced in publications such as the GLA's Land for Industry and Transport SPG (2012)). Below this level available supply becomes tight and rents increase as strong occupier demand competes for limited space. While 8% is a reasonable equilibrium benchmark, it can be higher or lower based on the size and strength of a market. For instance strong, fast paced markets with considerable churn may require a higher than 8% equilibrium benchmark, and the opposite occurs for smaller markets with less churn. Paragraphs 6.3.7 and 6.3.8 of the SENA outline that 9% is Warrington's appropriate equilibrium rate.

1.7. We therefore consider that the emerging Local Plan cannot be considered sound as the EDNA has significantly underestimated future demand and therefore the Plan has not allocated enough land. A comparison between Savills and the EDNA demand estimates and subsequent need are outlined in Table 6.6 of the SENA. We estimate there is a shortfall of supply of over 195ha. However, the 'Future Need' number increases to 252ha if only 50% of Fiddler's Ferry is delivered within the Plan-period and the existing land supply is reduced to account for recent developments / leases (see Table 2, Matter 5, Question 6).

1.8. Accordingly, the EDNA is not a justified or appropriate evidence base for assessing needs for employment land allocations. Rather, it is demonstrably flawed.

1.9. In addition, commercial market evidence is provided at **Appendix 3**, which demonstrates the strategic importance of Warrington as a local, regional and national contributor to the I&L market and provides demand indicators for such floorspace in Warrington to conclude that there are unique circumstances that mean from a market perspective, the forecast level of need set out above is appropriate and justified on a practical level for Warrington.

2. What effect has the development of the Omega site had on past take up rates and is it justified to assume such take up rates will continue over the plan period?

1.10. Omega has increased historic take-up over the look-back period assessed by the Council's consultant, but this is true of any high quality I&L site. For instance, if there were two Omega sites then historic take up would increase by the floorspace capacity of this additional site again given the strength of I&L demand that is seen nationally and is forecast in the SENA. We assess that I&L demand into the future will be double the level estimated by the EDNA.

1.11. Our response to Matter 3, Question 19 demonstrates that take-up is a supply measure not a demand measure. The majority of net uplift in floorspace will come from development on new allocations. Local plans allocate (or release) land for new development. In effect, they control supply. If this supply is lower than demand, it places a ceiling on demand. This is called '*Suppressed Demand*', has been and is experienced in Warrington.

1.12. Table 4.2 and 4.3 of the SENA sets out that demand / net absorption (529,479 sq. ft per annum) in Warrington has been outpacing supply / net deliveries (436,952 sq. ft per annum) for the last 10 years (2011-2021). Demand has also been outpacing supply across the wider FEMA. This has placed continual downward pressure on availability in Warrington and the FEMA.

1.13. The details of the link between supply and demand is outlined in Paragraph 5.2.12 of the SENA. From 2013 to 2016 when availability was above the 9% equilibrium rate, net absorption averaged 780,000 sq. ft per annum. However, net absorption has been lower since averaging only 625,000 sq. ft per annum between 2017 to 2021. This has corresponded with the sharp decline in availability from over 12% in 2015 to 5.4% currently. The reason for this reduced average net-absorption is supply constraints given rents have been rising and the demand for I&L floorspace has been significantly increasing with the sector having its strongest years nationally in 2020 - 2022 (see Appendix A of the SENA).

1.14. Warrington needs new supply over the emerging Local Plan period, but also importantly it needs sites that can meet development needs in the short to medium term to meet current strong demand that is identified. Junction 21 Birchwood is deliverable and appropriately located to deliver supply as discussed in Section 2 of the SENA.

3. Will the supply of employment land from site allocations and planning permissions in neighbouring authorities and the wider area affect demand for employment land in Warrington?

1.15. The supply of site allocations and planning permissions from neighbouring authorities affects employment land demand, but this is not to the detriment of Warrington.

- 1.16. Given its prime location, Warrington has been the strongest performer in the FEMA for new deliveries of I&L floorspace over the last 10 years. Linked to this, it has been one of the better performers in facilitating demand along with Halton and St Helens who have recorded net absorption as a % of inventory³ of 2.3% per annum or more, with Warrington recording the highest level in absolute terms (529,479 sq. ft per annum). This analysis is outlined in Table 4.3 of the SENA.
- 1.17. However the wider FEMA, like Warrington has recorded demand levels well above the rate of new deliveries of stock over the last 10 years. In fact demand across the wider FEMA at 2,502,509 sq. ft per annum has been over 80% higher than new development at 1,384,708 sq. ft per annum. This is why availability within the FEMA has been below the 9% equilibrium rate since 2013/2014 indicating a severely supply constrained market. The FEMA wide availability rate is currently just 3.8%, even lower than Warrington at 5.4%. This analysis is outlined in Tables 4.2 and 4.3 of the SENA.
- 1.18. This indicates that the entire sub-region is supply constrained with demand outpacing supply. New supply is needed immediately, especially within Warrington given its location. No area within the region appears to have a healthy and immediate surplus of supply to help meet Warrington's needs.
- 1.19. Dividing availability by annualised net absorption over the past 10 years indicates Warrington has only 2.4 years of supply while the FEMA supply / demand balance is similar at only 2.5 years of supply. When looking at annualised net absorption over the last 5 years, the supply/demand balance worsens to just 1.8 years of supply for Warrington and 2.4 years for the FEMA. These results are displayed in Table 1 below.

Table 1– I&L Supply in Warrington and the wider FEMA

	Available Supply (sq. ft) (A)	Ave. Annual Net Absorption (10-year average) (B)	Ave. Annual Net Absorption (5-year average) (C)	Years supply using 10 year net absorption trend (A/B)	Years supply using 5 year net absorption trend (A/C)
Warrington	1,251,548	529,479	686,872	2.4 years	1.8 years
FEMA	6,283,734	2,502,509	2,592,582	2.5 years	2.4 years

³ This metric measures demand relative the size of a market area's inventory

1.20. We therefore consider that whilst the supply of site allocations and planning permissions from neighbouring authorities affects employment land demand, this is not to the detriment of demand in Warrington. Table 1 above indicates that prime and deliverable sites such as Junction 21 are needed immediately (and have been needed for some considerable period of time).

4. *What is the basis for including a three year buffer and is this justified?*

1.21. We agree with a three year buffer, which the EDNA refers to as allowing for a choice of sites by size, quality and location and to provide a continuum of supply beyond the end of the Plan-period.

1.22. However, the three year buffer is not adequate for uplifting the historic take-up (supply) trend to account for lost demand due to historic supply shortages. The EDNA notes the lack of I&L supply on a number of occasions, as follows:

- *'High rents are attainable in Warrington due to the Borough's position at the centre of the region's communications network and ongoing declines in supply, with the vacancy rates of warehouse premises at 5.48 percent, the lowest ever recorded.(Colliers International, 2021)' ENDA 2021, Page 30.*
- *'Against demand, in the North West the supply of warehouse space has decreased dramatically in the last 12 months, falling from the peak of 7.26 million sqft (670,000 sqm), in early 2020, to 4.24 million sqft (390,000 sqm) in 22 separate units. Using the five-year average, annual take-up of 3.98 million sqft (370,000 sqm) this equates to just 1.07 years worth of supply in the region. (Savills, 2021)' ENDA 2021, Page 31.*
- *'Compared to 2019, in the North West, take up of logistics increased by over half whilst supply fell by 29 percent. (Savills, 2021)' ENDA 2021, Page 31.*
- *'With diminishing levels of existing new build/Grade A stock and a limited future pipeline, the main threat to the North West big box market is the potential supply shortage in next 6 - 12 months. (B8 Real Estate, 2021)' ENDA 2021, Page 31.*
- *'Demand was for units of 9,000-25,000 sqm. Prime rents were firmly established at £6.75 - £6.95/sqft (£73-75/sqm) in 2020 but with the current demand/ supply dynamics, quoting rents will increase to £7.00 –*

£7.50/sqft (£75-81/sqm) on new schemes being brought forward during 2021. B8 Real Estate, 2021)
ENDA 2021, Page 31.

1.23. Despite the EDNA's clear admission that supply in the Industrial and Logistics sector is tight in the face of strong demand (EDNA 2021, Pages 30-31), it merely projects forward the constrained historic supply trend. It does not take account of demand that has been lost from Warrington and the wider FEMA due to supply constraints and therefore presents a need profile based on a supply constrained trend (or 'suppressed demand').

1.24. Unlike the BE Groups' analysis, Savills methodology is considered to be PPG compliant as demonstrated in response to Matter 3, Question 19 as it builds upon historic trends (demand), adjusting past trends for historic supply shortages and the subsequent loss in demand. We refer to this as 'suppressed demand' which is supplemented to the historic demand trend. We also factor in future e-commerce growth which is a key growth driver for the sector.

5. What is the basis for including the allowance for business displacement and is this justified?

1.25. Not comment made.

6. Is it reasonable to rely on two substantial allocations to meet most employment needs?

1.26. We consider the Local Plan is proposing a shortfall of supply of over 195ha. Accordingly, the two allocations do not meet the required objectively assessed need. Therefore, it is not reasonable to rely on two allocations to meet employment needs as those allocations will not meet employment needs.

1.27. Even if (which is disputed), two allocations meet the need, reliance on only two large allocations means that if one site fails to deliver during the Plan-period, the intended emerging Local Plan’s employment strategy would fail. Fiddler’s Ferry in particular has several challenges if it is to be delivered within the Plan-period (as discussed in Paragraphs 7.2.25 to 7.2.30 of the SENA and commented on in further detail under Matter 6c).

1.28. In addition, not only is existing availability within the FEMA and Warrington low, but the existing land supply is also being developed and let quickly. As discussed in Section 7.2 of the SENA, Warrington’s existing strategic and local I&L supply reduced from 37.72ha in March 2021 to 29.99ha in October 2021, a reduction of 20%. Since October 2021 to July 2022m this existing supply has reduced even further to 23.27, a further drop of 22% as detail in Table 2 below. This reduction relates to Unit 3 Mountpark and Unit 4 Appleton Thorn Trading Estate no longer being available.

Table 2 – Existing I&L Supply Update

Site Name	Realistic Site Area (ha) (as of March 2021)	Availability (as of May 2021)	Status (as of October 2021)	Status Updated (as of July 2022)
<i>Strategic I&L Supply</i>				
Mountpark Warrington Omega II	12.70	0-1 years	Units 1 and 2 built out (let to Gousto and Amazon, respectively), Unit 3 (approx. 4.93 ha) is under construction (delivery end of 2021/early 2022) and available to let ⁴	Mountpak website reports that Unit 3 has exchanged. This is also confirmed by Novaloca that the premises is no longer available. ⁵ This means 4.93ha

⁴ <https://mountpark.com/warrington/>; CoStar (2021)

⁵ <https://www.novaloca.com/industrial-unit/to-let/warrington/187415?search=true>

				is removed from the existing supply.
<i>Local I&L Supply</i>				
Unit 4 Appleton Thorn Trading Estate, Lyncastle Road	1.79	0-1 years	Completed in May 2021; available to let ⁶	Now let to M Markovitz Ltd according to Costar
Gemini 8 Retail Park, Charon Way, Westbrook	4.34	1-5 years	To be completed by April 2022 ⁷	It appears to be under construction and available on Costar
The Quadrant (South), Birchwood Park	1.87	1-5 years	Four units totalling 7,296 sqm remain to be delivered ⁸	Costar reports part of the site has been leased but we have been unable to verify so we assume this land is still available
Phase 3 - Lingley Mere	3.62	1-5 years	To be completed by February 2022 ⁹	According to Costar some of the plots are under construction but still available
Travis Perkins Barleycastle Trading Estate	4.69	1-5 years	Appears to be built out September 2021; available to let ¹⁰	Now completed and available to let ¹¹
Multiple Plots Birchwood Park	8.75	10+ years	All development will be on a design and build basis, responding to individual requirements as they arise ¹²	Still available
TOTAL EXISTING I&L SUPPLY (as of March 2021)				37.72 ha

⁶ <https://www.my.glenigan.com/#/project/19230049/summary>

⁷ <https://www.my.glenigan.com/#/project/20279604/summary>

⁸ EDNA (2021)

⁹ <https://www.my.glenigan.com/#/project/20495331/summary>

¹⁰ <https://www.winvic.co.uk/live/tungsten-park-warrington/>

¹¹ <https://www.tungsten.uk.com/warrington>

¹² EDNA (2021)

TOTAL EXISTING I&L SUPPLY (as of October 2021)	29.99 ha
TOTAL EXISTING I&L SUPPLY (as of July 2022)	23.27 ha

1.29. This analysis indicates the strength of demand in Warrington's I&L sector. In a little over a year Warrington's existing supply has reduced by circa 40%, demonstrating how quickly sites are being delivered.

7. What evidence is there to suggest that the Town Centre can viably act as the main location for new Class E Office development, noting that the Economic Development Needs Assessment 2021 identifies that demand is mostly focused on Birchwood rather than the Town Centre, as well as the competition from the adjacent cities of Liverpool and Manchester/Salford?

1.30. No comment made.

8. Will the lack of explicit support in the Local Plan for the University and higher education more generally, impact on the ability of the Council to achieve the Local Plan's vision and objectives?

1.31. No comment made.

9. Is the approach to existing employment areas and development within them effective and justified?

1.32. No comment made.

10. In other respects, is Policy DEV4 justified, effective and consistent with national policy?

1.33. No further comment is made as it is demonstrated above that Policy DEV4 is not justified, effective or consistent with national policy.

11. *Are any main modifications to Policy DEV4 necessary for soundness?*

1.34. An update to the level of need specified in Policy DEV4 at Part 1 is required to set out that the need is at least 511.75ha, and the site at Junction 21 of the M6 that is subject to this Statement is required to be included in the supply of sites at Part 4 of the Policy.

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