Land North of St. Modwen Park Chippenham

Industrial & Logistics Needs Assessment

Final Issue

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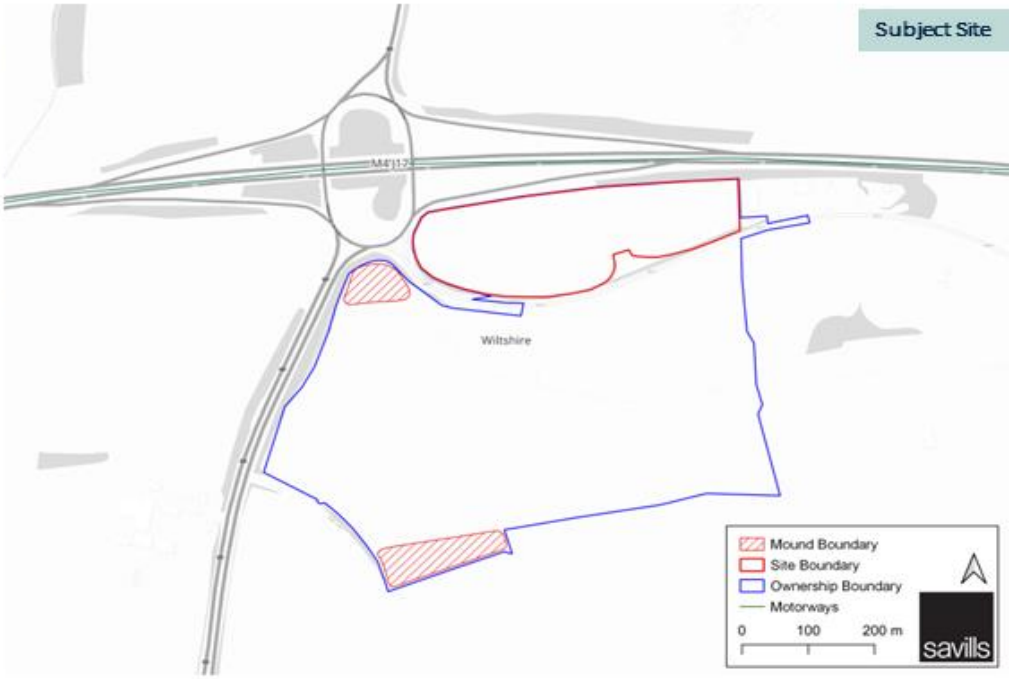
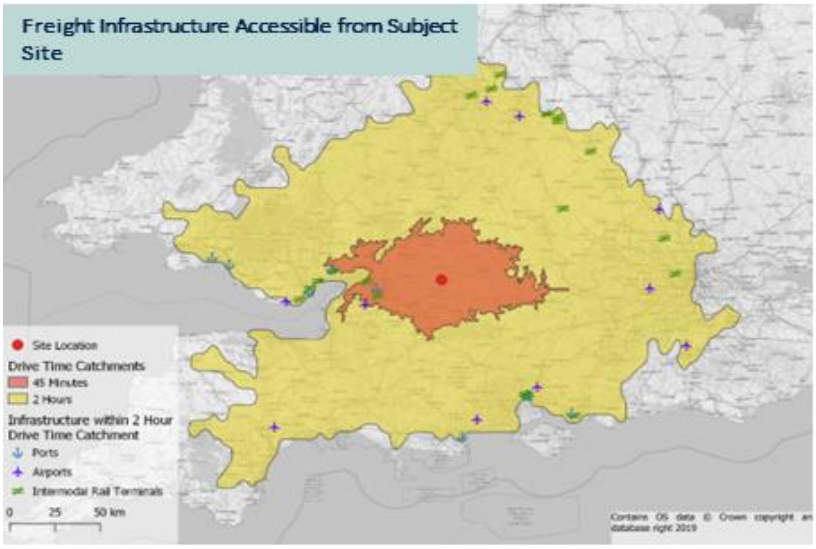
Executive Summary

Report Purpose and Proposed Development

This report provides an evidence-based overview of the market potential for Land north of St. Modwen Park Chippenham (the Subject Site).

The Subject Site totaling **6.24 ha** of land is directly adjacent to J17 of the M4 and is an expansion of the existing St. Modwen Park Chippenham.





The Proposed Development seeks to deliver **245,575 sq.ft of industrial and logistics (I&L) floorspace**.

The Subject Site's location benefits from a number of strategic advantages which make it ideal for I&L development. These include -

- Adjacency to a nationally significant motorway (M4);
- Convenient access to suppliers and end customers;
- Convenient access to a pool of potential workers (labour supply); and
- Convenient access to major freight handling infrastructure (i.e., ports, strategic rail freight interchanges and airports) that can be utilised as part of I&L companies' wider supply chains.

Furthermore, the Site is located nearby to areas of deprivation, where residents can benefit from the diverse range of jobs the I&L sector provides.

I&L Facilities are Critical National Infrastructure

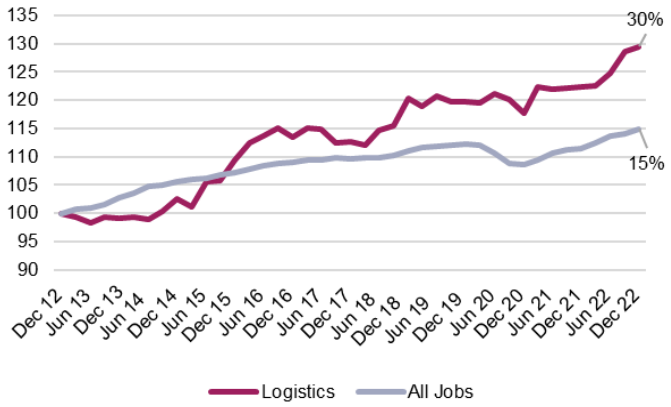
The I&L sector is a **major contributor to the national economy**

3.8 million jobs in England

£232 billion of GVA p.a.

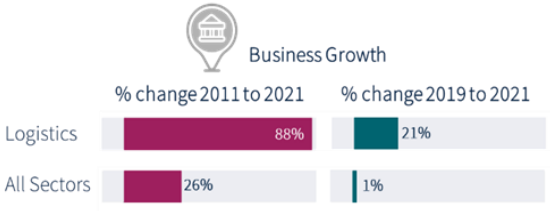
29% productivity increase between 2025 and 2039

Historic Jobs Growth in England (Index Growth)



Over the last 10 years the logistics component of the I&L sector has grown by 30% compared to only 15% across the wider economy.

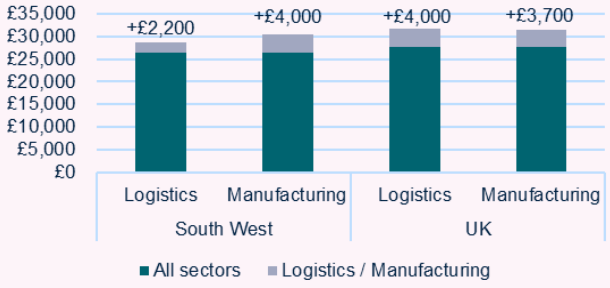
In terms of business generation, the logistics sector is the fastest growing segment of the economy, both in recent years and over the long term. Since 2011, the number of logistics businesses has increased by 88%, much higher than the 26% growth rate across the whole economy.



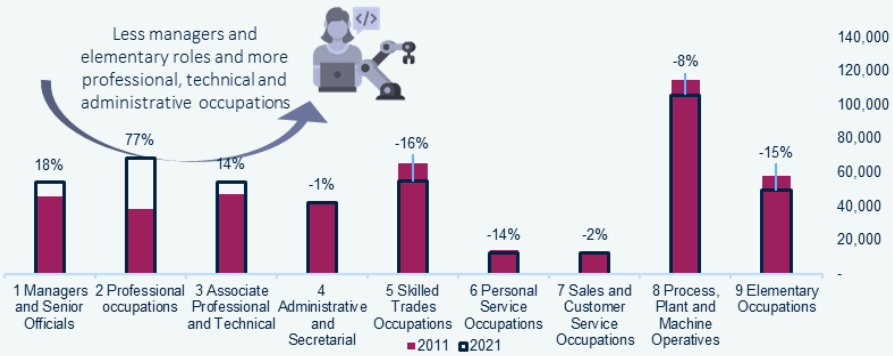
Data from the Office for National Statistics (ONS) show the I&L sector pays high wages: +£3,700 for Manufacturing and +£4,000 for Logistics above the national average per annum. In the South West region, jobs in logistics pay +£2,200 more than average per annum, and jobs in manufacturing pay +£4,000 more than average per annum.

In addition, entry-level logistics jobs are relatively well-paid, with median annual pay being 47% higher than jobs in other sectors in the same occupational category.

I&L Jobs Pay More



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



Across Wiltshire's PMA (comprising Wiltshire, South Gloucestershire, Bristol City, Bath and North East Somerset, Swindon, Vale of White Horse, and West Berkshire), the number of people claiming **benefits** – mostly for **unemployment,** is still 25% above the level in March 2020.

Socio-economic Benefits

In terms of socio-economic benefits, the scheme would generate new employment during the construction and operational stages. It would also generate Gross Value Added (GVA) and business rates for Wiltshire.

Construction Jobs



On-Site (Gross) Jobs p.a.

200

Estimated on-site jobs (gross) expected to be generated per annum over the assumed 1 year construction period

On-Site and Off-Site Jobs for Wiltshire Residents p.a.

210

Estimated on-site and off-site jobs expected to be generated per annum over the assumed 1 year construction period for Wiltshire residents

Operational Jobs



On-Site (gross) Jobs

280

Estimated on-site jobs (gross) expected to be generated by the Proposed Development

11.3 million

Estimated Gross Value Added (GVA) expected to be generated per annum from on-site jobs (taking into account displacement)

On-Site and Off-Site Jobs for Wiltshire Residents

170

Estimated on-site and off-site jobs expected to be generated

GVA (p.a)



Business Rates



Total Business Rates Income (p.a.)

£792,000

Estimated total business rates income per annum, using 51.2% standard multiplier rate

Business Rates Income for Wiltshire (p.a.)

£388,000

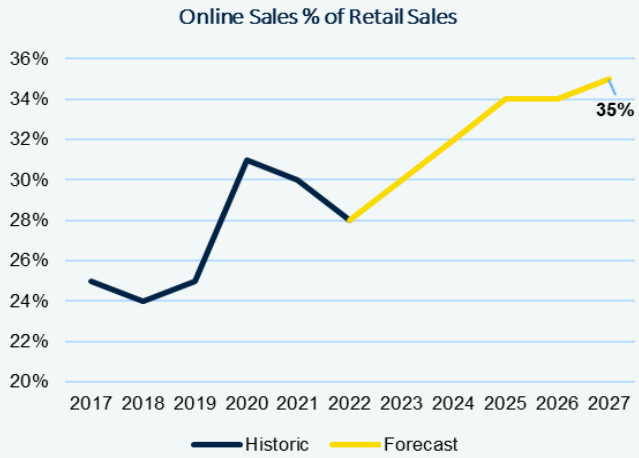
Estimated business rates income for Wiltshire, based on a 49% retention rate

Cumultive Business Rates Income (to 2042)

£10.1 million

The Proposed Development Will not Undermine the Delivery of Strategic Employment Allocations

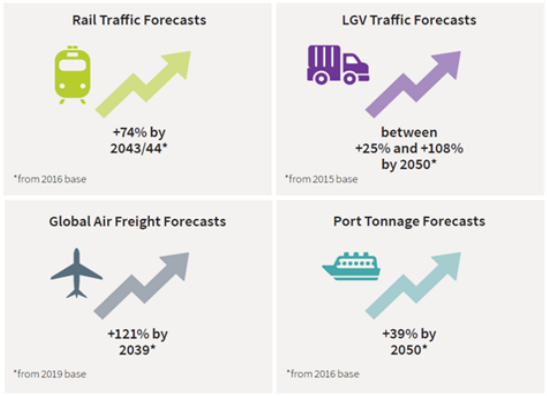
Numerous Growth Drivers are Supporting Record Breaking Demand



The increase in online shopping is certainly one of the key growth drivers for I&L demand. The pandemic has clearly accelerated this trend which went from 19% before the onset of Covid-19 to 26.5% as of May 2023.

The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers. Most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioral changes such as increased home working and continued demand for rapid parcel deliveries. Statista Research, a respected source of future online retail projections, estimate that online retail will grow to 35% of all retail sales by 2027.

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

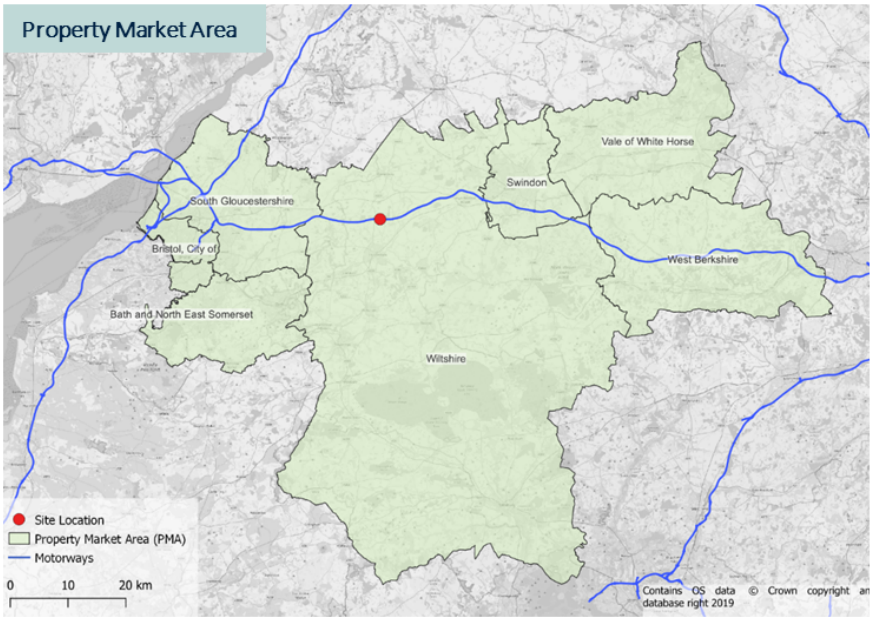


However, there are many other growth drivers for I&L in addition to online growth and freight flows. We consider the shift in habits we have been witnessing – such as the move to online shopping - to be structural rather than temporary.



PMA's I&L Market at a Glance

Average 10 year leasing demand (net absorption) per annum has been 15% higher than average deliveries of new I&L floorspace in the PMA and 56% higher in Wiltshire. This explains the low availability rates and high rental growth.



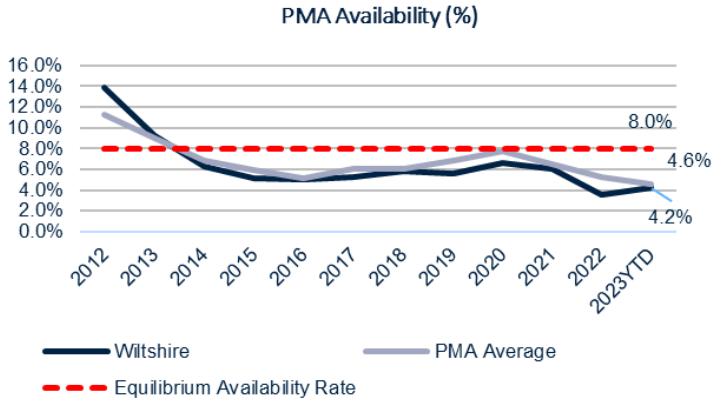
Our market assessment has been undertaken for the Subject Site's Property Market Area (PMA).

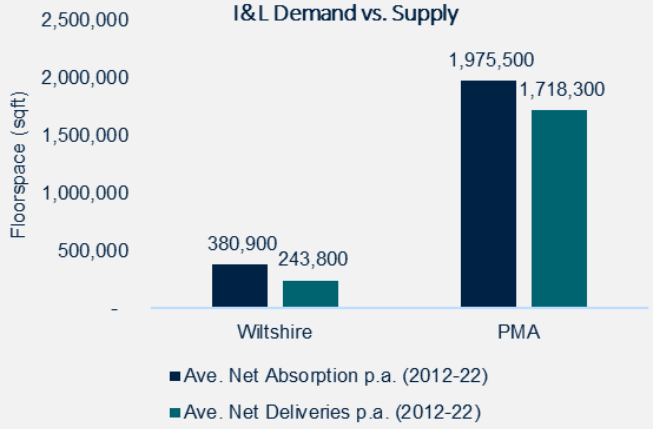
The PMA is the geography within which we consider market supply and demand factors. It is the broad 'area of search' the Sites sit within that prospective I&L occupiers will consider when looking to lease space. Effectively the PMA includes the competitor locations to the Subject Site for attracting this occupier demand.

We consider the seven local authorities of Wiltshire, South Gloucestershire, Bristol City, Bath and North East Somerset, Swindon, Vale of White Horse, and West Berkshire to form an appropriate PMA for the Subject Site.

We consider a market to be **supply constrained** when floorspace availability is below an equilibrium level of 8%. Below this level, available supply becomes tight, and rents increase as strong occupier demand compete for limited available stock.

Availability across the PMA and Wiltshire has been below the 8% equilibrium level since 2014, with availability currently at **4.6% and 4.2%** respectively, indicating that the market has been supply-constrained for nearly a decade.





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

New I&L floorspace across the PMA and Wiltshire over the last decade has lagged demand, as measured by net absorption between 2012 and 2022. For the PMA, demand has been **15%** higher than supply increasing to **56%** higher in Wiltshire specifically.

Previous Employment Studies have Significantly Underestimated I&L Demand for Wiltshire

The various employment studies commissioned by Wiltshire to estimate future demand for I&L have been reviewed. The Swindon and Wiltshire FEMA Assessment (2016), and the Wiltshire ELR (2023) exhibit several methodological weaknesses, namely, current and future I&L growth drivers are not considered, and do not account for demand that has been lost due to historic supply constraints i.e. 'suppressed demand'. As a result, they present a demand profile based on a supply-constrained historic trend. This is despite the studies highlighting the supply-constrained nature of the areas they cover. This has led to an underestimation of future I&L demand.

Various FEMA Studies	Time Period Covered	Preferred Method(s)
Swindon and Wiltshire Functional Economic Market Area (FEMA) Assessment (2016)	2020-2038	Labour Demand with Adjustments
Wiltshire Employment Land Review (ELR) (2023)	2016-2036	Labour Demand

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

Savills methodology seeks to address these shortcomings and provide a more accurate estimate of future demand.

Savills' methodology is **NPPG-compliant** as it builds on **past-trends,** adjusting for historic supply shortages and the subsequent loss in demand. We refer to this as **'suppressed demand'** which is added to the historic demand trends as a top-up. We also factor in **future e-commerce growth** and express the estimate as a range with the lower end representing the historic and suppressed demand only and while the upper end accounts for the e-commerce uplift.

Based on Savills demand methodology, over a 18-year plan period, we estimate PMA wide I&L demand to be **1,156 - 1,297 ha** of land. Depending on the level of apportionment, we consider Wiltshire should look to plan for **181 - 211 ha** of I&L land over this period.

Savills Total PMA I&L Floorspace Demand: 43.5 – 48.8 m sqft

Savills Total PMA I&L Land Demand: 1,156 – 1,297 ha (based on a 35% plot ratio)



Comparing Savills Demand Estimate for I&L Land Against the Wiltshire ELR (2023)

We estimate demand for **I&L land across Wiltshire to total 188 – 211 ha** which is **over 1.7 times the Wiltshire ELR estimate of 99 - 121 ha** over a 18-year plan period.

1. Introduction

1.1. Purpose & Summary

1.1.1. The report provides an evidence-based overview of the market potential for new industrial and logistics (I&L) development at Land north of St. Modwen Park Chippenham (the Subject Site). The Subject Site is an expansion of the St. Modwen Park Chippenham at Junction 17 of the M4 and is located within the Wiltshire Council administrative area.

1.1.2. Wiltshire Council is currently undertaking a review of its Local Plan. Following Cabinet approval on 1 December 2020, Wiltshire Council held a consultation on the Wiltshire Local Plan Review between 13 January 2021 and 9 March 2021. The consultation was not on a draft Local Plan but on key components to inform one. According to the latest version of Wiltshire Council's Local Development Scheme, the Council is aiming to publish its Draft Local Plan in Q3 2023 – Q2 2024 with the aim of submitting to the Secretary of State in Q2 2024, and adoption by Q4 2024. In line with this programme, the Pre-Submission Draft Plan has been approved by Cabinet and Full Council and proceed to Regulation 19 consultation on 27th September 2023.

1.1.3. Core Policy 34 Additional Employment Land of the Wiltshire Core Strategy 2015 states that Outside the Principal Settlements, Market Towns and Local Service Centres, developments will be supported if they are considered essential to the wider strategic interest of the economic development of Wiltshire. The development will be supported where they:

a. meet sustainable development objectives as set out in the polices of the Core Strategy; and

b. are consistent in scale with their location, do not adversely affect nearby buildings and the surrounding area or detract from residential amenity; and

c. are supported by evidence that they are required to benefit the local economic and social needs; and

d. would not undermine the delivery of strategic employment allocations; and

e. are supported by adequate infrastructure.

1.1.4. The Draft Plan 2023 replaces the Core Policy 34 with Policy 64 Aditional Employment Land which specifically refers to additional national and regional logistics development adjacent to M4 Junction 17. The Draft Policy states that Proposals for additional national and regional logistics development adjacent to M4 Junction 17 will be supported subject to:

a. The impacts being assessed in accordance with Department for Transport advice;

b. Development proposals not prejudicing the delivery of other planned growth; and

c. The funding and delivery mechanism of any required improvements/alterations to M4 Junction 17 and the surrounding Transport Network having been agreed and secured.

1.1.5. The evidence outlined in this report assesses the Council's latest employment evidence that supports the emerging Local Plan.

1.1.6. Having regard to adopted Core Policy 34 the aim of this report is twofold:

Demonstrate that the Proposed Development would not undermine the delivery of strategic employment allocations in Wiltshire by:	**Evidence that the Proposed Development is required to benefit the local economic and social needs by:**
• evidencing that there is a strong needs case to support more I&L development in Wiltshire having regard to local, sub-regional supply and demand factors (**Section 7 – Savills Future Demand Estimates**) • evidencing that new supply is needed in the short to medium term and that the Proposed Development will help to fill a specific gap in the market (**Section 6 – I&L Market Assessment**) • evidencing that there are strong market fundamentals which are underpinning the future demand (**Section 4.3 Current I&L Growth Drivers**) • demonstrating that the Subject Site is strategically located on the intersection of two major growth corridors in Wiltshire (M4 and A350) offering high accessibility to suppliers and end customers (**Section 2.3**) what represents an entirely different proposition to the existing commitments.	• demonstrating that logistics should be treated as key national infrastructure that facilitate modern life (**Section 4 – Key Trends in the I&L Sector**) • demonstrating that the I&L sector is a major contributor to the national economy (**Section 4.4**) • demonstrating that I&L is a good employer, providing much needed and well paid jobs (**Section 4.4**) • evidencing that the Proposed Development will increase the employment opportunities available to the residents in the local areas, which includes somes LSOAs within the top 30% most deprived areas in England (**Section 2.3 - Improving the Employment Prospects of Deprived Communities**) • quantifying its socio-economic benefits including on-site and off-site jobs, GVA and business rates (**Section 8 Socio-economic Benefits Summary**)

1.1.7. To meet the above aims, this report considers both the national trends underpinning unprecedented demand in the I&L sector, as well as demand and supply dynamics specific to the Property Market Area (PMA) within which the Subject Sites are located.

1.1.8. Our analysis shows that based on strong, unmet demand in the sub-region, consistent with national trends, there is a robust market need case for the Proposed Development at J17 of the M4. Nationally, the sector is on a high growth trajectory, well above historic levels being driven by various factors such as population growth, increased online shopping, higher freight flows and Brexit/Covid induced shocks such as re-

shoring[1], and increased stockpiling to guard against supply chain breakages. We also evidence the sector's importance to our economy, not just in terms of jobs and GVA contributions, but also because of the critical function it plays in serving other sectors of the economy and the country's growing population.

1.1.9. Against this context of exceptional growth, it is our experience that local authorities routinely underestimate demand for I&L uses. This is proven by the low levels of availability and the strong rental growth in the PMA and nationally, denoting a market where supply is not keeping up with demand. As part of our work, we review Wiltshire Council's employment evidence. The demand methodology used in the Council's employment evidence is based on employment growth (labour demand) forecasts to estimate need for employment land. This method fails to account for current day market drivers which have led to them underestimating 'true' market demand for I&L uses.

1.1.10. After building up our own picture of market demand and supply within the PMA, we detail Savills' methodology for estimating future demand. Our approach is considered to address the methodological weaknesses of the various local authorities' employment evidence by quantifying the impact historic supply constraints have had on 'supressing demand'. We also take account of current day growth drivers such as e-commerce. The Savills approach is to first consider overall I&L demand across the PMA and then apportion this to the respective local authority areas that make up the PMA. This is because using a larger pool of data is generally considered more robust in modelling terms, and because industrial and logistics occupiers desire similar locations and types of premises.

1.1.11. As we explain within, we consider our approach to be NPPF/NPPG compliant and industry best practice, having been endorsed by the British Property Federation in our recent publication *'Levelling Up – The Logic of Logistics'*. This report is also mentioned in DfT's recently published 'Future of Freight Plan'.

1.1.12. A summary of our estimated need for future I&L development is provided below. We consider **Wiltshire** Council's I&L need over the next 18 years to be between **188 - 211 ha**. This is significantly higher than the Council evidence base estimate at **99 - 121 ha** hence the planned employment growth is not sufficient to 'plug the gap' and more new I&L land is needed. The high demand for I&L floorspace suggests that the Proposed Development would not undermine the delivery of strategic employment allocations in Wiltshire in line with Core Policy 34.

1.1.13. Our market analysis in **Sections 6** shows that the **Wiltshire I&L market is supply constrained with demand clearly outpacing available supply.** Due to the shortage of I&L floorspace in Wiltshire, especially in the large size category, the likely effects of the Proposed Development on the planned growth in Whiltshire is expected to be **negligeable.**

1.1.14. In **Section 4** we comment on the I&L market fundamentals which provide reassurance that strong demand for I&L floorspace will continue into the future, especially in prime locations on nationally significant corridors such as the M4.

[1] Moving a business that had gone overseas back to the country from which it had originally relocated.

1.2. Report Structure

1.2.1. The report is structured as follows:

- **Section 1** sets out the introduction
- **Section 2** discusses the Subject Sites, their strategic advantages, and the Proposed Development
- **Section 3** sets out the PMA for the assessment
- **Section 4** outlines the key trends in the I&L sector
- **Section 5** reviews the employment evidence commissioned by Wiltshire Council to estimate future I&L demand
- **Section 6** assesses demand and supply indicators within the PMA's I&L market
- **Section 7** presents Savills' future I&L demand estimates for the PMA and Wiltshire
- **Section 8** presents the Proposed Development's socio-economic benefits
- **Section 9** outlines the report's key conclusions

1.3. Reader Note

1.3.1. When we refer to the industrial and logistics (I&L) sector we mean Light Industrial (formerly B1c use class now part of Class E), General Industry (B2 use class) and Storage and Distribution (B8 use class). Effectively the primary use classes that require shed-type units (including ancillary offices) and associated yard spaces. These use classes typically cover the diverse range of industrial, manufacturing and logistics companies that operate within England.

2. Subject Site and Proposed Development

2.1. Introduction and Summary

2.1.1. This section considers the Subject Site's locational context including proximity to strategic HGV and LGV routes, major freight handling infrastructure, and access to end customers, businesses and labour supply. It then describes the Proposed Development.

2.2. Existing Park Site Context

2.2.1. The Subject Site is an expansion of the existing St. Modwen Park Chippenham which is located at Junction 17 of the M4 Motorway. The existing Park site is 30.1 ha (78.2 acre) and received outline planning permission for up to 1,000,000 sq ft of Class B8 employment space across six units in 2018 and subsequent Reserved Matters consent for all six units across the site.

2.2.2. To date, two occupiers have been secured and there is a range of live enquiries for the other plots. Units 1 and 6 have been constructed and are now occupied by Huboo and Furniturebox. Both companies required expansion space. Furniture Box were eager to stay in the Wiltshire authority mainly for job retention and St. Modwen Park Chippenham was their only feasible option. The unit occupied by Huboo is their Head Office. Huboo which is an e-commerce fulfilment company have a number of units across Bristol; Vertex Park, Emersons Green and More+ and Avonmouth. Units 2 & 5 are due to be completed in September 2023 and St. Modwen have received various enquiries and proposals on both units; in the region of 15 and 8 respectively what confirms demand for this location and St. Modwen offer. The whole site is scheduled for practical completion in Summer 2025.

2.2.3. **Figure 2.1** shows the existing St. Modwen Park Chippenham as it is envisaged when complete. The view is from the east (in the foreground) looking west. The M4 Motorway Juntion 17 is in the upper right hand corner. Land to the north of st. Modwen Park Chippenham would extend the Park, and is discussed further below.

Figure 2.1 Existing St. Modwen Park Chippenham

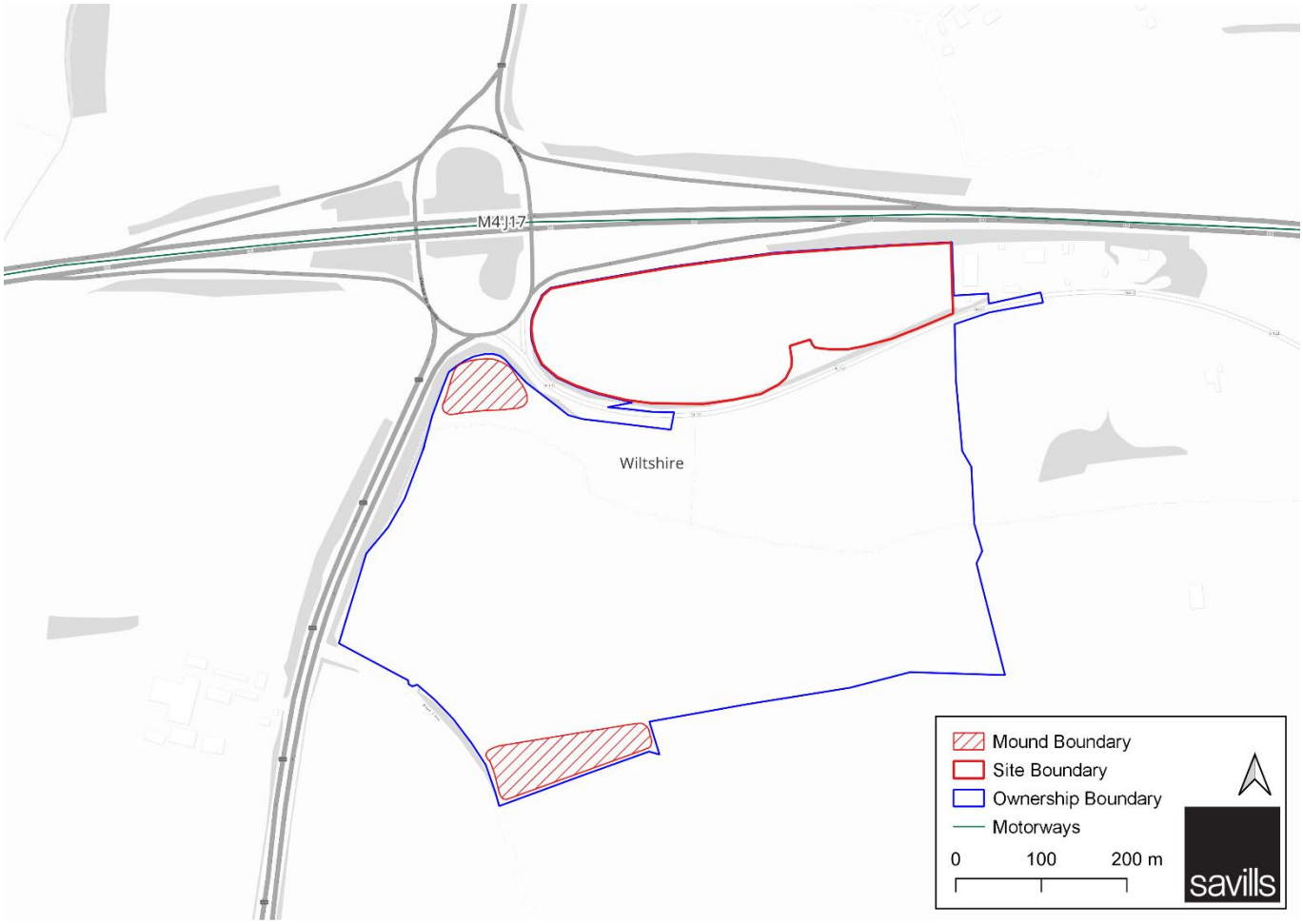


Source: St. Modwen

2.3. Site Context

2.3.1. The proposed extension comprises Land to the north of St Modwen Park Chippenham (6.24 ha). As shown in **Figure 2.2**, the M4 motorway runs along the northern boundary of the site.

Figure 2.2 Subject Sites



Source: Savills, 2023

2.3.2. The Subject Site's location benefits from a number of strategic advantages which make it ideal for I&L development. These include:

- Adjacency to a nationally significant motorway (M4);
- Convenient access to suppliers and end customers;
- Convenient access to a pool of potential workers (labour supply);
- Convenient access to major freight handling infrastructure that can be utilised as part of I&L companies' wider supply chains; and
- The Subject Site being located nearby to areas of deprivation which will benefit from the diverse range of jobs the I&L sector provides.

2.3.3. We consider each of these strategic advantages below.

M4 is a Nationally Significant Motorway

2.3.4. As shown in **Figure 2.3**, the M4 is a nationally significant movement corridor that facilitates over 10,000 HGV and LGV movements per day. Being directly adjacent to a junction on such an important motorway is extremely beneficial for I&L occupiers and logistics companies in particular, and it means the Subject Site is one of the best located in the wider sub-region.

2.3.5. According to Savills European Logistics Census[2], location is the most important factor impacting business investment decisions in the I&L sector (67% of respondents).

Figure 2.3 Busiest LGV and HGV Movements



Source: Savills, Department for Transport (DfT)

2.3.6. As shown in **Figure 2.3**, the M4 serves a crucial role in linking the South West and Wales with London and the 'Golden Triangle' (the heart of the logistics network in the UK, which broadly runs from Birmingham, up

[2] Savills European Logistics Census (2022) is a survey of over 450 occupiers, developers, investors, landowners, asset managers, agents and advisors involved in the I&L sectors. Its aim is to understand the opportunities and challenges facing the sector and is available at https://www.savills.com/research_articles/255800/333187-0

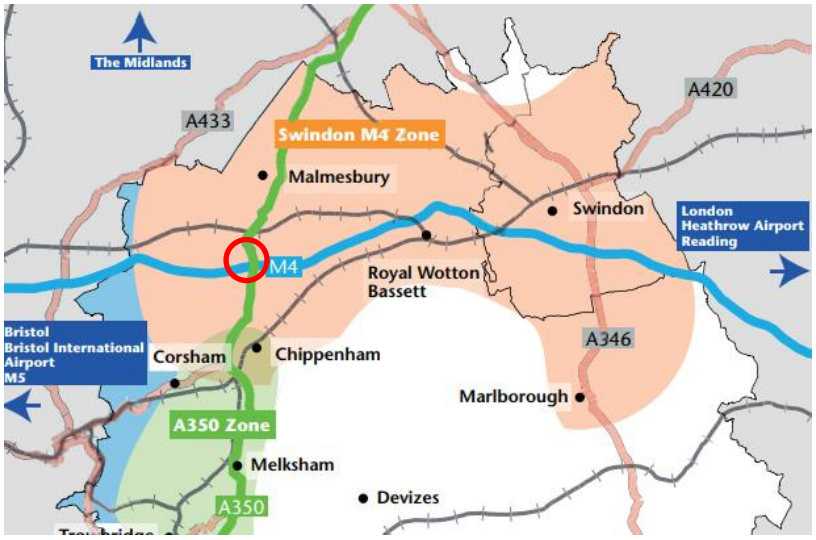
to Derby and Leicester and down to Northampton and Milton Keynes).

2.3.7. Junction 17 is within 4.5 hour HGV journey time (maximum legal drive time before a break is required) of the 'Golden Triangle' and 2 hour HGV journey time of London.

2.3.8. More locally, the provision of a strategic logistics site at Junction 17 is an ideal location for businesses wishing to expand their networks beyond the traditional logistics hubs because it is equidistant between alternatives in Bristol and Swindon. Furthermore, unlike comitted B8 sites at Chippenham[3], the location at Juntction 17 provides direct access to the motorway network and limits HGV traffic having to navigate into/around Chippenham.

2.3.9. Junction 17 provides a strategic link with the A350, a key north/south artery for Wiltshire. The M4 and the A350 have been specifically identified as a critical focus for economic growth by the Swindon and Wiltshire Local Enterprise Partnership (SWLEP) as illustrated in **Figure 2.4**. The Economic Plan acknowledges Chippenham as a "*pivotal location in the development of both the M4 and A350 economic corridors*"[4] and goes on to specifically identify Junction 17 as it has "*the potential to extend growth into the area that has developed out of London through to Reading and Swindon, as well as the potential to draw in investment from the west out of Bristol and Bath through the development potential at Junction 17*"[5]. The SWLEP states that employment development at Junction 17 is a focus, noting that along with a number of other priorities the location has the "*greatest potential for growth*"[6].

Figure 2.4 Growth Corridors in Wiltshire



Source: Swindon Wiltshire LEP, Strategic Economic Plan 2016

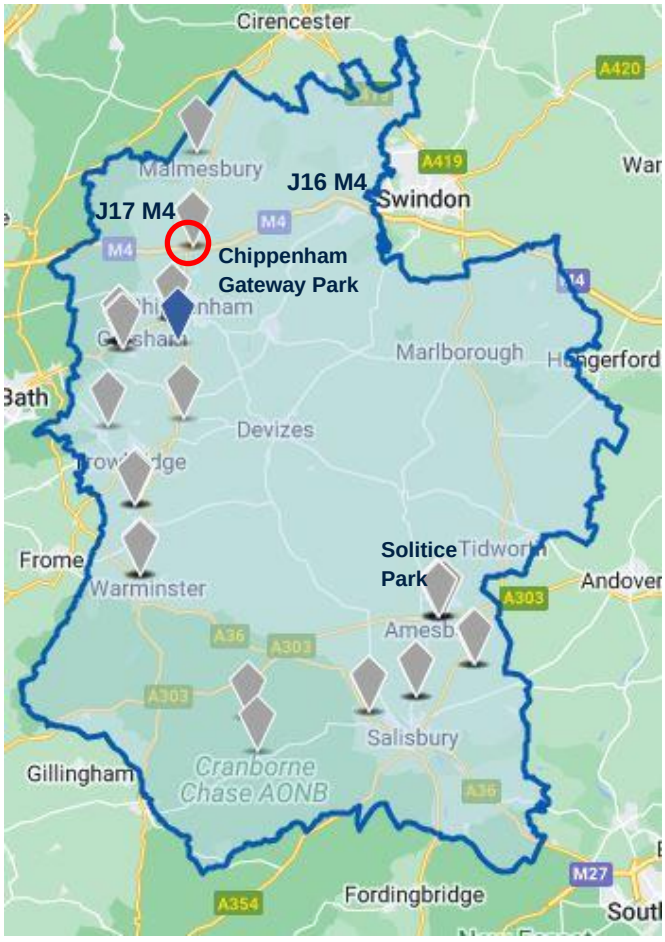
2.3.10. Junction 17 is central to the two Swindon Wiltshire Growth Areas identified and in geographical terms

[3] Reference to South West Chippenham (CH1) and Rawlings Green (CH2) from Chippenham Site Allocations Plan 2017
[4] Swindon Wiltshire LEP, Strategic Economic Plan, 2016, Page 19
[5] Ibid.
[6] Ibid.

provides the opportunity for logistics operations to serve a significant area because of the transport connections it affords, particularly having regard to drive times.

2.3.11. Within Wiltshire there are only two strategic junctions on the M4 (Junction 17 and the western part of Junction 16). **Figure 2.5** presents I&L completions in the last 5 years. During this period the strategic logistics development at Jution 17 (Chippenhham Gateway) accounted to 54% of all I&L development in Wiltshire. This demonstrates the importance of Juntion 17 to Wiltshire economy. Having the businesses located within Wiltshire will ensure that a significant proportion of the economic benefits feed back in to the Wiltshire economy, both directly and indirectly.

Figure 2.5 I&L Completions in Wiltshire (2018 – 2023)



Source: Costar, Savills 2023

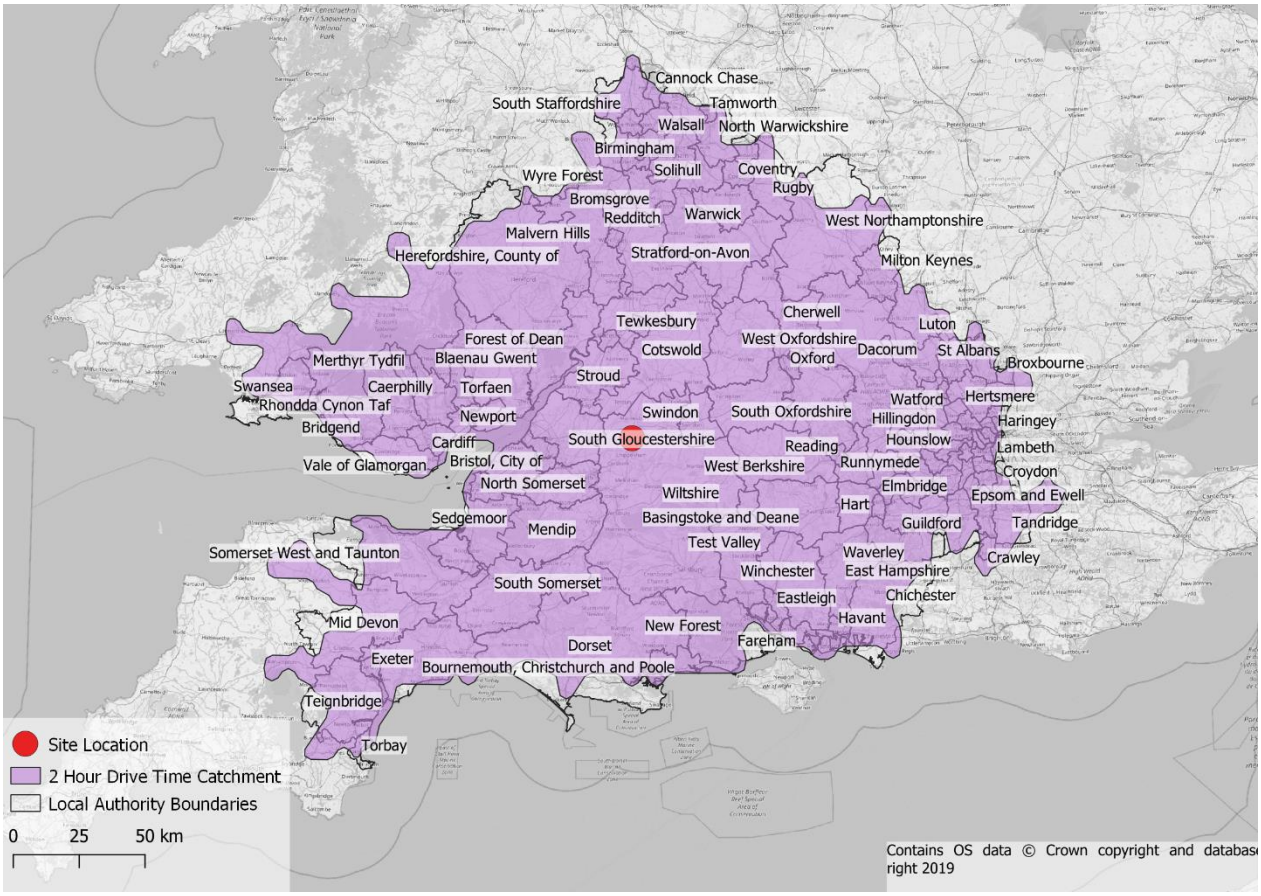
High Accessibility to Suppliers and End Customers

2.3.12. Most I&L occupiers have supply chains linking themselves with their suppliers and end customers of between 1 to 4 hours travel time. The shorter travel time is more typical of small local companies, while longer travel times are more typical of larger companies that do business throughout the country.

2.3.13. If we take the middle ground of 2 hours, which is appropriate for most companies, over 23.4 million people (39% of England and Wales' population) and 1.1 million businesses (45% of England and Wales'

businesses) can be accessed from the Subject Site[7]. Such impressive numbers are because the drive time enables a reach to Birmingham to the north, a proportion of London authorities to the east, key ports on the South Coast, Devon to the south west and Swansea to the west as shown in **Figure 2.6.**

Figure 2.6 Two Hour Drive Time Catchment



Source: Savills

High Accessibility to a Large Labour Pool

2.3.14. One of the strongest parts of the UK economy is the low unemployment rate. The flip side of this is that the availability of labour for UK companies has become increasingly challenging. As a result, labour availability has shot up the list of factors impacting investment decisions in the I&L sector, as evidenced by Savills in the European Logistics Census, where 48% of respondents state the importance of labour availability[8].

2.3.15. In Wiltshire Council, the I&L sector has experienced job growth of 4% between 2015 and 2020. This is in contrast to a negative growth of -2% in office-based sectors, and a negative growth of -10% in the retail

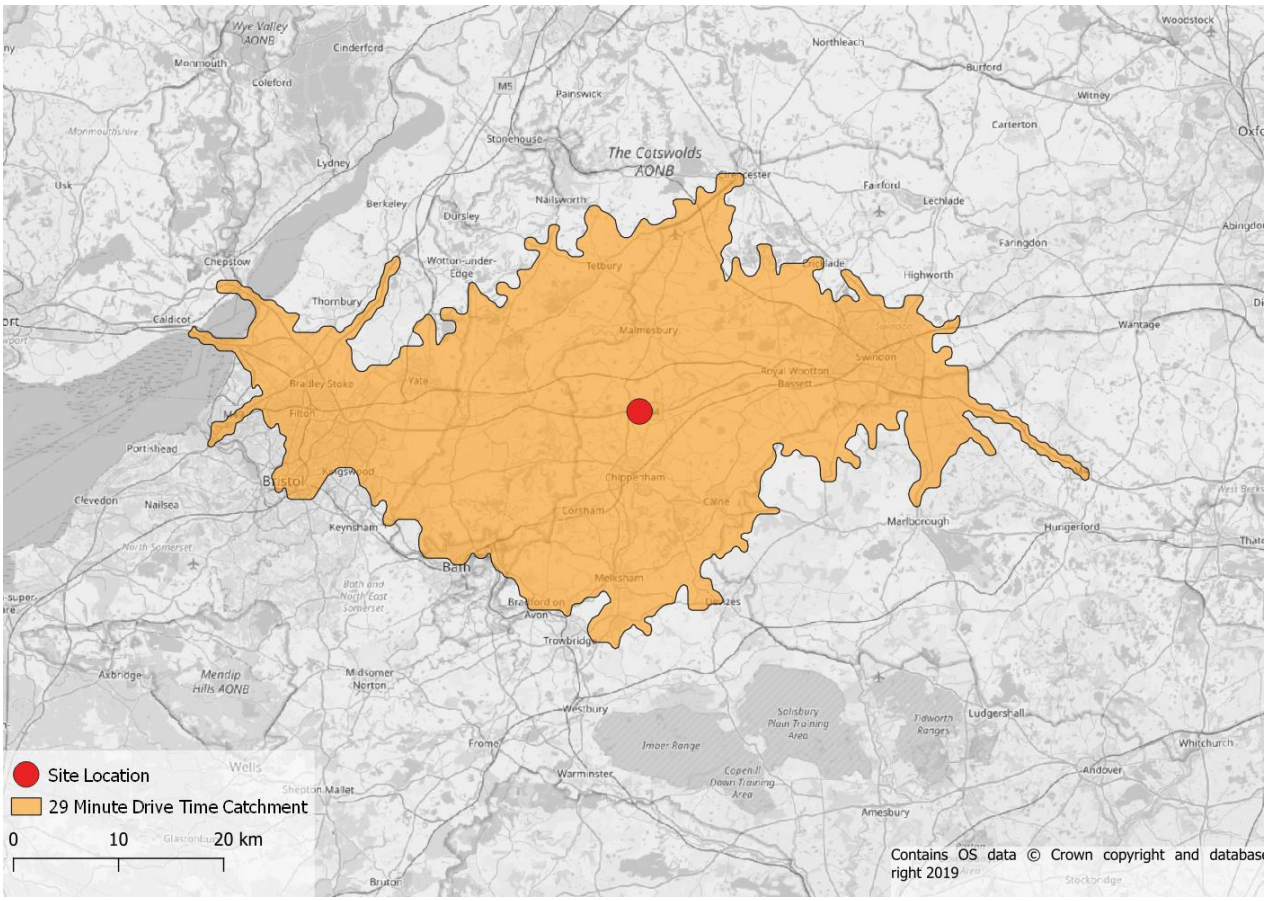
[7] This analysis used GIS conducted on ONS Population Estimates and Business Count data at Middle Layer Super Output Areas (MSOAs)
[8] Savills European Logistics Census (2022), p4.

sector over the same period[9]. This demonstrates that the I&L sector is a growing segment of the economy with significant employment growth opportunities in Wiltshire.

2.3.16. Furthermore, as demonstrated at the time of the permission for the existing St. Modwen Park Chippenham site, the north of Wiltshire experience significant levels of outcommuting and the provision of new jobs in Wiltshire will help to alleviate that trend.

2.3.17. We consider a 29 minute drive time catchment to be appropriate for accessing labour supply (accessibility) from the Subject Sites. This is the average home-to-work travel time for Wiltshire[10]. Within this catchment, as shown in **Figure 2.7,** approximately 576,800 working age people are reachable, representing a high level of workforce accessibility and a considerable labour pool for future businesses located at the Subject Sites to draw from.

Figure 2.7 29-Minute Drive Time Catchment



Source: Savills

[9] Business Register and Employment Survey: Wiltshire Employment Count (April 2021)
[10] ONS User Request Data – 2018: TRVTME Usual home to work travel time (minutes) by local authority. Average of Kennet, North Wiltshire, Salisbury and West Wiltshire.

Ability to Link with Major Freight Handling Infrastructure

2.3.18. Savills have advised on numerous major freight handling projects across England in recent times. These include East Midlands Gateway, West Midlands Interchange (WMI), DIRFT, Humber Ports, Ellesmere Port, Southampton Airport, and Heathrow Airport etc.

2.3.19. These projects have taught us that it's not only I&L premises located directly adjacent to freight handling infrastructure (i.e. airports, ports and rail freight interchanges) that benefit from this infrastructure. For instance, a study[11] of the operations of DIRFT I and II analysed the destination of outbound lorries leaving the rail terminal. It found that 73% of all outbound lorries were destined to locations outside of the DIRFT estate. This analysis is useful as it clearly indicates I&L developments not directly linked or within the estate of key freight handling infrastructure, but located nearby, can benefit from its use as part of their wider supply chains.

2.3.20. Again we consider a 2 hour drive time catchment as suitable in capturing the majority of I&L businesses that may use freight handling infrastructure as part of their supply chains. We also map a 45 minutes' drive time catchment given that, based on previous work, this is what operators of rail freight interchanges consider their primary catchment area for businesses using their facilities.

2.3.21. **Table 2.1** lists the various freight handling infrastructure within a 45 minutes and 2 hour drive time catchment of the Subject Sites, while **Figure 2.8** shows the geographic coverage of these catchments. This analysis demonstrates the Subject Sites are conveniently located with respect to key freight infrastructure.

Table 2.1 Freight Infrastructure within a 45 Minute and 2 Hour Drive Time Catchment

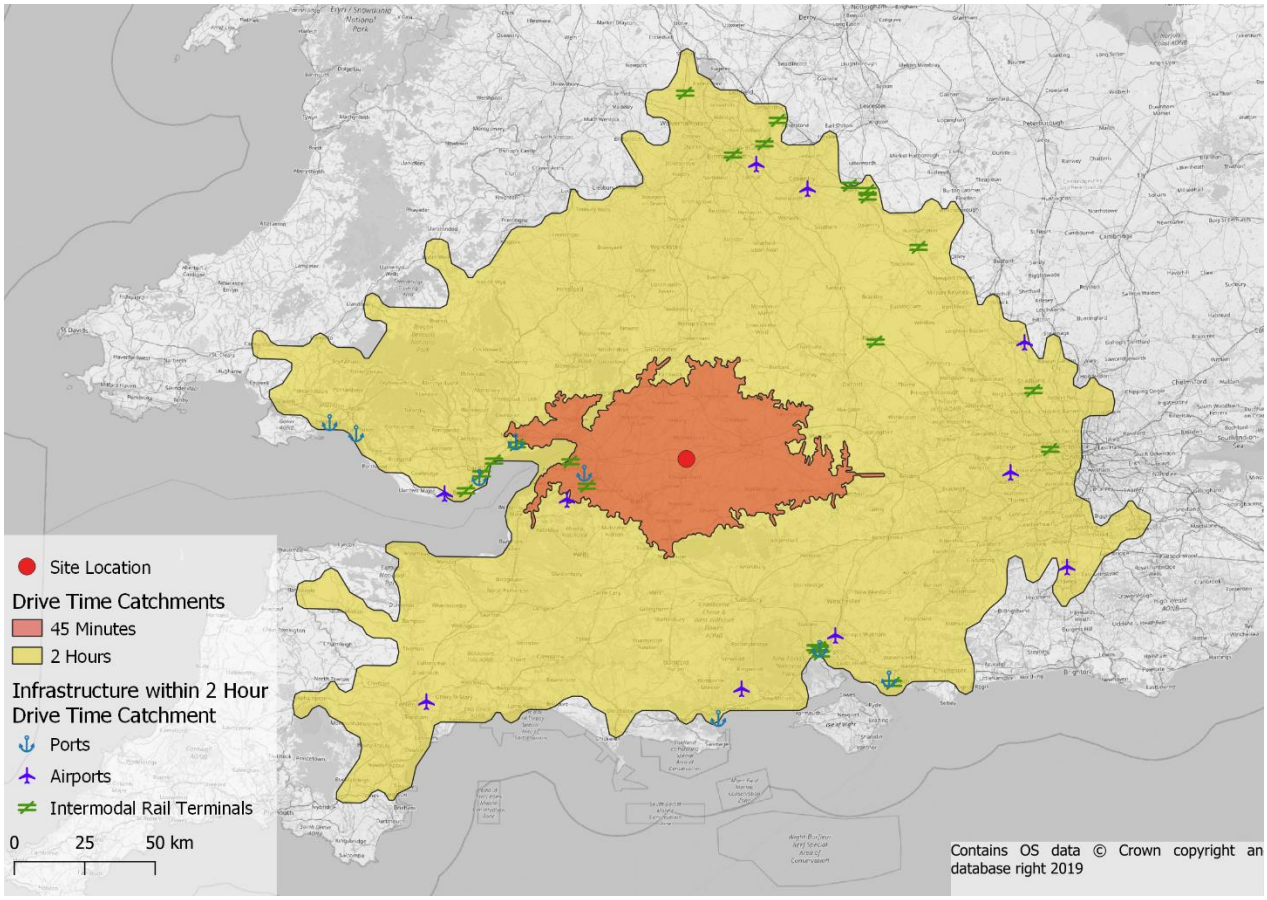
	45 Minute Drive Time Catchment	2 Hour Drive Time Catchment
Rail Freight Interchanges	Avonmouth and Portbury, Bristol	Avonmouth and Portbury, Barry Docks, Bicester, Birmingham International (Birch Coppice), Bristol West Depot, Cardiff Docks, Daventry 1 and 2, Fratton, Hams Hall, Lawley Street, Marchwood, Newport Docks, Northampton Gateway Rail Freight Interchange, Prologis RFI DIRFT Northamptonshire, Radlett SRFI, Rugby, Southampton/Maritime, Southampton/Millbrook, Southampton/Western Docks, Wentloog (Cardiff), West Midlands Interchange, Willesden Euroterminal.
Airports	Bristol	Bristol, Luton, Southampton, Bournemouth, Coventry, Exeter, Cardiff International, Heathrow, Birmingham, Gatwick.

[11] Nathaniel Lichfield & Associates (2012), DIRFT III: Planning For The Future – The Expansion of Daventry International Rail Freight Interchange – cited in Roxhill (2019), Document 6.8 – Market Analysis Report – Northampton Gateway Strategic Rail Freight Interchange

	45 Minute Drive Time Catchment	2 Hour Drive Time Catchment
Major Ports	Bristol	Bristol, Cardiff, Poole, Swansea, Newport, Port Talbot, Portsmouth, Southampton.

Source: Savills

Figure 2.8 Freight Infrastructure within a 45 Minutes and 2 Hour Drive Time Catchment



Source: Savills; DfT

Improving the Employment Prospects of Deprived Communities

2.3.22. As we discuss further in **Section 4**, the number of people still claiming benefits within the PMA as of May 2023 is stil 25% higher than the Count as of March 2020, prior to the Covid pandemic starting. The I&L sector has become far more diverse in the last decade in terms of the different types of occupations it supports. This is allowing it to be a key re-employer of people who have lost jobs in other sectors of the economy.

2.3.23. For instance, a person that may have lost their job as an engineer or IT consultant within an office-based firm, can now find similar roles in I&L. This is linked to the sector becoming more automated as well as the complexity and reach of I&L supply chains. As we discuss in **Section 4,** many companies now seek to co-locate their office, R&D and administrative functions with their production, manufacturing and distribution operations, therefore bringing different occupations and specialisms together under one roof.

2.3.24. The logistics sector is also particularly good at providing employment opportunities to those that may not otherwise be in work. **Based on a recent independent survey undertaken by YouGov, Frontier-Economics found that 20% of people currently in logistics were previously unemployed and that one in four within this group was long-term unemployed[12].**

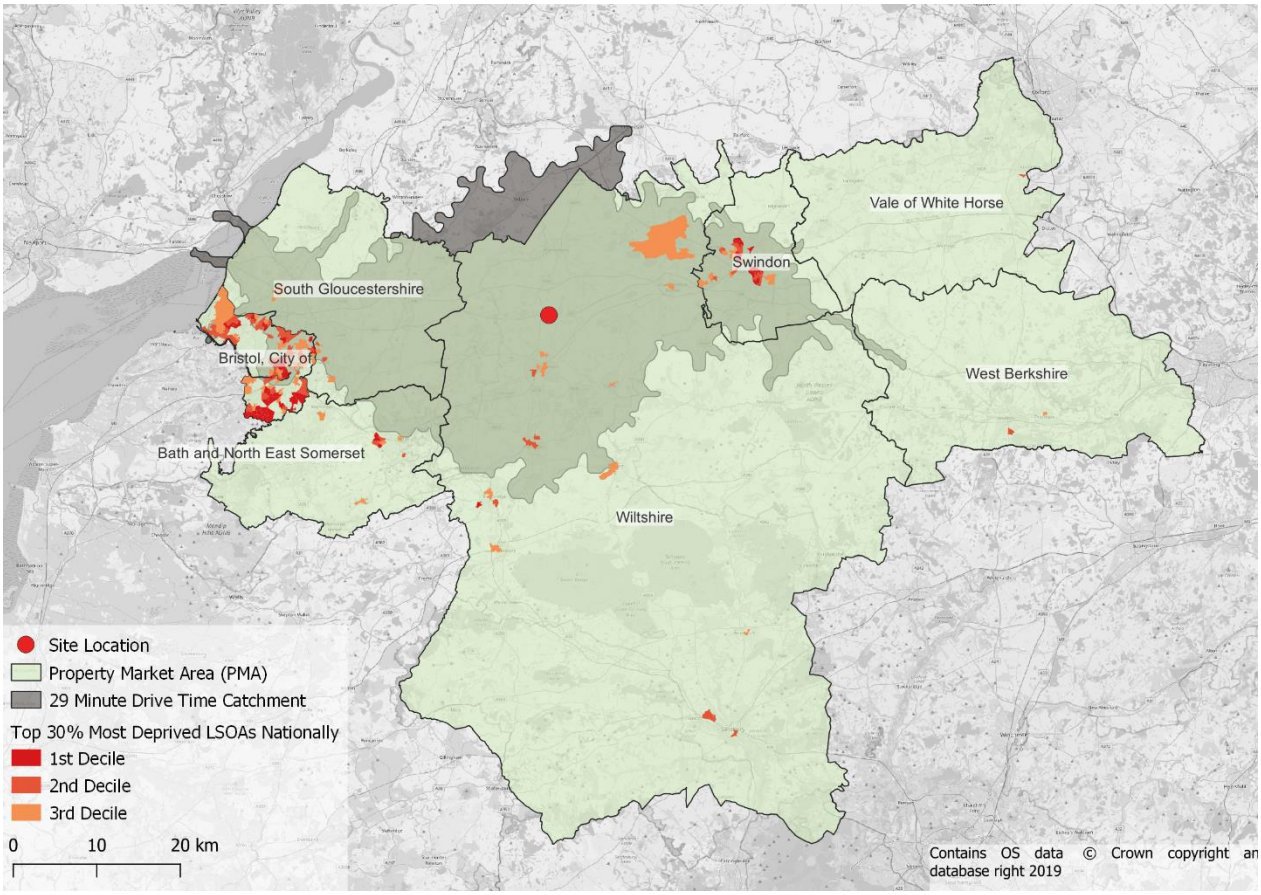
2.3.25. This link between addressing deprivation via new I&L development is being recognised by the Planning System. For example, in a recent called-in decision for an I&L development in St Helens, the Secretary of State agreed with the Inspector that the jobs brought about by the development *'would have a tangible benefit to the local economy and would provide an early opportunity to help address […] deprivation issues[13]'.*

2.3.26. The map in **Figure 2.9** shows that within the PMA there are numerous neighbourhoods that score among the top 30% most deprived areas in England. Many of these neighbourhoods are within a 29-minute drive time from the Subject Sites, which is considered within commuting distance. The Proposed Development will increase the employment opportunities available to the residents of these highly deprived neighbourhoods while seeking to direct the job opportunities to Wiltshire residents as per the Uniteral Undertaking Agreement for the main site.

[12] Frontier Economics (2022) The Impact of Logistics Sites in the UK. Available at: https://logistics.org.uk/CMSPages/GetFile.aspx?guid=d3e3d23c-2dca-4b0a-8406-0d126c71eb4d&lang=en-GB

[13] APP/H4315/V/20/3265899

Figure 2.9 Area of Deprivation within the PMA

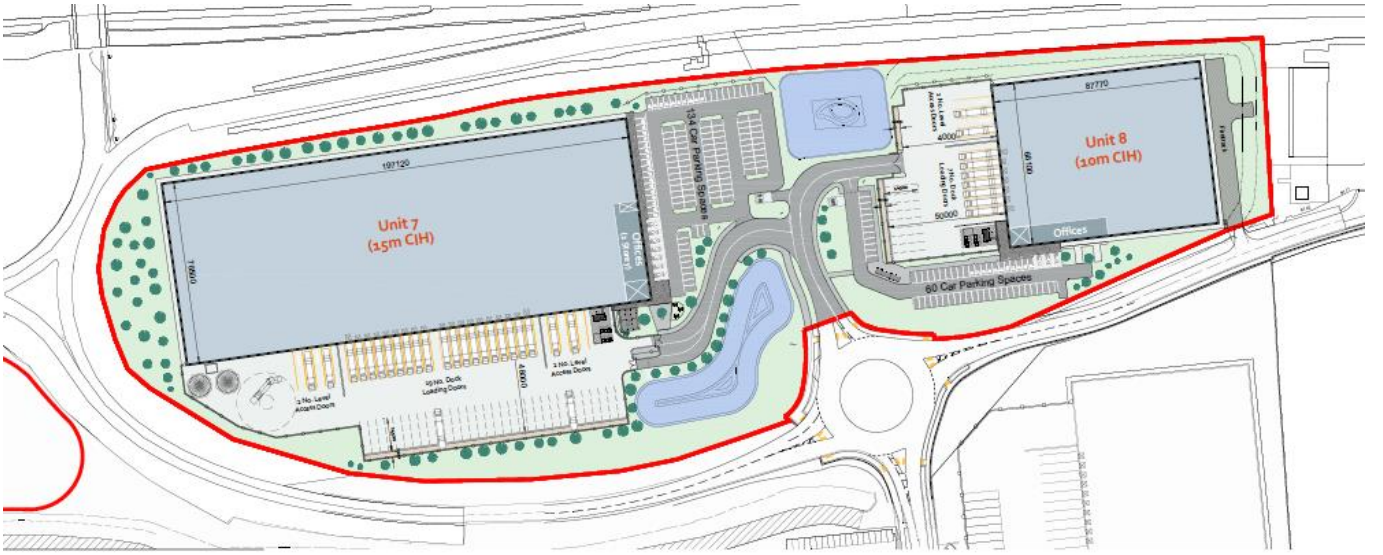


Source: IMD 2019, Savills

2.4. Proposed Development

2.4.1. **Figure 2.10** presents a masterplan of the Subject Site. The masterplan could deliver 245,575 sqft (22,815 sqm) of B8 Use Class floorspace across two units.

Figure 2.10 Masterplan



Source: umc Architects, St. Modwen (2023)

3. Property Market Area

3.1. Introduction

3.1.1. Before we can consider the strength of the I&L market relevant to the Subject Site, we first need to determine an approporaite Property Market Area (PMA). This is the geography within which we will consider market supply and demand factors.

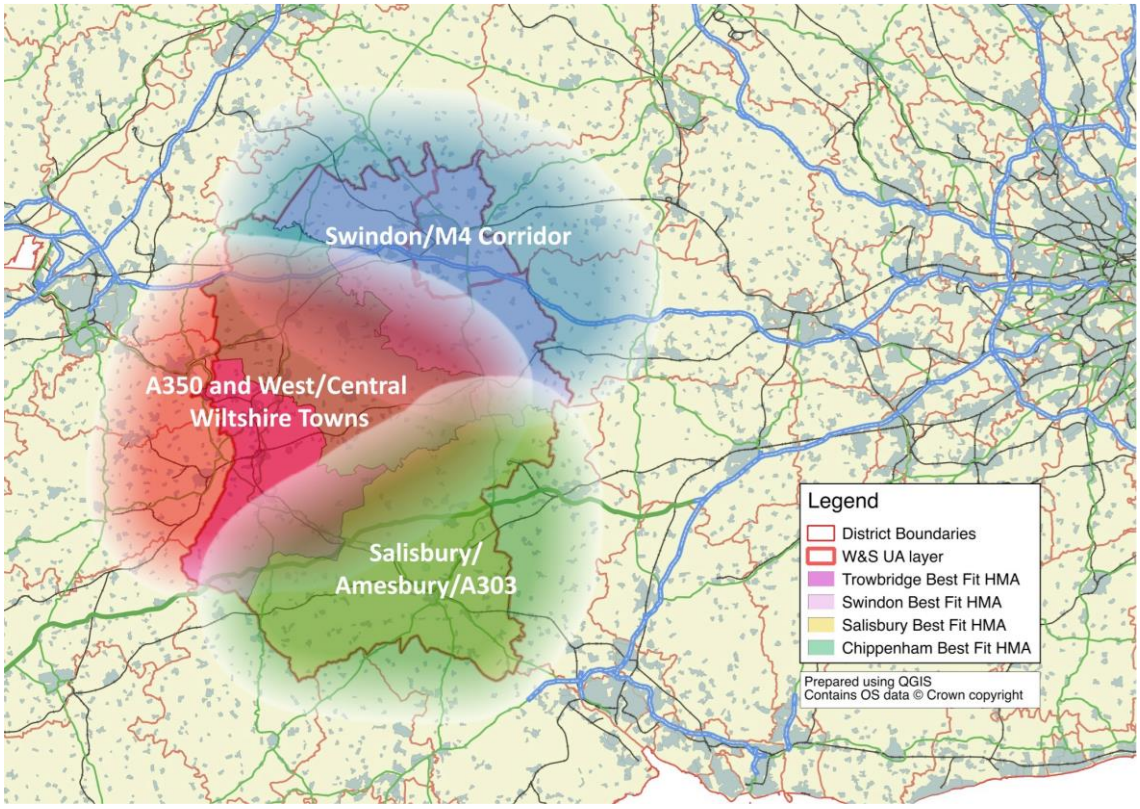
3.2. Defining a Property Market Area

3.2.1. The PMA needs to be relevant to the Subject Site, namely it is the broad 'area of search' the Sites sit within that prospective I&L occupiers will consider when looking to lease space. Effectively the PMA includes the competitior locations to the Subject Sites for attracting this occupier demand.

3.2.2. We take a sub-regional approach to the I&L market assessment and for estimating future I&L demand. Wiltshire like all local areas is part of a wider sub-regional market, or PMA, and therefore is subject to supply and demand forces which need to be assessed beyond its local authority boundaries. This is true for many commercial sectors, but it is particularly important for I&L occupiers, which typically have distribution networks linking their customers and suppliers of between 1 to 4 hours travel time, sometimes longer, depending on their size. For example, up to 4 hours plus is more typical of very large companies with a national reach, while a 1 hour drive time is ideal for the majority of companies.

3.2.3. Therefore we consider the study area covering the local authorities of Wiltshire and Swindon, used in the Swindon and Wiltsure FEMA Assessment (shown in **Figure 3.1**), to be too narrow when compared against even a 1 hour travel time reprerentative of most I&L companies' supply chains.

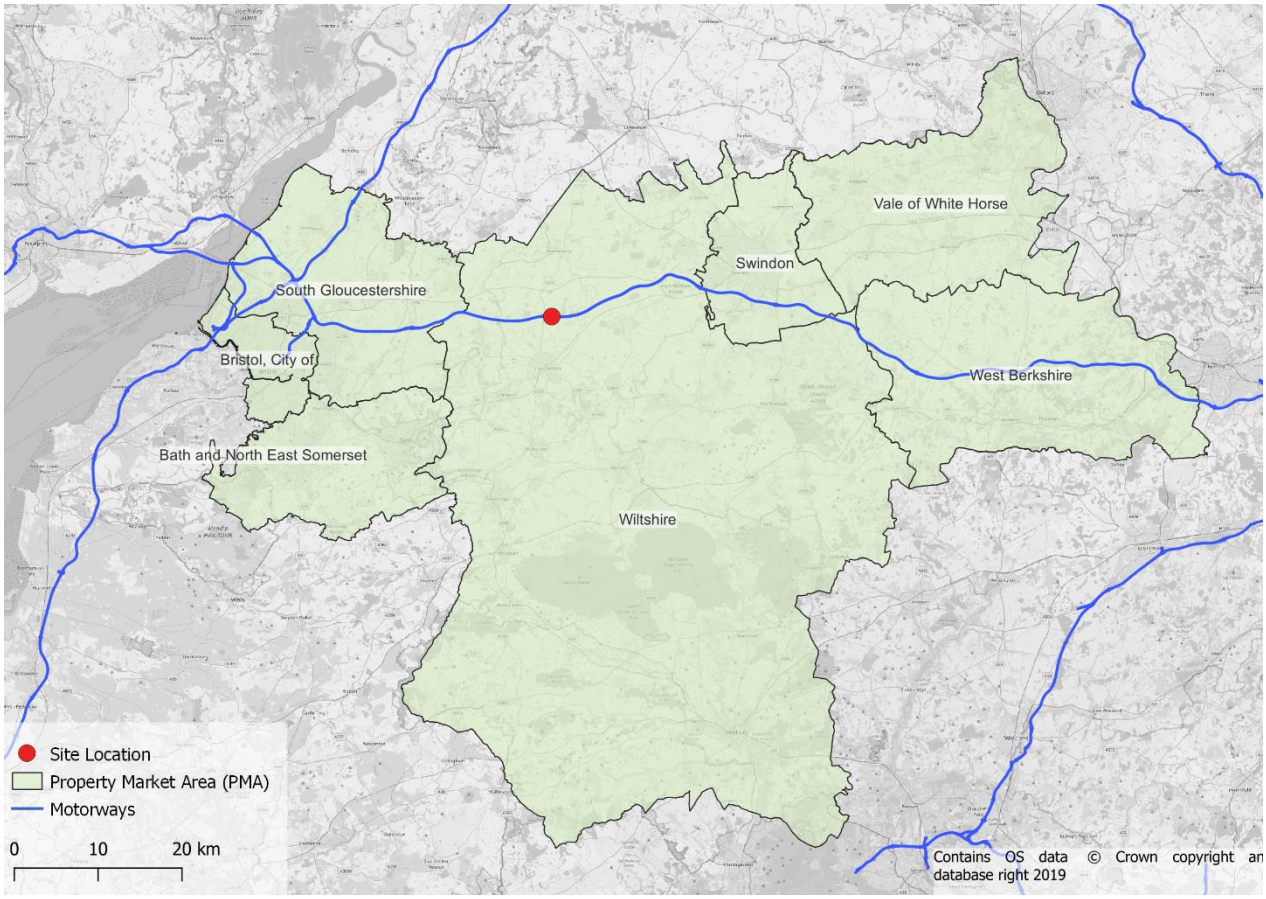
Figure 3.1 Swindon and Wiltsure FEMA Assessment



Source: Swindon and Wiltshire FEMA Assessment, Hardistry Jones Associates

3.2.4. In order to be more reflective of the reach of I&L supply chains, and after consultation with Savills Industrial Agency Team, we consider a more appropriate PMA to comprise the seven local authorities of Wiltshire, South Gloucestershire, Bristol City, Bath and North East Somerset (BANES), Swindon, Vale of White Horse, and West Berkshire. This area is shown in **Figure 3.2** and is considered more representative of the broad search area I&L occupiers would consider if wanting to located close to the M4 or A303. The Savills defined PMA also doesn't encroach on the M3 or M5 corridors.

Figure 3.2 Subject Sites Property Market Area



Source: Savills, 2023

4. Key Trends in the I&L Sector

4.1. Introduction and Summary

4.1.1. In this section we discuss some of the key trends that have been driving growth in the I&L sector. We draw upon analysis from Savills' recent publication for the British Property Federation 'Levelling-up – The Logic of Logistics'[14], Savills' *Big Shed Briefings* and other relevant research.

4.1.2. Not only has the sector been outperforming other commercial sectors in the UK for some time, but it is also 'critical national infrastructure' that supports the functioning of our economy and the way we live our lives. The food we eat, the products and services we purchase, the materials used to build new homes and new infrastructure, even the vaccines that give us protection from Covid-19 are stored, manufactured and distributed from warehouses and factories to 'us', the end consumer.

4.1.3. The I&L sector enables the movements of goods across a multi-modal network of road, rail, air and water routes. Most businesses draw on supply chains – many of which are global in scale – that rely upon these multiple modes of transport and on the transfer between freight nodes (such as ports, airports, rail freight interchanges and road) to warehouses and then finally onto the end customer. Without these facilities and the increasingly efficient supply chains that link them with suppliers and end customers, the delivery of our purchases would be much slower, more expensive and we would have less choice.

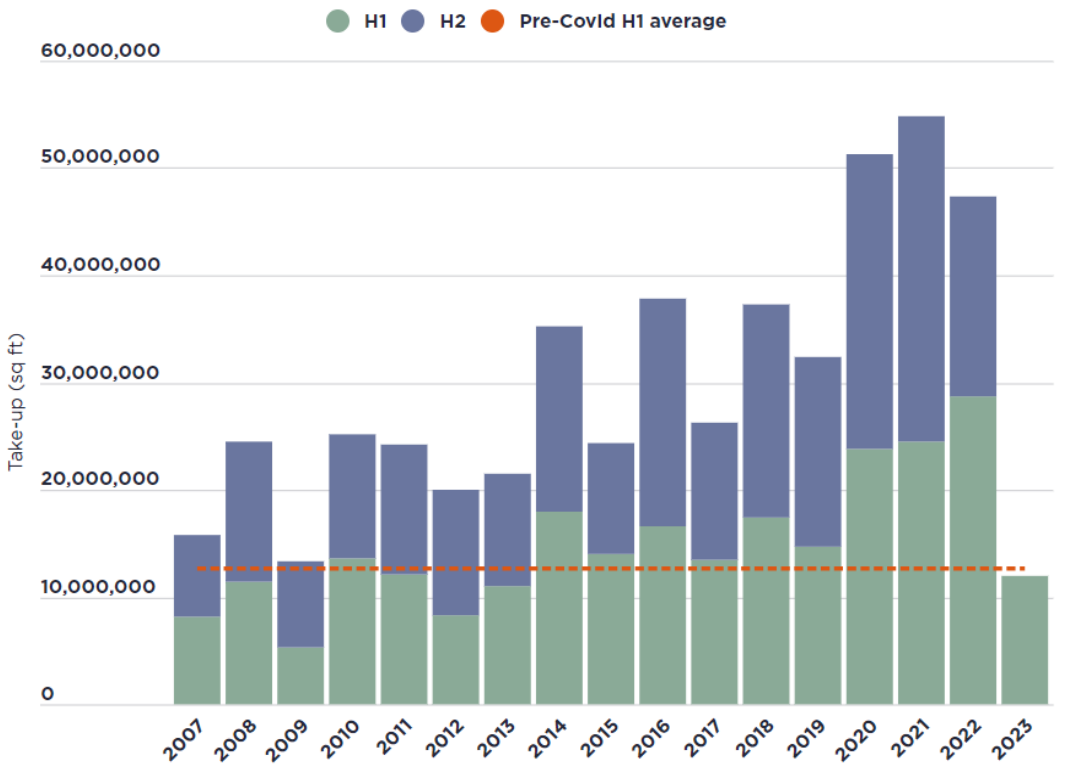
4.2. National and Regional Property Context

4.2.1. Both logistics and manufacturing businesses, which together make up the I&L sector require similar, shed-type properties (including ancillary offices). In terms of location, they both desire highly accessible sites nearby to motorway junctions and other freight handling infrastructure as well as major population centres.

4.2.2. While the fundamental growth drivers underpinning the I&L sector remain strong (as discussed further in **Section 4.4**), the sector has not been immune from the current macro-economic climate beset by high inflation, rising interest rates and subdued growth. As reported in Savills recently published Big Shed Briefing (July 2023), at a national level, take-up (in units above 100,000 sqft) for the half year has dropped to 12.49m sq ft, however just 1% shy of the pre-Covid H1 average.

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

Figure 4.1 I&L Sector Historic National Take-Up – 100,000+ sq.ft Properties (2007-2022)

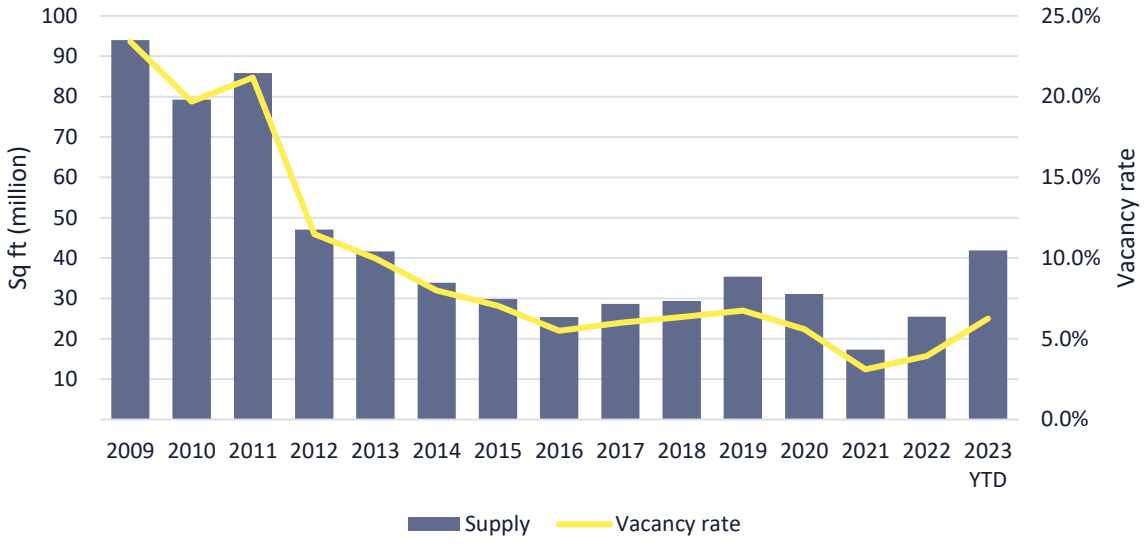


Source: Savills Research

4.2.3. The supply of premises nationwide (in units above 100,000 sqft) has risen to 6.25%[15] however this level is much lower than in the period after the GFC when it used to be above 10%. As shown in **Figure 4.2**. There is particularly severe shortage of supply of the best quality Grade A space, and given the increasing costs associated with running warehouses it comes as no surprise that occupiers are gravitating towards better quality buildings with better Environmental, Social and Governance (ESG) features[16].

[15] Savills and BPF (2022), *Levelling-up – The Logic of Logistics*
[16] Ibid.

Figure 4.2 National Supply and Vacancy Levels – 100,000+ sqft Properties (2009-2022)



Source: Savills Research 2023

4.2.4. Take up (in units above 100,000 sqft) in the South West and Wales market has totalled c.910,000square feet, 39% below the long-term annual average seen within this region. So far in 2023, transactions have centred around better quality units with 50% of space transacted being built-to-suit. In terms of Grade, 44% of space transacted has been Grade A, 39% has been Grade B, and the remaining 17% of take-up was pre-let speculatively developed. The lack of supply is hindering take-up as occupier requirements centre around new, modern units[17].

4.2.5. The current economic headwinds are affecting the other property sectors as well. As reported in Savills most recent UK Housing Market Update - June 2023, house prices are down 3.4% nationally on an annual basis while mortgage approvals and completed transactions are also well down on pre Covid levels. RICS July 2023 survey[18] indicates supply is higher than demand which will likely place further downward pressure on residential sales values. While the increase in online shopping and the desire for rapid parcel deliveries are helping to fuel I&L demand, these and other behavioural changes such as increased homeworking, are creating structural demand challenges for the office and retail sectors. This is likely to mean I&L will remain the fastest growing commercial sector.

[17] Savills Research (2022) Big Shed Briefing – The Logistics Market in the South West. Available at: https://pdf.euro.savills.co.uk/uk/commercial---other/big-shed-briefing---july-22.pdf

[18] RICS, UK Residential Market Survey July 2023

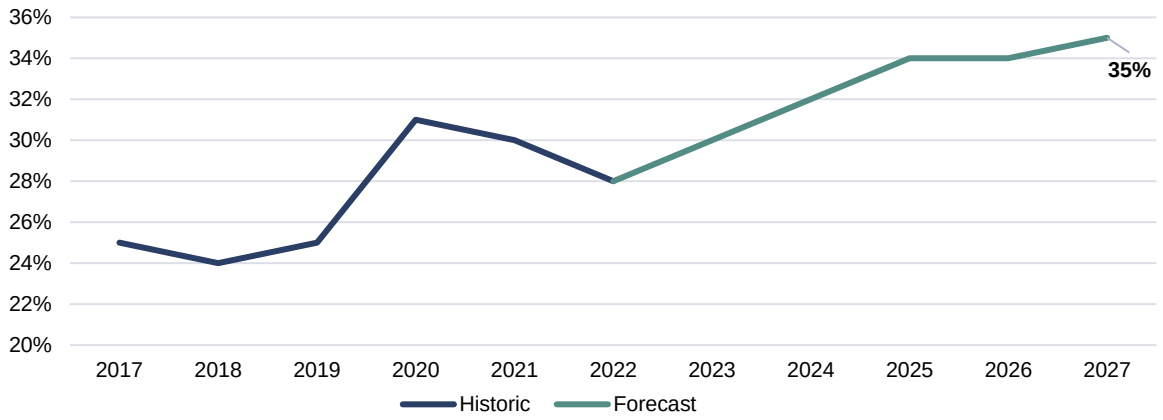
4.3. Current I&L Growth Drivers

4.3.1. The I&L sector is facing an era of unprecedented change. The past decade has seen the sector undergo a remarkable transformation, reshaping operating models and occupier requirements in ways that are only starting to become recognisable as an industry-wide phenomenon. Logistics uses in particular have shown strong performance for a number of years, but the Covid-19 pandemic has exacerbated existing trends. This has driven demand up even further for logistics floorspace while adversely impacting other commercial sectors such as retail and offices.

4.3.2. We consider this shift in habits we have been witnessing – such as the extraordinary growth in **online retailing** – to be structural rather than temporary. As the country's population continues to grow, so will I&L floorspace needs to support household consumption and other sectors of the economy. Statistics collected by the ONS from November 2006 show that the share of internet sales has consistently increased over time and it was at 19% before the onset of the Covid-19 pandemic. During the pandemic, due to lockdowns and restrictions this figure increased considerably and is around 26.5% as of May 2023[19].

4.3.3. Most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioural changes such as increased home working and continued demand for rapid parcel deliveries. Statista, a respected source of online retail projections, estimate that online retail will grow to 35% by 2027 (**Figure 4.3**). While we appreciate these are just future estimates, many online retailers and commentors see online growth moving to 50% of total online sales as being inevitable. For instance, 'The Digital Tipping Point, 2019 Retail Report'[20], estimated retail sales would reach 53% by 2028 while the National Infrastructure Commission are predicting up to 65% by 2050 for non-food items. While these estimates and timeframes differ, the question appears to be more of 'when' rather than 'if'.

Figure 4.3 Internet Sales as a % of Retail Sales (2017-2025)

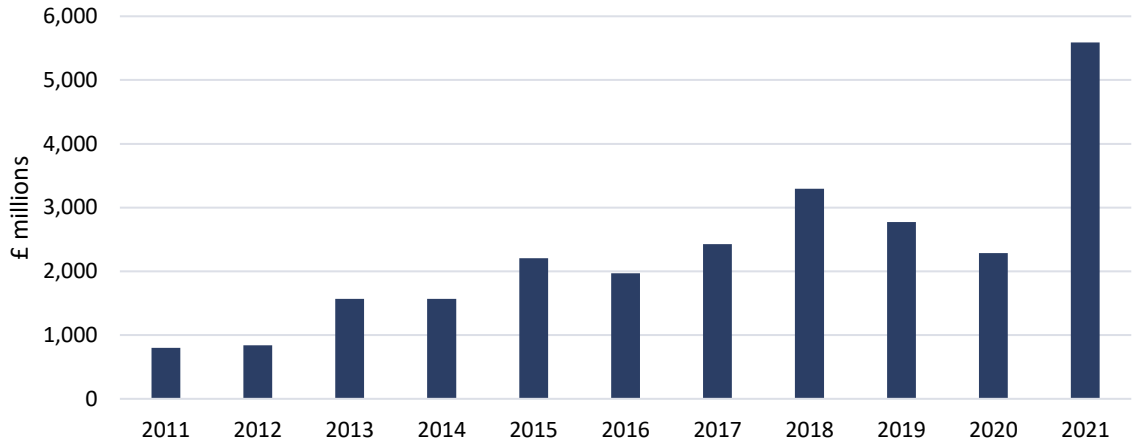


Source: Statista 2023, Savills

[19] ONS (2023), Internet sales as a percentage of total retail sales (ratio) (%)
[20] The Digital Tipping Point, 2019 Retail Report, Retail Economics and Womble Bond Dickinson

4.3.4. The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers[21]. The link between this growth and warehouse demand is well exemplified by **Figure 4.4** below. As the percentage of online sales reached a record high in 2020, a year later in 2021 followed a peak in the total value of new warehouse projects.

Figure 4.4 Value of Warehouse New Orders for Construction, GB (2011-2021)



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

4.3.5. Freight flows are another key driver of I&L floorspace demand. Significant growth is forecast across all **freight** modes (**Figure 4.5**). Freight arriving and leaving the UK needs to be sorted, packaged and distributed via a network of freight handling infrastructure (i.e. ports, airports, rail freight interchanges and motorways), and conveniently located I&L premises in order to reach end customers.

Figure 4.5 Projected Growth in Freight by Mode



Source: DfT, MDS Transmodal, Boeing, Savills

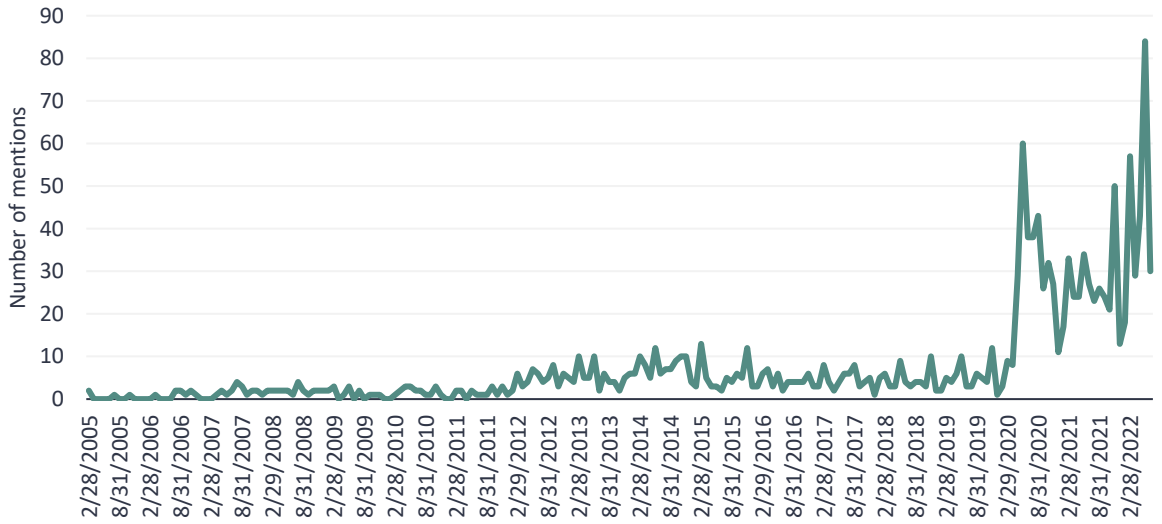
4.3.6. Brexit and Covid-19 have highlighted the level of interconnectedness of international supply chains and their fragility when one or more links break. Companies have started building up greater resilience in their

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

operating models by moving operations either back to the UK (**re-shoring**) or closer by (**near-shoring**) as a means to minimise future supply-chain-induced disruptions.

4.3.7. According to a survey carried out in July 2020 by the Institute for Supply Management, 20% of firms were planning to, or have already started to, near-shore or re-shore. These findings are corroborated by a survey carried out by Savills[22] whereby over 80% of respondents expected the Covid pandemic to either 'greatly increase' or 'somewhat increase' on-shoring. Recent data from Sentieo, which analyses listed companies' annual reports, has found that mentions of the term 'near-shoring' have risen dramatically in 2022. Savills are starting to observe new occupier requirements directly related to this phenomenon and expect demand to rise as companies come to terms with running 'just in case' supply chains (leading to increased stock piling) rather than 'just in time'[23].

Figure 4.6 'Near-Shoring' on the Rise in Company Reports (2005-2022)



Source: Sentieo, An AlphaSense Company

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

4.3.8. **Figure 4.7** below provides a visual representation of some of the major growth drivers generating the record breaking demand in the I&L sector. While e-commerce and freight growth are two of the most influential, as discussed above, there are several others at play also.

[22] Savills (2020) The impact of Covid-19 on Real Estate. Online Article: https://www.savills.com/impacts/market-trends/the-impact-of-covid-19-on-real-estate.html
[23] https://www.savills.co.uk/research_articles/229130/330619-0?utm_source=ExactTarget&utm_medium=Email&utm_term=5335003&utm_content=8987518&utm_campaign=UK+Commercial+Market+in+Minutes+-+July+2022

Figure 4.7 I&L Growth Drivers



Source: Savills

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

4.4.1. The I&L sector is a significant employer of at least 3.8 million people in England and produces £232 billion of GVA annually[24]. Gross Value Added (GVA)[25] per job, currently at £58,000, is 12% higher than the average of all sectors. Its productivity is also predicted to grow at a faster pace, increasing by 29% between 2025 to 2039, compared to 18% across the UK economy as a whole[26].

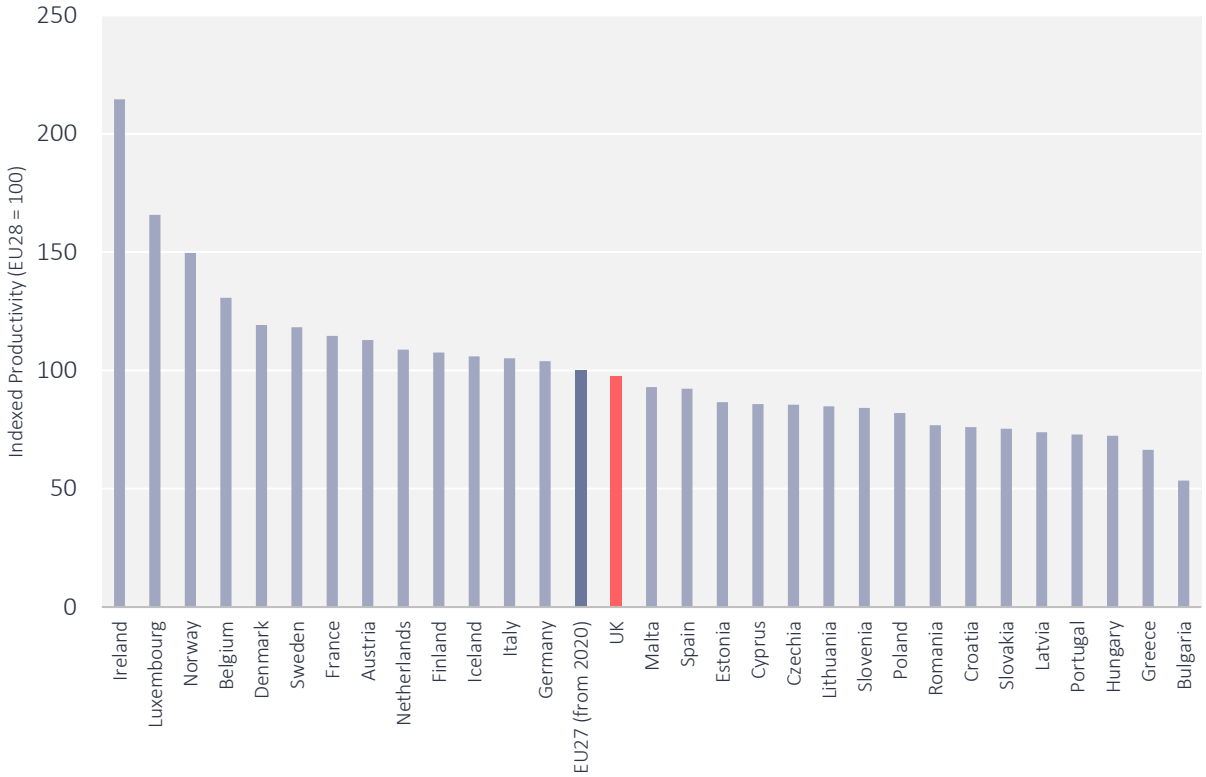
4.4.2. These are extremely important statistics given the UK's labour productivity currently lags many of its western European peers as shown in **Figure 4.8** below. Improving the UK's labour productivity will become increasingly important in a post Brexit world given its important bearing on attracting inward investment, ability to pay higher wages, and higher tax revenues for the Government which can be reinvested in critical services and infrastructure.

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

[25] Gross Value Added (GVA) measures the contribution made to an economy by one individual producer, industry, sector or region.

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

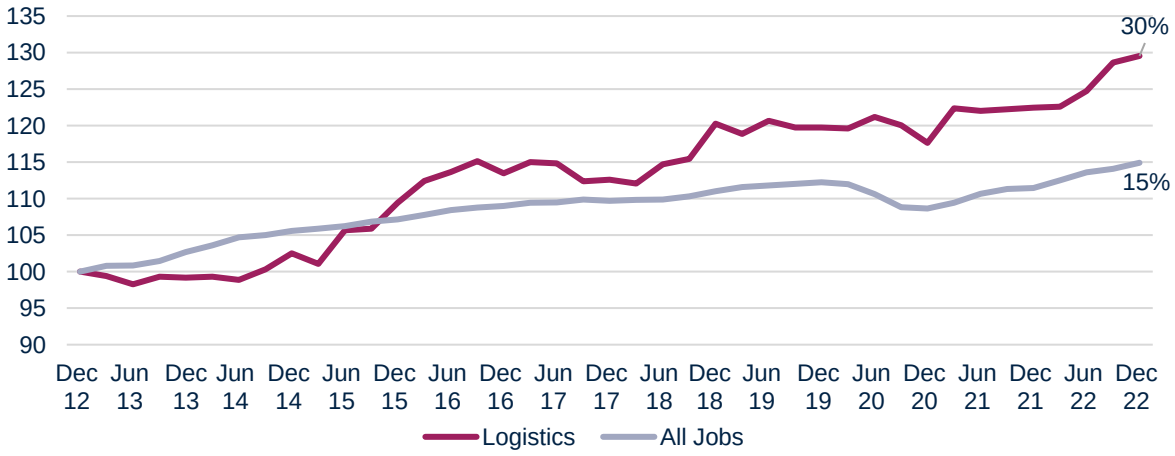
Figure 4.8 Labour Productivity Per Person Employed (2021)



Source: Savills (2023), Eurostat (2023), ONS (2023). Note: Labour productivity measured as output per worker.

4.4.3. Over the last 10 years the logistics component of the I&L sector has grown by 30% compared to only 15% across the economy as a whole (**Figure 4.9**).

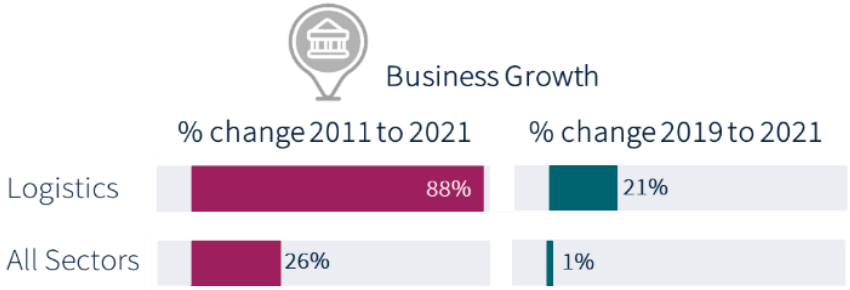
Figure 4.9 Historic Jobs Growth in England (2012-2022)



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

4.4.4. Also in terms of business generation, the logistics sector is the fastest growing segment of our economy, both in recent years and over the long term. Between 2011 and 2021, the number of business premises[27] within the logistics sector went up by 88%, much higher than the 26% growth rate across the whole economy (**Figure 4.10**). Growth in the logistics sector has continued to accelerate over the last couple of years, with the number of business premises increasing by 21% against just 1% across the whole economy.

Figure 4.10 Growth in Business Premises

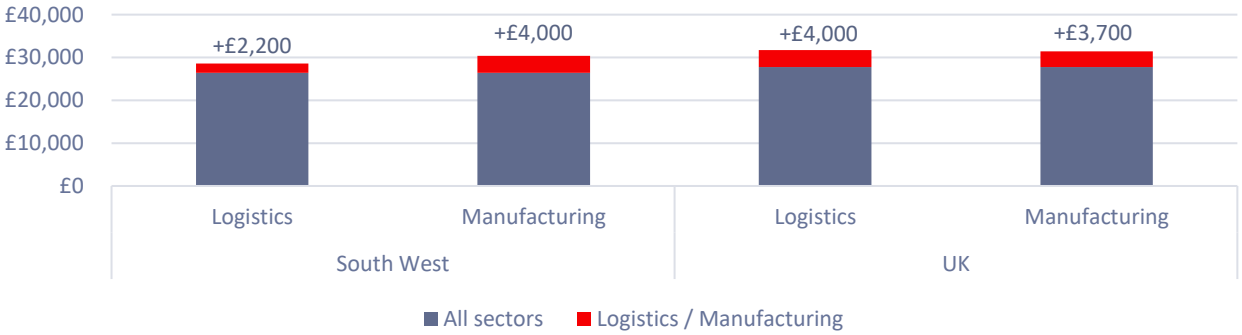


Source: ONS, IDBR, Savills

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

4.4.6. In **Figure 4.11** below we compare the logistics and manufacturing sectors' annual wages against the median pay in all sectors using the latest ONS data from the Annual Survey of Hours and Earnings (ASHE). It shows that in the South West region, jobs in logistics pay +£2,200 more than average per annum, and jobs in manufacturing pay +£4,000 more than average per annum. Similar levels of salary outperformance exist across the UK. In addition, entry-level jobs in logistics are relatively well-paid, with median annual pay being 47% higher [28].

Figure 4.11 I&L Jobs Pay More (2022)

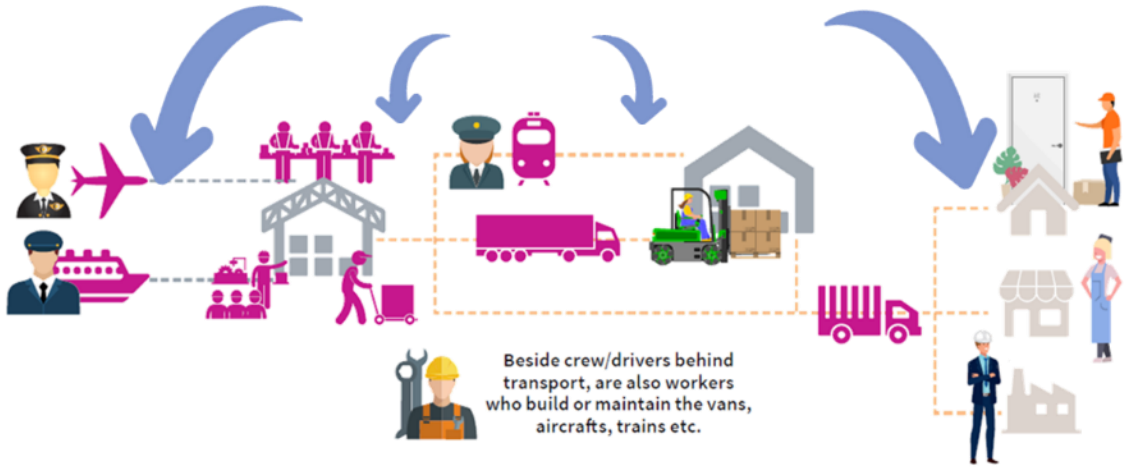


Source: ONS ASHE 2022, Savills 2023

[27] Business premises refer to local units on the Inter-Departmental Business Register (IDBR), which are individual sites that belong to an enterprise. Only a small minority of businesses operate more than one site (1.5% in transport and storage, and 2.1% across all industries) (ONS, 2022).
[28] Frontier Economics (2022), *The Impact of Logistics Sites in the UK*

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

Figure 4.12 The Wide Span of Supply-Chain Jobs across the Logistics Sector



Source: Savills

Levelling-Up and the I&L Sector

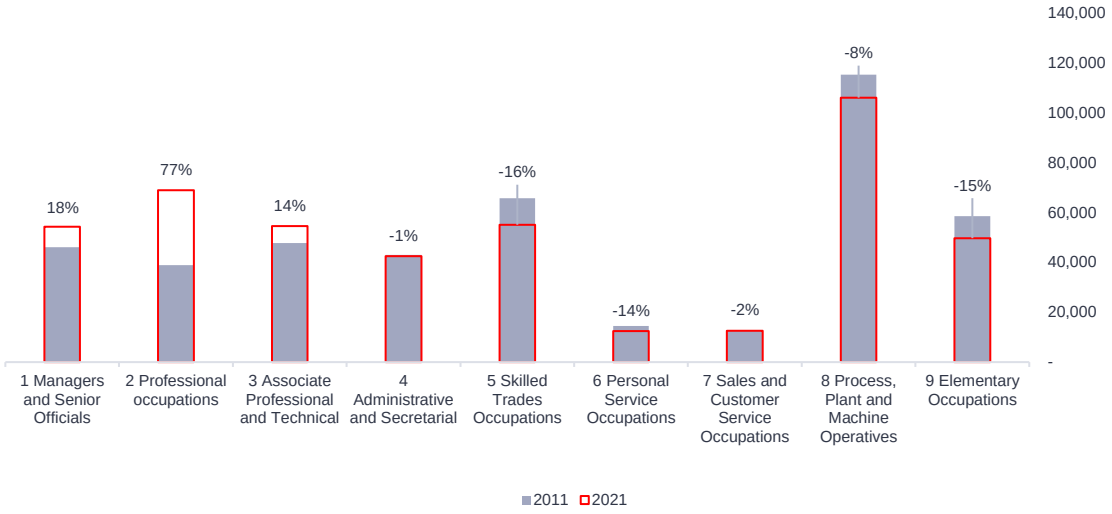
4.4.8. As we discuss in our recent publication for the British Property Federation *'Levelling-up – The Logic of Logistics'*[29], the I&L sector can play a pivotal role as part of the Government's levelling up agenda. In GVA terms, the South[30] accounts for 63% of England's total GVA, while the North[31] accounts for only 37%. However, over the last 5 years, I&L demand (net absorption) in the North has accounted for 70% of the county's total demand.

4.4.9. Thanks to the I&L sector's higher productivity, wide-range of well paid jobs and training opportunities offered, its growth can help bridge the gap between the North and the South. This point is further substantiated by a recent study[32] that looked into the link between logistics density and growth in employment and GDP per capita. The study found that areas with high logistics density have grown faster than other areas of the UK, in both GDP per capita and overall employment.

[29] Frontier Economics (2022), *The Impact of Logistics Sites in the UK*
[30] London, South East, East of England and South West
[31] North West, West Midlands, East Midlands, Yorkshire and the Humber
[32] Frontier Economics (2022), *The Impact of Logistics Sites in the UK*

4.4.10. One factor that makes the I&L sector especially well-suited to support levelling-up objectives, is the wide-range of occupations offered and their increased diversification across various skill levels. **Figure 4.13** shows the change in the share of occupations in I&L in 2011 and 2021 in the South West region. While at the beginning of the decade we see a more polarised distribution, with a higher share of managers at one end of the spectrum and more routine occupations at the other end, today we see a higher share of Professional and Associate Professional and Technical roles. These roles are typically associated with higher-skilled engineering and technological professions in response to increased automation and robotics in the sector and more advanced supply chain processes. These office-based roles are increasingly co-locating alongside production and logistics uses, as it is convenient for these people to be closer to the operations they control and analyse.

Figure 4.13 Occupational Distribution in Manufacturing, Transport & Storage in South West (2011 vs 2021)



Source: ONS APS, Savills 2021

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

4.4.12. The Government's Coronavirus Job Retention Scheme (CJRS) has helped cushion the impact of economic contraction on the job market. However, in spite of this effort, data on the Claimant Counts remain high in most areas of the country. The Claimant Count measures the number of people claiming benefit principally for the reason of being unemployed. As of May 2023, the Count across the PMA totalled 30,420 claimants. This is still 25% higher than the Count as of March 2020 (+6,030 claimants).

4.4.13. The I&L sector also generates significant contruction and apprenticeship roles which will increase further as it expands into the future. Savills estimate that if supply-constraints are addressed in the future, the sector could deliver over half a millon apprenticeships over the next 10 years[33]. This is extremely important

[33] Savills and BPF (2022), *Levelling Up – The Logic of Logistics*

given youth unemployment nationally stands at 10.9%[34]. A number of case studies on the type of employment opportunities, training and research centres that the sector delivers can be found in our recent publication for the British Property Federation 'Levelling-up – The Logic of Logistics'[35].

4.5. Conclusions

4.5.1. I&L premises facilitate modern life and therefore should be considered as 'Critical National Infrastructure' similar to how major roads, ports, airports and rail freight interchanges are. The sector makes a significant contribution to the national economy and supports a diverse range of well paid jobs. The additional jobs delivered by the Proposed Development (refer to **Section 8** for the Proposed Development's socio-economic benefits) would benefit local communities and help deprived areas in line with Core Policy 34.

4.5.2. Current demand within the sector is at unprecedented levels being supported by a number of key growth drivers. **These strong sector fundamentals provide reassurance that demand for I&L floorspace will continue to be high in the future**.

4.5.3. There is a strong need to support and foster economic growth to support the post-Covid recovery and to secure the UK's post Brexit future. It is vital to support those sectors which are proving to be resilient (such as logistics) and are therefore well-placed to provide new employment opportunities to mitigate job losses in other sectors and underpin the economic recovery.

[34] ONS (2023), Annual Population Survey (APS) – unemployment rate of people aged 16 to 24 in England (March 2023)
[35] Ibid.

5. Review of Employment Policies & Evidence

5.1. Introduction

5.1.1. This section reviews the most recent local authority employment evidence covering Wiltshire. The focus of our review is the future demand estimates for I&L floorspace and land.

5.1.2. We first seek to understand the future demand methodologies used in each study and the various results they produce. We finish with our view of their methodological weaknesses which, we consider, have led them to underestimate 'true' market demand for I&L uses into the future.

5.1.3. The most recent employment land evidence is Employment Land Review Update 2023 prepared by Hardisty Jones Associates to inform the preparation of the new Wiltshire Local Plan. This ELR is an update of a previous report published in 2018 also by Hardisty Jones Associates.

5.2. Swindon and Wiltshire Functional Economic Market Area (FEMA) Assessment (Hardisty Jones Associates, 2016)

5.2.1. Hardisty Jones Associates were instructed by Swindon Borough Council and Wiltshire Council to undertake a Functional Economic Market Area (FEMA) Assessment. The FEMA assessment first assesses and defines the local functional economic market areas relating to Wiltshire and Swindon. Secondly, it provides an assessment of employment need over the 20 year period 2016-2036, in terms of the number of jobs by sector and in terms of land by employment use.

5.2.2. The FEMA report defined three FEMAs in Swindon and Wiltshire (as discussed in **Section 3**) and used employment growth forecasts from Oxford Economics and Cambridge Econometrics to estimate the need for employment land to accommodate growth. The sectoral employment forecasts were converted to use classes and then to floorspace. A 40% plot ratio was used to convert I&L floorspace requirements to land. The future demand estimates also allowed for churn, and the associated need to upgrade and replace stock, as well as an allowance for choice and flexibility. Hardisty Jones Associates estimate a replacement requirement equivalent to 1% of stock per annum across all areas, and an uplift of 10% has been applied for choice and flexibility.

5.2.3. The econometric forecasts were reviewed in detail against local circumstances and knowledge, and a number of adjustments have been recommended to reflect these circumstances including the Army rebasing project in Wiltshire, and committed investments in the motor vehicles manufacturing sector in Swindon. The levels of growth have also been cross-checked with growth in the supply of labour in the SHMA. The forecasts do not take account of the effects of Brexit.

5.2.4. **Table 5.1** outlines the estimates of industrial land requirements per the three FEMAs identified in the report over a 20 year period.

Table 5.1 Estimates of Industrial Land Requirements per FEMA (2016-2036)

	Swindon /M4 Corridor	A350/West / Central Wilts Towns	Salisbury / Amesbury/A303	Total
Total Industrial Land Requirement	87.0	83.1	44.4	214.5
Average Annual Requirement	4.3	4.2	2.2	10.7

Source: Swindon and Wiltshire FEMA Assessment (2016)

5.3. Wiltshire Employment Land Review (ELR) (Hardisty Jones Associates, 2018)

5.3.1. The Wiltshire Employment Land Review (ELR) was produced in May 2018 by Hardisty Jones Associates. It uses the same three FEMAs that informed the earlier Swindon and Wiltshire FEMA Assessment described above. However it is important to note that the whole M4/Swindon FEMA extends beyond the boundary of Wiltshire, and covers Swindon as well. For the purpose of this ELR, Hardisty Jones Associates disaggregated the Wiltshire part of the demand from the Swindon part of the demand so as to arrive at Wiltshire-specific demand figures.

5.3.2. The ELR reports strong market demand for premises in Chippenham but that availability is low and there is a lack of supply of sites in the area. It characterises the lack of new employment development to be a market failure. It reports that the consequences of the lack of development activity is potentially damaging for the county's economy. Anecdotal evidence from a number of sources highlights cases where a lack of supply has led to locally grown companies moving elsewhere due to a lack of suitable expansion space, and inward investors being deterred for the same reason. As a result the ELR recommends that new allocations should be considered in Chippenham to meet this demand.

5.3.3. Savills' Industrial Agency too have reported that the lack of industrial property in Wiltshire, in the face of significant demand, has caused rents to increase. Agent have also said:

- There is a very limited supply of readily available sites and suitable premises available in Wiltshire;
- There is a lack of affordable sites for development;
- There is a lack of unconstrained employment land;
- There is a significant problem of housebuilders controlling the supply of employment land, and being reticent about releasing this for employment development;
- Site owners are often holding out for residential 'hope value';
- Employment land is being lost to residential development;
- Most demand is in the north of the county at the top of the A350 and M4; and
- The Local Plan's allocated mixed-use sites are not actually suitable for many employment uses.

5.3.4. To assess future demand for B class employment land in Wiltshire, the ELR employed the labour demand method, using baseline employment forecasts sourced from Cambridge Econometrics and Oxford Economics. Effectively the same process Hardisty Jones Associates applied for the earlier Swindon and Wiltshire FEMA Assessment described above. The employment forecasts were produced in 2015/16, and therefore do not take account of the effect of Brexit / Covid Pandemic. The forecasts were then adjusted using local evidence and consultations, to produce a hybrid scenario.

5.3.5. The sectoral employment forecasts were converted to use classes and then to floorspace. A 40% plot ratio was used to convert I&L floorspace requirements to land in the ELR. The future demand estimates for Wiltshire presented in the ELR also accounted for churn and the associated need to replace and upgrade stock, as well as an allowance for choice and flexibility. The replacement requirement is factored in at 1% of stock per annum across all areas while choice and flexibility is accounted for via a 10% uplift.

5.3.6. As discussed at **Paragraph 5.3.1**, the same three FEMAs have been used to inform the property market areas that were used in the Swindon and Wiltshire FEMA assessment above. These include the Wiltshire part of a larger M4/Swindon FEMA, an A350 FEMA and an A303/Salisbury FEMA. The demand for employment land that has been derived from the employment growth forecasts is shown in **Table 5.2,** for the whole of Wiltshire, and for each of the FEMAs.

Table 5.2 Demand for Employment Land Over 20 Years (2016-2036)

	Total Demand (Ha)	Office Demand (HA)	Industrial Demand (Ha)
M4/Swindon (Wiltshire) FEMA	15-18	2-5	13
A350 FEMA	91-104	8-21	83
A303/Salisbury FEMA	51-60	6-16	44
Wiltshire Total	157-182	17-42	140

Source: Wiltshire ELR (2018), Savills (2023)
Figures may not sum due to rounding

5.3.7. At the Wiltshire unitary authority level, the ELR estimated **561,800 sq.m of I&L floorspace** would be required to 2036, equivalent to **140 ha** using a plot ratio of 40%.

5.4. Wiltshire Employment Land Review (ELR) (Hardisty Jones Associates, 2023)

5.4.1. The Wiltshire ELR was published in September 2023 by Hardisty Jones Associates, and forms the most recent employment evidence document. It considers employment land demand over the period 2020 to 2038 (18 years).

5.4.2. The ELR identifies three functional economic market areas (FEMAs) in Wiltshire (as the FEMAs that informed the earlier Swindon and Wiltshire FEMA Assessment). It states that over half of current employment is in the A350 FEMA (where the subject site is located), with 30% in the A303 FEMA, and 14% in the M4/Swindon (Wiltshire) FEMA.

5.4.3. The ELR uses three methods to estimate the future need for employment land and premises:

I. Future demand based on extrapolations of historic take-up;

II. Future demand based on economic and employment forecasts; and

III. Alternative demand scenarios drawing on further market signals.

5.4.4. Additionally it recognises regional/national demand for strategic distribution and logistics sites.

5.4.5. The future demand (**I**) is based on Wiltshire's data which includes gross completions and losses. The data is not broken down by sector. Extrapolating the gross completions over the 18-year plan period gives an estimated demand for total employment land between **160 ha** and **206 ha**. This is based on 40% site coverage for industrial development and between 40% and 100% for office development. Additionally an assumption that 20% of new employment space is delivered on existing employment sites and the rest on new sites is used. This means that land will need to be identified for the remaining 80% of the demand.

5.4.6. The forecast demand using employment growth projections (**II**) uses employment forecasts from Cambridge Econometrics (CE) and Oxford Economics (OE). Both sources show a decline in General Industry. The growth of employment in Storage and Distrubution is relatively low in OE forecasts and slightly negative in CE forecasts. The employment forecasts are converted into floorspace requirements with further adjustment for replacement requirement, reuse of employment sites and choice and flexibility as follows:

- Replacement requirement is estimated at 1% of the existing stock and is calculated for industrial but not distribution premises.
- Reuse of employment sites is assumed at 20%.
- Choice and flexibility uplift of 10% has been applied.

5.4.7. The resulting I&L land requirement using a 40% plot ratio is **76.3 ha**.

5.4.8. The alternative demand scenarios drawing on further market signals (**III**) considers a higher level of economic growth based on a review of growth policies and Local Economic Assessment (2022). This scenario estimates a demand for **98 ha** of industrial land over the 18-year period.

5.4.9. Strategic distribution and logistics demand is recognised within the ELR. Based on the Turley's study for the British Property Federation[36] which estimates that a national distribution centre would require 1 million sq ft of space on a site of between 23 ha and 40 ha, and a regional distribution centre would require 500,000 sq. ft of space (on a site of around 12 ha) it considers **23 ha** to be a reasonable notional figure as an indicator of demand.

5.4.10. **Table 5.3** summarises the ELR (2023) future demand estimates for employment land.

[36] Turley for the British Property Federation (undated) What Warehousing Where? Understanding the Relationship Between Homes and Warehouses to Enable Positive Planning

Table 5.3 Demand for Employment Land Over 18 Years (2020-2038)

Land requirement	Historic take-up	Labour Demand with Adjustments	Alternative Demand Scenarios	Strategic Distribution and Logistics
B2 (ha)	(No break-down)	76.3 ha	98 ha	
B8 (ha)	(No break-down)	(No break-down)	(No break-down)	23 ha
Total I&L	(No break-down)	**76.3 ha**	**98 ha**	Alternative Demand + Strategic Distribution and Logistics **99 – 121 ha**
Office	(No break-down)	17.6 – 43.9 ha	13 – 49 ha	
Total employment land	**160 – 206 ha**	**93.9-120.2 ha**	**111 – 147 ha**	Alternative Demand + Strategic Distribution and Logistics **134 – 170 ha**

Source: Wiltshire ELR (2023)

5.5. Savills Observations

5.5.1. Below we outline what we consider to be some of the key weaknesses of the demand methodologies used in the above employment evidence.

The 'Labour Demand' Method

5.5.2. The labour demand method is not appropriate for the estimation of future I&L demand, 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, nor do I&L companies functions' neatly fit into Industrial and Logistics.

5.5.3. **Section 4** demonstrates that I&L companies are increasingly co-locating office, research and development, and administrative functions with I&L operations. Such co-located employment is not well captured by labour demand models as these assume I&L activities are wholly accommodated within a narrow set of Standard Industrial Classification ('SIC') codes.

5.5.4. The underestimation of future demand from the labour demand method is apparent when historic jobs growth in the logistics sector are compared with future job projections from major statistics houses. With reference to **Figure 5.4** below, logistics jobs nationally have grown 23% over ten years. However, labour forecasting products including Experian and Oxford Economics predict much lower levels of growth, including negative growth, over the next 20 years (**Figure 5.5**). This does not reflect reality given logistics is performing strongly in a difficult market environment. As reported in Savills recently published Big Shed Briefing (July 2023), at a national level, take-up (in units above 100,000 sqft) is just 1% shy of the pre-Covid

average.

Figure 5.4 Historic Growth in Logistics Jobs, England

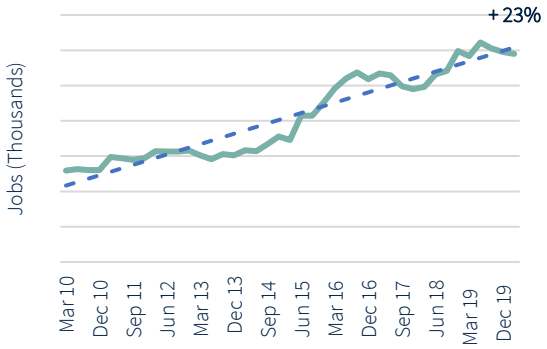
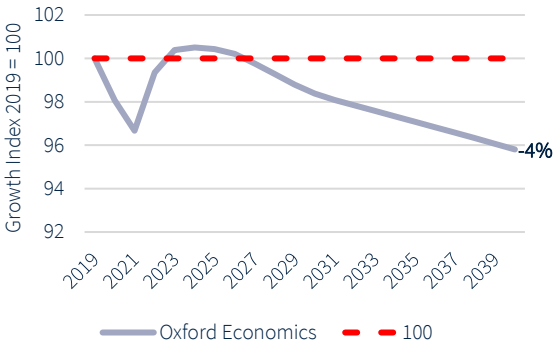


Figure 5.5 Projected Growth in Logistics Jobs, England



Source: Savills (2023), LFS, OE

5.5.5. It also appears that the ELR itself does not trust the accuracy of the labour demand method in estimating future demand. If it did we fail to see how, given that most of the demand generated is from replacement demand that sits outside the labour demand outputs. For instance, with reference to Table 4.9 of the FEMA Assessment (2023), it can be seen that the majority of the total requirement for industrial uses is from replacement provision. This demonstrates how low and out of kilter job forecasts are as a measure of future floorspace and land demand.

5.5.6. It begs the question as to why the ELR's demand modelling doesn't incorporate market signals as part of its demand modelling, as suggested in paragraph 31 of the NPPF, rather than rely on job forecasts from secondary sources. In effect the ELR has relied on statistical constructs and then uplifted these to account for replacement, churn and flexibility as a means to understand future 'market' demand rather than consider market signals directly such as net absorption (leasing demand), floorspace availability, new development trends, rental growth etc. This market data is readily available which we analyse in **Section 6**.

The historic take-up

5.5.7. The 'historic take-up' method is not an indicator of future demand, but rather is a supply measure. The leading demand measure of floorspace is 'net absorption' which indicates the quantum of net floorspace occupied over a period of time (i.e. move-in minus move-outs) based on leasing deals. Development completions on the other hand is a supply measure (rather than a demand measure) which calculates new floorspace delivered. While new floorspace can be delivered on existing sites through redevelopment and intensification, it mainly depends on new employment sites being made available (allocated or granted planning permission) for development via the planning system. If insufficient land has been allocated for employment, build out rates will be depressed. For this reason, net absorption is a more accurate reflection of demand than past completions.

5.5.8. The projections based on historic take-up, 160 – 206 ha, do not provide a split between sectors. While the projections do not differentiate between office and I&L we can compare the totals provided. The employment land demand estimated based on the labour demand method (**134 – 170 ha**) are at the lower end of the historic trends (**160 – 206 ha**). This demonstates how the higher growth scenario fails to account

for any aspirational growth.

'Suppressed Demand' is not accounted for

5.5.9. We believe that the historic take-up is an inadequate method to forecast future demand as the demand in Witshire was suppressed for the larger part of the last decade, as evidenced in **Section 6**.

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

5.5.11. The Council's employment evidence takes no account of demand that has been lost due to historic supply constraints and therefore presents a demand profile based on a supply-constrained trend (or 'suppressed demand'). As discussed in relation to **Figure 6.1** from **Section 6**, the PMA has experienced availability below this equilibrium level consistently since 2014 with current availability at just 4.6%. Wiltshire's availability has also been below the equilibrium level since 2014, with current availability at 4.2%.

5.5.12. This clearly indicates both Wiltshire and the wider PMA have historically been supply constrained for much of the last decade with not enough available supply for the market to operate efficiently. A confirming factor of this conclusion is that rental growth within both Wiltshire and the wider PMA has outpaced inflation by a significant margin (see **Figure 6.8** in **Section 6**). Such strong rental growth is a by-product of strong occupier demand competing with one another for limited available stock. This competition pushes up rents.

5.5.13. Savills have developed a methodology that estimates a market's suppressed demand when supply is below the equilibrium level (i.e. when supply and demand are in balance). This can be added to historic demand projections to give a more realistic picture of future demand. We address this in **Section 7** of this report.

Current and future growth drivers are not accounted for

5.5.14. The employment forecasts take no account of current and future growth drivers, that are, and will continue to underpin I&L demand such as recent housing growth, increased online retailing, growing freight volumes, increased desire for next day / same day deliveries etc. The labour demand method and its reliance on job projections, does not pick up adequately the underlying growth drivers in the property market. We discuss these major growth drivers further below.

Growth in Online Retailing

5.5.15. As discussed in **Section 4**, exponential growth in online retail is probably the most quantifiable of the major changes driving growth in the I&L sector. Statistics collected by the ONS show that the share of internet sales has consistently increased over time from 2.5% in November 2006 to 19% before the onset of the Covid pandemic[37]. During the pandemic, due to lockdowns and restrictions, this figure increased considerably. However, since the reopening of the economy online retailing has remained at a higher level

[37] ONS (2023), Internet sales as a percentage of total retail sales (ratio) (%)

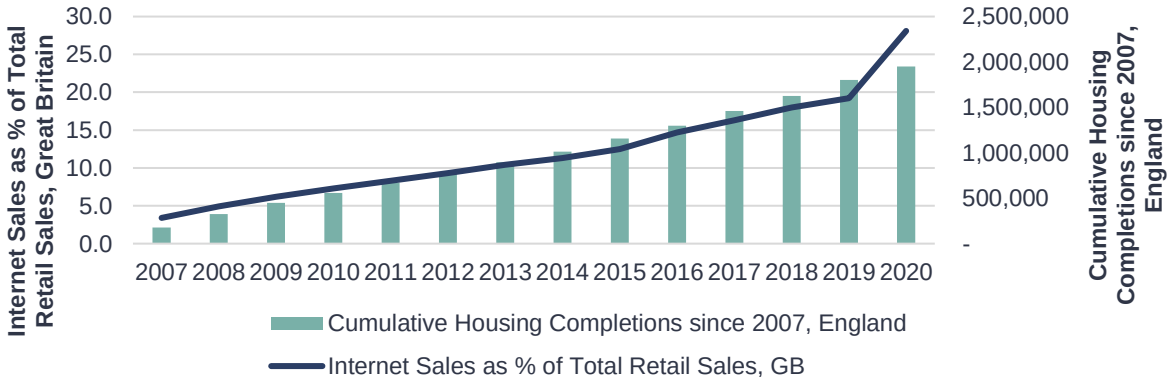
at around 26.5% as of May 2023[38]. The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers[39]. Most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioural changes such as increased home working and continued demand for rapid parcel deliveries. Statita, a respected source of future online retail projections, estimate that online retail will continue to grow but from a higher base, reaching 35% of all retail sales by 2027[40]. As we discussed in **Section 4**, growth to 50% of all sales is likely to happen at some point in the future.

Housing Growth

5.5.16. The exponential growth in online retailing is both a function of the UK's increasing housing supply, and the fact each individual household on average is spending more online. As shown in **Figure 5.6**, housing growth at the national level has broadly tracked the growth in online retailing before the onset of the Covid-19 pandemic, during which time online retailing has spiked even higher.

5.5.17. Between 2001 and 2021, the number of homes in Wiltshire and across the PMA has increased by 22% and 23% respectively[41]. Online retailing relies on increased choice for the consumer and also increased delivery speeds to a location of people's choosing. This means that more inventory is required to be located nearer to the general population which has been increasing. This in turn has meant that more and more warehouse space is required, both by online retailers but also traditional bricks and mortar retailers who are adapting their supply chains to compete. Again, this modern day trend will not have been accounted for in the Council's employment evidence which relies on job projections.

Figure 5.6 Internet Sales as a % of all Retail Sales and Dwelling Completions since 2007



Source: ONS, MHCLG, Savills

Covid-19 and Brexit

5.5.18. Covid-19 has also highlighted the level of interconnectedness of existing international supply chains and

[38] Ibid

[39] Prologis (2016), Global E-Commerce Impact on Logistics Real Estate. Online Article: https://prologis.com/about/logistics-industry-research/global-e-commerce-impact-logistics-real-estate

[40] Statista (2023) Online Retail Sales by Country, 2017-2025

[41] MHCLG (2021): Table 125: Dwelling stock estimates by local authority district, 2001-2021

their fragility when one or more links break. Companies have started building up greater resilience in their operating models and are preparing to minimise future supply-chain-induced distruptions. This is expected to accelerate near-shoring[42] and re-shoring[43] trends which will increase demand for I&L floorspace as discussed in **Section 4.**

5.5.19. As discussed in **Section 4**, Brexit has added further uncertainty surrounding the strength of UK supply chains, influencing the need for further logistics space, especially along key transport routes such as the M4. The impacts of Brexit and the increased levels of re-shoring and near-shoring will not have been accounted for in the labour demand figures used in the FEMA Assessment and ELR.

Growth in UK Freight

5.5.20. Freight volumes are another key driver of I&L floorspace need. Freight arriving and leaving the UK needs to be stored, packaged and distributed via a network of freight handling infrastructure (i.e. ports, freight handling airports, rail freight interchanges and motorways), and conveniently located I&L premises in order to reach end customers. Freight volumes are forecast to grow significantly which will increase demand for I&L space in the UK, as discussed in **Section 4**. Again, the growth in UK freight volumes will not have been accounted for in the job forecasts relied upon by the Council's employment evidence.

5.6. Conclusion

5.6.1. Although the 2023 ELR factors in a higher growth scenario it still forecests a lower I&L land requirement[44] than the 2018 ELR, despite the strong performance of I&L in the last 5 years, as detailed in **Section 6**.

5.6.2. Our review of the employment evidence indicates that little regard is given to market signals as required by Paragraph 31 of the NPPF. Rather the method used is almost entirely statistical constructs that have limited regard to key growth drivers propelling the I&L sector to record levels of demand. While the ELRs note historic supply constraints, the impact this has had on 'suppressing demand' is not accurately dealt with other than applying arbitrary 'flexibility' margins. Additionally, the demand for strategic distribution and logistics has been estimated without any evidence.

5.6.3. Savills have developed a methodology which addresses these methodological flaws and accounts for suppressed demand, as detailed in **Section 7.**

5.6.4. This methodology is compliant with the requirements of the Planning Practice Guidance ('PPG') as it:

- Analyses *'market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies'*[45]; and
- Applies '*economic forecasts to identify potential changes in demand and anticipated growth in*

[42] 'Near-shoring' concerns transferring a business' operations to a nearby country as opposed to a more distance one (i.e. off-shoring)
[43] 'Re-shoring' means moving a business that had gone overseas back to the country from which it had originally relocated
[44] The ELRs use different plan periods, so cannot be compared on like-for-like basis. Realigning the periods to 20 years, the 2023 ELR predicts 6 ha less I&L land need than the 2018 ELR.
[45] In accordance with PPG, Paragraph 031 Reference ID: 2a-031-20190722

sectors likely to occupy logistics facilities, or which require support from the sector'[46].

5.6.5. Based on the above, we consider the Savills model to represent industry best practice. It has been endorsed by the British Property Federation ('BPF') in our 'Levelling Up – The Logic of Logistics' report[47]. The BPF Industrial Board, who commissioned the report, consist of many of the major investors and thought leaders in the I&L sector including St. Modwen, The United Kingdom Warehousing Association, IM Properties, Newlands Developments, Segro, GLP, Tritax Symmetry and the BPF itself.

5.6.6. Facilitating growth in the I&L sector is also a key priority of the NPPF, namely:

- Paragraph 81 which states: ***'Planning policies and decisions should help…The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future.*** *This is particularly important where Britain can be a global leader in driving innovation, and in areas with high levels of productivity, which should be able to capitalise on their performance and potential'.*

- Paragraph 83 which states: *'Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for* ***storage and distribution operations at a variety of scales and in suitably accessible locations'.***

  (Savills emphasis in bold)

[46] Ibid

[47] BPF website – https://bpg.org.uk/our-work/research-and-briefings/levelling-up-the-logic-of-logistics/

6. I&L Market Assessment

6.1. Introduction

6.1.1. Within this section we consider supply and demand factors in the I&L markets of Wilshire and its wider PMA. The aim of the analysis is to gauge the relevant market strength for I&L units within these geographies and by extension the Subject Site.

6.2. Market Supply and Demand Indicators

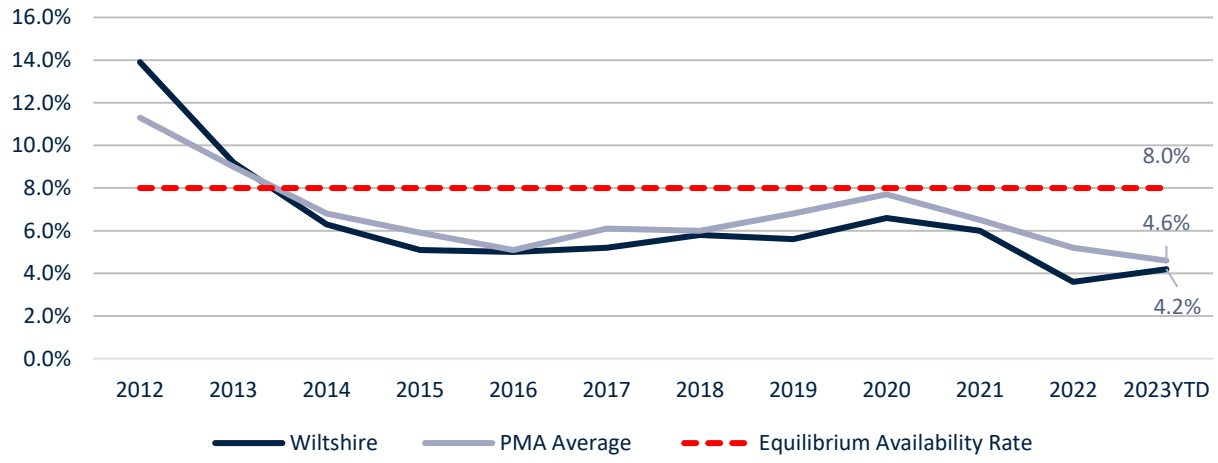
Availability

6.2.1. At the national level, 8% availability across all size bands is commonly referred to as the level where a market is broadly in balance (i.e. equilibrium frictional capacity) in terms of supply and demand (as sourced in publications such as the GLA's Land for Industry and Transport SPG, 2012). Below this level, available supply becomes tight and rents increase as strong occupier demand compete for limited available stock. We discuss the evidence behind the 8% equilibrium rate in **Section 7.**

6.2.2. As shown in **Figure 6.1**, availability across the PMA has been below the 8% equilibrium level since 2014. This means that the I&L market has been supply-contrained for a considerable period of time which in turn suppresses demand as not all occupiers can find space to meet their needs. As a result, they are either forced to remain in their existing premises, even if not ideal for their operational requirements, or alternatively have to leave the area to find suitable premises elsewhere, taking the jobs and investment they generate with them.

6.2.3. I&L availability in Wiltshire has also been below the 8% equilbiurm level since 2014. While it did start to increase in 2017 and peaked at 6.9% in 2020, it has since declined again to just 4.2% in 2023 YTD. Availability in the wider PMA also started to increase in 2017 and peaked at 7.8% in 2020, however has declined to 4.6% in 2023 YTD.

Figure 6.1 Availability Rate since 2012

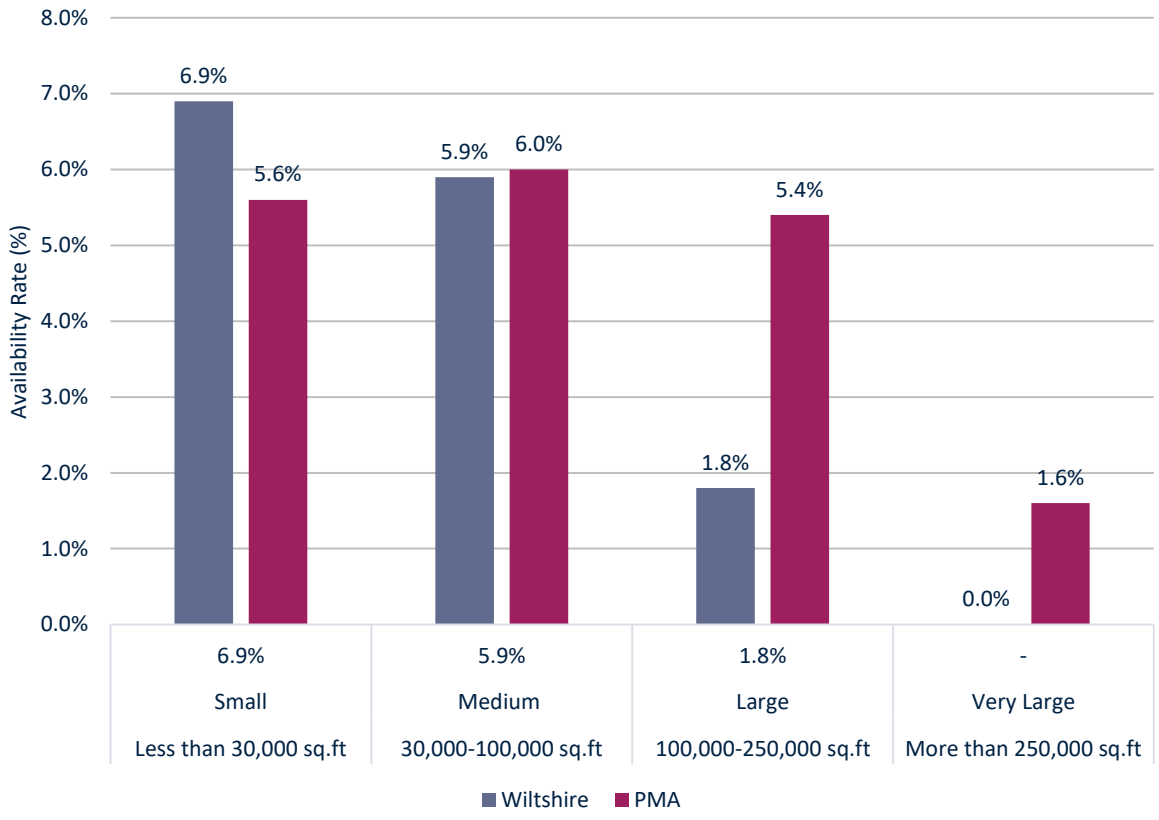


Source: CoStar, Savills

Availablity by Size Band

6.2.4. With reference to **Figure 6.2**, it can be seen that availability is low and below 8% across all size categories in Wiltshire, with no availability in the very large size category of 250,000+ sq.ft. The availability is below 8% in the PMA for all size bands. The Subject Site is aimed at providing one large and one medium unit (174,674 and 70,902 sq.ft respectively) to accommodate the needs of different I&L companies attracted to the area.

Figure 6.2 Availability by Size Band (2023 YTD)



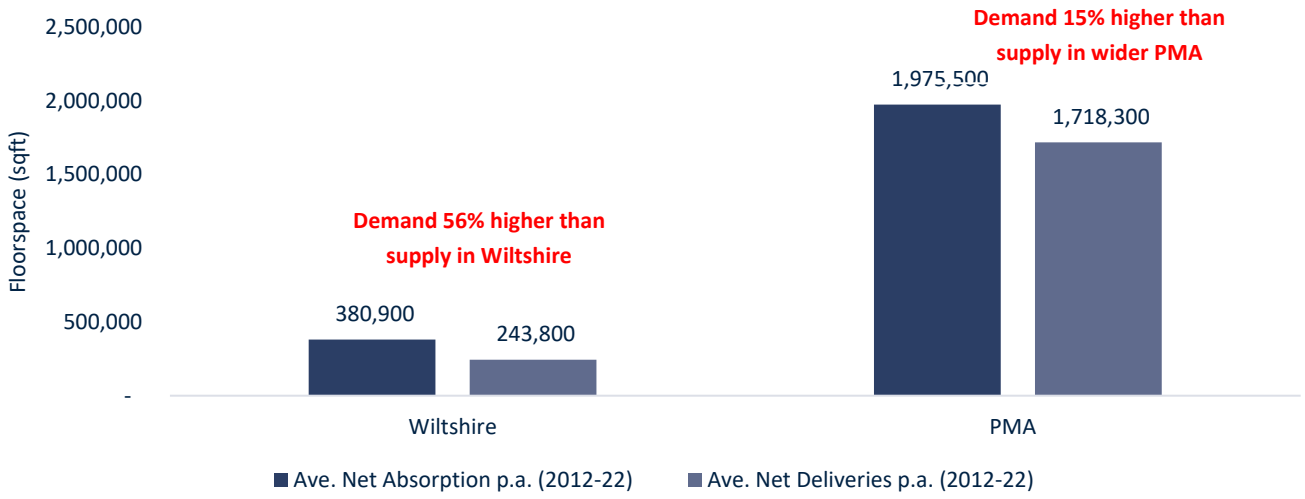
Source: CoStar, Savills

Demand vs Supply

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

6.2.6. Over the last decade, average levels of net absorption (demand) has exceeded the average levels of net deliveries (supply) in Wiltshire and the PMA. This relationship is shown in **Figure 6.3.** Demand being higher than supply explains why both Wilshire's and the wider PMA's availability rates have been below the 8% equilibrium level for much of the last decade. This demand / supply imbalance is not marginal either, with the 10 year demand trend being 56% higher than supply in Wiltshire and 15% higher in the wider PMA.

Figure 6.3 Net Absorption and Net Deliveries sq.ft pa (2012-2022)



Source: CoStar, Savills

Demand and Supply as a Proportion of Inventory

6.2.7. We have also expressed net absorption and net deliveries as a proportion of inventory. This is an important measure as it shows:

- Comparitively how strong demand is relative to the size of a market's inventory, and therefore allows comparisons to be made as to the strength of demand between different market geographies; and
- The relationship between demand and supply.

6.2.8. **Table 6.1** shows that Wiltshire is a standout performer in terms of facilitating demand (net absorption) at 2.1% per annum of existing inventory, which is more than that of the wider PMA at 1.6%. The reason for this is because Wiltshire is seen as an extremely attractive location for I&L investment. However, this strong demand can not be sustained unless there is available supply. In this regard, Wiltshire's net deliveries of new stock at 1.3% per annum of existing inventory is slightly lower than the wider PMA at 1.4% and well below the corresponding demand metrics. This again, clearly demonstrates demand is outpacing supply which means some demand cannot find a home and needs to go elsewhere.

Table 6.1 Average Net Absorption and Deliveries as a Proportion (%) of Inventory (2011-2021)

	Wiltshire	PMA
Average Net Absorption p.a. (2012-22) as % of Inventory	2.1%	1.6%
Average Net Deliveries p.a. (2012-22) as % of Inventory	1.3%	1.4%

Source: CoStar, Savills

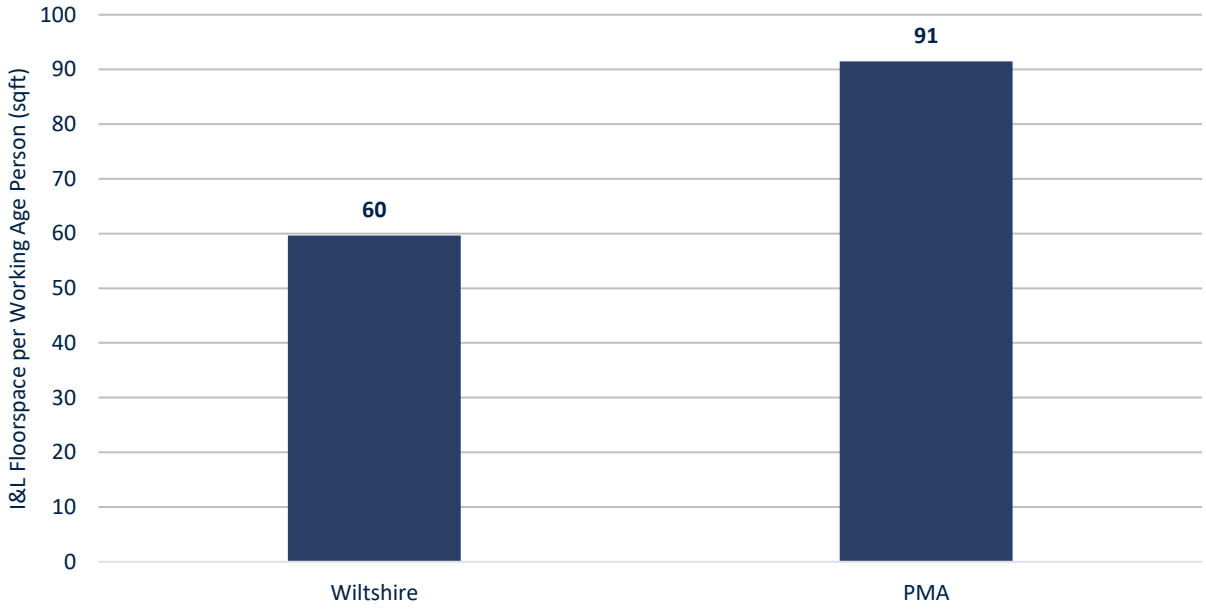
Supply Relative to Working Age Population

6.2.9. Wiltshire also has less I&L supply relative to its working population compared to the PMA as shown in

Figure 6.4. Wiltshire has just 60 sq.ft of I&L floorspace per working age resident. This is much lower than the wider PMA at 91 sq.ft. This indicates there is significant potential for further I&L floorspace growth for it to match the wider sub-region.

6.2.10. As outlined in **Section 4**, the I&L sector has higher salaries than the national average, and is growing faster than other commercial sectors, at 4% job growth between 2015-2020 versus declines of -2% and -10% for office and retail sectors as discussed in **Paragraph 2.3.9**. It is also home to a diverse range of occupations. Having less I&L floorspace relative to the size of its workforce represents a missed opportunity for Wiltshire's local economy.

Figure 6.4 I&L Floorspace per Working-Age Person in Wiltshire and PMA



Source: Savills, ONS, CoStar

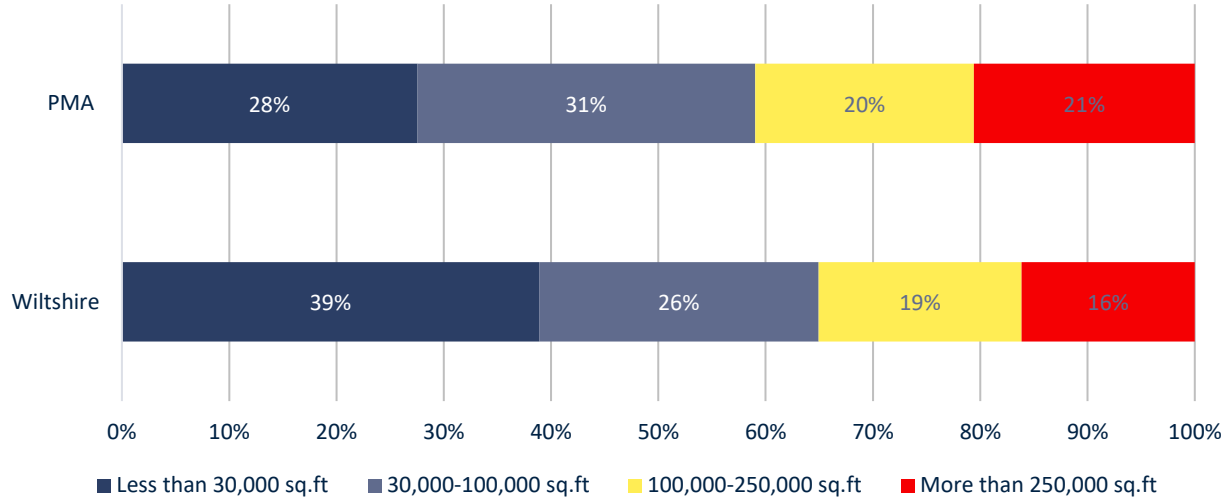
Demand by Size Band

6.2.11. In contrast to the wider PMA, Wiltshire's existing I&L inventory is dominated by smaller premises (less than 30,000 sq.ft), which accounts for 39% of total stock, compared with only 28% for the wider PMA, as show in **Figure 6.5**.

6.2.12. In terms of demand in Wiltshire, 43% of demand in the last 10 years is within the largest size category of 250,000 plus sq.ft as shown in **Figure 6.6,** which is reflective of recent trends across the sector nationally. In the PMA, the largest share of demand is also within the largest size category, totalling 42%.

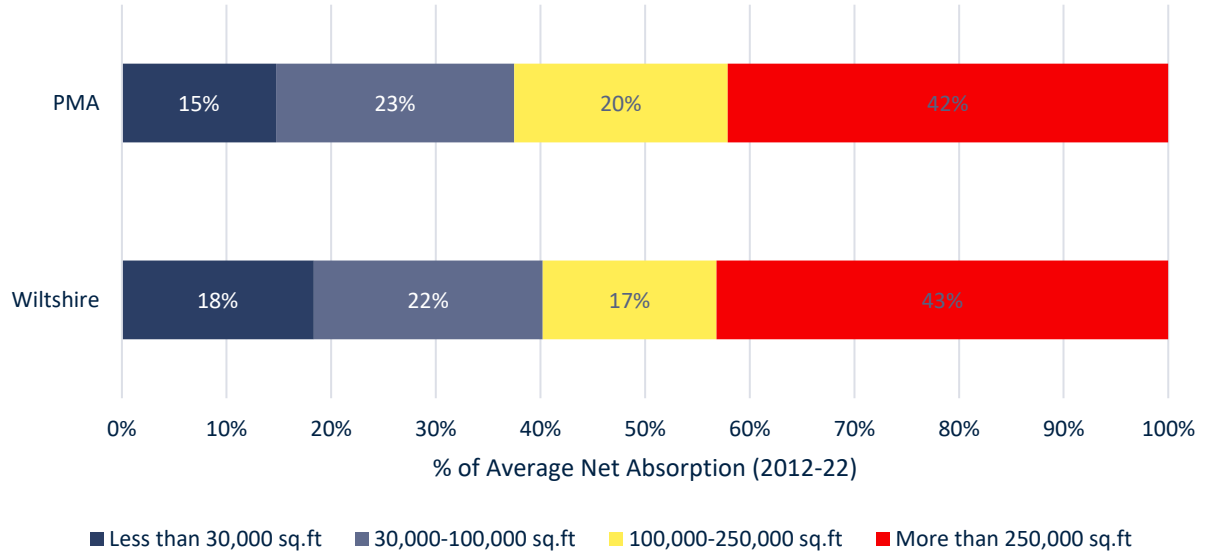
6.2.13. As outlined in **Section 2**, the Proposed Development is aimed at providing one large and one medium unit (174,674 and 70,902 sq.ft respectively) to accommodate the needs of different I&L companies attracted to the area.

Figure 6.5 Wiltshire and PMA Inventory Share by Size Band (2023 YTD)



Source: CoStar, Savills

Figure 6.6 Wiltshire and PMA Net Absorption Share by Size Band



Source: CoStar, Savills

Demand by Sector

6.2.14. To better understand the nature of demand over the last decade, we look at lease transactions by sector since 2012. The top 5 sectors by floorspace leased in Wiltshire have been Transportation and Warehousing, Manufacturing, Retail, Wholesaler and Professional Scientific and Technical. For 35% of businesses the sector is undisclosed. This analysis is illustrated in **Figure 6.7.**

6.2.15. As can be seen, in Wiltshire, the Transportation and Warehousing sector has accounted for the majority of

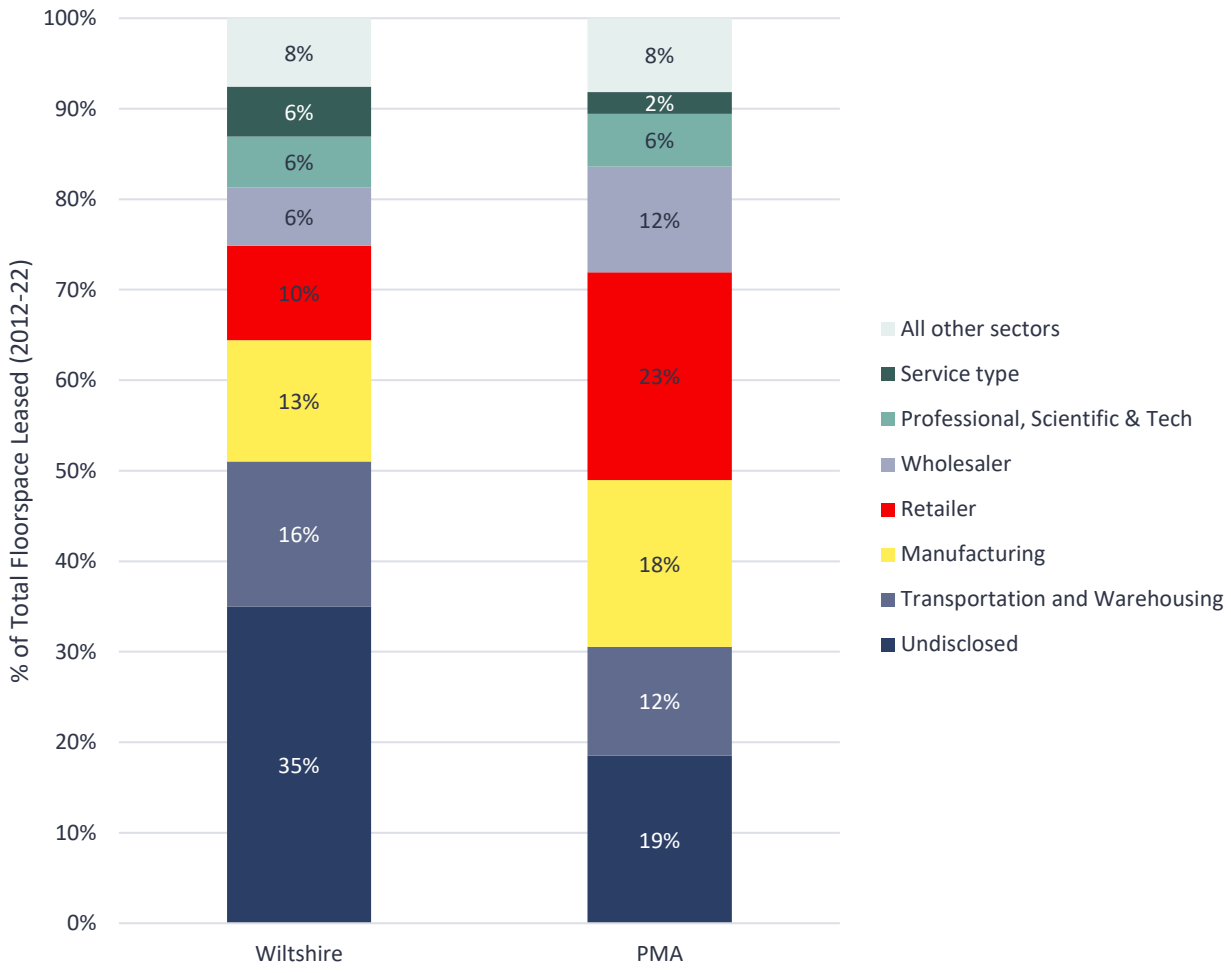
leasing demand representing 16%. This is followed by the Manufacturing sector (13%), and the Retail sector (10%). In the PMA, the Retail sector has accounted for the majority of leasing demand representing 23%. This is followed by the Manufacturing sector (18%), and the Transportation and Warehousing sector (12%).

6.2.16. These statistics underline two key conclusions. Firstly, Wiltshire and the wider PMA have a strong manufacturing base. B8 and B2 uses are inextricably linked. Not only do B2 and B8 occupiers desire the same sort of premises, B2 operations require supply chain support from B8 companies. Given the recent prevalence of B2 transactions in Wiltshire and the wider PMA, we anticipate further B8 requirements in order to support those operations. Conversely, it is likely that B2 operations will look to relocate elsewhere if a satisfactory supply chain cannot be established.

6.2.17. Secondly, e-commerce is also prevalent at 47% of all I&L demand in the PMA over the last 10 years. The sectors which are typically linked to e-commerce are Retail, Transport and Warehousing, and Wholesale. As we discussed in **Section 4.3**, the increase in e-commerce is one of the main growth drivers for the I&L sector. Not only is the UK continuing to build more homes, each individual home is spending more online. The increasing need for I&L floorspace is a by-product of this trend as is the growth in freight flows, both in terms of weight (tonnage) and value, moved in, out, and within the country. Again, as we discussed in **Section 4**, these freight flows break down without the I&L premises themselves given their critical role in storage, sorting and distribution of goods throughout the country. Significant deals in the e-commerce sector include:

- Amazon leasing 2,320,870 sq.ft at Panattoni Park in 2020 (Swindon);
- Amazon leasing 1,421,685 sq.ft at Central Avenue in 2019 (South Gloucestershire); and
- The Range leasing 1,200,000 sq.ft at Western Approach in 2017 (South Gloucestershire).

Figure 6.7 Wiltshire and PMA Share of Floorspace Leased by Sector (2012-22)



Source: CoStar, Savills

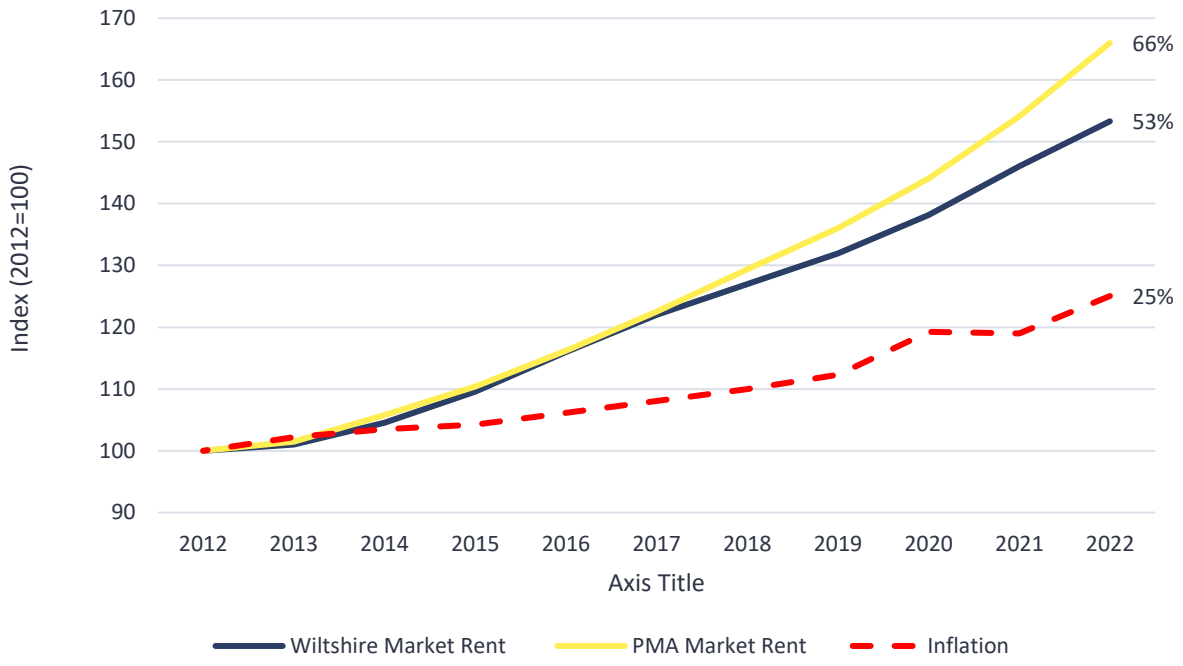
Rental Growth

6.2.18. Finally, another key market indicator for understanding the relationship between supply and demand is rental growth. When demand outstrips supply, rental growth is typically higher as occupiers compete for limited available stock. This in turn drives up rents. Conversely, when there is sufficient supply to accommodate demand, rental growth is lower, typically tracking inflation more closely.

6.2.19. Rents across Wiltshire and the wider PMA have grown by 53% and 66% respectively between 2012 and 2022, more than twice the rate of inflation over the same period at 25%[48].

[48] According to the Bank of England calculator between 2012 and 2022 (https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator)

Figure 6.8 PMA Rental Growth vs. Inflation (2011-2021)



Source: CoStar, Savills

6.2.20. As seen in **Table 6.2** rental growth has been much stronger in the second half of the decade across both geographies. This further evidences that the I&L market has become increasingly supply constrained in recent times, a situation that will only worsen further given the strength of demand within the sector.

Table 6.2 Wiltshire and PMA Annual Rental Growth (2011-2021)

Year	Wiltshire	PMA
2012	£4.82	£5.38
2013	£4.87	£5.46
2014	£5.04	£5.69
2015	£5.28	£5.94
2016	£5.59	£6.25
2017	£5.88	£6.59
2018	£6.12	£6.96
2019	£6.36	£7.32
2020	£6.66	£7.75
2021	£7.04	£8.29
2022	£7.39	£8.93
Ave. YoY Growth (2012-17)	**3%**	**4%**
Ave. YoY Growth (2017-22)	**5%**	**6%**

Source: CoStar, Savills

6.3. Conclusion

6.3.1. Wiltshire and the wider PMA are **supply-constrained** with demand being far higher than supply over the last decade. As a result, these geographies have availability rates below the 8% equilibrium rate when supply and demand are considered to be broadly in balance.

6.3.2. I&L rents have grown more than twice the rate of inflation as strong demand competes for limited available stock.

6.3.3. Availability is low and below 8% across all size categories in Wiltshire. Especially the lack of large units is problematic with critically low availability at 1.8% in the large size category (100,000- 250,000 sqft) which the Proposed Development is seekeing to alleviate, and no availability for units above 250,000 sqft.

6.3.4. Despite the slightly stronger deliveries of new I&L stock in Wiltshire, it has less I&L floorspace per working age resident compared to the wider sub-region. This indicates significant potential for growth, particularly given the I&L sector is the fastest growing commercial sector in the UK, and pays higher salaries compared to the national average across a diverse range of occupations.

6.3.5. With regards to Core Policy 34, due to the historic shortage of I&L floorspace and Wiltshire's potential for I&L growth, it is likely that the effects of the Proposed Development on the existing and future employment locations will be neglibile.

7. Savills Future Demand Estimates

7.1. Introduction

7.1.1. The purpose of this chapter is to estimate I&L land demand across the PMA. We then apportion this wider sub-regional demand to Wiltshire. This is then compared against the demand for I&L land in Wiltshire ELR employment evidence.

7.1.2. Based on Savills demand methodology, over a 18-year plan period, **we estimate PMA-wide I&L demand to be between 1,156 and 1,297 ha of land.** Depending on the level of apportionment, we consider **Wiltshire** should look to plan for **188 and 211 ha** of I&L land over this period.

7.2. Savills Estimate of Future I&L Demand

7.2.1. We present below Savills' full methodology for estimating future I&L demand. Our methodology is considered to address the issues we raised against the various employment studies in **Section 5.** Our methodology is NPPG-compliant as it builds upon historic take-up (demand), adjusting past trends for historic supply shortages and the subsequent loss in demand. We refer to this as 'suppressed demand' which is added to the historic demand trends as a top-up. We also factor in future e-commerce growth which is a key growth driver for the sector.

7.2.2. We take a sub-regional approach to estimating future I&L demand. Wiltshire like all local areas is part of a wider sub-regional market, or PMA, and therefore is subject to supply and demand forces which need to be assessed beyond its local authority boundaries. This is true for many commercial sectors, but it is particularly important for I&L occupiers, which typically have distribution networks linking their customers and suppliers of between 1 to 4 hours travel time, sometimes longer, depending on their size. For example up to 4 hours plus is more typical of very large companies with a national reach, while 1 hour drive time is ideal for the majority of companies.

Step 1: Estimating Demand over the Plan Period

7.2.3. We assume a 18-year plan period which is consistent with the Hardisty Jones Associates (2023) ELR which underpins the Draft Wiltshire Local Plan (2020-2038).

Step 2: Estimation of Historic Demand

7.2.4. This is based on the average annualised net absorption for the PMA (from **Section 6**) at 1,975,500 per annnum, between 2012 and 2022. Savills considers net-absorption to be the leading measure of demand for floorspace, as it indicates the quantum of new floorspace occupied over a period of time (i.e move-ins minus move-outs) based on lease deals.

Step 3: Estimation of Suppressed Demand

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

Step 4: Adjusting for Increases in Online Retail

7.2.6. As discussed in **Section 4**, there are a number of factors driving future growth in demand for I&L uses

which are not captured by historic trend-based projections. In order to estimate future increases in I&L demand linked to e-commerce growth, we first establish the share of demand that has historically been linked to e-commerce and then determine how much higher this is likely to be in the future.

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

7.2.7. Savills estimates of future I&L demand across the PMA are presented as a range stemming from historic, suppressed demand estimates and the e-commerce uplift.

Step 6: Future I&L Demand within Wiltshire

7.2.8. The PMA wide esimates are then approportioned to Wiltshire.

7.2.9. The following sections describe Steps 3 to 6 to in detail.

Step 3: Estimation of Suppressed Demand

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

7.2.11. We describe a market where supply doesn't keep up with demand as being 'supply-constrained'. Limited supply in a strong performing market, means that demand cannot be fully satisfied, typically resulting in strong rental growth. As demonstrated in **Section 6**, the PMA's I&L rents have increased by 53% between 2012 and 2022, indicating new supply has struggled historically to keep pace with the strong demand. This is more than double the rate of inflation over the same period[49].

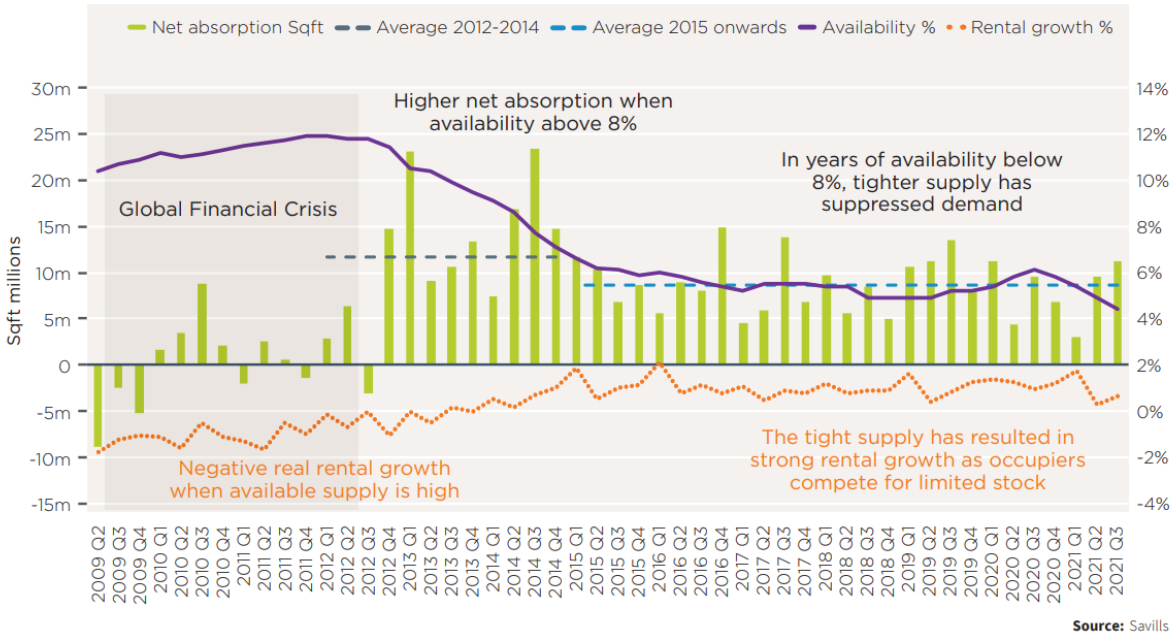
7.2.12. At the national level, the market equilibrium level, where supply and demand are broadly in balance and rents are more stable, is around 8% availability. The benchmark rate is found in a number of prominent publications such as the GLA's Land for Industry and Transport Supplementary Planning Guidance (SPG) and the London Plan (2021).

7.2.13. If one studies real rental growth (i.e. rental growth adjusted for inflation) over the past decade at the national level and observes its relationship to availability, it becomes clear that I&L rents begin to grow strongly when availability is below 8%. This relationship is clearly illustrated in **Figure 7.1** below. When availability was above 8% between 2009 and 2014 real rental growth (net of inflation) was either negative or only slightly positive. This enabled demand to be accommodated as sufficient supply was available.

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

7.2.14. However since 2014, as availability dipped below 8% and has stayed below this level ever since at the national level, real rents have grown strongly year-on-year. During this period net absorption has been lower than the 2009-2014 period despite the I&L sector going from strength to strength. This clearly shows the suppressing nature that tight availability (below 8%) has had on I&L demand nationally.

Figure 7.1 Historic Net Absoprtion (sqft), Availability (%) and Real Rental Growth (%) in England



Source: CoStar, OBR, Savills

7.2.15. The 8% benchmark is also applicable to the PMA, which is established by looking at real rental changes at regional level.

7.2.16. The individual steps for calculating the PMA's suppressed demand are as follows:

- **Step 3a:** For years where availability has been below the 8% equilibrium threshold, we calculate the quantum of floorspace necessary to achieve 8% availability (Column 'Av. To EQ (sq.ft)' in **Table 7.1**, calculation F);
- **Step 3b:** We then take the average of the ratio between net absorption and available floorspace for every year over the past decade (Calculation E averages 27% for the PMA based on Column 'Net Absorption/Availability');
- **Step 3c:** We apply this average to the estimated floorspace required to reach 8% availability in each year where the market is below the 8% availability threshold to estimate each period's suppressed demand (Calculation F*E in Column 'Suppressed Net Absorption (sq.ft)');
- **Step 3d:** We calculate average suppressed net absorption over the past decade. This gives the annualised suppressed demand figure to be used as a top-up to the historic trend. The estimated average suppressed demand figure for the PMA is 443,000 sqft per annum since 2012.

Table 7.1 shows the relevant calculations.

Table 7.1 Suppressed Demand Calculations within the PMA

	A	B	C=(A*B)	D	D/C		F=(E.Q.*-B)*A	F*E
	Inventory SF	Total Available Percent % Total	Available sqft	Net Absorption SF Total	Net Absorption / Availability	Lagged NAAR	Av. To EQ (sqft)	Suppressed Net Absorption (sqft)
2022	120,682,393	5.2%	6,275,484	1,375,553	22%	17.7%	3,379,107	926,920
2021	119,561,256	6.5%	7,771,482	1,050,587	14%	11.8%	1,793,419	491,951
2020	116,099,159	7.7%	8,939,635	1,891,311	21%	24.3%	348,297	95,541
2019	114,645,012	6.8%	7,795,861	2,832,789	36%	42.3%	1,375,740	377,378
2018	111,669,206	6.0%	6,700,152	1,300,920	19%	19.5%	2,233,384	612,638
2017	109,608,830	6.1%	6,686,139	3,188,533	48%	58.8%	2,082,568	571,267
2016	106,370,101	5.1%	5,424,875	1,656,475	31%	26.5%	3,084,733	846,170
2015	105,880,078	5.9%	6,246,925	2,337,859	37%	32.7%	2,223,482	609,921
2014	105,070,706	6.8%	7,144,808	3,243,242	45%	34.8%	1,260,848	345,862
2013	103,513,130	9.0%	9,316,182	1,810,475	19%	15.5%	0	0
2012	103,450,436	11.3%	11,689,899	1,042,499	9%	8.6%	0	0

Source: Savills, CoStar, 2023

- **Step 3e:** The final step requires adding the combined annualised historic demand (2 million sqft per annum) and suppressed demand (443,000 sqft per annum) figures totalling 2.4 million sqft per annum, and multiplying this by the number of years in the plan period (2.4 million sqft x 18 years), as shown in **Table 7.2.** This gives a total floorspace demand of **43.5 million sqft** for the PMA over a 18 year period.

Table 7.2 Total Historic and Suppressed Demand Calculations

	PMA
(A) Annualised historic demand	1,975,500
(B) Annualised suppressed demand	443,400
I Total annualised demand (A+B)	2,418,900
(D) Total demand over 18 year plan period (C*18)	43,540,200

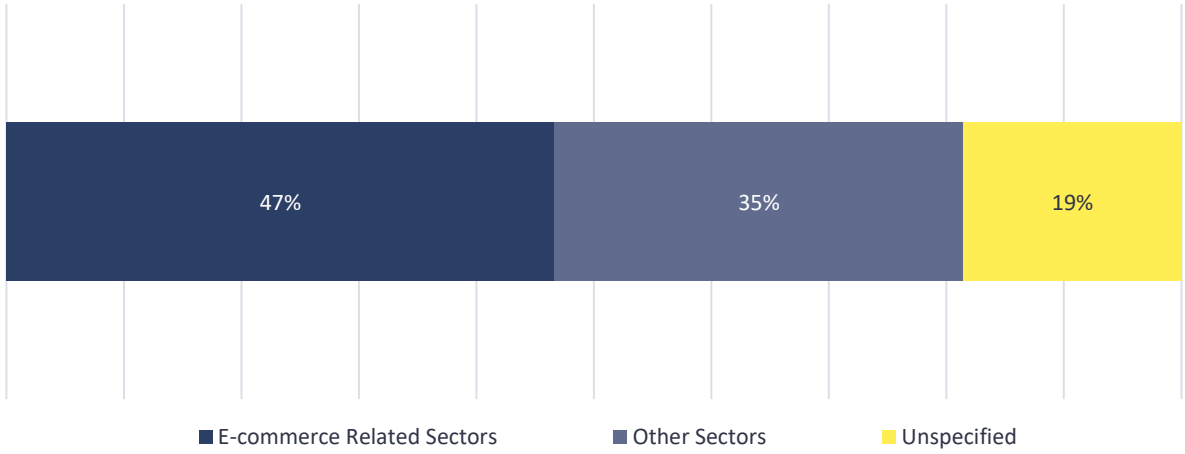
Source: Savills; figures may not sum due to rounding

Step 4: Adjusting for Increases in Online Retail

7.2.17. As discussed in **Section 4,** there are a number of factors driving future growth in demand for I&L uses which are not captured by historic trend-based projections. Attempting to factor them all in is a challenging exercise prone to errors and overestimation due to uncertainty around major events such as Brexit and the risk of double counting the impacts of different growth factors. The strongest growth drivers are population growth and the move to online shopping, which the Covid-19 pandemic has accelerated. We consider demand arising from population growth to be largely captured by increases in online sales which are a function of household spending and household growth. For this reason, in our work we focus on the move to online shopping.

7.2.18. In order to estimate future increases in I&L demand linked to e-commerce growth, we first need to establish the share of demand that has historically been linked to e-commerce and then determine how much higher this is likely to be in the future. As discussed in **Section 6** above, the sectors which are typically linked to e-commerce are Retail, Transport and Warehousing and Wholesale, with these sectors accounting for 47% of all floorspace leased in the PMA, between 2012 and 2022.

Figure 7.2 PMA Leasing Activity by Sector, 2012-2022



Source: Savills (2023); CoStar (2023)

7.2.19. We have considered Statista's[50] online retail forecasts for the UK to 2027 as a proxy for future online spending growth. Statista is a leading provider of market and consumer data with over 2 million registered users. We then compare Statista's future online spend forecasts with historic online spend data from the ONS Internet Retail Sales Statistics[51]. To ensure that we are comparing like for like, we convert both the historic and future forecast data into real prices in order to remove the effects of inflation. We do this by

[50] A prominent retail forecating house
[51] ONS, Internet retail sales, All retailin, 2023

rebasing all data back to 2015 using GDP Deflators from March 2023[52].

7.2.20. As shown in **Table 7.3**, between 2015 and 2019 online retail sales averaged £77.1 billion per annum. 2020 marked a departure from the historic trend, bringing total online sales above £100 billion, up from £86.9 billion in 2019. We accept that 2020, 2021 and 2022 were exceptional years due to the Covid-19 pandemic, and exclude them from our calculations. During the period between 2023 and 2027, online sales are predicted to average £121 billion per annum based on the Statista forecasts. This suggests a 57% uplift from the pre-pandemic online spend average of £77.1 billion per annum based on the ONS data.

Table 7.3 UK Online Sales Forecasts (£ million)

Year	Online Sales Real Prices (£bn)	Annual Increase (£m)	
2015	61.1	5.4	*2015-2019 Average Annual Online Sales Value in Real Prices: £77.1 billion*
2016	73.1	12.0	
2017	83.3	10.2	
2018	81.2	-2.0	
2019	86.9	5.7	
Average 2015-19	*77.1*	*6.2*	
2020	105.2	18.3	*Excluded from calculations as these were atypical years due to the Covid-19 pandemic*
2021	104.3	-0.9	
2022	93.5	-10.8	
2023	106.6	13.1	*2023-2027 Average Annual Online Sales Value in Real Prices: £121.0 billion (+57% uplifted compared to 2015-2019)*
2024	114.3	7.7	
2025	125.9	11.6	
2026	128.0	2.1	
2027	130.3	2.3	
Average 2023-27	*121.1*	*7.4*	

Source: Statista, ONS, Savills, 2023

7.2.21. This increase in online spend indicates that the volume of shipped goods will increase. This in turn will increase the need for I&L floorspace to handle, store and distribute the increased volume of goods. Some of this increase will likely be dealt with by more efficient operations in the future. Advancements in technology and fullfilement solutions will lead to increased productivity in the sector. According to Oxford Economics, the productivity within the I&L sector is predicted to grow by 43% between 2021 to 2040. We assume that these productivity gains will reduce the need for additional floorspace. To account for this productivity growth in the I&L sector we adjust down the 57% online spend increase from **Table 7.3** by the

[52] Office for Budget Responsability - March 2023 Economic and fiscal outlook: Economy supplementary tables

43% productivity increase. This yields a final online update of 32% as shown in **Table 7.4**.

Table 7.4 Productivity Adjustment

Predicted increase in future online spend	Future productivity gains in the I&L sector	Uplift Adjusted for Productivity Gains
57%	43%	57% * (1-43%) = 32%

Sources: Statista, ONS, Oxford Economics, Savills 2023

7.2.22. Applying this 32% uplift to the historic demand from e-commerce sectors yields a future demand of **21.9 million sqft over the plan period.** This equates to an uplift of 5.3 million sqft (**Table 7.5**) compared to the historic trend.

Table 7.5 Adjusting for Current and Future Increases in Online Retailing within the PMA

Demand	PMA	
	Annual (sqft)	Over 18-year Plan Period (sqft)
E-commerce related (47% of historic)	921,495	16,586,900
E-commerce related after 32% uplift	1,216,373	21,894,700
E-commerce demand uplift	294,878	5,307,800

Source: Savills; figures may not sum due to rounding

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

7.2.23. Accounting for historic and suppressed demand, the estimate of I&L floorspace need across the PMA equals to **43.5 million sqft**.

7.2.24. In order to future proof the space requirements we also need to plan for the predictable increase in demand for I&L floorspace. Adding the e-commerce uplift to the historic demand estimates yields a total demand of **48.8 million sqft for the PMA** over the plan period.

7.2.25. **Table 7.6** provides the summary of the estimated I&L floorspace need in the PMA. We express the estimate as a range with the lower end representing the historic and suppressed demand only (43.5 million sqft) and while the upper end accounts for the addition of the e-commerce uplift from **Table 7.5** (48.8 million sqft).

Table 7.6 Summary of Future Demand (Over Plan Period) Within the PMA (sqft)

	PMA
(A) Historic Demand (Net Absorption) over 18 years	35,558,600
(B) Suppressed Demand over 18 years	7,981,600
(C) E-commerce Uplift	5,307,800
(D) Total demand over 18 year plan period	**43,540,200 - 48,848,000**

Source: Savills; figures may not sum due to rounding

7.2.26. Finally the above floorspace figures need to be translated into a land requirements using a plot ratio of 35%. The Hardisty Jones Associates ELR (2023) uses a 40% plot ratio. Based on our professional

experience and examples of recent developments from across the country, we consider a 40% plot ratio to be too high and not reflective of modern I&L occupier requirements as illustrated in **Table 7.7.**

Table 7.7 Lower Plot Ratios Case Studies

Local Authority	Site Name	Plot Ratio (%)
Wiltshire	St. Modwen Park, Chippenham	34%
Wiltshire	Warminster Business Park	35%
Swindon	Swindon Distribution Centre	37%
Swindon	Symmetry Park Swindon	30%
Doncaster	Nimbus Park	37%
Bassetlaw	South of Haworth, A1 Industrial & Logistics Park	30%
Blaby	Optimus Point Plot 80	31%
Bristol	Ocado, St. Modwen Park, Avonmouth	36%
Buckinghamshire	Symmetry Park Aston Clinton	31%
Central Bedfordshire	Symmetry Park Biggleswade	30%
Charnwood	Unit 2, Rowena Park - Rothley	33%
Harborough	Symmetry Park, Lutterworth opt.1	29%
Mid Sussex	GAL at St. Modwen Park Gatwick	34%
Newport	Amazon, St. Modwen Park, Newport	26%
North Kesteven	St. Modwen Park, Lincoln	32%
North Northamptonshire	West End, Raunds, Northamptonshire	29%
North Warwickshire	St. Modwen Park, Tamworth	26%
North Warwickshire	Land North East of Sewage Works, Atherstone	36%
North Warwickshire	BIFT - Plot 7, Birch Coppice Business Park	34%
Oadby and Wigston	Wigston Industrial Estate	34%
Uttlesford	Land north of Taylor's Farm, Takeley Street	29%
Warrington	Mountpark Warrington Omega II	36%
Warrington	The Quadrant South	34%
West Leicestershire	Mountpark Bardon 2	35%
		Average plot ratio = 32%

Source: Savills

7.2.27. Applying a 35% plot ratio to the estimated floorspace demand of **43.5 million - 48.8 million sqft** translated into a future land requirement of **1,156 - 1,297 ha across the PMA.**

Step 6: Future I&L Demand within Wiltshire

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

- Based on Wiltshire's current proportion of I&L inventory across the PMA;
- Based on Wiltshire's historic proportion of average net deliveries of new I&L floorspace between

2012 and 2022; and

- Based on Wiltshire's historic proportion of average demand between 2012 and 2022.

7.2.29. The results of this comparison are detailed in **Table 7.8** below. New supply (net deliveries) gives the lowest metric at 14% share, Inventory is higher at 15%, and historic demand gives the highest metric at 19% share. To apportion the Savills PMA demand estimate to Wiltshire, the average of these metrics, equivalent to 16%, is considered appropriate.

Table 7.8 Wiltshire's Proportion of PMA

	Wiltshire's % of PMA
Ave. Net Absorption (2011-2021)	19%
Ave. Net Deliveries (2011-2021)	14%
Exisitng Inventory (2022 YTD)	15%

Source: CoStar, Savills

7.2.30. Sixteen percent (16%) of the overall PMA demand for I&L uses (ha) is **188** - **211 211 ha** that should be planned for Wiltshire as a minimum. **Table 7.9** compares Savills' demand estimates to the Wiltshire ELR.

Table 7.9 Comparing Demand Estimates over a 18-Year Period (2020-2038)

	Ha
Savills	188 - 211
Wiltshire ELR (2023)	99 - 121

Source: CoStar, Savills

Conclusions

7.2.31. **Table 7.9** demonstrates that there is a strong needs case to support more I&L development in Wiltshire having regard to local supply and demand factors. It shows that new supply is needed, and the Proposed Development will help to address this need.

7.2.32. By extension the planned growth in Wilshire is not sufficient to meet the I&L demand in the council as the Wiltshire's ELR underestimates the future demand. According to Savills' methodology the demand is higher than Council's evidence and the difference is accounting to 89 to 90 ha over the 18-year period. **This suggests that the Proposed Development would not undermine the delivery of strategic employment allocations in Wiltshire.**

7.2.33. The Proposed Development is targeted at a specific market segment that the other available sites in Wiltshire are not suitable for. In part because certain prime operators will not consider sites distant from the motorway network but also because the Proposed Development offers quality and scale of the buildings which represent an entirely different proposition to the existing commitments.

8. Socio-Economic Benefits Summary

8.1. Introduction

8.1.1. This section presents the estimated socio-economic benefits that are expected to be generated by the Proposed Development in line with Core Policy 34.

8.1.2. In terms of socio-economic benefits, the scheme would generate new employment during the construction and operational stages. It would also generate Gross Value Added (GVA) and business rates for Wiltshire.

8.2. Land Use Split

8.2.1. The Proposed Development will deliver 245,575 sqft (22,815 sqm) of B8 floorspace with ancillary offices.

8.3. Economic Benefits

8.3.1. **Figure 8.1** presents the economic benefits expected to be generated from the Proposed Development.

Figure 8.1 Estimated Economic Benefits of Proposed Development

Construction Jobs	On-Site (Gross) Jobs p.a.	On-Site and Off-Site Jobs for Wiltshire Residents p.a.
	**200**	**210**
	Estimated on-site jobs (gross)[53] expected to be generated per annum over the assumed 1 year construction period	Estimated on-site and off-site jobs[54] expected to be generated per annum over the assumed 1 year construction period for Wiltshire residents

[53] Divide the total construction cost (provided by Wrenbridge) by the average employee turnover in the construction sector in the South West (Department for Business, Innovation and Skills (2020-2022) Business Population Estimates)

[54] Takes account of leakage (21% - Census (2011) WP7606EW - Distance travelled to work by industry (Workplace population)), displacement (25% - CITB (2021) Construction Skills Network Outlook 2021-25), and multiplier effects (1.8 - UK Input-Output Analytical Tables, ONS (2018))

Operational Jobs



On-Site (gross) Jobs

280

Estimated on-site jobs (gross)[55] expected to be generated by the Proposed Development

£11.3 million

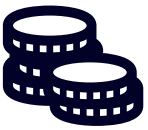
Estimated Gross Value Added (GVA) expected to be generated per annum[57] from on-site jobs (taking into account displacement)

On-Site and Off-Site Jobs for Wiltshire Residents

170

Estimated on-site and off-site jobs[56] expected to be generated

GVA (p.a)



Business Rates



Total Business Rates Income (p.a.)

£792,000

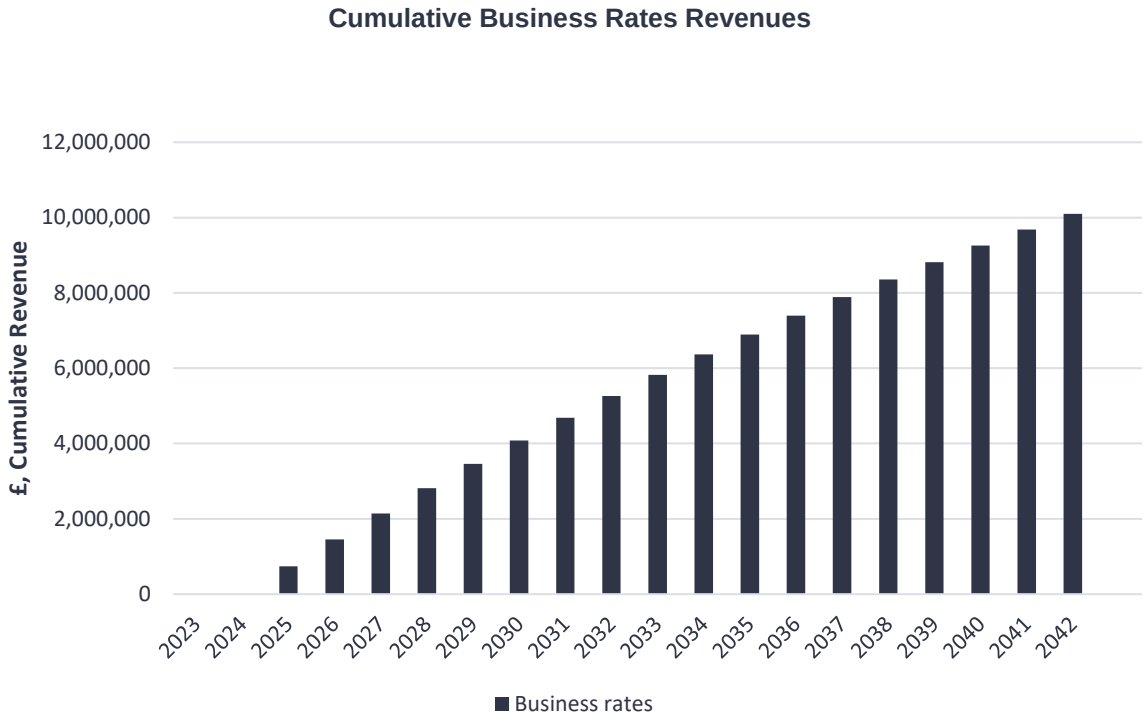
Estimated total business rates income per annum, using 51.2% standard multiplier rate[58]

Business Rates Income for Wiltshire (p.a.)

£388,000

Estimated business rates income for Wiltshire, based on a 49% retention rate[59]

[55] Using HCA's Employment Density Guide (2015) – 82 sqm (GEA) for Warehouse
[56] Takes account of leakage (32% for Warehouse) WP7606EW - Distance travelled to work by industry (Workplace population), displacement (25% for Warehouse), and multiplier effects (1.2 for Warehouse) - UK Input-Output Analytical Tables, ONS (2018))
[57] ONS (2021) Region by industry labour productivity: Output per job 2019
[58] https://www.gov.uk/calculate-your-business-rates
[59] MHCLG (2021) 2021-22 Business Rates Levy and Safety Net Calculator



Cumultive Business Rates Income (to 2042)[60]

£10.1 million

Source: Savills (2023)

Conclusions

8.3.2. The Proposed Development will create considerable jobs both during construction and its operational phases. The operational jobs will be a broad mix but could include considerable office-based activity employment that includes managerial staff, administration and support services, IT, customer services, and sales and marketing.

8.3.3. The Proposed Development could increase the GVA of Wiltshire's economy by approximately £11.3 million per annum and provide approximately £10.1 million in non-domestic rates to the Council over a 20-year period.

8.3.4. **Table 8.1** shows our estimate of jobs, GVA, and local authority benefits.

[60] Net present value (NPV) at 3.5% consistent with Green Book

Table 8.1 Economic Benefits Summary

Economic Benefit/Social Value Metric	Value
Economic Benefits	
Gross Construction Jobs	200 per annum over 1-year construction period
On-site and off-site construction jobs for Wiltshire Residents	210 per annum over 1-year construction period
Gross Operational Jobs	280
On-site and off-site operational jobs for Wiltshire Residents	170
Gross Value Added (GVA)	£11.3 million per annum
Business rates for Wiltshire (assuming 49% retention rate)	£388,000 per annum
Cumulative Business Rates Income (NPV)	£10.1 million

9. Summary and Conclusions

9.1.1. I&L is the strongest performing commercial sector in the UK. Even before the pandemic, the I&L market had been growing strongly with demand outstripping supply. The Covid Pandemic has merely accelerated a number of growth drivers that were already in place such as online shopping and the desire for quick deliveries. Brexit too is increasing I&L demand as companies consider bringing part of their operations back to the UK to guard against future supply chain shocks, as well as increasing their inventory levels. Significant growth is also forecast across all freight modes, which could be increased further by the Government's Freeport programme.

9.1.2. Given the struggles being faced by the office and retail sectors, I&L is likely to be the major generator of jobs for many local economies. Across Wiltshire, the I&L sector has experienced job growth of 4% between 2015 and 2020. This is in contrast to a negative growth of -2% in office-based sectors, and a negative growth of -10% in the retail sector over the same period. This demonstrates that the I&L sector is a growing segment of the economy, with significant growth opportunities in Wiltshire Council.

9.1.3. As we have evidenced in the report, average pay levels within the sector are nearly £4k per annum higher than the UK average. The diversity of occupations has also been increasing which will enable the sector to play a key role in re-employing people that have lost jobs in other sectors as a result of the Covid Pandemic. This is highly relevant for the PMA where the claimant count[61] is still around 25% higher than the level recorded before the pandemic. Should not enough I&L land be allocated into the future, and subsequently the historic supply constraints continue, I&L demand will remain 'suppressed', as will the jobs and wider economic contribution the sector can make to local and regional economies. This is an important consideration given the high level of outcommuting in the north of Wiltshire.

9.1.4. Against this context of exceptional growth in the sector, it is our experience that local authorities routinely underestimate demand for I&L uses. This is proven by the low levels of availability and strong rental growth within Wiltshire's PMA and nationally, denoting a market where supply is not keeping up with demand. As part of our work, we reviewed the employment evidence base for Wiltshire. Using employment growth forecasts to estimate need for employment land to accommodate growth fails to account for current day growth drivers which have led to them underestimating 'true' market demand for I&L uses.

9.1.5. The Savills approach to estimating future demand is aimed at addressing the above methodological issues by focusing directly on market signals as required by Paragraph 31 of the NPPF rather than secondary factors. Our methodology is NPPG-compliant as it builds upon historic demand (net absorption), adjusting past trends for historic supply shortages and the subsequent loss in demand. We refer to this as 'suppressed demand' which is added to the historic demand trend as a top-up. We also factor in future e-commerce growth which is a key growth driver for the sector.

9.1.6. Based on Savills demand methodology, over a 18 year plan period, we estimate PMA wide I&L demand to be 1,156 - 1,297 ha of land. Savills' PMA wide demand estimate can be apportioned to Wiltshire in a

[61] The number of people claiming benefits principally for the reason of being unemployed

number of different ways:

- Based on Wiltshire's current proportion of I&L inventory across the PMA at 15%;
- Based on Wiltshire's historic proportion of average net deliveries of new I&L floorspace across the PMA between 2012 and 2022 at 14%; or
- Based on Wiltshire's historic proportion of average demand between 2012 and 2022 at 19%.

9.1.7. If we take the average at 16% of the overall PMA demand for I&L uses (i.e. 1,156 - 1,297 ha), then Wiltshire should plan for **188 - 211 ha**. This is significantly higher than the ELR estimate at **99 - 121 ha.**

9.1.8. This demonstrates that there is a strong needs case to support more I&L development which is over and above the comitted employment growth in Wiltshire having regard to local supply and demand factors. It shows that new supply is needed, and the Proposed Development will help to address this need.

9.1.9. The planned growth in Wilshire is not sufficient to meet the I&L demand in the council as the Wiltshire's ELR underestimates the future demand. According to Savills' methodology the demand is higher than Council's evidence and the difference is accounting to **89** to **90 ha** over the 18-year period. Such high demand demonstrates the need for the Proposed Development along the existing and proposed development.

9.1.10. Additionally, differentiation of scale of units to what is available through existing/committed sites is fundamental to the importance of the Proposed Development. Without these types of units, in proximity to the motorway, Wiltshire is failing to engage with a significant element of the I&L sector.

High demand for I&L floorspace suggests that the Proposed Development would not undermine the delivery of strategic employment allocations in Wiltshire in line with Core Policy 34.

9.1.11. The Proposed Development will create an estimated 210 on- and off-site construction jobs for Wiltshire residents over a construction period of 1 year. The Proposed Development will also creates an estimated 170 operational on- and off-osite jobs for Wiltshire residents. The operational jobs will be a broad mix including office-based employment that includes managerial staff, administration and support services, IT, customer services, and sales and marketing. The Proposed Development could increase the GVA of Wiltshire's economy by approximately £11.3 million per annum and provide approximately £10.1 million in non-domestic rates to the Council over a 20-year period.

The Proposed Development would deliver significant socio-economic benefits for Wiltshire in line with Core Policy 34.

Land North of St. Modwen Park Chippenham

Industrial & Logistics Needs Assessment

Mark Powney
Director, Economics
T: +44 (0) 203 107 5418
M: +44 (0) 797 077 0492
E: mark.powney@savills.com

Lidia Ludsteck
Associate Economist, Economics
M: +44 (0) 7866 970 052
E: lidlia.ludsteck@savills.com

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