Land at Junction 13 of the M6, Stafford, South Staffordshire

Industrial & Logistics Needs Assessment

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Executive Summary

Savills' Credentials

This report has been prepared by **Savills Economics** with the support of **Savills Industrial Research** and **Savills Industrial Agents.**

Savills Economics

The team specialises in estimating the future demand for commercial uses and current available land supply. The team also authored the recent '*Levelling Up – Logic of Logistics*' report discussed below and has advised on numerous major industrial and logistic projects including East Midlands Gateway, West Midlands Interchange (WMI), Hinckley National Rail Freight Interchange and Ellesmere Port, among others.

We take a data driven and evidential approach to understand future employment land needs.

Savills' Industrial and Logistics

2018 Property Awards – Industrial Agency Team of the Year – Winner

Property Week's Industrial Agency of the Year 2018

EG Awards 2019 – Winners – Industrial adviser of the year

EG Award Winners 2019

SPR

Open Prize Winner 2022

As **Property Weeks' Industrial Agency of the Year 2018** and **EG Award Winners for 2019**, Savills Industrial and Logistics are renowned for providing an **all-encompassing logistics and multi-let industrial service across the UK.** The team assists and advises some of the **largest and most active players in the industrial and logistics sector**, including funds/investors, developers, and occupiers.

Savills' Suppressed Demand Model

NPPF/NPPG Compliant

Industry Best Practice

RTPI Awards for Research Excellence 2022

Shortlisted for an RTPI Award for Research Excellence 2022

We consider our approach to estimating future I&L demand to be **NPPF/NPPG compliant and industry best practice.** Our 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'.* If a market is identified as being supply constrained (i.e. demand exceeds supply) such as South Staffordshire, the **Savills model supplements the historic demand profile accounting for suppressed demand** (i.e. demand lost due to historic supply constraints).
- Applies *'economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector'*. The Savills method **quantifies how much I&L floorspace growth is linked to current and future e-commerce growth** which is the major growth driver for the sector, driving both demand for the supply-chain, and also the manufacturing of goods.

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 and was **shortlisted** for **an RTPI Award for Research Excellence 2022.** The BPF Industrial Board, who commissioned the report, consists 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.

The report has also been referenced as part of the **Government's recently published *'Future of Freight Plan'*** , and has been the focus of several discussions with **senior officers at DLUHC and DfT.**

I&L Facilities are Critical National Infrastructure

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

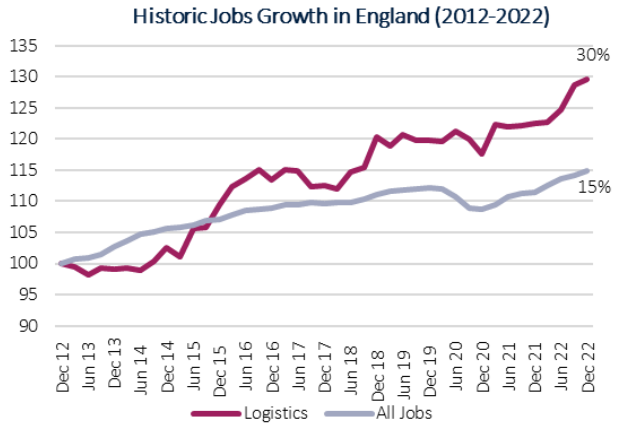
3.9 million jobs in England

£238 billion of **GVA** p.a.

29% productivity increase between 2025 and 2039

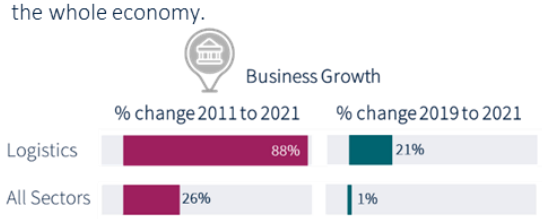
Logistics indirect GVA in the UK is **2.7 times higher** than direct GVA

The I&L sector is the **strongest performing commercial sector**



Over the last 10 years, jobs in the logistics component of the I&L sector have grown by **30%** compared to only **15%** across the economy as a whole.

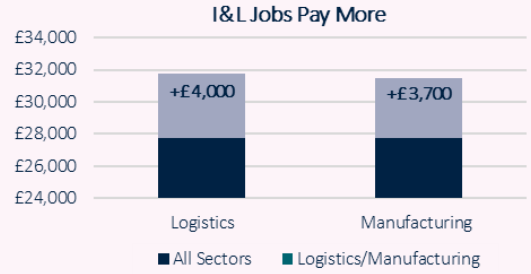
In terms of business generation, the **logistics sector** is the **fastest growing segment of the economy**, both in recent years and over the long term. Between 2011-2021, the number of logistics businesses has increased by **88%**, much higher than the **26%** growth rate across the whole economy.



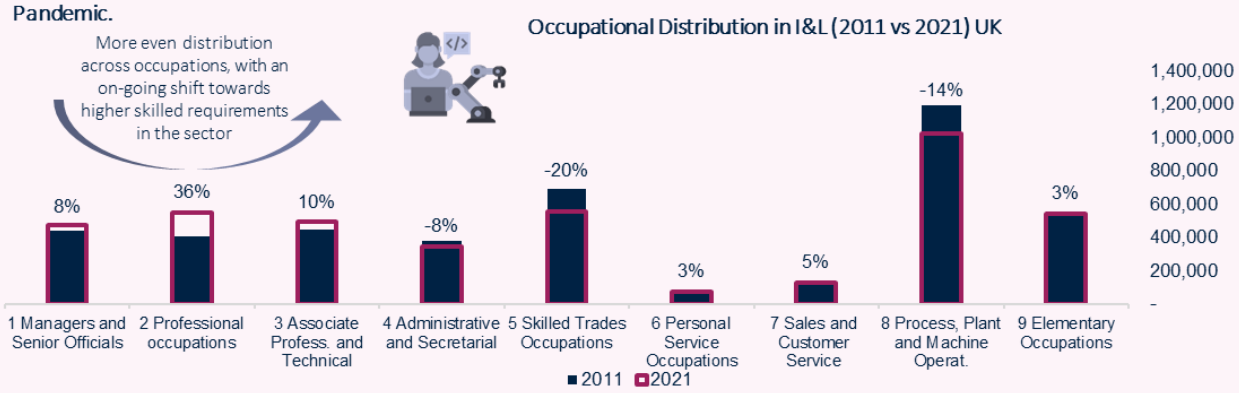
The I&L sector supports **well paid and diverse jobs**

Data from the Office for National Statistics (ONS) shows that the I&L sector pays high wages. Across the UK, jobs in logistics pay **+£4,000** more than average per annum, and jobs in manufacturing pay **+£3,700** 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.



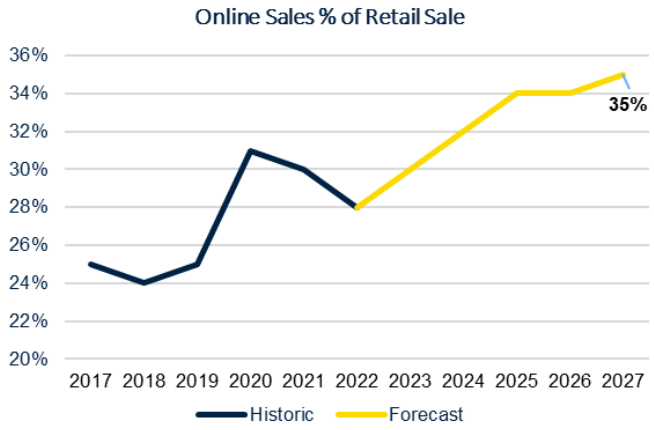
The I&L sector's occupational profile is diversifying. This increased occupational diversity means that the sector can play an important role in **re-employing people that have lost jobs** in other sectors of the economy as a result of the **Covid-19 Pandemic.**



The I&L sector is **not immune to the current macro-economic challenges**, but it is **more resilient**

As reported in Savills' recently published Big Shed Briefing (July 2023), at a national level, take-up for the half year has dropped to 12.49 million sq.ft, albeit just 1% shy of the pre-Covid H1 average which is a sign of the sector's resilience. While the **increase in online shopping** and **the desire for rapid parcel deliveries** are helping to **fuel I&L demand and offer resilience** in the current economic climate, 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 that **I&L will remain the fastest growing commercial sector, and provide employment for those seeking work in these declining sectors.**

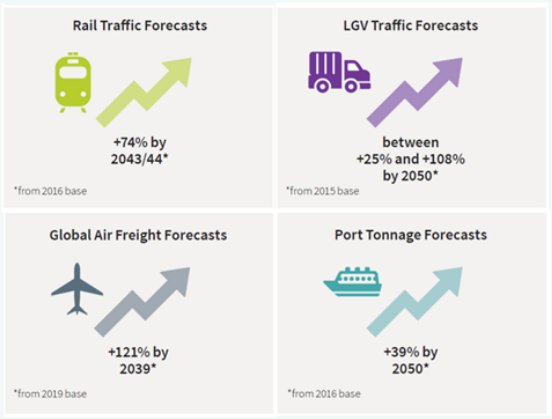
Numerous Growth Drivers are Supporting Record Breaking Demand



The **increase in online shopping** is certainly one of the key growth drivers for I&L demand. **The Covid-19 Pandemic** has clearly **accelerated this growth** which went from **19%** before the onset of Covid-19 to **26.3%** as of October 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, 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.



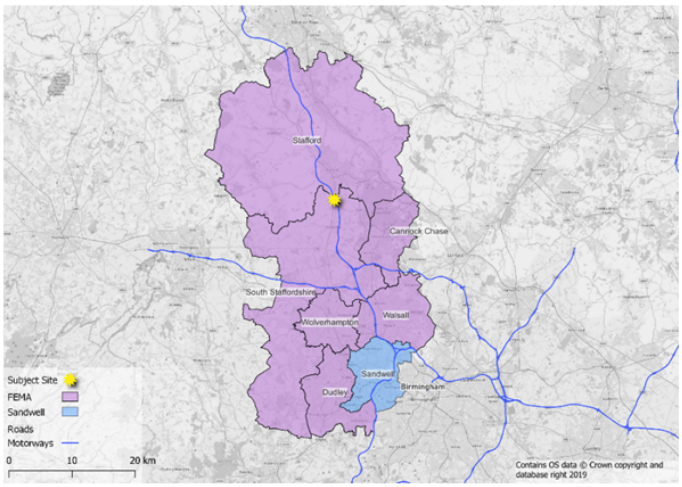
However, there are **many other growth drivers for I&L** in addition to **online growth** and **freight flows**. We consider the shift in habits we have been witnessing – such as the move to online shopping - to be **structural rather than temporary**.

South Staffordshire's I&L Market at a Glance

7.2 million sq.ft of I&L floorspace in South Staffordshire	Availability at 4.8% for South Staffordshire (2023 YTD)	High rental growth at 48% in South Staffordshire (2012-2022)

South Staffordshire sits within a FEMA and FEMA Plus Sandwell where over the last decade, average levels of net absorption (demand) has exceeded the average levels of net deliveries (supply). This explains the low availability and high rental growth.

South Staffordshire FEMA and FEMA Plus Sandwell



I&L demand is best considered at the **sub-regional level**. This is because I&L companies typically have supply chains linking them with their suppliers and end customers of between **1 to 4 hours travel time**.

Savills **accepts the SSDC FEMA** as the **basis for a suitable PMA** for the Subject Site. However, we also consider **Sandwell** to be appropriate for inclusion within the PMA given:

- It shares access to the **M6** and the **M5** (which leads into the M6).
- SSDC's Duty to Cooperate document mentions the requirement for the District to **meet a portion of the Black Country's unmet employment land need**.
- The recent City of Wolverhampton Cabinet Report (dated 14th December 2022) notes that the evidence identifies the **BCA (Black Country authorities) as being a single FEMA**, but with **strong economic ties to Staffordshire and Birmingham.**

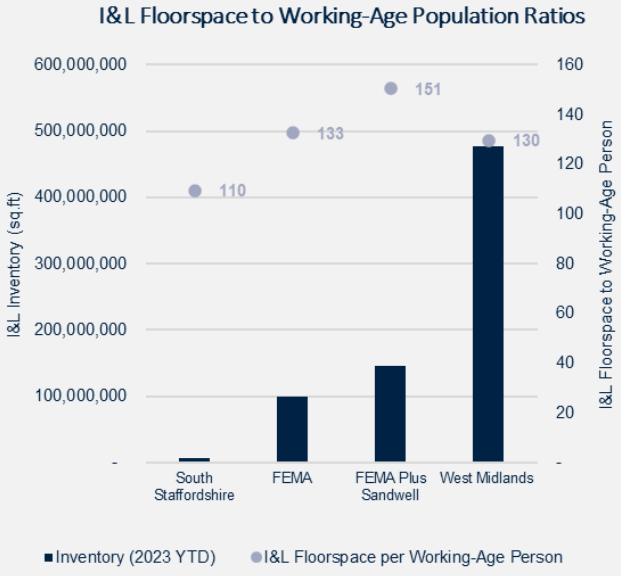
Our market assessment, review of supply, and future demand estimates cover both the **SSDC FEMA** as defined, and the **FEMA Plus Sandwell.**

South Staffordshire has a Disproportionally Small I&L Market

This figure shows how much **I&L floorspace** South Staffordshire has **per working age resident** compared to the **FEMA, FEMA Plus Sandwell, and West Midlands average.** In effect it shows how **large the I&L sector is relative to the size of the local working age population.**

South Staffordshire has just 110 sq.ft of I&L floorspace per working aged resident (16-64 years). This is **lower than the FEMA, FEMA Plus Sandwell, and West Midlands average at 133 sq.ft, 151 sq.ft and 130 sq.ft respectively.**

Given the strength of the I&L market both regionally and nationally, **this relative lack of supply is restricting South Staffordshire's participation in the sector's growth.**



South Staffordshire's I&L Market at a Glance

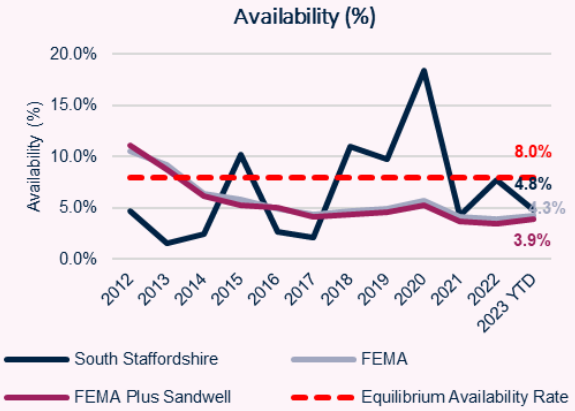
This report demonstrates that South Staffordshire's, the FEMA's and the FEMA Plus Sandwell's I&L markets are **supply constrained**. Our analysis shows that based on strong, unmet demand in the sub-region, consistent with national trends, there is a **robust market need case for the Proposed Development** at Land at Junction 13 of the M6, Stafford, South Staffordshire, where the Subject Site is located.

New I&L Supply is Needed

We consider a market to be **supply constrained** when floorspace availability is below the **8% equilibrium** benchmark when supply and demand are broadly in balance.

Availability in South Staffordshire has been below the 8% equilibrium between 2012 and 2014, 2016 to 2017, and since 2021, and is currently at **4.8%**. The FEMA and FEMA Plus Sandwell have both been below the equilibrium rate since 2014, and are currently at **4.3%** and **3.9%** respectively.

South Staffordshire has therefore been below the 8% threshold and therefore **supply constrained in 8 of the last 12 years since 2012**. The FEMA and FEMA Plus Sandwell have been **supply constrained for 10 of the last 12 years**. This in turn suppresses demand as not all occupiers can find space to meet their needs.

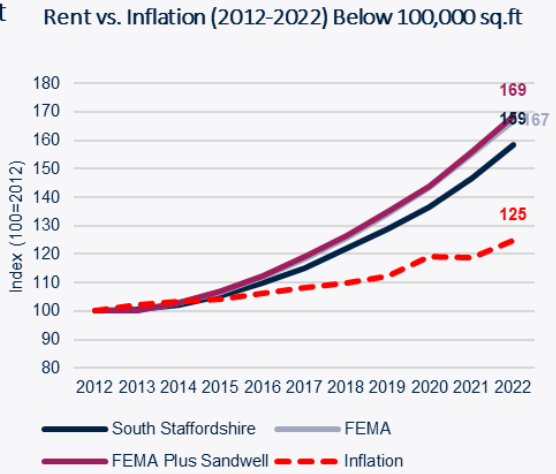


Strong Rental Growth, Particularly in Units Below 100,000 sq.ft

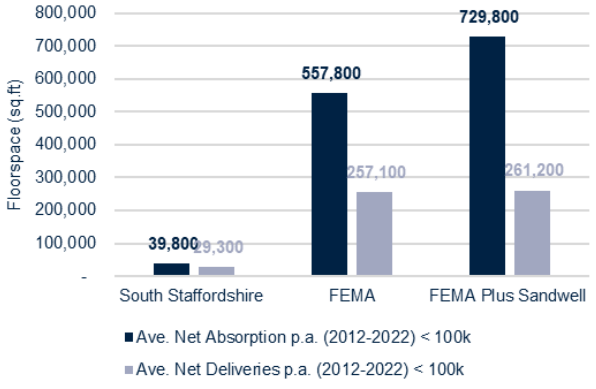
Another **key market indicator** for understanding the relationship between supply and demand is **rental growth**. When **demand outstrips supply**, **rental growth is typically higher** as occupiers compete for limited available stock which drives up rents.

Across South Staffordshire, the FEMA, and the FEMA Plus Sandwell, rents have grown **well above the rate of inflation** for units both above and below 100,000 sq.ft.

Across all geographies, **rental growth** has been **greater** amongst units **below 100,000 sq.ft** than in units above 100,000 sq.ft. Within South Staffordshire specifically, rents have increased by **59% between 2012 and 2022 in units below 100,000 sq.ft**, compared to 43% in units above 100,000 sq.ft.



Demand Outpacing Supply, Particularly in Units Below 100,000 sq.ft



The **lack of availability** has led to **demand outpacing supply**.

Net absorption is a **leading measure of demand**. It compares occupied space (move-ins) versus vacated space (move-outs). **Net deliveries** is a **measure of supply**, and registers the change in inventory.

Over the last decade, average levels of net absorption (demand) have **exceeded** the average levels of net deliveries (supply) in units below 100,000 sq.ft across South Staffordshire, the FEMA, and the FEMA Plus Sandwell.

The **Proposed Development** will **help to address this demand/supply imbalance** by delivering 4 out of 6 units below 100,000 sq.ft.

The scheme is also providing **2 modern high quality larger units over 100,000 sq.ft**. This will help to address the lack of good quality stock within the 100,000 sq.ft to 250,000 sq.ft size category within South Staffordshire, where currently 79% of existing provision within this size category is classified as poor or average quality.

The Council's Employment Evidence is Considered to Underestimate I&L Demand

Our review of **South Staffordshire's evidence base** indicates that **little regard is given to market signals** concerning market demand and supply as required by the **NPPF Paragraph 31. SSDC's EDNA** was produced in June 2022 by DLP Planning Ltd to identify future employment needs across the **South Staffordshire area** for the period **2020 to 2040,** in order to inform the emerging Local Plan.

A labour demand method based on Experian forecasts is used as the starting point. The EDNA then models a Growth Scenario, making adjustments for growth sectors identified in the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (LEP) Local Industrial Strategy (LIS).

EDNA Future Demand Estimates for I&L Land, Accounting for WMI (2020-2040)

Use	Ha
B1c/B2	25.3
B8	40.4
Total I&L	**65.7**

Labour Demand

The labour demand method is **not appropriate for the estimation of future I&L land demand**, as employment forecasts often reflect the continued restructuring of the economy away from industry towards services, **which underestimates the I&L sector's performance**. These forecasts are typically based on proprietary information held by organisations such as Experian and Oxford Economics, etc. and are relied upon by the Planning System with limited interrogation.

The Council's employment evidence is therefore considered to **underestimate 'true' I&L market demand.**

The Savills method is NPPG-compliant and first calculates I&L demand at the FEMA and FEMA Plus Sandwell level and then apportions it to South Staffordshire

Savills and St Modwen have developed a new method to help **address the above shortcomings** which focuses on **market indicators and trends** to help quantify the amount and type of future commercial needs. Our method includes two main elements:

- **Suppressed Demand:** Which corrects the historic trend for **demand that has been lost** due to historic supply constraints.
- **E-Commerce Uplift:** Which quantifies how much **commercial floorspace growth** is linked to current and future e-commerce growth.

Based on Savills' demand methodology, over a **20-year plan period** (consistent with the EDNA), we estimate **FEMA** wide I&L demand to be between **745 ha** and **810 ha** of land, rising to between **995 ha** and **1,082 ha** across the **FEMA Plus Sandwell**. Apportioning the FEMA and FEMA Plus Sandwell demand figures to **South Staffordshire** yields an estimate of between **152 ha** and **166 ha** (based on FEMA wide demand), rising to between **169 ha** and **184 ha** (based on FEMA Plus Sandwell demand) over the 20 year period. Savills' demand estimates are significantly higher than the **EDNA's estimates of 48.4 ha, and 65.7 ha** accounting for the West Midlands Interchange (WMI). Savills' various demand estimates within the FEMA, FEMA Plus Sandwell, and South Staffordshire specifically are summarised in the table below.

	FEMA (Ha)	FEMA Plus Sandwell (Ha)
Overall Sub-Regional Demand (Historic + Suppressed)	745	995
Overall Sub-Regional Demand (with addition of e-commerce uplift)	810	1,082
South Staffordshire Demand (Historic + Suppressed)	152	169
South Staffordshire Demand (with addition of e-commerce uplift)	166	184

We consider Savills' demand estimates alone to demonstrate that **South Staffordshire have not allocated enough land for I&L uses**, and the Subject Site is desperately needed to meet demand. However, our consideration of available supply has provided further compelling evidence of this fact. South Staffordshire's overall available supply is **121 ha of land**. Against Savills' demand figures, this equates to a shortfall of between **31 ha** and **45 ha** based on Savills' conservative demand scenario which apportions demand at the FEMA wide level. Savills' demand estimates at the FEMA Plus Sandwell level indicate a shortfall of between **48 ha** and **63 ha** in South Staffordshire. This demand/supply analysis demonstrates quantitatively that a **strong needs case can be evidenced, and the Subject Site represents a prime opportunity to help address this shortfall.**

1 Introduction

1.1 Purpose

1.1.1 This report provides an evidence-based overview of the need for new industrial & logistics (I&L) development (the Proposed Development) at Land at Junction 13 of the M6, Stafford, South Staffordshire (the Subject Site). The evidence outlined within assesses South Staffordshire District Council's (SSDC) latest employment evidence with the aim of:

- Demonstrating that there is a strong needs case to support more I&L development in South Staffordshire having regard to local, sub-regional and national supply and demand factors; and
- Evidencing that new supply is **critically needed in the short term** and that the Proposed Development will help to fill a specific gap in the market.

1.2 Approach: Taking Both a Macro and Micro View

1.2.1 In meeting the report purpose, we take both a **macro and micro view** of 'need' and the appropriateness of the Subject Site in market terms in helping to meet this need.

1.2.2 As part of the **macro view**, we first consider national trends underpinning strong demand in the I&L sector as detailed in **Section 4**. This is being driven by various factors such as population growth, increased online shopping, higher freight flows, and Brexit and Covid-19 induced shocks such as re-shoring[1], and increased stockpiling to guard against supply chain breakages. We consider this shift in habits we have been witnessing, such as the extraordinary growth in online retailing, to be structural rather than temporary. Most commentators agree that online retailing will continue to grow from a higher base than before the Covid-19 Pandemic due to behavioural changes such as increased homeworking, and the continued demand for rapid parcel deliveries. Also, as the country's population continues to grow, so will I&L floorspace needs to support household consumption and other sectors of the economy.

1.2.3 We also evidence the sector's importance to the national and local economies, not just in terms of jobs and Gross Value Added (GVA) contribution, but also because of the critical function it plays in serving other sectors of the economy. Many companies require supply chain support from I&L companies as part of their operations. These inputs and outputs generate economic value that logistics has played a vital role in helping to realise. The indirect GVA generated by the logistics sector in the UK is 2.7 times higher than its direct GVA contributions. This is much higher than the indirect GVA generated by the manufacturing (0.8), office (0.9), and retail (0.4) sectors. This illustrates the importance of logistics in facilitating other sectors of the economy. To impede its growth would undermine growth in other sectors of the economy too.

1.2.4 The UK, like much of the world, is experiencing higher inflation which has led to a cost of living crisis given costs have been rising faster than salaries. As a result, the UK economy as a whole is predicted to enter a phase of slow growth over the shorter term. The I&L sector has been the strongest commercial sector in the UK, with current demand 56% above the long term trend. The maximum demand impact during the Global Financial Crisis (GFC) was a 30% reduction in I&L leasing demand. While such an impact is not predicted as part of the current economic challenges, even if this did occur, I&L demand would still be over 25% above the long term trend. This clearly signifies the resilience of the sector. Moreover, contrary to some misconceptions, and as evidenced in **Section 4,** the I&L sector is a highly productive, well paid and occupationally diverse sector. It is vitally important that the sector's growth is facilitated by the Planning System given its underlying characteristics and strong demand profile. The importance of promoting those sectors which are proving resilient and with high levels of productivity (such as I&L) is further emphasised

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

in Paragraph 85 and 86 of the National Planning Policy Framework (NPPF).

1.2.5 Next as part of blending a **macro and more micro view of future I&L need**, we consider demand and supply dynamics specific to the Functional Economic Market Area (FEMA) within which the Subject Site is located. This FEMA-led approach, as detailed in **Sections 3 and 8**, is consistent with the Planning Practice Guidance[2] (PPG). We focus on market signals in accordance with Paragraph 31 of the NPPF and consider both the I&L sector as a whole, as well as the size of units and types of occupiers that are driving demand.

1.2.6 As discussed in **Section 5**, it is our experience that traditional demand estimation methodologies (i.e. labour demand, labour supply and past take up) often underestimate demand for I&L uses. This is proven by the low levels of availability and strong rental growth in South Staffordshire, the FEMA, FEMA Plus Sandwell, and nationally, denoting a market where supply is not keeping up with demand. As part of our work, we review the employment evidence bases of the 7 local authorities that make up the FEMA Plus Sandwell, finding large inconsistencies in their approaches to estimating demand. The various demand methodologies applied also fail to account for current day market drivers, which has led to them underestimating 'true' market demand for I&L uses.

1.2.7 After building up our own picture of market supply (**Section 7**) and demand (**Section 8**) within the FEMA and FEMA Plus Sandwell, 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 'suppressing' demand. We also take account of current day growth drivers such as e-commerce.

1.2.8 The Savills approach is to first consider overall I&L demand across the FEMA and FEMA Plus Sandwell and then apportion this wider sub-regional demand to South Staffordshire. This is because using a larger pool of data is generally considered more robust in modelling terms, and because I&L occupiers desire similar locations and types of premises. Furthermore, South Staffordshire, like all local areas, is part of a wider sub-regional market (or FEMA) 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.

1.2.9 Finally, in terms of taking a **micro view**, we outline why the Subject Site is considered attractive in helping to meet future I&L need. This is detailed in **Section 2**, as 'Strategic Advantages' and considers the Site's key locational characteristics which makes it an optimal location for I&L development. These include proximity to a nationally significant movement corridor (the M6), convenient access to suppliers, end customers and labour supply, and convenient access to major freight handling infrastructure. This section should be read in conjunction with the submitted **Planning Statement,** which outlines further key attributes of the Proposed Development such as its location outside of the Greenbelt**.** The Proposed Development will also generate significant levels of new and well paid jobs, in addition to wider economic and social value benefits as outlined in **Appendix 1**.

1.3 Summary of Results

1.3.1 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 Land at Junction 13 of the M6, Stafford, South Staffordshire, where the Subject Site is located.

1.3.2 There is a particular need for mid-box units between 30,000 and 100,000 sq.ft which are underrepresented

[2] Paragraph: 019 Reference ID: 61-019-20190315

in South Staffordshire in comparison to the FEMA, FEMA Plus Sandwell, West Midlands and England average. The Proposed Development directly responds to this lack of supply by providing 4 units within this size category. The scheme is also providing 2 modern high quality larger units over 100,000 sq.ft. This will help to address the lack of good quality stock within the 100,000 to 250,000 sq.ft size category within South Staffordshire, where currently 79% of existing provision within this size category is classified as poor or average quality.

1.3.3 In reaching this conclusion, we have run two versions of our demand model:

- The first version across the Functional Economic Market Area (FEMA) defined within the South Staffordshire Economic Development Needs Assessment (EDNA, 2022) inclusive of South Staffordshire, Stafford, Cannock Chase, Wolverhampton, Dudley and Walsall; and
- The second version across the FEMA but with the addition of Sandwell.

1.3.4 We compare these two demand outputs with our detailed overview of supply in order to assess the overall need for I&L development across the FEMA and FEMA Plus Sandwell, and South Staffordshire specifically.

1.3.5 Based on Savills' demand methodology, over a 20-year plan period (consistent with the EDNA), we estimate FEMA wide I&L demand to be between **745 ha** and **810 ha** of land, rising to between **995 ha** and **1,082 ha** across the FEMA Plus Sandwell. Apportioning the FEMA and FEMA Plus Sandwell demand figures to South Staffordshire yields an estimate of between **152 ha** and **166 ha** of land for I&L uses (based on FEMA wide demand), rising to between **169 ha** and **184 ha** (based on FEMA Plus Sandwell demand) over the same 20 year period. Savills' demand estimates are significantly higher than the EDNA's estimates of 48.4 ha, and 65.7 ha accounting for the West Midlands Interchange (WMI).

1.3.6 Savills' various demand estimates within the FEMA, FEMA Plus Sandwell, and South Staffordshire specifically are summarised in **Table 1.1** below.

Table 1.1 Savills' Demand Estimates across the FEMA, FEMA Plus Sandwell, and South Staffordshire

	FEMA (Ha)	FEMA Plus Sandwell (Ha)
Overall Sub-Regional Demand (Historic + Suppressed)	745	995
Overall Sub-Regional Demand (with addition of e-commerce uplift)	810	1,082
South Staffordshire Demand (Historic + Supressed)	152	169
South Staffordshire Demand (with addition of e-commerce uplift)	166	184

Source: Savills 2023

1.3.7 We consider Savills' demand estimates alone to demonstrate that South Staffordshire have not allocated enough land for I&L uses, and the Subject Site is desperately needed to meet demand. However, our

consideration of available land supply has provided further compelling evidence of this fact.

1.3.8 Savills' view of current realistic I&L supply is approximately **446 ha** within the FEMA, and **463 ha** within the FEMA Plus Sandwell. Within South Staffordshire specifically, Savills' view of realistic supply is approximately **295 ha.** This figure includes all of the supply at the WMI totalling 193 ha. If we assume that only 10% of the WMI will cater for demand within South Staffordshire which is consistent with the SSDC EDNA[3], this reduces South Staffordshire's overall available supply to **121 ha** of land meaning that there is a shortfall of between **31 ha** and **45 ha** (based on Savills' conservative demand scenario which apportions demand at the FEMA wide level). Savills' demand estimates at the FEMA Plus Sandwell level indicate a shortfall of between **48 ha** and **63 ha** in South Staffordshire. The Subject Site represents a prime opportunity to help address this shortfall. The various shortfalls are summarised below in **Table 1.2**.

Table 1.2 Demand and Supply Balance within the FEMA, FEMA Plus Sandwell and South Staffordshire

	FEMA (Ha)	FEMA Plus Sandwell (Ha)	South Staffordshire (Ha)
Available Supply	446	463	121
Overall Sub-Regional Shortfall (Historic + Suppressed)	299	532	
Overall Sub-Regional Shortfall (with the addition of e-commerce uplift)	364	619	
South Staffordshire Shortfall (Historic + Suppressed)			31-48
South Staffordshire Shortfall (with the addition of e-commerce uplift)			45-63

Source: Savills, 2023

1.3.9 As we explain within, we consider our approach to estimating future I&L demand 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 the DfT's recently published 'Future of Freight Plan' and was shortlisted for an RTPI Award for Research Excellence 2022.

1.3.10 The Savills approach has also recently been used in the 'Warehousing and Logistics in the South East Midlands' study. We understand that it is also being used as one of the estimation methods as part of the current Phase 3 'West Midlands Strategic Employment Sites' Study.

[3] Paragraphs 7.3.4 to 7.3.14 SSDC EDNA

1.4 Report Structure

1.4.1 The report is structured as follows:

- **Section 2** discusses the Subject Site, its strategic advantages, the Proposed Development, and its complementarity with the WMI;
- **Section 3** sets out the Property Market Area (PMA) for the assessment. As part of this we consider the Council defined FEMA to assess whether it is an appropriate PMA for considering market demand and supply factors in **Sections 6, 7, and 8;**
- **Section 4** outlines key trends in the I&L sector;
- **Section 5** reviews the employment evidence commissioned by the local authorities that comprise the FEMA and FEMA Plus Sandwell, specifically their approach to estimating future I&L demand;
- **Section 6** assesses market signals within South Staffordshire, the wider FEMA and FEMA Plus Sandwell's I&L market;
- **Section 7** presents Savills' review of I&L supply in the wider FEMA, FEMA Plus Sandwell, and South Staffordshire specifically;
- **Section 8** presents Savills' future I&L demand estimates for the wider FEMA, FEMA Plus Sandwell, and South Staffordshire specifically;
- **Section 9** outlines the report's key conclusions.

1.4.2 A standalone Economic Benefits and Social Value Assessment has also been prepared by Savills. This estimates the economic benefits and social value that could be generated by the Proposed Development and is appended to this report as **Appendix 1**.

1.4.3 BNP Paribas Real Estate together with Knight Frank have produced an agent's letter to provide further local market demand and supply evidence. This is appended to this report as **Appendix 2**.

1.5 Reader Note

1.5.1 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 warehouses and factories (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 & Proposed Development

2.1 Introduction & 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, and its complementarity to the WMI.

2.2 Site Context

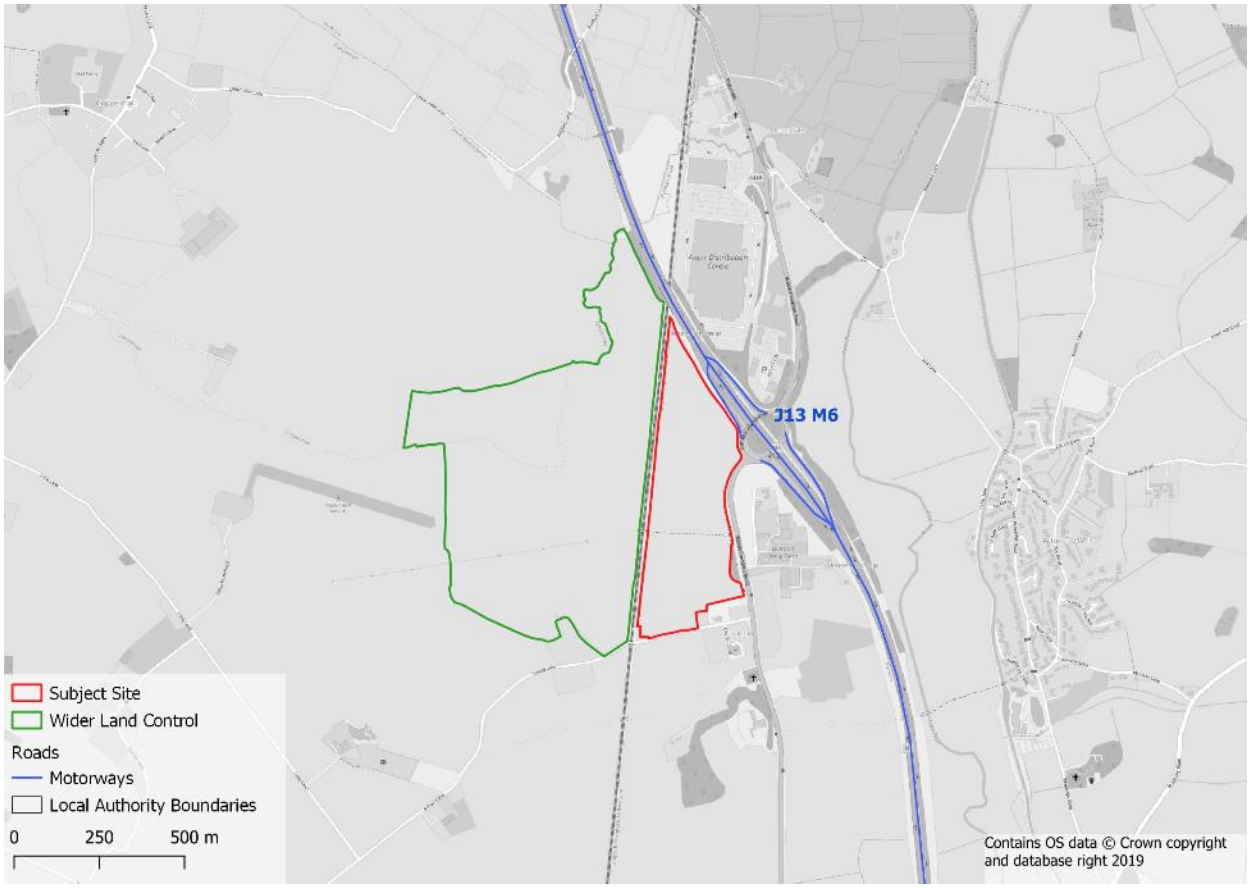
2.2.1 The Subject Site comprises around 17.61 ha of land within the South Staffordshire District Council administrative boundary. It is situated adjacent to Junction 13 of the M6 motorway, and located to the west of Dunston Village, and south of Stafford. There is also wider land control to the west, comprising a further 50.09 ha of land (**Figure 2.1**).

2.2.2 As shown in **Figure 2.1**, the M6 motorway runs along the eastern boundary of the Subject Site, with Junction 13 of the motorway leading to the A449 and School Lane, forming the southern Site boundary. Open farmland is found to the north, west and south of the Site. Two existing warehouses are situated to the north which helps to establish the area around Junction 13 as an ideal location for I&L development.

2.2.3 Stafford Rail Station is approximately 4.5km to the north, which serves the north-south mainline railway between Stafford and Manchester.

2.2.4 The Subject Site would be an appropriate employment allocation, being at a key junction on the strategic highway network with direct access to the M6 corridor, and being sustainably located in terms of a workforce and public transport links. The Subject Site is also an ideal location in terms of access to gas, electric and sewage infrastructure, with no access required through residential areas.

Figure 2.1 Subject Site and Wider Land Control



Source: Savills, 2023

2.3 Strategic Advantages

2.3.1 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 (M6);
- 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 that can be utilised as part of I&L companies' wider supply chains.

2.3.2 The Subject Site is also located nearby to areas of deprivation which will benefit from the diverse range of jobs that the I&L sector provides, and help to increase self-containment levels (i.e. the number of people who live and work within South Staffordshire).

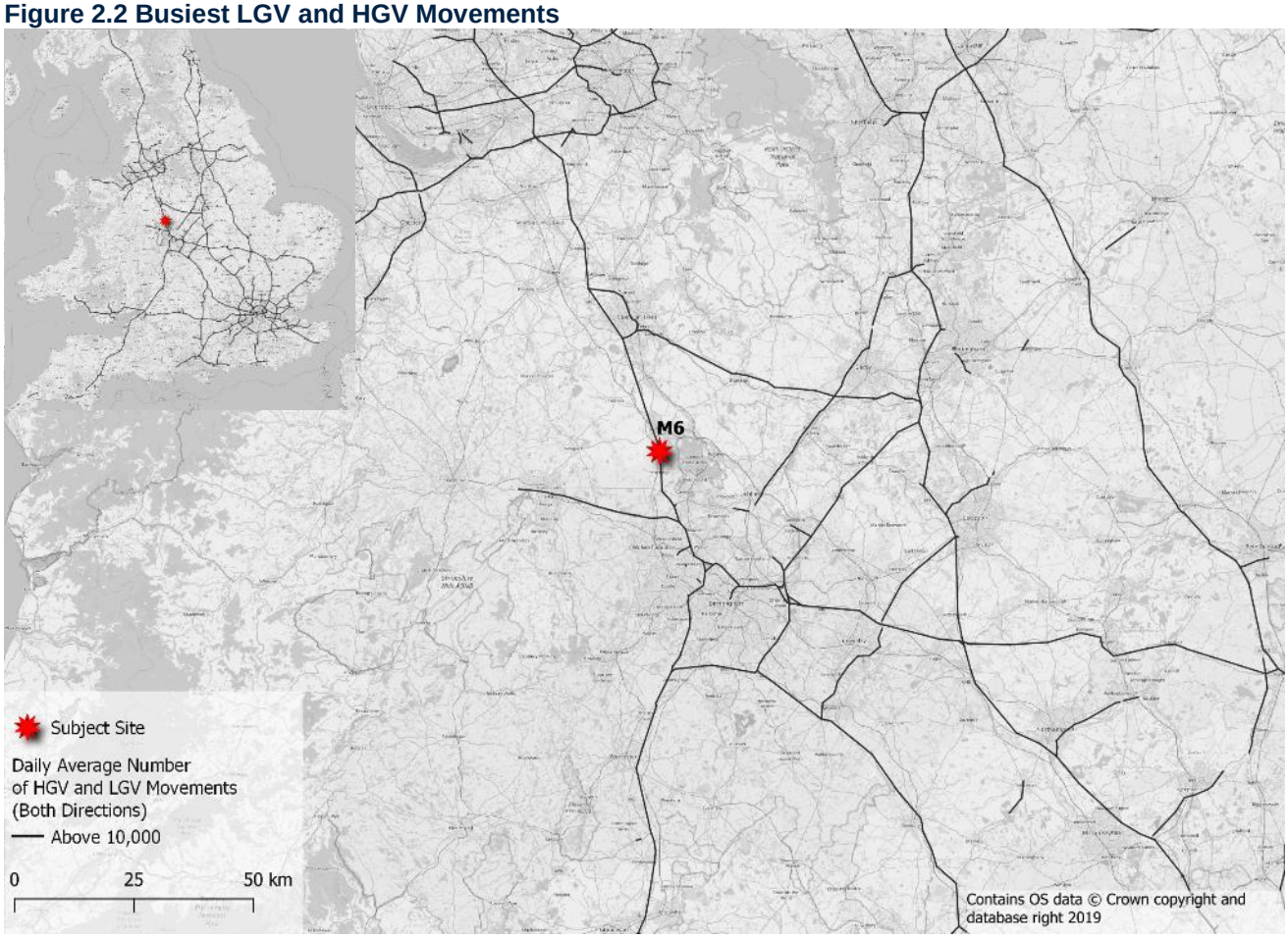
2.3.3 We consider each of these strategic advantages in detail below.

M6 is a Nationally Significant Motorway

2.3.4 As shown in **Figure 2.2**, the M6 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 the Savills European Logistics Census[4], location is the most important factor impacting business investment decisions in the I&L sector (89% of respondents). Given the Subject Site's prime location, it is ideally placed to help address the **45 ha** to **63 ha** supply shortfall in South Staffordshire based on Savills' estimates as outlined in **Section 7 and 8** below.

Figure 2.2 Busiest LGV and HGV Movements



Source: Savills 2023; DfT

High Accessibility to Suppliers and End Customers

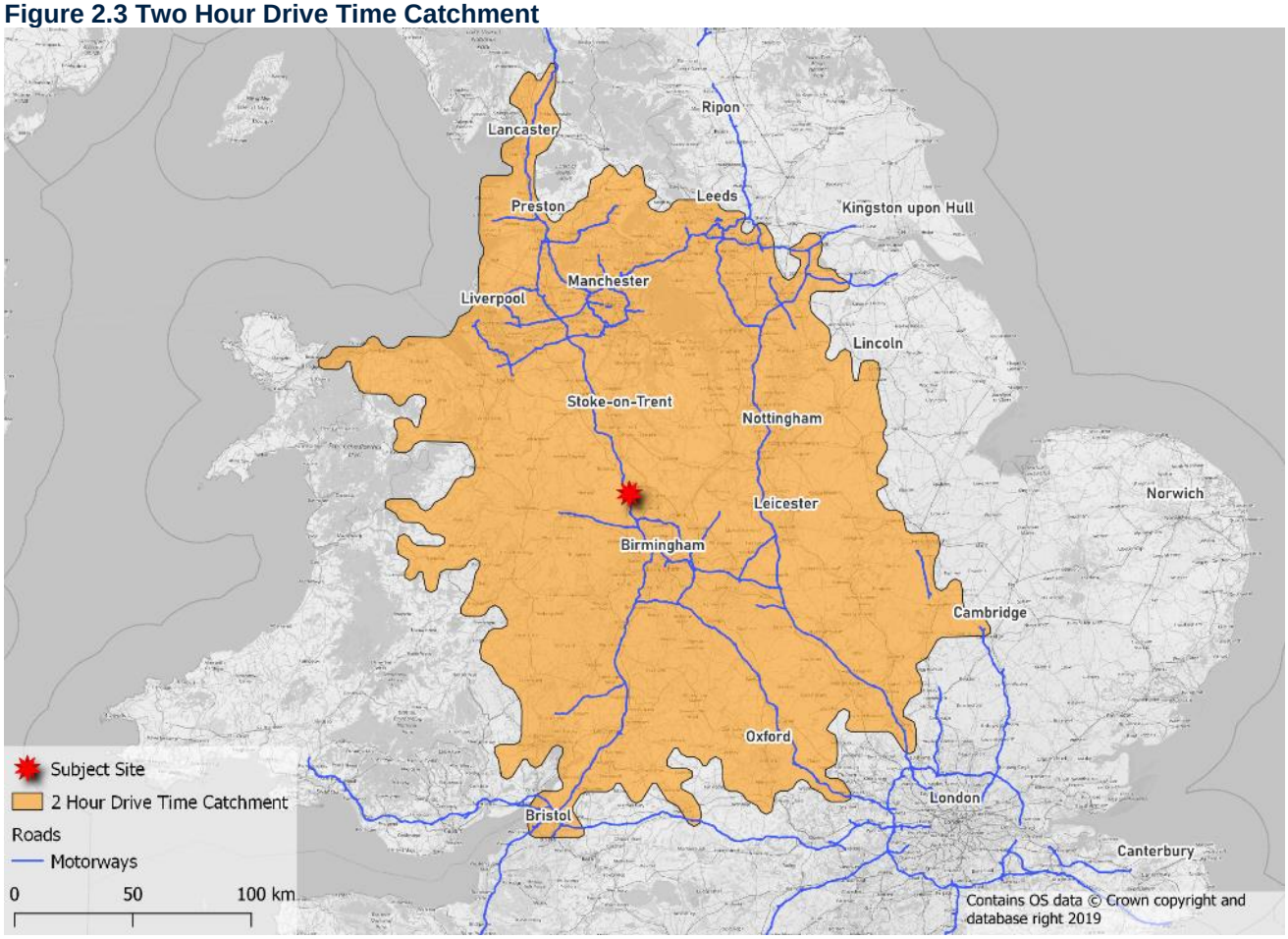
2.3.6 Most I&L occupiers have supply chains linking themselves with their suppliers and end customers of between 1 to 4 hours travel time. The shorter travel time is more typical of local and regional companies, while longer travel times are more typical of larger companies that do business throughout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

2.3.7 If we take the middle ground of 2 hours, which is appropriate for most companies, approximately 24.4 million people (approximately 40% of England and Wales's population), and approximately 35% of the UK's businesses can be accessed from the Subject Site[5]. Such impressive numbers are because of large conurbations including Stoke-on-Trent, Birmingham, Nottingham, Oxford, Liverpool and Manchester are all accessible from the Subject Site within 2 hours, as shown in **Figure 2.3**.

[4] Savills European Logistics Census (2021) is a survey of over 400 occupiers, developers, investors, landowners, asset managers, agents and advisors involved in the I&L sectors. Its aim is to understand opportunities and challenges facing the sector and is available at https://pdf.euro.savills.co.uk/european/european-commercial-markets/spotlight---european-logistics-census-winter-2021-2022.pdf

[5] This analysis uses GIS conducted on ONS Population Estimates and Business Count data at Middle Layer Super Output Areas (MSOAs)

Figure 2.3 Two Hour Drive Time Catchment



Source: Savills, 2023

High Accessibility to a Large Labour Pool

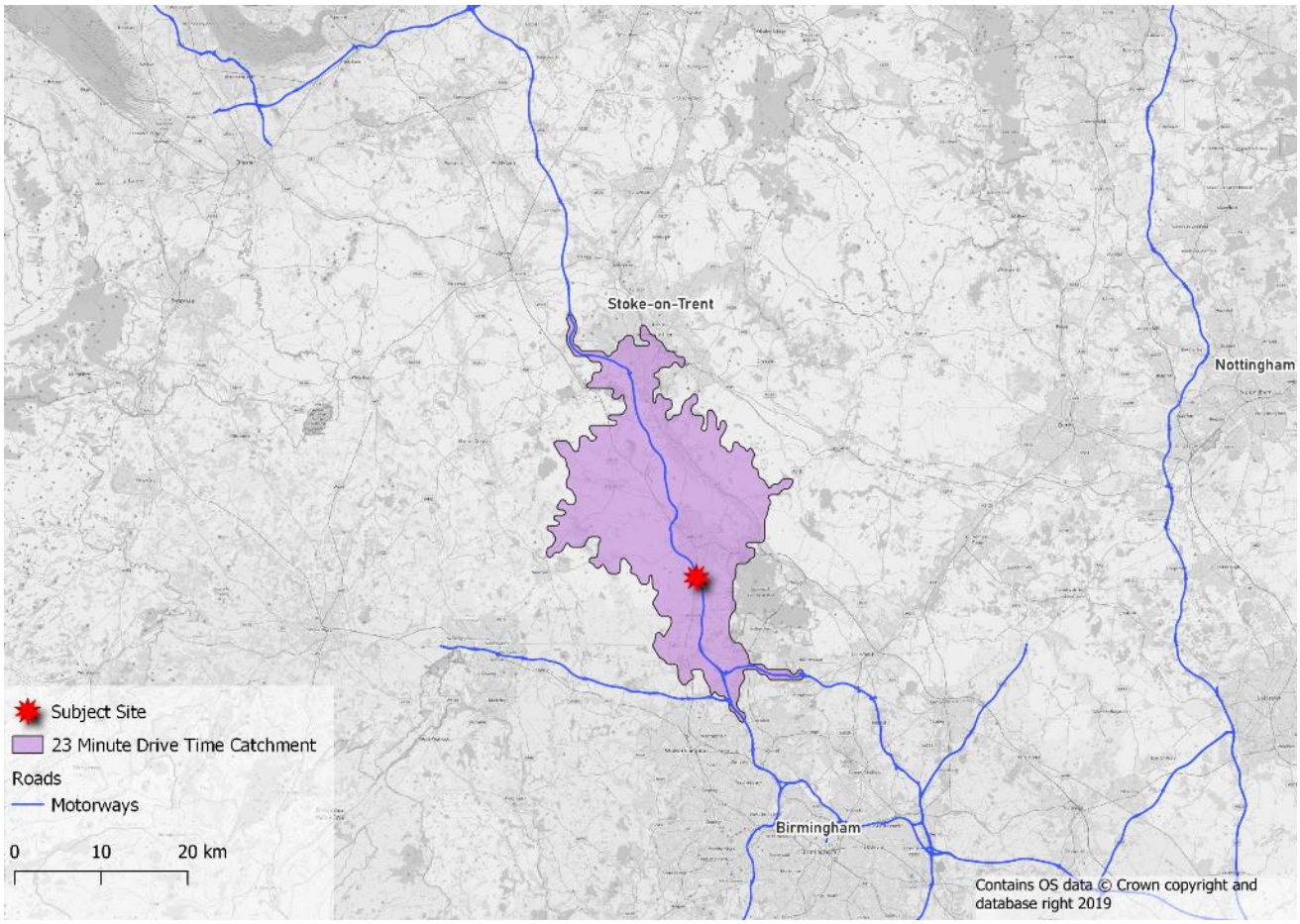
2.3.8 One of the strongest parts of the UK economy currently is the low unemployment rate. The flip side of this is that the availability of labour for UK companies has become increasingly challenging. As a result, labour availability has shot up the list of factors impacting investment decisions in the I&L sector as evidenced in Savills European Logistics Census according to around 50% of respondents[6].

2.3.9 In South Staffordshire, the I&L sector has experienced a growth in jobs by 20% between 2015 and 2021. This is in contrast to -4% growth in office-based sectors and 0% in the retail sector over the same time period. Since 2020, job growth has increased by 7% in the I&L sector compared to -10% and 0% in office-based and retail sectors respectively[7]. This demonstrates that the I&L sector is a growing segment of the local economy with significant employment growth opportunities.

2.3.10 We consider a 23-minute drive time catchment to be appropriate for accessing labour from the Subject Site. This is the average home-to-work travel time for South Staffordshire[8]. Within this catchment, as shown in **Figure 2.4**, approximately 136,000 working-age people (aged 16-64) are reachable, representing a high level of workforce accessibility and a considerable labour pool for future businesses located at the Subject Site to draw from.

[6] Savills European Logistics Census (2021), p5
[7] ONS (2022) Business Register and Employment Survey
[8] ONS User Request Data – 2018: TRVTME Usual home to work travel time (minutes) by local authority

Figure 2.4 23 Minute Drive Time Catchment



Source: Savills

Ability to Link with Major Freight Handling Infrastructure

2.3.11 Savills has advised on numerous major freight handling projects across England in recent times. These include Hinckley National Rail Freight Interchange (recently submitted for a DCO), East Midlands Gateway, West Midlands Interchange (WMI), DIRFT, Humber Ports, Ellesmere Port, Southampton Airport, and Heathrow Airport, among others.

2.3.12 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[9] of the operations of DIRFT I and II analysed the destination of outbound lorries leaving the rail terminal. It found that only 27% of all outbound lorries were destined to locations within the DIRFT estate. This means that the remaining 73% of lorries were moving goods further afield to destinations that were not within the immediate surroundings of the local estate. This analysis is useful as it clearly indicates that I&L developments not directly linked or within the estate of key freight handling infrastructure, but located relatively nearby, can benefit from its use as part of their wider supply chains.

2.3.13 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

[9] 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

consider their primary catchment area for businesses using their facilities.

2.3.14 This smaller catchment is important as WMI is well within this catchment from the Subject Site at just 10 minutes' drive. This is another major benefit of the Subject Site, as future occupiers will have ready access to the WMI as part of their supply chains, and the carbon reduction and reduced costs of freight benefits rail freight movement brings.

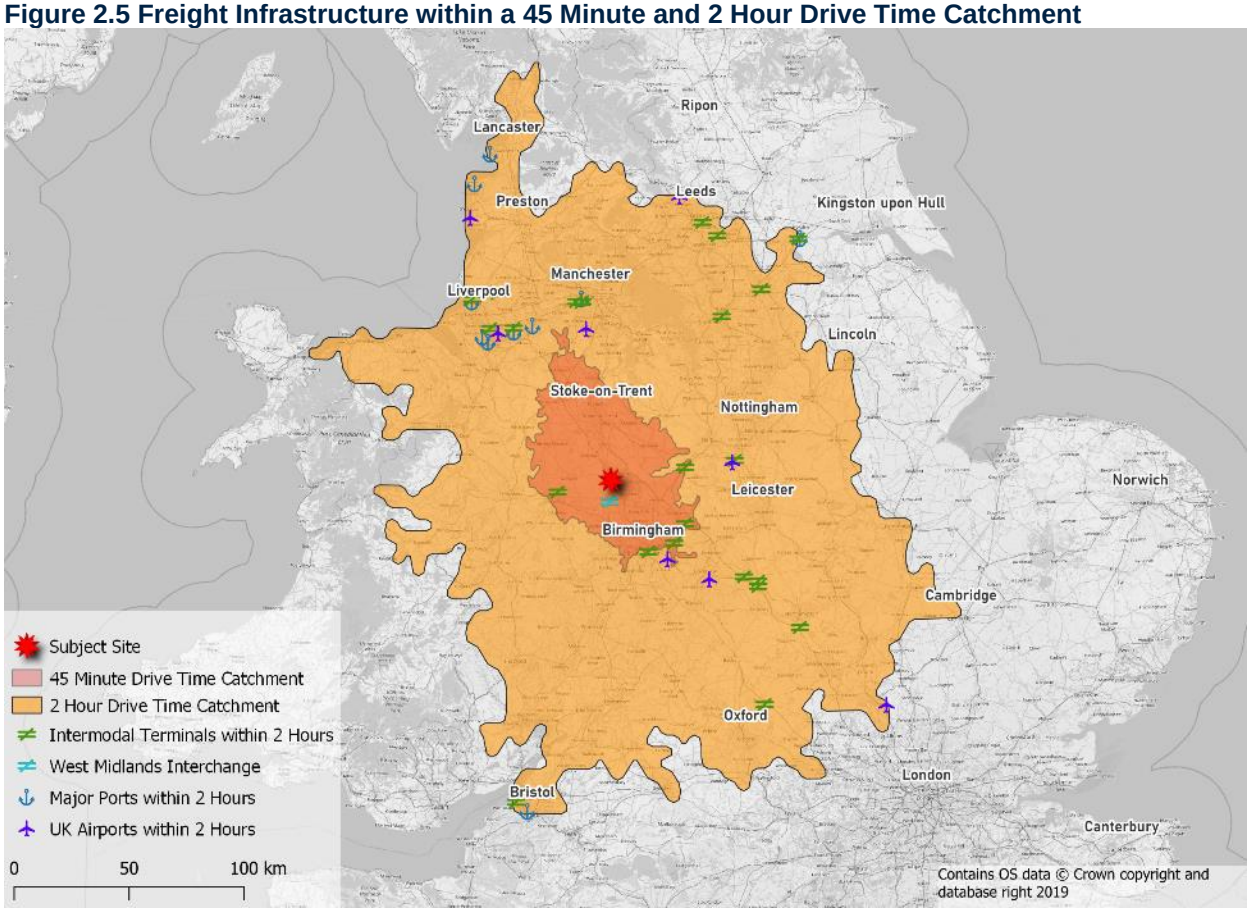
2.3.15 **Table 2.1** lists the various freight handling infrastructure located within a 45 minute and 2 hour drive time catchment of the Subject Site, while **Figure 2.5** shows the geographic coverage of these catchments.

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	Birmingham International (Birch Coppice), Burton, Donnington, Hams Hall, Lawley Street, West Midlands Interchange	Avonmouth and Portbury, Bicester, Birmingham International (Birch Coppice), Burton, Daventry 1&2, DIRFT Northamptonshire, Ditton/Widnes, Doncaster, Donnington, East Midlands Gateway, Goole, Hams Hall, Knowsley, Lawley Street, Leeds Stourton, Liverpool Garston, Manchester, Northampton Gateway; Port of Liverpool (Seaforth), Rugby, Sheffield (Tinsley), Trafford Park 1&2, Wakefield, West Midlands Interchange
Airports	Birmingham	Birmingham, Blackpool, Coventry, East Midlands, Leeds Bradford, Liverpool, Luton, Manchester
Major Ports	N/A	Bristol, Ellesmere Port, Fleetwood, Goole, Heysham, Liverpool, Port Warrington, Queen Elizabeth II Dock, Runcorn Docks, Salford Quays

Source: Savills

Figure 2.5 Freight Infrastructure within a 45 Minute and 2 Hour Drive Time Catchment



Source: Savills; DfT

Improving the Employment Prospects of Deprived Communities

2.3.16 The Government's Coronavirus Job Retention Scheme (CJRS) has helped cushion the impact of economic contraction on the job market. However, despite this effort, Claimant Counts remain high in many areas across the country. As we discuss further in **Section 4**, the number of people still claiming benefits within South Staffordshire, the wider FEMA and FEMA Plus Sandwell as of June 2023 is still 33%, 17% and 20% higher respectively than the Count as of March 2020. Within Stafford Borough (the adjacent local authority to South Staffordshire) a similar trend is evident, with Claimant Counts in June 2023 24% above their pre-Covid level. 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 a be a key re-employer of people who have lost jobs in other sectors of the economy.

2.3.17 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.

2.3.18 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 were long-term unemployed[10].

2.3.19 These statistics clearly show that the sector is benefiting deprived communities, and is the result of innovative skills programmes. For instance, St. Modwen Logistics is the latest partner to join the NSCG-led consortium of education providers and employers from across the Midlands to form the Stoke-on-Trent and Staffordshire Institute of Technology (IoT) development. The £16 million IoT will bring together key industry, education and research opportunities to the county, and will see employers and academics working collaboratively to widen participation in targeted STEM areas.

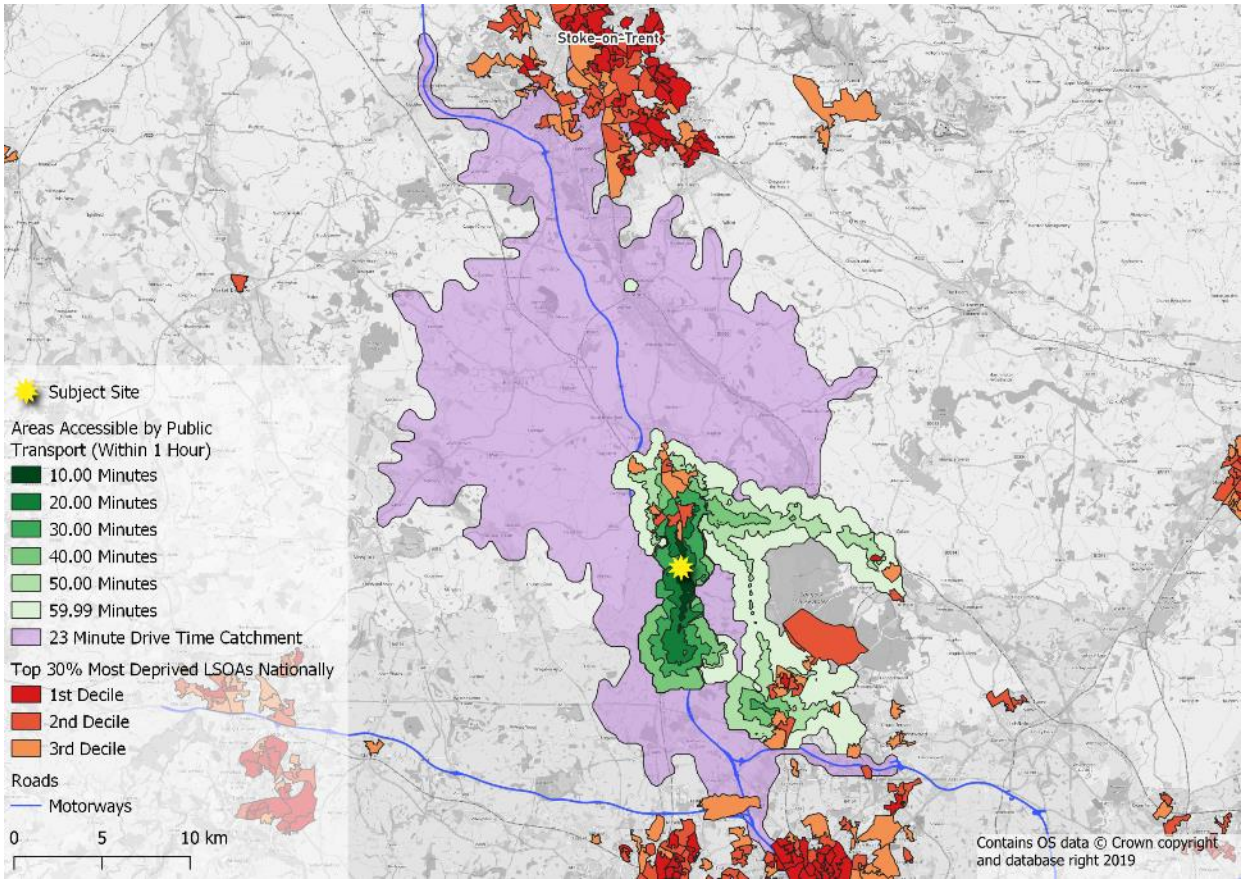
2.3.20 The link between addressing deprivation via new I&L development is being recognised by the Planning System. For example, in a recent called-in decision for an I&L development in St Helens, the Secretary of State agreed with the Inspector that the jobs brought about by the development *'would have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

2.3.21 The map in **Figure 2.6** below illustrates the areas accessible by public transport within an hour of the Subject Site during weekday mornings (07:00-09:00)[11]. The reachable areas within the hour journey time are broken down into 10 minute intervals (green shading) for reference. **Figure 2.6** also presents the 23-minute drive time catchment from the Subject Site, which is considered within commuting distance. This shows that within the areas accessible by public transport, and the 23 minute drive time catchment from the Subject Site, there are numerous neighbourhoods that score among the top 30% most deprived areas in England. This means that the Proposed Development will increase the employment opportunities available to the residents of these highly deprived neighbourhoods.

[10] 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

[11] The time period 07:00-09:00 is longer than an hour, but the assessment calculates how far you could get within an hour if your journey was to start within this period. It takes into account the walk time to the closest bus stops, and potential connections between bus and train services.

Figure 2.6 Areas of Deprivation within Areas Accessible by Public Transport within an Hour of the Subject Site, and 23 Minute Drive Time Catchment



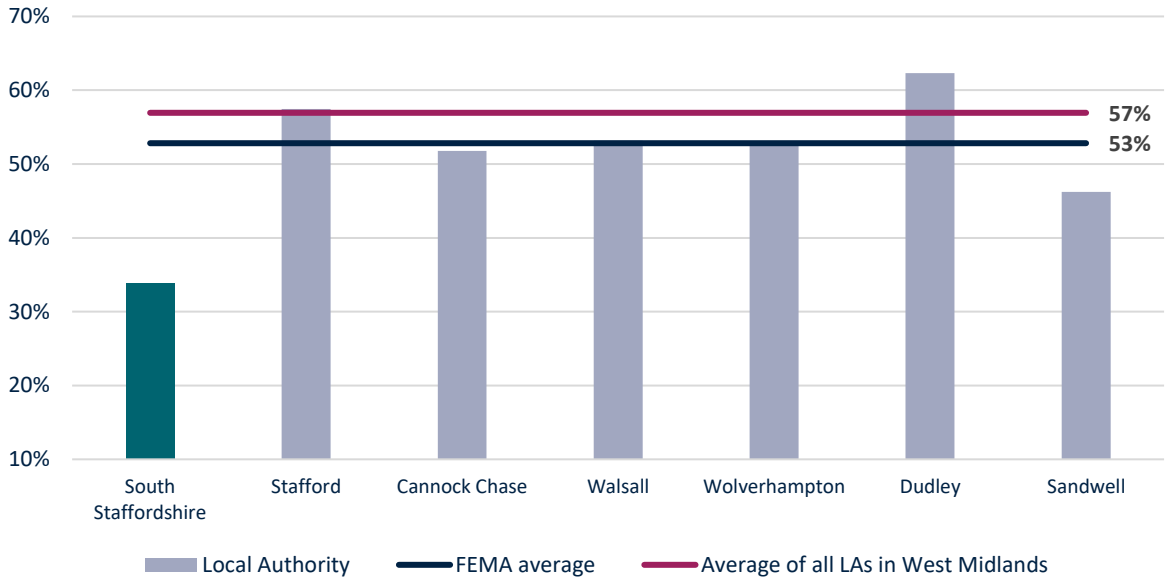
Source: IMS 2019, Savills 2023

Improving South Staffordshire's Self-Containment Rate

2.3.22 Finally, the Proposed Development will generate considerable new job opportunities for local residents (see **Appendix 1**) which will help to increase self-containment levels (i.e. the number of people who live and work within South Staffordshire). South Staffordshire's self-containment rate is currently 34%. This effectively means 34% of South Staffordshire's residents also work in South Staffordshire, or conversely 66% of its in-work residents travel outside of the District for work. This results in less GVA and day time expenditure for South Staffordshire's local economy (i.e. lost economic output from its workforce). This level of self-containment is significantly below the FEMA's self-containment level at 53%, and the average of all local authorities in the West Midlands at 57% (**Figure 2.7**). This suggests that a larger proportion of South Staffordshire residents are forced to commute elsewhere in the region (and beyond) for employment. The Proposed Development will help to reduce this 'leakage', raising South Staffordshire's self-containment rate, and increasing the economic benefits generated in the District.

2.3.23 There is also a negative sustainability angle related to such a high level of worker outflow related to an increased carbon footprint associated with travelling longer distances to work. This is especially true of car or van based journeys to work, which according to the latest Census (2021), account for 60% of all travel modes in the case of South Staffordshire's in-work residents. Increasing South Staffordshire's self-containment rate will therefore have a positive environmental impact as workers are required to travel shorter distances for work, and increases the chances of public transport being a viable mode of transport.

Figure 2.7 Self-Containment Levels within the Local Authorities of the FEMA, Plus Sandwell and the West Midlands Average



Source ONS Census, Savills

2.4 Proposed Development

2.4.1 The Proposed Development at Land at Junction 13 of the M6, presented as the red line boundary in **Figure 2.1** and **Figure 2.8,** seeks to deliver around 600,000 sq.ft of I&L floorspace. The illustrative masterplan currently illustrates an opportunity to deliver 6 units ranging in size from 54,000 sq.ft to 170,000 sq.ft (**Table 2.2**).

Table 2.2 Illustrative Masterplan

Unit	Indicative Floorarea (sq.ft GIA)
Unit S60	60,000
Unit S54	54,000
Unit S154	154,000
Units S170	170,000
Unit S76	76,000
Unit S87	87,000
Total (Excluding Plant Decks)	**601,000**

Source: St. Modwen Logistics (2023), Savills (2023)

2.4.2 As we demonstrate in **Section 6** (**Figure 6.4** in particular), all unit size bands are experiencing low availability in South Staffordshire, the FEMA, and FEMA Plus Sandwell. The Proposed Development will

assist in meeting demand from occupiers looking for mid-sized units (30,000 sq.ft to 100,000 sq.ft), by providing 4 out of 6 units in this size category, and larger units (between 100,000 sq.ft to 250,000 sq.ft) by providing 2 units over 150,000 sq.ft. Importantly, the size of units proposed will not compete directly with WMI which will be much larger on average (**Section 2.5**).

Figure 2.8 Proposed Development Illustrative Masterplan

Source: Define 2023, St. Modwen Logistics 2023

2.5 Complementarity with the West Midlands Interchange (WMI)

2.5.1 The size of units proposed at the Subject Site will not compete directly with the WMI which will be much larger. For example, the average unit size across the six units of Phase 1 of the WMI is around 450,000 sq.ft[12]. The smallest units proposed in Phase 1 of the WMI are Unit 5010 totalling 194,269 sq.ft, and Unit 5030 totalling 275,085 sq.ft, which are still larger than the Proposed Development's largest unit of circa 170,000 sq.ft.

2.5.2 The Daventry Rail Freight Interchange (DIRFT) and East Midlands Interchange (EMI) are examples of what the WMI could deliver. Rail freight sites attract major occupiers, often in logistics rather than manufacturing uses. DIRFT and EMI primarily cater for larger occupiers with national and international supply chains, with an average unit size of 397,279 sq.ft and 409,214 sq.ft respectively (**Table 2.3**). In comparison, based on all existing stock, the average unit size in South Staffordshire is 46,250 sq.ft, demonstrating that South Staffordshire's I&L market primarily caters for much smaller occupiers than strategic rail freight sites.

2.5.3 The average number of global employees per occupier is 87,308 in DIRFT and 184,188 in the EMI (**Table 2.3**). At an average unit size of 400,000 sq.ft, each unit at DIRFT and EMI would have on average between 400 to 600 employees based on HCA densities. In comparison, approximately 90.6% of businesses in

[12] Phase 1 West Midlands Interchange (WMI) Masterplan https://www.westmidlandsinterchange.co.uk/phase-1/

South Staffordshire have less than 10 employees, and only 0.2% have more than 250 employees.

2.5.4 The average revenue per occupier is £15.5 billion in DIRFT, and £74.7 billion in the EMI (**Table 2.3**). In comparison, the majority (69.5%) of South Staffordshire's businesses have a turnover of less than £200,000 per annum, with a very small minority (2.1%) having a turnover of greater than £5 million per annum. This demonstrates that similar to DIRFT and EMI, the WMI will primarily cater for larger occupiers with national and international supply chains. The Proposed Development therefore caters for a different demand profile, which is more located towards accommodating local and subregional demand.

Table 2.3 Average Unit Size, Number of Employees and Revenue of DIRFT and EMI

	Daventry Rail Freight Interchange (DIRFT)	East Midlands Interchange (EMI)
Average Unit Size (sq.ft)	397,279	409,214
Average Global Employees	87,308	184,188
Average Revenue	£15.5 billion	£74.7 billion

Source: CoStar (2022), Pitchbook (2022), Savills (2022)

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 appropriate 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 Site sits 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.

3.2.2 This is not to say that all sites are equal and therefore compete fully with one another. For instance the WMI, being a nationally significant development benefiting from a DCO, consists of very large units for occupiers that typically have large supply chains covering much of the country, and in some cases overseas locations.

3.2.3 In order to define an appropriate PMA for the Subject Site, we first consider SSDC's employment evidence to see if the Council has defined an appropriate Functional Economic Market Area (FEMA). A FEMA is effectively a collection of administrative areas which share economic linkages as defined by travel to work patterns, housing market areas, shared infrastructure, labour skills etc. Where possible, we look to use the Council defined FEMA as a proxy for the PMA for I&L uses.

3.2.4 The most recent employment evidence is the Economic Development Needs Assessment (EDNA) prepared by the Strategic Planning Research Unit in June 2022. The EDNA defines a FEMA for South Staffordshire as consisting of itself, along with the local authority areas of Stafford, Cannock Chase, Walsall, Wolverhampton, and Dudley, as shown in **Figure 3.1.**

3.2.5 The EDNA notes that South Staffordshire has strong commuter links with all of these local authorities, and has a comparatively minimal functional economic relationship with areas to the south and west of the District[13]. South Staffordshire has strong connectivity to neighbouring areas via the M54 and M6 strategic road links, as well as rail connections to Wolverhampton, Stafford and Cannock Chase[14].

3.2.6 Savills accepts the SSDC FEMA as the basis for a suitable PMA for the Subject Site. However, we also consider Sandwell to be appropriate for inclusion within the PMA given:

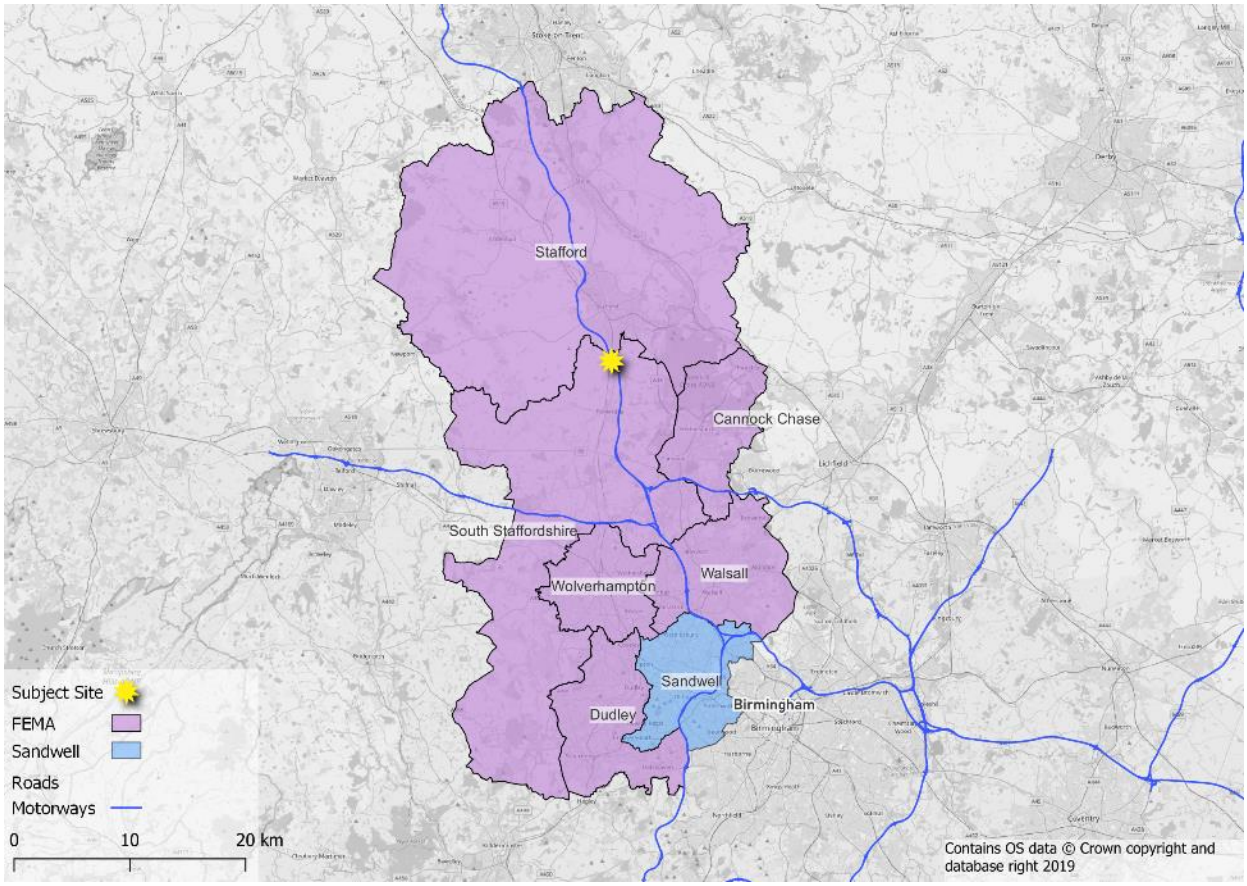
- It shares access to the M6 and the M5 (which leads into the M6). Access to these stretches of the motorway would be considered favourable by occupiers, and can broadly serve many of the major locations the Subject Site does, and therefore can be considered competing locations;
- SSDC's Duty to Cooperate document mentions the requirement for the District to meet a portion of the Black Country's unmet employment land need. The Black Country comprises of Walsall, Wolverhampton, Dudley and **Sandwell**; and
- The recent City of Wolverhampton Cabinet Report (dated 14th December 2022) titled 'South Staffordshire, Stafford and Birmingham Local Plan Consultation Responses' notes at Paragraph 2.4 *'In the case of the Black Country, the evidence identifies the BCA (Black Country authorities)*

[13] South Staffordshire EDNA (2022). Paragraphs 0.21-0.22, page 7
[14] South Staffordshire EDNA (2022). Paragraph 3.36, page 41

as being a single FEMA, but with strong economic ties to Staffordshire and Birmingham. This means that individual Local Plans should seek to identify and address needs arising in both the Local Plan area itself, and across the FEMA as a whole'.

3.2.7 Based on the above, our market assessment, review of supply, and future demand estimates in **Section 6, 7 and 8** respectively, cover both the SSDC FEMA as defined, and the FEMA Plus Sandwell.

Figure 3.1 South Staffordshire FEMA and FEMA Plus Sandwell



Source: Savills 2023

4 Key Trends in the I&L Sector

4.1 Introduction

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*'[15], 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 customer.

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 Strong National and Regional Growth

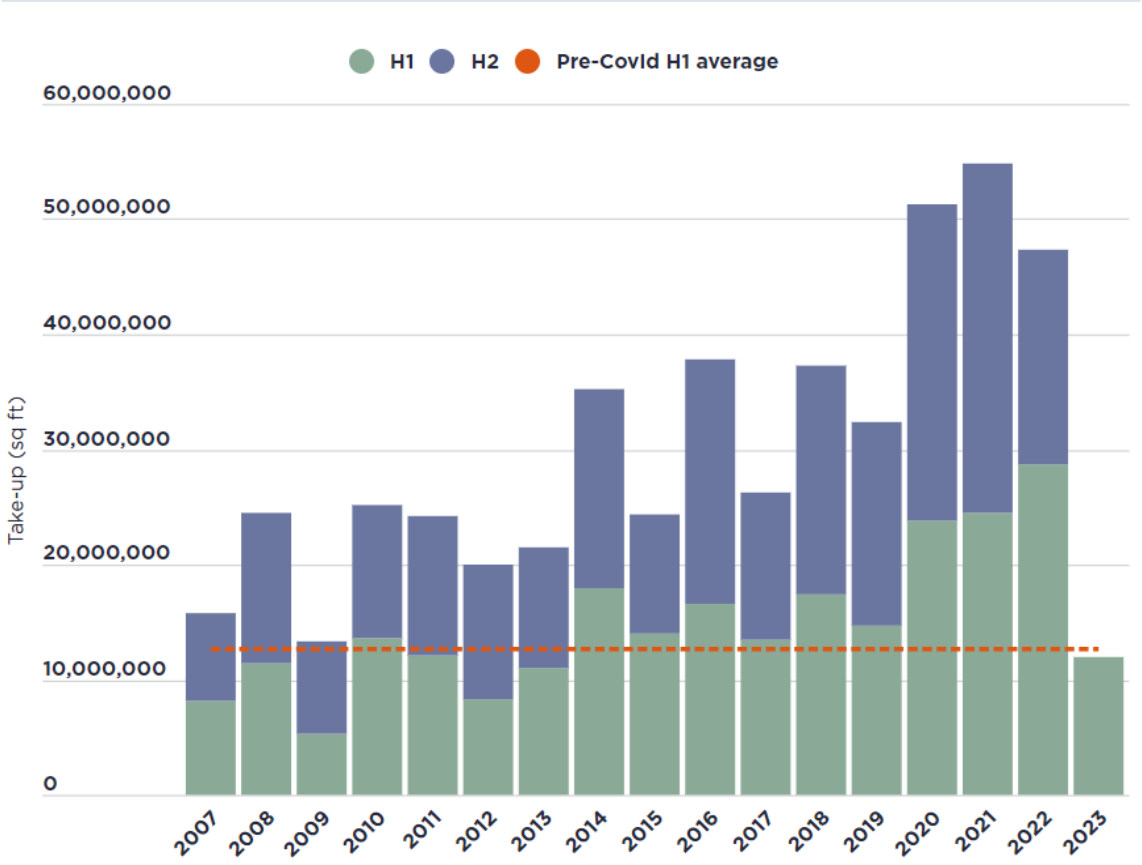
4.2.1 Both logistics and manufacturing businesses, which together make up the I&L sector, require similar, shed-type properties (including ancillary offices). In terms of location, they both desire highly accessible sites nearby to motorway junctions and other freight handing infrastructure as well as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

4.2.2 In 2022, Savills Big Shed Briefing (which assesses I&L premises above 100,000 sq.ft.) found that gross take-up nationally, shown in **Figure 4.1,** had reached 47.99 million sq.ft, making 2022 the third strongest year ever, 56% above the long-term average[16]. The 2022 year-end take up exceeded the pre-Covid high watermark of 37 million sq.ft by 10 million sq.ft.

4.2.3 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 the Savills recently published Big Shed Briefing (July 2023), at a national level, take up (in units above 100,000 sq.ft) for the half year has dropped to 12.49 million sq.ft, however this is just 1% shy of the pre-Covid H1 average.

[15] Savills and BPF (2022), *Levelling-up – The Logic of Logistics*
[16] Savills Research (2023), Big Shed Briefing (January 2023) Available at: https://pdf.euro.savills.co.uk/uk/commercial---other/big-shed-briefing-jan-23.pdf

Figure 4.1 I&L Sector Historic National Take-up – 100,000+ sq.ft. Properties (2007-2023)

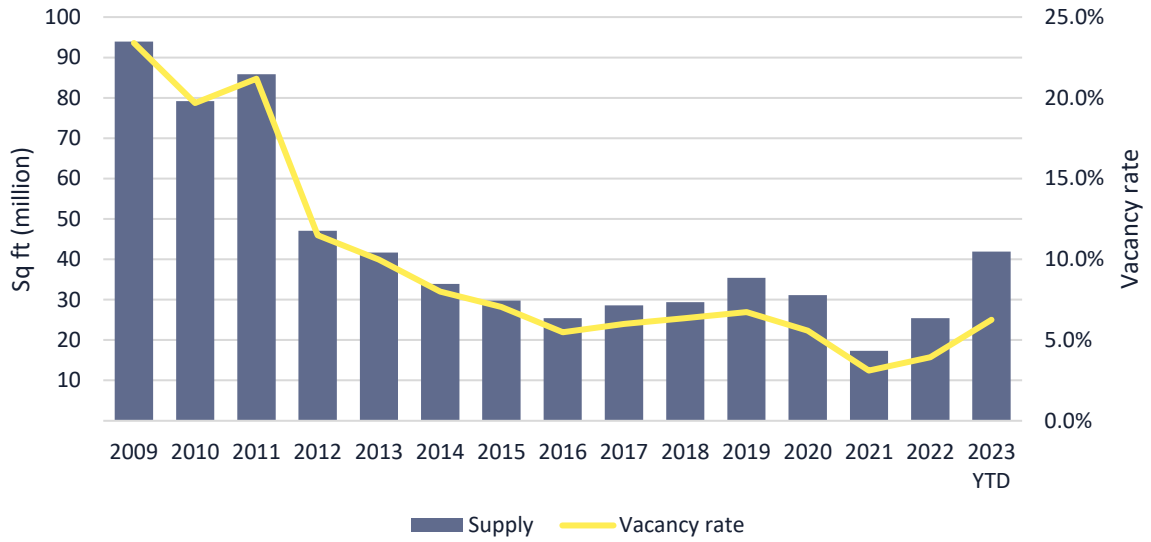


Source: Savills Research

4.2.4 The supply of premises nationwide (in units above 100,000 sq.ft) has risen to 6.25%[17], however this level is much lower than in the period after the GFC when it used to be above 10% (**Figure 4.2**). There is a particularly severe shortage of supply of high 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[18].

[17] Savills and BPF (2022) Levelling-Up – The Logic of Logistics
[18] Ibid.

Figure 4.2 National Supply and Vacancy Levels – 100,000+ sq.ft Properties (2009-2023 YTD)



Source: Savills Research, 2023

4.2.5 Savills' upcoming Big Shed Briefing (July 2023) reports that within the West Midlands, take-up in 2023 has reached 1.62 million sq.ft across eight transactions, which is 25% below the long-term average. The average deal size this year was 202,727 sq.ft. Occupiers in the region have undoubtedly faced pressures given rising interest rates, inflation and other macroeconomic factors. Deals counts demonstrated the preference towards smaller units as 88% of deals were recorded within the 100,000 to 200,000 sq.ft size band, and 12% in the 500,000 sq.ft+ size band.

4.2.6 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 April survey indicates that 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 that I&L will remain the fastest growing commercial sector.

4.3 I&L Growth is Structural, not Temporary

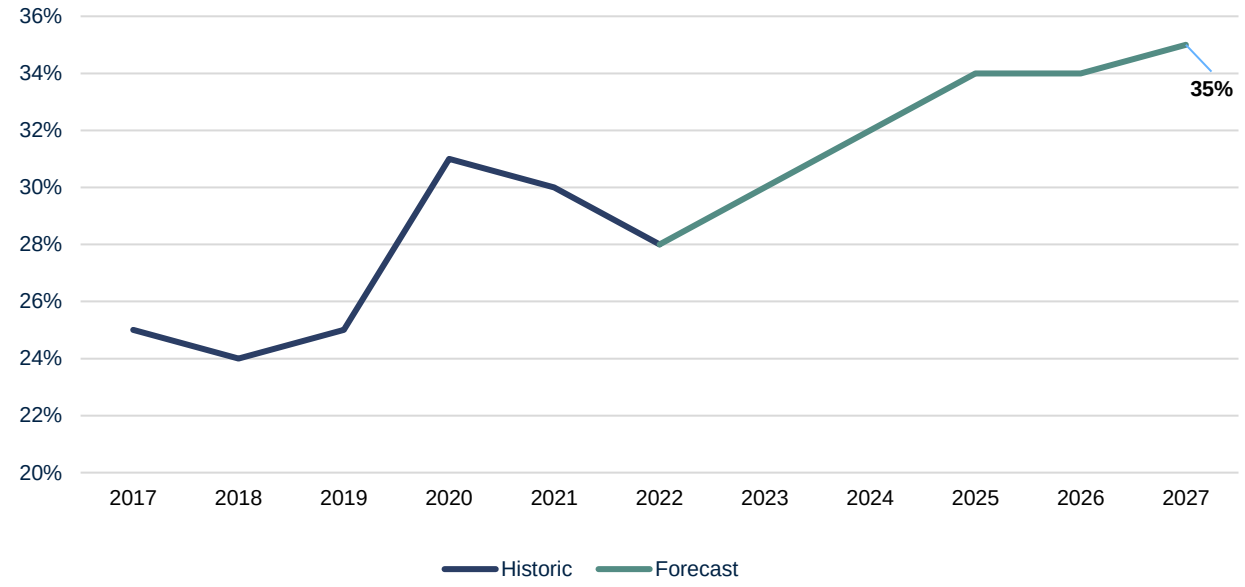
4.3.1 The I&L sector is facing an era of unprecedented change. The past decade has seen the sector undergo a remarkable transformation, reshaping operating models and occupier requirements in ways that are only starting to become recognisable as an industry-wide phenomenon. Logistics uses in particular 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 the 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 26.3% as of October 2023[19].

4.3.3 As shown by **Figure 4.3** below, online spending dipped between 2021 and 2022 as to be expected, as the economy opened up following the Covid-19 Pandemic, and people were able to visit shops and return to places of work. 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 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 (2017-2027)

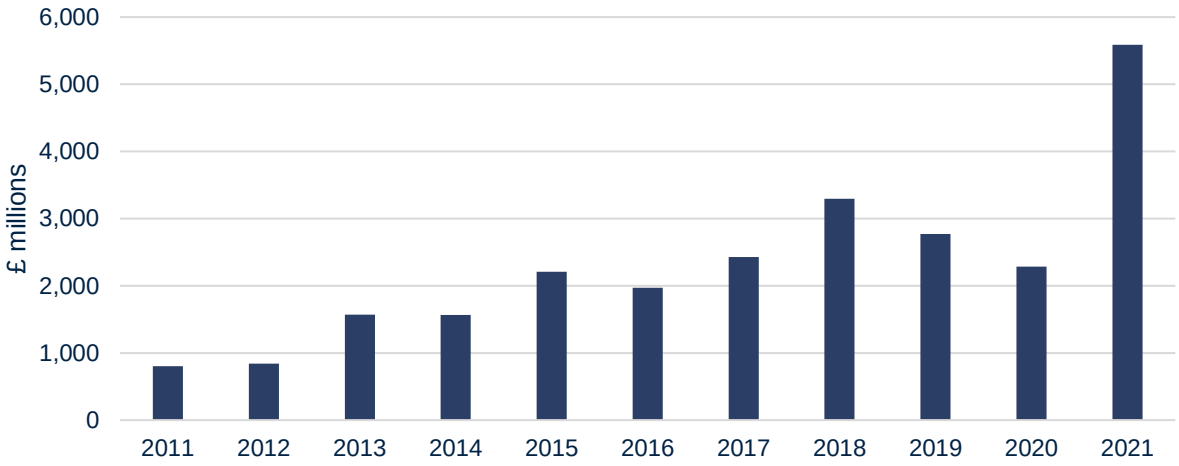


Source: Statista 2023, Savills 2023

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.

[19] ONS (2023), Internet sales as a percentage of total retail sales (ratio) (%) https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi
[20] The Digital Tipping Point, 2019 Retail Report, Retail Economics and Womble Bond Dickinson
[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 speeds 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.

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

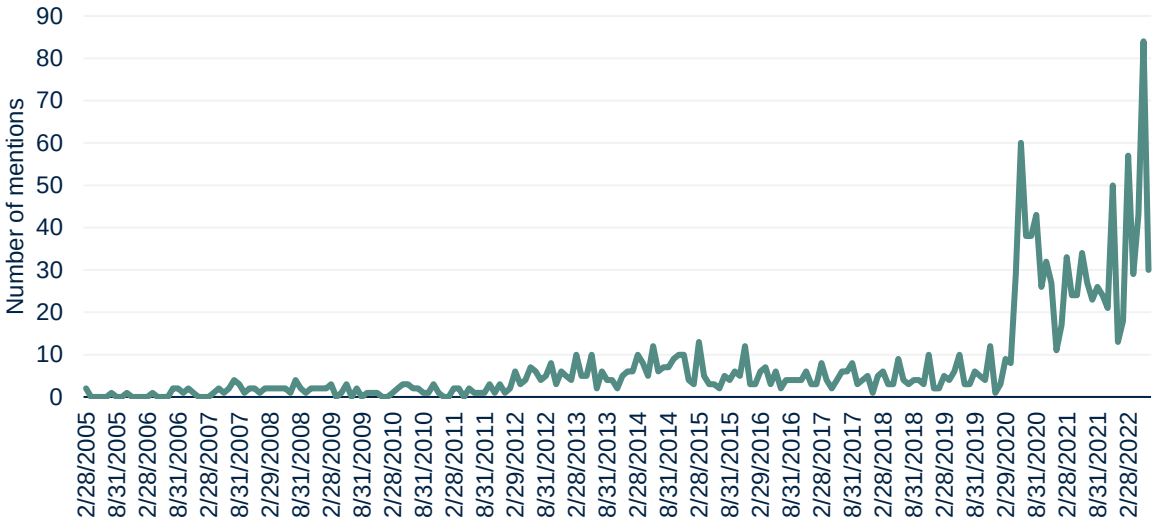
4.3.6 Brexit and Covid-19 have highlighted the level of interconnectedness of international supply chains and their fragility when one or more links break. Companies have started building up greater resilience in their operating models by moving operations either back to the UK (**re-shoring**) or closer 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-19 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 where purchases are made to maintain a healthy stockpile to avoid running out of raw materials and slowing or stopping production (leading to increased stock piling), rather than a 'just in time' inventory focus where purchasing decisions

[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

are based on current conditions[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.

[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 Cost of Living Crisis

4.4.1 The UK, like much of the world, is experiencing higher inflation which has led to a cost of living crisis given costs have been rising faster than salaries. As a result, the UK is predicted to experience essentially no growth in 2023 with the economy returning to growth in 2024 albeit at low levels. In terms of inflation, the Chancellor indicated as part of the Spring Budget 2023 that inflation could be as low as 2.9% by the end of the year. 2% inflation is the optimal target, therefore indicating a return to a more normal inflationary environment.

4.4.2 The I&L sector has been the strongest commercial sector in the UK for the last decade. As discussed in **Paragraph 4.2.2,** current demand is 56% above the long term trend[24]. The maximum demand impact during the global financial crisis was a 30% reduction in I&L leasing demand. While such an impact is not predicted as part of the current economic challenges, even if this did occur, I&L demand would still be over 25% above the long term trend. This clearly signifies the resilience of the sector and why its growth should be facilitated, especially given the struggles other commercial sectors such as offices and retail are experiencing.

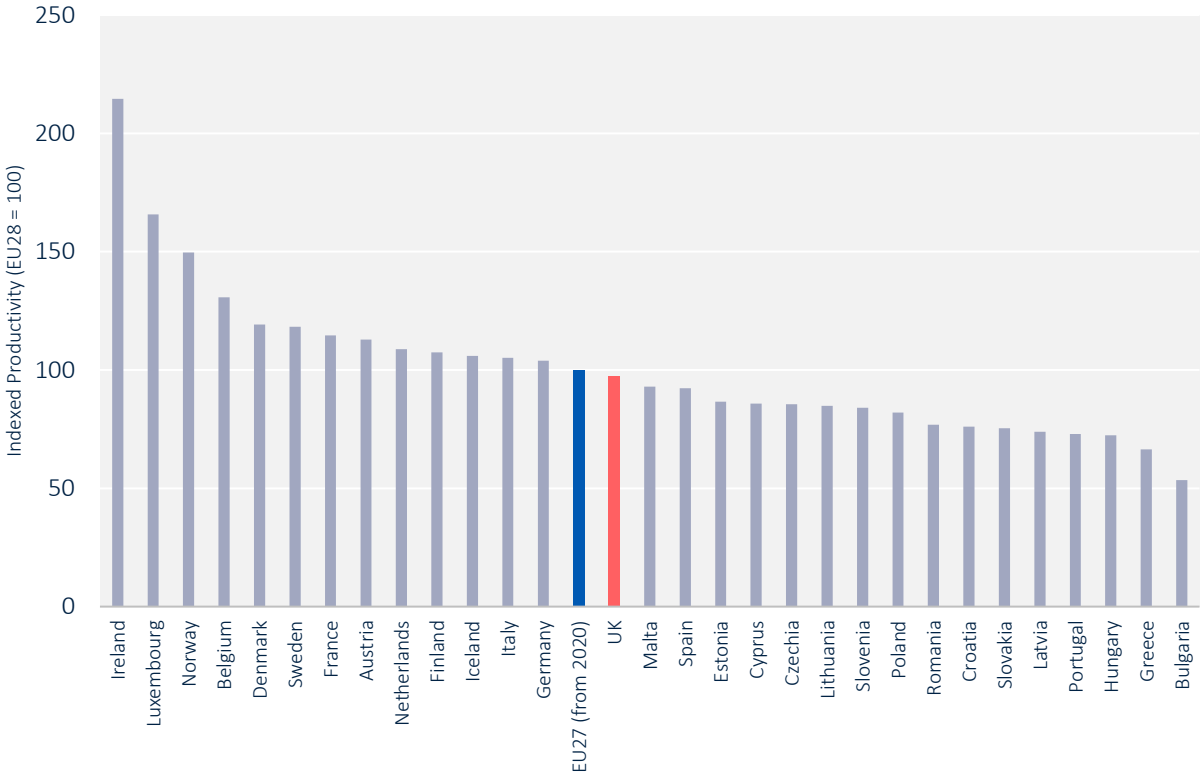
4.5 The I&L Sector is a Major Contributor to the National Economy

4.5.1 The I&L sector is a significant employer of at least 3.9 million people in England and produces £238 billion of Gross Value Added (GVA) annually[25]. GVA[26] 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[27].

[24] Savills Big Shed Briefing (January 2023) https://www.savills.co.uk/research_articles/229130/338087-0
[25] ONS (2023), Workforce Jobs by Region and Industry - Jobs in Manufacturing, Transportation and Storage for December 2022; ONS (2022) – England, Regional Gross Value Added (Balanced) by Industry – GVA for Manufacturing, Transportation and Storage in 2019 – England
[26] Gross Value Added (GVA) measures the contribution made to an economy by one individual producer, industry, sector or region.
[27] Oxford Economics (2019), GVA by Sector and Employment by Sector for Manufacturing, Transportation and Storage - UK

4.5.2 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,** even before the Covid-19 pandemic. 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. The UK's low labour productivity is a major reason why our growth has stalled, and why we are less resilient to economic shocks compared to other major global economies.

Figure 4.8 Labour Productivity per Person Employed (2021)

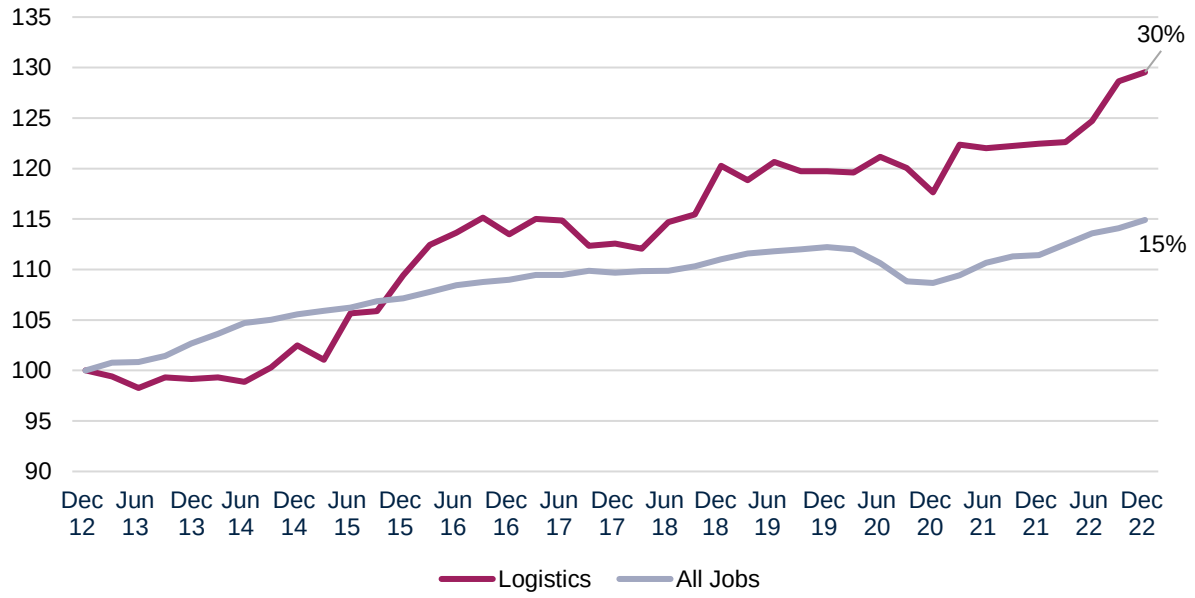


Source: Savills (2023), Eurostat (2023), ONS (2023). Note: Labour productivity measured as output per worker.

4.6 Well Paid and Diverse Jobs

4.6.1 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**).

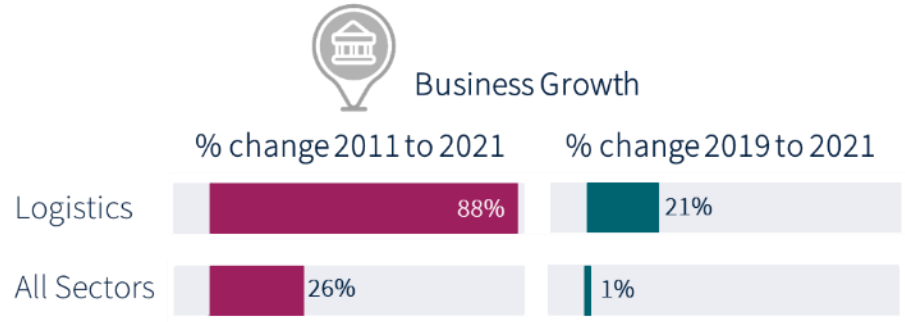
Figure 4.9 Historic Jobs Growth in England (2012-2022)



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

4.6.2 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[28] 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



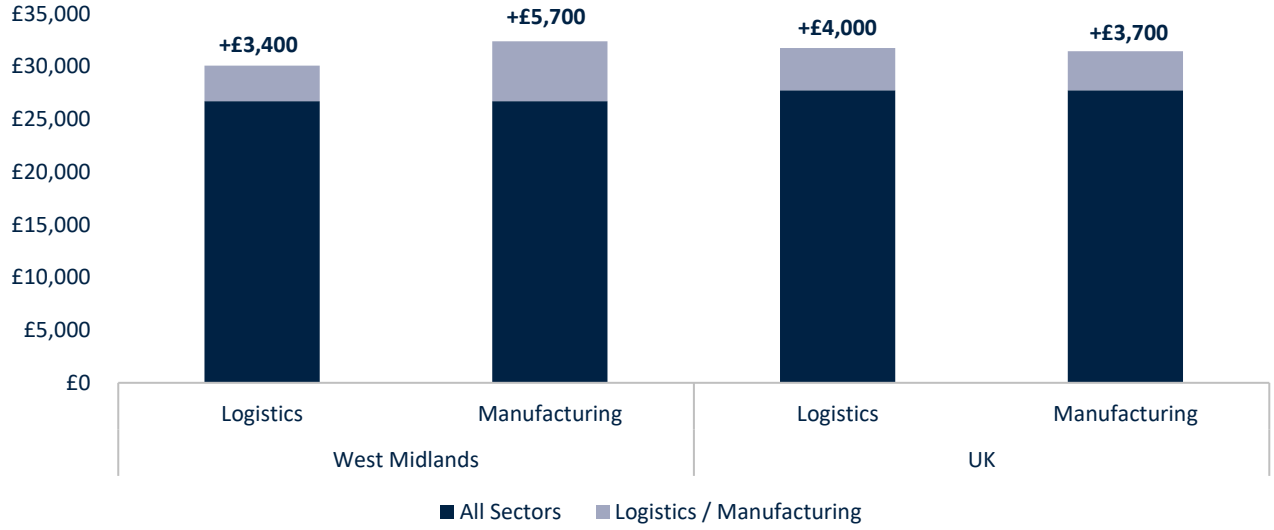
Source: ONS, IDBR: Savills

4.6.3 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 spaces provided. 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 West Midlands, jobs in logistics pay +£3,400 more than average per annum, and jobs in manufacturing pay +£5,700 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

[28] 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)

47% higher than across jobs in the same occupational category[29].

Figure 4.11 Annual Gross Earning (2022) – Logistics/Manufacturing vs All Sectors



Source: ONS, ASHE, Savills

4.6.4 Moreover, the jobs offered within the sector are becoming increasingly diverse. **Figure 4.12** below shows the change in occupations in Transportation and Storage between 2011 and 2021 across the West Midlands region.

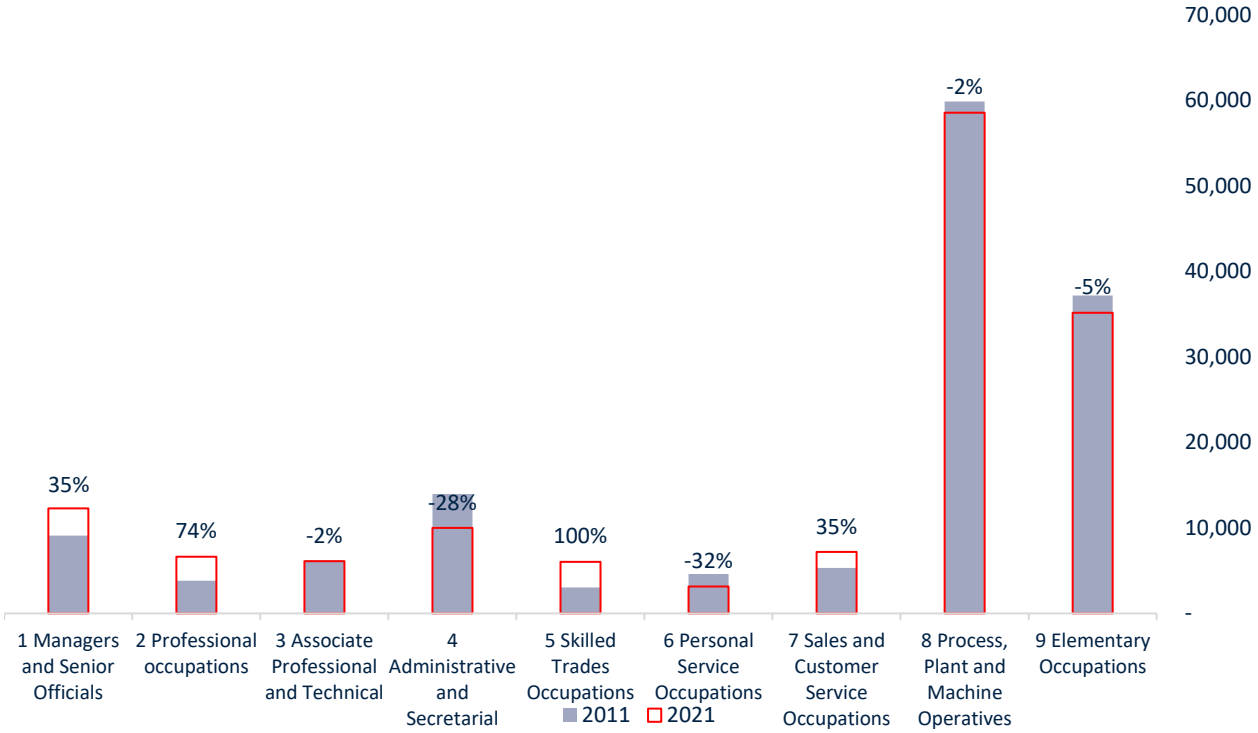
4.6.5 Firstly, we can see that the share of higher-skill roles (Occupational Groups 1-3) has increased by 31%, with the biggest increase being in Professional Occupations, where the number of roles has increased by 74%. These roles are typically associated with higher-skilled engineering and technological professions in response to increased automation and robotics in the sector and more advanced supply chain processes.

4.6.6 Secondly there has been an increase in predominantly office-based roles (Occupational Groups 1, 2, 3, 4, 6 and 7), with occupations in these categories going up by 5% over the last decade. 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.

4.6.7 To conclude, the evidence presented in **Figure 4.12** tells us that there has been an overall increase in jobs, and that there is an on-going shift towards higher-skilled requirements in the sector. The Proposed Development will also present an opportunity for up-skilling on site.

[29] Frontier Economics (2022), *The impact of logistics sites in the UK*

Figure 4.12 Occupational Distribution in Transportation and Storage (2011 vs 2021) – West Midlands



Source: ONS APS, Savills

4.6.8 This increasingly diverse range of occupations in logistics enables it to re-employ people who have lost their jobs in other sectors of the economy. For instance, a person that may have lost their job as an engineer or IT consultant within an office-based firm, can now find roles with a similar skills set in logistics.

4.6.9 This is an important consideration considering South Staffordshire, like many areas throughout England has more people claiming benefits than before the Covid-19 Pandemic. The Claimant Count measures the number of people claiming benefit principally for the reason of being unemployed. As of June 2023, the Count across South Staffordshire, the FEMA, and FEMA Plus Sandwell totalled 1,740, 37,720 and 51,290 Claimants respectively. Compared to the Count in March 2020, this is 33% higher in South Staffordshire, 17% in the FEMA, and 20% higher in the FEMA Plus Sandwell (+430 Claimants, +5,600 Claimants, and +8,390 Claimants respectively)[30].

4.6.10 The I&L sector also generates significant construction 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 million apprenticeships over the next 10 year[31]. This is extremely important given youth unemployment nationally stands at 10.7%[32]. 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*'[33].

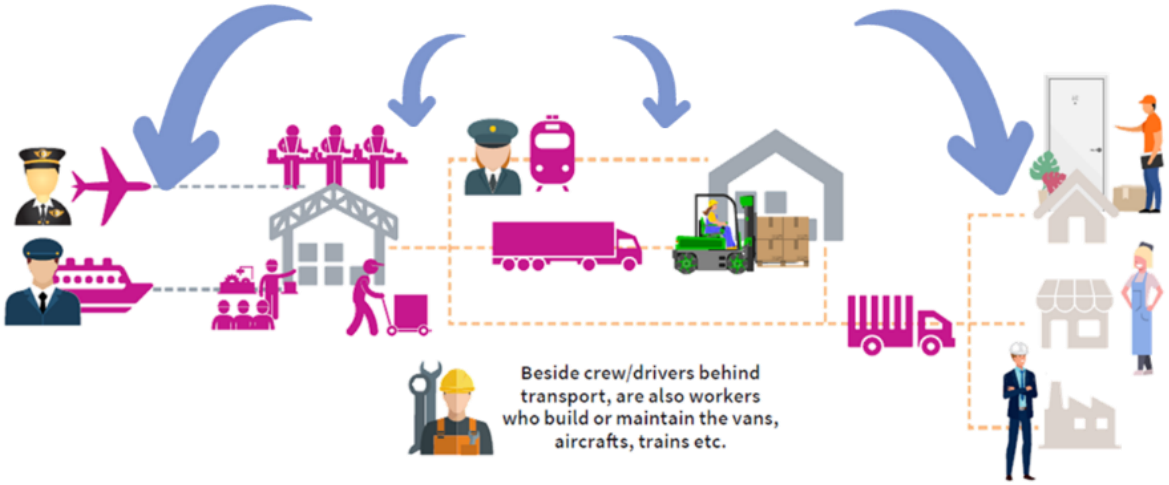
[30] ONS Claimant Count by Sex and Age (2023)
[31] Savills and BPF (2022), *Levelling-up – The Logic of Logistics*
[32] ONS (2023), Annual Population Survey – unemployment rate of people aged 16 to 24 in England (January 2022 to December 2022)
[33] Ibid.

4.7 On-Site Job Density is only a Small Part of I&L's Economic Contribution

4.7.1 A common misconception about the I&L sector is that operations are land hungry and have a relatively low density in employment terms. This fails to recognise the wider role it plays in supporting jobs which are not physically within a warehouse but are enabled by the operations of a warehouse.

4.7.2 For instance, the sector's wider supply chain employment is often overlooked in favour of the higher on-site job densities for retail and office uses. Logistics 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, 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.**

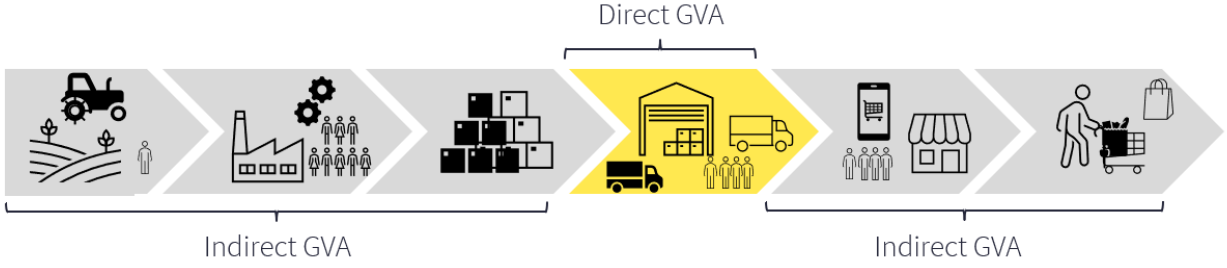
Figure 4.13 Wider Supply-Chain Jobs Across the Logistics Sector



Source: Savills

4.7.3 Another vital component of the logistic sector's 'economic story' is 'Indirect GVA'. Indirect GVA captures the impact that the logistics sector has on other segments of the economy. For example the services that a sector procures in support of its business activities trigger a GVA contribution by its suppliers, suppliers of suppliers and so forth, up the entire value chain. In simple terms, the logistics sector stores and distributes material and products used or sold by other companies as part of their operations. These inputs and outputs generate economic value that logistics has played a vital role in helping to realise. These relationships are shown in **Figure 4.14** below.

Figure 4.14 Indirect GVA and Logistics Operations



4.7.4 **The indirect GVA generated by the logistics sector in the UK is 2.7 times higher than its direct GVA contribution.** This is much higher than the indirect GVA generated by manufacturing (0.8), office (0.9) and retail (0.4) sectors (**Figure 4.15**). This illustrates the importance of logistics in facilitating other sectors of the economy. To impede its growth would undermine growth in other sectors of the economy too.

4.7.5 In terms of specific examples, the food we eat, the products and services we purchase, the materials used to build new homes and new infrastructure, as well as essential medical supplies, are stored and distributed from warehouses to 'us' the end customer. Without these facilities and the increasingly efficient supply chains that link them up with suppliers and end customers, the delivery of our purchases would be much slower, more expensive and we would have less choice.

4.7.6 It is easy to overlook the critical role played by the I&L sector when everything is running smoothly. However, it is much easier to understand its importance when things don't work quite as well. The six-day blockage of the Suez Canal in March 2021 created a domino effect on global supply chains, which affected not only those sectors relying on container shipping, but also the transport sector as fuel vessels were delayed too. The shortage of HGV drivers in autumn 2021 led to fuel shortages in UK petrol stations and forced businesses to close down sites or cut production lines, adding to the backlog of production caused by the Covid-19 Pandemic.

4.7.7 These realisations clearly indicate, not just the economy, but our daily life depends on the logistics sector. Its workers, stock of facilities and distribution networks are unquestionably 'critical national infrastructure' and should be planned for on this basis as we do with other key infrastructure such as roads, rail, ports and airports.

Figure 4.15 Indirect GVA Generation by Final Product

Source: Savills, ONS, Input Output Analytical Tables 2018

4.8 Conclusion

4.8.1 I&L premises facilitate modern lives and therefore should be considered by the Government 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.

4.8.2 Current demand within the sector is at unprecedented levels being supported by a number of key growth drivers. There is a strong need to support and foster economic growth in order to support the post-Covid recovery and to secure UK's post Brexit future. Companies have started building up greater resilience in their 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. 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’ supply chains.

4.8.3 It is vital to support those sectors which are proving to be resilient (such as I&L) and are therefore well-placed to provide new employment opportunities to mitigate job losses in other sectors and underpin the economic recovery.

5 Review of Employment Evidence

5.1 Introduction

5.1.1 This section reviews the most recent employment evidence covering South Staffordshire and the other local authorities in the FEMA and FEMA Plus Sandwell. 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, how they differ from one another, and the various results they produce. We finish with our view of their methodological weaknesses which, we believe, has led to an underestimation of 'true' market demand for I&L uses into the future.

5.1.3 Given the mid-box focus of the Proposed Development, we also review any reference to supply and demand related to this size category within the evidence base studies.

5.2 SSDC Economic Development Needs Assessment (EDNA) (2022)

5.2.1 The most recent employment land evidence is SSDC's Economic Development Needs Assessment (EDNA). It was produced in June 2022 by DLP Planning Ltd to identify future employment needs across the South Staffordshire area for the period 2020 to 2040 in order to inform the emerging Local Plan[34].

5.2.2 A labour demand method based on Experian forecasts is used as the starting point. The EDNA then models a Growth Scenario, making adjustments for growth sectors identified in the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (LEP) Local Industrial Strategy (LIS). Those sectors considered important to the South Staffordshire economy include construction, transport and storage, professional services, manufacturing, and information and communication.

5.2.3 The forecasts take account of Brexit, and the EDNA states that the Growth Scenario is not overly-susceptible to Covid-19 risks.

5.2.4 Job forecasts are translated to land using a 40% plot ratio to arrive at net employment land needs. To arrive at gross needs, losses of existing stock expected over the forecasting period was also accounted for.

5.2.5 A margin of flexibility was added based on 5 years' worth of past completions (excluding strategic developments as they are seen as one-off). The results are presented in **Table 5.1** below.

Table 5.1 EDNA Labour Demand Growth Scenario Estimates for I&L Land, 2020-2040

Use	Ha
B1c/B2	25.3
B8	23.1
Total I&L	48.4

Source: SSDC EDNA 2022, Savills 2023

5.2.6 The EDNA also assessed the relationship between the WMI and the Growth Scenario, given that the WMI

[34] It is noted that the South Staffordshire EDNA is currently being updated. However for the purpose of this report, the 2022 EDNA represents the most recent employment evidence at the time of writing.

proposals are not reflected in the existing economic forecasts and resulting labour demand scenarios for South Staffordshire, particularly in relation to the Transport and Storage sector. Therefore, the EDNA adjusts future demand estimates upwards for B8 uses.

5.2.7 This upward adjustment involved looking at sub-regional Experian Growth Scenario forecasts for the Transport and Storage sector to which the Cambridge Econometrics (CE) local forecasts for South Staffordshire in the same sector are added (as this is higher than the Experian local forecast). Net need for other sectors also requiring B8 land from the South Staffordshire Experian Growth Scenario are added, with losses and flexibility taken into account. This results in a need for 31.6 ha for B8 uses in South Staffordshire, with WMI assumed to account for 10 ha of the forecast sub-regional demand for the Transport and Storage sector. The EDNA also accounts for the potential of WMI to generate additional jobs for South Staffordshire residents beyond the sub-regional forecasts (through reducing out-commuting and unemployment), which would generate need at WMI equivalent to an additional 8.8 ha.

5.2.8 Therefore, the total B8 demand estimate for South Staffordshire equates to 40.4 ha, with 18.8 ha associated with WMI. Overall, the EDNA estimates a total need of **65.7 ha** of I&L land (B8 and B1c/B2) in South Staffordshire for the period 2020-2040 (3.3 ha per annum) as shown in **Table 5.2**.

Table 5.2 EDNA Future Demand Estimates for I&L Land, Accounting for WMI, 2020-2040

Use	Ha
B1c/B2	25.3
B8	40.4
Total I&L	**65.7**

Source: SSDC EDNA (2022), Savills (2023)

5.2.9 The EDNA (2022) is used to inform the South Staffordshire District Council Regulation 19 Publication Plan (November 2022). Paragraph 6.41 (p82) states that the level of employment sites and premises required to meet South Staffordshire's requirements over the plan period was calculated in the Council's EDNA (2022), which identified an objectively assessed need for employment land for South Staffordshire over the period 2020-2040 of 63.6 ha (total of B1a/b, B1c/B2 and B8).

5.3 Black Country EDNA Update (2021)

5.3.1 The Black Country EDNA Update was produced in 2021 by Warwick Economics and Development (WECD) to inform the objective assessment of employment land needs for the Black Country over the period 2020 to 2039.

5.3.2 The EDNA Update adopts an 'economic' based approach, using employment and GVA forecasts, as well as a past completions approach (i.e. historic development rates) in order to estimate future demand for I&L land in the Black Country (comprising the local authorities of Dudley, Sandwell, Walsall and Wolverhampton).

5.3.3 The labour demand method is used to estimate the need for logistics (B8) land based on Oxford Economics forecasts. This equates to 31 ha using a 40% plot ratio and inclusive of a flexibility margin (i.e. 2 years' worth of the labour demand-derived requirement).

5.3.4 For industrial uses (E(g)(ii)/(iii)/B2), the EDNA Update uses GVA forecasts and then translates them to floorspace (assuming that floorspace per £1 million of GVA ranges between 800 sq.m and 1,544 sq.m). This equates to a need of between 448 ha and 866 ha, also using a 40% plot ratio.

5.3.5 Past completion rates were then considered for all I&L uses for the Black Country as a cross check against the above economic methods (i.e. labour demand and GVA outputs). The past completions method covered the period between 2001/02 and 2019/20, and adjusted to allow for variation in the amount of development completed over the years using a 95% confidence interval. This equated to a need of between 364 ha and 502 ha of I&L land.

5.3.6 The EDNA Update recommends that the Black Country should plan to meet future I&L need based on the high past completions scenario and the medium GVA and labour demand scenario, equating to **502-522 ha** or 26.4-27.5 ha per annum.

5.3.7 The EDNA forms part of the evidence base for the employment land policies in the Draft Black Country Plan.

5.3.8 The Draft Black Country Plan has now been withdrawn. In due course, the individual local authorities will progress separate new local plans which may or may not include all of the previously proposed sites, some of which were Green Belt. Until this time, the land supply within the Black Country is comprised of those sites allocated but yet to be developed within the Development Plans of Dudley, Sandwell, Walsall and Wolverhampton. The position is reviewed at **Section 7**. Although the Black Country is no longer producing a joint local plan, the Black Country remains a clearly defined geographical unit, with strong employment and labour market links, and therefore remains a Functional Economic Market Area.

5.4 Stafford Borough Council Economic and Housing Development Needs Assessment (EHDNA) (2020)

5.4.1 Stafford's EHDNA was produced in January 2020 by Lichfields to assess future employment land requirements for the period 2020 to 2040.

5.4.2 The EHDNA uses the labour demand method, labour supply method, and the past completions method, and then recommends a range of future I&L land estimates.

5.4.3 The land estimates, covering both office and I&L for each method are presented in **Table 5.3** below. Each is based on a 40% plot ratio and includes an allowance for losses based on 2-years of past completions.

Table 5.3 EHDNA Employment Land Estimates (2020-2040)

Method	Employment Land Estimates (2020-2040) (Ha)
Labour Demand (using CE forecasts)	69-109
Labour Supply (based on a need of 408 dwellings per annum)	68
Past Completions (lookback period of 2002/03-2018/19)	181

Source: Stafford EHDNA (2020)

5.4.4 The EHDNA recommends that 75% of demand should be attributed to I&L uses, and 25% to office. Therefore for I&L uses, the EHDNA estimates a need of between **51 ha and 135.8 ha** over the period 2020-2040, equating to between 2.6 ha and 6.8 ha per annum.

5.5 Cannock Chase EDNA Covid-19 Update (2020)

5.5.1 Cannock Chase's EDNA Covid-19 Update was produced in December 2020 by Lichfields to assess future employment land requirements for the period 2018-2038.

5.5.2 The EDNA's final employment land need estimations are based on a range using the labour demand and past completions methods (medium-term scenario), including allowing for losses and a flexibility margin (equivalent to 2 years' worth of past completions (medium-scenario), excluding Amazon's G-Park development). The employment land estimates are presented in **Table 5.4** below.

Table 5.4 EDNA Employment Land Estimates (2018-2038)

Method	Employment Land Estimates (2018-2038) (Ha)
Labour Demand (using Experian baseline forecasts and plot ratio of 40%)	63
Past Completions (lookback period of 2006/07-2019/20 (medium scenario), excluding Amazon's strategic distribution warehouse at G-Park)	81

Source: Cannock Chase EDNA Covid-19 Update (2020)

5.5.3 The EDNA recommends that 80% of demand is to be attributed to I&L uses and 20% to office. This equates to a need of between **50.4 ha to 64.8 ha** of I&L land over the period 2018-2038, which is equivalent to 2.5 ha to 3.2 ha per annum.

5.6 Unit Size and Composition

5.6.1 Large sites often come forward to support large units. This is often because of a number of operational trends which are supportive of the requirement for larger units, such as:

- Supply Chain Consolidation – Many larger companies now find it more cost effective to have fewer but larger premises in core areas. Office space is also increasingly being co-located with warehouse floorspace to enable the majority of a company's operations to be in one place;
- Home Deliveries – As discussed in **Section 4**, online retailing now accounts for 35% of all retail sales (**Figure 4.3**). Also e-commerce requires around three times the logistics space of traditional brick-and-mortar retailers; and
- Greater Automation – The high capital investment in automation is typically only justifiable in larger unit sizes whereby the throughput of product makes this investment worthwhile.

5.6.2 Within the West Midlands specifically, this particular focus on the delivery of large units is demonstrated by the size of units in the WMI, averaging 450,000 sq.ft in Phase 1 of the development[35]. As stated in **Section**

[35] Phase 1 West Midlands Interchange (WMI) Masterplan https://www.westmidlandsinterchange.co.uk/phase-1/

7, the WMI makes up circa 44% of total supply within the FEMA, and 42% within the FEMA Plus Sandwell. The increasing demand for larger units is reflective of limited availability in this size category and key operational trends as we discussed in **Section 4**.

5.6.3 This focus on large units has meant the delivery of small and mid-box units have proportionally been left behind and crowded out of the market. **Table 5.5** below presents a review of net deliveries for the period 2012 to 2022 across South Staffordshire, the FEMA and FEMA Plus Sandwell. Net deliveries is a measure of supply and registers the change in inventory (floorspace) related primarily to new developments. This indicates that the larger size category of 200,000 sq.ft+ in South Staffordshire is over represented as a proportion of total net deliveries (82%) compared to the smaller size bands. The less than 100,000 sq.ft size band only accounts for 13% of net deliveries, reducing to only 5% in the 100,000 to 200,000 sq.ft size band.

5.6.4 The 200,000 sq.ft+ size category in South Staffordshire (82%) is also over represented as a proportion of net deliveries compared to the FEMA (37%) and FEMA Plus Sandwell (42%) which have a more balanced profile across the three size categories.

5.6.5 This indicates that within South Staffordshire, over the last decade larger units have come forward at the expense of smaller and mid-size categories. Units under 100,000 sq.ft in South Staffordshire also represent an even lower proportion of total net deliveries (13%) compared to the FEMA (39%) and FEMA Plus Sandwell (35%) equivalent.

Table 5.5 Net Deliveries by Size Band (2012-2022)

	Percentage of Net Deliveries (2012-2022)		
	Less Than 100,000 sq.ft	100,000-200,000 sq.ft	200,000 sq.ft+
South Staffordshire	13%	5%	82%
FEMA	39%	25%	37%
FEMA Plus Sandwell	35%	23%	42%

Source: CoStar, Savills (2023)

5.6.6 This lack of supply for small and mid-sized units is corroborated by the evidence base studies summarised above. **Table 5.6** below presents a snapshot of these references, also highlighting the strong demand for the mid-box size category.

Table 5.6 Size and Composition of I&L Units Referenced in Employment Evidence

Employment Evidence	
SSDC Economic Development Needs Assessment (EDNA)	- Strong demand for industrial/manufacturing floorspace in units between 10,000 sq.ft and 400,000 sq.ft[36].

[36] p74 Types and size of premises most in demand by businesses by sector/location. SSDC EDNA (2022)

(2022)	- There are particular identified shortfalls in available industrial floorspace in South Staffordshire of all sizes, ranging from smaller starter business units through to larger distribution warehouse units (500,000 sq.ft+). This is a trend that is present across the wider Black Country and West Midlands region[37]. - In particular, there is a lack of medium-sized 'grow-on' units (25,000-100,000 sq.ft) within South Staffordshire, including suitable land to provide medium scale advanced manufacturing operations in and around the Wolverhampton area at present. As a result of this deficit, Staffordshire's Enterprise Centres tend to be full of long-term tenants as there is nowhere for these companies to move on to[38]. - Occupiers are increasingly looking for sites to have good environmental/green credentials, such as BREEAM Excellent or ability to accommodate EV charging points. These sustainability credentials are, in an increasing number of instances, required to allow access to necessary finance required to occupy sites[39].
Stafford Borough Council Economic and Housing Development Needs Assessment (EHDNA) (2020)	- There is need for greater choice in the property market, with stakeholders suggesting that the size of units available is not always suitable for prospective businesses, and there is a relative scarcity of smaller industrial units[40]. - Issues highlighted by stakeholders included a lack of good quality, well service small/medium sized premises[41].
Cannock Chase EDNA Covid-19 Update (2020)	- As for the commercial agents' discussion, issued raised were to do with levels of supply and agents struggling to maintain a consistent portfolio of available sites across a range of sizes, quality and locations[42]. - The recent DCO approval of the WMI in nearby South Staffordshire could have significant implications for big box logistics in Cannock Chase over the short to medium term. This may improve Cannock Chase's desirability as a provider of smaller industrial/warehousing sites further down the supply chain[43].

Source: Savills 2023

5.6.7 Despite the evidence bases rightly acknowledging the demand and lack of supply of mid-box units, there are no large scale sites allocated specifically to serve mid-box demand. The Subject Site therefore represents a rare opportunity to deliver both mid-box units and larger units on a large site rather than exclusively larger units, which would typically be the case for a site of this size.

[37] p74 Gaps in provision of suitable premises. SSDC EDNA (2022)
[38] p74-75 Gaps in provision of suitable premises. SSDC EDNA (2022)
[39] p74 Types and size of premises most in demand by businesses by sector/location. SSDC EDNA (2022)
[40] Executive Summary. Stafford Borough Council EHDNA (2020)
[41] p228. Current Business Premises. Stafford Borough Council EHDNA (2020)
[42] p37, Paragraph 4.38. Cannock Chase EDNA Covid-19 Update (2020)
[43] p54, Paragraph 5.64. Cannock Chase EDNA Covid-19 Update (2020)

5.6.8 As detailed in **Appendix 2**, the agent's letter provided by BNP Paribas and Knight Frank further acknowledges the demand and lack of supply of mid-box units. It states that the focus on larger units has meant that these have come forward at the expense of smaller and mid-size units, which are critical in supporting the network efficiency between production and consumption. The letter confirms that the Subject Site will cater for the much needed supply within the 50,000 sq.ft to 200,000 sq.ft size range, and therefore presents a different development opportunity to the regional development pipeline. It concludes that schemes targeting the mid-box sector such as the Proposed Development will be essential to both retain existing companies seeking to expand, and to attract inward investment to help foster a vibrant commercial location. The letter presents a number of prospective occupier enquiries with live requirements for unit sizes consistent with the Proposed Development, highlighting the demand case.

5.7 Savills' Observations

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

No Consistency of Approach

5.7.2 The first point to mention is that none of the evidence base documents that have been reviewed above use a consistent approach as highlighted in **Table 5.7** below. Other than the time period covered, a range of different demand estimation methods are used giving varying results.

5.7.3 Arguably, the most troubling is how different methods are mixed and matched together. For instance, the SSDC EDNA uses Experian labour demand forecasts as a starting point, and then tops these up using Cambridge Econometrics forecasts as these are higher at the local level. A 5-year flexibility margin is then added using the past completions method. We do not consider it methodologically sound to mix different job forecasts and land development trends together as one consolidated forecast, given the underlying assumptions, sources of data, and methodologies differ.

5.7.4 The Black Country EDNA uses different forecasting methods for B8 (labour demand) and industrial (GVA forecasts) uses. It then considers them together using the past completions method. This is despite both logistics and industrial occupiers desiring the same type of units in the same location.

Table 5.7 Summary of FEMA Employment Evidence

Study	Time Period Covered	Preferred Method(s)	Demand Adjustments/Flexibility	Total Future I&L Demand Estimates (ha)	Total Future I&L Demand Estimates p.a. (ha)
SSDC (2022)	2020-2040	Labour demand (+ adjustment for relationship with WMI)	5 years' worth of past completions	65.7	3.3
Black Country EDNA Update (2021)	2020-2039	GVA outputs, labour demand, past completions	2 years' worth of the labour demand-derived requirement	502-522	26.4-27.5

Study	Time Period Covered	Preferred Method(s)	Demand Adjustments/Flexibility	Total Future I&L Demand Estimates (ha)	Total Future I&L Demand Estimates p.a. (ha)
Stafford EHDNA (2020)	2020-2040	Labour demand, labour supply, past completions	2 years of past completions	51-135.8	2.6-6.8
Cannock Chase EDNA Covid-19 Update (2020)	2018-2038	Labour demand, past completions	2 years' worth of past completions (medium-scenario), excluding Amazon's G-Park development)	50.4-64.8	2.5-3.2

Source: Savills 2023

Methodological Flaws

5.7.5 To compound the lack of consistency, each of the various methods chosen do not measure future demand accurately, and underestimate 'true' market demand. This mainly stems from them being statistical constructs that do not consider current day and future market conditions which influence demand. This is troubling given how much market information is available that can be used to contextualise future demand. Available sources including commercial databases such as CoStar, EGI, and agents data, for instance.

5.7.6 The consideration of market signals is a key requirement when preparing local plans as explained in Paragraph 31 of the NPPF:

'*The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals'.*

5.7.7 Below we outline what we consider to be some of the key weaknesses of each of the methods used.

Labour Demand Methods Typically Underestimate Future Demand for I&L

5.7.8 As noted above, all of the various employment evidence consider labour demand forecasts.

5.7.9 The labour demand method is not, in Savills' opinion, an accurate method for the estimation of future I&L land 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. The forecasts are typically based on proprietary information held by organisations such as Experian and Oxford Economics, etc. and are relied upon by the Planning System with limited interrogation. It is unclear what role market signals play as part of these forecasts, and key I&L market trends such as historic supply constraints, reshoring/near-shoring, increased freight flows, desire for rapid parcel deliveries, etc.

5.7.10 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 or logistics.

5.7.11 **Section 4** demonstrates that I&L companies are increasingly co-locating office, research & development, and administrative functions with I&L operations. Such co-located employment is not 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.

5.7.12 The underestimation of future demand from the labour demand methods is apparent when historic jobs growth in the logistics sector are compared with future job projections from major statistics houses. With reference to **Figure 5.1** below, logistics jobs nationally have grown by 23% over ten years. However, labour forecasting products including Experian, Cambridge Econometrics' East of England Forecasting Model ('EEFM') and Oxford Economics predict much lower levels of growth, including negative growth, over the next 20 years **(Figure 5.2**). This does not reflect reality given logistics is performing strongly with recent demand being 56% above the long term trend[44] as discussed in **Section 4**.

Figure 5.1 Historic Growth in Logistics Jobs, England

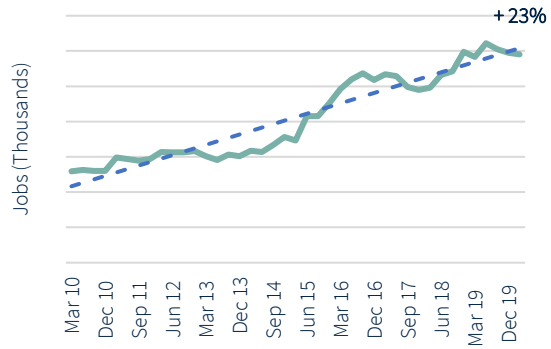
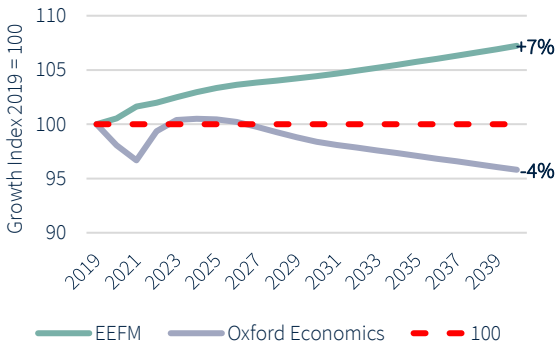


Figure 5.2 Projected Growth in Logistics Jobs, England



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

5.7.13 In effect the employment evidence has relied on statistical constructs to understand future 'market' demand rather than comprehensive analysis of market demand signals such as net absorption (leasing demand), floorspace availability, new development trends, rental growth etc. We analyse this data in **Section 6**.

Labour Supply and Past Completions Methods Underestimate Future Demand for I&L

5.7.14 As noted above, the Stafford EHDNA considers labour supply metrics. It assesses future labour supply based on housing growth as a way to estimate future employment land in the Borough. The EHDNA estimates a need for 408 dwellings per annum and makes a number of assumptions in relation to economic activity rates, the commuting ratio for Stafford, and keeps the 2017 unemployment rate fixed throughout the forecast period.

5.7.15 The labour supply method is not appropriate for the estimation of future I&L land demand as housing growth at the local level has a limited relationship to I&L markets which have a more regional demand profile. This method is effectively saying that I&L demand is solely linked to the new incoming residents, which is not the case. I&L demand is also liked to the growth in freight movements, business to business relationships, companies reshoring back to the UK to avoid supply chain shocks, increased stockpiling requirements, and the fact that existing households too are increasingly spending more online.

5.7.16 As noted above, the Black Country EDNA Update, Stafford EHDNA, and the Cannock Chase EDNA

[44] Savills Research (2023), Big Shed Briefing (January 2023) Available at: https://pdf.euro.savills.co.uk/uk/commercial---other/big-shed-briefing-jan-23.pdf

consider past completions. Savills does not consider past completions as an indicator of demand. 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-ins minus move-outs) based on lease 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) for development via the Planning System.

5.7.17 Without available land supply, development completions cannot happen, and therefore the past completion method has absolutely no relationship to actual market demand. In effect, by using past completions, the employment evidence is saying that the Council's ability, or willingness, to allocate employment land (new supply) historically is an accurate measure of 'true' market demand.

GVA Outputs Underestimate Future Demand for I&L

5.7.18 As noted above, the Black Country's EDNA Update uses GVA forecasts to estimate future need for industrial land.

5.7.19 The GVA output forecasts are translated into employment floorspace using densities in the range £ million of GVA per 800-1,544 sq.m, and assumes that future industrial space will be used more efficiently and likely to be in the density of 800-1,000 sq.m. Using these densities effectively assumes that industrial activities on strategic and non-strategic sites contribute in equal measure to GVA on a £ per sq.m basis. This assumption seems unlikely to hold true in reality and does not appear to be validated in the study, which we consider a major flaw that can easily lead to under-estimation.

5.7.20 GVA outputs are a flawed metric for estimating future floorspace, and by extension, land demand. The I&L sector, like all property markets, is driven by the relationship between the supply of floorspace/land and how much demand there is for supply. When demand exceeds supply, availability reduces and rents typically rise as occupiers compete for limited available stock. The strong demand and rising rents make building new floorspace attractive for investors. However the delivery of new floorspace primarily relies upon new sites coming forward via the planning process (notwithstanding some net uplift in floorspace can be achieved via the intensification of existing sites). The GVA method does not address these commercial property dynamics nor historic supply constraints.

'Suppressed Demand' is Not Accounted For

5.7.21 Each of the evidence base studies summarised above mentioned supply constraints impacting the I&L sector. A snapshot of these references include:

- In SSDC's EDNA (2022) stakeholders noted that strong growth in the I&L sector may be constrained due to a lack of available employment floorspace and developable employment land within the District[45].

- The Black Country's EDNA Update (2021) notes that due to the area's industrial history, many employment sites have good transport links but require extensive remediation works due to abnormal ground conditions from their previous use. This, along with risk-adverse private landowners or owners holding out for unrealistic land values have led to a shortage of sites

[45] SSDC EDNA (2022), Paragraph 8.29, p.131

available for new or expanding industrial developments[46].

- In Stafford's EHDNA (2020) stakeholders noted that there is a general shortage of land in the Borough compared within the Black Country and South Staffordshire, with a shortage in good quality B-class land in particular[47].

- Cannock Chase's EDNA Covid-19 Update (2020) noted that agents reported having fewer large industrial units in their books than they would have 12 months previously, with lettings moving faster than development [48]. The Business Survey within the EDNA also indicated a need for good quality employment sites, new or refurbished, to come to the market to provide choice for businesses and increase overall levels of affordability across the District[49].

5.7.22 When supply, as signalled by floorspace availability, is low, demand is 'suppressed' as prospective tenants can't 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) and the BPF's Levelling Up - Logic of Logistics report). Below this level available supply becomes tight and rents increase as strong occupier demand compete for limited available stock.

5.7.23 The studies have taken no account of demand that has been lost from each local authority area due to supply constraints and therefore they present a demand profile based on a supply-constrained historic trend (or 'suppressed demand'). As we show in **Figure 6.2** from **Section 6**, availability in South Staffordshire, the FEMA and the FEMA Plus Sandwell has been below the 8% equilibrium level for much of the last decade.

5.7.24 This clearly indicates that the markets have been supply constrained for a large part 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 has outpaced inflation (see **Figure 6.7** and **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.

5.7.25 Savills have developed a methodology that estimates a market's suppressed demand when supply is below the equilibrium rate (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 8** of this report.

Current and Future Growth Drivers are Not Accounted For

5.7.26 Another major flaw of the above methods is that they take no account of current and future growth drivers, that are, and will continue to underpin I&L demand such as housing growth, increased online retailing, growing freight volumes, increased desire for next day/same day deliveries etc. We discuss these major growth drivers further below.

GROWTH IN ONLINE RETAILING

5.7.27 As discussed in **Section 4.3,** 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[50]. During the pandemic, due to lockdowns and restrictions this figure increased

[46] Black Country EDNA Update (2021), Paragraph 3.6, p.11-12
[47] Stafford EHDNA (2020), Paragraph 6.35, p.65
[48] Cannock Chase EDNA Covid-19 Update (2020), Paragraph 4.28, p.35
[49] Cannock Chase EDNA Covid-19 Update (2020, Paragraph 4.37, p.37
[50] ONS (2023), Internet sales as a percentage of total retail sales (ratio) (%) https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi

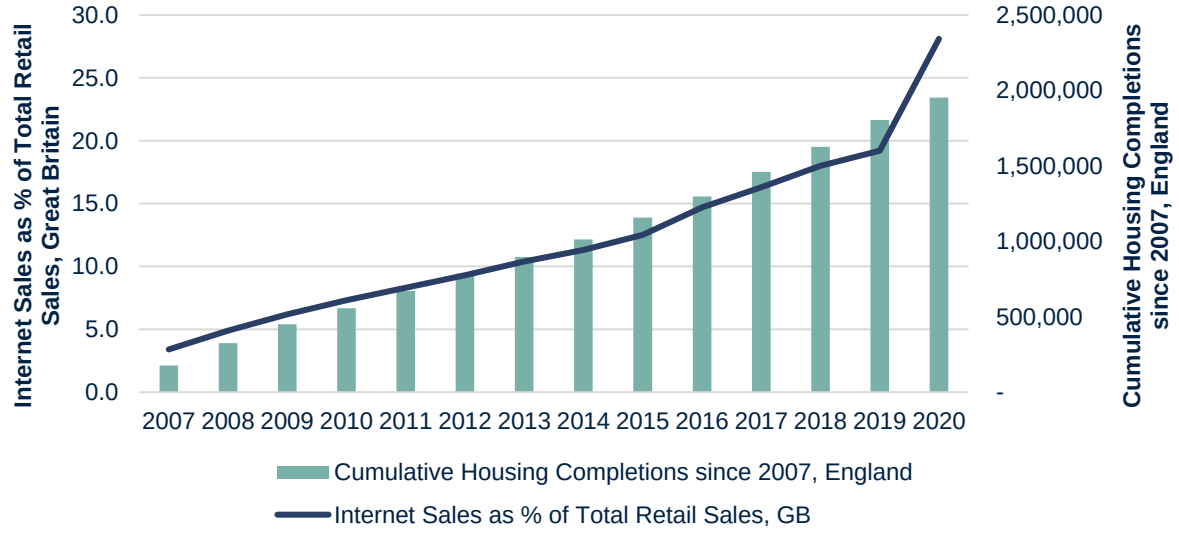
considerably and is at 26.3% as of October 2023[51]. The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers[52]. Most commentators agree that online retailing will continue 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 future online retail projections, estimate that online retail will grow to 35% of all retail sales by 2027 (**Figure 4.3**). While we appreciate these are just future estimates, many online retailers and commentators see online growth moving to 50% of total sales as being inevitable. For instance, 'The Digital Tipping Point, 2019 Retail Report'[53] 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'.

HOUSING GROWTH

5.7.28 The exponential growth in online retailing is both a function of the UK's increasing housing supply, and the fact that each individual house on average is spending more online. As shown in **Figure 5.3**, 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.

5.7.29 Between 2001 (furthest date that data was available) and 2022, the number of homes across South Staffordshire, the FEMA, and FEMA Plus Sandwell has increased by 13%[54]. 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 various studies which rely on job projections, and projecting forward the change in employment land which is a supply measure.

Figure 5.3 Internet Sales as a % of all Retail Sales and Dwelling Completions since 2007



Source: ONS, MHCLG, Savills

[51] Ibid
[52] 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
[53] The Digital Tipping Point, 2019 Retail Report, Retail Economics and Womble Bond Dickinson
[54] MHCLG (2022): Table 125: Dwelling stock estimates by local authority district, 2001-2021

COVID-19, BREXIT & UKRAINE WAR

5.7.30 These events have highlighted the level of interconnectedness of existing international supply chains and 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 disruptions. This is expected to accelerate near-shoring[55] and re-shoring[56] trends which will increase demand for I&L floorspace as discussed in **Section 4.**

5.7.31 I&L facilities and their supply chains support 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 customer. Without these facilities and the increasingly efficient supply chains that link them up with suppliers and end customers, the delivery of our purchases would be much slower, more expensive and we would have less choice. It can be difficult to acknowledge the critical role played by the I&L sector when everything is running smoothly.

5.7.32 It is much easier to understand its importance when things don't work quite as well. The six-day blockage of the Suez Canal in March 2021 created a domino effect on global supply chains, which affected not only those sectors relying on container shipping but also the transport sector as fuel vessels were delayed too. The shortage of HGV drivers in autumn 2021 led to fuel shortages in UK petrol stations and forced businesses to close down sites or cut product lines, adding to the backlog of production caused by the Covid-19 pandemic.

5.7.33 These challenges have brought to the fore the importance of supply chain resilience and the need for a sufficient supply of appropriately located I&L premises. For instance, during the recent lockdowns, the I&L sector has been instrumental to ensure the effective delivery of medical stock in hospitals and food supplies on supermarket shelves. As vaccines were made available, the operation of effective distribution networks across transport modes was fundamental to supply vaccination centres while meeting stringent time frames and cold-store requirements. The pandemic has indeed proven that our daily life depends on the I&L sector. Its workers, stock of facilities, and distribution networks are unquestionably 'critical national infrastructure'.

GROWTH IN UK FREIGHT

5.7.34 Freight volumes are another key growth driver of I&L floorspace need. Freight arriving and leaving the UK needs to be sorted, 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 4.3.** Again the growth in UK freight volumes will not have been accounted for.

GLOBAL FINANCIAL CRISIS

5.7.35 Furthermore, the studies' lookback periods are far too long, covering times since when the demand drivers underpinning I&L need, and the characteristics of the sector itself, have changed significantly. These changes have resulted in increasing demand for I&L floorspace. Including take-up from as far back as the 1990s or early 2000s will only have served to dampen current and future demand given current day growth drivers will not have been taken into account. These include online retailing growth, increase in re-shoring from Brexit, and the growth in UK freight handled, as detailed above.

5.7.36 In addition, the studies' lookback periods for past completions cover the Global Financial Crisis (GFC), a

[55] 'Near-shoring' concerns transferring a business operations to a nearby country as opposed to a more distant one (i.e. off-shoring)
[56] 'Re-shoring' means Moving a business that had gone overseas back to the country from which it had originally relocated

demand shock that was felt throughout the entire world economy and took years to recover from. With reference to **Table 5.8** below, net absorption has been significantly higher since 2012 across the PMA than during the GFC (2009-2011). This clearly shows the dampening impact the GFC had on I&L demand and ultimately the studies' forward projections by including it within their lookback periods[57].

Table 5.8 Net Absorption p.a. (2009-2011 versus 2012-2022)

Local Authority	Ave. Net Absorption p.a. (2009-2011) (sq.ft)	Ave. Net Deliveries p.a. (2012-2022) (sq.ft)	Difference p.a. GFC vs. Post GFC
South Staffordshire	-33,900	208,600	242,500
Black Country	-640,700	804,900	1,445,600
Stafford	14,500	195,900	181,400
Cannock Chase	-12,300	240,400	252,700

Source: CoStar (2023), Savills (2023)

5.8 Conclusion

5.8.1 Our review of the employment evidence indicates a high variance in approach, and that little regard is given to market trend data concerning market demand and supply. Rather, the methods used are almost entirely statistical constructs that have limited regard to key growth drivers propelling the I&L sector to record levels of demand. While each of the studies note historic supply constraints, the impact this has had on 'suppressing demand' is not accurately dealt with other than applying arbitrary 'flexibility' margins.

5.8.2 Savills has developed a methodology which addresses these methodological flaws and accounts for suppressed demand, as detailed in **Section 8.2.**

5.8.3 This methodology is compliant with the requirements of the NPPF given it considers market signals (Paragraph 31) and is consistent with 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'*[58]*;* and
- Applies *'economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector'*[59]*.*

5.8.4 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[60]. 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 Logistics, The United Kingdom Warehousing Association, IM Properties, Newlands Developments, Segro, GLP, Tritax Symmetry and the BPF itself.

[57] Data used for the period during the GFC is from 2009 to 2011 as CoStar's historic data is only available from 2009 onwards
[58] In accordance with PPG, Paragraph: 031 Reference ID: 2a-031-20190722
[59] Ibid
[60] BPF website - https://bpf.org.uk/our-work/research-and-briefings/levelling-up-the-logic-of-logistics/
Savills website - https://www.savills.co.uk/research_articles/229130/326244-0#:~:text=A%20thriving%20industrial%20and%20logistics,of%20England%20and%20the%20Midlands.

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

- Paragraph 85 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 87 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)

5.8.6 The I&L sector is a growing segment of South Staffordshire's local economy, with significant employment growth opportunities. As stated in **Section 2.3** above, in South Staffordshire, the I&L sector has experienced a growth in jobs by 20% between 2015 and 2021, in contrast to -4% growth in office-based sectors and 0% in the retail sector over the same time period. In line with the PPG and Paragraphs 85 and 87 of the NPPF which advocate for local planning authorities to build on their strengths, I&L growth in South Staffordshire should be supported given the strength of the I&L market, and its strategic location next to the M6.

6 I&L Market Assessment

6.1 Introduction

6.1.1 Within this section we consider supply and demand signals in the I&L markets of South Staffordshire, its FEMA, and the FEMA Plus Sandwell. The aim of this analysis is to gauge the relevant market strength for I&L units of different sizes within these geographies, and by extension the Subject Site.

6.1.2 The consideration of market signals is a key requirement of the NPPF (Paragraph 31) for underpinning the preparation and review of all Local Plan policies. As we discussed in **Section 5**, one of the main concerns with the EDNA (2022) is that it has limited regard to market signals.

6.2 Market Supply & Demand Indicators

6.2.1 **Table 6.1** below presents a summary of the key market supply and demand indicators for South Staffordshire, the FEMA, and the FEMA Plus Sandwell.

6.2.2 South Staffordshire is the smallest I&L market within the FEMA and FEMA Plus Sandwell, with 7.2 million sq.ft of I&L floorspace. This equates to 7% and 5% of the FEMA and FEMA Plus Sandwell's total I&L stock respectively. Dudley and Sandwell are the largest I&L markets with over 25 million sq.ft and 47 million sq.ft of I&L inventory respectively.

6.2.3 All of the local authorities that make up the FEMA and FEMA Plus Sandwell have current availability rates below 8%, the level at which a market is considered to be broadly in balance between supply and demand (discussed in further detail below). An availability rate below 8% typically indicates that a market is supply-constrained.

6.2.4 Rental growth has been strong in South Staffordshire, the FEMA, and FEMA Plus Sandwell between 2012 and 2022 at 48%, 64%, and 67% respectively. These growth rates are far higher than the rate of inflation indicating strong demand is competing for limited available stock.

6.2.5 Each of these indicators are discussed in more detail in the following sub-sections.

Table 6.1 Summary of Key Market Supply & Demand Indicators for the Markets

Local Authority	Inventory (2023 YTD) (sq.ft)	Current Availability Rate (2023 YTD) (%)	Ave. Market Rent (2023 YTD) (£/sq.ft)	Rental Growth (2012-22)
South Staffordshire	7,198,553	4.8%	£7.19	48%
Stafford	10,987,129	3.2%	£6.45	48%
Cannock Chase	7,977,455	3.3%	£7.21	47%
Wolverhampton	24,263,813	4.2%	£6.44	71%
Dudley	25,291,929	3.0%	£6.44	73%
Walsall	22,167,166	6.7%	£6.69	73%
Sandwell	47,025,620	3.0%	£6.42	74%
FEMA	98,874,072	**4.3%**	**£6.63**	**64%**
FEMA Plus Sandwell	**144,911,665**	**3.9%**	**£6.55**	**67%**

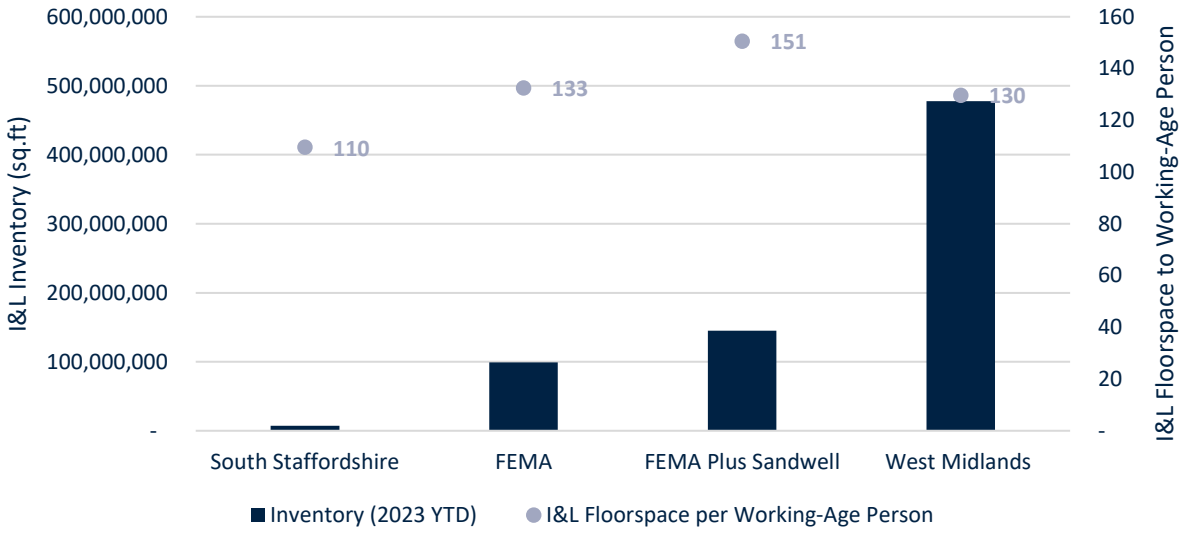
Source: Savills, CoStar, 2023

South Staffordshire has a Disproportionally Small I&L Market

6.2.6 **Figure 6.1** below shows how much I&L floorspace South Staffordshire has per working age resident

compared to the FEMA, FEMA Plus Sandwell, and West Midlands average. In effect it shows how large the I&L sector is relative to the size of the local working age population. South Staffordshire has just 110 sq.ft of I&L floorspace per working age resident (16-64 years). This is significantly lower than the FEMA (133 sq.ft) and FEMA Plus Sandwell (151 sq.ft). Given the strength of the I&L market, this relative lack of supply is restricting South Staffordshire's participation in the sector's growth. South Staffordshire's I&L floorspace per working age person is also lower than the West Midlands average (130 sq.ft), which is inconsistent with South Staffordshire being a far better than average I&L location.

Figure 6.1 I&L Floorspace to Working-Age Population Ratios



Source: CoStar, ONS, Savills

South Staffordshire, the FEMA and the FEMA Plus Sandwell are Supply Constrained

6.2.7 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 Supplementary Planning Guidance (SPG) (2012);
- London Plan (2021); and
- British Property Federation's (BPF) '*Levelling Up - Logic of Logistics*' report.

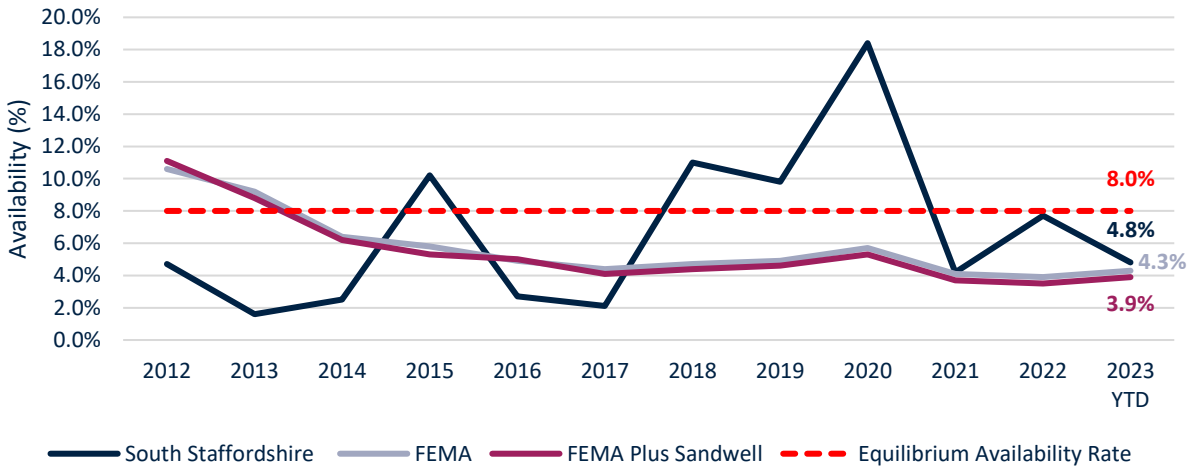
6.2.8 Below this level available supply becomes tight and rents increase as strong occupier demand compete for limited available stock. We discuss the evidence behind the 8% equilibrium rate in **Section 8.**

6.2.9 As shown in **Figure 6.2**, availability in South Staffordshire has been below the 8% equilibrium between 2012 and 2014, 2016 to 2017, and since 2021, and is currently at 4.8%. The FEMA and FEMA Plus Sandwell have both been below the equilibrium rate since 2014, and are currently at 4.3% and 3.9% respectively.

6.2.10 In summary South Staffordshire has therefore been below the 8% threshold and therefore supply constrained in 8 of the last 12 years since 2012. The FEMA and FEMA Plus Sandwell have been supply constrained for 10 of the last 12 years. This shows that the I&L market has been supply-constrained 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.

Figure 6.2 Availability Rate Since 2012



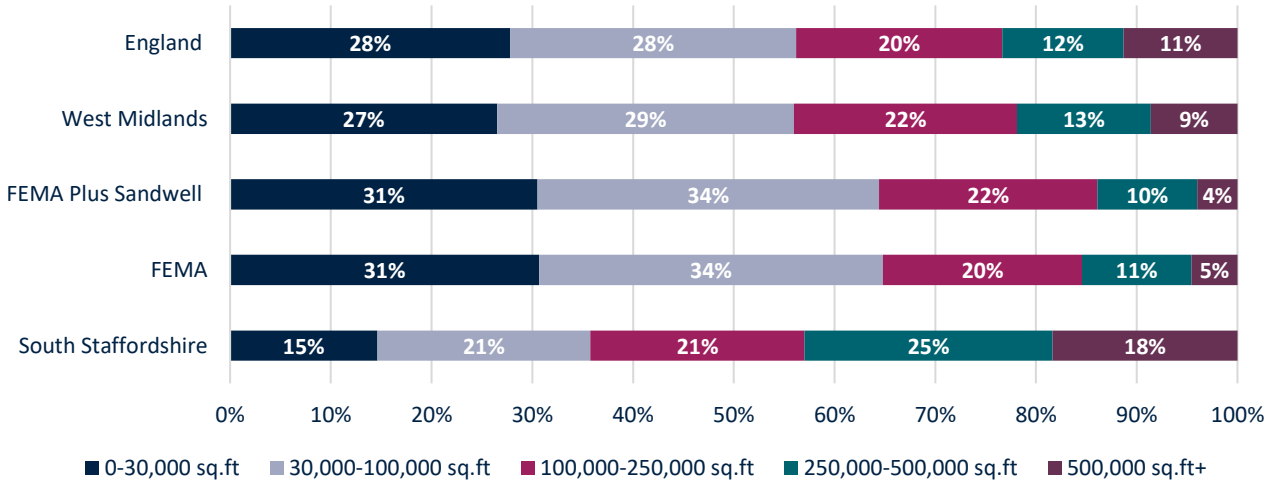
Source: CoStar, Savills, 2023

Supply Constraints are Particularly Acute for Smaller and Mid-Box Units

6.2.11 With reference to **Figure 6.3**, South Staffordshire has proportionally less smaller units below 100,000 sq.ft (36%) compared to the FEMA (65%), FEMA Plus Sandwell (65%), West Midlands (56%), and England (56%) average.

6.2.12 South Staffordshire has a significantly larger proportion of inventory in units over 250,000 sq.ft (43%), compared to the FEMA (16%), FEMA Plus Sandwell (14%), West Midlands (22%), and England average (23%). The Proposed Development directly responds to this lack of smaller and mid-box unit supply by providing 4 units under 100,000 sq.ft in one of the strongest locations in the sub-region.

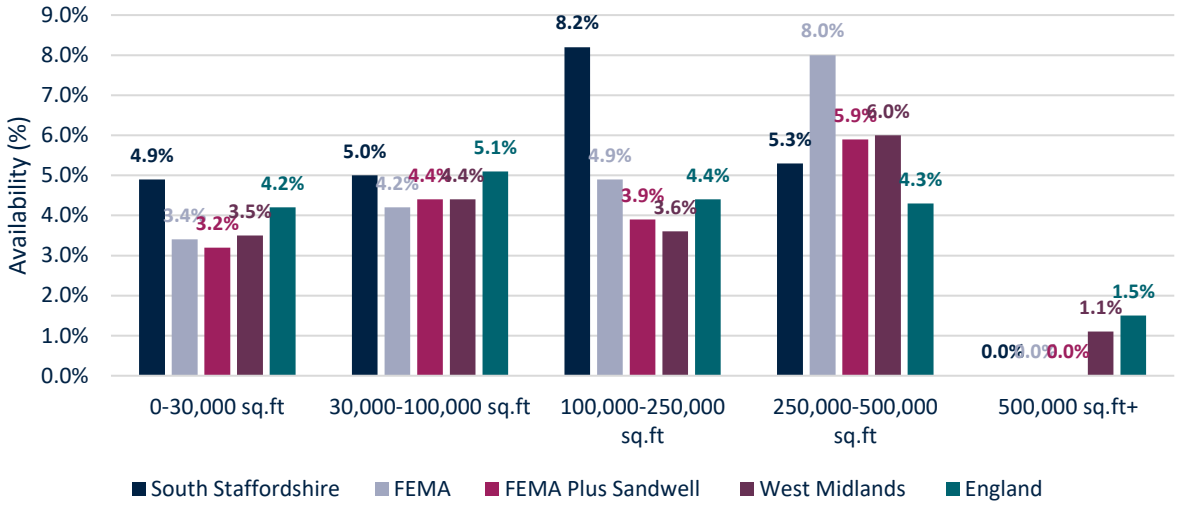
Figure 6.3 Inventory Share by Size Band (2023 YTD) in South Staffordshire, FEMA, FEMA Plus Sandwell, the West Midlands and England



Source: CoStar, Savills 2023

6.2.13 **Figure 6.4** below presents the availability by size band in South Staffordshire, the FEMA, FEMA Plus Sandwell, West Midlands and England. This shows that within South Staffordshire, availability is highest in units between 100,000 to 250,000 sq.ft at 8.2%. This relates to only 2 available units, with the other 11 tenanted. Historically, availability in this size category has been below the 8% threshold and therefore supply constrained in 9 of the last 12 years since 2012. It should be noted that one or even a few years of above equilibrium availability doesn't fully compensate for a sustained period of tight supply in the face of strong demand.

Figure 6.4 Availability by Size Band in South Staffordshire, FEMA, FEMA Plus Sandwell, West Midlands and England



Source: CoStar, Savills, 2023

Demand has been Higher than Supply in South Staffordshire, the FEMA, and FEMA Plus Sandwell, particularly in Units below 100,000 sq.ft

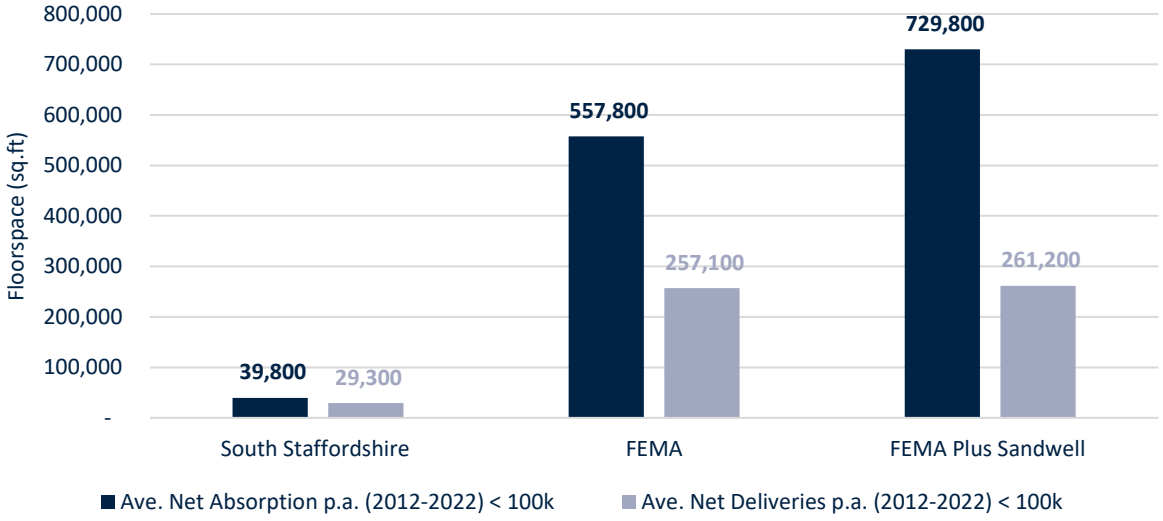
6.2.14 Net absorption is a leading measure of demand based on lease deals. It compares occupied space (move-ins) versus vacated space (move-outs). When this number is positive, demand is positive. On the other hand net deliveries is a measure of supply and registers the change in inventory (floorspace) related primarily to new developments. When net absorption (demand) exceeds net deliveries (supply), availability trends downwards. This trend is more pronounced in markets where existing availability is already below the equilibrium level for the market to function efficiently (i.e. 8%), such as in South Staffordshire, the FEMA and the FEMA Plus Sandwell (**Figure 6.2**). This indicates new floorspace is needed to accommodate the positive demand.

6.2.15 **Figure 6.5** below shows that over the last decade, average levels of net absorption (demand) have exceeded the average levels of net deliveries (supply) in units below 100,000 sq.ft across South Staffordshire, the FEMA, and the FEMA Plus Sandwell. This explains why availability has been below the 8% equilibrium within these geographies for much of the last decade as displayed in **Figure 6.2** above. The Proposed Development will help to address this demand/supply imbalance by delivering 4 units below 100,000 sq.ft.

6.2.16 **Figure 6.6** below shows that in units above 100,000 sq.ft, the average levels of net deliveries (supply) has been higher than the average levels of net absorption (demand) across South Staffordshire, indicating that

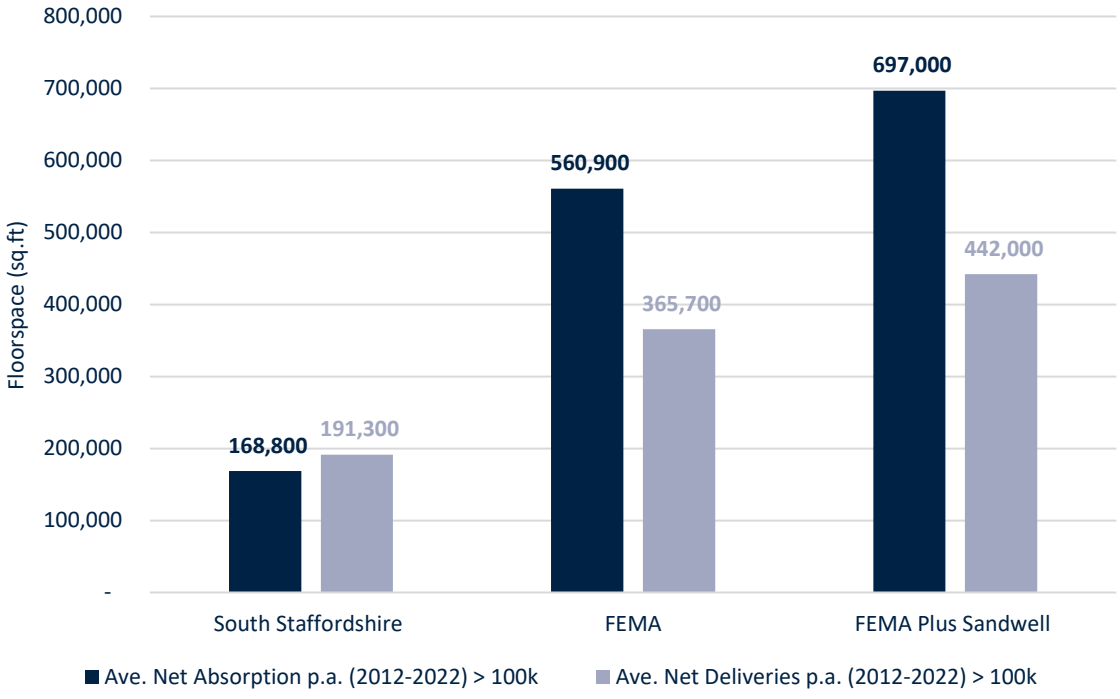
the supply response here has been better than across the FEMA, and the FEMA Plus Sandwell.

Figure 6.5 Net Absorption and Net Deliveries p.a. (2012-2022) Below 100k sq.ft



Source: CoStar, Savills

Figure 6.6 Net Absorption and Net Deliveries p.a. (2012-2022) Above 100k sq.ft



Source: CoStar, Savills

Strong Rental Growth, Particularly in Units Below 100,000 sq.ft

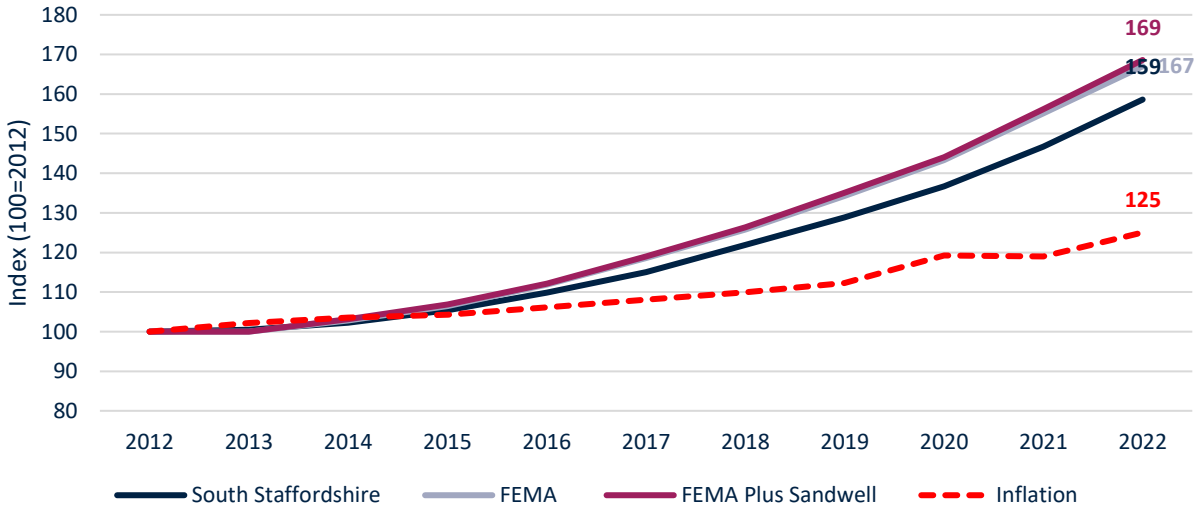
6.2.17 Finally, another key market indicator for understanding the relationship between supply and demand is rental growth. When demand outstrips supply, rental growth is typically higher as occupiers compete for limited available stock. This in turn drives up rents. Conversely, when there is sufficient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

6.2.18 Across South Staffordshire, the FEMA, and the FEMA Plus Sandwell, rents have grown well above the rate of inflation for units both above and below 100,000 sq.ft. This corroborates the availability analysis in support of **Figure 6.2**, namely both South Staffordshire, the FEMA, and the FEMA Plus Sandwell have been supply constrained historically with their respective availability rates being below the 8% equilibrium for much of the last decade. The rental outperformance in relation to inflation since 2015 (**Figure 6.7**) broadly correlates to when the availability rate dropped below the 8% equilibrium.

6.2.19 **Figure 6.7** and **Figure 6.8** show that across all geographies, rental growth has been greater amongst units below 100,000 sq.ft than in units above 100,000 sq.ft. Within South Staffordshire specifically, rents have increased by 59% between 2012 and 2022 in units below 100,000 sq.ft, compared to 43% in units above 100,000 sq.ft.

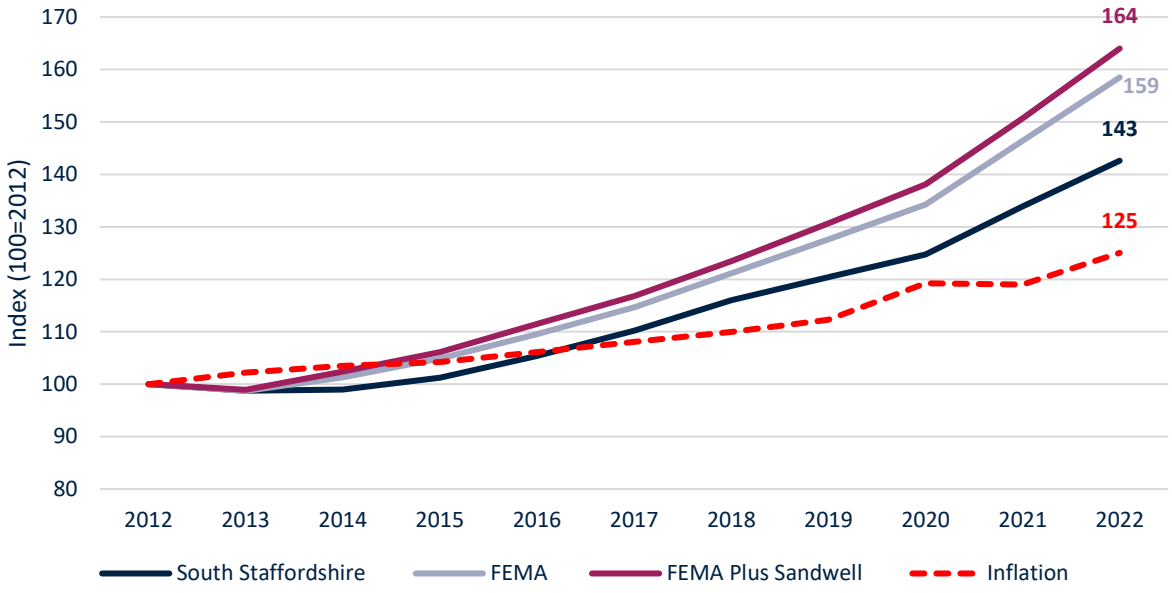
6.2.20 However, rental growth is clearly being held back by the poor quality of its stock as we discuss further below.

Figure 6.7 Rental Growth Vs. Inflation (2012-2022) Below 100k sq.ft



Source: CoStar, Savills

Figure 6.8 Rental Growth Vs. Inflation (2012-2022) Above 100k sq.ft



Source: CoStar, Savills

6.2.21 The strong rental growth for all size categories shows no sign of slowing down given it has been much higher in the second half of the last decade. As seen in **Table 6.2**, rental growth has been over twice as strong between 2017 to 2022 compared to the preceding 4 year period (2012-2016) in all 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 the sector and the lack of available supply.

Table 6.2 Annual Rental Growth, 2012-2022 in South Staffordshire, the FEMA, and FEMA Plus Sandwell

	Ave. YoY Growth (2012-2016)	Ave. YoY Growth (2017-2022)
South Staffordshire	1.7%	5.8%
FEMA	2.7%	7.0%
FEMA Plus Sandwell	2.9%	7.2%

Source: CoStar, Savills, 2023

Lack of Good Quality I&L Stock

6.2.22 As mentioned in **Section 2**, 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. As a result, demand is strongest for Grade A properties that achieve high BREEAM and EPC ratings. Such properties are assigned a rating of 4 or 5 by CoStar. Properties that don't meet these standards are typically given either a 3 star rating which denotes average quality, or a 1 or 2 star rating indicating below average quality.

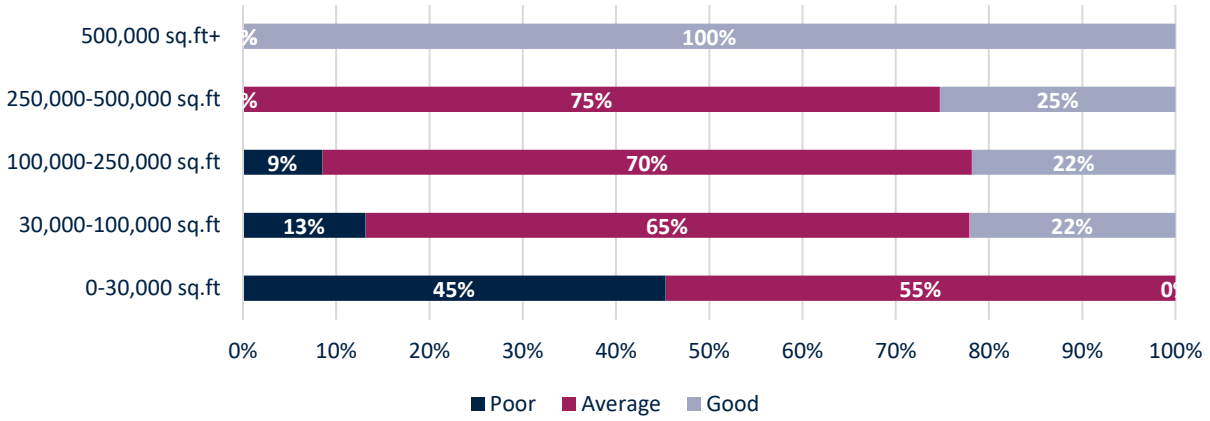
6.2.23 **Figure 6.9** below compares the quality of I&L stock by CoStar rating for units of different size categories within South Staffordshire. It shows that within South Staffordshire, there is a higher proportion of poor

quality stock within smaller size categories, and a larger proportion of good quality stock within larger units. Below 30,000 sq.ft, 45% of inventory is graded poor, with no good quality stock, whereas all inventory over 500,000 sq.ft is considered to be of good quality. This indicates that for units under 250,000 sq.ft with poor and average quality stock, existing I&L premises should be refurbished or redeveloped, and that new high quality premises are needed to meet the requirements of modern occupiers.

6.2.24 The lack of good quality stock within South Staffordshire is also acknowledged in the agent letter provided by BNP Paribas Real Estate and Knight Frank as detailed in **Appendix 2**. It states that occupiers will be seeking to upgrade into more modern units to meet operational and sustainability targets.

6.2.25 The Proposed Development will assist in this regard by delivering 4 modern high quality units within the 30,000 to 100,000 sq.ft size category, and 2 best in class units within the 100,000 to 250,000 sq.ft size category. This will help to address the lack of good quality stock within these size categories, where currently 79% of existing provision is classified as poor or average quality.

Figure 6.9 Quality of I&L Stock by Size Band in South Staffordshire



Source: CoStar, Savills, 2023

Demand by Sector

6.2.26 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 have been Manufacturing, Retailer, Wholesaler, Transportation and Warehousing, and Professional, Scientific and Technical Services in South Staffordshire, the FEMA, and FEMA Plus Sandwell. This analysis is illustrated in **Figure 6.10**.

6.2.27 The sectors which are typically linked to e-commerce are Retail, Transport and Warehousing, and Wholesale. Over the past decade these sectors have accounted for 51%, 31%, and 32% of leasing demand in South Staffordshire, the FEMA and FEMA Plus Sandwell respectively. 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. Recent significant deals in the e-commerce sector include:

- The Range leasing 474,903 sq.ft at Acton Gate in 2021 (South Staffordshire)

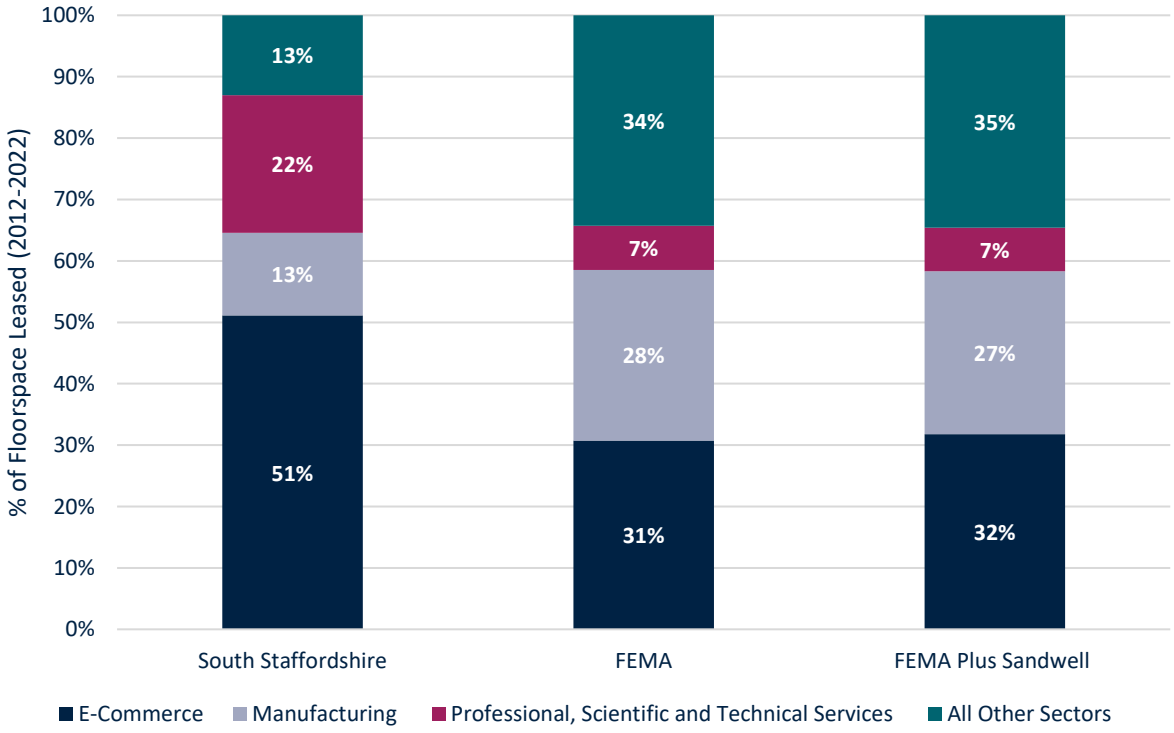
- OT Group/Spicers leasing 190,701 sq.ft at Dartmouth Road in 2021 (Sandwell)
- Total Construction Supplied Limited leasing 141,377 sq.ft at Walkmill in 2022 (Cannock Chase)

6.2.28 Across South Staffordshire, the FEMA and the FEMA Plus Sandwell, the manufacturing sector has also been prominent accounting for 13%, 28% and 27% of demand respectively. Significant deals include:

- Hadley Group leasing 191,268 sq.ft at Dartmouth Road in 2022 (Sandwell)
- Printful leasing 88,377 sq.ft at Headway Road in 2021 (Wolverhampton)
- Mixtio leasing 61,520 sq.ft at Darlaston Road in 2021 (Sandwell)

6.2.29 It should be noted that 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, as do office and retail companies.

Figure 6.10 Share of Floorspace Leased by Sector (2012-2022)



Source: CoStar, Savills

6.3 Conclusion

6.3.1 South Staffordshire, the FEMA and FEMA Plus Sandwell have been supply constrained historically with availability having been below the 8% equilibrium rate for much of the last decade. The evidence behind the 8% equilibrium rate is discussed further in **Section 8.**

6.3.2 Supply constraints are particularly acute for smaller and mid-box units. South Staffordshire has proportionally less smaller and mid-box units below 100,000 sq.ft (36%) compared to the FEMA and FEMA Plus Sandwell (65%), and the West Midlands and England average (56%). The Proposed Development

directly responds to this lack of smaller and mid-box unit supply by providing 4 units under 100,000 sq.ft in one of the strongest locations in the sub-region.

6.3.3 The scheme is also providing 2 modern high quality larger units over 100,000 sq.ft. This will help to address the lack of good quality stock within the 100,000 to 250,000 sq.ft size category within South Staffordshire, where currently 79% of existing inventory within this size category is classified as poor or average quality.

6.3.4 Over the last decade, average levels of net absorption (demand) have exceeded the average levels of net deliveries (supply) in units below 100,000 sq.ft across South Staffordshire, the FEMA, and the FEMA Plus Sandwell. Another confirming factor of demand outstripping supply is the high rental growth within South Staffordshire, the FEMA, and FEMA Plus Sandwell, which is higher than the rate of inflation. Across all geographies, rental growth has been greater amongst units below 100,000 sq.ft than in units above 100,000 sq.ft. The Proposed Development will help to address this demand/supply imbalance by delivering units below 100,000 sq.ft.

6.3.5 As will be demonstrated in **Section 8**, insufficient land has been allocated for I&L uses in South Staffordshire, the FEMA, and the FEMA Plus Sandwell, and urgent action is needed to increase supply. The Proposed Development will not only help to address the current demand/supply imbalances, it will also generate significant economic benefits for the local economy and community, including providing up to 880 FTE on-site jobs as demonstrated in **Appendix 1.**

7 Savills' Review of Supply

7.1 Introduction

7.1.1 The purpose of this section is to provide a quantitative and qualitative review of the current and future supply of buildings and land within the Savills defined FEMA and the FEMA Plus Sandwell.

7.1.2 We have reviewed the supply of land and buildings within each of the local authorities within the FEMA Plus Sandwell, inclusive of South Staffordshire, Stafford, Cannock Chase, Wolverhampton, Dudley, Walsall and Sandwell. We have included sites with a planning permission or allocation for B2/B8 development of 2.5 ha or more, and we have included buildings of 50,000 sq.ft plus. We have accounted for Draft Allocations separately given the level of risk and uncertainty around the delivery of these sites.

7.1.3 We consider three sources of supply:

- Supply of buildings inclusive of new and second-hand units of 50,000 sq.ft and above, as well as speculative units under construction;
- Land supply being sites of 2.5 ha or more with planning permission for B2/B8 development; and
- Pipeline supply, being sites of 2.5 ha or more which benefit from either an allocation or draft allocation for B2/B8 development.

7.2 Building Supply

7.2.1 We have reviewed the supply of units of 50,000 sq.ft or greater within the FEMA and FEMA Plus Sandwell. Our assessment takes into account the supply of new and second-hand units, as well as speculative units under construction. Details are set out overleaf at **Table 7.1.**

- There are 12 buildings available within the FEMA with a floorspace of **184,178 sq.m (1.98 million sq.ft**).
- There are nine buildings available within Sandwell with a combined floorspace of **66,391 sq.m (714,626 sq.ft)**.
- This gives a total for the FEMA plus Sandwell of **250,569 sq.m (2.70 million sq.ft)** of floorspace available (either existing or under construction) within 21 units.

7.2.2 There are three buildings available in South Staffordshire with a total capacity of 63,514 sq.m (683,659 sq.ft) including two speculatively constructed units at Vernon Park and Wolf Pack, and a second-hand unit which has come back to the market (Wolverhampton 450).

7.2.3 The average size of units available (over 50,000 sq.ft) across the FEMA is 15,348 sq.m (165,204 sq.ft).There are a number of smaller units available within Sandwell with the average size of units available being 7,377 sq.m (79,405 sq.ft).

7.2.4 The overall average unit size across the FEMA plus Sandwell is 11,932 sq.m (128,435 sq.ft).

Table 7.1 Building Supply (50,000 sq. ft plus)

Ref	Building	Local Authority	Size (sq.m)	Comment
1	Unit 3, Wolf Pack, Hilton Cross Business Park	South Staffs	10,498	Speculative unit
2	Vernon 122, Vernon Park	South Staffs	11,387	Speculative unit
3	Wolverhampton 450, Four Ashes	South Staffs	41,629	Second hand available by way of an assignment or sub lease.
4	PLP, Stone Business Park	Stafford	32,003	Speculative unit
5	Ergo 66, Shackleton Way	Stafford	6,200	Speculative unit
6	Stafford 128, Prologis Park	Stafford	11,969	Refurbished unit
7	GXO Stone, Opal Way	Stafford	9,525	Second hand unit - available via sublease from GXO.
8	Parallell 113, Darlaston	Walsall	10,948	Speculative unit - under offer.
9	Noose Lane 1, Willenhall, Wolverhampton	Wolverhampton	15,349	Second hand - total accommodation is 304,061 sq. ft on total site of 15.37 ac. 2 no. units.
10	Noose Lane 2, Wolverhampton	Wolverhampton	12,723	
11	Wolverhampton 116	Wolverhampton	10,767	Grade B/C
12	Cannock Road, Wolverhampton	Wolverhampton	11,180	Grade B/C
13	Units 8 Woodsbank	Sandwell	5,623	Grade B. Fully refurbished. Under offer.
14	Unit 9 Woodsbank	Sandwell	4,893	Grade B. Fully refurbished.
15	Vaughan 153, Vaughan Park, DY4 7UL	Sandwell	14,214	Speculative unit - available Q4 2023.
16	Vaughan 102, Vaughan Park, DY4 7UJ	Sandwell	9,476	Speculative unit - available Q4 2023.
17	Unit 2, Atlantic Way, Wednesbury, WS10	Sandwell	6,996	Under refurbishment - available Q3 2023.
18	Wednesbury 65, Leabrook Road, WS10	Sandwell	6,039	Speculative unit - completion February 2024.
19	Park Rose 70, Middlemore Road, Smethwick	Sandwell	6,616	Speculative unit - new
20	Apex 1, Black Country New Road, Tipton, DY4 0PT	Sandwell	6,967	Grade B refurbished unit
21	Unit 401, Axcess 10 Business Park, Wednesbury, WS10 8LQ	Sandwell	5,567	Grade B
	Total		**250,569**	

7.2.5 The supply of immediately available land which is serviced and with planning permission and can accommodate an occupier requirement by way of a 'build-to-suit' solution is also of vital importance and is considered below.

7.3 Land Supply

7.3.1 We have analysed the supply of land with planning permission for B2/B8 use within the FEMA and FEMA Plus Sandwell. We have included sites of 2.5 ha or more within our assessment and the results are set out at **Table 7.2.**

Table 7.2 Land Supply (with Planning Permission)

Ref	Site	Location	Developer	Ha (gross)	Remaining Capacity (sq.m)
1	Mucklow Park - i54	South Staffordshire	Mucklow	4.80	24,619
2	i54 Phase 2	South Staffordshire	Staffordshire CC	24.00	100,000
3	West Midlands Interchange	South Staffordshire	Four Ashes Limited	193.00	743,200
4	ROF Featherstone	South Staffordshire	St Francis Group	36.00	158,121
5	Rugeley Power Station	Cannock Chase	Engie	3.50	24,800
6	Meaford Business Park, Stone	Stafford	St. Modwen Logistics	24.19	96,932
7	Raleigh Hall	Stafford		4.00	13,700
8	Hixon Airfield	Stafford		6.60	21,420
9	Spark, Walsall (Phoenix 10)	Walsall	Henry Boot	15.14	57,575
10	Former Moxley Tip, Moxley Road	Walsall	Parkhill	11.25	40,877
11	Bilston Urban Village	Wolverhampton		4.73	18,920
	Total			**327.21**	**1,300,164**

7.3.2 There is a total of c. **327 ha** of land across **11 sites** within the FEMA with a total capacity of c. **1.3 million sq.m (approximately 14 million sq.ft)**. There are no sites in Sandwell and so the total for the FEMA plus Sandwell is the same.

7.3.3 There are four sites with planning permission within South Staffordshire:

- *West Midlands Interchange Strategic Rail Freight Interchange* (SRFI) – 193 ha of land with consent for 743,200 sq.m of B8 logistics units – site works commenced in July 2023;
- *i54 (Mucklow Park)* – 4.8 ha of land remaining with planning permission for Class E(g)/B2 use;
- *i54 Phase 2* – 24 ha of land with planning permission for 100,000 sq.m of Class E(g)/B2 floorspace;
- *ROF Featherstone* – 36 ha of land with planning permission for 158,121 sq.m of Class E(g)/B2/B8 floorspace.

7.3.4 West Midlands Interchange (WMI) SRFI is a nationally significant rail-served site with a focus on logistics units at the largest size ranges, capable of maximising the efficiencies of rail freight and serving a national and regional catchment. The masterplan for Phase 1 of the WMI shows units from 18,048 sq.m (194,269 sq.ft) up to 85,546 sq.m (920,817 sq.ft)[61]. Whilst there may be potential for smaller units subject to how the site is ultimately developed out this will represent a very minimal proportion of the overall development (if any). This site is therefore serving a very different market to the proposals for the Subject Site at Land at Junction 13 of the M6, Stafford, South Staffordshire. Furthermore, there is a considerable amount of site and infrastructure works required prior to delivery of units, with the first units proposed to be available from

[61] Phase 1 West Midlands Interchange (WMI) Masterplan https://www.westmidlandsinterchange.co.uk/phase-1/

mid-2025 onwards.

7.4 Pipeline Supply

7.4.1 We have also assessed the 'pipeline' supply of sites that benefit from either an allocation or draft allocation, but do not have planning permission. The assessment is limited to sites of at least 2.5ha with an allocation for B2/B8 use, consistent with the assessment of consented land supply above. Where possible we have based the floorspace capacity of each site on indicative proposals for the site, application documents, or specified floorspace limits within the relevant local plan policies. Where there is no information available, we have assumed a density of 40% based on the gross site area, consistent with Savills analysis outlined in **Section 8.**

7.4.2 These sites are subject to varying degrees of risk around delivery and timescales. Our assessment does not include speculative developer promotions as it would not be appropriate to take these into account prior to a successful planning promotion or permission being obtained, given the level of risk attached.

7.4.3 A schedule of allocated sites within the FEMA and FEMA plus Sandwell is set out at **Table 7.3** below.

Table 7.3 Pipeline Supply

Ref	Site	Location	Ha (Gross)	Capacity (sq.m) @ 40%
1	i54 extension	South Staffordshire	16.00	64,000
2	Hobnock Road, Essington	South Staffordshire	5.20	20,800
3	Beacon Business Park, Stafford	Stafford	7.75	31,000
4	Ladfordfields	Stafford	4.03	16,120
5	Hixon Airfield	Stafford	3.74	14,952
6	James Bridge Gasholders Site, Darlaston Road	Walsall	8.12	32,480
7	Former Willenhall Sewage Works and access to site, off Anson Rd	Walsall	8.90	35,600
8	Land north of Hughes Road, Moxley	Walsall	4.21	16,840
9	Rear of IMI Marstons Wobaston Road (PIN 54)	Wolverhampton	7.70	30,800
10	Watling Street Business Park Extension[62]	Cannock	7.36	36,200
	Total		**73.01**	**298,792**

7.4.4 There is a total of **10 allocated sites** without planning permission within the FEMA, extending to c. **73 ha** with a total capacity of **c. 298,792 sq.m (3.2 million sq.ft)**. There are no sites within Sandwell and so the total for the FEMA plus Sandwell is the same.

7.4.5 There are two allocated sites within South Staffordshire in addition to those allocations which benefit from

[62] Watling Street Business Park Extension is proposed to be allocated in the Cannock Local Plan Reg 19 (site reference SE2). The site has therefore been included in the Land Supply analysis.

planning permission:

- *i54 extension* – 16 ha allocated for Class E(g)/B2 use;
- *Hobnock Road, Essington* – 5.2 ha at former brickworks.

7.4.6 There are also draft allocations within Cannock Chase and Stafford amounting to a further **47.65 ha** of land. This is predominantly focused within the two largest draft allocations at Kingswood Lakeside in Cannock (c. 11 ha currently Green Belt) and Redhill Business Park extension in Stafford (c. 31 ha).

7.4.7 The Black Country Plan is no longer progressing and as a result there are currently no draft allocations within the Black Country Authorities (Dudley, Sandwell, Walsall and Wolverhampton).

7.5 Conclusion

7.5.1 **Table 7.4** presents the total available supply position within the FEMA and FEMA Plus Sandwell, broken down by local authority area. In order to accurately represent the level of supply in South Staffordshire, WMI has been apportioned in part to South Staffordshire at 10% of site area (consistent with the SSDC EDNA[63]), with the remaining balance spread added in separately at FEMA level.

7.5.2 Key points are:

- There is a supply equivalent to c. 446 ha of land within the FEMA;
- There is a supply equivalent to c. 463 ha of land within the FEMA plus Sandwell.
- There is an additional 46.75 ha of land which benefits from a draft allocation in Stafford and Cannock Chase, of which c. 10 ha is within the Green Belt.
- WMI, which will cater to a very different market to the proposals for the subject site, makes up **c. 44%** of total supply within the FEMA, and **42%** within the FEMA Plus Sandwell.
- There is no supply of land or buildings in Dudley.
- There are a number of buildings within Sandwell, predominantly at the smaller size ranges, but no land available.
- Overall, there is very little land in the planning pipeline, particularly within the Black Country where there is an acute shortage now that the Black Country Plan is no longer progressing.

Table 7.4 Supply Summary

	Buildings		Sites with Planning Permission		Allocated Sites		Savills Total Land & Buildings
Local Authority	**Sq.m**	**Ha @40%**	**Ha**	**Sq.m**	**Ha**	**Sq.m**	**Ha**
South Staffordshire (WMI @10%)	63,514	15.88	84.10	357,060	21.20	84,800	121.18
Cannock Chase	-	-	3.50	24,800	7.36	36,200	10.86
Stafford	59,697	14.92	34.79	132,052	15.52	62,072	65.23
Dudley	-	-	-	-	-	-	-
Walsall	10,948	2.74	26.39	98,452	21.23	84,920	50.36

[63] Paragraphs 7.3.4 to 7.3.14 SSDC EDNA

Sandwell	66,391	16.60	-	-	-	-	16.60
Wolverhampton	50,019	12.50	4.73	18,920	7.70	30,800	24.93
WMI FEMA apportionment			173.70	668,880			173.70
FEMA	**184,178**	**46.04**	**327.21**	**1,300,164**	**73.01**	**298,792**	**446.26**
Total (FEMA plus Sandwell)	**250,569**	**62.64**	**327.21**	**1,300,164**	**73.01**	**298,792**	**462.86**

8 Savills' Future Demand Estimates

8.1 Introduction

8.1.1 The purpose of this section is to estimate future I&L land demand in the FEMA and FEMA Plus Sandwell, and then apportion this wider sub-regional demand to South Staffordshire. This is then compared against the available existing land and pipeline supply in **Section 7**.

8.1.2 Comparing supply and demand is crucial. If future I&L demand is considered to be higher than the 'realistic' development potential of current available supply, this indicates that more land needs to be allocated.

8.1.3 We present below Savills' full methodology for estimating future I&L demand. Our methodology is considered to address the methodological issues we raised against the demand methodologies used in the above employment evidence in **Section 5**. Our methodology is considered to be NPPF-compliant as it builds upon historic take-up (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 the major growth driver for the sector, driving both demand for the supply-chain, and also the manufacturing of goods.

8.1.4 Based on Savills' demand methodology, over a 20 year plan period (consistent with the EDNA), we estimate FEMA-wide I&L demand to be between **745 ha** and **810 ha** of land, rising to between **995 ha** and **1,082 ha** across the FEMA Plus Sandwell.

8.1.5 Apportioning the FEMA and FEMA Plus Sandwell figures down to South Staffordshire yields an estimate of between **152 ha** and **166 ha** of land for I&L uses (based on FEMA wide demand), rising to between **169 ha** and **184 ha** (based on FEMA Plus Sandwell demand). This is well above the EDNA (2022) estimate of 48.4 ha, and 65.7 ha accounting for the West Midlands Interchange.

8.2 Savills' Estimate of Future I&L Demand

8.2.1 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 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'*[64]. If a market is identified as being supply constrained (i.e. demand exceeds supply) such as the FEMA and FEMA Plus Sandwell, the Savills model supplements the historic demand profile accounting for suppressed demand (i.e. demand lost due to historic supply constraints).
- Applies *'economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector'*[65]. The Savills method quantifies how much I&L floorspace growth is linked to current and future e-commerce growth which is the major growth driver for the sector, driving both demand for the supply-chain, and also the manufacturing of goods.

8.2.2 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 and was shortlisted for an RTPI Award for Research Excellence 2022. The BPF Industrial Board, who commissioned

[64] In accordance with PPG, Paragraph: 031 Reference ID: 2a-031-20190722
[65] Ibid

the report, consists of many of the major investors and thought leaders in the I&L sector including St. Modwen Logistics, The United Kingdom Warehousing Association, IM Properties, Newlands Developments, Segro, GLP, Tritax Symmetry and the BPF itself. The report has also been referenced as part of the Government's recently published 'Future of Freight Plan' and has been the focus of several discussions with senior officers at DLUHC and DfT. Our approach has also been recently used in the Warehousing and Logistics in the South East Midlands Study. It is also being used as one of the estimation methods as part of the West Midland Strategic Employment Sites Study.

Taking a Sub-regional Approach to Estimate Demand

8.2.3 We take a sub-regional approach to estimating future I&L demand. South Staffordshire like all local areas is part of a wider sub-regional market, or FEMA, 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 i.e. up to 4 hours plus is more typical of very large companies with a national reach, while 1 to 2 hours' drive time is ideal for the majority of companies.

8.2.4 Our sub-regional approach has two parts as follows:

- **Calculate the 'within FEMA' and 'within FEMA Plus Sandwell' demand:** Firstly we consider future demand from within the FEMA, and FEMA Plus Sandwell. We consider these geographies as broadly representative of South Staffordshire's subregional market as evidenced in **Section 3**. Our future demand calculations within the FEMA and FEMA Plus Sandwell include 'suppressed demand', or demand lost historically due to supply constraints, as well as future demand from e-commerce growth; and

- **Apportion FEMA and FEMA Plus Sandwell demand to South Staffordshire:** We then apportion the FEMA and FEMA Plus Sandwell demand to South Staffordshire.

8.2.5 We consider the full market for I&L units, estimating demand for all unit sizes and relevant planning use classes covering light industrial, manufacturing and warehousing. This is considered a more robust approach as it relies on a larger pool of data and the fact light industrial, manufacturing and warehouse occupiers desire similar types of premises with similar locational characteristics.

8.2.6 The steps we follow in estimating future I&L demand is outlined below.

Step 1: Estimating Demand over the Local Plan Period

8.2.7 We assume a 20 year plan period which is consistent with the EDNA (2022).

Step 2: Estimation of Historic Demand

8.2.8 This is based on the average annualised net absorption for the FEMA and FEMA Plus Sandwell (from **Section 6**) at 1.1 million sq.ft per annum and 1.4 million sq.ft per annum respectively for the overall I&L market between 2012 and 2022. Savills considers net-absorption to be the leading measure of demand for floorspace as it indicates the quantum of net floorspace occupied over a period of time (i.e. move-ins minus move-outs) based on lease deals.

8.2.9 We do not consider land take-up/completions as an accurate measure of demand. Development completions is a supply measure which primarily depends on new land being allocated as part of the Local Plan process followed by the grant of planning permission before new development is constructed. This is

a lengthy process which explains why completions (new supply) typically lags demand (net absorption) as it has been the case in the FEMA and FEMA Plus Sandwell. Using net absorption rather than completions results in a higher historic demand profile. For example, as we discussed in **Section 6,** in the FEMA and the FEMA Plus Sandwell, average net absorption per annum was 80% and 102% higher respectively than average net deliveries per annum between 2012 and 2022.

Step 3: Estimation of Suppressed Demand

8.2.10 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 (net absorption) trend to account for years when the market was supply constrained.

8.2.11 Supply and demand are inextricably linked across all commercial property sectors. Put simply if demand exceeds supply rents typically rise more quickly as occupiers vie 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 find 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 locate 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 environmental impacts. The lack of supply may also mean companies are forced to occupy space that is not entirely suitable for their operational needs impacting productivity.

8.2.12 We describe a market where supply doesn't keep up with demand as being 'supply-constrained'. Limited supply in a strongly performing market, such as the FEMA's and FEMA Plus Sandwell's I&L sector, means that demand cannot be fully satisfied, typically resulting in strong rental growth. As demonstrated in **Section 6**, the FEMA's and FEMA Plus Sandwell's I&L rents have increased by 64% and 67% respectively between 2012 and 2022, indicating new supply has struggled historically to keep pace with the strong demand. This is higher than the rate of inflation over the same period[66].

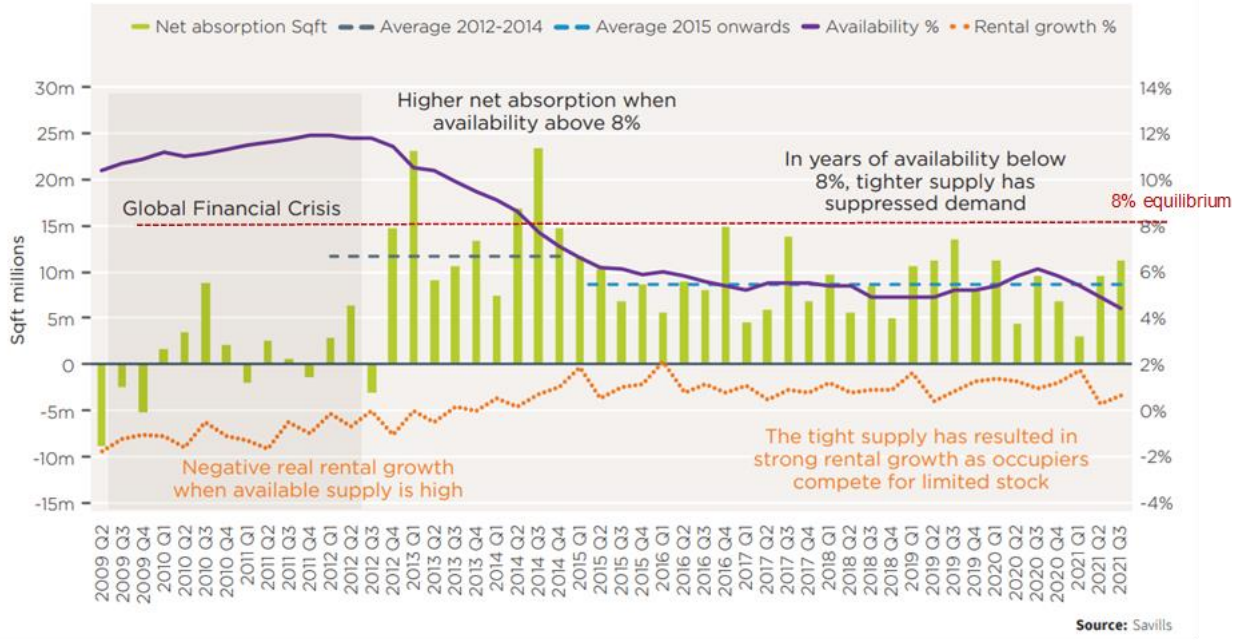
8.2.13 At the national level the market equilibrium level, where supply and demand are broadly in balance and rents are more stable, is around 8% availability. This benchmark rate is found in a number of prominent publications such as the GLA's Land for Industry and Transport Supplementary Planning Guidance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

8.2.14 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 8.1** 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.

8.2.15 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 tight availability (below 8%) has had on I&L demand nationally.

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

Figure 8.1 Historic Net Absorption (sq.ft), Availability (%) and Real Rental Growth (%) in England



Source: CoStar, OBR, Savills

8.2.16 The 8% benchmark is also applicable to the FEMA and FEMA Plus Sandwell given its I&L market has broadly followed the same trajectory as the national market. Within both FEMAs, I&L availability dropped below the 8% equilibrium level in 2014 (**see Section 6, Figure 6.1**), similar to the national market. In terms of I&L rents, the FEMAs' began outpacing inflation from around 2015 when availability dropped below 8% (**see Section 6, Figure 6.6**), similar to the national market.

8.2.17 The individual steps for calculating the FEMA's and FEMA Plus Sandwell'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 8.1 and Table 8.2**, 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 21% for the FEMA and 19% for the FEMA Plus Sandwell 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 give the annualised suppressed demand figure to be used as a top-up to the historic trend. The estimated average suppressed demand figure for the FEMA is 484,800 sq.ft per annum since 2012, and 719,400 sq.ft per annum for the FEMA Plus Sandwell.

8.2.18 **Table 8.1** and **Table 8.2** show the relevant calculations for the two geographies.

Table 8.1 Suppressed Demand Calculations within the FEMA

	A	B	C=(A*B)	D	D/C	F=(8%-B)*A	F*E
Year	**Inventory (sq.ft)**	**Availability (%)**	**Availability (sq.ft)**	**Net Absorption (sq.ft)**	**Net Absorption/ Availability**	**Av. To EQ (sq.ft)**	**Suppressed Net Absorption (sq.ft)**
2022	98,426,577	3.9%	3,838,637	670,113	17%	4,035,490	830,932
2021	97,057,138	4.1%	3,979,343	521,880	13%	3,785,228	779,401
2020	96,442,382	5.7%	5,497,216	914,460	17%	2,218,175	456,735
2019	95,681,253	4.9%	4,688,381	1,755,440	37%	2,966,119	610,742
2018	94,987,055	4.7%	4,464,392	269,226	6%	3,134,573	645,427
2017	94,201,962	4.4%	4,144,886	800,846	19%	3,391,271	698,283
2016	92,863,645	4.9%	4,550,319	812,262	18%	2,878,773	592,757
2015	92,120,328	5.8%	5,342,979	1,422,101	27%	2,026,647	417,299
2014	91,378,867	6.4%	5,848,247	2,381,898	41%	1,462,062	301,047
2013	91,499,737	9.2%	8,417,976	1,858,707	22%	-1,097,997	0
2012	91,916,248	10.6%	9,743,122	898,329	9%	-2,389,822	0
					E = Average		Suppressed Demand = Average

Source: Savills, CoStar

Table 8.2 Suppressed Demand Calculations within the FEMA Plus Sandwell

	A	B	C=(A*B)	D	D/C	F=(8%-B)*A	F*E
Year	**Inventory (sq.ft)**	**Availability (%)**	**Availability (sq.ft)**	**Net Absorption (sq.ft)**	**Net Absorption/ Availability**	**Av. To EQ (sq.ft)**	**Suppressed Net Absorption (sq.ft)**
2022	144,574,424	3.5%	5,060,105	531,249	10%	6,505,849	1,221,709
2021	143,145,461	3.7%	5,296,382	797,951	15%	6,155,255	1,155,872
2020	142,452,988	5.3%	7,550,008	989,437	13%	3,846,231	722,269
2019	141,559,768	4.6%	6,511,749	1,918,708	29%	4,813,032	903,821
2018	140,827,414	4.4%	6,196,406	196,532	3%	5,069,787	952,036
2017	139,952,981	4.1%	5,738,072	1,753,773	31%	5,458,166	1,024,969
2016	137,734,190	5.0%	6,886,710	762,333	11%	4,132,026	775,938
2015	137,045,017	5.3%	7,263,386	1,964,671	27%	3,700,215	694,850
2014	136,550,296	6.2%	8,466,118	3,014,752	36%	2,457,905	461,561
2013	136,763,008	8.8%	12,035,145	3,793,976	32%	-1,094,104	0
2012	137,179,519	11.1%	15,226,927	-84,985	-1%	-4,252,565	0
					E = Average		Suppressed Demand = Average

Source: Savills, CoStar

- **Step 3e**: The final step requires adding the combined annualised historic and suppressed demand figures, and multiplying this by the number of years in the plan period (20 years), as shown in **Table 8.3**. This gives a total floorspace demand of **32.1 million sq.ft for the FEMA, and 42.8 million sq.ft for the FEMA Plus Sandwell over a 20-year plan period.**

Table 8.3 Total Historic and Suppressed Demand Calculations

	FEMA (sq.ft)	FEMA Plus Sandwell (sq.ft)
(A) Annualised historic demand	1,118,700	1,421,700
(B) Annualised suppressed demand	484,800	719,400
(C) Total annualised demand (A+B)	1,603,400	2,141,000
(D) Total demand over 20 year plan period (C*20)	**32,068,900**	**42,820,800**

Source: Savills; figures may not add up due to rounding

Step 4: Adjusting for Increases in Online Retail

8.2.19 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 the 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.

8.2.20 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 going 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 39% and 41% of all floorspace leased in the FEMA and FEMA Plus Sandwell respectively between 2012 and 2022.

8.2.21 We have considered Statista's[67] 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[68]. 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 rebasing all data back to 2015 using GDP Deflators from OBR March 2023[69].

8.2.22 As shown in **Table 8.4**, 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 £121.1 billion per annum based on the Statista forecasts. This suggests a 57% uplift from the pre-pandemic (2015-2019) online spend average of £77.1 billion per annum based on the ONS

[67] A prominent retail forecasting house
[68] ONS, Internet retail sales, All retailing, 2023
[69] OBR March 2023 Economic and Fiscal Outlook: Economic Supplementary Tables

data.

Table 8.4 UK Online Sales Forecasts (£ million)

Year	Online Sales Real Prices (£m)	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)

8.2.23 This increase in online spending 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.

8.2.24 Some of this increase will likely be dealt with by more efficient operations in the future. Advancements in technology and fulfilment 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 and 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 8.4** by the 43% productivity increase. This yields a final online update of 32% as shown in **Table 8.5** below.

Table 8.5 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%

Source: Statista, ONS, Oxford Economics, Savills (2023)

8.2.25 Applying this 32% uplift to the historic demand from e-commerce sectors equates to an uplift of 2.8 million sq.ft for the FEMA, and 3.8 million sq.ft for the FEMA Plus Sandwell over the 20-year plan period (**Table 8.6**).

Table 8.6 Adjusting for Current and Future Increases in Online Retail within the FEMA and FEMA Plus Sandwell

Demand	FEMA		FEMA Plus Sandwell	
	Annual (sq.ft)	Over 20-year Plan Period (sq.ft)	Annual (sq.ft)	Over 20-year Plan Period (sq.ft)
E-commerce related (39/41% of historic)	440,700	8,813,000	587,300	11,746,900
E-commerce related after 32% uplift	581,700	11,633,200	775,300	15,505,800
E-commerce demand uplift	141,000	2,820,200	187,900	3,759,000

Source: Savills; figures may not add up due to rounding

Step 5: Savills Estimate of Future I&L Demand across the FEMA and FEMA Plus Sandwell

8.2.26 Accounting for historic and suppressed demand, the estimate of I&L floorspace need across the FEMA and the FEMA Plus Sandwell equals **32.1 million sq.ft** and **42.8 million sq.ft** respectively over the plan period (**Table 8.3**).

8.2.27 These demand figures are conservative as they do not include an e-commerce uplift which would increase the demand figures further. Adding the e-commerce uplift to the historic and suppressed demand estimates yields a total demand of **34.9 million sq.ft** for the FEMA and **46.6 million sq.ft** for the FEMA Plus Sandwell over the plan period.

8.2.28 **Table 8.7** provides the summary of the estimated I&L floorspace need in the FEMA and the FEMA Plus Sandwell. We express the estimates as a range with the lower end representing the historic and suppressed demand only (32.1 million sq.ft and 42.8 million sq.ft in the FEMA and the FEMA Plus Sandwell respectively), while the upper end accounts for the addition of the e-commerce uplift from **Table 8.6** (34.9 million sq.ft and 46.6 million sq.ft in the FEMA and FEMA Plus Sandwell respectively).

Table 8.7 Summary of Future Demand over 20 Years within the FEMA and FEMA Plus Sandwell (sq.ft)

	FEMA (sq.ft)	FEMA Plus Sandwell (sq.ft)
(A) Historic Demand (Net Absorption) over **20** years	22,373,200	28,433,400
(B) Suppressed Demand over **20** years	9,695,700	14,387,300
(C) E-commerce Uplift	2,820,200	3,759,000
(D) Total demand over 20 year plan period (A+B) – (A+B+C)	**32,068,900 - 34,889,100**	**42,820,800 - 46,579,800**

Source: Savills; figures may not add up due to rounding

8.2.29 Finally, the above floorspace figures need to be translated into a land requirement using an appropriate plot ratio. As discussed above, the EDNA (2022) uses a plot ratio of 40% for industrial uses to translate floorspace to land needs. 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 8.8** below. While we feel this evidences a lower plot ratio of around 35% should be used, we have applied 40% on this occasion to ensure Savills' future demand estimates can be compared with the EDNA's on a like for like basis.

8.2.30 Using a 40% plot ratio, over a 20 year period, we estimate FEMA I&L demand to be between **745 ha** and

810 ha of land, and FEMA Plus Sandwell I&L demand to be between **995 ha** and **1,082 ha** of land.

Table 8.8 Plot Ratio Case Studies

Local Authority	Site Name	Plot Ratio (%)
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%
Doncaster	Nimbus Park	37%
Harborough	Symmetry Park, Lutterworth opt.1	29%
Harborough	Magna Park North (Lutterwork) Extension	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%
Swindon	Symmetry Park Swindon	30%
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

Step 6: Future FEMA and FEMA Plus Sandwell Demand Apportioned to South Staffordshire

8.2.31 Within this section we seek to apportion the FEMA and FEMA Plus Sandwell demand estimates to South Staffordshire. This can be done in a number of different ways as follows:

- Based on South Staffordshire's historic proportion of average demand (net absorption) between 2012 and 2022; or
- Based on South Staffordshire's historic proportion of average net deliveries of new I&L floorspace between 2012 and 2022; or
- Based on South Staffordshire's current proportion of total I&L inventory in the FEMA, and FEMA Plus Sandwell.

8.2.32 The results of this comparison are detailed in **Table 8.9** below.

Table 8.9 South Staffordshire's I&L Market Share of the FEMA and FEMA Plus Sandwell

	South Staffordshire's % of FEMA	South Staffordshire's % of FEMA Plus Sandwell
Ave. Net Absorption (2012-2022)	19%	15%
Ave. Net Deliveries (2012-2022)	35%	31%
I&L Inventory (2023 YTD)	7%	5%
Average	**20%**	**17%**

Source: CoStar, Savills

8.2.33 Savills considers it appropriate to take an average of the three indicators, to apportion the FEMA and FEMA Plus Sandwell demand to South Staffordshire. This results in an apportionment level of 20% for the FEMA, and 17% for the FEMA Plus Sandwell, indicating South Staffordshire's future I&L land requirements equate to between **152 ha** and **166 ha** (based on FEMA wide demand), and between **169 ha** and **184 ha** (based on FEMA Plus Sandwell demand) **(Table 8.10)**.

Table 8.10 Apportionment Assumptions

	FEMA		FEMA Plus Sandwell	
	South Staffordshire's % of FEMA	South Staffordshire's Land Requirements (ha)	South Staffordshire's % of FEMA Plus Sandwell	South Staffordshire's Land Requirements (ha)
Average of Historic Demand, Average Net Deliveries, and Total I&L Inventory (2023 YTD)	20%	152 - 166	17%	169 - 184

Source: CoStar, Savills 2023

Step 7: Supply/Demand Balance in the FEMA, FEMA Plus Sandwell and South Staffordshire

8.2.34 To establish future I&L needs we have compared the above demand estimates within the FEMA, FEMA Plus Sandwell and South Staffordshire with available supply within these geographies. The various shortfalls are summarised in **Table 8.11** below.

8.2.35 Within South Staffordshire, Savills' view of realistic supply is approximately 295 ha. This figure includes all of the supply at the WMI at 193 ha. If we assume that only 10% of WMI will cater for demand within South Staffordshire which is consistent with the SSDC EDNA[70], this reduces South Staffordshire's overall available supply to 121 ha of land. This equates to a shortfall of between 31 ha and 45 ha within South

[70] Paragraphs 7.3.4 to 7.3.14 SSDC EDNA

Staffordshire, based on Savills' conservative demand scenario which apportions demand at the FEMA wide level. Savills' demand estimates at the FEMA Plus Sandwell level indicates a shortfall of between 48 ha and 63 ha in South Staffordshire.

8.2.36 It is unclear as to how much of the supply at WMI will cater for demand within the FEMA and FEMA Plus Sandwell. To be conservative, we have assumed that all of the supply at WMI will accommodate demand from these geographies even though in reality this will not be the case given WMI is a nationally significant project. Even with all of the supply at WMI catering for FEMA and FEMA Plus Sandwell demand, there is a still a shortfall of between 299 ha and 364 ha within the FEMA, and between 532 ha and 619 ha within the FEMA Plus Sandwell.

Table 8.11 Demand and Supply Balance within the FEMA, FEMA Plus Sandwell and South Staffordshire

	FEMA (Ha)	FEMA Plus Sandwell (Ha)	South Staffordshire (Ha)
Available Supply	446	463	121
Overall Sub-Regional Shortfall (Historic + Suppressed)	299	532	
Overall Sub-Regional Shortfall (with the addition of e-commerce uplift)	364	619	
South Staffordshire Shortfall (Historic + Suppressed)			31-48
South Staffordshire Shortfall (with the addition of e-commerce uplift)			45-63

Source: Savills 2023

8.2.37 The demand/supply analysis in this report demonstrates quantitatively that a strong needs case can be evidenced across either the FEMA or the FEMA Plus Sandwell. Therefore planning factors should also be considered is choosing which FEMA to use.

8.2.38 Given the relatively limited land supply in the Black Country, its inclusion does strengthen the case in quantitative terms.

8.2.39 WMI represents 44% of the FEMA supply, and 42% of the FEMA Plus Sandwell supply.

8.3 Comparing Savills' Demand Estimates with SSDC's Economic Development Needs Assessment (2022)

8.3.1 **Table 8.12** below displays Savills' I&L demand estimates for South Staffordshire over the 20 year period. These range from **152 ha** to **166 ha** based on the FEMA demand, and between **169 ha** and **184 ha** based on the FEMA Plus Sandwell demand. These are significantly higher than the EDNA's estimate of 48.4 ha

to 65.7 ha accounting for the WMI, for industrial uses.

8.3.2 The reason for Savills' estimates being larger is due to our methodology concentrating on market signals (in accordance with Paragraph 31 of the NPPF), which have underpinned the I&L sector's strong growth, and made it the best performing commercial sector in England over the last decade. These include key growth drivers such as housing growth, e-commerce growth, increasing freight volumes, and society's increasing desire for same day/next day deliveries.

Table 8.12 Comparing Demand Estimates for I&L Uses in South Staffordshire over a 20 Year Period

	Ha
Savills (based on FEMA demand)	152-166
Savills (based on FEMA Plus Sandwell demand)	169-184
SSDC Economic Development Needs Assessment (EDNA) (2022)	48.4-65.7[71]

Source: Savills

8.4 Conclusion

8.4.1 Based on Savills' demand methodology, over a 20 year plan period, we estimate FEMA-wide I&L demand to be between **745 ha** and **810 ha** of land, rising to between **995 ha** and **1,082 ha** across the FEMA Plus Sandwell.

8.4.2 Within South Staffordshire specifically, and over the same time period, demand is estimated to be between **152 ha** and **166 ha** (based on apportioning the FEMA wide demand), rising to between **169 ha** and **184 ha** (based on apportioning the FEMA Plus Sandwell demand). Savills' demand estimates are significantly higher than the EDNA's estimates of 48.4 ha, and 65.7 ha accounting for the WMI.

8.4.3 We consider Savills' demand estimates alone to demonstrate that the Council has not allocated enough land for I&L uses, and the Subject Site is desperately needed to meet demand. However, our consideration of available land supply has provided further compelling evidence of this fact.

8.4.4 The demand/supply analysis in this report demonstrates quantitatively that a strong needs case can be evidenced across either the FEMA or the FEMA Plus Sandwell. The Subject Site represents a prime opportunity to help address this shortfall

[71] 65.7 ha is accounting for the WMI19,992,262

9 Summary & Recommendations

9.1.1 The I&L sector is booming nationally. Even before the pandemic the I&L market had been growing strongly with demand outstripping supply. The Covid-19 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.

9.1.2 The FEMA, FEMA Plus Sandwell and South Staffordshire have all been supply constrained historically with availability having been below the 8% equilibrium rate for much of the last decade. Supply constraints are particularly acute for smaller and mid-box units. South Staffordshire has proportionally less smaller and mid-box units below 100,000 sq.ft (36%) compared to the FEMA (65%), FEMA Plus Sandwell (65%), and the West Midlands and England average (56%). South Staffordshire has a significantly larger proportion of inventory in units over 250,000 sq.ft (43%) compared to the FEMA (16%), FEMA Plus Sandwell (14%), West Midlands (22%), and England average (23%). The Proposed Development directly responds to this lack of smaller and mid-box unit supply by providing 4 units under 100,000 sq.ft in one of the strongest locations in the sub-region.

9.1.3 The proposed scheme is also providing 2 modern high quality larger units over 100,000 sq.ft. This will help to address the lack of good quality stock within the 100,000 to 250,000 sq.ft size category within South Staffordshire, where currently 79% of existing provision within this size category is classified as poor or average quality.

9.1.4 Over the last decade, average levels of net absorption (demand) have exceeded the average levels of net deliveries (supply) in units below 100,000 sq.ft across South Staffordshire, the FEMA, and the FEMA Plus Sandwell. Another confirming factor of demand outstripping supply in the high rental growth which has been higher than the rate of inflation across all geographies. Rental growth has been greater amongst units below 100,000 sq.ft than in units above 100,000 sq.ft. The Proposed Development will help to address the demand/supply imbalance by delivering a number of units below 100,000 sq.ft.

9.1.5 A review of net deliveries by size category for the period 2012 to 2022 indicates that the larger size category of 200,000 sq.ft+ in South Staffordshire is over represented as a proportion of total net deliveries (82%) compared to the smaller size bands. The 200,000 sq.ft+ size category in South Staffordshire is also overrepresented as a proportion of net deliveries compared to the FEMA (37%) and FEMA Plus Sandwell (42%) which have a more balanced profile across the three size categories. This indicates that within South Staffordshire, over the last decade, larger units over 200,000 sq.ft have come forward at the expense of smaller and mid-size categories. The Subject Site therefore represents a rare opportunity to deliver both mid-box units and larger units on a large site rather than exclusively larger units, which would typically be the case for a site of this size.

9.1.6 It is important that the I&L sector's growth is facilitated given it provides better paid jobs compared to the national average across a diverse range of professions. The Proposed Development will not only help to address the current lack of smaller unit supply in a prime location, it will also provide up to 880 FTE on-site jobs to the benefit of the local economy (see **Appendix 1**). Pertinently this will help to raise the self-containment rate in South Staffordshire, which as demonstrated in **Section 2.3,** significantly lags the West Midlands average. This will enable a greater proportion of the economic benefits generated by South Staffordshire workers to be retained within the District.

9.1.7 Against this context of exceptional growth in the sector, it is our experience that local authorities routinely

underestimate demand for I&L uses. As part of our work, we review the employment evidence bases of the 7 local authorities that make up the FEMA and the FEMA Plus Sandwell, finding large inconsistencies in their approaches for estimating demand. The various demand methodologies applied also fail to account for current day market drivers, which has led them to underestimating 'true' market demand for I&L uses.

9.1.8 The Savills' approach to estimating future demand is aimed at addressing the methodological weaknesses of the various local authorities' employment evidence by quantifying the impact historic supply constraints have had on 'suppressing' demand. 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 the major driver for the sector, which is driving both demand for the supply-chain, and also the manufacturing of goods.

9.1.9 Based on Savills' demand methodology, over a 20-year plan period (consistent with the EDNA), we estimate FEMA wide I&L demand to be between **745 ha** and **810 ha** of land, rising to between **995 ha** and **1,082 ha** across the FEMA Plus Sandwell.

9.1.10 Within South Staffordshire specifically, and over the same time period, demand is estimated to be between **152 ha** and **166 ha** (based on apportioning the FEMA wide demand), rising to between **169 ha** and **184 ha** (based on apportioning the FEMA Plus Sandwell demand). Savills' demand estimates are significantly higher than the EDNA's estimates of 48.4 ha, and 65.7 ha accounting for the WMI. Savills' various demand estimates within the FEMA, FEMA Plus Sandwell, and South Staffordshire specifically are summarised in **Table 9.1** below.

Table 9.1 Savills' Demand Estimates

	FEMA (Ha)	FEMA Plus Sandwell (Ha)
Overall Sub-Regional Demand (Historic + Suppressed)	745	995
Overall Sub-Regional Demand (with addition of e-commerce uplift)	810	1,082
South Staffordshire Demand (Historic + Supressed)	152	169
South Staffordshire Demand (with addition of e-commerce uplift)	166	184

Source: Savills, 2023

9.1.11 We consider Savills' demand estimates alone demonstrate that the Council has not allocated enough land for I&L uses, and that the Subject Site is desperately needed to meet demand. However, our consideration of available land supply has provided further compelling evidence of this fact.

9.1.12 Savills' view of current realistic I&L supply is approximately 446 ha within the FEMA, and 463 ha within the FEMA Plus Sandwell. Within South Staffordshire specifically, Savills' view of realistic supply is approximately 295 ha. This figure includes all of the supply at the WMI totalling 193 ha. If we assume that only 10% of the WMI will cater for demand within South Staffordshire which is consistent with the SSDC

EDNA[72], this reduces South Staffordshire's overall available supply 121 ha of land, meaning that there is a shortfall of between 31 ha and 45 ha (based on Savills' conservative demand scenario which apportions demand at the FEMA wide level). Savills' demand estimates at the FEMA Plus Sandwell level indicates a shortfall of between 48 ha and 63 ha in South Staffordshire. The various shortfalls are summarised below in **Table 9.2**.

Table 9.2 Demand and Supply Balance within the FEMA, FEMA Plus Sandwell, and South Staffordshire

	FEMA (Ha)	FEMA Plus Sandwell (Ha)	South Staffordshire (Ha)
Available Supply	446	463	121
Overall Sub-Regional Shortfall (Historic + Suppressed)	299	532	
Overall Sub-Regional Shortfall (with the addition of e-commerce uplift)	364	619	
South Staffordshire Shortfall (Historic + Suppressed)			31-48
South Staffordshire Shortfall (with the addition of e-commerce uplift)			45-63

Source: Savills, 2023

9.1.13 The demand/supply analysis in this report therefore demonstrates that a strong needs case can be evidenced across the FEMA and FEMA Plus Sandwell. The Subject Site is ideally placed to help meet this shortfall in a prime location adjacent to a nationally significant motorway.

[72] Paragraphs 7.3.4 to 7.3.14 DDSC EDNA

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10 Appendix 1 - Economic Benefits & Social Value

10.1 Introduction

10.1.1 This analysis presents the estimated gross economic benefits and social value that is expected to be generated by the Proposed Development.

10.1.2 In terms of 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 South Staffordshire District Council.

10.1.3 In relation to social value, the Proposed Development would help to create apprenticeships, NHS savings from any reduction in unemployment, and support local businesses through local procurement during the construction stage.

10.2 Land Use Split

10.2.1 The Proposed Development seeks to deliver around 600,000 sq.ft of I&L floorspace over 6 units. For the purpose of this assessment, it has been assumed that 80% of the floorspace will be for B8 use, with the remaining 20% being used for B2 purposes.

10.2.2 For B8 use, an employment density of 1 worker per 82.5 sq.m GEA has been utilised. This is a mid-point between the employment densities for national distribution centres, regional distribution centres, and final mile centres. For B2 use, an employment density of 1 worker per 36 sq.m GIA is employed[73].

10.3 Economic Benefits

10.3.1 **Figure 10.1** presents the economic benefits expected to be generated from the Proposed Development.

Figure 10.1 Estimated Economic Benefits of Proposed Development

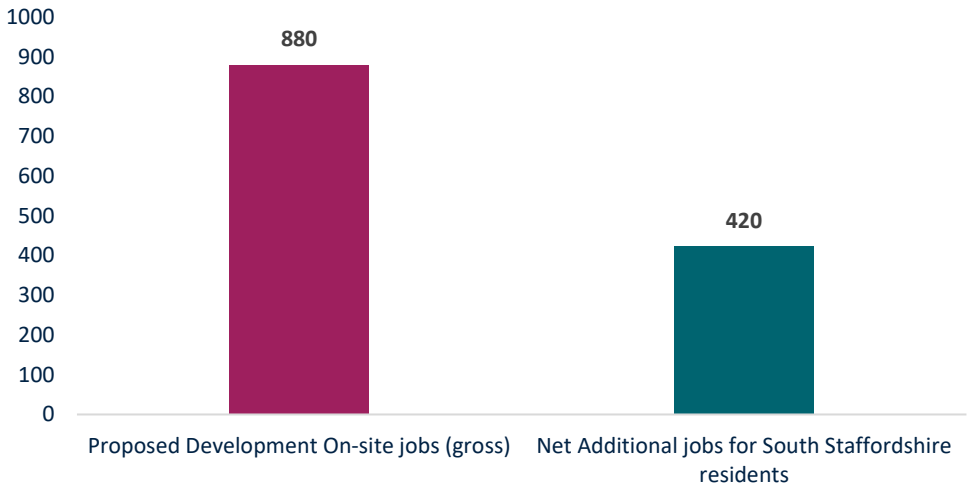
Construction Jobs	On-Site (gross) Jobs p.a.	On-Site and Off-Site Jobs for South Staffordshire Residents p.a.
	**90** Estimated on-site jobs (gross)[74] expected to be generated per annum over the estimated 5 year construction period	**80** Estimated on-site and off-site jobs[75] expected to be generated per annum over the estimated 5 year construction period for South Staffordshire residents

Operational Jobs	On-Site (gross) Jobs	On-Site and Off-Site Jobs for South Staffordshire Residents
	880	**420**

[73] Homes and Communities Agency (HCA) Employment Density Guide (2015)
[74] Divide the total construction cost by the average employee turnover in the construction sector in the West Midlands (Department for Business, Innovation and Skills (2021-2023) Business Population Estimates)
[75] Takes account of leakage (28% - Census (2011) WP7606EW - Distance travelled to work by industry (Workplace population)), displacement (25% - CITB (2023) Construction Skills Network West Midlands Outlook 2023-27), and multiplier effects (1.8 - UK Input-Output Analytical Tables, ONS (2018))

Estimated on-site jobs (gross)[76] expected to be generated by the Proposed Development

Estimated on-site and off-site jobs[77] expected to be generated



GVA (p.a.)

£46.4 million

Estimated gross value added (GVA) expected to be generated per annum[78] from on-site jobs (taking into account displacement)

Business Rates

Total Business Rates Income (p.a.)

£1.7 million

Estimated total business rates income per annum, using 51.2% standard multiplier rate[79]

Business Rates Income for South Staffordshire (p.a.)

£697,000

Estimated business rates income for South Staffordshire, based on a 40% retention rate[80]

Cumulative Business Rates (to 2043) NPV[81] Retained in South Staffordshire

£7.0 million

Source: Savills (2024)

10.4 Social Value

10.4.1 **Figure 10.2** presents the estimated social value of the Proposed Development covering apprenticeships, careers advice, NHS savings from people in employment, upskilling, and supporting local businesses. We primarily use CITB's and the National Skills Academy for Construction (NASfc) Client Based Approach to Developing and Implementing an Employment and Skills Strategy on Construction Projects (2016), as well

[76] Using HCA's Employment Density Guide (2015) – 36 sq.m (GIA) for Industrial, and 82.5 sqm (GEA) for Warehouse – Which is a mid-point of the national distribution centre, regional distribution centre, and last mile distribution centre employment densities.
[77] Takes account of leakage (48% for Warehouse; 55% Industrial; Census (2011) WP7606EW - Distance travelled to work by industry (Workplace population)), displacement (25% for Warehouse, 25% for Industrial), and multiplier effects (1.20 for Warehouse, 1.49 for Industrial) - UK Input-Output Analytical Tables, ONS (2018)).
[78] ONS (2021) Region by industry labour productivity: Output per job 2019
[79] https://www.gov.uk/calculate-your-business-rates
[80] MHCLG (2023) National non-domestic rates collected by councils in England: Forecast 2023 to 2024
[81] Net present value (NPV) at 3.5% consistent with Green Book

as the Manchester Unit Cost Database.

Figure 10.2 Estimated Social Value of Proposed Development

Apprenticeships

£89,900

Estimated social value of apprenticeships (9) delivered during the assumed construction period (5 years)

Construction Careers Information, Advice & Guidance Events

£21,800

Estimated total social value of Construction Careers Information, Advice & Guidance Events (5 events)

NHS Savings from Unemployment Reduction

£57,100

Estimated NHS savings assuming that expenditure on unemployed persons is double the average NHS expenditure[82] during the construction period (5 years)

Qualifying the Workforce

£215,900

Estimated total social value of qualifications achieved (equiv. NVQ2 or above and industry certification gained)

Unemployment Savings from those not in Employment, Education or Training

£548,500

Estimated total social value based on Manchester unit cost databsed (fiscal savings on unemployment benefits, minus NHS savings)

Supporting Local Businesses

£6.4m

Estimated total value of local procurement during the construction period (5 years) assuming 10% of all monies spent locally

Work Experience

£7,100

Estimated total social value based on paper 'Work Experience: A Quantitative Impact'

[82] Oxford Economics Cost-benefit analysis for the Department for Work and Pensions (2010).

Total Social Value[83]

£7.3 million

Source: Savills (2024)

10.5 Summary of Economic Benefits and Social Value

10.5.1 **Table 10.1** below presents a summary of the above estimated economic benefits and social value expected to be generated from the Proposed Development.

Table 10.1 Summary of Estimated Economic Benefits and Social Value of Proposed Development[84]

Economic Benefit/Social Value Metric	Value
Economic Benefits	
Gross construction jobs (per annum over 5 years)	90
On-site and off-site construction jobs for South Staffordshire residents (per annum over 5 years)	80
Gross operational jobs	880
On-site and off-site operational jobs for South Staffordshire residents	420
Gross value added (GVA)	£46.4 million
Business rates for South Staffordshire (assuming 40% retention rate)	£697,000
Cumulative Business Rates Income (to 2043) (NPV) retained in South Staffordshire	£7.0 million
Social Value (over 5-year construction period)	
Apprenticeships	£89,900
Construction careers information, advice & guidance events	£21,800
Work experience	£7,100
NHS savings from unemployment reduction	£57,100
Unemployment savings from those not in employment, education or training	£548,500
Qualifying the workforce	£215,900
Supporting local businesses	£6.4 million
Total social value (NPV)	£7.3 million

[83] Net present value (NPV) at 3.5% consistent with Green Book
[84] Savills Economic Benefits Assessment Model. Full methodology and data sources can be made available on request.

11 Appendix 2 - BNP Paribas Real Estate and Knight Frank Agents Letter

BNP PARIBAS REAL ESTATE Knight Frank

Dunston, Stafford South - St Modwen

Proposed development to the southwest of Stafford the town is in an excellent location to utilise the excellent infra-structure serving the town and the area in terms of both road and rail. Whilst the M6 plays a strategic role the region its well served by a good A - road network and allows good links within the region and the key urban areas of the west Midlands as well as Manchester, Leicester, Derby/ Nottingham and Northampton.

Background - Industrial / Distribution market has seen a dramatic evolution over the last 5 years in terms of understanding its role within the modern environment, when capered to a decade ago where the perception that the use lack dynamism, skills and generated limited profits. This perception has been overturned and in fact distribution and activities are a vital element of the modern economy.

A surge in activity in 2020 was due to a few influences coinciding with the covid pandemic which threw the spotlight on logistics in its various forms and activities. This situation was eased somewhat by the pre-BREXIT preparations the logistics industry had to undertake meaning they were reasonably well prepared.

Whilst the sector has at a national level had a buoyant time the market conditions have not been uniform due to a combination of different demand and supply of suitable options (land and buildings). The Midland region has lagged other regions such as Northwest southeast (ex. London) and the south Midlands, due to its historic exposure to the car industry and the uncertainty surround its future and the green technology issues to this element of the economy however that lag in activity has unwound in the last 36 months as supply in terms of number and quality has improved.

Demand - this is far more diverse than might immediately apparent, arguably there are some 12 sub sectors active last year and it's this diversity that under pins the take up levels. So, whilst e tailing demand tapered off others such as manufacturers, third party contracts and information became more active.

Recent / current activity shows that this demand is continuing for the more conventional sizes from the likes of -

Commercial activity is attracted to opportunities where the combination of good communications, good supply of labour i.e. range on skills and at a sensible cost and a range of property options to accommodate this demand.

The Market - the Industrial / commercial Market in headline terms has seen activity inconsistent in terms of take up due to a massive surge in take up coinciding with COVID and positive values due in part to demand /supply but also more recently the cost of building units due to increased quality of build and raw materials where the global disruption in materials has had to be absorbed.

The strength and depth of demand has meant that the trend has been far more resilient beyond companies growing or rationalising that generate significant activity/ take up, there are at least 12 sub sectors that have been active and form this demand/take up. These are –

Food Retailers	Just in Time distribution	UK Internet Retail	Parcel & Post
Third Party distribution	Data Centres / Information Management	UK Food Drink distribution & prep	Non-Food retail inc. Household products
Life Sciences /Pharma/ Healthcare	Car manufacturers (new and parts)	Shipping Companies (network services)	Engineering /manufacturing

This occupier activity is due to a combination of circumstances, which are;-

E- tailing – increasing proportion of the retail market, both in terms of volume and value is being handled via the internet, at the expense of conventional retail i.e. the High street and out of town

parks. This has been as specialists' new retailers, led by Amazon, as well as existing retailers diversifying.

Evolution in Supply chains – the resilience of supply chains to ensuring that there is adequate capacity, which pre -BREXIT planning helped to effectively deal with the challenges of Covid. These chains originally orientated towards the retail industry and large manufacturers are now automatically adopted as the norm to minimise operational costs.

On Shoring – this has been companies looking to improve the quality control and reduce reliance of Far East production. This in turn will reduce returns and the cost of dealing with these products. In addition, many multi nationals had been supplying their goods to the UK from Europe no longer see this as operationally plausible.

Volume - the take up in 2020-2022 being at least 50% higher above the 10 year average, at circa 48m q. ft., it has now reverted closer to the 10 average as all elements of the Market have become more cautious. However due to the combination of less supply and continued demand had remained reasonably active and rental levels have continued to grow in the last 18 months as companies seek to grow their businesses.

The below table show the take up and availability for the wider midlands and Staffordshire regions;

Midlands Transactions

Midlands Transactions	Sq Ft	No. Transactions	Average
50,000 - 99,999	1,287,474	18	71,526
100,000 - 249,999	3,036,511	22	138,023
250,000 - 499,999	2,019,487	6	336,581
500,000 +	1,884,904	3	628,301
TOTAL	8,228,376	49	167,926

West Midlands transactions

West Midlands Transactions	Sq Ft	No. Transactions	Average
50,000 - 99,999	1,094,771	15	72,985
100,000 - 249,999	1,491,059	11	135,551
250,000 - 499,999	896,264	3	298,755
500,000 +	1,257,197	2	628,599
TOTAL	4,739,291	31	152,880

BNP PARIBAS REAL ESTATE Knight Frank

Midlands - Availability/Existing ex. U/O

Midlands Existing Availability	Sq Ft	No.	Average
50,000 - 99,999	3,105,065	47	66,065
100,000 - 249,999	4,858,721	33	147,234
250,000 - 499,999	4,534,706	14	323,908
500,000 +	1,333,043	2	666521.5
TOTAL	13,831,535	96	144,078

West Midlands Availability

West Midlands Availability	Existing	Under Construction
50,000 - 99,999	2,108,046	311,000
100,000 - 249,999	1,498,437	1,005,665
250,000 - 499,999	2,388,070	970,806
500,000 +	-	-
TOTAL	5,994,553	2,287,471

Staffordshire

Staffordshire	Existing	Under Construction
50,000 - 99,999	503,834	-
100,000 - 249,999	465,094	122,575
250,000 - 499,999	649,810	344,478
500,000 +	-	-
TOTALS	1,618,738	467,053

Regional Transactions

The below table outlines the key transactions, comparable to the subject site

Date	Unit	Grade	Size	Landlord	Tenant	Rent	Term	Comments
Sep 23	Lymedale 66, Lymedale Business Park, Newcastle Under Lyme	B	66,000	Hortons	AVC Wood	£90 psf FH	FH	Constructed in early 2000s. Owner occupier purchase
Aug 23	Mammoth Drive, Wolverhampton	A	70,800	IPIF / Canmoor	Tesla	£9.00	15	Speculative unit. 18 months rent free
July 23	Lymedale Business Park, Newcastle Under Lyme	B	85,200	Columbia Threadneedle	Robust UK	£7.00	15 (10)	Off market letting. Unit constructed in c.2001
July 23	Liberty Park, Lichfield	A	117,000	Logicor	Ebrex	£7.75	8 (5)	Sub-lease. Tenant space. Racked.
Jul 23	FP108, Fradley Park, Lichfield	B	108,000	ARES/Canmoor	Storage & Fulfilment	£8.50	5 (2.5)	Sub-lease. Tenant space. Racked.
May 23	77 Ergo Stafford	A	77000	Ergo Logistics	Fuerst Day Lawson	£7.75	15	Spec built, spec is weaker. 12 months RF
Mar 23	Unit 5 Tunstall Arrow North	A	19,500	4th Industrial	Speedy Hire	£8.25	15 (10)	Spec unit
Mar 23	Unit 3 Tunstall Arrow North	A	20,000	4th Industrial	Wolseley	£8.50	15 (10)	Spec unit
Dec 22	Triton, Stafford	A	115,000	Petrizzia	Altecnic	£152 psf	FH	5-year-old unit, occupied short term by AO.com.
Nov 22	C73 St Modwen Park, Stoke Central	A	73,000	St Modwen	Emerge Global	£7.75	15	Spec build. Pre let 12 months RF. 55 RR OMV or RPI 1-3%
Feb 22	S93 Stoke Modwen Park Stoke South	A	94,000	St Modwen	Stairbox	£6.25	10	Spec build. Pre let 19 moths RF.

								5 yr RR OMV or CPI 1.5-3%
Feb 22	S53 St Modwen Park Stoke South	A	53,200	St Modwen	Argos	£6.75	10	Spec build. Pre-let 17 months RF. 5 yr RR OMV 2-4%
Jun 21	S77 St Modwen Park Stoke South	A	77,135	St Modwen	DWK (Scilabware Ltd)	£6.50	15	Exchanged 04/06/21. Pre-let 16 months RF. Pre-let, 15 years with break at 10
May 21	S75 St Modwen Park Stoke South	A	75,000	St Modwen	Clini supplies Limited	£6.50	15	Spec unit let within 6 months of PC 15 break 10
Apr 21	S27 St Modwen Park Stoke South	A	27,000	St Modwen	Yellow Power Limited	£6.75	10	Spec unit let within 5 months of PC
Apr 21	C43 St Modwen Park Stoke Central	A	43,100	St Modwen	Eurostar Global	£6.00	10	Spec unit Rent rises to £6.25 10 break 7
Feb 21	GPark Stoke	A	133,500	Gazeley	Solidor	£5.85	15	D&B

As can be seen above the take up levels in the subject market and size range has been substantial and demonstrates the need for more supply. As highlighted, a large amount of existing supply is made up of older secondary buildings, which no longer meet occupier requirements both operationally and from a sustainability perspective.

Key Immediate availability

Unit	Grade	Size (sf)	Rent	Comments
Wolverhampton 450, Four Ashes	A	450,000	TBC	Sub-lease, racked space. Larger than proposed units
Ergo Fradley Park, Lichfield	A	352,810	£7.75	Spec unit. PC Q3 22
PLP Stafford ST15 0TE	A	345,000	£8.00	Spec unit. PC Nov 23
ERGO Newcastle Under Lyme ST5 7LB	A	330,000	£8.00	Spec unit. PC June 23. Under offer
B297 Burton	A	297,000	£8.00	Sub -lease from Gusoto, maximum 8 years
Stoke 141, Campbell Road, Stoke	A	141,121	£8.00	Modern unit, pc in 2019. Previously let to Pets at Home
DC2 Prologis Park, Stafford ST16 1GW	A	127,000	£7.50	Second hand unit, good spec, some fit out
Wolverhampton 119, Wolverhampton	B	119,600	£6.50	Refurbished unit. Limited eaves
Wolfpack, Wolverhampton	A	113,470	£8.50	Spec unit, PC Q2 2022
ERGO 66 Stafford	A	66,000	£8.00	Spec build
C55 St Modwen Park, Stoke	A	55,102	£8.50	Spec unit. PC February 23

Due to the limited development in the area, there still remains significant amount of stock in the secondary market with buildings dating back to 1980s design & construction which no longer meets occupier requirements. We believe given the strength of the take up, there will more occupiers seeking to upgrade facilities whilst remaining in the area to sustain labour.

Development pipeline – 30 mile radius

Unit	Grade	Size (sf)	Rent	Comments
West Midlands Interchange	A	8m sq ft	TBC	Scheme is promoting large logistics units, smallest being discussed in the region of 250k sq ft, therefore not competing
I54 Wolverhampton	A	60 acres	TBC	B2 restricted site. Council owned and understand large part of the site is committed to. Smallest unit considered is c.200.000sq ft.
Logic 54	A	Up to 1.2m sq ft	TBC	Query whether deliverable. Focus on larger units on the scheme. Majority of the site is big box development, only 3 units sub 100,000 sq ft is proposed.
Radway Green, Crewe CW2 5PR	A	140,000 & 200k phase 1 Phase 2 up to 800k	£8.00	Spec building to be announced on 240,000 & 143,000 sf. Phase 2 is 22,000 –300,000 sf. Phase 3 can accommodate up to 800,000 sq ft in a single box
Beacon Business Park, Stafford ST18 0WL	A	12 acres	Not quoting	Final few plots are being sold off individually and therefore not applicable.
Chatterley Valley, Staffordshire ST6 8UW	A	1.2m	Not quoting	Consented, large infrastructure required. Understand will be specing a 75k unit in the first instance, then all the focus will be larger units on a build to suit basis
St Modwen Park Stoke Central	A	75,000	Not quoting	Likely to spec in 2024 once highway planning issues are resolved. Final plot on development
Weston M6 Crewe	A	Up to 1.4m sq ft	Not quoting	In for planning. Buildings being targetted in excess of 100k. No plans to speculatively develop.

St Modwen Park Meaford	A	Up to 1.2m sq ft	Not quoting	Initial spec will be sub 100k sq ft, to be delivered end of 2024. Larger parts of site are being pushed for units in excess of 250k sq ft

Almost all of the sites above are proposed "big box" developments. We believe the subject site will cater for the much needed supply within the 50,000 – 200,000 sq. ft. size range. As can be seen there will only a very small percentage of the regional pipeline will cater for this, and all will be focusing on units from 200,000 – 1m sq. ft..

So, whilst the Big-box occupiers look well addressed in the area for supply in the short medium term this is not the case for the mid-box sector, the recent Market activity has relied on infill sites such as Wolfpack and Mammoth in Wolverhampton and these one-off infill site cannot be relied upon to supply this sector of the Market. Therefore, schemes targeting the mid box sector such as the proposed development will be essential to retain existing companies seeking to expand, but also attracting inward investment as other occupiers as a vibrate commercial location. Conversely if there is inadequate provision then occupiers will be attracted to locations which have the supply.

Prospective Occupiers Enquiries

The Mid Box market has lagged as covered above, this sector does however provide the essential part of the network efficiency between the production and consumption and where just- in- time service is considered the norm is the most important part of any network. As all occupiers become supply chain aware this will begin to take centre stage in terms of Market activity as the natural target once the national units have been optimised- a trend that is likely to continue for far longer due to the strength and depth of demand in this part of the Market and the limited options over the last 5 years.

Whilst for confidentiality reasons we have not named any prospective occupiers we are aware of several occupiers with live requirements. In addition to this, the make- up of most of the supply in the subject market is older secondary units, which we believe occupiers will be seeking to upgrade into more modern units meeting operational and sustainable targets.

Applicant client / Agent	Size (sf)	Comments
Manufacturer	50,000	Stafford manufacturer in need of additional space. Must remain in Stafford. In discussions on Ergo 66
Hi-Tech manufacturer	60,000	Relocation from Stone site which is being sold off for resi.
Printing business	70,000	Based at Stafford Borough in multiple buildings, looking to consolidate
Medical manufacturer	30,000 – 50,000	Based at Stafford borough, wants to remain for staffing reasons
Large vehicle manufacturer	50,000	Vehicle maintenance use
Kempton Brooks Carr	60,000 - 80,000	Obo Clean Linen & Workwear. - heavy industrial operator - Commercial 24/7 laundry facility.

		Must have connection to HV Grid and ability to borehole for water. Minimum height of 12m is for their operational needs within the unit.
Ecommerce Fulfilment	100,000 – 200,000	Requirement in West Midlands for additional units. Has multiple units in the area
Food storage & distribution	50,000	Dry foods storage. Out viewing options.
3PL	300,000 +	3PL in various buildings around Stoke & Stafford. Looking for new unit to incorporate new automation
Producer of cladding products	150- 200,000	Setting up new UK facility looking north of Birmingham
Veg. distributor	80- 100,000	Looking consolidate 4 units into a single unit