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West Midlands Strategic Employment Sites Study – Final Report

May 2021

Foreword

For some time it has been considered that there is a lack of strategic employment land available within the West Midlands, and similarly that there has been little conclusive assessment of what attributes strategic land should possess. There has been no region wide assessment of the subject matter since the 2015 West Midlands Strategic Employment Sites Study undertaken by PBA and JLL. Since this date the establishment of the WMCA in particular has added a number of technical studies as to the economic benefit of sectoral growth, and the need to ensure a resilient supply of land through the planning process (including The Land Commission, The Regional Industrial Strategy and the Strategic Economic Plan).

This particular commission has sought to provide a high level overview on the availability or scarcity of strategic employment land across the region, as opposed to within particular local authority areas, as well as considering an appropriate definition of the same. The client body has included a wide spread of public sector authorities and LEPs and input has additionally been sought from within the private sector. The brief for the study has focussed purely on supply whilst, of course, “shortage” can only be considered in the context of the balance between supply and need.

The commission also seeks to look forward on a “planning off” and “what if” basis to seek to assess what the capacity for adding additional strategic land into the region’s portfolio could be, and whether the constraints to achieving this (should it be concluded that the demand levels indicate a radical approach being required to introduce additional levels of supply) may require a joined up, region-wide approach to location and site identification.

The work, report and conclusions provide a first step towards painting a picture, and the level of work that will be required to build up a robust assessment of (in particular) need should not be underestimated. The conclusions reached and recommendations however are clear.

The Coronavirus Pandemic

2020 was dominated by the coronavirus pandemic, lockdown and the consequent impacts on the economy. 2021 started with a further national lockdown, but with optimism relating to the rollout of vaccination programmes and confirmation of the ‘roadmap’ to the end of restrictions by the Summer. It remains to be seen whether the full easing of restrictions will happen in June, and the extent to which consumer habits will be changed in the long term will be unclear for some time. The long term consequences for employment development remain, therefore, uncertain.

There is evidence, however, that the initial consequences included a positive impact on the demand for large warehouses and factories across the UK. Covid-19 led to an explosion in e-commerce with the proportion of online sales increasing substantially compared with 2019. Retailers have also been rapidly expanding their online platforms to adjust to this shift in activity. Consequently, supermarkets have been acquisitive.

The Big Box logistics market has been remarkably strong as many of the changes since lockdown, and particularly the shift to online shopping, favoured the sector. This was despite a slow start to 2020 as occupiers awaited the result of the general election and then as decision-making was impacted by Covid-19. Take-up of large Grade A warehouses (9,290+ sqm) across the UK was up 55% during the first half of 2020 compared to 2019. And whilst the greatest demand for logistics space has been in the Big Box market, there

is still strong demand for mid-box and last mile logistics. The e-commerce sector for regional hubs, last-mile logistics operators and parcel delivery companies have placed increasing importance on smaller regional hubs as part of supply chains.

The impact of Covid-19 has also highlighted the need for more contingency stock holding to increase resilience which is expected to be further pronounced by Brexit as occupiers look to meet customer expectations for just in time deliveries. There may also be some reshoring of manufacturing to improve resilience in global supply chains. There is an increased appetite for larger buildings and greater eaves heights to accommodate economies of scale and automation.

Much of the resultant activity has occurred along the M1 corridor with the East Midlands, London and the South East and Yorkshire continuing to dominate take-up. The East Midlands has continued to lead take-up of Big Box units across the UK. The pattern of demand in the West Midlands in 2020 was similar to that in 2019 and, whilst there was very little activity during the first half of 2020, transactions subsequently improved.

The situation will continue to evolve. Whilst the evidence has shown some positive consequences for demand, the logistics market will not be immune to the downturn. Only limited space has come back to the market so far, but this is likely to increase as consumer spending declines. And the pandemic has had a greater adverse impact on manufacturing than other sectors, and particularly the automotive sector.

The occupation and use of offices has been questioned very strongly as a consequence of Covid-19 and the resultant mass working from home experiment. This has brought into question, by some, the long term need for offices into the future but similarly a robust response from others stressing the need for human interaction to be at the very heart of ensuring businesses operate not only efficiently but innovatively and grow the skills of a workforce – all of which can be catered for in many instances only within an office environment. Hence there does remain a question mark over the strength of the office markets (regional v capital; city v out of town; high quality v usable) and the function of offices into the future, and whilst it is likely that overall demand for offices will be diminished to some extent it is not possible at present to predict how impactful that might be in respect of the demand for new office development on strategic employment sites across the West Midlands. However as new office development within this sector has been significantly impacted by viability factors for much of the past 20 years we do not see any Covid related impacts that are likely to alter the direction of travel concluded within this report.

For these reasons, this Study does not speculate about the potential short and longer term consequences for demand. Indeed, there are no references to Covid-19 in the main report. We think it reasonable, however, to adopt a general position that demand is likely to remain at least as strong as has been observed in recent years, so that the pandemic at least reinforces the conclusions that are reached in the body of this report. The situation must, however, be kept under review as the situation develops.

May 2021

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Executive Summary

This Study was commissioned to provide an update to the West Midlands Strategic Employment Sites Study (2015). It provides a commentary on take-up rates in the industrial and office markets in the Study area over the period 2015-2018, and an audit of existing allocated and committed sites in the Study Area (defined on Figure 1.1) which meet the definition of 'Strategic Employment Land' that is adopted for the purposes of this Study.

It also considers the conclusions that were reached by the 2015 Study in relation to those locations in the Study Area that have the potential to provide a supply of additional strategic employment sites in the future. The Study does not seek to predict future need but, as the remit evolved, there has been a high level assessment as to the extent to which certain locations / sites might be able to contribute to identified shortfalls in supply. As such, it provides a first step contribution to the evidence base that will inform future Local Plan reviews across the sub region.

The publication of this Study has been delayed by a combination of factors, including the consideration of comments on scope and methodology that have been made on an informal basis by both public and private sectors. Consideration has been given to updating the report at this point. However, the data collected covers the period 2015-2018, and with reference also to Q1-Q3 2019. Moreover, 2020 was unrepresentative and, for the reasons given in the Foreword, the Study does not speculate about the potential consequences of the pandemic for demand. For these reasons, the Study reports on the position as at the end of 2019 and relies on the data collected according to the original study brief. **Consequently 'present tense' references to data collected throughout the report are not related to the date of its publication, but to the time that the data was collected.**

The Study has been informed by engagement with landowners, developers and promoters, with the 24 Local Authorities within the Study Area, and with three Local Enterprise Partnerships, as well as the West Midlands Combined Authority and Staffordshire County Council. The key messages arising from stakeholders are summarised below.

Private Sector: there is general agreement/perception that the availability and choice of existing and new space under construction is at a very low level and that, if this is restricting new development activity, there needs to be a collective political will to address the limited supply of Strategic Employment Sites going forward to assist in remedying this. In this context, stakeholders viewed the preparation of the Study as having potential to (i) provide an important contribution to the evidence base that will inform Local Plan reviews across the Study Area; and (ii) set the agenda for the commissioning of further work needed to advance the debate, which it was felt by most commentators should include an econometric demand forecast to enable the shortfall to be quantified, particularly by reference to occupational needs, and a study of modern business requirements.

Private sector stakeholders generally:

- supported the definition of 'Strategic Employment Land' adopted for the Study;
- believed local plans should distinguish between sites that may accommodate strategic and local needs;
- welcomed the 'policy off' approach to the consideration of appropriate locations for Strategic Employment Sites given the likelihood that a substantial number could be within the green belt;
- strongly advocated input from statutory consultees, notably from Highways England;
- favoured the presentation of outputs at a 'broad location' level (rather than at a site specific level which might be seen as pre-determining the assessment of the merits of sites through Local Plan processes); and
- thought a new spatial framework is needed to advocate a policy mechanism to support the identification and maintenance of a supply and pipeline of strategic employment land.

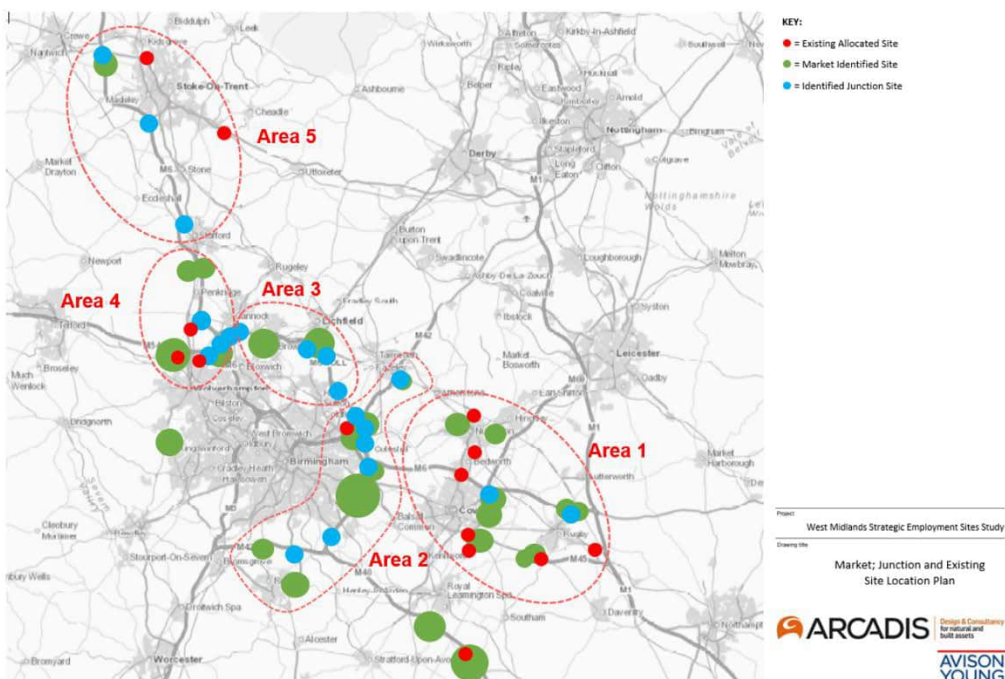
Public Sector: several of the more ‘urban’ local authorities thought that there are no sites within their boundaries that could support a Strategic Employment Site, although others saw the potential in their areas and recognised the significant economic and social benefits which this would bring.

Public sector stakeholders also:

- thought that existing and/or new green belt reviews should be used to evaluate the potential to remove land from the green belt to meet needs in the most appropriate locations;
- expressed some concern in relation to an over-dependence on delivering B8 Storage and Distribution sites, and the risk of limited job creation from such development;
- identified existing or potential locations which would be the focus for regionally important growth sectors which do not require sites as large as 25ha;
- identified high quality transport infrastructure (whether existing, planned or proposed) as being central to the successful delivery of Strategic Employment Sites, with good access to a motorway junction, or to the trunk road network, being seen as critical to the successful delivery of such sites;
- considered that HS2 and related infrastructure improvements are potential catalysts for further employment land release and delivery; and.
- expressed concern that the Study might identify sites that have not been identified previously within emerging development plans, and/or that it may prejudice the outcome of Local Plan reviews.

The Study reaches the following conclusions.

Broad Locations: Based on our analysis of the quantum of supply, market intelligence around areas witnessing considerable demand, and those areas achieving highest land prices, the prime market facing locations for Strategic Employment Sites are to the east of Birmingham in an area from J2 of the M42 in the south, north to J10 of the M42, south west to J14 of the M40 and east to J1 of the M6. We have identified five key clusters of sites and consider that the focus for identifying strategic employment sites should be in the four ‘Key Locations’ shown below.



Existing Supply (Allocated, Committed and Built): A comprehensive audit of adopted and emerging evidence base documents for the 24 local authorities situated within the Study area initially identified a total of 664 sites which met the minimum site size criterion of 25+ ha. Further analysis confirmed that most of these have largely been developed so that a refined list included only 12 sites with a remaining capacity of 25+ ha. Since then the proposed Development Consent Order (DCO) for the 'West Midlands Interchange' (WMI) at M6 J12 has been granted and has been added to the list of allocated and committed sites.

The potential capacity of the 13 allocated and committed sites is circa 2.96 million sqm. This conclusion is, however, to be approached with a degree of caution having regard to the length of time that some sites have been identified and allocated, without being brought forward. Moreover, the capacity of sites is expressed on the basis of their gross site area, rather than on the basis of a net area, as per the agreed terms of reference of this Study. It is not the purpose of this Study, however, to reach conclusions on whether sites should remain as allocations (that is a matter for the plan-making authorities involved), or to reach conclusions on the net developable area of the allocated sites. Nonetheless, the estimated capacity should for the purpose of this Study be treated as a maximum.

Our analysis indicates an average take up of new, Grade A floorspace in the West Midlands area (as defined for the purpose of the analysis) of approximately 0.4 million sqm p.a. It should be noted that this was over the period 2015-2018 inclusive. We have also commented on take up during 2019 (Q1-Q3), noting similar rates to those from 2015-2018. Moreover, our conclusions of supply are based on the data collected in 2018/19. At that time the WMI was not a commitment, but was being promoted, so that its potential contribution to supply had been captured in any event.

Based on evidence of past trends in relation to take-up, and assuming that no additional strategic employment sites are brought forward to replace those that remain, the resultant supply of allocated and committed employment land would appear to represent a maximum of 7.41 years supply.

On the basis of the 'past trends' approach that we have adopted it is clear, as it was in 2015, that there is a limited supply of available, allocated and/or committed sites across the Study Area that meet the definition of 'strategic employment sites', and an urgent need for additional sites to be brought forward to provide a deliverable pipeline, noting the very substantial lead-in times for promoting and bringing forward such sites.

Potential Supply (Industry Promoted Sites): As part of the engagement process, stakeholders were invited to submit details of their land interests. The consultant team received details of 31 sites of 25+ ha that stakeholders were promoting, or were considering promoting, for employment development. These sites included the WMI which is now included in the Allocated and Committed category. Having regard to this change, these sites represent a combined area of circa 2,370 ha. This equates to circa 9.48 million sqm of potential floorspace and, based on average take up of circa 0.4 million sqm p.a, a further 23.7 years of potential capacity/supply.

This would require, of course, that all these sites would ultimately be confirmed as allocations in the relevant development plan(s), which will not be the case. Moreover, it has no temporal dimension, and makes no allowance for the time that it may take to secure such allocations, and to then bring those forward through the planning application process, and to deliver any necessary supporting infrastructure. For these reasons, it is not sensible to conclude that all the identified sites will contribute to supply in the short to medium term and this element of potential supply should be treated with an appropriate degree of caution. It is worth emphasising also that whilst the table reports a 'years supply' figure for each Key Location, those figures are based on the assumed demand across the whole of the West Midlands geography, rather than for each Key Location.

Existing and Potential Supply in Key Locations (Source: Avison Young 2019)

	Area 1	Area 2	Area 3	Area 4	Area 5	Years supply	Outside 5 clusters
Allocated Sites	71 ha	264 ha	-	323 ha	83 ha		100 ha
Years supply	0.71	2.64	-	3.23	0.83	7.41	1
Industry Promoted Sites	905 ha	448 ha	152 ha	494 ha	70 ha		301 ha
Years supply	9.05	4.48	1.52	4.94	0.7	20.69	3
TOTAL	976 ha	712 ha	152 ha	817 ha	153 ha		401 ha
Years Supply	9.76	7.12	1.52	8.17	1.53	28.1	

Potential Additional Supply (Motorway Junctions): It is our view that Strategic Employment Sites are best delivered in locations that are accessible to the strategic highway network, with sites located close to motorway junctions being prioritised by developers and occupiers. With this in mind the Study includes a high level review of land adjacent to all motorway junctions within the Study area to test whether there may be sites of 25+ ha that could accommodate strategic employment needs. The search identifies substantial amounts of land that could support employment development, if promoted for those purposes, and subject to the consideration of technical, environmental and other matters. We have not, however, made any allowance in our conclusions on potential supply from such sites.

Summary of Supply/Capacity: It is our view that, at a minimum, recent levels of demand are likely to be sustained from a market perspective. This could, however, increase over and above current levels given the attraction of the area as a location for investment. We have recommended that consideration be given to the specifics over quantum of demand being assessed via an econometric demand forecast.

If only allocated sites were assumed to contribute to supply, there would be a maximum of 7.41 years supply at observed levels of demand and much less if demand were to materially exceed trend-based levels. Moreover, this includes the WMI DCO, which is targeted at rail freight related development, and which itself comprises 2.47 years supply. If only allocated sites, plus all of the industry promoted sites in Key Locations, were assumed to contribute to supply there would be a maximum of 28.1 years supply at recent levels of demand, and 14.05 years if demand was double the recent trend-based levels. We have, however, concluded that it is not realistic to assume that all of the industry promoted sites will in time be confirmed as allocations.

This high-level analysis underlines:-

- the urgent need to identify a pipeline of new Strategic Employment Sites to meet needs beyond the 7.41 years (or less) of supply that exists in allocations and committed sites; and
- the need to consider testing, through econometric forecasting, the level of demand that the sub-region should be seeking to meet and that, whatever that level may be, existing supply must be supplemented in the short term.

Next Steps: Our recommendations on additional work that will add to the findings of this Study, and contribute to provision of a robust evidence base to inform local plan making are set out below.

- calculating shortfall:** the shortfall in the availability and future supply of strategic employment sites cannot be robustly quantified without an assessment of market dynamics and projected sector growth patterns through an

econometric demand forecast, which would add materially to the findings of this Study and would inform the strategy for delivering a sufficient supply of strategic employment land. A related area of follow-on analysis should include a critical review by plan-making authorities of the capacity and deliverability of the remaining allocated sites.

- b) a study of modern business requirements:** there is a need to provide sufficient supply to meet the pace of change in manufacturing and logistics and it is recommended that further work should be undertaken to provide a greater understanding of the market dynamics driving this demand and of the potential scale of growth and the needs of modern logistics and 'Just in Time' delivery for manufacturing plants.
- c) greenbelt review:** given that the Key Locations for meeting strategic employment needs are substantially affected by green belt, one next step would be for due consideration to be given to treating the need for strategic employment land across the sub-region and Study Area (as quantified by a future econometric demand assessment) as circumstances that can support the release of land from the green belt.
- d) assessment of sites:** consideration should be given to developing a more detailed, refined and weighted set of assessment criteria to inform any individual or relative merits assessments of sites/locations that may be considered as part of any further work arising from the broader recommendations of this Study.
- e) spatial framework:** consideration should be given to the delivery of a new spatial framework policy mechanism that ensures that local authority plan-making processes identify and ring-fence sufficient land to meet strategic employment land needs.
- f) consultation:** statutory consultees including Highways England should be engaged to provide their input on the deliverability of the identified site/locations, and a dialogue should be maintained with the stakeholders that have contributed to the Study.
- g) monitoring:** we recommend that a framework for monitoring the progress of sites through the sub-region's development plans be established, so that a clear view on the quantum and timing of potential pipeline supply can be maintained and adopted for comparison with demand forecasts, and to inform future strategy.

1. Introduction

- 1.1 This Study has been commissioned by Staffordshire County Council, on behalf of The Black Country Local Enterprise Partnership (BCLEP), Coventry & Warwickshire Local Enterprise Partnership (CWLEP), Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) and Stoke-on-Trent & Staffordshire area.
- 1.2 In 2015 the West Midlands Strategic Employment Sites Study was produced by Peter Brett Associates (PBA) and Jones Lang Lasalle (JLL) on behalf of the West Midlands Local Authority Chief Executives. The 2015 Study identified a demand for strategic employment sites in the West Midlands, but a lack of available sites. It suggested that a second study *“may be commissioned to advise on how any shortfalls in provision might be addressed. For example, this might include setting out the methodology and potential geographies for more specific studies to identify among other things known opportunities, demand and broad locations and potentially investigate other related issues which may emerge such as relationships between strategic sites and housing assessments.”*
- 1.3 Since 2015 no further work has been pursued in relation to this second Study. There is a need to update the 2015 Study generally, alongside a review of how any shortfall of sites might be addressed.

The Study Brief and Approach

- 1.4 In light of the above, the aims of this Study, as set out in the study brief, are as follows:

“This next phase of work will firstly involve a refresh of the evidence base of the demand and supply of strategic employment sites in the area. This will include assessing whether the previous categorisation of such sites is still suitable in the current market building upon the review undertaken as part of the 2015 Study. Should a shortfall in the supply of such sites be identified the Study should also:

- *Make recommendations as to the scale and nature of sites required to address this shortfall;*
- *Identify an appropriate portfolio of potential locations where this demand could be met; and*
- *Make recommendations as to how such sites can be delivered.”*

- 1.5 To address these aims the study brief included initially the following three stages:

- **Stage 1 - Evidence Base Review:** a refresh of the evidence base and findings of the 2015 Study and advice as to whether there is a shortfall of Strategic Employment Sites and whether additional sites are required;
- **Stage 2 - Developing a Portfolio of Strategic Employment Sites/Locations:** identification of a schedule of potentially developable strategic employment sites / locations informed by a high level technical assessment of the potential sites / locations identified; and
- **Stage 3 - Delivery & Recommendations:** agreement of a list of locations considered deliverable based only on the high level assessment undertaken.

Aligning Objectives

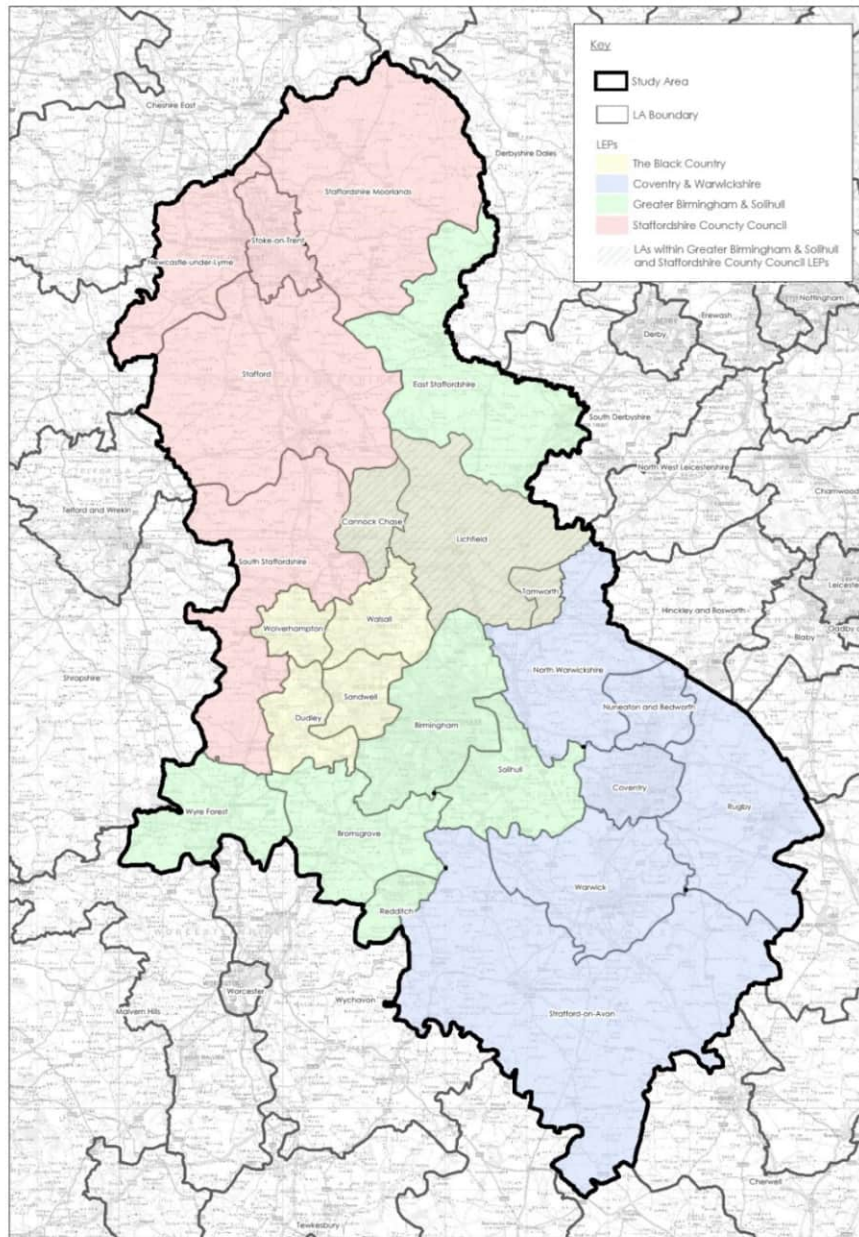
- 1.6 It was essential at the outset to agree the objectives of the Study so as to ensure that the Client group and consultant team were aligned on its scope and aims, and on the expected outputs. As such, the approach set out above was fully endorsed by the Client group. The agreed aims have been monitored, tested, and adjusted where necessary throughout the preparation of the Study.

- 1.7 For the avoidance of doubt, this Study does not comprise an Employment Land Review (ELR) for the 24 local authorities that are within the Study Area, because its focus is on strategic employment matters. The ELR's of each of the local authorities have, however, been key information sources, and have informed the Study within the agreed parameters.
- 1.8 There is a clear distinction, for the purpose of this Study, between, on the one hand, local level sites suited to meeting local needs and which are to be identified by individual local authorities in their ELRs (and which are not considered in this Study) and, on the other, strategic, regionally important sites that may accommodate significant investment opportunities and cater for demand in key growth sectors.
- 1.9 This Study identifies known Strategic Employment Sites, and considers broad locations for further consideration for such sites, within the agreed parameters. It does not purport to allocate sites, or to make recommendations on sites that might be allocated to meet strategic needs. It is not a statutory planning document, and its purpose is not to provide an alternative to, or in any way seek to prejudge or override, the detailed evaluation of the individual and/or relative merits of potential sites and locations through the operation of the 'plan-led' system.
- 1.10 In essence, the Study takes a strategic and high level planning-led approach to evaluating broad options for locating new Strategic Employment Sites within the Region. It considers the potential demand for such sites, provides an audit of existing and potential supply, and considers the extent to which there may be a need to identify additional supply. In so doing, it encourages all those with an interest in such matters (including local authorities, developers and landowners) to work together to develop a deliverable supply of strategic employment sites capable of accommodating large scale development requirements, above and beyond local need.

Study Area Geography

- 1.11 The Study area was set at the outset and is focussed upon and includes the twenty-four local authorities that fall within the Local Enterprise Partnership (LEP) areas of the Black Country, Coventry and Warwickshire and Greater Birmingham and Solihull, plus Staffordshire and Stoke-on-Trent (as per Figure 1.1 overleaf).
- 1.12 It is recognised that local authority partners outside the Study Area are progressing their own economic growth agendas, some of which are looking to make changes to their economic geography. As such, this Study has been cognisant of the existence of existing and emerging sites in the eighteen local authority areas that adjoining the Study area to ensure that a comprehensive picture is provided.
- 1.13 For the avoidance of doubt, whilst reference is made throughout this Study to adjacent local authority areas (i.e. Worcestershire, Shropshire and Telford) the assessment of potential locations and sites has focussed on the twenty-four local authorities shown on Figure 1.1.

Figure 1.1 – Study Area Geography



Brownfield v Greenfield

- 1.14 The corporate position of the Client group, aligned with sustainable development principles and the emphasis of policy in the National Planning Policy Framework (2019), is to take a 'brownfield first' approach to identifying strategic employment sites. Whilst this is acknowledged, the option of developing greenfield and/or green belt land must be considered as part of any proper assessment of how the region might best provide sufficient strategic employment sites, of an appropriate size, so as to accommodate demand from international, national, regional and local investors.
- 1.15 For this reason, the Study adopts a 'policy off' scenario that is not constrained by the alternative policy merits of brownfield and greenfield / green belt locations. The sensitivities surrounding a 'policy off' approach are understood, but it is considered that all options need to be evaluated, and important that locations that may prove most able to meet strategic needs are not ruled out at this stage.

Definition of 'Strategic'

- 1.16 One of the aims of this Study is to identify potential locations for Strategic Employment Sites that would be able to satisfy demand from inward and indigenous investors, and be able to meet the needs of modern occupiers. Key to this is agreeing what, for the purpose of this Study, constitutes a 'Strategic Employment Site'. This issue was considered in the 2015 Study, which reviewed the situation in relation to regional employment land at that time, and the criteria that were used in the West Midlands Regional Spatial Strategy to identify Regional Investment Sites and Regional Logistic Sites. It concluded with the following definition of strategic employment sites.

"Strategic employment sites are business development sites that can bring net additional activity and jobs to the region by:

- attracting nationally or internationally mobile business activity;
- *providing accommodation that would not otherwise come forward through the local planning system, principally because:*
 - *they are large sites, providing at least some 25 ha and often much more;*
 - *they may be in greenfield locations.*

- 1.17 This Study is intended to update and build from the 2015 Study and, as such, the above definition has been used as a starting point. The definition has been discussed with officers from the three LEPs, and Staffordshire County Council, and with officers from the West Midlands Combined Authority. The Consultant group's views have also informed the discussion on any need to refine the definition used in 2015. The consensus was that the 25 hectare (gross) minimum threshold should be retained as an appropriate scale for a general employment site that would be able to attract strategic business activity into the region. Discussions with local authority officers, and with agents identified also the strategic importance of providing sufficient sites to meet the needs of specific growth sectors within the region.

- 1.18 As such the following definition has been developed for this Study:

"Strategic employment sites over 25ha which could attract nationally or internationally mobile business activity; and Sites which meet the strategic needs of the region in relation to specific growth sectors (e.g. Life Sciences) which are economic priorities but do not require extensive land take and will therefore be under the above 25ha threshold. We will identify broad locations where strategic economic growth could occur for these growth sectors with no minimum threshold size. The specific sites will be identified locally through the plan making process and not through this Study".

Take-Up / Demand Assessment

- 1.19 For the purpose of estimating demand, the Study has considered the take-up of Grade A new / modern floorspace of 9,290 sqm (100,000 sqft) or greater in the West Midlands (the geography of which is defined at paragraph 4.2) over the period 2015-2018. For the avoidance of doubt, this does not mean that the Study infers that only sites of 25ha or more (i.e. sites that are defined as being of a 'Strategic' scale for the purpose of this Study) can accommodate 9,290 sqm of floorspace, or that demand for floorspace of more than 9,290 sqm can only be met on sites of 25 ha or greater. The Study does not conflate the two, but uses take-up of this scale as the basis of estimating demand.

2. Baseline Review

2.1 To inform this Study we have carried out a baseline review of current, relevant regional plans, strategy documents and studies. We have also had regard to the approach that has been adopted in other regions when considering the need to plan for the delivery of strategic employment sites. This section provides an overview of the key policy and strategy drivers that these plans, strategies and studies identify.

Literature Review - Strategies

WMCA Strategic Economic Plan (SEP) (2016)

2.2 The SEP focuses on enhancing the West Midlands' long and proud history of manufacturing excellence. It emphasises the leading role that universities play in economic development through innovative infrastructure which focuses on increased productivity and public service reform. The key areas of focus within the SEP are as follows.

- A focus on balanced growth: with an ambitious plan for skill levels to exceed the national average.
- Acceleration of the housing market: so that the region may attract a greater proportion of higher income households to drive a knowledge led economy.
- The establishment of a Productivity and Skills Commission.
- Public Service Reform: related to criminal justice and to improving employment, skills and mental health
- Core Focus: on advanced manufacturing, engineering, creative, digital and life science sectors.
- High quality connectivity: having regard to HS2, Birmingham Airport and the UK Central growth corridor.
- Growth of UK Central (Birmingham, Coventry and Wolverhampton) is the strategic priority with the surrounding areas of southern Staffordshire, north Worcestershire and Warwickshire providing important complementary strengths in terms business, housing and leisure offers.
- Cultural diversity and innovation.

2.3 Innovative thinking forefronts the key agenda for the SEP which is to create an environment where businesses can align with modern technological advances and, in turn, create exciting and attractive new ways of working. This is important as the region seeks to create sustainable working environments.

2.4 Recent market trends have highlighted that the output gap between the West Midlands and the rest of the UK will widen between now and 2030. This is attributable to the large number and proportion of low value companies operating in low growth sectors, and to low business birth and survival rates. Consideration needs to be given to shifting the focus to people and places and to creating environments where people wish to live and work.

2.5 There are eight areas for priority action, to 2030, focusing on people, place and business, as follows.

- New manufacturing economy
- Creative and digital
- Environmental technologies
- Medical and life sciences
- HS2 growth
- Skills for growth and employment for all
- Housing
- Exploiting the economic geography.

2.6 The strategy for delivering the vision set out in the SEP is based on the following matters.

- Creating conditions for growth including connectivity and skills.
- Exploiting the area’s world class innovation infrastructure.
- Improving business competitiveness.
- Public service reform.
- Improving the opportunities available to meet local aspirations.

2.7 Central to the strategy is the principle of balance. It is recognised that the West Midlands’ existing strengths further highlight issues relating to productivity, skills and employability for higher value jobs, and connectivity of jobs to people. Aligned with the Economy Plus model, the focus is shifting to economic forecasting, whereby the model has been used to review the individual SEPs of each of the LEPs which it predicts could deliver an additional 455,000 jobs by 2030. The retention, growth and further expansion of the job market within the West Midlands further supports this region’s ambitions to become an engine for growth.

2.8 The WMCA has an ambitious plan to close the output gap three years earlier and, in turn, deliver half a million jobs by 2030 generating an additional £7 billion GVA (gross value added). Three growth scenarios have been developed and tested and are highlighted below.

TREND SCENARIO	3 LEP SEP SCENARIO	WMCA SEP: ECONOMY PLUS SCENARIO
• An additional 168,000 jobs	• An additional 455,000 jobs	• Additional jobs growth of 49,000 over and above the individual SEPs scenario resulting in total jobs growth of 504,000
• GVA increases from £19,423 to £26,422, per head but the output gap with national average widens	• GVA per head increases to £32,256 - 101% of the national average and therefore, surpassing the national average in 2029	• The increased jobs and productivity results in an eradication of the output gap and GVA per head surpassing the national average by 2026
• Population increases by 369,000 to 4.37m	• Population increases by 510,000 people.	• The population increases by an additional 32,000 people

2.9 The Economy Plus model shows that the geographic scale provided by the West Midlands Combined Authority, and the three LEPs, will enable further and faster progress in developing innovation, increasing productivity and securing public service reform. Collaboration between the three LEPs will capitalise the scale and diversity of the West Midlands geography, and strengthen the area’s ability to pilot new ways of working, maximise resources, balance the scale and place shaping potential of regeneration opportunities, and improve inter-regional connectivity.

2.10 A Performance Management Framework monitors the success and robustness of the WMCA vision. A variety of indicators have been selected to measure achievement which will subsequently feed into a programme of interventions and set the SEP priorities. Six of the eight areas for priority action listed in para 2.5 above (excluding ‘housing’ and ‘exploiting the economic geography’) are referred to as ‘priority action points’. For each of these priority action points, the WMCA has set out a series of forecast impacts up to 2030 with ambitions and targets.

SEP Sector Review (2016)

- 2.11 The WMCA has identified ten sectors within the SEP Sector Review which are considered to be fundamental to increasing the GVA of the region. Seven are referred to as 'transformational' sectors with the remaining three referred to as 'enabling' sectors, as follows.

Transformational Sectors

- Advanced Manufacturing;
- Business, professional and financial services;
- Construction (building technologies);
- Digital and creative;
- Life sciences and social care;
- Logistics and transport technologies; and
- Low carbon and environmental technologies.

Enabling sectors

- Cultural economy including sport;
- Public sector including education; and
- Retail.

- 2.12 The transformation sectors are expected to generate an overall increase of 349,000 jobs over the period 2013 to 2030 (rising from circa 1.1 million in 2013 to 1.5 million in 2030) which equates to an increase of around 31%. The highest levels of employment growth are to be expected in Business Professional & Financial Services (47.6%). Forecast rises in Low Carbon and Environmental Technologies are modest at 3.4%.
- 2.13 Similarly, across the enabling sector, employment is expected to grow from 782,000 in 2013 to 937,000 in 2030, a rise of almost a fifth. The highest percentage growth is expected across the cultural economy, which includes sport. However, absolute growth is forecast to be highest across the retail sector at 82,500.
- 2.14 The figures highlighted above support the WMCA's vision to focus upon the Transformational Sectors as the key drivers for growth.

The Midlands Engine: Vision for Growth (2017)

- 2.15 The Midlands Engine consists of a partnership of local and Combined Authorities, LEPs, universities and businesses working together in new and transformative ways to invigorate the Midlands economy. It complements the work of the local authorities, the Combined Authorities, LEPs, universities, businesses and others to generate added-value at scale across the Midlands. It is their ambition to accelerate productivity growth across the Midlands by 2030. To help enable this, an Investment Fund is available with a value of £250 million to 2030.
- 2.16 The Vision for Growth is based around five key objectives, as follows.
- Connect the Midlands: maximise new technologies and become UK's transport innovation testbed.
 - Invest in strategic infrastructure with sustainable and advanced technology and using HS2 as a catalyst for growth.
 - Grow international trade and investment: expand Midlands trade and investment programme.
 - Increase innovation and enterprise: create new Midlands management and leadership institutes.

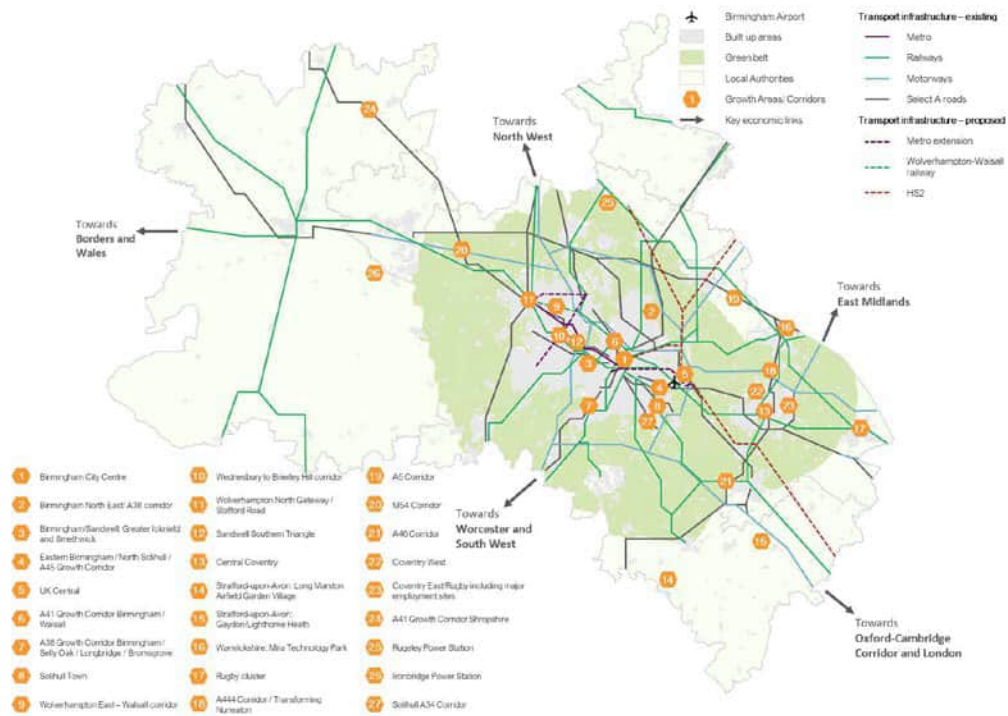
- Shape great places: to live, work and learn in, and to visit, and support strategic sectoral locations.
- 2.17 To achieve the vision, the Midlands Engine needs to continue to define a long-term strategic plan and by working collaboratively to develop a self-sustaining and resilient partnership model.
- 2.18 To help close the GVA gap by 2030, the Midlands Engine will look to accelerate productivity and boost competitiveness. This will be supported and maximised by the following activities and opportunities.
- £20m investment into Midlands Skills Programme to rebalance the skills shortage across the Midlands whereby 31% are educated to a degree level.
 - Investment into strategic infrastructure and into increasing innovation and enterprise.
 - Investment of £5bn into Midlands transport infrastructure to reduce commuting time and maximise the use of new technologies.
 - Deliver the Midlands Connect transport strategy by 2040, creating over 300,000 jobs.
 - Maximise the benefit of transport corridors, such as A46 cross region to connect SW and NE Midlands.
 - £40m funding for Midlands Rail to achieve HS2 compatibility.
 - Smart connectivity and maximising use of airports.

The West Midlands Spatial investment and Delivery Plan (SIDP)

- 2.19 This sits at the heart of the inclusive growth agenda for the West Midlands, bringing together strategies to develop industry, economy, the skills base and social infrastructure, as well as the transport network. Job creation and industrial growth must be at the heart of a sustainable growth strategy if this is to be achieved.
- 2.20 The SIDP is a delivery focused plan and seeks to raise the bar on design quality and headline principles for development. The document responds directly to the work of the Land Commission and devolution and housing deals. The overriding purpose of the SIDP is to identify key activities that will help unblock and speed up the delivery of new homes and new employment opportunities in the West Midlands region, supported by the Investment Prospectus which was launched in March 2018.
- 2.21 The SIDP will also support the Housing Deal commitment to deliver 215,000 homes by 2031 by reinforcing the emphasis of a range of strategic documents so as to underpin balanced growth. These are the:-
- Midlands Engine;
 - West Midlands Strategic Economic Plan;
 - West Midlands Industrial Strategy;
 - Regional Skills Plan; and
 - Movement for Growth.
- 2.22 If the SIDP is successful in delivering increased housing in the right places, this will have a direct and beneficial impact on productivity growth and prosperity for the region and the whole of the UK. The SIDP adopts the same definition of Strategic Employment Sites as the 2015 Study so as to provide a consistent approach to their identification as business development sites that can bring net additional activity and jobs to the region, by attracting nationally or internationally mobile economic activity, and providing accommodation that would not otherwise come forward through the local planning system (principally because they are large sites (25 ha +) and they may be in greenfield locations).
- 2.23 The key objectives of SIDP are to:-

- a) define a fit for purpose geography for the SIDP, including all constituent and non-constituent members of the Combined Authority, all authorities within the three principal areas, and all authorities within the two principal Housing Market Areas (i.e. the Greater B'ham & Black County HMA and the Coventry and Warwickshire HMA);
- b) support and inform strategic planning, established through the Duty to Co-operate, to secure the delivery of major sites, growth areas and growth corridors that are already identified;
- c) support the delivery of enough new homes of the right type and in the right places;
- d) deliver the pipeline of priority housing sites;
- e) deliver a competitive portfolio of employment sites which seeks to align housing and employment growth including:-
 - Peddimore, Birmingham
 - Regional investment sites in Aston and Longbridge
 - UK Central opportunities comprising up to 775,000 sqm of commercial space
 - the J10 cluster in Walsall which forms part of the Black Country EZ and DY5 EZ in Dudley
 - Staffordshire High Growth Zone including the proposed extension to i54;
 - Friargate, Whitley Business Park and Whitley South and Ansty Park in Coventry, Warwick and Rugby
 - MIRA Technology Park
 - M54 Corridor and Cosford
 - a range of growth opportunities in town and city centres.
- f) maximise the potential of our city and town centres;
- g) improve connectivity;
- h) build on the region's environmental strengths;
- i) tackle infrastructure constraints; and
- j) support people to realise their full potential.

- 2.24 The SIDP does not seek to allocate new development sites, but recognises key areas where change is likely, and where investment is needed.
- 2.25 It is acknowledged that Birmingham City Centre is the economic hub of the region, albeit Coventry and Warwickshire have recently achieved considerable economic growth. Birmingham City Council has identified in its Development Plan the potential for the City Centre to accommodate 700,000 sqm of new office floorspace and 160,000 sqm of new comparison retail floorspace, in the period to 2031.
- 2.26 Birmingham has allocated a 71 ha employment site at Peddimore. Coventry is bringing forward Friargate around the Railway Station with at least 176,000 sqm of new office floorspace which, together with complementary retail and leisure facilities, will generate up to 15,000 new jobs. In Wolverhampton City Centre, land around the Canalside and the new Station City Interchange has the potential to support 93,000 sqm of new commercial space.
- 2.27 The focus has shifted to the delivery of Growth Corridors to land interventions and assembly. Growth corridors and areas are based on sites identified in existing local plans and, in some cases, emerging proposals that are not yet committed in plans as shown on the extract from the SIDP (July 2018) overleaf.



2.28 To unlock barriers to growth there is a recognition that negative factors such as unskilled labour, fragmented ownership and funding opportunities need to be addressed. Various approaches have been outlined in the SIDP including the benefits of collaborative working with Homes England, accelerating build out, maximising land use availability through streamlining land assembly, a ‘brownfield first’ approach, and through emphasising the need for design quality.

The West Midlands Local Industrial Strategy (2019)

2.29 The Local Industrial Strategy (LIS) was published in May 2019 and highlights the significant growth in productivity within the region over recent years, with productivity increasing, during 2018, at twice the rate of the UK average. The LIS sets out the steps the region will make to:-

- drive growth by strengthening the foundations of productivity; contributing towards the Grand Challenges, and by taking advantage of market driven opportunities in mobility, data-driven health and life sciences, modern services, creative content, techniques and technologies;
- ensure all communities can contribute to and benefit from economic prosperity whilst protecting and enhancing the environment; investing further in social infrastructure; measuring progress; and
- designing actions using a balanced set of inclusive indicators.

2.30 The LIS highlights the unprecedented change in transport technology expected over the coming decades, and the opportunities that this presents for the West Midlands. It sets out a number of ways in which the region can continue to drive progress in this area, including by partnering with local specialist manufacturers and R&D centres to create new markets, and developing an innovative and integrated transport network.

2.31 The LIS sets out actions targeted at addressing the barriers to economic growth identified by the Study. In relation to infrastructure, the LIS refers to the findings of West Midlands Land Commission’s work, which highlights the acute shortage of large scale, strategic sites that can have the greatest net additional impacts on growth and jobs. Furthermore, there is a similar challenge for incubation space, as well as grow on space to support agile and mobile economic activity across the whole region, although this need is felt most severely in Coventry and Warwickshire.

2.32 To help address some of these issues the LIS aims to create a holistic approach for investment and delivery, which goes beyond 'site-by-site' development and embeds whole-system thinking. As such, partners in the West Midlands are exploring four priority inclusive growth corridors; namely:-

- Wolverhampton to Walsall;
- Sandwell to Dudley;
- Perry Barr and the A34; and
- Greater Icknield to Smethwick.

The Black Country Strategic Economic Plan (SEP) (2017)

2.33 The 2017 refresh of the Black Country SEP sets out how the Black Country aims to speed up the delivery of its vision for the area. The SEP is based on six priority propositions which are intended to both enable economic growth, and demonstrate the Black Country's commitment to transformational change. The aim is to provide a prioritised and focused framework for investment by the private and public sector. These priorities include the promotion of high value manufacturing and business competitiveness. The overall aim is to increase the number of jobs in the area by 127,860 (from a baseline of 441,900), to increase the housing stock by a minimum of 42,480 new homes, and to nearly double the business birth rate.

2.34 The SEP builds on the Black Country's position at the heart of The Midlands Engine to focus on several areas, including by:-

- promoting the Black Country as a world class centre for advanced manufacturing and engineering;
- building on the fact that the output gap between the Black Country and the national average has stabilised and to build momentum to tackle current low productivity;
- exploiting the economic potential of digital technologies and secure digital inclusion; and
- improving the quality of the key employment locations.

2.35 The SEP sets out a priority development pipeline for the Black Country. This includes a pipeline of housing land and high-quality employment land which would deliver almost half of the Black Country's employment land requirements. The focus to date has been on bringing forward a suite of sites of different sizes which are 'oven ready' for development. The challenge is to both increase the momentum in terms of site delivery and to do more to address the poor quality of many employment locations to boost indigenous business assets. To achieve these aims and to help bring forward the employment land needed, several actions are identified including a priority proposition to deliver a high value manufacturing offer.

The Staffordshire & Stoke on Trent Strategic Economic Plan (SEP) (2018)

2.36 This SEP is a refresh of an earlier Plan and sets out a framework of priorities which reflects the current pipeline of commitments in the area. The SEP is mindful of how industrial growth can benefit areas of the country, such as Stoke-on-Trent & Staffordshire, which have clear potential but which risk getting overlooked in the city-devolution drive that government is pushing forward. As such improving productivity is a key area of focus for the LEP.

2.37 Stoke-on-Trent and Staffordshire have established two Enterprise Zones which have enabled them to provide a blend of geographical and sectoral offers. These include the Ceramic Valley Enterprise Zone, comprising six sites totalling 140 hectares of land along the A500 corridor. This EZ aims to become a world class centre for advanced manufacturing and applied materials excellence. The Ceramic Valley Enterprise Zone includes several high-profile sites, including Chatterley Valley East and West, Highgate/Ravensdale, Etruria Valley, Tunstall Arrow and Cliffe Vale.

2.38 In addition, i54 is now well established and is occupied by the new JLR Engine facility, which has already expanded, as well as several other advanced manufacturing and professional businesses.

The Coventry and Warwickshire Strategic Economic Plan (CWSEP) (2016)

2.39 The CWSEP sets out how the CWLEP, along with its public, private and third sector partners, will grow the economy of the area over the short, medium and longer term. The CWSEP includes a review of the 2014 SEP which informs the 2016 strategy.

2.40 The CWSEP notes that, despite Coventry & Warwickshire's GVA growing more rapidly than the national average between 2010-2014 (3.75% compared to 3%), the area still had an output gap of some £460.2m in 2014, which rises to £2.328bn if considering only local employee jobs (given that GVA per worker in Coventry & Warwickshire is just 90% of the national average). This was identified as a key strategic issue that needed to be addressed. As such the strategy notes that the local economy needs to grow at 3.3% per annum (assuming a UK GVA Growth Rate of 3%) if this output gap is to be removed by 2030. The main sectors that are expected to contribute to this GVA growth include the Automotive, Construction, ICT, Architecture/Civil Engineering and Logistics sectors

2.41 Considering this the CWSEP identifies five key themes that now form its strategy and which are:-

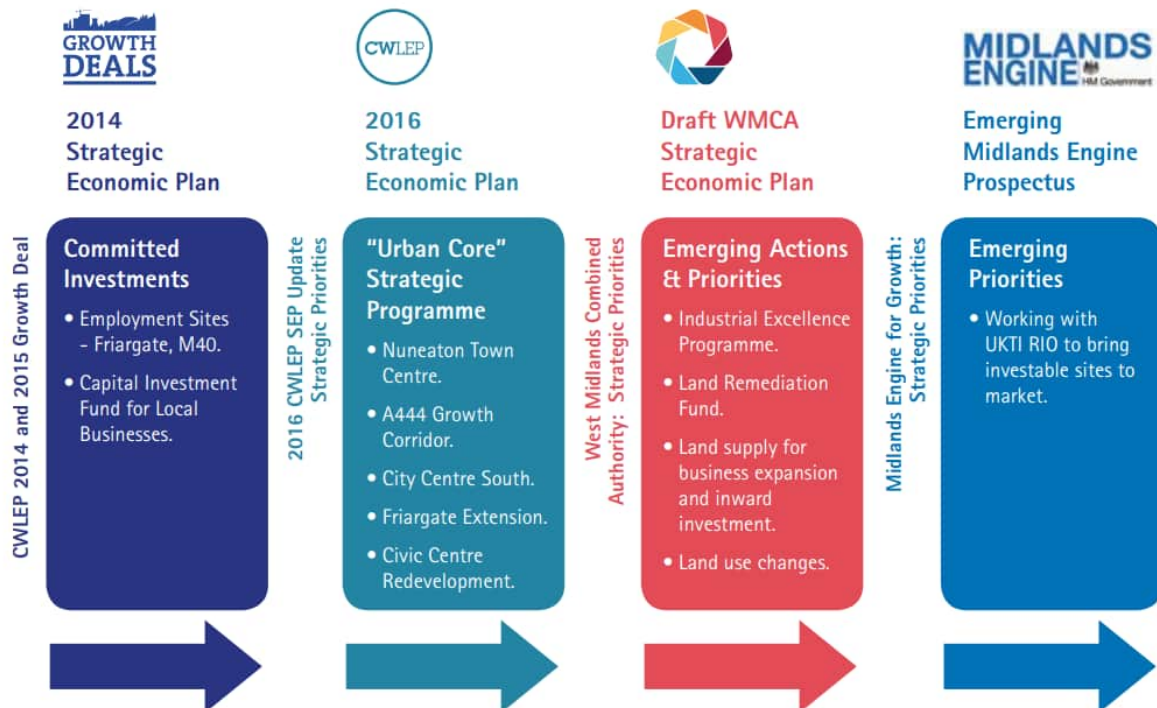
- unlocking growth potential;
- advanced manufacturing and engineering sector development;
- growing SMEs;
- growing talent; and
- culture and tourism.

2.42 The Strategy notes that it is key to build on Coventry and Warwickshire's central location, employment sites, distinctive businesses, innovation and cultural assets and highly talented workforce. The aim is that by 2025 Coventry & Warwickshire will be a *'high performing economy with our innovative businesses competing internationally, growing and providing better paid employment opportunities for all of our residents across both our rural and urban areas'*.

2.43 In relation to the first theme, the CWSEP notes that, although the area has witnessed growth in the demand for employment land, particularly in Advanced Manufacturing and Logistics, there is a need to address the low stock and immediate pipeline of employment land, particularly in Coventry and Nuneaton & Bedworth where job densities are low. There is a particular need for additional strategic sites that are capable of accommodating the largest storage and distribution requirements, and for sites suitable for development as R&D centres, in order for the CWLEP to achieve its targets for the growth of the local automotive cluster.

2.44 Transport infrastructure and urban centre improvements, as well as significant expansions of superfast broadband infrastructure, will play a crucial role in bringing major sites forward for development and in attracting business investment.

2.45 The CWSEP goes on to highlight specific investment programmes to bring forward key employment sites for development (e.g. further employment land around J12 M40, Gaydon). Additionally, the need to improve links to UK Central, Birmingham Airport and High Speed 2 (HS2) is noted. Such works will improve key junctions, connecting the major employment sites of the University of Warwick, Whitley and Ansty to major national and international gateways. The figure below provides an overview of the programmes and initiatives funded through the Local Growth Deal.



The Greater Birmingham and Solihull Strategic Economic Plan (GBSSEP) (2016-2030)

- 2.46 The GBSSEP sets out a vision and strategy for delivering smarter, more sustainable and more inclusive growth for the benefit of the area, the wider West Midlands city region and the UK as a whole. It also identifies the contribution that the GBSLEP will make to the delivery of the growth targets set by the WMCA.
- 2.47 The mission of the GBSLEP is to *'create jobs and grow the economy – and, in doing so, to raise the quality of life for all of those that live and work here'*. Increasing private sector investment, including overseas investment is key to this, as is the delivery of major growth and regeneration opportunities. In view of this, the strategy includes the following headline targets and objectives.
- Create 250,000 jobs by 2030 and be the leading Core City LEP for private sector job creation.
 - Grow our economy by £29bn (GVA) by 2030 and be the leading Core City LEP for output per head.
 - Increase the % of the working age population qualified to NVQ3+ to the national average by 2025.
 - Increase our labour productivity (GVA per capita) to the national average by 2030.
 - Decrease our unemployment rate to the national average by 2020 and have the lowest unemployment amongst the LEP Core Cities by 2030.
 - Be recognised as the leading Core City LEP for Quality of Life by 2030.
- 2.48 The Strategy notes the challenges that exist in relation to long-term housing and employment land capacity, but highlights that there are considerable commercial and residential opportunities to unlock across Greater Birmingham. In terms of potential strategic employment site opportunities, these include UK Central in Solihull, Redditch Eastern Gateway and Rugeley Power Station. The Strategy notes that some of these sites have outline planning permission and are investible, 'shovel-ready' opportunities that are primed to deliver jobs and growth. The challenge is to secure appropriate investment, and to ensure that in developing these sites, they meet the LEP's broader vision and that the focus is on delivering quality outcomes, rather than the easiest and fastest solutions.

2.49 To achieve this aim, the GBSLEP will:-

- continue to identify and deliver major growth and regeneration opportunities across Greater Birmingham, working with the Stoke-on-Trent & Staffordshire and Worcestershire LEPs;
- support the development of masterplans for key sites to drive up the quality of design, environmental standards and accessibility;
- secure investment in priority sites and the infrastructure required to unlock them to support our ambition to create new jobs and homes; and
- market and promote our portfolio of sites, working with our neighbouring LEPs, the WMCA and the Midlands Engine.

Constellation Partnership HS2 Growth Strategy

2.50 The Partnership is an alliance of Cheshire East, Cheshire West & Chester, Newcastle-Under Lyme, Stafford, Staffordshire, Staffordshire Moorlands and Stoke-on-Trent Councils, Cheshire & Warrington LEP, and Stoke-on-Trent & Staffordshire LEP. These bodies have joined together to produce a growth strategy based around the investment and growth opportunities presented by HS2. Key to this is the proposed HS2 rail hub at Crewe, and the fast HS2 service to Stoke-on-Trent and Stafford, with improved accessibility to London, Manchester and Birmingham.

2.51 It is forecast that the Constellation area will see employment growth of at least 120,000 jobs by 2040, and increasing further beyond this date as the full benefits of HS2 investment are realised. There is expected to be a significant uplift in economic growth in a range of sectors including science and technology, creative and digital, logistics and distribution and automotive and aerospace.

2.52 The two relevant HS2 transport hubs are at Stafford and Stoke-on-Trent, both of which are shown in the Partnership's emerging spatial development strategy as being centres of growth. Around Stoke-on-Trent there are several core growth areas focused along public transport nodes. The Strategy identifies the creation of an integrated transport network as being crucial to bringing forward these core growth areas.

Literature Review - Studies

Greater Birmingham HMA Strategic Growth Study (2018)

2.53 The HMA Strategic Growth Study, produced by GL Hearn, relates to the local authority areas within the Greater Birmingham and Solihull LEP and Black Country LEP areas, together with South Staffordshire. It also relates to North Warwickshire and Stratford-on-Avon Districts, which fall within an area of overlap between the Birmingham and Coventry/Warwickshire HMA. The aim of the Study was to assist with the identification of, and then meeting, housing need within the HMA area.

2.54 In terms of need the Study identifies that a minimum provision of 208,000 dwellings to 2031, and 258,500 by 2036 will be required across the HMA. Further to this, the Study identifies a minimum shortfall of 28,150 dwellings across the HMA to 2031.

2.55 To address this need the Study identifies a number of Areas of Search for strategic development. It recommends that these areas be taken forward for further consideration, via the Local Plan process, as having the potential to contribute to the identified housing need shortfall. Amongst these Areas of Search are the following three employment-led areas, all of which are within the Green Belt:

Broad Location	Potential Effect of Strategic Function of the Green Belt	Potential Effect on Local Function of the Green Belt	Potential Constraints
North of Wolverhampton, in the vicinity of i54 South Staffordshire (M54, J2)	Complex urban edge/transport corridor with various instances of strategic containment	Local separation between Codsall/Bilbrook and Wolverhampton	Limited space
In the vicinity of Coleshill and Minworth (M42, J9)	Complex urban edge/transport corridor with various instances of strategic containment	Local separation between Coleshill and Birmingham	Limited space. Flood risk issues. Route/effect of HS2.
In the vicinity of Birmingham Airport & the NEC (M42, J6)	Complex urban edge/transport corridor with various instances of strategic containment		Limited space. Route/effect of HS2/UK Central Hub proposals.

- 2.56 These locations were considered by the Study to be strategic employment areas supporting key employers, located with good motorway access and with the potential to support some housing provision as part of a mixed-use development and balanced growth. The analysis utilises the findings of the 2015 West Midlands Strategic Employment Sites Study, and is of relevance for this current Study.
- 2.57 The Study considers that the employment led development model would support delivery of a range of housing types and tenures, including the provision of affordable housing. The development model would also support the delivery of facilities, services and employment to support the needs of future residents.
- 2.58 Alongside the employment-led areas, the Study also considers several urban extensions and new settlements. To move these options on, further work will be required to assess their feasibility, the scale of development which could be accommodated within them, and the associated delivery timescales.
- 2.59 The Study concludes that additional land will need to be identified to meet residential needs to 2031. This may be located across a range of sites with larger strategic development options (such as those connected to strategic employment sites) making some contribution to meeting the housing needs shortfall to 2031.

The West Midlands Land Commission Study (2017)

- 2.60 The West Midlands Land Commission Study (WMLCS) was prepared by the West Midlands Land Commission (WMLC) for the West Midlands Combined Authority (WMCA). The WMLC was set up in 2016 to consider the West Midlands land supply, and what measures might be employed to ensure an improved supply of developable land from both a strategic and a regional perspective.
- 2.61 The WMLCS takes into account the housing and employment growth targets in the West Midlands Strategic Economic Plan and considers that meeting the targets presents a significant challenge that will require a step change in the number of sites that are brought forward for development, and in the pace at which they are developed.
- 2.62 The development of a single agreed spatial vision for the West Midlands is also recommended in the WMLCS. This would be in the form of a non-statutory Spatial Framework. The strategy would include *“A pipeline of strategic employment sites which could be available at an economically attractive cost within an appropriate timeframe”*,

alongside strategic housing sites and the delivery of future strategic (transport, telecommunications and utility) infrastructure requirements. It would set out how best to align the proposed investments in strategic infrastructure with the region's broader land, development and economic targets. The WMLCS recommends that the WMCA and local authorities should collaboratively consider how to use the full range of existing and emerging powers to bring forward such a Spatial Framework. This approach could help fill the policy void left by the revocation of regional planning policy. It would be interesting to understand the appetite for this from the Local Authorities, especially if such an approach could provide a mechanism to identify and hold/ring fence strategic employment sites to meet future need.

- 2.63 The WMLCS also recommends that a credible pipeline of strategic employment sites is a pre-requisite for the future growth of the West Midlands. This is a position that is both acknowledged and supported as a mechanism by which the region can quickly respond to large scale inward investment enquiries. The provision of a portfolio of available, market ready and fit for purpose strategic employment sites would enable this.
- 2.64 These would be *"sites in excess of 25 ha which aim to attract net additional economic activity and jobs from businesses which are new to the area and the supply chains that support them"*. This recommendation is consistent with the parameters of this Study and adds support to the view that the West Midlands needs to have a portfolio of fit for purpose employment land that, in addition to local requirements, is capable of meeting strategic employment needs.
- 2.65 As part of a Spatial Strategy, the Commission recommends the designation of a prioritised list of Action Zones where significant new employment and housing can be accommodated. Each zone would be supported by a Delivery Plan and a Financial Plan.
- 2.66 In terms of location, the WMLCS advocates further ambitious steps aimed at transforming brownfield land, including a radically expanded programme of regeneration and remediation, engaging both local and national organisations. However, the report sets out that even an effective, well-funded brownfield land remediation programme is unlikely to provide a sufficient supply of developable land to meet the SEP's ambitions and targets, whether for housing or employment land. A Strategic Review of the Green Belt across the WMCA area is therefore recommended to:
- identify broad areas of land that perform poorly against the five statutory Green Belt purposes and consider their declassification;
 - identify brownfield or greenfield sites that could become part of the Green Belt where this would create a more cohesive Green Belt; and
 - identify Green Belt sites that could support sustainable urban extensions; and identify Green Belt sites suitable for use as strategic investment locations.
- 2.67 Finally, the Commission considers that the current governance arrangements, and the distribution of responsibilities and accountabilities across the region, do not yet provide the clear collective governance that will be needed to deliver the land use and development ambitions and targets of the SEP.

National Context

- 2.68 Whilst it is noted that Regional Spatial Strategies (RSSs) were formally revoked in 2010, the 2015 Study reviewed Regional Strategies across England to see how they brought forward regional planning policies for strategic employment sites or similar.

- 2.69 It was identified that all but one of the former Regional Strategies made provision for strategic employment sites. However, none of the strategies provided a definition for strategic sites, or a rationale for designating them. The 2015 Study noted also that there was nothing in other Regional Strategies that shed doubt on the purpose and definition of strategic sites that was proposed to be used at that time. Furthermore, it was noted that other regions at that time took generally similar approaches to the West Midlands in relation to the features that strategic sites should offer.
- 2.70 No formal framework for regional planning has been put in place to replace the Regional Spatial Strategies since they were abolished in 2015. It has been left with local authorities and related groups to develop their own way forward for the delivery of strategic employment sites.
- 2.71 At present the LEP groups, elected Mayors and Combined Authorities (who have a central role in determining local economic priorities and undertaking activities to drive economic growth and job creation) are key to delivering regional strategic visions, and to leading regional and sub-regional strategy for sub-regions. In view of this we have reviewed a selection of Strategic Economic Plans and Council-led economic plans from across the Country to see how other regions may be planning for the delivery of strategic employment sites.

The North East

- 2.72 The North East LEP SEP (2017) (covering County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland) identifies that, of the market challenges the region faces, a limited supply of quality industrial accommodation is a key issue. There is a particular shortage of units in excess of 10,000 sqft. The SEP also recognises that there is significant growth potential in international investment and local supply chains, and the availability of high-level engineering and capability from design to manufacturing. A number of existing and proposed advanced manufacturing sites are identified within the SEP. However, there are no specific policies defining a need to identify further strategic employment sites, or the requirements for such sites.
- 2.73 The Tees Valley LEP SEP highlights employment growth as a Strategic Priority and recognises the need for modern employment space to support inward investment to the area. The SEP goes on to identify the key employment sectors in the area and emerging opportunities. No specific requirements for strategic employment sites are included the SEP.

North West

- 2.74 The Cheshire & Warrington LEP SEP (2017) identifies the importance of creating a sub-region that can offer high quality, readily available sites in which industry and commerce can invest. A continued ability to attract inward investment, to the benefit of the whole of the North, is highlighted as a key requirement. The SEP goes on to identify key growth opportunities which are focussed on a small number of defined, spatial propositions. However, the SEP does not set out any specific requirements for future strategic sites in the sub-region.
- 2.75 The Greater Manchester LEP SEP includes the creation of a thriving and productive economy as a priority. Within this the SEP sets out an ambition to have the right employment sites and premises, in the right locations to support economic growth in all parts of Greater Manchester, though no further detail on how this is to be achieved on a strategic level is included.
- 2.76 Building on the GMLEP Strategy, the emerging Greater Manchester Spatial Framework (Revised Draft 2019) highlights the importance of providing industrial and warehousing accommodation, particularly the key sectors of advanced manufacturing and logistics. The Framework identifies that there is a significant shortfall of strategic

employment sites, and that the only realistic option for addressing it is to remove some land from the Green Belt. Policy BM-P 4 'Industry and Warehousing Development' goes on to state that at least 4,220,000 sqm of new industrial and warehousing floorspace will be provided in Greater Manchester over the period 2018-2037.

East Midlands

- 2.77 In the East Midlands, the Leicester and Leicestershire LEP, along with the individual local authorities within the area have produced a Housing & Economic Development Needs Assessment 2017 (HEDNA) which refers back to the Leicester and Leicestershire Strategic Distribution Study. That Study considered that commercially attractive strategic logistics sites must be large enough, and flexible in their configuration, so that they can provide a variety of plot sizes, and with the ability to accommodate very large warehouses up to 100,000 sqm in size. This means the provision of regular shaped plots ranging from 3ha (for a 10,000 sqm unit) to over 25ha (100,000sqm) on the basis that floorspace is around 40% of total plot footprint.
- 2.78 The LEP's SEP refers to the contribution that major sustainable urban extensions and strategic employment sites can make to the area. Reference is made to a number of sites which are considered to be 'strategic employment sites'. No specific definition is given for these sites, but those referred to within the SEP range between 21ha and 23ha.

South West

- 2.79 The South West LEP covers the counties of Somerset and Devon and the unitary authorities of Plymouth and Torbay. The SEP includes a Priority for Growth that seeks to maximise productivity and employment opportunities. Included in that is acknowledgement that there is a need for infrastructure and facilities to create more and better employment, including strategic employment sites to meet the growth ambitions of the region. No definition for a strategic employment site is set out. In terms of implementation, the SEP identifies that to facilitate the development of strategic employment sites, input will be required from the public and private sectors.
- 2.80 The G First LEP (Gloucester, Cheltenham, Tewkesbury Cotswold, Forest of Dean, and Stroud) recognises the critical role that employment land provision plays in delivering economic growth. The SEP refers back to the employment land requirements for the authorities within its area. The Gloucester, Cheltenham, Tewkesbury Joint Core Strategy goes on to set out a number of 'Strategic Allocations' including a number of mixed use sites, which include employment land provision of 2 hectares up to 45 hectares.

South East

- 2.81 The Hertfordshire LEP SEP recognises that there are supply side challenges relating to the provision of both housing and employment land. In particular there is evidence of a loss of employment land, largely due to the pressure to provide housing. However, no specific guidance is given on how new strategic employment sites can be delivered.
- 2.82 For the Coast to Capital LEP (incorporating Brighton, East Surrey, Croydon and West Sussex) the SEP says that the growth and success of emerging businesses in the area is often put at risk by a lack of premises for them to occupy. This lack of suitable facilities has particularly impacted on the growth in larger businesses in the area. A number of key existing and proposed development sites are proposed, though no requirements for these sites are set out.

Conclusion

- 2.83 Since the revocation of Regional Spatial Strategies, no clear or consistent approach to the delivery of strategic employment land has been adopted, or is evident, at a regional or sub-regional level across the country. We have not identified elsewhere any clear definition of the role or purpose of a strategic employment site, or the parameters for such a site. This was also the case in 2015 when the 2015 Study similarly concluded that no other region has provided a definition of strategic sites, or a rationale for their designation. On this basis, we have found nothing in regional or sub-regional strategies produced since 2015 that would shed any doubt on the definition of strategic sites that was adopted in the 2015 Study, or which is adopted, with revisions, in this Study.

3. Market Position - Offices

- 3.1 Avison Young has prepared an overview of the office property market in the West Midlands with a particular focus on the core markets in Birmingham, Solihull, Coventry and Warwickshire and the Black Country.
- 3.2 It is recognised that, in addition to these locations, there are significant (although much smaller) office markets in other locations such as Leamington Spa, Stoke-on-Trent, Stafford, Worcester and other smaller centres. These centres are not considered as they primarily meet and provide for local office requirements and are not currently perceived as locations for regionally significant investment from national or international occupiers.
- 3.3 This section provides detail on current economic conditions, the role/offer of different areas of the market, and an analysis of demand and supply factors. We draw upon our market knowledge for our analysis taken from our in-house databases and commercially available data sets. Clearly, the course that the economy will take going forward becomes increasingly dependent on the outcome of the Brexit negotiations. However, the regional office market to date has defied the pre-Brexit 'doom and gloom' with continued strong occupational demand across the region over the previous two years.
- 3.4 Underlying demand in key regional cities is predominately from occupiers focusing on national business and consolidation and is therefore relatively insulated, compared to London, from changes in any trade agreements. Although the occupational market has been less affected by Brexit to date, this has had a greater impact upon the development and investment markets, with a notable shift in sentiment as the uncertainty of 'no decision yet' remains. The impact of the current 'rework and delay' outcome taken alongside the election of Boris Johnson as Prime Minister is likely to continue to have an adverse effect on market confidence and decision making.

Birmingham City Centre

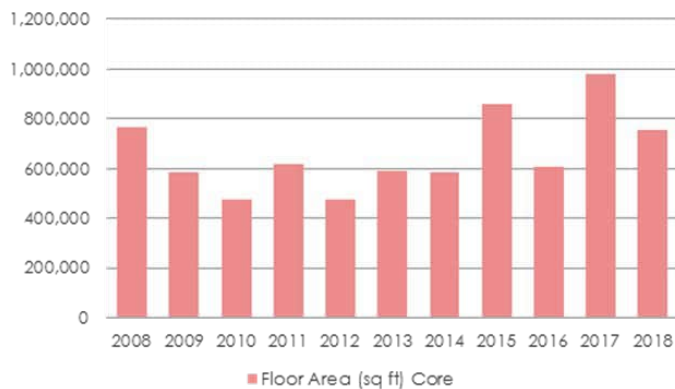
Summary of Current and Future Office Supply

- 3.5 The total office stock in Birmingham's office market was approximately 1.6 million sqm (17.7 million sqft) in 2018. At this point approximately 0.2 sqm (1.64 million sqft) was vacant, reflecting a vacancy rate of 9%, of which approximately 27,034 sqm (291,000sqft) is available Grade A (new and refurbished), circa 92,937 sqm (1 million sqft) Grade B and the balance Grade C, some of which is obsolete and incapable of being let.
- 3.6 Total office stock in the prime core extends to approximately 100,335 sqm (10.8 million sqft) with 269,419 sqm (2.9 million sqft) located within the outer central business district (CBD), which has traditionally been defined as the St Paul's Square and the Digbeth/Eastside (including Eastside Locks) areas of the city centre. The remaining 371,612 sqm (4 million sqft) is located within the Westside of the City.

Demand

- 3.7 As the UK's second city and the economic powerhouse of the West Midlands, Birmingham is a significant office location with the largest business and financial services (B&FS) representation outside London (24% compared to the UK's 22% national average). Office take-up for Central Birmingham in 2017 totalled 93,401 sqm (1.05 million sqft), the highest ever recorded. In 2018, office take-up totalled 70,074 sqm (754,000 sqft), which remains above the 10-year average.

- 3.8 The difference between these 2 years is predominately due to the lease of a 22,305 sqm (240,000 sqft) government hub at the Arena Central development scheme. However, both years demonstrate the continued strong demand for city centre offices.



Source: Avison Young, 2019 Birmingham City Centre: Office Demand

Key Trends

- The 5 year average now stands at 75,159 sqm (809,000 sqft). Historically this has always hovered around 65,032 sqm (700,000 sqft) and demonstrates a growing marketplace. To put the 2017 take-up in Birmingham City Centre into context, the annual average since the 2008 crash has been 67,076 sqm (722,000 sqft), while the 1999 – 2008 average was 57,414 sqm (618,000 sqft);
- The city attracted more inward investors than ever before – key occupiers including Beazley Insurance, HS2, RICS, HMRC, PWC, Allegis committed to Birmingham;
- Grade A leasing activity amounted to 55% (50% typical);
- HS2 occupier activity amounted to just over 9,290 sqm (100,000 sqft) (10%);
- The 5 largest deals accounted for 43% of the marketplace;
- Prime rents are £34 psf achieved in Quarter 2 2018 with WeWork committing to high quality ‘back to frame’ space at 55 Colmore Row; and
- Current standing stock of brand new grade A supply now only stands at about 22,389 sqm (241,000sqft) – compared to average grade A take up of c 37,532 sqm (404,000 sqft).

Inward Investment

- 3.9 Birmingham has historically appealed in the main to indigenous occupiers. However, over the past few years and in line with the City's increased recognition both internationally and nationally, international companies have started to show interest in relocating to the city.
- 3.10 With many occupiers turning their backs on ‘off shoring’ in favour of ‘near shoring’ and London experiencing rental growth in the nearer term, coupled with the occupiers’ requirements for a reduction in operating costs and improvement in occupational resilience, this bodes well for Birmingham and other major regional cities. Examples include the following.
- 21,665 sqm (233,200 sqft) – Gov't Property Unit at 3 Arena Central relocating from London
 - 6,689 sqm (72,000 sqft) – Head Quarters for Commonwealth Games to 1 Brindleyplace
 - 4,329 sqm (46,600 sqft) – Irwin Mitchell relocating to The Colmore Building
 - 2,787 sqm (30,000 sqft) – RICS relocating from Coventry
 - 5,574 sqm (60,000 sqft) – PwC relocation from South East to merge with existing Birmingham operation

- 2,044 sqm (22,000 sqft) – General Dental Council relocating from London
- 19,695 sqm (212,000 sqft) – HSBC relocating from London
- 8,640 sqm (93,000 sqft) – We Work

Development Pipeline

3.11 Following a 5-year period of little or no development a new cycle of construction is underway. However, only 51,561 sqm (555,000 sqft) of speculative space (at 2 Chamberlain Square and at 3 Snowhill) was under construction and due for completion in 2019 as follows:

- 2 Chamberlain Square which comprises 15,515 sqm (167,000 sqft) net internal area (NIA).
- 3 Snowhill which comprises 36,046 sqm (388,000 sqft) NIA of floorspace is being marketed.

3.12 The next most deliverable new build solutions where full planning permission has been granted comprise:-

- 1 Arena Central 13,006 sqm (140,000 sqft) NIA; and
- 103 Colmore Row 21,182 sqm (228,000 sqft) NIA (construction is now underway).

3.13 In respect of significant Grade A refurbishment schemes, whilst in each case the start date is yet to be announced, speculative development is anticipated to come forward on the following sites:

- 10,405 sqm (112,000 sqft) at Platform 21, New St is underway. Guide rent £23.50 psf.
- 9,290 sqm (100,000 sqft) at Ladywood House, New Street – Practical Completion estimated 2021. Guide rent mid £20s psf.
- 12,356 sqm (133,000 sqft) at 19 Cornwall Street – Practical Completion estimated 2020. Guide rent estimated at £30 psf.

3.14 The supply of competing development sites is otherwise severely constrained and at an all-time low. Future development schemes of any merit include the following.

- New Garden Square, Edgbaston which is a 55,742 sqm (600,000 sqft) office led, mixed use development being brought forward by Calthorpe Estates and U&I. A funding partner will be required to enable development from 2020.
- Axis Square which is a 92,936 sqm (1 million sqft) scheme situated immediate behind Arena Central, being brought forward by LCR but a CPO is needed. A funding partner will be required to bring forward development from 2021. Scheme viability is an issue given considerable site assembly costs.
- Martineau Galleries where there is potential for a 139,405 sqm (1.5 million sqft) scheme opposite the HS2 station. The site is owned by Hammerson who are considering selling their interest. The scheme is unlikely to come forward until 2026 in light of site constraints and to coincide with the completion of HS2.
- The House of Fraser site, where vacant possession is subject to the outcome of a CVA. Owned by Legal and General but no appetite for speculative development and likely to seek funding partner.

Grade A Availability – Summary

3.15 Having regard to the above, the supply of available Grade A office space may be summarised as follows.

- Existing new and refurbished supply – 27,035sqm (291,000 sqft)
- Wholesale refurbishments completing in 2019/20 – 40,227 sqm (433,000sqft)

- Speculative development completing by 2023 – 98,942 sqm (1,065,000 sqft) (2 Chamberlain Square & 3 Snowhill).

3.16 A total of 1.789 million sqft of 'Grade A' space is either immediately available or completing by the end of 2022. The 5-year average post-recession 'Grade A' take up figure amounts to 37,533 sqm (404,000 sqft) pa. Assuming market conditions remain constant, this would therefore suggest that occupational demand and supply are likely to be in equilibrium over the next 4 years until 2022. If an extraordinary transaction (e.g. a large inward investor) occurred in the intervening period, a supply shortage would likely emerge sooner.

Greater Birmingham Out of Town Offices Market

3.17 The Greater Birmingham Out of Town Offices market predominately comprises of Solihull, focusing on Junction 4 to 6 of the M42 and the primary business parks surrounding Birmingham. Historically, demand in the Solihull and Birmingham Out of Town Office markets has been driven by firms in the ICT and Utilities sectors, occupying HQ style accommodation, attracted by lower cost, flexibility, and availability of car parking compared to the City Centre. More recently, these occupier sectors have been overtaken by organisations within the automotive transport sectors and IT/Gaming, albeit there is not one stand out sector. However, given the BREXIT uncertainty, the market has seen a re-balancing towards business services firms seeking good quality accommodation at a discount to the city centre.

3.18 Birmingham's Out of Town Office market witnessed a boom in the early 1990's when improvements in the area's transport infrastructure (including proximity to airports) coincided with the emergence of out of town business parks as popular office locations. The M42 corridor, particularly the area East and South East of Birmingham, proves particularly popular in this market given its advantage of ease of access to the national motorway network for organisations that are more reliant on car use.

3.19 Much of the development in the early stages was focused on Birmingham Business Park and subsequently Blythe Valley Park in the early 2000s. Since then completion levels of new builds have been relatively low, due to build cost inflation outstripping rental inflation, which can often make schemes unviable, although over the past five years there has been a trend of landlords speculatively refurbishing buildings following the expiry of 20/25 years. Further, there is evidence that occupiers increasingly prefer city and town centre locations due to the high level of surrounding amenity, access to employment talent pool, and a drive towards sustainability and reduction in the use of vehicles and increase in the use of public transport. This has resulted in many owners redeploying areas of their strategic land holdings for residential development, as opposed to offices.

Supply and Development Pipeline

3.20 The Solihull and Birmingham Out of Town Office markets have an estimated stock of 1.44 million sqm (15.5 million sqft). The out of town market witnessed a boom in the early 1990's, which coincided with infrastructure improvements in the area and an increasing popularity of business park locations. This was predominantly due to the ability to offer good quality office space with better car parking ratios at a discounted rental level to the city centre.

3.21 Development also surged in the late 1990's and early 2000's with the emergence of Blythe Valley Business Park and further expansion of Birmingham Business Park. However, more recently, development activity has reduced due to an increasing focus towards office development in the city centre, with out of town development focused towards the industrial sector.

- 3.22 Current availability (including projects under construction and due to complete within the 6-month period) currently stands at 61,223 sqm (659,000 sqft). This equates to a vacancy rate of 4.2%, compared to the historic low of 2000, when vacancy stood at 2.1%. The highest level of vacancy in this market was recorded at 8.3% in 2005. The below table, sourced from PMA, demonstrates the historic context of the Solihull and Out of Town availability trends.

Date	Availability (000s sqft)	Vacancy Rate
1980 - 1999 Peak		1982 – 3.8%
1980 - 1999 Trough		1989 – 0.2%
2000 - 2017 Peak		2005 – 8.3%
2000 - 2017 Trough		2000 – 2.1%
2012	1,083	7.1%
2013	1,153	7.5%
2014	1,000	6.5%
2015	809	5.3%
2016	625	4.1%
2017	695	4.5%
Mid-2018	659	4.2%
% change 2017 – Q2 – 2018	-5.3	

Source: EGI, Agents, Local Authorities, PMA

- 3.23 The Solihull and Out of Town Office market does have a limited development pipeline with 1.1 million sqm (12 million sqft) of office space in the development pipeline, of which 405,986 sqm (4.37 million sqft) benefits from existing planning permission.

Demand

- 3.24 The first six months of 2018 demonstrated a healthy market take up of 17,466 sqm (188,000 sqft), largely as a result of a number of larger transactions, including a pre-sale on a new 5,202 sqm (56,000 sqft) headquarters building to IM Properties. The full years take up totalled 34,154 sqm (367,500 sqft), which exceeded the 2017 take up of 28,345 sqm (305,000 sqft) consistent with that of 2016. In an historical context this can be compared to an annual average of 31,506 sqm (339,000 sqft), since the start of the economic turmoil in 2008.

Date	Take Up (000s sqft)
Average 1984 – 93	146
Average 1994 – 03	327
Average 2004 – 08	209
Average 2009 – 16	339
2013	249
2014	464
2015	528
2016	312
2017	305
6 month % change to Q3 2018	-9

Source: Avison Young, Agents, PMA

Coventry & Warwickshire

- 3.25 The Coventry & Warwickshire market is part of a wider regional market including Coventry, Leamington Spa and Warwick. Typically, Coventry has appealed to national occupiers seeking to provide back office functions, Leamington has a particularly active games software industry and Warwick has catered for HQ occupiers from the media, manufacturing and utilities sectors. As these markets have expanded and the business parks developed these occupiers have become more homogenised with all three locations now competing for the same occupiers.
- 3.26 Coventry and Warwickshire have a total estimated office stock of over 743,224 sqm (8 million sqft) largely dating to the 1950s and 1960s. The wider Coventry area benefits from several out of town office parks, including those at Warwick and Leamington Spa, located to the south. Contrary to trends elsewhere a number of these out of town office parks have been earmarked for future development to help facilitate further growth in research and development.
- 3.27 The Warwickshire area has proved a popular location for R&D and High-Tech Operations, two of the largest being IBM and Telent located at Opus 40 Business Park, Warwick.

Demand

- 3.28 In terms of annual trends in Coventry, take up in 2017 was estimated to be 19,138 sqm (206,000 sqft), on a par with 2016. To put the year 2017 take up level in Coventry in a historic context, the annual average since the 2008 crash has been 20,439 sqm (220,000 sqft), while the 1999-2008 average was 26,942 sqm (290,000 sqft).
- 3.29 Despite relatively healthy levels of take up in 2017, this was boosted by a couple of sizeable deals, rather than widespread demand across the size bands. Arvato let just over 2,415 sqm (26,000 sqft) at the Icen Centre at Warwick Technology Park whilst Arden University agreed to nearly 2,323 sqm (25,000 sqft) at 1M Middlemarch Business Park. The only other notable deal saw The Financial Ombudsman sub-let two floors at One Friargate, a new office development that completed in Q3 2017, and Wolseley UK leasing 33,000 sqft in September 2018 on Warwick Technology Park.
- 3.30 Most deals in Coventry are typically agreed in the out of town market, where better quality office space at generally modern business parks can be found. By comparison, the city centre has historically struggled to attract any kind of investment and currently consists of poor-quality stock confined by the boundary of its ring road. Developments like Friargate in the city centre will add much needed prime stock to the market. The scheme is aimed to respond to the demands of the city's growing professional services and IT sector requirements for prime flexible office space and the masterplan includes 4 Grade A office buildings with restaurants and retail on the ground floors. One Friargate was the first building to be constructed and is occupied by Coventry City Council and the Financial Ombudsman Service. Two Friargate will provide 12,639 sqm (136,000 sqft) and will be delivered either speculatively or through a pre-let by Q4 2021.
- 3.31 The relationship between out of town and city centre take-up is approximately 80%/20%, considerably different to the UK regional average at around 53%/47%.

Supply and Development Pipeline

- 3.32 The 2018 availability equated to a vacancy rate of 4.1%. This was the lowest recorded since 2000 which is predominantly due to limited speculative new build development and the challenge of build cost inflation outstripping that of rental growth. The highest level of vacancy was recorded at 11.8% in 2000.

- 3.33 Coventry has continued to see a decline in available space over the first half of 2018, in line with the trend witnessed since 2010. Despite take up being subdued, deals within the smaller size bands have eroded space, whilst very little secondary stock was returned to the market to counteract these deals.
- 3.34 Similarly, the region saw a decrease in available office space over 2017 and although take up was subdued, demand was still enough to erode more space than was made available. Again, this is predominantly due to limited supply and the impact of 'change of use' of office buildings which have been converted to residential/student accommodation. An example of this is 1,208 sqm (13,000 sqft) at The Oaks on Westwood Way which was removed from the office market for demolition to develop student accommodation, and Coventry University buying Parkside on the edge of Coventry City Council extending to 70,000 sqft.
- 3.35 2017 did however represent a peak year for completions across the Coventry market, but none of which will be available to let in the open-market. It is all the subject of pre-let or pre-sale agreement or direct development by existing occupiers, particularly Jaguar Land Rover at the new R&D Innovation Centre at Warwick.
- 3.36 Following a number of decades with little or no development, the city centre is now starting to see commercial modernisation led by the demolition of redundant 1960s office buildings largely within the Friargate Scheme, the completion of the Boulevard linking Coventry Railway Station to the city centre at grade and the completion of Coventry City Council's own building at One Friargate.
- 3.37 The market has seen limited levels of prime new speculative development since the turn of the millennium. Consequently, fluctuations in availability over this period have generally been driven by the release or take up of second-hand space by occupiers rather than new completions.
- 3.38 The region does have a relatively large development pipeline; there is currently 761,804 sqm (8.2 million sqft) of office space in Coventry's development pipeline, which equates to 94% of stock. Analysing the pipeline in more detail, there are 19 schemes over 9,290 sqm (100,000 sqft), and 15 of between 4,645 to 9,290 sqm (50-100,000 sqft). Whilst some of this will space will not ultimately be delivered for office use, development will help rebalance the supply and demand relationship. However, there is currently no office space under construction across the Coventry market.

Black Country

- 3.39 The Black Country is comprised of the four local authority areas of Dudley, Sandwell, Walsall and the City of Wolverhampton. The area is diverse, from the M5 corridor to the Waterfront at Merry Hill and the town centres of Halesowen, Dudley, West Bromwich and Walsall. These areas have seen a range of office developments completed between 1990 and 2008, however there has been virtually no new office space developed over the past decade. The focus has therefore been towards the refurbishment and re-letting of existing, previously occupied buildings.
- 3.40 Overall demand within the Black Country office market has historically been limited and predominantly led by public sector occupiers, which remains to be the case. However, variation between the four authority areas exists, with some areas appearing stronger than others. Supply within the Black Country has also historically remained stable due to limited development taking place in the market.
- 3.41 The office stock within the Black Country is widespread resulting in no central office hub, unlike competing markets. Due to the nature of the market, saturation of supply can be found in out of town locations, with the traditional centres seeing little office use or development. Therefore, due to the lack of central development, business parks & arterial route locations are more common. We identify below some key office locations within the Black Country;

- Wolverhampton Business Park;
- Providence Place, West Bromwich;
- The Waterfront, Brierley Hill; and
- Castlegate Business Park, Dudley.

3.42 It is estimated that the Black Country currently has 1.134 million sqm (12.203 million sqft) of office space, however, supply does vary as follows:

- Dudley provides 338,983 sqm (3.647 million sqft) of which 3,894 sqm (41,895 sqft) is Grade A;
- Sandwell provides 296,390 sqm (3.189 million sqft) of which 16,514 sqm (177,686 sqft) is Grade A;
- Walsall provides 169,146 sqm (1.82 million sqft) of which 2,014 sqm (21,669 sqft) is Grade A; and
- Wolverhampton provides 329,608 sqm (3.546 million sqft) of which 12,936 sqm (139,188 sqft) is Grade A.

3.43 The vacancy rate in Dudley currently sits at 4.4% for the year to date which is at its lowest it has ever been over the last decade. This compares to the 10 year average of 11.6% vacancy. However, there is no development pipeline for offices in the market with the last new stock being built in 2017.

3.44 The vacancy rate in Sandwell currently sits at 3% for the year to date which is also at its lowest it has ever been over the last decade. This compares to the 10 year average of 5% vacancy. There is currently no Grade A availability in Sandwell. In addition, there is no development pipeline for offices in the market, with the last new stock being built in 2016.

3.45 The vacancy rate in Walsall currently sits at 1.5% for the year to date which is similarly at its lowest for the last decade. This compares to the 10 year average of 6.1% vacancy. There is currently no Grade A availability in Walsall. In addition, there is no development pipeline for offices in the market, with the last new stock being built in 2015.

3.46 The vacancy rate in Wolverhampton currently sits at 6.6% for the year to date. This vacancy rate sits against the 10 year average of 6.3%. The lowest vacancy rate within the last decade was 4.0% in 2016 and the highest was 8.9% in 2010. There is currently 2,562 sqm (27,567 sqft) of Grade A availability in Wolverhampton. In addition, there is currently 10,223 sqm (110,000 sqft) within the development pipeline for offices to be built at Wolverhampton Business Park. The latest development completed in the market was 2 Exchange Court, a 2,230 sqm (24,000 sqft) building located on Wolverhampton Business Park. Further Grade A Office accommodation is being brought forward in the commercial hub around the new Wolverhampton City centre rail, metro and bus Interchange.

Conclusions

3.47 Since the 2015 Study the private sector market has increasingly seen the benefits that regional locations provide for premises due in part to lower occupancy and labour costs. We expect this broad trend to continue.

3.48 Further, judging by the reported ambitions of the co-working sector, 2019 will be the third year in succession of continued growth in take up attributable to serviced office providers, particularly in Birmingham City Centre.

3.49 However, the appetite for development, and the availability of strategic sites for development, varies significantly across the region. On the whole, market evidence still suggests that availability of existing built space continues to tighten, whilst many developers resist the opportunity to develop speculatively due to the associated economic and development risks. Therefore there remains a strong level of planned supply of sites readily available which can accommodate any resulting new development in areas outside of the traditional Birmingham City Centre office core.

4. Market Position – Industrial

- 4.1 Avison Young has prepared an overview of the industrial property market in the West Midlands to inform this Study. This section provides detail on economic conditions through 2018, and an analysis of demand and supply factors at both a national and regional scale. The source of all data and charts within the section is Avison Young, unless stated otherwise.
- 4.2 For the avoidance of doubt, where we refer to the 'West Midlands' in our commentary on take up and supply in this Section, we are referring to the area that is covered by the Metropolitan Boroughs that make up the West Midlands conurbation together with Worcestershire, Warwickshire, Staffordshire, Shropshire & Herefordshire. This differs from the geographical area covered by this Study in that it includes Shropshire, Herefordshire and Worcestershire. All references should be read in this context, both in this section and where our commentary feeds into other sections of this Study. Any reference to the 'East Midlands' includes also Derbyshire, Leicestershire, Nottinghamshire, Lincolnshire, Rutland and Northamptonshire, and any references to 'The Midlands' are to the 'West Midlands' and 'East Midlands' areas as defined in this paragraph.

Economy

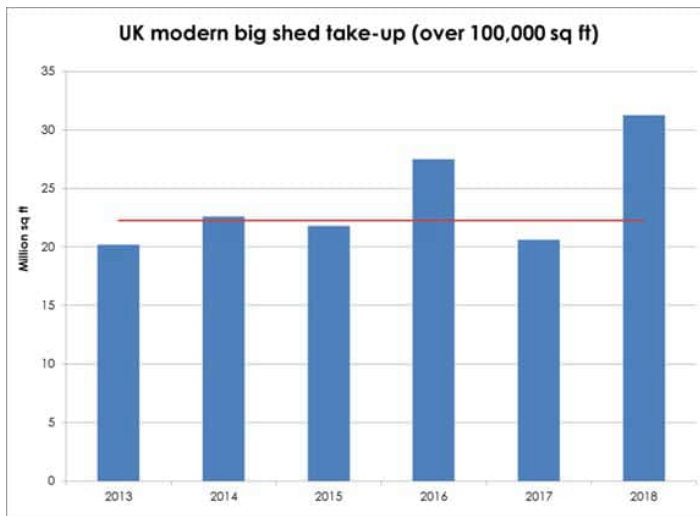
- 4.3 UK economic growth remains subdued as the drawn-out process to leave the EU has left the UK engulfed in a prolonged period of uncertainty, which continues to weigh on business decisions in both the manufacturing and services industries. The key business confidence survey (Markit/CIPS) has hovered around the crucial 50 no-change threshold over the past few months. However the UK labour market remains buoyant with the lowest levels of unemployment since 1974.
- 4.4 The outlook for UK economic growth continues to be dominated by political and Brexit-related matters. In the short-term this is likely to have a knock-on effect on the economy as the uncertainty remains. This comes at a time where global factors are less favourable, with escalating global trade tensions and a slowdown in the global economy potentially adding further stress to the UK economy. Output growth is anticipated to come in under trend at 1.2% for 2019, 1.3% in 2020 and an average of 1.7% per year in the 2021-2024 period.

National Overview

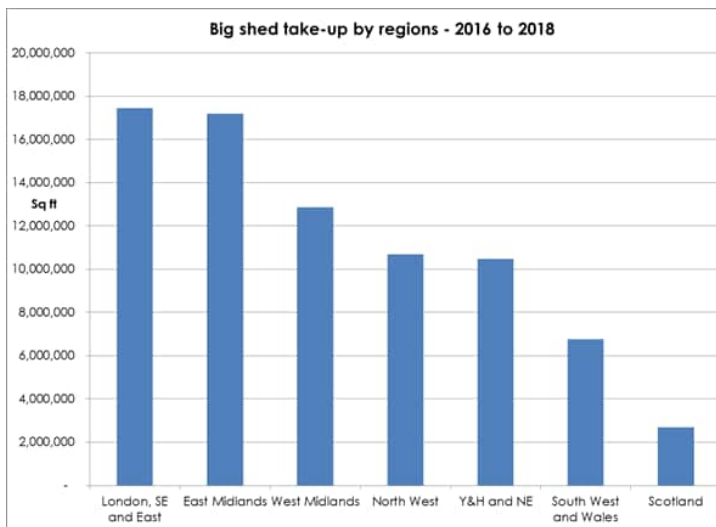
Demand

- 4.5 Overall occupier demand for the industrial market remained strong through 2018. This was driven by a wide range of potential occupiers from sectors including retail and wholesale, online retailing, third party logistics and high value manufacturing/engineering.
- 4.6 The Industrial and logistics sector continued through 2018 to benefit from the strong growth in e-commerce and the structural changes to the retail sector as the competition intensifies for the reduction in delivery times. The importance placed on 'last-mile' delivery will continue to support demand for logistics assets.
- 4.7 This demand is evident in take-up levels of the industrial and distribution market for the last few years. For the purposes of this report we have analysed take-up of Grade A new/modern warehouses over circa 9,290 sqm (100,000 sqft). The take up of Grade A new/modern warehouses of this scale in the UK since 2016 (and up to the end of 2018) amounted to a national average of circa 2.5 million sqm (26.5 million sqft) per annum, which was 21% above the long-term average.

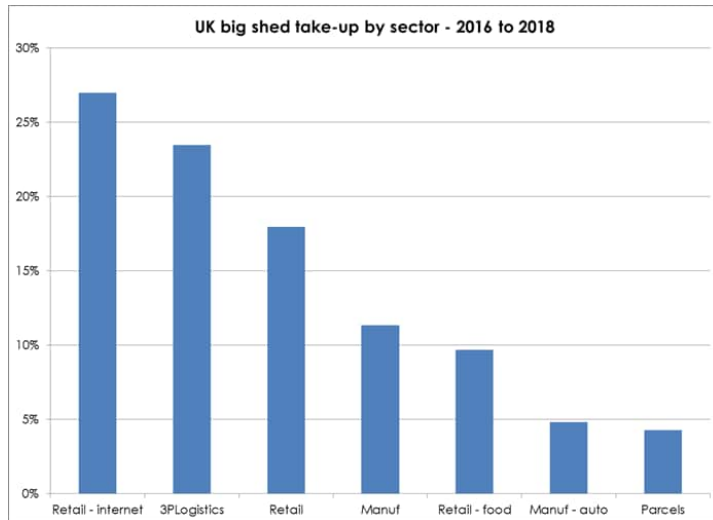
4.8 The average annual take-up of new floor space for the Midlands region was 50% greater in the period from 2014 to 2018. In addition, there was significantly greater activity in the mid-box sector (25,000-75,000 sqft). This sector is increasingly taking up development land at existing strategic employment sites.



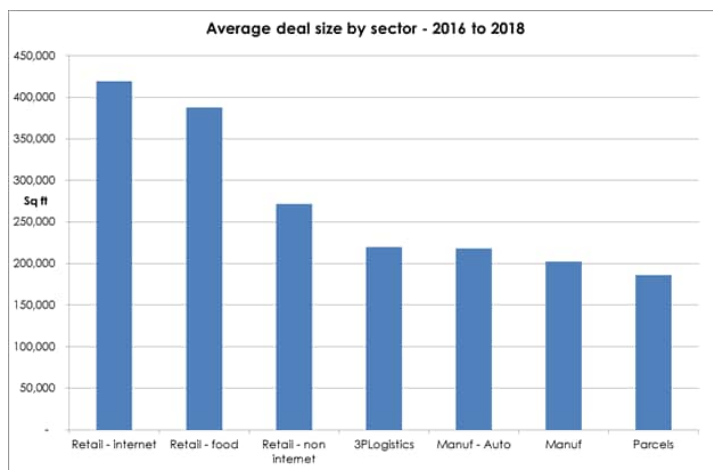
4.9 At a regional level, the Midlands accounted for 38% of UK take-up (957,000 sqm or 10.3 million sqft pa) over this time (i.e. 2013-2018). This was broken down to 22% in the East Midlands (539,033 sqm or 5.8 million sqft) and 16% in the West Midlands (408,922 sqm or 4.4 million sqft). This compared to 22% in London, the South East and East; 17% in Yorkshire and the North East and Scotland, 14% in the North West and 9% in South West and Wales.



4.10 Over the three year period (2016-18) sectoral demand was dominated by the retail sector with non-internet retail (28%), ecommerce (27%) and third party logistics (23%) all contributing significant shares of activity. Although demand from manufacturing occupiers fell in 2018 it has accounted for 16% since 2016, of which almost a third was from the automotive subsector.



- 4.11 Take-up levels were boosted by some exceptional deals, including over 1.5 million sqm (16 million sqft) to Amazon in 29 deals, which amounted to 20% of all take-up. The largest was 204,461 sqm (2.2 million sqft) over four floors at London Distribution Park, Tilbury. The next most acquisitive occupier was Lidl who took 418,216 sqm (4.5 million sqft). Many of the larger deals were either pre-lets or land sales.
- 4.12 Many of the deals to logistics providers can be attributed to contracts outsourced from retailers with XPO, Eddie Stobart, Clipper Logistics and Wincanton being particularly active. Of the retailers, the discounters The Range and B&M were among the largest deals, and after Lidl, Aldi and Co-Op were the most active in the food sub-sector. Although the manufacturing sector was quiet in 2018 JLR and its supply chain are the stand out occupiers of the last few years. More recently 37,175 sqm (400,000 sqft) has been pre-let at Hams Hall for battery assembly which illustrates the change from diesel engines to battery technology.



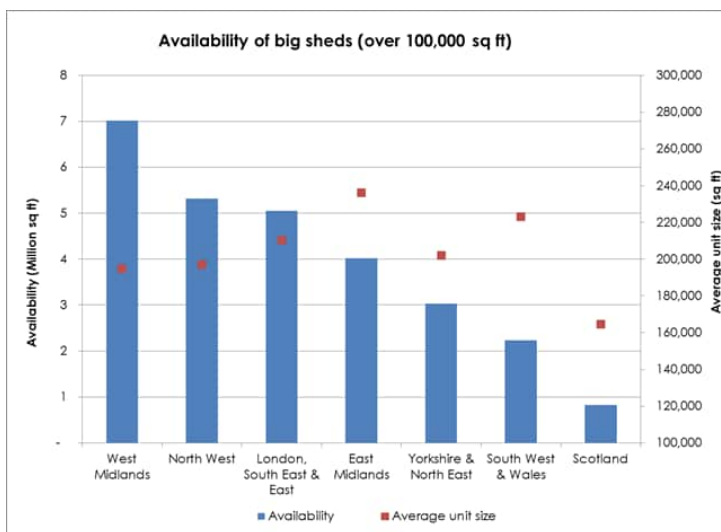
- 4.13 The RICS UK commercial property market survey (Q1 2019) confirmed that the performance in the industrial sector occupier and investment markets remains resilient. It said that:-

“Solid fundamentals continue to drive growth in the industrial sector....the sector continued to see a steady rise in tenant demand. Alongside this, vacant space across the industrial sector continued to edge down, although the decline in Q1 was the most modest since 2013....with regards to the outlook for rents, contributors are still anticipating further growth across both prime and secondary areas of the industrial market over the next 12

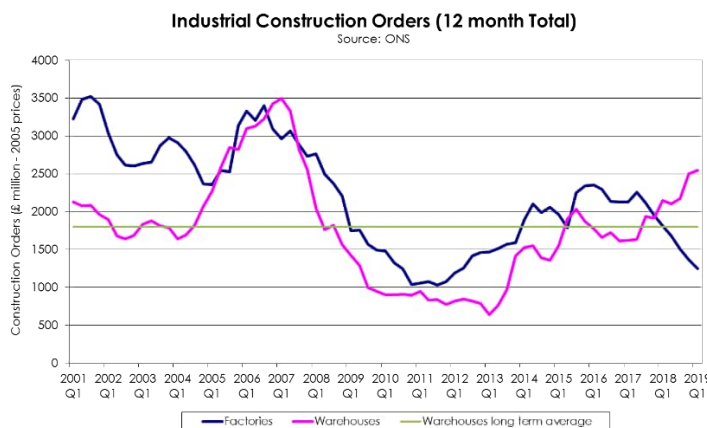
months...meanwhile, the investment enquiries indicator remained in positive territory across the industrial sector, albeit to a lesser extent than at any other point over the past two years”.

Supply

- 4.14 In terms of supply, availability of modern big sheds in the UK (as at the end of 2018) amounted to 2.54 million sqm (27.3 million sqft), approximately 15 months’ supply based on past take-up rates. This compared to 2.25 million sqm (24.3 million sqft) recorded at the end of 2017. Supply has been at around this level for the past three years but fell dramatically from 8.36 million sqm (90 million sqft) at the end of 2009.
- 4.15 Although the Midlands (West and East) had the highest level of availability of supply at over 1.02 million sqm (11 million sqft) the supply (when compared to take-up rates), was similar to the rest of the UK at just over a year. This is corroborated by the low vacancy rate in the region, which we discuss later.



- 4.16 The annual level of new construction orders (a proxy for development activity) across the warehouse sector remained well above the long-term average as can be seen in the chart below. With a large number of speculative completions in the pipeline as well as some modern second-hand sheds returning to the market, we expect supply levels to gradually increase. However, assuming continued occupier demand we anticipate supply will continue to remain relatively constrained subject to the outcome of Brexit negotiations.



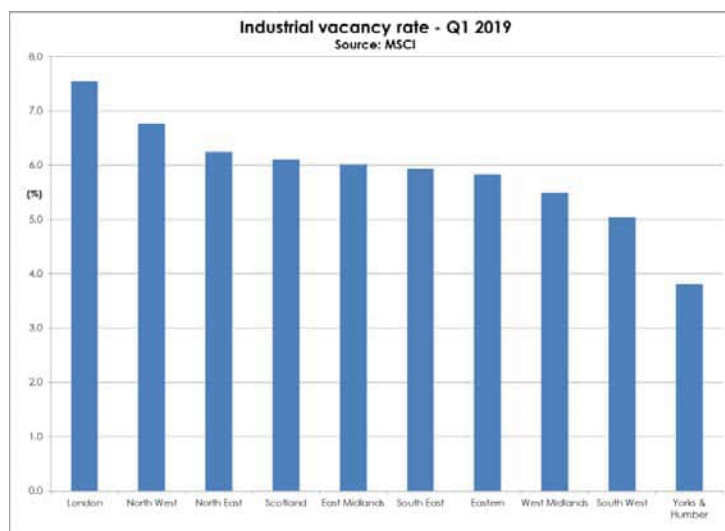
- 4.17 Speculative activity during this development cycle has been mainly concentrated in core locations. This is emphasised by the dominance of the Midlands. Speculative units tend to be proportionally smaller than the larger

bespoke design and build units, to reduce exposure to risk. The Midlands speculative supply has risen from just over 464,515 sqm (5 million sqft) in 2017 to just under 622,450 sqm (6.7 million sqft) in 2018.

- 4.18 Design and build occupiers have been increasingly looking at off prime locations where labour availability and rents provide lower cost solutions. There are greater pre-let opportunities and there is less competition for sites from speculative developers who have tended to concentrate on prime locations.
- 4.19 Demand for development sites is still very strong from both developers and many investors. Robust capital value and rental value growth continues to keep development viability healthy, in spite of the recent growth in building costs and uncertainties in the market. The larger Midlands speculative development sites include M6DC Cannock, Hinckley Park, Hinckley, Panattoni Park Nottingham and Northampton and Bericote Four Ashes, Wolverhampton, South Staffordshire.
- 4.20 Demand in the big shed market is being matched by design and build construction and speculative development. In comparison, the multi-let sector also has a broadening occupier base and growth in demand but is not being matched by an increasing level of supply although this picture is changing in 2019. There continues to be a lack of speculative development for multi-let industrial estates as the costs are relatively high and a lot of the sizes are less attractive to the larger investor. Development constraints, difficulties in funding developments without pre-lets and the loss of some estates to alternative and higher value uses is restricting supply. This means that existing major logistics and industrial parks generally attract high occupational take-up, driving rental growth performance and minimising voids.

Vacancy rates

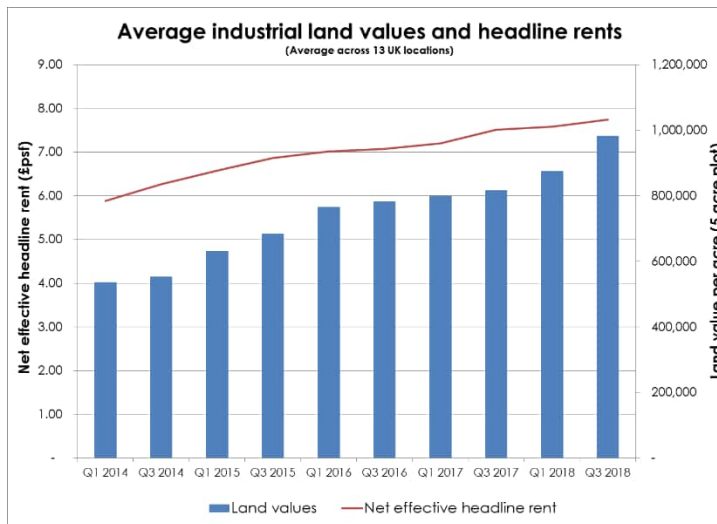
- 4.21 According to the investment property database MSCI (Morgan Stanley Capital International) the national vacancy rate for distribution property stood at 4.5% at Q3 2019 and has been below 5% for the last six years but fell from 11% in 2009. MSCI provides regional vacancy rates for all industrial property. All regions have relatively low vacancy rates, ranging from 4.6% to 7.6% as can be seen from the chart below. This is indicative of the strong demand in recent years combined with constrained supply and relatively limited levels of construction activity.



NB. the y axis is the % of available stock to total stock. These vacancy rates appear at a level where there is healthy demand but also a choice of supply for occupiers.

Land values

- 4.22 There has been exceptionally strong growth in industrial land values over the four years to Q4 2018. Over the 13 locations that we monitor, the average price rose from £537,000 an acre in Q1 2014 to £983,000 in Q3 2018 (83% increase based upon a typical land sale of 5 acres). The land constraints in the South East mean that increases in land values have been by far the strongest, particularly in London where values have soared. For example values in Park Royal have increased by 120% and in Enfield by 180%. Across the Midlands and North West values increased by over 50% whereas values in Bristol, Cardiff, and Glasgow remained stable.



Rental growth

- 4.23 The supply/demand dynamic for industrial space continues to put pressure on rental values. Average net effective prime rents for the 13 locations we monitor increased by 3.1% over the 12 months to December 2018 and by 31% over the past four years. The rent free period on a ten year term has fallen from an average of 12 months to 8 months over that time.
- 4.24 According to MSCI's quarterly index average distribution rental growth increased by 3.4% during 2018. This continued a growth rate that has sustained for the last four years.

Outlook

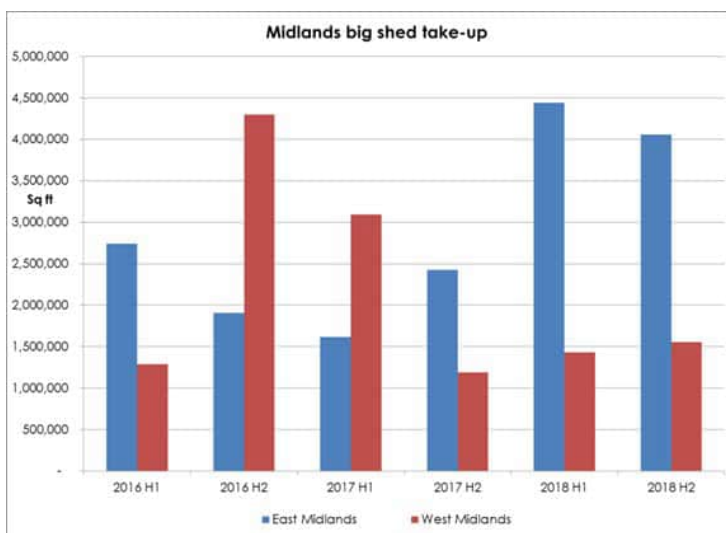
- 4.25 The fundamentals in the industrial sector have remained resilient despite the uncertainty caused by the EU referendum although 2019 saw some softening of investor and occupational demand. Activity continues to be underpinned by the strong demand from online shopping and 'last-mile' delivery where space requirements are expected to increase in step with the 10% annual increase in online retail sales. This could lead to further stress on industrial land availability which is competing with higher value uses, and will maintain pressure on land values in prime areas. As such, we expect a continuation of low vacancy rates and positive rental growth.
- 4.26 Brexit is unlikely in the longer term to overturn the benefits from the structural changes occurring within the industry. Online retailers, such as Amazon will continue to grow and demand space to fulfil e-commerce orders and 'last-mile' deliveries. However, the industrial sector is not immune from a hard Brexit which could cause disruptions in the supply chain process, including agreement on the movement of goods, the costs of tariffs and the availability of labour.

The Midlands (Combined East and West Midlands)

- 4.27 The Midlands is one of the UK’s leading industrial locations. It is home to a number of international manufacturers and large-scale logistics businesses attracted by its excellent connectivity and favourable demographics, access to markets and availability of suitable labour. Occupier demand for logistics accommodation in the Midlands is driven by the cost savings which can be obtained from efficient distribution, and drive time benefits to the UK population. This has seen the establishment of the largest logistics hubs and a wide range of parcel sortation depots. Industrial occupiers are drawn to the Midlands by its ready access to labour and raw materials and its long history of vehicle and aerospace manufacturing. The Midlands conurbations now offer a diverse range of multi-let and mid urban industrial estates and national distribution and logistics centres which appeal to local regional and national companies.
- 4.28 As evidenced by the statistics below demand has been dominated by the retail sector, with ecommerce (30%), non-internet retail (28%) and third-party logistics (32%) all contributing significant shares of activity. Demand from the manufacturing sector fell following strong activity in 2016 and 2017.
- 4.29 Occupiers are increasingly influenced by the importance of efficiency, image, CSR and green credentials. In light of this, in addition to expansion of the key logistics sectors which dominate the markets, a number of occupiers are looking to ‘trade up’ from secondary space to new accommodation. This is particularly relevant to the availability of new development both on a speculative and pre-let basis where lead in times can be minimised by the provision of well located, serviced sites available for immediate development.

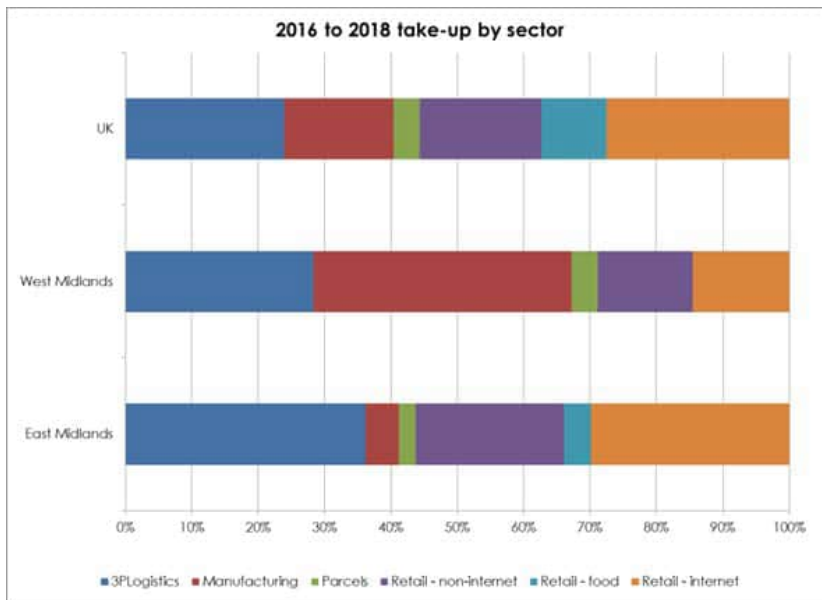
Demand

- 4.30 As with the UK overview we have concentrated our analysis on deals since 2016 and up to the end of 2018. Take-up of new/modern warehouses over 9,290 sqm (100,000 sqft) over this period averaged 0.95 million sqm (10.3 million sqft) p.a. across the Midlands over the past three years, 38% of all take-up across the UK (16% in the West Midlands so 0.41 million sqm (4.4 million sqft), 22% in the East Midlands).

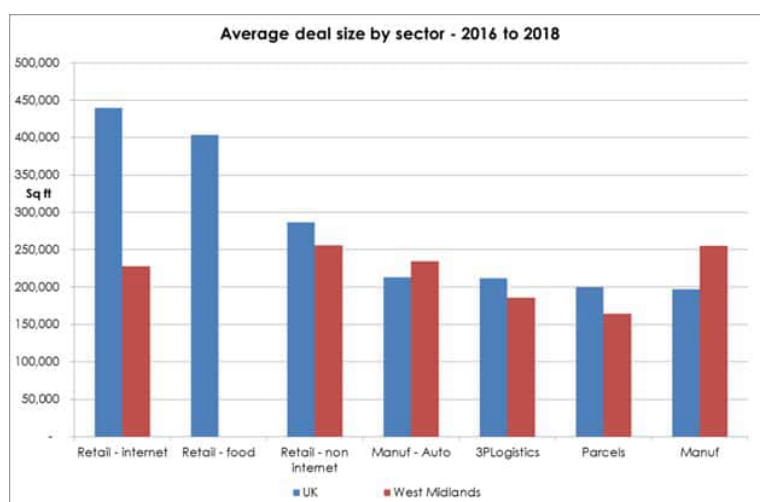


- 4.31 Over the long-term take-up activity has shown a similar split with the East Midlands marginally higher than the West Midlands, although this tends to fluctuate significantly over the short term. Recent activity has been strongest in the East Midlands, although in practice much of the key activity such as the golden triangle and East Midlands Gateway borders both regions.

- 4.32 The chart below shows the distinct variation in activity by sectors across the Midlands when compared to the UK. There was over twice as much take-up of manufacturing space in the West Midlands between 2016 to 2018, which continued a long-term trend of strong demand for this type of space. Of this, over half was in the automotive sector which may now weaken.
- 4.33 There has also been a greater proportion of third-party logistics take-up in the Midlands, particularly the East Mids. This is partly as a result of major logistics transactions at the East Mids Distribution Centre and the Midlands Logistics Park, Corby. Another key sector - internet retail activity was stronger in the East Mids compared to the UK as a whole, while activity in the West Mids was considerably below the UK average.
- 4.34 Based on our take up figures the land absorption rate equates to over 263 hectares (650 acres net) in the year-end 2018 which (although being a year of exceptionally high take-up) provides useful context to assess the supply of and demand for land either consented or allocated for industrial/logistics uses in the future. Based upon the overall 3-year average take up at 956,900 sqm (10.3 million sqft) p.a. the approximate equivalent land required to meet that level of take up will be over 208 ha (515 acres) (net of land for infrastructure) p.a. across the combined West Midlands ad East Midlands geography.



- 4.35 Over the three years to 2019 there have been a larger amount of smaller deals in the West Midlands than the East Midlands. Consequently, there is a significant difference in the average deal size of 19,888 sqm (214,000 sqft) in the West Midlands and 30,669 sqm (330,000 sqft) in the East Midlands, which compares to 24,256 sqm (261,000 sqft) across the UK as a whole.
- 4.36 The chart below shows the average deal sizes by sector. In the West Midlands, there is less variation in the average size of deals by sector compared to the rest of the country where internet retail design and build deals tend to be much larger. There have also been no food retail deals in the West Midlands, another sub-sector which takes larger buildings.



4.37 The table below shows the key manufacturing deals in the West Midlands over the 3 years to 2018. The letting to JLR at Fort Dunlop was the largest manufacturer deal in the UK, closely followed by 50,446 sqm (543,000 sqft) deal to Gestamp Tallent at Bericote Four Ashes (South Staffordshire). The strength of the automotive manufacturing sector is evident with four deals to JLR as well as Aston Martin and component suppliers such as Grupo Antolin.

Recent grade A take-up in units of 100,000 sqft+ in the Midlands, manufacturers				
Deal Year	Tenant	Scheme & Address	Town	Size (sqft)
2018	Meggitt PLC	Prospero, Ansty	Coventry	453,214
2018	Jaguar Land Rover	Prologis Park, Hams Hall	Coleshill	414,360
2018	Kohler, MIRA	Worcester Six	Worcester	159,000
2018	Y International	Advanced Manufacturing Hub	Birmingham	124,000
2017	Jaguar Land Rover	DC2 Wingfoot Way, Fort Dunlop	Minworth, Birmingham	555,000
2017	Beko PLC	Birch Coppice	Tamworth	346,124
2017	Michelin	Unit 1 Campbell Rd	Stoke On Trent	289,510
2017	Kimal PLC	Worcester Six, Warndon	Worcester	140,000
2017	JLR	Lyons Park	Coventry	135,000
2017	Aston Martin	M40 Distribution Park	Wellesbourne	130,000
2017	Grupo Antolin	Barton Business Park	Barton under Needwood	113,000
2017	Preston Innovations Ltd	Stafford Park 12	Telford	101,663
2016	Gestamp Tallent Ltd	Enterprise Dr	Wolverhampton	543,692
2016	Jaguar Land Rover Ltd	London Rd	Coventry	327,730
2016	Magna International Ltd	Naird Lane	Telford	225,005
2016	CSM Bakery	Nasmyth Road	Daventry	216,642
2016	Alstom	Mustang Dr	Stafford	197,842
2016	Michelin	Campbell Road	Stoke On Trent	150,000
2016	Sertec Ltd	FaradayAve	Birmingham	144,996
2016	Jaguar Land Rover Ltd	Ryton	Coventry	141,225

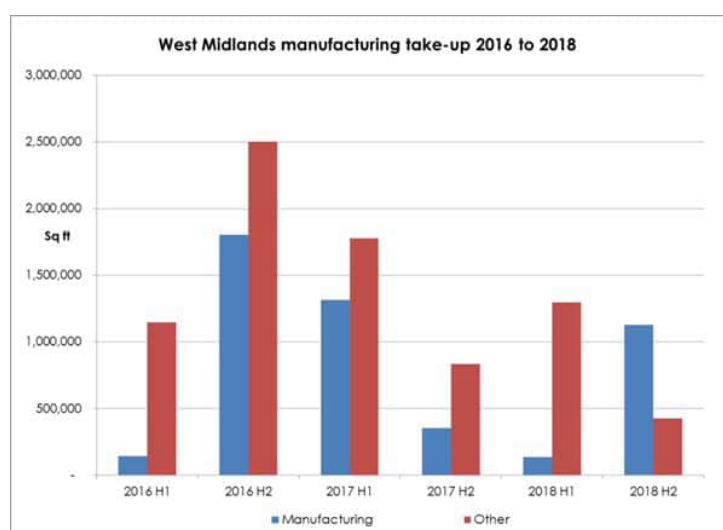
Note: units taken by manufacturers are not all necessarily used for production but will generally from part of the supply chain

- 4.38 Of the non-manufacturing deals retail and third party logistics dominate the largest deals. Amazon is unsurprisingly the key occupier, which has committed to 120,773 sqm (1.3 million sqft) in the West Midlands in five deals, with the largest being 39,948 sqm (430,000 sqft) in Coventry. Of the logistics companies, XPO took the largest deal across the region over the past three years at 59,922 sqm (645,000 sqft), while DHL took over 46,451 sqm (500,000 sqft) in 3 deals receiving different contracts.

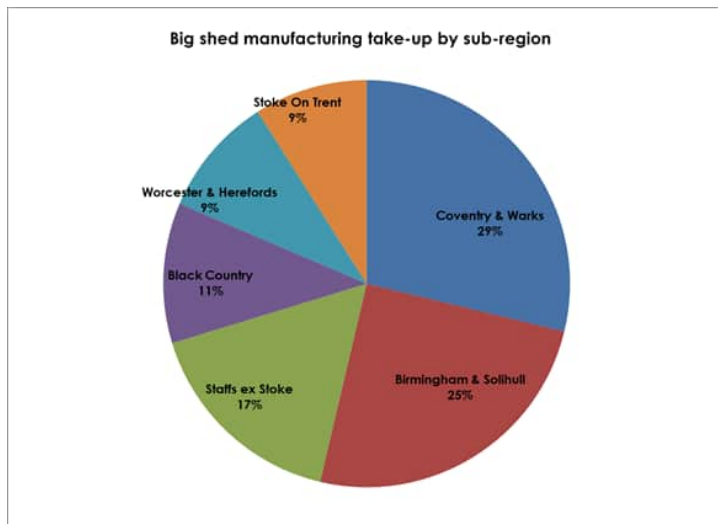
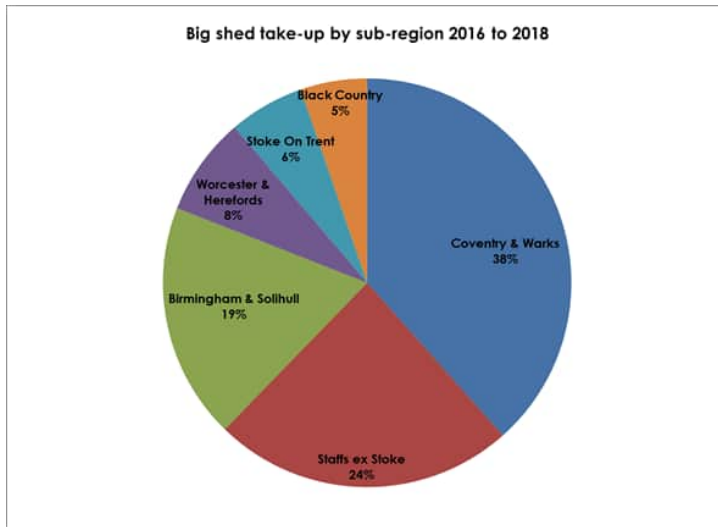
Recent Grade A take up in units of 9,290 sqm (100,000 sqft) non-manufacturing				
Deal Year	Tenant	Scheme & Address	Town	Size (sqft)
2018	Kitchen Craft	The Hub Noble Way	Birmingham	250,000
2018	Optima Logistics	DC7 Zone A, Apex Park	Daventry	216,639
2018	Martin Brower	Dolomite Avenue	Coventry	210,682
2018	Zooplus AG	Carbon 207, Middlemarch Business Park	Coventry	208,114
2018	Palletline	CF-180, Middlemarch	Coventry	186,531
2018	Internet Fusion	DC6 Prologis Park, Rockingham Road	Kettering	156,669
2018	Panic Transport	DC 115 DIRFT	Daventry	115,824
2018	Supersmart services	Fradley Park, Lichfield	Lichfield	108,000
2018	World of Books Limited	Carbon 103 Middlemarch Business Park, Siskin D	Coventry	103,299
2017	XPO	Bonehill Road	Tamworth	645,000
2017	Amazon	Lyons Park	Coventry	433,949
2017	Gardman Limited	Apex Park Nasmyth Road, Daventry	Daventry	413,789
2017	DHL	RG3 Rugby Gateway	Rugby	180,000
2017	Kuehne + Nagel	100 Scimitar Way, Whitley Business Park	Coventry	214,188
2017	Anixter	213 Fradley Park	Lichfield	213,000
2017	Arrow XL	Droitwich Central Egghill	Droitwich	181,648
2017	Eddie Stobart	J1 Plot 2, Central Park	Rugby	158,273
2017	GEODis	Unit 3 Dove Close Fradley Park	Lichfield	126,580
2017	Bond International	Core 42, Watling Streep, Dordon	Tamworth	106,000
2016	Screwfix Direct Limited	Wood End Lane	Lichfield	562,013
2016	Amazon	Royal Oak Way	Daventry	297,398
2016	Palletforce PLC	Parkway Road	Burton On Trent	253,370
2016	Amazon	Rugby Gateway	Rugby	250,000
2016	Amazon	Stanley Matthew s Way	Stoke On Trent	219,685
2016	Amethyst Group	Loxley Road	Warwick	210,000
2016	DHL	Wolseley Drive	Birmingham	208,186

2016	The Works Stores Ltd	Faraday Ave	Birmingham	183,435
2016	Gist Ltd	Siskin Parkway East	Coventry	165,785
2016	DB Schenker	Centurion Park	Tamworth	140,000
2016	ERA Locks	M54 J2	Wolverhampton	134,625
2016	Amazon	Kingswood Road	Droitwich	125,285
2016	AMCO Logistics	Acanthus Park	Redditch	120,000
2016	Pointbid Logistics Systems	66 Electric Ave	Birmingham	118,581
2016	Toolstation	Western Way	Wednesbury	118,073
2016	DSV	Prologis Park Sideway Queensway	Stoke On Trent	108,515
2016	DHL	Park Ln	Sutton Coldfield	102,750
2016	Tile Giant	Common Ln	Lichfield	102,174
2016	Bertelsmann logistics	Express Point, Primus	Birmingham	100,000

4.39 The chart below shows the high proportion of take-up by manufacturing occupiers in the West Midlands.



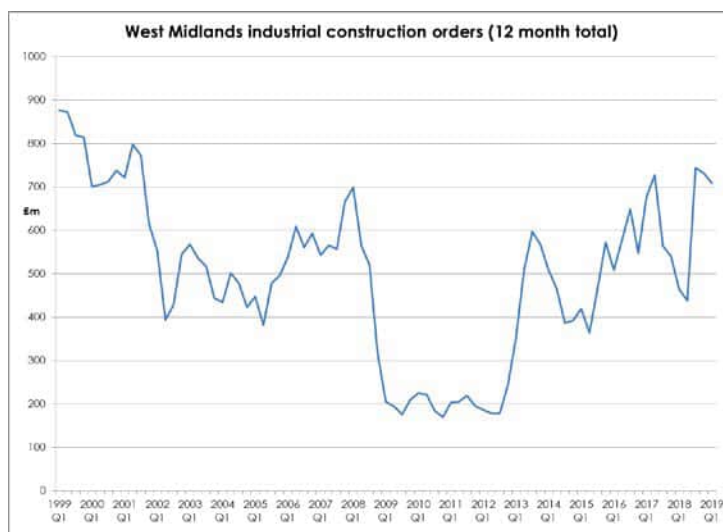
4.40 The charts below show the breakdown of deals across the West Midlands by sub-region together with the proportion of space taken by the manufacturing occupiers.



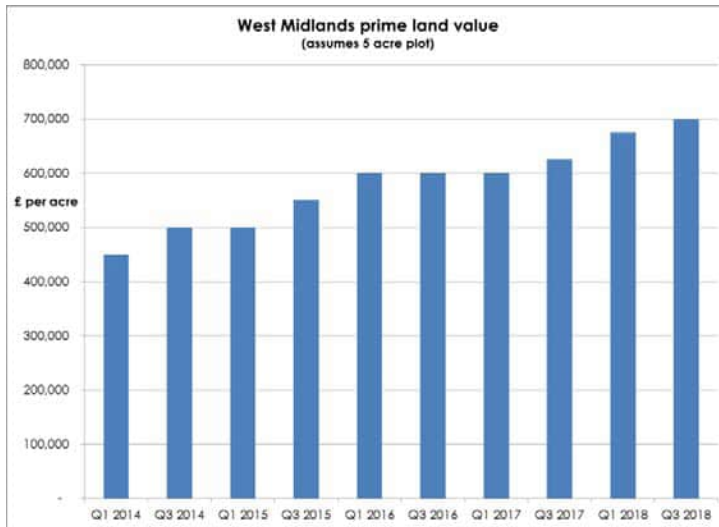
- 4.41 In the West Midlands the greatest amount of total take-up has been on sites with motorway access. The greatest proportion is the core golden triangle sub-regions east and south of B'ham including over a third of activity in Coventry and Warks with multiple deals at Lyons Park, Middlemarch Business Park and Rugby Gateway. Also further north along the M42 in B'ham and Solihull such as Minworth and Faraday Ave, 'Staffs ex-Stoke' with deals at Centurion Park (Tamworth) and Fradley Park (Lichfield) and in Warwickshire at Birch Coppice. The vast majority of take-up was within estates or employment areas of a strategic scale, a significant number of which are clearly recognised as single entities (eg i54 or Hams Hall), consistent with the 25ha definition used for the purposes of this Study.
- 4.42 The sub-regions with the least amount of activity are those to the west of Birmingham, 'Worcester & Hereford', the Black Country and further up the M6 in Stoke-on-Trent. There is a similar picture with manufacturing deals. The three sub-regions with the highest level of activity for all deals also applies to manufacturing deals, although they were not quite as dominant. Current and imminent demand is strong in the Midlands. There are a number of requirements indicating that robust activity will continue.

Supply

- 4.43 Similar to the rest of the UK there was a dramatic fall in the availability of modern big sheds across the West Midlands from 2010 to 2014 following a period of recovery in market demand after the financial crisis. As a result, no new development took place from 2008 and the availability levels steadily reduced to more manageable levels and rental growth returned.
- 4.44 The resumption of speculative development from 2014 has increased supply levels in the Midlands but with relatively strong levels of demand this increased supply has been matched, in prime locations, by demand.
- 4.45 According to our analysis at the end of 2018 there was approximately 1.097 million sqm (11.8 million sqft) available in 52 units in the Midlands including speculative units under construction.
- 4.46 Demand for development sites is still very strong from both developers and investors. While development viability has improved with strong rises in capital values and improving rental growth, this has been partly counterbalanced by rising costs.
- 4.47 Annual warehouse construction orders, which is a proxy for development activity, have more than doubled since the low point at the beginning of 2013 and as can be seen from the chart below had reached by Q1 2019 a level similar to the previous peak in 2007.

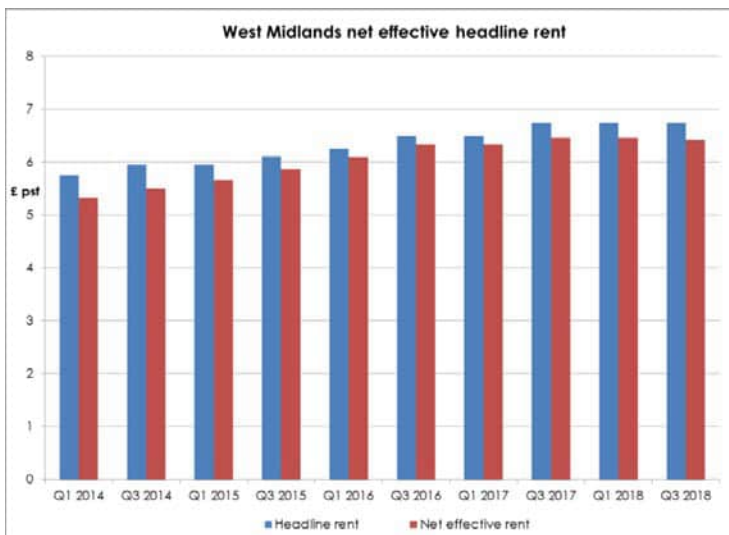


- 4.48 There continues to be a reasonable short term supply overall of developer held land available to occupiers for either existing new or modern units (see above) or for design and build, although this varies considerably between the towns and cities in the region.
- 4.49 Land values increased sharply over the two years to Q3 2018. In the Midlands, on average a circa 2 ha (5 acre) site increased from circa £1.1 million a hectare (£450,000 an acre) in Q1 2014 to an estimated level of circa £1.73 million per hectare (£700,000 an acre) by Q3 2018, although higher figures have been achieved in isolated cases, an increase of 55% over just four years. Whilst most recent land purchases have been by developers the detail of these deals are generally not published due to confidentiality and the impact of cost allowances made for infrastructure, demolition, remediation etc. the details of which are not revealed.



Prime rents

- 4.50 Headline rents in the West Midlands stabilised over the 12 months to Q3 2018 to £6.85 psf with nine months' rent free on a ten-year term often available, this equates to a net effective rent of £6.41 psf, which increased from £5.32 since Q1 2014. Quoting rents generally ranged from £6.00 to £7.20 depending on size and location, with the rents in the more peripheral locations at a lower level as might be expected.
- 4.51 On the MSCI quarterly index average industrial rental values in the Midlands grew by 2.8% over the year to Q3 2018 and by 18% since the bottom of the rental cycle at the end of 2012.



Midlands – Take Up and Supply Summary (2015-2018)

- 4.52 This Study considers the need for strategic employment sites based upon a review of past trends and take-up over recent years, and on current supply of allocated and consented sites. Avison Young has compiled data relating to the take up of Grade A floorspace, in Grade A units of 100,000 sqft and above, over the period 2015 to 2018, both including and excluding Design & Build schemes.
- 4.53 The data has been disaggregated between the 'West Midlands' and 'East Midlands', as defined at para 4.2 above. We are mindful that our definition of the West Midlands includes Worcestershire, Herefordshire and Shropshire,

which are not in the Study Area (Figure 1.1). We have not sought to disaggregate those Shire Counties from our 'West Midlands' statistics, however, on the basis of our judgement that the number of 100,000 + sqft deals in these areas over the period has been negligible. In our view, it is reasonable to conclude that the vast majority of take up over the period has been within the Study Area.

- 4.54 The figures are set out in the tables below. We have included the East Midlands data, as well as the West Midlands data, as that allows for a general sense check of the figures against the aggregated data that is quoted throughout this section of the Study. The source for all tables is Avison Young (2019).

Midlands Take Up – Grade A 100,000 + sqft (9,290 sqm) (2015-2018) Including D&B (Sqft Million)

	2015	2016	2017	2018
West Midlands	3,203,000	6,244,000	4,421,750	3,440,000
East Midlands	4,636,000	4,352,500	2,352,000	10,539,300
Total Midlands	7,839,000	10,596,500	6,773,750	13,979,300

Midlands Take Up – Grade A 100,000 + sqft (9,290 sqm) (2015-2018) Excluding D&B (Sqft Million)

	2015	2016	2017	2018
West Midlands	1,353,100	2,394,570	2,615,500	1,024,650
East Midlands	2,510,350	2,379,400	772,000	3,819,700
Total Midlands	3,863,450	4,774,970	3,387,500	4,844,350

- 4.55 The figures confirm that the average annual take up of Grade A floorspace of 100,000+ sqft over the period assessed, in the West Midlands, was as follows.

- All take up including D&B - 4,327,200 sqft (402,000 sqm)
- Take up excluding D&B - 1,847,000 sqft (171,600 sqm)

- 4.56 We do not have full year data for 2019. However, the data to the end of Q3 2019 is included in the Table below and has been adjusted, pro-rata (and rounded), to full year figures. On this basis, it appears that West Midlands take up over 2019 will be less than the average for 2015-2018 considered on the basis of total take up, and similar in relation to take-up excluding D&B schemes.

Midlands Take Up – Grade A 100,000+ sqft (9,290 sqm) (Q1-Q3 2019) (Sqft Million)

	2019 (All take up)	Full Year (pro rata)	2019 (excluding D&B)	Full Year (pro rata)
West Midlands	1,528,000	2,037,300	1,338,000	1,784,000
East Midlands	5,524,000	7,365,700	1,567,600	2,090,130
Total Midlands	7,052,000	9,402,660	2,905,600	3,874,130

- 4.57 These figures must all be read on the basis that they relate to all Grade A units in all locations and on all types of site. Moreover, they will include a number of deals that were substantially larger than 100,000 sqft (9,290 sqm). Nonetheless, they provide a reference point for considering the available years supply of opportunities that can accommodate requirements of this scale.

Conclusion

- 4.58 This analysis has confirmed significant demand in the West and East Midlands over the period 2015 to 2018 for industrial/logistics floorspace over 100,000 sqft, with average take up of 0.9 million sqm (9.68 million sqm) p.a. over the combined West and East Midlands area. The corresponding figure for the West Midlands was 0.4 million sqm. Adopting the assumptions in this Study about site capacity, this would absorb circa 225 ha p.a. across the Midlands, and circa 100 ha p.a. within the West Midlands.
- 4.59 There was circa 1.1 million sqm (11.8 million sqft) of existing property and units under construction in the combined West and East Midlands area at the end of Q4 2018, which was available in 52 units including speculative units under construction. This equated to approximately two year's supply across the combined West and East Midlands area, having deducted design and build transactions (assuming no growth in demand and deducting design and build transactions). Availability would have been approximately half this for the Study area. At the end of Q3 2019, there was circa 0.65 million sqm (7.0 million sqft) of existing property and speculative units under construction in the combined West and East Midlands area, and only 0.14 million sqm (1.5 million sqft) in the West Midlands, equating to less than one year's supply in the West Midlands area.
- 4.60 The West Midlands remains an attractive location for investment for both existing and prospective occupiers. This is due to many factors including its accessible location, access to labour, skills, markets, supply chain and favourable demographics. Labour supply is emerging as one of the most significant influencing factors in locational choice.
- 4.61 Whilst demand has historically been characterised by the automotive sector with occupiers seeking space for advanced manufacturing and engineering floorspace, and their supply chains, this sector is changing. 2018 saw a quieter year with Brexit uncertainty (as a proportion of total take up) with significant demand from the retail sector, non-internet (28%), ecommerce (27%) and third party logistics space (23%). Whilst demand still remains in the automotive sector, 2018 saw some demand for battery development and assembly plants reflecting the growing trend of automotive manufacturers looking at electric car technology as an alternative to diesel and petrol combustion engines.
- 4.62 The analysis has clearly shown that supply needs to match demand with circa 0.4 million sqm of floorspace required p.a. in the West Midlands to maintain recent levels of take up. Whilst this analysis has focussed on past take up trends (not allowing for future growth), and current and existing supply, it is clear that the market will respond if fit for purpose supply is available, with scope for such take up to increase, particularly with the probability of receiving strategic, one-off inward investment requirements.
- 4.63 At present the usual churn of the property market and opportunities for trading up to higher quality premises is accounting for the available supply. Given the opportunities for businesses of a well positioned West Midlands location we are confident that an increase in supply will result in an increase in demand.
- 4.64 For the region to fulfil its clear potential, as advocated earlier in this Report, this level of good quality supply needs to be maintained and increased. It is recommended that a proactive approach is taken to identify a deliverable portfolio of fit for purpose employment land and property capable of providing sufficient supply thus enabling it to provide a timely response to meet both known local needs and unknown (and at times unquantifiable) strategic employment requirements.

5. Stakeholder Engagement

Approach

- 5.1 Given the considerable interest in this Study from key stakeholders active in the market, the Client group was keen to engage with both public and private sectors stakeholders. The approach to engagement was agreed, with that to be targeted across the public and private sectors and to include local authorities, commercial property agents, developers and planning and property consultants.
- 5.2 Twenty four local authorities within the Study area were invited to attend a meeting with the consultants in March 2019. This included a presentation to confirm the scope and objectives of the Study, and any emerging findings. Consultees were encouraged to provide feedback on the Study approach, and to confirm the availability of allocated or committed employment sites with a remaining capacity of 25 hectares or more that had been identified through the Stage 1 baseline research (see Section 6.0). Comments were also welcomed on the approach to identifying new sites and in relation to sector specific growth areas. To further inform the Study and to ensure a breadth of views were captured, the consultant team made a similar presentation on the scope and purpose of the Study to the planning sub-groups of the three Local Enterprise Partnerships and to Staffordshire County Council.
- 5.3 The Client group concluded also that the Study would benefit from the views and contributions of private sector stakeholders active in the employment land market. Again, the focus of engagement was to be on explaining the scope and objectives of the Study and to draw on their market intelligence in relation to the current and future supply of, and demand for, strategic employment land within the Study Area. Engagement would also provide an opportunity to hear stakeholders' views on the proposed Study outputs. To facilitate this, stakeholders were invited to a presentation which was held on 19 March 2019 and which was attended by approximately fifty industrial developers, landowners, agents and planning consultants.
- 5.4 As part of the process, and following the presentation, stakeholders were invited to submit details of their particular land interests, and to make any other representations on the Study's purpose, scope and outputs. In response, the consultant team received within the deadline provided details of 31 sites of 25 hectares or more that stakeholders were promoting for employment, or were considering promoting for employment development. For the avoidance of doubt, any site details that were provided were treated in strict confidence and an assurance given that their specific locations or promotional names would not be referred to in the Study. Stakeholders were later asked whether they would have any objection to their interests being referred to specifically. A majority confirmed that they would have no objection, although some asked that they remain confidential.
- 5.5 The principal points arising from the public sector and private sector engagement are summarised below.

Local Authorities

- 5.6 The key purpose of engaging with local authorities was to obtain a thorough understanding of the then current, and future, capacity of strategic employment sites within each local authority area, and to gain feedback on how the local authorities envisage strategic employment demand being addressed. It was encouraging that all twenty four authorities fully engaged with the process. We also engaged with Shropshire Council so as to understand cross boundary issues that had emerged around key strategic employment locations.
- 5.7 The key messages that came out of the discussions with Local Authority officers are summarised below.

Local Authority Insight

- 5.8 Several Local Authorities are of the opinion that there are no suitable sites within their boundaries that could support a Strategic Employment Site of 25ha or larger. Other Local Authorities saw the potential for delivering a Strategic Employment Site, and recognised the significant economic and social benefits that would bring.
- 5.9 The Metropolitan and more 'urban' Local Authorities saw limited or no potential to deliver strategic employment sites within their administrative areas, whereas the rural and Shire authorities saw greater potential for larger sites to be delivered, dependant on the sustainability of the site(s). It was recognised that the delivery of such sites in the Black Country may require public sector intervention to support the assembly and redevelopment of underutilised industrial, brownfield land.
- 5.10 The uncertainty over the delivery of the West Midlands Interchange was raised as a concern for some Local Authorities in the north of region. A decision on the Development Consent Order was at the time awaited, but that has now been confirmed.
- 5.11 Some concern was raised in relation to an over-dependence on delivering B8 Storage and Distribution sites, and the risk of limited job creation from such development given their low worker densities, extensive levels of automation and manufacturing efficiency. Concerns were also raised by some officers about the pressures for larger developable sites to be brought forward for residential use, instead of for employment development (for example, the Rugeley Power Station site).
- 5.12 When asked about locations for development allied to growth sectors, a number of Local Authorities confirmed that they have identified existing or potential locations which would be the focus for regionally important growth sectors which do not require sites as large as 25ha. This was recognised at the outset by the consultants and further work will be needed on this issue.
- 5.13 High quality transport infrastructure (whether existing, planned or proposed) was highlighted as being central to the successful delivery of Strategic Employment Sites. Good access to a motorway junction, or to the trunk road network, was seen as critical to the successful delivery of such sites, as to a lesser extent was proximity to public transport routes. Passenger rail links were highlighted by several Local Authorities as being of principal importance in terms of accessibility, with bus access being secondary. Local Authorities highlighted also the potential for strategic highway improvements to unlock future development land, which at present is constrained by poor access. Such improvements may include the following:-
- M54 / M6 link road;
 - New motorway junction on the M6 at Corley Services;
 - New motorway junction on the M42 at Catherine-de-Barnes; and
 - M42 Western Orbital (no confirmation at this stage that this scheme will come forward).
- 5.14 Conversely, problems with capacity on the existing Strategic Road Network (for example Junction 3 of the M6) could be a barrier to bringing sites forward so that long-term improvement works may be required in several locations. Highways England's input into bringing such schemes forward will be crucial.
- 5.15 HS2 and related infrastructure improvements were considered to be potential catalysts for further employment land release and delivery.
- 5.16 In terms of barriers to bringing sites forward, many Local Authorities are constrained by substantial parts of their administrative areas being located within the Green Belt. It was acknowledged that a Green Belt review would be

required to evaluate the potential to remove land from the Green Belt to meet identified needs, and to support decisions over the most appropriate locations for doing so. Some Local Authorities felt that the search for potential locations for Strategic Employment Sites should include a hierarchical approach and a preference for non-Green Belt sites first, so as to test fully the potential to identify locations outside the Green Belt which would be capable of accommodating strategic employment development requirements. Whilst this point is understood, this Study has taken a 'policy off' approach to its consideration of locations that are the most deliverable, irrespective of Green Belt designations, and having regard instead to a range of assessment criteria.

- 5.17 Land ownership was raised as a key consideration when planning for the delivery of Strategic Employment Sites. Where a Local Authority is the landowner, they would largely have control over the delivery of the site, but there are likely to be very few 'new' employment sites where this is the case.
- 5.18 In relation to the aims and objectives of this Study, it was highlighted that the Study should ensure a balanced growth approach and that it should consider the regional profile and opportunities within adjacent boundaries.
- 5.19 Concern was raised that the Study might identify potential sites that have not been identified previously within emerging development plans. Whilst this may be the case, the identification of appropriate locations and sites is one of the required outputs of the Study, having regard to its terms of reference, and noting that it is explicitly not the purpose of this Study to allocate sites, or to prejudge or prejudice the preparation and examination of local plans. Any Strategic Employment Site will need to be assessed through the local plan making process and, in this regard, it will be essential that site promoters engage with Local Authorities.

Market Response

- 5.20 The following records the principal points that were raised by private sector stakeholders (including landowners, developers, agents and property consultants) both at the presentation on 19 March and subsequently in their written submissions.
- a) Acknowledged Shortfall:** there was a general consensus (or at least perception) that the availability and choice of existing and new space under construction is at a very low level, and that there needs to be collective political will to address the limited supply of Strategic Employment Sites going forward. Furthermore, the inventory of available and consented employment land has reduced.
- b) Robust Evidence Base:** it was generally felt that the Study's supply-led scope is too narrow, which will impact on the extent to which it may be relied upon as part of the evidence for plan making. In this regard, the following points were raised.
- *Calculation of shortfall* - the forecasting of market dynamics through an econometric demand assessment is not part of the scope of this Study. Notwithstanding this, it was suggested by a majority of those expressing a view on this matter that an econometric demand forecast would enable the shortfall to be quantified. Whilst stakeholder engagement preceded the coronavirus pandemic, this further emphasises the need for additional evidence relating to the shortfall in all sectors and particularly logistics.
 - *Demand* - the industry confirmed our view that demand is significant and, in order to meet the pace of change in manufacturing and logistics, a follow on Study of modern business requirements would add value to the Study.
- c) Definition of Strategic Employment Land:** the definition to be used within the Study was generally supported, but with the following qualifications.

- A 25 ha threshold may render some sites potentially unable to deliver anything of scale. This is recognised, although the Study adopts this site area as a minimum, with many sites being significantly larger.
- There will be a need to distinguish between those sites that may accommodate 'strategic' and 'local' level needs, which will be addressed by local authorities in their plan making activities.

- d) Public Sector 'Buy-in':** the support of the Public Sector partners to the report's findings was highlighted as being of particular importance and it was suggested that a 'Statement of Common Ground' or similar, be endorsed by the LEPs/ LPAs, might be considered.
- e) Site Assessment:** the Study's 'policy off' approach to the consideration of appropriate locations for Strategic Employment Sites was welcomed, given the likelihood that a substantial number of sites would be located within the Green Belt.
- f) Statutory Consultation:** it was suggested that input from statutory consultees (and, in particular, Highways England) would be of considerable benefit to the Study's conclusions. This is accepted although was not part of the Study brief.
- g) Enabling Development:** it was recognised that the Study provides an opportunity to capture the excitement of the manufacturing and logistics sector and position it as the 'enabling sector'.
- h) Study Outputs:** the Study's presentation of the outputs at a 'broad location' level was generally favoured, and preferred over the alternative 'site specific' approach. Site specific conclusions might be seen as pre-determining the appropriate testing and assessment of the individual and relative merits of sites through the Local Plan process, and to the full consideration of their potential environmental impacts, infrastructure requirements, and performance in relation to sustainability principles.
- i) A New Spatial Framework:** given the policy vacuum that exists following the revocation of Regional Spatial Strategies, it was felt that a recommendation in relation to a new spatial framework is needed, to advocate a policy mechanism to address the current and any future shortage of strategic employment land. A two tiered approach was suggested which would differentiate between sites of 25+ ha for strategic employment needs, and sites for 'local' needs. These matters will need to be considered in the light of the eventual outcomes of the government's proposals for planning reform set out in the August 2020 White Paper, 'Planning for the Future'.

5.21 In summary stakeholders welcomed the preparation of the Study, and viewed it as having potential to provide an important contribution to the evidence base that would inform future development plan reviews across the Study area. It will also felt that the Study should set the agenda for further work required to advance the debate, and that it should make recommendations on the scope of that future work.

6. Identifying Strategic Employment Sites

6.1 There is no established or prescribed approach to the identification of land to meet strategic employment needs, and no regulated mechanism for doing so on either a regional or sub-regional basis, following the revocation of Regional Spatial Strategies. The July 2019 update to the Planning Policy Guidance (PPG) (paragraph 31) does provide some advice on how local planning authorities should assess need and allocate space for logistics, as follows.

“How can authorities assess need and allocate space for logistics?”

The logistics industry plays a critical role in enabling an efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities, and has distinct locational requirements that need to be considered in formulating planning policies (separately from those relating to general industrial land).

Strategic facilities serving national or regional markets are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to appropriately skilled local labour. Where a need for such facilities may exist, strategic policy-making authorities should collaborate with other authorities, infrastructure providers and other interests to identify the scale of need across the relevant market areas. This can be informed by:

- *engagement with logistics developers and occupiers to understand the changing nature of requirements in terms of the type, size and location of facilities, including the impact of new and emerging technologies;*
- *analysis of market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies;*
- *analysis of 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; and*
- *engagement with Local Enterprise Partnerships and review of their plans and strategies, including economic priorities within Local Industrial Strategies.*

Strategic policy-making authorities will then need to consider the most appropriate locations for meeting these identified needs (whether through the expansion of existing sites or development of new ones).

Authorities will also need to assess the extent to which land and policy support is required for other forms of logistics requirements, including the needs of SMEs and of ‘last mile’ facilities serving local markets. A range of up-to-date evidence may have to be considered in establishing the appropriate amount, type and location of provision, including market signals, anticipated changes in the local population and the housing stock as well as the local business base and infrastructure availability”.

Source: Planning Policy Guidance, 2019 , Paragraph: 031 Reference ID: 2a-031-20190722

6.2 Whilst it is recognised that this Study has a wider remit than logistics, government policy is clear about the need to identify strategic land in appropriate locations. The PPG goes on to say (paragraph 32) the following in relation to how the specific locational requirements of specialist or new sectors can be addressed.

“When assessing what land and policy support may be needed for different employment uses, it will be important to understand whether there are specific requirements in the local market which affect the types of land or

premises needed. Clustering of certain industries (such as some high tech, engineering, digital, creative and logistics activities) can play an important role in supporting collaboration, innovation, productivity, and sustainability, as well as in driving the economic prospects of the areas in which they locate. Strategic policy-making authorities will need to develop a clear understanding of such needs and how they might be addressed taking account of relevant evidence and policy within Local Industrial Strategies. For example, this might include the need for greater studio capacity, co-working spaces or research facilities.

These needs are often more qualitative in nature and will have to be informed by engagement with businesses and occupiers within relevant sectors”.

Source: Planning Policy Guidance, 2019 , Paragraph: 032 Reference ID: 2a-032-20190722

6.3 In order to reach conclusions on potential employment land capacity and supply we have undertaken a two-step process which comprises an assessment of:-

- allocated employment sites; and
- industry promoted sites.

Allocated and Committed employment sites

- 6.4 The initial assessment included a comprehensive audit of adopted and emerging evidence base documents for the 24 local authorities situated within the Study area. This included a review of each local authority's Development Plan and ELR to identify allocated employment sites meeting the definition of 'strategic' adopted within this Study (i.e. sites with a remaining area of 25 ha or more).
- 6.5 A comprehensive list of existing employment sites was developed and refined following discussions with local authority officers, and from an analysis of local authority Annual Monitoring Reports, which identified all allocated and committed employment sites which have a total or remaining site area of 25 ha.
- 6.6 This initially identified a total of 664 sites which met the key 25+ ha criterion. This included all employment allocations in the 24 local authority areas, many of which were confirmed, following further analysis, to have been largely been built out (i.e. the long list included numerous industrial estates and mixed use employment locations such as the NEC). In accordance with the agreed terms of reference of this Study, we refined the list to include only those sites with a remaining site area of 25 ha.
- 6.7 Some commentators have noted that certain sites have been allocated for a considerable length of time such that there may be doubt as to their deliverability, and whether they may genuinely contribute to supply. Whilst this is noted, it is not the purpose of this Study to determine whether allocated sites will or will not come forward. It may be appropriate to carry out a critical review of allocated sites following on from this Study, but it is for the plan-making authorities, in consultation with promoters, to reach conclusions on the merits of the retention or de/re-allocation of individual sites.
- 6.8 In a similar vein, some commentators have noted that the net developable area of the allocated sites may be materially less than the gross areas identified as the criteria for defining strategic sites. Again, an assessment of the net developable area of each site is not within the remit of this Study, but it is acknowledged that site conditions may have a substantial effect on gross/net ratios.

- 6.9 The refined list included only 12 sites. We have since added the West Midlands Interchange (WMI) site at M6 J12 which now benefits from a Development Consent Order (DCO). Table 6.1 provides a summary of 'strategic employment sites' (according to the definition adopted) for each local authority area.

Table 6.1 – Allocated Strategic Employment Sites by Local Authority Area (Avison Young 2019)

Local Authority	No of Sites	Remaining Area (ha)
Birmingham City Council (<i>Peddimore</i>)	1	71
Coventry City Council (<i>Land at Baginton Fields</i>)	1	25
Newcastle Under Lyme (<i>Chatterley Valley Phase 2</i>)	1	38
North Warwickshire Borough Council (<i>Land to south of MIRA Technology Park</i>)	1	42
Nuneaton and Bedworth Borough Council (<i>Fautlands 26 ha & Bowling Green Lane 26 ha</i>)	2	52
Rugby Borough Council (<i>South West Rugby SUE/Symmetry Park</i>)	1	35
South Staffordshire District Council (<i>Royal Ordnance Factory and i54 western extension</i>)	2	76
Staffordshire Moorlands (<i>Blythe Bridge RIS</i>)	1	45
Stratford Upon Avon (<i>Gaydon/Lighthorne Heath</i>) *	1	100
Warwick District Council (<i>Coventry & Warwickshire Gateway</i>)	1	110
West Midlands Interchange	1	247
Total	13	841
Total (minus discounted site) *	12	741

* discounted from total supply as this reflects land "safeguarded" for JLR expansion and which is not currently available on the open market.

- 6.10 Adopting the agreed assumption (for the purpose of this Study) that a site of 25 hectares might support approximately 100,000 sqm of B-Class development, the potential floorspace capacity of the allocated sites identified in Table 6.1 is circa 2.96 million sqm. This should be treated with appropriate caution, having regard to the matters noted at paragraphs 6.8 and 6.9 above. It should also acknowledge the specific nature of the substantial commitment that now exists through the DCO for the WMI.
- 6.11 The analysis in Section 4.0 indicates an average take up of new, Grade A floorspace in the West Midlands area (as defined for the purpose of the analysis in Section 4) of approximately 0.4 million sqm per annum over the period 2015-2018. Based on evidence of past trends in relation to take-up, and assuming that no additional strategic employment sites are brought forward to replace those listed in Table 6.1, the current supply of allocated and committed employment land would appear to represent 7.41 years supply (or less having regard to the matters set out above). This should again acknowledge that a considerable proportion of this supply (2.47 years) comprises the WMI Strategic Freight DCO.
- 6.12 This Study has not considered future demand, and that analysis will be needed to robustly quantify the potential scale of the demand for strategic employment land. But on the basis of the 'past trends' approach based on completions 2015-18 that has been adopted it is clear, as was the case in 2015, that there is a very limited supply of available, allocated and/or committed sites across the Study Area that meet the definition of 'strategic

employment sites', and an urgent need for additional sites to be brought forward to provide a deliverable pipeline, noting the very substantial lead-in times for promoting and bringing forward such sites.

Available Floorspace

- 6.13 In addition to allocated and committed employment sites, there is some limited supply in available Grade A floorspace. As at the end of Q3 2019 that comprised only circa 0.14 million sqm (1.5 million sqft) in the West Midlands, equating to less than one year's supply.

Industry Promoted Sites

- 6.14 We noted in Section 5.0 that, as part of the engagement process, stakeholders were invited to submit to the consultant team details of their particular land interests. The consultant team received details of 31 sites of 25 hectares or more that stakeholders were promoting for employment, or were considering promoting for employment development. One of these was the WMI at M6 J12 which is now subject to a DCO and so has moved from this category into the 'Allocated and Committed' category. The amount, type and quality of evidence and information provided by promoters in relation to their sites varied considerably.
- 6.15 It is possible that some landowners, developers and agents chose not to provide details of their sites to the consultant team. Moreover, whilst the list of invitees was broad, having been compiled on the basis of our knowledge of developers, promoters and agents who are active in this sector, it is possible that the list was not entirely comprehensive at the time that it was promoted, and equally now. Consequently, we cannot be certain that the 31 sites of 25 ha or greater that were put forward represent the full extent of land that is now being, or will be, promoted for employment development in the West Midlands. Moreover, some sites of less than 25 ha were put forward but were discounted on the basis of a strict area cut-off. Similarly, sites put forward after the deadline were not included.
- 6.16 The sites that were put forward are listed in Table 6.2. Where promoters asked that details be kept private, sites are referred to as 'confidential' and with only site area, and the local authority within which they are located, disclosed.

Table 6.2 – Industry Promoted Sites (Source: Avison Young 2019)

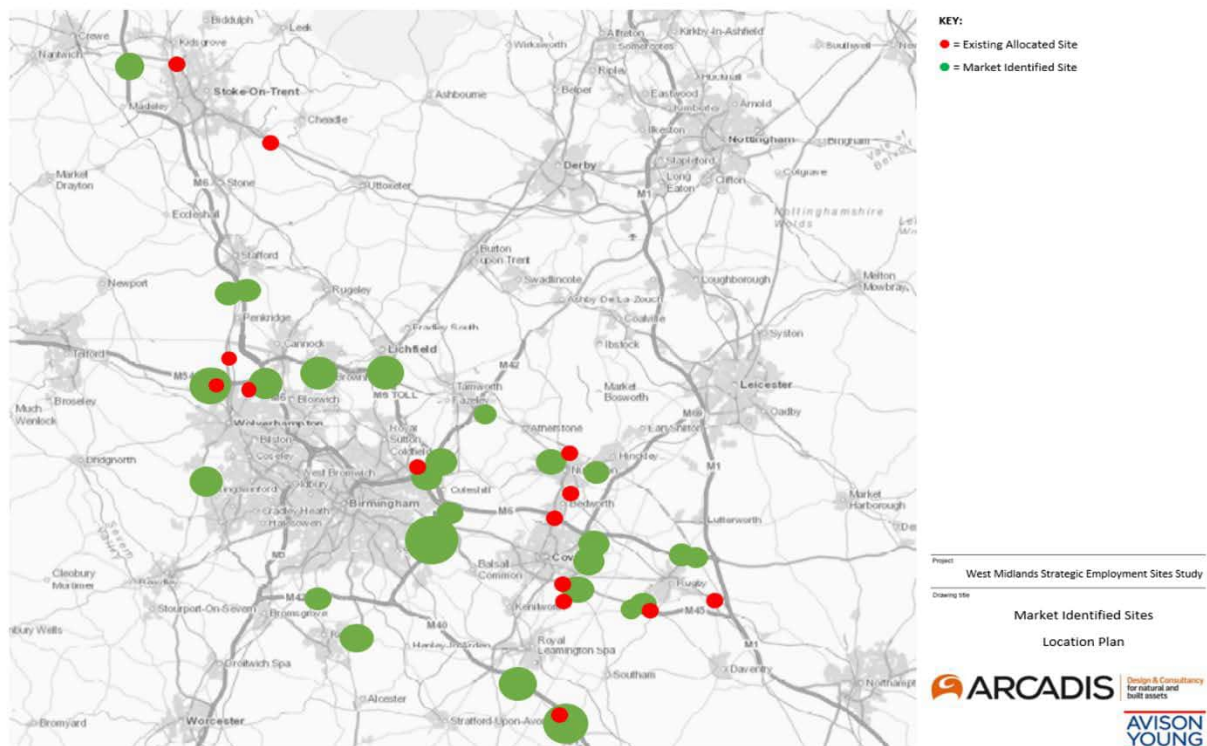
Site Name/Location	Site Area (Ha)	Local Authority
1. Corridor 42 Business Park, J10, M42	73	North Warwickshire
2. Land at J13, M6	60	South Staffordshire
3. Birmingham International Gateway, J9, M42	129	North Warwickshire
4. Confidential	25	North Warwickshire
5. Solihull Gateway, J5/6, M42	283	Solihull
6. Hilton Park, J11, M6	89	South Staffordshire
7. Confidential	127	Lichfield
8. Land at Great Coton, J1, M6	67 ¹	Rugby
9. Land at Walsgrave J2, M6	61	Rugby
10. Confidential	45	South Staffordshire

¹ Masterplan since submitted by the agents for this site includes 29ha on employment land, a reduction on the figure previously provided for this study but still above the 25ha threshold

11. Land at Hinckley, A5	58	Rugby
12. Confidential	100	Warwick
13. Land at Gaydon, J12, M40	100	Stratford
14. Confidential	36	Bromsgrove
15. Land at Brandon lane, Toll Bar End A45/46	27	Rugby
16. Confidential	26	Bromsgrove
17. Land at Brickhill Farm/Stonebridge Road, J4, M6	70	North Warwickshire
18. Confidential	25	Cannock Chase
19. Confidential	51	Rugby
20. Land at Acanthus Road, A435	43	Redditch
21. Confidential	43	Warwick
22. Land at J16, M6	70	Newcastle under Lyme
23. Land at Curdworth, J9, M42	28	North Warwickshire
24. Confidential	100	Birmingham
25. Land at Ryton-on-Dunsmore, A45	50	Rugby
26. Confidential	92	North Warwickshire
27. Land north and east of Ansty Park, J2, M6	57	Rugby
28. Land at Hartshill Quarry	77	North Warwickshire
29. Confidential	300	South Staffordshire
30. Confidential	58	South Staffordshire
TOTAL	2,370	

- 6.17 At the 'headline' level, the 30 sites represent a combined area of circa 2,370 ha. Applying the consistent assumption that 25ha of land may support 100,000 sqm of floorspace, this could equate to a site capacity of circa 9.48 million sqm of potential floorspace. Based on average take up of circa 0.4 million sqm p.a. in the West Midlands area (which equates broadly with the Study Area), this would provide a further 23.7 years of potential capacity/supply.
- 6.18 This outcome would require that all the sites in Table 6.2 would ultimately be confirmed as allocations in the relevant development plan(s). We have said already that this may not be a realistic conclusion. Moreover, the 'headline' conclusion has no temporal dimension and makes no allowance for the time that it may take to secure such allocations, and to then bring those forward through the planning application process, and to deliver any necessary supporting infrastructure. For these reasons, it is not sensible to conclude that all (or any) of the identified sites will contribute to supply in the short to medium term. That is not to suggest that none of the sites have merit or are capable of allocation, but those conclusions will be borne out of ongoing and future plan-making processes.
- 6.19 Figure 6.1 shows the location of sites that are being actively promoted by the market.

Figure 6.1 – Sites promoted by the industry and allocated sites (Source: Avison Young 2019)



High Level Site Assessment

- 6.20 The sites listed in Table 6.2 are at various stages of promotion through development plan reviews. Some have not yet been promoted to any formal stage of consultation whereas others have been the subject of representations to the local planning authorities involved. Some promoters have undertaken significant due diligence and have prepared substantial evidence to support the promotion and consideration of their sites, whereas others are not yet at that stage and have produced and/or provided less.
- 6.21 It was agreed that it is not within the scope of this Study to carry out a detailed review and assessment of the evidence and representations prepared in support of the promotion of these employment opportunities. It was agreed also that it is not within the scope of this Study to prepare or supplement such evidence for any sites put forward, or to advise on the viability of sites, given that their promoters already have a clear and informed view of individual site deliverability. Nor, importantly, should the findings of this Study prevent, or in any way prejudice, the thorough and objective assessment of the planning and other merits of sites through the statutory planning process, and through the examination of development plans in the Study Area.
- 6.22 At the same time, the Client group wished to subject the industry promoted sites to some level of assessment and evaluation, applying consistent criteria and consistent judgments to each site. It was agreed that this assessment should be 'high level', and that it should be based on a series of criteria that reflect key site opportunities and constraints. For the avoidance of doubt the assessment has drawn in its entirety upon widely available data sets, mapping software and local authority development plan documents.

- 6.23 The Client group agreed that the following basket of criteria would be used to support a high level assessment all industry promoted sites of 25+ ha.
- a) **Motorway/Trunk Road Access:** with a site's proximity to a motorway junction, or other strategic highways network route, being a key criterion adopted by site promoters and developers.
 - b) **Local Plan Allocations:** including whether the site is identified within a development plan for any alternative use, including housing.
 - c) **Statutory Designations:** with a focus on whether a site is substantively affected, in part or in whole, by any statutory designation that may be a significant constraint to development.
 - d) **Public Transport:** with proximity to an existing passenger rail station (800m) or a bus stop served by a regular bus service(400m) being an advantage.
 - e) **Flood Risk:** and whether a site falls wholly or partially within an area identified as Flood Zone 3 on the Environment Agency's Flood Map for Planning, or on any Strategic Flood Risk Assessment.
 - f) **Ground conditions:** including whether the site is greenfield land or is previously development, and whether it may contain any constraint such as an identified historic landfill.
 - g) **Ecology:** and whether the site affected, in part or whole, by a statutory or non-statutory ecological designation that may represent a significant constraint to development.
 - h) **Topography:** whether the site is predominately flat or there are significant level changes that may be a constraint to efficient development and may limit net developable area.
 - i) **Proximity to existing settlements:** proximity of the site to a town / urban area, or main village (e.g. local service centre as designated in a local plan).
 - j) **Air Quality:** whether the site falls within a designated air quality monitoring area.
- 6.24 It should be noted that a site's location in or outside the green belt has not been considered or scored, on the basis that it was agreed that the Study should be 'policy off' in this regard.
- 6.25 Each site has been scored against a numerical scale applicable to each assessment criterion. Those numerical scales differ. For example, access to the Motorway/trunk road network attracts a score of 1-5 whereas other criteria are scored from 1-2, 3 or 4. For the avoidance of doubt, a lower score indicates the best fit with the identified assessment criteria. The lowest score that may be achieved would be 10, which would indicate the best possible performance against the assessment criteria. The highest possible score (or worst performance against the agreed criteria) would be 24.
- 6.26 It was agreed also that no weighting would be applied to any of the criteria, and that it was not within the scope of the Study to determine whether any identified constraints could be successfully mitigated without prohibitive cost. Rather, the approach adopted would be 'high level' and factual, with the primary objective being to identify any matters which, of themselves, could rule out a site or location from further consideration, which may have the

effect of limiting potential supply from industry promoted sites. It is accepted that promoters and developers will have assessed such matters themselves.

- 6.27 As noted earlier, there has been no engagement with Highways England in relation to Motorway/trunk road access, so that this criteria reflects only proximity to junctions. It does not make any assumption that highway capacity exists, or may be created without prohibitive cost.
- 6.28 There is no temporal dimension to the assessment so that the timescales associated with promotion through the development plan process, and formal allocation, are not taken into account. There is no reference in the assessment to the stage of review of the relevant local plan, and any implications of that for timescales. An authority that has recently completed a local plan process may not have an appetite for a review to address employment land needs earlier than the 5 year threshold in the NPPF, and may also consider its green belt boundaries to be established for the longer term. Consequently, there will be a substantial variation between sites in relation to the timescales associated with decisions on their allocation. Moreover, the assessment does not factor in the timescales associated with the delivery of any necessary infrastructure.
- 6.29 The high level assessment of industry promoted sites is summarised in Table 6.3 below.

Site Name/Location	Site Area (Ha)	Planning Status	Score
1. Corridor 42 Business Park, J10, M42	73	Promoted for Allocation	11
2. Land at J13, M6	60	Promoted for Allocation	12
3. Birmingham International Gateway, J9, M42	129	Promoted for Allocation	11
4. Confidential	25	Opportunity	11
5. Solihull Gateway, J5/6, M42	283	Promoted for Allocation	12
6. Hilton Park, J11, M6	89	Promoted for Allocation	12
7. Confidential	127	Opportunity	12
8. Land at Great Coton, J1, M6	67	Promoted for Allocation	13
9. Land at Walsgrave J2, M6	61	Opportunity	12
10. Confidential	45	Promoted for Allocation	13
11. Land at Hinckley, A5	58	Opportunity	16
12. Confidential	100	Opportunity	13
13. Land at Gaydon, J12, M40	100	Opportunity	14
14. Confidential	36	Opportunity	13
15. Land at Brandon lane, Toll Bar End A45/46	27	Promoted for Allocation	15
16. Confidential	26	Opportunity	13
17. Land at Brickhill Farm/Stonebridge Road, J4, M6	70	Promoted for Allocation	14
18. Confidential	25	Opportunity	15
19. Confidential	51	Opportunity	15
20. Land at Acanthus Road, A435	43	Promoted for Allocation	14
21. Confidential	43	Opportunity	17
22. Land at J16, M6	70	Promoted for Allocation	15
23. Land at Curdworth, J9, M42	28	Opportunity	15
24. Confidential	100	Opportunity	18
25. Land at Ryton-on-Dunsmore, A45	50	Opportunity	17
26. Confidential	92	Opportunity	16
27. Land north and east of Ansty Park, J2, M6	57	Promoted for Allocation	18

28. Land at Hartshill Quarry	77	Opportunity	19
29. Confidential	300	Opportunity	19
30. Confidential	58	Opportunity	15

- 6.30 It is notable that most sites that are being 'promoted for allocation' score well against most of the assessment criteria, with many being close to the lower end of the range of 10-24. It is notable also that most score similarly and within a fairly narrow range. Unsurprisingly, few are constrained in relation to local plan allocations, topography, statutory designations or ground conditions. Also unsurprisingly, given that the market will place a high priority on sites with excellent accessibility from the strategic highway network, few perform well in relation to proximity to public transport. Fundamentally, none of the sites have scored poorly. We emphasise also that this assessment is high level and is not intended to influence the detailed and ongoing assessment of the suitability and deliverability of these site through the Local Plan process.
- 6.31 It is recognised that this assessment will be open to differing interpretations having regard to the acknowledged 'high level' nature of the criteria adopted and, consequently, to its findings, and whether any weighting should be applied to any or all of the criteria. However, the purpose of the assessment was to check for any clear and obvious constraints that might affect the suitability of sites to the extent that it would be prudent to assume that none of the industry promoted sites will, in due course, add to the pipeline of Strategic Employment Sites in the Study Area. Notwithstanding the limitations of the high level assessment carried out, no site scored so poorly that it would be reasonable to assume that the industry promoted sites will not, in due course, contribute to the supply of Strategic Employment Sites. The extent to which they may contribute will depend on (i) the evaluation of their suitability through statutory development plan processes; and (ii) whether the local planning authorities acknowledge the need to identify and allocate such sites in their development plans. But for these reasons, the supply that may derive from the industry promoted sites must be treated with caution (or, rather, should not be taken as guaranteed).

Sites at Motorway Junctions

- 6.32 It is our view that Strategic Employment Sites are best delivered in locations that are accessible to the strategic highway network, with sites located close to motorway junctions being prioritised by developers and occupiers. With this in mind we have undertaken a high level review of land adjacent to all motorway junctions within the Study area to identify areas that may be able to accommodate strategic employment sites of 25+ ha.
- 6.33 We have considered both new sites and potential extensions to existing employment/business parks. We have focused on agricultural/greenfield land, and excluded developed, occupied sites, urban areas and golf courses. Site areas were determined in broad terms following obvious boundaries such as roads, railways or field boundaries. This search concludes that 20 motorway junctions within the Study Area have the potential to support employment development on sites of 25+ ha and with a total area of circa 1,119 hectares (see Table 6.3 and Figure 6.2). For the avoidance of doubt and to avoid duplication, where there was overlap, these sites exclude the 31 sites shared with us by the market and the 12 allocated sites previously discussed.
- 6.34 Applying again the assumption that 25ha of land may support circa 100,000 sqm of floorspace, would suggest that this land could support a considerable amount of floorspace. Given that these sites have no planning status, and that they are not currently being promoted for development, they do not form any part of our consideration of supply. The sites are mapped and listed below.

Figure 6.2 – Allocated Sites and Sites at Motorway Junctions (Source: Avison Young 2019)

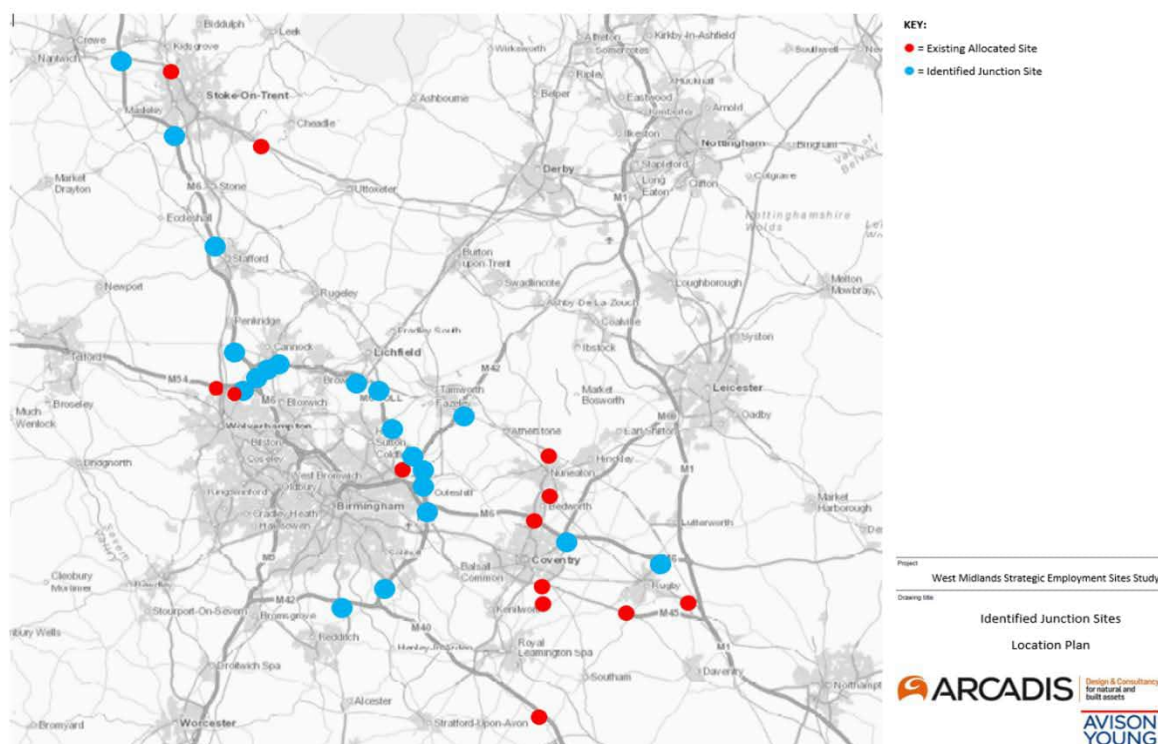


Table 6.4 – Sites at Motorway Junctions (Source: Avison Young 2019)

No	Junction	Site Location	Size (ha)	Local Authority
1	M6 J1	Land south of M6, east and west of A426	81	Rugby
2	M6 J2	Land north of M6, east and west of M69/B4065	122	Rugby
3	M6 J4	Land south of M6, east and west of A446	58	North Warwickshire
4	M6 J11	Land east of M6	58	South Staffordshire
5	M6 J12	Land west of M6, north of A5	43	South Staffordshire
6	M6 J14	Land east of M6, west of A34	33	Stafford
7	M6 J15	Land west of M6, north of A5182	35	Newcastle under Lyme
8	M6 J16	Land east of M6, north of A500	30	Newcastle under Lyme
9	M54 J1	Land north of M54, east of A460	28	South Staffordshire
10	M42 J3	Land north of M42, east and west of A435	55	Bromsgrove/Stratford
11	M42 J4	Land west of M42	79	Solihull
12	M42 J8	Land east and west of M42	33	North Warwickshire
13	M42 J9	Land east of M42, west of A4097	28	North Warwickshire
14	M42 J10	Land east of M42, south of A5	81	North Warwickshire
15	M6 Toll T1/2	Land east and west of M6 Toll	98	North Warwickshire
16	M6 Toll T3	Land east of M6 Toll, west of A38	30	North Warwickshire
17	M6 Toll T4	Land east and west of M6 Toll	102	Lichfield
18	M6 Toll T5	Land east M6 Toll, east A38 and north M5	56	Lichfield
19	M6 Toll T7	Land north of M6 Toll, east of A460	30	Cannock Chase
20	M6 Toll T8	Land north/south of M6 Toll	39	South Staffordshire
		TOTAL	1,119	

- 6.35 Table 6.5 below identifies Motorway junctions that were excluded from the assessment and the reasons for this, which include that they yield no clear opportunities of 25ha or larger, that they are located within developed/urban areas. Others are already the focus of promotional activity.

Table 6.5 – Motorway Junctions Excluded (Source: Avison Young 2019)

No	Junction	Reason for exclusion of land parcels
1	M6 J3	No site of 25 ha or larger, and/or more suited for alternative uses (i.e. residential)
2	M6 J5	No site of 25 ha or larger, and in developed urban area
3	M6 J6	No site of 25 ha or larger, and in developed urban area
4	M6 J7	Poor access via existing residential areas and more suitable for alternative uses i.e. residential
5	M6 J8	No site of 25 ha or larger, and in developed urban area
6	M6 J9	No site of 25 ha or larger, and in developed urban area
7	M6 J10	No site of 25 ha or larger, and in developed urban area
8	M6 J13	Being promoted by the industry and included in that assessment
10	M69 J1	No site of 25 ha or larger
11	M40 J15	No site of 25 ha or larger
12	M40 J16	No site of 25 ha or larger
13	M5 J1	No opportunities as in developed urban area
14	M5 J2	No opportunities as in developed urban area
15	M5 J3	No site of 25 ha or larger
16	M5 J4	No site of 25 ha or larger
17	M5 J5	No site of 25 ha or larger
18	M42 J1	Poor access via existing residential areas and more suitable for alternative uses
19	M42 J2	No site of 25 ha or larger
21	M42 J4	No site of 25 ha or larger
22	M42 J5	Being promoted by the industry and included in that assessment
23	M6 Toll T6	No site of 25 ha or larger

Note: J10 of the M6 and J3a of the M42 were not assessed as they are interchanges with no access to any land parcels.

High Level Assessment

- 6.36 We have carried out the same high level assessment of the Motorway sites that was applied to the industry promoted sites (as per paras 6.17 – 6.24 above). A lower score indicates a better fit with the identified assessment criteria, and the lowest score that may be achieved would be 10. The highest possible score (or worst performance against the agreed criteria) would be 24. The findings of this assessment are summarised in Table 6.6 below.

Table 6.6 – High Level Assessment of Sites at Motorway Junctions (Source: Avison Young 2019)

Site Name/Location	Location	Site Area (Ha)	Score
1. Land south of M6, east and west of A426 as extension to existing site	M6 J1	81	14
2. Land north of M6, east and west of M69/B4065	M6 J2	122	12
3. Land south of M6, east and west of A446	M6 J4	58	16
4. Land east of M6	M6 J11	58	12
5. Land west of M6, north of A5	M6 J12	43	14
6. Land east of M6, west of A449 as extension to existing site	M6 J14	33	15

7. Land west of M6, north of A5182	M6 J15	35	15
8. Land east of M6, north of A500	M6 J16	30	15
9. Land north of M54, east of A460	M54 J1	28	13
10. Land north of M42, east and west of A435	M42 J3	55	15
11. Land west of M42 as extension to existing site	M42 J4	79	17
12. Land east and west of M42	M42 J8	33	14
13. Land east of M42, west of A4097	M42 J9	28	14
14. Land east of M42, south of A5	M42 J10	81	16
15. Land east and west of M6 Toll	M6 Toll T1/2	98	13
16. Land east of M6 Toll, west of A38	M6 Toll T3	30	17
17. Land east and west of M6 Toll	M6 Toll T4	102	15
18. Land east M6 Toll, east A38 and north M5	M6 Toll T5	56	16
19. Land north of M6 Toll, east of A460	M6 Toll T7	30	15
20. Land north/south of M6 Toll	M6 Toll T8	39	17

6.37 The purpose of this assessment has been to evaluate the theoretical capacity to deliver additional sites in the Study area that could meet the definition of 'strategic' adopted for the purpose of this Study, and in locations that are attractive to the market. The assessment is high level and has focused only on identifying any matters that would rule out a broad location from further consideration. It pays no regard to land ownership, is 'policy off', and assumes that infrastructure capacity exists, or is capable of being delivered by the private and/or public sectors. The sites score similarly to the industry promoted sites at this very high level.

Viability

6.38 It is recognised that the development viability of sites is a key factor in determining the deliverability of proposed strategic employment locations / sites.

6.39 It is not within the remit of this Study to advise on the viability/deliverability of allocated sites or those being promoted by the industry. Existing allocated sites have been through the planning process and, as such, matters of viability will have been considered. Similarly, sites that are being promoted by the industry will be assessed for deliverability/viability by their promoters, and will be a key matter in determining whether, and when, they are confirmed as allocations in due course. As noted previously, any technical documentation provided by promoters has not been reviewed as part of this Study. We therefore provide high level advice for the potential strategic employment sites that have been identified at Motorway junctions.

Values

6.40 Given the strategic nature of this Study we advise on the viability of broad locations as opposed to specific sites. Table 6.7 below provides a range of indicative price bands that could be achieved for strategic employment sites located adjacent to motorway junctions. Whilst it is acknowledged that land values reflect market interest, and will be set accordingly, it is recommended that the public sector needs to be prepared to intervene to unlock key sites and has a track record of doing so in this geography (i.e. i54 and Phoenix 10).

Table 6.7 – Indicative Price Bands (Source: Avison Young 2019)

No	Junction	Site Location	Size (ha)	Price Bands (net developable)
1	M6 J1	Land south of M6, east and west of A426	81	£1.61m-£1.85m per hectare (£650-750k per acre)
2	M6 J2	Land north of M6, east and west of M69/B4065	122	
11	M42 J4	Land west of M42	79	
3	M6 J4	Land south of M6, east and west of A446	58	£1.48m-£1.85m per ha (£600-750k per acre)
12	M42 J8	Land east and west of M42	33	£1.48m-£1.61m per ha (£600-650k per acre)
13	M42 J9	Land east of M42, west of A4097	28	
15	M6 Toll T1/2	Land east and west of M6 Toll	98	
14	M42 J10	Land east of M42, south of A5	81	£1.34m-£1.54m per ha (£550-625k per acre)
10	M42 J3	Land north of M42, east and west of A435	55	£1.34m-£1.48m per ha (£550-600k per acre)
16	M6 Toll T3	Land east of M6 Toll, west of A38	30	£865k-£988k per ha (£350-400k per acre)
17	M6 Toll T4	Land east and west of M6 Toll	102	
18	M6 Toll T5	Land east M6 Toll, east A38 and north M5	56	
4	M6 J11	Land east of M6	58	£803k-£926k per ha (£325-375k per acre)
5	M6 J12	Land west of M6, north of A5	43	
9	M54 J1	Land north of M54, east of A460	28	
19	M6 Toll T7	Land north of M6 Toll, east of A460	30	
20	M6 Toll T8	Land north/south of M6 Toll	39	
6	M6 J14	Land east of M6, west of A449	33	£741k-£865k per ha (£300-350k per acre)
7	M6 J15	Land west of M6, north of A5182	35	£618k-£865k per ha (£250-350k per acre)
8	M6 J16	Land east of M6, north of A500	30	

- 6.41 It is clear from this that the prime West Midlands prices for land are just over £1.85 million per net developable ha (£750k per net developable acre). These prices are likely to be achieved along the M6 corridor from J1 Rugby to J3 Coventry, or along the M42 from J6, including the Airport/NEC/future HS2, and J3A.
- 6.42 Certain parties in the prime market are willing to pay higher values, with figures of nearly £2.5 million per developable ha (£1 million per net developable acre) having been achieved. The ranges that we have provided are those that would normally prevail where a detailed assessment is taken which is inclusive of anticipated voids, rent free periods and profit on cost.
- 6.43 Indicative prices fall to circa £1.61m per net developable ha (£650k per net developable acre) for parts of the M42 north of NEC/M6 to the M6 Toll, to £1.54m per net developable ha (£625k per net developable acre) at J10 M42 and to £1.48m per net developable ha (£600k per net developable acre) at M42 south (J3).
- 6.44 There is a noticeable fall away in prices for land alongside the M6 Toll (£988k per developable ha/£400k per net developable acre), the M6 Toll/M54/M6 triangle (£926k per developable ha/£375k per net developable acre), M6 North Stafford and Stoke (£865k per developable ha/£350k per net developable acre).

- 6.45 For clarification these indicative prices are based on a typical 4.05 ha (10 acre) plot for each band of locations, assuming planning consent for open Class B1/B2/B8 uses, with infrastructure and access completed. We have used this as an appropriate basis to provide generic price consistency; otherwise site scale, and site specific matters, would mean that we would not be comparing prices on a like for like basis.
- 6.46 At such a strategic level it is both problematic and risky to comment on gross to net areas, as this will vary from site to site according to site specific matters, and a master planning process, but we would expect this to be typically in the broad range of 80:20 - 60:40 gross to net, and 20,000 sqft per net developable acre, as a typical industry standard. We recognise that opinions will differ on the most appropriate ratio to adopt to convert site area to an assumed floorspace capacity. Notwithstanding this, we have agreed a reasonable assumption for the purpose of this study that a site of 25 hectares might support approximately 100,000 sqm of B-Class development, and have not tested the implications for our conclusions of adopting alternative ratios. It is, of course, open for others to adopt alternative assumptions when reviewing this Study, either on a 'blanket' ratio basis, or according the specific circumstances of each site, which would have implications for both individual and cumulative site capacity and, as a consequence, years of supply. In our view, however, the assumptions that we have adopted are reasonable for the purpose of commenting on the adequacy of supply and the urgency of the need to identify additional supply. Adopting different assumptions would be unlikely to generate any different conclusion.

Development Costs

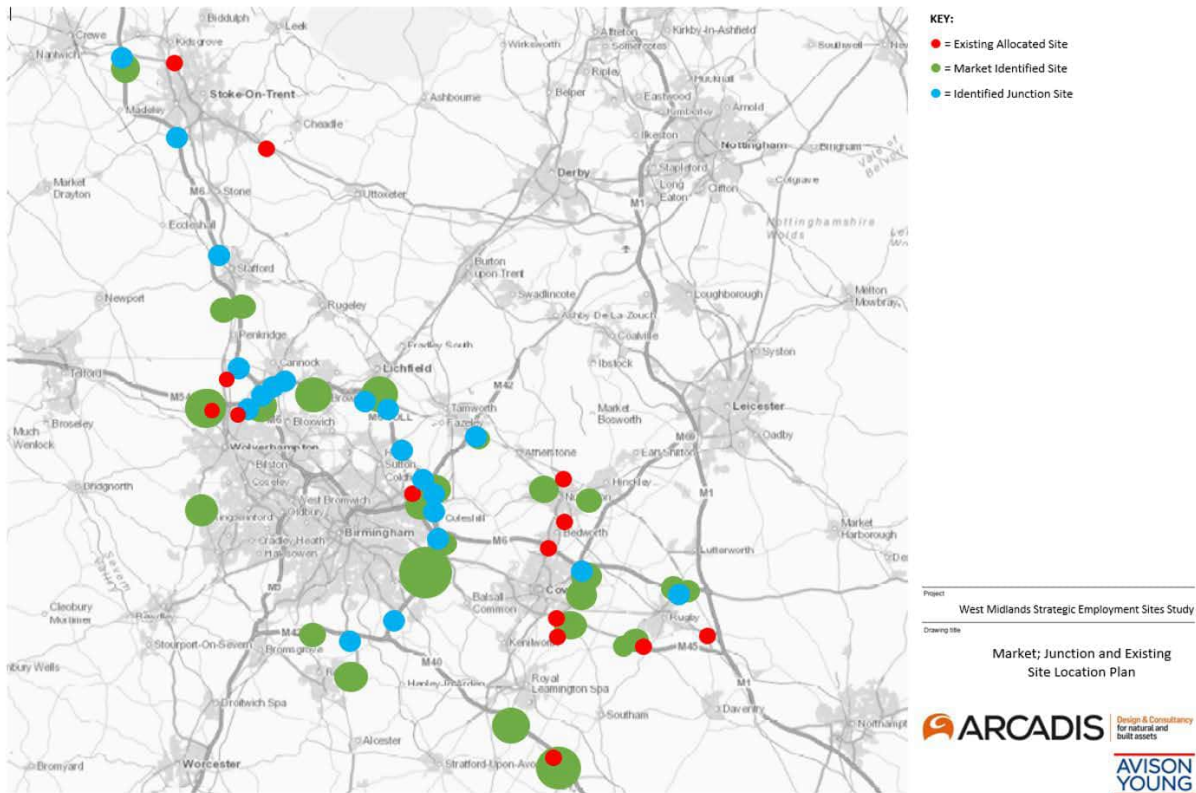
- 6.47 When this Study was originally envisaged it was thought that high level costings could be applied to each site or location, having regard to the key areas of cost risk relating to drainage, topography and ground conditions. However, as the Study progressed it became clear that application of an indicative 'abnormal' cost factor to any sites identified would necessarily have to be based on high level assumptions. Such assumptions would be highly subjective and may unfairly prejudice the future decision-making process relating to the potential allocation of sites.
- 6.48 The issue of whether to seek to apply high level abnormal costing to this Study is a key factor. For this to be meaningful, a properly robust costing exercise should be undertaken as a future stage of assessment when appropriate levels of detail can be obtained and used as a robust foundation for costing information. One of the most pertinent pieces of information required for any site will be clarity on the capacity of the strategic highway network (including Motorway junctions), whether any capacity constraints may be addressed and, if so, at what cost and in what timescale. This would require full engagement with Highways England and local highway authorities.

Identifying Strategic Employment Locations

- 6.49 The West Midlands Strategic Employment Sites Study (2015) identified the following broad locations for Strategic Employment Sites.
- Area A covering the M42 belt east of Birmingham;
 - Area B covering the Coventry, Rugby and Warwickshire areas, excluding the M42 belt;
 - The Black Country and Southern Staffordshire;
 - Stoke on Trent and Northern Staffordshire; and
 - Eastern Staffordshire.

6.50 These areas were, by their nature, broad and in essence covered the entirety of the Study area. This Study reviews those broad locations and provides a current assessment of the potential sites/locations that could provide future supply of strategic employment land, as shown in Figure 6.3 below.

Figure 6.3 – Allocated, Industry Promoted and Motorway Junction



6.51 It is clear from Figure 6.3 that there remains a critical mass of sites in similar locations, and that Areas A (M42 east of Birmingham) and B (Coventry, Rugby, Warwickshire) remain the prime locations for strategic employment sites in the Study Area.

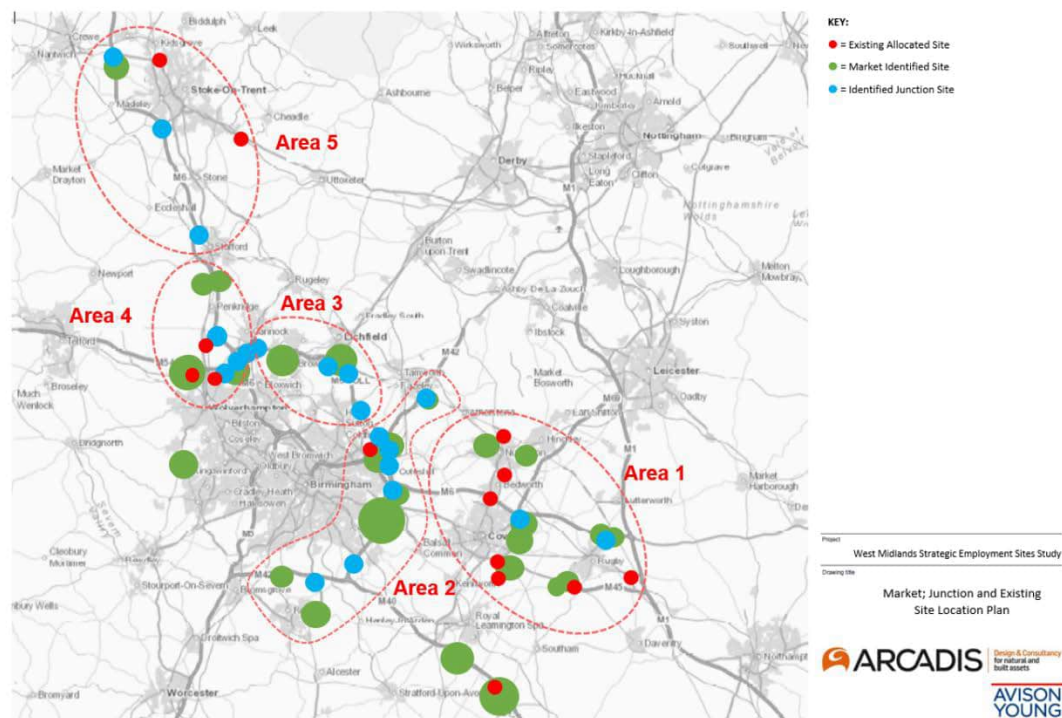
6.52 Based on our analysis of the quantum of supply, market intelligence around areas seeing considerable demand, and those areas achieving the higher land prices, the prime market facing locations for Strategic Employment Sites is to the east of Birmingham in an area that covers a geography from J2 of the M42 in the south, north to J10 of the M42, south west to J14 of the M40 and east to J1 of the M6.

6.53 While this may be true for the Study area as a whole, there is evidence of unmet need within other parts of the Study Area, and for other sectors (i.e. distribution) to the north of the conurbation serving the northern ports. This need could not be met by locations to the east of Birmingham.

6.54 The M54 corridor is likely to have a future role. The M54 Growth Corridor Study (June 2019) is of relevance as this Study recognised the opportunity for a strategic employment site at J3 of the M54 which is on the edge of the Study area, but could meet needs arising from within it, and could contribute to the future supply of strategic employment sites.

- 6.55 Whilst it is recognised that the higher land values and the main area which the market currently wants to locate are to the east of Birmingham it is clear there is market demand in the areas to the north and west of Birmingham and this could be affected through appropriate interventions and recognising local authorities place-shaping role, e.g. green-belt release and public sector investment.
- 6.56 We identify five key clusters of sites as identified on Figure 6.4 below. We recommend that the focus for identifying strategic employment sites should be in four of these clusters, or 'Key Locations'.
- 6.57 We have excluded Area 3, which is focused on the M6 Toll, because the majority of M6 Toll sites are perceived by occupiers as being less attractive given that it is a private road subject to charging for the duration of the concession period. Sites in the vicinity of the junctions of the M6/M54/M6 Toll could provide supply either as extensions to established employment areas or as new employment sites currently being promoted through the planning system.

Figure 6.4 – Market Locations for future Strategic Employment Sites (Source: Avison Young & Arcadis 2019)



- 6.58 A particular matter arising from a review of Figure 6.4 is that it demonstrates that there are no sites on the M5 or M6 corridor within Birmingham and the Black Country. This is to be expected, given the highly constrained nature of this area. Moreover, approximately 70% of the industry led sites are situated in the green belt. These two factors together confirm the need for the supply of strategic scale employment sites to be considered alongside a critical review of the green belt
- 6.59 Table 6.8 summarises total existing (allocated/committed) and potential (industry promoted) supply in Key Locations.

Table 6.8 – Existing and Potential Supply in Key Locations (Source: Avison Young 2019)

	M42 Corridor	M6 East Corridor	M6 Toll	Black Country & South Staffs	Stoke & North Staffs	Years supply	Outside 5 clusters
Allocated/committed Sites	71 ha	264 ha	-	323 ha	83 ha		100 ha
Years supply	0.71	2.64	-	3.23	0.83	7.41	1
Industry Promoted Sites	905 ha	448 ha	152 ha	494 ha	70 ha		301 ha
Years supply	9.05	4.48	1.52	4.94	0.7	20.69	3
TOTAL	976 ha	712 ha	152 ha	817 ha	153 ha		401 ha
Years Supply	9.76	7.12	1.52	8.17	1.53	28.1	

6.60 It is our view that, at a minimum, recent levels of demand are likely to be sustained from a market perspective. This could, however, increase over and above current levels given the attraction of the area as a location for investment and the ambitions of the LEPs to grow the economy and to increase productivity. We have recommended that consideration be given to the specifics over quantum of demand being assessed via an econometric demand forecast. If demand was to double then the total supply, in number of years, indicated in Table 6.8 would halve. Again, this assumes that all industry promoted sites, and additional land at Motorway junctions, would be confirmed as allocations.

6.61 If only allocated sites, were assumed to contribute to supply there would be a maximum of 7.41 years supply at observed levels of demand, and much less if demand were to materially exceed trend-based levels. If only allocated sites, plus all of the industry promoted sites in Key Locations, were assumed to contribute to supply there would be a maximum of 28.1 years supply at recent levels of demand, and 14.05 years if demand was double the recent trend-based levels. We have, however, concluded that it is not realistic to assume that all, or even a significant proportion, of the industry promoted sites will in time be confirmed as allocations. This high-level analysis underlines:-

- the urgent need to identify a pipeline of new Strategic Employment Sites to meet needs beyond the 7.41 years (or less) of supply that exists in allocated and committed sites; and
- the need to consider testing, through econometric forecasting, the level of demand that the sub-region should be seeking to meet and that, whatever that level may be, existing supply must be supplemented in the short term.

Sites targeted at Specific Growth Sectors

6.62 Having regard to the second part of the definition of 'strategic' that has been adopted for this Study (paragraph 1.20, we have identified sites that provide for growth in key target sectors but which are less than 25 ha in size. These sites have been identified through a review of current Strategic Economic Plan (SEP) priorities and known growth target areas, including enterprise zones, employment hubs and education led programmes, and supplemented by our market knowledge. The recognition of these sites further supports the growth of transformational sectors including that of the Combined Authority.

6.63 As a baseline therefore, our research focused on the delivery of growth for the following sector areas:

- Advanced Manufacturing;
- Business, professional and financial services;
- Construction (building technologies);
- Digital and creative;
- Life sciences and social care;
- Logistics and transport technologies; and
- Low carbon and environmental technologies.

6.64 Working alongside the Local Authorities we identified a number of pipeline sector specific sites, to be delivered through infrastructure led programmes with the full list provided in Table 6.9 below:

Table 6.9 – Sector Specific Sites (Source: Avison Young 2019)

Site Name	Site Location	Local Authority
Birmingham Research Park	Birmingham	Birmingham City Council
Longbridge Regional Employment Site	Longbridge, Birmingham	Birmingham City Council
The Food Hub	Former IMI Works, Witton	Birmingham City Council
Life Sciences Campus	Selly Oak	Birmingham City Council
UK Central Hub Innovation District	Arden Cross	Solihull MBC
i54	Valiant Way, Coven, Wolverhampton	City of Wton Council / Staffordshire County Council
University of Warwick Science Park	Warwick Innovation Centre Warwick Technology Park Gallows Hill Warwick CV34 6UW	Coventry City Council
Malvern Hills Science Park	Malvern	Malvern Hills District Council
Keele University Science and Innovation Park	Keele University, Staffordshire	Newcastle-under-Lyme
Chatterley Valley Phase 2	Peacock way, Newcastle Under Lyme	Newcastle-under-Lyme
Ansty	Coventry	Rugby Borough Council
Stafford Gateway	Stafford	Stafford Borough
Wellesbourne Campus	Stratford	Stratford upon Avon Council
Halesfield / EPIC	Epic Park, Halesfield 7, Telford, Shropshire	Telford and Wrekin Council
Stoneleigh Park	Stoneleigh, Kenilworth	Warwick District Council
Warwick Technology Park	Warwick	Warwick District Council

6.65 The sites identified focus upon current growth sectors; life sciences, digital and creative, advanced manufacturing and research and development. These opportunities build upon the existing skills base and training opportunities across the West Midlands, and set the precedent for the direction of globally competitive areas operating from the region.

6.66 This list is a starting point, and further analysis will need to be undertaken around the opportunity provided by these and other sites to contribute to employment growth in key growth sectors. This will need to consider whether there is capacity for locating additional employment under 25 ha focussing on key growth sectors and specific use classes.

6.67 Paragraph 33 of the Planning Policy Guidance (July 2019) provides recommendations on how the specific locational requirements of specialist or new sectors could be addressed. It advises that:

“when assessing what land and policy support may be needed for different employment uses, it will be important to understand whether there are specific requirements in the local market which affect the types of land or premises needed. Clustering of certain industries (such as some high tech, engineering, digital, creative and logistics activities) can play an important role in supporting collaboration, innovation, productivity, and sustainability, as well as in driving the economic prospects of the areas in which they locate. Strategic policy-making authorities will need to develop a clear understanding of such needs and how they might be addressed taking account of relevant evidence and policy within Local Industrial Strategies. For example, this might include the need for greater studio capacity, co-working spaces or research facilities. These needs are often more qualitative in nature and will have to be informed by engagement with businesses and occupiers within relevant sectors”.

6.68 The WMCA SEP (2016) sets out the importance of improving opportunities and creating conditions for growth linked to connectivity and skills. The WMCA has recognised the opportunity to achieve this across the region and to set a quality benchmark for the nation. The priority of this vision is to be delivered through continuing to nurture existing successes and grow accordingly by combining strengths in science, technology, engineering and the arts. Collaboratively, the WMCA vision will create opportunities for demand led innovation, increasing the rate at which new ideas and solutions are generated and translated into economic growth.

6.69 As noted within the Coventry and Warwickshire SEP (August 2016) there is a need to create strong regional offers through collaboration across three key areas; SME’s, talent and culture and tourism. To succeed, the region should prioritise nurturing and combining existing strengths whilst informing WMCA and SEP priorities.

6.70 The Stoke and Staffs SEP (2018) is mindful of how industrial growth can be of benefit, and improving productivity is a key area of focus for the LEP. Stoke-on-Trent and Staffordshire have established two Enterprise Zones which have enabled them to provide a blend of geographical and sectoral offers to the market and these will be promoted. These include the Ceramic Valley Enterprise Zone and the opportunity for advanced manufacturing and professional businesses both linked to and in addition to the offer at i54/JLR.

7. Conclusions

- 7.1 The objectives, scope, aims and expected outcomes of this Study were agreed at the outset, and have been kept under review as the Study has progressed.
- 7.2 A key aim of the Study was to review and provide an update of the West Midlands Strategic Employment Sites Study (2015) which was produced by PBA and JLL on behalf of the West Midlands Local Authority Chief Executives. It includes, therefore, a review of relevant baseline documentation and an overview of the past demand for, and supply of, land and buildings for industrial/logistics and office development in the West Midlands. In accordance with Client requirements, it has been informed by consultation and engagement with all the local authorities, the three Local Enterprise Partnerships, Staffordshire County Council and those engaged in the delivery of employment land.
- 7.3 The demand evidence draws upon market knowledge and a thorough analysis of past trends relating to the take-up of employment land and premises. It does not, however, include an econometric forecast of potential future demand across the Study area, at a sector specific level.
- 7.4 The Study has taken a strategic approach to reviewing and assessing options for locating new strategic employment sites within the Study Area and sub-region. Its findings should underline the need for, and should encourage, local authorities, developers and landowners to work together to develop a deliverable supply and pipeline of 'investor ready' Strategic Employment Sites that are capable of accommodating large scale development (as per the definition of 'strategic' adopted for this Study, which is based on that adopted in the 2015 Study), in addition to meeting more locally based employment needs. In this regard, there is a distinction between local level sites to meet local needs which are to be identified by individual local authorities in their forward planning processes, informed by their ELR's (which are not considered in this Study) and strategic level, regionally important sites that may accommodate major investment requirements.
- 7.5 This Study has identified all allocated/committed strategic employment sites which have an existing, remaining site area of 25+ hectares. It has also provided conclusions on the broad locations that should be the focus of future strategic employment land supply. The Study is not an Employment Land Review (ELR) but focuses on strategic employment sites and locations. The ELR's of each local authority have, however, been key information sources. The Study does not purport to allocate sites and is not a statutory planning document. Nor, importantly, should the findings of this Study prevent, or in any way prejudice, the thorough and objective assessment of the planning and other merits of sites through the statutory planning process, and through the examination of development plans in the Study Area.
- 7.6 We summarise below our key conclusions.

Offices and Industrial Market

- 7.7 Our analysis of the market shows that whilst there is sufficient supply of office accommodation/sites there is wide anecdotal acknowledgment by the industry of a shortfall of strategic employment land sites (B2 & B8).

Offices

- 7.8 Since the 2015 Study the private sector market has increasingly seen the benefits that regional locations provide for premises due in part to co-location strategic, efficient occupancy and labour costs. We expect these trends to continue.

- 7.9 Further, judging by the reported ambitions of the co-working sector, 2019 was to be the third year in succession of continued growth in take up attributable to serviced, managed and co-working office providers, particularly in Birmingham City Centre.
- 7.10 However, the appetite for development, and the availability of strategic sites for development, varies significantly across the region. On the whole, market evidence still suggests that availability of existing built space continues to tighten, whilst many developers resist the opportunity to develop speculatively due to the associated development risks and financial/borrowing constraints.

Industrial

- 7.11 The West Midlands is a region of opportunity with key strategic and economic growth drivers combining to position the area as a place to invest for occupiers with the conditions right to deliver economic growth both now and in the future (HS2/Metro) given its connectivity, accessibility to key markets, skills and supply chain and with a policy focus upon infrastructure growth corridors as locations for strategic employment sites.
- 7.12 The West Midlands, once home to the industrial revolution, is now a global centre of innovation in the key growth sectors of healthcare including medtech, clinical trials/testing and AI, advanced manufacturing including engineering and battery technology, transport tech, creative media including digital technology and gaming, higher education and professional services.
- 7.13 Our analysis has shown significant demand in the West and East Midlands over the period 2015 to 2018 for industrial/logistics floorspace over 100,000 sqft, with average take up of 0.9 million sqm (9.68 million sqm) p.a. over the combined West and East Midlands area. The corresponding figure for the West Midlands was 0.4 million sqm. Adopting the assumptions in this Study about site capacity, this would absorb circa 225 ha p.a. across the Midlands, and circa 100 ha p.a. within the West Midlands.
- 7.14 There was circa 1.1 million sqm (11.8m sqft) of existing property and units under construction in the combined West and East Midlands area at the end of Q4 2018, which was available in 52 units including speculative units under construction. This equated to approximately two year's supply across the combined West and East Midlands area, having deducted design and build transactions (assuming no growth in demand and deducting design and build transactions). Availability would have been approximately half this for the Study area. At the end of Q3 2019, there was circa 0.65 million sqm (7.0 million sqft) of existing property and speculative units under construction in the combined West and East Midlands area, and only 0.14 million sqm (1.5 million sqft) in the West Midlands, equating to less than one year's supply in the West Midlands area.
- 7.15 Whilst demand has historically been characterised by the automotive sector with occupiers seeking space for advanced manufacturing and engineering floorspace, and their supply chains, this sector is changing. 2018 recorded a quieter year with Brexit uncertainty (as a proportion of total take up) with significant demand from the retail sector, non-internet (28%), ecommerce (27%) and third party logistics space (23%). Whilst demand still remains in the automotive sector 2018 saw some demand for battery development and assembly plants reflecting the growing trend of automotive manufacturers looking at electric car technology as an alternative to diesel and petrol combustion engines.
- 7.16 The analysis has clearly shown that supply needs to match demand with circa 0.4 million sqm of floorspace required p.a. in the West Midlands to maintain current levels of take up. Whilst this analysis has focussed on past take up trends (not allowing for future growth), and current and existing supply, it is clear that the market will

respond if fit for purpose supply is available, with scope for such take up to increase, particularly with the probability of receiving strategic, one-off inward investment requirements.

- 7.17 At present the usual churn of the property market and opportunities for trading up to higher quality premises is accounting for the available supply. Given the opportunities for businesses of a well positioned West Midlands location we are confident that an increase in supply will result in an increase in demand.
- 7.18 For the region to fulfil its clear potential, as advocated earlier in this Report, this level of good quality supply needs to be maintained and increased. It is recommended that a proactive approach is taken to identify a deliverable portfolio of fit for purpose employment land and property capable of providing sufficient supply thus enabling it to provide a timely response to meet both known local needs and unknown (and at times unquantifiable) strategic employment requirements.
- 7.19 We recommend that consideration be given to adopting a similar approach to strategic employment land as that adopted for housing land supply, so that a minimum portfolio of 5 years supply for the region is identified and maintained. We recommend also that consideration be given to the merits of adopting a two tiered approach to identifying employment land, differentiating between strategic sites of 25+ ha, and local sites, and sites for target growth sectors. This will require a significant dialogue between the Local Authorities, LEP's and other partners/stakeholders.

Engagement (Market)

- 7.20 Stakeholders welcomed the preparation of the Study, and viewed it as having potential to provide an important contribution to the evidence base that would inform future development plan reviews across the Study area. It will also felt that the Study should set the agenda for further work required to advance the debate, and that it should make recommendations on the scope of that future work. More specifically, the following key messages emerged from engagement with the market:
- **Acknowledged Shortfall:** there is a general agreement (or at least perception) amongst stakeholders that the availability and choice of existing and new space under construction is at an unacceptably low level, and that there needs to be collective political will to address the limited supply of Strategic Employment Sites.
 - **Robust Evidence Base:** it was felt that the Study's supply-led scope is too narrow which will impact on the extent to which it may be relied upon, and that:-
 - most commentators advocate the commissioning of an econometric demand forecast would enable the shortfall to be quantified; and
 - demand is significant and to reflect the pace of change in manufacturing and logistics, a follow on Study of modern business requirements would add value to the Study.
 - **Definition of Strategic Employment Land:** the definition used within the Study was generally supported, but with the following qualifications.
 - a 25 ha threshold may render some sites potentially unable to deliver anything of scale (although the Study adopts this site area as a minimum, with many sites being significantly larger); and
 - there is a need to distinguish between sites that may accommodate 'strategic' and 'local' level needs in the preparation of local plans.

- **Public Sector 'Buy-in':** the support of the Public Sector partners to the report's findings was highlighted as being of particular importance so that a 'Statement of Common Ground' or similar, to be endorsed by the LEPs/ LPAs, might be considered.
- **Site Assessment:** the Study's 'policy off' approach to the consideration of appropriate locations for Strategic Employment Sites was welcomed, given the likelihood that a substantial number of sites would be located within the Green Belt.
- **Statutory Consultation:** input from statutory consultees (and, in particular, Highways England) would be of considerable benefit to the Study's conclusions.
- **Study Outputs:** the presentation of outputs at a 'broad location' level was favoured, and preferred over the alternative 'site specific' approach which might be seen as pre-determining the appropriate testing and assessment of the individual and relative merits of sites through Local Plan processes.
- **A New Spatial Framework:** a new spatial framework is needed to advocate a policy mechanism to address the current and any future shortage of strategic employment land.

Engagement (Local Authorities)

7.21 Some of the key messages that came out of the discussions with Local Authorities are summarised below.

- a) Several local authorities are of the opinion that there are no suitable sites within their boundaries that could support a Strategic Employment Site of 25ha or larger. The Metropolitan and more 'urban' local authorities saw limited or no potential to deliver strategic employment sites within their areas, and it was felt that the delivery of such sites in the Black Country may require public sector intervention. Others saw the potential for delivering a Strategic Employment Site, and recognised the significant economic and social benefits that would bring.
- b) Some concern was raised in relation to an over-dependence on delivering B8 Storage and Distribution sites, and the risk of limited job creation from such development given their low worker densities, extensive levels of automation and manufacturing efficiency.
- c) A number of Local Authorities have identified existing or potential locations which would be the focus for regionally important growth sectors which do not require sites as large as 25ha. This was recognised at the outset by the consultants and further work will be needed on this issue.
- d) High quality transport infrastructure (whether existing, planned or proposed) was highlighted as being central to the successful delivery of Strategic Employment Sites. Good access to a motorway junction, or to the trunk road network, was seen as critical to the successful delivery of such sites, as to a lesser extent was proximity to public transport routes. Local Authorities highlighted the potential for strategic highway improvements to unlock land which at present is constrained by poor access. Such improvements may include the following:-
 - M54 / M6 link road;
 - New motorway junction on the M6 at Corley Services;
 - New motorway junction on the M42 at Catherine-de-Barnes; and
 - M42 Western Orbital (no confirmation at this stage that this scheme will come forward).
- e) Conversely, problems with capacity on the existing Strategic Road Network (for example J3 of the M6) could be a barrier to bringing sites forward so that long-term improvement works may be required in several locations. Highways England input into bringing such schemes forward will be crucial.

- f) HS2 and related infrastructure improvements were considered to be potential catalysts for further employment land release and delivery.
- g) Many Local Authorities are constrained by substantial parts of their administrative areas being located within the Green Belt. It was acknowledged that a Green Belt review would be required to evaluate the potential to remove land from the Green Belt to meet identified needs, and to support decisions over the most appropriate locations for doing so. Some felt that the search for locations for Strategic Employment Sites should include a hierarchical approach and a preference for non-Green Belt sites first.
- h) In relation to the aims and objectives of this Study, it was highlighted that the Study should ensure a balanced growth approach and that it should consider the regional profile and opportunities within adjacent boundaries.

7.22 More generally, concern was raised that the Study might identify potential sites that have not been identified previously within emerging development plans. Whilst this may be the case, any Strategic Employment Site will need to be assessed through the local plan making process and, in this regard, it will be essential that site promoters engage with Local Authorities

Existing Supply (Allocated Employment Sites)

7.23 A comprehensive audit of adopted and emerging evidence based documents for the 24 local authorities situated within the Study area initially identified a total of 664 sites which met the key 25+ ha criterion. Further analysis confirmed that most have been largely been built out so that a refined list included only 12 sites with a remaining site area of 25+ ha. The DCO at the WMI was added later. The potential floorspace capacity of the 13 allocated and committed sites is circa 2.96 million sqm. This conclusion is, however, to be approached with a degree of caution having regard to the length of time that some sites have been identified and allocated, without being brought forward. Moreover, the capacity of sites is expressed on the basis of gross site area, rather than on the basis of a net area, as per the agreed terms of reference of this Study. It is not the purpose of this Study, however, to reach conclusions on whether sites should remain as allocations (that is a matter for the plan-making authorities involved), or to reach conclusions on the net developable area of the allocated sites. Nonetheless, the estimated capacity should for the purpose of this Study be treated as a maximum.

7.24 We have noted an average take up of new, Grade A floorspace in the West Midlands area (as defined for the purpose of the analysis) of approximately 0.4 million sqm per annum. Based on evidence of past trends in relation to take-up, and assuming that no additional strategic employment sites are brought forward to replace those that remain, the current supply of allocated and committed employment land would appear to represent a maximum of 7.41 years supply. This includes the specific provision for rail freight related development at the WMI which alone comprises 2.47 years supply.

7.25 On the basis of the 'past trends' approach that we have adopted it is clear, as it was in 2015, that there is a limited supply of available, allocated and/or committed sites across the Study Area that meet the definition of 'strategic employment sites', and an urgent need for additional sites to be brought forward to provide a deliverable pipeline, noting the very substantial lead-in times for promoting and bringing forward such sites.

Industry Promoted Land

7.26 As part of the engagement process, stakeholders were invited to submit details of their particular land interests. The consultant team received details of 31 sites of 25+ hectares that stakeholders were promoting for employment,

or were considering promoting for employment development. This included the WMI which has since been added to the Allocated and Committed supply. At the 'headline' level, these sites represent a combined area of circa 2,370 ha. Applying the consistent assumption that 25ha of land may support circa 100,000 sqm of floorspace, this equates to circa 10.47 million sqm of potential floorspace. Based on average take up of circa 0.4 million sqm p.a. in the West Midlands area (which equates broadly with the Study Area), this would provide a further 23.7 years of potential capacity/supply.

- 7.27 This would require, of course, that all the sites in Table 6.2 would ultimately be confirmed as allocations in the relevant development plan(s), which will not be the case. Moreover, it has no temporal dimension, and makes no allowance for the time that it may take to secure such allocations, and to then bring those forward through the planning application process, and to deliver any necessary supporting infrastructure. For these reasons, it is not sensible to conclude that all the identified sites will contribute to supply in the short to medium term and this element of potential supply should be treated with an appropriate degree of caution.

Sites at Motorway Junctions

- 7.28 It is our view that Strategic Employment Sites are best delivered in locations that are accessible to the strategic highway network, with sites located close to motorway junctions being prioritised by developers and occupiers. With this in mind the Study includes a high level review of land adjacent to all motorway junctions within the Study area to test whether there may be sites of 25+ ha that could accommodate strategic employment needs. The search identifies substantial amounts of land that could support employment development, if promoted for those purposes, and subject to the consideration of technical, environmental and other matters. We have not, however, made any allowance in our conclusions on potential supply from such sites.

Total Potential Capacity/Supply

- 7.29 Table 7.1 below summarises the existing supply of strategic employment sites, and the potential contribution that could be made from the industry promoted sites that have been put to the Consultant team.

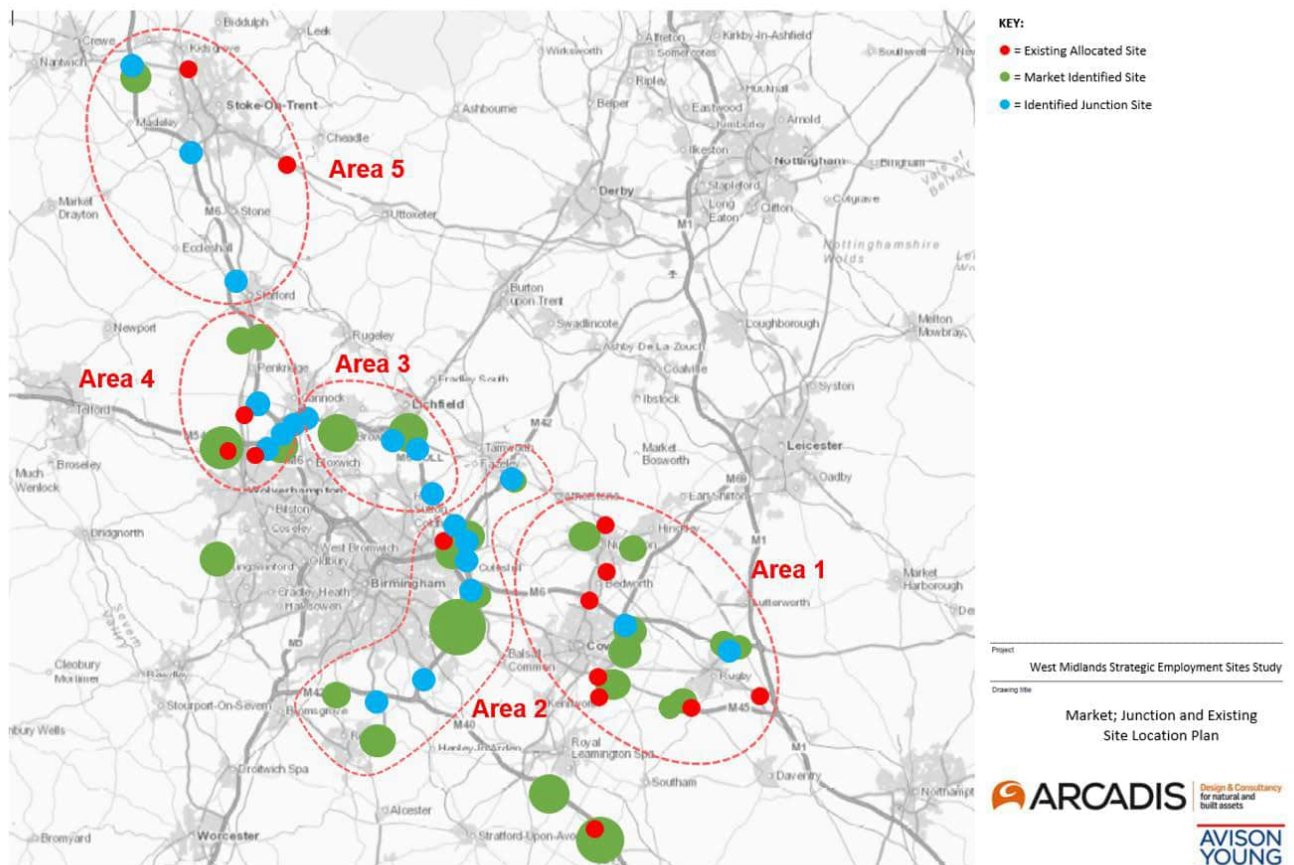
Table 7.1 – Existing and Potential Supply in Key Locations (Source: Avison Young 2019)

	Area 1	Area 2	Area 3	Area 4	Area 5	Years supply	Outside 5 clusters
Allocated Sites	71 ha	264 ha	-	323ha	83 ha		100 ha
Years supply	0.71	2.64	-	3.23	0.83	7.41	1
Industry Promoted Sites	905 ha	448 ha	152 ha	494 ha	70 ha		301 ha
Years supply	9.05	4.48	1.52	4.94	0.7	20.696	3
TOTAL	976 ha	712 ha	152 ha	817 ha	153 ha		401 ha
Years Supply	9.76	7.12	1.52	8.17	1.53	28.1	

- 7.30 It is our view that, at a minimum, recent levels of demand are likely to be sustained from a market perspective. This could, however, increase over and above current levels given the attraction of the area as a location for investment, the ambitions of the LEPs to grow the economy and to increase productivity, and the potential consequences of the coronavirus pandemic. We have recommended that consideration be given to the specifics over quantum of demand being assessed via an econometric demand forecast.
- 7.31 If only allocated sites, were assumed to contribute to supply there would be a maximum of 7.41 years supply at observed levels of demand and much less if demand were to materially exceed trend-based levels. If only allocated sites, plus all of the industry promoted sites in Key Locations, were assumed to contribute to supply there would be a maximum of 28.1 years supply at recent levels of demand, and 14.05 years if demand was double the recent trend-based levels. We have, however, concluded that it is not realistic to assume that all of the industry promoted sites will in time be confirmed as allocations. This high-level analysis underlines:-
- the urgent need to identify a pipeline of new Strategic Employment Sites to meet needs beyond the 7.41 years (or less) of supply that exists in allocations and committed sites; and
 - the need to consider testing, through econometric forecasting, the level of demand that the sub-region should be seeking to meet and that, whatever that level may be, existing supply must be supplemented in the short term.

Delivering a supply of Strategic Employment Sites

- 7.32 Based on our analysis of the quantum of supply, market intelligence around areas seeing considerable demand, and those areas achieving the higher land prices, the prime market facing locations for Strategic Employment Sites is to the east of Birmingham in an area that covers a geography from J2 of the M42 in the south, north to J10 of the M42, south west to J14 of the M40 and east to J1 of the M6. On this basis we identify five key clusters of sites (as identified on Figure 6.4) and recommend that the focus for identifying strategic employment sites should be in four of these clusters, or 'Key Locations' (excluding Area 3).



Sites Targeted at Specific Growth Sectors

7.33 Having regard to the second part of the definition of ‘strategic’ that has been adopted for this Study (see paragraph 1.20) we have identified sites that provide for growth in key target sectors but which are less than 25 ha in size. These sites have been identified through a review of current Strategic Economic Plan (SEP) priorities and known growth target areas, including enterprise zones, employment hubs and education led programmes, and supplemented by our market knowledge. The recognition of these sites further supports the growth of transformational sectors including that of the Combined Authority. As a baseline therefore, our research focused on the delivery of growth for the following sector areas:

- Advanced Manufacturing;
- Business, professional and financial services;
- Construction (building technologies);
- Digital and creative;
- Life sciences and social care;
- Logistics and transport technologies; and
- Low carbon and environmental technologies.

7.34 Working alongside the Local Authorities we identified a number of pipeline sector specific sites, to be delivered through infrastructure led programmes with the full list provided in Table 6.10. The sites identified focus upon current growth sectors (life sciences, digital and creative, advanced manufacturing and research and development). These opportunities build upon the existing skills base and training opportunities across the West Midlands, and set the precedent for the direction of globally competitive areas operating from the region.

- 7.35 The list is a starting point, and further analysis will need to be undertaken around the opportunity provided by these and other sites to contribute to employment growth in key growth sectors. This will need to consider whether there is capacity for locating additional employment under 25 ha focussing on key growth sectors and specific use classes.

8. Next Steps and Recommendations

- 8.1 This Study was commissioned to provide an update of the West Midlands Strategic Employment Sites Study (2015). It provides a commentary on recent take-up rates in the industrial and office markets in the Study area, and an audit of existing allocated and committed sites in the Study Area which meet the definition of 'Strategic Employment Land' that is adopted for the purpose of this Study.
- 8.2 The Study does not seek to predict future need but, as the remit evolved, there has been a high level assessment as to the extent to which certain locations / sites might be able to contribute to identified shortfalls in supply. It provides a first step contribution to the evidence base that will inform future Local Plan reviews across the sub region. It also reviews the conclusions that were reached by the 2015 Study in relation to those locations in the Study Area that have the potential to provide a supply of additional strategic employment sites in the future.
- 8.3 It was always anticipated that this Study would only provide a first step and that future work would be required to quantify demand and to support the identification and delivery of a pipeline of employment land that would be capable of meeting needs on an ongoing basis. Our recommendations on the additional work that would add to the findings of this Study, and contribute to the provision of a robust evidence base to inform local plan making, are set out below.

Calculating Shortfall

- 8.4 Our analysis concludes that the availability of investor ready sites, and existing and new space under construction, is very limited and that the supply of land and space capable of meeting strategic employment needs in the Study Area represents less than only 7.41 years capacity (and less than 5 years capacity if the rail freight specific DCO commitment at the WMI is discounted), having regard to take-up rates in the Study Area over the monitoring period adopted. There needs to be a collective political will to acknowledge the shortfall and in order to address this issue, and to provide a pipeline of supply that can meet needs going forward.
- 8.5 Whilst there is considerable anecdotal evidence from those active in the market of a significant shortfall in the availability and future supply of strategic employment sites, it is recommended that consideration be given to this being quantified through an econometric demand forecast. Such an assessment would add materially to the findings of this Study and would inform the strategy for delivering a sufficient supply of strategic employment land. A related area of follow-on analysis should include a critical review by plan-making authorities of the capacity and deliverability of the remaining allocated sites.

A Study of Modern Business Requirements

- 8.6 Levels of demand are significant and there is a need to look to the future and provide sufficient supply to meet the pace of change in manufacturing and logistics. It is recommended that further work should be undertaken that will provide a greater understanding of the market dynamics driving this demand and to fully understand the potential scale of growth and the needs of modern logistics and 'Just in Time' delivery for manufacturing plants.

Consultation

- 8.7 It was suggested during engagement that it would be prudent to consult with statutory consultees as part of the Study, and in particular with Highways England given the likely significance of network capacity to the delivery of strategic employment land. We have noted that it has not been within the Study's remit to engage with statutory consultees, including Highways England, but recommend that this be undertaken alongside other areas of

additional work having regard to (i) the assumptions in relation to need that are adopted in this Study, and which may arise from any further econometric demand forecasting; and (ii) the Key Locations that we recommend should be the focus of employment growth.

- 8.8 It is recognised that both public and private sector stakeholders are anticipating the outputs of this Study and it is important that they are appropriately engaged given their contributions to the Study. In particular it will be essential that early engagement takes place with the local authorities on the scope of follow on work that is recommended in this Study.

Green Belt Review

- 8.9 This Study has taken a 'policy off' approach and has largely ignored the implications of green belt policy for the identification and delivery of Strategic Employment Sites. Given that the 'Key Locations' for meeting strategic employment needs that have been considered through the approach taken are substantially affected by green belt, one next step would be for due consideration to be given to treating the need for strategic employment land across the sub-region and Study Area (as quantified by a future econometric demand assessment) as circumstances that could support the release of land from the green belt.
- 8.10 A further step would be to develop and adopt a methodology for taking a strategic and coordinated approach to the review of the green belt across the Study Area, building from green belt reviews that are ongoing in parts of the Study Area, and picking up those areas that are not currently subject to a review.

Assessment of Sites

- 8.11 Our assessment has concluded that the supply of allocated and committed Strategic Employment Sites is very limited (and that actual capacity may be more limited than the 'headlines' suggest) and may be capable of meeting needs in only the short term, adopting a trends-based approach. We have concluded also that the supply of Strategic Employment Sites resulting from current and ongoing activity by landowners, developers and promoters could be considerable, but is uncertain, both in relation to the quantum of land that may be confirmed as allocations in Local Plans, and the timing of its allocation and subsequent delivery.
- 8.12 Those promoting sites will carry out their own technical and environmental due diligence and their own assessment of development viability, which will be tested through development plan processes. A key factor, however, will be a clear understanding of the capacity of the strategic road network within the Key Locations, the extent to which that may represent a barrier to growth, and the ability to mitigate capacity constraints. Discussions with Highways England should proceed to establish how public and private sector partners can most effectively evaluate the need for, costs of and timescales associated with any highway improvement works required to support the delivery of Strategic Employment Sites.
- 8.13 As part of this Study the Client group identified a series of assessment criteria that could be applied on a consistent basis to the 'industry promoted', and any other, sites (including those adjacent to motorway junctions). This assessment has been deliberately 'high level' for the purpose of this Study, and with no weighting attached to any particular criteria. We recommend that consideration be given to developing a more detailed, refined and weighted set of assessment criteria to inform any individual or relative merits assessments of sites/locations that may be considered as part of any further work arising from the broader recommendations of this Study.

- 8.14 In addition to the future supply that comes from allocated and pipeline sites we suggest that an assessment is undertaken, alongside the providers, to understand the capacity/target markets for the sector specific sites identified in this Study.

Monitoring

- 8.15 It will be essential that the public sector partners carefully follow the outcome of key decisions on the allocation of sites and implementation of proposed transport infrastructure given the impact that they could have upon the strategy for delivering Strategic Employment Sites. This will include proposed highway improvements including the M54/M6 link road and new motorway junctions.
- 8.16 We recommend also that a framework for monitoring the progress of sites through the sub-region's development plans be established, so that a clear view on the quantum and timing of potential pipeline supply can be considered, maintained and used for comparison with demand forecasts and to inform future strategy.

Regional 'Call for Sites'

- 8.17 This Study has identified all remaining allocated and committed sites that meet the definition of Strategic Employment Land that has been adopted for the purposes of the Study. It has also captured details of 31 sites that were, at the time of our engagement with the private sector, at various stages of promotion through the Local Plan reviews that are taking place across the Study Area. We have noted, however, that it may not have captured all such sites. Moreover, there may be sites included in Local Plan reviews that are not captured in this Study and, of course, the picture will evolve over time.
- 8.18 On this basis we consider that there is considerable merit in undertaking a more formal 'Call for Sites' exercise with the objective of generating a comprehensive picture of existing supply, pipeline and opportunity. The exercise would adopt an agreed site size would seek supporting information on any other matters that would support evaluation of their merits. This could be refreshed on a regular basis and would support the wider recommendations of this Study.

Spatial Framework

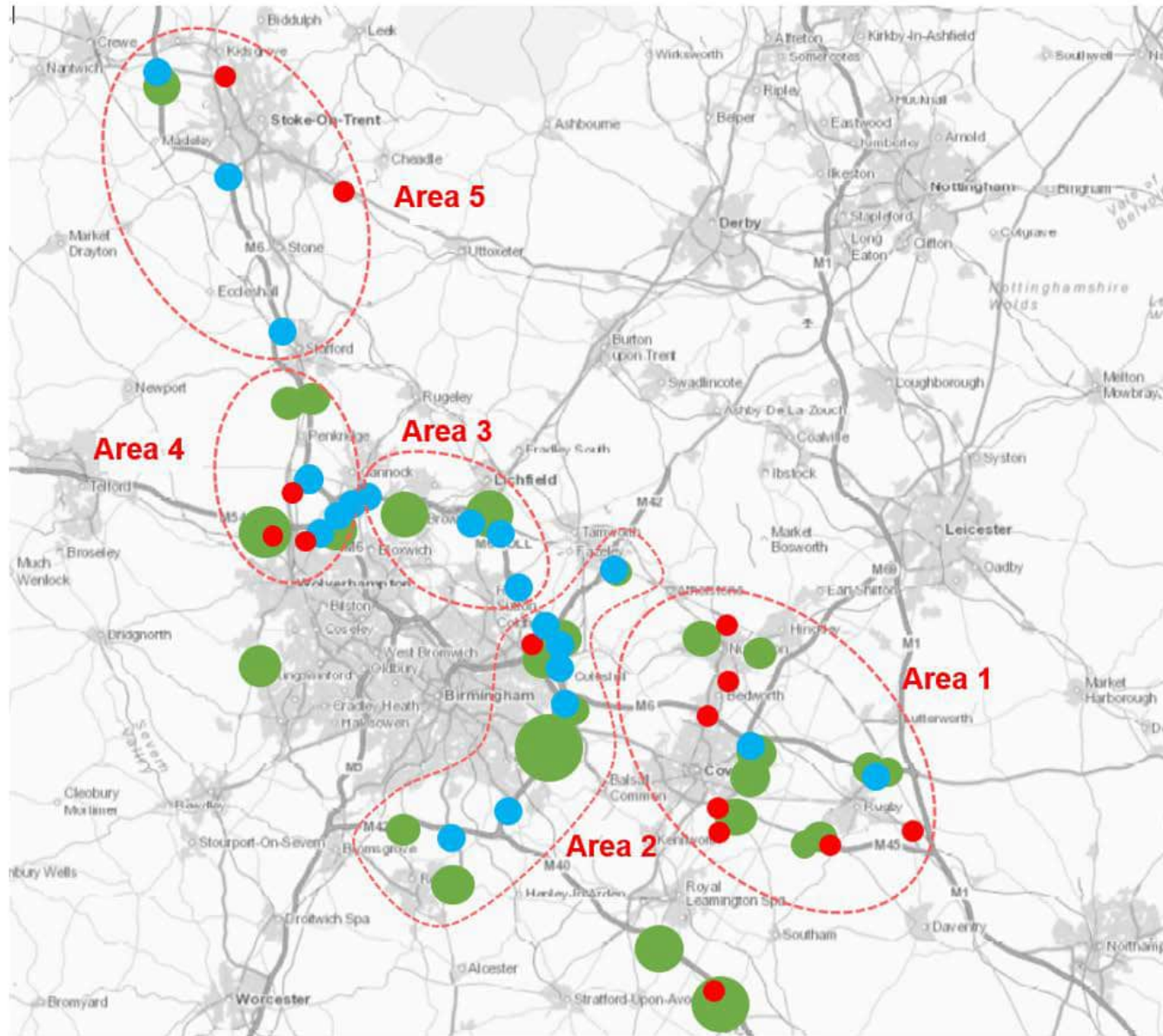
- 8.19 We recommend that consideration is given by the public sector partners to the delivery of a new spatial framework policy mechanism that ensures that local authority plan-making processes identify and ring-fence sufficient land to meet strategic employment land needs.
- 8.20 We recommended at paragraph 7.19 that consideration be given to adopting a similar approach to strategic employment land as that adopted for housing land supply, so that a minimum portfolio of 5 years supply for the region is identified and maintained. We recommended also that consideration be given to the merits of adopting a two tiered approach to identifying employment land, differentiating between strategic sites of 25+ ha, and local sites, and sites for target growth sectors. This will require a significant dialogue between the Local Authorities, LEP's and other partners/stakeholders.
- 8.21 These matters may be given effect initially by a joint commitment, through a Memorandum of Understanding or similar, to:-
- a) consider the merits of commissioning econometric demand forecasting to test and build from the conclusions that this Study reaches in relation to Key Locations, and to act upon the conclusions of that discussion;

- b) consider and agree the methodology of a strategic, coordinated green belt review that focuses on Strategic Employment Sites, adopting the definition in this Study and informed by the demand forecasting that we recommend be commissioned;
- c) undertake, initially and subsequently, a 'Call for Sites' exercise;
- d) consider and agree a detailed and weighted set of assessment criteria to inform any individual or relative merits assessments of sites/locations that may be considered as part of any further work arising from the recommendations of this Study and as part of the review of Local Plans across the Study Area;
- e) agree the mechanisms for monitoring; and
- f) engage with Highways England to seek their strategic and detailed input.

8.22 The above evidence would inform further consideration of the most appropriate locations / sites, and the development of a Spatial Framework to operate across the Study Area which would set out the approach that the local authorities in the sub-region will adopt in the preparation of their Local Plans. This would include consideration of the merits of adopting a two-tiered approach to identifying employment land, differentiating between strategic and local sites. As part of this, we recommend that the public sector takes a proactive approach and considers the merits of identifying, protecting and maintaining a minimum of a five year supply of Strategic Employment Sites. This will need to be considered in the light of the eventual outcome of the proposals for planning reform and changes to the plan-making system suggested in the August 2020 White Paper 'Planning for the Future'.

Appendix 1

Broad site location plans



- KEY:**
- = Existing Allocated Site
 - = Market Identified Site
 - = Identified Junction Site

Project
West Midlands Strategic Employment Sites Study

Drawing title
Market; Junction and Existing Site Location Plan





- KEY:**
- = Existing Allocated Site
 - = Market Identified Site

Project
West Midlands Strategic Employment Sites Study

Drawing title
Market Identified Sites
Location Plan





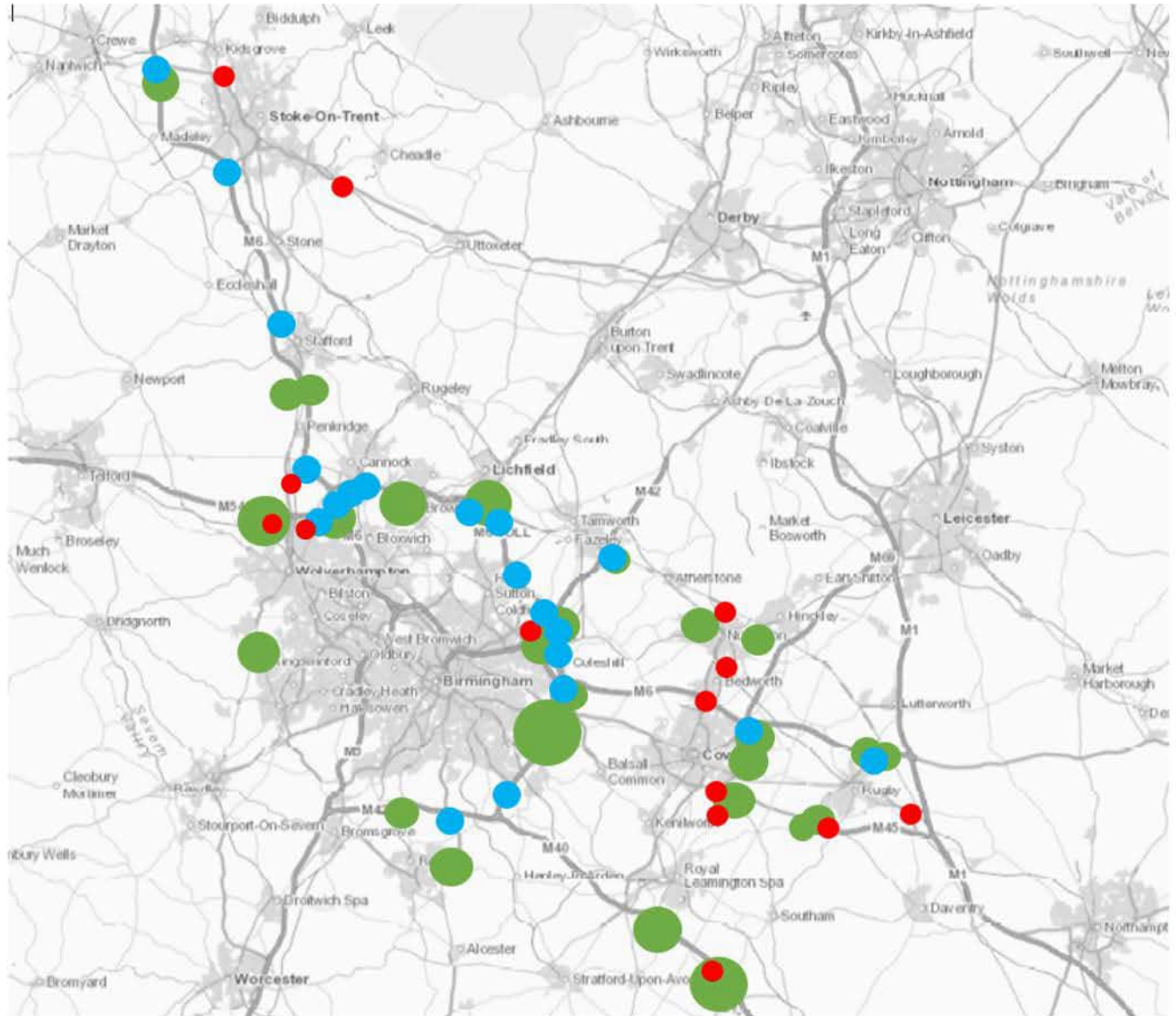
- KEY:**
- = Existing Allocated Site
 - = Identified Junction Site

Project
West Midlands Strategic Employment Sites Study

Drawing title

Identified Junction Sites
Location Plan





- KEY:**
- = Existing Allocated Site
 - = Market Identified Site
 - = Identified Junction Site

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