Document 7.4A

Updated Market Assessment

The West Midlands Rail Freight Interchange Order 201X

Regulation 5 (2) (q)

Savills - April 2019

West Midlands Interchange

Four Ashes Ltd

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Savills

Contents

1. INTRODUCTION

1.1.1 The purpose of this document is to update sections 4, 5 and 6 of Document ref 7.4 entitled Market Assessment dated June 2018.

1.1.2 The market statistics used in that report were to end of 2016 and included 2017 data where available.

1.1.3 This update uses full year figures of supply and demand for 2017 and 2018. For clarity and ease of reference, changes or updates to the original document are shown in red.

4. LOGISTICS SECTOR TRENDS

4.1.1 The key trends in the logistics sector are reviewed below, together with their implications for the characteristics and amount of demand for both land and premises. One of the most important trends is the growth in rail freight and this has been considered first.

4.2 The Growth of Rail Freight

4.2.1 There has been considerable growth in the amount of freight transported by rail. The Government's National Policy Statement for National Networks (NPS, 2014) states that it grew by 75% from 1994 – 2004 and it has been estimated that domestic intermodal rail freight could increase by 12% per annum between 2011 and 2033 (Network Rail, *Freight Market Study*, October 2013).

4.2.2 Government policy in relation to rail freight and SRFIs is considered within the Alternative Site Assessment and the Planning Statement. However, key points are that it is recognised that moving freight from road to rail has significant benefits in terms of reducing CO2 emissions and reducing congestion on the road network; improving quality of life; and, helping to address climate change.

4.2.3 In order to meet these aspirations and support the modal shift from road to rail, the Government has concluded that there is a compelling need for an expanded network of SRFIs, close to the areas which they will serve. The forecast level of growth cannot be sustained unless rail-linked distribution parks are built and expanded. This is because the goods passing through warehouses on such sites are much more likely to use rail because they avoid the cost of onward delivery to a warehouse not on such a site.

4.2.4 Historically, most National Distribution Centres (NDCs) to date have located on non rail-served sites. However, the supply of potential sites is now supplemented by the establishment of three (current) Strategic Rail Freight Interchanges in the Midlands: DIRFT (J18, M1); Hams Hall (J9, M42); and, Birch Coppice (J10, M42). In addition, more recently, East Midlands Gateway is under construction at Junction 24 of the M1.

4.2.5 This has opened up the opportunity for occupiers to use multi-modal solutions. There is growing demand from occupiers to acquire rail-linked or served warehouses, not simply to insure against the future (as may previously have been the case) but to actively use connections to the rail freight network as a key component of their distribution solutions. (N.B. In this context rail-linked means direct connection of a building by rail, and rail-served means provision of rail freight services on the wider sites, normally through an intermodal terminal).

4.2.6 Market demand has been driven by a growing understanding by occupiers of the potential for rail to deliver key benefits: a sustainable transport solution which offers better energy efficiency, reduced emissions and a reduction in road congestion; and economic and operational cost, reliability, flexibility and journey time benefits. Between Q1 2006 and Q1 2011, intermodal rail freight within Great Britain grew by 29% over a period in which overall road freight declined by 10%, demonstrating that the logistics market is now persuaded that rail offers significant benefits.

4.2.7 Hence, what is emerging is demand for a network of strategically located terminals built to modern specifications, with significant sidings capacity and with a critical mass of distribution warehousing on-site and close-by which will generate demand for regular and frequent trains with a choice of destinations.

4.2.8 The demand for distribution warehouses with access to rail, whether directly by rail siding serving the building, or through an on-site intermodal terminal, is a sub-set of the overall market for distribution warehousing in the UK. Demand in this sub-sector is driven by the same factors which influence any decision taken to occupy a building; the fundamental factor being efficiency, which can generally be thought of in terms of minimising cost and having certainty of delivering goods on time.

4.2.9 The balance between the primary haul costs (the cost of transporting goods in bulk from their origin, which might be a manufacturer or a port) and the secondary distribution costs incurred in supplying goods to the market (for example a chain of shops) is an important factor in determining location. The availability of rail as a part of an overall logistics solution, and its comparative cost, is now an important factor which helps to determine the choice of location.

4.2.10 Additional key factors are:

- The availability of suitable buildings / land;
- The diversity of routes available from a location;
- The availability of labour;
- Road congestion;
- Reliability of the transport solution (and available alternatives);
- The growth in carbon taxes;
- Social responsibility and corporate governance – which is an increasingly important motivator in decision taking (for example M&S Plan A whereby the retailer's ultimate goal is to become the world's most sustainable major retailer).

4.2.11 Demand for rail-linked or served accommodation at SRFIs is currently principally from retail and third-party logistics operators based on inbound supply chain movements from the ports. The cost advantage of rail is greater in this instance as containers can be unloaded almost directly. However, there is significant further scope for occupiers to utilise rail in their supply chains and retailers are increasingly doing so in order to maximise cost benefits and improve their 'green credentials', thereby maximising market share. Demand is currently particularly focussed on NDCs, which have a higher volume of goods going through the warehouse and can therefore maximise the benefits of rail due to regular volumes of sufficient scale.

4.2.12 However, there is considerable scope to utilise rail at the next stage of the supply chain between NDCs and Regional Distribution Centres (RDCs). Tesco is one company which is switching to an intermodal delivery solution, citing dramatic fuel savings and CO_2 reductions of up to 80%. The company has located a number of its RDCs in locations near to rail terminals.

4.2.13 Their most recent building has been the development on DIRFT 2 of a building of 78,038 sq. m (840,000 sq. ft.). Tesco took a bespoke building rather than a vacant unit, based on their need for rail connectivity. It is directly rail connected and has its own intermodal terminal, and is also within 1km of the private road network that serves the current rail freight terminal. This provides them with significant cost benefits. Tesco currently receives and dispatches up to a total of six of their own rail freight trains every day, running between a number of locations in the UK and Europe. This practice highlights the shift that logistics operators are seeking to make in order to deliver sustainability benefits and cost savings.

4.2.14 Other occupiers are also utilising rail freight. M&S has taken occupation of an 86,400 sq. m (930,000 sq. ft.) unit at East Midlands Distribution Centre with its own dedicated rail freight terminal. As part of the M&S Plan A commitment they are actively pursuing initiatives that reduce their CO_2 usage.

4.2.15 Asda has also utilised rail for a number of years between their National Distribution Centre in Lutterworth (via DIRFT) and their Scottish Distribution Centre in Grangemouth, and between Grangemouth and Aberdeen.

4.2.16 Whilst occupier rail usage will change over time, according to business requirements, the above demonstrates the growing significance of rail.

4.2.17 In practice, as older warehousing reaches the end of its economic life, it is likely to be replaced by new stock on rail connected sites, particularly where existing warehousing is located on sites that are too small for individual modern buildings and which, being on isolated sites, and also remote from the rail network, cannot be economically rail connected. Warehousing has a typical life of 30 years, so that even without economic growth some 1.3 million sq. m of new warehousing in the UK is likely to be built (on an annual basis), providing the opportunity for the SRFI programme to gradually promote rail freight expansion by replacing older warehousing. As more SRFIs are developed and the network is expanded, the range of journeys which are possible and more viable by rail (as opposed to road) will increase, resulting in an increasing demand for rail-served floorspace from occupiers.

4.3 Other trends in the logistics sector

4.3.1 The ability to hold, consolidate and distribute goods in HGV-size loads from one location is the most efficient method of organising supply chains, hence the development of both NDCs and RDCs. This is not only in terms of pure costs - the ability to consolidate and distribute 'mixed loads'[1] results in fewer HGV journeys being required, resulting in environmental benefits.

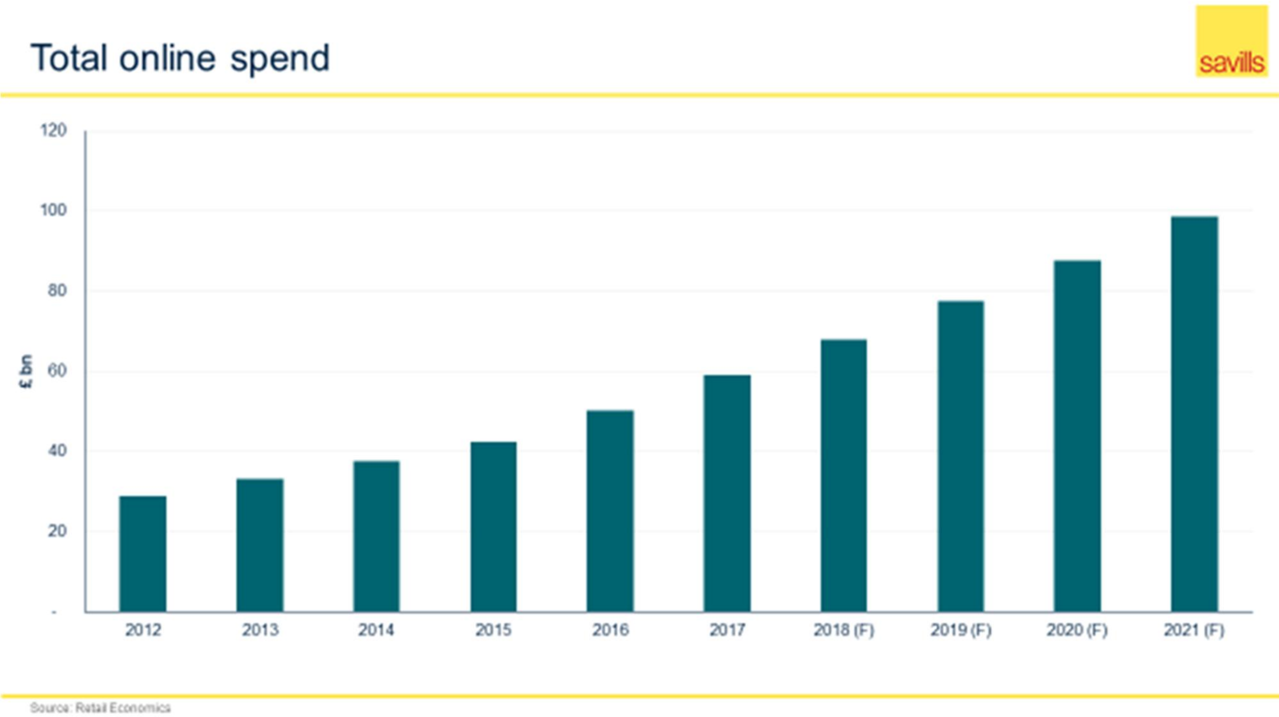
4.3.2 Trends in the retail industry have driven the changing nature of logistics. Goods are now ordered by retailers from manufacturers and suppliers on a just in time (JIT) basis when required rather than in anticipation of demand. Consequently, the responsibility of holding inventory to ensure product supply has been placed with manufacturers and suppliers, rather than the retailers.

4.3.3 E-Commerce has revolutionised the sector in recent years. The effects have particularly been seen in the UK as a high proportion of the population have access to Wi-Fi and are within easy reach for delivery. On-line sales account for 14.3% of UK retail (ONS, August 2016) and were projected to grow to 21.5% by the end of the decade (Centre for Retail Research's Retail Futures 2018). According to the ONS 21.5 % of total sales in December 2018 were online and online sales increased by 13.1% year on year from 2017 which was 3.0% higher than the previous year.

4.3.4 Data from Retail Economics demonstrates that total online retail sales are forecast to rise to £98.5bn by 2022, which based upon 2017 total retail sales of £366bn and a 2% annual growth would see 24.5% of all retail sales online by 2022.

[1] 'A 'mixed load' is a load which comprises a mixture of different types of goods.

Figure 4.1: (new insertion)



4.3.5 On-line retailers are increasingly competing on speed of delivery to win customers and this comes at a considerable extra cost in terms of additional warehousing requirements and delivery fleets, which can only be absorbed by the largest companies.

4.3.6 Customers now expect delivery of goods within increasingly short time frames, with next day delivery and even same day delivery commonplace and this has reformed the way in which supply chains are managed. The transfer of delivery costs from the consumer to the retailer means that location and accessibility to the consumer is increasingly important. According to research by Prologis[2], three times as much warehousing space is required for online fulfilment compared with store-based fulfilment. Highly specified, bespoke units, with particular requirements in relation to configuration, height and scale are necessary to meet the requirements of on-line retailers.

4.3.7 Accordingly take-up in the UK warehouse market has increased substantially in recent years as the growth of ecommerce has meant that occupiers are seeking to increase or modernise their distribution networks. Consequently we have seen take-up levels increase to 37.4 million sq. ft. in the UK in 2016, which remains the record ever year, which was a 45%

[2] Prologis (July 2014) *Inside the Global Supply Chain: E-Commerce and a New Demand Model for Logistics Real Estate*, p. 4

increase from 2010 take-up of 2.3 million sq. m (24.9 million sq. ft.). The three year rolling average for take-up has increased from 1.58 million sq. m (17 million sq. ft.) per year to 2.88 million sq. m (31m sq. ft.) per year as at end 2018.

4.3.8 It is estimated that for every additional €1bn of online sales this resulted in on average an additional 72,000 sq. m (775,000 sq. ft.) of demand for warehouse space. Using the Retail Economics forecast above would suggest that by 2021 therefore an additional 4.09 million sq. m (44 million sq. ft.) of warehouse space is required to meet the demands of the online retail sector alone.

4.3.9 The structural change in retail has significantly impacted the UK warehouse market, as the occupier base has changed substantially from 2010 to 2018. Whilst third party logistics operators have continued to be an active acquirer of space the rise of online retail providers acquiring space has been notable with occupiers such as Amazon acquiring 7.9 million sq. ft. in 2016, which equated to 21% of total space transacted in 2016. In 2018 online retailers accounted for 31% of all occupier demand.

4.3.10 Indeed the market is diverse with demand coming from a range of occupier groups, of particular interest is the manufacturing and automotive sector. In this sector investment in manufacturing causes a ripple effect of occupiers seeking to take logistics space close to manufacturing hubs in order to satisfy Just in Time supply chains.

4.3.11 Other changes in the sector include the development of 'palletline' networks. Some logistics operators lease/own and operate their own distribution centres, independent of any out-sourcing contracts they may hold. Normally such facilities will be multi-user, and will handle the goods of a number of shippers under one roof. A palletline network involves a number of logistics providers combining their operations to offer overnight express deliveries for pallet-load quantities of goods.

4.3.12 They operate using 'hub and spoke' systems, with pallets trunked into distribution centres where they are 'cross-docked' for onward deliveries. The nature of the operations and the geographical location of the West Midlands have resulted in the region being a popular location for palletline hubs, providing a further source of demand for land and premises.

4.4 Implications for the property market

4.4.1 The location and excellent motorway network in the Midlands region mean that the vast majority of the UK population can be reached within a 4 hour drive time from a well-connected site (close to a motorway junction), and the region is therefore an important sub-set of the national market and a key focus for demand for companies seeking to serve it. The concentration of population in the urban areas of the West Midlands region[3] means that there is also strong demand for sites located within, or close to, the major urban areas, which meet the need for 'last-mile distribution'; distributing goods to their final destination.

4.4.2 The continuing shift away from manufacturer/suppliers delivering direct to their customers and the emergence of RDCs and NDCs, which dominate the large distribution warehouse market, and which have seen a continuing rise in the average size of buildings, has led to an increase in plot sizes necessary to accommodate larger buildings. For example, a RDC in the early 1990s might typically have been 13,900 sq. m (150,000 sq. ft.), which would require a plot of c. 3.04 ha (7.5 acres). RDCs are now likely to be in the range 32,480 sq. m – 46,400 sq. m (350,000 sq. ft. – 500,000 sq. ft.), requiring a plot size of 7.08 ha – 10.12 ha (17.5 – 25 acres).

4.4.3 The long-term trend has been an increase in eaves heights provided to allow greater occupier flexibility. Specifically, greater eaves heights allow for increased racking capacity. More recently an increase in height has been driven by the e-commerce sector and the need to install mezzanine floors to aid storage and stock picking.

4.4.4 There is growth in demand for rail served warehousing, predominantly from retailers, and this also generates demand for larger units, which can maximise the benefits of rail in terms of volume and consistency.

4.4.5 The significant scale of recent distribution warehouses is illustrated by these examples:

- East Midlands Distribution Centre - Marks & Spencer (93,000 sq. m/1 million sq. ft.), December 2011.

[3] All references to the West Midlands in this document refer to the West Midlands Region, which includes the counties of Herefordshire, Shropshire, Staffordshire, Warwickshire, Worcestershire and the Unitary Authorities of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

- DIRFT II – Tesco (76,500 sq. m/823,450 sq. ft.), September 2011.
- DIRFT II – Sainsbury's (92,900 sq. m/1 million sq. ft.), February 2015.

4.4.6 Clearly this also has a direct impact on the size of overall schemes capable of accepting these larger buildings and the speed at which sites are taken-up.

4.4.7 More recently, the growth of the on-line retail sector has led to a rapid growth in demand for floorspace for larger, often bespoke distribution facilities, in highly accessible locations, as online retailers seek out well-located sites that allow them to compete on fulfilment times. Savills' data shows that take up for H1 2016 by on-line retailers was almost equal to that seen between 2010 and 2015.

4.4.8 In order to maximise the economic potential of the logistics sector, it is vital for the property market to provide the appropriate accommodation to meet the needs of companies seeking efficiency and cost savings in terms of their distribution requirements (which also results in increased competition and lower costs for the consumers and manufacturing businesses). Developers of distribution warehouses are increasingly having to respond to a more sophisticated and demanding client base, providing users with reliability and flexibility in their product. Their requirements therefore are highly diverse, dependent on type and scale of use. It is therefore particularly important that a range of different sites are available which offer flexibility in terms of scale and configuration of unit.

4.5 Conclusion

4.5.1 The Government's agenda to facilitate the growth of the intermodal rail freight industry and encourage a modal shift from rail to road, together with increasing awareness of the cost savings and environmental benefits of rail freight by occupiers, mean that there is forecast to be significant growth in rail-linked and rail-served warehousing, supported by an expanded network of SRFIs.

4.5.2 Trends in the retail industry, and more recently in particular e-commerce, have driven wholesale changes in the logistics sector and led to a significant increase in demand for floorspace. The requirements of the sector make the West Midlands region an ideal location for distribution floorspace due to the region's central location, giving access to the majority of the UK within one day's drive (from a well-located site), and the densely populated areas within close proximity.

4.5.3 Implications for the property market include:

- An increased demand for rail-served and rail-linked warehousing which allows occupiers to maximise the cost savings and environmental benefits of rail freight.

- A significantly increased demand for employment land and floorspace which can meet the needs of the on-line retail sector, i.e. large, well-located sites which allow the construction of bespoke units and enable occupiers to achieve the fastest possible fulfilment times;

- A significant proportion of demand is now for larger units and plot sizes;

- Consequently, a direct impact on the size of overall schemes capable of accepting these larger buildings and the speed at which sites are taken-up.

- A choice of sites is needed which can accommodate a range of bespoke requirements in terms of location, scale and configuration of unit.

4.5.4 In order to maximise the economic potential of the logistics sector, it is essential to provide the appropriate accommodation and sites to deliver the required accommodation.

5. NATIONAL & REGIONAL MARKET CONTEXT

5.1.1 In order to provide the market context for the WMI proposals, this section reviews the market dynamics for 'big sheds' (industrial and warehousing units of 9,290 sq. m/100,000 sq. ft. and above) at a national and regional level. This is an updated analysis from that undertaken in November 2017, to the end of 2018.

5.1.2 Data has been sourced from Savills' national internal database of transactions and availability of units over 9,290 sq. m (100,000 sq. ft.) and also from a detailed review of current supply at a local level.

5.1.3 As part of this market assessment, take-up is analysed as a key market indicator. Take-up is often used as a surrogate for demand but that can be misleading, particularly where land supply or availability of buildings is constrained. Take-up is, in effect, the minimum manifestation of demand and supply, but take-up will be constricted in circumstances where demand (in quantitative terms) exceeds supply and (in qualitative terms) where the nature of demand (location, use, scale, quality) is not capable of being met by the actual supply of employment land and buildings available. As will be considered below, this is an acute problem nationally, regionally and locally.

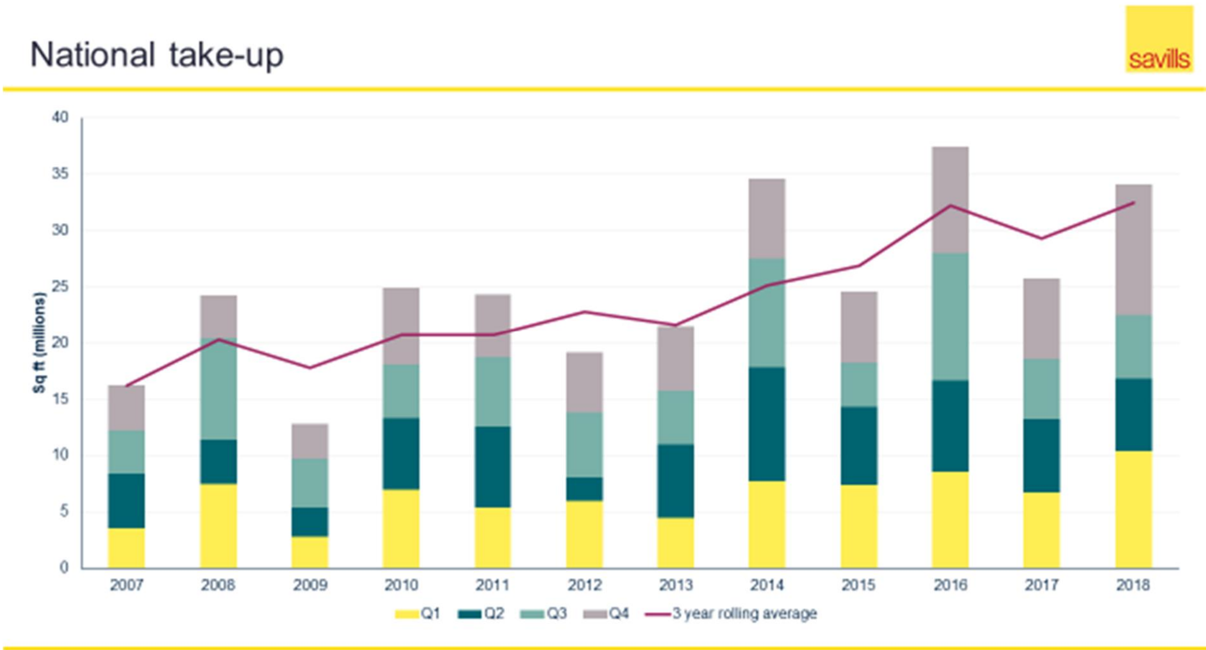
5.1.4 Whilst the dominant sector is take-up by distribution warehouses (B8) the statistics used below include industrial (B1c / B2) uses.

5.2 National Market Context

5.2.1 Demand has remained strong since the exceptionally high levels of take-up in 2016. In 2016, 3.44 million sq. m (37 million sq. ft.) of space was transacted in the UK, representing a new high to that point (see Figure 5.1). Take-up in 2016 was driven particularly by the on-line retail sector which accounted for 29% of all floorspace transacted. Total take-up for 2018 has reached at least 3.17 million sq. m (34.1 million sq. ft.), which is a 32% increase on 2017 and a 5% increase on the three year rolling average which has reached 3.02 million sq. m (32.5 million sq. ft.), the highest level ever recorded.

5.2.2 Adhering to predicted trends, online retail has increased from 5% take-up in 2010 to 31% in 2018, becoming a major occupier of space. Amazon have acquired 641,500 sq. m, (6.9 million sq. ft.) of space in 2018 accounting for 20.2% of take up this year; their huge presence continues to expand. Furthermore, the presence and take up of high street retail has reduced substantially from 33% to 10.6% which evidences shifts in global retail trends and consumer spending, reflecting the ongoing structural change within the retail sector.

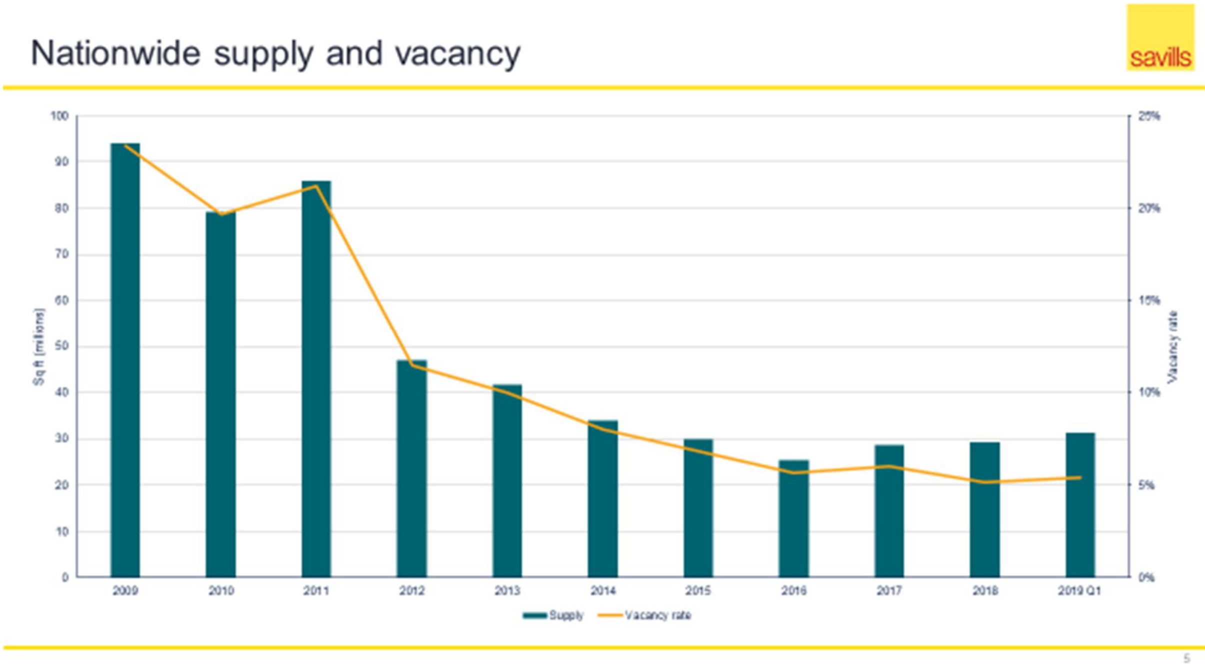
Figure 5.1: UK Big Shed Take-up (sq. ft.) (Source: Savills Research) (Updated to end of 2018)



5.2.3 In 2017 total take-up was unsurprisingly lower than the preceding record-breaking year, at 2.4 million sq. m (25.8 million sq. ft.) but still above the long term annual average of 2.32 million sq. m (25 million sq. ft.). Full year results for 2018 show a total take-up of 3.17 million sq. m (34.1 million sq. ft.). Savills' research suggests that 54% of occupiers consider that they will require additional warehouse space over the next two years.

5.2.4 As a result of high levels of take-up and muted speculative development, supply of floorspace nationally was critically low at the end of 2016, at just 2.36 million sq. m (25.37 million sq. ft.), having fallen by approximately 70% since 2009 (Figure 5.2, overleaf). Supply increased marginally over the course of 2017 and 2018. Savills, in conjunction with the UK Warehousing Association, has undertaken an audit of the current UK logistics stock. The study estimates a current supply stock figure of approximately 56.3 million sq. m (577 million sq. ft.), and thus a current nationwide vacancy rate of 5.4%. Available supply now stands at just over 2.9 million sq. m (31.3 million sq. ft.)[4] across 160 separate buildings (149 in 2016).

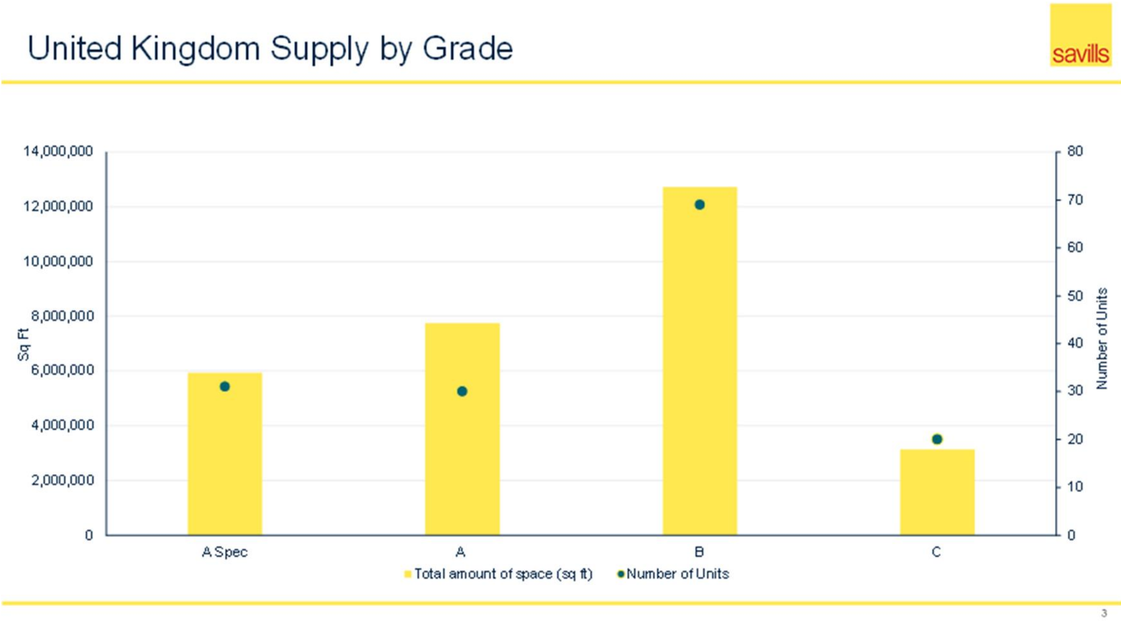
Figure 5.2: UK Total Supply of Big Sheds (source: Savills Research) (Updated to end of 2018)



5.2.5 The current supply position compares with the peak level of available supply reached in 2009 of 8.73 million sq. m (94 million sq. ft.). Currently, the majority of the existing available units are of a poor quality with 54% of the units available are classified as either grade B or C, as illustrated in the Figure 5.3 below.

[4] Savills Research Data, November 2017

Figure 5.3: UK Total Supply by Grade (source: Savills Research) (updated to end of 2018)



5.2.6 At this level of vacancy (and availability), and quality of stock there remains a severe shortage of premises nationwide, and particularly of the largest units and units in prime locations, such as the West Midlands.

5.3 Regional Market Context

5.3.1 As described in Section 4, the location and excellent motorway network in the West Midlands mean that the region is an important sub-set of the national distribution market and a key focus for demand for companies seeking to serve the national market. There is strong demand for buildings and sites which maximise this locational advantage and are situated as close as possible to the motorway network. The concentration of population in the urban areas of the West Midlands means that there is also strong demand for sites located within or close to the major urban areas, which meet the need for 'last-mile distribution'; distributing goods to their final destination.

5.3.2 Whilst logistics makes up the majority of demand - approximately two thirds of regional take up of 'big sheds' (over 9,290 sq. m/100,000 sq. ft.) - manufacturing still has an important role to play in the region. UK manufacturing has undergone a renaissance over recent years with growth being seen, particularly in the advanced manufacturing sectors.

5.3.3 The IHS Markit/CIPS UK Manufacturing PMI increased to 54.2 in December 2018 from an upwardly revised 53.6 in November, beating market expectations of 52.5. The reading pointed to the strongest expansion in the factory activity since June, amid stronger inflows of new business and a solid rise in stocks of purchases reflecting Brexit preparations by both firms and clients.

5.3.4 Demand from manufacturers is particularly focused around the urban area, where a skilled workforce and established supply chains are present, such as Birmingham, Coventry and the Black Country (where approximately 15% of the UK's high value manufacturing is carries out)[5].

5.3.5 In recent years, growth has particularly been driven by the automotive sector, and specifically by Jaguar Land Rover's (JLR's) ongoing expansion and investment in the region. This has generated significantly increased demand, both directly from JLR and indirectly from the extensive supply chain network and associated logistics operations. As a result, in contrast to the national trend, a significant element of take up in the West Midlands is from manufacturers and the automotive sector (the automotive sector accounted for 52% of space transacted in 2017). In 2018 automotive and generally the manufacturing sector accounted for 43%.

5.3.6 The region is therefore experiencing very high demand from both the logistics and manufacturing sectors (both direct and via supply chain companies) which is culminating in a critical shortage of employment land and premises. Take-up in 2016 was 576,200 sq. m (6.25 million sq. ft.), up 43% from the previous year, 2017 was just 11,524 sq. m (124,000 sq. ft.) shy of the 2016 total with a total take-up of 568,600 sq. m (6.12 million sq. ft.). Take up in 2018 has reduced to 315,900 sq. m (3.4m sq. ft.) predominantly due to a lack of large readily available sites for build to suit units but also as Brexit uncertainty starts to impact the automotive and manufacturing sectors.

5.3.7 Total supply fell by 25% over the course of 2016 in the West Midlands, and totalled just 278,700 sq. m (3 million square feet) in 20 units at the end of the year. Increased speculative development in response to the severe shortage of floorspace, has led to an increase in supply during 2017. At November 2017, there was 448,800 sq. m (4.83 million sq. ft.) of floorspace available in the region, over half of which was Grade A[6]. Six

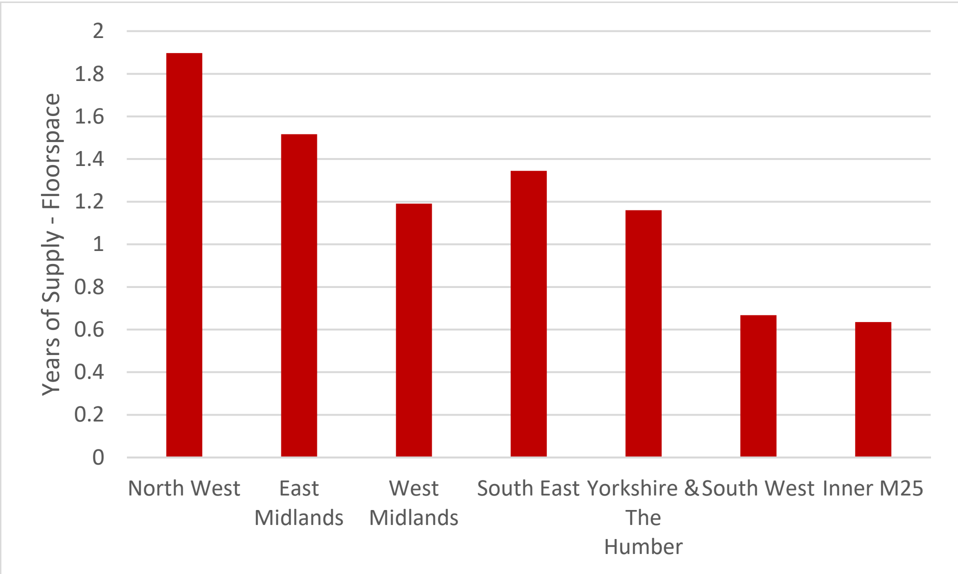
[5] WEDC (May 2017) Black Country Economic Development Needs Assessment (Stage 1 Report), para. 3.11

[6] Grade A units are those which are either new, or refurbished to meet the latest institutional standards in terms of: location, servicing; floor loading; height; number and location of loading doors; energy efficiency; yard depth and efficiency; and, high specification ancillary office space. A Grade B unit would generally an older unit which would previously have been Grade A but is now out-dated in terms of specification, or a new unit in a secondary location.

speculative units reached practical completion during the first half of the year. Total supply of existing vacant units is currently 564,500 sq. m (6.08 million sq. ft.) across thirty-two separate units which includes 10 Grade A speculatively built units totalling 163,319 million sq. m (1.76 million sq. ft.) nearly a 133% increase on supply levels in 2016 in response to perceived levels of under-supply.

5.3.8 However, as illustrated by Figure 5.4, despite the increase in supply there remained a shortage of premises in the region, with **less than 1.2 years of supply** as at November 2017. Whilst supply has improved there are still only 2.42 years of supply available as at the end of 2018.

Figure 5.4: Supply Position by Region - November 2017 (source: Savills Research)



5.3.9 The strong demand and low levels of supply in the region continue to put upward pressure on rents, with Grade A quoting increasing from £7.00 per sq. ft. in 2017, (up 7.7% year on year) to £7.50 per sq. ft. in 2018.

5.4 Conclusion

5.4.1 Increasing take-up, against a backdrop of limited speculative development in 2016 resulted in falling supply and a critical shortage of floorspace both nationally and regionally, particularly of those larger, well-located, high specification units which are increasingly the focus of demand.

5.4.2 Whilst supply of premises has now begun to increase slightly nationally and regionally, predominantly due to an increase in speculative development in response to market signals, there remains an undersupply of floorspace in prime locations nationwide. In the West Midlands there remains an acute undersupply, with less than 2.5 years' supply of floorspace.

5.4.3 The majority of supply in the region is relatively small in size and there is a severe shortage of the higher quality, large scale units.

5.4.4 This imbalance between demand and supply is evidenced by ongoing rental increases, considerably above the long-term trend.

5.4.5 The shortage of high quality floorspace means that it is vitally important that additional, well-located sites, which are capable of accommodating larger units, are brought forward in order to help meet demand and deliver high quality floorspace via either speculative development or by offering occupiers Build to Suit opportunities.

6. MARKET AREA ASSESSMENT

6.1.1 The WMI site is located approximately 10km to the north of Wolverhampton, immediately to the west of Junction 12 of the M6, and is bounded by the A5 to the north and the A449 to the west. It therefore benefits from excellent accessibility to the national and regional road network. WMI is located in Southern Staffordshire but also relates closely to, and will serve, the Black Country and Birmingham markets. The West Coast Main Line ('WCML') (western branch) runs through the Site, with Penkridge railway station located approximately 3 kilometres (2 miles) north of the Site, on the A449.

6.1.2 The site extends to approximately 297 ha (734 acres) gross, with potential for 743,200 sq. m (approximately 8 million sq. ft.) of warehousing on 193 ha (477 acres) of net developable site area. Warehousing on the site will be focused on larger floorplates which can maximise the benefits of the rail connection, and will therefore be targeted towards National Distribution Centres and Regional Distribution Centres (NDCs and RDCs) which will benefit from the location, scale and multimodal accessibility of the proposals. Indicative proposals show units from c. 19,000 sq. m (205,000 sq. ft.) up to 94,300 sq. m (1.02 million sq. ft.).

6.1.3 Benefits of WMI for occupiers will include:

- The intermodal terminal and rail-linked plots offering a multimodal logistics solution;
- Proximity to the Black Country and Greater Birmingham conurbation giving access to a high density of potential customers and supply chain companies;
- Proximity to West Midlands manufacturers, including Jaguar Land Rover's engine manufacturing plant at i54, which makes WMI very well-placed to meet demand from supply chain companies (Gestamp at Bericote, Four Ashes are a good example);
- Access to a high-quality labour pool in South Staffordshire and the Black Country – an available supply of labour is now one of the primary factors for occupiers in taking locational decisions for new distribution facilities, in response to national low levels of unemployment and, in

existing cluster locations for distribution centres (e.g. Milton Keynes, Lutterworth et al) unemployment levels at 1.7% to 3%;

- The excellent accessibility to the national road network via Junction 12 of the M6; and

- The scale of the opportunity, which allows for the largest requirements to be accommodated.

6.1.4 The market area includes those locations which potentially would compete with the proposals at WMI i.e. locations which an occupier might consider alongside WMI when looking for new floorspace. Occupiers in the B8 sector can be footloose to a certain extent. However, they are driven by cost efficiency based on their supply chain dynamics. Whilst relatively wide search areas might be initiated by occupiers, they inevitably get narrowed down once the above dynamics are taken into account. The core search area specified will vary between occupiers, depending on individual business needs, locations of suppliers or retail stores etc.

6.1.5 In order to ensure a comprehensive approach and to cover the economic areas (defined by LEP areas) which make up the catchment of WMI, the market area assessment includes the following areas:

- the Stoke and Staffordshire LEP;

- the Black Country LEP; and

- the Greater Birmingham & Solihull LEP.

6.1.6 The market area therefore broadly includes:

- Junctions 4 – 16 of the M6;

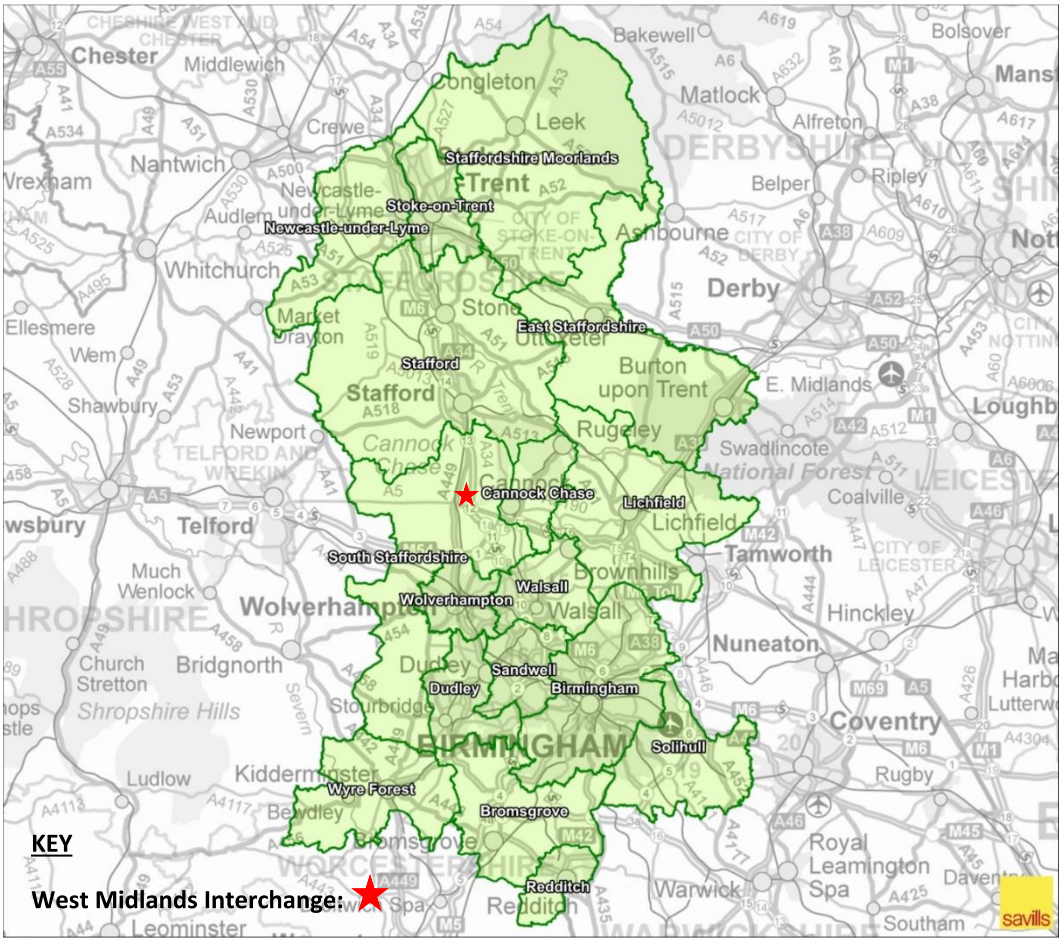
- Junctions 1 – 6 of the M42;

- Junctions 1 – 3 of the M54; and

- Junction 1 – 4 of the M5

6.1.7 A plan of the market area is included below (Figure 6.1) and at Appendix 1.0.

Figure 6.1: WMI Market Area Plan



6.1.8 The warehousing proposed at WMI will compete with schemes further afield than the search area used in the Alternative Site Assessment (ASA) [Document 7.2], which utilises a market area derived from the likely catchment of the SRFI and the identified gap in the network of existing and proposed rail served facilities. The ASA considers the most appropriate location for an SRFI, whereas this document considers the supply and demand for warehousing, irrespective of it being rail connected.

6.1.9 The supply of, and demand for, units of over 9,290 sq. m (100,000 sq. ft.) or sites which can accommodate a unit of at least this size, has been assessed. Whilst the masterplan is indicative at this stage, this is likely to be the minimum size of unit which will be developed at WMI.

6.2 Market Area Demand

6.2.1 Take-up of units within the market area has been assessed using Savills internal database of transactions[7]. As noted in Section 5, take up is a surrogate for demand but becomes less reliable when there is a restricted supply, as is the case in prime areas such as the West Midlands, including much of the market area.

6.2.2 Total take-up by year is set out in Table 6.1. Our analysis undertaken is based on the years 2012 – 2016 inclusive extended to include 2017 and 2018.[8]. There have been consistently strong levels of take-up over the period, with an average of c**. 248,000 sq. m (2.67 million square feet) per annum** for that period and c. 219,902 sq. m (2.4 million sq. ft.) per annum for the extended period 2012-2018 inclusive.

Table 6.1: Market Area Building Take up (2012-2018)

YEAR	TOTAL TAKE-UP WITHIN THE MARKET AREA (SQ. M)	TOTAL TAKE-UP WITHIN THE MARKET AREA (SQ. FT)
2012	205,843	2,215,745
2013	275,910	2,969,965
2014	269,903	2,905,303
2015	196,928	2,119,790
2016	290,972	3,132,098
2017	132,512	1,426,363
2018	167,249	1,800,270

6.2.3 The following table analyses take-up in the market area over the last five years, by location and by size. Plans showing the boundaries of each LEP area are provided at Appendix 2.0.

[7] Savills Research collects and analyse data on key indicators (relating to units of 9,290 sq. m and above) including take-up, supply of built stock, development pipeline, and speculative development. The supply and take up database is updated on a monthly basis coordinating input from local agency teams around the UK and cross referencing nationwide and regional databases and constant monitoring of news releases.

[8] Analysis undertaken in November 2017. Figures for 2017 take-up were therefore not available. Now extended to include full year figures for 2017 and 2018.

Table 6.2: Market Area Take up Analysis (2016-2018)

LEP AREA	FIVE YEAR TOTAL TAKE-UP (SQ. M P	ANNUAL TAKE-UP (SQ. M PER ANNUM)	%	NO. OF TRANSACTIONS	AVERAGE SIZE (SQ. M)
Stoke & Staffs 2016	592,459	118,492 (5 year average)	48%	27	21,943
Stoke & Staffs 2017 **(Take-up for 2017 only)**		80,766	61%	6	13,461
Stoke & Staffs 2018 **(Take-up for 2018 only)**		95,040	57%	4	23,760
Black Country 2016	291,533	58,307 (5year average)	24%	16	18,221
Black Country 2017 **(Take up for 2017 only)**		0	0%	0	0
Black Country 2018 **(Take-up for 2018 only)**		0	0%	0	0
Birmingham 2016	355,605	71,121 (5 year average)	29%	24	14,817
Birmingham 2017 **(Take-up for 2017 only)**		51,747	39%	1	51,747
Birmingham 2018 **(Take-up for 2018 only)**		72,209	43%	5	14,442

2016 TOTAL	**1,239,597**	**247,920 (5 year average)**		**67 (5 years)**	**18,501**
2017 TOTAL		**132,513**		**7**	**18,930**
2018 TOTAL		**167,249**		**9**	**18,583**

6.2.4 The majority of take-up by floorspace over the five year period has been in the Stoke & Staffordshire LEP area. There were almost as many transactions in the Greater Birmingham & Solihull LEP area, but the average size has been smaller. The Black Country has seen the lowest number of transactions and the least floorspace. In our view this is a result of the severely constrained supply position in this area, reflected in no take up in 2017 and 2018. Otherwise take up in Stoke & Staffs and in Greater Birmingham has been broadly consistent, with some expected variations from year to year reflecting primarily a depressed supply position.

6.2.5 The overall average size of unit transacted in the market area over the last five years was 18,501 sq. m (200,000 sq. ft.) and remained largely unchanged over the seven year period (2012-2018) at 18,546 sq. m. (199,627 sq. ft.). Again, it is likely that that this is reflective of a lack of supply of buildings in the larger size brackets. The true level of demand is therefore likely to be higher than the take-up figures suggest.

6.2.6 Recent transactions in the market area include:

- FP126, Fradley Park, Lichfield – 11,760 sq. m second-hand unit let to Geodis in June 2017.

- Campbell Road, Stoke on Trent – 12,728 sq. m Build to Suit unit let to Michelin in March 2017.

- Prologis Park, Fradley – 52,212 sq. m (562,000 sq. ft.) Build to Suit unit let to Screwfix in December 2016;

- Centrum 260, Burton upon Trent – 24,000 sq. m (258,370 sq. ft.) Build to Suit unit let to Palletforce in November 2016;

- DC2, Prologis Park, Sideway – 10,081 sq. m (108,511 sq. ft.) Build to Suit unit let to DSV in October 2016;

- Bericote, Four Ashes (adjacent to West Midlands Interchange) – 50,510 sq. m (543,692 sq. ft.) Build to Suit unit let to Gestamp Talent in August 2016;

- Acanthus Park, Redditch – 10,219 sq. m (110,000 sq. ft.) Build to Suit unit let to Amco in May 2016; and

- Chrome 102, Minworth, Birmingham – 9,546 sq. m (102,750 sq. ft.) speculative unit, let prior to completion to DHL in March 2016.

- Apollo, Tamworth – 17,827 sq. m. (191,981 sq. ft.) 2nd hand unit let to DSV in January 2018;

- Plot 2, Advanced Manufacturing Hub, Birmingham – 11,520 sq. m. (124,000 sq. ft.) Build to Suit Unit let to Y International in February 2018;

- FP108, Fradley Park, Lichfield – 10,079 sq. m. (108,492 sq. ft.) second hand unit let to Supersmart Services in May 2018.

- Carbon 103, Coventry – 9,569 Sq. m. (103,000 sq. ft.) speculatively built unit let to World of Books in March 2018.

- Coventry 210, Coventry Business park – 19,573 sq. m. (210,682 sq. ft.) second hand unit let to Martin Brewer in October 2018.

6.3 Market Area Building Supply

6.3.1 As at November 2017, there was **293,722 sq. m (3.16 million sq. ft.)** of floorspace available in the market area, within 23 buildings and to the end of 2018 there was 477,360 sq. m. (5,138,260 sq. ft.) of floorspace available across 32 buildings. (source: Savills database, Estates Gazette Property Link, agents' websites). The table below (Table 6.3) analyses the available supply by location. A schedule of available buildings, together with location plans, is included at Appendix 3.0. This reflects the large increase in number of speculatively built units 163,319 sq. m (1,757,951 sq. ft.) across 10 units since Q4 2017 reflecting developers' confidence in the strength of the market.

Table 6.3: Market Area Building Supply by Location (to end 2016 – end 2018)

LEP AREA	TOTAL FLOORSPACE (SQ. M)	TOTAL FLOORSPACE (SQ. FT)	% FLOORSPACE	NUMBER OF UNITS
Stoke & Staffs 2016	181,583	1,954,543	61%	13
Stoke & Staffs 2018	234,147	2,520,337	50%	15
Black Country 2016	11,170	120,233	3%	1
Black Country 2018	24,045	258,818	5%	2
Birmingham & Solihull 2016	100,969	1,086,821	34%	9
Birmingham & Solihull 2018	219,168	2,359,105	45%	15
2016 TOTAL	**293,722**	**3,161,624**		**23**
2018 TOTAL	**477,360**	**5,138,918**		**32**

6.3.2 Supply of floorspace in the market area has increased by 60%, c. 114,500 sq. m (1.2 million sq. ft.), over the course of the last 12 months. However, despite the recent bolstering of supply, there is currently (as at November 2017) only **1.2 years' supply of floorspace in the market area**, based on average annual take-up figures. The further increase in floorspace supply (to end 2018) is in response to market demand and now represents 2.42 years' supply of floorspace, based on 3 year average annual take-up figures (see Table 6.4 below). Specifically, in relation to the WMI proposal, there are no rail-linked or rail-served warehouses available in the market area.

6.3.3 The recent increase in supply can be attributed to the appetite of developers/funds for speculative development, in response to clear market signals: increasing demand, a shortage of supply, and resultant consistently rising rents and low vacancy rates. There were only three Grade A buildings available in the market area in Q1 2017; this figure has now increased to eight (to end November 2017), and to 20 by end of 2018.

- *Jupiter, Watling Street, Cannock* – a speculative unit extending to 13,233 sq. m (142,438 sq. ft.) is under construction here by Canmoor. The unit sits on the A5 and is conveniently located for Junctions 11 and 12 of the M6 (as well as T7 and T8 of the M6 Toll). The unit is due to complete in Q1 2018.

- *Conneqt, Kingswood Lakeside, Cannock* – a speculative unit is under construction by Opus Land, due to complete in 2018. Conneqt Alpha extends to 14,273 sq. m (153,633 sq. ft.). Kingswood Lakeside is located adjacent to the M6 Toll and the unit will be accessible to the A5, M6 (Junctions 11 and 12) and M6 Toll (T7 and T8). A further plot (Conneqt Beta) has full planning permission for a unit of 12,035 sq. m (129,544 sq. ft.).

- *M6DC, Kingswood Lakeside, Cannock* – Graftongate has recently completed construction of this speculative unit, which at 34,560 sq. m (372,000 sq. ft.), is the largest Grade A unit available in the market area (and the West Midlands). Similarly to the above units, M6DC benefits from accessibility to the M6 Toll, M6 and A5.

- *Birmingham 100 (former Tuckers Fasteners site), Perry Barr*, Birmingham – Barwood Capital and First Industrial have recently completed this speculative unit, which extends to 9,297 sq. m (100,072 sq. ft.). The unit is located on the A34 in Perry Barr, approximately 4.9 kilometres (3 miles) from Junction 6 of the M6.

- *Unit 1, The Hub, Witton (Hub 120)* – refurbished modern unit extending to 11,162 sq. m (120,000 sq. ft.). The Hub is approximately 3 kilometres (2 miles) from Junction 6 of the M6.

- *DC3, Prologis Park, Fradley* – a 19,834 sq. m (213,491 sq. ft.) speculative unit is under construction by Prologis and is due to complete in February 2018. Fradley Park is an established logistics location on the A38, to the north of Lichfield. Let to Anixter in January 2018.

- *Triton, Redhill Business Park, Stafford* – Trebor Developments completed a speculative unit here in December 2016. The unit extends to 10,545 sq. m (113,505 sq. ft.) and is c. 2.4 kilometres (1.5 miles) from the M6, Junction 14 via the A34;

- *Unit 2, Campbell Road, Stoke-on-Trent* – a 13,016 sq. m (140,103 sq. ft.) speculative unit is under construction by London Metric Property, due for completion in Q1 2018. The unit is located adjacent to the A500, which gives direct access to the M6, Junction 15 (3.3 kilometres/2.1 miles).

Speculative buildings completed or committed to since November 2017 include:

- *Interchange, Coleshill Heath Road* – 21, 649 sq. m (233,028 sq. ft.) unit

- *Kingpin Industrial Estate* – 11,204 sq. m (120,599 sq. ft.) unit

- *The Hub 100, Witton* – 9,291 sq. m. (100,007 sq. ft.) unit

- *Rapida 102, Kingswood Lakeside* – 9,545 sq. m. (102,742 sq. ft.) unit

- *Bericote, Four Ashes* – 41,529 sq. m. (447,017 sq. ft.) unit

- *BG 103, Burton Gateway* – 9,569 sq. m. (103,000 sq.) unit

- *Stoke 108, Stanley Matthews Way* – 10,081 sq. m. (108,511 sq. ft.) unit

- *G-Park Stoke, Whittle Road* – 2 units; 25,548 sq. m. (274,996 sq. ft.) and 11,928 sq. m (128,392 sq. ft.).

- *Discovery Park, Wolverhampton* – 12,875 sq. m. (138,585 sq. ft.) unit

6.3.4 A significant proportion of the new supply is located in Cannock, on the A5/M6 Toll corridor. This demonstrates the quality of this location for logistics development and its attractiveness to developers and funders. WMI is located in relatively close proximity, to the west of Cannock and would also serve the A5 corridor but offer much better links to the M6, with Junction 12 immediately adjacent. It is clear that there is a significant level of market confidence in this general location.

6.3.5 Whilst there was an increase of new Grade A supply in Birmingham and Solihull in 2018 compared with 2017, highest level of speculative development was in the Stoke and Staffordshire LEP area. Further, 51,174 sq. m (550,832 sq. ft.) was delivered in Cannock and South Staffordshire, including a 41,629 sq. m. (448,091 sq. ft.) unit at Bericote, Four Ashes, which directly adjoins the WMI site, demonstrating the continued market confidence in this location.

6.3.6 As a result of the recent speculative development, there is now a reduced land supply at Cannock (13.6 ha developed over the last six months) and the last two remaining plots at Kingswood Lakeside have also both recently been granted full planning permission for speculative development (Conneqt Beta – Opus Land, and Rapida – Trebor Developments).

6.3.7 As set out in Table 6.3 (page 27), approximately two thirds of the available floorspace is located within the Stoke and Staffordshire LEP area and a third is located within the Birmingham and Solihull LEP area. The Stoke and Staffordshire area is the largest in terms of size, so it is to be expected that the majority of supply is located here. Despite the recent increase in supply across the Region and Market Area, there is virtually no floorspace available in the Black Country (over 9,290 sq. m/100,000 sq. ft.).

6.3.8 Table 6.4 illustrates the supply position by location and quality.

Table 6.4: Market Area Supply Position by Location

LEP AREA	SUPPLY (SQ. M)	% OF FLOORSPACE WHICH IS GRADE A	YEARS' SUPPLY OF BUILDINGS (BASED ON 5 YEAR AVERAGE TAKE UP RATE FOR 2016 AND 3 YEAR FOR 2018)
Stoke & Staffs (2016)	181,583	58%	**1.5**
Stoke & Staffs (2018)	234,147	78%	
Black Country (2016)	11,170	0%	**0.2**

Black Country (2018)	24,045	54%	
Birmingham & Solihull (2016)	100,969	20%	**1.4**
Birmingham & Solihull (2018)	219,168	34%	
TOTAL (2016):	**293,722**		**1.2**
TOTAL (2018):	**477,360**		**2.42**

6.3.9 This analysis shows that all areas have a severe shortage of floorspace in relation to historic take up levels but that the shortage is particularly acute in the Black Country. Whilst this analysis quite properly compares take-up of all grades of premises to supply of all grades, it does not reflect the subjective point which is the trend over time for occupiers to re-locate from poorer quality space to Grade A (or possibly Grade B) space. The low proportion of Grade A space available in Birmingham & Solihull (see Table 6.4 above) suggests that the building supply issue in this area is actually worse than the headline figures suggest. The change in supply available, largely because of the development market responding to the supply shortage with delivery of speculative space, has led to an increase of years' supply (using an updated 3 year average take-up to end 2018) of 2.42, but this remains very low.

6.3.10 The critically low level of floorspace available in the market area, means that occupiers must consider Build to Suit options and the supply of unconstrained, 'oven-ready' sites is therefore very important. The supply of sites is considered at Section 6.4 below.

6.4 Market Area Land Supply

6.4.1 The supply of land in the market area has been assessed, to include those sites which could accommodate a requirement for a distribution unit of 9,290 sq. m (100,000 sq. ft.) or above and have planning permission for B8 use, or are located within an established existing employment area where B8 use would be permitted. A detailed schedule of sites is included at Appendix 3.0 (with accompanying location plans) and the position is summarised in Table 6.5 below.

Table 6.5: Market Area Land Supply by Location

LOCATION	LAND SUPPLY (HA)	SITES	% (AMOUNT OF LAND)	% (NUMBER OF SITES)
Stoke & Staffs 2016	256.73	24	75%	60%
Stoke & Staffs 2018	196.89	18	76%	62%
Black Country 2016	43.86	10	13%	25%
Black Country 2018	41.15	8	16%	28%
Great Birmingham & Solihull 2016	40.89	6	12%	15%
Great Birmingham & Solihull 2018	19.96	3	8%	10%
TOTAL 2016	**341.48**	**40**		
TOTAL 2018	**258**	**29**		

6.4.2 In total, there is **341 ha** (843 acres) of land within the market area spread over **40 sites**. As at end 2018 total supply had reduced to 258ha (638 acres) spread over 29 sites, with a decrease in availability in the Black Country (which remains at a very low provision) and a significant reduction in Birmingham and Solihull where land supply is critically low. However, a significant proportion of the sites are subject to constraints in terms of:

- sub-optimal location;
- physical characteristics including infrastructure requirements, adjoining uses, access and configuration;
- maximum unit size that can be accommodated;

6.4.3 The true, unconstrained, supply position is therefore significantly less. A qualitative assessment of the available sites is undertaken below.

Supply of Rail-served Sites

6.4.4 There are no existing, operational rail-served logistics sites within the market area. Pentalver operates a container depot at Cannock and obtained planning permission for a rail connection in 2015. This has not yet been progressed and the site currently serves Pentalver's customers via road. The container depot extends to 12 ha and does not have on-site warehousing.

6.4.5 There are two rail-served schemes adjacent to the market area, in North Warwickshire at Hams Hall (Coleshill) and Birch Coppice (Dordon).

6.4.6 Hams Hall (together with DIRFT) is one of the major SRFI in the Midlands, principally serving the West Midlands conurbation and handling a relatively high volume of manufactured goods. The terminal at Hams Hall provides daily rail services to and from the ports at Southampton, Felixstowe, Ipswich, Mossend and international services via the Channel Tunnel.

6.4.7 Birch Coppice responds to a similar market but, as a rail terminal, is of a smaller scale.

6.4.8 The availability at these sites is summarised in Table 6.6 below:

Table 6.6: Supply at Rail-served Schemes

SCHEME NAME	DEVELOPER/OWNER	REMAINING LAND (HA)	MAX SIZE (SQ. M)
Hams Hall, Coleshill (J9 M42/M6T)	Canmoor	No land.	Nil.
Prologis Park, Hams Hall (Hams Hall Power Station B)	Prologis	8.9	46,183
Birch Coppice, Dordon (J10 M42/A5)	IM Properties	No land.	Nil.
Birch Coppice, Dordon (J10 M42/A5)	Aberdeen Asset Management	No land.	Nil.
Core 42, Dordon (J10 M42/A5)	Hodgetts Estates	6.88	32,089

6.4.9 Located immediately to the north of the Hams Hall development, the 'B Station' site extends to approximately 20 hectares (49.4 acres) and is the last remaining part of the former Hams Hall Power Station that has not been redeveloped following the final closure of the power station in 1992. North Warwickshire DC resolved to grant planning permission for up to 74,322 sq. m (800,000 sq. ft.) of B2/B8 floorspace in November 2016, subject to Section 106 Agreement. Outline planning permission was granted in June 2017 and the site is now being marketed as Prologis Park, Hams Hall. Based on this site's prime location, there is likely to be strong demand from occupiers. One unit of 38,494 sq. m. (414,350 sq. ft.) has been pre-let to JLR, leaving a site capable of taking one unit of 46,183 sq. m. (497,115 sq. ft.) or options of two or three units.

6.4.10 There is no land remaining at Birch Coppice and the last two speculatively constructed units have been sold by IM Group to Aberdeen Asset Management. Both these units have now been taken by Beko.

6.4.11 Core 42 at Dordon is adjacent to Birch Coppice but is in different ownership and has a separate access from the A5. The scheme has outline planning permission for total floorspace of 63,000 sq. m (678,126 sq. ft.), with up to 90% within use class B8 and 10% within use class B1c and B2. Two units have been granted detailed planning permission to date: CORE 1 extends to 32,090 sq. m/345,414 sq. ft. (proposals to develop speculatively) and CORE 2 extends to 9,800 sq. m/105,486 sq. ft. (to be developed on behalf of an occupier). Once these two units are constructed, there will only be 14,810 sq. m (159,413 sq. ft.) of capacity remaining for B8 use at the site. A new access to the scheme from the A5 was completed in February this year and a programme of infrastructure works is now underway. M&G have funded the speculative build of a 14,941 sq. m. (160,825 sq. ft.) unit. 6.88 ha (16.9 acres) of land remains available.

6.4.12 Both of these sites are significantly smaller in scale than the application proposals. Core 42 has very limited capacity remaining and it is anticipated that the final plot at Hams Hall (now reduced) will be taken up quickly, given the relatively small scale of the site, the quality of the location and the shortage of employment land.

6.4.13 The only potential rail served site within the market area is Chatterley Valley West in Newcastle Under Lyme, which extends to 38 ha (94 acres) and has a live rail siding that connects to the West Coast Mainline. However, the site is too small to be considered an SRFI and the rail connection only allows access to and from the south, which places limits on it operationally. The site is controlled by Harworth Estates. It is subject to constraints in relation to topography, access and infrastructure. There are also significant reserves of Etruria Marl around the perimeter which will require extraction prior to development.

6.4.14 Advantage West Midlands gained planning permission for the development of the Chatterley Valley Regional Employment Site, which includes Chatterley Valley West (formerly known as Chatterley Sidings) in 2007 (ref. 04/00546/OUT). A Section 73 application (ref. 07/00995/OUT) was then subsequently granted to amend the conditions relating to this site to increase the amount of B8 floorspace permitted from 50,000 sq. m (538,196 sq. ft.) to 83,000 sq. m (893,405 sq. ft.) due to the significant works required to bring the sites forward (in particular a condition requiring 530,000 tonnes of marl to be extracted, resulting in large scale remodelling of the site). At this time the site was being promoted by Prologis who had an Option to purchase the land.

6.4.15 The site has yet to be developed and is now within the Ceramic Valley Enterprise Zone. There are proposals to try to obtain public sector funding for the Phase 2 infrastructure works which would assist in bringing the site forward. Timescales for delivery of this site are therefore uncertain.

6.4.16 This is the only site in the market area land supply which is served by rail but would be too small to classify as an SRFI and is subject to constraints in terms of the rail link, as well as physical constraints on delivery.

Location

6.4.17 As set out in Table 6.5, three quarters of available land is located within the Stoke and Staffs LEP area. There is a significant undersupply of land in the Black Country. (This is confirmed by the Black Country Economic Development Needs Assessment (WECD, 2017, para. 8.2) which concludes that there is a shortfall of 537 ha of employment land in the Black Country up to 2036, equivalent to 27 ha per annum). There is also very little land in Greater Birmingham and Solihull.

6.4.18 The majority of land (76%) continues to be concentrated in Stoke and Staffs LEP area. Land supply in the Black Country LEP has declined following the speculative build at 3 sites and lack of new sites coming forward. Land supply in Greater Birmingham and Solihull LEP area has significantly declined to only 8% of the land in the market area with land only available at three sites; Birmingham Business Park, Signal Point and Redditch Eastern Gateway.

6.4.19 Nearly 40% of the total supply of land in the market area (133 ha/329 acres) is located in Stoke-on-Trent, to the north of the LEP. This has remains true at the end of 2018 with 105 ha/259 acres located in Stoke-on-Trent. To put this into context, there is more land available in Stoke-on-Trent than in both the Black Country and Greater Birmingham and Solihull LEP areas combined.

6.4.20 Stoke-on-Trent is on the northern periphery of the area which would compete with the Proposed Development. It is therefore likely that, whilst occupiers may include both locations within an initial search area, only a minority of occupiers would seriously consider both.

6.4.21 A significant proportion of the land in Stoke is in sub-optimal locations with poor access to the motorway network. Take up is generally much slower with sites often taking a number of years to gain momentum. Sites which have been successful include Trentham Lakes (St Modwen) where there is now limited land remaining, and Prologis Park at Sideway where the last remaining plot was taken by DSV in 2016.

6.4.22 In general, accessibility in and around the city is relatively poor due to high levels of congestion on the A50 and A500. This will be alleviated to some extent by the Etruria Valley Link Road which is due for completion in 2019, subject to planning, and will open up the third phase of the Etruria Valley scheme, where there is just under 20 ha (49 acres) of land remaining.

6.4.23 As a result of the above factors, some sites within Stoke which are effectively 'oven-ready' and not subject to any significant physical constraint, are still available despite having been actively marketed for a considerable length of time. Examples include:

- *Fenton 25, Dewsbury Road, Stoke-on-Trent (10.1 ha/25 acres)* – this site is an extension to Fenton Industrial Estate. It has planning permission and has been actively marketed since 2007, which suggests a lack of market demand. When the Newcastle-under-Lyme BC and Stoke-on-Trent CC Joint Employment Land Review was undertaken in 2011, the view was taken that sites in Fenton were unlikely to come forward before Etruria Valley, Chatterley Valley and Sideway (Employment Land Review, 2011, paragraph 3.2.30) due to a lack of strategic accessibility. Given that there is a significant amount of land still available at Etruria and Chatterley Valley, the timescales for delivery of this site are uncertain.

- *G-Park, Stoke/Stoke Distribution Centre (8.65 ha/21 acres)* – this site (the former Johnson Matthey UK factory) is located to the south east of Stoke-on-Trent on the A50. It has a frontage to the A50 but is surrounded by residential properties to the south and west. It has been actively marketed since Gazeley obtained detailed planning permission for redevelopment in 2010. Whilst it does not have the physical constraints seen by some of the other sites, it is located almost 10km from the nearest motorway junction (Junction 15 of the M6). To date, the site has suffered from poor market demand. The location, accessibility and proximity of residential properties, together with the availability of numerous alternative sites in Stoke-on-Trent, are all potential reasons for the lack of demand to date. Gazeley have since committed to speculatively built a unit of 25,548 sq. m. (274,719 sq. ft.) and have planning for a unit of 11,928 sq. m. (128,392 sq. ft.), available on a build to suit (BTS) basis.

Physical Constraints

6.4.24 Furthermore, a number of the sites in Stoke-on-Trent have constraints which have prevented them coming forward thus far, and this has resulted in large amounts of land being technically available for employment use but not delivered for a number of years. Constraints include infrastructure requirements, contamination, other abnormal site costs, and accessibility.

6.4.25 Constrained sites total c. 70 ha (173 acres) and include:

- *Chatterley Valley West, Newcastle Under Lyme (38 ha/94 acres)* – as described at paragraph 6.4.13, this site is subject to a number of significant constraints on delivery which have so far meant that no development has occurred here to date, despite having had planning permission since 2007. It is likely that some form of public subsidy will be required in order to bring the site forward for development.

  Chatterley Valley East, Stoke on Trent (18.2 ha/45 acres) – this area is made up of a number of smaller sites of varying quality and is within the Ceramic Valley Enterprise Zone. Constraints include high voltage power lines, pylons, mineral reserves, topographical issues and historic landfill. The net developable area is therefore likely to be significantly less than 18.2 ha and available across a number of small sites, thereby limiting the total floorspace and the scale of individual buildings that could be accommodated and potentially making the site more suitable for smaller floorplate B1 uses. Since being granted planning permission in 2007, development has primarily been restricted to the Genesis Centre (a serviced office scheme targeted at SMEs). The deliverability of the remainder of the site is uncertain in terms of timescales and quantum of land.

- *Ravensdale, Stoke on Trent (14.62 ha/36 acres)* – outline planning permission has recently been granted for a B8 unit of 15,328 sq. m (165,000 sq. ft.) on this site which is within the Ceramic Valley Enterprise Zone. This site is therefore available for development. However, accessibility is severely constrained, with the A500 being reached via a single lane, non-adopted bridge over the railway. It is proposed to signalise the bridge in order to manage two way traffic flow and funding has been approved for repairs to the bridge to allow increased traffic movement. However, this access will limit marketability for B8 uses due to its operational constraints.

Scale

6.4.26 The average size of site available in the market area is very small (see Table 6.7 below). The small size of plots available means that the portfolio of land does not offer choice or flexibility to occupiers.

Table 6.7: Market Area Land Supply by Scale

LOCATION	AVERAGE SIZE OF SITE (HA)	LARGEST SITE AVAILABLE (HA)
Stoke & Staffs	10.70	38.00
Stoke & Staffs (2018)	10.94	42.90
Black Country	4.39	7.09
Black Country (2018)	5.14	11.25
Great Birmingham & Solihull	6.82	8.09
Great Birmingham & Solihull (2018)	6.65	10.72

6.4.27 The largest site available in the market area is Chatterley Valley West (38 ha/94 acres) which as noted above is subject to significant constraints and therefore cannot be considered immediately available for development. The provision of serviced plots is likely to be reliant on public funding in relation to infrastructure works and potentially also remediation and ground works.

6.4.28 The West Midlands Strategic Employment Sites Study (Jones Lang LaSalle & Peter Brett Associates, September 2015) reviewed current and historic policy and concluded that a strategic site is one of at least 25 ha/62 acres (and ideally 50 ha/124 acres). There are no immediately available sites of this scale available in the market area and, given that this includes three LEP areas in one of the locations of highest demand in the UK, it is clear that additional sites of scale are urgently needed in order to meet demand.

6.4.29 Other larger sites which would not be classed as strategic, in order of size, are:

- *Phase 2 & 3, Etruria Valley (21.7 ha/54 acres)* – this site is being delivered by St Modwen. It is subject to infrastructure constraints, but these will be improved by the Etruria Valley Link Road. Funding has been secured for the road and, subject to planning, construction is expected to start in 2018 and be completed late in 2019. A planning application for the road, which has funding, has recently been submitted. An outline application was submitted in August 2017 for B1c, B2, B8 uses on all remaining land at Etruria Valley Phases 2 & 3, comprising two parcels of 0.8 ha and 20.9 ha. Indicative proposals are for 61,476 sq. m (661,722 sq. ft.) of floorspace in nine units ranging in size up to 27,174 sq. m (292,500 sq. ft.).

- *Burton Gateway, Burton upon Trent (20.38 ha/50 acres)* – St Modwen has developed one speculative unit of 8,083 sq. m (86,520 sq. ft.) and has recently secured reserved matters planning permission for two more speculative units of 10,033 sq. m (108,000 sq. ft.) and 20,439 sq. m (220,000 sq. ft.). A further planning application for three smaller units has also recently been submitted. This is indicative of the current strength of demand for high quality floorspace in the market area.

- *Branston Locks, Burton upon Trent (20.23 ha/218 acres)* – this site benefits from outline planning permission for 92,903 sq. m (1 million sq. ft.) of employment floorspace. A new link road is being constructed by Staffordshire County Council which will open up this site and is due for completion late 2017/early 2018. The link road was completed in May 2018.

- *Chatterley Valley East (18.2 ha/45 acres)* – this site is effectively made up of a number of smaller sites, many of which have physical constraints to delivery and/or are unsuitable for large scale B8 development.

6.4.30 Analysis of the actual (maximum) unit sizes deliverable shows that opportunities become limited. Where the unit size that can be accommodated is not specified, an average plot development ratio of 40% has been assumed. Chatterley Valley East is comprised of a number of smaller sites which may be developed for a range of uses so an assumption on floorspace has not been made in this case as it is not possible to accurately do so at this stage.

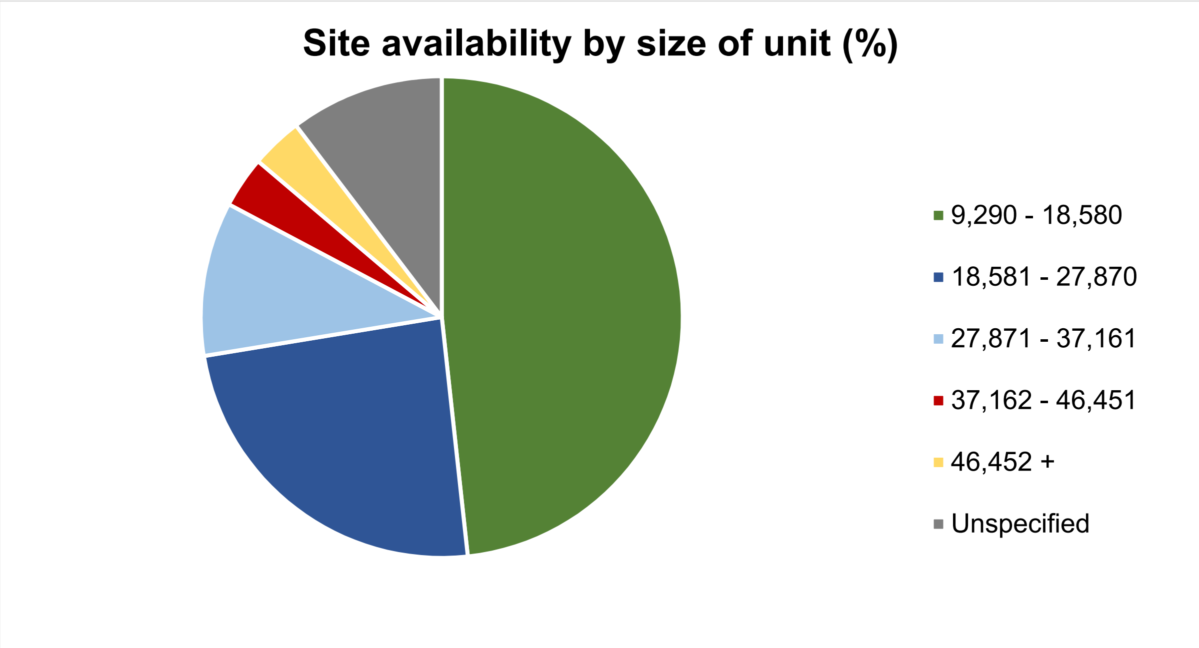
6.4.31 There is a particular shortage of sites capable of accommodating units of 27,870 sq. m. (300,000 sq. ft.) plus. As set out in the table and chart below (Table 6.8 and Figure 6.2), the majority of sites can only accommodate units at the smaller end of the spectrum with over half the sites only able to meet requirements of 18,580 sq. m (200,000 sq. ft.) or less. The analysis to the end of 2018 is broadly unchanged.

Table 6.8: Market Area Land Supply by Capacity

SIZE	NUMBER OF SITES	%
9,290 sq. m - 18,580 sq. m	21	52.5%
9,290 sq. m - 18,580 sq. m	14	48%
18,581 sq. m - 27,870 sq. m	8	20.0%
18,581 sq. m - 27,870 sq. m	7	24%
27,871 sq. m - 37,161 sq. m	4	10.0%
27,871 sq. m - 37,161 sq. m	3	10%
37,161 sq. m - 46,451 sq. m	4	10.0%
37,161 sq. m - 46,451 sq. m	1	4%
46,452 sq. m plus	2	5.0%
46,452 sq. m plus	1	4%
Not specified	1	2.5%

Not specified	3	10%
Total	**40**	**100%**
Total	**29**	**100%**

Figure 6.2: Site Availability by Unit Size (%) (to end 2018)



6.4.32 Only 2 sites have the potential for a unit of 46,450 sq. m (500,000 sq. ft.) or above:

- *Meaford Business Park, Stone* – the indicative masterplan shows a predominantly smaller unit scheme with one unit of 65,032 sq. m (700,000 sq. ft.). However, the outline planning permission limits the amount of B8 to 60,000 sq. m (645,835 sq. ft.). Local Growth Deal funding was secured to improve the surrounding road infrastructure and access including a new roundabout on the A34 and a new roundabout to directly serve the site. These works were completed in August 2016.

- *Chatterley Valley West* – indicative masterplan proposals demonstrate that a unit of c. 50,000 sq. m (538,195 sq. ft.) could be accommodated here but this is subject to overcoming the significant site constraints noted above.

6.4.33 There is an identified shortage, nationally and regionally, of the higher quality, large scale, strategic sites and larger units (Section 5). This is against a backdrop of current trends in the logistics sector, including the growth of e-commerce and the shift to rail freight, resulting in occupiers increasingly seeking larger buildings (Section 3).

6.4.34 The land supply in the market area is predominantly made up of smaller sites and there are very few sites which can deliver the largest units. Only Meaford Business Park is capable of delivering a unit of over 46,450 sq. m and no strategic sites are available over 25 ha (62 acres) which can be delivered short term. The supply in the market area is therefore not well-placed to meet potential demand from occupiers and does not offer sufficient choice.

Pipeline Supply

6.4.35 There is a limited supply of competing sites in the pipeline which will provide B8 floorspace of significant scale. A summary of the key sites in the pipeline which could deliver B8 floorspace in the market area is included below:

- *Peddimore, Birmingham* – a site of 71 ha (175 acres) to the north of Birmingham has been allocated in the Birmingham Development Plan (January 2017). A 'Visioning Document' published in March 2017 states that the site could potentially comprise of 11 buildings with a combined floorspace of 265,000 sq. m (2.85 million sq. ft.) individually ranging from 7,500 sq. m to 55,000sq. m. (80,730 sq. ft. – 592,015 sq. ft.).

  A preferred developer will be selected in 2018 to bring forward the first phase. The development partner will deliver the infrastructure for the whole site and then take approximately half the site to develop for B1, B2 and B8 uses. Birmingham City Council will retain the remainder of the site for major manufacturers. Overall, a minimum of 40 ha (99 acres) must be dedicated to B2 use. A development partner was selected in 2018 and a planning application was submitted on 4 January 2019. Of the total site, because of the planning restriction imposed, up to 31 ha (76 acres) will be developable for B8 uses.

- *Royal Ordnance Factory, Featherstone, Staffordshire* –a 24 ha (60 acre) site, which includes 10 ha (25 acres) of landscaping planting, is allocated for B1 and B2 development. It is proposed to allocate an additional 12 ha (30 acres) of land and this is being promoted via

South Staffordshire's emerging Site Allocation Document (January 2017). The draft allocation is for B1, B2 and B8 use. Significant highways works are required in order to bring this site forward and to enable B8 use. Consultation is currently underway as to the preferred solution. The site is in multiple ownerships.

- *Redditch Eastern Gateway, Redditch* – a planning application has been submitted by Stoford for employment development on this site to the east of Redditch. The site is in two parts, comprising 10.3 ha (25.5 acres) and 21.2 ha (52.4 acres), which are adjacent to the A435, which gives access to the M42, Junction 3. The planning application is for up to 90,000 sq. m (968,750 sq. ft.) of B1/B2/B8 floorspace. Outline planning permission was granted in 2018 and 17.46 ha has already been committed for an occupier, leaving 10.72 ha.

- *Land South of Fradley, Staffordshire* – a site of 18.2 ha (45 acres) is included as a draft allocation in the Lichfield District Site Allocations Document which was consulted upon in May 2017. The site includes land owned by Prologis and Evans of Leeds. This site would be suitable for B8 development and part already has planning permission as an expansion to Prologis Park Fradley (5.11 ha/12.6 acres).

- *Phoenix 10, Darlaston* – the site of the former IMI copper works and a waste tip, it extends to 13.2 ha/33 acres (gross, including an area allocated for a park). It is located in the Black Country at Junction 10 of the M6 and is within the Black Country Enterprise Zone. Significant remediation is required in order to deliver the site and this is likely to be dependent upon public sector funding. Timescales are therefore uncertain. Henry Boot have recently been announced as the preferred development partner for the site and an EIA scoping report was submitted in April 2018.

6.4.36 The overall amount of land coming forward is insufficient to balance the existing shortage of supply. Notably, none of the sites in the pipeline are rail-linked and there are no immediately deliverable sites coming forward in the Black Country, which is the area with the most critical undersupply.

6.5 Conclusions

6.5.1 There is only one rail-linked site in the market area, which is subject to a number of significant constraints and is not of sufficient scale to be classed as a SRFI. With the exception of WMI, there are no rail-linked sites in the pipeline. Adjacent to the market area there is one plot of 20 ha remaining at Hams Hall which has recently gained planning permission, (now reduced to 8.9ha). There is also limited capacity at Core 42, a separate but adjacent scheme to Birch Coppice.

6.5.2 On average from 2012-2016, take-up in the market area has been c. **248,000 sq. m (2.67 million square feet) per annum** and c. 219,902 sq. m (2.4 million sq. ft.) per annum for the extended period 2012-2018 inclusive but true levels of demand are likely to be higher, with take-up constrained by supply.

6.5.3 Take-up by location has been influenced by supply, with very little take up in the Black Country as a result. Stoke and Staffordshire has seen the highest levels of take up. The majority of take up has been of smaller units, again likely reflecting the extreme shortage of larger units.

6.5.4 There has been an increase in the supply of floorspace over the last 9-12 months, as developers and funders have responded to the market signals of consistently rising rents, low vacancy rates, and increasing take up, by commencing construction of a number of speculative units. Whilst the majority of supply is still within secondary units, there are now eight Grade A units available within the market area. This compares to three Grade A units in Q1 2017. There has been a continued strong level of speculative development, with 19 available speculatively built Grade A units as at end of 2018.

6.5.5 Much of the new development has been focused in Cannock, close to the A5/M6 Toll junctions and in close proximity to the Proposed Development. This reinforces the suitability of this location for logistics development and demonstrates a significant level of market confidence in occupier demand. WMI benefits from a much better level of accessibility to the M6, with Junction 12 immediately adjacent.

6.5.6 Notwithstanding the recent increase in supply, there remains a severe shortage of floorspace (over 9,290 sq. m) in the market area. Compared to average annual take-up figures, there is just over a year's supply. In the Black Country the shortage is even more critical at c. 0.2 year's supply (one second-hand unit). The years' supply of buildings (to end 2018) has increased across the market area from 1.2 to 2.42 as a result of speculative development in response to market conditions, but that level of supply remains at a very low level.

6.5.7 This critical undersupply means that the supply of immediately available, unconstrained serviced land in the market area is vitally important in order to meet demand via Build to Suit solutions. However, whilst there is c. **341 ha** of land available, (now reduced to **258** ha) much of this is not serviced and/or is subject to constraints in terms of scale; infrastructure; remediation; and accessibility. Features of the land supply are:

- There are no immediately deliverable rail-served/rail-linked sites available;
- Almost 40% of land is located in Stoke-on-Trent, to the north of the market area. The majority of these sites would be unlikely to compete with WMI for most occupiers due to their location and accessibility to the motorway network.
- There is a particularly severe shortage of land in Birmingham, Solihull and the Black Country, which will focus additional demand, over and above that which would normally be expected, on those areas adjoining, such as South Staffordshire and Cannock.
- As a result of a strong amount of speculative and build to suit development, land supply in GBSLEP has significantly decreased by 51% to just 19.96 ha (49.3 acres) across 3 sites.
- There is a significant amount of land which is not serviced and is likely to require public sector funding to do so.
- Despite including three LEP areas in one of the areas of highest demand for logistics in the UK, there are no deliverable sites which could be classed as strategic (i.e. being over 25 ha/c. 60 acres).
- Over 50% of sites can only cater for smaller units up to 18,580 sq. m (200,000 sq. ft.), which does not offer sufficient choice to occupiers and precludes the development of larger units, for which there is a significant demand.
- The supply of land in the pipeline is limited, and there are no sites forthcoming that will be served by rail.

6.5.8 The actual supply of competing, high quality serviced land, able to accommodate the largest requirements is therefore very limited.

7. SUMMARY & CONCLUSIONS

7.1.1 Four Ashes Ltd is seeking Development Consent for a Strategic Rail Freight Interchange (SRFI), referred to as West Midlands Interchange (WMI) at Four Ashes in South Staffordshire. It has been established by the Alternative Site Assessment [Document 7.2] that WMI is the only suitable site to meet the identified need for a SRFI.

7.1.2 It is also necessary to demonstrate that there is a market demand for the scale of warehousing proposed. The market for rail-served distribution warehousing is a growing sub-sector of the general distribution market. An increasing number of occupiers want to use rail, or want to have the option to use rail in the future. Given that occupiers do not have to pay a premium for rail-served warehousing, it follows that there will be a greater demand for such sites, over and above non-rail-linked sites as there is no cost deterrent. However, WMI will also compete with non-rail linked sites as a potential location for National and Regional Distribution Centres.

7.1.3 This document has therefore considered the dynamics of this wider market, assessing the demand for, and supply of, competing floorspace, and the supply of land which might compete in the market area.

7.2 The Logistics Sector

7.2.1 The logistics sector has a key role to play in the UK economy, being an important provider of jobs, contributing to UK GVA and underpinning a range of other sectors. Trends in the retail industry, and more recently in particular e-commerce, have driven wholesale changes in the logistics sector and led to a significant increase in demand for floorspace. The requirements of the sector make the West Midlands an ideal location for distribution floorspace due to the region's central location, giving access to the majority of the UK within one day's drive (from a well-located site), and to the densely populated areas within close proximity.

7.2.2 The Government's agenda to facilitate the growth of the intermodal rail freight industry and encourage a modal shift from road to rail, together with increasing awareness of the cost savings and environmental benefits of rail freight by occupiers, mean that there is forecast to be significant growth in rail-linked and rail-served warehousing, supported by an expanded network of SRFIs.

7.2.3 Implications for the property market include a significantly increased demand for large, well-located sites. Occupiers are seeking larger units and this is having a direct impact upon the scale of overall schemes capable of accepting these requirements and the speed at which sites are being take up. The growth in rail freight, as well as leading to an increase in demand for rail-served sites, also further supports demand for larger units, which can maximise the cost savings and environmental benefits of rail.

7.2.4 In order to maximise the economic potential of the logistics sector, it is essential to provide the land and premises required, of sufficient scale and in the right locations.

7.3 National and Regional Market Context

7.3.1 Increasing take-up, against a backdrop of limited speculative development in 2016 resulted in falling supply and a critical shortage of floorspace both nationally and regionally, particularly of those larger, well-located, high specification units which are increasingly the focus of demand. The three year rolling average for national take-up is at the highest level recorded.

7.3.2 Whilst supply has now begun to increase nationally and regionally, predominantly due to an increase in speculative development in response to market signals, there remains a severe undersupply of floorspace in many prime locations nationwide. In the West Midlands there is an acute undersupply, with less than 1.2 years' supply of floorspace, now increased to 2.42 (to end 2018).

7.3.3 The majority of supply in the region is relatively small in size and there is a severe shortage of the higher quality, large scale units.

7.3.4 This imbalance between demand and supply is evidenced by ongoing rental increases, considerably above the long-term trend.

7.3.5 The shortage of high quality floorspace means that it is vitally important that additional, well-located sites, which are capable of accommodating larger units, are brought forward in order to help meet demand and deliver high quality floorspace via either speculative development or by offering occupiers Build to Suit opportunities.

7.4 Market Area Assessment

7.4.1 The WMI site is located in Southern Staffordshire but also relates closely to, and will serve, the Black Country and Birmingham markets. In order to take a comprehensive approach, demand and supply in the three LEP areas has been assessed: Stoke and Staffordshire; the Black Country; and Greater Birmingham and Solihull.

Market Area Demand

7.4.2 The market area has seen strong take-up over the period 2012-2016. Take up has been focussed in the Stoke and Staffordshire LEP area and has predominantly consisted of units of 18,500 sq. m (200,000 sq. ft.) or less. This is likely a reflection of supply and illustrates the severe shortage of buildings in the Black Country and Birmingham and Solihull, and the shortage of larger units. Actual latent demand is therefore likely to be higher than the take-up figures suggest.

Market Area Building Supply

7.4.3 Despite a recent increase in supply, predominantly due to an increase in speculative development over the last 12 months, there is still only **1.2 years' supply of floorspace** in the market area and **2.4 years** as at end 2018. The shortage is particularly evident in the Black Country, where there is only 0.2 years' supply (one secondary building). The majority of available units are within the smallest size brackets.

7.4.4 There are now eight speculative units available or under construction (compared to three in Q1 2017) and three of these units are at Cannock, serving the A5 Corridor, demonstrating the strength of this location for logistics and the market confidence in occupier demand. This has further increased with a further 10 speculative units committed to, or under construction, in 2018. Over 60% of these units were located in Stoke and Staffs LEP, including a 41,629 sq. m. (448,091 sq. ft.) unit at Four Ashes, adjacent to WMI. WMI also serves the A5 corridor but with much better accessibility to the M6, being immediately adjacent to Junction 12.

7.4.5 There are no rail-served buildings available in the market area.

Market Area Land Supply

7.4.6 The shortage of floorspace means that the supply of serviced land is critically important. However, the supply of high quality sites, capable of accommodating larger requirements is very limited. Land supply in the market area can be characterised as follows:

- There is only one rail served site available (Chatterley Valley West), which faces a number of constraints in terms of delivery and is too small to be comparable with WMI.
- There is limited capacity at existing rail-served schemes outside the market area, which has further decreased in 2018 following the pre-let to JLR and speculative development of a unit at Core 42.
- There are no unconstrained 'strategic' sites available (over 25ha/60 acres).
- The majority of sites are only able to accommodate smaller units, whereas there is significant demand for larger units.
- The supply is focused to the north of the market area, in Stoke-on-Trent, often in locations with poor accessibility to the motorway network, which does not reflect the bulk of demand and is on the periphery of the area which would be served by West Midlands Interchange.
- There is a significant amount of land which is not serviced and is likely to require public sector funding to do so.
- There is a particular shortage of land in Birmingham & Solihull & the Black Country, which will further increase demand for those areas immediately adjoining.
- The supply of land in the pipeline is limited, and there are no sites forthcoming in the market area that will be served by rail.

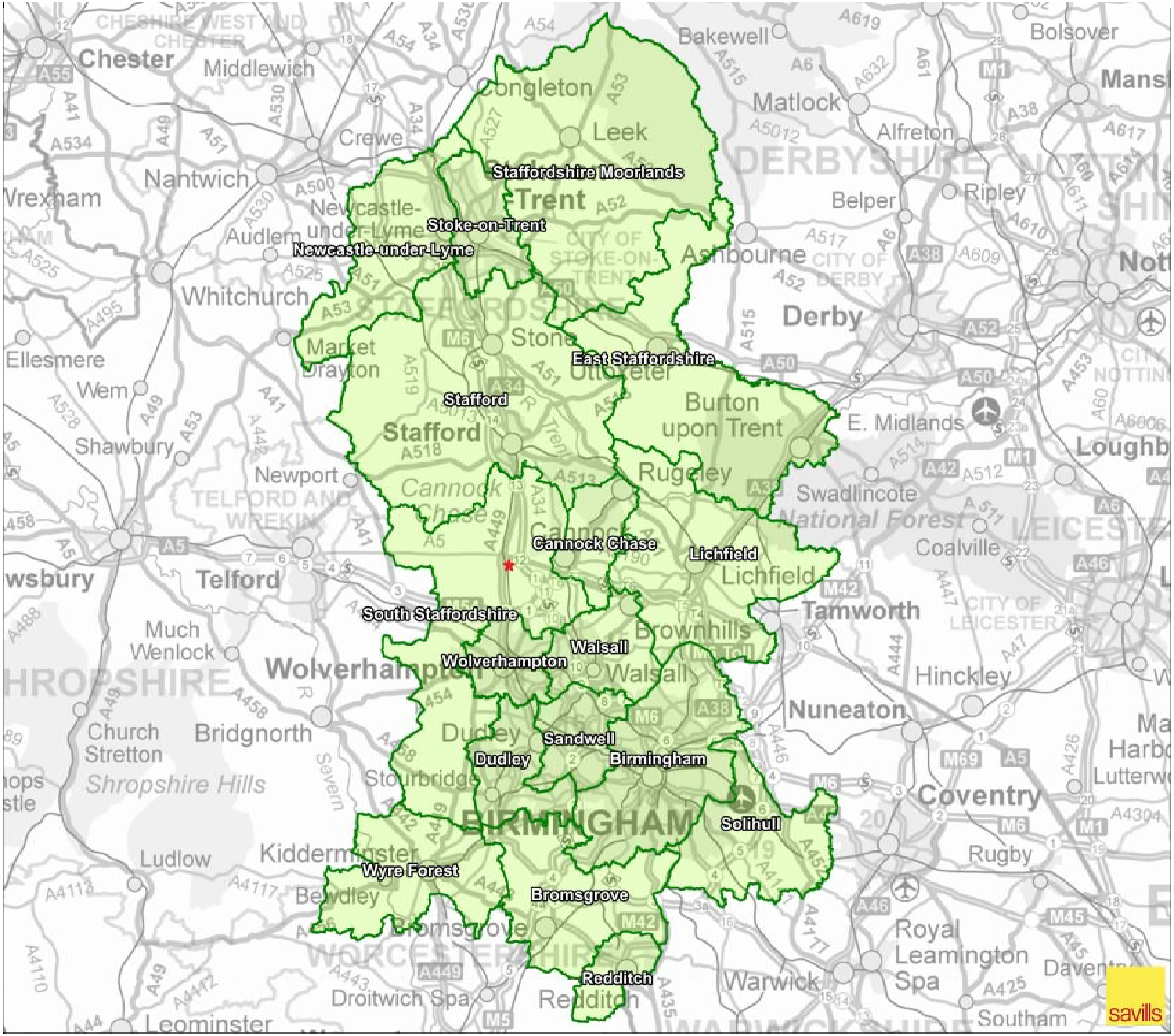
7.4.7 The actual supply of competing, high quality serviced land, able to accommodate the largest requirements is therefore very limited and does not match demand.

7.5 Conclusion

7.5.1 The WMI proposals meet an identified need for a SRFI and also meet a clear need for high quality, well-located sites, capable of accommodating large occupier requirements and enabling the use of rail.

It is essential to provide suitable sites and premises to support the logistics sector, which plays an important role in the UK economy. Our market assessment demonstrates that there is a critical shortage of land and that WMI would make a vital contribution to the supply of sites currently available and in the pipeline.

APPENDIX 1 – MARKET AREA PLAN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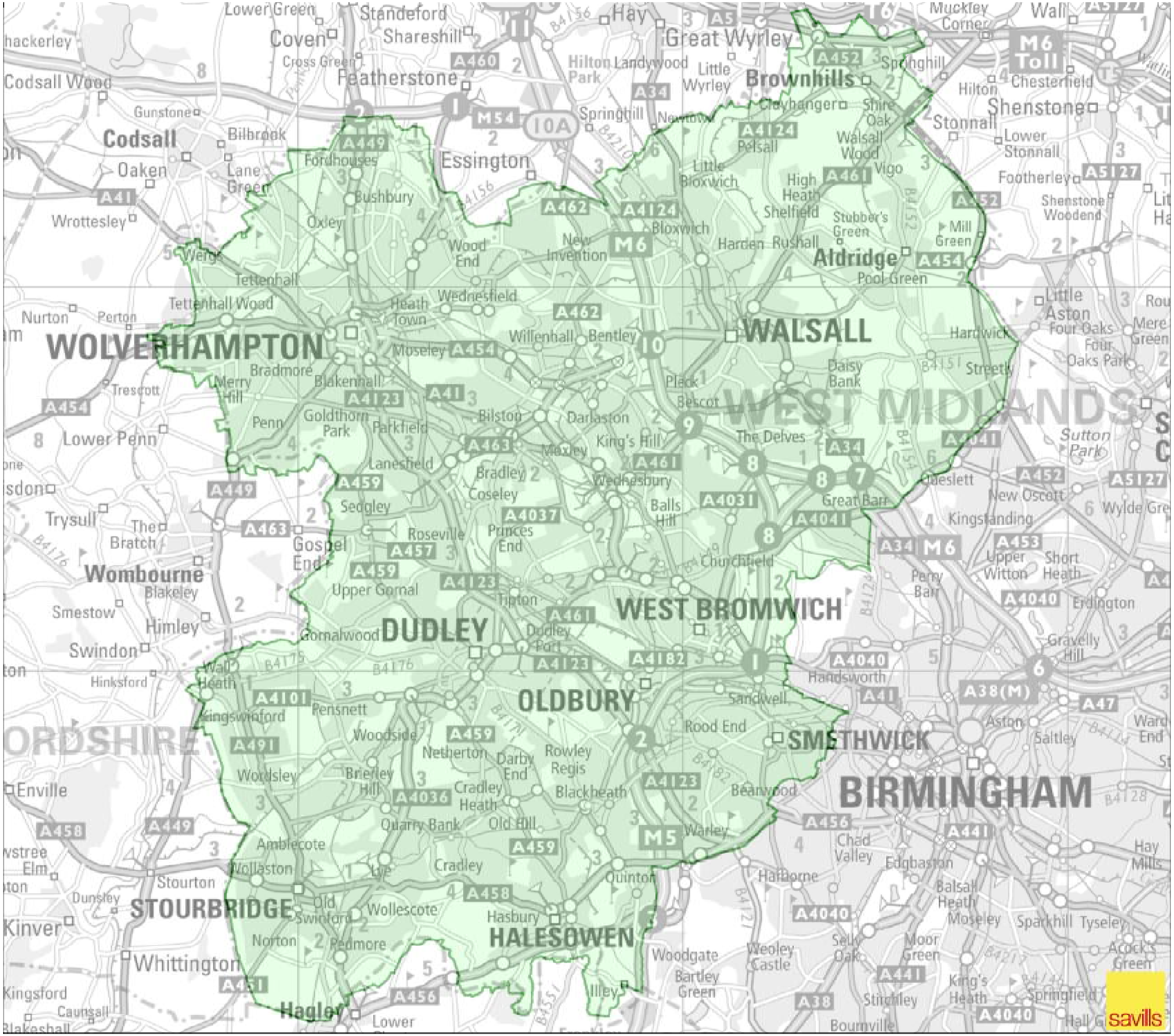
savills

APPENDIX 2 – LEP PLANS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Codsall Wood
Gunstone
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Shire Oak
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Lower Stonnall
Oaken
Lane Green
Fordhouses
Little Bloxwich
Vigo
Footherley
Wrottesley
Bushbury
High Heath
Shelfield
Stubber's Green
Shenstone Woodend
Oxley
Bloxwich
Mill Green
Wood End
New Invention
Harden
Rushall
Aldridge
Perton
Tettenhall
Pool Green
Tettenhall Wood
Heath Town
Wednesfield
Little Aston
Nurton
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Hardwick
WOLVERHAMPTON
Willenhall
Bentley
WALSALL
Mere Green
Moseley
Four Oaks Park
Bradmore
Daisy Bank
Streetly
Trescott
Merry Hill
Blakenhall
Pleck
Bescot
WEST MIDLANDS
Penn
Goldthorn Park
Parkfield
Bilston
Darlaston
Lower Penn
The Delves
Sutton Park
King's Hill
Moxley
Lanesfield
Bradley
Wednesbury
Queslett
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Sandwell
Aston
Kingswinford
Rood End
Saltley
Ward End
SMETHWICK
Woodside
Netherton
Rowley Regis
Darby End
Wordsley
Brierley Hill
Blackheath
Cradley Heath
Bearwood
BIRMINGHAM
Enville
Quarry Bank
Old Hill
Warley
Chad Valley
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Edgbaston
Cradley
Harborne
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Sparkhill
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Kinver
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HALESOWEN
Norton
Pedmore
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Moor Green
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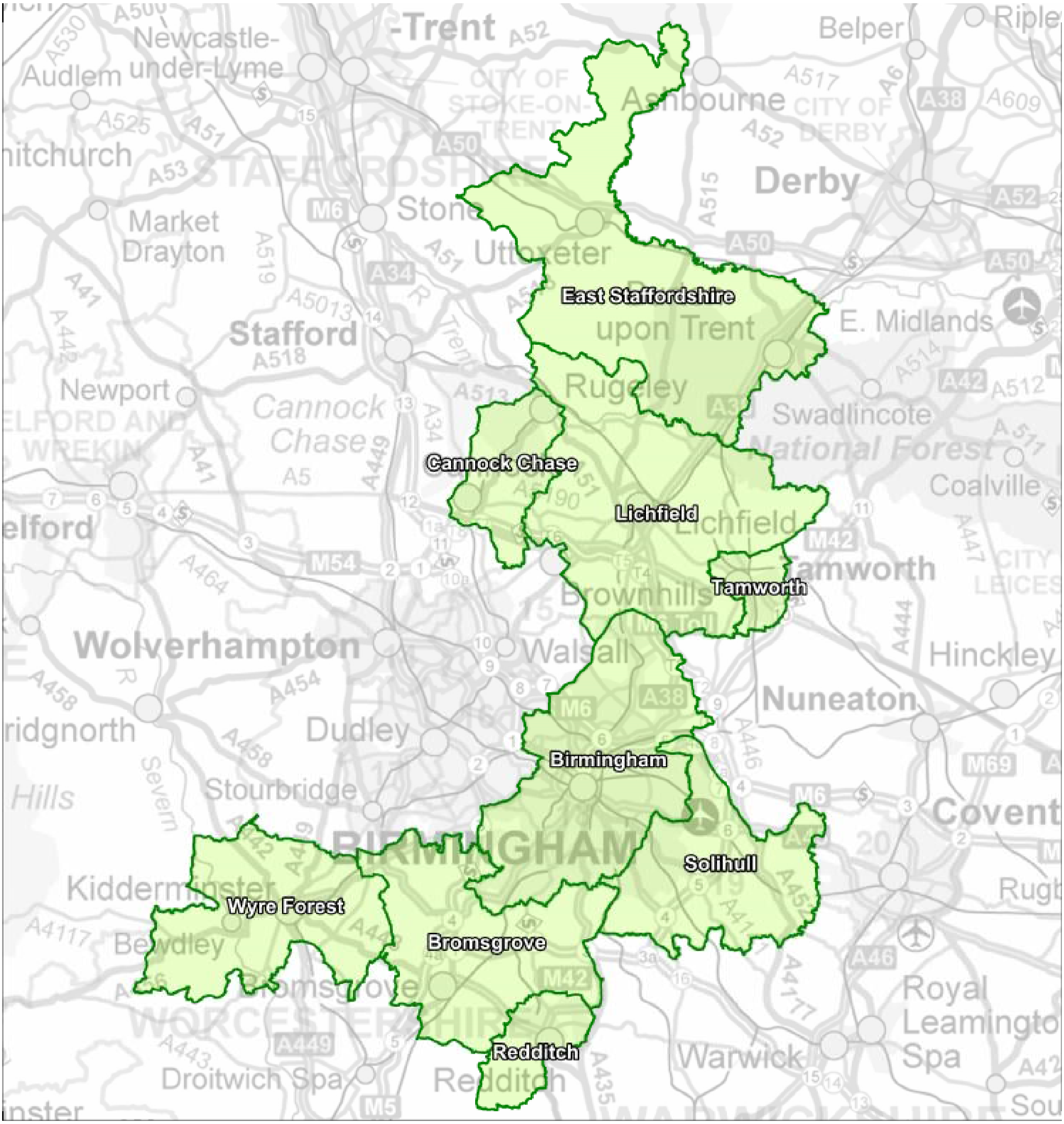
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Market Drayton
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Swadlincote
National Forest
Coalville
Lichfield
Tamworth
Brownhills
Wolverhampton
Walsall
Hinckley
Nuneaton
Dudley
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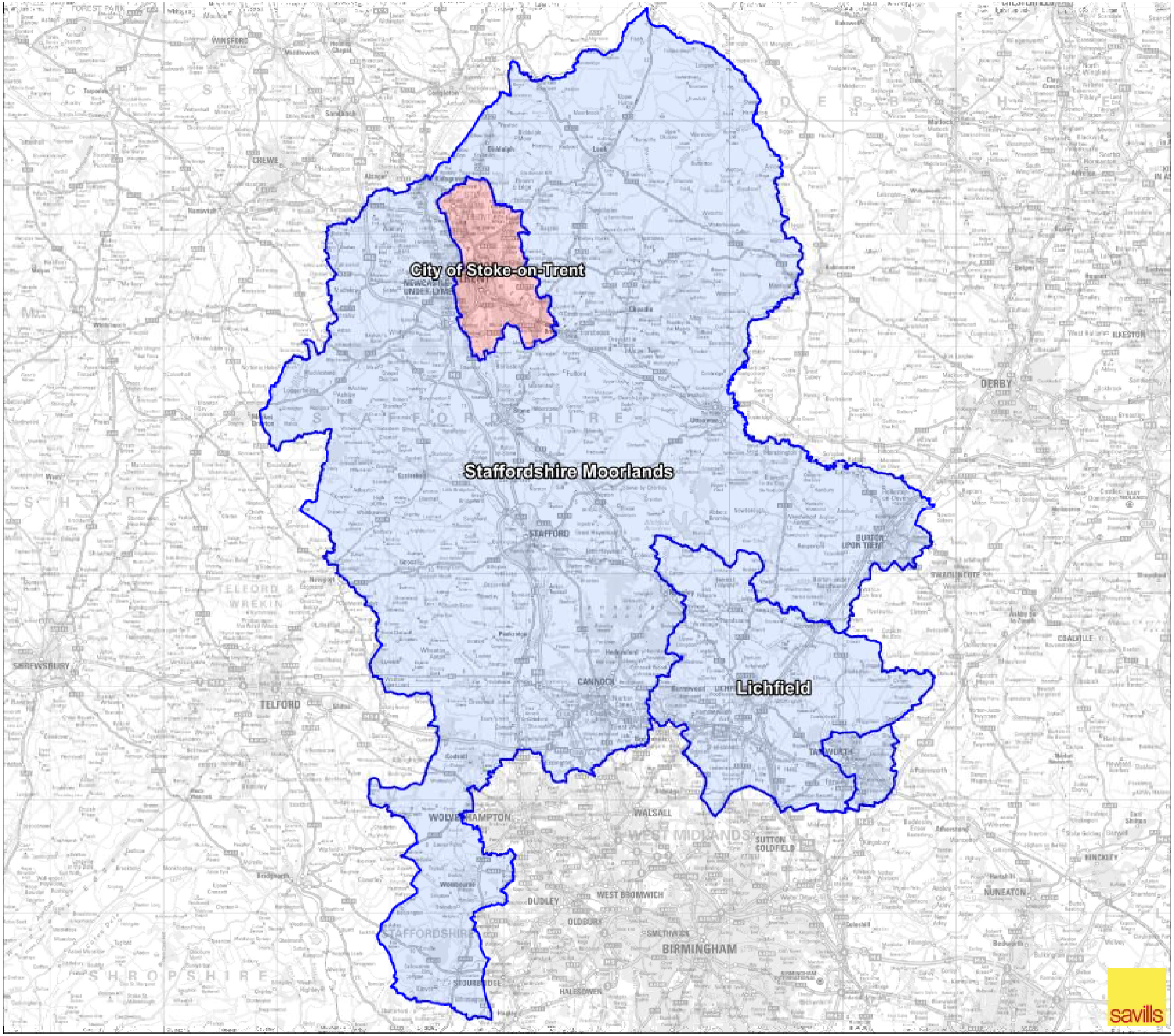
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BIRMINGHAM
DUDLEY
WEST BROMWICH
NUNEATON
savills

APPENDIX 3 – BUILDING AND LAND SUPPLY SCHEDULES

Land Availability Schedule

DRAFT

Sites capable of accommodating a B8 unit of 9,290 sq. m or above.
Research Date: Q4 2017
New Research Date: Q1 2019

(red)	No land left
(grey)	2018 Update
(white)	No change to land supply.

Scheme Name	Developer/ Owner	Remaining (ha)	Remaining (ha) 2018	Max Size (sq. m)	Comments (2018)
Greater Birmingham & Solihull LEP					
Birmingham Business Park, Solihull	Canmoor	5.30	5.30	13,006	Outline Permission: Plot 6700 (2.4ha) - PL/2014/01332/OLM Plot 6500 (2.9ha) - PL/2014/01321/OLM Two plots remaining - 2.40 ha - 13,006 sq. m, 2.91 ha - 5,100 sq. m and 10,542 sq. m. Total capacity 28,648 sq. m. Third Plot for office development only.
Prologis Park, Birmingham International, Solihull	Prologis	6.50	0	-	7.42 ha gross site area, 6.50 ha net developable. Reserved Matters planning permission for two B2/B8 units - 19,498 sq. m and 6,610 sq. m. Two units currently being speculatively constructed, (7,151 sqm and 21,648 sqm). Construction due to complete in April 2019.
Plot A, Blythe Valley Park, Solihull (M42, J4)	IM Properties	3.91	0.00	-	Hybrid planning application for mixed use development, which can include a maximum of 39,500 sq. m of B2/B8 floorspace on two plots - A & B. Plot B developed out for B2/B8 five unit spec scheme, total floorspace 19,416 sq. m/largest unit 5,203 sq. m. Part Plot A pre-let to Rybrook for car servicing centre, completion due early 2018 - site area 0.78 ha, 1,416 sq.m. Assumes 40% site density.Connexion have leased two further units
The Hub, Witton	IM Properties	8.06	0.00	-	Final phase committed to a speculative build totalling 9,291 sqm (100,008 sqft)
Signal Point, Battery Way, Tysley (Mucklow Park)	Mucklow	8.00	3.94	Not specified	Construction of Unit 1 (5,109 sqm)(55,000 sqft) pre-let to Decora commenced November 2018 with practical completion due Autumn 2019. In addition, the speculative development of Units 2A - 2G (474 sqm to 1,319 sqm) (5,100 to 14,200 sq ft) will also complete within this timescale. Plots 3 - 1.92 ha (4.75acres) and 4 - 2.02 (5 acres) available
Velocity 42, Old Forge Road/Nash Road	St Francis Group	8.09	0.00		Scheme comprises of the following units - Unit 1 (4,223 sqm)(45,462 sqft) - Unit (2, 5,166 sqm) (55,610 sqft) - Unit 3 (5,240 sqm)(56,407 sqft) - Unit 4 (7,519 sqm) (80,936 sqft) - Unit 5 (8,596 sqm) (92,525 sqft) The schme is due to be available from Q2 2019.
Redditch Eastern Gateway, Redditch	Stoford Developments		10.72	Not specified	The site is in two parts, comprising 10.3 ha (25.5 acres) and 21.2 ha (52.4 acres), which are adjacent to the A435, which gives access to the M42, Junction 3. Outline planning permission was granted in 2018 or up to 90,000 sq. m (968,750 sq. ft) of B1/B2/B8 floorspace.and 17.46 ha has already been committed for an occupier, leaving 10.72 ha.
Sub-total		**39.86**	**19.96**		
Average		**6.64**	**5.30**		
Stoke & Staffordshire LEP					
Lichfield/Fradley (A38)					
Prologis Park, Fradley (Prologis Park, Lichfield)	Prologis	8.46	8.46	32,888	Detailed planning consent for final plot - 32,894 sq m unit 19,833 sqm unit let to Anixter in January 2018. 52,213 sqm D&B unit for Screwfix Q1 2017. DC2 plot available and can accmomodate 32,894 sqm (354,103 sqft).
Liberty Park, Lichfield (Boley Park Extension, Burton Old Road)	Liberty Property Trust/Stoford	9.60	9.60	28,800	Unit L48 (4,459 sqm) and Unit L115 (10,864 sqm) under construction and available Q4 2019. BTS opportunities - L125 (11,613 sqm) and Unit L165 (15,329 sqm) with the potential for L125 and L165 to be combined - unit L130 (28,800 sq m).
Land at Halifax Close, Fradley Park (Nucleus)	Evans of Leeds	8.90	4.80	21,368	Detailed Planning Consent Granted for 21,368 sqm (230,000 sqft) unit.
Land North of Wood End Lane, Fradley Park (Plot B100)	Evans of Leeds	3.51	0.00	-	Planning submitted for 3 units of 4,645 sqm (50,000 sqft) 5,547 sqm (60,000 sqft) and 6,503 sqm (70,000 sqft) currently to let.
Wood End Lane, Fradley Park (part of Harrier Centre/FP210)	L & G	5.26	5.26	21,368	According to website, 2 units available on the site (plot 1 and plot 2).
Burton upon Trent (A38)					
Quintus, Branston Locks, Burton upon Trent	Nurton	20.23	20.23	18,580	92,903 sq. m of employment floorspace proposed. Outline planning permission granted 2015. Infrastructure works have recently commpleted. Indicative masterplan shows design & Build opportunities available from 2,322 sq. m - 18,580 sq. m.
Burton Gateway, Burton upon Trent	St Modwen	20.29	14.16	13,935	Phase 1: detailed consent for (20,322 sq m unit), 5,014 sq m unit has been completed and [outline?] consent for 18,007 sqm unit. 8,149 sqm unit is occupied by Hellman Logistics Phase 2 consists of 3 spec units built out comprising of 2,323 sqm (25,000 sqft) 3,716 sqm (40,000 sqft) and 5,016 sqm (54,000 square feet). Phsae 3: 9,575 sqm unit being speculatively developed, due for completion September 2019
Cannock and South Staffs (J11-12, M6 & M54)					
Wobaston Road, Wolverhampton, South Staffs (J2, M54)		7.08	7.08	28,320	Former MOOG site. Redevelopment potential. Planning for B1/B2/B8 uses. Existing building extends to 43,249 sq. m. Planning application submitted for new building on part of site 2,076 sq. m. Assume 40% site density.
Rapida, Site E, Kingswood Lakeside, Cannock (M6 Toll)	Trebor Developments	1.80	0.00	-	Spec unit of 9,545 sqm (102,750 sqft) now available.
Conneqt Beta, Kingswood Lakeside, Cannock, M6 Toll	Opus Land	2.70	0.00	-	Construction of a 14,273 sq. m. spec unit due to start in Feb 2019.
Vernon Park Phase 2, Cannock Road, Featherstone, South Staffs (J1, M54)		1.98	1.98	11,148	A further 0.8 ha storage area available. Planning permission for B2/B8. D&B up to 11,148 sq. m.
Bericote Four Ashes (Junction 12, M6)	Bericote	10.16	0.00	-	Sold to Panattoni who have speculatively built a 41,806 sq m (450,000 sq ft) unit
Stafford/Stone (Junction 13-14, M6)					
Meaford Business Park, Stone (A34)	St Modwen	17.40	17.40	65,032	Outline planning permission granted in 2007 for 111,484 sq. m on 34.4 ha. Site is 6 miles from J14 and J15. 12 month infrastructure works completed. DCO granted for Meaford Energy Centre Gas Fired power station on 16.6 ha (July 2016). £6m Local Growth Deal funding. Unit 3 (3,345 sqm) specultively developed. Masterplan shows predominantly small unit scheme with one unit over 9,290 sq. m, which extends to 65,031 sq. m Outline PP limits B2 to 40,000 sq. m and B8 to 60,000 sq. m.

Redhill Business Park, Stafford (Junction 14, M6)	Trebor Developments	3.78	0.00	-	10,700 sq. m (115,174 sqft). speculative unit built January 2017.
Prime Point 14			2.83	13,377	2 plots available for D&B of 6,190 sq m (66,628 sq ft and 7,145 square metres (76,908 square feet). Planning granted in December 2016 for B2 and B8 uses. Change of use for Unit DC 2 from B8/B2/B8 was granted in May 2018.
Stoke on Trent (Junction 15 & 16, M6)					
Etruria Valley (Stoke Central), Stoke on Trent	St Modwen/Tata Steel	21.70	18.61	27,224	2 plots; 6.88ha (17 acres) and 8.09 ha (20 acres) with potential to accommodated unit of 9,290 sqm+ (100,000 sqft +). Most recent masterplan shows smaller units across 17 acre plot. 2 plots sold to Vodafone and DPD. Additional plot (Plot 7 Etruria Way) coming to market 1.21 ha (3 acres)
Chatterley Valley, Newcastle-under-Lyme	Harworth Estates	38.00	42.90	Not specified	Previously seperated into East and West Sites. Harworth purchased adjoining site in 2017. Outline planning permission for 79,897 sqm (860,000 sqft) of B2/B8 space. Granted Enterprise Zone statue as part of Staffordshire's 'Ceramioc Valley'. Hybrid application: full applcation for earthworks/dev plateaus/access roads/associated drainage works and outline for dev buildings in B1b, B1c B2 and B8 with ancillary A3/A5 with all matters reserved submitted in September 2018
Fenton 25, Dewsbury Road, Stoke on Trent	St Modwen	10.10	10.10	14,381	Extension of Fenton Industrial Estate. B1/B2/B8. Existing units range from 213 - 669 sq. m. Number of planning permissions - 2006 permission is for B8 unit of 14,381 sq. m plus three smaller B2 units and a B2/B8 unit of 1,345 sq. m. Planning permission has been implemented so remains extant. Marketed since 2007. Lack of strategic accessibility and is therefore likely to come forward after Chatterley Valley/Etruria Valley (2011 ELR).
Highgate, Stoke on Trent	CWC	2.89	2.89	11,560	Former Johnson Tiles Highgate Works, 9,290 sqm (100,000 sq ft) unit constructed for Tile Mountain as first phase . Highgate remaining site area 2.89 ha - assume 40% site density.
Ravensdale, Chemical Lane, Stoke on Trent	CWC	14.62	14.62	13,934	Former Johnson Tiles playing fields. Access to A500 is constrained by weight limited single lane bridge over the railway. 95% of site is historic landfill. Ceramic Valley Enterprise Zone. Planning permission for 13,934 sq. m B8 unit plus bridge signalisation. Additional land owned by Land Recovery Limited - area/planning status/availability tbc.
Brownhills, Stoke on Trent	CWC	5.04	0.00	-	Tunstall Trade Park speculative development now complete.
Cliffe Vale, Stoke on Trent	Stoke on Trent City Council	6.20	6.20	24,800	Ceramic Valley Enterprise Zone. Brownfield site in need of remediation and demolition of former factory buildings.A temporary planning permission was granted for the use of the majority of this site as a helicopter landing pad. The permission is for two years from June 2016. Assume 40% site density.
Trentham Lakes (Stoke South), Stoke on Trent	St Modwen	6.88	6.88	27,520	0.89 ha (2.2 acres) sold to Pioneer Design and Build Limited in November 2019 to build a 1,394 sqm (15,000 sq ft) facility for a national builders' merchant. St Modwen secured planning for 5 units for 2,044 sq m (22,000 sq ft) to 6,968 (75,000 sq ft) with construction due planned to bein in January 2019. Planning permission for a 23,226 sq m (250,000 sq ft) unit was submitted in October 2018. If approved will mark the final phase of the development.
Stoke Distribution Centre (G-Park), Meir Park, Stoke on Trent	Gazeley	8.65	2.89	11,928	Speculative development of Unit 1 completed comprising 25,522 sqm (274,719 sqft). Unit 2 has planning for 11,928 sqm (128,393 sqft) and is available as a BTS opportunity.
Sub-total		**235.23**	**196.89**		
Average		**10.23**	**10.41**		
Black Country LEP					
Moxley (Iron Park)	Parkhill Estates		11.25	43,664	Planning submitted for B2/B8 uses with ancillary Class B1(a) (Offices) use for up to a total of 45,360 sqm (GEA) floor area submitted. Ref: 18/1233
Seven Stars Road, Oldbury (J2, M5)		2.48	0.00	-	Committed to a 11,613 sq. m. speculative unit.
Parallel 9/10, Walsall (Junction 9, M6)	St Francis Group	2.83	2.69	10,219	Subject to the Darlaston LDO supports development for research and development (B1) light industrial, storage and distribution (B8) and general industry (B2). Within 1 mile of Junction 9. D&B Opportunities availble from 3,716 sqm (40,000 sqft) - 10,219 sqm (110,000 sqft).
Helix Park, Engine Lane, Lye, Stourbridge	Buccleuch Property	2.83	2.83	12,077	Opportunity for a single unit 12, 077 sqm (130,000 sqft) or smaller units of 4,645 sqm (50,000 sqft) and 7,342 sqm (80,000 sq ft). Junction 3, M5 - 5 miles.
Reedswood Park, Reedswood Way, Walsall (Junctions 9/10, M6)	Antringham/Brackley Properties	4.10	4.10	18,500	Outline Planning permission granted in May 2018 (ref: 17/0992) Prominent location adjacent to retail park. Indicative small unit scheme, including trade counter use. Potential for single unit of up to 18,580 sq. m.
Lupus Park, Wolverhampton (Junction 2, M54)	Canmoor	4.25	0.00	-	2 spec units built. Completing Q1 2019 over 5,149 sqm (55,423 sqft) and 12,876 sqm (138,597 sqft). Now called Discovery Park
Focus 10, Willenhall Lane, Bloxwich	Canmoor/BAPF	4.45	4.45	18,580	Within area zoned for B1/B2/B8 development subject to planning. J10 M6 is 1.6km to the south of the site. Available or D&B opportunities from 1,858 sqm (20,000 sqft) - 18,581 sqm (200,000 sq ft). Rummoured developer will spec develop.
Mercury, Hilton Cross, Wolverhampton (Junction 1, M54)	Langtree/Homes & Communities Agency	4.93	4.93	9,755	B1/B2/B8. Two sites of 2.48 ha and 2.45 ha. Plans show three units - 9,755 sq. m, 4,065 sq. m, 5,678 sq. m.
Whitehall Road, Tipton		5.13	5.13	20,520	Cleared site. Previous industrial use. Allocated employment site - Sandwell MBC. Residential properties adjoin. Assumes 40% site density. B1/2/8 500kva capacity
Middlemore Lane, Aldridge, Walsall	St Francis Group	5.77	5.77	18,850	Screening Opinion submitted in relation to application for 22,000 sq. m of B1(c), B2 & B8. Existing employment area. Units of 1,394 sqm (15,000 sqft) - 23, 226 sqm (250,000 sqft).
Pantheon Park, Wednesbury (Junction 10, M6)	Stoford & Bridges Ventures	7.09	0.00	-	Committed to speculatively developing 4 units - 2,787sqm (30,000 sqft), 7,618 sqm (82,000 sqft), 5,481 sqm (59,000 sqft) and 6,317 sqm (68,000 sqft).
Sub-total		**43.86**	**41.15**		
Average		**4.39**	**4.27**		
TOTAL		**318.95**	**258.00**		

WMI Building Availability Schedule

All units 9,290 sq. m and above
Research Date: Q4 2018

(red)	No longer available
(grey)	2018 Update

Building Name	Size (sq. m)	Grade	Comments
Birmingham & Solihull			
Unit G, Nexus Point, 3 3 Elliot Way, Birmingham	11,243	B	Modern, 2 bay warehouse with 2 storey offices. (Grade B) Quoting rent £5.75 per sq. ft.
Unit F, Nexus Point, Elliot Way, Birmingham	9,826	B	Grade B
Unit 3, Kingpin Industrial Park, Tyseley, Birmingham	11,148	A	New speculative unit under construction. Grade A/B. PC due Q2 2018.
Minworth Central (Betterware unit/Stanley House), Park Lane, Minworth	15,773	B	Industrial warehouse plus expansion land. Grade B. High office content.
Aston Works, Birmingham	11,167	B	B2 secondary unit. Grade B.
Midpoint 105, Minworth	9,802	B	Unit constructed in 1996. Grade A/B. Refurbished.
Hub 120, The Hub, Witton	11,102	A	Modern unit, 12m eaves. Grade A.
Birmingham100, Walsall Road, Birmingham (former Tucker Fasteners site)	9,297	A	New speculative unit. Grade A/B.
Unit 12, Holford Industrial Park, Birmingham	11,611	B	Grade B unit - refurbished, 8.25m eaves.
Interchange, Coleshill Heath Road	21,649	A	Currently under construction, delivers April 2019
100 Dudley Street	9,784	C	Second hand unit
Westpoint, Middlemore Lane West	32,249	B	Second hand unit
Holford 125. Holford Industrial Estate	11,626	B	Built 1970, refurbsihed 2017
Autobase Industrial Park, Tipton Road	15,642	B	
Kingpin Industrial Estate	11,204	A	Built March 2018
Wednesbury 280, Woden Road West	26,382	B	
The Hub 100, Witton	9,291	A	Final Phase
Sub total	**219,168**		
Stoke & Staffs			
South Area (Cannock, South Staffs)			
Jupiter, Cannock (A5)	13,223	A	Speculative unit under construction - due to complete Q1 2018.
Conneqt Alpha, Kingswood Lakeside, Cannock	14,273	A	Speculative unit, construction to start Feb 2019.
M6DC, Kingswood Lakeside, Cannock (M6 Toll, T7)	34,560	A	Site size 8.09 ha. Speculative unit. Graftongate & Exeter Properties
Rapida 102, Kingswood Lakeside, Cannock	9,545	A	Available Q1 2019
Bericote, Four Ashes	41,629	A	Completed 2018
East Area (Lichfield, East Staffs)			
FP108, Fradley Park, Lichfield	10,079	B	Existing unit. LSH/GVA marketing. Undergoing refurbishment.
DC3, Prologis Park, Fradley	19,834	A	Speculative unit under construction - due to complete Q1 2018.
Unit 33, Marchington Industrial Estate, Staffordshire, East Staffs	9,311	C	Secondary industrial units. Combination of units can cater for requirements up to 37,161 sq. m.
Unit 34, Marchington Industrial Estate, Staffordshire, East Staffs	9,314	C	Secondary industrial units. Combination of units can cater for requirements up to 37,161 sq. m.
Unit 38, Marchington Industrial Estate, Staffordshire, East Staffs	9,305	C	Secondary industrial units. Combination of units can cater for requirements up to 37,161 sq. m.
BG 103, Burton Gateway	9,569	A	Third phase of scheme - 9,569 sq.m. (103,000 sq.ft.) unit expected to complete August 2019.
North Area (Stafford, Moorlands, Newcastle-under-Lyme, Stoke)			
Triton, Redhill Business Park, Stafford	10,545	A	Spec unit PC December 2016. 12.5m eaves. Site area 6.25 acres/2.53 ha.
Talke 16, Pit Lane, Stoke on Trent	16,732	B	Fully refurbished warehouse / distribution / manufacturing facility. 19 dock-level access doors, 5 ground level doors. Quoting £4.75. Under Offer.
Unit 1, Rosevale Business Park, Newcastle-under-Lyme	11,746	B	Recent refurb. Grade B. 8m eaves. 6 level access doors.
Unit 2, Campbell Road, Stoke-on-Trent	13,016	A	New speculative unit, under construction. Due for completion Q1 2018. Adjacent to Michelin.
Fenton 104, Oldfields Business Park, Fenton, Stoke-on-Trent	9,645	B	Secondhand unit. Site area 2.07 ha. 6.95m eaves. Grade B.
DC2, Mustang Drive	11,969	B	
Stoke 108, Stanley Matthews Way	10,081	A	Built July 2018
G-Park Stoke, Whittle Road	25,548	A	Completed 2018
G-Park Stoke, Whittle Road	11,928	A	
Sub total	**234,147**		
Black Country			
Unit 4, The Woodsbank Trading Estate, Woden Road West, Wednesbury	11,170	B	Detached single storey warehouse building, 17 level access doors, 5.2-7m working height, potential to split into units from 1,613 sq. m. Grade B.
Discovery Park Wolverhampton	12,875	A	Completion expected Q1 2019
Sub total	**24,045**		
TOTAL	**477,360**		