West Midlands Local Authority Chief Executives

West Midlands Strategic Employment Sites Study

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1 INTRODUCTION

The study brief

1.1 The purpose of this study, commissioned on behalf of the West Midlands Chief Executives, is set out in the study brief as follows:

'West Midlands Local Authority Chief Executives recognise the value of having a reserve of strategic sites, which are attractive and able to accommodate internationally footloose businesses and very large scale logistics facilities. A joint study is being commissioned… to understand whether there is a continuing need to provide and protect investment opportunities of this scale and nature in the future.'

1.2 The brief goes on to explain the rationale for strategic sites, both originally and going forward under the new planning system:

- '*In the West Midlands these strategic sites have historically been held in reserve outside of the local employment land supply or "reservoir" for "locally generated" growth to be used for exceptional inward investment and in some cases single users. These sites were not intended to provide alternative locations for existing businesses, which might inadvertently be to the detriment of their existing locations, but to provide for development that could not normally be accommodated…'*
- *The identification and delivery of sites like these benefit from long-term, cross-boundary strategic planning. While previously this would have been undertaken as part of the regional strategy process it is now a matter for individual or groups of local authorities under the duty to cooperate*.'

1.3 The study is to be undertaken in two phases, of which only the first has been commissioned so far and is covered by this report. The brief advises that this first stage should

'*Consider objectively the continued relevance of providing strategic employment sites of the scale and nature of those set out in the former West Midlands Regional Spatial Strategy (RSS). Taking into account the National Planning Policy Framework including its requirements for realistic, justified and deliverable proposals consideration will need to be given to past, current and foreseeable future demand.'*

1.4 The brief adds that Phase 1 should comprise three elements:

a) Identify provision (supply)

b) Assess demand

c) Conclude on the relationship between future demand and supply.

1.5 The potential Phase 2, titled 'Shortfall Advice', would only be necessary if supply fell short of demand. It would consider how such shortfall might be addressed, including through local studies to identify specific opportunities and assess policy implications.

1.6 To provide the demand-supply analysis at Phase 1, we need to start from a clear understanding of what a strategic employment site is. We consider this in the next section, based on analysis of past regional policies in the West Midlands and other regions.

Strategic sites in regional policy

The West Midlands

The Regional Spatial Strategy

1.7 Strategic employment sites in the West Midlands were first proposed by Planning Policy Guidance (PPG) 10 (1988)[1], which provided a strategic framework for Unitary Development Plans across the former Metropolitan County. The area had a long tradition of cross-boundary working and was the first area for which the Secretary of State published strategic guidance. PPG 10 said:

'6 Most industrial development will continue to be in the built up area, but there is a particular need to provide for some high quality development on the periphery and this can be done without detracting from the commitment to urban regeneration: up to 300 ha of land may well be needed for this purpose by 2001, but it would be undesirable to release it all until it is clear that market demand warrants it. The full 300 hectares therefore should be identified as a matter of urgency in unitary and shire county development plans and protected by strong development control policies until market demand is shown. These sites must only be used for top quality industrial, research or office uses falling within Class B1 of the Town and Country Planning (Use Classes) Order 1987; in particular, they should not be used for retailing or pure warehousing activities.'

1.8 PPG 10 called these high-quality peripheral sites 'high-technology development' and set out the land required as follows:

- Birmingham / Solihull – up to 140 hectares
- Black Country – up to 120 hectares
- Coventry – up to 40 hectares

1.9 No site size was specified but around 40 hectares was advised, along with access to the motorway network, labour force and public and private transport.

1.10 The concept of exceptional sites was carried forward into Regional Planning Guidance (RPG) and Regional Spatial Strategy (RSS). The published (i.e. adopted) West Midlands Regional Strategy (June 2004) set out a hierarchy of employment sites of which these sites – now called 'locations of regional significance' formed the first tier. These first-tier sites were of three kinds:

- Regional Investment Sites (RIS, Policy PA7):
  - Multi-occupied sites
  - Intended to attract high-quality occupiers who were nationally or internationally footloose, in Use Classes B1 or 'where appropriate' B2
  - In the order of 50 hectares

[1] Department of the Environment, *Strategic Guidance for the West Midlands*, *PPG10*, September 1988

- At least one RIS should located in, or linked by public transport to, each Regeneration Zone and High-Technology Corridor;

- Major Investment Sites (MIS, Policy PA8)
  - To accommodate very large single users with an international choice of location
  - In the order of 50 hectares or more
  - At least two should be immediately available at any one time
- Regional Logistics Sites (RLS, Policy PA9),
  - For large-scale warehousing
  - In the order of 50 ha or more
  - The region should have a choice of RLSs available at any one time and *'consideration and priority should be given to bringing forward previously developed sites in North Staffordshire and Telford'.*

1.11 One new element in these policies is the approach to warehousing and logistics. While PPG 10 excluded 'pure warehousing' from exception sites, the RSS not only includes it but devotes a separate category of site to it. Supporting text notes that '*Warehousing and distribution is an important and fast growing sector within the regional economy, accounting for almost 9% of all jobs*. *However, traffic generation, particularly from large distribution facilities can make their location within urban areas problematic.'*

1.12 As set out in the adopted RSS, the defining objective of RISs and MISs was to help diversify and modernise the regional economy, especially the clusters identified in the Regional Economic Strategy; and the defining objective of RLSs was to provide concentrated opportunities for large-scale warehousing in the right locations, where environmental harm would be minimised. All three types of site were to be of high quality, well located to the strategic road network, well served by transport and IT infrastructure, and in (or accessible to) concentrations of residents needing jobs. To ensure that the sites served their objectives, warehouse-only development would not be allowed on RISs or MISs; non-warehousing (B1/B2) development would not be allowed on RLSs unless it supported their primary purpose as distribution parks; and large-scale office development, which '*could be more appropriately accommodated' in town centres',* would not be allowed on any exception sites.

1.13 The published RSS did not set targets for the total land to be provided at strategic sites, nor did it designate such sites; this was a task for lower-tier development plans. But it did provide an overview of sites already identified, emerging as yet to be found (we discuss these sites in Chapter 2 below).

1.14 The draft RSS Phase 2 Revision (December 2007) proposed a few amendments to these policies. In particular, RISs were now to be slightly smaller, in the order of 25-50 ha rather than 50; there should be '*up to two'* MISs available at any one time, rather than two; the total requirement for RLSs up to 2021 was estimated as a minimum of 150 ha, based on the findings of the Regional Logistics study; and RLSs should have *'existing or potential for dedicated access to the regional rail and highway networks'*, which presumably includes rail freight facilities. The draft Phase 2 Revision also updated the geography of the sites, which we discuss in Chapter 2 below. But these amendments did not go forward into policy, because Regional Spatial Strategies were abolished by the Coalition government.

1.15 As well as the Regional Spatial Strategy, exception sites were also recognised in the West Midlands Regional Economic Strategy, which promoted and identified funding to bring the sites forward. Indeed the former Regional Development Agency, Advantage West Midlands, owned many of the sites identified. Critically, this common policy approach was also used to direct public spending, particularly for transport infrastructure, via the Regional Funding Allocations process.

The LEPS

1.16 Following the abolition of Regional Spatial Strategies, Regional Development Agencies and their Regional Economic Strategies, Local Economic Partnerships (LEPs) are now the vehicle for cross-boundary economic development policy.

1.17 The six LEPs in the West Midlands are taking forward much of the Advantage West Midlands agenda. As part of their Strategic Economic Plans, all six propose interventions to help bring forward employment sites, including major strategic sites, and provide employment space, including for inward investment and priority sectors. These interventions include public investment to support infrastructure and development, and initiatives to make planning more streamlined and more user-friendly. If the conclusions of the present report are accepted as a common policy approach across the region, they should help direct such public investment to the places where it will produce the greatest economic benefit for the region.

1.18 But the Strategic Economic Plans do not take views on strategic planning policy, because they are not planning documents. Therefore they do not address the main question discussed in this report: whether there should be region-wide planning policy to bring forward strategic employment sites of regional important.

Conclusion

1.19 The above history shows that strategic employment sites have been part of regional planning in the West Midlands since the late 1980s. The specification of these sites, and even their name, have varied over time. But they have two defining features that have remained constant:

i Strategic sites aim to attract ***net additional economic activity and jobs***. This means footloose (or mobile) businesses - which have a national or international choice of location, so if the West Midlands does not offer the right sites they might locate elsewhere.

ii The sites need larger-than-local planning, because ***they meet requirements that would not otherwise be accommodated in the region***. In other words, the local planning process would not bring forward sites with the same qualities, for two main reasons:

- The sites are ***very large*** – originally at least 50 ha, though later the minimum fell to around 25 ha;
- To provide the quality that attracts the target occupiers they may have to provide ***greenfield land outside the main urban areas.***

1.20 In relation to the second point, the underlying idea is that major development should normally be in the main urban areas, but strategic sites are an acceptable departure from that principle, because they produce exceptional benefits that should offset any harm caused. The benefits of such large sites will usually be distributed over large areas, as their workers and suppliers are widely spread, while harm to amenity and so on will be concentrated in one or two local authorities. This is a long-established rationale for larger-than-local planning, operating in the past through Regional Strategies and in the current system through the Duty to Co-operate.

1.21 Other than the defining features discussed above, the specification of strategic employment sites in the West Midlands evolved over time. The three past iterations of the regional strategy took slightly different views on what sectors and land uses the sites should cater to, where they should be located and what their other characteristics should be. In our analysis of demand and supply we aim for updated answers to these questions.

Other regions

Overview

1.22 We have reviewed the previous Regional Strategies across England to see if they included regional planning policies for strategic employment sites or similar. The results are summarised in Table 1.1 and discussed in more detail below.

Table 1.1 RS strategic employment site policies in other regions

Regional Strategy	Policy
East Midlands (published 2010)	21: Strategic distribution
Yorkshire and the Humber (2008)	None
East of England (2008)	E3: Strategic Employment Sites
North East (2008)	20: Key Employment Locations
North West (2008)	W2: Locations for Regionally Significant Economic Development
South West (SoS Proposed Changes, 2008)	ES2: Providing for Employment Land and Premises
South East (2009)	RE3: Employment Land Provision

Source: South West – Secretary of State's Proposed Changes, July 2008 (the RSS was never finalised); other regions – published (adopted) Regional Strategies

East Midlands

1.23 The East Midlands Regional Plan required strategic employment sites for only one use, logistics. Policy 21: Strategic Distribution recognised that there was high demand for strategic distribution and sought to bring forward land for it, following the recommendations of the East Midlands Strategic Distribution Study. The policy advised that local development plans give priority to sites which can be served by rail freight and operate as intermodal terminals. Supporting text noted that this would normally require a critical mass of about 50 hectares of land, but smaller sites may be able to generate sufficient demand for rail freight and therefore should not be ruled out.

1.24 The policy identified the Housing Market Areas (HMAs) in which strategic distribution sites should be located (HMAs were the sub-regional building blocks used by the RS, not only for housing). It also set out a number of qualitative criteria to help identify sites; including good access to rail freight and trunk roads, 24-hour access and good access to labour, especially areas of employment need. Supporting text advised that around 308 ha of rail-connected strategic sites should be brought forward by 2026, plus 78 ha for non-rail-connected sites.

East of England

1.25 Policy E3 advised that local development plans should allocate '*readily-serviceable strategic employment sites of the quality and quantity required to meet the needs of business… particularly but not exclusively'* in a series of sub-regions that are listed in the policy. For each of these sub-regions the policy specified an objective, mostly to support the growth of identified sectors and clusters or regeneration of run-down areas. Sectors and clusters specifically named comprise research and development in the Cambridge sub-region, environmental services in Peterborough, bio-technology in Norwich, ICT in in Ipswich and port expansion in Harwich, Felixstowe, Great Yarmouth and Lowestoft.

North East

1.26 '*In order to enable the accelerated growth of the regional economy to be maximised',* Policy 20 identified eight specific 'Key Employment Locations of regional importance for different uses. The locations were named employment areas, business parks etc. The Regional Strategy showed approximate land areas for each site, ranging from 20 ha to 120 ha. Two of the sites were identified specifically for logistics and one for general industry; for the other sites land uses were specified in general terms as high quality, technology, innovation and the like. Land allocations were to be made through lower-tier development plans.

North West

Policy W2 required local plans to identify sites for regionally significant economic development for offices, manufacturing, logistics and knowledge-based activities. It added that the sites should be close to major transport routes and urban centres, and those intended for logistics should be within easy reach of primary freight transport networks. Strategic sites should not be used for development that could be accommodated elsewhere, including in standard industrial estates or business parks.

South West

1.27 The South West RSS did not progress as far as adoption. Its final stage was the Secretary of State's Proposed Changes, published for consultation in July 2008. That document at Policy EC2 called for local planning authorities to identify a 20-year supply of employment land and premises '*including strategic sites'. S*upporting text explained that strategic sites would be highly variable in terms of size, land use and job numbers. The document provided no indication of what strategic sites were for or where they should be located.

South East

1.28 Policy RE3 advised that 'employment land reviews should identify strategic employment land to provide for '*the future needs of businesses, including qualitative needs, in those sectors showing potential for growth in that part of the region... Strategic employment land should be focused at locations identified in the sub-regional strategy, or more generally at the regional hubs or gateways, and allocated or safeguarded in the relevant local development documents'.*

Conclusions

1.29 Outside the West Midlands, all but one of the former Regional Strategies made provision for strategic employment sites. But none of them provided a definition of these sites, or a rationale for designating them, as clear as the West Midlands. As we have seen, in the West Midlands what distinguished strategic sites from other employment land was that they could attract net additional jobs in footloose businesses, and cater to requirements that otherwise would not be met in the region – mainly for very large land areas and for greenfield development. In other Regional Strategies these defining features sometimes seem implicit but they are not stated clearly, except for land areas in the North East (for all uses) and the East Midlands (for logistics only).

1.30 As regards other features of strategic sites, there is a great deal of overlap between the West Midlands and other regions. Similar to the West Midlands, target markets for these sites included 'high-quality' development generally and logistics specifically. In addition Regional Strategies often targeted other types of development or types of occupier, either in general or for specific places; the specification of these activities varied between regions and was seldom precise.

1.31 In the East Midlands, which along with the West Midlands and the South East is the most popular location in the UK for strategic distribution, logistics was the only sector for which the Regional Strategy required strategic sites. No region other than the West Midlands identified very large single users as a separate category of strategic site.

1.32 As regards geography, some regions set out general criteria for the location of strategic sites, some listed sub-regions where such sites should be located and others named specific sites or micro-locations. But all regions, like the West Midlands, left the exact definition and allocation of strategic sites to lower-tier development plans.

1.33 To sum up, there is nothing in other regional strategies that sheds doubt on the purpose and definition of strategic sites that we proposed earlier. As regards the features that strategic sites should offer, other regions were generally similar to the West Midlands.

Report overview

1.34 Below, in Chapter 2 we review the progress of the strategic sites since the Regional Strategy. Chapter 3-5 provide our analysis of demand and supply, discussing in turn the three markets targeted by strategic sites: offices, industrial uses (both manufacturing and logistics) and large-scale inward investment projects. Conclusions are in Chapter 6. Our demand-supply analysis starts from the definition established earlier:

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

- *Attracting nationally or internationally mobile economic activity (including both mobile businesses and the suppliers that serve them);*
- *Providing accommodation that would not otherwise come forward through the local planning system, principally because:*
  - *They are large sites, providing at least some 25 ha and often much more;*
  - *They may be in greenfield locations.*

1.35 Thus, strategic sites are a special category within the general market for employment space. This study does not consider demand or supply outside this special category. Unlike an employment land review, which would cover the whole market for B-class uses, it focuses on a small proportion of that market.

1.36 In keeping with the study brief, our analysis takes a market perspective, focusing on demand, supply and the balance between the two. We aim to establish if there is and will be demand for further strategic employment sites in the region; and if so where such sites should be, and what features they should offer, to attract that demand. But in this Stage 1 report we do not make policy recommendations. Before translating its findings into policy it will be necessary to look at the wider impact of designating strategic sites (both in general and relation to specific proposals), including implications for the environment, infrastructure and housing. These are issues for Stage 2 of the study.

2 PROGRESS TO DATE

2.1 In this chapter we review developments relating to strategic sites since the Phase 2 Revisions RS, covering both implementation at the identified sites and the evolution of policy and evidence.

Regional Investment Sites

Overview

2.2 As mentioned earlier, the Regional Strategy identified RISs as multi-occupied sites of 25-50 hectares, and advised there should be an RIS to support each Regeneration Zone and High-Technology Corridor. The Phase 2 Revision noted that development had already started, or was identified in adopted development plans, at:

- Ansty
- Birmingham Business Park
- Blythe Valley Park and extension
- Hilton Cross
- Wolverhampton Business Park
- Wobaston Road
- Blythe Bridge
- Chatterley Valley.

2.3 The RS added that new RISs would be required to serve:

- The Birmingham to Worcester HTC and
- The South Black Country / West Birmingham RZ.

2.4 Also further provision might be required to serve:

- The Coventry and Nuneaton Regeneration Zone
- The North Solihull Regeneration Zone.

Black Country and South Staffordshire

Strategic sites

2.5 Approximately 20 hectares remains, the majority of which is at Wobaston Road, which is marketed along with the adjacent MIS as i54; this is the latest and final RIS site to come forward in this sub-region. However, the adopted South Staffordshire Core Strategy (through Core Policy 7: Employment and Economic Development supports modest extensions to i54 and Hilton Cross to accommodate justified development needs, where robust evidence and a reasoned justification is provided to support their expansion.

2.6 Developments on Hilton Cross and i54 thus far have tended to be technology based / specialist manufacturing companies, often with local ties to the area. On Wolverhampton Business Park the majority of occupants are B1a office users along with supporting ancillary facilities.

The High-Quality Employment Land Study

2.7 September 2014 saw the publication of *the Black Country and South Staffordshire Sub-Regional High-Quality Employment Land Study (HQELS)* Stage 1 report, commissioned by the Black Country Local Authorities, South Staffordshire Council and Staffordshire County Council. That report does not focus on strategic sites as defined in the present study, but it does have some implications for strategic sites.

2.8 The subject of the HQLES is high-quality employment land as defined at Policy EMP2 of the Black Country Core Strategy. This is a much larger category than strategic sites: the report states that of the employment land developed in the Black Country between 2001 and 2013 43% was high-quality land and a further 23% was potentially high-quality land. High-quality sites, unlike strategic sites, are predominantly small: thus, of the identified Black Country supply of 291 sites, none are larger than 20 ha and two thirds are smaller than 10 ha. Similarly in South Staffordshire the study finds no identified development sites larger than 14 ha.

2.9 Thus, the High Quality Employment Land study suggests that there are no development sites currently identified for employment development in the area that qualify as strategic sites. Another section of the HQLES which is relevant to the present study is its comment on the JLR scheme at i54:

'The site was able to secure JLR because site preparation work had been undertaken to make it 'shovel-ready' for development, meaning that the completion of the facility could be achieved within the company's required timescales. Businesses expect construction of a new facility within 12-15 month timescales and manufacturers are not willing to accept long lead in times especially as supply chain companies experience an increase in volumes and therefore a requirement for further space.'

Coventry and Warwickshire

2.10 Phase 1 of Ansty Park hosts the Manufacturing Technology Centre, a partnership between leading universities, Government and global manufacturers. The facility opened in 2011 and bridges the gap between academic research and industry, and now includes a £30 million Aerospace Research Centre. Sainsbury's Stores Support Centre relocated to Ansty Park from a constrained site nearby in 2012; this facility provides around 1,000 jobs and also accommodates staff who relocated from the South East. Sainsbury's occupy the former Ericson telecoms R&D facility which closed in late 2009.

2.11 Phase Two of Ansty Park will provide a range of speculative and /or bespoke properties to accommodate knowledge / technology companies. Nine hectares of land benefits from planning consent, with a further 13 hectares available.

Birmingham and Solihull

2.12 Blythe Valley and Birmingham Business Parks in Solihull provide the most longstanding premium sites brought forward through regional / sub-regional mechanisms. Blythe Valley Park alone accommodates more than 100 companies and ancillary facilities. Most of the occupiers are national or regional office-based operations or technology-based companies. Further flexibility is now offered as the site is now considered suitable for B8 occupiers, following agreement that it could be extended through the recent Local Plan examination. Approximately 40 hectares of land remains, which forms part of the wider UK Central (UKC) concept which includes Birmingham Airport, the National Exhibition Centre and Jaguar Land Rover (JLR), and seeks to maximise the benefits associated with the HS2 interchange.

2.13 Brownfield sites have recently come forward in Birmingham at Longbridge, which includes the Longbridge Technology Park, and at Aston, being promoted as the Advanced Manufacturing Hub, where the first building is under construction for an advanced hydraulic engineering company. Approximately 40 ha of land remain available on these two sites.

North Staffordshire conurbation and Stoke-on-Trent

2.14 Two sites were identified to meet requirements in this sub-region Chatterley Valley (Newcastle under Lyme / Stoke on Trent border) and Blythe Bridge (Staffordshire Moorlands). These sites have not seen much activity to date.

Major Investment Sites

2.15 As noted in the Introduction above, MISs in the Regional Strategy were single-occupier sites of the order of 50 ha or more, to attract single users with an international choice of location. The RS said that one site, Wobaston Road on the Wolverhampton / South Staffordshire boundary, had already been identified.

2.16 Wobaston Road as noted earlier is now known as i54. It has been developed as an engine plant for JLR, with a further 13 ha available – which are currently the subject of a planning application by JLR. The engine plant was announced in 2011 and opened in October 2014. JLR has subsequently made representations through the South Staffordshire Core Strategy Site Allocations process, confirming that that it is seeking additional land adjacent to the site to expand.

2.17 The draft Phase 2 revision of the RS advised that, in the event that Wobaston Road (i54) was committed, '*then a further site will need to be identified and brought forward as a matter of urgency'.* This view was supported by the Panel that examined the RS. Ansty was previously identified as a MIS but its status subsequently amended to be identified as an RIS.

2.18 Retaining the i54 site in public ownership was critical to its continued safeguarding as a major inward opportunity despite calls for a more flexible approach and it also helped ensure expeditious delivery of the necessary infrastructure. It is widely acknowledged that few sites of this size and calibre were available at the time. There is no longer a single site within the region formally identified through the planning process that meets the RSS's MIS criteria.

Regional Logistics Sites

2.19 As mentioned earlier the Stage 2 Revision Regional Strategy estimated that 150 ha of land at RLSs could be required by 2021. It proposed that additional land be brought forward in the following priority order:

- Upgrade the existing rail-connected facility at Birch Coppice to an RLS;

- Consider the scope for extending existing RLSs in the West Midlands and DIRFT (in the East Midlands but close to the regional boundary), but *'recognising the proximity of Hams Hall and Birch Coppice and the need to avoid over-concentration of RLS development within the same broad location*';
- Consider the potential for new rail served facilities:
  - to serve the needs of the Black Country from a location in southern Staffordshire
  - to serve the needs of Northern Staffordshire.

2.20 At present Birch Coppice and Hams Hall remain the only RLSs in the West Midlands, with 35 ha still available at Birch Coppice.

2.21 Albeit the Stage 2 Revision RS was never taken forward, the examination Panel tested these policies. It confirmed that the facilities should be rail-served and recommended that at least 200-250 ha be provided by 2021 rather than the 150 proposed in the draft RS. It also proposed a more flexible approach towards the existing sites in North Warwickshire, provided spatially specific guidance on areas for further consideration in Southern and Northern Staffordshire. The Panel also pointed out that there were other sites in the employment land portfolio that had potential for logistics-related development to serve the West Midlands, including Hortonwood (Telford), which is rail connected, along with Fradley (Lichfield) and the Drakelow Power Station near Burton upon Trent.

2.22 The Black Country and southern Staffordshire authorities subsequently commissioned a study to consider this further. The study[2] finds that the Midlands is one of the most competitive and efficient locations in the UK for major distribution occupiers. There is strong developer interest in bringing forward additional facilities and there is a very limited supply of 'development-ready' logistics sites to serve the Midlands over the medium and long-term. However, the footloose nature of the distribution industry means that the market would not consider the Black Country in isolation, and so it is difficult to identify a specific operational and geographical need for a RLS in the Black Country and southern Staffordshire to serve the Black Country in particular. In the absence of this specific need, the report recommends that the assessment of potential land supply for a RLS provision be widened and undertaken on a regional West Midlands basis.

2.23 Phase III of the Daventry International rail Freight Terminal (DIRFT), which lies adjacent to the West Midlands boundary at Rugby, was granted planning permission by the Secretary of State in April 2014. The site consists of 345 hectares of land and will accommodate 731,000 of rai-served distribution development. This will meet need up to 2026 based on past delivery rates on DIRFT Phases 1 and 2.

2.24 The proposal was determined via draft of the National Policy Statement for National Networks published in December 2014, with regard to Strategic Rail Freight Interchanges it notes (paras 256 to 258):

'*The Government has concluded that there is a compelling need for an expanded network of SRFIs. It is important that SRFIs are located near the business markets*

[2] URS, *Black Country and Southern Staffordshire Regional Logistics Site Study,* Final Report, April 2013

they will serve – major urban centres, or groups of centres – and are linked to key supply chain routes. Given the locational requirements and the need for effective connections for both rail and road, the number of locations suitable for SRFIs will be limited, which will restrict the scope for developers to identify viable alternative sites.'

Existing operational SRFIs and other intermodal RFIs are situated predominantly in the Midlands and the North. Conversely, in London and the South East, away from the deep-sea ports, most intermodal RFI and rail-connected warehousing is on a small scale and/or poorly located in relation to the main urban areas.

This means that SRFI capacity needs to be provided at a wide range of locations, to provide the flexibility needed to match the changing demands of the market, possibly with traffic moving from existing RFI to new larger facilities. There is a particular challenge in expanding rail freight interchanges serving London and the South East.'

2.25 The Planning Act (2008) defines SFRI proposals of at least 60 hectares, which must be part of the national rail network and include warehouses to which goods can be delivered from the rail network, as nationally significant infrastructure. Such proposals must be referred to the Secretary of State for determination with the examination being undertaken by the Planning Inspectorate.

2.26 At the North Warwickshire Local Plan examination (2014), representors maintained that additional provision for logistics should be made in the district, including at the proposed Birmingham International Gateway (BIG) site on the Birmingham City boundary. The Inspector found that there was insufficient evidence before him to make a specific requirement for the district, because the issue required a regional perspective. He took a pragmatic approach in the light of the urgency to adopt a plan to meet housing needs. He did request a modification subsequently included in the adopted plan requiring a review should it be established that there are housing and / or employment needs to be met from elsewhere:

'I am requested by some representors to increase the allocation of employment land to accommodate the demand for RLS. The Council is right to seek to encourage a diverse economy in the Borough but I see no reason why taking a more positive approach to RLS in addition to [the employment land provision in the plan] would conflict with this. However, a regional perspective is required and I do not consider there to be sufficient evidence before me to set a requirement for North Warwickshire. The Coventry & Warwickshire Assessment of Sub Regional Employment Land Requirements was published in April 2014 but I understand that a study in the Black Country is on-going. The Coventry & Warwickshire study comes late into this examination. Given the Borough's housing needs in particular, I do not consider that it would be in the interests of the proper planning of the area to delay the adoption of the Core Strategy by reviewing employment provision at this stage. M[ain] [Modification] R42 introduces a commitment to review the Core Strategy should these studies identify a need for more RLS floorspace in the Borough'[3].

[3] The Planning Inspectorate, *Report to North Warwickshire Borough Council, 24* September 2014

Conclusion

2.27 There is a long and successful history of working collectively in the West Midlands in terms of dealing with strategic employment land matters resulting in the development of policies in former Regional Guidance and Strategies. These were subsequently taken forward in local authorities' development plans, in some instances following the revocation of Regional Strategies. Both brownfield and greenfield sites have come forward, the latter usually requiring release from the Green Belt. The evidence suggests that to provide the quality and size required of strategic employment sites requires greenfield releases, which may include Green Belt review. Examples include the allocation of Peddimore in the Birmingham Development Plan and the planning permission for Worcester Technology Park.

2.28 All of the sites and locations identified in the RSS have now come forward; in many instances (although not exclusively) public sector ownership has been necessary for site assembly and infrastructure. In some instances, there has been some flexibility in terms of uses to respond to changing market and user requirements.

2.29 Turning to specific sites, the RISs serving the Metropolitan Area have been successful, with high occupancy providing high quality environments for business; in some instances (Solihull) this has led to sites being expanded. This would seem a sensible approach going forward to meet future demands and promote clustering, subject to satisfying infrastructure and other policy requirements. Indeed, the South Staffordshire Local Plan already includes an enabling policy to this effect.

2.30 RISs were intended to support diversification and modernisation of the West Midlands economy. Occupiers vary from technology based companies to regional and national headquarters, presumably requiring a central location with good accessibility. What is particularly apparent, however, is the number of locally based operations that have located to RIS sites. Moving to a new, better-quality site for growth and modernisation can encourage firms to stay, expand and diversify in the region, so that local jobs, supply chains and multiplier effects are retained and expanded. Sites are also released elsewhere for another firm or for re-use /or redevelopment.

2.31 The one Major Investment Site in the West Midlands has proved to be a notable success, given that when the JLR were seeking a location there were very limited 'shovel ready' opportunities. A critical issue here was retaining the site in public ownership, playing the long game and holding firm with regard to planning policy despite pressures for further relaxation. Such proposals are difficult to predict with any confidence and a private owner would be likely to want an earlier return on a site once the principle of development had been established. The former RSS policy intended to restructure and diversify the West Midlands economy. Against these measures the i54 site has clearly assisted in strengthening the West Midlands's position in the automotive sector given the turbulent years following the closure of Rover's Longbridge plant in 2005. It also supports export driven growth which improves the economy's resilience; the West Midlands exports more than any other UK region except London and the South East, with the value of these exports increasing year on year despite a downward trend nationally.

2.32 JLR has indicated to South Staffordshire Council that it would welcome specific policy support to expand its plant given that it needs to respond rapidly in a global and ever evolving market. As concluded in relation to the RIS sites, extending an existing facility is an eminently sensible approach provided that the planning authority is satisfied that any policy and infrastructure constraints can be overcome. There is specific policy support in the Solihull and emerging Stratford upon Avon Local Plan to this effect by means of precedent.

2.33 RLS sites are focussed in North Warwickshire District, benefiting from good access to the M6, A5 and M42 as well as hosting the region's only international rail freight terminal and close proximity to Birmingham Airport. The recently published National Networks Policy Statement states that most existing provision of SRFIs is in the Midlands and the North, and the main demands are to serve London and the South East. However, the RSS Phase 2 examination, the URS report commissioned by the Black Country and southern Staffordshire and the recent North Warwickshire Core Strategy examination all indicate that there are continued development pressures for large scale warehousing facilities in the West Midlands and these do not appear to be waning in the light of the recently approved expansion of DIRFT on the West Midlands boundary near Rugby.

2.34 In planning terms, however, what is less clear is where the most appropriate locations for such facilities are, given their footloose nature and broad catchments. Both the URS report and North Warwickshire Inspector advocate a West Midlands-wide approach which has not been progressed. In the absence of a plan led approach, there is the possibility that a promoter may refer a proposal (60 hectares or above) to the Secretary of State for consideration under the 2008 Planning Act and the National Networks Policy Statement.

3 THE OFFICE MARKET

Introduction

3.1 In this and the next two chapters we review demand and supply in the three occupier sectors that are targeted by strategic employment sites: offices, industrial space (covering both manufacturing and logistics) and foreign inward investment. The third market of course overlaps the other two; it is of particular interest because, as discussed earlier, strategic sites particularly target internationally mobile firms.

3.2 The data for our analysis are market data, taken from JLL's in-house databases and commercially available databases such as PMA's PROMIS information service. These data are different from, and not directly comparable to, the planning and economic development data used by local authorities. To assess what sites are available and likely to come forward they rely more on commercial criteria than planning allocations and permissions; in describing geographical locations they use towns, hinterlands and postal addresses rather than local authority areas; and they may date take-up differently, to reflect the dates of transactions rather than physical occupation.

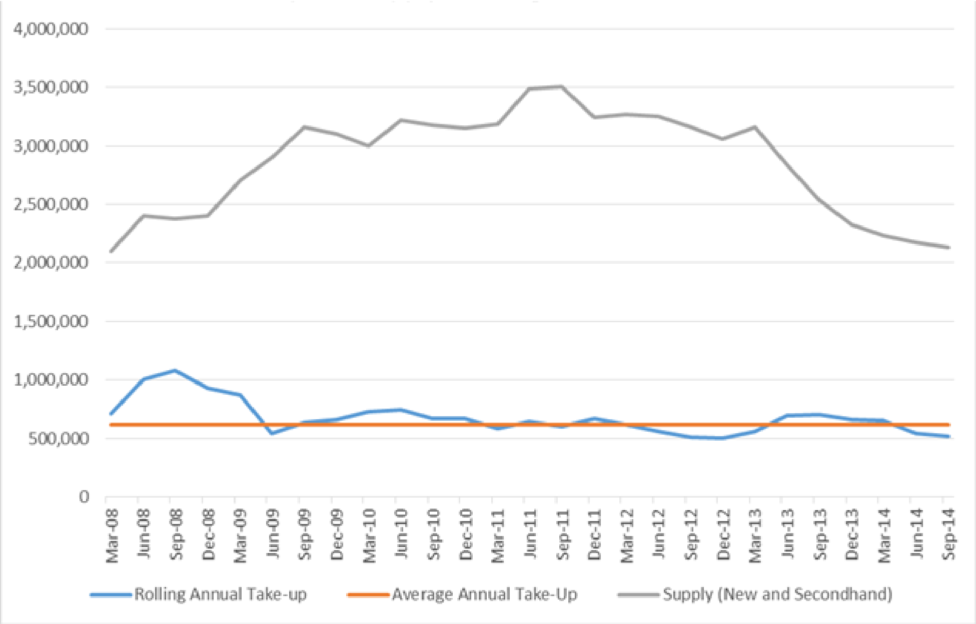
3.3 In relation to offices we first look at the Birmingham and Solihull market. This is divided between the city centre (including Edgbaston) and the out of town market which runs along the M42, from Birmingham Business Park to Blythe Valley Business Park. We then consider Coventry and Warwickshire market, which is also split, between Coventry and an out-of-town market around Warwick Business Park, which is home to a number of high-value firms.

3.4 Aside from these locations, there are also significant though much smaller office markets in locations such as Wolverhampton, Leamington Spa, Stoke-on-Trent and Worcester. These smaller centres are not discussed in this report, because they do not require strategic allocations of regional importance and the demand they attract is overwhelmingly local.

Birmingham city centre

3.5 Take-up in Birmingham city centre from March 2008 to September 2014 averaged over 600,000 sq ft per annum (Figure 3.1) Over the same period an average of circa 2.7m sq ft of built office space has been available to let – equal to 4.5 years supply. After rising steeply in the recession, by September 2014 supply was back to its pre-recession level of some 2m sq ft, still more than three years supply.

Figure 3.1 Office take-up and supply, Birmingham city centre



Source: JLL

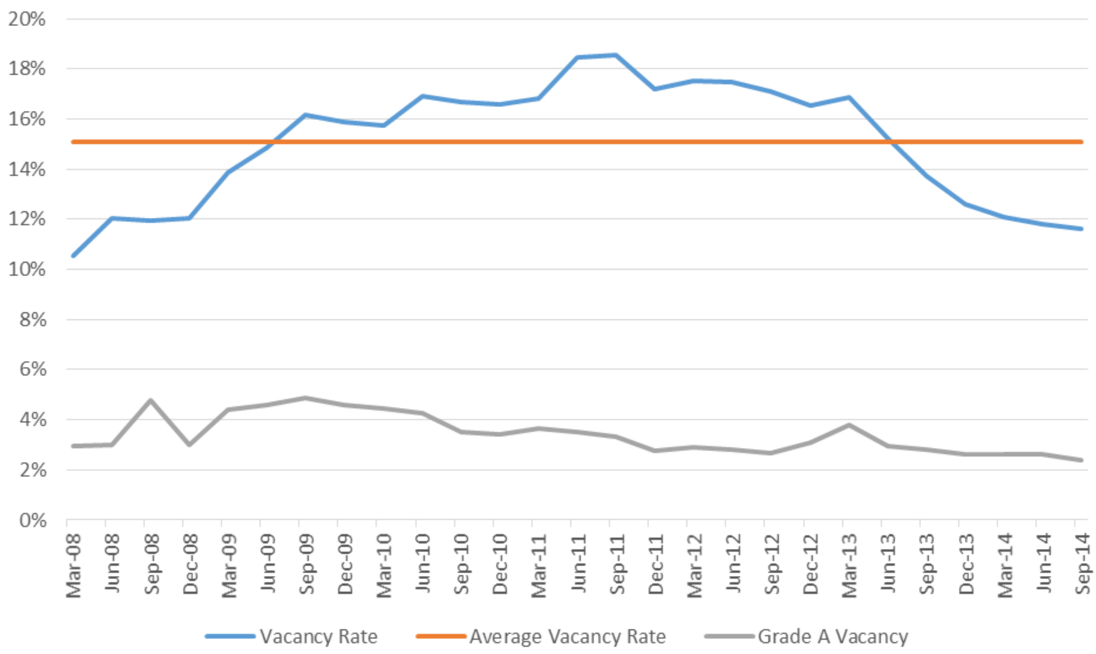
3.6 Vacancy rates in Birmingham have averaged 15.1% since March 2008; this figure is skewed by abnormally high rates around the time of the financial crisis. As of September 2014, 11.6% of office space is vacant, slightly higher than the other major office centres of Manchester, Leeds, Glasgow, Edinburgh and Bristol. However, vacant Grade A offices account for just 2.4% of the total stock, and this vacancy is on a declining trajectory.

3.7 Rents for Birmingham offices fell from £33 psf in 2008 to £28.50 in Q3 2014, although they are now beginning to rise, as the supply of new / grade A space is beginning to fall. As is normal in the business cycle, falling vacancy and rental growth are expected stimulate more new development, replenishing the supply of Grade A offices.

3.8 There have been few speculative schemes in Birmingham over recent years, which has been due to low demand rather than a lack of development sites or planning consents. Development finance and confidence have been in short supply, and the relatively high supply levels have precluded occupier prelets. At the end of 2014, this situation was beginning to reverse, partly because of declining grade A availability levels.

3.9 To meet this expected upsurge demand there are large amounts of land which have plan allocations, or planning consent or are earmarked as part of the Big City Plan. Examples include Paradise Circus (c1.5m sq ft), 3 Snow Hill (c250-330k sq ft), 2 Cornwall Street (c190,000 sq ft), Post and Mail site (c220,000 sq ft), Lumina (180,000 sq ft), Masshouse (423,750 sq ft), The Beorma Quarter (c400,000 sq ft), Arena Central (c860,000 sq ft) and Smithfield Court (c240,000 sq ft).

Figure 3.2 Vacancy Rate, central Birmingham offices



Source: JLL

Birmingham and Solihull out of town

3.10 There is increasing evidence that many occupiers increasingly prefer town and city centres to out-of-town locations. Research published by the British Council for Offices (BCO) in 2011 shows that members anticipate an 'urbanisation' of office demand, partly because central locations offer larger catchment areas (particularly important for graduates and other skilled staff), and the amenity and transport offer in such locations leads to improved retention and recruitment[4]. Such urbanisation of office demand would be in line with the RSS, which sought to concentrated office development in town centres,

3.11 Nevertheless, out of town locations in the West Midlands appear to have performed particularly strongly. The lower costs, flexibility and availability of car parking available are probably instrumental. According to PMA's PROMIS database, out-of-town take-up in Birmingham and Solihull has averaged 249,000 sq ft over the past 10 years, rising to 288,000 sq ft over the past five and 327,000 sq ft over the past three.

3.12 The M42 corridor, particularly the area East and South East of Birmingham, has particular advantages for companies with large, car-orientated sales forces, reflecting its centrality to the national motorway network, and the relative ease of access to the South East given the difficulties associated with the M6 through the West Midlands conurbation.

3.13 Further factors pushing occupiers out of town may include the high level of car-borne commuting (the second highest of any UK region), and the perception that public transport in Birmingham in particular is not as comprehensive as in London, Manchester or Glasgow.

[4] BCO, *The Challenge for the Office Sector over the next Decade and Beyond,* May 2011

3.14 Despite this buoyant demand for offices, there is little or no evidence of a shortage of supply. There are large amounts of land remaining for design and build development at Birmingham Business Park, Blythe Valley Business Park, BAM Properties' Fore in Solihull and, further to the west, St Modwen's Longbridge scheme. (Nearly all these sites are designated as RISs.)

Coventry and Warwickshire

3.15 In the Coventry office market there is a contrast between the more modern out of town (OOT) business parks, such as Westwood Business Park and Ansty Park, and the predominantly older stock that characterises the city centre. The wider Coventry office market also includes further out-of-town developments towards Warwick and Leamington.

3.16 In terms of office stock, Coventry currently possesses around 15.6m sq ft of space, both in town and out of town, of which 6.4% (0.36m sq ft) could be considered modern (completed in the last 5 years).

3.17 There is a limited supply of good quality offices immediately available, with much of the recent availability now under offer. This points towards a scarcity of product, but active demand is also limited. The major source of in-town supply will be the Friargate development, where 144,000 sq ft and 36,000 sq ft have been prelet to Coventry City Council and the Royal Institute of Chartered Surveyors respectively. The former is the largest deal seen in the market for some time, exceeding the 134,000 sq ft taken by Sainsbury at Ansty Park to the north of the city in 2012 (planning permission has been granted to double that floorspace).

3.18 The sheer scale of Friargate – 15 grade A office buildings within a 37 acre site – could reinvigorate the city centre market, which has seen little development since the wholesale reconstructions of the 1950s and 1960s. Since 2005, 67% of all office completions have been out of town.

3.19 As a result, the majority of Coventry's significant office occupiers are located in out-of-town business parks, with automotive and utility companies most prominent. Take up has also been concentrated in the out-of-town area.

3.20 As of Q3 2014, there was just over 250,000 sq ft of space under construction in Coventry, with the majority due to complete over 2015, with all schemes located in OOT submarkets.

3.21 The area further south, around the M40 near Warwick and Leamington, benefits from links with Warwick University and greater accessibility from the South East. In this area there is strong demand for offices and limited availability of new office space, but the supply of development sites is plentiful.

3.22 There are some significant sites out of town which are reserved for employment use – including St Modwen's Whitley Business Park and Goodman's Lyons Park, although there are no currently available buildings, pointing towards the need for design & build. There are also further possibilities at M&G's Middlemarch Office Park. There is further supply further afield – though again no available new buildings at Ansty Park, or at Tournament Fields, Stoneleigh Park or Opus 40 in the Warwick area.

Conclusion

3.23 Market evidence suggests that there is no shortage of supply in the main office market of the West Midlands. The market is following its normal cyclical pattern, so in the post-recession period the availability of built space has been tightening. But there is a plentiful planned supply of sites to accommodate the resulting new development, which will provide new space to fill any emerging gap. That development is coming forward through the normal planning system, much of it in large-scale, high-quality developments that clearly qualify as strategic sites. Therefore we see no need for new policy initiatives to bring forth additional office sites.

4 THE INDUSTRIAL AND LOGISTICS MARKET

4.1 This section examines the demand for and supply of industrial and distribution land and premises within the West Midlands region. For brevity we refer to this market as 'industrial'. The analysis of supply covers both built stock and development sites. As noted earlier it uses market data, from JLL's in-house databases and commercially available databases; such market data are different from, and not directly comparable to, the planning data produced by local authorities. The detailed analysis of take-up (demand) focuses on the period from 2012 onwards, because the previous four years or so were untypical due to the recession.

4.2 In keeping with our definition of strategic sites, the analysis of built floorspace focuses on Grade A[5] units of 100,000 sq ft or more and the analysis of development land on sites of 20 acres (8 ha) or more. (This threshold is below the minimum strategic site of 25 ha, partly because it includes extensions to larger sites,) Data are 'frozen' at the end of 2014 but the text does mention some subsequent events.

National context

Demand

4.3 The UK economy grew fast during 2014. As of October 2014, the HM Treasury forecast GDP growing by 3.0% in 2014, compared to 2.7% at the start of the year. Although manufacturing declined slightly as a %age of GDP, confidence in the sector remains high by historical standards, as demonstrated by Purchasing Managers Indices (PMI). The automotive sector has been particularly resurgent, now accounting for 1.3% of total UK output, up from 1.2% in 2008.

4.4 Employment growth has been a key feature of the current economic recovery, and has supported strong retail sales volumes. At the same time the retail sector is undergoing substantial structural change, as retailers attempt to adapt to the growing proportion of internet and mobile sales and the resulting change in customer expectations and needs.

4.5 As a result, retailers are facing twin pressures on their logistics operations. Firstly, they need to expand in response to rising demand; and secondly, they need to reorientate at least part of their property portfolio around home deliveries, click-and-collect and returns. This is driving, and will continue to drive, further gross take-up of space in the distribution market.

4.6 E-retailing is changing the property market. The shift to multi-channel creates additional demand for both very large units in nationally accessible locations such as the Midlands, and smaller units in urban areas. Retailers such as Amazon and M&S have created 'e-fulfilment warehouses' of circa 1m sq ft where all the merchandise is stocked and picked to fulfil online orders. Items leave these huge spaces and pass through a parcel hub and sortation centre where they are sorted by end destination

[5] Grade A, as defined in the property market, covers new units and second-hand units of good enough quality to compete with new space.

and distributed to the appropriate local parcel delivery centres for final delivery (meaning that more bays are often needed than in conventional logistics units).

4.7 These local parcel delivery centres are logistics units that need to be in urban areas where they can most easily access large populations. This presents a problem as supply is lacking and operations can be more problematic in more densely populated areas. These parcel delivery networks are often operated by third parties but some operators, such as Amazon, are setting up their own operations.

4.8 Occupier take-up of Grade A industrial and logistics units of over 100,000 sq ft in 2014 totalled 19.5m sq ft, 8% up on 2013 (18.0m sq ft).

4.9 Of the 19.5m sq ft taken up approximately 12.8m sq ft was in new space with around three quarters in new built to suit units and one quarter in new speculatively built units. The remaining 6.7m sq ft was taken up in good quality secondhand space. The large quantity of demand coming from built to suit space in 2014 reflects recent trends in the logistics market demonstrating a lack of immediately available built product in the market.

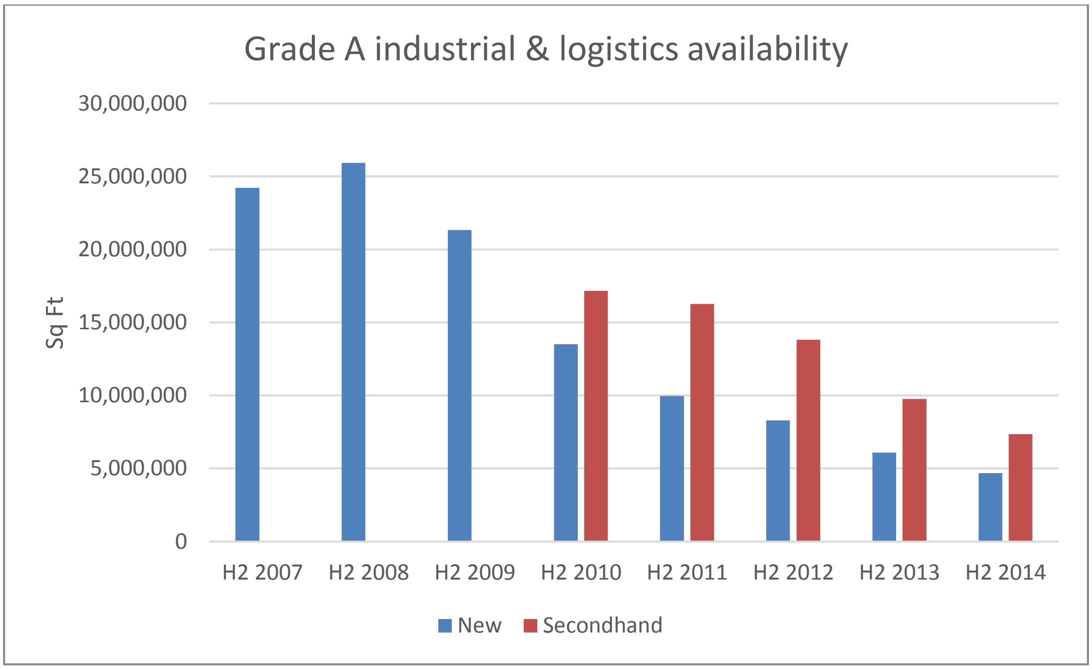
4.10 Almost half of this take-up was from retailers (47%) looking for warehouse / distribution facilities, with a further 22% from logistics specialists (likely to be servicing a mixture of retailer, wholesaler and manufacturer supply chain contracts). Around 23% was accounted for by manufacturers, although the premises in question are not necessarily production facilities; they may be used for the storage and distribution of components or the finished product.

Supply and market balance

4.11 As of the end of December 2014, the availability of grade A units of over 100,000 sq ft stood at around 12.0m sq ft, of which 4.7m sq ft was speculatively developed (including space under construction). The remaining 7.3m sq ft comprised good quality second-hand space. Supply has been falling at a rapid rate over the past few years, as the graph below shows, although as indicated above there was some slowing over 2014, perhaps as a result of a lack of choice. Nevertheless the supply of new build space has fallen from 25.9m in H2 2008 to 4.7m at the end of 2014.

4.12 In response to the shortage of stock, 2013 saw the return of speculative development at the larger end of the scale. At the end of December 2014, there were seven units of more than 100,000 sq ft under construction and available to the market, totalling 1.2m sq ft. Two of these were in the Midlands, with the remainder in the South East.

Figure 4.1 Grade A industrial availability, units over 100,000 sq ft, UK, end 2014

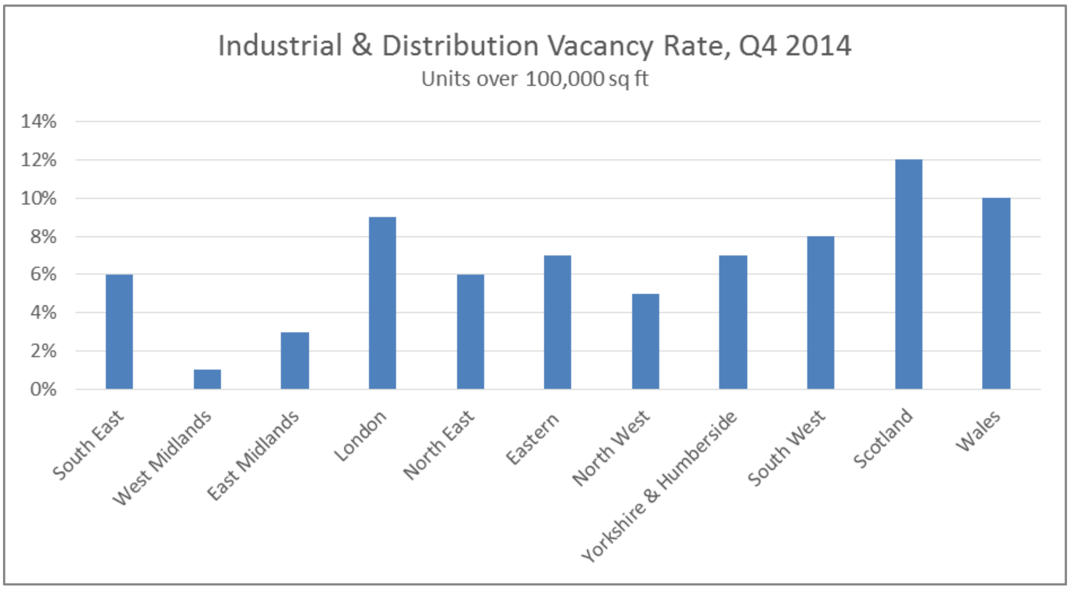


Source: JLL

4.13 In take-up terms, the Midlands remain the industrial and distribution heartland. In 2014 the West Midlands and East Midlands together accounted for 44% of take-up of units of 100,000 sq ft or more, higher than the Greater South East (22%). Over the medium term (five years), the Midlands represent around 34% of take-up, compared with 20% for the Greater South East.

4.14 The national vacancy rate for units in this size category fell from 13% at the beginning of 2012 to 5% at the end of 2014, although there are huge differences across the country. The lowest vacancy rates at the end of 2014 were in the West Midlands (1%) and the East Midlands (2%).

Figure 4.2 Industrial vacancy rate, Grade A units over 100,000 sq ft, UK, Q4 2014



Source: JLL

4.15 At the end of 2014, there were a large number of active requirements in the market, but a shortage of immediately available stock. This suggests that there will be a continuing take-up of build-to-suit units, although in some regions the availability of consented sites is becoming an issue. Where possible, increasing numbers of developers may proceed speculatively to take advantage of strong market conditions.

4.16 Given the shortage of supply, it is unsurprising that rents have increased in some regions. Prime rents in Birmingham and Coventry at the end of 2014 stood at £6.00-6.25 per sq ft, up from £5.75 per sq ft at the beginning of 2014; in Solihull £6.25 per sq ft is the equivalent, up from £5.75 a year ago. But in Stoke rents have remained unchanged at around £4.75-£4.95 per sq ft.

4.17 We estimate that land values for prime sites on the motorway network increased by 30%-40% over the course of 2014. It is easy to find market evidence of recent increases; in Erdington, Birmingham, JLR paid £700,000 per acre in 2013; against £475,000 paid by Rolls Royce at Birmingham Business Park in 2012. The table below gives a comparison of land values in selected locations.

Table 4.1 Industrial land values, £ per acre, 2014

Location	Minimum	Maximum
West Midlands		
Coventry	400,000	500,000
Birmingham	400,000	500,000
Tamworth	350,000	450,000
Black Country	200,000	300,000
Stafford	200,000	250,000
Stoke-on-Trent	200,000	250,000
Other regions		
Enfield	1,000,000	1,100,000
Milton Keynes		650,000
Daventry/Lutterworth		525,000
Bedford		400,000
Swindon		400,000
Manchester		325,000
Bristol	250,000	300,000
Leeds		250,000
Wakefield		250,000
Cardiff		
Glasgow	125,000	150,000
Widnes		150,000

Source: JLL

Land ownership

4.18 A general feature of the industrial market is that most development sites are controlled by developers. An occupier seeking a clear site to design and build their own facility might find it difficult to obtain land at the values shown above. Developers would be looking to obtain development profit from the site (i.e. the difference between the end value, and the sum of land price and construction cost). Indeed, this is the reason for their decision to purchase the sites in question (or options on them) in the first instance. For land sales, they would be looking for a price that includes this profit; or, alternatively, to design and build the finished product themselves, which would deliver their profit through a different route.

4.19 Development profit is the price paid by occupiers for the cost and risk of identifying and assembling development sites and promoting them through the planning system – a task that few industrial occupiers are able or willing to undertake. The alternative is for the public sector to perform these tasks, at no cost to the occupier. Traditionally this has been a common way to bring forward strategic industrial sites.

4.20 Thus, the i54 business park in the West Midlands was developed on land owned by the former Regional Development Agency; it is also supported by publicly financed infrastructure, including a new motorway junction paid for by county and district Councils. The availability of this land and infrastructure at low cost may have been the decisive factor in JLR's decision to locate its new plant at i54. Press reports quote a senior Councillor commenting that

'JLR were looking at 100 sites across the world, narrowed it down to 17 and then to three: one in South Wales, another in India and the i54. The key was that motorway junction'[6].

4.21 It is not in the gift of the planning system to offer this kind of incentive, and hence to determine whether a scheme like the JLR engine plant locates in the West Midlands. But positive planning is a key input of a the coordinated public action that is required to bring forward such schemes.

The West Midlands

Occupier trends

Manufacturing and logistics

4.22 The West Midlands has been the epicentre of UK manufacturing ever since the industrial revolution. By the 1960s, its economic structure, once renowned as the most diverse in the world, had become overly dependent on the then nationalised motor industry. With the collapse of this sector in the 1980s, the region – which once had wages comparable to the South East – saw the highest fall in output.

4.23 Diversification into service industries saw the area recover in the subsequent decade, and more recently it has seen something of an industrial revival. Much of the region's industrial economy remains dependent on a resurgent car industry, and particularly the growth of one company – Jaguar Land Rover (JLR). There are also other major automotive facilities in the region, including the BMW engine plant at Hams Hall near Coleshill, Warwickshire and the Shanghai facility at the former British Leyland site at Longbridge, Birmingham.

4.24 JLR has had a considerable direct impact on employment and R&D spending in the region. But in relation to the property market JLR's indirect impacts have been more obvious, in that it has boosted demand for space from expanding companies within its supply chain. Some of these companies are components manufacturers, some operate as distributors, and some are active in both areas.

4.25 In interviews with JLR, the automotive firm expressed concerns over the availability of built stock, for their own logistics needs as well as those of their own suppliers. They were less concerned about the availability of undeveloped land on which buildings could be provided to order. The point is that occupiers often need space at short notice, so only a ready-made building will do.

4.26 Planning policy tends to distinguish between B1c/B2 (industrial) and B8 (distribution) uses. However it is not always possible to make this distinction in market terms. In recent years use classes have become more flexible, and many sites that were consented for B1/B2 use have been used for B8 or other uses. Meanwhile, many manufacturers have taken units on developments that were conceived or marketed

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[6] Express and Star, 24 November 2014, http://www.expressandstar.com/news/2014/11/24/work-completed-on-44m-i54-site-link-road/

as distribution parks. Consequently manufacturing and distribution are merging into one market. A rise in 'logistics' land values leads to an increase in 'industrial' values, and vice versa.

4.27 Additionally, the two use classes are often operationally linked. Logistics / warehousing units are not just conduits for retail goods. They are also often used for the temporary storage of components or end products for local manufacturers. Recent examples include the letting of 225,000 sq ft at Prologis Park at Ryton, near Coventry, to JLR and 226,750 sq ft to Aston Martin at Wellesbourne Distribution Park. The supply chain also requires logistics facilities. Without sufficient warehousing capacity for this supply chain there would be significant impacts on local manufacturing companies.

4.28 There are also instances where manufacturers have expanded on their existing base, forcing suppliers or logistics providers to move. For example, the expansion of JLR at Solihull has forced off the site some distribution occupiers who were previously co-located with Jaguar. This led to demand for logistics units elsewhere in the area. New space was visibly taken by logistics operators, but in net terms the additional property demand was being driven by manufacturing.

4.29 Furthermore, in many 'logistics' units there may be an element of light assembly or even more technical manufacturing; and many manufacturing complexes have a significant distribution element.

4.30 In summary, the market is increasingly blurring the distinction between manufacturing industry and the logistics operations that serve that industry. But for planning the distinction remains important, because it needs to take account of the different impacts of these uses, for example in terms of hours of operation, vehicle movements and the types of jobs created.

Retailers and third-party distribution

4.31 Alongside manufacturers and their suppliers, retailers and third-party logistics specialists are also a significant presence in the region. These sectors account for the majority of space taken up (as detailed below). The original 'Golden Triangle' in the East Midlands, around Daventry and Lutterworth (and including the far eastern fringe of the West Midlands around Rugby) has expanded as a result of rising labour costs and lower land availability. It now includes the eastern half of Birmingham, the M42 corridor and the motorway-accessible parts of Coventry.

4.32 However the Golden Triangle has not expanded far into the Black Country or Staffordshire. The perception that there are significant delays on the M6 through the conurbation represents a 'virtual barrier' to the north and west. The M6 toll road of course provides a faster alternative, but distribution operators operate on narrow margins and typically consider that the cost is too high.

4.33 The perception that access to London is easier to the south of this barrier is an important factor in location decisions. Consequently, while there are logistics operators to the north, their facilities generally serve smaller areas – such as the West Midlands and perhaps the North West and parts of the South West and Wales. If the toll were abolished or capacity on the normal M6 were greatly improved the area's disadvantages could reduce, but to our knowledge there are no such proposals at present.

4.34 Worcestershire is also seen as relatively inaccessible, with the exception of Redditch, which is seen as a fringe-M42 location, and perhaps has more in common with the Solihull market.

4.35 Needless to say, logistics sites need to be directly linked to the motorway network. Increasingly occupiers are also looking for rail freight access.

4.36 There is some evidence of large-scale occupiers who are unable to find space in the region. For example, a major UK manufacturing concern was looking to centralise its production and distribution facilities at one site in the Midlands of c 60 hectares, but was unable to find space. This is a rare event, however, and was only a preliminary sweeping exercise. More typical is the electronics specialist looking for 500,000 sq ft of assembly and logistics space.

Take-up

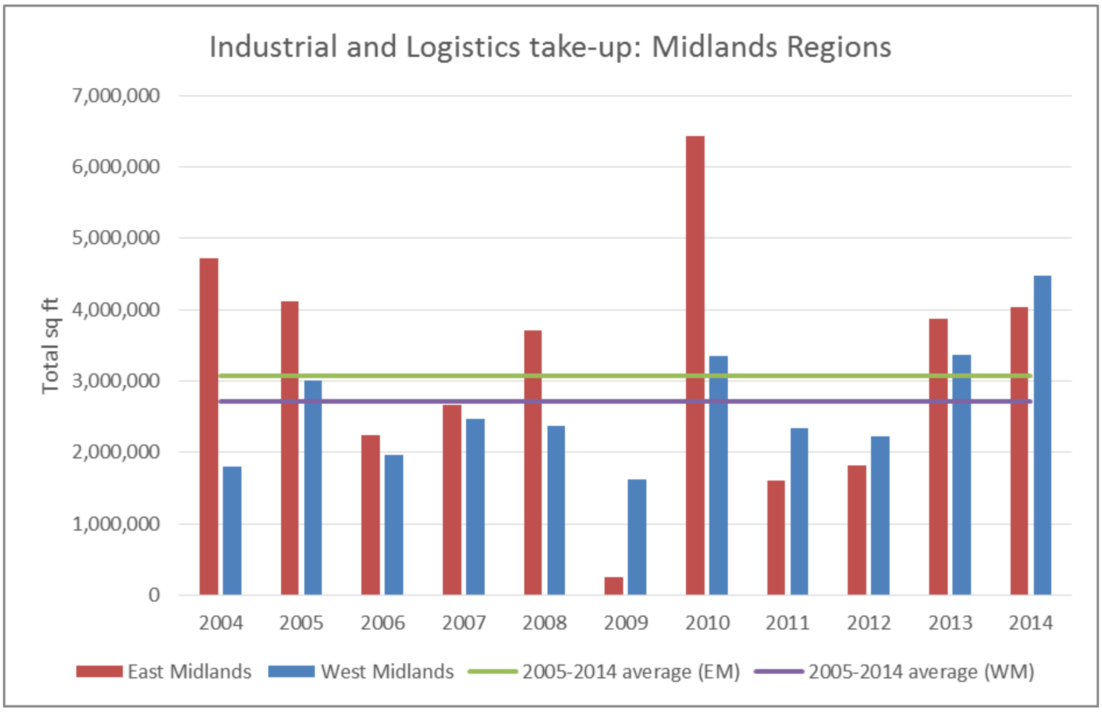
4.37 JLL has a comprehensive database of take-up of industrial and logistics units of 100,000 sq ft or more in the Midlands regions (as well as the remainder of the UK) dating back almost 20 years. The chart below shows how take-up has changed since 2004. It is important to note that it does not include land sales direct to manufacturing occupiers that do not involve developers (however land sales to distribution operators are included). Therefore our statistics exclude the new JLR engine plant at i54, which is one of the major developments in the region. But this kind of transaction is very rare; in the West Midlands in recent years the JLR engine plant is the only instance to our knowledge.

4.38 As can be seen, take-up has risen over the past two years across both regions, after a lull following the financial crisis (2010 excepted). The recovery in the West Midlands has been stronger than the East Midlands, at least compared to historical trends.

4.39 Take-up in 2014 was 65% above the 2004-2013 average in the West Midlands, compared to 31% for the East. It is also notable that the volumes in each region since the end of 2008 are roughly comparable (18.0m sq ft for the East v 17.4m sq ft in the West) whereas in the five years beforehand take-up in the East was 50% higher (17.4m sq ft v 11.6m sq ft).

4.40 These figures reflect the industrial revival in the West Midlands, as well as the region's increasing appeal for logistics operators, perhaps resulting from higher land values or labour costs in the East Midlands.

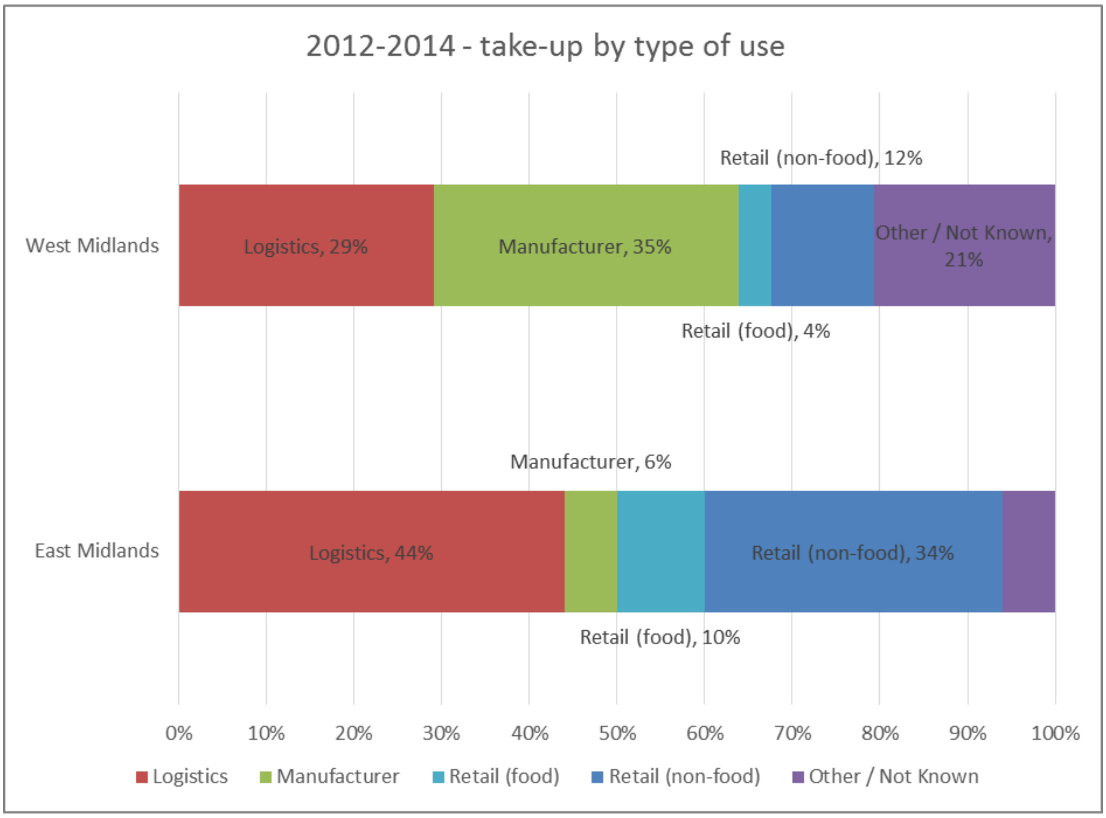
Figure 4.3 Industrial take-up, Grade A units over 100,000 sq ft, Midlands regions, sq ft



Source: JLL

4.41 The chart below shows take-up split by the business of the company in question over the three years 2012-2014.

Figure 4.4 Industrial take-up by type of use, Grade A units over 100,000 sq ft, Midlands, 2012-2014

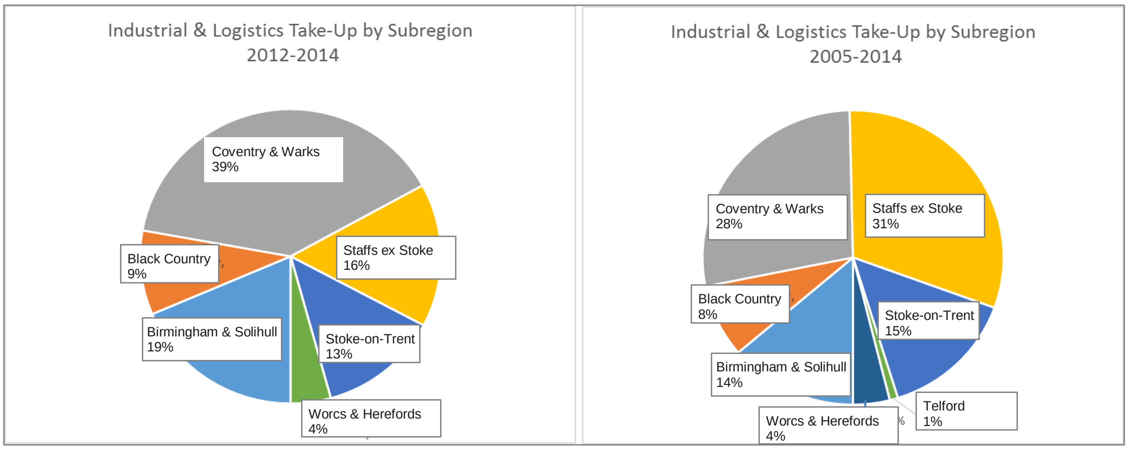


Source: JLL

4.42 The far greater importance of manufacturers vis-a-vis logistics specialists in the West Midlands can clearly be seen. Manufacturers represent just 6% of take-up in the East Midlands, but 35% in the West. While manufacturing take-up has generally been slightly higher in the West Midlands, the contrast has increased substantially over recent years.

4.43 The charts below show the % take-up split by sub-region. Over the past three years, almost 40% of take-up of units of 100,000 sq ft or more has been in the Coventry & Warwickshire sub-region. However, around 32% of this Coventry & Warwickshire take-up is at Birch Coppice, which lies very close to the border with both the Birmingham and Staffordshire sub-regions.

Figure 4.5 Industrial & logistics take-up by sub-region, Grade A units over 100,000 sq ft, West Midlands, 2012-14



Source: JLL

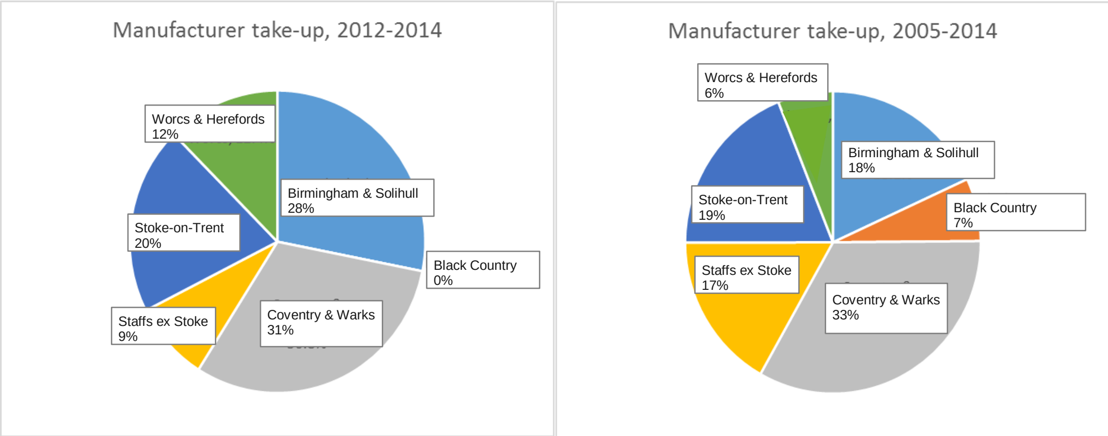
4.44 The Staffordshire area represents around 16%, although it should be noted that 52% of this take-up is either in Tamworth or Lichfield, close both to Birmingham and the border with Warwickshire. Indeed, the Birmingham take-up is also concentrated in places such as Midpoint in Minworth, close to this location. Indeed, as the Coventry take-up is highly concentrated at Ryton and Rugby to the south-east of the city, it could be argued that the majority of activity is at these two critical locations.

4.45 This is not dissimilar to the longer term pattern, although Staffordshire has historically tended to be far more dominant and Coventry & Warwickshire second; and c12% of this latter take-up has been in the Coleshill area (particularly the Hams Hall scheme), which arguably has more in common with the Birmingham / M42 market described in the previous paragraph. Indeed, once this is stripped out, there is a much more equal balance between the Birmingham and Coventry markets, which in any case have fairly fuzzy boundaries.

4.46 The other point is the relative underperformance of Stoke-on-Trent in recent years.

4.47 Take-up for manufacturing concerns only is shown below. Note that 'manufacturing' refers to the activities of the parent company, rather than the unit in question, so many of these units may be logistics units operated by manufacturers. The figures do not include the small number of owner-occupied bespoke factory facilities acquired directly through land sales, such as JLR at i54.

Figure 4.6 Manufacturing take-up by sub-region, Grade A units over 100,000 sq ft, West Midlands, 2012-14



Source: JLL

4.48 While the geographical distribution is similar to Figure 4.6, manufacturers are slightly underrepresented in the 100,000 sq ft + size bracket in Staffordshire and the Black Country compared to logistics operators.

4.49 The chart below shows the take-up of units over 100,000 sq ft by manufacturers compared to other uses (logistics specialists, retailers and other miscellaneous uses such as trade counters and wholesalers) in the West Midlands region only. It demonstrates the scale of the industrial revival, with manufacturers taking up a greater percentage of deals over 2013 and 2014.

Figure 4.7 Manufacturing take-up, 2005-14, Grade A units over 100,000 sq ft, West Midlands, sq ft

Source: JLL

4.50 The table below shows recent deals from manufacturers in the region. While automotive accounts for the largest share, there are also many hi-tech engineering businesses, such as engine cooling, hydraulics and fluid control - which supply the aircraft as well as automotive industries. With the exception of the JCB deal at Stoke and the Vax presence at Droitwich, the deals are concentrated in Birmingham, the M42 corridor and the wider Coventry area.

Table 4.2 Recent Grade A take-up in units of 100,000 sq ft + in the West Midlands, manufacturers

Year	Occupier	Scheme name*	Location	Size sq ft	Grade
2014	Jaguar Land Rover	Prologis Midpoint DC4	Minworth	470,000	Secondhand
2014	Rangemaster	Hermes 119	Minworth	119,046	Secondhand
2014	Hydraforce	The Advanced Manufacturing Hub	Birmingham	120,000	New
2014	Jaguar Land Rover	Prologis Park Ryton	Ryton	226,760	New
2014	Aston Martin	Wellesbourne Distribution Park	Wellesbourne	225,000	New
2014	Screwfix	Trentham Lakes	Stoke on Trent	320,000	New
2014	Vax	Stonebridge Cross Business Park	Droitwich	231,420	New
2014	DAU Draexlmaier Automotive	Birch Coppice	Tamworth	168,900	New
2013	JCB	G-Park Blue Planet	Chatterley Valley	385,000	New
2013	Vax	The Big Berry	Droitwich	202,324	Secondhand
2013	Laidlaw	The Hub, Unit 1	Witton	120,000	New
2012	Jaguar Land Rover	The Fort	Birmingham	160,000	Secondhand
2012	Lear Corporation	Rivet	Coventry	220,150	New
2012	TTAS (part of Toyota)	Unit 4, Meteor Park	Birmingham	115,067	New
Average size				220,262	

Source: JLL

4.51 The DAU Draexlmaier Automotive deal is particularly important, as they are a supplier to JLR. They were 'embedded' at the Solihull site but due to expansion of the JLR facility they have been forced to find premises elsewhere.

4.52 The table below gives details of all deals for logistics, distribution, warehousing, retailer and 'other' occupiers since the beginning of 2012.

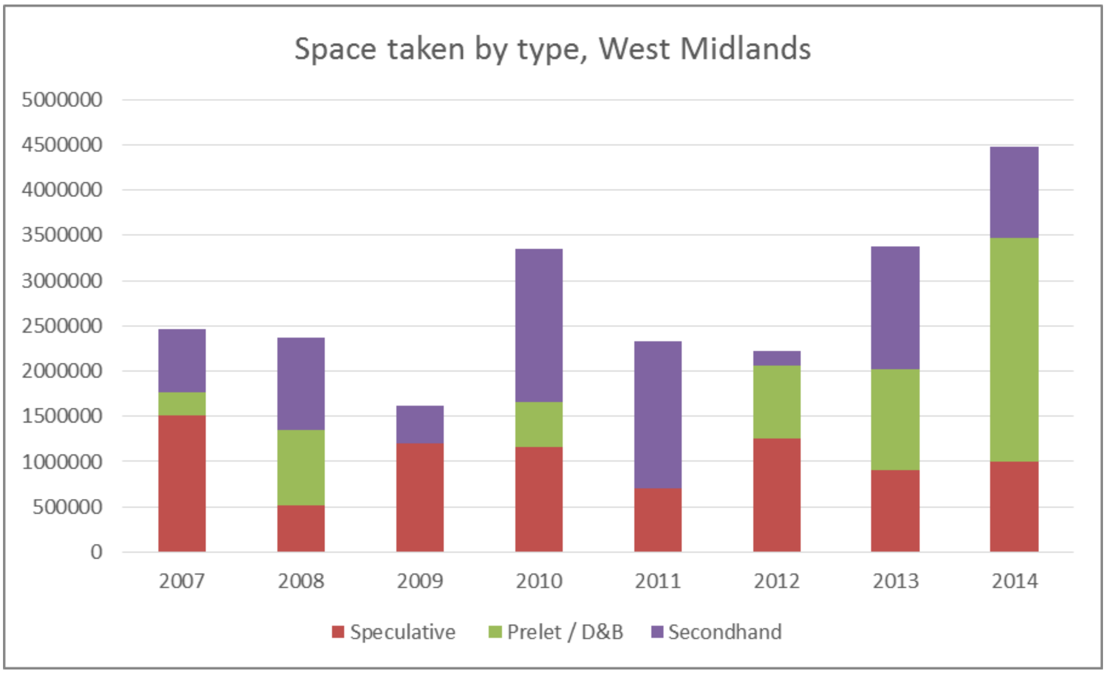
Table 4.3 Grade A industrial take-up in the West Midlands in units of 100,000 sq ft +, 2012-14, non-manufacturing

Year	Occupier	Scheme name*	Location	Size sq ft	Grade
2014	Norbert Dentressangle	Radial Point	Stoke on Trent	183,000	Secondhand
2014	Euro Car Parts	Birch Coppice	Tamworth	778,000	New
2014	Asda	Park Lane, Minworth	Minworth	120,000	New
2014	Bunzl	Unit A1, Swift Park	Rugby	114,473	Secondhand
2014	Aldi	Centurion Point	Tamworth	120,000	Secondhand
2014	UPS	Birch Coppice	Tamworth	152,599	New
2014	Wiggle	Citadel	Darlaston	320,000	New
2014	Confidential	J1 Rugby	Rugby	100,000	New
2014	H&M	Rugby Gateway	Rugby	236,000	New
2014	Finning	Kingswood 127, Lakeside Business Park	Cannock	127,000	New
2014	UK Mail	Prologis Park Ryton	Ryton	231,000	New
2013	H&K	Rapida	Rugby	120,000	Secondhand
2013	DHL	Swift Valley, Valley Park 334	Rugby	334,000	Secondhand
2013	Euro Car Parts	Tamworth 594	Tamworth	194,000	Secondhand
2013	Freeman Events	Prologis Park Ryton	Ryton	170,500	New
2013	Hi Logistics (LG Electronics)	Prologis Park Ryton	Ryton	165,200	New
2013	Hermes Parcelnet	Tamworth 594	Tamworth	400,000	Secondhand
2013	Clipper Logistics	The Duke	Burton upon Trent	300,000	New
2013	Bunzl	Birch Coppice	Tamworth	165,600	New
2013	SERCO	Eagle Eco Park	Sandwell	500,000	New
2013	Norgren	Unit 7 Fradley Park	Lichfield	104,014	New
2013	Confidential	Athena Point	Birmingham	101,582	Secondhand
2013	Storage Base	Opus Blueprint Junction 9 M6	Wednesbury	112,000	New
2012	Minor Weir & Willis	Altitude	Witton	148,915	New
2012	The Pallet Network (TPN)	Prologis Park, Midpoint	Midpoint	367,500	New
2012	Hoby Craft	First Point Centrum 100	Burton upon Trent	213,281	New
2012	Network Rail	Prologis Park, Ryton	Ryton	300,000	New
2012	DHL	150 Stirling Park	Solihull	149,383	New
2012	APC	Kingswood Lakeside	Cannock	130,000	New
2012	Smyths Toys	415 @ Lymdale Cross	Newcastle under Lyme	415,000	New
Average size				229,102	

Source: JLL

4.54 The chart below shows the take-up of units of 100,000 sq ft or more in the West Midlands, divided by type. Since 2011 the share of pre-let / design and build units has increased, in response to the falling supply of both second-hand and, in particular, speculative units.

Figure 4.8 Space taken by type, Grade A industrial units over 100,000 sq ft, 2012-14, West Midlands, sq ft



Source: JLL

4.55 Looking over the past decade, no unit taken up by manufacturers has exceeded 500,000 sq ft (again this excludes the JLR plant at i54, which measures around 1m sq ft but is excluded from the statistics). However, 63% of take-up has been less than 250,000 sq ft; only 38% has fallen into the 250,000-500,000 sq ft size bracket. Indeed, over the past three years, there has been more of a skew to the smaller sized units, with c75% in this category.

4.56 In contrast, distributors appear to take much larger units. Over the 10-year period, 48% of logistics units let (by size) were in the 100,000-250,000 sq ft category; a further 34% were in the 250,000-500,000 sq ft category; 7% were in the 500,000 sq ft – 750,000 sq ft category; and 9% were larger than this, but none exceeded 1m sq ft. In recent years, there appears to have been more let in the 250,000 sq ft – 500,000 sq ft range than is typical, however.

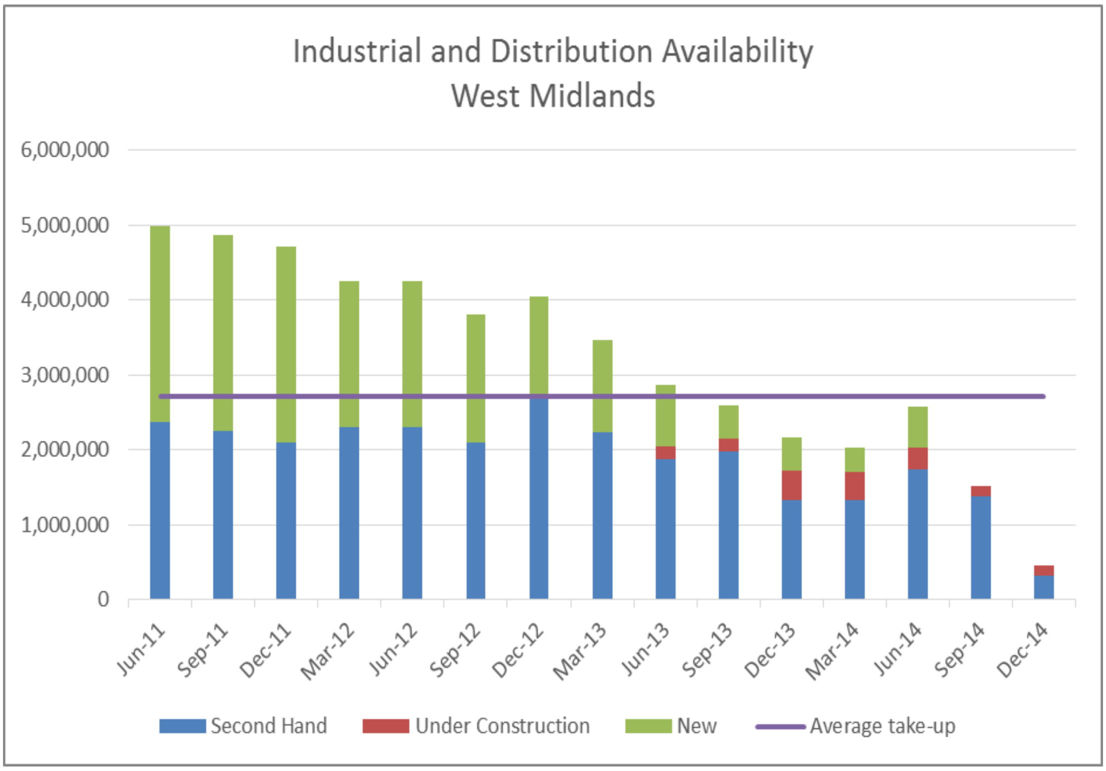
4.57 On average, the unit size taken by manufacturers over the decade has been somewhat smaller than for logistics operators – 197,668 sq ft, compared to 242,500 sq ft. This has not changed materially over recent years.

Supply

4.58 The supply of newly built units of 100,000 sq ft or more has been declining since it peaked in the aftermath of the financial crisis. As the graph below shows, in June 2011 availability in this size category across the region stood at 5.0m sq ft, of which 2.6m sq ft was new space. By December 2014 availability had fallen by over 90% to

456,000 sq ft, all second-hand – i.e. no new space was available, although 142,000 sq ft was under construction.

Figure 4.9 Industrial floorspace availability, Grade A units over 100,000 sq ft, end 2014, West Midlands, sq ft



Source: JLL

4.59 As shown in the table below the available built space was in just three units.

Table 4.4 Grade A industrial units over 100,000 sq ft currently available, end 2014, West Midlands

Map no.	Scheme name	Location	Size sq ft	Status
1	Swift Valley	Rugby	211,594	Secondhand
2	Falcon Fradley Park	Lichfield	102,174	Secondhand
3	Silver Bullet, Hams Hall	North Warks	142,000	Under construction

Source: JLL

4.60 Given the lack of new units on the market, it is unsurprising that, as detailed above, there has been an increasing amount of take-up via design & build or prelets.

4.61 Table 4.5 shows sites in the region where there is land immediately available for industrial / logistics development in lots of 20 acres or more. It is important to note that this schedule is based on market intelligence, as opposed to planning data. These two kinds of information are not directly comparable. Locations shown in the schedule refer to general areas or nearest larger settlements, not local authority areas.

Table 4.5 Industrial sites immediately available, 20+ acres, end 2014, West Midlands

Map No	Site	Size acres	Developer	Comments
1	Worcester Technology Park	90	Stoford	R&D, Manufacturing and Logistics
2	Longbridge West	70	St Modwen	Outline planning conset for B1/B2 uses
3	Blythe Valley Business Park, Solihull	20	IM Properties	Permission for B1
4	Prologis Park Ryton, Coventry	25	Prologis	Permission / being marketed for B1, B2, B8
5	Rugby Gateway, Rugby	75	Roxhill	Permission / being marketed for B1, B2, B8
6	Ansty Park, Coventry	30	Highbridge Properties	Focus on R+D and technology but may consider B2 and B8
7	Lyons Park, Coventry	48	Goodman	Permission / being marketed for B1, B2, B8
8	Whitley Business Park	93	St Modwen	Planning permission / being marketed for B1, B2, B8
9	Tournament Fields	30	Sackville / Clowes	Allocated site with planning consent for 225,000 sq ft unit
10	Signal Point, Birmingham	20	Mucklow	Permission for B1, B2, B8
11	Advanced Manufacturing Hub	30	G Birmingham & Solihull LEP	Consent for B1/B2
12	The Hub, Witton, Birmingham	80	IM Properties	Planning permission / being marketed for B1, B2, B8
13	Land at J10 M42, nr Tamworth	21	St Modwen	Permission / being marketed for 200,000 sq ft B2,B8+F23
14	Opus Blueprint	22	Opus Land	Permission for B1, B2, B8
15	Prime 10	20	Systemhaven	Outline planning permission for 400,000 sq ft of B1, B2,B8
16	Land at i54	23	Staffordshire County Council	Land comprises 4 remaining plots; permission for B1, B2
17	Four Ashes	52	Bericote Properties	Permission/marketed for B8
18	Kingswood Lakeside, Cannock	52	Biffa / Staffordshire County Council	Permission / being marketed for B1, B2, B8
19	Fradley Park, Fradley	47	Evans/Graftongate	Permission for B1, B2, B8 split between 4 separate plots
20	Prologis Park, Fradley	60	Prologis	Permission / being marketed for B1, B2, B8
21	Land South of Branston, Burton Upon Trent	35	St Modwen	Permission for 770,000 sq ft. Restricted access and yet to be marketed
22	Telford 54, Telford	78	ACA, Telford & Wrekin Council, Co-op	Planning permission for B1,B2,B8
23	Redhill Business Park, Stafford	40	Staffordshire County Council	Permission / being marketed for B1, B2, B8. Split into small plots.
24	Trentham Lakes, Stoke	41	St Modwen	Permission / being marketed for B1, B2, B8. Split between 5 plots
25	Sideway, Stoke	41	Prologis	Permission / being marketed for B1, B2, B8
26	G Park, Stoke	22	Gazeley	Permission / being marketed for B1, B2, B8
Total		1,165		

Source: JLL

4.63 The table below summarises the immediately available supply and compares it with take-up over the previous three years. Both sides of this calculation deal with new space only, comprising new-build units and sites that can provide such units. To convert the land areas at Table 4.5 into floorspace we assume a plot ratio of 40%. We also include in the total the single new-build unit available on the market, Silver Bullet at Hams Hall.

Table 4.6 Demand and supply summary – immediately available land supply, West Midlands, end 2014, 20 acres+

Sub-region	Land area acres	Floorspace sq ft	Annual take-up New build, sq ft	Years supply
Birmingham & Solihull	220	3,833,280	380,288	10.1
Black Country	42	731,808	310,667	2.4
Coventry & Warks	322	5,752,528	624,870	9.2
Staffordshire	309	5,384,016	713,131	7.5
Stoke-on-Trent	104	1,812,096	373,333	4.9
Telford	78	1,359,072	-	-
Worcestershire	90	1,568,160	77,140	20.3
TOTAL	1,165	20,440,960	2,479,430	8.2

Source: JLL

4.64 For the region as a whole, this immediately available total of 20.4m sq ft amounts to 8.2 years supply. Overall this seems a reasonable level of supply, more than the five-year land reserve required by the former Regional Strategy (the NPPF also requires planning authorities to maintain five years of ‘deliverable’ supply, but only for housing). Of the individual sub-regions only the Black Country is below the five-year threshold but the adjoining area of Staffordshire is well above the threshold. As noted earlier the past take-up data for Staffordshire exclude the 1m sq ft at the JLR engine plant; if this very exceptional site were added the years supply figure for Staffordshire would fall to 5.1 years.

4.65 The next section will look closely at the geographic distribution of demand and supply. But first, in the table below we show sites of 20 acres or more that are being proposed or considered for industrial development but are not considered by the market to be immediately available. We call these sites ‘potential supply’. They are at different stages of promotion and planning and there is no certainty about when they will come forward. Indeed there is no guarantee that all the potential sites will come forward at all, given that for many of them there are major obstacles to development.

Table 4.7 Potential industrial land supply, West Midlands, end 2014, 20+ acres

Map No	Site	Size, acres	Developer	Comments
1	Redditch Gateway, Redditch	47	Gorcott Estate, HCA and Stoford	Allocated in draft Stratford core strategy. Awaiting planning consent. Infrastructure required. Site straddles Coventry & Warks and Worcestershire.
2	Coventry Gateway, Coventry	168	Rigby Holdings Ltd	Permission refused at appeal by Secretary of State. Councils intend to re-submit following Green Belt review and adoption of Local Plans
3	Birch Coppice Phase 3, Dordon	70	IM Properties, Hodgetts Estates	Likely to be developed separately based on different ownerships Site has planning consent
4	Land at Junction 10, M42, Phase 2	60	St Modwen	Application for 80,000 sq m submitted in December 2014
5	Land at Hams Hall, Coleshill	50	E.ON	Green Belt
6	Birmingham International Gateway (BIG), Birmingham	227	Prologis, Ashford Development	Green Belt site on boundary of Birmingham and North Warwickshire, being promoted as extension to Peddimore allocation in Birmingham Development Plan
7	Peddimore	175	ProLogis	Allocated in Birmingham Development Plan
8	Phoenix 10, Darlaston	37	HCA	IMI site. Serious issues with ground conditions and access
9	Lichfield Park, Lichfield	24	Stoford Developments	CPO was secured 2014, access bridge close to completion and construction of industrial units will follow
10	Branston Locks, Burton Upon Trent	50	Nurton Developments	Planning permission to be granted in the near future
11	Extension to Stone Business Park, Staffs	33	Stoford Developments	Allocated by the Stafford Local Plan
12	Meaford Power Station, Stone	69	St Modwen	Site has planning permission. Access improvements needed, funding application was unsuccessful
13	Blythe Vale Business Park, Stoke	115	St Modwen	Planning limited to B1. Not being actively marketed.
14	Chatterley Valley, Stoke	112	Harworth Estates	Ground remediation and levelling issues
Total		1,237		

Source: JLL

4.66 In the more popular parts of the region, where past take-up has been highest, these obstacles are typically on the supply side and the main one is the Green Belt. The second largest potential site, Peddimore, is now allocated in the emerging Birmingham Development Plan despite being in the Green Belt. But the first and third largest potential sites, Birmingham International Gateway and Coventry Gateway, which jointly account for one third of the region's potential supply, are both in the Green Belt and do not benefit from either plan allocation or planning consent. Coventry Gateway was refused planning permission earlier this year and the BIG scheme failed to secure an allocation in the recently adopted North Warwickshire Development Plan. As discussed in Chapter 2 above, the Inspector who examined that plan acknowledged that there was much unmet demand for strategic distribution space in the region; but he considered that, in the absence of larger-than-local policy or evidence, he could not apportion a share of that demand to North Warwickshire.

The knot could be untied by a regional strategic sites policy, agreed under the Duty to Cooperate, which triggers a review of the North Warwickshire plan.

4.67 In other parts the region the obstacles to development are more to do with weak demand and/or abnormal costs. Thus the fourth and fifth potential sites in order of size, Blythe Vale Business Park and Chatterley Valley, are in less popular locations near Stoke-on-Trent. Blythe Vale is not being actively marketed at present and Chatterley Valley has ground remediation and levelling issues.

4.68 If all the potential sites were to come forward in reality, then using the same assumptions as before they would provide 8.7 years supply across the region, in addition to the immediate supply of 8.2 years discussed earlier. The resulting total supply, both immediately available and long-term, is 16.9 years.

4.69 Neither the previous Regional Strategy nor the NPPF provide a ready-made benchmark against which to assess this level of supply. But for housing the NPPF advises that, in addition to five years 'deliverable' (i.e. immediately available) supply planning authorities should identify 'developable' supply or broad locations for at least years 6-10 of the plan period, and preferably until year 15. Footnote 12 of the NPPF defines a developable site as one that is suitable location for development and has a reasonable prospect of being available and viably developed within the timescale envisaged.

4.70 If the same standards are applied to industrial land, they suggest that planning should ideally provide at least a 15-year supply of sites that either are immediately available ('deliverable') or have a reasonable prospect of coming forward within the period. The West Midlands does not meet that test. The sum of immediately available and potential sites in the region does provide 16.9 years supply – the sum of 8.2 years of immediately available sites and 8.7 years of potential sites. But the potential supply cannot be counted as 'developable', because large parts of it cannot be guaranteed to come forward within a 15-year time period, if ever.

Market geography

4.71 As discussed earlier, the demand for large-scale industrial space in the West Midlands is most intense along an 'M42 belt' that lies at the boundary between the Birmingham & Solihull LEP, Coventry & Warwickshire and Staffordshire (more specifically, where the boundaries of Birmingham, Solihull, North Warwickshire and Tamworth converge). This is shown on the map overleaf as Area A.

4.72 There is a further area of high demand to the east, around Coventry and Rugby; in the latter section demand is strongly focussed around distribution operators, suggesting spill over from the Daventry area. This is shown on the map overleaf as area B.

4.73 This is not to say that there is not demand for other parts of the West Midlands region; merely that areas A and B account for a disproportionate amount of take-up at the 100,000 sq ft+ size band.

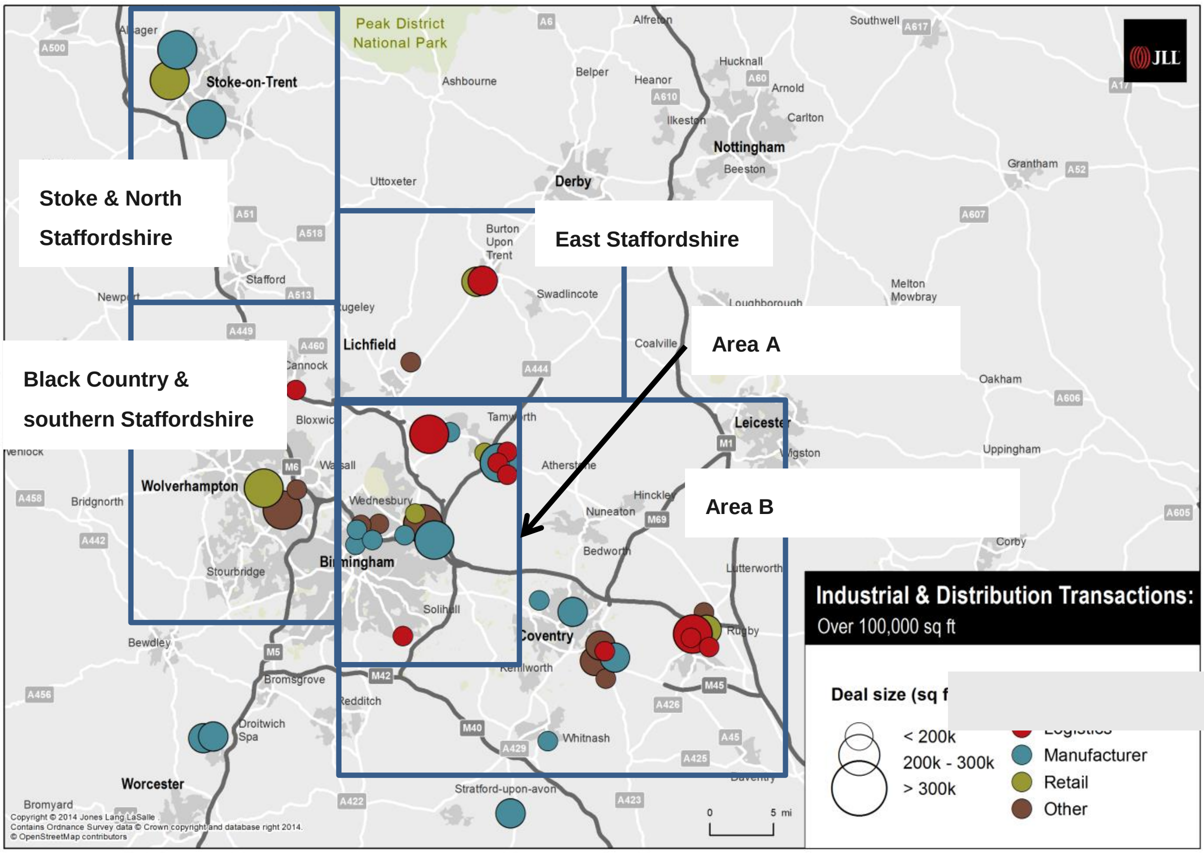
4.74 As discussed earlier, these geographic preferences reflect proximity to motorways and the ability to service a large proportion of the population within given drive times. Further to the west and north this advantage drops off, particularly given the perceived delays associated with the M6 through North Birmingham and the Black Country. The proximity to automotive facilities at Hams Hall, Solihull, Castle Bromwich and Coventry may also be important; as is the ability also to access the aerospace cluster around Derby via the M42.

4.75 There are other 'functional market areas' for industrial and distribution space in the region. The East Staffordshire area leading from Tamworth to Burton-on-Trent is effectively a continuation of the M42 corridor with links to the East Midlands. The Black Country, together with southern Staffordshire adjoining it, is distinct in that it does not have the demand for national and 'super-regional' distribution facilities that can be seen further east, but has a reasonably strong level of demand for smaller industrial and warehousing facilities. Finally, the area around Stoke-on-Trent, including the northern part of Staffordshire, has a different occupier profile, orientated around companies such as JCB and regional logistics requirements, offering links to the North West.

4.76 On the map below, these areas are indicated by the box outlines, which cut across sub-regions and local authority areas.

4.77 Of the floorspace taken up in 2012-14, 33% was in Area A and 26% was in Area B. Next in order of take-up were Stoke-on-Trent and North Staffordshire and the Black Country and southern Staffordshire, with 15-16% each. (As noted earlier these statistics exclude the exceptional JLR development at i54; if this is added the share of the Black Country and southern Staffordshire rises to 25% of the total, between Area A at 29% and Area B at 23%.)

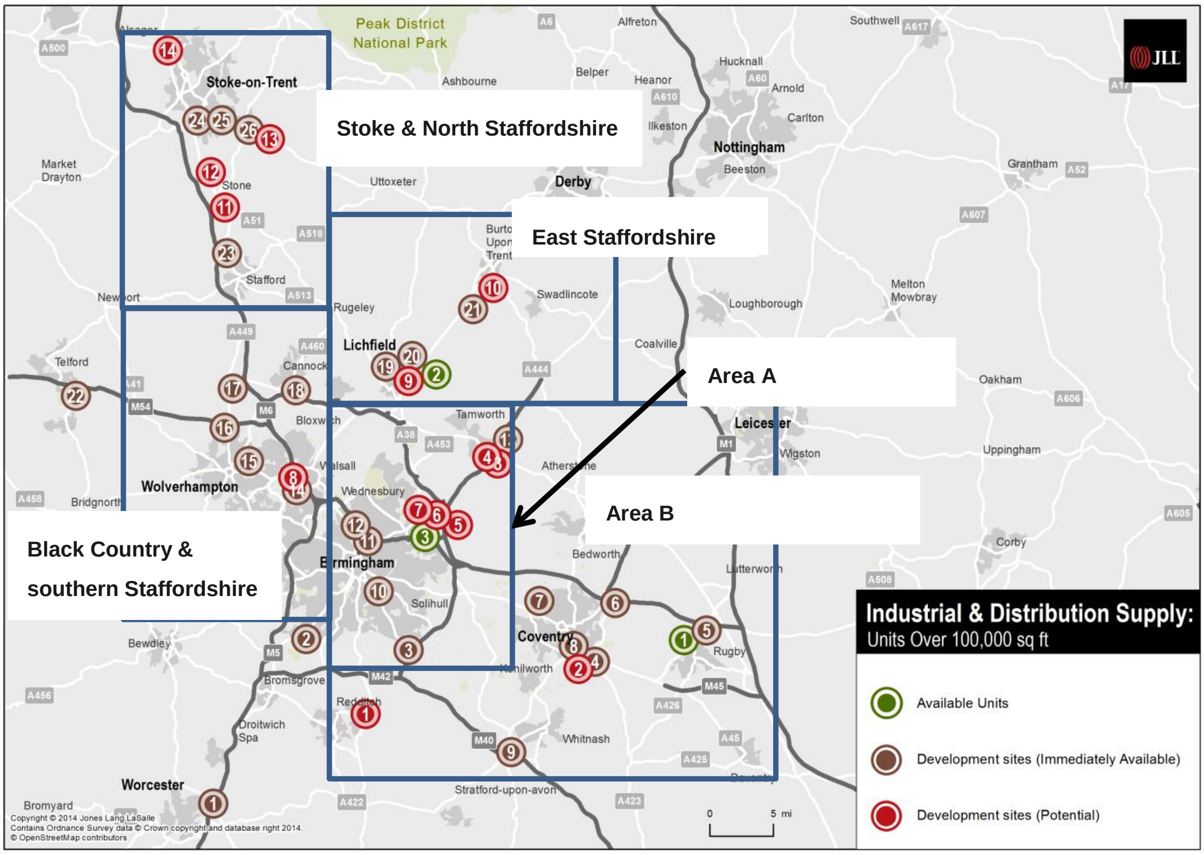
Figure 4.10 Industrial take-up over 100,000 sq ft in the West Midlands 2012-14



Source: JLL

4.78 The map below shows available units in green and immediately available sites in brown. Potential sites are shown in red.

Figure 4.11 Immediate and potential industrial land supply, West Midlands, end 2014



Source: JLL

4.79 Table 4.8 summarises the immediately available supply by market area and compares it with demand.

Table 4.8 Demand and supply by market area – immediately available supply

Market area	Land area acres	Floorspace sq ft	Annual take-up New build, sq ft	Years supply
Area A	171	3,121,504	836,659	3.7
Area B	301	5,244,624	624,870	8.4
Black County & southern Staffs	169	2,944,656	396,333	7.4
Stoke on Trent & North Staffs	144	2,509,056	373,333	6.7
East Staffordshire	142	2,474,208	171,094	14.5
Remainder	238	4,146,912	77,140	53.8
Total	1,165	20,440,960	2,479,430	8.2

Source: JLL

4.80 Immediately available supply is tightest in area A, where it equals 3.7 years, less than the benchmark of five years. Area B has just five years supply. In the other market areas the immediate supply looks generous.

4.81 Table 4.9 provides the same analysis for potential longer-term supply and Table 4.10 summarises the years supply position for both immediate and potential sites.

Table 4.9 Demand and supply by market area– potential supply, 20 acres+

Market area	Land area acres	Floorspace sq ft	Annual take-up New build, sq ft	Years supply
Area A	582	10,140,768	836,659	12.1
Area B	215	3,746,160	624,870	6.0
Black County & southern Staffs	37	644,688	396,333	1.6
Stoke on Trent & North Staffs	329	5,732,496	373,333	15.4
East Staffordshire	74	1,289,376	171,094	7.5
Remainder	0	0	77,140	0.0
Total	1,237	21,553,488	2,479,430	8.7

Source: JLL

Table 4.10 Demand and supply by market area – summary

Market area	Years supply		
	Immediate	Potential	Total
Area A	3.7	12.1	15.9
Area B	8.4	6.0	14.4
Black County & southern Staffs	7.4	1.6	9.1
Stoke on Trent & North Staffs	6.7	15.4	22.1
East Staffordshire	14.5	7.5	22.0
Remainder	53.8	0.0	53.8
Total	8.2	8.7	16.9

Source: JLL

4.82 By analogy with the NPPF housing policies discussed above, the total supply should preferably be 15 years or longer. Against this benchmark three of the market areas give most cause for concern:

- In area A, on the face of it total supply looks reasonable at 15.9 years. But as noted earlier the immediately available component of that total is inadequate at 3.7 years, and furthermore the potential component is risky, being concentrated in two very large sites. The largest long-term site, Peddimore, which accounts for 38% of the area's total, has now been allocated but may take a long time to come forward. The second largest, BIG, accounts for another third of the total but is constrained by the Green Belt as discussed earlier. The E.ON site at Hams Hall is also in the Green Belt and not allocated for development.

- For Area B, again the total supply on the face of it looks adequate at 14.4 years. But this number is over-optimistic, because three quarters of the potential supply is at one site, Coventry Gateway, which has been refused planning permission.
- The Black Country and South Staffordshire has the smallest total years supply, at 9.1 years. Not only is potential supply very small at just 1.6 years, but all of that potential supply is at one site, Phoenix 10 (IMI), which has serious issues with infrastructure and access.

4.83 These areas of tight supply are also the areas where demand (take-up) has been greatest, and which are most likely to attract nationally and in internationally mobile occupiers, whether in logistics – where the West Midlands is in close competition with the East Midlands – and in manufacturing – where many occupiers are international companies with a wide choice of location or part of those companies' supply chains.

Conclusion

4.84 Since the end of the recession the UK market for large industrial units (production and logistics) has seen a dramatic recovery, primarily driven by the retail sector. Across the country the last 3 years or so have seen steeply falling floorspace availability and rising property values. The East and West Midlands remain the country's industrial and distribution heartland, with the greatest take-up in recent years and the second lowest current vacancy after South East England.

4.85 In the West Midlands the dynamics of occupier demand are different from the East, due to the weight of manufacturing, especially the automotive industry and its supply chain. The industry has seen a marked revival in recent years, which is generating demand both for production and distribution space – which are increasingly merging into a single market.

4.86 Retailers and third party logistics operators are the other major driver of demand in the region. These occupiers' favoured location has traditionally been the Northamptonshire 'Golden Triangle', whose eastern border was around Rugby. But scarcity of land and labour has shifted demand outwards, extending the Golden Triangle into the West Midlands. as far as the east of Birmingham and motorway-accessible parts of Coventry.

4.87 Consequently, this area is experiencing strong levels of demand from both distribution specialists and a resurgent manufacturing sector.

4.88 Considering both kinds of occupier together:

- The demand for large industrial units is most intense in an 'M42 belt' that lies at the boundary between the Birmingham & Solihull LEP, Coventry & Warwickshire and Staffordshire (more specifically, where the boundaries of Birmingham, Solihull, North Warwickshire and Tamworth converge).
- There is a second area of high demand to the south-east of Coventry and around Rugby.

- While demand is particularly strong in these two areas, there is a healthy market for industrial space right across the West Midlands region, notably in the Black Country and southern Staffordshire. But outside areas A and B the unit sizes required may be smaller, particularly in logistics, as warehouses are likely to serve more local needs.

4.89 The popularity of the first two areas reflects proximity to motorways and the ability to service a large proportion of the population within given drive times. The proximity to automotive facilities at Hams Hall, Solihull, Castle Bromwich and Coventry may also be important; as access to the aerospace cluster around Derby via the M42. Further to the west and north this advantage drops off, particularly given the perceived delays associated with the M6 through North Birmingham and the Black Country.

4.90 To see if there is enough strategic industrial land in these popular locations, we have analysed the balance of supply and demand for five market areas:

- Area A, covering the M42 belt and East Birmingham;
- Area B, covering the Coventry, Rugby and Warwickshire areas, excluding the M42 belt;
- The Black Country and southern Staffordshire;
- Stoke-on-Trent and Northern Staffordshire;
- Eastern Staffordshire.

4.91 For the first of three of these areas land supply is tight in relation to demand. For Area A immediately available supply is just 3.7 years and potential supply depends heavily on Peddimore, which may take a long time to come forward, and Birmingham International Gateway, which is in the Green Belt and has no planning status. For Area B, immediate supply seems good but potential longer-term supply is risky, as three quarters of it is at the Coventry Gateway site, which has been refused planning permission. For the Black Country and southern Staffordshire, similarly immediate supply looks good, by potential longer-term supply is both very small and risky – being all at one site, Phoenix 10 (IMI), which has serious issues with infrastructure and access.

4.92 These three areas of constraints land supply are also the areas which have attracted the greatest volume of demand in recent years. This includes nationally and internationally mobile demand, both for logistics – where many occupiers are footloose between the East and West Midlands – and manufacturing – where many occupiers are international companies with a wide choice of location. Therefore, if supply constraints are relieved in these areas this should bring net additional jobs to the West Midlands.

5 INTERNATIONAL INWARD INVESTMENT

Introduction

5.1 As discussed earlier in Chapter 2, an important objective of the regional strategic sites policies was to attract international inward investment that would otherwise not locate in the West Midlands or even the UK. In this chapter we aim to investigate what kinds of businesses form this target market, what they are looking for in terms of sites and locations, how the West Midlands offer matches these requirements, and whether strategic sites policies can enhance that offer. We look at two sources of evidence in turn, JLL's own market knowledge and the FDI Markets database. As before, data are 'frozen' at the end of 2014.

JLL experience

Major projects

5.2 The table below shows examples of large buildings purchased by international investors for owner-occupation since 2012, collected by JLL's EMEA team[7].

Table 5.1 International property purchases in Europe, large industrial units

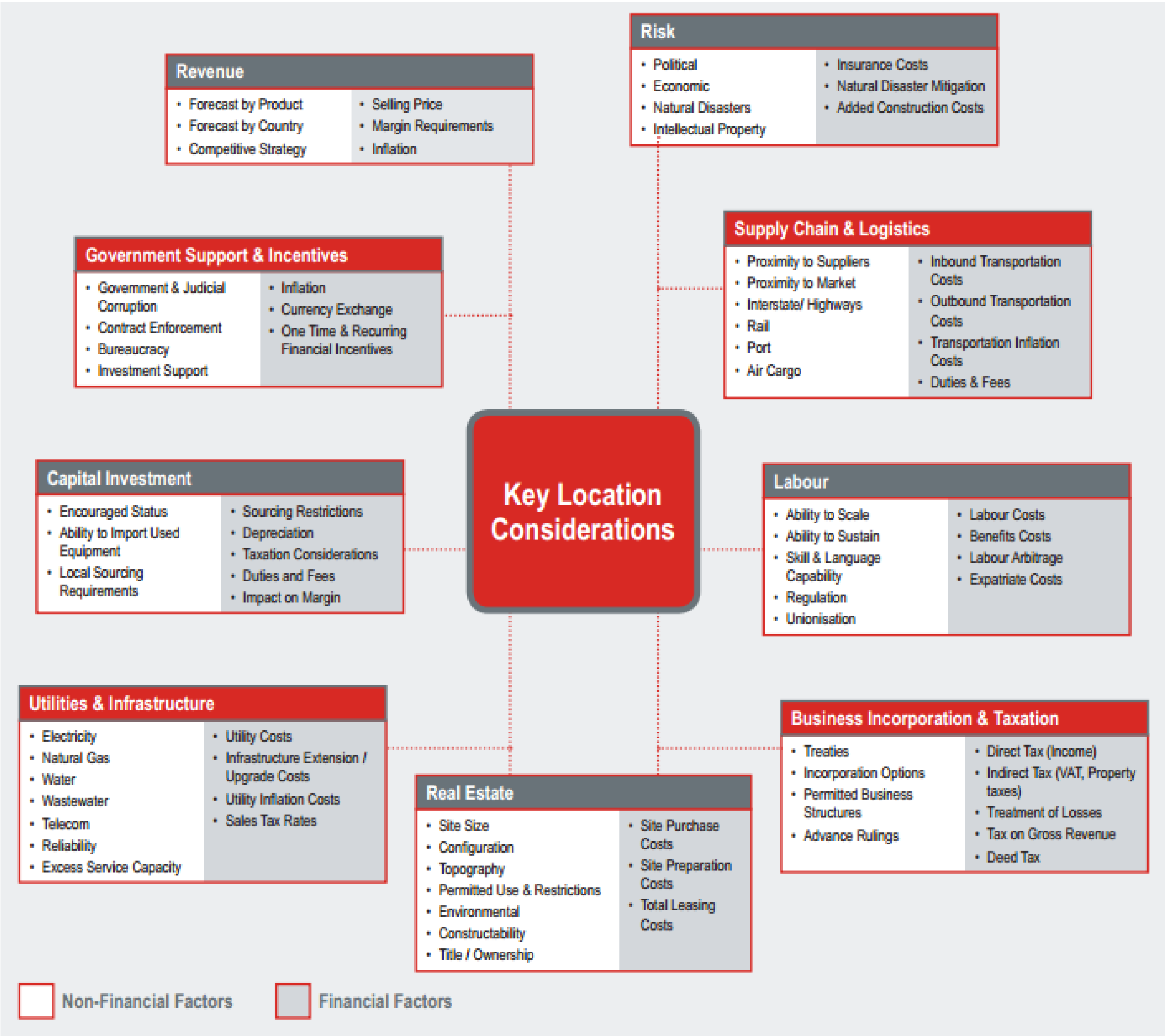
Year	City	Country	Purchaser	Floor area acquired	
				sq ft	sq m
2012	Munich	Germany	Bernhard Hemmerle	39,504	3,670
2013	Erfurt	Germany	Qundis GmbH	150,696	14,000
2014	Perm	Russia	Gradient	157,154	14,600
2012	Boortmeerbeek	Belgium	Chemtool bvba	185,937	17,274
2013	Kampenhout	Belgium	Rotra Group NV	199,134	18,500
2012	Puurs	Belgium	Vandeputte Safery	199,683	18,551
2013	Unterschleißheim	Germany	RZ-Zimmermann, Bochum	214,720	19,948
2013	Günzburg	Germany	Al-Ko Kober	259,994	24,154
2013	Székesfehérvár	Hungary	Emerson Process	269,100	25,000
2012	Odense	Denmark	Lemvigh-Müller A/S	285,978	26,568
2013	Pulheim	Germany	Hammer Pulheim GmbH & Co. KG	403,650	37,500
2013	Uddevalla	Sweden	Benders Sverige AB	1,076,400	100,000
2013	Mönchengladbach	Germany	SMS Meer	1,506,960	140,000
2011	Markaryd	Sweden	Konecranes Lifttrucks i Markaryd	1,184,040	110,000

Source: JLL

[7] The list is not exhaustive. In many countries, particularly in Southern and Eastern Europe, markets are much less transparent than in the UK and data are hard to come by.

5.3 The size profile is similar to UK 'big box' market discussed earlier, with an average unit size of 335,867 sq ft (31,203 sq m) and a maximum of 1.5m sq ft (140,000 sq m). Deals larger than these are extremely rare. Research among JLL's EMEA logistics and industrial team identified a few examples, which are all in the Czech Republic and Poland. For example, Volkswagen's new plant at Września in the Voivodeship Wielkopolska in Poland will cover 220 hectares when complete. An earlier example is the 200-hectare Hyundai plant at Nošovice in the Czech Republic.

Figure 5.1 Framework for local evaluation



Source: JLL

5.4 JLL's Global Corporate Solutions team is involved in large-scale inward investment projects all over the world. In their view, where inward investment does occur on a large scale, key factors in the choice of location include:

- Proximity to customer / supplier base
- Infrastructure, accessibility and transport costs
- Labour costs
- Availability of skilled labour force now and in the future (including presence of high-quality universities)
- Homogenous piece of land with right dimensions, including expansion space

- Site services (utilities, access)
- Incentives from local and national government

5.5 Land is only one factor in this decision making process; often proximity to customers / suppliers, access and labour are more important. On the other hand, there are instances when several locations have similar merits in respect of these key factors, so that land becomes the decisive consideration.

5.6 'Incentives' may include, of course, the availability of cheap or zero-cost land, which is often offered in Eastern and Central Europe. Other attractive features of that area, which may explain the large investments in Poland and the Czech Republic discussed earlier, are ready availability of land, and relatively low labour costs – including for skilled and educated workers These advantages are difficult to match in Western Europe. Therefore footloose international inward investment is perhaps unlikely to be a major feature of the UK's industrial landscape in the medium term.

Re-shoring

5.7 There has, however, been some evidence of 'reshoring' – i.e. companies bringing outshored activities back to the UK. Research by the government's Manufacturing Advisory Service found that 15% of companies were returning production during 2013, compared with only 4 % offshoring. PwC estimates that reshoring could create 100,000-200,000 extra jobs in the UK over the next decade, boosting national output by £6-£12bn over the next decade.

5.8 In the US, where reshoring is perhaps a stronger phenomenon, it is driven by cost – particularly the cheap energy prices now available. In the UK and Europe, it is driven more by concerns over the resilience of the supply chain in an increasingly unstable world, as well as the difficulties of quality control over a dispersed supply chain, while rising labour costs in some emerging markets have made the advantages of offshoring less substantial. (These same factors are leading to a greater degree of 'nearshoring' to locations such as Poland and the Czech Republic,) A survey by EEF gave the following as the drivers behind reshoring: maintain certainty on delivery times, minimise logistics costs, reduce inventory costs, reduce product delivery time, minimise supply chain risks, improve quality of inputs, wage inflation overseas.

5.9 Where there are examples such as Raspberry Pi and Hornby, which have moved production back to the UK from China, much of the reshoring witnessed so far consists of awarding contracts to existing (often relatively small) UK firms, rather than large-scale inward investment. For example, Bathrooms.com has decided to hand half of the contracts currently held by Chinese manufacturers to business in the Midlands. This kind of reshoring supports the growth of Midlands businesses, but it does not result in major inward investment projects.

FDI Markets data

Europe

5.10 The analysis in this and the next section is based on the FDI Markets database, compiled by the Financial Times, which is the most comprehensive source of information on foreign direct investments. The table below ranks countries by the number of jobs created in the 500 largest inward investment projects. The UK tops the list with some 27,000 jobs, followed by six countries in Central/Eastern Europe and the Middle East. The next West European country is France, in eighth place with some 9,000 jobs.

Table 5.2 Jobs created in the largest 500 inward investments, 2009-14

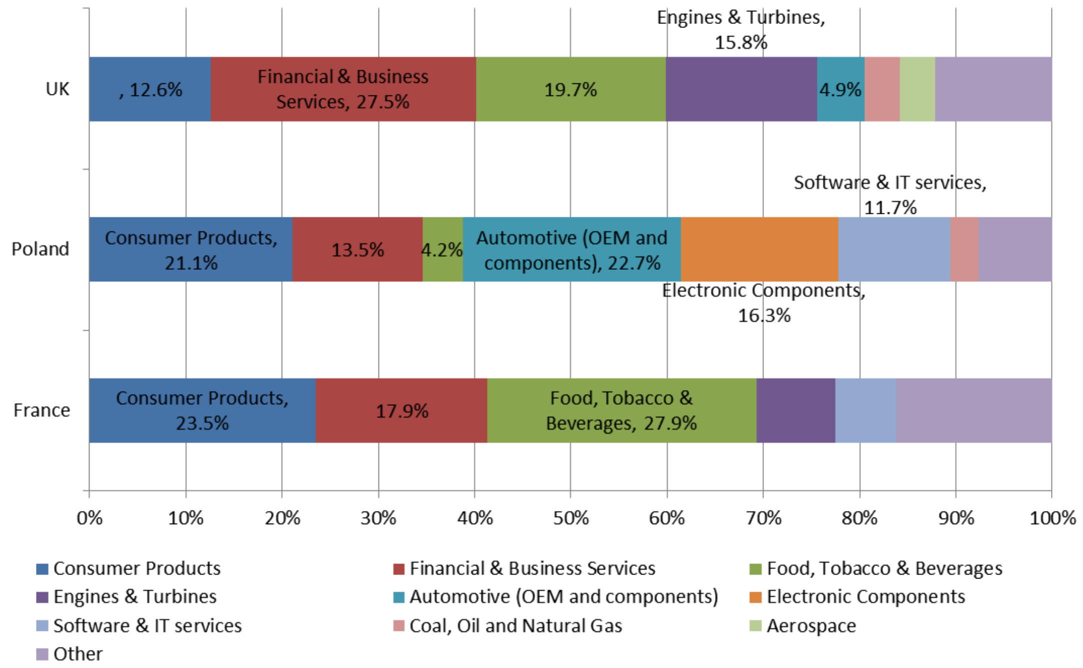
State	New projects	Expansion/ co-location
UK	27,273	26,964
Russia	20,300	6,550
Poland	17,068	8,988
Serbia	16,470	2,739
Turkey	11,800	6,400
Macedonia FYR	11,550	0
Romania	11,250	12,880
France	8,951	5,750
Hungary	8,100	10,638
Spain	8,071	5,500
Germany	6,603	2,050
Czech Republic	5,050	6,077
Bulgaria	4,650	3,000
Ireland	3,050	2,800
Slovakia	3,010	9,117
Ukraine	2,500	1,000
Italy	1,600	1,510
Belgium	1,000	1,100

Source: FDI Markets database. Job numbers are estimates.

5.11 The UK's position in the list may be simply due to it having more foreign-owned companies than comparable countries, so a higher proportion of investments are classed as international inward investment. This bias may be less marked (although still present) for new projects than expansion of existing projects, therefore in the next table we only consider new projects.

5.12 Figure 5.2 shows the sector profile of these new projects in the UK, Poland and France since 2009, measured by percentage of jobs created. Poland is of interest because as noted earlier it has attracted much investment by major automotive companies, such as VW. France has been chosen because its economic and demographic profiles are similar to the UK's.

Figure 5.2 Jobs created in the largest 500 inward investments, 2009-14, new projects only, by sector



Source: FDI Markets database. Job numbers are estimates.

5.13 For the UK and France circa 60% or the jobs created in inward investments are in three sectors: consumer products, financial and business services and food, tobacco and beverages. Many of these jobs are not based in industrial units. For example, of the 27,273 new UK jobs listed above, some 6,493 are in customer contact centres (i.e. offices) and a further 6,320 are in retail.

5.14 These three non-industrial sectors are significant in Poland too, but less so, as they account for only some 40% of the total. By contrast, in Poland industrial sectors are better represented. Thus, the automotive sector (OEM and components) accounts for 23% of jobs in new projects in Poland. Examples of such projects include:

- VW plant at Wrzesnia (2,300 jobs, 2014)
- International Truck Alliance plant in Szczecin (1,000 jobs, 2010)
- PSA Peugeot -Citroen (Faurecia Interior Systems) plant at Legnica (570 jobs, 2012).

5.15 By contrast, in the UK only 5% of jobs in new projects are in the automotive sector – the 750 JLR jobs at i54 (the other automotive jobs are in expansions of existing plants).

5.16 Going further back in time than Figure 5.2, Poland has also attracted major investments from General Motors and Fiat, building plants on 300-500 hectares. The Polish list also includes substantial investments in electronic components and software & IT services from companies such as IBM, Somfy and AU Optronics.

5.17 According to JLL's Poland office, which has been involved in several deals in the automotive sector, there are three reasons for the country's popularity. Firstly, the level of public aid for special economic zones (which has recently been reduced, and may explain the recent relatively high levels of activity); the second is the availability of efficient and skilled labour at low cost; and the third is the existence of other factories in Poland for the same manufacturers. There has been similar investment in the Czech Republic, Hungary and Slovakia, which offer the same advantages..

5.18 The following table analyses inward investment in industrial sectors – comprising manufacturing, logistics, research, design, development and testing facilities. Again, it shows a count of jobs created in projects producing 500 jobs or more since 2009.

Table 5.3 Jobs created in the largest 500 inward investments, 2009-14, industrial sectors

State	New	Expansion/ Co-location
UK	23,020	18,771
Russia	38,272	94,655
Poland	13,721	23,788
Serbia	4,255	18,370
Turkey	14,884	25,193
Macedonia FYR	0	11,550
Romania	15,000	13,344
France	3,817	4,200
Hungary	10,850	9,919
Spain	10,361	7,387
Germany	5,895	3,739
Czech Republic	8,959	4,988
Bulgaria	1,507	5,272
Slovakia	14,968	3798
Ukraine	1,000	11,477

Source: FDI Markets database. Job numbers are estimates.

5.19 The UK performs well overall and on expansions, but on new investments in Russia, Turkey and Poland do much better. Of these three countries Poland is the least dissimilar to Britain (Russia and Turkey are outside the EU, and in Russia much investment relates to raw materials and energy resources). Therefore, in the table below we show a detailed comparison of these industrial investments between the UK and Poland, for new projects only.

Table 5.4 Jobs created in the largest 500 inward investments, 2009-14, new projects only, industrial sectors

Sector	Poland		UK	
	Jobs	%	Jobs	%
Aerospace			1,000	5%
Automotive Components	1,339	6%	600	3%
Automotive OEM	4,574	19%	750	4%
Ceramics & Glass	673	3%		
Coal, Oil and Natural Gas	3,000	13%		
Communications, Research & Development			1,982	11%
Consumer Electronics	644	3%	500	3%
Consumer Products - Logistics & Distribution	6,738	28%	3,450	19%
Electronic Components	2,778	12%		
Engines & Turbines			4,940	27%
Food & Tobacco Logistics			600	3%
Food & tobacco manufacturing	1,480	6%	1,400	8%
Industrial Machinery, Equipment & Tools	523	2%		
Plastics	500	2%		
Textiles - Logistics & Distribution	800	3%		
Transportation - Logistics & Distribution	739	3%	3,049	17%
Total industrial sectors	23,788	100%	18,271	100%

Source: FDI Markets database. Job numbers are estimates.

5.20 Poland has more jobs in this category than the UK, and the industrial mix of those jobs also differs between the two countries. In the UK:

- The various distribution/logistics sectors contribute 39% of total jobs.
- The largest single sector, providing 27% of the total, is Engines and Turbines.
- The next largest sectors are Communications and R&D and Food and Tobacco Manufacturing, with 11% and 8% of jobs respectively.
- The two automotive sectors (components and original equipment manufacturers) together provide 7% of total jobs (including the JLR project at i54).

5.21 In Poland:

- Logistics / distribution is almost as important, with 35% of all jobs.
- But the automotive sectors play a far greater role than in the UK, accounting for 25% of the total.
- The next largest sectors area Coal, Oil and Natural Gas (13%) and Electronic Components (12%).

5.22 The equivalent information for expansions is shown below.

Table 5.5 Jobs created in the largest 500 inward investments, 2009-14, expansions / co-locations only, industrial sectors

Sector	Poland		UK	
	Jobs	%	Jobs	%
Aerospace Manufacturing			2,268	10%
Automotive Components	1,942	14%	2,450	11%
Automotive OEM	1,788	13%	12,466	54%
Business Machines & Equipment	3,000	22%		
Consumer Electronics	988	7%		
Consumer Products – Logistics & Distribution	1,046	8%		
Electronic Components	700	5%		
Engines & Turbines	825	6%		
Food & Tobacco	700	5%		
Industrial Machinery, Equipment & Tools			1,100	5%
Metals			2,008	9%
Paper, Printing & Packaging	2,732	20%		
Software & IT Design, Development and Testing			700	3%
Transportation			2,028	9%
Total industrial sectors	13,721	100%	23,020	100%

Source: FDI Markets database. Job numbers are estimates.

5.23 The situation here is quite different to new projects. The UK has almost twice as many jobs in the industrial category as Poland, and a higher proportion of these jobs is in the automotive sectors: 65% in the UK against 35% in Poland. The list of UK projects includes JLR in the Midlands, Honda in Swindon, GM at Ellesmere Port, BMW at Oxford, Toyota at Burnaston and Ford in Essex. So in the UK automotive industries expansion of existing facilities is far more important as a source of jobs than new inward investment.

5.24 The table below shows average job numbers in inward investment projects (this is a small sample and caution should be used in drawing conclusions). Polish averages are similar for expansions and new facilities, but in the UK expansions appear to generate significantly more jobs than new investments (although obviously there has to be a new investment first). In Poland, manufacturing investments create more jobs on average, whereas in the UK. logistics investments are create more jobs.

Table 5.6 Average jobs created per project, largest 500 inward investments, 2009-14, selected categories

Project type	Poland	UK
New	914	751
Expansion/co-location	938	1,049
Manufacturing	1,006	840
Logistics, distribution & transportation	717	912

Source: FDI Markets database. Job numbers are estimates.

The UK regions

5.25 The table below gives a regional analysis of all UK projects since 2003 featured in the database that created 500 or more jobs. The analysis is not restricted to industrial or logistics projects; many of the projects included are in retail or financial service call centres.

Table 5.7 Inward investments the UK by region, projects creating 500 or more jobs, 2003-14

Region	Jobs created	Number of projects
Wales	11,708	9
South East (UK)	7,332	7
West Midlands (UK)	6,250	7
North West (UK)	5,482	6
East Midlands (UK)	5,100	6
South West (UK)	3,627	5
East Anglia	3,606	3
North (UK)	3,353	4
Scotland	3,050	5
Yorkshire and Humberside	1,250	2
Northern Ireland	800	1
Region not specified	600	1
UK total	52,158	56

Source: FDI Markets database. Job numbers are estimates.

5.26 For the West Midlands total job creation is estimated at 6,250, or to 568 jobs per year. The region comes third in order of jobs created, after Wales and the South East.

5.27 For Wales, the industrial projects on the list include:

- Various Airbus investments at Broughton in Flintshire (over 3,000 jobs, 2003-2008)
- LG plant in Newport (3,000 jobs, 2014, expansion of an existing site)
- Exxon Mobil's investment in the Milford Haven terminal (over 2,000 jobs, 2007)

- Corus/Tata steel production facility in Port Talbot (1008 jobs, expansion)
- A new Celsa plant in Cardiff for iron & steel production (552 jobs)
- A new Toyota plant in Swansea (600 jobs, 2009)
- An expansion to the Ford plant in Bridgend in (938 jobs, 2014)

5.28 The comparable list for the South East is as follows:

- Various investments by Arla Foods in production facilities in Aylesbury (1,400 jobs, 2009/10)
- BMW Mini plant in Oxford (1,000 jobs, expansion, 2009)
- News International complex in London in 2013 (2,144 jobs, 2013)
- New Palmer Johnson shipbuilding facility in Southampton (800 jobs)
- Rainbow Growers facility in Kent in (550 jobs, 2009)
- Thales defence & automotive facility in Crawley (1,438 jobs, expansion, 2012)

5.29 For the West Midlands, industrial projects include:

- JLR investments at Solihull, Birmingham and Wolverhampton (i54), (4,550 jobs, 2009 onwards, mix of new facilities and expansions)
- BMW engine facility at Hams Hall near Coleshill (2012, expansion)
- Investments by Tblisi Aircraft Manufacturers / Market-Mats in Hereford (1,000 jobs, 2011-2013).

5.30 So in the West Midlands inward investment has been highly concentrated in the automotive sectors, much more so than for the other two regions. With the exception of Tbilisi at Hereford, the West Midlands projects listed are automotive, and those automotive investments are dominated by Jaguar Land Rover. Without JLR, the West Midlands would be near the bottom of the list at Table 5.7, with only Scotland and Yorkshire and the Humber showing fewer jobs.

5.31 Indeed, Hereford aside, the only non-JLR project was BMW's expansion of its engine making facilities at Hams Hall, near Coleshill in North Warwickshire, which safeguarded 800 jobs. The original plant was built in 2001. It manufactures small, low-emission, highly efficient engines, and is currently developing future generation of petrol and diesel engines as well as those for the new i8 hybrid plug-in sports car. So far 3.5 m engines been built at Hams Hall, supplied to plants both in the UK and abroad to power BMW and MINI vehicles sold across the world. BMW's UK facilities also include the MINI plant at Cowley, Oxford, which could be viewed as the southern outlier of the Midlands automotive cluster, particularly given its historical links.

5.32 The geography of West Midlands projects is also interesting. Of the 5,250 jobs in the projects we have listed, 3,800 (86%) are either in the Greater Birmingham and Solihull LEP area or (in the case of Hams Hall) just outside it. The remainder relate to the JLR plant at i54.

Conclusion

Large single-user sites

5.33 International inward investment is a highly competitive market. For large-scale projects which are internationally footloose, Central and Eastern Europe offer the advantages of low-cost labour including highly skilled labour, low-cost or free land and other substantial incentives.

5.34 Due to these advantages, the evidence suggests that the UK is generally not competitive for new foreign direct investment in very large, free-standing, purpose-built industrial plants. These investments, which in any case are very few, tend to choose Central / Eastern Europe.

5.35 The JLR at i54 is a rare exception, probably reflecting the UK's and the region's comparative advantage in the automotive sector together with the concentration of existing JLR plants in the region. Even so, it seems that these factors were not sufficient on their own: JLR at i54 also had the benefit of a site owned and prepared by the public sector, land sold direct to the occupier, and a new link road and motorway junction paid for by the county and district councils.

5.36 Under the previous Regional Strategy, Major Investment Sites (MISs) were intended to accommodate these very large free-standing projects, and as noted earlier the policy required that two such sites be available at any one time. Our analysis suggests that attracting occupiers to such sites has become more difficult, due mainly to greater competition from other countries, the result of increasing globalisation and the enlargement of the EU. Furthermore, even if a possible project did come forward there is no guarantee that one of the sites identified would suit its particular requirements.

5.37 In this context, to maximise the changes of success, any industrial 'new MISs' should be in highly attractive locations. This in practice is likely to mean the Green Belt – where development would only be acceptable if it provides exceptional benefits to outweigh the harm caused. Any sites identified should be in the ownership of public organisations whose objective is economic development, such as LEPS; a private sector landowner, or indeed a public sector owner with other priorities, would generally not accept the delay and risk of waiting for an outsize inward investor – possibly for a long time. The sites should also offer 'shovel-ready' development opportunities supported by high-quality infrastructure and substantial incentives, because this is what competing locations will be offering. One way to deliver both fast delivery and financially attractive terms is for publicly owned land to be sold direct to occupiers, without developers being involved.

Other international inward investment

5.38 Other than these very large free-standing projects, the evidence suggests that the UK's comparative advantage against other parts of Europe lie in:

- Services, including those that occupy industrial space (logistics / distribution, especially in the Midlands) and many that do not;
- Consumer products such as food;

- The automotive industry, especially for the West Midlands as noted earlier;
- Expansion at existing sites, as opposed to new projects – which could become even more important as reshoring grows.

5.39 Where foreign-owned businesses do take up large industrial spaces (production or logistics), their requirements seem no different from those of other ‘big box’ occupiers. The size profile of their units is similar to the wider market, and they work to a similar geography. The location decisions of foreign-owned firms respond to the same factors as other businesses. What is different about them is that in some cases they have a wider choice of location, which extends beyond national boundaries. But this does not apply to industries that need to be close to their customers, such as most services – including logistics – and some consumer industries.

5.40 This means that, if the region provides more strategic industrial sites in the most popular parts of the region as proposed in the last chapter, it will be supporting inward investment as well as indigenous firms. Some of this inward investment will be internationally footloose, although most of it inevitably will be tied to the UK if not to the West Midlands.

6 CONCLUSION

Overview

6.1 This study considers if there is a need for strategic employment sites to be held in reserve for regionally significant projects, continuing the strategic sites policies in the former Regional Spatial Strategy (RSS). We have assessed this need under three headings: offices, industrial space (manufacturing and logistics) and international inward investment, which overlaps the other two categories. For the purposes of the study, and based on the study brief and previous regional policies, we have defined strategic employment sites as follows:

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

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

6.2 The study is entirely about employment land and floorspace that meet the above definition - which among other things means large sites, large buildings and high-quality ('Grade A') accommodation. In this the study is quite different from an employment land review, because an employment land review would consider the whole market for employment uses, of which strategic sites are only a specialist subset.

6.3 As required by the study brief, we have approached the question from a market perspective, using market data. Our analysis has firstly assessed the demand for strategic sites, secondly looked at the supply available to meet that demand, thirdly considered how far that supply is constrained, and finally reflected on how policy could release these constraints and what the wider economic impact would be. This market and economic evidence should help inform policy decisions, but of course it is only one of the considerations that policy should have regard to, alongside social and environmental factors.

Analysis

6.4 In relation to offices, market evidence suggests that there is no need for special policies to bring forward strategic sites. The region's main office markets have a healthy pipeline of allocated development sites, and there is no indication that land supply will fall short of demand for the foreseeable future.

6.5 In contrast, for large industrial units the planned land supply falls severely short in the three areas of highest demand:

- The M42 belt to the east of Birmingham ('Area A'), which offers:

    - To logistics operators, the best travel times to the UK population, as well as access to multi-modal facilities
    - To manufacturers and their suppliers, proximity to the main automotive facilities;
- Areas south and east of Coventry to Rugby ('Area B'), which for logistics operators is an extension of the East Midlands Golden Triangle;
- The Black Country and Southern Staffordshire, which has attracted much growth in recent years, albeit on a smaller scale than the above.

6.6 The supply of large industrial sites in these areas is constrained, primarily by the Green Belt, though there are also access and infrastructure issues:

- For Area A the immediately available industrial land supply is just 3.7 years and potential longer-term supply depends heavily on Peddimore, which may take a long time to come forward, and Birmingham International Gateway, which is in the Green Belt and has no planning status.
- For Area B, immediate supply seems good but potential longer-term supply is risky, as three quarters of it is at the Coventry Gateway site, which has been refused planning permission.
- For the Black Country and southern Staffordshire, similarly immediate supply looks good, by potential longer-term supply is both very small and risky – being all at one site, Phoenix 10 (IMI), which has serious issues with infrastructure and access.

6.7 These three areas of constraints land supply are also the areas which have attracted the greatest volume of demand in recent years. This includes nationally and internationally mobile demand, both for logistics – where many occupiers are footloose between the East and West Midlands – and manufacturing – where many occupiers are international companies with a wide choice of location. Therefore, if supply constraints are relieved in these areas this should add to economic growth and employment in the West Midlands, in the manufacturing as well as distribution industries. This would be not only by attracting inward investment, but also from encouraging firms already based in the region to grow, expand and diversify in the region, and from the suppliers that serve both sets of firms.

6.8 However, as the North Warwickshire Inspector's report illustrates, it is difficult for individual districts to make the case for development in the Green Belt and to justify infrastructure spending, because the benefits of such strategic schemes are spread over large geographies, while negative impacts and costs are geographically concentrated. Larger-than-local policies, would be a more effective way to bring forward these sites.

Policy

Strategic industrial sites

6.9 This analysis suggests that the original case for strategic employment sites still stands. A larger-than-local policy that designates sites of regional importance for industrial use (both manufacturing and logistics) in the highest-demand areas would likely bring additional economic activity and jobs to the region. Such designations may cover new land, extensions to existing sites or both, depending on the merits of individual sites. An example of a policy that supports extension of an existing sites is found in Policy P1 of the adopted Solihull Local Plan:

'The Council will support and encourage the development of Jaguar Land Rover within its boundary defined in this Local Plan. This will include a broad range of development needed to maintain or enhance the function of Jaguar Land Rover as a major manufacturer of vehicles. The reasonable expansion of the site into the Green Belt will be given positive consideration where economic need can be demonstrated and appropriate mitigation can be secured.'

6.10 If the region provides strategic sites for industrial uses, it will be supporting as both indigenous firms and inward investment. Some of this inward investment will be internationally footloose, although most of it inevitably will be tied to the UK if not to the West Midlands.

6.11 As regards the features of strategic industrial sites, we believe that most of the requirements in the Regional Strategy remain valid. In particular, we would support the requirement that major logistics sites should be served by rail freight. This is what many occupiers want, partly because retailers have sustainability strategies which require them to use more environmentally friendly forms of transport, but also because in the right locations rail freight is cheaper and more efficient.

6.12 However, we consider that the geography of strategic sites, as set out in the RS, is no longer up to date. The RS the Regeneration Zones and Technology Corridors should no longer be a deciding factor, since they are not part of any current development plan. Nor do we think that the location of strategic sites should be driven by concentrations of resident workers or unemployed workers. Most of the region's workers, and an even higher proportion of its unemployed workers, live in the conurbation, but this is not where occupiers of strategic sites generally want to locate. That is because the need for strategic sites relates to manufacturing and logistics rather than offices, and in these sectors large-scale, high-quality, mobile occupiers typically choose out-of-town sites, preferably around the edges of the conurbation.

6.13 Given that strategic sites will always account for a small minority of jobs, in our view this market requirement should carry considerable weight in deciding the location of strategic sites. Naturally every effort should be made to make these sites accessible to workers by sustainable means, as is proposed at Peddimore for example; this applies to any place where large numbers of people work. It also goes without saying that Local Plans should aim to align the location of jobs and housing to minimise the adverse impacts of commuting. Spatial strategies that achieve this cannot be developed for strategic employment sites in isolation; they must take account of all development that accommodates jobs, covering all employment sites and also other economic uses, such as retail, leisure, education and health services.

6.14 In addition to planning allocations and permissions, to bring forward strategic industrial sites will often require active policy intervention beyond the scope of land-use planning - which may include infrastructure provision, land reclamation and land assembly. Like planning policy, these interventions should be larger than local, so that costs can be shared across the region or sub-regions. The interventions fall under the remit of the LEPs – whose spending should be guided by any future strategic sites policy, just as the spending of Advantage West Midlands was guided by the strategic sites policies in the RSS. In future the new Combined Authority should also consider contributing.

Single users and target sectors

6.15 Under the previous Regional Strategy, Major Investment Sites (MISs) were intended to accommodate these very large free-standing projects, and as noted earlier the policy required that two such sites be available at any one time. Our analysis suggests that attracting occupiers to such sites has become more difficult, due mainly to greater competition from other countries, the result of increasing globalisation and the enlargement of the EU. Furthermore, even if a possible project did come forward there is no guarantee that one of the sites identified would suit its particular requirements.

6.16 In this context, to maximise the changes of success, any industrial 'new MISs' should be in highly attractive locations. This in practice is likely to mean the Green Belt – where development would only be acceptable if it provides exceptional benefits to outweigh the harm caused. Any sites identified should be in the ownership of public organisations whose objective is economic development, such as LEPS; a private sector landowner, or indeed a public sector owner with other priorities, would generally not accept the delay and risk of waiting for an outsize inward investor – possibly for a long time.

6.17 Any 'new MISs' should also offer 'shovel-ready' development opportunities supported by high-quality infrastructure and substantial incentives, because this is what competing locations will be offering. One way to deliver both fast delivery and financially attractive terms is for publicly owned land to be sold direct to occupiers, without developers being involved. Like other strategic sites, active intervention to support 'new MISs' would fall in the remit of the LEPs, and possibly the new West Midlands Combined Authority.

6.18 A related question raised by the study brief is whether strategic employment sites should target specific sectors, in particular advanced manufacturing. In our view experience it is very difficult to restrict occupiers to specific uses: 'advanced manufacturing' is not easy to define rigorously, there is no obvious way to enforce any restrictions as occupier businesses evolve and change, and occupier restrictions generally reduce values and discourage development – except in a handful of places which are exceptionally attractive to clear specialist clusters. Even where there is demonstrable demand for such specialist accommodation, commercial landowners / developers may not meet it, because providing standard space may be more viable. As with large single-user sites, land owned by public bodies whose priority is economic development will generally be a more effective route.

Next steps

6.19 As shown in the study brief, the present report is intended as Phase 1 of a larger study. The brief says that, if this phase shows that land supply falls short of demand, the study should go on to a second phase - which would consider how such shortfall might be addressed, including through local studies to identify specific opportunities and assess policy implications. Our findings suggest that it is time to commission that Phase 2 study.