East Midlands Gateway
Phase 2 (EMG2)

Document DCO 5.5 / MCO 5.5

Industrial and Logistics Need Assessment

AUGUST 2025

The East Midlands Gateway Phase 2
and Highway Order 202X and The East Midlands Gateway
Rail Freight and Highway (Amendment) Order 202X

SEGRO.COM/SLPEMG2

SEGRO

East Midlands Gateway Phase 2 (EMG2)

Industrial & Logistics Needs Assessment

Prepared for SEGRO (EMG) Ltd

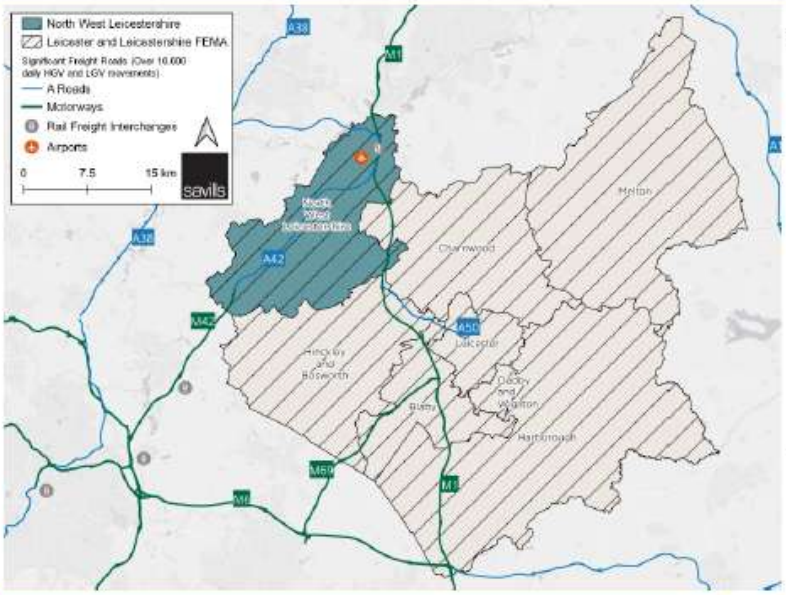
July 2025

savills

Purpose of the Report

- This report has been prepared on behalf of SEGRO (EMG) Ltd (the applicant). It provides an evidence-based and objective overview of the need for new Industrial & Logistics (I&L) development within North West Leicestershire (NWL) and the wider Functional Economic Market Area (FEMA).
- The applicant is applying for a second phase of its East Midlands Gateway Logistics Park. The second phase is known as EMG2 (the Proposed Development) and is located on land in the vicinity of East Midlands Airport. It comprises three interrelated component parts as follows:
    - **EMG2 Works** – new warehousing and manufacturing employment park (EMG2 Main Site) located south of East Midlands Airport and the A453, and west of the M1 motorway. It also includes upgrades to the EMG1 substation and provision of a community park;
    - **Highway Works** - including improvements to the strategic highway network at junction 24 of the M1 motorway and the road network interacting with that junction; and
    - **EMG1 Works** – works within the original EMG1 site including additional warehousing.

The Proposed Development and Study Area



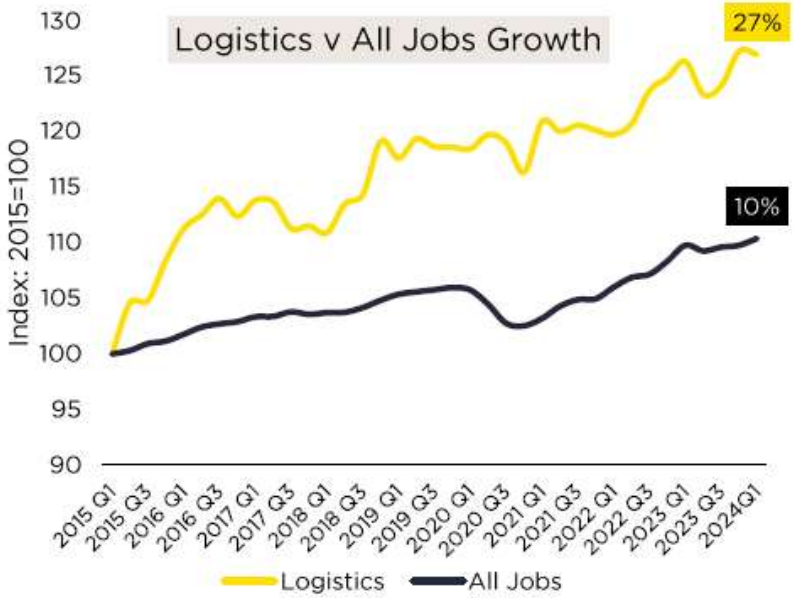
- Additional I&L land is proposed at the EMG2 Main Site and the EMG1 Works components of the Proposed Development. The former will see the delivery of approximately 300,000 sqm of additional logistics and manufacturing facilities (excluding mezzanine). **It is a nationally significant scheme, that is linked by both road and rail.** The latter entails increasing capacity at the existing EMG1 development, with 26,500 sqm of additional warehousing coming forward on land known as Plot 16.
- The Scheme is located within the local authority of NWL. It is part of the Leicester and Leicestershire FEMA comprising the local authorities of Blaby, Charnwood, Harborough, Hinckley & Bosworth, Leicester, Melton, Oadby & Wigston and NWL.

I&L Growth is Structural, Not Cyclical

The I&L sector is a **major contributor to the national economy and** should be considered **critical national infrastructure.** Some of the sector's key growth drivers include:

Rise of E-commerce | **Global Freight Flows** | **Protecting Supply Chains**

- Since 2015 the logistics component of the I&L sector has seen job growth of 27% compared to only 10% across the wider economy.
- The I&L sector pays higher wages across the UK with average annual pay £3,200 higher for Manufacturing and £2,700 higher for Logistics than the national average.
- The sector supports a high-skilled and occupationally diverse labour profile. This is in response to increased automation and robotics in the sector and more advanced supply chain processes.



EXECUTIVE SUMMARY

NWL is a Prime I&L Location

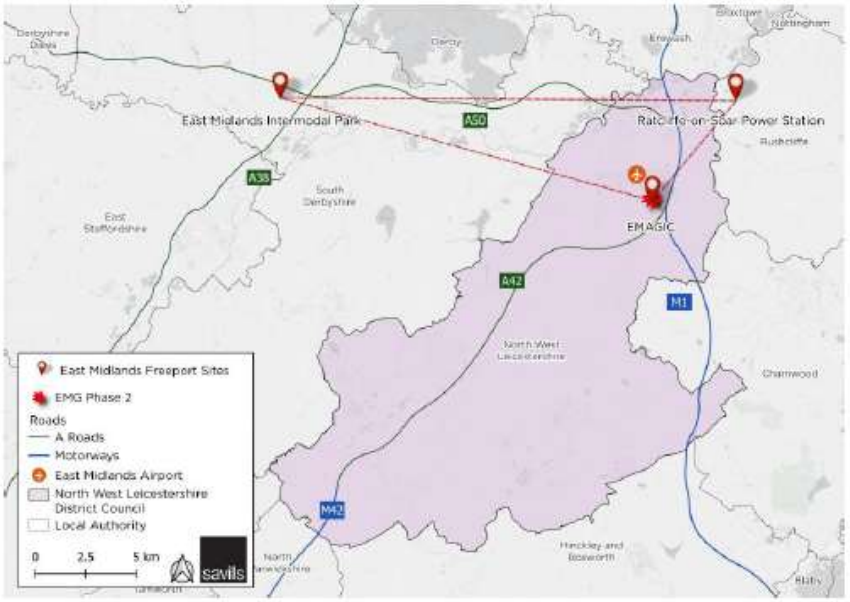
- NWL, and the wider FEMA, is one of the best locations for I&L development in the country. Its central location, excellent transport links, robust infrastructure, and favourable business environment create the conditions where logistics operations can thrive. We consider some of these factors below.

1. Proximity to Transport Routes

- NWL is strategically positioned at the centre of England, in close proximity to several major transport corridors, including the M1, A42 and the A50. All three are all nationally significant movement corridors that facilitate over 10,000 HGV and LGV movements per day and form part of the Strategic Road Network (SRN).

- Proximity to these movement corridors is beneficial given it reduces transportation time, costs and carbon emissions. It means I&L occupiers at the Scheme will be able to efficiently access a significant consumer and business base.

2. East Midlands Freeport and Airport



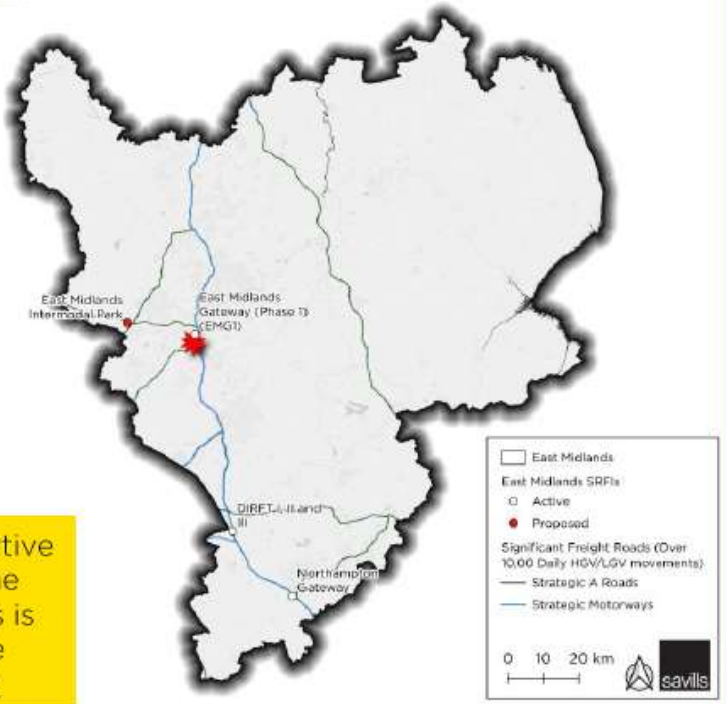
- One of the three sites designated within the East Midlands Freeport – the East Midlands Airport and Gateway Industrial Cluster (EMAGIC) – is located in NWL. This cluster offers a range of business incentives and support mechanisms which promote economic activity and trade.

- Also located within NWL, directly adjacent to the Scheme, is the East Midlands Airport (EMA). The EMA is the UK's second largest freight airport and is the UK's largest dedicated air cargo operation. It provides a gateway to international markets, as well as efficient delivery to domestic regional markets by air.

3. Access to SRFIs

- NWL benefits from access to the Strategic Rail Freight Interchange (SRFI) located at EMG1. SRFIs are vital components of modern logistics and transport networks, and there is a well-established national policy and initiatives to grow rail freight in the UK. I&L businesses within the area benefit from the enhanced connectivity and integration of transport modes it brings.

- Moreover, in the wider East Midlands region there is a cluster of other SRFIs, both active and proposed, underlining the region's standing as a logistics hub.



NWL's strategic position, infrastructure and supportive business environment explains why it is one of the most important logistics locations in England. This is validated by the local authority's position at the northern tip of England's I&L 'Golden Triangle'.

NWL's I&L Market is Supply-Constrained

Availability rate of 5.0% (2024 YTD)

Strong rental growth of 82% (2014-23)

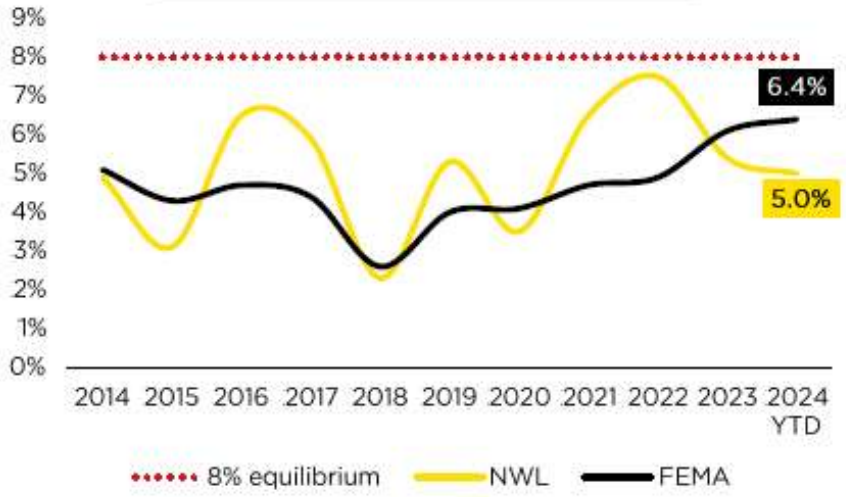
Limited Years of Supply

Despite being one of the premier logistic locations in the country, the sector's potential is being inhibited by a lack of supply in NWL and the FEMA. This is demonstrated by the following key supply and demand metrics.

Low Availability

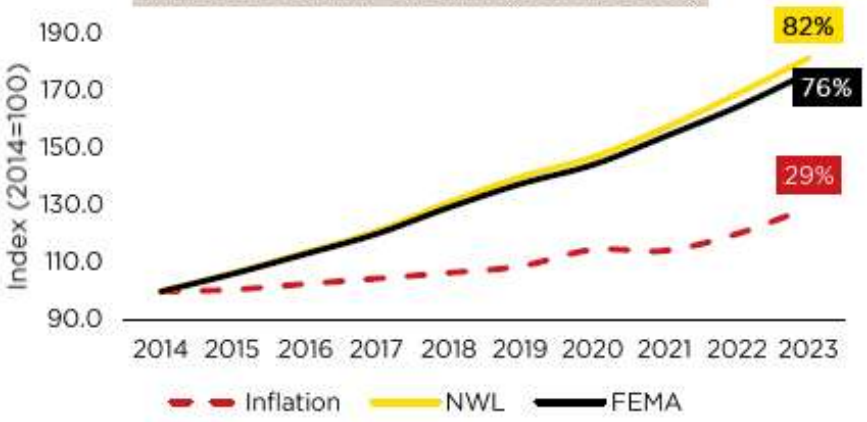
- A market is supply constrained when floorspace availability is below the 8% equilibrium benchmark when supply and demand are broadly in balance.
- Availability in NWL and the FEMA has been below the 8% equilibrium for the last decade.
- This in turn suppresses demand as not all occupiers can find space to meet their needs.

Availability Rate (2014-2024 YTD)



High Rental Growth

Indexed Rental Growth (2014-2023)

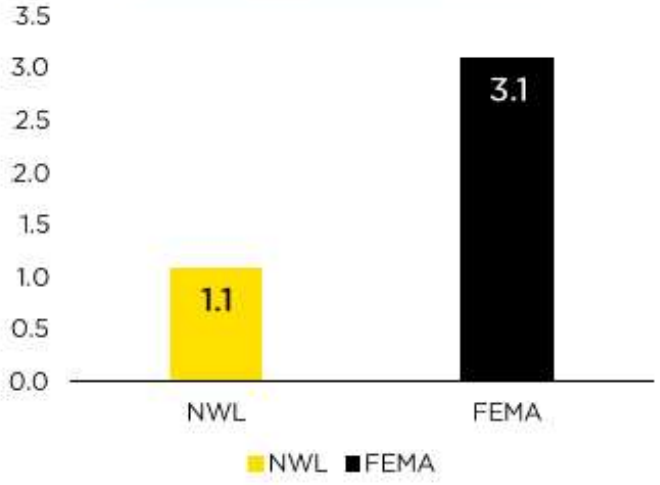


- When demand outstrips supply, rental growth is typically higher as occupiers compete for limited available stock. This in turn drives up rents.
- Across NWL and the FEMA, rents have grown by 82% and 76% respectively between 2014 and 2023, more than twice the rate of inflation over the same period at 29%.

Limited Years of Supply

- The supply constrained nature of the market is further reflected when considering years of supply, which is how many years the market can continue to operate at with existing net absorption trends before all currently available space is taken up.
- Using the 2014-2023 trend for net absorption, NWL and the FEMA have just 1.1 years and 3.1 years of supply available respectively, suggesting an immediate need for new I&L floorspace.

Years of Available Supply



The Council's Employment Evidence Underestimates I&L Demand

Strategic Warehouse Study (2021, amended 2022) – Strategic B8 Demand across FEMA

- Preferred demand estimation method (Replacement and Traffic Growth scenario) results in future demand that is **lower than the past completions trends;**
- **Different plot ratios** are used for different demand models;
- There is no consideration of **strategic B2 floorspace; and**
- Demand for **road-served sites** is underestimated and **air freight and LGV traffic** are not taken into account

Stantec Study (2020) and Rapleys 2024 Update – I&L uses excluding Strategic B8 Demand in NWL

- Preferred demand estimation method based on GVA outputs **does not take account of historic supply constraints** which the study itself notes as a limitation
- Preferred demand estimation method is **completely different to the methods used by the Strategic Warehouse Study**, resulting in lack of consistency between local and regional demand forecasts

Savills' I&L Demand Estimates

- Savills has developed its own methodology to estimate future I&L demand which takes a market signals approach, and which supplements the econometric approach undertaken by the Council to provide a complete picture of true future demand.

- Based on Savills' demand methodology, over the 16-year period, we estimate total future I&L land demand in the FEMA to be between 1,960 ha and 1,300 ha.

- The former is our baseline (upper) estimate which we consider best represents 'true' market demand based on trends from the last decade. The latter is our lower demand estimate and is based on a series of highly pessimistic sensitivity tests.

- Apportioning the FEMA demand estimates down to NWL, Savills estimate that demand for total future I&L land in NWL over a 16-year forecast period to be between 927 ha under the baseline scenario and 615 ha under the lower demand scenario. Savills has generated a further minimum apportionment demand scenario based on a secondary lower apportionment rate, which results in a demand estimate of 455 ha for NWL.

There is a Significant Supply Shortfall in NWL

- Within NWL, Savills' view of realistic future supply is approximately 178 ha. The level of supply in NWL may be supplemented by a further 155 ha of land which benefits from a draft allocation. In total this would equate to a potential level of supply of 333 ha.

- Comparing available supply against the overall I&L demand estimates there is a significant shortfall of between 594 ha under Savills baseline (upper) scenario, down to 282 ha under Savills lower demand scenario, and finally 122 ha under Savills minimum apportionment scenario.

	Demand (Ha)	Supply (Ha) (including draft allocations)	Savills Need Shortfall (Ha)
Savills Demand – Baseline Scenario	927	333	594
Savills Demand – Lower Scenario	615	333	282
Savills Demand – Minimum Apportionment Scenario	455	333	122

The objectively assessed demand/supply analysis in this report demonstrates quantitatively that a strong needs case can be evidenced across NWL for further I&L development. The Subject Site represents a prime opportunity to help meet strong demand.

Table of Contents

1 Introduction

1.1 Purpose

1.1.1 This report has been prepared on behalf of SEGRO (EMG) Ltd (referred to as the 'applicant' from hereon in).

1.1.2 The applicant is applying for a second phase of its East Midlands Gateway Logistics Park. The existing development is referred to as EMG1. It was authorised by a DCO in 2016 (EMG1 DCO), and has now been largely built out on land to the north of East Midlands Airport.

1.1.3 The second phase is known as EMG2 (the Proposed Development) and is located on land in the vicinity of East Midlands Airport. It comprises three interrelated component parts as follows:1

- EMG2 Works – Logistics and advanced manufacturing development located on the EMG2 Main Site south of East Midlands Airport and the A453, and west of the M1 motorway. Together with an upgrade to the EMG1 substation and provision of a community park.

- Highway Works - the A453 EMG2 access junction works; significant improvements at Junction 24 of the M1 (referred to as the J24 Improvements) and works to the wider highway network including active travel works.

- EMG1 Works – Additional warehousing development on Plot 16 together with works to increase the permitted height of the cranes at the EMG1 rail-freight terminal, improvements to the public transport interchange, site management building and the EMG1 access works.

1.1.4 Both the existing EMG1 development, and the EMG2 proposals, are located in North West Leicestershire (NWL).

1.1.5 This report, in support of the EMG2 Project (the Proposed Development), provides an evidence-based and objective overview of the need for new Industrial & Logistics (I&L) development in NWL.

1.1.6 In doing this, we:

- Consider North West Leicestershire's strategic locational advantages which makes it a prime location for I&L development;

- Review the latest employment evidence for NWL including a constructive evaluation of the underlying methodologies used for estimating future employment land needs;

- Objectively assess the future need for new I&L land in NWL and the wider Functional Economic Market Area (FEMA) it is located within. This will give regard

to local, sub-regional and national supply and demand signals;

- Undertake a detailed review of available and deliverable supply across NWL and the FEMA; and
- Bring the demand and supply analysis together to demonstrate the critical need for new I&L land across NWL and the FEMA, that the Proposed Development can help to meet.

1.2 Site Context and Proposed Development

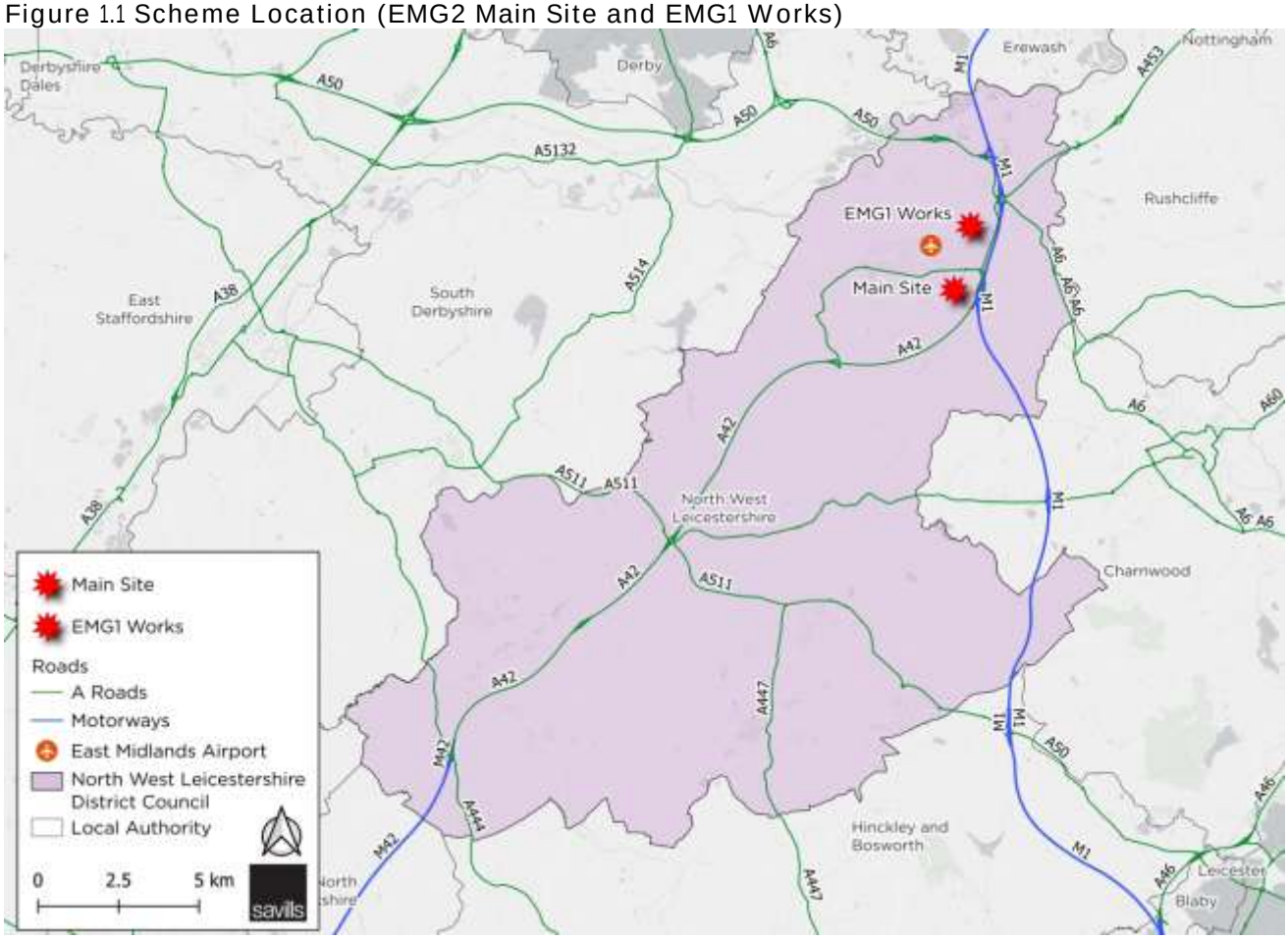
1.2.1 As discussed, the EMG2 Project consists of three component parts, with additional I&L land proposed at the EMG2 Main Site and the EMG1 Works components.

1.2.2 The EMG2 Main Site is located on land immediately south of East Midlands Airport. It is located west/north-west of Junction 23A of the M1 motorway and approximately 3 km south of Junction 24. The village of Diseworth is located adjacent to the EMG2 Main Site. The EMG2 Main Site component of the Proposed Development comprises the delivery of approximately 300,000 sqm of additional logistics and manufacturing facilities, with an allowance for up to 200,000 sqm of mezzanine space. It is a nationally significant scheme, that is linked by both road and rail.

1.2.3 Concurrently, the EMG1 Works component of the Proposed Development is located at land known as Plot 16 within the existing EMG1 development, located north of East Midlands Airport. The applicant is seeking a further 26,500 sqm of warehousing space on Plot 16, plus a 3,500 sqm mezzanine allowance.

1.2.4 Figure 1.1 illustrates the location of the EMG2 Project (EMG2 Main Site and EMG1 Works).

Figure 1.1 Scheme Location (EMG2 Main Site and EMG1 Works)



Source: Savills 2024

1.2.5 The three component parts of the EMG2 Project are being sought through two concurrent consenting processes, comprising of a new DCO for the EMG2 Works and Highway Works (as per the s35 Direction), together with an application for a material change to the existing EMG1 DCO for the EMG1 Works.

1.2.6 The proposals will not seek approval for details of layout or design for the EMG2 Works component of the Proposed Development. However, a parameters plan will be submitted as part of the application. Figure 1.2 shows how the EMG2 Main Site component of the Proposed Development could come forward in accordance with the development parameters to appropriately respond to the requirements of future occupiers and the constraints and features of the site.

1.2.7 The parameters plan currently highlights an opportunity to deliver 7 development zones delivering between 5,000 sqm to 75,000 sqm of floorspace across a range of unit sizes.

Figure 1.2 Parameters Plan – EMG2 Main Site

Source: SEGRO (EMG) Ltd

1.2.8 As well as the delivery of additional logistics and manufacturing facilities at the EMG2 Main Site, the Proposed Development will increase capacity at the existing EMG1 development, with 26,500 sqm of additional warehousing coming forward on land known as Plot 16, with an additional 3,500 sqm in the form of internal mezzanine space (EMG1 Works component of the project). This will create the conditions to improve handling efficiencies at the existing EMG1 development.

1.3 Report Structure

1.3.1 The remainder of the report is structured as follows:

- Section 2 – evidences the strategic locational advantages NWL benefits from, which has made it one of the prime locations for I&L development in the country;
- Section 3 – outlines the key trends in the I&L sector via a 3-page info-graphic. This section goes on to summarise major policy support for rail freight, which is intrinsically linked to the I&L sector and the Government's wider transport

decarbonisation plans;

- Section 4 - provides a high-level review of the employment evidence for NWL and the FEMA, specifically their approach to estimating future I&L demand;
- Section 5 - assesses market demand and supply signals within NWL and the FEMA's I&L market. The aim of this analysis is to gauge the relevant market strength for I&L development within these geographies;
- Section 6 - presents Savills' review of I&L supply in the FEMA, and NWL specifically;
- Section 7 - presents Savills' future I&L demand estimates for the FEMA and NWL specifically;
- Section 8 - brings together the analysis in the preceding sections to quantify the objectively assessed need for I&L land in NWL, which the Proposed Development can help to meet;
- Section 9 - presents Savills' estimates of the economic benefits that could be generated by the Proposed Development; and
- Section 10 - outlines the report's key conclusions.

1.3.2 In addition, this report is supported by the following appendices:

- Appendix 1 – provides a detailed review of the employment evidence first presented in Section 4.
- Appendix 2 – presents Savills' Suppressed Demand methodology and step by step guidance to its application.

1.4 Reader Note

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

2 North West Leicestershire is a prime I&L Location

Introduction and Key Conclusions

Section Aim:

- This section considers the factors which makes NWL one of the best locations for I&L development in the country. It goes on to assess the specific strategic advantages which makes the Scheme a prime location for I&L development.

Key Conclusions:

- NWL is a premier logistics location in England. Its central location, boosted by its proximity to several major transport corridors including the M1, enables I&L occupiers within the area to access 97% of England and Wales's population within a 4-hour drive time.
- One of the three sites designated within the East Midlands Freeport – the East Midlands Airport and Gateway Industrial Cluster (EMAGIC) – is located in NWL. This cluster offers a range of business incentives and support mechanisms which promote economic activity and trade.
- NWL benefits from access to the Strategic Rail Freight Interchange (SRFI) located at EMG1. SRFIs are vital components of modern logistics and transport networks. I&L businesses within the area benefit from the enhanced connectivity and integration of transport modes it brings. Moreover, in the wider East Midlands region there is a cluster of other SRFIs, both active and proposed, underlining the region's standing as a logistics hub.
- The East Midlands Airport is the UK's second largest freight airport, and is the UK's largest dedicated air cargo operation. It is located in NWL and provides a gateway to international markets, as well as efficient delivery to domestic regional markets by air.
- NWL standing as a prime I&L location is further evidenced by its position within England's I&L 'Golden Triangle', as well as the fact it outperforms the regional and national averages across two key I&L demand side metrics: Net absorption as % of inventory (which indicates the strength of demand in a market) and I&L job growth.
- These metrics indicate just how important I&L is to the local and sub-regional economy and why its continued growth should be facilitated.
- The Scheme has further specific strategic advantages, including direct access to nationally significant movement corridors, as well as convenient access to suppliers, end customers and labour supply.

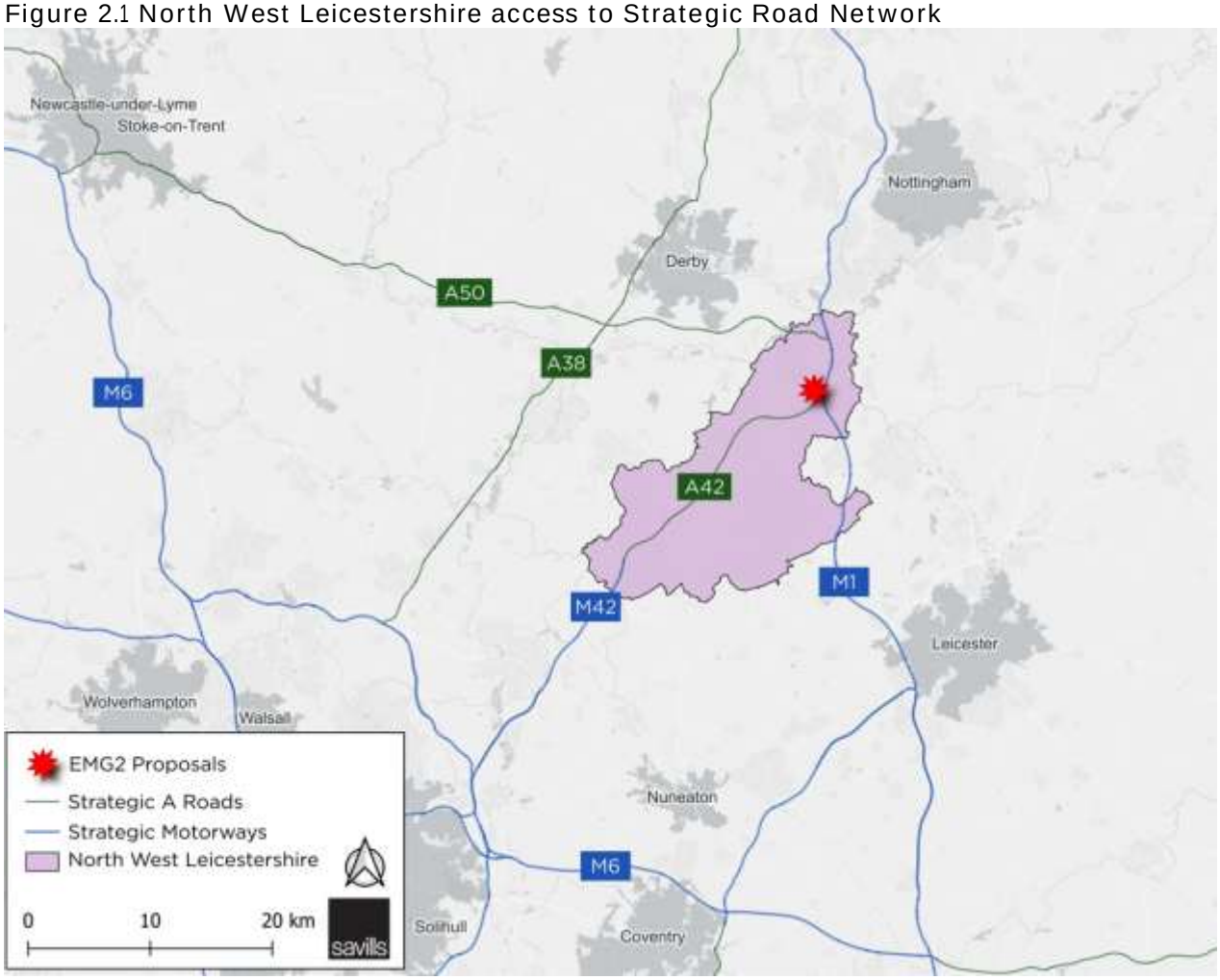
2.1 Proximity to major transport routes

2.1.1 One of the foremost reasons for NWL's importance as a logistics hub, is its strategic location, positioned at the centre of England in close proximity to several major transport corridors.

2.1.2 As shown in Figure 2.1 below, the M1, A42 and the A50 are all nationally significant movement corridors that facilitate over 10,000 HGV and LGV movements per day and form part of the Strategic Road Network (SRN). All three roads pass through NWL. The M1 in particular is one of the UK's main north-south routes, providing direct links to London, Leeds and other major cities such as Leicester, Nottingham and Sheffield. Concurrently the A50 and A42 offer east-west connections and direct links to the M1, enhancing accessibility to other parts of the Midlands and the North West. The M6, another strategic motorway corridor is also located in close proximity, south of NWL.

2.1.3 These major movement corridors are complemented by a network of A-roads that enhance local connectivity, particularly to the major cities of Birmingham, Nottingham, Leicester, and Derby which are located nearby.

Figure 2.1 North West Leicestershire access to Strategic Road Network



Source: DfT, Savills 2024

2.1.4 NWL's central location, supported by its proximity and direct access to the SRN, enables I&L occupiers within the area to benefit from efficient distribution opportunities to all parts of the country.

2.1.5 We discuss this further and the benefits in terms of NWL's access to a significant consumer and employment base in Section 2.6.

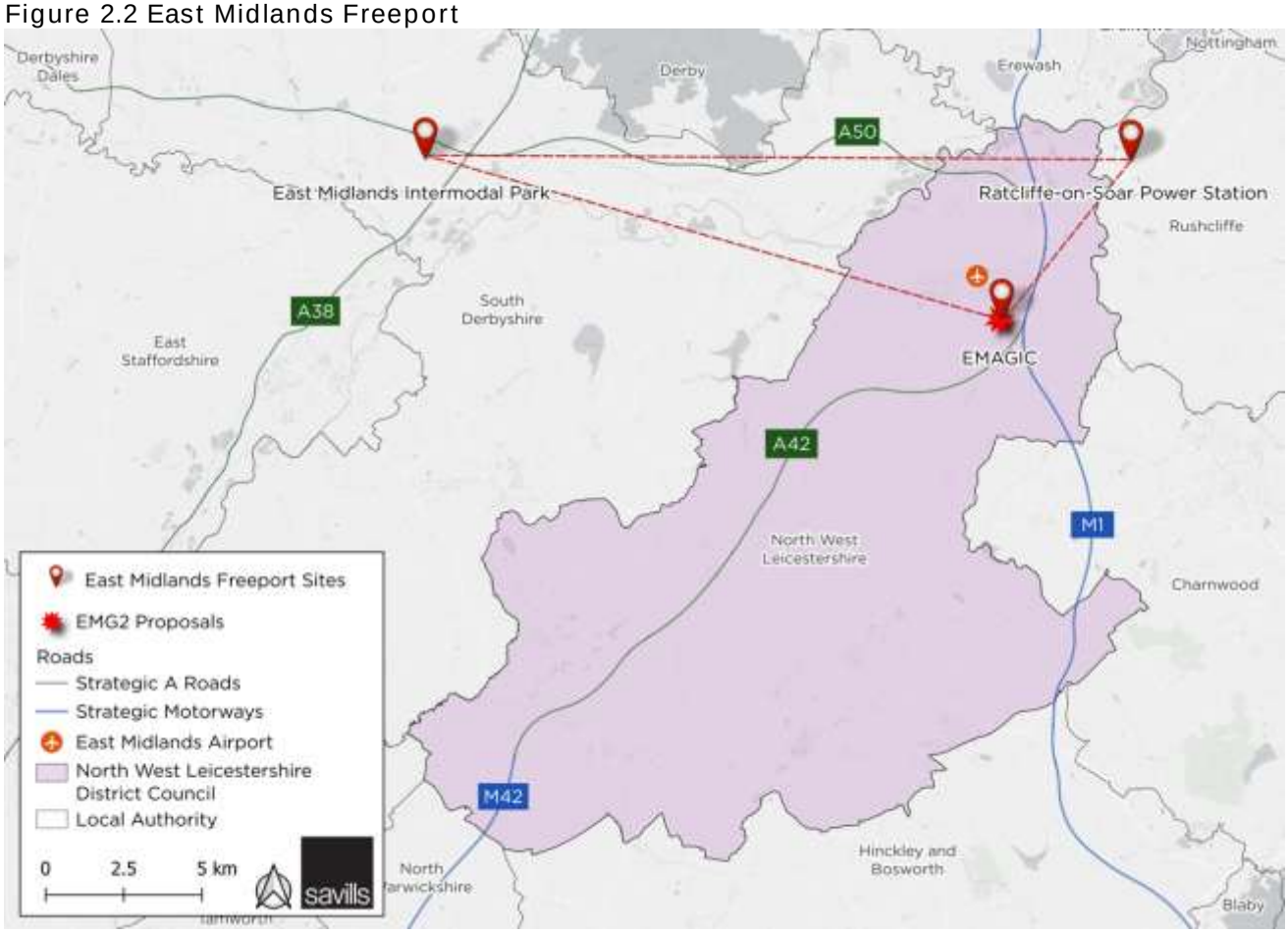
2.2 East Midlands Freeport – creating a favourable business environment

2.2.1 In 2022, the Government announced the creation of the East Midlands Freeport, the only inland freeport in England. Freeports are government backed, designated areas, which benefit from favourable business conditions that help to stimulate economic activity, attract investment, and promote trade. The East Midlands Freeport is distributed across three main sites across the East Midlands:

- The East Midlands Airport and Gateway Industrial Cluster (EMAGIC) in North West Leicestershire;
- The Ratcliffe-on-Soar Power Station site in Rushcliffe in Nottinghamshire; and
- the East Midlands Intermodal Park (EMIP) in South Derbyshire.

2.2.2 The location of the East Midlands Freeport and its respective sites is illustrated in Figure 2.2.

Figure 2.2 East Midlands Freeport



Source: Savills 2024

2.2.3 The EMAGIC cluster, located in NWL and home to Phase 1 of the East Midlands Gateway (EMG1) and the East Midlands Airport (see following sub-sections below), offers a range of business incentives and support mechanisms to stimulate economic activity for businesses located at the site. These include specific tax and customs reliefs (e.g. stamp duty relief, business rates relief), simplified customs procedures, VAT suspensions, as well as access to a range of support from government around planning, infrastructure and innovation schemes.

2.2.4 The location of a Freeport within the East Midlands, with a tax-relief site located specifically in North West Leicestershire (EMAGIC), is recognition by government of the critical role the area has to play in promoting global trade, investment and innovation within the UK. Indeed, the combination of NWL's proximity to major transport routes (discussed above) and the benefits provided by the East Midlands Freeport creates a powerful synergy. This synergy enhances NWL and the wider region's capability to serve as a major logistics and distribution hub, supporting national and international supply chains. We consider below the specific sites within the EMAGIC cluster – namely the East Midlands Airport and the East Midlands Gateway Logistics Park (EMG1).

2.3 East Midlands Gateway Logistics Park, Phase 1 (EMG1) and the role of SRFIs

2.3.1 The East Midlands Gateway Logistics Park (known as EMG1) forms part of the EMAGIC cluster within the East Midlands Freeport. It is a nationally significant infrastructure development comprising a rail freight terminal and approximately 5 million sq.ft of logistics space. As such it is considered to be a Strategic Rail Freight Interchange (SRFI).

2.3.2 SRFIs as defined in the Planning Act 2008, are distribution centres that seek to optimise the use of rail freight journeys by connecting to both the rail and strategic road network (SRN). They typically comprise a large rail served distribution and warehouse park linked into both rail and the SRN. The Government supports the creation of a series of SFRIs across the UK, with the aim to reduce lorry movements from the roads and transfer them onto the rail network, reducing both road traffic congestion and carbon emissions (see Section 3.2 for more details).

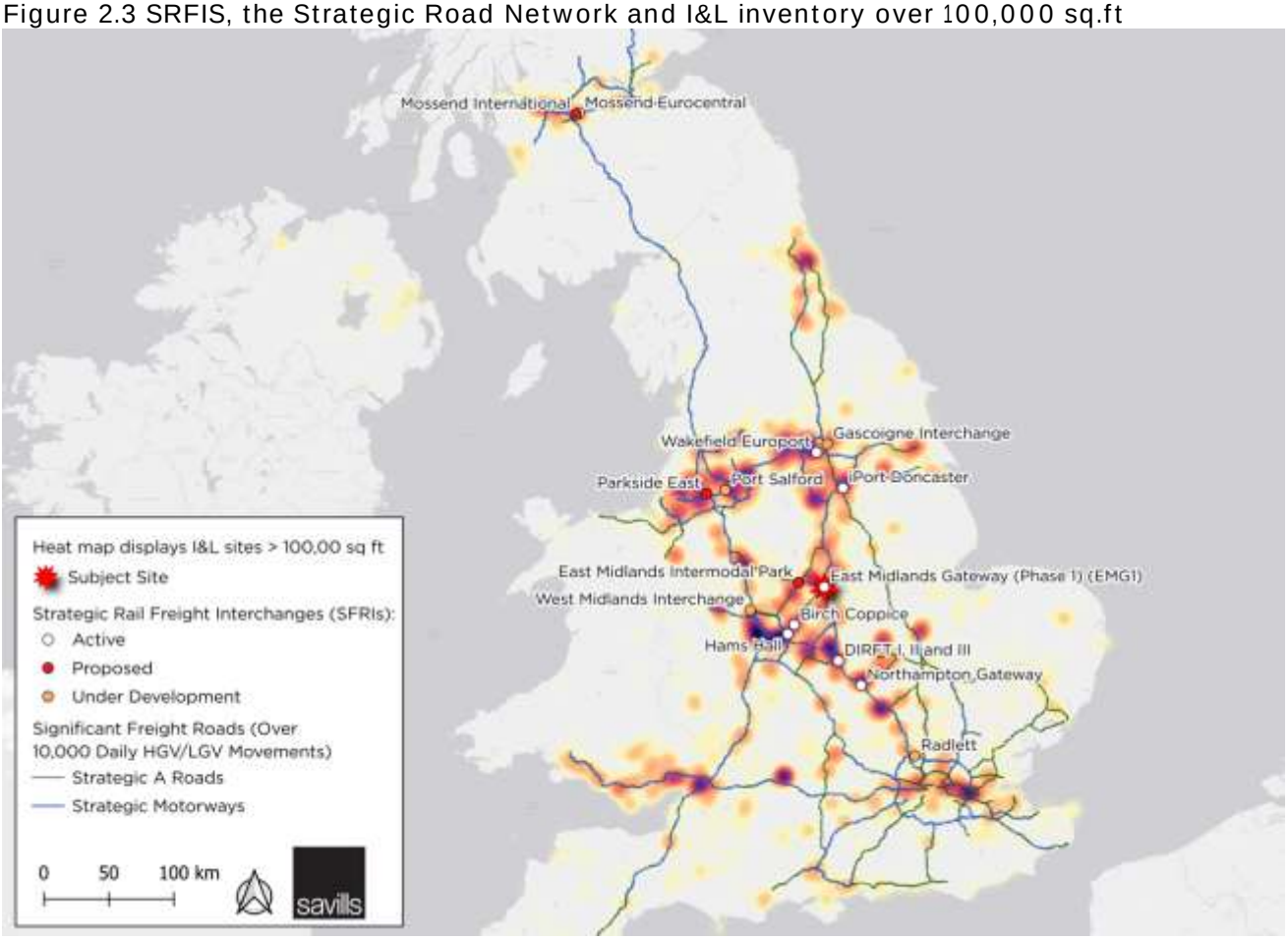
2.3.3 As such, SRFIs, such as EMG1, are vital components of modern logistics and transport networks, facilitating the efficient transfer of goods between rail and road transport, improving the overall efficiency of the logistics supply chain, and critically reducing carbon emissions. The Proposed Development, by providing integrated improvements and additional warehousing facilities on Plot 16 at EMG1, will create the conditions to improve handling efficiencies, further enhancing the capabilities and operation of the existing SRFI. This will benefit not just the existing businesses at EMG1, but a wide range of businesses located further afield.

2.3.4 Indeed, based on transport consultants Maritime's experience, they suggest a 45 minute truck time as an appropriate catchment to identify the main off-site customer base of a SRFI. This is considered to be a reasonable drive time which most I&L companies would undertake to use the rail freight interchange to either collect or drop off materials and goods as part of their supply chain. Within a 45-minute truck drive time from the Scheme, there are approximately 112,000 businesses which could benefit directly from the expansion plans to Plot 16 at EMG1. This analysis recognises that not only will the rail-linked units within the existing EMG1 development benefit, but a wider business base within NWL and beyond.

2.3.5 At the national level, Figure 2.3 illustrates the location of the 16 SRFIs (either active or proposed[1]) within the UK, alongside the SRN and all I&L inventory over 100,000 sq.ft (presented as a heat map). Unsurprisingly, given their strategic importance, there is a strong correlation between the I&L inventory hotspots, the SRN and the SRFIs. Indeed, it is estimated that approximately 3% of all I&L inventory over 100,000 sq.ft in the UK is supported at the 7 active SRFIs, rising to around 5% when taking into account the floorspace that is set to come forward at the proposed or under development SRFIs.

[1] Network Rail Freight Map – intermodal sector. Available here: https://www.networkrail.co.uk/industry-and-commercial/rail-freight/freight-site-opportunities/

Figure 2.3 SRFIS, the Strategic Road Network and I&L inventory over 100,000 sq.ft



Source: Savills 2024

2.3.6 The fact that NWL is home to an SRFI, again underlines its role as a prime logistics location, with I&L business located within the area able to benefit from the enhanced connectivity and integration of transport modes it brings.

2.3.7 The attractiveness of NWL as an I&L location and the strong demand at this location is further evidenced by the fast take up of space at EMG1. A timeline of 10 years was originally envisaged for completion of the scheme but after just 4 years all land capable of accommodating a unit in excess of 96,000 sq.ft (9,000 sq. m) was taken[2]. EMG1 has therefore clearly been very successful, and by providing integrated improvements and an expansion to the warehousing facilities at Plot 16 via the EMG2 proposals, its operational efficiency will further improve.

2.3.8 Moreover the wider East Midlands region is home to another active SRFI at DIRFT (Phases I and II) along with a further two SRFIs proposed or under development at Northampton Gateway and East Midlands Intermodal Park. There are also further expansion plans underway to extend the DIRFT SRFI via its Phase III development.

2.3.9 The clustering of SRFIs within the East Midlands region (Figure 2.4) is purely down to

[2] Hinckley National Rail Freight Interchange – Logistics Demand and Supply Assessment (Tritax Symmetry)

market forces. While the development of SRFIs are of national strategic importance, they need to be commercially viable, given there is no current public financial support available for their creation. The fact that there are three active SRFIs in the East Midlands (EMG1, DIRFT and Northampton Gateway), as well as one further proposed in the planning pipeline, demonstrates the underlying attractiveness of NWL, and the East Midlands more generally as a logistics location. This is a result of the strategic advantages discussed above.

Figure 2.4 Clustering of SRFIs in the East Midlands

Source: Savills 2024

2.4 East Midlands Airport

2.4.1 The East Midlands Airport (EMA) is the primary customs site in the East Midlands Freeport. It handles the second-highest volume of air freight in the UK , after Heathrow, and is the UK's largest dedicated air cargo operation. This makes it the country's most important airport for express freight . Express freight relates to items that need to be transported from one place to another at short notice, including essential items such as

pharmaceuticals.

2.4.2 Major logistics companies, including DHL, UPS, and TNT, have established significant operations here, capitalizing on the airport's capacity, location and efficiency. The airport is also a major air-hub for the Royal Mail.

2.4.3 The airport's dedicated cargo facilities, extensive flight network, 24-hour operations, regulatory environment, and strategic position, makes it a pivotal asset to NWL and the wider region's logistics and supply chain network. I&L businesses located within NWL and beyond benefit from their close proximity to the airport, given it provides a gateway to international markets, as well as efficient delivery to domestic regional markets by air.

2.5 Location within the Golden Triangle

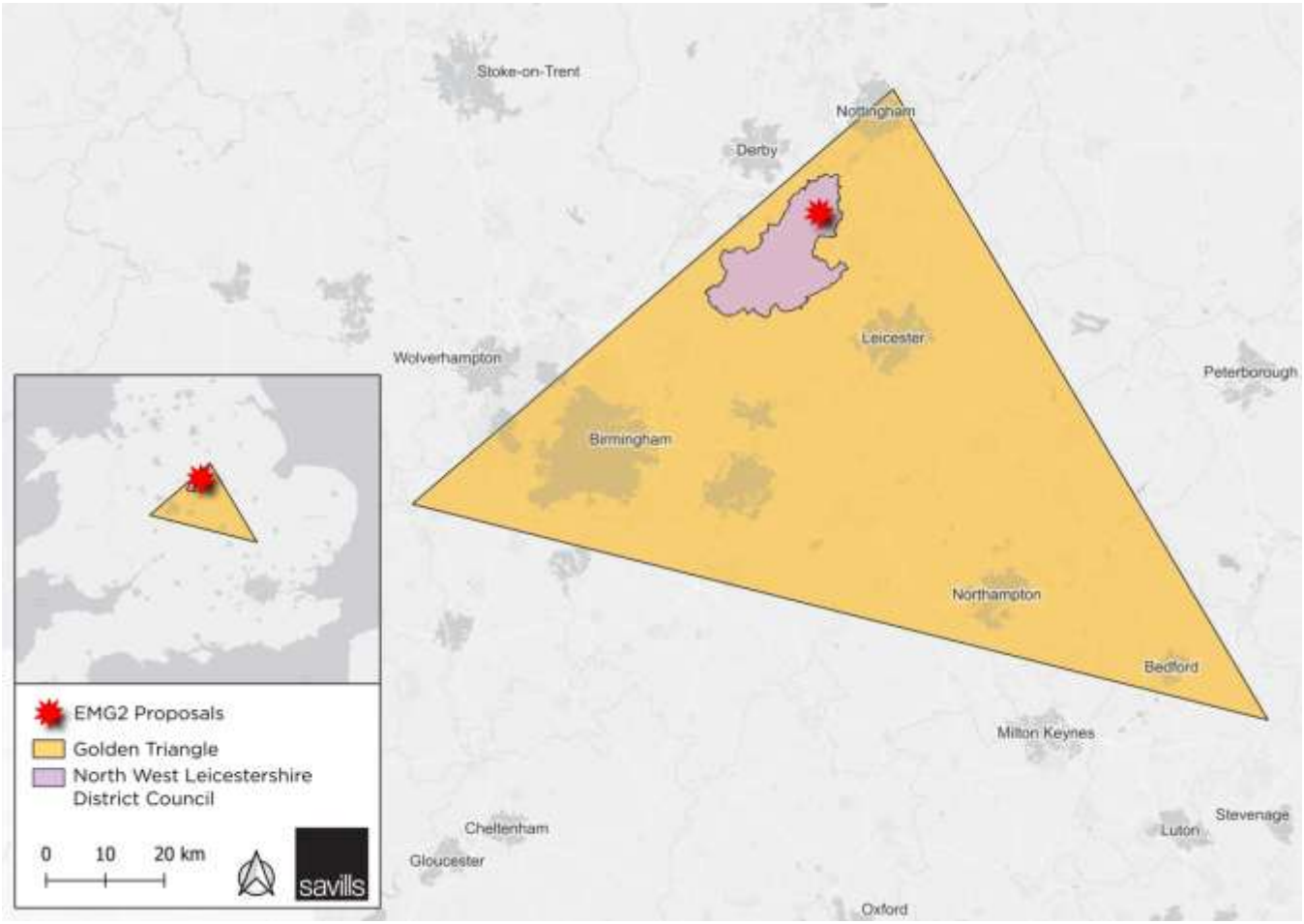
2.5.1 NWL's strategic position, infrastructure and supportive business environment explains why it is one of the most important logistics locations in England. This is validated by the local authority's position at the northern tip of England's I&L 'Golden Triangle'.

2.5.2 The Golden Triangle[3] is the name given to an area of the Midlands comprising of around 289 square miles that is renowned for its high density of distribution facilities (Figure 2.5). It is positioned at the heart of the UK, making it an ideal location for logistics and distribution operations given its high connectivity to the rest of the country.

2.5.3 The Golden Triangle's standing as England's primary I&L hub is evidenced by the fact that almost 50 million sqm of I&L space is located within its geographic area, equating to 16% of I&L inventory in England. This is despite its total surface area equating to only 0.6% of England's total surface area, illustrating the high density of distribution facilities within the Triangle.

[3]https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/articles/theriseoftheukwarehouseandthegoldenlogisticstriangle/2022-04-11

Figure 2.5 North West Leicestershire and England's I&L 'Golden Triangle'[4]



Source: Savills 2024

2.5.4 To further underline NWL's attractiveness as an I&L location, we have benchmarked its performance against the nine English regions, FEMA and national average in terms of:

- Average I&L Net Absorption as a % of inventory (2014-2023) – Net absorption, as will be discussed in Section 6, is the leading measure of leasing demand. It compares occupied space (move-ins) versus vacated space (move-outs). By expressing net absorption as a % of a market's inventory, we are able to show comparatively how strong demand is relative to the size of a market's inventory. This therefore allows fair comparisons to be made as to the strength of I&L demand between different market geographies of different sizes. A higher level of net absorption as a percentage of total inventory illustrates stronger demand in a market.

- I&L job growth (2015-2022) – compares job growth within the I&L sector across different markets. High job growth is a sign of a healthy or expanding economy, a

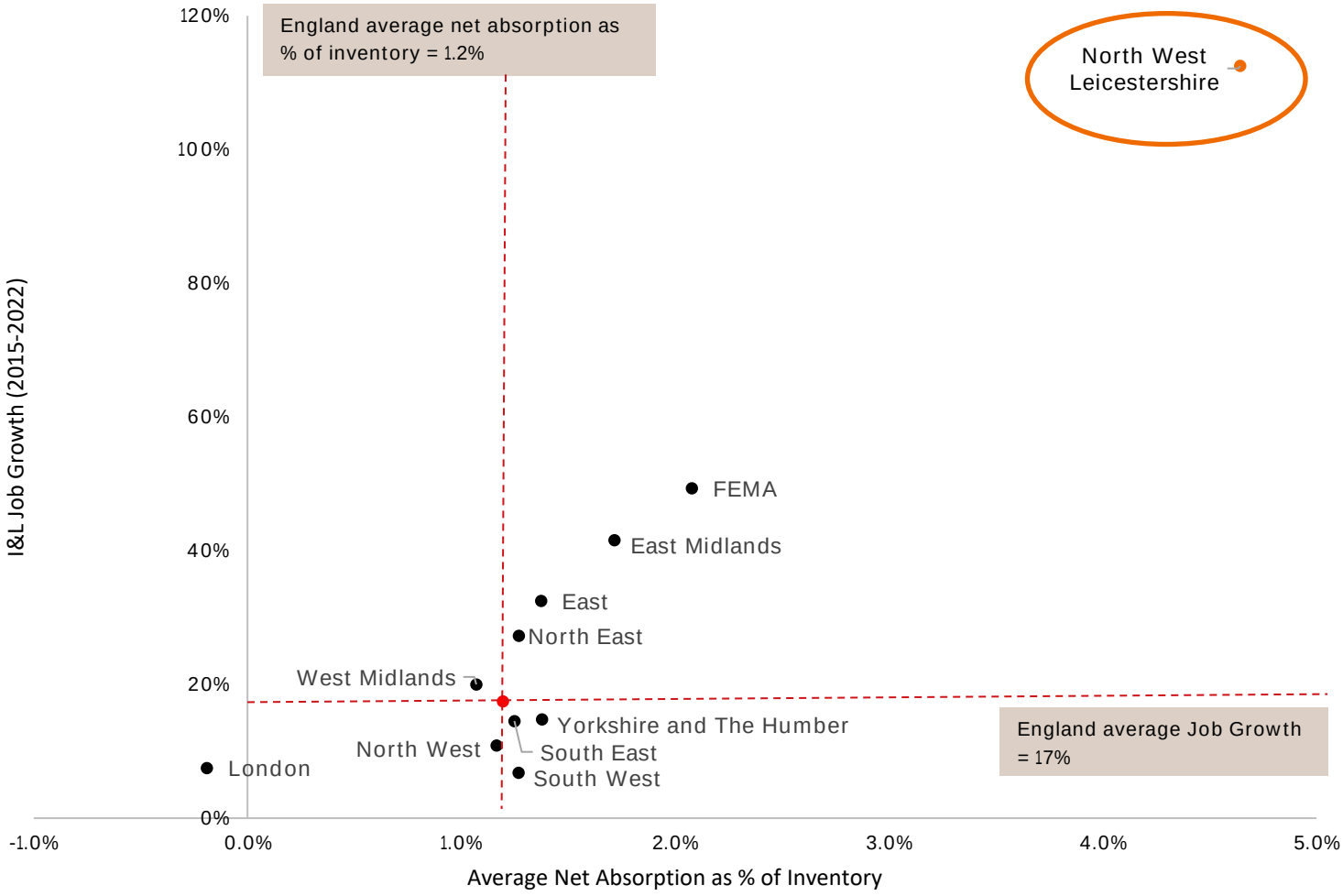
[4] There is no formal definition of the area that comprises the 'Golden Triangle', with varying interpretations of its geography. However, generally it is seen to encompass Nottingham, Birmingham, and a large stretch of the M1 down to Northampton. Please see: https://www.morganking.co.uk/blogposts/warehousing-and-the-golden-logistics-triangle/ and https://www.savills.co.uk/research_articles/229130/307719-0 for further details.

product of a number of demand side factors including increased investment, business generation and industry/sector expansion.

2.5.5 Taken together, these two metrics provide a robust view of a market's I&L demand side profile and attractiveness to I&L occupiers.

2.5.6 As illustrated in the scatter plot below (Figure 2.6) NWL outperforms all regions, the FEMA, and the national average across both metrics by a significant margin. I&L job growth since 2015 has been 60%, compared to the national average of 17%, while its net absorption as a % of inventory has been more than three times the national rate at 4.6%. The fact that NWL also outperforms the East Midlands region, which itself is considered a logistics powerhouse is further reflection of its standing. This clearly underlines the attractiveness and national significance of NWL as a prime I&L location.

Figure 2.6 Average Net Absorption as a % of inventory v I&L job growth (2015-2022)



Source: CoStar, ONS, Savills 2024

2.5.7 NWL's emergence as a premier logistics location in England is no coincidence. Its central location, excellent transport links, robust infrastructure, and business environment create

the conditions where logistics operations can thrive. As the logistics industry continues to evolve, NWL is poised to maintain its status as a critical hub, driving economic growth and facilitating efficient supply chains across the UK and beyond. The Proposed Development provides an opportunity for further growth and investment in a key and growing sector of the UK economy.

2.5.8 We now consider the strategic advantages which are specific to the Scheme.

2.6 The Scheme's Specific Strategic Advantages

2.6.1 As discussed in Section 1.2, the EMG2 Scheme comprises three interrelated component parts, with additional I&L land proposed at the EMG2 Main Site and the EMG1 Works components.

2.6.2 These component parts – which are located on land either side of East Midlands Airport - benefit from a number of strategic locational advantages which make them attractive for I&L development. These include:

- Proximity to nationally significant movement corridors (M1, A42 and A50);
- Convenient access to suppliers and end customers;
- Convenient access to a pool of potential workers (labour supply); and
- Convenient access to major freight handling infrastructure that can be utilised as part of I&L companies' wider supply chains

2.6.3 In addition, the EMG2 Main Site is located in immediate proximity to EMG1 (and its active SRFI), which is a clear locational advantage as discussed in Section 2.3.

2.6.4 The EMG2 Scheme is also located nearby to areas of deprivation which will benefit from the diverse range of jobs that the I&L sector provides.

2.6.5 We consider each of these strategic advantages in more detail below.

M1, A42 and the A50 are Nationally Significant Movement Corridors

2.6.6 As discussed above in Section 2.2, one of the foremost reasons for NWL's logistical importance, is its proximity to major transport routes, such as the M1, A42 and the A50. All three roads are nationally significant movement corridors that facilitate over 10,000 HGV and LGV movements per day.

2.6.7 The EMG2 Project (EMG2 Main Site and EMG1 Works), by way of its location immediately adjacent to the A42 and M1, means it is one of the best locations in NWL and the wider sub-region. It also has quick access to several other major routes in close proximity including the A50 and M6. Figure 2.1 in Section 2.2 illustrates the Scheme's location in relation to the strategic road network.

2.6.8 Proximity to significant movement corridors with direct access is extremely beneficial for

I&L occupiers and logistics companies in particular, given it reduces transportation time, costs and carbon emissions. It means I&L occupiers at the Scheme, and in particular the EMG2 Main Site, will be able to efficiently access a significant consumer and business base (see more details in following sub-section).

2.6.9 According to the Savills European Logistics Census[5], location is the most important factor impacting business investment decisions in the I&L sector (cited by 96% of respondents). Given the Scheme's prime location, it is ideally placed to support I&L development.

Accessibility to Suppliers and End Customers

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

2.6.11 If we take the middle ground of 2 hours, which is appropriate for most companies, up to 23.6 million people (40% of England and Wales's population), and approximately 870,100 businesses (35% of England and Wales's businesses) can be accessed from the Scheme[6]. Such impressive numbers are because large conurbations including Birmingham, Manchester, Leeds, Sheffield, Liverpool, Nottingham, Leicester, Wolverhampton and Stoke-on-Trent are all accessible from the Scheme within 2 hours truck time.

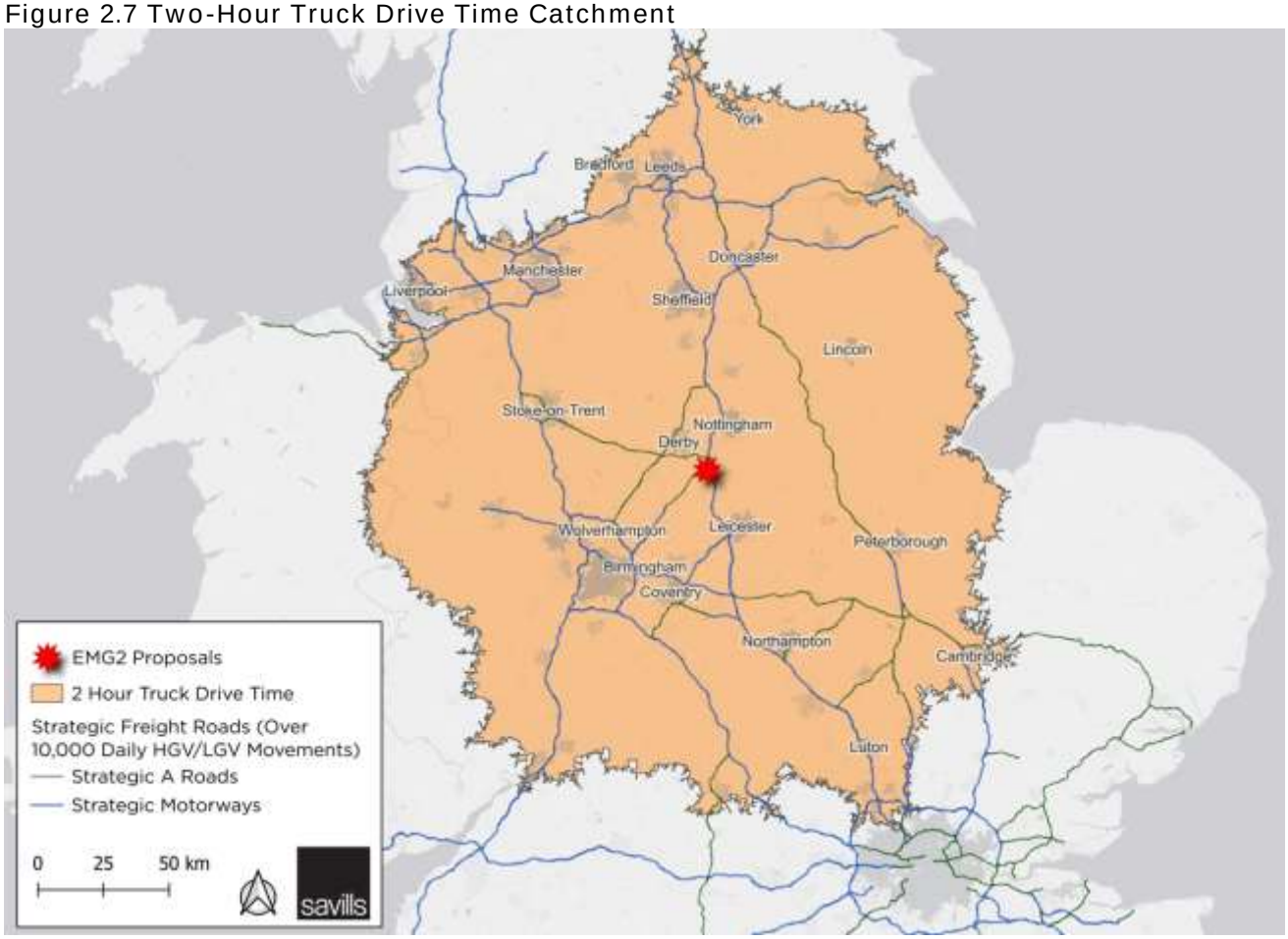
2.6.12 Extending the catchment to a 4 hour truck drive time, which is appropriate for larger companies that serve a national need, approximately 57.8 million people (97% of England and Wales's population), and approximately 2.4 million businesses (97% of England and Wales's businesses) can be reached from the Scheme. This analysis is relevant given the Proposed Development's scale, nationally significant importance, and the type of major I&L occupier it is likely to host.

2.6.13 The respective drive time catchments from the Scheme are shown in Figure 2.7 and Figure 2.8 below.

[5] Savills European Logistics Census (2023) is a survey of over 400 occupiers, developers, investors, landowners, asset managers, agents and advisors involved in the I&L sectors. Its aim is to understand opportunities and challenges facing the sector and is available at https://www.savills.co.uk/research_articles/229130/351442-0

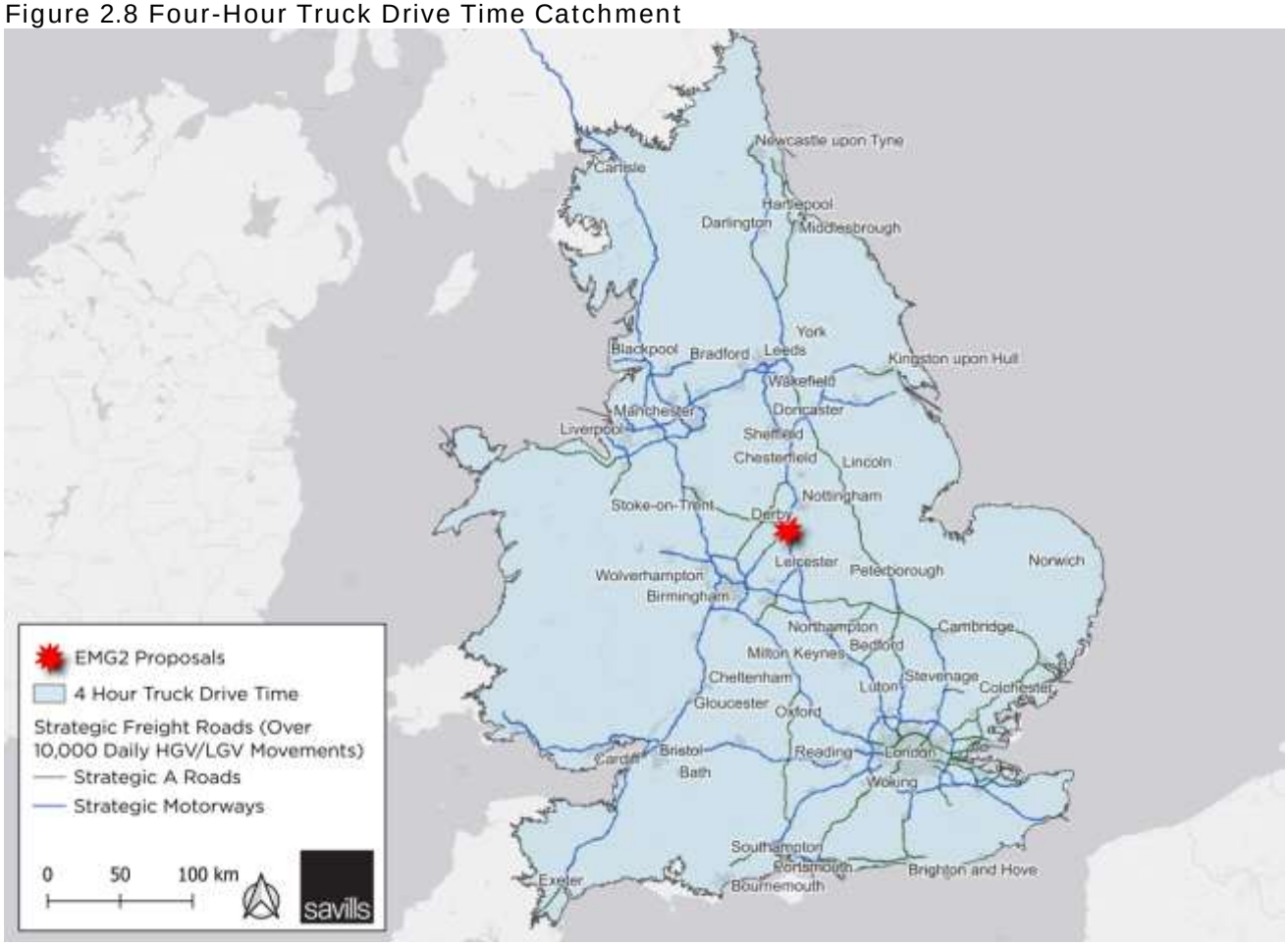
[6] This analysis uses GIS conducted on ONS Population Estimates (2020) and UK Business Counts (2023) data at Middle Layer Super Output Areas (MSOAs) and Lower Layer Super Output Areas (LSOAs). Drive times are calculated from the centre of the EMG2 Main Site.

Figure 2.7 Two-Hour Truck Drive Time Catchment



Source: Savills, 2024

Figure 2.8 Four-Hour Truck Drive Time Catchment



Source: Savills, 2024

Accessibility to a Large Labour Pool

2.6.14 One of the strongest parts of the UK economy currently is the low unemployment rate, which currently stands at 4.4% (July 2024). The flip side of this is that the availability of labour for UK companies has become increasingly challenging. As a result, labour availability has moved up the list of factors impacting investment decisions in the I&L sector as evidenced in Savills European Logistics Census, where around 50% of respondents state the importance of labour availability, up from 48% in 2022[7].

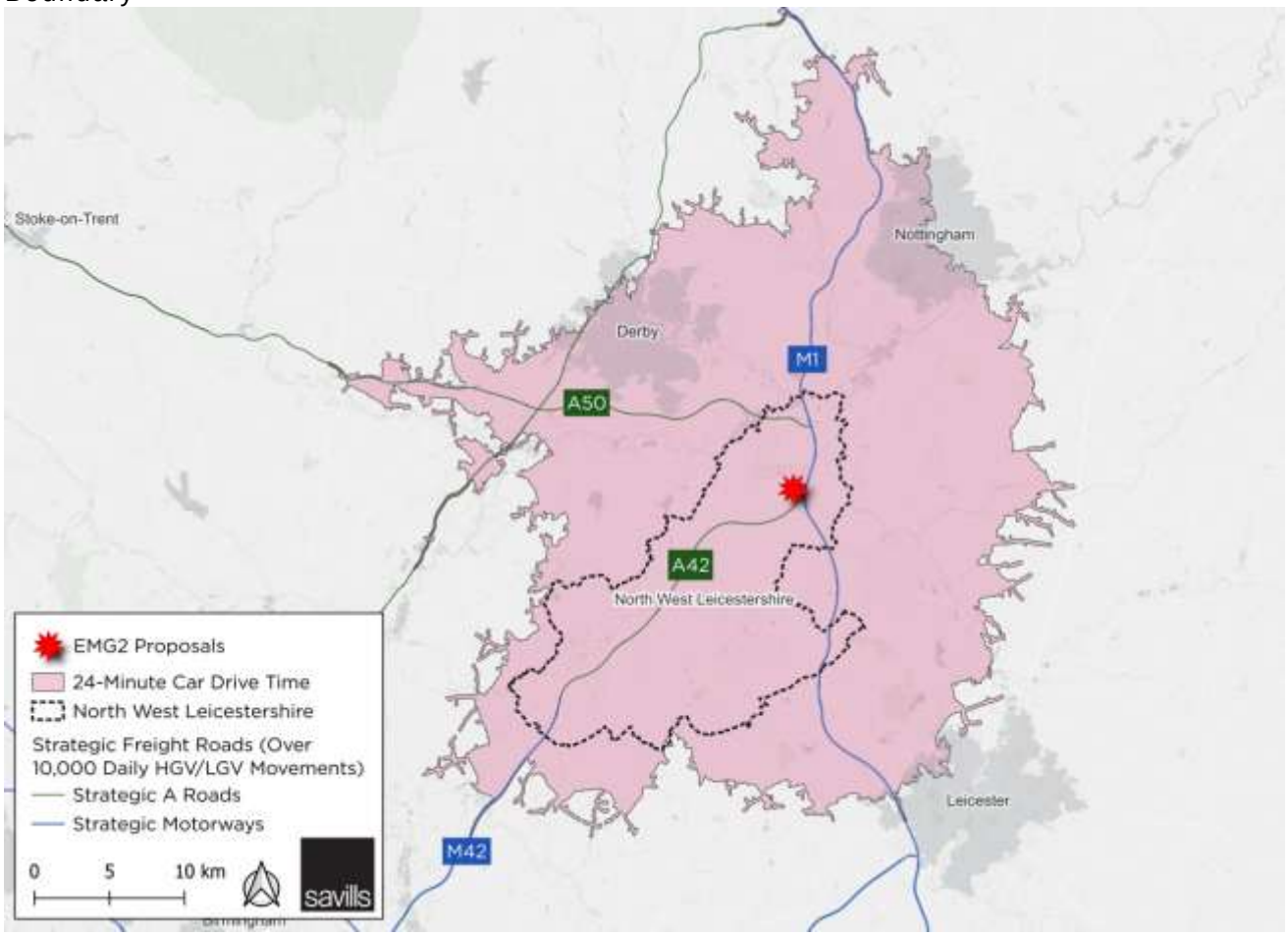
2.6.15 We consider a 24-minute car drive time catchment to be appropriate for accessing labour from the Scheme. This is the average home-to-work travel time for North West Leicestershire[8]. Within this catchment area, approximately 640,800 working-age people are accessible[9], representing a high level of workforce accessibility and a considerable labour pool for future businesses located at the Scheme, and in particular the EMG2 Main Site, to draw from (Figure 2.9).

2.6.16 Additionally, some people may be willing to travel further than the average drive time or

[7] Savills European Logistics Census (2023) Available at: https://www.savills.co.uk/research_articles/229130/351442-0.
[8] ONS User Request Data – 2018: TRVTME Usual home to work travel time (minutes) by Local Authority
[9] This analysis uses GIS conducted on ONS Population Estimates at Middle Layer Super Output Areas (MSOAs) (2020).). Drive times are calculated from the centre of the EMG2 Main Site.

use alternative methods of transport such as public transport. As a result, the potential workforce may be higher than this 640,800 figure.

Figure 2.9 24-Minute Car Drive Time Catchment and North West Leicestershire District Council's Boundary



Source: ONS, Savills 2024

Ability to Link with Major Freight Handling Infrastructure

2.6.17 Savills has advised on numerous major freight handling projects across England in recent times, many of which we highlight in Figure 2.3. These include West Midlands Interchange (WMI), DIRFT, Humber Ports, Ellesmere Port, Southampton Airport and Heathrow Airport, among others.

2.6.18 These projects have taught us that it's not only I&L premises located directly adjacent to freight handling infrastructure (i.e. airports, ports, and rail freight interchanges) that benefit from this infrastructure. For instance, a study[10] of the operations of DIRFT I and DIRFT II analysed the destination of outbound lorries leaving the rail terminal. It found that only 27% of all outbound lorries were destined to locations within the DIRFT estate. This means that the remaining 73% of lorries were moving goods further afield to

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

destinations that were not within the immediate surroundings of the local estate. This analysis is useful as it clearly indicates I&L developments not directly linked or within the estate of key freight handling infrastructure, but located relatively nearby, can benefit from its use as part of their wider supply chains.

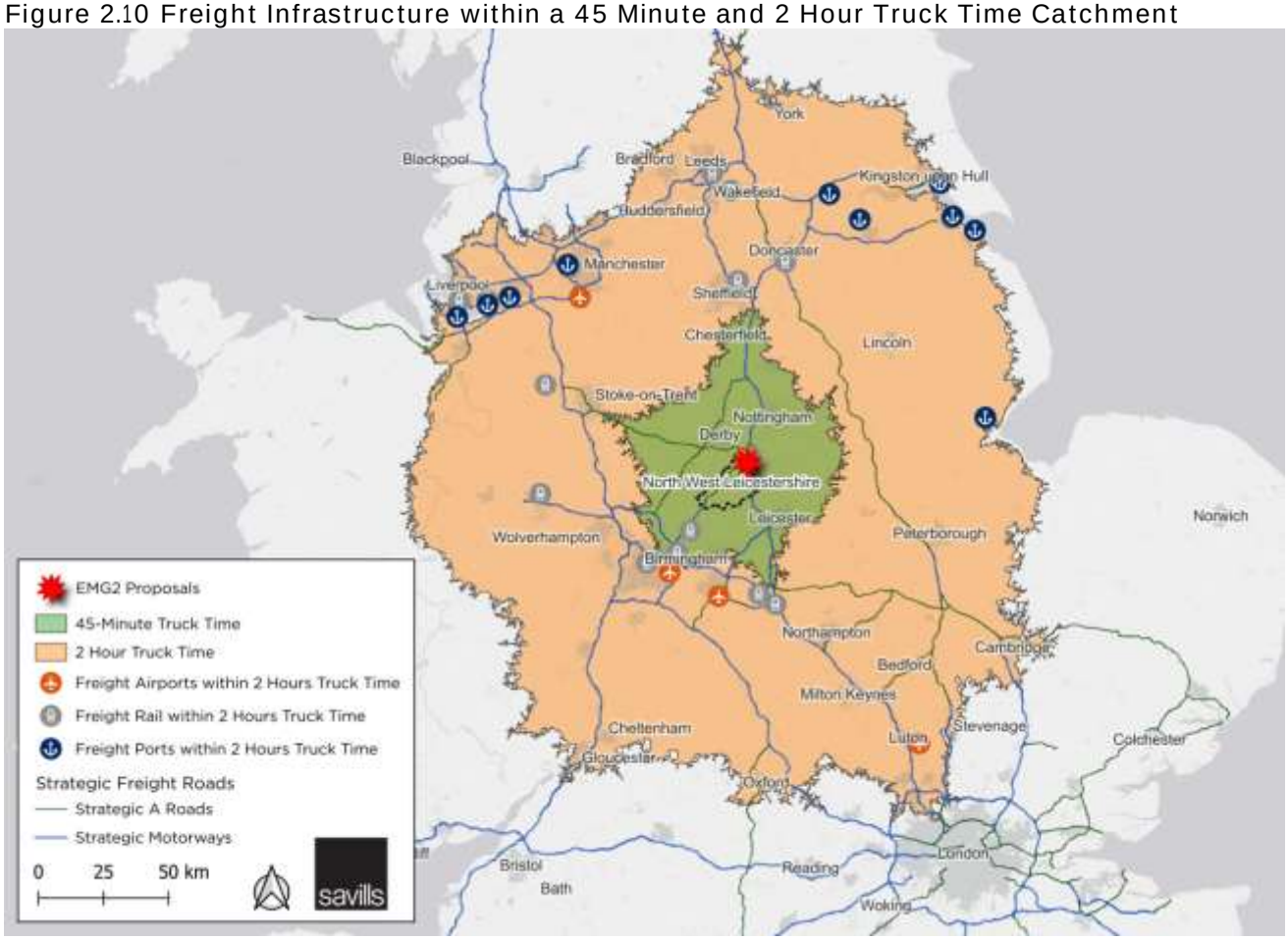
2.6.19 Again we consider a 2-hour truck-time catchment as suitable in capturing the majority of I&L businesses that may use freight handling infrastructure as part of their supply chains. We also map a 45 minutes' truck time catchment given that, based on previous work, this is what operators of rail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

2.6.20 Table 2.1 below lists the various freight handling infrastructure within a 45 minute and 2 hour truck time catchment of the Scheme, while Figure 2.10 below shows the geographic coverage of these catchments.

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

	45 Minute Truck Time Catchment	Between a 45 minute and 2 Hour Truck Time Catchment
Rail Freight Interchanges	East Midlands Gateway (Phase 1) (EMG1), Birch Coppice, Hams Hall	DIRFT, Lawley Street, Trafford Park, Ditton, Garston, Doncaster, Wakefield Europort, Leeds, Immingham, Basford Hall, Ditton, Rotherham, Rugby, Telford International Rail Freight Park (TIRFP)
Airports	East Midlands	Birmingham, Coventry, Manchester, Liverpool, Luton (Humberside, Leeds Bradford)
Ports	-	Boston, Ellesmere Port, Goole, Grimsby, Hull, Immingham, Port Warrington, River Trent, Runcorn Docks, Salford Quays

Figure 2.10 Freight Infrastructure within a 45 Minute and 2 Hour Truck Time Catchment



Source: Savills, 2024

Improving the Employment Prospects of Deprived Communities

2.6.21 As will be assessed in Section 3, contrary to some misconceptions, the I&L sector is a high value and well paid sector. It is also a significant employer, with at least 4.5 million people employed in the UK, with many more jobs supported in the supply chain.

2.6.22 The I&L sector has also become far more diverse in the last decade in terms of the different types of occupation it supports, providing employment opportunities across all skill levels and occupation roles. This is allowing it to be a key re-employer of people who have lost jobs in other sectors of the economy.

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

2.6.24 The logistics sector is also particularly good at providing employment opportunities to

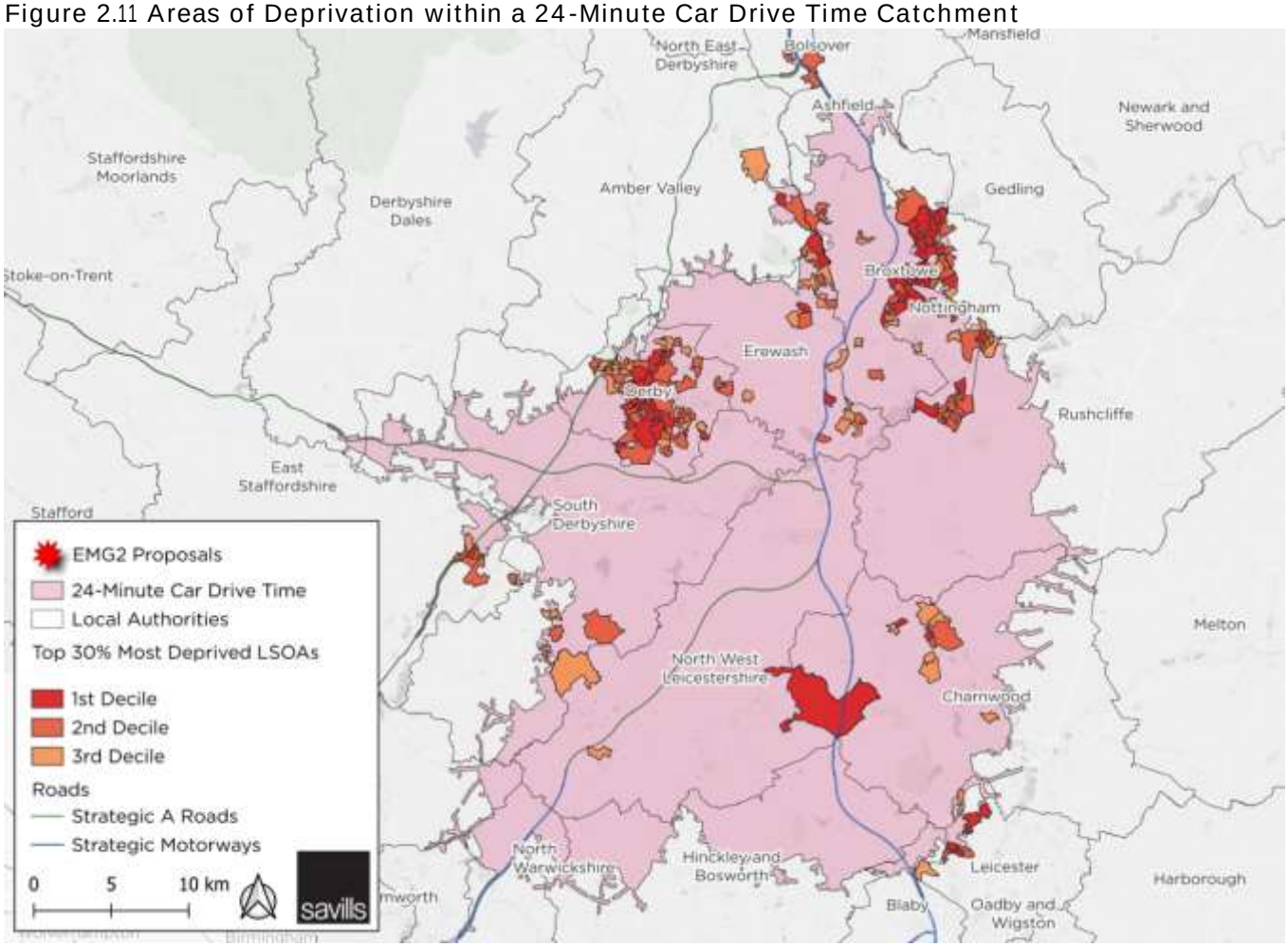
those that may not otherwise be in work. Based on a recent independent survey undertaken by YouGov, Frontier Economics found that 20% of people currently in logistics were previously unemployed, and that one in four within this group were long-term unemployed[11]. These statistics clearly show that the I&L sector is benefiting deprived communities.

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

2.6.26 The map in Figure 2.11 below shows that there are numerous neighbourhoods that score among the top 30% most deprived areas within England[12] within the 24-minute car drive time from the Scheme which is considered within commuting distance[13]. This means that the Proposed Development will increase the employment opportunities available to the residents of these highly deprived neighbourhoods.

[11] Frontier Economics (2022) The Impact of Logistics Sites in the UK. Available at https://logistics.org.uk/CMSPages/GetFile.aspx?guid=d3e3d23c-2dca-4b0a-8406-0d126c71eb4d&lang=en-GB
[12] IMD, 2019
[13] ONS User Request Data – 2018: TRVTME Usual home to work travel time (minutes) by Local Authority. Drive times are calculated form centre of the EMG2 Main Site.

Figure 2.11 Areas of Deprivation within a 24-Minute Car Drive Time Catchment



Source: IMD 2019, Savills, 2024

3 Key Trends in the I&L Sector

Introduction and Key Conclusions

Section Aim:

- This section considers some of the key trends that have been driving growth in the I&L sector, as well as the sector's underlying characteristics and critical contribution to the national economy.
- We draw upon analysis from Savills' recent publication for the British Property Federation ('BPF') 'Levelling-Up – The Logic of Logistics'[14], Savills' Big Shed Briefings[15], and other relevant research.
- This section goes on to summarise major policy support for rail freight, which is intrinsically linked to the I&L sector and the Government's wider transport decarbonisation plans.

Key Conclusions:

- The sector has proven resilient despite recent macro-economic challenges. While take-up of large I&L units (9,300 sqm + / 100,000 sq.ft +) at the national level dropped in 2023, it remained 12% above the pre-Covid average despite a macroeconomic climate underpinned by high inflation, rising interest rates and subdued growth.
- In 2024 H1, take-up nationally rebounded, and was 13% up on the long-term H1 average, a reflection of improving market sentiment. Similar trends are evident in the East Midlands region.
- Over the last 10 years, jobs in the logistics sector have grown by 27%, over twice the national average (10%).
- The sector's performance is being driven by a number of key structural growth drivers, including growth in online sales and growth in freight modes.
- The I&L sector is a major facilitator of other sectors of the economy and should be considered as 'critical national infrastructure'.
- Contrary to some misconceptions, the sector is a high value, well paid and occupationally diverse sector.
- Government policy is clear on the positive role of rail freight in achieving the UK's net zero ambitions, with the Government's report 'The Future of Freight; a long-term plan' containing specific measures to encourage modal shift. The Proposed Development which entails integrated improvements and an expansion to the intermodal rail freight terminal at EMG1, is highly aligned with national policy and will assist in meeting the Government's aspirations.

3.1 I&L Key Trends – Infographic

3.1.1 The 3 page infographic below presents the key national level trends impacting I&L.

[14] Savills and BPF (2022), *Levelling Up – The Logic of Logistics*
[15] Savills Research (2024), Big Shed Briefing (July 2024). Available at: https://www.savills.co.uk/landing-pages/big-shed-briefing.aspx

A Resilient Sector

Strong National Take-up as Market Sentiment Improves in 2024

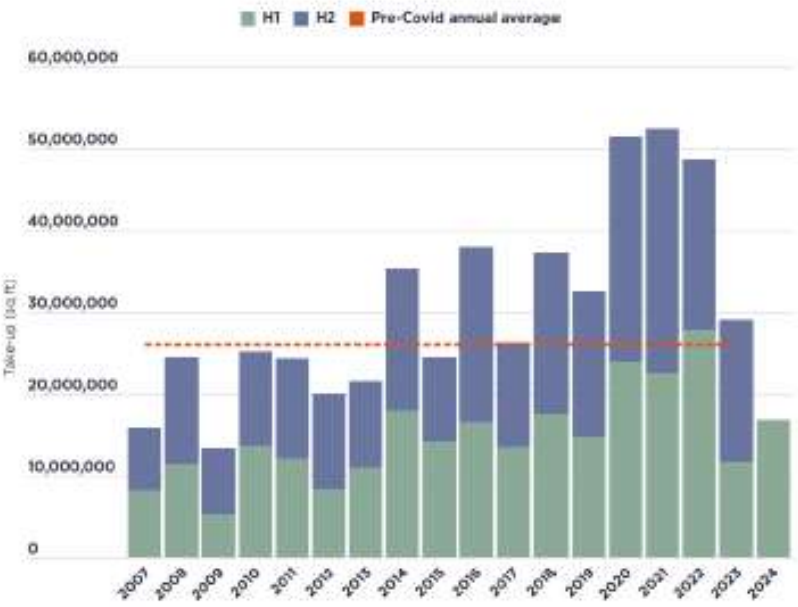
Savills' July 2024 Big Shed Briefing (which assesses large I&L premises above 9,300 sqm/100,000 sq.ft) found that at the national level, take-up for the first half of 2024 reached 1.6 million sqm (16.82 million sq.ft) across 63 transactions. This is a 44% increase on H1 2023, and a 13% increase on the long-term average, demonstrating improving confidence as the year progresses with 61% of take-up occurring in Q2.

This follows a more subdued year in 2023, with the challenging macroeconomic climate, underpinned by high inflation, rising interest rates and subdued growth, resulting in take-up nationally falling below the heights reached in 2020-2022.

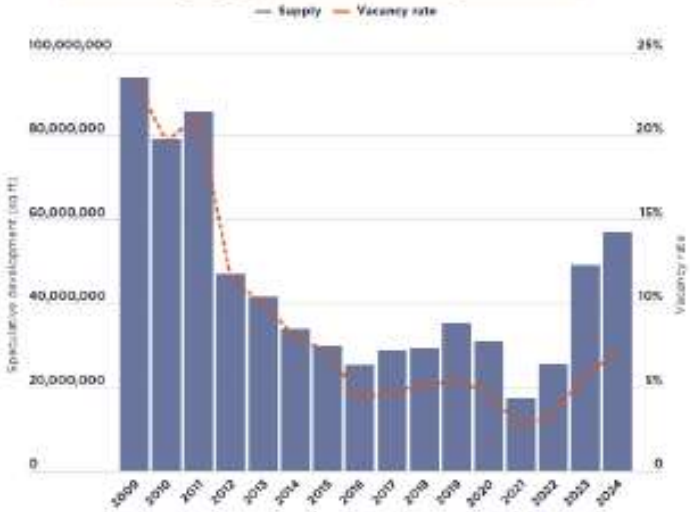
Nevertheless, it should be noted that take-up remained above the pre-Covid average despite the macroeconomic challenges, illustrating the **resilience of the sector and its underlying demand drivers.**

With the fundamental growth drivers underpinning the I&L sector set to remain strong (as discussed further on the following page), and market confidence improving as the outlook for the wider economy improves, it is expected take-up levels will continue to improve in the second half of the year.

I&L Sector Take-up (9,300 sqm+)



I&L Supply and Vacancy Rate



Rising Supply at the National Level

The supply of premises nationwide (in units above 9,300 sqm / 100,000 sq.ft) has risen to almost 5.2 million sqm (56 million sq.ft) reflecting a vacancy rate of 6.95%. Despite rising, this level remains much lower than in the period after the Global Financial Crisis ('GFC') when the vacancy rate use to be well above the 10% mark.

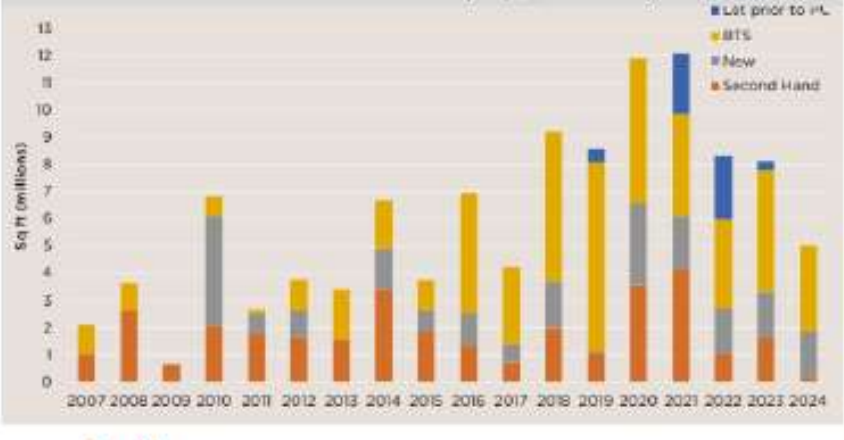
While all regions have seen a rise in supply over the last year, there remains a shortage of supply of high-quality Grade A space. Given the increasing costs associated with running warehouses, it comes as no surprise that occupiers are gravitating towards better quality buildings with better Environmental, Social and Governance ('ESG') features.

National Trends are reflected in the East Midlands Region

Within the East Midlands, take-up in 2023 reached 8.12 million sq.ft across 26 transactions - a 33% increase above the long-term annual average. In 2024, occupier activity has rebounded further, with take-up already reaching 5.02 million sq.ft across eleven transactions, an 87% increase above the long-term H1 average. This further underlines the resilience of the I&L sector, particularly in the I&L powerhouse regions such as the East Midlands.

Analysis of transactional activity by specification shows a clear preference for larger, highly specified units, with 63% of space transacted in H1 2024 being BTS space, 34% being speculatively developed space, and just 3% being second-hand space.

East Midlands Take-up (9,300 sqm+)



I&L Growth is Structural, Not Cyclical

Critical National Infrastructure

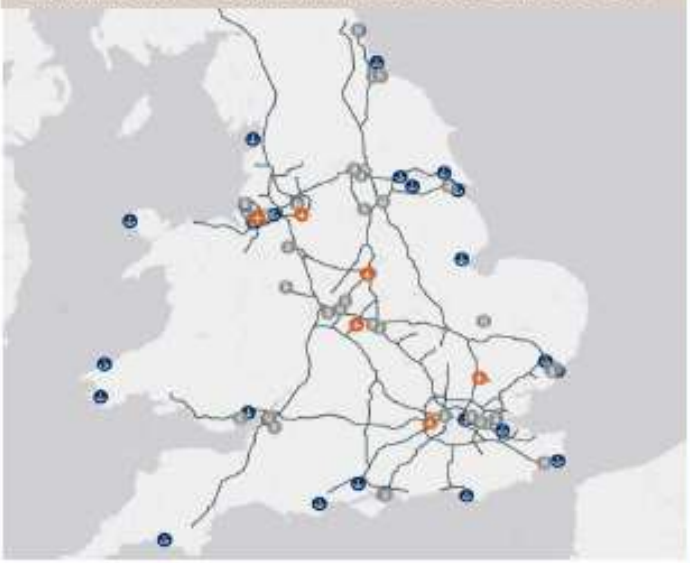
The past decade has seen the I&L sector undergo a remarkable transformation, reshaping operating models and occupier requirements. The sector should be considered as "critical national infrastructure' that supports the functioning of our economy and the way we live our lives.

The I&L sector enables the movements of goods across a multi-modal network of road, rail, air, and water routes. Most businesses draw on supply chains that rely upon these multiple modes of transport and on the transfer between freight nodes to warehouses, and then finally onto the end customer.

Without these facilities, the delivery of our purchases would be much slower, more expensive and we would have less choice.

The sector's performance is being driven by a number of key structural growth drivers including:

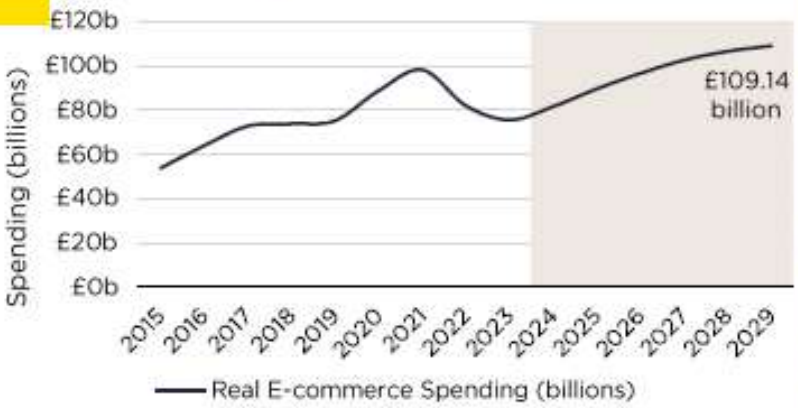
Significant Freight Infrastructure in the UK



1. The Rise of E-Commerce

E-commerce has grown substantially over the past decade, with the Covid-19 pandemic accelerating this trend. Statista, a respected source of online retail projections, estimate that inflation adjusted online retail will grow to £109 billion by 2029.

The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers (Prologis, 2016).



Source: ONS (Historic), Statista (Forecast)

Source: DfT, MDS Transmodal, Boeing, Savills

2. Growth in Global Freight Flows

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

3. Geopolitical Events

Recent geopolitical challenges (e.g. Brexit and the Covid-19) have highlighted the UK's reliance on unpredictable international supply chains. As such, companies have started to re-shore and near-shore their operations closer to end customers in the UK to minimise future disruptions. This results in a net increase in demand for I&L units in the UK.

Real Estate Implications

Continued strong demand for I&L land has meant availability has remained below the 8% equilibrium rate at the national level for much of the last decade.

When new development is built it is quickly occupied. The lack of available supply means demand is 'suppressed' as not all occupiers can find the space they need.

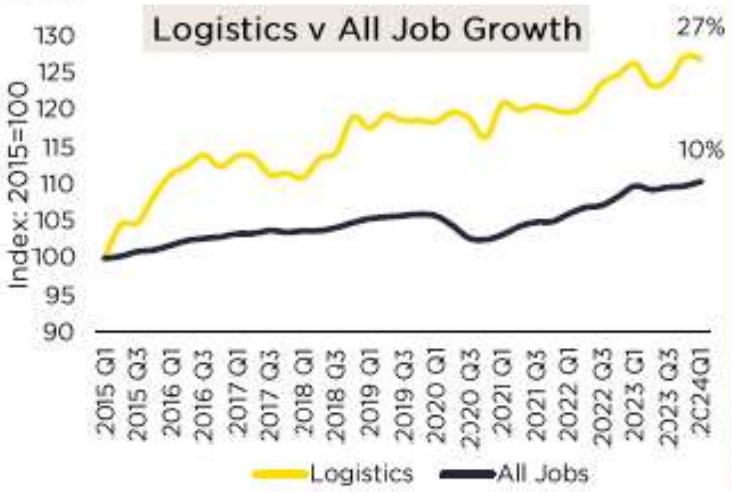
To eliminate this supply-demand imbalance, more development is needed at a rate above historic levels.

I&L GROWTH IS STRUCTURAL, NOT CYCLICAL

The I&L Sector is a high-value, well paid and occupationally diverse sector

I&L is the fastest growing sector of the economy

The logistics sector is the fastest growing segment of our economy, both in recent years and over the long term. Between 2015 Q1 and 2024 Q1 the number of jobs in the logistics sector grew by 27% compared to only 10% across the economy as a whole.



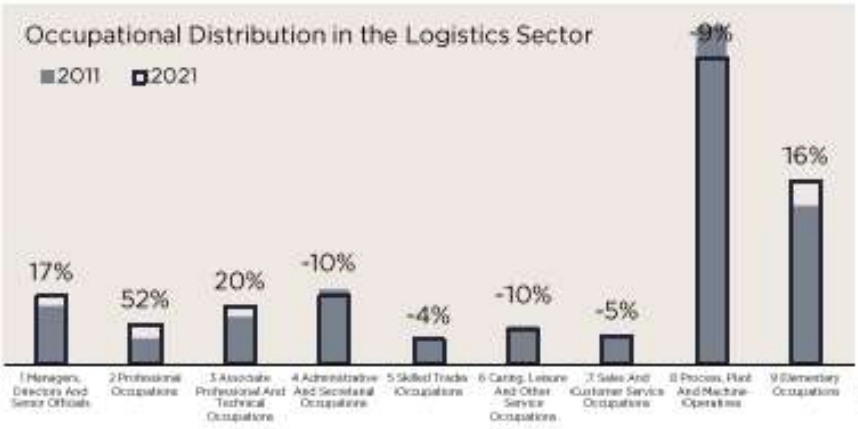
Source: ONS Workforce Jobs by Industry

I&L Jobs Pay More than Average

Source: ONS ASHE

Notwithstanding its importance in terms of employment and GVA contribution, the I&L sector is subject to a number of misconceptions about average pay levels and skills.

Compared to the All-Sector average, Logistics and Manufacturing sectors' annual median wages are +£2,700 per annum higher and +£3,800 per annum higher respectively. In addition, entry-level jobs in logistics are relatively well-paid, with median annual pay being 47% higher than across jobs in the same occupational category (Frontier Economics, 2022).



Source: ONS Annual Population Survey

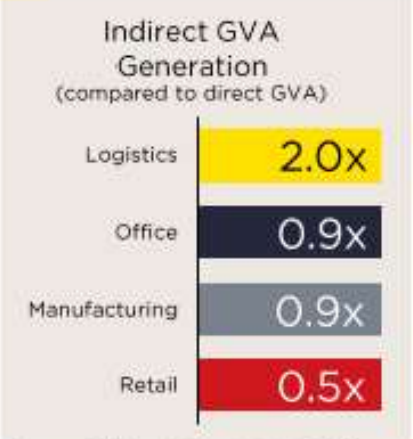
High-skilled, quality jobs

The jobs offered within the sector are becoming higher skilled and more diverse. Within the Transportation and Storage industry, the highest skilled occupations (Groups 1-3) have increased by 25% between 2011 and 2021. These roles are associated with engineering and technological professions in response to automation and robotics and increased office collocation.

Economic Contribution is Much Larger Than On-Site Jobs

A common misconception about the I&L sector being a low-density employer, fails to recognise the wider role it plays in supporting jobs which are not physically within a warehouse but are enabled by its operations. For every 10 new warehousing jobs created onsite, another 7 to 12 jobs are created offsite.

The indirect GVA of logistics in the UK is 2.0 times the direct GVA, vastly greater than other sectors. This effectively measures the role is plays in supporting other business sectors and the economy more generally.



Source: ONS Input Output Tables 2019

HIGH VALUE, WELL PAID AND OCCUPATIONALLY DIVERSE SECTOR

3.2 National Policy to support Rail Freight

3.2.1 Intrinsically linked to the I&L sector is rail freight, which has grown in prominence as one of the key drivers behind the Government's ambitions to decarbonise the UK's transport system.

3.2.2 There is a well-established national policy to grow rail freight in the UK as confirmed and set out in the Government's extensive report 'The Future of Freight; a long-term plan' published in July 2022. This follows other government policy papers including:

- Department for Transport's (DfT's) 'National Policy Statement (NPS) for National Networks' (2014);
- DfT's 'Decarbonising Transport – a better, greener, Britain' report (Transport Decarbonisation Plan) (2021); and
- Great British Railways: Williams-Shapps plan for rail (WSPR) white paper (2021).

3.2.3 Indeed, the recent DfT's Future of Freight: a long-term plan, reiterated the findings of the WSPR, noting: *'The government is committed to supporting rail freight to enable it to thrive and grow recognising the role the sector will play in achieving net zero targets and the government's ambitious economic and Environmental agenda'* (page 50).

3.2.4 It also reiterated: '*The WSPR rightly gave a high priority to the economic and environmental benefits of rail freight, putting rail freight at the centre of its reforms with ambitious plans to grow rail freight and ensure key protections for rail freight are prioritised'* (page 50).

3.2.5 Government policy is clear on the positive role of rail freight in achieving the UK's net zero ambitions, now enshrined in law[16]. Fundamentally, transport of freight by rail produces less Greenhouse Gas (GHG) emissions per km tonne moved than road. The WSPR acknowledges that '*freight trains reduce road congestion, connect markets over long distances and are much less carbon intensive than road freight'* (page 78). Meanwhile the DfT's 'Future of Freight; a long-term plan' states *'Rail freight is on average 76% more GHG efficient per freight tonne km than road freight'* (page 23).

3.2.6 A modal shift (i.e. moving more freight onto rail) is encouraged as a key measure in decarbonising the UK's transport system to meet the overall net zero objective.

3.2.7 A key commitment of the DfT's 'Transport Decarbonisation Plan' is to support modal shift of freight from road to rail. *'The modal shift of freight from road to rail would not only lead to a reduction in GHG levels but also reduce congestion and noise pollution.'* (Page 139). *'A shift to zero carbon modes of transporting goods and services including greater use of rail and maritime, will make our freight system net zero before 2050.'* (Page 39)

3.2.8 Both this plan and the government's more detailed strategy published in 2022 (Future of

[16] In June 2019 the Government amended the Climate Change Act 2008 to set a new legally binding target to achieve 'net zero' GHG emissions from across the UK economy by 2050. In 2021 it made a further commitment as part of its 6th Carbon Budget to reduce GHG emissions by 78% on 1990 levels by 2035, bringing the UK to more than three quarters of the way to its net zero target.

Freight; a long term plan) contain specific measures to encourage modal shift including: grants for routes where road haulage has a financial advantage; working with industry on understanding opportunities / barriers to innovative freight modes (such as freight on light rail, high speed rail freight into cities); and publicity and communication campaigns to raise the profile of cross-modal freight and its benefits.

3.2.9 The NPS also highlights in particular how intermodal rail freight and Strategic Rail Freight Interchanges (SRFIs) are important for delivering modal shift. Specifically, intermodal rail freight offers the flexibility to travel longer distances by rail (circa 120 miles or more) and shorter distances by road, helping to relieve congestion and CO2 emissions by replacing larger numbers of HGVs on the road.

3.2.10 SRFIs, as assessed in Section 2 are vital components of modern logistics and transport networks. They optimise the use of rail in the freight journey by maximising rail trunk haul and minimising some elements of the secondary / final distribution leg by road, including through co-location of other distribution and freight activities. SRFIs are key to reducing the cost to users of moving freight by rail, facilitating the transfer of freight from road to rail efficiently and thereby reducing trip mileage of freight movements on the national and local road networks. They reduce toad traffic congestion and ultimately carbon emissions.

3.2.11 The Proposed Development, which entails integrated improvements and additional warehousing facilities on Plot 16 at EMG1, will create the conditions to improve handling efficiencies at the existing SRFI. It is therefore highly aligned with national policy.

4 Review of the Evidence Base

Introduction and Key Conclusions

Section Aim:

- This section provides a high-level review of the most recent employment evidence covering NWL and the FEMA. Specifically we review the Warehousing and Logistics in Leicester and Leicestershire study, prepared by GL Hearn (The Strategic Warehouse Study, 2021) and the North West Leicestershire Need for Employment Land study, prepared by Stantec (the Stantec Study, 2020). We also review the 2024 Update to the Stantec Study, prepared by Rapleys.

- Our review seeks to understand the future demand methodologies used within the employment evidence and the various results they produce for I&L floorspace and land. A comprehensive review of the evidence is available in Appendix 1.

Key Conclusions:

- The Strategic Warehouse Study (2021) estimates the need for strategic (9,000 sqm+) B8 land across the FEMA over a 21-year period to 2041. The study estimates demand for 861 ha of strategic B8 land across the FEMA. The methodology used to generate the land estimate (a high replacement, sensitivity test traffic growth model) has a number of methodological issues, however most concerning is that it results in demand estimates that are lower than the past completions trends.

- This does not reflect market reality. As a result of the continued strength of the I&L market, supply continues to be depleted at a much faster rate than anticipated. This has direct implications for the amount of land which is necessary to meet future needs over the plan period.

- The Stantec Study prepared for NWL in 2020, estimates land requirements for I&L uses excluding strategic B8 uses in NWL over the period 2017-2039. The study estimates demand for 47 ha of land. The demand estimation method used to generate the estimate is based on GVA outputs which do not take account of historic supply constraints. The Study itself notes this as a limitation, and states that its estimates should be treated as a minimum as future demand has likely been underestimated.

- In July 2024, Rapleys prepared an Update Note to the Stantec Study, updating the evidence to reflect the forecast period 2024-2040. Using the same methodology used within the Stantec Study, Rapleys estimates demand for circa 36.5 ha of I&L land in NWL.

- The approaches used – while traditional methodologies applied within Local Authorities' employment evidence bases – will have likely resulted in an underestimation of the future need for I&L land.

4.1 Summary of Local and Regional Employment Evidence

4.1.1 Table 4.1 below summarises the three main employment evidences[17] concerning I&L demand in the FEMA and NWL in terms of their respective scopes, estimation methods used, their future I&L demand recommendations and Savills view of each report's methodological weaknesses. A full and comprehensive review is available in Appendix 1.

4.1.2 The Strategic Warehouse Study focuses on strategic B8 uses, and estimates demand across the FEMA over a 21-year period to 2041 (2020-2041).

4.1.3 The Stantec Study on the other hand focuses on I&L uses excluding strategic B8 in NWL over a 22-year period (2017-2039). The Rapleys Update Note updates this evidence for the period 2024-2040.

Table 4.1 Local and Sub-Regional Employment Studies

Study	Scope	Recommendations	Methodological Issues (Savills View)
Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change (2021) prepared by GL Hearn, MDS Transmodal and Iceni (Strategic Warehouse Study 2021) (amended March 2022)	• Geographic scope: Leicester City and Leicestershire Region • Uses: Strategic B8 (9,000+ sqm) • Time period: 2020-2041	Strategic B8 (FEMA-wide): 861 ha (2,571,000 sqm) (including 5 year safety margin)	• Preferred employment needs methodology – a replacement and traffic growth model - results in less demand than historic trend which is in direct contrast with the strength of the I&L market. • Demand estimates per annum are lower than the Housing & Economic Development Needs Assessment (HEDNA) estimates for strategic B8 made in 2017 by GL Hearn, even with a 5 year safety margin. Again in direct contrast with the strength of the I&L market. • Does not address strategic needs for B2 floorspace. • Unrealistic apportionment of demand to rail served sites vs road based sites. • Does not recommend how the regional need / demand is apportioned amongst local authorities in the region.
North West Leicestershire The Need for Employment Land prepared by Stantec (Stantec Study 2020)	• Geographic scope: North West Leicestershire • Uses: I&L uses excluding strategic B8 • Time period: 2017-2039	I&L uses excluding strategic B8: 47 ha (187,000 sqm)	• Preferred demand estimation method based on GVA outputs does not take account of historic supply constraints which the study itself notes as a limitation. • Preferred demand estimation method is completely different to the methods used by the Strategic Warehouse Study, resulting in lack of

[17] It has been advised that NWL Council has instructed Iceni to do a further evidence base report, as per the Local Plan Committee on 13th November 2024. This report has not been published at the time of writing.

			consistency between local and regional demand forecasts. • Different time period used to the Strategic Warehouse Study, again highlighting inconsistencies between local and regional demand forecasts.
North West Leicestershire The Need for Employment Land – Update Note prepared by Rapleys (July 2024) (Rapleys Update 2024)	• Geographic scope: North West Leicestershire • Uses: I&L uses excluding strategic B8 • Time period: 2020-2040	I&L uses excluding strategic B8: 36.5 ha (146,000 sqm)	• As above.

4.1.4 The above summary demonstrates that both reports (and the subsequent Rapleys Update 2024) 'do not talk to one another' which is a by-product of them using different demand estimation methods and focusing on different segments of the market (i.e. large warehouses above 9,000 sqm versus smaller warehouse and industrial units). While both reports note demand has outpaced supply historically, neither have addressed the impact low availability has on 'suppressing' demand as tenants can't find the space they need.

4.1.5 As we assess in detail in Appendix 1, these studies have a number of methodological flaws. The Stantec Study uses GVA Outputs to estimate future demand which the study itself notes as flawed because it does not address historic supply constraints.

4.1.6 The Strategic Warehouse Study uses a different set of demand estimation methods; its preferred method is based on replacement floorspace and road and rail freight flows. While this is an interesting approach, its final recommendations are not sensible given its future floorspace demand estimates are below historic completions. This is contrary to market realities whereby demand in the East Midlands in 2024H1 was 87% above the long term trend[18] and the sector has gone through a period of unprecedented growth (Section 3).

4.1.7 Indeed, neither of the methods used in the employment evidence have proved accurate in estimating future demand. If they did, availability wouldn't have remained low across the FEMA and NWL for the last decade, as we evidence in Section 5 (Figure 5.2). As a result, we have seen rental growth far above inflation (Figure 5.5) as occupiers compete for limited available stock.

4.1.8 Savills has developed their own demand methodology which takes a market signals approach, and which supplements the econometric approach undertaken by the Council to provide a complete picture of true future demand. We present our own view of future demand in Section 7.

[18] Savills Research (2024) July 2024 Big Shed Briefing: The Logistics Market in the East Midlands, available at: https://www.savills.co.uk/research_articles/229130/364003-0

5 I&L Market Assessment

Introduction and Key Conclusions

Section Aim:

- Within this section we consider supply and demand signals in the I&L markets of NWL and the Functional Economic Market Area (FEMA) the Scheme sits within. The aim of this analysis is to gauge the relevant market strength for I&L development within these geographies.

Key Conclusions:

- The Property Market Area (PMA) adopted for this Study is consistent with the Functional Economic Market Area (FEMA) defined in the Leicester and Leicestershire Housing and Economic Development Needs Assessment (HEDNA, 2017).
- The FEMA comprises the local authorities of Blaby, Charnwood, Harborough, Hinckley & Bosworth, Leicester, North West Leicestershire, Melton and Oadby & Wigston.
- Despite supporting a significant I&L market, the sector's economic potential is being inhibited by a lack of supply in NWL and the wider FEMA.
- NWL and the FEMA have both been supply constrained historically, with availability below the 8% equilibrium rate for all of the last decade. Current availability is at 5.0% and 6.4% respectively.
- The supply constrained nature of the market is further evidenced by the fact that based on the 2014-2023 demand trend, NWL and the FEMA have just 1.1 and 3.1 years left of supply available respectively, suggesting an immediate need for new I&L floorspace.
- Another confirming factor of demand outstripping supply is the rental growth within NWL and the FEMA, which is over two times the rate of inflation over the same time period.
- A similar trend is evident across the EMG Phase 1 Market Area, which has also been supply-constrained, as indicated by low levels of availability over the last decade, limited years of supply, and strong rental growth above the rate of inflation.
- The Proposed Development will help to address the demand and supply imbalance by delivering around 300,000 sqm of new and modern I&L floorspace at the EMG2 Main Site, and a further 26,500 sqm at the existing EMG1 site (EMG1 Works).

5.1 Defining a Property Market Area (PMA)

5.1.1 Before we can consider market demand and supply signals, we first need to define an appropriate Property Market Area (PMA). The PMA needs to be relevant to the Scheme, namely it is the broad 'area of search' the Site sits within that prospective I&L occupiers will consider when looking to lease space. Effectively the PMA includes the competitor locations to the Scheme for attracting occupier demand.

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

5.1.3 As noted in the Draft North West Leicestershire Local Plan 2020-2040 Proposed Policies for Consultation (2024) document (henceforth referred to as the Regulation 18 Policies Document)[19], NWL falls within the Leicester and Leicestershire Functional Economic Market Area (FEMA) which comprises the local authorities of Blaby, Charnwood, Harborough, Hinckley & Bosworth, Leicester, North West Leicestershire, Melton and Oadby & Wigston.

5.1.4 This FEMA was first defined in the Leicester and Leicestershire Housing and Economic Development Needs Assessment (HEDNA, 2017). The FEMA was determined following detailed analysis of a number of factors including the functional labour market and its sectoral composition, population analysis, transport links, infrastructure and the commuting patterns related to it.

5.1.5 The HEDNA notes that for the I&L sector, the area also forms part of a much wider logistics "golden triangle" which is formed by M42, M1 and M6. Similarly facilities such as East Midlands Airport will also have sub-regional significance. In practical terms however, the HEDNA advises that the FEMA should be drawn at the defined functional area, relating to the majority of economic activity.

5.1.6 The fact that the more recent Regulation 18 Policies Document (2024) has adopted the same FEMA as that first defined in the 2017 HEDNA, illustrates that no substantive evidence has emerged since the earlier report to depart from this definition.

5.1.7 Considering the evidence and conclusions presented in the 2017 HEDNA and Regulation 18 Policies Document (2024), we consider the Council defined FEMA as an appropriate PMA for the Scheme. This area includes the major urban conurbation of Leicester that I&L uses will seek to service, as well as a key stretch of the nationally significant M1 corridor which traverses the FEMA on a north-south route, which the Scheme lies adjacent to (on Junction 23A). The area also includes the M69, A42 and A50, as well as one of the sites designated as part of the East Midlands Freeport (the EMAGIC cluster) and the East Midlands Airport (see Section 2 for more details).

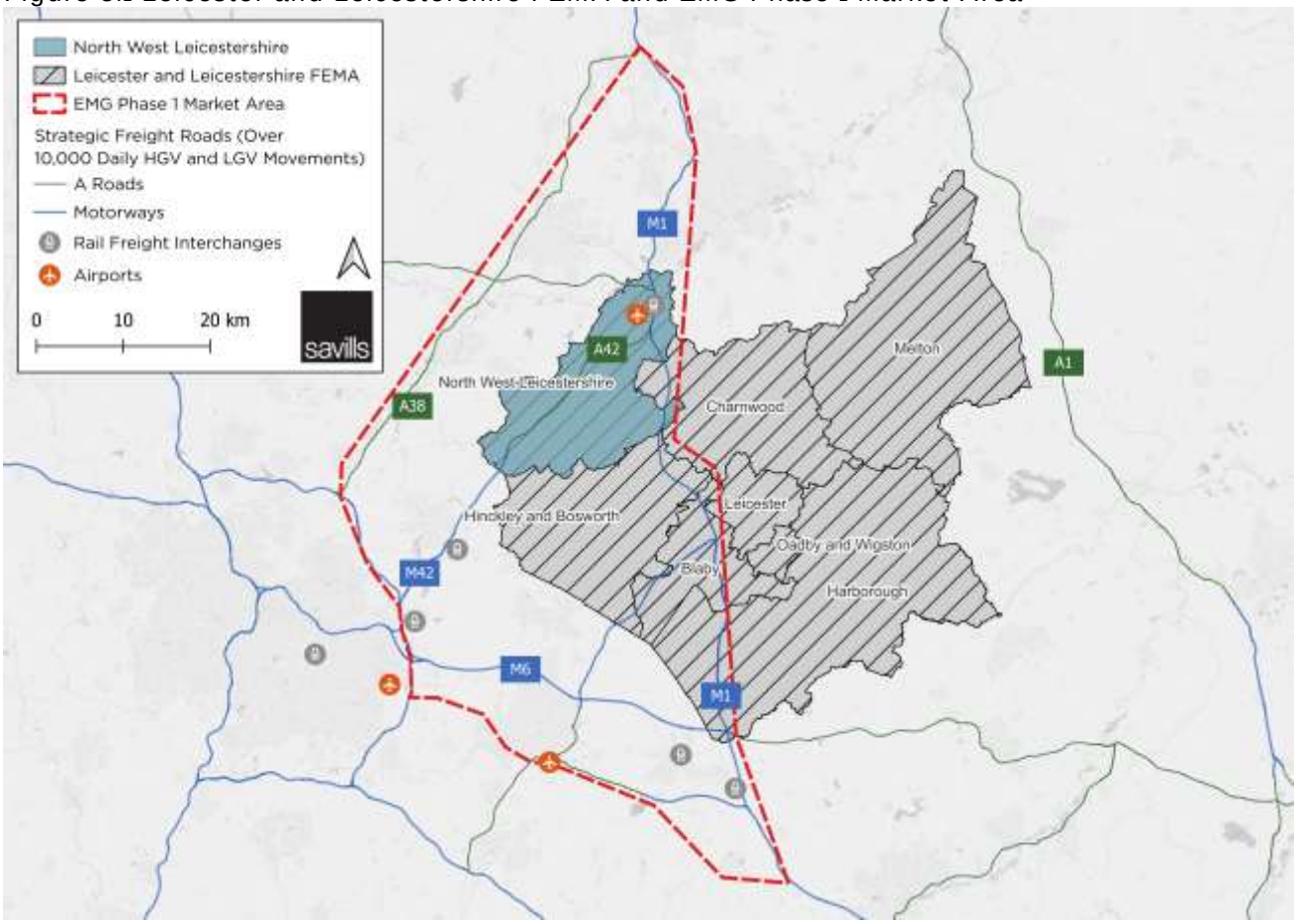
5.1.8 The PMA for this Study is illustrated in Figure 5.1, and from hereon in will be referred to as the FEMA.

5.1.9 To add further depth to our analysis and in order to ensure we understand the market specific to EMG2, we have also considered a Property Market Area focused on the Golden Triangle, the M1 corridor, and particularly the Three Cities area of Leicester, Nottingham,

[19] Draft North West Leicestershire Local Plan 2020-2040 Proposed Policies for Consultation (2024), para 7.2, p.80

and Derby. This market area was used as part of the EMG Phase 1 DCO[20], and is indicated by the red line boundary in Figure 5.1 below.

Figure 5.1 Leicester and Leicestershire FEMA and EMG Phase 1 Market Area



Source: CoStar, Savills 2024

5.2 Market Supply and Demand Indicators

5.2.1 The consideration of market signals is a key requirement of the National Planning Policy Framework ('NPPF') (Paragraph 32) for underpinning the preparation and review of all Local Plan policies. As we discussed in Section 4 above, one of the main concerns with the employment evidence is that it has limited regard to market signals.

5.2.2 Table 5.1 below presents a summary of the key market supply and demand indicators for NWL, the local authorities within the FEMA, and the FEMA average.

5.2.3 NWL currently has 2.8 million sqm of I&L floorspace. This equates to 26% of the FEMA's total I&L stock.

5.2.4 The current availability rate in NWL is 5.0%, which is below the FEMA's availability rate (6.4%). The availability rates across both geographies are below the level at which a

[20] Figure 7.1 East Midlands Gateway Market Area (p48) of the East Midlands Gateway Rail Freight Interchange and Highway Order Market Report (Savills, 2014)

market is considered to be broadly in balance between supply and demand (discussed further below). An availability rate below 8% typically indicates that a market is supply-constrained. The only local authorities above this equilibrium rate are Hinckley and Bosworth (15.5%), and Melton (14.9%).

5.2.5 The high availability rate in Hinckley and Bosworth is due to 123,844 sqm of available floorspace at Building C and C1, Desford Campus on Peckleton Lane. Discussions with Cushman and Wakefield who are the agents indicate that the units are still occupied by the current tenants Neovia however they have served a break (break date end of August) to vacate, and the units are available on a sub-let basis. It is expected that the landlord will take back possession of the units and it will be stripped, refurbished, and reoccupied by Q1 2025. If these 2 units were to be let, this would reduce the availability rate in Hinckley and Bosworth to 6.5%, which is below the 8% equilibrium rate.

5.2.6 The high availability rate in Melton (14.9%) is partly due to 2 units that are available at the East Midlands Distribution Hub, Saxby Road. These include a 28,688 sqm unit (Unit 2), and a 20,945 sqm unit (Unit 3). Speaking with agents, the two units are receiving strong interest and are expected to be let in the near future. If these 2 units were to be let, this would reduce the availability rate in Melton to 5%, which is below the 8% equilibrium rate.

5.2.7 Rental growth has been strong in NWL and the FEMA between 2014 and 2023, at 82% and 76% respectively. These growth rates are far higher than the rate of inflation over the same time period, indicating strong demand is competing for limited available stock.

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

Table 5.1 Summary of Key Market Supply & Demand Indicators

	Inventory (2024 YTD) (sq.m)	Current Availability (2024 YTD) (%)	Rental Growth (2014-2023)
North West Leicestershire	2,757,700	5.0%	82%
Blaby	729,900	6.6%	75%
Charnwood	1,016,200	4.6%	69%
Harborough	1,794,500	4.4%	79%
Hinckley & Bosworth	1,276,200	15.5%	74%
Leicester	2,447,400	3.0%	73%
Melton	464,800	14.9%	75%
Oadby & Wigston	274,500	6.9%	76%
FEMA	10,761,300	6.4%	76%

Source: CoStar, Savills 2024

5.3 NWL and the FEMA are Supply Constrained

5.3.1 At the national level, 8% availability across all size bands is commonly referred to as the level where a market is broadly in balance (i.e. equilibrium frictional capacity) in terms of supply and demand, as sourced in publications such as the:

- GLA's Land for Industry and Transport Supplementary Planning Guidance ('SPG') (2012);
- London Plan (2021); and

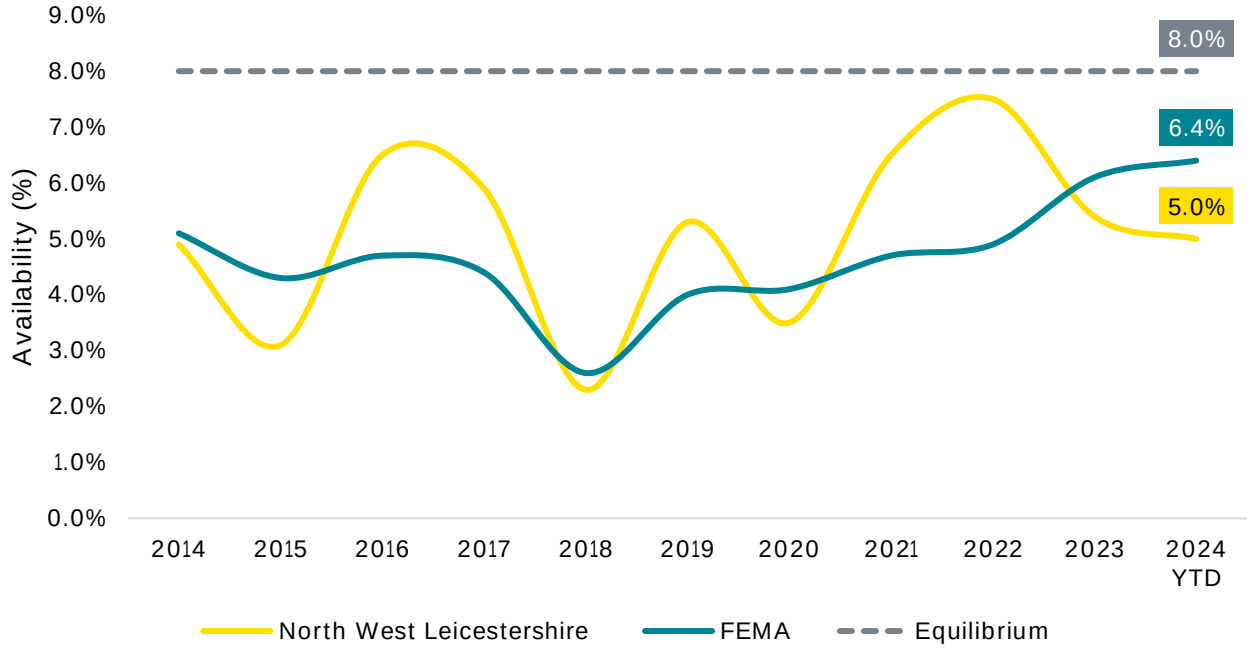
- British Property Federation's ('BPF') 'Levelling Up – The Logic of Logistics' Report.

5.3.2 Below this level available supply becomes tight and rents increase as strong occupier demand compete for limited available stock. We discuss in detail the evidence behind the 8% equilibrium rate in Appendix 2 below.

5.3.3 As shown in Figure 5.2, availability in NWL and the FEMA has been below the 8% equilibrium for every year since 2014. This shows that the I&L market has been supply-constrained for a considerable period of time which in turn suppresses demand as not all occupiers can find space to meet their needs. As a result, they are either forced to remain in their existing premises, even if not ideal for their operational requirements, or have to leave the area to find suitable premises elsewhere, taking the jobs and investment they generate with them.

5.3.4 With current availability in NWL and the FEMA at 5% and 6.4% of stock, potential occupiers will struggle to find suitable space and demand will be supressed (or unfulfilled).

Figure 5.2 Availability Rate (2014-2024 YTD)



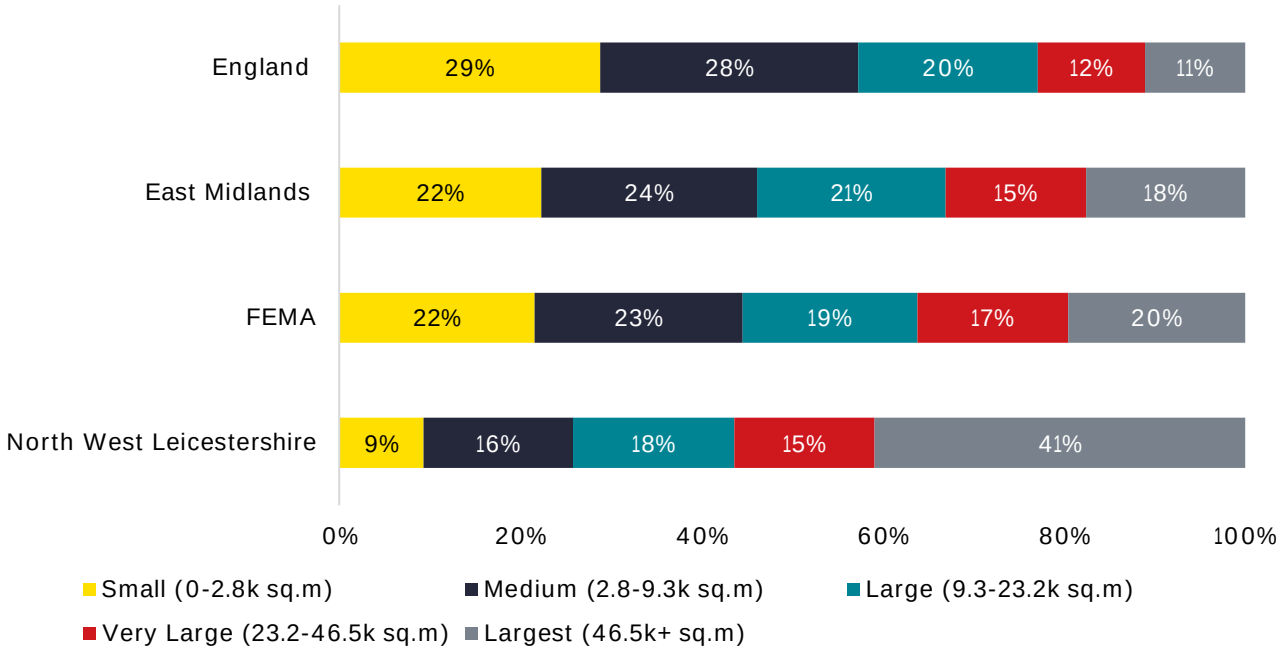
Source: CoStar, Savills 2024

5.3.5 Figure 5.3 below compares the inventory share by size band in NWL with the FEMA. For context, inventory share by size band is also presented for the East Midlands and England.

5.3.6 This shows that NWL has a slightly lower share of large sized units (9.3-23.2k sqm) than all the geographies. The Proposed Development directly responds to this by planning for 4 units within this size category.

5.3.7 NWL's share of very large units (23.2-46.5k sqm) (15%) is consistent with the East Midlands average, but less than the FEMA's average (17%), and higher than England's average (12%). NWL has proportionally more units in the largest size category (46.5k+ sqm) (41%), which is double the FEMA's (20%) and East Midland's (18%) proportion, and almost four times the national average. This is to be expected given NWL, as evidenced in Section 2, is considered to be one of the best locations in the country for logistics, and is of nationally significant importance.

Figure 5.3 Inventory Share by Size Band (2024 YTD)



Source: CoStar, Savills 2024

5.3.8 Table 5.2 below presents the availability by size band in NWL and the FEMA. The availability rate is below 8.0% for all size categories within NWL, indicating that the I&L market is supply-constrained across all size bands.

5.3.9 The Scheme will directly respond to the low availability in the large (9.3-23.2k sqm) (3.6%), and very large (23.2-46.5k sqm) (6.1%) size bands by providing units across these size categories (EMG2 Main Site and EMG1 Works). The Scheme also has the potential to provide a unit at the largest size band (46.5k+ sqm) which will respond to the lack of availability in this size band in NWL (currently no floorspace available).

Table 5.2 Availability by Size Band (2024 YTD)

	NWL	FEMA
Small (0-2.8k sqm)	2.0%	3.7%
Medium (2.8-9.3k sqm)	6.6%	4.4%
Large (9.3-23.2k sqm)	3.6%	10.3%
Very Large (23.2-46.5k sqm)	6.1%	6.8%
Largest (46.5k+ sqm)	0.0%	6.8%

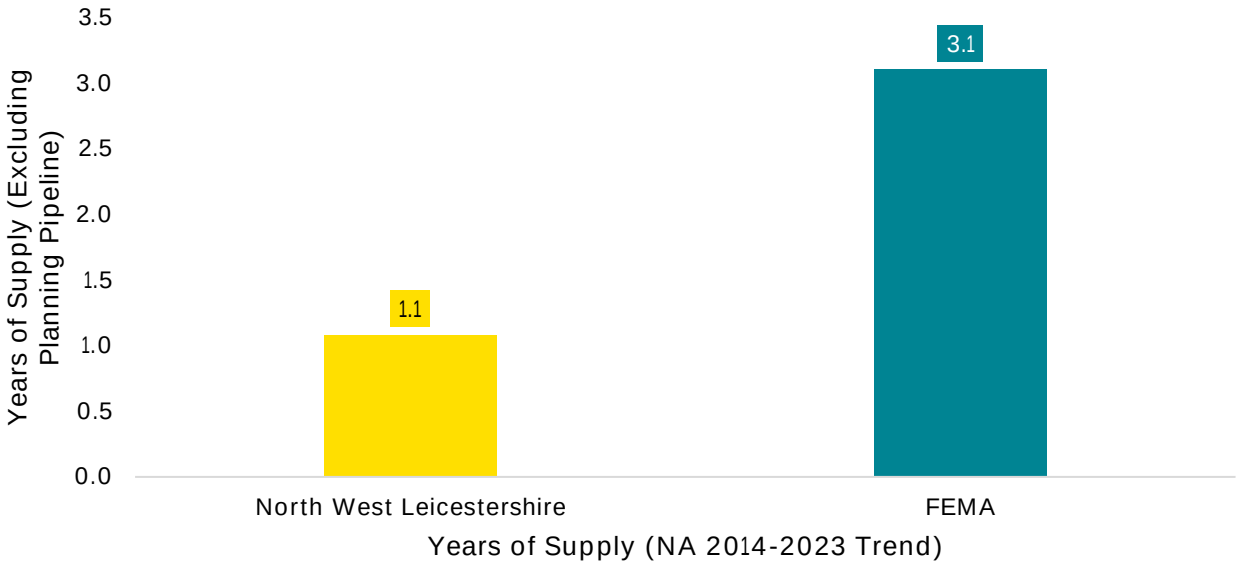
Source: CoStar, Savills 2024

5.4 Limited Years of Supply

5.4.1 As discussed in Section 5.3 above, NWL and the FEMA are supply constrained, with availability below the 8% equilibrium. This is further illustrated by looking at years of supply, which is how many years the market can continue to operate at with existing net absorption[21] trends before all currently available space is taken up.

5.4.2 As shown in Figure 5.4 below, when using the 2014-2023 trend for net absorption, NWL and the FEMA have just 1.1 years and 3.1 years of supply available respectively, suggesting an immediate need for new I&L floorspace.

Figure 5.4 Years of Immediately Available Supply (Excluding Planning Pipeline)



Source: CoStar, Savills 2024

5.5 Strong Rental Growth

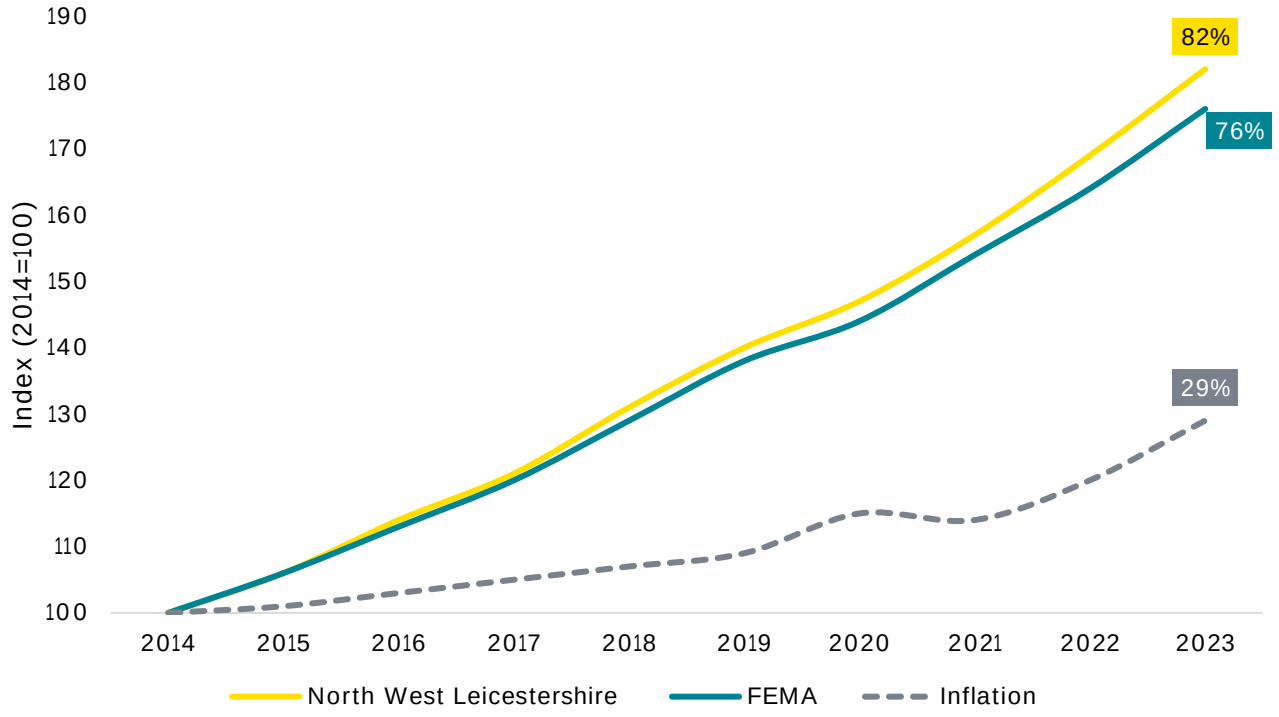
5.5.1 Another key market indicator for understanding the relationship between supply and demand is rental growth. When demand outstrips supply, rental growth is typically higher as occupiers compete for limited available stock. This in turn drives up rents. Conversely, when there is sufficient supply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

5.5.2 Across NWL and the FEMA, rents have grown above the rate of inflation. This corroborates the availability analysis in support of Figure 5.2 above, namely NWL and the FEMA have been supply constrained historically, with their respective availability rates being below the 8% equilibrium for all of the last decade.

5.5.3 Figure 5.5 below shows that between 2014 and 2023, rents have grown by 82% in NWL, and 76% in the FEMA, which is over double the rate of inflation over the same time period.

[21] Net absorption is a leading measure of floorspace demand (move-ins minus move-outs)

Figure 5.5 Rental Growth Vs. Inflation (2014-2023)



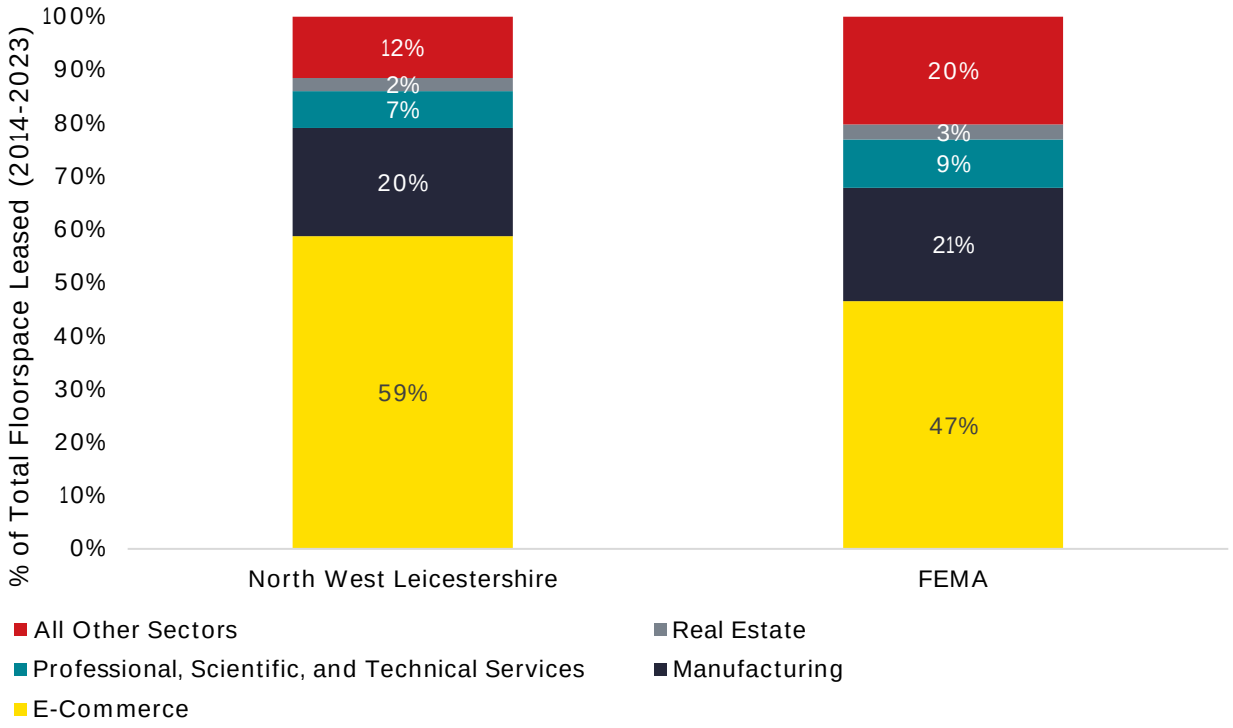
Source: CoStar, Savills 2024

5.6 Demand by Sector

5.6.1 To better understand the nature of demand over the last decade (2014-2023), we look at lease transactions by sector since 2014. The top 6 sectors by floorspace leased have been Retail, Transportation and Warehousing, Wholesale, Manufacturing, Real Estate, and Professional, Scientific and Technical Services, across NWL and the FEMA. This analysis is illustrated in Figure 5.6 below.

5.6.2 The sectors which are typically linked to e-commerce are Retail, Transportation and Warehousing, and Wholesale. Over the past decade (2014-2023), these sectors have accounted for 59% and 47% of leasing demand in NWL and the FEMA respectively.

Figure 5.6 Share of Floorspace Leased by Sector (2014-2023)



Source: CoStar, Savills 2024

5.6.3 As we discussed in Section 3 above, the increase in e-commerce is one of the main growth drivers for the I&L sector. Not only is the UK continuing to build more homes, each individual home is spending more online. This increasing need for I&L floorspace is a by-product of this trend, as is the growth in freight flows, both in terms of weight (tonnage) and value, moved in, out, and within the country.

5.6.4 Recent significant deals in the e-commerce sector across NWL and the FEMA include:

- Wayfair leasing 96,790 sq.m at Argosy, Lutterworth in 2019 (Harborough);
- Amazon leasing 69,350 sq.m at Coventry Road, Lutterworth in 2021 (Harborough);
- Maersk leasing 64,103 sq.m at Ashby Road, Derby in 2023 (NWL); and
- Buy It Direct leasing 48,626 sq.m at Short Lane, Derby in 2021 (NWL).

5.6.5 Across NWL and the FEMA, the manufacturing sector has also been prominent, accounting for 20% and 21% of leasing demand respectively. Significant deals include:

- Jaguar Land Rover leasing 98,481 sq.m at Swallow Drive, Swadlincote in 2022 (NWL);
- VF Corporation leasing 53,756 sq.m at West Lane, Coalville in 2019 (Hinckley and Bosworth);

- Armstrong Logistics leasing 35,031 sq.m at Wellington Parkway, Lutterworth in 2020 (Harborough); and
- EM Pharma leasing 8,640 sq.m at Loughborough Road, Leicester in 2022 (Charnwood).

5.6.6 It should be noted that B8 and B2 uses are inextricably linked. Not only do B8 and B2 occupiers desire the same sort of premises, B2 operators require supply chain support from B8 companies, as do office and retail companies.

5.7 Minimum Building Heights: An Operational Imperative

5.7.1 The units in the Proposed Development need to meet or exceed minimum clear heights, which have grown to become one of the key issues preventing new I&L development.

5.7.2 'Minimum clear heights' has become a key operational requirement for I&L occupiers. However, as I&L buildings have got larger, many Local Authorities are seeking reductions in height to mitigate visual impacts. The necessity for larger buildings is based on the efficiencies of utilising more cubic space rather than a larger footprint, maximising the volume of the building.

5.7.3 Historically, the response to dealing with increased product volumes has been to increase the footprint of buildings. However, taller buildings are now possible due to advancements in automated systems which handle storage and retrieval. Automation is increasingly performing repetitive, time-consuming tasks, speeding up processes that assist the movement of goods and improve their handling. Storage capacity can increase by the use of sophisticated racking systems such as high-bay storage systems and incorporation of multi-level mezzanines. With these solutions, businesses are able to utilise their cubic space to its full potential. Building higher helps to reduce the footprint of buildings and subsequently land take, meaning more space can be given back to create green areas, landscape treatments, meet BNG requirements etc.

5.7.4 The 'minimum clear heights' desired by the market are shown in Table 5.3 below.

Table 5.3 **'Minimum Clear Heights' (m) by Size of Unit (sqm)**

Size Band (sqm)	Minimum Clear Heights (m)
0-2,800	8
2,800-6,500	8-10
6,500-9,300	10-12.5
9,300-23,200	12.5-15
23,200-46,500	15-18
46,500+	21+

Source: Savills 2023

5.7.5 Market signals clearly indicate 'minimum clear heights' are an operational imperative. For instance rental trends, yields and other demand-based factors are all stronger for I&L premises that meet these minimum standards versus those that do not.

5.7.6 In reaching these conclusions, we have analysed a sample of 26,850 I&L properties in England in order to compare the performance of properties that meet the current market

requirements for 'minimum clear heights' against those that do not. The data for each property has been extracted from CoStar[22]. The results of this analysis demonstrated:

- I&L buildings that don't meet 'minimum clear heights' are not being built as they are unlikely to secure finance. This is not an issue specific to I&L, but all commercial and residential sectors. For instance, a residential development would unlikely secure finance if a developer was proposing to build family homes that didn't meet minimum space standards.
- From our sample of properties that don't meet the 'minimum clear heights' listed in Table 5.3 above, only 2% have been built out in the last 5 years. In comparison, among the properties that meet the 'minimum clear heights', almost 20% have been built in the last 5 years. This demonstrates new properties that don't meet these minimum standards are unlikely to be built.
- Properties that don't meet 'minimum clear heights' attracted rents on average 11% lower. Their rental growth is also on average 2% lower, their yields 0.6% weaker, and they are on the market for 1.5 months longer before being let.
- If we take mid-size I&L units as an example, these lower rents, weaker yields and longer time on the market combine to give a capital value that is 17% lower than an equivalent unit that meets 'minimum clear heights'. This effectively means that they are a less investable product. Consequently, developers are less likely to invest in initiatives which improve the overall quality of the development.
- Developments that meet 'minimum clear heights' are more likely to be best-in-class and exhibit further benefits such as achieving BREEAM ratings, offer EV charging points, enhanced landscaping treatments, include Grade-A office space, indoor and outdoor amenity areas, plus other initiatives. In contrast, those developments that don't achieve 'minimum clear heights' are older, poorer quality, and exhibit weaker ESG credentials.

5.7.7 Table 5.4 below compares the market rents for I&L units that achieve maximum clear heights with I&L units that are below 'minimum clear heights'.

Table 5.4 Market Rents (£/sqm)

Size (sqm)	Achieve Maximum Clear Heights (Rent/sqm)	Below Minimum Clear Heights (Rent/sqm)	Discount (%)
0-2,800	£113.34	£100.32	13%
2,800-6,500	£111.08	£102.26	9%
6,500-9,300	£103.76	£97.20	7%
9,300-23,200	£96.34	£88.80	8%
23,200-46,500	£90.20	£85.14	6%
46,500+	No data/too small sample	No data/too small sample	No data/too small sample
Average (All Size Bands)	£100.43	£93.54	7%

Source: CoStar, Savills 2023

[22] CoStar is a leading commercial property data provider in the UK

5.8 EMG Phase 1 Market Area

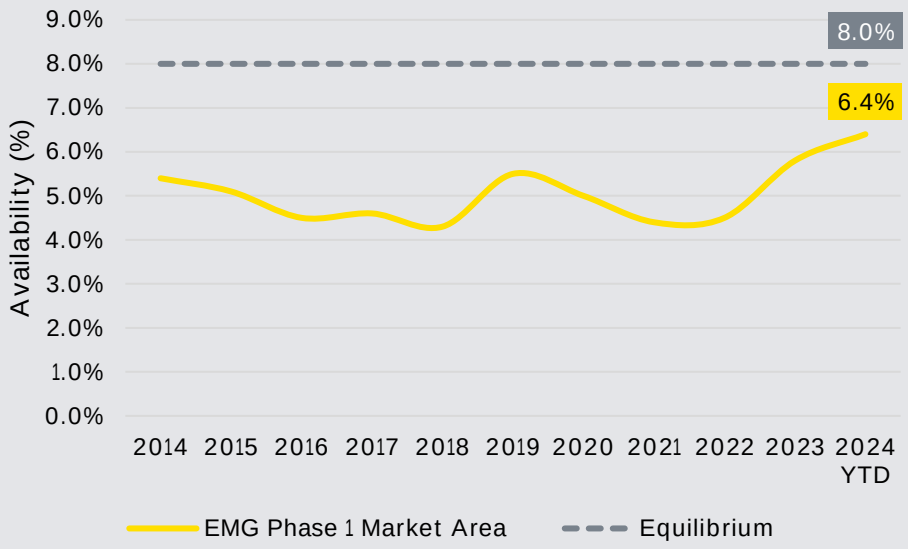
5.8.1 As discussed in Section 5.1 above, we have also considered the market area which was adopted for Phase 1 of EMG[23]. The status of EMG1 as a Strategic Rail Freight Interchange ('SRFI'), and the associated scale and quality of the units, means that it relates to the Golden Triangle, M1 corridor, and particularly to the three city areas of Leicester, Nottingham, and Derby (Figure 5.1 above).

5.8.2 We consider the further analysis within this geography as being supplementary to the detailed market analysis undertaken for the Leicester and Leicestershire FEMA ('FEMA') detailed in Section 5.2 to Section 5.7 above. As such, we have not gone into the same level of detail, instead focusing on the main market supply and demand signals being:

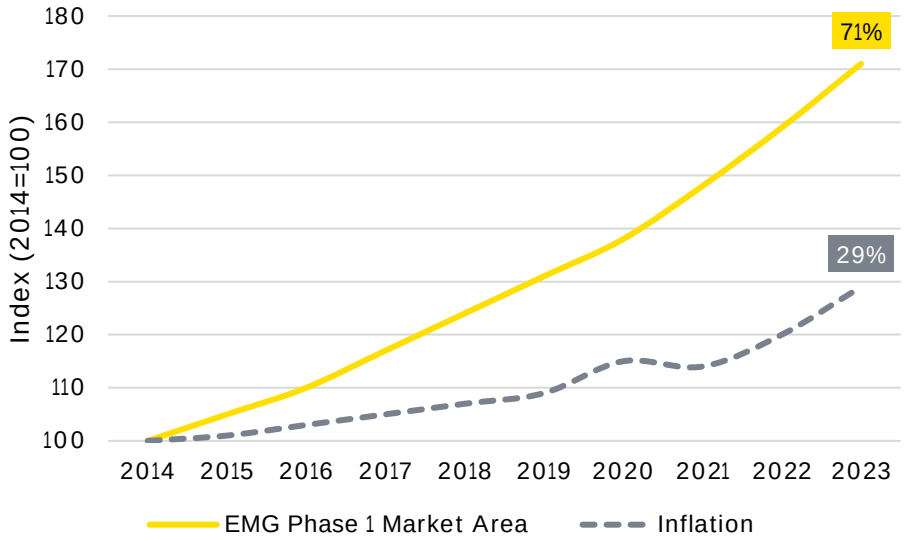
- Availability;
- Rental growth; and
- Years of supply (excluding planning pipeline).

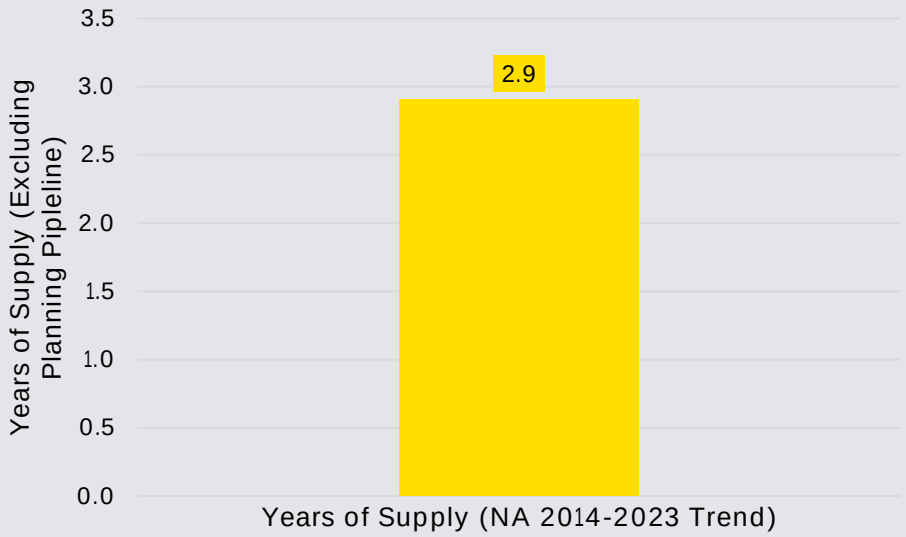
5.8.3 Table 5.5 below presents the supply and demand indicators for the market area adopted for EMG Phase 1, finding a similar trend to that evident within NWL and the FEMA.

Table 5.5 Supply and Demand Indicators for EMG Phase 1 Market Area

Indicator	Analysis
Availability (2014-2024 YTD)	Figure 6.6 Availability Rate (2014-2024 YTD)  • As shown in Figure 6.6 above, availability in the EMG Phase 1 Market Area has been below the 8% equilibrium for all of the last decade, and is currently at 6.4%.

[23] The East Midlands Gateway Rail Freight Interchange and Highway Order Market Report (Savills, 2014)

	• The EMG Phase 1 Market Area has therefore been supply constrained for the last decade, which in turn suppresses demand as not all occupiers can find space to meet their needs.
Rental Growth (2014-2023)	Figure 6.7 Rental Growth Vs. Inflation (2014-2023)  • Another key market indicator for understanding the relationship between supply and demand is rental growth. When demand outstrips supply rental growth is typically higher as occupiers compete for limited available stock. This in turn drives up rents. Conversely, when there is sufficient supply to accommodate demand, rental growth is lower, typically tracking inflation more closely. • Figure 6.7 above shows that between 2014 and 2023, rents have grown by 71% across the market area for EMG Phase 1, which is over double the rate of inflation (29%) over the same time period.
Years of Supply (Excluding Planning Pipeline)	Figure 6.8 Years of Immediately Available Supply (Excluding Planning Pipeline)



- As shown in Figure 6.6 above, the EMG Phase 1 Market Area is supply constrained, with availability below the 8% equilibrium. This is further illustrated by looking at years of supply, which is how many years the market can continue to operate at with existing net absorption[24] trends before all currently available space is taken up.
- As shown in Figure 6.8 above, when using the 2014-2023 trend for net absorption, the EMG Phase 1 Market Area has less than 3 years of supply, suggesting an immediate need for new I&L floorspace.

Source: CoStar, Savills 2024

[24] Net absorption is a leading measure of floorspace demand (move-in minus move-outs)

6 Savills Review of Supply

Introduction and Key Conclusions

Section Aim:

- The purpose of this section is to provide a quantitative and qualitative review of the current and future supply of buildings and land within North West Leicestershire (NWL) and the Leicester and Leicestershire FEMA (FEMA).

Key Conclusions:

- Research was undertaken in July 2024 and the supply assessment reflects the supply of land and buildings at this date.
- There was a total of 545 ha of supply within the FEMA with capacity for 1.76 million sqm of floorspace.
- Of which 178 ha of supply was in NWL with a capacity of 441,471 sqm of floorspace.
- The supply in NWL may be supplemented by a further c. 155 ha of land (including 81 ha within the Scheme) which benefits from a draft allocation and falls within our search parameters.

6.1 Approach

6.1.1 We have reviewed the supply of land and buildings within North West Leicestershire (NWL) and the Functional Economic Market Area (FEMA). We included sites with planning permission or an allocation for B2 or B8 development. Data collection was predominantly undertaken in July 2024 and represents a snapshot in time. The supply review focuses on strategic scale units of 9,290 sqm (100,000 sq. ft) plus, and those sites that can accommodate a unit of this scale.

6.1.2 In order to objectively assess the level of supply we have considered all sites of 2.5 ha and above.

6.1.3 We also reviewed the supply of buildings (existing and under construction) of 100,000 sq. ft plus, reflective of the strategic nature of the proposals.

6.1.4 Across NWL and the FEMA we therefore consider three sources of supply:

- Supply of buildings inclusive of new and second-hand units of 9,290 sqm (100,000 sq. ft) and above, as well as speculative units under construction;
- Land supply being sites of 2.5 ha or more with planning permission for Eg(iii), B2 or B8 development; and

- Pipeline supply, of sites of 2.5 ha or more which benefit from an allocation for Eg(iii), B2 or B8 development.

6.1.5 We consider this represents a proxy for all supply within NWL and the FEMA.

6.1.6 Draft allocations have been reviewed separately and have not been included within the quantitative supply analysis given the level of risk and uncertainty attached to these sites which have no formal planning status. Speculative developer promotions are not included within the supply.

6.2 Building Supply

6.2.1 We have reviewed the supply of units of 9,290 sqm (100,000 sq. ft) or greater within the FEMA. Our assessment takes into account the supply of new and second-hand units, as well as speculative units under construction.

6.2.2 There were a total of 21 buildings available (as at July 2024) with a combined floorspace of 540,086 sqm (5.81 million sq.ft). Details are set out below at Table 6.1.

Table 6.1 Building Supply

Ref	Building	Local Authority	Unit Size (Sq. ft)	Unit Size (Sqm)	Grade	Comments
1	Bardon 320	North West Leicestershire	317,585	29,505	B/C	Second hand. Available via sublease or assignment.
2	Unit 1, Mercia Park	North West Leicestershire	215,000	19,974	A	Under offer.
3	EMDC342	North West Leicestershire	342,741	31,842	A	Available now.
4	EMDC190	North West Leicestershire	189,573	17,612	A	Available now.
5	Unit 2, Griffen Park	Hinckley & Bosworth	103,679	9,632	A	Speculative unit. Available now.
6	Building C, Neovia Campus	Hinckley & Bosworth	658,085	61,138	B/C	Second hand. Can be combined with C1.
7	Building C1, Neovia Campus	Hinckley & Bosworth	674,958	62,706	B/C	Second hand. Can be combined with C.
8	Hinckley 340	Hinckley & Bosworth	340,853	31,666	A	Speculative unit. Available now.
9	Optimus 277	Blaby	277,475	25,778	A	Speculative unit. Available now.
10	MPN 761, Magna Park North	Harborough	761,361	70,733	A	Under construction. Available Q2 2025.
11	MPS 187, Magna Park South	Harborough	186,790	17,396	A	Speculative unit. Available now.
12	MPS10, Magna Park South	Harborough	137,122	12,739	A	Speculative unit. Available now.
13	MPS11, Magna Park South	Harborough	119,620	11,113	A	Speculative unit. Available now.
14	Part 1300, Magna Park	Harborough	115,916	10,769	B/C	Second hand. Available via sublease.

Ref	Building	Local Authority	Unit Size (Sq. ft)	Unit Size (Sqm)	Grade	Comments
15	Unit 3510, Magna Park	Harborough	104,539	9,712	B/C	Second hand. Available via sublease or new lease subject to separate negotiation.
16	Unit 5120, Magna Park	Harborough	220,000	20,439	A/B	Under offer. Unit to be fully refurbished.
17	XDock 163, Magna Park	Harborough	163,423	15,183	A/B	Under offer. Refurbished unit.
18	Unit 4300, Harrier Parkway, Magna Park	Harborough	218,725	20,320	A/B	Undergoing full refurbishment. Available Q2 2025.
19	East Midlands Distribution Hub – Unit 1	Melton	131,282	12,197	B/C	Second hand. Available Q1 2025.
20	East Midlands Distribution Hub – Unit 2	Melton	308,795	28,688	B/C	Second hand. Available now.
21	East Midlands Distribution Hub – Unit 3	Melton	225,450	20,945	B/C	Second hand. Available now.
	TOTAL		5,812,972	540,086		

Source: Savills 2024

6.2.3 Within NWL, there were 4 buildings available with a total floorspace of 98,933 sqm (1.06 million sq.ft).

6.2.4 Approximately 54% of the total floorspace available within the FEMA is second-hand stock, much of which is not of Grade A quality and will therefore be less capable of meeting the needs of modern occupiers. There was a total of 291,646 sqm (3.14 million sq. ft) of floorspace which falls into this category.

6.2.5 The available floorspace is not distributed evenly across the FEMA, with 35% located at Magna Park, within Harborough District. If this location is not suitable to meet business needs then occupier choice is therefore much more limited.

6.2.6 The average size of unit available across the FEMA was 25,718 sqm (276,808 sq.ft). The largest unit within the supply is MPN761 which is being constructed speculatively at Magna Park and extends to 70,733 sqm (761,361 sq.ft).

6.2.7 The supply of buildings therefore has limitations in terms of the geographical spread of opportunities for occupiers, and a significant proportion of the supply is made up of second-hand space which will not be suitable to meet the full range of occupier demand.

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

6.3 Land Supply

6.3.1 We have analysed the supply of land with planning permission for Eg(iii), B2, or B8 use

within the FEMA. We have included sites of 2.5 ha or more within our assessment, and the results are set out at Table 6.2 below.

Table 6.2 Land Supply (with Planning Permission)

Ref.	Name	Local Authority	Ha (Gross)	Sqm Remaining	Comments (position as at July 2024)
1	Land at Netherfields Lane, Sawley (M1, J24A)	North West Leicestershire	51.74	78,976	OPP for up to 78,976 sq m of B8 and B1 floorspace. RM approved for 4 units. Developable area of 17.3 ha. RM has been implemented but Deposit for Recovery Permit to use required: delay of c. 12 - 18 months.
2	G Park Ashby (Former Coal Lounge) EC1a allocation	North West Leicestershire	26.74	68,422	Hybrid planning app for redevelopment of the site comprising:. 26.74 ha. Zone 1 - 11.68 ha (B8 land use) and Zone 2 - 2.58 (associated parking). Up to 70,000 sq. m maximum floorspace. Indicative floorspace showing a 1 unit scheme of 68,422 sq m or a 2 unit scheme of 39,105 sq m and 20,280 sq m.
3	Money Hill EC2 allocation	North West Leicestershire	12.18	42,640	OPP for mixed use proposal. Employment Topic Paper (Feb 2024) (Reg 18) NWLDC assumes overall site area 16ha to be split equally between E(g)/B2/B8 equating to 31,980 sq. m offices, 21,320 sq. m B2 and 21,230 sq. m B8.
4	Land south of Junction 1 A50	North West Leicestershire	44.2	92,500	Development of up to 92,500 sq m of B2/B8 and B1c (of which a max of 20% (18,500 sq m) can be B1c/B2); Development zones = 19 ha.
5	Ashton Green East (Land north of Birstall Golf Course, Thurcaston Road)	Leicester	5	17,500	10 ha allocation. Strategic Site SL03. Outline Planning Permission. 5ha developed for Bradgate Bakery = 5ha available. Application to increase employment to 15.9 ha pending determination. E(g)(iii)/B2/B8.
6	Broadnook SUE: Land North of Birstall SUE, Leicester (A6/A46) (North of Leicester nr Rothley)	Charnwood	15.00	25,000	OPP granted Nov 2020 for SUE of up to 1,950 dwellings, up to 15ha of employment land: B1(a) office – up to 7,500m2 B1(c) light industry – up to 17,500m2 B2 general industry – up to 10,000m2 B8 storage and distribution – up to 15,000m2 Employment located adj to A6 at junction of A46.
7	Land at The Warren, LE7 (north east of Leicester, north of Syston) - ES3	Charnwood	3.95	13,825	Part of existing industrial estate, allocated for industrial and small unit development. Being developed in phases on basis of demand. Long term.
8	Garendon Park (West of Loughborough SUE -	Charnwood	16.00	75,000	OPP for SUE. Employment land is adjacent to the M1 but north of junction. Proposed that 8 ha is for B8. Max build height 12m - likely to be predominately non-strategic.

Ref.	Name	Local Authority	Ha (Gross)	Sqm Remaining	Comments (position as at July 2024)
	Charnwood) J23 M1				
9	Watermead Regeneration Corridor, Leicester (Syston)	Charnwood	9.92	55,000	OPP for up to 70,000 sq. m Eg(iii)/B2/B8. Zone A - B2/B8/E(g) 4.13 ha max 20,500 sq. m GEA. Zone B - B8 1.75 ha max floorspace 6,000 sq.m GEA. Zone C - B8 5.79 ha max floorspace 34,500 sq.m GEA. . Unlikely to be large units given location and aspirations for area. Indicative masterplan shows only 1 large unit.
10	Thorpebury (North East of Leicester SUE)	Charnwood	13.00	45,500	Allocation: 4,500 houses. Outline planning permission granted. Employment uses spread throughout development included local centres, to total no less than 13ha. Emp area abutting the railway line to north of SUE.
11	Mountpark Bardon III, Coalville	Hinckley & Bosworth	32.6	88,378	Hybrid app comprising outline pp for B2 / B8 with ancillary offices and full pp for demolition of existing farmstead and relocation. 32.6 ha site with a maximum floor area of 89,200 sq m. RM approved for 2 units totalling 88,378 sq. m.
12	Griffen Park, Peckleton Lane	Hinckley & Bosworth	13.2	62,981	PP for 4 B2/B8 units totalling 84,509 sq m Total site area 17.73 ha net developable. Unit 3 & 4 plots remaining. Units 1 & 2 developed.
13	Land south of the A5 Padge Hall Farm	Hinckley & Bosworth (Rugby BC/Nuneaton & Bedworth DC)	0	-	Hybrid PP including 30.26 ha of employment land, all developable area within Rugby BC.
14	Magna Park North	Harborough	22.91	117,930	Plots for MPN6 & MPN7 remaining.
15	East of Lutterworth Strategic Development Area	Harborough	19.0	76,000	OPP for SUE, including 13 ha B8 uses on and 6.0 ha business uses within B1 and B2.
16	Wigston Direction for Growth	Oadby & Wigston	4.7	16,450	OPP for two residential led schemes with separate sites of 2.2 ha and 2.5 ha of land included. Unlikely to be strategic scale.
	TOTAL		290.16	876,102	

Source: Savills 2024

6.3.2 There is a total of c. 290 ha of land across 16 sites within the FEMA, with a total capacity of c. 876,102 sqm (approximately 9.43 million sq.ft).

6.3.3 There are three sites with planning permission within NWL, which extend to a total of approximately 135 ha and have capacity for c. 282,538 sqm of I&L floorspace. On average, this equates to a density of c. 21%. The sites are therefore under-providing in comparison to how much floorspace would generally be assumed to be delivered from sites of this

scale.

6.3.4 A number of the sites, whilst falling within our search parameters, are unlikely to make a meaningful contribution to the supply of strategic scale B2/B8 floorspace:

- Wigston Direction for Growth (4.7 ha);
- Thornebury (North East of Leicester SUE (13.0 ha);
- Garendon Park (West of Loughborough SUE (16.0 ha)
- Watermead Regeneration Corridor (9.92 ha); and
- Land at the Warren (3.95 ha).

6.3.5 These sites total 47.57 ha.

6.4 Pipeline Supply

6.4.1 We have also assessed the 'pipeline' supply of sites that benefit from an allocation (or are designated within an existing employment area) but do not have planning permission. The assessment includes sites of 2.5 ha or more, with an allocation for Eg(iii), B2, or B8 use, consistent with the assessment of consented land supply above. Where possible we have based the floorspace capacity of each site on indicative proposals for the site, application documents, or specified floorspace limits within the relevant local plan policies. Where there is no information available, we have assumed a density of 35% based on the gross developable site area.

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

6.4.3 A schedule of allocated sites within the FEMA is set out at Table 6.3 below.

Table 6.3 Pipeline Supply

Ref	Name	Local Authority	Planning Ref.	Ha	Sqm	Comments (as at July 2024)
1	Land at Sawley crossroads, Sawley	North West Leicestershire	EC1c	14.80	60,000	Part of the site is distribution centre for Aldi, outline consent on remaining part of the site is for 14.8ha of B8. This was previously reserved for a further extension to Aldi. Planning has lapsed but site is an allocation. Recently purchased by PLP. *[NB new planning application submitted in September 2024 – pending determination]*
2	Land at Stapleton Lane, Barwell SUE	Hinckley & Bosworth	BRW01M (AS58)	6.20	21,700	2012 application for SUE awaiting determination. Core Strategy allocation.

Ref	Name	Local Authority	Planning Ref.	Ha	Sqm	Comments (as at July 2024)
3	Hinckley Sewage Treatment Works, Burbage	Hinckley & Bosworth	BUR01E (LPR44)	22.00	77,000	Hinckley Commercial Park
4	Earl Shilton SUE	Hinckley & Bosworth	ER01M (AS237)	4.5	15,750	Allocated 4.5 ha for B2/B8 of which at least 0.5ha would be use class E. Resolution to grant OPP for up to 1000 dwellings up to 5.3 ha of employment uses comprising mix of B2,B8 and E uses,. Awaiting decision.
5	Land West of St Johns, Enderby	Blaby	SA3	33.30	106,568	Enderby Logistics Hub - Planning application submitted 2019 ref. 19/0164/OUT for erection of 4 warehouse buildings (B8) and a Logistics Training Centre. Application refused, appeal submitted April 2024. *[NB – application now approved].*
6	Melton South	Melton	EC1 / SS4	20.00	35000	B1/B2/B8, expansion of Leicester Road Business Park. OPP submitted over 10 ha, pending decision (small unit scheme).
	TOTAL			100.80	342,875	

Source: Savills 2024

6.4.4 There is a total of 6 allocated sites without planning permission within the FEMA extending to c. 101 ha with a total capacity of c. 342,875 sqm (3.69 million sq.ft). There is therefore very little land coming through the planning pipeline to bolster the supply available to meet the needs of occupiers.

6.4.5 There is only one site with an allocation in NWL of 14.80 ha (other sites having already been included within the land supply with planning permission).

6.5 Draft Allocations

6.5.1 In addition to the allocated sites, there are a number of sites within the FEMA which benefit from a draft allocation. These sites are not included within the quantitative supply position given the level of planning and delivery uncertainty still associated prior to a formal allocation. In total within the FEMA there is 276 ha of land (sites of 2.5 ha plus) which benefits from a draft allocation of which c. 155 ha is within NWL (including 81 ha which is within the Scheme).

6.5.2 Sites of strategic scale within the FEMA with a draft allocation are noted below (those in NWL are highlighted in bold):

- Land South of East Midlands Airport, 81 ha (North West Leicestershire, Reg 18) – the Scheme (part);

- Land to the north of J11A/M42, , 28 ha (North West Leicestershire, Reg 18);
- Land at Cliffe Hill Farm (Junction 22), Markfield, 28.3 ha (Hinckley & Bosworth, Reg 18); and
- Land at Wapping and Harrow Farm, Watling Street (A5), 47.51 ha within the FEMA, (Hinckley & Bosworth, Reg 18).

6.5.3 A schedule of Draft Employment Allocations proposed within NWL which fall within our search parameters (in addition to the two NWL strategic scale sites set above) are set out at Table 6.4 below.

Table 6.4 NWL Proposed Employment Allocations as at July 2024 (excluding Strategic Scale Sites)

Ref	Name	Planning Ref.	Ha	Sqm
1	East of Midland Road, Ellistown	EMP24	10.8	29,160
2	West of Hilltop, Castle Donington	EMP89	5.5	18,850
3	North of A6, Derby Road, Kegworth	EMP73 (part)	10.24	30,000
4	North of A543 Remembrance Way, Kegworth	EMP60	14.8	40,000
5	Burton Road, Oakthorpe	IW1	4.5	12,100

Source: Savills 2024

6.5.4 In total, the draft employment allocations within NWL total circa 155 ha. These sites could come forward to supplement the supply of land, subject to planning, but are currently at an early stage within the consultation process.

6.6 Supply Summary

6.6.1 Table 6.5 sets out the total available supply position within the FEMA (excluding the draft allocations), broken down by local authority area.

Table 6.5 Supply Summary as at July 2024

	Buildings		Planning Permission		Allocated		Total	
Local Authority	Ha	Sqm	Ha	Sqm	Ha	Sqm	Ha	Sqm
North West Leicestershire	28.27	98,933	134.86	282,538	14.80	60,000	177.93	441,471
Leicester	-	-	5.00	17,500	-	-	5.00	17,500
Charnwood	-	-	57.87	214,325	-	-	57.87	214,325
Hinckley & Bosworth	47.18	165,142	45.81	151,359	32.70	114,450	125.70	430,951

Blaby	7.37	25,778	-	-	33.30	106,568	40.67	132,346
Harborough	53.83	188,404	41.91	193,930	-	-	95.74	382,334
Melton	17.67	61,829	-	-	20.00	61,857	37.67	123,686
Oadby & Wigston	-		4.70	16,450	-	-	4.70	16,450
TOTAL	154.31	540,086	290.16	876,102	100.80	342,875	545.27	1,759,063

Source: Savills 2024

6.6.2 Key points in relation to the FEMA are summarised below:

- There is a total of 545 ha of supply within the FEMA with capacity for 1.76 million sqm of floorspace.
- This total includes:
    a. 540,086 sqm of floorspace either existing or under construction. Using an average density assumption of 35% in order to be consistent with assumptions made throughout this assessment, gives an indicative c. 154 ha (please note c. 83 ha of this total is in relation to second-hand units, which are not directly comparable to the proposals);
    b. 290 ha of land with planning permission (please note c. 48 ha is unlikely to make a meaningful contribution towards the supply for strategic scale B2/B8 floorspace); and
    c. 101 ha of land with an allocation but no planning permission.
- In addition, there is 276 ha of land with a draft allocation within the FEMA (including 81 ha at the Scheme), much of which is not strategic scale.

6.6.3 In North West Leicestershire:

- There is a total supply of 178 ha, with capacity for 441,471 sqm of floorspace, including c. 135 ha of land with planning permission, and 14.80 ha of allocated land.
- The supply in North West Leicestershire may be supplemented by a further c. 155 ha of land (including 81 ha within the Scheme) which benefits from a draft allocation and falls within our search parameters, although please note these sites are at an early stage of consultation.

7 Savills Future Demand Estimates

Introduction and Key Conclusions

Section Aim:

- The purpose of this section is to estimate future I&L land demand in the FEMA, and then apportion this wider sub-regional demand to NWL.

Key Conclusions:

- Based on Savills' suppressed demand methodology, over a 16 year period, we estimate the true level of I&L demand in the FEMA to be around 1,960 ha. This is our baseline (upper) estimate which assumes future demand is not constrained by available supply. We consider this scenario best represents 'true' market demand based on trends from the last decade.

- However, given future projections are uncertain, we consider it appropriate to undertake a number of sensitivity tests to try and understand what future demand could look like if the I&L sector's growth profile is weaker than over the last decade.

- Based on a series of pessimistic sensitivity tests, our lower estimate of I&L demand in the FEMA is 1,300 ha. It should be noted that we do not expect to see this happening in reality.

- Apportioning the FEMA demand range down to NWL (based on a 47% apportionment rate reflective of NWL's market performance over the last decade), this results in demand for between 927 ha of land (baseline scenario) and 615 ha (lower scenario) over the same time period.

- Should the apportionment rate be lowered to 35% (a rate which reflects NWL's historic share of FEMA wide I&L employment) then demand for I&L land in NWL is estimated to be 455 ha. This should be considered the absolute minimum level of demand that NWL accommodates over a 16-year period.

7.1 Savills' Suppressed Demand Methodology

7.1.1 We present below, in high level terms, Savills' methodology for estimating future I&L land demand. Our methodology is considered to address the issues we raised against the various employment studies in Section 4. The full methodology and step by step guidance is presented in Appendix 2.

Compliance with National Policy and Guidance

7.1.2 Our methodology is compliant with the requirements of the Planning Practice Guidance ('PPG') as it:

- Analyses *'market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies'*[25]. If a market is identified as being supply constrained (i.e. demand exceeds supply) such as the FEMA (see Figure 5.2), the Savills model supplements the historic demand profile accounting for suppressed demand (i.e. demand lost due to historic supply constraints).
- Applies *'economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector'*[26]. The Savills method quantifies how much I&L floorspace growth is linked to current and future e-commerce growth which is the major growth driver for the sector, driving both demand for the supply-chain, and also the manufacturing of goods.

7.1.3 Based on the above, we consider our approach to estimating future I&L demand to be NPPF/NPPG compliant and industry best practice. It has been endorsed by the British Property Federation ('BPF') in the 'Levelling Up – The Logic of Logistics' report, and was shortlisted for an RTPI Award for Research Excellence 2022. The report has also been referenced as part of the Government's recently published 'Future of Freight Plan', and has been the focus of several discussions with senior officers at DLUHC and DfT. Our approach has also been recently considered in the Warehousing and Logistics in the South East Midlands Study (2022). It has also been used as one of the estimation methods as part of the West Midlands Strategic Employment Sites Study (2024).

Taking a Sub-Regional Approach to Estimating Demand

7.1.4 As discussed in Section 2, I&L occupiers typically have distribution networks linking their customers and suppliers of between 1 to 4 hours' travel time, sometimes longer, depending on their size i.e. up to 4 hours plus is more typical of very large companies with a national reach, while 1 to 2 hours' drive time is ideal for the majority of companies.

7.1.5 As a result of this, potential I&L occupiers will look at a wider geographic area (or Property Market Area) rather than just a local authority when looking for suitable properties. For this reason we will use the FEMA (defined in Section 5.1) to analyse supply and demand forces, before apportioning this wider sub-regional demand to NWL, and finally to different market segments in order to compare with the employment evidence (Section 8).

7.1.6 This layered approach to estimating demand, comprises of the following stages:

- Calculate the FEMA's historic and suppressed demand, with e-commerce uplift: First we consider future demand from within the FEMA. Our future demand calculations within the FEMA project forward historic demand (average annual net absorption[27]), but include an adjustment to account for 'suppressed demand' or demand lost historically due to supply constraints. We also consider increases in demand associated with future e-commerce growth which is a major growth

[25] In accordance with PPG, Paragraph: 031 Reference ID: 2a-031-20190722
[26] Ibid
[27] Savills considers net absorption to be the leading measure of demand for floorspace as it indicates the quantum of net floorspace occupied over a period of time (i.e. move-ins minus move-outs) based on lease deals.

driver for the sector, driving both demand for the supply-chain, and also the manufacturing of goods. Together this forms Savills' baseline (upper) demand estimate which we consider to be a reflection of true I&L demand within the FEMA.

- Sensitivity Testing: Whilst we consider our future baseline demand estimates to be robust and reflective of market signals looking back 10 years, it is important we take account of the fact that the I&L sector has gone through a period of unprecedented growth in recent years, with a number of structural growth drivers accelerating as a result of the Covid-19 pandemic. To ensure our modelling process is robust, we carry out a series of sensitivity tests to understand what will happen to future I&L demand in the FEMA and NWL specifically, should the sector's historic demand performance weaken. Despite us seeing no evidence of this occurring in reality currently, it is important we seek to test different scenarios. The results of our sensitivity testing form our FEMA lower demand scenario.

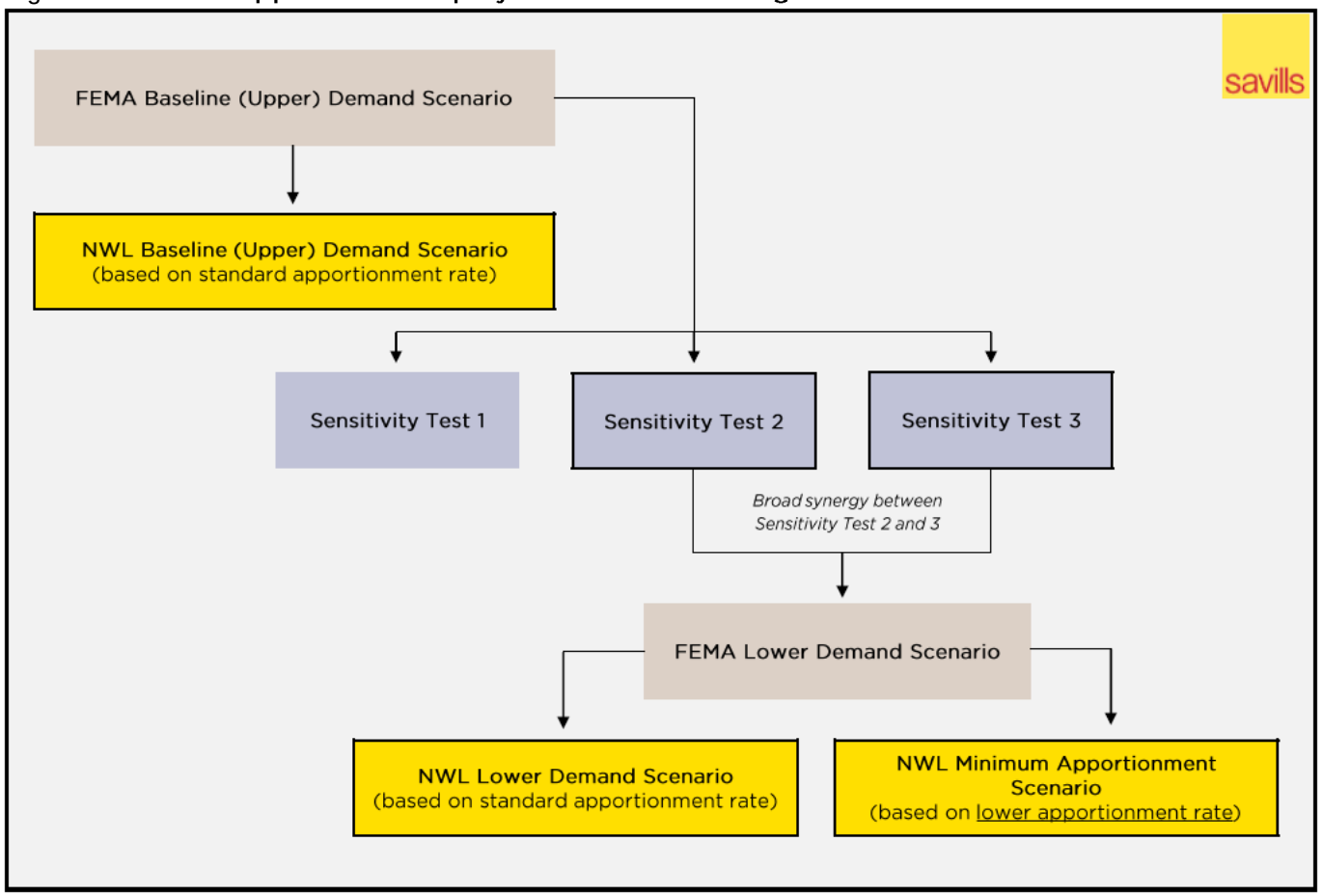
- Apportion Demand Estimates to NWL: We apportion the demand estimates for the FEMA (baseline and lower) to NWL using an apportionment rate reflective of NWL's market performance over the last decade. In addition, we apply a secondary, lower apportionment rate which reflects NWL's historic share of FEMA wide I&L employment. The latter forms our minimum apportionment scenario for NWL.

- Apportion Demand Estimates to specific market segments: Finally, we apportion our total I&L demand estimates to the specific market segments which align with the employment evidence which was reviewed in Section 4. We compare Savills estimates against the demand estimates presented in the employment evidence in Section 8.

7.1.7 Figure 7.1 provides a visual representation of our approach to employment land needs modelling. The end result is five demand scenarios as follows:

- FEMA baseline (upper) demand scenario
- FEMA lower demand scenario
- NWL baseline (upper) demand scenario – based on standard apportionment rate.
- NWL lower demand scenario - based on standard apportionment rate.
- NWL minimum apportionment scenario - based on secondary, lower apportionment rate.

Figure 7.1 Savills' Approach to Employment Land Modelling



Source: Savills, 2024

7.1.8 The steps we follow in estimating future I&L demand are set out in detail in Appendix 2.

7.2 FEMA Baseline I&L Demand Estimates

7.2.1 Within the FEMA, based on the Savills Suppressed Demand methodology, we estimate the true level of I&L demand over a 16 year period is 1,960 ha (Table 7.1). This, as evidenced in Appendix 2, is based on a 35% plot ratio. This represents the FEMA baseline (upper) demand scenario which we consider to be a reflection of true I&L demand within the FEMA, assuming no supply constraints.

Table 7.1 FEMA Land Demand Estimates (ha)

	Floorspace Demand Estimates (sqm)	Land Demand Estimates (ha)
Total	6,877,282	1,960

Source: Savills 2024; Figures may not add up due to rounding

7.3 FEMA I&L Demand Estimates - Sensitivity Testing

7.3.1 As discussed, to ensure our modelling process is robust, we carry out a series of

sensitivity tests to understand what will happen to future I&L demand in the FEMA should future demand weaken below historic trends.

7.3.2 We have undertaken three sensitivity tests in order to try to understand what weaker future I&L demand may look like. It is important to note that we currently do not see any evidence that indicates the below scenarios are likely. Despite this, the future is uncertain and downside risks are always possible. We undertake the following three sensitivity tests:

- Sensitivity Test 1: Removing the e-commerce uplift;
- Sensitivity Test 2: Remove the e-commerce uplift and lower the equilibrium availability rate to 6% thereby reducing the level of suppressed demand projected; and
- Sensitivity Test 3: Remove e-commerce uplift and consider a 2014-2019 lookback period when historic demand was weaker.

7.3.3 Appendix 2 provides full details and the rationale behind the sensitivity testing undertaken.

7.3.4 The results of the three sensitivity tests are presented in Table 7.2 below.

Table 7.2 FEMA Land Demand Estimates over 16-year period - Sensitivity Testing Results

	Savills B**aseline** Demand (upper) Scenario	Sensitivity Test 1 – No e-commerce	Sensitivity Test 2 – no e-commerce + 6% equilibrium	Sensitivity Test 3 – no-ecommerce + 2014-2019 Lookback period
FEMA (sqm)	6,877,282	6,347,151	4,751,414	4,595,603
FEMA (Ha)	1,960	1,809	1,354	1,310

Source: Savills 2024

7.3.5 Sensitivity Test 2 and 3 provide broad synergy around a lower demand estimate for the FEMA of around 1,300 ha over a 16 year period[28]. Therefore, our two demand scenarios are:

- Savills Baseline (Upper) Demand Scenario – 1,960 ha (6,877,282 sqm)
- Savills Lower Demand Scenario – 1,300 ha (4,560,550 sqm[29])

[28] Average of Sensitivity Test 2 and 3 is 1,332 ha.
[29] Based on a 35% plot ratio

7.4 Apportion Demand Estimates to NWL

7.4.1 We next seek to apportion the total FEMA demand estimates (baseline and low scenarios) to NWL specifically.

7.4.2 To estimate NWL's share of the overall FEMA demand for I&L uses, we first consider the following three property market metrics:

- NWL's share of the FEMA's historic average net absorption (2014-2023): 57%
- NWL's share of the FEMA's average net deliveries per annum (2014-2023): 59%
- NWL's share of the FEMA's total inventory (2024 YTD): 26%

7.4.3 We have taken the average of the above measures which results in an apportionment rate of 47%. This forms our standard apportionment rate.

7.4.4 In addition, we also consider a secondary apportionment rate which reflects NWL's historic employment profile within the I&L sector. Between 2015-2022, NWL's average share of FEMA wide I&L employment was approximately 35%. This forms our lower apportionment rate which we only apply to the lower FEMA demand estimate. This forms the minimum apportionment scenario for NWL.

7.4.5 The results of the apportionment for NWL under all three scenarios are shown in Table 7.3.

Table 7.3 Land Demand Estimates over 16-year period in the FEMA apportioned to NWL

	Sqm	Ha
NWL - Savills' Baseline (Upper) Scenario - *based on standard apportionment rate*	3,253,731	927
NWL - Savills' Lower Scenario – *based on standard apportionment rate*	2,157,655	615
NWL – Savills Minimum Apportionment Scenario – *based on lower apportionment rate*	1,596,192	455

Source: Savills 2024

7.4.6 Savills estimate that demand for total future I&L land in NWL over a 16-year forecast period to be between 927 ha (3.3 million sqm) under the baseline scenario, 615 ha (2.2 million sqm) under the lower demand scenario, and 455 ha (1.6 million sqm) under the minimum apportionment scenario.

7.5 Apportion Demand Estimates to specific market segments which align with the employment evidence

7.5.1 Finally, we apportion our total I&L demand estimates to the specific market segments which align with the employment evidence which was reviewed in Section 4. We compare Savills estimates against the demand estimates presented in the employment evidence in Section 8.

7.5.2 We apportion the total FEMA demand to strategic B8 uses (over 9,000 sqm) in order to compare with the estimates presented in the Strategic Warehouse Study (2021).

7.5.3 We apportion the total NWL demand to I&L uses excluding strategic B8 to compare with the estimates presented in the Stantec Study (2020) and the subsequent Rapleys 2024 Update.

Apportion FEMA demand to strategic (over 9,000 sqm) B8 uses

7.5.4 As discussed in Section 4, the Strategic Warehouse Study focuses on strategic B8 uses and estimates demand across the FEMA over a 21-year period to 2041.

7.5.5 To compare with the Strategic Warehouse Study's estimates, Savills overall I&L estimates for the FEMA of between 1,960 ha (6.9 million sqm) and 1,300 ha (4.6 million sqm) need to be apportioned to units above 9,000 sqm. To do this, we consider the following three property market metrics:

- 9,000 sqm+ market's share of the FEMA's historic average net absorption (2014-2023): 84%
- 9,000 sqm+ market's share of the FEMA's average net deliveries per annum (2014-2023): 86%
- 9,000 sqm+ market's share of the FEMA's total inventory (2024 YTD): 56%

7.5.6 We have taken the average of the above measures which results in an apportionment rate of 75%. This indicates that the FEMA's future demand for I&L units above 9,000 sqm equates to between 5.2 million sqm and 3.4 million sqm. Based on a 35% plot ratio this equates to a land need of between 1,471 ha and 975 ha. It should be noted that this figure includes strategic B2 uses, which the Strategic Warehouse Study 2021 ignores. As discussed in Section 4, based on discussions with Savills Industrial Agency, demand for large B2 premises makes up circa 20% of total demand for large I&L premises in the East Midlands.

7.5.7 Therefore, around 80% of the demand for I&L units above 9,000 sqm within the FEMA can be attributed to B8 uses[30]. This results in an estimate of between 4.1 million sqm and 2.7 million sqm over the 16-year plan period for strategic B8 uses. This equates to a land requirement of between 1,177 ha and 780 ha based on a 35% plot ratio.

7.5.8 The Strategic Warehouse Study does not apportion FEMA-level strategic B8 demand down to the NWL level. Savills FEMA-level estimates can be apportioned down to NWL using the apportionment rates consistent with those applied in Section 7.4 above. Under this approach, future demand for strategic B8 uses in NWL over a 16-year period would

[30] This aligns with the strategic B8 market's share of the FEMA's total inventory (2024 YTD) of approximately 81%.

be between 2.0 million sqm (baseline scenario), 1.3 million sqm (lower scenario) and 958,000 sqm (minimum apportionment scenario). This equates to a land requirement of between 557 ha, 369 ha and 273 ha respectively.

Apportion NWL demand to I&L uses excluding strategic B8

7.5.9 The Stantec Study and subsequent Rapleys Update focuses on I&L uses excluding strategic B8 across NWL.

7.5.10 In order to compare Savills estimates with those of the Stantec Study, we subtract our estimates for strategic B8 demand for NWL from above (2.0 million sqm, 1.3 million sqm and 958,000) from our total I&L demand estimates for the District calculated in Table 7.3 (3.3 million sqm, 2.2 million sqm and 1.6 million).

7.5.11 This results in an estimate for I&L uses excluding strategic B8 of between 1.3 million sqm, 900,000 sqm and 642,000 sqm. Based on a 35% plot ratio, this equates to a land requirement of between 371 ha, 246 ha and 182 ha.

7.6 Results Summary

7.6.1 Table 7.4 provides a summary of the demand estimates generated.

Table 7.4 Savills I&L Demand Estimates – Summary

	Baseline Demand (upper) Scenario	Lower Demand Scenario	Minimum Apportionment Scenario*
Overall Demand Estimates			
FEMA	1,960 Ha (6.9 million sqm)	1,300 Ha (4.6 million sqm)	-
NWL	927 Ha (3.3 million sqm)	615 Ha (2.2 million sqm)	455 Ha (1.6 million sqm)
Demand Estimates aligned to Employment Evidence			
FEMA – Strategic B8 Demand	1,177 Ha (4.1 million sqm)	780 Ha (2.7 million sqm)	-
NWL – I&L uses excluding strategic B8	371 Ha (1.3 million sqm)	246 Ha (900,000 sqm)	182 Ha (642,000 sqm)

*Source: Savills 2024 *Minimum Apportionment Demand scenario only generated for NWL based on lower apportionment rate.*

8 Supply and Demand Balance

Introduction and Key Conclusions

Section Aim:

- To compare the demand estimates generated in Section 7 against available I&L building, land and pipeline supply identified in Section 6. The end result, is to quantify if a need shortfall exists across NWL.
- We also compare our demand estimates for the specific market segments which align with the employment evidence which was reviewed in Section 4 and Appendix 1. This is in order to demonstrate that future I&L demand has been underestimated by NWL District Council.

Key Conclusions:

- Savills' estimates for strategic warehouse demand across the FEMA over a 16 year period are between 2.1 million sqm and 700,000 sqm higher than those presented in the Strategic Warehouse Study (2021).
- Concurrently Savills estimates for I&L uses in NWL excluding strategic B8 demand over a 16 year period are between 1.2 million sqm, 754,000 sqm and 496,000 sqm higher than the demand estimates referenced in the 2024 Rapleys Employment Land Need Update Note (which are derived from the 2020 Stantec Study).
- This analysis alone demonstrate that NWL and the wider FEMA has not allocated enough land for I&L uses to meet demand. However, our consideration of available land supply against our overall demand estimates for NWL provides further evidence of this fact.
- Within NWL, Savills' view of realistic supply is approximately 178 ha. The level of supply in NWL may be supplemented by a further 155 ha of land (including 81 ha within the Scheme) which benefits from a draft allocation (Section 6). In total this would equate to a potential level of supply of 333 ha.
- Comparing total potential supply (including the draft allocations) against the overall I&L demand estimates presented in Section 7, there is a significant shortfall of between 594 ha under Savills baseline (upper) scenario, down to 282 ha under Savills lower demand scenario, and finally 122 ha under Savills minimum apportionment scenario.
- The objectively assessed demand/supply analysis in this report therefore demonstrates quantitatively that a strong needs case can be evidenced across NWL for further I&L development.

8.1 Comparing Savills' demand estimates with the employment evidence

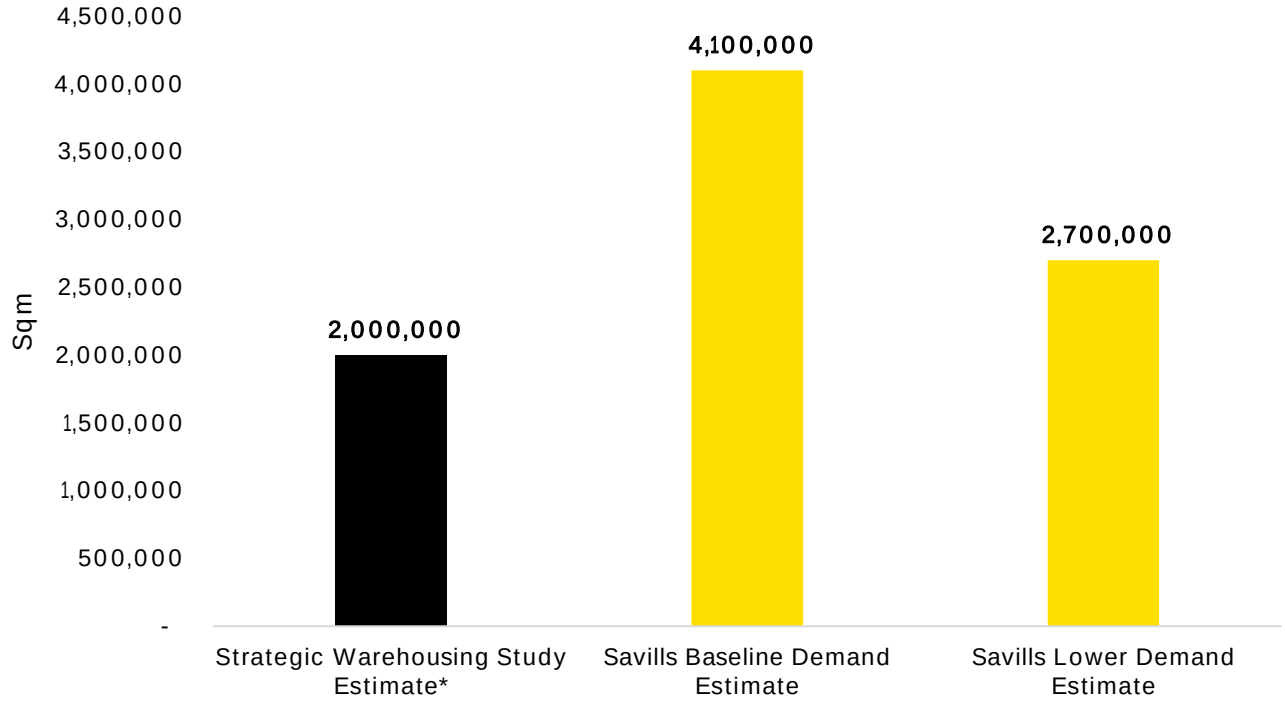
The Strategic Warehouse Study, 2021

8.1.1 The Warehousing and Logistics in Leicester and Leicestershire Study (The Strategic Warehouse Study, 2021) was prepared by GL Hearn with MDS Transmodal in 2021. The Study focuses on large scale warehouse facilities (B8 use) greater than 9,000 sqm, and estimates demand across the FEMA over a 21-year period to 2041.

8.1.2 The Study estimates a need for 2.0 million sqm of floorspace for strategic B8 uses, adjusted over a 16-year plan period[31]. The Savills demand estimate for strategic B8 uses across the FEMA is between 4.1 million sqm and 2.7 million sqm. Savills' estimates are between 2.1 million sqm and 700,000 sqm higher than the Strategic Warehouse Study.

8.1.3 Figure 8.1 shows this comparison.

Figure 8.1 Savills Estimates vs Strategic Warehouse Study 2021 – FEMA Strategic B8 Demand Over 16 Year Plan Period



*Source: Savills, Strategic Warehouse Study 2021 *The Strategic Warehouse Study estimates for 21 years have been adjusted to 16 years so that they can be compared on a like for like basis with Savills estimates.*

The Stantec Study (2020) and 2024 Rapleys Update Note

8.1.4 The North West Leicestershire - The Need for Employment Land Study (2020) was prepared by Stantec. The Stantec Study focuses on I&L uses excluding strategic B8 across NWL. Its estimates for NWL adjusted over a 16 year period equate to 136,000 sqm[32]. The NWL Regulation 18 Policies and Allocations Documents adjust these estimates

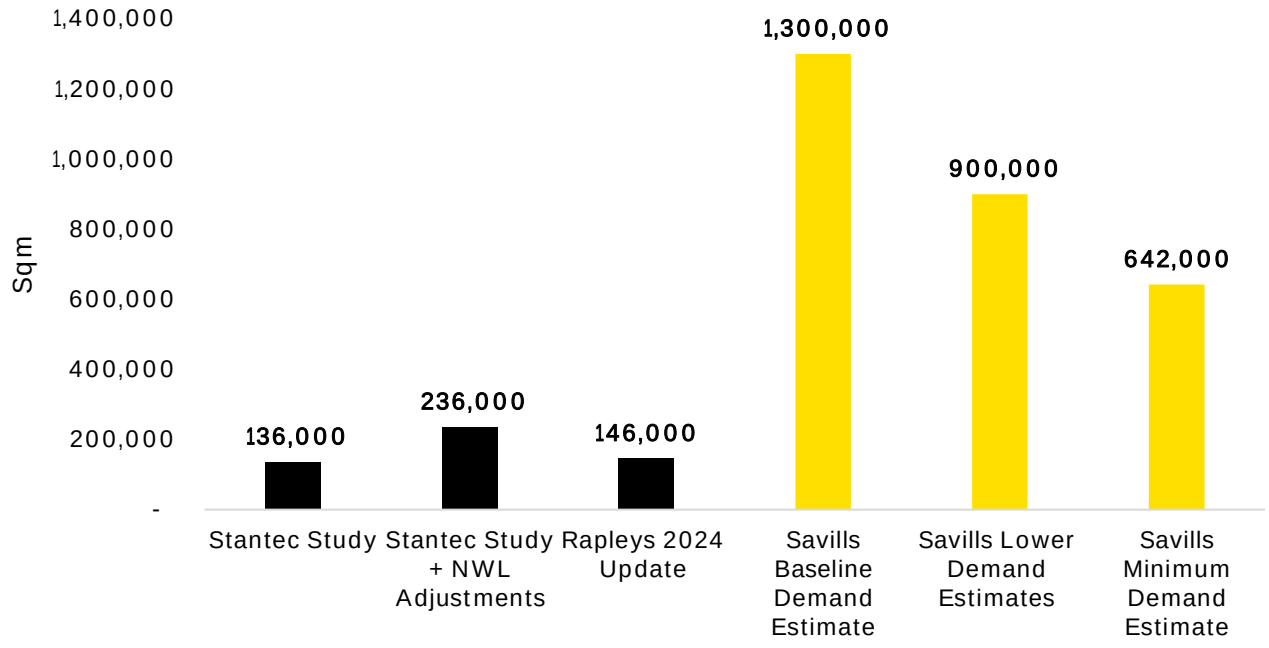
[31] The Strategic Warehouse Study (2021) estimates demand for 2,571,000 sqm of strategic B8 uses within the FEMA over a 21 year period. This equates to 2.0 million sqm over a 16 year period.
[32] The Stantec Study (2020) estimates demand for 187,000 sqm of I&L space excluding strategic B8 within NWL over a 22 year period. This equates to 136,000 sqm over a 16 year period.

to account for losses between 2025 and 2040 and a flexibility margin equivalent to 5 years annual average completions, which results in a need for approximately 236,000 sqm over the plan period[33].

8.1.5 The more recent (July 2024) Update Note to the 2020 Stantec Study prepared by Rapleys, estimates over the period 2024-2040 (consistent with our forecasting period) there is demand for circa 146,000 sqm of industrial (excluding strategic logistics/distribution) floorspace.

8.1.6 The Savills demand estimate for I&L uses excluding strategic B8 uses across NWL are between 1.3 million sqm (baseline scenario), 900,000 sqm (lower scenario) and 642,000 sqm (minimum scenario), significantly higher than the demand estimates referenced across the various employment evidence. Indeed, considering the most recent employment evidence (the North West Leicestershire Need for Employment Land Update Note (Rapleys 2024)) Savills estimates are between 1.2 million sqm, 754,000 sqm and 496,000 sqm higher. Figure 8.2 illustrates this comparison.

Figure 8.2 Savills Estimates vs Stantec Study – NWL I&L Uses Excluding Strategic B8 over 16 Year Plan Period



Source: Savills, Stantec 2020, NWL Regulation 18 Policies Document 2024, Rapleys Employment Update Note

8.1.7 We consider the evidence presented in Figures 8.1 and Figure 8.2 alone to demonstrate that NWL and the wider FEMA has not allocated enough land for I&L uses to meet demand. However, our consideration of available land supply against our overall demand estimates for NWL in the following subsection provides further evidence of this fact.

[33] The NWL Regulation 18 Policies and Allocations Documents estimates demand for 339,794 sqm of I&L space excluding strategic B8 within NWL over a 23 year period. This equates to 236,000 sqm over a 16 year period.

8.2 Savills Supply / Demand Balance

8.2.1 As evidenced in Table 7.4 in Section 7, Savills estimate that demand for total future I&L land in NWL over a 16-year forecast period to be between 927 ha (3.3 million sqm) under the baseline demand scenario, 615 ha (2.2 million sqm) under the lower demand scenario, and 455 ha (1.6 million sqm) under the minimum apportionment scenario.

8.2.2 Within NWL, Savills' view of realistic supply is approximately 178 ha. The level of supply in NWL may be supplemented by a further 155 ha of land (including 81 ha within the Scheme) which benefits from a draft allocation (Section 6). While we accept that there is a level of planning and delivery uncertainty still associated with these sites prior to a formal allocation, we have included these sites within our shortfall analysis below for completeness.

8.2.3 Table 8.1 presents a comparison of Savills' demand scenarios with the supply analysis in Section 6. The aim of this comparison is to help understand the level of any need shortfall for I&L uses.

Table 8.1 NWL Supply and Demand Balance

	Demand (ha)	Savills Supply (ha) (including draft allocations)	Savills Need Shortfall (ha)
Savills Demand – Baseline Scenario	927	333	594
Savills Demand – Lower Scenario	615	333	282
Savills Demand – Minimum Apportionment Scenario	455	333	122

Source: Savills 2024

8.2.4 As illustrated in Table 8.1, the need shortfall in NWL ranges between 594 ha under Savills baseline (upper) scenario, down to 282 ha under Savills lower demand scenario, and finally 122 ha under Savills minimum demand scenario.

8.2.5 While we contend the baseline (upper) scenario is a truer reflection of what future demand is likely to look like, we accept supply constraints are likely to persist into the future. Therefore, as a minimum we consider the Council needs to plan for at least 122 ha of additional I&L land supply above that currently available or within the draft allocations. This is considered to be a highly conservative shortfall figure, given as discussed in Section 8, this demand estimate is based on a series of highly pessimistic sensitivity tests which in reality we do not see occurring, as well as a secondary lower apportionment rate for NWL.

8.2.6 The objectively assessed demand/supply analysis in this report therefore demonstrates quantitatively that a strong needs case can be evidenced across NWL for further I&L development. The Proposed Development is needed to help address the identified

shortfall, and should be looked upon favourably by the local authority.

8.3 Nationally Significant Development which will cater for national demand

8.3.1 As discussed in Section 1, the Proposed Development represents the second phase of the applicant's East Midlands Gateway Logistics Park (EMG1), which is a nationally significant infrastructure development comprising a rail freight terminal, warehousing and highways improvements.

8.3.2 The second phase of the development (the Proposed Development) is known as EMG2 and comprises three interrelated component parts, with additional I&L land proposed at the EMG2 Main Site and the EMG1 Works components. The former will see the delivery of approximately 300,000 sqm of additional logistics and manufacturing facilities, with an allowance for up to 200,000 sqm of mezzanine space. The latter entails increasing capacity at the existing EMG1 development, with 26,500 sqm of additional warehousing coming forward on land known as Plot 16, with an additional 3,500 sqm in the form of internal mezzanine space. It is a nationally significant scheme, that is linked by both road and rail.

8.3.3 As a result, while there will be some overlap with meeting local and sub-regional demand, the Proposed Development will also cater for a level of national demand, and will host primarily larger occupiers with national and international supply chains. The Proposed Development will therefore meet demand at a local, regional and national level.

8.3.4 Consequentially, the level of supply in NWL to meet the need for local I&L demand is less than the headline figure of 333 ha[34] presented in Table 8.1, and the shortfall figures are likely to be an underestimation.

8.3.5 By way of an example, South Staffordshire in their emerging Local Plan and supporting evidence, have assumed around 10% of the West Midlands Interchange (a nationally significant SRFI development) counts towards their local needs. Elsewhere Derby and South Derbyshire's Employment Land Review, Part of the Local Plan evidence base, has discounted an SRFI site, citing that *"the site will be of strategic scope, meeting the property requirements of national and international businesses so its development will not contribute to the local Objectively Assessed Need identified in this Study[35]."*

8.3.6 To illustrate this impact, assuming 50% of the land at the Proposed Development counts towards meeting a national need (a conservative assumption), the level of supply within NWL to accommodate local demand would drop to approximately 293 ha[36]. The identified shortfalls would therefore rise to 634 ha under Savills baseline (upper) scenario, 322 ha under Savills lower demand scenario, and finally 162 ha under Savills minimum apportionment scenario.

[34] This includes 81 ha at the Scheme
[35] Derby and South Derbyshire Employment Land Review – page 385, para 10.88
[36] Total supply of 333 ha including 81 ha at the Scheme. Assuming 50% of the Scheme caters for national demand, the level of supply at the Scheme that caters for local demand is 41 ha.

9 Economic Benefits of the Proposed Development

Introduction and Key Conclusions

Section Aim:

- This section presents the estimated economic benefits that are expected to be generated by the Proposed Development. This aligns with the analysis presented in the Socio-economics Environmental Statement (ES) chapter, also prepared by Savills Economics.

Key Conclusions:

- The scheme would generate significant new employment during both the construction phase (over 420 FTE on and off-site construction jobs per annum over an estimated 4.25 year construction period) and once the scheme is complete and operational (4,000 FTE on-site operational jobs).

- It would generate an estimated £98 million in temporary construction Gross Value Added (GVA) over the 4.25 year construction period. Once operational, it would generate an estimated £148 million in annual GVA annually and £12.3 million per annum in business rates revenue for the local authority.

9.1 How We Assess Economic Impacts

9.1.1 We follow best practice and guidance and draw from publicly accessible datasets to assess the economic impacts associated with the Proposed Development. We take into account leakage, displacement and multiplier effects and present additional benefits net of the reference case. The following guidance has been followed to estimate economic impacts:

- HM Treasury's Green Book
- Homes and Communities Agency Additionality Guide 4th Edition (2014)
- Homes and Communities Agency Employment Density Guide 3rd Edition (2015)

9.1.2 The full methodology can be viewed in the Socio-economics Environmental Statement (ES) chapter, also prepared by Savills Economics.

9.2 Economic Benefits

9.2.1 Below we demonstrate the economic benefits expected to be generated by the Proposed Development.

9.2.2 This includes the creation of up to 4,000 on-site jobs once operational. As discussed and evidenced in Section 3, contrary to some misconceptions, jobs in the I&L sector are increasingly high-value, well-paid, and require a diverse range of advanced skills. Far from being limited to low-skilled or purely manual labour, the sector now relies heavily on

technology, automation, data analytics, engineering, and systems management to keep supply chains efficient and infrastructure functioning. Roles such as logistics analysts, infrastructure engineers, and supply chain managers command competitive salaries and offer strong career progression.

9.2.3 In turn this is resulting in the sector becoming highly productive, with the highest expected growth in productivity compared to other commercial sectors. Indeed, between 2021 and 2043, Oxford Economics expect productivity growth within the I&L sector to grow by 43%, compared to just 27% in office based employment, and 20% in retail. What this effectively means is that the value of outputs related to the I&L sector, relative to the cost of inputs, is estimated to grow faster than the rest of the UK economy.

9.2.4 As a result, wage growth and wider investment within the sector will also likely continue to outpace the wider economy.

Construction Phase

420 on-site jobs

Estimated construction jobs on-site per annum during the estimated 4.25 year construction period

630 net additional jobs

Net additional on and off-site construction jobs per annum once displacement and multipliers[37] are accounted for.

Operational Phase

4,000 on-site jobs

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

6,185 net additional jobs

Net additional permanent jobs as a result of the Proposed Development once displacement and multipliers[38] are accounted for,

£98 million

Estimated temporary Gross Value Added (GVA) expected to be generated over the 4.25 year construction period.

£148 million

Estimated Gross Value Added (GVA) expected to be generated p.a. from on-site jobs (accounting for displacement)

£12.3 million

Estimated total business rates income per annum

37 The concept of 'leakage' is not considered relevant here as the Scheme is of national significance
38 Ibid

10 Conclusion and Recommendations

10.1.1 The I&L sector is booming nationally. Even before the pandemic the I&L market had been growing strongly. The Covid-19 pandemic has merely accelerated a number of growth drivers that were already in place such as online shopping and the desire for quick deliveries.

10.1.2 NWL, and the wider FEMA, is one of the best locations for I&L development in the country. Its central location, excellent transport links, robust infrastructure, and business environment (including the East Midlands Freeport) create the conditions where logistics operations can thrive. NWL's standing as a prime I&L location is further evidenced by its position within England's I&L 'Golden Triangle', as well as the fact it outperforms the regional and national averages across two key I&L demand side metrics: Net absorption as % of inventory (which indicates the strength of demand in a market) and I&L job growth.

10.1.3 These metrics indicate just how important I&L is to the local and sub-regional economy and why its continued growth should be facilitated. This view is seemly held by government, with the recent proposed changes to the National Planning Policy Framework (NPPF) providing increased recognition of the logistics sector's critical role and contribution to the national economy, noting that the freight and logistics sector is *'fundamental to the UK's economic growth and productivity'*.

10.1.4 Yet despite this, the sector's economic potential is being inhibited by a lack of supply. The wider FEMA and NWL have been supply constrained historically with availability below the 8% equilibrium for the last decade. Another confirming factor of demand outstripping supply is high rental growth, which has been above the rate of inflation across both geographies over the last decade.

10.1.5 It is important that the I&L sector's growth is facilitated given it provides better paid jobs compared to the national average across a diverse range of professions. It is vital to support those sectors which have proved to be resilient (such as I&L) and which are underpinned by structural growth drivers.

10.1.6 Against this context of a growing and locally influential sector, it is our experience that local authorities routinely underestimate demand for I&L uses. As part of our work, we reviewed the most recent employment land evidence covering NWL (Stantec Study 2020 and the 2024 Rapleys Update), and the FEMA (Strategic Warehouse Study 2021). We find inconsistencies in their approaches for estimating demand. Amongst a series of methodological flaws, the various demand methodologies applied fail to account for current day market signals or market drivers, which has led them to underestimate 'true' market demand for I&L uses.

Savills' Future Demand Estimates

10.1.7 Based on Savills' demand methodology, over a 16 year period, Savills baseline estimate for FEMA-wide I&L demand is approximately 1,960 ha of land. This represents Savills'

baseline (upper) demand estimate which we consider to be a reflection of true I&L demand within the FEMA, assuming no supply constraints.

10.1.8 In order to ensure our modelling process is robust, Savills has undertaken a series of sensitivity tests to understand what will happen to future I&L demand in the FEMA should the sector's historic demand trajectory weaken. Based on a series of sensitivity tests, we generate a lower demand estimate of 1,300 ha for FEMA-wide I&L demand. This is our lower demand scenario.

10.1.9 Apportioning the FEMA demand estimates down to NWL, Savills estimate that demand for total future I&L land in NWL over a 16-year forecast period to be between 927 ha under the baseline scenario and 615 ha under the lower demand scenario. Savills has generated a further minimum apportionment scenario based on a secondary lower apportionment rate, which results in a demand estimate of 455 ha.

Supply and Demand Balance

10.1.10 Within NWL, Savills' view of realistic future supply is approximately 178 ha (Section 6). The level of supply in NWL may be supplemented by a further 155 ha of land (including 81 ha within the Scheme) which benefits from a draft allocation. In total this would equate to a potential level of supply of 333 ha.

10.1.11 Comparing total potential supply (including the draft allocations) against the demand estimates presented in Section 7, there is a significant needs shortfall of between 594 ha under Savills baseline (upper) scenario, down to 282 ha under Savills lower demand scenario, and finally 122 ha under Savills minimum apportionment scenario. This analysis is presented in Table 10.1.

Table 10.1 NWL Supply and Demand Balance over 16-year period

	Demand (ha)	Savills Supply (ha) (including draft allocations)	Savills Need Shortfall (ha)
Savills Demand – Baseline Scenario	927	333	594
Savills Demand – Lower Scenario	615	333	282
Savills Demand – Minimum Apportionment Scenario	455	333	122

Source: Savills 2024

10.1.12 While we contend the baseline (upper) scenario is a truer reflection of what future demand is likely to look like, we accept supply constraints are likely to persist into the future. Therefore, as a minimum we consider the Council needs to plan for at least 122 ha of additional I&L land supply above that currently available or within the draft allocations.

This is considered to be a highly conservative shortfall figure, given as discussed in Section 7, this demand estimate is based on a series of highly pessimistic sensitivity tests which in reality we do not see occurring, as well as a secondary lower apportionment rate for NWL.

10.1.13 The objectively assessed demand/supply analysis in this report therefore demonstrates quantitatively that a strong needs case can be evidenced across NWL for further I&L development. The Scheme – given the strategic locational advantages it benefits from - represents a prime opportunity to help meet strong demand, through the delivery of the Proposed Development.

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

Siân Rees
Associate Director, Development
M: +44 (0) 121 634 8477
E: serees@savills.com

Georgie Sheard
Associate, Economics
M: +44 (0) 750 0232 382
E: georgina.sheard@savills.com

Martyn Jenkins
Associate, Economics
M: +44 (0) 781 5989 766
E: martyn.jenkins@savills.com

Appendix 1 – Full Review of Employment Evidence

11 Appendix 1 - Full Review of Evidence Base

Regional Employment Evidence Uses Inconsistent Methods and Underestimates Market Demand

11.1.1 Table 4.1 below summarises the two main employment evidences concerning I&L demand in the FEMA and NWL in terms of their respective scopes, estimation methods used, their future I&L demand recommendations and Savills view of each report's methodological weaknesses.

11.1.2 The Strategic Warehouse Study focuses on strategic B8 uses, and estimates demand across the FEMA over a 21-year period to 2041 (2020-2041).

11.1.3 The Stantec Study on the other hand focuses on I&L uses excluding strategic B8 in NWL over a 22-year period (2017-2039). The Rapleys Update Note updates this evidence for the period 2024-2040[39].

Table 11.1 Local and Sub-Regional Employment Studies

Study	Scope	Recommendations	Methodological Issues (Savills View)
Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change (2021) prepared by GL Hearn, MDS Transmodal and Iceni (Strategic Warehouse Study 2021) (amended March 2022)	• Geographic scope: Leicester City and Leicestershire Region • Uses: Strategic B8 (9,000+ sqm) • Time period: 2020-2041	Strategic B8 (FEMA-wide): 861 ha (2,571,000 sqm) (including 5 year safety margin)	• Preferred employment needs methodology – a replacement and traffic growth model - results in less demand than historic trend which is in direct contrast with the strength of the I&L market. • Demand estimates per annum are lower than the Housing & Economic Development Needs Assessment (HEDNA) estimates for strategic B8 made in 2017 by GL Hearn, even with a 5 year safety margin. Again in direct contrast with the strength of the I&L market. • Does not address strategic needs for B2 floorspace. • Unrealistic apportionment of demand to rail served sites vs road based sites. • Does not recommend how the regional need / demand is apportioned amongst local authorities in the region.
North West Leicestershire The Need for Employment Land	• Geographic scope: North West Leicestershire	I&L uses excluding strategic B8: 47 ha (187,000 sqm)	• Preferred demand estimation method based on GVA outputs does not take account of historic

[39] It has been advised that NWL Council has instructed Iceni to do a further evidence base report, as per the Local Plan Committee on 13th November 2024. This report has not been published at the time of writing.

prepared by Stantec (Stantec Study 2020)	• Uses: I&L uses excluding strategic B8 • Time period: 2017-2039		supply constraints which the study itself notes as a limitation. • Preferred demand estimation method is completely different to the methods used by the Strategic Warehouse Study, resulting in lack of consistency between local and regional demand forecasts. • Different time period used to the Strategic Warehouse Study, again highlighting inconsistencies between local and regional demand forecasts.
North West Leicestershire The Need for Employment Land – Update Note prepared by Rapleys (July 2024) (Rapleys Update 2024)	• Geographic scope: North West Leicestershire • Uses: I&L uses excluding strategic B8 • Time period: 2020-2040	I&L uses excluding strategic B8: 36.5 ha (146,000 sqm)	• As above.

11.1.4 The above summary demonstrates that both reports (and the subsequent Rapleys Update 2024) 'do not talk to one another' which is a by-product of them using different demand estimation methods and focusing on different segments of the market (i.e. large warehouses above 9,000 sqm versus smaller warehouse and industrial units). While both reports note demand has outpaced supply historically, neither have addressed the impact low availability has on 'suppressing' demand as tenants can't find the space they need.

11.1.5 In terms of their estimation methods, the reports use a combination of past completions or freight flows to estimate future I&L demand. Neither of these methods have proved accurate in estimating future demand. If they did, availability wouldn't have remained low across the FEMA and NWL for the last decade, as we evidence in Section 5 (Figure 5.2). As a result, we have seen rental growth far above inflation (Figure 5.5) as occupiers compete for limited available stock.

11.1.6 As we discuss in detail below, these studies have a number of methodological flaws. The Stantec Study uses GVA Outputs to estimate future demand which the study itself notes as flawed because it does not address historic supply constraints.

11.1.7 The Strategic Warehouse Study uses a different set of demand estimation methods; its preferred method is based on replacement floorspace and road and rail freight flows. While this is an interesting approach, its final recommendations are not sensible given its future floorspace demand estimates are below historic completions. This is contrary to market realities whereby demand in the East Midlands in 2024H1 was 87% above the long

term trend[40] and the sector has gone through a period of unprecedented growth (Section 3).

Warehousing and Logistics in Leicester and Leicestershire (The Strategic Warehouse Study, 2021)

11.1.8 The Strategic Warehouse Study was prepared by GL Hearn with MDS Transmodal. The Study focuses on large scale warehouse facilities (B8) greater than 9,000 sqm, and estimates demand across the FEMA over a 21-year period to 2041. The need for large B2 units of 9,000 sqm plus across the FEMA is not covered by the study despite this representing a small but significant component of occupier demand, as we discuss below.

11.1.9 The Study uses different estimation methods compared to the Stantec Study undermining any synergy between both. The estimation methods it explores include:

- Labour demand: based on Oxford Economics jobs forecasts which are then translated into floorspace using employment densities and then into a land requirement using a 40% plot ratio;
- Historic trends: based on historic completions data; and
- Replacement + Traffic Growth: based on the need to replace obsolete stock and need to handle freight traffic growth. Traffic growth is translated into floorspace demand, which is then split between road-based and rail-based. Floorspace estimates are translated into a land requirements using a 35% plot ratio for road-based and 25% plot ratio for rail-based.

11.1.10 A summary of the floorspace demand estimates from these methods is tabulated below in Table 11.2. The estimates cover the period between 2020 and 2041.

Table 11.2 Strategic Warehouse Study Estimated Need by Model Type (2020 to 2041)

Type	Model Name	Description	2041 Needs ('000 sqm)
Labour Demand	Labour demand	Assumes the baseline model for all sectors	-50
	Labour demand sensitivity	Assumes baseline model for warehouse and related sectors for growth-only districts	161
Historic Trends	Completions trend	Reflects large warehouse floorspace delivery over the 2012-19 period, projected forwards	2,702
	VOA trend	Models growth-only districts 2011-18 projected forwards, all warehouse and industrial stock including losses	1,941

[40] Savills Research (2024) July 2024 Big Shed Briefing: The Logistics Market in the East Midlands, available at: https://www.savills.co.uk/research_articles/229130/364003-0

Replacement + Traffic Growth	High replacement, central traffic growth	30 year stock longevity and baseline traffic growth	2,466
	Low replacement, central traffic growth	40 year stock longevity and baseline traffic growth	2,061
	High replacement, sensitivity test traffic growth	30 year stock longevity and higher traffic growth from heightened e-commerce trading as a result of Covid-19	2,571
	Low replacement, sensitivity test traffic growth	40 year stock longevity and higher traffic growth from heightened e-commerce trading as a result of Covid-19	2,166

Source: GL Hearn, Savills

11.1.11 The preferred model is the "*High replacement, sensitivity test traffic growth*" which estimates 2,571,000 sqm of floorspace demand by 2041 (row 7 in Table 5.2). This model relies on two factors driving future demand:

- Replacement Build: requiring new large-scale warehousing to replace existing obsolete buildings.
    1. This assumes the life of a modern warehouse building is 30 years.
    2. Over a 21-year period this corresponds to 70% of existing stock (21 years / 30 years = 70%).
    3. This leads to an estimated demand of 1,620,000 sqm by 2041.
- Growth Build: future demand driven by the need to handle growth in volume of consumer goods handled.
    1. This is derived from growth in annual freight volumes delivered directly to large scale distribution centres.
    2. The chosen model variant assumes higher growth in traffic induced by heightened e-commerce trading occurring since the onset of the Covid-19 pandemic.
    3. The traffic forecasts are then converted into floorspace need "using generally accepted 'conversion factors' which relate annual tonnage throughput and floor space at large scale 'high bay' type warehouses"[41].
    4. This leads to an estimated demand of 308,000 sqm by 2041.

11.1.12 The Replacement Build and Growth Build components are then combined as follows:

1. Floorspace demand from the two components leads to a combined demand of 1,928,000 sqm.
2. A 5 year margin for flexibility is then applied, leading to an overall requirement of 2,571,000 sqm.

[41] Para 8.25, p.109

11.1.13 Floorspace demand from the above step is apportioned to rail-served and road-served sites at a 43% and 57% share respectively. Floorspace is then converted to land requirements assuming a 35% plot ratio for road-based and 25% plot ratio for rail-based sites. This equates to demand for 861 ha.

11.1.14 Below we summarise our views on the methodology adopted in this study.

The preferred model underestimates true demand

11.1.15 A major concern with the preferred model is that its total demand estimate of 2,571,000 sqm is lower than the historic trend model based on completions at 2,702,000 sqm (row 3 in Table 4.2). This does not reflect reality given I&L demand for large units in the East Midlands has been strong with take-up in the 2023 surpassing 2022 levels and the long-term average by 47%. This trend has continued into 2024H1 with take-up reaching 5.02 million sq.ft across eleven transactions – an 87% increase above the long-term H1 average[42]. Despite an increase of supply in 2024, the availability rate remains low at 6.0%[43]. This strong performance in 2023 and into 2024 indicates the resilience of the sector given the recent macro-economic challenges underpinned by high borrowing costs and high inflation.

11.1.16 The lack of available supply within the I&L sector is not a recent occurrence but is historic. When supply, as signalled by floorspace availability, is low, demand is 'suppressed' as prospective tenants can't find space in a market. 8% availability is typically referred to as the equilibrium level at a national level when supply and demand are broadly in balance (as sourced in publications such as the GLA's Land for Industry, Transport SPG 2012[44]) and the British Property Federation's Levelling Up – Logic of Logistics' report[45]. We discuss the 8% equilibrium rate further in Appendix 2.

11.1.17 Below this level, available supply becomes tight and rents increase as occupiers compete for limited available stock. NWL's I&L market has been below the 8% benchmark for the last decade. The Strategic Warehouse Study notes the lack of supply in several instances (i.e. Sections 3 and 6), however instead of trying to address this issue, and its impact on demand, it appears to further accentuate the issue by recommending less demand than the historic 'supply constrained' (i.e. completions) trend.

11.1.18 Not only are historic trends not reflective of the current and future strength of demand in the sector, the Study's use of completions as a demand measure is fundamentally flawed. Development completions is a supply measure, not a demand measure. While new floorspace can be delivered on existing sites through redevelopment and intensification, it mainly depends on new employment sites being made available (allocated) for development via the planning system. The length of time and complexities involved in delivering sites, particularly those of a strategic scale, is why supply measures

[42] Savills Research (2024) July Big Shed Briefing: The Logistics Market in the East Midlands, available at: https://www.savills.co.uk/research_articles/229130/364003-0
[43] Costar – East Midlands I&L units above 9,000sqm (2024 YTD)
[44] GLA, Land for Industry and Transport Supplementary Planning Guidance, September 2012, Section 3.7. Available at: https://www.london.gov.uk/programmes-strategies/planning/implementing-london-plan/london-plan-guidance-and-spgs/land-industry-and#the-document-32213-title
[45] BPF, Levelling Up – The Logic of Logistics 2022. Available at: https://bpf.org.uk/our-work/research-and-briefings/levelling-up-the-logic-of-logistics/

(completions) typically lag actual demand (net absorption). Therefore the use of a lagging supply measure, and the projection of this forward into the future, results in an underestimate of 'true' market demand.

The Study uses different plot ratios

11.1.19 Plot ratios are used to convert floorspace demand to land requirements. The Strategic Warehouse Study applies different plot ratios across the different demand models. Such inconsistency is not considered justified. For instance the historic trend model uses a plot ratio of 40% based on historic evidence but the preferred Replacement + Traffic Growth model uses 35% for road and 25% for rail sites.

11.1.20 While we agree these lower plot ratios are more representative of larger warehouse development, the primary output of each model is their future floorspace demand estimations not plot ratios. By using different plot ratios to translate floorspace to land, the Study has removed the ability to compare results from the different models on a 'like for like' basis. For instance the past completions method (including a 5-year margin)[46] has a much higher future floorspace requirement but only a slightly higher land requirement (3.3 million sqm gives 869 ha) compared to the preferred method (2.571 million sqm gives 861 ha). This is due to the past completions trend being based on a more land efficient plot ratio of circa 40% (which, it should be noted, is too high and does not reflect market realities for many large unit schemes).

11.1.21 If the same road and rail plot ratios were also used for the past completions method (including a 5-year margin)[47], its land requirement would increase to 1,120 ha (made up of 575 ha (road) and 545 ha (rail)). This is 259 ha higher than the preferred method (861 ha) clearly showing the considerable impact of using different plot ratios.

Demand for B2 strategic floorspace is not taken into account

11.1.22 In line with national trends, and as a result of the region's location and accessibility, the vast majority of take-up of larger units is by companies within the logistics / warehouse sector. However, the East Midlands also continues to account for a significant and above average proportion of UK manufacturing output. Manufacturing accounts for 16% of economic output in the region and 11% of jobs, compared to the national average of 10% and 7.5% respectively[48]. Savills Industrial Agency also advise B2 occupiers comprises circa 20% of total I&L demand.

11.1.23 Examples of recent large scale manufacturing investment in the FEMA include:

- Caterpillar, the American construction, mining and other engineering equipment manufacturer, took a 11,896 sqm unit at the Griffen Park scheme in Hinckley & Bosworth in July 2023.

[46] A five year margin of flexibility of 643,000 sqm is added to the past completions estimation of 2.7 million in order to compare the preferred method on a like for like basis
[47] Ibid
[48] Business Register and Employment Survey (2022); ONS (2023) Regional gross value added (balanced) by industry: all International Territorial Level (ITL) regions

- Power Towers, a supplier of mobile elevated working platforms, took a speculative unit of 9,290 sqm at Leicester Distribution Park in December 2019.
- Countryside Properties let a 33,381 sqm build to suit unit at Mountpark Bardon II in March 2020 for a modular production facility.
- Roca Ltd, a bathroom manufacturer, let a refurbished unit of 13,487 sqm at Interlink 145, Bardon in September 2018.

11.1.24 Given the important role that the manufacturing sector plays in the East Midlands, and that B2 uses occupy similar types of units to B8, their needs should also be considered. Savills demand estimates in Section 8 take account of future strategic B2 needs.

Several key assumptions are not substantiated

11.1.25 Based on an assessment of trends within the I&L sector, the study separately quantifies the need for rail-served and non-rail (road-based) floorspace and land.

11.1.26 The Study notes that new warehouses are constructed partly to accommodate growing traffic volumes over the long term – this forms the 'growth build' element of the Study's preferred demand forecasts. The focus is commodities which pass through large scale distribution centres (excluding bulk and semi-bulk cargoes such as aggregates and forest products) – in 2019 and forecast to 2041. These specific commodities are not identified in the Study, but are set out in the Leicester and Leicestershire Strategic Distribution Sector (SDS) Study Part A Interim Report, published in 2014. They include Beverages, Food (fresh, perishable and non-perishable), Furniture, Clothing, Manufactured Articles, Paper and Card (including packaging), Parcels and Wood/Cork Manufactures[49].

11.1.27 The current and forecast freight volumes are produced using the MDS Transmodal GB Freight Model. For those commodities which pass through large scale distribution centres, it estimates the total volume of cargo currently destined for Leicestershire, and the proportion estimated to be delivered directly to large scale distribution centres.

11.1.28 National level data estimates significant growth across all freight modes (as shown in Section 3), with road traffic increasing by 0.8% per annum between 2025 and 2060, and rail traffic by 1.5% per annum between 2024 and 2029. However, in spite of this strong forecast growth, the preferred model, based on freight traffic forecasts, predicts future floorspace demand below past completions. If freight is forecast to grow, and we know freight growth is linked to demand for I&L floorspace, it is therefore not reasonable to expect lower demand for I&L floorspace than past completions – as the preferred model suggests.

11.1.29 The Study estimates that 45% of road freight traffic destined for the East Midlands will be delivered to a distribution centre (assumed to be a unit of 9,000 sqm plus). This is based upon research undertaken as part of the East Midlands Strategic Distribution Study prepared by Savills and MDS Transmodal which was published in 2006. As noted in Section 3, there have been significant changes in the sector since this time including the significant growth of e-commerce. The accuracy of this figure now (and even more so in

[49] MDS Transmodal & Savills (2014) Leicester and Leicestershire Strategic Distribution Sector Study: Part A Interim Report, para 3.2, footnote 6

2041) is therefore questionable.

11.1.30 The main issue is likely to be around the assumption for converting freight traffic to floorspace. This key assumption is not explained in the document, its only reference at paragraph 8.25 is to say *"generally accepted conversion factors."* This is a fundamental assumption in the model and should have been presented with more transparency. In contrast, more detail was provided for the alternative methods not taken forward in the Study. For instance, for the labour demand method, the conversion factor when relating labour demand (jobs) to floorspace was clearly stated as based on densities from the HCA's 2015 guide, which we recognise as industry standard.

The targets for rail served sites appear unrealistic

11.1.31 The Study considers three scenarios in relation to the proportion of new build warehousing required at rail-served sites (i.e. 26%, 43% and 60% rail). 26% is already a highly ambitious figure while 60% is not justified as being realistic; neither is the 43% mid-point.

11.1.32 The lower scenario (26%) is based on forecasts by Network Rail undertaken in 2018[50] and the highest scenario is on the assumption that all demand for units of 25,000 sqm is met at rail served sites,[51] with the final scenario of 43% representing a middle ground. The Study asserts that the proportion of new floorspace to be rail-served should be in excess of the Network Rail forecasts as a result of changes in national planning policy, high growth rates in intermodal rail freight, the cost competitiveness of rail freight services over road, and the decarbonisation agenda.

11.1.33 It is clearly unrealistic to assume that all units in excess of 25,000 sqm will be located at a rail-served site. The number of active SRFIs within the FEMA are limited. While new ones are planned they can take a considerable amount of time to come forward. Furthermore, many occupiers don't need to be located on a SRFI given their supplies don't come in via a port or they need more regular supplies or lower volumes that rail freight routes typically support. Whilst the rail agenda is critically important and should be fully supported due to the wide ranging benefits it can bring, there is a danger of downplaying the continued need for road freight for a large proportion of B8 uses.

Air freight and LGV freight flows appear to be ignored

11.1.34 The growth build element of the preferred model does not appear to take into account the role of air freight and associated I&L demand. This is despite East Midlands Airport (EMA) handling the second-highest volume of air freight in the UK[52], after Heathrow, and being the UK's largest dedicated air cargo operation, making it the country's most important airport for express freight[53]. EMA was one of the top 10 airports in Europe by air traffic movements during the middle of the Covid-19 pandemic[54]. The Study also fails to account for the Airport's ambition to treble its cargo activity to 1 million tonnes a year

[50] National Rail Freight Demand Forecasts
[51] Ibid, paragraph 9.8
[52] Civil Aviation Authority (2022) UK Airport Data; Table 14 International and Domestic Freight
[53] https://www.eastmidlandsairport.com/about-us/cargo/
[54] Manchester Airports Holdings Limited Unaudited Interim Report and Condensed Consolidated Financial Statements for the Six Months Ended 30 September 2020

over the next 20 years[55], which will likely lead to increased demand for I&L premises located near the airport.

11.1.35 Similarly freight moved by LGV appears to have been ignored with only HGV movements considered. Paragraph 8.21 in the Study notes the road freight data is derived from the Department for Transport's Continuing Survey of Road Goods Transport (CSRGT) which obtains details of domestic activity of GB-registered HGVs[56]. Therefore LGV traffic, which is estimated to grow between +25% and +108% by 2050, is not taken into account. While we appreciate that HGV movements are more linked to larger warehouses, to infer LGV traffic has zero relationship is not correct. Again, this omission has likely led to underestimates in future strategic warehouse demand.

The Stantec Study (2020) North West Leicestershire - The Need for Employment Land

11.1.36 The Stantec Study was commissioned by NWL District Council to assess the district's need for employment land in the period 2017-2039. Even though the Local Plan had been recently adopted at the time, the Council felt it had not identified enough employment land to meet its needs – as measured by the previous employment need assessment, the 2017 HEDNA. For example, the HEDNA expected office development to take up twice as much land as industrial but in practice more land had been developed for industry, suggesting that the HEDNA had misread the market.

11.1.37 With regard to industrial land, the Stantec study covers non-strategic industrial space, namely:

- Core industrial space: factories and workshops (B2)
- Non-strategic warehousing space: small and mid-sized distribution / logistics units up to 9,000 sqm

11.1.38 It excludes strategic warehousing, a category comprising B8 units over 9,000 sqm which are instead covered by the Strategic Warehouse Study (2021) discussed above.

11.1.39 The Stantec Study starts off by exploring two types of forecasts for estimating future industrial floorspace needs: one based on jobs (i.e. labour demand) and one based on output (GVA per sqm).

11.1.40 The output forecasts are taken forward given growth in industrial output in NWL has historically more closely mirrored growth in floorspace than using growth in jobs. Experian (July 2020) and Oxford Economics (August 2020) output (GVA) forecasts are used as part of this analysis.

11.1.41 The GVA output forecasts from Experian and Oxford Economics are translated into employment floorspace using densities based on "*economic data and the Valuation Office Agency (VOA) floorspace statistics for 2017*"[57] in terms of £ million of GVA per sqm. This

[55] https://www.magproperty.co.uk/app/uploads/2018/10/EMA_2018_Brochure_FinalProof2.pdf
[56] https://www.gov.uk/government/statistics/continuing-survey-of-road-goods-transport-gb-respondents-section
[57] Para 3.12 p.16

results in an estimated 26,126 sqm per annum (p.a.) for all industrial land (non-strategic and strategic) from Experian and 27,566 sqm p.a. from Oxford Economics. Using one density effectively assumes that industrial activities on strategic and non-strategic sites contribute in equal measure to GVA on a £ per sqm basis. This assumption seems unlikely to hold true in reality and is not validated in the study.

11.1.42 In order to isolate future demand for non-strategic land, the Study considers historical evidence on the mix of industrial development in NWL based on annual monitoring data and VOA. Over the short-term, the share of non-strategic demand averages 5.5% over the last 10 years – leading to the 'low scenario', increasing to an average of 21.6% if a longer 19 year period is used – leading to the 'main scenario'.

11.1.43 A vacancy rate of 7.5% is applied to both scenarios, to allow for units that are empty between tenancies and generally for choice and competition. This broadly corresponds with Savills' 8% equilibrium availability rate (i.e. when supply and demand are in balance). This is discussed in detail in Appendix 2.

11.1.44 Finally, floorspace estimates are translated into land requirements applying a 40% plot ratio. This yields an estimate of 0.9 ha p.a. under the low scenario, and between 2 to 2.1 ha p.a. under the main scenario.

11.1.45 The Study considers the low scenario as not suitable due to historic supply constraints impacting the non-strategic land segment of the market. Therefore the main scenario is taken forward, estimating demand for circa 187,000 sqm of net additional floorspace, or circa 47 ha of land over the 22-year plan period.

North West Leicestershire – The Need for Employment Land – Update Note (Rapleys 2024)

11.1.46 In July 2024, Rapleys[58] prepared an Update Note to the 2020 Stantec Study. The 2024 update was prepared to align the employment land evidence with the plan period for the emerging plan 2024-40, whereas the existing evidence covers the 2017-39 period.

11.1.47 In updating the assessment of employment land need to 2024-40, Rapleys employed the same overall method to that used in the Stantec Study, using the same economic forecasts (as these cover the update period), updated District-wide employment completions and permissions data supplied by the Council and the most up to date VOA floorspace data (to April 2023) and Business Register and Employment Survey (BRES) data (for 2022).

11.1.48 Over the 16-year forecast period (2024-2040) the Rapleys Update estimates a need for circa 146,000 sqm of industrial (excluding strategic logistics/distribution) floorspace. Using a 40% plot ratio this equates to circa 36.5 ha of land.

11.1.49 Below we summarise our views on the methodology adopted in the Stantec Study and

[58] It should be noted that the update report is prepared by Rapleys and not Stantec, the reason being that the team that prepared the original 2020 Stantec report are now at Rapleys having joined in mid-2023. The firms continue to have a good working relationship, and Rapleys have prepared this update report with the full agreement of Stantec, and with full access to the data and analysis used to prepare the 2020 report.

the Rapleys 2024 Update.

11.1.50 While Savills considered the use of GVA outputs better than jobs, it is still a flawed metric for estimating future floorspace, and by extension, land demand. The I&L sector, like all property markets, is driven by the relationship between the supply of floorspace / land and how much demand there is for this supply. When demand exceeds supply, availability reduces and rents typically rise as occupiers vie for limited available stock. The strong demand and rising rents make building new floorspace attractive for investors. However, the delivery of new floorspace primarily relies upon new sites coming forward via the planning process (notwithstanding some net uplift in floorspace can be achieved via the intensification of existing sites).

11.1.51 In England, market demand and supply data is readily available via industrial agents, planning application information, Authority Monitoring Reports and commercial databases such as CoStar and EGi which record transactional information (demand), properties available to the market (availability) as well as data on rents, yields and tenant sectors. Given the wealth of market information available it is unclear as to why the Stantec Study and the subsequent Rapleys Update has relied primarily on third party statistical models to try and understand future market demand rather than market data itself.

11.1.52 The Stantec study does appear to recognise its own limitations: "The industrial forecast should be treated as a minimum, because historical evidence from the VOA suggests that the true demand could be much higher. Unfortunately we cannot estimate that higher number, because land supply has been constrained for so long that we do not have solid evidence of what happened in a relatively unconstrained market" [emphasis added].[59]

11.1.53 The Savills demand estimation method, presented in Section 7, addresses the major flaw of the Stantec Study and the subsequent Rapleys Update by being able to estimate demand that has been lost due to historic supply shortages. We refer to this as 'suppressed demand'.

11.1.54 The recommendations from the Stantec Study have been taken forward in the NWL Regulation 18 Policies document. The overall demand for industrial/small warehousing is estimated at 339,794 sqm[60]. This includes the Stantec requirement (adjusted to cover a period between 2017 to 2040), an allowance for losses between 2025 and 2040 and a flexibility margin equivalent to 5 years annual average completions. This breakdown is set out in Table 11.3 below.

Table 11.3 Total Demand in the NWL Regulation 18 Policies document

Model Name	Sqm
Stantec Requirement (2017 – 40)	195,500

[59] Para 6.4., p.64
[60] Draft North West Leicestershire Local Plan 2020-2040 Proposed Policies for Consultation (2024), Table 4, p.82

Losses allowance (2025 – 40)	60,088
Flexibility Margin	84,206
Total Requirement	339,794

Source: Draft North West Leicestershire Local Plan 2020-2040 Proposed Policies for Consultation (2024)

Summary

11.1.55 Our review of the employment evidence indicates a high variance in approach with limited regard given to market signals as required by Paragraph 32 of the NPPF.

11.1.56 The approaches used – while traditional methodologies applied within Local Authorities' employment evidence bases – will have likely resulted in an underestimation of the future need for I&L land.

11.1.57 Savills has developed their own demand methodology which takes a market signals approach, and which supplements the econometric approach undertaken by the Council to provide a complete picture of true future demand. We present our own view of future demand in Section 7.

Appendix 2 – Savills Suppressed Demand Methodology

12 Appendix 2 - Savills Suppressed Demand Methodology

12.1.1 The detailed steps we follow in estimating future I&L demand (Section 7) are outlined below.

Calculate the FEMA historic and suppressed demand, with e-commerce uplift

Step 1 – Historic and Suppressed Demand

- This demand estimate builds upon historic take-up (net absorption), adjusting past trends for historic supply shortages and the subsequent loss in demand. We refer to this as 'suppressed demand' which is added to the historic demand trend as a top-up.
- We estimate FEMA I&L demand (historic + suppressed) to be 6,347,151 sqm over an 16-year period.
- The steps are detailed below.

Step 1A: Estimating Demand over the Local Plan Period

12.1.2 We assume a 16-year period which equates to the remaining years in the plan period (2020-2040) and is consistent with the time period used in the latest employment evidence (Section 5)[61].

Step 1B: Estimation of Historic Demand

12.1.3 This is based on the average annualised net absorption in the FEMA at 222,524 sqm per annum for the overall I&L market between 2014 and 2023. Savills considers net absorption to be the leading measure of demand for floorspace as it indicates the quantum of net floorspace occupied over a period of time (i.e. move-ins minus move-outs) based on lease deals.

Step 1C: Estimation of Suppressed Demand

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

12.1.5 Supply and demand are inextricably linked across all commercial property sectors. Put simply if demand exceeds supply, rents typically rise more quickly as occupiers compete for limited available stock. This can have a number of wider implications. For example, new companies aren't able to move into a market area, nor are existing companies able to find new space if their floorspace needs change, for instance, due to expansion. It may also happen that some existing local companies get priced out of the market as they can't

[61] North West Leicestershire – The Need for Employment Land – Update Note (Rapleys, July 2024)

afford the increasing rents. As a result, companies have to locate to areas that are not ideal in terms of serving their customer base, thereby increasing travel times and the costs of doing business, not to mention environmental impacts. The lack of supply may also mean companies are forced to occupy space that is not entirely suitable for their operational needs impacting productivity.

12.1.6 We describe a market where supply doesn't keep up with demand as being 'supply-constrained'. Limited supply in a strongly performing market, such as the FEMA's I&L sector, means that demand cannot be fully satisfied, typically resulting in strong rental growth. As demonstrated in Section 5, NWL and the FEMA's I&L rents have increased by 82% and 76% respectively between 2014 and 2023, indicating new supply has struggled historically to keep pace with the strong demand. This is over double the rate of inflation over the same time period[62].

12.1.7 At the national level the market equilibrium level, where supply and demand are broadly in balance and rents are more stable, is around 8% availability. We discuss the evidence behind the 8% equilibrium rate in the boxout below.

Why is 8% Equilibrium Level Applied?

This 8% equilibrium level is found in a number of prominent publications such as the GLA's Land for Industry and Transport Supplementary Planning Guidance (SPG), the London Plan (2021) and the British Property Federation's 'Levelling Up – Logic of Logistics' report.

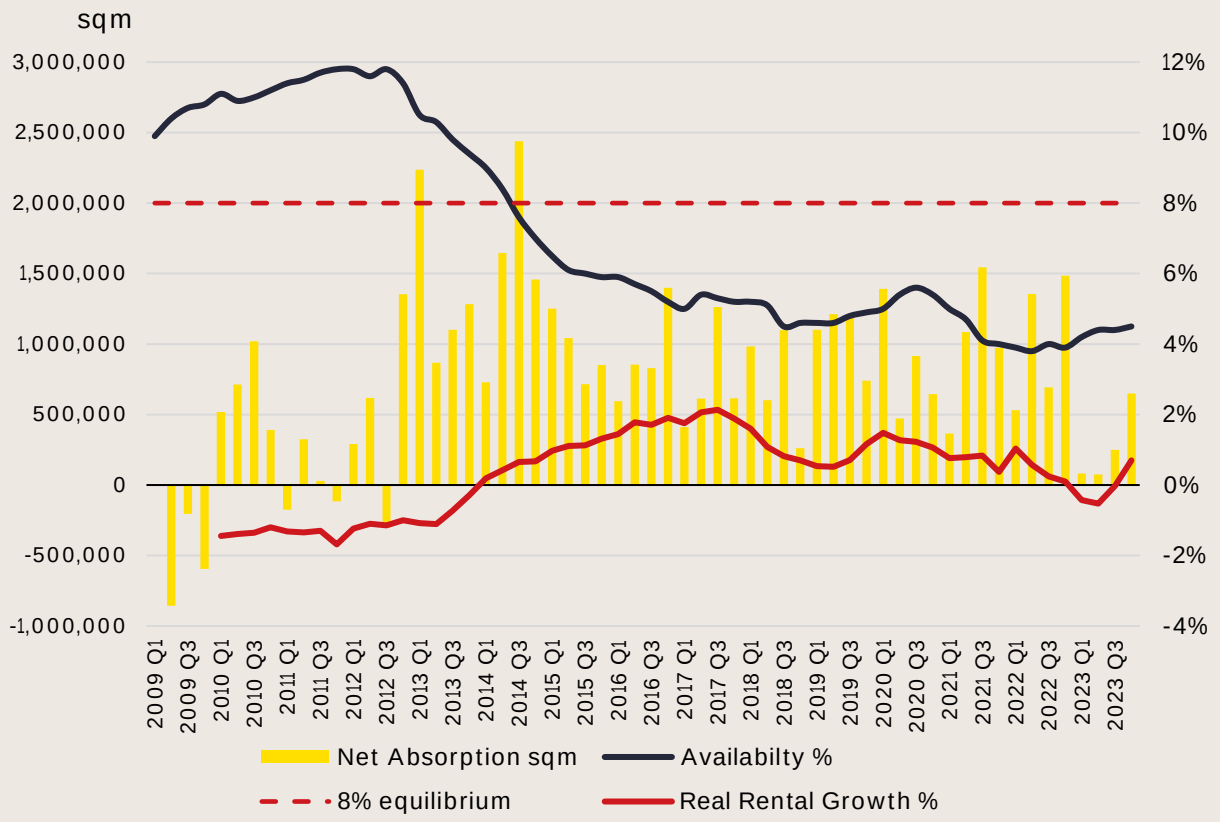
Below this level available supply becomes tight and rents increase as strong occupier demand compete for limited available stock. This is reflected in national trends seen across the last 15 years.

Indeed, if one studies real rental growth (i.e. rental growth adjusted for inflation) over the past 15 years at the national level and observes its relationship to availability, it becomes clear that I&L rents begin to grow strongly when availability is below 8%. This relationship is clearly illustrated in Figure 12.1 below. When availability was above 8% between 2009 and 2014, real rental growth (net of inflation) was either negative or only slightly positive. This enabled demand to be accommodated as sufficient supply was available.

However since 2014, as availability dipped below 8% and has stayed below this level ever since at the national level, real rents have grown strongly year-on-year. During this period, net absorption has been lower than the 2009-2014 period despite the I&L sector going from strength to strength (see Section 3). The clearly shows the suppressing nature tight availability (below 8%) has had on I&L demand nationally.

[62] OBR November 2023 Economic and Fiscal Outlook: Economy Supplementary Tables – Table 1.7. Available at: https://obr.uk/economic-and-fiscal-outlooks/

Figure 12.1 Historic Net Absorption (sqm), Availability (%) and Real Rental Growth (%) in England



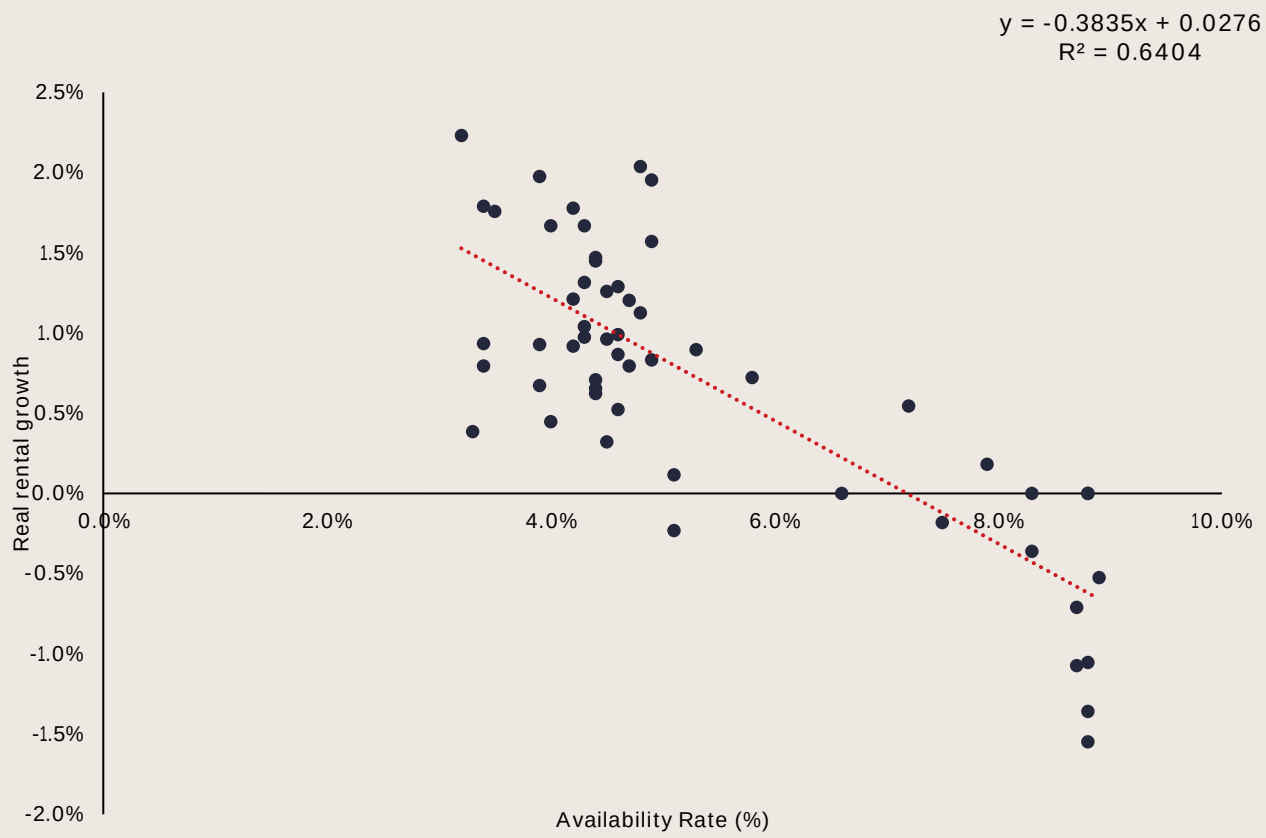
Source: CoStar, OBR, Savills

In addition to the above market trends, Savills has undertaken further empirical analysis to evidence the application of the 8% equilibrium rate. Figure 12.2 plots, for every quarter since 2011, I&L availability for large I&L units (9,300 sqm+) and real rental growth (quarter-on-quarter). As illustrated in the scatter plot, and specifically where the red "line of best fit" intercepts the x-axis, real rental growth is close to zero (i.e. demand = supply) when availability is around 7.5% - 8%. This gives further credence to the use of the 8% equilibrium level in Savills Suppressed Demand Model.

The 8% benchmark is also applicable to the FEMA area given its I&L market has broadly followed the same trajectory as the national market. Within the FEMA, I&L availability has been below the 8% equilibrium for the all years since 2014 (Figure 5.2), similar to the national market. In terms of I&L rents, the FEMA began outpacing inflation from around 2014 when availability dropped below 8% (Figure 5.5), again similar to the national market.

The 8% equilibrium level is also widely used in employment land studies, including in recent strategic studies including the Warehousing and Logistics in the South East Midlands Study (2022), the West Midlands Strategic Employment Sites Study (2024) and in the Council's own evidence base where a 7.5% vacancy rate is applied in the Stantec Study (Section 4.3). It is a widely held and accepted assumption.

Figure 12.2 Real Rental Growth v Availability (%) – I&L units over 9,300 sqm



Source: CoStar, OBR, Savills

12.1.8 The individual steps for calculating the FEMA's suppressed demand are as follows:

- Step 1C(i): For years where availability has been below the 8% equilibrium threshold, we calculate the quantum of floorspace necessary to achieve 8% availability (Column 'Av. To EQ (sqm)' in Table 11.1, calculation F);
- Step 1C(ii): We then take the average of the ratio between net absorption and available floorspace for every year over the past decade (Calculation E averages 54% based on Column 'Net Absorption/Availability');
- Step 1C(iii): We apply this average to the estimated floorspace required to reach 8% availability in each year where the market is below the 8% availability threshold to estimate each period's suppressed demand (Calculation F*E in Column 'Suppressed Net Absorption (sqm)');
- Step 1C(iv): We calculate average suppressed net absorption over the past decade. This gives the annualised suppressed demand figure to be used as a top-up to the historic trend. The estimated average suppressed demand figure for the FEMA is 174,173 sqm per annum between 2014 and 2023.

12.1.9 Table 12.1 shows the relevant calculations for the FEMA.

Table 12.1 Suppressed Demand Calculations within the FEMA

	A	B	C=(A*B)	D	D/C	F=(8%-B)*A	F*E
Year	Inventory sqm	Availability %	Available sqm	Net Absorption sqm	Net Absorption / Availability	Av. To EQ (sqm)	Suppressed Net Absorption (sqm)
2023	10,709,855	6.1%	653,301	72,487	11%	203,487	110,624
2022	10,436,007	4.9%	511,364	690,653	135%	323,516	175,877
2021	9,691,138	4.7%	455,483	282,222	62%	319,808	173,861
2020	9,372,684	4.1%	384,280	305,932	80%	365,535	198,720
2019	9,170,755	4.0%	366,830	361,600	99%	366,830	199,425
2018	8,737,309	2.6%	227,170	151,553	67%	471,815	256,499
2017	8,648,437	4.4%	380,531	72,593	19%	311,344	169,260
2016	8,615,439	4.7%	404,926	59,743	15%	284,309	154,563
2015	8,453,254	4.3%	363,490	85,833	24%	312,770	170,035
2014	8,427,752	5.1%	429,815	142,620	33%	244,405	132,869
					E = average		Suppressed Demand = Average

Source: Savills, CoStar 2024

12.1.10 Step 1D: The final step requires adding the combined annualised historic and suppressed demand figures, and multiplying this by the number of years in the estimated period (16 years) as shown in Table 12.2. This gives a total floorspace demand of 6,347,151 sqm for I&L over the 16-year plan period.

Table 12.2 FEMA Future Demand Estimates and Calculations (sqm)

	FEMA (sqm)
(A) Annualised Historic Demand	222,524
(B) Annualised Suppressed Demand	174,173
(C) Total Annualised Demand (A+B)	396,697
(D) Total Demand Over 16-Year Plan Period (C*16)	6,347,151

Source: Savills 2024; Figures may not sum due to rounding

Step 2 – Adding an E-Commerce Uplift

- Savills' demand estimate factors in future e-commerce growth which is the major growth driver for the sector, driving both demand for the supply-chain, and also the manufacturing of goods.
- After including an e-commerce uplift, we estimate the FEMA's I&L demand to increase to 6,877,282 sqm of floorspace over an 16-year period.
- The additional steps to add in an e-commerce uplift are detailed below.

Step 2A: Adjusting for Increases in Online Retail

12.1.11 As discussed in Section 3, there are a number of factors driving future growth in demand for I&L uses which are not captured by historic trend-based projections. Attempting to factor them all in is a challenging exercise prone to errors and overestimation due to the uncertainty around major events such as Brexit, and the risk of double counting the impacts of different growth factors. The strongest drivers are population growth and the move to online shopping, which the Covid-19 Pandemic has accelerated. We consider demand arising from population growth to be largely captured by increases in online sales which are a function of household spending and household growth. For this reason, in our work we focus on the move to online shopping as expressed as pounds spent at the UK level.

12.1.12 Focusing on total online spend in pound terms is considered more effective than the percentage of online sales. This is because the percentage of online sales will fail to pick up future growth drivers such as population growth and expected increases in consumption. In this regard, using the total online spend projections will enable these future e-commerce growth drivers to be included within our future I&L demand estimates. This enables a better representation of the increased demand for floorspace needed to process this online spending.

12.1.13 In order to estimate future increases in I&L demand linked to e-commerce growth, we first need to establish the share of demand that has historically been linked to e-commerce and then determine how much higher this is likely going to be in the future. The sectors typically linked to e-commerce are Retail, Transport and Warehousing, and Wholesale. These sectors accounted for 47% of all floorspace leased in the FEMA between 2014 and 2023 according to CoStar data.

12.1.14 We have considered Statista's[63] online retail forecasts for the UK to 2029 as a proxy for future online spending growth. Statista is a leading provider of market and consumer data with over 2 million registered users. Statista's data only goes back to 2017 meaning only 3 years of data (i.e., 2017, 2018 and 2019) are available before the Covid-19 Pandemic began. We consider at least 5 years of data to be robust for understanding historic trends. In order to extend Statista's historic series we have discounted their online spending figure for 2017 by the ONS online growth rates in order to derive an estimate for 2015 and 2016.

12.1.15 Next we compare the historic online spending figures (i.e. 2015-2019) with Statista's

[63] A prominent retail forecasting house

future online spend forecasts (i.e. 2023-2029). To ensure that we are comparing like for like, we convert both the historic and future forecast data into real prices in order to remove the effect of inflation. We do this by rebasing all data back to 2015 using GDP Deflators from OBR March 2024 .

12.1.16 As shown in Table 12.3 below, between 2015 and 2019 online retail sales averaged £68.0 billion per annum. We accept that 2020, 2021 and 2022 were exceptional years due to the Covid-19 Pandemic, and exclude them from our calculations. During the period between 2023 and 2029, online sales are predicted to average £94.6 billion per annum based on the Statista forecasts. This suggests a 39% uplift from the pre-pandemic (2015-2019) online spend average of £68.0 billion per annum based on the Statista data.

Table 12.3 UK Online Sales Forecasts (£ billion)

Year	Online Sales Real Prices (£b)	Annual Increase (£b)	
2015	53.8	-	2015-2019 Average Annual Online Sales Value in Real Prices: £68.0 billion
2016	64.0	10.1	
2017	72.8	8.9	
2018	73.9	1.1	
2019	75.3	1.4	
Average 2015-19	68.0	5.4	
2020	88.9	13.6	Excluded from calculations as these were atypical years due to the Covid-19 pandemic
2021	98.2	9.3	
2022	82.0	-16.2	
2023	75.6	-6.4	2023-2029 Average Annual Online Sales Value in Real Prices: £94.6 billion (+39% uplifted compared to 2015-2019)
2024	81.7	6.1	
2025	89.7	8.0	
2026	96.7	7.0	
2027	102.7	6.0	
2028	106.7	4.0	
2029	109.1	2.5	
Average 2023-29	94.6	3.9	

Source: Statista, ONS, Savills (2024)

12.1.17 The increase in online spending indicates that the volume of shipped goods will increase. This in turn will increase the need for I&L floorspace to handle, store and distribute the increased volume of goods.

12.1.18 Some of this increase will likely be dealt with by more efficient operations in the future. Advancements in technology and fulfilment solutions will lead to increased productivity in the sector. According to Oxford Economics, the productivity per worker within the I&L sector, specifically the key e-commerce related sectors being Transport and Storage, Retail and Wholesale is predicted to grow by 18% between 2021 and 2040. We assume that these productivity gains will reduce the need for additional floorspace. To account for this productivity growth in the I&L sector, we adjust down the 39% online spend

increase from Table 12.3 above, by the 18% productivity increase. This yields a final online update of 32% as shown in Table 12.4 below.

Table 12.4 Productivity Adjustment

Predicted Increase in Future Online Spend	Future Productivity Gains in the I&L Sector	Uplift Adjusted for Productivity Gains
39%	18%	39% * (1-18%) = 32%

Source: Statista, ONS, Oxford Economics, Savills (2024)

12.1.19 Applying this 32% uplift to the historic demand from e-commerce sectors equates to an uplift of 530,130 sqm for the FEMA over the 16-year period (Table 12.5).

Table 12.5 Adjusting for Increases in Online Retail within the FEMA

Demand	Annual (sqm)	Over 16-year Plan Period (sqm)
E-commerce related (47% of historic)	103,541	1,656,658
E-commerce related after 32% uplift	136,674	2,186,788
E-commerce demand uplift	33,133	530,139

Source: Savills 2024; Figures may not sum due to rounding

Step 2B: Adding E-Commerce Uplift to the Historic and Suppressed Demand Estimates

12.1.20 Adding the e-commerce uplift to the combined historic and suppressed demand estimates yields a total demand of 6,877,282 sqm for the FEMA area over the 16-year period, as summarised in Table 12.6 below.

Table 12.6 Summary of Future Demand (Over 16-Year Period) within the FEMA (sqm)

	FEMA
(A) Historic Demand (Net Absorption) over 16-years	3,560,378
(B) Suppressed Demand over 16-years	2,786,773
(C) E-commerce Uplift over 16-years	530,130
(D) Total demand over 16-year period (A+B+C)	6,877,282

Source: Savills 2024; Figures may not add up due to rounding

Step 3 – Translating floorspace demand into land requirements

- This step entails translating the above floorspace figures into a land requirement using an appropriate plot ratio.
- The steps are detailed below.

12.1.21 The above floorspace figures need to be translated into a land requirement using an appropriate plot ratio.

12.1.22 As discussed in Section 4 and Appendix 1, the Stantec Study used a 40% plot ratio[64] while the Strategic Warehouse Study adopted a 35% for road-based sites and a 25% ratio for rail-based sites. Based on our experience, recent changes in the I&L sector means that occupiers are moving towards larger building footprints and requiring lower site coverage to allow for adequate yard space, cross-docking, sustainable urban drainage, and strategic landscaping. These modern occupier requirements imply a lower plot ratio. Savills considers a 35% ratio as appropriate, on a conservative basis.

12.1.23 Some relevant case studies to evidence this plot ratio as being appropriate are detailed in Table 12.7 below

Table 12.7 Plot Ratio Case Studies

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

Source: Savills

12.1.24 The results of using a 35% plot ratio to translate our floorspace demand estimates are shown in Table 12.8 below.

[64] Plot ratio is the ratio of developable floorspace to gross site area

Table 12.8 FEMA Land Demand Estimates (ha)

	Floorspace Demand Estimates (sqm)	Land Demand Estimates (ha)
Total	6,877,282	1,960

Source: Savills 2024; Figures may not add up due to rounding

12.1.25 Within the FEMA, we estimate the true level of I&L demand over a 16 year period is 1,960 ha. This represents Savills' baseline (upper) demand scenario which we consider to be a reflection of true I&L demand within the FEMA, assuming no supply constraints.

Sensitivity Testing

Step 4 – Sensitivity Testing

- To ensure our modelling process is robust, we carry out a series of sensitivity tests to understand what will happen to future I&L demand in the FEMA should future demand weaken below historic trends.
- The steps are detailed below.

12.1.26 We have undertaken three sensitivity tests in order to try to understand what weaker future I&L demand may look like. It is important to note that we currently do not see any evidence that indicates the below scenarios are likely. Despite this, the future is uncertain and downside risks are always possible.

- Sensitivity Test 1: Removing the e-commerce uplift – under this scenario we remove the e-commerce uplift applied in Savills' baseline scenario (Step 2). This assumes that the currently forecasted growth of e-commerce does not materialise, and that the growth in the value of online retail sales begins to weaken. As a result e-commerce will no longer be considered a significant structural driver of I&L demand. This could be triggered by various exogenous macroeconomic events such as a recession, changes in consumer behaviour, shifts in technology or even regulatory issues. This scenario would therefore have an adverse effect on demand for I&L land.

- Sensitivity Test 2: Remove e-commerce uplift and lower the equilibrium availability rate to 6% - Under this sensitivity test, as well as removing the e-commerce uplift, we assume that the market equilibrium rate within the FEMA is at 6%, rather than 8%. While 8% is commonly accepted as the rate when demand and supply are broadly in balance, the I&L market in England and within the FEMA has not reached this level for over a decade. Therefore, this scenario seeks to recognise the market is likely to remain supply constrained for the foreseeable future. We have chosen 6% as a new equilibrium availability rate based on the fact that the average availability rate in the FEMA over the last decade has been

around 5.0%, reflecting a highly supply constrained market, and in 2023 stood at 6.1%. The result of this change is that additional suppressed demand is only calculated when availability drops below 6% rather than 8% under the baseline scenario. This results in a significant drop in suppressed demand between 2014 to 2023.

- Sensitivity Test 3: Remove e-commerce uplift and 2014-2019 lookback period – under this scenario we use a look back period from 2014-2019. Historic demand is significantly lower over this time period as it excludes the rebound years from the Global Financial Crisis (2012-2013) and the Covid years (2020-2022) when I&L demand (i.e. net absorption) were extremely strong. In effect we are removing the I&L sector's strongest growth years over the last decade. Under this scenario we also remove the e-commerce uplift.

12.1.27 Under all three scenarios we assume a 35% plot ratio to convert floorspace to land requirements. The results of the three sensitivity tests are presented in Table 12.9 below.

Table 12.9 FEMA Land Demand Estimates over 16-year period - Sensitivity Testing Results

	Savills **Baseline** Demand (upper) Scenario	Sensitivity Test 1 – No e-commerce	Sensitivity Test 2 – no e-commerce + 6% equilibrium	Sensitivity Test 3 – no-ecommerce + 2014-2019 Lookback period
FEMA (sqm)	6,877,282	6,347,151	4,751,414	4,595,603
FEMA (Ha)	1,960	1,809	1,354	1,310

Source: Savills 2024

12.1.28 Sensitivity Test 2 and 3 provide broad synergy around a lower demand estimate for the FEMA of around 1,300 ha over a 16 year period[65]. Therefore, our two demand scenarios are:

- Savills Baseline (Upper) Demand Scenario – 1,960 ha (6,877,282 sqm)
- Savills Lower Demand Scenario – 1,300 ha (4,560,550 sqm[66])

Apportion Demand Estimates to NWL

Step 5 – Apportioning total demand to NWL

- We apportion our total I&L demand estimate under both scenarios for the FEMA (baseline and lower) to NWL specifically. To do this, we use an

[65] Average of Sensitivity Test 2 and 3 is 1,332 ha.
[66] Based on a 35% plot ratio

apportionment rate that is reflective of NWL's I&L market performance over the last decade.

- In addition, we apply a secondary, lower apportionment rate which reflects NWL's historic share of FEMA wide I&L employment. This forms the minimum I&L demand estimate for NWL.

- The steps as to how we split the total demand are detailed below.

12.1.29 Within this section we seek to apportion the total FEMA demand estimates (baseline and low scenarios) to NWL specifically.

12.1.30 To estimate NWL's share of the overall FEMA demand for I&L uses, we first consider the following three property market metrics:

- NWL's share of the FEMA's historic average net absorption (2014-2023): 57%
- NWL's share of the FEMA's average net deliveries per annum (2014-2023): 59%
- NWL's share of the FEMA's total inventory (2024 YTD): 26%

12.1.31 We have taken the average of the above measures which results in an apportionment rate of 47%. This forms our standard apportionment rate.

12.1.32 In addition, we also consider a secondary apportionment rate which reflects NWL's historic employment profile within the I&L sector. Between 2015-2022, NWL's average share of FEMA wide I&L employment was approximately 35%. This forms our lower apportionment rate which we only apply to the lower FEMA demand estimate. This forms the minimum apportionment scenario for NWL.

12.1.33 The results of the apportionment for NWL under all three scenarios are shown in Table 12.10.

Table 12.10 Land Demand Estimates over 16-year period in the FEMA apportioned to NWL

	Sqm	Ha
NWL - Savills' Baseline (Upper) Scenario - *based on standard apportionment rate*	3,253,731	927
NWL - Savills' Lower Scenario – *based on standard apportionment rate*	2,157,655	615
NWL – Savills Minimum Apportionment Scenario – *based on lower apportionment rate*	1,596,192	455

Source: Savills 2024

12.1.34 Savills estimate that demand for total future I&L land in NWL over a 16-year forecast period to be between 927 ha (3.3 million sqm) under the baseline scenario, 615 ha (2.2 million sqm) under the lower demand scenario, and 455 ha (1.6 million sqm) under the minimum apportionment scenario.

Apportion Demand Estimates to specific market segments which align with the employment evidence

Step 6 – Apportioning total demand to specific market segments

- Finally, we apportion our total I&L demand estimates to the specific market segments which align with the employment evidence which was reviewed in Section 4. We compare Savills estimates against the demand estimates presented in the employment evidence in Section 8.
- We apportion the total FEMA demand to strategic B8 uses (over 9,000 sqm) in order to compare with the estimates presented in the Strategic Warehouse Study (2021).
- We apportion the total NWL demand to I&L uses excluding strategic B8 to compare with the estimates presented in the Stantec Study (2020) and the subsequent Rapleys 2024 Update.

Step 6A – Apportion FEMA demand to strategic (over 9,000 sqm) B8 uses

12.1.35 As discussed in Section 4, the Strategic Warehouse Study focuses on strategic B8 uses and estimates demand across the FEMA over a 21-year period to 2041.

12.1.36 To compare with the Strategic Warehouse Study's estimates, Savills overall I&L estimates for the FEMA of between 1,960 ha (6.9 million sqm) and 1,300 ha (4.6 million sqm) need to be apportioned to units above 9,000 sqm. To do this, we consider the following three property market metrics:

- 9,000 sqm+ market's share of the FEMA's historic average net absorption (2014-2023): 84%
- 9,000 sqm+ market's share of the FEMA's average net deliveries per annum (2014-2023): 86%
- 9,000 sqm+ market's share of the FEMA's total inventory (2024 YTD): 56%

12.1.37 We have taken the average of the above measures which results in an apportionment rate of 75%. This indicates that the FEMA's future demand for I&L units above 9,000 sqm equates to between 5.2 million sqm and 3.4 million sqm. Based on a 35% plot ratio this equates to a land need of between 1,471 ha and 975 ha. It should be noted that this figure

includes strategic B2 uses, which the Strategic Warehouse Study 2021 ignores. As discussed in Section 4, based on discussions with Savills Industrial Agency, demand for large B2 premises makes up circa 20% of total demand for large I&L premises in the East Midlands.

12.1.38 Therefore, around 80% of the demand for I&L units above 9,000 sqm within the FEMA can be attributed to B8 uses[67]. This results in an estimate of between 4.1 million sqm and 2.7 million sqm over the 16-year plan period for strategic B8 uses. This equates to a land requirement of between 1,177 ha and 780 ha based on a 35% plot ratio.

12.1.39 The Strategic Warehouse Study does not apportion FEMA-level strategic B8 demand down to the NWL level. Savills FEMA-level estimates can be apportioned down to NWL using the apportionment rates consistent with Step 5 above. Under this approach, future demand for strategic B8 uses in NWL over a 16-year period would be between 2.0 million sqm (baseline scenario), 1.3 million sqm (lower scenario) and 958,000 sqm (minimum scenario). This equates to a land requirement of between 557 ha, 369 ha and 273 ha respectively.

Step 6b – Apportion NWL demand to I&L uses excluding strategic B8

12.1.40 The Stantec Study and subsequent Rapleys Update focuses on I&L uses excluding strategic B8 across NWL.

12.1.41 In order to compare Savills estimates with those of the Stantec Study, we subtract our estimates for strategic B8 demand for NWL from Step 6A (2.0 million sqm, 1.3 million sqm and 958,000) from our total I&L demand estimates for the District calculated in Table 11.10 (3.3 million sqm, 2.2 million sqm and 1.6 million).

12.1.42 This results in an estimate for I&L uses excluding strategic B8 of between 1.3 million sqm, 900,000 sqm and 642,000 sqm. Based on a 35% plot ratio, this equates to a land requirement of between 371 ha, 246 ha and 182 ha.

Results Summary

12.1.43 Table 12.11 provides a summary of the demand estimates generated.

Table 12.11 Savills I&L Demand Estimates – Summary

	Baseline Demand (upper) Scenario	Lower Demand Scenario	Minimum Apportionment Scenario*
Overall Demand Estimates			
FEMA	1,960 Ha (6.9 million sqm)	1,300 Ha (4.6 million sqm)	-

[67] This aligns with the strategic B8 market's share of the FEMA's total inventory (2024 YTD) of approximately 81%.

NWL	927 Ha (3.3 million sqm)	615 Ha (2.2 million sqm)	455 Ha (1.6 million sqm)
Demand Estimates aligned to Employment Evidence			
FEMA – Strategic B8 Demand	1,177 Ha (4.1 million sqm)	780 Ha (2.7 million sqm)	-
NWL – I&L uses excluding strategic B8	371 Ha (1.3 million sqm)	246 Ha (900,000 sqm)	182 Ha (642,000 sqm)

*Source: Savills 2024 *Minimum Apportionment Demand scenario only generated for NWL based on lower apportionment rate.*