H Planning LTD

30th September 2022
Delivered by email

Mr. David Lowin
Principal Planning Officer
Major Projects Planning Team
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

Dear Mr. Lowin,

RESPONSE TO ECONOMIC GROWTH CONSULTATION IN RELATION TO OUTLINE PLANNING APPLICATION FOR REDEVELOPMENT PROPOSALS AT GRAVEN HILL, D1 SITE, BICESTER, OX26 6HF

We write on behalf of our client, Graven Hill Purchaser Ltd, in response to representations from the Economic Growth Team at Cherwell District Council (CDC). These comments related to the current Outline Planning Application (ref: 22/01829/OUT) at the D1 Site (which includes Sites D1 & EL1), Graven Hill, Bicester OX26 6HF (hereafter referred to as 'the site'), which seeks Permission for the following development:

> *'Outline (fixing 'Access' only) – redevelopment of Graven Hill D1 Site, including demolition of existing buildings, development of B8 'Storage or Distribution' use comprising up to 104,008 sq. m (GIA), creation of open space and associated highway works, ground works, sustainable drainage systems, services infrastructure and associated works.'*

For ease, we have responded to these points in turn, with the relevant paragraph numbers from the Economic Growth Team provided at the end of each heading. Paragraphs 1-4 provide a summary and background, hence our response starts at ***Paragraph 5***.

Response to Economic Growth Team Comments: Paragraph 5 (by Quod)

The consultation response on this topic states at paragraph 5:

'The key headline (estimated) benefits included within the supporting documents are indicative of the importance in principle of this allocated employment site. Some aspects, however, require explanation ***(as shown in brackets):***

- *Up to 2,430 operational jobs, including high-skilled, tech-led employment* ***(proportion?)***
- *450 FTE jobs over the duration of the construction build programme* ***(locally-based?)***
- *Up to £7,003,000 per year in local spending by employees* ***(in-commuters?)***
- *Up to an additional 2,160 indirect jobs in the local supply chain* ***(mapping?)***
- *Up to £153,240,000 per annum in GVA* ***(comparison with existing masterplan?)***
- *Annual business rates of £909,000, a portion of which will be retained by the council for investment in local services and facilities* ***(comparison with existing masterplan?)'***

Operational jobs: Paragraphs 5.12 to 5.21 in the Economic Statement submitted as part of the Planning Application set out the range of different types of operational employment which could be expected on-site. The range in employment is because at this outline stage the specific end-user occupiers are unknown. This means that it is not possible to specify the types of spaces required (beyond the broad Use Class definition).

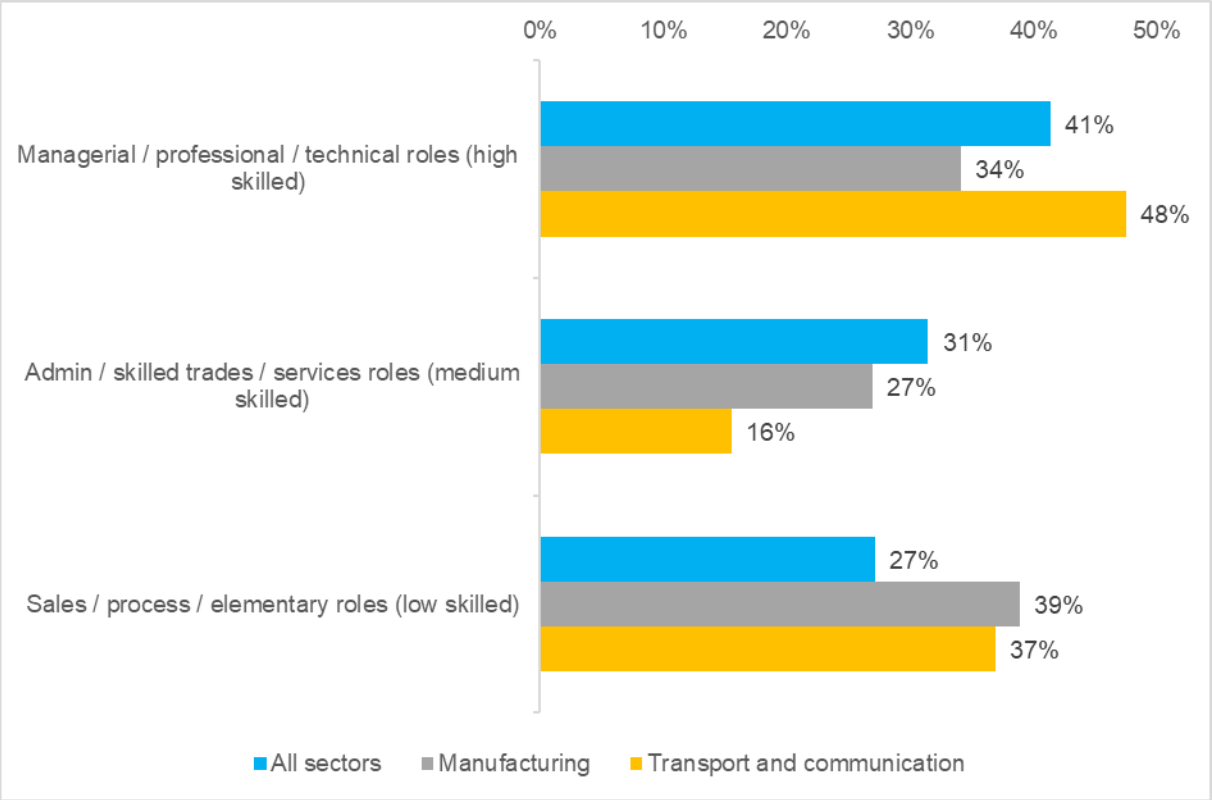
For example, the range in job density spans from 95 sq. m per job to 45 sq. m per job, subject to the nature of business operations that could be undertaken (e.g. from a national distribution operator to an industrial business park). The range of jobs which are estimated to be on-site – from 1,150 to 2,430 – reflects the range of occupiers (and their labour requirements) which could take place on-site.

The type of occupiers and business within the Use Classes proposed would accommodate a range of occupations across the skills profile. This would range from lower skills and entry level positions to high skilled technical occupations and managerial roles.

Paragraph 5.21 of the Economic Statement indicates the types of jobs which could be required subject to the end-user operators' requirements; this includes "high-skilled, tech-led" roles. For example, market research referenced in the Economic Statement shows that in a typical warehouse operation, at least 20% of roles are "back office", half of which would be management level.

Figure 1 shows that in the sector which includes warehousing, logistics and associated activities (transport and communication), 48% of jobs are high skilled, compared to 34% in the manufacturing sector, and 41% across all sectors. Research also shows that manual roles are fast being swapped out for more tech-led roles, such as engineers, programmers and IT specialists, who are responsible for the upkeep of the automated operations (rather than being the manual labour undertaking the operations themselves).

Figure 1: Occupation by Sector in Cherwell (ONS, 2011)



Construction jobs: The number of FTE (full time equivalent) jobs forecast to be needed over the duration of the construction phase is an average, and covers a range of different types of construction job / skill at different expertise levels: these trades move on and off site over the construction period, and employment on-site fluctuates over the course of the build programme.

It is not possible to estimate the number of construction jobs that will be "locally-based" for the proposed development. Construction labour is inherently mobile and workers typically move from job-to-job, locating where the work is. This is reflected in the Socio-Economic Chapter of the Environmental Statement which explains that, for this reason, construction employment is most appropriately assessed at the regional level (paragraph 17.8.3).

Nevertheless, there will be opportunities for local people to take up work as part of the construction of the proposed development. In order to encourage the training of local people into the construction sector, as part of the development proposals, measures will be explored through the development of an Employment, Skills and Training Plan (ESTP) which is required by CDC to be secured by the Section 106 Agreement (paragraph 17.9.2, Socio-Economic Chapter of the Environmental Statement).

Local spending: the level of expenditure by employees is estimated based on survey information carried out by research agency Loudhouse for Visa Europe. At this outline stage, a range that has been provided in the Economic Statement is between £3,314,000 and £7,003,000 per year in local spending.

The comment received queries what proportion of spending would be made by workers commuting into the district. However, the spending figure range provided in the Economic Statement sets out the likely level of spending that workers will spend in the area local to their place of employment. The research this figure is based on includes the costs accrued as a result of socialising with colleagues before and after work, spending on small purchased locally etc. Therefore, this spending figure range is not reliant on whether or not workers are commuting in or out of the district.

Supply chain jobs: An estimate of the number of jobs which could be created in the local supply chain is based on ONS multipliers for particular industries and sectors for FTE workers. This is an average across the wide variety of different jobs in the supply chain which are created as a result of new B8 development. As this is an outline application, the specific types of business operations which will operate on-site are not known: the range could be very wide within the B8 Use Class. As a result, it is therefore not possible to map specific jobs or employer businesses within the supply chain, as those will be varied and numerous.

The evidence set out in the Economic Statement explains the growing concentration of B8 Use operations across the wider Bicester area. There are agglomeration advantages to this for businesses locating on-site, of being co-located in an area which has a concentration of similar sorts of businesses. One of these agglomeration benefits may be the proliferation of and concentration of supply chain businesses which can serve similar businesses in the area, such as equipment servicing, marketing, or professional services (for example legal, accounting etc).

GVA: Using data on regional level GVA, the jobs estimated to be created by the extant masterplan scheme would generate between £109,859,000 and £166,936,000 per annum, depending on the finalised mix and number of jobs on-site. This is at a similar order of magnitude to the GVA estimate for the proposed scheme, at up to £153,240,000, albeit the upper end is marginally higher for the extant scheme.

Business rates: The estimated annual business rates raised by the floorspace set out in the extant masterplan is approximately £817,000 per annum. The proposed masterplan is estimated to raise approximately £909,000 per annum, which is over £90,000 – or 10% - greater than the estimate for the extant masterplan.

Response to Economic Growth Team Comments: Paragraphs 7-9 (by Alan Baxter Associates)

We note that historic railways are present on site which supported the previous MoD use. As part of the Outline Planning Application the potential to retain existing freight tracks was considered, although this was ultimately dependent on the end user and couldn't have been considered until the Reserved Matters Stage. Similarly, the Graven Hill D1 Site is an Outline Application, and hence the end user and potential to reuse rail tracks could not yet be considered.

The trip generation in the Outline Planning Application was therefore assumed to be road-based transport for the employment uses, albeit with additional sustainable transport measures (see subsequent point). For the proposed Graven Hill D1 Site, a Traffic Impact Analysis was similarly undertaken, and included in the Transport Assessment submitted in the planning application. The scope of this analysis was agreed with Cherwell District Council and Oxfordshire County Council at the

pre-application stage. Since the consented scheme is a mix of B1, B2 and B8 uses, and the proposed scheme is 100% B8, this results in lesser traffic volumes than that already consented on the highway network. This is because B8 (storage distribution) usage generates less traffic than B1 (office) usage. As part of the analysis, OCC requested that HGV movements be considered for local junctions, including the Pioneer and Rodney House Roundabouts. This analysis was undertaken, and it was demonstrated that lesser traffic would be experienced on these roundabouts than that already consented on the highway network.

Note that at the time of the Outline Application, the Employment Access Road (EAR) was not proposed to extend to the A41 as a relief road. Therefore, all of the historic traffic analysis was undertaken on this basis, including through the various A41 junctions. As mentioned, the proposed scheme will result in lesser traffic volumes, including through these junctions. However, for the Graven Hill D1 Site, scenarios for both the EAR extension and non (i.e., existing condition) were included in order to be robust. The inclusion of the extension to the EAR results in further reductions to traffic volumes through various A41 junctions within Bicester, due to the extended EAR being a relief road.

The proposed Graven Hill D1 Site adopts similar sustainable transport measures to that which was consented at the Outline Planning Application, and perhaps refines these further. The measures include the provision of a high-quality shared footway/cycleway along the Employment Access Road, which features priority cycle crossings in the "full set back" orientation (in accordance with the DfT's recent document LTN 1-20 on Cycle Infrastructure Design). Dedicated cycle routes would also be provided throughout the site, in order to serve the various units, and these would link coherently with the route on the EAR. The development would also include the extension of the Bicester bus service along the EAR, with a range of new stops provided. A sustainable Travel Plan has also been submitted as part of the planning application, and this would be expected to be Conditioned.

Response to Economic Growth Team Comments: Paragraphs 10-21 (by Savills)

Savills have provided a detailed ***'Logistics Needs Assessment'***, in response to Paragraphs 10-21. This Assessment is provided in full at Appendix 1 and should be reviewed in detail.

In addition, we would like to highlight the following points in relation to **certain occupiers** noted in the comments from the Economic Growth Team (e.g., paragraph 11).

Savills consider the following:

> *'Whilst Arrival have taken considerable space in the Oxfordshire market over the last couple of years, the evidence shows that there is not as much depth to the B2 manufacturing / production market as there is to the B8 logistics market. Arrival is a unique business that has been through a rapid expansion, but we do not see this as representative of a wider trend. In fact, Arrival have paused all further acquisitions. Contrary to this, the B8 market has a greater wealth and variety of occupiers and is therefore considerably more robust. Transactions for units in excess of 100,000 sq ft in the last two years in Oxfordshire have included Simon Hegele, Ocado, Warburtons, Culina / Great Bear and Amazon, all of whom are carrying out logistics / distribution functions. It is the variety and depth of occupiers within the B8 sector that will*

drive take up on new schemes in Bicester. We are currently tracking a further c.1.5m sq ft of requirements for B8 use that would consider locating in Bicester.

It is perhaps also worth considering that all B2 operations require supply chain support. Given the recent prevalence of B2 transactions in Bicester, we anticipate further B8 requirements in order to support those operations. Conversely, it is likely that B2 operations will look to relocate elsewhere if a satisfactory supply chain cannot be established.

The unique nature of individual B2 operations means that occupiers tend to prefer built to suit units. Given the lack of B2 enquiries in the market, this is likely to mean that development sites run the risk of sitting empty until a B2 occupier is identified. This inherently leads to schemes taking longer to deliver. Furthermore, B2 operations will typically require greater utility provision with enhanced water, power and gas supplies required to carry out manufacturing processes. This again can impact the viability and deliverability of a scheme.

There is an outdated perception that B8 space provides low numbers of low quality employment opportunities. However, we are finding that the B8 sector is providing increasing numbers of high-tech jobs. The Ocado unit at Symmetry Park, Bicester is a good example. The level of automation within this unit means that it is skilled jobs like robotics engineers and IT specialists that are now required. Furthermore, modern logistics units are delivered with c.10% office space with staff covering sales, accounting and administration roles. It is therefore the logistics sector that is delivering considerable numbers of office-based opportunities across the region.'

Please see Appendix 1 for a full copy of the ***'Logistics Needs Assessment'***, by Savills.

Response to Economic Growth Team Comments: Paragraphs 22-24 (by Quod)

The Economic Statement details that the Local Plan has identified out-commuting of workers to be a "particular problem" because "there is a significant imbalance between homes and jobs" (paragraph C.15). The Economic Statement provides evidence at paragraph 6.8 that there is a high rate of out-commuting from Cherwell, with 25% of residents working elsewhere in Oxfordshire, according to the 2011 Census.

In line with the Local Plan's aspiration to *"meet the key economic challenges facing Bicester"*, in identifying specific parcels of employment land, the Local Plan *"seeks to make the most of [Bicester's] locational advantages"* that will *"help reduce the proportion of out-commuting, provide more education and training opportunities…"* (paragraph C.17). As such, the proposed development is meeting that explicit aspiration in the Local Plan, which is in line with *"drawing in new businesses and creating opportunities for knowledge and higher value companies and businesses"* (ibid).

The most appropriate mechanism for securing the benefits of the development for local people will be through the Section 106 agreement and the production of a of Skills, Training and Community Employment Plan. The applicant will work with CDC to draft this.

Response to Economic Growth Team Comments: Paragraphs 25-28 (by Quod)

Businesses which take space within the B8 Use Class are varied in sector, type, operational model, etc. This is explored in the Economic Statement at paragraphs 3.12 to 3.14, as well as throughout Chapter 3.

As evidenced in the Economic Statement, there is significant market demand for B8 Use in the area, as well as national and local policy support. The development of the site for this use will help meet that demand, and will support the Council's aspiration to *"support business retention and growth"* as well as *"develop skills and generate enterprise"*.

The likely level of spending in the local economy by workers employed on-site, close to their place of employment, is estimated in the Economic Statement. This is not the same as calculating a *"multiplier"* of spending which would be estimated based on the type of jobs which are expected to be on site.

Broadly speaking, wages tend to be higher in *"knowledge intensive"* employment rather than in more manual roles. These roles are a growing part of the workforce for businesses which operate out of B8 Use Class space. *"Higher value"* jobs tend to command higher wages, which tend to result in more money being spent in the economy as whole. The location of higher-wage jobs close to where people live will often result in more of that spending being captured in the local economy.

Response to Economic Growth Team Comments: Paragraph 29 (by Alan Baxter Associates)

A Traffic Impact Analysis has been undertaken for the proposed Graven Hill D1 Site, and included in the Transport Assessment submitted as part of the planning application. The scope of this analysis was agreed with Cherwell District Council and Oxfordshire County Council at the pre-application stage. Since the consented scheme is a mix of B1, B2 and B8 uses, and the proposed scheme is 100% B8, this results in lesser traffic volumes than that already consented on the highway network. This is because B8 (storage distribution) usage generates less traffic than B1 (office) usage. As part of the analysis, OCC requested that HGV movements be considered, for the Pioneer and Rodney House Roundabouts. This analysis was undertaken, and it was demonstrated that lesser traffic would be experienced on these roundabouts than that already consented on the highway network.

We note that at the time of the previous Outline Planning Permission (2014), the Employment Access Road (EAR) was not proposed to extend to the A41 as a relief road. Therefore, all of the historic traffic analysis was undertaken on this basis, including through the Bicester Village/Gateway section of the A41. As mentioned, the proposed scheme will result in lesser traffic volumes, including through this junction. However, for the Graven Hill D1 Site, scenarios for both the EAR extension and non (i.e., existing condition) were included in order to be robust.

The inclusion of the extension to the EAR results in further reductions to traffic volumes through the Bicester Village/Gateway section of the A41, due to the extended EAR being a relief road.

Response to Economic Growth Team Comments: Paragraph 30 (by Ridge and Partners LLP)

Our experience for BREEAM is that a rating of Outstanding on a shell / shell only project such as this is very challenging due to the scope of the assessment. Achieving the required number of Ene 01 energy efficiency credits is very difficult as you are not allowed to take into account the buildings primary energy consumption estimates, and it must be wholly based on heating and cooling demand. In short, this means that benefit cannot be taken from any renewable energy installations e.g., solar panels, even when installed. As this is a minimum requirement for an Outstanding rating, this issue alone means that an Outstanding rating on a building of this type would not be appropriate.

For a speculative development such as this it is not possible to commit to Net Zero Carbon in Operation, as this requires input from an operator on their energy usage and commitments from them for annual monitoring and reporting. This is not something the applicant has control over. However, as part of the application, Net Zero Carbon – Construction is proposed, following the UK Green Building Council framework. As part of this framework, fabric first investment that is within the applicant's control is still required, as follows:

- Design prioritises the reduction of energy demand above all other measures and achieves or goes beyond industry recognised targets for energy performance, where these exist.
- Heating, hot water and cooking will not use fossil fuels as the primary energy source
- Design includes either on or off-site renewable energy generation capacity

We would also like to highlight that ambitious levels of Electric Vehicle Parking (25%) are proposed from the outset, in keeping with the Oxfordshire Electric Vehicle Infrastructure Strategy (2021).

We trust that the additional information and justification responds to the points raised by the Economic Growth Team. However, should you have any queries or require additional information please do contact me.

Yours Sincerely,

Matt Humphreys, MRTPI
Director

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Appendix 1

Graven Hill, Bicester

Logistics Needs Assessment

September 2022

savills

savills.co.uk

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Executive Summary

I&L Facilities are Critical National Infrastructure

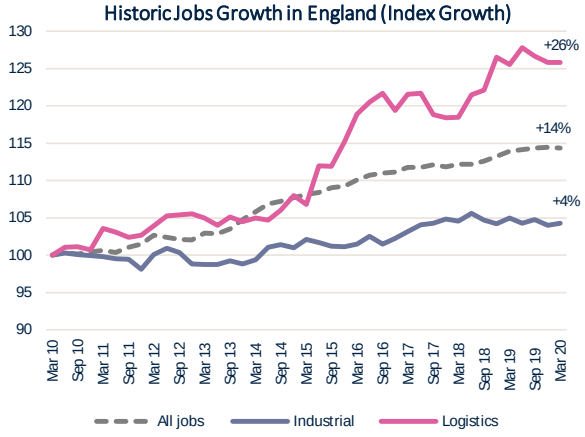
The I&L sector is a **major contributor to the national economy**

3.8 million jobs in England

£232 billion of **GVA** p.a.

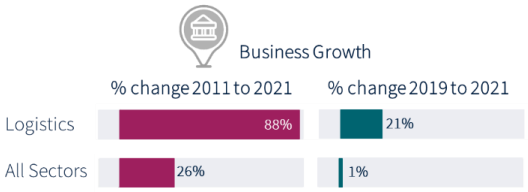
29% productivity increase between 2025 and 2039

Historic Jobs Growth in England (Index Growth)



Over the last 10 years the logistics component of the I&L sector has grown by 26% compared to only 14% across the wider economy.

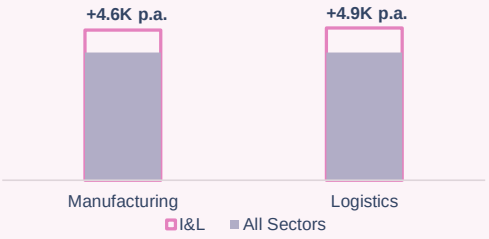
In terms of business generation, the logistics sector is the fastest growing segment of the economy, both in recent years and over the long term. Since 2011, the number of logistics businesses has increased by 88%, much higher than the 26% growth rate across the whole economy.



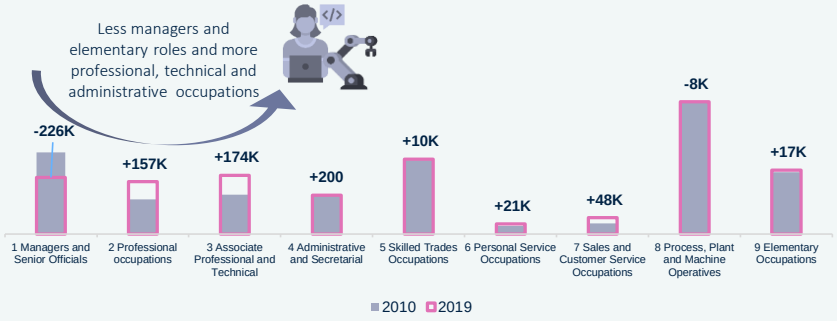
Data from the Office for National Statistics (ONS) show the I&L sector pays high wages - +£4,600 for Manufacturing and +£4,900 for Logistics above the national average per annum. Logistics wages also grew faster between 2019 and 2020 at +6% growth vs +4% for all other sectors. Wage growth is extremely important in the current inflationary environment.

In addition, entry-level logistics jobs are relatively well-paid, with median annual pay being 47% higher than jobs in other sectors in the same occupational category.

I&L Jobs Pay More

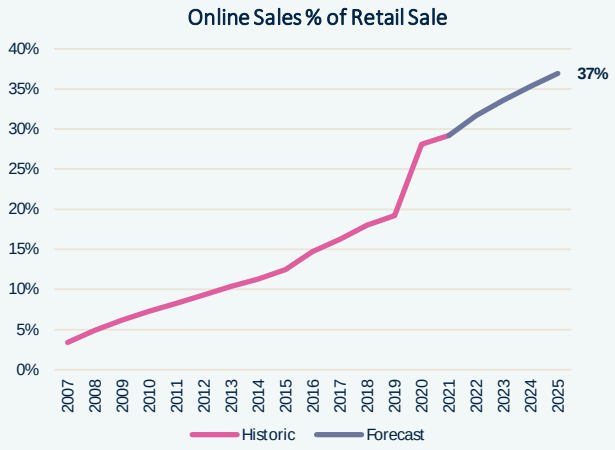


The I&L sector's occupational profile is diversifying. This increased occupational diversity means the sector can play an important role in **re-employing people that have lost jobs** in other sectors of the economy as a result of the **Covid-19 pandemic.**



Across the East Midlands and the West Midlands, the number of people claiming **benefits** – mostly for **unemployment,** is around 285,950, still 27% above the level in March 2020.

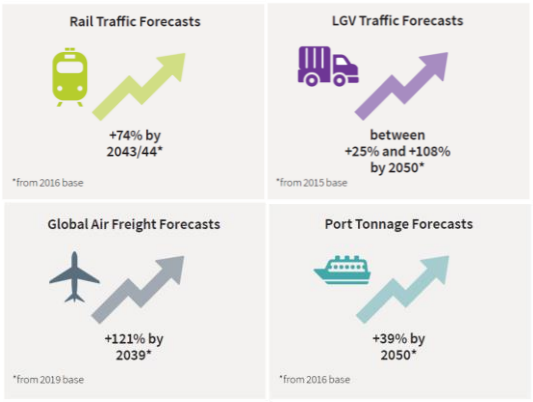
Numerous Growth Drivers are Supporting Record Breaking Demand



The increase in online shopping is certainly one of the key growth drivers for I&L demand. The pandemic has clearly accelerated this growth which went from 19% before the onset of Covid-19 to 25% as of July 2022.

The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional bricks-and-mortar retailers. Most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioral changes such as increased home working and continued demand for rapid parcel deliveries. Forrester Research, a respected source of future online retail projections, estimate that online retail will grow to 37% of all retail sales by 2025.

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

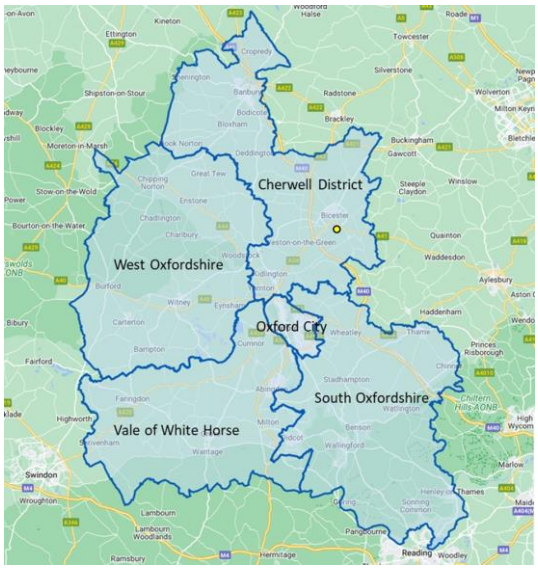


However, they are many other growth drivers for I&L in addition to online growth and freight flows. We consider the shift in habits we have been witnessing – such as the move to online shopping - to be structural rather than temporary.

Cherwell's I&L Market at a Glance

15 million sqft of I&L floorspace	Very low availability at 5%	High rental growth (2011-21) at circa 50%

Cherwell sits within a Wider PMA, where over the last decade, average levels of net absorption (demand) has exceeded the average levels of net deliveries (supply). While a significant future pipeline of I&L premises exists (1.8 million sqft) 91% is pre-let and therefore is not available to the wider market



75% of all leasing demand in the Wider PMA is for B8 uses
79% of all new I&L floorspace is occupied by B8 uses

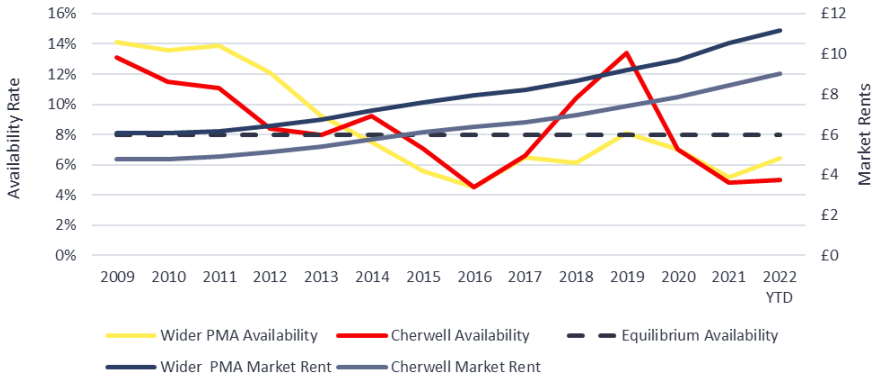
Cherwell sites within a Wider PMA that comprises the five local authorities in Oxfordshire County. Oxfordshire County is also the Council's Functional Economic Market Area (FEMA) as set out in the Oxfordshire Growth Needs Assessment (2021). The Wider PMA is reflective of how the wider sub-regional economy and the property market functionally operate.

Since 2009 Cherwell has accommodated more than 60% of new development despite having just 40% of existing stock. This shows that Cherwell has emerged as the critical location for new I&L development within the Wider PMA and that it is a key driver for its local economy.

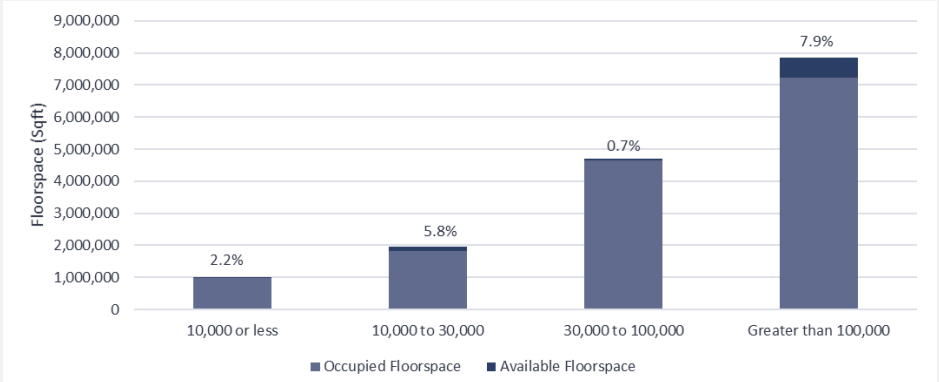
We consider a market to be **supply constrained** when floorspace availability is below 8%. The I&L availability rate across the Wider PMA is extremely low at just 1.3%. Cherwell's is very low as well at 2%.

Both the Wider PMA and Cherwell's availability rate has been below the 8% benchmark for most of the period since 2013/2014. As a result, I&L rents have grown strongly, roughly twice the rate of inflation.

Availability and Market Rents in Cherwell District and Wider PMA



Availability by Size Category in Cherwell District (Sqft)



The market is particularly tight amongst mid-sized units (30,000 sqft to 100,000 sqft) with an availability rate below 1%.

The Proposed Development is comprised of mid-sized and large units (greater than 100,000 sqft).

The Council's employment evidence is considered to underestimated I&L demand for Cherwell

Several employment need reports have been commissioned within the last 10 years with the aim of understanding future I&L demand within Cherwell. These studies adopt two methods – past completions and labour demand. We consider these to have several methodological flaws which lead them to underestimate 'true' market demand for I&L uses.

- **Past completions:** This method does not account for current day growth drivers which have propelled the sector to record levels of demand. These include growth in households, online retailing, freight volumes and in the number of companies bringing their operations back to the UK to guard against Brexit and Covid induced supply chain shocks.

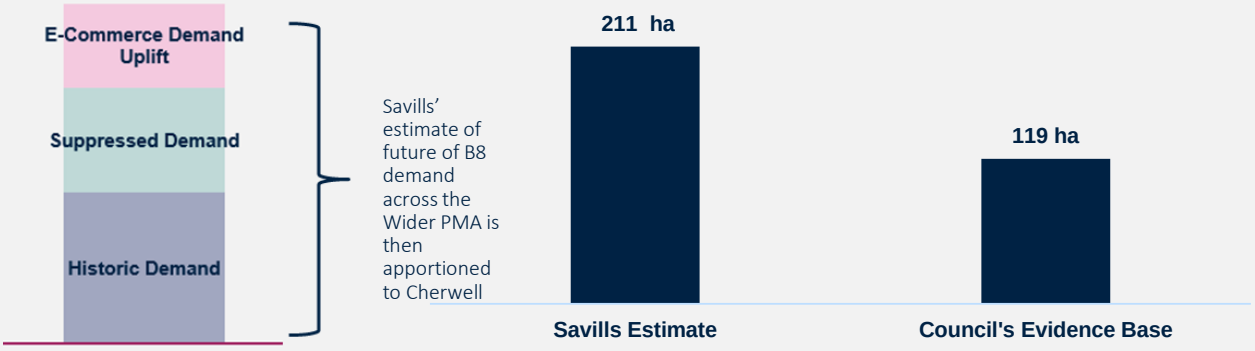
- **Labour demand:** The I&L sector does not comprise low-skilled and low-paid jobs, nor do I&L companies' functions neatly fit into industrial or logistics. I&L companies are increasingly co-locating office, research & development and administrative functions with I&L operations. Such co-located employment is not sufficiently captured by labour demand models as these assume I&L activities are wholly accommodated within a narrow set of Standard Industrial Classification ('SIC') codes.

The Savills method first calculates I&L demand at the Wider PMA level, isolates this demand for B8 uses specifically and then apportions it for Cherwell

Savills methodology seeks to address the methodological shortcoming of the Council's employment evidence and provide a more accurate estimate of future demand.

Savills' methodology is **NPPG–compliant** as it builds on **past trends**, adjusting for historic supply shortages and the subsequent loss in demand. We refer to this as '**suppressed demand**' which is added to the historic demand trend as a top-up. We also factor in **future e-commerce growth.**

Based on Savills demand methodology, over a **19-year period, consistent with the Economic Needs Assessment (2021), we estimate B8 demand in Cherwell to be 211 ha (11.1 ha per annum). This is nearly twice the Council evidence base estimate at 119.1 ha (6.3 ha per annum).**



1. Introduction

1.1. Purpose

1.1.1. Savills have been instructed by Resolute Property to assess market demand for logistics uses in relation to their Development Proposal at Graven Hill, Bicester. The Proposed Development would delivery state-of-art logistics premises across nine mid-sized (30,000 to 100,000 sqft) and large units (100,000 sqft plus). The Proposed Development will provide much needed floorspace to a market for which there is a shortage.

1.1.2. We take a sub-regional approach to estimating future demand in Cherwell. Cherwell is part of a wider sub-regional market and therefore is subject to supply and demand forces which need to be assessed beyond its planning boundaries. This is true for many commercial sectors, but it is particularly important for I&L occupiers which typically have distribution networks linking their customers and suppliers of between 1 to 4 hours travel time, sometimes longer, depending on their size i.e. up to 4 hours plus is more typical of very large companies with a national reach, while 1 hour drive time is ideal for the majority of companies. For this reason, we first estimate demand for the Wider Property Market Area (PMA), consisting of Oxfordshire County, and then apportion it down to Cherwell.

1.1.3. We consider the full market for I&L units (not just B8 uses) initially. This is considered a more robust approach as it relies on a larger pool of data and is based on the fact that industrial and logistics occupiers typically desire similar types of premises in terms of location and design. After running our model at this level, it is then possible to segment what proportion of overall I&L demand relates specially to just B8 logistics uses which is the focus of the Proposed Development. **Across the PMA, B8 uses represent in excess of 75% of all I&L demand.**

1.1.4. The report aims to address a number of the concerns raised in the consultation response – 'Economic Growth,' namely concerning the Council's apparent concerned that the demand for logistics may slow down in the future and that logistics units house only a narrow type of occupier.

1.1.5. As we discuss in **Section 3**, the I&L sector has been the strongest commercial sector in the UK for much of the last decade. Its growth has accelerated even further recently to 90% above the long term trend on the back of increased online retailing, increased freight volumes and UK companies bringing their operations back to the UK (i.e. re-shoring) to guard against supply chain breakages. These are structural not temporary growth drivers that are expected to continue growing.

1.1.6. In **Section 4** we outline how the methodologies used in the Council's evidence base to assess future I&L demand are not fit for purpose. The preferred method used is labour demand projections (job estimates), which is a statistical construct, rather than focusing on market signals as required by Paragraph 31 of the NPPF. As a result the labour demand method has a number of methodological flaws, for instance, it is based on a narrow set of Standard Industrial Classification ('SIC') codes which do not capture the growing and diverse range of occupations in the sector, for example more office jobs as a result of increased office collocation. Labour demand forecasts also do not account for suppressed demand (i.e. demand lost due to historic supply shortages) nor the effects of online retailing, increased freight movements and increased reshoring as a result of Brexit / Covid 19.

1.1.7. The latest employment evidence also considers historic land take up statistics. Whilst this comes up with a higher needs figure it still is considered to underestimate future market demand for logistics uses. For

new I&L floorspace to be built it depends primarily on new land supply to be allocated via the planning system. However, the planning system does not determine demand but rather seeks to deliver supply to facilitate demand across a range of competing land use and enabling infrastructure needs. As illustrated in **Section 5**, the I&L availability rate in Cherwell and its wider Property Market Area (PMA) has been below the 8% equilibrium level since around 2013/2014 and has broadly stayed below this level since. This indicates historic supply shortages which will have suppressed demand as not all of it could be accommodated. Projecting forward historic past completions only serves to continue a supply constrained (and therefore suppressed demand) profile into the future.

1.1.8. The Savills methodology outlined in **Section 6** addresses these methodological flaws and is considered a more accurate reflection of 'true' market demand into the future. **We estimate future B8 demand in Cherwell to be nearly double that estimated in the Council's employment evidence.**

1.2. Report Structure

1.2.1. The sections of the report are:

- **Section 2** presents the Subject Site and the Proposed Development
- **Section 3** outlines key trends in the I&L sector
- **Section 4** presents the Council's employment land evidence base and Savills observations
- **Section 5** provide Savills assessment of demand and supply dynamics in the Wider PMA and Cherwell specifically
- **Section 6** provides Savills assessment of future demand for B8 Uses in Cherwell
- **Section 7** is the Conclusion and Key Findings

1.3. Reader Note

1.3.1. 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). These are the primary use classes that require shed-type units (including ancillary offices) and associated yard spaces. These use classes typically cover the diverse range of industrial, manufacturing and logistics companies that operate within England.

2. Subject Site and Proposed Development

2.1. Introduction

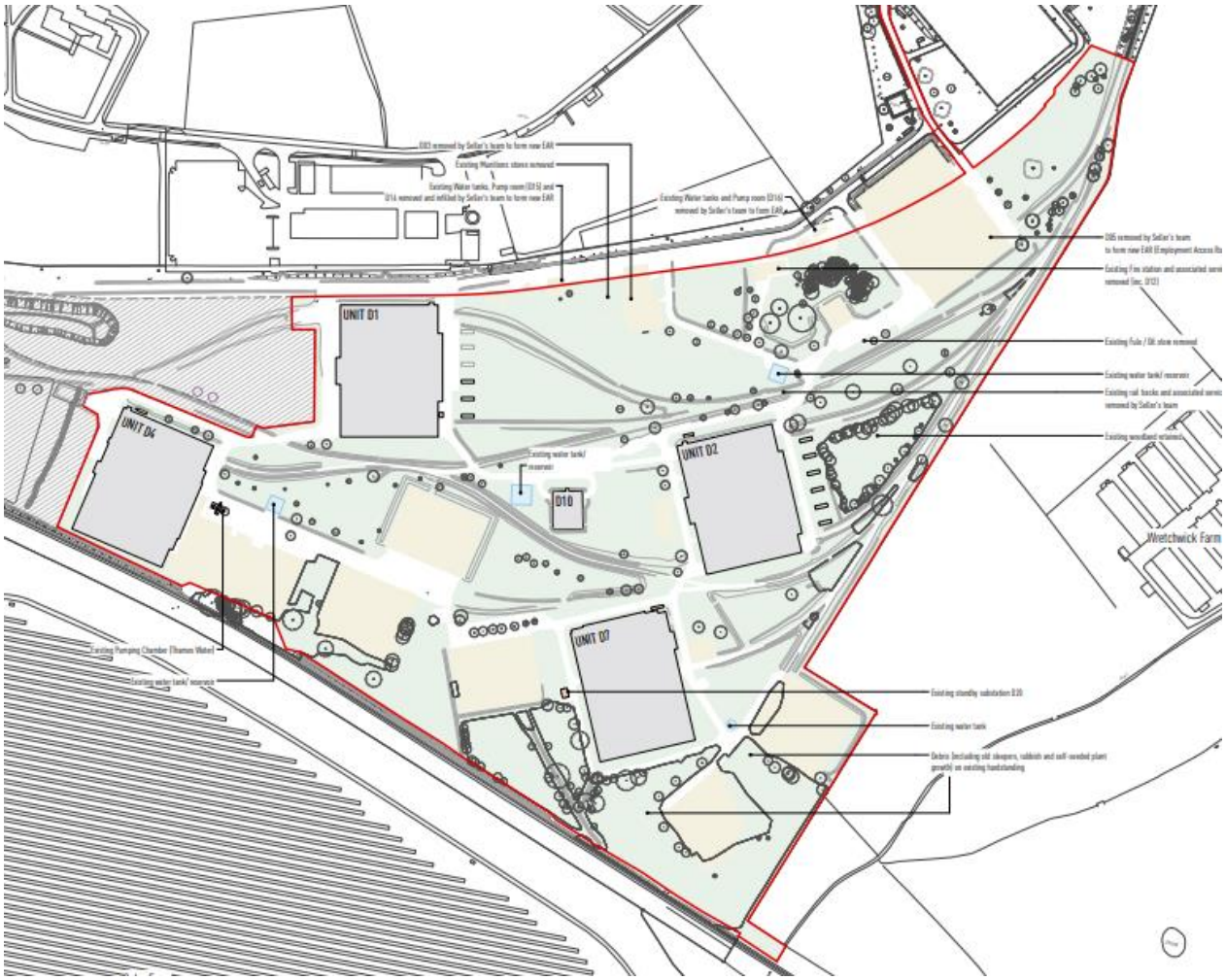
2.1.1. This section presents the Subject Site's locational context including proximity to strategic HGV and LGV routes, major freight handling infrastructure, and access to end customers, businesses and labour supply.

2.1.2. It also describes the Proposed Development.

2.2. Subject Site

2.2.1. The site area is approximately 31 hectares. The site was previously used as part of the Ministry of Defence's Logistics, Commodities and Services (LCS) as a logistics hub. The Site is in the B8 Storage and Distribution Use Class.

Figure 2.1 Plan of Existing Site



Source: Atelier Gooch, 2022

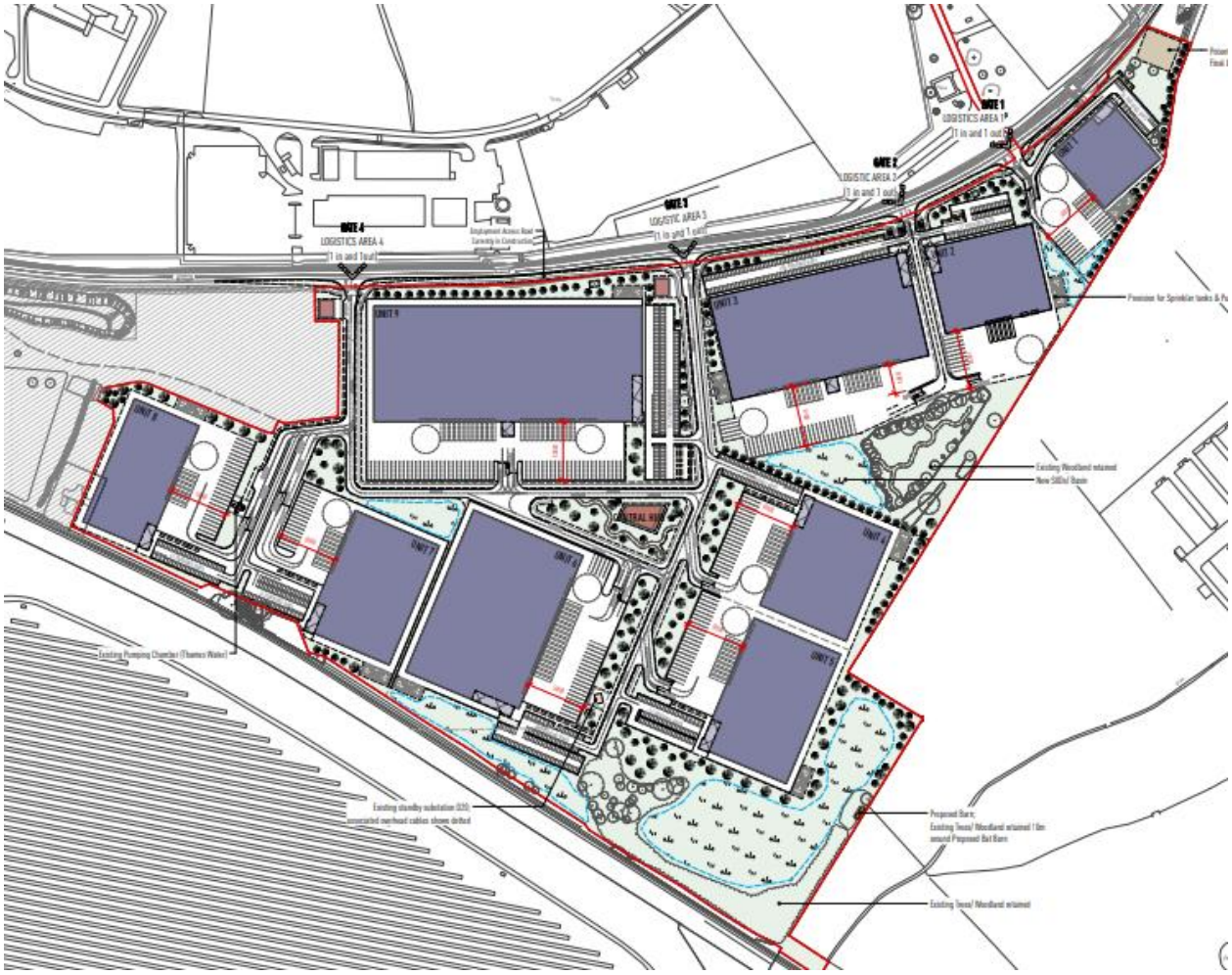
2.2.2. The Subject Site is part of a 241-hectare allocated site in the local plan. The local plan had set aside 26 hectares of the allocated site for the delivery of employment land. It was anticipated that about 91,000 sqm

of employment floorspace would be delivered between 2016 and 2021. To date, no new employment premises have been built since the allocation.

2.3. Proposed Development

2.3.1. The Proposed Development would deliver nine state-of-the art logistics premises.

Figure 2.2: Proposed Site Plan



Source: Atelier Gooch, 2022

2.3.2. **Table 2.1** sets out the area schedule for the Proposed Development.

Table 2.1 Graven Hill Proposed Development Indicative Area Schedule

	GIA (sqm)	GIA (sqft)
Unit 1	4,493	48,357
Unit 2	7,220	77,718
Unit 3	17,715	190,685
Unit 4	8,346	89,835
Unit 5	9,853	106,054
Unit 6	15,527	167,133
Unit 7	8,863	95,402
Unit 8	7,031	75,676
Unit 9	23,255	250,315
Ancillary	1,705	18,354
Total	**104,008**	**1,119,529**

Source: Atelier Gooch, 2022

2.4. Strategic Advantages

2.4.1. The Subject Site's location benefits from a number of strategic advantages which make it ideal for I&L development. These include:

- Proximity to a nationally significant motorway (M40);
- 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.

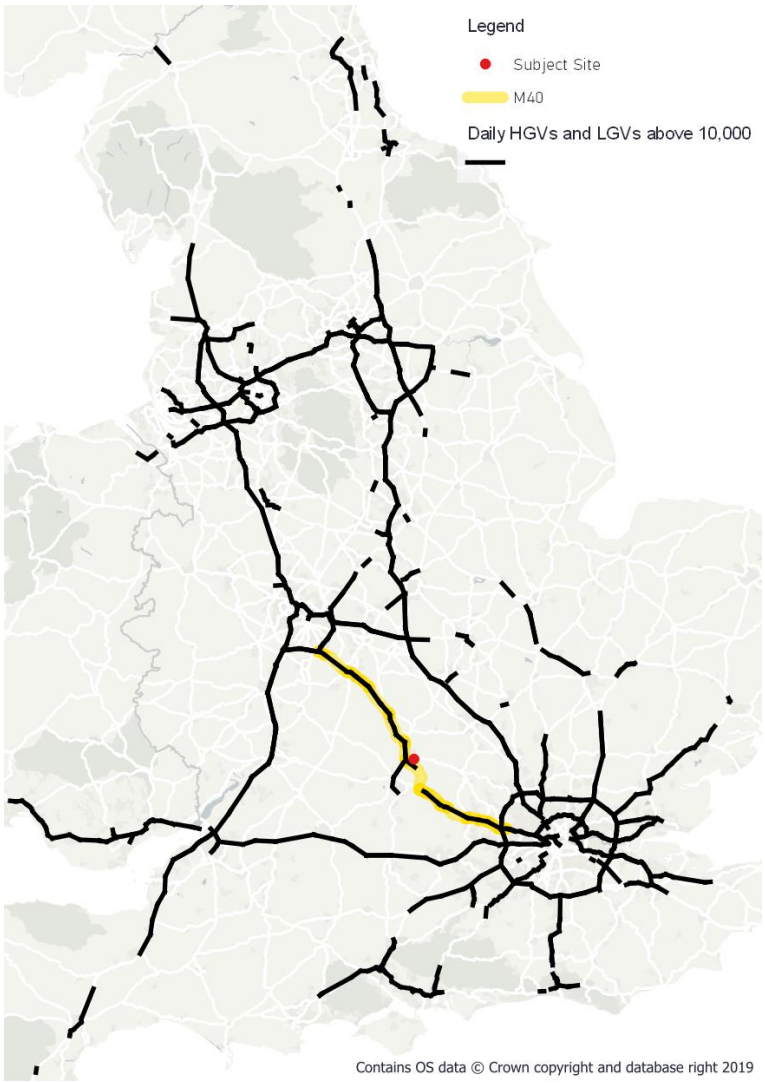
2.4.2. We consider each of these strategic advantages below.

The M40 is s nationally significant motorway

2.4.3. As shown in **Figure 2.3**, the M40 is a nationally significant movement corridors that facilitates over 10,000 HGV and LGV movements per day. The Subject Site is only at a circa 10 minute-drive from the M40, accessed via the A41 which is adjacent to the site. The proximity to such an important motorway is extremely beneficial for I&L occupiers as it enables access to a wide pool of customers and suppliers.

2.4.4. According to Savills European Logistics Census[1] location is the most important factor impacting business investment decisions in the I&L sector (89% of respondents).

Figure 2.3 Busiest LGV and HGV Movements



Source: Savills; DfT

High accessibility to suppliers and end customers

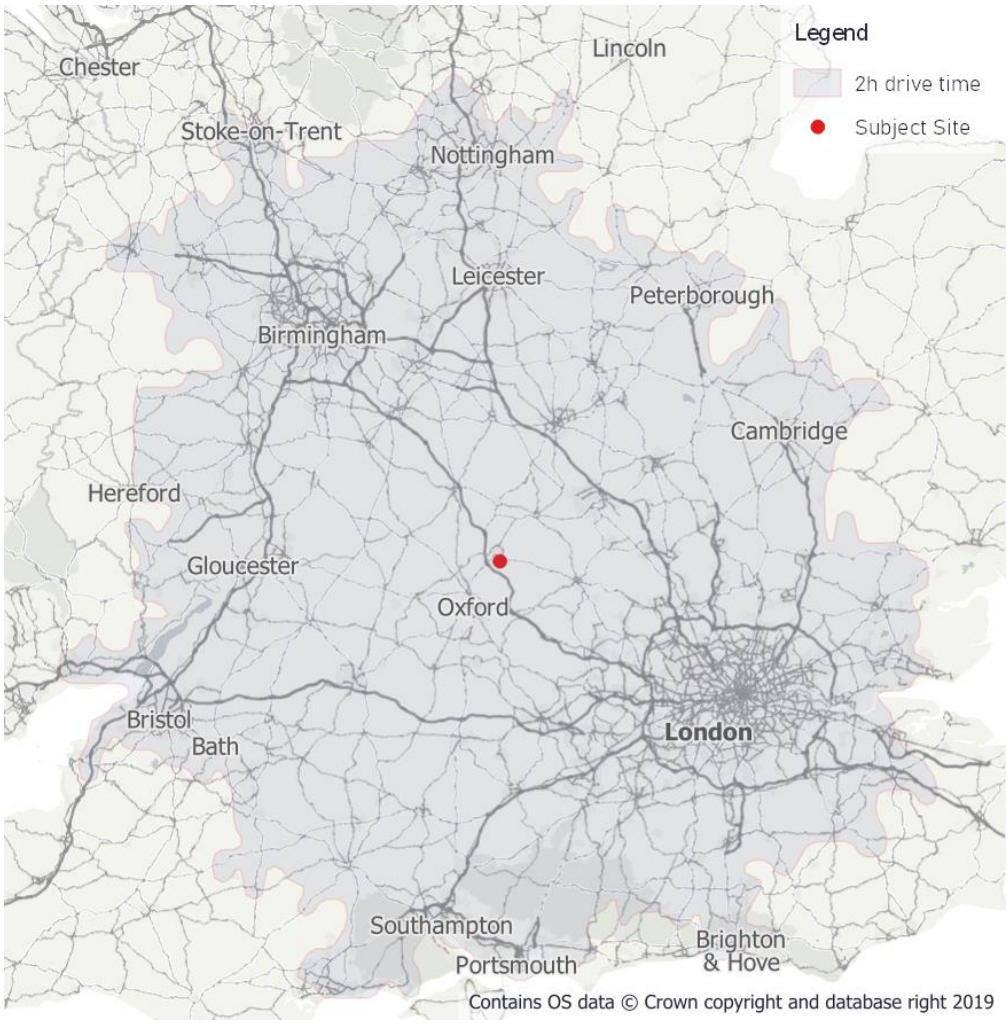
2.4.5. Most I&L occupiers have supply chains linking themselves with their suppliers and end customers of between 1 to 4 hours travel time. The shorter travel time is more typical of small local companies, while longer travel times are more typical of larger companies that do business throughout the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

2.4.6. If we take the middle ground of 2 hours, which is appropriate for most companies, over 31.6 million people

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

(53% of England and Wales's population) and 1.5 million businesses (60% of England & Wales's businesses) can be accessed from the Subject Site[2]. Such impressive numbers are because of large conurbations including London, Birmingham, Oxford, Cambridge and Bristol, which are all accessible from the Subject Site within 2 hours, as shown in **Figure 2.4**.

Figure 2.4 Two Hour Drive Time Catchment



Source: Savills

Ability to link with major freight handling infrastructure

2.4.7. Savills has advised on numerous major freight handling projects across England in recent times. These include East Midlands Gateway, West Midlands Interchange (WMI), DIRFT, Humber ports, Ellesmere Port, Southampton Airport, Heathrow Airport etc.

2.4.8. 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

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

instance, a study[3] of the operations of DIRFT I and II analysed the destination of outbound lorries leaving the rail terminal. It found that 73% of all outbound lorries were destined to locations outside the DIRFT 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 nearby, can benefit from its use as part of their wider supply chains.

2.4.9. Again we consider a 2-hour drive-time catchment as suitable in capturing the majority of I&L businesses that may use freight handling infrastructure as part of their supply chains. **Table 2.2** lists the various freight handling infrastructure within a 2 hour drive time catchment of the Subject Site, while **Figure 2.5** shows the geographic coverage of these catchments.

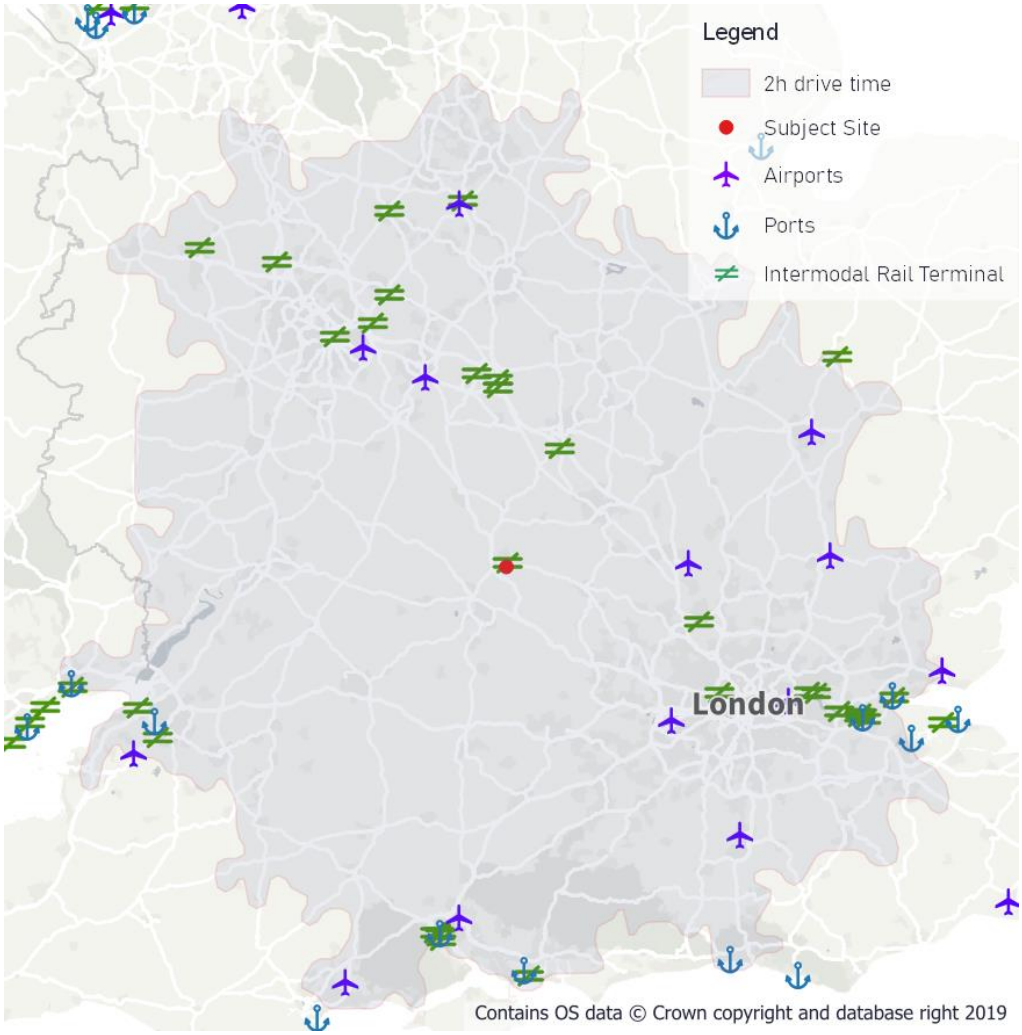
Table 2.2 Freight Infrastructure within a 2 Hour Drive Time Catchment

	2 Hour Drive Time Catchment
Rail Freight Interchanges	Avonmouth and Portbury, Barking, Bicester, Birmingham International (Birch Coppice), Bristol West Depot, Burton, Dagenham, Daventry 1 and 2, Donnington, Ely, Fratton, Hams Hall, Lawley Street, London Gateway Port, Marchwood, Newport Docks, Northampton Gateway Rail Freight Interchange, Prologis RFI DIRFT, Purfleet, Radlett SRFI, Rugby, East Midlands Gateway, Southampton (Maritime, Millbrook, Western Docks), Tilbury, West Midlands Interchange, Willesden Euroterminal
Airports	Birmingham, Bournemouth, Bristol, Cambridge, Coventry, East Midlands, Gatwick, Heathrow, London City, Luton, Southampton, Stansted.
Major Ports	Bristol, London Gateway, Newport, Portsmouth, Shoreham, Southampton, Tilbury

Source: Savills

[3] [3] 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

Figure 2.5 Freight Infrastructure within a 2 Hour Drive Time Catchment



Source: Savills; DfT

3. I&L Facilities are Critical National Infrastructure

3.1. Introduction

3.1.1. In this section we discuss some of the key trends that have been driving growth in the I&L sector, drawing on Savills' recent publication for the British Property Federation "*Levelling-up – The Logic of Logistics*"[4] .

3.1.2. The I&L sector is the strongest performing commercial sector in the UK and has been for some time. It is critical national infrastructure that supports the functioning of our economy and the way we live our lives. The food we eat, the products and services we purchase, the materials used to build new homes and new infrastructure, even the vaccines that give us protection from Covid are stored, manufactured and distributed from warehouses and factories to 'us' the end customer. Without these facilities and the increasingly efficient supply chains that link them with suppliers and end customers, the delivery of our purchases would be much slower, more expensive and we would have less choice

3.1.3. The Subject Site, by way of its strategic location, is ideally placed to cater for the strong growth in the I&L sector.

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

3.2.1. The I&L sector is a significant employer of at least 3.8 million people in England and produces £232 billion of GVA annually[5] (**Figure 3.1**).

Figure 3.1 Key Stats: I&L sector

Source: BRES, ONS, Oxford Economics Savills 2020

3.2.2. Notwithstanding its importance in terms of employment and GVA contribution, the sector is subject to a number of misconceptions about average pay levels, skills required and types of spaces provided.

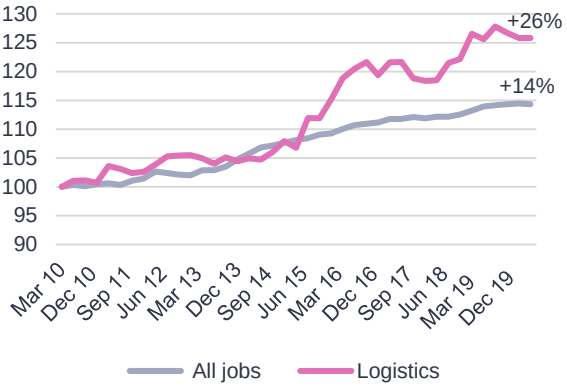
3.2.3. Average pay is higher than the UK average. Data from the Office for National Statistics (ONS) show wages

[4] Savills and BPF (2022), *Levelling-up – The Logic of Logistics*

[5] ONS (2021), Workforce Jobs by Region and Industry - Jobs in Manufacturing, Transportation and Storage for March 2020; ONS (2021) – England, Regional Gross Value Added (Balanced) by Industry – GVA for Manufacturing, Transportation and Storage in 2019 – England

above average at +£4,600 for Manufacturing and +£4,900 for Logistics. Again, the logistics component of the sector is performing above average, with wages between 2019 and 2020 having increased more than in other sectors (+6% growth in logistics vs +4%).

Figure 3.2 Jobs Growth in England (2010-20)



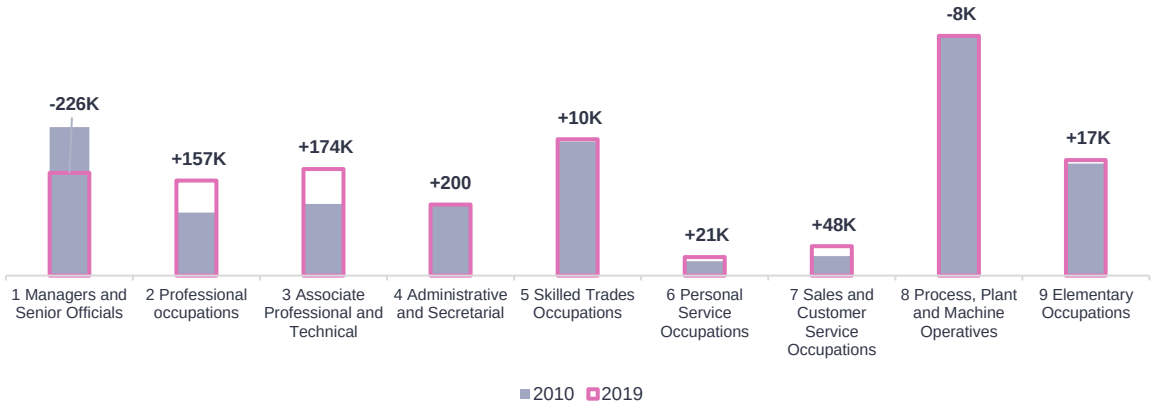
Source: ONS, Workforce Jobs by Industry and Region

Figure 3.3 I&L jobs pay more (2021)

Source: ONS ASHE

3.2.4. I&L jobs have also become increasingly diverse over the last decade. **Figure 3.4** shows the change in the share of occupations in I&L in 2010 and 2019. While at the beginning of the decade we see a more polarised distribution, with a higher share of managers at one end of the spectrum and more routine occupations at the other end, today we see a higher share of Professional and Associate Professional and Technical roles. These roles are typically associated with higher-skilled engineering and technological professions in response to increased automation and robotics in the sector and more advanced supply chain processes.

Figure 3.4 Occupational Distribution in Manufacturing, Transport & Storage



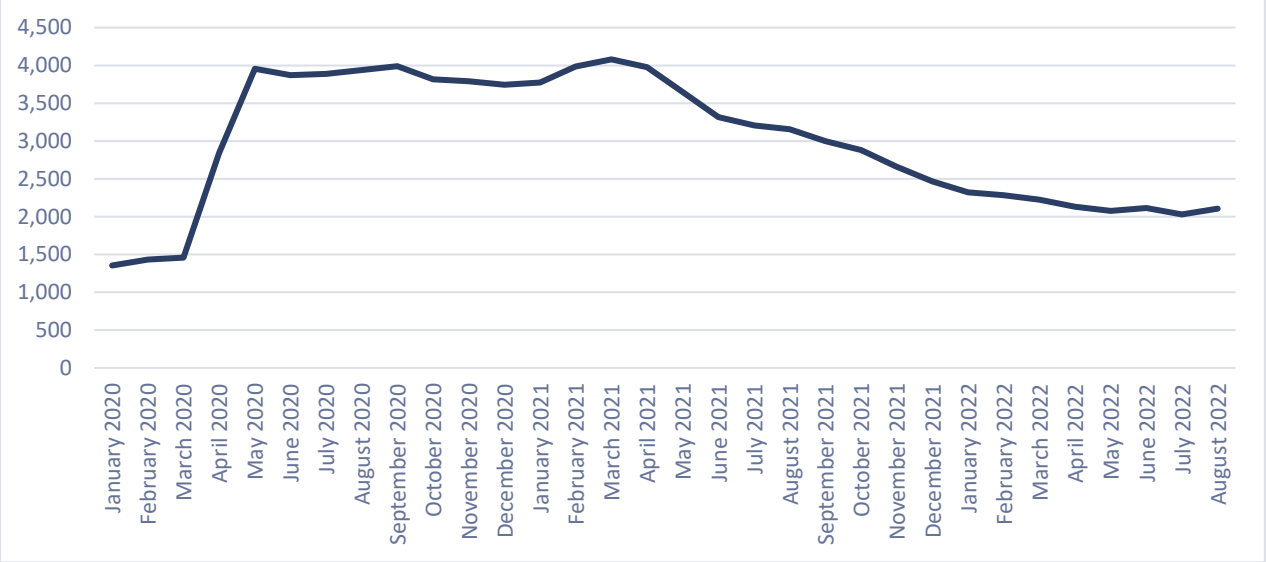
Source: ONS APS, Savills 2020

3.2.5. This increased occupational diversity means the I&L sector can play an important role in re-employing people that have lost jobs in other sectors of the economy as a result of the Covid-19 pandemic.

3.2.6. The Government's Coronavirus Job Retention Scheme (CJRS) has helped cushion the impact of economic

contraction on the job market. However, in spite of this effort, the Claimant Count for the area remains high (**Figure 3.5**). The Claimant Count measures the number of people claiming benefit principally for the reason of being unemployed. As of August 2022, the Count totalled 2,105 claimants, which is still 44% than the Count in March 2020.

Figure 3.5 Claimant Count for Cherwell, January 2020 to August 2022



Source: Savills (2022); ONS (2022) Claimant Count by Sex and Age

3.3. Increased office collocation

3.3.1. While these new and more diverse occupations are the result of operational changes in the sector, these changes are impacting the design and composition of modern I&L premises. One such change is the increased prevalence of office space being co-located with warehouse and manufacturing facilities to house these new roles, but also as a means of improving operational efficiency, reducing estate costs and fostering stronger collaboration between different business units (see Bidfood Case Study in **Table 3.1** below). Based on Savills data tracking large units over 100,000 sqft across the UK, the amount of office space found in I&L premises has increased over the last five years.

3.3.2. While the external appearance of premises occupied by a manufacturer may look similar to that occupied by a logistics company, their internal fit out, even a building's environmental performance are increasingly tailored to the specific requirements of individual companies. Modern I&L premises are also found to house gyms, cafes, restaurants, game rooms, and even hairdressers and physiotherapy suites. As a result, the types of activities undertaken, the levels of employment generated, and range of occupations found on site are very much company specific. This diversity evident in the sector is not adequately captured via the current planning use classes or standard job densities applied to I&L developments.

3.3.3. As detailed in our Gymshark case study in **Table 3.1** below their diverse operations are being co-located together meaning its premises do not fit solely within either an office (E(g)(i)), research and development (E(g)(ii)), industrial processes (E(g)(iii)), general industrial (B2) or storage and distribution (B8) use class. Nor do any of its different activities operate as ancillary to one another but rather as separate components of a collective whole.

Table 3.1 Case Studies

Case Study 1: Bidfood	
	Purpose-built for Bidfood, the 117,400 sqft premises in the Slough Trading Estate include 22,000 sqft of head office accommodation arranged across three floors for marketing, commercial, quality control, finance, IT, customer services and telesales personnel. The remaining floorspace includes customer presentation suite, temperature-controlled warehouse and distribution facility.
Case Study 2: Gymshark	
	Gymshark is a fast growing clothing company which is now expanding across multiple facilities in Blythe Valley Business Park (Solihull) to create a campus style working environment. The large warehouse chosen for their new innovation hub provided Gymshark with the necessary flexibility to house multiple functions, combining production, storage, design studio, innovation and office space, meeting rooms and breakout areas. The building is designed to bring together these diverse uses and the people covering different roles to promote innovation and integration across a number of functions.

Source: Savills & BPF (2022); Gymshark; SEGRO

3.4. Current trends driving I&L demand

3.4.1. The I&L sector is facing an era of unprecedented change. The past decade has seen the sector undergo a remarkable transformation, reshaping operating models and occupier requirements in ways that are only starting to become recognisable as an industry-wide phenomenon. Logistics uses in particular have shown strong performance for a number of years, but the Covid-19 pandemic has exacerbated existing trends. This has driven demand up even further for logistics floorspace while adversely impacting other commercial sectors such as retail and offices.

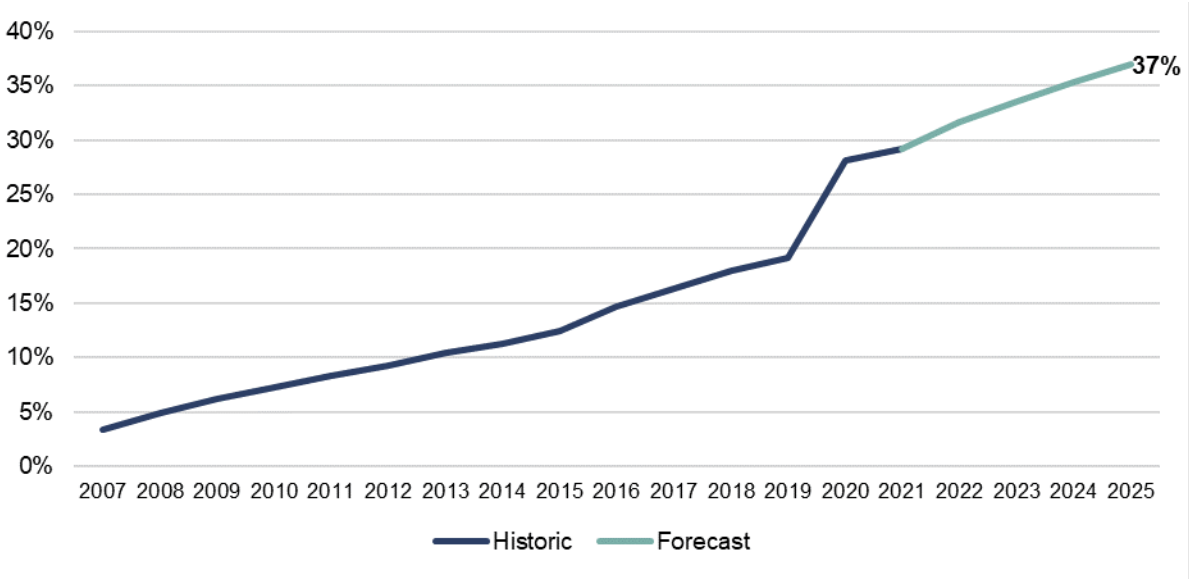
3.4.2. The shift in habits we have been witnessing – first of all the extraordinary growth in **online retailing** – is structural rather than temporary, meaning that as the country's population continues to grow, so will I&L floorspace needs to support household consumption and other sectors of the economy. Statistics collected by the ONS from November 2006 show that the share of internet sales has consistently increased over time and it was at 19% before the onset of the Covid-19 pandemic. During the pandemic, due to lockdowns and restrictions this figure considerably increased and is around 26% as of May 2022[6]. The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times

[6] ONS (2022), Internet sales as a percentage of total retail sales (ratio) (%)

the logistics space of traditional bricks-and-mortar retailers[7].

3.4.3. While the proportion of online retailing may soften slightly as the UK economy opens up, most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioural changes such as increased home working and continued demand for rapid parcel deliveries. Forrester Research, a respected source of future online retail projections, estimate that online retail will continue to grow but from a higher base reaching 37% by 2025 (**Figure 3.6**). While we appreciate these are just future estimates many online retailers and commentors see online growth moving to 50% of total online sales as being inevitable. One such report, 'The Digital Tipping Point, 2019 Retail Report,' estimated retail sales would reach 53% by 2028. While this timeframe appears far too ambitious, the question appears to be more of 'when' rather than 'if.'

Figure 3.6 Internet Sales as a % of Retail Sales, 2006-2025



Source: ONS, Retail Sales Index Time Series, Forrester Research, Savills 2021

3.4.4. Freight flows are another key driver of I&L floorspace demand. Significant growth is forecast across all **freight** modes (**Figure 3.7**). Freight arriving and leaving the UK needs to be sorted, packaged and distributed via a network of freight handling infrastructure (i.e. ports, airports, rail freight interchanges and motorways) and conveniently located I&L premises in order to reach end customers.

[7] Prologis (2016), Global E-Commerce Impact on Logistics Real Estate. Online Article: https://www.prologis.com/about/logistics-industry-research/global-e-commerce-impact-logistics-real-estate. Internet shopping relies on increased choice for the consumer and also increased delivery speeds to a location of people's choosing. This means that more inventory is required to be located nearer to the general population. This in turn has meant that more and more warehouse space is required.

Figure 3.7 Projected growth in freight by Mode

Source: DfT, MDS Transmodal, Boeing, Savills

3.4.5. Brexit and Covid-19 have highlighted the level of interconnectedness of international supply chains and their fragility when one or more links break. Companies have started building up greater resilience in their operating models by moving operations either back to the UK (**re-shoring**) or closer by (**near-shoring**) as a means to minimise future supply-chain-induced disruptions. According to a survey carried out in July 2020 by the Institute for Supply Management, 20% of firms are planning to or have already started to near-shore or re-shore. These findings are corroborated by a survey carried out by Savills[8] whereby over 80% of respondents expected the Covid pandemic to either 'greatly increase' or 'somewhat increase' on-shoring. This is likely to lead to higher domestic inventory requirements, further increasing demand for I&L space.

Near-shoring definition	Re-shoring definition
Transferring a business operation to a nearby country as opposed to a more distant one (i.e. off-shoring)	Moving a business that had gone overseas back to the country from which it had originally relocated

3.4.6. Increases in demand and occupancy could also arise due to higher levels of **stockpiling**. For example, businesses may find it too risky to have a single warehouse serving their customer base compared to a multiple stocking solution. Therefore, instead of concentrating in one location, some firms might seek to spread their inventory over different regions, but in smaller spaces.

3.4.7. The image below (**Figure 3.8**) provides a visual representation of some of the major trends driving growth in the I&L sector. While e-commerce grabs most of the headlines for driving growth in the sector, there are several growth drivers at play as illustrated below. Combined, these growth drivers are resulting in unpreceded demand for I&L premises. Over the course of 2021 Savills' Big Shed Briefing[9] found that gross take-up had reached a new annual record of 55.11 million sq.ft, 86% above the annual average. The number of transactions nationally was 220, surpassing the previous record of 172 in 2020[10].

[8] Savills (2020) The impact of Covid-19 on Real Estate. Online Article: https://www.savills.com/impacts/market-trends/the-impact-of-covid-19-on-real-estate.html
[9] Savills Research (2022) Big Shed Briefing (January 2022) Available at: https://www.savills.co.uk/research_articles/229130/323880-0
- the Big Shed Briefing focuses on I&L premises above 100,000 sqft
[10] Ibid

Figure 3.8 I&L Sector Growth Drivers

Source: Savills

3.5. Conclusions

3.5.1. I&L premises facilitate modern life and therefore should be considered critical national infrastructure that is similar to major roads, ports, airports and rail freight interchanges. The sector makes a significant contribution to the national economy and supports a diverse range of well paid jobs.

3.5.2. Current demand within the sector is at unprecedented levels being supported by a number of key growth drivers. There is a strong need to support and foster economic growth to support the post-COVID recovery. It is vital to support those sectors which are proving to be resilient (including logistics and manufacturing) and are therefore well-placed to provide new employment opportunities to mitigate job losses in other sectors and underpin the economic recovery locally and within the wider sub-region.

4. Review of Employment Policies & Evidence Base

4.1. Introduction

4.1.1. This section provides a review of relevant policy and related evidence base documents including Cherwell Council's employment land policies and the local plan evidence base.

4.1.2. The current Cherwell Local Plan 2011-2031 (Part 1) was last updated in 2015. It is out-of-date because it does not reflect the property market dynamics which fundamentally changed in the ensuring seven years. This is particularly the case for B8 Use Class floorspace. The existing employment land policy is based on an employment growth model from 2012 and uses an approach to estimating employment land need that is inappropriate and inaccurate. The Council is currently preparing a new local plan but it is unclear when this will be available because it is delayed according to the Council's Local Development Scheme.

4.1.3. The latest available evidence base document covering employment land is the Cherwell District Council's Economic Needs Assessment (2021). Whilst it is based on more up to date data than the previous evidence base documents, it adopts that same approach and therefore significantly underestimates the need for B8 uses.

4.2. Policy Context

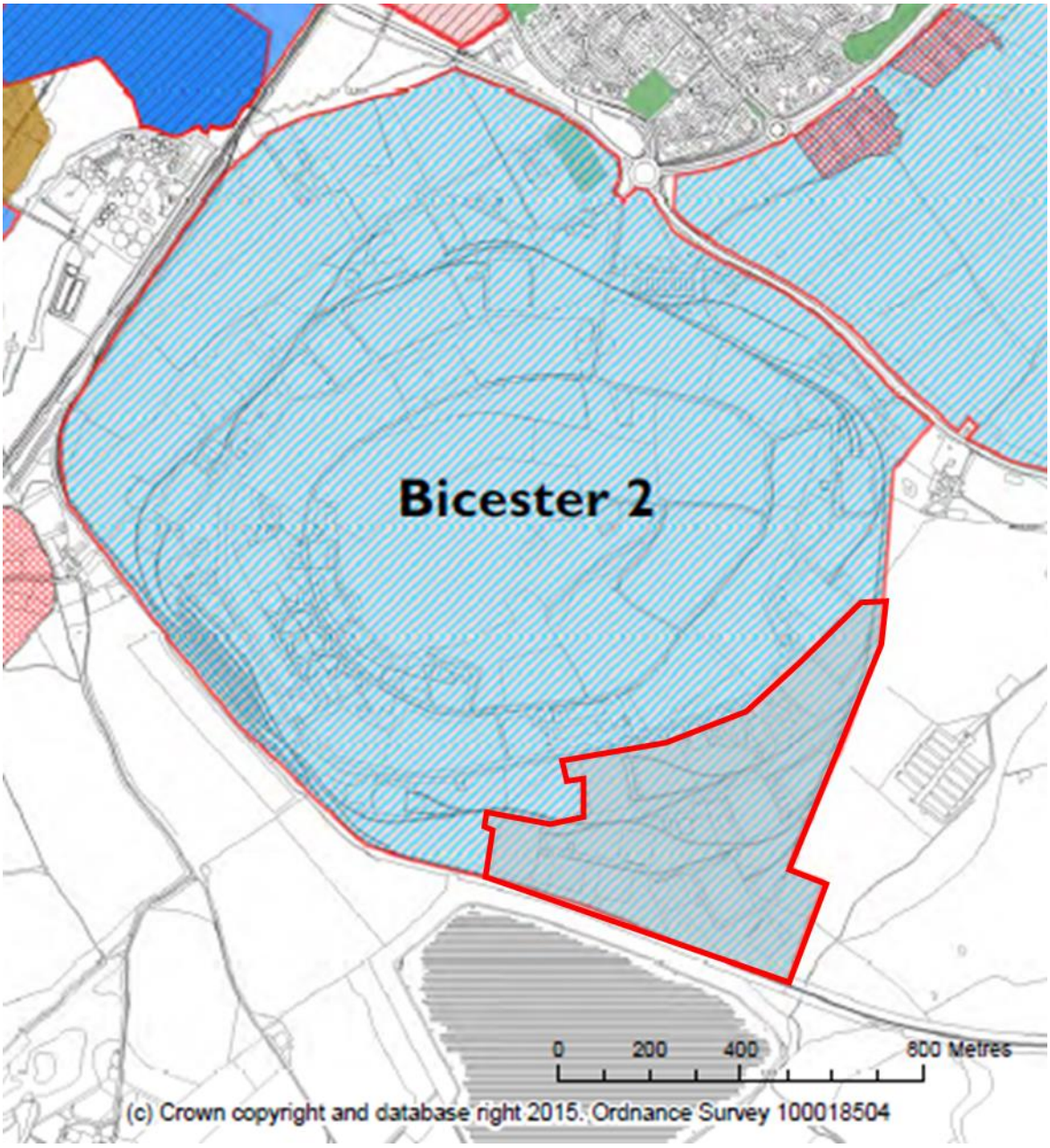
4.2.1. The Cherwell Local Plan 2011-2031 (Part 1) is the development plan for Cherwell District. The Local Plan was last updated in 2015 and draws upon the 2012 Cherwell Economic Analysis Study as the most significant evidence base document used to inform the allocation of land. Because the policies are based on an analysis that is ten years old the current local employment land policy is out-of-date.

4.2.2. The Local Plan states that 'We will create new employment sites … to meet the needs of existing and new companies. We will also actively promote those sites for inward investment.' It links this to evidence on market need.

4.2.3. The primary employment policy is Policy SLE1 Employment Development.

4.2.4. The Local Plan allocates a number of strategic employment sites. Policy Bicester 2: Graven Hill covers the land presented in **Figure 4.1** and incorporates the subject site. The 241-hectare site includes a 26-hectare allocation for employment across B1 (now E(g)), B2 and B8 Use Classes. The Subject Site is located in the southern part of the allocated site and indicated by the more salient redline boundary.

Figure 4.1 Policy Bicester 2: Graven Hill Map



Source: Cherwell Local Plan 2011 – 2031 (2015)

4.2.5. Cherwell District has begun work on a new local plan which will be called the Cherwell Local Plan 2040. The most recent document related to the development of the local plan is the Planning for Cherwell Community Involvement Paper 2: Developing Our Options (September 2021). The document identifies the need for further consultation on how residents view the need to grow the local economy. There is little discussion about employment land need but the document cites the Economic Needs Assessment (2021) as the key evidence to help determine what type of employment land is required.

4.2.6. The Council had intended to publish its draft Plan (Regulation 18) in the summer of 2022 but this is not yet

available. It is unclear when the draft plan will be published.

4.3. Evidence Base

4.3.1. The four most relevant evidence documents for employment land are listed below. Within this section we summarise the earlier reports but focus our assessment on the most recent Economic Needs Assessment (2021).

- Cherwell Employment Land Review Update (2012)
- Cherwell Economic Analysis Study (2012)
- Updated Cherwell Employment Land Forecasts (2014)
- Cherwell District Council's Economic Needs Assessment (2021).

Cherwell Employment Land Review Update (2012)

4.3.2. The 2012 Employment Land Review forecasts the future need for employment land by analysing the historic relationship between employment growth (by industrial sector) and floorspace (by Use Class). The forecast is for the 15-year period from 2011 to 2026. It generated three scenarios: low, medium and high. The net demand for additional floorspace was 5.5 hectares per annum in the high demand scenario. For B8 Use Class uses, net demand is 2.6 hectares per annum. Once frictional vacancy is taken in to account the High Scenario's total demand is 87.2 hectares or 5.8 hectares per annum.

Table 4.1 Employment Land Demand in Cherwell District (2011-2026)

Description	E(g) Use Class	B2 Use Class	B8 Use Class	Total
Low Scenario (Total)	24.2	0.0	25.9	50.1
Medium Scenario (Total)	27.8	6.5	32.2	66.5
High Scenario (Total)	31.4	13.1	38.5	83.0
High Scenario (Per Annum)	2.1	0.9	2.6	5.5

Source: Cherwell Employment Land Review Update (2012)

Cherwell Economic Analysis Study (2012)

4.3.3. The 2012 Cherwell Economic Analysis Study provides a qualitative view on future needs for employment land in the logistics sector. It does not contain forecasts of employment land need. However it notes that the logistics sector in Cherwell was growing at a faster rate than the national average.

4.3.4. It stated that Cherwell is strategically well placed to capture further growth in the sector through its proximity to the motorway and large population centres. The study recommended that to attract further higher value distribution / logistics companies to Cherwell, consideration should be given to providing access to continuing education related to the sector.

Updated Cherwell Employment Land Forecasts (2014)

4.3.5. The Updated Cherwell Employment Land Forecasts uses the same methodology as the forecasts in the Cherwell Employment Land Review Update (2012) but makes two changes: (1) It updates the current

floorspace figure to reflect floorspace delivery since the 2012 report and (2) it extends the forecast by five years to 2031. Although not explicitly stated, we assume that the base year for the analysis remains 2011. The analysis results in a lower amount of employment land need on a per annum basis.

Table 4.2 Employment Land Demand in Cherwell District (2011-2031)

Description	E(g) Use Class	B2 Use Class	B8 Use Class	Total
Low Scenario (Total)	29.7	0	28.6	58.3
Medium Scenario (Total)	33.5	6.3	34.8	74.6
High Scenario (Total)	37.3	12.5	41.1	90.9
High Scenario (Per Annum)	1.8	0.6	2.1	4.5

Source: Updated Cherwell Employment Land Forecasts (2014)

Cherwell District Council's Economic Needs Assessment (2021)

4.3.6. The most current employment evidence is the Cherwell District Council's Economic Needs Assessment (ENA). Because it is the most recent and relevant evidence base document, we discuss it in more detail below than the earlier employment evidence.

4.3.7. Its approach is to initially assess the industrial market is Oxfordshire County and notes that the growth of the e-commerce sector during the Covid-19 pandemic led to a significant increase in demand and take-up.

4.3.8. The review of the industrial market identifies Kidlington, Bicester and Banbury as the District's key locations. In Kidlington, the Oxford Industrial Park was a traditional industrial park but has pivoted towards hi tech (page 30). Availability is low and the pipeline is oriented towards science and R&D type activities. Bicester's industrial market has accommodated new logistics development. The ENA notes a high level of construction and strong demand across a range of B2 and B8 Use Class activities. The development pipeline is poised to continue to provide premises for a mix of industrial uses to meet strong demand. Banbury has also recently accommodated new industrial development and the schemes have performed well. Availability remains limited and demand strong.

4.3.9. Through discussions with stakeholders, the strongest demand is for larger units for logistics operators seeking a presence on the M40. Stakeholders report numerous enquiries from occupiers looking for units between 100,000 and 200,000 sqft. In general, logistics operators are looking beyond traditional areas and the M40 in Cherwell District is viewed by the market as an attractive location. Cherwell District also provides access to the A34 and A43 which are the other important strategic routes in the area. There is significant undersupply of available sites within the M40 corridor and all suitable sites in Bicester have gone. Supply has failed to keep up with demand (page 46).

4.3.10. Stakeholders say that the logistics sector is increasingly forming an integrated part of the modern economy and operations at logistics sites include a range of jobs spanning industry and occupational groups including highly skilled jobs that require on-site offices (page 47).

4.3.11. The document provides two analyses to consider future employment land needs. The first analysis is based on past completions and projects the annualised amount forward for 19 years (2021 to 2040). The results

of this analysis is set out in **Table 4.3**. it identifies total demand for B8 uses of 6.3 hectares per annum. This is higher than the earlier evidence base documents but remains a relatively small figure for such a strong I&L market.

Table 4.3 Employment Land Needs Based on Gross Past Completions (2021-2040)

Description	E(g)(i)	E(g)(ii)	E(g)(iii)	B2	B8	Total
Gross Delivery 2004 - 2021	125,226	2,402	57,153	163,507	426,329	774,617
Annualised 2004 – 2021	7,366	141	3,362	9,618	25,078	45,566
Forecast 2021 – 2040	139,958	2,685	63,877	182,743	476,486	865,749
Total Land Requirement	35.0	0.7	16.0	45.7	119.1	216.4
Per Annum Land Requirement	1.8	0.0	0.8	2.4	6.3	11.4

Source: Cherwell District Council's Economic Needs Assessment (2021)

4.3.12. The document's other future employment land need assessment is based on labour demand scenarios linked to projected employment growth. The report uses employment growth forecasts from three sources: Cambridge Econometrics, Oxford Economics and Experian. The approach uses the total forecasted employment figures and allocates them to the different types of employment premises (offices, industrial, etc.). Once the number of new jobs are linked to the different premises types, employment density figures are applied to estimate the total floorspace required. This is translated into employment land requirements. An allowance is made for the loss of employment premises which need to be replaced. The allowance for loss of B8 premises is 30.5 hectares. An additional margin for market flexibility is included in recognition of the changing business needs of occupiers and the potential impact on the need for employment land. The margin for flexibility for B8 premises is 31.3 hectares.

4.3.13. The analysis provides six labour demand scenarios that show the total B8 land need over the 19-year period from 2021 to 2040 to be between 80.1 and 107 hectares. The higher and lower bands of the forecasts are set out in **Table 4.4**.

Table 4.4 Total and Per Annum Employment Land Needs (Hectares) 2011-2040)

Employment Land Need	E(g)(i)	E(g)(ii)	E(g)(iii) / B2	B8	Total
Oxford Economics, Baseline Scenario (Total)	26.0	6.0	20.1	80.1	132.3
Oxford Economics, Baseline Scenario (Per Annum)	1.4	0.3	1.1	4.2	7.0
Experian, Sensitivity Scenario (Total)	20.1	18.8	41.6	107.0	187.5
Experian, Sensitivity Scenario (Per Annum)	1.1	1.0	2.2	5.6	9.9

Source: Cherwell District Council's Economic Needs Assessment (2021)

4.3.14. The report concludes that the higher end of the forecast is the most reasonable assessment of future employment land needs for Cherwell. It identifies a need for 107.0 hectares of employment land for B8 uses.

4.4. Savills View of Evidence Base's Methodology for Forecasting Employment Land Need

4.4.1. The following is Savills' assessment of the methodologies used in the most recent evidence base document. However, the two prior documents which also contained forecasts of employment land need followed a similar approach.

4.4.2. In our view the assessments of future employment land need has a range of shortfalls. The assessments do not accurately estimate future demand for industrial premises and likely lead to a significant underestimation. The first assessment is based on past completions of floorspace. Savills does not consider development completions to be an indicator of demand, but rather as a supply measure. The leading demand measure of floorspace is 'net absorption', which indicates the quantum of net floorspace occupied over a period of time (i.e. move-ins minus move-outs) based on leasing deals. Development completions on the other hand is a supply measure which calculates new floorspace delivered. While new floorspace can be delivered on existing sites through redevelopment and intensification, it mainly depends on new employment sites being made available (allocated) for development via the planning system. For this reason, net absorption is a more accurate reflection of demand than historic completions.

4.4.3. It is not uncommon for market demand (e.g., net absorption, leasing deals) to be higher than supply-based measures (e.g., completions) given the complexities and length of time it can take to allocate employment land through the local plan process, achieve planning permission and then build out new I&L premises.

4.4.4. The other method used in the Council's evidence base is the labour demand method which is also inappropriate to use for the estimation of future employment land demand. Employment forecasts often reflect the continued restructuring of the economy away from industry and towards services, which underestimate the I&L sector's performance. Furthermore, changes to the I&L market mean that growth in floorspace/land is not accurately predicted by changes in jobs. The I&L sector does not comprise low-skilled and low-paid jobs, nor do I&L companies' functions neatly fit into industrial or logistics.

4.4.5. The review in **Section 3** of the I&L sector, showed that companies are increasingly co-locating office, research & development and administrative functions with I&L operations. Such co-located employment is not well sufficiently captured by labour demand models as these assume I&L activities are wholly accommodated within a narrow set of Standard Industrial Classification ('SIC') codes.

4.4.6. The underestimation of future demand from the labour demand methods is apparent when historic jobs growth in the logistics sector are compared with future job projections from major statistics houses. With reference to **Figure 4.2** below, logistics jobs nationally have grown by 23% over ten years. However, labour forecasting products including Experian, East of England Forecasting Model ('EEFM') and Oxford Economics predict much lower levels of growth, including negative growth, over the next 20 years **(Figure 4.3**). These forecasts do not reflect reality given logistics is performing strongly with recent demand being 90% above the long term trend.

Figure 4.2 Historic Growth in Logistics Jobs, England

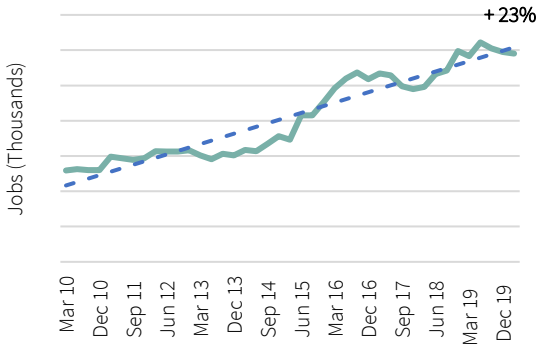
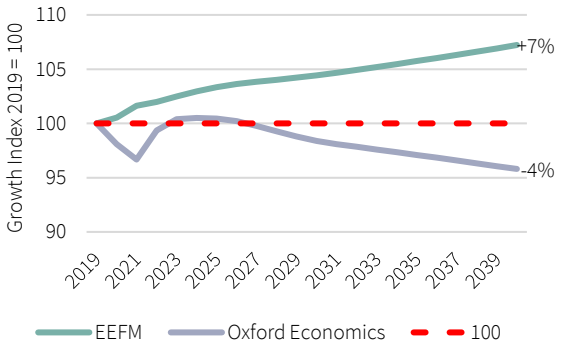


Figure 4.3 Projected Growth in Logistics Jobs, England



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

4.4.7. Both the past completions and labour demand methods also underestimate the impact current day growth drivers are having on I&L demand, the main ones being: online retailing growth, housing growth, increased re-shoring from Brexit / Covid 19, and the growth in the UK freight handled. We discuss each in turn below.

GROWTH IN ONLINE RETAILING

4.4.8. As discussed in **Section 3**, exponential growth in online retail is probably the most quantifiable of the major changes driving growth in the I&L sector. Statistics collected by the ONS show that the share of internet sales has consistently increased over time, from 2.5% in November 2006 to 19% before the onset of the Covid pandemic[11]. During the pandemic, due to lockdowns and restrictions, this figure considerable increased and was around 25% as of July 2022[12]. 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[13]. While the proportion of online retailing has softened slightly as the UK economy has opened up, most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioural changes such as increased home working and continued demand for rapid parcel deliveries. Forrester Research, a respected source of future online retail projections, estimate that online retail will continue to grow but from a higher based, reaching 37% by 2025[14].

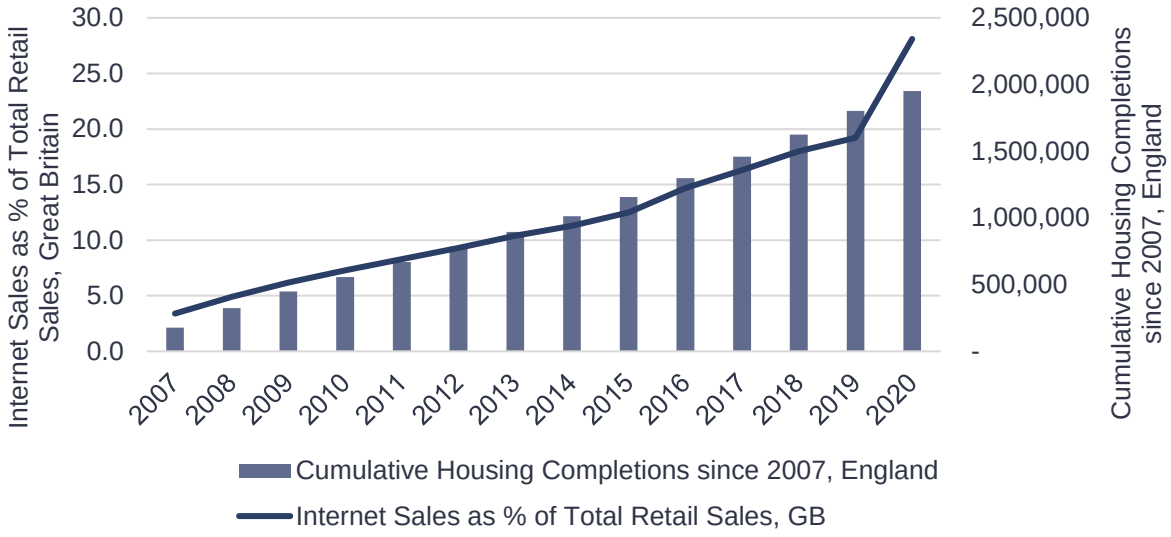
HOUSING GROWTH

4.4.9. This exponential growth in online retailing is both a function of the way we now live and the continued housing growth in the UK. As shown in **Figure 4.4**, housing growth at the national level has broadly tracked the growth in online retailing before the onset of the Covid-19 pandemic, during which time online retailing has spiked even higher. Online retailing relies on increased choice for the consumer and also increased delivery speeds to a location of people's choosing. This means that more inventory is required to be located nearer to the general population which has been increasing. This in turn has meant that more and more warehouse space is required, both by online retailers but also traditional bricks and mortar retailers who

[11] ONS (2022), Internet sales as a percentage of total retail sales (ratio) (%)
[12] Ibid
[13] Prologis (2016), Global E-Commerce Impact on Logistics Real Estate. Online Article: https://www.prologis.com/about/logistics-industry-research/global-e-commerce-impact-logistics-real-estate
[14] Forrester Research (2021) Online Retail Sales by Country, 2002-2025

are adapting their supply chains to compete. Again, this modern day trend will not have been accounted for in the ELR by merely projecting forward the change in employment land.

Figure 4.4 Internet Sales as a % of all Retail Sales and Dwelling Completions Since 2007



``*Source: ONS, MHCLG, Savills*

COVID-19

4.4.10. Covid-19 has also highlighted the level of interconnectedness of existing international supply chains and their fragility when one or more links break. Companies have started building up greater resilience in their operating models and are preparing to minimise future supply-chain-induced disruptions. This is expected to accelerate near-shoring[15] or re-shoring[16] trends which will increase demand for I&L floorspace as discussed in **Section 3.**

BREXIT

4.4.11. As discussed in **Section 3**, Brexit has added further uncertainty surrounding the strength of UK supply chains, influencing the need for further logistics space, especially along key transport routes such as the M1. The impacts of Brexit and the increased levels of re-shoring and near-shoring will not have been accounted for in the historic take-up figures used in the ELR.

GROWTH IN UK FREIGHT

4.4.12. Freight volumes are another key driver of I&L floorspace need. Freight arriving and leaving the UK needs to be stored, packaged and distributed via a network of freight handling infrastructure (i.e. ports, freight handling airports, rail freight interchanges and motorways), and conveniently located I&L premises in order to reach end customers. Freight volumes are forecast to grow significantly which will increase demand for I&L space in the UK, as discussed in **Section 3**. Again, the growth in UK freight volumes will not have been

[15] 'Near-shoring' concerns transferring a business operation to a nearby country as opposed to a more distance one (i.e. off-shoring)
[16] 'Re-shoring' meaning moving a business that had gone overseas back to the country form which it had originally relocated

accounted for in the historic take-up figures used in the ELR.

4.5. Conclusions

4.5.1. This section summarised the key evidence base documents that have been used to support existing and emerging employment land policy. The existing local plan is based on forecasts of employment land need that is derived from employment forecasts from 2012. Therefore the local plan's approach to employment land need is out of date.

4.5.2. The most recent assessment of employment land was published in 2021 but it has considerable shortcomings in the methodology it uses towards estimating employment land need. The forecasted figure of employment land need has increased over the previous assessments from 2012 and 2014 but still does not adequately appreciate the structural changes that has impacted the I&L market, and logistics sector in particular. In **Section 6** we present our own assessment of employment land need which shows a level of need nearly twice that in the Council's employment evidence.

5. Property Market Assessment

5.1. Introduction

5.1.1. This section assesses the property market dynamics in Cherwell District and the Wider PMA.

5.1.2. Cherwell District has emerged as the key I&L market in the Wider PMA. Whilst only representing about 40% of stock, it has been the location in Oxfordshire County where most floorspace has been delivered and the most take-up (lease deals) has taken place.

5.1.3. Despite the considerable supply response that has taken place in Cherwell District, there remains a shortage of I&L premises with a vacancy rate of under 3% and availability of about 5%. The market for mid-sized units (30,000 sqft to 100,000 sqft) is particularly tight with availability of just 0.7%. As a result of the constrained market conditions, rents have doubled since 2013/2014 when availability first dropped below the equilibrium rate of 8%.

5.1.4. There has been an ongoing supply response in Cherwell District with about 1.8m sqft in the development pipeline. However 91% of this space is pre-let and therefore unavailable to the wider market at the time of practical completion. This means that market conditions in Cherwell District are likely to remain highly constrained unless further floorspace is brought forward.

5.2. Property Market Areas

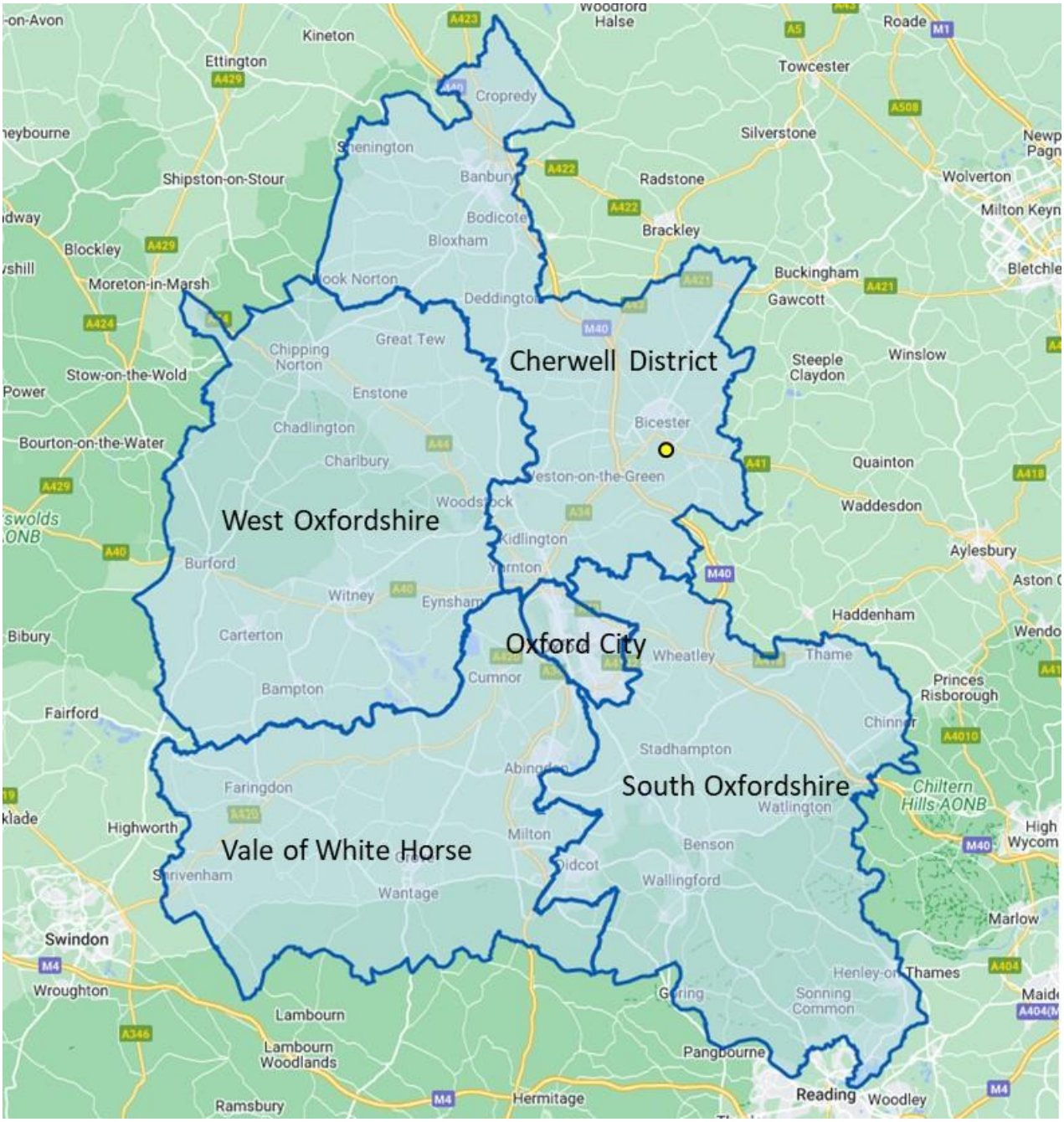
5.2.1. Before we can consider the local I&L market factors we need to determine an appropriate Property Market Area (PMA). This is the geography within which we will consider market supply and demand factors.

5.2.2. The PMA needs to be relevant to the Subject Site, namely what is the broad 'area of search' it sits within that I&L investors and prospective occupiers will consider when looking to build or lease space. Effectively the PMA includes the competitor locations to the Subject Site for attracting this investment and occupier demand.

5.2.3. **Figure 5.1** contains within it the two geographies which we consider relevant for analysis. The Subject Site is indicated by the yellow dot within Cherwell District. The two relevant geographies are:

1. The administrative area of **Cherwell District**. We present data on the property market dynamics within Cherwell District so as to compare our market assessment with the conclusions in the Council's own evidence; and
2. We also assess a **Wider PMA** that comprises the five local authorities in Oxfordshire County. Oxfordshire County is also the Council's functional economic market area (FEMA) as set out in the Oxfordshire Growth Needs Assessment (2021). The Wider PMA is reflective of how the wider sub-regional economy and the property market functionally operate.

Figure 5.1 Property Market Area



Source: CoStar; Savills (2022)

5.3. Understanding Supply

5.3.1. Below we consider the supply of I&L premises in Cherwell District and the Wider PMA.

Shortage in I&L Premises are Most Acute in Cherwell District

5.3.2. **Table 5.1** presents key supply metrics. In spite of its considerable supply response, Cherwell District's I&L vacancy and availability rates are well below the average for the Wider PMA. Since 2009 Cherwell District

has accommodated more than 60% of new development despite having just 40% of existing stock. This shows that Cherwell District has emerged as the critical location for new I&L development and that it is a key driver for its local economy. The office market is also presented as a point of comparison. The office market is less robust, with higher levels of availability and a more moderate level of new supply.

Table 5.1 I&L (And Offices) Supply Metrics in Cherwell District and the Wider PMA

Local Authorities	Inventory (sqft)	Vacancy Rate	Availability Rate	Total New Supply (2009-YTD)	New Supply as % of Inventory (per annum)
Cherwell District – I&L	15,015,324	2.7%	5.0%	4,055,518	2.0%
Cherwell District – Offices	2,268,067	2.6%	15.8%	149,789	0.5%
Wider PMA – I&L	37,708,643	4.4%	6.4%	6,699,526	1.3%
Wider PMA - Offices	15,227,489	4.5%	10.1%	1,494,075	0.7%

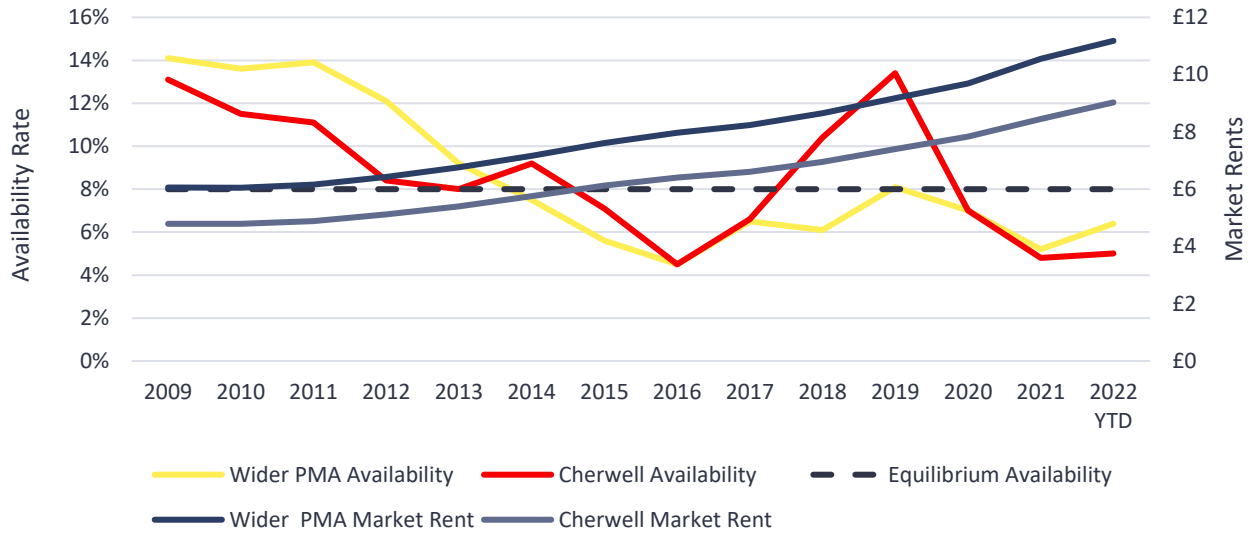
Source: CoStar, Savills (2022)

Low Availability has Pushed up Rents; Cherwell District Remains Competitive Location

5.3.3. **Figure 5.2** presents availability and rental growth in Cherwell and the Wider PMA. The rate of availability in both geographies fell below the 8% equilibrium level around 2013/2014 and has broadly stayed below this level since. The 8% market equilibrium reflects a market where supply and demand are broadly in balance, as sourced in publications such as the GLA's Land for Industry and Transport SPG (2012). Below this level, available supply becomes tight and rents increase as occupiers compete for limited available stock. More details on the equilibrium rate are outlined in **Section 6**.

5.3.4. This low availability resulted in the doubling of rents as occupiers competed for limited stock. Despite the run-up in rents, rental levels in Cherwell District remain competitively below the Wider PMA by about £2 per sqft.

Figure 5.2 Availability and Market Rents in Cherwell District and Wider PMA

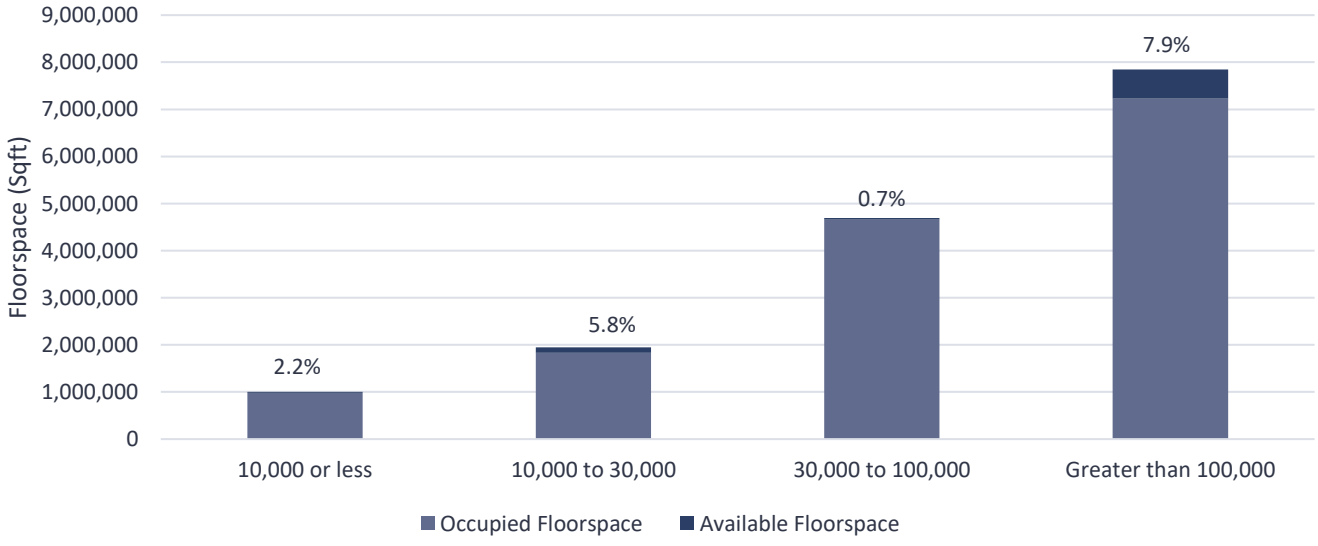


Source: CoStar, Savills (2022)

Availability in Cherwell is Particularly Tight Amongst Mid-Size Units (30,000 to 100,000 sqft)

5.3.5. **Figure 5.3** shows the distribution of availability in the I&L sector in Cherwell District. The market is particularly tight amongst mid-sized units (30,000 sqft to 100,000 sqft) with an availability rate below 1%. The Proposed Development is comprised of mid-sized and large units (greater than 100,000 sqft).

Figure 5.3 Availability by Size Category in Cherwell District (Sqft)



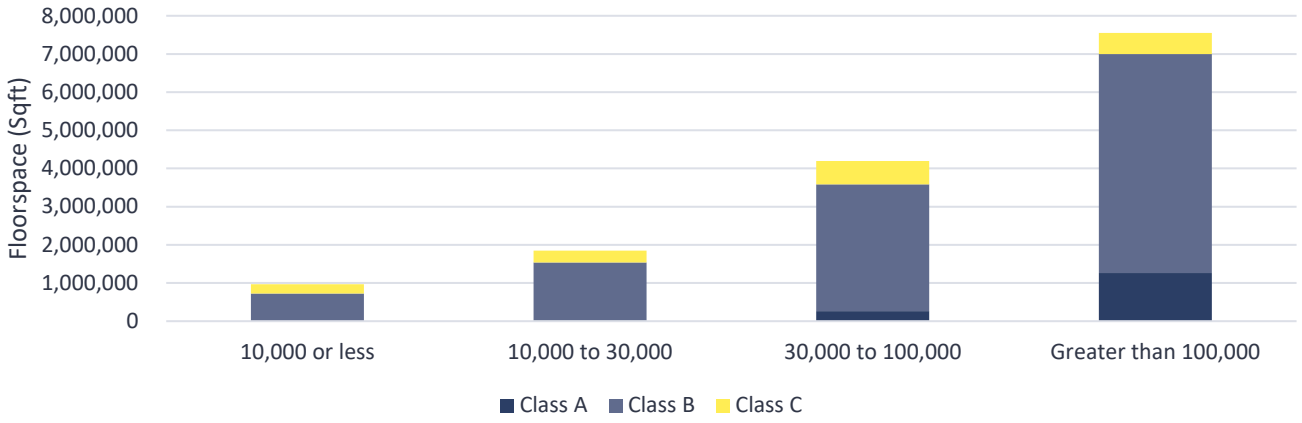
Source: CoStar (2022), Savills (2022)

Existing Stock is Predominantly Average or Below-Average Quality

5.3.6. **Figure 5.4** presents the quality of I&L stock in Cherwell District and the Wider PMA. The quality ranges from premises of below average premises (1 and 2 stars); average premises (3 stars); and above average

premises (4 and 5 stars). Most stock is characterised as being of average quality (78%) or below average (12%). Only about 11% of stock is of above average quality. The proposed development will help to arrest this imbalance by providing modern I&L premises of a high quality.

Figure 5.4 Floorspace Stock by Quality in Cherwell District



Source: CoStar (2022)

Anticipated Supply of 1.8 m sqft of New I&L in Cherwell District is 91% Pre-Let

5.3.7. **Table 5.2** presents the current pipeline of development projects in Cherwell District from the CoStar database. Nearly all of the 1.8 million sqft pipeline of new I&L buildings are pre-let and therefore will not be available to the wider market at the time of practical completion. Only the premises at Frontier Park Banbury is currently available.

Table 5.2 Development Pipeline from the CoStar Database

Park & Address	Status	Sqft (GIA)	Tenancy – Single or Multiple Occupancy	Construction Start Date
Axis J10, Unit 2	Proposed (Pre Let)	700,000	Single	Aug 2022
Axis J10, Unit 1	Proposed (Pre-let)	300,000	Single	Aug 2022
Frontier Park Banbury	Proposed	175,000	Multi	
Symmetry Park	Final Planning (Pre Let)	172,180	Multi	Sep 2022
Axis J9 (Phase 3)	Final Planning (Pre Let)	160,000	Single	Mar 2022
Banbury 40	Proposed (Pre Let)	80,000	Single	
Banbury 40	Proposed (Pre Let)	60,000	Single	
Banbury 40	Proposed (Pre Let)	40,000	Single	
B4100, Cherwell 10-40	Proposed (Pre Let)	33,196	Single	
Banbury 40	Proposed (Pre Let)	30,000	Single	

Park & Address	Status	Sqft (GIA)	Tenancy – Single or Multiple Occupancy	Construction Start Date
Ruscote Ave	Proposed (Pre Let)	29,899	Multi	Sep 2021
Ruscote Ave	Proposed (Pre Let)	29,659	Multi	Sep 2021
B4100, Cherwell 10-40	Proposed (Pre Let)	20,344	Single	
B4100, Cherwell 10-40	Proposed (Pre Let)	19,375	Single	
Morrell Way (Ocado)	Final Planning (Pre Let)	15,000		Dec 2021
Telford Rd	Proposed (Pre Let)	2,536	Multi	Aug 2022
Total		**1,867,189**		

Source: CoStar, 2022

5.4. Understanding Demand

5.4.1. Below we consider the demand for I&L premises in Cherwell District and the Wider PMA.

Cherwell District is Driving Demand in the Wider PMA

5.4.2. **Table 5.3** sets out the high-level metrics of demand in Cherwell District and the Wider PMA. It shows a strong level of average annual demand (i.e. net absorption which measures move-in less move-outs). Despite having only 40% of the existing inventory in Oxfordshire County, Cherwell District has captured 66% of the Wider PMA's net absorption. Cherwell is clearly currently the preeminent I&L market in the county.

Table 5.3 Demand for I&L Premises

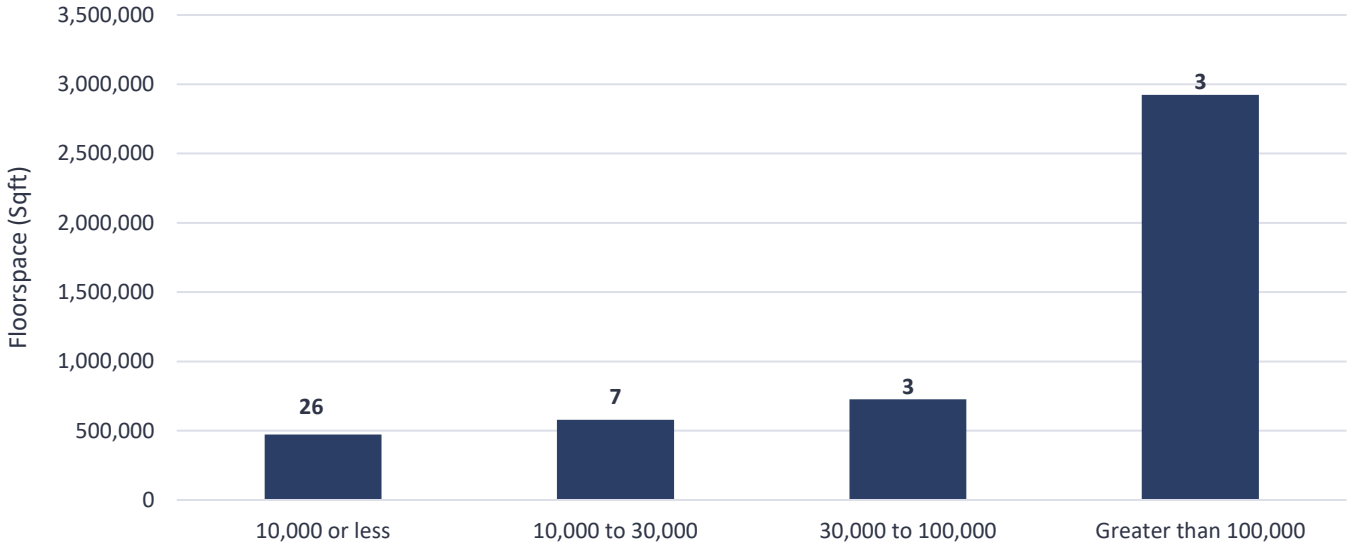
Sector	Inventory (sqft)	Average Net Absorption Per Annum (2009 - Present) (sqft)	Annual Net Absorption as % of Total Inventory	Market Rental Rate	Average Annual Rental Growth Per Annum (Market Rents)
Cherwell District – I&L	15,015,324	350,153	2.3%	£9.03	4.8%
Cherwell District – Offices	2,268,067	20,060	0.9%	£18.32	3.0%
Wider PMA – I&L	37,708,643	531,856	1.4%	£11.18	4.6%
Wider PMA - Offices	15,227,489	118,221	0.8%	£22.16	2.9%

Source: CoStar, Savills (2022)

5.4.3. **Figure 5.5** assesses the detail of demand in Cherwell District. It shows that that on average there are about six transactions per annum in the mid-sized (30,000 sqft to 100,000 sqft) and large (greater than 100,000 sqft) unit categories. These size categories also represent the most I&L floorspace leased over the last 5

years. The proposed development will provide new floorspace targeted primarily at this segment of the market.

Figure 5.5 Net Absorption in Cherwell (Past Five Years) In Sqft and # of Transactions Per Annum



Source: CoStar, Savills (2022)

6. Savills Future Demand Estimates

6.1. Introduction

6.1.1. The purpose of this section is to estimate future demand within the Wider PMA for I&L premises and for B8 Uses specifically consistent with the Proposed Development.

6.2. Savills Estimate of Future I&L Demand

6.2.1. We present below Savills full methodology for estimating future demand. Our methodology addresses the issues we raised against the employment land studies that were assessed in **Section 4**. Our methodology is NPPG-compliant as it builds upon historic demand (net absorption), adjusting past trends for historic supply shortages and the subsequent loss in take-up due to the lack of available floorspace. We refer to this as 'suppressed demand' which is added to the historic demand trend as a top-up. We also factor in future e-commerce growth which is a key growth driver for the sector.

6.2.2. We also take a sub-regional approach to estimating future demand in Cherwell. Cherwell is part of a wider sub-regional market and therefore is subject to supply and demand forces which need to be assessed beyond its planning boundaries. This is true for many commercial sectors, but it is particularly important for I&L occupiers which typically have distribution networks linking their customers and suppliers of between 1 to 4 hours travel time, sometimes longer, depending on their size i.e. up to 4 hours plus is more typical of very large companies with a national reach, while 1 hour drive time is ideal for the majority of companies. For this reason, we first estimate demand for the Wider PMA and then apportion it down to Cherwell level.

6.2.3. We consider the full market for I&L units (not just B8 uses). This is considered a more robust approach as it relies on a larger pool of data and is based on the fact that industrial and logistics occupiers typically desire similar types of premises in terms of location and design. After running our model at this level, it is then possible to segment what proportion of overall I&L demand relates specially to just B8 logistics uses which is the focus of the Proposed Development.

Step 1: Estimating demand over the Local Plan period

6.2.4. From our review in **Section 4**, it emerged that Cherwell District's most recent evidence base document forecasted employment need for 19 years. In our analysis we therefore assume a 19-year plan period, consistent with the Council's most recent evidence base.

Step 2: Estimation of historic demand

6.2.5. This is based on the average annualised net absorption for the Wider PMA at 693,000 sqft per annum between 2011 and 2021. 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 leasing deals.

Step 3: Estimation of suppressed demand

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

6.2.7. 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 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.

6.2.8. 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 Wider PMA's I&L sector, means that demand cannot be fully satisfied, typically resulting in strong rental growth. The Wider PMA's I&L market rents for large units increased by 5.5% p.a.[17] from 2011 to 2021, indicating new supply has struggled historically to keep pace with the strong demand. This was more than twice the rate of inflation over the same period.

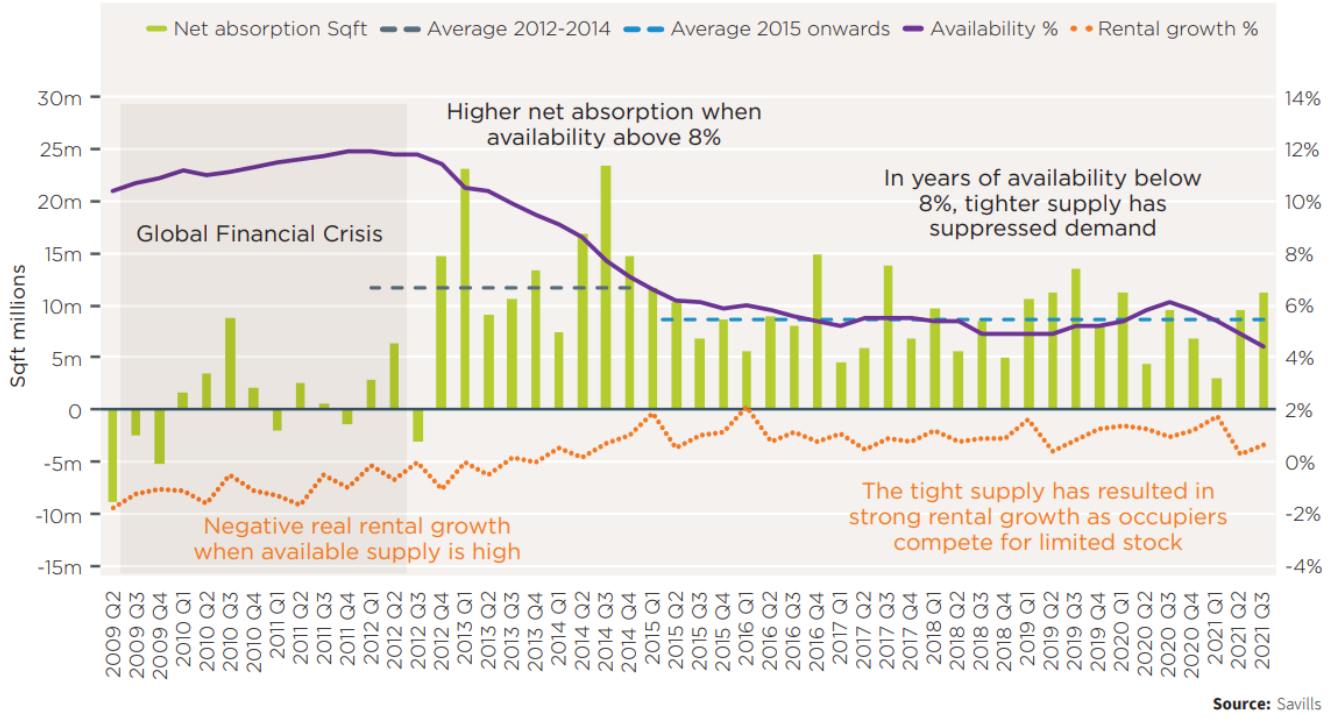
6.2.9. At the national level, the market equilibrium level where supply and demand are broadly in balance and rents are more stable, is around 8% availability. This benchmark rate is found in a number of prominent publications such as the GLA's Land for Industry and Transport Supplementary Planning Guidance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

6.2.10. If one studies real rental growth (i.e. rental growth adjusted for inflation) over the past decade at the national level and observes its relationship to availability, it becomes clear that I&L rents begin to grow strongly when availability is below 8%. This relationship is clearly illustrated in **Figure 6.1** 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.

6.2.11. 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 average net absorption has been lower than the 2009-2014 period despite the I&L sector going from strength to strength. This clearly shows the suppressing nature tight availability (below 8%) has had on I&L demand nationally.

[17] Compound annual growth rate

Figure 6.1 Historic Net Absorption (Sqft), Availability (%) and Real Rental Growth (%) in England



Source: CoStar, OBR, Savills

6.2.12. The individual steps for calculating the Wider PMA's suppressed demand are as follows:

- Step 3a: For years where availability has been below the 8% equilibrium threshold, we calculate the quantum of floorspace necessary to achieve 8% availability (Column "Av. To EQ (sqft)" in **Table 6.1**, calculation F);
- Step 3b: We then take the average of the ratio between net absorption and available floorspace for every year over the past decade (Calculation E averages 32% based on Column "Net Absorption / Availability");
- Step 3c: We apply this average to the estimated floorspace required to reach 8% availability in each year where the market is below the 8% equilibrium threshold to estimate each period's suppressed demand (Calculation F*E in Column "Suppressed Net Absorption (sqft)");
- Step 3d: We calculate average suppressed net absorption over the past decade. This give the annualised suppressed demand figure to be used as a top-up to the historic trend. The estimated average suppressed demand figure for the Wider PMA is about 136,100 sqft per annum since 2011.

6.2.13. **Table 6.1** shows the relevant calculations.

Table 6.1 Suppressed Demand Calculations within the Wider PMA

	A	B	C=(A*B)	D	D/C	F=(Equilibrium*-B)*A	F*E
Year	Inventory SF	Available (%)	Availability (sqft)	Net Absorption (sqft)	Net Absorption / Availability	Availability To Equilibrium (sqft)	Suppressed Net Absorption (sqft)
2021	37,428,902	5.2%	1,946,303	991,140	51%	1,048,009	332,730
2020	36,415,165	7.0%	2,549,062	1,004,336	39%	364,152	115,614
2019	35,911,666	8.1%	2,908,845	-50,092	-2%	-35,912	0
2018	34,651,067	6.1%	2,113,715	1,114,359	53%	658,370	209,024
2017	34,246,854	6.5%	2,226,046	586,934	26%	513,703	163,094
2016	33,611,391	4.5%	1,512,513	687,627	45%	1,176,399	373,492
2015	33,045,400	5.6%	1,850,542	1,198,526	65%	793,090	251,796
2014	32,198,273	7.5%	2,414,870	678,197	28%	160,991	51,113
2013	32,336,652	9.2%	2,974,972	1,123,222	38%	-388,040	0
2012	32,199,848	12.1%	3,896,182	-311,895	-8%	-1,320,194	0
2011	32,030,643	13.9%	4,452,259	600,307	13%	-1,889,808	0
					E= Average		Suppressed Demand = Average

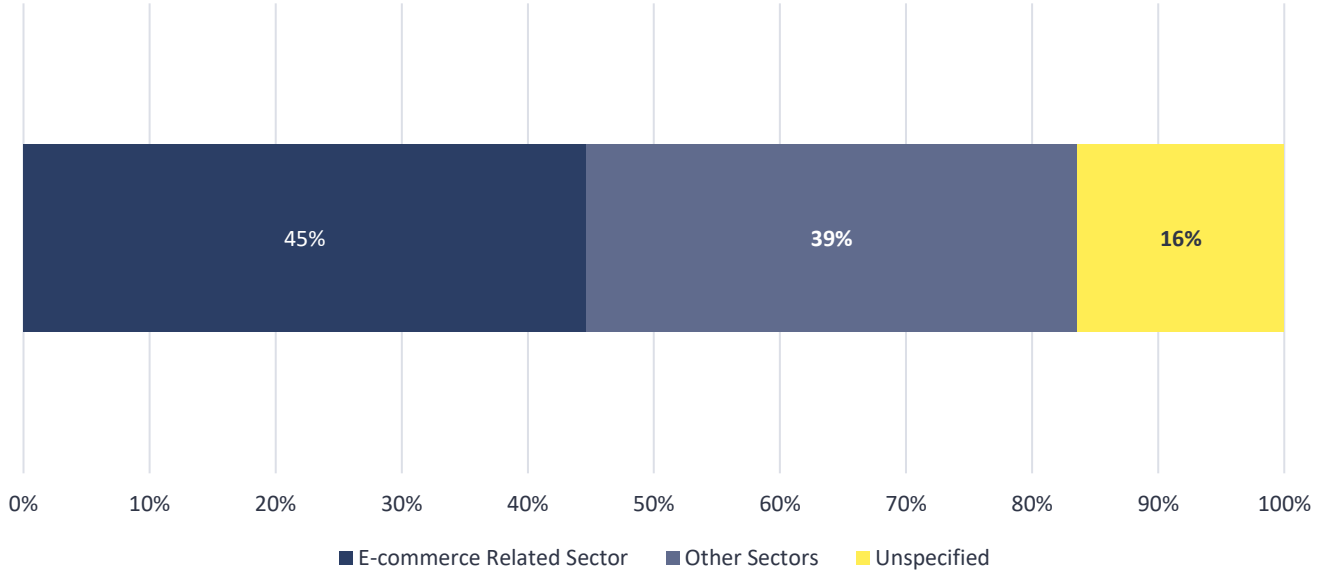
- Step 3e: The final step requires adding the combined annualised historic (693,000 sqft per annum) and suppressed demand (136,100 sqft per annum) figures totalling 829,000 sqft (rounded) per annum, and multiplying this by the number of years in the plan period (829,000 sqft over 19 years). This gives a total floorspace demand of 15.8 million sqft over a 19-year period.

Step 4: Adjusting for increases in online retail

6.2.14. 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 growth drivers are population growth and the move to online shopping, which the Covid-19 pandemic 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, we focus on the move to online shopping.

6.2.15. 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 which are typically linked to e-commerce are Retail, Transport and Warehousing and Wholesale. Across the Wider PMA these sectors account for 45% of leasing demand, as shown in **Figure 6.2.** If we assume that this share remains the same to the end of the plan period, 45% of projected future demand corresponds to 7.1 million sqft (45%*15.8 million sqft) over the plan period.

Figure 6.2 Wider PMA Leasing Activity by Sector, 2011-2021



Source: Savills (2022); CoStar (2022)

6.2.16. We have considered Forrester's online retail forecasts for the UK to 2025 and compared the annual increase in online spending over this period to that seen over the last 10 years. As shown in **Table 6.2** between 2011 and 2019 online retail sales increased at an average rate of £5.95 billion per annum. 2020 marked a departure from the historic trend, bringing total online sales above £100 billion, up from £79 billion in 2019 (a £26 billion annual increase). If we accept that 2020 and 2021 were exceptional years due to the Covid-19 pandemic and exclude them from our calculations, and focus on the period between 2022 and 2025, online sales growth is predicted to average £9.86 billion per annum. This suggests a 66% uplift from the 2011-2019 trend.

Table 6.2 UK Online Sales Forecasts to 2025 (£ million)

Year	Online Sales (£m)	Annual Increase (£m)	
2011	£29,946	+£4,337	
2012	£34,417	+£4,471	
2013	£38,908	+£4,491	
2014	£43,905	+£4,997	*2011-2019 Average Annual Increase +£5,950 million*
2015	£49,212	+£5,307	
2016	£56,549	+£7,338	
2017	£64,505	+£7,955	
2018	£72,014	+£7,509	
2019	£79,157	+£7,143	
2020	£104,827	+£25,670	*Excluded from calculations as these were atypical years due to the Covid-19 pandemic*
2021	£122,831	+£18,003	

Year	Online Sales (£m)	Annual Increase (£m)	
2022	£134,005	+£11,174	*2022-2025 Average Annual Increase +£9,860 million (+66% uplifted compared to 2011-2019)*
2023	£143,267	+£9,262	
2024	£152,722	+£9,455	
2025	£162,271	+£9,549	

Source: Forrester, Savills

6.2.17. Applying this 66% uplift to the historic and suppressed demand from e-commerce sectors yields a future demand of 11.7 million sqft over the plan period. This equates to an uplift of 4.7 million sqft (**Table 6.3**).

Table 6.3 Adjusting for Current and Future Increases in Online Retail within the Wider PMA

Demand	Annual (sq. ft)	Over 19 Years (sqft)
E-commerce related (45% of historic + suppressed)	373,100	7,100,00
E-commerce related after 66% uplift	618,300	11,700,000
E-commerce demand uplift	245,200	4,700,000

Source: Savills

Step 5: Savills Estimate of Future I&L Demand across the Wider PMA

6.2.18. Adding the e-commerce uplift to the combined historic and suppressed demand estimates yields a total demand of 20.4 million sqft over a 19-year period as summarised in **Table 6.4**.

Table 6.4 Summary of Future Demand (over 19-Year Period) within the Wider PMA

Adjustment Type	Adjustment (sqft) (over 19-year period)	Total (over 19-year period)
Historic Demand (Net Absorption) Over 19 years	13,200,000	13,200,000
Suppressed Demand Over 19 years	+2,600,000	15,800,000
E-commerce Uplift	+4,700,000	20,400,000

Source: CoStar, Savills

6.2.19. The above floorspace figures are translated into land requirements using a plot ratio of 35%. Based on our professional experience and examples of recent developments from across the country, we consider a 40% plot ratio to be too high and not reflective of modern I&L occupier requirements for larger units which typically command a ratio in the region of 30-40%. A 35% ratio is therefore considered as appropriate.

6.2.20. Applying a 35% plot ratio to the estimated floorspace demand of 20.4 million sqft translates into a future land requirement of 542 ha across the Wider PMA. The proportion relevant to B8 uses only is detailed below.

6.3. Estimating B8 Use Class Demand across the Wider PMA

6.3.1. As discussed at the beginning of this section, our approach is to first consider overall I&L demand (i.e. all I&L uses). This is because using a larger pool of data allows for a more accurate assessment of market trends, plus industrial and logistics occupiers, while having different operations, have similar preferences

in terms of location and the sorts of premises they desire. For these reasons, investigating overall market demand in the first instance and then interrogating the results by use class is considered a preferable approach.

6.3.2. We have considered a number of indicators to apportion B8[18] demand. These consist of:

- The current proportion of B8 inventory relative to overall I&L uses;
- The proportion of B8 average demand per annum (net absorption) between 2011 and 2021 (i.e. 10-year demand trend) relative to overall I&L uses;
- The proportion of B8 average net deliveries of stock per annum between 2011 and 2021 (i.e. 10-year supply trend) relative to overall I&L uses; and

6.3.3. The results of these comparisons are detailed in **Table 6.5**. Inventory gives the lowest metric at a 64% share while demand (net absorption) and new supply (net deliveries) over the last decade are higher at 75% and 79% respectively.

Table 6.1 B8 I&L Market Share Across Wider PMA

	ALL I&L	B8	B8 %
Inventory (2022 YTD)	37,700,000	24,200,000	64%
Average Net Absorption p.a. 2011-2021	693,000	516,400	75%
Average Net Deliveries p.a. 2011-2021	491,400	386,200	79%
Average of B8 Metrics			**72%**

Source: CoStar, Savills

6.3.4. Based on the average of the above metrics, we assume that B8 uses will account for 72% of future I&L demand across the Wider PMA. This equates to 393 ha over a 19-year period or about 20.7 hectares per annum.

6.4. Estimating B8 Demand in Cherwell District

6.4.1. To estimate the share of demand that Cherwell District has as a proportion of the Wider PMA we apply the average of three metrics. The three metrics compare Cherwell District to its Wider PMA. These are set out in **Table 6.6**.

6.4.2. Across the three metrics, Cherwell District captures a share of 54% across the Wider PMA. When applied to the overall demand for B8 Use Class floorspace of 393 ha over the 19-year period, it equates to about 211 ha for B8 floorspace in Cherwell District over 19 years or about 11.1 ha per annum.

6.4.3. The 19-year period covered in the Council's evidence base for demand for B8 Use Class floorspace (summarised in **Section 4**) was 119.1 ha (6.3 ha p.a.). This is around 92 ha lower (4.8 ha p.a.) than the identified need based on the Savills analysis.

[18] To define B8 we have used the following Costar secondary uses: Distribution, Light Distribution, Refrigeration/Cold Storage, Telecom/Data Hosting, Truck Terminal, Warehouse, and Showroom.

Table 6.6 Comparison of Cherwell District and Wider PMA (I&L)

	Cherwell District	Wider PMA	% Share of Cherwell District
Historic Demand	376,200	693,000	54%
Ave. Net Deliveries p.a. (2011-2021)	330,100	491,400	67%
Total I&L Inventory (2022 YTD) (sqft)	15,000,000	37,700,000	40%
Average			**54%**

Source: CoStar; Savills, 2022

7. Conclusions & Key Findings

7.1.1. The findings of this report demonstrate that the demand for B8 logistics floorspace in Cherwell District has not been sufficiently met and that the Proposed Development will help to ensure that it is. Overall, the I&L sector has been the strongest commercial sector for much of the past decade and this has been driven primarily by the increase in online retailing and greater freight volumes. These are changes that are unlikely to diminish in spite of near term macroeconomic uncertainty.

7.1.2. The current local plan does not reflect a full appreciation of the growth in demand for employment land and for B8 logistics floorspace in particular. Whilst the data underlying the Council's employment land policies are based on out-of-date employment forecasts from 2012, more problematic is the approach to estimating demand based on past floorspace completions and labour demand. Both methods are flawed. Past completions is a supply-side metric that does not properly reflect demand, especially in a supply-constrained market. The labour demand method is based on the theory that changes in the structure of employment is an accurate determinant of the need for employment floorspace. But this method typically underestimates the need for I&L floorspace.

7.1.3. Our own estimate of employment land identifies the historic demand performance but also captures demand which has been lost to Cherwell District because there has been insufficient available floorspace. This suppressed demand metric reflects a greater level of market demand than headline market performance suggests. Our own calculation of employment land identifies a per annum need for B8 floorspace to be 11.1 hectares per annum (211 ha in total over a 19 year period). This is nearly twice the estimate of the Council's most recent employment evidence.

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