Partnership for Urban South Hampshire

PROPERTY REQUIREMENTS FOR DISTRIBUTION AND LOGISTICS




ROGER TYM & PARTNERS
Planners and Development Economists

Lambert Smith Hampton

MDS Transmodal

ROGER TYM & PARTNERS

Fairfax House
15 Fulwood Place
London WC1V 6HU

t (020) 7831 2711
f (020) 7831 7653
e london@tymconsult.com
w WWW.TYMCONSULT.COM

This document is formatted for double-sided printing.

P1825

INTRODUCTION

1.1 The study is prepared on behalf of 'PUSH', the Partnership for Urban South Hampshire. PUSH is a voluntary partnership of eleven Local Authorities dedicated to sustainable, economy-led growth in South Hampshire. The sub-regional policy framework for South Hampshire, contained in the draft South East Plan, draws heavily on advice submitted by PUSH.

1.2 The objective of the study, as set out in the brief from PUSH in November 2007, is to provide a clear understanding of:

1. The key drivers of change in the distribution and logistics sector,
2. The property market requirements for the sector in South Hampshire over the next twenty years,
3. The extent to which current provision will meet those requirements,
4. And the most effective means of providing for any shortfall.

1.3 We also provide a market evidence based assessment of the supply of warehousing land and floorspace in South Hampshire.

POLICY BACKGROUND

1.4 The PUSH approach to sub-regional planning and economic development has been welcomed by the Draft South East Plan Panel Report. South Hampshire is fortunate in that its planning policies are refined by a detailed sub regional chapter and those policies draw heavily on advice and evidence developed by the PUSH authorities.

1.5 The policies for South Hampshire aim to increase the sub-region's economic growth rate to 3.5% per annum (Gross Value Added) by 2026. The PUSH Partnership estimated that this will require around two million square metres of additional business floorspace. 60% of this floorspace is required for town centre offices and business services. But the rest of the floorspace will be required to support the distribution, transport and communications sectors, and also for the development of advanced manufacturing.

1.6 Building on this evidence the Draft South East Plan proposes a net additional ½ million square metres of new warehousing and logistics space which we may expect to require approximately 125 hectares of land.

1.7 However it must be noted that it is not the intention of the sub regional policies to attract footloose strategic warehousing. Instead the policy is designed to support the South Hampshire sub regional economy; particularly its manufacturing sector and local residents.

VALUE OF THE DISTRIBUTION SECTOR

1.8 Although sub regional policies support the provision of additional warehousing land there remains uncertainty in the South Hampshire area over what direct benefits the growth of the sector could bring and whether the growth of the sector should be actively supported.

1.9 There are two frequently quoted areas of concern.

- Firstly the sector is seen as being a poor and inefficient use of land which contributes few jobs.

- Secondly there is a conception that the jobs are provided in the sector are 'poor' jobs (i.e. low skilled and poorly paid) and contribute little towards GVA

1.10 Our analysis illustrates that warehouse employment has a positive role to play in the regional and national economy. Some warehouse jobs can be well paid and many of the sectors jobs share more in common with those we expect to find in offices.

1.11 Our analysis also shows that the warehousing sector cannot be viewed simply in isolation; many occupiers require a mix of floorspace types and many of the sub regions best known companies depend on the provision of at least some warehousing space to support their headquarters, research and development facilities or general offices.

1.12 The research indicates that the sub regional planning policies are correct in ensuring that South Hampshire delivers a mixed land supply suitable for offices, manufacturing and warehousing because that is what local companies require.

1.13 We also highlight a risk whereby should warehousing land not be provided local companies may be required to re-locate elsewhere where their range of property needs can be met. Alternately they will be forced to operate from sub optional locations and buildings – potentially constraining their growth and productivity to the detriment of the PUSH economic objectives.

LOCAL PROPERTY MARKET

1.14 South Hampshire's geographic connection to London, the Midlands and international markets contribute to the area's wide employment base and economic resilience.

1.15 The area is popular with developers, and features a buoyant investment market primarily orientated towards local demand. Often securing a site will lead to occupier take-up whether it is design and build or speculative.

1.16 However the geography of South Hampshire dictates that it is not a major warehousing location. It is too remote from the national warehousing markets in the Midlands. However at a more local level South Hampshire competes with areas in the South East of England, particularly south of the M4 and M25. Its ports are in competition with Thames Gateway and Felixstowe for commercial traffic in the UK and Dover and the Channel Tunnel for both passenger and freight traffic.

1.17 We have identified a number of outstanding market requirements for additional warehousing space in South Hampshire. We indicate that the market is currently undersupplied with new development land and floorspace. Much of this unmet demand is from local companies, seeking new more efficient space or larger property in which to expand.

1.18 Over the last 5 years or so there have been substantial changes in the requirements of B8 occupiers – prompting a demand for new land and floorspace. Previously companies may have been prepared to take converted B2 space with low eaves heights, inadequate lorry manoeuvring and parking areas, poor access generally and restrictions on hours of operation.

1.19 In our experience this is becoming less and less the case, particularly with space requirements increasing and goods handling equipment becoming more sophisticated.

1.20 Key issues for B8 occupiers, particularly of buildings over 2000 sq m are:

- High eaves
- Bigger yards
- Better access to motorways and trunk roads
- Flexible planning consents to allow B1 and B2 activities to take place on the same site
- No restrictions on hours of use/vehicle movement
- Vehicle parking and open storage
- Services

1.21 The requirements of B8 occupiers raise environmental issues over the height of buildings and hours of operation which have an effect on the suitability of existing buildings or redevelopment of buildings on existing industrial and trading estates.

1.22 Higher values generated by Trade Counter or other marginal uses moving into business estates has put pressure on the use of land and buildings for B2 and B8 uses. The growth in the number of self storage operators who also want to occupy prominently located warehouse style buildings has been a feature of the last 5-10 years. They are built to a very high density (150% site coverage not being unusual) which creates land values to match retail and residential.

1.23 There are also some sub regional property requirements, from businesses whose first choice may not be to locate in South Hampshire but may be attracted should land or floorspace become available.

1.24 In addition to demand for warehousing and distribution space being generated by local business (and potential inward investors seeking warehousing space-although we note they are not supported by policy) there is demand for open storage and logistics space related to the ports. It is envisaged both local ports will continue to grow and this expansion may require additional land which cannot be accommodated on the port estates.

1.25 There is a demand for considerable open storage land around Southampton port and the economics of the ports operations means that the area of search for operators is limited.

1.26 Although we cannot quantify the amount of land required for future port growth we recommend that Local Authorities consider the demand for open storage and other port related uses when planning for employment land; particularly when considering releasing sites from the employment land supply for other uses.

LAND REQUIRMENTS AND MARKET BALANCE

1.27 As part of this study we were asked to examine the quantity of new warehouse floorspace proposed for South Hampshire in the South East Plan. The quantity of new floorspace proposed in the plan was the product of a policy based forecasting exercise undertaken by DTZ for the PUSH group. While there is evidence to suggest that the DTZ employment based approach may have over-estimated the requirement for new warehousing, we identify a number of other factors that the model does not take into account".

1.28 We also benchmarked the South East Plan floorspace requirements against an alternative model developed by MDS Transmodal based on cargo volumes and replacement demand (which has been used for strategic planning purposes in both the East and West Midlands). We found that this model produces a similar floorspace requirement to that developed by the PUSH group to inform the Plan.

1.29 Because neither the MDS Transmodal nor the DTZ based models disagree with regard to the amount of new floorspace required, and this level of provision does not appear inconsistent with recent trends, we do not identify any alternative requirement."

1.30 But there are key differences in how each model works and although they both recommend the same amount of floorspace they do so for different reasons. An implication of the MDS Transmodel model is that productivity and job growth in the warehousing sector may not be as high as envisaged by the PUSH group.

1.31 Monitoring the assumptions of both models will be very important because if the MDS Transmodal assumptions prove correct more land may be required to meet the PUSH economic objectives.

1.32 Taking forward the floorspace requirements for new warehouses in the South East Plan we have compared this to the quantity of new land currently being proposed. We have also looked at the scope for intensification of existing employment sites.

1.33 We have found that there is only limited scope for intensification because most employment sites are already developed to a high density. Warehouse operators are reluctant to occupy space at a density greater then 4,000 sq m a hectare because of servicing and access constraints. Multi storey warehouses are also inefficient and 'high bay' warehouses not in demand because they are best suited to large, national, strategic warehouse operators.

1.34 We find that South Hampshire may need more warehousing land than is currently being proposed; mostly because of some of the proposed development sites are constrained and we are not always convinced that they are deliverable. The need to find new sites can be reduced if some of sites currently proposed for primarily manufacturing uses are allowed to accommodate warehouse led development.

1.35 We recommend that the PUSH group consider identifying a further 36ha of deliverable land which is primarily designated for warehousing in order to meet the requirements of the South East Plan. This is in addition to any defined requirements related to the ports for open storage and associated uses. Criteria for selecting suitable sites for further warehousing allocations will be driven principally by proximity to the motorway and trunk road networks, having regard also to accessibility to the two ports, particularly Southampton".