



GL Hearn

Part of Capita Real Estate

Addendum to 2013 Employment Land Review

North Warwickshire Borough Council

Final Report

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DATE

April 2016

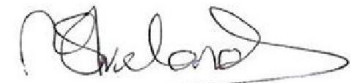
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Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 INTRODUCTION

- 1.1 North Warwickshire Borough Council (NWBC) is preparing a Site Allocations and Development Management Plan, which will include identifying land for employment development in the Borough. It may also undertake a selective review of policies within its adopted Core Strategy.
- 1.2 This report has been prepared as an addendum to the 2013 Employment Land Review (GL Hearn, September 2013). This report takes account of emerging evidence and discussions through the Duty to Cooperate on the overall scale of housing provision in the Borough; and seeks to consider the scale of employment land provision which might be necessary to delivered balanced growth in housing and employment in the Borough.
- 1.3 This report takes account of the 2013 Employment Land Review, the Note on Employment Land Needs prepared for the North Warwickshire Core Strategy Examination (GL Hearn, 2014), and the latest evidence on housing needs including potential unmet housing needs from Coventry, Tamworth, and Birmingham.

2 SCENARIOS FOR HOUSING PROVISION

2.1 This section introduces potential scenarios for housing provision in North Warwickshire based on information available at the time of writing.

Potential Scale of Housing Provision

2.2 NWBC adopted its Core Strategy in October 2014. Policy NW4 sets out that at least 3,650 dwellings (net) will be delivered over the 2011-29 plan period, of which 500 are to meet needs arising from Tamworth. The housing requirement was underpinned by evidence from the 2014 Coventry & Warwickshire Joint Strategic Housing Market Assessment (JSHMA).

2.3 An *Updated Assessment of Housing Need* across the Coventry and Warwickshire Housing Market Area (HMA), again prepared by GL Hearn, was published in September 2015. This provided a revised assessment of the objectively assessed need (OAN) for housing in North Warwickshire, and other authorities in the Coventry and Warwickshire HMA, taking account of official 2012-based population and household projections, economic growth potential and affordability issues. This identified a need for 4,740 homes in North Warwickshire over the 2011-31 period (237 per annum) built up as follows:

Table 1: Composition of SHMA OAN Figure for North Warwickshire

	2011-31	Per Annum
Demographic-based Need	3,260	163
Supporting Economic Growth	940	47
Improving Affordability	540	27
Total Need	4,740	237

2.4 This formed part of an assessed need for 85,440 dwellings (4,272 per annum) across the Coventry and Warwickshire HMA.

2.5 The *Updated Assessment of Housing Need Report* set out that unmet needs should be assessed against the “demographic-based need plus affordability uplift” and that adjustments to support economic growth could contribute to meeting unmet needs in other areas, as meeting unmet needs will support population and workforce growth (within the recipient authority). A ‘base need’ of 3,800 dwellings (190 dwellings per annum (dpa) based on 163 + 27 dpa from Table 1 above) was thus established.

2.6 Within the Coventry and Warwickshire HMA, Coventry is however unable to meet its own housing need in full. At the Coventry, Warwickshire and South East Leicestershire Shadow Economic Prosperity Board (sEPB) Meeting on 29th September 2015, NWBC agreed to provide an additional

540 dwellings (on top of the 4,740 OAN shown in Table 1) as part of a redistribution of Coventry's unmet needs to authorities in Warwickshire – giving total provision for 5,280 homes.

- 2.7 The *Updated Assessment of Housing Need Report* included upwards adjustments to migration to support economic growth, resulting an additional need for 940 homes (as shown in Table 1). This enhanced in-migration is expected to draw people in from other areas. Based on analysis of migration and commuting patterns, the Coventry & Warwickshire authorities have agreed that the additional economic growth can be expected to result from enhanced in-migration to North Warwickshire from other areas in the following proportions:
- From elsewhere within Coventry & Warwickshire HMA: 35% = 320 dwellings (16 dpa)
 - From Greater Birmingham HMA: 65% = 620 dwellings (31 dpa)
- 2.8 The provision for 620 dwellings resulting from out-migration from the Birmingham HMA is considered (as a working assumption) to cater for the 500 dwelling unmet need from Tamworth which NWBC has already agreed to meet (and is provided for in the adopted Core Strategy).
- 2.9 This split recognises that North Warwickshire sits within two Housing Market Areas. The latest housing needs evidence for the Birmingham HMA is set out within the Greater Birmingham and Solihull LEP Strategic Housing Needs Study. The Stage 3 Report (Peter Brett Associates, August 2015) points to a shortfall in housing provision of 37,572 dwellings based on the OAN analysis in the Stage 2 Report. The latest position, as set out in modifications to the Birmingham Local Plan, is of an unmet housing need of 37,900 dwellings over the 2011-31 period.
- 2.10 The Stage 3 Peter Brett Associates Report sets out various strategic options for meeting the shortfall in housing provision in the Birmingham HMA. Discussions on this issue are ongoing and no decisions have been made regarding the overall distribution of housing provision across the HMA as yet. Preparation of a non-statutory spatial strategy across the LEP Area is intended to address this. In advance of this it is therefore necessary to make some assumptions on the potential contribution which North Warwickshire might be required to make.
- 2.11 NWBC considers that a working assumption is that it should test the potential to deliver up to 10% of the shortfall in housing need identified across the Birmingham HMA, based on the current evidence. This is 3,790 dwellings over the 2011-31 period. The 10% figure is informed by the analysis of functional links between North Warwickshire and Birmingham (with evidence suggesting for instance 10.9% of out-migration from Birmingham between 2000/1 – 2010/11 was to North Warwickshire).
- 2.12 Within this potential provision for 3,790 dwellings to cater for unmet needs from other parts of the Birmingham HMA.

- 2.13 Overall, taking account of inter-relationships across both the Coventry and Warwickshire and Birmingham HMAs, there is a need to test the potential to deliver up to 9,070 dwellings over the 2011-31 period in North Warwickshire.
- 2.14 There are evident questions regarding the scale of development which can be realistically delivered over the period to 2031, including issues regarding infrastructure provision. This report does not seek to prejudge decisions regarding future housing provision – but to test what level of employment land provision might be needed to balance with alternative options for housing growth. In identifying the ultimate scale of housing provision in the Borough, the Council will undertake a testing of development options informed by further evidence and Sustainability Appraisal. The Council is reviewing residential land supply, and undertaking a Green Belt Review.
- 2.15 Given the current uncertainty regarding the level of housing provision which can be sustainably accommodated, this report considers the following potential scenarios for the scale for housing provision:

Table 2: Scenarios for Housing Provision to 2031

Scenario	Scale of Housing Provision, 2011-31	Basis/ Rationale
A	5,280 Homes	Meeting the Borough's own needs, together with its share of unmet needs from Coventry and Tamworth as agreed to date.
B	6,540 Homes	Meeting housing needs identified in A above, together with 3.3% of the 37,900 unmet needs identified across the Birmingham HMA.
C	7,800 Homes	Meeting housing needs identified in A above, together with 6.6% of the 37,900 unmet needs identified across the Birmingham HMA.
	9,070 Homes	Meeting housing needs identified in A above, together with 10% of the 37,900 unmet needs identified across the Birmingham HMA.

3 EXISTING EMPLOYMENT LAND EVIDENCE AND ISSUES

3.1 North Warwickshire is a relatively small Borough but one which is strategically located – at the centre of the country, with major road and rail networks running through it. This includes:

- M6 Motorway
- M42 Motorway
- M6 Toll Motorway
- West Coast Main Line
- Birmingham – Leicester/ Stansted Airport Rail Line

3.2 The proposed High Speed 2 rail line is also due to run through the Borough, with the Birmingham Interchange Station expected to be located to the south of the Borough adjoining the M42 near Birmingham Airport. The Station is due to be completed in 2026.

3.3 Reflecting the Borough's location at the centre of the country, and well served by the national motorway network, there is a concentration of logistics/ distribution activity within the Borough. This includes in Regional Logistics Sites at Hams Hall, near Coleshill; and Birch Coppice, Dordon.

3.4 There are a number of recent studies considering employment land requirements at a regional and LEP level which are relevant to this report. Furthermore specific development proposals in surrounding areas close to the Borough boundaries are relevant – including at Peddimore, Birmingham; UK Central and East Midlands Gateway. We consider these in this section.

West Midlands Strategic Employment Sites Study

3.5 This Study, commissioned by the West Midlands Local Authority Chief Executives, sought to consider whether there was a continuing need for a reserve of strategic sites (as have previously been identified through the regional planning process). It defines strategic employment sites as being capable of bringing net additional activity and jobs to the region by attracting nationally or internationally mobile business activity; and providing accommodation that would otherwise not come forward as sites are large (at least 25 ha) and often greenfield (or Green Belt). These sites are expected to be considered as 'over and above' provision to meet local needs. The Study, prepared by Peter Brett Associates and Jones Lang LaSalle (JLL), has sought to assess demand and conclude if there is a shortfall in such sites.

Office Market

3.6 The Study identifies the key regional office markets as Birmingham City Centre, Birmingham and Solihull Out-of-Town, and Coventry and Warwickshire. It concludes that whilst the availability of built space is tightening this reflects the stage within the market cycle, and that there is no need for specialist policies to bring forward additional supply as the region's main office markets have a

healthy pipeline of allocated development sites (including the Friargate scheme in Coventry) and no indication that there will be a shortage of supply in the foreseeable future.

- 3.7 In regard to the M42 Corridor Office Market, the Study notes increasing occupiers preferences for town and city centre locations; but notes the advantages of the M42 Corridor for companies with large, car-orientated sales forces, reflecting ease of access to the motorway network and to the South East.
- 3.8 Given the report's conclusions on supply/demand balance in the office market, GL Hearn conclude that it would be difficult to see substantive office development schemes being brought forward within North Warwickshire – with the possible exception of around / close to the HS2 Interchange Station given its excellent national connectivity.

Industrial and Distribution Market

- 3.9 For larger industrial/ distribution units, the Study points to the recent strong performance of the industrial market in the region, influenced by the resurgent automotive sector and logistics/ distribution demand – influenced by automotive growth by OEMs (driven particularly by Jaguar Land Rover) and in the wider supply chain, growth and structural changes in the retail sector. It points to a very low supply of current built space (with just 3 units over 100,000 sq.ft available across the region), which has spurred both build-to-suit and speculative development activity.
- 3.10 The Study highlights in particular a limited supply of immediately available land in the areas of highest demand in the region, which it identifies as the M42 belt to the east of Birmingham (shown as Area A)¹ as offering the best travel times to the UK population for logistics operators, together with access to multi-modal facilities; as well as proximity to the main automotive facilities for manufacturers and their suppliers. In this area land supply is constrained such as the immediately available land supply is just 3.7 years and potential longer-term supply is heavily reliant on Peddimore (which may take time to come forwards), and Birmingham International Gateway (the Hams Hall Power Station B site) which is in the Green Belt and has no planning status.
- 3.11 The second most attractive location is Area B, comprising other parts of North Warwickshire together with Nuneaton and Bedworth, Coventry, Warwick District, Rugby and extending to include Hinkley, Lutterworth, Leicester, Daventry and Redditch. In this area the immediately available supply is a more healthy 8.4 years; however there are still issues with supply in the medium term which is heavily reliant on release of Green Belt land (with $\frac{3}{4}$ of the assessed longer-term supply at Coventry and Warwickshire Gateway which has been refused planning permission).

¹ This includes areas along and close to the M42 in North Warwickshire, including around Coleshill, Curdworth and Dawdon

- 3.12 The third area identified, Black Country and Southern Staffordshire, has attracted much growth in recent years but locationally is not as attractive. It has a good immediate land supply (7.4 years) but limited supply identified beyond this.
- 3.13 The Study identifies that whilst logistics operators are footloose between the East and West Midlands, whilst manufacturing companies will look at other locations internationally. It comments that *“if supply constraints are relieved in these areas this should add to economic growth and employment in the West Midlands, in the manufacturing as well as distribution industries”* through supporting growth and retention of existing firms, development of supply chains and through attracting inward investment. It thus makes the case for additional provision of strategic sites.
- 3.14 Major logistics sites, the report sets out, should be served by rail freight – as this is what occupiers want; and in the right locations it is cheaper and more efficient. More widely, it suggests that the locational drivers for identifying new strategic sites should be more market focused – rather than influenced by regeneration ambitions/ unemployment levels.
- 3.15 In respect of Major Investment Sites, whilst the report does not dismiss this, it highlights that one off major industrial plant investments are rare, with greater competition from other countries which can offer skilled labour at low costs, readily available land and other substantial incentives. It sets out that therefore if a new site is to be identified (given take-up of Wobaston Road/i54 by JLR) this would need to be in a highly attractive location (which presumably is Area A), in public sector ownership and maintained as a large ‘shovel ready’ development opportunity supported by high-quality infrastructure and substantial incentives, to be competitive with international alternatives. We understand that there are no large tracts of publically owned land in North Warwickshire which are being promoted for development.
- 3.16 Overall, the Study points to a need to bring forward additional large sites in Area A which includes the M42 Corridor in North Warwickshire. It is clear that in doing so, it would be appropriate for local plans to align the location of jobs and housing to minimise the adverse effects of commuting (Para 6.13).

Coventry & Warwickshire Employment Land Use Study

- 3.17 This report, prepared by CBRE for the Coventry & Warwickshire Local Enterprise Partnership, provides an assessment of the ‘objectively assessed need’ for employment land in the LEP area. It updates a previous Employment Land Study prepared by Atkins and provides a quantified assessment of future employment land requirements across the LEP area (which is recognised as the relevant Functional Economic Market Area).

- 3.18 The report provides an assessment of demand for employment land across the LEP area, taking account of econometric forecasts from Cambridge Econometrics; demographic projections; historic completions rates and analysis of recent market signals and take-up.
- 3.19 The demand evidence presented highlights very strong take-up both of specialist Science and Technology Park floorspace, and new manufacturing and supply chain facilities for Jaguar Land Rover and London Taxi Company. These relate to the resurgent automotive industry. It points to a continuing trend of larger distribution units offering economies of scale to national operators; and extremely strong recent take-up in this sector linked to improving market conditions, the growth in the retail sector and e-retailing, and demand from manufacturing firms – particularly in the automotive sector and its wider supply chain.
- 3.20 The sectoral projections yielded a need for 353 hectares. Demographic data suggested workforce growth could be 15% stronger than this, equating to 405 hectares of employment land. Past completions would indicate a need for 659 hectares of employment land over the 2011-31 period. However the market evidence and recent take-up trends assessed pointed to this being somewhat conservative. The demand analysis showed strong recent performance of the automotive industry and warehouse/ logistics market in the sub-region, driving strong recent take-up. The report provides evidence that recent take-up is likely to have been constrained by supply. On the basis of the evidence, it concludes that it would be appropriate to plan for between 500 – 660 hectares of additional employment land (2011-31).
- 3.21 In the context of strong recent market performance, the report points to a diminishing supply of deliverable employment land and very low levels of available built space – particularly for industrial/ distribution activities. It sets out that existing supply is now at a critical level with less than two years of supply of built premises available across the area, much of it in smaller, ageing and unsuitable units. The acute shortage of industrial space is driving rental growth, which if not addressed could damage the area's competitiveness. Considering the broader stock of land, the report identifies an acute shortage of space on larger strategic employment sites – with only 64 hectares available on 'oven ready' sites which can meet current occupier demand. This includes 8 ha at Holy Lane, Atherstone. The report did not take account of potential for further development at Birch Coppice (Phase 3) and thus this is likely to be slightly under-estimated.
- 3.22 A further 94 hectares of "secondary potential" is identified, of which 41 ha is at Daw Mill; and 20 ha at Hams Hall (Power Station B site, within Green Belt). Neither of these sites is currently allocated for development. Overall future supply across the sub-region is reliant on new supply being identified, with the majority of attractive potential sites falling within the Green Belt (e.g. Bermuda Park Extensions, Hams Hall Power Station B, Coventry & Warwickshire Gateway etc.). Even if these sites are included, a total supply of 330 hectares is identified – well short of the need set out

for 500 – 660 hectares of land. A clear quantitative need to bring forward significant new employment land allocations within the LEP area is identified.

- 3.23 The report particularly notes the need for new supply to be brought forward in the Coventry Travel to Work Area; and recommends that at least one (and potentially two) additional large strategic sites are identified in the LEP area.

Supply Proposals in Surrounding Areas

- 3.24 Given the sub-regional nature of the market – particularly for larger industrial and logistics/ distribution floorspace – it is important to recognise key employment sites, and proposals for such sites, which are coming forward in surrounding areas, as these may influence dynamics affecting North Warwickshire. In this sub-section we have therefore sought to briefly summarise key current/ emerging development schemes.

- 3.25 Table 3 below sets out current major proposals for bringing forward additional employment land for industrial and distribution development. The list is not intended to be exhaustive, but deals with strategic sites which provide potential to support development of manufacturing or logistics/ distribution floorspace of over 100,000 sq.ft (as the benchmark used in the PBA Study) and which could feasibly influence demand in North Warwickshire.

Table 3: Potential Additional Strategic Sites – for Manufacturing / Distribution

Details	
Pedimore	80 ha proposed employment allocation within the Draft Birmingham Development Plan (together with 6,000 homes). The site currently falls within the Green Belt but would be removed on adoption of the plan. Located south east of Sutton Coldfield and access via the A38 and A4097, the proposed allocation provides for 80 ha of B1b/c, B2 and B8 development of which 40 ha is to be for industrial development (B1c/ B2).
East Midlands Gateway	Strategic Rail Freight Interchange proposal to the north of East Midlands Airport in North West Leicestershire which received Development Consent in January 2016. The total site area is 336 hectares, with a developable area of 178 hectares. The site adjoins M1 Junction 24, and can be expected to support development large warehouse/ distribution floorspace.
DIRFT3	Development consent was granted in July 2014 for a third phase of development at the Daventry International Rail Freight Terminal (DIRFT) on land principally within Daventry Borough on land between the A5 and M1 to the north of the existing

	DIRFT development. It comprises a replacement rail freight interchange plus 731,000 sq.m of rail-served B8 development. Provides approximately 182 ha of employment land.
Bermuda Park Extensions	The emerging Nuneaton & Bedworth Borough Plan includes proposals for an extension to Bermuda Park. Within this area there is potentially 41 ha of land available on land either side of the B4114 Coventry Road, to the east of Bermuda Park. The site falls within the Green Belt.
i54	A planning application has been lodged with South Staffordshire BC to double the size of Jaguar Land Rover's existing plant at i54, adjoining Junction 2 of the M54. This would represent an extension to the Wobaston Road site, originally identified as an MIS.

3.26 The above sites are focused on industrial and distribution development. In addition to these, there are a number of major developments in surrounding areas which will feasibly influence demand for office/ B1 development. These include the following:

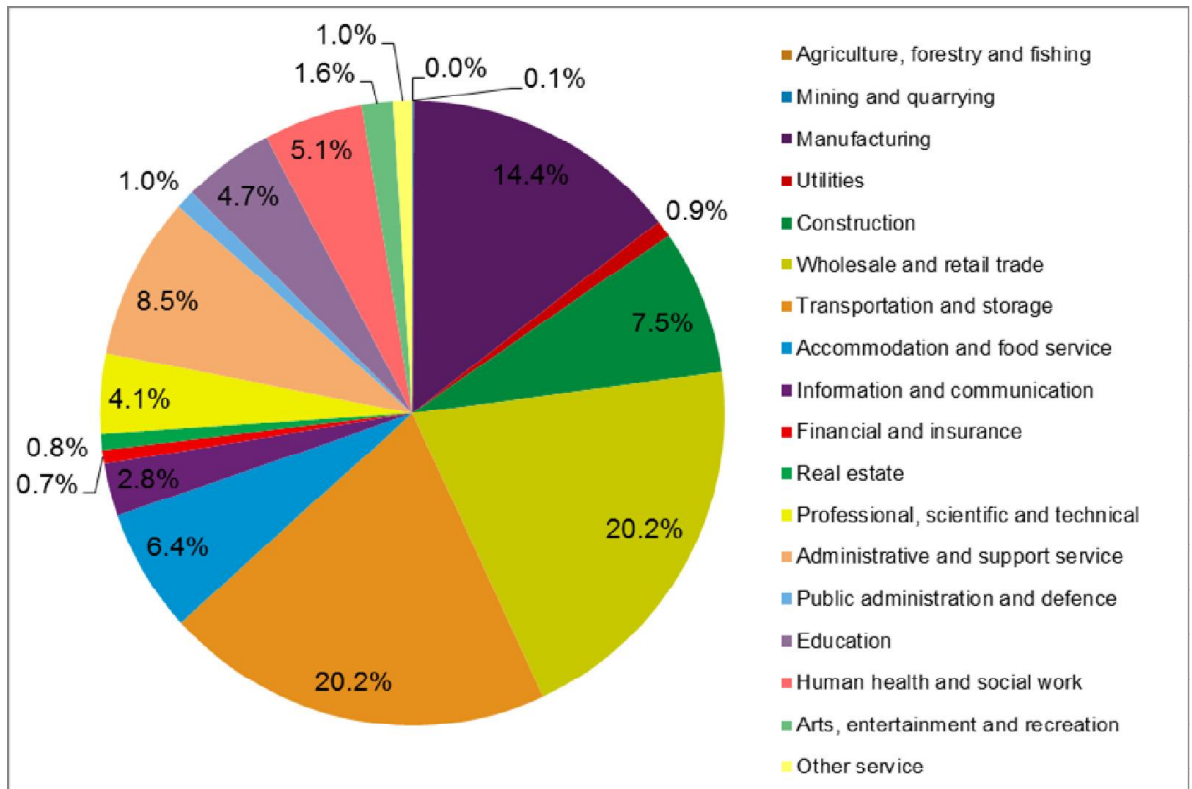
Table 4: Strategic Sites for B1 Development

Strategic Sites for B1 Development	
Friargate, Coventry	New office development in Coventry City Centre providing a new office quarter around Coventry Train Station. The development will deliver up to 218,000 sqm of office floorspace. The first phase of this development is currently under construction.
UK Central	
Birmingham and Blyth Valley Business Parks	<p>Located at Junction 4 of the M42 Blythe Valley Business Park is split into two phases, the first of which includes 430,000 sq ft of built office floorspace. The second phase comprises 44 acres of undeveloped land to the rear of the existing business park.</p> <p>Birmingham Business Park Located close to the interchange of the M6 and M42 motorways and is substantially built out and occupied. There is 15.7 acres of vacant land being advertised as a Design and Build opportunity.</p>

4 CHARACTERISTICS OF THE BOROUGH'S ECONOMY

- 4.1 The 2013 Employment Land Review identifies that North Warwickshire was a predominantly rural borough with three main market towns – Atherstone, Coleshill and Polesworth – but was one which was relatively well located – it sits centrally within England, with the M6, M6 Toll and M42 running through the Borough. This has made it attractive for development of logistics/ distribution and manufacturing floorspace on sites which are well located with respect to the motorway network. As a result, the Borough has seen relatively rapid employment growth over the past decade – with growth in employment of around 9,000 in the Borough.
- 4.2 The 2013 ELR identified a concentration of employment in logistics / distribution activities, with the transport/ storage sector showing a concentration of employment which is 4 times that at a regional level. At a more specific local level, it showed a concentration of employment in:
- Land transport, storage and distribution;
 - Manufacture of non-metallic products;
 - Construction;
 - Accommodation and food services;
 - Computing and IT;
 - Manufacture of transport equipment; and
 - Food, drink and tobacco manufacturing.
- 4.3 Manufacturing and distribution activities are evidently strong sectors in the local economy, with the Borough evidently forming part of a wider cluster of automotive/ advanced manufacturing activities.
- 4.4 Figure 1 shows the employment structure in North Warwickshire broken down by broad employment sector taken from the most recent Business Register and Employment Survey (BRES) data for 2014. This shows the sectors with the greatest level of employment in the Borough are Wholesale and retail trade (20.2%) and Transportation and storage (20.2%), and Manufacturing (14.4%). Other sectors with smaller but still considerable levels of employment in the Borough are Administrative and support services (8.5%), Construction (7.5%), and Accommodation and food service (6.4%).

Figure 1: North Warwickshire Employment Structure by Sector, 2014



Source: BRES

4.5 Figure 2 shows the change in employment structure since 2009. This shows overall employment in North Warwickshire was 41,000 – up from 36,500 in 2013². Considering the Borough’s major sectors: Wholesale and retail trade has seen considerable growth since 2009 with its share of employment growing from 12.6% in 2009 to 20.2% in 2014³. Jobs in Transportation and storage have fallen slightly from 21.2% in 2009 to 20.2% in 2014, however the latest year saw a growth of 1,300 jobs. Manufacturing has seen a growth in employment from 13.3% in 2009 to 14.4% in 2014.

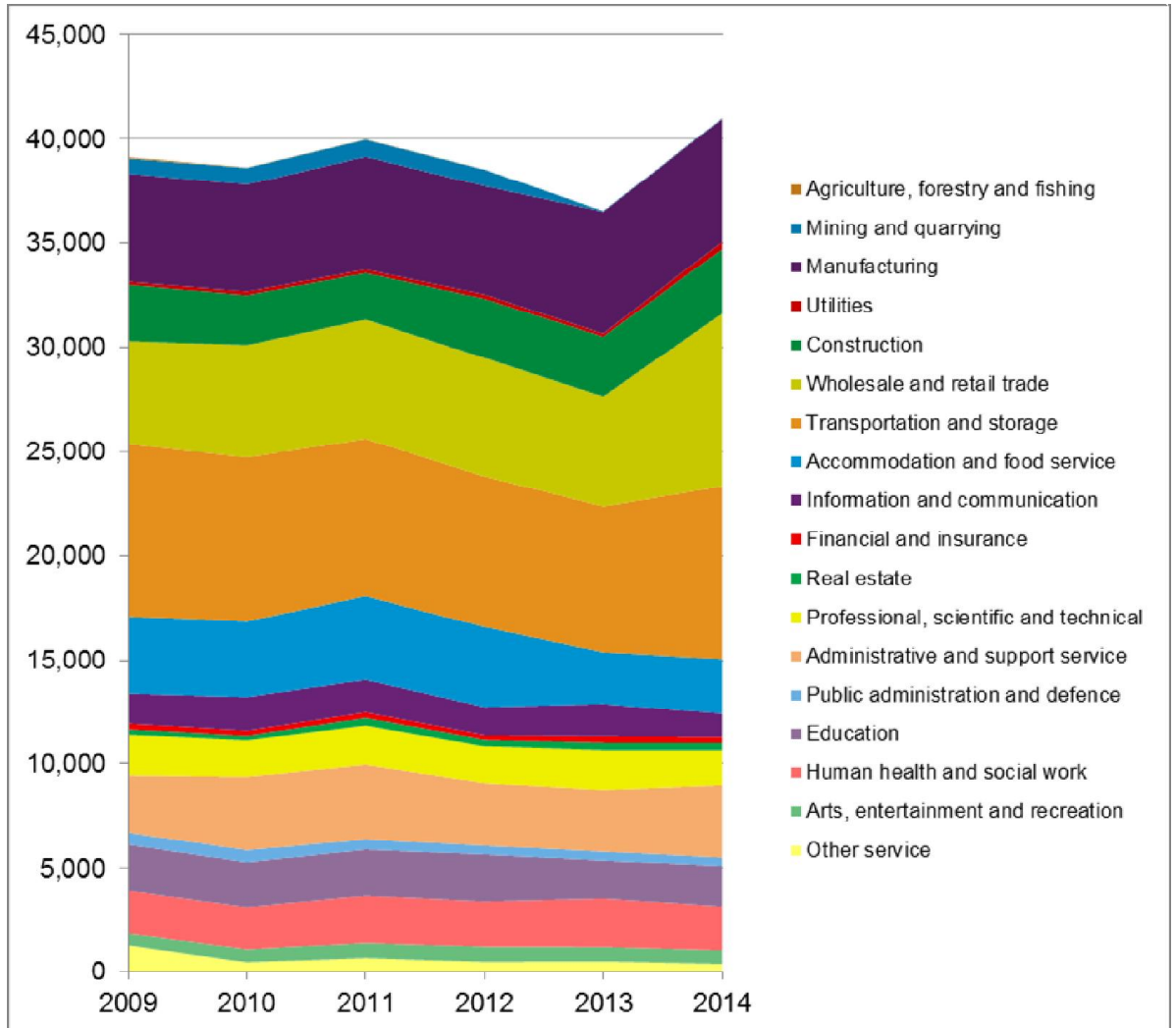
4.6 Since 2009 the sector which has seen the largest growth is Wholesale and retail trade which has grown by 3,400 jobs. Other sectors which have seen a considerable growth over this period are Administrative and support services (700 jobs), Manufacturing (700 jobs), and Construction (400 jobs).

4.7 Sectors which have seen a notable decrease in job numbers over this period are Accommodation and food service (-1,100 jobs), Other services (-900 jobs), and Mining and quarrying (-700 jobs).

² This potentially partly reflects data recording issues associated with BRES data, rather than actual jobs growth.

³ This is likely to include distribution activities of retail firms.

Figure 2: Employment Growth by Sector, 2009-2014



Source: BRES

4.8 Table 5 shows the North Warwickshire’s location quotient relative to the West Midlands and England and Wales. A location quotient compares the proportion of sectoral jobs in one geographical area against the proportion of jobs in that sector elsewhere. This shows the relative strength of each sector in an area. A location quotient of 1.00 means that the proportion of sectoral jobs in one area is the same as the comparator area, a location quotient above 1.00 means that area has a relative strength in that sector compared to the comparator area, while a location quotient less than 1.00 means a relative weakness.

4.9 Table 5 shows that North Warwickshire has a very high proportion of jobs in the Transport and storage sector, compared to regional or national trends. The proportion of jobs in this sector in

North Warwickshire is more than four times that seen across the West Midlands (4.09 times) or across England and Wales (4.51 times).

- 4.10 Other sectors with a high location quotient in North Warwickshire are Construction (1.72 times the West Midlands rate, and 1.67 times the England and Wales rate), Manufacturing (1.19 vs West Midlands, 1.73 vs England and Wales), and Wholesale and retail trade (1.12 vs West Midlands, 1.27 vs England and Wales).⁴
- 4.11 Conversely, Table 5 highlights the relative lack of jobs in the financial and service sectors in North Warwickshire. The Financial and insurance, Real estate, and Professional, scientific and technical sectors all have low location quotients in North Warwickshire compared to wider areas. Similarly, the public sector – Public administration and defence, Education, and Human health and social work sectors – has very low location quotients for North Warwickshire compared to regional and national trends.⁵

Table 5: Location Quotient, North Warwickshire vs West Midland and England and Wales, 2014

	North Warwickshire vs West Midlands	North Warwickshire vs England and Wales
Agriculture, forestry and fishing		
Mining and quarrying		
Manufacturing		
Utilities		
Construction		
Wholesale and retail trade		
Transportation and storage		
Accommodation and food service		
Information and communication		
Financial and insurance		
Real estate		
Professional, scientific and technical		
Administrative and support service		
Public administration and defence		
Education		
Human health and social work		
Arts, entertainment and recreation		
Other service		

Source: BRES

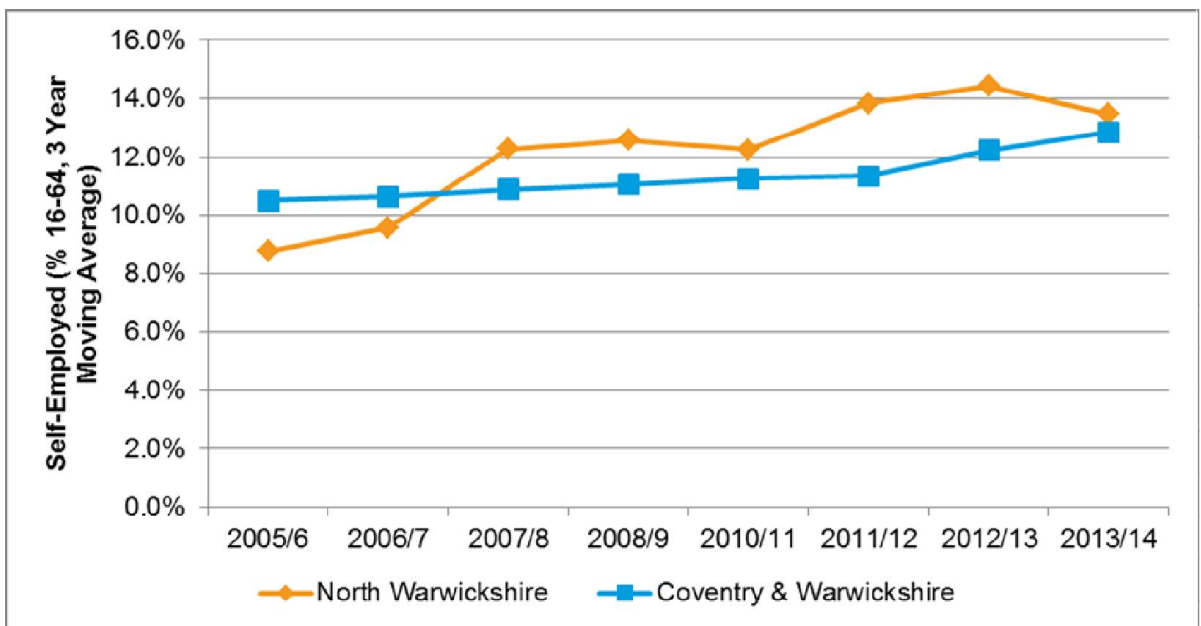
⁴ The location quotient for Mining and quarrying reflects very low numbers of jobs in this sector, hence are statistically unreliable.

⁵ The location quotient for Agriculture, forestry and fishing reflects very low numbers of jobs in this sector, hence are statistically unreliable.

4.12 The above analysis shows that North Warwickshire has core strengths in the Logistics and distribution, Manufacturing, and Construction sectors. It is growth in these sectors which is likely to drive demand for future employment floorspace in North Warwickshire. These sectors will drive demand for industrial (B2) and warehouse (B8) floorspace. Conversely, the Borough has a lower representation of jobs in the financial and professional services sectors. This is reflected in the modest scale of the Borough's office market.

4.13 Growing levels of self-employment have contributed to overall growth in employment levels. North Warwickshire has seen the proportion of those aged 16-64 who are self-employed increase from 8.8% to 13.5% over the last decade, as Figure 3 shows. Self-employment levels now stand above the sub-regional average. This possibly reflects a higher proportion of distribution companies using agency workers, who are recorded as self-employed rather than employees.

Figure 3: Trends in Self-Employment



Source: Annual Population Survey

4.14 ONS data on business counts shows that deaths exceeded births in 2009 and 2010, but that over the period since 2012 there has been a more notable growth in the number of businesses in the Borough.

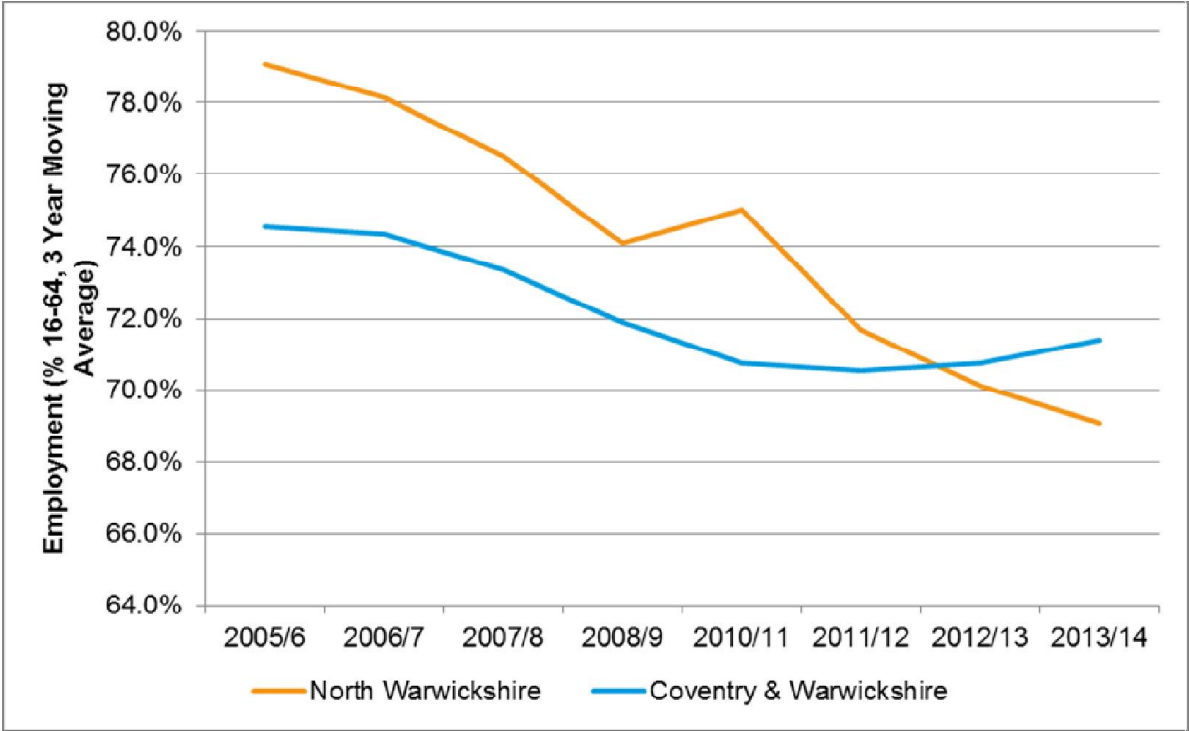
Table 6: Trends in Business Births and Deaths, 2009-14

	2009	2010	2011	2012	2013	2014
Births	275	250	270	245	320	320
Deaths	360	285	250	245	225	250
Balance	-85	-35	20	0	95	70
Active Enterprises	2,800	2,755	2,710	2,655	2,695	2,760

Source: ONS Business Demography Statistics

- 4.15 We have sought next to consider key labour market dynamics. This is as much a function of population dynamics and issues regarding skills as it is about economic performance, and the statistics should be interpreted with this in mind.
- 4.16 Over the last decade, despite relative strong economic performance, the proportion of the Borough’s residents ‘in employment’ has fallen. This is likely to reflect, in part, the ageing of the Borough’s population. Employment levels have fallen to 69% based on the latest data, which is below the sub-regional average. Whilst this reflects the trend data, some caution should however be exercised reflecting its survey nature. The latest data for the year to September 2015 indicates an employment rate in the Borough of 80.7%.

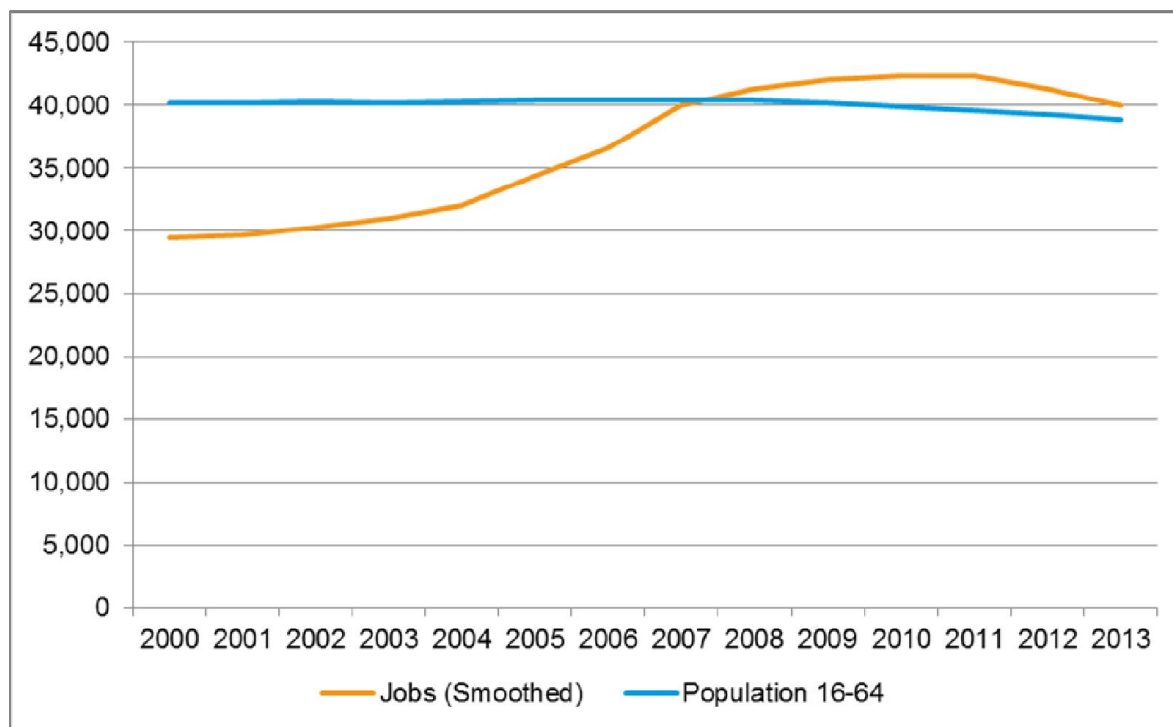
Figure 4: Employment Rate



Source: Annual Population Survey

- 4.17 Unemployment in the Borough is evidently low; with ONS Model-based Estimates pointing to an unemployment rate of 3.2% (Year to Sept 2015) as a proportion of the population 16-64. This is below the West Midlands and national averages (5.7% and 5.4% respectively).
- 4.18 Figure 5 compares the growth in jobs in the Borough to the population aged 16-64. Over the decade to 2013, employment numbers increased by 9,000. In contrast there was a modest decline in the resident population aged 16-64.

Figure 5: Comparing Growth in Resident Workforce to Jobs in North Warwickshire



4.19 Table 7 shows the destination of workers residing in North Warwickshire. Slightly over a third of the Borough’s residents (who are in work) work within the Borough. Beyond the Borough, the most popular commuting destination is Birmingham (where 16.6% of North Warwickshire residents work), Tamworth (9.1%), and Nuneaton and Bedworth (8.1%).

Table 7: Out Commuting – Destination of Workers Residing in North Warwickshire

Destination	Out Commuters	% of Residents
North Warwickshire	8,567	33.6%
Birmingham	4,238	16.6%
Tamworth	2,315	9.1%
Nuneaton and Bedworth	2,060	8.1%
Solihull	1,697	6.7%
Coventry	1,614	6.3%
Hinckley and Bosworth	712	2.8%
Lichfield	666	2.6%
Warwick	429	1.7%
North West Leicestershire	273	1.1%
Rugby	266	1.0%

Source: Census 2011

4.20 Table 8 shows the place of residence of workers who work in North Warwickshire. In North Warwickshire, slightly over a quarter (25.3%) of people who work in the Borough also live within the

Borough. There is also considerable in commuting from Birmingham (15.2%), Tamworth (14.4%), and Nuneaton and Bedworth (9.4%).

Table 8: In Commuting – Origin of Workers Working in North Warwickshire

Origin	In Commuters	% of Workforce
North Warwickshire	8,567	25.3%
	5,151	15.2%
Tamworth	4,862	14.4%
	3,176	9.4%
Solihull	2,301	6.8%
	1,134	3.3%
Lichfield	1,007	3.0%
	821	2.4%
Walsall	648	1.9%
	580	1.7%
North West Leicestershire	432	1.3%
	411	1.2%

Source: Census 2011

5 PROPERTY MARKET DYNAMICS

5.1 This section provides an assessment of the office and industrial property market in North Warwickshire and the wider Coventry and Warwickshire sub-region. This assessment has been undertaken using a variety of sources including take-up and availability data from Estate Gazette's EGi database and on CoStar Suite.

Office Market Review

5.1 At a national level the office market continued to performed strongly in 2015, reflecting increased confidence and economic growth spreading beyond the top performing centres to all UK regional markets. As business sentiment has improved, occupiers have expanded headcount and upgraded their accommodation. The total size of the UK workforce increased by 2% during 2014, while business investment hit a record £175.5bn – a 7% increase since the previous year.

5.2 This has driven an increase in office take-up nationally. At the national level, the office market performed strongly in 2015. According to Knight Frank, in 2015 (up to the end of October) the total take-up for the top ten cities in the country accounted for 4.8m sq ft, which is the highest total figure since 2010. At a national level the trend has seen occupiers seeking city/town centre office space rather than out-of-town business park locations.

5.3 Across the UK, take-up of grade A office space has increased by 5% year-on-year, resulting in an ever diminishing supply of existing grade A space. The diminishing supply of office space is not only driven by increasing take-up rates but also from change of use to alternative uses – particularly residential. In 2013 the government announced a change in permitted development rights to allow the change of use of office floorspace to residential uses without the need for planning permission. This has resulted in considerable losses of office floorspace nationwide, adding to the pressures of an increasing absorption rate. In 2014 Lambert Smith Hampton estimate a loss of with 6.8m sq ft of office space nationally.

Sub-Regional Market

5.4 The main office markets in Coventry / Warwickshire, and the surrounding areas comprise:

- Coventry;
- Leamington Spa / Warwick; and
- M42 Solihull.

5.5 The M42 has the most well developed business park market, with large schemes such as Blyth Valley and Birmingham Business Park. There is a limited out-of-town business park market around

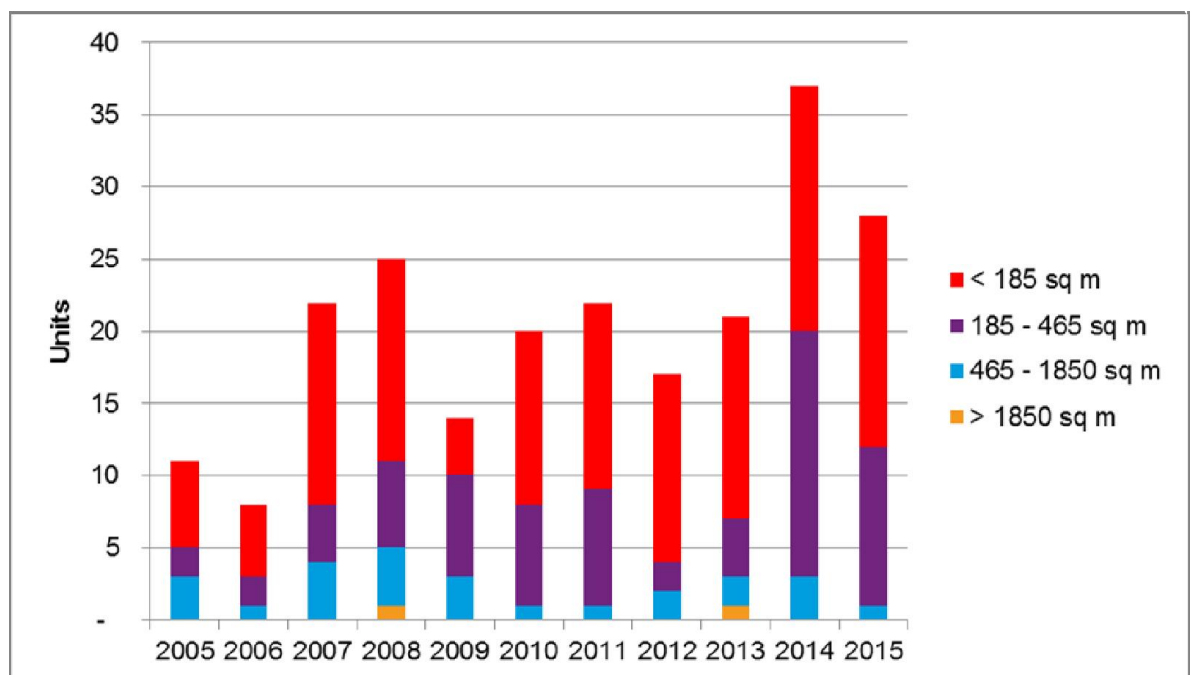
Coventry, with key schemes including Whitley Business Park and Ansty Park. The market for B1a office floorspace out of town is modest.

5.6 In the West Midlands region the main business park market is around the M42. The first half of 2014 saw improved activity, particular at Ansty Park in Rugby Borough, as well as Waterfront at Merry Hill and Birmingham Business Park. Supply in the market of good quality, large floorplate units (15,000+ sq.ft) is becoming scarcer⁶. GVA forecast rental growth (nationally) of around 3% per annum on business parks over the period to 2018.

Office Market in North Warwickshire

5.7 Figure 6 shows the number of office deals in North Warwickshire by size, over the period 2005 to 2015. This shows the majority of take-up is for smaller units. 89% of deals were for units of 465 sq m and smaller and 57% were for units less than 185 sq m. Conversely, over this period there were only two deals for units greater than 1,850 sq m in size. the average size of unit taken up being 325 sq m.

Figure 6: Profile of Office Deals by Size, North Warwickshire, 2005-2015



Source: EGi / CoStar

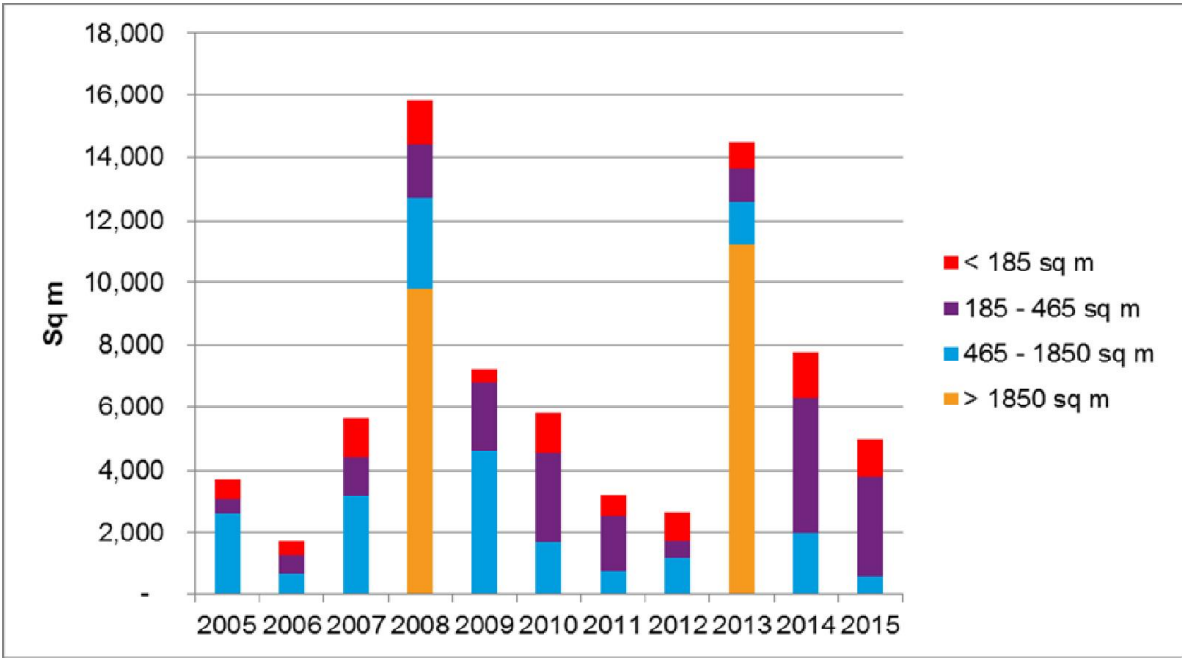
5.8 Figure 7 shows the quantum of office floorspace take-up in North Warwickshire since 2005, as recorded on the EGi and CoStar databases. This shows the relatively modest level of office market take-up in the Borough. Taking data over the most recent five year period (2011-2015) shows that

⁶ GVA Business Parks Review, Autumn 2014

there has been an average annual take-up of office floorspace of 6,600 sq m per annum. Taking a slightly longer ten year period (2006-2015) shows an average annual take-up of 6,900 sq m per annum.

5.9 This shows the small scale of the market for office floorspace in North Warwickshire. Activity is from smaller localised occupiers seeking smaller and cheaper premises. There is a very limited market for national / regional corporate occupiers.

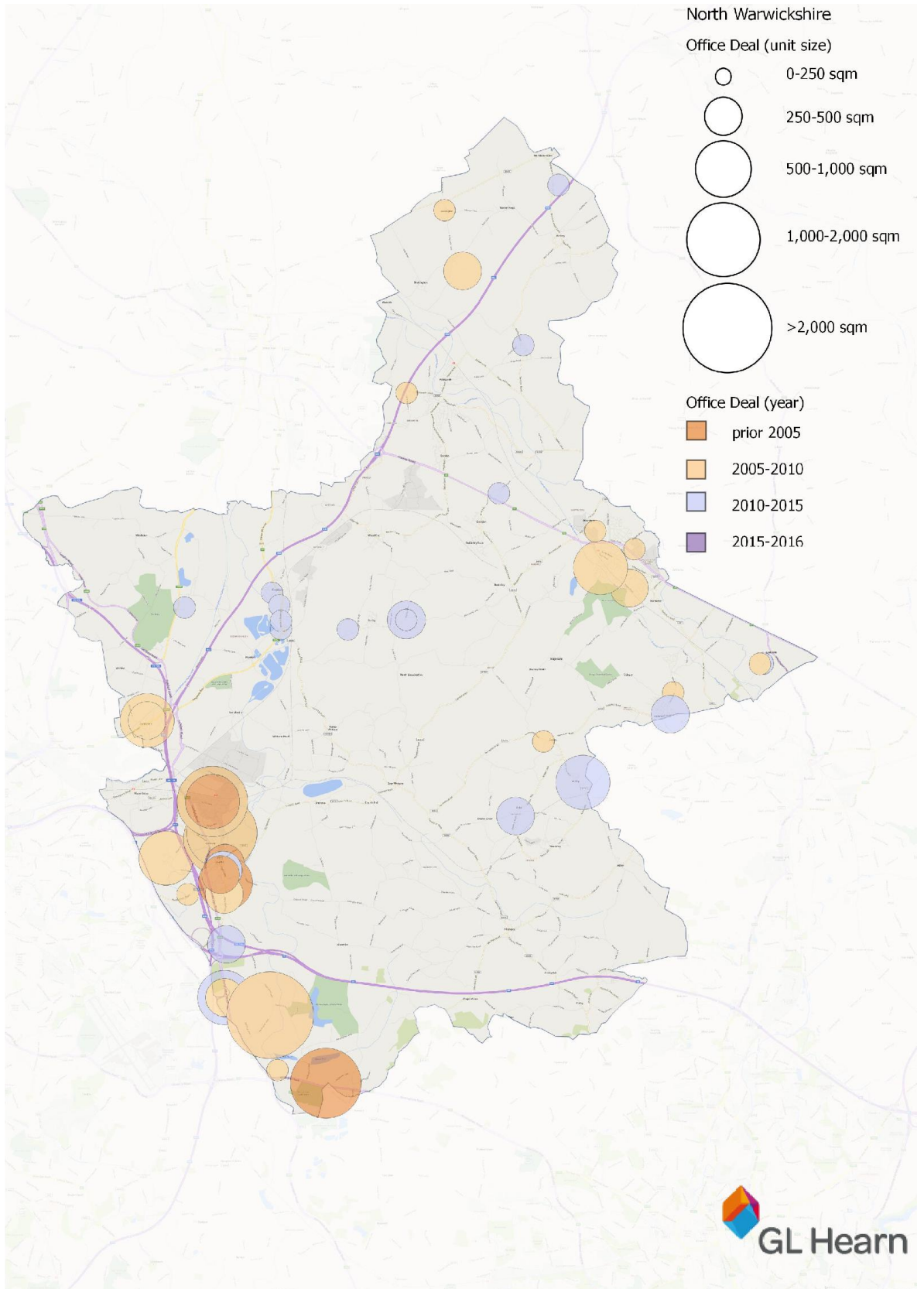
Figure 7: Office Floorspace Take-Up, North Warwickshire, 2005-2015



Source: EGi / CoStar

5.10 Figure 8 shows a map of the distribution of office deals across the Borough. Clearly, the focus of office activity is along the Borough’s south western boundary with Solihull, and in Coleshill and the M42 corridor. Beyond these areas office activity has been spread across the Borough. Atherstone has seen a modest level of office activity, although little in recent years.

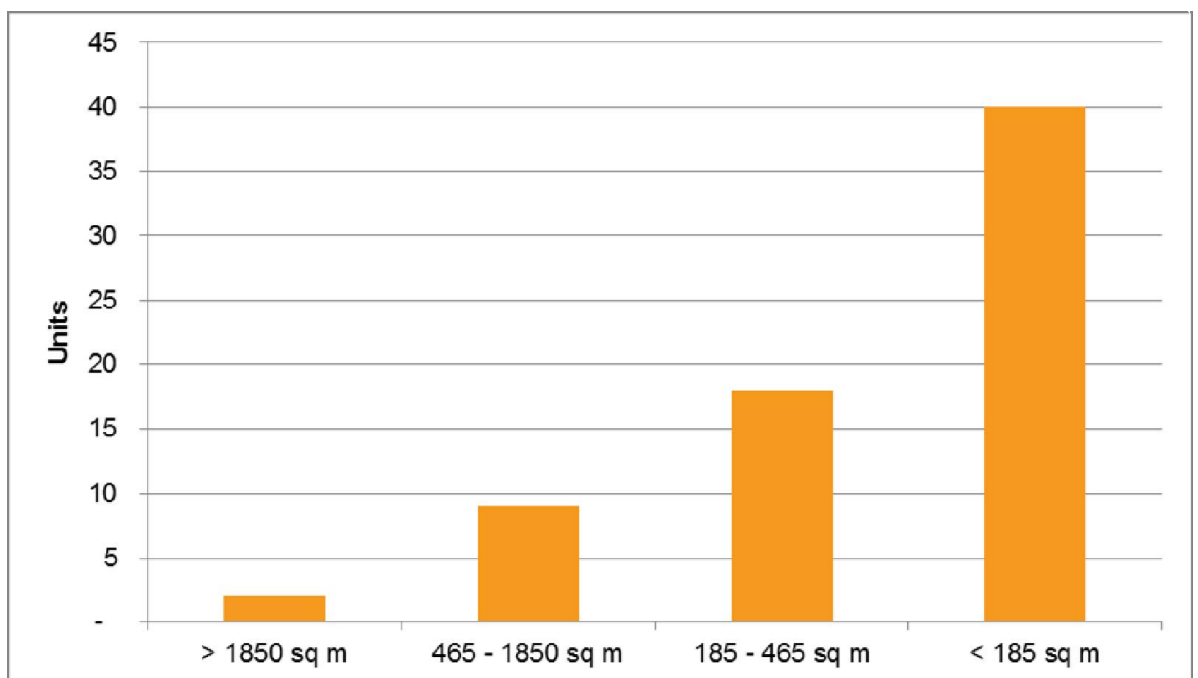
Figure 8: Map of Office Deals, 2005-14



Office Availability

- 5.11 Figure 9 shows the amount of available office floorspace in North Warwickshire as recorded and advertised on EGi and CoStar Suite as of March 2016. There are currently 69 being advertised in the Borough, the majority (58%) of which are smaller than 185 sq m in size. There are currently two units larger than 1,850 sq m being advertised in the Borough. These are both in Coleshill – one at Coleshill Manor and also the former Coleshill Police Station.
- 5.12 In terms of quality, the vast majority of office units currently advertised are for second-hand stock. Only four (6%) of available units are for advertised as new, and all of those are refurbishments.

Figure 9: Office Availability, March 2016



Source: EGi/ CoStar

Industrial Sector Review

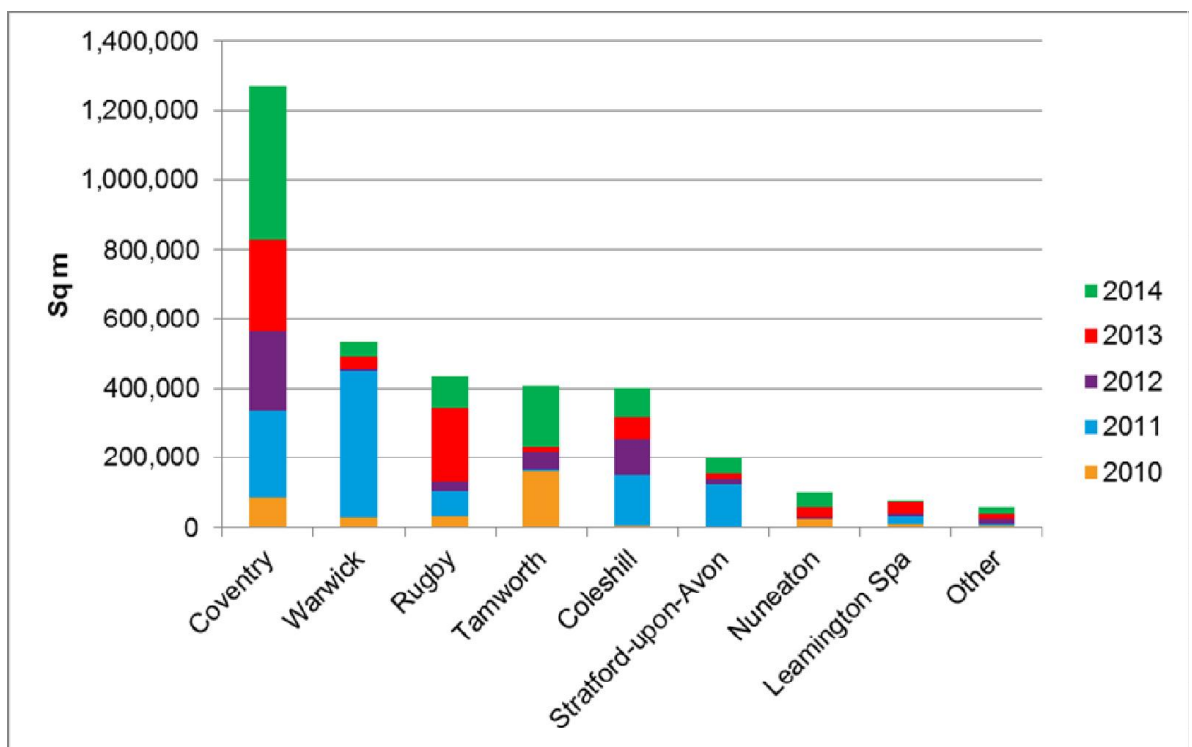
- 5.13 Nationally, the industrial market continues to perform well with year on year increases in industrial land take-up. The latest full year figures for the UK show that total take-up in 2014 is up 5% on 2013 figures.
- 5.14 Industrial sector demand continues to be dominated by warehouse and distribution uses. There is a growing demand for large scale logistics / distribution warehouses. This is, in part, driven by the continuing growth of the on-line retail sector and increasing customer expectations for same- or next-day delivery.

- 5.15 There is a strong market for logistics / distribution development within the Midlands, reflecting its central location within the country and density of links via the national motorway and rail networks. The Coventry and Warwickshire sub-region benefits from strong connectivity to the motorway network, and is a prime location within the 'Golden Triangle' around the intersections of the M1, M6 and M42 motorways as well as the M40 and M45 nearby. The sub-region sits at the centre of the national motorway and trunk road network providing excellent connectivity to 85% of the UK population, and many of the country's major ports within a 4.5 hour drive time, which is crucial for logistics occupiers due to European legislation restricting HGV drive times. This makes the area a very attractive location for logistics occupiers.
- 5.16 At a national level, JLL statistics for the big box logistics sector indicate aggregate take-up across the UK of 19.5 million sq.ft in 2014 of which 12.8 million sq.ft was of new-build space. The composition of demand by sector for the 1st half of the year (nationally) was:
- Retailers: 47%
 - Logistics Companies: 21%
 - Manufacturers: 23%
 - Other: 9%
- 5.17 JLL's research points to a current low level of supply at a national level equivalent to just under a years' worth of stock. This represented a vacancy rate of 5%. This is partly a reflection of a lack of development over recent years, related to wider economic conditions. It in effect relates to the current position within the 'market cycle.'
- 5.18 Whilst 'design and build' represents the predominant form of new supply (accounting for 50% of take-up during the 1st half of 2014 based on GVA's statistics), the lack of available space together with growing market confidence, has driven a return to speculative development in prime locations in the Midlands and M1 Corridor over the last 18 months. The West Midlands is one of two UK regions – along with the South East – has seen a return of speculative B8 development.
- 5.19 The return to speculative development is resulting in a growing level of space coming forward. JLL's UK Logistics Big Box Key Indicators data indicates a total of 1.6 million sq.ft of speculative space under construction across the UK. However, with the recent strong growth in take-up there is a clear need to bring forward additional land to meet demand in the medium-term.
- 5.20 As well as strong demand for warehouse and distribution uses, demand for manufacturing space in the West Midlands has seen strong increases in recent years, reflecting the current strong performance of the automotive industry. The major automotive manufacturers (OEMs) are performing well – driven particularly by demand for luxury cars at a global level. The most

significant recent deal was the 470,000 sq ft letting to Jaguar Land Rover at ProLogis Park Midpoint in Birmingham.

5.21 Figure 10 shows industrial floorspace take-up in the Coventry and Warwickshire sub-region since 2010, as recorded by EGi. In North Warwickshire, Coleshill has seen the highest level of industrial take-up with 400,000 sq m taken up over the five year period. The EGi figures shown in Figure 10 are counted to the nearest postal town with out of centre sites included in the figures for the nearest postal town, hence take-up at Birch Coppice is included within the figures for Tamworth.

Figure 10: Industrial Take-up, Coventry and Warwickshire, 2010-2014



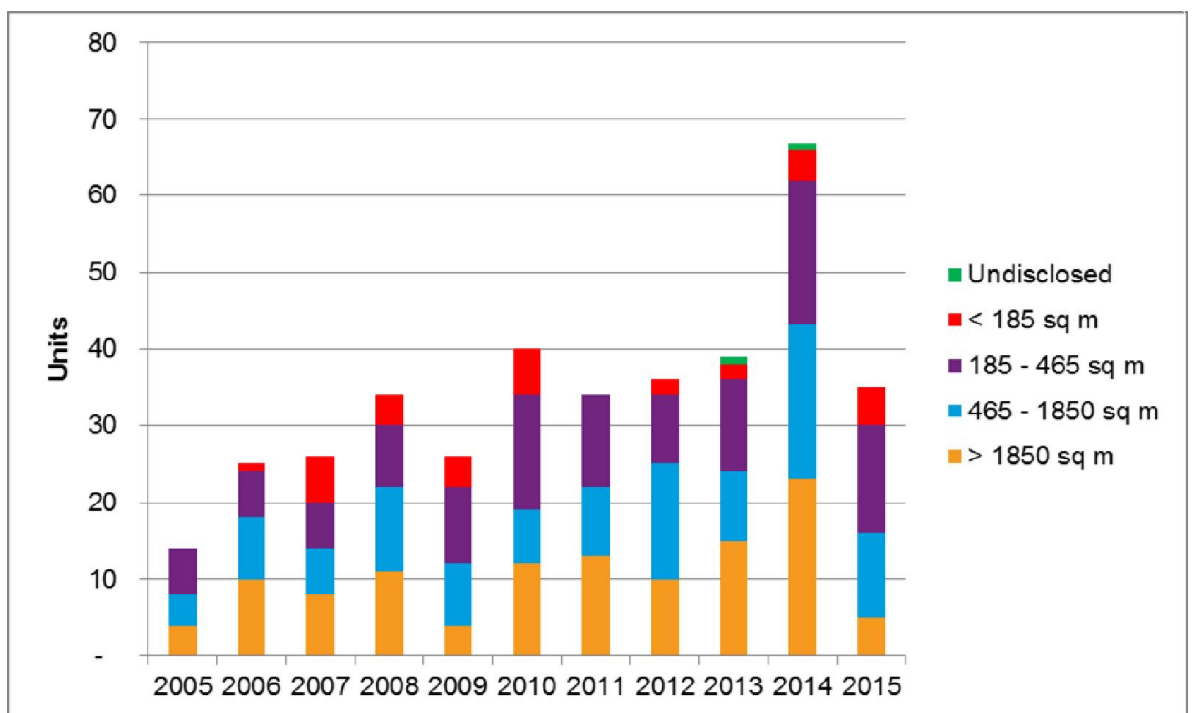
Source: EGi / GL Hearn

5.22 The strong performance of automotive manufacturing in the region is also driving demand for suitable space to meet the needs of the wider supply chain. Colliers report an expansion of automotive supply chain providers with particular growth seen in the West Midlands. This is consistent with our analysis across the sub-region.

5.23 A strong market with increasing demand, allied with low current stock availability, is resulting in a strong demand for development land. Land values are increasing. This is certainly the case in the Coventry-Warwickshire LEP Area. There is thus a need for additional land/ sites to be brought forward.

- 5.24 Colliers report that a limited supply of available sites means that manufacturer supply chains are finding it difficult to expand, hence imports remain a key input to processes and, ultimately, order fulfilment could suffer.
- 5.25 Figure 11 tracks the volume of deals for industrial space recorded in North Warwickshire since 2005. On average over this period there have been 34 deals are per year in the Borough. 9% are for units of under 185 sq.m; there is a roughly even split between the other size bands with around 30% of deals in each of the larger size brackets.

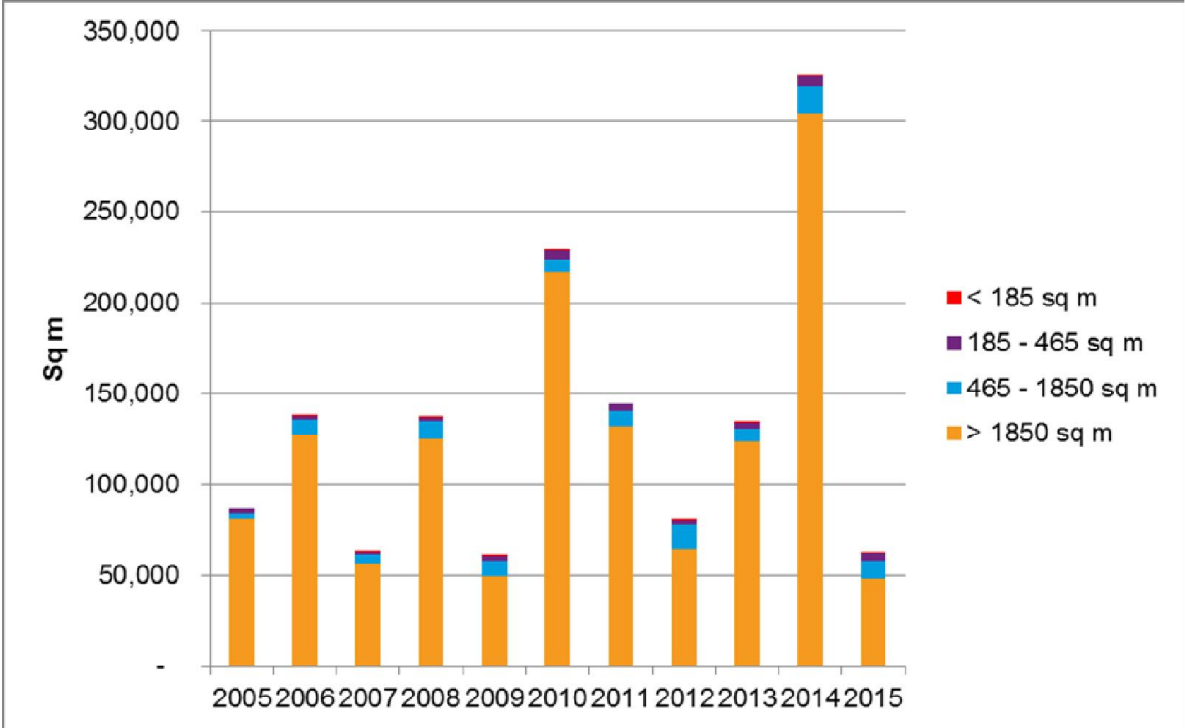
Figure 11: Industrial Deals in North Warwickshire, 2005-15



Source: EGi/ CoStar

- 5.26 Figure 12 quantifies trends in industrial floorspace take-up in North Warwickshire over the 2005-15 year period. The average size of unit taken up over this period is 3,900 sq m. The take-up figures show no strong trend in take-up patterns prior to and following the recession in 2008.
- 5.27 Taking data over the most recent five year period (2011-2015) shows that there has been an average annual take-up of industrial floorspace of 150,000 sq m per annum. Taking a slightly longer ten year period (2006-2015) shows an average annual take-up of 138,000 sq m per annum.

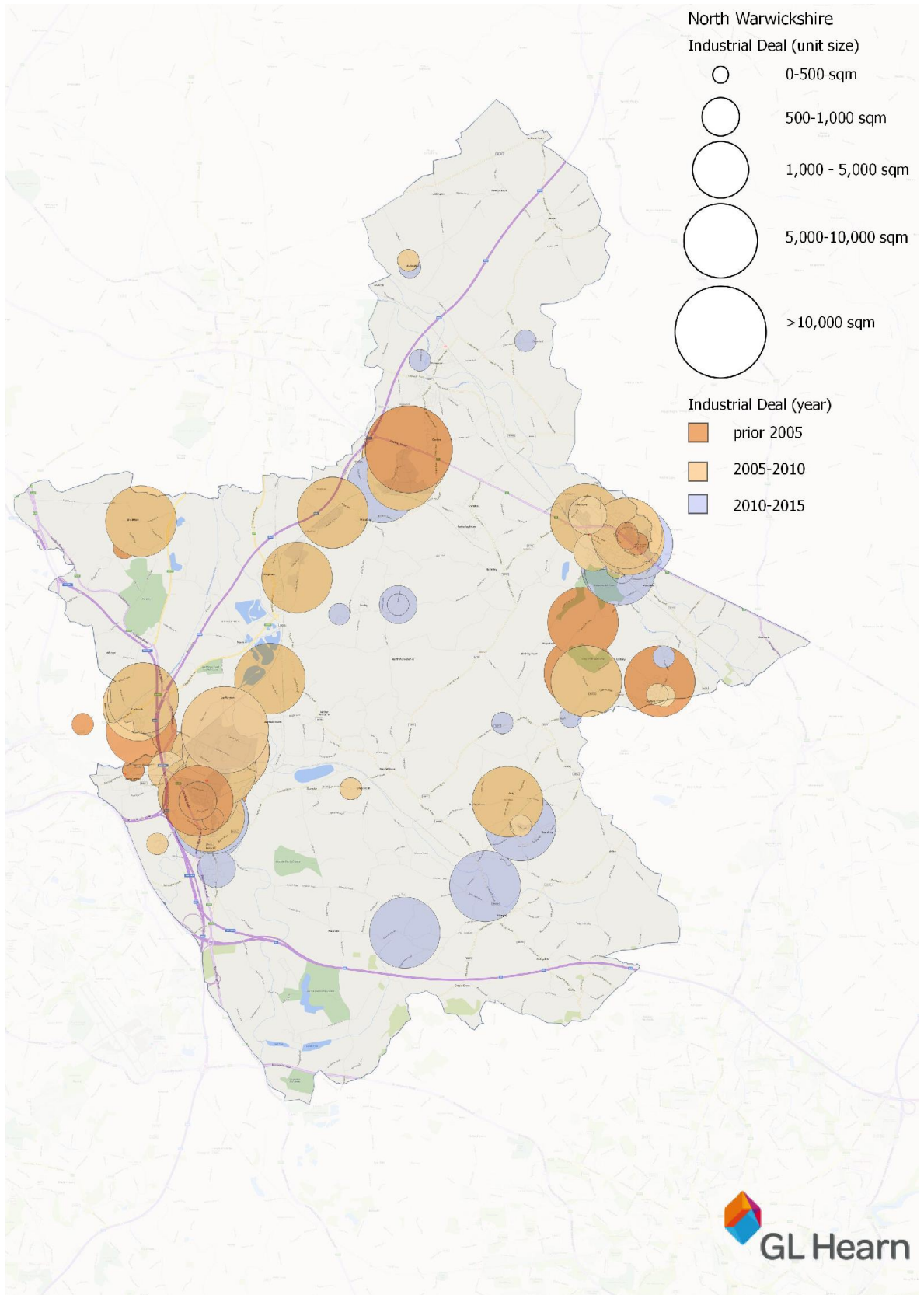
Figure 12: Industrial Take-Up, 2005-15



Source: EGi/ GL Hearn

- 5.28 The geographical distribution of industrial take-up over the last decade is shown in Figure 13. The largest amount of industrial floorspace take-up was in Coleshill where just over 700,000 sq m has been taken up since 2005. Of this, 570,000 sq m was at Hams Hall Distribution Park. 11 of the largest 20 deals in the Borough were at Hams Hall Distribution Park, and 40 of the 115 deals for units larger than 1,850 sq m were at the Distribution Park.
- 5.29 Outside of Coleshill, the largest amount of industrial activity is at Birch Coppice Industrial Estate where 585,000 sq m of industrial space has been taken over the past decade. 6 of the largest 20 deals in the Borough were at Birch Coppice.
- 5.30 Also shown on Figure 13 is a considerable amount of activity in Atherstone although activity in the town is prominently limited to smaller unit sizes. There has been a total of 62,000 sq m of industrial floorspace taken up in the town over the past decade.

Figure 13: Map of Industrial Deals, 2005-15

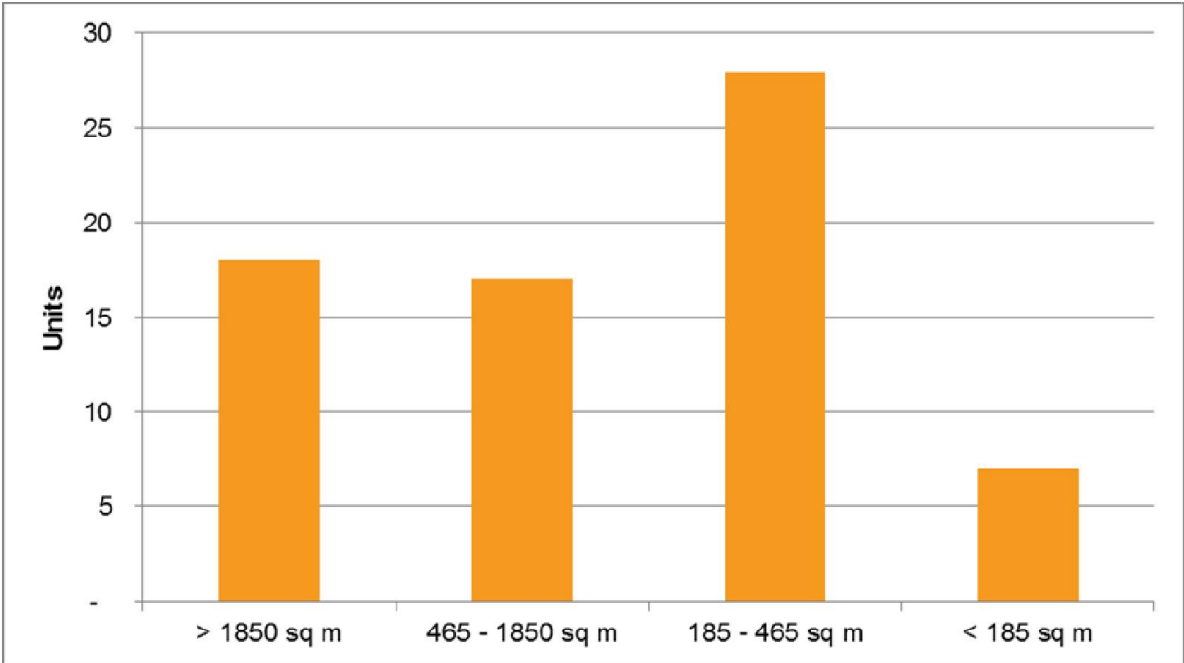


Industrial Availability

5.31 As of March 2016, there was a total of 70 industrial units available and being actively advertised on EGi and CoStar. Cumulatively these units account for 185,000 sq m of industrial floorspace. 18 (26%) of the units currently being advertised are over 1,850 sq m in size; 17 (24%) are between 465 and 1,850 sq m; 28 (40%) are between 185 and 465 sq m; and 7 (10%) are smaller than 185 sq m.

5.32 In terms of quality, 84% of advertised units are second hand grade, 8% are new build, 6% are refurbished, and one unit was being advertised as design and build.

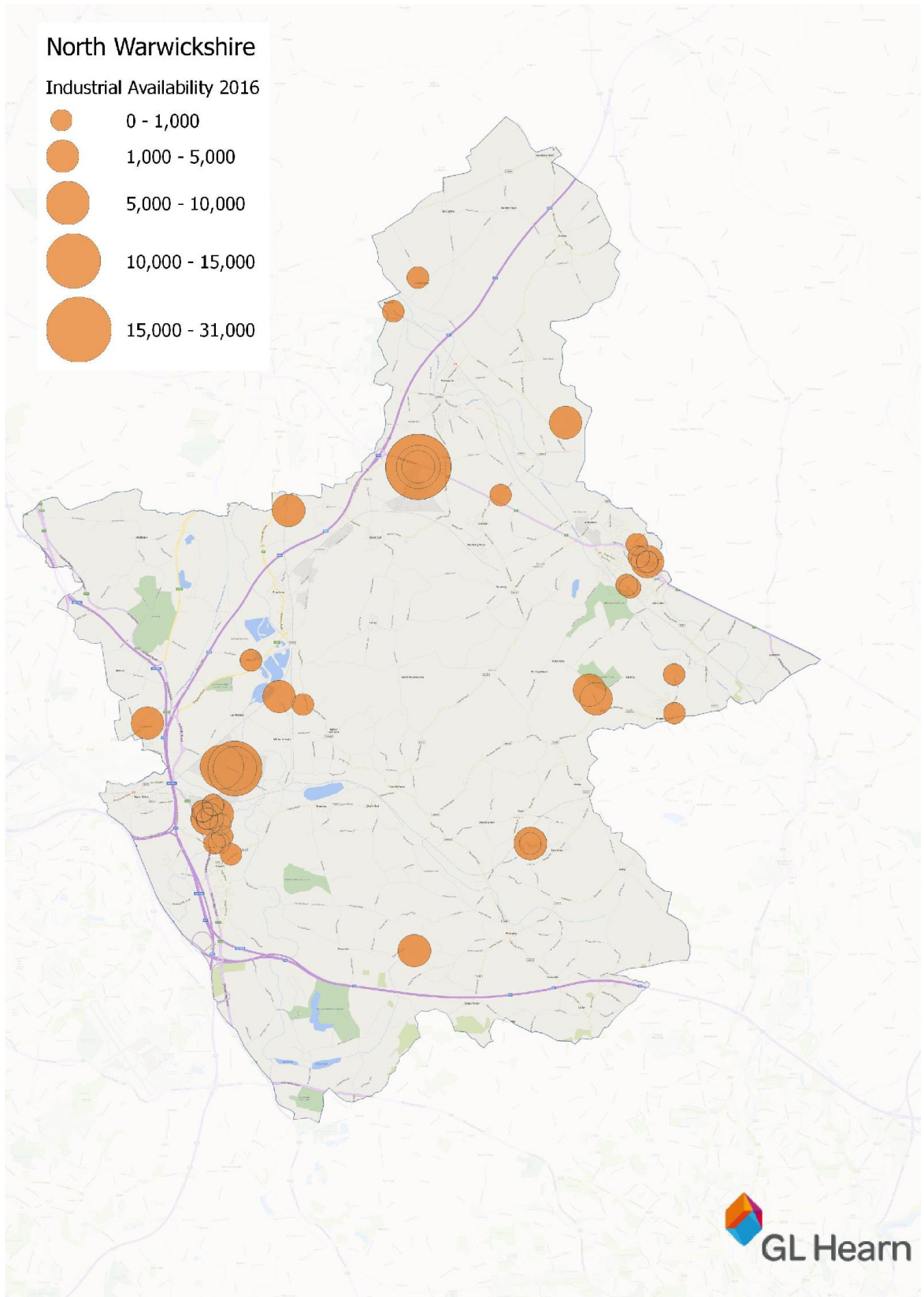
Figure 14: Available Industrial Floorspace by Size, March 2016



Source: EGi/ CoStar

5.33 Industrial availability is mapped in Figure 15 overleaf. This shows the available units are focussed at Coleshill – particularly Hams Hall Distribution Park, and at Birch Coppice Industrial Estate.

Figure 15: Map of Industrial Availability, March 2016



Implications

- 5.34 The market analysis shows that there is a strong market for industrial and warehouse/ logistics space in the Borough. This reflects strong performance of the manufacturing and component/ supply chain firms segment in the region, as well as increased demand for storage/distribution space from retailers.

Take Up / Availability Balance

- 5.35 Table 9 compares the average annual take up over the past 10 years to the current level of availability in order to identify an estimate of the number of years of supply currently available in North Warwickshire.
- 5.36 At a Borough-wide level there is 3.8 years' of supply of office floorspace and 1.3 years' supply of industrial floorspace currently available and being marketed on EGi and CoStar. This data suggests that in order to maintain the rates of take-up seen in the Borough over the past decade there will need to be a considerable increase in the available stock of industrial premises in the short term to meet strong demand.

Table 9: Years of Available Supply

Sq m	
Office	
Average annual take-up (10yr average)	6,900
Availability	26,500
No of Years Available Supply	3.8
Industrial	
Average annual take-up (10yr average)	138,000
Availability	185,000
No of Years Available Supply	1.3

- 5.37 It should be noted that the availability figures above show the level of floorspace in the Borough which is currently being advertised (including built and unbuilt opportunities). This doesn't capture all completed floorspace in the Borough which will include developments which are not being advertised – for example where an end user is already in place, or expansion at an existing site. The availability figures and completions figures should be considered together in provide a comprehensive view of commercial provision in the Borough.
- 5.38 North Warwickshire Council's data on employment completions in the Borough is set out in chapter 6 (starting at paragraph 6.42). This shows that since 2012/2013 there has been 108 ha of employment land delivered in the Borough, equivalent to an annual average of 26.9 ha per annum.

6 EMPLOYMENT GROWTH SCENARIOS

- 6.1 In this section we consider demand for employment land and floorspace in North Warwickshire. The section considers requirements for employment land in the B1, B2 and B8 use classes. The analysis is of 'demand' for employment land and therefore does not take account of any supply-side factors such as existing employment land allocations or commitments.
- 6.2 In this section we consider a number of housing delivery scenarios, and model their impact on employment growth and employment land needs. These are based on various scenarios of housing delivery, set out in Table 2. The approach seeks to balance employment and workforce growth within the Borough whilst recognising that not all jobs take place in B class activities.
- 6.3 To calculate the population growth scenarios we have used the demographic model used in the *Updated Assessment of Housing Need Report*, and run scenarios to consider what the impacts might be (in terms of growth in the Borough's population overall and by age) of different potential scenarios for housing delivery over the plan period to 2031.
- 6.4 The demographic modelling takes as its starting point the latest sub-national population and household projections. It assumes that housing delivery influences migration and thus higher housing growth is expected to result in additional in-migration.
- 6.5 We have assumed an age profile of migrants consistent to that in the ONS 2012-based SNPP. The profile of migrants shows a greater proportion of people of working age than is seen in the general population. To calculate workforce growth, consistent assumptions are made on the proportion of people in different age and sex groups who are in employment. This means that the higher housing growth scenarios show a larger proportional workforce growth than the lower growth scenarios.
- 6.6 To translate the growth in the workforce to a growth in jobs we consider trends in commuting and double jobbing – the proportion of the workforce who work more than one job. With regards to commuting we have assumed a 1 to 1 commuting ratio. In other words, we assume all of the additional workforce will be working in Borough. This ensures that the calculated jobs growth figures represent a true alignment with housing growth and do not rely on maintaining existing commuting patterns. With regard to double jobbing, statistics indicate that currently 5.1% of the workforce works more than one job.
- 6.7 This results in a jobs growth ranging from 3,408 additional jobs (to meet the needs of 5,280 new dwellings) up to 9,351 additional jobs (9,070 new dwellings).

Table 10: New Dwellings Scenarios and Workforce Growth, 2011-31

Scenario	Basis	New Dwellings	Workforce Growth	Jobs Growth	% Growth per Annum
A	Borough's need + Coventry + Tamworth	5,280	3,234	3,410	0.6%
B	Plus 3.3% of Birmingham HMA	6,540	5,109	5,380	0.7%
C	Plus 6.6% of Birmingham HMA	7,800	6,983	7,360	0.9%
D	Plus 10% of Birmingham HMA	9,070	8,874	9,350	1.0%

- 6.8 The next stage is to estimate the composition of these different levels of jobs growth by industrial sector. To do this we have developed four scenarios based on econometric forecasts supplied by Cambridge Econometrics (CE) dated March 2015. The 2015 CE forecasts were used as the basis for calculating the economic-led housing need in the Coventry and Warwickshire Updated Assessment of Housing Need (GLH, September 2015). These forecasts are used with the permission of Warwickshire County Council who holds the license for this data.
- 6.9 The 2015 Housing Needs Assessment concludes that the CE forecast level of jobs growth in North Warwickshire was modelled forward the recent trends in development in the Borough – specifically the delivery of large scale distribution developments – which might not continue in the future. Therefore, the CE forecast for North Warwickshire was adjusted to provide a more realistic assessment of growth potential in the Borough. This was based on a reduction in the levels of jobs growth in sectors relating to warehouse and distribution uses. This level of growth would see employment growth of 3,000 jobs between 2014 and 2031. This would require provision of 210 homes per year (as an annual average over the 2011-31 period).
- 6.10 As with the 2015 Housing Needs Assessment, we have used jobs growth trend over the 2014-31 period as this avoids modelling forward discrepancies in the CE forecasts over the period 2011-14, and ensures consistency between the two reports. The 2014-31 forecast has been extrapolated to cover the period 2011-31.
- 6.11 The jobs growth scenarios are developed from the CE forecasts. The scenarios consider a number of factors and have been developed in accordance with the stages set out below:

Stages in apportioning employment growth to sectors
1. Proportional sectoral growth up to the levels of growth in the CE forecast
2. Estimate the number of additional jobs needed in sectors to service increased population

3. Uplift to key sectors
4. Proportional sectoral growth in remaining sectors which are forecast growth in the CE dataset
5. Sectors which are not forecast growth in the CE forecasts are kept constant

Stage 1 – Proportional sectoral growth up to the levels of growth in the CE forecast

- 6.12 Scenario A (5,280 dwellings) would require an equivalent jobs growth of around 3,410 jobs. This represents an average annual growth rate of around 0.6% per annum. Scenario B (6,540 dwellings) would require an equivalent jobs growth of around 5,380 jobs. This represents an average annual growth rate of around 0.7% per annum.
- 6.13 The levels of jobs growth in Scenarios A and B falls between that forecast in the amended CE forecasts, used in the 2015 Housing Needs Assessment, and the unamended CE forecasts. Therefore, to calculate sectoral jobs growth in Scenarios A and B we have applied a proportional growth in the sectors which were reduced in the amended CE forecast to bring them closer into line with the unamended CE forecast. This means that in Scenarios A and B, the increased jobs growth is mostly in the warehouse and distribution related sectors.
- 6.14 Scenarios C and D both entail levels of employment growth above and beyond that in the CE forecasts. Scenario C requires an average annual growth rate of 0.9% per annum, while Scenario D requires an average annual growth rate of 1.0% per annum. We have considered the sectoral growth required to deliver the levels of jobs growth in these scenarios. This includes the following considerations.

Stage 2 - Estimate the number of additional jobs needed in sectors to service increased population

- 6.15 A growing population will, in itself, require additional jobs in sectors which provide services and care for an increased number of residents. Therefore, a certain level of additional jobs will be required in sectors such as education, healthcare, retail and food/beverage services to meet the additional needs of increased population.
- 6.16 The Greater London Authority (GLA) Economics unit published their *Draft Economics Evidence Base 2016* in February 2016. As part of this work GLA Economics undertook research into the link between demographic and employment growth trends. The GLA research is highly regarded in this regard and its findings are widely used. The latest GLA study represents an updating of their previous work in this area using the latest available data.

- 6.17 GLA Economics report that for areas with low levels of public transport and lower population density there was a strong link between population and employment growth. They found that there is 'reasonable evidence' to suggest that an increase to the resident population of 1,000 will on average have the potential to give rise to a further 171 jobs in that locality.
- 6.18 The GLA Economics research is, naturally, focussed in London. However, testing this relationship against population and jobs growth figures in the Coventry and Warwickshire sub-region shows remarkable consistency, suggesting that this figure applies in this area. We have also tested the GLA figure against the housing and jobs growth figures in the North Warwickshire CE forecast, which again shows consistency. This suggests that the GLA findings are applicable to North Warwickshire. We have therefore forecast a level of jobs growth in North Warwickshire commensurate with the GLA Economics figure.

Stage 3 – Uplift to key sectors

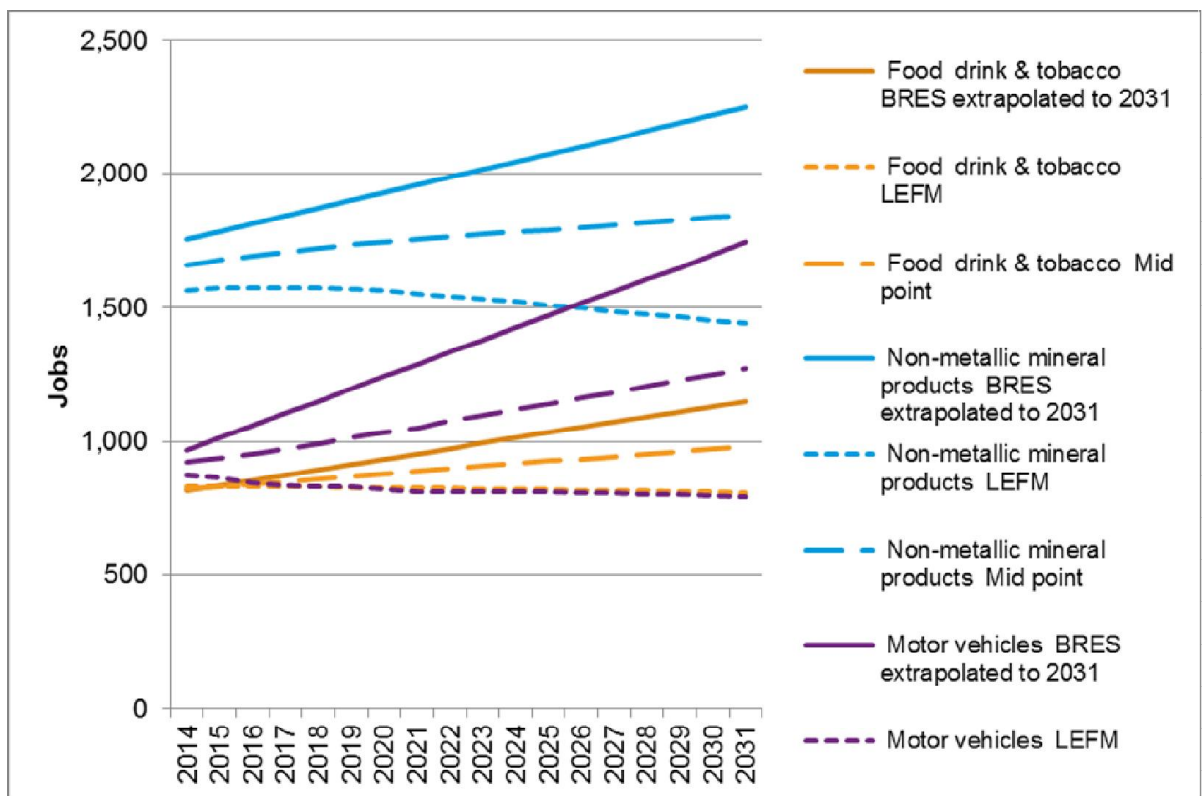
- 6.19 As well as the additional jobs required to meet the needs of the growing population, it is reasonable to consider that the majority of additional jobs in the Borough will be in identified sectors of strength. These are set out in section 4 of this report and include:
- Land transport, storage and distribution;
 - Manufacturing of automotives;
 - Manufacture of non-metallic products;
 - Manufacture of food, drink and tobacco products;
 - Construction;
 - Accommodation and food services; and
 - Computing and IT.
- 6.20 The majority of these sectors are forecast considerable growth in the CE forecasts. However, the CE forecast shows a modest decline in each of the manufacturing sub-sectors listed above. However, as set out in Section 4 of this report, these sub-sectors have shown a strong performance in North Warwickshire and the Coventry and Warwickshire sub-region in recent years. It is reasonable therefore to expect that additional growth in North Warwickshire could reflect stronger performance in these manufacturing sub-sectors.
- 6.21 To model the scale of uplift which would be appropriate in these sub-sectors⁷ we have considered the short-term trend using data from the Business Register and Employment Survey (BRES) over the most recent five years (2009-2014). This shows reasonably strong jobs growth in all three sub-sectors over this period. This is in contrast with the long term trends in these sub-sectors and the Manufacturing sector in general.

⁷ Food drink and tobacco manufacturing, Non-metallic mineral products manufacturing, and Motor vehicles manufacturing

6.22 Extrapolating the short-term trend over the 2014-31 period allows us to compare the BRES data with the CE forecasts. The results are shown in Figure 16. The CE forecast is more influenced by the long-term trend and hence shows a modest decline in all of the sub-sectors. This is in contrast with the extrapolated BRES trend which shows relatively strong growth.

6.23 Clearly, there is disparity between the long-term and short-term performance in these manufacturing sub-sectors. It is reasonable to expect future economic performance in these sub-sectors to fall somewhere in between these two measures. Accordingly we have used a mid-point between the two trends, which shows modest growth for each sub-sector. The mid-point growth rate has been used in Scenarios C and D.

Figure 16: Manufacturing Sub-Sectors Forecast Jobs Growth, 2014-31



Stage 4 – Proportional sectoral growth in remaining sectors which are forecasts growth in the CE forecast

6.24 The remaining identified sectors of strength are all forecast to grow in the CE forecast and are, along with Business and support services, the sectors which are forecast to see the largest growth. In addition to these sectors, the CE forecast shows a modest growth in most other sectors (including Media, Professional and financial services, Public administration and defence, and Arts and recreational services).

6.25 We have assumed additional employment growth in all of these sectors, with the increase proportional to each sector's forecast growth in the CE forecast. This means that the identified sectors of strength – Storage and Distribution, Land Transport, Construction, Accommodation, IT services, and Business Support services – will all see larger increases in their forecast levels of growth, while the other sectors will see smaller increases. This reflects the Borough's economic structure and sector strength.

Stage 5 – Sectors which are not forecast growth in the CE forecasts are kept constant

6.26 The four scenarios have considered the impact that different levels of housing delivery would have on employment growth. Steps 1 to 4 have been used to calculate the sectoral jobs growth for each of the scenarios, and these steps have built upon the CE econometric forecasts. However, the CE forecasts show zero or negative jobs growth for certain sectors – namely Agriculture, forestry and fishing, Mining and quarrying, and most manufacturing sub-sectors. Additional housing growth is not considered likely to impact on the forecast employment losses in all sectors, and increased employment is more likely to flow into the growth sectors considered in Steps 1 to 4 above. Accordingly, any sectors which were forecast zero or negative growth in the CE forecast have been kept constant in the scenarios.

The Employment Growth Scenarios

6.27 Using the methodology set out above we have constructed four employment growth scenarios which estimate how increased economic growth would likely be distributed across industry sectors. The overall employment growth of each of these scenarios is shown in Figure 17 with job growth (and losses) calculated on a sector by sector basis.

6.28 Clearly, there is considerable variance in forecast performance of each sector across the scenarios. The sectors with the largest variance, in terms of total jobs growth, across the scenarios are:

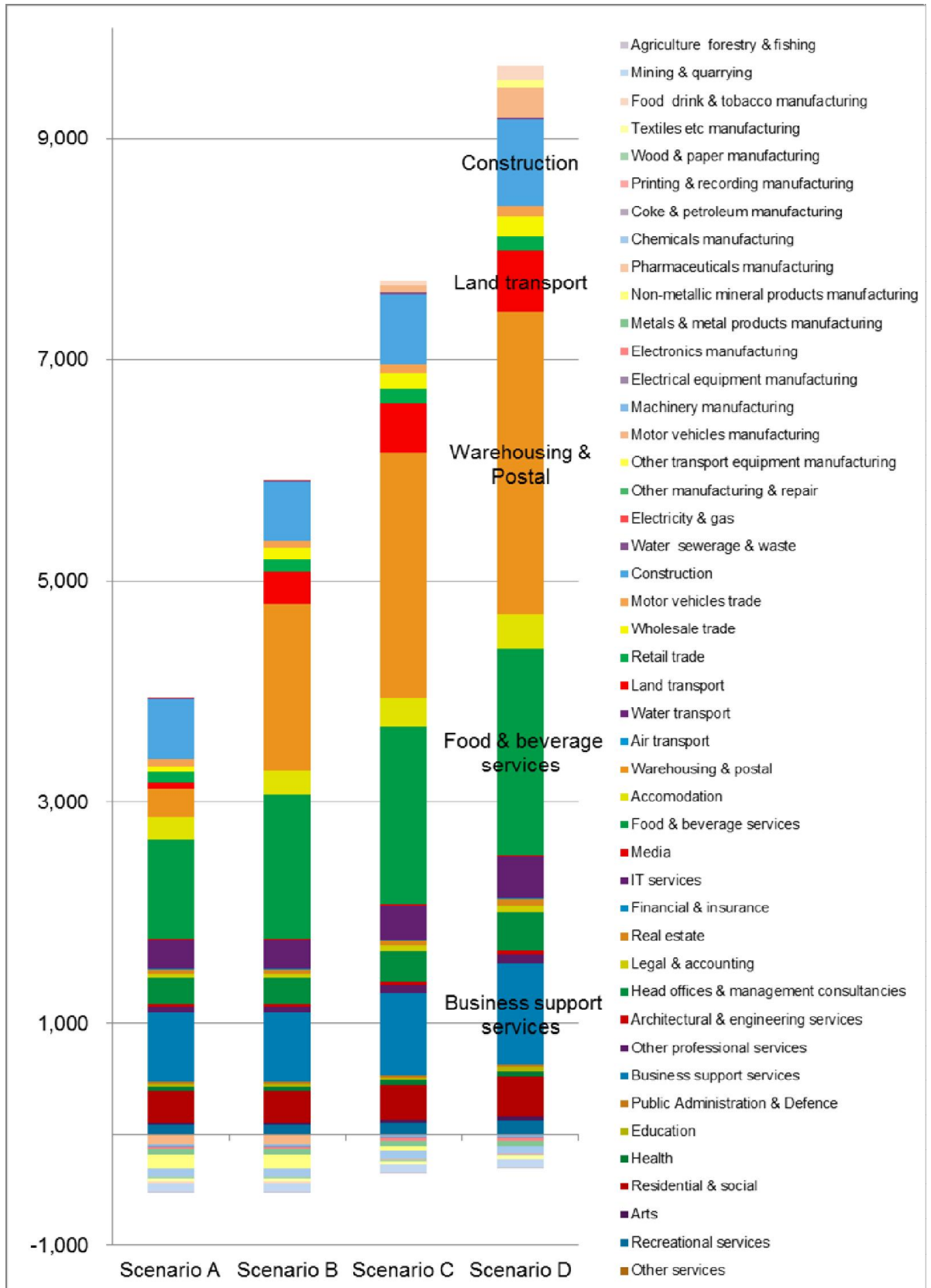
- Warehouse and postal - Scenario A forecasts a growth of 260 jobs in this sector between 2011-31. This is below the level of growth in the CE forecast, reflecting a smaller growth in this sector than compared with the Borough's strong performance in the recent past. Scenario B forecasts a growth of around 1,500 jobs in this sector, which is roughly in line with the growth in the CE forecast. Scenario C shows a growth of around 2,250 jobs, while Scenario D shows a growth of around 2,750 jobs. These higher levels of sectoral growth are considerably higher than Scenario A; however it is below the historic growth rate for this sector in the Borough. The past trends data show that in North Warwickshire over the past 20 years (1991-2011) this sector has grown by around 4,500 jobs.
- Food and beverage services - Forecast jobs growth ranges from 890 jobs in Scenario A to 1,870 in Scenario D. This reflects the sector's role in meeting the needs of a growing population but also reflects strength in a well performing sector. This sector shows the largest forecast growth in Scenario A and while this growth increases across each of the higher growth scenarios, there

is not considered to be the same growth capacity in this sector than is seen the Warehouse and postal sector.

- Business support services - This sector is forecast strong growth in Scenario A, reflecting the growth of the CE forecasts. However, the Borough's existing economic structure means there is limited opportunity to increase this growth across the higher growth scenarios.
- Land transport - Scenario A forecasts a modest growth of 100 jobs in this sector. This is below the level of growth in the CE forecast, reflecting a smaller growth in this sector than compared with the Borough's strong performance in the recent past. However, scenarios B, C and D show stronger growth in this sector with 550 jobs forecast in Scenario D.
- Construction - The Construction sector shows strong relative performance in all scenarios with around 530 jobs in Scenario A increasing to 780 jobs in Scenario D.
- Manufacturing - Scenarios A and B show a net loss of 224 jobs in the Manufacturing sector. This is based on the CE forecast which reflects the long-term decline in this sector. Scenarios C and D however reflect more optimistic assumptions about three key manufacturing sub-sectors⁸ which results in modest overall growth. Scenario C shows a growth of 59 jobs in Manufacturing, while Scenario D shows a growth of 465 jobs.

⁸ Food drink and tobacco manufacturing, Non-metallic mineral products manufacturing, and Motor vehicles manufacturing

Figure 17: Employment Growth Scenarios, 2011-31



6.29 GLH has converted the scenarios, which use figures for total employment, into figures for Full-Time Equivalent (FTE) employment. This is done through analysis of the proportion of full- and part-time jobs in North Warwickshire on a sector by sector basis using BRES data. Accounting for FTE jobs, the scenarios forecast the following number of FTE jobs:

- Scenario A: 2,795 FTE jobs;
- Scenario B: 4,560 FTE jobs;
- Scenario C: 6,315 FTE jobs;
- Scenario D: 8,085 FTE jobs.

Translating Sectors to Use Classes

6.30 GLH has considered the proportion of employment in each sector which is likely to take place in office or R&D floorspace (Use Classes B1a and B1b), light industrial floorspace (Use Classes B1c), general industrial floorspace (Use Class B2), and warehouse / distribution floorspace (Use Class B8). We have calibrated our standard model which relates sectors and use classes for the North Warwickshire economy through interrogation of the composition of employment in key sectors at 4-digit SIC level. Using this model we have estimated the following FTE jobs growth for each B Class use class:

Table 11: FTE Jobs Growth by Use Class

	B1a/b	B1c	B8	All B Class	Non-B	Total
Scenario A	980	- 270	325	1,035	1,760	2,795
Scenario B	1,160	- 270	1,515	2,405	2,155	4,560
Scenario C	1,475	- 75	2,290	3,690	2,625	6,315

6.31 To these figures we have applied standard employment densities taking account of the *HCA Employment Densities Guide: 3rd Edition* (Bilfinger GVA and the Homes and Communities Agency, 2015). This version of the guidance has been updated since publication of the 2013 Employment Land Review and hence the assumptions used in this calculation have been updated. We have converted figures to provide employment densities for gross external floor areas on the following basis:

- General Offices (B1a): The 2015 Employment Densities Guide provides a range of employment densities for B1a uses – broken down by sub-sector. The sub-sectors are Corporate; Professional Services; Public Sector; Technology, Media, and Telecoms; Financial and Insurance; and Call Centres. These have employment ratios ranging from 8-13 sq m (NIA) per FTE employee. We have assumed that the gross external area of buildings is on average 20% higher than the net internal area;
- Research and Development Offices (B1b): The 2015 Employment Densities Guide includes employment densities for research and development (B1b) uses (unlike the 2010 guide). The

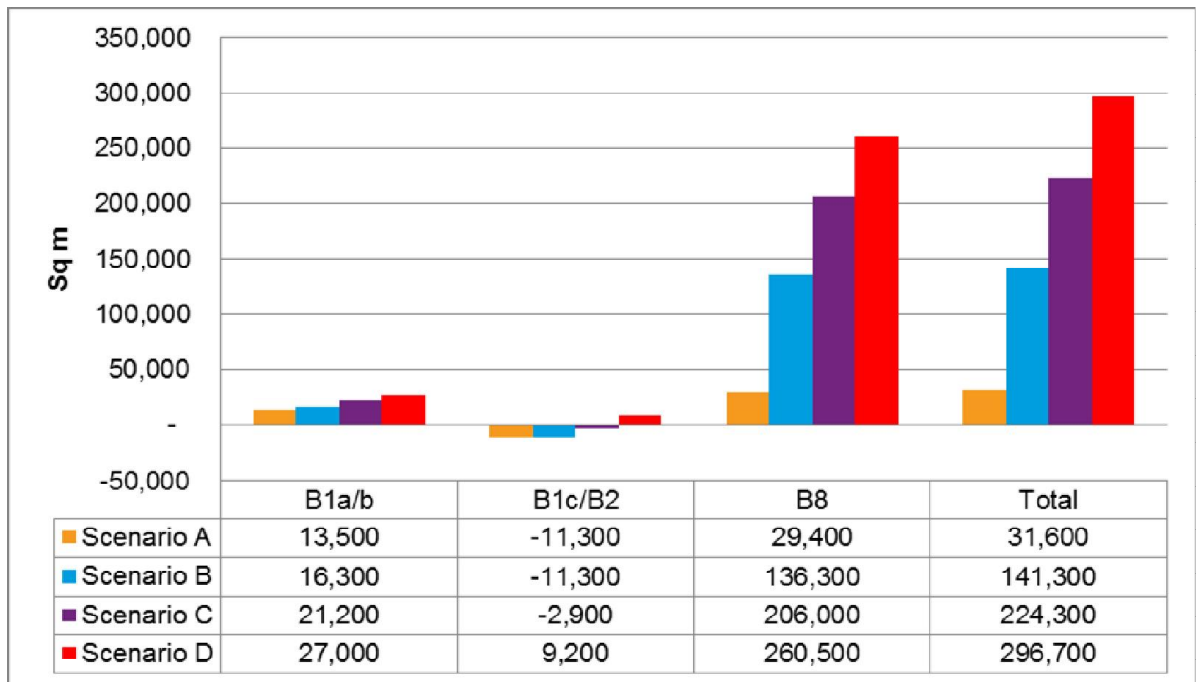
guide sets out that the sector can be considered to be split into two key directions; an innovation and science focussed direction which is associated with the knowledge economy and life sciences activity, and a more traditional industrial focussed direction which fits alongside manufacturing. An average of 48 sq m GEA per FTE employee has been assumed, assuming that the gross external area of buildings is on average 20% higher than the net internal area;

- Light Industrial (B1c): an average of 49 sq m GEA per employee, assuming that the gross external area of buildings is on average 5% higher than the net internal area;
- General Industrial (B2): an average of 40 sq m GEA per employee, assuming that the gross external area of buildings is on average 5% higher than the gross internal area;
- Warehouse / Distribution (B8): an average of 90 sq m GEA per employee. This reflects the high proportion of large scale distribution centres in the Borough.

6.32 Applying these employment densities to the four employment growth scenarios we can estimate the amount of employment floorspace which would be required to meet the employment land needs of each scenario. This is shown in Figure 18.

6.33 The Warehouse and postal and Land transport sectors make up a large component of the higher job growth scenarios. Jobs in these sectors are predominantly focussed on B8 sites. This allied with the higher employment densities for such uses, means that the largest component of employment land requirement in the Borough – as well as the largest variance between the scenarios – is the requirement for B8 floorspace.

Figure 18: Net Growth in Employment Floorspace (sq m) by Use Class, 2011-31



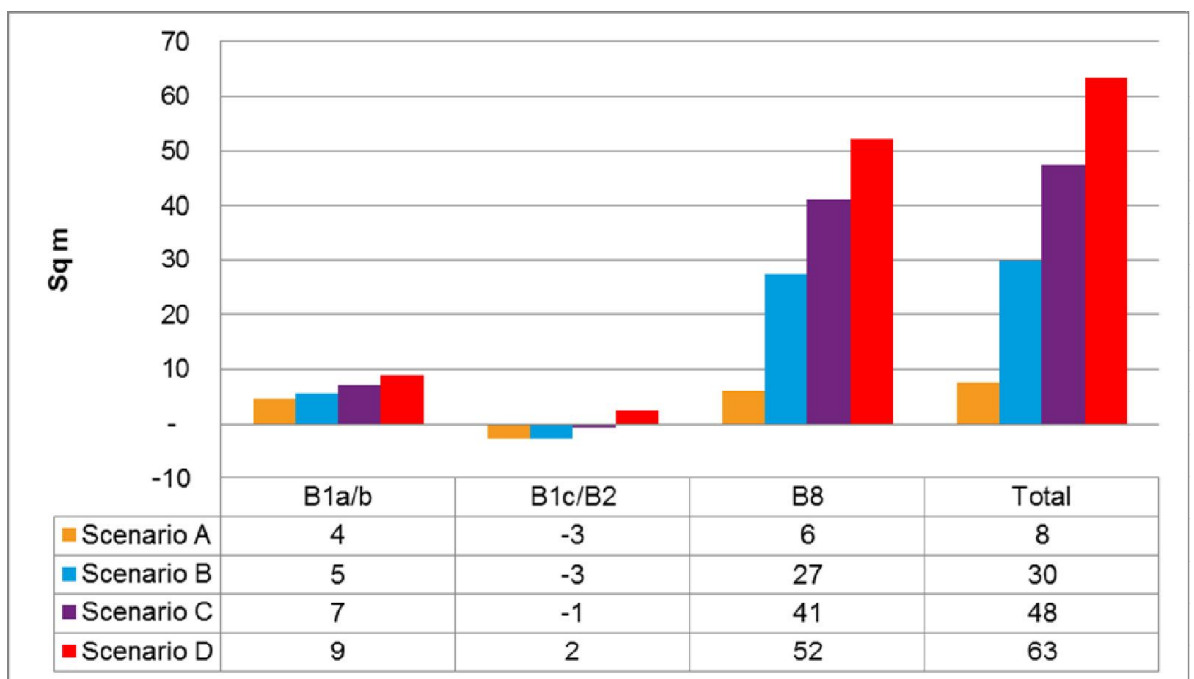
6.34 These are net changes and do not take account of frictional vacancy or replacement demand, such as from existing companies requiring upgraded floorspace. These factors are reflected in the margin considered overleaf.

6.35 To calculate the land requirements to support these net changes, we have applied the following plot ratios. These are the same as used in the 2013 Employment Land Review:

- 0.3 for B1a/b office and R&D uses;
- 0.45 for B1c and B2 industrial uses; and
- 0.45 for B8 warehouse / distribution floorspace.

6.36 This generates a forecast requirement for net additional employment land needed to meet the employment growth of each of the scenarios. This is shown in Figure 19.

Figure 19: Forecast Net Land Requirements, 2011-31



6.37 In identifying how much land to allocate for development, we consider that it would be prudent to include a 'margin' to provide for some flexibility, recognising:

- Typically some level of vacant floor space within functioning markets
- The potential error margin associated with the forecasting process;
- To provide a choice of sites to facilitate competition in the property market;
- To provide flexibility to allow for any delays in individual sites coming forward.

6.38 We consider that it would be appropriate to make provision for a 5-year 'margin' based on past employment delivery in the Borough. Completions data supplied by North Warwickshire Borough Council shows that since 2012 an average of 26.9 ha of employment floorspace has been delivered each year.

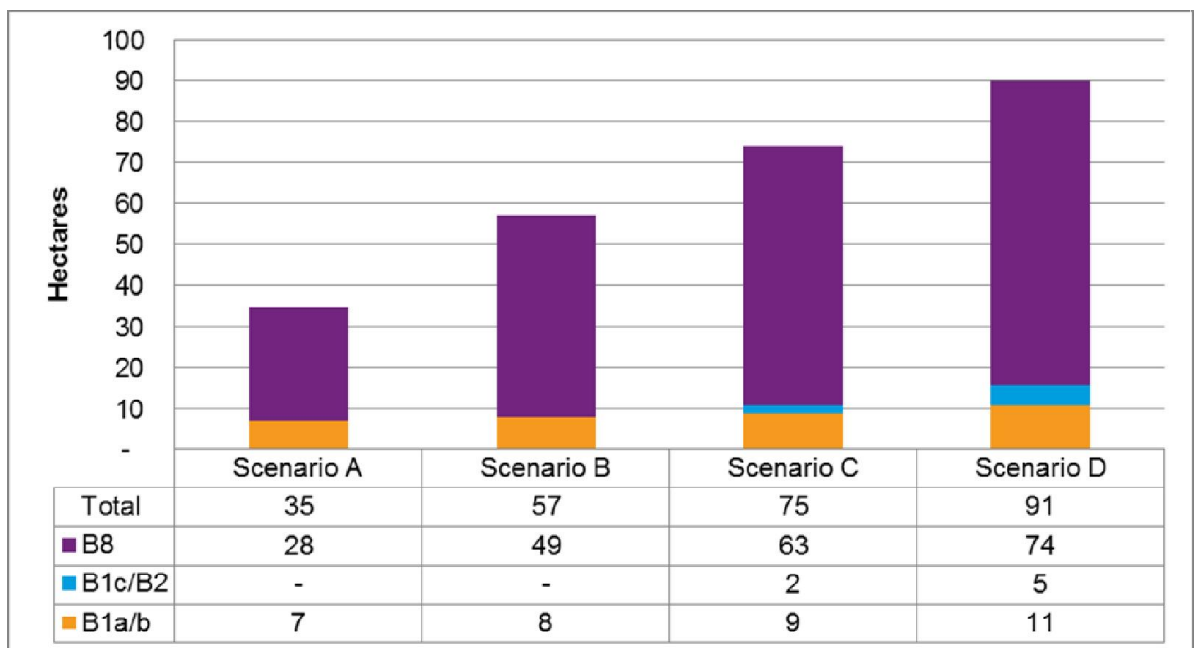
6.39 However, this is heavily skewed by the strong level of delivery of large scale distribution uses in the Borough over this period. Completions for B8 uses make up 95% of all employment completions in the Borough. This is primarily due to a number of large scale B8 developments in the Borough, which are driven by regional demand rather than meeting local needs. In estimating a margin we have therefore excluded all large scale (over 20 ha in size) B8 completions. This results in an annual average completion rate of 5.5 ha of employment land per annum. This results in a 5-year margin of 27.4 ha.

6.40 Applying this 5-year margin to the land requirements shown in Figure 19 gives us the following overall employment land requirement for each of the employment growth scenarios:

- Scenario A: 35 ha
- Scenario B: 57 ha
- Scenario C: 75 ha
- Scenario D: 91 ha

6.41 A breakdown per employment use class is shown in Figure 20 below.

Figure 20: Overall Employment Land Requirements, 2011-31

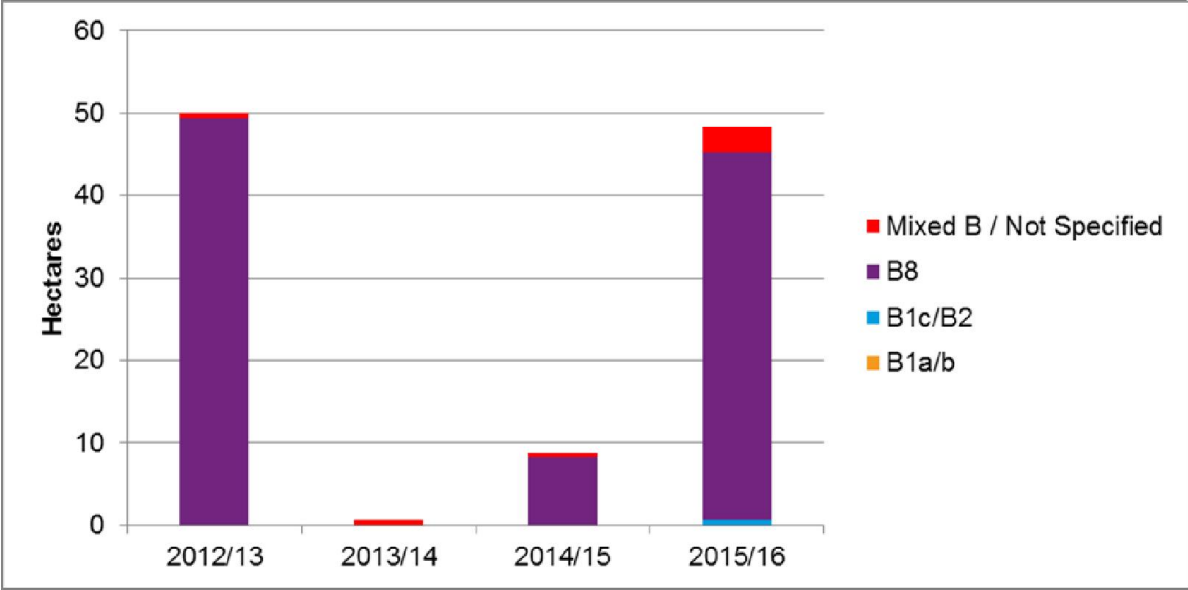


Past Completions Trend

6.42 Next we consider an alternative forecast approach, based on projecting forward past gross completions of employment floorspace in the Borough.

6.43 North Warwickshire Borough Council has provided GLH with monitoring data indicating employment floorspace completions in the Borough since 2012. This is shown in the figure below. This shows that annual completions have ranged between around 50 ha in 2012/13 and 2015/16, and less than 1 ha in 2013/14. The annual average is 26.9 ha.

Figure 21: Employment Completions - Total, 2012/13 – 2015/16



Source: NWBC

6.44 If we assume that development in the Borough continues at the same rate over the period to 2031 then the completions trend suggests that there will be the need for 538 ha of employment land in the Borough.

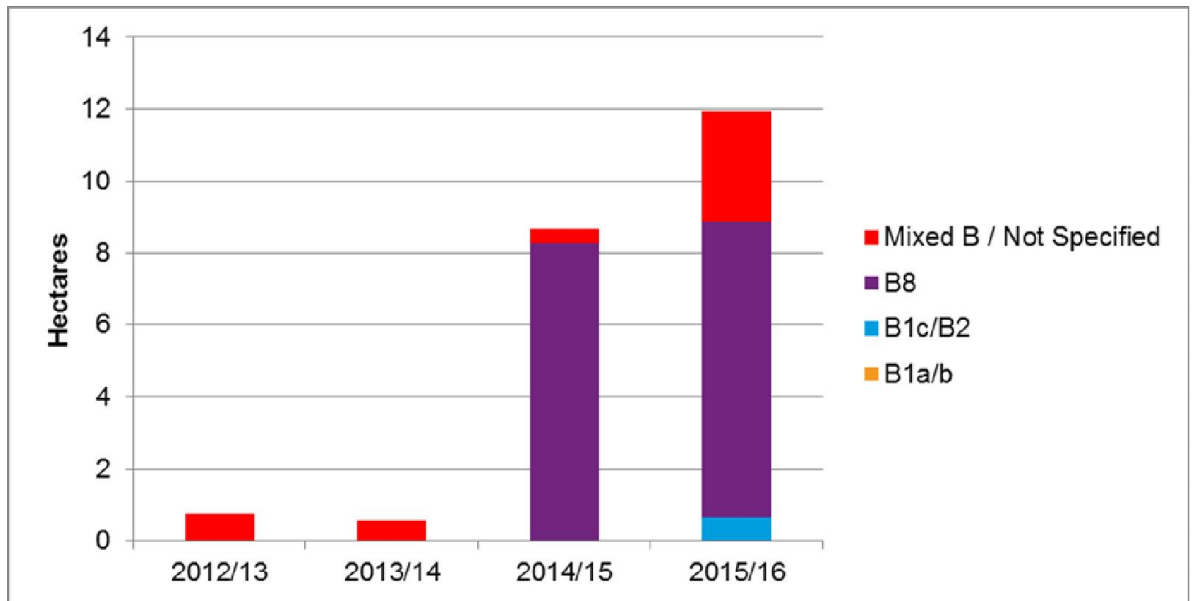
6.45 However, the high figures for 2012/13 and 2015/16 are driven by single large scale developments in each year. In 2012/13 there was 49 ha of B8 land completed at Birch Coppice Business Park. In 2015/16 there was 36 ha of B8 land completed at the Former Baddesley Colliery site in Baxterley.

6.46 As discussed above, these sites will meet the strong regional demand rather than meeting local needs. We have sought to estimate the Borough’s local needs by removing the completions for these two developments from the past completions data. This is shown in Figure 22.

6.47 Removing these two developments results in a much more modest completions trend for the Borough, with the highest annual completions in 2015/16 of 12 ha. The annual average is 5.5 ha.

6.48 Assuming that development in the Borough continues at the same rate over the period to 2031 then the completions trend suggests that there will be the need for 110 ha of employment land in the Borough to meet local needs.

Figure 22: Employment Completions – Local Needs, 2012/13 – 2015/16



Comparison with the 2014 Employment Land Needs Update

6.49 As part of the evidence base supporting the North Warwickshire Strategy Examination in 2014 GL Hearn produced a Note on Employment Land Needs for North Warwickshire over the period 2011 to 2029. This considered a labour demand scenario and a completions trend scenario. The labour demand scenario identifies a need for 34.9 ha of employment land over this period while the completions trend scenario identifies a need for 82.6 ha. Note that these scenarios cover a slightly shorter period (2011-2029) than those considered in this report (2011-31).

Table 12: Need for Employment Land in North Warwickshire, 2011-29

	Labour Demand Scenario	Completions Trend Scenario
B1a/b: Office & R&D	12.7 ha	17.4 ha
	- 1.2 ha	2.7 ha
B8: Warehouse & Distribution	17.9 ha	41.0 ha
	5.5 ha	21.5 ha
Total	34.9 ha	82.6 ha

Source: North Warwickshire Core Strategy Examination 2014 – Note on Employment Land Needs

7 SUMMARY

7.1 This report considers the implications of housing delivery in North Warwickshire on employment land requirements in the Borough. It considers four scenarios for housing delivery in the Borough in order to test the implications of these scenarios on employment land needs. These scenarios model different levels of housing delivery to meet the needs of neighbouring areas – namely Coventry, Tamworth, and Birmingham – and range from 5,280 dwellings up to 9,070 dwellings over the period to 2031.

Table 13: Housing Delivery Scenarios

Scenario	Scale of Housing Provision, 2011-31	Basis/ Rationale
A	5,280 Homes	Meeting the Borough's own needs, together with its share of unmet needs from Coventry and Tamworth as agreed to date.
	6,540 Homes	Meeting housing needs identified in A above, together with 3.3% of the 37,900 unmet needs identified across the Birmingham HMA.
C	7,800 Homes	Meeting housing needs identified in A above, together with 6.6% of the 37,900 unmet needs identified across the Birmingham HMA.
	9,070 Homes	Meeting housing needs identified in A above, together with 10% of the 37,900 unmet needs identified across the Birmingham HMA.

7.2 These housing delivery scenarios will increase the population and workforce in North Warwickshire and will impact on the level of jobs and employment land needs in the Borough. These housing delivery scenarios effectively provide four labour supply scenarios which have been used to identify a range of employment land requirements for North Warwickshire. The scenarios create a resulting jobs growth in the Borough ranging from 3,410 to 9,350 jobs.

Table 14: New Dwellings Scenarios and Workforce Growth, 2011-31

Scenario	New Dwellings	Workforce Growth	Jobs Growth	% Growth per Annum
A	5,280	3,234	3,410	0.6%
B	6,540	5,109	5,380	0.7%

C	7,800	6,983	7,360	0.9%
D	9,070	8,874	9,350	1.0%

7.3 This report then estimates the composition of these different levels of jobs growth by industrial sector. This was based on jobs growth forecasts from Cambridge Econometrics with upward adjustments on a sectoral basis to reflect the Borough’s economic structure, sectoral strengths, expected growth areas, and commercial property market. This process follows the following stages:

Table 15: Stages in Apportioning Employment Growth to Sectors

1. Proportional sectoral growth up to the levels of growth in the CE forecast
2. Estimate the number of additional jobs needed in sectors to service increased population
3. Uplift to key sectors
4. Proportional sectoral growth in remaining sectors which are forecast growth in the CE dataset
5. Sectors which are not forecast growth in the CE forecasts are kept constant

7.4 This results in the higher housing delivery and population growth scenarios delivering proportionally higher jobs growth in the Warehouse and Postal, Food and beverage services, Business support services, Land transport, Construction sectors and certain manufacturing sub-sectors⁹.

7.5 This report then considers the proportion of employment in each sector which is likely to take place on B1, B2 and B8 land. We then calculate the amount of land in each of these use classes which would be required to meet the levels of need. Overall need for employment land ranges from 35ha in Scenario A up to 91 ha for Scenario D. This range of employment land figures represents the employment land required to meet the needs of North Warwickshire Borough, under the different housing delivery scenarios.

Table 16: Employment Land Requirement, 2011-31

	B1a/b	B1c/B2	B8	Total
Scenario A	7	-	28	35
Scenario B	8	-	49	57
Scenario C	9	2	63	75
Scenario D	11	5	74	91

⁹ Food drink and tobacco manufacturing, Non-metallic mineral products manufacturing, and Motor vehicles manufacturing