

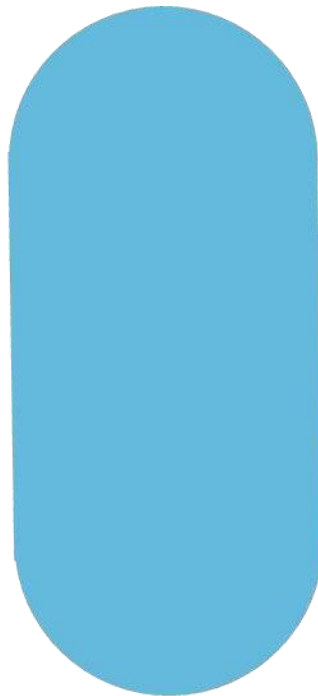


INITIAL EMPLOYMENT NEEDS ASSESSMENT

COVENTRY

ANSTY DEVELOPMENT VEHICLE LLP

SEPTEMBER 2023





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APPENDICES

APPENDIX 1 - COSTAR INDUSTRIAL MARKET DATA



1. INTRODUCTION

- 1.1 This Initial Employment Needs Assessment has been prepared by Marrons on behalf of Ansty Development Vehicle LLP.
- 1.2 The purpose of this Report is to assess, based upon current evidence, the extent of the employment land needs within Coventry, and the wider functional economic market area of Coventry and Warwickshire.
- 1.3 Section 2 of this Report examines national planning policy associated with employment growth, whilst Section 3 summarises draft local planning policy and associated local authority evidence. Section 4 summarises the industrial property market across the wider functional economic market area, before reaching conclusions in Section 5.



2. NATIONAL PLANNING POLICY REVIEW

- 2.1 The National Planning Policy Framework (NPPF) (September 2023) requires that the preparation and implementation of plans and the application of policies in the framework deliver against its three sustainability objectives (economic, social and environmental). The economic objective of the NPPF is:

“to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity and by identifying and coordinating the provision of infrastructure;”

- 2.2 In ‘building a strong, competitive economy’, Section 6 requires that account is taken of local business needs and wider opportunities for development. Policies should set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration. Critically paragraph 83 requires that recognition should also be given to addressing specific locational requirements of different sectors within planning policies, including:

“making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for storage and distribution operations at a variety of scales and in suitably accessible locations.”

- 2.3 Government national planning practice guidance requires local authorities to prepare a robust evidence base to understand existing business needs, which encompass functional market areas, and for Local Enterprise Partnerships to play a key role in this process. The guidance requires that in gathering evidence to plan for business uses, local authorities will need to liaise closely with the business community, take account of the Local Industrial Strategy and understand current and future requirements.

- 2.4 In assessing business needs the guidance confirms assessment of the following:

- Best fit functional economic area;
- Existing stock of land for employment uses within the area;
- Recent pattern of employment land supply and loss;
- Evidence of market demand;
- Wider market signals; and any evidence of market failure



- 2.5 More specifically, the guidance also confirms the critical role the logistics industry plays “in enabling an efficient, sustainable, and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities”, something that has been brought into sharp focus during the COVID-19 pandemic. Importantly, the guidance also recognises that the logistics industry “*has distinct locational requirements that need to be considered in formulating planning policies (separately from those relating to general industrial uses)*”.
- 2.6 The guidance confirms that strategic logistics facilities with a national or regional remit are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to appropriately skilled local labour. Policy-making authorities are encouraged to engage with logistics developers and occupiers to understand the changing nature of requirements in terms of the type, size and location of facilities, including the impact of new and emerging technologies.
- 2.7 Local authorities are also required to assess the extent to which land and policy support is required for other forms of logistics requirements, including ‘last mile’ facilities serving local markets.
- 2.8 Paragraph 24 of the NPPF outlines the duty which local planning authorities are under to cooperate with each other on strategic matters which cross administrative boundaries. Paragraph 26 goes on to states:

“Effective and on-going joint working between strategic policy-making authorities and relevant bodies is integral to the production of a positively prepared and justified strategy. In particular, joint working should help to determine where additional infrastructure is necessary, and whether development needs that cannot be met wholly within a particular plan area could be met elsewhere.”

3. LOCAL PLANNING POLICY REVIEW

- 3.1 This section of the Assessment reviews the draft Coventry Local Plan Review Issues and Options Consultation and associated evidence.

Coventry Local Plan Review Regulation 18 Issues and Options Consultation Non-Technical Summary

Levels of growth and the Duty to Co-operate

- 3.2 Page 4 of the Non-Technical summary of the Local Plan Review Issues and Options consultation document refers to the evidence based calculation of employment land need within the City. It summarises Housing and Economic Development Needs Assessment (HEDNA) as calculating a need to deliver ‘around 8.5 ha’ of office space, and ‘147.6 ha’ of general industrial land over the plan period. The Council then states that:

“in the employment section we suggest that we already have enough land allocated to meet this need. However, there is an emerging strategic issue regarding the demand for modern large logistics sites which is having an impact across the West Midlands region and further evidence is being produced in conjunction with other Local Authorities on this matter to better understand the needs and where such sites should be located.”

- 3.3 As we detail below, this statement is not correct. The Council have a significant shortfall in the supply of employment land when compared against need (even before accounting for strategic B8 demand). This error appears to stem from a misinterpretation of the HEDNA evidence within the Council employment land evidence.

Coventry Local Plan Review Regulation 18 Issues and Options Plan

- 3.4 The Economic Objective of the draft Plan is to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available.
- 3.5 In confirming the City’s priorities for sustainable economic development and addressing climate change, the Council confirm that the Local Plan will support the aim of the One Coventry Plan in increasing economic prosperity, and promoting employment opportunities including the in the main growing sectors, which include advanced manufacturing and engineering, energy and low carbon, connected autonomous vehicles, business, professional and financial services digital, creative, and gaming.
- 3.6 The Draft Local Plan refers to the Council’s Economic Development Strategy (2022 – 2027) confirming it to focus upon creating a strong and resilient economy, where inclusive growth is



promoted and delivered, businesses are enabled to innovate and grow and new local jobs are created. This is said to include an emphasis on a strong support infrastructure, social value, sustainability, skills, and an ambition to lead in the green industrial revolution to tackle the challenges and opportunities presented by climate change.

- 3.7 Page 18 of the Draft Local Plan confirms the Council's support for employment which is sustainably located, for example employing and training local people who can access jobs by walking, cycling and by public transport, and which is linked to a range of other services and infrastructure which support employees.
- 3.8 As detailed above, the Draft Plan confirms that over the period 2021 – 2041 the Council's HEDNA has determined an employment land need totaling 156.1ha, modelled upon the basis of labour demand reflecting office needs; gross completion trends reflecting industrial; and warehousing uses, and a margin of flexibility to account for uncertainty over modelling assumptions.
- 3.9 In addition the Council confirm that the need for strategic B8 warehousing (>100,000 sq ft) falls outside the scope of the above assessment, but totals 551ha across the wider functional economic market. A separate study to examine how this need might be met is said to be due by summer 2023. This has yet to be published.
- 3.10 In respect of employment supply, page 18 of the Draft Plan confirms a supply in March 2023 of 60.35ha.
- 3.11 Table 5 on page 19 goes on to compare employment supply and identified need. This table is an extract of Table 6 of the Council's Housing and Economic Land Availability Assessment 2023. Within this table, supply is said to total 59.63ha (it is not clear why this is lower than the previously mentioned figure of 60.35ha), whilst need is incorrectly said to total 12.8ha. As such Table 5 considers there to be an oversupply of employment land across the City. However, as we detail below, the Council's Housing and Economic Development Needs Assessment is clear in its recommendation for additional employment land within Coventry over the period 2021 to 2041 totalling 156.1ha, excluding a further requirement for strategic B8 land. This is summarised in paragraph 11.19 and Table 11.2 of the HEDNA.
- 3.12 Unfortunately the Council's Employment Land Availability Assessment appears to misinterpret the HEDNA, and incorrectly draws upon the wrong figures.
- 3.13 As a consequence the Council has a significant shortfall in employment land supply.



Coventry & Warwickshire Housing & Economic Development Needs Assessment (HEDNA, 2022)

- 3.14 The HEDNA seeks to quantify the need for additional housing and employment floorspace across the wider housing and functional economic market area of Coventry and Warwickshire. In doing so, with the exception of strategic B8 land, it establishes need across each local authority area.
- 3.15 In considering employment land needs, the HEDNA utilises a range of different forecasting techniques, the first of which is a labour demand model which draws upon forecasts from Cambridge Econometrics (dated March 2021). Section 6 of the HEDNA summarises the economic growth potential of Coventry and surrounding local authority areas based upon these forecasts.
- 3.16 In summary it expects GVA across Coventry and Warwickshire to grow by 1.4% per annum over the period to 2043, which paragraph 6.11 confirms is slightly below longer term trends. Paragraph 6.12 confirms that total employment has grown at 1% per annum over the period since 1981, but the March 2021 Cambridge Econometrics forecast suggests growth of only 0.5% per annum.
- 3.17 Based upon the March 2021 Cambridge Econometrics forecast, Table 6.5 confirms that Coventry is set to grow by 19,700 jobs over the period 2019 – 2043, amounting to growth of 820 jobs per annum (a growth rate of 0.44% per annum). Over the plan period 2021 – 2041 this would appear to amount to 16,400 jobs.
- 3.18 However, we would express caution in placing too great a reliance on economic growth forecasts prepared during the COVID pandemic, particularly as the HEDNA notes that across the Coventry and Warwickshire functional economic market job growth is forecast at half that experienced over the longer term trend.
- 3.19 This is particularly important given the ambitions of the Coventry and Warwickshire SEP Update 2016 which targeted growth in the local economy of 3.3% GVA per annum in order to bridge the gap with the wider national economy.
- 3.20 If employment within Coventry were to grow at a rate of 1% per annum (mirroring long term past growth of the functional economic market), this would amount to job growth of 1,995 per annum. Over the 20 year plan period this would amount to a further 39,900 jobs within Coventry.
- 3.21 In establishing employment land needs, as summarised above, the HEDNA adopts a number of different techniques. Table 11.2 of the HEDNA details the recommended levels of employment land need within Coventry across various uses including: offices 8.5ha, general industrial 147.6ha plus a further 551ha of strategic B8 land which is as yet to be distributed across the Coventry and Warwickshire local authority areas.



- 3.22 For the purposes of establishing office floorspace need the HEDNA adopts a labour demand approach – essentially drawing upon the Cambridge Econometrics forecasts as detailed above. Table 9.4 of the HEDNA confirms an employment land need for offices of 3.9 ha, which is supplemented by a margin for flexibility of 4.6 ha.
- 3.23 In calculating general industrial employment land need the HEDNA draws upon past completion trends, which results in a far higher level of need (118ha), than results from the labour demand method (8.9ha). In addition a margin of flexibility is built in totaling a further 29.5ha. As a consequence the level of job growth planned through the provision of general industrial employment land will be far higher than assessed through the economic forecasts within the HEDNA.
- 3.24 The HEDNA does not calculate the level of jobs associated within the recommended levels of employment land need. It is however possible, using the HEDNA's assumptions relating to plot ratios and employment densities, to calculate the equivalent level of job creation. This results in job growth of approximately 28,500 over the 20 year plan period – a figure which whilst exceeding the Cambridge Econometrics baseline forecast of March 2021 continues to fall short of that required to achieve a 1% per annum increase in jobs across the City, reflecting longer term past trends across the broader functional economic market.
- 3.25 In respect of strategic B8 need the HEDNA details in calculations in respect of the need across the functional economic market of Coventry and Warwickshire, totaling 551ha. This figure comprises 436 ha of identified need, plus an allowance of 115 ha to provide a 5 year supply buffer over the period to 2041. The identified need figure of 436ha comprises 229ha of need over the period 2022 – 2031 which is said to be reflective of completion trends, with a further 207ha over the period 2031 – 2041 reflect of traffic growth and replacement demand.
- 3.26 Evidence has yet to be published detailing the distribution of strategic B8 need, however on the basis that Coventry meets 23%¹ of the identified need (551ha). This would equate to additional employment demand of approximately 126 ha within Coventry, representing a significant uplift to Coventry's quantified employment land requirement (excl. strategic B8).
- 3.27 However, we note that the HEDNA identifies key potential corridors within the sub-region which could accommodate strategic B8 development, and which includes the M6 corridor, notably including Junctions 2 and 3 on the northern side of Coventry. As such the HEDNA notes in paragraph 11.68 that it would envisage a continuing focus of strategic B8 growth in the north and west of the sub-region, suggesting that strategic B8 employment need within and surrounding

¹ Based upon the level of labour force demand driven floorspace within B8 in Coventry compared with Coventry and Warwickshire – Table 9.14, HEDNA.



Coventry could be greater than suggested by past development patterns.

3.28 The following section of this Report reviews the industrial market data sourced from CoStar.

4. INDUSTRIAL PROPERTY MARKET REVIEW

- 4.1 This section of the Report undertakes a review of the industrial property markets utilising data provided by Co-Star.

Industrial Market

- 4.2 The Coventry industrial market, as specified by CoStar, comprises Coventry, Rugby, Warwick, Nuneaton and Bedworth, Stratford-on-Avon, and North Warwickshire, and mirror the functional economic market assessed by the HEDNA.
- 4.3 CoStar note that Coventry is one of the most important industrial markets in the UK and the target of much industrial investment in recent years. Coventry sits within the 'Golden Triangle' at the heart of the UK's motorway network, and because of its connectivity to the rest of the UK, the area has attracted a number of online retailers and delivery specialists in recent years, pivoting from its manufacturing past.
- 4.4 CoStar confirm that the leasing of units over 100,000 sq ft (strategic B8 units) is double the amount leased in the first six months of last year, whilst strong rent growth in logistics and light industrial sectors drove rent growth in the overall Coventry market. Rental growth now stands at 7% which is largely in line with the national average of 6.8%.
- 4.5 The market's prime location has made it attractive to firms that are looking to expand their businesses, and as a result investment activity has continued in the first half of this year with investors seeking long-term income opportunities.
- 4.6 Net absorption is defined as the sum of floorspace that become physically occupied, less the sum that become physically vacant over a specified period. Net absorption in 2024 is forecast to total 3.2m sq ft, whilst in the years 2025 to 2028 net absorption is forecast to range between 1.6m and 1.8m sq ft per annum. Extrapolation of this level of demand over a 20 year period equates to between +32m and 36m sq ft, which based upon a 0.35 plot ratio would result in an equivalent employment land demand of between 849ha and 955ha.
- 4.7 Whilst this level of forecast net absorption helps validate the level of industrial and strategic B8 employment land demand identified within the HEDNA (which before a buffer comprises 497ha of non-strategic and 436ha of strategic B8 land), it also helps serve to demonstrate that demand could be higher.

5. CONCLUSION

- 5.1 This Initial Employment Needs Assessment has been prepared by Marrons on behalf of Ansty Development Vehicle LLP.
- 5.2 The purpose of this Report is to assess, based upon current evidence, the extent of the employment land needs within Coventry, and the wider functional economic market area of Coventry and Warwickshire.
- 5.3 Government planning policy requires that local authorities account for the local business needs and wider opportunities for development within its local plans.
- 5.4 The Council's Housing and Economic Development Needs Assessment (HEDNA) identifies a need for 8.5ha of office space, and 147.6ha of general industrial land. In addition a further 551ha has been identified as needed across Coventry and Warwickshire to meet strategic B8 demand – an exercise to distribute this strategic logistics need across the various Coventry and Warwickshire authority areas has yet to be published.
- 5.5 Coventry City Council's employment land evidence, contained within its Housing and Economic Land Availability Assessment 2023 (HELAA) identifies an employment land supply at March 2023 of 60.35ha (Table 4).
- 5.6 However, as explained in the paragraph 3.63 of the HELAA, Table 6 attempts to compare this existing level of supply broken down by land type (and only totaling 59.63ha) with need as identified in the HEDNA (totaling only 12.8ha). As a result the table concludes there to be an over supply across each employment land type. In doing so the HELAA has incorrectly drawn across the wrong figures from the HEDNA, and significantly understated the level of need identified (totaling 147.6ha).
- 5.7 An extract of this Table 6 seeps through into the Draft Local Plan (table 5), and results in the City Council concluding within its Non-Technical Summary Issues and Options Consultation document that it has a sufficient supply of employment land (despite referencing the correct need figure of 147.6ha (page 4)).
- 5.8 As a consequence the City faces a significant shortfall in the future provision of employment land necessary to meet identified need, being in excess of 87ha (excluding any further strategic B8 needs which may also be required to be met).
- 5.9 The property market assessment contained within this Assessment confirms Coventry (and Warwickshire) to be one of the most important industrial markets in the UK, and the HEDNA considers that strategic B8 employment needs should be met along key potential corridors,



including within Junction 2 and 3 of the M6 to the north of Coventry. This suggests that there will be further demand within the locality of Coventry City to meet strategic B8 employment need beyond its locally identified employment need of 147.6ha.

- 5.10 In respect of strategic (B8) logistics needs, Government planning policy recognises that these are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to a skilled local labour force. At the present time it would appear that Coventry City is unable to meet either its local employment land needs, or wider strategic (B8) logistics needs.
- 5.11 Government planning policy is clear that local planning authorities should put in place effective and ongoing joint working in both determining where additional infrastructure is necessary, and whether development needs that cannot be met wholly within a particular plan could be met elsewhere.
- 5.12 We would encourage the City Council to continue joint working with its neighbouring authorities in ensuring employment land needs can be met, where possible within close proximity to Coventry City and accessible to its resident workforce.