

Nurton Developments Limited

Representations to the Sandwell Local Plan Issues and Options

Question 28 – Employment Land Need

How do you think the shortfall in the supply of employment land should be addressed?

Introduction

1. Employment land need has been reassessed for Sandwell, and the wider Black Country, by the EDNA Update 2022. This is an update of the previous EDNA, which was produced in August 2021, and was the principal evidence base on employment land need for the draft Black Country Development Plan, which was consulted on in Autumn 2021.
2. The EDNA Update 2022 identifies a revised employment land need for the Black Country of 511.7 hectares for the period 2020 to 2040. It also breaks this need down by the four constituent local planning authority areas. The need for Sandwell is 205.4 hectares. It then compares the need to supply to establish a balance. Supply for the Black Country and Sandwell are 356.3 hectares and 69.9 hectares respectively, leading to a shortfall of 155.2 hectares and 135.5 hectares respectively. The EDNA then identifies potential contributions from South Staffordshire and Shropshire to help meet some of this shortfall.
3. These representations provide a critique of the EDNA. They address the three principal elements: -
 - Need.
 - Supply.
 - Balance/shortfall.
4. These are covered in turn below. However, in essence, JLL considers that **the figures for employment land need have been underestimated** and that **the assessment of deliverable supply has been over-estimated**. Thus, **the shortfall has been underestimated**.
5. In addition, there is a **clear mismatch between the quality and type of site demanded and those being supplied**. This is particularly so with larger or strategic sized sites.
6. This scenario will act to hold back the delivery and pace of release of high-quality employment land located either in or serving the Black Country. In turn, this will affect detrimentally the capacity of the Black Country to recover strongly from the Covid-19 induced recession and to accelerate the growth of the economy, thereafter, in line with the aspirations and ambitions of the Black Country Strategic Economic Plan (SEP).

7. This critique looks at the Black Country as a whole. However, its conclusions are particularly relevant to Sandwell, as Sandwell has the largest imbalance between need and supply of employment land.

Need

8. The EDNA Update uses a composite of methods to project a net employment land requirement of 449 hectares for the Black Country over the period to 2040. It then adds a factor of 62.7 hectares to re-provide for anticipated losses of employment land (to alternative uses such as housing) over the period to 2040. This generates a gross employment land requirement of 511.7 hectares for the Black Country.
9. The principal methodology blends projections based on past completions and GVA based forecasts. Like WECD, the authors of the EDNA Update, we consider these two methods provide a sounder basis than employment-based projections (either labour supply or demand) which are often used for projecting employment land need. However, we hold some concerns about how these methods have been employed by WECD. These concerns cover: -
 - Arithmetic accuracy.
 - Consistency with market conditions.
 - Supressed demand.
 - Scale of likely attrition rate of existing employment land.
 - Allowance for flexibility.

Arithmetic Accuracy

10. It would appear that Table 6.15 of the EDNA contains an arithmetical error. It wrongly adopts 4 hectares as the per annum average. It should be 8.3 hectares per annum (see Table 6.14). This would increase the total for 2020-2022 to 16.6 hectares and the total from 449 hectares to 457.6 hectares, if this method (Method or Model C) was chosen.

Consistency with Market Conditions

11. The two methods/models with the lowest projections have been chosen to project employment land need for the first five years – 2020-2025. These are: -
 - Model C – GVA regional forecasts (2022-2040) for 2020-2022 – 4 hectares per annum.
 - Model A – past completions (low scenario) for 2022-2025 – 19.8 hectares per annum.
12. It is difficult to understand the logic of assuming these scenarios, given that the period from 2020 has coincided with a period of sustained high demand and resulting development, with this position persisting despite current economic headwinds.

13. The EDNA recognises these market conditions in Section 5. Reference is made to: -
- Occupier demand for industrial space in the West Midlands continues to be exceptionally strong with record levels of take-up (paragraph 5.2).
 - Logistics operations are driving demand, particularly the big box sector (paragraph 5.4).
 - Despite high levels of new development, supply is struggling to keep pace with demand, with shortages reaching critical levels (paragraph 5.5).
 - This has led to strong rental growth, with Black Country rents around £8.50 per sq ft (paragraph 5.11).
 - Recent developments and transactions in the Black Country have included: -
 - Wolfpack at Hilton Cross (202,750 sq ft).
 - Antar 2 – US printing company have taken 88,377 sq ft.
 - Pantheon Park, Wednesfield – three lettings totalling 246,609 sq ft.
 - Revolution Park, Wolverhampton – new 60,000 sq ft warehouse for DPD.
 - Pinnacle 191, Sandwell – Hadley Group have taken 191,268 sq ft (paragraph 5.18).
14. This narrative is accurate. The consequent approach taken with projecting employment land requirements for the period from 2020 to 2025 is wholly inconsistent with this. In addition, it does not accord with the stated “cautious but optimistic approach” adopted by WECD (as referred to in the paragraph under Table 6.14). It is also inconsistent with the previous EDNA (of 2021), which adopted the high estimate of past completions as one of the principal pillars for projecting employment land need. As such, it should be reviewed as a priority action.

Suppressed Demand

15. The notion of the suppression of demand for employment development land has been explored more widely over recent years by the property industry. This includes some analysis carried out by Savills and St Modwen, which is explained in pages 20 to 22 of the British Property Federation’s paper “Levelling Up - The Logic of Logistics¹.”
16. Savills and St Modwen have developed a new methodology built upon the principle of suppressed demand, which accounts for demand lost due to shortages in supply. It calculates the level of ‘suppressed demand’ which can be added to historic demand projections to give a more accurate picture of likely demand into the future.
17. The model estimates that in England, future demand will be at least 29% higher than historic levels. The model considers 19 key markets for industry and logistics across England, including Birmingham (which covers the Black Country) and Stoke/Stafford. Both of these markets also have a suppressed demand uplift of 29%.

¹ <https://bpf.org.uk/our-work/research-and-briefings/levelling-up-the-logic-of-logistics/>

18. This is particularly relevant to the Black Country, as past development of employment land serving the area has been constrained. This is for two principal reasons: -
- The acknowledged difficulties in delivering developable sites, particularly large sites, in the urban area of the Black Country.
 - The constraint on development of sites outside the urban area due to the extent of the Green Belt, which envelops the Black Country on three sides.
19. In addition, the analysis of past development trends takes no or very little account of development just outside the Black Country. A good example is i54 in South Staffordshire. This successful development contributes to the sub-regional needs of the Black Country and is acknowledged to fulfil this role by adopted development plans for South Staffordshire (i.e. the Core Strategy and Site Allocations Document).
20. For these reasons, we would advocate that the high past completions scenario (of Model A) of 30.5 hectares per annum is employed for the first five years of the plan period (i.e. 2020-2025). This is 30% greater than the completions rate experienced, i.e. 23.5 hectares per annum, and would reflect the market conditions referred to above and the suppression of demand.
21. In addition, consideration should be given to increasing the projected rate of need for the rest of the period – 2025-2040. This assumes the GVA regional forecast (2020-2040) of 25.4 hectares per annum.

Attrition of Existing Employment Land

22. As referred to above, the EDNA Update adds 62.7 hectares to the net employment land requirement to compensate for potential losses of existing employment land over the period to 2040. This figure has been generated by the Black Country Employment Areas Review (BEAR) which was produced in 2021 to support consultation of the Draft Black Country Plan in Autumn 2021.
23. The study appraised 680 employment areas or sites covering over 3,000 hectares of existing employment land. The summary of this assessment is provided by Table 4 of the BEAR. For ease of reference, this is extracted and provided below:

Table 4 - Summary of BEAR recommendations

Local authority	Strategic Quality		Local Quality		Other Employment Areas		Allocate for housing / non - employment uses	
	Areas	Area (ha)	Areas	Area (ha)	Areas	Area (ha)	Areas	Area (ha)
Dudley	9	266.4	36	272.4	31	74.3	24	46.2
Sandwell	18	218.4	194	854.7	24	22.7	21	40.5
Walsall	63	372.1	59	216.3	82	43.5	9	8.0
Wolverhampton	47	259.2	44	273.7	12	46.8	7	14.6
Total	137	1,111.6	333	1,617.1	149	187.3	61	109.3

24. 61 sites totalling 109 hectares were identified for release and allocation in the Draft Black Country Plan for housing or non-employment uses. This figure was netted down to 62.7 hectares on the basis that many of the areas considered suitable for release were associated with “*high level of voids*”.
25. We are not convinced with the methodology of netting down. Whilst not currently used, the areas discounted are still extant employment land which would be lost forever.
26. In addition, the allowance for loss seems only to take in those sites expressly allocated for housing or non-employment uses. No allowance seems to be made for the potential loss of existing employment sites as windfall development for housing during the plan period (i.e. up to 2040).
27. The policies contained in the Draft Black Country Plan sought to protect against the loss of Strategic Quality and Local Quality sites. However, Policy EMP4 – Other Employment Sites – provides a much more flexible policy framework, allowing consideration of housing or other non-employment uses subject to certain criteria being met.
28. This policy covers 149 employment areas or sites with a total area of 137.3 hectares. Almost certainly, a reasonable fraction of this total area will be lost to housing throughout the plan period, given the permissive nature of the policy and the pressing need to find sites to meet the plan’s requirement for housing. This pressure is likely to increase if the NPPF takes a stronger approach against meeting the need for housing in the Green Belt, as proposed by the draft changes to the NPPF in December.
29. For these reasons, we advocate that the scale of potential losses of existing employment land are reassessed. This reassessment should consider also the pattern of historic and recent losses of employment land to other uses.

Allowance for Flexibility

30. Whilst allowance has been made for the replacement of future losses, albeit at what we consider to be an insufficient level, no allowance has been made for market churn, development lag, etc. Ordinarily, employment land assessments provide for a safety margin equivalent of between 2 and 5 years’ take-up.
31. The previous EDNA (2021) did make such an allowance of two years’ take up, albeit only in respect of its projection for distribution uses (i.e. B8). It is not clear why such an allowance has not been made with the 2022 Update.

Reassessment of Need

32. Taking into account the above factors, we consider the gross projected need of 511.7 hectares to the Black Country for the period 2020-2040 is a significant under-estimation and should be reviewed. Particular consideration should be given to: -
 - Increasing the projection for 2020-2025 from 68 hectares to **152.5 hectares** (equating to 30.5 hectares per annum – i.e. high past completions rate scenario).

- Increasing the replacement for losses of existing employment land from 62.7 hectares to **150 hectares** – this will still amount to only 5% of all existing employment land.
 - Adding a safety margin of two years’ take up (at the mid-rate for past completions of 23.5 hectares per annum), equating to **47 hectares**.
33. **This would act to increase the gross requirement from 511.7 hectares to 730.5 hectares** (i.e. 152.5 + 381 + 150 + 47). We consider this to be a more realistic appraisal of need and a positive response to accelerating growth of the economy to meet the aspirations and ambitions of the Black Country SEP and realise the full potential of the area.

Supply

34. The supply of sites is summarised in Table 7.2. This is extracted and provided below.

Table 7.2: Supply of sites for Employment Use within the Black Country to 2020-2040
Current and Potential

Sites	Area Ha	Total Supply (cumulative) Ha	Number of sites
Sites allocated in the Black Country Plan			
1. Local plan allocations carried forward	175.55	175.55	81
2. Sites with planning permission	14.75	190.30	7
3. New sites within the urban area	42.03	232.33	13
4. Green Belt	47.29	279.62	5
Total Black Country Plan allocations		279.62	106
5. Estimates of windfall sites through completions based on use of vacant land within existing employment areas	72.0	351.62	
6. Sites with planning permission not allocated for the next planning period (two sites) and small sites less than 0.4 Ha each (33 sites)	4.64	356.26	
Total supply of sites for employment use in the Black Country		356.26	

35. This summary of supply has not changed from that presented in the previous EDNA Update 2021. It is identical. As such, the same criticisms we voiced in making representations to the 2021 Draft Black Country Plan are still relevant. A copy of these representations is attached as **Appendix 1**. These can be summarised as follows: -

- Yield – the areas of the site will be gross, whilst the need will have been derived on a net developable area basis. An adjustment needs to be made.
- Windfall sites – the accountancy of these is questionable, with the potential for double counting with existing allocations and commitments.
- Quality – most of the sites are small with an average of 2.6 hectares in size, which is insufficient to sustain large scale development.
- Deliverability – most of the sites are graded as Potentially High Quality or Low Quality, with all these sites requiring ground remediation and mitigation of other site constraints. These will require an improved investment market or grant funding or both in order to come forward.

36. For these reasons, we consider 356.26 hectares is a very unlikely total yield quantitatively. Instead, it is a notional ceiling as it is inconceivable that all of the sites identified will be developed during the plan period. A realistic assessment should apply a discount on supply when balanced against need.
37. Qualitatively, there is a real shortage of sites in the Black Country that offer any scale. Of 106 sites allocated by the Draft Black Country Development Plan, 91 were below 5 hectares. Only three sites were greater than 10 hectares, with just one greater than 20 hectares.
38. This is a direct consequence of the characteristics of the Black Country, which is heavily built up, with industry and housing situated side by side. It offers very few opportunities for large strategic sites (considered to be greater than 25 hectares by the West Midlands Strategic Employment Sites Study of 2021). These types of sites offer a critical mass for large space users (but not exclusively) in a controlled environment. Over recent years, such users have had to locate in strategic sites just outside the boundaries of the Black Country on greenfield sites. i54 in South Staffordshire is an obvious example.

Balance/Shortfall

39. Table 8.1 of the EDNA 2022 Update identifies an overall quantitative shortfall of 155.2 hectares between need (511.7 hectares) and supply (356.3 hectares). For the reasons outlined above, this shortfall can only be considered to be a bare minimum.
40. Our critique and reassessment of need points to a much larger total requirement of 730.5 hectares. **This would result in a shortfall of 374.2 hectares.** Given our view that the supply figure of 356.3 hectares is only a notional ceiling, then this figure should be **considered also to be a minimum.**
41. The conclusions to the EDNA 2022 Update refer to potential contributions through the Duty to Co-operate. These are: -
 - Shropshire – 30 hectares.
 - South Staffordshire – 103.6 hectares.
42. The 103.6 hectares from South Staffordshire are made up of a surplus of 36.6 hectares in local supply (although this has been challenged by JLL through representations made to the Pre-submission draft of the South Staffordshire Local Plan) and 67 hectares from West Midlands Interchange. These total 133.6 hectares, although there is some doubt that the Shropshire Local Plan will be able to deliver 30 hectares on top of meeting its own needs.
43. If our assessed shortfall (i.e. 374.2 hectares) is assumed, then the potential contributions from Shropshire and South Staffordshire would still leave a net minimum shortfall of 240.6 hectares. This is significant and will require the identification of a new pipeline of sites in neighbouring authorities. Particular consideration should be given to those authorities with the closest economic relationship with the Black Country. The EDNA identifies Birmingham and South Staffordshire as having the closest relationship to the Black Country FEMA.

44. Specific consideration should be given to the opportunities which exist for strategic sites (i.e. those greater than 25 hectares) in these areas. As referred to above, there is a real shortage of these sites serving the Black Country FEMA. Strategic sites represent the best means also of meeting the shortfall and providing the scale and depth of the employment land required.
45. We understand that an update of the EDNA (to cover a fuller plan period) has already been commissioned. We further understand that a follow-on study to the West Midlands Strategic Employment Sites Study of 2021 has been commissioned. We would recommend that the consultants commissioned to undertake these studies, and the commissioning authorities, work closely together to ensure an aligned approach is taken to meet or, at least, reduce the shortfall identified above.

PJL

JLL

16 March 2023