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# Representations to Regulation 18 Stage 1 Consultation Test Valley Borough Council

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## Representations

Land south of Coldharbour Lane, Upton, Nursling

Prepared for: Crest Nicholson Partnerships and  
Strategic Land



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## Executive Summary

In this representations document Crest Nicholson Partnerships and Strategic Land ('CN') present the land south of Coldharbour Lane ('the site') to Test Valley Borough Council ('TVBC') as an excellent opportunity to meet the identified industry and logistics need of the Borough and sub-region.

The South Hampshire Functional Economic Market Area (FEMA) report produced by Stantec titled 'Economic, Employment and Commercial Needs (including logistics) Study' (March 2021) concludes a need for 52.6 ha of industrial land in Southern Test Valley and a total of 167.6 ha in the Partnership for South Hampshire (PfSH) region from 2019-40. Further, a need for 5 strategic warehouses across South Hampshire with direct access to the motorway network is stated. The site, further benefits from its proximity to the recently designated Solent Freeport which is set to receive significant investment into port infrastructure to increase each ports' freight handling capacity which will further increase the I&L need in the region. CN note that to date the LP40 has not done enough to identify how it will meet this need and thus we emphasise the importance of consideration of the site by the Council for a future employment land allocation.

The site is deemed an optimal opportunity to meet this identified need due to the reasons set out below:

- The site is approximately 38 ha and could provide a significant proportion of the Southern Test Valley need (c. 72%) while providing a site which would allow for co-location of companies pricing agglomeration benefits.
- The site is relatively unconstrained regarding environmental designations, flood risk and is largely flat in topography making it suitable for development.
- The site is located in close proximity to the M27 and M3 corridors allowing for potential 24 hours operation and minimal impact on the local road network.
- The site is strategically located in the PfSH area and is located close to a number of key freight handling infrastructure including Heathrow Airport and Southampton and Portsmouth Ports which form the Solent Freeport.

## 1. Introduction

### Purpose

- 1.1. This document provides representations on behalf of Crest Nicholson Partnerships and Strategic Land ('CN') to Test Valley Borough Council ('TVBC') on the Draft Local Plan 2040 ('LP40') in relation to the land south of Coldharbour Lane ('the site'). The LP40 is the latest Regulation 18 public consultation on the emerging Local Plan for Test Valley. This Stage 1 consultation focusses solely on strategic matters setting out draft policies, proposals and future challenges. The LP40 covers a range of topics including the draft spatial strategy, including the proposed settlement hierarchy, and strategic proposals such as identifying the Borough's needs for housing, employment, retail and other uses.
- 1.2. CN over the last few years has promoted land three miles south of Romsey known as 'Grove', identifying this site as strategically well placed within the sub-region to make a significant contribution to both housing and employment land needs. The land south of Coldharbour Lane (hereby after referred to as 'the site') is a subsection of the wider 'Grove' site that was submitted to the SEHLAA in 2021 (ref: 159) which had an estimated capacity of 2,000 dwellings and was classified as being available, achievable and deliverable.
- 1.3. The land south of Coldharbour Lane is however, also optimal for commercial / infrastructure and logistics development due to its location west of the M27 and in proximity to the City of Southampton and the M3 corridor.
- 1.4. This representation provides an evidence-based overview of the potential for industry and logistics ('I&L') development at the land south of Coldharbour Lane, having regards to national policy, market supply and demand dynamics in Test Valley, the South Hampshire FEMA and the wider region.
- 1.5. TVBC adopted their Local Plan on 27 January 2016 which sets out the key elements of the TVBC vision for development until 2029. The Council has committed to LP40 due to be adopted in Autumn 25 (in accordance with the currently approved Local Development Scheme). The LP40 will set out policies and guidance for development of the Borough over the next 15 years to 2040, in line with the minimum requirements set out in the National Planning Policy Framework ('NPPF') 2021.
- 1.6. Within this representation document, Savills demonstrate the importance of robustly assessing market demand and supply of I&L and request the Council extend their evidence base to incorporate this further. These conclusions are drawn based on recent market evidence, national policy, future I&L employment land need in Southern Test Valley ('STV'), TVBC and the South Hampshire FEMA. It is considered that the land south of Coldharbour Lane provides a good opportunity to contribute to the much needed I&L provisions in STV and should be explored. This opportunity would sit hand in hand with the residential proposal for the land at Upton Lane and would make strategic improvements to the STV area.

## Representations Structure

1.7. This representation document is structured as follows:

- **Section 2** sets out the background information on the land south of Coldharbour Lane
- **Section 3** reviews the existing evidence base including: national policy; the Partnership for South Hampshire (PfSH) and Test Valley Borough Council 'Employment, Economic and Commercial Needs Study; and the LP40 employment evidence base.
- **Section 4** considers the LP40s proposed employment land strategy.
- **Section 5** considers the trends and profitability of I&L development and the current supply and demand in the regions.
- **Section 6** presents the land south of Coldharbour Lane as the optimal site to meet this identified I&L need in Southern Test Valley and the PfSH region.
- **Section 7** concludes this report

## Reader Note

1.8. When we refer to the industrial and logistics (I&L) sector we mean Light Industrial (formally B1c use class now part of Class E), General Industry (B2 Use Class) and Storage and Distribution (B8 Use Class). Effectively the primary use classes that require shed-type units (including ancillary offices) and associated yard spaces. These use classes typically cover the diverse range of industrial, manufacturing and logistics companies that operate within England.

## 2. Overview of the site and concept

### Overview of the Site

- 2.1. The Coldharbour Lane site comprises approximately 38 ha of land west of the A3057 roundabout and the M271 [see figure 1]. The site is located in the countryside close to the Nursling and Rownhams settlement approximately 3 miles south of Romsey a Tier 1 settlement and 5 miles north west of Southampton City Centre.

**Figure 1: Land south of Coldharbour Lane**



- 2.2. The site comprises a number of pastoral fields of relatively flat topography. A tree belt runs along the eastern boundary of the site adjacent to the M271, with the exception of thus and boundary hedgerows the site is largely free from established vegetation. There are also overhead power lines and two tracks that intersect a number of the fields and the treed area.
- 2.3. The site is largely unconstrained as set out below:

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- The site is not subject nor located adjacent to any statutory environmental designations. The nearest statutory designation is the River Test SSSI, located approximately 903m to the west of the site.
- The site is largely free of areas of priority habitat with the exception of the wooded area named Fir Copse to the eastern edge of the site which is broadleaved woodland owned or leased to the Forestry Commission. Fir Copse is designated as a SINC meaning it is deemed to be of local importance.
- The site contains no Public Rights of Way (PRoW) when viewed against the Hampshire County Council PRoW map.
- The site is highly enclosed to the eastern boundary and thus the villages of Upton and Nursling by the established tree belt.
- The site and surroundings are primarily located in Flood Zone 1. There is a strip of Flood Zone 2 and 3 which bisects the site running north to south.

2.4. It is noted that CN are committed to producing a masterplan for the site which respects the above constraints namely through location of development in Flood Zone 1 and away from the protected woodland.

## 3. Commentary on Evidence Base

### The National Planning Policy Requirements for Assessing I&L in Local Plans

- 3.1. The UK planning system, via the allocation of enough employment land in the right locations, is critical to facilitating the sector's growth.

### The National Planning Policy Framework (NPPF)

- 3.2. The NPPF requires local planning policies to identify sites and/or establish criteria to enable anticipated employment needs to be met [Paragraph 82]. In 2019, a revision to the NPPF introduced a specific requirement for planning policies and decisions to reflect the specific locational requirements of different employment sectors including logistics. This requirement remains within the 2021 NPPF which “*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*”. This provides a clear and positive policy context for the preparation of local plans.
- 3.3. Paragraph 83 goes on to explain that policies and decisions should recognise and address the specific locational requirements of particular sectors, more specifically: “*Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes 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.*”
- 3.4. The specific mention of storage and distribution operations (that, incidentally, were not included in the March draft) is long overdue and provides recognition of the recent growth in this sector and changing patterns of consumer behaviour. Indeed, to be one of only three sectors explicitly mentioned in the ‘Building a Strong, Competitive Economy’ chapter is testament to the role that logistics could play in the future economy.

### National Planning Policy Guidance (NPPG)

- 3.5. The NPPG at Paragraph 025 sets out that strategic policy-making authorities will need to prepare a robust evidence base to understand existing business needs, which will need to be kept under review to reflect local circumstances and market conditions.
- 3.6. The NPPG identifies various methods as to how strategic policy making authorities can prepare and maintain evidence about business needs. Firstly, “*in gathering evidence to plan for business use, strategic policy making authorities will need to liaise closely with the business community, taking account of the Local Industrial Strategy, to understand their current and potential future requirement*” [Paragraph: 026 Reference ID: 2a-026-20190220]. During this process the NPPG sets out that authorities must consider the following:
- *“the best fit functional economic market area;*
  - *the existing stock of land for employment uses within the area;*



- *the recent pattern of employment land supply and loss;*
- *evidence of market demand – sourced from local data and market intelligence;*
- *wider market signals relating to economic growth, diversification and innovations; and*
- *any evidence of market failure” [Paragraph: 026 Reference ID: 2a-026-20190220].*

3.7. Paragraph 27 of the NPPG indicates four possible methods to estimate future needs:

- 1) *“Sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand)*
- 2) *Demographically derived assessments of current and future local labour supply (labour supply)*
- 3) *Analysis based on the past take-up of employment land and property and/or future property market requirements (past take-up)*
- 4) *Consultation with relevant organisations, studies of business trends, and understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics” [Paragraph: 027 Reference ID: 2a-027-20190220].*

NPPG, Paragraph: 031 sets out the following:

3.8. *“The logistics industry plays a critical role in enabling an efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities, and has distinct locational requirements that need to be considered in formulating planning policies (separately from those relating to general industrial land).*

3.9. *Strategic facilities serving national or regional markets are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to appropriately skilled local labour. Where a need for such facilities may exist, strategic policy-making authorities should collaborate with other authorities, infrastructure providers and other interests to identify the scale of need across the relevant market areas. This can be informed by:*

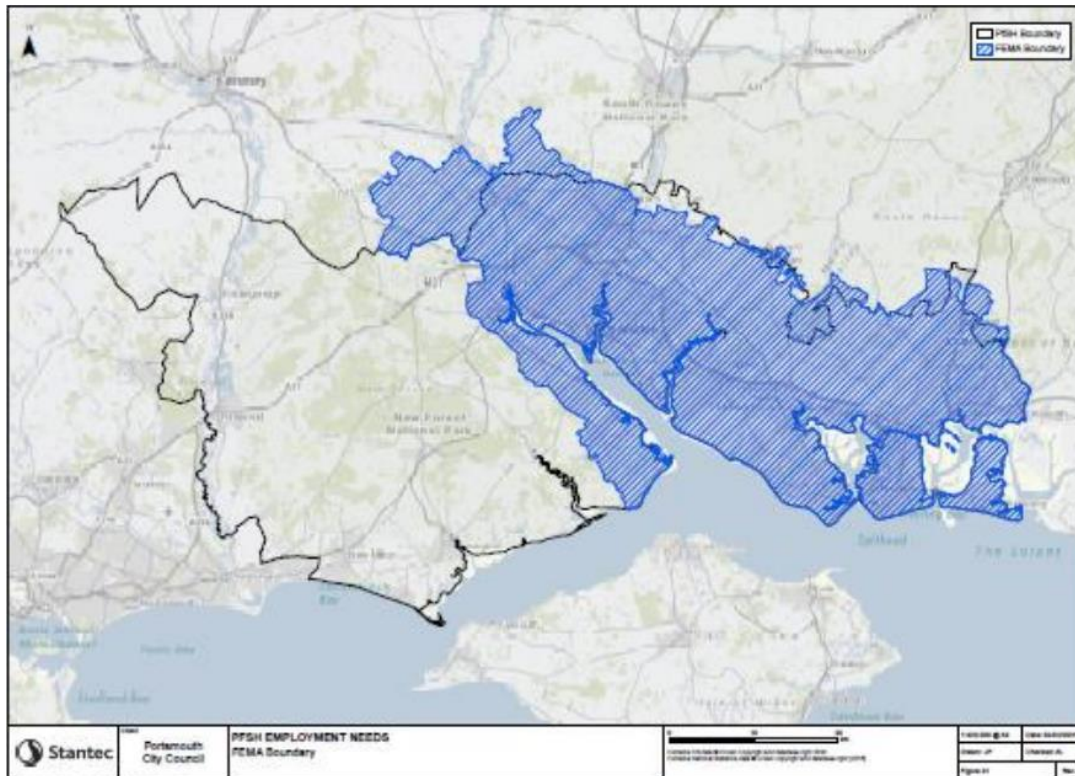
- *Engagement with logistics developers and occupiers to understand the changing nature of requirements in terms of the type, size and location of facilities, including the impact of new and emerging technologies;*
- *Analysis of market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies;*
- *Analysis of economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector; and*
- *Engagement with Local Enterprise Partnerships and review of their plans and strategies, including economic priorities within Local Industrial Strategies.*
- *Strategic policy-making authorities will then need to consider the most appropriate locations for meeting these identified needs (whether through the expansion of existing sites or development of new ones).”*

- 3.10. Economic need isn't as prescriptive as housing need in the guidance, the latter being subject to a standard methodology with a series of unambiguous steps set out to establish the minimum annual housing need for each local authority area, however its importance is clear and growing. There is specific reference to logistics and the preamble in the Guidance on this reiterates the "critical role" that logistics plays in "*... enabling an efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities.*"
- 3.11. The Guidance refers to engagement with developers and occupiers and the analysis of market signals, the analysis of economic forecasts to understand the likely future growth of sectors that are likely to require logistics facilities and engagement with LEPs. This is far less prescriptive than the approach to assessing housing need and as a consequence has resulted in an array of approaches to the assessment of employment needs that form part of local plan evidence bases. Assessing past trends over a 20-year period fails to reflect the growth in the demands of occupiers for logistics space in the last few years, let alone the boom of the last 12 months linked to online retailing. The use job estimation models don't allow scrutiny and are highly sensitive to the assumptions used. The consequence in our experience is that insufficient land is identified for logistics development through local plan reviews, including at Test Valley.

## **Regional Evidence Base: The South Hampshire FEMA**

- 3.12. The South Hampshire Functional Economic Market Area (FEMA) within the wider M3 FEMA and extends into Test Valley, East Hampshire and the New Forest [see figure 2].
- 3.13. The Partnership for South Hampshire (PFSH) and Test Valley Borough Council (TVBC) commissioned Stantec to produce an 'Economic, Employment and Commercial Needs (including logistics) Study' (EECN) which was published in March 2021. The report updates the 'economic need' for land and floorspace in the region. The report denotes that the study is of particular relevance for the Southern Test Valley area due to its geographic situation in the FEMA and notes that it may be more appropriate for Northern Test Valley to work alongside other Councils located on the M3 and A303 corridor. Savills are in support of the study area shown above due to the regional and national influences on employment land need.

Figure 2: South Hampshire FEMA [Stantec 2021]



- 3.14. In respect of overall 'industrial need' it is noted that after many years of decline, the industrial market in the South Hampshire FEMA has started to grow [paragraph 11.27]. The study concludes a total net demand of 167.6 ha of industrial land in the PfSH area and 77.8 ha in the Test Valley region outside the South Hampshire FEMA (i.e., Northern Test Valley) from 2019-40. The Test Valley region located within PfSH is noted to have the joint greatest industrial land need at 52.6 ha with Portsmouth.
- 3.15. Chapter 10 of the EECN 2021 relates to 'Strategic Warehouses'. It is set out that the UK strategic warehousing market is experiencing a significant boom due to a combination of factors including Brexit and Covid [paragraph 10.7] as we set out in **Section 3**. Notwithstanding this trend, Stantec report that the market in the South has not traditionally delivered large warehouses, partially due to a lack of sites [paragraph 10.3]. As a result, there have been very few warehousing transactions of significant scale in the South Hampshire region thought mainly to be down to a competitive disadvantage on pricing compared to the UK's prime warehousing locations [paragraph 10.12].

- 3.16. Due to the above, it is identified that several large-scale warehousing requirements have failed to be satisfied in South Hampshire over the last 10 years, as there were no adequate allocated sites [paragraph 10.13]. Notably this has resulted in the Cooperative Group relocating their regional distribution centre from Fareham to Andover and Wiggle relocating its warehousing to the Midlands. In the context of the above the Stantec report states that from market engagement provision should be made in the region for a limited number of strategic warehousing sites (c. 5) each of 8-10 hectares and adjoining the motorway network [paragraph 10.14].
- 3.17. CN are in support of the I&L need found by Stantec however note that significant benefit can be provided through the allocation of larger scale sites due to their ability to accommodate a greater variety of business sizes and types of employment floorspace and flexibility to respond to market demands and investment opportunities, which often need to be met at short notice. CN emphasise the importance of this as companies generally prefer to be co-located with other companies as they can benefit from supply chain linkages and other agglomeration benefits. Further, there is need for strategic provision to support the need of Solent Freeport which is not referenced by Stantec [see paragraphs 5.13 to 5.22]. It is for this strategic need that the site at Coldharbour Lane is ideally positioned to contribute.
- 3.18. The Stantec report concludes that for the Southern Test Valley analysis, especially for industrial uses, that the area should accommodate a large share of the area's total need [paragraph 11.49]. The report goes on to state the importance of distribution around the PfSH area within the FEMA, however CN stress that the recognition of the above indicates the requirement of TVBC to allocate suitable I&L sites in STV such as the site at Coldharbour Lane.

## LP40 Employment Evidence Base

- 3.19. The LP40 employment evidence base is comprised of the Stantec South Hampshire FEMA 'Economic, Employment and Commercial Needs (including logistics) Study' and the Strategic Housing and Economic Land Availability Assessment (SHELAA), CN perspective on the former is set out above. It is noted that all other employment evidence is dated and thus is not applicable due to external factors such as Brexit and Covid which have caused significant market trend shifts [see Section 4].

### The Strategic Housing and Economic Land Availability Assessment (SHELAA) 2021

- 3.20. The LP40 included an updated Strategic Housing and Economic Land Availability Assessment (SHELAA) as part of the evidence base. The SHELAA was published in November 2021 and is based on data from June 2021. The SHELAA specifically considers the suitability, availability and achievability of land for development, and in so doing assists in the identification of a pool of land that might reasonably form part of potential strategies to manage development.

- 3.21. The SHELAA process represents a combination of the assessment of the supply of land for housing and economic development. This means that a single exercise identifies the uses that are most appropriate for a site. This combined approach is advocated by the Planning Practice Guidance (PPG).
- 3.22. The abundance of sites promoted to the SHELAA for employment use was minimal in comparison to those submitted for housing. In Southern Test Valley, ten pure employment sites were considered as having potential for development. These ten sites measure an accumulated area of 5.57 ha, and only two are provided with predicted completion scales, the land at Sleepy Hollow Farm, Ampfield is noted to have the potential to provide 1,000 sqm (0.1 ha) of employment land in the next 1 to 5 years and land south of University Parkway in Chilworth has the potential to provide 2,000 sqm (0.2 ha) of employment land in the next 1 to 5 years. Other employment land is presented through residential led mixed-use development, on these sites there is a combined assessed capacity of 1.025 ha.
- 3.23. CN note that this potential provision of 6.525 ha of employment land is minimal in comparison to the industrial land needs of STV as set out by Stantec let alone against the wider employment land use requirements in the Borough. We urge the Council to consider and identify further employment sites such as the land at Coldharbour Lane which could contribute significantly to meeting both the local and sub-regional need set out above.

## 4. LP40 Employment Proposed Strategy

- 4.1. The LP40 sets out a series of draft objectives by theme. The Council note that these themes focus on what could be improved about living and working in Test Valley and their aspirations for the future of the Borough.
- 4.2. 'Economy, Employment and Skills' is one of the identified themes and is given the following objective:
- "Promote a vibrant and resilient local economy, including the visitor economy, where future sustainable growth and innovation in green, high technology and other sectors can provide for a range of job opportunities and where businesses and individuals can thrive. Support a skilled and diverse workforce so that local people can access learning opportunities and jobs and benefit from greater prosperity"* (page 24).
- 4.3. At paragraph 5.57 under the section 'future employment needs' the Council reflect on the outputs of the Stantec study [i.e., 52.6 ha and 77.8 ha of industrial land in STV and NTV respectively] and note that they consider further assessment and testing is required to confirm these outcomes. CN wishes to draw the attention of the Council to the concluding remarks made by Stantec that the assessment is of high relevance to the STV area due to its location in PfSH, based on this it is unlikely that any further study would find a lower industrial land requirement in STV. We appreciate further work may be produced to strengthen the evidence base, however note that CN will dispute any work which is carried out with a study area of TVBC solely due to the sub-regional and national nature of I&L [see Section 5].
- 4.4. While CN are in support of the above objective and the Councils current approach to determining land requirements on a sub-regional scale (namely PfSH and the EM3 LEP), it is noted that no mention is made in the LP40 of industrial land need and due to the reasons and need set out above we urge the Council to provide more consideration to this land use in the next Regulation 18 Consultation.



## 5. Industry and Logistics

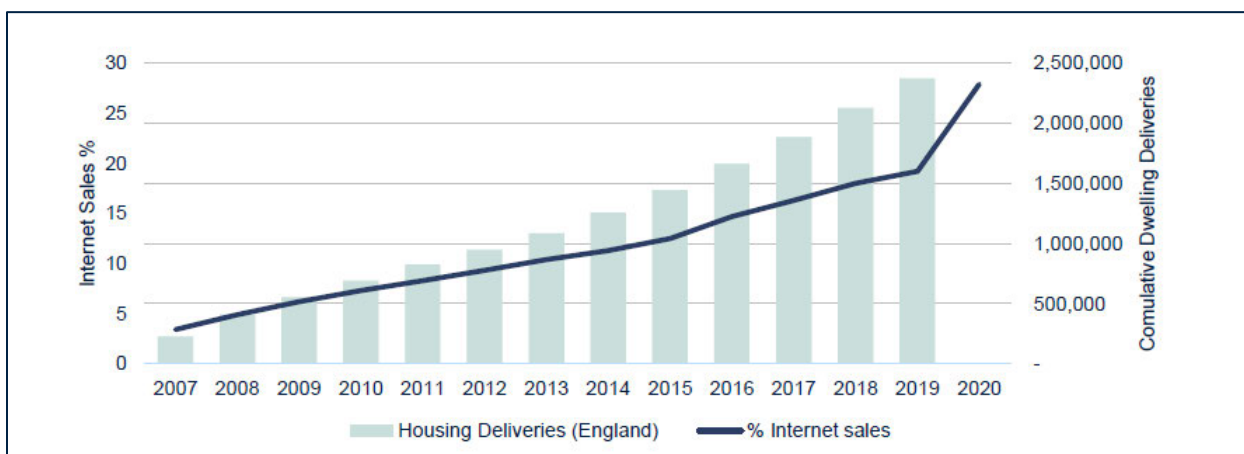
### The National and Regional Need for Industry and Logistics (I&L)

- 5.1. The UK Economy and the way we live our lives has significantly changed over the last twenty years, supporting the long-term growth of the I&L sector.
- 5.2. Savills research indicates that the I&L sector continues to break records as investment volumes top £4.7 billion in 2020 <sup>[1]</sup>. The sector now employs around 3.4 million people in England and represents 14% of the total economy in GVA terms, or £268 billion [ONS Annual Accounts]. Arguably the most important characteristic of the sector is its above average productivity growth estimated to be 29% between 2025-2039 compared to 18% for all other sectors.

### Drivers of Change

#### Population Growth and Consumption

- 5.3. The growth in I&L demand has been supported by increases in population, as there is a direct link between population growth and household consumption. Housing growth at the national level has broadly tracked the growth in online retailing before the onset on the COVID-19 pandemic, during which time online retailing has spiked even higher. The Government’s current housing target is for 300,000 homes per annum in England.



**Figure 3: Internet Sales as a % of all Retail Sales and Dwelling Completions since 2007**

<sup>1</sup> <https://www.savills.co.uk/insight-and-opinion/savills-news/309885-0/industrial-and-logistics-sector-continues-to-break-records-as-investment-volumes-top-%C2%A34.7-billion-in-2020>

## Online Shopping

- 5.4. The growth in online shopping has significant implications on future I&L demand given that e-commerce requires around 3 times the logistics space of traditional brick-and-mortar retailers<sup>[2]</sup>. Online retailing relies on increased choice for the consumer and also increased delivery speeds to a location of people's choosing. This means that more inventory is required to be located nearer to the general population. This in turn has meant that more and more warehouse space is required both by online retailers but also traditional bricks and mortar retailers who are adapting their supply chains to compete.
- 5.5. The exponential growth in online retail is probably the most quantifiable of the major changes driving growth in the I&L sector. Statistics collected by the ONS from November 2006 show that internet sales back then accounted for only 2.8% of all retail sales. This increased to 6.8% in February 2010, and was 19.1% in February 2020 before the onset of the COVID-19 pandemic. The most recent figures are 32.8% in March 2021 and 29.4% as of April 2021.
- 5.6. While the proportion of online retailing may soften slightly as the UK economy opens up, most commentators agree that online retailing will continue to grow from a higher base than before the pandemic due to behavioural changes such as increased home working and continued demand for rapid parcel deliveries. Forester Research [a respected source of future online retail projections] estimate that online retail will continue to grow but from a higher base into the future at 32% in 2022 and steadily growing to 37% in 2025.

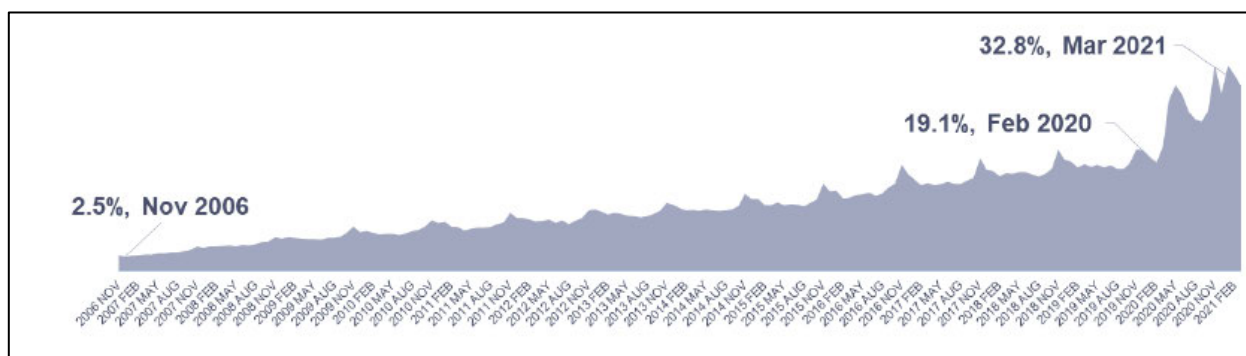


Figure 4: Internet Sales as a Percentage (%) of Total Retail Sales

## UK Freight

- 5.7. Freight volumes are another key growth driver of I&L floorspace need. Freight arriving and leaving the UK needs to be sorted, packaged and distributed via a network of freight handling infrastructure (i.e., ports, freight handling airports, rail freight interchanges and motorways) and conveniently located I&L premises in order to reach end customers. Savills industrial agents advise I&L occupiers should ideally be located within 1-2 hours' drive time of the supply chain. London Heathrow Airport is located approximately 1 hr

<sup>2</sup> Prologis (2016), Global E-Commerce Impact on Logistics Real Estate. Online Article: <https://www.prologis.com/about/logistics-industry-research/global-e-commerce-impact-logistics-real-estate>



away from the subject site (63 miles), further the regional airports of Southampton and Bournemouth (6.8 miles and 24.9 miles respectively). Freight volumes at Heathrow have increased by 24% over the last ten years (2009-2019) from 1,277,650 tonnes in 2009 to 1,587,486 tonnes in 2019, accounting for 63% of total airport tonnage in 2019.

5.8. Further, there are two ports located in close proximity to the site at Coldharbour Lane, Southampton (6.3 miles) and Portsmouth (24.6 miles), which accounted for 8% of total port freight in 2019. Both of these ports are located within the Solent Freeport Area and have recently announced significant investment into port infrastructure to increase each ports' freight handling capacity <sup>[3]</sup>. The site is considered ideally situated to support to the expansion and meet the need of the Solent Freeport Area. UK freight volumes are also predicted to increase significantly into the future; DfT and Savills predict that port tonnage will increase by 39% by 2050 from a 2016 base and global air freight will increase by 121% by 2039 from a 2019 base.

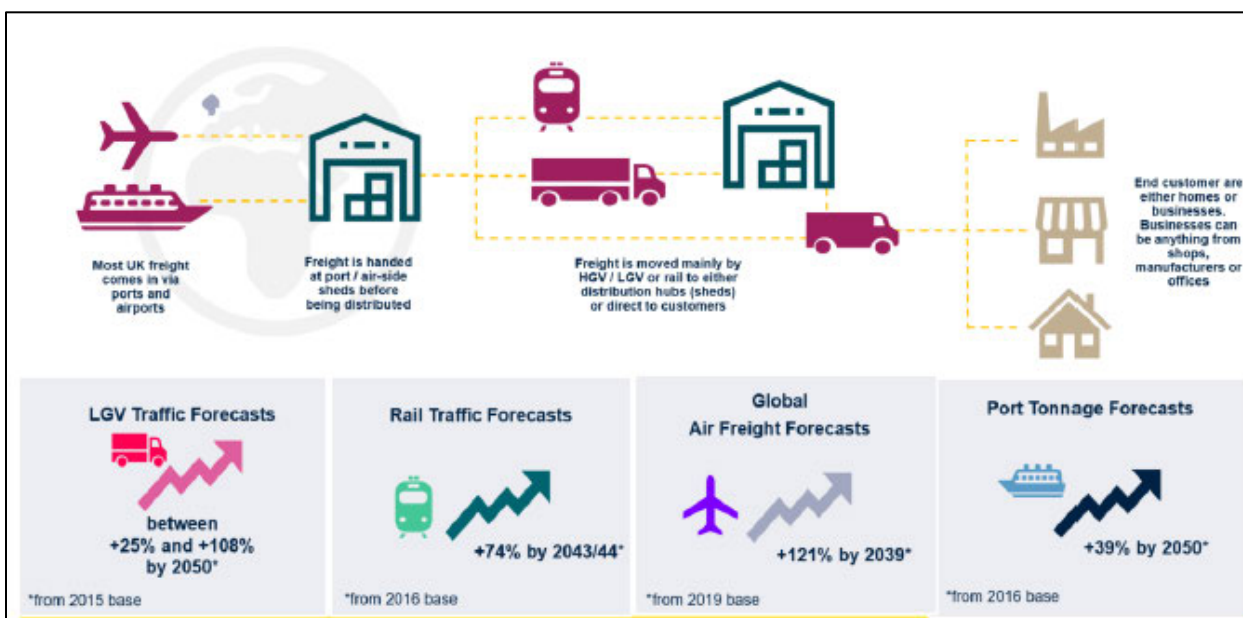


Figure 5: UK Freight Future Growth

<sup>3</sup> (Southampton): In April 2021, DP World Southampton announced a £40 million investment for new infrastructure at the port, designed to strengthen the position of the port as a premier international freight and logistics hub. (Source: <https://www.dpworld.com/southampton/news/latest-news/investment-to-meet-growing-customer-demand>)

## Changing Nature of Jobs

5.9. The I&L industry is also changing with a more diverse range of occupations. New technologies have significantly impacted the sector, transforming the way tasks are performed and businesses operate. While the beginning of the decade saw a more polarised distribution, with a higher share of managers at one end of the spectrum and more routine occupations at the other end, we now see a higher share of Professional and Associate Professional and Technical roles, which can be both associated with high-skilled engineering and technological professions.

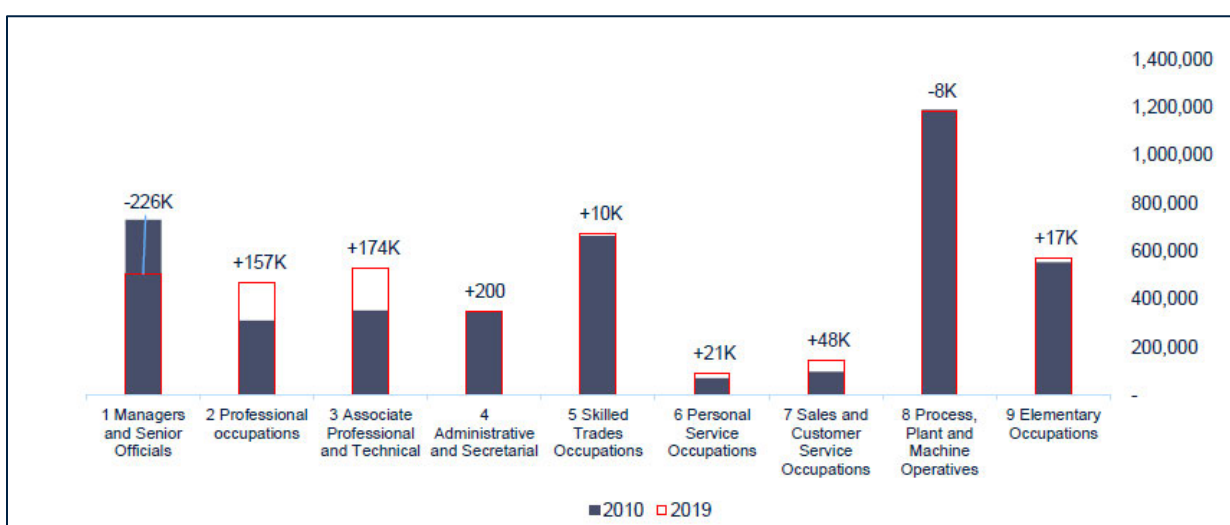


Figure 6: I&L Jobs

## Near-Shoring and On-Shoring

5.10. COVID-19 has also highlighted the level of interconnectedness of international supply chains and their fragility when one or more links break. Companies have started building up greater resilience in their operating models by moving operations either back to the UK or closer by as a means to minimise future supply-chain-induced disruptions. This is expected to accelerate near-shoring or re-shoring trends, which 20% of firms are planning to do or have already started, according to a survey carried out in July 2020 by the Institute for Supply Management. This is likely to lead to higher domestic inventory requirements, further increasing long-term demand for warehousing and logistics space. Surveys carried out by Savills also suggest that it is widely expected that COVID-19 will 'Somewhat Increase' supply-chain on-shoring.

5.11. BREXIT is likely to add further uncertainty surrounding the strength of UK supply chains, influencing the need for further logistics space. If, in the short term, companies adopt nearshoring policies to insulate themselves from future supply chain disruption, it is likely that European manufacturing will increase which in turn will create a ripple effect for warehouse demand. This would put pressure on local logistics space markets and require the development of more floorspace in those areas, and more generally along transport routes. Certain I&L activities may therefore be re-shored to the UK as it becomes more expensive to conduct business in the EU.

## Summary

- 5.12. The trends that are shaping growth in the I&L sector discussed above are shown in the graphic below. Overall, we expect these trends to increase future demand for I&L floorspace above the historic level.



**Figure 7: Summary of Contributors to I&L Growth**

## **The Pattern of I&L Market in the Region**

- 5.13. Based on the need for greater allocation of employment land and namely I&L, in TVBC as evidenced in the Stantec South Hampshire FEMA report and the SHELAA, CN instructed Colliers to undertake research into the local market. The key findings of report produced by Colliers dated 28 March 2022 are set out below.

### South Hampshire Market

- 5.14. The underlying fundamentals of the market in this location remains strong; in particular supply levels are at an all-time low and with speculative development very limited in the regions, occupiers are competing aggressively for the available stock. As demand levels rise and supply rates decrease, we expect headline rents and land values to continue to increase as the market becomes much tighter than it has been for previous years.
- 5.15. The Southampton industrial market retains several significant manufacturing firms, attracted by the area's maritime and naval history and proximity to the port, as well as a long-standing association with aerospace occupiers. The largest local employers include Eaton Aerospace, Meggitt Avionics and Leonardo.

- 5.16. Additionally, the area houses a number of manufacturers associated with the engineering sector, including Gemalto and Prysmian Cables. In an unusual inversion of job fluctuations prompted by Brexit uncertainties, Gemalto (now owned by Thales) expanded their presence in Fareham in 2019 by up to 70 roles, following a contract to manufacture post-Brexit electronic passports. Interestingly, a concentration of firms specialising in optical engineering are established employers within the Southampton industrial market. Notable examples include CIBA VISION and Coopervision UK, both specifically focused on the production and sale of contact lenses.
- 5.17. The recent success story in the locality is the Mountpark scheme in Southampton. Mountpark acquired the Swaythling site in 2015, following the closure of the Ford Transit van production plant. The company started construction work in 2017 and by the time the first phase reached practical completion in November 2017, Mountpark had let all three units – 47,250 sq. ft, 60,000 sq. ft and 100,660 sq. ft – to Murray Health & Beauty, Berendsen and CooperVision.
- 5.18. The second phase of four buildings totalling 346,620 sq. ft is now complete and Mountpark has already let a 107,392 sq. ft unit to PFSweb for a fulfilment distribution centre. This gives the latest evidence of demand for industrial space in this particular market.
- 5.19. Distribution activity has historically been concentrated within the vicinity of the Port. Whilst Associated British Ports (ABP) remain a major local occupier and provide warehouse space for a number of smaller shipping operators, the bulk of employment associated with the distribution sector has since decentralised to a number of locations across the wider market. Third-party logistics operators with bases in the area include CPG Logistics, who employ 200 individuals at their warehouse in Gosport, and TNT, who maintain a comparably sized facility in Nursling. In recent years, a handful of similar firms have moved into the area, most recently in 2018; Charles Kendall Freight expanded by 20 roles following their expansion to larger premises in response to a period of sustained local growth, whilst as aforementioned, PFSweb established a new distribution centre at the Mountpark development. Whilst initially only accounting for 30 jobs, the firm finished a recruitment drive in 2020, now employing 200. Several large retailing firms also account for a sizable proportion of warehouse-based employment. B&Q and Tesco maintain a significant presence in the area, with respective sites at Southampton International Airport and Nursling Industrial Estate. Tesco expanded local operations over 2017 and 2018, creating 70 new warehouse jobs. Additionally, national discount supermarket Lidl opened a large distribution centre at Adanac Park in Nursling in 2016, introducing approximately 400 roles to the area.
- 5.20. Rents saw a slight increase in 2021, rising to £10.50 from £10.25 per sq. ft, previously set in 2019. This increase followed a significant 74,000 sq. ft deal at Mountpark by Global E-Commerce, which reached £10.30 per sq. ft in Q3. Alongside this deal, several smaller deals over 2021 reached or exceeded the £10.50 per sq. ft level, such as 5,000 sq. ft at Stanstead Road Trade Park, which reached £14 per sq. ft following a Q4 letting by London Stone Paving. Furthermore, 13,800 sq. ft at Concorde Park reached £10.50 per sq. ft, when APC Couriers let Unit 8 at in Q2. These deals reflect the mounting rental pressure seen throughout the year due to a low vacancy rate of 2.7% for the wider South Coast market. Although a handful of lettings have surpassed the prime rental level, these were invariably achieved on trade counter units or space that has been adapted, and as such are not reflective of traditional industrial activity. It is also worth noting that secondary industrial rents have held up well in the Southampton industrial market, with a plethora of deals agreed within the £8.00 - £9.00 per sq. ft range over recent years.

5.21. Whilst rental evidence for large Logistics units (over 100,000 sq. ft) has been scarce in Southampton in recent years, Q3 2021 saw Hermes agree to let a 118,300 sq. ft warehouse at South Central on Test Lane at a rent of £10.20 per sq. ft. This contrasts to mid-2021, when Logistics rents stood at £9.75 per sq. ft for the Southampton market. The latest deal occurred when Colliers advised the fitness technology brand Garmin on the acquisition of a fully refurbished 100,206 sq. ft warehouse facility in Southampton at Proximity from Columbia Threadneedle.

**Table 1: Relevant local & regional leasehold transactions**

Property	Date	Size (sq ft)	Lessee	Rent (psf)	Term (years)	Specification
[REDACTED]	Q1 2022	100,206	Garmin	8.33	10	Second-hand
[REDACTED]	Q3 2021	118,300	Hermes Parcelnet	10.21	10	New
[REDACTED]	Q3 2021	74,400	Global E-commerce Experts	10.3	15	New
[REDACTED]	Q3 2020	71,500	Amazon	9.75	5 yrs, break in yr 3	New
[REDACTED]	Q2 2021	40,000	Argos	10.05	10	New
Southampton's Container Port	Q1 2020	200,000	Import Service	TBC	20	New
[REDACTED]	Q3 2020	33,400	Warburtons	£9.75	5	New
Unit F Omega Enterprise Park, Chandlers Ford	Q3 2020	24,865	Smith Brothers	£10.25	10	Second-hand
[REDACTED]	Q2 2020	22,538	Pennsworth Berry	£10.25	10 (break year 7)	Second-hand

## Southampton Docks / Connectivity

- 5.22. This new site is in an excellent location to benefit from the proximity to both the Southampton Container Port (SCT) and the Solent Freeport.
- 5.23. SCT is the first port of call for ships arriving from the Far East and has a wonderful track record for servicing the hi-tech industries emanating from the key tech companies manufacturing in the Pearl River Delta in China, the volumes out of this area are as big as Shanghai and they focus on Southampton as their main entry to the UK.
- 5.24. There are daily arrivals of ships from the Far East, North America and other services from Africa, South America, and the Mediterranean.
- 5.25. This location means that the use of green haulage for shunting from SCT to the subject site will be straightforward and environmentally beneficial.
- 5.26. The Solent Freeport is so close to the subject site that many companies will benefit from its proximity and will be able to enjoy most of the attractive activities and finances that come with freeports and the clustering of support businesses.
- 5.27. The M27 and the M271 motorways feed into the UK network thus enabling easy distribution to the largest consumer market (London & the South East) within the UK.
- 5.28. There are also Railheads within easy reach so volumes can be delivered (trunked) up to the North & Midlands, Scotland markets using Railfreight services for greener distribution solutions, which is becoming more prominent within the market.

## I&L Investment in the South

- 5.29. In the South West, investors purchased £453 million of industrial assets, the third highest volumes on record while this was 7% ahead of the five-year annual average of £423 million. Investor appetite for industrial assets drove annual total returns to 31.7% in Q4 2021 and resulted in an average NIY of 3.9% (MSCI), a compression of 93.5 bps when compared to Q4 2020.
- 5.30. Investor demand for secured, long-let opportunities remain strong as highlighted by AXA IM's £20.6 million forward funding agreement to develop a 107,660 sq ft warehouse at Central Approach, Avonmouth in Bristol. The unit was pre-let last year to Oxford Instruments Plc for 20- years with RPI-linked rent reviews. With regards to multi-let schemes, PITCH (Mayfair Capital) acquired Rockingham Gate, Cabot Park, Bristol for £15 million, at a NIY of 4.14%. This estate was a secondary multi-let scheme totalling 104,118 sq ft. The four-unit reversionary property provides a WAULT of 4.7 years to lease expiries and 3.7 years to tenant break options at a low average passing rent of £6.70 per sq ft. Moreover, Orchard Street (St. James Place) purchased the reversionary multi-let scheme, City Business Park in Bristol for £30.1 million at an equivalent yield of 3.4% in December last year. The equivalent yield includes an estimated £2M of landlord's capital expenditure.

- 5.31. Looking forward, we expect these market dynamics to continue with further yield compression over the first half of the year. However, this compression will not be as sharp as it was witnessed in 2021.



## 6. Industry and Logistics at Coldharbour Lane

- 6.1. The above sections demonstrate the importance of providing I&L and the need in Southern Test Valley and the wider South Hampshire region. This representations document will now set out why the site at Coldharbour Lane is an optimal site to be allocated for I&L development by analysing site characteristics.
- 6.2. Below the table sets out the criteria that Savills believe to be the most influential when determining the site suitability for I&L and the justification for these criteria. It is noted that the site is considered to perform well against the criteria and thus is considered highly suitable for I&L development and thus for delivering the employment need of TVBC, PFSH and the Solent Freeport.

**Table 2: Important I&L Site Attributes**

Criteria	Justification	The Site
Size of Development Site (ha)	Larger sites can accommodate a greater variety of business sizes and types of employment floorspace. Companies generally prefer to be co-located with other companies as they can benefit from supply chain linkages and other agglomeration benefits. Smaller sites are less able to accommodate mid-sized and larger I&L units and therefore generate much lower overall economic benefits in terms of jobs and GVA.	The subject Site measures approximately 38 ha. Given the strength of the I&L market and the strategic location of the Site, the site could provide a significant proportion of the STV requirement set out in the Stantec South Hampshire FEMA report (c. 72% of STVs need). The landowners of the site at Coldharbour Lane wish to work with the Council to consider the opportunity for increasing the delivery of I&L in this location. This will enable a diverse range of companies of different sizes to be accommodated.
Level Site	I&L units need to be uniform in in their construction so as to enable unobstructed access by service vehicles, forklifts and for some company's automated system that assist with sorting and packaging processes. Therefore, level sites devoid of obstacles and significant level changes are a critical requirement.	The entire site is relatively flat, but not without features.
Access to Amenities	In terms of worker amenities, modern units are increasingly providing these on site such as breakout spaces, external landscaped areas for relaxation, onsite cafés, gyms etc. In addition to this, a wider array of amenities in the immediate area that can service the needs of workers are also desired.	While some I&L occupiers will likely provide onsite amenities for workers, the wider area offers a range of additional amenities which can be accessed sustainably via modes of active travel.



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<p><b>24 hr Operation</b></p>	<p>The desire of modern society for shorter delivery timeframes requires I&amp;L occupiers to have incredibly efficient storage, packaging and distribution processes. 24-hour operations are an increasingly important part of this evolution, especially in response to the continued growth of online retailing. Sites located close to motorways with a level of separation from sensitive uses are typically more likely to facilitate 24-hour operations without causing unacceptable environmental nuisance. 24-hour operations also enable longer haul journeys to be undertaken overnight to avoid daytime traffic congestion.</p>	<p>The site south of Coldharbour Lane earmarked for I&amp;L uses is devoid of sensitive uses such as residential and is located in proximity of the M27 and M3 corridors. Further, the site is in proximity of both Southampton and Portsmouth district centres and transport interchanges. This should facilitate supply chain linkages being formed amongst these different employment zones.</p>
<p><b>Motorway / A-Road Access</b></p>	<p>Access to motorways and A-roads is key for commercial occupiers, particularly for I&amp;L companies. A direct motorway connection facilitates access to a greater number of customers within a reasonable drive time. It also enables HGV and LGV access without the need for them to travel along residential and rural streets which are not designed for these sorts of vehicles and the level of trips that can be generated by I &amp; L uses. Motorway / A-road access is also important for car-borne commuters.</p>	<p>The site is immediately adjacent to the M27 corridor which feeds into the M3, making it ideally located for I&amp;L uses. The site is close to the roundabout which feeds onto the M271 and subsequently onto the M27 motorway junction which means HGV and LGCs accessing the I&amp;L premises will not disrupt the local road network and residents. The site's location would allow for 24-hour operations.</p>
<p><b>Access to Intermodal Facilities (within 1 hour drive time)</b></p>	<p>Freight arriving and leaving the UK needs to be sorted, packaged and distributed via a network of freight handling infrastructure (i.e., ports, freight handling airports, rail freight interchanges and motorways) and conveniently located I&amp;L premises in order to reach end customers. As discussed, Savills Industrial Agents advise I&amp;L occupiers ideally have a 1-hour drive time to their supply chain and customers.</p>	<p>The subject Site is conveniently located close to a number of key freights handling infrastructure including Heathrow Airport and Southampton and Portsmouth Ports. A more detailed summary of key freight handling infrastructure located within a 1-hour drive time of the Site can be found in <b>Section 5</b>.</p>

## 7. Conclusion

- 7.1. This representations document responds to the TVBC Regulation 18 Stage 1 Issues and Options Consultation and promotes the land south of Coldharbour Lane on behalf of CN for I&L development.
- 7.2. Section 2 of the report provides a background to the site at Coldharbour Lane and a review of the technical constraints of the site. From this, it is noted that the site is largely constraint free and thus is deemed suitable for development.
- 7.3. It is at Section 3 'The Evidence Base' that this representation document begins to explore the employment land need in Test Valley and namely Southern Test Valley. The South Hampshire FEMA 'Economic, Employment and Commercial Needs (including logistics) Study' (2021) indicates an industrial land need in STV of 52.6 ha from 2019-40 which is the joint greatest industrial land need in the study area. Further, they note a need for a limited number of strategic warehousing sites (c. 5) each of 8-10 hectares and adjoining the motorway network [paragraph 10.14]. Ultimately, we consider this a minimum need as expansion of the Solent Freeport resultant from the significant investment will cause an expansion in the I&L market in South Hampshire adding to the land need further.
- 7.4. Section 4 discusses the LP40 in regard to the employment land strategy. It is noted that the LP40 has minimal employment data meaning ultimately the TVBC LP40 has been too 'light touch' to date and greater work is required to identify key employment prioritises and potential sites.
- 7.5. At Section 5 the trends of I&L are set out, demonstrating the probability of the sector and the positive future trends due to factors such as online shopping, COVID-19 and BREXIT. This is evidenced by the following ONS finding: the sector now employs around 3.4 million people in England and represents 14% of the total economy in GVA terms, or £268 billion [ONS Annual Accounts].
- 7.6. We consider that the land south of Coldharbour Lane as the ideal location to help both Test Valley and the wider South Hampshire FEMA region to meet their industrial land requirements including those generated by the Solent Freeport. Namely due to the fact that the site poses the attributes we consider are required to produce a successful I&L site (e.g., motorway access and potential for 24-hour operation) set out in Table 2.
- 7.7. Ultimately due to the reasons above we consider the site at Coldharbour Lane to be the ideal location for I&L development.

# Representation to Regulation 18 Stage 1 Consultation

Test Valley Borough Council



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Associate

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