Helen Marriott
Growth and Regeneration Business Unit
Newark & Sherwood District Council
Castle House
Great North Road
Newark
NG24 1BY

Date: 18 October 2021

FAO Helen Marriott

Our ref: SD1

Dear Helen,

Land east of Newlink Business Park, Newark – Outline planning application for the development of site for distribution uses (Use Class B8) including ancillary offices and associated access, car parking and landscaping - 20/01452/OUTM

We write in relation to the above application which was heard at Committee on 5th October to respond to the Committee's request for more reassurance on the future occupation on the proposed development.

I set out below the following:

- Tritax's profile
- Occupier interest
- Market position
- Commitment to accelerated development to secure economic benefits
- Implications for planning decisions

Tritax Big Box REIT (TBBR) Profile and Current Portfolio

Tritax Big Box is a Real Estate Investment Trust listed on the London Stock Exchange as BBOX, dedicated to investing solely in the UK logistics sector. We are the UK's largest listed investor in high quality logistics warehouses, with the UK's largest logistics focussed land platform.

The TBBR portfolio currently comprises 61 fully let income producing assets totalling 32.3 million sq ft with a portfolio value of £4.89 billion (at June 2021). Tenants within our portfolio include Amazon, Argos, Tesco, Royal Mail, Ocado, Rolls Royce, DSG, Sainsbury's, Dunelm, Stobart and Unilever. TBBR are committed to delivering high-quality and sustainable logistics buildings for our customers, and attractive, secure, long-term returns for our shareholders.

TBBR adds to its portfolio by either purchasing buildings that have already been developed and let, or by creating new investments through development activity across the TBBR land portfolio, through negotiating pre-lets or undertaking speculative developments which are subsequently let to occupiers. TBBR has an extensive land portfolio at various stages of planning delivery, with a total of 10.2m million sqft of near term development pipeline and a rolling speculative development programme of c 2 million sqft. Upon receipt of planning, Tritax look to convert these consents into ‘up and let’ income producing facilities as soon as possible, as holding consented land that is non-income producing does not generate returns for investors.

Occupational demand is currently extremely high, against a backdrop of record low levels of supply. The structural tailwinds driving occupier demand was strong pre-pandemic and has been accelerated over the last 2 years, meaning there is currently a severe shortage of logistics space. This was highlighted in The Times only a few days ago - please see https://www.thetimes.co.uk/article/warehouse-space-harder-to-find-after-online-boom-fgnkcx7cs

Dixons Carphone Group (DSG)

In 2016, TBBR acquired the national distribution centre let to DSG Retail Ltd, part of the Dixons Carphone Group, which is one of the two existing DSG distribution centres located at Newlink Business Park in Newark. TBBR is therefore already heavily invested in Newark and has confidence in the location to attract new business.

As the Council is aware, TBBR has been in discussion with DSG about an expansion of its distribution complex at Newlink for the last couple of years. DSG has written in support of the planning application on 2 separate occasions and has confirmed that should planning permission be forthcoming it would be interested in discussing with us the options for taking space within the development. DSG has also noted that the development could provide opportunities for its supply chain to locate close to its facility. The most recent DSG letter is attached again for ease of reference.

Whilst discussions with DSG are ongoing and ‘live’, it is unable to make a commitment until such time as planning permission is given and the delivery timescale is more certain.

For the avoidance of doubt, should DSG take space on the application site it would not be possible for it to take access through the existing Newlink site due to the configuration of existing buildings and services, site layout and levels.

Other occupier interest

In circumstances where planning is granted and DSG decides not to take space within the development, our experience elsewhere in the Uk means that we are extremely confident that with the planning consent in situ, we will secure alternative occupational interest, and I will set out our reasons for such confidence later in this letter.

We are aware from our agents JLL, that there are occupier enquiries with search parameters that include the Newark area which combined total over 2 million sq.ft. Whilst not every enquiry will suit the site we only need to secure a quarter of that footloose investment to bring the site to fruition. As ever such enquiries are commercially confidential but they include for example a specific requirement from a logistics operator for 300-400,000 sq,ft for occupation by 2023. Fulfilling a requirement like this would be achievable on the application site should planning be forthcoming quickly.

Market Commentary

We have set out previously in numerous evidence papers submitted with our application the strength of the UK logistics market. We are experiencing a simply unprecedented surge in demand and although the pandemic accelerated matters, it was happening beforehand. It is widely recognised that the logistics sector has become a critical driver for the UK economy and the demand for space is significantly outstripping supply. The latest research from agents Savills (attached) shows that UK logistics lettings in 2021 alone has now reached 38 million sq ft through 158 transactions. This is already 37% above the long-term annual average and we are only in Q3. Of that 38 million sq.ft, only 34% of take-up has been built with an specific occupier identified, 33% of space transacted has been second hand and some 33% has been 'speculatively' developed space. Of all the regions, The East Midlands has the lowest level of supply with just c. 690,000 sq ft available, and vacancy rates are consistency falling across the board.

In terms of current supply, research by DTRE attached shows that there are only 11 buildings nationwide that are either new or under construction, in excess of 300,000 sqft. Of these, 4 are either already let or under offer. None of these facilities are within the vicinity of Newark and therefore a facility in this location would provide space in an area currently undersupplied for this size of facility. This further evidences the case for development without a known end occupier committed from the outset

Planning Consent is Critical to Securing Occupier Commitment

It is important to understand that in this market the most important factor for occupiers looking for new space is certainty and speed of delivery. If a planning consent is not in place on land, then this will not be in what the market calls a 'credible delivery state' from an occupiers perspective and, as a result, they will focus attention on alternative locations where they know the principle of logistics development has been established, and they can have confidence that their requirement can be satisfied in that location.

We would urge the Committee not to treat speculative development as something to be fearful of or somehow ‘second rate’ to occupier led development. It is an essential part of the logistics development sector, as it satisfies an increasing need from occupiers to acquire space quickly, where they cannot wait for bespoke buildings to be planned and constructed on their behalf.

In the logistics sector, speculative development is complementary to pre-let building, not competing with it. Not all occupiers are in business sectors that enable warehouse requirements to be known or planned years in advance, rather they have to react more quickly to changing business conditions and seek accommodation that is already built or in the process of being built.

Current Tritax Experience of Occupational Demand

TBBR has a rolling programme with c.2million sq ft speculative development currently under construction or about to start at any point in time, which has attracted significant occupier interest. In recent months, over 650,000 sqft has already secured by occupiers either just prior to commencement or during construction. We have a further 700,000 sqft of negotiations ongoing, all on units at early stages of construction.

For example, of the 650,000 sqft committed this year, 450,000 sqft was let to Ikea, with discussions commencing just before the start of construction and legal exchange occurring prior to completion of construction. Our other recent occupier commitments at Biggleswade and Aston Clinton were both secured very shortly after receipt of planning consent, and before we started construction. Both of these transactions form part of a multi-unit phase of construction. In addition to the schemes above, our development team have also recently secured lettings of speculative space at Banbury, with 334,000 sqft let to Great Bear shortly post completion, 198,000 sqft let to Arrival during construction, and a further 144,000 sqft under offer and due to exchange prior to construction completion.

In order to ensure our speculative pipeline flows consistently, we look to maintain a steady stream of planning consents coming through, and we have a further c.1m sqft of consents secured for potential future speculative development to replace space as it lets up.

However, because the planning consents are now in place, these are already attracting significant occupational interest, which means some of this potential speculative allocation will end up being pre-let, driven by occupiers having confidence /certainty of delivery because the planning consent is in place.

Of course not all speculative units will let during construction, and some will let post building completion. According to research by JLL, the average void (the time period between completion and letting) over the last 18 months is currently 6 months, whereas historically it has been around 12-14 months. This is certainly what we are experiencing now, and therefore, should consent be granted on this site, Newark can have confidence that the jobs created by our investment should be delivered swiftly.

Job Creation

With regard to job creation and the potential numbers involved, I thought it would be helpful to give some current examples of jobs being created from our investments in developments elsewhere.

At Biggleswade, earlier this year we completed a 661,000 sqft distribution facility on behalf of the Co-Op which they are currently fitting out. Once operational in Q1 2022, they will be employing 1,000 people on site. The Co-Op were secured on a site that had an existing outline consent, which gave them the confidence to proceed with a further bespoke application for their facility.

In Glasgow, we are developing a new distribution facility of 552,000 sqft on behalf of Harper Collins. On completion, that facility will employ 800 people.

In Blyth, south of Doncaster, we let a speculative distribution unit of 151,000 sqft, 12 months after completion to Butternut Box, who have invested substantial sums into the facility and they will employ approximately 500 people on site. We also have detailed consent here for 570,000 sq.ft. on the balance of the land which is attracting significant occupational interest.

To further underscore the first-hand experience across the TBBR portfolio, our agents JLL have advised that they have been involved in marketing 14 speculative built units in the wider market, which have let to occupiers whilst still under construction. Occupiers are taking these early positions on speculatively built buildings to ensure that their future operational requirements can be satisfied in the face of uncertain future supply, and we expect this trend to continue with such limited opportunities being available.

As stated above, within our own current speculative pipeline of 2m sq.ft, we have secured occupier commitments on a third of that and experiencing significant occupational interest in another third, all of this interest being either prior to or during construction.

The common denominator across all these discussions, is that there is a planning consent in place, which gives occupiers the confidence and ability to open dialogue. Without a consent, the site or land in question is not in a 'credible delivery state' from an occupiers perspective as the planning uncertainty is too great for them to consider the opportunity in question. Leasing a new warehouse is a significant commitment, with the cost of fitting out the new premises being considerable. Such commitment can usually only be commenced if the delivery of the building is certain. This is why the key for occupiers to make early commitments to proposed speculative logistics facilities is the existence of a planning consent.

Commitment to Accelerated Development Programme and Investment

As previously stated by our planning agent, we wish to make it absolutely clear that we are fully committed to an accelerated development programme to bring the site forward at the earliest possible opportunity. On this basis we have agreed with your officers to reduce the time period for submission of detailed plans under reserved matters to 1 year, rather than the usual default period of 3 years. This is a highly unusual offer and hopefully demonstrates our confidence in Newark as a location for attracting new investment.

This accelerated development will bring the economic benefits of the proposal forward at the earliest opportunity. As a reminder these are:

- £30 million direct capital investment
- £85 million total economic output
- Around 500 FTE jobs across all skills sectors
- £1.1 million business rates per annum

Following 2 years of record take-up in the sector, the logistics industry is delivering significant economic benefits to those regions where the growth is being focused. This application is an opportunity for Newark to be part of this success story.

Implications for Planning Decision Making

As stated previously by our planning agent, the unprecedented market situation we are in, post-dates the Core Strategy and as such it is not reflected in its policies. Accordingly, and as recognised by your officers in their recommendation to approve, there are ample economic material considerations in play here to warrant a departure from the Core Strategy. Whilst we noted the positive comments made at committee about the potential suitability of the site during a future local plan review, that would merely serve to direct business and investment to other districts in the meantime. Given that there is no identified harm in planning terms of bringing forward the application proposal now, such a route is simply unwarranted and unnecessary. We also understand that any concerns about prematurity effecting a future plan review are also unfounded given Government advice on this issue.

We noted the comment at the last committee as to whether Newark is ‘open to business’. We very much hope that this is the case and look forward to a positive determination on our application. Investment in an area is often a cumulative process and we believe that our proposals would help create the momentum Newark requires to harness investment elsewhere as part of the Districts wider economic growth objectives. A planning permission on this site will send a much needed and powerful message that Newark is indeed open for business.

Yours sincerely,

Charlie Withers, MRICS – Partner, Development
Tritax Management LLP