



Date: **29th June 2022**

Title: **Nottingham Core and Outer HMA Logistics: Briefing note for Newark and Sherwood**

Introduction

This note has been prepared by Iceni Projects for Newark and Sherwood District Council as part of the client group for the Nottingham Core and Outer HMA Logistics Study (the Study). The note highlights key matters emerging from the Study in its draft form (June 2022) and emerging findings as presented at the Joint Planning Advisory Group (7th June, public forum).

Market and drivers

CoStar report that demand is at an all-time high in the industrial sector (national), with many occupiers upscaling to cope with increased demand from the accelerated switch to online shopping. The industrial sector continues to prove resilient as the impact of the pandemic and restrictions produced headwinds for other property types.

Key drivers of demand are e-commerce, automation and electric vehicles, all requiring newer large scale facilities that can cope with the flow of goods in the most efficiency way possible.

CoStar reports that industrial occupier demand has surged to all-time highs in Nottinghamshire recently. Net absorption shot to record levels in 2020, with more than 2.2 million sqft taking place - the most in over a decade. This surge in demand has addressed a glut of recent supply coming to the market, and as a result kept vacancies in check.

Distribution and third-party logistics firms have been particularly active in the market of late. Along with logistics firms, recent demand has also come from a variety of other occupiers in the food, online retail and medical supply sectors, such as the expansion of Amazon, who committed to 500,000 sqft at the Panattoni 550 scheme Broxtowe.

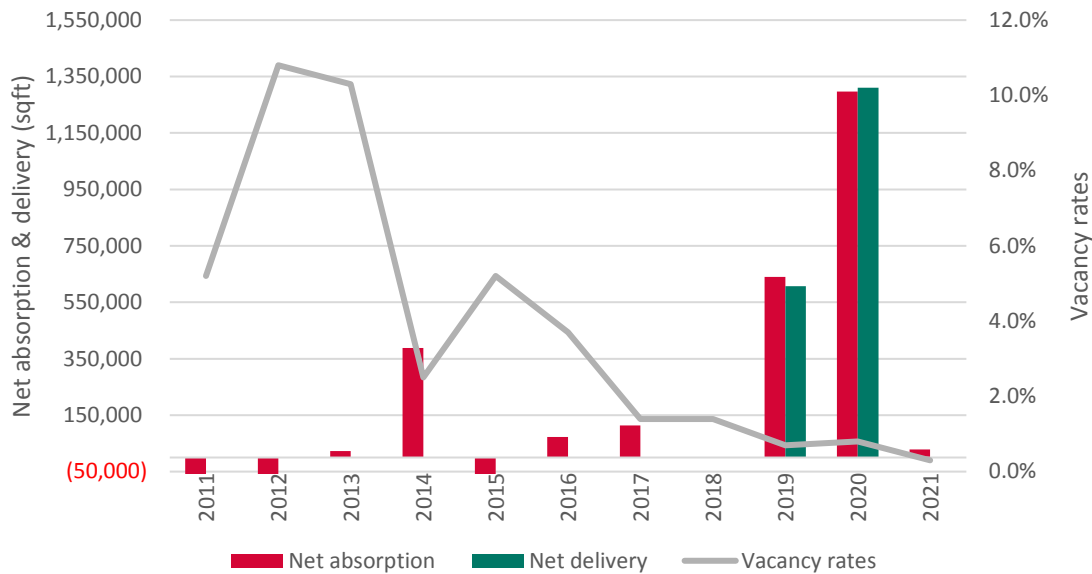
The chart below reports that aside from a peak in 2014 when close to 400,000 sqft were taken up, the best part of the 2010s showed little new logistics space being delivered or taken up. Then from 2019 onwards, a surge of activity started with the delivery of 600,000 sqft in 2019 and 1,300,000 sqft in 2020. These figures correspond to the two Amazon warehouses being let¹. The low vacancy rates indicate that the market is seeking more stock than is being delivered. A minimum vacancy is 5% to allow business inward

¹ Amazon occupying 1.1m sqft at Sherwood Way South Sutton in Ashfield, being 2 storeys of 550,000 sqft but noting the planning application was for 3 storeys 162,781 sqm (1,752,160 sqft). Amazon also let 551,000 sqft at Panattoni Park Nottingham in Broxtowe

investment and choice for growth and churn. The market for large logistics units in the study area has been below 5% since 2017, which is a market failure.

Only a single large unit is available at April 2022 out of the 44 units recorded by the VOA.

Study area net absorption & delivery (sqft) (100,000 sqft units)



Source: CoStar

Supply

The overall supply position for large scale B8 units is estimated as 800,000 sqm² comprising notably:

- Ashfield: 250,000 sqm of which 165,000 sqm proposed allocations
- Erewash: 110,000 sqm at New Stanton
- Newark: 194,000 sqm
- Rushcliffe: 211,000 sqm of which c180,000sqm at Ratcliffe on Soar Power Station

Forecasts and implications

A range of forecasting techniques have been used in identifying the need to 2040. The preferred range is:

1,270,000 - 1,486,000 - 1,786,000 sqm

The upper end is not recommended at this time due to uncertainty in the long term outlook and also due to high levels of supply in Bassetlaw (north Nottinghamshire). The middle level is considered most appropriate given the high levels of demand in the industry.

² Subject to final confirmation currently underway late June 2022

Under the preferred model the current deficit is 685,000 sqm or around 196 ha (assuming 0.35 plot ratio which reflects development of new larger logistics parks).

The M1 corridor junctions 3-5km along the strategic network are the preferred location for development to meet needs. However Newark is also a recognised location of demand catering for the A1 corridor market and benefitting from the local labour supply.

Employment

Assessing the main logistics parks in and around the study area there are more than 40,000 persons employed, of which 7,000 in warehousing, 4,000 postal and 2,500 in wholesale. Newark contributes around 3,000 commuters to logistics parks.

It is estimated that 9,000 future jobs could be generated across the study area which compares with 30,000 unemployment claimants. It is a major source of work in a resilient sector

In terms of job types, there is an increasing focus on technical professions in engineering, IT and data processing arising associated with fast increases in automation. New skills centres are being developed – including in Mansfield – to get the next generation of logistics employees equipped for work.

The sector is highly productive with Gross Value Added (GVA) per job currently at £58,000, some 12% higher than the average of all sectors. Its productivity is also predicted to grow at a faster pace, increasing by 29% between 2025 to 2039 compared to 18% across the UK economy as a whole. Average pay is higher than the UK average. Data from the Office for National Statistics (ONS) show annual wages above average at +£4,900 for Logistics³.

³ Levelling Up - The Logic of Logistics 2022 (BPF / Savills)