

Partnership for Urban South Hampshire PROPERTY REQUIREMENTS FOR DISTRIBUTION AND LOGISTICS



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Appendix 1	The Warehousing Market - National Background
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1 INTRODUCTION

- 1.1 The study is prepared on behalf of 'PUSH', the Partnership for Urban South Hampshire. PUSH is a voluntary partnership of eleven local authorities dedicated to sustainable, economy-led growth in South Hampshire. The sub-regional policy framework for South Hampshire, contained in the draft South East Plan, draws heavily on advice submitted by PUSH.
- 1.2 The objective of the study, as set out in the brief from PUSH in November 2007, is to provide a clear understanding of:
 - The key drivers of change in the distribution and logistics sector,
 - The property market requirements for the sector in South Hampshire over the next twenty years,
 - The extent to which current provision will meet those requirements
 - And the most effective means of providing for any shortfall.
- 1.3 We also provide a market evidence based assessment of the supply of warehousing land and floorspace in South Hampshire.
- 1.4 The PUSH approach to sub-regional planning and economic development has been welcomed by the Draft South East Plan Panel Report, but local authorities require more detailed guidance help implement development plan policies. The PUSH group have also asked that some of evidence and assumptions underlying the South East Plan floorspace provision numbers be reviewed as they relate to the warehouse sector.
- 1.5 This study starts with a policy overview of the warehousing and distribution sector in South Hampshire. We then look at the value of the sector to economic growth and prosperity. Chapters 4 and 5 look at the warehousing and distribution sectors from a market perspective. In chapter 6 we look at the future land requirements. Finally we balance the supply and demand for B8 floorspace before making recommendations about how best to meet both the aspirations of the PUSH partnership and the space requirements as set out in the Draft South East Plan.

2 POLICY CONTEXT

2.1 In this chapter, we set out the background of current policy, showing the national and regional strategies that the PUSH area must conform to, and the sub-regional policies it needs to consider, in framing its employment land policies. The strategic context is dominated by the emerging South East Plan.

National Policy

2.2 The core statement of national planning policy for employment land uses is found in Planning Policy Guidance Note (PPG) 4, Industrial and Commercial Development and Small Firms. This was published in 1992 and is one of the few remaining 'first generation' Planning Policy Guidance Notes.

2.3 In common with other policy guidance notes of the time, it is short, at only 10 pages and provides only limited guidance for local authorities unlike more recent, and proscriptive guidance notes. It covers all employment land uses including warehousing and logistics.

2.4 Key statements in PPG4 include:

- 'One of the Government's key aims is to encourage continued economic development in a way which is compatible with its stated environmental objectives.'
- 'Policies should provide for choice, flexibility and competition. In allocating land for industry and commerce, planning authorities should be realistic in their assessment of the needs of business. They should aim to ensure that there is sufficient land available which is readily capable of development and well served by infrastructure. They should also ensure that there is a variety of sites available to meet differing needs. A choice of suitable sites will facilitate competition between developers; this will benefit end-users and stimulate economic activity.'
- 'The locational demands of businesses are... a key input to the preparation of development plans. Development plan policies must take account of these needs and at the same time seek to achieve wider objectives in the public interest.'

2.5 It also makes a special mention of warehousing:

- 'Extensive, well-planned out-of-town distribution parks can offer economies of scale and consequent benefits to consumers or businesses supplied. Sites for such developments are best located away from urban areas, where the nature of the traffic is likely to cause congestion, and wherever possible should be capable of access by rail and water transport. Such sites should be reserved for those warehousing uses which require them, and not released for other uses unless there is a clear surplus of suitable sites in the area, and no realistic prospect of development for that purpose in the foreseeable future.'

2.6 The Planning White Paper, Planning for a Sustainable Future, published in May 2007, promised to replace it shortly with a new Planning Policy Statement (PPS), part of a reformed planning system that will more positively support economic development.

PPS4

2.7 The consultation draft of the new national Planning Policy Statement 4, Planning for Sustainable Economic Development, was published in December 2007. The Ministerial Foreword states the key objectives of the new guidance:

- 'This draft Planning Policy Statement aims to provide the tools for regional planning bodies and local planning authorities to plan effectively and proactively for economic growth... As a result of this new policy, regional and local planning

bodies will support economic development by ensuring that they understand and take into account what their economies need to remain competitive [and that they are] responsive to the needs of business and factor in the benefits of economic development alongside environmental and social factors. ‘

2.8 Paragraph 9 of PPS 4 states the same objective more succinctly:

‘The Government wants planning policy to support economic growth.’

2.9 To pursue this objective, the draft says that regional planning bodies and local planning authorities should:

- Use evidence to *plan positively* to meet current business needs and future changes, and in particular:
 - Undertake employment land reviews to assess the supply and demand for employment land;
 - Where possible, carry out these reviews at the same time as housing land assessments, to ensure that competing land uses are considered together;
 - Use a wide evidence base, including market information and economic data;
 - Plan to accommodate and support existing economic sectors, new or emerging sectors, clustering and knowledge-based and high-technology sectors;
 - Locate key distribution networks and freight-generating developments so as to minimise carbon emissions;
 - Aim to locate larger office developments in town centres on edge-of-centre sites, consistent with the sequential approach in PPS 6, except where offices are ancillary to other economic activities located elsewhere;
 - Where appropriate, collaborate with other authorities;
 - Where markets cross administrative boundaries, plan on a sub-regional basis;
- Recognise the needs of business, providing the *flexibility* to cater for varied and unforeseen needs; and in particular:
 - Use criteria-based policies to identify new employment sites and where necessary to safeguard existing employment sites from other uses;
 - Wherever possible avoid designating sites for single or restricted use classes;
 - Cater for start-up and SME accommodation as well as larger units and consider how the authority can deliver development, using interventions such as land assembly;
 - Avoid carrying forward existing allocations; if during the plan period, there is no reasonable prospect of a site being used for economic development, it should be actively considered for other uses;
- Aim for *effective and efficient use of land*, in particular:
 - Use market signals in plan-making and decision-taking: ‘planning authorities should take into account price differentials between land allocated to different use classes, when deciding on the most productive use of land’;
 - Prioritise previously developed land and encourage new uses for vacant and derelict buildings;
 - Take a constructive approach to change of use where there is no likelihood of demonstrable harm;
 - Set maximum parking standards for non-residential development at the local level.
- Secure *a high-quality and sustainable environment*, in particular:
 - Seek to ensure economic development is of high quality and inclusive design, and addresses climate change and the natural and historic environment
- Take *a positive approach to development control*, in particular:
 - Where proposals do not have the specific support of plan policies, assess them using a range of evidence and consider them favourably unless there

- is good reason to believe that the economic, social and/or environmental costs of development are likely to outweigh the benefits;
 - (Where proposals accord with the plan, they should have normally been approved.)
 - Ensure that development control decision take full account of the benefits of development;
 - Hold early discussion with developers about major or controversial proposals;
- 2.10 The draft PPS is less explicit the PPG 4 in supporting warehousing and distribution 'parks'. Instead it recommends authorities:
- 'Identify, protect and promote key distribution networks, and locate or co-locate developments which generate substantial freight movements in such a way as to minimise carbon emissions. Such networks and development should be in sustainable site locations, so as to avoid congestion and to preserve local amenity interests as far as possible whilst ensuring accessibility (including to rail and water transport where feasible).'
- 2.11 Although the draft guidance is less explicit about the sector, the draft guidance could be read to support market demand for warehousing and distribution. The draft PPS is broadly supportive of local authorities responding to 'market demand'.

Regional Policy

The Draft South East Plan

- 2.12 In 2006, the South East England Regional Assembly (SEERA) produced a draft replacement for the 2001 Regional Planning Guidance. This document is called the Draft South East Plan (SEP) and covers the period to 2026.
- 2.13 The Draft South East Plans overall vision is:
- 'Through the Plan and other measures, the South East will show a sustained improvement in its quality of life over the period to 2026, measured by the well-being of its citizens, the vitality of its economy, the wealth of its environment and the prudent use of natural resources.'
- 2.14 The draft South East Plan relies heavily on the 'Smart Growth' concept to provide economic growth without increasing the region's ecological footprint. Smart growth proposes a series of 'mechanisms' which will provide economic growth without importing extra labour or using extra land. These mechanisms include increasing the economic activity rate, increasing the skill base of the workforce, promoting the use of technology to improve productivity or the out-sourcing of jobs that do not have to be based in the area.
- 2.15 The Economy chapter of the draft plan provides no guidance of substance for local authorities planning for warehousing and distribution uses. Part of this may be because of the plans reliance on 'smart growth'; any concept which relies on largely space less growth is not compatible with relatively land hungry warehouses.
- 2.16 The only guidance given in the Transport chapter is that maximum use of rail and water should be used to distribute freight around the Region. As we will discuss later the scope for South Hampshire to develop its rail and water freight beyond port related distribution is limited because of market economies.

The Draft Plan - Sub Regional Policies

- 2.17 In the main the Draft Plan provides very limited detailed guidance to local authorities. However South Hampshire is more fortunate in that its policies are refined by a more detailed sub regional chapter. These policies draw heavily on detailed advice and evidence presented by the PUSH authorities.

- 2.18 The Plan notes that South Hampshire's economic growth rate has been consistently below that achieved by the South East region despite it being seen as an attractive and high quality location. Parts of South Hampshire suffer from high levels of deprivation and pockets of unemployment which are not in keeping with its South East Region location.
- 2.19 This is not a new finding; the South Hampshire area was identified as a Priority Area for Economic Regeneration (PAER) in the previous Regional Planning Guidance (RPG9). The sub regional policies in the new Draft Plan carry forward the principles already established by the PAER and go beyond them, seeking to achieve a step-change in economic performance based on a strategy of conditional managed growth.
- 2.20 To address the past underperformance of the local economy the sub regional policies aim to increase the sub-region's economic growth rate to 3.5% per annum (Gross Value Added) by 2026. The Push Partnership with the help of DTZ estimated that this will require around two million square metres of additional business floorspace.
- 2.21 PUSH estimate that approximately 60% of this floorspace will be required for town centre offices and business services. They estimate that the rest of the floorspace will be required to support the distribution, transport and communications sectors, and also for the development of advanced manufacturing.

Table 2.1 Indicative Employment Floorspace Requirements in South Hampshire 2006 to 2026

Use Class	Total floorspace requirements, 2006 to 2026 (Sq M)	(East PUSH)	(West PUSH)
B1	1,215,000	535,000	680,000
B2	216,000	123,000	93,000
B8	534,000	240,000	294,000
Total	1,965,000	898,000	1,067,000

Source: Draft South East Plan

- 2.22 The plan provides some specific location advice for this additional floorspace including:
- In the West:
- Previously developed land within the cities and towns, particularly their centres - 677,000 Sq M
 - Greenfield land in the North/North East of Hedge End Strategic Development Area - 74,000 Sq M
 - Greenfield land in the larger urban extensions and other greenfield sites with high accessibility allocated in Local Development Documents - 316,000 Sq M
- In the East:
- Previously developed land in the cities and towns, particularly their centres - 480,000 Sq M
 - Greenfield land in the Fareham Strategic Development Area - 121,000 Sq M
 - Greenfield land in the larger urban extensions and other greenfield sites with high accessibility allocated in Local Development Documents - 297,000 Sq M.
- 2.23 However it must be noted that it is not the intention of the sub regional policies to attract footloose strategic warehousing. Instead the provision of additional warehousing space is designed to support the South Hampshire sub regional economy; particularly its manufacturing sector and local residents.

The Draft South East Plan - Panel Report

- 2.24 The policies in the Draft SEP were the subject of an Examination in Public in early 2007 and the Panel submitted their recommendations to the Government Office in late August 2007.
- 2.25 The Panel criticises the draft Plan on the grounds that it does not provide a clear spatial framework or robust enough guidance for local authorities. It is also critical of the concept of 'smart growth', noting that the mechanisms that should deliver smart growth are too poorly defined to provide robust development control policies, and the concept does not help local authorities quantify employment land requirements. The Panel states that more work should be done to correct these deficiencies and the employment land elements of the Plan should be subject to an early review.
- 2.26 However the Panel are largely supportive of the South Hampshire sub regional policies and the more detailed supporting evidence collected by PUSH. South Hampshire is one of the few areas in the South East where the Panel does not recommend increased housing provision.

The South East Regional Economic Strategy

- 2.27 The third Regional Economic Strategy (RES) for the South East sets out a 10-year framework for economic development for the period 2006-2016. It recognises the challenges facing the region as global competitiveness, the need to achieve smart growth through raising productivity and adopting sustainable development.
- 2.28 The RES strategy is to:
- Assist firms to become **globally competitive**, for example by increasing R&D expenditure, encouraging collaboration and the development of new and improved products and securing improved infrastructure;
 - Encourage **smart growth**, by the regions stock of businesses, improving skills levels, improving travel choice and public transport, ensuring sufficient and affordable housing and employment space, including mixed use developments;
 - Support the quality of life in the South East by ensuring **sustainable prosperity** and the protection of the natural environment and resources.
- 2.29 South Hampshire falls within the 'Coastal' policy area. In this area the strategy recognises the past under performance relative to the wider South East, the role of the Ports and the need to maintain a supply of employment land.
- 2.30 The Strategy names the PUSH area as one of the Regions 'Diamonds'. These Diamonds for Investment and Growth have the potential to act as a catalyst to stimulate prosperity across wider areas, and offer scope for further sustainable growth based on targeted investment in their infrastructure.

Summary

- 2.31 The South East Plan provides floorspace targets for South Hampshire and background work prior to the plan, based on GVA growth, productivity improvement and an increase in jobs, demonstrating that the distribution and logistics sectors have a role in meeting these targets.
- 2.32 Although the sub region already benefits from some employment floorspace targets, emerging planning guidance, including PPS4 encourages planning authorities to be responsive to property market requirements. It urges authorities to read market signals and adjust their development control positions accordingly. So even though the draft South East Plan includes prescriptive floorspace targets authorities should be prepared to keep them under constant review.

3 VALUE OF THE DISTRIBUTION SECTOR

- 3.1 As discussed above the sub regional policy context is broadly welcoming to distribution and logistics although with the intention that this supports the South Hampshire manufacturing sector and local residents.
- 3.2 But even accepting that the driver behind providing additional warehouse floorspace provision is to support other sectors, there remains uncertainty over what direct benefits the growth of the sector could bring to South Hampshire and whether the growth of the sector should be actively supported.
- 3.3 There are two frequently quoted areas of concern.
- Firstly the sector is seen as being a poor and inefficient use of land which contributes few jobs.
 - Secondly there is a conception that the jobs are provided in the sector are 'poor' jobs (i.e. low skilled and poorly paid) and contribute little towards GVA.
- 3.4 To explore the first of these two areas we look at employment densities, comparing them with offices and industrial units to see how efficiently warehouses use space. We also consider the potential value added by the sector to the sub regions economy compared to alternative land uses. We also look at the quality of the jobs provided by the sector by examining wages and occupations.
- 3.5 However before we consider the warehousing sector in detail we need to explore to what degree many of the other South Hampshire sectors are reliant on the provision of warehousing space. The PUSH group have justified additional warehouse floorspace provision in the sub region on the grounds that it is required to support the wider economy.
- 3.6 There is no direct evidence to support this assumption but many of South Hampshire's best known local companies operate from a mix of different type of space. Frequently warehousing spaces operate alongside, or in proximity to manufacturing or office based functions.
- 3.7 Major local employers engaged or having a heavy reliance on B8 activity include the following companies:
- ABP - The UK's leading Ports Group. Associated British Ports own and operate 21 ports around the UK. Southampton is the number one car handling port and the country's second largest container terminal. Vital activity to the regions prosperity.
 - B&Q - Worldwide headquarters at Chandlers Ford, largest DIY retailers in Europe - subsidiary of Kingfisher group. Major high profile employer with roots in South Hampshire back to 1969.
 - Ford - Long established body and assembly plant at Eastleigh for transit van production. Large workforce and one of the few remaining manufacturing operations on this scale in the area.
 - Estee Lauder - Relocated European office and distribution headquarters from Petersfield to improve labour pool, to move closer to Southampton docks and most importantly, to operate from a higher specification, purpose built warehouse (10 metre to eaves).
 - CooperVision - South Hampshire has developed a tradition for contact lens manufacture over the last 20 years and CooperVision expanded its operation to a new site at Delta Park, Segensworth North combining a head office and warehouse/despatch operation from here. Employs 350 people. The development also enabled adjacent company Microturbo (Part of Snecma) to build a new 3,300 sq m factory for helicopter engine servicing.

- Draper Tools - Leading global Tool Distribution Company based in Chandlers Ford since 1963. High profile large employer of 300 people involved in admin, packaging, order/despatch and stock warehouse.
 - Smeg - UK distribution hub located at Interchange Park, Portsmouth for storage and home delivery of white goods imported from Italy.
 - SSE - In recent years through merger and acquisition activity have become a major utilities provider with a significant office/call centre element to their customer service function and warehousing/depot requirement for equipment storage and site installation operations. A major employer and growing.
 - Russ Berrie - New European sales and distribution centre at Stoke Park, Eastleigh import and export of soft toys, promotional gifts etc. Head office combined with stock warehouse.
 - CPG - One of the largest and typical of several locally based 3PL companies who have an important function in providing an out sourcing B8 and distribution service to a variety of regional businesses.
 - Garmin - Leader in satellite navigation and GPS technology, located at Hounslow Business Park in Totton where a new 15,000 sq m facility incorporates 2,000 sq m of office space and 13,000 sq m of warehousing. This UK headquarters building supports marketing and distribution throughout Europe. Garmin have been based in Hampshire since 1992.
 - Wyeth Healthcare - US owned global pharmaceutical company who operate in New Lane, Havant from a 9 hectare site and employ 600 personnel in a 'state of the art' packaging, storage and logistics operation. Based in Havant since 1960's and in 2002 completed a new on site, high bay warehouse.
 - Tesco - Regional food and supermarket delivery distribution from Nursling, Southampton where some 200 people are employed. Have acquired adjoining land for expansion.
 - Palmer and Harvey - National company having a regional distribution hub at Segensworth supplying the off licence trade - have struggled to identify a suitable site for expansion in 2007.
- 3.8 The list highlights how many of these companies operate head office, R&D or manufacturing space in tandem with their warehousing space. Importantly, it also shows how some of these companies have recently relocated within the South Hampshire area or moved into the area and taken warehouse together with other types of floorspace.
- 3.9 Some companies have moved lower value added production overseas but now require new UK based warehouses and assembling spaces which for operating efficiency are often attached to head office or other functions
- 3.10 Both planning policy and land values have been supportive of these occupiers' flexible property requirements. Planning policies have provided 'open B' space permissions and allocations (i.e. B1, B2 or B8). Land values for factories and warehouses are similar with the key determinate being location as opposed to land use.
- 3.11 The market has also responded to occupiers requirements for mixed B space by providing mixed use development; including warehousing.
- 3.12 Examples of mixed developments can be found at Segensworth and include Kitescroft, the IO Centre and Trilogy. At Kitescroft, apart from the Fire Control Centre which is under construction (sui generis use), 3 of the 5 existing buildings are let for predominantly B8 use including Estee Lauder, one is let to STS with about 60% of the floor area being used for B2 use and the balance for B8. The remaining building of 3,257 sq m is under offer to a B8 occupier.

- 3.13 At the IO Centre there are 16 units with a total floor area of 9,758 sq m. About 2,338 sq m or 24% of the floor area is used for B2 purposes the balance being B8.
- 3.14 At Trilogy there are 3 units totalling 12,077 sq m. 3,345 sq m is occupied by Business Post for B8 use. A second unit of 4,088 sq m is under offer for B8 use and there is strong interest in the third unit of 4,654 sq m from a company who will probably split the use of the floor space equally between B2 and B8. It is probable, therefore, that over 80% of the floor space at Trilogy will be occupied for B8 uses, including ancillary offices.
- 3.15 It is possible that if flexible development land had not been available, or was in such short supply that land values increased, some of the local companies identified above may have relocated elsewhere. Alternatively they could have remained operating from sub optimal space - potentially jeopardising their productivity.

Employment Densities

- 3.16 Estimating employment densities is complicated so research is conducted infrequently. From what limited evidence we have research suggests that employment densities in warehouses are lower than both offices and general industrial units. But for some types of warehousing, those smaller (non strategic / non high bay) units the employment densities are similar to manufacturing (B2) units.
- 3.17 The table below shows a range of different employment densities from different research studies which are frequently quoted in employment land studies:

Table 3.1 Standard job density benchmarks

	RTP / SERPLAN 1997 ¹ (net)	DTZ / SEERA 2004 (net)	English Partnership guidance 2001 ² (gross internal)
Offices	General: 17.9 sq m	General: 18.3 sq m Headquarters: 20.7 sq m High tech, R&D: 27.2 sq m	General : 19 sq m Headquarters: 22 sq m Business park: 16 sq m
Industrial	31.8 sq m	30-38 sq m	29-34 sq m
Warehousing	General: 40.1 sq m	(with loading bays) 78 sq m	General: 50 sq m Large scale, high bay: 80 sq m

- 3.18 The figures presented are average employment densities and can vary by location and local circumstances. As an extreme of how widely these standards can vary by local circumstances recent research by Atis Real3, specifically looked at the Black Country and found a B2 employment density of 1:82 sq metres and B8 densities between 1:40 and 1:60 dependent on the size of unit (1:60 is for very large units).
- 3.19 Although not noted in the table, 'self storage' style units employ very few people but have been taking increasingly large quantities of space - sometimes to the cost of other warehouse or manufacturing uses. No detailed research has been undertaken looking specifically at this sector; but as an example in a recent

¹ RTP / SERPLAN, *The use of business space: employment densities and working practices in South East England*, 1997

² ARUP, *Employment densities: report for English Partnerships and the Regional Development Agencies*, 2001

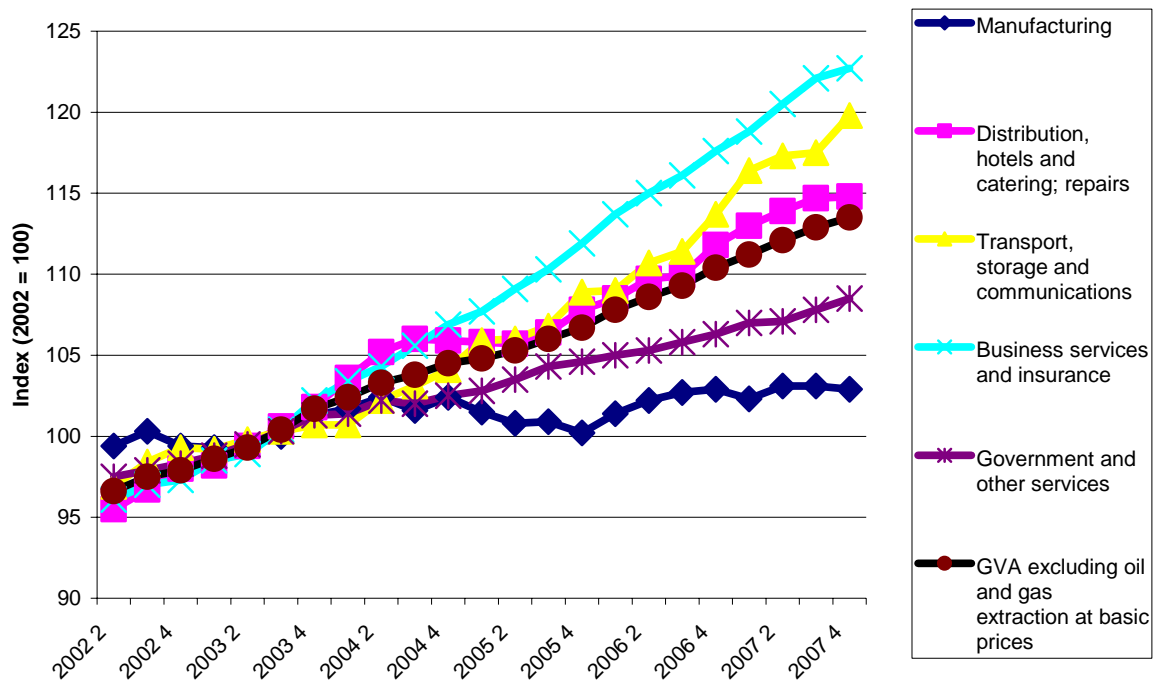
³ *Atis Real B8 Logistics Report 2007*

planning application for a 1,650 sq m 'self store' unit in Oxford the applicant submitted that only 5 people would be employed⁴.

Value Added

- 3.20 As noted above, warehouses on average employ fewer people per square metre than other uses. But warehouse productivity and the logistics sectors contribution to GVA is, on average, better than manufacturing.
- 3.21 The Office for National Statistics (ONS) releases labour productivity data, however the most recent detailed analysis was last undertaken in 2002⁵.
- 3.22 Looking at broad industrial sectors the ONS estimated that in 2000, GVA per worker for the 'Transport, Storage and Communication' sector (I) was £41,000 per worker but for 'Manufacturing' (D) the equivalent figure was £36,500.
- 3.23 Within the broad sector groupings there is considerable variance. For example GVA per worker for 'Sea and coastal water transport' (1992 SIC 6110) was over £90,000 but 'Freight Transport by Road' (1992 SIC 6024) was much lower at only £28,500
- 3.24 Although this data has not been updated in recent years we know from other sources that GVA in the distribution sector has grown much faster than manufacturing sectors.
- 3.25 The figure below looks at national GVA growth across selected industries; taken from the 2007 National Accounts (the Blue Book). The data is indexed to 2003.

National GVA Growth by Industry



Source: UK National Accounts 2007. Dataset Ref 'natpb1'

- 3.26 The data shows that all industry GVA (excluding oil and gas extraction) grew by 13% between 2002 and 2007. Looking at individual industries, the Business Services and Insurance group of industries grew the most; but they were closely followed by sectors often associated with warehouses - Transport, Storage and Communications and Distribution, hotels and catering. Although Manufacturing is a

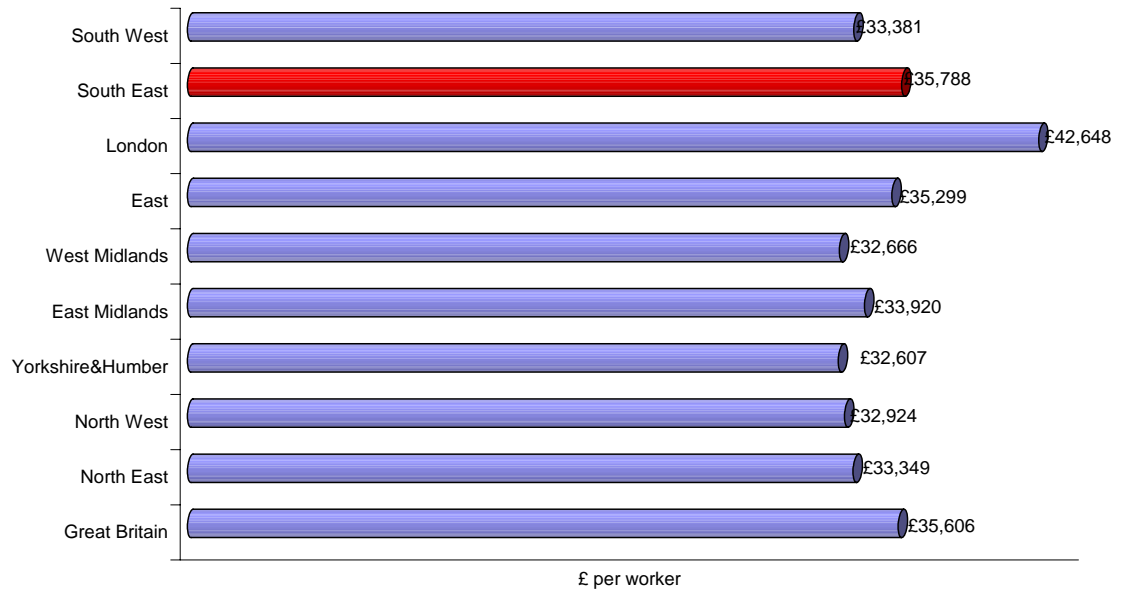
⁴ Oxford City Council Ref: 07/00151/FUL

⁵ http://www.statistics.gov.uk/articles/economic_trends/daffin_articlefinal.pdf

much larger sector than warehousing, and still important to the national economy, GVA grew less than the national average, barely keeping constant with 2002 GVA.

- 3.27 The datasets above use national data. The graph below shows GVA per worker in logistics by region. Productivity in the South East logistics sector is the second highest; only surpassed by London.

Graph: GVA per Employee in Logistics by Region, 2003



Source: ONS; ABI; RTP

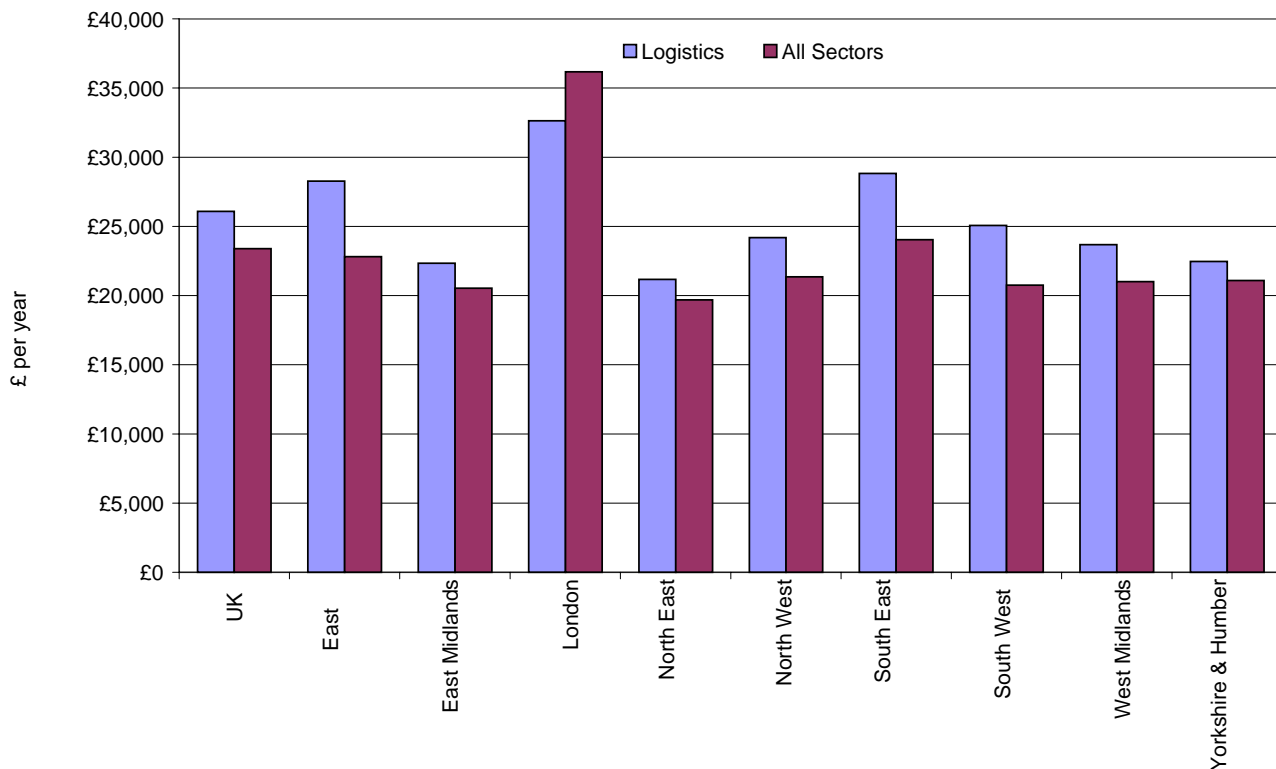
Warehouse Sector Occupations

- 3.28 The warehouse sector employs people from a wide range of different occupations. Most warehouses and distribution units also accommodate other supporting functions, often in attached office units. This is reflected in the diverse range of skills, occupations and qualifications the sector employs.
- 3.29 Some warehouses include more jobs in their office floorspace than occupied on the warehouse floor. Overall we estimate that in most of the new, large (or medium) warehouses between 20% and 30% of the floorspace are actually offices. At B&Q for example 2/3rds of the floorspace is warehouse but the remaining 1/3rd is office.
- 3.30 The 2001 Census shows that the majority of workers in the warehousing and distribution sector are occupations we most commonly assume are found in B1 offices. 25% of workers occupations are classed as 'sales and customer support'; a further 10% are 'administrative and secretarial' occupations. 20% are 'managers or senior officials'. Only 20% of the jobs are 'elementary occupations' and a further 10% are 'process, plant and machine operatives'.

Earnings

- 3.31 Earnings in the logistics sector are on average higher than the economy as a whole. In the South East Region earnings in the logistics sector are around £5,000 a year more than average earnings.

Graph: Regional and UK Average Gross Earnings, 2005



Source: ASHE, 2005

Summary

- 3.32 The above analysis is far from comprehensive but does illustrate that warehouse employment has a positive role to play in the regional and national economy. Some warehouse jobs can be well paid and many of the sectors jobs share more in common with those we expect to find in offices.
- 3.33 But warehouse employment is more land hungry than other types of floorspace and employs fewer workers per square metre of floorspace than offices and (arguably) manufacturing uses. Warehouses need more land to employ the same number of people as offices or manufacturing units.
- 3.34 However as the market evidence suggests, the warehousing sector cannot be viewed simply in isolation; many occupiers require a mix of floorspace types. This demonstrates that the proactive policy position adopted in the PUSH area, whereby warehouses are promoted to support other employment sectors can be supported by empirical evidence. It also highlights the risk that should South Hampshire only provide office and manufacturing space, some local companies with mixed floorspace requirements (e.g. B&Q, Copper Vision, Garmin etc.) may invest elsewhere.

4 WAREHOUSING IN SOUTH HAMPSHIRE

4.1 Below we look at the warehousing market in South Hampshire today, what drives the market and what are its characteristics.

South Hampshire's Key Features

4.2 South Hampshire's geographic connection to London, the Midlands and international markets contribute to the area's wide employment base and economic resilience. South Hampshire features two major cities linked by the M27.

4.3 The area is popular with developers, and features a buoyant investment market primarily orientated towards local demand. Often securing a site will lead to occupier take-up whether it is design and build or speculative.

4.4 Although South Hampshire is not a major warehousing location regionally the sub region competes with other areas in the South East of England, particularly south of the M4 and M25. Its ports are in competition with Thames Gateway and Felixstowe for commercial traffic in the UK and Dover and the Channel Tunnel for both passenger and freight traffic.

4.5 Valuation Office statistics record over 1.9 million sq m of warehousing floorspace in the PUSH area (2006). Approximately 55% of this floorspace is in the West PUSH area centred on Southampton. With a balance of 45% of the floorspace in the East PUSH area, centred on Portsmouth⁶.

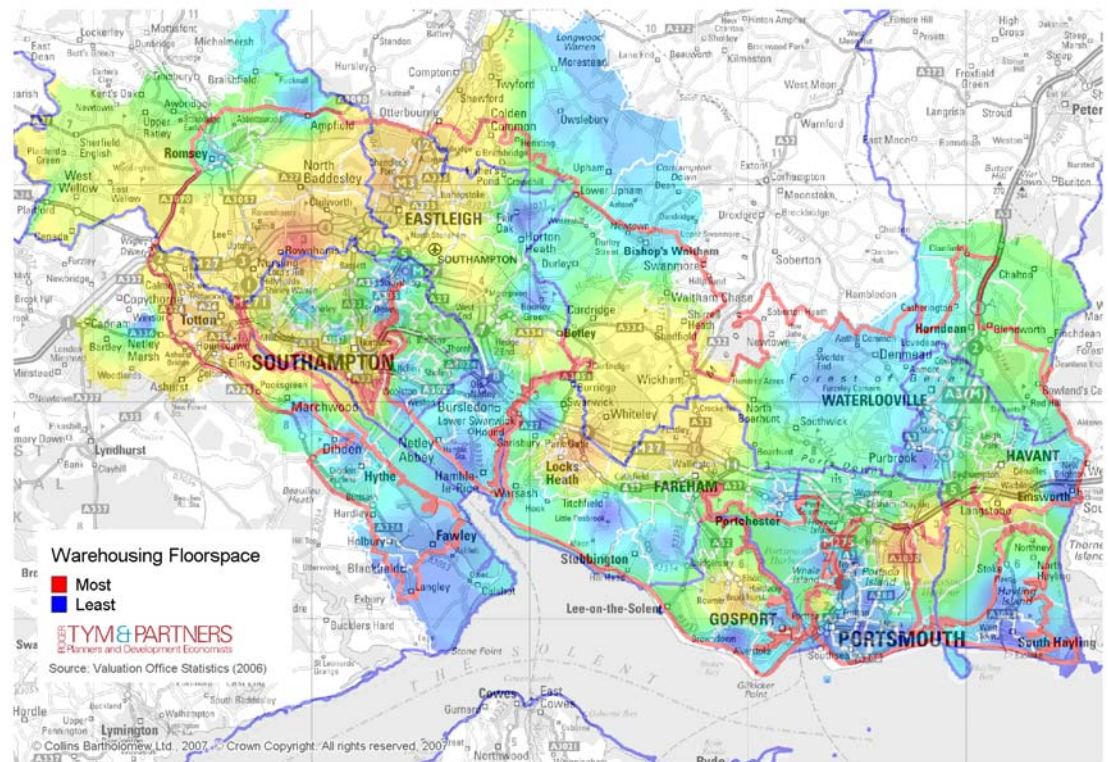
Figure 1: Warehousing Floorspace in South Hampshire 2006

Local Authority	Thousands Sqm
East Hampshire	24
Fareham	259
Gosport	76
Havant	93
Portsmouth	335
Winchester	56
East Total	843
Eastleigh	375
New Forest	154
Southampton	354
Test Valley	221
Winchester	10
West Total	1,114
Push Total	1,957

Source: Valuation Office Statistics. Middle Layer Super Output Area.

⁶ We use Middle Layer Super Output Areas which correspond, as best as possible to the PUSH Area.

Figure 2: Warehousing Floorspace in South Hampshire



Source: Valuation Office Floorspace Statistics 2006

Take-up

- 4.6 The new floor space take-ups are nearly all businesses with an existing local or regional base, including long term corporate international companies.
- 4.7 New floor space has been concentrated in contact lenses, cosmetics, marine industries, international imports, and food supply chains. For example: CooperVision, Estee Lauder, Raymarine, Vospers, Russ Berrie and Tesco.
- 4.8 Over the period 2004 - 2007, LSH estimate that the take-up of larger scale warehouses (> 1,000 sq m) in South Hampshire has averaged around 70,000 sq m a year. Around a third of this space is new build - the remaining the reoccupation of old land or buildings. The proportion of larger scale warehousing represents in the order of 70% of the total take up of warehousing space. Clearly there is a significant number of smaller B8 operators (specialist stockists, trade counter users, finished goods storage etc) who require units from 100 sq m upwards, therefore it is important not to underestimate this sector of demand across the B8 size range and impact on land supply.
- 4.9 In 2004 LSH estimate that take-up was 59,387 sq m which included 25,000 sq m of new build space. In this year Estee Lauder signed up to Kites Croft at Segensworth J9 M27 on a new 19,000 sq m HQ office, and warehouse (includes 4182 sq m offices) relocating from an older lower eaves building in Petersfield.
- 4.10 In 2005 B8 take up totalled 76,301 sq m including 21,118 sq m new build. The largest single deal was B&Q taking former Co-Op (Circle K) HQ unit at Chestnut Avenue Chandlers Ford of 14,400 sq m.
- 4.11 Recent year's take-up peaked in 2006 when it exceeded 86,500 sq m. In 2007 LSH recorded 61,680 sq m of take-up. This figure includes both new space brought to the market and also old space being re-let.

- 4.12 In South Hampshire older buildings (some former B2 units) are utilised by Third Party logistics operators and quick turnaround storage operators, who will accept lower eaves and poor spec buildings. However larger occupiers are less willing (and able) to compromise. They require dedicated B8 space.
- 4.13 Over the last 5 years or so there have been substantial changes in the requirements of B8 occupiers. Previously companies may have been prepared to take converted B2 space with low eaves heights, inadequate lorry manoeuvring and parking areas, poor access generally and restrictions on hours of operation.
- 4.14 In our experience this is becoming less and less the case, particularly with space requirements increasing and goods handling equipment becoming more sophisticated.
- 4.15 Key issues for B8 occupiers, particularly of buildings over 2000 sq m are:
- High eaves
 - Bigger yards
 - Better access to motorways and trunk roads
 - Flexible planning consents to allow B1 and B2 activities to take place on the same site
 - No restrictions on hours of use/vehicle movement
 - Vehicle parking and open storage
 - Services
- 4.16 The requirements of B8 occupiers raise environmental issues over the height of buildings and hours of operation which have an effect on the suitability of existing buildings or redevelopment of buildings on existing industrial and trading estates. In terms of land take, in theory higher eaves buildings should reduce the site area required thus giving higher densities. This is marginally true but in practice, the scale of a taller building will necessitate an increased landscaping belt and larger yard areas associated with specialist B8 units (the net developable to gross area decreases) and so will maintain a typical 40% site coverage, or slightly higher.
- 4.17 In our experience, only a limited number of occupier requirements specify a high bay facility - by this we mean 10 to 14m eaves as opposed to a standard acceptance of 6.5 to 7.5m. The higher stock values and medium to longer term storage with associated slower turnaround of goods is relevant to high bay operations and applies to much bigger floorplates (10 000 sq m plus) which in S Hampshire are seldom required. We understand racking above 4-5 pallet height necessitates a significant rise in fit out cost, handling equipment and is just not appropriate for many products, particularly 'just in time' distribution. The sub regional nature of warehouse use in supplying the local economy infers a relatively prompt turnaround of goods. We estimate only 10/15% of B8 requirements demand high bay.
- 4.18 When considering the warehousing market, the growth in Trade Parks should not be ignored, although they are outside the scope of this report. They usually occupy prominent main road locations on industrial and trading estates within mixed B1, B2 and B8 developments. Whilst some operate on old B8 consents most new developments have a B8 consent with a limit on the floor space that can be utilised for showrooms for both trade and retail sales. In general, floor space requirements are from 200 sq m - 500 sq m.
- 4.19 Higher values generated by Trade Counter operators put pressure on the use of land and buildings for B2 and B8 uses.
- 4.20 The growth in the number of self storage operators who also want to occupy prominently located buildings has been a feature of the last 5-10 years. They are

built to a very high density (150% site coverage not being unusual) which creates land values to match retail and residential.

Outstanding Requirements

- 4.21 Although not a major warehouse or distribution centre, the market in South Hampshire is constrained by a lack of land and space. It could grow faster. This could be from resident companies expanding (or relocating) or potential inward investment.
- 4.22 At the moment high land values, weak transportation links in certain areas and lack of supply of appropriate buildings and site opportunities, are the greatest disadvantages. Although some prospective businesses are dissuaded from locating in the area because of a shortage of land others are concerned about a perceived lack of available labour and high living costs. In their minds some other competing areas, particularly to the east of London, are seen to provide both land and labour at more competitive rates.
- 4.23 Any logistics operator needs access to the primary road network. For traffic moving inland common problems include the A3 with congestion set to be reduced by completion of the Hindhead Tunnel in 2011. However, operators are cautious that the A34 Midlands route is non-motorway. Moving east or west the A31 and A27 trunk routes are congested,
- 4.24 There is a general shortage of development opportunities. Readily available sites for development are missing. Often the cost of providing infrastructure or the cost of cleanup is prohibitive. One example is Hilsea Gasworks (now Voyager Park) where underestimating the costs of cleanup placed unrealistic aspirations on the landowners, resulting in the site being substantially undeveloped for 10 years. Higher residential values may have prevented some sites being brought to market for employment.
- 4.25 Higher second-hand values may also limit redevelopment and regeneration of existing sites. Whether re-development of existing Brownfield sites takes place will depend substantially on the second hand value of the existing buildings. Whilst they may not have the attributes referred to in paragraph 4.15, provided they are in reasonable condition bearing in mind their age, the value of the existing land and building may well exceed site value so that redevelopment will be frustrated.
- 4.26 We estimate that within the South Hampshire area there are outstanding requirements for over 70,000 sq m of large, purpose built distribution space. LSH know of a number of examples of larger B8 users who have been frustrated by lack of land or existing units in the South Hampshire area including Palmer and Harvey, CoOp, UTI Worldwide, Thyssen, Book Direct, Fatface, DSG Dixons, Geodis, Bartholomews, Valvai, Encon and John Lewis (a snapshot of current requirements at July 2008). The majority of these requirements relate to demand from the local economy to either service retail and consumer outlets, supply local assembly operations or store finished goods. Clearly there are major businesses involved in international distribution of products but in employment terms, local logistics companies and B8 related sub contractors (eg forklift servicing), still have an important bearing on the local economy.
- 4.27 Most outstanding requirements are for locally derived demand. However there is potential market demand for limited additional inward investment should market conditions be right.
- 4.28 The issue of inward investment in the warehousing sector is controversial - and not supported by the PUSH group. But from a market perspective, South Hampshire needs to consider this market demand (however limited) because it is unlikely development sites can be protected only for local companies and those which also support other objectives of local policy.

- 4.29 If sufficient land is not provided to meet market demand then competing occupiers could crowd out local companies and (in policy terms) more desirable mixed use operators.

5 THE PORTS

5.0 Chapter 4 looks at the warehousing market in general whereas this chapter looks in particular at the role of the ports in the South Hampshire property market. The South Hampshire Warehousing market has an added dimension in that it is home to two of the UK's largest ports - Southampton and Portsmouth. Together they are near unique drivers of demand for warehousing and associated open storage activities.

Southampton

5.1 The major port in the area is Southampton. The Port occupies around 70 ha of operational land at the eastern and western docks, 20 ha of which are used for container storage.

5.2 Southampton is the UK's second most important container port handling nearly 430,000 containerised units in 2005. It is strategically located at the western end of the English Channel and is a feeder port for worldwide trade entering mainland Europe markets.

5.3 As well as being a general container port Southampton also serves a number of niche markets. Southampton is one of the UK's largest vehicle-handling ports. Regular calls are made by all major Roll-on Roll-Off (RoRo) ship-owners, with services to the Middle East, the Far East, Australasia, the Mediterranean, USA, Africa, Continental Europe and the Baltic states. To accommodate the car import business the Port has been investing in multi-deck car terminals.

5.4 Southampton is also a major cruise terminal. There are already three cruise terminals handling the P&O Cruises and Carnival Line UK fleets. The port is also served by most of the other major cruise operators. A fourth terminal is now being planned to further increase capacity.

5.5 Although the cruise terminal is primarily passenger related it generates a demand for warehouses to serve the ships when they call at port. These warehouses may be needed to marshal all the goods and materials the vessel needs. These warehouses must be readily accessible to the port so that the ship can meet tight turnaround times.

Portsmouth

5.6 Southampton is predominantly a deep sea port whilst Portsmouth (far smaller in terms of area and berths) is characterised by busy short-sea traffic (8 sailings daily to France and Spain), a twice daily service to the Channel Islands and daily deep-sea arrivals of refrigerated cargo vessels carrying fruit for the UK market. The traffic although smaller in tonnage terms is by choice quicker through the port which discourages any storage of cargoes on site. However over 400,000 freight units pass through the port each year. The recent purchase of MMD now means that the port of Portsmouth has greater control over the whole area of the port and will be able to align the business plan for the port with the development plans for the City of Portsmouth.

5.7 While Portsmouth is designated a Gateway under the SE Plan and is a nationally strategic port, in recent years it has been under increased pressure from cheaper air flights and the main UK RoRo port at Dover. Portsmouth recently has had a chequered past - with some high profile route closures and the withdrawal of P&O from their French routes, this has however resulted in new low cost operators setting up services from Portsmouth offering a good quality lower cost service. This might be regarded as the marine equivalent of low cost air lines.

5.8 The bulk of freight traffic through the Ferryport is roll on roll off and so currently there is no requirement for Port centred logistics activity. The two deep sea berths however are faced with increased containerisation of the refrigerated fruit trade, and

in order to retain that trade will need to completely redesign and re-build their port area, The projected development of the Northern Quarter of the commercial and retail area of Portsmouth City, as well as the use of Trafalgar Gate as the main entry point to the Naval Dockyard provide a rare example of immense spatial synergies between 3 interest groups that normally compete for space. This development raises the possibility of much sought after extra space and redesigning of the port area.

Port Traffic Statistics

- 5.9 The tables below records total unitised imports into Britain via selected ports from 2000 to 2005, in terms of tonnes of cargo and number of units. The data is sourced from the DfT publication Maritime Statistics. This records all port traffics based on returns made by shipping lines (or their agents) and the ports themselves. The tonnage data for unitised cargo (LoLo and RoRo) records the weight of the goods plus any packaging but not the tare weight of the container/trailer.

Table 5.1: Unitised Imports 2000-2005 (000s tonnes of cargo)

	000s Tonnes					
	2000	2001	2002	2003	2004	2005
<i>Containers (LoLo) - UK total</i>	<i>27,859</i>	<i>28,337</i>	<i>28,516</i>	<i>28,586</i>	<i>32,512</i>	<i>30,143</i>
of which:						
Felixstowe	12,641	13,068	11,836	10,948	11,734	11,702
<i>Southampton</i>	<i>3,331</i>	<i>3,307</i>	<i>3,665</i>	<i>3,895</i>	<i>4,238</i>	<i>3,986</i>
Medway ¹	2,143	2,057	1,920	1,921	2,353	2,671
London	3,021	3,958	4,614	4,830	6,396	4,317
Liverpool	1,712	1,616	1,731	1,999	2,212	2,460
Immingha Sq M	400	440	878	695	732	799
Hull ²	1,300	1,363	800	1,513	1,686	1,146
Tees ²	250	460	587	526	556	585
Tyne ²	140	185	218	182	169	139
Forth ²	350	396	728	669	687	695
Bristol ²	300	463	458	489	550	623
Clyde ²	40	44	51	74	60	53
<i>Accompanied RoRo - UK total</i>	<i>15,814</i>	<i>17,846</i>	<i>18,921</i>	<i>19,035</i>	<i>20,659</i>	<i>21,349</i>
of which:						
Dover	9,655	11,253	11,938	11,373	12,472	12,590
<i>Unaccompanied RoRo</i>	<i>13,681</i>	<i>13,096</i>	<i>13,759</i>	<i>14,187</i>	<i>14,811</i>	<i>15,081</i>
of which:						
London	3,217	2,030	2,815	2,813	3,326	3,246
Humber ³	5,414	4,097	4,209	4,536	4,411	4,917
Tees	900	637	327	347	377	353
<i>Containers on RoRo</i>	<i>3,000</i>	<i>3,096</i>	<i>3,398</i>	<i>3,480</i>	<i>3,624</i>	<i>7,086</i>
Total UK Unitised Imports	60,354	62,375	64,594	65,288	71,606	73,659

1. Total for Medway, includes Thamesport and Sheerness.

2. Ports not served by direct calls from the major deep sea shipping lines. Instead, ports are served by feeder services from deep sea port terminals in Britain and mainland Europe, and by intra-European and near-sea container operators.

3. Combined Immingham, Killingholme and Hull.

Table 5.2: Unitised Imports 2000-2005 (000s Units)

	000s Units					
	2000	2001	2002	2003	2004	2005
Containers (LoLo) - UK total	2,071	2,113	2,156	2,169	2,364	2,220
of which:						
Felixstowe	940	936	871	807	866	871
Southampton	248	371	403	425	449	428
Medway ¹	159	165	172	161	190	205
London	225	243	280	301	325	224
Liverpool	127	159	148	168	180	186
Immingha Sq M	30	23	53	36	40	44
Hull ²	97	69	46	83	93	71
Tees ²	19	23	35	38	37	39
Tyne ²	9	14	16	13	12	10
Forth ²	40	40	47	53	60	66
Bristol ²	18	25	29	30	33	35
Clyde ²	17	17	18	23	19	19
Accompanied RoRo - UK total	1,221	1,355	1,399	1,419	1,555	1,589
of which:						
Dover	745	902	907	869	961	992
Unaccompanied RoRo	837	857	861	878	882	932
of which:						
London	197	142	191	189	188	186
Humber ³	331	220	221	238	231	264
Tees	55	38	18	19	20	19
Containers on RoRo	160	178	180	192	197	382
Total UK Unitised Imports	4,289	4,503	4,596	4,658	4,998	5,123

Source (both tables): Maritime Statistics (DfT)

1. Total for Medway, includes Thamesport and Sheerness.

2. Ports not served by direct calls from the major deep sea shipping lines. Instead, ports are served by feeder services from deep sea port terminals in Britain and mainland Europe, and by intra-European and near-sea container operators.

3. Combined Immingham, Killingholme and Hull.

- 5.10 There are a number of 'health warnings' associated with these tables. Firstly, the 'GB -Total' for Containers on lift-on lift-off (LoLo) services, and Containers on roll-on roll-off (RoRo) services in 2005 cannot be directly compared with those from previous years. Some operators were incorrectly assigning RoRo Containers to the LoLo category. This error was resolved in 2005, but with the appearance of a large growth in total RoRo Containers at the expense of total LoLo Containers between 2004 and 2005. However, this issue does not affect the individual LoLo record for Southampton since 2000 i.e. the data shows continuous and comparable record.
- 5.11 Secondly, Southampton's LoLo Container imports appear to have reached a peak in 2004 followed by decline in traffics in 2005. This apparent fall can be explained by a decline in the number of containers transhipped at the port (i.e. containers lifted from one ship to the quay and subsequently lifted onto another vessel for shipment to another port). Smaller countries in Europe are not served by direct sailings from the major deep sea container shipping lines (e.g. Ireland, Scandinavia). Such countries are served by so called 'feeder' services from the major port 'hubs' in

Europe such as Felixstowe, Southampton and Rotterdam. Peripheral areas in Britain (Scotland and North East) are also served by feeder services rather than by inland transport operations such as rail.

- 5.12 However, despite these 'warnings' a clear trend can be identified from the tables. Overall, the figures demonstrate a continuing growth in unitised trade via British ports in general (all categories) and via Southampton in particular. Between 1992 and 2005, maritime container traffic passing via British ports and having a domestic origin/destination (i.e. produced or consumed in the domestic economy) grew by 90% in terms of numbers of units. This equates to a compound annual growth rate (cagr) of 5.1%. Similarly, total RoRo traffic (accompanied and unaccompanied) has grown by over 90% since 1992.

Land Implications

- 5.13 The two ports are different in character and have different land requirements. Southampton is a growing container port and has proved to be successful in growing new business. Portsmouth has proven more vulnerable to a sector where a new player (low cost airlines) has reduced the attractiveness of providing year round freight/passenger ferries (Ro-Pax) and to competing short sea crossings.

Southampton

- 5.14 As the port grows, space on the port estate has become increasingly scarce. The port owners have unsuccessfully sought to secure new land at Dibden Bay to support the expansion of the port. Without additional land the growth of the port can only be achieved by intensifying the use of the existing dock estates.
- 5.15 To date part of this intensification has been achieved by developing new facilities, including multi storey car parks which have replaced low density car parks; prioritising loading and unloading of ship freight over open storage uses such as vehicle storage; and focusing on higher value, higher density type activity. So there is mounting pressure to relocate non core activities away from the port and into the general property market to free up constrained land at the dockside.
- 5.16 The most noticeable activity is (empty) container storage and other low density distribution uses including trailer and truck parking.
- 5.17 The table below shows unmet requirements for storage-land in and around Southampton (within the SO Postcode). Although not all this demand for land is for 'employment' uses, and some is outside the B use classes, it is important to note that these uses compete for open storage land so we need to consider them.
- 5.18 The data shows a total requirement for around 35ha of land, 25ha of which must be port related.

Figure 5.1: Unmet Land Requirements for Storage within the SO Postcode (Feb 2008)

ACTIVITY	Ha	SCALE (HAS) AND AREA OF SEARCH	AREA OF ORIGIN
Port Related			
Container Storage	0.4		Southampton Great Dunmow, Essex
Shipping line for container storage and trailer park	8	Close to port/motorway	Southampton corridor
Vehicle Distributor	2	Close to port/motorway	corridor
Transport Group	0.4		Northern Ireland
Truck Stop	2	Good motorway access	Southampton
Vehicle manufacturer (port related)	2	North and West of	Southampton Southampton
Transport company for container storage	1.2	Within 6 miles of port	Southampton
Bunkering and Transportation of fuel	0.5	Close to port	Qatar
Vehicle distributor	1.5	Close to port	Southampton
Import and Distribution	1.5	Close to port	Romsey
Door manufacturer	0.5	Port access	France
Container Storage (export)	2	Within 10 miles of Dock	Winchester Gate 20
Container Storage (shared site)	2		Winchester
Total Port Related	24		
Non Port Related			
Vehicle repair/maintenance	0.02		Fleet
Vehicle storage	0.01	Within 6 miles of Nursling	Sidcup
Jet ski storage	0.02		Southampton
Builders Yard	0.4	Southampton & North and	Farnham East of city
Builders Merchant	1		Bristol
Construction Equipment	1.5	Within 15-20 miles	Preston
Showman's equipment	2	East Southampton	Southampton
Vehicle storage	2		Dublin
Storage of lorries	1.2		Glastonbury
Cement works	0.8	Southampton	New Milton
Bus storage	1.2	Hythe area	Southampton
Exhibitor's vehicles	0	Space for 50/60 vehicles	Southampton during boat show
Total Non Port	10.15		
Total Port and Non Port	34.15		

Source: SCC Invest -In-Southampton. Note where potential occupiers have given a range we have taken the upper figure.

- 5.19 Some of this requirement is for dock adjacent sites, or sites 'close' to the port. Other occupiers may be willing to compromise and seek space up to 10 miles from the dock. We are also aware that Southampton City Council is looking to create a freight consolidation centre.

- 5.20 There is no data available to show actual take-up of space. When occupiers take space it will often be as a 'stopgap' pending further development of the site. Open storage operators sometimes take cleared Brownfield sites. These can be attractive because they are already surfaced and accessed. An example of this is the former Alstom Works in Eastleigh owned by St Modwen.
- 5.21 There is only around 11ha of storage land currently available in the Southampton Area, most on sites too small or too poorly located to accommodate the outstanding requirements.

Figure 5.2: Storage Sites Available in the SO Postcode area (Feb 08)

SITE	SIZE (has)	RENT PA	COMMENT
Brazier Industrial Estate, Third Avenue, Millbrook, Southampton	0.01	4500 exc	Service charge payable. Part of potential development site post 2010
Tanners Court, Tanners Lane, East Wellow, Romsey	0.02	5000 exc	Adjoins terrace of light industrial units. Access of A27. ? quality
Site at Redbridge Causeway, Southampton	0.03	2500 exc	Planning approval and approval of Highways Agency required. No storage of flammable liquids allowed. No services available. Rights of access to Redbridge Causeway stanchions
Phoenix Park, Chickenhall Lane, Eastleigh	0.06	11960 exc	Secure tarmac yard
Old Grange Farm, Grange Road, Bursledon	0.07	14000 exc	Includes 77 sq m temporary office building. Mains water and electricity. No gas supply
Site 1, Sandy Lane, Belbins, Romsey	0.15	18250 exc	Secure yard surfaced with crushed limestone. Electrical, water and telecoms available. Planning consent for distribution and storage. Up to 5 year lease could be negotiated
School Lane, Chandlers Ford Industrial Estate, Chandlers Ford	0.19	27500 inc of rates and service charge	Secure concrete surfaced yard. Large portable building on site (125 sq m). Term of up to 5 years
Marchwood Industrial Park. Normandy Road, Marchwood	2.02	On application	Secure serviced storage yards
Site 1 Sarum Farm, Sarum Road, Winchester	0.20	10868 exc	
Site 2 Sarum Farm, Sarum Road, Winchester	0.81		
Willments Industrial Estate, Hazel Road, Southampton	0.96	On application	24 hr on site security
Balldown Business Cnetre, Stockbridge Road, Sparsholt, Winchester	0.37	20000 exc	Surfaced in scalplings with security fencing
Cracknore Hard Lane, Marchwood	1.20	On application	Self-contained site with its own gated entrance. Mainly laid to scalplings and fenced with high level security lighting. Mains electricity and water available
Hardings Lane, Fair Oak	0.81	On application	
Site 1, Jefferies Yard, Winters Hill, Durley	0.19	See next column	£600,000 freehold for both sites. Open land with three buildings (20,30 and 75 sq m). Predominantly level with a mixture of compacted materials and hardcore
Site 2, Jefferies Yard, Winters Hill, Durley	1.01		£600,000 freehold for both sites. Open land with three buildings (20,30 and 75 sq m). Predominantly level with a mixture of compacted materials and hardcore
Unit D, Empress Road, Northam, Southampton	1.55	250,000 exc	Irregular shaped circle with a mix of concrete and tarmac surfaces. Mains water, electricity and drainage. Fixed term lease for 12 months from 3/9/07
Former Alstom Works, Eastleigh	1.86	On application	Very poor vehicular access
Total	11.53		

Source: SCC Invest -In-Southampton. Note where potential occupiers have given a range we have taken the upper figure.

Portsmouth

- 5.22 The Portsmouth Estate is less pressured than Southampton - partly because trade through the port is not growing as fast.
- 5.23 Because Portsmouth is a primarily RoRo port this reduces its land requirements compared to an equivalent level of traffic at Southampton. Unlike Southampton where most goods are handled on and off container ships, most goods arriving at Portsmouth arrive already loaded on HGVs. These drive off the ships and are soon on the primary road network - on their way to national or regional distribution centres located elsewhere in the Country.
- 5.24 The Ferry Port, owned and operated by the City Council, has had a requirement for trailer parking since their site at Walton Road was allocated to Amey and Colas. In the last few months (February 2008) the commercial port has purchased MMD the main banana receivers in the UK. As the two berths from which this company operates are directly linked to the Ferry Port this has caused a step-change in the degree of control and the aspirations that the port has. The Port Manager has an aspiration for 2 ha, which is likely to cater for the Continental Ferry Port requirement for the Plan period to 2026. The immediate requirement is in the order of 0.8 ha. The proposed development of the Northern Quarter of Portsmouth City and the re-designation of Trafalgar Gate as the main entry point for the Naval Dockyard provide the prospect of a much needed re-structuring of port roads and port land, as well as acquiring the extra 0.8 acres immediately required.
- 5.25 The bulk of freight traffic through the Ferryport is roll on roll off and so there is no requirement for Port centred logistics activity. There is an aspiration to deal with car imports but unlike Southampton it is likely to be on a small scale and vehicles will be transported away from the docks rather than being parked locally.
- 5.26 Flathouse and Albert Johnson Quays deal with Channel Islands' produce, bananas and citrus fruits. It is likely that the land and buildings requirements will be met in the vicinity where planning policy protects areas for Port related uses. A new access is planned to the dual carriageway which may open up opportunities.
- 5.27 However in addition to this, the Council has been considering building a Banana Ripening Centre, which may require up to 5 acres with a building in the region of 14,000-18,580 sq m. It is unlikely that this requirement could be met close to the Docks, unless the Ministry of Defence release any land in the Dockyard. However, proximity to Flathouse Quay will be important.

Future Land Requirements

- 5.28 The growth of the ports is likely to generate demand for more port related land away from their traditional dock estates. Some of this demand will be displacement from the docks as the operators intensify the use of scarce dock land to the detriment of more footloose uses. Other demand will be ancillary to the success of the docks - for example cruise ship car parking.
- 5.29 Not all of this land will be for strictly B space uses, cruise ship car parking for example. But in market reality displaced port activities compete with traditional employment land. Unless this is taken into account when planning new land allocations, port related activities may occupy land planners expected to be taken for employment uses. This may reduce the capacity of land allocations to contribute towards the employment and growth aspirations held by the PUSH Partnership. If no new land is available the lack of open storage land may constrain the growth of the ports.
- 5.30 Figures 5.1 and 5.2 above show that there is a supply of storage sites in the Southampton Postcode area of about 11.5 hectares and a requirement for storage land for Port related and other uses of just over 34 hectares. Whilst simplistic, this

indicates that there is an outstanding need in the Southampton area for about 22.5 hectare. Unfortunately because of the nature of the sector and a lack of data, it is difficult to be more specific.

- 5.31 Portsmouth is unlikely to continue to prosper without the ability to re-organise and increase its estate to cope with increased containerisation of the fruit trade; the Northern Quarter development, Trafalgar Gate project and new access to the dual carriageway will go a significant way towards this.
- 5.32 Although we cannot be specific about the amount of additional land required evidence suggests that there is a market led need for some additional port related land. In planning for this the local authorities should consider to what extent existing employment sites falling available for redevelopment may be suitable for open storage or other port related uses. It may be preferable to use brownfield redevelopment sites for port related uses before identifying new Greenfield sites in locations less accessible to the ports.

6 DRAFT SOUTH EAST PLAN FLOORSPACE REQUIREMENTS

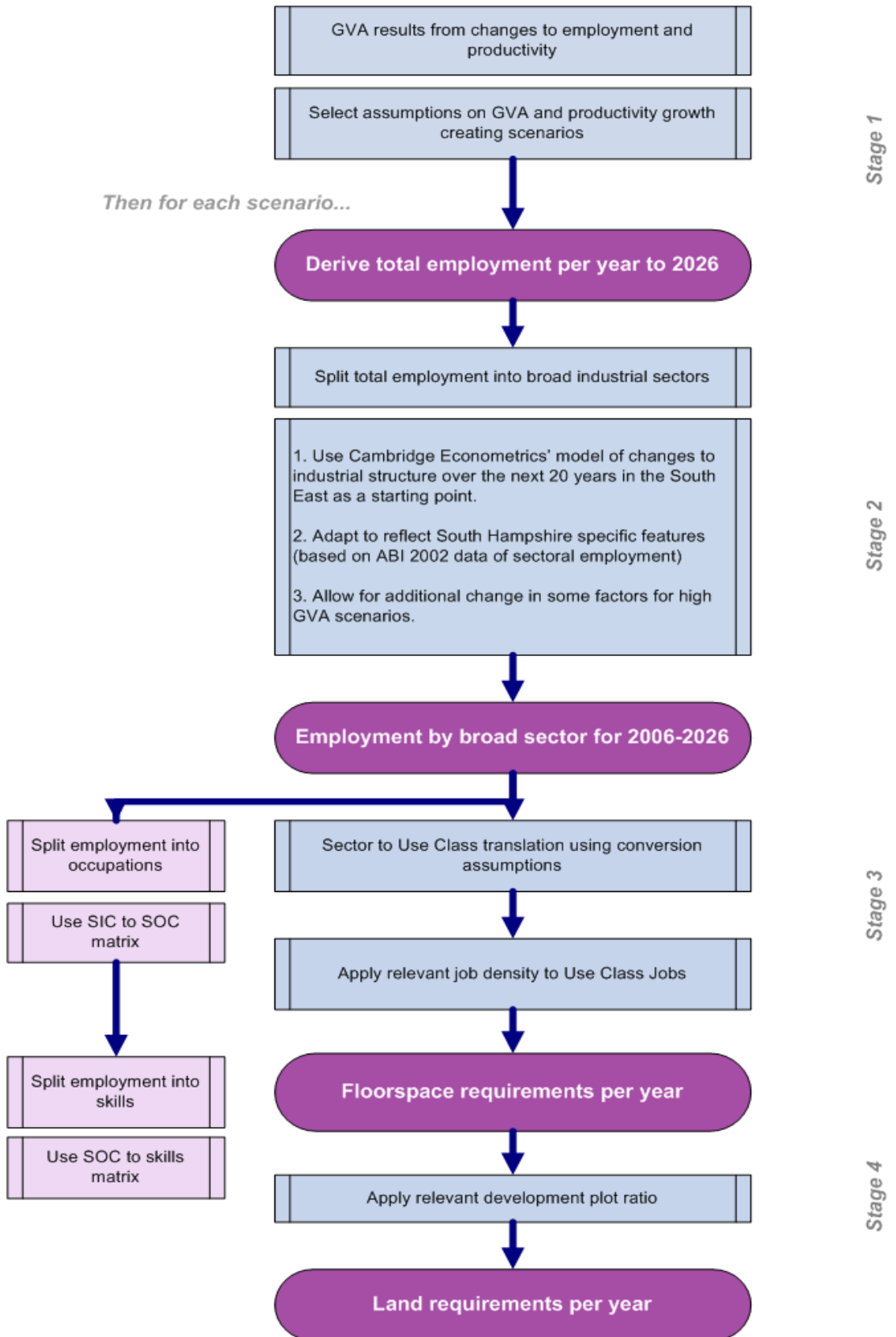
Introduction

- 6.1 As discussed above the South East Plan identifies a requirement for additional warehousing land within the PUSH area. This additional requirement was recommended to the South East Regional Assembly by the PUSH group.
- 6.2 In developing their advice to the Regional Assembly the PUSH group jointly developed a shared evidence base. Part of this evidence base, and their advice was informed by forecasts commissioned by the group from DTZ and further internal work by the PUSH group. This type of joint working is applauded in the Panel Report; one of their core recommendations is for stronger sub regional working to help develop robust sub regional policies.
- 6.3 As part of this study we have been asked to review both the demand forecasts and the supply pipeline to assess whether the market balance figure used in the South East plan is sound.
- 6.4 Our task is not to propose a new model and generate new numbers, but to review the model chosen by DTZ and the assumptions on which it is based and reality check them against our understanding of the property market. However we do compare land requirements in the South East Plan with an alternative forecast prepared by MDS Transmodal to get a better understanding of the implication of the South East Plan numbers.

Demand modeling for PUSH

- 6.5 Demand forecasts were commissioned by the PUSH group from DTZ. This work commenced in 2004 and was published as a final 'combined report' in 2007.
- 6.6 The key stages and basic processes behind the method used by DTZ are described in the diagram overleaf.

Figure 6.1: DTZ Forecasting Method



6.7 DTZ developed a number of different scenarios using different assumptions but for this study we only consider the 'preferred option scenario' - the one that has been adopted by PUSH carried forward to the South East Plan.

- 6.8 Annual GVA growth steadily increases over time, reaching 3.5% by 2026 with labour productivity (GVA per employee) also increasing to 2.7% by 2026, representing a step-change in economic performance.
- 6.9 The preferred scenario generates an additional 58,600 new jobs in the PUSH area. DTZ attribute 6,000 of these to warehouses (B8). In the analysis it is assumed that Transport and Communications activities and Distribution occupy B8 space. The table below shows the key output of the scenario.

Table 6.1 Indicative Net Additional Floorspace/Land Take Requirements for South Hampshire 2006-2026 under the PUSH Preferred Scenario

Sector	Employment Change	Use Class	Employment Density (Sq M per worker)	Gross External Floorspace (Sq M)	Site Coverage of Buildings	Land Take (ha)
Distribution	4,700	B8	80	379,300	35%	110
Retail & Leisure	14,200		30	426,700	35%	120
Transport & Communications	1,300	B8	80	106,800	35%	30
Business Services	42,800	B1a	25	1,069,000	35%	310
Public Administration ¹¹	1,900	B1a	19	37,000	35%	10
Other Services	4,100	Various	25	101,900	35%	30

Source: Partnership for Urban South Hampshire (PUSH)

- 6.10 Before rolling these numbers forward into the Draft South East Plan the PUSH Partnership added a 10% margin to allow for market flexibility and sites in the planning pipeline which may not come forward for development.
- 6.11 Although DTZ forecast a decline in manufacturing employment of over 20,000 jobs, the South East Plan includes a positive B2 land requirement. This was calculated by projecting forward a constant proportion of B2 space. PUSH reasoned that a positive B2 land requirement is needed to provide high quality space for advanced manufacturing.
- 6.12 Even though the plan proposes a positive B2 requirement the scale of the forecast manufacturing losses is such that much less land will be required for B2 space in the future. Some of this could be re-used for growing sectors, including B8.

DTZ Assumptions

- 6.13 The PUSH group have requested for us to assess the robustness of the underlying assumptions made in the report. We have identified three main areas where the assumptions may be particularly sensitive:
- The definition of the sector, the starting point for any modeling process.
 - Employment density assumptions
 - Plot ratio assumptions

Sector Definitions

- 6.14 Firstly we query the sector definitions used in the report. Defining the warehousing sector is very complicated because there is no single agreed definition of what activities (as recorded in government statistics) occur in warehouse units. This is partly a symptom of a warehouse unit's flexibility where one day it can be used for one activity, the next something else.

- 6.15 DTZ adopt a very wide definition of the warehousing sector and assume that the sector includes 25% of all jobs in the broad 'distribution, retail, hotels and catering' sector and 100% of jobs in the 'transport sector'. Using these assumptions the B8 sector would employ around 60,000 workers⁷ or 14% of all jobs in the PUSH area.
- 6.16 As standard RTP use a much narrower definition of warehouse employment as shown in the table below.

Table 6.2: RTP Warehousing Definition

Warehousing Sectors	SIC (2003)	Activities
Wholesale	51.11-51.70	<ul style="list-style-type: none"> ▪ Wholesale on a fee contract basis ▪ Wholesale of goods
Freight Transport by Road	60.24	
Cargo Handling	63.11	
Storage and Warehousing	63.12	
Other Supporting Land Transport Activities	63.21	
Post and Courier Activities	64.11-64.12	
Packaging Activities	74.82	<ul style="list-style-type: none"> ▪ Packaging activities
Labour Recruitment and Provision of Personnel (part)	74.5	

Source: RTP.

- 6.17 Using the narrower RTP definition of warehousing employment, we estimate that far fewer people work in warehouses in the PUSH area. We estimate that in 2006 there were around 28,000 people employed in warehouses in 2006⁸, 60% of them in the west PUSH area and 40% of them in the east.
- 6.18 Because DTZ assume that the sector is larger than we would assume its growth potential may also be exaggerated as part of the modelling process. Also although DTZ only take 25% of distribution, retail, hotels and catering sector there is no evidence that it is the warehouse element of this broad sector which is growing - as opposed to retail, hotels or catering.

Employment Densities

- 6.19 We also query the assumptions used to translate the employment numbers into floorspace (stage 3 of the method). The Economic Drivers and Change report assumes that each worker in the warehousing sector requires 80sq m of space. But as we have discussed elsewhere a 1:80sq m employment density is characteristic of large scale warehouses (with high bay / loading bays).
- 6.20 At the extreme, if we assume a lower employment density, say 1:60 sq.m the amount of new floorspace required would be half that indicated by DTZ. However, such an assumption would be unrealistic because new space is more likely to be modern, efficient space whereas 1:60 sq.m is an average for all general industrial / warehousing space.

Plot ratios

- 6.21 Because planners need to make land allocations in development plans, which are normally controlled by site area (as opposed to floorspace) we need to translate floorspace into land.

⁷ From Table 2.3 and 2.9 of the Stage 3 study. This study does not explain the relationship between sectors and land uses. But a study undertaken in parallel for - North Hampshire does although that study assumed 50% of transport employment and not 100%.

⁸ Data from the Annual Business Inquiry using RTP definitions (see chapter 4)

- 6.22 For translating floorspace requirements into land the Economic Drivers of growth report assume a 35% plot ratio. So each 3,500 sq m of warehousing floorspace requires 1 hectare of land.
- 6.23 Guidance provided in the ODPM Employment Land Review Guidance Note (2004) would suggest a higher plot ratio is appropriate for warehousing. It cites evidence that plot ratios for warehouses can be between 40% and 60%.
- 6.24 We suspect that this high figure is because some new warehouse developments can be very land efficient - especially where employment densities are low (limited car parking), and limited circulation space is needed or separation space between units is not required - for example where developments include only a few very large units.
- 6.25 This type of very efficient, very large warehouse is not appropriate to South Hampshire but the data does show that there is scope for warehouses, especially new and modern warehouses to use land efficiently. As a general 'rule of thumb' (endorsed in the recent East of England Employment Land Review Manual) RTP adopts a 40% plot ratio⁹.
- 6.26 It is important to note that this is only a rough approximation of what could be considered a reasonable development site. By reasonable we mean that the net developable area and gross site area are broadly similar. For some specific sites, where excessive site screening is required or only part of the site is useable this assumption will not apply. However these cases should be examined on their individual merits and planners should always consider that we or DTZ have assumed capacity for 3,500 / 4,000 sq m of floorspace for each hectare of land.

Conclusions

- 6.27 There is evidence to suggest that the assumptions made in the drivers for growth report may over estimate the requirement for new warehousing land.
- 6.28 The draft SEP requirements are based on an assumption that to provide 6,000 new warehousing jobs the PUSH area requires 140ha of new land. This conclusion is reached because of an assumption that each worker requires 80sq m of floorspace and each hectare of land accommodates 3,500sq m.
- 6.29 However using more conservative assumptions the amount of land required to accommodate the same number of jobs could be lower. If we assume a job density of 1:60 and a 40% plot ratio the amount of land required is reduced to 90ha.
- 6.30 But before we can endorse a lower land requirement we have to consider any other factors, not taken into account in the Economic Drivers report. The property market is not easily segmented and general distribution warehouses will have to compete for limited land resources with other land uses.
- 6.31 Firstly we have to consider any land requirements attributed to the ports. The Ports are a near unique feature of South Hampshire (as discussed elsewhere in this report). They generate a requirement for both port related warehousing space (often displaced from the dock estate) and also an active requirements for open storage. Each of these can compete with general warehouses for a limited supply of land.
- 6.32 We also have to consider demand for warehousing which is not indigenously generated. If neighbouring, and sequentially more suitable locations for regional

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http://eastofenglandobservatory.org.uk/WebDocuments/Public/approved/user_9/EmploymentLandReview.pdf

and sub regional warehouses fail to supply sites then these occupiers may be forced to consider second tier locations - including South Hampshire.

- 6.33 Although sub regional policy does not seek to encourage this type of investment planning instruments cannot easily discriminate between local companies and non local companies. For example planning permissions for B8 warehouses cannot only be given to local companies or companies with wider links to the local economy (e.g. headquarters or R&D offices). As such there is a risk that by providing additional warehousing land South Hampshire may attract some additional warehouse occupiers - drawn to the local area by the availability of labour and sites.
- 6.34 Although we do not expect South Hampshire to become a preferred location for warehousing there is already evidence that some major warehousing occupiers are being forced into looking at alternative locations. For example Lidl are actively considering sites in South Hampshire for a large regional scale distribution warehouse because land is not available in other areas. These potential new jobs could be considered additional to those already modeled in the Economic Drivers report.
- 6.35 There is also evidence from elsewhere in the Country that because of the changing nature of the warehouse sector and especially market driven requirements for larger and more efficient units some old sites will become obsolete. They will be unable to accommodate large footplate warehouse units.
- 6.36 All of these factors may lead us to consider a need for more land than originally modeled. As noted above providing detailed estimates is very complicated given such a heavy reliance on assumptions.

7 AN ALTERNATIVE FORECAST - MDS TRANSMODAL

- 7.1 To help better understand the drivers for additional warehouses in South Hampshire we have undertaken an alternative forecast of future demand for logistics warehousing in Hampshire¹. This also highlights some of the complexities in forecasting demand for new warehousing. The output from this exercise is an estimate of future total gross warehouse new build and associated land requirements up to 2026.
- 7.2 The traditional approach to employment land forecasting is to relate employment levels to floor space. More specifically, future growth in employment is related to future demand for floor space/land (similar to the DTZ model discussed above). While this provides a robust forecasting method for most land-use types (e.g. B1), applying the same approach to the larger scale logistics sector is unreliable and ultimately produces inaccurate results, for three main reasons:
- The correlation between employment and floor space in the logistics warehousing sector is weak. Facilities of broadly the same floor space have widely varying employment densities, as employment levels are generally related to cargo type and site activity. Also, in some parts of the logistics sector employment levels are highly seasonal in nature;
 - Demand for floor space is related to cargo volume and throughput; and
 - It takes no account of the fact that there is a continual need to replace old warehouse stock which becomes life expired
- 7.3 Taking into account the above, an alternative forecast has been undertaken on the basis that demand for warehouse floor space is linked to cargo volume. This in turn is driven by the changing patterns of production, consumption and trade. This is very much a 'baseline' forecast because it does not provide for the level of GVA growth envisaged in the PUSH strategies and translated into the South East Plan.
- 7.4 The model is also selective in that it forecasts the demand for larger scale distribution warehouses. As noted below there are two differing definitions of a warehouse. The Valuation Office estimates almost twice the amount of warehousing in South Hampshire than could be reasonably justified to service the flow of freight and cargo through the area. This is because the Valuation Office adopt a very broad definition of warehousing which includes space ancillary to other others; for example supermarket 'backroom'; storage. This type of space is important to the functioning of the regional economy but the planning system either considers this space alongside its other primary use or as general industrial space. In practice only larger warehouses that actively handle cargo or freight flows are likely to require new, specialist sites.
- 7.5 The exercise takes into account all known major infrastructure schemes which attract/generate traffic, such as a port development or large rail-linked distribution parks. In this case, the forecast assumes no such schemes for Hampshire including no major portcentric distribution developments.

¹ While the main study area is urban south Hampshire, the base data which underpins the GB Freight Model is collated on a county-county basis. Even though the model can disaggregate traffic to below county level, this is at the expense of accuracy. At this stage, therefore, it was deemed more robust to undertake the analysis for Hampshire as a whole. However, this is 'corrected' further below at various stages.

Traffic Delivered to Hampshire Warehouses

- 7.6 Using the MDS Transmodal GB Freight Model (GBFM), the first task of the forecasting exercise was to:
- Establish the current (2005) volume of goods delivered in Hampshire, excluding port traffics for export and goods landed at Hampshire ports for final delivery outside the county; then
 - Establish the current (2005) volume of goods delivered directly to distribution centres in Hampshire.
- 7.7 Given that goods delivered to a warehouse are eventually dispatched from a warehouse, the analysis has concentrated on inward flows to the county. The outputs from the GBFM can be divided into different commodity groups. Recognising that some types of goods are not handled at distribution centres, the volume of goods delivered in Hampshire for those commodities which at some stage in the supply chain will pass through a warehouse were identified and quantified (clothing, electronics, food, beverages etc..). Goods which are not handled at distribution centres, i.e. bulk materials such as coal, petroleum products, aggregates and waste, were therefore excluded from the analysis.
- 7.8 The table below summarises the current (2005) volume of goods destined for Hampshire, excluding port traffics for export and goods landed at Hampshire ports for final delivery outside the county, by region of origin (Government Office regions) for those commodities which at some stage in the supply chain will pass through a warehouse (from here onwards called 'unitised goods').

Table 7.1: Total Unitised Goods Delivered in Hampshire by Region 2005

Origin	000s Tonnes
Hampshire	11,388
Other South East	2,169
South West	1,918
East Midlands	677
East of England	1,136
Greater London	657
North East	33
North West	394
Scotland	44
Wales	460
West Midlands	822
Yorks&Humb	394
TOTAL	20,092

Source: MDS Transmodal GBFM

- 7.9 The figures in the table above, however, do not establish the volume of unitised goods, which are delivered directly to distribution centres in Hampshire. Effectively, the GBFM (the base data) is recording goods each time they are 'lifted' as they pass from manufacturer or port to distribution centre to retail outlet. There is therefore an element of double and triple counting.
- 7.10 In order to establish the current volume of unitised goods being delivered directly to distribution centres in Hampshire, a further 'filter' has to be applied. Recent work in the East Midlands suggested that 41% of total unitised goods delivered in that region were destined for large distribution centres. For the West Midlands a similar exercise showed that 45% of total unitised goods were made up of movements direct to distribution centres. As noted earlier, however, distribution centre activity in Hampshire is much smaller in scale. NDCs are generally small in

size and associated with fairly specialist markets, while most large scale RDC are located close to London and the M25. On this basis, we would therefore expect the proportion of unitised cargo being delivered direct to warehousing in the county to be much lower. Consequently, we estimate that around 23% of all unitised cargo being delivered in Hampshire is direct to a distribution centre of one type or another (the balance being deliveries to retail outlets or factories). This is summarised below.

Table 7.2: Total Unitised Goods Delivered in Hampshire and Proportion Delivered Direct to Distribution Centres 2005

Year	000s Tonnes	
	Total Delivered Hampshire	Total Delivered Direct to Distribution Centres*
2005	20,092	4,621

* 23% of unitised tonnes delivered in Hampshire

Existing Warehouse Stock in Hampshire

- 7.11 The next stage of the analysis was to estimate the existing stock of distribution centre floor space in Hampshire. This has been undertaken by equating the annual tonnage delivered direct to distribution centres in Hampshire as warehouse floor space, using generally accepted 'conversion factors' or 'throughput ratios'. These are presented in the table below for Hampshire and, for comparison purposes, large scale 'highbay' NDCs and RDCs located in the golden triangle or major conurbations. As is to be expected, the smaller scale facilities in Hampshire are less efficient in terms of storage capacity per square metre of floor space.

Table 7.3: Floor Space and Volume Throughout Relationships

	Hampshire	Highbay NDC	Highbay RDC
Tonnes per pallet	0.5	0.6	0.8
Pallets per sq m	0.5	1.0	1.5
Stock turns pa	18	12	26
Floor space utilisation	85%	85%	85%

- 7.12 Using these factors and applying them to the total volume of unitised goods delivered directly to distribution centres in Hampshire, we estimate that in 2005 there was around 1.2 million square metres of floor space at distribution centres in the county. This is shown in the table below.

Table 7.4 Unitised Goods Delivered in Hampshire and Warehouse Stock 2005

	000s Tonnes	
	Total Hampshire	Total to Distribution Centre
Unitised Goods Delivered	20,092	4,621*
Floor Space in Hampshire	1,208,123 Sq metres**	

* 23% of unitised tonnes delivered in Hampshire.

** 0.5 tonnes per pallet, 0.5 pallets per sq m, 18 annual stock turns and 85% floor space utilisation.

- 7.13 The Valuation Office Agency (VOA) records data on floor space, and this suggests that for Hampshire there is currently around 3.5 million square metres of floor space in 'warehouses'. For urban south Hampshire, the VOA suggests that there is around 1.95 million square metres of floor space in 'warehouses'.

- 7.14 However, a 'health warning' must be attached to the VOA data, as it overstates warehousing floor space. Notes attached to the data indicate that the figures cover all floor space which is used to 'store goods', including stock rooms attached to retail premises, storage compounds in factories and even car showrooms, which in both planning and logistical terms are not warehouses or distribution centres (i.e. B8). This situation arises from the fact that the VOA is quantifying floor space for business rates purposes rather than recording the overall 'planning land use'.²
- 7.15 However, on the basis that the 'overstating' is broadly constant across the county, this suggests that around 56% of Hampshire's distribution centre floor space is located in urban south Hampshire (1.95/3.5). Given this position, we estimate that in 2005 there was around 677,000 square metres of floor space at distribution centres in urban South Hampshire.
- 7.16 In order to forecast the total gross warehouse new build which can be expected in Hampshire (and urban south Hampshire), it is first necessary to appreciate that new warehouse building is a result of two factors:
- The replacement of existing floor space capacity; and
 - A need for additional floor space in order to handle a growth in traffic volumes (growth build)

Replacement Build

- 7.17 There is no disagreement that the property market has been requiring larger and better services warehouse units. As noted elsewhere some occupiers are increasingly reluctant to compromise on their space requirements because the economics of operating a warehouse dictate that they are laid out to be operated as efficiently as possible - so keeping the units efficient and operators competitive.
- 7.18 The most obvious example of this market driven requirements is that of the major supermarket chains who in recent years have rationalized their distribution networks into fewer, but larger and more efficient units - often at the expense of older and smaller warehouses. Because of the location or physical characteristics of these older sites they cannot be re-configured to accommodate these new units.
- 7.19 Nationally it is this demand for 'replacement warehouses' that have generated the requirement for additional warehousing land - as opposed to any significant growth in cargo volumes. Research by the Cranfield Institute found that over the decade since 1995, around 60% of strategic distribution centres built have replaced other warehousing/distribution centres which have subsequently closed and been demolished. Therefore, over the period of 20 years, a large proportion of new floor space expected to be built across the country will simply be to 'stand still' (i.e. will be built anyway regardless of traffic growth), with the balance being built to handle a growth in traffic volumes. Logistics operators will replace existing floor space for a number of reasons. This will include existing facilities becoming 'life expired' (many developers write down their warehouse stock over a 25 year economic life - replacement of warehouses is required at around 30 years).
- 7.20 As we have noted South Hampshire is not a major warehousing location and unlikely to be attractive to major warehouse operators. But we cannot ignore the market driven requirement for ever larger and more efficient units, even if only to service South Hampshire and the South East. The PUSH strategy is very much driven by improving the sub regions competitiveness and the evidence above

² The VOA defines/quantifies different areas of floor space within individual properties based on their function, with each quantified area attracting a different rateable value. Consequently, a single property may be defined, in rateable value terms, into two or more different 'land uses' e.g. a retail outlet may be defined as part retail premises, part warehouse (stock room) and part offices. However, in planning terms, the land would simply be defined as 'retail'.

suggests that distribution networks can be made more efficient by allowing them to relocate to new sites.

- 7.21 On the basis that (larger) warehousing becomes 'life expired' at around 30 years, between 2005 and 2016 (11 years) approximately 37% (11 years/30 years) of the existing large scale warehouse stock in Hampshire will require replacement. Similarly, between 2005 and 2026 (21 years) approximately 70% of the existing warehouse stock in Hampshire will require replacement.
- 7.22 This does not mean that the space will become redundant - this assumption is only made for larger warehouses which are used to handle cargo or freight volumes (as estimated above - approx half of the stock). Many units will 'downward' filter and be adopted into general industrial or local scale warehousing.
- 7.23 Given that in 2005 there was estimated to be around 1.2 million square metres of floor space in Hampshire handling freight or cargo, this means that between 2005 and 2026 we can expect around 845,000 square metres of new warehouse floor space to be built in Hampshire simply to replace existing stock i.e. the 'replacement build' element. This is shown in the table below.

Table 7.5: Estimated Replacement New Build to 2016 and 2026 for Hampshire.

	Square metres		
	2005	2016	2026
Existing warehouse stock*	1,208,123		
Replacement build**		447,006	845,686

** From 2005 tonnes delivered to warehouse and
0.5 tonnes per pallet, 0.5 pallets per sq m, 18 annual stock turns and 85% utilisation*

*** Assume 30 years life, therefore:
By 2016: 37% of existing stock replaced (11 years/30 years)
By 2026: 70% of existing stock replaced (21 years /30 years)*

Growth Build

- 7.24 The need for additional warehouse floor space results from of a growth in traffic volumes. Consequently, the growth build element (of the total future gross new build) can be calculated by:
- Forecasting future volumes of unitised goods delivered in Hampshire, excluding port traffics for export and goods landed at Hampshire ports but for final delivery outside the county;
 - Establishing the volume of forecast traffic which is likely to be delivered directly to distribution centres in Hampshire; then:
 - Equating the forecast growth in unitised tonnes delivered to distribution centres (compared with 2005 levels) as a need for additional floor space, using the 'conversion factors' which relate annual tonnage throughput with floor space.
- 7.25 This is shown in the tables below, concluding with the forecast for the total amount of new build warehouse floor space expected in Hampshire up to 2026 to handle growing traffic i.e. the 'growth build' element. This assumes that the proportion of unitised traffic which is delivered direct to distribution centres in Hampshire remains broadly similar to the current level (23%).

Table 7.6: Forecast Unitised Goods Delivered in Hampshire by Region 2016 and 2016

Origin	000s Tonnes	
	2016	2026
Hampshire	11,828	12,094
Other South East	2,306	2,501
South West	2,067	2,213
East Midlands	727	772
East of England	1,245	1,352
Greater London	611	656
North East	32	31
North West	407	417
Scotland	27	28
Wales	479	492
West Midlands	916	998
Yorks&Humb	420	436
TOTAL	21,064	21,989

Source: MDS Transmodal GBFM

Table 7.7: Forecast Growth in Unitised Traffic and Subsequent Growth Build Element of Total New Build Floor Space to 2016 and 2026

Year	000s Tonnes	
	Total Delivered Hampshire	Total Delivered to Distribution Centre*
2005	20,092	4,621
2016	21,064	4,845
2026	21,989	5,057

2016 v 2005

Growth Total Tonnes	972 000s tonnes
Growth Tonnes to Dist Centre	224 000s tonnes
Additional floor space required**	58,464 sq m

2026 v 2005

Growth Total Tonnes	1,897 000s tonnes
Growth Tonnes to Dist Centre	436 000s tonnes
Additional floor space required**	114,085 sq m

* 23% of unitised tonnes delivered in Hampshire

** 0.5 tonnes per pallet, 0.5 pallets per sq m, 18 annual stock turns and 85% utilisation

7.26 Therefore, by combining the 'replacement build' and 'growth build' elements, the total gross warehouse new build required to handle core freight flows can be calculated. This is shown in the table below for both Hampshire and urban south Hampshire, assuming that the area continues to accommodate 56% of the county's total distribution centre floor space.

Table 7.8: Total New Build Floor Space in Hampshire and Urban South Hampshire to 2026

	Hampshire	PUSH*
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2005-2016

Estimated new build floor space (sq m)	505,470	283,063
of which:		
Replacement of existing floor space (sq m)	447,006	250,323
To handle traffic growth (sq m)	58,464	32,740
<u>Land requirement (ha)⁺</u>	<u>126</u>	<u>71</u>

2005-2026

Estimated new build floor space (sq m)	959,772	537,472
of which:		
Replacement of existing floor space (sq m)	845,686	473,584
To handle traffic growth (sq m)	114,085	63,888
<u>Land requirement (ha)⁺</u>	<u>240</u>	<u>134</u>

<u>Mean build per annum 2005-2026</u>	<u>45,703</u>	<u>25,594</u>
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*+On the basis that all new build floor space will locate on new sites
and warehouse floor space occupies 40% of a plot footprint*

** 56% of Hampshire total*

- 7.27 In summary, we would expect the total gross warehouse new build in urban south Hampshire to be in the order of 540,000 square metres between 2005 and 2026. Out of this total around 474,000 square metres is likely to be the replacement of existing warehouse stock, and around 64,000 square metres additional floor space to handle traffic growth (growth build).³ On the basis that all of the new build were to locate at new sites, this implies a requirement for 134 hectares in urban south Hampshire.
- 7.28 This requirement for 134 hectares is a 'gross' land requirement whereas the DTZ requirement (and Draft South East Plan) is net additional. On a like for like basis only the 'growth build' floorspace is net additional to South Hampshire and can be compared to the South East Plan requirement.
- 7.29 The 'growth build' floorspace is only a fraction of the net floorspace proposed in the South East Plan. Although the MDS Transmodal forecast only uses base assumptions about the growth of the UK and international economy - including GVA growth - there is only limited scope to increase the net additional floorspace required.
- 7.30 It is difficult to re-model the forecast to accommodate a higher level of GVA growth but simply assuming the growth of freight traffic into South Hampshire doubles (to reflect a higher level of GVA growth) the 'growth build' required would remain much less than indicated in the Draft Plan. The growth of freight flowing into South Hampshire would have to increase by a factor of 10 to justify all the net additional warehouses proposed.

Conclusions

- 7.31 The MDS Transmodal forecast highlights the challenge the PUSH group will have in growing the warehousing sector. The additional warehousing land proposed is

³ The *gross new build* represents the total amount of new warehouse floor space to be build, and not the net change in the county's warehouse floor space. In effect, the growth build element will represent net growth going forward

- unlikely to be required solely to accommodate net additional freight flows into the sub region. But this does not necessarily lead to an assumption that South Hampshire requires less warehousing floorspace than proposed in the draft plan.
- 7.32 Looking in detail at the two forecasts they both include different drivers of growth, which are not considered by the other.
- 7.33 The DTZ forecast includes a 'policy push' - designed to increase the sub regions productivity and provide jobs - above trend. The MDST forecast does not include a policy push; although even if it did it is unlikely to justify the amount of warehousing proposed in the Draft Plan.
- 7.34 However the MDST forecast raises important questions about the relationship between net and gross new land. They argue that although the net additional land requirement to handle freight flows is low, additional land is required to support structural changes within the logistics sector. Specifically to accommodate larger and more efficient warehouse units.
- 7.35 The use of an assumption which includes built in site obsolescence is controversial - partly because South Hampshire has not seen large amounts of older warehousing fall vacant. However warehousing space does become less efficient over time and 'downward filters' as major warehouse operators continue to seek ever more efficient space their older space is recycled or re-used. This national trend for new warehouses cannot be ignored and plans should make allowance for new space, especially where they can operate efficiently and help towards sub regional productivity improvements.
- 7.36 For different reasons both MDS Transmodal and DTZ both reach the same assumption that the amount of additional floorspace being proposed in the Draft Plan is appropriate. But they may differ on the implications of this additional land.
- 7.37 The amount of new land proposed in the Draft Plan is also broadly inline with our previous annual take-up rates. In chapter 4 we estimated an annual take-up figure of approximate 70,000sq m per year; of which 1/3rd was on new sites. Assuming a 40% plot ratio this new space requires 6ha per annum or approximate 120ha over a 20 year period.
- 7.38 Because neither MDS Transmodal nor DTZ disagree with regards the amount of new floorspace required and this level of provision does not appear inconsistent with recent trends we do not identify an alternative requirement. A new forecast is likely to prove unhelpful and similarly dependent on complicated assumptions. Instead we recommend that the PUSH authorities make provision for the net additional floorspace in the Draft Plan and carefully monitor its take-up.
- 7.39 The alternative forecast prepared by MDS Tranmodal has shown that there is a degree of risk in the PUSH strategy. Given that the base line 'growth build' is so low this highlights the fact the increasing the number of jobs and GVA in the South Hampshire warehousing sector will be a challenge. This itself is also a justification for ensuring that the sector has access to the best, commercially attractive, sites so that local companies are able to operate most efficiently and their growth is not hindered by a shortage of land or property.

8 SUPPLY

- 8.1 In this section we compare the demand for warehousing land, as in the Draft South East Plan, against the supply of land identified by the PUSH authorities. As noted in the above chapter we do not recommend more or less land than identified in the South East Plan) but do recommend careful monitoring of take-up.
- 8.2 We also look at the ability of existing sites and buildings, particularly those being used for B2, to accommodate additional B8 floorspace. Not all new floorspace requires new land; some can be on re-used Brownfield sites.
- 8.3 It is important to note that the Draft South East Plan floorspace requirement is net additional. So must be provided in addition to the quantity of warehouses already within South Hampshire. Although these sites may be redeveloped in due course, to provide newer and modern space, they cannot be used to offset the South East Plan requirement.

Estimating Supply

- 8.4 To establish the supply of land suitable for Distribution and Logistics Development within the PUSH area we have;
- Reviewed the existing allocations for B8 use listed in the 'Supply of Employment Floorspace' schedules for the South East and South West Areas which were supplied by PUSH. These have been cross referenced to the Hampshire Site Assessment carried out by the Hampshire Economic Partnership (HEP).
 - Reviewed the existing allocations for B1 and B2 uses listed in the Supply of Employment Floorspace schedules referred to above and considered whether any of those allocations are likely to provide additional B8 floor space. Any such re-allocation will of course impact on the provision of B1 and B2 space.
 - The PUSH schedules include some 'possibles' and 'provisional commitments' which have been reviewed. These are not listed on the HEP Survey.
 - Looked at existing industrial and trading estates and considered whether redevelopment of existing B1 or B2 sites might reasonably be expected to provide further B8 space. It is assumed that any sites on industrial and trading estates which are underdeveloped will be on the Supply of Employment Floor Space Schedules.
- 8.5 The PUSH schedules calculate floor areas but do not include site areas whereas the HEP schedules provide site areas with some estimated floor areas. We have used estimated floor areas.
- 8.6 The PUSH schedules split the allocations into 3 time periods, namely, 2006 - 2011, 2011- 2016 and 2016 - 2026. Some of the sites are split across time periods, whereas some are not. In this report we have ignored the time periods because it is the overall allocations within the Plan period with which we are involved.
- 8.7 We should note here that the allocation of sites in the PUSH schedules to B1, B2 and B8 uses are not precisely the same as planning classifications. However they are consistent with the DTZ based demand estimates where B1 is restricted to offices only, B2 includes all industrial and B8 refers to warehousing.
- 8.8 For development sites we have assumed an average density of development of 40%. Even in highly pressured market areas (e.g. London or Northamptonshire) development densities are rarely higher than this 40% benchmark.
- 8.9 This is partly because a large amount of the land area is required for access and servicing. Even if the building gets taller, so increasing cubic capacity, this additional capacity requires further land area for servicing. Also in many warehouses it is only the

lower faces which are intensively utilised. Simply by providing more space, higher up, may not directly intensify how the unit is utilised.

- 8.10 There is only limited market demand for this 'high bay' warehousing in South Hampshire – reflecting the areas limited appeal to traditional strategic distribution warehouses. There is no evidence of developers being prepared to build high bay warehousing speculatively.
- 8.11 It is unlikely that redevelopment will generally lead to increased floorspace. Most obsolete warehouse or manufacturing stock is on older estates where site coverage can already exceed 50%. Existing buildings cannot easily be extended and if these sites are redeveloped they may even provide less replacement floorspace. Even if the height of the existing building permits it providing additional mezzanine space is frequently prohibited by planners.

Allocated Sites: South East

- 8.12 We first look at the South East PUSH area. As noted above the draft South East Plan requires land to accommodate nearly 240,000 sq m of B8 floorspace or 75ha of land at standard plot densities¹⁰.
- 8.13 The sites allocated or with planning permission for B8 use on the Schedule for the South East PUSH area are estimated to provide 134,226 sq m.
- 8.14 We have removed sites which are capable of producing less than 500sq m which we consider are unlikely to be developed for B8 use. These total 7,338sq m which reduces the total to 126,888sq m.
- 8.15 However the total capacity figures quoted above are maximums, assuming all this land is taken up. But in our opinion not all of the sites proposed by the PUSH Partnership are of a sufficient quality for warehousing and distribution activities.
- 8.16 As we have noted in our market review the location and accessibility of B8 land is of fundamental importance for major warehousing and distribution activities.
- 8.17 We consider that the following sites, listed on the PUSH schedule are unsuitable for major B8 development. This does not mean that they are not suitable for development; they may contribute to the employment land supply by providing mixed use schemes including small scale warehousing.
- HMS Daedalus 12,500 sq m - Location too remote from major highways/motorway junctions, no rail links.
 - Downley Road, Havant (Dakota Park) 2,564 sq m - Already being developed as small unit scheme.
 - Land north of Goldsmith Avenue, Portsmouth 3,200 sq m - Too remote from motorway, access difficult.
 - Land at Little Park Farm, Segensworth 5,200 sq m - Very difficult access unlikely to be suitable for distribution/logistics warehousing.
 - Land adjacent to Brambles Farm, Waterlooville 21,000 sq m - Situated on the 'wrong' side of Waterlooville from the A3M. Only suitable for small scale (less than 2,000 sq m) warehousing.
 - Bottings Industrial Estate 3,248 sq m - Remote from motorway/ connections only suitable for small scale warehousing.
- 8.18 The above sites would provide a total of 47,712 sq metres of B8 space. Removing these sites from the total employment land supply, the remaining allocated sites in

¹⁰ 4,000 sq m a hectare

the South East PUSH area are likely to produce a total 79,176sq m over the plan period. The Draft South East Plan requires enough land for an additional 240,000 sq m of B8 floorspace.

- 8.19 Therefore, just looking at the sites proposed for B8 warehousing which LSH consider are high quality there is a shortage of over 160,000sq m of floorspace or 40 ha of land.
- 8.20 However this analysis is too simplistic. Before we can determine if new land is required we must first look at land allocated for other uses, which may be suitable for B8 and the ability of the existing employment land stock to accommodate some of this shortage.

Existing B1 and B2 Allocations

- 8.21 Next, we have considered whether any of the sites allocated for B1 (offices) or B2 (industrial) might be suitable in whole or in part for B8 (warehousing). For this study it is an important feature of the commercial property market that land is brought to the market with flexible planning consents. So we cannot guarantee that land will be developed in accordance with planners aspirations.
- 8.22 Even if planners seek to restrict the use of land through planning conditions this is rarely welcomed by the property market. Investors can be unwilling to invest in such restricted sites and this approach can effectively sterilize the site.
- 8.23 Below we look at some sites which the PUSH schedules have allocated to B2 or B1 uses. In practice we believe the whole or part of these sites could be developed for B8 to meet the shortage of B8 land identified earlier. Some of these sites are better suited to B8 warehousing because of their nature or location. Because of planners inability to protect land for B2 or B1 uses when the market fails to take them up some of these sites may be developed for B8 regardless of planning aspirations.
- 8.24 The sites which we consider could be re-allocated in whole or in part are as follows;
- **Merlin Park, Portsmouth** - The land available amounts to 2.17 hectares and assuming 40% site coverage this would provide 10,845 sq m. On the schedule it is shown as 3,675 sq m of B1 and 3,657 sq m of B2 space with no allocations for B8. **We consider it reasonable to allocate about 5,000 sq m to B8.**
 - **Harts Way Farm, Havant** - 6,510 sq m is already allocated for B8 with 6,510 sq m allocated for B1 and 3,255 sq m for B2. It is unlikely that the site will be developed to provide a substantial amount of offices and that any development will be mixed B2 and B8. It is a suitable B8 location and therefore **we consider that an additional 2,000 sq m should be added to B8.**
 - **Former Hilsea Gas Works, now Voyager Park, Portsmouth** - The first two phases of speculative development have been completed by Segro which provide a total of about 16,720 sq m in buildings of less than 2,000 sq m. There remains 7.236 hectares available for development which has an outline consent for uses within all 3 categories. On the basis of 40% site coverage about 29,000 sq m could be provided. The PUSH schedules show 38,172 sq m being allocated as split equally between B1, B2, B8 at 12,724 sq m each. Some of this floor space is assumed to be within the speculative development. It is unlikely that much B1 space will be developed, and we consider that the existing allocation for B8 of 12,724 sq m should be increased to 19,000 sq m, **an increase of 6,276 sq m.**
 - **Solent 2, Whitely** - Speculative development is underway with planning consent limiting uses to Offices and Industrial. There is a further net developable area of about 5.87 hectares but to date B8 is not permitted. Permitted uses should be reconsidered as this would be a good site for B8 occupiers and at 40% site

coverage it would be realistic to assume that 50% of the floor space might be B8 **adding 23,480 sq m to the total allocated**. This would be a major re-allocation and if it is not acceptable in planning terms it will remove about 45% of our reallocation total at paragraph 8.20 below.

- **Concorde Way, Segensworth North** - The only substantial site now remaining undeveloped is at the eastern end of Concorde Way and cross referencing to the HEP schedule shows that this has a site area of 2.47 hectares. It is understood that this is reserved for open storage uses and ground conditions would make it difficult to develop with buildings, so no addition to B8 floor space.
- **Dunsbury Hill Farm, Havant** - A total of 41,616 sq m is allocated for B1 and B2 development with 10,404 sq m allocated for B8 development, the latter having already been taken account within the floor space total in paragraph 4.43. This is a good location for major B8 warehousing and the landowners and planning authority should consider increasing the B8 provision from the current 20% to 40% which would **add a further 10,404 sq m to the allocations**.
- **Saelectro, Portsmouth** - 8,944 sq m has planning permission with uses divided between B1 and B2 development. This would be an excellent site for B8 use and we have **added 4,500 sq m to the total**, although there may be issues with the existing planning permission.
- **Interchange Park** - 2,655 sq m is currently split equally between B1, B2 and B8. B1 uses are unlikely. The Park was initially developed for B8 uses principally and is well located for that use. The office element should be re-allocated for B8 use thus **adding 585 sq m to the total**.

8.25 If B8 warehousing is permitted on these sites, as we suggest, the sites would together accommodate an additional 52, 545 sq m or 13ha - reducing the need to find new land.

8.26 There are some risks attached to these figures because planning policies currently dictate that certain sites will either have limited warehousing or none at all for example Dunsbury Hill Farm and Solent 2. Existing planning permissions will not allow planning authorities to control the proportions of uses between B1, B2 and B8, but our re-allocations reflect our view of likely market demand.

'Possible' Allocations

8.27 On the South East Schedule have been added Sites under the headings 'possibles' and 'provisional commitment.' These sites could also help reduce the amount of new land required in South Hampshire.

8.28 There are 2 'possibles' in Havant which are shown for B1, B2 and B8 development;

- **West Broadmarsh** - 37,600 sq m with 11,280 sq m as B8, the same for B2 and 15,040 sq m for B1. It may be premature to include these but the site is well located for access to the motorway network and 40% could be **allocated for B8 which is 15,040 sq m**.
- **Dunsbury Hill Farm Extension** - 3,070 sq m split between B1, B2, B8 with 3,070 sq m (20%) allocated for B8. **This could be doubled to 6,140 sq m**.

8.29 There is also one 'Provisional Commitment' which is the Special Development Area, north of the M27 adjacent to junction 10 where 121,000 sq m is proposed. To be suitable for major B8 development better access to the M27 will be required which will involve making junction 10 into an all directions junction or linking into junction 11. The current B8 allocation is 32,400 sq m or about 27% **which could be increased perhaps to 40% or about 50,000 sq m**.

- 8.30 Taking these sites, as we suggest above, could reduce the amount of new land required by a further 71,000 sq m or 18 ha.

Summary

- 8.31 Looking at all the new land proposed in the East PUSH area we believe that taken together the sites could accommodate around 202,900sq m or (50.7ha) of additional warehousing floorspace. This is 37,000 sq m or (9.25 ha) of floorspace short of the Draft South East Plan requirement for this part of Hampshire.

Allocated sites: South West

- 8.32 The sites allocated or with planning permission for B8 use on the schedule for the South West PUSH area are estimated to provide 97,541 sq m. About 45,750 sq m is expected to be developed between 2006 and 2011, 23,400 sq m between 2011 and 2016 and 23,400 sq m between 2016 and 2026. The Draft South East Plan requirement is for a net additional 294,000 sq m of warehousing space.
- 8.33 Of the sites listed on the PUSH land schedules for B8 we consider that only the former Vosper Thorneycroft site at Woolston is potentially unsuitable. This is because of its poor access to the docks and motorway network. It is targeted to provide 5,000 sq m of B8 space, which should be removed. We have also removed the 1,154 sq m at Harrier Way, Hardley which we do not consider to be a warehouse location.
- 8.34 We therefore consider that the sites currently allocated or with planning consent for B8 development are likely to produce a total of 91,387sq m over the plan period.

Existing B1 and B2 Allocations

- 8.35 As with the East PUSH area we have considered whether any of the sites allocated for B1 (offices) or B2 (industrial) might be suitable in whole or in part for B8 (warehousing). As we stated when considering the South East Schedule it is important that land is brought to the market with flexible planning consents, and in general the development market does not respond well to consents which limit the use of buildings, although percentages of floor space for particular uses are likely to be acceptable provided they neither limit nor require minimum amounts of floor space in too rigid a manner. The sites which we consider could be re-allocated in whole or on part as follows;
- Nelson Industrial Park, Hedge End - Reasonably well located in Botley Road and very suitable for B8 use. 40% of the site could be allocated for B8 use which would add 4,000 sq m to the total.
 - Test Lane South, Totton - 13,000 sq m is allocated for B1 use and 13,000 sq metres for B8 use. We consider it more likely that the site will be developed for B2 and B8 uses rather than B1. This is excellently located for B8 use and the proportion of warehousing could be increased to say 2 / 3rds which would add 4,333 sq metres to the total B8 provision.
 - Cracknore Industrial Park, Marchwood - There is a total of 6,724 sq m anticipated to be developed split equally between B1 and B2. This site is probably on the extremity of sites suitable for substantial B8 development and we consider that the B1 allocation could be transferred to B8 thus providing an additional 3,062 sq m of B8 space.
 - Adanac Farm - A total of 100,000 sq m is allocated for the period of 2006 - 2016 and the land has been available for development for a number of years. It has been allocated for major headquarters buildings and the Ordnance Survey are expected to be taking about 25,000 sq m. The site is exceptionally good for B8 and now that most of Nursling is developed, apart from 4 acres held by Tesco

for expansion, Adanac and the surrounding area would be a good location, particularly for any docks related B8 activity. However in view of the planning history we do not consider it appropriate to allocate any of the land for B8 use to increase the potential floor space available, unless there is a change of planning policy.

- Former Calor Gas Site, Millbrook - There is a total of 9,498 sq metres allocated on the schedule and planning permission has been granted for mixed use development. 5,998 sq m is expected to be B1, 2,000 sq m B2 and 1,500 sq m B8. The site is well located for warehousing and we consider it appropriate to re-allocate the floor space with 60% allocated for B8. This will provide an increase in B8 floor space of 4,200 sq m.
- Chickenhall Lane Relief Road Land/South Hampshire Strategic Employment Zone (SSHEZ):

This area includes land owned by Pirelli, Alstom works owned by St Modwen, EWS sidings land, Network Rail Land and the Northern Business Park Land owned by BAA. The PUSH schedule estimates total developable floor space at 271,254 sq m which is anticipated to be developed between 2011 and 2026. 17.25 % of the floor space is assigned to B8 warehousing being a total of 46,800 sq m. This is about 48% of the total allocations for B8 warehousing in the South West PUSH area, so that there is considerable reliance on it to provide B8 space.

There may be a case for saying that some of the remaining 82.75% of the anticipated space could be re-allocated to B8 use from B1 and B2. The site is exceptionally well located for B8 use, or will be when a new access is created to junction 5 of the M27. There appears to be no sign of the necessary funding being available and despite the 2006 GVA Grimley report we are sceptical that development and redevelopment of this land and the industrial estates to the north (Barton Park and Tower Industrial Estates) together with improved access to the Airport will fund the very high infrastructure costs.

Our conclusions are that the PUSH authorities should have contingency plans to replace the allocations, not only of B8 space but also B1 and B2, although the latter are outside the scope of this study. We do not propose any increase in the B8 allocation in view of the uncertainty.

- Eling Wharf, Totton - There is planning permission for 4,360 sq m of B8 space which is included in our floor space totals. The site is about 40 acres in total and at the moment suffers from poor access but is well located for B8 development. It is used for transport and haulage, generally by companies connected with the Docks. It is an important facility and, if any of the vehicle parking was lost to development, replacement facilities would need to be found. We do not propose, therefore any increase in the B8 allocation.

Summary

- 8.36 The additions we have suggested above to all the allocations for B8 use in the Schedule for the South West PUSH area amount to 15,595 sq m.
- 8.37 Looking at all the new land proposed in the West PUSH area we believe that taken together the sites could accommodate around 127,000 sq m additional warehousing floorspace (32 ha). This is 163,000 sq m or floorspace (41 ha) short of the Draft South East Plan requirement for this part of Hampshire.
- 8.38 There are some risks attached to these figures because planning policies generally allocate land for mixed B1, B2 and B8 development and market forces and demand will determine how much space is taken up for particular uses. Existing planning permissions may not allow planning authorities to control the proportions of uses between B1, B2 and B8.

- 8.39 There is a 'Provisional Commitment' for a special development area in Eastleigh Borough where development is anticipated after 2016. 19,980 sq m out of a total of 89,595 sq m which is 22.3% is proposed for B8. It may be possible to allocate more of the space to B8 but in view of the timescale we do not consider it to be appropriate at this time
- 8.40 Across all the PUSH area we believe that the revised B8 allocations as outlined above will provide the following floor space;

PUSH Summary

	SOUTH EAST	SOUTH WEST
Existing adjusted B8 allocations	79,176sq m	91,387 sq m
Re-allocations from B1 and B2	52,545 sq m	15,595 sq m
Possible sites	21,180 sq m	
Provisional Commitments	50,000 sq m	19,980 sq m
TOTALS	202,901sq m	126,962sq m

Existing Estates

- 8.41 We have looked at the main employment estates in South Hampshire to briefly assess the possibility that these could accommodate additional warehousing floorspace- so reducing the amount of new, Greenfield land PUSH needs to provide. In Appendix 2 we have summarised the main estates and commented on the potential or otherwise, for redevelopment in the foreseeable future ¹¹.
- 8.42 This is a very difficult judgment because in most cases additional warehouse floorspace is only achievable if existing manufacturing businesses either close or re-locate. This is not something we can easily predict.
- 8.43 Also the scope to provide net additional warehousing floorspace on existing sites is limited because many of these sites already accommodate large amounts of warehousing space. As we have noted the Draft South East Plan requirement is for net additional warehousing floorspace. Existing employment sites are also in demand for other uses, either for employment (including open storage, trade counters and self store) but also housing, retail and leisure uses.
- 8.44 Having looked at the existing estates in South East and West Hampshire to determine where there are likely to be opportunities for existing properties to be redeveloped and provide additional B8 space, we have identified the following potential floor spaces. There are a limited number of real prospects during the plan period and intensification of use is generally unattainable or at best equal, as on older estates the site coverage is higher than could be achieved on redevelopment as a result of planning policy (eg. parking ratios since the 50's/60's are more onerous, HGV manoeuvring, environmental pressure etc).

Potential Intensification Sites

	Sq M
Portsmouth	
B Ae, Broadoak Works	7,432
Pall Europe, Walton Road	16,258
Stagecoach, Walton Road	4,645

¹¹ This is not a comprehensive assessment of these sites and is not intended to substitute for a full employment land review,

	Hilsea	9,290
	FPT , Airport Estate	3,716
Fareham		
	ICG, Newgate Lane	18,580
Havant		
	Colt, New Lane	9,290
	Dunham Bush, Downley Road	7,432
	Eaton, New Lane	7,432
Total South East		84,076
<hr/>		
Sq M		
Southampton		
	BAT	13,935
	NXP	27,870
	Adams Morey	3,716
Totton		
	Millbrook Industrials	16,258
	Calmore Industrial Estate (Brook 50/Kenda Electronics)	6,503
Eastleigh		
	Perelli existing building	16,258
Chandlers Ford		
	APW Alpha Park	14,864
	Selwood Plant Hire	11,148
Total South West		110,552

Note: the above floor space totals assumes a development density of 1,625 sq m to the acre or about 40%.

- 8.45 The above are opportunities where we can foresee redevelopment taking place over the plan period when there could be the potential to provide new B8 space. However, we have no knowledge of individual company's future plans and intentions and it would be inappropriate for Local Planning Authorities to place too much reliance on these opportunities coming forward. At best they would be "windfall" opportunities and it would not be prudent to assume that more than 50% of the total will come forward and of that percentage that more than 60% will be used for B8 and hence about 58,388 sq m could be added to the land supply figures.
- 8.46 We have considered opportunities for smaller sites to be put together to provide opportunities for large scale B8 warehousing but our conclusion is that because of different ownerships, different ages of buildings, different occupiers and different uses, it would not be practical to assume that further B8 opportunities will be forthcoming. We need to bear in mind that land owners may have different aspirations to Local Planning Authorities and if buildings are currently used for B1 and B2 uses on industrial estates, it will be difficult for Local Authorities to resist applications for redevelopment for those purposes. There will be pressures for other uses including retail, leisure and residential.

9 CONCLUSIONS

- 9.1 Warehousing is an important sector in the South Hampshire economy, and one which the PUSH group does not overlook when planning for future growth.
- 9.2 We have illustrated how the success of some of South Hampshire's best known local companies is dependent on the mixed provision of office, manufacturing and warehousing space. We have also highlighted the risk that should warehousing land not be made available, some companies may either relocate elsewhere or their growth (jobs and productivity) could be constrained.
- 9.3 We have also illustrated that value of the sector to the economy, including South Hampshire. Some warehouse jobs can be well paid and many of the sectors jobs share more in common with those we expect to find in offices.
- 9.4 The policy framework currently being put into place supports the growth of warehousing and logistics, the draft South East Plan proposes considerable land allocations for warehousing with the objective that this supports indigenous growth and the wider South Hampshire economy.
- 9.5 However we have queried some of the underlying assumptions which have been used to quantify the requirement for new land. We have also queried the practicality of implementing policies which are intended only to meet local need and avoid the risk that some limited warehouse and logistics companies may be attracted by the availability of land.
- 9.6 Despite these reservations we do not propose the PUSH group deviate from the floorspace requirements already proposed in the South East Plan. The South East Plan requirement for additional warehouse floorspace is the product of a considerable a policy orientated forecasting exercise. The quantity of land proposed reflects a positive growth aspiration for South Hampshire.
- 9.7 We cannot find evidence that providing this quantum of new floorspace will unduly constrain South Hampshire's growth. The alternative MDS Transmodal forecast also finds a requirement for a similar amount of land to that already being proposed; although by following a different set of assumptions.
- 9.8 But one note of caution is that the MDS Transmodal model assumes that the loss of warehousing land to alternative uses is very high and that most of the new land proposed in the South East Plan will be required to re-accommodate existing businesses in more efficient space. Old land, which is constrained by access and plot sizes becomes less suitable for warehousing in the future and falls to other uses. So while the provision of warehousing land in South Hampshire will allow existing occupiers to relocate within South Hampshire, and work more efficiently, it may not increase the total number of warehouse jobs, or the total size of the warehouse sector in the sub region.
- 9.9 As noted we do not recommend a new floorspace requirement figure in South Hampshire; but caution that local authorities should carefully monitor the take-up of land and the release of older warehousing sites. Should MDS Transmodal be proved correct and old sites are increasingly found unwanted by the warehousing market, additional land may be required in the future.
- 9.10 The table below provides an overview of the demand and supply of warehousing space in the PUSH area. We have compared the supply against the floorspace requirements in the draft plan.
- 9.11 As detailed in chapter 8 we looked at the supply of land under five broad headings. First we look at the existing allocated and proposed B8 warehousing sites, although we only consider those sites we believe are viable for larger warehouse

development. We have not considered small sites in this assessment, capable of taking less than 500 sq m.

- 9.12 We then include the 'possible' sites and 'provisional commitments' identified in the PUSH supply schedules - again only where we believe they are of sufficient quality to be viable for B8 warehousing development. We speculate over some sites identified for B1 or B2 development where we think they may be suitable for at least some additional B8 warehousing. Finally we make an allowance for new (net additional) B8 to be accommodated on existing employment sites.
- 9.13 If the Local Authorities are unwilling to increase the amount of B8 uses on existing allocated sites, it follows that there will be a greater shortfall which will need to be met from new allocations

Summary of Supply and Demand for Warehousing Space (in Sq m & Ha)

Square Metres Floorspace	West	East	South Hampshire
<i>Draft Plan Requirement</i>	<i>294,000</i>	<i>240,000</i>	<i>534,000</i>
Allocated and Proposed B8 Sites	91,387	79,176	170,563
'Possible' Sites	-	21,180	21,180
Provisional Commitments	19,980	50,000	69,980
Other Allocated Sites Suitable for B8 (B1, B2)	15,595	52,545	68,140
Brownfield re-use	33,166	25,223	58,389
<i>Total Supply</i>	<i>160,128</i>	<i>228,124</i>	<i>388,252</i>
Shortfall	133,872	11,876	145,748

Hectares	West	East	South Hampshire
<i>Draft Plan Requirement</i>	<i>73</i>	<i>60</i>	<i>134</i>
Allocated and Proposed B8 Sites	23	20	43
'Possible' Sites	-	5	5
Provisional Commitments	5	13	18
Other Allocated Sites Suitable for B8 (B1, B2)	4	13	17
Brownfield re-use	8	6	14
<i>Total Supply</i>	<i>40</i>	<i>57</i>	<i>97</i>
Shortfall	33	3	36

Source: RTP & LSH. Note: Floorspace requirements are from the Draft South East Plan and include the 10% margin proposed by PUSH. In translating requirements to land we assume a plot ratio of 40%. If the DTZ assumption of 35% was used the total shortfall would increase to 46ha.

- 9.14 The analysis points to a shortage of land for B8 floorspace of around 145,000 sq m or 36 ha across the PUSH Area.
- 9.15 This is a very provisional calculation and is heavily dependent on many assumptions as shown throughout the report and particularly the judgments over which sites are truly viable and are attractive to the market.

- 9.16 In addition to the shortfalls above, there is a need to identify land in Southampton and Portsmouth for Port related open storage and vehicle parking although we cannot be specific about a future land requirement for open storage and further research is required. However planners should be receptive to the reuse of brownfield sites for open storage / port related use. Policies should also be flexible with regards to future land allocations - monitoring take-up of open storage sites and being prepared make new allocations to meet market requirements.
- 9.17 We have given some very preliminary consideration to opportunities for further land allocations, from a market perspective, to meet the shortfall of land and floor space, which will not be provided on the existing permitted and allocated sites on existing industrial estates.
- 9.18 The shortfall in the West PUSH area is about 33 hectares with possibly a further 22.5 hectares of Port related land needed. The criteria for selecting suitable sites for further allocations will be driven principally by the proximity of land to the motorway and trunk road networks, having regard to the need to provide additional land which will be accessible to the Port of Southampton.
- 9.19 There is a much smaller shortfall in the East PUSH area, about 4 hectares including the Port requirement. It should not be difficult to find the additional land required by changing existing allocations between B1, B2 and B8 more than has already been suggested in this report.

APPENDIX ONE

The Warehousing Market - National Background

National Background

To help inform future warehousing strategy in the PUSH area we have presented an overview of the national warehousing and logistics market. This is to inform an understanding of where South Hampshire falls within the national distribution hierarchy, and identify what type of logistics operator either occupies space in the sub region now, or could be encouraged to do so in the future.

We first look at the structure of the national supply chain, highlighting where PUSH fits in this chain. We then look at typography of warehouses, their characteristics and role in the chain.

Supply Chain Participants

The logistics and distribution market essentially consists of four different types of organisation. These are:

- *Manufacturers/producers* - these organisations manufacture or produce semi-finished goods for input into another production process (component manufacturers), and finished goods for sale to either a retailer or supplier. Increasingly, manufacturing is shifting eastwards, to either Eastern Europe or the Far East, particularly China, where labour and other costs are significantly lower. This is at the expense of domestically produced goods (so called import substitution). Cost competitive transport/logistics is therefore vital if the lower cost benefits of the Eastern Europe/Far East location are to be maintained through the supply chain.
- *Suppliers/distributors* - these organisations essentially purchase finished goods from the manufacturers/producers before selling them on to the retailers. In the past, these organisations had an important position in the supply chain in that they were the companies actually purchasing and importing goods from overseas based manufacturers, effectively the 'interface' between manufacturer and retailer. Increasingly, however, retailers are dealing directly with manufacturers, thereby removing the intermediary from the supply chain. Given this position, British based suppliers/distributors today can often be the UK distribution arm of an overseas manufacturer/producer. This is particularly the case in the consumer goods sectors, especially in electronics and 'designer' label goods;
- *Retailers* - organisations that sell goods to the general public either purchased direct from a manufacturer/producer or from a supplier. Over the past 10-15 years, the major retail chain stores have seen large growth rates, often at the expense of small locally based outlets. For example, B&Q, Focus etc have come to dominate the DIY sector at the expense of the local 'hardware' store. In addition, the major grocery retail chains have been expanding rapidly into the non-food sector - ASDA is now the UK's leading clothes retailer. These large growth rates have been driven, among other factors, by their ability to source cheaply from overseas markets. This explains why the supermarkets stress 'value for money' when marketing their non-food ranges; and
- *Logistics operators* - the organisations who manage and undertake the movement and handling of goods on behalf of the above three organisations. Given the nature of the supply chain, the strategies of the logistics operators have to follow those of the major manufacturers and retailers.

Linking the first three organisations is the fact that they actually own the goods they ship out or receive in. Logistics operators are simply 'custodians' of goods while they are being moved and handled on behalf of the other three organisations. Within the 'global' supply chain, the logistics operator's category can be further sub-divided into four broad categories;

The container shipping lines are responsible for the actual movement by sea of the maritime containers. Deep sea services generally operate to fixed schedules and on a 'liner' basis i.e. slots on each scheduled service are sold to manufacturers, retailers and Freight Forwarders. The shipping lines will either market/operate services individually or they will 'pool' their capacity (and rates) with other lines as part of wider alliances (conferences).

Inland logistics/transport providers are specialist operators concerned with the domestic movement of cargo between port of entry and, ultimately, retail outlets (via distribution centres - see below). This can include operators who specialise in the inland clearance of containers from ports to distribution centres, such as Roadway Container Logistics (part of Maersk) and intermodal rail freight operators such as Freightliner or GBRf. It also covers more general logistics service providers who undertake road transport and manage distribution centres e.g. DHL (formerly Excel Logistics), Wincanton and Stobart.

Imported cargo is discharged from ships at ports. Port companies can be 'integrated' in that they own the land, quays and stevedoring equipment (e.g. container gantry cranes) together with undertaking the physical loading/discharge of the containers and any subsequent handling. In addition, an integrated port company may also own and operate portcentric facilities (see below). Conversely, some port companies are so called 'landlord ports', whereby the land/quays are owned by the port, but the port will make a return by leasing them on a long terms basis to specialist stevedoring organisations and port centric operators. The Port of Southampton is an example of a landlord port, in that the port owner (ABP) leases the container quays to Southampton Container Terminals Ltd (joint venture between DP World and ABP).

Some shippers of cargo (manufacturers, suppliers or retailers), particularly when goods have to be moved inter-continental, will employ the services of a Freight Forwarder. Freight forwarders are facilitators rather than operators in that they do not handle or ship cargo themselves. They essentially manage/co-ordinate the flow of goods along the supply chain from source to delivery destination, including arranging collection of goods from factory by container, booking slots on deep sea container shipping services and organising the inland transport from port of entry to inland distribution centres. Increasingly, however, importers of cargo are dealing directly with the shipping lines, who in turn are dealing directly with inland transport providers, thereby removing further intermediaries from the supply chain.

Distributors of domestic cargo only will generally deal with an inland logistics/transport provider (or operate facilities and transport equipment in-house). However, given import substitution, distributors are increasingly having to deal with the other three players.

Warehousing - Distribution Centres

Distributors of general cargo and Fast Moving Consumer Goods (FMCGs), whether they are retailers, their suppliers or appointed third party logistics contractors, generally organise their supply chain strategies around distribution centre 'hubs'. Understanding the different types of warehouse is important because different types of hub have different property requirements and different employment densities.

There are broadly two types of 'hub' organised on either a national level (serving the UK from the one location) or a regional level.

National Distribution Centres (NDC) act as inventory holding points, particularly for imported goods, before re-distribution to other stages in the supply chain. They are normally associated with suppliers to the retail industry, particularly importers of electrical goods, beers/wines/spirits and clothing, who require facilities to consolidate goods from a number of origins. Goods can dwell in these locations for considerable periods of time - especially where they handle seasonal products, or

products whose demand is highly seasonal (e.g. electrical goods for sale in January). These goods are imported over a period of time but only distributed for a limited number of days or weeks.

These warehouses tend to be the large 'big shed' type of units commonly found along Motorways in the East Midlands.

Regional Distribution Centres (RDC) are similar to NDCs in that they receive, hold and then re-distribute goods to other stages in the supply chain, normally multiple retail outlets. However there are a number of important differences. They have a regional hinterland e.g. the South East, South West. More importantly their primary role is to consolidate and re-distribute goods in shorter periods of time (sometimes within 24-48 hours), rather than acting as inventory holding locations. Consequently dwell times are much shorter at an RDC.

RDCs are normally associated with major retailers who are replenishing store shelves overnight. Goods are received at the RDC in 'bulk' and then split into smaller consignments for re-distribution in mixed loads i.e. with other smaller consignments. RDCs are potentially more complicated because they receive inward goods from a larger number of origins, whereas a NDC will generally have fewer sources of supply.

This type of retailer is not so dependent on Motorway access because they serve regional markets - so access to main roads that reach into their service areas are more important.

Dependent on the areas they serve they can also be more flexible over the type and quality of space they occupy than an NDC. The smaller area the RDC serves the less choice the occupier has over location, and the more flexible they will be.

Generally, flows of goods along the supply chain will follow one of four patterns:

- *Domestic manufacturer/Port to Supplier's NDC to Retailer's RDC to retail outlet*
- *Domestic manufacturer/Port to Retailer's NDC to Retailer's RDC to retail outlet*
- *Domestic manufacturer/Port to Retailer's NDC to retail outlet*
- *Domestic manufacturer/Port to Retailer's RDC to retail outlet*

Where possible, distributors transport goods in full HGV sized loads (i.e. 13.6m HGV trailer or equivalent sized intermodal unit). The ability to hold, consolidate and distribute goods in HGV size loads from one location is the most efficient method of organising supply chains, and this principle will generally dictate the route goods will take along the supply chain. Consequently, flows from NDCs direct to a retail outlet will generally only occur when there is sufficient traffic to fill a full size HGV. Otherwise, goods are shipped from NDCs to RDCs in full HGV sized loads, where they split into smaller consignments for re-distribution in mixed loads of HGV size.

Although for simplicity we can think of the market segmented into NDCs and RDCs it is not always so straightforward. Some retailers, particularly large national retailers operate NDCs alongside their network of RDCs. Individual stores will receive deliveries of different types of goods from different warehouses.

For example the major supermarket chains are increasingly stocking 'comparison goods'. They will operate NDCs for these slower moving lines (seasonal items such as garden furniture, Christmas trees etc.) or goods with long supply lead times (such as DVD players manufactured in Taiwan). Short date or high volume items (convenience goods) will be delivered from parallel RDCs. Some retailers operate different sites for chilled, frozen and ambient goods. So one supermarket may receive deliveries from a number of different NDCs or RDCs over the course of one night.

Geographical Location of Warehousing

National Distribution Warehouses

To date, the so called 'golden triangle' has been the logistics market's preferred location for NDCs (the northern home counties/south Midlands area between Milton Keynes, Coventry and Leicester and following the M1/M6 transport corridors). This position has resulted from, among other factors:

- *Its central location in relation to the main origins and destinations of cargo in Britain (including the main deep sea container ports). It is possible to round trip to/from most other regions in Britain within a HGV driver's daily driving time restriction (9/10 hours) i.e. from both deep sea ports and to RDCs in other regions.*
- *Its location at the hub of the national motorway network (M1, M6) and increasingly on the West Coast Mainline;*
- *The availability of land which allowed the development of NDCs (planning authorities released B8 land); and*
- *Availability of labour.*

The map below shows the comparative four hour drive time from Daventry and Southampton. Operators who base themselves in Daventry can serve virtually all the major population centres outside of Scotland. Importantly they can also access all the main UK ports including many which are outside the four hour Southampton drivetime. Immingham / Grimsby is the largest UK port in terms of traffic volume and Liverpool is the fourth largest container port¹².

Table 0.1 Four Hour Drive Time from Daventry and Southampton



Digital Map Data © Collins Bartholomew Ltd 2008

Source: Roger Tym and Partners

Although the NDCs are generally not attracted to South Hampshire there are a small number of specialist NDCs who are attracted to the South Hampshire Ports. These are associated with fairly specialist markets, primarily the packaging and distribution of fresh produce.

Both major ports handle fresh produce sourced from deep sea markets (either in reefer containers or on dedicated services) and from the EU (moved by accompanied road haulage).

Regional Distribution Warehouses

Whereas South Hampshire is not a natural location of NDCs, it does accommodate some RDCs.

Large scale RDCs are normally located close to the main conurbations of Britain so the Cities of Portsmouth and Southampton can be attractive to occupiers. However in practice many occupiers have placed their RDCs closer to London.

In the South East of England, a clear pattern has emerged in terms of the locational choices made by the logistics market based on serving areas North or South of the Thames.

The north Kent area (in particular sites around Dartford/Northfleet and Maidstone/Aylesford) and the Thames Valley (Bracknell) appear to be the market's preferred location for RDCs serving South London and the Counties south of the Thames (Kent, Sussex and Hampshire).

North London, and Counties North of the Thames (including the Home Counties) are generally served by RDCs in Hertfordshire, Buckinghamshire and western Essex (e.g. Sainsbury's at Waltham Point, Tesco at Welwyn).

Hampshire is too remote from the M25 (for London) or M20 (for Dover) to be the preferred location to serve the South of the Thames catchments.

However there is a type of 'sub RDC' who do need to be located in the PUSH area. Large scale RDCs are normally associated with distributing goods in full HGV sized loads (13.6m semi-trailers or equivalent) on a single-drop basis (one consignment for one destination). The Southampton area is normally associated with smaller scale RDCs, in particular operations involving multi-drop deliveries from smaller sized HGVs. This is where a single HGV will be delivering to multiple outlets on the same trip, discharging 2/3 pallets or roll cages per drop. Consequently, vehicles cannot travel as far in one shift (compared to single-drop operations), meaning that the RDC catchment area is much smaller. In such cases, a Kent or Thames Valley location is unviable for delivering into urban south Hampshire, and operators therefore require a Southampton area site. Examples include distributors of beers, wines and spirits to high street outlets (pubs, bars) and newspaper/magazine distribution.

APPENDIX TWO

Existing Estates Assessment - South East / South West

SOUTH EAST

Castle Trading Estate, Portchester

No sites currently available. Predominantly 1960s older stock in fragmented ownership on a limited prospects for larger B8 development. Major Vosper Thornycroft ship building site unlikely to attract B8 in occupier nor planning terms.

Southampton Road, Paulsgrove, Portsmouth

Recent new development of Harbour Gate and Ray Marine HQ, limited prospect for further B8 development as higher value retail/leisure use will be attracted. Paulsgrove Industrial Centre, purchased by Lok 'n' Store, for self storage plus trade counter scheme.

Western Road Industrial Estate, Portsmouth

Potential for piecemeal redevelopment of older buildings such as Oak Park Estate, Rolls Royce etc. offering an excellent B8 location.

Farlington Industrial Estate, Portsmouth

In multi ownership with only a limited number of older B2 factories which are likely to be redeveloped.

Walton Road Industrial Estate, Portsmouth

Close to A27/M27 junction thus prime B8 location but to anticipate any whole scale redevelopment, will depend on to a greater extent Pall Europe's future plans and to a less extent occupiers such as Stage Coach. The former De La Rue factory would have been included but has just been purchased by Scottish and Southern Energy who will refurbish the existing buildings.

Limberline Industrial Estate, Hilsea, Portsmouth

Range of 1950s/60s/70s factories and warehouses, a number of which will be certain redevelopment targets during the PUSH period. Currently houses main Channel Islands' freight forwarding/docks related company and is therefore a recognised B8 location. Individual ownerships will restrict the size of individual site redevelopment.

Airport Estate, Portsmouth

The principle Portsmouth industrial estate has been the main focus of development shown over the last 20 years and will continue to replace obsolete stock with new buildings, however the number of larger opportunities one can identify is reducing and therefore will not add significantly to the net B8 stock gain. There are potential new opportunities currently unallocated to the rear of BAE Systems at Broadoak Works and the prospect in due course of redevelopment of factories such as FPT Industries, Portsmouth Aviation etc.

Burrfields Industrial Estate, Copnor, Portsmouth

Comprises a number of older B2 factories, however diverse ownership and poor accessibility make it unlikely to receive a significant level of B8 redevelopment.

Mile End Industrial Estate, Portsmouth

Adjacent to the Continental Ferry Port at Rudmore, land predominantly controlled by the Local Authority where new B8 provision can be supplied. Land in private ownership is either too small to be considered or unsuitable for B8 use.

Fratton Industrial Estate, Portsmouth

Range of older buildings, many split into smaller units, fragmented ownership, which will make redevelopment difficult and furthermore its location in the southern half of Portsea Island constitutes a poor B8 location.

Newgate Lane Industrial Estate, Fareham

There are a limited number of larger factories reaching obsolescence which could be considered, which again will be restrained by fragmented ownership. The Searle site, some 10 acres, could potentially be an opportunity subject to the company's future plans. Newgate Lane is to the south of the Town Centre off the A32 and congestion wise is not perceived as a good B8 location by the market.

Fareham Industrial Park

1980s industrial estate built to a good spec by Standard Life and is currently undergoing phased refurbishment and recladding, which will sustain its life past a projected year PUSH period.

Fort Wallington Industrial Estate, Fareham

Collection of 1950s/1960s buildings in single ownership, which have been subjected to some upgrading, however the income stream and high return from the existing stock will outweigh the redevelopment value.

Segensworth East and West Estates

The building stock is too recently developed to be considered the realistic target for redevelopment in the foreseeable future.

In view of Gosport's location south of the motorway and the traffic congestion on the A32, it is unlikely to attract larger B8 occupiers unless this was combined with specific employment use which would benefit from the sizable local labour pool. In terms of redevelopment there are prospects at Fareham Reach but this is already an existing B8 use.

New Lane Industrial Estate, Havant

No sites currently available, however there are a number of older factories (such as Dunham Bush, Colt, Eaton etc.) subject to company plans, would provide opportunities for B8 development. Whilst not immediately adjacent to a major road network, the location would be acceptable to B8 occupiers, particularly those who are part manufacturing or packing operation.

Southmoor Lane/Harts Farm Way, Havant

Good B8 location benefiting from recent road improvements to A27/A3 junction, however ownerships are broken up and there is only one larger factory which could be redeveloped.

Solent Road Industrial Estate, Havant

A mixture of more modern stock and older 1960s buildings, which are likely to be redeveloped for B8 use in view of their prominence.

SOUTH WEST

Boyatt Wood Industrial Estate, Eastleigh

Excellent B8 location adjacent junction 13, M3. No sites in the pipeline. Various estates and buildings in separate ownership in Woodside Road, Parham Drive and Goodwood Road. Potential redevelopment of 1970's units.

Chickenhall/Barton Park/Tower Industrial Estate, Eastleigh

B8 development pending Chickenhall Lane link road. IPIF own Barton Park where former railway buildings and sites are let on shorter term leases. Total estate site area is 25 acres. Prysmian (formerly Pirelli) potential redevelopment of their facility and adjoining site. Remainder of Tower Industrial Estate and Chickenhall Lane in smaller ownership.

Chandlers Ford Industrial Estate

Developed in 1960's/1970's. Freehold estates and buildings in separate ownerships. No additional B8 land, Alpha building of 150,000 sq m on market potential conversion from B2 to B8.

Herald/Waterloo/Solent Industrial Estate, Hedge End

Herald is owned by USS. Waterloo by Legal & General and Solent Industrial Estate is in individual ownership. The only available employment land is Plot D at Hamilton Business Park owned by Hargreaves of 4 acres. At Chalcroft Distribution Park 1950's/60's buildings could be redeveloped.

Hamble Lane, Hamble

No sites currently available. Potential redevelopment of British Aerospace site. Mostly redeveloped in recent years and accessibility for B8 limited in Hamble Lane.

South Hampshire/Griffin/Testwood Business Park

Majority of occupiers are already B8. Potential development of 10 acres owned by Millbrook Furnishings currently vehicle parking. South Hampshire Industrial Park in separate long leasehold ownership. Griffin owned by Prupim. Testwood Business Park possibly moving from B2/B8 to B1 offices owned by UBS.

Hardley Industrial Estate / Chevron Business Park

Long leasehold owned by New Forest District Council. Old buildings suitable for redevelopment. Two sites, one adjacent to residential at the south of the estate and former Instem premises currently B2 and owners wish to add B8 use.

Marchwood Industrial Park

150 acres owned by Oceanic Estates. Potential redevelopment of industrial to B8 although accessibility to M27 is limited for B8 use.

Millbrook Trading Estate/Trinity/Manor Industrial Estate/Solent Business Centre, Southampton

Redevelopment of BAT site adjacent to residential has limited B8 appeal. Various properties in individual ownership either freehold or long leasehold from Southampton City Council. Various redevelopment opportunities. Possible B2 occupier who could change to B8 use is Phillips.

Mount Pleasant Industrial Park, Northam, Southampton

Small united estate owned by Goulden Properties. No redevelopment potential. Adjacent former Meridian TV site potential redevelopment for B8 although residential is preferred. Limited accessibility to motorway network.

Hazel Road / Willments Yard, Woolston, Southampton

Waterside location remote from M27. Suitable for B2 marine uses and not ideal for B8. Various redevelopment opportunities and sites in separate ownership. Former VT site 'Riverside, Woolston' and Willments owned by Cavendish & Gloucester. No large sites available.

Empress Road/Dukes Road/Belgrave, Southampton

Network Rail have significant site and building holdings in this area suitable for redevelopment. Traditional industrial location close to City Centre. Various redevelopment buildings.

Drivers Wharf/Shamrock Quay/Central Trading Estate, Southampton

Potential redevelopment of Drivers Wharf for B8 subject to relocation of scrap yard and various individual ownerships. Other sites such as Shamrock Quay owned by MDL and limited redevelopment opportunities. Central Trading Estate owned by CIN. Replacement of existing B8 only. Various waterside aggregate depots and Southampton City Council owned City Depot. Remote from M27.

Nursling Industrial Estate, Test Valley

This estate is specifically allocated for B8 use only. Tesco own a site for future expansion. Segro, AXA and Electricity Supply Nominees own significant holdings on this estate. Other than the Tesco site, any redevelopment will only replace existing B8. In Test Lane Southampton City Council own a site allocated for B8 and B2 use. It is understood its availability is subject to relocating Southampton Boat Show park and ride amenity.

Adanac Park, Nursling

Site for B1 use only, however, location adjacent to junction 3 M27 is ideal for B8.

Greatbridge Road, Romsey

Large estate owned by Goulden Properties. Potential redevelopment of B8. No new site.

Budds Lane Industrial Estate, Romsey

Mixed estate in various ownerships poor accessibility under Railway Bridge.

Test Valley Business Park, North Baddesley

Undeveloped sites owned by Draper Tools for potential future expansion from their site in Hursley Road, Chandlers Ford. B8 opportunity.