Draft Greater Cambridge Local Plan

Review of the Need for Employment Land

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Executive Summary

This paper has been prepared to support representations on the Regulation 18 Draft Greater Cambridge Local Plan. It concludes that the GL Hearn evidence base study which supports the need for B2 and B8 employment land in the Draft Greater Cambridge Local Plan produces an underestimate of actual need. This is because the study's assessment is not sufficiently market facing, does not take adequate account of suppressed demand and does not accurately account for historic or current property market dynamics. Its approach directly impacts the calculation of identified need for B2/B8 Use Class premises and land. Our assessment finds that the need for employment land for industry and distribution is greater than the level recognised in the GL Hearn study and the Regulation 18 Local Plan.

Our review of the existing and draft planning policy context for industrial (including distribution) premises shows that it has been and intends to continue being restrictive towards the development of industrial premises. This is particularly the case for larger premises which are characterised in the plan as land hungry and not sufficiently employment-generative.

Our view is that the approach adopted in the Regulation 18 Plan does not fully follow national policy and guidance.

The councils' key evidence base document covering employment land ignores the wider region/functional property market area within which Greater Cambridge is situated. As the largest conurbation in the wider area, the City of Cambridge and the surrounding area require a suitable range of employment premises to support its economy.

Whilst the study identifies an existing deficit in the supply of B2/B8 premises (reflecting anticipated losses) of 55,000 sqm, the study's three forecast methods generate weak to negative levels of need that do not account for the need to address the ongoing losses of industrial premises and the current highly limited options for industrial occupiers in Greater Cambridge.

The study uses three methods to calculate need. Each has shortcomings and do not reflect actual market dynamics. The table below presents the forecasted need over the draft plan period from the GL Hearn study for these three methods.

Estimates of Need for B2/B8 Premises Over the Period of the Draft Local Plan 2020-2041 (Sqm)

Scenario	B2	B8	Total
1a. Labour Demand - Higher Growth Scenario	-50,969	31,973	-18,996
1b. Labour Demand - Central Growth Scenario	-50,969	31,973	-18,996
2. Labour Supply	-31,062	67,521	36,459
3a. Past Completions (2002-2018)	-46,431	53,571	7,140
3b. Past Completions (2011-2018)	-7,287	-50,190	-42,903

The study's (1) labour demand and (2) labour supply scenarios are unreliable because they depend on a direct link between employment growth and floorspace need. However this relationship is not robust and is not borne out by economic and property market data in Greater Cambridge. This is particularly the case for B8 floorspace where other studies have found employment forecasts are a poor proxy for estimating floorspace demand. The study's (3) past completions trend scenario reflects Greater Cambridge's low level historic delivery of industrial floorspace. This does not give a full basis to forecast need because of the highly restrictive planning policy context which restrains development and suppresses demand.

Our assessment identifies greater need than that identified in the study. Our work looks at historic property market performance and concludes that Greater Cambridge's industrial market is supply-constrained. Our lower scenario identifies need of between 270,000 sqm and 461,000 sqm of industrial floorspace over the draft plan period.

We consider additional factors that also contribute to estimating future need:

- The typical levels of demand at other similar local authorities of up to 27,300 sqm (300,000 sqft) per annum;
- The national benchmarks of floorspace per dwelling of about 6.4 sqm per dwelling compared to Greater Cambridge's 3.5 sqm per dwelling;
- Future demand generated by the 44,400 new dwellings to be delivered over the draft plan period; and
- Footloose demand from national and international occupiers.

Based on consideration of the lower scenario and the additional factors we estimate that need is more likely to be in the region of between 750,000 sqm (8m sqft) to 930,000 sqm (10m sqft) over the draft plan period. Whilst this result is based on Savills professional experience and not simply the result of adding up the need associated with the different factors, it illustrates that need is highly likely to be considerably more than that which is estimated in the GL Hearn work. We suggest further analysis is required to refine our estimates of future need and allocations requirements.

Our assessment also identifies problems with the existing demand-supply balance because the current available stock is old, of poor quality and could only meet two years' worth of demand. The reality is that actual demand is unlikely to be met by the existing available floorspace and that the need for new premises is immediate.

In the final section of this report the anticipated considerable benefits derived from the development of industrial premises are set out.

1. Introduction & Methodology

1.1. Summary

1.1.1. This report is primary comprised of an assessment of need for B2/B8 Use Class premises in Greater Cambridge. It reviews the policy context and evidence base that supports the approach towards the need for employment land in the Regulation 18 Draft Greater Cambridge Local Plan First Proposals.

1.1.2. This report concludes that the policy context and evidence base supporting the Regulation 18 Plan underestimate actual need. The evidence base is not adequately market facing and fails to appropriately consider actual property market dynamics. The analytic methods are flawed and the prospects for development in the B2/B8 Use Class sector is negatively impacted.

1.1.3. Savills' assessment presents an analysis of market dynamics that finds that the need is greater than set out in the evidence base and the Regulation 18 Plan.

1.2. Purpose

1.2.1. The purpose of this report is to assess the need for employment land in Greater Cambridge to accommodate the B2/B8 Use Classes. It reviews whether the draft Greater Cambridge Local Plan has a robust methodology to assess the need and whether the results of the analysis are reasonable.

1.2.2. To draw its conclusions this report both assesses the local authorities' evidence base and provides an assessment of the need for employment land.

1.3. Methodology

1.3.1. The steps that we undertook to draw our conclusions were:

- A review of the historic planning policy context, the policies in the Regulation 18 Plan and different evidence base documents which support it.
- An assessment of the GL Hearn Greater Cambridge Employment Land and Economic Development Evidence Study which is the key evidence base document that supports the plan's approach to the provision of employment land for B2/B8 Use Classes.
- Our assessment of the employment premises and land market in Greater Cambridge. We summarised the demand for employment floorspace from the councils' evidence base documents.
- A review of the key economic benefits associated with the development of B2/B8 Use Class premises.

2. Planning Policy Context & Employment Land

2.1. Summary

2.1.1. We reviewed the documents that frame the local authorities' approach to employment land need for B2/B8 Use Classes. Both the existing and proposed Local Plans take a restrictive approach. There is insufficient consideration of the economic development needs of industrial occupiers in Greater Cambridge.

2.2. Existing Local Plans Take a Restrictive Approach Towards Industrial Development

2.2.1. There are existing local plans for the two local authorities within the Greater Cambridge area. These are:

- Cambridge Local Plan (adopted October 2018)
- South Cambridgeshire Local Plan (adopted September 2018)

2.2.2. Both these existing Local Plans would be superseded by the Greater Cambridge Local Plan.

The Cambridge Local Plan Prohibitively Restricts Development of B2/B8

2.2.3. Cambridge Local Plan Policy 40: Development and Expansion of Business Space is the key policy that covers provision of new employment floorspace in the city. It is focussed on office and R&D premises and does not consider the need for B2/B8 floorspace.

2.2.4. The narrative text associated with Local Plan Policy 40 presents employment land need based on employment forecasts. With regard to B2/B8 industrial premises, the associated employment forecasts generate a combined decline in the anticipated need for employment premises and land need of about 50,000 sqm and 9.5 ha respectively.

2.2.5. The Cambridge Local Plan makes no employment land allocations that are oriented towards B2/B8 uses.

2.2.6. The problems associated with using employment forecasts to generate forecasts of the need for employment land and premises is covered in Section 3 of this report.

South Cambridgeshire Local Plan Is Also Restrictive Towards B2/B8 Development

2.2.7. The South Cambridgeshire Local Plan adopts a similar approach to employment land for the development of industrial premises. Permitted development of employment premises is limited to offices and other typologies that accommodate high tech and R&D activities.

2.2.8. Policy E/5: Allocations for Class B1, B2 and B8 Employment Uses sets out the allocations that could accommodate industrial activities as well as offices and R&D. There are two residue sites with a combined area of 4.2 hectares that could be used for B2/B8 uses. This is an insignificant amount to be provided over the plan period.

2.2.9. Policy E/11: Large Scale Warehousing and Distribution Centres prohibits development of these premises. This is justified by claiming that warehousing generates low numbers of jobs and takes up large land areas. The policy supports warehousing that supports other employment uses or to meet local needs. However the local plan provides no land for these uses.

2.3. The Draft Greater Cambridge Local Plan Regulation 18 is Also Restrictive

2.3.1. The Regulation 18 Plan is a joint local plan for both Cambridge City Council and South Cambridgeshire District Council. It will supersede the existing local plans of Greater Cambridgeshire's two constituent local authorities. The Regulation 18 Plan continues the restrictive policy framework for industrial premises that is in the two existing local plans.

2.3.2. Draft Policy J/NE: New Employment Development Proposals sets out the criteria for determining whether employment development is acceptable. It states that large scale national and regional warehousing and distribution centres will not be supported. There is no policy that covers where large premises for general industrial activities (B2) will be acceptable.

2.3.3. The narrative associated with the draft policy says that the employment land evidence base identifies a need for additional space for warehousing and distribution and it has proposed to allocate land in central locations[1]. However it does not support large scale regional and national distribution proposals because of the high land take and need for land for a variety of uses.

2.3.4. The GL Hearn 'Greater Cambridge Employment Land and Economic Development Evidence Study' (2020) is the key evidence base document covering the employment land and supporting the Draft Greater Cambridge Local Plan. Its method and results are assessed in the Section 3.

[1] Greater Cambridge Employment Land and Economic Development Evidence Study (2020), page 230.

3. Employment Land Assessments

3.1. Summary

3.1.1. This section reviews the methods and results in the Employment Land and Economic Development Evidence Study that supports the Draft Greater Cambridge Regulation 18 Plan. The study is the key evidence base document that supports the employment land policies in the Draft Local Plan.

3.1.2. The study identifies a negligible amount of existing developable employment land for the provision of industrial premises and forecasts net negative demand for industrial floorspace. Our assessment is that the basis for the employment land need does not reflect actual market dynamics and does not sufficiently consider Greater Cambridge within its wider property market context. The approach to forecasting need, by design, results in weak demand that is inconsistent with actual property market dynamics and is not reflective of wider property market dynamics.

3.1.3. Our assessment of property market dynamics concludes that demand in Greater Cambridge's industrial sector is robust and oriented towards the full range of premises sizes including large premises. From a supply perspective, the market is constrained and the stock is old and of average or below-average quality. We estimate that there is about two years' worth of supply but that much of the available supply will be unsuitable for modern occupiers and therefore the need is more immediate. Once other potential drivers of demand such as national or international requirements are considered, the need for new premises is compounded further.

3.2. Greater Cambridge Employment Land and Economic Development Evidence Study (2020)

The Study Considers Two Property Market Areas (PMAs) But Ignores PMA Based on FEMA

3.2.1. The study considers two PMAs. The Functional Economic Market Area (FEMA) is identified as one of the PMAs and is the wider area around Greater Cambridge and is comprised of six local authorities. The six local authorities are:

- Cambridge City Council
- East Cambridgeshire District Council
- Fenland District Council
- Huntingdonshire District Council
- Peterborough City Council
- South Cambridgeshire District Council

3.2.2. The Greater Cambridge administrative area is the other PMA.

3.2.3. Although the study considers the FEMA as a relevant PMA there is limited analysis and no consideration of its relevance to Greater Cambridge.

The Study Shows There is Negative Supply of Employment & Premises for Industrial Use

3.2.4. The study identifies a deficit of 53,568 sqm of industrial employment land and premises supply in Greater

Cambridge. It is negative because it take in to account anticipated losses. This is presented in **Table 3.1**.

Table 3.1 Summary of Employment Supply in Greater Cambridge (Sqm) 2019

	B2	B8	Total
Outline Permission	-45,539	1,439	-44,100
Detailed Permission- Under Construction	-6,073	5,908	-165
Detailed Permission – Not Started	-2,446	9,757	7,311
Allocated	-26,871	5,358	-21,513
Total	**-76,032**	**22,464**	**-53,568**

Source: Greater Cambridge Employment Land and Economic Needs Study (2020), Table 3 and Table 9

3.2.5. Demand for Employment Land

3.2.6. The study has three methods for forecasting demand for employment premises:

- Labour Demand
- Labour Supply
- Past Completions Trend

Labour Demand Scenario Calculates Negative Need for Employment Land for Industry

3.2.7. The labour demand scenario uses employment forecasts and translates it into floorsapce requirements. The study provides two labour demand scenarios: a central scenario and a higher scenario. The higher scenario models greater job creation.

3.2.8. The study considers the proportion of forecasted employment growth in each of the key employment land sectors. The report notes that the relationship between employment growth and demand for different types of employment floorspace in unlikely to be stable. Our own analysis (presented later in this section) finds that there is a poor correlation between job growth and demand for B2/B8employment floorspace and so this is not an appropriate way of forecasting demand.

3.2.9. **Table 3.2** presents the study's forecasts for floorspace need in Greater Cambridge for between 2020 and 2041. This presents demand for all employment land sectors.

3.2.10. Both the higher and central scenarios use the same employment forecasts for the industrial categories. Both scenarios generate net negative employment land need for B2 and B8 uses.

Table 3.2 Labour Demand Scenario - Floorspace Requirements 2020-2041 (Sqm)

Use	Total Floorspace Demand - Higher Growth Scenario	Floorspace Demand Per Annum	Total Floorspace Demand - Central Growth Scenario	Floorspace Demand Per Annum
Offices (B1a/E(g)(i))	103,221	4,915	80,362	3,826
R&D (B1b/E(g)(ii))	477,902	22,757	375,497	17,880
Light Industrial (B1c/E(g)(iii)	-20,471	-974	-20,471	-974
General Industrial (B2)	-50,969	-2,427	-50,969	-2,427
Warehouse / Distribution (B8)	31,973	1,522	31,973	1,522
Total	**541,655**	**25,793**	**416,392**	**19,827**

Source: GL Hearn (2021)

Labour Supply Scenario Calculates Marginally Positive Need for Employment Land for Industry

3.2.11. The study's labour supply analysis is based on forecasted population growth and resulting forecasted employment. It is similar in approach to the labour demand scenario. The scenario generates a slightly positive level of need for B2 and B8 premises.

Table 3.3 Labour Supply Scenario - Floorspace Requirements 2020-2041 (Sqm)

Use	Total Floorspace Demand Scenario	Floorspace Demand Per Annum
Offices (B1a/E(g)(i))	54,807	2,610
R&D (B1b/E(g)(ii))	147,689	7,033
Light Industrial (B1c/E(g)(iii)	-8,442	-402
General Industrial (B2)	-31,062	-1,479
Warehouse / Distribution (B8)	67,521	3,215
Total	**230,513**	**10,977**

Source: GL Hearn (2021)

Past Completions Trend Scenario Calculates Negative Need for Employment Land for Industry

3.2.12. The study's last scenario is based on historic completions. It uses past performance to project future demand. The analysis generates two scenarios based on two historic periods: 2002-2018 and 2011-2018. **Table 3.4** presents net completions. This is a more meaningful indication of need than gross completions.

3.2.13. The forecasts based on the two historic time periods shows net demand for B2/B8 uses to be either negligible or negative.

Table 3.4 Past Completions Trend Scenario - Floorspace Requirements 2020-2041 (Sqm)

Use	Total Floorspace Demand based on Net Completions (2002-18)	Floorspace Demand Per Annum	Total Floorspace Demand based on Net Completions (2011-18)	Floorspace Demand Per Annum
Flexible B1/E(g) Use	29,925	1,425	-19,152	-912
Offices (B1a/E(g)(i))	104,328	4,968	188,454	8,974
R&D (B1b/E(g)(ii))	306,516	14,596	116,319	5,539
Light Industrial (B1c/E(g)(iii)	-20,601	-981	-16,905	-805
General Industrial (B2)	-46,431	-2,211	-7,287	-347
Warehouse / Distribution (B8)	53,571	2,551	-50,190	-2,390
Total	**427,308**	**20,348**	**211,218**	**10,058**

Source: GL Hearn (2021)

The Study's Preferred Scenarios Have Negative Net Need for Employment Land for Industry

3.2.14. **Table 3.5** summarises the per annum demand for floorspace based on the three scenarios for B2 and B8 uses.

3.2.15. The study recommends using the central labour demand scenario and the higher labour demand scenario as the lower and upper forecast range to be used for Local Plan purposes (page 9). These two scenarios have identical total net negative employment land need for B2 and B8 uses.

Table 3.5 Summary of Scenarios - Per Annual Demand for B2/B8 Floorspace (Sqm)

Use	Labour Demand - Higher Growth Scenario	Labour Demand - Central Growth Scenario	Labour Supply Scenario	Net Completions Scenario (2002-18)	Net Completions Scenario (2011-18)
General Industrial (B2)	-2,427	-2,427	-1,479	-2,211	-347
Warehouse / Distribution (B8)	1,522	1,522	3,215	2,551	-2,390
Total	**-905**	**-905**	**1,736**	**340**	**-2,737**

The Study Concludes That There is Limited Need but Not for Larger Industrial Premises

3.2.16. The study says there is a property market dynamic in Greater Cambridge in which the loss of industrial floorspace in Cambridge City is replaced by new supply in South Cambridgeshire. The report says that this dynamic reflects a decline in traditional manufacturing being replaced by warehousing and light industrial premises (Page 118, Paragraph 7.17).

3.2.17. The study recognises the need to protect some industrial premises in Cambridge City but that new premises are provided in South Cambridgeshire. A particular need is identified to meet the need of e-commerce although this is only through provision of smaller scale warehousing opportunities to fulfil last mile delivery needs (Page 118, Paragraph 7.18).

3.2.18. The study identifies an undersupply of 20,000 sqm of B8 floorspace. It recommends that suitable locations should be found for small and mid-sized premises. It makes no allowance for larger premises (Page 119, Paragraph 7.19).

3.2.19. The study notes a contraction of B2 premises that is occurring faster than anticipated but that some of this loss is being replaced by B1 premises including B1c (now E(g)(iii)). While noting the scale of undersupply in the B2 sector, it says that provision should be made for allocations that support the B2 sector. Future provision for B2 should be at least 25,000 sqm (as per the labour demand scenario) up to 50,000 sqm to offset losses across Greater Cambridge (Page 119, Paragraph 7.20).

3.3. Savills Observations on the GL Hearn Study

The Report Largely Ignores the Market Signals and Need at the Sub-regional Level

3.3.1. The report identifies the wider FEMA as a relevant property market geography but does not substantively analyse its property market dynamics. The property market assessment is primarily focused on Greater Cambridge. More analysis should be undertaken to understand property market dynamics in the identified FEMA because it is likely to more reflective of the way in which the property market operates, particularly for larger occupiers. The study largely treats Greater Cambridge as standalone, as if it had little relevance to the wider economy.

3.3.2. Savills industrial agents advise that most industrial occupiers want to be within a one-hour drive time of their customers and suppliers. Therefore PMAs typically extend further than the approach adopted in the study. These market realities reinforce principles outlined in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (NPPG) for taking a sub-regional approach to understanding market demand, particularly for industrial activities. The key extracts from the national policy and guidance are set out in **Table 3.6**.

Table 3.6 NPPF & NPPG Requirements for Assessment of Industrial Needs within Local Plans

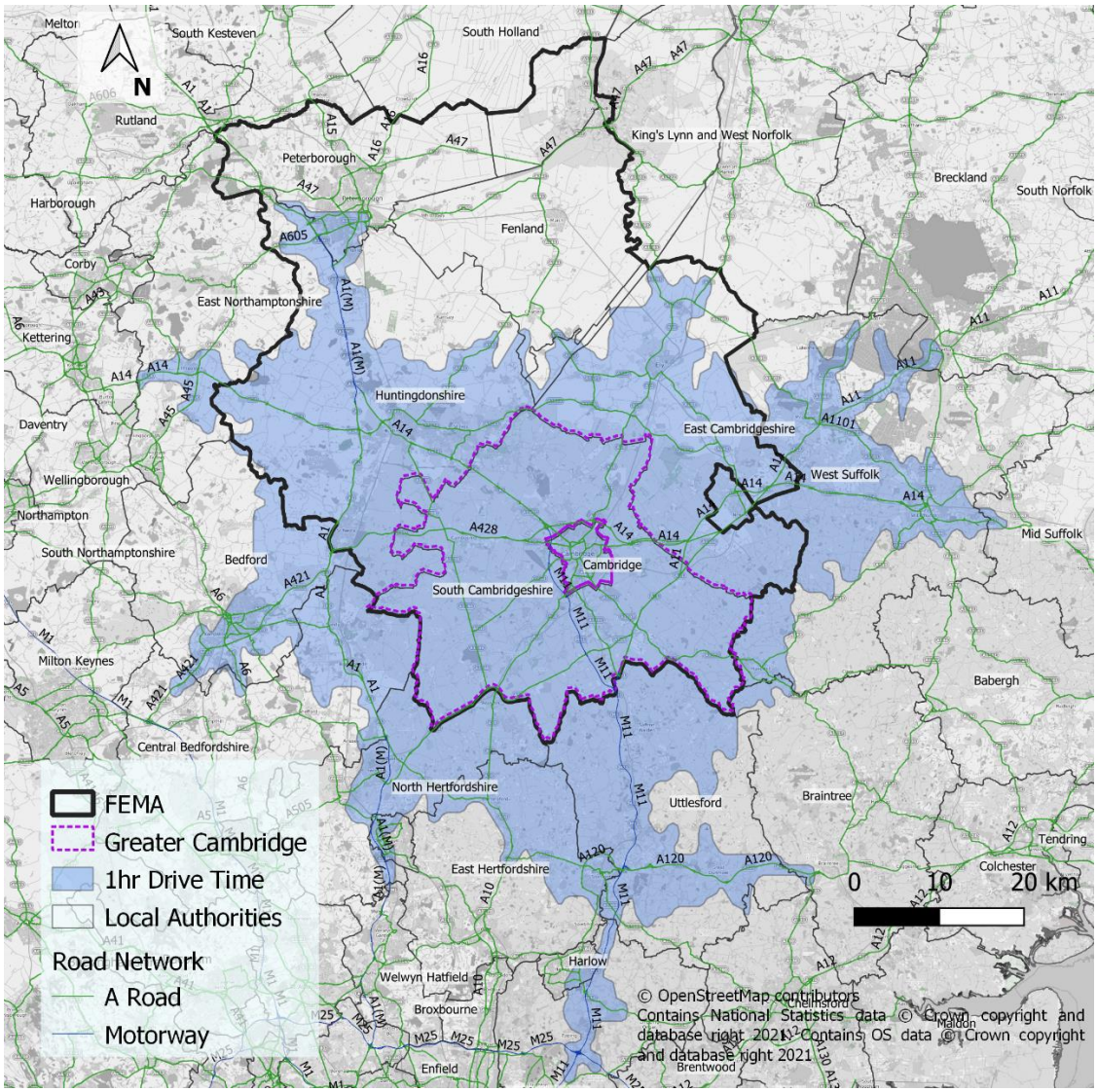
Source	Relevant Extract
NPPF, Paragraph 82	*'Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for storage and distribution operations at a variety of scales and in suitably accessible locations.'*
NPPG, Paragraph: 031 Reference ID: 2a-031-20190722	*'The logistics industry plays a critical role in enabling an efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities, and has distinct locational requirements that need to be considered in formulating planning policies (separately from those relating to general industrial land).* *Strategic facilities serving national or regional markets are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to appropriately skilled local labour. Where a need for such facilities may exist, strategic policy-making authorities should collaborate with other authorities, infrastructure providers and other interests to identify the scale of need across the relevant market areas. This can be informed by:* • *engagement with logistics developers and occupiers to understand the changing nature of requirements in terms of the type, size and location of facilities, including the impact of new and emerging technologies;* • *analysis of market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies;* • *analysis of economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector; and* • *engagement with Local Enterprise Partnerships and review of their plans and strategies, including economic priorities within Local Industrial Strategies.* *Strategic policy-making authorities will then need to consider the most appropriate locations for meeting these identified needs (whether through the expansion of existing sites or development of new ones).'*

Source: NPPF and NPPG

3.3.3. By using Greater Cambridge as the most relevant market area the study is inconsistent with national policy principles which require a sub-regional (strategic approach) to assessing property market dynamics. We consider a one-hour drive time catchment to be an appropriate starting point for defining an appropriate property market area. The FEMA is somewhat reflective of the functional for Greater Cambridge.

3.3.4. **Figure 3.1** displays a one-hour drive time catchment from the centre of the City of Cambridge. If we overlay this with the Greater Cambridge boundary we can see the one-hour catchment extends considerably further than the Greater Cambridge boundary.

Figure 3.1 One-Hour Drive Time Catchment From Centre Of The City Of Cambridge



Source: Savills (2021)

The Relationship Between Employment Forecasts and Floorspace Demand is Not Robust

3.3.5. Different categories of employment do not neatly map on to land uses. The relationship between net absorption and future need is more directly comparable. Historic data can be adjusted in the light of additional factors that are expected to influence future demand and change it from historic rates. This includes taking account of suppressed demand and also changes in demand drivers such as growth in new sectors and demand from national and international sources.

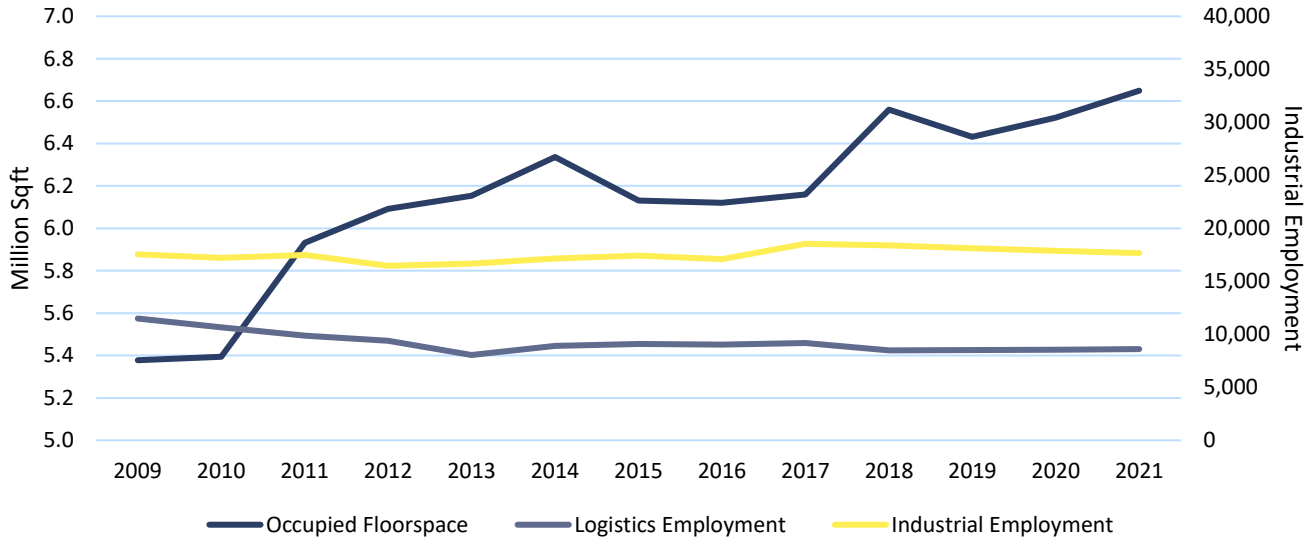
3.3.6. Employment forecasts are a reflection of the continued restructuring of the economy away from industry towards services. This inevitably projects job declines in industrial sectors and results in significant underestimates of need because job declines are assumed to translate into negative need for industrial floorspace.

3.3.7. Labour demand methods regularly underestimate demand for logistics floorspace in particular. With reference to **Figure 3.2**, Industrial employment in Greater Cambridge has been relatively stable for the past

several years. However the amount of occupied industrial floorspace has increased at a rate of about 2% per annum. In terms of future jobs growth, the East of England Forecasting Model predicts negative growth in industrial employment which inevitably results in negative demand for floorspace. However, **Figure 3.2** demonstrates that demand for industrial floorspace continues to increase in spite of stable employment levels.

3.3.8. In addition, **Figure 3.2** does not reflect the fact that since 2009 the industrial market has suffered from periods when demand has been suppressed due to a lack of supply. (This is covered later in this section.) If the market were not supply constrained then the rate in which industrial premises became occupied would likely have been faster.

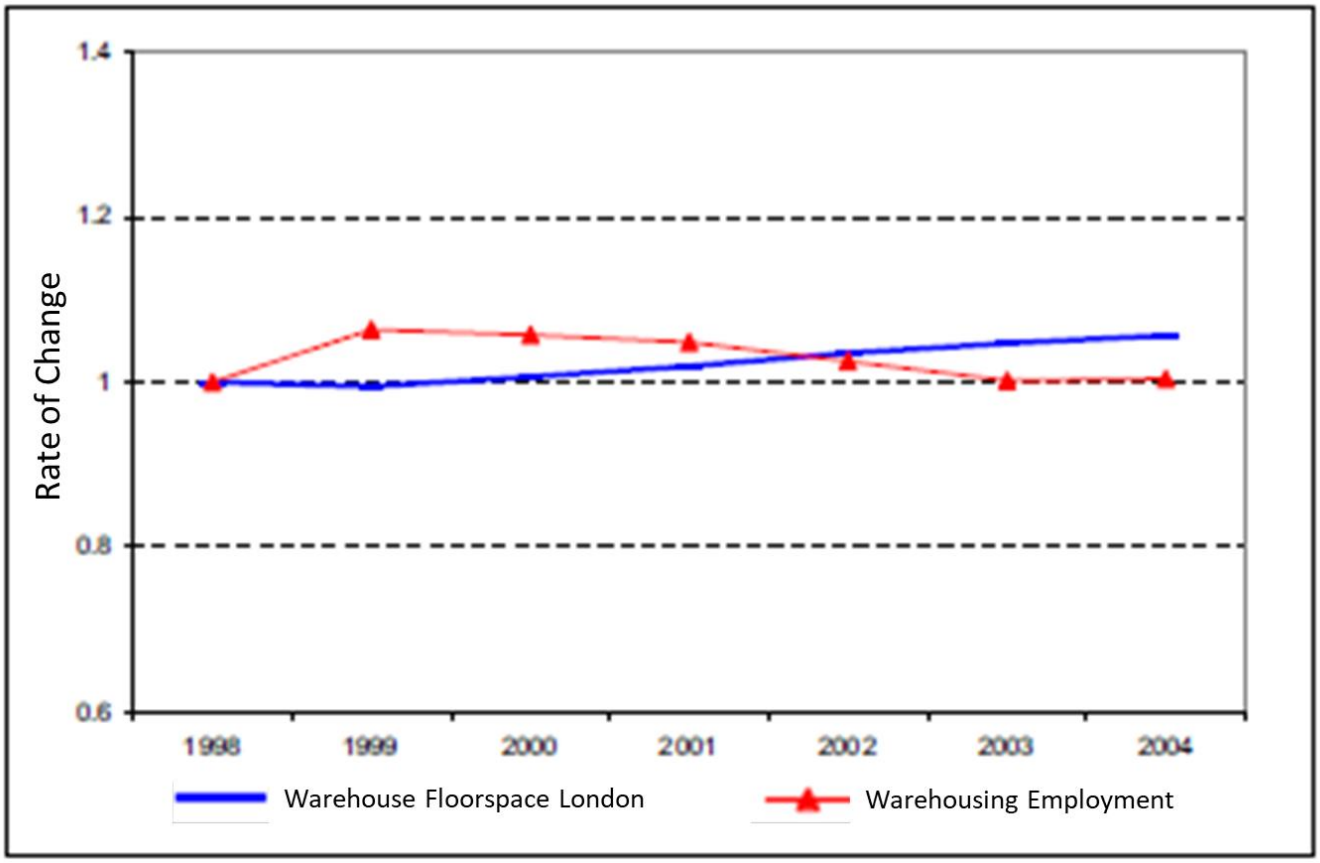
Figure 3.2 Occupied Industrial Floorspace and Industrial Employment in Greater Cambridge



Source: EEFM (2019); CoStar (2021); Savills (2021)

3.3.9. The result in **Figure 3.2** has been borne out in other generalised research. For example, the Demand and Supply of Land for Logistics in London (2007) report for the GLA assessed the rate of change in warehousing employment and floorspace in London. The assessment found there to be a negative correlation of -0.6. This is presented in **Figure 3.3**.

Figure 3.3 Rate of Change in Warehousing Employment and Floorspace in London, 1998-2004



Source: Demand and Supply of Land for Logistics in London (2007)

The Labour Market and Past Completions Trend Scenarios Reflect Low Levels of Historic Delivery, Not Historic Need

3.3.10. The three types of scenarios (labour demand, labour supply and net completions) are based on historic demand/change. However these are reflective of a market that has been historically constrained by policy. As a result, the scenarios perpetuate the policy constraints and do not reflect actual historic need.

The GL Hearn Report Does not Explain Why Its Past Completions Forecast Relies on the Local Authorities' Own Data and Ignores VOA Data Upon (Which the Report Relies Upon Elsewhere)

3.3.11. The historic past completions data that is used in the GL Hearn report shows a net loss of B2/B8 floorspace of about 10,000 sqm between 2002/03 and 2017/18. (This is shown in Table 29, page 107.) However the VOA data during the same timeframe shows a gain of about 39,000 sqm. This is a significant difference and would have generate different results for the Past Completions scenario. There may be justifiable reasons that the local authorities decided to use their own data instead of that from the VOA but the report does not provide them.

Other Reasons Why the Study Underestimates Need for Employment Land for Industry

3.3.12. There are additional reasons why GL Hearn's work is likely to be an underestimate of the need for new floorspace and development land.

3.3.13. The study focuses on net demand for additional floorspace. However this is not the same as the need for new floorspace because it assumes that all existing floorspace meets the needs of occupiers. However the need for new floorspace is significantly greater because of the need to replace old stock. (Later in this section we assess the quality of the existing stock in Greater Cambridge which shows that all premises are either average or below average quality.) The GL Hearn report shows total new development of B1c, B2 and B8 over 2002 to 2018 of 21,570 sq.m vs net new development of -3,771 sq.m (Table 29, page 107).

3.3.14. The study takes account of the need for a floorspace vacancy margin (of 7.5%) to ensure the efficient operation of the property market but does not take account of the need for a development land availability margin (5% is typically used).

3.4. Savills' Review of Employment Land Need

3.4.1. We undertake our own review of property market characteristics for industrial floorspace need. The aim of the analysis is to review the need for employment land in Greater Cambridge and to compare it to the study. These are not our forecasts of future need but rather illustrate that need is significantly more than estimated in the GL Hearn work. We suggest that further analysis is required to come up with more robust estimates of future need and allocations requirements.

Inventory is Growing at a Slower Rate Than Occupancy

3.4.2. **Table 3.7** presents the total floor area in the two PMAs. **Table 3.7** also shows that the rate of growth in inventory has been marginally higher in the FEMA. The rate of growth in inventory is much slower than the historic growth in occupancy shown in **Figure 3.2** which has been about 2% per annum since 2009. The increase in occupancy has been one of the contributors to the market become increasingly supply-constrained.

3.4.3. **Table 3.7** presents a level of inventory in Greater Cambridge that is considerably less than the level identified in the GL Hearn report. The level of inventory in the GL Hearn report is 2018/19 data from the VOA. This is about 74% more than the 2019 figure from CoStar in **Table 3.7**. VOA data captures a larger proportion of the market compared to CoStar. (We have identified inconsistencies in the GL Hearn report regarding inventory. Whilst the report identifies a higher level of inventory, the local authorities' net completions data is inconsistent with the VOA. The changes to inventory in the VOA data is similar to the CoStar series. However the net completions data in the local authorities' own data show significant differences.)

Table 3.7 Total Inventory 2009-2021 YTD (Sqm)

Year	Greater Cambridge	FEMA
2009	590,101	3,759,313
2010	599,206	3,777,030
2011	601,888	3,779,712
2012	601,888	3,784,267
2013	603,825	3,786,768
2014	623,755	3,812,033
2015	624,136	3,823,008
2016	624,136	3,830,524
2017	624,136	3,884,953
2018	663,121	3,961,809
2019	655,523	3,977,940
2020	651,963	4,221,526
2021 YTD	651,963	4,227,950
Change 2009-21 (YTD)	**61,862**	**468,637**
Change 2009-21 (YTD) %	**0.9%**	**1.0%**

Source: CoStar; Savills (2021)

Availability in Greater Cambridge is Considerably Below 8% Market Equilibrium

3.4.4. A market is often considered undersupplied if it has an availability rate below the frictional rate of 8%[2]. If a market's vacancy rate is below 8% there are too few options for prospective occupiers and there is an increased likelihood that an occupier would remain in an unsuitable premises too long or that they are forced to move outside of the market area.

3.4.5. **Table 3.8** sets out the availability rates in the two PMAs. When the market has an availability rate at 7.5% or below it is undersupplied and is indicated by red. Where the vacancy rate is at or above 8.5% it has sufficient supply and is indicated by green. Where vacancy rates are around 8% then they are relatively balanced and are indicated by amber.

3.4.6. **Table 3.8** shows that both Greater Cambridge and the FEMA are currently acutely supply-constrained. The FEMA has been chronically supply-constrained since 2015.

[2] For example evidence for such a rate is given in the Mayor of London's 'Land for Industry and Transport Supplementary Planning Guidance' (2012)

Table 3.8 Availability Rate 2009-2021 YTD

Year	Greater Cambridge	FEMA
2009	16.7%	13.7%
2010	16.8%	14.5%
2011	11.0%	12.0%
2012	8.3%	11.8%
2013	15.2%	11.6%
2014	15.5%	8.3%
2015	10.3%	7.4%
2016	13.4%	5.9%
2017	11.7%	5.9%
2018	9.0%	4.2%
2019	11.5%	4.2%
2020	10.9%	7.3%
2021 YTD	3.5%	6.1%

Source: CoStar; Savills (2021)

Greater Cambridge Lacks Larger Industrial Premises Compared to FEMA

3.4.7. **Table 3.9** shows how the buildings in the two PMAs are distributed by size. Greater Cambridge's share of mid-sized and larger premises (2,000+ sqm) is about half that of the FEMA.

Table 3.9 Inventory by Size Category in Greater Cambridge and the FEMA

Size Category (Sqm)	Greater Cambridge (Overall Floorspace)	Greater Cambridge (% of Overall Floorspace)	FEMA (Overall Floorspace	FEMA (% of Overall Floorspace)
Less than 929 (10k Sqft)	76,193	11.7%	308,335	7.3%
929-1,858 (10-20k sqft)	102,584	15.7%	412,510	9.8%
1,858-4,645 (20-50k sqft)	172,815	26.5%	767,084	18.1%
4,645-9,290 (50-100k sqft)	115,469	17.7%	538,350	12.7%
More than 9,290 (100k sqft)	185,522	28.4%	2,202,291	52.1%
Total	**652,584**	**100.0%**	**4,228,571**	**100.0%**

Source: CoStar; Savills (2021)

Greater Cambridge Needs Modern Premises & is Characterised by Average/Below-Average Stock

3.4.8. **Table 3.10** presents the quality of industrial premises in the PMAs. Buildings with one to two stars are of below-average quality; buildings with three stars are of average quality; and buildings with four or five stars are of above-average quality. (The criteria for each category is set out in **Table 3.11**.)

3.4.9. The inventory in both PMAs is dominated by buildings of average quality. However Greater Cambridge has

virtually no premises of above-average quality compared to the FEMA in which about 15% of floorspace is of above-average quality.

Table 3.10 Inventory by Quality (Star Rating) in Greater Cambridge and the FEMA

Quality (Star Rating)	Greater Cambridge Total Floorspace	Greater Cambridge % Floorspace	FEMA - Total Floorspace	FEMA % Floorspace
*	66,490	0.9%	332,613	0.7%
**	1,759,569	25.0%	7,129,860	15.7%
***	5,093,864	72.5%	31,054,406	68.2%
****	104,491	1.5%	6,999,457	15.4%
Total	**7,024,414**	**100.0%**	**45,516,336**	**100.0%**

Source: CoStar; Savills (2021)

Table 3.11 CoStar Quality Star Rating

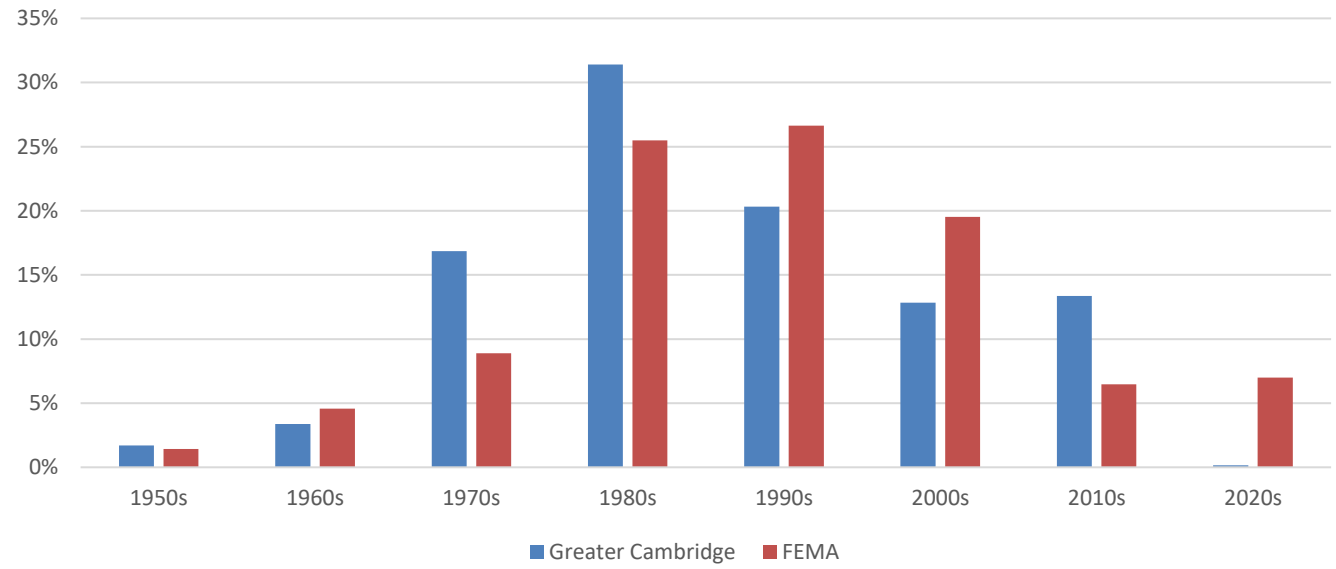
Stars	Quality Characteristics
* **	• In need of significant refurbishment or only suitable for smaller tenants. • Lowest rents in market.
***	• An older structure, but not refurbished. • Below modern standard ceiling heights with less efficient floor plates. • Average or near average market rents
**** *****	• New or refurbished construction exhibiting the latest trends in design. • Prominent in its context. • Sustainable and energy efficient. • High quality materials and systems. • Efficient floor plates and modern standard ceiling heights. • Rents above market averages.

Source: CoStar (2021)

Much of Greater Cambridge's Industrial Inventory is Old and Needs Replacement

3.4.10. **Figure 3.4** presents the amount of floorspace delivered each decade as a proportion of the total floorspace delivered since 1950. About 75% of the inventory in Greater Cambridge's was delivered before 2000. In the FEMA, about one-third of its inventory was built after 2000.

Figure 3.4 Historic Delivery (As a Proportion of All Inventory Built Since 1950)



Source: CoStar; Savills (2021)

Historic Demand in Greater Cambridge Exceeds Evidence Base Study's Demand Forecasts

3.4.11. **Table 3.12** presents historic net absorption. According to the CoStar data, since 2009 net absorption in Greater Cambridge was around 10,000 sqm per annum. Across the FEMA net absorption was around 55,000 sqm per annum.

3.4.12. Even taking account of Greater Cambridge's supply-constrained state, historic demand has greatly exceeded the forecasts of need in the Greater Cambridge study. It is also likely that today's need for industrial floorspace is significantly greater than during much of the historic series.

3.4.13. Another consideration for estimating historic demand is that the CoStar data series only captures a proportion of total market inventory. The GL Hearn report identifies industrial inventory in Greater Cambridge, based on VOA data, to be about 74% greater than the CoStar data series. **Table 3.12** shows that net absorption averaged about 1.5% of CoStar inventory. If that proportion of net absorption were applied to the VOA inventory, then the average net absorption would increase from about 10,000 sqm per annum to about 17,000 sqm per annum.

Table 3.12 Historic Net Absorption 2009-2021 YTD (Sqm)

Year	Greater Cambridge	FEMA
2009	9,436	-35,817
2010	1,568	-27,016
2011	49,860	170,880
2012	14,872	15,783
2013	5,712	85,221
2014	17,074	140,297
2015	-19,158	13,957
2016	-958	18,115
2017	3,680	62,234
2018	37,139	113,212
2019	-11,865	-18,255
2020	8,314	170,473
2021 YTD	11,874	982
Average Sqm Per Annum 2009-21 YTD	**9,812**	**54,620**
Average Sqm Per Annum as % of Current Inventory	**1.5%**	**1.3%**
Total Sqm 2009-21 YTD	**127,549**	**710,066**

Source: CoStar; Savills (2021)

Historic Demand Has Been Strong Across All Size Categories in Greater Cambridge

3.4.14. **Table 3.13** demonstrates there is considerable leasing activity in Greater Cambridge across most size bands. Two-thirds of floorspace transacted in Greater Cambridge went towards meeting mid-sized and large floorspace requirements. The proportion was even greater in the FEMA.

Table 3.13 Leased Floorspace by Size Category (2017-21 YTD)

Size Category (Sqm)	Greater Cambridge Total Leased Floorspace	Greater Cambridge % Leased Floorspace	FEMA - Total Leased Floorspace	FEMA % Leased Floorspace
Less than 929 (10k Sqft)	18,435	15%	152,725	19%
929-1,858 (10-20k sqft)	24,035	19%	101,739	13%
1,858-4,645 (20-50k sqft)	27,690	22%	117,173	15%
4,645-9,290 (50-100k sqft)	4,671	4%	54,349	7%
More than 9,290 (100k sqft)	49,130	40%	370,497	47%
Total	**123,962**	**100%**	**796,483**	**100%**

Source: CoStar; Savills (2021)

Alternative Scenarios of Annual Need Far Exceeds Forecasts from the Evidence Base Study

3.4.15. **Table 3.14** presents scenarios for annual floorspace need in Greater Cambridge between 2022 and 2041. The scenarios are based on the historic growth rate of occupied floorspace (linked to annual changes in net absorption). **Table 3.14** presents two scenarios. The first scenario is based on the CoStar inventory presented in **Table 3.12**. The second scenario uses the VOA inventory series used in the GL Hearn report. According to the CoStar data series, the amount of occupied floorspace grew at a rate of about 1.8% per annum.

3.4.16. By 2031 the scenarios show cumulative projected need in Greater Cambridge of between 123,000 sqm and 210,000. By 2041 it is between 270,000 sqm and 462,000 sqm.

Table 3.14 Projection of Need Based on Historic Change in Level of Occupancy (Sqm)

Year	Greater Cambridge	
2022	11,310	19,336
2041	15,946	22,752
Average Annual Demand 2022-41	13,503	23,084
Cumulative Forecast Demand by 2031	**122,855**	**210,029**
Cumulative Forecast Demand by 2041	**270,057**	**461,681**

Source: CoStar; Savills (2021)

3.4.17. **Table 3.15** compares the projected need in Greater Cambridge from the evidence base study with the analysis based on the historic growth in occupied floorspace (linked to annual changes in net absorption). It shows that projecting future need based on actual historic demand generates a greater level of need than all the methods used in the GL Hearn study.

Table 3.15 Comparison of Estimated Need In Evidence Base Study and Historic Performance (Sqm)

Scenario	B2	B8	Total
Labour Demand - Higher Growth Scenario	-50,969	31,973	-18,996
Labour Demand - Central Growth Scenario	-50,969	31,973	-18,996
Labour Supply	-31,062	67,521	36,459
Past Completions (2002-2018)	-46,431	53,571	7,140
Past Completions (2011-2018)	-7,287	-50,190	-42,903
Projection of Historic Growth in Occupied Floorspace (Based on CoStar inventory)	**n/a**	**n/a**	**270,057**
Projection of Historic Growth in Occupied Floorspace (Based on VOA inventory)	**n/a**	**n/a**	**461,681**

Source: Greater Cambridge Employment Land and Economic Development Evidence Study (2020); CoStar, Savills (2021)

Lower Forecast Demand-Supply Balance Shows There to be Very Limited Suitable Supply to Meet Needs

3.4.18. Another method for assessing whether a market is over or undersupplied is to calculate the years' of supply of available floorspace. This is calculated by dividing the known existing supply (comprised of currently available floorspace and floorspace under construction) by anticipated net absorption. The analysis is presented in **Table 3.16.** Greater Cambridge has between 1.2 and 2.0 years of supply before all available floorspace has become occupied. Typically this figure should be around 5 years of supply. In practical terms the supply is even more restricted than indicated because much of the existing available floorspace is of below average quality and comprised primarily of small premises.

Table 3.16 Demand - Supply Balance

Demand – Supply Balance Factors	Greater Cambridge (Based on CoStar Inventory)	Greater Cambridge (Based on CoStar Inventory)
Demand		
Forecasted Net Absorption in 2022 (Based on Historic Series)	11,310	19,336
Supply		
Current Availability (Sqm)	22,793	22,793
Under Construction (Sqm)	0	0
Total Supply (Sqm)	22,793	22,793
Supply-Demand Ratio (years of supply remaining)	**2.0**	**1.2**

Source: CoStar; Savills (2021)

The Demand-Supply Comparison Reviews An Acute Lack of Industrial Premises

3.4.19. We have tried to compare the demand-supply balance between our review and the GL Hearn report in **Table 3.17**. The information from the study is based on analysis of Figure 18 on page 37 which reflects 2019 data provided by the councils. (The analysis excludes the identified deficit of 53,568 sqm identified in Table 3 and Table 9 in the study.) Analysis of the data in Figure 18 shows there is about 2.9 years' of

supply. The study cautions that much of the supply is based on one large premises (the former Spicers Site) and a large planning permission by Huawei. The calculation of years' of supply is likely to be an overestimate of the practical availability of premises, especially in the light of an anticipated employment premises deficit of 53,568 sqm.

Table 3.17 Comparison of Demand-Supply Balance between Savills Scenarios and Evidence Base Study

Variable	Savills scenario (Based on CoStar Inventory)	Savills scenario (Based on VOA Inventory)	Variable	GL Hearn Evidence Base Study Metrics
Demand				
Future estimated Annual Net Absorption	11,310	19,336	Annual Take-up (Gross)	26,000
Supply				
Available Sqm	22,793	22,793		
Under Construction Sqm	0	0		
Total Supply (Sqm)	22,793	22,793	Total Supply	75,000
Supply-Demand Ratio (years of supply remaining)	**2.0**	**1.2**		**2.9**

Source: Greater Cambridge Employment Land and Economic Development Evidence Study (2020); CoStar, Savills (2021)

National Floorspace Benchmarks Show Greater Cambridge has a Significant Undersupply of Logistics Floorspace

3.4.20. The report 'What Warehousing Where? Understanding the Relationship between Homes and Warehouses to Enable Positive Planning' produced by the British Property Federation (BPF) and Turley estimated that on the national level, there was about 69 sqft (6.4 sqm) of warehouse floorspace per dwelling in England in 2017. There were regional variations and in the East of England the figure was 61 sqft (5.7 sqm) of warehouse floorspace per dwelling. The analysis is based on data from CoStar and the Ministry of Housing, Community and Local Government (MHCLG).

3.4.21. **Table 3.18** sets out the results from 'What Warehousing Where?' as well as our replication of that data (on the national and East of England regional level, and for Greater Cambridge. We used a subset of overall industrial stock that most closely aligns with warehouses so as to most accurately replicate the BPF/Turley report. Our results are relatively close. On the national level our estimate of the ratio based on 2017 data is about 3.5% greater. Our estimate of the national ratio in 2020 is 72.3 sqft (6.7 sqm) per dwelling.

3.4.22. On the regional level, our estimate of the ratio in 2017 is 6.7% greater than the BPF/Turley estimate. Our estimate of the regional ratio in 2020 is 67.5 sqft (6.3 sqm) per dwelling.

3.4.23. Our estimate of the current ratio for Greater Cambridge is 37.4 sqft (3.5 sqm) per dwelling. Based on our analysis on the national and regional level this is likely to be an overestimate. However, it shows that Greater Cambridge is significantly undersupplied. For Greater Cambridge to have an equivalent amount of warehouse floorspace compared to the regional and national level would require an increase in warehouse floorspace of between 80% to 90%. This is equivalent to an addition 3.7m (344,000 sqm) and 4.2m sqft (390,000 sqm). On an annual basis, this would be need of between about 185,000 sqft (17,200 sqm) and 210,000 sqft (19,500 sqm).

Table 3.18 Floorspace Per Dwelling in England, East of England and Greater Cambridge

	England (2017)	England (2017)	England (2020)	East of England Region (2017)	East of England Region (2017)	East of England Region (2020)	Greater Cambridge (2021)
Number of Dwellings	24 million	23.95 million	24.7 million		2.65 million	2.73 million	124,389
Total Warehouse Floorspace (sqft / sqm)	1.66 billion / 154 million	1.71 billion / 159 million	1.80 billion / 167 million		172.5 million / 16.0 million	184.3 million / 17.1 million	4.65 million / 432,000
Ratio (sqft / sqm per dwelling)	69 / 6.4	71.4 / 6.6	72.3 / 6.7	61 / 5.7	65.1 / 6.0	67.5 / 6.3	37.4 / 3.5

Source: British Property Federation/Turley (2017); MHCLG, CoStar, Savills (2021)

3.4.24. The Draft Greater Cambridge Local Plan seeks to deliver 44,400 new homes in Greater Cambridge over the plan period. **Table 3.19** presents the corresponding additional floorspace that would be needed for the new homes. Over the plan period, it would require an additional 155,4000 sqm (1.7m sqft) to 284,000 sqm (3.1m sqft), depending on whether the existing ratio or the national benchmark is applied.

Table 3.19 Industrial Floorspace Need Associated with Planned New Dwellings in Greater Cambridge

	Greater Cambridge (2021) – Existing Situation	Greater Cambridge New Dwellings (2041) – Existing Sqft per Dwelling	Greater Cambridge New Dwellings (2041) – National Sqft per Dwelling
Number of Dwellings	124,389	44,400	44,000
Ratio (sqft / sqm per dwelling)	37.4 / 3.5	37.4 / 3.5	69 / 6.4
Total Warehouse Floorspace (sqft / sqm)	4.65 million / 432,000	1.7 million / 155,400	3.1 million / 284,000

Compared to Other Local Authority Areas Greater Cambridge's Historic Demand Has Been Low (Due to Supply Constraints) In Spite of Having One of the UK's Strongest Economies

3.4.25. Savills property market analysis has shown that non-rural local authorities typically have between 9,100 sqm (100,000 sqft) and 27,300 sqm (300,000 sqft) of net absorption per annum. For example our work in the Northwest of England across 19 contiguous local authority areas in the Greater Manchester, Wigan, Trafford and Chorley averaged about 9,100 sqm (100,00 sqft) whilst Warrington, Rochdale and Bolton averaged 27,300 sqm (300,000 sqft) per annum or more. A number of other local authorities averaged about 18,200 sqm (200,000 sqft) per annum.

3.4.26. Our scenario of need (presented in **Table 3.14**) is between 14,000 sqm (150,000 sqft) and 23,000 sqm (250,000 sqft) per annum. Given that Greater Cambridge is comprised of two local authorities we might expect need to be in a range from between 23,000 sqm (250,000 sqft) and 28,000 sqm (300,000 sqft). This would be up to 5,000 sqm (50,000 sqft) per annum.

National & International Inward Investment is an Another Key Demand Driver that Could Generate an Additional 10% to 15% of Need

3.4.27. In addition to the identified indigenous need generated by industrial occupiers in Greater Cambridge and the wider area, Savills have identified national and international inward investment that is looking to locate in highly innovative areas with a skilled labour force and where agglomeration benefits can be achieved. Savills research into the Greater Cambridge area has identified key growth sectors that are attractive to outside investors and that could seek premises. This is based on our investigation of foreign direct investment flows into the UK from initial public offerings, venture capital, private equity, grants and other types of financial transaction. We also reviewed of case studies of existing premises in the UK. These include the following sectors:

- Advanced manufacturing including
  - Composite-related manufacturing
  - Electric vehicle related manufacturing
- Motor sports
- Energy renewables and low carbon
- Modern methods of construction: modular building and construction
- Logistics/decarbonisation/digital & information technologies/autonomous vehicles
- Agri-tech
- Life sciences/pharmaceuticals/bio-tech.

3.4.28. These sectors are already attracting investor interest and are positioned to garner further attention in the coming years. Conservatively this element of demand could add an additional 10% to 15% of annual net demand, and potentially substantially more, particularly given the dynamic nature of the Cambridge economy. This is equivalent to an additional 27,000 to 40,000 sqm per annum. Additional employment land capacity should be considered to accommodate footloose demand from national and international investment.

Savills' Scenarios

3.4.29. We have considered the different elements of the industrial market that contribute to need. These are summarised in **Table 3.20**. Our different scenarios illustrate that when combining the various considerations in **Table 3.20** there is a plausible case for need of between 750,000 sqm (8m sqft) and 930,000 sqm (10m sqft) over the draft plan period. This combines the need based on historic performance (lower forecasts), the typical local-authority level of demand, an uplift due to the existing low floorspace-to-dwelling ratio, additional floorspace associated with the anticipated 44,400 new dwellings, and the potential demand from footloose national and international investment. Whilst this result is based on Savills professional judgment and experience and not simply the result of adding up the need associated with the different factors, it illustrates that on balance the need is highly likely to be considerably more than that which is estimated in the GL Hearn work. We suggest further analysis is required to refine our estimates of future need and allocations requirements.

Table 3.20 Scenarios Illustrating a Greater Need for B2/B8 Premises Than Given in the GL Hearn Work

Element of Need	Total Need of Over Draft Plan Period (2022-2041)	Average Per Annum Need (Over 20 years)
Lower Scenario (Based on CoStar inventory)	270,000 sqm / 2,900,000 sqft	13,500 sqm / 145,000 sqft
Lower Scenario (Based on VOA inventory)	462,000 sqm / 5,000,000 sqft	23,000 sqm / 250,000 sqft
Typical Local Authority-Level Demand (Additional to Lower Forecast Based on VOA inventory)	100,000 sqm / 1,000,000 sqft	5,000 sqm / 50,000 sqft
National Floorspace Benchmark Catch-up (mid-point)	367,000 sqm / 4,000,000 sqft	18,350 sqm / 200,000 sqft
National Floorspace Benchmark for New Dwellings (mid-point)	220,000 sqm / 2,400,000 sqft	11,000 sqm / 120,000 sqft
National & International Inward Investment (15% of Lower Forecast Based on CoStar inventory)	40,500 sqm / 436,000 sqft	2,000 sqm / 22,000 sqft
Overall Need	**750k to 930k sqm / 8m to 10m sqft**	**37.5k to 46.5k sqm / 400k to 500k sqft**

Source: Savills (2021)

3.4.30. The above are not our forecasts of future need but rather illustrate that need is significantly more than estimated in the GL Hearn work. We suggest that further analysis is required to come up with more robust estimates of future need and allocations requirements.

3.5. Conclusions

3.5.1. This section has identified several shortcomings of the councils' evidence base study. The study does not use market signals to consider the level of need for employment land for B2/B8 Use Classes. It has also presented analysis which shows that the level of demand revealed through Greater Cambridge's property market metrics and through identified emerging growth drivers results in a level of demand that is considerably higher than what the study estimates.

3.5.2. The study approaches need in a narrow fashion by focussing on need linked to employment forecasts of the local market and fails to assess Greater Cambridge within its wider property market context.

4. Economic Benefits of Industrial Premises

4.1. Introduction

4.1.1. This section summarises the considerable economic benefits of industrial premises. Logistics activities in particular have shown strong performance in recent years and the Covid-19 pandemic has intensified those trends. This has driven demand even further for industrial floorspace while adversely impacting other commercial sectors such as retail and offices.

4.1.2. The changes being witnessed, including the growth in online retailing, is structural rather than temporary. This means that as the country's population grows, so will the need for B2/B8 floorspace support household consumption and other sectors of the economy.

4.1.3. The pandemic has also had a profound impact on the employment market, exposing a high number of jobs to the risk of being lost once Government support is withdrawn. The industrial sector, which is supporting increasingly diverse occupations, can play a key role in the post-Covid world.

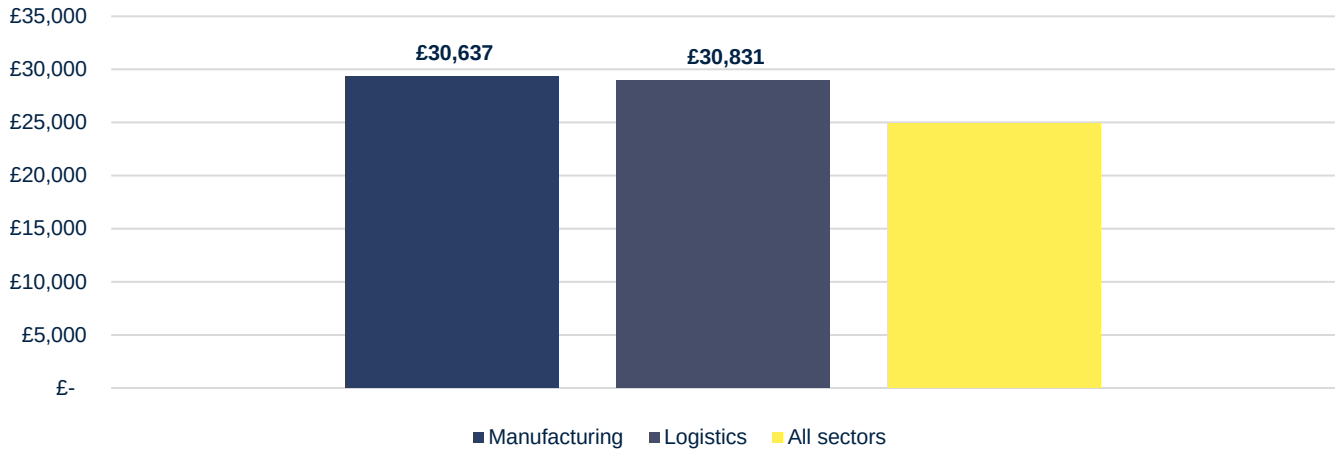
4.2. The Industrial Sector is a Major Contributor to the National Economy

4.2.1. The sector employs at least 3.4 million people in England, accounting for over a tenth of the country's total employment (BRES ONS), and represents 14%, or £268 billion, of the total economy in GVA terms (ONS Annual Accounts).

Source: BRES, ONS, Oxford Economics, Savills (2021)

4.2.2. Average pay in the industrial sector is higher than the national average. As illustrated in **Figure 4.1**, data from ONS shows wages are above the overall average pay. For manufacturing it is about £4,400 greater than the overall average and for logistics is about £4,100 greater.

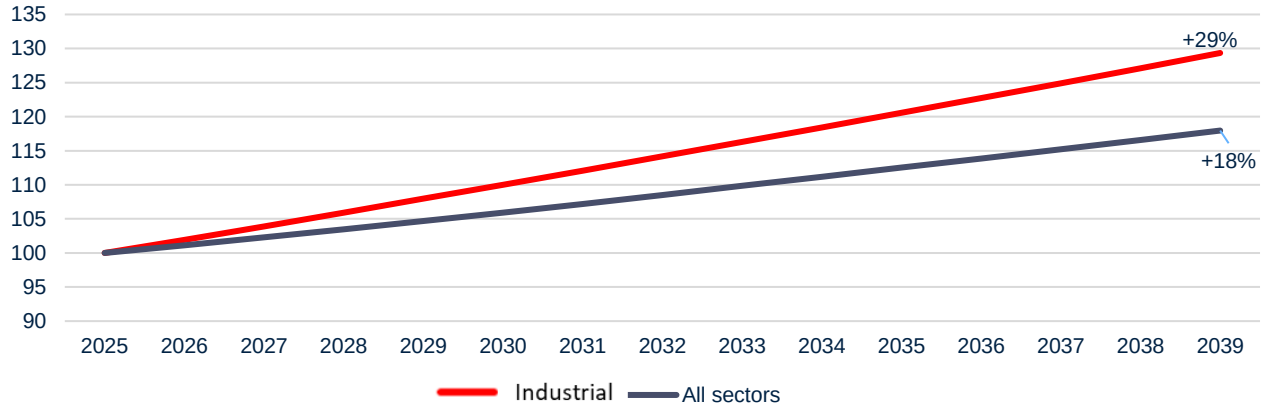
Figure 4.11 Median Annual Salary in the UK (2019)



Source: ASHA, Savills (20201)

4.2.3. The industrial sectors also has a rate of productivity greater than the overall economy. The GVA per job in the sector is £58,000 which is 12% higher than the average of all sectors. As shown in **Figure 4.2**, after 2025, productivity in the industrial sector is expected to grow at a faster pace than the rest of the economy, increasing by 29% (vs 18%) over the 13-year period to 2039.

Figure 4.2 Growth in Productivity (GVA per job) in UK (2025=100)



Source: Oxford Economics, Savills (20201)

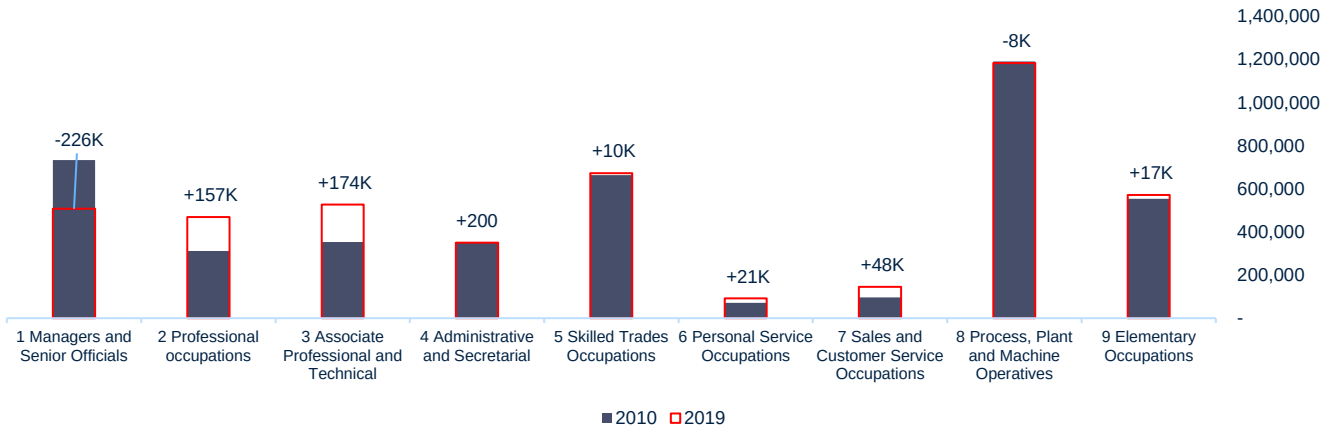
4.3. Industrial Employment is Increasingly Diverse and Populated with Professionals

4.3.1. The past decade has seen the industrial sector undergo a transformation which is reshaping operating models and occupier requirements in ways that are only beginning to become recognisable. New technologies are changing the way tasks are performed and businesses operate. Whilst technology is replacing some of jobs through automation, it is also accelerating the shift towards a higher skilled labour force.

4.3.2. **Figure 4.3** shows the change in the share of occupations in the industrial sector from 2010 to 2019. At the

beginning there was much more polarised distribution, with a higher share of managers at one end of the spectrum and more routine occupations at the other. We now see a higher share of professional and associate professional and technical roles associated with high-skilled engineering and technological professions. Similarly, there's a slightly lower share of more routine occupations such as process, plant and machine operatives.

Figure 4.3 Occupational Distribution in Manufacturing, Transport and Storage



Source: ONS APS, Savills (2021)

4.3.3. As manual and routine operations are replaced by machines, the machines are programmed and managed by engineers (**Figure 4.4**). This also implies a shift to higher wage employment opportunities, as engineers, programmers, data analysts and drone pilots become crucial.

Figure 9.4 Amazon Technicians Setting Up a Robot

Source: Aboutamazon.com (2021)

4.4. Growth in the Industrial Sectors Replaces Job Losses Elsewhere

4.4.1. The growth in industrial employment and the diversity of occupations creates opportunities for local people, including those who may lose their jobs in other sectors as a result of the pandemic. The Coronavirus Job Retention Scheme (CJRS) helped cushion the impact of economic contraction on the job market, with the latest statistics released in November 2021 reporting a cumulative number of employments on furlough at about 4,000 in Greater Cambridge based on claims made by the 14th October 2021[3]. The total employments on furlough equates to 3% of those who are eligible.

4.5. Modern Industrial Premises are Hotbeds for Innovation

4.5.1. New production and storage spaces are being designed to be modern, technologically advanced (see **Figure 4.6**) to meet high environmental standards and provide amenities for workers (**Figure 4.7**).

Figure 9.6 The Automated System Operated by the 'Ocado Smart Platform'

Source: Ocadogroup.com

[3] HM Revenue and Customs Table 1a CJRS Extension: Cumulative Number of Employments on Furlough by Local Authority (July 2021)

Figure 9.7 Gatway14 in Stowmarket with Large Landscaped Areas

Source: Ocadogroup.com

4.5.2. Office space is increasingly collocated with production and logistics operations (**Figure 4.9**). This arises as a consequence of occupational shifts and as a financial necessity.

Figure 4.8 Office Space in a Warehouse

Source: 299lighting.co.uk

4.5.3. As the sector becomes more technologically advanced and requires higher skilled workers such as data scientists and engineers, it is convenient for these people to be closer to the operations they control and analyse. This co-location is also more practical from a delivery point of view.

4.6. Current Trends are Providing a Boost to Industrial Demand

4.6.1. Much of the UK logistics market was historically been focused in and around the geographic centre of the UK. Retailers located their distribution warehouses there to reach a large proportion of the population within four-hour drive time.

4.6.2. This model evolved in the 1980s and 1990s as the major supermarkets expanded. It was also cost effective as the consumer, in the most part would use a private vehicle to go to the store and then return home with their shopping.

4.6.3. With the onset of internet shopping however the model has evolved. Internet shopping relies on increased choice for the consumer and increased delivery speeds to a location of people's choosing. This means that more inventory is required to be located closer to consumers.

4.6.4. This means more warehouse space is required by online retailers such as Amazon and Ocado (**Figure 4.9**) but also traditional bricks and mortar retailers who are adapting their supply chains to compete.

Figure 4.9 Amazon Warehouse

4.6.5. Over time the warehouse property market has expanded its geographic footprint and locations once considered unsuitable are now key markets. Locational drivers for occupiers of warehouse space include proximity to consumers and workforce; good access to the strategic road network; and increasingly, the availability of energy.

4.6.6. Occupiers are keen to locate in new areas where a good supply of labour is available as this often can lead to a competitive advantage. Other locational drivers also need to be in place such as edge of a settlement locations and close to a motorway or junction. Many of the locations that meet these criteria are located in the Green Belt meaning the aims of this designation need to be weighed against the sector's key role in securing the nation's economic future.

4.6.7. A number of positive trends such as increasing on-line shopping, automation, restructuring of supply chains that were pre-dating the pandemic have now been accelerated by Covid-19 and Brexit. These trends are expected to increase demand for the UK logistics sector and its floorspace needs.

4.7. Pandemic Causing an Exponential Increase in Online Shopping and Need for Large Warehouses

4.7.1. Online shopping, including grocery shopping, has been on the rise for over a decade due to digital innovations and changing consumer habits. The Covid-19 pandemic and country-wide lockdown measures following the outbreak accelerated the rise of online shopping. The most recent data shows the impact of the country-wide lockdown following the outbreak, with figures for March 2021 indicating that nearly a third (32.8%) of all retail sales have been conducted online.

4.7.2. According to Savills research, by 2021 the share of all online sales is expected to normalise at 24.3% in the UK (**Figure 9.11**) well above the pre-Covid trend, and continue growing from this higher base.

5. Conclusions

5.1.1. This report finds that the evidence base that supports the approach towards the need for employment land in the Greater Cambridge Regulation 18 Local Plan results in an underestimate. The supporting study is not sufficiently market facing and is narrowly focussed on Greater Cambridge's local economy. It frames Greater Cambridge as an isolated economy that has few links to the wider area. The result is that the study does not accurately reflect actual property market dynamics and how Greater Cambridge's industrial sector relates to the wider area.

5.1.2. Savills own assessment shows that Greater Cambridge is highly constrained and that its stock is old and of average to below-average quality. Greater Cambridge should not rely on other parts of the wider region to provide industrial premises. This is contrary to national guidance and planning policy as shown in Section 3.

5.1.3. The Regulation 18 Local Plan justifies its disregard of B2/B8 Use Class premises and being land hungry and not producing much employment. This is a misperception and Section 4 of this report seeks to set out the considerable benefits of industrial premises and its importance to Greater Cambridge's economy. There is a need for the Regulation 18 Plan to recognise both the importance of the sector and how its industrial market is part of a wider geography. As the largest conurbation in the wider area, Greater Cambridge requires more industrial provision than is currently proposed.