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Warehousing and Logistics in the South East Midlands

Executive Summary

Iceni Projects Limited on behalf of
South East Midlands Local
Economic Partnership
September 2022

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ON BEHALF OF SOUTH
EAST MIDLANDS LOCAL
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Warehousing and Logistics in the
South East Midlands
EXECUTIVE SUMMARY

1. EXECUTIVE SUMMARY

- 1.1 This study has been commissioned by the South East Midland Local Economic Partnership (SEMLEP) on behalf of its constituent local authority partners (Bedford, Central Bedfordshire, Luton¹, Milton Keynes, North Northamptonshire and West Northamptonshire) to consider the future demand for strategic logistics premises and its potential implications for the local economy. This is consistent with government's recently published 'Future of Freight: a long-term plan' report², through enhancing local understanding of the long-term opportunities and challenges faced by the logistics sector, across themes including innovation, achieving net zero, strategic planning implications and skills.
- 1.2 The South East Midlands Local Industrial Strategy³ includes a commitment to: 'work with partners to support an extensive and balanced pipeline of employment land and premises in the area, which takes account of market intelligence and strategic infrastructure and seeks to underpin wider aims such as the regeneration of local cultural heritage and the furthering of the 'Settlements of the Future' agenda.' Understanding the implications of growth in the local logistics sector is a key part of delivering against this commitment.
- 1.3 This report has been prepared objectively and transparently drawing on well recognised techniques in modelling the future requirements of the sector, and is in line with the National Planning Policy Framework and Planning Practice Guidance

¹ Luton falls under the SEMLEP area however declined to participate directly in the study. Proxy demand, supply and delivery statistics have therefore been derived from non local authority sources such as CoStar and VOA. forecasts for future demand include Luton.

² Future of Freight: A Long-Term Plan, Department for Transport, 2022

³ South East Midlands Local Industrial Strategy, SEMLEP, 2019

as it reflects engagement in the sector, analysis of market signals demand forecasts and engagement with the Local Economic Partnership⁴.

- 1.4 This summary covers key drivers of change in the logistics sector before considering the property market, forecasts for future logistics demand, supply, approaches to managing demand and the implications for employment and alternative land uses.
- 1.5 The South East Midland's constituent authorities potentially have logistics capability and opportunities in the fastest growing sector in UK, and an ecosystem that includes highly regarded universities and colleges. It is home to head offices for key logistics companies DHL, XPO and innovative support companies such as ABB automation at Milton Keynes, Head Offices for Mercedes, Scania trucks and Jungheinrich forklifts. Logistics is a fast changing sector integral to modern living and the outlook based on research in this report indicates strong and productive growth.
- 1.6 Warehousing employment is an important component of the SEMLEP area's economy. In 2020 warehouse specific employment⁵ accounted for around 49,000 jobs and 6% of all employment (and the actual number engaged in warehousing and logistics will be much higher) . From 2015 to 2020 the total employment count in this sector increased by over 50% from 31,750 to 48,500.
- 1.7 It is acknowledged that this presents both opportunities and challenges for the authorities in managing the growth of the sector. The demands of the logistics sector need to be considered in the round as part of a balanced Local Plan making

⁴ Planning Practice Guidance Paragraph: 031 Reference ID: 2a-031-20190722

⁵ Business Register and Employment Survey (BRES) reporting for Warehousing and support activities: SIC52

process, and in broader policy and strategy, to ensure good growth and sustainable places.

Table 1.1 Logistics Sector SWOT for SEMLEP area

Strengths	Weaknesses
<ul style="list-style-type: none"> • Existing cluster of logistics firms, head offices and learning institutions with dedicated teaching. • Host to firms / developments with leading technologies and sustainability advances. • Central road / rail network location therefore well positioned in national competitiveness terms. • Existing and growing labour pool with sector specific skills. • Good certainty of demand based on recent / long term historic trends and current market indicators including e-commerce growth, and the relationship between economic growth and demand for supply chain services. 	<ul style="list-style-type: none"> • Sector which is land hungry and relatively low density in employment terms. • Large volume tall buildings with potential for visual impact unless mitigated. • Emissions in construction / operational phases of buildings unless sustainably developed. • Includes a proportion of low skills roles notably warehouse operatives and delivery drivers. • Generates traffic, contributing to congestion and emissions.
Opportunities	Threats

<ul style="list-style-type: none"> • Anticipated ongoing levels of demand will generate further job creation in construction and operational sectors. • Outlook is for significant increases in GVA and GVA per head growth in the future. The South East Midlands Local Industrial Strategy also commits to supporting productivity growth in the sector, and can be at the forefront of this change. • Structural change in the sector continue to see technology advances in delivery mechanisms and automation of warehouses, reducing reliance on labour (in lower value activities) and increasing demand for higher value roles. • Increased moves in the sector to sustainability measures in construction, building operation and delivery vehicles. 	<ul style="list-style-type: none"> • Labour shortage for a range of roles will restrict growth and increase wage inflation, impacting consumer costs. • Consumer recession threatens demand. • Failure of the sector to sufficiently respond to the climate change agenda, increasing emissions in the construction / operation of buildings and on road network. • High warehouse land values and demand challenging for Local Plan making e.g. threaten land planned for other types of development (notably other commercial such as office, small industrial, R&D). • Industry unable to meet occupier demand without sufficient land allocated in Local Plans, leading to unplanned or displaced sub optimal development locations.
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Drivers of change in logistics

Growth of E-Commerce

- 1.8 Just under 30% of retail sales (by value) are now undertaken via e-commerce platforms; they were below 4% in 2007. This trend is likely to continue. The National Infrastructure Commission (NIC) noted in its 2019 report, *Better Delivery: The Challenge for Freight*, that e-commerce could reach 65% of all retail sales by 2050.
- 1.9 The rapid growth in direct delivery e-commerce is having a significant impact with respect to the need for, size and location of distribution centres. Many older warehouse units cannot accommodate the equipment and facilities required for online sales, or the ability to handle distribution to retail outlets alongside direct to home e-commerce deliveries under the same roof. The returns process also

places a major increased activity burden on the logistics sector. For all sales the average return is 10.6% whereas for online sales this rises to 18.6%⁶.

Warehouse Automation

- 1.10 Automation is being driven by the growth in e-commerce, with the consequent need to pick, pack and label ever increasing volumes of goods. Automation is required to run the operation speedily and efficiently. A second driver is the increasing difficulty in recruiting labour at competitive rates of pay. Many new warehouse developments are therefore being designed and built with potential for automation from the start - in some cases these new developments are replacing existing physically sound capacity that cannot accommodate automation. Wincanton's Cygnia distribution centre "DC7" in Northampton has recently invested in a fleet of 48 collaborative robots, enabling it to better manage the fluctuating product volumes associated with high volume e-Fulfilment work. The implications of this are discussed in later sections of this report.

De-carbonisation

- 1.11 Currently, domestic transport accounts for around 27% of the UK's total greenhouse gas (GHG) emissions (and having only decreased by 2% since 1990), with vans and HGVs combined being responsible for 9% of total UK GHG emissions⁷. De-carbonisation is therefore essential and is occurring in some parts of the logistics sector. Modal shift to rail, particularly for medium to long distance flows, is likely to form an important component in de-carbonising the supply chain. For smaller road freight vehicles (i.e. LGVs), battery-electric vehicles (BEVs) are now emerging as the viable zero emission alternative to petrol- or diesel-powered vans. The resultant impact of this trend will be a future requirement to recharge

⁶ 2020 Data for the US, Consumer returns in the Retail Industry 2020, National Retail Federation

⁷ DfT Transport and Environment Statistics 2021 Annual report

large fleets of BEVs simultaneously. However, electrifying HGVs will be more challenging, and potentially require alternative green fuels.

Urban Logistics

- 1.12 Urban logistics (generally recognised to be the delivery of goods/consignments to both businesses and residential properties in town/city centres and sub-urban districts) is rising up the public policy agenda. Increasing levels of LGVs engaged in e-commerce deliveries and their associated environmental impact is one of the reasons behind this escalating concern.
- 1.13 Some operators are now trialling or introducing new methods for ‘last mile’ deliveries for smaller sized/e-commerce type cargoes. This includes the concept of ‘portering’ whereby a freight vehicle (such as a LGV or small HGV) would hand over multiple consignments (pre-sorted) to delivery staff at designated drop-off points in urban areas. Deliveries are then completed either on foot (perhaps supported by some form of wheeled carry equipment), using e-cargo bikes or trialling autonomous robots, such as DPD and Starship Technologies in Milton Keynes.

Power and sustainability

- 1.14 The demands for electricity driven by automation and BEV charging are significantly increasing the power requirements for logistics units. The sector’s response is at the vanguard of sustainable development, reflecting both the ESG (environmental, social, and governance) agenda of businesses and shareholders to move to zero carbon, as well as the difficulties in accessing sufficient power from the distribution network.

Logistics skills & employment

- 1.15 Warehousing employment is an important component of the SEMLEP area’s economy. According to the Business Register and Employment Survey (BRES), in 2020 warehouse specific employment accounted for around 49,000 jobs and 6% of all employment. From 2015 to 2020 the total employment count in this sector increased by over 50% from 31,750 to 48,500. This is at a time when total

employment has grown at 7%, of which nearly one third is from the warehousing sector.

Sector composition and change

- 1.16 The British Property Federation's (BPF) *Levelling up - The Logic of Logistics* published in 2022 argues that the sector 'is subject to continuing misconceptions about average pay and skill levels'.
- 1.17 The BPF reports substantial growth in technical and professional roles (+331,000) over the last decade. Managers / senior officials employment has declined, with otherwise relatively stable employment in most occupations. Process and plant operatives remains the largest occupational sector. This is a snapshot of the last ten years, whereas looking forward the trend is expected to focus increasingly on the technical occupations required to support automated processes.

Logistics sector skill gaps

- 1.18 In the SEMLEP area job postings in the logistics sector over the last 3 year period, according to Labour Insight, report a rise in all logistics occupations. Data examination reveals that in 2021 65% of job postings accounted for technical roles (i.e. non drivers and handlers / warehouse associates). This includes over 700 project managers, over 600 sales managers, over 500 supply chain analysts, over 500 software developer / engineers and over 200 jobs in computer support. This demonstrates the increasing demand for skilled employment in the sector - alongside elementary and driver roles.
- 1.19 A number of higher, further and alternative education centres are focused on developing the next generation of logistics workers including:
- **Cranfield University's** Logistics and Supply Chain Management MSc is ranked 2nd in the UK and 11th in the world.
 - The **University of Northampton** courses include Logistics and Supply Chain Management MSc.

- **Goodwill Supply Chain Academy** based in Northampton is an agile logistics and supply chain sector-specific training provider. Provision is designed to take care of candidates mental health, well-being, resilience and vocational training with routeways into employment.
- **The Hub** (opened 2021) at DIRFT (Daventry) is a centre for logistics training and education. This is a free digital learning and development programme aimed at training those leaving education and re-skilling the unemployed by equipping them with the knowledge needed to pursue a career in logistics. In the first year alone, Prologis aims to put over 700 local people through the Prologis Warehousing and Logistics Training Programme (PWLTP).

Employment

- Oxford Economics Local Authority Districts database reports that the Transport and storage sector (which is not necessarily fully representative of the logistics sector) in the SEMEP area has a GVA per job of £35,000 compared to the whole economy average of £54,000. Oxford Economics forecast GVA increases of 26% for the sector (Transport and storage) to 2040, compared with 30% for the South East Midlands economy. Meanwhile the Oxford Economics employment outlook is static for the sector. The South East Midlands Local Industrial Strategy commits SEMLEP to ‘work with local partners to expand the innovation capabilities and productivity of the local logistics sector’ (see p30 of the LIS for more details).
- Industry reports suggest that logistics is one of the largest industries in the UK, employing 1.25m people⁸, 4.1% of all UK jobs. This includes around 690,000 people employed in the “core” industry (e.g. third-party logistics companies), and a further 550,000 employed by other companies (e.g. retailers or manufacturing companies with their own distribution operations).

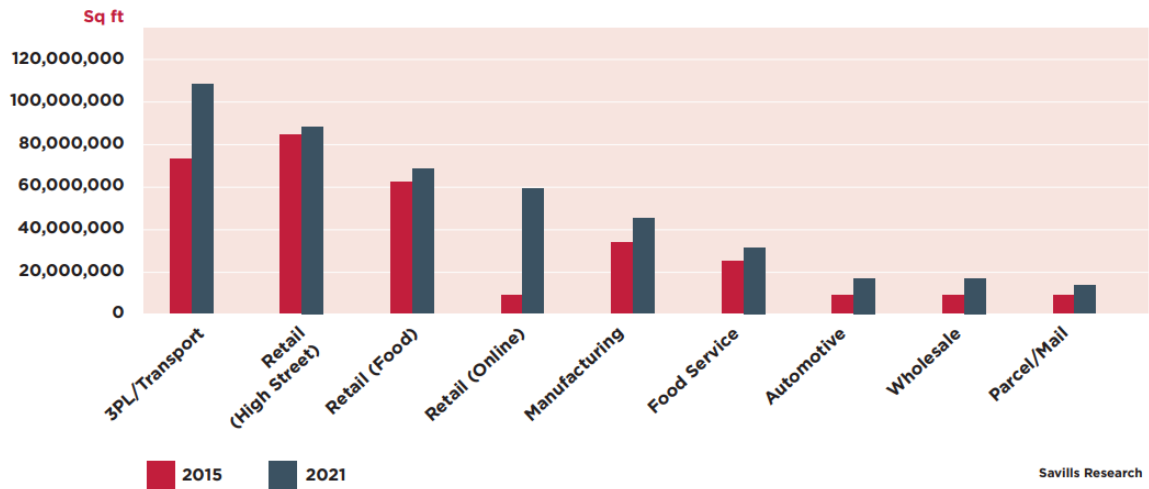
⁸ The Impact of Logistics Sites in the UK – A Report Prepared for Amazon and supported by Logistics UK 2022 (Frontier Economics)

Property market

- 1.20 According to CoStar, as of spring / summer 2022 national industrial demand conditions have never been stronger. *The accelerated shift to e-commerce brought about by the pandemic has fuelled the expansion of retailers and third-party logistics firms, while the UK's exit from the EU single market and customs union is leading to increased inventory holding, resulting in the need for additional warehousing. At the same time, a diverse mix of other industrial-using businesses including modular housebuilders, lithium-ion battery makers, data centre operators and film production companies are competing for a relatively limited supply of stock.*
- 1.21 In 2021, Savills produced a report on behalf of the UK Warehousing Association which sets out the size and make up of the UK warehousing sector⁹. The largest growth in warehouse occupation since 2015 came from the online retail sector from less than 10m sq. ft to 60m sq. ft (a 614% growth). Savills expect that online retail growth will continue, reaching 35% of all retail by 2025, 'which means that [nationally] at least 64m sq. ft of additional warehouse space will be needed for that sector alone'.

⁹<https://www.ukwa.org.uk/wp-content/uploads/2021/05/Savills-Ukwa-A4-8pp-Report-Interactive3.Pdf>

Figure 1.1 Breakdown of warehouse occupiers by sector (2015 vs 2021)



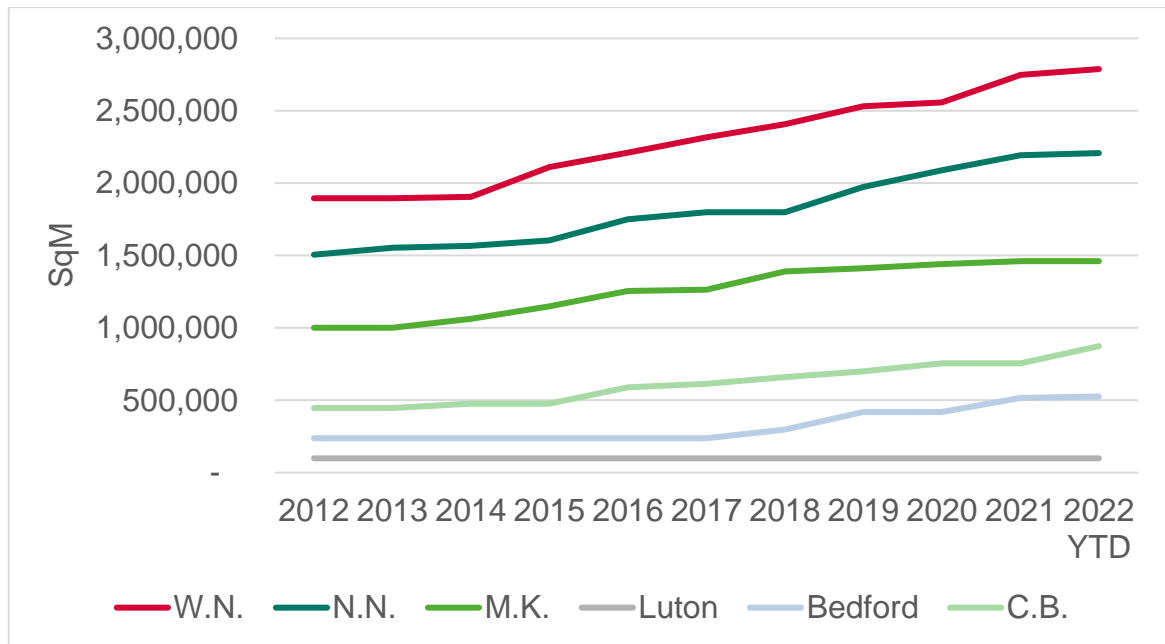
Source: UKWA/Savills

- 1.22 The report concludes ‘it is therefore crucial that policy makers appreciate the size and scale of the industry in its present form, but also understand that all forecasts point to continued and amplified growth, which will require more land to be allocated for this critical use’.

SEMLEP Study Area

- 1.23 The SEMLEP area holds a significant number of key logistics parks, defined in this study as B8 schemes larger than 100,000 sq. ft (or 9,000 sqm). The amount of floorspace in strategic logistics units has grown across all local authorities since 2012 aside from Luton which has remained stable. In Bedford, the total floorspace has more than doubled in the past decade.

Figure 1.2 Total floorspace (Sq M), for B8 units above 100,000 sq. ft (2012-21)

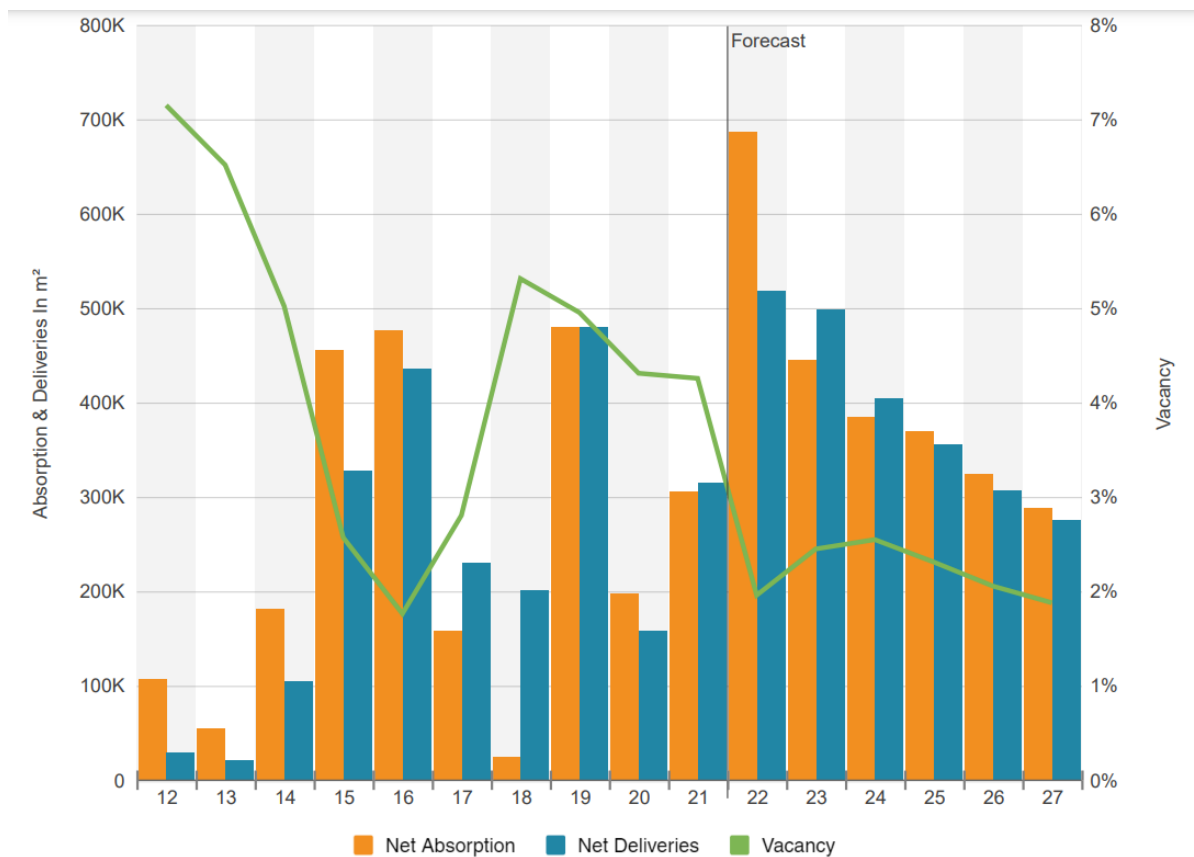


Source: IcenI analysis of CoStar data

- 1.24 The current vacancy rate for strategic logistics floorspace in the study area is 1.3%. This is extremely low in the context of a 10-year UK average of 5.3% and a current rate of 3%. The ten year average for the SEMLEP area is 4.4% - again highlighting the extremely low current vacancy rate.
- 1.25 Low vacancy rates in the study area have been driven by a combination of all-time high levels of net absorption¹⁰ in Q1 of 2022 and low levels of new floorspace delivery in Q2. Consequences of this include increasing rent costs and constrained growth in the sector.
- 1.26 The forecast from CoStar is for an above trend level of demand for the next 5 years.

¹⁰ Net Absorption = Move Ins – Move Outs. Indicates levels of demand assuming not constrained by low vacancy rates.

Figure 1.3 2012 – 2027 Vacancy, net absorption and delivery rates (logistics units over 100,000 Sq. ft)



Source: CoStar

1.27 There is a substantial pipeline of units and logistics parks with planning permission or under construction in the study area. These account for 2.2m sqm (24m sq. ft) however analysis of local planning authority data indicates the potential figure is much higher. Forthcoming parks include:

- **Milton Keynes** – PLP Milton Keynes,
- **Biggleswade** – Symmetry Park
- **Northampton** – SEGRO Northampton Gateway
- **Daventry** – DIRFT
- **Kettering** – Symmetry Park
- **Wellingborough** – Park Farm / Prologis West

- **Corby** – Mulberry Logistics Park and Centrix Business Park.

Future land supply

1.28 The constituent client authorities have provided their current and future supply position for strategic warehousing & logistics of 9,000 sqm and above. Overall, there is c.4,000,000 sqm of pipeline strategic logistics space in the study area. This comprises (at April 2021):

- Milton Keynes: 459,000 sqm
- Luton: none identified
- Central Bedfordshire: 574,000 sqm
- Bedford: 210,000 sqm
- North Northamptonshire: 970,000 sqm
- West Northamptonshire: 1,797,000 sqm

Scenarios for Future Strategic Warehousing Demand

1.29 Three models are used for estimates of future warehousing demand: Traffic growth with replacement demand; Completions trend; and Market signals.

Estimates For Future Strategic Warehousing - Traffic growth with replacement demand

1.30 This land-use forecast methodology is derived from: the continual need to build new large-scale warehousing as a replacement for existing capacity which, over time, becomes life-expired due to functional or physical obsolescence (replacement build); and long-term growth in the demand for goods in the wider economy and the subsequent need for additional floor space in order to handle that growth (growth build).

Estimates For Future Strategic Warehousing – Completions

- 1.31 The constituent SEMLEP authorities have provided completions data for schemes larger than 100,000 sq. ft (or 9,000 sqm) where available. In the absence of local authority data in some instances completions data for 2012 to 2021 has been taken from the CoStar commercial property database. The delivery rates can be extrapolated in order to model future demand. The model also allows for a completions-based margin to be included.

Estimates for Future Strategic Warehousing – Market Signals

- 1.32 Take up (net absorption) trends are considered to be a useful indicator of market requirements in forecasting future business requirements. Research suggests that current demand is driving an above average rate of take up which is likely to continue, at least in the short term (e.g. 5 years), as the market adjusts to greater emphasis on the e-commerce platform. It is therefore appropriate to consider an uplift above trend to respond to the e-commerce structural change, drawing on CoStar's next 5-year net absorption forecasts.

Future Warehouse Floorspace Growth Scenarios: Summary and Supply Balance

- 1.33 The following table indicates the summary of the forecasts, focusing on the core scenarios. To enable some broad estimates to be used for the recycling of existing sites a provisional figure of 20% of the residual need is assumed to be available through the recycling of existing B8 units (including refurbishment). This is only considered appropriate for the road (non rail) element as these require dedicated facilities at rail heads.

Table 1.2 Core scenarios for large scale logistics demand inc. margin factoring on-site replacement @20% for road element (sqm)

	2021-40	2021-50
Market signals High	6,024,600	7,331,000
Market signals Low	5,109,400	6,353,400
TGRD Central	4,836,600	6,622,200
Completions	5,711,000	7,941,400

1.34 The table below summarises the demand / supply (April 2021) balance position looking at the present to 2040 period. This takes into account unimplemented permissions and allocations in the study area. It of note that completions from April 2021 can be deducted from the residual demand. The range of shortfall under the core scenarios is 237 to 576 ha.

Table 1.3 Demand supply balance inc. margin & replacement factor

	2021-40 demand	Supply at April 2021	Balance (sqm)	Balance (Ha) @0.35
Market signals High	6,024,600	4,008,500	-2,016,100	-576
Market signals Low	5,109,400	4,008,500	-1,100,900	-315
TGRD Central	4,836,600	4,008,500	-828,100	-237
Completions	5,711,000	4,008,500	-1,702,500	-486

1.35 The supply and demand by road and rail components are provided below. It is of note that the rail element is 'aspirational' as it sees an increase from the current 12% rail based up to 32% by 2040 and therefore should be treated with caution. This is particularly evident with the lower scenarios which would suggest an element entirely residual demand for rail, which does not reflect the market.

Table 1.4 Study area demand and supply balance (2021-2040)

		Market signals High	Market signals Low	TGRD Central	Completions
Demand 2021-40	Road	4,234,000	3,318,000	3,046,000	3,920,000
	Rail	1,791,000	1,791,000	1,791,000	1,791,000
Supply at April 2021	Road	3,214,000	3,214,000	3,214,000	3,214,000
	Rail	794,000	794,000	794,000	794,000
Balance (sqm)	Road	-1,020,000	-104,000	168,000	-706,000
	Rail	-997,000	-997,000	-997,000	-997,000

Balance (Ha@0.35)	Road	-291	-30	48	-202
	Rail	-285	-285	-285	-285

Implications for other land uses

- 1.36 The total land available for employment development across the study area is estimated as 5.45m sqm. Indicatively the potential logistics pipeline of 4.0m sqm makes up around 73% of the total pipeline, with 1.45m sqm remaining (27%) for small B8 and other industrial and non-industrial uses, such as offices.
- 1.37 Taking absorption trends from the last 5 years for all commercial uses (i.e. office, B2, B8 all sizes), we can conclude that large scale B8 represents around 69% of all transactions – which aligns approximately with the 73% of employment space allocated for large scale B8 of the total. This would indicate that the balance of supply between uses is currently appropriate from a market perspective – as the apportionment of land supply approximates the market trend – with a limited amount of flexibility and taking into account judgement in future supply apportionment. However, recently the rate of demand for B8 has been accelerating and is expected to continue, putting pressure on other uses notably for other commercial space which is likely to be less viable. Given that to date the authorities have not acted in conjunction on managing logistics, some are likely to be experiencing greater levels of pressure on their supply than others. Sites where expectations for a mix of large B8 / small B8 / other industrial / commercial are likely to be particularly vulnerable, as are those on the strategic road network.
- 1.38 Planning authorities should therefore maintain up to date evidence on non-large B8 requirements in order to ensure a balanced and long term approach to economic growth, rather than being reactive to short term volatility. This will support differentiation of sites both in policy terms and spatially. Working collaboratively and maintaining a healthy and evidenced supply of large B8 sites across the whole study area (rather than in individual authorities) will also help to manage local development pressures.

Locations for future development

- 1.39 Detailed criteria regarding locations considered to be appropriate for hosting strategic distribution is set out in the report and summarised here. Note that these are subject to broader planning and environmental constraints:
- Good connections with the strategic highway network – close to a junction with the motorway network (ideally within 3km and up to 5km) or long-distance dual carriageway suitable for HGVs (reflecting the success of parks on the A1, A14 and other linking A-roads). Areas should also meet this criteria if they are likely to be served by such routes when taking into account known highway infrastructure upgrades. Motorway/dual carriageway junctions and the approach routes should have sufficient network capacity and the cumulative impacts of other proposals will need to be considered;
 - Is sufficiently large and flexible in its configuration so that it can accommodate the range of sizes of distribution centre warehouse units now required by the market. Preferred plot ratios being a minimum of 0.35 and building sizes of over 9,000 sqm which means a minimum of 2.5 ha, however ideally sites would be a minimum of 25ha and readily over 50ha¹¹ which takes into account the landscaping and infrastructure involved in delivering sites of this scale as well as inclusion of smaller employment units where appropriate;
 - Is served from an electricity supply grid with sufficient capacity to permit the charging of large fleets of battery-electric freight vehicles simultaneously, or part of the electricity supply grid which can be upgraded (network reinforcement) relatively easily and at a reasonable cost. It is recognised that this is becoming increasingly challenging and that alternative proposals around sustainable energy generation should be sought from industrial and logistics developments,

¹¹ For example the total application 'order limits' site area for Northampton Gateway is 290 hectares delivering 486,000 sqm at a ratio of less than 0.2, whereas Mulberry Logistics Park Corby delivers 400,000 sqm over 160 ha at a ratio of 0.25

particularly given the capability of renewal energy generation reported by schemes elsewhere in this document;

- Is sufficiently large and flexible in its configuration so that it can accommodate an intermodal terminal and internal reception sidings (for rail);
- Is accessible to labour, including the ability to be served by sustainable and/or active transport, and where appropriate being located close to areas of employment need; and
- Is located away from incompatible land-uses (including residential) and has the ability to undertake 24/7 unrestricted operating hours and manage noise/lighting expectations;
- Is located such that the development does not significantly crowd-out alternative land uses, such as office and lab space, and ensures a balanced supply of commercial premises and strategic employment opportunities in the local area;
- The ability to deliver high-bay warehousing at least 20m height (recognising the landscape impacts and need for appropriate locations and / or mitigation);
- Recognising the potential phasing of infrastructure and periphery landscaping requirements;
- Has access to or potential for broadband capabilities and infrastructure.

Managing logistics

- 1.40 It is recommended that the SEMLEP authorities work together to consider how future demand in the logistics sector can best be accommodated across the area as part of the Local Plan making process.
- 1.41 Overall the focus should be on ensuring an area wide consistent monitoring of supply and demand; and establishing a process for a further pipeline of sites as appropriate. This could involve identifying future suitable areas of opportunity using data on landscape / environment, junction capacity / access, site availability by size and labour market proximity.

1.42 To effectively and consistently monitor warehousing and logistics sector development, it is recommended that data monitoring and collection are actively pursued beyond the individual authority level. Of particular note is the benefit of working collaboratively and being able to demonstrate collective working to ensure that no individual authorities or Local Plans are subverted through high levels of pressure for development, particularly given the often sub regional areas of search for these occupiers.

Future employment implications

1.43 The key factors in the jobs outlook growth are considered as:

- **Replacement demand** – whether new units are simply moving jobs about from older stock, and if they are, then whether the historic units are creating new jobs of a different kind.
- **Automation** – whether automating processes are reducing the requirement for labour and decreasing densities; and whether the nature of employment is changing as a result.

1.44 A key factor in future demand scenarios is the replacement of historic stock. With the traffic growth and replacement demand model, the vast majority of future demand is replacement. This implies lower levels of employment as staff are simply moved around. There are some known instances of this occurring. However, in the most part the current trend is new market entrants. This suggests a front loading of demand which is likely to taper off later in the period, releasing some secondary stock for alternate uses. A portion of these alternate uses will also support employment, so there is an indirect employment gain, although this will also involve displacement. This often relates to the segmentation of large units for a range of commercial activities including smaller scale storage, logistics and distribution as well as car repairs etc.

1.45 Modelling suggests that at the conservative end of the demand scenarios across the SEMLEP area by 2040 some 15,000 to 19,000 additional jobs (depending on future densities) could be created of which 11,000 to 14,000 jobs in large scale

warehousing. At the higher end of the scenarios this could potentially increase by a further 6,000 to 8,000 additional jobs. This is substantial but is in the context that in the last 5 years alone there has been growth of 16,750 jobs in the warehousing specific sector in the study area. These figures should be treated with caution due to the range of uncertainties in the modelling, notably around the replacement demand for older stock.

- 1.46 In terms of employment types, the outlook for is for an increased balance between high and lower skilled roles in the sector, due to increased technical demands related to automation and ICT.