GERALDEVE

INDUSTRIAL LOGISTICS
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THINKING LOGISTICALLY: PLANNING FOR THE FUTURE

The sea-change in consumer behaviour accelerated by Covid-19 has put considerable pressure on supply chains to meet demand for home delivery. Securing well-located and well-serviced land for industrial & logistics facilities has become business-critical for a whole host of occupiers.

Fresh from our success at Symmetry Park, a c.1m sq ft Industrial & Logistics facility in Knowsley on Merseyside, and with other major applications in the pipeline, this Briefing Note shares our insights into some of the planning challenges and opportunities for the thriving industrial & logistics sector.

WHAT IS HAPPENING IN THE INDUSTRIAL & LOGISTICS SECTOR?

Covid-19 has put the industrial & logistics sector squarely in the spotlight. There is a real depth to demand for accommodation suiting a range of uses including:

- Warehouses due to the accelerated shift in shopping behaviours to home delivery
- Manufacturing units in light of new Brexit arrangements and to help support the green energy and pharmaceutical sectors
- Data centres due to the growth in home working, data streaming and businesses' reliance on cloud services.

Occupier demand is at a record high, which is challenging with supply being further restricted having already been tight for some time. Over the past 5 years availability rates have been between 5 and 6%. Whilst there are developments in the pipeline, space is quickly being absorbed and so far, development activity has had little impact on the overall supply of available space. This is an issue which planning surely needs to recognise and play a proactive role in finding a solution for.

Looking ahead in 2022 and 2023, less uncertainty around Brexit and Covid-19 restrictions easing, online sales are expected to fall back from 2020/2021 peaks, but still account for over a quarter of all retail sales. Securing industrial & logistics sites will remain business critical for occupiers, and it is likely to remain challenging for the property industry to satisfy such demands, given competing uses and high land prices.

At the same time, operators are also looking for a network of smaller local fulfilment centres or micro-fulfilment facilities. These last mile delivery models present the benefits of being closer to customers. There is emerging research that suggests this model can reduce the amount of traffic on the roads by consolidating deliveries using smaller and greener vessels such as cargo bikes and electric vans which operate locally, compared to the traditional use of HGV's.

WHERE IS THIS HAPPENING?

Traditionally the prime sought-after area for industrial & logistics space has been within the 'Golden Triangle' – an area of the East Midlands, broadly spanning the area between the M1, M6 and M42. Forecasts suggest that pockets of the South East and East Midlands in particular are set to see improved rental growth.

Alongside long-established locations, such as next to motorways and on urban boundaries, operators are looking for a network of smaller local fulfilment centres or micro-fulfilment facilities, which are closer to urban environments and major population hubs.

WHAT IS THE PLANNING OPPORTUNITY?

Arguably the biggest planning challenge for the industrial & logistic sector is the shortage of available and suitable sites. This is in part due to the sensitivity and conflicts with residential uses and the competing land values of residential uses.

Whilst national, regional and local planning policy has sought to protect industrial and employment land, over the years much has been eaten away, particularly in urban areas, in order to accommodate housing needs. To date, the housing crisis has been the planning issue prioritised by Government.

Given the delays to planning reform, there may be the opportunity to reconsider this and place greater emphasis on employment land, specifically industrial & logistics, as a sector that is vital in underpinning local and regional economies. The lack of acknowledgment of the crucial role the industrial & logistics sector has played since the pandemic is a missed opportunity. It's increasingly clear that the sector will play a key role in planning for recovery following Covid-19 and Brexit.

Planning policy needs to catch up with the changes and demands of the sector to provide part of the solution to the low levels of availability of industrial & logistics stock. It will be interesting to monitor whether development plans prepared in the next few years respond to, and address, the need for industrial & logistics floorspace, particularly last mile logistics in urban locations.

The sheds and beds concept has been hailed as a potential solution to this problem, however, there are only a small number of successful such schemes in England which have come to fruition, with this concept still being subject to testing.

The September 2020 amendments to the Use Classes Order also present both a policy challenge and opportunity for industrial & logistics floorspace, with floorspace for B1c use now benefitting from the flexibility of Use Class E. In theory, this means another use falling with Class E could become light industrial floorspace (former B1c use) without planning permission, which opens up new opportunities. However, such flexibility would also allow industrial floorspace to become another use within Class E, presenting a further challenge.

Another opportunity is the repurposing of redundant retail space and out-of-town retail parks to Industrial & Logistics sites. But with competing land uses and values, it remains to be seen whether there will be demand for this opportunity.

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WHAT'S NEXT?

It is clear that central Government and many local authorities are now starting to recognise the important role the industrial & logistics sector will play in the economic recovery. It is hoped that this will act as a catalyst for change.

Examples of this include central grant funding to deliver infrastructure or to unlock more challenging allocated development sites, as well as locally elected planning committee members supporting planning application in clear recognition of the importance of inward investment, job creation, partnerships with colleges and training programmes and the significant upstream and downstream economic benefits such developments create.

For more information on our expertise and knowledge in the industrial & logistics sector, or to discuss a particular project or the planning policies in a particular region, please do contact one of the team.