CAPACITY ASSESSMENT FOR B8 LOGISTIC FLOORSpace TO CATER FOR NON-STORE RETAILING REQUIREMENTS IN COMPARISON GOODS WITH THE CATCHMENT AREA FOR CHESHIRE GATEWAY SITE AND OTHER PRINCIPAL LOGISTIC SITES IN CHESHIRE EAST BOROUGH COUNCIL.

ON BEHALF OF DB SYMMETRY AND TATTON ESTATE MANAGEMENT LIMITED
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APPENDIX 1 - CHESHIRE GATEWAY DRIVE TIME ISOCHRONE

APPENDIX 2 - OTHER CHESHIRE EAST EMPLOYMENT SITE DRIVETIME ISOCHRONES
1. INTRODUCTION

1.1 Pegasus Group has been commissioned to quantify the amount of non-store retail expenditure there is to support additional logistics floorspace within Cheshire East Borough and the immediate catchment areas of the Borough’s logistic sites and the Cheshire Gateway site, which is being promoted by Tatton Estate Management and DB Symmetry (formally Barwood Developments) through the Cheshire East Local Plan process.

1.2 This report was produced to aid discussion at the forthcoming workshop on Employment Land needs on 24th April 2015 and addresses a key point raised in the Draft Final Report by ekosgen issued for the technical workshop on 19th May 2015 at paragraph 4.46, which states:

‘In addition to the Superport, there are a number of other trends, such as internet shopping, which are changing the distribution and logistics industry in the UK. These combined factors are likely to increase demand for logistic sites both near to the strategic road network and with good access to the main population centres.’

1.3 The ekosgen report does not go onto specifically quantify the demand generated from internet shopping. This report does precisely that by using widely used and orthodox methods used by the retail planning industry for understanding the demand for standard A1 retail floorspace.
2. METHODOLOGY

2.1 The approached used to quantify the amount of demand for logistics floorspace follows an orthodox approach adopted by many local authorities and planning consultants when seeking to quantify the demand for retail floorspace. The basic approach is set out below.

Define the Catchment Areas

- Generated a 30 and 60 minute drive time isocrones from AECOM’s GIS database for the following locations:
  - Cheshire Gateway Site, Junction 7 M56;
  - Mid-point 18, Middlewich;
  - Sandbach, J17 M6;
  - Radway Green, Alsager; and
  - Basford East, Crewe.

- Isochrones are presented at Appendix 1 and 2.

Obtain Population Figures

- Obtained 2011 Census population figures for each drive-time area from AECOM’s GIS database.
- Presented population figures for 2011, 2015 and 2025.

Calculate Available Expenditure

- Used expenditure and growth data from Pitney Bowes Retail Expenditure Guide 14/15.
- Utilised UK average per capita expenditure figure for comparison goods (table 3.3).
- Multiply Population by Per Capita Expenditure figure.
- Applied Non-Store Retail Sales Rates based on ‘Central Case’ growth scenario (table 3.1).
- Calculate the growth in non-store expenditure between 2015 and 2025.
- We have not projected growth beyond 2025 on the basis that there is limited growth.

Define Floorspace Requirements

- Calculated the amount of floorspace that would be required through the following sales densities:
  - £5,000 per sq m at 2011;
  - £5,500 per sq m at 2015; and
  - £6,000 per sq m at 2025.
3. CATCHMENT AREAS AND POPULATION FIGURES

3.1 Throughout our representations towards the Cheshire East Local Plan, we have sought to highlight that the Council’s existing and proposed employment allocations are not well placed to capture the demand for logistics floorspace generated from non-store retail activity in the NW - a sector that needs to focus on a very efficient home delivery model.

3.2 This is simply because the existing Cheshire East logistic sites are too far from the main urban population centres of the NW. This does not mean to say they are unsuitable employment sites. It simply means they will focus on businesses with either a more specific localised requirement or a business model that benefits from being equidistant from the main population centres of the West Midlands and Greater Manchester.

3.3 The graph below illustrates the population within the 60 minute drive time area\(^1\) from the selected Cheshire East sites. The Cheshire Gateway site clearly encompasses a larger population than any other Cheshire East location.

3.4 That said, the population figures for some of the other sites, such as the Sandbach site on Junction 17 of the M6, are not significantly less. Many are within 60 minutes of the northern parts of the West Midlands and most can access most of the main urban population centres within the North West within this timeframe.

Graph 1 - 2015 Population within 60 Minutes Drive Time Area

3.5 For logistic operations that only need to distribute to a select number of sites, it could be argued that this represents a sufficient distribution of sites (for example to supermarket locations albeit it is noted Tesco have closed down their distribution facility in Middlewich). However, the increased

\(^1\) Based on a small delivery vehicle
demand to deliver goods to individual residential and business addresses requires more instant access to the main urban centres.

3.6 Indeed, many of the isochrones images for the existing and proposed Cheshire East sites in the local plan only reach the main urban conurbations of the North West following a 30 minute drive on the motorway network. The M6 is a notoriously congested motorway and access into the main North West conurbations on a daily basis. This has serious ramifications for same/next day delivery requirements and highlights why the existing Cheshire East logistic locations have failed to attract this type of occupier.

3.7 The desirability for the Cheshire Gateway site is perfectly illustrated when we consider the population within the 30 minute drive time. The Cheshire Gateway site has access to a population of over 3 million whereas the other Cheshire East sites are less than half of this.

3.8 For simplicity, we have applied the same population growth factors across all of the catchment areas for each site using the average growth rate for the NW. As such, a graph showing the population increase between 2015 and 2025 would appear very similar to that above in proportional terms. The population increase of within the Cheshire Gateway site’s 30 minute drive time catchment area is 111,102 and clearly represents the largest level of population growth when comparing the catchments.

3.9 It should also be noted that Greater Manchester witnessed one of the most significant population increases in the country between 2001 to 2011. Based on the ONS projections for the GM area, an even wider gulf between the Cheshire Gateway sites and the other Cheshire East sites would be apparent if applied.
4. AVAILABLE EXPENDITURE AND GROWTH

4.1 For this assessment we have used data from Pitney Bowers Retail Expenditure Guide 2014/15 which is commonly used by retail planners to quantify the amount of retail floorspace demand.

4.2 The graph below illustrates the expected growth in comparison goods expenditure from £2,996 per person in 2011 to £5,133 by 2025, representing a 70% increase. We have only looked at comparison goods expenditure on the basis that many convenience retailers already operate from a wide network of local distribution centres (i.e. existing stores).

4.3 The following graph also shows the growth in non-store retail sales (i.e internet, catalogue, TV channel), which rises from 13.1% in 2011 to 18.9% in 2015 and will increase to 23.5% by 2025.
4.4 The following graph illustrates the growth in non-store retail spending on comparison goods within the Cheshire East Borough. This assumes UK average spending levels and population growth based on average NW sub-national population projections.

4.5 Put simply, the demand is expected to triple between 2011 to 2025 with £467m spent through non-store activity by 2025 in Cheshire East.

**Graph 5 - Cheshire East Borough**
Available Non-Store Comparison Goods Expenditure

4.6 As can be seen from the graph below, the demand generated in the Cheshire East borough is just a small fraction of the demand within the natural catchment areas of the selected sites with the Cheshire Gateway site capable of serving a significantly larger area of demand.

**Graph 6 - Available Non-Store Comparison Goods Expenditure**
30 Minute Drive-time Area
4.7 The growth in expenditure for non-store comparison goods spending between 2015 and 2025 for each of the catchment areas is illustrated in the table below. It confirms the growth in the 60 minute drive time area from the Cheshire Gateway site equates to just under £4bn, which is substantial and needs to be accommodated through new logistics floorspace.

<table>
<thead>
<tr>
<th>Location</th>
<th>Table 1 - Growth in Non Store Comparison Goods Retail Sales (2015-2025)</th>
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<tbody>
<tr>
<td></td>
<td>60 Minutes</td>
</tr>
<tr>
<td>Cheshire Gateway</td>
<td>£3,970,854,373</td>
</tr>
<tr>
<td>Basford East</td>
<td>£2,125,702,797</td>
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<tr>
<td>Radway</td>
<td>£2,683,532,060</td>
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<tr>
<td>Midpoint 18</td>
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<tr>
<td>Sandbach</td>
<td>£3,410,710,716</td>
</tr>
<tr>
<td>Cheshire East Borough</td>
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</table>
5. **FLOORSPACE REQUIREMENTS AND CONCLUSIONS**

5.1 The floorspace and sales density figures for logistics uses will not directly reflect average sales densities for retail based floorspace. However, in order to provide some form of scale by which to gauge this level of demand we have adopted the orthodox sales density approach used by the retail industry to quantify the amount of floorspace that would be required to house the extent of goods being purchased.

5.2 The amount of floorspace for both A1 and B8 uses will be principally dictated by the stocking of goods which will have a comparable physical volume wherever they are located. Clearly A1 floorspace needs to display goods for the public. As such, it is likely to be slightly less efficient when it comes to the storage of goods. However, there are a range of sales densities used within the retail industry to determine how much net retail floorspace should be delivered.

5.3 For instance, a busy city/town centre locations which attract a high volume of custom, a £5,000 per sq ft sales density is not uncommon for retail floorspace. For big box retailers, which typically accommodate larger physical goods, far lower sales densities are often applied (i.e. £1,500 to 3,000 per sq ft). Either way, these figures relate to net retail sales area space and not gross floor areas. As such, if we applied a high sales density at £5,000 sq ft, recognising it does not account for any storage space, it is not entirely unreasonable to assume that this would be close to the equivalent of a gross floor area of a B8 warehouse.

5.4 If the c.£4bn worth of growth between 2015 and 2020 within the 60 minute drive time of the Cheshire Gateway site is applied to a high sales density of £5,000 per sq m sales density, an additional 794,171 sq m (8.5 million sq ft) of floorspace would be required.

5.5 If the above requirement is split equally amongst 500,000 sq ft units, the growth in demand would support 17 additional units of this scale within the Cheshire Gateway 60 minute catchment area and an additional 8 units within the 30 minute catchment. If it were split equally between 100,000 sq ft units, there would be a need for 85 additional units within the 60 minute catchment area and 38 in the 30 minute area.

5.6 The above figures do not account for any previous growth and unmet demand in this sector. If we consider the level of growth since 2011, there would be a need for 12.7 million sq ft within the Cheshire Gateway 60 minute catchment area from this single source of expenditure, generating a need for 26 logistic units of 500,000 sq ft each.

5.7 Clearly if we forecast the need over the entire Cheshire East Local Plan period up to 2030, the floorspace requirement would increase further. Even so, what is clear is that the physical demand for new logistic floorspace over the next 10 years for this specific area of demand (i.e. online comparison goods shopping) is substantial. The reason for assessing this specific sector is because there is a need for the logistics space to be close to the end consumer, which is a key attraction of the north of the Borough and a site such as the Cheshire Gateway location.
5.8 Cheshire East needs to play its part in meeting this demand, particularly given its proximity to the main urban areas and strategic highway network. We have already demonstrated that none of the Cheshire East employment sites (or Airport City) are capable of accommodating logistic floor plates within the larger category. Moreover, none of the sites benefit from sufficient proximity to the main urban areas of the North West within a 30 minute drive time, which make them unattractive to operators seeking to provide next day/same day delivery services.

5.9 Even if there is any doubt over the above approach and methodology to calculate the required floorspace, it must be recognised that this assessment focuses on a very specific consumer goods sector within the much wider logistics sector. Indeed, no direct allowance has been made for this Government’s firm commitment to the Northern Powerhouse growth agenda or the influence of the SuperPort or Atlantic Gateway initiative, all of which will generate additional growth requirements. Moreover, other business sectors will have their own specific demands on the logistics sector. The floorspace figures set out in this report should therefore be seen as a minimum of what is required.

5.10 To conclude, the scale of growth in population, coupled with the expected growth of the comparison goods retail sector and sales through non-store sales is significant. This will undoubtedly generate logistic floorspace requirements in the north of the Borough close to motorway junctions.

5.11 Through our representations we have already highlighted that the Cheshire Gateway site represents the only promoted site within the Cheshire East area to meet this demand. Combined, the extent of the demand, the lack of alternative sites and the ongoing physical changes to the environment on the Cheshire Gateway site through the A556 road works represent very special circumstances to remove the site from the Green Belt and allocate it for employment purposes through the Local Plan.
APPENDIX 1 – DRIVE TIME ISOCRONES
APPENDIX 2 – OTHER CHESHIRE EAST EMPLOYMENT SITE DRIVETIME ISOCHRONES