

# Economic Development Needs Assessment Update

Warrington Borough Council



Executive Summary

February 2019

## **EXECUTIVE SUMMARY**

### **Introduction**

- i) This report provides an economic development (employment land) needs study for Warrington Borough. It has been carried out to provide a robust evidence base which will inform the emerging Local Plan. It will review the economic performance of the Borough and inform decisions on current and future land allocations. It updates the core elements of the Warrington Economic Development Needs Assessment (EDNA) 2016. The reasons for this update include:
- To respond to criticisms of the previous EDNA process, and associated elements of the Local Plan, made in the recent Regulation 18 Consultations process
  - To account for the evolving national policy picture since 2016
  - To account for revised growth projections of both jobs and homes
  - To ensure the land supply proposed in the emerging Local Plan properly reflects Objectively Assessed Needs (OAN)
  - To reflect the requirement in national guidance, echoed in the EDNA study, for regular updates of evidence base documents to ensure evidence remains current.

### **Methodology**

- ii) Several research methods have been used, including site visits and telephone interviews with property market stakeholders such as developers, investors and their agents. The Wider Economic Geography of Warrington has been identified and the property market in the local authority areas within that Geography has been reviewed through desktop analysis of employment and planning strategies, and consultations with officers from those local authorities. The methodology follows Planning Practice Guidance on employment land reviews.

### **Market Findings**

- iii) Nationally and regionally, the logistics and industrial market remains strong with, 'mid box' units of 5,000-10,000 sqm being in high demand during 2017, whilst industrial supply fell for a seventh consecutive year.
- iv) Industrial need is for units starting at 450 sqm and extending all the way up to 14,000 sqm. As in 2016, there is market interest in growth in South Warrington, in other out of town locations linked to the main motorway junctions, as well as at Birchwood,

Gemini and Woolston Grange. Average rents are £43-65/sqm, extending up to £97/sqm.

- v) There is healthy local office market demand in Birchwood and Gemini, and, more modestly, for Town Centre stock, particularly at Centre Park. Birchwood remains the focus for the largest requirements, up to 2,000 sqm. There are few freehold options to meet demand, either for industrial or offices. A market is reported for out-of-town office developments, if locations remain linked to the transport network. Away from the motorways there is some demand for rural conversions, but not larger developments of industrial or office space.
- vi) The Wider Economic Geography of Warrington includes most of Wigan Borough, and the western portions of Trafford and Salford in Greater Manchester. The northern areas of Cheshire West and Chester and Cheshire East have strong links, as do Halton and St Helens in the Liverpool City Region. Although geographically more distant, Warrington also has good links with the urban centres of Manchester and Liverpool. Within this wider area, the following economic issues are noted:
- Of the strategic sites which may compete with Omega, and its successors, Ma6nitide (Middlewich, Cheshire East) is the most significant existing site and Parkside (St Helens) will be most significant in the future. Provision of several other strategic development locations, with links to Warrington, is put forward in the 2016 Greater Manchester Spatial Framework but remains uncertain at this time. Against the scale of potential needs from the growing Port of Liverpool, the programmed strategic supply in the Liverpool City Region remains modest, creating ongoing opportunities for Warrington
  - The Manchester Ship Canal is a key asset and expansion at Port Warrington would help the Borough secure a share of its growth
  - Warrington is losing professional and scientific labour to Sci-Tech Daresbury, although the strong overlaps between Halton and Warrington in this area mean that Warrington Borough is still deriving economic benefit from this flow
  - Between Sci-Tech and The Heath, Runcorn and the Cheshire Science Corridor Enterprise Zone Sites, Warrington's Wider Economic Geography appears well catered for with science themed facilities
  - The strongest competition in the office market is from Manchester (and Salford) and this is inhibiting demand for larger office premises at present.

- vii) Sites in other local authority areas of Warrington's Wider Economic Geography, even when of a strategic scale, will ultimately meet the OAN of those authorities rather than Warrington. The only exception would be, if realised, an expansion of Omega west into St Helens. Such a site would support both Warrington and St Helens and the two authorities would need to agree how the land supply resulting was divided between them.

#### **Present Employment Land Supply**

- viii) In 2016, Warrington had a realistic employment land supply of 104.53 ha in 14 sites, of which 34.85 ha in 11 sites represents the local supply and just over two thirds, 69.68 ha in three sites, represents the strategic (Omega) supply.
- ix) Since 2016, 20.62 ha has been developed, is held to meet the needs of individual companies only, is proposed for non B-Class uses or is otherwise unavailable. Excluding these gives a new (July 2018) realistic land supply of 83.91 ha in 10 sites. Of this, 23.94 ha in eight sites is the local supply.

#### **Objectively Assessed Needs**

- x) To assess needs two recognised methods of forecasting have been used creating three distinct models of OAN, plus two 'Policy On' Sensitivity Tests. The outputs from these models are outlined in Table ES1. All OAN forecasts relate to the local authority area of Warrington Borough only.

#### **Historic Land Take Up**

- xi) The first method is a forward projection of historic land take up trends to produce strategic/local and local only projections. Based on this projection, Warrington needs 361.71 ha of land on a strategic/local take up model, 223.70 ha on the local only model. This is inclusive of a five-year buffer and an allowance of 14.71 ha for business displacement associated with Masterplan projects (see Section 4.0 of the Main Report). Against the realistic land supply of Warrington, there are shortfalls of 199.77-277.80 ha.

#### **Labour Demand**

- xii) The second method looks at jobs growth, as identified in Oxford Economics forecast modelling, an updated (2018) model which allows for macro-economic changes since

2018. As can be seen in Table ES1, the resulting jobs based forecast model suggest the Borough has much smaller land shortfalls.

**Table ES1 – Warrington Borough Land Forecast Models – Summary**

Model	Need (A+B+C)			Less Supply (D)	A+B+C-D=Surplus (Shortfall), ha	Revised Surplus (Shortfall), ha, accounting for SEP Target = Further 46.42 ha of land need.	Revised Surplus (Shortfall), ha, Variation on the Strategic Economic Plan = Further 19.98 ha of land need	Assumptions
	A: Land Need 2017-2037, ha	B: Buffer (five years further need) ha	C: Allowance for business displacement associated with Warrington Masterplan projects	D: Land Stock 2018, ha – Strategic and/or Local Supply*				
Strategic/ Local Take Up	277.60	69.40	14.71	83.91 Strategic/ local supply	(277.80)	-	-	Based on historic (22 years) take-up of 13.88 ha/pa. Inclusive of take-up at Omega Compares a combined strategic/local growth rate with a strategic/local supply picture SEP figure not applicable to take-up scenarios Of this, strategic need would be approx. 112.04 ha, local need would be 165.76 ha.
Local Take Up	167.20	41.80	14.71	23.94 Local supply	(199.77)	-	-	Based on historic (21 years) take-up of 8.36 ha/pa. Exclusive of take-up at Omega Compares a local growth rate with a local only supply picture SEP figures not applicable to take-up scenarios
Employment based on adjusted stock – Oxford Economics Model	+41.68 Growth +13.89 Change	+10.42 +3.47	14.71	23.94 Local supply	1)(42.87) 2) (8.13)	1) (89.29) 2) (54.55)	1) (62.85) 2) (28.11)	Based on 1) projected growth sectors 2) projected employment change across sectors A local growth only scenario

Source: BE Group and Mickledore, 2018

\*Realistic land supply at 2018

- xiii) The Labour Demand model shown in Table ES1 is a 'Policy Off' forecast that does not account for any public-sector plans or strategies for growth above the baseline, or for the local strengths or weaknesses of Warrington. In terms of 'Policy On' modelling, sensitivity testing has been undertaken to understand the forecast growth, above the baseline, outlined in the 2017 SEP and variation in the LEP's projections which aligns with Warrington's Local Plan housing growth prospects and allow for other sources of economic growth potential, such as the growing Port of Liverpool.
- xiv) Forecasting against the 2017 SEP target provides for an extra 10,405 jobs on the Oxford Baseline gain of 14,600 to 2037. This assumes Warrington secures a representative 26.8 percent share of Policy On economic growth. This further job growth can be translated to an additional land requirement of 46.42 ha. Added to the baseline Labour Demand models, the resulting land shortfall increases to a maximum of 89.29 ha.
- xv) The SEP Jobs Growth scenario specifically allocated to Warrington in the Warrington New City plan has been used to determine the housing numbers within the Local Plan PDO, 2017. It is useful to consider this original uplift created by the SEP over the current Oxford Forecast, an increase of 319 jobs/year. This is considered an appropriate sensitivity test because of the variation in the forecasts published by Oxford Economics over 2015-2018, which show strong employment growth between 2016-2018 and a slowing of growth thereafter, which does not accord with other evidence sources in this study. This approach suggests an increase of 954 jobs/year (19,080 additional jobs over 20 years). Again, this growth can be translated to an additional land requirement of 19.98 ha. Added to the baseline Labour Demand models, the resulting land shortfall increases to a maximum of 62.85 ha.
- xvi) However, the market assessment and a review of the historic trends in employment change and land take up (see Section 6.0 of the Main Report) suggest that these forecasts underestimate land needs significantly. **The preferred forecasting method is therefore a projection forward of past take-up rates that considers both strategic and local needs.**

## Recommendations

- xvii) This report has had full regard to the requirements of the NPPF and the PPGs to encourage and deliver growth through the planning system. The key recommendations are:
- That the Council should adopt the strategic/local land take-up scenario. This suggests that the Borough has a further land need, additional to the current realistic supply, of 277.80 ha, to 2037
  - That the Council look to the Policy-On SEP Scenarios (particularly Sensitivity Test Two: 'Variation on the Strategic Economic Plan') additional to the Oxford Baseline, as more realistic indications of the numbers of jobs likely to be created
  - The Council should work with neighbouring authorities on issues in which interests will overlap
  - Review and monitor the employment land and premises position and undertake the study again in about five years.
- xviii) Areas of search for new employment sites are summarised in Table ES2.



**Table ES2 – Areas of Search for New Employment Land**

Area of Search	Evidence
Town Centre	<p>North West growth driven by the SME sector and the market for sub 500 sqm units. Demand outstrips supply for all types and sizes of units Requirements for serviced office space have massively increased regionally, driven by growth in high tech firms, increasing desire for flexible leases and lack of alternatives. Oxford Economics predict a further 11,500 jobs in sectors needing office accommodation, in Warrington to 2037 (19,300 under Policy On Scenarios). Diverse Town Centre stock, from 1 desk size to 900 sqm is generally letting well The Town Centre is experiencing a shortage of stock. Losses to residential conversion are further constraining supply. Town (City) Centre Masterplan in place with regeneration options being actively pursued by developers.</p>
Birchwood	<p>Oxford Economics predict a further 11,500 jobs in sectors needing office accommodation, in Warrington to 2037 (19,300 under Policy On Scenarios). Stakeholders indicate that Birchwood remains a focus for demand for larger offices (and higher value industry) Office rents of £156/sqm are being achieved Good activity and demand reported with two recent units of 900 sqm and 2,000 sqm both being let before promised refurbishment happened. Self-contained office units with a good amount of parking, which Birchwood offers, are in particularly strong demand Enterprise Zone status is a strong asset for Birchwood Park. The market focus of Birchwood (nuclear, engineering, telecoms) is felt to be sufficiently different from the other Cheshire Science Corridor locations, avoiding excessive competition/duplication.</p>
Woolston	<p>Woolston continues to dominate in terms of local market deals completed. Woolston Grange remains a focus for mid-scale industrial market demand, for units of 1,400-4,000 sqm. Demand outweighs supply both for land and property</p>
Warrington Waterfront	<p>Growth here linked to the wider Port of Liverpool/Manchester Ship Canal economy. Other facilities on the Ship Canal already seeing growth evidence, especially Port Salford. The Port of Liverpool is expected to generate a need for almost 400 ha of logistics land in the sub region to 2037, with further land needed for commodities logistics. This need is supply driven and could be accommodated in a wide sub-regional area which extends to include Warrington.</p>
M56 Corridor	<p>The North West remains the logistics market leader in the UK. Despite macro-economic concerns, the markets for large B2/B8 premises remain strong against a limited supply. The Port of Liverpool is expected to generate a need for almost 400 ha of logistics land in the sub region to 2037, with further land needed for commodities logistics. This need is supply driven and could be accommodated in a wide sub-regional area which extends to include Warrington. Forecasting indicates that Warrington could gain up to 2,600 transport and distribution jobs under the best Policy On growth scenario Large B2/B8 remains a focus for speculative development as evidenced by the Omega Mountpark scheme. As in 2016, there is strong stakeholder support for allocations in South Warrington. Property stakeholders also report strong market demand for local industrial/warehouse space in the existing Barleycastle Trading Estate/Stretton Green Distribution Park which cannot be met at present. Demand here is further evidenced by the range of planning applications consented/seeking approval, for business expansion at Barleycastle Trading Estate/Stretton Green Distribution Park. This now includes a major development application for a new Eddie Stobart facility.</p>
Omega growth	<p>The North West remains the logistics market leader in the UK. Despite macro-economic concerns, the markets for large B2/B8 premises remain strong against a limited supply. The Port of Liverpool is expected to generate a need for almost 400 ha of logistics land in the sub region to 2037, with further land needed for commodities logistics. This need is supply driven and could be accommodated in a wide sub-regional area which extends to include Warrington. Forecasting indicates that Warrington could gain up to 2,600 transport and distribution jobs under the best Policy On growth scenario Large B2/B8 remains a focus for speculative development as evidenced by the Omega Mountpark scheme. Some 117.39 ha has been taken up at Omega since 2013 and a further 33.70 ha is expected to be taken up in the short term. At £70/sqm, Omega is achieving some of the best rents for larger B2/B8 space in the North West, with no evidence of demand reducing.</p>

Area of Search	Evidence
M62 Junction 9, Winwick (serving North Warrington)	Winwick Quay continues to be a focus for industrial market demand, albeit with a growing emphasis on B8 trade uses. With recent losses to retail and car showrooms, there is no growth land remaining in the Junction 9 area, south of the M62. Stakeholders identify that demand in the rural north of the Borough is focused at locations with good motorway access, particularly Junctions 8-9 M62. Away from the motorways, rural demand is mostly for premises conversions rather than new build development.
Lymm	Lymm has just seen two new rural office developments start-up. Stakeholders feel this indicates a growing market for out-of-town office developments. They believe that if supply was offered in this location, and similar areas, it would work well. Generally, sites at Lymm with good motorway access are identified as desirable to support the local economy.

Source: BE Group, 2018

