

HB1/2

Economics Proof
of Evidence of
Stephen Nicol,
BA, MA



**NICOL
ECONOMICS**

HB (South Caldecotte) Ltd

LAND AT SOUTH CALDECOTTE

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Economics Proof of Evidence of
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SUMMARY

July 2020

1. Scope of my evidence

1.1 My proof addresses the need for employment land in Milton Keynes (both quantitatively and qualitatively), the supply of employment land in Milton Keynes, and the economic benefits from the proposed development.

Policy, economic and market assessment

1.2 National, sub-regional and local policies relevant to economic development support the proposed development at South Caldecotte. My review has identified:

- Strong support for Milton Keynes as growth location in national policy as part of the Oxford/Milton Keynes /Cambridge Arc.
- The recognition of the key importance and success of the logistics sector in the sub-regional area within which Milton Keynes sits.
- The generally pro-growth policies and approach of Milton Keynes Council including its recognition of the importance of ensuring suitable business space for the logistics sector (as well as other sectors).

1.3 My analysis of relevant economic and market data for Milton Keynes and the logistics sector leads to some clear conclusions:

- The Milton Keynes economy has performed well over a long period of time acting as a key growth engine for the wider South East and indeed nationally.
- The logistics sector is a particularly important part of the Milton Keynes economy accounting for 5% of GVA and 7% of all jobs.
- There is evidence of strong employment growth in the sector in recent years. Of the order of 2,000 to 3,000 extra jobs were created between 2016 and 2018 (the last year for which data is available). This represents a large share of the total jobs growth forecast in the sector used to derive the assessed need over the whole 15 year Local Plan period.
- The logistics sector produces a wide range of jobs at different wage levels. The median wage levels for those working full time in the sector in the South East is above the all-sector average. As well as the traditional “blue collar” occupations of warehouse operative and drivers, warehousing supports significant numbers of office based, technical and managerial jobs.

- The past and current market evidence is of healthy and continued demand for warehousing especially in the South East of England. There is clear local evidence of live requirements seeking sites for large scale distribution uses as well as past occupier requirements that have been unable to find space in Milton Keynes and gone elsewhere.

Supply of and demand for employment land in Milton Keynes

1.4 I have carried out a detailed analysis of the evidence on demand and supply of employment land in Milton Keynes and in particular for large-scale logistics and distribution activity. There are some very clear conclusions I draw:

- The assessments in evidence base used to inform the adopted Local Plan about the scale of demand for employment land for B8 uses over the period to 2031 have proven to be fully supported by subsequent events. Indeed, these assessments understated the overall potential level of demand and certainly the speed of its manifestation.
- The allocation of the South Caldecotte site and the recognition of the need to make provision for demand for sites from large B8 logistics users in the adopted Local Plan has also been fully borne out by events.
- The rate of take-up and level of demand since 2018 has highlighted the immediacy of the demand and the strength of Milton Keynes as a location for distribution activity. Based on the take-up rates over the last two years (16.5 hectares per year), the South Caldecotte site would have the potential to meet of the order of three to four years of demand.
- The supply of available sites for large scale distribution uses is now significantly diminished compared to 2018. There has been rapid development of two of the main sites allocated in the adopted Local Plan for such uses (Eagle Farm and Glebe Land sites).
- At the time of writing this proof, apart from the 10 hectare Pineham site, there are no other sites able to accommodate large scale distribution developments in Milton Keynes. The range of choice to potential large-scale occupiers wishing to develop space for their needs is therefore now very limited.

Economic benefits from the proposed development

- 1.5 The 57 hectare South Caldecotte site is well located. It is of the size and has all the attributes necessary to appeal to large-scale distribution and other occupiers. The appeal site would be available for development of individual plots within 18 months of approval of the planning application.
- 1.6 My analysis has quantified the economic benefits that would stem from the approval of development on the appeal site:
- 1) The original planning application understated the potential scale of employment that would be supported by development at the site. The number of full-time equivalent (fte) jobs supported by the completed development would range from a likely minimum of 2,500 fte jobs up to, potentially, 3,400 fte jobs. There would be a wide range of types of jobs provided.
 - 2) The construction of the proposed development of the site would cost around £140 million and support just over 1,000 years of construction employment.
 - 3) The completed development could support an annual additional GVA contribution to the Milton Keynes economy of £135 million to £184 million.
 - 4) Finally, the completed development would support around at least £3.4 million pa of extra local tax revenues.

Covid 19 and the economy

- 1.7 The impact of Covid-19 and the consequent health effects and policy responses have led to unprecedented slowdown in economic activity in the UK. Although the overall impact of Covid-19 is to depress demand and economy activity this has and will vary enormously by sector.
- 1.8 The impact of Covid-19 and the lockdown has accelerated growth towards home based distribution via internet shopping rather than high street retail. There is evidence of strong take-up of distribution space since the onset of Covid-19 in the UK in response to the changed shopping and distribution patterns. Two effects appear likely to continue into the medium to longer term driving demand for logistics space:
- 1) The accelerated the growth in internet shopping, which is a key driver of warehousing demand, and

2) Improving **resilience in supply chains**.

1.9 The impact of Covid-19 has highlighted the value of an efficient and resilient distribution sector and the critical role of large scale warehousing to service the needs of a complex modern economy. Finally, the economic impact of Covid 19 has led to a strong response by the UK Government and a clear desire to see investment happen as quickly as possible to offset reduction in economy activity and help pull the UK economy out of the Covid-19 induced recession.

Conclusions

1.10 There is a strong and compelling case to approve the proposed development of the site on economic grounds:

- 1) As a consequence of the strength of take-up there is, currently, a **very limited choice** of sites for development of large scale logistics space.
- 2) The development of the appeal site as proposed in the planning application with up to c. 240,000 sqm of business space **will meet this need**. Critically, it will provide choice for business already in Milton Keynes and those seeking to locate there. It will provide a site suitable for a wide range of uses including very large scale warehousing.
- 3) In the absence of the development of the South Caldecotte site in the short to medium term there would be a **lack of choice and, potentially, a complete deficiency** of land for large scale business users, both business already in Milton Keynes and inward investors.
- 4) Having South Caldecotte as an allocation does not of course meet the needs identified in the Local Plan reflected in the experience of the past couple of years. Approving the planning application is required to **translate the allocation** into a reality.
- 5) If approved, the site is likely to be developed out in full over a **3 to 5 year period** based on evidence of past take-up rates.
- 6) The development of the site as set out in the application would lead to **clear and significant benefits for the economy** of Milton Keynes that would not occur in the absence of the development.
- 7) In conclusion, I consider there are very strong economic arguments for granting the appeal.



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