



Land at Walsgrave Hill

Response to Rugby Local Plan Review Issues and Options Consultation

February 2024

On behalf of **SEGRO**

SEGRO

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1 INTRODUCTION

- 1.1.1 Stantec are instructed by SEGRO to submit representations to the Rugby Borough Council Local Plan Review Issues and Options (Regulation 18) consultation in respect of their land interests at Walsgrave Hill.
- 1.1.2 SEGRO's land interests at Walsgrave Hill includes the land to the east and west of the A46. The land to the west is allocated for 900 homes in Coventry City's adopted Local Plan. It is SEGRO's intention to bring this land forward consistent with the Local Plan. **The land to the east of A46 is within Rugby Borough and is considered a suitable and deliverable site to provide much needed strategic employment land to meet the needs of Rugby Borough.**
- 1.1.3 The land east of the A46 (the 'Walsgrave Site' or the 'Site'), shown on the Location Plan at Appendix A, is considered to represent an entirely appropriate location to meet the strategic B8 employment needs of Rugby and the Coventry and Warwickshire area. The Site represents a natural and logical extension of the established and successful employment site at Antsy Park, situated on the Site's eastern / northern boundary.
- 1.1.4 SEGRO support National Highways ongoing improvement works to the strategic road network, particularly those that the serve the 'Trans-Midlands Trade Corridor' between the M5 and the Humber Ports. This includes the improvements to the Coventry junctions. The Binley Road junction, approximately a mile south of the Site's southern boundary, which was completed in February 2023 **and the proposed Walsgrave junction improvements**. This will provide a new junction at Walsgrave to increase capacity and an access on this part of the A46. One of the stated aims of the Trans-Midlands Trade Corridor being to facilitate the economic growth of the area through major improvements to supporting infrastructure.
- 1.1.5 SEGRO would welcome the opportunity to meet with Rugby Borough Council Planning Policy Officers to discuss the content of these representations in more detail.

2 Section 3. Land for employment uses

2.1 Question 1: How much employment land should we be planning for?

- 2.1.1 Paragraph 11a of the National Planning Policy Framework (NPPF) 2023 is clear that for plan-making all plans must promote a sustainable pattern of development that “meet the development needs of their area: align growth and infrastructure; improve the environment; mitigate climate change and adapt to its effects”. Paragraph 11b goes on to state that strategic policies should, as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring areas. The reference to the needs of other uses includes employment.
- 2.1.2 Chapter 6 of the NPPF, ‘Building a strong, competitive economy’ sets out the government’s policy to boost the economy. Part b) of paragraph 86 states that planning policies should “set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period” (our emphasis added). Part d) goes on to state that policies should “be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances” (our emphasis added). In this context, it is important for planning authorities to meet the land use planning needs of their area including the needs of neighbouring authorities and produce policies that are responsive to economic circumstances. The new Rugby Local Plan should be prepared on this basis.
- 2.1.3 Paragraph 87 of the NPPF states “Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for storage and distribution operations at a variety of scales and in suitably accessible locations”. [our emphasis added]
- 2.1.4 The Coventry and Warwickshire Housing and Economic Development Needs Assessment, November 2022 (the ‘HEDNA’) assessed the need for development across the Functional Economic Market Area (FEMA) having regard to Planning Practice Guidance (PPG).
- 2.1.5 To inform these representations and our response to this question, Stantec Development Economics have reviewed the HEDNA and a report of their findings is appended (Appendix B).
- 2.1.6 The HEDNA concludes that Rugby has a local requirement for 150.5 ha general industrial land for non-strategic industrial and logistics uses. This is based on past completions, which the HEDNA considers to be most representative of future requirements.
- 2.1.7 In addition, the HEDNA outlines an overall requirement of 551 ha of Strategic B8 land for the Coventry and Warwickshire Sub-Region until 2041. This is arrived at using a mix of methods, namely freight growth, replacement demand and past completions.
- 2.1.8 The HEDNA acknowledges that 551 ha could be exceeded, because ‘*comparing the completions data with other sources, monitoring by authorities suggests far higher levels of development have been achieved and therefore may be required in the future*’. Stantec’s preferred alternative approach based entirely on the completions data compiled by the HEDNA yields a higher figure, of 572 ha.
- 2.1.9 Stantec considers that a 350 ha minimum for industrial and logistics land in Rugby over 2021-2041 would be a reasonable overall requirement, fully justified by the evidence presented in the HEDNA. Of this, 200 ha, minimum, would be Rugby’s share of the B8 Strategic requirement, and 150 ha, minimum for non-strategic scale industrial and logistics (‘general

industrial). Both components are based on Rugby's record of past completions, derived from local monitoring data.

- 2.1.10 Rapid growth in the number of households in Rugby and, the post-Covid increase in e-commerce (and therefore the need for last-mile delivery) weigh in favour of planning for more non-strategic land. Further, our analysis of the traffic growth-based approach in the HEDNA suggests that the 551 ha Strategic B8 land figure underestimates need, so this (and the Rugby component thereof) would need to be exceeded.
- 2.1.11 Our sensitivity analysis results in a range of 490 ha to 674 ha land for Strategic B8 requirements across Coventry and Warwickshire. In that context even the 572 ha figure based on past completions is conservative and should therefore be regarded as a minimum.
- 2.1.12 The scale of the strategic employment need in Rugby Borough represents exceptional circumstances for the purposes of changes to Green Belt boundaries, in accordance with NPPF paragraphs 145 and 146. The Rugby Borough Local Plan Issues and Options consultation considers this point and we provide our response below.

Strategic B8 Land

- 2.1.13 The Issues and Options consultation refers to the other West Midlands local authorities, with whom Rugby Borough Council is working to produce the West Midlands Strategic Employment Sites Study. The previous iteration having been published in 2015, is now out of date. It is understood this could be published this Spring and SEGRO reserve the right to comment further once this updated West Midlands Strategic Employment Sites Study is released.
- 2.1.14 The Issues and Options consultation indicates this study will assist in identifying the current supply of strategic sites and the potential additional sites. We know there is an identified need for strategic B8 floorspace and the Local Plan should include a strategy and policy position for sites of sufficient scale in Rugby to meet this strategic B8 need.
- 2.1.15 In the interests of supporting the economic growth of the Borough and in accordance with Rugby's Corporate Strategy, 2021 -2024, the Council should seek to provide as large a share of the FEMA's strategic needs as can be sustainably developed. Our review of the HEDNA leads us to conclude that Rugby should accommodate at least 200 ha of Coventry and Warwickshire's Strategic B8 requirement.
- 2.1.16 For the reasons set out, road accessibility and transport connections, infrastructure capacity and labour, the Site represents the most sustainable location for meeting strategic B8 need.
- 2.1.17 The HEDNA suggests potential areas for fulfilling Coventry and Warwickshire's Strategic B8 requirement, highlighting the A46 corridor as one of the two promising "less developed" regions. It also proposes, contingent upon land availability, that Rugby could accommodate an even larger proportion of the sub-regional strategic B8 requirement.
- 2.1.18 Our own industrial property market analysis underscores Rugby's pivotal role within the Coventry and Warwickshire sub-region. It reveals sustained trends of low vacancy and availability rates since 2016, driven by rapid occupancy of new developments and limited immediate supply of B8 storage and logistics buildings. With a constrained pipeline and potential long-term supply challenges, the market faces the risk of rent increases and limited choices for large-scale logistics operators.
- 2.1.19 When considering the current pipeline and historic gross absorption trends, supply of employment land in Rugby is limited to 4.4 years. This highlights the limited supply in the medium and long term.

2.1.20 The MDS Transmodal GB Freight has been used elsewhere and by other authorities and is considered robust, However, the focus on freight gives rise to modest requirements and viewed in isolation can become detached from wider trends that drive warehousing demand. For instance, the Model does not sufficiently account for the scale of occupier demand observed over the last ten years.

Other Employment Land Needs

2.1.21 General industrial need for Rugby Borough, non-strategic employment need excluding offices, is identified as 150.5 hectares by the Issues and Options consultation document and this reflects the conclusions of the HEDNA. This however identifies the need purely for Rugby Borough. It is likely that the Borough will need to cooperate with Coventry to help meet their needs, and work should commence as soon as possible to determine what is likely to be so that appropriate provision can be made through the Local Plan review.

2.1.22 The HEDNA advises that the calculation for industrial land has been informed by three models which reach different conclusions on the level of need. The Labour Demand Model projects a decline in the need for industrial land. The Valuation Office Agency model projects changes in floorspace and suggests a substantial increase in the demand for industrial floorspace and consequently land, finally local authorities provide data on the total number of employment completions which, as a model, predicts a significant increase in the demand for industrial land.

2.1.23 Two out of three models predict a significant increase in the need for industrial land in Rugby Borough compared to other authorities assessed. However, these models reach different figures on the precise amount of land needed; though, all acknowledge that Rugby Borough is likely to accommodate much of Coventry's excess need. This suggests that there is a degree of uncertainty over the precise amount of industrial land needed; mitigation of this risk should be undertaken by allocating more land for industrial use to ensure there is no shortfall.

2.1.24 The Inspector's Report into the now adopted Rugby Local Plan, assessed, at paragraph 49, the portion of Coventry's unmet need to be met in Rugby as being 98 hectares. Coventry's total unmet need being identified as 241 hectares.

2.1.25 The Inspector went on in paragraph 50 to state "The land identified to address Coventry's unmet needs comprises the two strategic employment sites at Ansty Park and ProLogis, Ryton. Whilst these were allocated in the Core Strategy and are largely developed, they have been completed since 2011 and therefore contribute to the unmet needs of Coventry during the Plan period. In the light of this and the conclusions of the CWLEP study about a lack of 'oven ready' sites within the sub-region to meet the growth needs of Coventry and Warwickshire, concerns have been expressed, particularly by the CWLEP and the Chamber of Commerce, that further provision of employment land is required in the Plan to address the sub-regional need for strategic employment sites for inward investment."

2.1.26 In the context of these sites having been largely developed at the time of the Inspector's Report the capacity of those sites to continue to meet unmet need from Coventry will diminish as what capacity remains is taken up.

2.1.27 This is reiterated in paragraph 3.32 of the Issues and Options consultation which states "Added to this in the adopted Local Plan is 98 hectares of need from Coventry City Council's area. It is yet to be decided whether Coventry City Council will be able to meet its own need for industrial land and, if not, where any unmet need will be met. However, Rugby Borough Council will need to contribute to meeting some of the identified need for strategic warehousing land in Coventry and Warwickshire."

2.1.28 SEGRO recognise the importance of ensuring sufficient space is allocated to meet Rugby's need and if possible contributing towards meeting the unmet needs of neighbouring authorities.

- 2.1.29 It is likely that Rugby will continue to contribute towards Coventry's unmet need, the precedent has already been established and accepted, and therefore this should be included in the level of employment land to be allocated. In the absence of an updated figure of Coventry's unmet need, it being anticipated that this will be determined as part of Coventry's ongoing review of its Local Plan, a conservative approach should be adopted.
- 2.1.30 Paragraph 26 of the NPPF stresses the importance of 'joint working between strategic policy-making authorities' 'to the production of a positively prepared and justified strategy. In particular, joint working should help to determine where additional infrastructure is necessary, and whether development needs that cannot be met wholly within a particular plan area could be met elsewhere.'
- 2.1.31 The previously identified unmet need from Coventry to be met by Rugby, 98 hectares, should be considered as a starting point. It is unlikely that Coventry will have identified a substantial area of additional land within its boundaries that can meet its need and level of unmet need is therefore likely to be comparable.
- 2.1.32 Taken together, the uncertainty over the exact amount of industrial land required and the need to identify sites capable of meeting unmet need from Coventry, supports a precautionary approach being adopted to ensure that there is sufficient land removed from the Green Belt and allocated to meet the need for industrial land.
- 2.1.33 This approach has been adopted by the HEDNA at paragraphs 11.7 – 11.19, though it is considered a greater margin could be allowed for to reflect the potential for growth and the region's strong manufacturing base.
- 2.1.34 Overall, for the period 2021-2041, adding 98 hectares of unmet need from Coventry to the HEDNA figure of 150.5 hectares of industrial land needed for Rugby means that a total of 248.5 hectares of industrial land should be planned for as a minimum. The Site is particularly well placed to meet this need given its proximity to Coventry and its location adjacent to existing major transport infrastructure, which is to be improved further and as a functional expansion of an existing strategic employment site at Ansty Park.
- 2.1.35 More broadly, replacement of 'life expired' warehousing is a necessary and positive part of retaining capacity. As stated by the HEDNA, some replacement build will involve the 'recycling' of existing sites but not all of it can be accommodated this way. SEGRO supports the location of replacement build on sites that are well connected to infrastructure and offer the potential for businesses to grow in the long term. This means locating more replacement build sites using similar criteria to that applied to strategic sites.
- 2.1.36 No comment is made on the need for office space.

2.2 Question 2: What type of employment land should we be planning for?

2.3 Question 5: We are minded to allocate sites specifically for industrial (B2) and light industrial (E(g)(iii)) uses. Do you support this and if so, where?

- 2.3.1 In answer to question 2, the proposed approach to the type of employment land to be allocated is largely supported, but a clear strategy and policy position should be adopted to meeting strategic B8 need. As noted, the HEDNA identifies this strategic B8 need at 606 hectares across the sub-area but Rugby's Local Plan does not comment on how or where it should be distributed.
- 2.3.2 In relation to question 5, the HEDNA does not split the need for industrial and smaller warehousing land in the Borough into different types of employment land. It does, however,

recommend that, because of the high demand for warehousing land, that specific site allocations are made for B2 industrial and light industrial (now use class E(g)(iii)) land.

- 2.3.3 SEGRO are a leading owner, manager, and developer of modern warehouses and industrial property, with significant landholdings and premises across the Midlands and consequently understand this market well. SEGRO have a strong track record of delivery of large scale strategic employment land.
- 2.3.4 SEGRO agree that the logistics (B8) sector increasingly operates at the strategic scale and therefore there is a need for this use type to be safeguarded through specific and separate allocations.
- 2.3.5 The West Midlands is the third largest region, by market share, for warehousing nationally but has an average unit size lower than the national average, suggesting there may be unmet need for larger units. Despite being identified as one of the most attractive locations for B8 Rugby currently contains less than 20% of the strategic B8 floorspace in Coventry and Warwickshire.
- 2.3.6 However, this should be increased through the allocation of sufficient sites to meet the strategic B8 need. The allocation of new strategic sites to support the growth of the logistics sector in Rugby Borough is consistent with Objective 4 of the Local Plan and Outcome 2 of the Rugby Corporate Strategy, by enabling the growth of the logistics sector in a way that supports the existing manufacturing base of the Borough.

2.4 Question 3: Please provide any comments you have on the suitability of any of the broad locations listed above (or another location we have missed).

- 2.4.1 The Issues and Options Consultation lists 'Ansty Business Park expansion/A45 Walsgrave Junction' as a broad location for a prospective strategic employment allocation. It is however suggested that this is a typographical mistake and the junction in question is the A46 Walsgrave junction.
- 2.4.2 SEGRO support the allocation of the area east of the A46 between the Walsgrave junction and Ansty Park. The area would represent a functional extension to the existing employment site Ansty Park and is well connected to the strategic road network and infrastructure.
- 2.4.3 The HEDNA notes over concentration of development in areas in the north and west of the sub-region could create pressure on infrastructure and labour capacity (subject to further assessment). Therefore, there is potential for other areas, particularly South Warwickshire, to play a greater role in meeting strategic B8 needs. This includes specifically the A46 corridor where is currently limited strategic B8 development on this corridor with potential at or close to junctions on this corridor within the sub-regions (this would include the land around the Walsgrave junction). In particular, see HEDNA paragraphs 11.23 to 11.27.
- 2.4.4 In assessing locations for strategic employment uses the HEDNA states that they should be sited to provide road accessibility, power, labour, and compatible neighbouring uses. Further, the A46 corridor is identified in the HEDNA as one of the two corridors than play a greater role in providing strategic B8 development.
- 2.4.5 In our view the land identified as Ansty Business Park expansion/A46 Walsgrave Junction performs well when assessed using these considerations. SEGRO attached their Vision Document for the Site, which sets out the details of the site and benefits associated that would arise with its delivery at **Appendix C**.

Road accessibility, with regard to planned improvements

- 2.4.6 The Site will connect to the A46 Coventry Eastern Bypass via a new junction that is being proposed by National Highways and which will replace the existing roundabout junction with the B4082. The B4082 will be realigned as a result, off which access to SEGRO's proposed development will be achieved.
- 2.4.7 The Walsgrave junction has been a pinch point for traffic as it is the last remaining roundabout east of Coventry and north of Tollbar End junction. The improvements will see the A46 realigned.
- 2.4.8 This would result in a continuous dual road through the Walsgrave junction and a consequent increase in capacity and alleviation of congestion associated with the current road layout. This forms part of the commitment from National Highways to improve the Trans-Midlands Trade Corridor between the M5 and the Humber Ports intended to support economic growth.
- 2.4.9 In addition, the proposed route for the Coventry Very Light Rail scheme runs through the Site with the potential to improve connections to the Coventry labour market.
- 2.4.10 SEGRO are also talking to National Highways, to deliver a Blue Light access into the University Hospital Coventry & Warwickshire; the hospital's catchment includes the residents, businesses etc of Rugby Borough.

Power supply

- 2.4.11 SEGRO anticipate no problems with utility supplies for the proposed development Site, as it is adjacent significant existing developments in Ansty Park, Rolls Royce, Cross Point and the University Hospital. A full review of utility requirements will be made at the time of any development and the necessary reinforcement works will be undertaken by SEGRO to provide the new mains supplies to the development area.

Labour availability

- 2.4.12 The Site can draw upon the labour availability within Rugby Borough and can also readily draw upon the adjacent labour pool in Coventry City. This will be further supported by the proposed introduction of the Coventry Very Light Rail Scheme.
- 2.4.13 Through the Responsible SEGRO Framework SEGRO is committed to building connections to local communities and investing in them to deliver job growth. Discussions are actively being held with partners local to the Site to deliver a targeted package of skills training and employment opportunities for existing and future residents. This includes discussions with Rugby College to establish a close link with the proposed development creating a connection point between education and training and the occupiers and businesses that will operate on the site to provide a targeted package of skills training with employment opportunities for existing and future residents nearby.

Neighbouring activities

- 2.4.14 Strategic B8 development needs to be able to accommodate 24/7 use without disrupting neighbouring occupiers and consequently needs to be located away from residential neighbouring uses and Coombe Abbey as a sensitive receptor nearby.
- 2.4.15 The Site is contained by existing employment at Ansty Park and the A46. Coombe Abbey (Grade I listed) is located to the south east and this relationship has been assessed. It is considered that through appropriate mitigation an employment allocation here could be accommodated without impacting the registered gardens and parkland.

Other considerations

- 2.4.16 The NPPF supports sustainable development which includes locating development so that it is supported by appropriate infrastructure and transport connections. The Site is situated on an existing strategic transport corridor, set for further improvement by National Highways. This would be in a location where there is limited strategic B8 employment floorspace, so geographically would enable a spread of such floorspace in the Borough.
- 2.4.17 The Site is already surrounded by existing built development, the boundary of the site at three separate points lie adjacent to existing employment sites at Ansty Regeneration Park, Rolls Royce / Coombe Fields and Cross Point Business Park. The A46 road straddles the entire western boundary of the site.
- 2.4.18 The Site will benefit from expansion of existing infrastructure such as improvements to the A46 and the Coventry Very Light Rail Scheme will improve connections to Rugby, Coventry and the wider FEMA.
- 2.4.19 Overall, it is considered that the land east of the A46 is the most sustainable and appropriate location for a strategic B8 employment allocation to meet the needs of Rugby Borough, and if required will contribute towards meeting the unmet needs of Coventry. The Walgrave Site extends to 264 hectares and has the capacity to make a substantial contribution to meeting strategic B8 needs and could accommodate additional specific E(c), E(g)(iii), and non-strategic B8 uses.

2.5 Question 4: How can we provide more space to allow existing businesses to expand?

- 2.5.1 We consider this would be achieved through the retention of adopted Local Plan Policy ED1 which supports the expansion of existing business within existing employment sites. The policy could be expanded to enable a similarly supportive approach to be adopted to proposals that adjoin existing employment sites.
- 2.5.2 SEGRO consider the extent of the strategic B8 employment needs over the Plan period demonstrate exceptional circumstances to amend Green Belt boundaries (see below). We consider a review of these sites should be carried out and be part of the consideration of the suitability of sites, including geographical spread of suitable sites, access to the strategic road network etc.
- 2.5.3 The Site as a functional extension of the existing employment site at Ansty Park, which we understand is considered a success by the Council, is well served by existing infrastructure. The Site will also benefit from future infrastructure improvements without being reliant on them now. Through the allocation of the Site sufficient land will be available for the expansion of existing successful employment sites and meet the strategic B8 needs of Rugby Borough.

2.6 Question 6: Are there exceptional circumstances that mean we should amend Green Belt boundaries to meet the need for employment land?

- 2.6.1 Paragraph 145 of the NPPF provides that changes to Green Belt boundaries can be made through the Local Plan process where fully evidenced and justified.
- 2.6.2 Paragraph 146 of the NPPF provides that exceptional circumstances may exist where the release of land from the Green Belt is required to deliver major development through strategic policies. It goes on to clarify that reasonable alternatives to the release of land from the Green Belt should be exhausted before exceptional circumstances can be established. During the examination of the adopted Local Plan alternatives to releasing Green Belt land to meet the needs of Rugby and Coventry were thoroughly assessed. It was found through this process that in order to meet objectively assessed needs amendments to Green Belt boundaries were required and wholly justifiable. We firmly believe that this situation remains and that

exceptional circumstances do exist to warrant amendments to Green Belt boundaries to meet employment needs.

- 2.6.3 The Site was considered by Rugby Borough Council as a potential mixed-use allocation under the previous draft Rugby Local Plan, now adopted. There is a positive case that the Site could be understood as an extension of the existing residential allocation in Coventry's Local Plan, on the west side of the A46. The Site was not progressed at that time. Since then, the need for significant strategic B8 employment floorspace and the suitability of this location has been confirmed through the Coventry & Warwickshire HEDNA (November 2022). The Site has been put to Rugby Borough Council for strategic employment purposes, in preference to a mixed-use development.
- 2.6.4 Paragraph 11.26 of the HEDNA notes that there is a need for Green Belt development to meet the identified level of strategic B8 need. In the context of the size of site required to meet strategic B8 need and the associated transport and infrastructure requirements, including green and blue infrastructure, large sites are needed.
- 2.6.5 In relation to Question 3, strategic B8 can only be accommodated on sites that meet specific locational requirements in relation to size and transport connections. Some 60% of the Borough is located in the Green Belt and consequently major development will necessitate the release of land from the Green Belt. There are no other reasonable options for meeting the identified need for development, particularly on the A46 corridor.
- 2.6.6 Over and above the identified employment needs of Rugby Borough, the unmet strategic employment need from Coventry should be considered; as it is unlikely that sufficient land can be identified inside Coventry's boundaries to meet its need.
- 2.6.7 The proposed development at the site has been considered against the five purposes of the Green Belt and it is considered that it plays a limited role against these purposes. NPPF Paragraph 148 establishes that when reviewing Green Belt boundaries regard should be had to their permanence in the long term, using physical features likely to be permanent. The Site is largely contained by existing development in the form of Ansty Park to the north and the A46, with further employment and housing development beyond. The A46 can be considered to form a natural edge to development as well as Ansty Park which extends the urban edge significantly and largely encloses the Site. The Site therefore represents a suitable location to meeting the strategic needs of Rugby Borough, and the unmet needs of Coventry City. This would also be in preference to smaller piecemeal releases from the Green Belt elsewhere.
- 2.6.8 Consideration should be given to meeting long term development needs and to ensure that Green Belt will not need to be altered at the end of the Plan period.
- 2.6.9 The Site plays a limited role when assessed against the purposes of the Green Belt and in the absence of other reasonable options to meet identified strategic B8 needs and therefore exceptional circumstances exist. The Site would make a significant contribution to meeting the long-term strategic employment need of Rugby Borough and the wider FEMA.

3 Section 7. Climate Change

3.1 Question 18: Should we show areas of the borough in which wind and/or solar energy will be supported? Is so, where?

3.2 Question 20: We are minded to introduce a policy that supports other zero carbon energy infrastructure including battery energy storage and hydrogen energy infrastructure. Do you agree?

- 3.2.1 Yes, identifying sites suitable renewable energy and energy infrastructure is likely to facilitate such development and present an opportunity for complementary development to come forward in conjunction with it.
- 3.2.2 Strategic employment sites, or land near to them, may represent a natural location for renewable energy infrastructure given the needs of occupiers. Locating employment and energy infrastructure uses close to each other has the potential to reduce the need for connecting infrastructure and support the transition of employment sites to sustainable energy.
- 3.2.3 It is suggested that additional land is allocated to accommodate energy infrastructure and this should be accounted for in addition to employment land but consideration should be given to the potential for colocation or adjacent allocation. This approach may assist in reducing any impacts associated with the delivery of energy infrastructure as employment sites are typically less sensitive than residential, or other sites. Solar panels would be integrated into the future development of the Site.
- 3.2.4 As indicated in the Issues and Options consultation the identification of sites for zero carbon energy generation and storage would include assessing whether very special circumstances exist. The new NPPF post-dates the start of this consultation and paragraph 156 makes it easier to demonstrate very special circumstances when assessing renewable energy proposals.
- 3.2.5 Nonetheless, the identification or allocation of sites for renewable energy development would represent a positive contribution to the achievement of sustainable development through the support of such development, and by identifying suitable sites it would enable other complementary development to come forward more easily.

3.3 Question 21: Should we adopt a minimum tree canopy policy for new development?

- 3.3.1 No, consideration of trees and landscape impacts more broadly should be considered on a case by case basis under adopted Local Plan Policy NE3 or any policy introduced to replace it.

3.4 Question 22: Should we identify priority locations or allocate sites for biodiversity net gain for sites which are unable to provide all the net gain on site and, if so, where?

3.5 Question 23: Would you support the creation of additional country parks as part of delivering biodiversity net gain?

- 3.5.1 SEGRO supports the identification of locations capable of serving as Borough-wide locations for biodiversity net gain (BNG). Whilst the introduction of the mandatory 10% BNG has been delayed it is likely to come into effect this year, so in advance of the adoption of a new Local

Plan. Consequently, identification of sites to facilitate the achievement of BNG are viewed positively.

- 3.5.2 Large scale habitat creation on identified sites is likely to maximise the biodiversity net gains that can be achieved and will increase range and variety of habitats it is possible to create. In addition, it will reduce the BNG land take required on allocations by allowing for more efficient BNG delivery offsite.
- 3.5.3 Were a credit based model, or similar, be adopted this would likely reduce the land take associated with development through efficiencies associated with scale and simplify the individual applications as it would limit the need to identify areas for BNG.
- 3.5.4 Where it is possible to deliver BNG through multifunctional spaces, such as country parks, this should be encouraged and would be supported by SEGRO. Alongside the employment floorspace on the site, the proposed development will incorporate the delivery of a new and extensive publicly accessible Community Park. The park will provide a range of habitats including woodland, scrubland, grassland, wetland and hedgerows, increasing the biodiversity of the site.
- 3.5.5 Overall, the identification of strategic scale BNG sites would be consistent with the trend seen in relation to delivery other forms of green infrastructure and ecological mitigation, for instance district level licencing for great crested newts and Green Infrastructure and Recreational Impact Avoidance and Mitigation Strategies (GIRAMS).

3.6 Question 24: Should we require developers to prioritise the delivery of biodiversity gain within close proximity to the development?

- 3.6.1 In principle, SEGRO support the delivery of BNG as close to development as possible but note that there may be the potential for conflict with policies that seek to centralise or consolidate areas for the provision of BNG. Should such a conflict arise SEGRO consider the benefits associated with the consolidated provision of BNG to outweigh those associated with delivering BNG as close to development as possible.

3.7 Question 26: We are considering requiring all new non-residential developments to be net zero. Do you agree?

3.8 Question 28: Should we require non-residential development to meet higher water efficiency standards to reduce water usage?

3.9 Question 27: Are there other climate change policies we should be introducing?

- 3.9.1 SEGRO support the goal of addressing the challenges associated with climate change and share the Council's concern that the Borough was in top 10% of local authority districts for carbon dioxide emissions nationally.
- 3.9.2 In 2021 SEGRO signed The Climate Pledge, a commitment to achieve the Paris Agreement 10 years early and be net zero carbon by 2040 or earlier. This pledge sits alongside SEGRO's internal mandatory sustainability policy which commits to achieving net zero by 2030.
- 3.9.3 It is understood that an update to the Building Regulations will introduce net zero and higher water efficiency standards for non-residential buildings. In accordance with NPPF paragraph 194 planning policies and decisions should not seek to control emissions where there is a separate control regime, instead planning policies are to focus on whether the proposed use of land is acceptable. This applies equally to other development plan documents and supplementary planning documents.

- 3.9.4 Higher standards that contribute towards meeting climate change goals should be supported but care should be taken to avoid creating approval processes that parallel requirements present elsewhere within the wider regulatory framework. Doing so would add cost and delay to the planning process without meaningfully contributing towards climate change goals.

4 Section 8. Design

4.1 Question 29: Should we produce design codes as part of our new local plan?

4.2 Question 30: Which areas should design codes cover? (a) Borough-wide; (b) Borough-wide divided into character areas (for examples Rugby town centre, interwar suburb, Victorian terrace, village core); (c) only for some neighbourhoods (please specify which); (d) only for large new development sites; (e) other (please specify)

- 4.2.1 SEGRO, as a leading developer of employment space, is committed to high quality design and supports the government's commitment to raising the standard of design of new development nationally, as reflected in the changes made to the NPPF in December 2023 and the emphasis on 'beautiful places'.
- 4.2.2 The NPPF indicates that all local authorities should prepare design codes to provide clarity at an early stage. It is considered that design codes would not be an appropriate inclusion in the Local Plan. The Issues and Options consultation document advises the Council lacks the capacity to produce design codes internally and would need to outsource their production. Including design codes as part of the Local Plan would entail additional cost.
- 4.2.3 The most appropriate level at which to introduce design codes is considered to be for new strategic development identified in strategic polices in the Local Plan. This would ensure that design codes are targeted and would be prepared in partnership with the developers responsible ensuring that the individual site circumstances and context can be incorporated into the design code. This would not be feasible under a 'blanket' Borough-wide approach.
- 4.2.4 The approach to design informed by the existing design policies in Local Plan Policies SDC1, SDC2, SDC3, and SDC4 should be on flexible guidance rather than prescription.

5 Section 10. Other topics

5.1 Question 37: Do you support our intention to bolster our policies on sustainable travel?

- 5.1.1 SEGRO supports the vision set out in Warwickshire County Council's new Local Transport Plan 4 in relation to the creation of modern transport and logistics hubs.
- 5.1.2 The Transport Plan correctly identifies modern strategic logistics centres as representing an opportunity to substantially reduce the carbon footprint of logistics through the efficiency of modern facilities and the opportunity to incorporate low or zero carbon transport infrastructure into the facilities, specifically electric vehicle charge points.
- 5.1.3 The Transport Plan goes on to identify the importance of locating B8 uses along appropriate transport routes to further minimise the impact of freight. SEGRO consider this to support the allocation of strategic B8 on the A46 transport corridor.

Appendix A Location Plan

See enclosed.

Appendix B HEDNA Review

See enclosed.

Appendix C Vision Document

See enclosed.



**COVENTRY AND WARWICKSHIRE'S
ECONOMIC DEVELOPMENT NEEDS**

An evidence base review focused on the
implications for the Rugby Local Plan Review

2 February 2024

Prepared for:
SEGRO

Prepared by:
Stantec Development Economics

Project Number:
33313090200

Coventry and Warwickshire's Economic Development Needs

Revision	Description	Author	Date	Quality Check	Date	Independent Review	Date
1	Industrial Land Market and Need Review for Rugby		31/1/2024				

The conclusions in the Report titled Industrial Land Market and Need Review are Stantec's professional opinion, as of the time of the Report, and concerning the scope described in the Report. The opinions in the document are based on conditions and information existing at the time the scope of work was conducted and do not take into account any subsequent changes. The Report relates solely to the specific project for which Stantec was retained and the stated purpose for which the Report was prepared. The Report is not to be used or relied on for any variation or extension of the project, or for any other project or purpose, and any unauthorized use or reliance is at the recipient's own risk.

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Coventry and Warwickshire's Economic Development Needs

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Executive Summary

- i. This report has been prepared by Stantec's Development Economics Team on behalf of SEGRO to review the Coventry and Warwickshire HEDNA (November 2022) Industrial Employment Land Needs Review, and to comment on the implications for Industrial and Logistics land requirements in Rugby.
- ii. Rugby is immediately adjacent to the 'Golden Logistics Triangle', which lies within four hours' drive of 90% of the British population. The triangle covers just over 0.3% of the UK's land area. This emphasises the exceptionally central location and good transport links from which Rugby benefits.
- iii. The Coventry and Warwickshire Housing and Economic Development Needs Assessment (HEDNA) was produced in November 2022 and it comprises an integrated assessment of the need of housing, economic growth potential and employment land in Coventry and Warwickshire. Rugby stands out as one of the biggest, fastest-growing logistics markets in the sub-region.
- iv. The HEDNA outlines an overall requirement of 551 ha of Strategic B8 land for the Coventry and Warwickshire Sub-Region until 2041. For Rugby, indicated need is 157.4 ha,
- v. Stantec considers that a 350 ha minimum for industrial and logistics land in Rugby over 2021-2041 would not be unreasonable. Of this, some 200 ha would be B8 Strategic – this is based on the 157.4 ha estimate in the HEDNA for Strategic B8 land, the 120.4 ha requirement for non-strategic land, plus 5-year margins for flexibility.
- vi. Rapid growth in the number of households in Rugby and the post-Covid increase in e-commerce weigh in favour of planning for more non-strategic land. Our analysis of the traffic growth-based approach in the HEDNA (which results in a requirement range of 490 ha to 674 ha) suggests that the 551 ha Strategic B8 land figure may underestimate need, so this (and the Rugby component thereof) may need to be exceeded too.
- vii. Stantec analysis of the market for industrial floorspace finds that the vacancy rate in both the Coventry and Warwickshire sub-region and the Rugby market has continued to fall below 7.5% (an indicator of undersupply) since 2016. A recent uptick in vacancy rates in Rugby has been the result of the completion of new developments, though this is falling as those new development become quickly occupied. Similarly, availability rates in both have been below 8% since 2014.
- viii. When considering pipeline developments, there are five buildings currently under construction and one building with planning permission. When considering this alongside the gross absorption trend seen in the last 5 years, this amounts to 4.4 years of supply in Rugby therefore, our analysis supports the view that there is limited supply of industrial land in the medium and long term.



1 Introduction

- 1.1 This report has been prepared by Stantec's Development Economics Team on behalf of SEGRO to review the Coventry and Warwickshire HEDNA (November 2022) Industrial Employment Land Needs Review, and to comment on the implications for Industrial and Logistics land requirements in Rugby.
- 1.2 Rugby is situated in the West Midlands, roughly 50km from Birmingham . Its central location in England holds strategic importance, being close to key transportation routes such as the nationally significant M6 and M1 Motorways, and the regionally important M45 and M69. Rugby is also positioned on the West Coast Mainline which provides connections into London, to the north of England and Scotland.
- 1.3 Rugby is immediately adjacent to the 'Golden Logistics Triangle', which the ONS defines as any area of the country which lies within four hours' drive of 90% of the British population. The triangle itself covers 289 square miles between Wolverhampton, Birmingham, and Coventry¹ – just over 0.3% of the UK's land area. This emphasises the exceptionally central location and good transport links from which Rugby benefits.
- 1.4 Since the 1980s several large industrial estates have been built in Rugby and its surrounds and warehousing, distribution and light industrial have become major employers. The Rugby Gateway Development lies to the north of the town with access to the M6, and Daventry International Rail Freight Terminal (DIRFT) lies to the east. The biggest businesses currently under occupation in Rugby include: Sainsbury's, Häfele (furniture fittings), General Electric Energy UK, and Meggitt (aerospace).
- 1.5 The site for which SEGRO is seeking adoption in the Rugby local plan is situated near M6 Junction 2, where the M69 meets it. The M69 runs adjacent to the site and changes into the A46, Coventry Western Bypass. To the west of the site, there is an industrial estate and land allocated for housing in the Rugby Local plan. To the east, there is another industrial estate, to the south is greenfield, and to the north of it the M6.
- 1.6 The report is structured as follows:
- Section 2 reviews the HEDNA, focusing on the extent to which market signals are reflected in its analysis, and other relevant evidence.
 - Section 3 reviews the market for industrial and logistics land in Rugby and across Coventry and Warwickshire and the approach in the HEDNA, providing the basis for an alternative floorspace demand assessment.
 - Section 4 sets out the implications and conclusions of the research.

¹ [The rise of the UK warehouse and the "golden logistics triangle" - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)



2 Review of the Evidence Base

- 2.1 The Rugby Local Plan (2011 – 2031) is the adopted local plan for Rugby. This local plan was advised by the Employment Land Review (2015) which is now outdated. Its Development Strategy seeks to protect existing employment sites for B use classes and allow some development of employment land outside the Rugby urban area (on allocated sites or in exceptional circumstances). A more detailed review of the adopted Local Plan is included as an appendix to this document.
- 2.2 The Rugby Local Plan is currently undergoing its required five yearly consultation. The Coventry and Warwickshire Housing and Economic Development Needs Assessment (HEDNA) forms part of the evidence base for this consultation.
- 2.3 The HEDNA is a joint and integrated assessment of the need for housing, economic growth potential and employment land in Coventry and Warwickshire. As part of this it reviews the geographies of the Functional Economic Market Area which Rugby forms part of.

Rugby Local Plan Issues and Options 2023

- 2.4 This document is the consultation paper for the new local plan for Rugby Borough. Chapter 3, Land for Employment Uses, gives 20- and 30-year employment land requirements for Rugby and for Coventry and Warwickshire overall, drawing on the HEDNA.
- 2.5 The document highlights the imperative role of industrial and logistics to Rugby's economy. The ONS ranked Rugby Borough as the local authority with the highest proportion of transport and storage businesses, given its strategic geographic location. The 2021 Census showed the significant role of such business is employment in the Borough. 3.8% of people age 16 and over in Rugby worked in warehousing and transportation roles, the second highest in the country (after Spelthorne, bordering Heathrow Airport).
- 2.6 As well as being an important warehousing location, industrial land in Rugby is also utilised for manufacturing and research and development. The council anticipates an economic strategy to support the growth of such employment land alongside large-scale logistics land. To accommodate this, additional site allocations may be required to attract and sustain the next generation of skilled businesses and jobs in Rugby.
- 2.7 When considering industrial land (excluding strategic warehousing) the Rugby Local Plan considers the requirement and supply already identified. For the plan period 2021 – 2041 the consultation identifies no additional supply needed but an additional 40.29ha of land for the plan period 2021 – 2050 (see Table 6).
- 2.8 This requirement excludes strategic warehousing needs highlighted in the Coventry and Warwickshire HEDNA amounting to 551ha for the plan period 2021 – 2041 and 735ha for the period 2021 – 2050. Rugby Borough Council will need to contribute to meeting some of the identified need for strategic warehousing land in Coventry and Warwickshire. It is also required of Rugby Borough to meet some unmet need from Coventry City Council given its constrained administrative boundary, amounting to 98ha of employment land (see Table 6).



Coventry and Warwickshire's Economic Development Needs 2 Review of the Evidence Base

- 2.9 It will also be required of Rugby that they meet a significant proportion of need expressed in the HEDNA given its important strategic location and considering constraints in other local authorities in the sub-region.

Table 2-1: Total Requirement for Rugby

Total Requirement for Rugby	2021 - 2041	2021 - 2050
Excluding strategic warehousing	150.5ha	218.2ha
Completions + total supply	177.9ha	177.9ha
Additional supply needed	No additional supply	40.29ha
HEDNA (including strategic warehousing)	551ha	725ha
Meeting Coventry's unmet need	98ha	98ha
Total (of which Rugby will take a portion)	649ha	833ha

- 2.10 Given the requirement for employment land in Rugby and the Coventry and Warwickshire Sub-Region, it may be required to justify alterations to the green belt, to serve Rugby's economic development and employment needs.
- 2.11 Potential large-scale manufacturing sites should have good access to A-roads and motorways, avoiding interrupting HGV routes and country lanes. Settlements should be close to existing settlements to allow access to work. Other things that should be considered include, highways capacity, transport accessibility and reducing carbon emissions contributions.

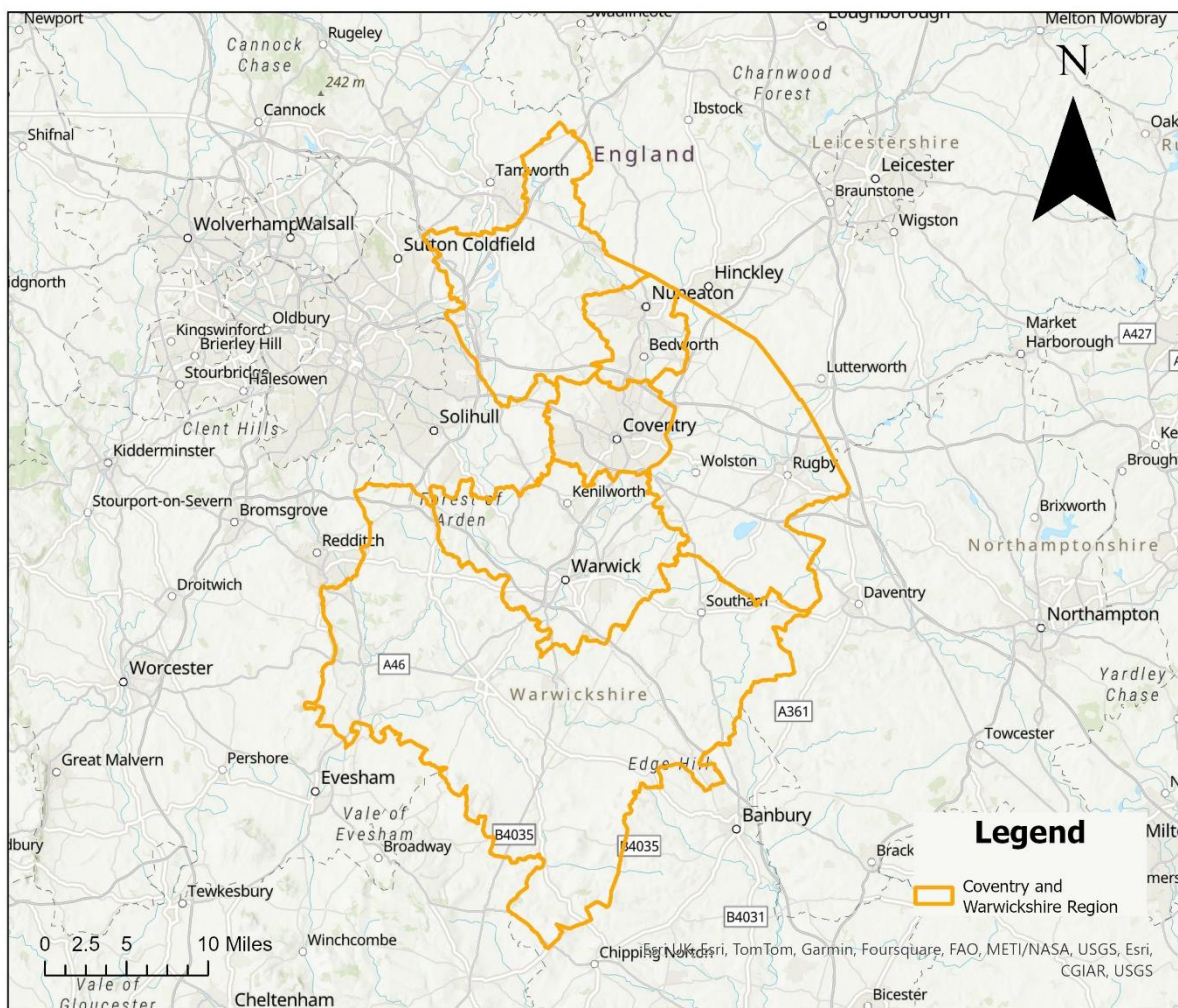
Coventry and Warwickshire Housing and Economic Development Needs Assessment (HEDNA) 2022

- 2.12 The Coventry and Warwickshire Housing and Economic Development Needs Assessment (HEDNA) was produced in November 2022 and it comprises an integrated assessment of the need of housing, economic growth potential and employment land in Coventry and Warwickshire. It reviews the Housing Market Area (HMA) and more importantly for this report, the Functional Economic Market Area (FEMA) geographies.
- 2.13 The HEDNA focuses on the Coventry and Warwickshire Sub-Region (see Figure 1) whilst drawing comparisons to the West Midlands. The Coventry and Warwickshire sub-region includes the following local authorities; North Warwickshire, Nuneaton and Bedworth, Coventry, Rugby, Warwick and Stratford-on-Avon.



Coventry and Warwickshire's Economic Development Needs 2 Review of the Evidence Base

Figure 2.1: Coventry and Warwickshire Sub-Region



- 2.14 The HEDNA provides a profile of the sub-regional economy and its past performance considering its labour market dynamics. It shows that Coventry and Warwickshire has a £26 billion economy, with a strong manufacturing sector, especially in motor vehicles. It also has a diverse service sector including warehousing. The sub-regional has seen stronger GVA and employment growth than the national average since 2011 but, also has some challenges in terms of productivity, business density and skills. It is imperative that employment land allocations and industrial developments are enabled to continue to support and sustain the growth of the regional economy.
- 2.15 With regards to commercial property, the HEDNA analyses the trends and drivers of demand and supply for commercial property in the sub-region covering office, industrial and retail sectors. It highlights strong demand for industrial and warehousing space, driven by the manufacturing and logistics sectors.



Section 3 – Commercial Property Dynamics

- 2.16 Section 3 – Commercial Property Dynamics provides an assessment of the office and industrial property markets in Coventry and Warwickshire using data from the VOA and Co-Star (mid-2021). It uses this data by covering historic trends, currently supply and demand, vacancy rates, rental levels, and development activity for both office and industrial property in the sub-region and its local authority areas.
- 2.17 Factors cited in the strong market for logistics space include: demand from online retail, which has benefitted from a sustained change in shopping habits following Covid-19; increased stock holding requirements; demand for modern floorspace (driven by both environmental and economic considerations).
- 2.18 Overall, the section concludes that the sub-region, particularly the north and central parts of it, has a strong industrial dynamic and industrial market. There is a significant stock of industrial floorspace (over 8 million sq ft) of space and sustained high take up since 2013. Challenges faced by the automotive sector are relatively cyclical, this has been offset by strong demand for logistics/ distribution space that looks likely to remain strong, specifically given the growth in e-retailing.
- 2.19 Rugby stands out as one of the biggest, fastest-growing logistics markets in the sub-region. Figure 3.14 of the HEDNA indexes growth in industrial floorspace since 2010/11 by local authority. Rugby's grew by 22%, exceeded only by North Warwickshire (111%, influenced by major development at Birch Coppice). Figure 3.19, looking at gross absorption, shows a similar picture, with Rugby second (in this case to Coventry). Figure 3.21 looks at industrial units leased by size band and demonstrates Rugby's outsize role as a location for strategic warehousing. Across Coventry and Warwickshire, 4.5% of units leased are over 10,000 sqm², but this average is brought up by North Warwickshire (15.0%) and Rugby (11.6%).
- 2.20 Industrial space remains low despite 1 million sqm being delivered from 2015 – 2020, this has been accompanied by growth in rents. New supply does appear to be coming forwards, as sites allocated in local plans begin to progress. The HEDNA concludes that there will be a continuing need to replenish industrial supply over time to ensure economic growth is not constrained.
- 2.21 As discussed in the Rugby Local Plan and NPPF, development on green belt is allowed in exceptional circumstances such as to support economic growth. Land on the green belt should be brought forward for the purpose of employment land and industrial development if demand cannot be met within current pipeline and allocations.
- 2.22 Overall, market signals show very strong demand for industrial floorspace in Coventry and Warwickshire and particularly in Rugby.

² Slightly more than the 9,000 sqm benchmark used elsewhere in this report.



Section 9 – Employment Land Needs

- 2.23 Section 9 of the HEDNA examines the employment land requirements obtained through various scenarios and approaches.
- 2.24 Use of employment forecasts to predict floorspace projections is considered. In industrial sectors, however, the relationship between floorspace and employment is weak due to productivity enhancements. Hence, analysing past take-up, based on historical data, is more practical, although it overlooks factors like labour supply and housing.
- 2.25 PPG highlights the significance of assessing and allocating land for the logistics sector given the sub-region's strategic location and access to the motorway network. Logistics ensures efficient goods supply and boosts local employment. It requires separate planning considerations, including ample land, transport access, power capacity, and skilled labour. Collaboration among authorities and stakeholders is vital to determine the scale of logistics needs across markets.
- 2.26 Using data from the VOA, the HEDNA uses net change in floorspace trends (2010 – 2020) to model a future trend-based need. The floorspace projections between 2021 and 2041 shown in Table 2 show expected net gains in North Warwickshire and Rugby, with net losses elsewhere in the sub-region.

Table 2.2: VOA Trend Forecast 2021-41, industrial only, sqm

	5yr	10yr	15yr
North Warwickshire	1,040,000	680,000	780,000
Nuneaton and Bedworth	80,000	-100,000	-20,000
Rugby	540,000	440,000	120,000
Stratford-on-Avon	180,000	-160,000	20,000
Warwick	-140,000	-40,000	-60,000
Coventry	260,000	-220,000	-480,000
Total	1,960,000	600,000	360,000

- 2.27 The continuation of past supply trends for industrial land would see future provision continuing to be concentrated in North Warwickshire. This is particular reflects the designation of Regional Logistics Sites in the RSS within the Borough.
- 2.28 The third method the HEDNA considers is completion trends. This measures total employment land completions and projects floorspace based on these trends. From this it is shown that North Warwickshire and Rugby have been key contributors to employment floorspace completions. According to the completions trend forecast, between 2021 and 2041 Rugby has a need of 296.9 ha of which 53% should be for warehousing (including Coventry's unmet need contributions) (as shown on Table 3).



Table 2.3: Completions Trend Forecast 2021 – 2041 ha (gross)

	Total 2011 – 2019	Average 2011 – 2019	2021 – 2041 need	%E(g)(i)	% B8 (strategic sites est.)	Net as % gross
North Warwickshire 2011 – 2018)	121.8	15.2	304.4	2%	83%	N/A
Nuneaton and Bedworth	21.5	2.4	47.9	5%	19%	91%
Rugby*	133.6	14.8	296.9	6%	53%	N/A
Stratford- upon-Avon	59.8	6.6	132.9			24%
Warwick	20.2	2.2	44.9			N/A
Coventry	91.3	10.1	202.8	23%	19%	N/A
Total	448.2	51.3	1029.8			

*Including Coventry's unmet need contributions

- 2.29 Comparing the three methods, in the period 2021-2041, Rugby has a B8 need of 14.7 ha, 98 ha, and 157.4 ha when using the labour demand model, VOA forecast and completions trend methods respectively. As discussed previously, the labour demand model is not useful for the case of strategic logistics as there is only a weak relationship between the number of workers and the amount of floorspace needed.

Section 10 – Strategic B8 Land Use Forecasting

- 2.30 Section 10 of the HEDNA relates to Strategic B8 Land Use Forecasting.
- 2.31 VOA data presented shows that of 2,244,000 sqm of strategic B8 floorspace in Coventry and Warwickshire: 874,000 is in North Warwickshire, 505,000 is in Coventry, and 431,000 is in Rugby. Therefore, Rugby is just shy of being the second-largest at present, but unlike Coventry (which has unmet need to be met elsewhere, including in Rugby) it does not face such strong constraints on future expansion.
- 2.32 When considering other commercial sectors (such as office and retail), land-use forecasting is used which seeks to relate employment growth to the need for additional floor space, using consistent and robust employment densities.
- 2.33 This is potentially unsuitable for logistics for three reasons: warehouses have a shorter economic/ functional life therefore there is need to develop new buildings; there is no consistent employment density that can be applied to B8 given the variety of different businesses that can fall under this use; and increasing automation suggests employment densities in the future could be lower than today.
- 2.34 To overcome this, the HEDNA seeks to overcome these issues in its land use forecasting through two avenues:
- Replacement build – continual need to build new large scale logistics warehousing as a replacement for existing capacity.



- Growth build – long-term growth in the demand for goods in the wider economy and the subsequent need for additional floorspace.

- 2.35 The HEDNA therefore uses the following methodology. Existing warehouse capacity is quantified from available data sources, and the likely replacement rate can be estimated based on experiences within the logistics sector. Freight traffic growth, a proxy for growth in the demand for goods, can be forecast using economic or traffic models, such as the MDST GB Freight Model, which is used to produce forecasts for Network Rail and Highways England. The growth is then related to floor space using cargo storage density and throughput rates expected at modern distribution centre.
- 2.36 The baseline forecast year adopted for this forecast exercise is 2021, as this represents the baseline position in terms of existing warehouse stock over 9,000 sqm. The key primary output is total-new build rates over a future time period (i.e. future demand for new build units), measured as square metres of warehouse floor space. In this case, new-build rates up to 2050 have been forecast, with intervening years 2031 and 2041 also estimated. The forecasts are for the West Midlands region and for the Coventry and Warwickshire study area.

Replacement Build

- 2.37 According to the HEDNA, in order to estimate the 'replacement build' element to 2050, the existing stock of large-scale warehousing in the West Midlands region and the Coventry and Warwickshire study area needs to be considered. The average useful economic life of a modern warehouse building is 30 years; therefore, up to 2050, we could expect around 97% of the existing warehouse stock in the areas being considered requiring replacement. This is considered in the 'high replacement build' scenario.
- 2.38 Alternatively, if the rate of replacement begins to slow compared with historic trends, the useful life of a warehouse building may extend to around 40 years. In this case, around 73% of the existing stock will require replacement up to 2050. This can be considered as the 'low replacement build' scenario.
- 2.39 The replacement build forecast under both scenarios for Coventry and Warwickshire and the West Midlands up until 2050 is displayed in Table 1.

Table 2.4: Replacement Build Rates to 2031, 2041, and 2050

HEDNA – Replacement Build Rate			
High Replacement Scenario (assuming 30 years economic life)	2031	2041	2050
	sqm		
Coventry and Warwickshire	748,000	1,496,000	2,169,000
Low Replacement Scenario (assuming 40 years economic life)	2031	2041	2050
	sqm		
Coventry and Warwickshire	561,000	1,122,000	1,627,000

- 2.40 According to this, to 2041 Coventry and Warwickshire will need to replace between 1,122,000 and 1,496,000 sqm of industrial accommodation (Table 1).



Growth Build

- 2.41 According to the HEDNA, the demand for floorspace is driven by the need to handle, store and redistribute cargo. The growth in the volume of consumer goods is expected to increase due to future economic and population growth, which will in turn lead to an increasing demand for additional warehouse floorspace. Consequently, new warehouses are constructed partly to accommodate growing traffic volumes over the long term, referred to as the 'growth build' element.
- 2.42 In the 'growth build' element two factors need to be considered:
- The current (2021) volume of goods which are delivered directly to large-scale distribution centres in Coventry and Warwickshire and the West Midlands region.
 - The volume of goods that can be expected to be delivered directly to large-scale distribution centres in large-scale distribution centres in Coventry and Warwickshire and the West Midlands region in the forecast years up to 2050.
- 2.43 Both current and forecast volumes have been used using the MDS Transmodal GB Freight Model, an analytical tool that can estimate existing freight flows and generate forecasts for future years under different policy and economic scenarios.
- 2.44 The forecast estimates that in Coventry and Warwickshire an additional 1.4 million, 3.2 million, and 4.6 million tonnes can be expected to pass-through large-scale distribution centres up until 2031, 2041 and 2050 respectively.
- 2.45 Table 2 illustrates the increase in goods and converts this to additional floor space needed in Coventry and Warwickshire. We have also added initial traffic (from Table 10.6 of the HEDNA) and large-scale floor space (from Table 10.3) and expressed each value for traffic growth and additional floorspace as a percentage of this initial value.

Table 2.5: Forecast Traffic Growth and Additional Floor Space Required

Coventry and Warwickshire	HEDNA – Growth Build Rate			
	2021 value	2031	2041	2050
Traffic Growth vs. 2021 (000 tonnes)	12,851,000	1,362 (10.6%)	3,174 (24.7%)	4,602 (35.8%)
Additional floorspace (sqm)	2,244,000	54,000 (2.4%)	125,000 (5.6%)	181,000 (8.1%)

- 2.46 Given the estimated traffic growth in Coventry and Warwickshire, the HEDNA estimates that Coventry and Warwickshire will require an additional 54,000 sqm of floor space up to 2031, 125,000 sqm of floor space up to 2041 and 181,000 sqm of floor space up to 2050. Additional floorspace (+6% by 2041) is low relative to freight growth (25% by 2041).
- 2.47 The scale of additional floorspace is governed by the model's 'tonnes per sqm floorspace assumption' (25 tonnes psm). This assumption is high compared to the 2021 'existing' position (6 tonnes psm). This implies that either the assumption is aspirational and



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potentially unrealistic (assuming a x4 efficiency gain), or the use of freight growth does not capture all the drivers of demand for strategic scale warehousing.

- 2.48 If we halve the tonnes per sqm to 12.5, the total requirement to 2041 increases to 624 ha (the 'Stantec' figure) under 'high replacement' and 490 ha under 'low replacement', assuming a 35% plot ratio and a margin of 5 years (as per HEDNA).
- 2.49 Repeating the exercise (again setting tonnes per sqm to 12.5) with the HEDNA sensitivity test (freight plus 15%) results in a total requirement to 2041 increases to 674 ha (the 'Stantec' figure) under 'high replacement' and 541 ha under 'low replacement', again assuming a 35% plot ratio and a margin of 5 years (as per HEDNA).
- 2.50 Therefore, Stantec analysis using a 35% plot ratio and 5-year margin results in land requirements to 2041 ranging from 490 ha (Traffic Forecast Low Replacement) to 674 ha (Sensitivity Test High Replacement). Applying the 5-year margin (25% uplift) to the last column in Table 10.17 of the HEDNA gives a corresponding range of 445 ha to 604 ha.
- 2.51 The above analysis provides the basis for our conclusion that the requirement of 551 ha strategic employment land across Coventry and Warwickshire is an underestimate.
- 2.52 In the circumstances, our preference is to rely on annual average past completions, plus a 5 year margin, and for that to be regarded as a minimum.

Combined

- 2.53 The total warehouse new-build requirement as set out by the HEDNA can be devised by combining the 'replacement build' and 'growth build' elements. Table 3 shows the forecast to 2050 for Coventry and Warwickshire.

Table 2.6: Forecast New-Build Rates to 2050 – Coventry and Warwickshire

HEDNA – Replacement Build + Growth Build			
Coventry and Warwickshire	2031	2041	2050
High Replacement Scenario + Growth Build (sqm)	802,000	1,621,000	2,530,000
Low Replacement Scenario + Growth Build (sqm)	615,000	1,247,000	1,808,000

- 2.54 For Coventry and Warwickshire, the HEDNA estimates an industrial requirement up to 2031 of 615,000 sqm – 802,000 sqm. According to this, Coventry and Warwickshire should deliver almost a third of the West Midlands' future industrial accommodation.
- 2.55 The HEDNA also does a sensitivity analysis based on changes in the 'growth build' estimates. The sensitivity analysis suggests that replacement demand is the main driver of floorspace needs within the model given that the growth-build sensitivity analysis only adds around 100,000 sqm up to 2050. Without the sensitivity test and in the low replacement scenario, just 10% (125,000 sqm out of 1,247,000 sqm) is growth build.
- 2.56 Table 5 illustrates the land requirements the sensitivity analysis produced, showing the requirement range for strategic warehousing need. The completions projections are



estimated using a 35% plot ratio, which tends to be the market norm as per the Leicestershire Strategic Distribution 2021 report.

Table 2.7: Coventry and Warwickshire B8 Strategic Land Needs 2021 – 2041 ha

HENDA – Sensitivity			
Coventry and Warwickshire	Floorspace (sqm)	40% Plot Ratio (ha)	35% Plot Ratio (ha)
Traffic Forecast Low Replacement	1,247,000	312	356
Sensitivity Test Low Replacement	1,318,000	330	377
Traffic Forecast High Replacement	1,621,000	405	463
Sensitivity Test High Replacement	1,692,000	423	483
Completions Projection			
		458	

- 2.57 Over the period 2021 – 2041, the replacement build and growth build models expresses a land requirement from between 356 to 483 ha assuming a plot ratio of 35%.
- 2.58 There are a number of key issues arising from the above methodology; which scenario should be used, what should be given more weighting completions or sensitivity; and to what extent is replacement feasible.
- 2.59 There are also a number of factors that should be weighed up in the 'high' and 'low' replacement scenarios.
- Older buildings becoming functionally obsolete and occupiers' need for newer more up to date buildings before the end of the buildings economic life.
 - The decarbonising agenda encouraging demand for freight linked warehousing.
 - Increasing automation driving demand for newer facilities with higher power requirements.
- 2.60 The HEDNA therefore takes the midpoint between the high and low replacement scenarios considering the above factors equating to a minimum need of 410 ha to 2041 for the Coventry and Warwickshire Sub-Region.
- 2.61 In light of factors which may lead to stronger demand (namely e-commerce and supply chain disruptions), IcenI favour the approach based on recent completions trends for 2021-2031 (229 ha) followed by traffic growth and replacement demand modelling for 2031-2041 (207 ha), for a total of 436 ha.
- 2.62 The HEDNA then allows a margin to support choice of site in a competitive and flexible market. It allows a 5-year margin based on the 5-year completions trend.
- 2.63 Therefore, the total land requirement estimated for Coventry and Warwickshire up to 2041 is 551 ha and 736 ha up to 2050.

Table 2.8: Recommended need for Strategic B8 in Coventry and Warwickshire

Coventry and Warwickshire	Need to 2041 (ha)	Need to 2050 (ha)
Base Need	436	620



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Coventry and Warwickshire	Need to 2041 (ha)	Need to 2050 (ha)
5 Year Margin	115	115
Total Land Requirement	551	736

- 2.64 In the previous section, the Completions Trend Forecast implies a greater 20-year requirement than 551 ha. Table 9.15 gives a figure of 457.6 ha; with a 5-year margin this becomes approximately 572 ha ($457.6 * 1.25$)³. Given the clear reasons for thinking that the future will not be like the past – namely the growth of e-commerce and greater supply chain instability – this should be treated as a minimum. It falls within the 490 ha to 674 ha range estimated by the Stantec traffic growth-based analysis above, but is comfortably towards the lower end.
- 2.65 Using the land needs figures estimated in the high replacement scenarios (Table 4) and applying a 5-year margin results in figures that are higher still; 579 ha from the Traffic Forecast High Replacement (463 ha 2021-2041), and 604 ha from the Sensitivity Test High Replacement (483 ha 2021-2041).

Section 11 – Drawing Conclusions on Employment Land Needs

- 2.66 This section of the HEDNA stipulates that the completions data is likely to be the best representation of the market needs for the next phase of plan making for industrial/ warehousing floorspace particularly in the short and medium term. Comparing completions data with other sources and monitoring by authorities suggests that far higher levels of development have been achieved and therefore may be required in the future.
- 2.67 The HEDNA suggests that whilst B8 demand is very strong, separate allocations will be needed for B1c/B2 use in order to support the manufacturing sector.
- 2.68 To meet this need, the PPG outlines that strategic policy-making authorities will need to identify the most appropriate locations for meeting the identified needs. This can be achieved through the expansion of existing sites or the development of new ones. There are multiple technical issues that should be considered for prospective sites; environmental and highways impacts, impacts on the green belt or landscape, and power requirements.
- 2.69 The HEDNA highlights current important strategic locations that include the M6 Corridor from Junction 1 to 3 of the M6 Motorway. Other important strategic locations include areas to the north-west of the sub-region towards Tamworth, Hinkley and stretching to Lutterworth. The HEDNA warns of potential for concentration in the north-west of the sub-region creating labour market and highways pressures in this area. It is therefore important to consider other corridors within the sub-region, including the A46 Corridor.
- 2.70 The HEDNA also stipulates the need for green belt development if the needs identified in Section 10 – B8 Land Use are met. Suitable sites should seek to consider landscape harm, power capacity and limit harm to the purpose of the green belt.

³ Adding the margin of 115 ha based on 5-year completions trend would result in an almost identical result.



- 2.71 The HEDNA recommends that a margin for flexibility be applied to employment land requirements. This recognises the inexact nature of forecasting, potential variations in locational and site size requirements, and potential for delay in sites coming forward. For industrial or distribution sites, a 5-year margin is recommended. Thus, in Table 11.1 they recommend a 30.1 ha margin for flexibility for industrial excluding B8 Strategic – one quarter of the 120.4 ha need shown in Table 9.15.
- 2.72 Applying the same margin for flexibility to B8 Strategic sites as well, Stantec considers that a 350 ha minimum for industrial and logistics land over 2021-2041 would not be unreasonable. This is based on the 120.4 ha excluding B8 Strategic and 157.4 ha B8 Strategic shown in Table 9.15, plus 5-year margins of 30.1 ha and 39.4 ha respectively. These figures total to 347.3 ha, and various factors discussed elsewhere in this report – rapid growth in the number of households, the post-Covid increase in e-commerce, increased supply chain instability – weigh in favour of planning for more.

Section 15 – Conclusions and Recommendations

- 2.73 In respect of strategic warehousing floorspace (units over 9,000 sqm) the HEDNA concludes that it would be appropriate to plan for future development to be in line with recent completion trend over the initial 10 year period (2021 – 2031), with the subsequent decade then seeing potentially slower growth in line with the traffic growth and replacement demand modelling. On this basis, the HEDNA concludes a need for 551 ha of land to 2041 and 735 ha to 2050 for strategic logistics in Coventry and Warwickshire.

Stantec Analysis: Drivers of Future Floorspace Demand

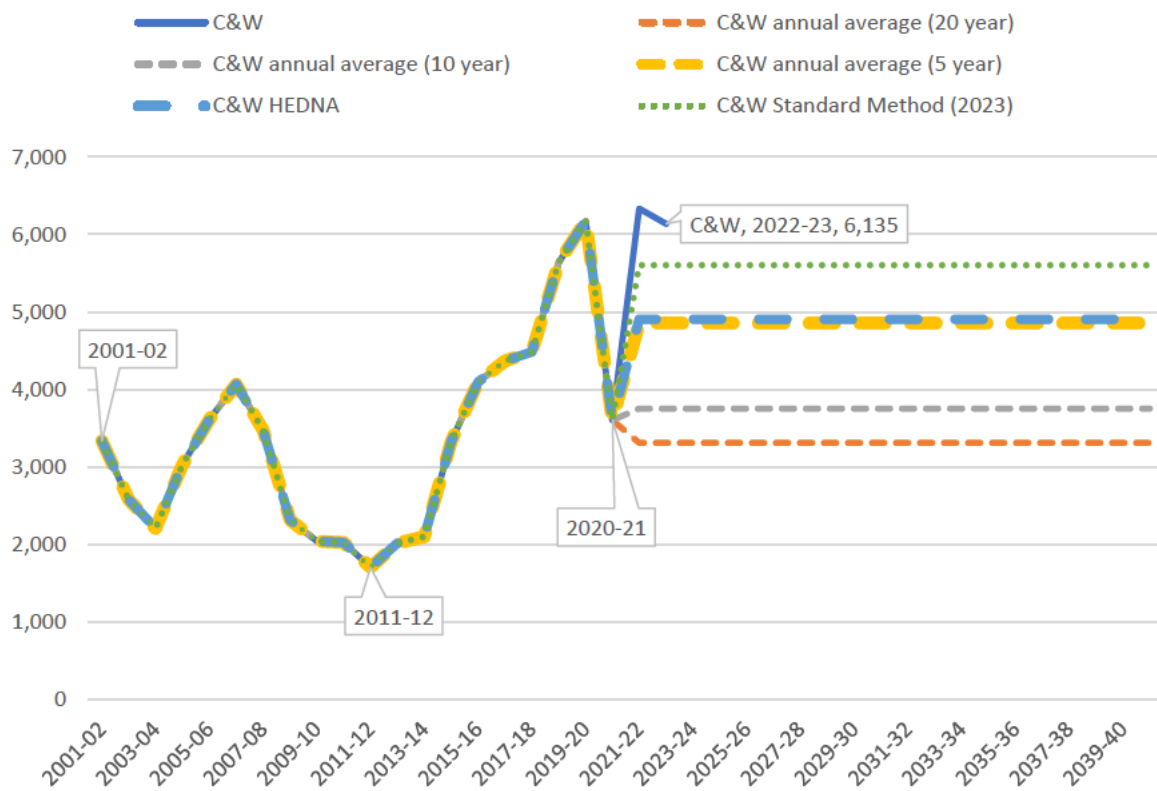
- 2.74 Freight is central to the functioning of the country, operating around the clock to enable everyday life. In 2020, the UK's freight system transported 1.4 billion tonnes of goods by road, rail and water, delivering to businesses and consumers.
- 2.75 As the population rises, the demand for freight will grow. Over the next 30 years, the weight of goods lifted by heavy freight transport could increase by between 27 and 45 per cent. The nature of this demand will also change, with expected increases in same day delivery, more just-in-time manufacturing, and continued growth of internet shopping⁴.
- 2.76 The HEDNA envisages net housing delivery equal to 4,906 and 735 dwellings per annum, across the sub region and Rugby respectively, over a 20-year plan period (2021 to 2041). This is excess of the 20 year and 10-year trends respectively (between 1.25 and 1,5 times), and in line with the 5-year trend (2016 to 2021) (see Figure 2 and Figure 2.3). This will drive increased demand for goods and services, increasing the need for industrial floorspace (for example for final journey logistics) to service said demand.

⁴ Freight Study Final Report, NIC April 2019.



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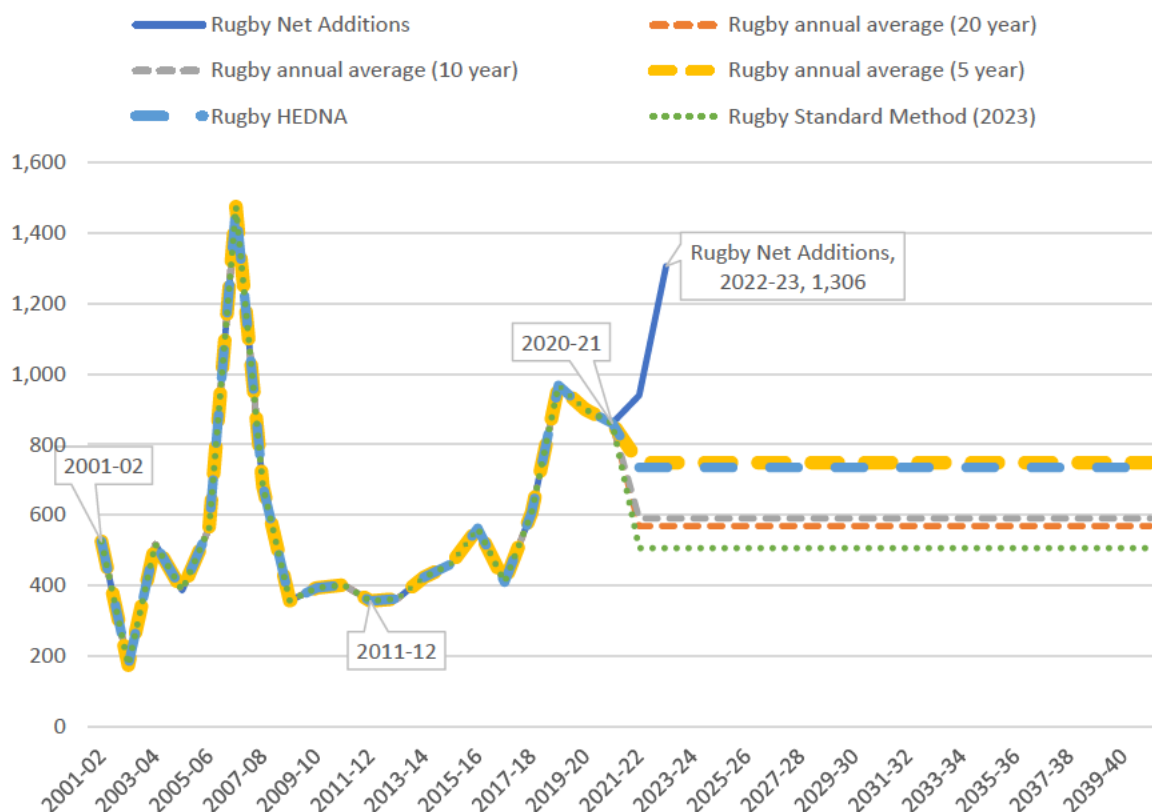
Figure 2.2: Past and Planned Housing Growth across Coventry and Warwickshire



Source: Net Additional Dwellings, Table 122: Net additional dwellings by local authority district, England 2001-02 to 2022-23, published November 2023 and the Coventry and Warwickshire HEDNA, November 2022



Figure 2.3: Past and Planned Housing Growth across Rugby

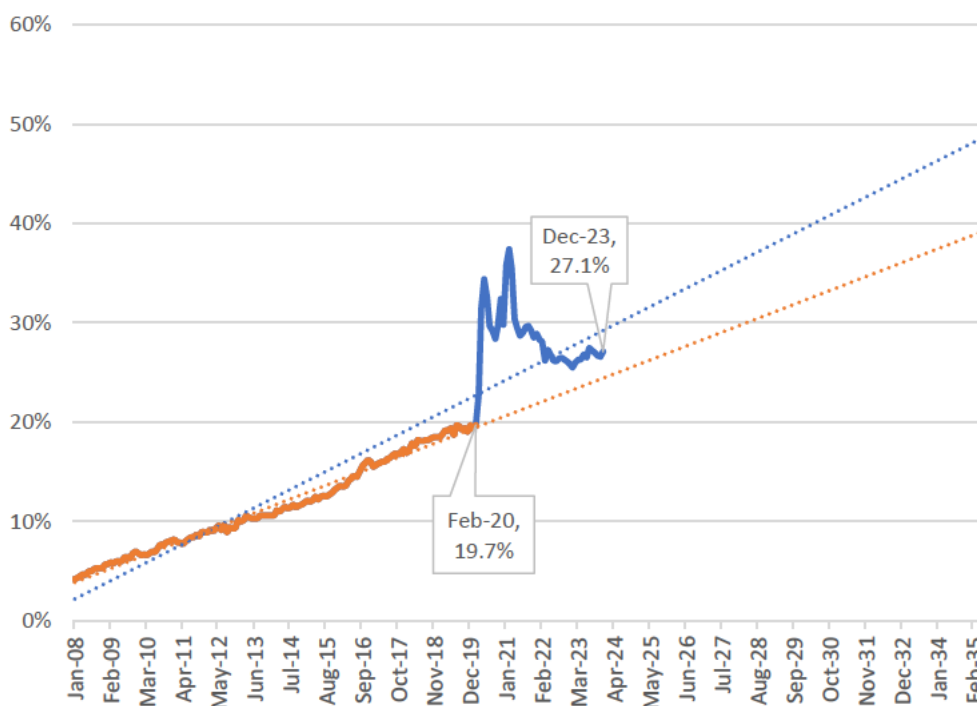


Source: Net Additional Dwellings, Table 122: Net additional dwellings by local authority district, England 2001-02 to 2022-23, published November 2023 and the Coventry and Warwickshire HEDNA, November 2022

- 2.77 Growth in housing will result in above trend household growth and in turn household expenditure, which is increasingly through online retailers. A lockdown induced uptick in online retail sales (27.1% of all sales in December 2023, compared to 19.8% in February 2020) has increased activity in final mile / journey logistics, such that according to ONS, recruitment to the sector recovered more rapidly than other sectors as it attempted to keep step with the surge in demand.
- 2.78 Arguably, this is a change in consumer behaviour that will not be wholly reversed, on the basis that the pandemic has accelerated or exacerbated a trend that was already taking place. Internet sales today are where we might otherwise have expected to be in three to four years' time. We illustrate the divergence in 'pre pandemic' (red dotted line) and 'post pandemic' (blue dotted line) in Figure 2.4.



Figure 2.4: Internet Sales as a Proportion of All Sales (Seasonally Adjusted)



Source: ONS, Retail Sales Index (internet sales), published January 2024

Key Findings

- 2.79 Several paragraphs of Rugby's Local Plan deal with employment land. Namely, Chapter 4 (Development Strategy) which aims to protect existing employment sites from within and outside the urban area. Chapter 6 (Economic Development) highlights Rugby's strong and diverse economy, emphasising its central location, accessibility, and the need to retain and provide additional employment sites in order to provide jobs for the growing population and allow economic growth.
- 2.80 With regards to green belt, the Rugby local plan stipulates around two-thirds of Rugby Borough is designated as green belt. The Local Plan addresses the balance between the need for development alongside greenbelt protection. It allows development under specific circumstances outlined in the NPPF, including for economic development needs.
- 2.81 The Coventry and Warwickshire Housing and Economic Development Needs Assessment (HEDNA) has a total employment land requirement for B8 use of up to 551 ha up to 2041 and 736 ha up to 2050. These figures do not give an allocation to the individual boroughs but do suggest potential locations including the A46 corridor, given its existing transport links, highways capacity and access to employment. The HEDNA appreciates that to meet this requirement greenbelt land should be brought forward.
- 2.82 The approach to calculating the requirement for strategic warehousing land is an unusual one. For the first ten years (2021-2031) of the projection period, past (2011-2019) trends are continued. For the remainder of the projection period, it is modelled based on a combination



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of projected need to replace existing warehouses when they become obsolete (replacement demand) and the projected growth in freight traffic in the region. Assuming that freight growth projections are available for the first ten years of the period, incorporating them then (and perhaps using a trend-based approach for the end of the period) would be more intuitive.

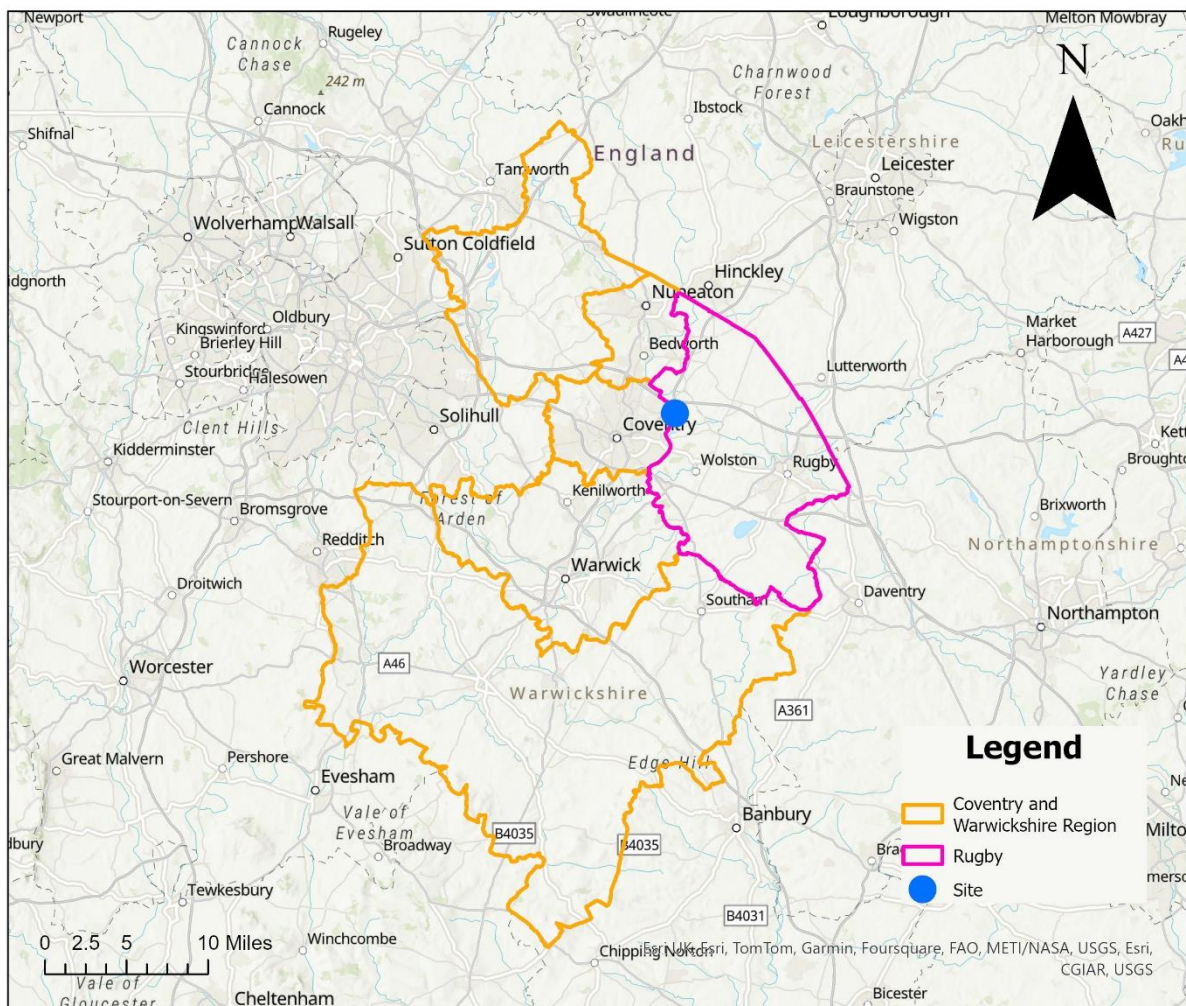
- 2.83 Given Rugby's important location and constraints in other local authorities it will be expected that Rugby should assist the Sub-Region in meeting the needs outlined in the HEDNA alongside meeting Coventry City Council's unmet need.
- 2.84 The rate of past and planned housing growth across Rugby and the impact of Covid-19 on the role of e-commerce weigh in favour of greater logistics floorspace provision.



3 The Market for Logistics Floorspace in Rugby

- 3.1 The market for industrial floorspace is examined in the context of the Coventry and Warwickshire Sub-Region and the Rugby Sub-Market.
- 3.2 As shown on figure 2 Coventry and Warwickshire encompasses the local authorities of North Warwickshire, Nuneaton and Bedworth, Coventry, Rugby, Warwick and Stratford-on-Avon.
- 3.3 The site is situated in Rugby, just east of the Coventry-Rugby border. It is located close to the Golden Logistics Triangle, which is a significant strategic logistics location with excellent transportation links and employment opportunities.

Figure 3.1: Study area including the Coventry and Warwickshire Sub-Region and Rugby Sub-Market



Approach

- 3.4 This section examines a range of market indicators and provides insight into the extent to which the demand for floorspace is being satisfied locally and regionally. It is key wider context for the HEDNA presented in the evidence based for the Rugby Local Plan Consultation. Specifically, providing a basis for identifying downside, neutral or upside risks to the HEDNA's assessment cause by market trends and external factors.
- 3.5 The data we have used is derived from a single source, CoStar's Commercial Real Estate Market Analytics (CoStar Analytics). This provides access to an extensive and comprehensive database of verified property level data, including type, status, floorspace, use and year built or renovated.
- 3.6 CoStar Analytics collates, categorises and aggregates the property data, updates it on a quarterly basis, and provides a platform for bespoke area analysis, by property type and size, of relevant metrics such as floorspace inventory, deliveries, leasing activity and vacancy rates.
- 3.7 For this review we have analysed CoStar Analytics data tagged as relating to the Industrial property type, and the property size thresholds of no minimum and 100,000 sq ft plus (9,000sqm). The latter is used to mirror final mile / fulfilment scale / larger than local requirements.

Floorspace Inventory

- 3.8 Table 6 shows that across the Coventry and Warwickshire Sub-Region the inventory of industrial floorspace sums to 88.5m sq ft. Of this 16.6m sq ft (19%) is in Rugby.

Table 3.1: Floorspace Inventory Q1 2024 QTD (sq ft)

	Coventry and Warwickshire Sub-Region	Rugby (as a % of the sub-region)
All Industrial Floorspace	88.5m	16.7m (19%)
Of which floorspace over 100,000 sq ft.	50.9m	11.7m (23%)

Source: CoStar, January 2024

- 3.9 Large-scale industrial floorspace of more than 100,000 sq ft is a notable and prominent property type across the sub-region, accounting for 50.9m sq ft in the Sub-Region. 11.7m sq ft (23%) is in Rugby (Table 6). This highlights Rugby's position as a strategic industrial location within the sub-region.

Table 3.2: Change in Floorspace Inventory, 2009 to Q1 2024 QTD (sq ft)

	Coventry and Warwickshire Sub-Region	Rugby
All Industrial Floorspace	+20.3 (+30%)	+6.8m (+68%)
Of which floorspace over 100,000 sq ft	+15.8m (+45%)	+6.2m (+112%)

Source: CoStar, January 2024



Coventry and Warwickshire's Economic Development Needs

3 The Market for Logistics Floorspace in Rugby

- 3.10 As per Table 7, since 2009, industrial floorspace in the Sub-Region has grown by 20.3m sq ft of which 15.6m sq ft is in buildings of 100,000 sq ft or more, equating to 76%; therefore, around 25% of new floorspace has been delivered for small floorspace needs.
- 3.11 Industrial floorspace growth in Rugby has been significant relative to the increase in the Sub-Region, accounting for around 33% of the Sub-Region's growth. This is almost entirely accounted for by the growth in floorspace over 100,000 sq ft. Industrial floorspace in Rugby grew by 6.8m sq ft over the period and 6.2m sq ft when considering buildings over 100,000 sq ft. This highlights Rugby's role in maintaining the Sub-Region's position as an important strategic location (Table 7).

Location of Recent Inventory

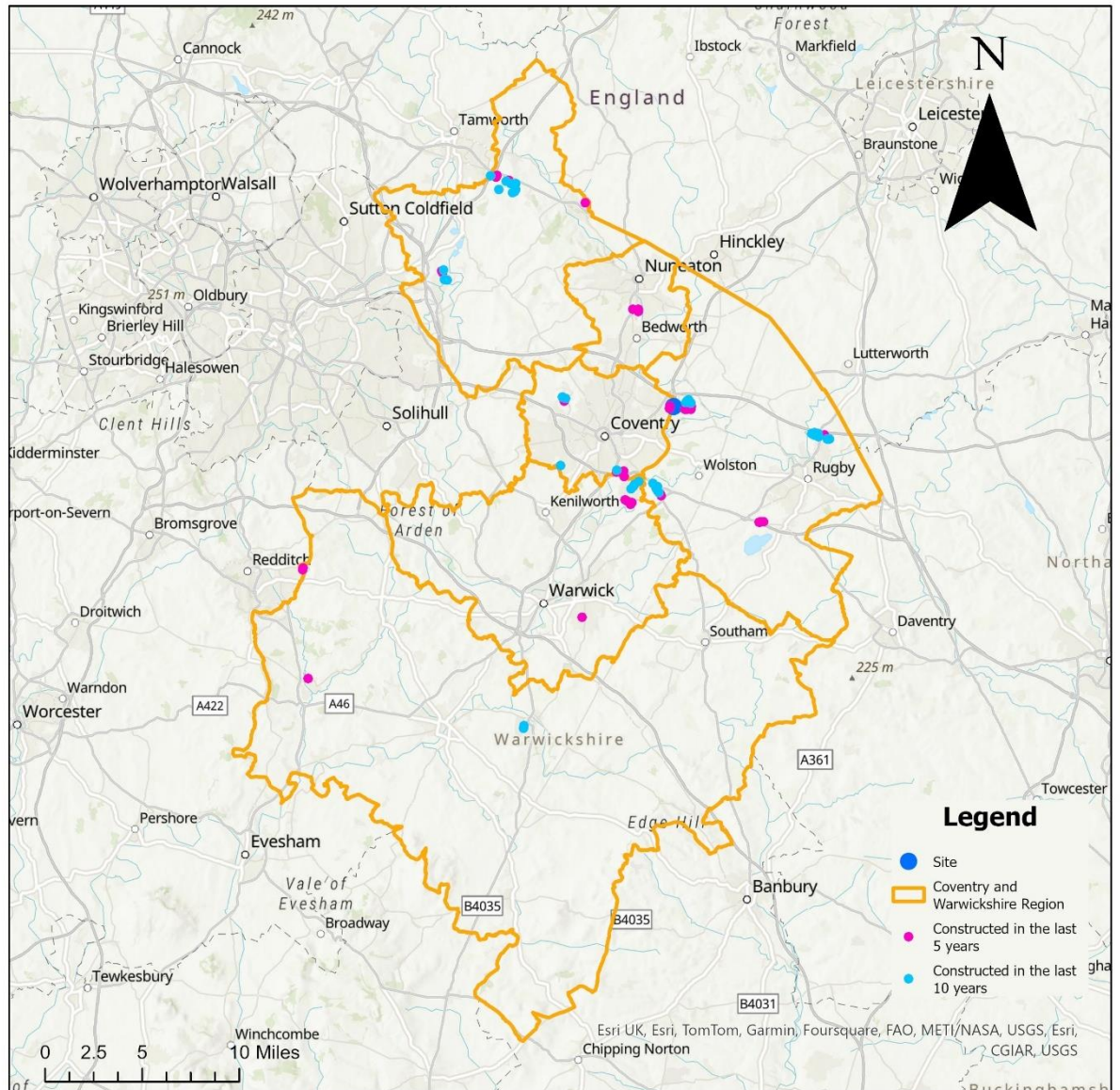
- 3.12 Figure 3 maps the locations of buildings over 100,000 sq ft constructed in either the last 5 or 10 years. This figure shows the distribution of recently constructed buildings, tending to fall within the north-west portion of the Coventry and Warwickshire sub-region.
- 3.13 Recent constructions have clustered around a few central focal locations, namely, Tamworth at the M42, where the M6 and the M69 intersect (near the site), south of Coventry at the A45, and north of Rugby at the M6 (figure 3). As depicted in Figure 3, there is limited B8 storage and distribution development towards the south of the sub-region, specifically in the Stratford-upon-Avon local authority.
- 3.14 There is a clustering of new development adjacent to the site namely, Antsy Park Coventry (Figure 3). This shows that there is existing highways infrastructure in the area capable for HGVs, ample power supply, and access to an employment base in the area.



Coventry and Warwickshire's Economic Development Needs

3 The Market for Logistics Floorspace in Rugby

Figure 3.1: Construction of units over 100,000 sq ft in the past 5 or 10 years in the Coventry and Warwickshire sub-region



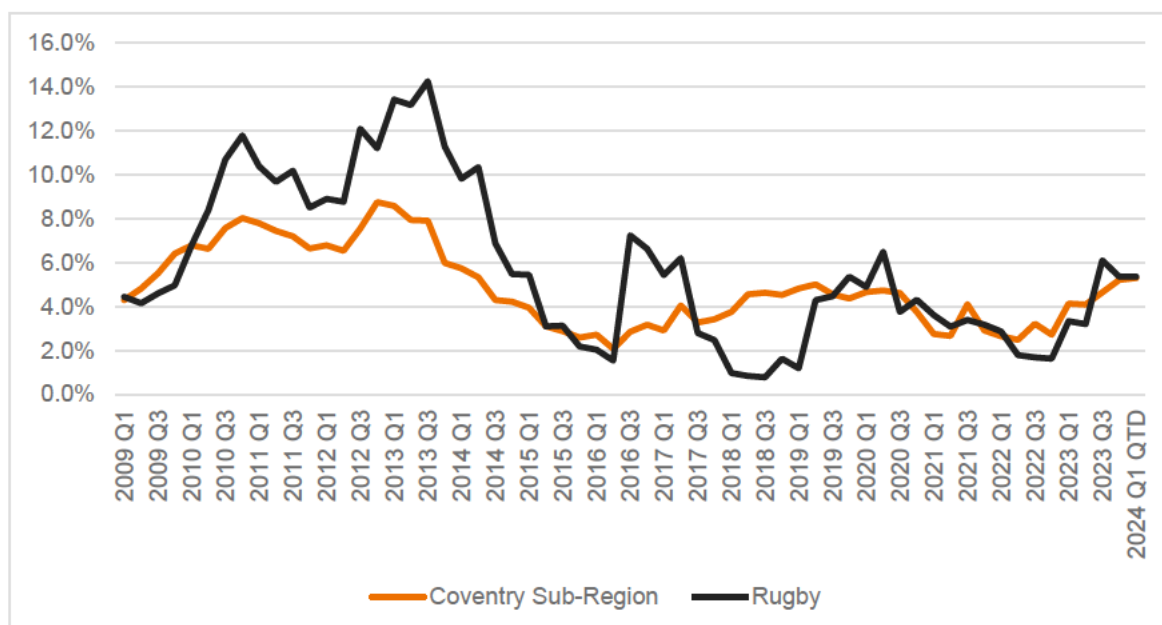
Vacancy Rates and Availability

Vacancy Rates

- 3.15 Vacancy Rates are a measure of floorspace utilisation. If the vacancy rate falls to around 7% - 9% (dependent on the market) there is an imbalance in the market and demand outstrips supply. The HEDNA uses an equilibrium of 7.5% as an indicator for undersupply. This is the rate which rental growth, as a result of tightening supply, can become unaffordable for occupiers. It also indicates that economic development is restricted as there is not enough supply in the market for occupiers to satisfy their requirements.



Figure 3.2: Industrial Vacancy Rates Q1 2009 to Q1 2024 QTD



Source: CoStar, January 2024

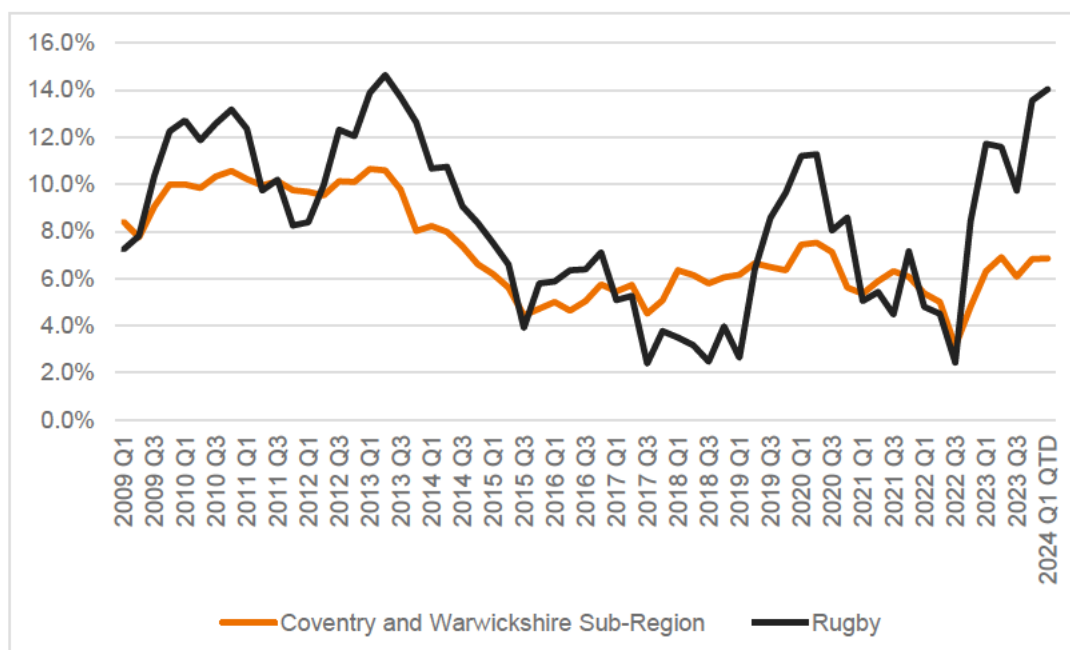
- 3.16 Figure 3 illustrates Industrial Vacancy Rates across the two areas between Q1 2009 and Q1 2024 QTD. Across the period vacancy has fluctuated in a downwards trend. For the past 10 years, since 2014, the vacancy rate has been under the 7.5% equilibrium. In Q3 2016, the vacancy rate in Rugby peaked slightly above this but quickly fell below the equilibrium. In 2023 it rose as new stock came onto the market but has already begun to be absorbed. This indicates that for the past 10 years both the Coventry Sub-Region and Rugby have been operating in an imbalanced market where demand outstrips supply.
- 3.17 According to this, a greater amount of industrial floorspace should be developed, to increase supply and increase the availability to occupiers to satisfy demand.

Availability Rates

- 3.18 In addition to vacancy level, we also assess the availability rate. The availability rate is a measure of all available floorspace. It differs from the vacancy rate in that the availability rate includes floorspace that is available by way of a sub-lease and buildings under construction that are available to let or pre-let when the building is complete.
- 3.19 The equilibrium availability rate is circa 8%. If the availability rate falls below this rate there is a greater amount of demand in the market compared to demand. This leads to some demand being suppressed as the current supply in the market cannot fulfil demand needs. The equilibrium for availability rates is slightly higher than that of vacancy rates given the inclusion of floorspace available by way of a sub-lease.



Figure 3.3: Industrial Availability Rates Q1 2009 to Q1 2024 QTD

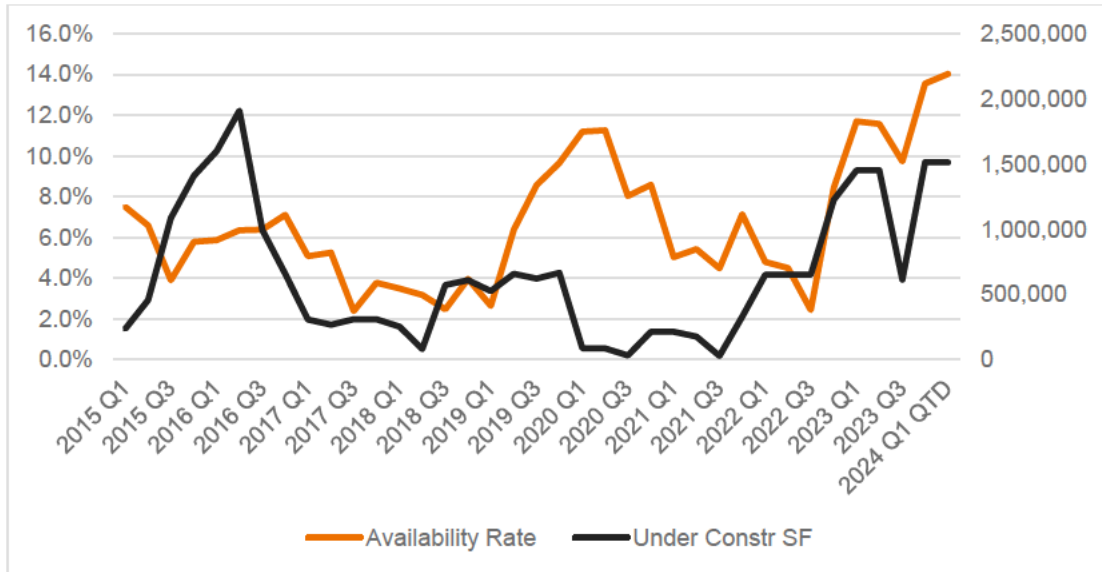


Source: CoStar, January 2024

- 3.20 Figure 4 illustrates Industrial Availability Rates from Q1 2009 to Q1 2024 QTD. It demonstrates that the Coventry and Warwickshire sub-region have had an availability rate below 8% since Q1 2014. In the sub-region, the availability rate dipped to its lowest point in Q1 2022 to just over 2%. Following this more stock came to the market, largely due to an increase in new developments being brought forward.
- 3.21 The availability rate in Rugby is more volatile, which is to be expected for a smaller area, as rate moves more in response to small changes. In Q1 2019 it spiked to around 11% because of new stock in the market which was quickly absorbed, falling to just over 4% in 2021 and then circa 2% in 2022 (Figure 4). This shows that as new floorspace becomes available it is quickly taken up, resulting in under supply extending to the short and medium term.
- 3.22 A similar spike has recently occurred in Rugby in the latter half of 2023 as a result of buildings under construction being available to let. A similar pattern to that observed in 2019 is likely to occur here, where the rate rapidly increases and then declines, indicating a swift absorption of new supply (Figure 4). This signals confidence in the market and suggests that supply is rapidly absorbed when it becomes available.



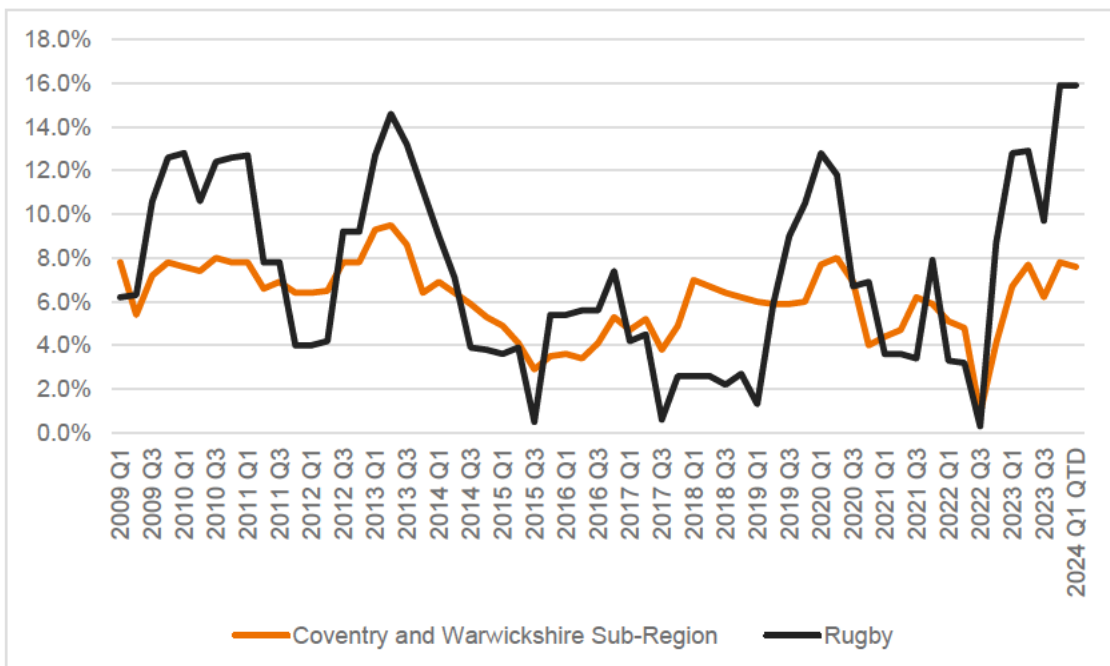
Figure 3.4: Rugby Availability Rates and Buildings Under Construction from Q1 2015 to Q1 2024 QTD



Source: CoStar, January 2024

3.23 Figure 5 illustrates the relationship between the availability rate and accommodation under construction. It shows that the recent increase in availability from 2022 onwards has been directly a result of buildings under construction. This shows that the recent spike in availability has been driven by increased supply rather than reduced demand.

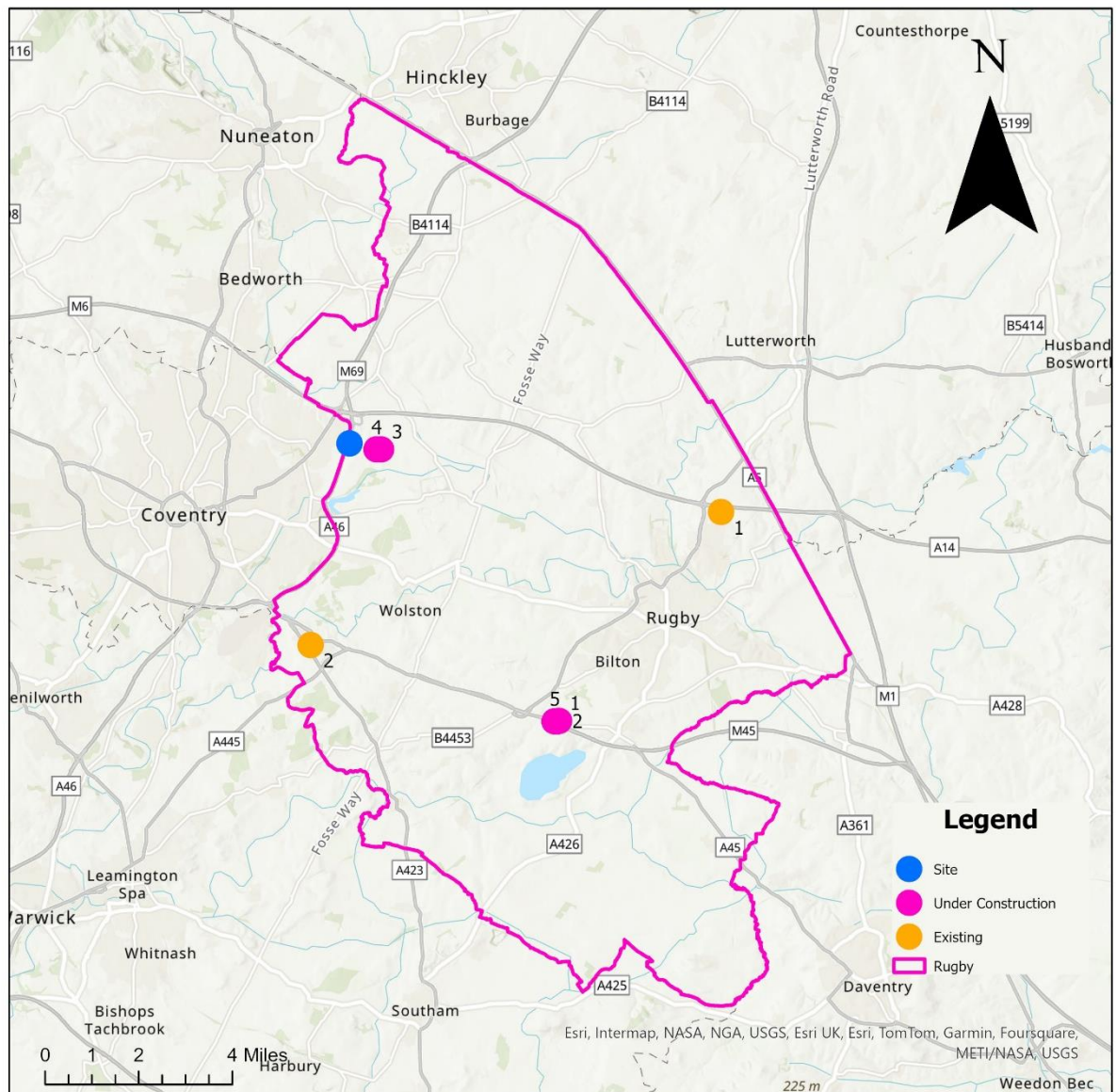
Figure 3.5: Industrial Availability Rates 9,000 sqm plus Q1 2009 TO Q1 2024 QTD



Coventry and Warwickshire's Economic Development Needs
3 The Market for Logistics Floorspace in Rugby

- 3.24 Considering the implications for units over 9,000 sqm a similar picture is painted. This is to be expected, given that the market is largely influenced by large-scale logistics warehouses in the Sub-Region and Rugby.
- 3.25 We consider the implications of availability and vacancy indicators by examining them at individual building level. Figure 7 and Table 9 map all industrial buildings over 9,000 sqm that have vacant space or space available to let.

Figure 3.6: Available Units over 100,000 sq ft in Rugby



- 3.26 There is currently 2.08 million (193,341 sqm) of industrial accommodation for B8 storage and distribution purposes available of this. 613,493 sq ft (56,995 sqm) are available for immediate occupation.



Coventry and Warwickshire's Economic Development Needs
3 The Market for Logistics Floorspace in Rugby

3.27 When considering units over 9,000 sqm in Rugby only two units are currently available for occupation, the other five are under construction and estimated to be complete in 2024 with a further 6 months for occupiers to fit out units. When considering units available immediately to occupiers, the availability rate falls to 5.2% in Rugby. This demonstrates the low level of stock available to the market and the limited number of options available to logistics and distribution occupiers (see Figure 7 and Table 9).

Table 3.3: Available Units over 100,000 sq ft in Rugby

Ref	Name	Sq ft	Sqm	Year built
Under Construction				
1	Symmetry Park, Rugby	390,694	36,296	Under Construction (completion Q4 2024)
2	Symmetry Park, Rugby	338,064	31,407	Under Construction (completion Q4 2024)
3	Ansy Park, Coventry	300,039	27,874	Under Construction (completion Q2 2024)
4	Ansy Park, Coventry	268,371	24,932	Under Construction (completion Q2 2024)
5	Symmetry Park, Rugby	170,473	15,837	Under Construction (completion Q4 2024)
Total		1,467,641	136,346	
Existing Warehouses				
1	DC1 Central Park, Rugby	446,673	41,497	1990/ refurb 2019
2	DC4 London Road, Coventry	166,820	15,498	2014
Total		613,493	56,995	
Overall Total		2,081,134	193,341	

Development in the Pipeline

3.28 Across Rugby, according to CoStar Analytics, there is a pipeline of 1,897,584 sq ft (176,289 sqm) across 6 buildings (>100,000 sq ft). There is 5 buildings under construction, amounting to 1,476,641 sq ft (136,346 sqm) and 429,942 sq ft (39,943 sqm) with planning consent. There are no further developments in Rugby in the planning application stage (see Table 10).

3.29 As illustrated on Figure 9, the location of the pipeline is well dispersed across Rugby with a focus on the A14/M6 Motorway corridor and further south on the M45. The two buildings under construction adjacent to the site are the developments at Ansy Park, Coventry measuring 300,039 sq ft and 268,371 sq ft. These two buildings, alongside the site, benefit from an important strategic position given its proximity to the M6 and M69 motorway. This suggests that there is adequate power, highways infrastructure and labour supply in the



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area given the expansion of employment land here, assisting and sustaining the economic development of both Rugby and the sub-region.

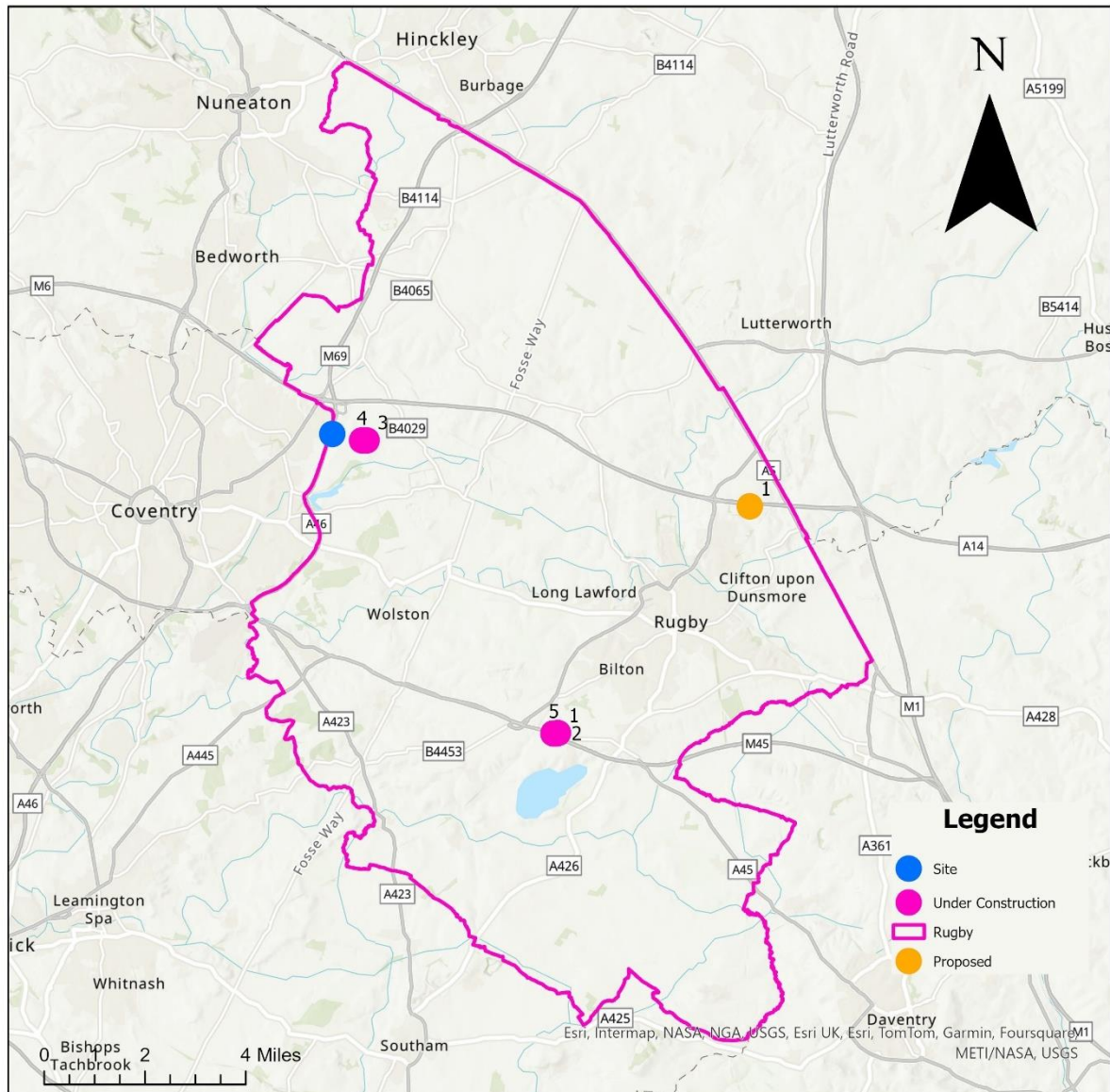
- 3.30 Further to the lack of supply of strategic warehousing and distribution space, there is limited space in the pipeline and no space being considered for planning permission. This indicates a further tightening of supply given the lack of future developments.

Table 3.4: Pipeline Units over 100,000 sq ft in Rugby

Ref	Name	Sq ft	Sqm	Status
Under Construction				
1	Symmetry Park, Rugby	390,694	36,296	Under Construction
2	Symmetry Park, Rugby	338,064	31,407	Under Construction
3	Ansy Park, Coventry	300,039	27,874	Under Construction
4	Ansy Park, Coventry	268,371	24,932	Under Construction
5	Symmetry Park, Rugby	170,473	15,837	Under Construction
	Sub Total	1,467,641	136,346	
Proposed Developments				
1	Coton Park East, Castle Mound Way	429,943	39,943	Planning Granted – Feb 2023
	Overall Total	1,897,584	176,289	



Figure 3.7: Pipeline Units over 100,000 sq ft in Rugby



Floorspace Delivered

- 3.31 Net absorption is the measure of the total space occupied less the total space vacated over a given period of time. If net absorption is positive, it means move ins have been greater than move outs in that time period and vice versa.
- 3.32 Net deliveries relates to the space that has been delivered to the market.
- 3.33 Figure 10 shows net absorption, net deliveries and vacancy rates across Rugby for the period Q1 2014 to Q1 2024 QTD. The delivery of new industrial floorspace in Rugby amounts to 2.5 million sq ft (230,000 sqm in the last 5 years (2020 to 2024) Figure 11 shows the same for the Coventry and Warwickshire sub-region. The delivery of new industrial floorspace in the sub-region amounts to 6 million sq ft (560,000 sqm). Rugby therefore



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accounts for 41% of all deliveries in the past 5 years in the sub-region. Considering there are 6 local authorities in the sub-region, it seems Rugby is delivering a significant proportion of the sub-region's employment land need.

Figure 3.8: Net absorption, net deliveries, and vacancy rate in Rugby Q1 2014 to Q1 2024 QTD

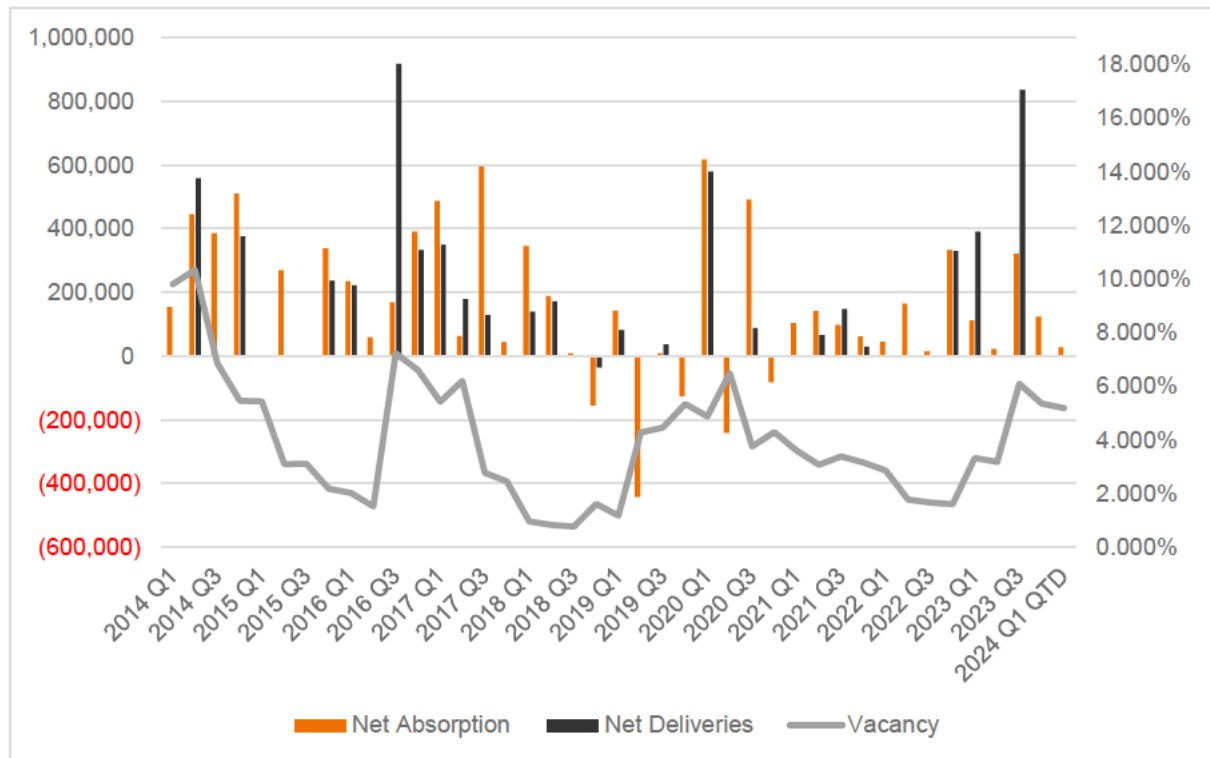
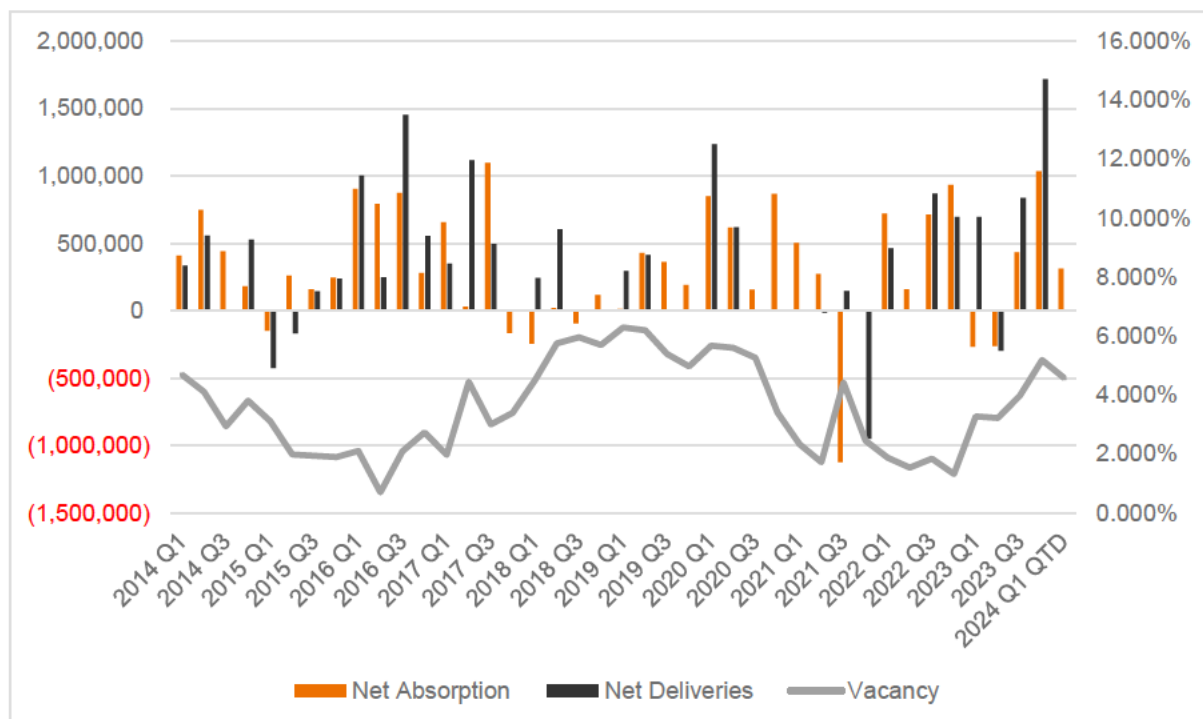


Figure 3.9: Net absorption, net deliveries, and vacancy rate in the Coventry and Warwickshire Sub-Region Q1 2014 to Q1 2024 QTD



- 3.34 Over time, positive net absorption is indicative of increasing demand. Of course, occupiers can only move into space that is available, which means that it is wholly undesirable to have no space available, which would only serve to suppress demand and create a barrier to economic growth. In a functioning market, to provide for choice of property and completion in the property market, we would expect vacancy rates to be about 7.5% of the total inventory.
- 3.35 Studied over time, net absorption and change in vacancy rates provides a basis for concluding whether the market is under supplied or not and for making floorspace demand projections based on based trends.
- 3.36 All things being equal, net absorption (net take up) is a leading indicator of the market appetite for industrial floor space.
- 3.37 As shown by Figure 10, Rugby has been experiencing positive net absorption since 2021 and has averaged 158,000 sq ft in the past 10 years, slowly slightly to 139,000 sq ft in the past 5 years. The slowing of net absorption rates appears to be because of a slowing in net deliveries. Net deliveries in Rugby averaged 152,000 sq ft over the past 10 years, slowing slightly to 145,000 sq ft in the past 5 years. This is a strong indication that there is suppressed demand in Rugby given floorspace is quickly absorbed and the vacancy rate remains below 7.5%.
- 3.38 As shown by Figure 11, net absorption in Coventry and Warwickshire has averaged 335,000 sq ft over the past 10 years, accelerating to 370,000 sq ft over the past 5 years.



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- 3.39 Gross absorption serves as a primary indicator of the market's interest in industrial floorspace. Unlike net absorption, which considers vacated space, gross absorption solely reflects the demand for floorspace without accounting for vacancies.
- 3.40 Across the Coventry and Warwickshire sub-region average gross net absorption over the 5-year period equalled circa 2.01 million sq ft (186,000 sqm) and largely remained the same for the 10-year period, 2.03 million sq ft (189,000 sqm).
- 3.41 For Rugby, this amounts to circa 778,000 sq ft (72,000 sqm) over the 5-year period and 920,000 sq ft (85,000 sq ft) for the 10-year period. Over the 10-year period, Rugby accounted for approximately 45% of the Sub-Region's gross absorption, highlighting Rugby's position as an important strategic logistics location within the sub-region.
- 3.42 Considering current developments in the pipeline (Table 10) Rugby has 4.4 years of supply when considering gross absorption trends over the last 5 years. This shows the limited amount of space Rugby has over the medium term suggesting more development is needed to come forward to serve Rugby's economic development alongside the economic development of Coventry and Warwickshire. If supply cannot meet demand, key national occupiers will move to other important regional and national locations to suit their business needs. Given the unique national connectivity enjoyed by the Golden Logistics Triangle and its surroundings, however, alternative locations would be less desirable for these national occupiers.

Market Analysis Key Findings

- 3.43 The vacancy rate in both the Coventry and Warwickshire sub-region and the Rugby market has continued to fall below the 7.5% equilibrium since 2016. A recent uptick in vacancy rates in Rugby has been the result of the completion of new developments, though this is falling as those new development become quickly occupied.
- 3.44 A similar trend can be observed when concerning availability rates in the Coventry and Warwickshire sub-region where the availability rate has fallen below the 8% equilibrium for the last 3 years. The Rugby market is smaller therefore, more susceptible to fluctuations. The recent spike in availability is due to a number of buildings under construction being available to let. This will quickly come down as those buildings are completed and occupied, similar to the fluctuation seen in 2019. This highlights how quickly space is absorbed in the area, signalling confidence in the market.
- 3.45 There are currently 7 buildings for B8 Storage and Logistics buildings available in Rugby. Five of these buildings are currently under construction leaving two available to occupiers immediately. When considering the number of immediately available buildings, the availability rate in Rugby falls to 5.2%, signalling a lack of supply in the short term.
- 3.46 When considering pipeline developments, there are five buildings currently under construction and one building with planning permission, amounting to a total of 1,897,584 sq ft (176,289 sqm). When considering this alongside the gross absorption trend seen in the last 5 years, this amounts to 4.4 years of supply in Rugby, emphasising the limited supply in the medium and long term.



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- 3.47 The real-world implication of low availability is that large scale logistics operators are presented with very little (virtually no) choice of suitable properties. The fact is, very few large-scale industrial buildings are available to the market. Occupiers will have no choice but to move to other important strategic locations across the region/ nationally. An imbalance of supply and demand in the market will lead to increased rents making the area unaffordable for businesses, particularly local occupiers and SMEs.
- 3.48 Housing growth in both Rugby and the Coventry and Warwickshire sub-region will drive demand for logistics floorspace, to satisfy new households and the growth in e-commerce.
- 3.49 Continued disruptions to global supply chains⁵ has refocused the attention of logistics occupiers to 'nearshoring', enhancing their floorspace and increasing their inventory, in a bid to offset the impact of global disruptions.

⁵ Examples include the impacts of Covid-19, the blockage of the Suez Canal in 2021, disruption relating to the war in Ukraine, and the ongoing (at time of writing) disruption to shipping in the Red Sea.



4 Conclusion

- 4.1 The evidence compiled in the November 2022 HEDNA confirms Rugby's position as an important strategic location and is a key driver of industrial and logistics floorspace across Coventry and Warwickshire. This speaks to the attractiveness of sites in Rugby to industrial and logistics operators. This is unsurprising given its location immediately adjacent to the 'Golden Logistics Triangle'; this area, comprising just over 0.3% of the UK's land, is within four hours' drive of 90% of the British population.
- 4.2 Market signals also indicate that Rugby's appeal to occupiers continues, demonstrated by low vacancy and availability rates, and rapid take up of new deliveries to date (Q1 2024 QTD).
- 4.3 In summary, the HEDNA outlines an overall requirement of 551 ha of Strategic B8 land for the Coventry and Warwickshire Sub-Region until 2041. Though they do note that, *'comparing the completions data with other sources, monitoring by authorities suggests far higher levels of development have been achieved and therefore may be required in the future'*. An alternative approach based on completions data yields a higher figure, of 572 ha.
- 4.4 For Rugby, the HEDNA indicates a Strategic B8 need of 157.4 ha, This emphasises Rugby's significant role within the broader Sub-Region and constraints on growth elsewhere, especially in Coventry.
- 4.5 Stantec considers that a 350 ha minimum for industrial and logistics land in Rugby over 2021-2041 would not be unreasonable. Of this, some 200 ha would be B8 Strategic – this is based on a 157.4 ha estimate in the HEDNA plus a 5-year margin of 39.4 ha. A further 120.4 ha requirement for non-strategic land plus a 30.1 ha margin results in roughly 150 ha non-strategic land.
- 4.6 Rapid growth in the number of households in Rugby and, the post-Covid increase in e-commerce (and therefore the need for last-mile delivery) weigh in favour of planning for more non-strategic land. Further, our analysis of the traffic growth-based approach in the HEDNA suggests that the 551 ha Strategic B8 land figure may underestimate need, so this (and the Rugby component thereof) may need to be exceeded. This analysis results in a range of 490 ha to 674 ha – so even the 572 ha figure based on completions data is towards the lower end of it.
- 4.7 The HEDNA suggests potential areas for fulfilling Coventry and Warwickshire's Strategic B8 requirement, highlighting the A46 corridor as one of the two promising "less developed" regions. It also proposes, contingent upon land availability, that Rugby could accommodate an even larger proportion of the sub-regional strategic B8 requirement.
- 4.8 In essence, the industrial property market analysis underscores Rugby's pivotal role within the Coventry and Warwickshire sub-region. It reveals sustained trends of low vacancy and availability rates since 2016, driven by rapid occupancy of new developments and limited immediate supply of B8 Storage and Logistics buildings. With a constrained pipeline and potential long-term supply challenges, the market faces the risk of rent increases and limited choices for large-scale logistics operators.



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- 4.9 When considering the current pipeline and historic gross absorption trends, supply of employment land in Rugby is limited to 4.4 years. This highlights the limited supply in the medium and long term.



APPENDICES



Appendix A Adopted Local Plan Review

- A1. This section reviews in more detail the Adopted Local Plan, which was mentioned previously in this document.
- A2. The current Rugby Local Plan was adopted in June 2019 and sets out the policies and proposals for the development of the Borough until 2031.
- A3. Chapter 4 outlines the Development Strategy for the growth of Rugby Borough until 2031. It sets out the housing and development, including employment land, that will be planned for and developed within the Borough. This includes contributions to Coventry's unmet need.
- A4. With regards to employment land, this chapter was advised by the Employment Land Review (2015) which has been superseded by the Coventry and Warwickshire Housing and Economic Development Needs Assessment (2022) which will be analysed further on in this report. As a result, figures related to employment land quoted in the current local plan are outdated and subject to change following the ongoing local plan consultation.
- A5. The Development Strategy seeks to protect existing employment sites for B use classes, unless they are no longer viable or an alternative use would be more sustainable for the community. The document allows for employment development outside the Rugby urban area on sites allocated in the plan and in exceptional circumstances, such as conversion or redevelopment of existing buildings, expansion of businesses, or ancillary uses for rural employment.
- A6. Chapter 6 of the Rugby Local Plan outlines the Economic Development of Rugby Borough. The Local Plan highlights the strong and diverse economy of the Borough, its central location and accessibility, and its need to provide jobs for the growing population.
- A7. Given Rugby's strategic geographic location in the Midlands surrounded by an important motorway network, the protection and promotion of employment land is central to its economic development. Chapter 6 sets out policies to retain existing employment sites, especially those of strategic significance, and to support new employment development in suitable locations, both within and outside the urban area.
- A8. Chapter 6 goes on to discuss Rugby's existing employment land stock which is characterised by a range of employment sites, in terms of age, size and quality/ condition. The Borough's nationally central location places Rugby equally accessible to both the East and West Midlands, and its position next to the M1 and M6 (as well as M45 and M69) allowing access to the north-west, north-east and south-east of England (including London). This makes Rugby an attractive location for industrial development of all kinds.
- A9. With regards to green belt, the Local Plan acknowledges that approximately two thirds of Rugby Borough is designated green belt and therefore the Council has to balance the need for the development alongside the protection of the green belt. It continues to state that developments in the green belt will be permitted in the circumstances where national policy on green belt allows including, the need to support economic growth. The Local Plan also



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sets out criteria for the replacement of dwellings, the conversion of buildings, and the expansion of existing businesses in the green belt, subject to their impact on the openness.

