

# CALDECOTE FARM

NEWPORT PAGNELL · MILTON KEYNES

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## MARKET REPORT

by Burbage Realty

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JULY 2021

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## MARKET REPORTS

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### 1.0 INTRODUCTION

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Burbage Realty have been requested by Newlands to provide a concise review of the market for large-scale logistics properties (units of 100,000 sq ft and over) with specific reference to the potential of the subject site at Newport Pagnell to meet the market demand.

The report begins by outlining Burbage Realty's credentials in the industrial and logistics market. It then provides a short description of the site and an analysis of its location in terms of its ability to fulfil a warehouse operator's requirement to service customers and provide an adequate supply of labour. The report then analyses demand for large-scale logistics properties within an identified market area and the way in which a development on the site may contribute to meeting market demand. We then consider alternative sources of supply in this area before presenting our conclusions.

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## 2.0 BURBAGE REALTY LOGISTICS MARKET CREDENTIALS

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Burbage Realty was formed in 2003 as the first “logistics and industrial property consultants” in the UK. Our innovative niche practice is recognised as the foremost real estate consultancy in the national distribution sector.

Burbage Realty has secured numerous industry awards in recognition of its market expertise since formation in 2003 including:

- Property Awards, National Industrial Agency Team of the Year 2020 (Highly commended)
- Property Awards, National Industrial Agency Team of the Year 2019.

The team is instructed on some of the largest and most prestigious logistics sites in the UK, including Gazeley’s Magna Park, Milton Keynes (M1 junction 13), Gazeley’s Magna Park, Lutterworth (M1 junction 20) and Segro Logistics Park East Midlands Gateway (M1 junction 24).

The team has advised a number of users of large-scale logistics buildings, including Howdens, Butchers Pet Care, and WH Smith.

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## 3.0 SITE DESCRIPTION

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The subject site in Newport Pagnell, is located directly adjacent (east) to the M1, with the A422 bordering the site to the north and Willen Road to the east. The site provides continuity with Tongwell industrial estate, also adjacent to the M1 (west).

As a major transport corridor, the M1 provides exceptional access throughout the UK, via links with the M25, M6, M62, and the A1(M).

This connectivity means that the site provides good access to the country's major commercial markets (e.g. London, Birmingham, Manchester and Liverpool), container ports (e.g. Felixstowe, Southampton, Tilbury, London Gateway and Liverpool), and international air and rail terminals.

The investment decisions of National Distribution Centre (NDC) and Regional Distribution Centre (RDC) requirements are based on a number of key specific locational demand requirements, all of which are intrinsic to the success of their operations:

- Excellent proximity and connectivity to the motorway/trunk road network;
- Maximisation of access to potential markets;
- Minimisation of drive times to potential markets;
- Availability and accessibility to an appropriate skilled workforce;
- Ability of a site to accommodate the necessarily large footprint and building height involved with units of this size; and
- Absence of neighbouring uses where conflict is likely to arise/restrictions may be placed on business operations (e.g. adjacent residential use, which may result in conditions limiting hours of deliveries).

The site's excellent location in relation to the M1 and its central position in relation to major population centres, means that an operator with a logistics facility on this site has the capability of reaching a substantial proportion of the total GB population and consumers' expenditure within a 4.5-hour HGV drive time.

In addition to locational drivers large scale logistics occupiers seek buildings of institutional specification including:-

- Adequate eaves height 18m plus for large scale logistics premises equating to a ridge height of 21m, this offers the occupier the volumetrics they require.
- 50m minimum yard depth to provide the HGV and Trailer Parking an occupier requires.
- Regular building dimensions roughly 2:1 to provide efficiency within the warehouse.
- Adequate car parking for staff.
- Good quality office and ancillary accommodation.
- Hub offices for lorry drivers.
- Gate house to monitor movements.

The attractiveness of the site is further enhanced by its situation within a robust labour force. A readily available labour force is a key consideration for logistics property operators. Labour statistics were accumulated for the authorities of Milton Keynes (which includes the subject site and neighbouring authorities of Bedford, Central Bedfordshire, and Luton. There is a total of 587,000 people of working age (16-64) within this area of which 17,200 are unemployed accounting for 3% of the total working age population, compared with 4.6% nationally. The area has a relatively low economically inactive population, 114,700 (19.5%) in relation to 20.9% nationally. Of the economically inactive 20,000 (17.5%) want a job. Reference can be made to Table 1 below for a further breakdown of the labour statistics.



**Table 1: Regional Labour Statistics of Possible Labour Force for Logistics Site at Newport Pagnell**

Area	Total Number of People Within Working Age (16-64)	Number of People Unemployed	Economically Inactive	Economically Inactive But Want a Job
Milton Keynes	169,500	5,400	24,300	6,000
Bedford	105,400	3,500	21,700	4,700
Central Bedfordshire	176,700	3,500	32,700	5,900
Luton	135,400	4,800	36,000	3,400

**Source: Nomis**

**Nomis, Official Labour Market Statistics, Jan – Dec 2020, downloaded 28th June 2021**

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### 4.0 MARKET DEMAND

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### Market Drivers

Occupier demand for large-scale logistics properties is driven by a number of key 'sectors' which require these facilities for a variety of reasons. In particular –

- Retailers require logistics facilities to replenish their stores but also to meet growing online sales;
- Manufacturers require facilities to manage inbound materials and parts, work in progress and for the storage and distribution of finished goods;
- Third party logistics contractors require these facilities to service contracts secured from retailers, manufacturers, and other operators;
- Wholesalers require these facilities primarily to service smaller retailers;
- Post and parcel operators require these facilities to meet expanding parcel volumes, which is largely attributable to the growth in online retail;
- Waste and recycling companies require facilities to process waste and recycle and this has become more important over recent years due to requirements to reduce the amount of waste sent to land fill.

In general, most demand for large-scale logistics buildings is concentrated along the major motorways and trunk roads which make up the Strategic Road Network (SRN). The SRN comprises all trunk motorways and 'A' roads. In 2014, the SRN was 4.4 thousand miles long, made up 2.4 percent of the total road length in England, but carried 32.7 percent of road traffic in England.

### Market Demand

The performance of the UK economy in 2020 was dominated by the impact on COVID-19, which led to national 'lockdowns' from March with further restrictions that followed. During this time online retail sales experienced a massive surge, with data for May showing that online sales accounted for a third of total retail sales compared with 19.6% in February. The share of food sales online more than doubled over the same period from 5.4% to 11.4%. This growth remains a strong driver of demand for warehouses.

This expansion in online retail sales led to 2020 becoming a record year for the logistics property sector with limited supply of, and consistent demand for, well-located, good quality existing warehouses. According to Savills nationwide take-up, units of more than 9,290 sqm (100,000 sq ft) reached 50.1m sq ft, up from 33.3m sq ft in 2019 and taking the three-year rolling average to 39.9m sq ft, the highest level ever. There is a trend towards larger units and according to the Savills statistics 2020 saw 25 transactions in the market for units over 500,000 sq ft which accounts for more transactions of units of this size than the previous two years combined. There are many more requirements in the market for similar sized units meaning this trend is likely to continue.

Take-up of speculative buildings accounted for 22% of demand, proportionally the highest amount since 2011, however this equates to 10.8m sq ft of take-up which is the most speculative space transacted in one year ever. Supply has fallen to its lowest level since the start of 2019 and now stands at 32.2m sq ft reflecting a vacancy rate of 5.63% the lowest level since 2017, this represents less than 8 months' supply based on the take up in 2020.

There are continued positive signs for the UK Logistics Market. In contrast to many other areas of business activity, online retail sales have burgeoned, and this will continue to drive demand for logistics space, JLL reported that 42% of total "Grade A" take up was for the E-commerce sector in 2020. Furthermore, figures suggest that a total of 16 million sq ft of logistics space (units over 100,00 sq ft) across 55 units was under offer at the end of Q1 2021. This reflects a 40% increase compared to Q1 2020 when 11.5 million sq ft was under offer across 23 units.

Cushman and Wakefield recorded 112 million sq ft of requirements across the entire market in December 2020, the highest level ever recorded, suggesting that demand remains strong across the UK and that requirements have shifted from short-term crisis management to longer-term strategies.

Recent figures demonstrate that this strength of take-up has continued into 2021 and take-up for Q1 2021 has reached 8.8 million sq ft, which is 34% above the long-term Q1 average.

In addition, more generally, the COVID-19 pandemic has highlighted the critical importance of resilient supply chains to deliver goods and services and therefore post-COVID we expect more companies to re-evaluate their supply chains and warehouse networks to ensure they are able to support resilient and agile operations. This too could result in demand for logistics floorspace in the UK.

There continues to be a large number of market requirements that have yet to be satisfied showing ongoing and strong demand for the identified market area, a sample of some of the named occupiers with requirements in the identified market area are shown below: -

- Rhenus 600,000 – 700,000 sq ft
- Amazon 600,000 – 700,000 sq ft
- Syncreon 500,000 – 600,000 sq ft
- CEVA 400,000 – 500,000 sq ft
- Unipart 400,000 – 500,000 sq ft
- Gusto 300,000 – 350,000 sq ft
- Ocado 300,000 – 350,000 sq ft
- Mercedes 300,000 – 500,000 sq ft
- Bleckmann 300,000 – 350,000 sq ft
- Movianto 300,000 – 350,000 sq ft

It is important to note that since starting to promote this site there have been several occupiers who could have taken a unit at Caldecote Farm but have taken a unit elsewhere or are in discussions on another site away from Milton Keynes due to the lack of progress in the planning process, these occupiers include: -

- 4PX Have taken 335,000 sq ft in Leicester
- BSH Have taken 850,000 sq ft in Corby
- Wayfair Have taken 1,000,000 sq ft in Lutterworth
- Europa Have taken 500,000 sq ft in Corby
- Makita Unable to find a site for 350,000 sq ft in Milton Keynes reviewing options.
- West Coast Have taken 340,000 sq ft in Andover.
- Aldi Have purchased land in Bedford to build 800,000 sq ft unit.
- Amazon Have taken 405,000 sq ft unit in Bedford.
- B&M Have purchased land in Bedford to build 1,000,000 sq ft unit.
- Clipper Have taken a 500,000 sq ft unit at DIRFT

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### 5.0 MARKET SUPPLY

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A constrained supply of new development stock combined with robust take-up activity in the second-hand market continues to keep pressure on already low availability rates. Coupled with an increase in occupational purchases and lease renewals in 2020 as occupiers acted to secure their existing occupancy of a building. The overall availability rate for UK logistics space over 100,000 sq ft has fallen by 3.8m sq ft in the past 12 months equating to a vacancy rate of just 5.7%

Overall, the quality of available space has improved over the last few years, driven by strong levels of speculative development activity and, following increased take-up of such space, falling volumes of second hand. According to Savills, by Q2 2020 the proportion of available space considered Grade A had risen to around 55% up from 37% in Q3 2016, the strong take up of newly constructed speculatively warehouse space in the second half of 2020 saw this figure reduce to 41% by the end of 2020.

More specifically Milton Keynes is suffering from a severe lack in supply of both large-scale logistics facilities and land to accommodate them.

With the letting of the 186,000 sq ft Latitude unit at Milton Keynes to SOSHC, the letting of the 575,000 sq ft Altitude unit to Amazon and the letting of the 312,000 sq ft Magnitude unit to Royal Mail there is only one large-scale speculative logistics facilities available with a further two under construction in Milton Keynes, these are highlighted below: -

- Griffen Park, Milton Keynes, 220,000 sq ft, completed speculative unit, compromised due to hours of use restrictions imposed due to proximity of residential units.
- Unit 1, G Park, Milton Keynes, 117,629 sq ft, this unit is now under construction with practical completion due in March 2022.
- Unit 2, G Park, Milton Keynes, 140,029 sq ft, this unit is now under construction with practical completion due in October 2021.

The above three units will do little to satisfy the demand for large scale logistics units in the Milton Keynes area due to the relatively small size of the G Park units and the compromised nature of the Griffen Park scheme.

Further to the limited available supply of buildings there is currently limited land available for large-scale logistics buildings in Milton Keynes. Below we list the employment site allocations in Milton Keynes which on first inspection would seem to offer numerous site opportunities but once the characteristics of the individual sites are considered together with recent transactions and proposed development then the true dearth of availability can be seen.

We consider that for the sites to be truly appealing to the logistics market they need to be well located for access to the Motorway junctions, ideally need to exceed 10 hectares in order to provide the scale of the units required by the market, and also have consent to appeal to the logistics sector i.e. have a B8 planning consent. In identifying the sites below, we have used our own market knowledge together with information that was contained within the Milton Keynes Core Strategy document. The base date for the data being April 2013 and therefore where we have knowledge of these sites and there has been movement on land availability we have adjusted this in the table below accordingly (the sites below are also referred to in Table 6.1 of the Draft Plan).

Location	Size (hectares)	Use Classes	Comments
Magna Park	10	B2/B8	The final plot at Magna Park is about to be built out. A 312,700 sq ft speculative unit is being constructed on this site which leaves no further land for development. Now let to Royal Mail.
Eagle Farm North	28	B1(c) /B2/B8	Now fully occupied by H&M in a 750,000 sq ft unit and Amazon in a 574,258 sq ft unit.
Shenley Wood	17.8	B1/B2/B8/C2/D1	Too far west of the M1, largest site being promoted is 2.9 ha
Western Expansion Area	17	B1/B2/B8	Too far west of the M1, split into two employment areas creating smaller development opportunities.
Walton	9.5	B1/B2/B8	Site split into 3 development areas two are residential only a small amount allocated for employment.
Wolverton Mill	8.2	B1/B2/B8	The site is too small for large scale logistics operations and is split up into smaller sites. It is also too far West of the M1.
Knowlhill	7.4	B1/B2/B8	The site is too small for large scale logistics operations and is split into smaller sites. It is also too far West of the M1.
Tower Gate	7.1	B1/C2/D1	The site is not identified for B8 uses, and is too small for large scale logistics operations.
Bletchley (Brickfields)	5.9	B1/B2/B8	The site is too small and too far West of the M1 for large scale logistics operations.
Kents Hill	5.2	B1/B2/B8	Currently looking to promote the employment sites here for school uses, and the site would be too small for large scale logistics operations.
Linford Wood	5.1	B1	Identified for non B8 uses.
Snelshall West	5.1	B1/B2/B8/C1	The site that is being promoted is too small for large scale logistics and too far West of the M1.
Broughton/Atterbury	4.8	B1/B2/B8/C2/D1	The site is too small for large scale logistics operations.
Snelshall East	4.7	B1/B2/B8	The site is too small for large scale logistics operations.
West Ashland	4.7	B1/B2/B8	The site is too small for large scale logistics operations.
Northern Expansion Area	3.1	B1/B2/B8	The site is too small for large scale logistics operations.
Wolverton	2.6	B1/B2/B8	The site is too small for large scale logistics operations.
Caldecotte	2.5	B1/B8/C2	The site is too small for large scale logistics operations.
Mount Farm	1.9	B1/B2/B8	The site is too small for large scale logistics operations.
Redmoor	1.7	B2/B8	The site is too small for large scale logistics operations.
Woburn Sands	1.3	B1	No B8 consent.
Crownhill	1.2	B1/B8/C2	The site is too small for large scale logistics operations.
Wymbush	1.2	B1/B2/B8	The site is too small for large scale logistics operations.
Willen Lake	1.1	B1	No B8 consent
Fox Milne	1	B1/B2/B8	The site is too small for large scale logistics operations.
Old Wolverton	1	B2/B8	The site is too small for large scale logistics operations.
<b>Total</b>	<b>159.1</b>		

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In addition to the sites above we have also appraised South Caldecote (Land South of Milton Keynes), a site of circa 98 acres capable of delivering around 2m sq ft of industrial/distribution accommodation. The site, which now has an outline planning consent, is well located on the southern edge of Milton Keynes. Although adjacent to the A5, it is some way west of the M1 where most large-scale distribution occupiers are located for ease of access to their target markets. Whilst this site will no doubt attract a good deal of demand, this is likely to be mainly from local and near regional distributors and manufactures predominantly looking for small to medium sized units, rather than from the regional and national operators seeking larger units in strategic locations close to major motorways. A reserved matters application has been submitted for 10 units on this site that range in size from 15,000 sq ft, only two of these units are over 200,000 sq ft the largest being 308,000 sq ft and therefore does not really cater for those large-scale logistics operators. We therefore believe the South Caldecote site would complement the offer from the Newport Pagnell site as it would be appealing to a different market.

There are two further sites coming forward firstly Pineham, which is well located being situated very close to J14 of the M1. However, this site would not add much to the overall availability of land for large scale logistics facilities (units over 500,000 sq ft) due to its size as in reality it would only take a single unit of circa 300,000 sq ft, and secondly the former Arcadia site in Milton Keynes, which is currently being sold, but again due to the topography of the site this will not be able to cater for large scale logistics occupiers.



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## 6.0 CONCLUSIONS

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The site at Newport Pagnell (Caldecote Farm) is well suited to service a wide range of logistics requirements. Lying adjacent to the M1, the site provides a warehouse operator with exceptional connectivity to the country's major commercial markets, container ports, international air and rail terminals, this accessibility to the motorway is key to distributors as one of the major cost factors to them is transportation, making the proximity of major motorways a key decision factor in site selection. There is also an adequate labour force in the region.

Market demand for large-scale logistics buildings has continued to grow in recent years and is now booming with take up reaching an all-time high in 2020. This growth in demand is set to continue driven by the increased demand for online shopping due to the Covid-19 lockdown which is predicted to continue, and the need for occupiers to build resilience into their supply chains and hold greater inventories.

With the pre-let to H&M and the letting of Altitude to Amazon at Eagle Farm North coupled with the letting of Magnitude 312,700 sq ft to Royal Mail, Milton Keynes currently has only one large scale Logistics facilities available and that is compromised due to its proximity to residential development.

In looking at South Caldecote, this site could add 2m sq ft of accommodation. This would however serve a very different market to the Newport Pagnell site due to its locational characteristics and be unlikely to meet the requirements of national and regional logistics operators looking for large scale distribution facilities. Neither the Pineham site or the former Arcadia site add to the overall availability of land for large scale logistics facilities (sites over 500,000 sq ft).

In assessing the unsatisfied occupier demand, the increasing demand from the distribution sector and the attractiveness of Milton Keynes as a location, the current land supply position leaves Milton Keynes unable to benefit from the long-term economic advantages these occupiers would bring. Since the H&M deal at Eagle Farm, if you were to look at the availability of land with all the appropriate key attributes able to accommodate occupiers looking for distribution facilities in excess of 500,000 sq ft, of which there are a number in the market, there is no such site in Milton Keynes that could satisfy these requirements whereas the Newport Pagnell site could.

The site at Newport Pagnell is centrally located and has the attributes necessary for a key distribution hub. The supply of large-scale logistics properties and land capable of accommodating them is limited and unable to meet the growing demand in the short-medium term. In our opinion, the site is well positioned to meet the growing demand for large-scale logistics properties.

**Cameron Mitchell**  
**Burbage Realty**  
**July 2021**