



Lancashire Central Employment Land Commentary

July 2022

Application for Outline Planning Permission
On behalf of Maple Grove Developments and Lancashire County Council



Employment Land and Market Report

Cuerden Strategic Site: 'Lancashire Central'

June 2022

Prepared on behalf of:



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1 Introduction

Instruction

- 1.1 CBRE has been appointed by Maple Grove Developments Ltd ('MGD') and Lancashire County Council ('LCC') to prepare a concise updated market report in support of the proposed outline planning application for the development of Cuerden Strategic Site ('the Site'), to be referred to as 'Lancashire Central', for a scheme comprising the following (constituting 'the Proposed Development'):
- 1.2 *"Application for Outline Planning Permission (with all matters reserved save for access from the public highway and strategic green infrastructure/landscaping) for a mixed-use development including the provision of Employment use (Use Classes B2/B8/E(g)); retail (use Class E(a)); food, drink and drive-through restaurant use (Use Class E(b)/Sui Generis Drive-Through); hotel use (Use Class C1); health, fitness and leisure use (Use Classes E(d)/F(e)/F2(b)); creche/nursery (Class E(f)); car showrooms (Use Class Sui Generis Car Showroom); Residential use (C3) the provision of associated car parking, access, public open space, landscaping and drainage."*

Context

Subject Site, Location & Access

- 1.3 The Site occupies an area of approximately 44.99 hectares (111.17 acres) and is located within the Borough of South Ribble. It is situated at a key gateway location within Central Lancashire between Leyland and the City of Preston, immediately adjacent to (south-west of) the intersection of the M6 (Junction 29) and M65 motorways.
- 1.4 The Site is currently agricultural fields with associated field boundaries. It is bounded by the A582 Lostock Lane to the north, Stanfield Lane to the west and agricultural land and a quarry to the south.
- 1.5 The Site benefits from proximity to West Coast Mainline railway stations (including the main station at Preston) and links to the strategic and local highway network.
- 1.6 The Site is identified within the South Ribble Local Plan under Policy C4 as the Cuerden Strategic Site (CSS), which is to be developed with the necessary infrastructure requirements for high quality employment uses including commercial, industrial, retail and leisure uses.
- 1.7 A site boundary plan is provided within **Appendix A**.

Ownership

- 1.8 The Site is under the ownership of Lancashire County Council and Maple Grove Developments Ltd who are working in collaboration to deliver the Proposed Development.

Planning Allocation

- 1.9 The Site has long been identified in local and regional planning policy for employment uses and is currently allocated within the Central Lancashire Core Strategy (adopted July 2012) and South Ribble Local Plan ('Local Plan') (adopted July 2015).
- 1.10 Under Policy C4 – Cuerden Strategic Site ('CSS') of the Local Plan, the CSS is considered a sustainable and strategically significant site, capable of stimulating economic growth in Central Lancashire and the wider Lancashire sub region with the potential of attracting significant inward investment. The total site allocation covers 65 hectares and is proposed to be developed with the necessary infrastructure requirements for high quality employment uses including commercial, industrial, retail and leisure uses.

Introduction

- 1.11 Alternative uses, including housing, may also be appropriate for development where it can be demonstrated that they help deliver (enable) the employment uses. The scale of any alternative enabling development will be limited to that which is clearly demonstrated to be necessary to fund essential infrastructure and which will not prejudice the delivery and maintenance of the primary employment function of the site.

Development Context

- 1.12 The CSS is located in a key gateway within Central Lancashire and remains a focus of South Ribble Borough Council and LCC for delivery. Due to the significant infrastructure requirements associated with opening up the site, it is considered that 'higher value' enabling development (residential/ retail/ leisure use) is necessary to make the delivery of employment uses at the site a viable proposition.

Central Lancashire Employment Land Study – Objectively Assessed Needs Update 2019 (April 2019)

- 1.13 The latest published Employment Land Study was produced by BE Group on behalf of South Ribble Borough, Chorley and Preston City Councils in November 2017. The study is considered dated and of limited relevance in the current market.
- 1.14 BE Group also produced a Objectively Assessed Needs (OAN) Update in April 2019, which provides a revised evidence base on employment land needs in the local authority areas. Key highlights and conclusions from the OAN Update include:

Land Supply Shortfall

- Local take-up scenario land supply shortfall in South Ribble of 43.72 hectares up to 2036 (based upon a historic take-up of 3.73 ha/pa and when excluding Cuerden/ Salmesbury sites) when comparing local growth rate with supply only picture.
- Gaps in local land supply for sites of larger B2/ B8 uses and B1(a) offices.

Employment Forecasts

- The three largest (employment) growth sectors in South Ribble over the period 2014 – 2036 expected to be: construction; administrative and support services; and transportation and storage.
- Significant declines in manufacturing sector employment forecast over the same period.

2 Market Review

Development Zones/ Phases

- 2.1 The application site comprises a gross land area of 44.99 hectares (110.47 acres).
- 2.2 An outline planning application for the Proposed Development seeks to bring the Site forward in phases, and is supported by parameter plans which outline the following:
- Development Zones (Phases);
 - Land Use & Quantum;
 - Maximum Building Heights;
 - Vehicle, Pedestrian and Cycle Access; and
 - Strategic Landscaping and Green Space.
- 2.3 The 'Parameters Plan 1' comprises details of the proposed phases, land uses and maximum quantum of development. A summary is presented in Table 2.1.

Table 2.1: Proposed Land Use and Quantum | Proposed Development

Zone/ Phase	Use Class	Max GIA (m ²)	Max Plot Size (m ²)
A	Retail (E(a))	4,000	30,000
	Hotel (C1)	2,500	
	Gym (E(d))	1,000	
	Food, Drink & Drive-Through Restaurant (E(b)/Sui Generis Drive-Through)	800	
	Car Sales (Sui Generis)	4,000	
	Creche (E(f))	500	
	Health Centre (E(e))	1,500	
	Employment (B2, B8)	25,000	
	Business (E(g)(i-iii))	4,000	
B	Employment (B2, B8)	65,000	65,000
	Business (E(g)(i-iii))	5,000	
C	Employment (B2, B8)	18,000	18,000
	Business (E(g)(i-iii))	5,000	
	Leisure Centre (E(d), F1(e),F2(b))	13,000	
D	Employment (B2, B8)	47,000	47,000
	Business (E(g)(i-iii))	5,000	
	Leisure Centre (E(d), F1(e),F2(b))	13,000	
E	Residential (C3)	Up to 116 homes	

Source: Fletcher Rae

Employment Land Review

North-West Demand and Supply

North West England Demand

2.4 The CBRE Manchester Industrial and Logistics Agency ('I&L') team take enquiries from potential occupiers across the whole of the North West of England. The following graphs (Figures 2.1 to 2.4) demonstrate the increased level of demand experienced annually between 2018 and 2021, as follows:

Figure 2.1: North West | CBRE Annual Industrial and Logistics Enquiries

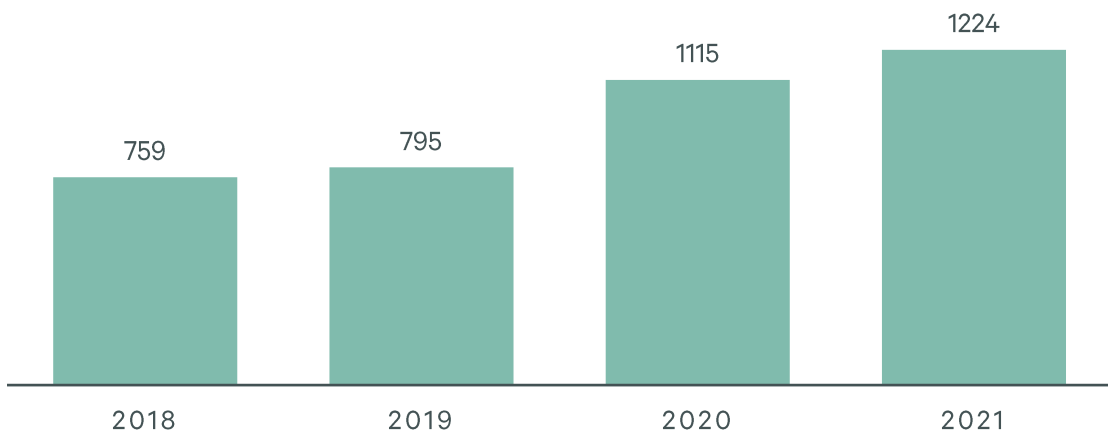
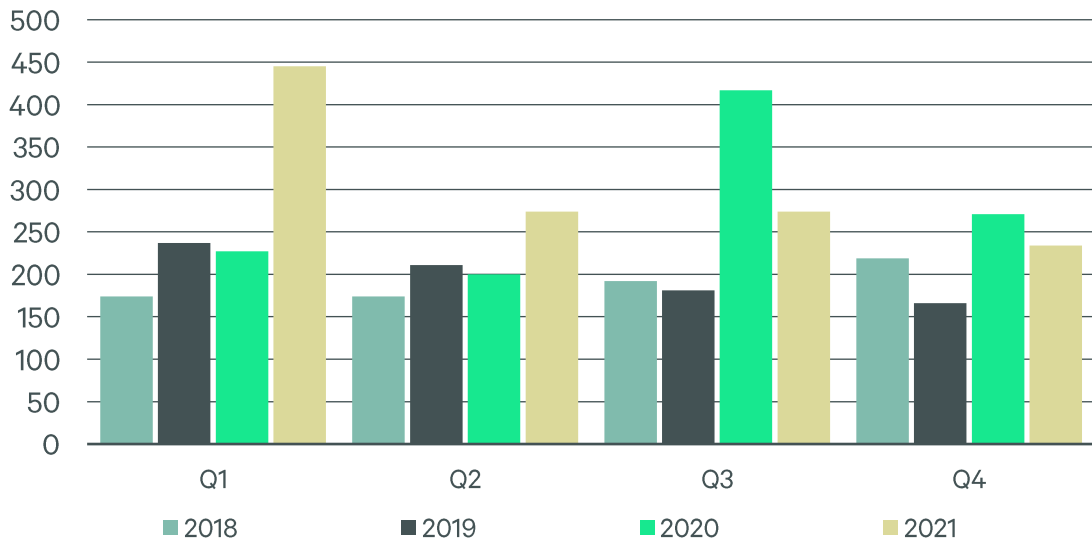


Figure 2.2: North West | CBRE Quarterly Enquiries



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Figure 2.3: North West | CBRE Annual Enquiries by Size (Sq.ft.)

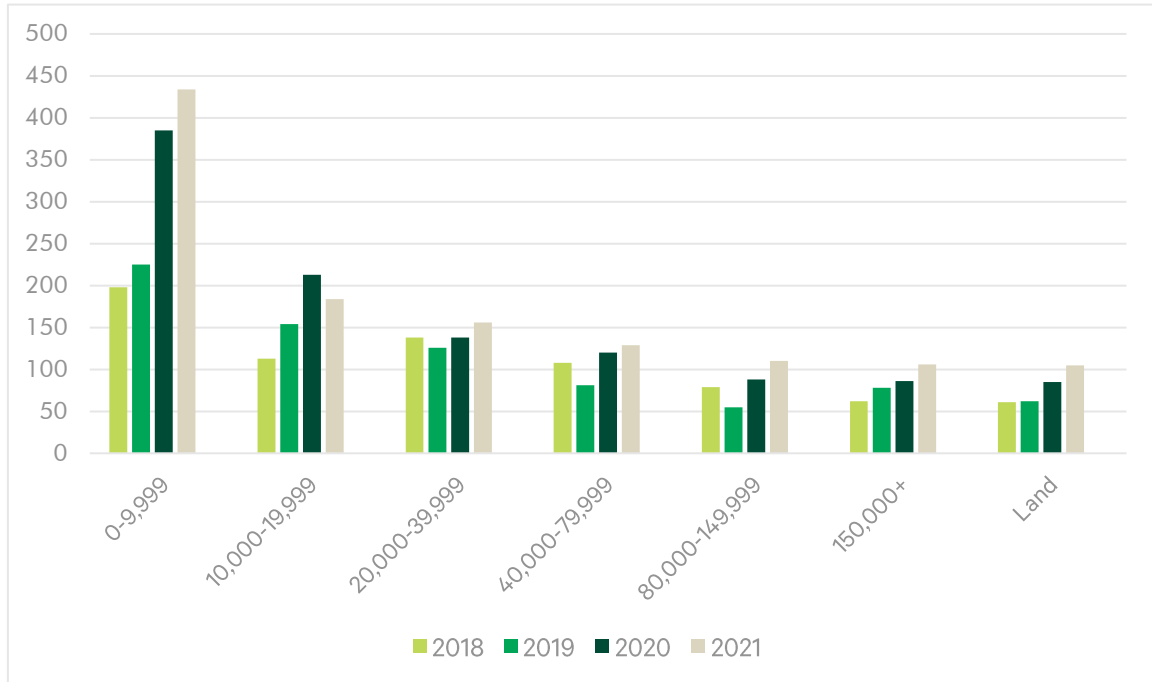
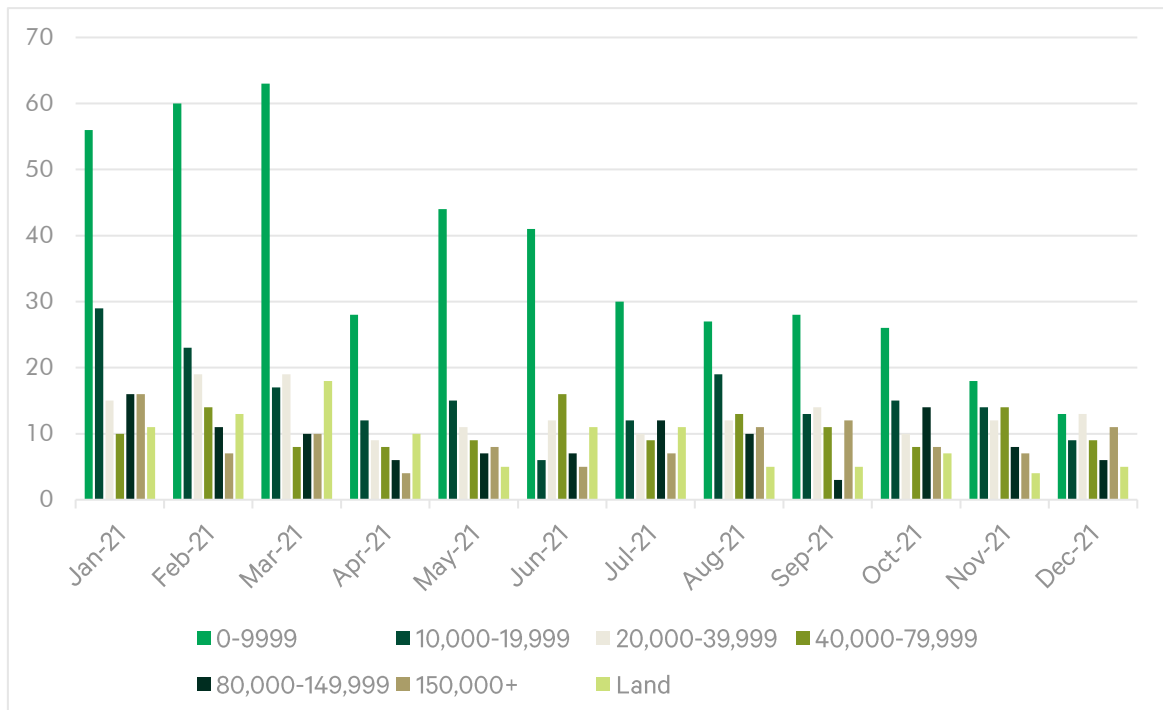


Figure 2.4: North West | CBRE 2021 Monthly Enquiries by Size (Sq.ft.)

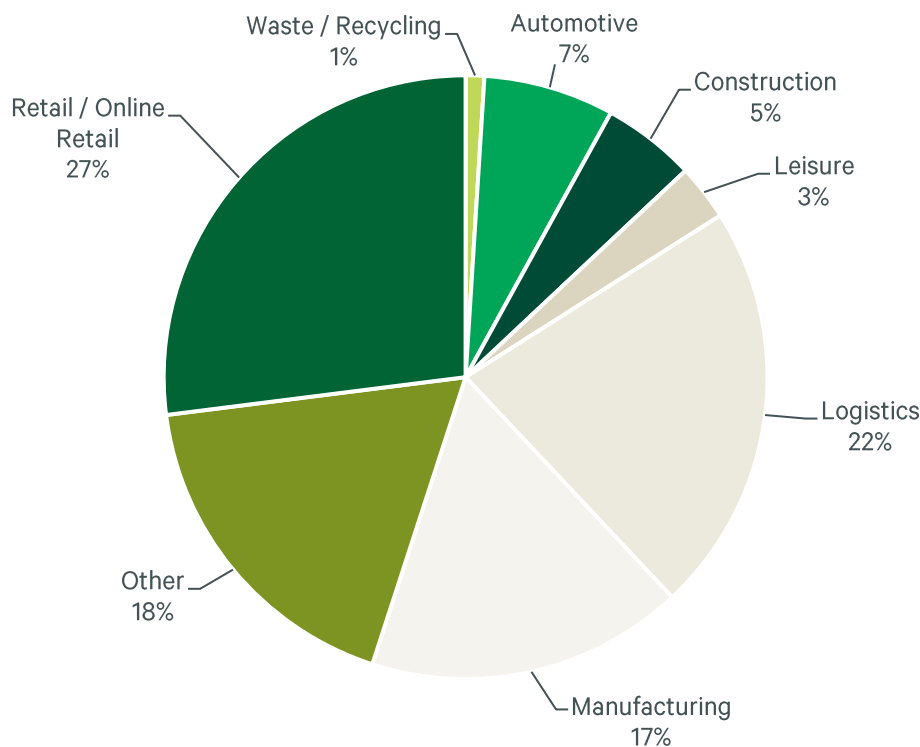


2.5

The volume of industrial and logistics enquiries received by CBRE has increased each year since 2018. The highest volume of enquiries throughout the period has consistently been within the smaller size brackets of up to 9,999ft² and 10,000-19,999ft². Demand has particularly increased for smaller units in 2020 and 2021, and now significantly exceeds enquiries for larger unit sizes.

- 2.6 CBRE I&L confirm that levels of industrial and logistics floorspace demand remains elevated into 2022.
- 2.7 The distribution of operational uses cited by enquiring businesses over 2021 is set out within the following graph.

Figure 2.5: North West | CBRE Enquiries by Sector (2021)



- 2.8 The retail / online retail and logistics sectors require similar unit types, but with smaller units typically serving the retail / online retail and larger units required for logistics operations. Retail, online retail and last-mile occupiers will be less dependent than logistics occupiers for locations in close proximity to motorway connections, but will seek premises in close proximity to urban conurbations.
- 2.9 Manufacturing facilities will also require proximity to good highways connections, but are less reliant upon locations immediately neighbouring motorway connections.
- 2.10 There is a current supply / demand imbalance in respect of both units upon multi-let industrial estates and larger scale logistics units leading to strong rental and capital value growth. The availability of all employment unit types is at a record low, pushing rentals and sales values to new levels across the region and these are expected to continue to grow in the short to medium term due to high levels of demand and limited pipeline supply within the planning system, consented or under development.

North West New-Build Employment Scheme Supply

- 2.11 There is a limited supply of new-build developments across the North West and supply across all size ranges remains restricted. Logistics demand has remained resilient across many markets with the accelerated shift to online retail (demonstrated pre-Covid-19 but exacerbated since restrictions were implemented). Last mile logistics and parcel delivery demand remains robust and is likely to continue to grow. The North West also has a strong manufacturing platform with healthy occupational demand which is set to continue.
- 2.12 CBRE I&L confirm that online retail occupancy continues to increase leading to ongoing demand for smaller warehouse units with reasonable highway connections. CBRE considers that changes in shopping

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behaviours are here to stay and demand for units to service this requirement will remain high for the foreseeable future.

2.13 Moreover, further issues surrounding site availability, protracted planning processes and ongoing supply chain disruption are affecting construction costs and timings, and making the supply response in the industrial and logistics sector challenging¹.

2.14 Details of available and completed employment sites are set out in the following tables:

Table 2.2: Recently Completed Employment Sites | North West

Scheme/ Location	Developer	Date Completed	Size (ft ²)	£/ft ²
Ravenlocks, Bolton	Infrared Capital	2021	11,000 – 61,000	£7.25 - £8.25
Chamberhall Business Park, Bury	St Modwen	2020	9,800 - 25,000	£7.50 - £10.00
Birchwood, Warrington	Patrizia/ Warrington BC	2020	18,000 - 59,000	£7.75
Carrington Gateway, Manchester	HIMOR	2020	11,000 - 104,000	£6.25 - £8.50
Park 66, Bury	Sladen Estates	2019	9,800 - 25,000 <i>for sale</i>	£115
Multiply @ Logistics North, Bolton	Harworth/KFIM	2019	20,000 - 60,000	£7.75
Logic @ Kingsway Business Park, Rochdale	Wilson Bowden	2019	3,000 - 15,000	£6.50 - £7.50
Element , Knowsley	Network Space	2019	22,000 - 46,000	£6.50

Table 2.3: Currently / Recently Available Employment Sites Premises | North West

Scheme/ Location	Developer	Date Completed	Size (ft ²)	Rent (£/ft ²)
PLP Ellesmere Port	PLP	2021	98,548 – 138,612	£6.50
Super W, Tungsten Park, Warrington	Tungsten Properties	2021	246,136	£7.50
Mersey Reach Phase II, Aintree	Chancerygate	2021	4,067 – 29,653	£8.00+
Manor Point, Holmes Chapel	Aus-Bore	2021	2,000 – 31,000	£9.75 - £10.00
Novus, Knutsford	Chancerygate	2020	13,974 - 24,786	£8.00 - £8.50
Artis Park, Winsford	Kier/ Maple Grove	2020	3,450 - 46,000	£7.95 – £9.80

¹ CBRE Research (2021) Market Outlook 2022

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Table 2.4: Pipeline Employment Site Schemes | North West

Scheme	Location	Developer	Est. Date of PC	Size (ft ²)	Quoting Rent (£/ft ²)
Widnes 400, Gorse Point	Widnes	Marshall CDP / Mirastar	Q1 2022	398,000	£6.50
Ergo	Middlewich	Total/Ergo	Q2 2022	123,000	£6.95
Ma6nitude	Middlewich	Tritax	Q2 2022	149,000	£6.95
Monarch Kingsway Business Park	Rochdale	WB / GMPVF	Q2 2022	328,000	£7.50
Alpha 167 Lingley Mere	Warrington	Canmoor	Q2 2022	167,000	£7.95 <i>Under offer to Supreme Imports.</i>
Ergo Park, Broadway Green	Oldham	Rula Developments	Q3 2022	367,000	£7.75
Urban Park	Rochdale	Urban Logistics REIT	Q3 2022	20,000 – 40,000	£8.25 - £8.75
Gemini8	Warrington	Chancerygate	Q3 2022	4,000 – 16,500	£11.50 - £13.50
Image Business Park	Knowsley	EQT Exeter	Q4 2022	120,000	£6.95
Platinum Business Park	Bolton	Private	Q4 2022	12,500 – 23,000	£7.00+
Stakehill 185	Middleton	Patrick Properties	Q4 2022	185,000	£7.25
Gorse Point	Widnes	Marshall CDP / Mirastar	Q4 2022	257,500	-
Acornfield Industrial Estate	Knowsley	4 th Industrial	Q2 2023	31,200 – 53,000	£7.50 - £7.75
Broadway Central	Oldham	Chancerygate	Q2 2023	6,200 – 23,500	£11.00 - £12.00
Cobalt 2	Oldham	Marshall	Q4 2023	43,000 – 61,500	£8.50 - £9.00
Farrington Park	Leyland	Caddick/Goldman Sachs		557,000	<i>Funding secured, planning permission granted. Not yet quoting rent</i>

Source: CBRE; Savills; B8 Real Estate

- 2.15 The schemes completed up to 2019 are fully let whilst it is understood that a few units remain unlet on schemes completed in 2020 and 2021. The pipeline delivery of new schemes is spread across a wide area of the North West. The nearest pipeline scheme is located at Farrington Park, Leyland.
- 2.16 Occupiers are responding to the scarcity of available space by committing to leases on speculative developments substantially prior to practical completion. Examples are:
- Panattoni Park, Bolton - 280,000ft² - UPS
 - Crewe 305, Crewe - 305,000ft² - AO.com
 - Metro190 Trafford Park - 193,000ft² - The Fragrance Shop
- 2.17 Online retailers acquired the most space in 2021 with 34% of all space transacted, with Amazon completing the acquisition of over 1M sq. ft.
- 2.18 Further details of comparable lease transactions in the local Lancashire market over 2021 are provided in the following tables overleaf.

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Table 2.5: Comparable Lease Transactions over 100,000 sq. ft. | Lancashire

Date	Address	Tenant	Size (ft ²)	Rent	Term (break)	Comments
Q1 2021	Frontier Park, Blackburn	SIS	160,000	£6.00	15 year lease with 10 year break	12 months RF
Q2 2021	Frontier Park, Blackburn	Fagan & Whalley	208,874	£5.50	10 years 5 year break	
Q2 2021	Kingsway 216, Rochdale	Amazon	216,777	£6.00	10 years	5 year RR fixed uplift CPI 1 - 3%
Q2 2021	F2G, Logistics North, Bolton	Amazon	149,300	£6.85	10 year lease	11 months' rent free
Q2 2021	Panattoni Park, Bolton	UPS	280,700	£7.25	10 year lease break at 5.5	Less than 3 months RF
Q1 2021	375@Logistics North Bolton	Dixons Carphone Warehouse	375,000	£6.35	10 year lease	15 months' rent free

Table 2.6: Comparable Transactions under 100,000 sq. ft. | Lancashire

Date	Address	Tenant	Size (ft ²)	Rent	Term (break)	Comments
Q3 2021	Carrs Hall, Whalley Road, Blackburn, U.K. BB1 9LJ	MuoviTech	32,800	£8.50	10	Fully refurbished industrial warehouse space. Deal done at this level due to lack of supply.
Q2 2021	Mill Bank Park, Eccleshill Blackburn	Business Confidential Lower Road,	10,000 15,000	- £6.50	10 (5)	New build scheme accessed off Junction 4 of the M65. All units pre-let or sold at £110 psf. The scheme is being developed by Barnfield and construction is understood to have commenced in September 2021.
Q2 2021	Mercey Shadsworth	Way, Akzo Nobel	24,000	£5.05	Rent review	Modern unit, slightly over office'ed with 7 metre eaves
Q2 2021	Unit 2, Sumner Point, Leyland, PR26 6TZ	Celebrate Gifts	16,630	£7.50	5	New scheme located on Lancashire Business Park. PC'd Feb 2021. Only one 3,000 sq ft available quoting £9psf. On behalf of the council
Q1 2021	Unit 1 Sumner Point, Leyland, PR26 6TZ	Group 55	20,497	£7.25	3	New scheme located on Lancashire Business Park. PC in Feb 2021. Only one 3,000 sq ft available quoting £9psf. On behalf of the council
U/O	Unit 8 Preston East	DHL Parcel UK Ltd	63,897	£6.50	10	New build - pre let unit
U/O	Amethyst Preston	Court, Sainsburys	42,900	£7.75	15	AFL signed, involves £875,000 capital contribution

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Date	Address	Tenant	Size (ft ²)	Rent	Term (break)	Comments
U/O	Preston Preston, PR2 5PD	East, TBC	10,419 - 20,871	£7.25	10	New build terrace of units developed by Henry Boot Developments located next Junction 31A of the M6. All units under offer except one
Q4 2021	Unit K3, Buckshaw Link, Chorley	TBC	10,819	£7.50	10 (5)	Modern refurbished unit located on Matrix Park. Last on the estate
Q3 2021	LN50, Bolton	Amscreen	50,809	£7.50	10	New build unit located on Logistics North off the Junction 4 of the M61. North West premier location

Take-up & Yields: Industrial & Logistics

- 2.19 As at Q1 2022, the North West continued a trend of strong take-up with 1.3m ft² of space taken, which is up 14.00% YoY. This comprised second-hand units (3 deals totalling 0.8m ft²) and speculative new-build developments (2 deals totalling 0.5m ft²).
- 2.20 Aggressive bidding in the logistics market has been driving up prices and pushing yields down to historic lows. UK prime yields are forecast to further challenge the current low of 3.50%, however, the key focus for investors will be on rental growth.
- 2.21 As at Q1 2022, rents in the North West continued to increase, although not at the same rate as other regions, and ended the quarter at £7.95/ft². Prime yields in the North West dropped to 3.50%, representing a 25bps change.

Mixed Commercial

- 2.22 Cuerden Strategic Site's connectivity to the motorway network is anticipated to attract strong demand from roadside and mixed commercial sectors.
- 2.23 Phase A of the Proposed Development is identified for mixed commercial uses:
- Car dealership(s)
 - Food store(s)
 - Coffee shop/ Drive-Through's
 - Food & beverage (family pubs/ lodges)
 - Health Centres/facilities
 - Gym/ creche

Gym/ Leisure Centre

- 2.24 Going into 2022 there was demonstrable pent-up consumer demand for most leisure activities, which poses an opportunity for operators to capitalise. It is anticipated there will be a continued recovery of destination leisure businesses as the various operational challenges in each sub market subside.

Market Review

- 2.25 The UK health and fitness market is polarised between out of town clubs in residential locations and clubs that rely heavily on office trade. The former has displayed a strong straight line recovery, but increased home working has had a negative impact on the recovery of city centre lifestyle clubs.
- 2.26 A limited number of recent lease transactions have completed in the locality. CBRE is aware of DW Sports Fitness centre at Port Way, Preston, which comprises 20,330ft² of floorspace over 2 storeys. Particulars state a lease expiry at November 2036 with a current passing rent of £173,890 per annum ('pa') (£8.55/ft²), subject to 5 yearly upwards only rent reviews, the latest stated as being in November 2021 uplifting the rent to £276,955pa (13.62/ft²).
- 2.27 The Applicant has obtained specialist advice from Savills regarding an achievable rent (and terms) for a gym/ leisure centre at the Site. Savills confirm a gross rent of £15.00/ft² for a 10,000 ft² unit is appropriate.

Car Sales (Sui Generis)

- 2.28 The proximity to the motorway network and expected high vehicle movements passing the Site presents a prime location for car dealerships/ automotive occupiers.
- 2.29 CBRE is aware of car dealership investment opportunities in the North West with quoted net initial yields ('NIY') at 5.50%. Volvo dealerships located in prominent positions near to Preston and Bolton present and built in 2021 are achieving passing rents around £15.00/ft² - £15.50/ft² on 5 yearly upward only reviews. CBRE would expect a car dealership at the Site to achieve similar terms.

Convenience Retail/ Discount Foodstore(s)

- 2.30 Significant growth has continued in the discount foodstore sector with numerous transactions occurring in the North West over the past three years, supported in particular by the expansion of the no frills supermarket operators Lidl and Aldi.
- 2.31 Terms for a foodstore at the Site have been informed by market intelligence provide on behalf of the Applicant by Savills, who propose £16.50/ft² rent to be achievable at the Site.
- 2.32 CBRE's Investment Property team advise that, assuming units are let on standard institutional terms for a minimum of 10 years unbroken with open market rent reviews to tenants with strong covenant status, an appropriate NIY for this use would be 4.50%.

Food & Beverage

- 2.33 Confidence is growing across the sub-markets of the leisure and pubs sector with opportunities arising for investors to benefit from potential trading upside and pricing improvements. CBRE research suggests certain sub-sectors have already reached, or exceeded, 2019 pricing levels and investors are willing to consider projected future profits.
- 2.34 Savills advise that an achievable rent for a food & beverage outlet at the Site is £16.50/ft². An appropriate yield, informed by CBRE's Investment Property team, is 5.75%.

Hotel

- 2.35 There is an absence of comparable market data to evidence demand for hotel use in this location presently. However, given the range of uses proposed, it may provide a supporting ancillary use to occupiers that will increase the overall attractiveness of the Proposed Development, or occupier demand may generate market interest once the scheme becomes established.

Health Centre (E(e))

- 2.36 The healthcare sector is underpinned by positive elderly demographic trends and supply-demand imbalance across both public and private pay segments, matching long-term investment requirements and stimulating demand. It is a proven defensive investment sector.
- 2.37 Savills advice suggests that £17.50/ft² reflects an achievable rent at the Site for this use.
- 2.38 CBRE's Investment Property team advise that, assuming units are let on standard institutional terms for a minimum of 10 years unbroken with open market rent reviews to tenants with strong covenant status, an appropriate NIY would be 4.50% for this use.

Residential

- 2.39 The residential land parcel (Phase E) is located to the west of the Site with access via Stanfield Lane. The plot is proposed to yield up to 116 dwellings.
- 2.40 The residential market has remained resilient over the pandemic period and into 2022, however, price growth is expected to moderate towards the end of the year as cost of living and interest rate increases begin to take effect.
- 2.41 The area surrounding the Site, particularly to the south, is considered attractive to developers, with housebuilders including Lovell Homes, Barratt Homes, Keepmoat Homes and David Wilson Homes active in the locality.

Land Values

- 2.42 CBRE is aware of residential sites around Preston achieving prices in the region of £300,000 to £650,000 per net developable acre, noting the following comparable data:
- Cottram Hall, Preston - £348,369 per net acre
 - Whittingham Hospital, Preston - £294,950 per net acre
 - Old Hall Farm, Preston - £650,000 per net acre
- 2.43 CBRE is of the opinion that the residential land parcel would achieve the upper end of the range suggested above.

3 Conclusion

- 3.1 The Cuerden Strategic Site presents a unique opportunity against a backdrop of constrained supply and strong demand for employment land in the region in the current market, with this not expected to abate for the foreseeable future.
- 3.2 The planning application parameters also importantly provide flexibility in the mix of proposed uses to capitalise from ongoing structural market changes once they become embedded or as the market subsequently evolves.