

Mid Sussex Sites DPD

Hearing Statement in relation to Matter 5

Submitted on behalf of St Modwen

May 2021



TERENCE
ROURKE

Matter 5 - Are the policies to manage and promote the Local Economy and Employment Areas and Allocations sound?

Our client St Modwen Developments (SMD) previously made representations to the Regulation 19 Local Plan in support of employment allocation SA4, a site controlled by SMD. SMD is in the process of developing land west of Cophthorne to the north of site SA4 for employment and residential uses, including infrastructure such as the new roundabout on the A264 that provides access to site SA4.

SMD considers that the policies to manage and promote the local economy and employment areas and allocations are broadly sound, including policy SA4.

SMD has no comments to make on 5.1 (i) to 5.1 (viii).

5.1 (ix) Are there any implications from the new Use Class E (Commercial, business and service), which could influence the effectiveness or even justification of policies SA2-SA9?

SMD notes that MSDC's proposed minor modification M01 would remove the references to B1/B8 use classes in SA4 to rely just on the use descriptions (business/light industrial/storage and distribution).

SMD supports this modification to dispense with the B1/B8 reference. This would avoid issues that may be associated with a reference to the new E use class in place of the former B1 use class. Class E would allow a wider range of uses, such as retail, to be included, and furthermore would provide scope for permitted development rights to change to other class E uses without planning permission. However, SMD considers the site to be extremely well-suited to employment uses, particularly storage and distribution, and would not wish to see this affected by the broader class E use definition. Proposed minor modification M01 provides clarity in this respect.

SMD's Regulation 19 comment on site SA4 was that the site is not large enough for a mix of B1/B8 uses and that given its location and the known demand in the area the site is more likely to be used for B8.

We noted that the policy could be interpreted that having a positive element of each in a mix is a firm requirement. It is therefore potentially over-restrictive and should ideally be changed to state that proposals might be for one of the uses, or a mix.

The MSDC response has not addressed this comment, and we would suggest that in making the minor modification to remove use class references then the potential over-restrictive interpretation noted above could also be addressed in the manner proposed.

5.1 (x) Is the impact of Covid-19 on the local economy significant, and if so, is there a case for changing any or all of policies SA2-SA9?

Whilst SMD's interest in the DPD is primarily in relation to policy SA4, SMD has a range of sites across the UK, including on land adjacent to SA4 to the north. SMD has seen continued strong demand for storage and distribution units, including in Mid Sussex as well as nationally, despite the impact of Covid-19 in other areas of the economy.

SMD is actively preparing a planning application for a B8 unit at the site and has had pre-application discussions with MSDC's development management team. An application is

expected to be submitted in the next two to three months, subject to ongoing design work and further pre-application discussion.

SMD has commissioned a report from property consultancy JLL to provide an update on the market conditions that would support delivery of a storage and distribution unit at the site, and this report was submitted with the Regulation 19 representations (see JLL Industrial Market Report dated September 2020).

This matter is covered in paragraphs 2.1 to 2.9 of the report under the heading of Market Review.

Site SA4 is perceived by the market to form part of the Gatwick and Crawley market area. It is this market area that the report concentrates on.

It reports that before the Covid-19 pandemic, demand levels for modern and new industrial premises were healthy. Take up and enquiry levels have understandably reduced since lockdown in late March 2020. However, at the time of the report in September 2020, agents were still reporting reasonable market activity, particularly for enquiries supported by online trading and e-commerce. In addition, developers were still seeking development opportunities.

Whilst the report predicts that, post Covid-19, there would be an impact on demand from some sectors of industry (e.g. advance manufacturing), it anticipates growth in other sectors, particularly:

- Retailers growing their online function (particularly grocery)
- Logistics companies
- Parcel delivery operators
- Food processing
- Pharmaceuticals.

In summary, the market fundamentals pre Covid-19 for Gatwick and Crawley were strong. There was healthy demand and limited supply of both modern premises and developable land catering for this sector. Despite the uncertainty caused by Covid-19 and Brexit, the report concludes that the market for new industrial floor space in this location will be resilient.

SMD has since commissioned a market update from JLL in May 2021, and this is included as an addendum to this statement.

The evidence it presents points to a properly functioning market. It demonstrates that, despite the short-term impact of Covid-19, the market fundamentals for industrial and warehouse property for Gatwick and Crawley remain strong.

In conclusion, there will be no impact arising from Covid-19 on delivery of policy SA4, and SMD is actively preparing for a planning application, to address the strong demand that exists and will continue to exist as the UK moves beyond the pandemic.

5.2 Are policies SA1-SA8, for additional employment allocations, justified and deliverable, and are they sufficient to meet the needs of the District during the plan period?

SMD considers that policy SA4 is justifiable and deliverable and will make a significant contribution to meeting the needs of the District in the plan period.

Regarding policy SA4, is the proposed comprehensive landscaping scheme sufficient in its size, design and location to retain the strategic gap between Crawley and Copthorne?

SMD notes that whilst there was formerly a strategic gap policy in operation under the previous Mid Sussex Local Plan, the current adopted plan is the Mid Sussex District Plan and this does not have a strategic gap policy. Nor does the emerging Copthorne Neighbourhood Plan, now at examination stage, propose a local gap between Crawley and Copthorne.

The location of SA4 between Crawley and Copthorne therefore does not affect any current defined 'gap' policy.

The proposed built-up area boundary of Copthorne as depicted on the draft policies map shows the built-up area extending to the M23 and encompassing the new development to the west of the village, including the new residential development of 500 homes, plus employment units (B8) next to the M23 boundary, one of which is already constructed and another under construction. It also encompasses the new site access roundabout on the A264 and the allocation at SA4.

SMD considers that this is an accurate reflection of the extent of the built-up area that takes account of recent and ongoing development in the area.

SMD acknowledges that a comprehensive landscaping scheme is required and is committed to providing such. Initial proposals have been discussed in ongoing pre-application meetings with MSDC's development management team, and revisions are in train to ensure that the development of the site is integrated with the landscape as best as possible. This includes consideration to sinking the building into the ground, providing shielding with earth mounding, as well as significant new planting. These details are a matter for development management rather than of planning policy.

The site is surrounded by open space/existing or proposed vegetation and tree planting between the site boundary and the M23 junction 10 slip to the west, A264 to the south, Heathy Wood site access and A264 roundabout to the east, and access to existing commercial units to the north. This context provides a degree of 'set-back' from public viewpoints as well as intervening screening/planting opportunities to provide a green setting.

In conclusion, the comprehensive landscaping scheme on site will be sufficient in its size, design and location to provide an appropriate setting for the development and to integrate it into the existing local landscape. This will be addressed in the development management process.

What is the response to suggestions that the entire area should be retained as open space with significant tree planting?

The site has been identified as an employment site in the DPD following a comprehensive assessment of a range of potential sites as explained in the MSDC evidence base (including SSP4; see site 940).

This site has been demonstrated in SSP4 (site 940) to perform well against the site selection criteria. It is a suitable and available site for development of the type proposed and has passed through the rigours of the site selection process.

There are no scenarios by which sufficient employment land can be provided to meet the District's needs without using currently open or greenfield sites. There are no equivalent sites available that would not also use currently open land.

The suggestion that the area be retained as open space with significant tree planting is therefore not realistic in the context of the DPD that seeks to provide for the identified development needs of the District, and the results of the rigorous site selection process that has been followed.

Mid Sussex Site Allocations DPD

Examination – Matter 5

Addendum to Position Statement of Terence O’Rourke on behalf of St Modwen Developments in respect of Policy SA4

Market Update

1. The representations made by Terence O’Rourke on behalf of St Modwen in September 2020, in support of Policy SA4, were supported by a short overview by JLL of the industrial and warehouse property market of Gatwick and Crawley. This overview noted: -
 - The Gatwick and Crawley market area is the most dominant in the sub-region and holds several key advantages.
 - It has attracted a number of key sectors (aviation, defence, pharmaceutical and logistics).
 - Gatwick Airport represents an important locational factor for some businesses, but the local economy has diversified significantly over the last 25 years.
 - Pre Covid-19, demand levels for modern and new industrial premises were very healthy.
 - Post Covid-19, there has been a reduction in take-up and enquiry levels, albeit from a very high base, but still reasonable market activity.
 - Growth was anticipated from a number of key sectors, with these including online retailing, logistics, parcel delivery, food processing and pharmaceutical.
 - In the medium term, further growth was anticipated from re-shoring from companies looking to reduce supply chain risk.
2. In summary, the market fundamentals pre Covid-19 for Gatwick and Crawley were strong. There was healthy demand and limited supply of both modern premises and developable land catering for this sector. Despite the uncertainty caused by Covid-19 and Brexit, JLL considered the market for new industrial floor space in this location would be resilient.
3. This view, held then, has been borne out. It is supported by evidence of activity in terms of letting, enquiry rates and developer interest for industrial and warehouse premises and development opportunities since September 2020. These are considered in turn below.

4. Since September 2020, a number of lettings have either been completed or agreed. The principal lettings are summarised below: -
 - Amazon – 42,524 sq ft – North Gatwick Gateway.
 - Hermes Parcelnet – 80,000 sq ft – The Office, Manor Royal (pre-let).
 - DHL Parcels – 64,752 sq ft – Unit 2, St Modwen Park Gatwick (under offer).
 - Wine Box – 33,402 sq ft – Unit 2, Centron, Compton Way (under offer).
 - Balfe Bikes – 22,000 sq ft – Camino Park, Manor Royal.
 - Sanaux – 35,000 sq ft – Iain Stewart Centre.
5. JLL understands that solicitors are instructed to complete the lease to DHL Parcels. This unit was speculatively built by St Modwen as the 2nd Phase of St Modwen Park Gatwick – the 1st Phase having been let to Gatwick Air Ltd in Q1 2020. In addition, JLL understands from St Modwen that terms are close to being agreed with another parcels operator for a design and build unit of 115,000 sq ft on Site SA4, which will be the 3rd Phase to St Modwen Park.
6. These deals demonstrate continuing demand for industrial and warehouse premises in Gatwick and Crawley. It is interesting to note that all of these lettings are for B8 uses and none are Airport related. The interest in St Modwen Park Gatwick demonstrates the strength of this pitch to the market.
7. JLL agents report that the Covid-19 pandemic has affected the local economy, particularly with significantly reduced activity at Gatwick Airport. However, this has impacted the office market to a far greater extent than the market for industry and warehousing.
8. A couple of lettings – Wine Box and Sanaux - are relocations from Croydon. This demonstrates that companies are still being attracted to the area because of its principal attributes. These include its central location within the South East, a critical mass in terms of population and amenities, excellent transport links and connectivity, access to a large and highly skilled workforce, and strong quality of life factors.
9. JLL is still fielding a steady level of enquiries for industrial and warehouse premises. They include: -
 - Amazon – a variety of requirements.
 - DPD – 35,000 sq ft or 6 acres.
10. In addition, JLL understands from St Modwen that good interest has been received from other parties in marketing Site SA4. This a manufacturer looking to relocate from Croydon with a requirement between 80,000 sq ft and 100,000 sq ft.

11. Market confidence has also been demonstrated by developer activity. GLP completed the acquisition of a 7 acre site in Napier Way, Manor Royal in January 2021. The reported price equated to £3.2 million per acre. This is greater than the land values achieved to date.
12. JLL is marketing this site at Napier Way for GLP. A three unit scheme is proposed, with unit sizes of 26,000 sq ft, 46,000 sq ft and 87,000 sq ft. The scheme is currently in for planning. On receipt, GLP intends to develop these units on a speculative basis – a real show of confidence of the market’s continued strength. JLL is instructed to market the units at £15.00 per sq ft – a record rent if achieved.
13. In addition, JLL is aware of other sites being brought to the market. The Office – a 6 acre site in Manor Royal – is being sold by Arcus to Aurium. In addition, Aberdeen Standard are selling a further 8 acres in Manor Royal.
14. JLL has noticed that the availability of premises has increased over the last 12 months, although from a relatively low base compared to historic trends. The increase in supply is due partly to the increased levels of speculative development that have taken place over the last two years.
15. Most of the available premises are below 50,000 sq ft. There are very few modern units greater than 75,000 sq ft or land capable of accommodating such sized units.
16. In summary, all the above evidence points to a properly functioning market. It demonstrates that, despite the short-term impact of Covid-19, the market fundamentals for industrial and warehouse property for Gatwick and Crawley remain strong.

PJL
13 May 2021