

# **The Rail Central Rail Freight Interchange and Highway Order 201[x]**

Draft Market Demand Statement for Phase 2 Consultation

Ashfield Land Management Limited and Gazeley GLP Northampton s. à r.l.

Regulation: 5(2)(q)

March 2018

## **Introduction**

- 1.1 This report has been prepared to set out the Applicant's draft case on market demand which is relevant to the determination of the application for a Development Consent Order (DCO) for the Rail Central Project.
- 1.2 A full Market Demand Report has been commissioned and this will accompany the formal DCO submission. This draft Market Demand Statement (MDS) has been prepared for Phase 2 Consultation and considers the key market drivers that underpin the demand for the project.

## **The Applicant**

- 1.3 The Applicant for the DCO will be Ashfield Land Management Limited and Gazeley GLP Northampton s.à r.l. which comprises a joint venture partnership arrangement between Ashfield Land Management Ltd and Gazeley GLP.
- 1.4 Ashfield Land is a property development and investment company active in all sectors of the commercial property market throughout the UK.
- 1.5 The joint venture partner is Gazeley, a Global Logistics Properties (GLP) company. Gazeley is a leading developer, investor and manager of European logistics warehouses and distribution parks with a 17 million square foot portfolio concentrated in the strategic logistics markets of the UK, Germany, France and the Netherlands. In addition to its operating portfolio, which is 98% leased to blue chip customers such as Amazon, UPS and Volkswagen, Gazeley has a prime land bank which allows for the development of an additional 16 million square feet.

## **Project Background**

- 1.6 The Applicant intends to make an application to the Secretary of State (SoS) via the Planning Inspectorate (PINS) for a DCO under the Planning Act 2008 (PA 2008) for the development of a new Strategic Rail Freight Interchange (SRFI) (which includes warehousing) on land at Arm Farm, Milton Malsor, Northamptonshire.
- 1.7 A SRFI is a large rail served distribution park linked into both rail and the strategic highway network, capable of accommodating the large warehousing necessary for the storage, processing and movement of goods for manufacturers, retailers and end consumers. The aim of a SRFI is to optimise the use of rail in the freight journey by maximising rail trunk haul and minimising some elements of the secondary distribution leg (final delivery) by road, through co-location of other distribution and freight activities. SRFIs are a key element in reducing the cost to users of moving freight by rail and are important in facilitating the transfer of freight from road to rail, thereby reducing trip mileage of freight movements on both the national and local road networks.
- 1.8 In light of the economic and environmental benefits which the use of rail can bring to the movement of freight, it is government policy to deliver a national network of SRFI across the country. However, there are a relatively small number of operational SRFI in comparison to road-served distribution parks and to satisfy market demand and

satisfactorily accommodate the anticipated increase in domestic and international rail freight in the most appropriate way, a need exists for more rail served warehousing space. The existing SRFI will only have a finite capacity to expand floorspace and/or rail freight interchange facilities, such that further sites, including Rail Central, are needed to increase both the capacity and the wider network, bringing rail access closer to more local companies than is possible from the existing sites alone. With its geographic position – situated on one of the most important strategic corridors for freight transport within Great Britain – both in terms of the strategic highway network and strategic freight network – Rail Central is one of the best performing SRFI opportunities available and it is anticipated that rail traffic will reflect a blend of the following sectors:

- Deep-sea intermodal services across a network of major port facilities (eg Felixstowe, Southampton, London Gateway, Tilbury, Purfleet, Seaforth, Bristol, Teeside and Grangemouth);
- Domestic intermodal services with the site being well placed on the national freight corridor within Great Britain;
- European and longer distance intermodal services (particularly to and from China);
- Domestic and European conventional wagon services; and
- Domestic and European express freight services.

1.9 The delivery of Rail Central will therefore help to ensure greater opportunities to achieve a significant “modal shift” of long-distance freight from road to rail, with the associated environmental benefits, over the medium to long term supporting economic growth. This site is therefore targeting a medium to longer term provision of space to ensure continuity of supply.

1.10 This draft Market Demand Statement (MDS) provides an overview of the Applicant in bringing forward the Rail Central scheme as well as providing a brief analysis of existing and potential supply in the market area to which Rail Central relates. In addition, the report will also touch on the future drivers of demand in the UK Logistics sector and how this growing demand for distribution warehouse property will require the creation of further SRFIs, such as Rail Central, in the future.

1.11 Therefore, the report takes on the following form;

- A brief description of Gazeley; the delivery and operator arm of the Applicant;
- The Future of Logistics
- Why Rail Central?
- Review of the regional (East Midlands) and more local (Northamptonshire) distribution warehouse market, including the key trends that are driving the need for Rail Central

- **Case Studies – Magna Park Milton Keynes and G-Park Blue Planet, Chatterley Valley**

### **About Gazeley**

- 1.12 We are the longest established developer, investor, owner and manager of prime logistics real estate in Western Europe. Our business is focused on France, Germany, Netherlands and the United Kingdom, the four strongest logistics markets in Europe. We have industry-leading capabilities across the whole value chain including Investment, Development, Asset management and Leasing. We have a proven track record of delivering 86 million sq ft (8 million sq m) of warehouse space to a cross-section of industry customers.
- 1.13 In December 2017, we became wholly owned by GLP, a leading global provider of logistics solutions. Through its network of strategically-located properties and ecosystem partners, GLP offers both space and technology-led integrated solutions to drive value for its customers. The Company has dominant market positions across eight countries and is one of the world's largest real estate fund managers, managing over US\$44 billion of assets under management and a global portfolio of 620 million square feet.
- 1.14 Both Gazeley and GLP are committed to sustainable development and sharing our research and solutions with our customers and competitors. We face a common challenge in our collective mission to reduce and eventually reverse the impact of our activities on the environment.

### **The Future of Logistics**

- 1.15 Logistics, as a sector of the UK economy, has an annual turnover of £1 Trillion, represents around £124 billion of GVA per annum and employs 8% of the national workforce, figures that will only continue to grow as more and more shopping is done online and customers demand shorter and shorter delivery timescales.
- 1.16 In order to service this growing demand, an increasingly diverse array of distribution and storage solutions will be required. Some of this demand for next and even same day delivery will be met by warehouses in central, urban locations. This network of 'last-mile' logistics buildings will necessarily be small, constrained by the price and availability of land in town centre locations. Consequently, they will be fed from a new generation of technologically advanced regional and national distribution centres. The growing variety of goods stocked for online delivery will mean these buildings are larger and more intensely stocked than has historically been the case.
- 1.17 In order to make the connections between these regional and national distribution centres and the 'last-mile' facilities they support, as fast and efficient as they can be, retailers will look more and more beyond the traditional operation of trucks travelling the country by road. One means of transport that is already seeing, and will continue to see, rapid growth is rail logistics. It offers a fast, reliable and environmentally friendly way of moving large volumes of goods as imports/exports and around the country without the timing risks associated with road traffic and will be more and more

cost effective as freight volumes increase and a wider network of interconnected rail logistics hubs develops.

- 1.18 To support this growing network, a ready supply of technologically savvy and diversely skilled customer-facing staff will be employed on and around these logistics hubs. They will be varied roles from customer service and warehouse management, through specialist e-commerce roles, and into the engineering and programming of advance equipment required to keep the full supply chain running.

### **Why Rail Central?**

- 1.19 Positioned at the heart of the East Midlands, we believe Rail Central is uniquely placed to satisfy the growing demand from e-commerce, retail and manufacturing businesses for well-connected, modern warehouse space from which to serve both local and national customers, by road or rail.
- 1.20 The site offers the rare opportunity to develop a rail-connected logistics park with access to both the West-Coast Mainline and the Northampton Loop line, as well as access onto the M1 Motorway, the nation's key North-South route, a matter of minutes away via the A43.

### **Supply and Demand**

- 1.21 On average, take-up of warehousing in the Midlands has averaged 980,000 sqm per annum for the last five years, with the three year average increasing to some 1,200,000 sqm per annum, with a roughly even split between the East and West Midlands (See Appendix 1 – East Midlands Market Area).
- 1.22 Over the five year period, the East Midlands has accounted for an average of 427,000 sqm of take-up and, more specifically, around 55% of this has been focussed on the Northamptonshire market (see Appendix 2 – Northamptonshire Market Area). Although take-up statistics are often used as a proxy for occupier demand and, so, the desirability of a location, in a chronically supply-constrained market like Northamptonshire, subdued take-up can create the impression of reduced demand from occupiers when the reality is that the right size and quality of space (or the consented land to deliver it) is simply not available in their first-choice location. This is certainly the case for Northamptonshire. Take up in 2017 fell to 126,000 sqm as a result of standing stock dipping to just 446,000 sqm, just over 12 month's take-up.
- 1.23 Having tracked a number of southern M1 and Golden Triangle requirements through our involvement with Magna Park Milton Keynes and Magna Park Lutterworth, we are aware of a number of customer enquiries focussed on the area that have, as yet, gone unsatisfied.
- 1.24 Reflecting on the inability of existing stock to meet customer demand, sites like Rail Central will be increasingly crucial to the future of logistics and distribution. Over the last 30 years as a specialist developer of these buildings, Gazeley has observed logistics facilities grow in scale to a level which cannot be accommodated on constrained single plots or infill around existing, older hubs. In the decade from 1988, the first units constructed at Magna Park Lutterworth averaged just 23,000 sqm, compared to an

average unit size to date at Magna Park Milton Keynes (2008 to present) of over 49,000 sqm delivered or under construction. With only three units in excess of 28,000 sqm currently available in the wider East Midlands market area, the supply side is currently unable to satisfy the demand for increasingly larger warehousing from occupiers, particularly in the East Midlands, where many occupiers locate to operate their National Distribution Centres.

- 1.25 As E-Commerce continues to expand its market share, customers continue to expect shorter and shorter delivery times, more and better-connected warehousing will be needed and a higher proportion of occupiers will demand easy access to rail freight facilities in their units. This increasing demand in for rail freight, based on changes to customers' logistics operations, is mirrored in Network Rail's predictions for growth to 2043, which suggests that, during that time horizon, the UK will need to deliver some 400,000 sqm per year of rail-connected logistics space, compared to an average of around 130,000 sqm over the last twenty years.
- 1.26 At Gazeley, we believe that Rail Central represents a unique chance to maximise the opportunity of regional, national, European and indeed as part of the global one-belt one-road for goods to and from China and to deliver the next generation of logistics business space that both the UK economy and our customers require. (Source for all data: DTRE Research)

### **Case Study – Magna Park Milton Keynes**

- 1.27 Magna Park Milton Keynes is one of the UK's most prestigious logistics parks. Development has been carried out over a period of ten years and the floor space built to date amounts to around 4 million sq ft, with a further 1.6 million sq ft of committed development on site now or in the pipeline for completion in 2018.
- 1.28 Around 4,000 people are employed on the park, working for prestigious national businesses such as John Lewis, Waitrose, River Island and UK Mail among others and the development has funded in excess of £100m of infrastructure works, including the dualling of the A421 dual carriageway and the imminent extension of Fen Street to link into the adjacent Brooklands residential development.
- 1.29 Sustainability has been at the heart of everything we have achieved at Magna Park. Having partnered with John Lewis to tailor their first distribution centre to achieve BREEAM "Excellent" rating for sustainability on the back of a 48% reduction in electricity usage per annum, a 36% for gas and 61% for water. Since then, every project delivered at Magna Park to date has been BREEAM 'Excellent.'

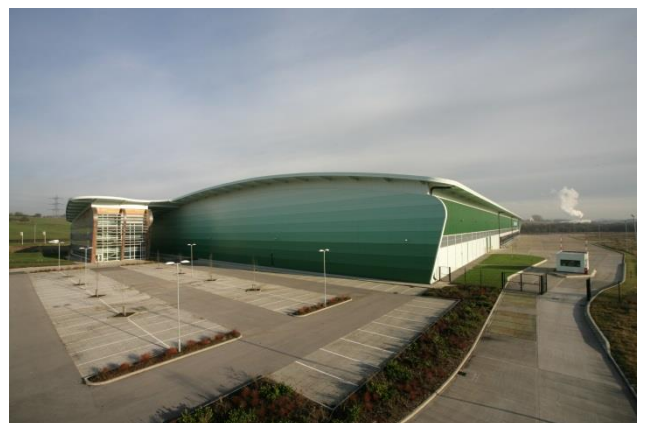
*"We are very pleased to have partnered with Gazeley on this major project at one of the UK's leading warehouse and distribution locations. Throughout this project, the value for money returned, combined with Gazeley's expertise and certainty of delivery, gave us the confidence that this partnership was going to be a successful investment."*

Andrew Memmott, Operations Director at A.G. Barr.



### Case Study – G-Park Blue Planet, Chatterley Valley

- 1.30 Speculatively developed 383ksqft distribution warehouse in 2009, G-Park Chatterley Valley, now the JCB distribution centre, marked the beginning of a new environmental standard in logistics property development, exceeding not only the Government Criteria Change Bill standards for 2020 but also those for 2050.
- 1.31 From the very outset of the project, sustainability was at the heart of the design process. Materials were chosen to be durable, sustainably sourced, and, ultimately, recyclable. All of the environmental advancements employed here bring real advantages to customers and the environment alike. The unit uses 49% less power than a conventional building of the time, 68% less water and 68% less heat and is powered by renewable energy sources.
- 1.32 As a result of all of these innovations, the building secured the world's first ever "Outstanding" BREEAM rating at design stage and was awarded the LEAF Best Sustainable Development award.



## Appendices 1: East Midlands Market Area

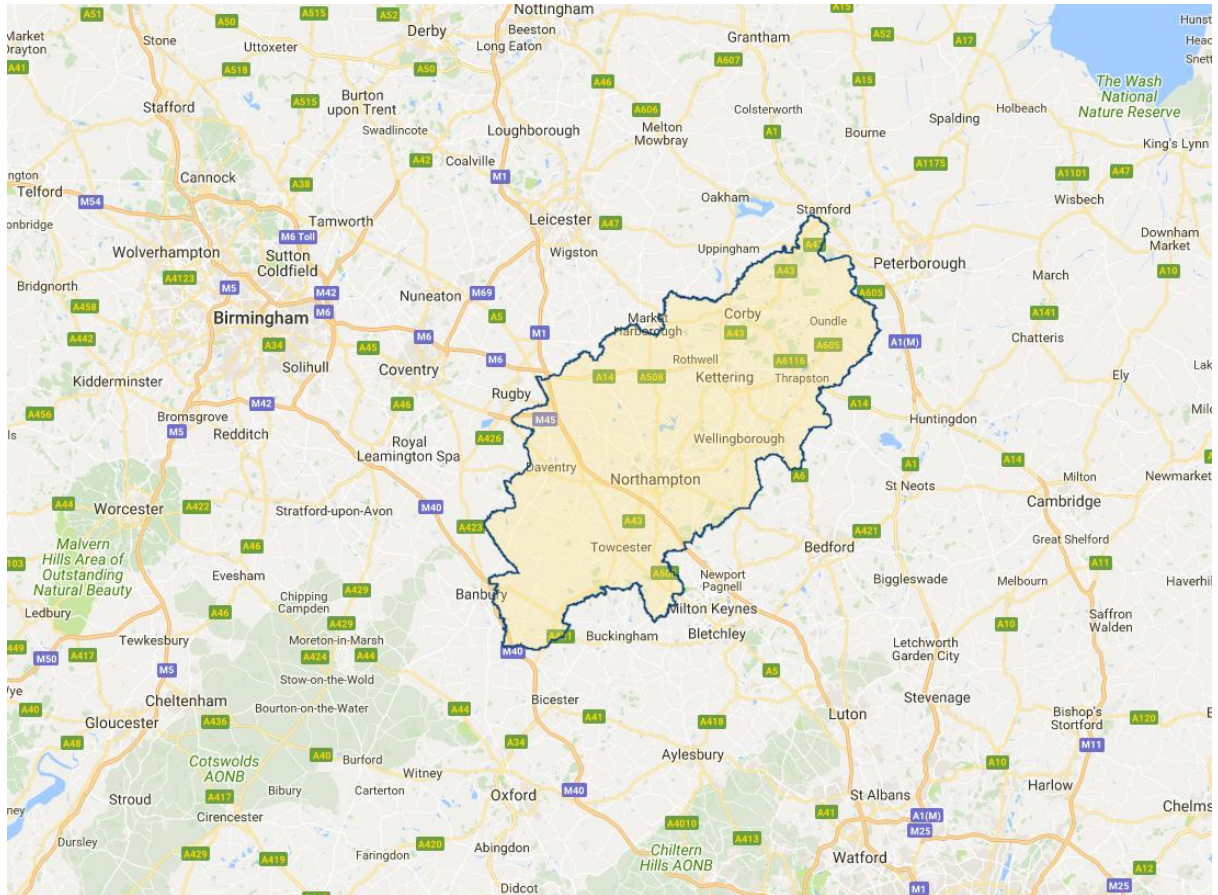


(The highlighted area above outlines the Northamptonshire market area to which the research statistics in this Market Demand Report relate to).

Source: Google/CoStar



## Appendix 2 – Northamptonshire Market Area



(The highlighted area above outlines the Northamptonshire market area to which the research statistics in this Market Demand Report relate to).

Source: Google/CoStar