Employment Land in Daventry District
The Demand for Small and Medium Units

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1 INTRODUCTION

1.1 This study was commissioned by Daventry District Council in July 2017, as part of the evidence base for its emerging Part 2 Local Plan. Its purpose is to assess the likely future demand for additional employment space other than large-scale strategic warehousing. This ‘non-strategic’ space (small and medium units) has been defined by the Council as units up to 10,000 sq m (c 108,000 sq ft).

1.2 Strategic policy for the area is set by the adopted West Northamptonshire Joint Core Strategy (December 2014, Local Plan Part 1), produced jointly with Northampton Borough and South Northamptonshire District Councils. The Core Strategy sets a job growth target for West Northamptonshire and allocates strategic sites for employment development - leaving it to Part 2 plans, being prepared by each district individually, to allocate further land for employment development to meet local needs. In Daventry there is one strategic site, DIRFT, which is wholly committed for large-scale strategic warehousing.

1.3 Therefore, if Daventry is to provide any capacity for new development of small and medium employment units it will need to include polices or site allocations to that effect in its part 2 Local Plan. The purpose of this report is to help inform these land-use decisions, by advising on:

i Whether there will be demand for additional employment space in small-to-medium units;

ii Broadly how much development land, if any, would be required to meet the likely demand;

iii The broad profile of that demand in terms of economic sectors, land uses, unit sizes and the features occupiers are looking for.

1.4 To answer these questions, the rest of this report provides:

- In Section 2, a brief review of the economic context, looking at Daventry’s sector profile, economic performance and historical floorspace change.
- In Section 3, two analyses of Daventry’s commercial property markets, dealing respectively with industrial / warehouse property and offices
- In Section 4, conclusions and policy implications, addressing the questions set out above.
2 THE LOCAL ECONOMY AND EMPLOYMENT SPACE

2.1 To set the context for our property market analysis, in this section we briefly review Daventry’s economic profile and performance. We first consider how the district compares with others in terms of historical and forecast growth, and identify particular areas of opportunity, in relation to the ‘B-class sectors’ – those economic activities that occupy offices and industrial space – which is defined here as covering warehousing as well as production space (factories and workshops). We will then look at the change in employment space.

2.2 We have taken economic data and forecasts from Experian (July 2017) and floorspace data from the Valuation Office Agency and the Council’s monitoring. Economic forecasts are of course surrounded by uncertainty. They should be understood as a broad indication of directions of travel, in a business-as-usual future.

The local economy

2.3 Figure 2.1 shows the relative size of different broad economic sectors in Daventry, and plots it against the forecast growth of each sector in the UK:

- Along the horizontal axis the chart plots location quotients, which measure the share of each sector in Daventry’s total jobs compared to its share in the UK’s total jobs. (An LQ of 1 means that the sector is averagely represented in Daventry compared to the UK; if the LQ is more than 1 the sector is over-represented, and if less than 1 it is under-represented.)
- Along the vertical axis it plots forecast job growth in the UK in 2016-29 (we have chosen the end year to coincide with the plan period for the Joint Core Strategy)
- The size of each circle is proportional to the sector’s jobs in Daventry (2016), and that number is also written on each circle.

2.4 By far the most over-represented sector is Transport & Storage, which provides 7,200 job in Daventry. This includes many of the transport and distribution jobs based in warehouses (other warehouse-related jobs are in the Wholesale and Retail sector, whose representation in Daventry is about average). The share of the sector in Daventry’s job total is more than three times its share of the UK total. Both Transport & Storage and Wholesale & Retail are forecast to grow over the plan period to 2029, suggesting that much of the future demand for additional employment space will come from these sectors.

2.5 Also over-represented in Daventry – though to a much lesser extent than Transport & Storage - is the Manufacturing sector. At national level the sector is forecast to decline, losing more than 10% of its jobs in 2016-2029.
Figure 2.1 Location quotients and future employment

Source: Experian, PBA
2.6 But for Daventry the forecast shows virtually no change in Manufacturing jobs (in fact an insignificant increase of 200 jobs). The explanation is that Daventry has proportionally more jobs in modern manufacturing industries that are expected to grow, as opposed to declining traditional industries.

2.7 The chart below shows past and forecast growth in Daventry’s job total, compared to neighbouring local authority areas, the East Midlands region and the other districts in West Northamptonshire.

**Figure 2.2 Jobs in Daventry, past and forecast**

![Chart showing past and forecast job growth in Daventry compared to other areas.](source: Experian)

2.8 From the late 1990s until the onset of the last recession, the district grew much faster than all comparator areas, with the sole exception of South Northamptonshire. But in the recession and subsequent recovery its growth paralleled that of the UK, the region and Northampton – while South Northamptonshire continued to surge ahead. For the future, the Experian forecast expect all the areas shown, including Daventry, to grow roughly in parallel. For Daventry, this results in a forecast gain of 3,000 jobs (almost 7%) from 2016 to 2029 – though only a proportion of those jobs, perhaps around half, will be based in employment (B-class) space.¹

2.9 Looking at the Experian forecast in more detail, future growth in the B-space sectors is expected to come mainly from industries and services that use industrial space:

- Transport and Storage industries – which includes logistics, as mentioned earlier
- Sections of manufacturing, comprising:

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¹ These forecast new jobs of course are not additional to the West Northamptonshire Core Strategy, Rather, they form part of the growth the Core Strategy plans for.
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- Machinery and Equipment (which includes advanced engineering)
- Transport Equipment (which includes automotive industries)

2.10 Office-based economic sectors are also expected to grow, but on a smaller scale.

**Employment floorspace**

*Industrial space*

**Figure 2.3 Industrial floorspace**

2.11 According to the VoA floorspace statistics, industrial floorspace in Daventry grew rapidly in the early 2000s, from 1.1m sq m in 2000/01 to 1.5m in 2006/07. In this period Daventry far outpaced the neighbouring districts of South Northamptonshire and Northampton, and also the England and East Midlands totals (not shown on the chart), where industrial floorspace was virtually unchanged.

2.12 Since the onset of the recession in 2007/08 the total industrial floorspace has been flat in all three districts – except for a sudden increase in Daventry in 2015; while in England and the East Midlands (not shown on the chart) totals fell in the recession, before stabilising from 2011/12 onwards.

2.13 The VoA statistics only show net change in total floorspace. To find more detail of what has been built we have to use the Council’s monitoring data, which only go back to 2011/12.

2.14 Between 2011/12 and 2016/17, these data show an annual average of 71,000 sq m in development of new industrial buildings (this is a gross figure, unlike the VOA data takes no account of industrial floorspace lost). But of this total only an insignificant 3,000 sq m p.a. was in small-to-medium units of less than 10,000 sq m.
2.15 This is a striking observation. It shows that virtually all the industrial development in Daventry over the last six years – i.e. since the recession ended – has been in large units, over 10,000 sq m.

2.16 In Chapter 3 below we will see how these numbers have translated into market reality. But first, in the next section we look briefly at office floorspace.

**Offices**

**Figure 2.4 Office floorspace**

![Figure 2.4 Office floorspace](image)

Source: VoA, PBA

2.17 Daventry has just 50,000 sq m of office floorspace – slightly less than neighbouring South Northamptonshire and less than one seventh of Northampton’s. This is in line with the respective roles of the two towns, as identified in the Core Strategy – where Northampton is a Principal Urban Area and Daventry a Sub-Regional Centre. From a small base, Daventry’s office space saw fast growth in the early 2000s – expanding by 51% between 2000/01 and – 2007/08, much more than England and the East Midlands. But since the onset of the recession office floorspace in Daventry has been flat, similar to the country and the region.

**Summary**

2.18 We have analysed Daventry’s industrial structure, in conjunction with Experian economic forecasts, to see where demand for additional employment space may come from over the plan period. The bulk of this demand will be for industrial space, as the district’s office sector is very small. The evidence suggests that the greatest source of demand will be logistics and related industries.

2.19 For manufacturing, the forecasts show virtually unchanged employment – which suggests no net change in the floorspace stock. But this unchanged employment represents a much more positive picture than for the UK as a whole, for which the
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forecast shows continuing loss of manufacturing jobs; and within the unchanged total

certain manufacturing industries are forecast to grow. Bearing in mind that forecasts

are uncertain, it is a distinct possibility that manufacturing also will generate demand

for additional floorspace in Daventry, as we discuss in our market analysis later.

2.20 We have also looked at Daventry’s historical performance and future prospects in
terms of employment and floorspace growth. The district’s job total, its industrial
floorspace stock and its (much smaller) stock of office floorspace share the same
pattern. Until around 2008 Daventry saw fast growth, ahead of the country and
region; while during later years, both in the recession and recovery, it paralleled
national and regional trends. For the future, the Experian forecast show continued job
growth similar to that of the UK and the East Midlands. Between 2016 and the end of
the plan period in 2029 Daventry’s job total is forecast to increase by 3,000 jobs (just
under 7%). This suggests that there will be demand for net additional employment
space over the period – though only a proportion of the new jobs (perhaps around
half) will be based in employment (B-class) floorspace.

2.21 Finally, we have analysed the Council’s monitoring data to see how much of the
district’s newly built industrial floorspace has been in small-to-medium units. The
striking result that, of the 71,000 sq m p.a. of new floorspace developed from 2011/12
and 2016/17, only an insignificant 3,000 sq m p.a. has been in such units, providing
up to 10,000 sq m. In the market analysis in the next chapter we will show the real-life
implications of this lack of supply.
3 THE COMMERCIAL PROPERTY MARKET

Study method

Overview

3.1 This chapter reviews the property market for employment space in the district of Daventry, covering offices and general industrial/distribution space. The focus of this study is on units smaller than 10,000 sq m (c 108,000 sq ft). All our analysis refers to units under this size threshold.

3.2 For both offices and general industrial/distribution space we consider in turn demand, supply and the balance of the market. The main purpose of the analysis is to identify where there is potential demand for new floorspace, and hence a need for development land to be identified in the emerging plan.

3.3 In relation to demand, we will identify the types of business that are taking space in the district or may consider doing so, and what property they are looking for in terms of size and quality. In relation to supply and market balance, we will analyse the stock which is currently available, recently developed and in the pipeline, and the rental values and capital values that properties in the area are achieving. The purpose of our analysis is to determine:

- How far the existing floorspace stock is meeting current and foreseeable occupier requirements;
- Hence, how far there is likely to be demand for more or different space, now or in the future;
- Conversely, if property and land are oversupplied, overall or in particular sections of the market.

3.4 These findings will help assess the potential demand for new employment floorspace, and hence the quantity and qualitative mix of development sites that the new Local Plan should identify for employment uses.

3.5 A strength of the market-facing analysis is that it considers real-life property transactions, including the values (rents and prices) realised in such transactions, and whether these values are enough to support viable development. This provides evidence of effective, or viable, demand – which means that potential occupiers will pay enough, and (where relevant) have enough covenant strength\(^2\), to support financially viable development. This is important because only sites that are viable will be delivered in practice, and in line with national planning policy Local Plans should identify for employment only sites that are likely to be delivered for that use. Thus, the National Planning Policy Framework advises that plans should be deliverable (para 173) and planning should avoid safeguarding employment sites that have no reasonable prospect of being used for that purpose (para 22).

\(^2\) A business tenant has strong covenant if there is good evidence that they will be in good financial health, and able to pay the rent, through the period of the tenancy.
Sources and definitions

3.6 Our property market research has drawn on four main sources:

- We have relied on the property market database Estates Gazette Interactive (EGi) and commercial property research reports for evidence of take-up, availability and values, both for the market overall and individual properties.

- Total stock figures have been derived from analysis of Valuation Office Agency (VOA) data on business rate assessments. We have cross-referenced these data with the EGi data to provide an indication of vacancy rates. Cross referencing the EGi and VOA data does have limitations as the sources are different therefore not guaranteeing the description on unit type or size being the same. The reason why there may be discrepancies with the unit type is that the VOA data has 117 description codes, of which we have used 20 in our analysis, whereas agents may list property on EGi for industrial or office purposes that do not fall in the VOA categories that we have used in our analysis. Part of the reason the size data may not correlate is that the EGi may provide a total floor area for a single building whereas VOA may list this into various suites, and vice versa. Due to the data limitations it has not been possible to iron out these discrepancies.

- Daventry District Council are a significant landlord in the area. The Council’s estates department has provided us with information on vacancy, recent take-up and rents achieved for the properties they manage.

- For greater qualitative understanding of the market, we have consulted extensively with agents, developers and investors active in Daventry and surrounding areas. The consultation has been by telephone and at a stakeholder workshop hosted by the District Council.

3.7 The main market indicators we have considered are rental values, recent take-up and floorspace availability (vacancy). In a property market context, ‘take-up’ means the occupation of business floorspace. Take-up covers both new-build and second-hand space (second-hand being the larger share of the market). When we consider availability, we consider all space being currently marketed. This covers both new and second-hand space.

3.8 In this study, we make reference to three different geographical areas, defined as:

- ‘The district’ – the entire administrative area of Daventry District
- ‘Daventry town’ – the major employment areas in Daventry town i.e. Apex Park, Heartlands Business Park, Drayton Fields Industrial Estate, Royal Oak Industrial Estate, Long & High March Industrial Estates

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3 Factory and premises; Factory, offices and premises; Factory, workshop and premises; Storage; Storage depot and premises; Store; Store and premises, Vehicle repair workshop and premises; Vehicle repair workshop, offices and premises; Vehicle repair workshop, petrol filling station and premises; Warehouse and premises; Warehouse, offices and premises; Warehouse, office and premises; Workshop; Workshop & premises; Workshop and premises; Workshop and storage land; Workshop, workshop and premises; Workshop, offices and premises; Workshop, training centre and premises

4 By contrast, in a planning context ‘take-up’ means the land developed to provide new floorspace.

5 Second-hand stock comprises all previously occupied floorspace, including refurbishments.
‘Outside Daventry town’ – the employment areas outside Daventry town main employments areas i.e. every employment area in the rest of the district.

3.9 To allow us to gain an understanding of supply and demand trends we have analysed the data into the different size bands. The results are in the table below.

**Table 3.1 Unit sizes**

<table>
<thead>
<tr>
<th>Sq ft</th>
<th>Sq m</th>
<th>Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,000</td>
<td>93</td>
<td>Micro</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>93-465</td>
<td>Small</td>
</tr>
<tr>
<td>5,001-15,000</td>
<td>465-1,394</td>
<td>Small/medium</td>
</tr>
<tr>
<td>15,001-50,000</td>
<td>1,394–4,646</td>
<td>Medium</td>
</tr>
<tr>
<td>50,001-108,000</td>
<td>4,646–10,000</td>
<td>Medium/large</td>
</tr>
</tbody>
</table>

Source: AspinallVerdi

**Background**

3.10 Daventry district lies north of the town of Northampton, east of Rugby and Coventry and west of Kettering. The M1 runs north to south through the district, with the town of Daventry lying to the west. The A14 also runs west to east in the northern part of the District.
3.11 Due to Northamptonshire providing a ‘sweet spot’ as an industrial location, industrial demand is strong and supply is tight. There is a shortage of space across the whole area, with occupiers generally finding it difficult to find appropriate space.

3.12 Due to the district’s proximity to the logistics Golden Triangle (M1, M6 and M42), it is a prime location for large-scale distribution occupiers. This is most evident at Daventry International Rail Freight Terminal (DIRFT), located at Crick, close to the district boundary and the town of Rugby. DIRFT is a specialist logistics park, which attracts occupiers largely due to its ability to service 85% of the UK in a 4½-hour drive time, Railport, and access to East Midlands Airport, which is the UK’s busiest freight airport after Heathrow. Occupiers at DIRFT include Tesco (840,000 sq ft), Eddie Stobart (420,000 sq ft) and Sainsbury’s (1 million sq ft). There is around 6.8 million sq ft of space available at DIRFT Phase III which is currently under construction, with the developer Prologis advertising units from 100,000 sq ft to 1.64 million sq ft - therefore falling outside the scope of this study.

3.13 Daventry is also attractive to smaller-scale industrial users, being considered a more affordable location than Northampton or Rugby. Another advantage of the district is its long-established association with the automotive industry - e.g. Formula 1, Jaguar Land Rover, Mercedes - and high-end engineering.

3.14 The district has a largely self-contained office market, which does not benefit from the same linkages to London as nearby Northampton and Rugby. Both Northampton and Rugby are on direct train lines to London, with journeys of less than an hour. By
contrast Daventry town has no railway station, and the journey to London from the nearest station, Long Buckby, takes around 1 hour 25 minutes.

The industrial market

Introduction

3.15 For our market analysis, we combine industrial and distribution uses (B1c, B2 and B8) into one property market sector. The purpose of this study is to understand the dynamics of the sub 10,000 sq m (108,000 sq ft) market. Strategic distribution (solely B8 uses) would in most cases exceed the size cap of this study and be typically provided in new build units on specialist logistic parks. ‘Last mile’ distribution uses do fall in our size cap; these are typically smaller scale B8 units which share similar characteristics and requirements as the strategic distribution units.

National context

3.16 Across both sub-sectors, the national industrial market remains healthy. In the global economic crisis speculative development came to a halt. At that point in time there was excess supply to meet demand due to weakening occupier demand and the wave of speculative development that had occurred pre-financial crisis (driven by easy access to finance).

3.17 In recent years supply has tightened. This is due to improvement in the economy, changing shopping patterns (increase in online sales), and some units being lost to higher value residential uses. Most recently, the devaluation of the pound has supported growth in the UK manufacturing sector, by making exports more competitive.

3.18 In some areas of the country supply of industrial units have not kept pace with demand due to the lack of new build development occurring. Developers are finding it much harder to fund industrial warehousing development then compared to pre-financial crisis. Due to the tight nature of the funding markets, speculative development is generally only occurring in super prime areas e.g. parts of the M1 corridor, Golden Triangle, Heathrow and north M25. These areas have very strong occupier demand from companies with blue-chip covenants, therefore the perceived risk is low. Speculative development is often only occurring for larger units that can be occupied by these large national/international firms.

3.19 The lack of speculative development has led to an imbalance in the market, with some occupiers having to wait for build-to-suit opportunities; or taking second-hand space or multiple units to satisfy immediate requirements. With a lack of suitable medium sized space, occupiers across the country are struggling to find suitable space to expand into. This is having a knock-on effect, with smaller units not experiencing natural levels of market churn and therefore not freeing up space for SMEs and start-ups.

3.20 Market pressure is unlikely to reduce in the immediate future, with property agents Cushman & Wakefield stating that ‘In the short-term, occupier demand is expected to remain strong, supported by both a rise in exports and ecommerce related activities.'
Severe supply constraints in key regional markets should continue to put upwards pressure on prime rents.\textsuperscript{6} Over the long term, there is of course more uncertainty with Cushman & Wakefield predicting that ‘demand for industrials will fluctuate with economic drivers such as the value of sterling, manufacturing and production, exports, domestic consumption and BREXIT.’\textsuperscript{6}

**Daventry District as an industrial location**

3.21 Traditionally Daventry was considered more affordable than Northampton or Rugby. But in recent years a lot of the district’s supply under 10,000 sq m (108,000 sq ft) has been taken-up, increasing rents and bringing them more in line with surrounding areas. Therefore, the district is competing for occupiers with those neighbouring areas. Within the sub-regional market, there are footloose occupiers that will take space as and when it becomes available rather than seek to choose one location over another.

3.22 The district benefits from a diverse mix of blue-collar and white-collar jobs, giving it a varied and robust economy. The wide-ranging employment sectors include:

- Automotive industries
- Advanced engineering/manufacturing
- General manufacturing
- Research and Design
- Storage
- Distribution
- Building supplies
- Training academies (Volvo and Ford)

3.23 The district has strong connections with the automotive and high-tech manufacturing sector, with these occupiers having a particular focus on Daventry town. Existing occupiers in Daventry town include:

- Volvo
- Ford
- Cummins
- RedArch
- MCT
- Rofin Baasel

3.24 We have split Daventry’s industrial market into two geographical areas:

- Daventry town is the primary area, with a critical mass of occupiers and distribution in five main industrial estates.
- Outside Daventry town has less industrial space under the 10,000 sq m (108,000 sq ft) threshold, but there are still some areas with significant numbers of units.

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\textsuperscript{6} Cushman & Wakefield (Spring 2017) *UK Industrial & Logistics Market Outlook*
**Daventry town**

3.25 The five major industrial employment areas in Daventry town vary in age and quality, with some being built in the 1970s. Agents have reported that there is a hierarchy in terms of age of stock:

- Apex Park – new build (majority of stock over 10,000 sq m / 108,000 sq ft)
- Heartlands – built 1990s- 00s
- Drayton Field – built in 1990s
- Royal Oak – built in 1980s
- High March & Long March Industrial Estates – built in 1970s and 80s

3.26 The highest quality industrial estate is Apex Park, which has been recently built. But the stock here is larger-scale, and is more suited to B8 strategic distribution occupiers.

3.27 The Marches Industrial Estates and Royal Oak are the two oldest estates and much of the stock there is dated, coming to the end of it economic life. Both High March and Long March Industrial Estates are located to the south of the town, with the rest of the industrial estates located in the north/north west.

3.28 There are many occupiers related to the automotive sector in Daventry town. These companies’ activities include design, fabrication/manufacturing and distribution. These sectors locate in Daventry partially due to historic reasons but also due to supply chain, e.g. Jaguar Land Rover, and access to a diverse workforce. Some occupiers require both high and low skilled workforce, often with shift workers living in Daventry town itself and higher skilled worker/directors living in the areas surrounding Daventry town.

3.29 In Daventry town there is no evidence of clustering of industries in specific estates. Some major occupiers listed above often have a number of units, across different industrial estates in Daventry town.

**Outside Daventry town**

3.30 Outside of Daventry town there are a number of key employment areas, including:

- Eldon Way Industrial Estate Crick
- Cavalry Hill Industrial Estate, Weedon Bec
- Brixworth Industrial Area
- Woodford Halse Employment Area
- Long Buckby Employment Area.

3.31 The occupiers located in these areas are generally similar to Daventry town, although high-end engineering and automotive industries are less well represented – except in the Brixworth Industrial Area, which does have a concentration of some automotive and high-end manufacturing occupiers.

3.32 Due to how industrial areas are dispersed across the district, some of the estates form part of local markets other than Daventry. For example, Brixworth is close to Northampton, so occupiers choose to locate there due to proximity to Northampton.
rather than Daventry town. Similarly, Crick is more related to Rugby than Daventry town.

**Demand**

**Overview**

3.33 Demand for industrial space in the district is strong for units below 10,000 sq m (108,000 sq ft). Table 3.2 shows that between 2013 and 2016 the annual industrial take-up averaged 186,322 sq ft across 92 transactions. Current take-up for 2017 is 61,785 sq ft, which is already more than in 2016, but is far below the levels of 2013-2015. This fall in take-up, as we discuss later, is not due to lack of demand for space but due to a lack of supply. Agents confirm high levels of take-up seen in 2013-2015 was all in second-hand existing stock.

**Table 3.2 Annual industrial take-up under 10,000 sq m, Daventry, 2013-17**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of transactions</th>
<th>Total take-up sq ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>18</td>
<td>161,159</td>
</tr>
<tr>
<td>2014</td>
<td>31</td>
<td>219,801</td>
</tr>
<tr>
<td>2015</td>
<td>26</td>
<td>310,369</td>
</tr>
<tr>
<td>2016</td>
<td>17</td>
<td>53,960</td>
</tr>
<tr>
<td>2017</td>
<td>9</td>
<td>61,785</td>
</tr>
<tr>
<td>Total</td>
<td>101</td>
<td>807,074</td>
</tr>
<tr>
<td><strong>Annual average 2013 - 2016</strong></td>
<td><strong>23</strong></td>
<td><strong>186,322</strong></td>
</tr>
</tbody>
</table>

Source: EGi (2017)

3.34 Table 3.3 shows that since 2013 the spread of take-up in different size bands is broad, but with particular low take-up for units under 1,000 sq ft and between 15,000 and 108,000 sq ft. Again, this in our view points to a supply constraint rather than lack of demand.

**Table 3.3 Industrial take-up by size under 10,000 sq m (108,000 sq ft), Daventry, 2013-17**

<table>
<thead>
<tr>
<th>Size range, sq ft</th>
<th>Total No of units</th>
<th>% of units by size range</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,000</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>62</td>
<td>61%</td>
</tr>
<tr>
<td>5,001-15,000</td>
<td>23</td>
<td>23%</td>
</tr>
<tr>
<td>15,001-50,000</td>
<td>13</td>
<td>13%</td>
</tr>
<tr>
<td>50,001-108,000</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>101</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: EGi (2017)
Agents report that the local market for units under 10,000 sq m (108,000 sq ft) is tight, especially around Daventry town. This is true across size ranges, from 1,000 sq ft micro units, up to the larger 100,000 sq ft units. However, agents suggest that the shortage is worst for smaller units, perhaps up to 80,000 sq ft.

Table 3.4 and Table 3.5 show the broad range of occupiers who have taken space across the district since 2013. Some of the take-up is from existing occupiers expanding and taking more units. The take-up data also further illustrates the strong demand from automotive related industries, smaller-scale distribution and high-end manufacturing.

**Table 3.4 Examples of take-up Daventry town 2013-17**

<table>
<thead>
<tr>
<th>Industrial estate</th>
<th>Occupier</th>
<th>Sector</th>
<th>Size of unit (sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heartlands Business Park</td>
<td>Arcese</td>
<td>Distribution (3PL)</td>
<td>89,000</td>
</tr>
<tr>
<td></td>
<td>Lifting Equipment Supplies Limited</td>
<td>Manufacturing (Lifting and handling equipment)</td>
<td>2,100</td>
</tr>
<tr>
<td></td>
<td>Musgrave Generators</td>
<td>Manufacturing (Generators)</td>
<td>32,500</td>
</tr>
<tr>
<td></td>
<td>Automation Electrical Contractors Limited</td>
<td>Manufacturing (Automotive)</td>
<td>2,300</td>
</tr>
<tr>
<td></td>
<td>Rival Boxing Limited</td>
<td>Distribution (Sports equipment)</td>
<td>1,500</td>
</tr>
<tr>
<td></td>
<td>Full Munchy Catering Solutions Limited</td>
<td>Storage/distribution (Vending machine sale servicing and stocking)</td>
<td>1,300</td>
</tr>
<tr>
<td></td>
<td>UV Design &amp; Engineering Limited</td>
<td>Design/ Manufacturing (Automotive &amp; high tech)</td>
<td>1,300</td>
</tr>
<tr>
<td></td>
<td>Brandline Product Ltd</td>
<td>Manufacturing (café screening)</td>
<td>1,700</td>
</tr>
<tr>
<td></td>
<td>Nik and Vicy Limited</td>
<td>Distribution (3PL)</td>
<td>1,700</td>
</tr>
<tr>
<td></td>
<td>Sealed Air Limited</td>
<td>Manufacturing/distribution (Packaging)</td>
<td>12,000</td>
</tr>
<tr>
<td></td>
<td>Green Precision</td>
<td>Manufacturing (High tech)</td>
<td>1,700</td>
</tr>
<tr>
<td></td>
<td>Sat Nav Repairs Limited</td>
<td>Electronic repairs</td>
<td>1,700</td>
</tr>
<tr>
<td></td>
<td>Optimas</td>
<td>Distribution (Automotive)</td>
<td>1,700</td>
</tr>
<tr>
<td></td>
<td>Red Arch Engineering</td>
<td>Design/ manufacturing/ distribution (Automotive)</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td>Viridian Nutrition</td>
<td>Distribution (Pharmaceutical)</td>
<td>9,000</td>
</tr>
<tr>
<td></td>
<td>Building Envelope Solutions</td>
<td>Design/ manufacturing/ distribution (Metal façades)</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Source: EGi, 2017
Table 3.5 Examples of take up outside Daventry town 2013-17

<table>
<thead>
<tr>
<th>Industrial Estate</th>
<th>Occupier</th>
<th>Sector</th>
<th>Size of unit (sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eldon Way, Crick</td>
<td>Event People</td>
<td>Storage (Event equipment)</td>
<td>12,200</td>
</tr>
<tr>
<td>East Haddon Hill</td>
<td>Anglo European Timber Limited</td>
<td>Storage/ Distribution/ Importer (Timber)</td>
<td>14,200</td>
</tr>
<tr>
<td>Broughton Road</td>
<td>OTG Products</td>
<td>Frozen food supplier</td>
<td>5,500</td>
</tr>
<tr>
<td></td>
<td>RGR Memorials Limited</td>
<td>Manufacturing (Grave stones)</td>
<td>4,400</td>
</tr>
<tr>
<td>Weedon</td>
<td>TVS Supply Chain Solutions Limited</td>
<td>Distribution (includes automotive)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: EGi, 2017

3.37 Agents agree that most of the take-up in recent years has come from sectors already established in the district. Due to lack of availability, occupiers across all sectors are compromising on the type of space they take. In some cases, existing occupiers have had to take space over a number of different units when they would prefer to look to consolidate their operations in a single unit (still under the 10,000 sq m / 108,000 sq ft threshold).

3.38 All sectors are seeking space that can be used flexibly. Often companies are designing, manufacturing and distributing from the same unit and require the units to respond to their needs. All industrial occupiers require yard space, especially those involved in distribution.

3.39 Below, we look in more detail at the main types of occupier requirement.

**Distribution and services**

3.40 Demand for smaller-scale warehousing, as opposed to the strategic logistics catered for at DIRFT, comes partly from 'last-mile' operators that deliver to people’s homes. Such occupiers need to be as close as possible to as many homes as possible. Therefore they need to be in (or close to) Daventry town, where the population is most concentrated. They are looking for cross-docking facilities and clear eave heights; second-hand stock often does not have this specification.

3.41 Demand for non-strategic industrial / warehouse units also comes from businesses that serve the major distribution operators at DIRFT. An example of a supply chain occupier is the NFT Sainsbury’s distribution centre in Eldon Way, Crick, which distributes Sainsbury’s frozen goods; the same operator also has a much larger unit in the DIRFT development. Businesses that maintain heavy goods vehicles based at DIRFT include Truckeast, also in Eldon Way, a dealer in Scania trucks that offer sales (new and used), spare parts, repairs and 24-hour assistance. Royal Mail have a large distribution warehouse in DIRFT but also a smaller unit on Eldon Way, used for vehicle maintenance. Requirements for these kinds of units, and hence the demand for small-to-medium units in Crick, are likely to increase in future as the next phase of DIRFT is built out and occupied.
**Automotive and high-tech manufacturing**

3.42 There is strong demand for automotive and high-tech manufacturing sectors for units between 10,000–100,000 sq ft. These occupiers, especially for the larger units require good prominence and high-quality surroundings. This is to attract high quality staff and clients. Occupiers also require reasonable and reliable broadband connection and some have requirements for large electrical capacity, often more than the current capacity in the district. Live requirements include:

- MCT- High end manufacturing clients include JLR (existing occupier)
- Biesse UK – manufacture of high end woodworking support equipment (existing occupier) - require 30,000 sq ft
- Rofin-Baasel – laser manufacturing, sales distribution (existing occupier) - require 25,000 sq ft

**General manufacturing**

3.43 There is demand for more general manufacturing units, these occupiers require to be away from other non-compatible uses i.e. residential. Some general manufacturing occupiers require high cleared eaves, up to 10 metres. Similarly, to automotive and high-tech manufacturing occupiers, general manufacturing occupiers require large electrical capacity. Agents report that an existing manufacturing occupier that employs 150 people in the district, has an unfulfilled requirement of 50,000-60,000 sq ft and is seeking a new unit that has good electricity capacity.

**Freehold demand**

3.44 Freehold units are also in demand from owner occupiers. Some company directors have used these as investments for their pension funds. Demand for freehold property is generally from smaller more local companies, not from corporate occupiers.

**Supply and market balance**

**Overview**

3.45 Table 3.6 shows that there are 20 units currently available, providing a total of 348,000 sq ft. This is against a total stock of 943 units / 5.86 million sq ft registered on VOA. Therefore, there is a current vacancy rate of 5.9% of floor space and 2.1% of number of units. If we cross reference the availability in Table 3.6 with annual take-up in Table 3.2; the availability across the district equates to 10 months’ supply in relation to number of units and 22 months’ supply in relation to floorspace. Both these indicators show the market is very tight.

**Table 3.6 Availability of industrial space, Daventry, September 2017**

<table>
<thead>
<tr>
<th>Total Stock</th>
<th>5.86m sq ft</th>
<th>943 units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability</td>
<td>348,000 sq ft</td>
<td>20 units</td>
</tr>
<tr>
<td></td>
<td>5.9%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Source: EGi, VOA, AspinallVerdi
3.46 Vacancy measured by floorspace is low, but more importantly vacancy measured by units is very low. There is very little stock available for occupiers to take in the current market.

3.47 This lack of supply is set to continue, at least in the short term, because as noted earlier there are no development sites currently allocated for small-to-medium industrial units. In Daventry town, the only development in the pipeline that offers this type of space is Mustang Park, positioned next to Royal Oak. The development is currently being marketed on a build-to-suit basis, with the marketing firmly targeted at B8 occupiers. Three units proposed of which the smallest, at 48,000 sq ft, falls into our size band.

3.48 Outside Daventry town, there are just two outstanding planning permissions, providing only around 11,000 sq ft in total:

- Old Station Road, Brixworth – B1 a-c, 5,551 sq ft in three units
- Eldon Way, Crick, B2, 5,047 sq ft.

3.49 Below, we look at current availability more closely, considering Daventry’s main employment areas individually.

**Heartlands Business Park**

3.50 Table 3.7 shows that there are no units available on EGi under 10,000 sq m (108,000 sq ft), against a total stock of 26 units registered on VOA. At our stakeholder event some agents did report that there are some vacant units available on Heartlands Business Park but no evidence has been provided to support this statement. Regardless of this, vacancy is generally considered to be low, especially when we are seeing strong demand across all unit sizes in Daventry town and the lack of availability elsewhere.

**Table 3.7 Heartlands Business Park stock and availability, September 2017**

<table>
<thead>
<tr>
<th>Size range sq ft</th>
<th>Total No of units</th>
<th>% of units by size range</th>
<th>No. of units available</th>
<th>% of units available</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,000</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>12</td>
<td>46%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>5,001-15,000</td>
<td>9</td>
<td>35%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>15,001-50,000</td>
<td>4</td>
<td>15%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>50,001-108,000</td>
<td>1</td>
<td>4%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td></td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: EGi, VOA, AspinallVerdi (2017)

**Drayton Fields Industrial Estate**

3.51 Table 3.8 shows that there are three units available on EGi under 10,000 sq m (108,000 sq ft). This is against a total stock of 131 units registered on VOA therefore equating to a vacancy rate of 2% of units. Vacancy here is very low, and there is no available space between 15,000–108,000 sq ft and sub 1,000 sq ft.
Table 3.8 Drayton Fields Industrial Estate stock and availability, Daventry, September 2017

<table>
<thead>
<tr>
<th>Size range</th>
<th>Total No of units</th>
<th>% of units by size range</th>
<th>No. of units available</th>
<th>% of units available</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,000</td>
<td>9</td>
<td>7%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>76</td>
<td>58%</td>
<td>2</td>
<td>3%</td>
</tr>
<tr>
<td>5,001-15,000</td>
<td>30</td>
<td>23%</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td>15,001-50,000</td>
<td>11</td>
<td>8%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>50,001-108,000</td>
<td>5</td>
<td>4%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>131</strong></td>
<td></td>
<td><strong>3</strong></td>
<td><strong>2%</strong></td>
</tr>
</tbody>
</table>

Source: EGi, VOA, AspinallVerdi (2017)

**Royal Oak Industrial Estate**

3.52 Table 3.9 shows that there are seven units available on EGi under 10,000 sq m (108,000 sq ft). This is against a total stock of 157 units registered on VOA therefore equating to a vacancy rate of 4% of units. The majority of stock is in the 1,000–5,000 sq ft size band, but this is the band where there is greatest stock and even here availability is relatively low.

Table 3.9 Royal Oak Industrial Estate stock and availability, September 2017

<table>
<thead>
<tr>
<th>Size range, sq ft</th>
<th>Total No of units</th>
<th>% of units by size range</th>
<th>No. of units available</th>
<th>% of units available</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,000</td>
<td>9</td>
<td>6%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>113</td>
<td>72%</td>
<td>6</td>
<td>5%</td>
</tr>
<tr>
<td>5,001-15,000</td>
<td>26</td>
<td>17%</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>15,001-50,000</td>
<td>8</td>
<td>5%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>50,001-108,000</td>
<td>1</td>
<td>1%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>157</strong></td>
<td></td>
<td><strong>7</strong></td>
<td><strong>4%</strong></td>
</tr>
</tbody>
</table>

Source: EGi, VOA, AspinallVerdi (2017)

**High March & Long March Industrial Estates**

3.53 Table 3.10 shows that there are three units available on EGi under 10,000 sq m (108,000 sq ft). This is against a total stock of 80 units registered on VOA therefore equating to a vacancy rate of 4% of units. All availability is in the 5,000–15,000 sq ft size band, but this is the band where there is greatest stock and even here availability is relatively low.
**Employment Land in Daventry District**

**The Demand for Small and Medium Units**

### Table 3.10 High March & Long March Industrial Estates stock and availability, September 2017

<table>
<thead>
<tr>
<th>Size range</th>
<th>Total No of units</th>
<th>% of units by size range</th>
<th>No. of units available</th>
<th>% of units available</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,000</td>
<td>1</td>
<td>1%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>24</td>
<td>30%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>5,001-15,000</td>
<td>35</td>
<td>44%</td>
<td>3</td>
<td>9%</td>
</tr>
<tr>
<td>15,001-50,000</td>
<td>18</td>
<td>23%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>50,001-108,000</td>
<td>2</td>
<td>3%</td>
<td>1</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>5%</strong></td>
<td><strong>4</strong></td>
<td><strong>5%</strong></td>
</tr>
</tbody>
</table>

Source: EGi, VOA, AspinallVerdi (2017)

### Industrial areas outside Daventry town

3.54 Table 3.11 shows that there are 12 units under 10,000 sq m (108,000 sq ft) recorded as available on EGi. This is against a total stock of 516 units registered on VOA therefore equating to a vacancy rate of 2% of units, again this is considered low given the strong demand for space. During consultations agents agreed there was low availability on the small size bands, but felt that the vacancy rate was lower in the size range of between 15,000-108,000 sq ft. Given the low number of existing units in the size range of between 15,000–108,000 sq ft, it is possible that a relatively low number of vacant units distorts the percentage figure.

### Table 3.11 Rest of Daventry district industrial areas stock and availability, September 2017

<table>
<thead>
<tr>
<th>Size range</th>
<th>Total No of units</th>
<th>% of units by size range</th>
<th>No. of units available</th>
<th>% of units available</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,000 sqft</td>
<td>136</td>
<td>26%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>1,001-5,000 sqft</td>
<td>288</td>
<td>56%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>5,001-15,000 sqft</td>
<td>63</td>
<td>12%</td>
<td>4</td>
<td>6%</td>
</tr>
<tr>
<td>15,001-50,000 sqft</td>
<td>25</td>
<td>5%</td>
<td>7</td>
<td>28%</td>
</tr>
<tr>
<td>50,001-108,000 sqft</td>
<td>4</td>
<td>1%</td>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>516</strong></td>
<td><strong>12</strong></td>
<td><strong>2</strong></td>
<td><strong>2%</strong></td>
</tr>
</tbody>
</table>

Source: EGi, VOA, AspinallVerdi (2017)

3.55 In recent years there have been very little new build space in small-to-medium units. In Daventry town the most recent instance is at Apex Park, where two units narrowly under the 10,000 sq m threshold were built, as part of a logistics park in which most units are above the threshold. Outside Daventry town, in Woodford Halse, the first phase of Manor Business Park has been recently built out, with the second phase under construction. The units range from 3,000–20,000 sq ft and are being marketed towards B1c & B2 uses. Agents report that demand for these units has been strong. Occupiers that have historically only considered Daventry town have now shown interest in Manor Business Park due to the lack suitable alternatives.
Unsatisfied requirements

3.56 The lack of availability in the district makes it difficult to attract new occupiers and retain existing occupiers. Agents report that there are also circa 10 other requirements from occupiers who are currently looking for space in the district as well as Northamptonshire as a whole. There is no information on the specific occupier or the sector, but each of these requirements is for space between 10,000 and 100,000 sq ft in size.

3.57 An example of an existing occupier who has struggled to fulfil their requirement in the district is Cummins Engineering. Cummins is a major occupier in the district who design, manufacture and distribute automotive engines, power systems and components. The company recently expanded the research and design (R&D) side of the business and looked to position this close to the manufacturing side, currently located in Daventry town. But in the end they moved the R&D business to Kent, while also moving some of their manufacturing operation from Kent to Daventry. There were two reasons for moving R&D away from Daventry: primarily insufficient electricity supply but also lack of available space on the market. It was also mentioned at the workshop that there could be capacity on the existing site for expansion that needs to be explored further.

Rents

3.58 Agents report as there is so little availability in the district, it is currently very much a ‘sellers’ market’ when setting rents. Generally, occupiers of smaller units are not prepared to pay much more than they already are, preparing to compromise on the quality of the accommodation to reflect the rent. Medium sized occupiers looking to expand, or corporate occupiers seeking space require better quality units are prepared to pay the higher rents.

3.59 For the best stock in the district i.e. Heartlands Business Park agents report headline rents at:

- £5.50-£6.25 psf medium sized (over 5,000 sq ft)
- £6.25-£6.75 psf smaller sized (under 5,000 sq ft)

3.60 For reasonable quality second-hand units in Drayton Fields Industrial Estate or Royal Oak Industrial Estate, agents report rents at:

- £4.50-£5 psf medium sized (over 5,000 sq ft)
- £5.50-£6 psf smaller sized (under 5,000 sq ft)

3.61 At these rents refurbishment of stock is viable, as seen at Long Marches and High Marches Industrial Estates and Royal Oak Industrial Estate. Refurbishments of units in these locations have been well received by occupiers, as existing stock in these estates is coming to the end of its economic life. Such refurbishment upgrades the quality of the stock. But in quantitative terms it does not add to supply, because it replaces existing space rather than providing net additional space. In theory refurbishment could add to the supply of small-to-medium units, if it subdivides existing large units; but in practice this is unlikely to happen, because it would not be commercially worthwhile.
3.62 With current rents agents and developers state that development is marginally viable. For constrained sites or sites, where there is competition for larger units (economies of scale) or higher value uses development is considered to be unviable.

3.63 Agents report that it is difficult to estimate what new build rents in Daventry would achieve as there is no evidence from development in recent years. This being said agents did estimate that they would expect new build stock to achieve:

- £6.25-6.75 psf medium sized (over 5,000 sq ft)
- £7.00-£7.50 psf smaller sized (under 5,000 sq ft)

3.64 The higher rents quoted would place Daventry in competition with Rugby. Therefore, to achieve the higher rents new build stock would have to be good quality and have good prominence. This would attract the automotive and high-tech manufacturing occupiers, who are willing to pay more for their premises.

The scope for new development

3.65 Our analysis has shown that there is substantial demand for additional small-to-medium industrial units in Daventry, which is frustrated by an almost total lack of supply. To close the gap between demand and supply would require additional development.

3.66 To quantify this potential demand for new development, we start from history. Over the last 11 years, 2005-2016, according to the property database EGi the take-up of industrial units under 10,000 sq m has averaged 20,872 sq m per annum. The time profile of this take-up is pictured below.

**Figure 3.2 Take-up of industrial units up to 10,000 sq m, Daventry, 2005-16, square metres**

Source: EGi
3.67 From the chart above, we can see that for a number of years take-up has moved in line with the economic cycle – with a peak in 2007 and a trough in 2009, which mirror the general economic cycle. But in the last year of the series, 2016, the figures depart from this pattern: although in that year the economy continued to expand and the property market to improve, take-up in Daventry contracted sharply, to 5,000 sq m – less than the bottom of the recession.

3.68 To understand this history, we need to remember three facts about the supply of floorspace in this section of the industrial market in Daventry. The first is that the stock has been virtually unchanged over the period pictured, as very little new floorspace has been built and very little existing floorspace has been lost; thus, variations in occupied floorspace will have been matched by variations in vacancy (availability). The second helpful fact is that vacancy at present is very low, below the normal level that would allow the market to operate smoothly. The third is that there is much frustrated demand in the market, where businesses are looking unsuccessfully for space: the total of unsatisfied requirement known to us is around 25,000 sq m.

3.69 Given the above facts, it seems clear that the recent downturn in take-up is explained by a supply constraint. This is confirmed through our consultations, including at the recent stakeholder workshop, that space in this category is severely undersupplied. Unless more space is built in Daventry – space for which we know there is viable demand – past levels of take-up will remain low, because the town has effectively run out of space. Conversely, if take-up is to continue in line with past trends, there will need to be new development – for which new land would need to be made available.

3.70 On superficial analysis, it might be thought that this additional space should be around 21,000 sq m p.a., in line with past take-up. But this would be an overstatement, because that figure relates to gross take-up – the amount of space that is newly occupied by businesses, without deduction of the space that is vacated, perhaps by the same businesses when they build into a new unit. Our interest is in the net floorspace taken up – i.e. the change in occupied floorspace, also known as net absorption.

3.71 Unfortunately, no data are available on this net change. For most other places it can be estimated from Valuation Office Agency (VoA) data, which show the change in total floorspace (occupied and vacant) over time. But for Daventry the VoA data show that the stock of units up to 10,000 sq m was virtually unchanged between 2005 and 2016. It follows that any net increase in occupied space will have been balanced by a reduction in vacant space. This makes it exceptionally difficult to arrive at this net figure, because we do not have historical data on vacancies by size band.

3.72 To fill this gap, we have made a broad judgement on the proportion of gross take-up that represents net take-up (or net absorption), as opposed to ‘churn’ within the existing occupied stock. Based on market experience rather than formal evidence, we estimate that this proportion may be between one third and two thirds.

3.73 On this basis, over the last 11 years the occupied floorspace in our size band has grown annually by 33-67% of 21,000 sq m, i.e. 7,000-14,000 sq m. At the standard industrial plot ratio of 40% (4,000 sq m per hectare) to continue this rate of take-up
into the future would need an annual land supply between 1.8 and 3.5 ha. This is a broad range, but we have no information that would enable us to narrow it.

3.74 Table 3.12 below estimates the size distribution of additional units that might be delivered in an initial five-year period, based on the minimum total of 7,000 sq m per year (35,000 sq m, equal to 376,700 sq ft, over five years). There is no ‘scientific’ basis for this estimate, given that there has been virtually no new development in this market sector in recent years, and hence there is no historical evidence to go on. Therefore the figures below are a judgment, which takes account of agents' experience, the known unsatisfied requirements and the profile of the existing stock. They should be understood as a broad indication only, intended to guide land allocations.

Table 3.12 Possible size distribution of new units in initial five-year period

<table>
<thead>
<tr>
<th>Unit size, sq ft</th>
<th>% of floorspace delivered</th>
<th>Floorspace delivered, sq m</th>
<th>No of units delivered (approx)</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,000</td>
<td>5.0%</td>
<td>18,837</td>
<td>38</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>5.0%</td>
<td>18,837</td>
<td>6</td>
</tr>
<tr>
<td>5,001-15,000</td>
<td>10.0%</td>
<td>37,674</td>
<td>4</td>
</tr>
<tr>
<td>15,001-50,000</td>
<td>30.0%</td>
<td>113,021</td>
<td>7</td>
</tr>
<tr>
<td>50,001-108,000</td>
<td>50.0%</td>
<td>188,368</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>376,737</strong></td>
<td><strong>57</strong></td>
</tr>
</tbody>
</table>

Source: Aspinall Verdi

3.75 The smallest units, up to 5,000 sq ft, would likely be delivered speculatively, as a single terraced scheme of around 38,000 sq ft, which would need a site of around 1 ha. Units of 5,001-15,000 sq ft would also be delivered in a single speculative scheme, providing roughly the same total floorspace on the same land area. In the larger size bands, space could be delivered in free-standing units, some built speculatively and others as built to suit.

Development opportunities

3.76 As part of this study, we discussed both with the Council and consultees where additional land might be identified for employment development. The resulting suggestions are discussed below.

- The Knoll, suggested both by the Council and property agents, is located in the Marches industrial estate and is currently undeveloped land. The site is reportedly constrained, as it needs substantial earthworks, which makes it difficult to develop. The site has issues with access, land contamination and electricity capacity. Furthermore, there are reportedly environmental impact issues. The Knoll would likely need public sector funding for the remediation works to make it viable, as a number of developers noted that they have struggled to make potential development here viable. Given the high cost, the majority of the public
sector funding would need to be sourced through bidding for wider growth funding. Given the uncertainties about future national funding streams, this opportunity is unlikely to be available in the short term.

- Daventry Gateway, also suggested by agents and the Council, is located on the A45 when entering Daventry town from the South East. The site is currently occupied by a vacant hotel and a vehicle recycling facility. These buildings are the first thing you see when entering the town. The Council and agents both suggesting that the scrap metal yard could be relocated elsewhere in the district, and the site could be brought forward for industrial space. Initial discussions between the District Council and the promoters of the site to the south of the A45 indicate a willingness to bring the site forward for commercial use.

- The new A45 link road has the potential to unlock development sites for industrial development under 10,000 sq m (108,000 sq ft). The Council has not suggested any specific sites as being suitable. But agents have suggested the spot where the link road joins the M1 (Junction 16), or land near Weedon Bec.

- Junction 18 of the M1 has also been suggested by agents, and a developer who is currently promoting land close to the junction. The developer is keen to build units under the 10,000 sq m (108,000 sq ft) size cap, which he considers is viable in this location.

As well as the small-to-medium units, the above locations could be attractive to large-scale occupiers, above the 10,000 sq m (108,000 sq ft) size range. Developers of such larger units are likely to out-bid those who propose small-to-medium units. To avoid this, if any sites are identified to meet the demand discussed in this study, planning policy should set an upper limit on the size of units that may be developed.

**Conclusion: the industrial market**

Our analysis has shown that there is substantial demand for additional small-to-medium industrial units in Daventry, which is frustrated by an almost total lack of supply. There is very little space currently available, virtually no outstanding planning permissions, and no land currently allocated for further development. To close the gap between demand and supply would require additional land to be provided for industrial development. As a broad indication, we estimate that there could be demand for 7,000-14,000 sq m per year of new space, which would require an annual land supply between 1.8 and 3.5 ha. This is a broad range, but we have no information that would enable us to narrow it.

If such land were provided by the planning system, in our opinion this land would be developed and occupied. Main occupier sectors would include automotive-related industries, smaller-scale distribution and high-end manufacturing. But development will only happen if the land is reserved for small-to-medium units; if it is released for

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7 As noted earlier, some existing industrial buildings in Daventry are nearing the end of their economic life, and might be redeveloped to provide new units. Such redevelopment would not help close the quantitative gap between demand and supply, because it would not provide net additional space – unless units above 10,000 sq m are replaced with smaller units, which would be commercially unattractive.
industrial development without this restriction, land is likely to be taken up for large-scale warehousing, which generates higher land values.

3.80 We have been asked whether it would also be possible to restrict the use class of units, for example restricting the percentage of a unit that could be B8. In our view such a restriction would be very difficult to enforce. More important, we see no valid rationale for it. The demand for small-to-medium units comes from distribution as well as manufacturing, construction and other activities, and we see no reason for preferring any of these activities to others.

3.81 Much of the potential demand we have identified comes from businesses already established in Daventry, who are looking to expand or relocate but cannot find the necessary space. With such a tight market across Northamptonshire there is also a market opportunity for Daventry to attract footloose occupiers from the wider sub-region. Research into the wider Northamptonshire area shows that surrounding towns of Northampton, Kettering and Rugby often target the larger occupiers over the 10,000 sq m (108,000 sq ft) size threshold. This means that under 10,000 sq m (108,000 sq ft) size range the district has an opportunity to capture some of the more footloose requirements.

3.82 If the district fails to deliver in this size range, some occupiers will choose to relocate or expand elsewhere; others, who cannot move away because they need to keep existing workforces – will be unable to grow or modernise as they would otherwise do. If new land were allocated for development these constraints would be removed and the local economy would perform better.

3.83 The obvious implication is that the Council should consider allocating land for small-to-medium industrial units in the new Part 2 Local Plan. Most such land should be in Daventry town, where there is the most demand for space. But there is also potential demand in Crick, including from suppliers and service providers who support the large-scale occupiers at DIRFT. This demand is likely to increase in future, as the latest phase of DIRFT is built and occupied.

3.84 Ideally land should be identified at more than one location, to allow competition, so that no individual landowner is in a position to restrict supply.

3.85 In allocating land, where possible the Council should target sites that are free of physical constraints such as contamination, bad ground conditions or inadequate infrastructure. Where there are such constraints they will restrict development, because end values may not be sufficient to cover the costs of development. In these scenarios, the Council may need to intervene to facilitate development, by funding land remediation and infrastructure.

3.86 More generally, proactive interventions to facilitate development could include the Council advance-funding infrastructure to create serviced plots; and forward funding of private sector developments through sale and leaseback. Without intervention, developing large units is more viable than smaller ones, because only large-scale developers can attract institutional finance and pay for infrastructure, and smaller units are more expensive to build and manage. Public sector intervention can help close this viability gap.
3.87 The Council can also build additional industrial units itself (as it has already been doing), but it should be careful that this does not hold back rental growth, making development unviable.

3.88 As discussed earlier, at current rents development of small-to-medium industrial development is only marginally viable in Daventry, because in the absence of new development rents have stagnated. Once new units are built we would expect them to let at higher rents, so that development becomes viable and there is comparables evidence to improve investor confidence and encourage further investment.

3.89 When sites are allocated for units sub 10,000 sq m (108,000 sq ft) the Council should seek to cap unit sizes to ensure developers of larger units do not out-bid developers of these smaller units.

**Offices**

**National context**

3.90 Typically, new office development is financially viable in major towns and cities. Generally, new development requires a pre-let in place to a blue-chip covenant – i.e. on a long lease to a high-quality tenant that is likely always to pay its rent and adhere to its obligations. This structure gives sufficient security to the investment to enable funding to be obtained.

3.91 There is evidence of speculative office building in London and key regional centres where there is very strong office demand. Key regional centres where speculative office building has occurred is in the Thames Valley and cities such as Birmingham and Manchester.

3.92 In recent years the main drivers of demand for new office space has been from finance, professional services and Technology, Media and Telecommunications (TMTs). Since the decision to leave the European Union there has been a slight cooling of office demand from finance and professional services, but demand from TMTs remains robust.

**Daventry District as an office location**

3.93 In the East Midlands region, the core office markets are found in the cities of Nottingham, Leicester and Derby. These areas attract demand from some national professional services, that require a regional presence, and regional and local based companies. Lambert Smith Hampton quote prime rents as £19.75 psf for Nottingham, £17.50 psf for Leicester and £17.50 psf for Derby. Closer to Daventry District, the surrounding centres such as Northampton, Kettering, Rugby, Coventry, Wellingborough and Market Harborough have much smaller office markets then compared to the main cities. In these locations office demand is generally weak and is mainly from small regional and local companies.

3.94 Daventry is primarily seen as an industrial location rather than a recognised office market. As a result, the office market in Daventry District is very secondary and is smaller than that of some of the surrounding centres such as Northampton. The district has minimal office stock, with the majority of the accommodation found in
Daventry town. The stock is generally dated, with small units to service local companies. There are examples of modern space being built-out in recent years with the completion of the Icon Innovation Centre. Occupiers of the Icon Innovation Centre include RUR3 Environmental Ltd (create renewable energy through food waste) and Ozofresh (supply air purifiers to the healthcare and leisure sectors).

3.95 Outside of Daventry town there are examples of more rural office locations, for example Grovelands Business Park at East Haddon, which has been recently refurbished. Though there are a number of rural offices the market is small and is predominantly occupied by local SMEs.

**Demand**

3.96 Property agents report that there is no one sector, nor location, driving demand for office space in the district, however, a key requirement is the provision of on-site car parking. Demand for office space in the district is on a small scale and tends to be from businesses already located in Daventry and serving local markets. Agents report that the district does not tend to pick up footloose regional or national requirements.

3.97 Table 3.13 shows that between 2013 and 2016 annual office take-up averaged 18,779 sq ft per year across 27 transactions. In 2017, so far, take-up is on course to be similar to previous years.

**Table 3.13 Annual office take-up, Daventry, 2013-17**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of transactions</th>
<th>Total take-up sq ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>10</td>
<td>16,996</td>
</tr>
<tr>
<td>2014</td>
<td>9</td>
<td>34,079</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
<td>14,295</td>
</tr>
<tr>
<td>2016</td>
<td>4</td>
<td>17,244</td>
</tr>
<tr>
<td>2017</td>
<td>5</td>
<td>11,281</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>93,894</strong></td>
</tr>
<tr>
<td><strong>Annual average 2013 - 2016</strong></td>
<td>7</td>
<td><strong>18,779</strong></td>
</tr>
</tbody>
</table>

Source: EGi

3.98 Table 3.14 highlights that half of the transaction since 2013 were in the size range of 1,001 sq ft – 5,000 sq ft, with 22% up to 1,000 sq ft and 81% up to 5,000 sq ft. No space has been take-up over 15,000 sq ft over the period analysed.
Due to the small size of Daventry’s office market, the EGi data is unlikely to capture all office deals over this period. But it does provide a high level indication of the size of units and the amount being taken up.

Agents report that occupiers typically look for short term leases, usually with regular breaks giving tenants flexibility. A number of local business have a preference for freehold properties. Often this is down to the security being an owner occupier provides, and some directors have acquired properties for their pensions.

Generally, office occupiers prefer locations in the town centre, where they have supporting amenities. There is less demand for out of town units. Car parking is the key requirement and occupiers will take space where this exists. Often newer developments have fewer car parking spaces, due to environmental conscious design requirements. The number of car parking spaces is such a major consideration for occupiers that to secure more parking they will take second hand space of lower quality rather than new built space.

Some occupiers have indicated that they are looking to relocate out of district. One occupier noted that they are actively looking for space closer to Northampton due to the town having closer access to the workforce and having better connectivity.

### Supply and market balance

Table 3.15 shows that there are 25 units available which equates to a total of 88,242 sq ft. This is against a total stock of 421 units / 552,000 sq ft registered on VOA. Therefore, there is a current vacancy rate of 16% of floor space and 6% of number of units. If we cross reference the availability in Table 3.15 with annual take-up in Table 3.13; the availability across the district equates to 3½ years supply in relation to number of units and 4 years and 8 months supply in relation to floorspace. Both these indicators show the market is relatively balanced.

Taken in isolation, these ratios suggest that the office market is oversupplied. But the numbers are distorted by the large amount of vacant space at Nene House. Leaving aside this one-off occurrence, in our view the market is broadly in balance, with subdued demand matched by similarly low supply.
Table 3.15 Availability of office space, Daventry, September 2017

<table>
<thead>
<tr>
<th>Size range sq ft</th>
<th>Total No of units</th>
<th>% of units by size range</th>
<th>No. of units available</th>
<th>% of units available</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,000</td>
<td>276</td>
<td>66%</td>
<td>5</td>
<td>2%</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>136</td>
<td>32%</td>
<td>17</td>
<td>13%</td>
</tr>
<tr>
<td>5,001-15,000</td>
<td>4</td>
<td>1%</td>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td>15,001-50,000</td>
<td>5</td>
<td>1%</td>
<td>1</td>
<td>20%</td>
</tr>
<tr>
<td>50,001-108,000</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>421</td>
<td>25</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

Source: EGi

3.105 Table 3.16 shows the available units range from 643–26,500 sq ft with the majority between the 1,001–5,000 sq ft range. Availability is generally located in Daventry town but the stock is relatively dated. The two largest available units are Nene House and Dc240 DIRFT II. Nene House is a second-hand property of 26,536 sq ft located in Daventry town, and although not reported in the EGi data, we understand it is being offered to the market in smaller units. Secondly, Dc240 DIRFT II, located outside Daventry town, is a 10,515 sq ft unit. This unit is part of a building owned by Eddie Stobart in the DIRFT industrial estate and they are letting part of the office element of their B8 distribution unit.

Table 3.16 Office stock and availability, Daventry, September 2017

<table>
<thead>
<tr>
<th>Size range sq ft</th>
<th>Total No of units</th>
<th>% of units by size range</th>
<th>No. of units available</th>
<th>% of units available</th>
</tr>
</thead>
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<td>5,001-15,000</td>
<td>4</td>
<td>1%</td>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td>15,001-50,000</td>
<td>5</td>
<td>1%</td>
<td>1</td>
<td>20%</td>
</tr>
<tr>
<td>50,001-108,000</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>421</td>
<td>25</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

Source: EGi, VOA, AspinallVerdi.

3.106 There has been little new build in recent years, with the most recent development being The Icon Centre, built in 2011. The Icon Centre provides 43,056 sq ft of office space across 55 units. The Icon Centre was funded with £9 million of public money, from the European Union and local government. The Icon Centre has market constraints, as occupiers who take space must have connections to the ‘green/environmental impact’ sector.

Rents

3.107 Good quality second-hand office space in the district, which are let on traditional lease terms, range between £10-£12 psf, this is being achieved at Heartlands Business Park, Langley House and Mulberry. The rents achieved in the district are lower than seen in the large East Midland cities e.g. £17.50 psf-£19.75 psf. With the rents achieved in the district are more in line with that of Northampton and Kettering.

3.108 The general tone of rents in the district are between £10-£12 psf, with evidence of very good quality small units (i.e. sub 1,000 sq ft) achieving £16 psf. At these rents, it is not sufficient to stimulate new build development but is sufficient for space to be refurbished as evidenced at Nene House, Grovelands Business Park, The Drummonds, Swan Court and Pedigree Farm Barns.
3.109 For development to be viable agents report that rents would need to be nearer £20 psf to enable viable development but even then, a pre-let on institutional lease terms to a blue-chip covenant would be required to ensure viable development. Rents would need to be closer to £30 psf to try and stimulate a speculative market.

**Development opportunities**

3.110 There are few potential opportunities for office development in Daventry. The sites with potential for office development are mostly the same as for industrial development, but industrial is generally the more suitable use for these sites. Locations that could accommodate office development are as follows:

- **Saxon Hill Park** is a proposed office development, outside Daventry town has plans for 3 units each between 1,488-18,642 sq ft. The development is being brought forward on a build to suit basis. During the agent consultation, it became apparent that this development was unlikely to be built out by the developer. Agents also reported there had been little interest in the build to suit opportunity.

- **Heartlands Business Park** has two small plots of undeveloped land, of which one was granted planning permission for an industrial unit in August 2017. The Park is currently occupied by a mix of B1, B2 and B8 occupiers, making it a compatible location for office development. A key occupier requirement is that a reasonable amount of car parking be provided. The plots of land are small, so they could be developed for small office units with generous car parking. Overall, office development on these sites would seem logical, but like all office development opportunities in the district there are issues with viability.

- **The Knoll** is more suited to industrial than office development, as it is located on an industrial estate. Agents report that there is some potential for a mixed-use scheme here, potentially providing some office space. But the site is constrained and developers are struggling to make industrial development viable. This does not favour office development, which is less viable than industrial in the area.

- **‘Daventry Gateway’** is located on the A45 when entering Daventry town from the South East and could be suitable for mixed use development including some offices. Agents have suggested that this site could be used for more viable industrial uses.

- **Town centre Vision site 3** is outside, but in close proximity to the town centre and next to the iCon building. The site would be suitable for mixed use development, including some office. It is Council-owned and part of the corporate vision for the town. The Council is currently assessing its development viability.

**Conclusion: the office market**

3.111 Currently office rents are low and occupier demand is weak, meaning that in the short to medium term there is no foreseeable demand for new office development. The office market is broadly in balance and there no evidence to support allocating land for office development in Daventry District. The focus for offices should be on refurbishment of existing stock, as is currently occurring. This provides the most cost-effective solution in bringing more modern space into the market. In fact, agents
informed us that second hand refurbished space is often more desirable to occupiers, due to favourable ratios of car parking spaces to employees.
4 CONCLUSIONS

4.1 Our research strongly suggests that Daventry’s office market is broadly in balance, with no effective demand for additional space, and hence no requirement for development sites in the new plan. But for small-to-medium industrial units there is substantial demand, currently and probably in future; so if development sites were allocated they would likely be developed and occupied (provided that they are protected from development for large-scale warehousing, which would command higher land values).

4.2 If such land were provided by the planning system, in our opinion this land would be developed and occupied. Main occupier sectors would include automotive-related industries, smaller-scale distribution and high-end manufacturing.

4.3 The obvious implication is that the Council should consider allocating land for small-to-medium industrial units in the new Part 2 Local Plan. We broadly estimate that 1.8-3.5 ha per year would be required to allow for continued growth in occupied floorspace, in line with the past trend. As this estimate is highly uncertain, it might not be prudent for the Council to identify land accordingly for the whole plan period – even assuming that it wants to meet demand in full and has the necessary capacity in the right locations. A better policy response would be to identify a smaller amount, perhaps to provide five years supply – which at the bottom of our range would mean 9 ha. Whichever solution the Council takes forward, either allocating in full or for the next five years the new Local Plan could commit to review its allocations within five years, having regard to the actual take-up of this land.

4.4 Most land identified for development should be in Daventry town, where there is the most demand for space. But there is also potential demand in Crick, including from suppliers and service providers who support the large-scale occupiers at DIRFT. This demand is likely to increase in future, as the latest phase of DIRFT is built and occupied.

4.5 Ideally land should be identified at more than one location, to allow competition, so that no individual landowner is in a position to restrict supply.

4.6 In allocating land, where possible the Council should target sites that are free of physical constraints such as contamination, bad ground conditions or inadequate infrastructure. Where there are such constraints they will restrict development, because end values may not be sufficient to cover the costs of development. In these scenarios, the Council may need to intervene to facilitate development, by funding land remediation and infrastructure.

4.7 More generally, proactive interventions to facilitate development could include the Council advance-funding infrastructure to create serviced plots; and forward funding of private sector developments through sale and leaseback. Without intervention, developing large units is more viable than smaller ones, because only large-scale developers can attract institutional finance and pay for infrastructure, and smaller units are more expensive to build and manage. Public sector intervention can help close this viability gap.
4.8 The Council can also build additional industrial units itself (as it has already been doing), but it should be careful that this does not hold back rental growth, making development unviable.