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Mr Kevin Owen
Luton Borough Council
Planning Department
Town Hall
George Street
Luton
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Our Ref: DJ/SS

Dear Mr Owen

**Re: Employment Land Availability**

Following on from our recent conversation, I thought it was worth writing to you to outline some of our observations regarding the current state of the industrial market within Luton and some of our concerns about what this is likely to mean within the medium term.

Luton, like many of the neighbouring towns along the M1 corridor including Hemel, Dunstable and Milton Keynes, has seen good levels of take-up within the industrial and logistics market over the past couple of years, although with a lack of development for a number of years, this increased take-up has led to a depletion of the available stock. With available supply now sitting at a record low, attention is turning to where additional supply may come from and where (speculative?) development could be delivered.

This is an exercise which is taking place along the M1 corridor as Dacorum Borough Council, Central Bedfordshire Council, Bedford Borough Council and Milton Keynes Development Partnership all have a number of sites coming through the planning system which could potentially facilitate new development.

Normally, when we talk about take-up or supply levels, we tend to view Luton, Dunstable and Houghton Regis as a single market which would on average see a combined take-up of 800,000 sq ft per annum and somewhere in the order of 1.6 million sq ft of available supply on the market at any given time. Over the past few years, both of these numbers have fluctuated as economic circumstances have taken their toll.

By comparison, take-up in 2009 totalled 425,000 sq ft - just over half of the average, and availability stood at 2.9 million sq ft. At the moment, 2015 appears to be another strong year, with take-up already approaching 700,000 sq ft and a further 295,000 sq ft under offer. These figures are however slightly flattered by the letting of DC1 in Dunstable to Amazon, a single building of 310,339 sq ft.

Drilling down into the availability figures, we can however pull out some fairly stark statistics. Availability within Luton and Dunstable stands at 600,000 sqft – less than 12 months supply. At the moment there are only 10 industrial units over 5,000 sq ft available within Luton Borough. In addition, we can confirm that a further 4 units are currently under offer. Within the 10 available units, all of the buildings are considered to be unrefurbished (although some landlords have expressed an intention to refurbish some of the units) and there are substantial gaps in supply.

One of the reasons that Luton has enjoyed such strong take-up over the last couple of years is that an acute shortage of available buildings in locations further south, such as Hemel Hempstead, St Albans and Watford, have led to occupiers looking further north in search of suitable properties and value. This has been demonstrated by a number of firms locating into the local area and from our research we can confirm that last year 429,000 sq ft of the 900,000 sq ft transacted went to businesses that were "new to Luton (and Dunstable)". This is somewhere above the long term average of 20%.

We are however now faced with a similar issue in Luton, where Luton based occupiers are being forced to look further afield in order to grow their businesses, expand or modernise. Once again, occupiers are tending to look further north in search of value and this is something that we expect to continue until such time as occupiers are able to secure suitable premises within the local area.

Having examined the Draft Local Plan (2015-2023) it does appear that a number of sites have been highlighted to provide new jobs, however our understanding is that the more deliverable sites, such as Butterfield, have a preference for offices rather than industrial development.

Our suggestion is not that the sites be allocated for large scale warehouse development, there are a number of sites along the M1 corridor coming forward which we feel suitably addresses this demand however some industrial development aimed at the target local occupier market could go a long way to address the current supply and demand in balance.

More than 50% of the deals within the Luton and Dunstable market tracked by Lambert Smith Hampton (over 5,000 sq ft) occur at under 20,000 sq ft and of these two thirds tend to be of between 5,000 and 10,000 sq ft. We do however know from our experience in the market that there remains good demand for premises of under 5,000 sq ft, as evidenced by schemes such as Bilton Court at Bilton Way being fully let.

One possible way of delivering this could be some targeted development of small industrial units at Butterfield, possibly adjacent to Basepoint, of under 5,000 sq ft. In addition to responding to a gap in the wider Luton market, this may also go some way to providing the ground floor occupiers at Basepoint with a stepping stone, making it easier for them to move on from the Innovation Centre.

You mentioned that a demand assessment undertaken in 2013 by Nathaniel Litchfield Partners suggested that going forward it was likely that additional office development would be needed to meet the needs of occupiers in the future. Whilst the office market has enjoyed some resurgence as a result of the changes to permitted development, this has actually masked the continuing weak performance of the occupational market, where in 2014 take-up of offices for occupation as offices by occupiers totalled only 35,000 sq ft, less than 5% of the average annual take-up within the industrial market.

This, coupled with questions around the viability of office development within the wider market suggests that without fundamental shifts in the office market, Luton is unlikely to see development of offices occurring within the medium term.

Hopefully, this letter has provided an informative summary of how we currently view the industrial market within Luton and Dunstable but please do not hesitate to contact me if you would like to expand on any of the points raised.

Yours sincerely

D Jackson

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