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DARLINGTON LOGISTICS SECTOR STUDY

BNP Paribas Real Estate



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1 Executive Summary

This report provides Darlington Borough Council with information on Global supply chains and how they have the potential to impact Darlington.

Globally the logistics industry is valued at USD 3.5 trillion. In the Tees Valley alone over 5,000 people are employed in approximately 250 businesses which contribute £307 m of Gross Value Add (GVA) to the Tees Valley economy each year.

According to the TBR Data Observatory Darlington's share of this sector translates into 50 businesses providing employment for roughly 580 people with a GVA of £35.4 m.

Our Research has found that whilst the logistics sector in Darlington is significant there are barriers to its growth.

Through desk based research we have analysed the current occupier mix within Darlington and found it heavily exposed to the retail sector with over 35% of all logistics space in Darlington occupied by the logistics sector. However, by business count the advanced manufacturing sector has a greater level of importance.

We have placed Darlington employment sites in context and accessed their commercial viability and concluded that efforts should be focussed on three key sites within the borough. This may mean that Darlington currently has too much land set aside for future logistics use.

Moreover we believe the promotion of logistics in Darlington is disjointed and steps should be taken to address this. The Council has a key role to play in bringing together key local stake holders. This will ensure a consistent messages to the market and ensure that Darlington is "on the list" when logistics requirements are brought to the market.

2 Introduction and Research Brief

The logistics sector in the Tees Valley employs over 5,000 people in approximately 250 businesses and contributes £307 m of Gross Value Add (GVA) to the Tees Valley economy each year.

According to the TBR Data Observatory Darlington's share of this sector translates into 50 businesses providing employment for roughly 580 people with a GVA of £35.4m.

The Darlington Gateway Strategy, 2006, identified the logistics sector as a key sector for the borough with Darlington's portfolio of sites and property being geared towards this sector.

In order for Darlington Borough Council to grow and maximise the logistics sector in Darlington it is necessary to understand:

- How logistics is defined and the type of companies operating in the sector
- The factors effecting global supply chains and its relevance to Darlington
- The make-up of the logistics sector in Darlington
- The strengths and weaknesses associated with the logistics sector in Darlington
- How the logistics sector real estate market is operating and what opportunities these present to Darlington
- What sites within Darlington are most suited to the logistics sector
- Where competes with Darlington on a local, regional and national scale and,
- What actions Darlington needs to take to address any failings in the logistics offering.

BNP Paribas Real Estate will draw on a number of resources to fulfil this brief.

Firstly our Supply Chain Consultant, Lisa Fitch, an expert in global supply chain issues and the implications for real estate will provide opinion on the issues effecting global supply chains.

We will then utilise databases we keep and subscribe to provide an overview of logistics property markets and through the Valuation Office be able to examine the current make-up of the logistics sector in Darlington.

Lastly, Paul Nicholson, of PGN Property Consultants will utilise his local knowledge to access the suitability of sites in Darlington for logistics related use. Paul will also speak to local contacts and feed their input into the report.

It should be stressed that the remit of this project allows for very little primary research and our conclusions could recommend further studies.

3 What is Logistics?

To frame where Darlington sits within the logistics sector it is important to understand what we mean by “logistics”

This section of the report defines what BNP Paribas Real Estate define logistics as for data collection purposes and also what logistics is as a business sector.

3.1 Real Estate definition

BNP Paribas Real Estate keeps a detailed database of supply and take up for the UK Logistics and Industrial market. We track information on both new and second hand units over 50,000 sq ft which allows us to have a clearer picture of the market. This has been particularly important through the economic downturn as the importance of the second hand market has come to the fore as occupiers have struggled with capital expenditure for the fit out of modern stock.

In the most part however and in relation to commercial property logistics can be defined by what operation a company is conducting within a building. Therefore where we refer to data covering the Darlington boundary we have reduced this size threshold to 10,000 sq ft but also taken a view on what the tenant is doing inside a building or what an empty building would realistically be used for.

3.2 Logistics as an industry

The term logistics often means different things to different people depending on their role in a supply chain. Moreover, different user models can impact what type of logistics operation they utilise and where they locate.

In this section we have highlighted the key logistics models and explained their typical tenants along with building specifications.

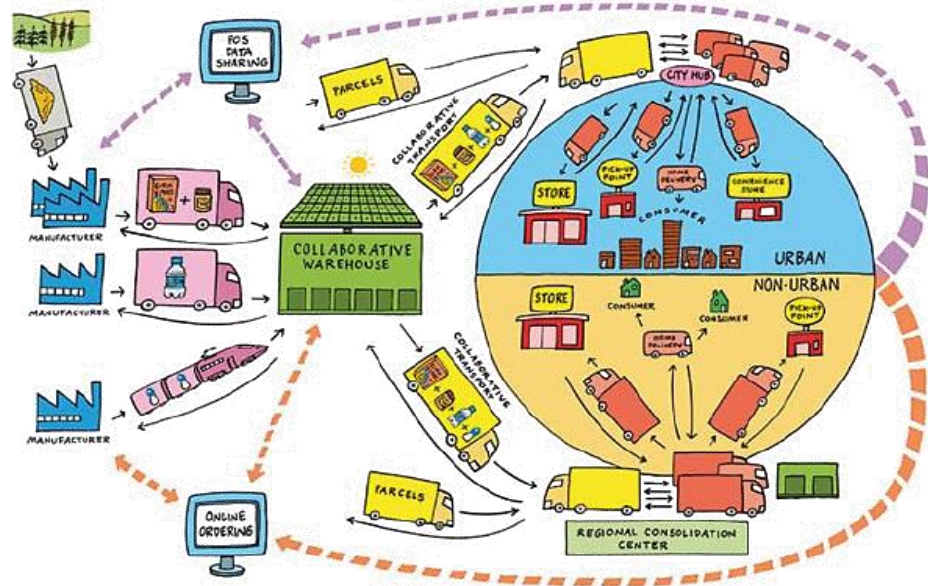
3.2.1 Warehouse vs Distribution Centre

Warehouse: We tend to view this by definition as a storage location. It is a facility which acts as a node in a supply chain and may encompass raw material / component warehouses, work-in-process warehouses, finished goods warehouses, distribution warehouses / centres, fulfilment warehouses / centres, local warehouses and value-added service warehouses.

Distribution centre: More accurately, this is a facility which acts as a node in the outbound supply chain (i.e. post manufacture) and may include finished goods warehouses, distribution warehouses, fulfilment warehouses / centres, local warehouses, value-added service warehouses, make-bulk / break-bulk consolidation centres, cross-dock centres, transshipment centres, assembly facilities, and returned goods centres.

In many instances, it can represent only a very slight difference and most significant networks contain one or many of each. But that difference influences how an organisation views the site in terms of criticality, cost to benefit ratio or length of term. A good example would be a seasonal or overflow warehouse which serves an important function at a point in time but would not necessarily be considered a long-term valuable asset.

Legislation, environmental concerns, rising costs and improvements in technology have all contributed to the addition of components to the supply chain as well as altering uses for existing physical components.



Although a novelty, the picture above from a recent CapGemini survey does an excellent job of illustrating the numerous potential touch points in a modern current and future supply chain.

Typical Tenant:

High street, online or food retailer, key industry suppliers such as automotive components.

Building specification:

200,000 – 1,000,000 + sq ft

2-6 level access doors and 15-50 dock levellers. (Note, above 600,000 sq ft these often almost double)

15m+ eaves height.

3.2.2 Manufacturer “Warehouse”

We explored the differences between warehouses and distribution centres earlier so will not pursue further here. It is important to note however that one method of alleviating either from the chain is delivery from the manufacturer. This may take several forms.

- Direct to Customer (i.e. Dell)
- Direct to Store
- Vendor Managed Inventory (VMI)

All are designed to remove time and cost from the retailer or distributor's supply chain. They result in a smaller requirement for space from a retailer/distributor who receive product just-in-time (JIT) to be forwarded on to stores/consumers or is by-passed completely. Although this would seem to foretell a net decrease in space requirements, it has simply displaced those requirements to an alternative occupier.

Manufacturers who once produced and shipped product are now requiring increased space to hold that product. Though they should also be producing

JIT, because their own component supply chains may be lengthy or risky and they fear an inability deliver, they store stock. Each link in the chain does so in increasing amounts creating what is known as a bullwhip effect.

Rising costs, improved visibility technology and increased sales/demand forecasting among partners should see every effort made to reduce these volumes. Many efforts are underway amongst the largest global players but only they are likely to see significant improvement in the 5-7 year term.

Typical Tenant:

Furniture, building products, white goods and key industry suppliers such as automotive components.

Building specification:

15,000 – 1,000,000 + sq ft

- Lower threshold would represent suppliers to yet a larger manufacturing site where this facility serves as a satellite to the master site and is used to “pull” components
- Higher threshold for the bulkier goods firms i.e. a Sofa Warehouse, Bosch, etc

These lend themselves to increased level access doors and lower volumes of dock levellers to more easily facilitate cumbersome product or hourly re-supply vans.

8 -15m+ eaves height.

3.2.3 Collaborative Warehouse

Earlier, DHL was used as an example of removing cost through collaborative warehousing. TDG has also provided 7% transport savings to Kimberly Clark and Kellogg's through this method. TDG manages freight through each of their distribution centres for the other party and then delivers consolidated deliveries to retailers.

This reduces the net space requirement that each retailer or the 3PL requires nationally.

It is highly unlikely even in the 5+ year window that large retailers will begin to share space in this manner. That window however is likely to see an ever increasing volume of freight handled in this way between non-competing retailers and retailer/supplier networks.

As noted above with e-tail, the specification ramifications are likely to include campus like distribution parks. It will also increase pressure for more multi-user friendly sites which can segregate product if required or at a minimum facilitate disparate load/unload capability.

Due to the inherent issue involved, it is most likely that these will continue to be managed by third parties.

Typical Tenant:

3rd party logistics service providers.

Building specification:

250,000 – 500,000 + sq ft

2-8 level access doors and 20 – 60 dock levellers.

12 -15m+ eaves height.

3.2.4 Consolidation Centres

Freight Consolidation Centres (FCC) or Urban Consolidation Centres (UCC) have been a much discussed “innovation”.

They are best described as a logistics facility that is situated in relatively close proximity to the geographic area that it serves be that a city centre, an entire town or a specific site (e.g. shopping centre), from which consolidated deliveries are carried out within that area. They should not be confused with other operations where there are similarities with UCCs, such as neighbourhood collection points for home deliveries, intermodal terminals, traditional retailer distribution centres, and express parcels hubs. Broadly speaking the key purpose identified for UCCs is the avoidance of the need for vehicles to deliver part loads into urban centres. This objective can be achieved by providing facilities whereby deliveries (retail, office, residential or construction) can be consolidated for subsequent delivery into the urban area in an appropriate vehicle with a high level of load utilisation.

The key advantages are:

- environmental and social benefits resulting from more efficient and less intrusive transport operations within urban areas
- better planning and implementation of logistics operation, with opportunity to introduce new information systems at same time as consolidation centre
- better inventory control, product availability and customer service
- can facilitate a switch from push to pull logistics through better control and visibility of the supply chain
- potential to link in with wider policy and regulatory initiatives
- theoretical cost benefits from contracting out “last mile”
- public relations benefits for participants
- potential to allow better use of resources at delivery locations
- specific transport advantages
- opportunity for carrying out value-added activities

The key disadvantages that have been identified are:

- potentially high set up costs (and sometimes high operating costs)
- much urban freight is already consolidated at the intra-company level or by parcels carriers, so limited benefits (or even negative consequences) for trying to channel these flows through a consolidation centre. The potential scope for UCCs may therefore be limited
- difficult for a single centre to be able to handle the wide range of goods moving in and out of an urban area, for example due to different handling and storage requirements
- most studies report an increase in delivery costs due to an additional stage in supply chain which imposes a cost (and often a time) penalty, though this clearly depends on how well the centre is integrated into the supply chain and the extent to which all costs and benefits are considered
- a single consolidation centre for an urban area is unlikely to be attractive for many suppliers’ flows due to the degree of diversion required from normal route (and may therefore negate transport savings for onward distribution)
- lack of enforcement of regulations for vehicles not included in the consolidation scheme
- organisational and contractual problems often limit effectiveness
- loss of the direct interface between suppliers and customers

The potential beneficiaries from the establishment of UCCs would be:

- Retailers who are not part of supply chains in which deliveries are already highly consolidated at distribution centres, and/or are receiving full vehicle loads. This will include many smaller stores and independent retailers, together with some larger stores.
- Transport operators making small, multi-drop deliveries for whom the location, parking and unloading time is disproportionate to the size of the delivery.
- Shared-user distribution operations that provide their clients with major economies in both warehousing and long haul transport, but because their final deliveries are invariably multi-drop and geographically spread suffer major inefficiencies as a result of delays in the urban delivery part of their operation.

Meanwhile, organisations that are not envisaged as being beneficiaries of UCCs are:

- Major supermarkets and similar outlets who operate their own stock consolidation centres (regional / national distribution centres) and who essentially transfer full vehicle loads to their own outlets and who will use vehicles of a size that minimises the number of journeys and are also of a size appropriate to the access conditions of the outlet being served.
- Department stores that hold stock at an out-of-town location (an in-house consolidation centre) and provide a shuttle service to the retail store.
- Freight transport companies and some wholesalers who themselves provide a consolidation service for a particular region or urban locality. However, the acid test for such operators will be whether or not their final deliveries are so geographically focused that a high vehicle utilisation for a specific urban centre can be achieved. If it does not, they too are potential beneficiaries from UCCs.

There is a relatively low success rate for both the adoption of the CC concept and for their commercial viability. They have consistently required outside funding in the short and near term. They are also generally the result of increased legislative constraints regarding noise or delivery time restrictions.

The recent review by retail guru Mary Portas has called for fewer restrictions on night-time deliveries to boost UK retail business.

She cites delivery restrictions as a major obstacle to successful high street retailing and advocates setting up local delivery networks.

Should her comments lead to no government intervention, however, the utilisation of such facilities will be increasingly mandated by local authorities.

Typical Tenant:

3rd party logistics service providers.

Building specification:

10,000 – 200,000 + sq ft

1-4 level access doors and 3 – 10 dock levellers.

8 -15m+ eaves height.

3.2.5 Co-packing Facilities

Just in time delivery increasingly necessitates that the final stages of product completion wait until the absolute last moment. Additionally, the ever increasing ranges of own-brand products often see firms such as Unilever required to box the same item multiple ways.

Contract packing (or co-packing) offers a potential answer. It allows manufacturers to make their products shelf-ready by outsourcing their secondary packaging requirements (typically outer boxes or packets). It is about taking a product and converting it into a different format, such as changing an ordinary box into an attractive end-of-aisle display.

Secondary packaging has become an important competitive advantage for manufacturers, particularly in the food and beverage, health and personal care and pharmaceutical markets. Outsourcing it offers the chance to reduce costs, as third-party operators already have expertise, resources and staffing in place.

DHL is the UK's largest co-packer, with 13 sites around the country. Co-packing allows manufacturers to meet ever-increasing retail customer demands. In a Contract Packaging magazine survey, 65% of respondents who had invested in co-packing said it had increased their business's flexibility, while 62% said it had helped them cut costs. It can also reduce carbon footprints – DHL conducts a 'centre of gravity' study for each customer, suggesting how they can cut down on transport and the environmental impact of distribution.

Co-packing in the UK has become an increasingly attractive option, usurping suppliers in China who for a period captured part of the co-packing market. The price difference is no longer advantageous if it means wasting time and creating carbon emissions carting products halfway round the world. Manufacturers have to be flexible, as retailer requirements often change quickly and it is very difficult to be flexible if your packaging is hundreds of miles away from the market.

Also, as product is sourced from both near and far, we will continue to see an increased volume of requirements from this market to convert the product as it merges in the UK prior to going to the consumer market.

Typical Tenant:

3rd party logistics service providers i.e. DHL for Unilever, contract packers i.e. Strategy Group, Codex and the like, "Gift" packers i.e. Love2Reward.

Building specification:

Facilities which are receiving product and re-packing fall into the 20-40,000 sq ft range but those that store, pack and redistribute can be in the 100-200,000 range.

1-4 level access doors and 3 – 10 dock levellers.

8 -15m+ eaves height.

3.2.6 Pallet Hubs

JIT and less, more often have combined to achieve success for the pallet networks. Independent distribution firms send trunking vehicles of palletised goods from their own geographical region to a central hub. These are unloaded, sorted and aggregated into new vehicle loads by individual destination. Loads are exchanged and each member departs again with a load of other's freight destined for their spoke region.

This increases vehicle utilisation, decreases empty vehicle running thus reducing carbon impact and fuel costs. By consolidating deliveries and managing a regional spoke system, it also reduces the delivery costs to the shipper. It provides a variable cost base to manage distribution requirements, reduced lead times, reduced stockholding and improvements to cost control. Average usage figures show pallet network trunks run at 82 per cent full – which can be a huge saving against some traditional fleets which run at nearer 50 per cent.

These firms have gone from strength to strength and increasing customer demands supports forecasts for significant continued growth.

Several models have now been trialled for these facilities. The traditional dock level specification has proven highly difficult to manage. Unlike parcel hubs which can hand-ball packages onto conveyor to be sorted, palletised freight requires forklifts and a great deal of short movement. Facilities which enable the lorry traffic to enter the building itself and exit with sufficient room to circumnavigate and aggregate during the unload and load process will continue to be the norm for this industry.

Typical Tenant:

Pallex, The Pallet Network and small local haulage firms making up the membership of such networks

Building specification:

Hubs vary from 100 – 400,000 sq ft whilst member firms can range from 15 – 100,000 sq ft

Pallex utilises traditional dock levellers, however most of the other firms continue to employ the drive-thru building model utilising level access doors at opposing elevations.

12 -15m+ eaves height.

4 Logistics in Darlington

In this section of the report we have analysed the make-up of the logistics sector in Darlington classifying tenants of warehouses by what they are doing in the building.

We have then provided information on trends in global supply chains and how these trends have the potential to impact on Darlington.

4.1 Business Analysis

In order to understand how supply chain change will impact on Darlington it is important to understand the current make up on the logistics sector within Darlington.

To carry out this aspect of the study we extracted data from the Valuation Office (VO) system Analyse which we subscribe to. This desk based analysis allowed us to examine data concerning the logistics sector and apply a business sector for the tenant where this information is available.

Through the VO we were able to extract information on 90 existing buildings over 10,000 sq ft within the Darlington Borough boundary totalling 6,384,405 sq ft.

Through the VO and our own local knowledge we were able to assign tenants to 75% of the sample, meaning we have analysed a sample of just over 4.7 million sq ft.

Table 1 below demonstrates the business sector analysis by square footage:

Business Sector	Square footage	Percentage
Retail	1,689,952	35.72%
Advanced Manufacturing	1,057,984	22.36%
Industrial	534,481	11.30%
Food retail	432,630	9.14%
Document Storage	187,401	3.96%
Trade Counter	168,162	3.55%
Local Logistics Company	141,789	3.00%
Public Sector	105,552	2.23%
Manufacturing	93,229	1.97%
Transport	82,774	1.75%
Wholesaler	76,249	1.61%

Raw materials	66,766	1.41%
Services	55,033	1.16%
Food production	25,219	0.53%
Other	13,909	0.29%

In terms of logistics occupiers it is clear to see how the retail sector dominates the market place by square footage accounting for just over 35% of the occupied sq footage. In the most part this is dominated by Argos accounting for 900,000 sq ft.

When combined with food retail the figure rises for 47% of space by sq footage.

Due to the large nature of warehouses associated with retail logistics it is also a useful exercise to examine the nature of Darlington logistics occupiers by the amount of units occupied.

Table 2

Business Sector	Number of units	Percentage
Advanced Manufacturing	8	14.55%
Industrial	7	12.73%
Trade Counter	7	12.73%
Transport	5	9.09%
Public Sector	4	7.27%
Wholesaler	4	7.27%
Food retail	3	5.45%
Local Logistics Company	3	5.45%
Raw Materials	3	5.45%
Retail	3	5.45%
Document Storage	2	3.64%
Manufacturing	2	3.64%
Services	2	3.64%
Food production	1	1.82%
Other	1	1.82%

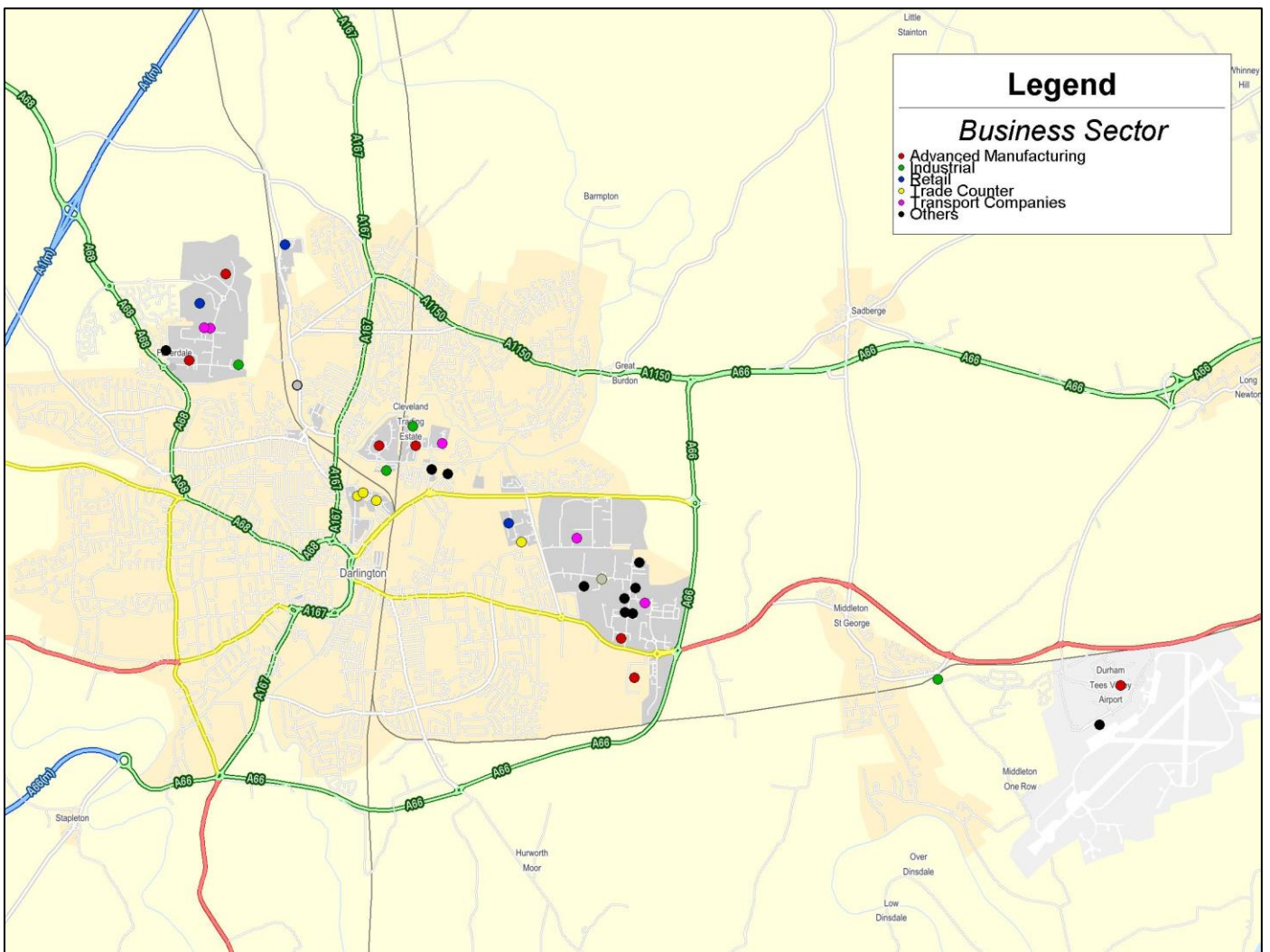
Table 2 paints a very different picture for the retail sector in Darlington which in terms of units accounts for just 11% of all units in Darlington.

One area that does perform well in both measures however is the advanced manufacturing sector which accounts for 15% of all units but also 22% of units by square footage.

4.1.1 Current Clustering

Taking the VOA data where a tenant has been identified we have plotted the businesses on the map below and displayed the data by business sector.

From this analysis clear clustering has not occurred within Darlington with companies from all sectors locating in all current locations.



4.2 Business Analysis SWOT

Strengths and Opportunities

- Diverse occupier base
- Key globally recognised tenants
- But also strong local tenants
- Strong representation in the advanced manufacturing sector
- The ability to build a retail cluster

Weaknesses and Threats

- Too much exposure to the retail sector by square footage
- No evidence of local clustering
- No operators in the multi modal sector
- Low skill set for some industrial and raw materials operations.

4.3 Darlington Supply Chain Drivers

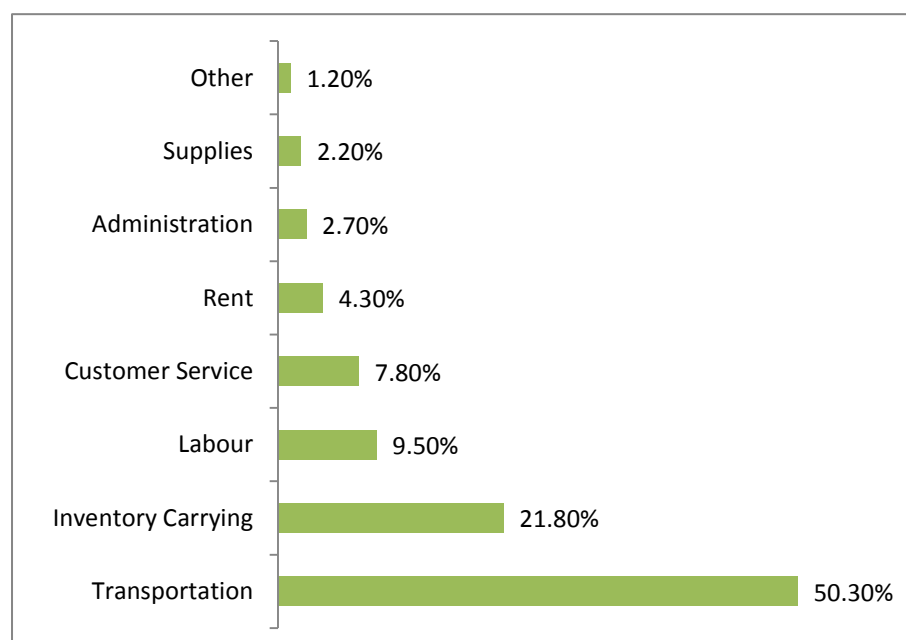
Many competing forces are at work in the supply chain which necessitates an ongoing continuous improvement effort to stay ahead of the challenges and reap the benefits.

The overriding factors which penetrate throughout the supply chain are cost and service level. Each firm strives to maintain the optimal level of the latter without significantly increasing the former. Tied to both are brand and by extension, corporate social responsibility.

Location and specification can each impact directly and indirectly on the core drivers as illustrated in subsequent sections.

4.3.1 Logistics costs

Figure 1: Logistics costs



Source: Establish, Inc. / HWD& Grubb & Ellis Global Logistics.

The evaluation of total logistic costs as highlighted by figure 1 explains why the location dynamics of logistics activities, particularly distribution centres, is mission critical. Transportation costs remain the dominant consideration as they account for about half of the logistic costs. At one time, it was estimated that a firm spent £1 per lorry for each mile they were located off a major trunk road. That figure is now commonly held to be closer to £1.60. This may sound a nominal amount but when multiplied by the volume of lorries a DHL or Tesco is running in the UK, it becomes a significant additional cost.

Inventory carrying costs are also significant with a share of about one fifth of total costs. They include the costs of holding goods in inventory (capital costs, warehousing, depreciation, insurance, taxation, and obsolescence) and are commonly expressed as a share of the inventory value. Labour costs involve the physical handling of goods, including value-added tasks. Therefore, while transportation costs remain the most important element of logistics costs, non-spatial components such as inventory carrying and labour costs, are significant components.

For this reason, distributors are willing to pay higher rents to take advantage of a logistics site that enables them to decrease their inventory holdings and move product more efficiently and/or at lower cost. This can take many forms:

- Ease of access
- Distance from source or end user
- Multiple transport mode options
- Co-location with other supply chain links

Relevance for Darlington

Darlington has already experienced the impact of this driver, particularly the co-location and minimised transport cost aspects, at several sites. Argos Direct originally serviced the nation solely from its Staffordshire site. Partly due to the increase in its online business but primarily attributable to rising fuel costs, in the early noughties they made a strategic decision to create a three-pronged regional network with substantial sites in Bedfordshire and Darlington added to service the south and the north (plus northern Ireland) respectively. As is mentioned later in this document, Nissan and Hitachi's supply chains have generated occupiers in smaller sites to service the "pull-model" of their major sites. More recently, Clipper's ultimate goal had been to co-locate within the port environs to create a "campus" with Asda's port-centric site. The port however did not desire to utilise the majority of their distribution capability tied to a single retailer supply chain and actively assisted Clipper in finding suitable premises within proximity to mimic this capability.

Thus, Darlington too should strive to provide for the extended supply chains of key occupiers. Additionally, they should position themselves as partners in the efforts of the port to provide exceptional alternatives outside the port environs as Wynyard Park and other local developers have done.

4.3.2 Congestion

Factors which force a firm to increase inventory holdings or labour costs can also be location related. These include such things as congestion which increases drive time thus reducing number of journeys per driver and may necessitate hiring additional drivers, running extra fleet and holding additional stock in secondary locations to meet service levels.

Despite tremendous technological advancement in the past 50 years, we still move goods for the most part on the same old transportation infrastructure.

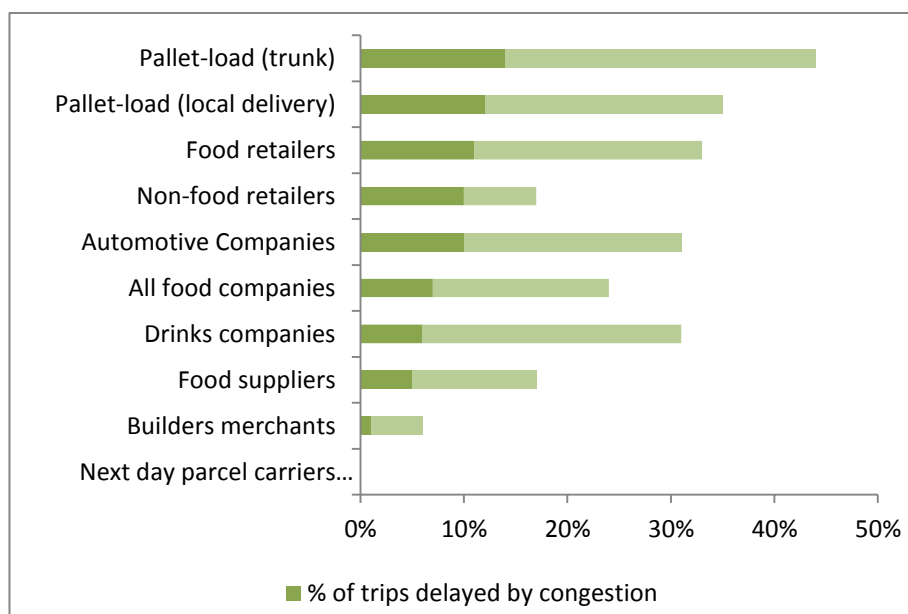
Infrastructure was originally created to accommodate the growth of the next 25 years. Today, however, we add capacity to our transportation infrastructure to handle the growth of the previous 10 years.

The net effect is that transportation projects merely make congestion "less worse." The lack of adequate highway infrastructure capacity has created serious challenges for goods movement and warehouse operations.

Traffic volumes in the UK are set to rise by 43 per cent by 2035, a leading motoring organisation has said, with reduced government investment in infrastructure projects likely to exacerbate delays.

The RAC Foundation has warned that there will be four million more vehicles on the road in the next 25 years as the population increases by more than ten million, the Press Association reports. According to the body, average delays will rise by 54 per cent during this period and the coalition is yet to reveal how it will tackle the problem in the face of reduced expenditure on infrastructure schemes.

Figure 2: Sectoral variation in the frequency of total and congestion-related delays



Source: GreenLogistics

Manufacturers and distributors increasingly use their supply chain networks to gain a competitive advantage in the marketplace. Having the right product in the right quantity, place, and time and at the right price is crucial, and too much or too little inventory can be costly.

As can be seen above, transport delays in the chain can be quite significant. More worryingly, even these delays do not represent an accurate picture and require two qualifications. First, as companies will already have allowed for congestion-related delays in their scheduling, the figures are likely to underestimate the true magnitude of the congestion problem. Second, the various causes of schedule deviations are inter-related. For example, a vehicle delayed by congestion may miss its booking-in slot at a distribution centre and have to wait until the next available off-loading slot. If it is making multiple deliveries,

delays will then accumulate, being amplified by the booking-in systems at each customer location.

A national supplier to the hospitality industry notes in our Warehouse of the Future survey that their plans to establish sites closer to UK ports of entry are driven by their estimate that it will remove an entire day from their supply chain and substantially reduce the additional costs associated with product wastage in the process.

Haulage companies have also begun pricing their services based on a location's impact on their tractor and trailer asset utilisation goals.

Labour Costs

Congestion also has an impact on labour availability and quality. Commuting 30 to 60 minutes each way in heavy congestion affects workers' productivity and quality of life, which ultimately affects turnover rates and retraining costs.

Annualised line-haul driver turnover rates average 120 percent, and a major cause is drivers' frustration with travelling the congested motorway system.

Relevance to Darlington

The last decade has seen various logistics theorists posit that perhaps a means to combat the congestion of freight moving north from congested southern ports via congested southern motorways, was to move freight south from more time and cost friendly northern locales. B&Q was the fore-runner, putting this into practice with their Doncaster site which has subsequently expanded to multiple facilities over a 10 mile radius.

Again, Darlington must capitalise on companies who desire to alter their supply chains and offer routes to a better result. The goal will be to align with other links in the chain to position as a key link. This may be as a result of available air or port marketing with keen Darlington labour and road links.

4.3.3 Time to Market

Congestion is not the only source of bottlenecks in the supply chain. We will briefly explore the relevant issues here in order to highlight the importance of the national infrastructure plans and Darlington's position.

4.3.4 Lack of optimal use of infrastructure.

Ideally transport infrastructure should be used 24/7. Barriers to complete 24/7 operation relate to both external regulatory issues and mode specific constraints. These include:

- Night delivery bans
- Noise restrictions
- Rail and airfreight capacity

4.3.5 Lack of interoperability

This includes inconsistent rail gauges within the UK and to/from the Continent. The ideal scenario in freight movement is a single, seamless door to door movement which reduces risks of loss and damage, increases speed to market and reduces the costs incurred with duplicate handling. In the real world, the supply chain's goal is to execute the movement as near to that ideal as possible.

Corporations serving critical metropolitan market areas must choose between locating close by or selecting a less congested location farther away.

Increasingly, we see firms selecting sites close enough to serve the major local markets but able to operate outside heavy congestion zones for the trunk leg of a journey.

Until significant infrastructure expansion alleviates congestion, site selectors and companies often consider distribution centre locations that already have excess infrastructure capacity.

Additionally, we have seen the process of warehouse centralisation go into reverse as companies find it increasingly difficult to service customers within the required lead times from their existing DCs.

Relevance to Darlington

The northeast has traditionally been pro-active about leveraging their industrial and transport heritage to best effect. It will be increasingly important for Darlington to produce a "user-friendly" environment for logistics activities and to promote the multiple transport linkages both nationally and internationally. As both the port and airport managers have aggressive growth and marketing plans, it will be imperative to illustrate how Darlington contributes to their overall provision.

4.3.6 Corporate drivers

Although brand and CSR do not mean the same thing, it is difficult to extract one from the other in today's environmentally conscious marketplace. The major supermarkets play a dual card to the consumer, save money with us and feel good about doing so with a firm that has an admirable set of environmental goals. It is a win-win for these firms that many of the methods of reaching these goals also service reductions in bottom line costs.

All occupiers are unanimous in their agreement that they will not pay increased premiums to achieve this but their selection criteria does now include the need to achieve:

- Reduced occupational costs
- Reduced CO₂

Both are driving strongly toward interest in biomass energy production and alternative transport. Most firms surveyed in the second round of the BNPPRE Warehouse of the Future research have confirmed that they are either seeking facilities which provide that capability or are investigating stepping outside their core competencies and exploring these options on their own.

Relevance to Darlington

The northeast has made national and international headlines with their promotion of both wind and biomass capabilities. Much of this is now coming to fruition. BNPPRE clients such as Network Rail, Royal Mail and DB Schenker

are all aggressively pursuing improved capability and one only needs to peruse the daily papers to see the retailers touting their plans. Several significant high profile schemes such as Eddie Stobart's refurbishment of end-of-life facilities at Magna Park and Goodman's Derby site have fallen due to the negative pushback of energy elements of the scheme. Darlington must be seen to take a firm and consistent view of this sector and its symbiosis with logistics.

4.3.7 Inflation

Supply chains need to be agile and resilient to protect against the risks of rising input costs.

The 1970's and 80's showed that inflation is a critical issue requiring frequent reassessment of cost forecasts and risk around supply and sales.

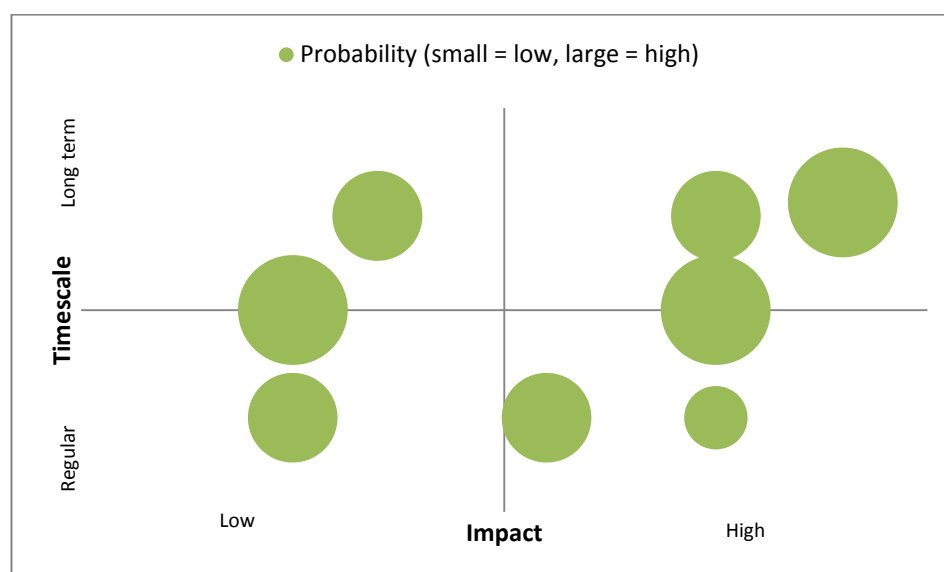
Today, the costs of key commodities are heading in the same upward direction. While oil spiked in 2008, industrial materials, metal, food and agricultural raw materials have all climbed steadily since 2009. The price of wheat alone has increased by more than 50% in the past two years. Labour costs in emerging economies are increasing, putting further pressure on input costs.

Inflation impacts on supply chain cost and performance in several ways. For inbound supply, as well as cost increases on materials, there is the risk of suppliers going out of business. Customers may also be at risk. Companies may need to review guidelines for accepting orders with long delivery lead times. There is also an impact on storage and transport costs, with oil price and duty increases. Agility is key, both to react to and avoid short-term effects and to build resilience for the long term.

Inflation in the supply chain is treated by regularly assessing the impact and likelihood of risk and developing avoidance, contingency and mitigation plans.

The supply chain network risks include fuel, energy, pressure on payroll costs due to inflation affecting household budgets, as well as future legislation impacts (such as carbon pricing and other environmental taxes).

Figure 3: Inflation Risk Classification



Tactical measures to buffer against short-term issues include examining the option to outsource sourcing and procurement for non-strategic suppliers (typically low-value, high volume items).

Higher contract compliance and reduced complexity of managing non-strategic suppliers can lower overall procurement costs. Increased stringency on contract compliance tends to have an effect on both product suppliers and service vendors. Thus a logistics service provider (3PL) may have to assess the way they service their customer to improve time or incentive margins. This is likely to result in a revamp of the locations 3PL's service these contracts from as well as increased pressure on contract lengths.

Companies also look at consolidation and co-pack services to reduce domestic costs, either at origin (for lowest unit cost) or in the destination region. For inbound transport, using slower and cheaper inbound modes of transport (like combining sea and air) can help protect against rising costs.

Strategic approaches may require a re-focus from efficiency to adaptability. Options might include:

- Re-engineering products and packaging, focusing on resource efficiency and sustainable materials.
- Optimising extended global inventories by improving forecasting and inventory management.
- Supply chain network re-design – for example fuel cost inflation may alter the storage vs transport trade-offs, increasing the optimum number of distribution centres.
- Low-cost sourcing trends will also change, with 'near-shoring' replacing 'off-shoring'.
- Industry platforms may be appropriate for those sectors in which logistics is no longer a differentiator. Collaboration with other companies in the same sector could provide flexibility in cost and service performance.

A business in isolation can only do so much to meet cost pressures and remain competitive. A logistics service provider can play the role of broker, encouraging negotiations to deliver collaborative solutions by looking for potential partners with similar fleet restrictions and complementary transport networks. DHL for example has driven around £5m in combined cost savings for convenience store group Nisa-Today and BP's forecourt business, by using spare capacity in a combined delivery network to identify synergies and savings.

If inflation is here to stay, we will need to redesign our supply chains to be agile, adaptable and resilient, with the ability to change source locations easily, absorb additional inventory, and support an organisation's objectives in balancing service and cost. While inflation is no doubt a real threat, it also presents an opportunity. Leading businesses will see it as the catalyst needed to transform and build resilience and agility to take advantage of future unknowns.

Relevance for Darlington

Darlington is well placed to provide an element of surety in this calculation. A steady supply of skilled, well-priced labour would position the area well. Additionally, the area is well placed as sourcing decisions alter with access to Baltic, short-sea transit shipping and major port call traffic. By providing the labour to effect value-added services prior to final distribution, facilities could become integral parts of the chain. Though the Clipper site is 70% George at ASDA, it was designed to manage other contracts as well. The current desire for "pay-as-you-grow" capabilities as evidenced by the recent deal easily fits the Darlington model.

4.3.8 Global risks

With the length and complexity of today's global supply chains, firms are driven to build their networks in such a way as to mitigate the risks of such intangibles as weather and politics.

Over half of global supply chains were disrupted by bad weather this year, according to a survey of over 500 multinational companies sponsored by DHL Supply Chain.

The survey, carried out by the Business Continuity Institute showed that 51 per cent of supply chains were affected by adverse weather, 41 per cent by telecommunication problems and 21 per cent by transport network disruption, over the past year.

49 per cent of businesses reported a loss of productivity from such disruption, while the cost of business was raised 38 per cent and 32 per cent lost revenue.

Costs from a single disruption were reported in excess of £1m by 14 per cent of respondents, with 1 per cent citing costs in excess of £100m.

21 per cent of businesses were disrupted by the natural disasters in Japan and New Zealand.

Global risk assessments will continue to see an overall review of the end-to-end supply chain helping minimise potential disruption. The net effect of this introspection has resulted in secondary sourcing of product which often means a facility may need to be able to accept primary Far East container imports as well as secondary traffic via road, rail or short-sea shipping.

Relevance to Darlington

Again, the areas relation to multiple modes of transportation are a key benefit and should be a highlight of any marketing to the sector.

4.3.9 E-tail

Everyone predicts that this past holiday season will be bigger than ever showing significant growth despite the economic downturn. Last year Amazon saw orders for 2.3 million items on the first Monday in December while Argos noted 1.7 million site hits and 20,000 orders on Mega Monday in 2010 (29th November). Whatever happens there will be a lot of goods moving about and it is unlikely that this trend will lessen.

In order to sort all these goods out and get them delivered, retailers have to reassess their warehousing distribution portfolios as the last mile in this increasingly competitive market is more important than ever, providing the most risk to customer service levels and the highest cost per freight movement segment.

A centralised campus of warehousing allows all manner of product to be stored, before being distributed, and therefore dramatically reduces the costs associated with a widely dispersed logistics portfolio.

Relevance to Darlington

Most e-tailers are relatively "footloose" i.e. Amazon in Swansea, ASOS in Bradford. Their primary need is a large, reasonably priced labour force and the ability to reach a parcel hub. Darlington clearly has provided this capability for Argos and should continue to pursue these opportunities.

4.3.10 Recession restructuring

It is believed that most firms see the current period as the new “as-is” and rather than restraining in wait for the further dip, are now cautiously proceeding in light of the new reality. This is borne out in the increasing numbers of enquiries BNPPRE has seen nationally this year. Whereas it was previously inconceivable that a reasonable relocation or expansion business case could be made, it is now seen as imperative to make that case.

The sector most at risk continues to be shipping. There is a considerable probability that the sea freight sector will undergo systemic restructuring. The margins in both the bulk and container sectors plummeted two quarters ago and 2012 will see the effects of this. Unless there is a rebound of the magnitude seen in late 2009, the sector will probably see a rationalisation of remarkable aggression. Possibly, the container shipping sector will begin to consolidate into just a few giant firms with a pricing power to match. Up until then, freight forwarders are likely to profit from rock bottom rates.

The airfreight sector is less vulnerable. It may have suffered falling volumes out of the once solid Asia Pacific market and there is likely to be restructuring especially of dedicated freight airlines. As ever, though, it is the passenger business that will drive any change here and passenger numbers so far are robust.

Contract logistics will once again prove itself to be a haven of stability. Many of its core customers such as fast moving consumer goods manufacturers and retailers are becalmed in western markets and slowing even in developing ones. Yet volumes are unlikely to crash. Even the car industry is continuing to grow, sustained by strong exports from Europe. However the prospects for individual logistics service providers are less certain. Too many fail to cover their costs of capital and so a wave of mergers and acquisition looks highly possible.

This will impact not just on the private sector as many of the state owned industry giants may also face hard questions. The nations of Europe are engaged in brutal budget reductions and the attraction of privatisation must be on the agenda. This will have implications for Deutsche Post-DHL, DB Schenker and Geodis.

The real bellwether of the economy is road freight. Returns here are frequently terrible yet surprisingly this may be an industry that sees less change than others due to its familiarity with managing crises.

Another huge question for the logistics sector is the future of China. It shaped so much of the world's supply chain in the past decade, yet its economy is said to be faltering. What is clear is that exports to the west are slowing. We are seeing the beginning of metamorphosis for the China trade with increased influence of the other BRIC countries, Brazil, Russia and India. The UK is also seeing increased use of central and Eastern Europe to bring production closer to shore.

Relevance to Darlington

Darlington is well placed to provide an economical link in expanding or relocating chains. Further its air, road and potential rail links provide a degree of adaptability to bolster a business case.

4.4 The impact of Modal Shift

Though there continues to be extensive debate regarding the effects of policy on road and rail freight choices, it was never intended to suggest that rail (or waterborne) would replace road transport in its entirety. The end goal is to counter some of the freight transport volume growth utilising a potentially greener and more effective method.

Table 3		2006	2015	2030	% change per annum '06 30
Rail	Total tonnes (million)	123.7	130.3	197.8	+2.0%
	Of which not coal	72.3	94.7	156.7	+3.3%
	of which coal	51.4	35.7	41.1	-0.9%
	Tonne km (billion)	23.5	31	50.4	+3.2%
	Trains (thousand)	409	434	634	+1.8%
	Indicies for tonne km	100	132	215	+3.2%
Road	Total tonnes (million)	1720	1812	1968	+0.6%
	Total km (billion)	162.9	181	212.2	+1.1%
	Indicies for tonne km	100	111.1	130.3	+1.1%
Rail plus road	Total tonnes (million)	1848	1942	2166	+0.7%
	Tonne km (billion)	186.4	212	262.6	+1.4%
	Indicies for tonne km	100	113.7	140.9	+1.4%
Ports	Total tonnes (million)	575	625	761	1.2%
of which	Lolo containers (m tonnes)	52	79	122	3.6%
	Roro (m tonnes)	100*	131	195	2.8%
	Bulk liquids (m tonnes)	249	267	282	0.5%
	Other dry cargo** (m tonnes)	174	148	162	(0.3%)

*including Eurotunnel

**including minor ports

Source: MDS Transmodal

The figures above were produced by MDS Transmodal and form the basis of the currently adopted government policy.

For our purposes in this report, it is important to note that although the rail tonnage volume is not dramatically increasing as a whole, the percentage by 2030 which is not bulk/coal does in indeed rise significantly. It is this element that we will be concerned with regard to origins and destinations.

Similarly, it is not so much the total volume growth of port traffic but rather the increase in LoLo (Load on/Load off) container volumes that will inform our forecasts in this report. Though the figures above do not illustrate location, we will also need to consider shifts in entry points for this increase.

Inland transport systems can be serviced by a range of transport modes with a spectrum of cost / performance relationships. Barge transportation or short sea shipping have the lowest cost, but tend to have a low level of performance in terms of speed, reliability and flexibility of service. Air transportation is highly performing, but this at the expense of high costs and a lower capacity.

Intermodal rail has significantly contributed to improvements in freight distribution and the potential remains to maintain similar cost structure to rail carload service while providing the service level of truckload freight. By reducing the number of times a container is handled, the number of operations involved in the transfer, the distance (in the terminal) over which a container is handled, and the labour, equipment and time needed for a transfer, efficiency and productivity improvements (better asset utilisation) can be achieved. Equally important would be improving vessel and train turn times (from inbound arrival to outbound departure), and reducing drayage costs by shortening the wait time for drivers delivering and picking up containers from shippers and consignees, particularly at port terminals, as well as an elimination of deadhead, empty loads and empty trips.

4.4.1 Evaluating the Route Selection Process

The choice of linking a location to another, and more importantly, the path selected is part of a **route selection process** which respects a set of constraints.

Route selection thus tries to find or use a path minimising costs and maximising efficiency. There are obviously two major dimensions in this function:

- **Cost minimisation.** A good route selection should minimise the overall costs of the transport system. This implies **construction** as well as **operating costs**. The most direct route is not necessarily the least expensive, notably if rugged terrain is concerned, but most of the time a direct route gets selected. It also implies that route selection must be the least damageable to the environment, if environmental consequences are considered.
- **Efficiency maximisation.** A route must support economic activities by providing a level of accessibility, thus fulfilling the needs of regional development. Even if a route is longer and thus more expensive to build and operate, it might provide better services for an area. Its efficiency is thus increased at the expense of higher costs. In numerous instances, roads were constructed more for political reasons than for meeting economic considerations.

Route selection is consequently a compromise between the cost of a transport service and its efficiency. Sometimes, there are no compromises as the most direct route is the most efficient one. At other times, a compromise is very difficult to establish as cost and efficiency are inversely proportional.

4.4.2 Effect of Transport Costs on Route Selection

An efficient and reliable freight system is a necessary condition for ensuring that transport costs remain low and foster increases in profitability. As a result, shippers attach a qualitative monetary value to predictability and speed. Thus there are “real” costs and slightly intangible costs such as reliability which must be factored into the decision. As discussed in the inventory section however, these intangibles can result in substantial added “real” costs in the form of excess safety or multi-site stock holdings.

Transport routes and methods are chosen primarily on their ability to provide reliable, fast door-to-door product delivery at the “right” price. The right price is dependent on many factors but is generally held to be proportional to the cost of the product i.e. airfreight may be right for hi-tech component parts but would be unrealistic for mass produced children’s t-shirts.

4.4.3 Airports

Manufacturers and retailers are increasingly inclined to use the “just-in-time” principle of managing their inventory. They don’t want to commit large resources to container loads of stock which, given the ever-shorter attention spans of consumers, may be unsellable in the relatively near future. Such an approach is even more critical in a recession, when companies keep a closer eye than usual on their cash.

When such a scenario is applied to relatively short-haul logistics, it could be argued that it makes sound economic sense to opt for road rather than air. It’s cheaper, more flexible and can ensure deliveries direct to customers’ doors.

On longer routes, however, air would appear to have the edge over sea. Clients needing goods quicker and in smaller quantities might well prefer to use aircraft which can move commoditised items which are small in size but high in value. UK air freight represents less than 1% of the total but 25% of movements by value.

It is important to note that approximately 85% of air cargo continues to arrive on passenger airline. Heathrow handles over 50% of UK cargo, 94% of which is belly hold (and represents 86% of all UK belly freight).

- East Midlands is the largest pure freight, dedicated freighter, site and forecasts quadrupled volumes by 2016.
- Stansted’s cargo growth futures rely almost entirely on construction of a second runway. It currently has 41,000 sq m of cargo space to accommodate this.
- Although Manchester has seen a decrease in growth, the export industries it services i.e. automotive, pharmaceutical, bio-tech are growth industries for freight even in the current climate.
- Newcastle’s cargo growth has been entirely driven by new Emirates flights and with no other supporting interests is unlikely to expand beyond.
- Birmingham continues to struggle with availability of space to provide viable cargo handling en masse.
- Liverpool has strong growth forecasts which may be supported by South American freight through the America’s as well as increased multi-modal activity
- Doncaster has the potential for substantial growth but relies on corresponding growth in its intermodal development.

The expectation that passenger traffic will continue to slow has led to a reduction in forecast for air freight by IATA to flat growth over the near term.

Airfreight may also be affected by stricter environmental regulations which will impact the economics of air transport.

This should not however be taken to mean a loss in the importance of airfreight to certain supply chains. It is the only way hi-tech industries are able to compete with low labour cost environments. Failure to utilise air freight would cost hi-tech firms not only their market position but an unreasonably high proportion of their production.

Additionally, though some gains have been made with the “sun trains” carrying perishables from warm climates on the Continent, the majority will still continue to travel by road and air.

The ever increasing fickle nature of fashion apparel is also reliant on speed to market. High end products such as Prada etc travel almost exclusively by air. Even mid-tier retailers such as Zara use airfreight strategically to replenish popular lines.

Airports must then provide cargo handling capability that ensures quick and efficient handling and redistribution of product. Due to the nature and quick turn requirements of this product, it would not be expected that these facilities would be of any substantial size. The exception would of course be for forwarders such as Panalpinia, KWE or Schenker who are handling goods for numerous customers.

4.4.4 Ports

Every element of the supply chain has a role. Ports too are an integral part of the multimodal mix, and should be integrated fully into logistics plans. Their role is to add and enhance the flow of goods, rather than just being a node to be passed through.

Every port needs to act smarter and add real value for its customers. They are not just entry/exit points, they can be multi-dimensional, providing temporary storage, warehousing and process work.

If a customer uses a terminal close to the destination of the cargo (already a likely saving on the total journey cost) and if the terminal operator understands the client's business, they can create additional value.

Reducing truck turn by 30 minutes can mean four trips per shift, not three, decreasing the fixed vehicle and labour costs per trip.

Multi-user warehouses on the port estate can add value with flexible storage and handling, especially for seasonal stock build and peak season overflow capacity, with reduced shunt costs and the ability to capitalise on empty backhaul opportunities.

Increasingly, it is no longer about working to reduce cost; but rather working to eliminate cost, usually by removing unnecessary transport legs altogether.

There are huge opportunities for businesses to reduce their road miles, as increasing numbers of manufacturers and distributors are discovering by breaking away from the current UK logistics model and using the port closest to their distribution centre or manufacturing plant.

Also, with increasing volumes of short-sea freight being trans-shipped from the Continent and southern UK ports, focus for location selection should not remain entirely on the largest Chinamax vessels.

4.4.5 Rail

Moving freight by rail from the ports or from the south to the north of the UK serves several key functions.

- Mitigates road congestion
- Reduces carbon footprint
- Allows for overweight containers, reducing the number of containers required (thus transport costs)
- Improves speed of delivery

Retailers' demands encompass high-cube containers more and more and operators must work to meet that demand. Unfortunately, the lack of interoperability discussed earlier makes this very difficult when trying to transport this type of container across the country.

High-gauge capability has been delivered at Southampton: A huge and important project, completed ahead of schedule and on budget, that paved the way for rail freight growth in the region. Since the high-gauge route opened, rail market share from the port has increased by almost 10% and now stands at an impressive 39%, setting the standard for deepsea ports.

DB Schenker has also proven that HS1 can be used for freight: DB Schenker secured a landmark victory for the rail freight sector when it proved beyond doubt that freight could move efficiently and effectively through the Channel Tunnel to Barking.

First high-cube service has operated over F2N: The second gauge-cleared route from Felixstowe was open for business at the start of April.

The Class 70 Powerhaul loco has been gradually introduced by Freightliner over the year. With its greater power, it is enabling longer and heavier trains to operate, maximising the use of each path on the network. Not only does this reduce pinch points but increases the economies of scale required to make rail freight more competitive with road transport.

The headline numbers continue to predict a doubling of rail freight volumes by 2030, but with different commodities seeing very different trends.

The majority of the growth is predicted in the general freight and intermodal markets. Broadly speaking, this can be considered in three parts: deepsea, domestic, and European. Each has its own dynamics, and needs different support to thrive.

Deepsea has been the great success story of recent years, growing by some 29% between 2006 and 2011. There is real scope for increased modal shift from the major ports, and inroads are being made at smaller ports such as Teesport.

Domestic or retail traffic which runs between sites within the UK has been growing steadily over recent years. The forecasts therefore predict strong growth in this sector, but note that continued investment is needed in rail-linked facilities, with associated planning reforms underpinning this.

European traffic continues to have strong potential and the structural reforms needed to underpin it are perhaps creeping slowly forwards. The forecasts continue to show growth over the period to 2030.

In all these cases, the demand for rail is concentrated between the major conurbations in the UK and, hence, on the key north-south rail routes. Here,

there is a need to maximise use of existing capacity, and so the forecasts study the benefits of longer trains (up to 20% longer) and of six-day operation.

However, they cannot alone provide sufficient capacity for all freight growth; the forecasts show a sizeable increase in the need for freight paths. It is anticipated that HS2 will free some from the West Coast Main Line but it will also require better use of the infrastructure i.e. hours of operation.

These forecasts build on the recent evidence of growth, and demonstrate why continued investment in capacity and in ways to improve efficiency must be supported.

Relevance for Darlington

Most importing businesses would say they deployed one of two warehousing strategies: population-centric or port-centric. Arguments are being made for a return to a much more traditional concept however. Few would dispute that the key to business success lies in the efficiency of the source-to-shelf journey, but it is often unclear what impact the location of intermediate warehousing has.

Over the past 20-30 years, much of the UK's warehousing has increasingly followed the "population-centric" model of being based in the Midlands, where the average road miles in and out of the warehouse (for domestically-sourced goods) are minimised, creating a "Golden Triangle" where many leading brands base their business.

In recent years, an alternative, "port-centric", model has gained momentum, where storage is constructed port-side to minimise unequal haulage journeys. Unfortunately, however, some ports are located away from major population centres.

A third model refers back to a time when road transport was either impossible or too expensive and the two major ports of entry into the UK were Liverpool and London. It is notable these are the two areas of most significant port-to-logistics park development and the two ports most closely linked to major populations. It is theorised that we could see a return to twin distribution centres for imported goods.

In China, a new trend in supply chain thinking is seeing containers packed at source for regional delivery. Rather than a container full of kettles and another full of irons being sent to the UK, the containers would be exported from the Far East with mixed cargo, one destined for the north (and Ireland) and one for the south. Obviously the implications for this are huge. For example, the average distance travelled by goods in a standard container, via a Midlands distribution centre to all the UK population, is around 250 miles. Using a twin-port solution reduces this to around 100 miles. At a cost of close to £2 per mile, the savings are compelling.

There are substantial challenges to overcome: can demand forecasts be managed to serve two distribution centres with export lead-times? Will inventory levels rise? Can users fill a shed or would they need a reliable multi-user warehouse solution?

It represents however, the difference in shaving one or two percent from the cost base or doing something radically different.

It is thus critical that Darlington position itself as an integral link with access to these important freight modes if not populations. It is important to steer perception away from the concept that either the airside or portside or railside are the only valuable locales and towards the more expansive proposition that

each of these has a relevant hinterland to service. In this way, Darlington ties itself to key transport resources.

5 Real Estate Trends

In order to understand the importance and relevance of the logistics sector in Darlington it is important to understand the property market not just in Darlington but also in comparison to the North East and the UK as a whole.

5.1 Property Market Conditions

National

Take up in the market for first half of 2013 has reached 17.1 million sq ft, almost 2million sq ft higher than the first half of 2012.

Whilst these figures look robust on the surface it should be noted that a number of very large pre-let deals have contributed to making the figures look artificially healthy. For example Marks & Spencer have taken a 900,000 sq ft unit at London gateway and Travis Perkins have taken 700,000 sq ft at Omega Park in Warrington.

Of all regions the Midlands, once again, accounted for the highest proportion of take up with 2.49 million sq ft of deals in Q2 2013, just over 25% of the market.

It is clear however that supply dynamics are starting to affect take up trends across the country. Q1 2013 saw the Midlands achieve its lowest take up level for 3 years, whilst Yorkshire and the Humber achieved the highest take up level, in part driven by their availability of units.

The levels of new take up continue to fall on a qtr/qtr basis and in most core markets the availability of new stock is down to single figures in terms of the number of buildings.

The impact of online retail continues to have a positive impact on the market with a number of parcel and mail operators continuing to be active in the market, of particular interest to this market are smaller units on the edge of conurbations as companies strive to improve delivery times to consumers.

Overall we expect take up for 2013 to be higher than 2012 as Q3 has already started in a promising manner, for example, JCB is taking the 385,000 sq ft G Park Blue Planet at Chatterley Valley in Stoke-on-Trent on a 20-year lease at a rent of around £4.50 per sq ft. This unit has been vacant for since construction in 2008 and was one of the last remaining new units in the Midlands.

Nationwide supply in the industrial and logistics market has fallen slightly in the second quarter of 2013 and now stands at 142.1 million sq ft, a fall of 1.8 million sq ft.

The overall trend however, is that the supply of modern prime stock continues to decrease and now stands at just over 20 million sq ft, down from a high point of 44 million sq ft in 2008. Nationwide second hand supply has increased slightly to 115.4 million sq ft.

As with previous quarters the majority of supply is in the four core regions, with The Midlands, Yorkshire and the Humber, The South East and The North West accounting for 73% of all stock on the market, the share having decreased slightly from a high of 74% in 2011.

Taking our average take up figures and examining the current supply data we can break down regional supply to show how many years of supply are in each market.

In terms of total stock The Midlands has 2.3 years of supply, however for new units this falls to just 0.7 years. Strong take up in Yorkshire and the Humber has seen years of supply fall to 7.0 years, and likewise in the Northwest, which now stands at 5.4 years.

Much was made in Q2 of a return to speculative development in core markets, where IM properties are to build two logistics units totalling 334,500 sq ft at Birch Coppice Business Park off the M42 in north Warwickshire. The site is already home to occupants including Ocado, UPS, Volkswagen Group, Euro Car Parts and Roadways Container Logistics, the units will be complete in Q1 2014.

The property press are also reporting that ProLogis aim to start speculative development within the next year. However, given the start lack of supply in some markets it will be interesting to see what, if any, this impact has on the wider market.

Local conditions

Take up for logistics and industrial units in the Darlington borough boundary has averaged 198,000 sq ft a year since 2008. However, take up has generally fluctuated on a year by year basis, reaching 457,000 sq ft in 2009 and falling to just 31,000 sq ft in 2010.

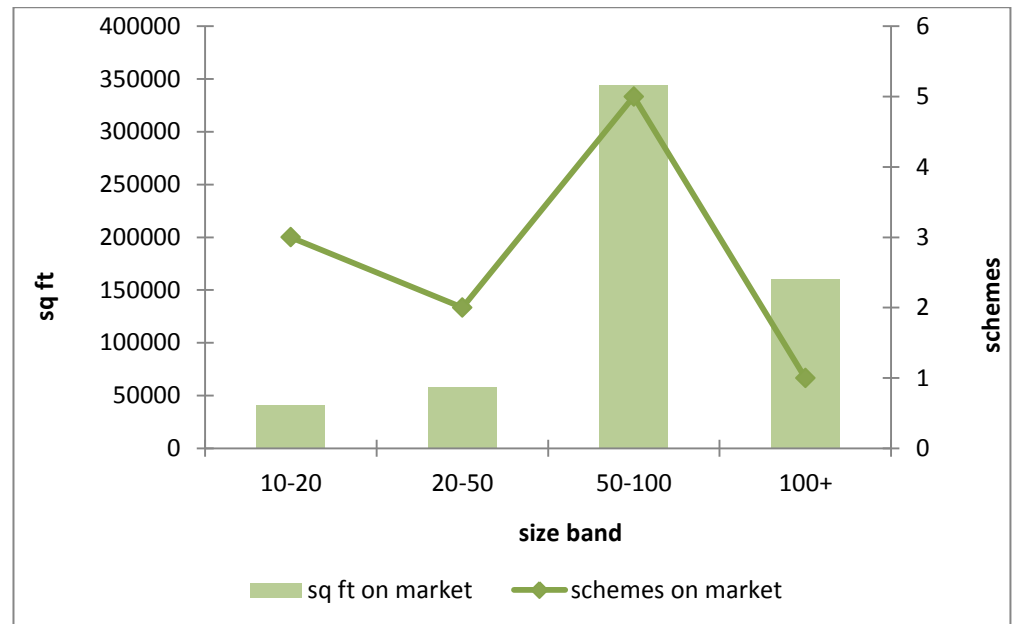
In square footage terms the majority of take up, just over 750,000 sq ft, has been for units over 100,000 sq ft, however this equates to 5 deals over 6 years, just 10.4% of all of the deals recorded.

Examining the take up figures by grade of stock demonstrates that over the last 6 years almost two thirds of take up has been for second hand units. Whilst there seems to be a preference for older (and cheaper) units this may be down to the economic conditions covering the sample period.

Moving to existing supply there is currently 603,000sq ft of stock on the market. This refers to existing buildings over 10,000 sq ft within the borough boundary. The majority of the space, 69%, is located on the Lingfield Point industrial site.

Overall there are 11 units on the market, the majority of which are above 50,000 sq ft as figure 4 demonstrates.

Figure 4: Darlington Warehouse Supply



Source: BNP Paribas Real Estate

5.2 Current Logistics Requirements

Using BNP Paribas Real Estates database of logistics requirements we estimate that:

- There are currently 32 requirements for logistics buildings over 100,000 sq ft totalling 10.6 million sq ft.
- The average size requirement is 300,000 sq ft.
- 47% of the requirements are for high street or food retailers

Within the North East as a whole however the requirement levels fall, both in term of amount and size.

- There are currently 7 warehousing requirements in the North East totalling 730,000 sq ft.
- The average sized requirement in 100,000 sq ft

This data suggests whilst the logistics sector across the UK appears to have a significant amount of active requirements the North East is not the first choice for these requirements.

5.3 Employment Forecast

BNP Paribas Real Estate has commissioned Oxford Economics to provide a regional logistics employment forecast based upon our definitions of logistics. We believe that traditional employment groupings do not accurately capture the logistics market in isolation.

Working with Oxford Economics we have produced what we feel to be a truer representation of the Logistics market and therefore of greater relevance to the big box logistics property market.

5.3.1 Logistics Employment Forecast

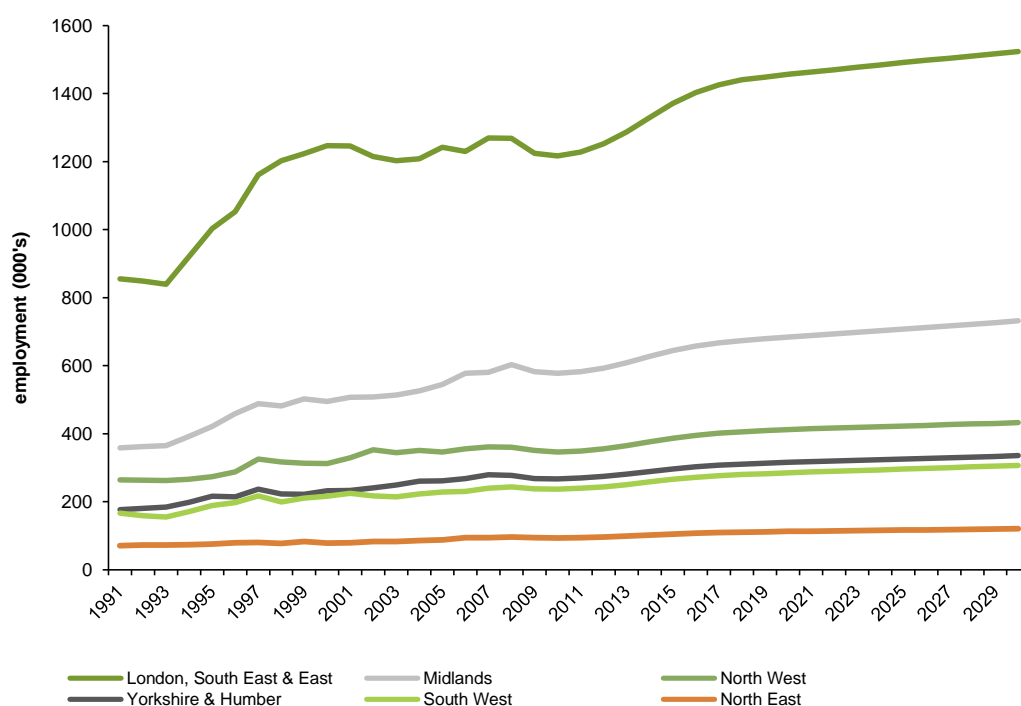
We have based our employment figures on UK Government Office Region boundaries as shown in figure 5 below.

Figure 5: UK Government Office Region Boundaries



Our data is a time series from 1991, which demonstrates that total employment in the UK logistics sector is currently 3,226,000 rising from 2,132,000 in 1991 and forecast to rise to 3,844,000 by 2030, a rise of 18% nationwide.

Figure 6: Projected Logistics Employment



In terms of the North East this is currently the region in the UK that employs the least amount of people in the logistics sector, at 99,000 people.

By 2030 it is expected to rise to 120,000 people, a 21% increase, however it will still be the region which employs the least people in the logistics sector nationwide.

From these forecasts it is possible to forecast how much land is required in the future for logistics use.

The calculations are based upon previous research by BNP Paribas Real Estate, *Challenging perceptions of B8 – dispelling the myth*, we have used a figure of 88 sq m required per worker in the strategic warehouse sector. This figure is also consistent with previously commissioned reports by Roger Tym and Partners. This allows a total floor space requirement to be simply calculated.

By 2030 there will be an additional 786,000 people working in the UK Logistics sector, broadly speaking this equates to an extra 744 million sq ft of stock required to house the additional workers.

For the North East, based upon these calculations, on average 1.2 million sq ft of additional logistics space is needed, totalling 22.6 million sq ft.

It is important to note there will be existing suitable stock in both the North East and Darlington, second hand space will be utilised and the amount of currently allocated land must be taken into account to arrive at a final figure.

6 Logistics Provision in Darlington

In this section of the report we have examined the adopted Local Plan, Darlington Core Strategy Development Document and the Review of Darlington Business Sites and Premises – February 2013 by Nathaniel Litchfield and Partners and DTZ.

These documents demonstrate there is already a strong evidence base relating the employment sites in the borough.

Using our expert knowledge of the logistics sector as demonstrated in previous chapters we have drawn out the sites which we consider to be most suited to modern logistics operation and detailed types of buildings and occupiers that they would be most suited for.

6.1 Analysis of existing provision

To assist us in identifying logistics sites in Darlington we have first considered sites identified for B8 use in the adopted Local Plan.

The following Local Plan policies EP2, EP3 and EP8 are still relevant and for context are reproduced below.

EMPLOYMENT DEVELOPMENT

POLICY EP2 - Employment Areas

Permission will be granted for business (use class b1) uses within the following existing employment areas:

1. Valley street;
2. Cleveland street / the forge;
3. Albert hill / dodsworth street;
4. Blackett road / red barnes way;
5. Banks road;
6. Yarm road industrial area;
7. Faverdale industrial area;
8. Whessoe road;
9. Aycliffe industrial estate;
10. Borough road.

General industrial (use class b2) and warehousing (use class b8) uses will be permitted where they do not harm the amenity of the area or nearby residential areas. Development will not be permitted if its access is via a residential street and it will have a material adverse impact on residential amenity. Where practicable, access should be obtained from streets not in residential use.

6.17 Most of these areas are well established or include land with planning permission, and have good access to the existing or proposed main road network. Also most abut or are in close proximity to the proposed Cross Town Route. Policy H15 applies to development which would adversely affect residential amenity. Policy T40 applies to development which would be likely to result in a significant increase in the number and size of heavy goods and other large vehicles.

6.18 Industrial and other business uses already predominate. These areas are normally separated from residential areas by physical features such as

areas of open space and roads, and it is important that this separation is maintained and enhanced. Part of Yarm Road industrial area is defined as a prestige employment area (Policy EP6).

6.19 The Council seeks improvements in the appearance of these areas through improved design and landscaping of development, particularly on sites close to their boundaries, visible from residential development, adjacent to the main road and rail routes, and adjacent to the River Skerne (Policies E14, E16, E18 and E29). Where necessary vacant and derelict sites will be reclaimed to enable them to be brought back into use (Policy E17). Where appropriate, planning briefs will be prepared for the guidance of landowners and developers.

PROPOSAL EP3 - New Employment Areas

Land will be provided for new employment development (use classes b1, b2 and b8) in the following locations:

1. McMullen road (west) (6ha);
2. McMullen road (east) (6ha);
3. Yarm road industrial area (56ha);
4. Faverdale industrial area (49ha);
5. Heighington lane business park extension (14ha).

6.20 These areas are proposed in pursuance of Policy EP1 to ensure that a wide range of sites is available to meet opportunities as they arise throughout the Plan period. (Note that there is no site EP3.4.) They have good road access to the A1(M) motorway and the main road network (Policy T40), and have good public transport links with Darlington and other major population centres. They are capable of accommodating a wide variety of uses, including offices, research and development, light industry, prestige industry, general industry and warehousing. Policy EP6 identifies areas to be developed for prestige employment and Policy EP7 identifies areas where office / business park development (use class B1) will be encouraged.

6.21 The site at Faverdale (EP3.5) is an extension to the existing industrial area. It has been provided with drainage infrastructure, has good road access to the Cross Town Route and A1(M) motorway, and has potential for rail access. Substantial advance structure planting will be required on the northern edge of the site (Policy E14).

6.22 The site at Yarm Road (EP3.3) is adjacent to the existing industrial estate, can be easily serviced, has good road access to the A66(T) and has potential for rail access.

6.23 The site at McMullen Road (East) (EP3.2) is adjacent to the existing industrial development and will have good road access to the Cross Town Route via a proposed junction at McMullen Road. The site at McMullen Road (West) (EP3.1) is already allocated in the Inner Darlington Local Plan, is on tipped land, is adjacent to existing industrial development and will have good road access to the Cross Town Route via a proposed junction at Blackett Road.

6.24 The site at Heighington Lane (EP3.6) is an extension to a site proposed as a prestige business area by the adjoining local authority, Sedgefield Borough Council. It is intended that it will be developed as an integral part of that site, which has good road access and potential for rail access, and that it will gain access from it. Advance planting and landscape works will be required on the western edge of the site.



6.25 Substantial structural landscaping and a high standard of design will be required, paying particular attention to views from main travel routes (Policy E16) and the retention of tree belts, hedgerows and other natural features (Policy E12).

POLICY EP8 - Reserve Employment Site

Land north of Faverdale close to the A1(M)-A68 junction will be reserved for development by large industrial users.

6.37 A site of approximately 120 hectares which already has planning permission for industrial development is to be held in reserve for development by up to two single major industrial users. It will not be developed on a piecemeal basis by smaller users, for whom provision is made elsewhere.

6.38 The site is strategically located, close to and visible from the junction of the A1(M) and A68. It is being promoted as a location for inward investment of sub-regional importance, with the potential for bringing major economic and employment benefits to the Darlington sub-region.

6.39 High standards of landscaping and design, particularly in respect of views from the A1(M) and A68 at Burtree, will be sought. Wherever possible, existing landscape features should be retained and enhanced as part of the development. Road access will be obtained from the Cross Town Route, and rail access from the Faverdale road / rail freight depot (Proposal T47) should be safeguarded.

6.40 The site's reserve status is reflected in its exclusion from the development limit for the town, and in the terms and conditions of the existing planning permission. It is not available for the wider range of employment uses covered by Policy EP2 and Proposal EP3.

These saved policies should be read alongside Core Strategy Policy CS5 from the **Darlington Core Strategy Development Document adopted 6 May, 2011** which sets out how the borough will develop over the next 15 years (2011 – 2026).

Policy CS5: The Provision of Land for Employment Purposes

A continuous and diverse supply of employment land to meet the needs of existing and future economic development will be provided in appropriate locations, according to the locational strategy set out in Policy CS1.

Provision will be made for up to 235ha of additional land for general and mixed use employment across the Borough. The focus and priority of provision will be:

First priority, 2011-2021

- a) Darlington town centre (office use) and Town Centre Fringe (mixed use) (about 17ha);
- b) Central Park (Mixed Use) (about 10ha);

Second priority, throughout the plan period

- c) Faverdale (Business, Industrial and Logistics) (about 50ha);
- d) Lingfield Area (Mixed Use) (about 15ha);

- e) Morton Palms Business Park Area (Prestige Office Development) (about 11ha); and
- f) Durham Tees Valley Airport (airport related) (about 20ha) and general employment (about 5ha)

The focus of other general and mixed use sites (up to 107ha) contributing to the employment land supply, throughout the plan period, will be on suitable previously developed sites in sustainable locations within the Rest of Urban Area.

Key Employment Locations

125ha of land will be made available at the key employment locations of Faverdale and Heighington Lane. This land will be made available at any point during the plan period, and is intended to accommodate strategic employment growth in addition to that provided for by the general employment land supply. This land is intended to meet the needs of new and emerging growth sectors, innovative or large user requirements, or other uses not provided for elsewhere in the Borough.

Existing viable employment sites and other sites with special attributes will be protected by safeguarding them for employment uses only or for mixed uses, where appropriate. Exceptions will be made where it can be demonstrated that:

- a. Continued use of the site for employment uses is no longer viable for appropriate employment uses, taking into account the site's characteristics and existing/potential market demand; or
- b. Continued use of the site for B1, B2 or B8 purposes gives rise to unacceptable environmental or accessibility problems; or
- c. An alternative mix of uses offers greater potential benefits to the community in meeting local needs for business and employment, or has other regeneration benefits; and
- d. The site is no longer required for the purposes of providing a balanced portfolio of land for employment purposes.

A revised portfolio of employment sites has been identified and consulted upon in the **Making and Growing Places Preferred Options Document – June, 2013**. Policy MGP 11 particularly refers.

Draft Policy MGP 11: Promoting Employment Opportunities

Existing employment areas

The following existing employment areas, as shown on the Policies Map, are safeguarded as employment areas. Within these areas, planning permission will be granted for business (Use Class B1), general industrial (Use Class B2) and storage and distribution (Use Class B8) uses, and initiatives to improve (through refurbishment, subdivision or replacement) existing buildings, to allow their continued contribution to the local economy:

- EE1 Faverdale Industrial Area (including Faverdale East Business Park);
- EE2 Cleveland Street;
- EE3 Albert Hill;
- EE4 Red Barnes Way
- EE5 Banks Road;
- EE6 Lingfield Point;
- EE7 Yarm Road Industrial area;
- EE9 Aycliffe Industrial Estate
- EEP1 Yarm Road South

■ EEP2 Morton Palms

Sites EEP1 (Yarm Road South) and EEP2 (Morton Palms), are safeguarded for Prestige Employment Development.

New Employment Sites

The following sites, as shown on the Policies Map, are allocated for new employment within use classes B1, B2 and B8, to meet employment needs over the plan period:

- EN1 Faverdale East Business Park (32.38ha);
- EN2 Yarm Road South Extension (32.64ha)
- EN3 McMullen Road West (6.62ha);
- EN4 Heighington Lane North (4.54ha).
- EN5 Lingfield Park (See Policy MGP 6)
- EN6 Albert Hill (1.87ha)
- EN7 Cleveland Street (0.81ha)
- EN8 Faverdale Industrial Estate (11.41ha)
- EN9 Banks Road (0.72ha)
- ENP1 Yarm Road North (30.56ha)
- ENP2 Former Torrington's Site Yarm Road (7.41ha)

Site ENP1 (Yarm Road North) and site ENP2 (Former Torrington's Site Yarm Road) as shown on the Policies Map, are safeguarded for Prestige Employment Development.

Key employment locations

The following sites, as shown on the Policies Map, are allocated for B1, B2 or B8 uses to meet the needs of new or emerging growth sectors, innovative or large user requirements or other uses not provided for elsewhere in the Borough, as identified in Policy CS5 of the Core Strategy:

- KEL1 Faverdale Reserve (120ha); and
- KEL2 Heighington Lane South (6.42ha)

Once adopted the Making and Growing Places Preferred Options Document and the Core Strategy will be the development plan for the area superseding the saved policies referred to.

Review of Darlington Business Sites and Premises – February 2013 by Nathaniel Litchfield and Partners and DTZ provides an evidence base to quantify the need for employment land up to 2026 and to assess deliverability of sites to meet this requirement.

This updated the Employment Land Review published in 2009. The ELR findings were used to inform policies for inclusion in the Core Strategy 2011. Policy CS 5 identified the following as second priority throughout the plan period:

- Faverdale (Business, Industrial and Logistics) (about 50 ha)
- Lingfield Area (Mixed use) (about 15 ha)
- Durham Tees Valley Airport (airport related) (about 20ha) and general employment (about 5ha)

A total of 35 sites were identified by the local authority for review. These were made up of:

- Existing employment sites currently in use, a number of which contain undeveloped areas of land which would offer potential for the site's expansion;
- Sites identified within existing local plan documents where existing allocations specifically identify their suitability for B1, B2 or B8 uses.

The table below summarises the portfolio of sites that have been considered within this report:-

Table 5.1 Available Employment Land

Site Reference	Site Name	Gross Site Area	Available Land	Gross to Net Adjustment	Net Available Land
1	Faverdale Reserve	177.82	177.82	80%	142.26
2	Faverdale East Business Park	65.49	40.47	80%	32.38
3	Faverdale Industrial Estate	59.06	12.68	90%	11.41
4	Drinkfield	16.99	4.44	90%	4
5	Longfield Road	1.89	0	90%	0
6	Meynell Road	13.58	0	90%	0
7	Central Cross Town Routes	11.27	1	90%	0.9
8	North West Town Centre Fringe	8.78	0	90%	0
9	Cleveland Street	14.59	0.9	90%	0.81
10	Albert Hill	16.02	2.08	90%	1.87
11	South East Town Centre Fringe	1.77	1.77	90%	1.59
12	East of Town Centre	71.02	0	90%	0
13	Central Park	26.28	2.4	90%	2.16
14	Barton Street	1.33	0	90%	0
15	Blackett Road	5.01	0	90%	0
16	Red Barns Way	12	0	90%	0
17	McMullen Road	9.72	7.35	90%	6.62

18	Banks Road	9.69	0.8	90%	0.72
19	McMullen Road Open Space	2.85	0	90%	0
20	McMullen Road East	6.32	6.32	90%	5.69
21	Lingfield Point	45.01	8.36	90%	7.52
22	Yarm Road Industrial Estate	74.72	8.23	90%	7.41
23	Yarm Road South Extension	40.8	40.8	90%	32.64
24	Yarm Road South	34.69	0	90%	0
25	Morton Park	14.98	0	90%	0
26	Morton Palms	11.9	9.09	90%	8.18
27	Yarm Road North	38.2	38.2	80%	30.56
28	Durham Tees Valley Airport North	66.03	12.69	90%	11.42
29	Durham Tees Valley Airport South	39.3	39.3	80%	31.44
30	Durham Tees Valley Airport Extension	18.8	18.8	80%	15.04
31	Heighington Lane North	5.67	5.67	80%	4.54
32	Heighington Lane South	8.02	8.02	80%	6.42
33	Aycliff	15.33	0	90%	0
34	Mowden Hal	3.42	0	80%	0
35	Northern West Park	13	13	80%	10.4
Total		1016.26	460.19		375.96

Source: DTZ

The existing portfolio of sites identified by Darlington Council comprises 35 sites totalling 1,016.26 hectares of which the gross available area is approximately 460.19 hectares.

The above sites although all identified for employment uses include uses such as manufacturing and offices. This report is to identify sites to grow Darlington's

logistics sector and therefore we need to concentrate on the sites which have the capacity, connectivity, physical attributes and potential to attract logistics occupiers.

In first instance we need to assess the following sites:

1. Faverdale Reserve
2. Faverdale East Business Park
3. Faverdale Industrial Estate
4. McMullen Road
5. McMullen Road East
6. Lingfield Point
7. Yarm Road Industrial Estate
8. Yarm Road South Extension
9. Yarm Road North
10. Durham Tees Valley Airport
11. Heighington Lane North
12. Heighington Lane South

1. **Faverdale Reserve** comprises a substantial area of greenfield development land located to the north of the existing Faverdale Estate and adjacent to the A1. With gross site area of 177 ha this land comprises a substantial part of the overall portfolio of land available within Darlington.

Part of the land situated along its southern boundary has been provided with access directly from Rotary Way, however, the majority of land remains unserviced agricultural fields which are unlikely to come forward until other parts of the Faverdale Industrial Estate has been developed out. The site will require substantial infrastructure to bring it forward.

As demonstrated previously by the attraction of Argos, Darlington needs to have the capacity to present a site which could house a major inward investment logistics project. Although this site would require substantial investment to improve its infrastructure it is in a prime position in respect to road connectivity next to Junction 58 of the A1 (M).

2. **Faverdale East Business Park** comprises land between the Argos Distribution Centre and the East Coast Mainline situated at the north eastern corner of Faverdale. The western third comprises serviced industrial development land in Darlington Councils ownership accessed via a site road from a roundabout on Centurion Way on the existing Faverdale Industrial Estate. Much of this land comprises greenfield sites which are provided with road access. This land has been promoted for B2 and B8 uses. In December, 2013 a 5 acre site at Samian Way was sold via a 150 year lease to Subsea Innovations for the construction of a new 40,000 sq. ft. factory.

The eastern part of the site comprising approximately 28 ha is owned by St.Modwen. For the last 5 years or so it has been marketed as Faverdale 58 offering design and build opportunities for major distribution and warehousing from 20,000 sq. ft. (1,859 sq. m.) up to 1,000,000 sq. ft. (92,903 sq. m.). Faverdale 58 advertises the potential to provide a rail freight connection.

This is probably the most attractive part of Faverdale to potential new projects. It is situated adjacent to where the most recent development activity has taken place. There is already access and infrastructure to some of the land which has created development plots which the Council owns and has been promoting through its estates department of up to approximately 10.6 acres. This could take up to approximately 200,000 sq. ft. of development. Larger enquiries would need to look at the Faverdale 58 site. There could be some concern if parts of

this site were developed for non-business uses as this may fetter future industrial/ logistics users in terms of what they could do and what hours they could operate.

3. Faverdale Industrial Estate represents one of the most important employment locations within Darlington and is one of the most established of the industrial estates within the town. It comprises a mix of uses and ages from 1970 onwards and a number of notable occupiers including George Allison Transport. There remains developable land within the estate of approximately 12.68 ha and the amount of available land has increased as a result of recent demolitions of older stock at the southern area of the estate. An example is Hansteen's Vantage Point where development land comprising 9.87 acres (3.995 ha) is available for sale. It is most likely that these demolitions have resulted as the premises have reached the end of their economic life and the imposition of vacant rates liabilities has meant that they no longer represent viable employment space. Were further land to come forward for employment uses, it would likely be in the form of mixed B1, B2 and B8 uses.

This older part of Faverdale is probably the least attractive to new companies as any new development will be next to older poorer quality buildings which will potentially detract from the image a new occupier would be looking to portray. It could however provide opportunities for the development of smaller units (up to 5,000 sq. ft.) on some of the vacant sites and it continues to provide availability of variable standard second hand warehousing space from time to time.

Faverdale should be promoted as a major industrial/ logistics location which has the capability to provide opportunities right across the size range but at the moment this is fragmented with individual sites being put forward to the market. A more comprehensive approach would promote the area more favourably.

4. McMullen Road The land that adjoins McMullen Road has been developed at its eastern end to provide two car showroom facilities, with the remainder comprising undeveloped land of approximately 6.23 ha (15.3 acres), previously marketed by Jones Lang LaSalle (formerly King Sturge). The prominent position alongside the B6279 Darlington East Transport Corridor and adjoining the existing employment space off Banks Road means that this site is likely to have potential for employment development. Its position means that it is within easy access of the town centre to the west and east out of Darlington, towards the wider Tees Valley urban area.

Access to the site currently appears to be along Banks Road from McMullen Road. We have been unable to source a promotional brochure for this site but suspect the owners are potentially looking for uses which will produce higher returns than industrial/ logistics.

5. McMullen Road East comprises 6.32 ha of land adjacent to the wider Lingfield Point development and lies immediately opposite the existing Banks Road Industrial Estate. The site is, however, only accessed through the Lingfield Point development which comprises a mixture of employment uses and would seem to be a natural extension of this scheme.

6. Lingfield Point. Within Lingfield Point work remains ongoing in relation to the conversion and part new build of the large former Paton and Baldwins factory complex.

This development represents one of the most important employment areas within Darlington and includes offices for The Student Loan Company and Capita amongst others and substantial but dated warehouse/factory space.

Lingfield Warehousing is currently advertising flexible warehouse and industrial space from 1,000 to 650,000 sq. ft. although their agent has confirmed there is currently approximately 65,000 sq. ft. available to let. This is mainly older refurbished factory space let at inclusive rents of about £2.00 per sq. ft. appealing to users looking for older cheaper space. There are some buildings that are not very attractive to users and have been on the market for a number of years.

Recent lettings have included 160,000 sq. ft. to Turtle Beach who produce gaming headsets and other space has been taken up for storage by Lingfield, Capita and the Student Loan Company.

We have spoken to Eddie Humphries (Estate Manager) for the owners Marchday regarding their plans for the future. There are no plans to develop any new warehousing on the site although they will continue to keep as much of the current warehouse space as possible let out at least up to 2017 when a number of leases are due to expire..

Two thirds of the site has planning for a mixed use community and the owners will be looking towards this and retaining the redeveloped offices in the future rather than the warehousing.

7. Yarm Road Industrial Estate comprises one of the most important employment areas of the town and is one of the most popular for a range of occupiers. The estate has been developed in a piecemeal fashion and comprises a range of property and occupiers. Some demolition has taken place in recent years providing small parcels of land within the estate itself but the main area for growth lies to its south western corner adjoining Yarm Road. This includes the former Torringtons site now known as Yarm Road Interchange, Barrington Way. This is a 20 acre mixed use development opportunity prominently located on the B6280 Yarm Road next to Darlington Retail Park. Already developed on the site is a Travelodge and a Toby Inn as well as a small trade counter development. Phase 2 approximately two thirds of the site is still to be redeveloped.

The main estate is pretty much developed out although as mentioned there are one or two infill sites available. For this reason the estate is unlikely to play a major role in attracting new logistics occupiers to Darlington due to its lack of good sized development sites.

Yarm Road Interchange was on the market as a development site for a number of years but again has been viewed in the market as having potential for higher value uses than industrial/ warehousing due to its profile to Yarm Road and its adjacency to Darlington Retail Park. This view has been borne out by the development that has so far taken place.

8. Yarm Road South Extension lies to the south of the existing Yarm Road Industrial Estate and comprises three large factory premises including Cummings Engines and Cleveland Bridge. To the south of these occupiers, there is a significant amount of expansion land (40.8 ha) available adjoining the Tees Valley Railway line. This land is currently used for agricultural purposes.

The most accessible development land lies immediately to the south of Morton Palms and will serve in due course to extend this office park. The remainder of the land known as Yarm Road South (west of rail line) has no road profile and is likely to be expensive in infrastructure terms to open up for development. We do not consider this as a priority on which to focus development for logistics in the short to medium term.

9. Yarm Road (North) At the corner of the A66 and the new Darlington Eastern Transport Corridor lies Yarm Road North which has been branded Link 66 and promoted as a major growth area for future employment development. Its position adjacent to the major regional highway infrastructure means it is well placed for connectivity to both Darlington and the wider Tees Valley. This comprises a greenfield site of 38.2 ha and is promoting industrial/distribution from 150,000 up to 1,800,000 sq. ft. in a single building plus offices, hotel and restaurant opportunities. All mains services will be provided from the planned estate road which will be accessed from the Darlington Eastern Transport Corridor.

This has many attributes of a good logistics site. It is well located near the A66 but not far from local services. It has the capacity to accommodate large buildings and a developer with the ability to deliver buildings where required within a reasonable timeframe.

10. Durham Tees Valley Airport has three potential sites available. Success is linked to the long term growth and expansion of the Airport. Peel Holdings the majority shareholder in the airport has recently consulted on a master plan for the future of the airport which will include surrounding land. We understand that Peel are looking to grow the occupier base and to expand air freight and general aviation activity. We initially spoke to Simon Houldsworth at Darlington Borough Council who was able to give us a brief insight on current proposals.

The Airport North comprises the existing employment development in and around the airport and incorporates a range of occupiers. Further opportunities for expansion within the estate remain with land of approximately 12.69 ha available. Although this site had good access to the A67 and onto the A66 and A19 there could be restrictions on development because of its proximity to the Airport. The site sits adjacent to a railway line which could increase its importance if its freight business expands.

Durham Tees Valley Airport South (39.3 ha) lies immediately to the south of the Airport runway and can only be accessed through the Airport itself or over land within Stockton on Tees. In isolation, this site presents no significant opportunity for employment development although Peel may be bringing some proposals forward.

Finally, the Airport Expansion Land (18.8 ha) lies to the north of the runway and to the west of the existing Airport Terminal and comprises agricultural land available for immediate development. This site presents direct access to the surrounding regional road network.

Development in these locations is likely to be focused on the growth of the airport and provide opportunity to support growth in (amongst other uses) air freight/logistics.

The 'Durham Tees Valley Airport Master plan to 2020 and Beyond' establishes a vision for the future of the airport and its surrounding land holdings. It considers proposals for the airport to 2020 and beyond and provides a broad indication of potential development beyond that period to 2050.

The Master plan vision is to reposition DTVA to establish a viable airport business model and investment strategy for the long term, to create a mixed use airport neighbourhood facilitating investment by others in a range of aviation related businesses and other uses and to create a spatial framework and business case for the investment in the developments necessary to achieve

this vision. As part of our research we spoke to Peter Nears, Strategic Planning Director, Peel Holdings (Land and Property) Ltd.

Developments proposed include the following:

Aviation proposals. Reconfiguration of the terminal building to create a more efficient and tailored terminal facility and associated catering services. This includes being more focussed on business passengers and capitalising on established services to Schiphol and Aberdeen. New hangers to support business and general aviation activity. Rental revenue from the hangers will help financial viability.

Northside Employment Area. To maximise employment potential it proposes a rail siding to accommodate freight trains and create a multi-modal interchange. The master plan indicates that the railway siding which would be constructed on the site of the existing station (to be moved to a position next to the access road from the A67) would be double ended and could be up to 600m long depending on user requirements. Trans-shipment between rail, air and sea via the existing rail line is seen as a potential activity. It is acknowledged by Peel that other than knowing it can be done there has been nothing done to advance this but it is seen as keeping options open at this stage. It is intended this will be attractive to warehousing and distribution facilities as well as processing and consolidation businesses. 16,820 sq. m. of B2/ B8 is planned as well as 9,600 sq. m. of B1 offices.

Other development planned on the Northside includes extension of the St. George Hotel and a gym and 250-400 new homes. Peel sees this as important to raise funds to enable other plans to progress.

Southside Area. Phase 1 has an extant planning permission for a logistics and industrial park totalling 176,900 sq. m. a new link road around the eastern end of the runway will connect the employment uses and the rail freight proposed at the Northside and the Southside. An additional approximately 40 ha of land to the west of the approved scheme (Phase 2) is allocated for employment development. Delivery of employment floor space is phased much of it taking place beyond 2020. However not all the land in the master plan is owned by DTVA Ltd.

Peel see this area as being more suited to general logistics and are encouraged by the local presence of third party logistics companies TNT and Norbert Dentressangle.

Peel has ambitious plans to try and grow the airports business. In the past there has not been a great appetite from the market to locate at or near the airport unless there was a specific reason to do so. We can see a market for air freight related logistics companies looking to occupy premises near to the airport but in general logistics terms there are better sites in Darlington.

The airport is however a major resource for the Tees Valley region which can have a positive impact on how business views the area. There is also potential for links with the Port of Tees by rail which could be better explored in the future to boost the locations attraction to logistics occupiers.

11 and 12 Heighington Lane North and South (5.67 and 8.02 ha respectively) are located on the south west edge of the Aycliffe Industrial Estate. Both sites currently comprise agricultural land. We understand the north site forms part of the existing allocation for Merchant Park which is to incorporate the new Hitachi train factory. It is further understood that there are ongoing discussions to

expand the Amazon Park scheme which may include the south site. It is therefore likely that these sites will be developed out for uses related to the Hitachi plant and its associated supply chain.

In the absence of Merchant Park and the Hitachi Train project it is very unlikely either of these greenfield sites would be developed in the medium to short term as there are much easier developed and better located sites available on the Aycliffe Industrial Estate.

6.2 Challenges for Darlington

Darlington inevitably faces competition to attract and secure logistics occupiers from other areas, be that locally (within Tees Valley and surrounds), regionally throughout the north east and potentially on a national basis.

Competition is likely to come in the form of both available existing warehouse buildings and sites capable of providing speculative or design and build premises which can suit the requirements of the sector.

The last five years have seen speculative industrial/ warehouse development grind to a halt due to a combination of factors including the credit crunch followed by the recession in the economy. Legislation removing empty rate relief contributed to a situation of rising costs and reduced returns for developers which made development a non-viable proposition unless there was a pre let or sale to an end user.

Local and Regional Alternatives

Lack of new supply over the last five years has seen a large reduction in the available stock of buildings in the north east. The last three years in particular have seen the majority of modern well located units of 100,000 sq. ft. plus taken up to the extent that there is only one new (as opposed to second hand) unit available at Drum, Chester-le-Street.

Drum One comprises a purpose built warehouse of 263,885 sq. ft. built by Gladman (one of a development of three) which has stood empty for five years. According to one of the joint agents there are a couple of companies currently looking at it very seriously.

The last major warehouse deal to take place in the Tees Valley was Clipper Logistics taking a new 400,000 sq ft warehouse at Wynyard Park to supply George at Asda. This is particularly interesting because Clipper were based in Darlington but having reviewed the market and available options they decided to leave Darlington for another site in the Tees Valley. Tees Valley Unlimited (TVU) was instrumental in assisting Clipper. Both Peter Shields and John Leer at TVU felt that proximity to market and Teesport as well as an available workforce at reasonable wage rates were important factors in the decision to go to Wynyard.

Competing locations include:

- **Wynyard Park, Stockton-On-Tees** is a 280 ha mixed use scheme just off the A19 between Hartlepool and Sedgfield which is only part completed.
- To the eastern end of the site next to the A19 are two large warehouses. One which comprises 300,000 sq ft was speculatively built and eventually let to EDS as a data centre. The more recent warehouse of approximately 400,000 sq ft was let to Clipper Logistics.



- Further west on the site a smaller speculative scheme TV 120 comprising industrial/ warehouse units of between 11,000 – 30,000 sq. ft. built in 2010.
- There is plenty of available land for design build units as and when required set in a business park environment with local services on site or near at hand.
- **Foxcover, Seaham, County Durham** comprises a development of about six large industrial/warehouse units built in the early 2000's as part of the East Durham Enterprise Zone. The development is situated about one mile east of the A19 and is reached via the A182 link road. Units currently on the market include Foxcover 7 & 8 a 120,000 sq. ft. former food preparation factory and Foxcover 9 comprising a warehouse unit of 132,510 sq. ft. Although take up of units of this size in this location have been a bit slow the lack of stock in the region generally is creating increased interest.
- **Washington, Tyne and Wear** is a former new town sitting between the A1 (M) and the A19 just south of Tyneside. It is home to the extensive and very successful Nissan Car complex which has created many jobs in the area through both itself and the extensive supply chain.
- Turbine Business Park just off the A19 next to Nissan last year saw the pre-sale of a new 421,000 sq. ft. unit to Vantec Europe a third party logistics provider.
- 2012 also saw the sale of a 100,000 sq. ft. warehouse unit at Cherry Blossom Way (next to Nissan) that had stayed empty for five or so years via a receiver to Fergusons Transport.
- Washington has proved a popular location for warehousing and manufacturing companies in recent years with other large occupiers including Asda for food and clothes at Pattinson Industrial Estate and Rolls-Royce and BAE Systems at Radial Business Park.
- There are a number of sites around Nissan which are currently under consideration for further industrial/ warehouse development.
- **Follingsby Park, Gateshead** a major warehouse park comprising over 40 ha and 1,000,000 sq. ft. of buildings situated adjacent to the A194 (M), providing good access to the A1 and A19.
- Around 210,000 sq. ft. of industrial floor space was built speculatively here in 2000 and a substantial amount of space has been delivered in recent years. Major occupiers include Iron Mountain, DHL, Royal Mail, Citylink, Gazelle Transport, Spark Response and Barbour.
- **Team Valley Trading Estate, Gateshead** probably the north-east's premier industrial estate occupies a strategic location adjacent to the A1 western bypass in Gateshead. It comprises approximately 275 hectares (680 acres) and is home to over 700 businesses.
- Over 51,000 sq. m (550,000 sq. ft.) of new industrial units have been built here since 1998, with occupiers including Royal Mail, UK Mail, Canute Haulage Group and DHL.
- There are still in excess of 20 ha (50 acres) of land ready for development on the estate and the demolition and redevelopment of older stock is ongoing. Planning permission was granted at the beginning of this year for

Dukesway Central, providing up to 18,580 sq m (200,000 sq ft) of B2 or B8 accommodation.

- **Drum Industrial Estate, Chester-le-Street, County Durham** is an established industrial estate very close to the A1 (M). It comprises a range of sizes and ages of buildings from the 1970's onwards.
- The most recent developments have been City and Northern's Angel Park comprising six high quality production/warehouse units ranging in size between 15,000 sq. ft. and 30,000 sq. ft.
- Drum Park developed by Gladman and subsequently sold to Evander Properties was a development of three warehouse units. One was taken by the Co-op to replace its existing older depot on the estate, Drum Three (83,720 sq. ft.) was sold to Parcellforce earlier this year leaving only Drum One (264, 000 sq. ft.) still available. Other large occupiers on the estate include Batley's Cash and Carry and Simpson Bros. Transport.
- **Belmont Industrial Estate, Durham** sits just east of Durham City and within a mile of the A1(M). This comprises a mixture of industrial and more lately office park units developed over the last 25 years. Some of the original industrial units were developed by English Estates in the mid 1980's. More modern units were developed by Helios and Argon Properties. Alongside the adjacent but older Dragonville Industrial area it provides the main warehousing opportunities in Durham but currently there is limited availability.
- **Durham Rail Freight Interchange, Bowburn, County Durham.** It has recently been announced that First Industrial Developments have exchanged contracts to deliver one of the UK's biggest rail connected employment parks. Situated just off Junction 61 of the A1(M) between Bowburn and Tursdale, this 540 acre site has just gained planning permission for its first phase and is scheduled to start in 2014. The agents for the scheme are promoting build to suit buildings up to 2,000,000 sq. ft.
- The rail freight terminal is very much dependant on securing some large end occupiers. At the moment this is still an agricultural site with no infrastructure. The owner is currently considering selling some land for residential to help fund the commercial parts of the scheme.
- **Aycliffe Industrial Estate, Newton Aycliffe, County Durham** comprises a site of 400 ha supporting over 250 companies just off the A1(M). Existing for over 50 years it has a long association with manufacturing and engineering in particular.
- The most recent developments have been at the southern end of the estate where Lidl have a large distribution centre and Merchant Place have secured Hitachi as part of their Amazon Park development at Heighington Lane.
- Now to be called Merchant Park it comprises a 104 acre greenfield site with planning for 1,400,000 sq. ft. of B1, B2 and B8 buildings. Having already attracted the Hitachi Rail Europe project there are a further 14 ha (35 acres) remaining with outline planning for 900,000 sq. ft. of buildings.
- There are a number of other industrial estates throughout the north east and North Yorkshire which could accommodate logistics companies but we believe the ones highlighted are the most important locations.

Another region which is likely to compete for logistics enquiries in the future is Yorkshire and South Yorkshire in particular. Prior to the credit crunch and the recession South Yorkshire was a popular location for logistics companies particularly given its excellent road communications including the A1 (M), the M1 and the M18. It also had relatively cheap land compared to the south east and the midlands and very large centres of population. Many of the schemes which were planned or in the process of being developed are now being heavily marketed to attract occupiers particularly given the improving economic climate.

Competing locations include:

- G- Park near Westmoor Park, Doncaster. Next to J.4 of the M18 the developer Gazeley is promoting bespoke distribution/warehouse facilities with sizes from 100,000 sq. ft. to 1,400,000 sq. ft.
- Inland Port, Rossington, Doncaster. This comprises a £400 M inland port project by a development alliance of Helios Europe, Shepherd Developments and SEGRO Plc. I Port on a net developable area of 337 acres has outline planning permission for 6 m sq. ft. of warehouses ranging from 100,000 – 1,200,000 sq. ft. As well as having a new direct access to J.3 of the M18 it will include a 35 acre rail freight interchange. It will also have customs clearance and bonded warehouses on site.
- Robin Hood Airport Business Park, Doncaster is owned by Peel Land and Property. It is marketing high quality manufacturing and distribution units to be developed from 10,000 – 245,000 sq. ft. on a build to suit basis.
- South Yorkshire Industrial Park, Tankersley nr Sheffield. Near J.36 of the M1 Gladman have a 25 acre site. They are promoting build to suit industrial/warehouse opportunities in 4 units from 51,378- 100,711 sq. ft. with a 20 week construction period.
- Sheffield Business Park is situated on the site of the former Sheffield Airport and is a joint development between Sheffield Business Park and interesting to Peel Land and Property. Phase 2 comprises 50 acres with Enterprise Zone status with planning consent in place for over 1,000,000 sq. ft. of build to suit opportunities from 20,000 sq. ft. upwards.

It is interesting to note that Peel Land and Property are heavily involved in two of the major schemes in South Yorkshire. On both they have appointed agents to help in marketing the opportunities unlike their position at Durham Tees Valley Airport.

Also of note is the level of promotion and marketing being undertaken at these sites as compared with for example Faverdale.

6.3 Darlington Infrastructure

Darlington is very well located in the north east in terms of transport infrastructure.

6.3.1 Road

Just to the west of the town is the A1(M) trunk road which is for the most part a dual carriageway to the north of Yorkshire.

- The A66 cross –Pennine route running south of the town centre provides a dual carriageway link through to Middlesbrough and Teesport to the east as well as the A19 north/ south trunk road.
- The new Darlington Eastern Transport Corridor provides dual carriageway access into the north east of the town from the A66 and helps open up sites like Link 66 but other arterial roads are single carriageway in the main.
- The A67 is the main link with Durham Tees Valley Airport.

6.3.2 Rail

In terms of rail infrastructure the town has a main station which straddles the East Coast mainline. There is a branch line to the north of the station which goes off to the North West and passes the east of the Faverdale site carrying on north through Heighington Lane at Aycliffe and on to Shildon and Bishop Auckland.

- South of the main Railway station the Stockton to Darlington Railway heads east passing Durham Tees Valley Airport to Eaglescliffe and beyond to Stockton and Middlesbrough to the east.
- There is potential for rail freight terminals/ sidings at Faverdale, Aycliffe and Durham Tees Valley Airport.

6.3.3 Air

Darlington has an airport near to the village of Middleton St. George to the south east of the town, Durham Tees Valley Airport. There are currently regular flights to Amsterdam and Aberdeen. There is currently a master plan to try and boost the potential of what can still be regarded as a major transport asset for the area.

6.3.4 Sea

Although not in Darlington, 16 miles to the east PD Ports owns and operates the Ports of Tees and Hartlepool (known as Teesport), a major deep sea complex at the heart of the industrial Tees Valley. The port is the UK's fourth largest port by tonnage and covers an area of 200 hectares (490 acres) of land along the southern bank of the River Tees. At its heart is Tees Dock, a deep-water facility some 5 miles from the sea. Teesport handles over 6,000 ships a year and is strongly associated with petrochemicals, manufacturing and engineering. The estate is rail-connected and close to the A66 trans-Pennine route, and to other major trunk roads. Facilities include two container quays and 'roll-on roll off' facilities.

7 Future Provision

7.1 Sources of Growth

Three major levels of functional integration can be found for freight distribution clusters:

- **Logistic zones.** The suburbanisation of distribution centres (DC) resulted in the formation of various logistics zones where land is available and with proximity to major road infrastructure, particularly motorways. They are often the outcome of zoning changes done by local governments implicitly defining an area for warehousing and freight distribution activities and giving the green light for private firms to develop their projects. However, those activities are commonly unrelated, implying that they have their own supply chains and distribution networks. Accessibility tends to be the main factor favoring agglomeration within the freight cluster. They are likely to appear rather spontaneously as several firms realise the advantage of a location for freight distribution centres. (Magna Park/Golden Triangle)
- **Logistic clusters.** A concentration of freight related activities within a specific area, commonly built for such a purpose, master planned and managed. These activities include distribution centres, warehouses and storage areas, transport terminals, offices and other facilities supporting those activities, such as public utilities, parking space and even hotels and restaurants. Although a logistic cluster can be serviced by a single mode, intermodal facilities (rail terminal, port or airport) can offer direct access to global and regional markets. The development of logistic clusters has many benefits to manage the freight flows generated by several unrelated users through economies of scale since they are sharing the same facilities and equipment, mostly around a transport terminal or a depot. This in turn reduces transport costs and promotes its reliability. Various names have been used to label them, such as "freight villages". They are commonly the outcome of strategies of port authorities, regional governments or private terminal operators. (DIRFT)
- **Logistic poles.** Has all the characteristic of a logistic cluster, but commonly implies a higher level of integration between the firms and distribution centres present within the pole as well as with transport terminals servicing the pole. This can also involve the setting of a free (foreign) trade zone (FTZ) within the pole, conferring an additional level of flexibility (and complexity) in freight distribution. A pole has a higher level of integration with intermodal terminals, whether ports, rail yards or airports, resulting in an intermodal freight distribution system. In some cases of advanced supply chain management strategies, the terminal upstream of the supply chain can act as a storage buffer and functionally be part of the logistic pole. Logistic poles tend to be the outcome of a concerted action between high level government agencies and the private sector since regulatory changes are required as well as large scale infrastructure investments. In particular, they are built on the principle of co-location where the planning and operation of both the terminal and the logistic zone are jointly planned. They thus have a well established governance structure as well as a logistics service market that include education and training strategies to insure a productive labour force. (none, perhaps the Doncaster or Peel vision)

Freight distribution clusters can grow both in scale and scope. Although they can independently grow either in scale or scope, this process tends to be concomitant.

The sustainability of the logistics sector in Darlington will rely on growing/maintaining both clusters and zones. Zones provide diversity thus not relying on a single chain whilst clusters provide endurance due to the difficulty in disconnecting.

Organic/home-grown

It is quite safe to assert that much of Darlington's sector growth will be organic. Unlike the southeast and Midlands who serve as magnets for any population centric model, Darlington must capitalise on its access to the transport links that facilitate movement of freight TO those populations. And importantly, their labour force and reasonable cost proposition that enables firms to perform the key just in time transformations of product.

Local firms with a strong history in the area and a committed workforce should be assisted in their growth. Many are increasingly likely to find themselves either part of a collaborative as described previously which encourages their growth to further the collective success (i.e. pallet networks) or an acquired link in a retailers chain.

To increase control and surety, most of the major retailers have consumed many of their suppliers into the larger organisation of the past three years. This trend is set to continue.

Additionally, key occupiers such as Hitachi, etc will continue to exert influence to build their supply chains around their own location in order to enforce the "pull" method of supply which keeps them efficient.

Incomers

Drawing on the previous sections, it is easy to forecast where incoming sector occupiers may derive from. Concerted efforts by transport link managers such as the port and AV Dawson will draw firms to their offering and ultimately to the broader environs.

Additionally, Darlington should focus on those occupiers who are footloose such as the e-tailers and tech firms.

7.2 Land Assessment

Having reviewed the main sites in the context of which is most likely to attract logistics operators and therefore developers of warehouses in the future there appears to be three main areas.

1. **Faverdale** due to its connectivity to the A1, availability of land capable of being developed reasonably easily, infrastructure and track record of attracting companies including Argos, Aldi and DHL.

At Faverdale the site which should be promoted first should be Faverdale East Business Park which already has some infrastructure and it is where the last two major developments have taken place, the Argos Distribution Centre and Easter Developments 190,000 sq. ft. industrial/warehouse scheme containing Cold Store Logistics in the 100,000 sq. ft. unit.

The recent sale of 5 acres for a new factory facility for Subsea Innovations shows that given the right conditions the location is still attractive to industrial/logistics occupiers.



2. **Yarm Road North (Link 66)** given its easy access to the A66 and therefore the eastern Tees Valley and Teesport, its prominence, size, ability to take development readily (given the right conditions) and its position amongst the heart of Darlington's industrial and commercial businesses.

3. **Durham Tees Valley Airport.** This is an area particularly in the short to medium term which is only likely to attract air related logistics companies who will benefit from the airports unique facilities. Nevertheless it is a major asset for Darlington and the Tees Valley area which can provide opportunities for companies in relation to air freight that cannot be provided elsewhere.

There will no doubt be logistics companies who for whatever reason may want to locate on some of the other sites reviewed but this is likely to be individual and small scale development.

In Tees Valley this is likely to be Wynyard Park.

Looking further afield there is Merchant Park at Newton Aycliffe which will likely thrive off the Hitachi project. Durham RFI is still very speculative but could prove competitive in the future given the right conditions. The area of Tyne and Wear from Team Valley to Washington and Chester-le Street is very well connected to the A1 and A19 and has a very well established industrial and logistics market.

7.2.1 SWOT of recommended sites

FAVERDALE

Strengths

- Good land supply
- Easy access to A1 (M)
- Track record of attracting big companies e.g. Argos
- Some infrastructure already in place

Weaknesses

- Poor connectivity to eastern Tees Valley and Teesport
- Several sites in different ownership
- Confusing offer

Opportunities

- To present a well prepared easily developable site
- Reasonable land price
- Council already own a major part of the site
- Potential rail freight opportunity

Threats

- Merchant Park, Newton Aycliffe and other well connected sites
- St. Modwen plan for residential on part of the site

LINK 66

Strengths

- Large, prominent, regular shape
- Excellent access to A66 and Teesport
- Single ownership with developer option which can be easily operated
- Nearby retail, restaurant and hotel facilities

Weaknesses

- No existing development on site
- No site infrastructure other than access from Darlington East Transport Corridor



- Unlikely to develop initial unit of less than 150,000 sq. ft.
- Poor connectivity to A1 north of Darlington

Opportunities

- Can provide bespoke industrial/ warehouse units from 150,000 up to 1,800,000 sq. ft.

Threats

- Other better located sites
- Lack of development without a large pre-let or financial support to assist infrastructure

Durham Tees Valley Airport

Strengths

- Existing road, rail and air access
- Established business passenger links to Amsterdam and Aberdeen

Weaknesses

- Comparatively poor road access
- Lack of on-site facilities for workers
- Previously unattractive to the general property market

Opportunities

- Owners currently consulting on new master-plan
- Potential to increase air freight
- Potential rail freight and therefore multi-modal opportunity

Threats

- Reduced income from lost passenger flights
- Will Peel prefer to invest in other parts of their property portfolio
- Other airports including Newcastle and Sheffield
- Restricted development adjacent to airport

8 Conclusions & Recommendations

8.1 Conclusions

8.1.1 Darlington has a role to play in international and national supply chains

As referenced in section 4.3 Darlington has many of the ingredients required to play a role in global supply chains. Within the borough boundary over 2 million sq ft of warehouse property is already utilised in the retail supply chains of companies such as Argos as Lidl.

Section 4.3 demonstrates the key supply chain factors at a global level and how they have the potential to impact Darlington. In particular, the cost of labour, rent and onward transportation along with negating the impact of congestion elsewhere are where Darlington has key strengths that can be exploited in the future to market the region more appropriately to potential logistics tenants.

8.1.2 The market is not yet performing at its best

However we have not yet seen the evolution of a logistics cluster in the region that befits the current and potential infrastructure which is in place. Take up for logistics property in Darlington has averaged 198,000 sq ft a year since 2008.

Moreover the region is over exposed to the retail sector by square footage, almost 47% of all logistics space in the Darlington borough is in the retail sector. Should a key occupier choose to leave the borough this would create a dramatic fall in the prevalence of the retail sector.

8.1.3 Darlington has significant sites suitable to large scale logistics users

Having conducted significant desk based research and held interviews with key local stake holders we believe that Darlington should focus attention on three key sites in the borough that have the greatest potential to come forward in the short to medium terms

By 2030 in the North East we expect a 21% increase in logistics employment in the North East, this equates to an additional logistics requirements of 22.6 million sq ft.

Taking into account the Employment land Review, 2009 and the adopted policies in the Darlington Borough Local plan, section 7.2 of the report suggests that the sites that are most commercially attractive and therefore deliverable are:

- Faverdale
- Link 66, and,
- Durham Tees Valley Airport

8.1.4 What requirements are currently in the market

Section 5.2 demonstrates that there are currently 10.6 million sq ft of active requirements in the logistics sector across the UK, of that only 700,000 is focussed on the North East.

It is therefore clear that the pool of occupiers available to Darlington is not substantial and we would question the volume of employment land allocated in Darlington

8.2 Recommendations

8.2.1 Better promotion of the logistics sector

Darlington has many characteristics that make it suitable to logistics occupiers however it our view that these are not promoted as widely as they could and should be.

Moreover the borough does not hold a list of current market requirements. By engaging with local agents and landlords the borough would be better placed to match sites and promote accordingly.

A key focus should be to engage companies who are not geographically constrained, such as online retailers. Whilst these requirements may not come to the market as often we believe they have more potential to locate in Darlington compared to “traditional occupiers”.

8.2.2 Concentrate efforts on existing schemes

In order to achieve stronger promotion of the logistics sector we believe Darlington Council should take the lead in the creation of a logistics working group.

This would bring together all key stake holders in the covering infrastructure, property developers, agents and major occupiers.

The aims of this group would be to ensure a consistent message is delivered to the market and to ensure occupiers are aware of the suitability of Darlington as a logistics location.

The three schemes we have highlighted are the most commercially attractive logistics developments in the Darlington Borough.

Whilst there are schemes in place for a Rail Freight Terminal it is our view that these are not deliverable in the short to medium term.

By concentrating on short term deliverables Darlington has the potential to deliver a logistics cluster that encourages further growth.

8.2.3 Creation of a Logistics Master Plan

This commission has been designed to provide an overview of the Global logistics sector and how that has the potential to impact on the Borough of Darlington. The research has been desk based and through predominantly secondary sources.

We believe that should Darlington choose to peruse the logistics sector more aggressively then further work is required.

This would cover research into key transport and employment variables, the creation of a task force to promote the sector and bespoke marketing materials.

A key point of reference is the Logistics Hub UK which is partnership of private-sector companies and government organisations committed to the on-going growth and development of the logistics, distribution and warehousing sector in Doncaster and the Sheffield City Region.